

TOP 100 REAL ESTATE COMPANIES IN THE MIDDLE EAST

GUIDE 2018 / REAL ESTATE

Forbes

Middle East

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BUTTI BIN
MEJREN**

.....
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2021 is one of the
most important
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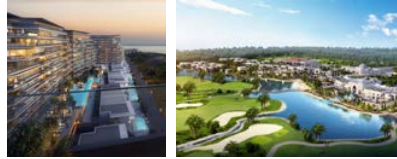
His Excellency Sheikh Sultan bin Ahmed Al Qasimi is resolutely focused on increasing local and international investment into the small but significant emirate of Sharjah. As Chairman of real estate developer, ARADA, he is today creating multi-billion-dollar communities that are forming a cornerstone in Sharjah's continuous growth.

By Claudine Coletti

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HE Sultan Butti bin Mejren, Director General of Dubai Land Department, is stimulating the future of real estate by securing a legislative system that protects the rights of investors.

By Claudine Coletti

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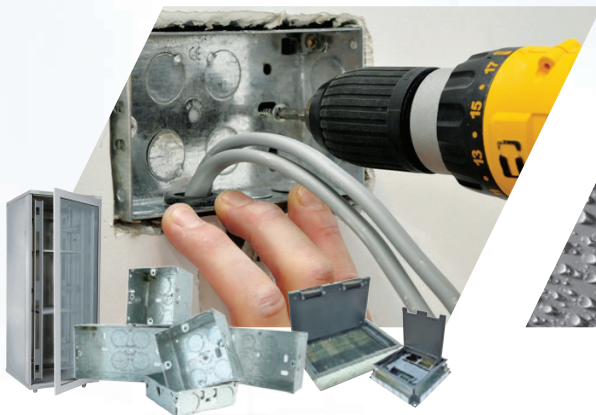
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Dr. Nasser Bin Aqeel Al Tayyar
President & Publisher
nasser@forbesmiddleeast.com

Khuloud Al Omian
Editor-in-Chief Forbes Middle East
CEO - Arab Publisher House
khuloud@forbesmiddleeast.com

Claudine Coletti
Managing Editor - Special Editions
claudine@forbesmiddleeast.com

Mary Sophia
Deputy Editor for Magazine
Reporter: Samuel Wendel

Researchers:
Dubai Office
Jason Lasrado, Ranju Warriar

Egypt Office
Ahmed Mabrouk, Nermeen Abbas,
Amany Zaher, Mohammed Helmy

Jordan Office
Mousa Al Sawair, Mohammad Albalawani
Saed Darwish, Ghada Al Omian

Head of Creative: Soumer Al Daas
Graphic Designers: Sally Hoteit, Kashif Baig

Chief Information Officer: Abbes Seqqat
IT Manager: Abdoullah Tahri Jouti
IT Admin Officer: Ziyad Kallitta Valappil

Head of Sales: Krishna Natarajan
krishna@forbesmiddleeast.com

Senior Group Sales Manager: Ruth Pulkury
ruth@forbesmiddleeast.com

Sales Managers:
Arif Abdul
arif@forbesmiddleeast.com
Karthik Krishnan
karthik@forbesmiddleeast.com

Sales & Marketing Coordinator: Tamer Mansour
tamer@forbesmiddleeast.com

KSA Office
Sales Manager: Ghousuddin Rizwan Mohammed
rizwan@forbesmiddleeast.com

Sales Manager: Ahmed Gohar
agohar@forbesmiddleeast.com

Events Director: Nolie Papa

Executive Assistant to CEO & Editor-In-Chief
Kavya Pinto
editorial@forbesmiddleeast.com

Head of Finance: Daniyal Baig
daniyal@forbesmiddleeast.com
Operations Manager: Habibullah A. Qadir
habib@forbesmiddleeast.com

Head of Human Resources: Mrinalini Vijay
hr@forbesmiddleeast.com

Queries: editorial@forbesmiddleeast.com
For Production Queries:
production@forbesmiddleeast.com



A Reliable Cycle

By Claudine Coletti

Real estate is undoubtedly one of the Middle East's most thriving industries. Despite a reported drop in rents, potentially as a result of temporary oversupply as more and more properties reach completion, many real estate professionals are approaching a sluggish year with the same long-term view: real estate is cyclical. If prices find themselves at a lull at the moment—which is good news for renters and buyers—more growth for investors and developers lies ahead.

As a result, forecast swells in population and the lure of major events and resorts continue to boost the creation of luxury residential and hospitality projects across the Middle East. Its most beautiful and increasingly internationally-renowned countries continue to attract new high-spending guests and tourists. And local and international investors are paying attention as the region's governments make the business climate easier and increasingly more attractive.

Our fourth annual special edition delving into the Middle East's real estate industry once again champions the movers and shakers in the sector, pulling out the Arab world's top listed and unlisted companies, as well as its top regional and international consultants.

We explore how technology is changing the way the industry runs, and the investments being made by governments and developers to encourage growth. With leaders focused on embracing change, the numbers will soon be heading back up again.



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OUR ACTIVITIES



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Contact us

Head Office: 14th Floor, Dubai Studio City
Discovery Tower, Dubai, U.A.E. P.O.Box 502105
Tel +9714 440 8975, Fax +9714 440 8976
readers@forbesmiddleeast.com
subscription@forbesmiddleeast.com
advertising@forbesmiddleeast.com

Saudi office:

Office Number 3285
The Northern Ring Road, Exit-7, Riyadh, KSA
Ahmed Gohar +966 50 0066901
Email: agohar@forbesmiddleeast.com
Rizwan Mohammed +966 55 1857179
Email: rizwan@forbesmiddleeast.com

Jordan office:

Royal Jordanian Airlines Building,
1st Floor Office #114, Seventh Circle, Amman
Tel: +962 795827132
Email: info@aph.company

Egypt Office:

TH Media
12 Haroun street – Al Dokki, 4th Floor
Tel: 002- 0237614138
Saad Zaghloul +20 100 3355558
Email: saad@forbesmiddleeast.com

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RICHEST ARABS IN REAL ESTATE

Forbes Middle East's annual list of the world's richest Arabs celebrates the Middle East's renowned billionaires. Many of these moguls have made and sustained their fortunes over generations, while some have managed to accumulate their wealth in less than a couple of decades. Here we take a look at the Arab billionaires that have made their fortune in real estate.



1. Nassef Sawiris ▲

Age: 57 **Country:** Egypt
\$6.6 Billion (+\$1 Billion vs. 2017)

Nassef Sawiris is a scion of Egypt's wealthiest family. His brother Naguib is also a billionaire. Sawiris split Orascom Construction Industries into two entities in 2015: OCI and Orascom Construction. He runs OCI, one of the world's largest nitrogen fertilizer producers, with plants in Texas and Iowa; it trades on the Euronext Amsterdam exchange. Orascom Construction, an engineering and building firm, trades on the Cairo exchange and Nasdaq Dubai. His holdings include stakes in cement giant Lafarge Holcim and Adidas.



2. Majid Al Futtaim ▼

Country: U.A.E.
\$4.6 Billion (-\$6 Billion vs. 2017)

Majid Al Futtaim founded retailing and entertainment giant Majid Al Futtaim Holding in 1992. Majid Al Futtaim owns and operates 12 hotels and 21 malls, including Mall of the Emirates in Dubai and the Mall of Egypt in Cairo. It also has the exclusive license to operate hypermarkets for French company Carrefour across the Middle East, North Africa and Central Asia. His son Tariq sits on the board while non-family members manage the conglomerate, which publishes its revenues and profits annually. The group had \$8 billion in revenues and \$760 million in profits in 2016.



3. Hussain Sajwani ▲

Age: 65 **Country:** U.A.E.
\$4.1 Billion (+\$400 Million)

Hussain Sajwani is the chairman of Dubai-based luxury real estate developer Damac Properties, which he founded in 2002. He started out in the food services business, catering to the U.S. military and construction giant Bechtel. In 2001, after Dubai allowed foreigners to own property, he shifted to real estate and sold units in a residential building in less than six months. Damac teamed up with Donald Trump in 2013 to develop two Trump-branded golf courses in Dubai developments. Sajwani is known for extravagant marketing, sometimes offering free Lamborghinis to apartment buyers. He has co-branding deals with Versace and Bugatti.

4. Abdulla Al Futtaim ▼

Country: U.A.E.
\$3.3 Billion (-\$800 Million vs. 2017)

Abdulla Al Futtaim owns conglomerate Al Futtaim Group, run by his son Omar, who is vice chairman. In 1955, the group became the exclusive distributor in the U.A.E. of Toyota, which now has the leading share of the auto market with around 30%. Al Futtaim also has the license to operate Hertz, Ikea, Toys "R" Us and Zara in the U.A.E. The retailer anchors its malls, which include Dubai Festival City and Cairo Festival City. His cousin Majid Al Futtaim is also a billionaire.



5. Bahaa Hariri ▼

Age: 51 **Country:** Lebanon

\$2.1 Billion (-\$100 Million vs. 2017)

Bahaa Hariri is the eldest son of slain Lebanese Prime Minister Rafik Hariri; he inherited his fortune from his father, who was a billionaire. In 2008, he sold his stake in Saudi Oger, the family construction business, to his brother Saad Hariri, the current prime minister of Lebanon. Bahaa Hariri founded and chairs Horizon Group, a real estate holding company with investments in Amman, Jordan and Beirut, Lebanon. He helped revitalize an area of Amman, called Abdali. The project, in partnership with the Jordanian government, is worth an estimated \$5 billion. He's the majority owner of Globe Express Services, a logistics company with a presence in more than 100 countries.



6. Saad Hariri ▲

Age: 48 **Country:** Lebanon

\$1.5 Billion (+\$500 Million vs. 2017)

Saad Hariri is the prime minister of Lebanon. He assumed the position in December 2016, and previously held the post between 2009 and 2011. He's the son of the late billionaire Rafik Hariri, who was murdered in 2005 while serving as prime minister. Hariri inherited a stake in Saudi Oger, a construction company his father built into one of the biggest in Saudi Arabia. Saudi Oger reportedly shut down operations in July 2017 following a cutback in spending by the Saudi government and failed to pay wages to workers. Through Oger Telecom, Hariri owns a stake in Turk Telekom, Turkey's formerly state-owned telecom company. His cousin Mohammed Hariri is chairman.



7. P.N.C. Menon ▼

Age: 69 **Country:** Oman

**\$1.5 Billion
(+\$500 Million vs. 2017)**

Property developer P.N.C. Menon left Kerala in south India and migrated to Oman in 1976 to start an interior decorating business with a partner. Seeing an opportunity in real estate back home, Menon started Sobha Developers in 1995, in Bangalore, naming it after his wife. Sobha Developers is run by son Ravi, an engineer from Purdue University, while Menon lives in Dubai. Sobha's Middle East operations span the U.A.E., Oman and other Gulf countries.



8. Ayman Hariri ▲

Age: 39 **Country:** Lebanon

\$1.3 Billion (+\$100 Million vs. 2017)

Ayman Hariri is a son of the late Rafik Hariri, Lebanon's prime minister, who was assassinated while in office in 2005. He inherited a stake in his father's Saudi-based construction company Saudi Oger, and sold it to his brother Saad in 2014. In 2017, he sold his 42% stake in family holding company GroupeMed, with interests in banking and real estate, for \$535 million. He invests in startups through New York-based firm Red Sea Ventures; among its investments was smart thermostat Nest, now part of Google. He's a cofounder and CEO of Vero, an ad-free social media platform that lets users share music, videos and photos.

8. Fahd Hariri ▶

Age: 37 **Country:** Lebanon

\$1.3 Billion (Flat vs. 2017)

Fahd Hariri is the youngest son of the late billionaire Rafik Hariri, who was Lebanon's prime minister. He was assassinated while in office in 2005. In 2012, Fahd Hariri sold his shares in the family construction firm Saudi Oger to his brother Saad Hariri, who is now Lebanon's prime minister. He has invested some of the proceeds in three Lebanese banks, including Bank Audi, and in real estate in New York and Paris. He has also developed three residential buildings in Beirut.



What Impact Is Saudi's 2030 Vision Having On Its Real Estate Sector?



Simon Townsend,
Senior Director & Head
of Strategic Advisory &
Consulting, CBRE

Saudi Arabia's economy is the largest in the GCC. Since 2003, it has effectively doubled in size, predominantly as a result of a period of sustained oil boom. During this period, domestic household income rose by almost 75% and more than \$450 billion was invested into the economy to improve quality of life, especially in key sectors such as healthcare, infrastructure and education.

The Saudi government announced its Vision 2030 in April 2016. A blueprint for economic and social development that aims to reduce the country's reliance on oil, the Vision outlined plans to transform the nation into an investment powerhouse and a key international business hub.

There have been various reports providing differing opinions on the total investment that will be required to deliver Vision 2030. However, most analysts are expecting this to be between \$3.5 trillion and \$4 trillion, with a key focus on engagement with foreign capital.

Investment in the leisure, healthcare and tourism sectors will be key to the country's continued development. Current plans include the Red Sea Project, Souq Okaz City—a mega heritage tourism project in Taif—and plans to invest in the holy cities of Mecca and Medina to increase the number of pilgrims that they can host.

The success of these projects will rely on engagement with leading consultants and advisors internationally, as well as interaction with local, regional and global finance providers. Saudi will need to tap into the perceived global capital market investment liquidity and partner with world-class developers, contractors and operators.

While there are a number of sectors that will reap the benefits of this investment, many of them will be underpinned by real estate development and investment in infrastructure,

housing, offices, healthcare facilities, education establishments and retail centres.

The early effects of the Vision and the involvement of the public and private sector in its delivery have already opened up opportunities for foreign engagement in the private housing sector. In 2011, the MOH published a waiting list of Saudi nationals seeking a home because of a combination of an increasing population and project delays, partly a result of the decline in oil revenues. In response, the MOH created partnerships with the private sector to remove traditional barriers of entry, such as a shortage of available land, high land prices, land ownership regulations for non-nationals and access to the end demand. In essence, the government provided a platform for private developers to design, build and transfer these assets on completion to the MOH in return for a structured and secure development.

The initial beneficiaries of these partnerships have been mid-scale local developers (tendered projects, with performance being a key driver in award). However, international investment groups and specialized housing and lifestyle developers have partnered with local groups to enter into this space. Some foreign investors and developer groups are now looking at re-investing returns to undertake additional projects.

There are a number of upcoming projects in some of the newer zones that are being established to achieve Vision 2030. Several of these new zones are within the delivery mechanism of the Public Investment Fund (PIF), with a program of delivery from 2018 to 2020.

Two such key projects are Qiddiya, a vast entertainment resort, and Neom, a transnational economic city in Tabuk. Together, these giga projects are around 26,800 sq kms in size. In addition to their size, they are significant in the roles that they will play in transforming the kingdom's entertainment and hospitality sectors.



Neom (26,500 sq kms), located in the north-west of the country with more than 468 kms of coastline, will play a key role in Saudi Arabia's burgeoning social infrastructure. The location offers plenty of opportunities for real estate investors, with a new airport and transport infrastructure currently being developed. This project is also grabbing the attention of international hospitality and leisure operators who are eager to invest in the country and create truly world-class resorts and associated facilities.

Qiddiya (334 sq kms) in Riyadh is intended to be a world-class entertainment hub. Complete with theme parks and hotels, which will form the centre-point of a multi-faceted real estate city, the development will feature residential, commercial and retail space as well as healthcare and education facilities.

There is also a sustained spotlight on the holy cities of Mecca and Madinah to create additional opportunities for Hajj and Umra tourism with not less than 100,000 new hotel rooms being cited. This will prove crucial to enabling KSA to achieve its tourism vision, which aims to attract 30 million visitors a year by 2030.

Other key projects are centered around the new King Abdulaziz International Airport in Jeddah (24 sq kms) as well as the King Khalid Airport

Expansion in Riyadh (119 sq kms). These will focus on creating new commercial economic zones to encourage foreign investment. Two more key sectors that are sure to see lots of activity in the coming years are the logistics and manufacturing industries.

One of the key drivers of Vision 2030 is to create an enviable workforce to work in the country's industrial sector. With this in mind, considerable investment has been allocated to increasing the number of special economic or free zones to further encourage some of the world's largest manufacturers, logistics providers and service businesses to invest in KSA and support its development into a thriving knowledge-based economy.

Perhaps one of the most important changes affecting real estate development and investment, especially that from non-Saudi organisations post the launch of the Vision 2030, is not the infrastructure or the real estate projects themselves but the changes to legislation and business facilitation. The proposed adjustments to PPP legislation clearly communicate Saudi Arabia's intent to deliver on its ambitions and transform into a regional investment powerhouse and a leading business hub. The country's legal framework is likely to experience further developments as Saudi Arabia continues to create a friendly environment for foreign investors. **F**

Analysts expect a total investment of between \$3.5 trillion and \$4 trillion to deliver 2030.

Using AI to Make Cities Smarter



Vienna's residents and tourists do not have to rely on the kindness of strangers or scroll through long lists of website links to find parking, restrooms or other critical information. They can simply use WienBot, the Austrian city's chatbot. Available via Facebook Messenger, WienBot provides answers to an array of user questions and continuously

learns from the interactions—even pre-empting questions as it captures the most frequently-used terms.

WienBot is a perfect example of how governments can use artificial intelligence (AI) to go digital, one of the biggest challenges for cities, states and nations worldwide. Developments in AI and AI-powered chatbots will allow government CIOs to customize and improve the delivery of services for the citizens they serve.

By 2022, 20% of all citizens in developed nations will use AI assistants to help them with an array of operational tasks, and 30% of customer experiences will be handled by conversational agents, up from just 3% in 2017.

Natural-language processing is one of AI's most evident success stories. Most citizens are already familiar with conversational platforms like Apple's Siri, Google's Google Assistant and Amazon's Alexa. It could be simple for government CIOs to use similar conversational agents—or chatbots—to drive more citizen-centric services for their smart cities.

A Bot To Answer All Questions

Organizations use chatbots for initial customer contact and support purposes. This concept can be adopted by government CIOs as AI-powered chatbots can contextualize and personalize government services, improve service delivery and augment municipal employees' effectiveness.

Well-designed conversational platforms shift the burden of dealing with complexity from the users to the technology. Computers have to understand humans, not the other way around.

Often, CIOs and their teams focus primarily on the interaction interface to capture as accurately as possible the

citizen's intent. But success is when the agent is also able to fulfill the citizens' requests. CIOs should spend an equal amount of time on the back-end fulfillment of their agents as they do on front-end interaction.

Process The Normal, Detect The Abnormal

AI excels in processing routine requests and detecting unusual behavior. Government CIOs should exploit these capabilities to simplify and streamline their services. CIOs should begin using AI and conversational chatbots as one way to communicate and disseminate information on anomalies or abnormalities while they deal with citizen or user requests. AI technology can detect patterns in claims that could signal fraud, as well as simple user errors.

