

'The key to a successful development is planning and research'

■ *Property Weekly* speaks to David Bugden, CEO of PRDnationwide M E

Without much exaggeration, it is safe to assume that Dubai's version of the Strata Law will be the most influential factor in determining the future ebb and flow of the property marketplace. A whole gamut of sub-texts are built into the law, including ramifications on how a developer-homeowner relationship — never easy even in the best of times — is governed.

So, is the local market ready to absorb the full intent of the Strata Law? Or will it be more of a piecemeal approach? With these questions in mind, *Property Weekly* spoke to David Bugden, CEO of PRDnationwide M E, a specialist property management services consultancy.

Bugden is of the firm opinion that implementing the Strata Law will bring transparency to the way the whole business of property management is conducted, and that in itself would have served its purpose.

In the current market conditions, attitudes need to change when planning a new development or even in marketing real estate. In what way has your advice to clients changed?

I think developers, especially the smarter ones, have already changed their approach. The key to a successful development is planning and research. An appreciation of the needs and expectations of residents has to be in the minds of the planners and developers before they put a concept on paper.

Your end-purchaser has now changed from a speculative investor to an owner-occupier or long-term investor. These types of purchasers care more about things like well-built homes, fixtures and fittings, common amenities, service charges, sustainability, transport, and the arrangements developers put in place regarding the future operation and management of their community. On the marketing side, developers are beginning to appreciate the low cost, but high impact benefits of engaging project marketing and strata title experts from the initial planning stages right through to the actual sale process.

Mixed-use developments with claims to luxury are becoming so common that they



■ Dubai Festival City is a great example of a well-planned infrastructure project that makes the development marketable for the developer and a more liveable community for residents, says Bugden

have started to come across as meaningless words. What do you think is the best move to rectify the image of developers who never match promises with what they eventually deliver?

The key to overcoming such problems is transparency and giving enough information. The new Strata Laws will rectify this because developers will need to disclose a lot of information to purchasers before they can sell their projects off-plan.

These consumer protection provisions will ensure purchasers are fully informed about what they are buying and what the governance structure, management and costs associated with running their community will be. This will help establish a transparent and reliable system on which to build Dubai's future real estate market.

Construction of infrastructure has posed major challenges and caused delays. Do you warn clients from getting ahead of themselves and marketing something before putting the actual infrastructure in place?

Sometimes we get involved in projects after construction has started, so it is difficult to advise clients on such issues. However, we are increasingly being asked to help plan and structure projects from

an early stage. Getting your development mix right as well as delivering the of community infrastructure is critical, especially if a project is to be staged over a five or 10 year period.

A great example of a project that planned its infrastructure correctly is Dubai Festival City. There are only 2,000 completed lots within DFC, however the project will cater for over 20,000.

Most people will agree that the roads, bridges, shopping centres, hotels and amenities at DFC are impressive. This ultimately makes it a marketable project for the developer and a more liveable community for the residents.

What are the most important aspects that make a master-planned community more attractive to all stakeholders?

The most important aspect is the careful consideration and planning of the governance and management structures that take into account the relationships between the various stakeholders — residents, investor-owners, short-term tenants, holidaymakers, commercial and retail owners and visitors.

A well-designed and structured community from a management and governance perspective can help a developer

deliver a harmonious community. This has a positive impact on the developer's brand and ultimately the marketability of the project, including future projects the developer undertakes.

Is there anyone out there who wishes to plan new developments?

Cityscape Abu Dhabi showed that there are still new projects being launched. Our clients are reviewing existing planned projects because they understand that there is still an underlying strength in the Dubai market.

Just recently, we were asked to advise on the complete re-design of a massive master-planned community in the UAE. This is a project that the developer had already spent \$1 billion to date, but he had the strength and foresight to realise the original plans were flawed. Those developers who listen to the market and redefine their product or delivery timelines in light of a new regulatory market and a completely different end-user have a strong long-term future.

Has land become much cheaper here in Dubai now?

Our research indicates that average land values have dropped by 50 per cent, however, some areas like the Dubai Marina are holding up well because it is a well-established area that is attractive to investors.

Developers with sufficient capital who are able to land bank for the future in counter cyclical times have an advantage, and can make good money if they benefit from the lower investment in land and construction costs.

Again the issue of good planning comes into play. Developers keen to invest for the future need to have an accurate picture on future supply and demand, and therefore should conduct research to minimise their risk and make an informed decision.

How do you see prices faring in the medium-term? What are prospective buyers looking for now?

We are a diversified property services company, so we provide sales, leasing and back-end management services in the residential and commercial space. I think the Dubai market will continue to see price

decreases in residential and commercial leases for the next six months, especially as more stock comes online.

Buyers and prospective tenants are also helping drive down prices as they push unrealistic owners down to what are probably more realistic market prices.

What is your take on residential franchises?

We are being increasingly asked to lease and potentially manage a whole building or tower because the owners realise that by engaging one company, you can get a focused and strategic approach.

You also deal with contracts — how do you structure them so that they are fair and legally sound?

Contracts were formerly the principal mechanism, along with the Master Community Declaration, to bind property owners to the conditions, commitments or controls that developers sought in their communities.

The new Strata Law circumvents the need for voluminous sales contracts, by transferring the definitions of the community into a single set of disclosure documents, which will accompany the sales agreement.

Which brings us to property management — how responsive are clients to spend money on quality management?

Property management can take many forms. It can include facilities management, on-site caretaking, short- and long-term residential leasing and Owners Association management.

There is no doubt that property management will be one of the biggest differentiators of property products in the region in the next five years. The emphasis on design and construction has been replaced by the need for reliable, stable and effective property management.

