

The Lone Star in the Stormy Real Estate Skies - KSA Real Estate

By:

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In the mid of the
current financial
turmoil...

Were Investments shy from
risks and must navigate
through recession.....

**There are investors seeking
the Right Landing for their
investments...**

On **3 Major** Questions...
today

Many questions will raise ...
But the focus will be...

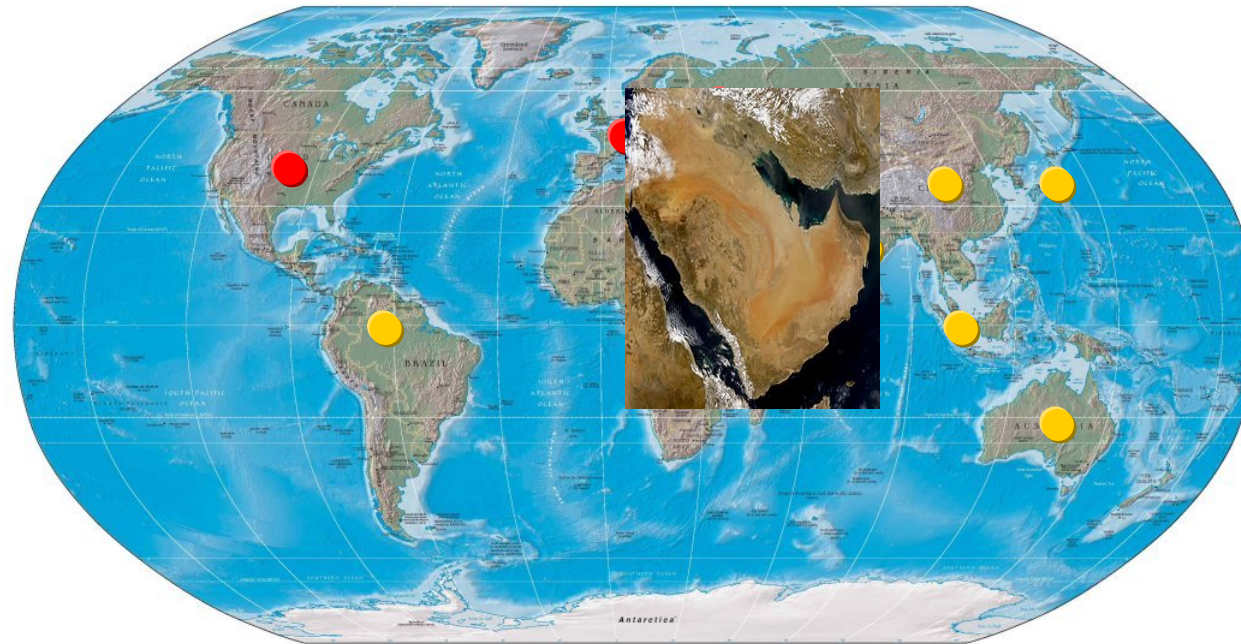
1. Which Region/Country will be less effect?

2. Which Region/Country well be prosperous?

3. And Finally...

3. WHY?

It's a Global Crisis with Various Effects on each Region Worldwide



- Highly Effected Markets
- Moderately Effected Markets
- Minimally Effected Markets

GCC countries are less effected... Why?



- High liquidity market (high financial reserves): Surpluses from oil prices boom.
- Economy main reliance on a main commodity: OIL.
- Governments looking to diversify economical revenue sources: i.e. Petrochemical, Services, tourism...etc
- High positive government involvement/direct support to local markets.
- Aggressive development plans ready for execution.
- Existing untapped resources.

Kingdom of Saudi Arabia (KSA) Vs. other GCC Countries

Fundamentals of KSA Vs. GCC

- **KSA Population: 28 Million** (one of the highest growth rates in the world).
40 percent higher than the combined population of rest of the GCC.
- **KSA Area Size: circa 2 million sq km**
24 times the size of UAE and over 100 times the size of Kuwait.
- **KSA Economy size: \$ 460 (bn) 2008 forecast**
over 20 percent greater than the total combined GDP of the other GCC countries.

Furthermore...

KSA is Ranked **No. 4** worldwide in Current Account Balance with Approx \$ 90 (bn)
After China, Japan, and Germany

Economist.com

Saudi untouched?

