

Aldar + Emaar: There's more to it than a JV

The announcement of a joint venture between Aldar and Emaar to develop an estimated AED 30 billion of real estate projects in the UAE and beyond may seem very significant in itself, and indeed it is, but we believe that there's far more to this than first meets the eye. Notwithstanding the obvious benefits (for both entities) in terms of access to prime land bank, bringing together creative teams, sharing the burden in terms of development costs and cash flows, leveraging each other's strengths in terms of marketing and customer base, etc we would argue that one needs to look deeper into this announcement to see the bigger picture, the strategic significance of this move, and indeed the broader benefits for the UAE as a whole.

Not only is this the very first time that prominent real estate developers from Abu Dhabi and Dubai have worked together in such a manner, but it is also one of the really scarce formally announced examples of cross-border collaboration among commercial entities in these two emirates. Moreover, that this collaboration will commence with two projects, one in each emirate, 'Saadiyat Grove' and 'Emaar Beachfront' in Abu Dhabi and Dubai respectively, further underscores to us the aim of mutual benefits from the outset that the alliance has been founded on. This is hugely significant.

Furthermore the manner in which the collaboration was announced, showing photos of His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, and His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, attending the signing ceremony for the joint venture, does, and in our view was intended to, send a strong message.

Moreover, the official quotes from the two Rulers, and also the respective Chairmen of Aldar and Emaar, are in our opinion massively important. Words such as "My brother Mohammed bin Rashid" and "the unbreakable bond between the two emirates" carry more weight than some may realise. This is a very powerful, strategically important, and well-planned demonstration of collaboration at the very highest level between Abu Dhabi and Dubai. Not only does it silence the naysayers that for many years have been doubting and questioning the ties and mutual support between the two emirates (and of course the respective ruling families) but it clearly shows the willingness of the two rulers to bring together their star players to form a team that collectively is truly world class and which can compete with the best of the best internationally.

We have already seen from an earlier example of such strategic collaboration when Emirates Aluminium (Abu Dhabi) and Dubai Aluminium merged in 2013 to form Emirates Global Aluminium (EGA), that bringing together key entities across the two emirates can create a truly global player with immense strength and scope. While the announcement of a joint venture between Aldar and Emaar isn't a merger, it is the collaboration that is key. Bringing together entities that are already very solid in their own right can generate substantial synergies and collective strength which ultimately enhance the UAE's ability to compete on the global stage.

Bottom line, this is more than just a bricks and mortar story. This is a hugely important step for Abu Dhabi and Dubai, and also for the UAE as a whole, which in our opinion, should further enhance the already strong appeal of the UAE among institutional investors, both from across the GCC and further afield. As such, should this move lead to greater co-investment between the two companies, or whether it opens the door for more cross-border collaboration, ultimately the potential benefits for the UAE are huge. Watch this space.

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