



Flooring Products Market in the GCC

Revival of Commercial and Residential Construction and Mega Events to Accelerate Demand

A Frost & Sullivan Exclusive Whitepaper For

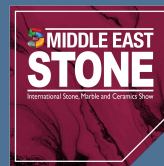


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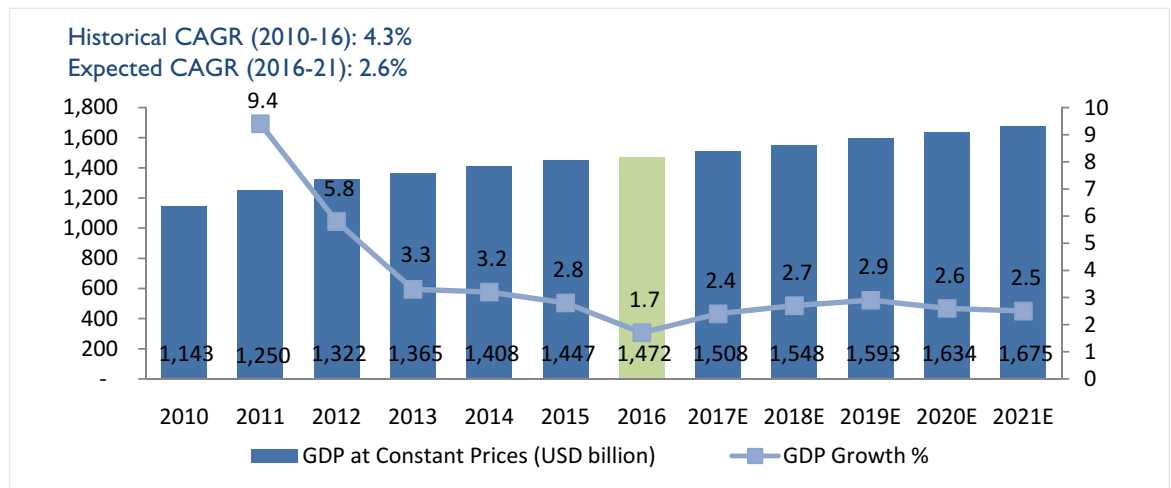


MACRO-ECONOMIC AND CONSTRUCTION SECTOR IN THE GCC

GCC’s GDP Growth Forecast

Strong non-oil growth in the GCC and improving oil prices favour a stable economic outlook for the GCC countries. These countries have been implementing structural reforms aimed at raising productivity and improving competitiveness, which will lead to diversification of the economy. The GCC members are focusing on developing their private sector to diversify the risks. Small and Medium Enterprises (SMEs) are attracting attentions in these tough economic conditions, as the GCC countries believe SMEs to be the main job creators in the next five years. Economic growth is projected at 2.4% for the GCC countries in 2017, and at 2.7% CAGR from 2017- 2021.

Economic Growth Forecast, the GCC, 2010-2021



Source: World Economic Outlook, International Monetary Fund Estimates, October 2016, and Frost & Sullivan Analysis

To propel economic growth, the GCC governments have initiated reforms to liberalise foreign trade and reform investment regime. Education and skill development have been the other major focus areas. The governments have also announced diversification specific “Vision” plans recently to propel economic growth.

Strategic Vision of the GCC Countries

Much before the oil price decline in 2014, the leaders of these countries inferred that their economies could not solely rely on the oil & gas (O&G) industry. Although, non-oil GDP has been steadily rising, exports and government revenues remain centred around O&G. Each country believes that diversification is not a simple step and requires a more holistic approach including a variety of measures.



The UAE envisages to be one of the best countries in the world. In order to achieve this, it has laid out its “UAE Vision 2021”, which provides a roadmap towards its goal. Development of sustainable and diversified economy remains the core focus.



The KSA has chalked out a comprehensive “Saudi Arabia Vision 2030” plan with three pillars: a vibrant society, a thriving economy and an ambitious nation.



“Qatar’s Vision 2030” too circles around similar principles, including human development, social development, economic development and environmental development.



“Bahrain’s Vision 2030” aims to offer its citizens a higher standard of living by increased employment and higher wages. The main objective of this vision is to double the disposable income of each household by 2030.



“Kuwait’s Vision 2035” proposes to reconstruct the country into a financial and trade centre to attract foreign investors, while allowing its private sector to be the main contributor to the economy. It also plans to develop its public sector, infrastructure, as well as, its human capital.



“Oman’s Vision 2020” has been focusing on privatisation, industrialisation and diversification to lower its reliance on the O&G industry. It aims to create employment opportunities for its citizens and double its per capita income by 2020.

Though the GCC countries have different implementation timeliness, the objectives of the 'Vision' remain the same – sustainable economic development, non-oil growth, private sector participation and human development. There would be a surge in the construction of new buildings as the GCC countries start to implement these objectives. This growth would particularly benefit the flooring products market, as the demand for flooring products is highly dependent on new construction.

Construction Sector Outlook

The GCC's construction industry has been facing a challenging time due to suppressed global oil prices. Governments of these countries have been rationalising their state expenditure and scrutinising infrastructure schemes. On a positive note, these countries have low debt-to-GDP ratios internationally, thus securing financing may not be very difficult.

Growth Enablers, the GCC, 2016



On-going efforts by governments to reduce dependence on the hydrocarbon industry. Governments have increased capital expenditure for the infrastructure sector. This will have a positive impact on the construction industry.



Region's population is expected to grow by 2.7% between 2013-2018. This is expected to translate into higher demand for residential, commercial, retail, hospitality, healthcare, leisure and infrastructure sectors across the Gulf region.



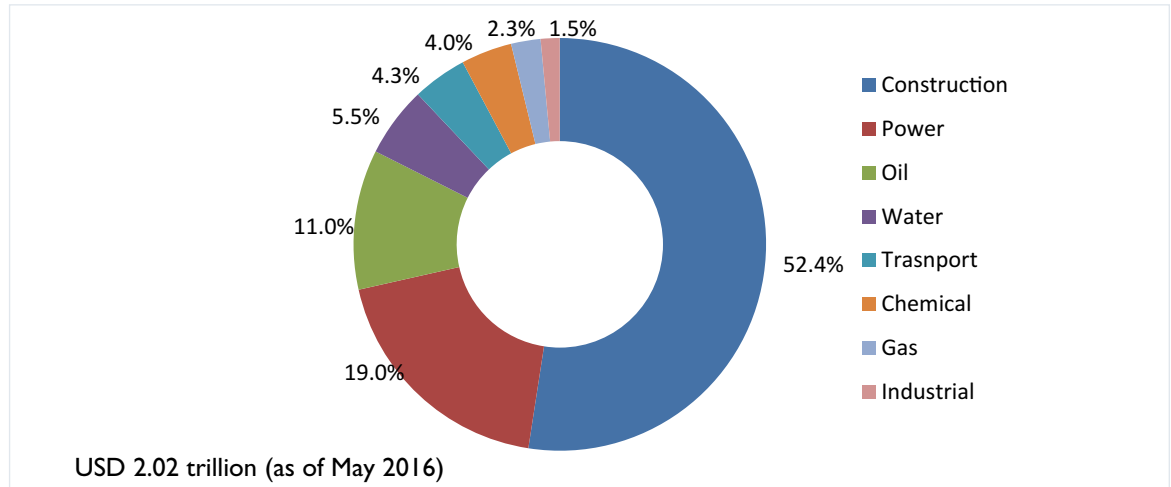
Mega events like Expo 2020 and the football world cup are expected to increase tourism within the region. This will open up opportunities for hotel, hospitality and retail industries.