Advanced analytics and data science, including machine learning algorithms, can cross-reference data and validate complex business or service processes. These outcomes, accessed by citizens via AI chatbots, are a key benefit in smart city services.

One example is so-called "lawyer bots," which deal with frequent and routine bureaucratic tasks such as filing applications for childcare support or housing assistance. Lawyer bots guide applicants through the process, help prevent mistakes and assess the chance of success—saving time for both applicants and government employees.

The Need For New Operational Requirements, Skills And Expertise

Embedding AI in smart city solutions requires changes in city operations, IT platforms and data privacy policies. While an embedded and interoperable AI improves the range of applications, the complexity of information and data flows increases and raises new questions on algorithmic business flows. For example, if a technology provider develops an AI chatbot, who owns the intellectual property it generates?

CIOs should oversee the necessary IT operational changes to manage this complexity. They must not only align city operations and management platforms, but also optimize data and analytics governance, data orchestration and predictive analytics to realize the full value of conversational AI.

CIOs also need to create policies and standards for information governance, privacy and information security for platforms, their algorithms and the information accessed and used by their intelligent applications. **F**

BETTINA TRATZ-RYAN, RESEARCH VICE PRESIDENT AT GARTNER

Long-term Vision

Rahail Aslam, Group CEO, Select Group, tells us about the group's current development pipeline and how its investment strategy in Europe and the U.A.E. is set to encourage growth for the long term.



How are you faring the challenges currently facing Dubai's real estate industry and what are your predictions for the future?

Dubai faces challenges with the tightening of liquidity and oversupply. However, despite tough market conditions, we remain committed to the long-term vision of the U.A.E. and are continuously pursuing new opportunities for growth. The group has recently acquired prime waterfront land for a unique community development in the heart of Business Bay. This 315,000 m² acquisition has secured Select Group's development pipeline for the next seven to eight years.

In addition, as part of its diversification plans, Select Group has also made a significant investment in a chain of quality but affordable fitness and lifestyle gymnasiums. With the first gym now operational, multiple new branches across the U.A.E. are at various stages of progress.

With competition so fierce, how do your properties stand out?

With 14 developments to its credit, Select Group is the largest private developer in Dubai Marina. We have a track record of quality and timely delivery, which has resulted in a loyal customer base. Our properties cater to an audience that seek a curated lifestyle, strong rental returns and capital appreciation.

Our strategy to develop in communities with advanced infrastructure, prime waterfront locations with ease of access, premium finishes and luxurious amenities has ensured continued success for the company. The high occupancy levels in all our developments are a testament to this.

Can you tell us about the projects Select Group currently has under construction?

Marina Gate I, the first tower in The Residences at Marina Gate, was handed over in early 2018. With a built-up area of 1,139,500 ft² and spread over 51 floors, the development features 399 residential units and luxurious amenities.

Marina Gate II, the second tower in the development is scheduled for completion in Q2, 2019. Occupying the central location in the development, the tower features 519 residential units and is spread over 64 floors. The building has topped out and cladding works are currently ongoing.

Jumeirah Living Marina Gate, the third and final tower in the triumvirate project is scheduled to be completed in late 2019. It features 104 serviced apartments, 389 private residences and 15 villas.

No.9 is a waterfront development located on the Dubai Marina promenade and offers stunning waterfront views. The 34-floor tower houses 220

apartments and has a built-up area of approximately 500,000 ft². The development is undergoing finishing works at this stage and handover is imminent.

Studio One is spread over 31 floors with 400 residential units and is Select Group's 14th residential development in Dubai Marina. Serviced by best-in-class amenities, Studio One is located in the heart of the up and coming west-end of the Dubai Marina. Delivery is scheduled for Q2, 2019.

Select Group has recently acquired land for a new development in a prime waterfront location in Business Bay. Spread over 315,000m², the masterplan for the mixed-use development incorporates both high and low-rise residential, office, retail, leisure and hospitality facilities, connected by public open space and amenities that will create a strong sense of community across the neighborhood. Extensive concept and design works are ongoing and launch of the project is anticipated by Q1,2019.

You have made a number of acquisitions and investments in the UK. What is it about the UK that makes it an attractive market?

While a large number of our acquisitions have been in the UK, our geographical appetite extends to gateway cities across Europe. We have just completed our first acquisition in Germany, a 344 key three-star hotel under construction in Frankfurt.

Our strategy since the late 2000s has been to invest in UK regions that on balance have offered better risk reward metrics, such as lower capital values and greater yields. We believe in the long-term investment thesis for areas outside of London. Due to changing tax regulations, we have recently rotated out of residential real estate into more commercial opportunities, specifically hotels, where we are also developing a 126 key Ibis Budget in Sheffield.

Short-term volatility as a result of Brexit presents its own set of challenges, but also opportunities. We are currently considering value added or opportunistic investments that allow us to take advantage of our development skillset to buy well and to give ourselves some added downside protection. Each opportunity is judged on its own merits, but our investment focus is currently on longer-term income generation potential as opposed to shorter term capital gain, as we have a substantial development pipeline in the U.A.E.

Middle East Governments In Push To Boost Real Estate

Across the GCC, authorities are rolling out path-breaking reforms to calm the storm looming over real estate.

By Ashok Sharma



As clouds hover over the GCC's real estate sector, long considered a beacon of growth, governments in the region are adopting a pro-active approach to ward off the challenge. As they unveil a slew of steps to boost real estate and consumer sentiment, there is renewed hope of lasting recovery and unhindered growth.

From path-breaking residency laws to aggressive socio-economic reforms, GCC countries are rolling out measures that will also challenge developers to bring about profound changes. The caution of the past couple of years has started to give way to restored confidence as oil prices stabilize, governments' diversification efforts continue to take shape and global investors return to the region.

While developers in Dubai welcome the new 10-year visa for residents, Qatari investors have applauded a new draft law allowing 100% ownership for foreign investors in most sectors of the economy. Riyadh too has pushed through path-breaking reforms, including a \$64 billion Entertainment City project, and a lifting of the cinema ban as part of Saudi Arabia's ambitious Vision 2030.

Investor Confidence

Praising recent visa reform by the U.A.E. government that grants 10-year residency to investors, and allows them to own 100% of their shareholding in Dubai mainland, Atif Rahman, Director and Partner at Danube Properties, said he expects a solid flow of foreign investment as the changes boost investor confidence.

"The market has drawn significant investment this year and Dubai now ranks sixth-highest for inbound property investment," said Rahman. "Regardless of a temporary softening

of the market, we have the best infrastructure backed by the strongest regulatory systems. This will help the market sustain in the long run."

"The relaxation of visa regulations, opening up company ownership up to 100% to foreigners and reduction of fees will help boost the investor confidence in Dubai," agrees Prabhakar R. Rao, MD of Gemini Property Development.

Confirming a positive trend, a report by the Dubai Land Department (DLD) recently revealed that real estate transactions in Dubai for H1 2018 were worth \$30.1 billion, down by 16% compared to \$35.6 billion in H1 2017. Of this there were a reported 18,191 property sales worth a total of \$10.8 billion, 7,668 mortgage transactions worth over \$15.6 billion, and 1,783 other transactions valued at \$3.6 billion.

Emirati investors ranked first, in both the number and value of transactions, with 2,986 transactions worth \$1.8 billion. Indian nationals came in second, with 3,218 transactions worth \$1.6 billion. This was followed by Saudis with investments worth almost \$1 billion through 1,415 transactions. However, investors from the EU and the U.S. outstripped all others in capital investments, at \$5.7 billion and \$3.9 billion respectively.

Investors Eye Market Rebound

In Egypt, the push by the government to lure in foreign investment has helped further boost the country's real estate market. The Egypt Property Show, held in Dubai in April 2018, reported a sharp increase in property sales to \$110 million—double 2017's total. Property Finder Egypt also reported a spike in the number of listings on its portal in Q1 2018, with registered properties increasing 133% year-on-year, from 46,528 in 2017 to 108,571.



In March 2018, Bahrain launched its Real Estate Regulatory Authority to monitor and drive growth in real estate by focusing on licensing real estate service providers. Real estate developers are optimistic that the regulator's presence will boost investor sentiment, which has been hurt by reports of rogue agents working illegally.

Elsewhere, Qatar announced in March 2018 a new draft law on 100% ownership for foreign investors, which still awaits legislative approval. The draft law says that non-Qataris may own properties. The law applies to land space, buildings and residential units. With the 2022 FIFA World Cup project also boosting the country's construction sector, the draft law has drawn applause from financial experts.

Showcase projects

Throughout the GCC, groundbreaking real estate projects are now making strong progress, with many showcasing world-class architectural innovations.

The Heart of Europe in Dubai is an iconic collection of private and resort islands, located 4km off the coast of Dubai. It is the world's only island destination that brings together European designs, heritage and hospitality. It is made up of six islands: main Europe, Monaco, Germany, Sweden, Switzerland and St. Petersburg. The islands span six million square feet and will be able to accommodate up to 16,000 people at any one time. All six islands will be connected via bridges and will be accessible by boat, seaplane and helicopter. The project will set a new benchmark for sustainability and innovation—incorporating green features, solar power and state-of-the-art technology. There will be no traditional fuel vehicles permitted on the islands to create the perfect island experience. The first

property on the Heart of Europe project is expected to be ready for handover by the end of 2018.

The world's largest mega-mall, Dubai Square in Dubai Creek Harbour, will boast over 8 million square feet of retail space. The architects of this tech-driven mega-mall have drawn their inspiration from some of the world's most popular retail destinations, including London's Oxford Street, Los Angeles's Beverly Hills, Paris' Champs-Élysées, and Madrid's Plaza Mayor and Tokyo's Ginza. The total Dubai Square investment, including retail, hospitality and residential, is estimated at \$5.5 billion. However, there is no deadline yet announced for its opening.

Kuwait's \$86 billion Silk City, a 250km marine-front development, is aimed to position Kuwait as a tourism investment destination as it is developed over a 25-year period. For this, Kuwait is focusing on developers to attract foreign investors. The Silk City will be connected to Kuwait City via the Jaber Causeway, estimated to cost \$2.4 billion, which is still under construction. The main architectural attraction of the Silk City is Mubarak Al-Kabeer tower, which will stand at 1001 meters, and is going to comprise 234 floors with the capacity to house 7,000 people. The tower will consist of seven vertical villages that include hotels, residences and offices as well as entertainment amenities.

Saudi Arabia's Neom, a \$500 billion "city of the future" project, is expected to be a showcase of a "post-industrial" lifestyle. The first phase of the giant project includes a bridge spanning the Red Sea, connecting the proposed city with Egypt and the rest of Africa. The project is expected to start taking shape in 2020. A number of hotels are already under consideration in the area.

While planners in the Middle East are looking at the growing role of sustainability and technology in property, the spate of path-breaking measures announced by the region's governments is buoying up the market, cheering consumer sentiment and arousing renewed interest of buyers.

Given the regional governments' long-term strategies, economic diversification efforts and new projects and construction in other sectors such as tourism and hospitality across the GCC, there are strong signs that the region's real estate market is arguably on a recovery path. **E**

Developing A Balance

Developer profitability, investor ROI and customer value need to go hand-in-hand to foster a robust and thriving real estate ecosystem.

By Neha Kaul

The increasingly jagged Dubai skyline, dotted with umpteen cranes and new construction projects, and the endless swathes of villas draping the sides of its rapidly expanding road network, all stand testament to its growing and thriving real estate sector.

However, over the last few years, the landscape has become increasingly competitive, with a larger group of smaller developers increasing the supply ratio and product mix, with varied price points for customers to choose from. Add to that a lower buying sentiment, and developers have started feeling the pressure, especially since the beginning of the year.

“In the last few years, there has been a lot of competition in the market—the traditional, stronger players like Emaar, Nakheel, Meraas and the like have been joined by a large group of smaller, private developers from different countries, and this has created huge competition,” says Oriol, CEO of Luxhabitat, a premier high-end real estate brokerage. “Coupled with this, in the last couple of years, the number of new project launches have been incredibly high, and even though they have been received well, and the number of projects sold has also been quite high, the pressure has started building up.”

According to the recent Dubai Property Market Outlook report published by property consultancy, Cluttons, the pace of price declines in the market is picking up, with quarter-on-quarter prices dropping by 2.5% by the end of March, compared to a 1.5% decline in the final quarter of last year, with continued declines expected, owing to the robust supply pipeline. Competition has given birth to price wars and aggressive marketing tactics, with lower prices and incentives becoming the norm to revitalize buying sentiment.

While the government’s attempts to streamline the sector and ease mortgage laws have had a positive impact, what continues to dominate discussions is how developer margins need to work downwards to keep the market competitively priced, without compromising on product quality, value, and service to end-users and investors alike.

As Pressure Builds, Margins Need To Go Lower And Value Higher

One thing seems clear. While reduced prices and developer margins might make properties more attractive for buyers,

revitalizing buying sentiment and adding to the market correction, the downward trend cannot be at the expense of quality or size.

“Reducing apartment area, just to reduce the transaction value without ensuring good use of space, is not the solution. However, efficient design, with better use of space, is good for both end users and investors. Even the end user will select a unit based on their preferences and there is a substantial market for value buyers,” says Gaurav Shivpuri, Head of Capital Markets Middle East North Africa at Jones Lang Lasalle (JLL), a leading professional services firm that specializes in real estate and investment management.

Rizwan Sajan, Founder and Chairman of Danube Group and Danube Properties, believes an adaptive approach to reduced margins, without compromising on quality, will bode well for developers in the long-run. “It is in the interest of developers to adapt to changing market conditions,” says Sajan. “Despite what are projected as ‘dwindling margins’, Dubai still offers some of the best developer margins in the region. We feel the market has corrected, and needs to be competitively priced to continue to grow. And this is true across sectors. The days of massive margins and profits are gone. And developers who can adapt to lower margins, while offering the same quality and value to customers, are the ones who will remain in the running for the long-term”.

Profits are the natural outcome of building with the customer in mind and delivering value to them, believes Abdul Kadir Faizal, CEO ERE Homes, a real estate brokerage and property management company, and COO Smart Crowd, the first real estate crowd-funding platform in MENA to be regulated by the DFSA. “We have seen this with developers such as Emaar and Ellington who have provided exceptional value to their customers, which in turn has led them to charge a premium for their developments.”

In the more affordable segment, Faizal feels that some developers have been seen reducing the build-up areas and compromising on the build quality to maximize profitability, which he feels is detrimental for the ecosystem as well as for the developers themselves in the long-term. “Such practices may allow the developer to sell a few more units initially, however in the long term this is damaging to their reputation and future



developments. Once the customer gets handover of their units, it will fall short of their expectations. This will lead to a negative perception of the development and developer,” he explains.

Bridging the gap

So how can developers, riddled with a slow market, falling property prices and working capital pressures, improve their cash flows and profitability? Experts suggest that space optimization, technology, value engineering and a focus on customer experience could serve developers well in bridging the profitability and value gap.

Oriol from Luxhabitat emphasizes that reducing the quality of the construction or the materials is something developers should never resort to, even with low buying sentiment. “In the affordable market, the only solution is to be more efficient from a construction point of view. Trying to maximize the space sold compared to the overall area that has been built can improve profitability,” he says.

Oriol also recommends reducing the average size of an apartment, as compared to other markets the size of apartments in Dubai is much larger. “While this has been a key characteristic of this market, compared to mature markets like Europe or the U.S., looking at the high price of the units as of now, I would recommend for developers to start building smaller units, with well thought-out layouts, to try to reduce the affordability levels of the units.”

Technology, experts believe, can also be a key factor in reducing costs and improving profitability, while also helping forge stronger customer engagement and improve perceptions of value among end-users and investors.

Deloitte’s Real Estate Predictions 2018 report forecasts

disruptive technologies becoming more mainstream in Dubai’s real estate market. Dubai’s 3D printing target alone, set by the Dubai Future Foundation’s Dubai 3D Printing Strategy, is expected to substantively reduce the cost of both construction materials and labor, while also decreasing the amount of time taken to construct buildings.

“Despite the recent rise in costs, Dubai still offers the best option in the region for developer margins. However, this can improve further if developers focus on functional design, bespoke management and technology to increase their profitability. Technology can truly bring about disruption and boost productivity within the industry. BIM technology, 3D printing and drone technology all have the potential to boost construction productivity, increase margins and realize strategic objectives for the industry,” says Abdul Kadi from ERE Homes.

Anilesh Kumar, CEO of Levtech Consulting, believes the real estate landscape can benefit from a strong infusion of technology-driven benefits, both during and post construction. “Technology is playing an increasingly critical role in the property industry, acting as a business accelerator and differentiator,” he says. “Managing project efficiency, utilization and efficient management of project resources, whether it is people or machines, and the ability to meet budgets and timelines, are all reliant on strong processes driven by intelligent systems backed by dashboards and reports. IoT and data sciences also are playing an increasingly important role in highlighting project risks and managing resources and assets in the construction sector.”

While most developers tend not to construct, their choice of contractors can be driven towards those offering definite technology-led efficiencies and cost benefits to ensure reduced



construction costs and high quality, enhance value for customers.

An interesting part of the developer profitability and value conundrum is the post-handover stage—the marketing and the property purchase process. From a value perspective, Kumar feels that it is equally important for developers to have a critical view on customer engagement through the journey of buying a property, and eventually living in it. “The profitability that a developer eventually realizes can be greatly enhanced and sustained based on the technology used at each stage of this journey. Starting from the property purchase process, developers need to now use a customer relationship management system to automate marketing campaigns, personalize communications based on individual preferences and reach out to an increasingly digital audience.”

Using technologies like virtual and augmented reality to provide real world experiences for off-plan properties and intelligent agents and chatbots to service customers, are all examples of areas where technology can reduce costs and increase profitability for developers, adds Kumar.

Shivpuri from JLL advises efficiency, both in design and planning, to optimize profitability. “Efficient apartment designs that don’t waste spaces, building designs and materials that cost less to maintain, and value engineering during construction can keep costs reined in. All of the above ensures that the building is built well, and allows the developer to offer a product that provides them with the right return”, he explains.

Danube’s Sajan stresses that value engineering and timely

delivery are key components of remaining competitively profitable. “Delivering value for customers while ensuring suitable profitability for ourselves is not something new for us. It is the exact premise on which we have built the company. We believe practices like value engineering, and on-time delivery ensure reduced wastage and avoid accruing of unwanted costs and assets. These can help developers deliver quality construction at extremely competitive rates, a win-win for all,” he adds.

Oriol also adds that looking for ways to optimize the construction process and ways to be more efficient can help reduce cost and increase profitability considerably. “One way could be to more proactively start using prefabricated modules to build faster. Building faster is directly linked to the returns, because if you need less finance or less equity because you can build the project in less time, it would have a direct impact on the internal rate of return for the developer. They need to look at ways to build in a more efficient manner to compensate for the reduced margins due to price wars,” he adds.

