

# Hotel Property Development Model for the Saudi Hospitality Sector

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## Abstract

This paper presents and discusses successful hotel property development model for Saudi hospitality sector. The model is based on the challenges facing the hotel property developers and the success factors of hotel property development in Saudi Arabia as identified by 19 real estate development companies who have developed hotel properties and involved in hotel operation. The challenges and success factors have been identified through face-to-face interviews with these 19 specific real estate developers. These developers have already developed hotel properties and involved in the operation face in Saudi Arabia. 26 success factors have been identified in the interviews with the development directors and/or vice presidents of investments of the 19 developers. These 26 success factors together with the related available literature have been used to propose a successful hotel property development model for the Saudi hospitality sector.

**Keywords:** Hotel property development, Hospitality sector, Saudi Arabia, Success Factors, Real Estate Development.

## 1. Introduction

Many studies and research have concluded that the hospitality industry is one of the key contributors to the economic growth in the world. The tourism sector accounts for about 5% of world GDP, and it contributes to around 8% of total job creation (Harwood, et al., 2022). According to the International Tourism Highlights, 2023 edition by World Tourism Organization, 970 million tourists travelled internationally in 2022, though 34% fewer than in 2019, meaning 66% of pre-Covid-19 pandemic visitors were recovered, and spent USD 1.3 trillion, 24% below 2019.

Hotels are dynamic, sensitive to the economic conditions, and always be an integral part of any plans to improve the country economy and attract foreign visitors and tourists. Saudi Arabia is aware of these facts, and it has been boosting its hospitality and tourism sectors. Vision 2030 of Saudi Arabia has considered tourism and its related activities and attractions an important contributor to the gross Saudi GDP. It's planned that tourism will contribute 10% of the Saudi GDP by 2030, with expected 70 million tourists from outside the country by that time. Moreover, Saudi Arabia is planning and working to be among the best 5 tourist destination by 2030, (Saudi 2030 Vision).

Hotel property development is considered high risk real estate development by many practitioners in the real estate industry. This is because the hotel operation success is a function of many heterogeneous factors. International economical health, local infrastructure conditions, changing consumer preferences, positive attitude towards eco-friendly services availability of cultural and ecological attractions, political stability and favorable government policies are some factors affecting the success of hotel operations, to name few. In addition to that, the hotel property development process is very long, unusually 24-36 months long. During such long period many adversary developments may occur.

Hotel property development is considered part of the real estate business. It is characterized by many aspects that make the development process is some how multidimensional complicated real estate practice. Hotel property development is:

1. Multidisciplinary effort of diversified experts.
2. Long term life-cycle processes, usually years
3. Highly dependent on regulations, politics, economy and environmental situation,
4. High risk impeded in the project development,
5. Diversified stakeholders of controverting needs and priorities,
6. High cash consuming

7. Operate in highly competitive market,
8. Highly dependent on consumer preferences and behaviour
9. Continuous usage and adaptation of the emerging technology
10. Requires continuous innovation in marketing and sales techniques
11. Long terms of realising ROI,
12. Exceptional negotiation skills
13. Require extensive coordination, stakeholder management, finance and risk planning.
14. Require innovative management techniques.

Value creation in the pre operation phase in hospitality is essential and it is a multi dimensional processes and requires a lot of data analysis and visualisation, market research, knowledge of customer trends and preferences, clear economical conditions and social offerings. The challenge here is to transform a concept to a large value property that is generating above average income to the investors and add value to the local economy and society.

Value creation is inherent in the processes of hotel property development. As it will be discussed in this paper, converting the concept into business case starts the value creation phenomena. Although processes in hotel property development are not cash generating, in fact these processes are cash consuming, but the value are built up as the development process proceeds. Customers experience design, feasibility study, securing finance, land acquisition, design, permits, construction and equipment and furniture installation are all contributing to build a property that have a great value and used later to generate cash.

It is very important to differentiate and understand that hotel property development is a way different from hotel business development. Hotel property development is mainly concerned with transforming a business concept through complicated processes into a useful fully serviced space “hotel” used eventually to generate cash through a sophisticated business model in a service-based industry “hospitality”. Hotel business development on the other hand, focuses on expanding the business and day to day operating the hospitality business through brand recognition, acquiring and renovation existing hotels, operating hotels for other investors, guest services and marketing. When a hospitality organization decides to expand its business through building new hotels, then this process falls within hotel property development.

In this challenging business, there is a need to propose a successful hotel property development model that considers all aspects of hotel development processes and phases. The model must consider and reflect the specific geographic region and its specific environment, business practices, regulations, culture, success factors, economic situation, futuristic plans, socio economic needs and requirements. The model should be comprehensive, and specific to the needs of the local business community. Models are simplified representations of a system. Models attempt to reduce the world to a fundamental set of elements and laws and on this basis, they hope to better understand and predict key aspects of the issue. Models capturing the structure and dynamics of management endeavor are expected to provide insights into inner workings of the considered field, (Börner, et al., 2014)

Success factors are defined as a set of skills or resource that a business can invest in to compete in its market. key success factors can be identified by semi-structured interviews with business decision-makers (Grunert, et al., 1992). Identifying causes of success will help in setting up a set of process and procedures in a systemized format to streamline, follow and control the different business activities within its normal operation. This research identifies the hotel property development success factors throw an interview with 19 decision makers in the real estate development organizations in Saudi Arabia.

