



The retail and wholesale sector is the biggest driver of the economy

## Onwards and upwards

The sector is set to see new malls and attractions, as well as steady residential and tourism growth to sustain them

Dubai's retail turnover could reach \$55.8bn in seven years should sales increase in line with anticipated population growth of 4.4% to 5.5% annually.

Footfall numbers, sales figures and consumer confidence indicators all point to solid growth in Dubai's retail and wholesale sector, the single-biggest driver of the emirate's economy. Furthermore, plans unveiled in the summer of 2014 look set to take the shopping experience in Dubai to a whole new level.

The blueprint for Mall of the World is replete with record-breaking plans: it is set to be the world's biggest mall, possess the largest theme park under a single dome and host the longest network of temperature-controlled streets. But far from worrying about the impact the mega-mall might have on existing outlets, many of Dubai's retail experts are confident there is room in the market to accommodate this new enterprise, a testament to their confidence in the strength of the sector.

**KEY SECTOR:** With a 29.2% share of Dubai's GDP in 2013, retail and wholesale was the emirate's most significant sector, according to the Dubai Statistics Centre (DSC). That year the retail and wholesale sector contributed about Dh95bn (\$25.86bn) to the economy, up from Dh91.7bn (\$24.96bn) in 2012. The sector grew by 3.5% compared to 2012, showing an upward growth trajectory.

In 2012 year-on-year growth compared to 2011 was 1.3%. Dubai's overall GDP expansion was recorded as 4.6% in 2013, up from 4.1% in 2012. The figures for the first quarter of 2014 show that retail contributed about Dh23.2bn (\$6.32bn) to the emirate's economy in the first three months of the year, up 4% from the same period in 2013 when the contribution was Dh22.3bn (\$6.07bn), and 8% up on the first quarter of 2012 when the sector generated a total of Dh21.5bn (\$5.85bn).

The first quarter includes Dubai Shopping Festival (DSF), which ran from January 1 to February 1, with the Dubai Festivals and Retail Establishment (DFRE) reporting sales of Dh400m (\$108.88m) in the first two weeks of the festival in 2014. The IMF has forecast overall growth for Dubai of more than

5% in 2014. According to the DSC, the number of workers employed in retail and wholesale rose by 8% per year from 2010 to 2012 when it reached some 549,800 workers, or 23% of Dubai's workforce.

An AT Kearney report estimated the UAE's retail sales turnover to be Dh243bn (\$66.14bn) in 2013. A subsequent report by Emirates NBD in June 2014 suggested that if it was assumed 55% to 65% of that total was generated in Dubai, the emirate would have reached turnover of Dh145bn (\$39.47bn). Looking ahead to 2020, Emirates NBD forecasts that if sales grow in line with anticipated population growth of 4.4% to 5.5% per year, Dubai's retail turnover could reach Dh205bn (\$55.8bn) in seven years.

**DEMOGRAPHICS:** According to the DSC, the emirate's population increased by 5% in 2013 to 2.2m. The 20-39 age bracket, typically responsible for most household spending on retail, represented about two-thirds of the total. Almost 433,000 residents are 30 to 34 years old, just under 20% of the total, and almost 431,000 are 25 to 29, about 19% of the population. In addition to its permanent residents, the daytime population of Dubai is swelled by another 1.07m people, made up of temporary residents, commuters living in other emirates and tourists.

In 2013 UAE households spent some 14% of their disposable income on food, drinks and tobacco; 7.2% on clothing and footwear; and 4.3% on home furnishings, according to figures from UAE National Bureau of Statistics.

**LICENCES:** Figures from Dubai's Department of Economic Development, also reported by Emirates NBD, show a 10% increase in the number of wholesale and retail trade licences that were issued in the emirate in 2013. In the first quarter of 2014 new applications rose by 19% compared to the same three months in 2013. The number of new trading licences grew by an average of 8% a year from 2010 to 2013. In 2013 a total of 13,483 new licences were issued, 85,978 were renewed and 2904 were cancelled.

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**INCREASING CONFIDENCE:** Lending to businesses in the wholesale and retail trade sector increased to 22.4% year-on-year in 2013, compared to an annualised rise of just 0.8% in 2012. Bank loans to the sector accounted for 11.6% of total bank loans in 2013, with loans to wholesale accounting for 7.1% of the total, and retail representing 4.5%.