Some challenges faced by the sector include:

- Falling oil prices have resulted in budget deficits. In the near future this could have a negative impact on government spending.
- High dependency on expatriate staff may affect operations of construction companies due to issues in hiring the right talent and retaining it.
- Political unrest and the threat of terrorism in the Middle East- can become a roadblock for economic expansion pressuring all sectors.

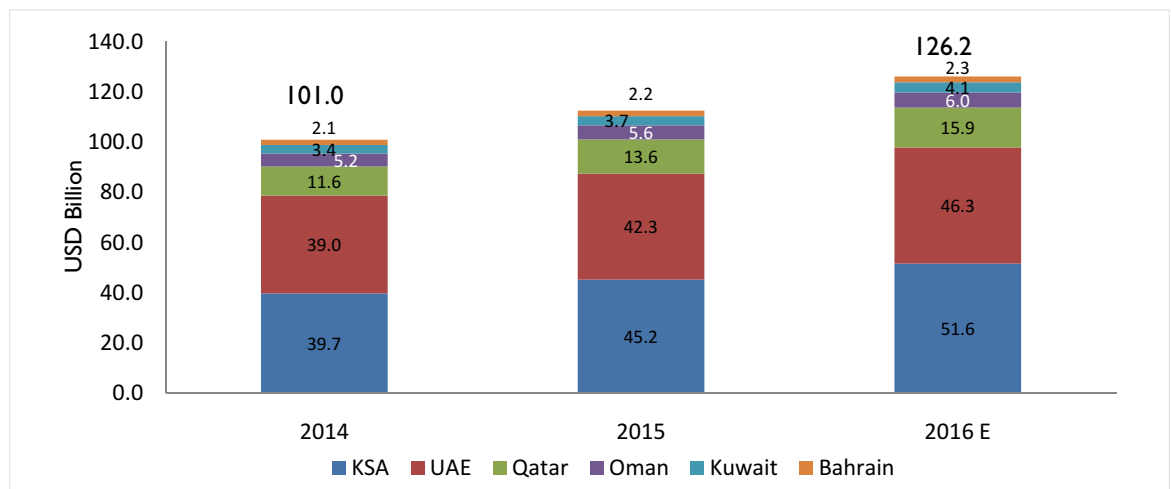
The UAE is predicted to be a bright point among regional markets with a USD 45 billion award programme for Expo 2020 related construction projects. The UAE has some of the most ambitious mega projects underway in the world, with Abu Dhabi and Dubai fuelling most of the sector's growth.

Net Value of Projects in Pre-execution Phase, the GCC, 2016



Source: MEED Projects Database

Construction Industry Value, the GCC, 2014-2016



Source: Alpen Capital



The construction industry in the KSA is likely to remain subdued in 2017, as the slump in oil prices is creating a liquidity crunch. However, in the longer run the country is expected to reach USD 148.5 billion in 2020 from USD 105.6 billion in 2015. The Government's focus largely remains on the residential sector to reduce the housing deficit. Moreover, the energy and utilities construction market is expected to increase over the next five years.

Qatar's construction industry is expected to thrive due to the upcoming FIFA World Cup 2022. The 2017 Budget emphasises on the growth of vital sectors including health, education, infrastructure and transport.

Development of economic cities and new central business districts for economic and industrial growth, increase in high-rise buildings and tourism developments, advancements in healthcare, and social developments are all driving the growth of the new buildings and thereby the construction sector in the GCC.

FLOORING PRODUCTS MARKET IN THE GCC

Market Overview

The Gulf Cooperation Council (GCC) flooring products market has grown significantly due to a rise in construction activities. There are different types of flooring products in use in the GCC broadly classified as following:

Flooring Products Segmentation, the GCC, 2016

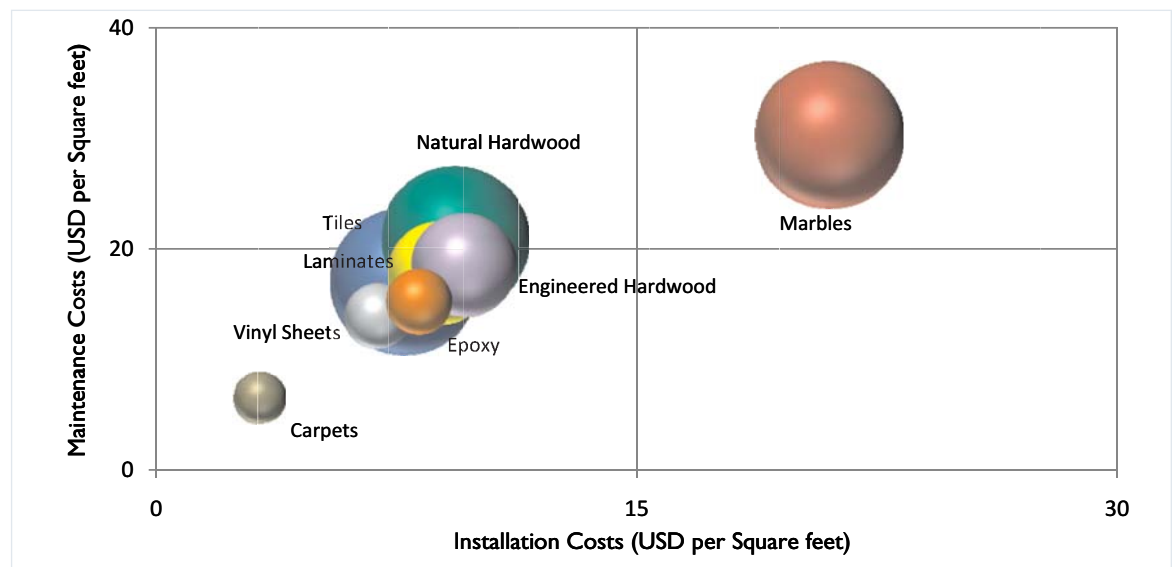
Product	Segments
Tiles	Ceramic and Porcelain
Stones	Sand Stone, Lime Stone, Marble, Granite, Basalt, Slate, Quartzite etc.
Carpets	Carpets Rolls
Wood and Laminates	Engineered Wood and Solid Wood
Others	Linoleum, Vinyl, Luxury Vinyl Tiles (LVT), Rubber, Epoxy etc.

