

In “Kahr Notes” this month:

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1. Dubai Has Nothing on the Japanese

In the last 12 months, I’ve been to Dubai three times, and I’ve been repeatedly amazed by the market. More specifically, I’ve been amazed at the division of opinion in regards to it. Seemingly, the entire ex-pat population of the country falls into two categories – those who think that the whole country is a shell game and doomed to failure and others that are true believers.

By now, it seems that EVERYONE in the real estate business knows about the ski slope in Dubai. Yes, there is a ski slope in the Mall of the Emirates, one of the largest indoor malls in the world. If that wasn’t weird enough, you can view the slope from the line at Chili’s in the food court.

A link to the ski slope page on Wikipedia can be found here:
http://en.wikipedia.org/wiki/Ski_Dubai

Of course, what people seem to forget about this sort of insanity is that real estate developers have proposed wacky ideas to promote their projects since the beginning of time. And why do they do it? Because it works.

To quote P.T. Barnum:

“The public appears disposed to be amused even when they are conscious of being deceived.”

In the spirit of that, I present to you another ‘world’s largest’ historical example of insanity that many have forgotten. The Phoenix Seagaia Ocean Dome.

In some respects, the Phoenix Seagaia Ocean Dome ruled like the great Roman Empire, complete with a vast domed archway and a water-based innovation that dominated the terrain on which it was built. It was one of the world’s largest water-parks with a retractable, cloud covered roof sat on walls and a painted horizon like something out of the Truman Show. Within this 300 meter long by 100 meter wide facility, one can find an entirely fake environment containing a chlorinated heated ocean with mechanical waves, beaches, a sprinkling of rocky lagoons, a fire spitting volcano, and faux palm trees with animatronic flamingos. Actually, I’m lying about the flamingos, they only had parrots. Unfortunately, when it comes to things like talking parrots, there’s room for invention.

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Class Schedule

We continue to offer **Argus** and **Excel for Real Estate Analysis** classes in NYC, Boston, Chicago, Washington DC, and Los Angeles. All classes are offered on the weekend so you don't have to miss a single day of work. Don't thank me; signing up for the classes is enough thanks.

Argus

- **New York City:**
September 13 & 14, 2008
- **Chicago:**
September 20 & 21, 2008
- **Boston:**
November 8 & 9, 2008
- **New York City:**
November 22 & 23, 2008

Excel for Real Estate Analysis

- **Chicago:**
September 20 & 21, 2008
- **New York City:**
October 4 & 5, 2008
- **Washington, DC:**
October 18 & 19, 2008
- **Boston:**
October 25 & 26, 2008



(www.japannewsreview.com)

Oh, and if you're wondering about the roof, yes, it's retractable. When the roof is closed, it's artificially lit to maintain the illusion of being outdoors.

Before I beat up on the Dome too much, let's first develop a little perspective on the whole water park concept. The world's first water park was built in a mall in Edmonton, Canada. A decade later, the US was not to be outdone and followed with our first indoor water park in a Wisconsin mall. Today, each of these water parks still swim on a revenue stream of middle class families that strive for a reasonably priced escape from the mundane. That said, all of those water parks made sense on a very basic level. Canada is cold and Wisconsin is landlocked; neither is good for swimming.

By comparison, the developer of the Ocean Dome decided to build it just steps from the ocean in southern Japan, a relatively warm location which has more than its fair share of beaches. Look at the photo above and you can see the beach. It's that close to the dome.

Needless to say, after 14 years of operation in 2007, the Ocean Dome fell. Like the Roman Empire the reasons are unclear, but if I had to bet, it's that after the novelty wore off and ceased to draw in tourists to the SeaGaia resort, the cost of maintaining and running a large fake environment just wasn't profitable. Also, when compared to Mother Nature's free beaches, it just didn't make sense.

So, what does this bit of history say for Dubai's ski slope?

In the ski slope's defense, a ski slope in the desert is novel, and strangely practical as it is the only option for skiing. That said, if I were a betting man, I'd give the ski slope about 10 years. I figure one of three things will kill it.

