

The shifting centre of Dubai

As new prime areas emerge every few years, how should investors keep up?



By Shalini Seth
Special to PW

Those who lived in Dubai in the 1980s remain remarkably certain that there was no fashionable life across the Creek from Deira. In the late 1990s, Deira represented Dubai's skyline with its prestigious buildings — National Bank of Dubai, Dubai Chamber of Commerce, Sheraton Deira Hotel, Dubai Creek Tower and Etisalat building.

Experts say Dubai is peculiar in that its business centre keeps shifting. With new lands being released and major futuristic developments coming up in newer locations, areas that were considered aspirational or prime some years ago may end up being overdeveloped and congested with limited investment opportunities.

The idea of prime

David Godchaux, CEO of Core, a UAE associate of Savills, says that for an area to be prime, there must be a

shared perception of its status. Internationally, prime areas in cities such as London, Paris, New York and Moscow are usually located in and around the city centre with locations farther away being less prestigious.

"In Dubai there is no defined centre for the city; there is more scope for interpretation," explains Godchaux. "At present, we would consider Downtown Dubai to be the centre, but before it was developed, Dubai Marina was the centre of new Dubai. Shaikh Zayed Road-Bur Dubai was the acknowledged centre before that."

"However, this may change. As the city evolves and new projects such as Dubai Canal, City Walk in Jumeirah, and developments near the Creek and around the Expo 2020 site [come up] new centres of attraction [may be created]."

A case in point is Cayan Group's latest real estate venture. Its first development — the 75-storey Cayan Tower — is located in Dubai Marina. Better known as the twisted tower due to its 90-degree twist, it was launched in 2013 and named by Guinness World Records as the world's tallest twisted tower.

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But when the developer announced its latest project — a hotel and a residential building connected by a bridge — it decided to forego the Marina, citing oversupply and congestion, and brought the new development to Mohammad Bin Rashid City, a master-planned mixed-use project off Downtown Dubai.

Marina: Pros and cons

"There is only a limited amount of undeveloped land in Dubai Marina, which of course has had a marked effect on the price that developers have to pay for land," Sidharth Mehta, Partner at KPMG Lower Gulf, tells *PW*.

"Much of the prime real estate in areas such as Dubai Marina has already been developed, so the land available now may not have good sea views or only offer limited access to water.

"People buying or renting luxury property in prime areas expect a prime experience. So developers need to build property outside of the most prestigious areas."

This is not to say that Dubai Marina has lost its allure; much like Deira, it still has several takers. "There are some developers who're Marina-specific and have [built] some popular projects catering to the segment, whose demand is specifically for the [area]," says Mehta.

Gregory Lewis, Senior Sales Negotiator at Knight Frank, says with limited land allocation, Dubai Marina is not overdeveloped but close to being completed. He also lists the Palm Jumeirah, Emirates Hills, penthouses in Downtown and Dubai Ma-



➤ Dubai Marina and the Palm Jumeirah

rina, Hattan villas lining the golf course in the Arabian Ranches, Emirates Living and Jumeirah Golf Estates as prime in Dubai based on size, views, prices, specifications and location.

Some stay on top

Some prime areas have retained their value and the tag over the years, but others have given way to more glamorous locations. This is more noticeable in Dubai because newer areas keep opening up for development.

"As with anywhere in the world, once an area starts to fill up, developers look to new areas where they can take advantage of lower land costs for their projects," says Godchaux.

"In Dubai there are plenty of spaces ripe for development and communities to choose from."

So how can investors tell which areas are going to join the ranks of premium developments? "It depends in some cases on what the gen-

eral property averages are," says Lewis.

"Some areas like Jumeirah Lakes Towers would not be considered prime due to average prices and location [e.g. it is not on a golf course or waterfront]."

As far as desirability quotient and perception go, an area can stay prime, he adds. And within the area, certain properties may be more prime than others.

"For argument's sake, Hattan in the Lakes is prime, however, the small units in the Lakes aren't," Lewis explains. "This is because of price, size and views. So although areas in their entirety like Emirates Hills are prime due to their size, [limited number] of units in general and price tags, Hattan will remain prime in the Lakes."

Things that matter

Knight Frank classifies prime property by price. However, if one looks at perception, there are many considerations applicable to

Dubai property that investors can take into account.

"One important criterion is resilience, which we see when there is relatively inelastic demand and low price fluctuation," says Mehta.

"A second important criterion is profile. Where are the areas that have consistent appeal across demographic groupings? Which ones have the best quality of access and infrastructure?"

