

An aerial photograph of a city skyline at sunset. The sky is a gradient of blue and orange. Several skyscrapers are visible, including a prominent one with a golden facade and a distinctive top section. In the foreground, a modern building with glass balconies is partially visible on the right. The overall scene is illuminated by the warm light of the setting sun.

# GCC BUILDING CONSTRUCTION AND INTERIORS MARKET

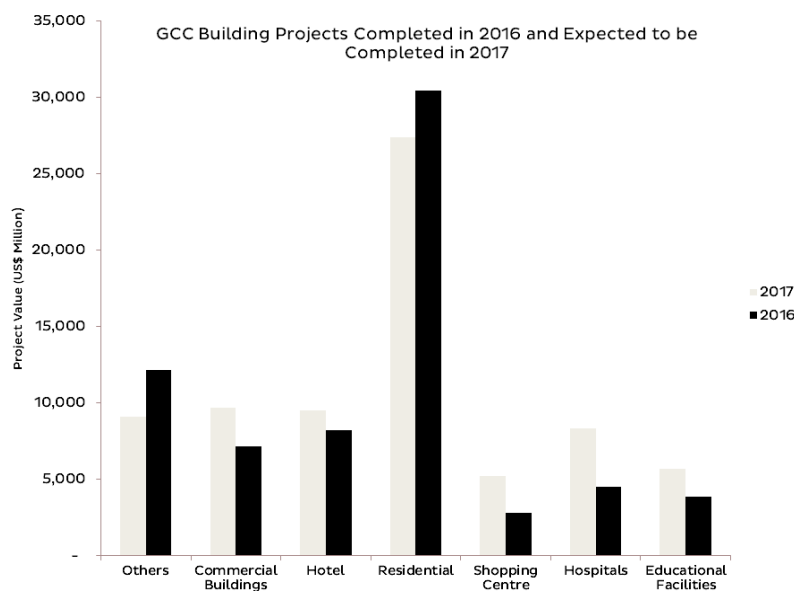


This study on the GCC building and interiors industry focuses on the developments in the following sectors of the building construction industry:

- Commercial real estate sector
- Hotels sector
- Residential sector
- Retail sector (comprising shopping malls)
- Hospital sector and
- Education facilities sector

The GCC interiors design and fit-out industry is propelled by huge building projects across the region. In 2017, US\$ 74,836 million worth of GCC building projects are expected to be completed across segments including residential, commercial, hotels, retail sectors, medical, education facilities projects, which is an increase from US\$ 69,176 million in 2016 (refer Figure 1).

Figure 1: GCC Building Construction Projects Completed in 2016 and Expected to be Completed in 2017 Split by Sector (US\$ Million)



Note: Figures are as of 2<sup>nd</sup> February 2017. Others segment includes airports, recreational facilities, sports facilities and others. Source: Ventures Onsite MENA Projects Database: [www.venturesonsite.com](http://www.venturesonsite.com)

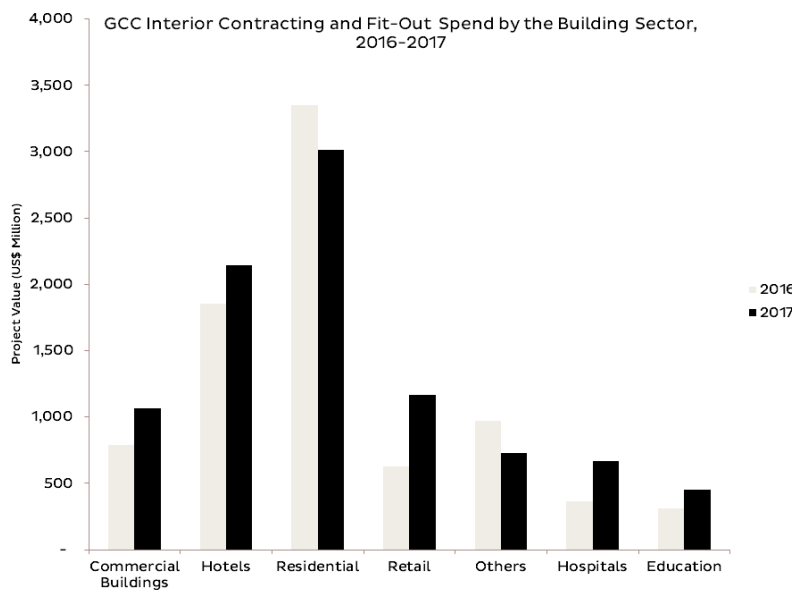
A surge in construction activities influences growth in the GCC interiors and fit-out market, which constitutes approximately 10 to 22 percent of the average construction project value. With the falling oil prices, many developers in the GCC region are looking forward to providing a facelift to their existing project structures to meet new demands of the people.

