GCC Building Construction and Interiors Update

January 2015

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Introduction

The last quarter of 2014 witnessed a flurry of activity and subtle shifts in the nature and composition of the construction markets in the six states of the Gulf Cooperation Council (GCC) due to a number of key global changes, primarily the continued downward spiral of oil prices, regional unrest and rising cost of materials and labour among competing uses in the region. However, these countries have continued their expansionary budgets as they step into 2015, with continued emphasis on diversification and non-oil sector growth to address the needs of the economies and their development side by side. There has been a stronger emphasis on social infrastructure with contracts being awarded for affordable housing projects, education and healthcare infrastructure.

Construction activity in Qatar and the UAE has begun to heat up as these countries move closer to hosting prestigious world renowned events such as the World Cup 2022 and the World Expo 2020, respectively, driven by the need to attract foreign investment while showcasing the countries on a global platform to tourists and investors. Growth has been strongly impacted in Bahrain, as a large portion of the government revenues stem from oil, despite being the most diversified economy in the region, and political instability continues to randomly influence growth prospects and policy. Kuwait and Oman have reacted with cautious spending and revenue side measures to the falling oil prices while not compromising on developmental spend, as can be witnessed in the growth of projects for these countries as the second and third fastest growing economies in terms of project completions for 2014 and 2015 as these governments too have embarked on ambitious spending programs to woo investors. Oman is also building the foundations of its growth model with tourism as the cornerstone.

Emphasis on strong physical infrastructure such as building up the network of railways and roadways have also received vast budgetary allocations. Consequently, GCC economies and their construction industries are on a strong upward trend, interspersed with concerns of overheating in some economies such as the UAE as real estate prices and rentals have continued to zoom.

The Kingdom of Saudi Arabia (KSA) and the UAE continue into the fourth quarter of 2014 as the largest markets in terms of projects lined up for completion over 2015 followed by Qatar. However, maximum growth in terms of projects completed in 2014 and likely to be completed over the rest of the year is led by Qatar and Kuwait, followed by Oman. As Qatar gears itself to host World Cup in 2022 despite controversies surrounding its ability to do so and allegations on its labour practices which it has firmly countered by stepping up the pace of projects. A number of projects have entered construction completion in the buildings sector to support the growing inflow of expatriate workers and tourists in the run up to the event. Kuwait and Oman have sharpened focus on the non-oil sector growth with Oman awarding a number of tourism projects, while Kuwait has stepped up developmental spend across the healthcare and education space.

Tourism and hospitality sectors have sharply benefited from this trend across the GCC as these countries are now being perceived as a safe haven by investors and tourists alike amid dismal global economic and socio-political conditions.

Building projects worth over US$ 84.97 billion were awarded to contractors in 2014 across all the building sectors including residential, commercial, hospitality. Though pace has slowed down in some of the countries turning cautious such as Bahrain and Kuwait on the continued hits faced on the oil revenues front, developmental spend is likely to continue to push up projects to reach US$ 102.96 billion for 2015.

On the one hand are the traditional leaders of the markets such as Saudi Arabia, UAE and Qatar which are vying with each other to achieve top spots in various segments of the building construction market and thereby provide larger opportunities in the interiors market, and on the other are strong emerging markets of Bahrain, Kuwait and Oman, which, though smaller markets compared to the big three, that continue to sustain spending amidst all odds that impact them more than the bigger markets due to their lower cushion of reserves unlike the bigger economies. Oman has carved for itself a niche with its renewed focus on tourism as a part of its diversification plans and emerged as a rising star of the Middle East while also benefitting from the increased connectivity with its larger neighbours such as Qatar and its World Cup spill-overs. Residential developments in Integrated Tourism Complexes (ITCs) in particular have witnessed a spurt in demand in Oman in 2014.

Though revival has been strong across segments of the real estate market, the strongest spurt has been witnessed across residential projects which have been receiving continual support under the social infrastructure spending programmes of the various GCC governments including projects such as the Saudi low cost housing, Emirati housing schemes and Kuwait and Bahrain social housing programs and more recently UAE developers too beginning to focus on the affordable housing segment of the market to further grow in terms of market size in a market that is fast heating up and has left lesser room for growth. The luxury segment in the markets such as UAE and KSA too have witnessed a strong upward trend over 2014. The residential segment therefore represented the largest share of project completions in 2014, while the growth has been strongest in the healthcare space, which is the other area of focus of social infrastructure programmes of the government.

On the other end of the spectrum with the next largest share in projects completed is the commercial sector across the GCC with continuing large scale additions to the supply of commercial office space over the last quarter of 2014. This segment continues to face oversupply though the situation is easing in markets such as the UAE and Qatar in the run up to the World Cup 2022 and World Expo 2020, as more companies set up shop working toward the completion of projects for the world events and developers across the region vie with each other to build unique and more attractive commercial destinations and showcase newer projects, crowding the market.

Oversupply has accentuated the trend to better utilize existing space and provide more attractive designs and terms to the customer, which is likely to prove to be a huge opportunity to the interiors and fit outs market along with the refurbishment market amid shrinking budgets of both domestic and global investors in construction projects.

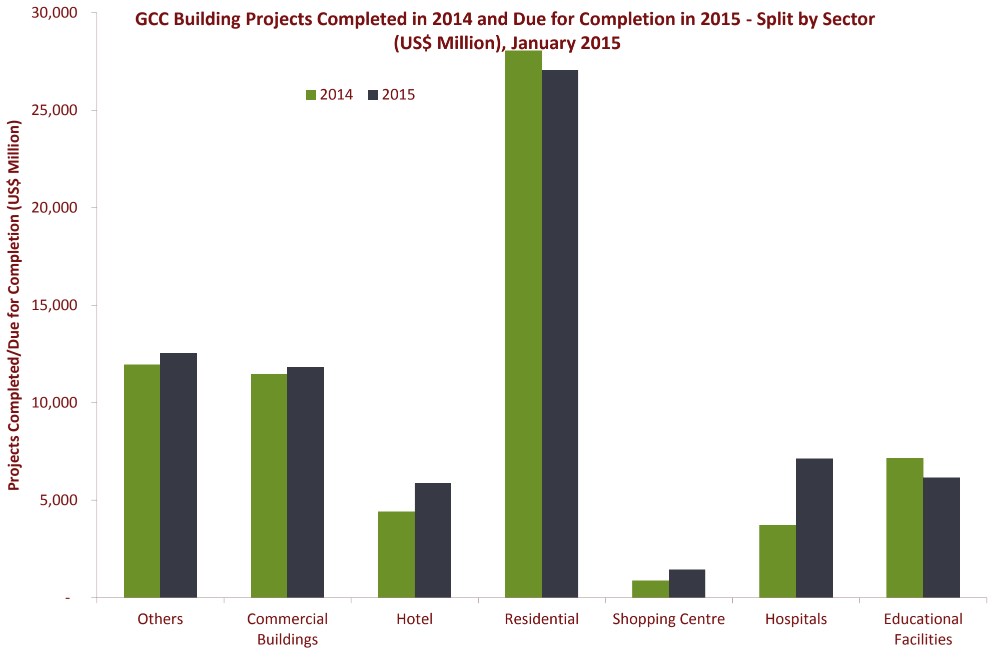
Countries such as Saudi Arabia have attracted international acclaim for undertaking the world's largest investments across building up of its educational sector and upgrading healthcare facilities, also pointing to the massive opportunity for the interiors and fit out markets that lies in these segments. Other countries too have begun to join this trend with a strong emphasis on educational development in their budgetary allocations, thus boosting investment across this sector of the building construction market. Countries such as Qatar and Kuwait after facing strong criticism for the poor nature of their healthcare infrastructure have also invested in enhancing and upgrading their healthcare facilities.

Though UAE has already been a favourite with retail investors owing to the large disposable incomes and growing population of these economies, Qatar, Oman, Kuwait and Saudi Arabia have also emerged as retail destinations in 2014, making it to consulting firm AT Kearney's list of top global retail markets for 2014, with UAE moving up to fourth, Kuwait eighth, Saudi Arabia sixteenth, and Kuwait at seventeenth. UAE moved up from its previous year ranking of 5th for the second year in a row, on the back of strong retail sales and renewed consumer confidence and the country's retail malls have begun to sport their best performance in over a decade over 2013 and 2014. The last quarter of 2014 has witnessed a strong jump in retail project completions as the continued tourism focus of the GCC governments on tourism and the large influx of population in terms of labour and tourists have begun to attract more retail developments. Existing brands too continued to deepen their presence into the region by expanding their presence, spreading from the saturated Dubai market into the rest of the region, with Saudi Arabia, Kuwait, Oman, and to a smaller extent Qatar and Bahrain all feeling the benefit .

Tourism has been tapped across its various sources in the various countries of the GCC to boost revenues, with Saudi Arabia focusing on development around religious tourism focussing on expansion of the areas around its Mecca and Medina regions, while Qatar, Kuwait and Bahrain tap the Meetings, Incentives, Conferences and Exhibitions (MICE) tourism market, UAE has exploited its position as a global retail and leisure destination to build on its tourism development. Overall, tourism remains the primary driver for retail growth, as most GCC countries have placed heavy emphasis on developing tourism as the key driver to their new diversified growth model. Hotel occupancies continued to remain on an upward trend in 2014 across the region, when compared to late 2012 and 2013. This has been spurred by the increasing economic activity surrounding the hosting of the 2022 FIFA World Cup and Dubai's Expo 2020 related events. Given these factors, analysts forecast the GCC retail market size of US$ 221 billion in 2015 growing at a CAGR of 7.9. .

As per project schedules on 19th January 2015, Building projects worth over US$ 66.89 billion were completed in 2014 across segments of the building sector including Residential, Commercial, Hospitality, Retail sectors, Medical, Educational segments and Mixed Use projects and is likely to reach US$ 72.02 billion in 2014 thus posting a healthy growth of 7.7 percent year on year, with a number of projects nearing completion across countries and sectors as a steady growth that has set in since the last downturn in 2009. Figure 1 provides the sector wise split of the building construction projects completed and expected completion in GCC as of 19th January 2015.

Figure 1: GCC Building Construction Projects Completions 2014-15 (US$ Million), as of January 2015



Source: Ventures Onsite MENA Projects Database (www.venturesonsite.com)

The continued focus of successive budgets on social infrastructure, especially housing, healthcare and educational infrastructure, have begun to translate into large shares of project completions in the GCC construction pie. The residential segment continues to remain the leader in 2014 and 2015, in terms of projects completed and due for completion, respectively, sustained by the rising demand from a young, affluent and growing population. Some GCC economies have planned to host global events in a bid to attract foreign investments that are further likely to boost the demand for residences across the region.

With an upward growth trajectory across the construction industry, the residential segment is likely to continue its strong growth momentum of 2014 into 2015 as well with strong growth across pure residential and mixed use projects backed by increased budgetary allocations, easing legislations and strong liquidity funding housing development. Hospital projects too have witnessed a spurt as governments have urged the stepping up of social infrastructure project completions in countries such as Qatar and Kuwait which have attracted criticism for the poor healthcare infrastructure in these countries.

Altogether UAE and KSA markets have witnessed the largest share of projects completed in the residential segment over 2014 and those due for completion in 2015, especially in the prices and rentals for modern high quality buildings.

While economic growth in the bigger markets have levelled off to a moderate pace as compared to the boom years of 2012, the sustained effects of the budgetary spend continue to keep the construction markets buoyant in 2014 and likely to do so in 2015 as well. Private sector has contributed vastly to this growth trend with announcement of a number of residential and mixed use projects across the key markets of Abu Dhabi, Dubai, Sharjah, Riyadh, Jeddah, Mecca and Medina, Doha, Manama and Muscat. While prices and rentals continued to remain stable toward the end of 2014 across most of the Gulf countries, after a strong upward trend in the earlier quarters, increasing supply has failed to dampen the trend. Markets such as Dubai have witnessed as much as 18 percent increase in prices in 2014, while that of Qatar witnessed nearly 10 percent increase in prices. Conscious efforts of the government to ease legislations and emulate the Qatar model of growth by hosting the World Expo in 2020 is seen as the key reason for this trend to attract business collaborators and investors from across the world in a bid to boost economic growth and tourism prospects.

Saudi Arabia has begun to focus on education and skill building to man its developmental efforts and substitute domestic labour for the currently used highly expensive expatriate labour force, on a scale not matched elsewhere in the world. While this has delayed a number of projects in the Kingdom due to short term labour shortage, it is likely to help in the long run by developing skills from within.

The hospitality sector continues to grow robustly riding the construction wave with the large focus of Qatar and the UAE on hosting the World Cup 2022 and World Expo 2020 respectively, a number of international hotel chains have found their way into the economy. Strengthening consumer and investor confidence in the Bahrain and Kuwait markets have also benefited the hospitality and hotel sectors apart from a moderate revival of retail markets in these countries in 2014 after a strong comeback in 2013. Many Bahrainis purchased property for investment while Kuwait markets are likely to be boosted by the strong government stimulus in the residential and business tourism sectors.

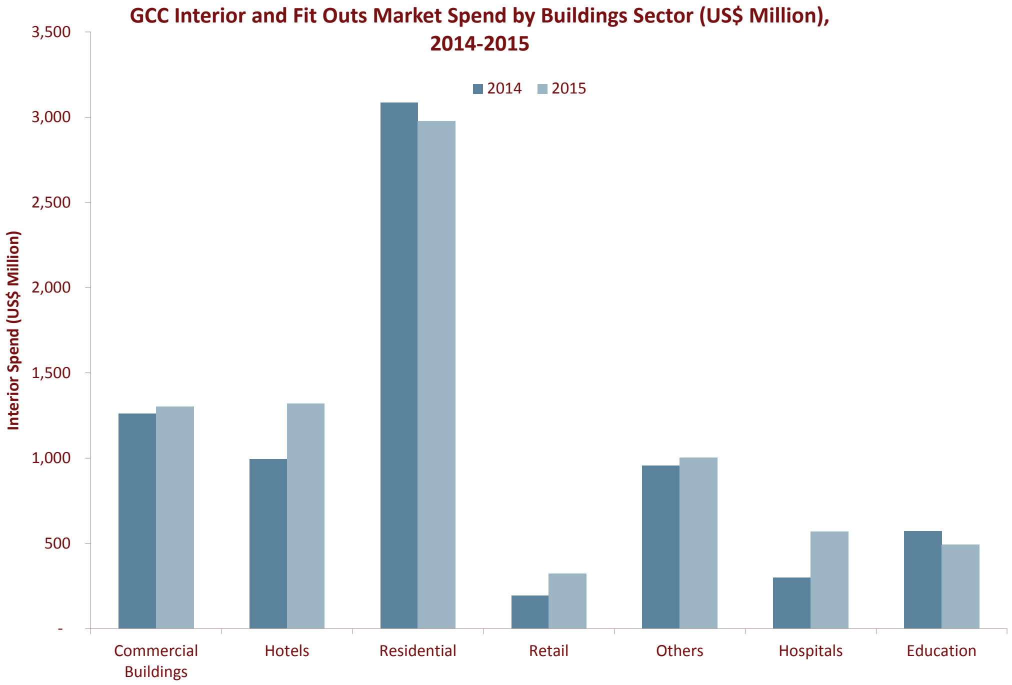
The Interiors contracting and fit outs market closely mirrors the trends in the building construction markets owing from which the demand for interiors stems in terms of fresh projects requiring interiors and fit outs apart from existing ones that require refurbishment for better space management and flexibility, environment and sustainability in design of buildings and open plan layouts to increase their marketability. Though markets had witnessed a significant slowing down over 2013 and 2014, growth has continued over the last quarter of 2014 at a moderate pace likely to pick up near 2020 as the two main markets of UAE and Qatar near the scheduled timelines for hosting their respective global events. The commercial segment however continues to be slightly oversupplied in most of the markets for the present.

The GCC interior contracting and fit outs sector encompassing internal wood works, soft and hard furnishings, lightings, partitions, flooring, kitchens, bathroom fittings etc constitutes approximately 10 to 20 percent of the average construction project value, performing much better than its European and Asian counterparts. Worldwide market slowdowns have prompted investors to seek markets that offer growth prospects in the near term and GCC with its adaptive shift offers ample growth prospects for the interiors and fit outs market as existing structures are managed to suit the tighter pockets of the clients and landlords wanting to let out in an oversupplied market. Newer strategies to revive real estate markets such as the continued focus on social infrastructure and the hosting of global events such as the World Cup 2022 and the World Expo 2020 are likely to help improve this trend.

As of January 19, 2015, the GCC market for interior contracting and fit outs based on the estimated size of project completed in 2014 was estimated at US$ 7.35 billion. Growth in this market is set to climb by 9 percent to US$ 7.98 billion by 2015 from the projects likely to be completed over 2015.

Figure 2 provides the GCC Interior decoration and fit outs spend by sector for the years 2013 and 2014 as of 19th January 2015.

Figure 2: GCC Interior Contracting and Fit-outs Spend (US$ Million), 2014 and 2015



Source: Ventures Onsite MENA Projects Database (www.venturesonsite.com)

As of 19th January 2015, interior and fit outs spend in residential sector projects estimated at US$ 3.1 billion, occupies the largest share of 42 percent of the GCC interiors and fit outs market for 2014. However, with the sustained housing projects over the past three years headed toward completion, the government stimulus of the affordable housing projects is likely to peter out into 2015 with lower project completions and the residential segment losing its share to the retail segment. The latter is likely to witness a huge spurt in project completions of around 67 percent and the healthcare segment that has also been a focus area of social infrastructure spending by the governments of the GCC over the past few years and continues to do so in 2015.

The spurt in retail interior spends is likely to also translate into higher shares in the hospitality sector that has vastly benefited from the heavy influx of population into the region in the form of labourers, investors and tourists as construction pace heats up in 2014 and 2015. The hospitality sector has emerged as the second largest in terms of shares in project completions due in 2015 with a share of 17 percent, up from third position in 2014 with a share of 14 percent of project completions. The residential segment however, continues to maintain the highest share of the market given the strong growth in population, a large proportion of which is expatriate and the constantly growing demand for residences as is clear from the activity across the segments as of 19th January 2015.

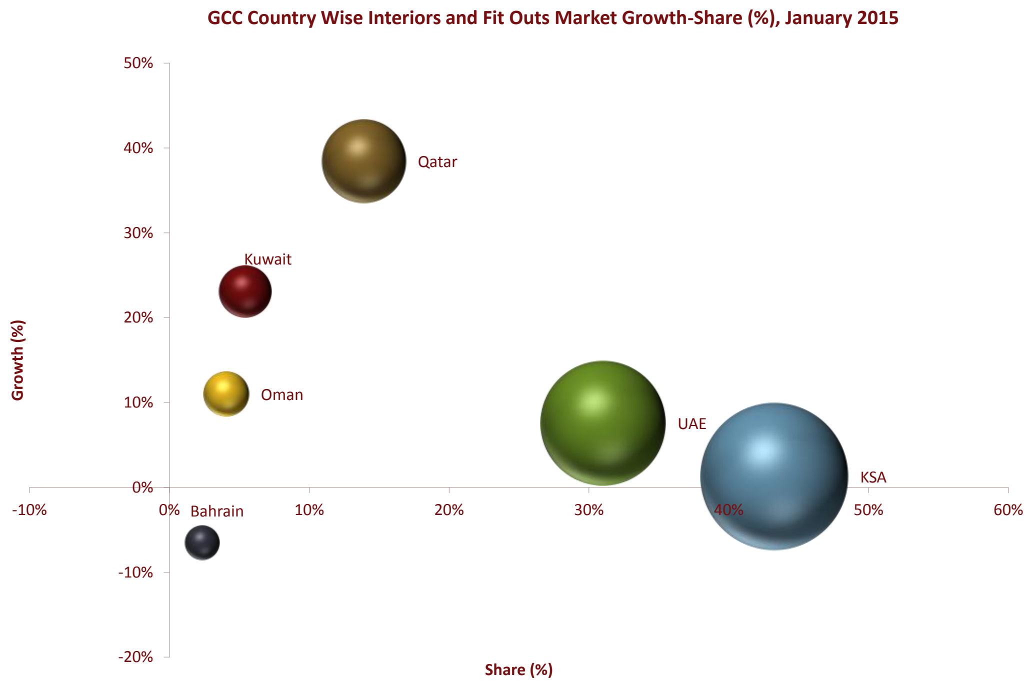
The commercial segment with a share of 17 percent occupied the second largest share, closely following the hospitality segment though it is likely to slip to 16 percent over 2015 as the hospitality and healthcare segments cut into their shares, followed closely with projects from the others segment which include recreational and leisure facilities among other buildings. The trend is strongly influenced by the tourism boost and the government focus on these segments.

