

# KSA VALUATION & ADVISORY

Q2 2018 NEWSLETTER

## CHANGES TO ENTERTAINMENT IN KSA

Under the chairmanship of Minister of Culture and Information and Chairman of the Board of Directors of General Commission for Audiovisual Media Dr. Awwad bin Saleh Al-Awwad, the Board has approved regulations on licensing cinemas in the Kingdom of Saudi Arabia.

- Various government bodies were engaged including the Ministry of Interior, Ministry of Finance, Ministry of Municipal and Rural Affairs, Department of Civil Defence, Saudi Customs and Saudi Organization for Standardization, Metrology and Quality. They considered the best international practices of regulations governing cinemas in a number of international markets.
- It is the first time that cinemas have been licensed since their ban in the early 1980s.
- The cinemas will act as a catalyst for economic growth and diversification.
- Vision 2030 aims to increase Saudi household spending on cultural and entertainment activities from 3% currently to 6% by 2030.
- To serve its population, the Kingdom aims to set up around 350 cinemas with over 2,500 screens by 2030.

The first cinema opened in KAFD and the first movie was screened on 20th April 2018, led by the Development and Investment Entertainment Company (DIEC), a wholly owned subsidiary of the Public Investment Fund (PIF) in collaboration with AMC Entertainment.

- AMC plans to open more screens at the KAFD location in the third quarter of 2018, with an objective of 30 to 40 cinemas in approximately 15 cities in Saudi Arabia over the next five years, and 50 to 100 cinemas in about 25 Saudi cities by 2030.
- VOX Cinemas (Majid Al Futtaim) has announced that they will be opening their first multiplex at Riyadh Park Mall soon.

Currently we are aware of a number of shopping malls that have been introducing cinema screens in their leasable area. We expect the cinemas to drive footfall up in these malls and help occupancy, impacting rental rates positively and re-energising dead space.



In 2017 the capital value of land and buildings valued by Knight Frank exceeded US\$ 1.3 trillion globally.



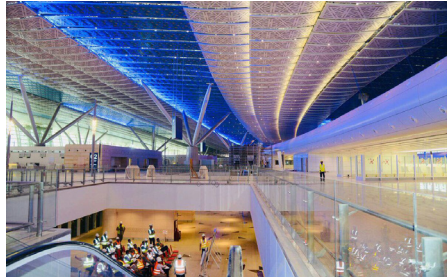
## IN FOCUS: MAKKAH & MADINAH PROVINCE TRANSPORT LINKS

- Last year Saudi Arabia welcomed approximately 18 million tourists to the Kingdom, of which a substantial proportion was religious visitation.
- In order to accommodate increasing levels of religious tourism, there have been a number of infrastructure enhancements in order to facilitate tourist inflows around the provinces of Makkah and Madinah.
- Beyond smoothing annual seasonality trends, these projects are necessary to facilitate increased tourism numbers to the holy cities to the levels required for the rapidly expanding hotel supply.
- While some believe that the recently announced visa fees of SAR 2,000 for repeat pilgrims who wish to perform Umrah during consecutive years may deter visitation, this is not necessarily universally true.
- Given that only high-income households can afford to repeatedly visit Makkah in such a compressed timeframe, an incremental fee of SAR 2,000 would not severely impact the overall cost of visitation of such guests.
- Going forward, religious tourism will remain a fundamental pillar of the Kingdom's tourism sector.
- The recent implementation of the tourism visa by the Saudi Commission for Tourism and National Heritage (SCTH) is a positive step for the industry, as it is yet another initiative to transform the sector from one that depends heavily on religious and corporate tourism to one that has a more diversified demand base.

As large infrastructure projects reach completion in the provinces of Makkah and Madinah, the traditional demand-side bottlenecks related to capacity constraints will be alleviated, allowing for increased visitation and revenue inflows, which will ultimately uplift hotel values.

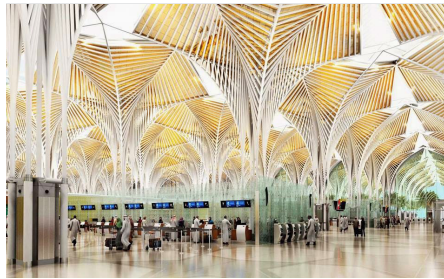


## KING ABDULAZIZ INTERNATIONAL AIRPORT



- King Abdulaziz International Airport, in Jeddah is currently Saudi Arabia's busiest airport and the third busiest airport within the GCC.
- The airport features a Haj terminal, which is specifically designed for Islamic pilgrims traveling to Makkah.
- Approximately 34 million people used the airport in 2017. The airport is undergoing an expansion with the aim of increasing its passengers to 43 million by 2025.

## PRINCE MOHAMMED BIN ABDUL AZIZ INTERNATIONAL AIRPORT



- Prince Mohammed Bin Abdul Aziz International Airport, the main airport for the city of Madinah, completed the second phase of their planned upgrade in Q2 2014.
- This has increased the airport capacity to 12 million passengers a year. We understand in phase 3 of the airport expansion, that this will increase the capacity of the airport to 16 million passengers a year, which is set to be completed before 2037.

## THE HARAMAIN RAILWAY



- A high speed rail project connecting the holy cities of Makkah and Madinah via King Abdullah Economic City and Jeddah
- Due to open in 2018 and will stretch over 450km.
- The train will be able to carry approximately 165,000 passengers per day at a service speed of 300 km/h.

## MAKKAH METRO & MADINAH MONORAIL



- Makkah Metro reportedly to be ready for operation by 2020
- Madinah monorail is expected Q4 2021.
- These projects listed above will improve accessibility dramatically to these cities, which in turn will reduce the seasonality effect to the region and provide a consistent source of revenue for the hospitality industry.

### Top speed of trains



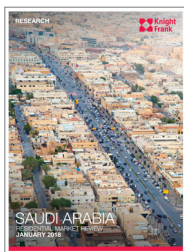
## RESEARCH AND VALUATION PUBLICATIONS



Valuations Newsletter  
Q1 2018



REITs Insights on  
Saudi Arabia Q1 2018



KSA Residential Market  
Review January 2018



Riyadh & Jeddah Hospitality  
Market Review Winter 2017

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