Source: Frost & Sullivan Analysis

For many decades, ceramic tiles have been the most preferred flooring product around the world because of durability, endless design options and customisation possibilities. Growth in young population and globalisation have revolutionised the way flooring products are procured today. Key selection criteria today include safety, durability, easy maintenance, low costs, better aesthetics, value-add properties such as easy to sterilise and moisture-, fire-, and scratch-resistant products. Advent of new technologies has helped tile manufacturers to address these evolving criteria and reduce the threat of competition from substitute products.

Though high importance is given to safety and durability, life-cycle costs (installation and maintenance costs) play a crucial role in decision making. Low installation and maintenance costs combined with longer shelf-life make tiles the natural choice for long-term value.

Flooring Products – Life Cycle Cost Analysis, Global, 2016



Size of the bubble represents the life time of flooring products in years

Source: Tile Council of North America

Tiles have a shelf-life of around 50 years, same as stones; but the installation cost of tiles is approximately one-third of the installation cost of stones. Maintenance costs for stones are high too, almost double than that of tiles. Wooden flooring products have 22% higher installation costs and 15% higher maintenance costs. Therefore, lower costs in combination with other product attributes make tiles the largest market within flooring products.

Key Market Trends

Technological advancements in the flooring products industry have resulted in improved product features, increased shelf-life etc. The introduction of nanotechnology in tile manufacturing has improved tile strength and resistance to dirt and bacteria. These high hygiene tiles are much in demand in end-user segments such as hospitals, laboratories and food processing plants.

Sensor technology embedded in flooring products is a new global trend, especially in elderly care and healthcare segments. These sensor embedded flooring products are used to monitor patient movement in healthcare centres. Sensors in flooring products are also used to prevent equipment theft. Theft is overcome with smart tiles that have antenna built in them that picks up data from employee badges, equipment badges, and patient wrist bands.

Floor tiles are used to generate electricity for low-power applications such as lighting, signage and digital displays. Sensors in the floor tiles are used to collect kinetic energy from footsteps and convert them into electrical energy that can be stored in batteries.

Vinyls embedded with LED technology are another niche trend in the global flooring products industry. This is targeted at retail and hospitality segments. These LED embedded vinyl tiles enable retailers to advertise, interact with clients and help them navigate through the building. Usage of eco-friendly and energy-efficient flooring products is on the rise because of the increasing awareness of sustainable environment. Increased focus on green buildings would drive demand for flooring products that are manufactured from recycled raw materials.

Flooring products are becoming style statements in homes and other buildings, particularly in the hospitality segment. Designer finish, 3D images, and textures are used for outdoor cladding, wall cladding and elevation, as against traditional application areas of bedrooms and living rooms.

Flooring Market Size

The GCC total flooring products market is estimated at 775 million square metres (Sq.M) in 2016. Following the global consumption pattern, tiles account for the lion's share of the market.

Tiles Market: The tiles market is one of the fastest growing in the building materials industry, estimated at 600 million Sq.M in 2016, with a share of 77.4% of the total flooring products market in the GCC. It has been observed that the demand for ceramic tiles is as high as 65% whereas the demand for porcelain tiles is much lower at 35%.

Raw materials for porcelain tiles are not available in the GCC, and hence have to be imported; this makes the product comparatively expensive. The KSA and the UAE dominate the demand for porcelain tiles, as market penetration is high due to rising customer preferences and affordability. Qatar and Bahrain are the other markets with greater acceptability for porcelain tiles. Meanwhile, the high cost of porcelain tiles is slowing adoption rate in other countries.

The demand for tiles in the GCC is served largely by imports from China and Europe (such as Italy, Spain, etc.). Chinese brands dominate the low-end segment and are expected to continue their control because of the anti-dumping rules in Europe, which is pushing Chinese suppliers to turn their attention towards the Middle East. Chinese and European brands supply more than 50% of the ceramic tiles demand in the GCC, followed by local manufacturers and smaller imports from countries like Malaysia, India, and Egypt.

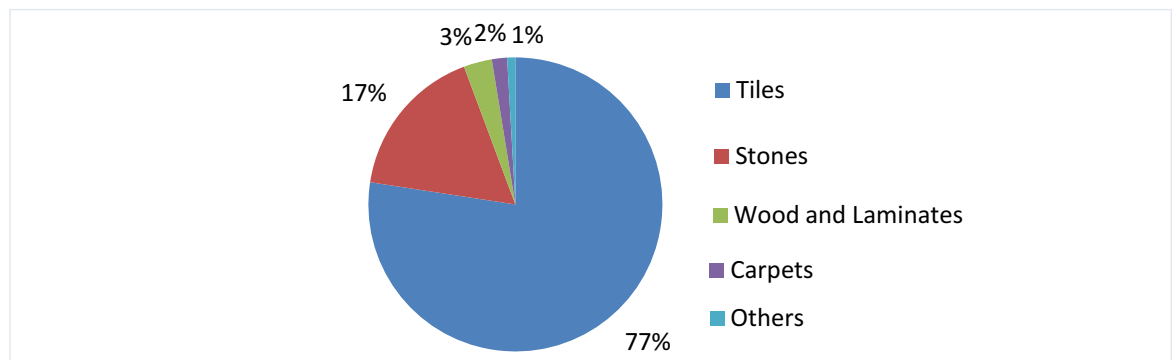
The major challenges for the tiles market in the GCC are high degree of price sensitivity and emphasis on high quality. Additionally, availability of alternate products such as stones is the key threat challenging the growth of ceramic and porcelain tiles market in the GCC.

Stones Market: Stones market in 2016 is estimated at 131 million Sq.M and accounts for 16.9% of the total flooring products market. Stones are used for both interior flooring and external hard landscaping. Marbles and granites are preferred stones for internal flooring whereas sand stone and limestone are popularly used for hard landscaping.

The KSA has a domestic manufacturing plant for granites, but most of the demand is met through imports. India, Egypt, Turkey and China are the major exporters of stones to the GCC. Indian stones have good acceptance in the GCC; Chinese products are of poorer quality and thus not widely accepted: colour starts to fade in a few years. Replacement of stone flooring is not an easy job and hence customers have started choosing good quality products.

