



Investing into Real Estate through a property company or fund

By Bill Tatham, Chief Operating Officer, Caledonian Investment Management Ltd



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Many investors have had success over the past few years investing in property in the UAE, either by purchasing and letting out a completed unit, or by buying and selling a unit off-plan prior to completion.

There is little doubt that the easy money has been made and that the market will be more mature, with it being harder to make easy

returns in the future. Nevertheless there remain many property investment opportunities in the UAE over the medium term and the long term outlook, as the economy of the UAE is still very positive.

An alternative to purchasing your own investment is to pool your money together with other investors in a property company or fund. There are a number of key advantages to be gained by investing into a property fund, over purchasing assets direct.

First and foremost is that you are pooling your money together with other investors and for an outlay of typically of USD100,000, you can gain direct exposure to the property market. The cash within any property fund will usually be invested in a spread of different assets, including residential and commercial, completed and off-plan, and perhaps spread in different Emirates across the UAE.

This diversification considerably reduces your individual risk and exposure to a project which might be behind schedule or has run into difficulties. You also do not have to fund any future payments, as your investment is a one-off commitment. You have the benefit that depending upon the terms of the fund; you will have access to your investment and liquidity, although you should not consider an investment into a property fund for less than three years.

Although you may be a confident investor, one of the benefits of investing through a property fund is that you are accessing the skill and experience of typically an existing fund management team who not only have more experience of investing in property than yourself individually but who, by pooling together resources, will be obtain discounts and access to more interesting deals. This is the key to generating an above average return.

Property funds or companies work in different ways but

typically an investor commits a sum of money to a legal entity which is managed by a fund management team. The assets will often be held independently by a custodian or administrator and there will be a detailed offering memorandum explaining all of the rules, investment objectives and any fees and expenses involved.

In addition to the work I do for Dubai Luxury Homes, I am also the Chief Operating Officer of Caledonian Investment Management Ltd. Caledonian emerged in 2001 to take advantage of the potential opportunities that were to arise in the Gulf Property Market with the prospect of the freehold property market emerging in the Middle East. We have a track record already of four property companies over the past four years, typically averaging a return of 30 to 50% per annum. Some of our companies are focused on capital growth and others secure completed property for active lettings and management. Currently we are launching a new product which will accept subscriptions from investors each month with the opportunity to access their capital and the profits made after just 18 months if required. The Caledonian Gulf Venture Property Ltd will, like our offerings, invest into a spread of assets within the UAE and will have independent administrators, custodians and auditors.

The investment objective is to generate capital growth by investing in land and property, whether completed or 'off-plan' in the Gulf Region, principally focusing initially on the United Arab Emirates. The company will initially look to actively trade property and land, buying and selling assets in order to achieve a realisable gain over a short timescale, including the utilisation of guaranteed short-term return opportunities.

It is not envisaged that the company will initially purchase and rent out a large proportion of completed property, although this may change as more completed property becomes available. Initially the geographical focus of the company will be Dubai and Abu Dhabi, and subsequently other Emirates including Ras-al-Khaimah, Ajman and Umm-al-Quwain.

Why might you consider investing in a property fund or company now, or in the future? There is still an overwhelming wealth of evidence supporting the medium and long term opportunities for the UAE over the next twenty years. However, the risk is now greater in the UAE where you may make a poor decision about the purchase of an individual unit and now, more than ever, you should consider not only pooling your assets together with other investors, but also relying on the experience of existing investment managers.

A number of property funds are currently being launched and will continue to do so in 2009 as Caledonian, like other property management groups, are interested in making selective purchases at the moment during current market conditions, as prices are more attractive to an investor than they were twelve months ago.

Funds that can commit capital during these difficult market conditions will be able to benefit from high rates of return as the market gradually picks up and recovers over the next few years. So if you think that investing in a property fund or company would be a good move, why not look into the issue further on www.caledonian.ae or contact us through www.dubailuxuryhomes.com or btatham@caledonian.ae

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