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Flying the flag

Bahrain weathers the financial storm



Bahrain 2.500 dinars
China 50 yuan
EU 4.25 euro
Hong Kong 50 dollars

Kuwait 1.750 dinars
Oman 2.50 riyals
Qatar 25 riyals
Saudi Arabia 25 riyals

Singapore 10.50 dollars
UAE 25 dirhams
UK 3.25 pounds
US 6.75 dollars

Measured growth

Real estate developer First Bahrain's industrial warehousing and logistics project Majaal is taking a measured approach to growth, says general manager Amin al Arrayed

Eighteen months after the launch of Majaal, Bahrain's first logistics development for small and medium sized businesses, the project's owners are carefully evaluating their expansion strategy.

Like many of the new industrial parks and business developments mushrooming in Salman Industrial City, a key industrial area on Bahrain's north coast, Majaal hopes in particular to attract the interest of foreign investors.

However, mindful of the potential pitfalls of over-ambitious growth, First Bahrain, which owns Majaal, is gently testing the waters, and for now at least is keeping its plans focused on attracting small and medium sized companies.

Last year First Bahrain completed the first phase of Majaal, which has 15 tenants operating from ready-made warehouses. The second phase of expansion, which will double the amount of space available, should be complete a year from now. By then, the project will offer some 280,000 square feet of industrial warehousing space.

Amin al Arrayed, First Bahrain's general manager, believes a phased growth is vital to the project's success.

"We try not to fortune tell," he says. "A lot can change in one year in a market, let alone five."

Phase one, he says, was in essence a "pilot" scheme



Amin al Arrayed, First Bahrain's general manager

to test demand. "We hadn't really tested the market, and didn't really know where actual demand was so we played it safe," he says.

Having met with success, the firm is now considering another stage of growth. A third phase would entail building bespoke facilities for large companies requiring big warehouse spaces, and clients taking on long-term leases.

"Such companies traditionally build their own facilities, but in doing so tie a lot of capital up in physical space," says al Arrayed. "When liquidity is tight, as it is now, this is not an efficient use of capital. With phase three, what we are saying is let Majaal assume the costs of building the facility.

"We can then have the client enter into a long-term

lease agreement of perhaps 25 to 30 years with us."

Al Arrayed hopes that Majaal will secure investment from overseas, and is confident that there will be takers.

"Foreign investors like to see a live operation," he says. "Majaal phase one demonstrated our ability to deliver on a model. Phase two will demonstrate our ability to build on a real operation. In today's business environment it is otherwise very difficult to convince people to invest solely on the basis of a theoretical plan."

There is also an ongoing challenge to encourage investors to consider Bahrain over and above its high-profile neighbours. Yet al Arrayed points to the government's commit-

ment to promote industry as evidence of the seriousness and scale of Bahrain's industrial ambitions, and says that First Bahrain has taken its cue from the government when it comes to investment strategy for Majaal.

"All the signals were that the government wanted to stimulate the industrial sector, particularly the SMEs area in Salman Industrial City. A lot of foresight has gone into the City, and the establishment of the Khalifa bin Salman Port (KBSP) has been the catalyst for development of the whole area. This zoned approach is attractive to investors because they get a level of certainty," he says.

Against this background, First Bahrain's conservative expansion strategy for Majaal will likely prove prudent.