

13 December, 2018

Al Zorah seeks third-party investors to help develop huge Ajman site

Focus on the 5.4 million square-metre master planned development will remain on bringing more leisure and tourism onto the site



View of first phase of the Golf Villas project located within the Al Zorah mixed-use development in Ajman

Al Zorah handout via Thomson Reuters Projects

By Anoop Menon, Thomson Reuters Projects News

One of the largest public-private partnership (PPP) real estate projects in the Middle East is looking at strategic partnerships and joint ventures to drive the next phase of its development.

New projects in Al Zorah, the 5.4 million square metre master-development in Ajman in the United Arab Emirates (UAE), would be driven by third-party investors and developers and also residential end-users, according to top executives of Al Zorah Development Company, the project's developer.

The mixed-use project, an equally-owned joint venture between the Lebanese developer Solidere and the Ajman government, was launched in early 2008 but the onset of global financial crisis

later that year forced the developer to rescale and right size the project, the executives said during a media briefing on Tuesday.

The project's ambitious master plan was scaled down by 50 percent, and surplus land returned to the Ajman government in 2010, while its leisure and tourism components were prioritised over residential real estate.

Moreover, the "soft" conditions experienced by the UAE real estate market over the past few years in the aftermath of low oil prices have forced the company to recalibrate its development strategy once again, the executives observed.

"All developers are facing a similar slowdown in the sales of their product and this condition may be with us for some years to come," said Imad Dana, CEO, Al Zorah Development Company.

On the projects side, the company would be looking to drive future developments through third-party investments, joint ventures and strategic partnerships, according to Oussama Kabbani, chief operating officer of Solidere International.

A company fact sheet shared during the event said this year [2018] marks a turning point for Al Zorah as it focuses on "the reduction of self-financed development projects and considers better diversification of revenue sources, which will include recurring lease income, individual land sales and profit from in-kind contributions".

The master development's first phase, delivered between 2009 and 2018, has included an 18-hole golf course, the Oberoi Al Zorah Beach Resort, the first of its four marinas and the first phase of its residential golf community comprising 29 villas and 10 townhouses.

"During this period, one important thing we did to show investors our seriousness was to complete all the infrastructure works including landscaping. Most of our plots are on plug and play status so developers can come in and build without worrying about the infrastructure," he said, adding that the company has invested 700 million UAE dirhams (\$190.6 million) in infrastructure works.

Most of the development activity in the second phase would be concentrated around the golf course area and include villas, apartments and individual plots, according to the fact sheet.

Dana said the company is offering 18 plots of land near the golf course to developers for "G+3 to G+6" low-rise residential buildings. These plots come bundled with designs approved by Ajman Municipality to save them money, and also ensure that overall quality is protected.

"We have designed it fully and the buyers have to abide by it," he said.

In an interview with Thomson Reuters Projects on sidelines of the briefing, Dana revealed that the company would also offer five plots for "G+13" mid-rise apartment buildings and 40 villa plots in the golf community.

"We are thinking of offering [the villa plots] as land but with a concept design. This will be announced in the first quarter of 2019," he said.

Completion of the golf community is part of the second phase of Al Zorah, added Kabbani.

"The golf community, when complete, will house a total of 600 apartment units and 200 villas and townhouses," he said.

The fact sheet said the agenda for 2019 includes targeting more residential end-users to create the critical mass that would sustain the development's commercial and educational components.

Dana pointed out that the company is currently constructing 80 townhouses scheduled for completion by the second quarter of 2020, and added that that total number of residential units within the Golf Community would not exceed 1,000.

He said Al Zorah is also looking at equal-ownership joint ventures to develop commercial projects.

"We are ready to put the land in kind while they put in the cash but this will be for big projects like resorts and not for villas or buildings," he clarified.

Kabbani said the development had attracted the attention of foreign investors due to its proximity to "the 2.5 million people catchment area in the Northern Emirates".

"The quality of the work we have done so far is attracting foreign investors who understand that real estate is a long-term investment. They understand that it is right period to enter the market as the land prices and offerings are realistic, the construction cost is realistic," he noted.

The second phase of Al Zorah, he continued, will focus on providing commercial and educational support to the community.

Dana added that an agreement has been signed with one regional operator to develop a school in Al Zorah inspired by a north American college lifestyle, and that talks are underway with local investors to build commercial facilities.

The fact sheet had noted that that on the commercial front, Al Zorah will promote new developments along its main frontage on Al Ittihad Road to capture a more diverse client base and capitalise on the anticipated upgrade for the road.

On Wednesday, Thomson Reuters Projects reported that the company is in talks with investors for developing a 350,000 sqm site near the entry point to the development facing the Al Ittihad Road. He didn't elaborate on plans for this plot, but said it would have a significant retail component.

