

## Fanning The GCC's Retail Boom

The GCC countries are a retailer's dream destination. Glitzy malls boasting of every conceivable global brand dot the landscape, luring in shoppers on the hunt for the best buy. Feeding on a growing population and high levels of disposable income, the Gulf's retail industry is clearly booming.

A report by research firm Ventures Middle East estimates that retail sales across the GCC are set to grow at a compound annual growth rate of 7% until 2018 to reach \$285 billion. Meanwhile consultancy A.T. Kearney has ranked the U.A.E. and Saudi Arabia at the seventh and the eighth positions respectively in its Global Retail Development Index 2016, which rounds up top retail markets around the world. Shopping mall operators have also identified a strong business strategy that has largely clicked in the Gulf markets, which is in turn attracting international retailers to the local scene.

"The biggest opportunity and it's one that is consistent across the 15 countries we operate in, is the lifestyle offering generated from integration between retail, leisure and entertainment among consumers. In the long-term this demand is only going to increase as populations and tourism figures rise," says Majid Al Futtaim CEO Alain Bejjani. He says that such a mix will keep shoppers in the malls longer and will impact the overall spend, helping draw more retailers to the market.

With an immense potential to grow, retailers have built massive capacity to satisfy the shopping savvy crowd. "In total, close to 2.5 million square meters of organized retail gross leasable area (GLA) could be completed in the GCC market during 2016 and 2017 alone, depending on construction timings," says Matthew Green, Head of Research & Consulting U.A.E., CBRE. "The majority of this new space will be completed in Qatar, Saudi Arabia and the U.A.E., which together account for close to 85% of all upcoming GCC supply. Whilst this is a huge volume of new product in a relatively short time frame, retail demand in the region is also expanding rapidly, driven by a growing population, with significant buying potential."

One of the prime retail markets in the region has been Dubai, which has seen a number of mega malls being expanded to accommodate the growing footfall. Favorable business conditions have also meant that the emirate is in demand among mall developers looking to cash in. Green notes that there has been an uptick in supply as more GLA come into the market. "In the U.A.E., the total organized retail GLA is already close to six million square meters, with upcoming future supply representing around 10% of this existing stock. In GLA per capita terms, this means there is around 0.6 square meters per person, a similar rate to Qatar. However, when we look in isolation at Dubai, the rate is far higher, with close to 1.0 square meter GLA per person, underlining the differing dynamics of the sector that is underpinned by a strong tourism market."

### The Tipping Point

A number of major and community mall projects have been taking shape in Dubai while the

existing ones undergo expansion. Last year Mall of the Emirates opened its 36,000-square-meter extension while Ibn Battuta Mall flagged off its expansion plan as it opened 300,000 square feet as part of the first phase of the mall expansion. In addition, newer and grander projects are coming to the market. Last year, state-owned conglomerate Dubai Holding revealed an ambitious plan to open the world largest shopping mall, adding on to the retail supply.

It is not just Dubai that has been building these super regional malls. Qatar and Saudi Arabia—both home to active shoppers—have major retail projects under construction. Mall of Qatar and Doha Festival City are the top projects set to come into market in Qatar soon. Saudi Arabia's top retail facilities in the pipeline include among others Al Diriyah Festival City in Riyadh and Mall of Saudi—loosely modeled on Dubai's Mall of the Emirates. But with the Middle East and most of the Gulf facing headwinds from macro-economic difficulties such as falling oil prices and currency devaluation in certain key tourism source markets, will these eventually lead to an oversupply? Bejjani, who is spearheading Majid Al Futtaim's plan to invest \$13.1 billion by 2026 in the U.A.E. does not think so and sees a bigger scope for expansion. "A lot of time, research and planning have been invested in preparation for this decision," he explains. "We will continue to make full use of our customer information and the insights we have to ensure the malls we're building are proportionate to current and future demand in the communities that they will serve."

Bejjani pulls up strong statistics, citing consumer demand in most GCC markets that could support mega mall developments. "Our research has revealed that in 2020, retail spending in Riyadh will grow to \$48 billion, up from \$30 billion in 2015. As a result, we're building two new shopping malls in Riyadh at a cost of \$3.7 billion, named Mall of Saudi and City Centre Ishbiliyah. Both malls will bring global luxury fashion brands to the country for the first time, as well as unique entertainment and leisure offerings.

"In Oman, the same research has shown that retail spending is estimated to grow to \$4.9 billion in 2020 from \$3.8 billion in 2015. Our projects include Mall of Oman, City Centre Sohar, My City Centre Sur and additional investments from other Majid Al Futtaim businesses, including Magic Planet, Carrefour and VOX Cinemas, taking our investments in the country to \$1.3 billion by 2020."

Experts are also bullish about prospects of the retail sector in Dubai, which might look saturated to an amateur. Despite a concentration of super mall projects in Dubai, Green says that they will be absorbed into the market. He adds that the retail projects in other GCC countries will also be less likely to impact the existing malls' performance in Dubai. "Most of the larger retail malls have a waiting list for new tenants, and are achieving occupancy rates of between 97-100% across prime centers such as Mall of Emirates, Dubai Mall, Ibn Battuta and Mirdif City Centre. As a result, we do not expect the opening of new malls in other GCC countries as having a visible impact on the performance of retail in the U.A.E."

Developers have been also been cautious in terms of adding to the supply and have reigned back on impulsive announcements. Earlier this year, Dubai Holding confirmed that it is resizing its mammoth Mall of the World project, which is touted to be the world's biggest shopping mall. If anything, analysts see this as a sign of maturing market. Regardless Gulf malls are set to do what they do best. In Bejjani's words "we build destinations, we make it snow in the desert and we continue to bring top international brands to the region for the first time."

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