Furthermore, according to Nielsen's UAE Consumer Confidence Survey, the first quarter of 2014 witnessed the highest confidence rating of any quarter since the third quarter of 2012, with a score of 114. The survey showed rating for the start of 2014 was four points higher than the end of 2013 and six points higher than early 2013. The survey's lowest ebb score was 89 in the first quarter of 2009.

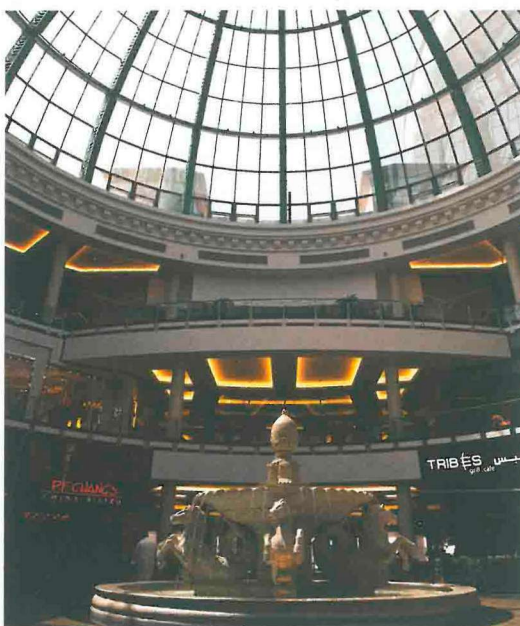
However, according to Nielsen, there was a small fall in the second quarter of 2014. "In the UAE, consumer confidence returned to 2013 levels after a four-point increase in the first quarter," said Arslan Ashraf, managing director at Nielsen Arabian Peninsula. "In addition to rising rent and utility bills, job security declined slightly, which impacted purchasing intent among many consumers who are already cautious about spending," he added. According to Emirates NBD, the confidence outlook for Dubai in the run up to 2020 should remain positive as planned investment starts to have an impact.

Dubai places in the top five in two international rankings for retail. A 2014 CBRE Consulting survey of 334 top international retailers in 181 cities and 61 countries, for example, found that 55.3% are present in Dubai, placing it second behind London, where 57% of top retail brands have outlets, but ahead of New York, where 45% of retailers have stores. The UAE occupies fourth place in an AT Kearney survey, which asked international retailers where they were targeting for expansion.

**FOOTFALL:** The Middle East Council of Shopping Centres (MECSC) gives profiles of 62 malls in Dubai in its 2014 directory. They range in size from community shopping centres of 12,000 sq feet to The Dubai Mall, which includes a gross leasable area (GLA) of 3.8m sq feet on a 6m-sq-foot site. Not all malls give their annual or weekly footfall figures in the MECSC directory, but the scale of Dubai's retail sector can be measured by looking at the footfall at major centres owned by three companies.

Emaar Malls' flagship facility, The Dubai Mall, had annual footfall of 80m in 2014. Majid Al Futtaim Properties' biggest centres – Mall of the Emirates, Deira City Centre Mall and City Centre Mirdif – have a combined footfall of 85.4m a year. Dubai Festival City Mall, owned by Al Futtaim Group Real Estate, had annual footfall of 22m in 2013. Between them, those five malls had a footfall of 182.4m in 2013. Mall of the World is aiming for 180m visitors a year and so could almost match the combined pulling power of Dubai's five top malls if its expectations are realised.

**FLOORSPACE:** According to a report by Jones Lang LaSalle (JLL), 5.3m sq feet of new retail space will be built in Dubai between 2014 and 2016. It anti-



Retail and wholesale made up 29.2% of the emirate's GDP in 2013

pates 337,000 sq feet being completed in 2014, 2.3m sq feet coming into the market in 2015, and a further 2.7m sq feet in 2016. One of the major projects driving this expansion is the new Dh1.2bn (\$326.6m) Nakheel Mall located at Palm Jumeirah.

Nakheel appointed the contractor in May 2014 to build the mall complex, which will have a total area of 4.5m sq feet with GLA of 1.08m sq feet, subdivided into two anchor department stores and 200 shops. Nakheel Mall will also feature a nine-screen cinema, medical centre, fitness complex and fine dining on a roof terrace. Alongside the Nakheel Mall will be a 50-storey hotel and residential complex, which will be constructed separately. It is expected to include 504 luxury residences and a 290-room hotel.

