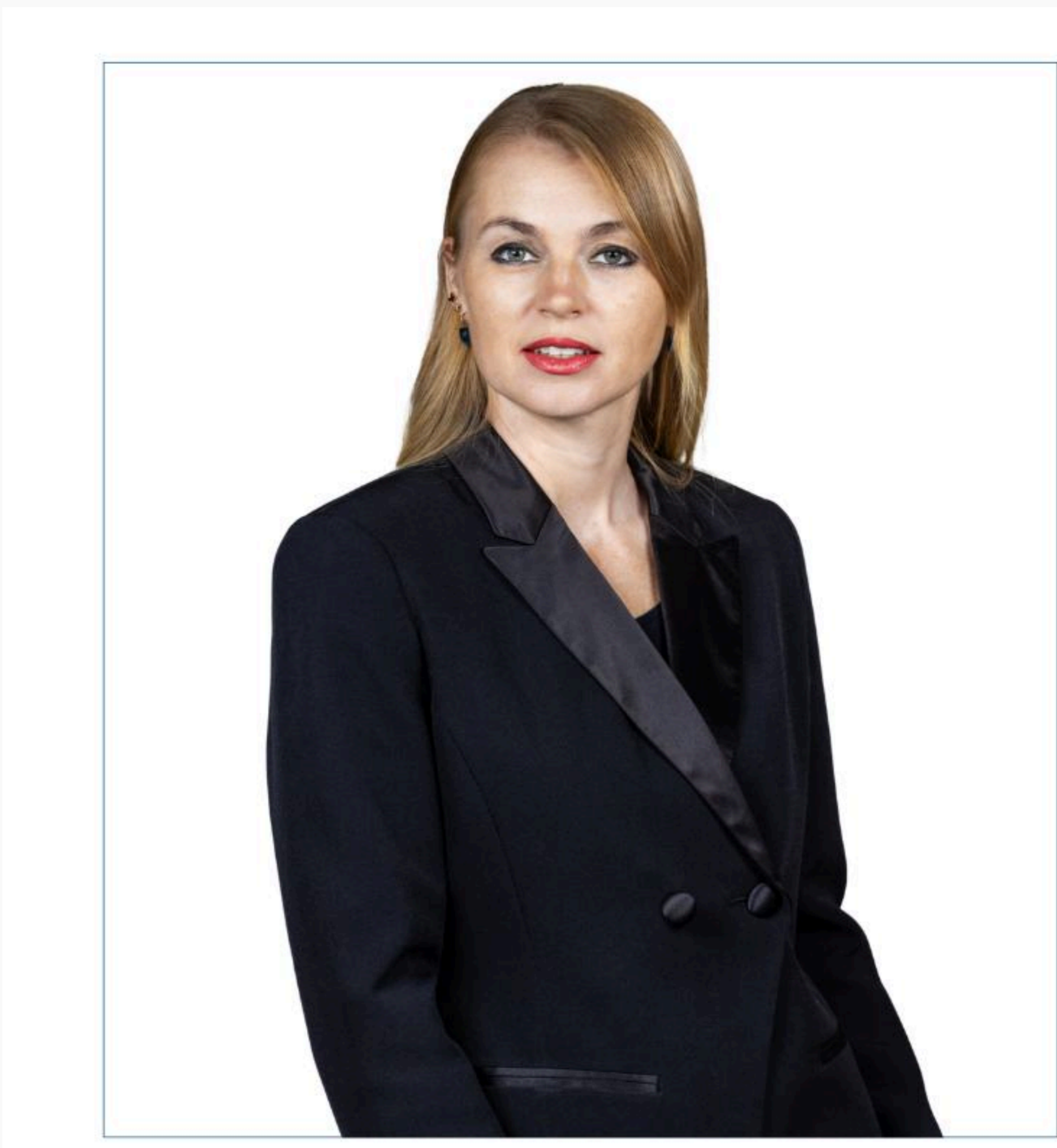




HOLIDAY HOMES IN THE UAE: INSIGHTS FOR INVESTORS



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Holiday homes—often referred to as short-term or vacation rentals—are a distinct segment of the hospitality industry, offering fully furnished villas, apartments, or townhouses for stays ranging from a few nights to several months. Unlike traditional hotel rooms, these properties provide a more residential experience with larger living spaces, fitted kitchens, laundry facilities, and in many cases, private pools or gardens.