Dubai is striding purposefully towards becoming a mature realty market. According to JLL’s 2018 Global Real Estate Transparency Index, Dubai improved its global ranking by eight positions to 40 and maintained its top rating in the MENA region. While new laws and regulations that protect consumer rights and grade developers based on quality will all add to improving investor and buyer sentiment, developers might soon need to accept lower margins as the new normal in a bid to stabilize the market for the long-term. **1**

A STRONG FOUNDATION

From accepting digital currency to book rooms to integrating smart living within its project, FAM Holdings is aiming to make its every project special.

Can you tell us about your current real estate portfolio and what projects you have under construction?

FAM Holding's philosophy is all about bringing new ideas to the real estate market, ideas that matter to people. We are currently working on eight projects in Ras Al Khaimah, Ajman and Sharjah and each one of these towers has its own identity.

One of your projects—the Al Mahra Resort by Cristal in Ras Al Khaimah—will allow rooms to be paid for using digital currency. Can you explain the thought behind this initiative?

For the last decade everything is moving to digital, and for us we always think of making life easier for our clients. This is why we came with this initiative of accepting digital currency, and we are the first in the GCC to do that.

How else are you embracing technology in your designs?

Technology has revolutionized our lives but in our sector it has not been implemented properly in the real estate market. Internet of things is the future, and this is why we are the first developers to build a fully smart residential tower where you can control your flat remotely from your mobile.

Have you faced any challenges in competing or attracting investors for your real estate projects?

The U.A.E. real estate market is very competitive, and the offers are very omnifarious to attract different segments of investors. That is why we tried to handle the matter with extreme care, right from choosing the location to creating beautiful yet practical design of the building including the facilities and features like smart home system or hydroponic planting.

Moreover, we give special attention for pricing, investment



Dr. Faisal Ali Mousa,
Chairman Fam Holding

model and payment plan. All these factors give us many competitive advantages in the market and make us one of the most attractive developer to investors.

Which areas in the U.A.E. do you think still have the most potential for growth and why?

We, at FAM Holding, are focusing more on the Northern Emirates. From our experience, we think that Sharjah is the most attractive place for residential families because of its community living while Ajman still provides the best rental yield and optimal return on investment. Ras Al Khaimah has the most potential for growth, especially in the tourism sector.

What is it about FAM Holding that makes it unique from its competitors?

First of all, we develop unique buildings with concepts that have never been tried before in our area.

Secondly, our vision is all about the quality and value we add to the market. We are a national group, so all of our investments are within the U.A.E. We strongly believe in building a very stable base inside the U.A.E.

Real Estate Boosts Economic Transformation In Bahrain



Ali Murtaza, Director of Real Estate Development at the Bahrain Economic Development Board

The real estate sector has been a major player in the GCC markets, attracting investments and contributing to the GDP of the local economies. Today, with governments actively moving to non-oil growth led economies, where growth is led by the private sector, real estate is proving a strong contributor.

This robust demand is underpinned by several factors—for example, demographic growth has created a real need for residential real estate, particularly social housing. Likewise, growth in international and regional tourism has helped boost demand for hotels and real estate in related leisure sectors.

In Bahrain, construction projects and the real estate sector are contributing strongly to the country's GDP—6.7% in Q1 2018, according to the latest Bahrain Economic Quarterly. Real estate and business activities recorded growth of 3.7% in the same period.

The tourism sector played a major role in this, with Bahrain expecting to open 15 hotels worth \$10 billion by 2020. On the housing front, the Kingdom was one of the first countries in the region to implement Public Private Partnerships (PPPs) to increase the involvement of the private sector in projects. An example of this is the introduction of Mazaya, an affordable housing programme in 2013, developed in collaboration with private sector developers and mortgage providers. Recently, Saudi Arabia followed suit and announced ambitious plans that will increase the role of private capital in the development of housing in the Kingdom. Additionally, Eskan Bank issued the Eskan Bank Realty Income Trust in 2016, the first REIT to be listed in Bahrain. Eskan Bank aims to add further properties to the Trust to enhance its yield and diversify risk.

To boost the role of the private sector and

private capital in areas previously dominated by state provision, it is vital to provide a stable operating ecosystem, with a legislative and regulatory environment that gives investors confidence and makes it easy for them to invest and operate.

Bahrain has maintained an open and business-friendly attitude to ensure a steady path towards sustainable economic diversification and growth. The Bahrain Economic Development Board (EDB), in collaboration with the government, has implemented a series of measures to encourage international investment, security and economic development in the Kingdom. The real estate and tourism sectors are a core component of this strategy, ensuring the country is home to a range of modern and internationally renowned hotels, residential developments and retail projects.

The launch last year of the Real Estate Regulatory Authority (RERA) is an example of the Kingdom's efforts to introduce reforms that can support investment. RERA is positioned to ensure that the real estate industry in Bahrain is aligned to international best practice and to deliver a professional service in a cost-effective and transparent manner. By enhancing the regulatory framework with measures such as this, we anticipate that we will be able to attract additional interest from investors who see the combination of rapid growth in demand and an operating environment that gives them confidence in the long term.

As economies across the region look to grow the role of the private sector, we are seeing real urgency behind regulatory reforms that are unlocking exciting opportunities for international investors. We anticipate that the changes taking place in real estate—coupled with the sector's supportive fundamentals—are likely to accelerate growth for years to come. **F**



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A professional portrait of Sudhakar R Rao, Chairman of Gemini Property. He is a middle-aged man with dark hair and a mustache, wearing a dark suit, white shirt, and a patterned tie. He is standing in an office setting with a modern, geometric wall sculpture in the background. The lighting is soft, highlighting his face and suit.

Planning Ahead

Sudhakar R Rao, Chairman of Gemini Property, talks about the developer's plans for 2020 and his predictions for Dubai's real estate market.

In your opinion, is Dubai's real estate market currently experiencing a low point in its cycle? If so, what are the drivers and how does this compare to previous cycles that you've witnessed?

The real estate market in every geography goes through cycles and Dubai is no different. However, the current situation is different from low points in past, because now the market is much more regulated and is moving in a narrower range. Dubai's non-oil economy is much diversified currently and the upcoming World Expo 2020 is poised to augur well for the real estate market.

At Gemini Property Developers we keep an eye on market sentiment, trends and needs to plan out how we can benefit our customers. Our business philosophy basically revolves around our customers and our transparent credibility in the market. That is the simple mantra we follow in any market situation.

How do you foresee this playing out in the coming year in both the buyer and rental markets?

It needs to be understood that while the rental market is end-user driven, the buyer market is more of investor driven. Of course, with more incentives being given and affordability being the focus, more end-users are entering the buyer market, which is a good sign for the industry. In the coming year, we will see both markets being stable due to upcoming demand.

Dubai's real estate market enjoys the best rental yield globally and, being a customer-focused developer, we are offering highly competitive guaranteed rental returns of 24% in three years, which is the best available in the market.

We believe that buyers and tenants have an eye for quality of finishes, location and timely delivery and the Gemini Group has plans to develop state-of-the-art yet affordable luxury properties across the region, adhering to highest standards of quality in design, technology and materials. It strives to build a reputation based on quality, efficiency, meticulous planning, top quality amenities, practical designs, timely completion and hand-over of projects.

How are you specifically encouraging first-time buyers and investors to get on the property ladder?

We encourage first-time buyers with easy and affordable payment plans and with some incentives, which helps even a salaried person to decide on buying. Sometimes, they invest to rent, which gives them additional revenue or rental income. We also encourage first-time buyers to own a home and stop paying rent.

Can you tell us about your latest project in Business Bay and how construction is coming along?

After completion of our debut Splendor at MBR City project in Sobha Hartland community, our upcoming project is Symphony in Business Bay. The 29-storey building is the second

of a series of high-end luxury residential projects planned in the GCC region.

Symphony has a built-up area of 702,000 square feet and apartment units ranging from 430 square-ft to 2900 square-ft. It will house 455 residential apartments that include studio, one, two and three-bedroom apartments.

The residential project will be equipped with state-of-the-art amenities: smart home technologies, a gym, yoga lawn, swimming pool, rooftop BBQ, jogging track, kid's play area, retail stores, much-needed green open spaces and concierge services for the residents.

Construction at Symphony has already begun with enabling works in progress and the project is slated for completion in May 2020—five months before the historic Expo 2020 begins on October 20, 2020.

What other projects do you have in the pipeline in the lead up to 2020?

In addition to our maiden project, Splendor at MBR City, which is completed and Symphony at Business Bay, which is under construction, we have lined up a number of new projects. A few of them will be delivered before Expo. Gemini Group believes in the long-term strength of the market and will continue to develop as per emerging needs in the coming period.

With technology and sustainability both close to consumers' hearts, how do your developments implement these in their design?

In all our projects, we use reliable and reputed smart-home technologies to give the buyer the comfort and convenience of controlling lighting, temperature, etc, remotely. This also leads to energy saving and improved sustainability.

We also use features such as waste water recycling, green belt, exposure to natural sunlight, etc, to promote sustainability.

How and why did you first get into real estate development?

Real estate has always been close to our hearts, apart from being a diversification move. When you achieve success, you are encouraged to broaden your vision and think beyond borders.

Gemini Property Developers is the real estate division of Gemini Group, one of the well-known business groups in the Middle East and India. Founded in 1986, the group has around 30 years of successful business experience in various fields, including oil and gas, testing and inspection services, trading and allied fields.

Gemini Group has plans to develop state-of-the-art yet affordable luxury properties across the region, adhering to the highest standards of quality in design, technology and materials. It strives to build a reputation based on quality, efficiency, meticulous planning, top quality amenities, practical designs, timely completion and hand-over of projects.



Ras Al Khaimah's True Real Estate

A tourism boom has real estate developers heading to the U.A.E.'s northern shores in search of investment opportunities

By Inga Louisa Stevens

With an ambitious goal of attracting a million visitors by the end of 2018 and 2.9 million by the end of 2025, real estate developers and property businesses from across the world are eyeing up Ras Al Khaimah as a regional hot spot for large-scale development projects.

Located in the north of the U.A.E., Ras Al Khaimah has a full government-backed mandate to stimulate investor and tourism growth and, with the Ras Al Khaimah Tourism Development Authority (RAKTDA) reporting a 19% increase in visitor numbers in 2017, the authority has plans to grow its current resort portfolio from just over 5,400 rooms to more than 10,000 by the end of 2020.

The ripple effect of a robust tourism strategy can also be felt in the residential market, with visitors seeking value-for-money accommodation or looking to purchase a holiday home. With an abundance of land up for grabs, and with continuing infrastructure works and improvements to real estate legislation, Ras Al Khaimah is reinventing itself to become an attractive real estate investment destination.

Despite reports of softening rental rates from real estate services company, Asteco, and with predictions that they are not likely to recover in 2018 due to increasing supply, the emirate has a strong pipeline of residential developments, leisure and retail destinations and hospitality projects in the works over the next few years.

The 24-room Address Hotel and Residences Al Marjan Island resort is set for completion by 2019, while the InterContinental Hotel in Mina Al Arab, with 350 guest rooms and suites, is set to open in 2020. Meanwhile, Ras Al Khaimah-based real estate developer and investment company, Al Hamra, has signed a management agreement with Emaar Hospitality Group to operate the new 250-room Rove Hotel at its Manar Mall in Ras Al Khaimah. Construction work on the new hotel is set to begin later this year and is scheduled to be operational in 2020.



Ras Al Khaimah is reinventing itself to become an attractive real estate investment destination.

According to Barry Ebrahimi, Head of Commercial at Al Hamra Real Estate Development, although the Dubai Expo 2020 is a huge milestone for the country and the region in general, Ras Al Khaimah has long-term sustainable plans and strategies in place for stimulating tourism growth and for developing the real estate sector in the emirate.

“As a major stakeholder in the hospitality sector and as owners of nearly 25% of all luxury hotel rooms in the emirate, although we are bullish on the tourism and hospitality sector, we are not shortsighted about the timeline on when these additional properties need to be brought into the market,” he explains.

Al Hamra is a leading master planner and developer in the Northern Emirates and has been one of the frontrunners in transforming the real estate, hospitality and retail landscape of Ras Al Khaimah since 2003. The group’s 77 million square foot Al Hamra Village development includes 1.5 kilometres of beach line and nearly 4,000 homes, as well as five hotels including the recently opened Ritz Carlton and the Waldorf Astoria Ras Al Khaimah, an 18-hole championship golf course, 200-berth marina, and two shopping malls.

“Initiatives taken by the government to boost tourism, industry and business in Ras Al Khaimah are showing great results and RAKTDA has been successful in emphasizing and promoting the destination, with an increasing number of people discovering the benefits of the emirate every day,” says Ebrahimi. “Not only does the increasing number of hospitality developers and operators venturing into Ras Al Khaimah

strengthen the tourism prospects for the emirate, but with a number of these hotels adding serviced apartment concepts to their properties, this will also bring holiday home and residential additions into the market.”


According to Ebrahimi, the occupancy levels and growth in average daily rates (ADR) at Al Hamra’s five hotel properties are currently some of the best in the Middle East, with their largest inbound tourism market from Germany, followed by the UK, the rest of Europe and the rest of the U.A.E.

“RAKTDA has been targeting certain markets, including India, which is slowly showing progress as it is a huge market for outbound travel, followed by a focus on the Scandinavian countries and Eastern Europe. There is clearly a demand for more hotel rooms and we welcome and encourage additional investments as it adds to the value and exposure of Ras Al Khaimah as a solid tourism destination,” Ebrahimi notes.

For now, the market in the residential segment remains steady and value for money combined with an attractive lifestyle offering continues to be an attractive proposition for homeowners and investors at the Al Hamra Village development. “We are currently seeing strong demand for smaller townhouses as second homes and that is something we are preparing to introduce to our customers,” says Ebrahimi, who believes the trend is being largely driven by the introduction of low priced, smaller properties in Dubai that are being sold in the AED1 million range.

“This has put some pressure on developers in Ras Al Khaimah in terms of customers who are looking solely for value for money, i.e. the cheapest place possible. But when you consider everything we afford to our homeowners in terms of property size, beach-front location and world-class amenities, we are in a good place,” he adds.

Perhaps, unlike in some of the other Emirates where developers have tended to over extend themselves in terms of supply, developers in Ras Al Khaimah are taking a more cautious approach, with the supply of new homes being kept in-line with demand and market absorption.

“With the entry of major Dubai developers into the Ras Al Khaimah market, this has put a spotlight on the opportunities the Emirate has to offer and investors looking for returns are still experiencing 6% to 10% yields depending on property size and purchase price,” Ebrahimi explains. “We continue to monitor the market closely and react to market conditions and supply and demand factors accordingly.” 

After A Market Frenzy, REIT Investors Need To Do Their Homework

While Real Estate Investment Trusts (REITs) have been operating in Saudi Arabia for only 24 months, already the market has seen significant developments.

By Stian Overdahl



In less than 24 months a significant market for Real Estate Investment Trusts (REITs) has sprung up in Saudi Arabia. Regulations were established in 2016 by the Capital Markets Authority (CMA), and the first REIT was launched in November that year. At the time of writing there were 15 of the investment funds listed on Tadawul, with a market cap of around \$3 billion according to Knight Frank, with more in the pipeline.

Could anyone have anticipated how quickly the REIT industry would grow? Perhaps. After all, real estate is a traditionally favored asset class in Saudi Arabia, and REITs make it possible for investors to gain exposure to diverse geographies and market segments, with limited capital outlay and an investment that remains highly liquid.

REITs allow investors to purchase stocks in ring-fenced, cash-generative real estate assets, designed to provide strong

yields at lower risk than investing in real estate equities, says Steve Drake, head of PwC's Capital Markets. With REITs in Saudi Arabia required to pay out 90% of their earnings as dividends, this gives them a similar profile to a fixed income investment, says Drake. "What REITs provide for an investor is security."

At least in theory. But after a roller coaster price ride for Saudi's REITs, investor security has arguably been in short supply. While globally most REITs trade at a slight discount to their net asset value (NAV)—the global average price to NAV benchmark is a 17% discount according to a report by Knight Frank—in Saudi Arabia, initial offerings were oversubscribed and prices rose steeply in post-launch trading, with some more than doubling in value. By the end of September 2017, the ratio between unit price and net asset value of REITs (P/NAV) stood

at 1.49, according to Frank Knight, a nearly 50% premium.

Market watchers blame a misunderstanding on the part of Saudi investors for driving prices so high. “Investors didn’t understand how REITs operate, or the fundamental theory behind REITs,” says Gaurav Shivpuri, head of Capital Markets MENA at JLL, who describes a “market frenzy” with speculative buying. “People thought REIT is going to be the new equity and they just kept buying and the share price kept going up.”

The initial bull run also prompted a rush to bring new REITs to the market, to take advantage of the windfall for asset owners. James Stull and Nabil Issa, partners at legal firm, King & Spalding, working on documentation, saw a spike in activity. “When we were setting them up they were just like hotcakes. We were deluged with clients either selling assets to a REIT being formed, or a party wanting to form a REIT, because they would list and they would have a 30-40% increase on day two, so clients felt like it was printing money,” says Stull.

Back To Reality

Saudi Arabian investors have long been accustomed to a company’s shares rising post-IPO, so some of their enthusiasm can be understood. The launch of the REITs also came amid a dearth of new equities listings, partly due to “nervousness” about a possible Saudi Aramco listing sucking liquidity out of the market, with REITs “plugging the gap,” says Drake. The REITs were also a new form of investing.

But the optimism of investors was ranged against the fundamental economics of the REITs. Whereas equities can reinvest earnings to grow the business, and the stock price, because REITs pay out 90% of their earnings as dividends there’s little scope for capital appreciation. “REITs are not for trading, they’re more for the purposes of capital preservation and growth with inflation,” notes Shivpuri.

With real estate returns in the region roughly capped at around 8-8.5%, that means returns from REITs are capped at around 6-7%. Meanwhile, investors who bought units in REITs at double the list price were halving the effective yield, which at 3% would likely only just cover the cost of funds, says Shivpuri. Once investors realized this, “That’s when the selling started,” he says.

By March 2018 the P/NAV ratio had fallen to 1.01, and by mid-August the industry average was at 0.87, a 13% discount according to Knight Frank. Investors who bought at the market peak are now likely sitting on significant capital losses.

Shivpuri believes that the market is now trading in the right range, though “obviously there are some REITs that will go down.” Indeed, no doubt investors themselves are wiser to the nature of REITs, while the CMA responded to the frenzy with updated regulations, including an increase in the minimum size to SAR500 million, to ensure that standards are kept high.

Price Separation Ahead

With the market now largely bottomed out, the task for investors is to pick REITs that will offer good returns for the long term, says Shivpuri, with prices currently bunched together quite a bit. “What I foresee is a separation of the pricing over the next two years as investors start to realize that certain REITs are better assets and certain REITs are weaker assets,” he says.