Nov 14th 2008

“Real estate in Saudi Arabia has thus far **not witnessed** as rapid an expansion as the sector has in other parts of the Gulf. However, it has started to build up momentum over the past two or three years.”

The New York Times

January 20th, 2008

“The financial turnaround has been spectacular. In 1999, the Saudi government’s debt amounted to 120 percent of G.D.P. That number has **dropped to less than 20 percent** as the government paid back its obligations and put its finances in order.” “The vision is to turn the kingdom into a major industrial power by 2020,” said Jean-François Seznec, a professor at [Georgetown University](#) who is a specialist in industrial policies in the Persian Gulf. **“A billion dollars here and a billion there, and soon you’re talking about real money.”**

TIME

The Massive Master Plan

Oct. 16, 2008

"The **say/do factor has improved significantly**," says Nabil Habayeb, GE's CEO for the Middle East and Africa. "When the government tells investors it will do something, it usually gets done.".... "As a result, the kingdom is on the move. On the World Economic Forum's list, it is 27th, up from 35th last year. It sprinted up the World Bank's list, **from 67th in 2005 to 16th in 2008**, making it the easiest place to do business in the Middle East. In that time, **foreign investment** in Saudi Arabia has **nearly doubled, to \$23 billion.**"

Saudi Gazette

"King Abdullah stressed in his speech during the G20 summit the need for an equitable burden-sharing between all IMF member states. the King also told other leaders about Saudi Arabia's plans to implement a **\$400 billion development and investment program in the oil and government sectors over the next five years.**"

arab news

May 2007

Saudi Mortgage Market Promising ..

“Bank borrowing in the Kingdom is relatively low, and according to official statistics, **mortgage housing finance in the country is a mere two percent of GDP** (gross domestic product) as opposed to 17 percent in Malaysia, 50 percent in the US, and 72 percent in the UK.”

EUROMONEY

September 2007

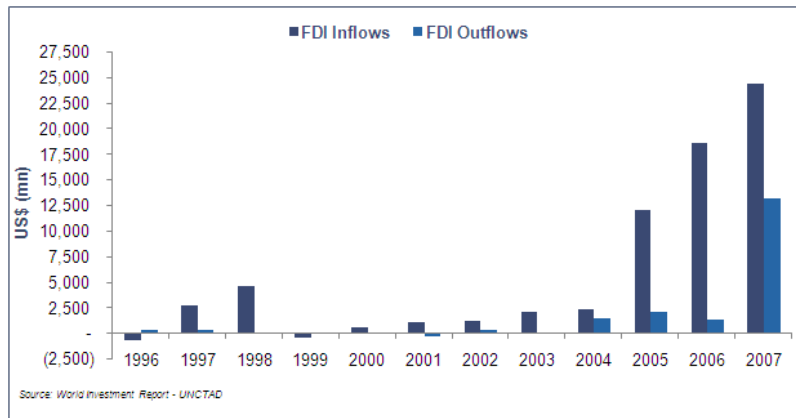
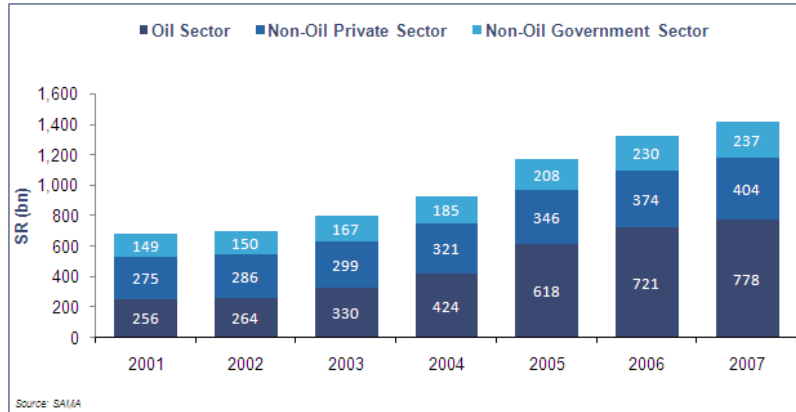
“The size of the mortgage market in relative to GDP Saudi Arabia is similarly **around 2% mark.**”

KSA Economy in Regional and International Newspaper/Magazines



By Saudi Gazette, Published in Nov 2008

John Harris, head of Kingdom operations for Jones Lang LaSalle, said: "...**We believe the opportunity for our business in the Kingdom is vast**, with the KSA economy enjoying a higher degree of **internal self sufficiency** with a **sizeable domestic market**, **less dependence on global capital or international workforce**. KSA also enjoys **low levels of debt** in both public and private sectors and 25 percent of global oil reserves."

