

# The National



## Deyaar postpones plans for fund to acquire distressed properties

by Angela Giuffrida

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Dubai's second-biggest developer has postponed plans for a distressed-property fund after international investors that had committed Dh200 million (US\$54.4m) withdrew.

Deyaar Development had hoped to raise Dh500m for the fund, which was launched last summer to buy distressed properties from its own portfolio as well as other properties with high expected returns.

By October, a Lebanese bank and an international institutional investor had committed Dh200m to the fund, but they pulled out of the deal in November, shortly after Dubai World's announcement that it would seek a standstill on \$26 billion of debt.

Dubai Islamic Bank committed Dh100m, while Deyaar planned to invest Dh100m. Another round of international fund-raising was to bring the total to Dh500m.

"It is the wrong time for Deyaar to go out and try to raise funds from the international community," said Markus Giebel, the company's chief executive.

"We will wait until the dust settles ... and restart in two or three months, as we believe the market will come back. Dubai deserves the confidence the city portrays."

Dubai World's debt trouble could dampen international investor appetite for distressed property in Dubai, analysts say.



Distressed-property funds, a number of which have been announced by firms keen to capitalise on a sharp decline in property prices since the third quarter of 2008, are widely seen as catalysts for a property market recovery.

Tasweek, a property marketing and development firm in Abu Dhabi, said last September it would aim to raise Dh918m to acquire distressed properties in the capital and Dubai.

Markaz, a Kuwaiti investment firm, said in August it was considering a Dh183m investment in distressed properties on Reem Island in Abu Dhabi, while Mayfair Wealth Management, a company based in the Cayman Islands, announced a Dh183m fund for properties across the country. Hines, a US development and investment company, said last October that it wanted to raise \$1bn to invest in distressed properties in the UAE.

This month, Sorouh Real Estate, the second-largest property developer in Abu Dhabi, created a joint venture called Al Sdeirah Real Estate Investment with outside partners to buy land from its Alghadeer project.

And Zaya, a developer in Abu Dhabi, said yesterday it was studying a distressed project in Dubai.

The National reported last week that Dubai World and its creditors had yet to agree standstill proposals for repayment of the conglomerate's debt. When the standstill was announced in November, property prices in Dubai dipped further after falling by as much as 50 per cent since their peak in 2008, as banks further tightened lending.

"Raising money is definitely much harder than it was before the Dubai World standstill," said Majed Azzam, a property analyst at Al Futtaim HC Securities. "When that happened, people got a reality check ... They will be less willing to put their money in the market until they see further clarity."

Saud Masud, a property analyst at UBS bank, said investors were concerned that there could be more bad news to come.

Confidence will likely return once most of the systemic risk becomes visible and liquidity returns," he said.

Deyaar had planned to use its fund to reacquire property from customers who had failed to keep up with their payments. The company could rent the property before reselling when the market improved.

Mr Giebel added that only about 5 per cent of his company's 5,000 customers defaulted on their payments last year, thanks mainly to Deyaar offering customers price reductions, the option to transfer their investments to projects nearer completion and, in some cases, full refunds on projects on which construction had not begun.

While the firm is "cash-rich", Mr Giebel said, it planned to boost income through its rental portfolio. It hopes next year to generate income of Dh250m from renting property at Central Park, a project under construction at Dubai International Financial Centre.

The D4bn project is a 50-50 venture with Dubai Properties.

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