That means that investors need to do their homework. Making that task more difficult is the newness of the market in Saudi Arabia, with many REITs yet to post full year returns. In more mature markets, investors analyzing REITs can often look at years of results.


The good news is that compared with most other real estate investments in Saudi Arabia, REITs offer a wealth of transparency and information. David O’Hara, director and head of Cluttons Saudi Arabia, says that REITs are required to have their portfolio valued twice a year by two independent, third-party valuers to establish asset value and the information publicly disclosed, meaning that investors can get a “pretty good level of detail” on the market. Indeed, he believes that the high level of transparency is one of the main reason why REITs are so interesting to investors. “There are not a lot of markets in this part of the world where you can enter that level of transparency.”

As for downsides to REITs, “the risks are about the nature of the market,” says O’Hara. What are those risks? Headlines include a sluggish economy (the IMF estimates that real GDP growth will amount to 1.7% in 2018), a building boom triggered by the white land tax putting pressure on lease prices as the market absorbs hundreds of new buildings, as well as an expat tax that has caused hundreds of thousands of foreign workers to leave the kingdom, decreasing footfall at malls and other commercial locations.

Nevertheless, despite market softness, O’Hara believes that talk of rental income contracting is superficial. “The rental income for prime properties is actually increasing and it’s the properties from 10-20 years ago, that are not of sufficient quality, that are really suffering,” says O’Hara. Less attractive properties not only have falling rates, “but more significantly have an incredible vacancy rate, so I think that’s a big risk,” he says.

To hedge their bets investors can also look beyond REITs that are diversified across geography and market sectors, to thematic REITs that are concentrated in sectors such as education and healthcare—said to be defensive because they are less affected in the event of an economic downturn. Raya Majdalani, research manager at Knight Frank, says that while the vast majority of existing REITs are non-thematic, the emergence of more thematic REITs is an opportunity for investors. “It is likely that thematic REITs will take the lead over diversified REITs in the longer term,” says Majdalani.

JLL’s Shivpuri believes that the strength of the leases is a vital factor in determining the long-term performance of individual REITs. “Most of the REITs are still new so the leases are in place now, but when the leases come up [for renewal], if they’ve not been bought at the right price, and tenants leave or leases fall, then that REIT will suffer,” he says.

He believes investors holding substantial stakes in REITs should analyze their funds in detail, looking at the tenancies and if necessary getting third-party help to forecast the strength of the leases. Some investors may need to adjust their portfolios, he suggests, given that REITs with lower returns will fall in value while those that outperform the market will gain. “The question is, are [the returns] sustainable over time?” says Shivpuri. 

A Smart Transformation

HE Sultan Butti bin Mejren, Director General of Dubai Land Department, is stimulating the future of real estate by securing a legislative system that protects the rights of investors.

By Claudine Coletti

You took charge of DLD at a time when Dubai's property market was booming, but the market took a deep decline two years later. Fast forward a decade, what have you and DLD learnt from the property bust in 2008/2009?

The real estate movement in 2006 and 2007 was strong due to Dubai's economic strength, attracting a lot of capital and investors due to the availability of qualitative investment opportunities. The market continued to grow until 2008 when the global crisis hit. Dubai regained its economic strength within three years of the crisis and moved forward with its mega real estate projects, gaining back the interest of several investors. Things have been progressively improving since and Dubai has advanced upon its ambitious investment plan.

Dubai's plan for 2021 is one of the most important catalysts to position Dubai as a global destination. The emirate is witnessing a major development due to ambitious initiatives, programmes, and projects—most notably through the hosting of Expo 2020—and is looking to consolidate its position as the capital of the Islamic economy, launching several strategies, such as the Smart Dubai strategy, which aims to make the emirate the smartest city in the world.

Can you share with us the current value of Dubai's real estate market and how it compares to previous years?

In 2017, Dubai Land Department (DLD) recorded 69,000 transactions worth \$77.6 billion. During H1 2018, DLD recorded transactions worth \$30.2 billion, not factoring in contracting, development, and real estate and construction projects.

Property markets go through swing cycles. As the agency regulating real estate in Dubai, how do you ensure that every time there is a dip in the market you are able to cushion it or give it a soft landing?

Real estate investors are the market's primary influencers due to the role they play in the real estate supply and demand equation. This is evident in a report issued by DLD stating that 47 new projects have entered into the market in the first eight months of the year, providing 14,000 properties: 10,000 apartments, 364 residential complexes, 2,258 townhouses, and 1,575 villas.

In the same time period, 1,000 investors received their properties and concluded 900 transactions worth more than \$3.2 billion, reflecting Dubai's superiority over other international investment destinations. We

**HE Sultan Butti bin
Mejren, Director
General of Dubai Land
Department**





are also in strategic partnerships with major developers to discuss the real estate market developments and shape the future needs of the real estate market by focusing on specific and timely projects.

Do you think Dubai's property market is regulated enough? Are speculation and flipping well under control?

Yes, the Dubai real estate market is regulated by the laws and legislations that were issued over the past ten years, and through DLD's electronic systems that guarantee the rights of investors. Additionally, the speed of concluding transactions is only 30 minutes because all relevant data is fully entered into the system, which DLD was able to operate using blockchain in 2017, increasing the system's capabilities and efficiency.

The Real Estate Regulatory Agency (RERA), as part of its responsibility to license real estate advertising and projects, monitors the market by tracking ads posted by developers, brokers and any announcement related to the real estate market. All projects are licensed in accordance with the regulatory requirements, including the payment of the full value of the land allocated

to the project by the developer, its issued title deed, and the existence of final plans issued by the competent authority. The developer is also required to open an escrow account for the project through which the investors' rights are guaranteed.

The Dubai Real Estate Institute (DREI) educates and certifies real estate brokers, each of which require a license to operate. There are also many organisational achievements that have made the real estate market completely safe.

As for price manipulations, we have worked on issuing laws and regulations that limit them, hence there are currently very few, if any. The real estate investment promotion sector has also completed a manipulation index that monitors the percentage of manipulation in the real estate market.

As demand for more affordable housing options increases, how do you plan to incentivise developers to address the gap?

DLD constantly informs developers of the market's needs through meetings and discussions, and encourages them to develop projects that meet the needs of the larger population. Due to a market-based coordination, developers are

Dubai is an attractive investment destination due to its exceptional projects that have caught the attention of more than 200 nationalities from all over the world

becoming more aware of the promising opportunities in the affordable housing sector with some of them having delivered a number of projects in this sector, while others are continuing their operations to build such projects in new areas in Dubai. Over the next few years, we will witness a wider range of real estate units that will focus on specific categories and deal with demand realistically.

Do you think investor confidence in Dubai is still strong? What are some of the measures that you are looking into to further enhance this confidence among investors?

Dubai is an attractive investment destination due to its exceptional projects that have caught the attention of more than 200 nationalities from all over the world, especially when viewing the return on investment in rented properties that range from 6% to 8%, which is a very encouraging return and hard to beat anywhere in the world. In addition, the strong legal and regulatory environment of the Dubai real estate market helps maintain investor trust, as they find Dubai's operating system a source of reassurance.

In addition, DLD seeks to attract more investments by taking advantage of the safe and attractive environment through its real estate investment promotion sector. This has led to an increase in partnerships that support our projects and initiatives in the real estate sector. In order to strengthen these partnerships, we have opened a number of real estate promotion trustee offices in India, China, Russia and the U.S. to connect with these investors, encourage them to invest in Dubai, and inform them of all the opportunities in the U.A.E.

Dubai's real estate market confirms its continued sustainability, attracting 9,500 new investors between 1 January and 31 August, 2018, with a total value of \$5.1 billion in investments.

Are you planning to introduce any further measures to protect investors buying off-plan properties in Dubai?

We set laws that protect investors' rights when it comes to off-plan properties, including the requirement of developers to open escrow accounts in which investors' payments are deposited, and the need for a developer to register a sale in the preliminary registration system, with fines and penalties being incurred on developers who do not follow these laws. We are always studying the gaps that occur through our work and striving to correct them.

What has been the feedback you have received for all the steps you have taken to protect investors and enhance the investment climate in Dubai's property sector?

We have witnessed positive reactions from major investors, especially with regard to government incentives. Such measures will undoubtedly contribute to the ideal financing and investment environment for the real estate market, and will be critical to its stability. In addition, developers and investors communicate with us to learn about the new procedures, launching innovative projects in the market to ensure additional successes for their investments.

Do you take any examples of governance from the world when regulating the market?

Dubai's experience is now global through the establishment of cooperative relations with international institutions in brotherly and friendly countries who share their experiences and best practices, especially those related to regulation, real estate registration, and land and property management.

In a short period of time, we have become a source of knowledge in these areas, and every year we welcome several delegations to brief them about our experiences and our efforts to develop national systems through courses, scholarships, and consistent training workshops.

How do you think Expo 2020 will impact Dubai's property market? Will it lead to the development of new areas in Dubai?

Dubai's hosting of this global event will have a great impact on real estate in the short and long terms. Dubai will reveal to its visitors its distinctive features, strong infrastructure, and regulatory environment, which are the key factors investors are looking for.


After Expo 2020, we expect to see a new wave of companies and individuals seeking to expand their activities in the region who will find Dubai to be the perfect haven to reach their regional customers quickly and easily. This will increase the U.A.E.'s competitiveness economically, alleviating it to higher global levels.

The real estate market is poised for a new phase of growth in the run-up to Expo 2020, and Dubai will once again prove its ability to attract more foreign investments.

What are DLD's future plans for Dubai's property market?

All our plans are in line with our wise leadership's vision and the government's aspirations, especially the smart digital transformation in line with the Smart Dubai strategy. The services that DLD provides and is planning for are aimed at a fully integrated smart, digital transformation to achieve the objectives of Smart Dubai 2021 to transition to a paperless government, in line with the Dubai Government's plan to be the smartest city in the world.

We have already eliminated our records section and switched to a smart archiving system that completely stopped traditional archiving operations. Our IT team has managed to convert more than five million files into smart format, transferring them to the new archiving system.

We strive to remain at the forefront of institutional performance and provide a model of what government institutions should do to keep up with the changes of the times. One of the most important achievements we made is the adoption of blockchain. We are the first government entity in the world to implement this technology, in line with Emirates Blockchain Strategy 2021 launched last October by HH Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai and Chairman of the Board of Trustees of the Dubai Future Foundation, and led by the Smart Dubai strategy. 



**His Excellency Sheikh
Sultan bin Ahmed Al
Qasimi**

Regenerating Sharjah

His Excellency Sheikh Sultan bin Ahmed Al Qasimi is resolutely focused on increasing local and international investment into the small but significant emirate of Sharjah. As Chairman of real estate developer, ARADA, he is today creating multi-billion-dollar communities that are forming a cornerstone in Sharjah's continuous growth.

By Claudine Coletti

Can you tell us about how and why you first established ARADA? What did you think was missing in Sharjah's real estate market that needed to be addressed?

Sharjah is currently undergoing a transformation on several fronts—in the real estate sector, thanks to the 2014 law change that allowed all nationalities to purchase property here, in industry, in tourism, in education and so on. This is due to the Government of Sharjah's determination to create a prosperous, future-facing emirate that retains its significant heritage and traditions. We have seen yet another record budget this year (\$5.9 billion), with spending up 6% on last year.

My business partnership with Prince Khaled began some years ago. In 2016, we sat together and noticed that the Sharjah property market was missing one key component: integrated communities with expansive amenities, featuring well-designed homes, at an accessible price point. Simply put, we wanted to build quality homes in attractive, green communities, where the middle class would want and could afford to live.

This segment did not exist before we launched ARADA. I am delighted to say that the sales success we have witnessed with our two communities shows that we are addressing that demand.

Since launching your two flagship communities—Nasma and Aljada—in 2017, what progress has been made on their construction? When is completion due and once complete how many people will these communities house?

We launched our first project, Nasma Residences, in March last year—the first phase sold out in less than a month, making it the fastest-selling community in Sharjah. Construction on the first phase is now 60% complete, and we are on track to complete this phase by the end of the year. Construction on the second phase is now 20% complete, and I'm proud to say that ARADA's first completed property—a show villa—is now open to the public. We have also reached the first floor of Nasma Square, our community shopping center, which will be finished by the end of 2018. The entire project will be finished by the end of 2019.

We launched Aljada in September last year. It is Sharjah's largest mixed-use lifestyle destination, located on the last large plot of available land in the heart of the city. We broke ground onsite at the beginning of April, and we are now working on two main areas—the first four buildings in Phase 1 (due by end 2019), and the first phase of the Central Hub, which will be open in Q1 2019.

We would estimate the population at Nasma Residences to be around 4,000 when complete. At



Aljada will be Sharjah's largest mixed-used lifestyle destination, housing 70,000 people.



Architects, features extensive lush vegetation fed by reused wastewater, and will be partly powered by solar panels. The buildings have also been shaped and laid out in such a way to make the best use of shading to reduce the need for artificial cooling.

We are also launching Sharjah's first smart homes, in Aljada's Misk Apartments. These show our commitment to going above and beyond when it

Aljada, we have estimated the total population to be around 70,000—including residents, workers and visitors.

How much investment is needed to complete these projects?

The total sales value of Nasma Residences is \$354 million, and the total sales value of Aljada is \$6.5 billion. The projects are financed by a mixture of equity and debt, and we announced in January that we had secured an initial round of financing for \$272 million. We will be exploring other options for additional financing as and when required.

What are some of the unique design aspects of the residences and facilities?

Our communities are characterized by wide green spaces. It is important to us that every resident in our projects has access to parks within a few minutes' walk from their front doors. Sustainable building designs are at the heart of what we do.

The Central Hub at Aljada, designed by Zaha Hadid

comes to customer expectations. Not only is this addition free of charge, it enhances security, saves money and helps save the environment as well.

Also, at Cityscape this year, we'll be revealing our smart city concept—our vision is to build one of the U.A.E.'s most modern, connected and forward-thinking communities. From environmentally-friendly measures such as electric transport and extensive use of renewable energy, we'll also be using data to help deliver truly next-generation services to our residents via mobile apps.

What has demand for the properties been like among U.A.E. residents?

We've seen incredibly strong take-up from U.A.E. residents, especially Emiratis, who make up about 60% of buyers in both communities. In addition, there has been significant investor interest from Gulf Arabs, Arabs of other nationalities (especially Lebanon, Syria, Egypt and Jordan), Indians and Pakistanis.



Non-Arab investors without a U.A.E. residence visa can now purchase property in Sharjah—what impact has this had?

The recent change is yet another sign of the Government of Sharjah's commitment to developing its real estate market. Although the law change is relatively recent, we have seen an increase in bookings and inquiries. We are planning to take advantage of this by undertaking marketing drives in locations such as India and China.

Do you believe Sharjah has the potential to compete with the hubs of Dubai and Abu Dhabi as a global destination for investors, residents and tourists?

We believe that Sharjah complements rather than competes with our neighbors in the U.A.E. For example, Sharjah is well known for its cultural offerings. At the same time, University City is one of the most important hubs for education in the Middle East, and that in turn has inspired a start-up revolution in the emirate.

With companies like ARADA and Tilal Properties, we are already addressing the need for more integrated mixed-use communities. These plans feed into SCTDA's vision to welcome 10 million tourists to Sharjah by 2021.

The Central Hub is a key example of this. We are not building this just to cater to people in Sharjah and the Northern Emirates. Our ambition is to attract visitors from the rest of the U.A.E. and internationally. We are building a truly unique indoor/outdoor entertainment and leisure experience that is unlike anywhere else in the Gulf. Aljada's Business Park—with 500,000 sqm of leasable space—will be Sharjah's new commercial heart, with well-designed, spacious and modern offices with great connectivity. It's also adjacent to the SAIF Zone, and the American University of Sharjah's Science, Research & Technology and Innovation Park (SRTIP), which is being built as we speak.

Given all this, I truly believe that Sharjah is on the cusp of an incredible transformation that is at the same time rooted in our traditional outlook.

How resilient has Sharjah's real estate industry been to recent downturns in rental and buying prices? Do you think an oversupply has caused the slump?

Sharjah's real estate sector has always been slightly different to other neighboring markets in the Gulf. While every property market has troughs and peaks, our fluctuations have been a lot smoother, even during the financial crisis a decade ago. In fact, Sharjah was the only part of the U.A.E. to see a rise in villa rents in the last quarter of last year, according to Cluttons.

The government's decision to allow all nationalities to purchase property in Sharjah has resulted in a real revitalization of the real estate sector. The total value of real estate transactions rose 20% to over \$8 billion in 2017 against the previous year, and we only see this figure growing.

Oversupply might be an issue in other parts of the Gulf, but in Sharjah we believe the opposite is the case. ARADA was set up to address the lack of supply of good quality, well-designed homes positioned at an accessible price point. Our sales results so far tell us that our vision has been vindicated.

What plans do you have to expand real estate and tourism opportunities in Sharjah?


For now, we are very much focused on the projects that we announced last year. While Nasma Residences will be completed by the end of next year, we expect that Aljada will take until at least 2025 to complete.

The size and scope of Aljada means that we will have many announcements linked to the project in the coming years. These will build on existing relationships that we have already sealed with the likes of AUS and Emaar, and will focus on retail, leisure, education and healthcare, to name a few.

That said, we review other opportunities as and when they become available. Our long-term plan involves expansion into Dubai, Saudi Arabia and further afield.

What is your ultimate dream for Sharjah?

Sharjah is already on an exciting growth path, and this has been spurred largely by the government. However, it is important that private companies now step up to the mark, which is what we are doing at ARADA.

For Sharjah to achieve its goals, we need to build on the current momentum. We are welcoming more new companies than ever before, with projects like Tilal City and Aljada encouraging even more businesses to open here. Spending on infrastructure is already at a record level and new models such as PPPs can ease the burden on the government. Strong infrastructure, more commercial opportunities and greater FDI will all help our current growth path, which is setting the standard for a future-facing emirate that also wears its heritage with pride. 

Heartfelt Home Construction

Atif Rahman, Director and Partner of Danube Properties, has built the affordable luxury developer into a formidable brand in the U.A.E.'s real estate market. Both his approach, and Danube's, is built from life-long passion and common sense.

By Claudine Coletti

“My biggest pride is the product. That is where the story starts,” says Atif Rahman, as we stroll through Danube Properties’ impressive offices, past pool tables, massage chairs and vast hanging lights, to take a seat in the Director’s comfortable open-plan space surrounded by property designs and notable awards.

Rahman has good reason to be proud. Having been personally chosen by Danube founder, Rizwan Sajan, to build the real estate arm of the business from scratch just 4.5 years ago, today Danube Properties boasts a portfolio worth \$3.7 billion. “It’s an amazing figure, I feel nervous every day,” he laughs.

