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Chinese Investors Change Face of Dubai

Investment by Individual Chinese Investors Nearly Tripled Last Year

<http://si.wsj.net/public/resources/images/MI-CC137_CHINAD_D_20140401=51742.jpg> Shoppers visit a store in the Dragon Mart shopping mall, part of an emerging Chinese retail center in Dubai. Photo: ASSOCIATED PRESS

By
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About 15 miles from the Burj Khalifa on the edge of the Arabian desert is a growing housing and retail community that would look more at home in Beijing than Dubai: Stores and restaurants have Chinese signs and a huge dragon sculpture adorns the Dragon Mart shopping mall.<=span>

After pouring billions of dollars into cities including London, New York and Sydney, individual investors and developers in China are expanding into Dubai.

Chinese investors and developers weren't very active before 2009, when Dubai was hit by a real-estate crisis. But they now play an increasingly important role in the market, according to brokers, developers and analysts.

Demand from individual buyers is helping launch new developments and fueling Dubai's residential recovery, while Chinese contractors and banks are revitalizing high-profile projects that stalled in the previous boom.

<= style="margin: 0px 0px 0.75rem; padding: 0px; border: 0px; outline: 0px; vertical-align: baseline;">The market looked a lot different in 2009, when Dubai World, one of the emirate's major government-owned holding companies, said it would stop making debt repayments, shocking global financial markets and sparking a drop in residential house prices of more than 5%. The Burj Khalifa, the world's tallest tower, opened weeks later.<=p>

While residential prices rose by about 35% last year, they still are 20% off their previous peak. In prime commercial property, the market aimed at medium-to-large corporations, prices are projected to rise by about 10% in 2014, after a 5%-to-7% increase last year, according to Knight Frank, a London-based property consultancy.<=p>

Indians, Britons, Pakistanis and Saudis were the biggest foreign purchasers in the previous boom, and again make up the largest portion of buyers. But Chinese investors are now one of the fastest-growing buyers in the market, according to the Land Department.

Built in 2004 on the outskirts of the city, Dragon Mart was developed by Nakheel, one of Dubai's biggest government-owned developers. It has become such a popular mall that Nakheel is now adding 177,000 square meters (1.9 million square feet) of retail space and a hotel.

Around this retail Mecca, a Chinese community has sprung up in a residential estate called International City, which also was built by Nakheel. The developer estimates that half the population of about 100,000 in International City is from China.

What's more, about half a new development of about a thousand town houses has been sold to Chinese investors, according to Ali Rashid Lootah, the chairman of Nakheel. "They have bought in other areas, but not as much as International City," Mr. Lootah adds.

Many wealthy Chinese seek to invest abroad to diversify. They find Dubai attractive partly because they believe they can achieve returns of as much as 30% annually—better than Hong Kong, Shanghai and Beijing, where real-estate markets are cooling, according to brokers, analysts and investors.

"The prices in Dubai are much lower than in China," said Joan Chang, 32, a resident of the United Arab Emirates who is originally from Shanghai. She manages her and her husband's portfolio of five one- and two-bedroom apartments throughout the emirate and is looking to purchase a villa.

In 2020, Dubai will host World Expo, a six-month trade fair that analysts forecast will boost the emirate's economy and increase real-estate prices. "This is the main advantage Dubai has in the future," Mrs. Chang adds.

Underpinning Chinese residential investment are greater commercial trade ties between the U.A.E. and China, noticeably in commercial real estate. Chinese developers, both private and state-owned, are expanding throughout the world as they seek stable returns outside their slowing home market.

Last year in Dubai, state-owned China State Construction Engineering Corp. bought an undisclosed stake in the \$1 billion Vicroy Hotel on the Palm Jumeirah. It created a joint-venture development company with Dubai-based developer SKAI Holdings to build and manage the project and helped the venture win \$201 million in financing from Industrial and Commercial Bank of China, according to executives at China State Construction and SKAI.

China State Construction is known for building some of the highest-profile works in China—including the national swimming center in Beijing known as the Water Cube and Hong Kong International airport.

But now it is expanding overseas and moving into development, rather than solely construction. In December, it bought New York-based Plaza Construction for an undisclosed sum and it is building a \$3.4 billion casino and resort in the Bahamas. It also has a number of significant contracts in Abu Dhabi, 100 miles down the road from Dubai in the U.A.E.

—Jason Chow contributed to this article.

Sent from my iPhone

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