



**H.M.E  
HOLIDAY  
HOMES**

**Investment Proposal  
H.M.E. Holiday Homes  
December 2017**

**Tel: 00 971 568 965 869**

**Web: [www.hmedubainvestments.com](http://www.hmedubainvestments.com)**

**Email: [holidayrentals@hmedubainvestment.com](mailto:holidayrentals@hmedubainvestment.com)**

## **About HME Holiday Homes**

HME Holiday Homes Rentals LLC is a company in the United Arab Emirates (UAE) that is registered with the Department of Economic Development (DED) in Dubai. Additionally, it is fully licensed to operate as a holiday rental company by the Department of Tourism and Commerce Marketing (DTCM).

The partners at HME have built an excellent profile of clientele both locally in Dubai, and internationally, through their presence in the region over the last two decades. They have also managed to build up a solid network of contacts in the majority of business sectors, including but not limited to Governmental Departments, Real Estate, Sport and Leisure, and Hospitality and Tourism.

Through these contacts, they are able to ensure that the best possible options are made available to their investors and present them with the most profitable and low risk options. This is in HME's best interest, as ultimately, the performance of your investment directly impacts upon the profitability of the company.

## **Introduction to the Holiday Rentals market**

By definition, a vacation/holiday rental is the renting out of a furnished apartment, house, or professionally managed resort-condominium complex on a temporary basis to tourists as an alternative to a hotel.

HME have decided to enter into this market after one of the shareholders of HME had previously managed a Holiday Rental company in London with tremendous levels of success.

During his experience in the industry, the most common reason he found that guests would rather book a Holiday Home, as opposed to a conventional Hotel/Hotel Apartment, was that they felt more at home in this type of accommodation, as it did not give them the 'tourist feeling' they would normally experience in a hotel. Additionally, other benefits they would frequently mention would be the ability to cook in the premises they were staying in, as well as having a fast and reliable internet connection (very important for business travellers and long term guests).

## Why Dubai

HME have chosen to branch out to Dubai as we feel the potential for growth and profitability in this region is greater than any other due to a number of reasons:

- Dubai is the 4<sup>th</sup> most visited city in the world after London, Paris and Bangkok.
- Dubai is experiencing year-on-year growth for number of tourists per year, with this figure estimated to reach 20m by 2020 (making it the world's most visited city).
- Dubai has the world's highest visitor per resident ratio in the world.
- Dubai has international visitors from every region in the world, making it one of the most ethnically diverse tourism hotspots in the world.
- In 2015, overnight visitors in Dubai spent \$11.68billion, equating to over \$800 per person.
- 33% of the total available rooms in Dubai are within five-star establishments and these rooms have an average occupancy of 74%.

Another alluring factor of the Dubai tourism market is that there are very few off-peak seasons, due to the large number of events and festivals that Dubai has to offer.

## Muslim Tourism Market

Muslim tourism is a booming emerging market with The World Travel and Tourism Council (WTTC) calculating that Muslim travellers generated US\$140 billion (\$192 billion) for the global tourism and hospitality industry in 2013 and it is forecast that the market will be worth US\$238 billion by 2019.

Recent figures from the Global Islamic Economy Report have ranked the UAE as the 'world's most Muslim-friendly destination'. Additionally, a study by Dinar Standard and Crescent Rating found that the UAE is the third most visited country by Muslim tourists in the world.

HME believe that due to the large number of Muslim tourists visiting Dubai, a holiday home is perfectly catered towards a Muslim family, as:

- They are able to experience the privacy they have in their own home
- They do not need to expose themselves to that which does not conform to their religious beliefs.

A large part of HME's marketing strategy is to target this market and we have already developed excellent contacts, regionally and globally, that will enable us to be market leaders in this specific sector.



Breaking down  
the numbers

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## About the Investment

You will be investing in a rental property that will be managed by HME as a Holiday Home for a contracted period (usually one year).

**The agreement between you, the investor, and HME is that the profits are shared on the basis of 70/30 split - 70% for the investor and 30% for HME.**

The amount you invest will cover all costs related to the apartment for the contracted period, for example:

- rent, and security deposit (returned at the end of the contracted period)
- commissions to estate agents working on behalf of the landlords (if applicable)
- bills
- furniture and furnishings (if applicable),
- property maintenance and management fees.

Based on our extensive market research, we have been able to identify the areas in Dubai that we believe are the most appealing to tourists who would desire to stay within a high-end holiday home.

