

An Impact of Expo 2020 on Real Estate Sector in UAE

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Abstract - The main objective of this paper is to understand and analyze the impact of Expo 2020 not only for Dubai but UAE as a whole, with a special focus on understanding the impact on real estate sector. The paper builds on the literature review of the social and economic impact of mega events on the host economies, and the paper analyses various economic indicators in order to understand and forecast the impact of the expo like GDP, Inflation, FDI (foreign direct investment). The paper also talks about current situation of market of real estate in Dubai. The paper also focus on coming up projects in Dubai as there was many projects got canceled during recession, delay of such projects has loss of some \$410bm during 2008-2009. some are High Rise Properties Dorna Tower, Orchid Residences, The Heights - Golden, Waves Business Tower, Rotating Residence and Khyool Investment LLC: Abjar Tower-Faraj 2.i To achieve this, we use both primary and secondary research to give meaningful insights to understand the short term and long term impacts of the expo. The proposed methodology focuses on questionnaires, interview with corporate, direct surveys and secondary information available on the World Wide Web, journals and publications. We critically examine the proposed impact of the expo on real estate sectors.

I. LITERATURE REVIEW

As UAE hosted Expo 2020, our focus in this paper is on how Expo will affect Real Estate sector. This paper is based on study done on real estate which is in huge boom since 2013-2014 as which was not doing well during the recession 2008.UAE has the most diversified economy in the G.C.C., the UAE economy remains heavily dependent on oil. Tourism is also one of the main revenue in UAE instead of oil.

Latest liberalization allowing non-citizens to buy freehold land which has resulted in a big boom in the construction and real estate sector, Nationwide, there is currently \$ 350 billion worth of active construction projects.

The paper also focus on coming up projects in Dubai as there was many projects got canceled during recession, delay of such projects has loss of some \$410bm during 2008-2009.The removal of the rent cap has also contributed to the upward pressure. The property markets in Dubai and Abu Dhabi are expected to be stable this year although there are some fears that speculation in off-plan projects could lead to “excessive price growth” in Dubai.

Dubai Government’s introduction of new regulations has helped to stabilize growth and slow down further price increases. Expo 2020 is also giving investors more confidence in the country’s hospitality sector. Rising US dollar combined with world class infrastructure and high quality of life are strengthening real estate market in Dubai which is competing with other global cities such as Paris and London.

II. INTRODUCTION

The Emirate of Dubai in the United Arab Emirates broke all records on 27th November 2013 when it won the bid to host the first world exhibition in MENA region (Middle East and North Africa) in 2020. It was soon followed by an announcement of 3 days holiday for schools and educational intuitions by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Prime Minister and Vice President of the United Arab Emirates, and constitutional monarch of Dubai. A world exposition or commonly referred as expo are held every five years usually for a period of three to six months. The first expo was held in London in 1851. Since 1928, the Bureau

International des Expositions, Paris, France has been the governing body for expos and currently it has 167 members; it has three types of fairs universal, international and specialized.

Expos are the third largest non-commercial event in terms of economic and cultural impact, after the FIFA (Fédération Internationale de Football Association) World Cup and the Olympic Games. Expo's have truly been a platform for progress where countries from all over the world come together and exhibit various new innovations, educate the public and give them entertaining experience and provides international economic opportunities and develop nation branding.

Where else in this world can we find a country like United Arab Emirates – where more than two hundred different ethnic groups reside with harmony? UAE's accomplishment stories has been outstanding, it has transformed from a desert to a modern day hub for tourism, real-estate and logistics. UAE was granted independence on 1st December 1971 and all 7 heads from their Emirates came together to form United Arab Emirates. At that time Dubai had a population of 183,187 (1975 census) and in the space of 42 years Dubai has a population of 2,106,177. All this success story has been possible under the vision and guidance of His Highness Sheik Mohammed Bin Rashid Al Maktoum, The Ruler of Dubai and Prime Minister of UAE.