Currently, developers and owners are investing heavily into strengthening their business development despite budgets belts tightening in the region due to

fluctuations in oil prices. There is a renewed emphasis on refurbishment as owners look to re-invent existing structures to serve new needs and demands, while the introduction of green building ratings and codes have forced a change in mind-sets across the industry. Fit-out contractors are now asserting their dominance and vitality in a market increasingly in need of their services.

Tendering for the right project within the market’s current climate remains a crucial element for a company’s long-term sustainability for projects. Planning, phasing and programming are all essential aspects while undertaking large-scale refurbishment projects. Flexibility, at the fit-out contractor’s end, is also fundamentally important; to be able to accommodate any last minute changes to the design or the project timeline, which almost always happens with all large projects.

**Figure 2: GCC Interior Contracting and Fit-Out Spend by the Building Sector, 2016-2017 (US\$ Million)**

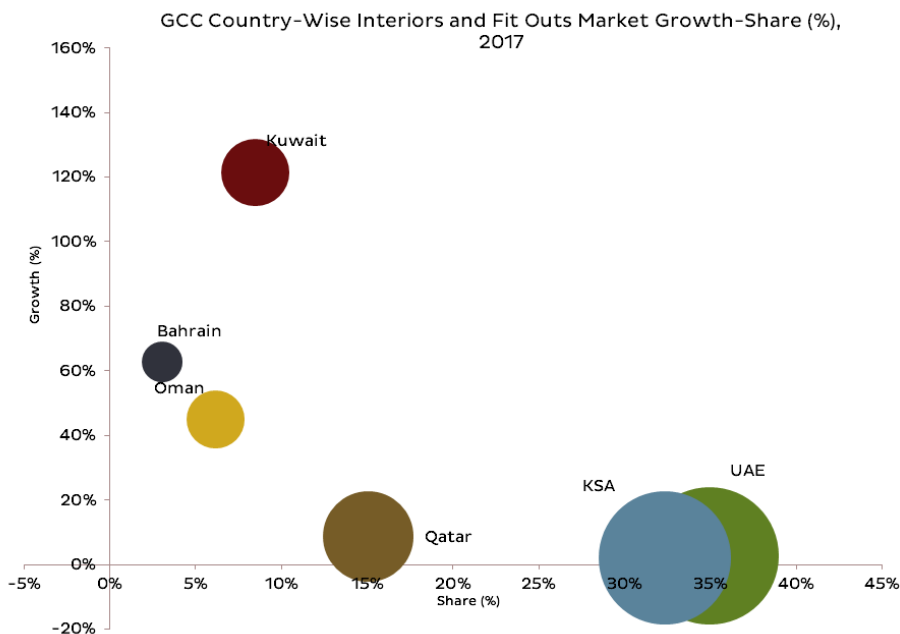


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The GCC interior and fit-out spend by the building sector is estimated to be worth US\$ 9,230 million in 2017, an increase from US\$ 8,262 million in 2016. The residential and hotels sectors are likely to attract the most investment in 2017 and 2018 attributed largely to strong population growth and tourist arrivals during mega events (refer Figure 2). These figures are indicative of the growing importance of interiors and fit-out contracting as a market segment in the construction industry. New buildings add only one percent to building volume each year and the remaining 99 percent of buildings require regular renovation and refurbishment to stay in good shape and meet modern standards.