1. Someone will build a bigger mall and kill this mall. In specific, the Mall of the Emir-

Cont. Excel Classes

- **Los Angeles:**
October 25 & 26,
2008
- **New York City:**
November 15 & 16,
2008
- **Chicago:**
November 15 & 16,
2008
- **Washington, DC:**
December 5 & 6,
2008
- **Chicago:**
December 13 & 14,
2008

ates where the ski slope is located is 6.5 mm SF. The new Mall of Arabia which will also be in Dubai is going to be 10 mm SF. In retail, bigger is better.

2. Someone will build a bigger ski slope. Who would want to go to the second largest ski slope?

3. And here's where everyone starts laughing at me: eventually things that don't make money are eliminated – even in Dubai. I find it hard to believe that the ski slope makes money on its own in consideration of the obscene cost of running it. As long as it's a draw for the mall, the owners will keep it, but the day it stops bringing in the tourists, it'll be turned into a Best Buy. When one considers all the other competing tourist projects that are underway in Dubai, this may happen sooner than one could have thought.

In the meantime, if you're in Dubai, check out the slope in the desert before it goes the way of the Ocean Dome.

- Joshua Kahr, Principal

2. Negotiating with the Ex-Pats

I have one more item to cover which is pleasantly unusual. Through our association with ULI, I'm going to be offering a two day Real Estate Negotiations class in Dubai in early November.

For a variety of reasons, the class will be offered first in Dubai, and then if it goes well, we'll be offering it throughout the United States. I expect that the US negotiation classes will kick-in sometime in early to mid-2009.

The Negotiations class is also available for private groups to hire. It's a decidedly non-fluffy negotiation class, so if you've taken negotiation classes before and didn't get a lot out of them, you'll like this one.

If you're interested in signing up for the class while on your ski vacation trip in Dubai or just want to check it out, you can do so at their web site (www.uli.org).

Oh, and yes, I am able to travel to your location. After doing the NYC to Dubai flight three times in less than a year, everyone else is a short flight. As always, I'm reachable at josh@kahrrealestate.com

3. Class Information

The Argus class is a two day course teaches how to use the software to finance, invest in,

To register, please visit our website:

<http://www.kahrrealestate.com/training.sht>

and develop real estate. Attendees also receive a copy of my 250 page training manual that is the product of over six years of teaching Argus at leading universities and corporations. It is the only manual of its kind and incorporates both the software and useful real world examples.

The Excel for Real Estate Analysis class is a two day course in how to use Excel for real estate investment, finance, construction, and partnership modeling. The class assumes minimal Excel knowledge, but it rapidly progresses to a high level of discussion. We show attendees how to build financial models that include the various bells and whistles that impresses partners and investors in addition to the more practical matters of showing the impact of leverage and taxation. We also spend a lot of time on partnership modeling. Partnerships are one of the most complex pieces of building a financial model, and the class spends significant time hammering those issues out. We also cover development and construction models.

The fee is \$750 for the Argus class and \$850 for Excel for Real Estate Analysis respectively. The materials are included in the price. If you'd like to register 3 or more people from your organization, please contact us in advance and you will receive a 15% discount off the total fee. We also offer a 15% discount if you register for both classes at the same time.

All classes in NYC are taught by Joshua Kahr, the Principal of Kahr. Classes in other cities may be taught by senior team members of Kahr Real Estate. If you're elsewhere in the United States and you'd like to take my Excel for Real Estate Analysis class, you can also take it through the Urban Land Institute (www.uli.org). Please note that while ULI calls it the "Advanced Pro-Forma Modeling Using Excel", it's the same class that I call "Excel for Real Estate Analysis". The upcoming classes are scheduled for Denver in October and Tampa in December.

If you're interested in customized on-site training, contact Joshua Kahr directly at josh@kahrrealestate.com for more information.

Kahr Real Estate Services LLC is a consulting company that provides financial training, market and feasibility studies, financial modeling, and capital advisory services for the real estate industry. "Kahr Notes" is the company's newsletter.

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