Solidere International eyes growth in Europe as it presses on with Middle East schemes

Developer completes first phase of Al Zorah project with Ajman Government

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Oussama Kabbani, chief operating officer of Solidere International. Antonie Robertson/The National

Solidere International, whose largest shareholder is Beirut-listed real estate developer Solidere, is eyeing opportunities in Europe as it regains momentum on GCC schemes, and hopes to make a decision on whether to expand in the first quarter of 2019.

"We are GCC based, but conservative divergence is a good approach, and Europe has some good opportunities," Oussama Kabbani, chief operating officer of Solidere International, told *The National* on Tuesday.

However, the developer is "very cautious" about 2019, as "geopolitical turbulence in the region has [negatively] impacted investments" and Solidere International did not record profit growth last year.

Consolidated net profit for the full-year 2017 was $21.7 million, a decline from 2016. Mr Kabbani expects the company to achieve profit growth again by 2020 based on current market sentiment.

Solidere International has a $1.4 billion portfolio across the UAE, Saudi Arabia and Lebanon, including projects under construction. It is 40 per cent owned by Lebanon-based Solidere, which was set up in 1994 to rebuild Beirut's ravaged city centre after civil war and has a market capitalisation of $1.6bn .

Solidere International is a separate entity registered in Dubai. It was created to help boost the larger Beirut company's bottom line by developing projects elsewhere in the Middle East, while political impasse and economic slowdown hampered growth in Lebanon.

Saudi Arabia is Solidere International’s best-performing market, where the developer has several residential and retail schemes, followed by the UAE, Mr Kabbani said. There are no plans for further projects in the kingdom at present, “but we are opportunistic and always keep an eye out”.

In the UAE, the company is building the $60bn Al Zorah residential community in a joint venture with the Government of Ajman. The scheme comprises 5.4 million square feet of coastal land on the border with Sharjah and the first phase of 29 villas, adjacent to the golf course and mangrove wetlands, is sold out and complete.

The first phase of Al Zorah in Ajman is complete. Antonie Robertson/The National

The next phase of 107 villas and townhouses is scheduled to complete in the first quarter of 2020.

However, the project has been scaled down amid an ongoing real estate market decline. UAE property prices have slipped in the three years since oil prices fell from $100 per barrel in 2014, and the northern Emirates of Sharjah and Ajman, whose economies are smaller than those of neighbouring Dubai and Abu Dhabi, have been hit especially hard.

In 2010, around half the land set aside for Al Zorah was returned to the Ajman Government, which provided the land in the 50:50 joint venture. Solidere provided the equity.

Al Zorah's Marina 1 inside the development. Antonie Robertson/The National

Al Zorah will now aim to accommodate 50,000 people, down from an original target of 200,000, Mr Kabbani said. Relaxed payment plans are being offered to investors, and the developer has put 17 plots of land up for development by third parties to maximise revenues, and is in joint venture talks with “three or four parties”, said Al Zorah chief executive Imad Dana.

He said there are plans to increase the amount of commercial real estate to maximise revenues, including a wellness centre, three more hotels beyond the Oberoi Al Zorah, which opened last year, and a school. Talks were ongoing with GEMS Education, the CEO added. Mr Dana said the whole project could take another 15 years to complete.