Riyadh - From Istirahas to Urban Resorts

April 2016

Introduction

Traditionally, the concept of rest houses and meeting places, commonly referred to as "istirahas", has been popular within the Kingdom. The local leisure market tends to frequent istirahas during weekends, public holidays, and school vacations.

ISTIRAHA CONCEPT OVERVIEW

The concept features establishments which include multiple seating areas, large open landscaped spaces coupled with barbeque facilities, and swimming pools.

LOCATION & PRODUCT OFFERING

Istirahas in Riyadh are generally found in clusters, centered in the northeast, northwest and southwest regions of the city.

The majority of istirahas offer its customers seating areas or "Majalis" ranging in sizes from 275 sqm to over 1,500 sqm. Furthermore, these establishments tend to be utilised during big occasions such as weddings, parties, and other events.

BUSINESS MODEL & OPERATION

The Istiraha business model tends to be lean in nature, as the majority of these establishments offer a limited range of services which do not extend beyond the facility being rented.

Check-in typically occurs during the later hours of the afternoon, between 2PM and 5PM, while guests are required to check-out during the early hours of the morning. Very few establishments offer guests the flexibility to check-out at a later hour. These establishments are available for rent on a daily, monthly, or even a yearly basis.

THE EVOLUTION OF ISTIRAHAS

Over time, Istiraha establishments have evolved into chalet resorts which offer guests a wider range of ancillary services, as well as additional facilities catered to the needs of families and children, while maintaining a simple business model.

Chalet resorts are normally part of a confined compound, which includes a variety of unit types ranging from 1 bedroom to 3 bedrooms, coupled with a variety of leisure facilities, such playgrounds, parks, and entertainment centers catered to teenagers.

The chalet units tend to feature private swimming pools, as well as private outdoor landscaped areas equipped with barbeque equipment.

ISTIRAHA & CHALET KEY ELEMENTS

Typical Facilities

Istirahas:
- Majlis areas - Traditional baduin or other themed seating areas
- Large landscaped areas which may be utilized for playing soccer, barbequing or large events.

Chalet Resorts:
- Accommodation facilities ranging from 1 bedroom to 3 bedrooms
- Private outdoor swimming pools and patios equipped with dedicated grilling space
- Large DJ halls equipped with advanced lighting capabilities.

Avg. Size

Istirahas:
- Tend to range between 800 sqm to 3,000 sqm, due to the limited facilities.

Chalet Resorts:
- Tend to range between 200 to 600 sqm per unit depending on the number of bedrooms within each unit

Location

Istirahas & Chalet Resorts:
- City outskirts, mostly clustered in the northeast, northwest and southwest of Riyadh.

Operation

Istirahas:
- Check-in during the afternoon, between 2PM to 5PM
- Day-use only.

Chalet Resorts:
- Check-in during early afternoon hours.
- Day and overnight use.

Services

Istirahas:
- Limited to no services

Chalet Resorts:
- Offer a range of services, such as housekeeping, and room service. Some establishments also offer airport pickup and drop-off.

Source: Colliers International

"Over time, istirahas have evolved into chalet resorts which offer guests a wider range of ancillary services, however, the market currently holds a gap for establishments of higher quality"

Demand & Performance

SEGMENTATION

MILLENNIALS

This segment uses istirahas and chalet resorts as a base away from home to relax and socialise with friends. Common activities include watching major sports events (particularly soccer), playing video games, cards, swimming or having a meal.

FAMILIES

Istirahas and chalet resorts are rented by families and are used as a meeting place for social gatherings. Typical activities include having barbeques, swimming, playing games and watching television.

CORPORATE

Large companies and government entities rent istirahas and chalet resorts for corporate gatherings. This is usually done for team building exercises, recreational days or award ceremonies.