The UAE is clearly spearheading the interiors and fit-out spend in the GCC region followed by the Saudi Arabia (KSA) and Qatar (refer Figure 3). The UAE's interior and fit-out contracting market is expected to register 15 to 20 percent growth by 2017-end as the country gears up to hosting the Dubai Expo 2020. The event will award 47 construction contracts worth US\$ 3 billion in 2017 as preparations continue to gather pace. While 2016 was an important year for design, 2017 is when the momentum of construction will really build, ahead of international participants beginning work on their pavilions in 2018. The UAE is currently promoting energy efficient renovations on existing buildings. Also, heritage conservationists are calling for an in-depth study of buildings that evoke memories of the UAE's development. A law to preserve century old buildings has been passed by the FNC and is awaiting the government's approval.

Figure 3: GCC Interior and Fit-Out Spend, Growth versus Share by Country, 2017



Source: Ventures Onsite MENA Projects Database: [www.venturesonsite.com](http://www.venturesonsite.com)

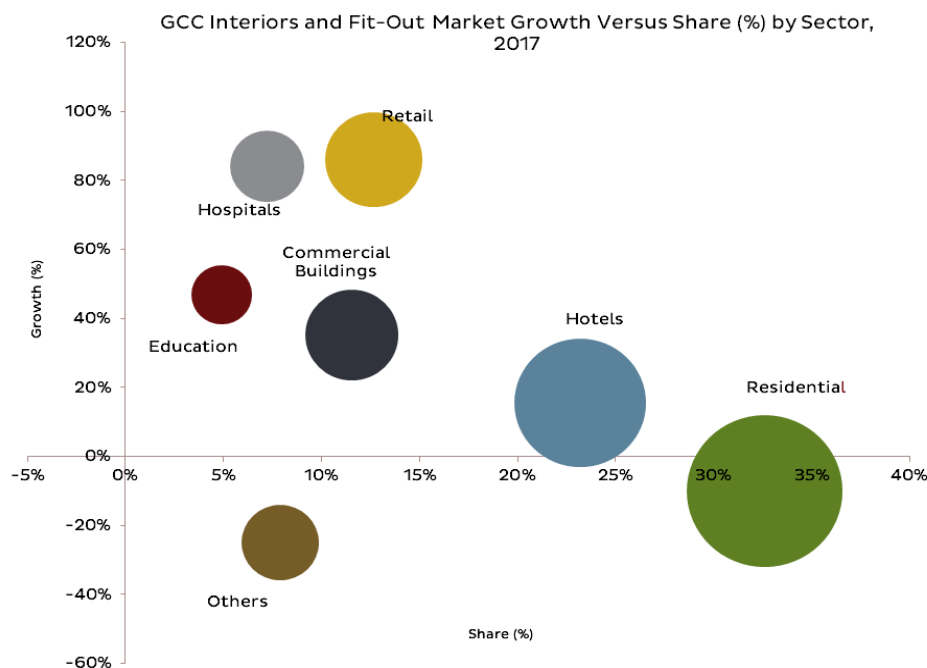
KSA has the largest construction market in the GCC and scores highly for the amount of investment made in the economy. Industry experts have estimated that spending on interior finishing items in KSA will grow by 13.7 percent by 2017, which is attributed to the National Transformation Plan (NTP) 2020 and Saudi Vision 2023. In addition, KSA and the UAE have undertaken major renovation and refurbishment programmes, respectively, to upgrade old public buildings using sustainable products and smart technology.

Although Qatar announced a deficit in its budget, the country is currently spending of US\$ 500 million a week on capital projects in preparation for its World Cup 2022. This level of spending is expected to continue up to 2021 with

mega-projects under construction across the country, which is likely to provide more opportunities for interior and fit-out investors and developers. Qatar issued 574 new construction permits in December 2016 for residential and commercial projects. New buildings for housing and business purposes topped the list, receiving 356 permits from the country's municipalities. There were 163 permits for small house and villa construction while the rest covered small houses and building expansions.

In 2017, the residential sector is likely to continue to maintain its position as the largest market for interiors and fit-outs in the GCC followed by the hotels sector (refer Figure 4). The residential sector is certainly a trending sector in the GCC as the governments make housing a priority in their agenda to cater to the needs and demands of the young and growing local population. Owners of existing structures, whether residential or hotels are under pressure to optimise the value of their projects by refurbishing them. Some of the buildings in the GCC region are quite old and renovation and refurbishment is needed in order to maintain their market value. Majority of hotels in the GCC have crossed the seven-year operational threshold and many are in need of renovation and refurbishment. As the hotels market is very competitive, it is likely to push the current hoteliers to re-invent their offering and hence interiors and fit-outs form an important part in their agendas.

