Chance to own a stake in Dubai properties for a few thousands

GII REIT PLANS TO OPEN UP POSSIBILITIES FOR SMALL INVESTORS THROUGH UPCOMING IPO

DUBAI

BY MANOJ NAIR
Associate Editor

Want to pick up a piece in that shiny new residential tower in Downtown Dubai? Or an office block on Shaikh Zayed Road, even though you only have a few thousands to spare? Don't worry, you could soon have that opportunity.

Gulf Islamic Investments' new real estate investment trust (Reit) aims to make it as accessible as possible for the individual investor who doesn't have those millions of dirhams at his disposal. "Once we get the Reit listed on Nasdaq Dubai after summer, it's conceivable that someone with Dh5,000 of spare funds could participate in the fund," said Pankaj Gupta, Founding Partner and CEO — UAE at GII. "These could be investors who want to create a certain cash-flow for their family.

"That's the reason why we will have the Reit denominated in dirhams, so that these investors do not have to worry about currency exchange losses or dollar account charges."

GII plans to raise between \$200 million (Dh735 million) to \$250 million from the IPO, with the funds adding to a corpus of \$250 million it has now. There are two other Reits listed in Dubai — one from ENBD and Emirates Reit.

What GII — which was incorporated in DIFC late last year — plans to do is widen the investor base that would look to seek exposures in Dubai's real estate through Reit vehicles, which typically pool funds from a variety of sources to pick up stakes in properties. But so far, in the UAE, Reits have targeted institutions and high networth individuals to put up the money.

If GII and others prove successful in bringing in smaller investors, it would have a qualitative effect on Dubai and the UAE property market. Developers whose properties get picked up by Reits would find that they have options other than banks and off-plan sales/rentals to pay for their costs.

"Ideally, Reits give access and transparency to common investors and is one sign of a maturing property market," said Gupta. "One of the most important aspects why more people are getting interested is because Reits offer an excellent opportunity when it comes to the risk-reward ratio.

"Today, an unlevered (those carrying no debt) apartment asset in Dubai can yield an average of 6-7 per cent in a good neighbourhood. That's much higher than what you get in most other global cities. And if you were to bring in a debt-carrying property, yields would be much higher."

To date, GII Reit has picked up exposures in a couple of signature assets in Dubai, such as the PwC office building in Emaar Square (which it acquired for \$32 million) and a brand new residential high-rise in Downtown (for \$52 million).

In a statement, Mohammad Al Nasri, Chairman of GII Reit, said it is finalising a "few more acquisitions" in Dubai over the next three months and also secured a "sizeable credit line on a five-year fixed-term non-amortising basis from a local bank. The target is to have a \$300 million asset portfolio before the IPO in November.

According to Gupta, the GII Reit will have a "diversified basket of real estate exposures, from apartments that can generate 6-7 per cent in annual unlevered yields to 12-13 per cent from industrial assets.

"When we launched the Reit, we realised the market was looking for a transparent product that can provide liquidity and cash-on-cash returns to investors. Our aim is to give investors an annual yield of 8-9 per cent net of all fees.

"For that, I need to have a mixed property portfolio rather than a single asset class. Plus, returns can also be generated if we get properties with decent room for appreciation. Whatever we have picked up to date are with head leases of five years, even the residential properties. Having a head lease gives investors the feeling their funds are secured.

"I am looking for a trade-off between optimum rental income as well as decent room for appreciation. We will not be picking up any asset unless it's generating returns and none of the assets would be vacant."

Atiq ur Rehman/Gulf News

Niraj Masand, Partner at Banke M.E. (left) and Pankaj Gupta, Founding Partner and CEO — UAE at Gulf Islamic Investments at Emaar Square, Downtown Dubai.

Picking up a trophy office asset

GII Reit made quite an impression picking up 45,000 square feet of office space in Emaar Square 4 that had been rented out to the consultancy PwC. "It spreads over two levels and was bought for \$32 million (Dh118 million)," said Niraj Masand, Partner at Banke M.E., which concluded the transaction in May after a three-month due diligence. "The yield for Grade A office space — at 8 per cent — is fairly high. Reits focus on income generating assets with long-term leases as their business model is to give regular dividends to investors."

—M.N.

\$200m

to \$250m GII plans to raise from the IPO, with the funds adding to a corpus of \$250 million it has now.

> **Once we get the Reit listed on Nasdaq Dubai, it's conceivable someone with Dh5,000 of spare funds could participate in the fund."**
>
> *Pankaj Gupta* | *CEO, GII*

Luxury realty getting its mojo back

Limited new supply and improved demand are ensuring better price stability

DUBAI

BY MANOJ NAIR
Associate Editor

Dubai's high-end freehold communities are seeing some sort of price stability, probably for the first time since mid-2014. The main reason for that is these locations are seeing fewer off-plan launches, which would add to the pressure on ready properties there.

And some of the locations are starting to see prices climb up from the trough. Values at the Palm Jumeirah have recorded a price growth 1.2 per cent in the 12 months through March, while at The Lakes, the gains have been 2.6 per cent, according to the latest Knight Frank update on the local property market.

High-end transactions

The Palm is seeing a steady trickle of high-end transactions, including one for a reported Dh76 million plus paid for a penthouse at a recently completed project, the Palme Couture. Another Palm-based development, The Alef Residences, has also been an investor magnet, market sources say.

All this is starting to show up on how prices are faring in key upscale locations. "Prime markets in Dubai are seeing somewhat of a stabilisation," the report says, adding that across the board, these locations have seen a drop by an average of 2.6 per cent in the year to the end of the first quarter of 2018, but down from the 5.5 per cent decline seen in the previous 12 months.

And where new supply continues to be added, as at the Downtown, the pressure on prices continues. But even here, there are some positive signs emerging. The latest year-on-year decline is pegged at 5.2 per cent, down from the 9.8 per cent drop over the 12 months through March 2017.

Capping new supply is not the only way that luxury developers are responding to a soft market. "In Emirates Hills, prices have fallen by 12.2 per cent in the year to the first quarter of 2018. Lower levels of demand and more realistic vendor expectations have driven prices lower," the Knight Frank report notes. "We remain optimistic as to the performance of the prime market relative to the mainstream over the course of 2018.

"Aside from Downtown, the level of supply due to be delivered in prime communities remains manageable. This combined with more realistic vendor pricing will drive demand for prime [properties].

"The single largest factor which is likely to continue to put pressure on prices is supply. In 2018 Knight Frank expects up to 33,000 units as scheduled for delivery. If this level of supply comes to fruition, it may drive prices lower and could impact confidence.

"However, the severity will vary, community by community."

Abu Dhabi

In Abu Dhabi, property buyers could still be inclined to sit on the fence, according to Knight Frank.

"We remain cautious on the outlook due to the level of supply set to be delivered in 2018," it adds. The report estimates "up to 8,150 residential units will be delivered. With investors and owner-occupiers choosing to adopt a "wait-and-see approach", leading to a lack of demand. We are unlikely to see the current residential market situation begin to improve in 2018."

—M.N.

A computer image of the Palme Couture where a penthouse deal was clinched at Dh76 million plus.