In general, real estate project is considered successful when it is completed within budget and on schedule as per the specified quality, and within a pre specified scope. It is also considered successful when it meets end users' expectations, and technical specifications. Another dimensional of success is the performance of project when it is handed over to operation team. (Satankar et al., 2015). One very important success factor is the capability of the project to meet the financial figures which were assumed in preparing the feasibility study of the project. Satisfaction of the investors and operators are another very important success factor in real estate projects.

Saudi Arabia is witnessing a boom in construction and high competition on talents and professionals' personnel, so there are several challenges facing real estate development organization in the country. These challenges could be summarized: 1) busy general construction contractors; 2) busy specialized sub-contractors; 3) Equipment Long-lead time; 4) high competition on talents and professionals' personnel. The proposed model is sought to help the real estate sector developing hotel properties project to streamline the development process and give a clear vision of the hotel development process. Proper and comprehensive planning of the hotel

development life cycle is crucial to success, so the proposed model is anticipated to help the planning of the development process.

The basis of the proposed model which is discussed in this paper are the hotel property development success factors and hotel property development challenges as identified by the practitioners in this highly specialised sector. 19 development leaders working in 19 real estate development organizations who already developed and involved in the hotel operation phase, has been interviewed to identify the success factors and hotel property development challenges in Saudi Arabia. The success factors and the development challenges have been identified and analysed together with the review of the available related literature; the Successful Hotel Property Development Model for Saudi Hospitality Sector was proposed.

### 1.1 What are Hotels/Hospitality?

Merriam Webster's Dictionary defines hospitality as, "generous and friendly treatment of visitors and guests or hospitable treatment." Dictionary.com goes further to define it as, "the friendly and generous reception and entertainment of guests, visitors, or strangers." This extends to anyone providing pieces of an event that provides a friendly, welcoming environment. The hospitality and tourism industry are a vast sector that includes all the economic activities that directly or indirectly contribute to, or depend upon, travel, tourism and accommodation. Hospitality industry sector includes:

- Hotels & Resorts
- Restaurants & Catering
- Night Clubs & Bars
- Tourism
- Spas & Wellness
- Culture
- Events

What is common in all components of the hospitality sector is the customers who are using the services provided by the sector. Hospitality is an exciting and dynamic area, constantly evolving and adapting to changing customer demands and trends. Successful hospitality is measured by providing excellent customer service, anticipating guests' needs, and ensuring comfort and satisfaction. The hotel industry is essential and related to tourism and travel as both industries often work closely and related together.

Hotels in the other hand, is an industry includes service-oriented businesses that provide lodging/accommodation, food/beverages, entertainment, health/fitness, events managements and relaxation to visitors. Powers (202) describes the hotel service product as a bundle of features and benefits. It has three elements: a core benefit, an essential facilitating service and a competitive supporting service as shown in Figure 1.

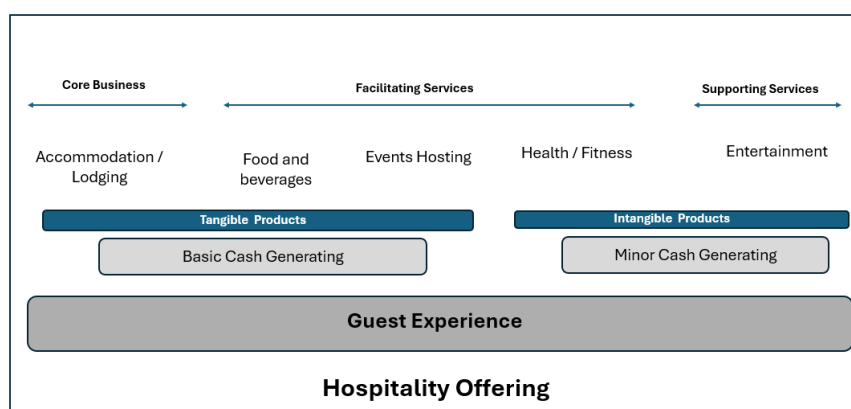


Figure 1. Hotel Product Concept

Source: Adapted from Marketing Hospitality, Powers, 3<sup>rd</sup> edition, 2002.

The core business is the basic service provided to the guest/customer. It could be a night lodging, food, event or certain experience that the guest couldn't find in the street or a normal room in a house. The guest is looking for

such service to get comfortable and safe sleep, healthy/delicious food, wellbeing and/or unique social experience or event. These services can be defined and quantified to be paid for by the guest. They are the cash generating source for the hotel business. This is the main reason of being in the hospitality business. Success in this context is measured by customer satisfaction. It is part of the overall customer experience in a particular hotel.

