The list of international investors dipping a toe — or more — into the Birmingham city centre residential market is long. Heading the list are Chinese developers like PGC whose 517-unit Lunar Rise scheme is now under construction. Amidst the throng seeking a home in the Midlands for outward-bound capital, it is easy to forget that the new arrivals come almost a decade after Kuwait-based Salhia Investments arrived in the city, a lonely pioneer travelling down a road that has now become crowded.

Salhia Investments secured its first planning consent for the 640K SF Digbeth Beorma Quarter scheme in 2009. Since then the scheme's first phase, including a new 110-bed Adagio apart-hotel and the conversion of the historic Digbeth Cold Storage building into offices, has been completed. However, Beorma's centrepiece — a 27-storey residential and office tower — has yet to arrive. Work on-site has been reported (incorrectly) as imminent for the best part of 10 years.

In the meantime the original planning application has been revised, most recently to reduce the residential element to 194 units. And rumours continue to swirl: construction is due to begin later this year, funded entirely by Salhia, Global Construction Review recently reported, whilst Salhia is in pre-let talks with a number of potential office occupiers, according to Estates Gazette.

Yet talk to Salhia deputy chief executive Aziz Al-Nafisi and the complicated history of the Beorma site suddenly becomes a lot clearer. Speaking to *Bisnow* from his office in Kuwait City, Al-Nafisi explained that for Salhia — as for many international investors — the principal point of investing in the U.K. was to de-risk. And if you are here to de-risk, taking risks is pretty much the last thing you are going to do.

Safety First

Courtesy of Salhia Investments

The Beorma Quarter masterplan

To understand the attitude of Salhia — and of many overseas investors — the first stage is to look at recent history. After two Iraq Wars in which Kuwait was a reluctant victim, who wouldn't want to put some of their resources out of harm's way?

"Our aim is to de-risk our global portfolio by not having 100% of it in Kuwait," Al-Nafisi said. "The geopolitical risks mean we have to diversify away from Kuwait, and the U.K. is a natural place to do that for us, given familiarity with the market and historical links."

Today, thanks to a recent $1B Kuwait development which has unbalanced the portfolio, the Salhia balance sheet is tipped 80:20 towards home-based investments. They would like it to be 50:50 balance between Kuwaiti and non-Kuwaiti domiciled investment within a decade. It is this calculation that will help drive what they buy — and what they build — in the U.K. and in Germany, where they also have a growing portfolio.

"We've 18 buildings in Germany," Al-Nafisi said, hinting at the prospect of more, and again de-risking is the motive, because the Brexit vote and the uncertainty that has followed is another risky element Salhia are anxious to mitigate.

"We are eager to know what happens after Brexit, but like everybody else we'll have to wait and see, but in the future we will be investing primarily in the U.K. and in Germany, so a foot on both sides," Al-Nafisi said.

"The source of the anxiety is the politicians. Currently in the U.K. we're seeing more evidence of egos than of rationale."

Start On-Site September 2019?

Courtesy of Salhia Investments

Beorma Quarter, from the Bullring

The timing of the Beorma scheme is a demonstration of the safety-first approach. Given their head start many U.K. developers would have kicked themselves for not having their scheme under construction or completed by this stage in the property cycle. Salhia sees it differently. Pressed on whether the Beorma Quarter was in danger of missing its moment, it stressed its long-term interest and waved the concern aside.

"There's an inherent risk in any project. Have we reached late cycle? I'm not sure, but I'm sure Birmingham as a city has more to offer," Al-Nafisi said.

"I don't remember a time when there was so much buzz about the city. We believe it's Birmingham's time to compete with the rest of the U.K. and with cities in Europe. So whether or not it is late cycle is irrelevant, we don't operate that way.

"We built our Kuwait office 45 years ago and we still own it — we are there to hold assets, it's not about a quick in and out."

An office pre-let will be the key to unlock the rest of the development. "Once we have a major pre-let, we can roll out the rest of the scheme," Al-Nafisi said.

The timetable for the three-year build programme for the remaining (tower) phases of Beorma is beginning to firm up. Last month GVA was appointed to manage the mixed-use development. The company's property management consultancy team has been handed the contract to deliver a full suite of property management, facilities management and destination marketing services for the Beorma Quarter project.

"We're in dialogue with Midlands buildings for what will be a £100M contract. There have been initial discussions and lots of interest, and I would expect to make a recommendation in the first three months of 2019," Salhia U.K. Representative Keith Williams said. Because enabling works have already been done, progress could be rapid with a start on-site by September 2019 — if the risk profile looks right.

“My instructions are to minimise the risk, but we are positive about outcomes,” Williams said.

As for pre-lets, early conversations are taking place. “There are a number of institutions and occupiers out there, all well-known names, and we are talking to them. My instruction is to achieve a minimum 50K SF pre-let on the office element of the tower. Salhia have shown a huge commitment to the scheme and will look positively at development if we get the pre-let,” Williams said.

There is no intention to take on a partner for the residential element, and the scheme will be self-funded.

“Short-term profit is not the key. Salhia do not have to get out a take a profit at a certain time,” Williams said.

The message is that Beorma will get moving: but only when the time, and the risk profile, look right.

To join the conversation at the Future of Beds in Birmingham event on 20 September register here.

See Also: The Silent Killer On The Job Site: Inside Construction's Battle With Opioids

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