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## TRANSFORMATION IN RETAIL



Ghazi F. Alnafisi, Chairman  
Salhia Real Estate Company

# Transformation in retail is constant

**K**uwait-based Salhia Real Estate Company has single-mindedly focused on bringing a bouquet of premium offerings to Kuwait City. Starting its real estate journey with the Salhia Complex, the company has undertaken two subsequent projects – Arraya Centre and the upcoming Assima Project. Two common threads are binding the projects; they are mixed-use projects located in Kuwait City.

In an exclusive conversation with **Rupkatha Bhowmick**, seasoned Kuwaiti businessman, Ghazi F Alnafisi, who is the Chairman of Salhia Real Estate Company, shares his journey of building and running the company successfully.

He reminisces about the time when Kuwait City used to have a wall around it, stretching from the Sheraton Hotel up to the Dasman Palace. When the wall got demolished, it left behind a few gates. Around the 1940s, these gates used to shut after sunset and only open after sunrise. That's where the modern-day Kuwait City stands today.



**Ghazi F. Alnafisi**



## From souks to shopping malls

Alnafisi vividly describes the evolution of the retail landscape in Kuwait. “In the past, the *souks* used to be located in the centre of the city. Souk Al-Mubarakiya, for example, is situated in Kuwait City. These *souks* were constructed sensibly with enclosed spaces, making it easy for shoppers to visit and shop.”

“Cut to the present – these spaces have evolved to cater to the lifestyle of the modern-day consumers. It led to the rise of shopping malls. However, the malls did not come up within Kuwait City, because the land was scarce. To build the Salhia, Arraya and Assima projects, we had to buy pieces of land and combine them together, which took several years. Think about it – around 22 plots of land have been put together to build the Salhia Complex. It involved a lot of hard work and patience,” he adds.

Getting a readily available vast stretch of land was impossible because Kuwait City is where the local Kuwaitis resided, Alnafisi shares. “Even our family lived in the Kuwait City. It is only when the government felt the need to redevelop this area, around 1950s, that the local population was moved out and rehabilitated in other areas and compensated handsomely. The government bought the land, built roads and developed the area. Then came the point when we started buying back plots of land to build our projects in Kuwait City. When our first project Salhia Complex was completed in 1979, people were surprised as well as excited to see a shopping mall of that scale



Arraya Centre

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back in those days. The reaction – from customers and our shareholders – was excellent. And it has been a constant evolution process, since then.”

### Building a symbiotic tenant-landlord relationship

A shopping mall can't afford to be beautiful but an empty space. It will not be able to meet the needs of customers. Thus, comes the need for a strong and mutually beneficial tenant-landlord relationship.

“The starting point is selecting the right tenant mix,” Alnafisi emphasises, “and to do that we undertake in-depth research to gauge brand fitment with the location. Even after this, if the brands face any challenge, like true partners, we try to assist them. That's why almost 70% of the tenants we had signed when Salhia Complex had opened are still with us. That says a lot about the kind of relationship we have maintained with our tenants. I strongly believe that as landlords we must

build and maintain an excellent relationship with our retail tenants. It must be trustworthy and not discriminating.”

“It's also one of the major reasons why we have been able to lease 62% of the Assima Mall already,” he continues. “Our partners recognise the name of Salhia and our long-term relationship. Back in 1986-87, retail had faced a rough time in Kuwait, and we had voluntarily reduced our rents for three years. Our partners remember these things.”



Salhia Complex

### Hiring bright minds is crucial

Alnafisi has seen several phases of transformation that retail has undergone, the newest era demanding a pleasant shopping ambience in the digital age.

Alnafisi talks candidly when asked about his strategy to bring people into the shopping malls

and ensuring that they stay, “I don’t strategise to keep people in our properties. They have always found their reasons to visit us. It started 40 years ago with Salhia Complex, and it is still working. I will not claim to know everything, but I’ve always been able to identify the right opportunity and location to build a project. That’s my strong point.