Another important development for the interiors and fit outs market was in the field of education and healthcare. In a bid to improve the standards of living of their citizens and skill competencies for sustainable development, GCC countries had begun a program of consistent investment across social infrastructure sectors since 2011, allocating vast sums in their budgets toward improving healthcare and educational infrastructure. With this trend reaping rich dividends in course of time, the hospital and education segments have gradually increased in importance constituting significant shares each years in the GCC construction pie in 2014, of 8 percent and 4 percent. In 2015, the healthcare segment is likely to gain shares while investments in the education segment reach their conclusion and peter out.

As we enter 2015, the equations are changing gradually in the GCC interiors and fit outs market with trends emerging from markets that were earlier dormant and recovering slowly, while the existing leaders continue their dominance. Global influences have played a big role in these subtle shifts, while regional and local investment climate too ensure growth drivers and restraints.

Figure 3 provides a comparative analysis of the largest versus fastest growing countries with regards to the interior and fit out spend as of 19th January 2015.

Figure 3: GCC Interior and Fit outs Spend, Growth versus Share by Country, January 2015



Source: Ventures Onsite MENA Projects Database (www.venturesonsite.com)

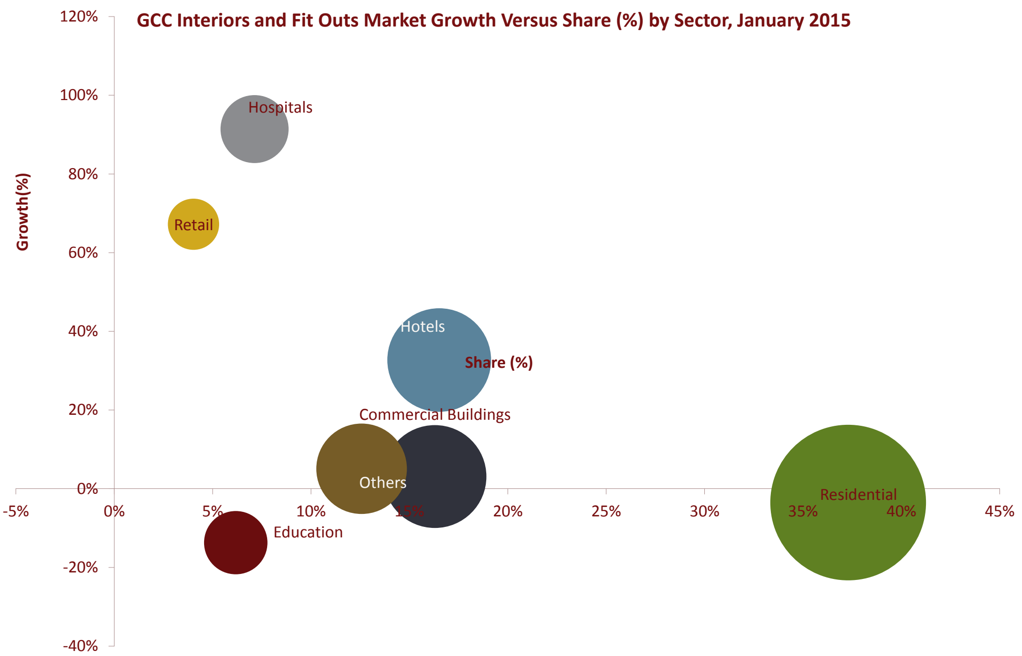
The three big markets in terms of shares of project completions over 2014 and 2015 are Saudi Arabia, followed by the UAE and Qatar, respectively, as they are in a position to sustain their heavy investment and social infrastructure programs despite the sharp oil price drop and other regional downtrends. Qatar also leads in terms of growth in project completions in 2015 over 2014, as projects pertaining to the World Cup 2022 begin to gather pace, including surrounding social infrastructure, especially healthcare, retail and residential developments. Though its commercial sector continues to be oversupplied, most sectors, especially hotels with occupancies hovering at 100 percent are likely to project strong growth in its interiors and fit outs sector into 2015 of 38 percent. As the result of consistent World Cup 2022 investment from 2011 to 2014 near completion in 2014 and 2015, the infrastructure, hospitality and residential segments have begun to take on a greater priority. The hospitality and infrastructure sectors in Qatar are likely to be the primary drivers of growth for the interiors and fit outs market in this country.

Kuwait and Oman too have remained markets with strong growth as government investment programs are sustained in the fields of social housing and healthcare in Kuwait despite the budgetary crunch on the revenue side, while Oman continues to push its Vision of developing the

Sultanate as a pop With the resultant push to private investment across tourism and social infrastructure sectors, the interiors and fit outs market are likely to benefit strongly from the impact on building construction into 2014. In particular, Kuwait has surged ahead in 2014 in terms of both growth and shares as government push following a stable government for over a year since June 2013 have managed to revive private investment and consumer sentiments with growth at a robust 23 percent in terms of project completions due in 2015.

Figure 4 provides a comparative analysis of the largest versus fastest growing sectors with regards to the interior and fit out spend as of 19th January 2015.

Figure 4 GCC Interior and Fit outs spend, Growth versus Share by Sector, January 2015



Source: Ventures Onsite MENA Projects Database (www.venturesonsite.com)

As of 19th January 2015, residential sector continues to maintain its position as the largest market for interiors and fit outs in the GCC with likely investments of the residential sector remains the largest market for GCC interior and fit out sector with investments worth US$ 3.1 billion being invested in interiors for various residential units expecting completion through 2014. Though the increasing emphasis by GCC governments on affordable housing schemes across the region and the large investments in these projects provided a heavy boost to the residential sector from 2011 through 2014, the growth is likely to peter out once the scheduled investments have achieved their goals leading to negative growth in 2015. The commercial sector too though the second largest in terms of project completions, is likely to lose share to the retail and healthcare sectors that are fast emerging as the leaders in terms of project completions in 2015. With many countries focusing on attracting foreign investments and tourists with their outward oriented growth models, tourism is likely to be the primary driver to retail growth, benefitting the interiors and fit outs market vastly as interior spends in retail are amongst the highest among segments.

The healthcare sector is also likely to reap a large share of the heavy fiscal stimulus that have encouraged projects across this sector since 2011 on an increasing trend translating into greater spend on interiors and fit outs on projects nearing completion in 2014 and 2015, while the stimulus in the education sector peters out as it reaches its valid conclusion by 2014. The aim of the GCC spending program has been to build domestic competencies and encourage medical tourism as yet another growth and revenue generator for the GCC economies and the focus on healthcare and education are a part of this vision which are likely to help the interiors and fit outs sector immensely over 2014 and 2015. Currently, however, it has managed to push the hospitality sector to the top in terms of growth followed by the others segment comprising leisure and recreational activities, establishing the GCC as the favourite luxury destination of the world.

Others such as recreational and sports facilities and tourism related projects such as museums and theme parks have also garnered increasing interest of investors in the projects nearing completion in 2014 and 2015.

This study on GCC Interiors industry focuses on the developments in the following sectors of the Building Construction Industry.

- GCC Commercial real estate sector
- GCC Hospitality sector
- GCC Residential sector
- GCC Retail sector
- GCC Healthcare sector
- GCC Educational sector

Chapter 1
GCC Commercial Real Estate Market

With a vast supply overhang and fresh projects continuing to enter the market into the last quarter of 2014, the commercial real estate segment across the GCC continues to be among the segments with the largest number of projects completed in 2014 and likely to be completed by the end of 2015.

The bigger markets such as KSA, Qatar and the UAE have witnessed a dichotomy in terms of need for Grade A office space outstripping its supply on the one hand while Grade B and C properties continue to be oversupplied over the last quarter of 2014 as can be witnessed by the weak price increases in this segment in most of these markets. Muscat too currently faces high occupancies and rising demand for office space though supply is likely to increase to cater to the increasing demand expected with the government encouraging more multinationals to set up base in the country by wooing investors, especially in the tourism sector. Bahrain markets have returned to their earlier sluggish state after a brief rebound in the third quarter of 2014.

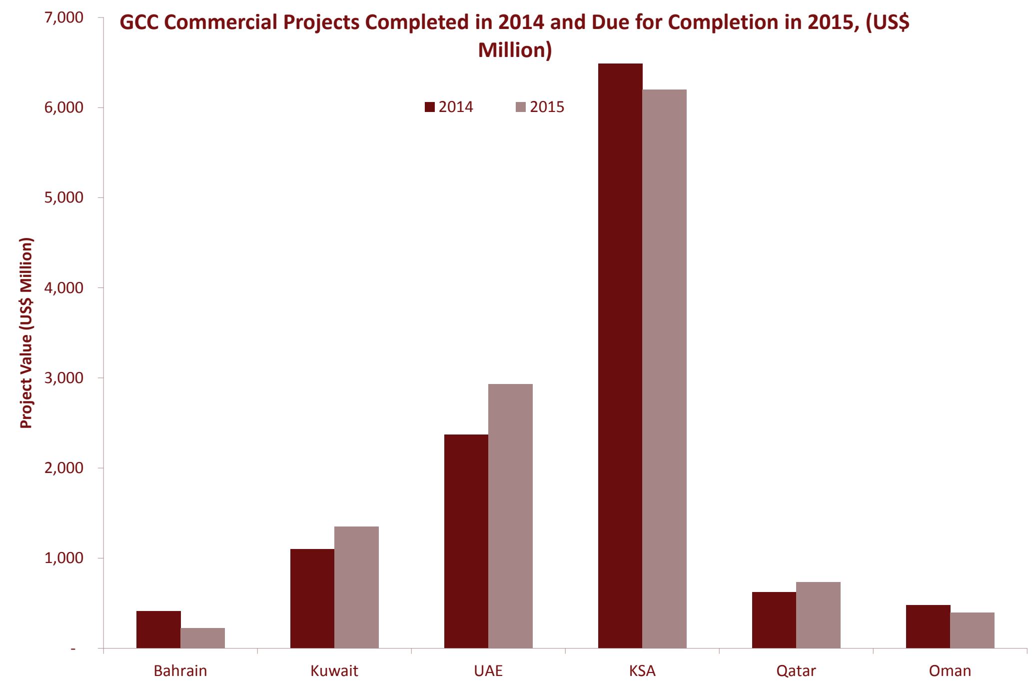
The prevailing oversupply and slow growth of project completions in this segment as compared to the others in the building construction sector has however not posed a threat to the market for interiors and fit outs and has on the contrary accentuated the need for better management of existing space that is likely to translate into plethora of opportunities for the interiors and fit outs market to add value to existing commercial space on the one hand and reallocate space on the other. Though selective markets such as Doha, Dubai and Abu Dhabi have witnessed a steep upward trend in demand spurred by the heavy influx of labour to man projects connected to the hosting of the World Cup 2022 and Expo 2020 events, other markets have witnessed sluggish demand and weak recovery in prices and rentals. Consequently, the project completions overall expected over 2015 is a weak 3 percent higher than 2014 completions.

Nearly US$ 11.46 billion worth of office projects have been completed at the end of 2014 with an additional US$ 11.82 billion likely to be completed over 2015, proving to be a moderately attractive market for the commercial interiors and fit outs market. Moreover, in markets such as Bahrain as a part of the incentives offered by landlords to improve rentals and encourage occupancy, interiors and fit outs were being paid for by the landlord since 2013, widening the market for interiors and fit outs and also helping boost rentals and prices over 2014. Kuwait, Oman and Bahrain have proved to be the strongly emergent markets of the commercial segment over 2014.

Jeddah and Riyadh in Saudi Arabia too are likely to have rentals and prices continue to be oversupplied as additional office space continues to be added to the commercial market. These developments are likely to translate to lower growth prospects across the commercial interiors and fit outs market in 2015.

Figure 5 describes the country wide split of projects completed in 2014 and likely to be completed in 2015 in the commercial buildings sector as of 19th January 2015.

Figure 5: GCC Commercial Sector Projects Completed in 2014 and those expected to be Completed in 2015 by country (US$ Million), 2014-2015



Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

While demand for office space witnessed a healthy growth in 2014 mainly driven by government agencies and public sector bodies in the UAE, key cities of Saudi Arabia, Kuwait and Qatar, non-oil private sector growth also played its role in this growth pattern. Dubai and Qatar are likely to witness greater supply of office space coming on board in future in 2015 project completions. There is however, a significant turnaround and lowering of the demand supply gap in the GCC commercial segment of the buildings with KSA and UAE accounting for the largest shares of total projects completed in 2014 and likely to be completed in 2015.

Saudi Arabia has continued to lead the market with the huge demand for office space from an increasing number of companies setting shop in the country as it diversifies into a large hub of commercial activity into 2015. Accounting for an estimated hefty share of 57 percent of total projects completed in 2014, as new developments in the King Abdullah Financial District (KAFD) such as the Olaya Towers (a set of eight office buildings) in Riyadh and strong demand translating into a number of commercial projects in the pipeline to add an additional supply of nearly 1.7 million square metres of commercial space in Jeddah's CBU (Central Business District) gradually by 2016, KSA has earned the slot as the largest market for commercial establishments. However, the pace is likely to moderate over 2015, as other sectors eat into the share of the KSA commercial sector.

However, what remains common to most of these markets is the undeterred, continuous supply of fresh commercial real estate entering the market presenting a growing opportunity for the interiors and fit outs market in the region.

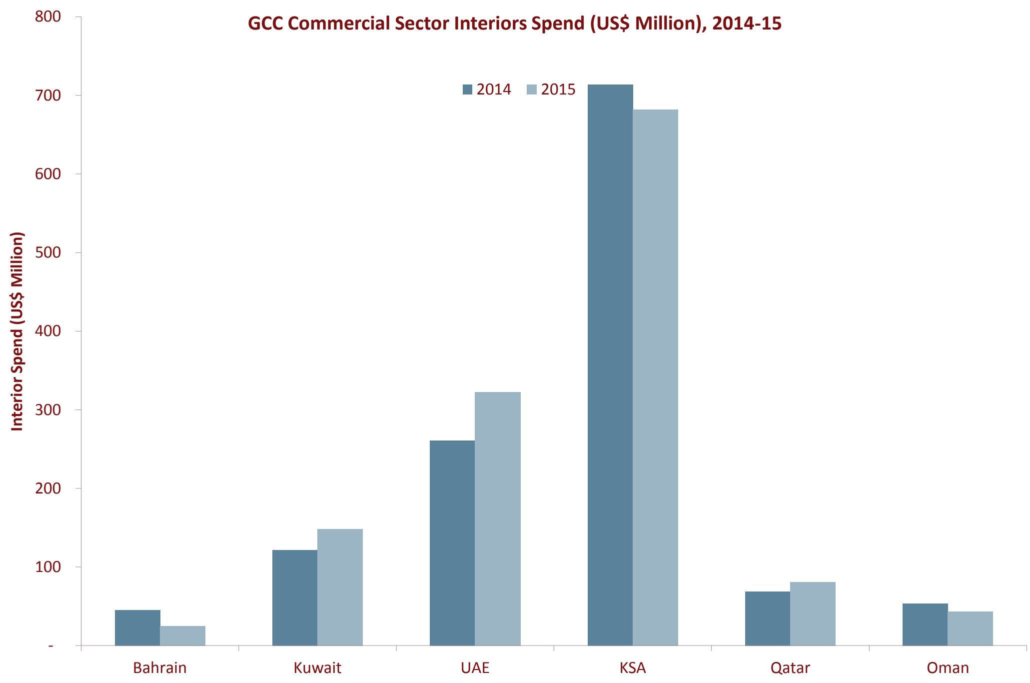
UAE with a share of US$ 2.4 billion of completed projects in 2014 and US$ 2.9 billion expected to be completed in 2015 along with Kuwait with project completions of US$ 1.1 billion in 2014 and US$.1.3 billion expected to be completed by 2015, are the leaders in this segment, though KSA is fast losing its share the other two in the mounting stockpile of commercial projects. Qatar too is witnessing a petering down of projects due for completion in this sector with projects worth US$ 3.4 billion and US$ 3 billion, respectively by the end of 2014 and 2015. Oman and Bahrain too have made a strong comeback in terms of project completions with the encouragement of large government backed projects and for Oman, demand has also begun to be generated from international companies being wooed by the government to set shop in the country.

The internal intermittent instabilities in the Bahrain market have resulted in yet another decline in project completions despite the prices and rents having bottomed out in earlier quarters of 2014. While concessions continue in terms of rent free periods analysts expect no further fall in rentals which if uncertainty on the political unrest is likely to translate into lower project completions over 2015.

INTERIORS CONTRACTING AND FIT OUTS IN COMMERCIAL SECTOR DEVELOPMENTS

The expanding supply of commercial sector in the GCC provided opportunities to the tune of US$ 1.26 billion worth of interiors development from project completions of 2014, and a further US$ 1.3 billion from projects likely to be completed over 2015. Figure 6 provides the country wide split of interiors contracting and fit outs spend in the commercial sector developments in GCC. The commercial interiors contracting and fit out spend includes investments catering to lighting, furnishings, office partitions, wood flooring and internal wood works, bathroom fittings etc which collectively represent a 10 to 12 percent of overall project costs involved in the construction of such premises.

Figure 6: GCC Commercial Interiors and Fit out Spend by Country (US$ Million), 2014-2015



Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

As the market with the largest projects completed in 2014 and likely to be completed over 2015, KSA emerged the leading market for interiors and fit outs, with an expected spend of US$ 730 million for projects completed in 2014, pushing UAE to second place with half the size with a spend of US$ 260 million likely to be spent on projects completed in 2014 owing to the massive spending programme of the government of the former resulting in larger developments in the commercial space, while fresh projects in the commercial sector in the UAE had been limited in 2014. As Expo 2020 related projects gain ground however, 2015 is likely to push up project completions for2015 in the UAE while Saudi Arabia office supply grows at a slower pace in 2015.

The smaller markets of Oman and Bahrain in terms of interior and fit outs spend worth US$ 53 million and US$ 45 million on 2014 project completions too are likely to witness lower project completions in 2015, though Qatar with its equally small US$ 60 million interiors spend in 2014 is likely to receive a boost with the influx of companies to set up office in the country as projects surrounding the World cup gain pace in 2015, pushing up interior spend to US$ 80 million in 2015.

The following is the list of top commercial projects expected to be completed in 2014 and due for completion over 2015 across the GCC.