He has little reason to feel nervous. As a temporary flux causes rents to drop across the U.A.E., Danube Properties continues to sell-out its units. According to Rahman, in the last 12 months Danube has delivered and sold \$327 million of property and recorded around 10% year-on-year growth.

Its latest development—Lawnz—a gated residential community in International City featuring 1,032 apartments across four blocks, launched in the height of summer in late-June this year, and sold out in three days. Rahman reveals that even before the launch he already had 17 cheques in front of him from potential buyers interested in the real estate—and the value of the cheques were more than the inventory he had available.

Across the portfolio, other projects such as Glamz and Starz are underway and on schedule. However, some small unforeseen delays are to be expected. For example, the Starz development was on hold for a little while after excavation uncovered a cavity five meters beyond the soil bed, but after Rahman spent time studying methods of soil improvement and establishing a solution, the project is making up for lost time. Miracly too lost some time as extra structural studies were employed for the high-rise project—incredibly the Director says it is now on track to achieve a new floor every ten days.

Rahman’s love for his job goes well beyond selling property. His knowledge of the construction industry, building materials and processes comes from a life-long passion handed down to him by his grandfather, who was a chief engineer in India while Rahman was growing up.

“He had built everything from roads to stadiums to infrastructure. He taught me construction from a very early age. He used to tell me, before engineering and technology, construction is about common sense. Never do construction from the head, do it from the heart,” Rahman remembers. Despite graduating from BIT Mesra, India, with a degree in computer science, Rahman found his way back to the building business. “My heart is in construction, I can’t live without it,” he says. “When you do it passionately there is fun—with all the stress and site worries you have, you enjoy it and you become addicted to it.”

Today that passion is evident in the way he approaches his projects. Before even buying a plot of land, Rahman says he goes to the plot—often in the very early hours of the morning—and drives around 20 or 30 times to get a feel for the space and imagine what he could build there. He produces his own commercial, financial and technical feasibility reports. He envisions the

style, look and feel of a new community which is not left to the architects—the Director himself decides what gets delivered, based on the location. He shaped Bayz, for example, in a specific way to ensure enviable Business Bay views from every apartment. One side of the building faces Downtown and the other Meydan, with both sides connected by naturally-lit corridors. The one thing Danube will never build is a plain square block.

“We’re not trying to do something out of this world. We’re just creating a more livable space—somewhere people will love to spend their time and live their lives,” Rahman explains. “That’s how we look at property—how will the person feel staying there.”

“We’re not trying to do something out of this world. We’re just creating a more livable space – somewhere people will love to spend their time and live their lives,” says Atif Rahman



Atif Rahman,
Director and
Partner of Danube
Properties

Danube Properties has long found its niche delivering affordable luxury in a market awash with highly-priced communities. The developer has made its big money focusing on making it possible for those in low-to-mid income ranges to enjoy the kind of finishes and facilities associated with the high-end market.

It has been done by keeping costs down by excelling at modular design and thereby eliminating waste. Rather than designing 20 different types of apartment per development, the team design no more than four, which are symmetrical and identical. So, although the manufacturer may be producing 5,000 doors, there are only four styles, enabling mass production in the factory and creating significant economies of scale. All this means that the properties remain affordable through technical cost savings—not by removing the swimming pool or reducing the quality of construction.

Rahman also likes to keep abreast of what the competition is doing. “I love iPhones—I have a file,” he confides as he leans over and shows me a notes page listing other businesses and the mistakes he thinks they’ve made along the way. “I try to learn from them, what made them fail. Are we exposed to that? This all leads to how you continuously educate yourself on what not to do,” he explains. “No-one is bigger than the market, and the market is made by the consumer.”

He considers that failure often comes down to two big errors: venturing into a business with no know-how, followed by a lack of governance. “It’s simple, we should know our business,” he says. “That’s why once we take a decision we are extremely fast, but until that time we are slow and easy and very traditional in our approach.”

It is a winning approach, supported by an understanding and respect for Danube’s key consumer segments. Rahman instructs his team to stay away from aggressive hard-sell tactics with potential customers. “If they have the money and we have confidence in our product, they will come and buy from us,” he reasons.

Looking ahead and the Director is both optimistic and realistic. The markets are frequently changing he admits, the important thing is to remain dynamic, be cautious and not overstretch. However, if Danube Properties continues to expand at its standard rapid rate, Rahman has ensured it is well prepared.

“The ‘Z’ in our names was just a coincidence—the chairman named the first one and then we stuck to it,” he reveals. “But today I have trademark registered 20 more names on top of what we already have.

“Dubai is one of the most attractive places to do construction. We are ready for the future.” **F**

Expansion And Investment

Samir Salya, Chairman of Reign Holdings, talks about the group's multi-billion-dollar developments in the Europe and Dubai-based real estate markets, and his own identity as a leader.

Coming from a fashion business background initially, what inspired you to form Reign Holdings?

In the textile industry in the UK, business was booming in the late 70s and early 80s, and the group's focus was mainly on expanding our coverage. Unfortunately, in the early 2000s there was a downturn as Asia's prices were unbeatable and competition became very tight.

By that time, however, we had our foot in the property investment market already. By the late 80s we had started to set up teams focused on buying blue chip investment stock, with favorable returns across the UK. We started to build our first residential development site in the UK in 2000.

The success of this 12-unit residential development led us into a whole new industry. We started developing in the UK, and we entered other markets in Bulgaria, India and the U.A.E.

What was one of your most challenging projects?

It was one of my first projects in Dubai; around 400 apartments in Dubai Sports City. That was actually a very good learning experience, because we started the project and then the credit crisis kicked in, so a lot of clients were facing financial difficulties.

We had to go back and re-negotiate all the payment terms with the contractors while handling 400 clients. 50% of the clients wanted construction to go ahead and 50% wanted a refund, so we restructured the whole deal again.

The shell of the project was there, the interiors had to come in, funding was required, and 50% of people didn't have the financial resources to pay. At the same time regulations were coming in to tighten the market. In the UK the cost of construction was rising. So, all of that was happening at the same time and we still delivered the project.



“ We have a master plan that by 2020 we need to employ 500 more staff and build an additional 3,000 units globally. We are half-way there and need to drive hard in the next few years to meet our target. ”

What are the major projects in your current pipeline and how much are you investing in them?

We plan to invest around \$1 billion to \$1.5 billion in Dubai in the next three years. Our JVC projects are mainly concentrated on hospitality and hotel apartments and will allow us to deliver over 1,000 units.

Every project of ours is named after an Italian city. Italy has always brought me luck and I brought that to the building trade. The Milano development is 95% ready. We're also started ground work of the Naples project, which is about 204 apartments, and then we've got another four projects in the pipeline, which we will be breaking ground on as soon as the approval process is done.

Other projects in various stages of development include hotels and residential towers in Meydan and the Business Bay areas. We also have development plots in the iconic World Islands under designing process.

How hands-on are you in the business operations?

Very—it's hard to let go when you have built something from nothing. I give my staff the independence to think and manage their own tasks so that they strive for success but have an ear on the ground in case things go astray.

My morning consists of meetings with different departments to touch base. Often, the CEO & CFO of each department get instructions from me and are given targets with incentives. I oversee the departments no matter how big the issue is—from securing a \$50 million property acquisition to editing a brochure for the sales department. I have zero barriers with the staff and this environment makes everyone happy and productive.

Coming from a family business, how did you find your own identity as a leader?

I learnt from the outset the real value of cost saving and efficiency and to run things as simply as possible. Being the eldest in my family I guess I naturally fell into the role of being a leader. I had to pay attention to situations without having the ability to fail, so the pressure was always on.

I arrived in Dubai in 2003. Evolving as a leader in the U.A.E. was extremely challenging as the business culture and mentality is so different to the UK. Being a leader is all about evolving and problem solving and I would say that has been my greatest asset to date on driving businesses forward for the group.

What are the key issues affecting the construction business at the moment?

It's a difficult market for new property developers to enter. For contractors, banks and investors to make a development work you need a good track record. Nowadays customers have a wide choice of units to buy or rent. So as developers you need to create a quality product. If it has a niche, even better, as you have to make your development stand out from the crowd. Customers want better design, better management, better amenities. All this raises the construction cost and makes the smaller quick-buck developers stand out from the quality and efficient developers.

Do you plan on expanding into any new sectors?

We have a master plan that by 2020 we need to employ 500 more staff and build an additional 3,000 units globally. We are half-way there and need to drive hard in the next few years to meet our target.

We intend to expand our building maintenance brand, Easy Fix, in both the Middle East and Europe. As well as the Huda Hotel, we are creating a brand that provides first-class services to customers throughout all our developments. We intend to be number one in the market when it comes to hospitality, facilities management and developments.

In the UK we continue to grow our residential developments along with commercial investments. In the next three years we intend to build 1,500 units in mixed residential schemes.

We are looking to build on our charity projects throughout the world by offering free medical healthcare to those that need it. We hope to supply more beds and create independent smaller units to facilitate medical care in areas that are unreachable.

Predicting The Future Of Dubai's Real Estate Market



Like its residential real estate market, Dubai's hospitality and retail real estate sectors too have been a magnet for investors. In January 2018, Deloitte had provided a series of predictions on how the different segments of the emirate's real estate market were likely to perform.

Six months on, it is time to look back and examine whether these predictions have materialized in the

first half of the year for the hospitality and retail sectors.

A Challenging Year But Fundamentals Will Remain Strong

Deloitte predicted that 2018 would be another challenging year for Dubai's hospitality market, with slower growth from key source markets in the GCC and Europe compounded by a strong local currency, making the city a relatively more expensive destination for many visitors.

We also predicted that the number of hotels in Dubai would continue to grow strongly in 2018. The Department of Tourism and Commerce Marketing (DTCM) estimates that in May 2018 there were approximately 110,000 hotel rooms in Dubai, an increase of 8% when compared with 2016. Looking to the longer term, the number of hotel rooms in Dubai is forecast to grow by 57%, to reach approximately 174,000 hotel rooms by the year 2022.

Looking back at the performance of Dubai's hospitality market in the first half of 2018, these challenges have clearly had a drag on performance. Although occupancy levels in Dubai's hospitality market remains above 75% in many segments, a high rate by international standards, average daily rates (ADR) have continued to decline in 2018. This has been a strategy pursued by hotel operators to maintain market share and, importantly, to drive non-room revenues, particularly high margin food and beverage (F&B) revenues.

Looking to the rest of the year, we consider that although international overnight visitor demand for Dubai will continue to grow, the supply of new hotel keys will grow at a faster rate, putting additional pressure on both occupancy rates and ADRs.

Online Retail Will Disrupt An Already Challenging Market

Deloitte predicted that disposable incomes would remain flat in Dubai in 2018. This was based on data from the Economist Intelligence Unit (EIU), showing that inflation was set to

continue to outstrip wage growth in the emirate. In addition, Deloitte assessed research undertaken by grmc, which tracks consumer sentiment on disposable incomes. According to grmc's consumer sentiment research, in 2016, 66% of Dubai's residents expected to have the same or less disposable income when compared with previous years. This figure climbed to 68% for 2017 and 71% for 2018.

Another prediction was that tourism retail expenditure in Dubai would face headwinds in 2018. This was based on an assessment of slowing demand from visitors to Dubai from traditionally high spending source markets in the GCC and Europe. Deloitte predicted that this would be compounded by a relatively strong Dirham, making purchases in Dubai more expensive for foreign visitors in 2018.

Dubai was expected to start to catch-up with other mature markets in the use of online retail in 2018. This was based on a number of major investments in the sector in 2017, including Amazon, which closed the purchase of Middle East online retailer Souq.com, the launch of Noon, a major Middle East online retailer and Emaar's acquisition of a stake in online fashion retailer Namshi. Deloitte predicted that the growth in online retail in Dubai in 2018 would further disrupt the market, putting additional pressure on retailers that do not effectively integrate in-store and online businesses.

The challenges set out have slowed down performance in the retail sector. The slowing demand combined with a substantial volume of new retail supply and the growth of online retail have pressured retail rents in Dubai. It has also led to landlords offering incentives to attract and retain key tenants, including offering extended rent-free periods during Dubai's summer months, which are typically low footfall periods. Despite these trends, prime malls, such as the Dubai Mall and the Mall of the Emirates continue to perform well. Rents for super regional malls in Dubai typically range between \$880 to \$2199 per square meter per year, with discounts for quantum and tenant profiles.

Looking to the rest of the year, effectively differentiated retail concepts will continue to outperform the market average in Dubai in 2018. Connectivity to public transport infrastructure and licensed F&B premises, outside of hotels, are both also likely to drive footfall.

As predicted, 2018 has been a challenging year for Dubai's hospitality and retail markets. This has been driven by a combination of three headwinds: slowing domestic demand growth, slowing international demand growth and strong supply growth. **P**

MARTIN COOPER, DIRECTOR, FINANCIAL ADVISORY, DELOITTE MIDDLE EAST



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TOP 100

REAL ESTATE COMPANIES

IN THE MIDDLE EAST

Real estate is an integral marker of economic growth, and is directly linked to the inflow and outflow of financial and human capital. The real estate sector has also produced a number of billionaires – this sector contributed the highest to Forbes’ billionaires list. From U.S. President Donald Trump to the Middle East’s very own property tycoon Hussain Sajwani, numerous billionaires have amassed their fortune through doing business in real estate.

Regionally, the real estate market plays a crucial role in attracting foreign investment and speed tracking economic development. Although the sector has seen softening over the last few months, the outlook for the future seems positive.

Our ranking of Top Listed Developers in The Middle East features real estate companies listed on the region’s various stock exchanges while the Top Unlisted Developers in the Middle East consists of real estate companies headquartered across the region that are either privately owned or owned by governments. We also have listed the Top 20 Real Estate Consultants in the Region, who have helped the industry grow.

Methodology

To rank the top listed developers, we assessed the companies based on their total assets, total revenues, market capitalization and net profits, with equal weight given to each category.

For the unlisted developers we looked at the value of units currently under development, the past projects of the developer, the track record of the developer and the age of the company.

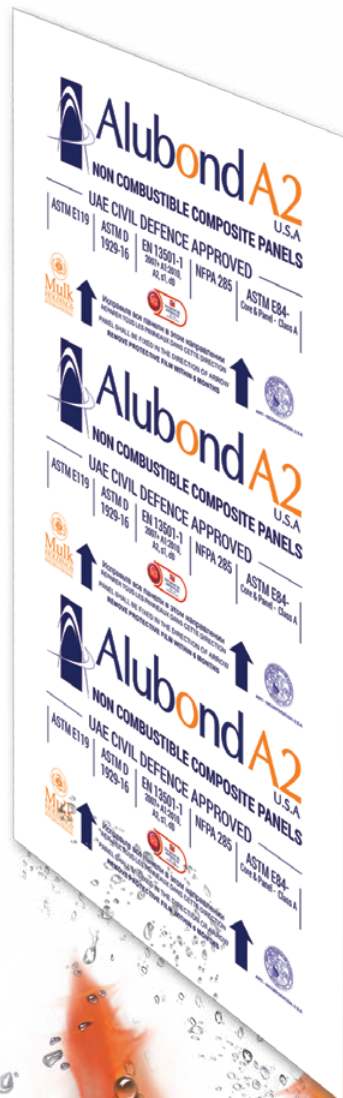
For the top consultants we considered the age of the company, the number of employees in the region and partnerships and agreements they have with the developers.

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Alubond OMAN

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Sultanate of Oman, T: +968 256 43510

40^{TOP} UNLISTED REAL ESTATE COMPANIES IN THE MIDDLE EAST

Our ranking of the top unlisted companies features some of the biggest private developers that form the backbone of the region's real estate industry by investing billions of dollars into key projects.



1 WASL ASSET MANAGEMENT GROUP (WASL PROPERTIES)

Country: U.A.E.

Established: 2008

Wasl Asset Management Group, one of the largest real estate management companies in Dubai, was established by the Dubai Real Estate Corporation to oversee the management of its assets and grow its real estate portfolio. Created in 2008 following the merger of two government organizations—Dubai Development Board and Real Estate Department—Wasl has focused its activities on a number of key business sectors including project and property management, hospitality and investment management. Wasl's operations span various sectors, from residential and commercial properties, to industrial plots of land and from leisure and entertainment to hotels and serviced apartments.



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2 MERAAS REAL ESTATE

Country: U.A.E.

Established: 2007

Meraas Real Estate comprises property development sales and asset management across some of Dubai's most sought-after and iconic locations, such as City Walk, Bluewaters, Jumeirah Bay, Pearl Jumeirah and La Mer. The company prides itself on working with the best-in-class partners with a commitment to building projects of the highest quality, delivered on time, using the most comprehensive and integrated master planning. Meraas also boasts a significant land bank in key areas in Dubai.

3

DUBAI PROPERTIES

Country: U.A.E.

Established: 2004

Headquartered in Dubai, U.A.E., Dubai Properties is one of the leading real estate master developers in the emirate. Dubai Properties' versatile portfolio of projects spans the emirate from Jumeirah Beach Residence and Business Bay to Dubailand, Al Jadaf Waterfront and beyond. In April 2018, Dubai Properties announced the launch of the latest phase of its Villanova master community in Dubailand, comprising 300 three-and-four-bedroom townhouses with a Spanish façade.

4 MAJID AL FUTTAIM PROPERTIES

Country: U.A.E.

Established: 1992

Majid Al Futtaim Properties, a U.A.E.-based diversified real estate developer, is a pioneer in developing and operating world-class shopping malls, mixed-use communities and hotels in the region. Majid Al Futtaim Communities division has four major projects underway in Dubai, Muscat, Sharjah and Beirut, including the \$3.8 billion Tilal Al Ghaf mixed-use development in Dubai. The company has developed 21 malls, including City Centre Deira and Mall of the Emirates.





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5

ARABIAN
CENTERS**Country:** KSA**Established:** 2002

Established in 2002, Arabian Centers is a prominent developer, owner and operator of 19—palace like—shopping malls across 10 cities in Saudi Arabia. A Fawaz Al Hokhair Group portfolio company, Arabian Centers recorded an annual footfall of more than 132 million visitors in 2016. The company, who appointed Khaled Al Jasser as the new CEO in May last year, was in talks for an IPO but such plans were shelved in 2014 owing to market conditions.

6 AL HABTOOR REAL ESTATE

Country: U.A.E.**Established:** 1970

One of the most renowned luxury developers in the emirate, Al Habtoor Real Estate is part of the Al Habtoor Group. It was established in 1993 and today boasts a diverse portfolio of properties across the U.A.E. and as far afield as Hungary and Lebanon. Their luxury properties include Al Habtoor City's Residence Collection, The Residences at the Al Habtoor Polo Resort & Club and four palatial VIP villas in Umm Suqeim, Dubai.

