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Renovating and Operating Accommodation

INVESTMENT OPPORTUNITY SCORECARD

TOURISM & QUALITY OF LIFE

September 2021

INVEST SAUDI

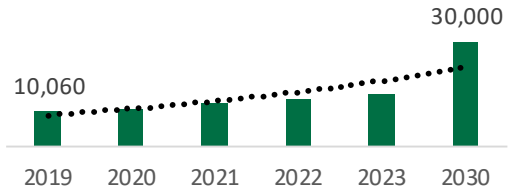
TOURISM & QUALITY OF LIFE

Renovating and Operating Accommodation

OPPORTUNITY'S DESCRIPTION: Renovate/Upgrade hotels to cater the increasing demand for good quality mid tier hotels in the holy cities of Makkah and Madinah

DEMAND

MARKET SIZE – INTERNATIONAL UMRAH PILGRIMS (In 000s)



- The market also includes domestic pilgrims and other travelers (tourism, business, family, etc.)

INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

	Makkah	Madinah	
Renovating Hotels Star From-To	1 to 2 Stars	2 to 3 Stars	1 to 2 Stars
NPV in SAR	15,547,774	12,280,022	9,213,134
ROI	19%	16%	15%
IRR	19%	15%	15%
Payback Period (Years)	7.06	8.88	8.55

VALUE PROPOSITION

- Quick Cash Flow: generating positive cash flow within one year after investment as the renovations will not take more than 6 months
- Secure Investment: current hotel operations will generate additional income from different classes of hotels and it will diversify their risk considering 1-3 star hotels would have different guest classes
- Quite big and stable demand where former seasonality problem is resolved (Umrah is now open for 8 months in addition to Hajj Season)

KEY DEMAND DRIVERS

- Ongoing increase in tourism in general and religious tourism (Hajj and Umrah) in particular will continue boosting the hospitality and tourism sectors.
- The holy cities of Makkah and Madinah hold 86% of KSA's hotel rooms and furnished apartments, while 14% rooms are spread in all other Saudi cities.
- Government investments in infrastructure and Holy Mosques expansion projects generate demand for hotel rooms

MARKET OVERVIEW

MARKET READINESS

- In Makkah, the hotel sector witnessed some booming activity (a number of properties under construction/planned in progress)
- In Madinah, the hotel sector also experienced some growth due to yearly growth in visitors.
- Occupancy rates and average daily room rates are increasing in Makkah and stable in Madinah due to increase of Umrah Visas.

COMPETITOR ANALYSIS

- Low competition due to currently low quality rooms and services provided
- Mid tier hotels operated by local experienced companies need to work more on improving the experience, training their staff, and cleanliness.

GLOBAL TRENDS

- 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

DEFINITIONS

#	SCORECARD SECTION	DEFINITIONS
1	Market size	Size of market in value/volume in KSA and/or Region (MENA/GCC) covering future projections based on available estimates from published /government sources
2	Demand drivers	A select number of factors that will influence future demand for the related product/service
3	Investment highlights	An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size
4	Value proposition	Summary of key differentiators that position KSA as a strategic choice over other regional/global peers
5	Market readiness	An overview of KSA market structure, market maturity and level of participation by local and global players
6	Competitor analysis	List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share
7	Global trends	Latest business developments within the sector/product category
8	Scalability and localization	Ease of scaling the business across the value chain or into new adjacent products or geographies that would maximize the opportunity's investment returns and the ability and potential to locally manufacture the product and its components
9	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
10	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
11	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
12	Enablers	Factors that enable investment in the underlying opportunity
13	Cost of doing business in KSA	Key factors that position KSA as a competitive destination for investment in the region. Productivity adjusted wages do not include cost of $1.23/hour towards annual recurring charges including work permit, resident identity (iqama) and health insurance

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