Table 1: Major GCC wide Commercial Building Projects completed in 2014 by Project Value (US$ Million)

NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
ADNOC New Headquarters	United Arab Emirates	Abu Dhabi National Oil Company (ADNOC)	Hellmuth Obata Kassabaum (HOK)	Six Construct	490
Central Bank of Kuwait Headquarters	Kuwait	Central Bank of Kuwait	Pan Arab Consulting Engineers (PACE)	China State Construction & Engineering Corporation (CSCEC) / Mohammed Abdulmohsen Al Kharafi & Sons Company WLL	375
Olaya Towers in Riyadh	Saudi Arabia	General Organization for Social Insurance (GOSI), Saudi Arabia	Otaishan Consulting Engineers (OCE)	Nesma & Partners Contracting Company	250
Service Building for PAAET	Kuwait	Public Authority for Applied Education & Training (PAAET)	Public Authority for Applied Education & Training (PAAET)	Real Estate Construction & Fabrication Company (Recafco)	248

NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
Schon Business Park in Dubai Investments Park	United Arab Emirates	Schon Properties	Al Hilal Engineering Consultants	Faris Nawaz Contracting	200
Masdar Headquarters	United Arab Emirates	Masdar (Abu Dhabi Future Energy Company)	R.W. Armstrong and Associates Inc.	Brookfield Multiplex	150
The One Tower at Tecom	United Arab Emirates	Al Yasat Holdings	Dewan Architects & Engineers	Al Shafar General Contracting (ASGC)	150
Headquarters for Abu Dhabi Islamic Bank	United Arab Emirates	Burooj Properties, Abu Dhabi	KEO International Consultants / Woods Bagot	Al Habtoor Leighton (HLG)	145
4 Hangars for the Emirates Engineering Center at the Dubai International Airport	United Arab Emirates	Emirates Engineering Centre	Aeroports de Paris Ingenierie (ADPI)	National Wheel J&P	123
National Guard HQ Building Complex - Phase 2	Kuwait	Kuwait National Guard (Directorate of Tenders and Contracts)	Salem Al Marzouk & Sabah Abi Hanna (SSH Design)	Ahmadiah Contracting & Trading Company	120
King Abdulaziz National Dialogue Center New HQ in Riyadh	Saudi Arabia	King Abdulaziz National Dialogue Center	Hosam Alabdulkarim Architectural & Engineering Consultants / Snohetta International, Norway	Al Latifia Trading & Contracting Co.	100

Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

Table 2: Major GCC wide Commercial Building Projects Due for Completion in 2015 by Project Value (US$ Million)

NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
Stations for Makkah -	Saudi Arabia	Saudi Railways Organization	Multiple Consultants	Saudi Binladin Group / Saudi	2,400

NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
Madina (Haramain) Railway Link - Phase 1 (Package 2)		(SRO)		Oger / El Seif Engineering Contracting Company (ESEC) / Yapi Merkezi	
Expansion of Makkah Holy Haram - Mataaf Circle	Saudi Arabia	General Presidency of Holy Mosques Affairs	Dar Al Handasah Consultants (Shair and Partners)	Saudi Binladin Group	1,000
Expansion of Makkah Holy Haram - Eastern & Western Sides	Saudi Arabia	General Presidency for affairs of the Prophet's Mosque / Madina Development Authority	Dar Al Handasah Consultants (Shair and Partners)	Saudi Binladin Group	1,000
King Abdulaziz Centre for Knowledge & Culture	Saudi Arabia	Saudi Aramco	Lord Cultural Resources / Theatre Projects Consultants / Snohetta International / Saudi Consulting Services (SaudConsult) / Buro Happold / AECOM	Saudi Oger (Saudi)	533
Maintenance Repair Overhaul (MRO) Facilities in Muscat and Salalah	Oman	Ministry of Transport & Communications, Oman	WSP Middle East Architectural & Engineering Consultancy / Ghafari Associates LLC	Joannou & Paraskevaides (J & P) Overseas	516

Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

Chapter 2
GCC Hospitality Sector

Tourism with its variants of MICE or business tourism, religious tourism, retail oriented and leisure and travel oriented, is the primary trend that the GCC countries have exploited universally, as efforts to attract investors and tourists to the region have encompassed massive upgrades to infrastructure including airports, rail and road systems, development of a number of man-made attractions such as parks, museums, theme parks and resorts in a bid to develop this non-oil based revenue generating sector. These factors have upped the tourism quotient of the GCC region attracting a large number of hospitality projects in 2014 and 2015. It therefore comprises the sector with the second largest share of 17 percent and third largest growth of interior spend as measured by project completions in 2014 and 2015. A healthy pipeline of hotel projects have been lined up for completion over 2015 and have been completed in 2014 as well, anticipating the huge growth in the GCC economies in the coming years. A large number of international hotel chains such as Belafonte, Accor, Mayfair, Rotana, and Action hotels, among others have unveiled plans to expand in the region and already a healthy pipeline of hotel projects have been lined up across the UAE, Qatar, KSA, Oman, Kuwait and Bahrain leading to a large number of hotel projects being slated for completion in 2014 and 2015 that promise increasing opportunities for the GCC interiors and fit outs sector in this segment.

With expansions to international airports and airlines offering attractive packages to fly to the GCC, tourist arrivals in 2014 also witnessed a significant surge, added to the existing religious tourism boost of Saudi Arabia and the growing number of moving working population entering Qatar and UAE in preparations for the World Cup 2022 and World Expo 2020 events.

Moreover, the large number of new hotel projects and brands that are entering the market attracted by the crowds likely to be drawn by the World Expo 2020 and World Cup 2022 events are likely to exert their competitive pressure on existing hotels in the region to upgrade and spruce up their interiors to keep pace with the new ones, which in turn is likely to translate into huge opportunities for the interiors and fit outs refurbishment market in the region, especially in the UAE and Qatar.

KSA has carved for itself a niche in the area of religious tourism, and in order to use this avenue to garner greater revenues for the economy, it has also embarked on ambitious projects of expansion of the Mecca and Medina areas, and begun to develop hospitality projects to cater to Hajj and Umrah visitors. It has also simplified visa and entry laws to attract tourists for this season. The Kingdom has also announced plans to open additional airports at Abha,

The GCC had also been increasingly viewed as a safe haven by investors and tourists alike amid the global meltdown and unrest in other parts of the Arab region following the Arab Spring and troubles in the rest of the Middle East.

The GCC hospitality sector has begun its healthy upward trend, though oversupply and pressure on the RevPar (Revenue per available room) continue on the aside into 2014. The countries of the GCC are increasingly focusing on construction of a number of attractions such as theme parks and Marine sporting recreation developments as a part of the move to retain the tourist attraction of the region, some of which is not endowed with natural attractions. As brands such as Hilton develops its flagship brand in the region and others such as St Regis, Fairmont and Ritz Carlton eye the luxury market potential of the affluent population of the GCC, UAE has set itself a target of increasing its share of tourism revenues in its GDP to 9 percent in the short term and position itself as the chosen luxury destination of the region. Specialized projects to cater to global tourists such as the World man-made island project, theme parks and luxury mixed use developments emphasize the luxury quotient of the Emirate.

Oman, bestowed with the most natural beauty in the region unlike its neighbours such as UAE and has therefore used tourism as the primary focus of its vision for 2020 to showcase these and benefit from it. By also upgrading surrounding infrastructure to attract investments into the Sultanate that is likely to bring in its share of investments in its hospitality sector in the next few years.

Kuwait has also positioned itself as a strategic business tourist destination, with massive government spend on upgrading its airports and tourist attractions in the country, to counteract the poor performance in 2012 and 2013. However, the hospitality segment of Kuwait continue to reflect poor project completion rates over 2014 and likely to decline further over 2015 owing to shrinking budget revenues that have diverted focus to other sectors such as social infrastructure as a priority. Bahrain too has made only a moderate recovery in its tourism and hospitality market by investing large amounts on upgrading transport infrastructure as it revived its tourism revenues on the hosting of the F1 Grand Prix to attract further hospitality projects in 2014 though the number of project completions are likely to continue to be low 2015, due to a poor investment climate and scepticism among tourists on the unrest prevailing in the region.

On the demand side, thriving retail and tourism market and large disposable incomes of the domestic population are likely to push up prospects in the GCC hospitality market estimated at US$ 22 billion as of 2012 is likely to grow to US$ 27 billion by 2015 according to a hospitality report by Alpen Capital.

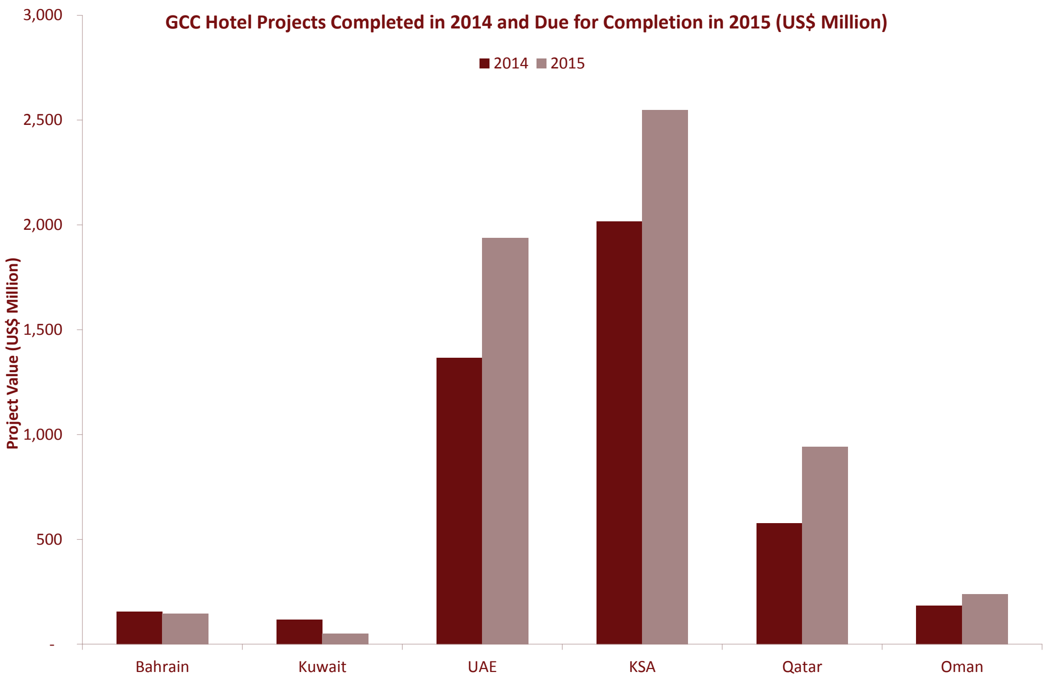
The largest shares in hospitality projects completed continue to come from the Kingdom of Saudi Arabia and the UAE in 2014 with KSA overtaking UAE in terms of project completions in 2014, as the heavy government investment plans to promote tourism, retail and infrastructure as an attractive destination for international and local investors in the hospitality sector. Saudi has in the pipeline noteworthy projects in the Mecca and Medina and Jeddah region as a part of its slant toward religious tourism with announcement of projects such as new hotels from leading brands in Makkah, Medina and Jeddah, all highlighting the increased interest evinced by international and regional investors in the hospitality sector in Saudi Arabia. Added to these developments are the ongoing plans for the 1.6 million square metres "Pilgrim City" in Medina with a capacity to accommodate 200,000 pilgrims during Hajj and Umrah seasons. Innovative accommodation such as the smart tent city housing tents with the latest technology and single storeys to house pilgrims in the Arafat region are also being planned in a bid to benefit from the religious tourism boom facing the country. The Kingdom has also announced plans for the upgrade of its Riyadh King Khaled International Airport from its current capacity of 12 million passengers up to 35 million by 2017 as a part of its focus on tourism that are likely to help the hospitality sector and the interiors and fit out market in this segment immensely.

For the UAE, a large number of hotel developments were completed in 2014 such as the hotels in the prestigious World Trade Center project in Abu Dhabi, The Marriott hotels in Jazan and Dubai Healthcare city, the Pearl Ajman and the New Dubai Inn, the Sharjah Mleiha Eco Tourism Project with phases of resorts and lodges were completed over 2014.

Oman, Kuwait and Bahrain offer smaller shares of 4 percent, 3 percent and 4 percent, respectively, in hotel projects completed in 2014. Though with the growing attraction of the larger markets of KSA, the UAE and Qatar with the lion's shares of 46%, 31% and 13%, respectively of project completions in 2014, these markets have eaten away into the smaller markets of Kuwait and Bahrain, Oman has managed to retain its 4 percent share in terms of project completions due in 2015 with its heavy tourism focus. The number of hospitality projects that are estimated to enter the market in 2015 are likely to accelerate rapidly, especially in Oman, as the effects of the heavy push toward tourism development and its vision of doubling the number of hotel rooms in the Sultanate over the next five years and quadrupling tourism arrivals by 2020 help the trend as also in Qatar as the timelines for the hosting of the World Cup 2022 events draw closer and more hospitality projects near completion. UAE too is likely to continue a strong growth in project completions while keeping a careful check on overheating in 2015 so as to not risk deepening the existing oversupply situation prevailing across Abu Dhabi and Dubai. The Northern Emirates too offers some opportunity with the government announcing large allocations for tourism development into 2015. Saudi Arabia too is likely to lose shares to the other two bigger markets of UAE and Qatar in 2015 with a drop in share from 46 percent of project completions in 2014 to 43 percent in 2015, despite strong absolute growth in hospitality project completions during the period.

The GCC had projects completed in the hotel sector worth US$ 4.4 billion in 2014 with an expected US$ 5.9 billion due to be completed in 2015 with Saudi Arabia, UAE and Qatar sporting the largest growth in the number of hospitality projects under construction as of 19th January 2015. Figure 7 provides the split of all hotel projects completed in GCC Countries in 2014 and expecting completion in the 2014 as of 19th January 2015.

Figure 7: GCC Hotel Projects completed in 2014 and Expected to be Completed in 2015 (US$ Million), 2014-2015



Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

In 2014, Saudi Arabia has overtaken the UAE as the largest market with projects likely to be completed in 2014 with hotels performing at high occupancies and supply being ramped up in 2014 and 2015. The main reasons for this trend are the significant additions to its existing estimated supply of 53,000 hotel rooms that are likely to grow as much as 60 percent over the next few years with the thrust provided to religious tourism across Mecca and Medina bringing on board large developments. Hotel performance, in terms of RevPar and occupancies, has made a steady upward climb over 2014 as well. The restriction placed on Umrah visas is however likely to be a slight dampener, though not in a significant manner to this unparalleled growth trend.

UAE on the other hand continues to be plagued by oversupply with markets such as Abu Dhabi imposing restrictions on fresh hotel licenses to avoid a crisis situation and further declines in occupancies and RevPar as new supply coming online across the Emirate in the run up to the World Expo 2020 could put further pressure on the market; Demand across Abu Dhabi and Dubai, however remain buoyant with anticipated attractions such as the theme parks, museums and other man made attractions such as the Holy Quran Park with an Islamic garden aimed at drawing tourists from neighbouring Saudi Arabia amid the Hajj and Umrah seasons and the hosting of the World Expo drawing from the Qatar models are all efforts that continue to help maintain buoyancy in the hospitality sector in the UAE and likely to present myriad of opportunities for the interiors and fit outs market in the long run as they translate into greater investments in the hospitality segment. These have eaten into the strong market of Saudi Arabia despite its buoyant market in terms of project completions in 2015.

Overall with the boost in tourism from expansion of the Etihad Airways and the expansions to the international airports in Dubai and Abu Dhabi along with metro and rail connectivity improving within the region, the prospects for the hospitality sector though sluggish in the short term are likely to improve over the long run as oversupply is absorbed with improved growth prospects. Passenger traffic has already witnessed steady improvement across Dubai, Abu Dhabi and Sharjah.

Qatar has begun attracting its share of retail, tourism, and sporting and leisure destination investors as the country with the largest per capita income in the world and one of the fastest growth rates in 2012 that has tremendously helped its hospitality sector shoot ahead of the UAE in terms of growth in project completions in 2014. The Qatar Tourism Authority (QTA) had in 2014 signed a 17 month agreement with the World Tourism Organization (UNWTO) to seek their assistance in developing the country's new tourism strategy and begun investing in infrastructure projects at a cost of US$ 20 billion including upgrades to its Doha International Airport and the now operational Hamad International Airport built to receive 30 million passengers, to boost tourism in the region.

The demand for hotel rooms is likely to outpace the expected supply of 17 hotels that have been announced and 140 properties that are in the pipeline with occupancies already having reached 75percent in 2014 and likely to grow further by 2016 as the country nears the World Cup 2022 timeline.

Qatar is also ensuring oversupply does not crop up in the interim by hosting a number of trial events in the sporting arena and preparing other attractions to attract tourists from all spheres to ensure a healthy growth is sustained in the long run.

Oman has also positioned itself well as a tourist destination both for leisure and business, with a healthy flow of tourist arrivals at the Muscat International Airport, where passenger traffic has witnessed a continuous upward trend since 2012 as the country improves its Airport with expansions and increases supply of hotels from 12,000 as of 2012 to 20,000 expected by 2015. According to the Ministry of Tourism, an additional investment of OMR 1.15 billion is likely in this segment over the next 3 to 4 years and an additional supply of 3000 hotels came on board in 2014 and was quickly absorbed by the buoyant demand in the country's hospitality sector. In the first quarter of 2015, Omran - the Sultanate's leading development, investment and hospitality asset Management Company, has begun construction on a number of new tourism and leisure development ventures after the launch of the new local hotel brand, Atana, to operate a number of their recent developments in 2014. Saraya Bandar Jissah is yet another hotel development, which will include two beachfront luxury hotels to be managed by Jumeirah Group scheduled to be completed by 2021 that is proceeding at a rapid pace.

According to third party research, occupancy rates in Sultanate of Oman for 4-Star and 5-Star sector reached 71.4% occupancy levels across the country in line with a significant increase in the total number of accommodated guests of 22% year on year in 2014.

Bahrain after a brief improvement in the early quarters of 2014 with Manama even posting the highest RevPAR growth year-to-date among the entire GCC, a whopping 37.7% to US$ 120.1 across the market and hotel occupancy reaching 63.2% in Q1 2014, featuring a 39% year on year increase, which is the highest among GCC and MENA region for the second year in a row, has again witnessed sluggishness as poor political climate and the adverse impact of oil prices on the budget shifting priority focus to other sectors, has reduced investment in this sector into 2015.

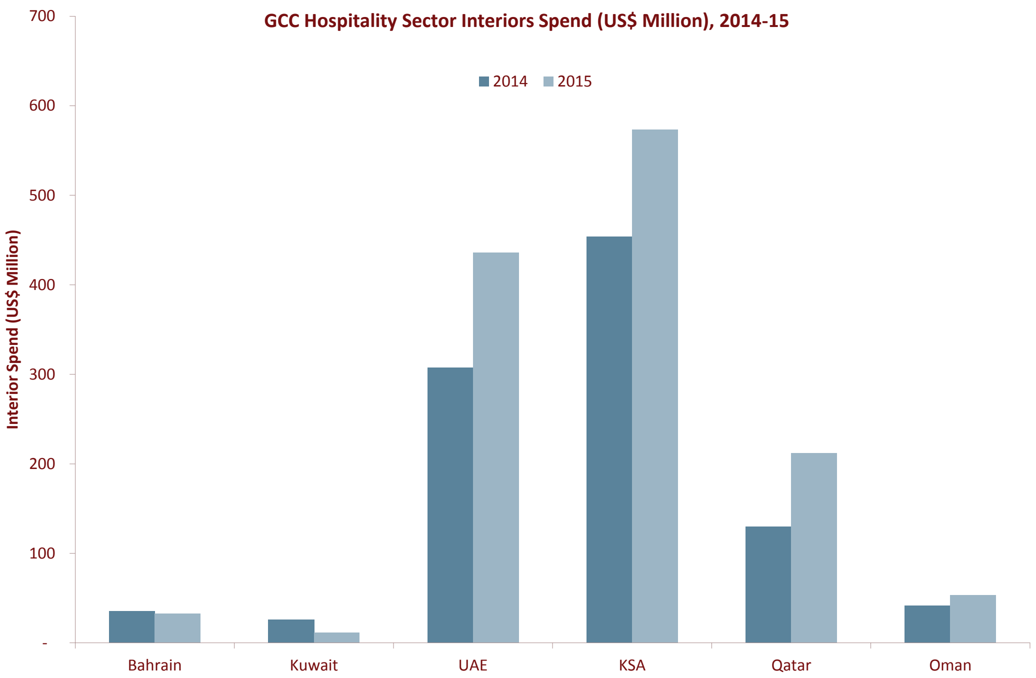
While the proximity of Saudi Arabia and the hosting of the F1 Grand Prix event have helped stabilize the Bahrain hospitality markets, long run sustainability is essential to improve global investor and tourist sentiments. The government of Bahrain for its part is making efforts to ensure stability and create an attractive tourist environment by hosting events such as the hosting the Bahrain International Air Show and the Gulf Incentive Business Travel Exhibition and also trying to attract regional neighbours in a bid to boost its tourism.