Once the project completes, it is my people who ensure it continues to evolve and keep pace with time. That’s why, I surround myself with bright minds to determine tenancy mix, develop marketing strategies and constantly engage with our visitors.”

“For example, we hire consultants to advise us on how much space we must

allocate to different retail categories. Having that said, a shopping mall is sure to struggle in the absence of well-balanced components. To create that balance, we seek expert opinion. I am keen to build a brilliant workforce comprising of young Kuwaitis to run our business successfully,” Alnafisi observes.

### Up close and personal

***I was not educated to become a real estate developer:*** I have studied aeronautical engineering, which has no connection with real estate. When I returned from the UK after completing my studies, I was involved in building my own house in Shamiah. That was my first brush with real estate, and I liked the experience. I was working with the Kuwait National Petroleum Company back then. Once I moved on from there, I started building residential projects. After that, the Salhia project came around.

***Kuwait is a strong market:*** The current retail climate is harsh. Shopping malls are having to devise flexible terms and conditions to sign up tenants while existing ones are demanding correction. But the Kuwaiti market is different. A few days ago, a friend from the industry shared that retail business declined 35% in the UAE and 40% in Saudi Arabia. In contrast, in Kuwait, it possibly plummeted only 5%. There are many reasons, the foremost being a large enough local Kuwaiti population. They are mostly government employees, and however severe the climate is the government continues to remunerate them well. Thus, there has not been much reduction in their disposable income. And the Kuwaiti audience is very discerning and demand world-class experiences.

***My idea of the ‘mall of tomorrow’:*** Retail is transforming. These days’ people like to shop online. My daughters order online so frequently. The need of the hour is for brick-and-mortar retail to transform, to be able to engage with consumers through their preferred touchpoints. For developers like us, we must create destinations as opposed to only meeting people’s shopping needs. We need to put together good cafés and restaurants, entertainment options as well as a rich portfolio of retail brands to be able to pull people into the mall. The ‘mall of tomorrow’ must be experiential. That’s why we have created more entertainment-oriented offerings at Assima Mall so that visitors can engage in activities that they can’t do online. We have seen that the stores are bigger but beautifully planned. ■



# A massive mixed-use project in the making in Kuwait

**O**wned by Kuwait-based Salhia Real Estate Company and developed by Assima Real Estate, a large mixed-use project in Kuwait City is in the making. The 380,000 sqm (4.09 million sqft) Assima project is scheduled for completion in February 2020. The project comprises the Assima Mall; the Assima Tower, featuring more than 150 offices; and the Assima Residence, a high-end executive hotel apartment. **RetailME** brings a preview

## The journey started four decades ago

The Salhia Real Estate Company was established in September 1974. "The idea was to build the Salhia Complex, which is why we set up the holding company. We started building the shopping mall in 1976 and opened three years later in 1979," recalls Ghazi F. Alnafisi, Chairman of the Kuwait-based Salhia Real Estate Company. "That was a landmark achievement because we were among the first real estate companies in the entire Middle East to conceptualise and build a shopping mall of that scale."

The four-decade-old Salhia Complex stands tall today, with prominent retailers flanking the mall space, offices on top and an adjoining JW Marriott Hotel. It is an excellent example of a mixed-use project. "Indeed, this mixed-use model proved successful for us," Alnafisi concurs. "That's why, we replicated the model for our Arraya Centre, built around the early 2000s. Four features dominate the Arraya Centre – the retail space, office tower, hotel and a car park area."

The obvious question is the reason behind developing only mixed-



use projects. "Way back in 1982, I met a gentleman from a Japanese company who used to visit his office in Salhia. He used to stay in the adjoining hotel and do meetings at the Kuwait Petroleum Company. He had spoken very highly about the convenience of being able to work, live and be able to shop, if required, in the same location. That stayed with me. I realised that convenience is a crucial factor that we must bear in mind while conceptualising any project," elaborates Alnafisi.

## A mega project in the making

At this point, the focus turns to Salhia Real Estate Company's on-going Assima Project. "The project is spread across 380,000 sqm (4.09 million sqft) of built-up area. The Assima Project plot has been with us since 1998-99," Alnafisi shares.