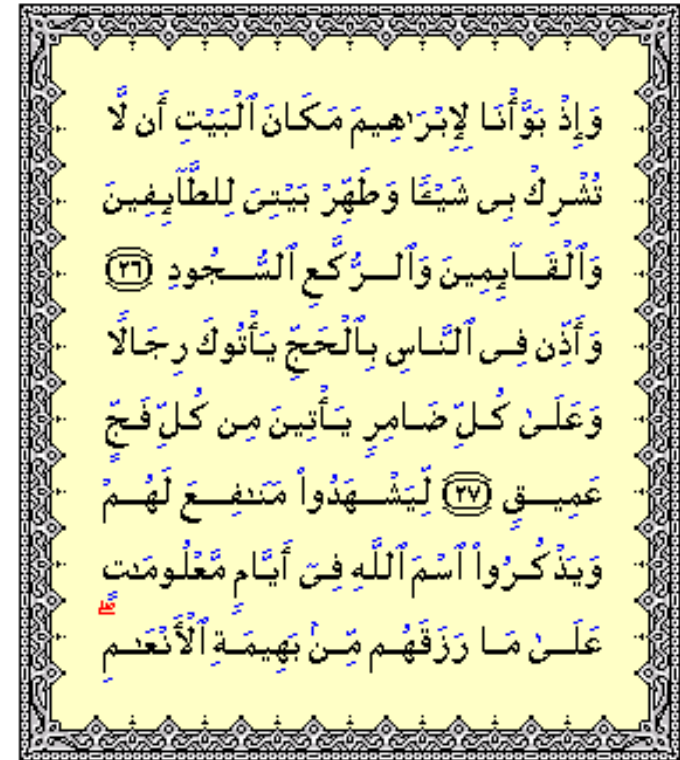


| Key Economic Data and Forecasts | | | | | |
|-----------------------------------|--------|--------|--------|--------|--------|
| | 2005 | 2006 | 2007 | 2008f | 2009f |
| Nominal GDP (\$ bn) | 309.9 | 349.1 | 376.2 | 464.5 | 517.3 |
| GDP per capita (\$ '000) | 13.0 | 14.2 | 14.9 | 17.9 | 19.3 |
| Real GDP (% change) | 6.1 | 4.3 | 3.7 | 6.7 | 5.9 |
| Hydrocarbon GDP | 7.8 | 0.2 | -1.5 | 7.0 | 4.0 |
| Non-hydrocarbon GDP | 5.2 | 6.3 | 6.1 | 6.5 | 6.8 |
| Nominal GDP (% change) | 23.6 | 12.6 | 7.7 | 23.5 | 11.4 |
| Hydrocarbon GDP | 45.8 | 14.5 | 7.5 | 32.8 | 8.8 |
| Non-hydrocarbon GDP | 5.4 | 10.6 | 8.0 | 12.5 | 15.0 |
| CPI inflation (% change, average) | 0.7 | 2.3 | 4.0 | 8.0 | 6.4 |
| Hydrocarbon exports (\$ bn) | 162.4 | 188.6 | 201.8 | 278.8 | 300.7 |
| Current account balance (\$ bn) | 91.0 | 94.8 | 75.8 | 128.1 | 113.4 |
| (% GDP) | (29.3) | (27.1) | (20.1) | (27.6) | (21.9) |
| External debt (\$ bn) | 33.7 | 46.9 | 65.1 | 74.0 | 86.2 |
| (% GDP) | (10.9) | (13.4) | (17.3) | (15.9) | (16.7) |
| Fiscal balance (SR bn) | 209.0 | 270.0 | 179.0 | 405.0 | 420.0 |
| (% GDP) | (18) | (20.7) | (12.7) | (23.3) | (21.7) |
| Cent gov debt (SR bn) | 715.6 | 713.2 | 783.7 | 253.5 | 239.5 |
| (% GDP) | (61.7) | (54.5) | (55.6) | (14.6) | (12.4) |

Source: SAMBA

“[27] And proclaim the Pilgrimage among men; they will come to thee on foot and (mounted) on every kind of camel, lean on account of journeys through deep and distant mountain highways;

“[28] That they may witness the benefits (provided) for them, and celebrate the name of Allah, through the Days Appointed, over the cattle which He has provided for them (for sacrifice): then eat ye thereof and feed the distressed ones in want.