SOURCE MARKETS

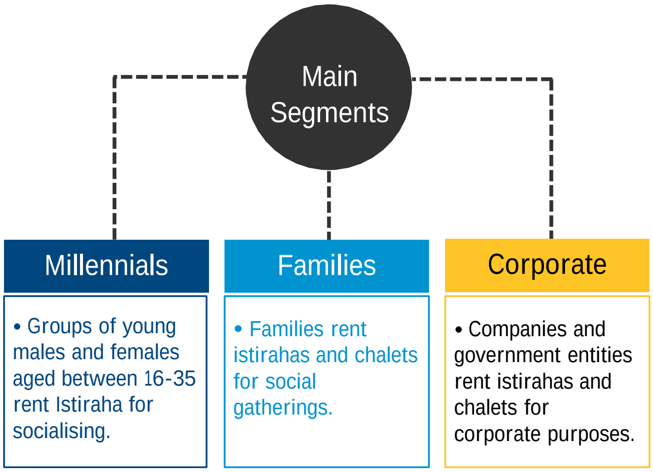
The majority of demand (mostly leisure) stems from the local market, accounting for 85% of the guests. Some establishments also capture demand from international markets (visiting friends and family) such as UAE, Kuwait and Bahrain.

DEMAND PATTERNS & PERFORMANCE

Demand tends to be low during weekdays and high during weekends and public holidays. During the weekdays occupancy can be as low as 10%.

Additionally, demand is much higher in summers (May to September) than in winters. This is mainly due to summer vacations and public holidays, which occur during that period. Chalet resorts which offer overnight stay facilities experience a longer length of stay during the peak season.

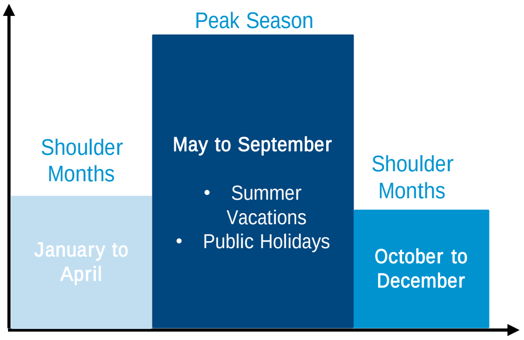
The average rate of chalet resorts is higher than that of istirahas because they are of better quality, provide more services, amenities and facilities. Depending on the quality of establishments, average rates tend to be 30-40% higher during the weekends.



Source: Colliers International

"Majority of demand for istirahas and chalets stems from the domestic leisure market"

SEASONALITY



PERFORMANCE BY TYPE OF PROEPRTY

SAR	ISTIRAHAS	CHALETS
Average Rate	800-1200	1800-2200
Take-up (%)	35-45%	55-65%

Source: Colliers International

Supply

POSITIONING

When analysing Riyadh's istiraha and chalet resorts markets, it is evident that the majority of supply is mostly represented by Midscale product offerings which cater to the mid-income segment.

However, it is also apparent that the chalet resort market holds a larger share of Upscale establishments which cater to less price sensitive individuals originating from Riyadh, other neighboring cities (e.g. Al Khobar / Dammam, Jeddah, etc.) and countries (e.g. Kuwait, Qatar, UAE, etc.)

FACILITY & SERVICES CAPABILITIES

Success Factors: Istiraha establishments benefit from low operational and maintenance costs due to the limited range of services and facilities they offer, providing customers with the flexibility to utilise the available space according to their needs and preferences. As a result these establishments benefit from low development costs.

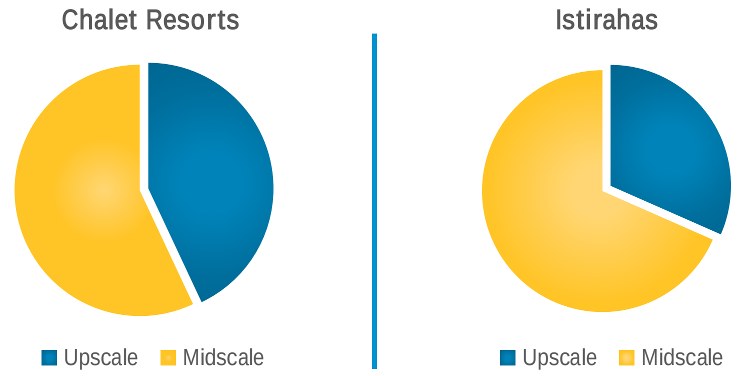
Chalet resorts have the advantage of being easy to manage, as they may be developed on a small scale with a limited number of units, with a wider range of facilities and services such as private swimming pools, entertainment, sports and barbequing facilities, as well as housekeeping and room services.

As a result, chalet resorts are able to cater to a niche market represented by domestic leisure families during vacation periods, and public holidays.

