Whitepaper

DESTINATION SAUDI

The Impact of Vision 2030

Colliers INTERNATIONAL

Kingdom of Saudi Arabia

Destination Saudi

— Leisure, Culture and Tourism Potential

Accelerating success.

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"We will support promising sectors and foster their success so that they become new pillars of our economy...

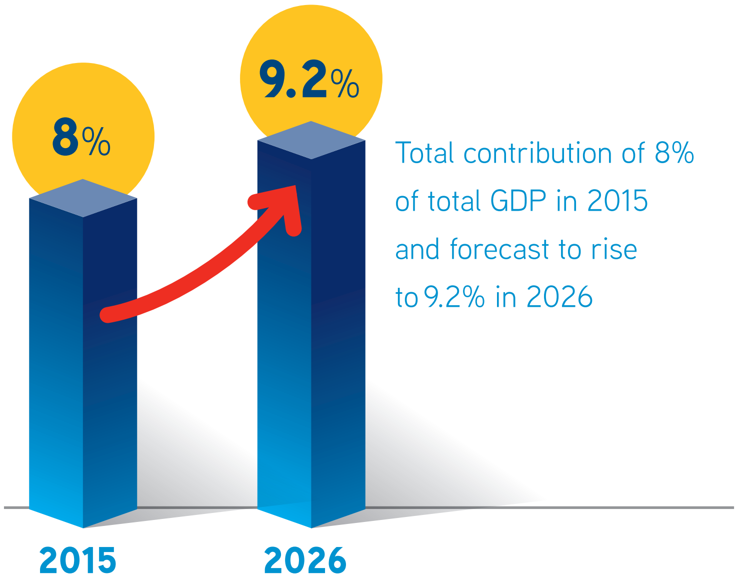
In the tourism and leisure sectors, we will create attractions that are of the highest international standards, improve visa issuance procedures for visitors, and prepare and develop our historical and heritage sites."

Vision 2030

With Vision 2030 identifying the potential for entertainment and cultural development, and with significant growth forecast in domestic tourism, is Saudi Arabia set to see an unprecedented growth in its leisure and cultural offer?

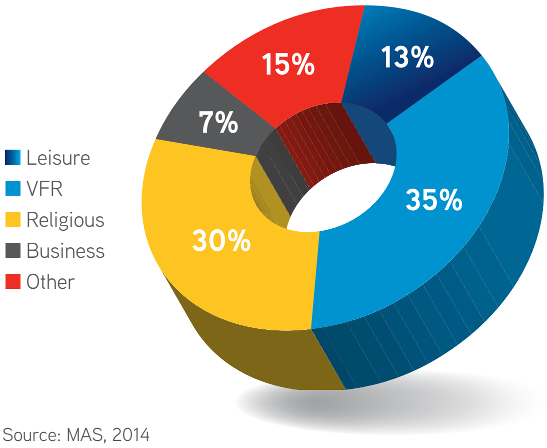
Despite slightly lower projected growth rates than historical levels, the annual rate of population growth in KSA should stay above 2% for the foreseeable future. This is expected to be a boom for the retail sector as population has a direct effect on potential market size.

Tourism in KSA



Total contribution of 8% of total GDP in 2015 and forecast to rise to 9.2% in 2026