Their appeal lies in the “home-like” comfort, privacy, and flexibility they offer, making them especially attractive to families, groups, and long-stay travellers. For investors, this market presents a clear advantage: holiday homes cater to a growing demographic seeking alternatives to hotels, combining cost-effectiveness with the convenience of independent living—an edge that continues to drive strong demand in the UAE’s tourism-driven economy.

Key Demand Drivers and Market Appeal

The UAE’s holiday home market is entering a period of rapid expansion, with short-term rentals in Dubai projected to grow by 18% in 2025. This rise aligns with the broader real estate upswing, as Q1 2025 saw residential prices climb 15.6% in Dubai and 18.1% in Abu Dhabi, reflecting robust investor confidence.

Several forces are driving this momentum. Population growth, particularly in Dubai where the population is expected to reach 5.8 million by 2040, is intensifying demand for flexible housing. New residents often rely on short-term rentals as transitional homes, while the UAE’s strong economy—forecast to grow 6.2% in 2025—adds further fuel to the market. At the same time, tourists and digital nomads increasingly prefer private, amenity-rich rentals over hotels, a trend supported by flexible visa schemes such as remote work permits.

Together, these factors highlight the structural strength of the holiday home sector. Far from being a passing trend, it is positioned as a long-term pillar of the UAE’s property and tourism landscape.



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The Regulatory and Investment Landscape

The regulatory framework for holiday homes in the UAE is decentralized, with each emirate's tourism authority setting its own rules. This means investors must navigate a fragmented landscape where requirements, fees, and operational flexibilities vary significantly. The table below highlights the main emirates for freehold holiday home investments along with their governing bodies and key regulatory considerations.

EMIRATE	GOVERNING BODY	KEY REGULATORY & INVESTMENT NOTES
Dubai	Department of Economy and Tourism (DET)	The most mature and regulated market. Requires a license from DET for entire residential units. The process is streamlined online but requires extensive documentation, including title deeds and a DEWA bill. Strict compliance is enforced, with fines for non-licensed operation and failure to register guests. A Tourism Dirham Fee and 10% Municipality Fee apply. The high regulatory standards, while demanding, contribute to a high-quality, trustworthy market that justifies the premium.
Abu Dhabi	Department of Culture and Tourism (DCT)	Known for its lower regulatory hurdles, offering more operational flexibility. A license is mandatory from DCT, with properties needing to meet quality and safety standards. Hosts must submit monthly occupancy and revenue reports and collect a 6% tourism fee. A key requirement is holding valid insurance covering property damage and liability.
Sharjah	Sharjah Commerce and Tourism Development Authority (SCTDA)	The regulatory environment is distinct, primarily requiring property owners to register as a company to operate a holiday home business. This acts as a higher barrier for individual investors but professionalizes the market. A Tourism Dirham Fee of AED 15 per room per night applies, along with strict safety and occupancy limits.
Ras Al Khaimah	Ras Al Khaimah Tourism Development Authority (RAKTDA)	This emirate has a streamlined "electronic Holiday Home Registration System," making the process accessible for both individuals and professional operators. Hosts must obtain a Holiday Home License and a separate Unit Permit for each property, with fees tiered by bedroom count. A 6% tourism fee and a tourism charge of AED 15 per unit per night apply.
Ajman	Ajman Tourism Development Department	The regulatory framework is less complex, with lower initial registration and permit fees, indicating an emerging market. The process involves submitting an application and a subsequent site visit for classification. While the entry costs are comparatively low, the market is still developing its regulatory sophistication.



