

# COMPANY SEES OPPORTUNITIES IN LABOUR ACCOMMODATION

■ SIRAJ CAPITAL WILL TAP SECONDARY MARKET POTENTIAL

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SAUDI-BASED Siraj Capital is now looking at secondary opportunities to invest in labour camps in Dubai by deploying funds from its Janayen Holdings Ltd. Al Quoz will continue to be a preferred location as will Dubai Investments Park.

"There is an emerging secondary market where you can buy established camps with tenant leases and package them so you can talk to a financial investor," says Nick Lodge, Managing Director, Siraj Capital Dubai.

The asset management firm sourced land and completed a labour camp last summer via Janayen Holdings Ltd. "It was very successful — we wish we had done more. The opportunity at the time was low land values, but there is still a reasonable chance people can build more," adds Lodge.

The concept, a hostel-like self-contained accommodation addresses all levels of employees within a construction scenario. It comes with all the facilities such as supermarket, kitchens, entertainment areas, etc.

The project went down well as contractors rented it out immediately for a five-year term. Moreover the facility was snapped up by an investor, a Bahraini bank.

"The bank who bought it knew what the yield was. Probably after taking a margin, I think they managed to give investors



■ Workers return to a labour accommodation in Dubai after work

a plus 15 per cent return," Lodge reveals.

The trick is getting the packaging right and being well aware of how to manage tenancies and rental increases. "If a contractor takes a whole facility of 300 to 1,000 rooms there will be levels of seniority.

"What we intend to do is to build on a modular basis, camps that have a reasonable size with all the facilities. You can't get carried away though, it's about basics with good quality and proximity to projects — long commutes don't make sense."

The same formula applies for Saudi Arabia's economic cities where thousands of workers will be required. The govern-

ment is calling for decent lodging for workers.

Siraj Capital may well use its Rahala fund, which currently focuses on hotel accommodation, or create a new fund.

"In Saudi Arabia it's like the opportunity was here three years ago," Lodge comments. "We're not really interested in owning a labour camp and letting a couple of rooms to small business.

"You go a little bit below the spot rate in the market, it may be for example in Dubai Dh3,500 a room, so you might offer it for Dh3,200 or Dh3,000. You give a little bit but rent it on a four-five year basis rather than annually."