Flooring Products Market Sales by Product Types, the GCC, 2016

Total Sales = 775.0 Million Sq.M



Others include rubber, epoxy, Linoleum, Vinyl, LVT etc. - Source: Frost & Sullivan Analysis

Carpets Market: Carpets account for 1.7% of the total flooring products market and are estimated at 13 million Sq.M in 2016. Hotels, offices and mosques are the major end-users of carpets. Hand tufted, hand knotted and machine made carpets are the different types in use in the GCC. Machine made carpets are further segmented into carpet tiles, axminster and 100% nylon based carpets.

Hand tufted carpets have gained recognition because of their faster production process and varieties in terms of designs, textures and finishes. Hand tufted carpets provide richer and luxurious- feel experience to customers and are also competitively priced in the market, which has helped faster penetration.

Hand knotted carpets are premium category products; these carpets are very tightly woven by hand to ensure highest possible quality, and hence, are more expensive than hand tufted carpets. Hand knotted carpets can be used in any place and are easy to maintain as they are washable. Hand knotted carpets come in traditional and modern contemporary designs and are mostly made of the finest wool to provide silky feel and shine.

Unlike other flooring products, replacement demand in carpets is higher than the new demand. The average life of carpets is around 5-6 years and after that they are replaced. Replacement demand in mosques is higher than other segments, as carpets are replaced every two or three years.

Most of the demand for carpets is met through imports in the GCC. India and China are the major exporters of carpets to the GCC countries. Though, there are a few domestic manufacturers in the KSA and the UAE, product varieties from domestic companies are basic and lack unique textures because of limited investments. Domestic products also face stiff competition from imported products in terms of design and colours.

Wood and Laminates Market: The GCC market for wood and laminates was valued at 24 million Sq.M in 2016. Wood and laminates which provide classic, contemporary, linear, rustic, smooth and treated look to the floors are used as floor coverings in the region.. The GCC has specific requirements because of its climatic conditions and hence products sold in the local market have to meet the GCC's specifications. Wood and laminate flooring provide a personalised and value-added appearance to the floors and are available in a wide range of contemporary and modern colours and textures. They are scratch-, stain- and indentation-resistant, easy to install and maintain, and come with a warranty of up to 30 years. Wood and laminates are mostly used in hotels, airports, retail outlets, educational institutions, and sports and fitness centres.

Other Flooring Products Market: Linoleum, Vinyls and LVT are the notable products in this segment. Linoleum is manufactured from renewable raw materials and hence is a sustainable, healthy, robust, hygienic high-quality product available in an array of colours. The raw materials are 98% organic or mineral based, with renewable materials accounting for 80%. Linoleum floor covering has an average life of about 10 years, almost double the life of carpets.

Linoleum is very versatile and hence suitable for a wide range of application segments. Linoleum has a protective coating, which ensures that the product is not damaged by moisture or dirt. Healthcare segment is a major end-user of linoleum: carpets retain dust and hence do not provide a clean and healthy environment in hospitals. Educational institutions, shops and offices are other end users of linoleum.

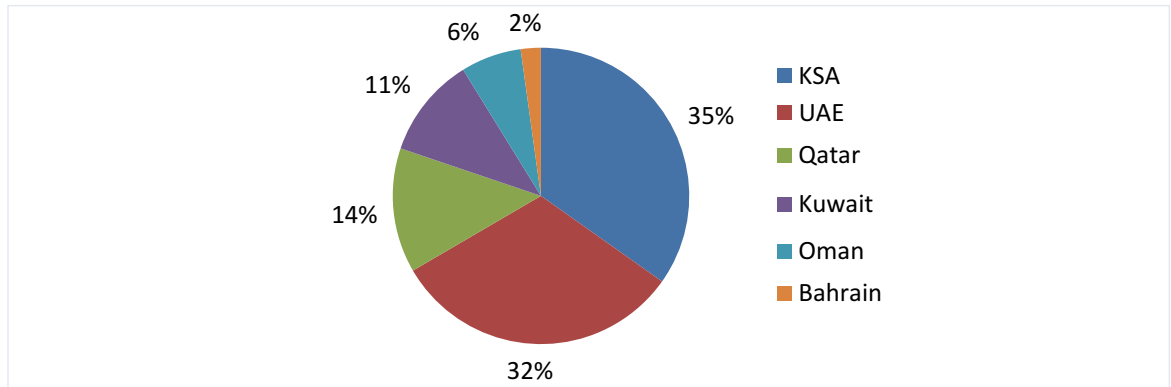
Innovations in the flooring products market have resulted in unique designs and exclusive prints, textures and formats in the LVT segment. Office buildings use LVT but the penetration is very low because of the high preference for carpets as they provide noise reduction. Educational institutions are seen using both linoleum and vinyls equally.

Penetration of linoleum and vinyl in the GCC is influenced by the origin of architects; the USA and the UK architects prefer vinyl and other European architects prefer linoleum. The KSA and Kuwait have high preference for vinyl.

More than 90% of the demand for linoleum, LVT and vinyls is met through imports in the GCC. Germany remains the global manufacturing hub for these products. Low cost Chinese imports remain a major challenge in this product segment. Chinese products last only for 3-years and need to be refurbished post that. Apart from China, products are imported from India, Egypt, Turkey and other Far East Asian countries. The limited number of linoleum product suppliers as against the large number of vinyl product suppliers has a negative influence on building contractors and limits penetration of linoleum despite it being a sustainable product. The GCC prefers shiny floor products and hygienic habits such as mopping the floor every day abound; this leads to high penetration of tiles and stones in the residential segment. Non-availability of skilled manpower is another key challenge in the GCC.

Flooring Products Market Sales by Country, the GCC, 2016

Total Sales = 775.0 Million Sq. M



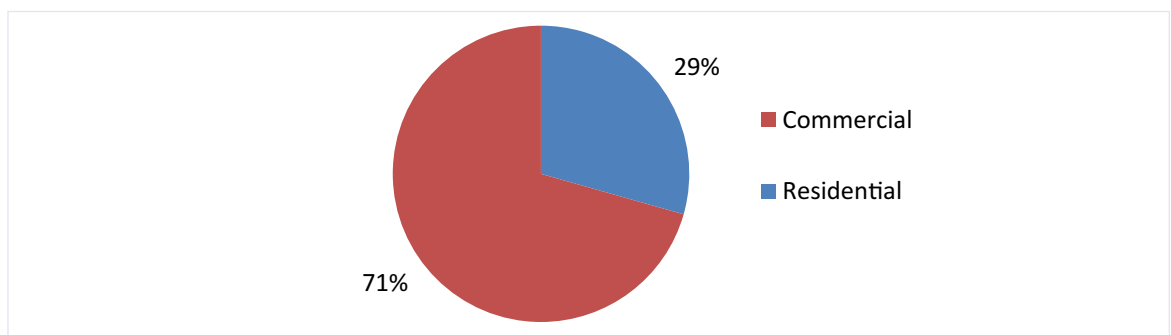
Source: Frost & Sullivan Analysis

The KSA, the UAE and Qatar account for 80.2% of the total flooring products market in the GCC. Declining oil prices have reduced public investments in some GCC countries, which might in turn lower growth for the flooring products market for the next two years.

