

SHOULD LAND OWNERS DEVELOP THEIR PLOTS?

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Many land owners today have made a call today to offer their plots for sale or scrapped their decision to develop their real estate projects. While in many cases these decisions are correct, there is no harm in conducting a fresh feasibility analysis and reconsidering the decision, as in some cases, land owners may be losing on a great opportunity.

Over the last 2 years, I have been leading and working with several land owners developing real estate projects and have been leading, since 2015, approximately AED 1.5 Billion in projects value all the way from feasibility study, design management, tendering, authority approvals, project financing, project & unit registrations, escrow account set up & management, tendering and construction award, and construction supervision.

While most large scale contractors remain busy with Expo 2020 projects, and trust me, there are many in planning & execution stage, construction prices remain reasonable. Margins for real estate developers remain healthy. When conducting feasibility analysis for the projects I have been involved



with, the worst case scenarios, which are based on the absolute bottom prices of the global financial crisis, result in breakeven. So as a worst case scenario, the capital invested by real estate developers remains "safe" in principal.

Land owners today should seriously consider to develop their plots, or at least explore the opportunity, whether their intention is to rent or sell the properties. Banks continue to offer construction financing, even for first time developers, to projects that have been well planned and analyzed. I have assisted in arranging over AED 500 Million in bank funding in the last 18 months and can

tell first hand that some banks' appetite for the right real estate project remains positive.

Of course, not every land passes the checklist for development today. A thorough analysis of the location, demand, sell-ability or rent-ability, and exit strategy must be conducted prior to making such decisions. In a project we are currently leading, the projected annual returns, which have been analyzed by multiple professional entities and banks, are 20%. This proves that despite the current market situation, there are projects that remain promising and tick all the boxes. If you happen to own a plot of land, explore the

option of developing it. There are multiple scenarios for land owners to explore if they wish to limit their exposure and minimize their risks.

Dubai remains in need for specific types of properties that remain absent, with few developers exploring built-to-suit schemes, and certain unique, not necessarily prime, residential & commercial projects. As a real estate developer, it's time to decide not to copy what's already being developed, and to think differently. Unique projects, both on the prime & lower end of the market, have been in historically in demand and healthy. ■