Food and beverage accounts for 15% to 35% of the total income of a well managed hotel. Events accounts for 15% of the total income, Narasimhan, (2013). Lodging and accommodation accounts for approximately 50% of the total income of a certain hotel, Cameron, (2024). This triggers the high requirement of paying more attention to the restaurants, bars, and events in the hotel industry. Apart from being cash generating activities, restaurants, bars, and events are an effective marketing and competitive tools in the hotel industry.

Facilitating services in the hospitality business are essential to the operation success. If the facilitating services are absent, it will be impossible to deliver the core benefits. For example, the absence of a front desk, security, room services or housekeeping in a hotel would make its operation impossible. In a restaurant, the kitchen provides a facilitating service without which the operation would have to shut down. Front desk, security, room services and housekeeping services in general are hidden but they play an integral part of the guest experience journey.

Supporting services are not essential to providing the core benefit, but they are essential to differentiate the hotel in the competition race and marketing the hotel operation. For instance, high quality multi feature entertainment offering is not a necessary component of a hotel but could be used effectively to distinguish one hotel from another. The initial impression of a hotel is gained from how easy to make reservations and how safe advance deposits. It also gained from how comprehensive and level of accuracy of the features, amenities, and services a hotel presents in its web site and booking applications and web sites. The actual experience begins with arrivals, the kerbside/door service, valet parking and front desk registration. Facilities like background music, the bell service, telecommunications, voicemail and messaging, telephone sets, the gift shop, complimentary tea and coffee and complimentary newspapers are conducive to the guests' enjoyment and sense of being cared for (Venter et al., 2007).

Guest experience in hotel industry composes of tangible and intangible services and features. In fact, it is a journey surrounded by generosity, comfort, needs satisfaction, welcoming gestures, and exceeding expectation environment. This is a challenging mission, which initially starts early in the concept stage and developed through all phases of hotel development. The mission of hotel property development is not only building a facility building of rooms and places for restaurants, bars, swimming pools and other amenities, but also creating a unique guest experience for such facility. This requires considering all pieces that touch human feelings and senses.

### *1.2 Saudi Hotel Industry*

Hotel property development in Saudi Arabia is usually undertaken by the real estate development sector. They have the inhouse technical and managerial capabilities, access to finance, local market knowledge, and sales and marketing exposures to initiate and seriously manage the complicated hotel property development life cycle. Upon completing the property development, the hotel is operated by the hotel operator under a variety of management agreements (3).

Saudi Arabia's Vision 2030, seeking diversifying the economy and boosting tourism, has had a significant impact on the Hotels market. The government's efforts to promote tourism and improve infrastructure, along with the relaxation of visa regulations, have led to a surge in both domestic and international visitors. This influx of tourists has created opportunities for hoteliers to expand their offerings and cater to a more diverse customer base. (4)

Saudi Arabia is projected to have 320,000 new hotel rooms by 2030 across the country to accommodate an influx of 150 million domestic and international tourists annually, according to a new report. 12% of these rooms are 5 Stars, 32% are 4 Stars, 48% are 3 Stars, and 8% are 1&2 Stars (5).

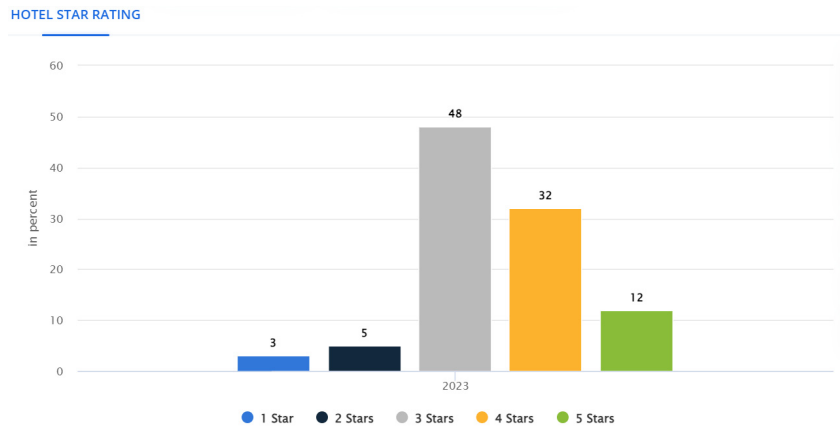


Figure 2. Hotel Star Rating in Saudi Arabia (4)

The government has established the Tourism Development Fund (TDF) in 2020 of USD 4 billion capital to support the investment in tourism. The Fund enables investments by providing financial support and giving several incentives and access to many services provided by Saudi Tourism Authority. TDF provides investment loans own shares in some tourism projects and provide financial guarantees for the projects complying with National Tourism Strategy (3).

The Public Investment Fund (PIF) has started several giga projects like Neom, Red Sea Development, Qiddiya, Amala, Diriyah Gate and many other mega projects across the country. These projects are planned to create unparalleled tourist attractions for local and international visitors and tourists that utilizing the many cultural background and the diversification of virgin geographic nature of Saudi Arabia.

The transformation of Saudi Arabia's Hospitality Market is being driven by such initiatives. These strategic endeavors are aimed at diversifying tourism offerings and attracting both leisure and business travelers to the country. As a result, the Hospitality Industry in The Kingdom of Saudi Arabia Market size is expected to reach USD 13.23 billion in 2024 and grow at a CAGR of 5.03% to reach USD 16.91 billion by 2029 (1).