7 AL FUTTAIM
REAL ESTATE**Country:** U.A.E.**Established:** 1992

Al Futtaim Real Estate is an Al Futtaim Group portfolio company. Founded in 1992, the property developer owns over 200,000 square feet of showroom space and 600,000 square feet of workshops across the U.A.E. Al Futtaim's warehousing complex at Rashidia in Dubai, measuring over one million square feet, is by far the largest owned by any company in the Gulf.

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8 ARENCO REAL ESTATE

Country: U.A.E. **Established:** 1975

Arenco Real Estate is the property development arm of A. A. Al Moosa Group. Founded in 1975, the developer offers prime residential and commercial developments, along with luxurious hotels and mixed-use properties. In recent years Arenco Real Estate has added luxury hotels, Hilton Dubai Jumeirah and Hilton Creek as well as two of the Four Points by Sheraton to its portfolio. Golden Sands represents their apartment projects across the emirate. Located on Sheikh Zayed Road, Al Moosa Tower 1 and 2 are among their pioneer projects. They also own the Golden Sands buildings across old Dubai.



9 AL RA'IDAH INVESTMENT COMPANY

Country: KSA
Established: 2007

Al Ra'idah Investment Company is the real estate arm of the Public Pensions Agency. The company manages and operates the real estate assets. They are also in charge of overseeing and developing new real estate projects for the Public Pension Agency. Their major developments include King Abdullah Financial District, IT and Communication Complex in Riyadh.



10 SEDCO DEVELOPMENT

Country: Saudi Arabia
Established: 1976

SEDCO Development is a prominent real estate developer, with a wide-ranging portfolio of properties across Saudi Arabia. Founded in 1976, SEDCO has successfully completed more than 20 real estate developments worth more than \$945 million. Al Nawras Tower, Gardenia Residence, Red Sea Mall, Galleria Project, Namaa Center, and the Elaf Red Sea Mall Hotel are some of their renowned projects in Jeddah. In August 2018, the company handed over Galleria by Elaf Hotel to Elaf Group, located in Jeddah.

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HOLDING

11
DORRA DEVELOPMENTS

Country: Egypt
Established: 1994

12
MAG LIFESTYLE DEVELOPMENT

Country: U.A.E.
Established: 2004

13
SOBHA DEVELOPERS

Country: U.A.E.
Established: 1976

14
ITHRA DUBAI

Country: U.A.E.
Established: 2006

15
SELECT GROUP

Country: U.A.E.
Established: 2002

16
DANUBE PROPERTIES

Country: U.A.E.
Established: 2014

17
REEM PROPERTIES

Country: U.A.E.
Established: 2005



DANUBE PROPERTIES

Founded in 2014, Danube Properties—the property development arm of Danube—has since launched 11 properties and is among the pioneers of affordable housing in the emirates. Affordable prices and flexible payment plans have helped the company maintain robust sales in a challenging environment.

18
ARADA

Country: U.A.E.
Established: 2017

19
BLOOM HOLDING

Country: U.A.E.
Established: 2007

20
JUMEIRAH GOLF ESTATES

Country: U.A.E.
Established: 2009

21
MEMAAR AL MORSHEDY

Country: Egypt
Established: 1992

22
AL AHLY FOR INVESTMENTS

Country: Egypt
Established: 1992

23
AL BARARI FIRM MANAGEMENT

Country: U.A.E.
Established: 2005

24
FALCON CITY

Country: U.A.E.
Established: ??

25
AL MARJAN ISLAND

Country: U.A.E.
Established: ????

26
TIGER REAL ESTATE DEVELOPMENT

Country: U.A.E.
Established: 1976

27
CAYAN GROUP- REAL ESTATE INVESTMENT AND DEVELOPMENT

Country: U.A.E.
Established: 2004

28
FAM HOLDING

Country: U.A.E.
Established: 2005

29
RASHED AL RASHED & SONS REAL ESTATE

Country: KSA
Established: 1950

30 THAKER INVESTMENT AND DEVELOPMENT

Country: KSA
Established: 2012

31 MARC CHAMOUN

Country: Lebanon
Established: 1950

32 BINGHATTI DEVELOPERS

Country: U.A.E.
Established: 2005

33 REIGN HOLDINGS

Country: U.A.E.
Established: 2004

34 ASAUDI ARABIAL

Country: Morocco
Established: 2004

35 AL-SAEDAN REAL ESTATE COMPANY

Country: KSA
Established: 1934

36 CORNERSTONE DEVELOPMENT

Country: Lebanon
Established: 2000



MEMAAR AL MORSHEDY

In 1983, Mohamed Morshedy established Memaar Al Morshedy with a strategy to penetrate the real estate development industry. Morshedy recruited a team of like-minded architects and engineers that would become known later as Degla for Real Estate Developments. Skyline, Kattameya Gate and Degla Landmark are among their prominent projects.

37 DURRAT BAHRAIN

Country: Bahrain
Established: 2004

38 BIN FAQEEH

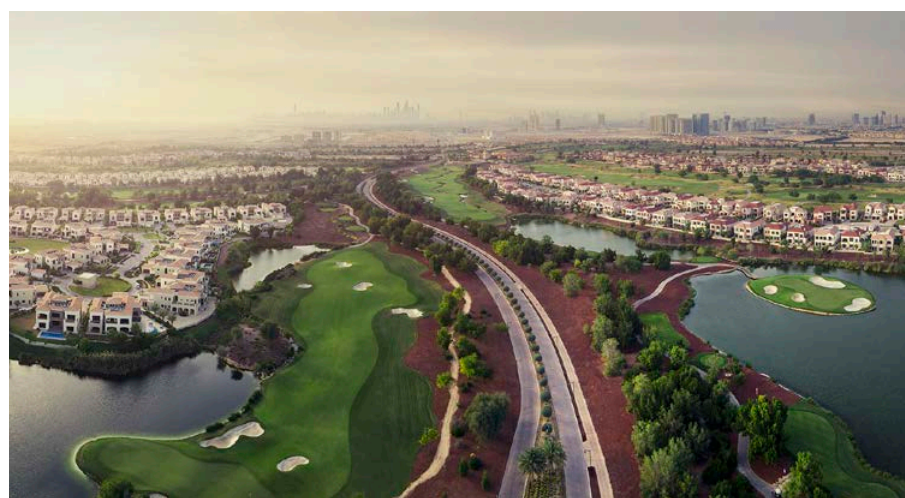
Country: Bahrain
Established: 2008

39 AL HAMRA REAL ESTATE DEVELOPERS

Country: U.A.E.
Established: 2003

40 PALMA HOLDING

Country: U.A.E.
Established: 1998



JUMEIRAH GOLF ESTATES

Jumeirah Golf Estates offers luxury homes and leisure facilities amidst two championship golf courses. With over 1,835 homes, Jumeirah Golf Estates currently comprises of 16 communities. It is hosting the annual DP World Tour Championship until 2020 and is home to the Middle East's only European Tour Performance Institute.

Rising To The Challenge

Shaji UI Mulk, Chairman of Mulk Holdings, considers how some high-profile fire incidents have affected the industry and business for Alubond.

How has the demand for safe building façade or fire-retardant panels evolved following incidents of fire in buildings across the U.A.E. and how is Alubond dealing with it?

The major fire accidents that have occurred recently in the U.A.E. have awakened the community of builders, consultants, architects and fabricators as a whole, as well as the civil defense and municipal authorities, to encourage them to impose fail-proof guidelines. Immaculate monitoring systems need to be in place to make the facades of the buildings absolutely safe from fire.

All the stakeholders involved in the industry of building façades have been strictly advised to adhere the said guidelines and norms by the authorities, with meticulously engineered monitoring systems.

The demand for safe building facades has grown considerably as all stakeholders have developed immense confidence in the redesigned and re-engineered building facades with regard to fire retardancy.

Alubond, being an epitome of quality and product excellence, is No.1 in the U.A.E. market and continues to dominate with impeccable service and by introducing products of extraordinary quality.

What are some of the innovative products that Alubond has come out with to make the U.A.E. safe?

In line with the regulations of the revised U.A.E. fire code, Alubond has developed premium quality fire retardant panels and released them into the market in classifications of FR A2 and Euroclass B.

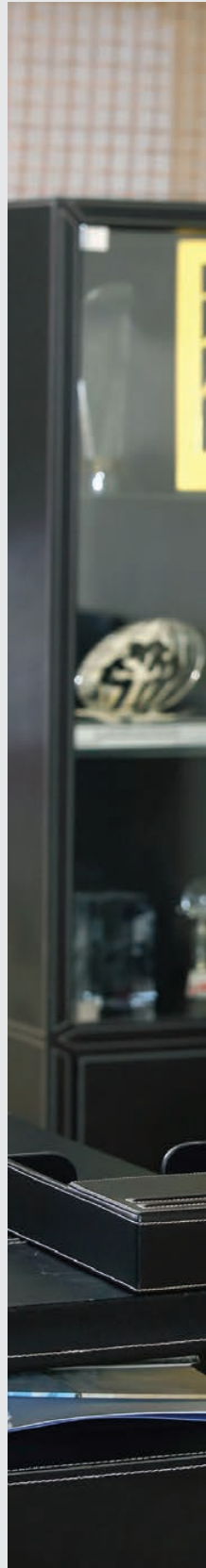
Alubond produces more than six million square meters of fire-retardant composite panels in their state-of-the-art manufacturing facility in Hamriyah Freezone, Sharjah. Alubond has taken a policy decision to stop manufacturing low-density polyethylene core products (LDPE Core) in the U.A.E. factory, to ensure that the Alubond name is not associated with supplies of any flammable materials in the market, even inadvertently.

How can a good cladding change the face of a building and how can the safety features be incorporated into that?

Alubond FR A2, the patented core formulation, with 90% and above Magnesium Hydroxide, provides superior inbuilt fire-retardant capabilities, making it an extremely safe cladding solution for buildings worldwide. With this cladding material, there is no necessity to compromise on any of the aesthetic aspects of the building for the architects, consultants and developers.

How is Alubond different from its competitors?

Alubond has been known across the globe for the last 15 years and has achieved its enviable position due to its unparalleled quality and reliability. Alubond has developed a customer base beyond the reach of any other competitors in the market due to its flawless service and unmatched deliveries. Also, Alubond is way ahead of its competition in production capacity expansion, new product development and product customization.





**Shaji Ul Mulik,
Chairman of Mulik
Holdings**

How much are you investing in innovation within your company and how will that help you in the long-term?

Alubond is always ready to take the growing business to the next level and leap forward with an unerring commitment to new product development and technology, both of the existing range and of new products and services.

In an emerging technology, you need to be one of the first movers in the market and Alubond was in a position to confront the technical and marketing challenges due to its forward thinking and investing in developing innovative products by setting aside a fixed growth capital every year for product development.

Going forward, which will be your key markets for your products?

Key markets are essential for extending the company's market position, its economic growth and its globalization in the sustainable way with cost effectiveness.

By taking into consideration the influential factors of market dynamics, such as market drivers, restraints and future opportunities, we have identified key markets in the U.A.E., UK, Africa, South America and India for Alubond, and we are working on making our strong presence in these markets.

Do you still expect demand for cladding panels to remain high in the U.A.E.?

Yes, demand for cladding panels in the U.A.E. will remain high since economic growth in the U.A.E. is expected to pick up momentum this year according to the latest IMF projections.

The U.A.E. is already a global trade and communication hub and its actively planning to expand this role in the world economy.

We have a lot of ongoing projects, many in the pipeline, with completion periods stretching until 2020 and 2021, involving large quantities of composite panel cladding at the design stage, driving the optimism to our expectation of consistent high demand for cladding panels in the market at least for the next five years.

40 TOP LISTED REAL ESTATE COMPANIES IN THE ARAB WORLD

Our ranking of the top listed real estate companies features the biggest publicly listed real estate firms in the Middle East and North Africa.



1 **EMAAR PROPERTIES**
Country: U.A.E.
Market Value: \$ 11.8 B
Revenue: \$5.1 B **Profits:** \$1.8 B
Assets: \$30.7 B

Established in 1997, Emaar Properties is the biggest listed real estate developer in the region. Founded in the U.A.E., Emaar Properties today has a footprint in over 36 markets across the globe. The real estate giant has a land bank of about 188 million square meters and has delivered over 43,200 residential units in Dubai and other global markets since 2001. Emaar is an important player in the region's hospitality market. It also operates the Dubai Aquarium, Dubai Ice Rink and Kidzania at the Dubai Mall.



2 DAMAC PROPERTIES

Country: U.A.E.

Market Value: \$5.4 B

Revenue: \$2 B **Profits:** \$751 M

Assets: \$6.9 B

Established in 2002 by billionaire Hussain Sajwani, DAMAC Properties is a well-known luxury developer in the U.A.E. DAMAC properties also has a presence in Qatar, Saudi Arabia, Jordan, Lebanon and the UK. In July 2018, the master developer was chosen by the Government of Oman to develop Port Sultan Qaboos into a tourist destination—the project is valued at \$1 billion. DAMAC Properties extended long-term partnerships with some of the world’s most renowned brands, including Fendi, Bugatti, Tiger Woods Design, Trump and Versace.



3 ALDAR PROPERTIES

Country: U.A.E.

Market Value: \$4.5 B

Revenue: \$1.7 B

Profits: \$546 M **Assets:** \$9.9 B

ALDAR Properties is the master developer behind Yas Island and developed a majority of the key developments on the island, including Ferrari World and Yas Marina circuit. The company’s key activities include property development and management, real estate asset management and adjacent businesses. ALDAR Properties was established in 2004 and listed on the Abu Dhabi Stock Exchange (ADX) in 2005. The developer is currently constructing Yas Acres, a \$1.6 billion development that will add 1,315 villas to Yas Island.

4 DAR ALARKAN REAL ESTATE DEVELOPMENT COMPANY

Country: KSA **Market Value:** \$3.3 B

Revenue: \$1.3 B **Profits:** \$148 M

Assets: \$7 B

Dar Alarkan Real Estate Development Company is the highest ranked Saudi company on our list. It was established in 1994 by six Saudi businessmen. Dar Al-Alarkan specializes in the development of master-planned lifestyle residential communities, offering developed land parcels, apartments and villas. It also has a sizeable land bank across the kingdom. Though their core competence is master planned communities, Dar Alarkan is also venturing into the affordable housing market, in line with the Saudi Vision 2030.

5 EMAAR THE ECONOMIC CITY

Country: KSA **Market Value:** \$3 B
Revenue: \$383 M **Profits:** \$161 M
Assets: \$4.6 B

Emaar The Economic City is the developer of the King Abdullah Economic city in Saudi Arabia, located between the two Holy Cities of Makkah and Madina, and the commercial hub of Jeddah on the Red Sea coast. Spread over an area of 173 square kilometers, once completed it will be home to two million people and investment projects worth a total of \$100 billion. The development consists of an industrial area, a port, residences, beach resorts and educational institutions.



6 TALAAT MOUSTAFA GROUP (TMG) HOLDING

Country: Egypt
Market Value: \$1.5 B **Revenue:** \$475.8 M
Profits: \$67.3 M **Assets:** \$4 B

Talaat Moustafa Group (TMG) Holding is the leading community estate developer in Egypt, with a land bank of 50 million square meters. The group has a strong track record of over 37 years in the housing and real-estate development industry, having developed 8.5 million square meters of land so far. Among the group's largest and most prominent development projects are Al Rehab City, East of Cairo, spread over 9.9 million square meters to host 200,000 residents, and the "Madinaty" project. Construction started in July 2006 spanning over 33.6 million square meters of land with 600,000 target residents.



7 MABANEE COMPANY

Country: Kuwait
Market Value: \$2 B **Revenue:** \$255 M
Profits: \$161 M
Assets: \$2.7 B

Mabanee built The Avenues in Kuwait, which includes 1st Avenue, 2nd Avenue, Prestige, Grand Avenue, SoKu, The Mall, and The Souk. Shaikh Sabah Al-Ahmad Al-Jaber Al Sabah officially inaugurated 1st Avenue in 2007, and 2nd Avenue was opened in 2008. The remaining five districts were officially launched in 2012. The Avenues has a leasable area of 270,000 square meters and is home to more than 800 international and local brands. Mabanee is now looking to replicate their success across the Gulf, with the Avenues malls coming up in Riyadh, Bahrain and Jeddah.

8 PALM HILLS DEVELOPMENTS

Country: Egypt **Market Value:** \$319 M
Revenue: \$368 M **Profits:** \$45 M
Assets: \$1.6 B

Palm Hills Developments is a leading real estate company in Egypt, primarily developing integrated residential, commercial real estate and resort projects. Founded in 2005 by Mansour and Maghraby Investment and Development Company, the company is listed on the Egyptian Stock Exchange and London Stock Exchange. Currently, Palm Hills Developments has a portfolio of 26 projects spanning different development stages spreading over 27 million square meters in Egypt, including 5 million which is held for sale in Saudi Arabia.



PALM HILLS
DEVELOPMENTS

9 DOUJA PROMOTION ADDOHA GROUP

Country: Morocco **Market Value:** \$556.8 M
Revenue: \$626.5 M
Profits: \$80.9 M
Assets: \$3.2 B

Founded in the year 1988 by billionaire Anas Sefrioui, Douja Promotion Addoha Group is the largest real estate company in Morocco. Addoha struggled with excessive debt throughout the early part of this decade, and in 2015 decided to restructure the company, focusing more on cash flows. Their deleveraging plan was successful, and as of January 2018 they paid off more debt than they had initially planned, causing their share prices to double in one year. The Addoha Group is now focusing on Africa, with upcoming projects in Senegal and Cameroon.



10 JABAL OMAR DEVELOPMENT

Country: KSA
Market Value: \$9.5 B **Revenue:** \$151.7 M
Profits: \$-60.3 M **Assets:** \$7.4 B

Jabal Omar Development Company's biggest flagship project, Jabal Omar, is an integrated real estate development within walking distance of the Holy Mosque in Makkah Al Mukarramah. By completion, the project will include five-star and four-star hotels on a total developed area of 2 million square meters approximately, with the capacity to host 36,000 people during most of the year and in excess of 100,000 persons during the Hajj. The main hotel towers with their interconnecting upper bridge will form a major landmark to the project and serve as a gateway to the Grand Mosque.

11

MAKKAH CONSTRUCTION AND DEVELOPMENT COMPANY

Country: KSA
Market Value: \$3.5 B
Revenue: \$150.2 M
Profits: \$71 M
Assets: \$2.2 B

12

DEYAAR DEVELOPMENT

Country: U.A.E.
Market Value: \$723.7 M
Revenue: \$204.7 M
Profits: \$35.5 M
Assets: \$1.8 B

13

SIX OF OCTOBER DEVELOPMENT & INVESTMENT

Country: Egypt
Market Value: \$464 M
Revenue: \$165.5 M
Profits: \$36.1 M
Assets: \$1.9 B

14

TAIBA HOLDING COMPANY

Country: Saudi Arabia
Market Value: \$3.9 B
Revenue: \$304 M
Profits: \$26 M
Assets: \$5 B

15

GOLDEN PYRAMIDS PLAZA

Country: Egypt
Market Value: \$782.6 M
Revenue: \$155 M
Profits: \$16.2 M
Assets: \$2 B



MAKKAH CONSTRUCTION AND DEVELOPMENT COMPANY

The purpose of Mecca Construction and development company is to own, develop, manage, invest, buy and lease properties adjacent to the grand mosque.