**EXPANSIONS:** Nakheel is also investing in significant renovation and expansion of two of its other malls, Dragon Mart and Ibn Battuta Mall. The Dragon Mart complex will be expanded by 1.9m sq feet in a Dh1bn (\$272.2m) project, which was due to open at the end of 2014. At Ibn Battuta, a 300,000-sq-foot expansion will add 150 new shops to the existing 270.

Nakheel says nearly half of the space at its new Palm Jumeirah Mall is already let, two years before completion of construction work. These significant expansion plans, across the company's portfolio of assets, come just five years after the firm became one of the most exposed to Dubai's 2009 slump. However, significant milestones were passed in 2014, with Nakheel reporting first-half profits of Dh1.5bn (\$408.3m) and announcing it had paid off all of its

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#### Select mall indicators, 2013

Mall	Footfall	GLA (m sq ft)	Owner	Year opened
The Dubai Mall	75,000,000	3.77	Emaar Malls	2008
Mall of the Emirates	40,545,000	2.51	Majid Al Futtaim Properties	2005
Deira City Centre	23,663,967	1.24	Majid Al Futtaim Properties	1995
Dubai Festival City	22,000,000	2.06	Al Futtaim Group Real Estate	2007

SOURCE: MECSC



Lending in the sector increased to 22.4% year-on-year in 2013

Growth in GLA is being achieved by both expansions at existing facilities as well as the construction of new shopping centres, several of which will be in new mixed-use developments.

Dh7.9bn (\$2.15bn) in bank debts, four years ahead of schedule in late August 2014.

High-end fashion is the focus of The Dubai Mall's current expansion project. Recently floated on the Dubai Stock Exchange, Emaar Malls is adding 1m sq feet of new retail space to the 440,000-sq-foot fashion district in The Dubai Mall. Emaar Malls already controls 5.9m sq feet of GLA in Dubai.

In addition, Majid Al Futtaim Properties has announced a multi-stage Dh1bn (\$272.2m) redevelopment of its flagship Mall of the Emirates, dubbed Evolution 2015 and set to be completed in the second half of 2015. It opened its Dh100m (\$27.2m), 54,000-sq-foot Fashion District in February 2014, bringing new high-end fashion brands including McQ, Halston Heritage, Alice and Olivia, Maje, Elie Tahari, Sandro and C Wonder to Dubai in stand-alone stores for the first time. The Evolution 2015 project also includes the addition of 270,000 sq feet of GLA to Mall of the Emirates. This extension will include a Vox cinema, anchor stores, new lifestyle stores and 12 new restaurants. Majid Al Futtaim Properties has also pledged it will invest a total of Dh3bn (\$816.6m) in Dubai in the run up to Expo 2020.

Two other malls working on construction and expansion projects in 2014 were BurJuman, which was adding 200,000 sq feet of space, taking its total area to 1m sq feet, and Dubai Festival City Mall. The latter has introduced new tenants including three belonging to Landmark Group: Centrepont, Max and

E-Max. The three stores occupy 100,000 sq feet over two floors. H&M also opened a 75,000-sq-foot store at Dubai Festival City Mall in 2014.

The costs for international brands to enter the market remain high, Joe Tabet, chairman of Pragma Group, told OBG. "In spite of increasing interest in Dubai among European lifestyle brands that are looking to expand to the Middle East, premiums that the local partners need to pay for licensing such brands remain comparatively high," Tabet said.

**FUTURE DEVELOPMENTS:** In addition to these expansion plans, large new shopping malls are being built as part of three separate developments in Dubai. At Dubai Sports City, which is being developed at a cost of Dh14.69bn (\$4bn), a 25,000-seat outdoor stadium and a 10,000-seat indoor arena will each have integrated access to Arena Mall. It will span a total area of 1.9m sq feet with a GLA of 1.5m sq feet. Arena Mall is being built on two levels and is expected to have a weekly footfall of 365,000. It is due to open in 2018, according to MECSC.

In the centre of Dubai Sports City, a 90,000-sq-foot centre, called Canal Promenade, is also being developed. It is due to be completed by the end of 2016 and will feature cafes, spas and fashion boutiques on the ground floor of the Canal Residences.

A theme park based around Marvel heroes, Cartoon Network characters and dinosaurs is due to be part of the draw for shoppers visiting Mall of Arabia. The shopping centre will cover 3.4m sq feet and is due to open in 2016. IMG Worlds of Adventure, the adjacent theme park is expected to open in early 2015. Mall of Arabia tenants will include brands such as Géant, Virgin, Zara, Mango, Home Centre, Centrepont, E-Max, Jumbo and New Look.

