

# TheNational

## Abu Dhabi sees the future of retail

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The UAE still generates the retail buzz for the GCC, but the growth is now coming from Abu Dhabi. Jaime Puebla / The National

The Emirates will see another wave of spanking new malls and hot fashion brands this year, but maybe not where you might expect.

The UAE still generates the retail buzz for the GCC, but the growth is now coming from Abu Dhabi.

"Abu Dhabi was probably [last year] the fastest growing market from a tourism perspective and has big plans to continue this," says Craig Plumb, the head of research for the MENA region at the property consultancy Jones Lang LaSalle.

"As for retail hot spots, Abu Dhabi is likely to be the next one, rather than Doha or Bahrain."

While Dubai is likely to keep its crown as the UAE's largest retail market – with more than 185,800 square metres of leasable retail space in shopping centres including Dubai Mall, one of the largest malls in the world – Abu Dhabi is ready to outpace its neighbour this year in growth.

At least four malls will open their doors in the capital this year, including the first phase of the anticipated Central Market, Aldar's reinterpretation of the capital's old souq. The others include Bawabat al Sharq, Paragon Point on Reem Island and 9712 mall near Musaffah.

In Al Ain, the Wahat Hili mall is also set to open.

The fallout from the global economic downturn that hit the UAE last year brought the first slowdown in sales in at least five years. Consumer confidence, globally and in the UAE, dropped to record lows.

In the Emirates, luxury boutiques that could not keep the shelves full just months earlier began to see their stocks pile up as consumers held on to their disposable cash.

Some car dealers began offering as much as Dh10,000 (US\$2,730) towards the customer's downpayment, after banks stopped lending so freely. Gold and jewellery retailers were even harder hit. Necklaces and rings were seen as luxury items that could be postponed as the price of gold reached record highs of more than \$1,200 an ounce.

In such a climate it was no longer enough for the country's retailers to just open their doors. For the first time they needed to hustle, and many did, with sales promotions and innovative marketing ploys such as free classes on how to use their products.

These shifts in the retail market have set the tone for this year, and probably for years to come. "What people are learning is that retail has to follow the demand," says Mr Plumb.

And with the capital's upcoming high-profile projects such as the Louvre and Guggenheim museums on Saadiyat Island and other events such as the Abu Dhabi Formula One Grand Prix, retailers are hoping the emirate will draw more tourists to their shops while they continue to tap the stable, and affluent, local population.

With other malls to open in 2012 such as Yas Mall and Reem Mall, Abu Dhabi will almost double its mall retail space in the next two years, AT Kearney says. Retail space in the emirate is expected to grow from 700,000 sq metres of gross leasable area to roughly 1.2 million sq metres, the Dubai office of the consultancy forecasts.

The Abu Dhabi Gold and Jewellery Group says 65 new jewellery stores will open in the emirate this year, the biggest wave of openings in 10 years, fuelled by the new malls.

The rapid growth brings into question whether Abu Dhabi is headed for the same oversupply situation that has beset Dubai. Not if the Government can help it, says Jean-Herve Bouyer, the chief executive of Aswaq Management Services, which acted as consultants on Bawabat al Sharq, 9712 and Wahat Hili.

Under the emirate's Plan 2030, the amount of retail space for each resident is capped at 1.3 sq metres, he says. Abu Dhabi's planners also aim to have smaller clusters of shops in different communities, rather than gigantic malls that shoppers must drive a distance to visit.

"The future of retail within the UAE, like all over the world, is also to develop more scattered retail and to limit the number of large regional malls," Mr Bouyer says. "Just Abu Dhabi Mall, Yas Mall, Reem Mall and Marina Mall."

Mr Plumb says shoppers living in Abu Dhabi are for now heading to Dubai to shop, but this will change.

"Abu Dhabi is seriously under-shopped, under-provided, and that is causing a loss of trade, with people shopping in Dubai instead of Abu Dhabi," he says. "As you get better quality space coming on in Abu Dhabi, you are going to retain more of the spending in Abu Dhabi itself."

Retailers across the UAE will be even more prudent about expenses, even while they invest in improving their businesses this year. For example, the Dubai-based Chalhoub Group plans to spend \$30m in the next three to five years to cut costs, such as by investing in new information technology systems and hiring consultants to trim inefficiencies, says the group's joint chief executive Patrick Chalhoub.

This is on top of cutting costs by downgrading executive travel from first-class flights and five-star hotels, he adds.

Retailers in the past year have also taken a hard look at their portfolio of stores, closing poorly performing outlets or relocating them to more popular malls.

Such shifts have been helped by falls in the cost of leasing a store in Dubai and Abu Dhabi for the first time last year in at least a decade, CB Richard Ellis reports.

"Because there is a bit more competition for tenants, this allows [retailers] to have the upper hand in rental negotiations," says Mr Plumb. "The mall owners have recognised the importance of retaining a strong tenant base. Better to have a tenant in there than none at all."

The tough year in the retail sector may have also triggered another exodus of sorts. Some retailers who entered the industry at its peak are looking to get out, says Mr Chalhoub.

As the market's profitability is fading, parties that entered into luxury retail because it was "a hobby" are realising it is not as rewarding as they hoped, he says.

"I have never seen so many opportunities for takeover and acquisition in the past 30 years of my career. But obviously we have much less appetite. If it was two years ago, we would have much more appetite."

However, this year is forecast to be better than 2009, the *annus horribilis* for retailers the world over.

The buying mood of consumers is improving, with the latest consumer confidence reading jumping 13 points, the largest gain in the three years that Nielsen has been conducting the poll. Retail sales next year across the GCC are expected to grow, but not at the double-digit percentages of years past.

Most retailers are aiming for modest growth in the next 12 months.

Dubai Duty Free is expecting 6 to 8 per cent growth on its \$1.14 billion of sales last year, says George Horan, the deputy managing director.

"We're quite confident going into [2010], yet we realise it won't be too easy," he says. "But we hope we will be prepared."

Mr Chalhoub says his group expects sales growth of between 5 and 7 per cent this year, far below the double-digit gains of past years. But the subdued outlook is a good thing, he says.

"Coming into this era, we've created more sustainability – perhaps less opportunity at the moment, but it will be much, much more sustainable in the long term."

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