Then why it has taken so long to start work in this plot of land. "We didn't want to rush into developing just another project, simply because we had a plot of land available," he responds. "We had many ideas and wanted first to deliberate

which ones would be good and suit the needs of our target audience. Eventually, we decided to repeat the mixed-use model for the Assima Project. Both our previous projects have been very successful even in terms of leasing, and we are extremely confident of the fate for Assima."

## Promise to offer one-of-its-kind experience

Located in the heart of Kuwait City, the shopping mall within the Assima Project is expected to open by February 2020. A year away from opening, the Assima Mall with 72,000

sqm (775,000 sqft) of net retail space, is already 62% leased. It went up by another 10% in February, according to Alnafisi. “The hotel – high-end executive apartments by Marriott with 164 keys – will be completed six months after the mall opens, followed by the office tower – with 60,000 sqm (645,835 sqft) of net area spread across 56 floors – a year later,” he reveals.

“We have not done any advertising, yet we have leased 62% of the mall. Big retail groups who have been our long-term partners have approached us to sign up for space. It will not surprise me if the shopping mall gets 100% leased by the time we open,” avers Alnafisi. “A few factors are driving our success. First is the choice of location, in the heart of Kuwait City that doesn’t have big shopping malls. Most of the big shopping malls lie on the periphery. There isn’t a project like Assima in Kuwait City yet – owing to its size, location and tenant mix – and won’t even come up in the near future. And the high net worth individuals

are concentrated around Kuwait City, in surrounding areas including Shuwaikh and Shamiah, among others.”

“We have also been very strategic in tenant selection, ranging from mid-to-high,” he continues. “Importantly, the mall will open with 60% retail concepts that are new to Kuwait. The mall will house the first Monoprix in Kuwait. The first Galleries Lafayette store in Kuwait, spread across three floors, will open in Assima Mall. Another anchor tenant, also new to Kuwait will open. The entertainment offer will be huge and differentiated, with the likes of National Geographic Ultimate Explorer and UFC health club – both first-to-market in Kuwait – along with local brand Cinescape, part of the Kuwait Cinema Company.”

Food and beverage (F&B) will be a crucial category within the shopping mall, which will occupy almost 23% of the retail space. “We have allocated 32% of the mall space to leisure and entertainment. Anchor tenants will occupy prominent locations, while fashion concepts will be spread across three floors,” Alnafisi shares. “These decisions weren’t taken overnight. We hired some of the best consultants first to understand the global trends in the retail industry and then curated an offering for the local market.”

### Creating an inspirational space

Brick-and-mortar retail must inspire. It must be engaging enough to bring people in and make them stay for long in the retail property. Alnafisi agrees, “That’s why before starting the project, we hired a retail

consultant. We wanted to create a retail space that’s beautiful and effective in meeting shopper needs. We agreed to create an expansive look and feel so that on entering the mall people can get a fair idea of the offerings. Also, the use of glass and large shop windows, we have seen, are crucial factors for the success of the brands. Our third floor, for example, is around 11 metres high, because that’s where our entertainment concepts and cinemas will sit. And they need the flexibility of height and space to design world-class amusement concepts.”

British firm PLP Architecture has done the architectural design of the Assima Project. Singapore-based DP Design has done the interior design. “The thought process that has gone behind the design of the project is incredible, which is why it is shaping up so well,” Alnafisi states.

### The ride hasn’t been all smooth

While the shopping mall within the Assima Project is progressing very well, it has had to face some setbacks.

“One of the many challenges that we have faced is a sad incident of the mall catching fire. It was a big fire causing some amount of destruction, which took around six months to rebuild. It caused a delay in the delivery of the project. We are running behind time by a year. The mall was supposed to open towards the beginning of 2019,” Alnafisi shares. “But we have put that behind us, and when the Assima Mall opens, visitors will realise that this project is a first-of-its-kind in Kuwait City.” ■

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