Kuwait though not quite as popular as the other tourist destinations in the Gulf due to relatively less endowed attractions and tourism draws, has made serious efforts to promote itself as a strategic business destination with a resultant marginal boost to its hospitality sector over 2014 and 2015. With over a year of political stability prevailing, and return of consumer and investor confidence, the government is taking the situation in hand and increasing focus on the tourism sector with expansion plans for its international airport to double its current capacity of 7 million passengers per year, the situation, is likely to adjust itself gradually, aided by the reversal of tourist flows to the GCC region from the rest of the Arab World and the less stable European neighbours. Projects such as Al Othaman at Hawalli boosted supply in 2014, though lower project completions are expected in 2015, as the country loses shares to the more attractive regional markets.

Hotel Interiors Contracting and Fit-outs Sector

Figure 8 provides the country wide split of interiors and fit-out spend in the GCC Hotel sector for the years 2014 and 2015 as of 19th January 2015.

Figure 8: GCC Hotel Interior Contracting and Fit out Spend (US$ Million), 2014-2015



Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

The positive upturn in the GCC hospitality sector spells improvement and opportunity for interiors development not only in terms of interiors and fit out contracts on fresh projects, but also for hotel refurbishment and fit-outs, as competition spurs existing hotels to invest in fresh interiors and fit outs to keep up with the new hotel brands pouring into the market to attract visitors. Hotel projects completed in the year 2014 are likely to translate into an interior spend of US$ 993 million, an approximate 22.5 percent of total project costs of US$ 4.4 billion, growing to US$ 1,318 million on projects likely to be completed in 2015 worth US$ 5.9 billion.

With economic recovery and growth prospects positive, the GCC hospitality sector is at the crossroads where the right investments across the region in the interiors market can help it use the recovery to its best advantage, supplemented by the refurbishments market that existing hotel chains and new entrants are sure to tap in a bid to improve their competitive position in the market over 2015 and beyond.

Table 3 and 4 provide a list of major hotel projects completed in 2014 and slated for completion over 2015 as of January 19th, 2015.

Table 3: Major GCC wide Hotel Projects completed in 2014 by Project Value (US$ Million)

Name	Country	Client	Consultant	Contractor	Value (US$ Million)
Hai al-Bujayri Development	Saudi Arabia	Arriyadh Development Authority (ADA)	Buro Happold	International Center for Construction Company (ICC)	1,500
Marriott Hotels in Jazan	Saudi Arabia	Marriott International	-	Abdul Rahman Saad Al Rashid & Sons(Artar)	500
Jumeirah Al Khor Hotel at Dubai Healthcare City	United Arab Emirates	Wasl	RMJM (Robert Mathew Johnson Marshall)	Al Basti & Muktha	235
World Trade Center in Abu Dhabi - The Hotels	United Arab Emirates	ALDAR Properties	KEO International Consultants	Arabian Construction Company (ACC)	200
Al Habtoor Island Resort and Spa (Hilton Waldorf Astoria)	United Arab Emirates	Al Habtoor Group	Khatib & Alami Consolidated Engineering Company	Al Shafar General Contracting (ASGC)	200
J.W. Marriott at the Dubai Healthcare City 2 (Nilona Tower)	United Arab Emirates	Onyx Building Systems	Arif & Bintoak Consulting	Al Rostamani Pegel LLC	190

Name	Country	Client	Consultant	Contractor	Value (US$ Million)
Multi-Purpose Sports Hall and QFF Offices in Duhail	Qatar	Government	-	Redco Construction - Almana	180
ITCC Park in Riyadh - Phase 1 - Crowne Plaza Hotel & Convention Center	Saudi Arabia	Public Pension Agency (PPA) / Information Technology & Communication Complex	-	Contracting & Construction Enterprises (CCE)	150
Ali Bin Hamad Al Attiyah Arena	Qatar	Qatar Olympic Committee (QOC)	James Cubitt & Partners / KEO International Consultants	Aktor	141
Movenpick Hotel in Riyadh	Saudi Arabia	Manafea Holding	Takamul United Co.	Bassam Shaker Contracting Co	135
Boulevard (Salmiya Park) in Kuwait	Kuwait	Public Authority for Agriculture Affairs & Fish Resources (PAAFR) / Kuwait Commercial Market Complex Company (KCMCC)	Gulf Consult	Wara Construction Company	124

Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

Table 4: Major GCC wide Hotel Projects Slated for Completion in 2015 by Project Value (US$ Million)

Name	Country	Client	Consultant	Contractor	Value (US$ Million)
Five-Star Hotel & Service Buildings in Riyadh	**Saudi Arabia**	**General Organization for Social Insurance (GOSI), Saudi Arabia**	**Omrania & Associates (O&A) / Goettsch Partners (GP)**	**Al Latifia Trading & Contracting Co.**	**450**
Dusit Thani on Palm Jumeirah	**United Arab Emirates**	**Al Osaimi Group**	**Khatib & Alami Consolidated Engineering Company**	**Omis Contracting**	**409**
City Center Expansion Project	**Qatar**	**Al Faisal Holding Company / Al**	**Hellmuth, Obata + Kassabaum**	**Al Habtoor Leighton (HLG)**	**330**

Name	Country	Client	Consultant	Contractor	Value (US$ Million)
		Rayan Tourism & Investment Company	(HOK)		
Regent Emirates Pearl Hotel in Abu Dhabi	United Arab Emirates	Tourism Development & Investment Co. (TDIC) / Atlas Telecom	Arkan Architects	Arabian Construction Company (ACC)	235
Fairmont Hotel - Riyadh	Saudi Arabia	Business Gate / Tatweer Holding / Kingdom Holding Company	Saudi Architects Office	Dar Bas Construction & Development	230
Kempinski Marsa Malaz Hotel in Pearl Qatar	Qatar	Al Fardan Real Estate / United Development Company (UDC)	Arab Engineering Bureau (AEB)	Construction Development Company (CDC)	222
Msheireb Downtown Doha - Mandarin Oriental Hotel	Qatar	Msheireb Properties	-	Qatar Building Company (QBC) / Carillion Qatar	220
Four Seasons in Al Maryah Island	United Arab Emirates	Mubadala Development Company, UAE / John Buck International (JBI)	AECOM, Abu Dhabi	Al Futtaim Carillion LLC / Robodh Contracting	200
Best Western Hotel in Riyadh	Saudi Arabia	Rugaib Holding Co	Methaq Contracting Company	Methaq Contracting Company	200
The Wave - Kempinski Hotel	Oman	Kempinski Hotel, Ajman / Omani Hospitality Company	WSP Middle East Architectural & Engineering Consultancy	Carillion Alawi	200
Emerald Palace Hotel & Resort on Jumeirah Palm Island	United Arab Emirates	Emerald Palace Group	Atkins, Dubai / Poznyakizhilstroy (Ukraine)	Al Habtoor Leighton (HLG)	200

Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

CHAPTER 3
GCC RESIDENTIAL DEVELOPMENT SECTOR OVERVIEW

While GCC countries had invested more than enough on residential building projects that catered to the affluent sections of its population, and the real estate market reached newer heights, there was had grown a large gap between the population that required housing and the affordability of such housing. In many areas of the Middle East revolts arose on similar issues collectively termed as the Arab Spring and to prevent such unrest from spreading to the GCC as much as to address this shortage most GCC governments, most notably Saudi Arabia, Kuwait, Bahrain, UAE and Oman, allocated large portions of their budgets toward affordable housing projects and incentives for the residential segment of the real estate market consistently since 2011. The effect of these measures has begun to translate into greater projects across the residential segment and projects completed across 2013 and 2014, making it the second largest segment in terms of projects completed during this period.

In a parallel market, the luxury segments of the residential market across the GCC countries, primarily in the UAE have witnessed a healthy growth in 2013 and 2014, prompting the government to step in to regulate the market in a bid to check overheating. For example, the Abu Dhabi Government's housing allowance policy has led to big gains in rental prices, especially for studio and one and two bedroom houses where rent prices have hiked 20 per cent on average from the first quarter of 2014, while the Dubai government hiked registration fees in a bid to check speculative dealings.

Qatar too made allocations in the residential sector as a part of its National Vision 2030 to improve the living conditions of its citizens and also to prepare the infrastructure required to host the prestigious World Cup Football event in 2022. After a sluggish period in early 2012, Qatar residential markets picked up on the advent of greater expatriates in preparation for the implementation of the agenda for the World Cup 2022 construction and planning. Pearl Qatar continued to be the priced the highest in terms of real estate in the country and in non-freehold areas where only GCC nationals are allowed to transact. Over 2014 and the initial quarters of 2015 third party industry sources estimate that approximately 25 residential towers on The Pearl and a further nine towers in the Diplomatic District will be released to the market, increasing the overall supply by 7,200 apartment units, which could significantly change demand-supply dynamics`

The Kingdom of Saudi Arabia took the most sweeping and largest steps in the residential markets with over 10,000 housing loans toward the construction of 12, 000 affordable homes across the Kingdom and finally bringing on board the much awaited mortgage law that is expected to help ease credit to the housing sector. Demand estimates by third parties peg the demand for housing units at 3 million by 2040 and at least 1 million by 2020, requiring construction of at least 150,000 units per year of which Jeddah alone requires an annual 40,000 units.

On the downside, rigorous construction activity around the newly opened up regions of Mecca and Medina have suddenly fuelled raw material shortages and inflation in essential construction materials such as cement within a short time span, to control which the government has had to enact hasty price and supply controls.

Housing sales prices and rental rates grew during the first half of the year: sales prices rose by 4% to 6% in all major cities and rental rates grew between three to six percent. The Saudi government announced the “EJAR” system during 2013 to regulate the rent market and moderate rent escalations, while providing tenants and landlords with specific rights and obligations, as demand from the young population for rented accommodation has tended to heat up the market.

The much awaited Kingdom Tower in Jeddah, touted to become the largest mixed use development, came online in 2013, adding significantly to the supply in the upper end of the residential market. Noteworthy projects in the second quarter of 2013 included plans by the Jeddah Development and Urban Regeneration Company (JDURC) to construct 67,000 housing units across two new residential districts in Jeddah, namely, Salman Bay and Wadi Al Asla. Moreover, the tallest residential building in the city Burj Rafal also added to the supply in 2013 with announcement by the developer of Dubai’s Infinity Tower, Cayan for another unique project by the end of 2014. Housing developments in the North of Riyadh too are progressing as per plan.

The UAE residential market has been characterized by a strong recovery in rentals and prices over 2013 and early 2014, requiring authorities to step in to regulate prices and rentals both directly and indirectly in a bid to prevent the recurrence of the earlier property bubble of 2009.Approximately 1,700 residential units were added to Abu Dhabi's residential market in in the first quarter of 2014, including Gate Tower 2 and the Reem Diamond Building on Reem Island, units on Saadiyat Beach Residences and Al Reef Downtown projects. Sales prices at key developments have increased by 9% on average, when compared to the previous quarter, and by 27% year-over-year. Average villa sales prices climbed up by 6% during Q1 2014. Demand remained strong for properties at Al Raha Beach due to the limited availability of supply in the popular area.

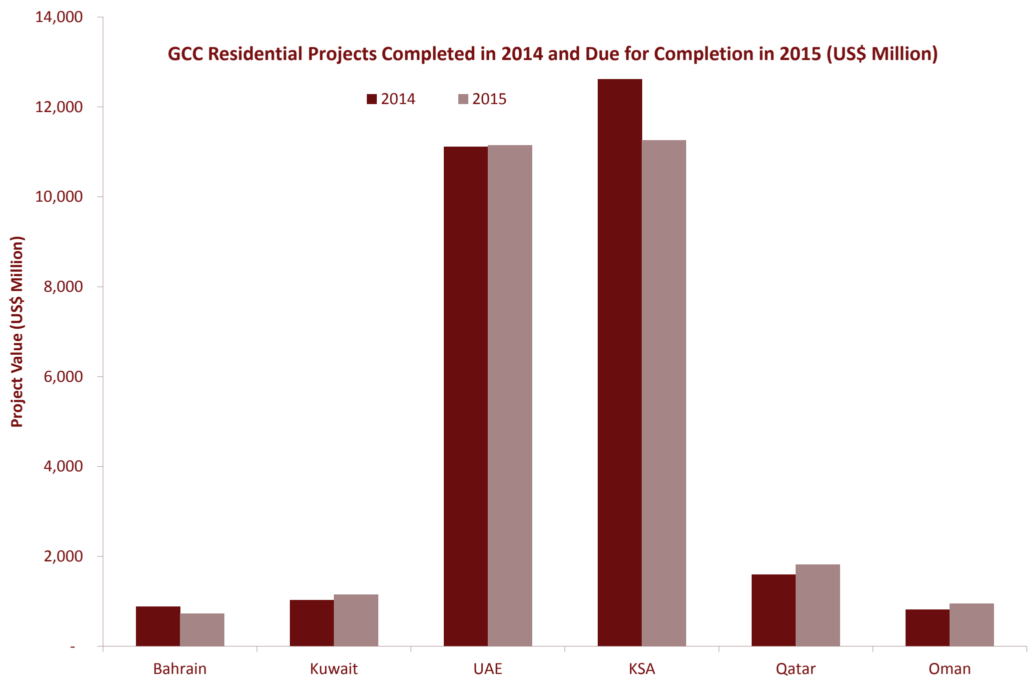
The residential market of Dubai continued to perform strongly with an increase in average sales prices of 36% and rents of 24% compared to the same quarter in the previous year. However, on a quarter-on-quarter basis, growths patterns started to slow down. In addition to the slowdown, according to the Dubai Land Department, the number of transactions decreased by approximately 18% year-on-year and 10% quarter-on-quarter. 3,545 transactions worth a total of approximately AED 7.7 billion were recorded in Q2 2014. Influenced by the Central Bank of the UAE that imposed caps on mortgages and doubled the transaction fees on property deals, the third quarter of 2014 witnessed a significantly slower growth by 1% in average sales and 2% in average rent prices. The residential sector will remain relatively stable with secondary locations outperforming prime residential areas in terms of continued growth.

The recently held Cityscape Global at Dubai World Trade Centre brought about a healthy announcement of a huge number of new large-scale mixed use developments to come online in the long-term across the Emirate. As these developments are not likely to immediately impact supply therefore rents and sales prices are expected to remain relatively stable for the rest of 2014. According to a third party source, approximately 15,000 residential units are expected to be handed over in the second half of 2014 with a further supply of approximately 25,000 units coming online by 2016. With the World Expo 2020 nearing, the additions to the supply are likely to be absorbed smoothly according to analysts. The sector continues to witness a healthy demand from investors with a large number of projects aimed at expensive luxury living. However, residential developments are increasingly aiming at the more affordable housing segments with projects, such as the Glitz Residence by Danube.

The Northern Emirates of the UAE is characterized by an acute shortage of quality residential supply driving up prices. Long-term measures are being taken to address the issue of congested traffic on Dubai-Sharjah routes by expanding the road network and introducing a rail connection - both factors potentially increasing the attractiveness of Sharjah in the long-run. The residential sector performance in Q1 2014 varied across the Northern Emirates. Rents in Sharjah have increased by 7% compared to the previous quarter, and 38% compared to last year, as a result of an increased demand related to an uplift in rental rates in neighbouring Dubai

Figure 9 provides the summary of residential projects completed in 2014 and likely to be completed in 2015 as of January 19, 2015.

Figure 9: GCC Residential Projects completed in 2014 and Due for Completion in 2015 (US$ Million), 2014 – 2015



Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

The Kingdom of Saudi Arabia, spurred by its huge and consistent investment across the social housing segment has continued to lead the residential segment in terms of projects completed across 2013 with a share of 46 percent of projects completed as of October 2014. UAE has emerged finally from its past slowdown with a surge in residential projects over 2013 and 2014 with a current share of 42 percent of project completions of 2013 as of October 2014. Residential projects worth US$ 13.5 billion were be completed in KSA over 2013, followed by the UAE with projects nearing completion worth US$ 11.8 billion to be committed to residential development though its initial spurt is likely to peter out slightly reducing its share to 39.3 percent in 2014 from its current share of 40.8 percent of 2013. Qatar is likely to witness a marginal drop in the growth of project completions in 2014 from 7.2 percent in 2013 to 6.2 percent in 2014 as the country cautiously balances supply to prevent oversupply situations from prevailing in the run up to the World Cup 2022 event. Driven by the high growth in population and the large proportion of expatriates, heavy influx of population in to the tune of 140,000 residents between end 2011 and 2013, demand across Qatar's Diplomatic District and the Pearl however remain buoyant across its residential sector commanding high rents. The World Cup 2022 event hosting and the preparations in the run up to it are further likely to keep the market for residential real estate positive in Qatar over 2014, despite the additional supply entering the market though supply is likely to increase cautiously henceforth.

The Kuwait residential development sector has begun to post a strong growth in rents and prices in 2014, as government spurt through social housing programs and the gradual return to stability and the announcement of the second Kuwait Development Plan to complete the unfinished housing development plans of the first plan are put into action. Initial reports in the first quarter of 2014 point out that these measures have definitely helped sentiments and is also likely to help the economy sustain recovery into 2014 and measures to boost the real estate sector, wherein greater projects completed are expected in 2014 helping boost the growth in this segment. Project completions in 2014 are also likely to gain shares from 1.9 percent in 2013 to 4.4 percent over 2014.

Oman remains a promising market in 2014 with expatriate population fuelling demand for quality residential units across prime locations in Muscat, especially across areas where private investment is permitted such as the Wave, Madinat Qaboos, Qurum, Shatti Al Qurum, and Muscat Hills. The market remains buoyant amid strong drivers from, government investment in transportation and energy infrastructure, generating jobs and end user demand across the residential segment. Rents have witnessed an annual rise of between 10 to 16 percent, especially across premium locations. The Integrated Tourism Complexes have commanded a price rise of nearly 20 percent amid strong demand while supply is likely to be boosted by an additional 4,000 residential apartments by 2016 to check unfettered growth of rentals and prices spurred by the strong demand in the country.

New developments likely include a US$ 2.5 billion mixed-use tourism and real-estate project Omagine Project that is expected to be signed soon. The major development is planned to be an integration of cultural, heritage, educational, entertainment and residential components (with over 2,000 units for sale) and will include hotels, commercial buildings, and retail establishments. Also in the pipeline is Oman's first residential zone named Zaha, of the Saraya Bandar Jissah development that has broken ground this year comprising a range of villas, duplexes and apartments located in proximity to the recreational facilities of the resort and an expected 169 units planned to be ready for occupation by 2016..

