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OCTOBER 2004 MIDDLE EAST

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MARCH OF THE MEGA MALLS

but does size really matter?

Retail focus
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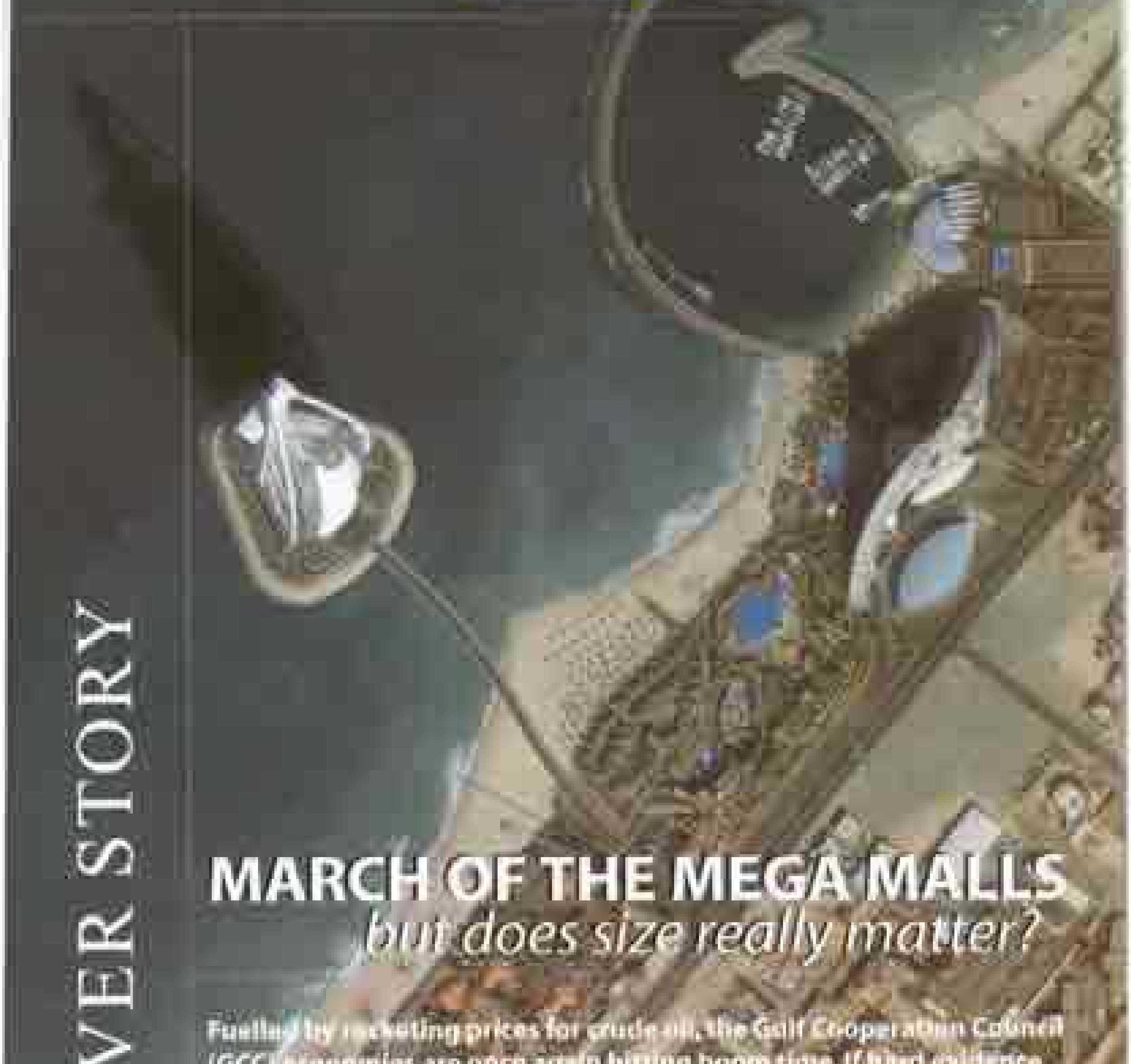

ABOUT THE AUTHOR

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Simon Thomson is principal of Retail International*, an independent U.K. based retail consultancy offering specialist professional services to the retail industry, with particular emphasis on the Middle East. Recent major assignments include projects in Bahrain, Lebanon and the UAE.

COVER STORY

MARCH OF THE MEGA MALLS
but does size really matter?

Fuelled by rocketing prices for crude oil, the Gulf Cooperation Council (GCC) economies are once again hitting boom time. If hard evidence of this is needed, a drive through any of the region's cities will reveal frenetic construction activity across all sectors of the industry. The retail sector is no exception, for work proceeds at a frenetic pace here too, to complete projects ahead of the competition.