### 1.3 Research Background

New hotel property development is considered part of real estate development in all its aspects. The life span of new hotel property development is counted in years and composes of several phases. Fayadh (2020) has specified 5 real estate development phases: 1) Concept and due diligence; 2) Planning and project management; 3) Design; 4) Construction; and 5) Handover and operation. The real estate development is a multi-interrelated tasks and process organized within the development framework. Figure 3 shows the complete real estate development lifecycle.

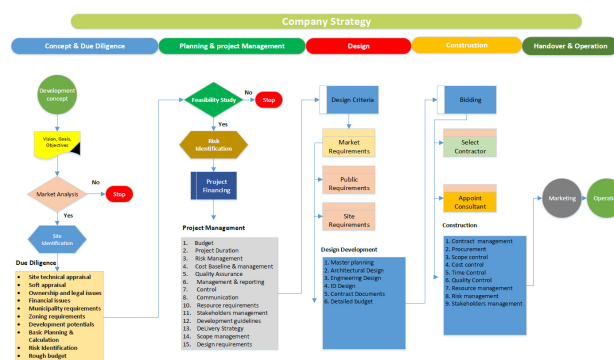


Figure 3. The real estate development lifecycle

Hotels within this context require the developer to select the hotel and amenities brands and the hotel operator in

a prospective different than all other real estate developments. Selecting the brand and operator at early stage would give valuable inputs and insights to the different development tasks and processes and minimize the operating conflicts and enhance the guests experience as expected from the selected brands during the operation phase.

The main source of data collection for this research is real estate development organization in Saudi Arabia. These organizations have the financial, inhouse know how, risk-taken and management capabilities to undertake such complex endeavours from concept to operation phases. Although individuals may develop and operate small hotels, but this is un-branded and limited to 1-2 stars with limited services and amenities. This small sector is insignificant and beyond the scope of this research (3).

The research objective is to identify the success factors of the new hotel property development in Saudi Arabia. The success factors will be used as a base for developing the Hotel Property Development Model for the Saudi Hospitality Sector.

Few research has been found dealing with hotel property development in the available published literature. Locally, the author didn't find any previous research dealing with hotel property development in Saudi Arabia. The available material about hotel industry in Saudi Arabia are statistical data of hotels performance, metrics and future forecast. For example, Knight Frank LLP publishes periodically the Saudi Arabia's Hospitality Landscape report. Nevertheless, this and other similar reports are extremely useful in preparing the business case and feasibility study at the start of the new hotel property development. According to (Newell *et al.*, 2005), the level of hotel research has been limited and largely US-based.

Internationally, (I Venter.*et al.*, 2007) has proposed A framework for successful hotel developments. The framework is based on 12 success factors, namely: 1) operational strategic direction and market understanding; 2) branding and marketing; 3) operational management and staff – skills, training and experience; 4) operational and construction standards, education, implementation and consistency of standards; 5) national and local government regulations, taxes, duties, policies, legislation, town planning and building regulations; 6) accessibility – for guests, staff and suppliers; 7) feasibility – financial, market, physical, macro-environment; 8) design efficiency – meeting budget; 9) operational efficiency and guest satisfaction; 10) development of strategic and project objectives; 11) development team – team leader, executive, management, key operational staff, consultants, and advisors, and; 12) contractor – cost, time, quality, experience, resources, capability and attitude.

Gert et al. (2021), has published step-by-step research that guide the practitioners to manage the new hotel development project life cycle. As per his proposal, the new hotel framework composes of: 1) business case; 2) sustainability; 3) conceptual planning; 4) feasibility study; 5) brand and operator selection; 6) financing; 7) approval; 8) professional services and consultants selection; 9) land acquisition; 10) Architectural; 11) interior design and engineering; 12) procurement and construction; 13) fit-out; 14) preopening; 15) post opening; 16) operation and maintenance; and 17) disposal of the facility.

(Krisada *et al.*, 2019) has studied the factors affecting decisions on investment patterns for accommodation business in Thailand and found 12 factors: 1) the relationship with the network in the business; 2) experience in the business; 3) size of business; 4) the potential and size of the market; 5) the potential of personnel; 6) government investment policy; 7) infrastructure in the area; 8) marketing in the area; 9) financial risk; 10) access and application of innovation; 11) customer concentration; and 12) working processes.

## 2. Research Methodology

Due to the lack of previous research about Saudi hotels sector as revealed in the literature review, and due the unique characteristics of Saudi real estate development market. And the fact that what applies in a country can't be generalized in other countries, a field survey was conducted to identify and find out the success factors of the hotel property development in Saudi Arabia. This research excludes the hotel operators and hotel brand companies such IHG & Marriott, as they are usually don't invest directly in developing new hotels in Saudi Arabia. Their role is to operate and manage the hotels after completing the development.

