

North Coast project launch targeted for next summer, EGP 1bn expected revenues: Omar Dorra

Lease contracts for Capital Business Park for two of the four remaining buildings will happen by Q1 of 2016, says Dorra Group Official

✍ Sara Aggour (<http://www.dailynewsegypt.com/author/s-aggour/>)

🕒 September 8, 2015



The Daily News Egypt sat down with Omar Dorra, the Managing Director of Dorra Group, to discuss the company's latest project developments, expected revenues and their evaluation of the Egyptian real estate market.

Tell us about Dorra Group's activities within Egypt and the Gulf?

Dorra Group has been active within the Egyptian and Gulf markets since 1943, with a focus on two major activities-construction and real estate development. Mohamed Dorra heads the construction activities, whilst the Group's real estate development activities are under my direction. Together, we come full circle to maintain the quality, regulation and transparency needed to successfully deliver upon promised developments and strategically navigate the Dorra Group brand. Apart from operating in Egypt, we have been heavily present in the Gulf region for over three decades.

What activities have you entered in these regions?

Well, within the Gulf, we are currently constructing Vendome Mall, which until recently was the largest Mall in the world (now it is the second), and we are very fortunate to have excellent relations with key Gulf stakeholders. Within Saudi Arabia, our Joint Venture with Bin Laden Group has been to undertake the continued construction and extension of the Holy Mosque in Mecca, additionally we have signed on for the much-needed re-zoning plans in Medina as well.

When it comes to construction vs. development for Dorra Group, which would you say has a higher turn-over?

Definitely within construction, the turn over exceeds that of development, as it is the foundation and core of Dorra Group's business model for over 70 years, yet our development activities are as well highly turned over, but the measurability of

performance and the long term activities involved can be more complicated for larger developments when taking into account the long term commitment to the community and the delivered projects continual maintenance requirements, thus we cannot simplify the development activities into the same equation of the construction activities.

Apart from construction, have you begun developments outside of Egypt?

We started developing in Dubai in 2004, with a flagship residential development called *Dorra Bay* located in Dubai Marina, various other developments followed soon after, but our latest addition in Dubai is called *The Views*, which was designed by WATG from England, and is one of our tallest and largest developments which will offer 800-900 residential units, spanning over 60 floors, which will not only attract first market buyers but additionally will stimulate the secondary market as well.

Coming back to Egypt, what would you say was Dorra Group's influence on the success of the real estate development market?

On a macro-level for Egypt, our influences within the Development activities in my opinion started with our risk on entering Sheikh Zayed city in the mid 90's, where we were the first developers to enter-there weren't many in Egypt at the time actually- to obtain the development rights and securing of various catchment zones of our choosing. We had to depend heavily on our vision for this new satellite city and our understanding of the rapid growth of demand within the Egyptian housing market.

There were no other developments in the locality that serviced our targeted communities, we introduced the concept of secured gated communities or compounds, as it's commonly referred to, and through our efforts, confident risk taking, heavy investments and persistently communicating to the market that this is the prospect for the future, a new era was born in the real estate development context, which has paved the way for other developers, and ultimately created a very successful primary and secondary market place we see today. It has been a great benefit and evolution to all stakeholders involved.

You mention communities, how important is that to the development process?

I would call it a priority. Developing communities is at the heart of what we do. That's why I mentioned before, it is not the same equation to that of construction, developing property has much more involvement with the end user than just building. Not only are we developing property, we are also developing community rules and regulations, standard operating procedures for a fully integrated facility and maintenance deployment, security protocols, after sales and customer service, property management and so forth. On a macro outlook, it has altered the economic perspective for the Egyptian property development arena changing the course and evolution of property development from its more simplified beginnings. We naturally transitioned into other development areas-while remaining in the residential market-to commercial property by introducing offices and retail areas, as well as healthcare/wellness clinics and elementary to high school international education, partnering with one of Egypt's most well known educational providers and brands.

You mention healthcare, do you have a specific project you are interested in within the healthcare sector?

I am planning on developing a general hospital with a minimum of 150 in-patient beds spread over 40,000 sqm in Sheikh Zayed City. I want to continue the community cycle of services offered. I truly believe in this city and its continued prosperous future, as a Group we have dedicated and risked more than any other developer to the growth and success of Sheikh Zayed city and I will keep striving and raising the standards to give back to the society a world class medical facility.

Can you give us more details about the groundbreaking and much talked

about Capital Business Park in Sheikh Zayed city?

Currently, we have sold out on the First Phase and have begun aggressively working on the Second Phase due to the strong market demand of premium office space.

The Second Phase will be a continuation of the First Phase with regards to designs, and will connect the entire project from both sides of Sheikh Zayed City (the main road from El-Mehwar and the internal roads opposite Tivoli Dome and American Plaza) to offer ease and convenience of accessibility. The retail area offered will also be larger and we are targeting multinational offices for Phase Two. We have 24,000 sqm to lease out, the Ground and First floors will focus on retail outlets and the remaining floors till the sixth floor will focus on the office spaces. Additionally the two buildings at the furthest point of Phase Two overlook Sheikh Zayed City, and will have large terraced areas offering an upscale restaurant/ lounge area located on the top floors. Overall, we are targeting four major customers we have identified for each office building, yet we are receiving a lot of interest from various parties and institutional investors. It is an attainable target to reach and we have the credibility and premium product to do so.

Is there a time frame to sign contracts for the final property in Phase Two?