We prefer to call it "community management" because the focus should be on servicing the needs of residents to help make a building or mixed-use community a better place to work or live in.

How long do you think developers will take to digest the Strata Law and implement it?

There is no doubt there will be a settling in period after the law comes into effect as developers and owners come to understand their rights and obligations. The key for the government and experts within the industry will be to educate the market. There is a large proportion of the market that already has a sound understanding of the fundamentals of Strata Law.

However, there are still a lot of developers, owners and investors that have little or no understanding. This is to be expected of course. We see ourselves playing an important role in educating the market due to our role in developing the laws for the government.

Our company has already written a comprehensive book on the new Strata Law,



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which will be published in English and Arabic and will be made available to all stakeholders of the Dubai property industry.

You also operate in Oman, how does the market compare to Dubai's?

Oman is definitely a smaller market for us with fewer projects being developed. Oman also lacks some of the regulatory mechanisms, however, the Omani Government has already started to implement some changes in this regard. Our next market is definitely Abu Dhabi.

Our chairman is already working with the Abu Dhabi Government and a large master developer and these relationships are progressing positively. Our approach in Abu Dhabi will be more strategic and focused on building long-term relationships with developer clients.

This could be anything from a consulting engagement to a full turn-key real estate service offering.

There has been a distinctive lack in professional behaviour in the market here, whereby real estate companies right across the spectrum are not delivering a good level of service. How do you think that can be rectified?

The Real Estate Regulatory Agency (RERA) will play a critical role in cleaning up the real estate market and we support their initiatives wholeheartedly. The technology RERA is planning to introduce is a good example — soon all sales and leasing deals will only be transacted online by registered brokers via RERA's system.

A lot more exclusive appointments will occur under this system, which is good, for the agent but even better for the buyer, seller, owner or tenant. It will mean you are not dealing with three or four unlicensed or unregistered 'brokers'. Rather, you will deal with one agent who will be responsible for looking after your interests. These initiatives are fantastic,

however, RERA needs to implement them quickly, especially if the market starts to pick up again soon.

Real estate companies also need to take some responsibility to ensure the level of professionalism is improved in the industry. We started this business knowing there would be a downturn because we saw the opportunity to deliver a level of professionalism, expertise and customer service that has been lacking in the market up until now.

Data sources in the MENA region are improving, especially with governments and agencies such as RERA taking a proactive role to regulate the property market. The research methodology adopted in the MENA region varies, and some markets have a long way to go to match the research systems available in more established markets.

In the case of property research the focus is more on developers, real estate agents, buyers, sellers, and the old method of hitting the pavement. This can be more time consuming, however, it ensures accurate and up-to-date information.

As told to Nicole Walter, Features Editor

Putting a lid on mounting utility costs

■ Automation services provider Pacific Control Systems develops a carbon footprint measurement software to help residents keep tabs on energy consumption

Deepthi Nair
Sub Editor

A utility bill has the potential to get in the way of a smooth landlord-tenant relationship, especially if differences creep up in the method used to determine the charges. In a freehold development's context, the risk is more pronounced because assessing the charges for the common areas will also come into effect.

So, if there's a system in place that measures power usage and both parties agree to it, chances of a rift developing lessen considerably. And as value addition, if this can also provide energy saving in the bargain, nothing could be better.

Realising the potential of facility management, the Dubai-based automation services provider Pacific Control Systems has developed a 'carbon footprint' measurement software that will help residents keep tabs on energy consumption and alert them in case of billing errors.

"If you can manage your utility usage, you can reduce the load on the grid," says Nigel McKenzie, chief technology officer, Pacific Control Systems.

"Only if you can measure habitual utility consumption can you seek to manage it. Inefficient operational practices in new and existing buildings and poorly serviced capital equipment can also increase expenses."

Utility patterns

A building's occupants can utilise interactive energy management tools — such as e-Home terminals or 'smart meters' — to create a profile that will trigger action based on an established consumption pattern. Once the occupant knows his utility pattern, energy consumption can be reduced and inefficient equipment replaced.

The e-Home terminal collates data from home automation appliances through a single interface and helps the homeowner control functions for air-conditioning, security monitoring, lighting, home appliances and curtains with a single touch. Also, pressing the 'emergency' button will send an alert to Pacific Control System's Global Command and Control Centre for assistance.

If the new software can do its bit to lower UAE's energy consumption — rated as the highest per capita in the world — it would still have done its job. Besides environmental implications, reduction in the carbon footprint can also help reduce the operational expenses of a building.

The delusion of high costs associated with going green has deterred several build-



■ An e-Home terminal from Pacific Control, creates a profile that triggers action based on an established consumption pattern

OPTIMISING ENERGY USE

"After a time of rapid build, it's now time for developers to reflect on building sustainability. Sub-developers too want buildings with smart technology, fitted with tenant billing features."

— David Rowden of Pacific Control Systems, whose headquarters was rated the first LEED Platinum rated "green building" in the region and 16th such in the world.

ing owners from adopting eco-friendly automation services.

"The lifecycle cost of a green building is less expensive and such buildings have

more resale value as well," insists David Rowden, the home automation unit manager, Pacific Controls Systems. "When people are switching from excess to thrift, sus-

tainability becomes the primary concern of home buyers."

Asset surveillance

Pacific Controls has developed a range of e-Home terminals, 'smart meters' and wireless e-Home tablets which when installed at a customer's site — either home or office — instantly archives utility data and transfers it to the Global Command and Control Centre, based at the company's headquarters in Dubai Techno Park. This on-site and remote surveillance of assets helps residents reduce consumption patterns and associated emissions. "If consumption exceeds a certain slab, the customer is sent an alert by an SMS via an application installed in his web-enabled mobile devices," adds Rowden.