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US Realty Investors Eye Gulf Amid Subprime, Credit Blues

NEW YORK: US investors, once reluctant to put their money into the Arabian Gulf, are being drawn to the region as their domestic market slows.

US-based real estate investment funds say they are receiving growing requests about investment opportunities in the region. By one estimate, nearly $1.5tn of real estate projects are planned or under development there.

A growing number of investors say the region offers some of the greatest opportunities for hotel investment, in particular, due to rapid growth in the region and high hotel prices.
US investors, once deterred from the Gulf by concerns over transparency, investment returns and market immaturity, are increasingly looking outside their domestic market as they find it difficult to find profitable investments at home.

“We’re getting more requests from our investors to go into the Middle East,” said Steve Etminani, principal of RCP Development, a Washington-based firm that works in partnership with firms such as the Carlyle Group and Citigroup.

“The problems with the economy are going to speed up this process as US real estate investors look to diversify their assets away from the domestic scene and geographically disperse their capital,” he said.

Developers in the oil-rich Gulf Co-operation Council region are currently spending about $1.45tn on real estate projects, according to London-based projects magazine Middle East Economic Digest.

More than 55% of investment in the Gulf’s real estate projects comes from outside the GCC, according to global property consultancy CB Richard Ellis.
International investor appetite in the region has been helped by a falling dollar, to which most of the region’s currencies are linked.
Dubai, the second-largest emirate in the UAE after Abu Dhabi, expects to attract approximately $50.1bn in real estate investment by 2010.

“The downturn in the US and European markets will result in institutions looking to new markets for international expansion and Dubai is a likely target,” CB Richard Ellis said in a note.
Houston-based privately owned real estate firm Hines recently opened an office in Abu Dhabi to tap regional investment opportunities in the Gulf region.

“We’re looking into opportunities to build either office, retail or hotel developments here in partnership with local companies,” said Michael Topham, chief executive of Hines’ European and Middle East and North Africa operations. “We believe there are enough opportunities for both local and foreign investors to make good returns on developments.”

The Gulf’s hotel sector is another area where investors see good returns. There are currently 40,000 rooms across 415 hotels in Dubai with hotel occupancy running at between 85 and 90%. The number of hotels rooms in the UAE is set to increase rapidly over the next few years to accommodate the upsurge of tourists from places such as Russia and Europe, drawn to the region by luxury hotel and beach resorts, golf courses, shopping and ski slopes in the desert.
Gulf states are investing heavily in tourism in a move to diversify economies away from oil dependency. More than 1tn UAE dirhams ($272.23bn) have been committed to tourism-related projects in the Gulf that are expected to be completed by 2018.

“Investment in the Middle East continues to grow, most notably in developments in the luxury segment and those with mixed-use components, especially in areas such as Dubai and Abu Dhabi,” thanks to growth in tourist arrivals and in revenue per available room, Ernst & Young said in a recent Hospitality Investment Survey.

Approximately 13% of those questioned in the survey said they thought the Middle

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