



*Entrepreneurial Leader*

*Amin Al Arrayed*

# Success through sustainability

For Amin Al Arrayed, the general manager of First Bahrain Real Estate Development Company, there can be no success without sustainability. Which is why he is rightfully proud of the developer's maiden venture which has seen him nurture and grow a successful multi-million-dollar warehouse and logistics facility for small and medium enterprises (SMEs) in Bahrain.

Called Majaal, the project has made waves since its launch in January – helping create jobs while generating foreign investment into the kingdom – and is now poised to expand under a second phase of development. As Al Arrayed puts it: “It’s about making things work.”

A firm advocate of demand-driven investment based on Islamic principles, Al Arrayed has more than a decade of experience in banking and finance.

After earning a bachelor's degree from the University of Redlands, California, his career path saw him work as the Regional Head of the Retail Banking Division at BBK (Bank of Bahrain and Kuwait) and Head of Retail and Placement at Real Estate Finance Company (Reef) in Bahrain.

A stint with Bahrain's government in 2001 also saw him work as Superintendent of Domestic Affairs for the Central Bank of Bahrain (CBB), formerly Bahrain Monetary Agency (BMA), during which time he was seconded to the International Monetary Fund (IMF) in Washington DC, where he assisted in the development of a macroeconomic framework for Bahrain and initiated a comparative study of monetary and exchange rate policy issues in GCC countries.

While working full time and starting a family, Al Arrayed decided to hone his skills further and earned a master of business administration (MBA) with distinction from the DePaul University, Kellstadt Graduate School of Business in Chicago, US, through DePaul's programme in Bahrain.

In 2006, Al Arrayed joined real estate developer First Bahrain – which operates out of Bahrain and Kuwait – as its founding general manager.

This gave him the opportunity to put his entrepreneurial skills to the test.

Reporting to a board of directors in Kuwait, Al Arrayed was tasked with the overall profitability of

First Bahrain and to spearhead business alliances, while ensuring that the company operates within the principles of Shari'ah law.

Building a team from the ground up, he set strategic objectives in place while proposing the concept for warehouse space in Bahrain for SMEs. Working closely with his Head of Investments, Head of Development and Head of Operations, Al Arrayed then set about taking Majaal from concept to completion, opening the first phase on budget and on time in January this year.

Since its launch, Majaal has attracted eight tenants who have together taken up more than half of the 12,000 sq m of leasable space available under the first phase at the facility.

Located at the prestigious Salman Industrial City in Hidd, the project has attracted a varied mix of reputed tenants, according to Al Arrayed, who is also the managing director of Majaal Warehouse Company.

“We are moving very briskly with new tenants signing up by the week,” says Al Arrayed.

To date, Majaal's occupants include Al Khaleej Development Company (Tameer), a leading real estate investment, advisory and property developer; Elias Industries, a pump manufacturer with a global client list; Gulf Polytex, a manufacturer of permeable sun-shading systems and awnings; Freddy's, an exclusive vehicle leather upholsterer; Fugro, an international engineering services company; a major regional bank and a pharmaceuticals firm, among others.

Majaal is conceived specifically to meet the needs of SMEs by providing flexible, convenient, high quality and secure warehousing and business solutions.

Covering a sprawling area of 60,000 sq m at the Bahrain Investment Wharf within Salman Industrial City, Majaal is being developed in three phases at a total cost of \$45 million, with each phase covering 20,000 sq m and offering 12,000 sq m of leasable space.

In addition to the warehousing spaces, units are complemented with a range of value-added services including round-the-clock security, state-of-the-art information communication technology







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provisions, and assistance on efficient design and use of spaces, which are available from as little as 250 sq m.

“Our business model is focused on the SME sector and our leases typically range between 250 and 1,000 sq m,” says Al Arrayed, adding that First Bahrain’s stakeholders have been “quite happy with the uptake on the project this far”.

With nearly half of the first phase leased in just nine months, Al Arrayed attributes Majaal’s quality, location and value-added services as the reasons for its success.

“Top institutions are increasingly looking for warehousing solutions which are safe and secure and free from the risk of fire hazards,” he says, adding that though Majaal may be more expensive than other stock in the market, it has been built to a “very high specifications which is reflected in its price structure”.

“Today, there is a flight to quality in the market,” he continues. “Whether in offices, warehouses or homes, people expect and demand higher quality while, more importantly, industry and government regulations now incorporate Grade A specifications for projects. Sub-standard products are no longer acceptable and we should see demand continue to grow for quality warehousing.”

Majaal’s prime location, meanwhile, has also

been its strong selling point. “We are literally at the doorstep of the Khalifa Bin Salman Port and the airport with easy access to the Sheikh Khalifa Bin Salman and Sitra highways,” explains Al Arrayed. “It’s a central and strategic location.”

Flexible leasing solutions in terms of space, professional facilities management and other value-added services - from building mezzanine floors to renting forklifts onsite - are the other factors that make Majaal an unbeatable proposition, he adds.