Dubai Pearl, a large mixed-use development featuring residential, commercial and entertainment zones, is due to open in 2018. The retail part of the development will cover an area of 645,000 sq feet, with a GLA of 420,000 sq feet and 210 stores. The retail plans are designed to cater for the luxury end of the market, with the developers drawing comparisons with Rodeo Drive and Fifth Avenue.

Patrick Chalhoub, CEO of Chalhoub Group, told OBG, "Today's luxury companies are more involved in positioning of their products on the market, in terms of both marketing and distribution."

**MALL OF THE WORLD:** The list of Dubai's ambitious projects is topped by Mall of the World, the plans for which were announced in July 2014. Mall of the World, a 48m-sq-foot, temperature-controlled pedestrian city, is set to be built by Dubai Holdings. The project aims to provide a year-round destination for tourists based around retail, entertainment, hospitality and health care services.

As the name of the development suggests, retail is at the heart of this new vision, with 8m sq feet devoted to shopping streets. "There will be a streetscape that is unlike anything else, with very high ceilings covering everything and literally you feel like you are walking down the street," David Macadam,

#### New community malls under way, 2014

Name	Sq ft	Developer	Comments
Jumeirah Park Pavilion	113,000	Nakheel	Plans to build 5 more
Arabian Ranches 2	129,963	Emaar Malls	Arabian Ranches 1 opened in 2005
The Springs	217,644	Emaar Malls	Due to be completed in June 2016
MyCity Nasseriya	56,000	Majid Al Futtaim Properties	First MyCity opened in Sharjah in 2014, others to follow in Dubai.

SOURCE: MECSC

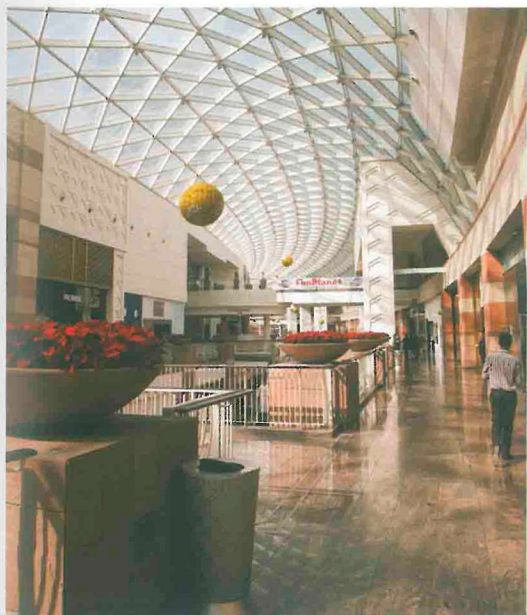
the CEO of MECSC, told OBG. "To get the density of 8m sq feet you are going to have to have multiple levels, but there are different ways to achieve that. For instance, if you look at San Francisco or Barcelona, you have an opportunity to have that multiple layer of retail without it seeming like you've just got a three-storey shopping centre," Macadam said.

The MECSC CEO is confident Dubai's retail landscape can absorb the injection of retail outlets, based on current shopping statistics, and taking into account the anticipated upsurge in visitor numbers and resident population as Expo 2020 draws near. Official estimates for Expo 2020 suggest tourism numbers could double from some 10m people staying for three-and-a-half days to 20m tourists visiting for four days, but Macadam said visitor numbers could reach 30m, given that 3bn people in the world live within a five-hour flight time from the emirate.

There is, however, a potential risk in that, if Dubai's supply of high-end shopping facilities fails to serve that increased demand, the emirate's reputation as a world-class retail attraction could be tarnished. The calculations are being made at a time when existing malls are expanding to cater for current customer numbers. "The Dubai Mall had 75m visitors in 2013, which equates to around 225,000 a day, and if you look at Mall of the Emirates, it is a little less – but not substantially less – so they are over-trading; and over-trading, in my opinion, is a shopping centre that might not be as pleasant as it could be, because it is so busy," Macadam told OBG.

**NEW OFFERINGS:** He added that Mall of the World will cater to a broader range of customers, possibly within different areas of the complex. "I believe there will be three separate elements: there will be an outlet off-price centre; a mid-price centre; and then there will be a luxury centre, and I am not sure they will be all under the same roof, but they will all be in Mall of the World," Macadam said.