Shortfalls: While chalet resorts excel in the provision of varied services and facilities, the majority of supply is considered to be of low quality, and the availability of establishments which accommodate all guests needs and preferences is limited.

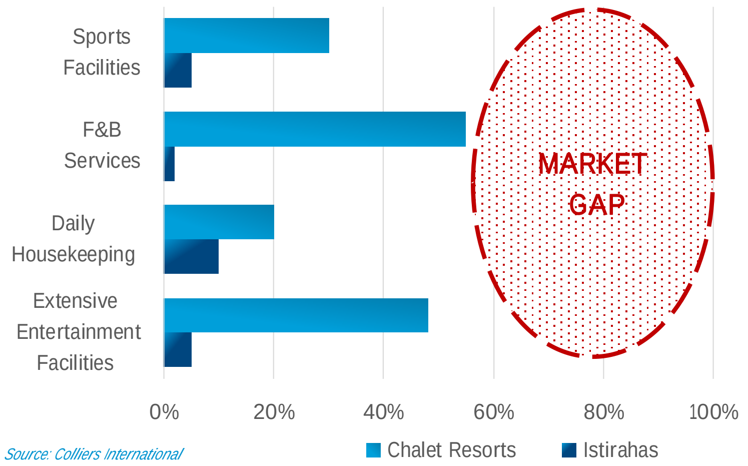
As for istirahas, the limited nature of their facilities and services restricts their ability to capture a larger share of leisure demand, particularly due to the lack of accommodation facilities.

PRODUCT POSITIONING



Source: Colliers International
Note: Based on a Sample of 30 properties

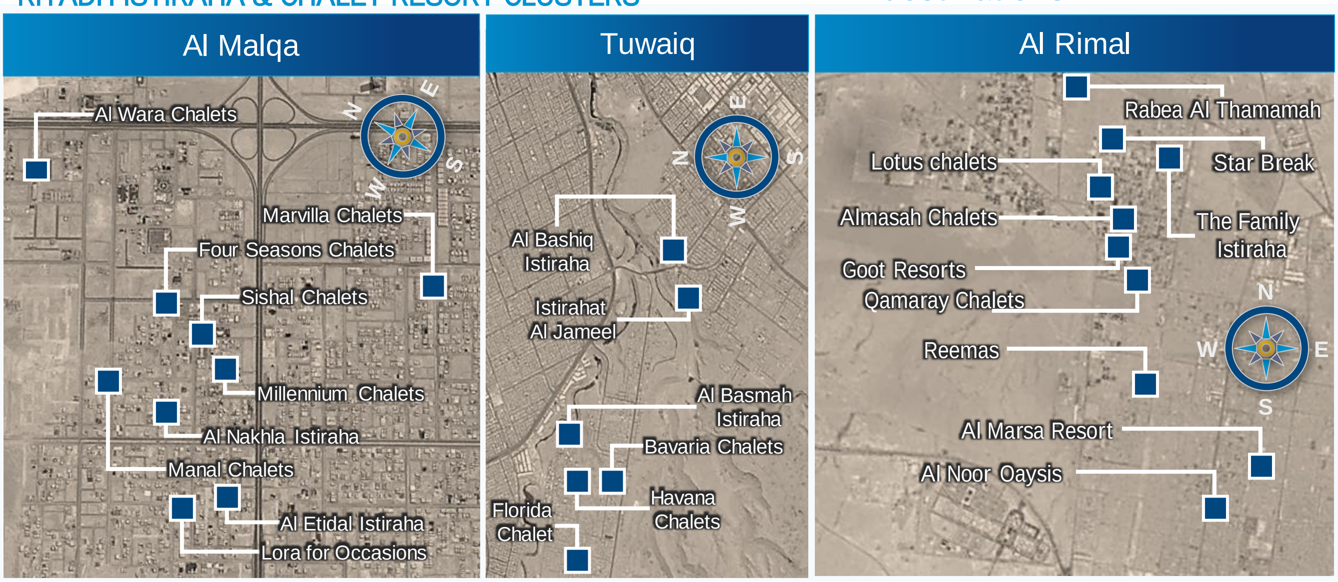
ISTIRAHA & CHALET RESORTS SUPPLY by FACILITIES & SERVICES



Source: Colliers International
Note: Based on a Sample of 30 properties

"Developing a product which features a full range of leisure and entertainment facilities coupled with an extensive range of services would fill the current market gap for leisure destinations."