III. IMPACT OF EXPO 2020

The hosting of Expo 2020 in Dubai will reshape the way business is being done in the UAE and the region and the spillover of the event will positively impact the Gulf Cooperation Council (GCC) according to Deloitte analysts. Hosting Expo 2020 in Dubai is likely to boost the attractiveness of Dubai as a base for overseas companies wishing to invest in the Middle East. "It is easy to forget that there are still a great many companies around the world that do not have operations in the Middle East and have never invested here, and Expo 2020 should be yet another important component of any strategy to give Dubai a more prominent place in the business world," said Humphry Hatton, CEO of Deloitte Corporate Finance.ⁱⁱ

According to Jones Day analysts, the event is likely to generate around \$23 billion (£14.8 billion) for the emirate, equating to around 24.4 per cent of Dubai's current gross domestic product between 2015 and 2021. Furthermore, it is likely to boost the economic growth of the emirate by an average of 6.4 per cent every year from 2014 and 2016 - potentially rising to an enormous 10.5 per cent by 2020.ⁱⁱⁱ

Investment:

1. According to reports, a total of about \$ 8.7 billion was spent on investments related to the event - this will profit Dubai, even after the Expo closes its doors in 2021.
2. Analysts have also anticipated that between 2014 & 2020, the UAE could invite up to \$150 billion in FDI across a range of industry sectors, particularly real estate, hospitality and tourism.^{iv}

Hospitality and Tourism:

1. It is anticipated that the Expo 2020 will draw the attention of 25 million visitors, 17 million of which will be international, during its six months and will offer huge lift and improvement to the tourism industry and hospitality.
2. Quality hotels and lodging situated near where the event will take place will relish higher occupancy rates between October 2020 and April 2021.
3. Helal Al Marri, director-general of Dubai's Department of Tourism and Commerce Marketing believes the event's impact on these sectors will be huge. "We can now leverage the hosting of Expo 2020 and the focus it will place on Dubai as a means to attract visitors to Dubai," he said.

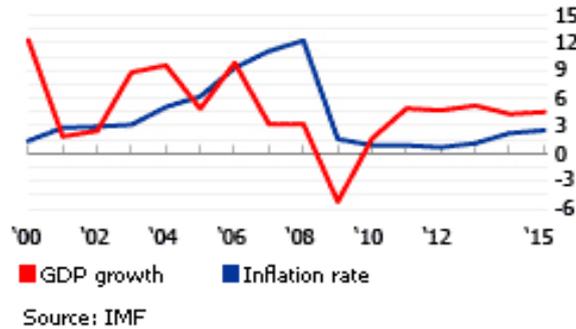
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2.1 ECONOMIC DIVERSIFICATION WILL STIMULATE UAE'S GROWTH IN 2015

The UAE's economy grew by about 4.8% y-o-y to more than AED1.54 trillion (US\$ 42 billion) in 2014, despite the sharp decline of oil prices during the second half of 2014, according to UAE's Minister of Economy Sultan Bin Saeed Al Mansoori. The UAE's inflation rate rose to 3.1% in December 2014, the second highest level for five years, according to National Bureau of Statistics, propelled by increases in the education, furniture and household goods, and housing expenditure sectors. Dubai's overall inflation rate rose by 3.4% due to increasing rents, food prices and education costs, according to Dubai Statistics Centre. Abu Dhabi's inflation rate rose to 3.3% during the same period, according to the Statistics Centre Abu Dhabi (SCAD). Capital Economics and the National Bank of Abu Dhabi (NBAD) expect inflation of up to 3% in 2015. However inflation is unlikely to rise

significantly higher than the forecast due to macro-economic measures that the government took after being warned by the IMF of a boom-bust cycle, according to economist, Alp Eke.^{vi}

GDP Growth & Inflation Rate (%)



possible bubble or to NBAD's senior

Fig2.1

IV. CURRENT SITUATION OF REAL ESTATE MARKET IN DUBAI

The first quarter of the year continued to see subdued activity in Dubai's real estate market. While residential rents remained relatively flat, sale prices saw a marginal decline across both apartments and villas. After a notable recovery in 2012, the performance of real estate of Dubai turned better and bigger in 2013. With many will be set for the current year, and a wide range of residential and commercial units to serve the growing interest of investors in major projects were planned, Dubai has already initiated the signs of healthy growth. For example, an increase of 16.5% was found in average rents in Dubai Apartments in the first two months.

