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BIG

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BUSINESS IN GULF



Amin Al Arrayed
Entrepreneur of the Month



ECONOMIC ADVANCEMENT

OTHMAN JANAHI, CHIEF INVESTMENT OFFICER, DURRAT MARINA
*Talks about how Bahrain is set to exceed the standings
of a perfect economy in the Middle East*



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WAREHOUSE WONDER

Amin Al Arrayed talks about the creation of a unique solution created for SMEs within the Kingdom.

Coming from a banking background, he discusses the transition into real estate finance and the idea behind the wonder that is Majaal.

What was the inspiration and foundation behind First Bahrain idea?

First Bahrain was a product of the boom period in Real Estate. There was a time when there was a great deal of liquidity in the market, around 2005 and real estate was the hot sector and was doing very well especially for Islamic banking and Islamic companies; real estate is the main staple of their projects because real estate is a tangible asset and many of the Islamic banks and funds looked for real estate projects and there was so many happening in Dubai and Bahrain. The idea for First Bahrain initiated with Global Investment House of Kuwait US\$100 mn fund to acquire a sizeable piece of land in Seef which is right across from City Centre and they made that acquisition in 2006 and were looking for management for the company. They offered me the position and I took it up in March 2007 and quickly put together a team and established an office in Bahrain and Kuwait and started planning our

developments. Towards the end of 2008 it was a reversal as the global crisis started; it no longer made sense to look at large scale projects because demand was really weak and liquidity dried up and so we looked to focus on industrial and we bought 60,000 sq m of land in Hidd at the Bahrain Investment Wharf. We started to develop warehouse space and developed the company called Majaal which is the first dedicated SME focussed warehousing company in Bahrain and that has been our focus for the past two years.

Did you always see yourself working within this field?

I have a banking background so real estate investment wasn't something I really thought about focussing on. I started my career at the central bank, I was there for five years as an economist then I joined the Bank of Bahrain and Kuwait and during my time there I was Head of Retail Banking and one of the products under

me was mortgage loans; so this was my introduction to real estate. I used to work on the debt side, giving loans to people to acquire property ourselves and I noticed because BBK was a big bank there was a problem generating the finance required for freehold properties but banks were reluctant to fund these as there were on title deeds securing it so we started to think about what was missing and myself and my good friend and mentor, Dr. Khalid Abdulla said that we would establish a new company that would be a dedicated real estate company. I left BBK in 2005 to set up the first real estate company in Bahrain called Reef and that was my first entrepreneurial move stepping out of traditional banking into real estate focussed banking. We placed about BD20 mn in the market within 8 months in 2006. It was at that point that I really got into the equity side and Global Investment at that point offered me the opportunity to take over the US\$100 mn investment in Bahrain.

Has First Bahrain been affected by the recent financial downturn? If so, what did you do to overcome the problems?

We were very lucky in the fact that we hadn't started any projects at that point as it didn't make sense to do a big project in Seef at that point; our timing seemed to work out perfectly. It used to be very easy to raise money for real estate projects, people were willing to buy off-plan and investors were hungry to come in and be investing partners but once the crisis hit all of this disappeared. People were not buying anything that wasn't physically in-front of them and banks became very strict on lending money because investors were so badly damaged by the crisis. This was when you saw a large scale down in projects as not many people had the funds to complete the projects themselves and this is why Majaal made a great deal of sense for us. Majaal warehousing was phased into 3-phases which allowed us to utilise the funds we had and could steer away from borrowing. This project was what made sense in this post-crisis environment. Thankfully for us we didn't make any sizeable commitments in the affected years; we did suffer alongside everyone else in terms that there was no longer much traction in real estate but it didn't affect our projects.

Could you tell us a little more about Majaal and the plans for the future?

Majaal was a study of what really fundamentally works. We looked for a supply gap and we noticed in the warehousing field bigger companies would build their own spaces but SMEs didn't have the capital to do so and looking for warehouses in budget range was difficult due to high pricing or poor quality; this led to people buying or renting villas to use as storage space. This left a huge spot in the SME sector and we found no one else was filling the gap so we decided to build A-Grade warehouses but for the SME sectors. The idea actually came about to provide for a segment that was under-served and initially we said the spaces had to be very divisible as we had to cater for companies who required spaces as small as 250 sq m; it also had to be very high grade with CCTV, state of the art security, fire safety – it was a very high specification building but catering for people who needed smaller spaces. We had a huge uptake when we initially announced the project, we have been in the market for less than a year and we already have 60 per cent capacity. I think the

Personal Favourites

Holiday Location

London and the UK in general.

Sport

I love playing tennis, however I am not so keen on watching it.