16

SAUDI REAL ESTATE COMPANY

Country: KSA
Market Value: \$938.2 M
Revenue: \$84 M
Profits: \$35.3 M
Assets: \$1.8 M

17

THE COMMERCIAL REAL ESTATE COMPANY

Country: Kuwait
Market Value: \$445.7 M
Revenue: \$132.3 M
Profits: \$54 M
Assets: \$1.7 B

18

SOLIDERE

Country: Lebanon
Market Value: \$1.6 B
Revenue: \$83.8 M
Profits: \$-87.2 M
Assets: \$2.9 B

19

UNION PROPERTIES

Country: U.A.E.
Market Value: \$911 M
Revenue: \$399 M
Profits: \$-646 M
Assets: \$1.5 B

20

RESIDENCES DAR SAADA COMPANY

Country: Morocco
Market Value: \$305.3 M
Revenue: \$197 M
Profits: \$35 M
Assets: \$888.8 M

21

SALHIA REAL ESTATE COMPANY

Country: Kuwait
Market Value: \$596.5 M
Revenue: \$142.5 M
Profits: \$38.4 M
Assets: \$416.4 M

22

ORASCOM DEVELOPMENT HOLDING (AG)

Country: Egypt
Market Value: \$401.8 M
Revenue: \$319.6 M
Profits: \$-23.5 M
Assets: \$1.9 B

23 ARRIYADH DEVELOPMENT COMPANY

Country: KSA
Market Value: \$568.2 M
Revenue: \$77.2 M
Profits: \$56 M
Assets: \$626.8 M

Arriyadh Development Company was formed under the auspices of His Royal Highness Prince Salman Bin Abdul Aziz, when he was the governor of Riyadh. The company has undertaken both public works as well as residential and commercial projects.

24

RAK PROPERTIES

Country: U.A.E.
Market Value: \$329.5 M
Revenue: \$85 M
Profits: \$52 M
Assets: \$1.4 B

25

AL MAZAYA HOLDING COMPANY

Country: Kuwait
Market Value: \$166 M
Revenue: \$226.7 M
Profits: \$27.4 M
Assets: \$759.2 M

26

TAMDEEN REAL ESTATE COMPANY

Country: Kuwait
Market Value: \$542 M
Revenue: \$24 M
Profits: \$37 M
Assets: \$1.7 B

27

DUR HOSPITALITY

Country: KSA
Market Value: \$525.3 M
Revenue: \$129 M
Profits: \$24.2 M
Assets: \$695 M

28

RED SEA HOUSING SERVICES COMPANY

Country: KSA
Market Value: \$381.6 M
Revenue: \$274.1 M
Profits: \$20.3 M
Assets: \$422.9 M



TAMDEEN REAL ESTATE COMPANY

Tamdeen Group of Companies, based in Kuwait, owns assets valued at over \$3.9 billion with total combined paid up capital in excess of \$1.3 billion. Their prominent projects include 360 Mall, AlKout and Tamdeen Square, all in Kuwait.

29

THE NATIONAL REAL ESTATE COMPANY

Country: Kuwait
Market Value: \$377.6 M
Revenue: \$127 M
Profits: \$36.5 M
Assets: \$1.7 B

30

MADINET NASR FOR HOUSING & DEVELOPMENT

Country: Egypt
Market Value: \$975 M
Revenue: \$80.4 M
Profits: \$27.6 M
Assets: \$283.3 M

31

HELIOPOLIS HOUSING AND DEVELOPMENT

Country: Egypt
Market Value: \$568.2M
Revenue: \$52 M
Profits: \$19.5 M
Assets: \$113 M

32

KNOWLEDGE ECONOMIC CITY

Country: Saudi Arabia
Market Value: \$1.1 B
Revenue: \$8.6 M
Profits: \$-6.1 M
Assets: \$896.8

33

ALARGAN INTERNATIONAL REAL ESTATE COMPANY

Country: Qatar
Market Value: \$140.5 M
Revenue: \$22.9 M
Profits: \$55.2 M
Assets: \$495 M

Established in 1994 by present Vice Chairman and CEO, Khaled Khudair Al-Mashaan, ALARGAN International Real Estate Company has delivered over two million square meters of residential, sustainable and community projects.

34

ALLIANCES GROUP

Country: Morocco
Market Value: \$143.1 M
Revenue: \$54.8 M
Profits: \$19.2 M
Assets: \$331.7 M

35

EL KAHERA HOUSING

Country: Egypt
Market Value: \$75 M
Revenue: \$79.8 M
Profits: \$4.1 M
Assets: \$244.3 M

36

SEEF PROPERTIES

Country: Bahrain
Market Value: \$273 M
Revenue: \$47.1 M
Profits: \$124.8 M
Assets: \$439.2 M

37

KUWAIT REAL ESTATE COMPANY

Country: Kuwait
Market Value: \$19.4 M
Revenue: \$4.6 M
Profits: \$0.35 M
Assets: \$122.4 M

38

AFAQ HOLDING FOR INVESTMENT & REAL ESTATE DEVELOPMENT

Country: Jordan
Market Value: \$188.4 M
Revenue: \$142.3 M
Profits: \$4.9 M
Assets: \$263.4 M



UNION PROPERTIES

Union Properties has developed landmark projects such as MotorCity, Dubai Autodrome, Green Community and Uptown MotorCity, Green Community East and West at Dubai Investment Park, Uptown Mirdiff, and Limestone House and Index Tower in the DIFC area.

39

ESHRAQ PROPERTIES

Country: KSA
Market Value: \$345.2 M
Revenue: \$6.3 M
Profits: \$8.8 M
Assets: \$405 M

40

AL-ARABIYA REAL ESTATE COMPANY

Country: Kuwait
Market Value: \$51.3 M
Revenue: \$18.4 M
Profits: \$-10.7 M
Assets: \$533.4 M



SEEF PROPERTIES

Seef Properties, a real estate development company in the Kingdom of Bahrain, was established in 1999 by the government of Bahrain as a publicly-listed company with an aim to manage Seef Mall and other government properties. The company also owns Magic Island Bahrain and the Hotel Frasier Suits Seef Bahrain.

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When Builder Meets Bollywood

Dr Roy CJ, Founder and Chairman of Confident Group, tells us how the group is helping develop India's affordable housing market by pioneering new apartments that offer maximum comfort in minimum space, and reveals the company's next big-budget movie production.

In the last decade, since you established Confident Group, how has the real estate market grown in India and what impact has this had on your business?

In the last decade the real estate market in India has grown exponentially. It could be named one of the fastest growing markets in terms of consumption of branded real estate products. There have been two major reasons for this:

- The exponential growth in technological jobs, meaning that professionals have higher salaries and higher disposable incomes at an early stage of their career.
- A movement from self-constructing homes to purchasing branded homes, with the new generation accepting that an apartment is a safe and life-long investment.

Confident Group has benefit from this paradigm shift in attitude and aspiration of the newgen buyers. we have recorded high growth rates due to the above in the last decade.

Is enough being done in the densely populated country to ensure that everyone has access to safe and sustainable homes?

Yes, the PMYA Scheme is an extremely positive approach whereby the government wants to ensure that safe and sustainable homes are accessible to everyone by 2022. Under this scheme the interest is subsidized by the govt to a large extent, so your monthly burden is reduced.

The government and the banking industry are pro-active in making sure that not only are quality homes built but also financed at cheaper rates by the banks to the customers. The banks are also extremely friendly in the approval and disbursement of such loans.

Where is the greatest demand in the areas that you operate in—is it for luxury builds or affordable housing?

India is a densely populated nation, so the need for affordable

housing is highest. Confident Group has been a very strong proponent and also a first mover in the market. We saw an opportunity in the demand/supply imbalance. We are pioneers in designing 3-bedroom flats in just 999 sqft of saleable area and 2-bedroom flats in just 850 sqft of saleable area. We have delivered thousands of flats in this market.

Our target this year is to deliver 1,600 flats in a single year and we are ahead of schedule in achieving this goal. The luxury market is small and niche and Confident Group Zion Hills caters to this, with Mansion Villas of 15,000 sqft near Bangalore, India. Confident Group is also executing an 18-hole golf course with zero debt concept with over \$500 million.

Can you tell us about your current pipeline? What are the key projects that you are undertaking and when are they due for completion?

We have close to 50 ongoing projects and we are in the process of launching unique 1,150 sqft 3-bedrooms flats in Liwan near Academic City. We want to rewrite the sizes of flats in our portfolio to 1,150 sqft for 3-bedroom flats and 900 sqft for 2-bedroom flats.

We have so many ongoing projects, every two months we used to deliver a property. For us, launch and completion is like a daily and routine activity.

What have been the main challenges that you have faced in the last year?

We have had an extremely smooth year and have not had any major challenges come up. We as a team foresee challenges and plan accordingly. To many developers, the Real Estate Regulatory Authority (RERA) forming in Karanataka was a major challenge, but we had geared up to this a year back, so the change was as smooth as possible for us.



Dr Roy CJ, Founder
and Chairman of
Confident Group

Do you intend to help support Kerala in rebuilding after the recent devastating floods?

Yes, every business house has to help and Confident Group has been always at the forefront of such support. We have committed to build 40 homes with an investment of up to \$1 million—30 homes in Kerala and 10 in Karanataka. The Kodagu District was also heavily affected in Karanataka at the same time.

Do you have any plans to expand further into the Middle East?

Yes, we have a strong building materials trade in Dubai.

We are also launching our signature 1,150 sqft 3-bedrooms flats in Dubai very soon.

You have recently been named as an Honorary Consul of the Slovak Republic—what will this role entail exactly and how did you come to be put forward?

The Honorary Consul is a very prestigious position accorded by a foreign nation. This is confirmed by the Honorable President of India.

This position is accorded where the country does not have a full-time consulate. In my position my Honorary Consulate is situated in Bangalore with my jurisdiction of Karanataka and Kerala. We are the guardians of the citizens of the appointing country in case of any issue they face during their time in these two states. We are also responsible for the development of trade, business and culture exchange between the two nations within our states. This is a Government-appointed position and comes with diplomatic privileges as per the Vienna Convention.

You have also dipped your toe into movie production—is this more of a hobby or can we expect to see your name

popping up in Bollywood more in future?

Confident Group is a high budget movie producer. We have produced eight Kannada and Malayalam films, including the then highest-budget Malayalam movie, “Confident Casanova” with Mohanlal.

We are repeating that high-budget feat with a new movie called “Kunjali Marakkar”, with director Priyadarshan, actor Mohanlal and other leading stars of Bollywood and south Indian films.

This film is being produced in both south Indian languages and Hindi. The project budget is over \$13 million the movies is slated for release in 2019/20.

20^{TOP} REAL ESTATE CONSULTANTS IN THE MIDDLE EAST

Our ranking of the region's top real estate consultants features the market leaders that are helping the Middle East's owners, developers and investors complete their transactions.

1 JLL
(Jones Lang LaSalle)
Established: 1783

2 Gulf Sotheby's
Established: 1744

3 Better Homes
Established: 1986

4 Asteco
Established: 1985

5 CBRE
Established: 1906

6 Hamptons International
Established: 1969

7 Savills
Established: 1976

8 Knight Frank
Established: 1896

9 Keller Williams
Established: 1983

10 Coldwell Banker
Established: 1906

11 Colliers International
Established: 1976

12 Aqua Properties
Established: 2005

13 Edwards & Towers Real Estate Brokers
Established: 2004

14 Harbor Real Estate
Established: 2008

15 Allsopp & Allsopp
Established: 2008

16 One Broker Group
Established: 2016

17 Fam Properties
Established: 2008

18 Engel & Völkers
Established: 1977

19 Driven Properties
Established: 2012

20 Espace Real Estate
Established: 2009



1

JLL (JONES LANG LASALLE)

Established: 1783

JLL is a leading professional services firm that specializes in real estate and investment management. JLL helps real estate owners, occupiers and investors achieve their business ambition. Across the Middle East and Africa, JLL is a leading player in the real estate and hospitality services markets. The firm has worked in 35 countries across the region and employs over 520 internationally qualified professionals across its offices in Dubai, Abu Dhabi, Riyadh, Jeddah, Al Khobar, Cairo, Casablanca, Johannesburg, Lagos and Nairobi.



2 GULF SOTHEBY'S

Established: 1744

Headquartered in Dubai, Gulf Sotheby's International Realty has over 90 global property consultants and represents exclusive properties, luxury homes, and prestigious development projects. Gulf Sotheby's International Realty represents the Sotheby's International Realty® brand in the entire GCC region, including the U.A.E., Saudi Arabia, Oman, Bahrain and Kuwait. It has partnerships with more than 900 affiliate offices with over 20,000 sales associates in 70 countries and territories throughout the Sotheby's International Realty.



4 ASTECO

Established: 1985

Asteco was formed in Dubai in 1985. The company has an essential combination of local and international expertise, and represents a significant number of the region's top property owners, developers and investors. Asteco has witnessed outstanding growth and diversification over the decades, has built a strong regional network of offices, and currently operates in Dubai, Abu Dhabi, Jordan, Sharjah and Al Ain. Asteco offers asset management, sales, leasing, valuation & advisory, owners association, sales management and licensing services to its customers.



3 BETTER HOMES

Established: 1986

From a one-woman outfit founded by Linda Mahoney in 1986, Better Homes has expanded with offices all over the GCC region, and employs nearly 500 people. Having started in residential leasing, they now offer residential sales, a commercial sales and leasing division, property management and short-term rentals. A founder member of the Dubai property group, Better Homes had the exclusive rights to lease units in Emirates Towers in 2000. In 2015, Better Homes was chosen to manage the property portfolio of ENBD, Dubai's largest bank.



5 CBRE

Established: 1905

CBRE Group, Inc. is the world's largest commercial real estate services and investment firm, with 2016 revenues of \$13.1 billion and more than 75,000 employees globally. With a presence across the region, CBRE offers a broad range of integrated services, including facilities, transaction and project management, property management, investment management, appraisal and valuation, property leasing, strategic consulting, property sales, mortgage services and development services.



6 HAMPTONS INTERNATIONAL

Established: 1969

Hamptons International is among the oldest real estate consultants in the world, with a history spanning over 140 years. It offers expertise and services in residential, commercial sales and leasing, property management and valuations and research, and manage new off-plan project launches. As a wholly-owned subsidiary of Dubai-based real estate giant, Emaar Properties, Hamptons International continues to grow both regionally and internationally.



7 SAVILLS

Established: 1976

Savills is a global real estate services provider listed on the London Stock Exchange. It has an international network of more than 700 offices and associates throughout the Americas, the U.K., continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world. They are the UK's largest agency group by turnover. Earlier this year Savills acquired Cluttons Middle East, a long-established real estate consultancy business in the Gulf.



8 KNIGHT FRANK

Established: 1896

Knight Frank & Rutley was founded as a valuation, surveying and auctions business in 1896. Knight Frank has expanded to more than 165 offices in over 36 countries on six continents, with over 5,000 locally-based staff handling billions of dollars of real estate annually. Knight Frank established a permanent presence in the Middle East in 2008 with an office in the Kingdom of Bahrain. With a growing presence across the U.A.E. and the Middle East, the company provides a full range of property transactional, management and advisory services to the entire region.



9 KELLER WILLIAMS

Established: 1983

Founded in 1983, Keller Williams Realty Inc. has grown exponentially and now has more than 850 offices and over 159,000 agents in 29 countries. Keller Williams is the largest real estate franchise company in North America and has had a presence in the Middle East since 2014. In 2015, Keller Williams began its evolution to become a technology company, building its real estate platform.



RESIDENTIAL BROKERAGE

10 COLDWELL BANKER

Established: 1906

Coldwell Banker was founded in 1906 in San Francisco, and today has over 3,800 offices and 126,000 sales associates. The company is among the largest players in the American residential real estate market. Egypt hosts the headquarters for the Middle East operations and they have branches in Lebanon, Saudi Arabia, Bahrain, Morocco and Kuwait and the U.A.E. More offices are due to open in neighboring countries.

Reliable Growth In Relocation

Chirantan Joshi, co-founder of E-Movers Group, discusses the ongoing strength of the removals business and how he faces the challenges of meeting customer expectations.



You've been helping people move and relocate in and out of the U.A.E. for 15 years—what market fluctuations have you experienced in that time? Is your business affected by economic downturns or growth?

Any market will have its cycles and our market has also seen different cycles in the last 15 years since we began. When we started in 2003 the market was moving upwards and it has definitely benefited us too. When the wind is blowing in the right direction there is lesser resistance to move forward and you can actually accelerate the movement. This is happened to us as well and we grew rapidly in the first five years. The global economic downturn in 2008/9 did not affect us.

Our industry grows in both situations. At boom-time people move into bigger homes and in a downturn people either downsize to a smaller place or take advantage of lower prices to scale up to a larger place. This behavior helps the moving business. Actually, our challenges were more internal than external, as we had to cope with growth and managing customer expectations.

What are the biggest challenges you face, both in managing the business and in moving people? What's the most unusual request or difficult job you've faced?

Our industry has a low entry barrier, so starting a new moving business is not as hard. Any enterprising team member can easily start his own business and lure away our client by offering lower prices. This eats into our profitability and erodes our established customer base. This is a challenge that we have to continuously ward off.

Another challenge is retaining good people for longer periods, and as a business owner you have to come up with creative solutions to keep them on your roster.

Managing customer expectations is another challenge when it comes to international relocations. Customers expect the same level of service as we offer for local moves, but are unwilling to pay for the higher cost of labor in western countries. Local moves incur lower manpower costs and we can offer some services for free, but the same cannot be offered at the destination because of the higher cost. This challenge continues to dog us.

To date one of our most difficult requests was the relocation of an entire parking lot, with a capacity for 20 cars. We actually did it with the help of a construction company.

What are your customers' biggest concerns and how do you ensure that you exceed their expectations?

Our customers biggest concern is the safety of their furniture and artefacts. They attach a much higher emotional value to their assets than the financial costs, so our top-most priority is safe and secured movement. We keep a detailed log of any and all damages, carrying out a detailed analysis of the root cause and taking corrective as well as preventive action to deter recurrence.

We have, over the years, innovated packing containers, loading methods and transportation options to improve our performance on this factor. Most important in any service business is setting the right expectations of the client so that we always deliver on them.

How many users do you now have registered on your app? How has technology evolved your business?

