GCC Construction Industry

June 23, 2015

ALPEN CAPITAL
Investment Banking

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"Qatar is one of the fastest-growing business centers in the world. Building and Construction is a major contributor to employment and the economy. Credit issued by banks to this sector has increased significantly in recent years. As the economy of Qatar continues to grow, the government is investing heavily in developing the country's infrastructure, particularly, in preparation for the Qatar 2022 World Cup. To meet these challenges and create a thriving investment environment, the authorities should strengthen macro-fiscal capabilities by accelerating the deepening of Qatar's capital markets and sources of funding."

Mohammed Sultan Al-Jaber,

Chairman

Al-Jaber Group W.L.L., Qatar

"The Construction Sector in Oman has been buoyant over the last few years on the back of significant spending by the Government. Consequently, most players have developed sizeable order books. However, we are already seeing the impact of low oil prices on new project announcements which have significantly tapered down. To counter this, the Oman Government recently announced that they would maintain spending, which is expected to keep things moving. In the wider GCC region, challenges associated with lower oil prices will be more tempered in economies like Qatar due to World Cup 2022, UAE due to Expo 2020 and Saudi Arabia due to its large size.

Other than the headwinds emanating from a possible slowdown in this sector, other challenges include widening working capital cycle (associated increase in interest costs), receivables management, and intense competition levels—all of which combine to impose significant pressure on profit margins. Some large but inefficient players along with smaller companies are likely to face survival issues going forward.

If the Oman Government's impetus on tourism translates into action on the ground in the form of private sector participation, then we should see a fair amount of tourism related construction activity driving this sector post 2016. Additionally, the ambitious Railway project, if it goes ahead as planned, will be the fulcrum of construction related activity going forward.

The only way to maintain and increase profit margins is to become more efficient. We are seeing major players attempting to strengthen management bandwidth and improve internal controls in order to increase efficiencies and manage wastages / cost leakages. Another trend is geographical diversification – some players have diversified their operations to non-GCC countries to reduce dependence on the region. We expect to see more such moves in the near term.

On the whole our outlook on the construction sector remains positive and irrespective of the slowdown in oil prices, our orderbook remain buoyant."

Balakrishna R.P,

CEO

Services & Trade Company LLC

"With heavy focus on development of infrastructure, economic cities, airports, public programs etc. the GCC Construction Industry is currently experiencing a booming phase. Local governments are spending heavily on social infrastructure including housing, retail, education and health. This is to cater to the region's growing populations and also to create a platform to attract private investment in the economies. Saudi Arabia is the largest participant in GCC's construction boom, with ongoing development of several industrial zones and economic cities, airports, ports and rail-road infrastructure. UAE is looking to tap into the tourism market as it looks to host the Expo2020 giving boost to construction activity including new buildings, transportation and infrastructure projects. With plans to host the 2022 Football World Cup, Qatar is undertaking a huge tourism program including development of hotels, retail centers along with a transportation infrastructure to support the event. Similar industrialization and infrastructure projects are planned by Bahrain, Kuwait and Oman.

The growth opportunities are not without challenges. Some of the major challenges facing GCC construction industry are meeting tight completion deadlines, pressure on available resources, potential for cost inflation, need to balance local employment and expatriate workforce, need to strengthen business and employment laws and regulations and regional stability.

Focus on operational excellence and safety through strong regulations will improve construction standards, resulting in efficient, cost effective, economical and safe construction. This is particularly relevant considering the resource constraints that the future construction plans are likely to impose. Governments have to establish and enforce construction standards to create a level playing field for safety conscious contractors.

GCC construction sector has witnessed more efficient and technologically advanced construction techniques being employed, geared to achieve its ambitious completion targets. Examples include modular design and offsite construction technology. Demand for pre-engineered buildings which are assembled and erected on site will continue to grow as speed of construction and labor efficiency are significant project drivers. Post tensioned structural design will also grow as building owners strive to control construction costs. Another growing trend is the use of cold formed steel for small ancillary buildings. There is also an orientation towards "green" construction practices. GCC governments have also stepped up affordable housing and social infrastructure projects in the wake of high population growth and demand for public reforms and welfare programs.

GCC governments need to ensure that their economies maintain the growth plus emphasis on infrastructure development continues, as construction sector is a mainstay of economic growth and infrastructure development. As local governments work to strengthen their economies, the construction sector will benefit directly, through government fiscal spending on infrastructure projects, and indirectly through increased private demand".

Ahmed Al Bassam,

CEO

Building Solutions, Alrajhi Holding

"While the oil prices have dropped, most GCC countries are proceeding with their earlier plans for development; in particular, the government of Oman has set aside a significant budget for infrastructure projects. All these projects will have a positive impact on the construction industry and in the long run benefit the economy of Oman as it will create long term and sustainable employment opportunities.

Having said that, many challenges still exist in the construction industry. The scales of projects have increased and so has the complexity of each project. There is also a shortage of talent that has the necessary skills sets and technical experience to handle such projects. Attracting the right talent pool to Oman has become a bigger challenge due to talent being divided across large scale projects happening in other GCC countries like Saudi, Qatar and UAE. Added to this, clients have become a lot more cost conscious and also want projects to be completed in shorter durations.

A few trends that we have observed are contractors and clients are involving consulting lawyers and arbitrators a lot more before signing on contracts. Clients are mandating for more stringent qualifications and financial records for contracting companies to bid for projects. This is in turn will clean out the non-performing contracting companies. It is now mandatory that all contracting companies become a part of the Oman society of contractors. This will have a positive impact on both client and contractors as contracting companies will be able to raise their genuine concerns through a proper registered body. Clients are also contemplating an additional payment (bonus) to the contractor if they finish the project ahead of agreed schedule.

Going forward, we believe the Construction Sector in Oman will be benefited if payment schedules can be consistently adhered to. This is paramount to safe guard the project's timely completion s as well as the larger interest of the economy. Payment cash cycles need to be clearly understood by client and contractor so that work gets expedited. Moreover, a focus by the government on strong vocational and educational institutes that enables young Omanis to join the workforce will only broaden skill sets and thereby qualitatively benefit the Construction sector in Oman."

Yusuf Nalwala,

Managing Director

Al Ansari Group

"Despite the oil price fluctuations, the construction activity in the GCC will remain stable. Most projects that have been started will be completed and new key government projects will be awarded. Also, demand driven projects (like residential and hospitality projects) will continue.

Challenges in the sector prevail. Strong competition from existing players and new entrants who come from recession-hit markets, will put pressure on margins and increase risk appetite of contractors who wish to maintain growth in backlog. Current contract conditions and payment cycles are also challenging for contractors. These will result in delayed project delivery and contention between clients and contractors.

These challenges are somewhat mitigated due to a High population growth in the region which leads to a rise in demand for construction related activities.. Additionally, the need to increase economic activity to maintain growth in GDP and incomes will aid growth in this sector.

Recent trends include the move towards large social infrastructure projects and less iconic projects; more IRR driven decisions as opposed to visibility/publicity factors; and a move towards the use of contractor financing and export credit."

Rashid Mikati,

Executive Director

Arabian Contracting Company

"The construction industry in Bahrain is expected to substantially grow in the near future with a lot of Ministry and housing projects in progress. There is a continuous increase in demand in real estate and an increase in focus by the government to expand housing and tourism. The multiple international sporting events which are being organized across the GCC including Bahrain will also help in contributing towards the growth in the construction industry in the region.

However, the growth comes with a few challenges; some of the biggest being the supply chain difficulties and shortage of skills across all trades of construction. Focusing on recruitment of young and dynamic engineers with new expertise, will ensure a bright future for the industry. Other challenges include lower oil prices and the impact that it will have in the long run, and added pressure to be more resourceful in sourcing materials due to increased competition in the industry. Bahrain also faces shortage of affordable housing which is a pressing priority but also a key drive for the sector. However, the situation is now changing and low-cost housing is now a major focus to both the public and private sectors.

Companies are now using environment friendly technologies in their machinery, equipment and office supplies. The society is becoming more conscious about being environmentally friendly which is a good move and this will eventually help the industry as the government has decided to cut down costs on subsidies like water and electricity.

The public sector buildings, infrastructure and institutional buildings, commercial buildings and housing projects along with the financial institutions' keen interest in financing various other projects, will aid in the tremendous growth in this sector for Bahrain and our outlook remains positive."

Hala F Al Moayyed,

Executive Director

Almoayyed Contracting Group

"The construction sector is the back-bone of all the GCC economies. It has, and will continue to play a critical role in transforming the GCC region's landscape. Each country has developed its own customised economic plan and is using this as a blue-print to establish its own unique identity. As a result, each GCC country is very clear on its vision and the kind of appeal it desires to create. The last 10 years saw a wave of change in the build-out of each country, and the pipeline promises to impress at a level at-or-over international standards. Each country is in a comfortable position given the construction industry is backed by petro-dollars being put to its best use. While oil prices fluctuate as per business-cycles, unlike other countries the construction industry in the GCC region is defensive, and we have only witnessed each year's fiscal budget getting bolder than the previous year. Overall, the momentum is strong for the construction sector"

Rohit Walia,

Executive Chairman

Alpen Capital*

***Alpen Capital refers to Alpen Capital (ME) Limited, Dubai, Alpen Capital Investment Bank (Qatar) LLC, Alpen Capital LLC, Alpen Capital LLC - Abu Dhabi, Alpen Capital (Bahrain) BSC, Alpen Capital Saudi Arabia and Alpen Capital India Private Limited collectively.*

1. Executive Summary

The construction industry in the Gulf Cooperation Council (GCC) is witnessing a growth phase, driven by an increase in government investments, as the member nations target economic diversification. The GCC construction industry foresees growth from 2015-2018, encouraged by factors such as favorable macroeconomics, higher government allocation, positive demographics, and rising tourism activities. Higher budget allocation towards construction sector, as part of the strategic vision of the member nations, lends an added push to the industry

1.1 Scope of the Report

This report is an update of Alpen Capital's GCC Construction Industry report, dated March 27, 2012. The report provides a perspective on the overall GCC construction industry, along with the market structure, as well as the cost of raw materials. In addition, it examines the key sub-segments of the construction market (such as residential, office, retail, hospitality, healthcare, leisure and infrastructure), amid a discussion on the overall fundamental growth drivers, challenges, and developments. The report also provides recent trends in the construction industry of the GCC countries, along with profiles of leading players in the region.

1.2 Industry Outlook by GCC Country

- In Saudi Arabia, efforts to boost religious tourism have translated into higher budget allocations towards the hospitality, retail, and infrastructure sectors. This is expected to result in an increase in construction activities across these sectors in the near future.
- Optimistic forecasts for the UAE's construction sector for the next few years is based on an economic recovery as well as a buoyant infrastructure project pipeline as part of the country's strategic vision 2021.
- The outlook for Qatar's residential, hospitality, and infrastructure construction markets appears optimistic due to healthy population growth, mega events, and the economy picking up pace.
- The construction industry in Oman is expected to remain robust driven by a significant increase in infrastructure projects planned by the government along with many tourism projects as well as the construction of private and commercial buildings.
- In Kuwait, the construction industry is set to thrive, due to new projects from the private sector and an increase in demand for residential and commercial units.
- Developing its infrastructure and reducing its housing shortage remains the principal focus of the Bahraini government in the coming years.

1.3 Growth Drivers

- The on-going efforts to reduce the dependency on the hydrocarbons sector across the GCC regions have resulted in an increase of capital investment (as a percentage of the GDP) in the construction industry. The increase is expected to be channeled towards meeting the high construction demand across the region.
- The region's population is expected to grow at a CAGR of 2.7% from 2013 to 2018 to reach 56.9 million. An expanding population base is likely to translate into higher demand for residential, commercial, retail, hospitality, healthcare, leisure and infrastructure sectors across the Gulf region.
- Over the years, the Gulf region has emerged as an international tourist hub for leisure travelers, international shoppers, and pilgrims. The region's tourism industry is expected to continue to grow, and the incremental demand is

expected to be met by the hospitality, retail, leisure, and infrastructure construction sectors.

- Mega events in the region are slated to open up opportunities across the sectors of tourism, hospitality, and retail, translating into growth for construction activities.
- Other factors driving the growth of the construction industry comprise - the recent unrest in the Middle East region, the new mortgage law in Saudi Arabia, and high bank liquidity.

1.4 Challenges

- Falling oil prices may require the GCC nations to restrict/ delay state spending, hampering the growth of the construction industry, which is dependent on government funds.
- Due to high dependency on expatriate staff, the operations of the construction companies may be affected by the challenge of hiring the right talent and retaining them.
- Simultaneous rapid expansion of the GCC construction markets could result in a shortage of raw materials used in the construction sector, particularly cement. In addition, tough regulations on imports coupled with logistical challenges have led to the increase of raw material prices in the GCC.
- Competition is expected to intensify in the future due to increasing opportunities in the construction sector. Such a situation could continue to impact margins.

1.5 Trends

- The GCC region has been consolidating its presence in the international tourism industry. Its tourism sector is being promoted as a bustling center for sports, adventure, MICE, and leisure activities.
- In order to bridge the gap between high demand and lower supply of housing units for the lower income groups, the GCC governments have initiated the implementation of an affordable housing program.
- There is an increased preference for pre cast concrete systems in housing projects (such as low-rise residential buildings) as they are high on durability, low on cost, and environment-friendly.
- Looking at the growth opportunities offered in the GCC construction sector, international companies are entering the GCC construction sector using the partnership or joint venture route.
- In line with the GCC governments' plans to diversify their oil-dependent economies, the introduction of Greenfield IPOs such as Marka, Amanat, and Dubai Parks, and Resorts was allowed in 2014.

Despite various challenges and a change in trends, the momentum is strong for the GCC Construction sector. A favourable macroeconomic environment, a growing tourism sector, and government support will ensure that the construction sector has and will continue to play a critical role in transforming the GCC region's landscape.

2. GCC Construction Industry

2.1 GCC Construction Industry Overview

The thrust for economic diversification has led the GCC governments to invest in the non-hydrocarbon sectors

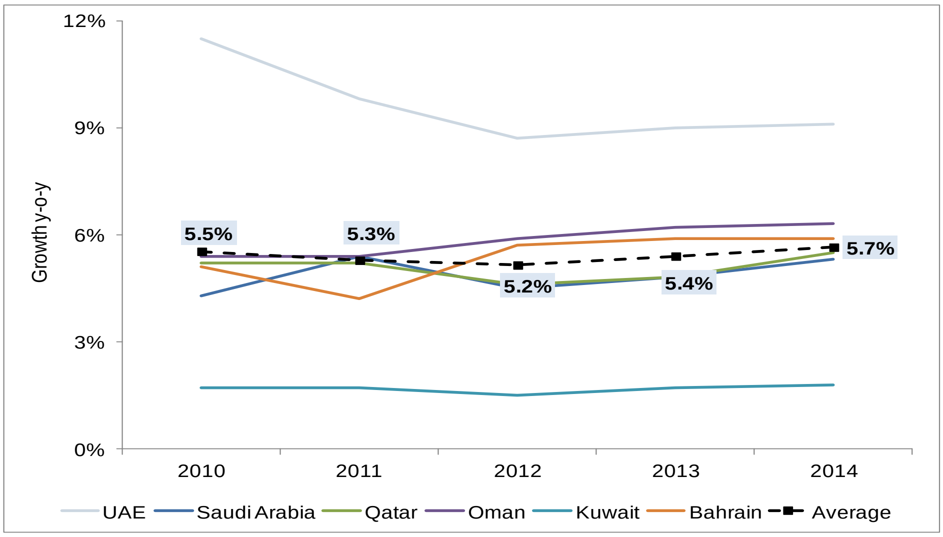
The GCC holds large oil reserves, making it dependent on its flourishing hydrocarbons sector, which contributed nearly 50.5% to its GDP in 2014[1]. Economic diversification is thus a priority across the six GCC economies to reduce their dependence on the hydrocarbons sector as well as to combat the volatility in oil prices. The member countries are therefore targeting the development of other sectors to steer their economy towards a balanced state, with the construction industry as their key area of focus. Following a slowdown due to the 2008 global financial crisis, the GCC's construction sector is seeing a steady recovery, with favorable prospects for its growth ahead.

