



Back in business: The Villamar project will help GHC rebuild its image

## VILLAMAR

It is about four months since Majed al Khan became chief executive of Gulf Holding Company (GHC), a sharia-compliant real estate investment and services company based in Kuwait.

Tasked to turn around the fortunes of a company which was a high profile victim of Bahrain's 2010 real estate downturn, Al Khan has since acted swiftly to restructure the business and, crucially, announce the reactivation of one of its flagship local projects.

Established in 2005, GHC entered the Bahrain market confident, well capitalised and with a plan to build luxury residential and commercial properties in the buoyant market at the time. Villamar, a \$700 million prime mixed-use scheme in the heart of Manama's newly-emerging commercial district, lay at the heart of this strategy as its showpiece project.

"Villamar put GHC on the map," Al Khan says of the project, construction of which was halted in 2010 when the kingdom's luxury real estate market stumbled.

For more than five years, the three semi-finished twisting towers, which were to feature 850 residential units, a hotel and serviced apartments and 14,000 square metres of retail space, have since served as an unfortunate reminder of past challenges. But that will not be the case for much longer.

Al Khan says the resumption of work on Villamar followed a commitment by all parties, from banks to contractors and investors, to resolve outstanding issues with GHC once and for all.

"The company has good assets," he insists. "Everybody realised GHC offers good potential and that we needed to do whatever it would take to give it another lifeline, to meet our financial and ethical commitments to the market and rebuild our image. That was the aim."

In achieving that aim, one of the chief executive's priorities was to assemble a new management team. Key appointments have already been made in engineering, marketing and administration functions.

"We're from different real estate backgrounds, and we all have our own stories of [former market] challenges. We have all witnessed boom, and



► we have all experienced recession. So we're well equipped for the next cycle," he says of the newly-appointed executive team.

Al Khan explains that his goal is to create a "shock resistant" business model, and believes early indications are that this approach is beginning to pay off.

"People have started to believe in us again. They're confident we will deliver on our commitments," he insists.

The ability to cement stakeholder trust will depend ultimately on the timely completion of Villamar. The chief executive confirms that all memoranda of understanding and rescheduling frameworks have been signed with the financiers Al Rajhi Bank of Saudi Arabia, as well as the contractor, Bahrain's Al Hamad Contracting. Furthermore, an additional financing line has been secured from GFH Group to cover any shortfalls in project cashflow.



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Majed al Khan, Gulf Holding Company

While the project's product mix will be similar to the original plans, Al Khan says the specifications of some of the 850 apartments may be adjusted to reflect current market demand. He adds that talks with potential operators for the five-star hotel are ongoing.

Al Khan says the fact that the project is effectively ready to restart is the result of a huge amount of technical, legal and financial due diligence conducted by third parties in recent months.

"We wanted assurances from the best advisers that the [project] structure was strong, that the concrete, exposed steel and foundations were sound. We got those assurances." He adds that equipment that had been lying dormant on site has been tested and certified by insurance and safety inspectors, and



Ready to go: the Villamar structure and site equipment has been certified as sound ready for work to restart

is also ready to mobilise with a view to construction work restarting "very soon".

Al Khan stresses that Villamar's completion will be as much a victory for GHC's image than financial benefit.

"The structure is largely complete, so any benefits from declining material prices in the market will be limited.

"We're also fortunate that only about 20 per cent of the residential units at Villamar had been sold, which is much

lower than other stalled projects. So I'm not dealing with a lot of distressed buyers."

The chief executive says government support, through its Stalled Projects Committee, was essential in enabling GHC to get Villamar back onto the agenda.

"They helped with the restructuring, and gave us confidence. They had an interest in doing so because Villamar is a prestigious project located in a prime

area of Bahrain."

GHC heads into 2016, then, with a spring in its step. Aside from Villamar, the company plans to explore opportunities in medium-sized projects in high demand and specialised sectors such as social housing and healthcare and education sectors related properties, says Al Khan.

"We seek partners who have good assets in good locations, where we can

use our expertise to develop and build value added concepts. It's not as easy to get financing these days, so partnerships are the best solution to help reduce leveraging."

Establishing new revenue streams will also be important, he adds.

"We are targeting service-orientated income, not just direct investments as we did before," he explains.

With restructuring and project reacti-

vation under way, GHC could well be one of the Gulf's great turnaround stories of this year.

"In this region companies are either successful or are being dissolved. You don't see many turnarounds.

"I think restoring confidence among stakeholders sends a stronger message than starting a new company, and in that regard I think we are a very good turnaround story," he concludes. ■