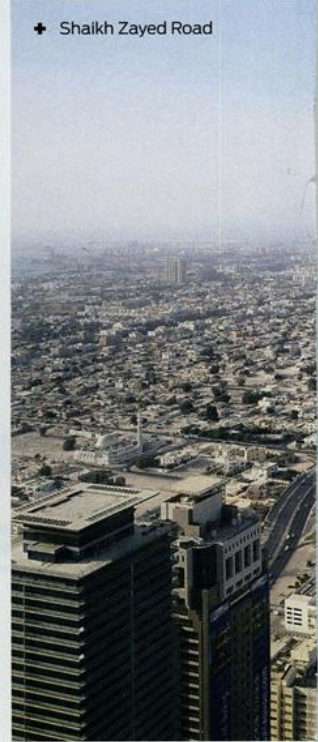
"The third set of criteria is linked to location. How close are certain areas to demand generators? How much clarity of use is there?"

"If we take these as the criteria for any property, there are certain locations that are more prime than others — for example, Emirates Living, Downtown, Dubai Marina, Jumeirah Beach Residences and the Palm Jumeirah."

Generally speaking prime areas are those with comparatively low density per square foot, less traffic and better quality lifestyle and amenities, which lead to higher maintenance costs.

The most prime areas in Dubai are Dubai International Financial Centre, Downtown, Emirates Hills, Al Barari and the Palm. An area that is prime but not yet freehold is Jumeirah — it is centrally located and near the sea as well as key districts such as Downtown, Marina and Shaikh Zayed Road.

"It comes down to numerous factors, including location, infrastructure, facilities, lifestyle and the quality of construction, as well as



➤ Shaikh Zayed Road

Dh3,200

Price of villas per square foot in Emirates Hills, the priciest in Dubai

who the developer is," says Godchaux. "What constitutes prime is decided by the number of people willing to pay a premium to live in a specific area, and as such there is a psychological factor involved."

"The main reason an area is prime is that everyone believes it is, and the people who live there feel they are surrounded by like-minded residents who pursue a similar quality of life."

Key features

Is there a fail-safe strategy to buy into prime areas for investors? "Some analysts refer to the four S's when discussing Dubai: sun, sea, sand and shopping," says Mehta. "If an area offers sufficient [amounts] of each, it is likely to be in demand."

The area to watch out for, which fulfils all these criteria, is Jumeirah, says Godchaux. "It is already prime but this is not fully reflected



David Godchaux
CEO of Core, a UAE associate of Savills



Sidharth Mehta
Partner, KPMG Lower Gulf



Gregory Lewis
Senior Sales Negotiator, Knight Frank



Pictures: Gulf News Archives and Corbis

in the prices because there is no freehold development and foreigners are not allowed to buy there. Sales volumes and prices are still relatively low because transactions are only conducted between Emiratis. This will change with the introduction of freehold property in the area, putting it on the investment map and cause prices to increase accordingly.

"In my opinion, Jumeirah will be considered a prime area for a long time to come because it has an excellent location, amenities and lifestyle attributes." ■



✦ Al Barari

Dubai's mature markets

Dubai's residential property prices are highest in its mature districts such as Downtown Dubai, Dubai International Financial Centre (DIFC), Emirates Hills and the Palm Jumeirah, according to a report by Core Research. They benefit from good infrastructure, quality of construction and finish, well-designed communities, accessibility and a desirable location.

"Emirates Hills villas are the [priciest] in the city averaging Dh3,200 per square foot, closely followed by villas on Palm Jumeirah, which command Dh2,600 per square foot," says the report.

Similarly, sales prices of apartments closer to the city's financial centre also command high figures — around Dh2,000 per square foot in DIFC and Dh2,500 in Downtown. The report notes these as the most popular business centres.

"These two districts benefit from tight supply and demand but, crucially, are surrounded by highly desirable lifestyle facilities such as world-class dining, leisure and shopping destinations. They continue to be considered premium locations and this is unlikely to change."

The report notes that Downtown and DIFC are the most popular for office space. "One of the more interesting business centres is Downtown, which, unlike most, rests inside a primarily residential area. From an infrastructure and lifestyle perspective, working in the area is highly desirable and as such, continues to command high prices."

In Downtown, office prices range from Dh2,400-Dh3,500 per square foot, while Burj Khalifa demands prices upwards of Dh5,000. DIFC, on the other hand, is one of the best office districts due to its regulatory structure, location, quality and high-profile tenants.

Newer areas can make a mark, but they also quickly reach a peak. Business Bay, for instance, benefits from easy access to buses and the Metro, and has seen substantial rental growth from around Dh70 per square foot in 2012 to Dh110 this year.

"As with the residential sector, such significant increases are unlikely to sustain," the report says. "Current rents in Business Bay are not competitive to many prospective tenants in light of what they would get in other areas for similar or lower rent levels. We expect to see prices decline modestly over the next 18 months. A surge in supply is also likely to exacerbate this trend."

"The increased supply is certain to inject greater competitiveness in the sector, which will help businesses in their negotiations with landlords as they seek to achieve larger floor plates, more favourable terms and better fit-out incentives."

The report also states that Downtown and DIFC are considered top central business districts in the region. This has helped the former's office rents enjoy a 10 per cent year-on-year increase in 2014, while DIFC rents saw a 7 per cent increase.

— S.S