Domestic Tourism – Purpose of Visit 2013



Source: MAS, 2014

Domestic tourism forecasts

	2015	2020	CAGR
Tourists	46.5m	66.2m	7.4%
Spend (SAR)	47.9bn	82.6bn	11.5%

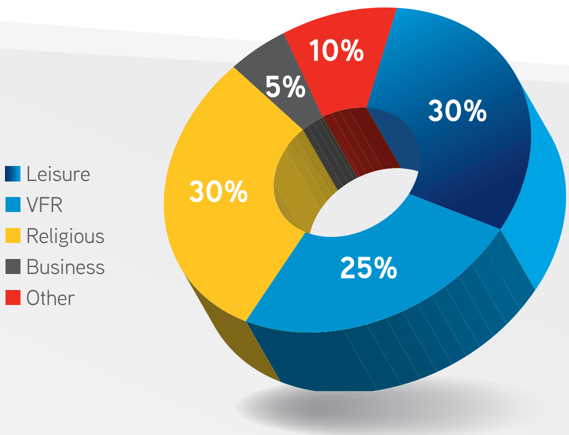
Source: MAS, 2016

Inbound tourism forecasts

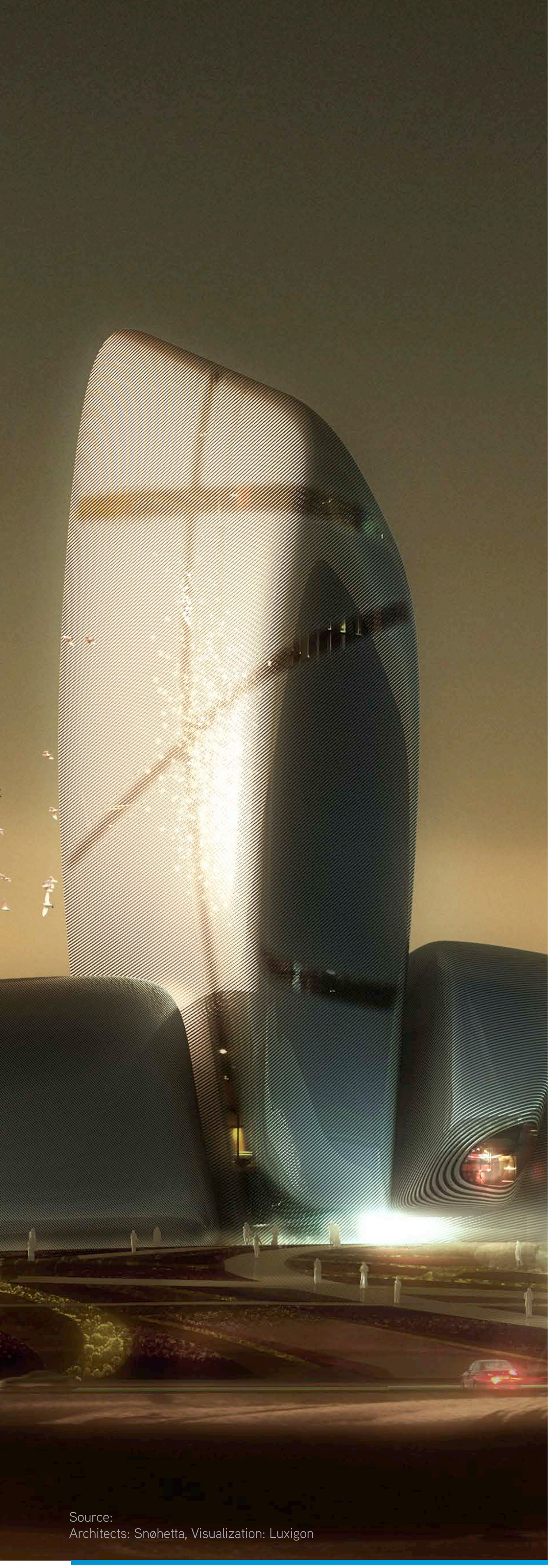
	2016	2026	CAGR
Tourists	20.2m	32.3m	4.8%
Spend (SAR)	32.8bn	55.9bn	5.2%

(Source: WTTC, 2016)

Domestic Tourism – Purpose of Visit 2020



Source: Colliers International Estimate, 2016



Source:
Architects: Snøhetta, Visualization: Luxigon

There is a positive outlook for tourism in Saudi Arabia, with strong growth forecast and a wave of investment underway.

At a total contribution of SAR 190bn in 2015, Travel & Tourism is currently the second highest contributor to Gross Domestic Product (GDP) growth in Saudi Arabia, albeit from a relatively low base compared to other countries.

Inbound tourism is forecast to grow to over 32m trips per annum by 2026, driven primarily by growth in religious tourism.

Domestic tourism is forecast to grow to an impressive 66m trips per annum by 2020, driven by growth in both religious and leisure tourism.

Travel & Tourism is estimated to have attracted capital investment of SAR 81.1bn in 2015. This is forecast to rise by 4.2% in 2016, and by a further 4.4% pa over the next ten years to SAR130.5bn in 2026.

It is projected that Travel & Tourism's share of total national investment will rise from 12.5% in 2016 to 14.3% in 2026.