At the announcement, Dubai Holdings discussed creating a temperature-controlled environment at



The country's retail sales turnover was estimated at \$66.14bn in 2013



Some 2.3m sq feet of retail floor space is set to come onto the market in 2015

Mall of the World, with retractable roofs protecting shoppers from the hottest temperatures in the summer time, but allowing fresh air in during the winter months when the temperature and humidity fall. There will be 7 km of these temperature-controlled pedestrian areas, and the site will also be served by trams and have parking for 50,000 vehicles. Its streets and attractions will be inspired by Oxford Street and the West End in London, by Barcelona's Ramblas Street and by New York's Broadway.

Macadam said he is confident Mall of the World could be ready for 2020 and that Dubai's current retail star attractions have nothing to fear. "The type of retail you have at The Dubai Mall, with the dancing fountains and the Olympic-size skating rink and the aquarium with the largest alligators and crocodiles in the world, and Mall of the Emirates, with its ski slope, they will always hold their own in their niche," he told OBG. "If you are going from 10m visitors today to 20m in six years, I see these malls continuing to trade the way they are. There is going to be very limited cutting of anybody else's grass."

**OCCUPANCY LEVELS:** This assessment is borne out by mall occupancy figures published by the country's two leading mall operators. In an analysis made of Emaar Malls' properties for its initial public offering (IPO) in September 2014, JLL reported that across 35 of its shopping centres, average occupancy was 85% overall, and 91% for the five biggest malls.

The Dubai Mall's occupancy rate was 99%, or 85% if the new Fashion Avenue extension was included in the calculation. In an April 2014 report to investors, Majid Al Futtaim reported occupancy levels of 97%, 95% and 97%, respectively, for Mall of the Emirates, City Centre Deira and City Centre Mirdif in 2013.

KPMG's 2014 Consumer Currents report says Dubai is suffering from "a dearth of retail space", which has forced up rents for tenants. Retailers agree: "Local brands in Dubai budget 20-25% of their overhead to rent, whereas established international brands

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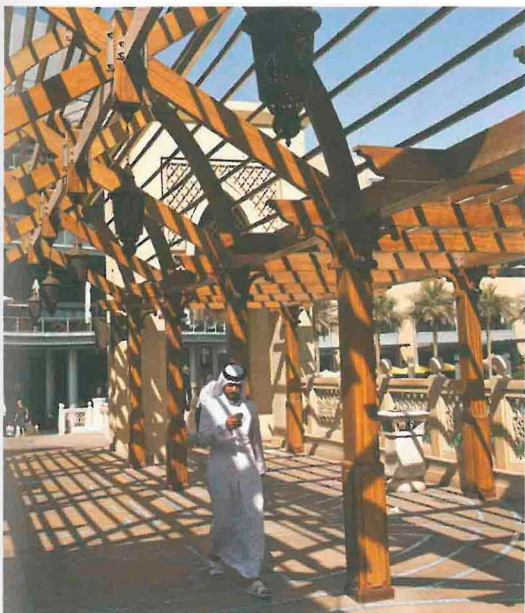
have slightly more negotiating power because of the footfall they bring," Sudhir Chavan, managing director at London Dairy, told OBG.

In its third-quarter 2014 "Dubai Real Estate Market Overview" report, JLL reported there was a 54% rise in rents at prime locations in Dubai's "super regional malls" from an average of Dh54,000 (\$14,698) in the third quarter of 2013 to Dh83,000 (\$22,592) in the same quarter of 2014. The percentage of all retail units that were vacant had also fallen from 13% in the third quarter of 2013 to 8% in the third quarter of 2014.

Emaar Malls' gross passing rent was assessed by JLL for June 2014 in preparation for the company's IPO, and was said to include "any contractual stepped increase during the following 12 months and leasing up of any current vacancy". The total came to Dh2.38bn (\$647.8m) per annum for all the retail properties owned by the group, with Dh2.25bn (\$612.45m) of that due from its five biggest malls.

Majid Al Futtaim reported a 4.2% increase in revenue from its existing UAE malls in 2013 compared to 2012. George Kostas, CEO of Majid Al Futtaim Properties, the division of the company which manages 12 shopping malls and 11 hotels adjacent to malls across the MENA region, said of Mall of the World, "As for any business, you need to be aware of the competition, to watch what's happening and to be aware of new trends, but if you are asking if Mall of the World is a threat, then the answer is no. It says more about the success of Dubai, the significant growth in population, the increasing number and length of stay of visitors. So you would have to say there's a bright future for retailing in Dubai."

