

# International Trek: Dubai and Abu Dhabi



## International Trek to Dubai: A City Built in the Desert

Author: Sean Mashian

In December 2018, the second-year students of the Baker Program in Real Estate had the pleasure of visiting the United Arab Emirates. The main goal of the annual trek is to get an understanding of how the interests of the stakeholders in real estate differ globally, both in terms of private and public goals. To do this, the students first needed to get an understanding of the recent history of Dubai and Abu Dhabi and their rapid rise to prominence as a major worldwide commercial center.

The UAE is one of the Middle Eastern nations with “black gold,” possessing about one-seventh of the world’s proven crude oil reserves. One aspect of the riches that tends to be overlooked is how quickly the country monetized the oil and how much of an impact this had on transforming the country’s built environment. Students of the Baker Program experienced the transformation with a day in Old Dubai. Compared to the sprawl of the new, urban Dubai built in the past few decades, Old Dubai was surprisingly small and rural. “I think it is incredible how Dubai grew from being a primarily tribal culture to having a skyline like Manhattan’s in less than half a century,” said second-year Baker student Mark Hughes. “It really shows you how quickly real estate development can occur when the government works hard on planning and putting infrastructure in place for the future.” Walking through Al Fahadi Street, students were surprised to learn that much of the old housing was inhabited by wealthier local Emirati people until the 1950s. The Bedouin tent style housing dominant in the area until the discovery of oil contrasted dramatically with the massive skyscrapers students could see down the river.

Like Dubai, neighboring Abu Dhabi has experienced massive financial growth. The Abu Dhabi Investment Authority (ADIA), one of the firms visited by Baker Program students, has over \$800 billion in assets under management worldwide. When ADIA first came into existence in 1967, it was “operated out of tents.” As Abu Dhabi accumulated wealth in the late 20th century, it also began to see the need to diversify its assets beyond oil. Real estate became one of the main mechanisms employed, leading to investment both domestically and internationally. For the future, Abu Dhabi has invested heavily into creating more artistic and culture-driven activities than has Dubai. The Louvre Abu Dhabi, Ferrari World, and Sheikh Zayed



Grand Mosque have all been unveiled in the past 10 years and draw millions of tourists annually.

Dubai also used real estate as a method of diversifying and began its development of a central business district (CBD) around the Dubai World Trade Centre (DWTC). Built in 1978, the 39-story DWTC was the first true skyscraper in the country. Since then, a CBD emerged around the DWTC that compares to some of the world’s most impressive collections of buildings. The Burj Khalifa and Dubai Mall provide numerous dinner venues overlooking the CBD. Buildings such as the Cayan Tower, Burj Al-Arab, and Princess Tower are within view. While all of these iconic buildings were developed in the same area, much of the CBD can be found on a trip down the lively Sheikh Zayed Road or a ride on the Red Line of the Dubai Metro. “I’m surprised at how modernized the transportation options are in Dubai,” said Jiwon Park, third year Baker/MBA. “While the city is much more sprawled out than Manhattan, it seems just as easy to get around with all the taxis, buses, and subway stations.”

The booming economy and growth of the main CBD has led to other, smaller business districts in Dubai. Two of these are the Dubai International Finance Centre (DIFC) and the Dubai Design District (D3). At the DIFC, members of the IFC spoke about the goals of the financial hub. The tax-friendly DIFC was created within the main CBD to help spur business and encourage international investors to come to Dubai through the use of its own independent legal and regulatory framework. D3 is the business district located just outside of the main CBD built to spur innovation and encourage creativity and entrepreneurship. At D3, Dubai Holding stressed its core tenet of spurring innovation.

The CBD in Dubai has become an excellent example of the power of real estate development when stakeholders

align. Baker students greatly enjoyed their experience in the “Manhattan of the Middle East” and received a better understanding of the rapid rise to prominence of the city built in the desert.

## DUBAI: EXPOSITION 2020

**Author: Jennifer Spritzer**

Dubai will have the honor of hosting Expo 2020 from October 20, 2020 through April 10, 2021. This universal exposition is designed to showcase the achievements of the United Arab Emirates as well as other nations. The theme of Expo 2020 is “Connecting Minds, Creating the Future,” placing an emphasis on how opportunity, mobility, and sustainability affect humanity worldwide (Expo 2020, 2018).

The economic impact of hosting a universal exposition is huge, with job creation, technological innovations, real estate, and tourism all benefiting. According to a study by Oxford Economics, Expo 2020 will create over 277,000 jobs, with many potentially becoming permanent due to the expanded economy following the exposition (Al Nisr, 2013). Expo 2020 is also expected to add approximately \$40 billion USD into the area’s economy and attract 25 million tourists during its six-month run. In preparation for this surge of tourism, the United Arab Emirates has been working nonstop to create and improve real estate to support and amaze these visitors, as well as showcase the sub-themes around which this exposition is based.

To support this demand for new and quickly built real estate, the nation has created new construction materials and technologies. In keeping with the theme of sustainability, the UAE has implemented strict new construction standards, such as the use of green concrete, which is produced without releasing or creating CO<sub>2</sub>. The emirate has also implemented the use of three ‘quick-fix’ sustainable solutions in buildings: insulation, solar heating, and LED lighting. One impressive project is the creation of the world’s largest concentrated solar power project, which is expected to generate 1000 megawatts of power by 2020 and 5000 megawatts by 2030 (Nagraj, 2016). The Mohammed Bin Rashid Al Maktoum Solar Park will reduce carbon emissions by 6.5 million tons annually as part of the emirate’s goal of increasing the share of clean energy in Dubai’s power output to 7 percent by 2020, 25 percent by 2030, and 75 percent by 2050 (The Associated Press, 2017). Last September, the consortium comprised of Shanghai Electric and Saudi Arabia’s ACWA was awarded a \$3.9 billion contract to build and run the power plant.

In addition to ramped up construction and sustainability efforts, Dubai is also creating impressive showcases of real estate and architecture. In true Dubai fashion, the emirate is building the world’s largest commercial tower named “Burj 2020” in Jumeirah Lake Towers. The 115-story tower will house a retail mall, grade A offices, a 5-star hotel, restaurants, health spas, conference facilities, 237 residences, and a 360-degree observation deck on the top floor (ProTenders, 2018). This project is being developed by Dubai Multi Commodities Centre (DMCC) as part of the 4.2 million square feet (1.3 million square meters) planned Burj 2020 District.

Many existing hotels are also being improved or expanded in anticipation of Expo 2020, and new luxury hotels are set to be completed in time for the exposition. The Jumeirah Group is making changes to its luxury hotels prior to the exposition, such as the recently completed over-the-sea terrace and completely updated interiors in the iconic Burj Al Arab. The terrace was constructed in pieces in Finland and shipped to Dubai by boat. It extends the reach of the Burj Al Arab by approximately 330 feet into the Persian Gulf, allowing guests to enjoy pool and cabana amenities onsite as well as at other luxury hotels on Jumeirah Beach. With the addition of the terrace, guests of the Burj Al Arab can now enjoy a freshwater pool or saltwater infinity pool as well as butler-serviced air-conditioned cabanas at the comfort of their own hotel.

As of September 2016, the value of active hospitality projects in the United Arab Emirates was \$71.6 billion, with 543 developments currently under construction (The First Group, 2017). The government’s projections for the influx of tourism stated that Dubai will need an additional 40,000 hotel rooms by the exposition, in addition to the 100,000 plus existing hotel rooms. Kerzner International is building The Royal Atlantis, a stunning hotel and residential project