Figure 4: GCC Interior and Fit-Out Spend, Growth versus Share by Sector, 2017



Note: Others segment includes airports, recreational facilities, sports facilities and others. Source: Ventures Onsite MENA Projects Database: [www.venturesonsite.com](http://www.venturesonsite.com)

# Conclusion

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Constant innovation and ever-changing personal preferences make interior design and fit-outs one of the fastest growing industries in the GCC region. Alongside growth comes increased competition and owners and employers are finding themselves challenged with meeting a plethora of design, sustainability, cost, time and functionality specifications. According to industry expert, with the market becoming very price-sensitive, interior and fit-out contractors must be able to differentiate between offering value and being the lowest bidder, if they want to be successful and competitive.

Sustainability is likely to be the key trend the GCC's fit-out contracting market, especially in the wake of the introduction of green building codes and rating systems. Sustainable solutions are gaining momentum in the market as the understanding around environmentally-responsible projects grows.

The GCC is overbuilding on an epic scale despite the slowdown in economic growth due to oil price fluctuations. Contractors in the GCC should consider themselves fortunate to be positioned in a region that is still very active compared to many other parts of the world despite low oil prices. With the current slowdown in the market and the fast-approaching dates for Expo 2020 and FIFA World Cup 2022, developers and consultants are bound to turn their attention towards providing high-quality refurbishments to their existing projects, in turn fuelling the demand for interiors and fit-out contractors. The value of projects in the construction and interiors pipeline is four times the value of projects completed in the past 10 years. Interiors and fit-out contractors are likely to come up with new and creative technologies in order to meet the growing demand in the coming months.

The UAE demonstrates the largest market in terms of construction projects lined up for completion, followed by KSA and Qatar, thereby making it the biggest interiors and fit-out market in 2017. These three countries among the GCC have attracted international acclaim for undertaking the world's largest investments across building up of its residential, hotels, retail, educational sector and healthcare sectors, also pointing to the massive opportunity for the interiors and fit-out markets that lies in these segments. Kuwait is also catching up to Qatar due to massive plans laid out in the development plan of its government, thus providing growth and expansion for interior and fit-out business.

Among the sectors, the hotel, healthcare and education sectors are particularly exciting with numerous [new developments](#) being announced, which require innovative and creative interior design and fit-outs. Therefore, there is likely to be growing demand for quality interior and fit-out solutions due to hectic construction activity in the GCC countries in 2017 and beyond.

