

# 'Time seems to have come for the Middle East to claim its share of the emerging boom'

Property Weekly SPOKE TO DR. MAHDI AL ASWED, MANAGING DIRECTOR OF HALCON REAL ESTATE

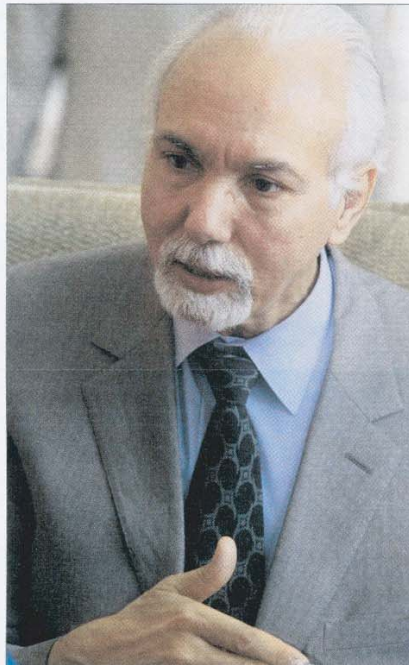
**S**o much has been said and written about the next 24 months being a crunch time for Dubai's freehold market with tens of thousands of units being handed over to the owners. Accompanying these numbers is the concern of a creeping over supply in the residential space. But such talk does not faze Dr. Mahdi Al Aswed, Managing Director of Halcon Real Estate. An engineer by training and inclination, Aswed firmly believes there is still a lot that can be done in the market, and particularly in residential.

Aswed dismisses suggestions of a massive correction in unit prices in the foreseeable future, emphasising that the market's fundamentals are very much in the right place. And he is backing all these thoughts by launching the company's first project — a residential tower in Dubai Marina.

In a chat with *Property Weekly*, Aswed elucidates on the company's plans and what could be in store for the market, at least from his perspective.

**SOME WOULD SAY THAT YOU ARE GETTING RATHER LATE INTO THE MARKET — AT LEAST WITH THE KIND OF PROJECT PROFILE THAT YOU HAVE.**

There is a certain pull that Dubai is having relative to its property market. And international investors are taking heed of this and continue to do so. There is no question of them losing their interest or moving on to new locations. The reasons are fundamental — three factors have a bearing on real estate prices, these being the cost of



building materials, technology and labour. On all three, the associated costs have gone up significantly in the recent past and are still doing so.

In the last year alone, steel prices have shot up 30 per cent. Same is the situation with labour and Dubai has to compete strongly with other markets to get the people to build all these developments. So, in such a situation, how can the price of real estate go down? A developer cannot find himself selling a project at the same cost that a similar one fetched two years ago. You will not get it. Going forward, there will be corrections in the marketplace, but certainly not a severe decline.

**YOU TALK ABOUT THE FUNDAMENTALS BEING STRONG ENOUGH. BUT WHO IS BUYING ALL THE NEW CAPACITIES BEING CREATED?**

Geography has placed a vital role in raising the profile of Dubai. Not too many destinations in the world can claim a prime location which connects one-third of the world, Asia, to the other parts.

The sun and safety are two issues that investors seeking ideal locations for their second homes insist upon. They are getting it in Dubai.

Also, the property market here is not dependent on investors from just one overseas market. New ones are emerging — I see South African buyers getting increasingly active and wanting to move from the heavily populated cities there.

**BUT CAN A RELATIVELY NEW COMPANY SUCH AS YOURS FIND IT EASY TO BREAK IN?**

I have been involved in two of the most competitive real estate markets — London and Spain's Costa Del Sol. The projects have involved buying land and developing. And in places such as London's St. John's Wood, Hampstead and The West End, it meant acquiring existing buildings, renovating them extensively and then selling to high net-worth investors.

In the last three decades the property market has witnessed three boom periods. In the 1970s and 1980s, places such as Boca Raton and Fort Lauderdale was at the fore, then came the momentum that pulled up key locations in Spain and then in the latter half of the 1990s London saw a real surge in its real estate.

The time seems to have come for the Middle East, and Dubai in particular, to claim its share of the emerging boom. Halcon Real Estate wants to be a part of it.

Apart from myself, Halcon has on board high net investors from within this region. We have the funds and the projects that will make a definite statement in the market, and that will resonate with the buyers as well.

**WHAT WILL THE PROJECT SCHEDULE BE FOR THE SKYVIEW TOWER?**

We made a decision not to have the sales launch until after the end of the soil testing and the piling contract was signed. For the construction, it will be our policy to invite only five of the biggest contractors.

They will be provided detailed project specifications and will have to work according to that. These specifications are worked towards removing all non-required cost elements. There will also be a performance bond for the contractor and delays will invite severe penalties. We believe these will be enough 'incentives' for the contractors to finish the project on time. The target is to complete the project by autumn 2008. The cost will be in the range of Dh180 million and our average sale price is around Dh1,000 a square foot. We are going by the needs of the buyer.

There will be 210 units in all — we might retain some of the smaller units for the future requirements of wealthy buyers. Our location facing Grosvenor House is also a big plus.

**ARE THERE OTHER PROJECTS ON THE WAY?**

We are now negotiating for another project in the area and possibly one in Business Bay, which could be a mixed-use facility.

**YOU HAVE BEEN QUITE ACTIVE IN THE UK MARKET. IS IT NOW FACING A PERIOD OF RELATIVE DECLINE?**

I believe that the market will not suffer as long as the Bank of England keeps interest rates within reach. This could be up to a base rate of 5.5 per cent. It also helps that the market is well regulated and there are built-in systems that help the homebuyer.

The other major difference is in the provisioning of mortgage finance. Where as in England they go by property value and not the buyer's age, unlike here, one does not spend a couple of months for the mortgage provider to take a decision on customer requirements.

—AS TOLD TO MANOJ NAIK