

Oman

Construction Industry

An appetite for property

Oil and gas revenues fuel across-the-board improvement in residential, retail, and office developments

In the real estate boom that has been sweeping Gulf countries since Dubai took off nearly a decade ago, Oman is the newest frontier. Total investment in the country's real estate sector in 2007 was valued at \$4.2 billion, up from \$750 million just two years before. In 2007, new projects under way were worth \$25 billion, many of which are longer-term, mixed-use mega-projects spread across the country that are fueling a boom experts believe will continue to grow into 2010 and beyond. Indeed, at the end of June, 2007, the construction industry accounted for a third of Oman's GDP.

Significant government investment in

infrastructure, low interest rates and high liquidity have merged with a population explosion, economic expansion, and rising wages to create an unprecedented tide of activity in the sector. Added to this is increased liberalization that has made more land available. Figures show that the increase in the number of residential plots available grew 600 percent between 2003 and 2005, while land sales jumped 74 percent in 2006 over 2005. The Central Bank has also made way for banks to increase residential lending to 45 percent of their loan portfolios. Perhaps the greatest contributor, however, have been changes in the laws regulating foreign property ownership.

Non-Omanis are now allowed to purchase freehold property in designated tourism resorts for residence or investment. Now in its third year of growth, Oman's residential property market, which is emerging as the highest income yielding investment in the sultanate (industry reports indicate that the average price per square meter for residential land in Oman increased by 253 percent,

reaching \$135 per square meter in 2007 compared to \$38 in 2005), is leading the construction boom with a number of multi-billion dollar projects.

As strong oil and gas prices fed a more affluent Oman's appetite for improved residential developments and more and larger retail complexes, the expansion and diversification of the economy brought an influx of foreign workers and companies who increased demand for high quality residential, commercial, and office properties. The boom attracted developers from throughout the Gulf, who are constructing the super-size developments that the region has become known for.

Oman's new mega-developments are cities within cities, following the integrated model popular throughout the Gulf, complete with hotels, villas, apartments, retail and commercial spaces, entertainment facilities, marinas, and golf courses. Among the dozens of projects currently under way are the \$20 billion Blue City, \$2 billion Yenkit, \$1.6 billion Omagine, and \$2.4 billion The Wave.



Rising stock
Dawn breaks over
the fast-changing
Muscat skyline.

'Oman's real estate sector is very stable'

Housing Finance Co. (Iskan), a Kuwait-based financial investment outfit that provides real estate and industrial loans, and that is also involved in trading and real estate development, moved into Oman in 2007 with the establishment of Iskan Oman Investment Company. Iskan, which boasted a 48 percent increase in profits for the first half of 2008, has been expanding regionally throughout the past two years. Here, Karim Rahal, director of the company's subsidiary, Iskan General Trading and Contracting, speaks on the opportunities in Oman's burgeoning real estate sector.

Gulf Business magazine last year noted the high quality of GCC sovereign credit ratings. The region's investment laws make the GCC's infrastructure and real estate sector very attractive to global investors. Do you feel this to be an accurate description of the investment climate in Oman?

Oman has put in place solid investment rules and regulations, which have matched all the international frameworks for business and investment. Oman offers a sound investment, and the rights of foreign investors are well protected. Also, the country has signed a large number of international treaties. The region's security is very important for investment, and Oman is a very stable country.

Iskan General Trading and Contracting Company was founded in 1983, and has been an active participant in this growth period, most recently branching out into real estate and tourism investment. Please tell us a little about the origins of the company and its evolution.

When I came to this country, I was working with a company called Mothercat. Then we established Iskan Contracting. I joined my brother here in Oman in 1979. I was stationed in Masirah, and we built some 600 low-cost houses for the local people after the hurricane that occurred at that time. We then built coldstores for the fishing industry. All the fishermen would bring their fish there for processing. We would then freeze it and send it out.

We then carried out a lot of building projects for the Ministry of Defense inside the air base there. Today, the vast majority of our work is for the Ministry of Defense. We are presently building for them at the Masirah Air Base.

Iskan also undertakes private contracting for Abdullah

Moosa, the General Motors agent. In general, I have to note that working with the government is always the best bet. We have kept the company medium-sized. The bigger you become, the more responsibility emerges. One of the most important attributes for a good business is company loyalty – a good business model with a strong team will have this.

The real estate branch of Iskan in Oman is a very new company. How would you assess its first eight months?

It is going very well, and is very promising. It is an excellent beginning, really. The place is moving very rapidly. I go to Dubai often, and I do not like the way it is going there; it is too fast. Oman is moving steadily, and we are much more stable here. It is a good climate for real estate development.