These areas (listed below with Google map links) have also been selected on the basis that they would make sense to HME on an operational and financial level.

Downtown Dubai - <https://goo.gl/wXFc25>

DIFC - <https://goo.gl/dLxLbV>

JBR/Dubai Marina - <https://goo.gl/izxRES>

## Example of an investment breakdown: Costs

In this example, we will be breaking down the associated annual costs when investing in a 2 bedroom apartment (see Table 1 below).

Costs (AED)	Year 1	Year 2
Average Rent ( <i>paid in 2 instalments</i> )	160,000	160,000
Security Deposit	8,000	N/A
Agents commission	8,000	N/A
Furniture	30,000	N/A
Bills and Maintenance ( <i>2000 monthly</i> )	24,000	24,000
Management Fee	15,000	15,000
<b>Total Annual Cost</b>	<b>245,000</b>	<b>199,000</b>

Table 1: Breakdown of Annual Costs – 2 bed

The most obvious cost associated with any apartment is the rent. In Dubai, the rent is normally paid up front in the form of 2 cheques (1 is post-dated). Although, some landlords may accept splitting the rent into more cheques for higher value rental properties.

The security deposit is normally between 5 – 10% of the first year’s annual rent, although some landlord’s may also charge one month’s rent. The security deposit is refundable at the end of the tenancy.

If the landlord is renting out the property through a real estate agency, the tenant will need to cover these fees. Agency fees normally vary between 2-5% of the first year’s annual rent.

The minimum furniture requirements for each apartment type are specified by DTCM. Therefore, the amount required to furnish an apartment increases based upon the number of rooms in the apartment. All HME apartments will meet these requirements, as well as being customised based upon our experience of what most clients desire from a holiday home.

The bills and maintenance charges cover all bills associated with the property, including Internet, water and electricity (normally very high due to AC usage). Additionally, the maintenance of the property covers all cleaning services, as well as ensuring the general upkeep of the property.

The management fee incorporates all costs incurred by HME to manage the apartment.

## Example of an investment breakdown: Revenues

Before detailing the expected annual revenues, it is important to firstly clarify how we reached those figures by providing a brief summary of the occupancy projections for a 2 bedroom apartment.

	Year 1	Year 2
Average Occupancy (%)	75%	75%
Average Occupancy (in days)	274 days	274 days
Average Nightly Rate (AED)	1,100	1,000

Table 2: Occupancy Projections – 2 bed

Based upon our analysis of current market conditions, we believe that with our extensive experience in maximising occupancy in holiday homes we should be able to comfortably achieve an occupancy rate of 75%. It is assumed that this figure will increase in the second year, as HME’s reputation for excellence in customer service spreads across the market. However, in order to keep these figures as conservative as possible, we decided to maintain the rate at 75% for the second year also.

The average nightly rate is calculated by taking into account seasonal fluctuations and formulating an average rate for the whole year

Based on the figures provided in Table 2, by multiplying the average nightly rate by the average occupancy, we are able to determine the expected income for each apartment, as detailed in Table 3:

Revenues (AED)	Year 1	Year 2
Expected Income (AED) ( Average nightly rate multiplied by Average Occupancy)	301,400	301,400

Table 3: Breakdown of Annual Revenues – 2 bed

### Example of an investment breakdown: First Year

Based upon the information provided in the preceding sections, Figure 1 provides a breakdown of the monthly costs and income for a 2 bedroom apartment:

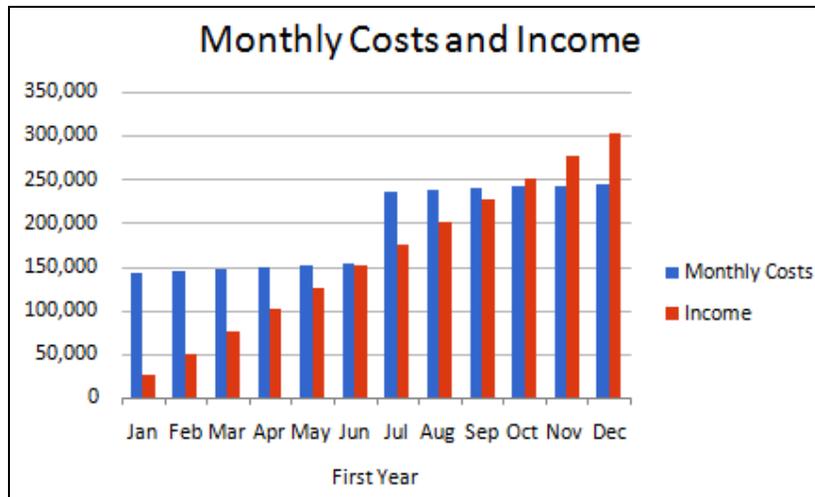


Figure 1: First Year Costs and Income – 2 bed

As illustrated in Figure 1, the initial investment amount is 143,000 AED. This figure is extracted from Table 1, with half the rent (80,000) due at the initial stage and only 2,000 AED payable for the first months' bills. The monthly costs increase by 2,000 AED every month to reflect the cost of bills.

As is clearly visible in Figure 1, there is a further spike in the costs for July. This represents the payment of the remaining rent balance (80,000). This amount does not need to be forwarded by the investor, as the collected revenues will cover this amount.

The graph also indicates that in the tenth month, the investment reaches the break-even point and the investment is now in a state of profit and by the end of the year a healthy profit is achieved. At this stage of the investment the investor will be paid their returns for the first year and both parties will have the option to withdraw from the investment.

As you can see from Figure 1, the projected returns for the first year are very impressive. However, it is only from the second year of the investment, where it really starts to bear its fruits.

If both parties agree to continue into the second year of the investment, the only money retained will be for the initial costs of the second year of the investment.

## Example of an investment breakdown: Year 2

In the second year, the costs are drastically reduced, as the costs for furniture, security deposit and agency fees are no longer applicable. Therefore, as is illustrated in Figure 2, the initial costs for the second year are 97,000 AED.



Figure 2: Second Year Costs and Income – 2 bed

As highlighted in Figure 2, the break-even point is reached a lot sooner in the second year, with the investment generating profit from the eighth month.

As the first year costs have now been eliminated from the investment, the second year projections are very likely to closely resemble the figures for the all the subsequent years of investment also.

Therefore, Table 4 provides a breakdown of the annual yield you are likely to achieve for a 2 bedroom apartment from the second year onwards:

Initial Investment Amount	143,000 AED
Second Year Profit	102,400 AED
Profit after profit share (-30%)	71,680 AED
Annual Yield (from second year onwards)	<b>50.13%</b>

Table 4: Breakdown of Annual Yield – 2 bed

As detailed in the preceding sections, the initial investment amount for a 2 bedroom apartment was 143,000 AED. The profit generated in the second year was 102,400 AED (see Figure 2), this figure is then split according to the profit share agreement with HME. The investor is entitled to 70% of the profit, which equates to 71,680 AED.

This figure is then divided by the initial investment amount to calculate the annual yield. Based on this calculation, **THE ANNUAL YIELD FOR A 2 BEDROOM APARTMENT IS 50.13%.**

In the subsequent sections, example figures for studio, 1 bedroom and 3 bedroom apartments are provided, so you are able to determine the best investment option for you.

### Studio Apartment:

Costs (AED)	Year 1	Year 2
Average Rent ( <i>paid in 2 instalments</i> )	70,000	70,000
Security Deposit	3,500	N/A
Agents commission	3,500	N/A
Furniture	15,000	N/A
Bills and Maintenance	18,000	18,000
Management Fee	10,000	10,000
<b>Total Annual Cost</b>	<b>120,000</b>	<b>98,000</b>

Table 5: Breakdown of Annual Costs – Studio

Revenues (AED)	Year 1	Year 2
Average Nightly Rate (AED)	475	475
Expected Income (AED) ( <i>Average nightly rate multiplied by Average Occupancy</i> )	130,150	130,150

Table 6: Breakdown of Annual Revenues – Studio

Initial Investment Amount	70,000 AED
Second Year Profit	32,150 AED
Profit after profit share (-30%)	22,505 AED
Annual Yield (from second year onwards)	<b>32.15%</b>

Table 7: Breakdown of Annual Yield – Studio

### One Bedroom Apartment:

Costs (AED)	Year 1	Year 2
Average Rent ( <i>paid in 2 instalments</i> )	105,000	105,000
Security Deposit	5,250	N/A
Agents commission	5,250	N/A
Furniture	20,000	N/A
Bills and Maintenance	24,000	24,000
Management Fee	12,500	12,500
<b>Total Annual Cost</b>	<b>172,000</b>	<b>141,500</b>