The GCC's construction sector's contribution to GDP increased 0.3% y-o-y in 2014, accounting for 5.7%

Over the years, the Gulf nations have built wealth reserves, largely through oil exports. This has enabled them to make substantial budgetary allocations towards their construction sector, with emphasis on social and physical infrastructure. The Infrastructure segment, comprising of road-works, railways, ports and airports, is a key focus area of the GCC governments. Besides the residential and office segments, the region is also witnessing significant projects in the segments of leisure, retail, education, hospitality, and healthcare.

The GCC construction industry saw increased construction activities in the infrastructure sector in 2013 and 2014 due to an upbeat economic sentiment. However, the industry's contribution to the region's GDP almost remained flat from 5.5% in 2010 to 5.7% in 2014[2]. (see Exhibit 1).

Exhibit 1: Contribution of the Construction Sector to the GDP in the GCC



Source: The Central Bank of the respective countries; National Statistical Authority of the respective countries

[1] Source: "World Economic Outlook", IMF, April 2015
[2] Source: "Infrastructure construction report of respective countries", Business Monitor International (BMI), Q1 2015

Real estate and transportation projects constituted 74% of total project value in top 100 projects across the GCC region

In 2014, there were 65 real estate and transportation projects in the "Top 100 Projects[3]" across the GCC countries, as released by MEED (see Exhibit 2). Total worth of real estate and transportation and projects in the top 100 projects amounted to US$ 924.7 billion (as compared to US$ 867.3 billion in 2013). Real estate and transportation projects constituted 74% of total project value in top 100 projects across the GCC region (see Exhibit 2). The real estate and transportation projects include economic cities under development, up gradation or revamping of airports, expansion of railway network, and construction of affordable residential housing units, among others.

Exhibit 2: Top 100 projects in the GCC region – 2014

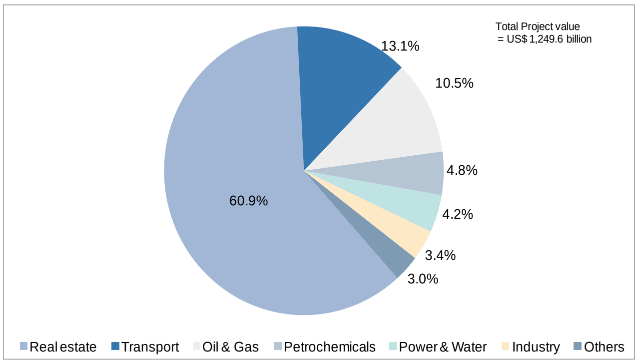
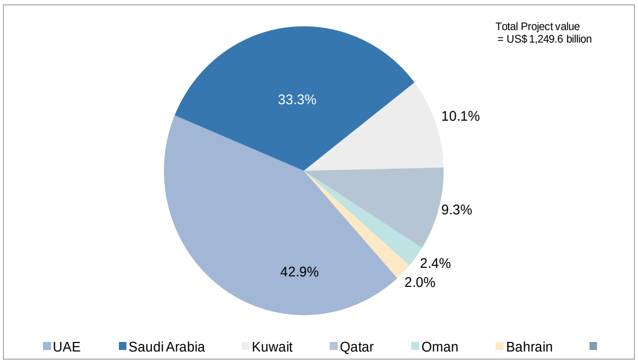


Exhibit 3: Region - Wise Top 100 projects in the GCC region - 2014



Source: Meed

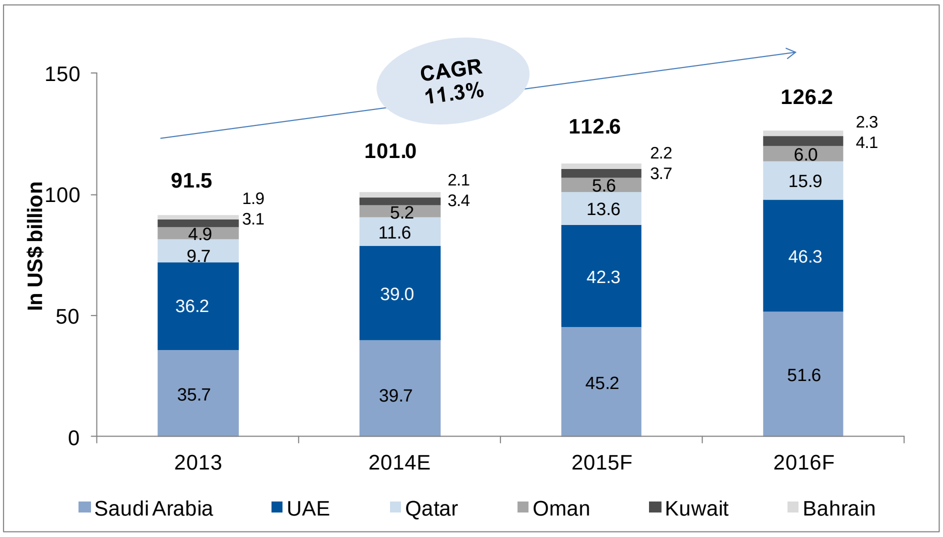
UAE accounted for the maximum value of projects in 2014

Country-wise, the UAE accounted for the maximum value of projects (US$ 525.6 billion – see Exhibit 3), followed by Saudi Arabia (US$ 407.8 billion). Kuwait (US$ 123.6 billion) and Qatar (US$ 113.8 billion), presenting a busy construction sector,followed by Oman (US$ 29.6 billion).

Going forward, the Gulf region is aiming to attract higher investments in its construction sector by hosting global events and showcasing itself as a preferred tourist and investor destination. This will result in the overall construction industry[4] growing at a CAGR of 11.3% from US$ 91.5 billion in 2013 to reach US$ 126.2 billion in 2016 (see Exhibit 4).

[3] The value of the 100 largest contracts in the region, from the point of the main contract award until completion.
[4] it is a measure of value added within the industry (i.e. the additional contribution of the construction industry over other industries)

Exhibit 4: GCC - Construction Industry Value



Source: Infrastructure Report of respective GCC countries , Business Monitor International, Q1 2015
Note: F indicates forecasted figures; E indicates estimated
Note: indicates the growth CAGR of the GCC construction industry

Under its strategic vision 2021, UAE plans to allocate huge budgets towards the development of its infrastructure sector

Under its strategic vision 2021, UAE plans to allocate huge budgets towards the development of its infrastructure sector. Similarly, Qatar's strategic vision 2030 plans to make heavy investments in its infrastructure, healthcare, and hospitality sectors. Developing its infrastructure and reducing its housing shortage remains the principal focus of the Bahraini government in 2015. Such infrastructure projects in Bahrain are likely to be financed by the GCC Development Fund. Oman is also geared to improve its infrastructure in a bid to support the development of its tourism sector for economic diversification. Such factors are setting the stage for increased construction activities across the GCC, particularly between 2015 and 2021.

2.2 Market Structure of the GCC Construction Sector

The GCC construction market (which includes residential, commercial, retail, infrastructure, hospitality, healthcare and leisure) can be classified into the following strategic groups:

- Government
- Real estate developers
- Project consultants
- Project managers
- Contractors
- Sub-contractors (management, engineering, and procurement)
- Building materials and services suppliers

In case of construction activities sponsored by the government, project consultant services are undertaken before announcing the contracts. The government engages project consultants to conduct the valuation and feasibility study of the proposed projects. Thereafter, bids are invited from various private and real estate developers. However, in case of non-government contracts, real estate developers are at the top of the value chain. They announce the project after land acquisition. Real estate developers also carry out a feasibility study by project consultants, before engaging project managers.

Thereafter, project management firm are engaged to supervise and develop the project. The contracting companies are then invited to submit their bids for it. Once the developer awards the contract, the contractor assumes all the responsibility for completion within an agreed upon budget and time frame. The contractor, depending on the complexity of the project and the available resources at its end, may sub-contract the job or a part of it. Finally, the contractor and the sub-contractor, together, procure the essential components of construction from the building materials suppliers.

2.3 Raw Materials used in the Construction Projects

Raw materials cost in GCC is strongly correlated, as they draw on the same pool of resources

Key building materials used in the construction sector include steel; cement and its by-products; wood; cladding; kitchen systems; sanitary ware and systems; glazing systems; and paints; among others. The cost of such materials is strongly correlated, as they draw on the same pool of resources. Thus, a significant rise in the construction activity in large markets such as Saudi Arabia and the UAE is likely to impact the cost of resources in the neighboring countries in the future.

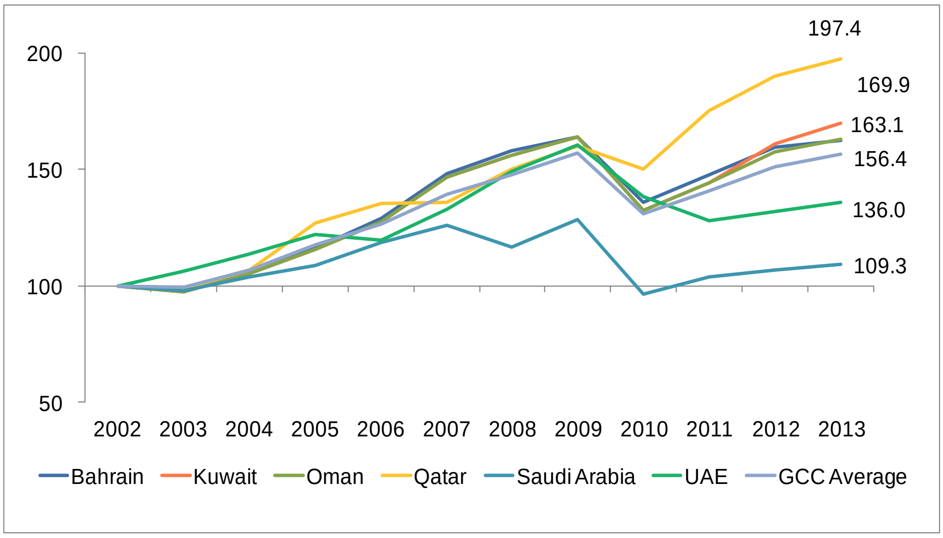
Qatar saw the highest rise in construction costs, followed by Kuwait and Oman

Based on the Output Price Index (cost to the client) or Tender Price Index[5], the GCC construction cost index increased from 99.3 in 2003 to 156.4 in 2013 (see Exhibit 5). Qatar experienced the highest increase, with the construction cost index of the country almost doubling since 2002 to 197 in 2013.

Kuwait's construction market recorded the second highest increase at 170, representing an increase of 70.0% over the base year. Bahrain and Oman's construction sectors experienced a similar pace of increase in construction costs at an index value of 163.

[5] The Output Price Index (cost to the client) or the Tender Price Index for the GCC market presents the average cost of construction for each GCC country, and an average of all six GCC countries, considering 2002 as the base year

Exhibit 5: The GCC Tender Price Index



Source: MEED

Note: The country-wise data for 2014 is not available as on date of publication

The construction costs of the UAE and Saudi Arabia are well below the GCC average

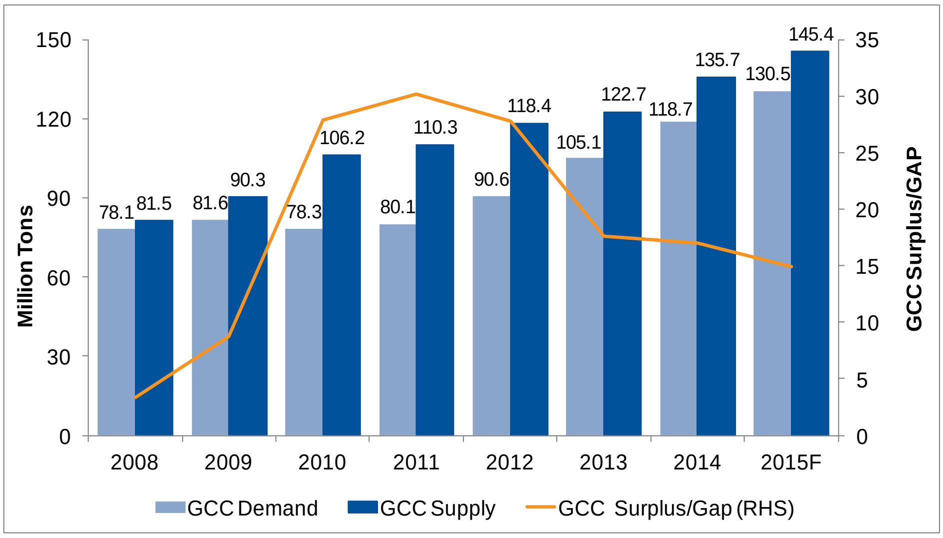
In 2013, the construction costs in the UAE and Saudi Arabia were significantly below the GCC average. UAE and Saudi Arabia benefit from a well-established supply chain. These countries control the fluctuations in the cost of basic construction materials such as steel, reinforcing bar (rebar), cement, and concrete through legislative measures. Contractors in the GCC region are set to face increased costs in the future due to rising demand for materials, labor, equipment, and fuel, as project activity gains momentum.

CEMENT

Cement, a key building material used in the construction sector, saw a significant 63.9 million tons per annum (mtpa) demand addition to 145.4 mtpa in 2014 from 81.5 mtpa in 2008 (see Exhibit 6)[6]. Such an increase in demand reflects the result of increased construction activity in the region. However, a relatively lower demand growth during 2010 and 2011 resulted in the highest oversupply situation of cement, compelling the UAE and Oman to export some quantity of cement to Yemen, Iraq, Egypt and other North African markets.

[6] Source: "GCC Cement Industry", Global Research, 3Q 2013

Exhibit 6: GCC Cement Consumption



Source: Global Research

The demand for cement grew at a CAGR of 14.5% from 2012 to 2014

Following the economic recovery, the demand for cement grew at a CAGR of 14.5% from 2012 to 2014. The added cement supply was thus utilized towards meeting the increase in demand (i.e. the surplus supply fell from 27.8 mtpa in 2012 to 12.0 mtpa in 2014). Demand is expected to reach 130.5 mtpa in 2015, registering a growth of 9.9% over 2014[7].

STEEL & PRIMARY BUILDING MATERIALS

Steel prices registered a highest drop in prices (40.2%) in May 2015 when compared to January 2015

Steel Billet prices have remained most volatile since the beginning of 2013[8]. Global spot rates for steel have dropped 40.2% in May 2015 when compared to January 2015, mainly due to slowdown in the global economy. Spot prices for tin, and aluminium, dropped 18.7% and 2.6% in May 2015. On the contrary, the spot prices for copper and zinc registered a growth in May 2015 when compared to January 2015.

The GCC region, especially Qatar, faces an acute shortage of primary building materials such as Limestone, Gabbro and Spoil Removal & Disposal. The demand for these materials in Qatar is expected to reach a record peak. Accordingly, the prices of Gabbro have increased by nearly 20% over the last few years. Limestone is likely to be the most in demand at 515 million tonnes between 2013 and 2017, followed by Gabbro at 364 million tonnes[9]. The demand of the raw materials such as Aluminum, Steel, and Tin are expected to improve in view of the region's pipeline of government projects such as the construction of economic cities, railways as well as the expansion of airports, among others.

A rise in the construction activities in the GCC from 2015-2018 is expected to exert price pressure on the raw materials such as gabbro, cement, limestone, and steel, among others. The UAE and Qatar are likely to drive the demand for raw materials, in light of their focus on the construction sector under the strategic vision of 2021 and 2030, respectively. Consequently, the overall raw material cost is anticipated to increase by about 4%-5% over the short to the medium term due to supply bottle-necks in the GCC region.