[96] The first House (of worship)

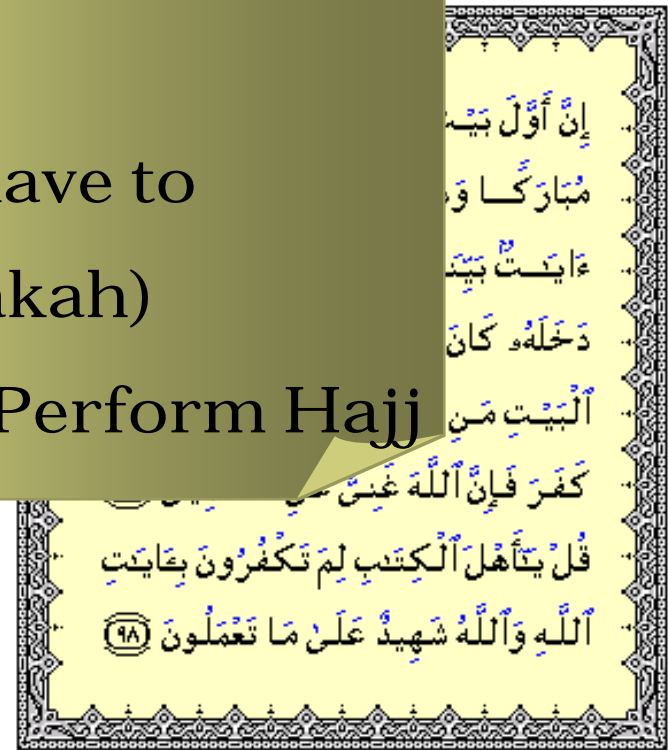
appointed for
full of blessing
kinds of being

Note: Bakka r

[97] In it (for
example), t

whoever enters it attains security;
pilgrimage thereto is a duty men owe to Allah, those who can afford the journey;
but if any deny faith, Allah stands not in
need of any of His creatures.

1.2 billion
Muslims will have to
visit KSA (Makah)
in their life time...To Perform Hajj



The 10 X 10 Program

*To become one of the
world's top 10 competitive
investment destinations by
2010*



