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before deal**
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Nakheel to distribute \$1.5bn before deal

By Sarmad Khan and Angela Giuffrida

Nakheel Properties has pledged to spend US\$1.5 billion (Dh5.51bn) to finish stalled developments even before creditors agree to a debt restructuring plan presented last week by its parent, Dubai World.

The proposals are contained in a letter seen by The National that was sent to thousands of investors in stalled Nakheel projects the day after a \$23.5bn debt restructuring plan was presented to creditor banks of the Dubai World conglomerate.

The plan includes \$8bn of fresh funds for Nakheel, the developer of Dubai's Palm islands.

Chris O'Donnell, the chief executive of Nakheel, said in the letter the cash injection would "enable the business to move forward" and "it is critical that we resume delivering on our commitment to you and complete project developments that we have started".

Mr O'Donnell said that of the fresh funds, \$1.5bn would be made available to finish projects even before the proposal was agreed to by creditors. That action was to restore confidence among customers and in the wider property market, he said.

Nakheel would also be able to generate "new liquidity" as it received final payments from customers on the handover of their property.

Nakheel has been at the centre of Dubai World's debt woes after borrowing to fund ambitious projects such as the Palm islands, Waterfront and The World.

Most of the company's projects stalled when the global financial crisis hit Dubai in the third quarter of 2008, sending property prices on projects dropping by as much as 50 per cent.

In the letter, Mr O'Donnell outlined plans to placate customers who had bought homes, the completion of which had been held back by the financial crisis.

The funds would initially be used to finish projects that were nearer to completion, such as Al Furjan and Jumeirah Park.

Buyers in longer-term developments such as Palm Jebel Ali have been given the option of swapping their investments to a project that is closer to completion, or converting their deposits for assigned credit with a term of five years. They will also be given revised payment plans.

"The recapitalisation plan is the result of extensive discussions with the Government of Dubai and our stakeholders about how Nakheel can best move forward, and we believe it provides the best long-term value for all stakeholders," Mr O'Donnell said in the letter.

While confidence among Nakheel's customers has risen since the cash injection was announced last week, those who bought off-plan homes at Palm Jebel Ali as far back as 2003 hope to negotiate further with the company.

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About 700 buyers in the development, the second of the Palm islands trilogy, formed a group last year after work stalled. They plan to meet in London on April 10 to discuss the new proposals.

"Palm Jebel Ali falls under a long-term project, so it could be another few years before they start construction," said Aarti Chana, a spokeswoman for fellow investors in Palm Jebel Ali.

"We've been given the consolidation option but the properties offered aren't similar to the ones we bought, so it doesn't really make sense to consolidate. Everything offered has been put on the table without the consultation of the homeowners."

But the proposals will need the support of Nakheel's trade and financial creditors.

Under the Dubai World restructuring plan, each of the developer's trade creditors would receive a cash payment of up to Dh500,000 soon after an agreement was reached, with the remainder settled later.

In January, Arabtec Construction, the UAE's biggest construction firm, stopped work on its Dh2.99bn contract to build the first 1,500 homes at Al Furjan, citing Nakheel's non-payment of bills.

Riad Kamal, the chairman of Arabtec, said on Saturday the company hoped to reach an agreement with Nakheel this week, with a resumption of work soon after.

"Creditors should consider the offer very carefully and I see no reason why they should not accept it and move on," Mr Kamal said.

Majed Azzam, a property analyst at Al Futtaim HC Securities, said the move by Nakheel was a "win-win situation for both parties".