We can begin closing the lease contracts by of the first quarter (Q1) of 2016 for two of the four remaining buildings, and the tenant can expect to move in and operate within six or seven months after that. We just finalised the time line on the construction plans with two buildings reaching completion in Q1 of 2016 and the final two within that same year. The development is a complex technical and logistical feat and we want to ensure its consistency and quality throughout.

You have close to 100 feddans [104 acres] in the North Coast and it is still undeveloped. What are the latest updates on that?

We purchased the land over a year and a half ago, and we had a complicated time dealing with the bureaucracy surrounding its acquisition, which thankfully has been resolved. We are aiming to launch next summer of 2016. The master plan has been finalised, the marketing communication and campaign has been agreed upon and approved.

Has obtaining the licencing been complicated?

That is a major problem we are close to resolving. I will not open the North Coast campaign until – with absolute certainty; I can personally guarantee the credibility of the lands usage to our clients for vacation homes. The discussions currently being held to finalize this issue is between the Matruh governorate and the Ministry of Housing and we are confident of its outcome to move along and begin.

How long will the North Coast project take to complete?

After I get my licences and begin construction, we are looking at three years for overall completion of all phases.

What about the expected revenues of the North Coast project?

We expect revenues in the region of EGP 1bn from the North Coast project.

Can you also share the expected revenues from these Sharm El-Sheikh projects?

Expected revenues we will retain are a little over EGP 500m.

The assumption on a country level is that there is still too much under developed regions, why is that?

Without going into many details, I prefer to simplify this from a bird's eye view into a simple equation:

The land is readily available-Egypt is fertile with land; the financial resources are available in the bank and finally the market demand is there.

The equation is there, it's organic, but the proper coordination and cooperation has to be put into place to realise this formula, instead we are left with questions and illogical bureaucracy. If the proper public and private cooperation is reached and a coerced strategy in the interest of solving the Housing crisis in Egypt is in place and worked towards together in solving, then we can very likely see a five year turnaround of the Egyptian Housing deficit and satisfy the needs from the markets economies of scale and address the much needed lateral growth out of Cairo.

Would you be interested to develop in Upper Egypt?

Actually, we are looking into a large scaled project in the district of Damietta outside Cairo. There is a great demand for housing there and our name is very well known and respected in that region. We definitely want to expand into there.

What about investments and developments in the Suez Canal project?

We are eyeing the residential and educational projects in the Suez Canal, unfortunately they are not featured yet and we are waiting on the final details to be sent to us so as to decide what best suits our strategy moving ahead.

What is the volume of investment you are planning to make during the coming year?

It depends as I am waiting on licences. It is complicated to properly budget when you do not have the detailed regulations that form the foundations of your diligence, but we have readily on hand the necessary resources to finance.

As a company that has operated both in Dubai and Egypt, what are the differences between both in terms of challenges you may face?

There are pros and cons for both. In Dubai, they are very professional and pro active, the licences can take up to two years and they require detailed paper work submitted. As long as you are executing it with a project consultant and efficiently satisfying the requirements then it will take you two years. On the other hand, the Dubai market fluctuates on a volatile tangent without warning. The market can aggressively go up and fall into a fast decline instantly and in my opinion that is due to an inorganic demand there. Whereas Egypt is a fertile land for investment, namely real estate investment and once you provide an excellent product and pay attention to detail addressing the demand; you will reap the benefits and get considerably paid for your efforts, yet the unorganized bureaucratic 'system' here can cause delays well over the five-year mark. It is unfortunate as I believe that Egypt, with regards to property investments and margins, out ranks our region's top players.

Is there a market correction-taking place? Or are prices out of control?

I think the Real Estate market in these new satellite cities to the East and West of Cairo (Sheikh Zayed City and New Cairo) was heavily under-appreciated, for a long time you would be able to purchase a car for EGP 500,000, yet a house can be bought for EGP 400,000. It was really under-appreciated and developers did not realise the full potential – as an offset though, we had a surge in secondary market investment that benefitted from very healthy margins. If you buy a car in the United States, you purchase it for \$30,000 and you buy a house for \$300,000, there is a balance and appreciation there; we were not there yet. Currently there is a market correction taking place, developers have better understood the market and the value of their product whilst the market themselves have been aggressively shifting to these gated communities and affording the corrected price hikes only to fuel the developers pricing confidence.

Can you give me an example for your projects of this issue of appreciation?

When Sheikh Zayed City came out to be – and in my opinion the best new satellite city of Greater Cairo – it was greatly accepted over time as the ideal place to move to by the market. In 2011, when we started marketing and selling one of our residential projects in Sheikh Zayed City *The Address*, we were selling the square metre for EGP 4,500-5,000, whilst the older and more saturated neighbouring district of Mohandessin was selling on average at EGP 7,500-8,000 per sqm. I really believed in the Sheikh Zayed City growth and demand and expected *The Address* to pass Mohandessin prices per sqm, simply because of the supply and demand factor and overall quality of life in the new satellite cities, and that was with me. Today, Sheikh Zayed City sells for approximately EGP 9,000-EGP 9,500 per square metre.

How long in your opinion do you see the margins in the market today to last for?

Unfortunately all good things eventually come to an end. In my opinion and the vast experience we have, this appreciation will not continue for much longer, I believe for another year or two this appreciation will continue to realise 25%-30% annually. It will then start to mature and saturate and begin a process of an annual increase to about 15%-18% then ultimately settle within the 5%-7% margin on a long term.

In my opinion, the peak has not yet happened, but in a little over a year's time it will begin to reveal itself and follow the steady course of normal appreciation.