Sheikh Abdullah Jaber Al-Ahmed Al-Sabah, chairman of Kuwaiti parent company Iskan, has said that the company's soaring profits over the last year are due to its endorsement of a conservative approach. Is this also a policy for the company in Oman? What advantages do you offer over other regional developers?



Karim A. Rahal
Director of Iskan
Contracting
Company

You have to be very careful, if you go too high, prices start moving too fast. You have to look after the income of the people. Prices should accommodate the needs of the people, and should not be a means to push potential customers away. We are always very price-conscious and maintain standards of the highest quality in our projects

What role do you see Iskan playing within the broader outline of His Majesty's Vision 2020?

Iskan is helping to build the sultanate. As far as I am concerned, I would recommend Oman to everybody. I have had lots of opportunities to leave, but I never did. I kept my family here. I raised my kids here, and it was only when I was forced to leave for my children to pursue their higher education, that I moved.

However, I kept a base here, because it is a very sound country. I see the potential here. I have witnessed His Majesty's vision for the country and its future. Indeed, in the period since he took over until now, the changes that we have witnessed are quite astounding for such a small country. Iskan will continue to play an important role in the sultanate, and I am sure that Oman will continue to enjoy a long period of prosperity.

Al Taher's Sheikh Al Khalili: key role in Oman

The Al-Taher Group has been a leading player in Oman's real estate and construction sectors, as well as in engineering and the oil industry, since it was established by Sheikh Saud Al Khalili in the early 1970s.

Sheikh Al Khalili has played a key role in the country's development, having been the country's first education minister and subsequently an ambassador.

"I have been privileged to be able to be part of the sultanate's renaissance," says Sheikh Al Khalili, adding: "In my capacity as the first Minister of Education in the country, and through the direction of His Majesty, we were able to open the first schools. I am proud to be a part of the evolution of the country."

Since Sheikh Al Khalili founded the company in 1973, it has emerged as one of the country's preeminent property developers and managers.

Today it owns and operates a number of residential and commercial properties throughout the sultanate, including residential high rises, shopping centers, and office complexes.

Still privately owned, Al-Taher is a family-run business with an annual turnover of more than \$350 million. Headquartered in Muscat, the group's solid financial and technical base has allowed it to approach new market opportunities on a global scale.

Al-Taher is made up of a diversified range of commercial, consumer, and trading enterprises that employ more than 1,500 people in the Gulf.

Sheikh Al Khalili says the group is making headway into new markets in Asia and Africa.

At home, the company has been a major player in fueling the real estate boom in Oman and has a respected track record of projects with an investment value worth more than \$20 billion. The group has produced turnkey design and build services for a wide range of schemes that include healthcare facilities, business parks, retail spaces and malls, offices, hotels, leisure and culture centers, transport infrastructure, private and residential construction, schools, and government buildings.

At present, says Sheikh Al Khalili, Al-Taher has four large-scale projects under way, one of which is the construction of a wave breaker by its SNE-Sarooj Construction joint venture to protect The Wave, a new beachfront integrated tourism and residential mega-development being built in the capital.

Al-Taher's trading company, SAM Trading, is also responsible for implementing a \$3 million civil works upgrade for the City of Muscat at Sahwa Garden, and which is now 80 percent complete.

It has also signed contracts with the city of Sohar to build low-cost housing in Liwa. Furthermore, it has just completed phase two of a new LuLu Hypermarket Center for the UAE's EMKE Group, which runs a successful chain of department stores throughout the Gulf region.

The latest development in Oman by the group's Al-Taher

Real Estate division is the 30,000 square meter Bausher Center, a new hypermarket in the capital.

Al-Taher's Europtima is a world leader in construction and real estate management.

Sheikh Al Khalili believes that challenges can be turned into opportunities, citing the example of the region-wide general boycott of Coca-Cola, Ford, and other U.S. companies in the early 1970s.

"I met with a key personality involved in Coca-Cola at the time and together – with the approval of the Omani Authorities – we managed to arrange a break-

through in the stand-off. Ford and Coca-Cola then expanded into Oman and the Gulf region. Together, we helped break the impasse of the period. You must seize all opportunities and use them to implement your vision," he says.

Sheikh Al Khalili says the group is constantly expanding. "We are in the final stages of registering a strategic joint venture holding company." Founded by key players in Oman's real estate sector, he is confident of its future.

Sheikh Al Khalili, who was awarded the Lifetime Achievement Award at the Oman Economic Forum last year, says that Oman's real estate market is well-managed, healthy, and will continue to grow.

"Our aim is to meet Oman's growth targets in the real estate market to the year 2012 and beyond," he says.



Sheikh Saud bin Ali Al Khalili
Chairman and
Founder of Al-Taher

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