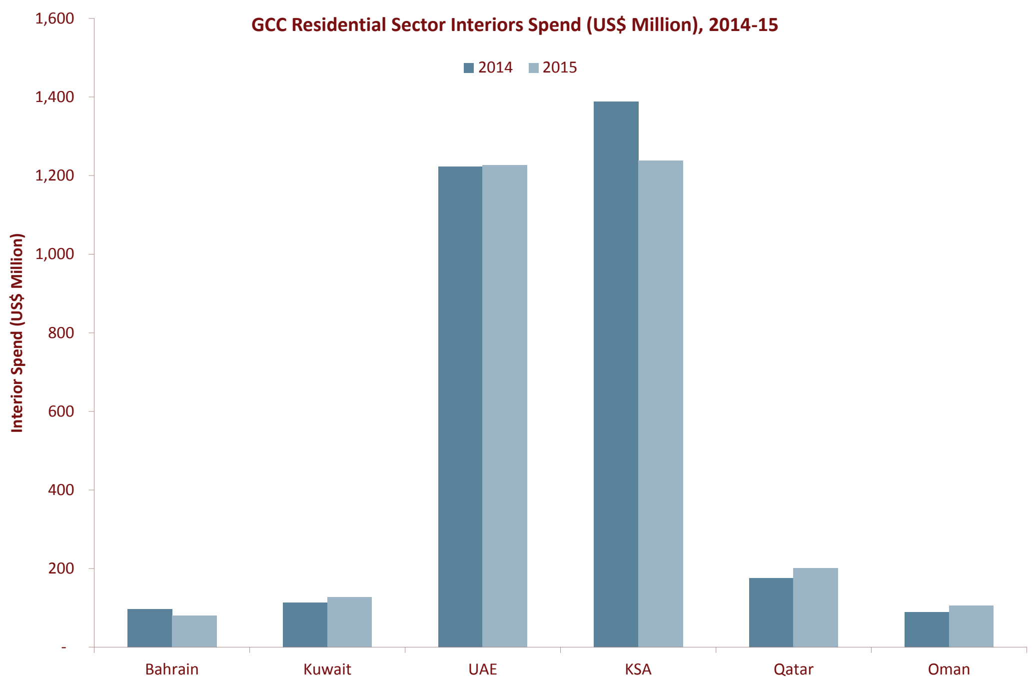
Bahrain residential markets were badly hit by the political unrests surrounding the Arab Spring, which itself arose partly from discontent at the extreme shortage of affordable housing with a waiting list for social housing at 55,000 people and poor social infrastructure in the country. This situation promptly snowballed into a sharp erosion of consumer confidence and a drastic fall in investments across the real estate market in the country. While oversupply and investor caution continue to keep prices soft at the higher end of the market, the Bahrain government at the other end of the market, stepped in with massive plans to provide affordable housing to alleviate the unrest among its masses and in a bid to shorten the wait time for housing developments, it was allowed to utilize 46 percent of the GCC "Marshall Plan" to fund the housing projects providing a breather to the residential markets. A grand total of 57,000 housing units are likely to enter the market as a part of the plan over the next five years. The government plans include three large residential developments as new cities at East Hidd, East Sitra and Northern Town, expected to make available approximately 23,000 units by the end of 2016. With the help of these measures, according to the Central Bank of Bahrain, the real estate sector in Bahrain grew by an estimated 4 percent in 2013 with a significant increase in residential stock through 2013, bulk of which comprised government housing projects, the largest government project located in Northern Town comprising 15000 units. Backed by these measures, the residential sector of Bahrain continued to stabilize in 2014. A 179-units housing development in Arad was announced in the second quarter of 2014, to follow the already complete 140-units compound in the town. The majority of demand for new housing in Bahrain is driven by US Navy and other jobs-generating sectors, such as hydrocarbon. Furthermore, the second quarter of 2014 witnessed a rising demand for mixed use developments offering ancillary services to tenants such as retail and dining facilities, such as those already found in Reef and Amwaj Islands.

Confidence is now building amongst investors, given the improved economic conditions and national stability. This is reflected in the increased number of enquiries recorded by real estate agencies. Saudi and Bahrainis are reported to be the most frequent buyers. Lease rates remain relatively stable when compared to the first quarter of 2014, ranging from BD 550 to BD 900 per month for a 2 bedroom apartment varying by the size and location of the property.

Residential Sector Interiors Contracting and Fit-Out Sector

Figure 10 provides the country wide split of interiors contracting and fit out spend involved in the GCC residential sector over 2014 and 2015 as of January 19, 2015.

Figure 10: Residential Sector Interiors Contracting and Fit out Spend (US$ Million), 2014-2015



Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

KSA remains the largest market with interior spends with estimated spend of US$ 1,388 million likely over project completions of 2014. An estimated US$ 12.6 billion worth of residential units were completed in the KSA in 2014 with interior contracting and fit outs accounting for approximately 11 percent of total project costs. UAE with US $ 1,223 million in 2014 took second place in the interiors spend pie in terms of residential projects completed in 2014 and interiors spend on projects completed in 2014. Qatar with US$ 175 million interior spend in 2014 is also likely to grow its share with greater residential projects completed in 2015 denting into the share of Saudi Arabia forcing its share to of the completions in 2015 to fall to 41 percent from 45 percent of completions in 2014. Kuwait is likely to retain its share of 4 percent while Oman grows to 4 percent alongside in terms of 2015 project completions from 3 percent in 2014, with interior spends of US$113 million and US$ 97 million, respectively, in terms of projects completed in 2014 likely to grow to US$ 126 million and US$ 105 million, respectively over project completions expected in 2015. Growth in interiors is likely to be lower in 2014 for Saudi Arabia as the initial stimulus of the past few years on affordable housing programs begin to wear off as compared to private sector buoyancy of other markets. Bahrain continues its dampened rate of growth with a 3 percent steady share of the project completions pie over project completions in 2014 and 2015 and a US$ 97 million interior spend in terms of project completions in 2014.

The following tables list of top projects completed across the GCC residential sector in 2014 and likely to be completed in 2015, respectively.

Table 5: Major GCC wide Residential Sector Projects completed in 2014 by Project Value (US$ Million)

Name	Country	Client	Consultant	Contractor	Value (US$ Million)
1240 Villas in Al Barsha	United Arab Emirates	Mohammed Bin Rashid Housing Establishment	Arif & Bintoak Consulting	Arabtec Construction	350
433 Villas in Ghayathi	United Arab Emirates	Abu Dhabi General Services PJSC (Musanada)	Atkins, Abu Dhabi	Dhabi Contracting	175
2 Residential Towers at Dubai Silicon Oasis	United Arab Emirates	Dubai Silicon Oasis Authority	Archgroup Consultants	Al Basti & Muktha	150
Accommodation and Administration Complexes at ADCO's	United Arab Emirates	Abu Dhabi Company for Onshore Oil Operations (ADCO)	Architectural & Engineering Consultants (AEC)	Al Habtoor Leighton (HLG)	139

Qusahwira Oilfield					
353 Villas in Ghayathi	United Arab Emirates	Abu Dhabi General Services PJSC (Musanada)	Atkins	National Transport & Contracting Co. (NTCC)	136
99 Villas in the Flame Tree Ridge at the Jumeirah Golf Estates	United Arab Emirates	Jumeirah Golf Estates	Mott MacDonald	Al Nekhreh Contracting (ANC)	130
The Piazza	Qatar	Damac Properties, Dubai / Qatari Diar Real Estate Investment Company (QDREIC)	Erga International	Draieh Contracting	130
Staff & Crew Accommodation Complex	Qatar	Qatar Airways	Arab Engineering Bureau (AEB) / GHD Global	Redco International	124
Al Jawharah Tower in Jeddah	Saudi Arabia	Damac Properties, Jeddah	Salama Structural Engineers / Zuhair Fayez Partnership Consultants / WBTL Architects LLP	Drake & Scull International / International Centre for Commercial & Contracting (ICCC)	120
1,000 Houses in Bahrain	Bahrain	Ministry of Municipalities Affairs & Agriculture, Bahrain	Mazen Al Umran Consulting Engineers / Al Zayani Designers & Consultants / Rawan Engineering / Aref Sadeq Design Consultants	Sayed Kadhem Al Durazi & Sons	114
Imperial Residence in Jumeirah Village	United Arab Emirates	Tameer Holding Investment	Arkonsult Engineering Consultants, Abu Dhabi	Bhatia General Contracting Company LLC	105

Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

Table 6: Major GCC Residential Sector Projects Due for Completion in 2015 by Project Value (US$ Million)

NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
National Guard - Housing Units - Phase 2	Saudi Arabia	Saudi National Guard	Dar Al Handasah Consultants (Shair and Partners) / Saudi National Guard	Saudi Binladin Group	3,600
17,000 Housing Units in Different Parts of Saudi Arabia - Phase 1	Saudi Arabia	Saudi National Guard	Laceco Architects and Engineers	Saudi Oger	1,800
Emirati Housing at Jebel Hafeet, Al Ain	United Arab Emirates	Tamouh Investments	Associated Consulting Engineers (ACE) International	Trojan General Contracting	1,400
New Housing Project in the Eastern Province	Saudi Arabia	Saudi National Guard	Dar Al Riyadh Consultants	Arabtec Saudi Arabia L.L.C (Jeddah)	1,330
Sabah Al Ahmad City - 1,271 Housing Units	Kuwait	Public Authority for Housing Welfare (PAHW)	Dar Al Dowailah Engineering Consultants and Construction Managers	Mohammed Abdulmohsen Al Kharafi & Sons Company WLL	459
Akoya by Damac - Phase 1 Villas (446)	United Arab Emirates	Damac Properties	Naga Architects	Trojan General Contracting	446
Sabah Al Ahmad City - 930 Housing Units	Kuwait	Public Authority for Housing Welfare (PAHW)	Dar Al Dowailah Engineering Consultants and Construction Managers	United Gulf Construction Company (UGCC)	442
Millennium Estates in Meydan City	United Arab Emirates	G&Co.	Chawla Architects & Consultants	Ginco General Contracting (Ginco)	408
Amwaj Waves - Phase 1	Bahrain	Lona Real Estate	Davenport Campbell, Australia	Charilaos Apostilides (Dar Al Bahrain Contracting Company)	396

Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

Chapter 4
GCC Retail Development Sector Overview

The fourth quarter of 2014 had a number of surprises in store for the building construction market especially from the retail development sector, as a spurt in retail project completions were witnessed with a robust pipeline lined up for completion into 2015. With markets such as Saudi Arabia, Kuwait, Oman, and Qatar competing with the traditional retail leader, the UAE to up the retail quotient of the region, combined with the large disposable incomes, and heavy influx of expatriate population in the run up to the hosting of global events such as the World Cup 2022 and the World Expo 2020, the retail development sector witnessed a healthy growth to make up for the initial sluggishness with which it began 2014. International retail brands, especially luxury ones such as Louis Vuitton, furniture brands such as IKEA among others have found GCC economies the favourite retail destination for investors as well as tourists. With the high disposable incomes of the consumers, and home to a largely expatriate population, the GCC has become synonymous with luxury retailing in the global retail marketplace. GCC economies possess a number of factors that drive the retail attractiveness of the region.

The latest AT Kearney's 2014 index of top ranked emerging markets which included the 14th Global Retail Development Index (GRDI) ranked Kuwait eighth, a relatively new entrant with major retail expansion plans among the top 10 apart from the traditional favourite UAE at 4 and also ranked Oman another relatively new retail market at 16th and Saudi Arabia 17th among the top 20 global retail destinations.

These economies are also composed of a predominantly young, growing and affluent population that form a captive and steadily growing demand base for global investors. Coupled with increased consumer confidence, and spending spurred by events such as Qatar hosting the 2022 FIFA World Cup and Dubai's upcoming Expo2020, the GCC is likely to witness a continued infrastructure and construction boom, over the next two to three years. These factors will help these countries climb the global retail attractiveness rankings.

According to recent estimates, following Dubai's winning bid to host Expo2020, the UAE is likely to attract close to US $14.4 billion worth of Foreign Direct Investments (FDI). The Expo is expected spur in economic activity and translate into a growth of over 33 percent in UAE's retail sector by 2015, according to AT Kearney's GRDI. The spillover effects for neighbouring GCC countries is also expected to boost investments across their retail sectors as well, over the next two years.

The GCC Retail market has been characterized by less new entrants in 2014 and increased expansion into the region by existing international brands. These have spread from the saturated Dubai market into the rest of the region, with Saudi Arabia, Kuwait, Oman, and to a smaller extent Qatar and Bahrain all feeling the benefit.

Consumers too have become more discerning and demanding across the retail space, and innovation and better formats are the new constant. While online retailing is yet to make a dent in the region, internet and smartphone penetration is high, which points to the high potential for growth of e-commerce over the next two or three years, especially across the UAE.

Tourism and its variants of leisure, sports, MICE and religious tourism, remains the primary driver for retail growth, as most GCC countries have placed heavy emphasis on developing tourism as the key driver to their new diversified growth model.

Hotel occupancies surged over 2014, across the region, when compared to late 2012 and 2013. This has been spurred by the increasing economic activity surrounding the hosting of the 2022 FIFA World Cup and Dubai's Expo2020 related events. Given these factors, analysts forecast the GCC retail market to grow at a CAGR of 7.9 percent to US $221 billion by the end of 2015.

UAE, the leading luxury retail destination of the world, continued to attract visitors mainly backed by its retail and man-made tourist attractions, while cautiously keeping a check on supply through regulating new hotel licenses in areas such as Abu Dhabi to avoid oversupply. 2014 witnessed significant retail project announcements as competition among regional markets heated up. In an effort to draw attention back to it as a regional and global favourite retail destination UAE announced the construction of the World's biggest Mall, the Mall of the World project, spread across eight million square meters, at an estimated cost of US$ 6.8 billion. The mall would connect to a theme park, theatres, medical tourism facilities and 100 hotels and serviced apartments. It would also feature a 3 million square feet wellness district to cater to medical tourists, 4.3 miles of shop-lined streets and a cultural district inspired by the Ramblas in Barcelona and London's Oxford Street.

UAE is likely to bring a robust pipeline of retail projects into the market by 2015 including the Art Centre project in Al Barsha estimated to add 32,500 square metres of GLA to UAE's existing retail supply by 2015 and the first phase of the Design District named D3 located adjacent to the Business Bay area in Dubai, in order to encourage and develop the Emirate's design, fashion and luxury sectors and provide a platform for designers and retailers in a mixed use development that accommodates design institutes alongside residential, office and retail space through a Business park, a Creative cluster housing commercial and retail space, an Esplanade with boutique hotels and restaurants and a Residential cluster targeting designers and design savvy residents. The first phase of the project comprising ten buildings is also slated for completion by 2015.

In addition, a plan to construct a mall in Dubai Sports City that will feature 130,000 square meters of leasable space was also announced in 2014. Other retail projects in the pipeline include: a regional / super-regional mall in Mohammed Bin Rashid City, a 620,000 square meters mall on Deira Islands and 90,000 square meters of leasable area in Jumeirah Village Triangle. An addition of approximately 496,000 square meters of retail space is expected to enter Dubai by the end of 2016. Additions to Abu Dhabi retail space include an additional 20,000 square meters of retail GLA has been added in the second quarter of 2014 in the Nation Towers Galleria and Al Marasy in Al Bateen, bringing the total retail stock to approximately 2.2 million square meters of GLA. By year end, 418,000 square meters of retail future supply came online with the delivery of Yas Mall on Yas Island. The capital will also receive further retail additions in 2017 and 2018 that include super-regional malls such as Sowwah Central, Saadiyat Mall / the District, Reem Mall and the planned extension of Marina Mall

Most existing malls are also witnessing expansion and extension such as the Dubai Mall and the Mall of Emirates. A new 50 store community Mall has also been announced by the Al Futtaim group in the near future. Rents and prices too have remained stable with the Yas Mall in Abu Dhabi having opened in 2014 fully leased out. In the Northern Emirates too, significant supply was added to the market with the opening of the RAK Mall adding 35,300 square metres to the supply while the Al Hamra Mall also announced its expansion adding 6600 square metres to its existing space to increase its offerings. International retailers that have made a beeline to this region's retailing include Mont Blanc's first retail boutique in the Sahara Centre.

Qatar, despite having the largest proportion of expatriate population in the world, has the least developed retail markets in the region, though the market is emerging as the second fastest growing market in the region with significant expansions in hyper and super markets in 2014 and retail sales likely to grow at an annual rate of 7 percent up to 2016. Qatar is also a growing market for fashion and luxury retailers driven by one of the largest per capita disposable incomes in the world and is likely to witness the largest share of projects completed in the retail segment in 2014 among the GCC countries. The cumulative retail space in Qatar currently amounts to approximately 650,000 square meters across 14 major developments. This current supply is expected to nearly double to reach almost one million square meters of net leasable area over the next two to three years. Two new malls, Ezdan Shopping Centre and West End Mall, have opened their doors alongside the debut of The Pearl Qatar Medina Centre in 2014 boosting the retail quotient of the country significantly.

Saudi Arabia too has attracted its share of retailers mainly owing to its highly affluent and young, domestic population that offers a huge and growing demand base. Examples include plans by international retailers such as the coffee retailer Tim Hortons to open over 100 stores across the Kingdom over the next five years and the United Electronics Company's plans to add its 31st store in the Kingdom. KSA government has also made earnest efforts to develop its religious tourist corridor of Mecca and Medina with greater private investments also encouraging growth and fanning growth in the retail sector. As a favourite of luxury retailers rivalling the UAE, KSA is also undergoing significant expansion in GLA over 2014 and 2015 with retail and mixed use developments sprouting such as the Kingdom Centre that has already achieved 100 percent occupancy, the Dubai based Landmark groups three neighbourhood shopping malls under the "Oasis Brand" that came online in the beginning of 2014 and the already open Landmark managed mall in the city of Abha apart from the Kingdom's largest shopping mall at the Jabal Omar Project in Mecca on the drawing board and the international retailer Faithful and Gould's plans to collaborate with the Al Futtaim group to build a new super regional mall in Northern Riyadh slated for completion in 2018 adding a GLA of 150,000 square metres to become Riyadh's biggest mall. Retail floor space has grown rapidly over the recent decade, e.g. increasing by 80% in Jeddah alone since 2005. Arabian Centers, the Kingdom's largest shopping mall developer, has announced plans to about 500,000 square meters of retail space in the next 3 to 4 years, while Majid Al Futtaim is seeking to build its first mall in the Kingdom in Riyadh.

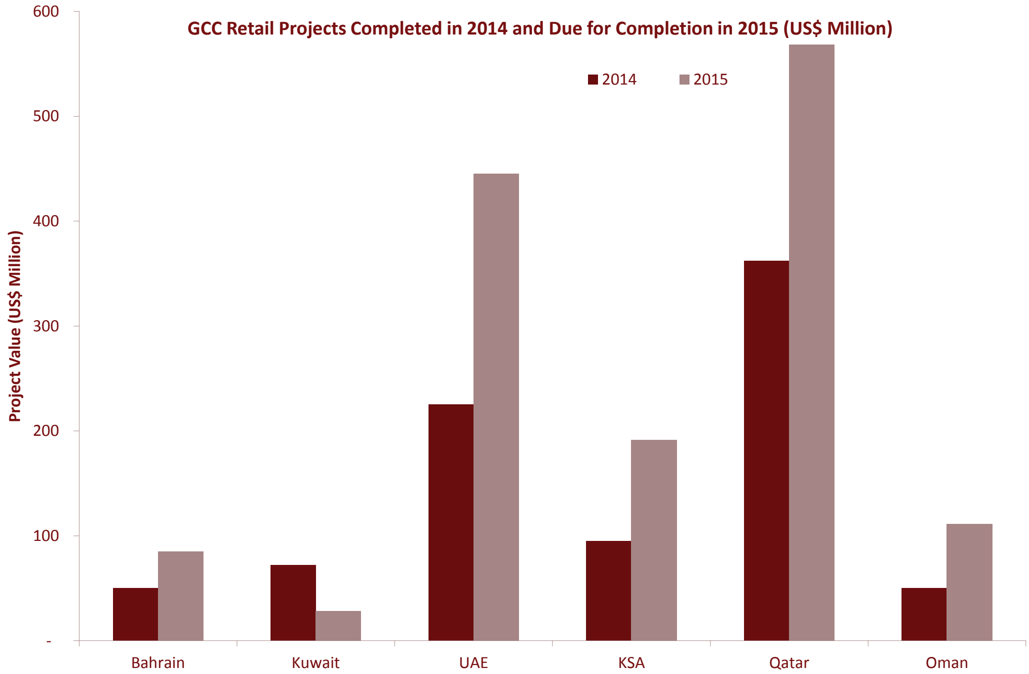
Leading brands and retailers from world over are clamouring for a share of the GCC retail pie with GLA expansions the norm across these countries. With demand supportive, the retail development sector is growing at a healthy pace and likely to continue its expansion at a rapid pace in the future.

Oman too has witnessed significant increase in passenger traffic at its new Muscat international airport in 2014 and Muscat's latest addition the Grand Mall has witnessed a record footfall of half a million visitors in June 2013 and continued to do so in 2014, underlining the success of its tourism focused strategy likely to present vast growth opportunities for the interiors and fit outs sector in 2014 and 2015. Though Oman has a lower per capita income than its neighbours, it has a large number of high net worth individuals with prevailing retail prices higher than the UAE, the favourite global retail destination. Its natural landscape also make it a favourite regional tourist destination, added to the tourism focus of the government of Oman, boosting its retail market in the bargain. There are plans for a number of new malls to be constructed including the extension of the Grand Mall to meet the dynamic growth in demand for retail space in this nascent market. New major retail development include Majid Al Futtaim launching the Mall of Oman project in Muscat, which will be the largest shopping and entertainment venue in the country.

