KSA MORE THAN MEETS THE EYE

With several UNESCO-listed sites to its name and a huge project pipeline, there's more to the Kingdom than Mecca, as **Tarek Hammoud**, offshore team manager and consultant at Hodema consulting services explains

Think holiday spots and Saudi Arabia is unlikely to spring to mind as a must-visit destination, ticking few of the usual boxes mandatory for international tourists. For many, the country's beaches and local dishes remain a mystery, with media coverage often focused instead on KSA's strict dress code and alcohol ban. However, as home to Mecca, one of Islam's most revered holy sites, Saudi Arabia offers another kind of break which makes it hugely popular across niche markets. Mecca attracts up to 2 million worshippers during the Hajj alone, with more than 15 million pilgrims flocking to the ever-expanding western city throughout the year.

In 2016, the country welcomed 18 million visitors, with 120 million passengers passing through KSA's airports. The travel and tourism industry contributed USD 65.2 billion to the country's GDP in the same year, while providing 1.14 million jobs, representing 9.7 percent of total employment. This share is forecast to rise by 3.7 percent in 2017.

A projected GDP per capita of USD 5378 in 2017, up from USD 5184 last year, and a rapidly growing population, which is forecast to reach 37.6 million in 2025, are expected to benefit the Kingdom's travel and tourism industry. In a further positive sign, investment in the sector is expected to rise by 9.8 percent in 2017, up from USD 28.6 billion in 2016, when it accounted for 14.7 percent of total investment.

Vision 2030: An ambitious strategy for the future

While KSA is recognized as one of the top destination for pilgrims, with its tourism industry mostly focused on the religious segment, the cultural niche, which remains largely untapped, has a great deal of potential.

The ancient city of Mada'in Saleh, for example, was awarded UNESCO heritage status in 2008 and has been likened to Petra in Jordan for its breathtaking historical beauty. Indeed, the country is home to many archeological and heritage sites, although few foreigners have visited these historical and natural wonders, since visas are rarely granted to international visitors other than pilgrims and tourists from the Gulf.

To date, most other foreigners have entered Saudi Arabia on a work visa or to visit relatives. However, the tide could be about to turn. While the government has yet to announce any change in visa policy, it has given a green light in recent months to several major projects involving huge investments, including the enormous new Red Sea resorts, spanning dozens of unoccupied islands.

The Saudi Commission for Tourism & National Heritage has also announced an investment of USD 7 billion in tourism-focused initiatives around the country, under its strategic Vision 2030 plan for the Kingdom. The main objective of the National Transformation Plan is to boost the industry by developing inbound and domestic tourism. According to official data, domestic tourism will grow by 7.5 percent per annum until 2020, with inbound tourism expected to expand by 6.1 percent. This ambitious program is aimed at diversifying the economy and boosting the contribution made by non-oil related sectors against a backdrop of oil-price volatility.

The government has set three main objectives, the first of which is to increase the number of Umrah pilgrims to 30 million per year. Efforts to facilitate visitors' journeys to the holy sites range from mosque expansion plans to major infrastructure projects in Mecca and Medinah. With this in mind, Deputy Crown Prince Mohammed bin Salman has announced major airport expansion works in Jeddah and Riyadh. King Khaled International Airport will house an extra terminal, a large mosque, one of the world's tallest control towers and a new separate terminal for royalty, heads of state and VIPs. King Abdulaziz International Airport in Jeddah is also being overhauled. Increased capacity means it will now be able to accommodate up to 80 million passengers a year. The facility will also have a special Hajj Terminal, offering direct access to Mecca and Medinah via rail. Low-cost airlines, such as Nesma and Flyadeal, have put themselves forward, in anticipation of a growing influx of visitors.

The second target is to double the number of UNESCO heritage sites as part of broader plans to boost domestic leisure tourism. Four sites have already made the list, with another 10 under consideration. Thirdly, the government plans to increase public spending on cultural and entertainment activities from 2.9 percent to 6 percent. The recently appointed Board of the General Entertainment Authority is already moving forward with these objectives and has set the bar high, with plans that include the construction of Al-Qidiya, a new entertainment mega-city just outside of Riyadh. With a target completion date of 2022, the project will comprise nine cities or sections focused on entertainment and educational experiences. The theme park company Six Flags has also announced its expansion into Saudi Arabia, with the first center slated to open around 2020-2021. In a separate development, an Islamic museum is planned.