Initiatives to support the growth of Tourism include:

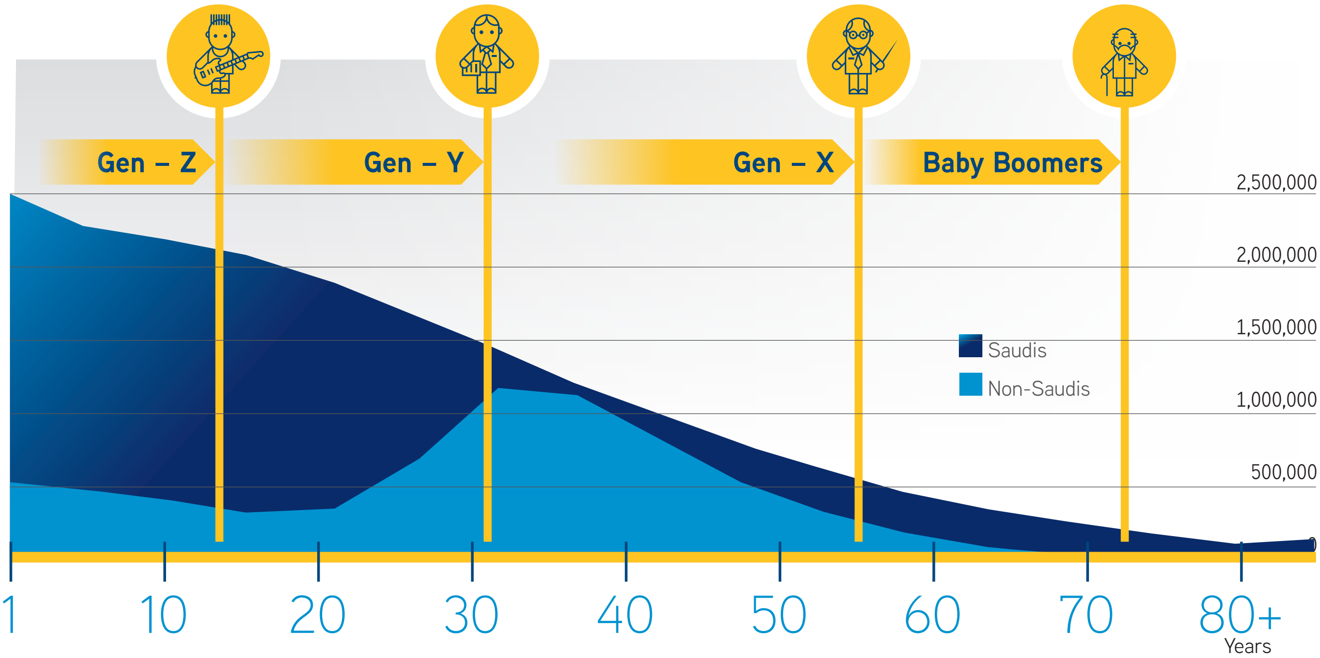
- Investment in major transport infrastructure such as the new Jeddah airport (open 2018) and the Haramain High Speed Rail line (2018) linking the holy cities of Medina and Mecca via King Abdullah Economic City, Rabigh, Jeddah, and the new Jeddah airport
- Increased capacity at the Holy Mosques in both Mecca and Madinah and new Madinah airport (2015)
- Significant private sector investment in hotels and resorts
- Significant Government investment in parks, attractions, festivals and other recreational activities
- Government investment of over USD 13 million/year on the preservation of heritage sites
- Introduction of the 'Umrah Plus' Visa which allows Pilgrims to travel around the KSA for up to 30 days
- Potential introduction of a single Schengen-style visa for all GCC countries
- Tourism skills training for over 30,000 Saudi citizens within the 'Takamul' program
- Gradual opening to new forms of leisure, entertainment and cultural activities e.g. the successful ILuminate Show in Riyadh in summer 2016.

If these ambitious plans are delivered, tourism has the potential to make an important contribution to economic diversification and job creation, as well as promoting softer benefits such as pride in Saudi culture and quality of life for Saudi residents.

Culture, Leisure & Entertainment

> *"We are well aware that the cultural and entertainment opportunities currently available do not reflect the rising aspirations of our citizens and residents, nor are they in harmony with our prosperous economy… We will allocate prime areas within cities for educational institutions, retail and entertainment centers, large areas along our coasts will be dedicated to tourist projects ….."*
>
> ***Vision 2030***

Demographic Structure of KSA



Source: SAMA, Colliers Analysis

Recent Leisure Projects:

- KidZania Jeddah
- Snow City Riyadh

Pipeline Leisure Projects:

