

What goes down, comes up: Damac CEO

Damac Properties has been at the receiving end of the rumour mill. **Utpal Bhattacharya** speaks to Peter Riddoch, CEO of Damac Properties, to find out what plans the company has to come out of the difficult times.

In this climate of doom and gloom, when all that you hear is projects being shelved or postponed, or, cheques that have bounced, or, people who have lost their jobs, we tend to lose sight of the many who are braving it out, and those that remain committed to delivering what they promised. While it's instinctive and natural for people to react negatively when they don't get what was promised to them on time, in times like today perhaps it's time to try to accommodate and take into consideration new realities.

The real estate sector, which is the hardest hit industry in the Gulf, and more specifically in Dubai, has been cutting back on employment at the same speed that it had gone about hiring people. This boom and bust has caused upheavals in the lives of individuals and their families alike, especially those expatriates that were forced to displace more than once at short intervals, thus creating tremendous difficulties for the education of children and secondary income earners.

But these are also extraordinary times, and even the strongest of whingers is likely to think twice before pointing any fingers at his employer for asking him to go. It's plain to see that the stream of money that dried up some time ago is still only trickling, despite measures taken by governments. The velocity of money has slowed down so fast that it has caught businesses off guard. Going forward, one can only envisage further slowdown in the short-term. Of course, when it comes to the medium or long-term, it is not easy to make any call at all.

What is however interesting is that even in these hours of despondency there are business leaders who are

ready to don a positive mantle and argue that markets are more dynamic and not unidirectional and that what goes down, will come up.

Peter Riddoch, CEO of Damac Properties, is one such professional. He says: "When the market goes up, people think the rally will never end, and unfortunately, when it starts moving down, people think the same way that it will never stop. But they are always proved wrong in the end."

Damac has been at the receiving end of a rumour ridden market in the Gulf, although the company has been able to hold its own. That does not mean that the property developer has not made some of its employees redundant. Every company is looking at ways of reducing costs and Damac is no exception.

Riddoch notes that no one is immune to what is happening. He considers the current recession to be the deepest recession in the lives of the vast majority of people that live in the world today. But then, he adds quickly, there are some positive things to talk about. He believes that those who have large portfolios in Dubai will benefit from the goodwill of Dubai as an asset class when the upturn begins.

Dubai has some of the finest iconic buildings in the world that will be always coveted. Besides, the Damac CEO believes that the global recovery will begin from the East and not from the West, and Dubai is right there in an advantageous position to benefit from it.

"The property sector will recover, and as soon as the economy starts to turn people will start coming back to Dubai in large numbers again. And once that happens, people will again have to stay

somewhere, work some place and shop," he notes.

Carrying on with it

Riddoch says that those who want to be well placed for the next upturn must be prepared to renegotiate and talk about terms and conditions with their suppliers now. They must do it taking into consideration the reality of today and not the joy of yesterday, he adds.

Damac Properties has described 2008 as the 'year of construction', during which the company aggressively focused on construction and contract delivery to trusted and quality contractors. The company also handed over 2,300 homes to customers during the year. Damac is also expected to handover approximately



7,100 units in 2009-2010 across the GCC region.

In 2009, Damac is going to start a number of projects that have been sold earlier to customers.

According to Riddoch, the total number of Damac projects in the UAE on which work is likely to begin this year is 10. The total estimated cost to build these projects is approximately AED2.5 billion.

"All these projects are well sold, and we expect to start putting contractors on sight towards the back end of summer and some of them towards the end of the year," the Damac CEO says.

In 2008, more than 18 million man hours were worked across Damac Properties' major sites in Dubai, and currently the company has over 11,500 units under construction in the GCC region. This year the company's focus will be on timely completion and delivery of projects and units.

"It is a fact that we live in very challenging times, but we also believe that we have taken lots of decisions necessary to place us well going forward," notes Riddoch.

He also says that Damac's projects are well funded, as there are escrow accounts for these projects on which work is going

to start this year. And he believes that this gives confidence to contractors and consultants to work with the company, according to him.

"Damac is well positioned to complete all its projects. We believe that the range of projects we have, and the locations that they are in, make them attractive for both investors and home buyers," he adds.

"We will continue to award contracts at all of our key sites and will work with a broad range of respectable and reputed companies. We believe that allowing for the vagaries of the markets we will be able to deliver within the parameters that we committed," he says.

But what about the problems of payment defaults and bouncing cheques? The CEO wouldn't give a definite answer to that question. He, however, says that the company is working very closely with those customers that might have difficulties in fulfilling payment obligations.

Lack of liquidity

While Damac will not be launching any new projects this year, as there are no many buyers out in the market, the CEO is hoping that the mortgage market in the UAE start loosening up in the very near future. He does, however, disclose that a significant majority of Damac's buyers are cash buyers, and even those who want to pay with a mortgage, are first screened by the property developer's mortgage cell before passing them on to banks or other financiers.

In current market conditions, when liquidity is an issue and credit is hard to come by, to have a significant number of cash buyers is a good position for any company to be in. But the question is who these buyers are. And to that question, Riddoch says that some of the major markets that have been affected by the current downturn are Europe, the UK and the US. He says buyers from these markets are not buying in the UAE market anymore. However, all the other markets are still active and buyers from these markets are on the lookout for good deals.

"Buyers from markets, other than the US or Europe are still around. Although it is fair to say that it does take a lot more work to close a deal today," he adds.



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Damac has a geographically diversified portfolio. Although the bulk of the company's projects are in Dubai, the property developer has launched projects in Abu Dhabi, Qatar, Saudi Arabia, Jordan and Egypt. Riddoch says that the company is not pursuing any more projects right now outside of Dubai given the current market conditions, but those projects that have been already launched are now going through the master planning phase.

"We are not actively pursuing new business opportunities overseas at this point in time. We think it is important for us to concentrate on what we have got now," points out the Damac CEO.

Damac also does not have any plans of entering the leasing space at this point in time. The company will continue to offer off-plan property development and do facilities management on behalf of homeowners in the buildings that it builds, and above all, try to keep the ship on an even keel and ride out the very bad times. HW