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Prime Areas for Investment

- **Dubai:** Popular zones include Dubai Marina, Downtown, Palm Jumeirah, Jumeirah Beach Residence, and Business Bay. Emerging hotspots include Dubai Creek Harbour and Jumeirah Village Circle.
- **Ras Al Khaimah:** Al Marjan Island, Mina Al Arab, and Al Hamra Village are key destinations, boosted by upcoming resorts.
- **Abu Dhabi:** Yas Island and Saadiyat Island are top holiday rental zones, along with Al Reem Island and Eastern Mangroves.
- **Sharjah:** Key areas include Al Khan, Al Majaz, and Maryam Island.
- **Ajman:** Al Yasmeen and Al Rawda are the most popular investment areas.
- **Umm Al Quwain:** UAE's next property hotspot, with major projects like Sobha Siniya Island and Downtown UAQ.

What Investors Need to Know: Legal Standpoint

Investors must conduct thorough due diligence and be aware of several critical factors beyond ROI.

- **Operational Requirements and Costs:** Managing a holiday home involves more than just listing the property. Operational costs include utility bills, cleaning and laundry services, property management fees (typically 15%-25% of revenue), and regular maintenance. A well-maintained property with professional management and a strong online presence is essential for attracting high-quality guests and maximizing returns.
- **Risks and Challenges:** The market is not without risks. Regulatory changes can impact operational viability and profitability. Fines for non-compliance are substantial, such as AED 5,000 fine in Dubai for operating without a license. Market fluctuations due to tourism trends or economic shifts can affect occupancy rates and pricing. Additionally, issues like property damage by guests and off-plan completion delays are potential risks that investors must mitigate. It's crucial for investors to have a reserve fund to cover these unexpected costs and to choose properties from reputable developers.

Investing in holiday homes in the UAE offers attractive returns, but it requires strict compliance with local regulations. Each emirate has its own rules—Dubai, for instance, requires holiday homes to be registered and licensed with the Dubai Tourism and Commerce Marketing (DTCM), while Abu Dhabi and Ras Al Khaimah have their respective tourism authorities overseeing permits. Foreign investors are limited to designated freehold areas, and it is essential to confirm whether the property qualifies as a holiday home before purchase. Unlike traditional tenancy agreements, short-term rentals fall under tourism regulations, requiring guest registrations and the payment of applicable tourism fees. While there is no personal income tax in the UAE, corporate tax implications may apply depending on the investment structure.

From a legal standpoint, investors should conduct due diligence on ownership rights, licensing requirements, and management obligations to mitigate risks. Holiday homes can generate higher yields than long-term rentals, but they also involve management costs, furnishing expenses, and seasonal fluctuations. Working with a licensed management company can help ensure compliance and smooth operations. Well-drafted contracts with operators and guests are equally critical, as disputes typically fall under the jurisdiction of the Dubai Land Department, Rental Dispute Settlement Center, or equivalent bodies in other emirates. In short, holiday home investments can be highly rewarding, provided investors structure them carefully and adhere to the legal and regulatory framework.

Future Growth Prospects

The outlook for the UAE's holiday home sector remains exceptionally positive. Experts highlight the shift of investment focus to the northern emirates, with UAQ positioned as an early-stage opportunity offering strong upside potential. Downtown UAQ, a 25 million sq. ft. "city within a city," will feature 11 km of shoreline, three mixed-use districts, and over 50% green space. Investors can expect 7-9% rental yields, making it attractive for both first-time buyers and long-term investors.

Over the last three years, Ras Al Khaimah has witnessed a sharp rise in property transactions and values, fueled by extensive hospitality, commercial, and residential developments. Looking ahead, the emirate's population is projected to grow from 400,000 to 650,000 by 2030, creating demand for around 45,000 new homes.

Continued strong government support, manifested through attractive visa policies like the Golden Visa and remote working visas, is expected to sustain and further stimulate demand by drawing a diverse pool of international visitors and residents. Furthermore, strategic and ongoing investments in tourism infrastructure across the emirates will enhance the overall appeal and accessibility of the UAE as a global destination.

While competition within the market is anticipated to intensify, the inherent dynamism of the UAE's real estate sector and its established position as a global hub for trade and tourism ensure continued lucrative opportunities for informed and strategic investors.

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