

SPECIAL REPORT WILL RAIL BE THE NEXT GRAVY TRAIN?

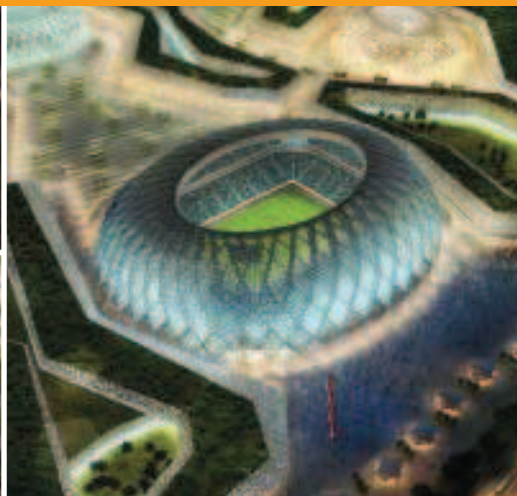
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New kingdom
First Bahrain is
going industrial

p26

Safety first
HSE needs more
than numbers

p44



QATAR 2022

\$50 billion in construction projects to complete before the World Cup starts. Can Qatar do it?



CONTENTS

DECEMBER 11-17, 2010 • ISSUE 348



30

The foundations for Fujairah's first ever mall get underway

REGULARS

- 10 **ONLINE**
- 16 **EDITOR'S LETTER**
- 18 **GUEST COLUMN**
- 56 **ENGINEERING GENIUS**

INTELLIGENCE

- 4 **DEAL PENDING FOR 500KM MASDAR PIPELINE**
Masdar plans to award a contract in 2011 to build a 500km pipeline for carbon capture.

FINANCE

- 8 **MONTH HIGH: SAUDI BUILD INDEX**
The Tadawul's construction index has reached its highest point for a month.

ROUND UP

- 12 **CONTRACTORS PREPARE FOR WORLD CUP WINDFALL**
Contractors are looking forward to a wave of new contract wins.

ANALYSIS

- 22 **WORLD CUP WIN**
Can Qatar match expectations for a successful 2022 World Cup following its winning bid?

FACE TO FACE

- 26 **NEW KINGDOM**
Ben Roberts speaks to the driving force behind first Bahrain.

SITE VISIT

- 30 **SPENDING SPREE**
Construction Week goes on site to see how Fujairah's first ever shopping mall is progressing.

INFRASTRUCTURE

- 36 **ALL ABOARD**
Global and local contractors are scrambling to jump onto the Gulf's next gravy train - a region-wide rail network.

HEALTH AND SAFETY

- 44 **TAKING THE LEAD**
Conference looks at what is needed for the region to take a lead in HSE.

SECTOR FOCUS

- 48 **SPLINTER GROUPS**
CW looks at the developing market for timber and other wood products.



NEW KINGDOM

Amin Al Arrayed is driving First Bahrain to capitalise on opportunities in the industrial sector. By Ben Roberts

AS RESIDENTIAL PROJECTS and towers sprang up in the Gulf over the last few years and captured the world's attention, First Bahrain had other plans. The Kuwaiti company, which is focused on developments in the tiny kingdom and has a main office in Manama, took a long look at where there was a more modest but sustainable niche to fill and made its move.

The resulting flagship project in Bahrain is the Majaal warehousing complex, deep in Bahrain Investment Wharf, itself buried in Salman Industrial City, close to the Khalifa bin Salman Port. The project is three sub-developments of warehouses that provide storage and office space for the small-to-medium companies looking to use the country as its base to expand into the Gulf. Now close to starting its second phase of three, the eventual offering provides a more cost effective hub than much of Dubai and a vital service to the underserved industrial sector.

Indeed, it is this sector that can yield steady business, believes Amin Al Arrayed, general manager, and is a huge contrast to the boom in property in Dubai that saw speculators drag units of development far from end-users and saw marketing trump method.

Al Arrayed lays down the contrast in his office in the capital, and is pleased that the market is no longer in "the race" to soak up the abundant liquidity.

"I think some of the projects that have not seen the light of day, or stalled, or for whatever reason had not been completed is because the execution of the project was secondary to the marketing of the projects, and a lot of the so-called developers – particularly true in Dubai – were just big marketing houses," he says.

"They were set up to capture the liquidity and had more placement and sales agents than engineers and project planners; it was basically a big marketing effort."

This market growth had not left Bahrain untouched, he added, with a few "Dubai-esque" high-end luxury free hold or beach front developments providing money-making opportunities for regional short-term investors to 'flip' properties.

But as that business model collapsed, the remaining market was for sustainable projects with solid fundamentals and a domestic demand base. First Bahrain was established in 2004 by Global Investment House along with a number of other subsidiaries, including First Dubai, First Qatar and First Jordan.