Kuwait's largest shopping centre, the Avenue Mall, features the largest number of international brands in the country with two new malls in the pipeline skyrocketing it to 8th ranking in the World Retail Development Index for 2014 from AT Kearney.

Figure 11 depicts the retail construction projects completed in 2014 and those that are slated for completion in 2015 taken as of 19th January 2015.

Figure 11: Retail Construction Projects with Completion in 2014 and 2015 (US$ Million), 2014-2015



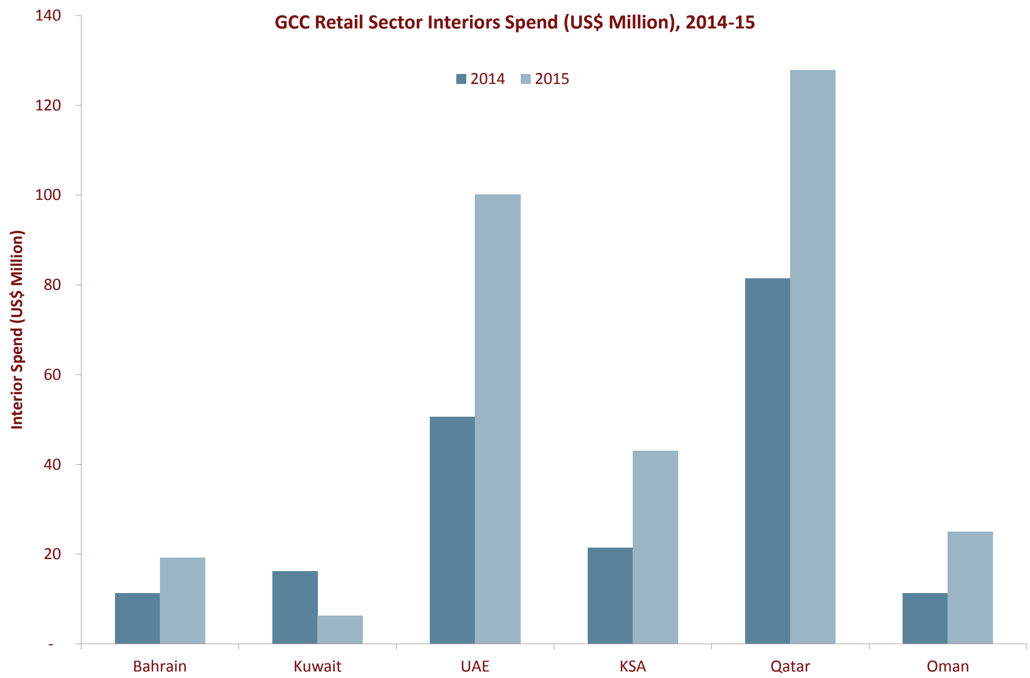
Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

Qatar with the world's largest disposable income has managed to overtake UAE to bag the largest share of the retail project completions in 2014, continuing its aggressive expansion into 2015 in a determined effort to carve a niche for itself in the retail space in the run up to the hosting of the World Cup 2022 event. Not to remain silent, and with a focused effort to bring back lost custom in the field of design , luxury and retail, the UAE has managed to re-establish itself as a favourite destination for global retailers at second place aided by strong recovery in its economy and real estate markets. Saudi Arabia, has landed at the third place with its young and affluent fast growing population has become the next favourite of retailers worldwide as international brands swarmed the Kingdom in recent years and led to retail developments in the past few years on a larger scale. While Oman followed as the emerging retail star of the GCC at fourth place and Bahrain too witnessed a healthy pipeline of retail project completions, Kuwait ended up at the rear with a falling rate of project completions over 2014 and 2015 with the adverse impact of the oil prices hitting the budgetary plans for retail development and shifting focus to social infrastructure and other priority areas.

RETAIL DEVELOPMENT INTERIORS CONTRACTING AND FIT-OUT SECTOR

Figure 12 provides the country wide split of interiors and fit out spend involved in the development and refurbishment of the retail sector in GCC for the year 2014 and 2015.

Figure 12: GCC Retail Interiors Contracting and Fit-out Spend (US$ Million), 2014-2015



Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

The interior contracting and fit-out developments in the retail sector is estimated to earn US$ 415 million on projects worth US$ 1,845 million completed in 2013, slightly lower than 2012 as the initial retail frenzy emerging from the tourism focus of the GCC countries begins to wear off and focus shifts elsewhere, 2014 is likely to sport a lower spend of US$ 203 million due to relatively lower projects completed with the exception of Qatar, which is making up for its relatively late entry into the retail markets of the region with larger number of retail developments slated for completion in 2014. UAE continues to hold the largest share of retail interior spend at US$ 230 million followed by KSA with US$ 103 million followed by Kuwait and Oman neck to neck with shares of US$ 31 million and US$ 30 million, respectively, in the retail interior and fit outs market in 2013. Qatar with projects such as Barwa City Phase 1 Mixed use development toward attracting visitors for the World Cup 2022 completed in 2013 among others is likely to overtake UAE and KSA in 2014 in the interiors market.

Though smaller in size as compared to other retail markets, Bahrain is growing at a healthily pace with high number of retail projects completed up to October 1, 2014 translating into expected interior and fit out spends of US$ 10 million in 2013 growing to UUS$ 11 million in 2014.

The following is the list of retail projects with completions in 2013 and over 2014, respectively.

Table 7: Major GCC wide Retail Projects completed in 2014 by Project Value (US$ Million)

PROJECT NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
Gulf Mall at Gharafa	Qatar	Sheikh Nasser Bin Abdulla Al Thani / Business Trading Company	Arab Engineering Bureau (AEB)	International Decor & Contracting Company / Al Alia Trading & Contracting	200
Al Wakra Mall	Qatar	Ezdan Holding	Dara Engineering Consultants	Ezdan Holding	110
King Abdullah Economic City (KAEC) - Resort Cove Mall	Saudi Arabia	Emaar Economic City,Saudi	Solaiman Abdullah El Khereiji Architecture & Engineering Consultants (SAK), Jeddah	Rafic A. Kreidei Est.	50
Muharraq Seef Mall	Bahrain	Muharraq Mall Company / Seef Properties	Dheya Towfiqi Engineering Bureau (DTEB) / Leigh & Orange (L&O) Ltd, Bahrain	Almoayyed Contracting	50
Jubail Market in Sharjah	United Arab Emirates	Government of Sharjah	Godwin Austen Johnson (GAJ), Dubai	Sun Engineering & Contracting, Dubai	47
Gate Mall	Kuwait	Shuwaikh Gate Holding	Kuwait Engineering Bureau	Al Kuthban General Trading and Contracting	41
Mall at Gharaffa	Qatar	FBA Group	Arab Consulting Engineers (ACE), Qatar	FBA Engineering & Contracting	35
Sama Mall in Fintas	Kuwait	Jazeerat Warba Real Estate Company	Kuwait Engineering Bureau	Al Bahar Construction Company	31
Union Co-Operative Hypermarket in Suqeim 2	United Arab Emirates	Union Co-operative	Archdome Consulting Engineers	Al Arif Contracting	30

PROJECT NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
Nemat Mall in Al Ain	United Arab Emirates	SAS Investments	Shankland Cox, Abu Dhabi / Shankland Cox, Al Ain	Al Eslah General Contracting	30
Al Nakheel Mall	Saudi Arabia	Arabian Centres	Echo Architecture	FARE Constructions-Fawaz Al Hokair Trading & Contracting Establishment	20
Muscat City Center Expansion	Oman	Majid Al Futtaim Investments, Dubai	COWI & Partners L.L.C., Oman	Douglas Ohi L.L.C.	18
Al Meera Mall at Muraikh	Qatar	Al Meera Consumer Goods Company	United Consultant, Qatar	Shannon Engineering	17
Al Yahar Mall	United Arab Emirates	SAS Investments	Shankland Cox, Abu Dhabi / Shankland Cox, Al Ain	Al Eslah General Contracting	15
Nesto Hypermarket in Mabela	Oman	Al Wafa International Management	Kadri Consultants / Al Manzil Engineering Consultants L.L.C	Al Subhiah Trading & Contracting LLC	15
Al Nasseriya Community Mall in Sharjah	United Arab Emirates	Majid Al Futtaim (MAF) Properties	E.C. Harris, Dubai / WSP Middle East Architectural & Engineering Consultancy, Sharjah	Laing O' Rourke	15

Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

Table 8: Major GCC wide Retail Projects Due for Completion in 2015 by Project Value (US$ Million)

NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
Mall at Abu Hamour (Doha Mall)	Qatar	Buildings	Sheikh Jassim Bin Hamad	Dara Engineering Consultants	Al Seal Trading & Contracting	275

NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)	
Commercial Development at Al Mirqab	Qatar	Buildings	Sheikh Hamad Bin Jassim Bin Jabor al-Thani	Arab Engineering Bureau (AEB) / Dara Engineering Consultants	Terna S.A. GEK Group	197
Tawar Mall in Duhail	Qatar	Buildings	Mr. Jabr Bin Sultan Al Kuwairi	Architectural Consulting Group (ACG) / Design & Consult Bureau (DCB)	Kittco Contracting	180
Dragon Mart in International City Expansion	United Arab Emirates	Buildings	Nakheel Corporation	Arif & Bintoak Consulting / Dar Al Handasah Consultants (Shair and Partners)	United Engineering Construction (UNEC)	143
The Agora Mall	United Arab Emirates	Buildings	ARJ Group	Al Gurg Consultants (Faisal Abdullah Al Gurg)	Modern Executive Systems Contracting (MESC)	82
Al Hamra Mall	Saudi Arabia	Buildings	Arabian Centres	-	FARE Constructions- Fawaz Al Hokair Trading & Contracting Est.	80
City Centre Me'aisem in International Media Production Zone (IMPZ)	United Arab Emirates	Buildings	Majid Al Futtaim (MAF) Properties	Benoy Architects	Brookfield Multiplex	75
Muscat City Center Expansion - Phase 2	Oman	Buildings	Majid Al Futtaim Investments, Dubai	COWI & Partners L.L.C.	Douglas Ohi L.L.C.	70

NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
Dragon City	Bahrain	Buildings	China Middle East Investment and Trade Promotion Centre (Chinamex) / Diyar Al Muharraq	Gulf House Engineering, Bahrain	Nass Contracting	68
Deira Waterfront Redevelopment - Fish Market	United Arab Emirates	Buildings	Wasl	Hyder Consulting, Dubai	Bhatia General Contracting Company LLC	68
Airport Mall	Qatar	Buildings	Al Bandary Real Estate	NEB International, Qatar	Al Bandary Engineering Trading & Contracting	60

Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

CHAPTER 5
GCC HEALTHCARE SECTOR OVERVIEW

The persistent efforts of the GCC governments beginning with Saudi Arabia to the most recent entrants after criticism on their woefully poor healthcare infrastructure, investing across their successive budgets on social infrastructure in the healthcare development sector have begun to translate into a healthy pipeline of hospital and health care centre projects nearing completion over 2014 and 2015. There has been a concentrated bid to improve the standards of living of the domestic population by these economies, alongside their primary goal of diversification away from their dependence on hydrocarbons. The services sector and more specifically the healthcare sector has proved to be recession proof across the GCC as per findings of analysts, sustained by the vast government investments and boasting the latest and state of art equipment and healthcare infrastructure in the world.

Healthcare across the GCC is predominantly state administered though many countries have embarked on ambitious Public Private Partnerships (PPPs) and privatization in this sphere to take advantage of the latest technology and skills available in the global healthcare marketplace. As large disposable incomes and urbanization have fuelled an alarming growth of lifestyle related diseases such as diabetes and heart conditions, the sector has begun to attract global healthcare investor attention as well in recent years.

According to a recent GCC healthcare sector report by Alpen Capital, the GCC healthcare market is projected to grow at 12 percent per annum to US$ 69.4 billion by 2018 with Saudi Arabia projected to remain the largest market in the region. Growth in this market is expected to be the largest in Qatar and the UAE going forward. Specifically, in terms of the healthcare infrastructure market, the demand for number of hospital beds is expected to be 115,544 in 2018, an addition of 11,241 beds from 2013, based on the number of hospital projects that are in the pipeline.

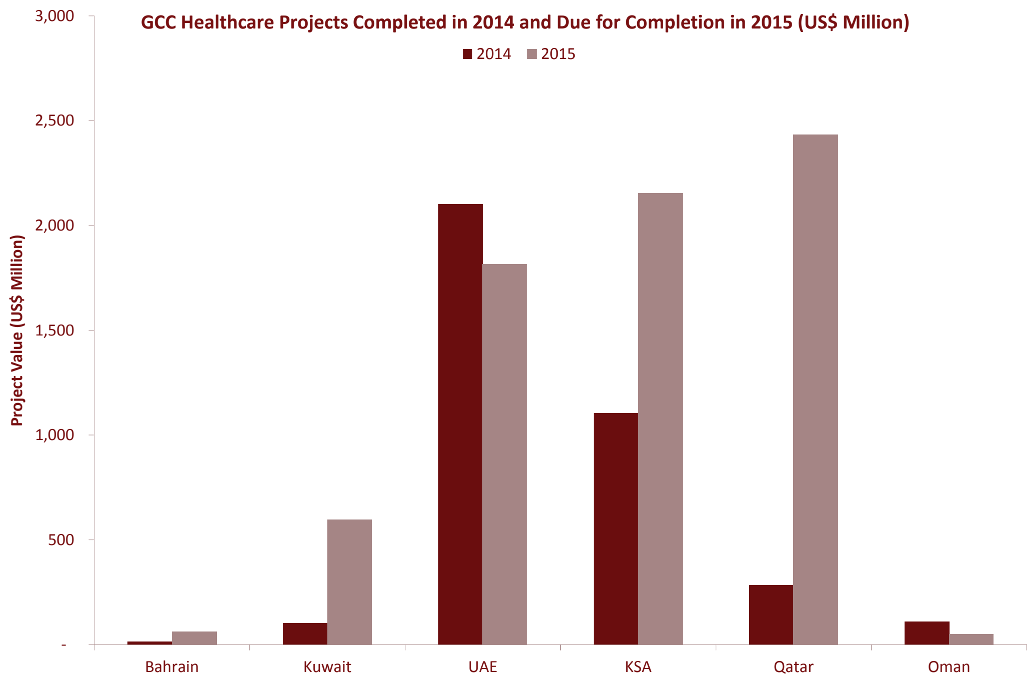
Significant announcements in this sphere in recent years include that of the Saudi Arabian Ministry of Health to procure more healthcare services from the private sector health providers to improve the provision of healthcare services. The Ministry of health has in 2012 signed a host of healthcare contracts worth over SR 4 billion including 30 hospitals in the pipeline. The population of the Kingdom is estimated to be around 25 million and currently there are 22 beds for every 10,000 people. The Kingdom's budget for 2014-15 also appropriated the largest share to healthcare projects toward construction and expansion of hospitals and healthcare facilities across the Kingdom including the ambitious ongoing project for the development of five medical cities that are currently under construction. The budget allocation would go toward the construction of new hospitals, primary healthcare centres, and emergency centres and upgrades to existing ones. Targets for improving the amount of hospital beds available as well as the ratio of physicians per bed had also been set.

Following Saudi Arabia, UAE too aims to rectify the current lopsided supply demand ratio in healthcare services marked by an oversupply of medical services in certain specialities and increasing the efficiency of public and private healthcare facilities particularly in the capital cities of Abu Dhabi and Dubai. In line with the above the Dubai Health Authority (DHA) had announced a survey to collect comprehensive data from its private and public hospitals, poly clinics, Dubai Healthcare city and diagnostic and primary healthcare centres Kuwait too has made a major foray into upgrading its healthcare infrastructure with 10 new hospitals in the pipeline. The UAE 2015 budget allocated 49 percent toward social spending including healthcare, education and social services.

Following the largest markets of UAE and Saudi Arabia, others such as Qatar, Oman, and Bahrain too announced ambitious developmental programs including the construction and refurbishment of their existing healthcare systems.

Figure 13 depicts the healthcare sector projects completed in 2014 and those that are expecting completion in 2015 as of 19th January 2015.

Figure 13: GCC Healthcare Projects with Completion in 2014 and 2015 by Country, (US$ Million)



Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

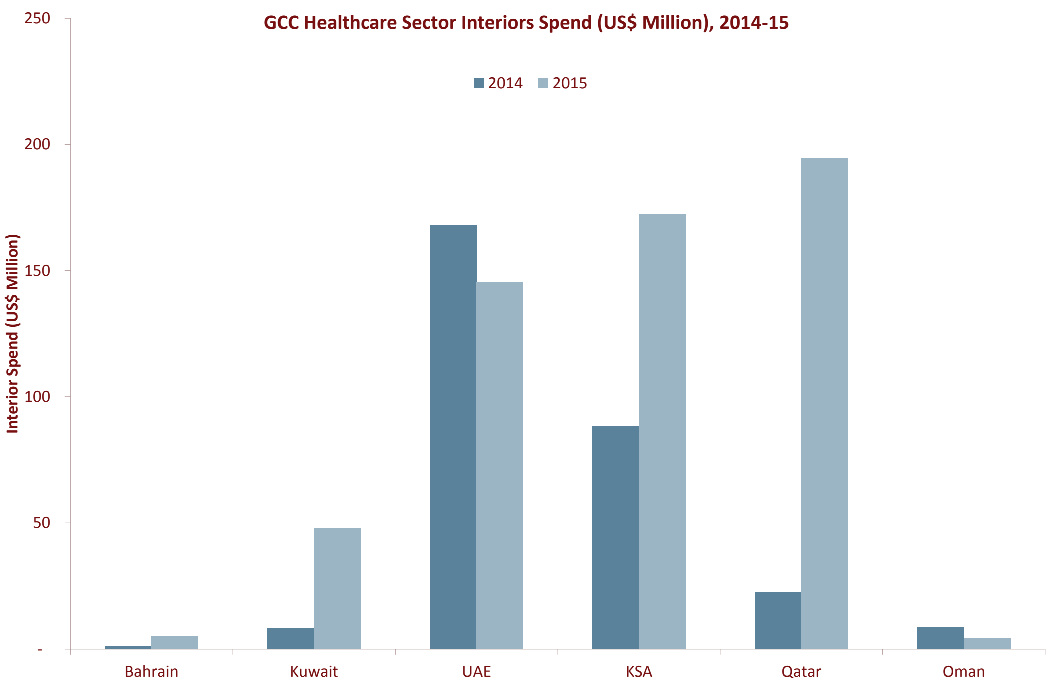
Qatar has emerged as the largest healthcare infrastructure spender in terms of projects due for completion in 2015, overtaking the traditional leaders Saudi Arabia and the UAE that have consistently been allocating large shares of their budgets between 2012 and 2014 toward augmenting healthcare infrastructure. Kuwait and Bahrain too, though smaller markets have lined up a greater number of healthcare projects for completion in 2015, pushing the sector as a whole to first place among the building construction sectors in terms of growth in project completions. As privatization is as yet an emerging concept in the region, government spend on healthcare remained the primary driver of growth across most countries in the GCC till recently.

UAE began as a leader in terms of project completions in 2014 with healthcare projects worth US$ 2.1 billion of project completed for 2014 followed by KSA with US$ 1.1 billion worth of projects completed in 2014, though its stimulus has begun to wear out in 2015 with lower project completions than the KSA with US$ 1.8 billion worth of project completions lined up for 2015, lower than KSA's US$ 2.2 billion, correspondingly for 2015. Qatar joined the race to upgrade its medical facilities in a bid to host the World Cup 2022 event with the highest standards of healthcare available to the sports and tourist population visiting the nation with projects worth US$ 283 million likely completed in 2014 and is likely to shoot ahead of the other two with a spurt in healthcare project completions to US$ 2.4 billion lined up for 2015. Bahrain, Kuwait and Oman followed with smaller scales of healthcare project completions worth US$ 15 million, US$ 101 million, and US$ 110 million, respectively, over 2014 though with significant jumps in project completions expected over 2015 for Bahrain and Kuwait. This phenomenal rise in the healthcare spend in Kuwait may be attributed to the Government finally taking initiatives to upgrade its healthcare system which had come under strain for having the least number of hospital beds of 1.4 per thousand amongst all the GCC nations. The recent massive overhaul of the nation's healthcare system is all set to complete with a large spend by Kuwait from its government budget in 2013 and 2014 which translate into projects slated for completion over 2014 and 2015.