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[7] Source: "GCC Cement Industry", Global Research, 3Q 2013
[8] According to the London Metal Exchange, which provides spot rate data for key construction commodities such as steel, aluminium, copper, and tin
[9] Source:"Building material demand to rise in Qatar", Zawya, August 26, 2013

The GCC's infrastructure construction industry is showing a strong upward trend, due to increased budgetary allocations made by the governments

2.4 Infrastructure Construction Market of the GCC Region

The GCC nations have made significant budgetary allocations towards the development of transportation infrastructure such as airways, railways, roadways, and ports. Consequently, the infrastructure construction industry across the member nations is showing a strong upward trend (see Exhibit 7). As of 2014, the infrastructure segment accounts for the highest share of the GCC construction industry.

Exhibit 7: Infrastructure Project Awarded in the year 2014 across the GCC

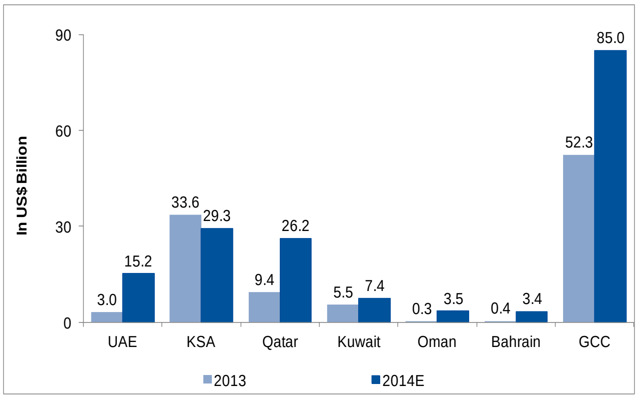
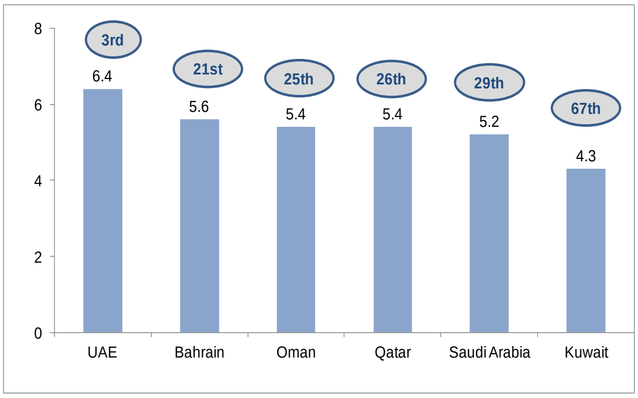


Exhibit 8: Global Ranking of GCC Countries according to General Quality of Infrastructure in 2014



Source: Arab News, and Statista.com; ⬭ indicates global ranking based on the scores which is a sum of scores against various parameters on the scale of 1 to 7
Note: denotes value of the infrastructure contracts that are being awarded in 2013 and 2014 respectively (Exhibit 7); The scale ranges from 1 = underdeveloped and 7 = extensively by international standards;

Saudi Arabia remains the largest market in terms of infrastructure projects awarded in 2014, followed by Qatar

Saudi Arabia remains the largest market in terms of infrastructure projects awarded in 2014, followed by Qatar[10]. However, Oman and Bahrain recorded maximum y-o-y growth (~7.5x to 10.7x) in terms of the value of projects awarded in 2014, followed by the UAE. Increased number of projects is being planned in Qatar's infrastructure sector to support the growing inflow of expatriate workers and tourists in the region. This led the country to witness an y-o-y growth of 1.8x in terms of projects awarded in 2014[10]. Overall, infrastructure projects awarded in GCC in 2014 is expected to reach US$ 85 billion when compared to US$ 52.3 billion in 2013[10].

In the coming years, an uptick in infrastructure projects will also be witnessed due to the construction of the GCC pan-Gulf rail network. The GCC pan-Gulf rail network is a US$ 25 billion railway network that will stretch over 2,117km, connecting the six countries of the GCC. The network is intended to encourage travel and increase trade in the region.

Globally, the UAE's infrastructure is the third-most competitive, ranking first for its roads; second for its ports; and third for its airports (see Exhibit 8). Bahrain ranks 21st across 100 countries globally, with Oman ranking 25th, Qatar at the 26th rank, Saudi Arabia at the 29th and Kuwait at the 67th position.

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[10] Source: Arab News

Saudi Arabia

Saudi Arabia has planned around US$ 180 billion worth of transport infrastructure projects between 2015 and 2019

Saudi Arabia's infrastructure construction sector received significant government attention under the tenth plan (2015-2019). Government encouragement is expected to result in a 7.8% y-o-y growth of the sector, in real terms, in 2015[11]. A majority of the ongoing projects, awarded between 2010 and 2014, are scheduled to reach completion by 2018. From a long-term perspective, rail projects such as the Saudi Landbridge as well as the second and third phases of the Mecca Metro are expected to remain under construction even post-2020[11]. Saudi Arabia plans to invest over US$ 30 billion in its airports infrastructure by 2020.

Saudi Arabia has planned around US$ 180 billion worth of transport infrastructure projects between 2015 and 2019. Of these, projects to the tune of US$ 85 billion are currently under construction[12]. This supports the expectation of strong infrastructure sector growth over the short term. Exhibit 9 presents key ongoing and planned projects in Saudi Arabia.

Exhibit 9: Major infrastructure projects planned and under way in Saudi Arabia

Project Name	Project Sponsor	Project value (US$ Million)	Completion Year
Riyadh light rail transit (Riyadh Metro)	Arriyadh Development Authority	23,000	2018
Riyadh-Dammam high-speed rail	Saudi Railways Organization	14,000	2023
Haramain high-speed rail network	Saudi Railways Organization	13,743	2016
Jeddah Metro	Jeddah Metro Company	9,500	2020
Dammam Metro	Eastern Province Municipality	9,000	2021
Mecca Metro: lines B and C	Mecca Municipality	8,000	2020
Saudi Landbridge	Saudi Railway Company	7,000	2022

Source: Meed

Qatar

Qatar has allocated a large proportion of its 2014-2015 national budget towards infrastructure-related projects

Qatar's existing infrastructure is in need of an overhaul to support its rapidly growing economy and population. This need is even more pronounced in light of the expected influx of visitors. Accordingly, the country has allocated a large proportion of its 2014-2015 national budget towards infrastructure-related projects (over US$ 20 billion). Nearly US$ 74.6 billion worth of transport projects in Qatar are currently at the planning stage or under construction[13]. Exhibit 10 presents key infrastructure development projects planned and underway in Qatar.

[11] Source: "Saudi Arabia Infrastructure Report", BMI, Q1 2015
[12] Source: "GCC Building Construction and Interiors Overview" Ventures Middle east, January 2015
[13] Source: "GCC Building Construction and Interiors Overview" Ventures Middle east, January 2015

Exhibit 10: Major infrastructure projects planned and under way in Qatar

Project Name	Project Sponsor	Project value (US$ Million)	Completion Year
Qatar integrated rail project	Qatar Rail Company	40,000	2026
Expressway programme	Qatar Public Works Authority	20,000	2018
Local Roads and Drainage Programme	Qatar Public Works Authority	14,600	2019

Source: Meed

UAE

The UAE's infrastructure construction sector saw the recommencement of several major development projects that were stalled during the 2008 economic downturn

The UAE's infrastructure construction sector is seeing the recommencement of several major development projects that were stalled during the 2008 economic downturn. The governments of Abu Dhabi and Dubai led the revival in 2012, fueled by increased spending towards their infrastructure, especially the upgrades to airports, ports, and roadways.

The UAE has invested heavily towards strengthening its infrastructure in recent years, to deal with the rapid population growth in Abu Dhabi and Dubai, hosting of Expo 2020, as well as to position itself as a shipping and aviation hub. Recently, the Dubai government announced an US$ 7.8 billion airport expansion project to accommodate the rising passenger inflow[14]. The project is expected to increase the airport capacity from 60 million to 90 million passengers per year by 2018. Exhibit 11 presents key ongoing and planned infrastructure projects in the UAE.

Exhibit 11: Major infrastructure projects planned and under way in UAE

Project Name	Project Sponsor	Project value (US$ Million)	Completion Year
Dubai Metro	Dubai Roads & Transport Authority	14,352	2030
Emirates Roads Master plan	Dubai Roads & Transport Authority	12,000	2016
Etihad railway Network	Etihad Rail	11,000	2018
Aiport Expansion Project	Dubai Airport Authority	7,800	2018
Abu Dhabi Metro	Musanada	7,000	2020
Abu Dhabi Airport Expansion: Midfield Terminal	Abu Dhabi Airport Company	2,960	2017

Source: Meed

Kuwait

Driven by government attempts to enhance its integration with the GCC members and economic diversification, Kuwait's infrastructure sector is set to grow

Kuwait's transport infrastructure sector is in need of an overhaul, presenting significant investment opportunities. However, being largely state-controlled, the country's transport infrastructure projects are characterized by a lengthy decision-making process. These factors are leading to a delay in the development of the new rail system, port, and other transport infrastructure.

Nonetheless, considering Kuwait's economic growth objectives, infrastructure projects in the country are becoming a state priority. Therefore, the country's infrastructure sector is set to grow by nearly 15-20% (in terms of the number of projects expected to be completed by end-2015), driven by government attempts to enhance its integration with

[14] Source:"UAE Economic Report", Bank Audi, January 14,2015

the GCC members and economic diversification. Exhibit 12 presents key ongoing and planned infrastructure development projects in Kuwait.

Exhibit 12: Major infrastructure projects planned and under way in Kuwait

Project Name	Project Sponsor	Project value (US$ Million)	Completion Year
Kuwait national railroad	Kuwait Ministry of Communications	10,000	2018
Kuwait City Metro	Kuwait Ministry of Communications	7,000	2019
Sheikh Jaber Al Ahmed Al Sabah Causeway	Kuwait Ministry of Public Works	2,600	2018

Source: Meed

Oman

Oman's government has turned its focus to the development of its transport and port infrastructure

Oman's infrastructure plays a key role in supporting its economic diversification, particularly the growth of its tourism sector. Also, Oman's strategic location presents the potential for it to emerge as a shipping hub. However its existing infrastructure is in need of an overhaul.

Accordingly, the government is focusing on the development of its transport and port infrastructure. The country has already built an extensive road network stretching 60,240 km, although almost 50% is unpaved. In December 2012, Oman's Ministry of Transport and Communications (MoTC) signed 19 deals for road and port development projects, valued at more than OMR 151.1 million (US$ 392.7 million)[15], of which 15 deals were for road development projects (OMR 95.5 million - US$ 248.2 million)[15], and the balance 4 deals were for port development projects (OMR 55.6 million -US$ 144.5 million)[15]. Exhibit 13 presents key ongoing projects in the sector in Oman.

Exhibit 13: Major infrastructure projects planned and under way in Oman

Project Name	Project Sponsor	Project value (US$ Million)	Completion Year
Oman national railway	Oman Ministry of Transport & Communications	15,600	2018
Expansion of Muscat & Salalah International Airports: Passenger Terminal, MC3	Oman Ministry of Transport & Communication	1,834	2016
Muscat & Salalah International Airport Expansion: MC1	Oman Ministry of Transport & Communication	1,169	2015
Redevelopment of Salalah International Airport: MC5	Oman Ministry of Transport & Communication	764	2015
Expansion of Sohar Port	Oman International Container Terminal	NA	2018
Port in Al-Duqm	Jan De Nul	NA	2015

Source: Meed

[15] Exchange Rate of 0.3848

Bahrain has invested heavily in its port and road infrastructure in recent years

Bahrain

As a small market, the majority of Bahrain's infrastructure activities are concentrated in the capital city of Manama. Bahrain has invested heavily in its rail, road, and airport infrastructure in recent years. In 2014, the country was ranked the 15th best, globally, for its port infrastructure and 22nd for its road infrastructure[16]. With signs of political stability surfacing, the country is expected to attract more investments into its rail and airport infrastructure sectors in the coming years. Exhibit 14 presents a list of key projects which are planned and underway in Bahrain.

Exhibit 14: Major infrastructure projects planned and under way in Bahrain

Project Name	Project Sponsor	Project value (US$ Million)	Completion Year
Light rail network	Bahrain Ministry of Transportation	7,900	2030
Bahrain International Airport Upgrade	Bahrain Airport Company	4,700	2015

Source: Meed

[16] Source:"Global Competitiveness Report" World Economic Forum, 2014

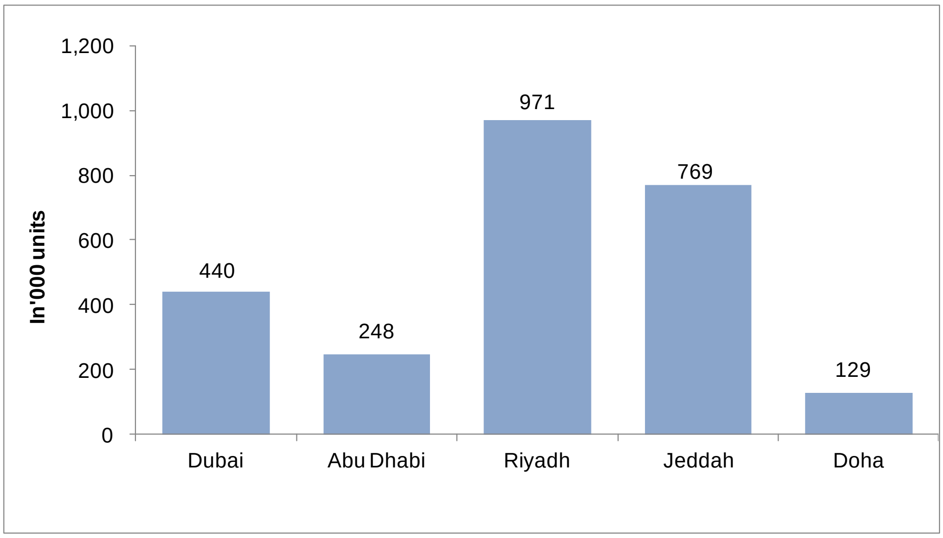
2.5 Residential Construction Market of the GCC

In value terms, the residential construction sector accounted for the second highest number of completed projects between 2013 and 2014

Until 2011, the GCC countries invested heavily in the residential projects that catered to the affluent sections of their population. In order to bridge the resultant large gap between the demand and supply of housing for the lower income groups, the GCC governments have initiated the implementation of an affordable housing program. As part of this initiative, the member nations have been consistently allocating large portions of their budgets towards affordable housing projects and incentives for consumers in the residential segment, since 2011. The effect of these measures has begun to translate into an increase in the number of affordable residential projects in the Gulf.

The demand for residences is steadily rising due to a strong population growth, a large proportion of which is expatriate. Exhibit 15 shows the cumulative residential units across key GCC countries in 2014. The highest cumulative residential unit was recorded in Riyadh, followed by Jeddah, Dubai, and Abu Dhabi. Doha saw the lowest supply of cumulative residential units as at 2014.

Exhibit 15: Cumulative Residential Units Across GCC Regions – As at 2014



Source: Jones Lang LaSalle, and a report published by Multiplesgroup

The residential segment accounted for the second highest number of completed projects in 2013 and 2014 (approximately 20 projects valued at US$ 1,380 million were completed in 2014)[17]. The number and value of residential projects is expected to continue to rise in the future. However, the share of the residential sector, as a percentage of the total projects undertaken, is likely to reduce to make way for the growing share of the hospitality and education segments, which saw a heavy upward trend in 2014.