57 real estate developers have been contacted in the capital city Riyadh and Jeddah and asked if they developed or planning to develop new hotels. This process identified 19 real estate development companies, who are already developed and handing over hotels to operators. The selected companies are the most known real estate developers in Saudi Arabia, with total real estate assets of SAR 39 billion (US\$ 10.4 billion). Small to medium size developer in Saudi Arabia don't enter hotel property development business. This is because Hotel property development requires substantial amount of cash that these organizations can't secure. Instead, they opt to invest in residential and commercial business. In addition, the ROI of the hotel business spans over many years, that

these companies can't wait for it. International Branded hotel companies like IHG & Marriott for example, usually don't invest directly on hotel property development, their role is limited to brand the hotels and operate/manage the hotels in Saudi Arabia (Fayadh, 2024).

The geographic location of the selected organizations is Riyadh city. The real estate investment coverage of these organizations spread all over Saudi Arabia. The basis of selecting these 19 organizations was, they developed and handing over new hotel property projects.

The real estate business in Saudi Arabia covers a wide range of sectors, to name few: a) residential; b) commercial; c) hospitality; d) logistics and warehouses; e) mixed use, etc. The real estate industry in Saudi Arabia is not officially segregated into sectors, so it's not easy to determine the total numbers of real estate organizations working in hospitality development for example. For this reason, this research is limited to 19 real-estate organizations investing among other sectors in hotel development new hotel properties.

One question was directed to the development directors/vice presidents of investment of the selected 19 real estate development companies in a face-to-face (45 minutes) interview managed by the author between March and May 2024. The author didn't interfere or directed the answers. The question was:

- What are the main success factors of the new hotel property development in your organization?

### Stage 1: Gathering Data

The answer to the research question by the participants has identified 26 success factors which contribute to the success of new hotel property development. These success factors are as shown in table 1. There is no further statistical analysis has been done to the data obtained from the interview process, as the aim of the research was to identify the success factors of the hotel properties development as seen by the practitioners in this sector.

Table 1. Success factors of new hotel property developments in Saudi Arabia

Success Factor	Frequency	% of Respondents
Comprehensive business case	11	58
Clear development concept	10	53
Land attributes	19	100
Cooperative hotel operator	16	84
On time construction completion	15	79
Local knowledge and awareness of the local market	17	89
Accurate and comprehensive feasibility study	19	100
Favorable financial terms	17	89
Well prepared budget	14	74
Effective procurement strategy	17	89
Experienced Architect	19	100
Experienced Interior designer	16	84
Experienced specialties consultants	18	95
Free of errors design	19	100
Comprehensive bidding documents	18	95
Experienced general contractor	19	100
On time delivery of FF&E components	19	100
Meeting the brand specs and standards	19	100
Compliance with sustainability	13	68
Smooth permits procedures	19	100
Contribution to the socioeconomic plans	8	42
Added value to the local community	7	37
Attracting Saudi Employee to work in the hotel	10	53

Smooth testing and commissioning	11	58
Smooth preopening operation tasks	9	47
Understanding brand specific requirements	18	95

The frequency in table 1 indicates the number of respondents mention a certain factor. If 18 respondents mention a certain factor, its frequency is 18, and so on.



Figure 4. Success factors of new hotel property developments in Saudi Arabia

Close analysis of respondents’ answers and based on the Saudi business environment and work culture, the 26 success factors in Table 1 can be grouped in 6 groups, namely:

- 1- Finance
  - 3 factors
- 2- Business
  - 6 factors
- 3- Government
  - 2 factors
- 4- Social
  - 2 factors
- 5- Technical
  - 10 factors
- 6- Operational
  - 3 factors



## 1- Financial Factors

<b>Success Factor</b>	<b>Frequency</b>	<b>% of Respondents</b>
Accurate and comprehensive feasibility study	19	100
Favorable financial terms	17	89
Well prepared budget	14	74

## 2- Business Factors

<b>Success Factor</b>	<b>Frequency</b>	<b>% of Respondents</b>
Comprehensive business case	11	58
Clear development concept	10	53
Land attributes	19	100
Cooperative hotel operator	16	84
On time construction completion	15	79
Local knowledge and awareness of the local market	17	89

## 3- Government Factors

<b>Success Factor</b>	<b>Frequency</b>	<b>% of Respondents</b>
Smooth permits procedures	19	100
Contribution to the socioeconomic plans	8	42

## 4- Social Factors

<b>Success Factor</b>	<b>Frequency</b>	<b>% of Respondents</b>
Added value to the local community	7	37
Attracting Saudi Employee to work in the hotel	10	53

## 5- Technical Factors

<b>Success Factor</b>	<b>Frequency</b>	<b>% of Respondents</b>
Effective procurement strategy	17	89
Experienced Architect	19	100
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On time delivery of FF&E components	19	100
Meeting the brand specs and standards	19	100

Compliance with sustainability	13	68
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## 6- Operational Factors

Success Factor	Frequency	% of Respondents
Smooth testing and commissioning	11	58
Smooth preopening operation tasks	9	47
Understanding brand specific requirements	18	95

The following section will discuss the findings of the research.