Healthcare Development Interiors Contracting and Fit-Out Sector

Figure 14 provides the country wide split of interiors and fit out spend involved in the development and refurbishment of the medical sector in GCC for the years 2014 and 2015 as of 19th January 2015.

Figure 14: GCC Healthcare Sector Interiors and Fit out Spend (US$ Million) by Country, 2014 - 2015



Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

The interiors contracting and fit-out developments in the healthcare sector is estimated to earn US$ 297 million on projects worth US$ 3.7 billion expected to completed over 2014. The sector is likely to witness a spurt in project completions in 2015, translating into a US$ 569 million interiors spend. While the UAE has taken the lead in terms of healthcare projects completed in 2014 it is likely to be overtaken by Saudi Arabia and Qatar in 2015 with the latter emerging as the leader with the largest interiors spend in 2015 with mega projects such as the Sidra Medical Center lined up for completion. It is only Saudi Arabia and the UAE which continued significant investments in healthcare from 2012 onwards, while other countries have stepped up to the upgrade only since early 2013. Kuwait has been the late entrant with greater interior spends likely in 2015 when greater number of its healthcare projects near completion owing to allocations made only in the 2013 and 2014 budgets. In Oman, healthcare projects completed have also happened but on a much smaller scale offering a small market as well for interiors and fit outs into 2015, and Bahrain with virtually minimal healthcare interior spend as the smallest market in both 2014 and 2015.

The following table provides the top hospital projects completed in 2014 and likely to be completed over 2015 as of 19th January 2015.

Table 9: Major GCC wide Hospital Projects completed in 2014 by Project Value (US$ Million)

PROJECT NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
Cleveland Clinic in Al Maryah Island	United Arab Emirates	Mubadala Development Company	Aedas, Dubai / Driver Consult, Abu Dhabi	Samsung C&T Corporation, Abu Dhabi / Six Construct, Abu Dhabi	1,540
Al Jalila Bin Mohammed Bin Rashid Al Maktoum Hospital For Children	United Arab Emirates	Dubai Health Authority (DHA)	Studio Altieri International / Adnan Saffarini	Al Futtaim Carillion LLC	183
Dr. Sulaiman Al Habib Hospital at Dubai Healthcare City	United Arab Emirates	Sulaiman Al-Habib Medical Center (HMC)	Arif & Bintoak Consulting	Shapoorji Pallonji Middle East	109
Iranian Hospital Extension in Wasl	United Arab Emirates	Iranian Hospital	Schuster Pechtold & Partners	Al Sahel Contracting	81

PROJECT NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
300-Bed Hospital in East of Jeddah	Saudi Arabia	Ministry of Health, Saudi Arabia	Dar Al Majd Consulting Engineers, Riyadh	Al Majal Al Arabi Group	70
King Fahd Specialized Hospital in Buraydah	Saudi Arabia	Ministry of Health, Saudi Arabia	Al Eid Engineering Consultants	Al Muhanna Trading & Contracting (Saleh Abdullah Al Muhana Est.)	51
King Saud Medical Complex in Riyadh : Second Medical Tower	Saudi Arabia	Ministry of Health, Saudi Arabia	East Consulting Engineering Center (ECEC), Riyadh	Al Etack Contracting Est.	50
Al Mouwasat Hospital in Riyadh	Saudi Arabia	Saudi Al Mouwasat Medical Services	Fahd Ali Reza Engineering Company	Project Build Co. LTD (PBC)	43
King Faisal Hospital Tower in Makkah	Saudi Arabia	Ministry of Health, Saudi Arabia	Omer Bafail Engineering Consult	Bin Sammar Est. for Contracting	42
Aspetar Orthopaedic Hospital Expansion	Qatar	Aspire Zone	Halcrow Qatar	SEG Qatar	40
Masirah Hospital	Oman	Ministry of Health, Oman	Gulf Engineering Consultancy, Oman	Al Khalili Construction LLC	35
The Dubai Investment Park General Hospital	United Arab Emirates	New Medical Center	A2Z Architectural Engineering Consultancies, Dubai	Union Contracting	33
Hospital in South Salalah	Oman	Ministry of Defence, Oman	Ibn Khaldun Almadaen Engineering Consultants	International Contractors Company	31
Renal Dialysis Units at Tawam Hospital	United Arab Emirates	Seha - Abu Dhabi Health Services	Stantec International, Dubai	Alpine Bau Deutschland A G - Abu Dhabi / Civil Power Contracting (CPC)	30

PROJECT NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
King Abdulaziz Hospital in Riyadh - External Clinics	Saudi Arabia	King Saud University (KSA)	Saudi Consolidated Engineering Company (Khatib & Alami), Riyadh	Al Mansouriya Trading & Contracting	30
Brightpoint Maternity Hospital on Muroor Road	United Arab Emirates	KBBO Group / New Medical Center	Total Alliance Health Partners (TAHPI) Australia / Society Technology House (STH)	Modular Concepts (Modcon) Contracting	30

Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

Table 10: Major GCC wide Hospital Projects Due for Completion in 2015 by Project Value (US$ Million)

PROJECT NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
Sidra Medical & Research Centre	Qatar	Qatar Foundation for Education Science & Community Development	Ellerbe Beckett	Consolidated Contractors Company (CCC) / Midmac Contracting / Contrack International / Obrascon Huarte Lain SA (OHL)	2,400
Jaber Al Ahmed Al Sabah Hospital	Kuwait	Ministry of Health, Kuwait / Ministry of Public Works (MPW), Kuwait	Gulf Consult / Langdon Wilson	Kuwait Arab Contractors	1,057
Mafraq Hospital in Abu Dhabi	United Arab Emirates	Bumrungrad International / Seha - Abu Dhabi Health Services / Mafraq Hospital	Stantec International	Al Habtoor Leighton (HLG)	871

PROJECT NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
Ajyad General Hospital Development in Makkah	Saudi Arabia	The High Commission For The Development of Makkah Province / Ministry of Finance, Saudi Arabia	ERGA Art & Design (Primary Design) / Dar Al Handasah Consultants (Shair and Partners)	Saudi Binladin Group	600
4 Hospitals at Hamad Bin Khalifa Medical City - Fit-out Package	Qatar	Public Works Authority (Ashghal) / Hamad Medical Corporation (HMC)	KEO International Consultants, Qatar / Fedcon	Hyundai Engineering & Construction Company	534
Al Shoula Hospital Complex in Riyadh	Saudi Arabia	Al Shoula Group	Braengel, Brazil	-	500
King Fahd (Fahad) Medical City - Neuroscience Center	Saudi Arabia	Ministry of Health, Saudi Arabia / King Fahd Medical City	DAR Engineering, Saudi Arabia / RKD Architects / HKS Architects, Abu Dhabi / TPE Consulting Engineers / Dar Al Riyadh Consultants, Riyadh (Head Office)	Al Habtoor Leighton (HLG), Riyadh / Al Latifia Trading & Contracting Co.	320
King Fahd (Fahad) Medical City - Research Laboratory & Consultant Offices	Saudi Arabia	King Fahd Medical City	DAR Engineering, Saudi Arabia / Dar Al Riyadh Consultants, Riyadh (Head Office)	Al Habtoor Leighton (HLG), Riyadh / Al Latifia Trading & Contracting Co.	320

PROJECT NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
King Fahd (Fahad) Medical City - Cancer Center	Saudi Arabia	Ministry of Health, Saudi Arabia / King Fahd Medical City	DAR Engineering, Saudi Arabia / HKS Architects, Abu Dhabi / RKD Architects / TPE Consulting Engineers / Dar Al Riyadh Consultants, Riyadh (Head Office)	Al Habtoor Leighton (HLG), Riyadh / Al Latifia Trading & Contracting Co.	320
King Fahd (Fahad) Medical City - Cardiac Center	Saudi Arabia	Ministry of Health, Saudi Arabia / King Fahd Medical City	HKS Architects, Abu Dhabi / Dar Al Riyadh Consultants, Riyadh (Head Office) / DAR Engineering, Saudi Arabia / RKD Architects / TPE Consulting Engineers	Al Latifia Trading & Contracting Co. / Al Habtoor Leighton (HLG), Riyadh	320
King Faisal Specialist Hospital & Research Center Expansion - King Abdullah Center of Tumors & Liver Diseases	Saudi Arabia	Ministry of Health, Saudi Arabia / King Faisal Specialist Hospital & Research Centre (KFSH)	Mustang Al-Hejailan Engineering / Dar Al Riyadh Consultants, Riyadh (Head Office) / Cannon Design, US	Al Bawani Company Ltd.	242
NMC Specialty Hospital at the Khalifa City A	United Arab Emirates	New Medical Center	Society Technology House (STH)	Larsen & Toubro (L&T) Limited, Abu Dhabi	200
500-Bed Specialized Hospital in Jizan	Saudi Arabia	Ministry of Health, Saudi Arabia	Khatib & Alami, Saudi	Al Fouzan Company for Trading and Contracting, Riyadh	195
King Faisal Medical City in Assir - Phase 1	Saudi Arabia	Ministry of Health, Saudi Arabia	Zuhair Fayez Partnership Consultants, Makkah	Al Fouzan Trading & General Construction Company	170

PROJECT NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
Workers Hospital & Health Centre at Old Industrial Area	Qatar	Government	Gharnata Consultant Engineers	Midmac Contracting	164

Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

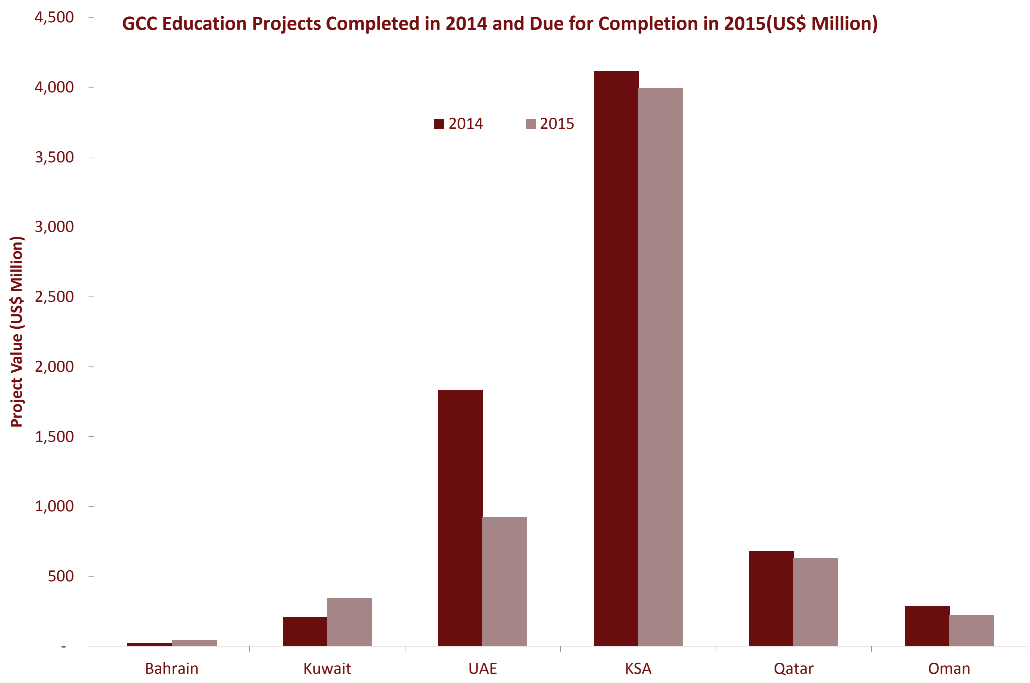
Chapter 6
GCC Educational Development Sector Overview

GCC governments began proactively investing on social infrastructure projects since the advent of the global economic slowdown and the spread of socio-political unrests in the form of the Arab Spring in the Middle East in 2009. There had been an inherent dissatisfaction with the model of growth that has led to a greater composition of expatriates in the population of the GCC countries, mainly on account of the lack of necessary education and skill set. Allocating significant portions of their budget on building the skill sets of the local population by investing in education infrastructure on a large scale apart from measures to provide employment to a greater section of nationals through measures such as Suadiization and Emiratization in countries such as Saudi Arabia and the UAE for the past six years consistently, the educational development sector in the GCC has emerged as one of the strongest in terms of growth as of 2014.

This spending trend continued into 2013 and 2014 with several projects initiated earlier reaching completion and new additions being initiated in the year. Saudi Arabia had begun the transformation with the highest budget allocation in history worldwide for the development of the education sector including education infrastructure in successive budgets including the 2013 and 2014 budgets, each higher than the earlier one. Not to be left behind Oman allocated as much as 31 percent of its budget to educational development in 2013 according to World Bank estimates. Other economies such as Qatar, the UAE and Kuwait too have provided vast allocations for education, 20 percent, 23 percent and 12 percent, respectively, of their budgets toward upgrading educational infrastructure. According to a recent report by Alpen Capital on the GCC Education sector, the total number of schools is expected to rise at a 2.4 % Compound Annual Growth Rate (CAGR) from 2013 to 2020, presenting vast opportunities in just one section of the market. Considering other segments of higher education, this market is likely to present a goldmine of opportunities for the GCC construction and interiors market in the long run.

Figure 15 depicts the country wise split educational construction projects completed in 2014 and due for completion in 2015 as of January 19, 2015.

Figure 15: GCC Educational Projects with Completion in 2014 and 2015 by Country, (US$ Million)



Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

The Kingdom of Saudi Arabia has been acclaimed and ranked the largest educational investor in not only in the GCC but also worldwide in consistently since 2012, with educational developmental projects worth US$ 4.1 billion expecting completion in 2014, which is likely to fall marginally to US$ 4 billion in 2015. Its heavy educational spend is part of the Kingdom's effort to implement Suadiization where all employers operating in the Kingdom are mandated to employ a given proportion of Saudi citizens across their organizations failing which it has made them liable to attract heavy penalty.

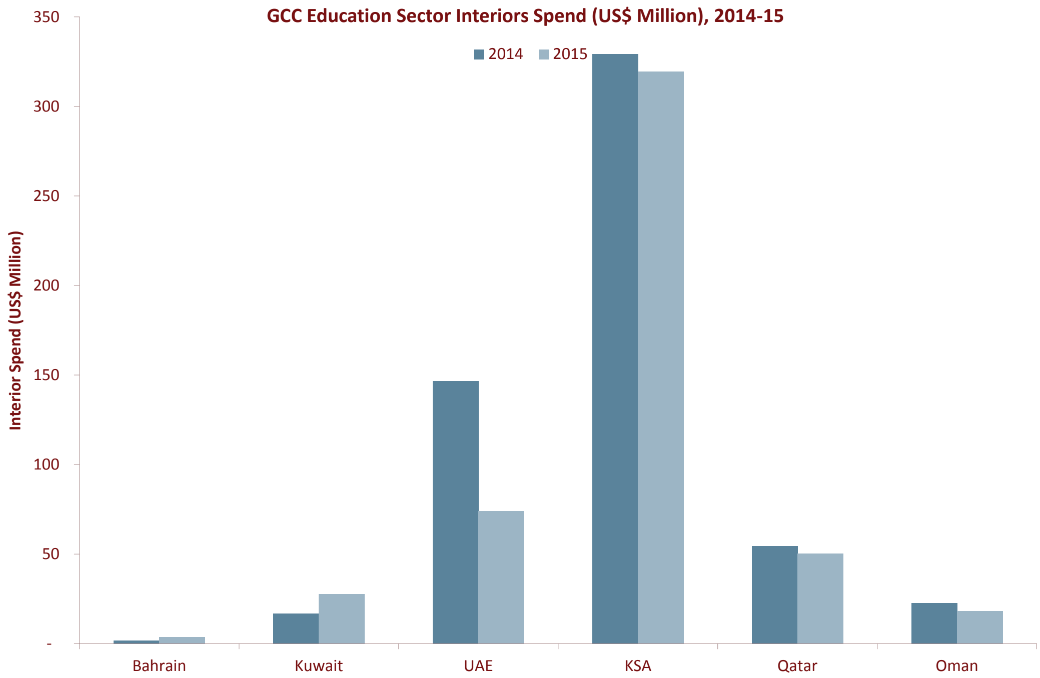
Saudi Arabia adopted the largest budget in the country's history in 2013 and 2014, higher than the 2012 budget which had been touted as the largest in history at that time. This has translated into larger number of projects completed in 2013 and 2014 as well. The largest portion of the budget has been allocated to education, health and municipal services. The budget includes ongoing plans to build new schools in addition to the nearly 3,000 already under construction, and refurbishment of existing schools. These funds will also support the establishment of institutions of higher learning including technical institutes and skill training colleges; the development existing universities; and an increase in the number of scholarship programs that allow Saudi students to study abroad.

Following Saudi Arabia, UAE is the second largest in terms of educational projects completed at US$ 1.8 billion in 2014 followed by Qatar with educational developmental projects worth US$ 678 million completed in 2014. The Qatari Government too has allocated a sizeable budget expenditure of QR 22 billion in funding educational development programs including the construction of new schools in addition to refurbishment and development of universities besides increasing the scholarship programs. Oman ranked fourth in terms of educational projects completed with total projects worth US$ 282 million completed in 2014. This is followed by Kuwait and Bahrain taking the rear, with projects worth US$ 209 million and US$ 20 million, respectively. Recovering steadily from the aftermath of political instability experienced in 2011 and recovered investor confidence, Bahrain has a moderate amount of educational development projects expecting completion in 2014 likely to improve further to US$ 45 million in 2015.

Educational Development Interiors Contracting and Fit-Out Sector

Figure 16 provides the country wide split of interiors and fit out spend involved in the development and refurbishment of the Educational development sector in GCC for the years 2014 and 2015 as of January 19, 2015.

Figure 16 GCC Educational Interiors and Fit out Spend (US$ Million) by Country, 2014-2015



Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

As of 19th January 2015, the interiors contracting and fit-out developments in the educational development sector is estimated to earn US$ 571 million on projects worth US$ 7.1 billion expected to complete by 2014. Saudi Arabia with an investment of US$ 329 million on the completion of projects worth US$ 4.1 billion and the UAE with investments worth US$ 147 million on the completion of projects worth US$ 1.8 billion bagged the largest share of the education pie interiors spend. Qatar bagged the third place with investments worth US$ 54 million on the completion of projects worth US$ 678 million in the educational development interiors contracting and fit out pie in 2014, with Kuwait, Bahrain and Oman with smaller shares.

The following tables list the major GCC wide educational projects completed in 2014 and those slated for completion in 2015.

