

TOP 100 REAL ESTATE COMPANIES IN THE ARAB WORLD

FORBES MIDDLE EAST GUIDE 2016

Middle East

Forbes



WELL ABOVE PAR

MERGING DREAM
 REAL ESTATE WITH
 WORLD-CLASS SPORT,
 JUMEIRAH GOLF ESTATES
 CEO, YOUSEF KAZIM, IS
 CAPTURING AN AUDIENCE
 OF MILLIONS.



UAE.....	AED 30	BAHRAIN.....	BHD 3	QATAR.....	QAR 30
SAUDI ARABIA.....	SAR 30	KUWAIT.....	KWD 2.5	OMAN.....	OMR 3
				OTHERS.....	..\$8

From Slums to Healthy Communities

A lack of affordable and appropriate housing for blue-collar workers could start to hurt employers and communities.

BY KHADEEJA BALKHI

The Middle East is a new case of urban development, said Farrukh Aslam, Managing Director, Promag Pvt Ltd, part of a regional urban planning, infrastructure design and project management group. Many Middle Eastern governments and municipalities are starting urban planning with a fresh page, giving them the opportunity to focus proportionately on the needs of all socio-economic strata.

There are examples from across the globe where urban development was not sensitive to lower and middle income housing priorities, and as a result slums and ghettos emerged. The low and middle income housing sectors may not be glamorous, but a city that ignores them does so at its own peril. And currently Middle Eastern cities have the opportunity to learn and plan differently, thereby turning these potentially vulnerable segments into community stakeholders.

Various municipalities in the U.A.E., Saudi Arabia, Bahrain and elsewhere are taking note and beginning to take practical policy measures, as are employers.

The Geographical Bachelor Conundrum

One U.A.E.-based company is forming a four-party consortium to bridge the growing gap for employees with a median monthly income of AED 8,000-12,000. The Partnerships is leading the consortium to design dormitory-style affordable housing for 10,000 young professionals, all men, many of whom are expatriate “geographical bachelors,” with wives and families back home, says David Smith, CEO of the global non-profit Affordable Housing Institute (AHI).



GCC employers need expats to grow their business, and they will suffer if this workforce leaves the region because there are no acceptable housing options. One forward-looking employer is investing in a solution. Together with The Partnerships, a construction company and a financing bank, this employer has formed an SPV (Special Purpose Vehicle) that has already acquired a suitable parcel in central Dubai to build a housing community that will safely, viably and affordably house some of its employees if the venture can secure minor changes in the residential housing code. Tanvir Shah, Managing Partner at The Partnerships, explained that under current residential zoning, a property must have one parking spot per apartment, which is a significant cost regardless of whether it's in a garage or open-air—and yet it's not needed. Shah estimates that only about 10% of workers will have their own vehicle, the rest

Home ownership is an investment in community.

will use public or employer-assisted transport. There are interior design ramifications as well. Workers may not require individual kitchens for example. A cafeteria-style kitchen may be more functional and more economical.

Reviving Caravansaries

Rethinking accommodation to reflect the expat workforce, Smith added, has the potential to be a poignant modern day manifestation of the centuries-old Muslim hospitality tradition. Caravansaries for example hosted long-term students in the seats of traditional Islamic scholarship learning. Some were supported by the Islamic waqf, or a religious endowment model, as can still be witnessed today in various parts of the Muslim world.

It could be time for a revival, as large resident segments live in challenging dwellings—up to 62% in Egypt and Saudi Arabia. Across the MENA region, there was a shortfall of about 3.5 million dwellings in 2011 according to middle income housing report by Jones Lang LaSalle's, with the shortage increasing annually proportionate to job creation and population growth.

Different socio-economic groups have different priorities, and it is partially a lack of focus on such factors that has led to the emergence of newly built-up ghost towns in various GCC cities, but the need for lower-income friendly housing will keep growing. For every white collar job created, five blue collar jobs are created, and the situation is particularly acute among blue-collar workers. According to Smith, when the economy grows rapidly and the housing supply does not keep up, the result is living conditions that are overly expensive, sometimes overcrowded, even substandard. Compounding the problem is that workers may face language barriers, may not know their rights, or may fear to speak up for themselves.

In any normal housing market, Smith explained, lower income and sometimes even middle income groups have to choose their housing options from what is 'left over' after higher income groups take their pick. In a place like the U.A.E., the former group constitutes about 85% of expat workers, which itself is about 90% of the country's population. He estimates that only 15% of the expat population resides in the high value, often high-rise, real estate.

Maysa Sabah, AHI's Managing Director for MENA, shared that experts in her field define successful low-income housing as good quality housing that targets those earning between 60 and 80% of a city's median income. "Housing has to be architecturally appealing in livable and well-thought-out communities, close to basic amenities and transportation options. Affordability has to be preserved," she said.

"Based on this definition, we did not come across any successful low-income housing project in the GCC region, with the exception of a Saudi project. Many projects have been recently completed in Dubai, such as Remram, but these target middle-income households," which are those earning between

AED 10,000 and 30,000, according to JLL.

Success in Hotter Waters

Ansaar Management Company (AMC) is one success story. It has targeted the poorest of the poor in the even more challenging environment of Pakistan, and implemented a socially, economically and environmentally successful community housing model.

"The focus needs to be on the people," said Jawad Aslam, Acumen Fellow and Founder-CEO AMC. "So far, the focus has been on alternative materials and financing mechanisms. These are two important elements, but the core is the people and what their needs are."

Acumen Fund, a NY-based social venture capital fund, was among AMC's founding equity shareholders. Recently Acumen negotiated a successful exit, a global first, from AMC. The transaction closed with an overall IRR of 9%—significantly above the usual 5% returns in the social entrepreneurship space. AMC's for-profit model provides an alternative to urban slums, enabling households earning \$150 to \$400 per month to become home-owners.

Via the Acumen buyout, AMC became a partially employee-owned company, and brought on board other global partners, such as Reall and Places for People. With financing partners such as the HBFC (House Building Finance Corporation) AMC also offers various payment options, including a diminishing musharika financing option with "very relaxed terms," Jawad Aslam said, including a modest down payment of about \$1,500, only 15% of the total cost of roughly \$12,000.

AMC builds each of its developments around a block-based design. Each block consists of a central communal park surrounded by 25-30 homes (based on the Prophet Muhammad's (SWT) definition of a neighbor and Dunnbar's theory) thereby enabling each resident to get to know their neighbors' in the immediate vicinity on a personal level. As a result, community integration is achieved quickly, safety and security is enhanced—and residents take ownership to maintain the communal areas more effectively.

AMC has three growing urban communities on the ground and will bring in an estimated \$50 million in investment over the next five year period into Pakistan's economy—such is the full circle success of AMC's 10-year old model.

"This [home ownership] in turn, converts young men and families into stakeholders—literal stakeholders who are now invested in their communities," points out Farrukh Aslam of Promag. Both he and Smith of AHI point out that home ownership is one of the best things that can happen to young men—for their own selves and for communities and cities—for with anchored housing come anchored roots. Stable, rooted residents have stakes in the neighborhood.

Given the deeply interlinked relationships, Farrukh Aslam believes herein lies the solution to many of the socioeconomic woes some Middle Eastern communities are facing. **F**