Technology is the backbone of our efficiency and we have been constantly upgrading our software systems to automate every little aspect of our business. Our Emove app has over 1,200 downloads and we register a large number of leads on our web portal. Technology plays a major role in lead generation and pipeline tracking.

We have also automated our surveys and jobs using mobile apps. With multiple offices in two countries, our technology gives us the edge over others. We are using technology to fill in the process gaps and bring consistency in our customer experience.

Do you have any further plans to expand in the next year?

We are still in our growth phase and expanding every year. From a one-person team in 2003 we have grown to over 450 people in 2018. We currently operate in Dubai, Sharjah, Abu Dhabi and Qatar and we are planning to set up operations in a few more markets in the near future.

Middle East Construction Market Outlook



**Cynthia Corby, Partner,
Middle East Construction
Industry Leader, Deloitte
Middle East**

Based on current data from MEED projects, it appears that construction companies can look forward to a cautious recovery in the market following a challenging period of subdued performance. Long-term positive factors such as demographic demand drivers and government support combined with a modest rise in oil prices remain key drivers for capital spend and will remain the catalyst for spend on capital and infrastructure projects. The industry has been awaiting the award of a range of projects identified by each GCC country as part of their defined long-term vision, with transport, social infrastructure and tourism programmes among the key priorities.

Saudi Arabia currently represents the biggest potential in the Middle East, with capital projects worth more than \$1.2 trillion in the pre-execution stage, compared to \$713 billion in the U.A.E., \$578 billion in Egypt and \$215 billion in Kuwait. Saudi's Public Investment Fund is taking a leading role in delivering Vision 2030 for the Kingdom. Large-scale infrastructure projects outside the oil and gas sector are being planned and will have a substantial impact on the construction awards.

If we look at the value of contracts awarded in 2018 to date, awards in Saudi Arabia are lower than the value of projects awarded to date in the U.A.E., which amount to \$20.7 billion. Saudi Arabia is actively seeking to improve its rail, airport, port and other transport-related infrastructure, as well as increase residential supply, healthcare and leisure facilities driven by the development of major mixed-use compounds such as Neom, The Red Sea Project, The Qiddiya Entertainment City and Maritime city among others.

As the country moves ahead with their NTP and Vision 2030 ambitious plans, local and international construction cannot ignore the significant opportunity that the planned

projects present. The value and quantum of building work yet to be awarded in the next 12 months should make the Kingdom the most active construction market in the region.

PIF, Saudi Aramco, Saudi Electricity Company, Makkah & Medina Development Corporation and the Saudi Railways Organization are the top project owners in the Kingdom, owning around 70% of the total amount of planned projects. Several contractors will no doubt be considering their strategy on how to enter the Saudi market and participate successfully in these opportunities while managing the risks of delivering capital projects in a new market for several of them.

The U.A.E. and Egypt markets remain stable. \$31.6 billion has been awarded in the U.A.E. so far this year compared to \$28.6 billion during the same period of 2017. Dubai's robust projects pipeline boosts sentiment with demand continuing to be strong and supported by new residential areas, hotels and other leisure related projects such as Dubailand and Dubai South. The country's efforts to increase tourism numbers and complete Expo 2020 related projects and infrastructure should continue to stimulate construction activity levels. However, there is a need to assess the ROI on these planned projects to ensure they are being built based on the strength of a feasibility study that provides the desired ROI to its owners, as well as developing an appropriate leverage model to secure funding for these anticipated projects.

Egypt's construction industry has seen a rapid expansion, with demographics driving demand and growth in its residential and utilities sectors. The Egyptian government is keen to leverage foreign investment to fund major projects considered critical to the country's development. Construction and power are the focus sectors with a project pipeline of over \$490 billion. The construction of thousands of residential units is already



underway in the outskirts of Cairo and new supply is expected to enter the market in the next few years.


Kuwait has the initiative to develop a number of new residential cities, an \$18 billion railway system and \$12 billion northern airport. Both projects are in their early stages, with plans to involve the private sector to create a leveraged model. The projects market has expanded in recent years to support the countries' future economic growth and population increase. \$3.7 billion worth of contracts were awarded in the first half of 2018 mainly in transport, oil and power, and a number of potential PPP projects are in their preliminary stages. The government has been increasingly looking at PPPs as a way of encouraging private sector participation and ensuring they secure the necessary investments with sound commercial returns.

Oman and Bahrain have similar sized project pipelines. Bahrain plans to carry out infrastructure work mainly in the transport and housing areas. The Ministry of Transportation owns the two largest planned projects—the airport expansion and the light rail system, which amount to circa \$18 billion and are anticipated to be awarded in late 2019.

Oman's economic diversification goal is also the main driver for their project activity. Construction, together with oil and gas projects, make over 50% of its pipeline that amounts to \$118 billion. In the coming years, the development of the industrial zones in Duqm and Sohar that continues to move forward will drive project activity.

The current \$2.5 trillion transport, buildings and

infrastructure projects planned across the GCC suggest inevitable growth in the construction industry that offers abundant opportunities for construction businesses and investors. When combined with plans for further economic diversification and privatization in a number of sectors including transportation, energy and utilities, education, healthcare, residential, industrial and tourist development, this region offers significant opportunities which need to be balanced against the delivery of projects that will generate a sensible and sustainable ROI for the project owners. Assessing the whole life cost of the asset is key to sustainable investments in infrastructure and capital projects for the region, which can form the basis for privatization and PPP models that have been much talked about over the recent years.

Economic and population growth creates increased infrastructure requirements driving the involvement of the public sector towards citizen delivery and the need for private sector participation to help each country access the finance required to deliver successful cities. Several countries in the region have already adopted or are in the process of finalizing their PPP legislation, with the aim of promoting effective interaction between the public and private sectors. By creating this mature approach to designing and assessing the feasibility of projects, the countries in the region can apply their proven PPP models used in power and water projects, which are all based on these fundamentals, to deliver their visions to their citizens. 

The Tech Tsunami That Is Changing Real Estate

The real estate market is perhaps undergoing its biggest disruption since Alexander the Great registered what is believed to be the first real estate transaction in 334 BC. It is no longer a question of if, but when the real estate industry implements the latest technologies.

By Omar Chihane

We are experiencing the most important transition the real estate industry has ever gone through, with changes happening around four distinct pillars that will greatly impact the sector. And they are taking place at the same time.

The Financial Model

The financial model, from ROI computation, to the funding process, to even the addressable products is being greatly disrupted.

The buzzword of 2017—blockchain—is here to stay and due to play an integral role in any industry. In real estate it allows not only for more transparency, but also facilitates the tokenization of assets, which in turn further facilitates the pooling of resources. That pooling is currently easily enabling a new business model: crowd sourcing.

Crowd sourcing is becoming more and more popular in many markets. It has expanded well beyond residential real estate and into the commercial space, with the potential to expand into urban infrastructure projects from building highways to toll gates. Certain markets have already privatized a few infrastructure projects and invited big companies to take part. With crowd sourcing quickly gaining in popularity, it is theoretically possible for a small town to pool its resources and invite its inhabitants to crowd source the construction of a

highway or a bridge.

Space arbitrage is poised to turn any property into a money-making machine. Already AirBnB turns any property or parts of a property into a hotel room for a few nights, but there are also companies at the moment creating marketplaces that enable property owners to rent out parking spaces to nearby workers or even backyard fences to advertising agencies or individual companies. Adding such variables drastically changes the equation for anyone owning a property, be it residential or commercial.

Buying a property is an emotional journey, and because it's an emotional journey, we will eventually rely on technology to enhance those emotions. Technology enhances emotions, it does not reduce them.

Building Technologies

Tesla's Solar Roof tiles can harness solar energy to add electricity to the grid, thereby turning homes from energy consumers to energy producers. Today there are many applications being developed that can turn the home into a self-sustaining structure, from water irrigation to smart agriculture that has the potential to enhance the importance of real estate.

Big Data is also being put into practice with asset outsourcing.

Elevators can now be rented out to building owners as a pay-as-you-go service, using analytics to predict the traffic flow and servicing element, thereby maximizing use. With smart home applications developers could be able to understand, predict and adapt a home environment to the needs of its customers in a more personalized way.

OMAR CHIHANE IS THE CEO OF SELLYANYHOME.COM



The Buying Process

The buying process is being greatly challenged from many angles, be it real time market coordination using tech driven marketplaces, to the use of blockchain to record transactions and verify ownerships. Will anyone buy real estate online? The simple answer is yes. Buying a property is an emotional journey, and because it's an emotional journey, we will eventually rely on technology to enhance those emotions. Technology enhances emotions, it does not reduce them.

Let's look at the emotional touch points or signals that normal buyers look for to make a buying decision and compare that to what technology can do to emulate those signals.

Seeing Is Believing

The first touchpoint and perhaps the strongest signal, is to physically see the property. Camera technology has come a long way in the last decade, with megapixel camera phones that can take high-resolution images and video, and virtual reality and 360-degree pictures that give you eyes on the back of your head.

Hearing

Of course, it's easy for technology to relay this information, but let's go a step further. A 55 year old could be sitting in their home in Cairo enjoying a virtual tour of a property in Dubai, when suddenly Umm Kulthum starts setting the mood. Simultaneously, another viewer in New York of the same age could be listening to Sinatra. Technology merged with imagination can seamlessly, instantly and in a very

relevant way enhance one's experience when making an emotional decision like buying a home.

Instant Staging

How many of people walk into a property and try to picture where the sofa goes? Well now software can instantly stage a home while someone is on a virtual tour to enable them to see what their next home could look like.

These examples are simply a glimpse of the endless possibilities that technology can help us achieve, by way of enhancing a potential customer's emotions.

Driverless Cars

One of the main benefits of driverless cars is of course no traffic. No traffic means that urban planning will drastically shift, and with it available land for development. Another very strong advantage of driverless cars will be parking—in that you simply may not need any. Ridding urban centers of prime parking lots will not only offer optimal development opportunities, but the fabric of building design itself will no longer be the same. Gone is the need for parking floors, driving ramps, etc. Buildings will no longer need to accommodate cars or drivers.

Only in the context of time will we ever be able to gauge the immense impact of technology on our everyday day life, however one thing is abundantly clear: it's impacting it for the better. Technology is enabling the real estate industry to do more, be more and strive for more. **P**

Buildings Reimagined

As developers focus on improving operational efficiencies and the facilities experience, the industry as a whole has begun to explore how best to capture the inherent benefits of innovative technologies like IoT and AI.

By Neha Kaul

Buildings are ubiquitous assets and their ability to shape and be shaped by our lives is age-old. As owners, residents and consumers become more demanding of the experience offered by the buildings they inhabit, the focus has increased the need for predictive and real-time facilities management and smart workforces to enhance the productivity of the servicing teams.

The high energy consumption by the built environment—buildings contribute 40% of all energy use around the world, consume 70% of all electricity and emit 40% of all greenhouse gases—has also made them critical cogs towards a sustainable future.

Where We Stand Today

A quick snapshot of the current landscape reveals that despite automation, most buildings do not meet their key efficiency objectives, with issues at times compounded by the vendor-specific hardware systems and legacy software solutions, siloed and operating in isolation, and most often leading to a disjointed view of the operational performance of a building, as well as a reactive approach to maintenance.

So how can buildings, with their complex and labyrinthine processes, and multi-layered building management systems, transition into smart, intelligent and efficient structures?

The key seems to lie in software. And nearly all industry stakeholders agree with the view that buildings need to consume more modern software to transcend beyond basic automation, sensors, retrofits and reducing wastage, to predictive and real-time facilities management, using technologies like IoT and AI to enable buildings to benefit from predictive facilities management and smart workforce capabilities and remain sustainably sustainable.

“The buildings industry today stands at the cusp of disruptive change, with digital transformation necessitated by changing tenant and occupant expectations, as well as the larger Smart City vision. To enable this major leap in its approach to facilities management, the building ecosystem is looking towards software tech like cloud, mobile, IoT and AI”, says Prabhu Ramachandran, founder and CEO of smart facilities provider, Facilio Inc.

A Software-Led Approach

Naganandh Lakshmanan, Director of FMS at facilities management company, Imdaad, feels that a commitment to customer satisfaction and a need to add a continuous flow of efficiency to operations, has led to the buildings and facilities management market—hitherto conservative in its adoption of innovative tech—demanding a software-led approach to predictive and real-time management of facilities and building portfolios. “With the proliferation of intelligent technologies like AI, IoT and machine learning, and their successful application across a plethora of industries, the added benefits that software can bring to facilities and building management have become more palpable,” he explains. “A unified solution offering real-time insights on building performance, integrating the various aspects of managing buildings, including maintenance, asset management, sustainability and energy management, is the need of the hour.”

Adnen Somai, CMO at machinestalk—an IoT company that has been active in Saudi Arabia for the past 11 years—predicts a distinct and clear demand for software and IoT-driven facilities and building management across the region. “The building management space, specifically, has been facing several challenges, such as heterogeneous systems, the labor-intensive nature of managing facilities and a total lack of visibility and control, leading to reactive or corrective maintenance that negatively impacts user experience as well as the asset lifetime, and many more,” he says “The complete ecosystem needs to be managed and orchestrated. An end-to-end software led approach can bring in multi-fold efficiency.”

Talking about the scenario in the Middle East, Firas Obeido, CTO at energy services company Smart Automation Energy (SmartAE), feels that one of the reasons demand has grown for a software-led approach to managing buildings is its ability to offer more efficient energy management.

“Buildings were not built with energy efficiency in mind. No regulations were in place as energy prices were very low with no real motivation or drive to reduce energy consumption. Most buildings are built without considering operation costs or life cycle costs, designed for full capacity (cooling peak need), etc. Intelligent BMS systems were installed, but not



more than 10% were commissioned properly, making them inefficient,” Obeido explains. A software-driven approach, combining energy efficiency, communication technology and IoT, can transform buildings to have a highly economical, environmental and socially positive impact.

Enabling The Transition To Intelligent Buildings

A 2018 report, *The Internet of Things in Smart Commercial Buildings 2018 to 2022*, by smart building research company, Memoori, indicates that the combined global market for the Internet of Things in Buildings (BIoT) will continue to grow significantly, rising from \$34.8 billion at the end of 2017 to \$84.2 billion in 2022, representing a CAGR of 19.4%.

“IoT has had a transformative effect on smart building automation and control in recent years. It has disrupted long-established business models”, says Ramachandran. “For the vast majority of buildings, the cost of adopting smart technologies seems prohibitive. With IoT and AI-driven facilities and building management, the key benefit lies in the insights it can extract from existing automation and data. With a software-led solution, enterprises can increase their asset lifecycle by 20-25% and save nearly 30% in operating expenses,” he adds.

A recent Market Size & Forecast 2017-2022 (Global) report by global research consultancy, Verdantix, states that the software market for real estate and building management will be worth \$4.9 billion in 2018, underpinning a growing demand for software-led building management, and a large tech services market. “This market will grow to \$7 billion by 2022—almost 50% in four years. This is testimony to the fact that building owners and facility managers are prioritizing optimization on the efficiency front,” says Lakshmanan.

A Need For A Continuous Flow Of Efficiency

An increasing number of economies around the globe are realizing the importance of maintaining buildings

post-construction, and the role of smart buildings in helping economies transition to smart cities. The global market for intelligent building systems stood at \$6.3 billion in 2017, and is expected to exceed \$22 billion by 2026. Globally, facilities services and energy spend stands at close to more than one trillion dollars today.

According to research company TechSci, the U.A.E.’s facilities management market is expected to grow at 9% during 2016-2021. The value of facilities management services in the emirates was estimated at \$11.26 billion in 2016, and was expected to reach \$17 billion in 2021. Meanwhile, the Middle East Facility Management Association (MEFMA) has forecast that the value of Saudi Arabia’s facilities management market is expected to reach \$49.8 billion by the end of 2030.

“The region is ripe for change”, says Somai. “With KSA’s Vision 2030, digitization is no longer an option. When we look at the opportunities of the IoT-based digital facility management era—a huge cost savings in maintenance contracting budgets, in asset lifetime and mainly in energy consumption as well as the creation of thousands of new skilled Saudi jobs—they are all 100% aligned with the Saudi vision and objectives”, he adds.

A software-led approach to building management aligns well with the region’s focus on smart enablement, and with the U.A.E.’s vision for smart cities, energy conservation and a growing focus on consumer and citizen happiness. “By implementing state-of-the-art software, and interconnecting the existing hardware and networking devices, each facility can benefit from fully customized solutions, built to its exact need. Intelligent monitoring will also lead to predictive management of facilities and a smarter workforce”, says Obeido.

A software and IoT-led approach in building and facilities management seems set to enable a connected ecosystem, run on auto-pilot. Ramachandran agrees, “It has the power to bring owners, facility managers, occupants and investors together into the scope of everyday decision making.” ^F



“REAL ESTATE IS THE KEY COST OF PHYSICAL RETAILERS. THAT’S WHY THERE’S THE OLD SAW: LOCATION, LOCATION, LOCATION”

—JEFF BEZOS

“In the real estate business, you learn more about people, and you learn more about community issues, you learn more about life, you learn more about the impact of government, probably than any other profession that I know of.”

—JOHNNY ISAKSON

“I made a tremendous amount of money on real estate. I’ll take real estate rather than go to Wall Street and get 2.8%. Forget about it.”

—RABIH ALAMEDDINE

“In real estate, you make 10% of your money because you’re a genius and 90% because you catch a great wave.”

—JEFF GREENE



“I’ve been in real estate for my whole life, I’ve been trying to sharpshoot the market with my investments, I’m never right. All you need to do is get near the bottom. That’s good enough.”

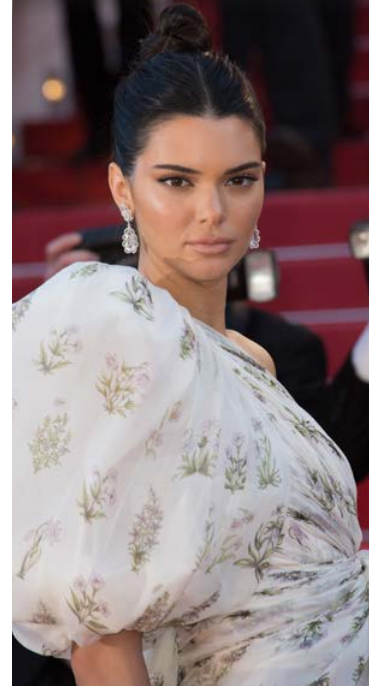
—BARBARA CORCORAN

“Real estate sales were perfect training for the experience to go into public life because you learn to accept rejection, learn to meet new people, learn to work with people and find common ground. That’s the way you sell houses... that’s also the way you win over constituency.”

—JOHNNY ISAKSON

“I weirdly love interior design and real estate and all of that. I really do. I get chills from it.”

— KENDALL JENNER



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