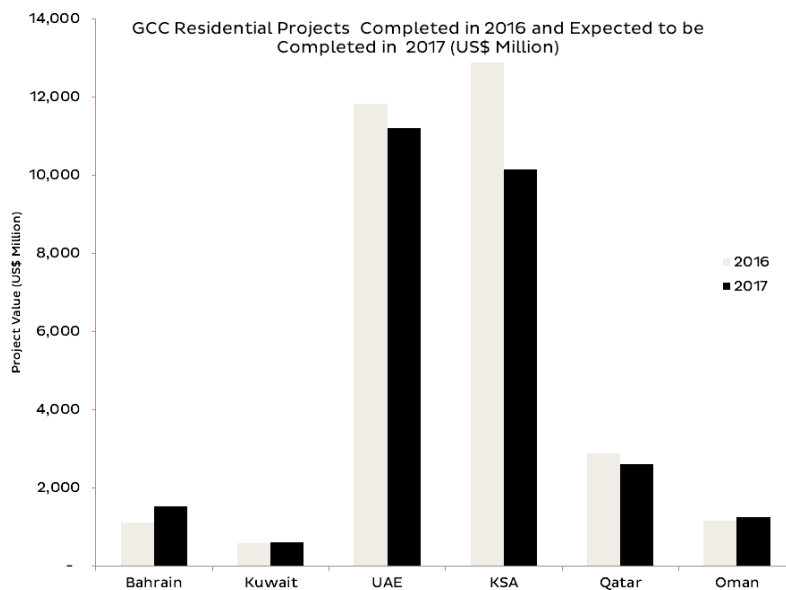


# GCC RESIDENTIAL MARKET OVERVIEW



The GCC region has witnessed rapid demographic changes, including the influx of expatriates, which in turn has increased the region’s overall population. Along with the rise in per capita income, it has increased residential units’ demand in the region. Moreover, within the residential sector, there is likely to be a continued shift of activity towards the affordable sector. The GCC residential projects expected to be completed in 2017 is estimated to be worth US\$ 27,364 million, which is a decrease of US\$ 30,467 million in 2016. The decrease is due to the slowdown in the residential property market.

**Figure 9: GCC Residential Sector Projects Completed in 2016 and Expected to be Completed in 2017 by Country (US\$ Million)**



*Note: Figures are as of 2<sup>nd</sup> February 2017. Source: Ventures Onsite MENA Projects Database: [www.venturesonsite.com](http://www.venturesonsite.com)*

The UAE (US\$ 11,215 million) is likely to lead in the expected projects to be completed in 2017 followed by KSA (US\$ 10,145 million) and Qatar (US\$ 2,606 million).

Unfazed by slowdown in the market, new developments continue to spring up in the UAE. The overall UAE market is much more suitable for long-term indulgence, one where attractive rental returns and natural capital value gains keep the stakeholders engaged. The UAE residential sector, spearheaded by its two major markets Dubai and Abu Dhabi, appears well geared to make positive strides in 2017. UAE-based real estate developers are pushing the idea of ‘going affordable’ and the results of this move show in the residential movement across the emirate. Demand for affordable housing is likely to remain strong in the coming years. In Dubai, there are 35,000 units currently scheduled for completion in 2017, which would bring the total amount of residential units on the market to 502,000. In Abu Dhabi, only 3,100 new units were completed, bringing the total stock to 248,000. Some 5,000 units are due for completion in 2017.



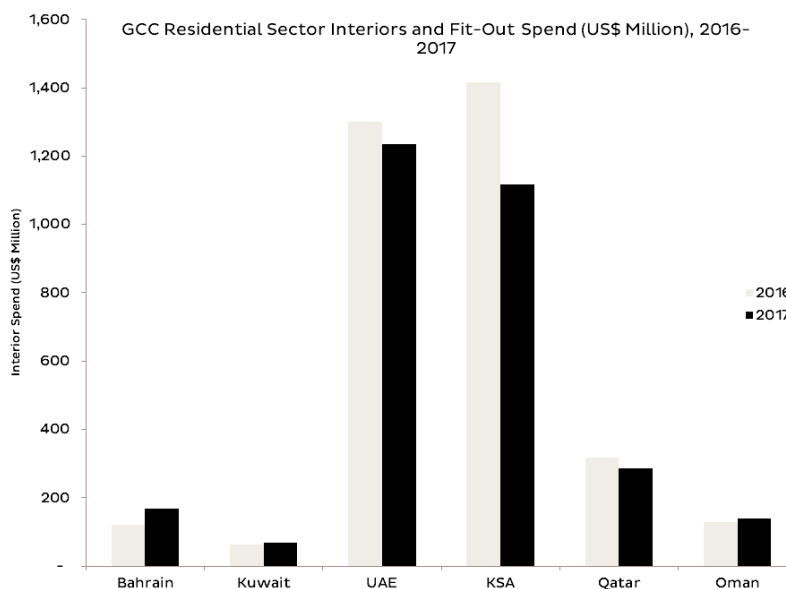
The new white land tax law introduced by KSA will result in a fundamental change in the country’s real estate market and help stimulate further development to address the severe shortage of middle income housing. KSA’s real estate industry is poised to witness solid growth and development in the coming years due to the new legislations on mortgage reforms, the new building code system for the kingdom and the white land tax plan. At current population growth rate, demand for residential units in the kingdom ranges between 150,000 to 200,000 units a year, with some four million new units needed over the next 15 years, as the national population grows.