[17] Source: "GCC Building Construction and Interiors Update", Ventures Middle East, January 2015

Saudi Arabia

Only 30.0% of the residents in Saudi Arabia own a residential property, presenting a huge opportunity for the residential construction industry

Saudi Arabia's population has quadrupled over the past four decades to reach nearly 30.7 million in 2014[18]. The population is expected to reach 35.7 million by 2020, at a CAGR of 2.0% since 2014[18]. Residential property owners accounted for only 30% of the population as of 2014, which, coupled with a high urbanization rate (anticipated to reach 91.4% in 2015 compared with 89.4% in 2014) presents a huge demand for property[19]. The supply of residential units into the market is, however, lagging behind. The kingdom needs to make at least 200,000 homes available, annually (from 2015 to 2018), to meet the current demand.

Accordingly, developers in Saudi Arabia have accelerated new home delivery, while the government is considering measures such as encouraging real estate activity on unused land by imposing vacant land tax.

Riyadh

Demand for residential units continues to outpace supply in Riyadh, with a requirement of around 50,000 housing units per annum between 2015 and 2018

Despite rising development activity, demand for residential units continues to outpace supply in Riyadh. With the supply of 971 housing units in 2014 (see Exhibit 16), the capital has a requirement of around 50,000 housing units per annum over the next four years (2015-2018)[20]. Although 65,000 housing units are scheduled to enter the market in 2015 and 2016, construction delays, labour shortages, and the lack of affordable land make it challenging to bridge the demand-supply gap for the subsequent years[20].

Exhibit 16: Cumulative Riyadh Residential Supply

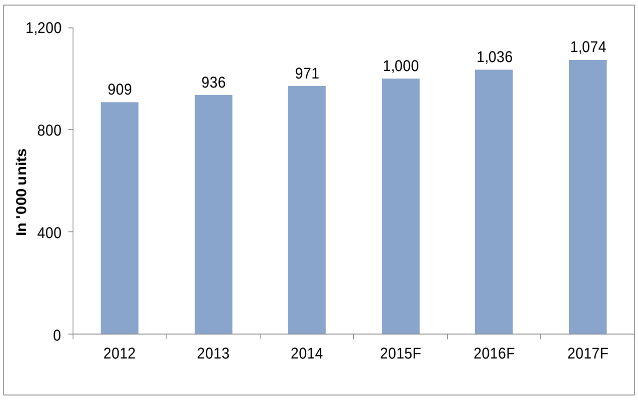
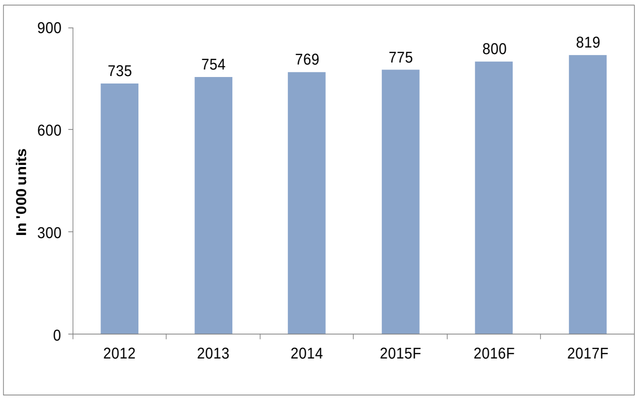


Exhibit 17: Cumulative Jeddah Residential Supply



Source: Jones Lang LaSalle
Note: F indicates forecasted figures

The rents and selling prices for both villas and apartments continue to rise, mainly due to the persistent undersupply of housing and high land values. Residential property prices registered a y-o-y growth of 5%-7% in 2014, with subdued prices expected in 2015 (selling prices for villas declined marginally by 2% in Q1 2015), as a new mortgage regulation restricts loan-to-value ratios to a maximum of 70%. This is expected to impact the middle-income segment of the population, as new buyers rely heavily on financing through loans and are unable to afford the required 30% down payment. However, the entry of

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[18] Source:"World Economic Outlook Databases", IMF, 2015
[19] Source: "Housing the growing population of the Kingdom of Saudi Arabia", KCORP for the Jeddah Economic Gateway, 2013
[20] Source: "Riyadh Residential Report", Knight Frank, H2 2014

international developers should boost the construction activity and thereby, housing completions over the years to come.

Jeddah

A vast supply of new housing is one of Jeddah's pressing needs, with the supply standing at 769,000 units in 2014

A vast supply of new housing is one of Jeddah's pressing needs, aimed at helping the city to cater to a growing population (projected to increase annually by 2.1% between 2010 and 2015) as well as improve the quality of living for those residing in unplanned settlements[21]. The total number of available residential units stood at 769,000 (nearly 15,000 units added in the final quarter) at the end of 2014 (see Exhibit 17). Housing supply is expected to grow at a healthy rate of 4.5% between 2014 and 2018. Nearly 77,000 units are likely to be added by the end of 2018, assuming no delays or cancellations[22].

Selling prices in 2014 saw a y-o-y increase of 11.9%. This growth is expected to continue into Q1 2015, although at a slower pace compared with Q1 2014. The growth in rents was faster in 2014 compared with 2013, as new mortgage regulations on loan-to-value ratios led to a shift in preference from owning to renting. The western region of Jeddah remains the preferred residential location, recording the highest price increases.

Exhibit 18 presents select significant residential projects in Saudi Arabia.

Exhibit 18: Major residential projects planned and under way in Saudi Arabia

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
King Abdullah Economic City	Mecca	Emaar, The Economic City	93,000	2019
Saudi housing project	Multiple Cities	Saudi Arabia Ministry of Housing	68,000	2031
Jizan Economic City (Mixed-use)	Jizan city	Saudi Binladin Group; MMC Corporation	27,000	2036
Kingdom City (Mixed-use)	Jeddah	Emaar Properties; Kingdom Holding Company	25,000	NA
Housing Development: Phase 2	Multiple Cities	Saudi Arabia National Guard	3,600	2020

Source: Meed; Note: NA indicates data not available

UAE

The UAE's residential construction sector is likely to benefit from increased government spending and rising housing demand

The UAE's residential construction sector is dominated by the markets of Abu Dhabi and Dubai. Overall, the country's residential property prices saw an average y-o-y increase of 36% in 2014 due to strong housing demand arising from population growth[23]. Similarly, rents rose 24% y-o-y in 2014.

Investment in the affordable housing segment is an immediate priority for the government

The UAE government is making investments towards the affordable housing segment, in view of the rising prices. Accordingly, the government has allocated several hectares of land in certain areas of Dubai (such as Al Quoz and Muhaisnah), inviting developers to set up affordable housing units for tenants with a monthly income between AED 3,000 (US$ 817)[24] and AED 10,000 (US$ 2,723.3)[24]. There are also plans to pass a law that makes it mandatory for developers to allocate about 15%-20% of their projects to the affordable housing category.

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[21] Source:"Jeddah, Saudi Arabia", UN Habitat, State of the World's Cities 2010-15
[22] Source: "Jeddah Real Estate Market Overview", Jones Lang LaSalle, Q1 2015
[23] Source: "UAE real estate sector to stay attractive in 2015", AMEinfo, January, 2015
[24] Exchange Rate of 3.6720

Moreover, the country is also set to commence an AED 5.7 billion (US$ 1.6 billion)[24] affordable residential construction project to accommodate as many as 385,000 expatriate workers. This is seen as a move to improve the living standards for expatriates, who are increasingly returning to South Asia due to the rising rents.

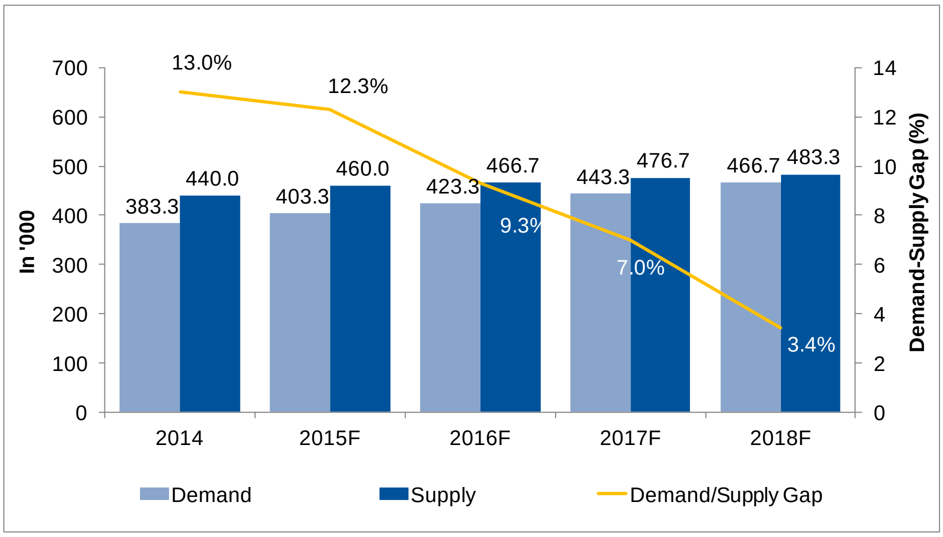
Dubai

An additional 51,000 housing units are due to enter the market between 2014 and 2020

The gap between residential demand and supply is currently 13.0% across Dubai, indicating an oversupplied market (see Exhibit 19)[25]. The Dubai residential market, however, showed improvements due to its rising population and growing economy in 2014, unlike speculation, which was its main growth catalyst up to the 2009 housing crisis. Driven by these factors, the occupancy levels are expected to reach 87.7% in 2015[26].

An additional 51,000 housing units are due to enter the market between 2014 and 2020. This increase in supply is expected to be absorbed, as the economy gains momentum and the city sees an increase in its expatriate workforce due to upcoming events such as Expo 2020. Nearly 50.0% of these additional units are likely to be targeted towards the upper-mid and higher-end of the market, concentrated across the areas of Business Bay, Dubai Marina, Culture Village, Legends, and Palm Jumeirah, among others.

Exhibit 19: Dubai Residential Market: Cumulative Demand and Supply



Source: Colliers International
Note: F indicates forecasted figures

Abu Dhabi

Abu Dhabi faces an undersupply situation, auguring well for the construction industry

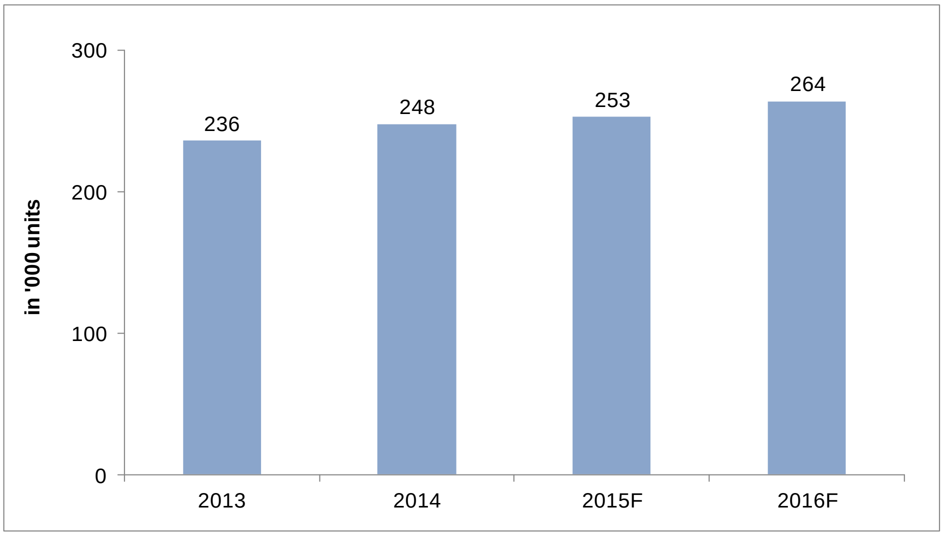
Although the demand for residential units in Abu Dhabi stood at approximately 290,000 units for 2014, only 248,000 units were available[26]. Such figures demonstrate an undersupply scenario in the city's residential market, including its affordable housing segment. However, approximately 5,000 residential units are expected to enter the market by the end of 2015 (see Exhibit 20).

With the resuming of government projects such as Louvre, new regulations for claiming housing benefits, and developers planning to restart stalled projects as well as launch new

[25] Source: "Demand for Affordable Housing in Dubai", Colliers International, October 2014
[26] Source: "Abu Dhabi Real Estate Market Overview", Jones Lang LaSalle, Q1 2015

ones, the total stock of residential units is anticipated to increase to 253,000 and 264,000 units by the end of 2015 and 2016, respectively[27].

Exhibit 20: Cumulative Abu Dhabi Residential Supply



Source: Jones Lang LaSalle
Note: F indicates forecasted figures

The rent cap removal led the rents in Abu Dhabi to increase

The selling price of residential units (apartments and villas) remained stable in 2014 at approximately AED 16,000 per sq m (US$ 4,356.9 per sq m)[28], while average rents grew by 11% in 2014, driven by demand growth outpacing supply. Rising rents were also bolstered by the removal of the rent cap[29], leading to a further growth of 4% in Q1 2015. However, the selling price of the residential units remained subdued during the same time frame.

Exhibit 21 showcases new residential units entering the UAE market in the near future.

[27] Source: "Abu Dhabi Real Estate Market Overview", Jones Lang LaSalle, Q1 2015
[28] Exchange Rate of 3.6723
[29] A rent cap set at 5% per year limits the landlords to increase rents by a maximum 5% only.

Exhibit 21: Major residential projects planned and under way in UAE

Project Name	Emirate	Project Sponsor	Project value (US$ Million)	Completion Year
Mohammed bin Rashid City	Dubai	Dubai Holding/Emaar Properties	55,000	2023
Capital District	Abu Dhabi	Urban Planning Council	40,000	2030
Al-Reem Island	Abu Dhabi	Sorouh Real Estate, Tamouh Investments, and Reem	37,000	2023
Downtown Burj Dubai	Dubai	Emaar Properties	20,000	NA
Dubai Marina	Dubai	Emaar Properties	12,300	2015
Palm Jumeirah (Mixed Use)	Dubai	Nakheel	12,300	2016

Source: Meed
Note: NA indicates data not available

Qatar

In Qatar, the overall demand for residential units stood at an approximate 177,000 in 2014, whereas the market supply stood at 129,000 units

The residential market of Qatar remained undersupplied in 2014, creating a supply shortage of 37.0%[30]. The overall demand for units stood at an approximate 177,000 in 2014, whereas the market supply stood at 129,000 units in the same year[31]. An undersupply situation caused rents in the residential sector to increase by 10.0% in 2013 and 4.0% in 2014, with the upward trend anticipated to continue throughout 2015[32]. Approximately 25 residential towers on The Pearl and an additional nine towers in the Diplomatic District are expected to be released into the market in the first half of 2015, increasing the overall supply by 7,200 apartment units[33]. The residential demand is expected to reach 266,000 units by 2018, outpacing the supply by then.

The residential property market in Qatar is being driven by a consistent and strong growth in population (9.3% in 2014, and 5.6% in 2013)[34]. Additionally, the government intends to improve the living conditions of its citizens and accordingly develop the required infrastructure. Considering a potential for rise in demand due to these factors, the government has made significant allocations towards the residential sector as a part of its National Vision 2030 plan. Exhibit 22 presents key residential developments in Qatar.