After the wave of unmanageable growth in the past two years, the Dubai property market is decelerating and slackening, and the same is true in Abu Dhabi's case as well.

Sales prices in Dubai fell by 1% for apartments and 4% for villas. Dubai is now facing a more measured and sustainable planned extension period.

Cooling measures of the government in recent years have been effective, leading the IMF (International Monetary Fund), which previously cautioned UAE on its overheating real estate prices in Dubai, to back down from its concerns. According to the International Monetary Fund's Head in the Middle East and Central Asia Department, Chief Masood Ahmed, the growth in prices considerably moderated. According Asteco, the sales prices are deteriorating mainly due to the "continuous stream of new project launches and completions". Despite the slight correction in the market, sentiment remains positive, as they have launched 27 new projects at Cityscape magnificently held in September 2014. Dubai's total residential stock was around 377,000 units, Abu Dhabi's around 243,000 units, at end-2014. In 2015, around 25,000 new housing units are expected to enter the Dubai market and 10,000 new housing units the Abu Dhabi market.^{vii}

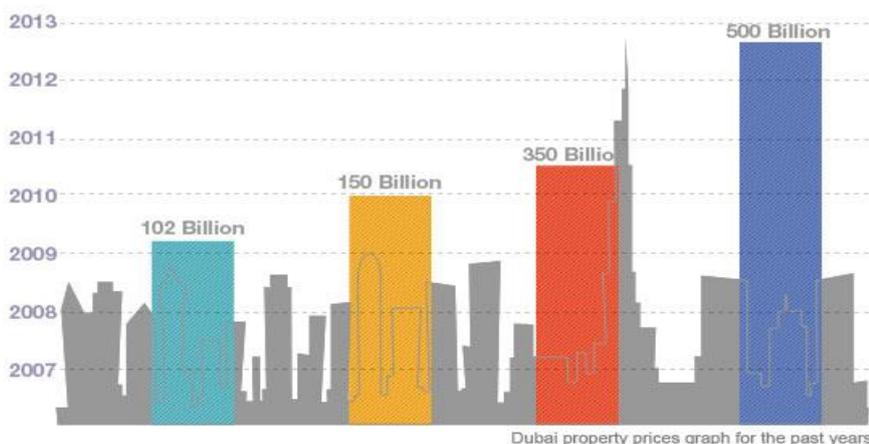
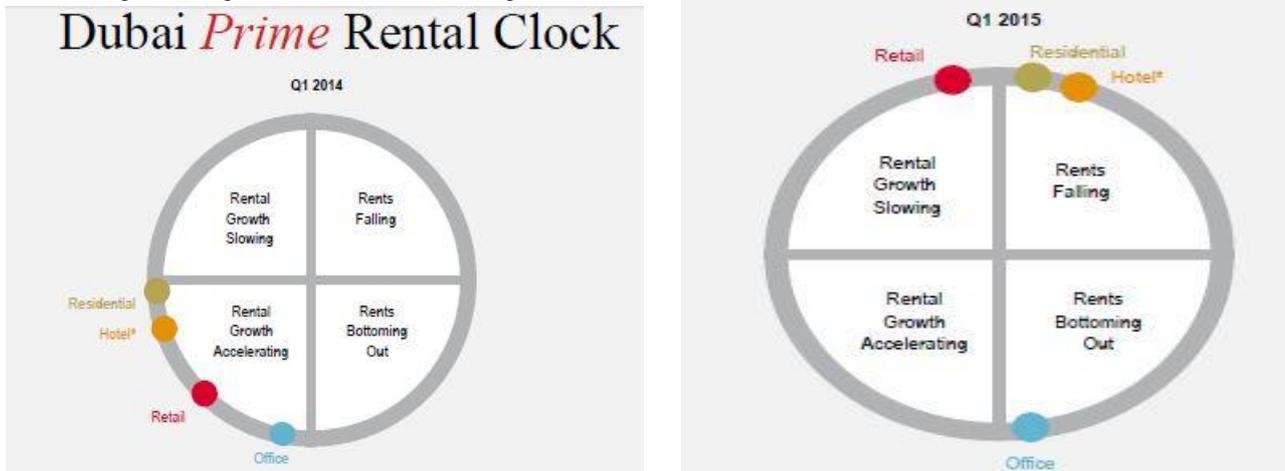