Table 8: Breakdown of Annual Costs – 1 bed

Revenues (AED)	Year 1	Year 2
Average Nightly Rate (AED)	700	700
Expected Income (AED) ( <i>Average nightly rate multiplied by Average Occupancy</i> )	191,800	191,800

Table 9: Breakdown of Annual Revenues – 1bed

Initial Investment Amount	97,500 AED
Second Year Profit	50,300 AED
Profit after profit share (-30%)	35,210 AED
Annual Yield (from second year onwards)	<b>36.11%</b>

Table 10: Breakdown of Annual Yield – 1 bed

### Three Bedroom Apartment:

Costs (AED)	Year 1	Year 2
Average Rent ( <i>paid in 2 instalments</i> )	210,000	210,000
Security Deposit	10,500	N/A
Agents commission	10,500	N/A
Furniture	37,500	N/A
Bills and Maintenance	30,000	30,000
Management Fee	17,500	17,500
<b>Total Annual Cost</b>	<b>316,000</b>	<b>257,500</b>

Table 11: Breakdown of Annual Costs – 3 bed

Revenues (AED)	Year 1	Year 2
Average Nightly Rate (AED)	1,350	1,350
Expected Income (AED) ( <i>Average nightly rate multiplied by Average Occupancy</i> )	369,900	369,900

Table 12: Breakdown of Annual Revenues – 3 bed

Initial Investment Amount	183,500 AED
Second Year Profit	112,400 AED
Profit after profit share (-30%)	78,680 AED
Annual Yield (from second year onwards)	<b>42.88%</b>

Table 13: Breakdown of Annual Yield – 3 bed

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Frequently  
Asked  
Questions  
(FAQs)

## **Frequently Asked Questions (FAQs)**

### **What is the minimum initial investment amount?**

The minimum investment amount would depend on the number of instalments the rent needs to be paid in. As detailed in the preceding sections, most landlords normally take 2 cheques and therefore, the minimum investment amount would be in the region of 70,000 AED.

However, if the landlord is willing to accept the rent in more instalments, then the initial investment amount could be reduced. Although it should be noted that the minimum figure will never be less than 50,000 AED.

### **How long is the minimum investment period?**

The minimum investment period is 1 year.

### **Is there any option to break the agreement?**

Both the investor and HME have the option to terminate the agreement on the completion of every 12 month period of investment, provided that a minimum of one month's notice is given prior to the end of the agreement.

### **Is my investment taxable?**

There is no income tax in UAE, so any amount earned from this investment is not taxable in the UAE. You as the investor have the option to collect your returns in UAE or you can request for the funds to be sent back to your country of residence. However, it is the responsibility of each investor to make the suitable tax arrangements in their home country.

As for VAT, the UAE will be implementing VAT from the 1st of January 2018. However this is charged to the end user (i.e. the guests staying at the apartment), so it does not affect the investment.

### **Can the investment be split amongst more than 1 person?**

Yes, that is possible, as long as a principal investor is identified. HME will not enter into any disputes between investors and the principal investor's decision is binding in all communication with HME.

### **Where/how will the properties be advertised?**

The conventional method for advertising Holiday rentals is through popular online portals such as TripAdvisor, Booking.com and AirBnB.

HME will undoubtedly use such portals and through our experience, using these portals alone we expect to hit the 75% occupancy rate previously discussed.

However, where HME's advertising channels are not restricted to the methods mentioned above. We will also be working with global travel agents and tour operators to offer the apartments as part of their packages.

Additionally, once we have a sufficient number of properties, we will have a TV advert produced. The advert will be screened on Islam Channel, which has a viewership of 2 million people per month.

**Will the TV advert only be shown on Islamic channels?**

Initially we will look to secure similar agreements with other Islamic based channels to target the Muslim tourism market, as we had mentioned previously.

However, as the company grows, naturally our growth strategy would dictate that we will explore further avenues to increase revenue.

**If I visit Dubai, can I stay in the property I have invested in?**

Yes, you are welcome to stay in the property you have invested in.

However, during the period of your stay, we would be unable to book the apartment out to any guests. Therefore, your monthly revenue for that particular month/period will be affected.

**How can we find out about the progress of our investment?**

All investors will be assigned a dedicated investment advisor from HME, who they may contact at any point during the investment period. The advisor will provide you with all the relevant up-to-date details in regards to your investment.

However, it should be noted that the yearly profit figure is only finalised at the end of every twelve month period of the investment.

# H.M.E Dubai Investments

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