

## Alpha1Estates: Makkah-Madinah Real Estate Index falls 21.5% in 2022 as global economy bites



January 9, 2023 / Jumada II 16, 1444: Global real estate advisory firm Alpha1Estates said on January 9 that its real estate index for Makkah and Madinah had fallen by 21.5% in 2022, compared to a jump of 12.9% in 2021, impacted by downturns in the global economy, central bank interest rate hikes affecting indebtedness and a continuing recovery in pre-pandemic levels of overseas pilgrims to the Holy Cities.

Saudi Arabia's Tadawul All Share Index (TASI) fell 7% in 2022, representing the first drop on the TASI in 7 years when it dropped 17% in 2015, with the index primarily hit by the state of uncertainty about recessions in the global economy. The TASI's real estate sector index, Real Estate Management & Development with 12 constituents, in 2022 fell 21%, three times as much as the fall of the TASI, similar to the Ihsan al-Haramain Index at 21.5%, with Makkah real estate at 22.9% and Madinah real estate at 19.1%, as it was further hit than the TASI by interest-rate hike repercussions affecting the indebtedness of many listed real estate companies, oil price fluctuations affecting the real economy and the reliability of the Holy Cities on pilgrims which has not fully recovered to 2019-levels.

'The real estate sector in the Kingdom, and in particular in the Holy Cities, has been affected by its interdependence with the global economy, as pilgrims are still at pre-pandemic levels but now with less spending power and the Saudi Central Bank (SAMA) has raised interest rates seven times in line with the US Fed's hikes, which further affects the indebtedness of Saudi real estate companies,' said Mr. Talal Malik, Chairman and CEO of Alpha1Estates.

"There is also a clear contrast in the performance between listed Saudi real estate companies and the performance of real estate mega- and giga-projects which are backed by the Kingdom's sovereign wealth fund, the Public Investment Fund (PIF) such as NEOM, Red Sea Global, KAEC and Rua al-Madinah, but with catalytic initiatives focused on the Holy Cities like the Manafea Agreement, this can have a major positive impact going forward for the private sector."

The largest drop for the real estate sector as a whole was Red Sea International Company, not to be confused with the Public Investment Fund giga-project Red Sea Global, which fell 46%, and within the Ihsan al-Haramain Index, the company which led the losses in Makkah were Jabal Omar, which was down 35.5%, having converted its debt position to equity with a new share release in August, and in Madinah, Knowledge Economic City was also down 34%, with the only real estate company to rise during the period being Dar al-Arkan, which has in recent years expanded its presence outside the Kingdom. Emaar Economic City, which manages KAEC on the Red Sea and is majority owned by the Public Investment Fund, only saw its stock fall 0.7% in 2022.

On August 24, 2022, HRH Crown Prince Mohammed bin Salman launched the Rua Al Madinah project, which is a PIF project, located in the east of Madinah. Rua Al Madinah aims to elevate the city's status as a modern Islamic and cultural destination for pilgrims and to raise the accommodation capacity to host 30 million Umrah pilgrims. The project will rehabilitate 1.5 million square metres, with 83,000 square metres of the master plan will consist of green areas, with open and green spaces comprising 63% of the project's total land area, and will also feature integrated transportation solutions, including nine bus stops for visitors, a metro station, tracks for self-driving vehicles, and underground parking.

On December 29, 2022, under the patronage of H.E. Dr. Majid Al-Qasabi, the Minister of Commerce of Saudi Arabia, and for the first time, a historic tripartite partnership, the Manafea agreement, has been signed between the Makkah Chamber of Commerce, the Madinah Chamber of Commerce and the Islamic Chamber of Commerce, Industry, and Agriculture, with the aim to transform Makkah and Madinah into hubs for financial and business activities in the Islamic world. The Manafea agreement includes nine plans adopting qualitative initiatives, such as the World Halal Forum, the World Entrepreneurs Forum in Makkah, along with five discussion sessions with worldwide business leaders, among other distinguished initiatives.

From 23-26 October 2022, Alpha1Estates CEO Talal Malik conducted his first interview with [Bloomberg](#), (also on [Yahoo](#)), [Fortune Magazine](#) and [Dubai One TV](#) (his first TV interview in 17 years), ahead of and during the Public Investment Fund's annual Future Investment Initiative summit, where he spoke about the global economy and investments, especially from Wall Street and sovereign wealth funds like PIF; global geopolitical issues such as the global oil price and US-Saudi relations; and global infrastructure initiatives such as mega- and giga-projects such as NEOM, KAEC and Rua al-Madinah.

On December 19, 2022, Alpha1Estates CEO Talal Malik also participated at the inaugural Medex Exhibition in Madinah, showcasing the main projects and stakeholders in Madinah such as Taiba Investments, Knowledge Economic City, Rua al-Madinah and Al-Mqr, which was chaired by HRH Prince Faisal bin Salman bin Abdulaziz Al-Saud, Governor of Madinah, who also addressed the participants in a dialogue session.

The Medex dialogue session with the Governor of Madinah also witnessed the signing of 10 agreements and memoranda of understanding (MoU) to advance the development and enhance the quality of life in Madinah. These included the development of communities; the management and development of the palace project; the establishment of investment funds worth SAR 1 billion; the launch of a solidarity company to privatize individual transportation services; a partnership contract to develop the Food City project, and management and development contract for the Darb Al-Alia project. There are also memoranda of understanding to discuss opportunities for developing slums and to establish real estate funds in Madinah, in addition to a memorandum of cooperation with the Autism Families Association.

In December 2022, Alpha1Estates CEO Talal Malik has also built further relations with with MILE at Knowledge Economic City and the EDC at the Imarat al-Madinah and Saudi Arabia's Ministry of Investment has released investment opportunity reports on both [Makkah](#) and [Madinah](#), now both hosted on the Alpha1Estates website.

Alpha1Estates also in 2022 celebrated its decade anniversary of its proposals in 2012 five critical pieces of legislation that focused on globalising the real estate sector in the Holy Cities, which Saudi Arabia has continued to implement following the launch of its socio-economic roadmap, Vision 2030. 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, which in recent years, many of these proposals have been adopted or partially adopted under Vision 2030.

Alpha1Estates in 2023 will also celebrate its decade anniversary of CEO Talal Malik's first speech in the Madinah where he was invited to speak on the topic of global corporate governance, organised under the Royal Patronage of the Governorate of Al-Madinah Al-Munawarah, Saudi Arabia's General Investment Authority (SAGIA) (now the Ministry of Investment) and Malaysia's World Islamic Economic Forum (WIEF), and attended by the former Deputy Prime Minister of Malaysia, Sri Tun Musa Hitam and the Governor of Malaysia's Central Bank, Bank Negara.

Alpha1Estates 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, five of the biggest in the Middle East and on global real estate transactions since 2018 ranging from USD \$632 million to USD \$1.5 billion for royal family offices, ultra-high net-worth individuals (UHNWIs) and sovereign institutions.

#### ABOUT ALPHA1ESTATES

Alpha1Estates is a global real estate advisory firm headquartered in the United Kingdom. It primarily focuses on institutional real estate investment advisory, including in fast-growth 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](http://www.Alpha1Estates.com)

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