Fig3:<http://www.dubaisoldproperty.com>

The prediction and estimation of JLL for Dubai is very similar to the 2015 estimate, from the property group CBRE, said the arrival of 20,000 new housing units on the market this year "could have a deflationary impact on sales and rental prices." Prices and rents for properties in places like Dubai Marina and Downtown and in the other major central locations are likely to hold up better," But in newly developing localities such as Jumeirah Village Triangle and Jumeirah Village Circle or



further out in Dubai land, one could see greater falls. It is forecasted that JLL rates houses in Abu Dhabi remain stable or decline slightly, while rents would continue to increase at a single-digit rate. Earlier this month JLL reported that average prices in Dubai villa fell 1 percent in the last three months of 2014, apartment prices remained stable for the second consecutive quarter as shoppers continued to intimidate introducing Tops mortgage from the Central Banks and an increase in transfer fees.^{viii}

* Hotel clock reflects the movement of RevPAR

Note: The property clock is a graphical tool developed by JLL to illustrate where a market sits within its individual rental cycle. These positions are not necessarily representative of investment or development market prospects. It is important to recognise that markets move at different speeds depending on their maturity, size and economic conditions. Markets will not always move in a clockwise direction, they might move backwards or remain at the same point in their cycle for extended periods.

Source: JLL

Dubai Land Department stated that the total volume of real estate deals in the city has been fallen to 15% in 2014 compared with the previous year. "Falls will be by up to 10 per cent of transacted prices rather than asking prices," Mr Plumb noted. MPM (Master Property Manager), the residential property arm of Abu Dhabi Islamic Bank, predicted that the capital's rents should rise this year, but more slowly compare to year 2014, and sales prices would be flat or may fall by up to 5 per cent.^{ix}

V. WHAT CAUSED THE DECLINE IN THE REAL ESTATE PROPERTY MARKET

Some major reasons are given below:

1. According to secondary research done referring various articles, it has been said that the changing policy on mortgages and loans means that now people have more money saved before they can afford a mortgage, as the down payment increases. Even 18 months ago, mortgages were given like hot cakes in the United Arab Emirates, but the recent actions of the government to mortgage cap and stabilize the property market have meant that it is now much harder accepted for a mortgage, influence those who they thought could easily buy in the United Arab Emirates. Residents are therefore opt for longer term rental to try and save the greater amount of as down payment on a property set.
2. The high-end property market is slowing down due to the fact people are now opting to spend less money on rent and move to up and coming areas in the city, rather than always stick to the well-known,

up market areas such as Downtown Dubai or Jumeirah. More communities are being built on the outskirts of these exclusive areas, which offer all of the amenities, services, space and luxury offered by the more expensive areas, but are a fraction of the price. To save money, people are looking to rent and indeed buy in these cheaper areas, as they know they get a lot more for their money there.^x

- Looking at the issue of supply and demand in the property market in Dubai, the panel (The panel featured Raza Jafar, CEO of ENSHAA PSC, Craig Plumb, Head of Research at JLL MENA, and Andrew Chambers, CEO of GGICO Properties) also appeared to be optimistic, at least in the short and medium term. Craig Plumb, said that although there were a lot of new product launches, most of these projects are still in early stages and it should hit the market in the short term. This was underlined by the observation that the information available in the next few years shows about 15 and 20,000 additional units to the market every year. Given that the total supply of residential units in Dubai is just under 400,000, which means that the increase in supply is only five per cent, which is a lasting nature of the continued growth of the population of Dubai. The question to be asked at this point, however, if after a few years a lot of these very ambitious projects that are being "turned on" to do now hit the market at the same time, what kind of supply issues that create? However, the Board decided that this would be just a matter of further down the line the next few years, the demand for residential buildings is still set to outstrip supply, which is why prices in this sector will most likely not part of any large extent.^{xi}

