

Crunch time

Regional design firms are starting to feel the impact of the global economic slowdown – but the news isn't all bad, they say

Recent weeks have seen the first whisperings of the odd project put on hold – a sign that the global financial crisis is having a knock-on effect on the regional design industry.

“I don't know whether that is because the financial crisis is actually creeping in or whether it is because everyone is just being very, very cautious. We met with a developer recently who said ‘we believe our customers are still there, we're just having to work harder to get them to spend money’. I think it's the same with us,” said Ben Corrigan, senior design manager and partner, Bluehaus.

“We don't necessarily think everything is going to get cancelled, or come to a grinding halt, it will just be little bit more of a battle with the other people to get the projects,” said Dougall Harvison, general manager, Bluehaus.

The general consensus amongst regional developers is that any slowdown will be short-lived, with a complete recovery anticipated as early as February or March next year. “Yes, there's a global crisis, but Azizi Investments won't be affected much.

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“Fiscally-speaking, we only have projects in Dubai and, while sales are slower, real estate is still selling here. We're not stopping or scaling back on any projects or construction work. Furthermore, we'll make delivery on time,” explained Merwiss Azizi, chairman of Azizi Investments.

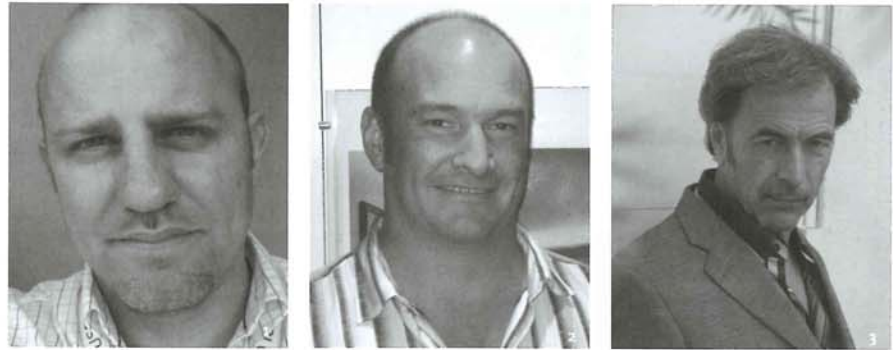
According to Mohannad Sweid, chief executive of interior contractor, Depa, the number of developments announced in the Gulf will fall sharply, but the number of projects that are actually completed will decline only slightly. This is because of a discrepancy in the number of projects that are announced and the number that are carried through.

At one point, the company's research department estimated the number of

high-end hotel openings in the GCC, based on announcements, would reach 280 over the next four years. In reality, only four or five hotels opened every year, Sweid claimed, and reiterated the company's growth target of 40 percent per year over the next two years.

“There are certain developments in Dubai that have to be done. It's not by choice as much as by force,” he said, citing infrastructure projects such as the Dubai Metro.

Furthermore, if Dubai looks like it may not be entirely cushioned from the impact, there are other regional markets that still offer plenty of opportunity. “[There] will be quite a noticeable slowdown [in Dubai] but Abu Dhabi will definitely compensate for that slowdown



in the short run, as well as in the long run,” Sweid said.

“We’re actually gearing up for it to potentially affect us next year but thankfully we have an office in Abu Dhabi and everyone is saying that even if Dubai slows down, Abu Dhabi probably won’t,” agreed Corrigan.

Invariably, there will be a slowdown, but this let-up in pace could have silver lining of sorts. “These are small emirate states without massive infrastructure to support, so if they are very wise and very careful and very cautious and maybe even throttle back a bit, it will help them,” said John Carolan, director of KCA International.

After a whirlwind couple of years, it could give the industry time to stop and take stock – and start working to more reasonable timeframes. And it may also serve to raise the standard of work, and companies, on the market. “That’s thing about this credit crunch, it might actually clear a few of the rogue traders,” said Harvison.

“There’s a lot of companies over here that set up overnight, because they think it looks easy,” Corrigan agreed. “I think if anything positive comes out of a market slowdown in Dubai, it’s going to be that the more robust and mature and professional companies are going to be the ones that reap the benefits. We are expecting that we might have to do more speculative work and clients

are going to be expecting more upfront – which is what you would expect in a mature market. I think we have just had it too easy for too long, to be honest.”

Flexibility will be the key to survival, agreed Carolan. “We are just watching the way the wind blows but we are going to be very flexible on how we adapt and change to these circumstances. And sometimes it changes gradually and you don’t even really notice and sometimes it changes very quickly and you have to be on the ball to make sure that commercially you are still in front of the game,” he maintained.

Firms will inevitably have take a more active approach to securing work. “We don’t market ourselves; a lot of our work comes from people chasing us. We don’t beat the drum very hard. When I go to see clients we talk quietly about what we can do and how we can do it,” Carolan commented.

“Basically, we have a full order book for the next year or two. I think if we went out there and really banged doors we could start to get a lot more work, which we most probably will start doing the middle of next year, if we have to. But we’ve got a lot of repeat clients. And in reality our businesses rely on four to six major projects a year, and that’s not a huge ask,” he added.

In this instance, companies will be relying on relationships and reputations established in better times. “People

want to do great stuff when economies are high but when they start to drop, your credibility and your profile is the thing that will save you,” said Carolan. “I feel quietly confident that our reputation is strong enough to carry us through this particular patch.”

With repeat clients accounting for around 70% of its business, Bluehaus is also confident that it will be able to weather the storm. “We do have a very good existing client base so, fingers crossed, that will help us for next year,” said Corrigan.

For Carolan, the very worst that could happen is if designers starting panicking and slashing their rates. “Years ago when there were downturns, architects and designers were notorious for going out and providing free services. I used to work out of Sydney and you’d find a lot of companies would go off and do that in Asia,” he said.

“That’s no way to win work because the client then thinks that you are an easy target. They think you are not worth it because you don’t have any respect for your own profession. I think, having established a degree of credibility, if you start bargaining again, it just makes you look like a second-rate design company,” he continued.

“This may resurface if times get tough. I always used to say that I’d rather go and live on the beach than do that. You need work, but not that badly.” ☐

1. Ben Corrigan, Bluehaus.

2. Dougall Harvison, Bluehaus.

3. John Carolan, KCA International.