- Theme Park, Safari Park & Water Park, King Abdullah Economic City
- Theme Park & Adventure Park, Wadi Al Asla, Jeddah
- Indoor Waterpark, Jubail
- Six Flags Theme Park, Riyadh
- KidZania Riyadh
- KidzMondo Riyadh
- Knowledge Economic City Leisure Park, Madinah

Recent Cultural Projects:

- King Abdulaziz Centre for World Culture, Dhahran
- Saudi Aramco Oil Museum refurbishment
- Mishkat Science Centre, Riyadh
- Old Dir'aiyah Heritage Park, Riyadh

Pipeline Cultural Projects:

- National Park development, Riyadh
- Islamic Faith Museum, Mecca
- National Museum redevelopment, Riyadh
- Natural History & Science Museum, Riyadh
- Number of new cultural attractions proposed for the Financial District, Riyadh
- King Salman Science Oasis, Riyadh
- Madinah Welcome Center

In addition to the projected growth in domestic leisure tourism, there are a number of additional factors supporting the development of culture, leisure and entertainment offers in the Country:

- A large and fast growing population: The population is forecast to grow from 31.5m in 2015 to 37.6m in 2025[1]
- A young population: 57% of Saudi Nationals are under the age of 25[2] with increasing aspirations for quality leisure and entertainment experiences
- An increasingly affluent population: average monthly expenditure of a Saudi household in 2013 was SAR 15,367, a 16% increase on 2007[3].
- Increasing spend on leisure: 2030 Vision is targeting an increase of household spend on culture and entertainment from the current level of 2.9% to 6%[4].
- A significant lack of out-of-home culture, leisure and entertainment: the existing offer is on the whole limited to public parks, malls, festivals and traditional museums. This is now changing with the recent opening of commercial attractions such as KidZania in Jeddah and Snow City in Riyadh, together with the world class King Abdulaziz Centre for World Culture in Dhahran.
- A competitive and open business environment: the government is primed to engage and partner with international leisure and tourism investors, developers and operators e.g. Six Flags partnership for up to 3 theme parks.
- Education and training: 'Experience Saudi Arabia' is a program that aims at educating Saudi Arabian youth about the heritage and culture of the country. New courses and training to support employment in leisure and hospitality are also being introduced.

The large-scale leisure, culture and entertainment projects now emerging in Saudi Arabia are expected to encourage Saudis to spend more of their disposable income within the country rather than overseas. With other GCC countries also investing heavily in new tourism attractions and infrastructure, the region is becoming increasingly competitive. Nonetheless the prospects for growth in Saudi Arabia are bright.

1, 2, 3, 4 Source: General Authority for Statistics, 2015

Conclusion, Opportunities and Key Issues

In conclusion, it is apparent that the Cultural, Leisure and Tourism landscape in Saudi Arabia is changing quite rapidly and the scale of opportunity, particularly from domestic tourism growth, is significant. Expectations in terms of the variety and quality of entertainment provision within the Country are rising and the new Entertainment Authority has high aspirations to meet these expectations.

We believe that the overarching market opportunity is to provide 'Family Fun' experiences in safe, controlled and culturally appropriate environments.

Key Development Opportunities

- Theme Parks
- Zoos and Safari Parks
- Indoor and Outdoor Adventure Activities
- Commercial Family Attractions
- Touring Exhibitions
- Retail, Dining and Entertainment (RDE) Zones
- Festivals

Key Considerations for Developers and Operators

- Cultural Fit
- Climate
- Day vs Stay Visitors
- Repeatability
- Religious Pilgrims
- Physical and/or Temporal Visitor Segregation
- Staff Recruitment and Training
- The Power of Social Media and Word of Mouth Marketing

Colliers International Destination Consulting

The Colliers International Destination Consulting team understands all parts of the complex tourism industry and is currently working on a number of leisure, cultural and tourism development initiatives all across the Kingdom.

We advise on the key ingredients of success in delivering a destination that meets the needs of both destination creators (developers, investors, government stakeholders) and the destination consumers (residents and visitors).

We combine 10 years of local experience in the Saudi market with over 20 years of experience in international destination development to advise our clients throughout all stages of the destination development lifecycle:

- Destination concept, strategy and product development
- Market & Financial Feasibility Study
- Development Consultancy & Highest and Best Use Analysis
- Operator Search & Contract Negotiation
- Project Monitoring (Assistance with Pre-Opening Expenses and Business Plan)
- Asset Management/Operational & Financial Performance Review
- Site and Asset Investment Strategy/ Brokerage

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