Interest

The Young Arab Leaders (YAL), it gives me pleasure to advise and assist young entrepreneurs on the road to achieving their dreams.

Cherished moment

The birth of my son or the birth of Majaal – I love seeing things come to life.

Accomplishment

Being named one of the 14 under 40s from DePaul University.

“THE IDEA
ACTUALLY CAME
ABOUT TO
PROVIDE FOR A
SEGMENT THAT
WAS UNDER-
SERVED”

one surprise we had is that we initially thought it would be used for storage but we have many companies using it as workspace. We also had lots of interest from companies who have opened for the first time in Bahrain, we initially thought it would be from existing companies looking for extra space but we had a huge reception from companies expressing an interest in expanding into the Bahrain market from outside. Gulf Polytex, Elias Industries are two examples of companies using our warehouse as first timers to Bahrain. We also have a major bank who have taken space for document storage, a pharmacy and various other companies which gives us a diverse client base.

Do you have any expansion plans for the cards for Majaal?

Absolutely, we have just announced plans for Phase-2, initially we developed 20,000 sq m and we are adding a further 20,000 sq m to the space. Phase 2 will focus on larger spaces as we have noticed demand for 1000 sq m and more. We have also noticed that the flooring do trucks can offload and load easily and good circulation for 40 containers. Then potentially Phase 3 in Bahrain, but what is really exciting is that we have actually have plans to franchise Majaal across the Middle East. We have actually registered Majaal as a trade mark in the GCC and MENA region; Oman and the Eastern Province of Saudi Arabia are the next steps.

When First Bahrain opened what were your goals? Has your mission statement changed since?

I think that in general we really focussed on sustainable, demand-driven real estate so we have never really deviated from that. The market has shown us that what we were doing is the right thing. Many of the real estate companies have gone a much more investment banking route which involved them further into construction, raising, projects and managing peoples money; but we never did. All of our projects have been funded by our own companies and we are focussed on the development and operations of these so we never had an acquisition/exit strategy. This is very typical of investment banking. We thought ok, let's build, own and get capital through rent which is a very different model. So in general our mission statement hasn't changed.

Do you see any potential competitors springing up using your idea?

I don't think it is necessarily a competitive market, I think that it makes sense to do projects that fill gaps in the market. Ours is a very sensible business model that follows a standard that allows you to make money long-term rather than the quick exit acquisition strategy. Real estate is interesting, I was told that team the other day that project alongside the land you own as it increases its value, and it is seen as a complimentary factor rather than a competing factor. I am very excited when I see new companies come to start to develop – it makes sense.

What's next for Amin Al Arrayed?

I have been very fortunate that First Bahrain has acted like a

Success Stories



DePaul University - Amin received an award for being one of the Top 14 under 40 alumni.

London, UK -
A favourite destination.



Mehdi Honor, Tebodin Bahrain director with Amin Al Arrayed, First Bahrain general manager.



Real Estate: Not just a job but a passion.



Tennis - the game of champions. A favourite pastime.

DEPAUL UNIVERSITY



University: Where the magic began.

company for something new. Majaal just happens to be the first project we have done, I am very much focussed on that at present and probably will be for the coming 2 or three years. The great thing about First Bahrain is we are looking to do other projects in the hospitality industry and residential mixed-use which gives us the ability to do something new and keep it interesting. My goal is to grow First Bahrain, its projects and companies.

If you knew then (when you graduated from high school) what you know now, what would you do differently, if anything?
Wow, high school – you have really gone back. There has been a lot of growth since I graduated high school. If I look from when I did my under-grad, I was initially interested in business and economics, I had that passion, but when I came into the workforce in the mid-90s the environment was very traditional, there was a relay big expectation that you would get a 9-5 job, build your career and climb the corporate ladder; there was not a great deal of support for entrepreneurial ideas back then. Chances were not taken in the mid-90s; it really started to happen towards the end of the 90s when you had the dotcom companies and there was a huge boom period up until 2008 and at that time I was in my stride at BBK. You started to see patterns of success and failure and get the courage to tackle anything.

Was Bahrain and the GCC always where you wanted to expand your career?

Yes, I always wanted to come back and work in the Middle East. I worked in Washington for a while so I did get a flavor for working in the US but Bahrain has so much to offer. There is so much to be done here it is one of the places that has been fortunate to have so much growth happen. I am married, I have kids and you think about providing them with a stable environment so when I got to Bahrain and I started to work, it was pretty much set I wanted to continue here.

Who has had the most influence on your working career?

Dr. Khalid Abdulla most definitely from when I was at BBK. He was a huge influence for me, he was my mentor and he inspired me.

Describe Amin Al Arrayed in 5 words...

Determined, team-player, methodical, innovative and passionate. **BIG**