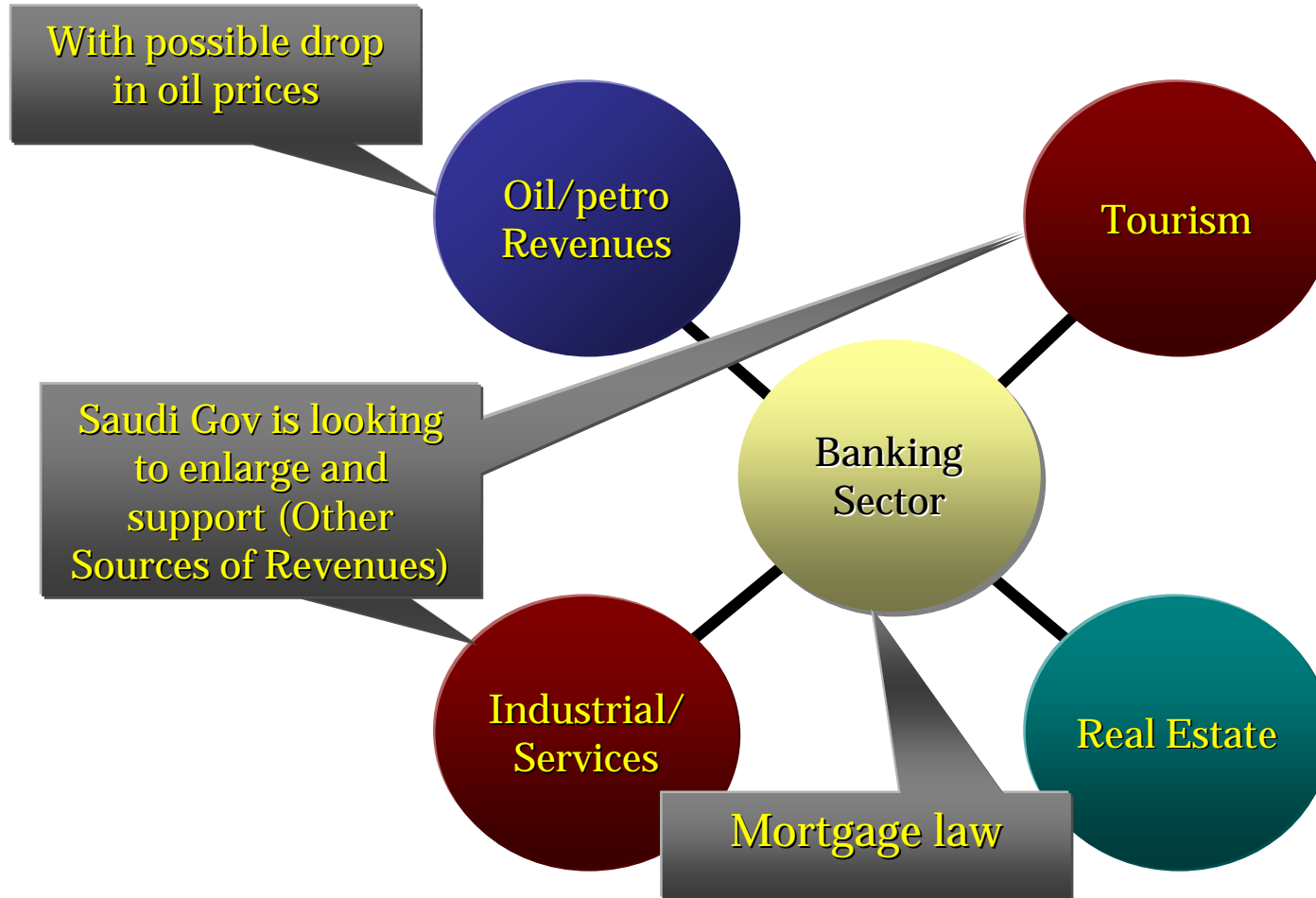
The Vision

To achieve rapid and sustainable economic growth in Saudi Arabia, capitalizing on the Kingdom's competitive strengths as the global capital of energy and as a major hub between East and West.

Mission

To Position Saudi Arabia among the **top ten most competitive nations by 2010** through the creation of a pro-business environment, a knowledge-based society, and by developing world-class "Economic Cities."

Pillars of KSA Economy & KSA future Economical philosophy



Central Region:

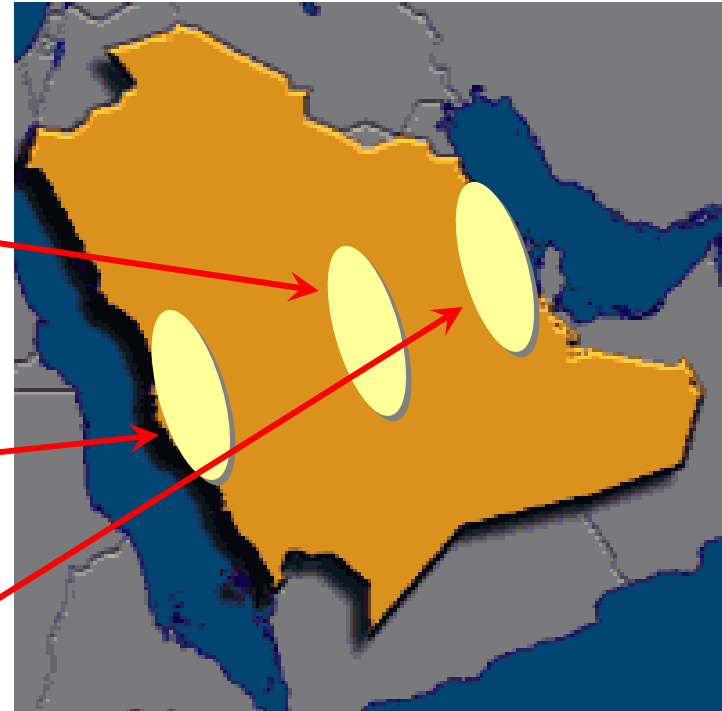
- Major cities (Riyadh)
- Population 4.5 Millions
- Area Size (20%) of KSA

Western Region:

- Major cities (Jeddah, Makkah, and AlMadinah)
- Population 7 Millions
- Area Size (8%) of KSA

Eastern Region:

- Major cities (AlKobar – Al-Dammam)
- Population 3.7 Millions
- Area Size (35%) of KSA



- RE trading value and volume was **Doubled** between 2006 and 2007:

total annual RE Trading Value (2007) : \$ 27 (bn) Residential: 66% and commercial : 7%.