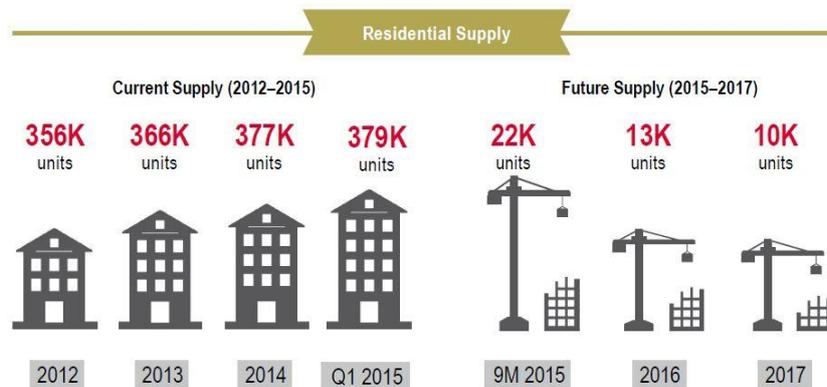


Fig 4: JLL Dubai Real Estate Market Overview Report - Q1 2015

4.1 FACTORS THAT WOULD DETERMINE THE DUBAI'S REAL ESTATE MARKET FOR THE NEXT 5 YEARS

The slowdown in Dubai's real estate market shouldn't be a worry for long-term investors, says a top global ratings agency. Moody's Investors Service states the slowdown in the market is "positive in the long run" and alleviates the "potential overheating", though prices could fall 10 to 15 per cent in 2015. "We believe that the slowdown in Dubai's real estate market is positive in the long run, as it gives the market time to absorb the existing supply pipeline, while also alleviating our concerns about the housing market potentially overheating," the agency said.^{xii}

Earlier this year, Knight Frank, a UK-based consultancy, said it expects prices to be down by 5 to 10 per cent, while JLL, a real estate consultancy, as well put the decline at up to 10 per cent. Moody's asserts the Dubai government's plan to upgrade the city for the Expo 2020 through infrastructure spending and encouraging foreign investments in various sectors will provide market support over the next five years. The emirate aims to draw more than 25 million visitors, expecting Dh25 billion in total investment in infrastructure-related projects and create 277,000 new jobs. Last year, the government said that the Expo 2020 master plan was on track with a target date for completion of all major construction activities on site by October 2019, allowing for a full year of readiness testing across networks, systems and technologies. In 2014, over 140 nationalities invested Dh218 billion in the emirate's real estate market, down 8 per cent from 2013. Property experts predict transaction volumes to remain subdued this year. The ratings agency attributes the weakness in demand to investors' perception that the market has reached its peak, after three years of strong growth and tighter regulatory measures announced in late 2013 aimed at curbing speculation.^{xiii}

VI. DUBAI EXPO 2020- MEGA PROJECT

Dubai developers have commenced work on mega projects and are set to complete their developments much before 2020. The aim is to deliver their iconic projects (tourist attractions) ahead of Expo 2020, which will run from October 20, 2020 to April 10, 2021, and aims to draw more than 25 million visitors to the country.^{xiv}

A recent report by Meed puts contracts worth \$27 billion being awarded in Dubai alone over a span of 10 years, while the UAE has seen \$56.45 billion worth of contracts being awarded in the last seven years.^{xv}

Some of projects are:

Work is in full swing on the Dh7.34-billion Dubai Water Canal that will connect the Business Bay with the Arabian Gulf passing through the heart of Dubai. China State Corporation has been awarded the Phase II contract, which comprises construction of bridges across the canal on Al Wasl and Jumeirah Roads at a cost of Dh384 million. With Dubai International Real Estate, the developer of the Dh3bn Jewel of the Creek project in Port Saeed, having awarded the package 8 contract, worth Dh1.45 billion, to Habtoor Leighton Group (HLG), construction on the project will gather pace. Work on the Dh11bn Al Habtoor City, a residential and hospitality development, is progressing at a fast pace.