### 3. Discussion

#### 3.1 Financial Factors

- All participants (100%) consider accurate and comprehensive feasibility study is a successful factor in hotel property development. This is expected since feasibility study plays an important role in identifying the project budget and operation metrics. It bridges the gap between the hospitality current market trends and future expectations and the internal development process of the hotel within the organization which usually works in isolated silo of the external environment.
- 89% of the participants consider Favorable financial terms is a successful factor, as this reflects the ability of the developer to negotiate the financial terms with the financial institutions. In another dimension, it reflects the financial strength of the developer and how accurate his studies and assumptions are (business case and feasibility study). Hotel projects are built at very high cost compared with other real estate developments. For example, new build of full service or luxury hotel rooms can cost between US\$ 380,231 and 849,789 each (Major, 2023).
- 74% of the participants consider Well prepared budget is a successful factor, this is because a comprehensive and accurate budget is very important in the real estate development projects. When the budget for a certain project is approved by the organization's Board's of Directors, it is very difficult to change. The budget in hospitality property development is expected to cover all components of the project and accurate enough to cover all dimensions of the development life cycle.

#### 3.2 Business Factors

- All the participants 100%, consider Land attributes a success factor in the hotel property development, the main reasons for this consensus are: 1) proximity of the land to the utility connection points; 2) easy of access; 3) nearby attractions; 4) area zoning. These attributes affect the construction cost and have positive/negative impact on the hotel operation.
- 89% of the participants believe that the Local knowledge and awareness of the local market a success factors. The hotel property development team are expected to be aware of the characteristics of the country, the city and the land in which the hotel is going to be built. Market trend of the hospitality sector of the country is very important during the development life cycle. Country economic trends indicate the health of the economy and its investment in infrastructure and public development projects. One important attribute of this factor is the ability of the development team to translate the local culture in the hotel development, through food/beverage, welcoming environment, interior design and landscaping.
- Cooperative hotel operator is considered by 84% of the participants a success factor in the hotel property development. This is expected, as the hotel operator give valuable feed back on the architectural and engineering design in terms of amenities location, spaces and circulation, equipment maintenance, etc.
- 79% of the participants in this survey believes the completing the hotel construction as per the predefined schedule is a success factor. Completing the construction on time is very important in the hotel property development, as it opens the door to the subsequent fit out activities and FF&E all starts after completing the construction, which lead to early operation.
- Comprehensive business case was expected to have consensus more than only 57%. This is because the professionals working in the hotel property development are not aware of the "business case "concept. A **business case** provides justification for undertaking a project, program or portfolio. It evaluates the benefit, cost and risk of alternative options and provides a rationale for the preferred solution. A **business case** uses the

following five elements: 1) Strategic context; 2) Economic analysis; 3) Commercial approach; 4) Financial case; 5) Management approach (13).

- Clear development concept is believed by 52% of the participants a success factor. Of course, a clear development concept will set a clear road map for all the development stakeholders. Some consideration in this regard will be: 1) hotel type and classification; 2) target market; 3) level of service; 4) ownership and affiliations.

### 3.3 Government Factors

- 100% of the participants believe that Smooth permits procedures are a success factor in the hotel property development journey. Simple and straightforward procedures expedite the development process and make the project completion on time is possible. Permits are required by many governmental entities like municipality, ministry of tourism, civil defence, and other entities depending on the location, zoning and everchanging technologies and hospitality practices.

Policies stability of the country, controlled inflation, smooth local and foreign investment procedures, financial aids and supported financial loans to the investors in the tourist industry, in addition to Vision 2030 ambitious goals in the tourism sector, have pushed the hotel property development to new highs in recent years. Saudi hospitality landscape expects to expand the luxury, upper upscale, and upscale categories, which currently account for 66 percent of the existing hotel supply, to 72 percent of the market share by 2030. This translates to approximately 251,500 hotel rooms (43).

- Contribution to the socioeconomic plans is considered by 42% of the participants a success factor. To develop a society in a specific geographic region, government grants certain incentives and facilities to the investors who plan to invest in that area. Many investors consider these governmental grants and invest in such areas, specially, if the incentives cover some expenses or drop off some of these expenses.

### 3.4 Social Factors

- 38% of the participants consider Added value to the local community is a success factor. One objective of the Hospitality investment is community service. It is certain that building a hotel in a certain area will add value to the local community in that area. It will attract more visitors to the area and lead to an increase in the consumption and utilization of the products and services.

- One of the main objectives of the Saudi government is to increase Saudis work force in the hospitality sector. The government offers incentives and support to hospitality facilities that employ Saudis. In this regard, 53% of the participants believe that Attracting Saudi Employee to work in the hotel is a successful factor. Attracting Saudis to work in the hotel is achieved by creating an attractive working and physical environment that compete with other sectors to attract them to work.

### 3.5 Technical Factors

This research revealed 10 success factors that could be classified as technical factors. These factors are common success factors in real estate property development.

