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Oral Presentation of the Jeddah Marina Report

Harrison Price Company



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HARRISON PRICE COMPANY

ORAL PRESENTATION
OF THE
JEDDAH MARINA REPORT

WEEK OF October 18, 1982

Jeddah, Saudia Arabia

By

Harrison A. Price

INTRODUCTION

We have completed our feasibility study of the Jeddah Marina and we are here to report on the joint effort of our team.

HPC as sub-contractors to RBSD carried out the economic feasibility analysis and RBSD and Renardet Engineering carried out a simultaneous preliminary technical analysis. The effort was executed with close working collaboration of the disciplines involved. Our team at Harrison Price Company consisted of Larry Prehn--a 30-year veteran in economic analysis and Arthur Redgate--an architect, engineer experienced in work in Saudi Arabia on assignment with the Royal Commission in Ryadh.

Our findings are integrated into the joint two-volume presentation which details our very positive reaction to this project. I would like to comment briefly on

- The Site
- Market Support
- Phasing
- Project Content and Concept
- Economic Viability

The Site

The site on the Corniche Road north of the Coast Guard Station is a superb place to develop this project. It is central to the heart of the city and close to the higher income residential and business areas which generate its prime support.

When completed with its picturesque array of boats, its restaurant, club, recreation, repair and maintenance and other wet and shore facilities--and its desirable industrial fishing fleet nearby, it will dramatically complement the great artistic achievement of the development along the Corniche. It can have the charm and attractiveness of other great waterside centers of recreational and industrial boating--the

coast of Southern California, the waterways of Fort Lauderdale, the fishing ports of Old Lebanon, Costa Smeralda, the coast of Southern France centered and radiating in either direction from Nice, the fishing port of Stephee Stephan, and other such charming examples of marina development.

The idea of being right in the heart of a major metropolitan area--like the marinas in the bays at San Diego, or Oakland Marina and Fisherman's Wharf at San Francisco Bay--adds greatly to the aesthetic appeal and marketability of the project. Its easy access insures frequent usage which is at the heart of healthy membership buildup with low turnover. We cannot conceive of a more well selected site for this project considering the project function in relation to:

- The centrality of the site.
- Its access from land and sea.
- The aesthetics of the site and compatibility of land use (the fishing fleet is memorialized in nearby sculptures)
- Its role as a stimulator of the local fishing industry.

Market Support

Our market support calculations tell us that it is feasible to build this marina--up to 800 slips in relatively short order--six years from opening date.

The market base we have used for the project is as follows:

- For berthing memberships--in 1985, 8,300 families above \$150,000 US family income (\$514,000 Saudi Riyals) increasing in 1990 to 12,000 families.
- For social memberships--in 1985, 24,000 families above \$75,000 US family income (\$257,000 Saudi Riyals) increasing in 1990 to 36,200 families.

In Southern California the number of berthed slips compared to family incomes of \$67,000 US or more (equivalent to \$75,000 in 1985) is equal to 8.5 percent. In the Jeddah

projection for berthed slips we used an initial projection for market penetration of 5 percent for family income above 514,000 Saudi Riyals or 1 2/3 percent for family incomes above 257,000 Saudi Riyals. Thus, the usage for berthed boats we have set is about one fifth the level of that in Southern California.

In the sixth year with 800 slips in place, we are projecting market penetration of 6.4 percent of the above 514,000 Saudi Riyals family income level. Penetration required in 1995 drops to 760 out of 17,000 or 4.5 percent. The qualified market grows faster than required usage.

As for social memberships, we are estimating initial market penetration of 800 members out of a 1985 qualified population of 24,800 family units with incomes above 257,000 Saudi Riyals--a very conservative 3.2 percent. In 1995, the required penetration is 1,600 members out of a qualified population of 50,700 family units or 3.1 percent. Again, the qualified market for social memberships grows faster than the required market penetration.

We believe that a well executed marina development program at this location will draw as well or better than we have projected.

Phasing

This report is based on an 800 ultimate slip buildout by 1990 starting in 1985 with 400 slips and 320 rental commitments in place. Two 200-slip additions follow in 1987 and 1990 at which time 760 rentals are in place at 95 percent occupancy.

Options to go slower are available and among the many models we have looked at is a 200-slip Phase 1, a 100-slip Phase 2 and a 100-slip Phase 3--400 total. The slower rate can still provide the minimum critical mass required for a successful

market entry, but we believe it understates the magnitude of the opportunity at this site. If this slower rate is implemented we would recommend allowing for subsequent phases reflecting expected later increments of demand.

A strong reason for selecting the larger and faster model is that it may do substantially greater justice to the extensive site--you could lose a 200-slip marina in one corner of this magnificent sweep of land. Also approvals for expansion dragged out over too long a time may be harder to come by due to a variety of factors.

Project Content and Concept

A major element of our work concerned itself with determining program details and configuration at Jeddah Marina. For several reasons we expect less commitment to sailing ships and more to power boats than is general around the world of marinas. We have projected three to one power boats. Also we expect larger vessel sizes here due to the prosperity in the market and a general preference for doing things well--at the top of the line.

The report specifies program details covering first the wet areas as to:

- Vessel and berth size
- Waterways
- Fueling and icing
- Fisherman requirements
- Water depth, bulkheading and breakwater configuration
- Utility connections
- Storage areas adjacent to the slips

And second, shore area facilities as to:

- Yacht club, restaurants, recreational areas
- Boat repair and dry storage
- Retail stores and shops
- Launching facilities and marine railway
- Parking and so forth

Economic Viability

The cost of this extensive project on the basis of an 800-slip buildout is \$223.5 million Saudi Riyals.

On the basis of a 400-slip buildout--the cost is \$122 million Saudi Riyals or 54.6 percent of the 800-slip total.

In either case, payout in the feasibility analysis is projected at about seven years and internal rate of return is in excess of 20 percent.

We are available to respond to any questions you may want to put to us.