Though potential tenants have to undergo a rigorous screening process, Al Arrayed expects Majaal to be fully leased by early next year because of strong local and regional interest. “We are being very selective as we want to have the right mix and quality of tenancy.”

Following the success of the first phase, First Bahrain is now gearing to launch work on the second, again using industry-best practice. Al Arrayed expects to put this phase to tender in early 2011 with construction taking approximately 12 months to complete.

The new phase will cater to companies seeking higher ceilings, raised flooring and docking bays to support easy loading and off-loading of large trucks.

Al Arrayed is delighted by the success of Majaal which he says was carefully conceived under First Bahrain’s demand-driven investment philosophy which in turn is aligned with the Bahrain government’s Economic Vision 2030.

He is delighted that Majaal is also fulfilling First Bahrain’s goals of facilitating new investment into Bahrain by attracting such tenants as Elias Industries and Gulf Polytex, which both represent foreign direct investment (FDI) into the kingdom.

“It is a great honour to be able to facilitate foreign direct investment into Bahrain, which will lead to local job creation and increased prosperity,” Al Arrayed says.

Also, First Bahrain is in the market for the right reasons, he points out. “We identify a real need in the market and address it, rather than just looking for quick returns. The market dictates what projects we put our money in.”

Al Arrayed’s initiatives have even won praise from DePaul University, which featured him among the success stories from 14 alumni under the age of 40 in the 2010 fall edition of its magazine – an honour made even more special as he was the only student outside of the US to be featured in the report.

Commenting on Gulf’s beleaguered real estate market, Al Arrayed says it has been redefined in the wake of the global financial crisis and economic meltdown.

“The market has gone through a period of redefinition,” he says. “Prior to the crisis during

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the boom years, several financial institutions came into real estate with a trading rather than a development mentality. Essentially they would acquire and sell; just like stocks, real estate was a very buoyant asset at the time and they would buy land or apartments and flip it.”

“That, in my mind, was never development,” he says flatly. “They may call themselves developers or investors but the name of their game was short-term acquisition followed by exit. Clearly this model has fallen by the wayside and that’s led to the redefinition of the market.”

Apart from the freefall in prices, the region is now left grappling with the problem of unoccupied and unsuitable buildings on the market.

Al Arrayed explains: “Within the Gulf, speculative demand was rampant in Dubai and when the crisis hit, a lot of the developers vanished overnight leaving projects in a state of distress. Now, with the absence of buyers there’s a glut in supply which in turn has sent prices downwards.

“However, what has made it worse is that several of these projects were built with little thought towards the end-user. The biggest demand during the boom was for one-bedroom apartments, and you ask yourself why would that be? Why not two or three bedrooms? Simply because investors wanted to get in the cheapest way they could, by putting down 5,000 [dinars] for a one-bedroom rather than 10,000 [dinars] for a two- or three-bedroom property. They did not bother to follow up on the standards or quality of these units simply because they had no intention

of living in them. They were only seeking a quick profit before the project was complete.

“This happened to a large extent in Dubai and to some extent in Bahrain; a lot of the projects were designed for a market that did simply not exist. And that’s where you have a problem now; a mismatch in terms of stock and demand. Typically, a family would need three bedrooms but all they are finding now are smaller spaces, and that’s one of the sad realities of the crash.”

Indeed, Al Arrayed is not alone in this criticism: CB Richard Ellis Group Inc recently said that some Dubai’s office buildings are so ill-conceived and poorly located that they will never be occupied, while others may command no more than the cost of maintenance.

“Some buildings will be permanently vacant and will never be let because they are wrongly located, they are of poor quality or have the wrong legal structure in place,” Nicholas Maclean, Middle East managing director for the US property broker, said. “Buyers with no experience ... flocked to purchase floors in planned office buildings before any work started, resulting in poorly finished towers in inconvenient locations with multiple owners. If you’ve got a 10-storey building and 10 owners and you want to take the whole building, you have to deal with 10 separate owners on one lease. It’s impossible.”

Looking ahead, Al Arrayed would like to see Majaal become a regional brand. “It’s a business model that we believe in and have the experience in constructing and operating. We would like to see Majaal extend throughout the Gulf, particularly in Saudi Arabia and Oman, once we find the right partner who’s able and willing to take on our vision.”

With a diverse land bank under its belt including 22,000 sq m of prime property in Seef, First Bahrain is also looking at other commercial and residential projects in Bahrain including a \$50-million mixed-use development in Janabiya.

The commercial-residential project in Janabiya is still in the early stages of planning while the Seef project would also be commercial – possibly hospitality related – keeping in mind its location just opposite the Bahrain City Centre mall.

First Bahrain, says Al Arrayed, will continue to take its cue from the market and remain a cautious developer. “We always make sure we have enough liquidity to complete a project and that there’s tangible and real demand for our projects,” he says, adding that it will never entertain lavish or fancy projects that cater to speculative demand.

“We are long-term investors who remain committed to the operational success of a project rather than seeking mere capital appreciation. First Bahrain is dedicated to creating projects of enduring value across the GCC. It’s about making things work,” he concludes. ■■■

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