- 100% of the participants consider the following factors are a measure of success in the hotel property development:

1. Experienced Architect
2. Free of errors design
3. Experienced general contractor
4. On time delivery of FF&E components
5. Meeting the brand specs and standards

An experienced Architect will easily transfer the hotel concepts into a complete set of drawings and documents that can be used in the bidding and construction. Free of error design will save time of the rework and minimize errors in the important phase of the development “construction”. General contractors play a vital role in the success of the hotel property development, capable contractors have the required resources to manage and build the hotel structure and complete the work as per schedule. delivery of FF&E components on time will enable the commencement of finishing phase as per schedule. Furniture in the hotel property development is custom made and manufactured as per specific specs to suit the brand and hotel spatial requirements.

Every hotel brand has its own standard and specification, The brand cannot be given to a newly built hotel unless it is in complete compliance with these standards and specs. These standards and specs are specified and stated clearly in the brand concision agreement between the hotel investor and the brand owner. Compliance with the brand's requirements is a process that ideally starts in the design phase and continues to the final stages of handover. Managing this process effectively is a real challenge in the branded hotel property development.

- 95% of the participants believe that Comprehensive bidding documents and Experienced specialties consultants are success factors within hotel property development environment. Bidding documents constitute all the project drawings, specifications, engineering calculations, contracts, payments arrangements, time schedules, and specific requirements. All these sets of documents are sent to the bidders and are supposed to be finished and receive proposals within a short period of time, usually 3-4 months. The comprehensiveness of the bidding documents and their high quality reduce the response time by the bidders and help select the most suitable bidder for the project.

Experienced specialties consultants play a significant role in hotel property development as they are the parties responsible for transferring the brand concept into reality. Interior designer, façade designer, lighting designer, landscape and hard scape designer, security designer, and not the last IT designers are all participating in producing the final hotel product. The criticality of these is that all these features are to be used later by the guests and used to differentiate the hotel from its counterparts.

Effective procurement strategy is another technical success factor as agreed upon by 89% of the participants. Procurement is responsible for providing all the required services and material to the hotel property development projects. Procurement starts at the beginning of the development by soliciting feasibility study consultant and continues to the last stages of pre-opening phase. Professional procurement strategy will be responsible for providing the right resource at the right time.

- Experienced Interior designer is another success factor as seen by 84% of the participants. The interior designer's role is to translate the brand image into a set of finishing materials and furniture selection. The set of drawings, images, specs which are produced by the Interior designer reflect the hotel brand and set up the level of its luxury. The set of drawings, images, specs are used to procure the finishing material and used to manufacture the furniture.
- 68% of the participants consider Compliance with sustainability is a success factor of hotel property development process. Sustainability and environmental protection measures are receiving great attention in Saudi Arabia recently. Compliance with sustainability is a process that starts at the beginning of the development by soliciting Sustainability and environmental protection consultant and continues to apply its recommendations in the normal hotel operation phase.

### 3.6 Operational Factors

The research identified 3 success factors that can be classified as operational factors, As they are dealt with at the end of the development process. These factors are: 1) Understanding brand specific requirements (95%); 2) Smooth testing and commissioning (58%); 3) Smooth preopening operation tasks (47%).

Understanding brand specific requirements enables the development team to handover the project to the operation team systematically and smoothly. Smooth testing and commissioning indicate a well managed development processes with fully documented development, construction and equipment installation. Preopening operation tasks are a chance to test and train the team of all the hotel physical components. The presence of the development team in this period is essential.

### 3.7 Hotel Property Development Model

This research has identified and discussed 26 success factors of the hotel property development in Saudi Arabia. These factors have been used to formulate and conceptualise the Hotel Property Development Model for Saudi Hospitality Sector, as shown in Figure 1. The model composes of 7 consecutive process groups, namely:

- Concept Alignment
- Developer Dynamics
- Commitment
- Visualization
- Transformation
- Finalizing
- Celebration

Each process group contains processes that are essential to the hotel development and must be performed properly to contribute successfully to the overall development process. The process within a certain group is sought to contribute to the build up the information and make available as an input to the subsequent process group. Each process could be performed internally by the development team or outsourced to a professional team within the context of a certain situation. Historical data, lessons learned, published statistics, hospitality news and reports, tourism news and statistics, etc. are all valuable input to each process group.

Concept Alignment is the first facing process group in the hotel development journey. Whereas the concept of developing new property hotel is examined and worked out. The objective of the concept alignment is to prepare a “Business Case” for the project. The business case concept is usually ignored by the practitioner in the real estate development practice as revealed by this research. These initial activities of preparing the business case are usually deferred to the feasibility study stage. Well prepared business case is used to critically evaluate the hotel property development concept and consider all aspects of initiating the development of new hotel property.

The Developer dynamics process group starts the new hotel development journey. Where the development team performs many tasks and outsource some services to professionals. Customers experience design is very important task in this early stage, as this concept is usually deferred to later stages, usually at operation phase. Customer experience is the corner stone in today hospitality offerings. Customers experience is a multi dimensional practice and addresses the quality of a certain brand and service. Once the competitive advantage of the project is known and found feasible, the subsequent process group is started.

