



Alpha1Estates: Makkah-Madinah Real Estate Index falls 14% in 2017 as KSA reforms

30 January 2018 / 12 Jumada Al-Awwal 1439: Global real estate advisory firm Alpha1Estates International said on Monday that its real estate index for Makkah and Madinah had fallen by 14% in 2017, based on Saudi Arabia's first year of implementing its reform agenda with Vision 2030 and the National Transformation Plan 2020 (NTP).

The Ihsan al-Haramain Index, the first index to solely track Saudi-listed companies involved in real estate development in Makkah and Madinah, last year rose by 9%, following the first year of the Kingdom's economic and social reform agenda.

“2017 has been a seismic year of change for the Kingdom, as key economic and social reforms start to be implemented under the leadership of the HRH Crown Prince, in the Kingdom and also impacting Makkah and Madinah.” said Mr. Talal Mahmood Malik al-Alawi, Chairman and CEO of Alpha1Estates International. “As the Kingdom's GDP growth was at a blip of 0.6% in 2017, the Ihsan al-Haramain Index's performance fell 14%, though the fundamentals of the sector are sound with deepening reforms expected to show a rebound in 2018.”

There was a near universal fall across all stocks on the Ihsan al-Haramain Index by year end, apart from Dar Al-Arkan Real Estate Development Company which rose by a colossal 134%, with sales projects including Al Tital Villas in Madinah, previously marketed by Alpha1Estates. Madinah-related stock fell by only 3.7% versus a 18.5% fall in Makkah-related stock. Two new stocks were also attended to the Real Estate Development Index, with the Red Sea Housing Services Company started trading on the Tadawul Stock Exchange in Saudi on 3 January 2017 and the Alandalus Property Company started on 12 January 2017.

Saudi Arabia's Crown Prince Muhammad bin Salman personally launched the Saudi Vision 2030 in April 2016, an economic diversification plan to reduce the Kingdom's dependence on oil, and in June, the NTP was launched with 543 policy initiatives across 24 government entities.

Talal Mahmood Malik Al-Alawi, the Chairman of Alpha1Estates, met with HRH Crown Prince Mohammad bin Salman bin Abdulaziz Al-Saud in Saudi Arabia on 24 October 2017, a milestone event which went viral on social media, and was interviewed by the United Kingdom's Guardian Newspaper on the accession of the Crown Prince on 21 June 2017.

On 27 December 2017, the Chairman also attended the Emaar Makkah Conference in Jeddah, focused on the development of the Makkah region, with speakers including Prince Khalid Al-Faisal, the Special Adviser to the Custodian of the Two Holy Mosques, Governor of Makkah and the Head of the Makkah Development Authority, Prince Abdullah bin Bandar bin Abdulaziz, Deputy Governor of Makkah, HE Dr. Mohammad Saleh Benten, HE Sheikh Dr. Abdulrahman bin Abdulaziz Al-Sudais, President of the Affairs of the Two Holy Mosques and HE Sheikh Saleh bin Abdulaziz Al-Sheikh, Minister of Islamic Affairs. On 11-13 December 2017, the Chairman also attended the 4th Forum for Promoting Peace in Muslim

Societies in Abu Dhabi, UAE, at the invitation of its Chairman, His Eminence Sheikh Abdullah bin Bayyah.

Specifically for the real estate sector in Makkah and Madinah, the Chairman also met with the Public Investment Fund, Khazanah International, Jabal Omar Development Company, Dar Al Arkan and Knowledge Economic City.

In Vision 2030, the Kingdom regards as its first pillar its status as the heart of the Arab and Islamic worlds. In NTP 2020, the Kingdom has aims to increase the number of Hajj pilgrims from 1.5 million to 2.5 million by 2020, Umrah pilgrims from abroad from 6 million currently to 15 million by 2020 and to increase the sectoral revenue through private sector partnerships by a tremendous 240-times fold from SAR 80 million (USD \$ 21.3 million) and SAR 19 billion (USD \$5.1 billion).

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, which will lead to greater investments, prosperity and quality of life in the Holy Cities. These included 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, residing or studying in the Kingdom, and introducing and scaling Islamic mortgage financing in the Kingdom.