The KSA is the hardest hit market: new contracts in construction dropped by 20%. Despite the drop in construction contracts, high demand for residential units, positive outlook for sectors such as transport, and banking financial services and insurance (BFSI) are expected to drive demand for the next five years. Though the KSA Government is likely to reduce budget, key infrastructure projects such as the MRT and airports are expected to drive the market demand for flooring products. These projects would help the KSA to retain its top market position.

Flooring Products Market Sales by User Segment, the GCC, 2016

Total Sales = 775.0 Million Sq. M



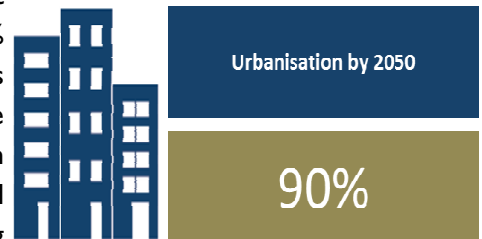
Source: Frost & Sullivan Analysis

The UAE's construction growth depends on increased infrastructure spending (in the run-up to Dubai's hosting of the 2020 World Expo) in accommodation, health, social development, education, public safety and economic affairs, environmental protection, manufacturing projects, culture etc.

Kuwait's five-year development programme for 2015-2020 is expected to be driven by investments in healthcare, educational facilities and new housing projects along with transport infrastructure projects.

Market Forces at Play

Rapid Urbanisation – The GCC is one of the fastest growing urban populations in the world. Around 85% of the GCC population lives in cities today and this is expected to increase to 90% by 2050. Governments are focusing on how to make urban areas function optimally, so they add to the quality of life and productivity. Several smart cities such as the King Abdullah Economic City in the KSA and Masdar City in the UAE are in the planning or under-construction stages in the GCC, thereby leading to an increase in demand for various buildings.

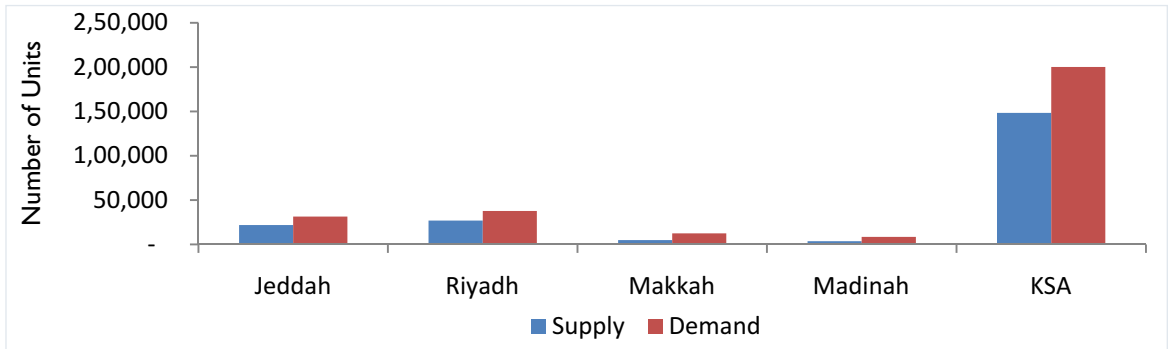


Though infrastructure development in the GCC countries was rapid to suit the growing needs of urban areas, it still lags the sufficient level of public infrastructure such as schools, healthcare, transport, and emergency services. Infrastructure spending is expected to fuel the growth of the construction sector in the next five years. Growth in schools, healthcare facilities, MRTs, airports etc. would drive the demand for flooring products.

Growing Population and Housing Demand - Though the GCC countries are oil rich, people find it difficult to buy homes; only the high-income group is able to afford land and homes because of the high cost of properties. For example, in Kuwait, the price of a home is 30 times the average gross income of a person aged 25 to 29. High unemployment rates among GCC nationals are another reason for low affordability. In the KSA, only 60% of the Saudi nationals own a house. This ratio is very low at 5% among non-Saudi nationals.

Residential unit supply is expected to grow at a CAGR of 2.7% from 2015-2019 whereas the demand would outgrow supply at a CAGR of 3.3% during the same period, leading to a shortfall of 51,708 units in the KSA.

Residential Unit Demand Supply, the KSA, 2015-2019



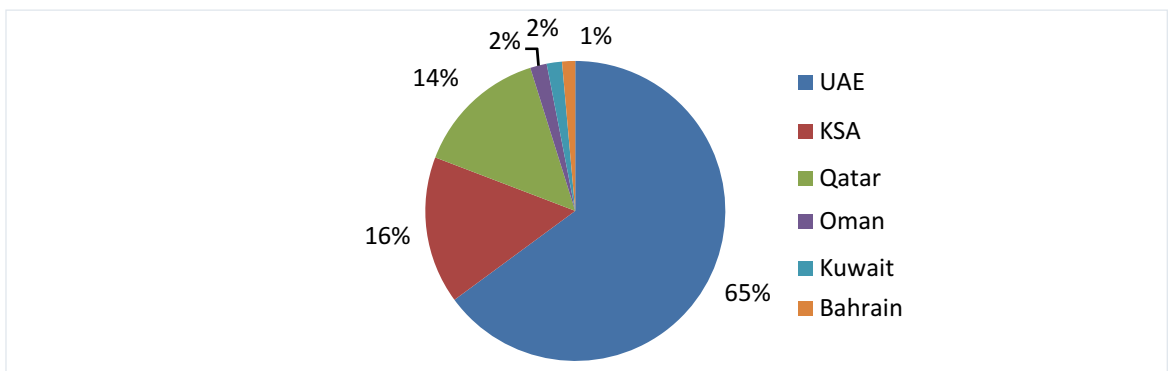
Source: Green Building Research Institute and Frost & Sullivan Analysis

In order to bridge the demand supply gap, the KSA Government is investing in low-cost affordable houses. The KSA and other Governments are also encouraging private investments in the housing segment.