For Qatar, the growing population and influx of expatriates drive contractors and developers to develop urban communities targeting the middle class and luxury homes despite the slowdown in the economy. Residential construction growth will also be driven by the Qatar National Vision 2030, through which the country looks to become a developed nation by diversifying its economy, achieving sustainable development and providing a high standard of living for its population. In a market hit by the falling price of oil, it is hoped new residential developments ahead of the 2022 tournament will spark a revival.

### ***Interiors and Fit-Out Market in the Residential Sector***

The GCC interiors and fit-out spend in the residential sector is expected to decrease from US\$ 3,351 million in 2016 to US\$ 3,010 million in 2017. The UAE (US\$ 1,234 million) is expected to lead the market followed by KSA (US\$ 1,116 million) and Qatar (US\$ 287 million) in 2017 (refer Figure 10).

**Figure 10: GCC Residential Interiors and Fit-Out Spend by Country (US\$ Million), 2016–2017**



*Note: Figures are as of 2<sup>nd</sup> February 2017. Source: Ventures Onsite MENA Projects Database: [www.venturesonsite.com](http://www.venturesonsite.com)*

The UAE is expected to be the biggest spender in the GCC on home interiors and fit-outs, which in turn is making international interior fit-out companies keen to expand in the country. There is a growing interest from expatriates to buy homes in the UAE, and residential sector is the biggest contributor to the demand for interiors and fit-outs.

### Major Projects in the Residential Sector

The following table represents the list of top residential projects expected to be completed in 2017 across the GCC.

Table 3: Major GCC Residential Projects Expected to be Completed in 2017 by Project Value (US\$ Million)

PROJECT NAME	EST VALUE (US\$ MN)	COUNTRY
Wadi Qortuba Project in Riyadh	900	KSA
Grand Views at the Meydan City	735	UAE
Ruwais Housing Complex Expansion Phase IV – Married Employees Accommodation in Ruwais	700	UAE
Mohammed Bin Rashid (MBR) City - District 11	600	UAE
West Yas – Zone K - Residential Development	600	UAE
Polo Residences in Meydan City	572	UAE
Naseej Affordable Housing	550	Bahrain

Source: Ventures Onsite MENA Projects Database: [www.venturesonsite.com](http://www.venturesonsite.com)

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GCC IMPORT,  
EXPORT, RE-EXPORT  
STATISTICS OF  
MAJOR INTERIOR  
ITEMS

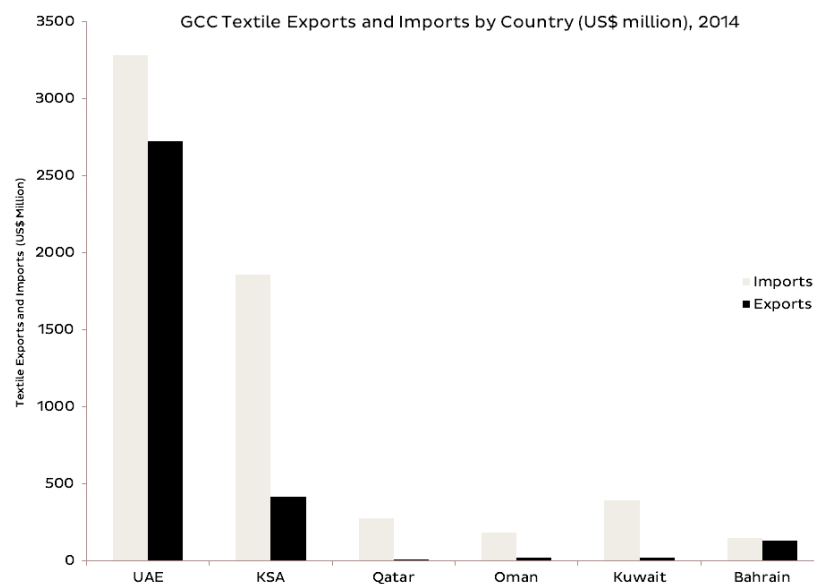




The trade statistics of four interior categories, namely, textiles, furniture, lamps and lighting fittings and bathroom ware are explained below.