The Crown Prince as part of the Vision 2030 has announced the proposal for foreign residents in Saudi Arabia to potentially obtain green cards for permanent residence, to be implemented within five years and which would contribute over USD \$10 billion to government revenues, with these currently under study by the Shura Council. As part of Vision 2030, the Kingdom said it 'would will seek to improve living and working conditions for non-Saudis, by extending their ability to own real estate in certain areas, improving the quality of life, permitting the establishment of more private schools and adopting an effective and simple system for issuing visas and residence permits.'

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 2017/ 1438/9, Makkah and Madinah have continued to experience significant change. With regards to the governance of the two Holy Cities under King Salman, Prince Khalid al-Faisal continues his second tenure as Governor of Makkah in whilst King Salman's son, Prince Faisal bin Salman, continues his tenure as the Governor of Madinah. Both the Governors of Makkah and Madinah were educated at Oxford University in the UK.

Two new Deputy Governors for Makkah and Madinah were also appointed on 23 April 2017. Prince Abdullah bin Bandar bin Abdulaziz was appointed as Deputy Governor of Makkah and Prince Saud bin Khalid Al-Faisal, the former Governor of the Saudi Arabian General Investment Authority (SAGIA), was appointed Deputy Governor of Madinah. In August 2017, Prince Saud bin Khaled Al-Faisal highlighted Madinah region's great potential to contribute to Vision 2030.

In terms of public transport, rail and airport infrastructure, there have been significant progress in both Holy Cities. With regards to public transport infrastructure, King Abdulaziz

Road in Makkah, which is currently in its planning stage, is set to be completed by 2019, whilst a contract for the new Makkah Public Transportation Program (MPTP) was also signed in October. In Madinah, the Madinah Development Authority (MDA) launched the eighth shuttle bus service station at the airport in June. With regards to rail infrastructure, the Haramain Express Train should be officially launched in the first quarter of 2018, will include the launch of 35 trains, each of which with 417 seats. The Haramain Express Train is one of the largest transportation projects in the Middle East. It is a 450km electric rail track connecting Makkah and Madinah via Jeddah and King Abdullah Economic City, running at speeds of up to 300kph, and is set to carry 60 million passengers every year. In terms of metro rail projects, Saudi Arabia. Metros for Makkah and Madinah will be offered as public private partnerships, with the tender for the Makkah Metro to be awarded in 2018. With regards to airport infrastructure, it was officially announced that the new King Abdulaziz International Airport in Jeddah, acting as the main gateway to Makkah, would be launched in May 2018, and Taif Airport, 90 kilometres from Makkah, would also be developed and launched in 2019. In January 2017, the Prince Mohammed bin Abdulaziz International Airport in Madinah was ranked second best airport in the Middle East for the second quarter of 2016 by Airports Council International (ACI).

With regards to real estate projects in the Holy Cities, Makkah and Madinah lead Saudi Arabia to be largest real estate market in the Arab world and the Middle East, estimated to exceed \$533.3 billion. In 2017, Jabal Omar completed the first phase of \$5.3 billion Makkah project and then won approval from Makkah Region Development Authority to increase the construction area of Phases 5, 6 and 7 at its upcoming development in the city. In July, King Salman renamed an important administrative and real estate 2,450 square kilometer project in Makkah as Al-Faisaliah, which in October, the Makkah Region Development Authority launched.

In October, 53,000 square metres of land in Makkah was also sold at auction. In November, King Salman in his visit to Madinah launched 7 development and service projects, including the 1,600,000 square metres Dar Al-Hire mega-project, the Haramain Rail Station in Madinah, Wahat Al-Qur'an (The Oasis of the Qur'an), and projects for the Islamic University, the General Directorate of Education, the General Administration of Water Services in Madinah, Taibah University, Saudi Electricity Company, Madinah municipality and health affairs.