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Hotel market review

The projects for the hospitality industry also look promising, especially within the midscale segment, which is in particular demand, buoyed by a growing local and international middle class. In Riyadh, where big names such as Nobu and Hilton Riyadh Hotel & Residences have chosen to establish themselves, 10,053 rooms are under construction. The capital city is looking to attract 88 million tourists by 2020 and position itself as a regional business hub. The opening of Courtyard by Marriott Olaya and the Faisiliah Resort and Spa in 2017 has already increased the branded hotel supply from 8,363 to 10,992 keys and reduced the average rate from USD 200 to USD 185 in Riyadh. In Jeddah, the country's second city and its cultural hub, the opening of Centro Shaheen by Rotana and Assila Hotel by Rocco Forte group in 2016 has given a boost to the branded hotel supply, increasing keys from 5,646 to 7,274. In contrast, rates have gone up from USD 259 to USD 267 due to stronger market demand. However, Mecca remains well ahead in the game, with 24,133 rooms under construction. The Swissotel Al Maqam is the latest addition to an ever-expanding sector, which has jumped from 13,911 keys to 21,093 in branded hotel supply in just one year. The highly anticipated Abraj Kudai Tower, which, with 10,000 rooms, is set to become the world's largest hotel when it opens its doors, is also in the pipeline. Increased capacity has had only a minimal impact on rates, which remain stable, having risen from USD 214 in 2016 to USD 216 this year. Khobar, Dammam and Dhahran in the Eastern Province also enjoyed their fair share of growth, helped by the opening of Aloft Hotel. Key numbers reached 6039 in 2016, marking a rise of 1062 on the previous year.

F&B pipeline looks promising

Predictably, the F&B sector followed suit, with several high-profile restaurant openings in key cities. For larger purses, the new, high-end Nozomi Jeddah and Khobar, Cipriani Riyadh, Novikov Riyadh, Nobu Riyadh, Okku Riyadh and Em Sherif Café Riyadh are opening in the coming months, with STK and Nusret slated for launch in the city next year. In the casual segment Al Balad, Ihop and Leila min Lebnen have all opened their doors in the capital. New clusters are appearing on the university boulevard and at the Fiorenza complex (Takhassousi), while two shopping malls have been announced: the Mall of Saudi, with 3.2 million square feet of retail and a large snow park, and The Avenues Riyadh, a USD 1.9 billion shopping complex.

With high hopes come strategic challenges

For now, early indications are that the Vision 2030 program looks promising. However, the authorities face key challenges in steering the plan forward.

First comes the impact of oil prices on finances. While oil is currently priced at roughly USD 50 per barrel, stagnating or decreasing prices would make the implementation of major projects more difficult. Security is also an issue; the ongoing war in Yemen is weighing heavily on the government and could generate an internal political and security risk.

KSA's draw is, in itself, a risk factor. Too much enthusiasm could lead to an oversupply of hotels, restaurants, retail, offices and malls that adversely affects overall performance. Closely related is the supply of human resources. The authorities will need to provide adequate training to the sizeable number of prospective employees before they can take up their roles at these places of work. New universities have been established offering degrees, which could additionally help to tackle the country's unemployment problem across local communities if implemented strategically.

The decision to increase taxes for foreigners has also raised concerns. Expats sponsoring their families living in KSA face higher fees and there are fears that foreigners equipped with key skills may, as a consequence, turn their back on the Saudi market. Bold and ambitious, Vision 2030 encompasses the government's commitment to reducing KSA's dependence on oil revenues. The fact that KSA is entering unchartered territory means question marks hang over some areas of this long-term vision for the country, though there is undoubtedly no shortage of enthusiasm or financial backing for the implementation phase.

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TOP LEISURE DESTINATIONS

HALF MOON BAY - AL KHOBAR

OBHUR - JEDDAH