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Abu Dhabi could be the new Silicon Valley

Bradley Hope

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When the chairman of Cityscape Abu Dhabi, John Sandwick, first visited Abu Dhabi it was 1975 and his bodysurfing at the beaches along the Corniche drew crowds of construction workers impressed at the novelty of his California moves.

"Even then, the place was starting to build up," said Mr Sandwick, who is also the managing director of an asset management firm for Gulf investors in Switzerland called Encore Management. "There were hundreds of workers from Baluchistan."

That year his entire family moved to Abu Dhabi from Sunnyville, California, when his father got a job at a natural gas plant on Das Island. Now, 33 years later, Mr Sandwick said he was starting to see similarities between Sunnyville — located in a now famous hotbed of technological innovation known as Silicon Valley — and the desert island state of Abu Dhabi.



"This place could become the new Silicon Valley," says the chairman of Cityscape Abu Dhabi, John Sandwick. **The National**

"This place could become the new Silicon Valley," he said, pacing in the cafe inside the Shangri La, from where construction cranes can be seen across the horizon. "They are assembling the ingredients here for a major breakthrough in energy independence."

He was talking about projects such as Masdar City, an emissions-free development planned for a six million square metre stretch near Abu Dhabi International Airport. In Mr Sandwick's estimation, the country is poised to become a pioneer of more energy-efficient alternatives to petroleum.

But there's one problem. Investors from the region are holding back their economy from becoming a modernised, international market because they are afraid of debt, Mr Sandwick believes.

"This is what I want to get across at Cityscape," he said. "To make all this happen, investors need to use the capital markets. Pure equity investment is not the way to go."

Cityscape Abu Dhabi is a three-day event at which developers and the leading property minds of the region get together to meet and show off their projects. This year's event has twin conferences: finance and investment, and sustainability. To Mr Sandwick, the topics are intertwined.

"If the UAE develops a securitised market, it can tap into the assets of the world for these projects," he said. "It will create inherent efficiencies. It will increase investment."

Despite its growing reputation in the global business world, the country has only one property investment trust, AREIT, and a comparatively small bond or sukuk market. While the US has a US\$25 trillion bond market, the sukuk market is only about US\$50bn.

"Investors here are afraid of debt, but it can increase their abilities," Mr Sandwick said. "The key to the future of this market is in sukuk." He said there was a growing awareness of the need to structure financing differently, pointing to Nakheel and DP World as two companies willing to go to the debt market for new projects.

The emergence of sukuk in property development would be an important topic of the conference, he said. "I'm going to be talking about this a lot over the next three days. We need a sukuk culture for this to work in the long run."

In his earlier days in Abu Dhabi, Mr Sandwick said his family would rent a motorboat to visit the untouched islands and fish for hammour, cooking their lunch on the beach over driftwood bonfires.

"A lot has changed over the years," Mr Sandwick said. "But we've only scratched the surface. There is an explosion of real estate with a coming together of the best minds in the world."