

Impact of an Icon - Jeddah Tower

Obhur Destination Assessment

January 2016

Introduction

Jeddah Moves North

Jeddah continues to hold its position as one of Saudi Arabia's preferred destinations among leisure and transient tourists, witnessing growth in hospitality demand.

Jeddah saw a positive 2015 as well, with increase in both occupancy and average daily rates (ADR). This trend is expected to continue with the entry of infrastructural and mixed-use developments, which place in areas near to the King Abdul-Aziz International Airport, expanding the city to the north, while the entry of new supply remains slow.

Hotel demand normally works in clusters, as it is often the nature of the districts which differentiate hotel guests, and not the hotel itself. For instance, Palestine Road and the Corniche Area are considered separate clusters and attract different types of hospitality demand.

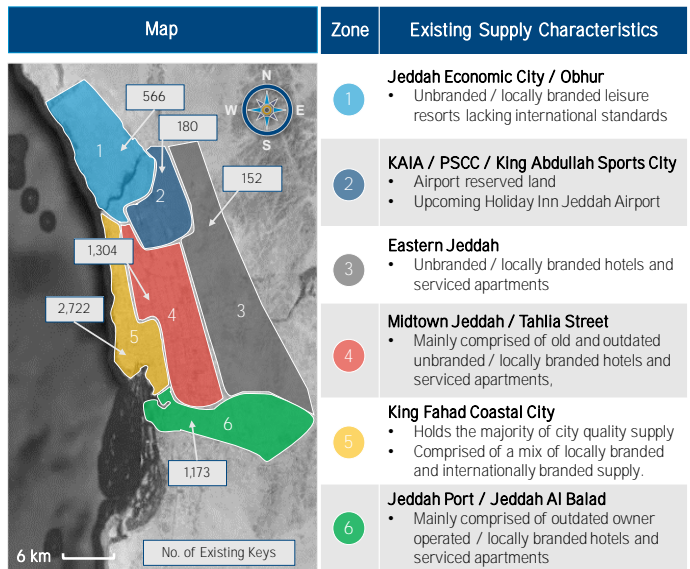
Al Faisaliyah, Al Rawdah and Al Khalidiyah districts are commonly referred as the CBD area's of Jeddah. However the city has been historically expanding to the north with many mega-developments either being planned or constructed away from the city centre.

Upcoming developments will allow northern Jeddah to offer a variety of educational, cultural, medical, commercial, retail, corporate and leisure services, increasing overall attractiveness of Obhur.

The following report aims to provide a synopsis of the current state of the Obhur area and new developments, with an analysis concentrating on the future impact of Jeddah Economic City on the hospitality market.

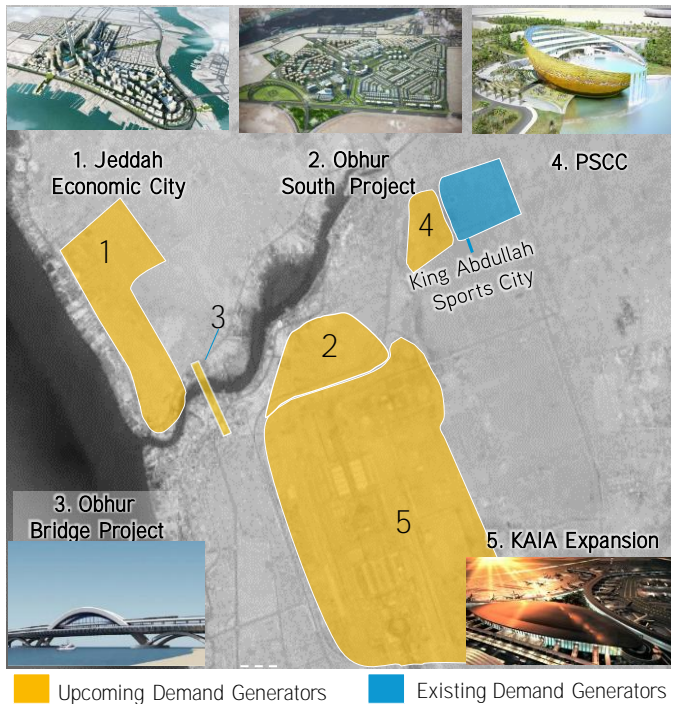
Development Name	Development Description
Jeddah Economic City	<ul style="list-style-type: none"> Covers 5.3 million sqm Estimated cost of SAR 75 billion Completion date of phase 1: 2020
Obhur South Project	<ul style="list-style-type: none"> Covers 2.6 million sqm 6,100 housing units Estimated cost of SAR 250 billion
Obhur Bridge	<ul style="list-style-type: none"> Spread across 2 km, with metro line Estimated completion date: 2020
Prince Sultan Cultural Centre	<ul style="list-style-type: none"> Covers a total of 2.4 million sqm features retail, healthcare, educational, leisure, cultural, & hospitality
KAIA Expansion	<ul style="list-style-type: none"> Covers 670,000 sqm capacity of 80 Million passengers / year Estimated cost of SAR 27 billion

JEDDAH'S HOSPITALITY MARKET ZONING (AS OF Q1 2016)



Source: Colliers International
Note: Includes internationally branded supply only

NORTHERN JEDDAH DEVELOPMENTS (2018-2022)



Source: Jeddah Economic Company, PSCC, Jeddah Municipality, Airport Authority, Colliers International

Obhur Market Characteristics

OBHUR RESORT HOTEL SUPPLY CHARACTERISTICS

Over the years, leisure-focused accommodation establishments in Jeddah have been gaining popularity as a weekend and vacation getaway, and resorts in the Obhur area have seen a simultaneous growth in demand.