The value of the project begins to shape once the organization commit to the project by acquiring the land and approve the procurement strategy (Commitment Process Group). Value creation in the hospitality industry is revolving around tangible and intangible assets and features. Tangible assets will create a commodity nature of value; however, intangible features of the services and customers experience will create a value that match the modern hospitality concept. In today's economy, value is measured by the amount of money that can be given to a certain feature, services, experience. Quantifying the worth of value is a concept that must accompany the hotel property development life cycle, as every process the development team is undertaken will add to the value of the project.

Visualizing the concept is yet another challenging process. The selection of experienced consultant will help the visualizing of the project and its concept. Although it looks straightforward, the transfer of the available information to the consultants is very critical. In this stage, huge amount of information must be transferred carefully and systematically in such away that eliminate assumptions and personal inputs.

Transforming a set of drawings and documents into a fiscal facility or structure is a straightforward process that required proper management, control and coordination in such away to complete the work on time, within budget and at the expected quality. The development process from this point forward is just a matter of follow up and awareness of a well-known procedures and requirements, where is project management best practices could be applied to achieve the development goal on time, within budget and at the expected quality. The transformation process group begin the common processes to all real estate development projects.

The hotel Property Development Model for Saudi Hospitality Sector is a comprehensive model and covers all tasks and processes that are required to successfully manage and control the hotel property development lifecycle. Project management techniques are essential skills to use the model together with long hospitality development experience.

Documentation is critical in real estate development and particularly to the hotel property development. This is because the large number of participants involved in the development process throughout the development life cycle. Keeping a very well development documentation contributes to the value of the hotel property whenever value evaluation is needed within the exit strategy.

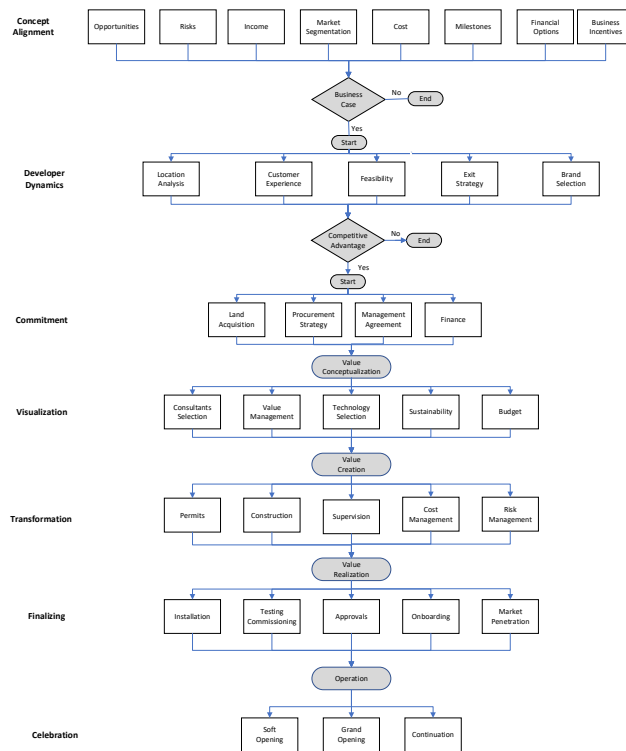


Figure 5. Hotel Property Development Model for Saudi Hospitality Sector

**4. Conclusion**

This research has identified the success factors of the hotel properties development in Saudi Arabia. The data collected through interview with the development directors/vice presidents of investment of 19 real estate development companies who are already developed and operated hotels in Saudi Arabia. The data were used to formulate and proposes a Hotel Property Development Model for the Saudi hospitality sector.

26 success factors were found considered in the evaluation of the hotel property development. These 26 factors can be grouped into 6 main categories: 1) financial; 2) Business; 3) government; 4) social; 5) technical; and 6) operational.

The Successful Hotel Property Development Model considers all factors that could influence the hotel property development process in 7 levels. The model is comprehensive and discusses the complete life cycle of the development. These 7 levels are: 1) concept alignment; 2) developer dynamics; 3) commitment; 4) visualisation; 5) transformation; 6) finalizing; 7) celebration.

2 concepts that are usually underestimated in the hotel property development life cycle: 1) business case and 2) customers experience design at early stages of the development, have been introduced to the proposed model. This is believed to streamline the development process and contribute to the efficiency of the decision-making process.

This research contributes effectively to developing a framework for evaluation of hotel properties investment. In the era of AI, this research will be excellent contribution in developing a computerised system based on AI to automate the hotel property development process. When the model is used properly, it will contribute effectively to the success of the development by considering all factors that guarantee success.

The research is limited to 19 real estate development companies who are already developed and operated hotels in Saudi Arabia. The population size may be small, so the success factors could be different if the population size is larger. The face-to-face interview could be biased and lead to mention factors that are not important in the development process to give an impression of perfect and comprehensive development life cycle.

**Informed consent**

Obtained.

**Ethics approval**

The Publication Ethics Committee of the Canadian Center of Science and Education.

The journal and publisher adhere to the Core Practices established by the Committee on Publication Ethics (COPE).

**Provenance and peer review**

Not commissioned; externally double-blind peer reviewed.

**Data availability statement**

The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

**Data sharing statement**

No additional data are available.

**Open access**

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