The textile industry is growing fast in the GCC where some countries are emerging as textile manufacturing and trading centres. Exceptional textile industry growth in the Gulf region is concentrated in the UAE. According to experts, the textile industry is vital to the growth of UAE's economy due to its contribution to the industrial output, employment generation and foreign exchange earnings. The trade organisations in the country are hopeful that UAE will exhibit furthermore growth and profitability through the bulk import and re-exporting of textiles and textile articles, particularly from China and India in the time to come.

Figure 17: GCC Import-Export of Textiles by Country (US\$ Million), 2014

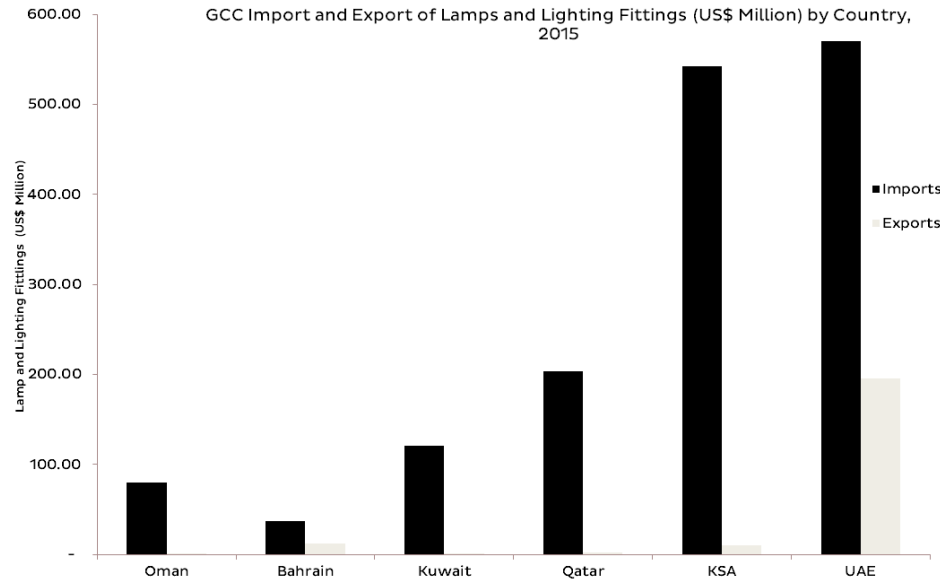


Source: World Trade Organization, [www.wto.org](http://www.wto.org)

Despite a softening of the GCC construction sector amid a stuttering global oil price recovery, business in the regional lighting fixtures market appears to be booming. Utilising lighting effectively on skyscrapers, residential developments, roads, highways and public realm is central to achieving both design and energy efficiency goals. Economic diversification and green infrastructure investments have put the GCC lighting systems market on a double-digit growth path. GCC's lighting systems market is projected to grow in the next five years, powered by high demand in the UAE, KSA and Qatar. Experts believe that the demand for the latest in lighting fixtures and technology in the GCC continues to be high, with upcoming mega events such as the Dubai Expo 2020 and 2022 FIFA World Cup posing as catalyst for regional growth. Increased demand for energy efficient lighting solutions in the GCC is spurring fresh growth for the LED market as the sustainable and long-lasting luminaire looks to dominate the regional architectural and public lighting landscape. The GCC LED lighting market is likely

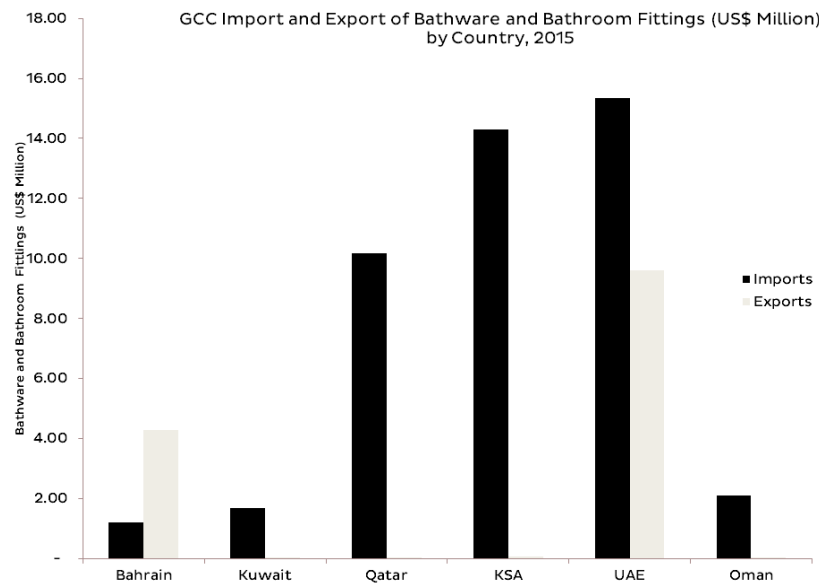
to grow 17% by 2021. The GCC lighting systems market is expected to surge to US\$ 3.5 billion by 2020.