RIYADH ISTIRAHA & CHALET RESORT CLUSTERS



The Opportunity

OPPORTUNITY: URBAN RESORT

CONCEPT – CREATING A COMPLETE EXPERIENCE

An Urban Resort is a low rise development spread over a large area offering a wide variety of leisure facilities and services. Creating a complete experience is an important factor, as it turns the resort into a destination.

POSITIONING

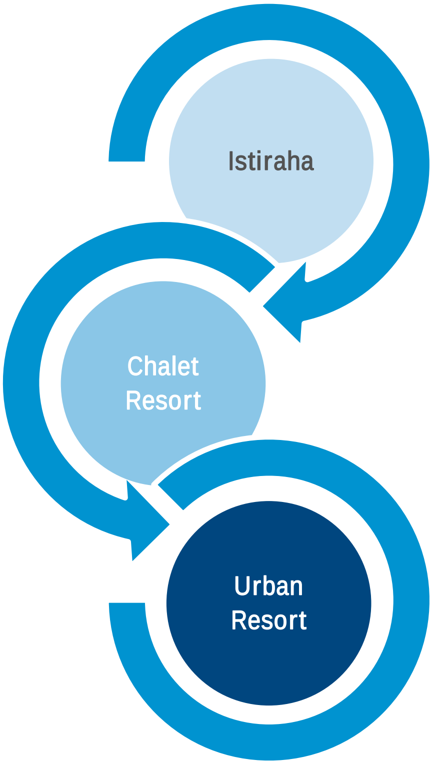
The resort should be positioned to target the leisure segment, which includes families, couples and friends. It is important to offer an exclusive and private experience which would appeal to the domestic leisure market.

FACILITIES MIX

Accommodation – To provide large comfortable chalets targeting GCC families and couples. It is also important to focus on providing privacy to guests.

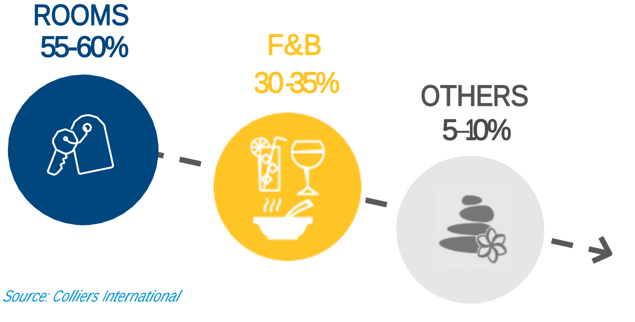
Leisure Facilities – To offer unique and extensive leisure and recreational facilities. In addition to being a leisure offering it can be a significant revenue generating source.

F&B Facilities – To ensure a longer length of stay, it is important to offer a variety of food and beverage options to guests. Having different concepts that cater to families and couples is important.



URBAN RESORT TYPICAL REVENUE MIX

% contribution to total property revenue



Source: Colliers International

MAIN TARGET MARKETS

OUTBOUND DOMESTIC TOURISM FROM RIYADH

This segment includes the residents of Riyadh going to different cities and provinces (especially to the Eastern Province) within Saudi Arabia for the purpose of leisure.

INBOUND DOMESTIC LEISURE TOURISM

Domestic tourists visiting Riyadh for the purpose of leisure will be an important source of demand. Leisure demand generators which attract visitors to Riyadh include the historical sites, museums and shopping malls.

OPERATING MODELS

International Operator Expertise – Experience in operating large number of properties worldwide. Efficient in design and management, with modern amenities and facilities.

Home-Grown Brand – Opportunity to develop a home-grown brand focusing on a niche market and offering a differentiated product.

Source: Colliers International

"Lack of entertainment facilities in Riyadh provides an opportunity to develop a quality urban resort destination targeting multiple segments within the domestic leisure market"

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Our hotels team in the MENA region:

$9
billion
investment value of
projects advised

39,200
keys
valued

8,880
Hotel keys
under asset management

554 offices in 66 countries on 6 continents

United States: **153**
Canada: **34**
Latin America: **24**
Asia Pacific: **231**
EMEA: **112**

$2.5
billion in annual revenue

2
billion square feet under management

16,000
professionals and staff

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