Growth of Green Buildings – Growth of green buildings is seen as one of the indicators of the GCC’s commitment in achieving resource conservation targets and ensuring minimal degradation of the environment during the construction process. The UAE, the KSA and Qatar are the strongest adopters of this initiative in the region, which is backed by Sustainable Development Plans. As per the US Green Building Council, the UAE is the 10th largest country for green buildings with a LEED certified space of 3.64 million gross Sq.M or 180 projects. The LEED dashboard consists of several parameters that have to be addressed: energy and atmosphere, materials and resources, indoor environmental quality, sustainable sites, water efficiency etc.

LEED Certified and Currently Registered Buildings, the GCC, 2016

Total Projects = 1,402



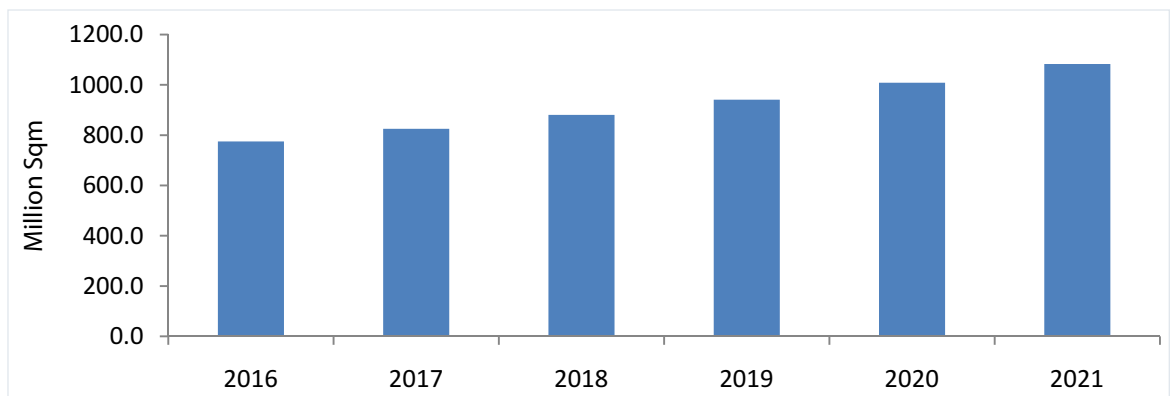
Source: Green Building Research Institute and Frost & Sullivan Analysis

Green buildings utilise environment-friendly raw materials to comply with Green Building Codes. Abu Dhabi's Estidama and Qatar's Sustainability Assessment System are some of the regional green building codes that encourage the use of sustainable raw materials such as stones, marbles, linoleum etc. The demand for these products is expected to increase in GCC buildings as green building codes encourage local sourcing of materials, thereby benefitting the local stone industry.

Flooring Products Market Forecast

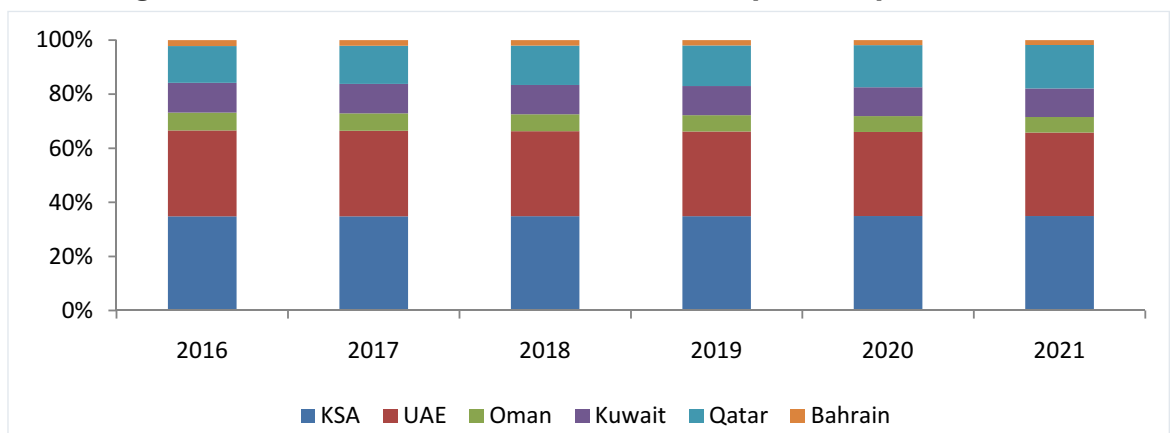
The flooring products market is forecast to grow at a CAGR of 6.9% from 2016-2021 to reach 1,082.7 million Sq.M. Growth would be supported by the evolution of industry standards and advanced technologies in manufacturing and installation of flooring products. Completion of real estate and infrastructure projects would increase the demand for tiles, stones, carpets, vinyl etc. This is also expected to boost the presence of domestic manufacturing companies in the GCC.

Flooring Products Market – Sales Forecast, GCC, 2016 – 2021



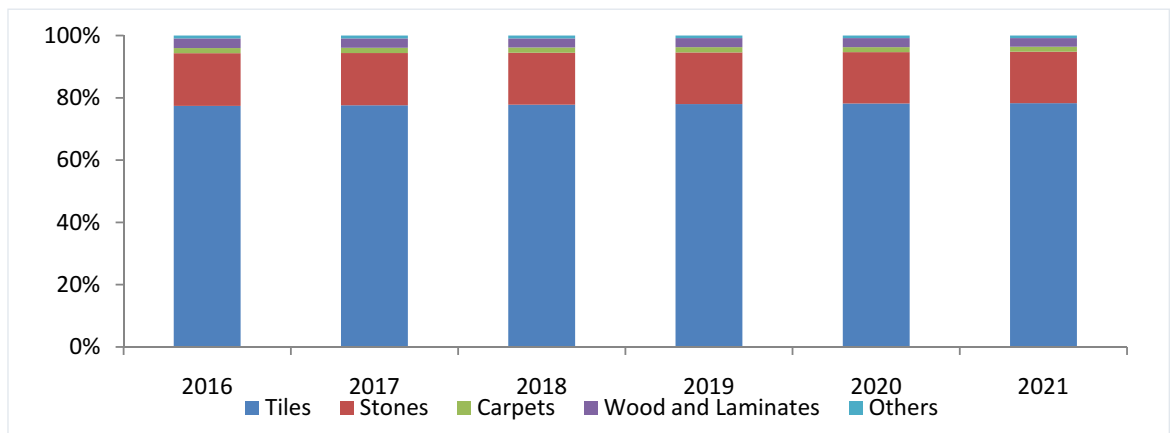
Source: Frost & Sullivan Analysis

Flooring Products Market – Percent Sales Forecast by Country, GCC, 2016 – 2021



Tiles are forecast to dominate the GCC market with a CAGR of 7.2% from 2016-2021 to reach 847.8 million Sq.M. Increasing focus on residential development and inclination towards high quality products is expected to boost the demand for tiles. High standard of living is common in the region because of the presence of high-net worth individuals and expats; this creates the demand for high-end residential development, thereby benefitting the GCC tiles market.

