

# A tale of two towers

Sinogulf Investments' fund manager **David Cockerton** talks to **Michael Fahy** about early investment in Abu Dhabi's Capital Centre and the six year plan to make a return on the investment with two new towers.

**A**s developer of a major chunk of the Capital Centre site opposite Abu Dhabi National Exhibition Centre (ADNEC), Sinogulf Investments' David Cockerton admits that he had to have some "difficult discussions" with investors when he decided to press ahead with plans to build its International Tower and Capital House buildings.

Cockerton is fund manager for SinoGulf's IndustRE \$337m fund which comprises the bulk of the \$450m of assets that Sinogulf Investments currently has under management.

The fund's most significant investments were in two plots of land within Capital Centre – a large tract of land sitting immediately to the east of ADNEC's main exhibition space.

The masterplan for Capital Centre subdivided it into 23 plots – all of which were earmarked for high-rise buildings.

Sinogulf bought its plots in 2007, but as proposals were worked up to develop the sites, the global financial crisis sent property prices across the UAE tumbling.

Sinogulf was one of "the earliest investors within Capital Centre and regarded as the largest" – he argues, mainly due to the fact that it bought two plots, whereas all of the

other investors are operating from single plots.

It took a decision to hold back from development "to take advantage of improving construction costs, but also to make sure the building was launched at the right time".

Despite this, its decision to start building on the first of the plots – the 24-storey, 41,000m<sup>2</sup> International Tower – in March 2009 meant it was one of the first to develop in the area.

Cockerton says he had no qualms about appointing contractor Group3 to build the project during what was undoubtedly a tough market, stating that he was confident about both the location and the concept for the building.

"I've been through a number of recessions and a good product always sells," he said. "At a time where people are more cost-conscious, that's when it's most important to know exactly what you're doing. Get your location and your product right."

He said that the building, which completed last year, is in a location which is becoming better-known by the day.

"We believe it is now very much coming of age.

"Capital Centre, when it was first put together as a masterplan, had something in the order of 22-23 towers planned – well over half of





**\$337M** SINOGULF FUND MANAGED BY COCKERTON **AED2,000** PER M<sup>2</sup> RENT IN INTERNATIONAL TOWER

those are now built or under construction. But there are still some vacant plots to be developed.”

Among the buildings to have been completed nearby are a couple of office towers, as well as hotels by Premier Inn and a hotel block by Rotana containing three hotels - a recently-opened Centro, a Rotana hotel and an Arjaan by Rotana outlet. Other buildings have opened including convenience stores and retail units on ground floor levels, which has increased activity across the site, he adds.

“When we launched this last year, there were still one or two nervous people but coming to the market in Q2 2012 absolutely proved to be the right time,” he said.

The tower is a Grade A, LEED-rated building designed by architecture firm Woods Bagot. As the tower’s name suggests, the building was designed with multinational occupiers in mind.

For instance, the tower was built with an offset core, and has large, regular floorplates of around 1,700m<sup>2</sup> each. Floors also have clear finished floor-to-ceiling heights of 2.7m, with provision for a 150mm raised floor.

“I started with a rectangle and we’ve finished with a rectangle,” he said.

“That’s not unusual if you’re sat in London, New York or Paris, but I think you’ll see from quite a few examples here in the Middle East that there are buildings that maybe look attractive from the outside but don’t necessarily work as well from the inside.

“What we wanted was for this building to be recognisable by somebody who travels here from the USA or Europe.

“So what you’ll see in this building are lots of features that are commonplace outside the region but slightly unusual inside it.”

For instance, he points to the card-accessed predictive lifts, which allocate carriages instantly and efficiently, while only letting passengers out on authorised floors.

In the 12 months since completion,



Top, Capital House designed by Maisam with 332 one and two-bedroom apartments. Above, inside International Tower.

**40%** INTERNATIONAL TOWER LEASED **332** APARTMENTS IN THE NEW 25 FLOOR CAPITAL HOUSE

40% of International Tower has been leased, with occupants including defence company BAe Systems, structural engineer Hoare Lea and building consultancy AECOM, which is relocating staff from several different offices in Abu Dhabi to three floors in the tower.

Cockerton thinks that given current market conditions – average vacancy rates for all office space in Abu Dhabi hit a new high of 37% during the first quarter of 2013, according to Jones Lang LaSalle – that this “is pretty good going”. The building is achieving a combined headline rent and service charge of over AED2,000 per m<sup>2</sup> a year.

“I talk to some of the other owners and developers around town at the moment and I sense that they have bigger challenges than we do,” he said.

He also added that as a developer, “we’re confident in what we’ve got”.

“If I was taking that 40% and all of my active discussions, my building is too small. We’ve had some very interesting discussions that will come to fruition shortly and we will see ourselves fully leased within the next 12 months.”

The second plot on an adjacent site being developed by SinoGulf contains a block which is currently being developed into luxury apartments. Capital House is a 25-floor building designed by architects Maisam which is set to contain 332 one- and two-bed apartments, with a pool, gym, and a children’s play area at podium level, as well as five retail units at ground floor.

The tower is being built by contractor Ali & Sons. Cockerton said work has progressed to such a level where a floor is being added to the building every week and it is expected to top out this month. Show apartments will open to prospective buyers in September and the building is expected to complete in March 2014.

Cockerton argues that one advantage of starting so early with its buildings is that its section of the site is the most advanced, with internal roads and landscaping in the area all now completed.

“There are four operational hotels and there will be a fifth opening soon – all within walking distance. So in terms of places to stay, places to eat, gyms and

**“In the Middle East there are buildings that maybe look attractive from the outside but don’t necessarily work as well from the inside”**

David Cockerton



all the other supporting amenities we’re quite well provided for here already.”

Once the tower is completed and sales are underway, the bulk of Sinogulf’s work for the IndustRE fund will be done – other than finding a buyer for the buildings to generate a return for the investors.

IndustRE is a closed fund which is already fully-invested, Cockerton explains, with the two Capital Centre buildings being the primary assets alongside a floor at Union Properties’ Index Tower in Dubai International Financial Centre and a Dubai school.

“When it was established, it was set up as a development fund and was set up before the issues that took place late in 2008 when development became perhaps

not the favoured way of making money. So we blended the development fund with fixed investments.”

Sinogulf already has other assets within the region which are not included in the IndustRE fund, and is “looking at other development opportunities”.

“We now have operations running out of Abu Dhabi, Dubai and out of Saudi.”

He added that there was currently “quite a lot of effort” going into setting up similar investment vehicles in Saudi Arabia to take advantage of a market where demand – particularly for residential property – is high.

“The most likely starting point is residential. It’s pretty obvious, but it is the right place to be at the moment.” 