

Commercial space – where enough is never enough

By Manjula Ramakrishnan

DUBAI is at a huge geographical advantage and by virtue of its strategic positioning, is a boon for businesses. For there is Tokyo, Singapore and Hong Kong open in the morning, Europe doing brisk business during the day, there is USA in the evening, besides there being no corporate taxes, hence it is a completely desirable haven for both start-up and established businesses.

Today more than ever before, there is a huge demand for commercial space. The market is insatiable, constantly hungry for more, shouting itself hoarse for more office units. Apartment buildings are slowly being converted into showrooms in the ground floor and offices in the mezzanines. It has been proven time and again that commercial spaces are like the proverbial hen that lays golden eggs, for they rope in fantastic returns, by way of appreciation and monthly rentals.

Shaikh Zayed Road, which is considered as the prime address where the crème de la crème would want to be seen, office spaces are fully occupied



Laura Choueri

and there is not a square inch of space available for the asking – even at a premium. The Dubai Internet and Media Cities are not only full, but have a long waiting list.

“There is a huge, huge demand for commercial space. The city has different categories of commercial spaces – the lower, medium and the higher end. There is also the very high end on Shaikh Zayed Road where every available space is lapped up instantly. We are left with a huge gap in the market with regard to office space and there are some very interesting projects in the pipeline. Despite these projects to be released in the years to come, the market is



Shaikh Zayed Road a prime location in Dubai

not quite convinced that the supply will match the demand. And the current demand is such that in some instances apartments are being converted into office spaces and at phenomenally high rents,” observes Laura Choueri, CEO,

Choueri Real Estate, Dubai. She was speaking to Property Times during the recently concluded Third Resale and Rental Property Show organised by DSL Exhibitions.

Other industry pundits chip in with their observations.

“There are less expensive real estate in certain areas and there are also the high-end projects in others. One cannot be compared with the other. For example Emirates towers, Al

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Builders' appetite for steel a welcome trend

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stockists and contractors to lock in prices 6-12 months in advance. In turn, this would facilitate them to smooth and increase the predictability of their cash flows and gain improved access to finance.

Futures prices originate from

continuous electronic auction process involving numerous industry players and investors in a transparent manner, which confers credibility to such prices and assures integrity. Also, the futures contracts and their prices will assist the trade to price their forward contracts based on futures prices published (on a real time basis) by the DGCX.

Located at the crossroads of trade

flows between the Arabian Peninsula, Iran, India and Africa, Dubai is set to become the first dedicated commodities centre in the time zone between Europe and the Far East.

The DMCC, a strategic government initiative and free zone authority, rated 'A' by Standard & Poor's, is building on these natural strengths to reinforce Dubai's position as a regional hub for

the trading of commodities. Through development of industry-specific market infrastructure, DMCC increases the value and volume of traded commodities in and through Dubai.

The centre is actively working to develop value-added services and promote new sources of finance in line with the needs of the growing market and its participants.

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Attar Towers, Moosa Towers in Shaikh Zayed Road are the high-end addresses. And there are also certain areas in and around Wafi that are exclusive – the Spectrum building, the Healthcare City, for these are much sought after. But any good address will come at nothing short of Dh120 per sq. foot and that is good money spent. Once upon a time the same were available for the asking for Dh50 to 55 per sq. ft. In Deira there is the business avenue commanding anywhere between Dh70 to 100 per sq. ft. Hence much depends on the area, the location and the building itself."

Global names

"Due to the difficulty faced in obtaining high-end commercial space in Shaikh Zayed Road, multinationals and other top-notch companies sometimes look – albeit reluctantly – at secondary areas. And these have gained prestige due to the presence of these global names. With this trend continuing, they soon stop being secondary locations, but move into the slot of primary addresses. The oldest real estate but also the most expensive is still the Sabkha area, which is the old merchant area. But Shaikh Zayed Road is still the 'Triple A' location, with Wafi, Bur Dubai and Deira also being sought after locations," comments Choueri.

It is interesting to note that when an IBM or Fedex occupy 10,000 sq. ft in say Deira, there comes Shell or Microsoft, find no space in SZR and gleefully go to Deira because another global giant is already located there. (Names used to merely illustrate a point). The choice is of course guided by the nature of their business and how well the location can complement this. This is how commercial communities are created. This is also how the movement of a city can be mapped.

"There are several reasons for this demand for commercial space," begins Paul Sharland, Sales Development Director, Dubai Luxury Homes. "The first



that comes to my mind is the large influx of international companies, multi national corporations and banks that are wanting a considerable presence here in Dubai. One look at the DIFC website will give a list of banks that will soon be here – Merrill Lynch, Deutsche Bank, Goldman Sachs – to name a few. The Japanese banks have shown a keen interest in being here and when one comes, several others follow suit."

"Another major factor is the potential returns from commercial spaces as against returns from residential units. While the former reaps close to 16.6 per cent a year, this when juxtaposed against a villa that will give 6-7 per cent returns, is a big difference. The only problem is that the investor should ideally operate on a five-year plan and will have to wait for the said commercial

space to be ready. But when he calculates the investment versus returns in five years, he will find that the math still falls in place."

"When a new company comes to Dubai and want an office close to some water feature and also require all amenities for their staff being provided within the office building itself, they are usually ready to pay a premium for this. And Dubai being the dynamic real estate environment it currently is, there are many projects to suit such high-end requirements. On the other hand there are also developers who offer just the basic amenities, no frills and laces and still can find takers for this. Thus there is a market for both categories," reiterates Sharland.

For those who once said Jebel Ali is the end of Dubai and would shun having to travel here, today this is the fulcrum

of Dubai. Similarly those who are distance-shy of Dubai and will soon realise that this is bound to turn into a very lucrative investment as Dubai develops seamlessly in that direction. Besides the project from the Arabian Ranches roundabout is just about 10 minutes from Burj Al Arab. And five years from now, this could be the key area of Dubai. Experts reiterate that this is one area to watch out, for the sheer appreciation that is bound to result here.

Self-contained units

It is interesting to note that all these commercial projects are designed to be self-contained units replete with shopping arcades, coffee shops, restaurants for fine dining, cinema halls, gymnasium, swimming pools, tennis courts, boutiques, salons; hence business coupled with a healthy personal life

without having to venture outside the project area or get trapped in the unending traffic chaos outside the projects is the idea behind such commercial visions.

To sum up, the commercial market today is an evolving one, but offering exciting opportunities to the prudent investor. The actual key here is late 2008 and early 2009, when more projects will be released; for it is then that there will be more clarity on how the commercial market will assume shape. Right now, there is a huge amount of interest amongst investors, but they are still without emotional attachment to their investments and ready to sell the minute decent returns are guaranteed. Hence there is much to look out for from this category of real estate. Watch this space for more excitement in the offing!