Nowhere is the race fiercer than in Dubai. With five mega-malls simultaneously under construction, the city is "going for broke" in the marathon to reach global status in the shopping centre stakes—and it looks set to win "gold".

Burj Dubai - The Dubai Mall

No city on earth with a population the size of Dubai has taken upon itself the challenge to deliver so much mall footage in so concentrated a period. By 2010, 1.5 million square metres (over 16 million square feet) will have been added to the existing stock of 600,000 square metres (approx. 6.5 million square feet). And with a further 900,000 square metres (9.7 million square feet) potentially possible, the total looks set to rise to 3 million square metres (over 32 million square feet). Already comprising 17 per cent of the total GCC footage, this massive increase will double Dubai's share to 34 per cent within five years.

So where is all this space?

Like a herd of dinosaurs—by sheer enormity—the pack is led by The Mall of Arabia, at over 600,000 square metres (approx. 6.5 million square feet), followed closely by The Dubai Mall – 500,000 square metres (approx. 5.4 million square feet), Mall of The Emirates – 400,000 square metres (approx. 4.3 million square feet), The Gardens Mall – 300,000 square metres (approx. 3.2 million square feet), and Dubai Festival City – 250,000 square metres (approx. 2.7 million square feet).

Claims to the title of "the world's largest mall" for The Mall of Arabia might well be [illegible] given that the two current biggest are West Edmonton Mall at 490,000 square metres (approx. 5.3 million square feet) and Mall of America at 390,000 square metres (approx. 4.2 million square feet). The latter, however, may still lay claim to this title if its plans to add another 570,000 square metres (approx. 6.1 million square feet) are fulfilled.

With increasing emphasis by Dubai on leisure developments, including a massive increase in attractions and hotels, it has been queried by some observers whether Dubai is seeking to emulate Las Vegas. Given the history of the two cities – in the case of Las Vegas gambling and Dubai, commerce – the similarities would seem to be few.

Las Vegas with a population almost double that of Dubai, at 1.6 million, supports more than 10 times the retail footage of Dubai, with 6.7 million square metres (71.7 million square feet).

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Night view of Las Vegas

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The drive for tourism by Dubai appears to be the major factor fuelling the surge in shopping centre development; it thus serves to emphasise the critical importance of attracting and retaining new permanent residents with sufficient disposable income to support the long-term success of the new malls

However, is size all that what matters?

centres." The magazine reports that comedy clubs are now being added to the entertainment choices.

Comedy club chains are springing up across the States and include such brands as Improv Comedy club and Funny Bone, with 16 and 11 outlets respectively. And these are growing.

Lifestyle centres are all part of the drive to offer a 24/7 community and extend visitor stay. Comedy clubs aim to bring in visitors from 9 p.m. onwards. They have already opened in such renowned centres as CoCo

malls – they need look no further than the Bullring and *Fashion Show (Mall)* for the answer. With Saks Fifth Avenue opening this year in BurJuman, Dubai, and Harvey Nichols already committed to Dubai and the likes of Selfridges also being courted, the importance of department stores to the region's malls seems hardly in doubt. The next challenge is to bring in another U.S. big-name such as Neiman Marcus or Nordstrom.

It is not only in design that cutting-edge malls in the West are making their mark, but also in terms of leisure content. Lifestyle centres are now the "order of the day" for many developers in the United States. So much so that, according to *Shopping Centers Today* (the ICSC retail magazine), "there's a lot of funny business going on in some of America's newest shopping

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Much of the shopping centre development in Saudi Arabia is hypermarket-led, mimicking the successful pattern established in the UAE by MAF Investments with the Carrefour franchise. In Riyadh, Carrefour will anchor the 200,000 square-metre Granada Center

Walk in [illegible], Florida (one of the first lifestyle centres in the United States), CityPlace in West Palm Beach, Florida, Ontario (California) Mills, and many more. It is claimed they can draw 100,000 people annually [illegible] with [illegible] for Dubai, the

introduction of comedy clubs would be only a minor challenge for mall developers.

With so much [illegible] building activity in Dubai, the rest of the Gulf and [illegible] region may seem quite [illegible]. Shopping centre development, however, continues to proceed at a pace. Much of it, especially in Saudi Arabia, is hypermarket-led, mimicking the successful pattern established in the UAE by MAF Investments with the Carrefour franchise. Now being exported into The Kingdom, Carrefour will anchor the 200,000 square-metre Granada Center in Riyadh, typical of a number of similar projects being developed [illegible] by various developers including [illegible] Group and [illegible].