Exhibit 22: Major residential projects planned and under way in Qatar

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Pearl Qatar (Mixed-use)	Doha	United Development Company	7,000	2017
Valley City (Mixed-use)	Doha	SAK Holding Group	4,800	2020
Msheireb Downtown Doha: Phase 3	Doha	Msheireb Properties	1,872	2016

Source: Meed

[30] Source: "Doha's Residential Market", Colliers International, November 2014
[31] Source: "Qatar-Country Report 2015", Multiplesgroup, 2015
[32] Source: "No respite for Doha's residents as rents continue to rise", Qatar Construction News, July 10, 2014
[33] Source: "GCC Building Construction and Interiors Update", Ventures Middle East, January 2015
[34] Source: "World Economic Outlook Database", IMF, 2015

Kuwait

Kuwait's residential market remains undersupplied, with demand for government-funded housing units expected to reach 110,300 units by end-2015

Kuwait's residential market primarily includes properties built under the government housing program[35] and administered by the Public Authority for Housing Welfare (PAHW). The residential market of Kuwait is currently undersupplied, with the demand for the government-funded housing units to reach 110,300 units by end of 2015 and 175,000 units by 2020, registering a CAGR of 8.0% between 2014 and 2020[36]. In addition, bid projects such as Mutlah Residential Project, Al Subiyah Residential City, and Sabah Al-Ahmad township, among others, are expected to provide relief to at least 50% of the Kuwaiti citizens on the long waiting list for the possession of free public accommodation.

Social housing is a priority for the Kuwaiti government

Social housing is a priority for the Kuwaiti government, which plans to use public-private partnership (PPP) structures to deliver low-cost housing. One such social housing project is the Sabah Al-Ahmad Urban Housing Project, which is expected to construct 11,000 residential units to house 100,000 people. Kuwait is also looking to the private sector to develop high-end residential housing projects. Exhibit 23 covers a few select new residential developments in Kuwait.

Exhibit 23: Major residential projects planned and under way in Kuwait

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Mutlah Residential City (Mixed-use)	Al Assimah	Public Authority for Housing Welfare	16,000	2020
Al Subiyah Residential City (Mixed-use)	Al Subiyah	Public Authority for Housing Welfare	14,000	2020
Sabah Al-Ahmad township (expected to construct 11,000 residential units to house 100,000 people)	Al Ahmadi	Public Authority for Housing Welfare	6,209	2020
Bubiyan Island (Mixed-use)	Kuwait City	Kuwait Ministry of Public Works	6,000	2040
Al Khairan Residential City Project	Al Ahmadi	Public Authority for Housing Welfare	3,420	2020
Kuwait City 6,000 Housing Units	Al Assimah	Public Authority for Housing Welfare	2,000	2020

Source: Meed

Oman

Rapid urbanization, increased disposable incomes, ease of availability of housing loans, and low interest rates are driving residential construction activity in Oman

Construction activity in Oman's residential housing sector is driven by factors such as rapid urbanization, rising disposable incomes, a fast growing middle class, ease of availability of housing loans, and low interest rates. Despite the presence of these growth catalysts, Oman's residential sector remains an undersupplied market. The country saw higher demand for quality residential units in 2014 across prime locations in Muscat, especially in areas such as the Wave, Madinat Qaboos, Qurum, Shatti Al Qurum, and Muscat Hills, where private investment is permitted.

With rising demand, several new developments are due for completion from 2015 to 2020. This includes the development of Oman's first residential zone named Zaha (comprising a range of villas and apartments, part of the Saraya Bandar Jissah project), which commenced construction in 2015 and is expected to be completed by 2017. Exhibit 24 covers a list of select new projects in Oman.

[35] The program grants each citizen the right to apply for a housing or land voucher, or a loan, which is exempt from governmental interest after the citizen submits his marriage documents.
[36] Source: "Kuwait seeks to meet mounting housing demand", Kuwait News Agency, October 22, 2014

Exhibit 24: Major residential projects planned and under way in Oman

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Duqm New Downtown	Muscat	Special Economic Zone Authority at Duqm	20,000	2022
Al Madina A'Zarqa (The Blue City)	Al Sawaadi	Al Sawadi Investment and Tourism Company	~15,000 to 20,000	2022
New Residential City in Liwa	Liwa	Ministry of Housing	1,300	NA

Source: Meed
Note: NA indicates data not available

Bahrain

The Bahraini residential construction market is likely to pick up pace in 2015 as it received recent funding and expects private sector participation

The residential construction market in Bahrain is currently undersupplied. The country saw limited construction activity in 2014 due to a challenging political environment. However, the residential construction sector is expected to improve steadily in 2015, deriving benefits from the GCC funding[37] and the involvement of the private sector.

The construction of 9,232 housing units was announced in 2014 comprising of projects worth US$ 2.2 billion[38]. About 2,548 units of these are scheduled for completion in 2015, while about 1,443 and 5,241 units are planned for completion by 2016 and 2017, respectively.

Social and affordable housing are the key focus areas of the residential projects signed in 2015

A majority of the new residential projects that are signed in 2015 are focused towards the supply of social and affordable housing within the country. The government inked a US$ 1 billion project with property developer, Diyar, to purchase social housing units, affordable housing units, and the supporting infrastructure from the latter. The project is intended to address the acute shortage of low-cost homes in Bahrain (which currently stands at 50,000 units[39]). In addition, Bahrain's Housing Ministry have urged developers international investors to focus on increasing the construction of residential supply in Bahrain including the Northern Town development, which is an important component in the government's affordable housing drive.

Exhibit 25 presents significant ongoing projects in Bahrain.

Exhibit 25: Major residential projects planned and under way in Bahrain

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Water Garden City (Mixed-use)	Manama	Albilad Real Estate	6,600	2023
Al Luwzi Lake Apartment Buildings - Phase 2, Contract C	Hamad Town	Ministry of Housing	5,593	NA
Al Madina Al Shamaliya (North Bahrain New Town)	Manama	Ministry of Works & Housing	4,500	2019
Construction of 9,232 housing	Multiple Cities	Ministry of Housing	2,200	2017
Build- nearly 3,100 social	Manama, and	Ministry of Housing	1,000	NA

Source: Meed, Note: NA indicates data not available

[37] An initiative approved by the GCC to provide development funds to countries in the region, with the donors being the UAE, Kuwait, Saudi Arabia, and Qatar. This grant to Bahrain is managed by the Abu Dhabi Fund for Development and is expected to be allocated towards projects in a number of priority sectors in the country, including energy, housing, health, and education.
[38] Source: "Contracting Industry Trends of GCC Countries 2014", Quick-Wins, 2014
[39] Source: "Bahrain finalizes US$ 1 billion social housing deal", ConstructionWeekOnline.Com, April 7,2015

2.6 Office Construction Market of the GCC

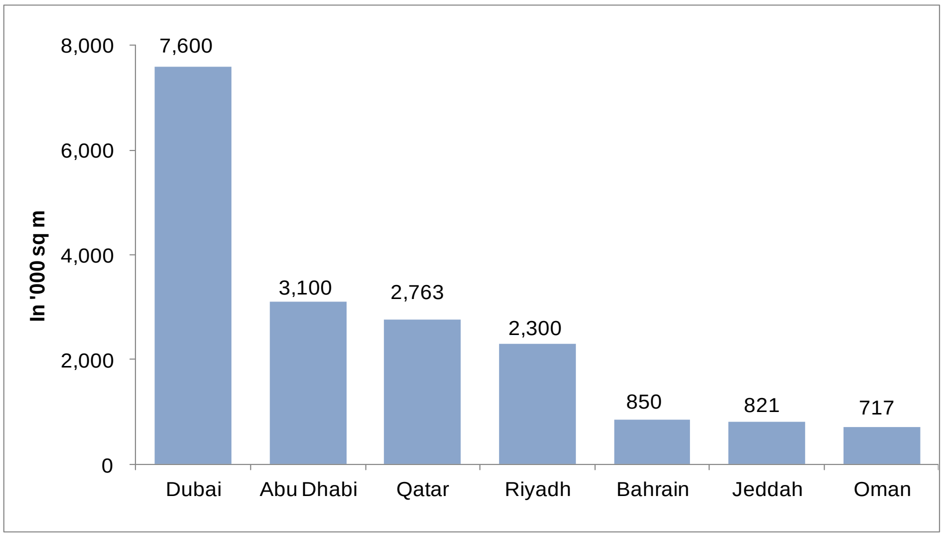
The GCC's office construction segment saw the completion of projects worth US$ 13.4 billion in 2014

The office construction segment across the GCC saw the completion of projects worth US$ 13.4 billion in 2014[40]. Saudi Arabia accounted for the highest share of commercial projects completed in 2014 (US$ 6.8 billion, led by its government's commitment to make the country a hub for commercial activity), followed by the UAE (US$ 2.1 billion), Kuwait (US$ 1.2 billion), and Oman (US$ 0.8 billion). Qatar is expected to see high office demand in the medium term, fostered by strong economic growth that is likely to attract foreign investors and tenants.

Saudi Arabia accounted for the highest share of commercial projects completed in 2014

Exhibit 26 presents the supply of commercial office space across various GCC countries. The UAE (including Dubai and Abu Dhabi) has the highest commercial space available in 2014, followed by Qatar and Riyadh. Overall, the commercial real estate segment (comprising Grade A[41], B[42], and C[43]) of the GCC region continued to face an oversupply situation in 2014. However, the improving macro-economic situation could positively impact demand in the coming years.

Exhibit 26: Commercial Supply Across GCC Regions - 2014



Source: Jones Lang LaSalle, Colliers International, and Cluttons

UAE

The UAE market presents a demand for Grade A office space, which is in short supply

Although the UAE office market was oversupplied in 2014, the availability of good quality office space in prime locations (such as Jumeirah Lake Towers, Business Bay, Tecom regions of Dubai, and Al Reem Island, Muroor, Corniche, and Sowwah Square, among others in Abu Dhabi) was scarce[44]. The country witnessed the demand for high quality commercial spaces from large corporates and small medium enterprises (SMEs) seeking to expand, consolidate, or upgrade its existing facilities. As a result, rents for Grade A

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[40] Source: "GCC Building Construction and Interiors Update", Ventures Middle East, January 2015
[41] Grade A offices are brand new; have been recently redeveloped; or experienced a thorough refurbishment within the last 15 years. Such places are situated in desirable, centrally-located submarkets.
[42] Grade B office space is usually maintained and finished to a good or fair standard, with adequate facilities. This type of office space refers to properties that fall below the Grade A remit.
[43] Grade C offices provide functional space, with its fit-out being of a lower quality than Grade A or B properties. It may be above shops or in a non-business location.
[44] Source: "Dubai Real Estate Market Overview", Jones Lang LaSalle,Q1 2015

space saw a nearly 15%-20% y-o-y rise in 2014. However, Grade B and Grade C commercial property rents registered a y-o-y fall in 2014.

The market for Grade B and Grade C space is expected to remain oversupplied in 2015 as well, resulting in high vacancy rates in certain areas[45]. This could lead to a further fall in the rents of Grade B and Grade C commercial spaces in 2015. Cautious corporates, reluctant to incur high expenditure in the near future, are also aiding the price decline. The rentals market of Grade B and Grade C space are expected to remain favorable for tenants, with landlords offering flexible options to entice them.

Dubai

Dubai's office stock is expected to reach a GLA of 8.0 million sq m in 2015 and 8.2 million sq m in 2016

Commercial projects in Dubai are largely focused on Grade A space, which is scarce in the city. The strength of demand for Grade A space, due to its central location, has led to low vacancy rates (18.0% in 2014 from 20.0% in 2013)[46]. Accordingly, the average rental rates also increased by 3.2% in 2014 over 2013 (see Exhibit 27).

The market expects an increase in the supply of Grade A office space to meet the demand for quality. This might exert downward pressure on the Grade A office rents (which grew only by 1.1% in Q1 2015 compared with 2.2% in Q1 2014), as tenants seek to optimize or rationalize their space requirements and consolidate their operations.

With significant additions anticipated in the Grade A space, Dubai's office stock is expected to reach a gross leasable area (GLA) of 8.0 million sq m in 2015 and 8.2 million sq m in 2016 (see Exhibit 28)[47].

Exhibit 27: Grade A Office Rents

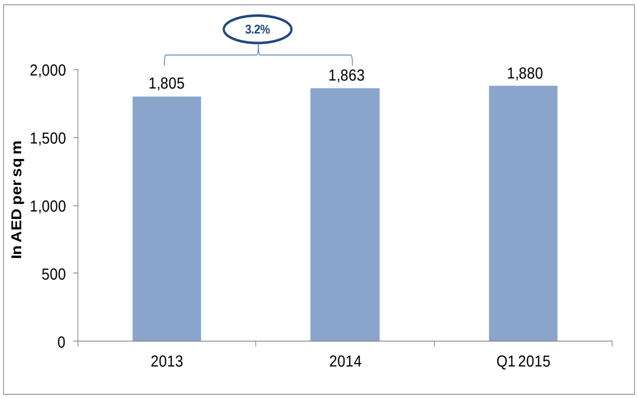
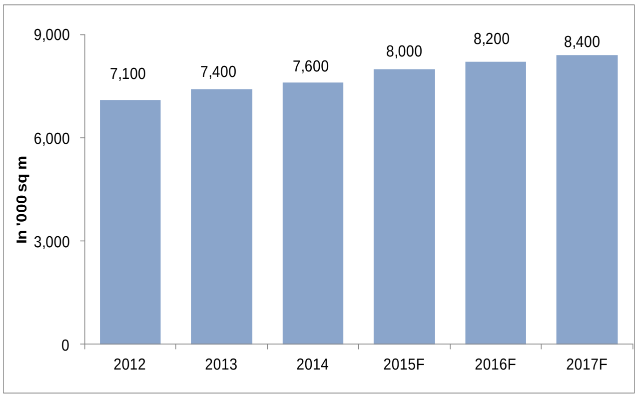


Exhibit 28: Total Dubai Office Stock



Source: Jones Lang LaSalle

Abu Dhabi

The availability of Grade A office space remains limited in Abu Dhabi, resulting in an increase in its rents in 2014

Overall, the commercial segment of Abu Dhabi remains an oversupplied market, with office stock reaching nearly 3.1 million sq m in 2014 (see Exhibit 30). However, like Dubai, Abu Dhabi faced a shortage of Grade A office space in 2014. As a result, rents for such spaces rose 4.7% to reach AED 1,612 sq m (US$ 439 sq m[47] - see Exhibit 29). On the other hand, rents for Grade B offices declined 0.8% y-o-y in 2014 due to limited demand arising from lower oil prices and uncertain economic conditions.

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[45] Source: "Dubai Real Estate Market Overview", Jones Lang LaSalle,Q1 2015
[46] Source: Quarterly reports of Jones Lang LaSalle
[47] Exchange rate of 3.6723

The same trend continued in Q1 2015, with Grade A office rents reaching AED 1,730 sq m (US$ 471.1 sq m)[48] from AED 1,540 sq m (US$ 419.4 sq m)[49] in Q1 2014. On the other hand, average Grade B office rents remained stable for Q1 2015 at AED 1,180 per sq m (US$ 321.3 sq m)[48]. Increased demand for Grade A office space from the government sector and state-owned enterprises led the vacancy rates to improve from 39% in Q1 2014 to 25% in Q1 2015.

Exhibit 29: Grade A Office Rents

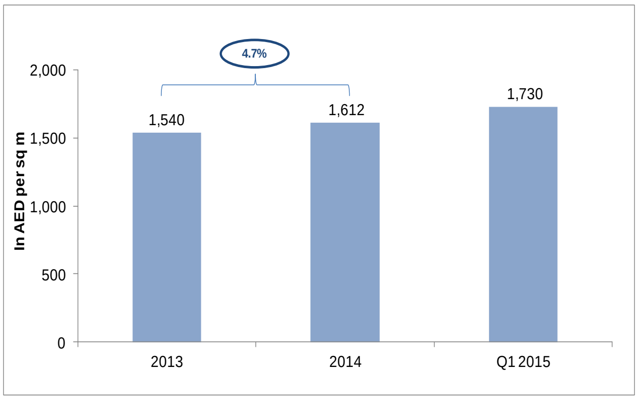
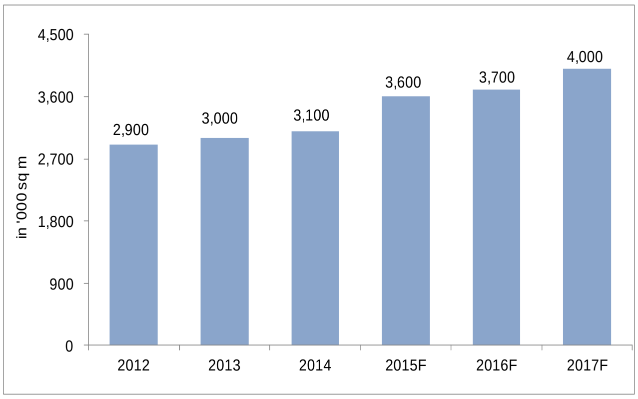


Exhibit 30: Total Dubai Office Stock



Source: Jones Lang LaSalle

Going forward, government entities are expected to remain the principal source of demand for Grade A office

However, an improvement in the macroeconomic environment could lead to an uptick in the overall commercial segment in the coming years, with government-backed entities expected to remain the principal source of demand for Grade A office space. Exhibit 31 presents a list of select new commercial developments in the UAE.