- KSA RE market is considered **50% of total GCC RE** market size.
- High shortage in residential sector: **200,000** residential units are required every year.
- Supply is only **20% of the demand** in the residential sector.
- Average cost/m² is the lowest compared to other GCC countries (in all sectors).

i.e. Average cost/m² for residential is 850 SR/m² while the GCC average is around 1500 SR/m².

- **Mortgage Law to be approved soon:** Mortgage financial to GDP :**2% only**. (Very low)

Most of **KSA local banks** have increased their capitals 2007-2008 to be ready.

- 4 Major Economical Cities supported by the Government are in progress with a total projects **value of \$ 70 (bn)**.
- Other major privately owned projects are in progress in Makah, Madinah, Riyadh, and Al-Kobar.



Saudi Projects
Holding Group

Areas of Highest Demand



الأمان للاستثمار
Al Aman Investment



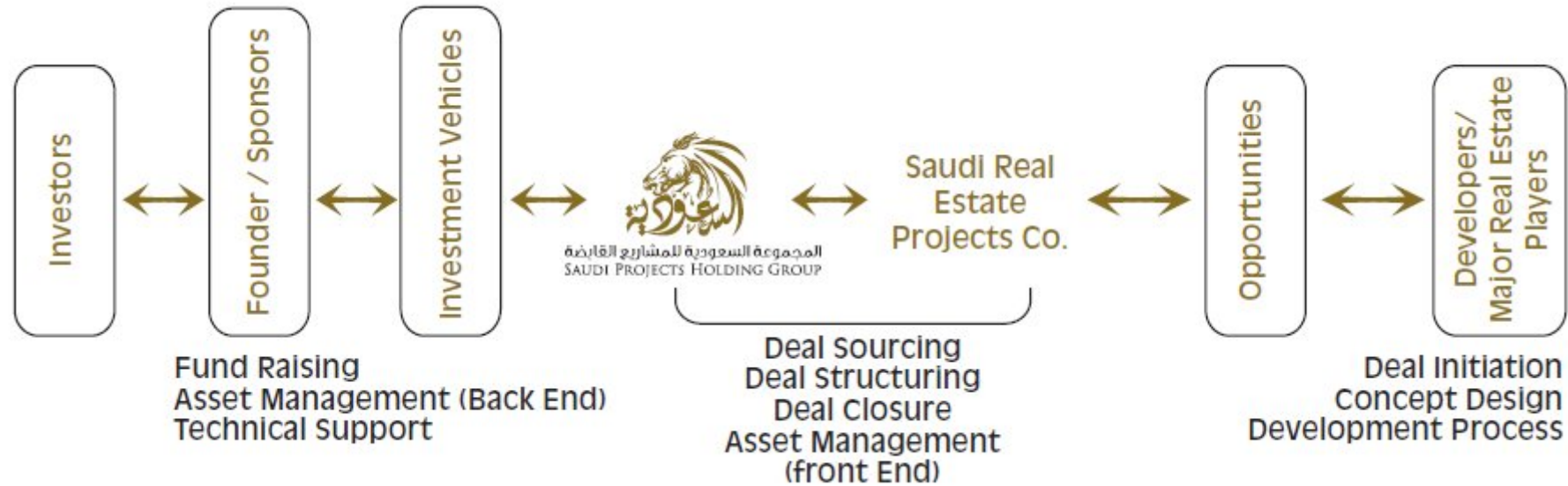
- Residential
- Touristic/hotels
- Industrial
- Commercial



Saudi Projects Holding Group is **specialized in creating, structuring and managing the real estate investment opportunities** to be seized in the Saudi market. **SPHG acts as an investment bank in practice** in the **real estate field** through creating innovative financial instruments and real estate investment structures in cooperation with its founders directed to financing its investments.



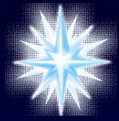
Saudi Projects Holding company Business Model



Conclusion:

Why RE investment environment in Saudi Arabia is
considered one of the best

- RE in KSA is considered one of the untapped resources so far.
- Strong government support and a healthy business environment.
- Under financed economy.
- High in local demand.



It's the

'Lone Star...'