Projects	Industry	Budget (\$m)	Status
DAEP- DWC: Al Maktoum International Airport Expansion	Transport	31,668	Main Contract PQ
Nakheel Corporation – Deira Island	Construction	8,908	Main Contract Bid
Dubai Holding- Mall Of The World Entertainment District	Construction	5,800	Design
DEWA- Hassyan Coal Fired IPP Phase1	Power	3,540	Main Contract Bid
Dubai – RTA – Dubai Metro: Purple Line	Transport	2,730	Study
Dubai – RTA- dubai metro : blue line	Transport	2,500	Study
Damac properties – Akoya Oxygen	Construction	1,850	Design
ICD- Palm jumeirah : Royal atlantis resort & residences, Phase 2	Construction	1,500	Main contract PQ
Dubai RTA – Dubai Metro : Red Line Extension	Transport	1,300	Design
Dubai Holding – Innovation Hub	Construction	1,200	Design
Meydan- Meydan City : Hadaeq Sheikh Mohammed Bin Rashid Scheme	Construction	1,089	Study
Dubai Supreme Council Of Energy / China Sonangol- Dubai Refinery	Oil	1,000	Main Contract PQ
DWTC – Redevelopment Of World Trade Center – Phase 2	Construction	1,000	Main Contract PQ
Nakheel Corporation: Villas At Nad Al Sheba	Construction	1,200	Design
Meraas Holding – La Mer	Construction	1,600	Design

*DAEP – Dubai Aviation Engineering products
 DWC – Dubai World Trade Centre
 DEWA – Dubai Electricity and Water Authority

VII. RESEARCH METHODOLOGY USED

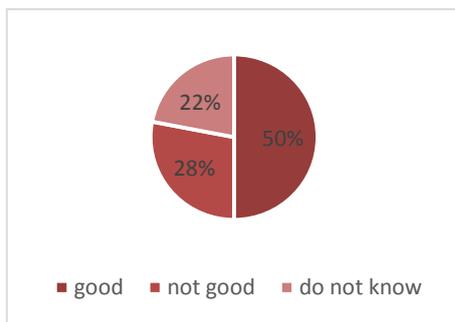
The research methodology used in this paper are questionnaires, interviews, expert-views and secondary information available from various sources.

RESEARCH RESULTS

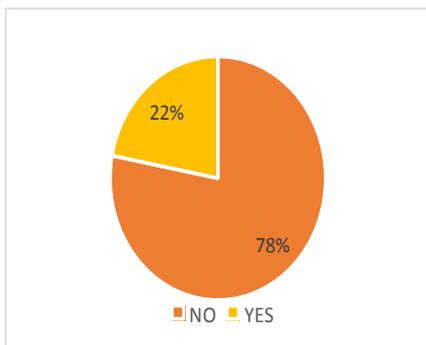
We conducted various types of surveys across Dubai, UAE. One of which was for the general public, we interviewed people across various parts in Dubai and also approached to organizations some of which include Dubai statistics center, KHDA, Dubai Int'l Real estate.

We conducted three surveys in Dubai International Academic City, UAE. One of which was for the general public, we interviewed people across various parts in Dubai and went to organization some of which include Dubai statistics center, KHDA, Dubai Int'l Real estate.

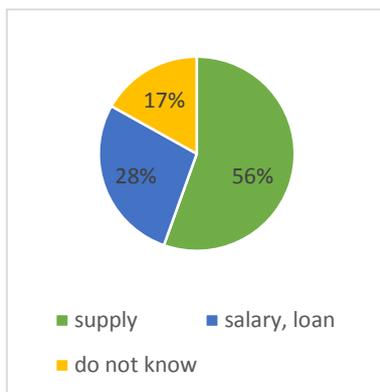
1. Is reducing price is good for Dubai according to them.?