Economic Indicators 2003				
	Population million	GDP per head ($)	Forecast GDP growth 2003 (%)	Forecast GDP growth 2004 (%)
Bahrain	0.7	11,210	5.7	5.6
Egypt	70.6	1,175	5.7	3.8
Kuwait	2.4	16,340	6.5	3.6
Lebanon	3.7	4,720	3.5	2.0
Oman	2.5	8,520	1.1	5.8
Qatar	0.6	26,871	5.8	8.5
Saudi Arabia	22.1	9,316	4.8	4.0
UAE	3.6	18,726	4.8	7.5

Source: MEED

Géant, the hypermarket fascia of Casino, a competitor company and main competitor of French-owned Carrefour, is embarking on a rollout programme across the region. With an initial store in Bahrain, Géant are opening up in Saudi Arabia, UAE and Lebanon, among others. In Beirut, Géant will provide an 11,000 square metre (approx. 118,000 square feet) anchor for [illegible] Regional Centre, a 60,000 square metre (approx. 646,000 square feet) mall being developed by Adaix on the northern coastal highway on the periphery of the city.

For so long racked by civil strife, Beirut is at last beginning to emerge from under the pile of rubble it had become and blossom into the fabulous city it used to be. Much of this is driven by Solidere, which is at the heart of the renovation of Beirut. Much will hinge on completion by that company of The Souks, expected to provide 100,000 square metres (approx. 1.1 million square feet) of retail and entertainment in the downtown core of the city. In the interim, shopping centres such as Dora and the newly opened 42,000 square metre (approx. 452,000 square feet) Beirut Mall, developed and anchored by leading Lebanese department store chain ABC, are filling the vacuum.

Cairo and Beirut seem set to become the key regional retail destination centres outside the GCC in the next five years. The two cities will be "running neck and neck" with a retail offer expected to reach between 500,000 square metres and 600,000 square metres by 2009. With a population outstripping the GCC and dwarfing Lebanon and its immediate neighbours, Egypt remains something of a slumbering giant in retail terms, with enormous latent potential. If Egypt could replicate the burgeoning economies of China and India, the prospects for retailers would be mouth watering.

So, what does all this development equate to in real terms?

Taking the GCC as a whole, a current "snapshot" of shopping centres would reveal some 3.[illegible] million

square metres (approx. 31 million square feet) already completed. This is in addition to 2.2 million square metres (approx. 24 million square feet) "under development", plus 600,000 square metres (approx. 6.5 million square feet) as "probable" and a further 2.8 million square metres (approx. 30 million square feet) as "possible". Overall, this would provide a total potential of some 9.4 million square metres, equivalent to around 101,000,000 square feet.

The main concentrations presently are: Dubai (637,000 square metres/6.8 million square feet), Jeddah (599,000 square metres/6.4 million square feet), Abu Dhabi (460,000 square metres/4.9 million square feet) and Riyadh (611,000 square metres/6.6 million square feet).

By 2009, based on the more certain projects already underway and probable (a conservative forecast), Dubai will offer over 2 million square metres, followed by Jeddah (over 750,000 square metres), Riyadh (over 600,000 square metres) and Abu Dhabi (around 550,000 square metres).

In terms of gross leasable area (GLA) per head of population, this is what can transpire, at current population levels: Dubai will provide some 17 square feet per head, followed by Doha (Qatar) at 7 square feet per head, Manama (Bahrain) at 6 square feet per head, Abu Dhabi at 5.5 square feet per head, and Sharjah at 4.5 square feet per head. Kuwait at below 3.0 square feet per head and a wealthy population, also coupled with a major population across the border in Iraq, would appear to offer the best prospects for developers and retailers.

Fortunately, the Gulf has a rapidly growing population that will absorb much of the increasing supply in retail footage. With buoyant economies and increasing international and regional tourism, the future for retailers and shopping centre owners looks secure.

Complacency, nevertheless, would be dangerous. In Dubai alone, by 2009 nearly US$8 billion of sales will need to be rung up each year to support the amount of expected space. This is an astonishing 30 per cent of today's GDP for Dubai. This means average sales of $3,900 per square metre — well within industry "norms" in the developed markets of North America and Europe.

Quite significantly, the rapid rise of wealth in China and India notably (but also in Russia), is concentrating the attention of world retailers. So much so that, within a matter of a few years even the remotest villages in those enormous countries will be within easy reach of not only Carrefour, Tesco and Wal-Mart, but also Zara, Mango and FCUK. Who, then, will need to travel to the Gulf just to shop? Perhaps, after all, Dubai should look to Las Vegas as an example of relying upon its indigenous population to support its massive shopping malls.

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