Flooring Products Market – Percent Sales Forecast by Products, GCC, 2016 – 2021



Source: Frost & Sullivan Analysis

The Stones market is projected to grow at a CAGR of 6.4% from 2016-2021 and is likely to reach 178.6 million Sq.M. Demand for stones is forecast to grow at par with the construction sector in the GCC. Growth in LEED certified green buildings would spike the demand for stones in the GCC. Growth in green buildings would also boost the domestic stone manufacturing industry; as per LEED requirements, marble or stone used in a green building should be quarried within an 800 kilometre radius of the building being constructed.

THE KSA FLOORING MARKET

Market Overview

The KSA is the largest economy in terms of GDP in the GCC. The country's economic growth slowed since 2012 on account of reduced oil output. However, growth picked up over the past couple of years, but again slumped to 1.2% in 2016, as global oil prices fell steeply. Over the mid-term, growth is expected to be moderate at a CAGR of 2.3% from 2016 to 2021 owing to the decline in oil prices. Economic growth initiatives and investments would drive the demand for building materials and flooring products in the KSA.

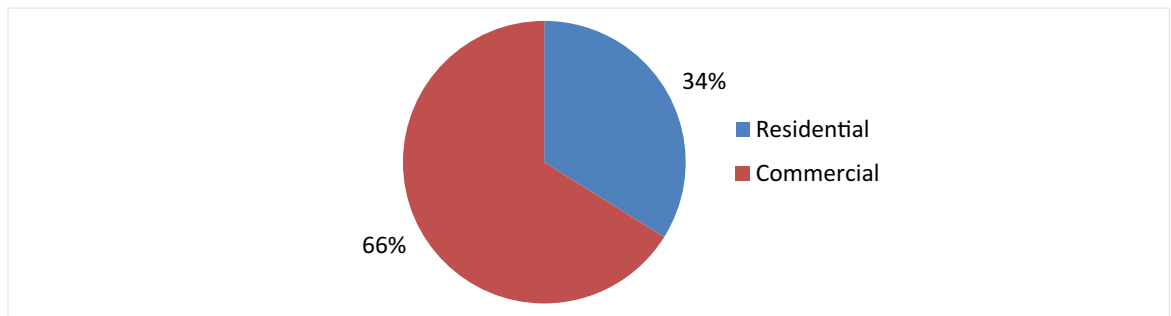
Flooring Market Size

To increase the private sector's share to 65% in the GDP by 2030, Riyadh is revamping its social policy to attract investments. In April 2017, the city announced to develop the largest entertainment, cultural and sports city by 2022.

The main aim of the 10th development plan is to create one million housing units by 2019: the Ministry of Housing has planned to provide 300 million Sq.M of land for constructing 300,000 houses. The real estate fund will finance nearly 250,000 housing projects and will provide 20,000 investment loans. The Kingdom plans to spend SAR 664 billion on areas such as transport, housing, and basic development. These are expected to create demand for low cost flooring products such as ceramic tiles in the next five years.

Flooring Products Market Size, the KSA, 2016

Total Sales = 269.7 Million Sq. M



Source: Frost & Sullivan Analysis

Rising tourism and pilgrimage activities in the holy cities of Mecca and Madinah would create additional demand for stones, carpets, tiles and other resilient flooring products.

Growth in domestic leisure demand, Meetings, Incentives, Conferences and Exhibitions (MICE), and increase in domestic tourism are expected to provide a boost to the hotel segment in cities like Jeddah, Riyadh, Mecca, Madinah and Greater Dammam. Riyadh is also expected to witness increased demand from the retail segment with plans of developing three large shopping malls. Therefore, we believe these cities should experience high demand for flooring products over the next five years.

THE UAE FLOORING MARKET

Market Overview

The UAE is one of the most important economic centres in the Middle East, with its flourishing trading and tourism sectors; Dubai, in particular, is considered a trendsetter in construction for the entire GCC. In a bid to position the UAE as an investment hub, the Government pushed forward several major construction projects across infrastructure, residential, and commercial sectors between 2011 and 2015. The Government also amended its property ownership policies, permitting non-UAE and non-GCC residents to have freeholds and leaseholds on properties, in certain areas of the country. This, in turn, is expected to be beneficial for the construction sector over the long term, in the form of Foreign Direct Investments (FDIs), which would bolster the demand for flooring products such as tiles, stones, carpets etc.

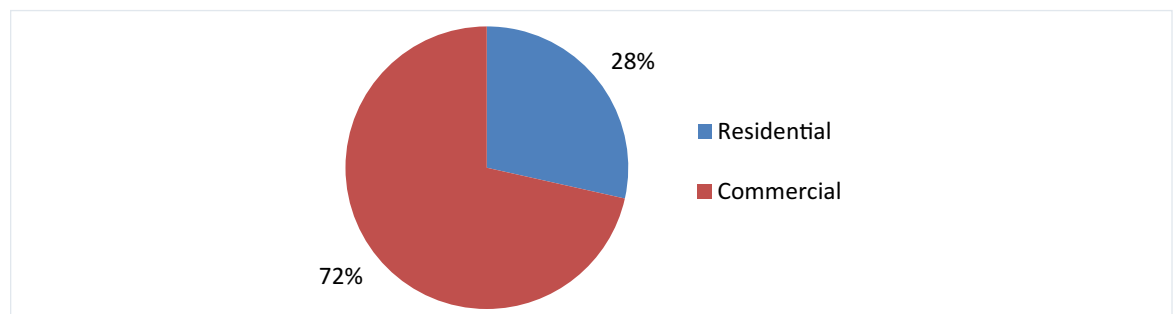
Flooring Market Size

In the run-up to the Expo 2020, the Dubai construction sector is poised to outperform the overall UAE market. This would make Dubai the biggest market in the GCC for flooring products. Infrastructure plans in Abu Dhabi such as Etihad Rail and Metro projects will further drive the demand for flooring products in the UAE.

Affordable housing is another key driver in the UAE, as the country faces challenges in housing its growing population. The UAE Government plans to develop residential complexes, schools, healthcare centres etc. especially in the Eastern region. Ministry of Public Works is developing housing complexes and standalone houses across different emirates. Sheikh Zayed Housing Programme by the UAE Government would develop affordable houses worth USD 88.2 million. These developments are expected to drive the demand for tiles more than other flooring products, as tiles are the low cost options available for project developers.