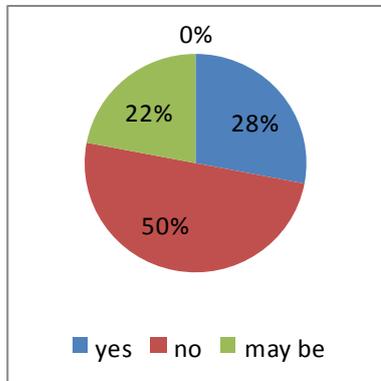
2. Do they think rent is reduced because of real estate price slash down?



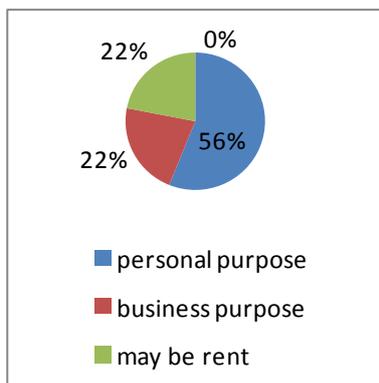
3. What you think are the reasons for reducing price in real estate?



4. We asked them now price is less will they will buy or invest money on real estate for villa or apartments?



5. What purpose they will buy the real estate property?



We conducted an interview with an expertise **Mr. Jack J. Joseph** form Dubai Int'l Real Estate whom we asked

Q) The Current Situation Of Real Market

As he said "Due to more supply in market price slow down form this year. But it won't be for long time price will again hike. According to him it's effecting under development area such as Jumeirah Village, Dubai Silicon Oasis, but area like Dubai Marina price is still high. As tourism is one main sector in Dubai's, government is keeping mind expo 2020 and constructing or expanding infrastructure such as Dubai metro, more hotels etc."

Q) We asked him does he think after expo Dubai will be again face rescissions?

According to him it won't affect Dubai's economics as expected many tourist investor will be coming in city, there will be many investor who will invest money, and more company will be setup. He says it cannot be compare situation for now and after expo with 2008 rescissions, 2008 rescission effected all over the world and it was for bank crises but now government is studying market, so they have potential to control in this region. Expo 2020 not only impact UAE but also all GCC countries and also other part of world, as more job will be created by 2020 so many people will be arrive in UAE which will cause more demand of apartments villa so expo will put good impact for DUBAI and also people in this reasons.

Q) We also asked what actually reason to reduce price?

The main cause is supply is huge than demand in market, Government has been changed rules of loan mortgages residences cannot afford to buy. Even banks in regions do not offer big amount of loan for real estate business, because they think it is very risky to give loan for this industries. He also suggested that to attract residence bank can change loan pattern, so people will think to invest for real estate.

VIII. CONCLUSION

As UAE hosted Expo 2020, this paper focuses on how Expo will affect Real Estate sector. The paper is based on study done on real estate which is in huge boom since 2013-2014 as which was not doing well during the recession 2008.UAE has the most diversified economy in the G.C.C., the UAE economy remains heavily dependent on oil. Tourism is one of the main revenue in UAE instead of oil.

Now currently the criticism is will this slowing down price in real estate be continue or not.

Despite the criticism, we think according to research and after talking to many people these current situation will not continue and will improve better in this period of expo 2020 project, it may be for current year 2015 or also 2016 but, real estate market will be again hike like during and before expo 2020. According to many expertise, major reason for this is that supply is more than demand in market. It's been said by Moddy, "slow down good for long term". After research results it shows that there are consumer to buy for personal use rather business purpose, even according to secondary review and taking interview we come across that buying and selling has gone down in terms of business. Dubai is on the right track and the expo in 2020 is going to be a huge success which will benefit residents of Dubai for many years to come. Expo will improve terms of economic and cultural impact will actually help prove Dubai's role as a passage between the east and west. Furthermore, there are going to be a lot of improvements in infrastructure, transport etc. which will benefit residents of UAE. Dubai's plan and budget for the expo is one of the best in the history of world exhibitions and according to me expo 2020 will be remembered as one of the most successful world exhibition for years to come.

IX. ACKNOWLEDGMENTS

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Our thanks and appreciation also to all the faculties of Amity University – Dubai, the general public who gave us their time and filled the questionnaires and last but not the least to our family and friends who have willingly helped us out with their abilities.

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