Table 11: Major GCC wide Educational Projects completed in 2014 by Project Value (US$ Million)

NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
New York University on Saadiyat Island	United Arab Emirates	Mubadala Development Company	Obermeyer Middle East GMBH	Al Futtaim Carillion LLC	1,000
School of	Qatar	Qatar	-	Consolidated	210

Islamic Studies in Education City		Foundation for Education Science & Community Development		Contractors Company (CCC)	
Police College at Mubarikiya District	Kuwait	Ministry of Public Works (MPW), Kuwait	Gulf Consult, Kuwait / Skidmore, Owings & Merrill (SOM)	Kuwait Arab Contractors	157
Baynuna Academy Complex	United Arab Emirates	Institute of Applied Technology	Syrconsult Consulting Engineers	Fibrex Construction Group	129
Police Training Institute in Doha	Qatar	Ministry of Interior, Qatar	SMEC International	Hassanesco For Trading & Contracting	104

Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

Table 12: Major GCC wide Educational Sector Projects Due for Completion in 2015 by Project Value (US$ Million)

PROJECT NAME	COUNTRY	CLIENT	CONSULTANT	CONTRACTOR	VALUE (US$ MILLION)
King Khalid University in Abha - Medical City - Phase 2	Saudi Arabia	King Khalid University	Zuhair Fayez Partnership Consultants	Baytur Construction & Contracting	800
Al Baha University - Phase 1	Saudi Arabia	Ministry of Higher Education, Saudi Arabia / Al Baha University	Mohamed Al Naim Engineering Consultant	Multiple Contractors	610
King Khalid University at Abha - Medical City Male Campus Phase 2	Saudi Arabia	Ministry of Higher Education, Saudi Arabia / King Khalid University	Zuhair Fayez Partnership Consultants	Baytur Construction & Contracting	492
Sabah Al Salem University - College of Art & College of Education (COAE)	Kuwait	Kuwait University Construction Program (KUCP)	Dar Al Handasah Consultants (Shair and Partners) / Perkins + Will / Salem Al Marzouk & Sabah Abi Hanna (SSH Design)	Arabtec Construction / Combined Group Contracting Company	414

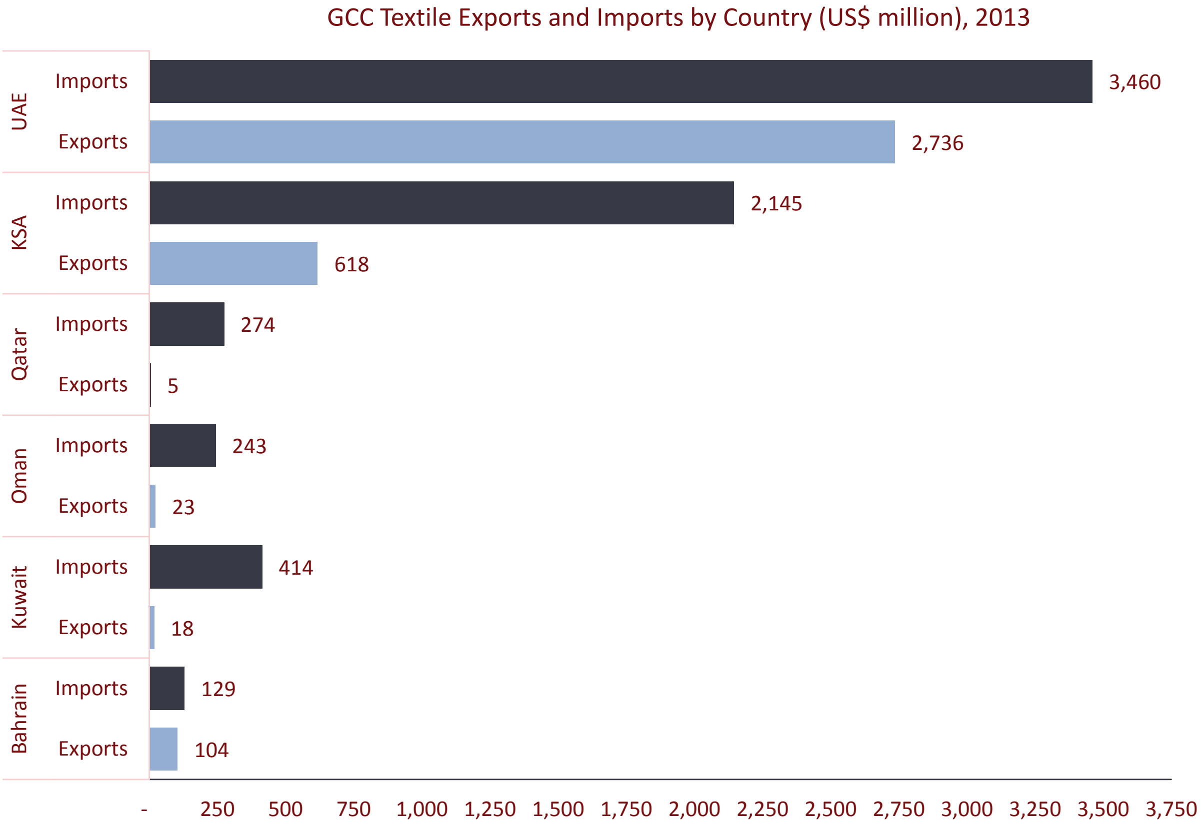
King Khalid University at Abha - Phase 3: Administration Buildings	Saudi Arabia	King Khalid University / Ministry of Higher Education, Saudi Arabia	Zuhair Fayez Partnership Consultants	Baytur Construction & Contracting	175
Qassim University - Male Medical College	Saudi Arabia	Qassim University	Imar Urban Consultants	Rakan Trading & Contracting Company	143
Industrial Training Institute in Al Ihsa	Saudi Arabia	Saudi Aramco / The General Organization for Technical Education & Vocational Training (GOTEVOT)	Ibrahim Zamndar Engi. Consulting Office	Youssef Marroun Contracting Company (YMCO)	135
Northwestern College of Media & Communication at Education City	Qatar	Qatar Foundation for Education Science & Community Development	Burns & McDonnell, USA	HBK Contracting / Renaissance Construction	120

Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

7. GCC Import-Export-Re export Statistics of Major Interior Items

With a steady rise in the attractiveness of GCC as a construction market, the countries in the GCC have also acted as a growing market for Interior Contracting and fit outs. The trade statistics of four interior categories, namely, textiles, furniture, lamps and lighting fittings and bathroom ware are explained below.

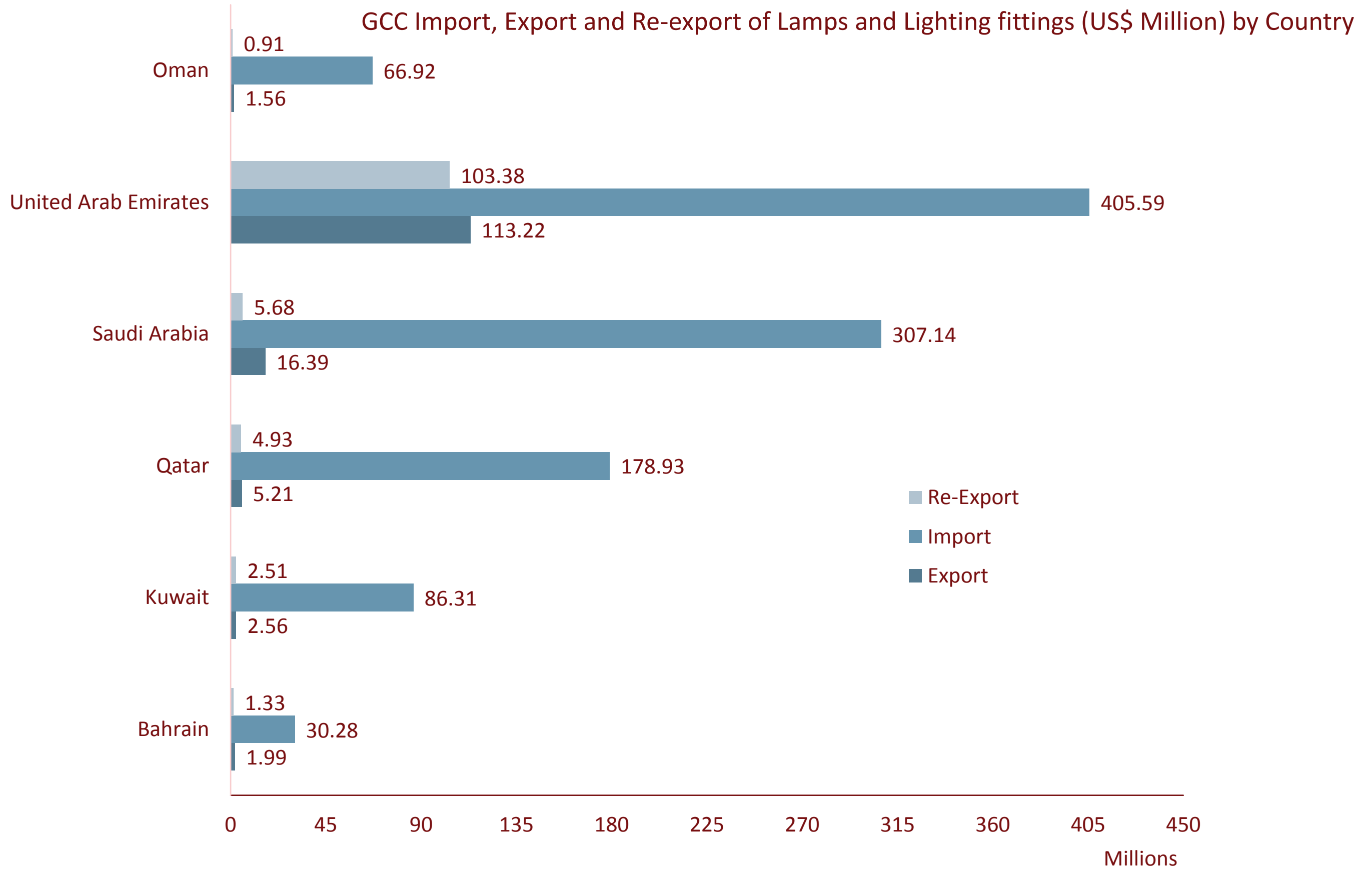
Figure 17: GCC Import and Export of Textiles (US$ Million) by Country



Source: World Trade Organization www.wto.org

The textile industry in the UAE comprises a very important component of the country's GDP. It is also the world's fourth largest market apart from being the second largest sector after oil and gas in the country. Saudi Arabia comes a close second in terms of Textile exports, with an equally thriving textile industry. The affluent Kuwait, Qatar and Oman markets are also important import markets for textile products.

Figure 18: Import, Export and Re-export of Interior Items-Lamps and Lighting Fittings (US$ Million) by Country

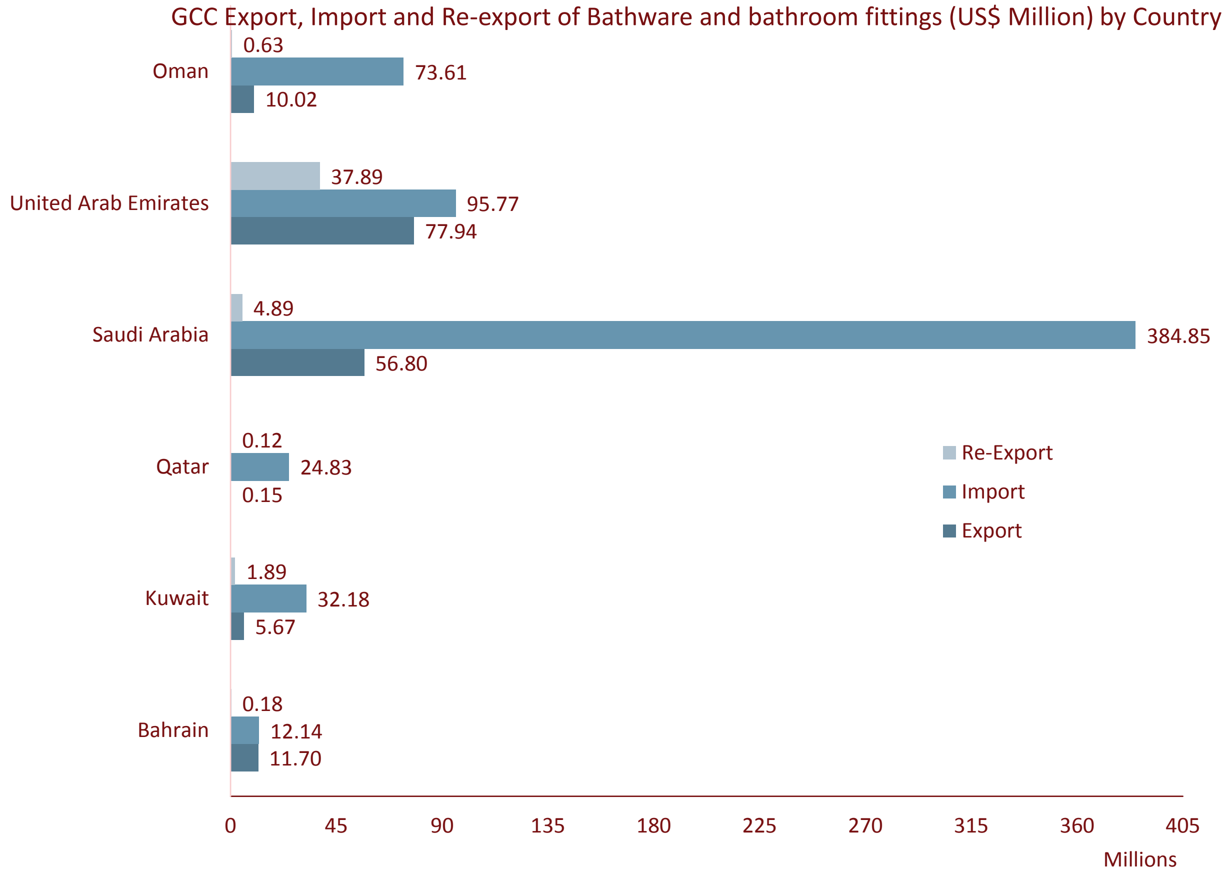


Source: United Nations Commodity Trade Database, http://comtrade.un.org/

Note: Latest available data varies from 2011 to 2013 by country's reporting to the United Nations. Therefore the dataset is a ballpark indicator of the product export, import and re-export levels and cannot be used for exact annual comparison purposes

The UAE is one of the largest importers of lighting products followed by Saudi Arabia, considering the heavy demand arising from its large building construction industry. Significantly, while UAE also exports lighting products, other economies of the GCC are primarily net importers.

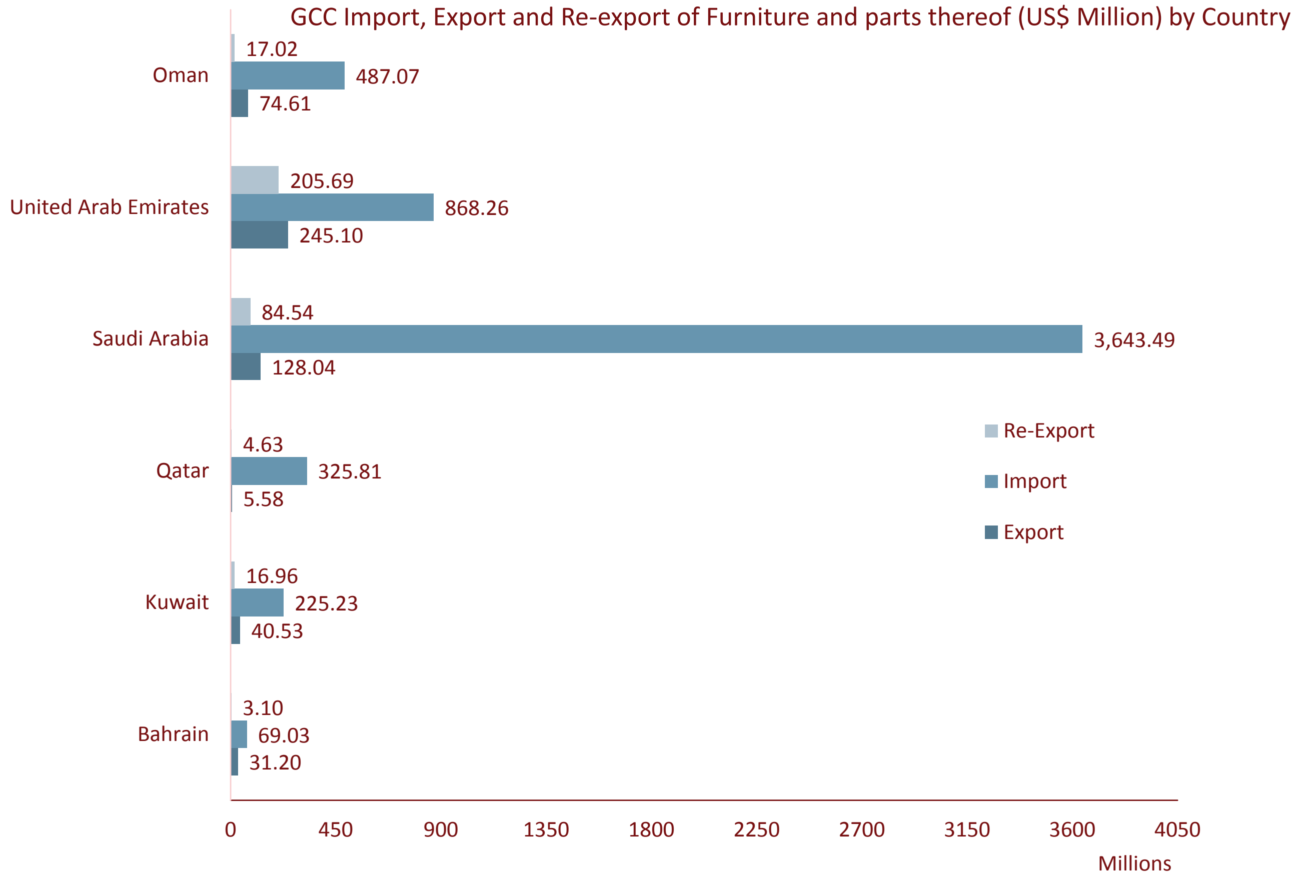
Figure 19: Import, Export and Re-export of Interior Items-Plastic Bathroom ware (US$ Million) by Country



Source: United Nations Commodity Trade Database, http://comtrade.un.org/

Note: Latest available data varies from 2011 to 2013 by country's reporting to the United Nations. Therefore the dataset is a ballpark indicator of the product export, import and re-export levels and cannot be used for exact annual comparison purposes

Figure 20: Import, Export and Re-export of Furniture and Parts thereof (US$ Million) by Country



Source: United Nations Commodity Trade Database, http://comtrade.un.org/

Note: Latest available data varies from 2011 to 2013 by country's reporting to the United Nations. Therefore the dataset is a ballpark indicator of the product export, import and re-export levels and cannot be used for exact annual comparison purposes

These markets have also witnessed a gradual growth in competencies leading to greater re-exports, as GCC designed furniture and fit outs have become globally popular for their design and quality. UAE is the largest market for imports, exports and re-exports owing to the large captive construction market offered by it and its visibility among foreign investors on the global map as a major retail and commercial destination. Qatar is also a growing market for imports of interior items backed by its bid to host global events and create infrastructure on par with global standards. Oman with its focus on tourism has also a reasonably growing share in imports and re-export of interior items though at a smaller scale than the UAE.

Overall, the GCC economies backed by their large hydrocarbon based wealth and strong economic fundamentals have proved to be a healthy oasis for investors in the construction and interiors industries in terms of trade.

Conclusion

Undeterred by the sharply falling oil prices, the primary revenue source of most of the GCC economies, the building construction market of the GCC has continued its upward trend in 2014 and with the economies of UAE, Qatar boosting the construction activity with the hosting of globally renowned events; the World Expo 2020 and the World Cup 2022, respectively. Along with the heavy tourism focus of these economies and the consistent government spending on social infrastructure and diversification in successive budgets, despite adverse revenue situations faced recently, have helped the region as a whole and the economies embark on a widespread development path that is likely to translate into ample opportunities for the interiors and fit outs market in the region.

The primary growth trends begun in the form of government stimuli across the residential and tourism segments have translated into huge growth spurts across the retail and hospitality segments as well, social infrastructure continues to be benefited the most and even the oversupplied and sluggish commercial sector has begun to witness higher absorption rates in 2014.

The larger markets of Saudi Arabia, the UAE and Qatar have also simultaneously begun to take proactive measures to ensure the excess activity does not result in overheating or property bubbles such as the earlier years, with strong legislations in the property market and controls in supply. It has also been realized that government spend cannot sustain the current profligate pace in the future and it is imperative that private investment begins to gradually replace the current model of government spending backed growth.

The smaller markets of Bahrain, Oman and Kuwait have no doubt have to tweak certain revenue generating parameters to continue their expansionary stance into 2015, though investments made in earlier years are likely to help cushion further oil price falls through growth on non-oil sector revenues in the future.

Despite these long term concerns, the GCC building construction and interiors market is clearly set for a sustained upward stint over the next few years with the retail, healthcare and hospitality sectors being the ones to watch out for and Qatar, Oman and Kuwait the emergent growth markets in terms of likely project completions in 2015.