For retail businesses hoping for a share in that future, there can be a wait for vacant units to become available, according to Ajai Kumar Dayal, CEO of Tridayle Consult. "For any international brand looking for expansion, Dubai is very much on the radar right now and the only thing holding back the entry of other brands is lack of space," he told OBG.



Footfall figures for the emirate's malls remain solid



The number of workers employed in retail and wholesale rose by 8% annually from 2010 to 2012

On the other hand, some malls are beginning to offer incentives to entice current tenants to stay. "In Dubai's larger malls the waiting lists for tenants are extensive, whereas operators of other malls are beginning to provide incentives to keep occupancy high, such as reduced rental rates, support on fit-out, and free rental periods," Iyad Malas, the former CEO of MAF Holding, told OBG.

**DUBAI DESIGN DISTRICT:** Beyond the malls themselves, and in the shadow of Burj Khalifa, is a new zone of the city being developed by Tecom Investments called Dubai Design District, or d3. The idea is to attract leading fashion houses to the area and to create a community of designers as well as outlets for international brands.

"World leaders in apparel design, fashion, perfumery and accessories are already tenants and it is going to help create a hybrid style that will be the style of this region," Sami Raffoul, the general manager of Pan Arab Research Centre, told OBG. "All of this will require outlets, and the outlets will exist in the same district and in the larger malls. So, it is an interesting phase in the retail business."

**JEWELLERY:** Exclusive boutiques selling internationally famous brands of watches and jewellery are a common site in Dubai's malls. According to retail expert and CEO of Tridayle Consult, Ajai Kumar Dayal, between 12m and 13m watches are sold in the emirate every year, making it one of the world's top five centres for high-end watch sales.

However, this represents just the tip of the iceberg compared to Dubai's wider trade in gold, diamonds and bullion. "Dubai is the third or fourth place in the world in gold jewellery, and in bullion it is very, very important," Dayal told OBG. "A lot of the gold gets sold from here to India and so there are a lot of exports, but there is also the re-export market. Gold imported from India is stamped Dubai and then sold back to India," he added. When it comes to the trade in rough diamonds, diamond polishing and

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Electronics, and especially hand-held devices, have become an important retail segment

Duty free sales at Dubai's international airport were worth \$1.8bn in 2013, a figure equal to a 5.13% share of global airport duty free sales.

jewellery manufacturing, the emirate has a solid reputation. "Dubai is steadily strengthening its value proposition in the global diamond trade by building a commanding position in the rough diamond market to complement activity in China and India," vice-chairman of 7Cs Group, Rihem Mehta, told OBG. "As retail sales volumes continue to grow in Dubai, there is an increasingly attractive opportunity for jewellery design activity to shift to the UAE," he continued.

**ELECTRONICS:** Another important segment in Dubai's retail sector is the sale of electronics, and specifically hand-held devices. "Whether you are talking mobiles, smartphones, tablets or laptops, Dubai has become one of the leading markets for those small and costly electronic devices," Raffoul told OBG. "So, you can purchase smartphones at fantastic prices secure in the knowledge that they are authentic, not fakes."

With so many tourists among their customers and strict rules on consumer protection, Dubai's retailers have had to become experts in the compatibility of the equipment in different parts of the world. "They know a Russian buying an iPhone wants it to operate in Russia and so they do not sell him a phone that does not work there," Raffoul said. However, the market in mobile devices is not confined to the most expensive models, according to Raju Jethwani, chairman of Eurostar Group. "There is still a large opportunity to penetrate the mass market for mobile devices in the Middle East region as the affordable segment is still not properly addressed," he told OBG.

**DUTY FREE:** Watches, jewellery and perfume are among some of the most popular items bought in duty free, so much so that their popularity in the emirate may have helped the duty free store at Dubai International win its title as the world's busiest airport outlet. According to analysis by Generation Research in September 2014, Dubai Duty Free (DDF) sold goods worth Dh6.61bn (\$1.8bn) in 2013, giving it a 5.13% share in global airport duty free sales.

Jebel Ali Free Zone is home to 625 automotive firms involved in importing vehicles and parts, re-exporting to regional markets and manufacturing. The sector generated \$4.63bn in 2013, up 13% on 2012.

