From: "Farkas, Andrew L." <[redacted]>
To: "Epstein (jeevacation@gmail.com)" <jeevacation@gmail.com>
Subject: FW: Nakheel Story
Date: Fri, 24 Apr 2009 14:05:29 +0000

From: Garner, Charles
Sent: Friday, April 24, 2009 9:52 AM
To: Farkas, Andrew L.; Garrison, Frank; Lande, Mark; Levy, Marc; Kaplan, Daniel
Subject: Nakheel Story

We seem to be in good company with Nakheel:

Is Nakheel not paying?

Posted By Aarti Nagraj On April 23, 2009 @ 8:46 pm In Cover Story, Dubai, Money, Real Estate, The Work | No Comments<http://www.kippreport.com/kipp/2009/04/23/is-nakheel-not-paying/print/#comments_controls#comments_controls>

A report in the UK-based magazine [1] New Civil Engineer<http://www.nce.co.uk/consultants-fight-dubai-clients-for-unpaid-fees/5200844.article> quotes analysts as saying that real estate developer Nakheel has not paid debts amounting to more than $290 million. The money is owed to engineering companies in the UK such as Atkins, Mouchel, Scott Wilson and WSP.

Nakheel has declined to comment, saying only that it "doesn't disclose confidential information about supplier contracts."

Earlier this month, Atkins revealed that delays in payment for its Middle-Eastern projects had forced the company to use around $36 million of its own cash to keep operations running over the past three months. "We expect that cash collection will remain challenging for at least the next few months," the company said.

According to the report in New Civil Engineer, WSP also released a statement recently, stating that it was making "appropriate and prudent provisions in respect of potential impairment of trade receivables and unbilled amounts due on contracts" in the Middle East.

Like most developers in the region, and around the world, Nakheel has been hit hard by the financial crisis. Last month it announced that its $3 billion mall expansion program would be delayed by 12 months.

In February this year, it indefinitely delayed the start of construction of the Worlds of Discovery theme park project. The development, which will include four water theme parks, is being undertaken in partnership with the US-based Busch Entertainment Corporation.

In January, the developer announced that it would halt work on its one kilometer tall tower, the Nakheel Harbour & Tower, for a year. And in December last year, Nakheel confirmed that work on the Trump International Hotel and Tower in Palm Jumeirah had stopped, and that the project would be delayed indefinitely. It also postponed work on Frond N villas, Gateway Towers and The Universe. In November, the developer laid off 15 percent of its workforce - 500 employees.

Around the world, real estate has been one of the sectors hit hardest by the financial crisis. Deutsche Bank [2] estimates<http://www.time.com/time/business/article/0,8599,1893125,00.html> that in the US, up to half of the $1.3 trillion in commercial property loans dues for repayment by 2013 could be ineligible for refinancing - a potential time bomb for developers, many of whom will not be able to repay the debt.

Being a government-owned company, Nakheel is eligible for a slice of the $10 billion raised by the Dubai government through a sale of bonds to the UAE Central Bank. Earlier this week, Nasser al-Shaikh, director general of Dubai Department of Finance, said that more than half of the $10 billion has been distributed to government-owned firms. He did not disclose names, but said the situation at these companies had improved. “All of the state-linked real estate developers have already started paying their bills,” he told Dubai Eye radio station.

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