A typical beach resort in Obhur includes villas/chalets along with optional apartments, studios and rooms.

The resorts are characterized by a mix of unbranded or locally branded properties capturing demand from Jeddah and other KSA cities.

OBHUR RESORT HOTELS DEMAND CHARACTERISTICS

Obhur resorts enjoy very high occupancy during most weekends and during public holidays, while demand is lower on weekdays and during the Holy Month of Ramadan.

The majority of guests in beachside resorts travel for leisure purposes, mostly during weekends. A small portion of project managers and engineers working on the Jeddah Economic City masterplan and other future developments use the resorts as accommodation, and mostly during working days.

The resort market in Obhur is mostly fed by Saudi families and other Arab nationals. These establishments primarily receive clientele with short and medium stays. The rooms and apartments cater to shorter stays (2-3 nights) whereas the villas usually accommodate guests staying 4+ nights.

UNBRANDED VACATION HOMES AND COMPOUNDS IN OBHUR

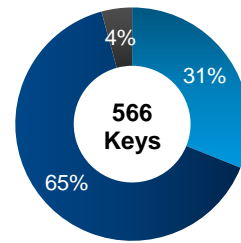
In addition to resort hotels, Obhur Bay is lined up with unbranded vacation homes and private compounds offering individual chalets, villas or apartments for rent. The business model varies from the typical resort hotels as the units are rented out through a yearly membership or traded through a timeshare business model.

The majority of unbranded vacation homes cater exclusively to Saudi Citizens which prefer this type of privacy. Some properties are also open to expatriates, and are becoming more popular as weekend getaways. The common features within these unbranded establishments include, beaches, pools, restaurants and children play areas.

The annual rental prices for 2 BR chalets range from SAR 75,000 to SAR 90,000, while 2 BR villas range between SAR 170,000 to SAR 250,000.

A typical 2-day weekend package for a 2BR chalet sells for a range of SAR 3,000 - 4,000, whereas weekdays sell for 1,000-1,500 per night.

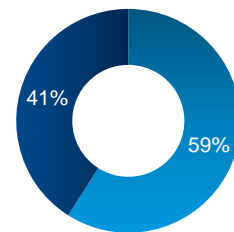
OBHUR RESORT SUPPLY (Q1 2016)



■ 5-Star ■ 4-Star ■ 3-Star

Source: Colliers International

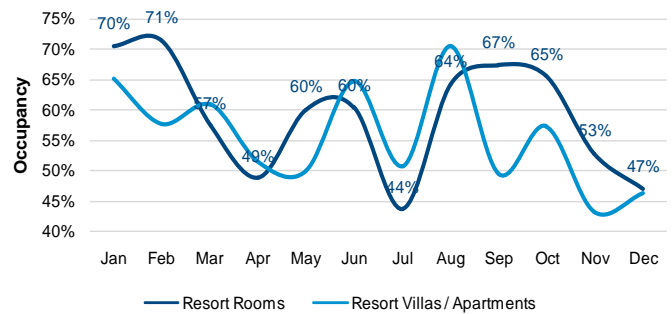
OBHUR RESORT SUPPLY BRANDING (Q1 2016)



■ Unbranded ■ Locally Branded

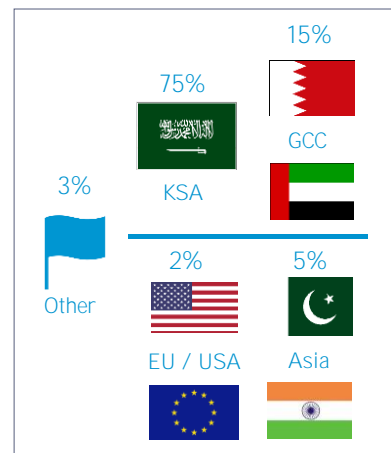
Source: Colliers International

OBHUR RESORT SEASONALITY (FY 2015)



Source: Colliers International

OBHUR RESORT SOURCE MARKETS (FY 2015)



Source: Colliers International



Upcoming Iconic Development: Jeddah Tower

JEDDAH TOWER (2020)

Masterplan: Jeddah Economic City is a 5.3 million sqm upcoming development by the Kingdom Holding Company. This development is expected to host commercial and residential components.

Jeddah Economic City is expected to become a trendsetter in real estate and urban development by providing the inhabiting community with quality housing facilities, business areas and commercial centers along with medical and education facilities.

