

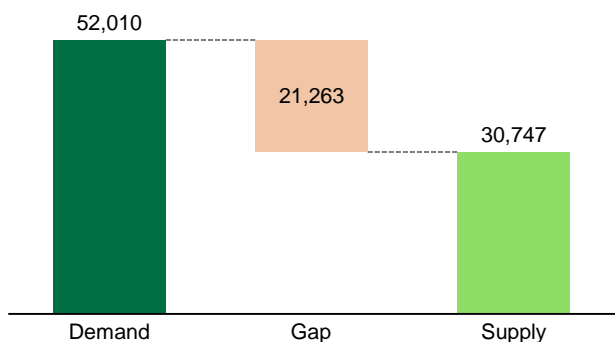


RENOVATING 1 STAR HOTEL TO 2 STAR HOTEL IN MAKKAH

OPPORTUNITY'S DESCRIPTION: Opportunity to renovate existing 1 Star hotel in Makkah to 2 Star hotel (280 keys) to cater the rising demand from religious tourists

DEMAND

MARKET SIZE - 2 STAR KEYS, (2030)



INVESTMENT HIGHLIGHTS

- Investment size: SAR 14,832,002
- IRR: 22.6%
- NPV: SAR 12,582,584
- Payback period: 6.0 years
- ROI: 22.0%
- Opportunity to consider different operating models – FDI with 100% ownership or joint venture with local private sector player(s)

INVESTMENT OVERVIEW

VALUE PROPOSITION

- KSA government targets to host 30.0 million International Umrah Pilgrims under Vision 2030 initiative which will create opportunity to serve additional 20.0 million visitors in the upcoming 10 years
- Enriching Hajj and Umrah experience for visitors is one of the main goals set under Vision 2030 and the government has initiated several measures to support the stakeholders and prospective investors
- While there is an oversupply in the luxury hotel segments (3-star, 4-star and 5-star), there is a shortage of mid tier budget hotels with good quality infrastructure and acceptable service experience

KEY DEMAND DRIVERS

- With 12.2 million domestic pilgrim and 9.3 million International Pilgrims in 2019, religious tourism remains the main driver of Saudi Arabia's tourism.
- Accommodation accounts for the highest on ground spend by the Pilgrims. Average pilgrim spending in KSA is 1,725 USD, 25% of which is spent on accommodation
- Expansion project of the two Holy Mosques, government investments in infrastructure and online visit visa issuance initiative will boost pilgrimage visits and create perennial demand for accommodation options in the holy cities
- 75% of the umrah visitors come from mid to low socio-economic class and prefer to stay in budget hotels

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- Hospitality segment in Makkah comprises of local as well as International players
- Occupancy rates in Makkah were 70% in 2019, while the average daily room (ADR) rate was 161 USD and revenue per available room (RevPAR) was 113 USD

COMPETITOR ANALYSIS¹



¹Non-exhaustive list

GLOBAL TRENDS

- Increasing trend amongst tourists to balance religious visits with cultural and heritage experience to enrich tourism experience
- Most tourism trends are based on general changes in consumer behavior, like the need for healthy and organic food & drinks, sustainability, personalized service, rising demand of digitalization and increased use of technology
- Additional health precautionary and safety measures adopted across the globe due to Covid – 19 induced pandemic are leading to increased operational costs



TOURISM & QUALITY OF LIFE

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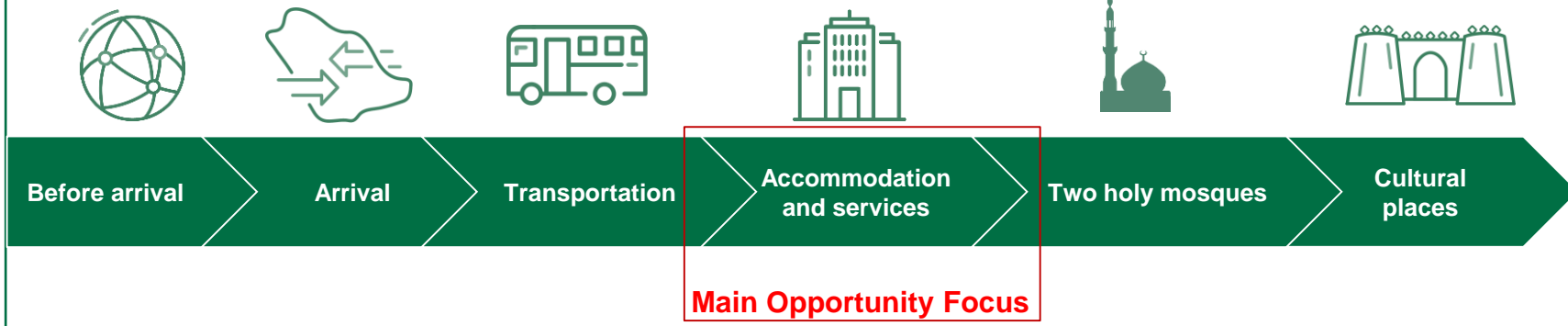
SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- The government have already issued new standards and guidelines to streamline the operational efficiency and standards of hotels
- There are over 991 hotels with 1-star rating in Makkah, with an oversupply of 98,598 keys. Some of these hotels can be converted to 2-star facilities based on review of their existing infrastructure and capabilities
- Renovation can be quickly performed in approx. 6 months and operations which will allow success cases to be replicated fairly quickly
- Low cost of construction, labor wages and utility fees combined with availability of trained hospitality resources to support low capital and operating expense for the investor and maximize investment returns
- Early market entry to potentially benefit investors to increase geographic footprint in the two Holy Cities and capture larger market share in medium-long term

PILGRIM'S JOURNEY



ENABLING FACTORS

ENABLERS

- The Ministry of Municipality and Rural Affairs has created supporting regulatory ecosystem for easy issuance of necessary permits
- Unification of the licensing authority for hotels and residential units in the two Holy Cities
- Establishing a unified center for investor services in Hajj and Umrah in cooperation with MISA

COST OF DOING BUSINESS IN KSA

Factor	Ranking Amongst Regional Peers
Macroeconomic risk (100=high)	40
Productivity adjusted wages	\$3.3 /hour
Ease of getting credit (0 – 100)	50
Contract enforcement (0-100)	55
Construction Costs (Indexed to US, % 0 is cheapest)	74

KEY STAKEHOLDERS



Sources for Cost of Doing Business: EIU, World Bank

