

Robin's return

Robin Lohmann was once the darling of the Dubai property industry, with sporting legends including Michael Schumacher and Boris Becker lining up to do business with him. Today, amid a massive property market crash, his company ACI is at the centre of a storm, following a series of allegations over what happened to his investors' cash. He spoke exclusively to *Arabian Business*.

BY ALEX DELMAR-MORGAN AND ANIL BHOYRUL





It's January 2008 and Robin Lohmann couldn't be happier. He has just given a joint press conference with Michael Schumacher at the Jumeirah Beach Hotel, after which the ACI (Alternative Capital Invest) boss and the F1 legend jump into a golf buggy. They are pursued by the world's media, eager for more. After all, Schumacher has won seven F1 titles, while Lohmann himself has also become a national hero back home in Germany. The property developer is the darling of the industry, thanks largely to his branded sports developments. He boasts of having over AED1bn already invested in Dubai, and everyone wants a slice of the action.

A farcical chase on golf buggies ends at the hotel's conference centre, where Lohmann agrees to do one-to-one interviews. "You all need to calm down. Michael and I are not going anywhere," he tells us.

Eighteen months is a long time in the property industry. Lohmann, managing director of ACI, is still not "going anywhere," as authorities investigate complaints from investors. House prices have plunged 50 percent or more. Investors expecting their first big cheques in March this year from his development fund are still waiting. Construction is either slow or non-existent on many flagship projects. His ventures on Nakheel's Waterfront development, which he says have left him, his group and partners high and dry to the tune of AED800m (\$217.8m), have completely stalled.

Accusations and counter-accusations are coming faster than Schumacher in a Ferrari.

For a man under pressure, Lohmann is well turned out in a crisply ironed white shirt, suit trousers and black shoes. But he looks tired, a man with a lot on his plate. "Of course I am stressed. Wouldn't you be?" he sighs.

So what's gone wrong? Lohmann takes two hours to explain...

Personal allegations

Damaging allegations about Lohmann's private life have been strewn all over the German press in recent weeks. These include claims he led a lavish lifestyle with the money of his investors, purchasing several expensive cars and a private jet. It has also been

AED800m

The amount of money Lohmann's firm ACI has tied up in Nakheel's Waterfront development.



▲ A building in Dubai is fully covered with advertising signs announcing the launch of three ACI towers that carry the names of three sports legends.

alleged that he transferred sums of money to South America, and that he is currently in the process of obtaining two new South American passports, for himself and his father, Uwe (who founded ACI).

"Nonsense," he says, claiming that the allegations are the work of a German website, gomopa.net, which has its own agenda.

"I don't have a private jet for €7m and my father never needed to cancel an order for a private jet anywhere in the world. After this nonsense was cleared up, the next idea was that I have purchased six Bentley Continental GTs, each for €200,000 (\$277,893) so I could have one for each working day. This isn't true, you can go to the RTA [Roads Transport Authority] and check for yourself."

He also strongly rejects the claims that appeared last week suggesting he was planning to move to South America and had already transferred money there: "Maybe you will read in the future that I needed to buy 30 bicycles, one for each day in the month! The reason might be that I was not able to pay for my petrol anymore because I send all my money to Bahrain and Belize."

He adds: "They say my father and myself have ordered two South American passports for 750,000 from a company in Panama. We are more than happy with our German

passports and we never faced any problems with them."

It has also been claimed that Lohmann's former business partner, Sanjay Chimani, who was joint managing director of ACI, has returned to India after being investigated for having links to Indian tycoon Kabir

Mulchandani, who was arrested by Dubai Police at the start of the year for suspected fraud.

"Sanjay is now in India, but he was not an investor in ACI and not financially linked to the company," says Lohmann.

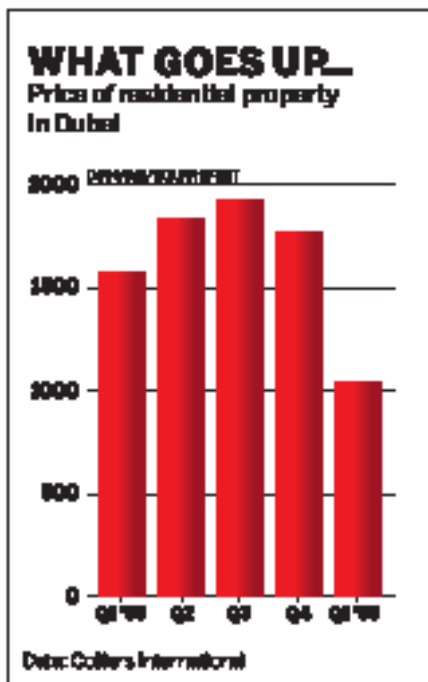
He adds: "For me there is no chance I will do a hit and run. You know why? Because I haven't even collected the money I have invested and spent here. I'm not going ahead and losing AED500m (\$136.1m), it's not the way."

ACI property development funds

Much of the controversy centres on ACI's funds, used to finance residential and commercial real estate projects in Dubai, of which there were seven.

The model was simple: money from the funds would be used to purchase a plot to develop a project, ACI Real Estate LLC would 'flip' the building to several buyers for a profit. Investors would then be able to redeem their money, plus a profit, and the company would see a healthy return. German investors paid around €60m (AED257m) into these funds. So what went wrong and why are there a group of angry German investors claiming they have been owed money since March?

Lohmann explains that there has been a lot of "nonsense" spoken. The first fund was for a



► Last year, ACI launched three towers using (clockwise from top) tennis legend Boris Becker, racing driver Niki Lauda and F1 champion Michael Schumacher, as branding partners.

project in Jumeirah Lake Towers, for which all investors have been paid, he claims.