The store had previously taken the top spot in the survey in 2008, 2009 and 2010. DDF anticipates greater sales ahead, with its facility expanding to 355,000 sq feet when Concourse D opens in 2015. Its premises at Al Maktoum International Airport are also expected to grow as the terminal expands to accommodate arrivals for Expo 2020.

**CAR SALES:** Jebel Ali Free Zone (JAFZA) is home to 625 automotive companies involved in importing vehicles and parts to Dubai, re-exporting to other Middle East markets and manufacturing. In September 2014 JAFZA announced the sector generated Dh17bn (\$4.63bn) in 2013, an increase of 13% on 2012. It also said it had seen a four-fold increase in the number of automotive companies based there. Kalyana Sivagnanam, director of marketing, sales and service for Ford and Lincoln for MENA, told OBG, "We expect to see a considerable opportunity for growth in Dubai's commercial and corporate automotive segment going forward."

There are some challenges to automobile sales in Dubai, despite an improving market. "The cost of doing business for the retail sector in Dubai is continuing to increase vis-à-vis operating costs and rents, which could begin to weigh on investment decisions," Karl Johan Sandesjo, general manager of Mercedes-Benz distributor Gargash Enterprises, told OBG. The UAE's launch of its federal credit bureau in 2014 could boost automotive sales in the medium term. "The bureau could usher in a more sophisticated market with a higher usage of leasing facilities rather than consumers buying on payment plans. However, the introduction of increased regulation will obviously result in a slowdown in the near term," Len Hunt, president of Al Futtaim Automotive, told OBG. There are other challenges to gauging performance among various brands as well. "A relatively high volume of automotive re-export from Dubai makes benchmarking performance of various brands in the market difficult," Johannes Seibert, managing director Middle East of BMW Group, told OBG.



The concept of hypermarkets has gained traction in the emirate

Compared to other parts of the world, the threat to shops in streets or boutiques in malls posed by online outlets is more muted in Dubai.

**HYPERMARKETS:** When Majid Al Futtaim opened its first mall, Deira City Centre, in 1995, the company struck a franchise agreement with a company called Continent to bring the hypermarket concept to the country and the region. Continent was subsequently acquired by Carrefour and the retail division of Majid Al Futtaim now owns the Carrefour franchise for 38 countries in the Middle East, Central Asia, Africa and Russia, until 2025. By the end of 2014 the company planned to have opened 66 hypermarkets and 79 supermarkets. In Dubai it has six hypermarkets, 13 supermarkets and an online store. Other players include Géant with a hypermarket, six supermarkets and an online store; Lulu with four hypermarkets, two centres, one supermarket and three express stores; and Union Co-operative Society, which has 10 branches including one hypermarket.

**ONLINE:** Compared to other parts of the world the threat to shops in streets or boutiques in malls posed by online outlets is more muted in Dubai. "Although e-commerce allows retailers to increase revenues without assuming extra space-related costs, it is currently only serving domestic demand for most UAE retailers as the majority still use traditional distribution for tourism and regional exports," said Vishesh Bhatia, CEO of Jumbo Electronics.

Raffoul said a combination of factors contribute to this. In Dubai, malls have become more than shopping centres; they are air conditioned spaces where

people socialise away from the heat. Another factor impeding the expansion of online or mobile shopping in Dubai is the mix of cultures, nationalities and languages. "In the digital world, if you want to communicate in your mother tongue you visit websites in your mother country," he told OBG.

For Kostas, brick-and-mortar malls can compete against the ease of convenience of online retailers; however, they have to have a more enticing appeal. "If you are only offering an aggregate of shops, then the internet will be a threat, but if you have a broader offering, then online may not be such a great threat," Kostas told OBG. Another challenge for retailers that have entered the online retail space, such as Géant and Carrefour, is the need for clearer street address descriptions to enable faster deliveries.

**OUTLOOK:** With population growth and increasing visitor numbers, Dubai's malls are expanding to meet demand and the prospect of Expo 2020 has inspired a new vision: Mall of the World. Although some past megaproject proposals in the emirate have not come to fruition, Dubai Holdings' proposals are concrete and the scale of the challenge does not deter retail experts. Even as its crown as owner of the busiest shopping mall in the world looks set to be taken, the popularity of the September 2014 IPO of Emaar Malls, owner of The Dubai Mall, which was 30% oversubscribed by institutional investors, is testament to their continuing confidence Dubai's retail sector.