Exhibit 31: Major commercial projects planned and under way in the UAE

Project Name	Emirate	Project Sponsor	Project value (US$ Million)	Completion Year
Capital District	Abu Dhabi	Urban Planning Council	40,000	2030
Business Bay (Mixed Use)	Dubai	Dubai Holding	30,000	2016
Renaissance City (Mixed Use)	Abu Dhabi	Stile Italiano Real Estate Industry	25,000	2020
Masdar City	Abu Dhabi	Abu Dhabi Future Energy Company (Masdar)	22,000	2025
Masdar City (Mixed Use)	Abu Dhabi	Abu Dhabi Future Energy Company	22,000	2026

Source: Meed

[48] Exchange rate of 3.6724
[49] Exchange rate of 3.6722

The supply of Grade B office space continued to dominate Qatar's commercial sector in 2014, amid limited availability of Grade A office space

Qatar

Doha has a supply shortage of Grade A commercial space (located in Diplomatic City and West Bay), with high rents of QAR 150 and QAR 250 per sq m per month (US$ 41.2 - US$ 68.7)[50] in 2014[51].The supply of Grade B office space continued to dominate the market in 2014, with its monthly rents of QAR 110 - QAR 150 per sq m (US$ 30.2 - US$ 41.2 per sq m-see Exhibit 32).

Exhibit 32: Grade A and Grade B Office Rents in Doha

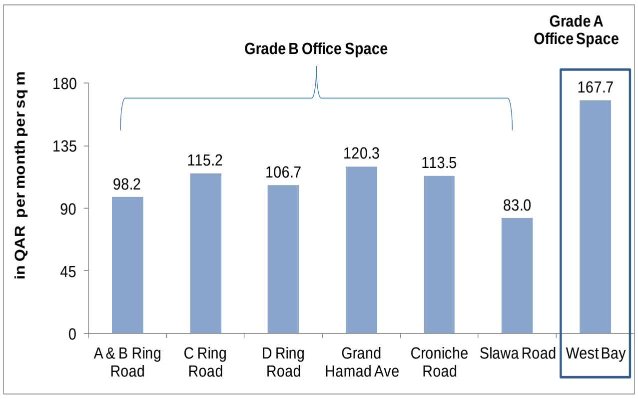
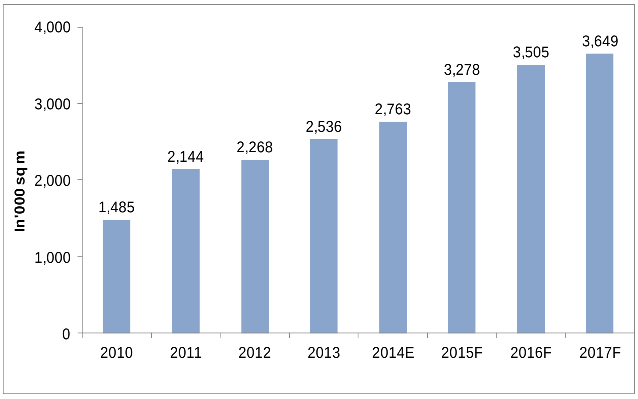


Exhibit 33: Supply of Grade A Office Space in Doha



Source: Doha Real Estate Market Overview, Colliers International, Q2 2013

An increase in the demand for office space in support of economic growth, augurs well for the construction industry

The supply of Grade A office space in Doha is expected to grow at a CAGR of 9.7% between 2014-2017, thereby reaching 3.6 million sq m in 2017 (see Exhibit 33). For Grade B and Grade C commercial space, Qatar's office sector is mired in oversupply challenges, with limited demand for office spaces in Doha. As current vacancy levels stand at a high 29.0% (in case of Grade B and Grade C space), Doha's office market remains largely in favor of occupiers.

Doha is expected to see additional office demand in the short term, as strong economic growth are likely to attract foreign investors and tenants. Government entities are expected to continue to account for a major proportion of the office demand in 2015. Exhibit 34 presents select key new office developments in Qatar. Can we insert one line on Barwa Commercial District?

Exhibit 34: Major commercial projects planned and under way in Qatar

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Lusail Development (Mixed-use)	Doha	Qatari Diar	45,000	2019
Barwa Al-Khor development (Mixed-use)	Al Khor	Barwa Real Estate Company	10,000	2025

Source: Meed
Note: NA indicates data not available

[50] Exchange Rate of 3.6402
[51] Source: "Qatar Office-Rental rate Survey Report", Al Asmakh, March 2015

Saudi Arabia

Government initiatives towards increasing white collar jobs are likely to garner benefits for its office construction market

The Saudi Arabian office market is currently oversupplied (mainly in the central region of the kingdom), resulting in a drop in rents and an increase in the vacancy rates in 2014. Landlords are therefore offering incentives such as rent-free periods, assistance with fit-outs, professional property management, and reduced or zero service charges, among others, to attract tenants. Going forward, government initiatives to increase the number of white collar jobs for its local population could support the market to some extent.

Riyadh

Riyadh is Saudi Arabia's commercial hub, being home to the majority of financial and banking institutions

Riyadh is the foremost commercial center of Saudi Arabia, being home to the majority of financial and banking institutions. Historically, commercial developments have been concentrated in the city's Central Business District (CBD), which comprises Grade A space. However, increasing traffic congestion in the CBD area has resulted in new development activity (Grade B) in northern Riyadh. This includes huge planned projects such as King Abdullah Financial District (KAFD), among others. The supply of both Grade A and B stock stood at nearly 2.3 million sq m in 2014 (see Exhibit 35). In view of an increase in supply, Grade A and B stock is expected to reach 2.6 million sq m and 2.9 million sq m in 2015 and 2016, respectively.

Exhibit 35: Total Riyadh Office Supply

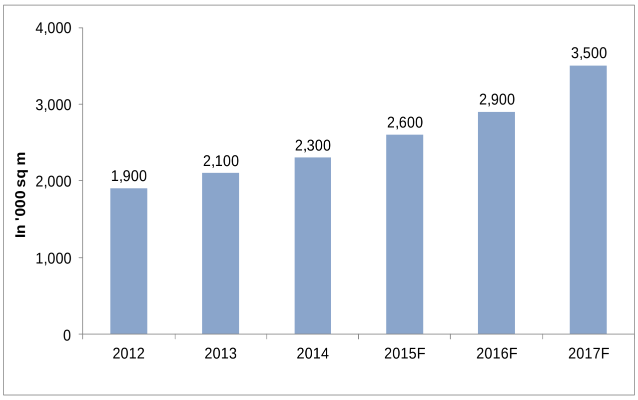
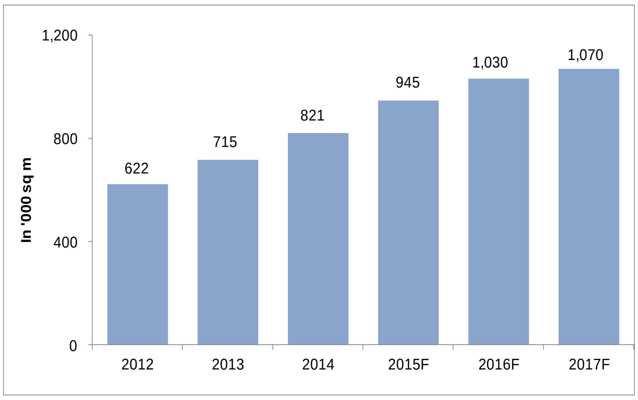


Exhibit 36: Total Jeddah Office Supply



Source: Jones Lang LaSalle, Q1 2015
Note: F indicates forecasted figures

The supply of both Grade A and B stock in Riyadh was around 2.3 million sq m in 2014

Overall (Grade A and B office space), average rents remained stable y-o-y in 2014. This trend is expected to continue into 2015, with rents for Grade A and Grade B office buildings stable at SAR 1,275 per sq m (US$ 339.9)[52] and SAR 870 per sq m (US$ 231.9)[53] y-o-y, respectively, in Q1 2015[53].

Grade A space in Jeddah is yet to meet international standards

Jeddah's Grade A space is yet to meet international standards, with Jameel Square as its best-quality development, currently. The supply of Grade A and B stock was over 800,000 sq m in 2014 (see Exhibit 36), with expectations of a rapid increase as new projects are completed[54]. However, with the slow rise in demand, the city was oversupplied in 2014. This resulted in stable rents in 2014 compared with 2013.

[52] Exchange rate of 3.7511
[53] Source:" Riyadh Real Estate Report", Jones Lang LaSalle,Q1 2015
[54] Source: "Jeddah Real Estate Report", Jones Lang LaSalle, Q1 2015

Office space, mostly in the form of medium-sized office buildings, is expected to enter the market in 2015

Looking ahead, an additional 124,000 sq m of office space is expected to enter the market in 2015, mostly in the form of medium-sized office buildings, each providing between 5,000 sq m – 10,000 sq m[55] of commercial space. The increased supply in 2015 is expected to be meet demand from both the public as well as the private sector.

Some ongoing projects are presented in Exhibit 37.

Exhibit 37: Major commercial projects planned and under way in Saudi Arabia

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Sudair Industrial City	Sudair	Saudi Industrial Property Authority	40,000	2029
Jeddah Economic City	Jeddhan	Jeddah Economic Company	30,000	2031
Jazan Economic City	Jezan	Saudi Industrial Property Authority	30,000	2034
Sustainable City	Riyadh	King Abdullah City for Atomic & Renewable	30,000	2036
Prince Abdulaziz bin Mousaed	Hail	Saudi Arabian General Investment Authority	20,000	2031
Riyadh East sub-centre	Riyadh	Al-Mozaini Real Estate	14,000	2035
King Abdullah Financial District	Riyadh	Raidah Investment Company	7,000	2015

Source: Meed
Note: NA indicates data not available

Bahrain

In Bahrain, the demand for small office spaces increased in 2014

In 2014, Bahrain saw increasing demand for smaller, fitted-office units that offer cost-effective turnkey solutions. However, overall, Bahrain's commercial real estate sector remains an oversupplied market. The country experienced low office space demand levels in 2014, mainly due to slow economic activity. Accordingly, rents continued to decline (y-o-y fall of 9.0% in 2014), as vacancy rates maintained an upward trend. Exhibit 38 presents select key developments in the office segment of Bahrain. The oversupply trend is likely to continue in the future.

Exhibit 38: Major commercial projects planned and under way in Bahrain

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Dragon City (Mixed-use)	Manama	Diyar Al Muharraq, and Kuwait Finance House	3,200	2020
Science and Technology Park	Durrat Al Bahrain	Kuwait Finance House Bahrain	1,000	NA

Source: Meed

[55] Source: "Jeddah Real Estate Report", Jones Lang LaSalle, Q1 2015

Oman

Since 2014, Oman's commercial real estate segment has been seeing an alarming undersupply of Grade A office space

Oman's commercial real estate segment has been seeing an alarming undersupply of Grade A commercial space since 2014, primarily due to high activity in its petrochemicals sector, as a result of the Khazzan Gas Field Project[56]. On the other hand, the country's Grade B and C office spaces saw an oversupplied market in 2014. The vacancy rate for Grade B space was at approximately 14.0% for the same year [57].

An additional 152,000 sq m of Grade A office space is expected to be completed by early 2016 and this planned supply appears sufficient to accommodate the additional anticipated demand over the next 4-5 years[58]. Exhibit 39 presents a list of select new projects in the country.

Exhibit 39: Major commercial projects planned and under way in Oman

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Omagine	Muscat	Omagine	2,500	NA

Source: Meed

Kuwait

The implementation of new regulations for attracting FDI could increase the demand for office space in the future

Kuwait's office market is characterized by oversupply since the global financial crisis. Historically, the inflow of overseas businesses into the country has remained low due to a challenging regulatory framework and the inadequate infrastructure facilities. However, this situation is set to change, following the latest initiatives undertaken by the government. The new regulations are expected to attract more Foreign Direct Investment and businesses into the country, creating increased demand for office space in the future. Consequently, the extra supply in the market is also likely to be absorbed. Exhibit 40 highlights the key developments in the office construction segment of Kuwait.

Exhibit 40: Major commercial projects planned and under way in Kuwait

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Madinat al-Hareer (City of Silk)	Kuwait City	Government of Kuwait	77,000	2025
Gate of Kuwait Tower	Kuwait City	Alshaya Group	NA	2016

Source: Meed
Note: NA indicates data not available

[56] Source: "GCC Building Construction and Interiors Update", Ventures Middle East, January 2015
[57] Source: "Property Briefing Sultanate of Oman Residential / Commercial", Savills, H2 2014
[58] Source: "Property Briefing Sultanate of Oman Residential / Commercial", Savills, H2 2014

2.7 Retail Construction Market of the GCC

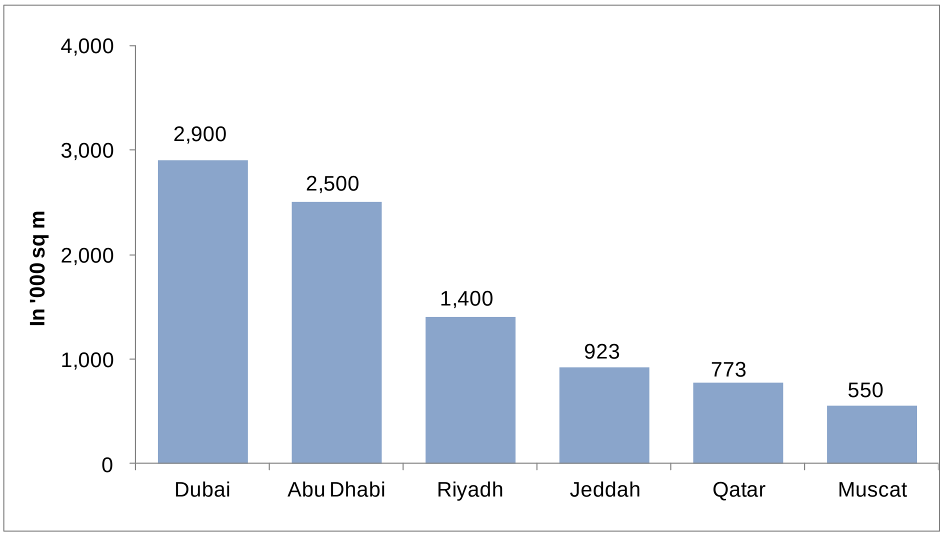
The GCC retail construction sector picked up pace towards end-2014 due to growing disposable incomes and a higher number of expatriates

The GCC retail sector is driven by encouraging factors such as large disposable incomes, a growing expatriate population, and robust economic activities. Qatar, with the world's largest disposable income levels[59], overtook the UAE to bag the largest share of the retail projects completed in 2014[60]. The UAE accounted for the second highest number of retail project completions in 2014 which further bolstered the sector, aided by a recovery in its economy and the real estate market.