"We started in 2004 with Jumeirah Lake Towers. We bought it at AED 600 per square foot, and sold it for AED 1800 per square foot in 2008 - a 300 percent increase in four years," he says.

Funds six and seven related to investments in the sports-branded Michael Schumacher and Nikki Lauder developments - but payments from these projects are not, contrary to reports, due until 2012, he adds.

Which leaves funds two to five. Funds two and three were used for ACI's City of Arabia development, fund four for Business Bay and fund five for Victory Bay. Investors expecting a payment due from these in March this year are still waiting - and will have to keep waiting.

"Giving money back is not an option as this point in time. The money has been invested in the land, which is fully paid for, and the money has been spent in the development, which is normal - the contractor and suppliers are not working for free," Lohmann says. "The only way to get the money back is to complete the building from our side, and third party purchasers have to fulfill their payment obligations as well."

He is equally blunt on the subject of direct property investors:

"What investors don't understand is that I have not sold anything for the last seven months. Listen, if you bought Emaar stock for AED 20 and it went to AED 2, you don't go to Mohammed Alabbar and say 'I want my money back.'"

He adds: "To liquidate anything in this kind of market scenario is very difficult. The market as well as the investors need to have some patience."

Additional security for investors

Lohmann has faced calls from his German investors to pay them the money they say they were owed in March. He says he doesn't have it, but claims he is prepared to offer them additional security as a gesture of goodwill in the form of off-plan properties owned by Falcon International Investment Group.

Many investors have criticised this move, saying they do not know enough about Falcon and the value of its assets.



Lohmann says: "What I don't understand is why we are getting blamed for this kind of action. We wanted to show them alternative solutions, we wanted to show them that we are working on solutions, but right now we can't give them the due amount back because we are not able to liquidate anything."

"We have provided investors with assets exceeding double the amount which was due to them in March plus they still have their original investment in the developments."

Branded sports towers

In January last year, ACI launched three towers using famous sports stars as branding partners: German F1 champion Michael Schumacher, Austrian racing driver Niki Lauder and Wimbledon tennis champion Boris Becker. At the time, the move was hailed a branding masterstroke as investors raced to snap up units and entire floors of the projects.

Eighteen months down the line, construction is severely delayed, with

“The Boris Becker tower, the project is already up to the second floor. So to change the main contractor is difficult”

Schumacher Business Avenue a year behind schedule after having completed shoring and piling. The new main contractor has been appointed and is currently mobilizing the construction side of the project. It is now due for completion in the summer of 2011.

Lohmann predicts the Boris Becker Business Tower, which is built up to the second floor, will be finished in the second quarter of 2010.

The situation with the branded towers, Lohmann says, has been complicated by South Korean construction firm Shinsung, which was awarded two contracts worth \$408m in February 2008 to build the developments. The company, however, filed for protection from bankruptcy in December last year. ACI duly terminated its contract with Shinsung on the Schumacher scheme, but because construction has already started on the Boris Becker project, Lohmann has been left with another headache.

“On the Boris Becker tower, we have faced a problem because the project is already up to the second floor. So to change the main contractor is difficult,” he explains. “The other contractor will have to build to the nineteenth floor. You can’t resolve it overnight.”

For the time being, of more concern to ACI is the level of investor defaults on its projects. Lohmann says this is the main reason for project delays - and he doesn’t mince his words:

“If everybody paid me on time, then I could progress on the site much faster,” he shouts. “The Boris Becker tower will be ready in the second quarter of 2010 and Schumacher will take two years from now, but only if people pay. If people don’t pay, we will have to slow down more.”

“The branded towers are all under construction and will remain under construction. And because they are under construction, you [the investors] have no right to get your money back, your right is to pay me.”

Problems with RERA

Reports last year claimed that ACI was under investigation by Dubai property watchdog



► An artist's impression of (top to bottom): the Boris Becker Tower, Schumacher Tower and Ferretti Luxury projects being developed by ACI.

RERA (the Real Estate Regulatory Authority). Lohmann says this is “nonsense,” and that “no investigation has ever taken place.”

However, he complains that the Dubai Land Department has recently tightened certain laws, prohibiting developers from single-handedly terminating investor contracts.

The newly introduced Law 9, Lohmann claims, means developers now have to send three payment reminders and a legal notice to an investor who has defaulted, before handing over documents to RERA. It is RERA who then decides whether to cancel the contract.

He explains: “We do not have the strength any more to sit with the investors and to push them for payments. Some of the investors don’t consider payment reminders and legal notices anymore. They wait to receive the final payment reminder from RERA, which grants them another thirty days to make their overdue payments.”

“Since all of our projects have construction-linked payment plans, we have to work very closely with our contractors to match the necessary cash flow.”

The Waterfront

Lohmann’s most pressing concern is when Nakheel’s Waterfront development, a seaside mega-project in Jebel Ali planned to be twice the size of Hong Kong, will be built.

He claims to have invested within the group and his partners AED800m in plots on the project, money he can claim back only if the project is cancelled rather than postponed.

Part of the AED800m is assigned to the development of ACI’s flagship Ferretti Luxury Beach Residence and Pershing Luxury Beach Residence projects. Many of the investors in these projects are demanding their money back and, given the lack of any construction progress, are growing increasingly restless.

Lohmann explains that he cannot give his investors an answer on the status of the projects because he himself doesn’t have one: “We have invested in several plots in Dubai Waterfront.”

We need to know from the master developer of Waterfront, which is Nakheel, if they plan to go ahead with the project now or not. Once we have these answers we can give to our investors answers.”

(At the time of going to press, Nakheel was not available for comment. However, its website shows that some other projects on the Waterfront are underway.) **AB**