**Figure 18: GCC Import and Export of Lamps and Lighting Fittings by Country, (US\$ Million), 2015**



Source: United Nations Commodity Trade Database, [comtrade.un.org](http://comtrade.un.org). Note: 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 19: GCC Import and Export of Bathware and Bathroom Fittings by Country (US\$ Million), 2015**



Source: United Nations Commodity Trade Database, [comtrade.un.org](http://comtrade.un.org). Note: The dataset is a ballpark indicator of the product export, import and re-export levels and cannot be used for exact

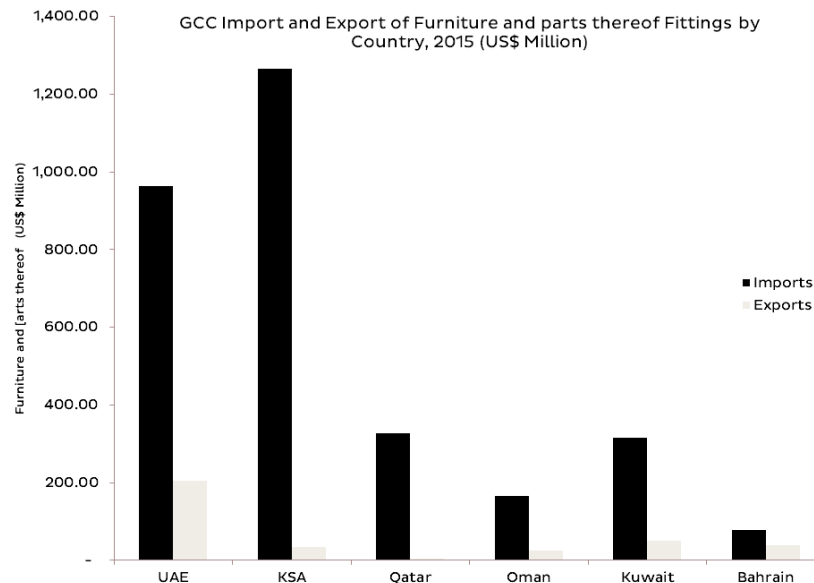


annual comparison purposes. Baths, shower baths, and washbasins of plastic are taken as Bathware and bathroom fittings.

With a significant proportion of the new hotel pipeline in the GCC, stronger demand for its bathroom fittings and accessories is anticipated over the coming months.

The furniture market in the GCC has grown strongly in the last decade. KSA's furniture industry is one of the most vibrant and fastest growing industries in the GCC. The furniture business in KSA is likely to develop at a CAGR of around 11% amid 2016-2020. Furniture imports value is anticipated to grow to 14% by 2017 making KSA one of the most attractive markets in the GCC. The UAE is home to nearly 36% of the furniture factories of the GCC, reflecting the growth in the domestic furniture sector and increase in demand for imported timber from global and regional markets.

Figure 20: GCC Import and Export of Furniture and parts thereof Fittings by Country (US\$ Million), 2015



Source: United Nations Commodity Trade Database, [comtrade.un.org](http://comtrade.un.org). Note: The dataset is a ballpark indicator of the product export, import and re-export levels and cannot be used for exact annual comparison purposes. Other furniture and parts thereof are defined as Furniture and parts thereof fittings.

Overall, the GCC region, over the years, has proved to be a highly attractive market for investors and developers in the construction and interiors industries in terms of trade.

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