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Work on Olgana will begin in second or third quarter : Abyaar

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Abyaar Real Estate Development, Kuwait-based developer, said it will start construction of Olgana Tower in Acacia Avenue Al Sofouh area by second or third quarter, said a spokesperson.

"We will begin construction of Olgana Tower after we hand over Acacia villas and secure the third portion of our loan from BKME," he told **Emirates Business** in a telephone interview.

Abyaar's response came after an investor in the Olgana Tower project raised concerns over the plan's status and handover delays.

Abyaar is the master-developer of Acacia Avenue, a mixed-use master development in Al Sofouh area in Dubai, comprising the Acacia Villas, Hilliana, Olgana, Tour Christian Lacroix and Bahja. In early 2009, the developer signed a phased loan deal with the Bank of Kuwait and the Middle East (BKME) for \$110 million (Dh403.7m) to fund its projects Acacia villas, Pier Eight and Acacia towers.

The developer has worked out a three-phase deal with BKME. "The loan amount would be used to complete current projects and to cover short-term commitments.

"The first phase deal is to build the Acacia villas, the second phase is to continue the development of Pier Eight and the third phase is to continue the development of Acacia Avenue towers.

"As soon as we are done with the villas by the second quarter, we will show BKME the progress of the development of these villas.

"We will then look to secure our third phase of financing from the bank in order to develop the Acacia towers in Acacia Avenue." According to the documents seen by this newspaper, the date of completion of the project was scheduled for second quarter of 2009.

"I have been to the site many times and there has been no progress on the project and the developer has stopped building," the investor said on condition of anonymity.

He said he owns four units in the tower and has invested around Dh2.5m.

The investor said: "Abyaar has not asked for more money as payment becomes due after the completion of the podium, which has not happened yet."

Olgana is a 34-storey residential tower comprising 139 apartments. The tower will include 30 one-



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bedroom, 61 two-bedroom, 29 three-bedroom and 15 four-bedroom units and five penthouses, according to the company website.

On visiting the Acacia Avenue site, this newspaper found the land plots for the towers did not show any construction activity.

"The plot of land designed for the Olgana tower is being dewatered indicating the developer's intention to build the project," said a worker.

Abyaar spokesperson said the developer is changing the contractor for its Olgana and Hilliana towers.

"When we first started the development on the towers, we had an agreement with a local contractor and now we believe that for the benefit of all the parties it is much better for us to find a new contracting company to work on the new designs."

Abyaar said around 50 Acacia villas will be delivered in the second quarter of 2010. The spokesperson said that no project has been cancelled by Abyaar. However, only those projects will be built where work and any development has begun.

"Those projects where no work has started, will be put on hold by us."

Abyaar has re-worked a new payment plan for the Olgana tower approved by the Real Estate Regulatory Agency (Rera). However, the investor said he has not received any notification from the developer on this.

On being asked why Abyaar had not informed all its investors on the new payment plan, the spokesperson said: "We don't want to promise anyone the date of delivery unless we don't have a picture of the financial process. As soon as we officially start the development of Olgana Tower, we will start contacting the buyers and investors on the new payment plan."

Meanwhile, Abyaar will commence construction of Pier Eight, a 40-storey residential building with 234 apartments in Dubai Marina, by early second quarter.

Abyaar official said the project will be completed in 16 to 18 months' time.

"We will be receiving the funding for Pier Eight from the bank by early second quarter and as soon as receive this, we will begin construction of the project. We started the development on this project and we reached the 16th floor."

On the Hilliana project, Abyaar said only 30 per cent of the tower was sold. "We are trying very hard with the investors and buyers on this project to give them a proper solution. We are not cancelling the project at the moment but we will be looking to shift the investors on the project to our other developments," said the spokesperson. The investor on Olgana is currently seeking a solution or compensation, owing to the delayed completion of the project.

Abyaar said the developer would take enough measures to provide solutions to its investors. "We will try our best to convince our buyers and investors in the future. In a way, we will be working on something and to make happy with the development. We will be offering our investors a solution



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as soon as we have something solid in hand to continue the development of the project.

"The financial crisis has slowed down our pace of construction. We, like the rest of the developers in Dubai, used to depend on self-financing. We have depended on selling our properties and receiving the cash-flow from our buyers.

"However, due to the financial crisis we couldn't continue to develop the project ourselves," the spokesperson said. "Now we have changed our strategy in terms of financing our project. We no more depend on ourselves. Hence, we are dealing with local banks in the UAE and local banks in Kuwait to make it easier on us to have the normal life-cycle of development."

In February, Abyaar signed an initial deal for loans worth KD45 million (Dh573.9m) from Global Investment House in a debt rescheduling plan.

Meanwhile, the investor has approached Rera for a solution and was advised to go to the Property Court.

On going to the Property Court, he has further been advised to go to the Arbitration Court.

Abyaar said has also put on hold the Ice Tower, a 31-storey, glass "shard" tower with 103 apartments in Dubai Marina, which is a joint-venture project between Abyaar and Mada'in Properties.

The developer is seeking a consolidation of its plot investments in Meydan.

"Abyaar and Mada'in Properties have jointly invested in four plots of land in Meydan. Around two to three weeks ago we agreed with the main master-developers of Meydan that we will take two plots according to the money we have paid."

According to the developer, its other project, Dubai Art District project in the International Media Production Zone (IMPZ), is too on hold for the moment.

"In our joint venture with Tecom investments at the IMPZ development we have a mixed-use project of commercial and residential called Dubai Art District. That has been put on hold," said the official.

Pier 24 in Dubai Marina comprising 152 hotel apartments has been delivered and is currently managed by Radisson Blu.

The developer confirmed that it has also delivered two office buildings in Dubai Investment Park called the Abyaar Business Centre.

Sanam acquisition

Abyaar said it is working on its acquisition plans of Sanam Real Estate, a Kuwaiti-listed company.

"We are still working on due diligence and on financing and the business plan of this acquisition.



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"We do think now is the best solution to continue our future development.," the spokesperson said.

"When the acquisition happens, Abyaar will control 100 per cent of Sanam Real Estate," he added.