Though its shareholder base has changed since then – now jointly owned by some of the Gulf's biggest institutional investors – the ethos to think long-term and to serve industry remains. Majaal, both a project and a brand, looked to respond to the lack of quality warehousing for any company that could not build its own factories or other facilities.



Who owns First Bahrain?

KAMCO (KIPCO Asset Management Co.) is a member of Kuwait Projects Company group with a regional network of companies. One core activity is asset management.

Al-Zumorroddah Holding Co. has diversified investments across financial services, energy, oil and gas, petrochemicals and others.

Iskan Housing Finance Co. is a Kuwaiti company engaged in financial activities – including securities and fund management.

Action Group Holdings Co. is a Kuwait-based firm which covers private and public ventures and alternative investments

Wafra International Investment Co is a Kuwaiti investment and trading company.

“Because of the market dynamics today it makes sense for us to go industrial, and I think it was a wise decision on our part to say: okay, we’ll focus on a defensive sector,” says Al Arrayed, a former banker. Industry is also an area that has strong government support, he adds, pointing out that Salman Industrial City is an area designated for that purpose, with full infrastructure and utilities and a relatively streamlined approval process for development.

“So for us it was a sensible and clear decision to say: the economy is weak, this is a sector that is getting a lot of government support ... it should do well during a recessionary period: let’s invest.”

The first phase was the construction of three warehouses, which started February this year and are now around 60% occupied by tenants ranging from pharmaceuticals to banking and real estate. The 12,000m² warehouse space can be rented for as small an area as 250m² – ideal for small producers and those who simply want more storage space.

This is not pure storage, he adds: “traditionally if you go to the market and



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look at warehouses, you find substandard substructures that can be used only for storage – you wouldn’t want to live in that kind of environment. Majaal has really raised the bar and said: okay you can use it as a platform for your business. You can use it for storage, you can use it as offices, you can do light manufacturing.”

The company developed a facilities management arm to complement the upturn in tenants seeking to use the space as a working environment – an initiative not originally planned by the company but one that shows flexibility in the face of demand.

“It’s a natural evolution, hopefully the next step for us is to see that model replicate itself outside Bahrain, so we’re actively talking now with people in Oman, and with Saudis from the Eastern Province.”

2004 YEAR FIRST BAHRAIN WAS FORMED • **127** PERCENT RISE IN TOTAL INCOME

His reign in Bahrain

The founding general manager of First Bahrain, Amin Al Arrayed is the key driver behind the company's ability to snap up development opportunities in Bahrain and continue growth.

An MBA graduate with distinction from DePaul University Kellstadt Graduate School of Business in Chicago, and a Bachelor's degree from the University of Redlands, California, US, Arrayed has brought more than 13 years experience in banking and finance to First Bahrain.

These include as regional head of the retail banking at BBK and head of retail and placement at Real Estate Finance Company in Bahrain. In 2001 Amin also held the title of superintendent of domestic affairs for the Central Bank of Bahrain (CBB) – formerly Bahrain Monetary Agency – during which time he was seconded to 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.

Al Arrayed oversees the company's partnerships, including those with financiers, investment organisations, developers, real estate agents and mortgage clients. He also prepares First Bahrain's overall business strategy and plan, budgets and financial forecasts for submission to the board of directors. A specialist in Islamic finance, Amin plays a leading role in ensuring that the company operates within the principles of Islamic Sharia'a.

He calls Majaal, a Bahrain WLL which is 100% owned by First Bahrain, the company's first project in the kingdom. "We've made a number of acquisitions made but we never went as far as the development stage. So we own a sizeable plot right across from the City Centre Mall in Seef, we own seven plots there; so that back in the heyday was targeted for a mixed use project." The project has gained support from the minister of commerce, he adds.

Majaal will provide a base for international companies who wish to establish themselves in the region, says Al Arrayed.

The second phase, which aims to begin in the first quarter of 2011, will see the construction of a 13,000m² warehouse, which will be divided into 1,000m² units. These will be occupied by bigger companies seeking more space than those from the first phase.

Mohamed Salahuddin Consulting Engineering Bureau (MSCEB), the architecture and engineering contractor, was dispatched last month to put the finishing touches on the design of this phase, and the tender for the main contract is due to close on December 20.

Al Arrayed is optimistic about the second phase, particularly as much of the figurative groundwork for the project – the contract format, the leasing policies – was established at the completion of phase one.

Phase three will see the construction of an even bigger single warehouse. The company has developed initial plans to lease this large space to a single tenant. Among the potential suitors for the space is a company operating in the shipping industry. Al-Arrayed says in addition to providing a vital service, the speed of delivery is also a pertinent part of the project.

"The great thing about warehousing is it's very quick; so you're talking under 12 months," he says.

"So next year phase three could start as it took us 10 months for phase one, and this is a very nice time if you're looking to be up and operational quickly. It's not like building office towers or a mall where it takes three to four years – just ten to twelve months." CW

FOR NINE MONTHS AGAINST LAST YEAR • **10 MILLION** PAID UP CAPITAL (US\$)