

Alabbar says Dubai real estate is robust



By Shuchita Kapur on Sunday, November 09, 2008

The Real estate sector in Dubai will continue to grow despite the ongoing international realty slowdown, said Mohamed Alabbar, Chairman, Emaar Properties on the last day of the World Economic Forum (WEF) summit on the Global Agenda, yesterday.

Speaking at the summit, Alabbar said the growth in this particular sector is not solely influenced by external factors. On the contrary, growth has been coming and will come from traditional sectors in the city like re-exports, trading, tourism, retail, transportation, logistics, manufacturing, free zones and business hubs, which are flourishing in Dubai.

"These sectors are growing aggressively and real demand is coming from here. Even if there is some international affect on these sectors, the growth may come down to nine per cent from 13 per cent. We may have to adjust a bit but we are not solely dependant on what happens in New York or Mumbai," Alabbar told the media on the sidelines of the summit.

"Moreover, domestic demand for real estate continues to outstrip supply and it will be so for several years. In the current scenario we may see flippers run away and the realty market will be dominated by end-users. But that is good, who wants flippers anyways?," asked the Emaar Chairman.

The real estate sector in Dubai is more than 10 years old and continuing demand will sustain its growth over the long-term. Furthermore, a majority of the investments in the real estate sector is equity or cash-driven and not mortgage. This takes out a lot of risk from the system, said Alabbar.

"We don't have a proper mortgage market here and that is good – we are in a position to avoid problems that have happened elsewhere."

Alabbar also added that the Dubai Government has moved in the right direction to ensure the growth of real estate. "The government is monitoring the market and a high-level committee has been exploring several initiatives to boost market confidence. The Real Estate Regulatory Agency (Rera) and the Land Department has introduced several reforms. And, all this started happening before the global credit problems came to light."

However, Alabbar added that that the real estate sector has a

common future across the world and Dubai is not immune to global happenings. "If my partner has problems in business I will also suffer but the good thing is that we have been a very alert country in the region and the first one to act upon it. We are able to face the challenges by looking at adapting our strategies and plans to the new global realities," he said.

Answering a question about the delay or cancellation of projects in Dubai, Alabbar said that this is a decision of an individual firm and does not reflect the overall health of the sector. "If people are not confident and want to shelve their plans, it is their choice," he said.

"At Emaar we are alert and are watching what our customers want," he explained but brushed aside rumours of getting into financing.

"We are not going to finance directly. We may give a portion of finance to the customers for some years," he clarified.

Alabbar also made it clear that falling share prices of Emaar do not speak about the health of the company. "General Electric (GE) share prices are falling. Johnson & Johnson share prices are falling. Are these companies bad?" he asked when queried by **Emirates Business**.

Debt cover

The emirate of Dubai is fully covered to service its debt for the next seven quarters because its asset base far outstrips its debts but is centralising the debt-management system, a member of the executive council said yesterday.

"The Dubai Government borrowings were for government institutions or state-owned entities that have been generating positive cash flows and long-term value as opposed to supporting consumption," Mohammed

Alabbar, who is also chairman of Dubai's Emaar Properties said in a statement.

Alabbar said Dubai was focusing on a central debt management system for both the government and state-owned entities.

The Emaar chairman did not give further details on how this would happen.