

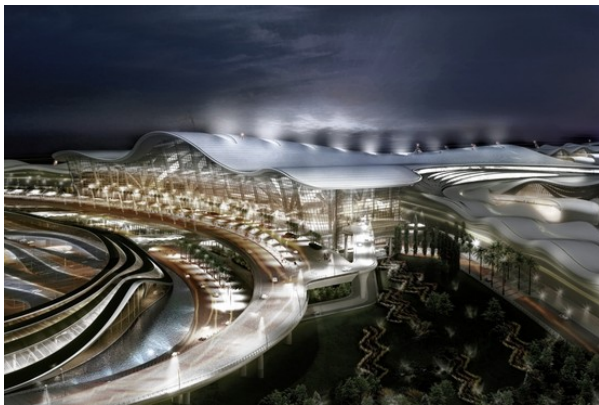
Middle East Cities Vie to Have Biggest and Best Airport

On a sprawling patch of sand near downtown Abu Dhabi, thousands of workers are building the foundations of a new \$3 billion international airport terminal, which planners believe will spark major real-estate development in the surrounding area.

Similar scenes are playing out nearby.



Close



Kohn Pedersen Fox

A rendering of the Midfield Terminal that is under construction in Abu Dhabi

A new \$15 billion airport for 28 million passengers a year is nearly complete in Doha, Qatar, with plans to build a giant business and residential district attached.

Dubai, which already has one of the world's busiest international airports, wants to expand a second airport into the world's largest, at 150 million passengers annually. That airport would sit within a 54-mile planned city-within-a-city.

Such is the state of the race in the Middle East to develop dominant international airports as luxurious transfer points for a fast-expanding global aviation market. All three cities—backed by state government money—are pouring billions of dollars into projects designed to promote global tourism, boost real-estate development and stoke foreign investment.

The airports go well beyond terminals to include large real-estate components. To attract airlines and their passengers, they are packing terminals with amenities such as high-end shopping malls, top-line hotels and features like glitzy indoor waterfalls. They also have extensive plans to develop the surrounding areas with office parks, warehouses and residential developments.

Such sprawling developments have appeared in other parts of the world, including Singapore and Seoul, which have gone beyond serving local populations to becoming transportation hubs in their regions.



European Pressphoto Agency

Part of the main terminal of the new international airport in Doha, shown before its opening ceremony in March

tation."

But the ambitious plans by the three Middle East countries have provoked fears among some analysts of too much supply in a small corner of the Persian Gulf, a situation that could punish both the local governments and foreign investors that are banking on their success. In all, the three desert cities together are planning to roughly triple their airport capacity to hold around 400 million passengers a year before 2030.



Associated Press

Passengers walk along a new concourse at Dubai airport.

targeted by the three cities—is only set to rise by more than 120 million passengers annually by 2031, well short of the new capacity planned.

Officials and planners involved with the airport projects dismiss concerns about a possible bubble. They point out that they can slow construction if demand wanes because they are building in phases.

Also, the number of passengers at the three Gulf cities has increased rapidly—as airlines

Foreign real-estate investors are counting on the airports' success. For example, in Abu Dhabi, New York-based Related Cos. is to open a 550,000-square-foot mall soon and is planning nearly 3.5 million square feet of additional development.

"If the airport that was there today weren't expanding, I probably wouldn't be building the size shopping center I'm going to build," says Kenneth Himmel, a senior executive at Related. Airport growth, he said, "translates into tourism and visi-

Further, competition is coming from Istanbul, as the Turkish government recently advanced plans to build what could be world's largest airport, aiming to capture much of the same traffic, largely between Europe and Asia or Africa.

"Not everyone can be as successful as they are expecting," Mathieu Blondel, an aviation specialist at management consultancy Arthur D. Little, says of the race between the cities. Mr. Blondel says total traffic between Europe and Asia—the main route

there have expanded over the past decade—to 93 million in 2012 from 27 million in 2003, according to trade group Airports Council International. "We actually have a huge shortage of capacity and we need to find a way build even more quickly," says Paul Griffiths, chief executive of Dubai Airports.

Dubai clearly has the head start. The emirate, which unlike Abu Dhabi and Doha doesn't have large oil or natural-gas reserves, handled just 18 million passengers in 2003. But rapid expansion by Emirates Airline has led the city's main airport to hit 57 million passengers in 2012, with plans to overtake London's Heathrow Airport in 2015 as the airport with the most international traffic in the world. Dubai has taken advantage of the region's ideal geography—with two-thirds of the world's population within an eight hours' flight.

More passengers has meant higher rent that real-estate owners can charge. Retailer Dubai Duty Free, which is government-owned, expects to take in \$1.8 billion in revenue this year, up 13% from 2012. Retail rental rates at the Dubai airport are at a similar level to Dubai's popular shopping centers, such as Mall of Emirates and Dubai Mall, according to analysts.

Rents for industrial space at Dubai Airport Freezone, the logistics and business district surrounding Dubai International, are at a 60% premium to other industrial districts in Dubai, according to property broker Jones Lang LaSalle Inc.

Now, Dubai's neighbors are hoping to use their oil riches to replicate that city's success. The Doha airport, whose opening was scheduled earlier this year but has been delayed, includes 270,000 square feet of retail space and a 100-room hotel.

Abu Dhabi's new Midfield Terminal is slated to be the largest building in the emirate upon completion in 2017, featuring a towering central space with a roof 17 stories high, designed by New York-based skyscraper specialists Kohn Pedersen Fox.

"It will be instantly recognizable, like the Sydney Opera House or the Eiffel Tower," says Tony Douglas, chief executive of state-run Abu Dhabi Airports Co. "It won't be like any other airport you've been to."

But skeptics point out that a range of factors could erode demand, including economic downturns, rising prices of airline fuel and tickets and increased political turmoil in the Middle East. Other concerns include air congestion, given the increasing number of

planes in a confined space.

"The question is who will be able to build a larger airport and who will be stuck in the race," Mr. Blondel says.

Write to Eliot Brown at eliot.brown@wsj.com

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