Location: This upcoming masterplan is situated along the east coast of the Red Sea within Obhur district and approximately 35 km from King Abdul Aziz International Airport (KAIA) and Al Madinah Al Munawwarah road.

Centerpiece: The upcoming Jeddah Tower which is over 1,000 metres tall is expected to be placed in the middle of Jeddah Economic City.

Key Components: Jeddah Tower will be the world's tallest tower, having approximately 50 more floors than Burj Khalifa tower in Dubai. It will comprise more than 435,000 sqm of floor space and feature:

- Four Seasons hotel with 200 keys
- Four Seasons branded residences with 102 units
- Office space
- Residential Units
- The world's highest observatory (Sky Terrace)

Costs and Phasing: The Jeddah Economic City is estimated to cost approximately SAR 75 billion and the overall completion has been planned within 3 phases.

- Phase 1 will involve completion of the Jeddah Tower, the development of Jeddah Economic City infrastructure and public amenities as well as Malls, Schools, Hotels and offices, and it is expected to be completed by 2020.
- Phases 2 and 3 will see the continued infrastructure works and the continued overall development of Jeddah Economic City from 2021 onwards.



Source: Adrian Smith & Gordon Gill

Obhur Resort Market Changing Dynamics

IMPROVED INFRASTRUCTURE

The completion of Jeddah Tower will turn the presently 'remote' Obhur into a new key district and a true urban resort destination in Jeddah.

Three modes of public transportation including the regional rail, the metro and a tram alignment are in the planning process; these transportation modes are expected to converge in North Obhur.

INCREASE IN BRANDED SUPPLY

Apart from the upcoming branded supply in Jeddah Tower, Obhur is also expected to witness other forthcoming properties such as One & Only Resort (150 keys), and Public Pension Agency (PPA) South Obhur Al Janoubia Project (300 keys) after 2019.

The majority of future supply comprises of luxury properties indicating the change in the overall positioning of Obhur.

The forthcoming supply in Obhur will contribute in eliminating the current market gap of internationally branded supply and will further rise the popularity of this destination amongst high net worth individuals in Saudi Arabia.

SHIFT IN DEMAND TYPOLOGY

The emergence of luxury hospitality supply in Obhur will increase the overall prestige of the area and will motivate competitors to further increase the quality of supply in this destination. With the presence of Jeddah Tower and due to the proximity from KAIA, this resort market could become visited by the transient demand, including Hajj pilgrims.

The corporate demand in Obhur is expected to increase with the quality commercial spaces offered in Jeddah Tower. This will eventually lead to rise in demand from MICE, as well as individual corporate travelers.

One of the major positive impacts which Obhur is expected to witness in the future is the increase in number of visitors. This should lead to additional walk-in demand for the food and beverage facilities for the existing and future supply, as well as wellness facilities such as day spas overlooking the sea.

RISE OF A NEW DEMAND GENERATOR

Jeddah Economic City is expected to have a strong effect on the Obhur resort market. The rise in allure and the creation of a socio-economic powerhouse will fuel demand to the area, and this will be complemented by the introduction of internationally branded hospitality supply. As footfall increases and the positioning of the hotel market increases, development opportunities are expected to arise for both the branded resort market and the corporate / MICE hotels within Jeddah Economic City.

OBHUR FORTHCOMING SUPPLY (2018-2020)



4 HOTELS



1,100 KEYS

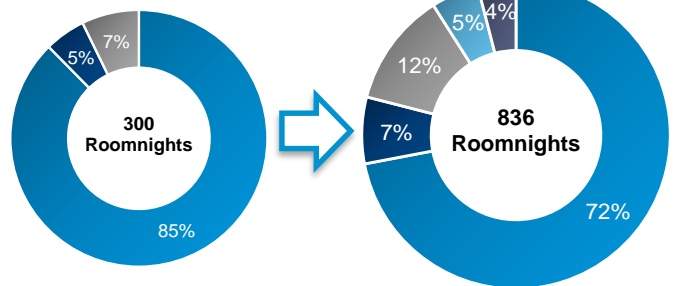
100% BRANDED SUPPLY

Source: Colliers International

OBHUR DEMAND CHARACTERISTICS

PRESENT (2016)

FUTURE (2020)



- Leisure
- MICE & Groups
- Transient
- Corporate & Individuals
- FIT / Other

Source: Colliers International

UPCOMING BRANDS IN OBHUR (2018-2020)



Source: Colliers International
Note: Pictures are only for illustrative purpose and are not the actual renderings.

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- Pre-Opening Budget Analysis and Operational Business Plan
- Owner Representative / Asset Management / Lenders Asset Monitoring
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\$9

billion
investment value of
projects advised

39,200

keys
valued

8,880

Hotel keys
under asset management

502 offices in 67 countries on 6 continents

United States: 151

Canada: 46

Latin America: 26

Asia Pacific: 190

EMEA: 89

\$2.3

billion in
annual revenue

1.7

billion square feet
under management

16,300

professionals
and staff

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