

Forget the Big Four, Bahraini dinars are the go

Robert Hartley

Two property developers, David Hawkins and Allan Keller, have turned to the Middle East for funding as Australian banks continue to drip-feed the development sector.

Their company, Landmark Business Developments International, has secured \$200 million in new finance through the Bahrain-based Western Gulf Advisory.

And there is more to come. According to an advertisement placed in the Australian press, Western Gulf Advisory has

\$US1 billion (\$1.1 billion) earmarked for diverse projects in Australia and Vanuatu.

In a statement to *The Australian Financial Review*, the chief financial officer of Western Gulf Advisory, Omar Khan, said that during the liquidity crisis his group had tailored-made solutions that "transform financial weakness into strength."

"This is a world apart from conventional lending and banking practices, where borrowers are exploited with exaggerated rate of returns and ambiguous policies," the statement said.

The crippling shortage of development funding, particularly

for housing, has been highlighted by many observers, including the Reserve Bank.

The collapse of the non-bank sector, the withdrawal of Suncorp, and the mergers of the past year have given Australia's Big Four banks a monopoly on development lending.

Mr Keller said the credit line from Western Gulf Advisory would enable Landmark to start a number of housing developments in NSW and South Australia, together with tourist resort projects in the Illawarra and at Windsor in western Sydney.

The group is also involved in the

development of an industrial employment hub at Gawler, north of Adelaide, and tourist projects in Vanuatu.

Western Gulf Advisory's representative in Australia, W&R Capital manager Robyn Schneller, said the group was looking to provide facilities of more than \$100 million.

In general the facilities would be for five years, to 70 per cent of valuation on a first mortgage basis, and at a rate of LIBOR plus a margin of 1 per cent - margins, terms and loan-to-valuation ratios far more competitive than currently offered in Australia.

Ms Schneller said the Landmark deal was in US dollars but had been hedged at an extra, one-off cost of 32 basis points.

As always there are costs. The initial due diligence fee is £12,000 (\$21,600); the borrowers and their solicitor must travel to Bahrain and Switzerland; and registration of the agreement in Switzerland costs a further 35 basis points.

Ms Schneller said Western Gulf needed profit and loss accounts for the past three years; advice of what was not on the balance sheet; knowledge of any federal, state or tax issues and knowledge of the directors and their experience.

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