



Alpha1Estates: Makkah-Madinah Real Estate Index up 23% despite turbulence

January 5, 2015 / 14 Rabi'ul Awwal 1436: Global real estate advisory firm Alpha1Estates International said on January 5, 2014, and in the new Islamic year of 1436, that its real estate index for Makkah and Madinah had risen by 23% in 2014, despite the Saudi monarch's illness from pneumonia and the biggest global oil price drop of the past six years.

The Ihsan al-Haramain Index, the first index to solely track Saudi-listed companies involved in real estate development in Makkah and Madinah, tended to have year-highs in August, but fell to a year-low on 17 December, a day after the price of Brent crude oil dropped below \$59 per barrel for the first time since 2009, followed by the recent diagnosis of the Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz Al-Saud with pneumonia on 31 December.

“We would like to wish the Custodian of the Two Holy Mosques a fully and speedy recovery, God-Willing, in gratitude for all he has done for the Two Holy Mosques, its inhabitants, visitors and admirers,” said Mr. Malik al-Alawi, Chairman of Alpha1Estates International.

“Despite these unfortunate events in December, the Ihsan al-Haramain Index's performance at over 22% is ten times better than the Saudi stock market's, TASI, which fell by two percent over the same period.”

Stock market investors in Saudi Arabia are concerned that dwindling oil revenues from the sharply dropped oil price could prompt the government of the world's largest oil exporter to reduce spending, which could in turn slow growth in the wider economy.

Recent events in December has meant that the Ihsan al-Haramain Index by year end rose 40% in Makkah, buoyed by a strong performance by Jabal Omar Development Company by 80%, whilst Madinah remained relatively steady with a fall of 2%, leading to a weighted 23% rise overall for the index in 2014.

In order to ensure stability, non-oil economic dependence and global marketing in the real estate sector of Makkah and Madinah, Alpha1Estates in 2012 proposed five critical pieces of legislation that focus on globalising the sector to non-Saudi Muslims, which will lead to greater investments, prosperity and quality of life in the Holy Cities.

“It is clear that the real estate sector in Makkah and Madinah can stand completely independent of government spending in Saudi Arabia due to global inelastic demand, but proposals for new legislation, such as ours, would need to be enacted.”

Alpha1Estates International launched in 2006 to become the world's first company to market Saudi Arabian property globally and also the first company to market property in both Makkah and Madinah, and has worked with the three of the five largest real estate developers in Saudi Arabia and five of the biggest in the Middle East.

Makkah and Madinah Real Estate Sector Year in Review

In the year 2014 / 1435, Makkah and Madinah have once again experienced significant change. The physical expansion of the two Holy Mosques has continued, with the Saudi government appropriating 5,800 properties in Makkah. In Madinah, the government has that the expansion of the Prophet's Mosque would not affect other nearby ancient mosques, whilst the a huge expansion project for the historic Baqie Al-Gharqad cemetery has been launched, to double its area to 300,000 square meters.

In terms of other projects related to the Two Holy Mosques, literacy has been a key promotional push in the Holy City of Makkah with King Abdullah bin Abdulaziz approving the establishment of the Holy Mosque Library Project. Authorities have also expanded the King Abdullah Project to both Makkah and Madinah in 2014 to cover for Arabic translations of Friday sermons to English and Urdu. Ziyara GPS, the world's leading guide to the holy sites in Makkah and Madinah, was launched on Eid al-Fitr in Madinah in 2014. Sheikh Abdul Qadir Taha Al-Sheibi, 74, who held the traditional key to the Kaaba, died in Makkah in 2014. The Al-Sheibi family, of the lineage of the Prophetic Companion Sheiba bin Othman Abi Talha, has been holding the position of key-keeper since pre-Islamic times.

In the sphere of city-wide business development, the Makkah Chamber of Commerce and Industry (MCCI) and the Saudi Commission for Tourism and Antiquities (SCTA) have joined forces to encourage businesses in Makkah to sell goods made in the holy city, the "Made in Makkah" campaign. The Madinah Chamber of Commerce and Industry also signed a contract with the National Center for Economic, Administrative, Environmental and Mining Consultancy to study the economic map of the area of Madinah until 2050.

In terms of the real estate sector, there has been mixed experiences regarding development in the two Holy Cities. In Makkah, the real estate index for the Makkah region witnessed a rise of 350 percent in 2013 with SR59.4 billion (USD \$ 15.8 billion) dealflow compared with SR16.1 billion (USD \$ 4.3 billion) in 2012 before. Prominent projects in process include the USD \$16 billion Makkah Gate project, which aims to accommodate 800,000 people with completion in about 15 to 20 years.

In Madinah, 80% of Madinah development projects are delayed with only 121 out of 656 development projects in Madinah are proceeding on schedule. The government also approved the establishment Al-Maqar Development Company, with capital of SR1.98 billion (USD \$ 527 million) and focused on development of underdeveloped districts in the Holy City. The foundation stone for the King Abdullah City for Pilgrims, a Dar Al-Hijrah Company project, was also laid.

Soft infrastructure is increasingly lacking behind physical infrastructure. In terms of new legislation and regulations, the Committee of Economic Affairs and Energy at the Shoura Council faced vehement opposition in 2014 from several members when the council announced its recommendations to allow foreign investors to own properties within Makkah and Madinah's borders, citing religious reasons as their motive. The Saudi government in 2014 also withdrew the time-share concept for non-Saudis in the two holy cities of Makkah and Madinah.

"We were heartened to hear that the Shoura Council recommends to allow foreign investors to own properties in the Holy Cities," said Mr Al-Alawi, CEO of Alpha1Estates.

"In 2012, we recommended, and now remind, of our five main proposals for new legislation for the real estate sector in Makkah: easing of immigration and travel for non-Saudi Muslims; setting up a real estate regulatory authority to monitor buying and selling of real estate and prevent monopolies; empowering non-Saudi Muslim ownership, leasing and investment of

real estate; easing non-Saudi Muslims setting up a company, working or studying in the Kingdom, and introducing and scaling Islamic mortgage financing in the Kingdom,' stated Al-Alawi.

In terms of hard infrastructure, there have been a number of developments linked to both Holy Cities. In the aviation sector, the kingdom is planning to build a new international airport in Taif to serve pilgrims to nearby Makkah. New flights to Madinah include Etihad Airways flying from Abu Dhabi, Flynas flying from Khartoum and United Airways from Dhaka. In the road infrastructure, the SR4.5 billion (USD \$ 1.2 billion) Makkah-Qassim highway has been green-lit. In the rail infrastructure, Makkah is to have four metro lines, 88 stations, with work to begin in 2016, whilst the first Spanish-made train for the multibillion-riyal Haramain railway project arrived by the end of 2014 in the kingdom.

Major cultural initiatives in the Holy Cities have included the launch of the Makkah Newspaper and the designation of a one million square meter city project outside the Haram boundaries in Makkah for a Islamic dissemination project called "Peace be upon the Prophet". Major conferences in the Holy Cities this in 2014 included the 8th Conference of the Ministers of Culture in OIC countries in Madinah in January, the Madinah Investment Forum in February and the 15th Makkah Conference in September.

ABOUT ALPHA1ESTATES INTERNATIONAL

Alpha1Estates International is a global real estate advisory firm headquartered in the United Kingdom. It primarily focuses on emerging real estate markets. The company has advised on some of the Middle East's most prestigious real estate projects, working with the largest developers. Please visit www.alpha1estates.com

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