Flooring Products Market Size, the UAE, 2016

Total Sales = 246.5 Million Sq.M



Source: Frost & Sullivan Analysis

The hotel segment is expected to be a major demand driver for tiles, stones, carpets, wood and laminates. Tourism Vision 2020 has a strategic roadmap, which identifies theme parks and entertainment destinations as integral to attracting visitors. Growth in tourism would drive the demand for hotels and thereby for different flooring products.

QATAR FLOORING MARKET

Market Overview

Qatar has enjoyed significant economic growth in the past and is one of the richest nations in the world. Despite lower oil prices, the CAGR from 2016 to 2021 is projected to sustain the overall economic momentum at 2.8% on account of increased non-hydrocarbon activities. Qatar Rail Development Programme (QRDP) and National Tourism Sector Strategy 2030 would drive the growth of its construction sector. Infrastructure, healthcare, and education sectors have attracted major share of the budget for 2017. Demand for flooring products would continue to grow in pace with the developments in these sectors and the preparation for FIFA 2022 World Cup.

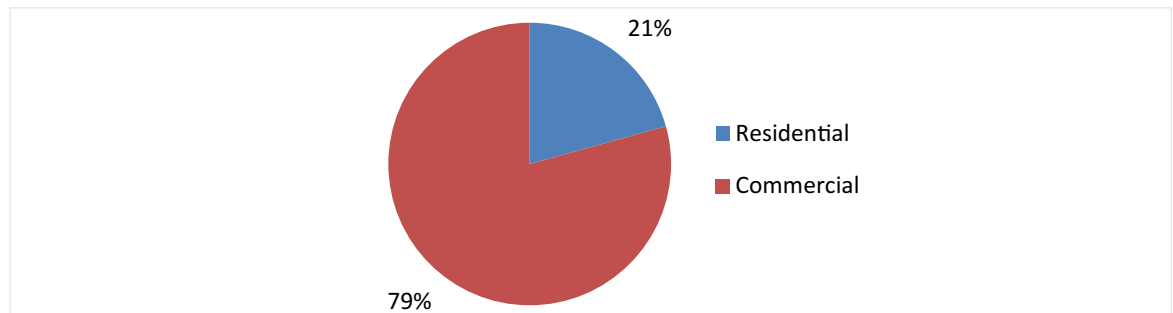
Flooring Market Size

Cost competitive flooring products are expected to witness high demand in Doha, particularly in mid-to-low segment housing projects because of Qatar's changing demographics. Falling property prices, in the long-term, would make Qatar a buyers' market, ensuring high demand for flooring products from the residential segment. The increasing number of expats is also driving the demand for residential units and flooring products.

Development of sports facilities such as Al Wakrah Stadium, Al Bayt Stadium – Al Khor City, Qatar Foundation Stadium, Al Rayyan Stadium and Lusail Stadium for the World Cup 2022 would increase the demand for flooring products with niche value-added features in the next three or four years.

Flooring Products Market Size, Qatar, 2016

Total Sales = 105.4 Million Sq. M



Source: Frost & Sullivan Analysis

Qatar’s hospitality sector is expected to grow at a CAGR of 10.0% in the next five years, as the sector’s long-term outlook remains strong and robust. Between 2015 and 2020, approximately 17,000 rooms are expected to be added annually.

The Last Word

Flooring products segments within the building materials industry are witnessing rapid changes due to Mega Trends like urbanisation and mega cities, Gen Y, Future of Energy, and Smart is the New Green.

Mega Trend	Market Trends
Urbanisation and Mega cities	<ul style="list-style-type: none"> • Mega cities such as Riyadh and Dubai are the major regional economic drivers with significant influence on developments in the GCC. The GCC is seeing determined leadership with policy priorities and reforms to enable mega cities to accommodate future growth in housing, healthcare, education institutions, hotels, leisure and entertainment and sports centres, shopping malls etc. • Connectivity is identified to be the key for growth of future mega cities in the GCC. This leads to investments in infrastructure such as roads, railways and airports.
Gen Y	<ul style="list-style-type: none"> • Middle East’s Gen Y would account for one-third of the total population by 2025. Gen Y workforce in the region is exceptionally driven, demanding, influential and increasingly affluent. • Gen Y is living through a period of rapid change and its expectations are vastly different from that of the previous generations. • The GCC’s Gen Y is known for digital aptitude, attitudes and expectations, and tends to be high spenders for unique experiences to remain at the forefront of technology.
Future of Energy	<ul style="list-style-type: none"> • The GCC countries not only have large reserves of oil and gas but high potential for energy from renewables such solar and wind power. • Renewables are given high priority today to develop a sustainable economy. • A number of solar power projects are underway in each of the countries to reduce their dependence on fossil fuels. • The GCC countries have high potential for any new renewable/ energy efficient products.
Smart is the new Green	<ul style="list-style-type: none"> • The GCC is a heavy investor in smart cities for urban innovation and development. • Some of the smart city projects announced include six Greenfield economic cities in the KSA (complemented by efforts to uplift cities: Mecca toward Smart City status), Lusail’s Smart and Sustainable City, Pearl-Qatar Island, and Energy City in Qatar, Masdar City in Abu Dhabi and Smart City Dubai. • Key elements of smart cities are smart energy, smart buildings, technologies, mobility, grids etc.

Implications of Mega Trends on the flooring products market in the GCC: Gen Y being a global generation would bring the global trends in flooring products to the GCC sooner than later. In their quest for unique experience, Gen Y customers would show interest in designing the tiles themselves as per their tastes and preferences. Hence the GCC could see demand for highly diversified tiles in terms of designs, shapes and sizes.

With the GCC becoming a net consumer of energy, each Government is implementing supply- and demand-side measures to reduce energy consumption in buildings by using energy efficient buildings materials. The GCC has always been the Middle East's trend setter by adopting smart and green concepts for sustainability in buildings. Going by this prior trend, energy harvesting tiles generating electricity for low-power applications have high market potential in the GCC.

Smart and intelligent tiles that are used for medical monitoring and surveillance also have high growth potential in the GCC. With the tourism sector as one of the main drivers for economic diversification, the GCC has high requirements for safety and security. Demand for safety and security arises with the development of the MICE segment as well. Hence there is a demand for surveillance in the GCC. Prototypes of intelligent tiles that can translate footsteps into images captured by cameras embedded in the tiles have been developed in Germany. These images are then used to identify people and objects based on foot position and body posture. The GCC stands to benefit from the commercialisation of such intelligent tiles.

Suppliers of flooring products need to stay abreast of rapid developments in the market, regionally and globally; to achieve a well-diversified portfolio through differentiation based on customised products. Investments to study subtle shifts in consumer preferences for market segmentation, and develop suitable supply chains, and marketing and promotional activities to create brand value would contribute to internal growth.

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