With regards to hotel projects in the Holy Cities, it was announced in 2017 that Makkah leads the boom in rooms 'in construction' for the Middle East and Africa region with 22,370 rooms in 17 projects. Announcements in 2017 for new hotels to open or debt in Makkah and Madinah included the Swissotel Al Maqam Makkah, the Hilton Makkah Convention Hotel (Makkah's first ever hotel to combine both guest and business facilities), the Address Hotel, Park Inn by Radisson's Makkah Al Naseem, ibis Styles Makkah, the first international economy hotel brand in Makkah, Jumeirah Group's first hotel in Makkah, the Swiss-Belhotel in Makkah, Saja Madinah Hotel, a new Four Seasons Hotel in Makkah as part of Jabal Omar, and the takeover of Makkah Hilton as Millennium Makkah.

In terms of new financial and economic projects in the Holy Cities, Jadwa Investment firm in April announced the launch of the conclusion of the public offering Jadwa REIT Al Haramain Fund, which will invest in real estate properties in holy cities of Makkah and Madinah. Saudi Arabia's Public Investment Fund (PIF) in October also announced it is forming 'Rou'a Al Madinah' and 'Rou'a Al-Haram, two real estate development firms to boost the capacity of the holy cities of Makkah and Madinah. In Madinah, an MoU was signed between the Madinah Chamber of Commerce and Industry and the Islamic Development Bank (IDB). In April, NCB Capital issued its report on religious tourism in the Kingdom, based on the Vision 2030 and NTP 2020's aims to increase the number of Haj and Umrah pilgrims by 39 percent and 150 percent, respectively by 2020.

In terms of soft infrastructure, there has been progress in the Holy Cities in terms of new schools, hospitals and ease of access. In healthcare, the new pediatric cancer Ahyaha Charitable Hospital in Madinah was announced whilst in education, the new Prince Mughrin bin Abdulaziz University with 3 colleges was inaugurated in Madinah, SABIC has signed an agreement to support the Madac Education Academy in Madinah, GEMS Education signed an agreement with Al Boraq Education Charitable Fund to manage an international school in Madinah. In addition, the Shura Council in 2017 said it was studying plans for green cards for non-Saudi citizens. The Minister for Hajj and Umrah, Muhammad Benteen, in December also cited that the religious tourism volunteers program, 'Kun Awwan' ('Being Helpful') had had 4,000 volunteer registrations in 2017.

In terms of the heritage of the Holy Cities, the Saudi Commission for Tourism and National Heritage (SCTH) reiterated its plans to rehabilitate the historical mountains of Makkah such as Jabal Noor and Jabal Thawr to woo pilgrims from different parts of the Islamic world to visit the sites. This was especially important as Madinah was officially launched as the 2017 Capital of Islamic Tourism in February 2017 by the President of the SCTH, Prince Sultan bin Salman, and the Governor of Madinah, Prince Faisal bin Salman.

It was also announced that the ZamZam Well in Makkah is to begin in March 2017, the Governor of Makkah Prince Khaled Al-Faisal, the head of the Saudi delegation to donors to the International Fund for Protecting Endangered Cultural Heritage, announced that the Kingdom has donated \$20 million to the fund. Efforts by the authorities to protect religious heritage sites in the Kingdom are valuable, bearing in mind that in January, the Bani Waqif Fort located 500 metres southeast of Quba Mosque was vandalized. In October, King Salman issued a royal decree for the establishment of the King Salman Complex for the Prophet's Traditions and the Islamic University of Madinah in November officially announced plans to establish an Islamic history museum to promote national heritage. In March, Ayesha Khaja became the first Saudi woman to be certified by Islamic Studies and Research Center (ISRC) as a tourist guide in Madinah. In June, the first City Sightseeing Hop On Hop Off bus was launched in Madinah in association with the Madinah Development Authority (MDA). Acclaimed Islamic heritage app Ziyara GPS launched in Urdu for the first time in August 2017, alongside its existing languages in English and Arabic.

In terms of social media and cultural impact, some of the major stories about Makkah and Madinah included Paul Pogba, the world's most expensive footballer, visiting Makkah, a US astronaut posting a stunning photo of Makkah from space and a Russian astronaut capturing an Instagram image of Makkah from space.

ABOUT ALPHA1ESTATES INTERNATIONAL

Alpha1Estates International is a global real estate advisory firm headquartered in the United Kingdom, with offices in Dubai UAE, and Jeddah, Saudi Arabia. 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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