The fast-growing young and affluent population of Saudi Arabia is drawing international retail brands into the country in recent years, leading to several large-scale retail developments in the past few years. Accordingly, the kingdom saw the third highest number of retail project completions in 2014, followed by Oman and Bahrain, in that order. Oman's flourishing tourism sector is benefiting its retail industry. Kuwait ended up at the sixth spot, as the lower oil price affected its budget for retail development, social infrastructure, and other sectors.

Exhibit 41 presents the supply of retail space across the GCC

Exhibit 41: Retail Supply Across GCC Countries - 2014



Source: Jones Lang LaSalle, Colliers International, and Cluttons

UAE

Several new retail projects including construction of Mall of the World, amongst others were announced in the UAE in 2014

Positive sentiment returned to the UAE's retail construction market in 2014, which saw the announcement of several new retail projects. In an effort to draw attention back to it as a favorite regional and global retail destination, in July 2014 it announced plans to construct the world's biggest mall. To be known as Mall of the World, the project is expected to be spread across 8 million sq m, at an estimated cost of US$ 6.8 billion[61]. Separately, the Al Futtaim Group announced plans to set up a new 50-store community mall between 2015-2018. In addition, expansion and extension plans at the existing malls such as Dubai Mall and Mall of Emirates are also underway. Growth in Abu Dhabi's retail sector is expected to remain solid in the medium to long term. This growth is in view of population growth

[59] Source:"Qatar retail market set for major expansion", Gulf Times, February 16, 2015
[60] Source: Meed Projects

projections as per its Economic Vision 2030 plan, which expects a rise from the current 2.2 million people to as many as 5 million by 2030. Such increase combined with a surge in tourist arrivals is likely to feed the demand for new retail space.

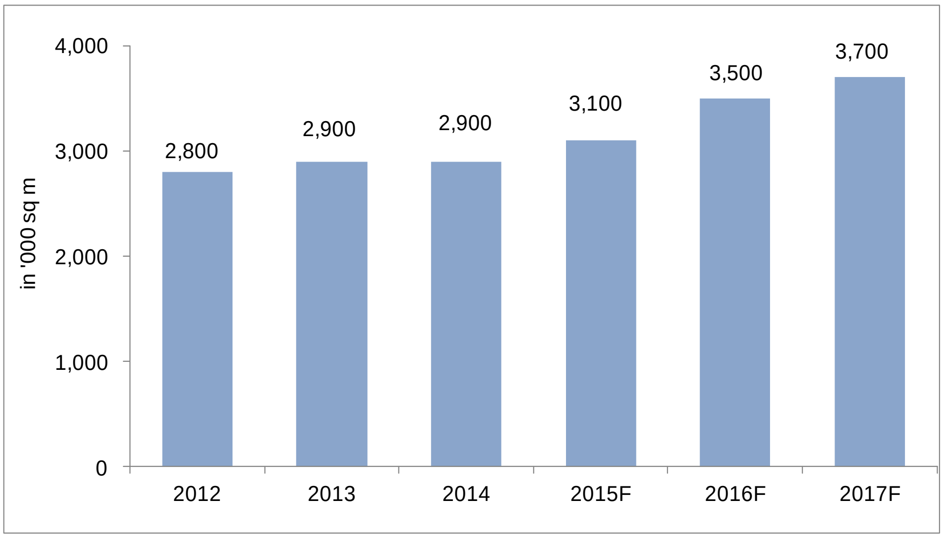
Abu Dhabi is also preparing to see the launch of the 186,000 sq m Reem Mall to be built on Al Reem Island at an estimated budget of US$ 1 billion and is scheduled for completion in 2018. With its 450 stores and 85 food and beverage outlets, the mall is part of a larger urban development project intended to serve 200,000 residents. The release of new high-end retail space into the market in the coming years is likely to push some of Abu Dhabi's older malls and shopping centers to maintain their profile in the face of increased competition. As a result, some established malls could lower their rents or seek to lock in key retailers through longer-term agreements to avoid any shift to the new developments.

Dubai

The supply of retail space in Dubai is expected to grow at a 9.2% CAGR between 2015 and 2017

Dubai remains the destination of choice for most brands looking to enter the GCC market. However, they face the challenge of a shortage of available retail space. Dubai's retail construction market was undersupplied in 2014, with little to no addition to its retail space[61]. Vacancy rates therefore fell from 12% in 2013 to 8% in 2014. The market is expected to see a space addition of 194,000 sq m by end-2015[62]. The supply of retail space in Dubai is expected to grow at a 9.2% CAGR between 2015 and 2017 (see Exhibit 42). As there is sufficient demand in the market to fill the additional space expected in 2015, rents are expected to remain flat.

Exhibit 42: Total Retail Supply in Dubai



Source: Dubai Real Estate Market Overview, Jones Lang LaSalle, Q1 2015
Note: F indicates forecasted figures

An undersupplied market resulted in higher growth in rents in 2014 compared with 2013

The demand-supply mismatch resulted in higher growth in rents in 2014 compared with 2013. The average rent in a secondary location was AED 1,724 (US$ 469.5)[63] pa/sqm in 2013, while it stood at AED 4,116 (US$ 1,120.8)[64] pa/sqm in a primary location. By end-2014, these figures had risen by close to 30%, reaching AED 2,216 (US$ 603.4)[64] pa/sqm for secondary sites and AED 6,173 (US$ 1,681)[63] pa/sqm for primary locations.

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[61] Source: "Dubai to see slowdown", MEED, March 18, 2015
[62] Source:"Dubai Real Estate Market Overview", Jones Lang La Salle, Q1 2015
[63] Exchange Rate of 3.6723

However, rents fell in Q1 2015 for both primary and secondary retail spaces (see Exhibit 43 and 44)[64]. The retail market slowdown is a result of a drop in the number of visitors from Russia, in addition to fewer tourists from the Euro zone due to a weak euro.

Exhibit 43: Average Retail Rents in Dubai – Primary Location

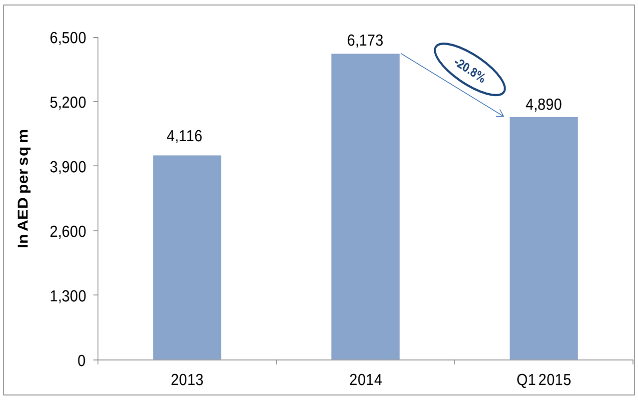
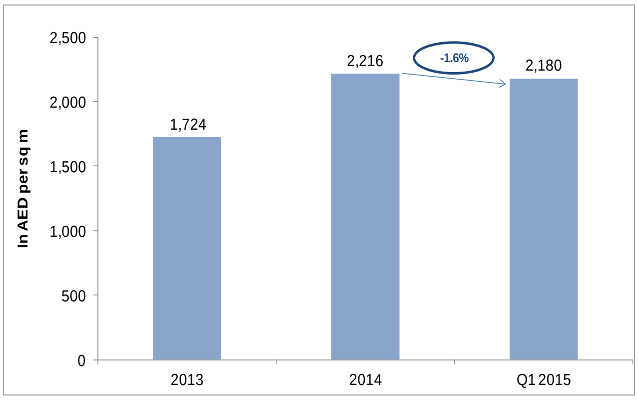


Exhibit 44: Average Retail Rents in Dubai – Secondary Location



Source: Dubai Real Estate Market Overview, Jones Lang LaSalle

Abu Dhabi

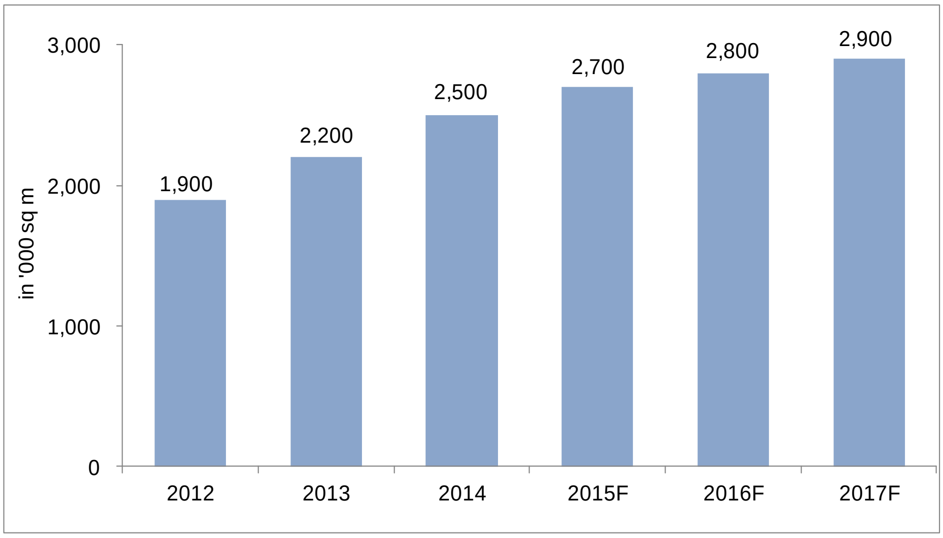
Abu Dhabi's retail construction space remained undersupplied in 2014. The emirate continued to see demand for retail outlets due to its growing and affluent population, solid economic growth, and increasing tourism.

The total retail stock in Abu Dhabi reached approximately 2.5 million sq m GLA in 2014

The total retail stock in Abu Dhabi reached approximately 2.5 million sq m GLA (see Exhibit 45)[65] in 2014. The opening of Yas Mall in late 2014, the second largest shopping center in the UAE after Dubai Mall, added 235,000 sq m to Abu Dhabi's retail units. Despite these new releases in 2014, vacancy rates remained low at 2.0% of the available GLA, the same level at the close of 2013. The emirate is expected to see an additional supply of GLA to the tune of 85,000 sq m and 78,000 sq m by 2016 and 2017, respectively[66]. A number of super regional malls[66] are scheduled to enter the market from 2018, which are expected to substantially increase Abu Dhabi's retail supply in the medium term.

[64] Source:" Dubai Real Estate Market Overview", Jones Lang La Salle, Q1 2015
[65] Source: "Abu Dhabi Real Estate Market Overview", Jones Lang LaSalle, Q1 2015
[66] Super regional malls offer general merchandise or fashion-oriented offerings. Typically, enclosed with inward-facing stores connected by a common walkway. Parking surrounds the outside perimeter. It offers more variety and assortment as compared to regional malls

Exhibit 45: Total Retail Supply in Abu Dhabi



Source: Abu Dhabi Real Estate Market Overview, Jones Lang LaSalle, Q1 2015
Note: F indicates forecasted figures

Limited availability of retail space at prime locations led rents to increase y-o-y in 2014

Limited availability of retail space at prime locations led rents to increase y-o-y in 2014 (see Exhibit 46). Retail rents are expected to remain stable from 2015 to 2018. Accordingly, rents were flat at AED 3,000 per sq m (US$ 816.9 per sq m)[67] in Q1 2015, annually, in primary locations. Following the same trend, rents in secondary locations were almost flat in Q1 2015 to reach AED 1,860 per sq m (US$ 506.5 per sq m; see Exhibit 47)[68].

Exhibit 46: Average Retail Rents in Abu Dhabi – Primary Location

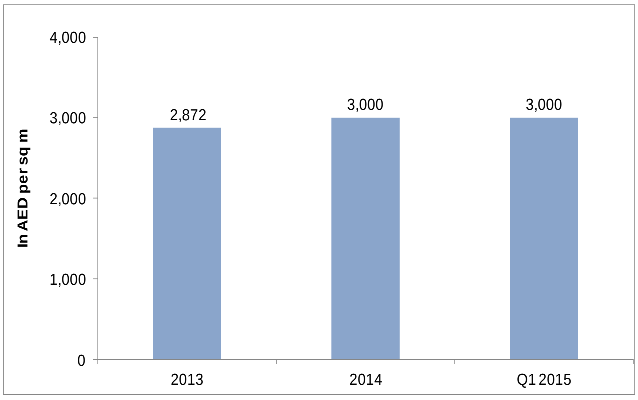
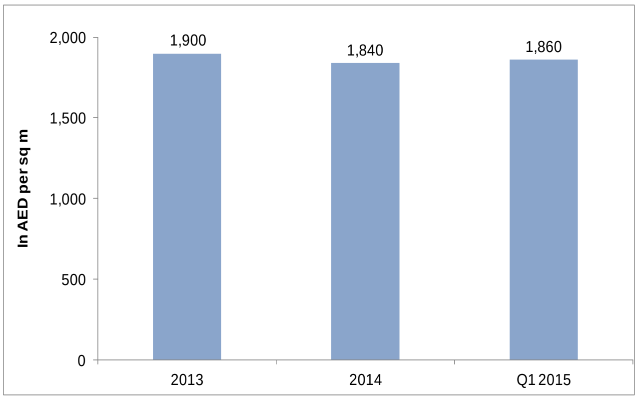


Exhibit 47: Average Retail Rents in Abu Dhabi-Secondary Location



Source: Abu Dhabi Real Estate Market Overview, Jones Lang LaSalle, Q1 2014 to Q1 2015

Exhibit 48 presents key planned and ongoing projects in the retail sector of the UAE.

[67] Exchange Rate of 3.6724

Exhibit 48: Major retail projects planned and under way in the UAE

Project Name	Emirate	Project Sponsor	Project value (US$ Million)	Completion Year
Yas Island development	Dubai	Aldar Sorouh Properties	37,000	2025
Mall of the World	Dubai	Dubai Holding	6,800	2022
Reem Mall	Abu Dhabi	National Real Estate Company	1,000	2018
Dubai Mall Expansion	Dubai	Emaar Properties	530	2016
Nakheel Mall	Dubai	Nakheel	457	2016
Deira Islands Mall	Dubai	Nakheel	355	2018
Al Futtaim Group - set up a new 50-store community mall	Dubai	NA	NA	2018

Source: Meed

Saudi Arabia

The growth of the religious tourism sector is adding to the activity in Saudi Arabia's retail industry

Saudi Arabia's highly affluent and young domestic population presents a huge and growing demand base, attracting local and international retailers. In addition to the kingdom's inherent growth catalysts, its government has also undertaken efforts to develop the religious tourism corridor of Mecca and Medina. The ensuing growth of the religious tourism sector is adding to the activity in its retail industry. Visiting malls has become a popular leisure activity in Saudi Arabia, given limited entertainment avenues and public spaces in the kingdom.

Riyadh

About 300,000 sq m of GLA is expected to enter Riyadh in 2016, to bridge the expected demand-supply chasm

Considerable market potential inherent to the kingdom has led the demand for retail projects to surge in Riyadh. As of 2014, the demand for retail space stood at GLA 1.4 million sq m[68]. However, supply has also increased with demand, up from a GLA of 1.2 million sq m delivered into the market in 2012 to 1.4 million sq m in 2014 (see Exhibit 49). About 200,000 sq m of GLA is expected to enter the market in 2015, to bridge the expected demand-supply chasm.

[68] Source: "Riyadh Real Estate Market Overview", Jones Lang LaSalle, Q1 2015

Exhibit 49: Total Retail Supply in Riyadh

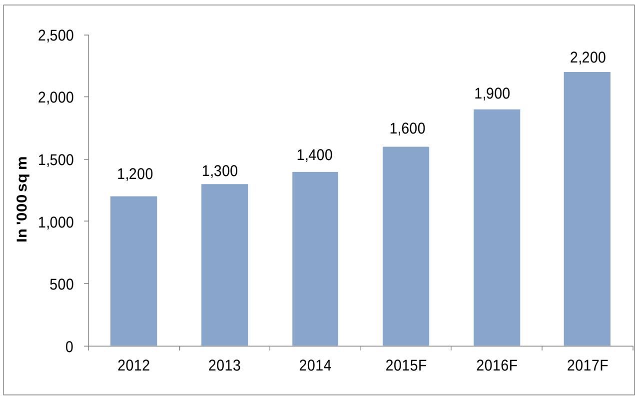
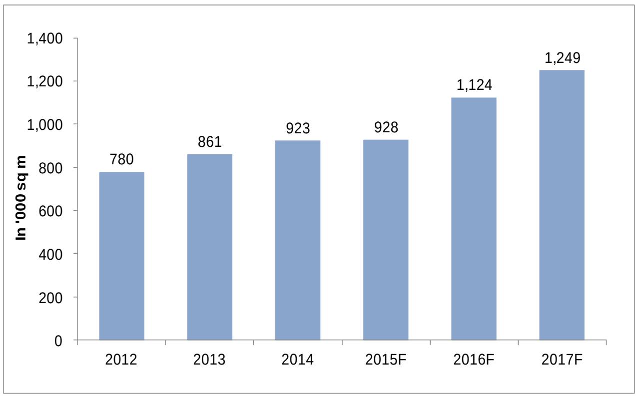


Exhibit 50: Total Retail Supply in Jeddah



Source: Riyadh, and Jeddah Real Estate Market Overview, Jones Lang LaSalle, Q1 2015
Note: F indicates forecasted figures

Vacancy rate fell to 9.0% in Q1 2015

A balanced demand-supply situation resulted in a low vacancy rate of 10.2% in 2014 (12.0% in 2013)[69]. Correspondingly, overall (primary and secondary retail space) rents surged. The vacancy rate fell further to 9.0% in Q1 2015, with rents reaching SAR 2,850 per sq m pa (US$ 759.8 per sq m)[70] for primary retail space and SAR 2,750 per sq m pa (US$ 733.1 per sq m)[71] for secondary retail space.

Jeddah

Limited supply is expected to enter the market in 2015 exerting downward pressure on the vacancy rate

Jeddah saw a fall in vacancy rates (7.3% in 2014 compared with 7.6% in 2013) due to high demand for quality retail space in 2014. This led the rents in regional and super-regional malls to increase by 4.2% and 10.3%, respectively, in 2014. However, average rents in case of community retail centers decreased by 2.7% in the same year, mainly due to lower demand. The expansion of Jamaah Plaza in 2014 contributed to the downward pressure on community rents, as the existing new space is yet to get absorbed. Overall, limited supply (of regional, super-regional, and community retail centers) are expected to enter the market in 2015 (see Exhibit 50), exerting downward pressure on the vacancy rate.

Exhibit 51 presents key planned and ongoing retail projects in Saudi Arabia.

Exhibit 51: Major retail projects planned and under way in Saudi Arabia

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Al-Shamiyah Mecca	Mecca	Al-Shamiyah Urban Development	9,300	2018
Riyadh Ajmakan	Riyadh	Al-Rajhi Development; Al-Shoula Holding Group; Land Company for Property Development & Investment	6,200	2020
Tareeq al-Mawazee	Mecca	Dallah Albaraka Group	5,600	2017
Al Diriyah Festival City	Al Diriyah	Al Futtaim Group, and Kayannat Real Estate	1,600	2016

Source: Meed
Note: NA indicates data not available on the Media Searches

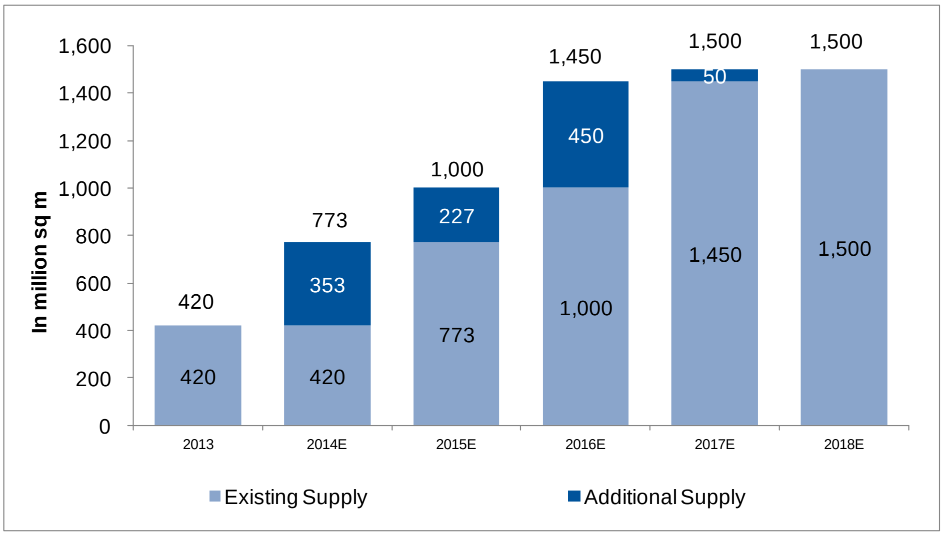
[69] Source: "Riyadh Real Estate Market Overview", Jones Lang LaSalle, Q1 2015
[70] Exchange Rate of 3.7511

Qatar

The cumulative retail space in Qatar currently stands at approximately 773,000 sq m of GLA, with expectations of reaching almost a million sq m of GLA by the end of 2015

The country accounted for the largest share of projects completed in the retail segment in 2014, across the GCC[71]. The cumulative retail space in Qatar currently amounts to approximately 773,000 sq m of GLA, across 14 major developments[72] (see Exhibit 52). In 2014, the country had the capacity to absorb the supply of retail space. Qatar is expected to continue its aggressive expansion in 2015 to benefit from an increase in tourist and expatriate inflow, in light of the mega event. The supply of retail space is expected to nearly double to reach 1.5 million sq m of GLA in 2017.

Exhibit 52: Retail Space Supply in Qatar



Source: Qatar Real Estate Market Overview, Colliers International, Q2 2014
Note: F indicates forecasted figures, E indicates estimated figures

Going forward, demand may remain concentrated on destination shopping malls

Although there is still demand for retail space in established malls, going forward, given the competitive environment, demand may remain concentrated on destination shopping malls. Such projects offer a broad tenant mix of innovative entertainment and food & beverage environments. Exhibit 53 highlights some key developments in Qatar's retail space.

Exhibit 53: Major retail projects planned and under way in Qatar

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Musheireb	Doha	Dohaland	5,500	2017
Doha Festival City	Umm Salal Muhammed	Bawabat Al Shamal, the Al-Futtaim Group, Qatar Islamic Bank and other investors	1,650	2016
Mall of Qatar	Al Rayyan	UrbaCon Trading	824	2015
Tawar Mall	Doha	Jabor Bin Sultan	500	NA
Lusail Marina Mall	Doha	Mazaya Qatar Real Estate Development	411	2015

Source: Meed

71 Source: "GCC Building Construction and Interiors Update", Ventures Middle East, January 2015
72 Source:" Qatar Real Estate Market Overview" , Colliers International, Q2 2014

Oman

A steady supply meets a healthy demand for organized retail space, particularly in Muscat

The retail sector in Oman continues to enjoy stable growth. A steady supply matches a healthy demand for organized retail space, particularly in the capital city of Muscat. Total retail stock in Muscat was approximately 300,000 sq m in purpose-built retail centers in 2012 and it reached nearly 550,000 sq m by end-2014[73]. This figure excludes a large number of mixed-use buildings, predominant in areas such as Ruwi, Ghubrah North, and Al Khuwair. The city's demand has absorbed the increase in supply.

With the economic development regaining strength, Oman's retail sector presents significant opportunities between 2015 and 2019**.** There are plans for a number of new malls to be constructed, including the extension of the Grand Mall, to meet the growth in demand for retail space. Select key retail developments which are planned and underway in Oman are presented in Exhibit 54.

Exhibit 54: Major retail projects planned and under way in Oman

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Saraya Bandar Jissah	Muscat	Saraya Bandar Jissah Company	600	2016
Mall of Oman	Muscat	Majid Al Futtaim Properties	467	2017
The Araimi Boulevard	Al Khoud	The Araimi Boulevard, and Arab Engineering Bureau	NA	NA
Muscat Festival City	Airport Heights	Al-Futtaim	NA	NA
Downtown Muscat Mall	Mabellah	Al Jarwani Group	NA	NA

Source: Meed
Note: NA indicates data not available

Kuwait

Kuwait shows the lowest retail mall space per capita (59% lower than its GCC peers), indicating a potential for further growth

Kuwait remains a largely undersupplied market, displaying the lowest retail mall space per capita (59% lower than its GCC peers), indicating a potential for further growth[74]. Consumer spending is the core driver for the retail sector, triggering the growth of the retail construction market. An increase in the demand for retail units thus receives a boost from the growing exposure of the younger population to international brands. The market is ripe for development, with a total GLA of 440 million sq m projected to be added up to 2020[75]. Exhibit 55 highlights some key developments in Kuwait's retail space.

Exhibit 55: Major retail projects planned and under way in Kuwait

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Jaber Al Ahmad New City	Kuwait City	Public Authority For Housing Welfare	1,400	2016
The Avenues-phase 4	Kuwait City	Mabanee	910	2016
Al-Khiran	Sabah Al Ahmed Sea City	Tamdeen Group	700	2019

Source: Meed
Note: NA indicates data not available

[73] Source: "MENA Real Estate Market Overview", Ventures Middle East, 2012
[74] Source: "Bringing malls to the masses: Mohammed Jassim Khalid Al Marzouq", arabianBusiness.com, March 20,2015
[75] Source: "GCC Building Construction and Interiors Update", Ventures Middle East, January 2015

Bahrain

Compared to other industries, Bahrain's retail construction sector showed the highest growth in 2014, in terms of demand and new developments

Bahrain's retail construction sector recorded the highest growth in 2014, in terms of both demand and new developments, compared to its other industries. However, the supply of retail units outpaced their demand, creating an oversupply situation.

Developers are growing wary of the rising number of mega malls in the country. As a result, many are now focusing on smaller retail centers that are part of new residential or commercial schemes. The first three quarters of 2014 saw strong demand for smaller units in the range of 50 sq m to 100 sq m per shop. Such demand was met with an equally aggressive supply pipeline of new schemes[76]. Exhibit 56 presents key ongoing retail developments in Bahrain.

Exhibit 56: Major retail projects planned and under way in Bahrain

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Dragon City (Mixed-use)	Manama	Diyar Al Muharraq, and Kuwait Finance House	3,200	2020
Marsa Al Seef Development (Mixed-use)	Manama	Global Real Estate Development Company WLL	2,500	NA

Source: Meed
Note: NA indicates data not available on the Media Searches

[76] Source: "Bahrain Commercial Market Outlook", Cluttons, 2014

2.8 Hospitality Construction Market of the GCC

A bustling tourism sector bodes well for the growth of the hospitality sector, which saw the completion of projects worth US$ 4.4 billion in 2014

The GCC region enjoys a strategic location as an ideal transit point between the East and the West, hosting visitors from all over the world. This lends an incentive to the member nations to develop their tourism industry, a move that is in line with their economic diversification plans. The Gulf region has thus been promoting its niche tourism segments such as leisure, religion, sports as well as Meetings, Incentives, Conferences, and Exhibition (MICE). A bustling tourism sector bodes well for the growth of the hospitality sector, which saw the completion of projects worth US$ 4.4 billion in 2014[77].

Exhibit 57: GCC Hotel Market ADR

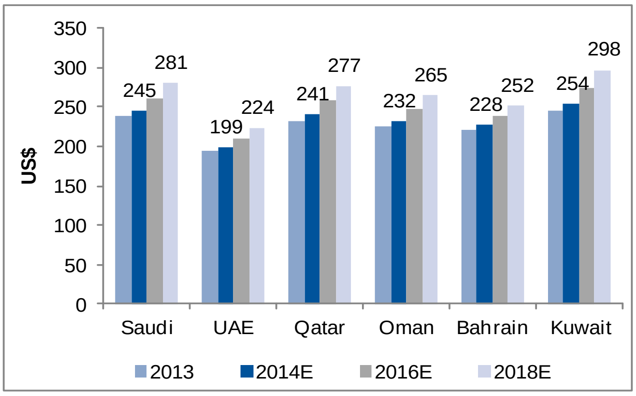
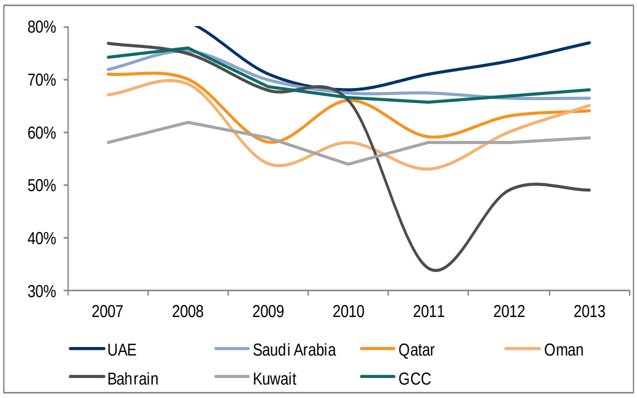


Exhibit 58: Occupancy Rates, 2009-2013



Source: Alpen Capital, STR Global, and Jones Lang LaSalle

Kuwait ADR in 2014 was US$ 254, the highest amongst its peers

Average Daily Rate (ADR) for Kuwait's hotel market in 2014 stood at US$ 254 (see Exhibit 57), the highest in the region and is expected to grow at a CAGR of 4.1% to remain the highest at US$ 298 even in 2018. Saudi Arabia followed Kuwait at US$ 245 for 2014 and is expected to maintain its second position in 2018. Occupancy rate among the GCC hotels is improving as international tourist influx is on the rise. Average occupancy stood at 68.1% in 2013 compared to 66.9% over previous year (see Exhibit 58).

In terms of the number of hospitality projects under construction as of Q1 2015, Saudi Arabia, the UAE, and Qatar showed the highest growth. Anticipating significant demand growths in the future, hospitality projects worth US$ 5.9 billion are due to be completed in 2015[78] across the GCC.

Saudi Arabia

Heavy government investment towards promoting its tourism, retail, and infrastructure sectors has led Saudi Arabia to build a pipeline of projects, including hotels by leading brands

Saudi Arabia overtook the UAE as the largest market in terms of hotel construction projects completed in 2014 due to heavy government investment. The country saw significant additions in 2014 of nearly 5,000-7,000 rooms to its estimated 210,000 hotel room inventory as of 2014[79]. The supply is expected to grow as much as 60% between the years 2015 to 2020, which is likely to be absorbed due to rising demand on account of an increase in tourist inflows[80].

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[77] Source: Meed projects
[78] Source: Meed Projects
[79] Source: Alpen Capital
[80] Source:"GCC Building Construction and Interiors Update", VentureMiddleEast, January 2015

Between 2014 and 2025, the number of annual visitors to Makkah is expected to increase at a CAGR of 4.0% to 16 million

The holy cities of Makkah and Madinah in the western part of the kingdom are the center of tourism activities in Saudi Arabia. The hospitality market for both cities is closely related, as pilgrims perform Hajj or Umrah in Makkah and then travel to Madinah to visit Al Masjid An Nabawi (the Prophet's Mosque). In 2013 and 2014, the number of pilgrims fell to about 2.1 million because of visa restrictions (due to the expansion of Holy Mosques (Haram and Al Masjid an Nabawi) and fears regarding the Middle East Respiratory Syndrome (MERS) virus. However, the number of Hajj tourists is expected to increase in the near future and even surpass the historical levels, as the constraints remain short term.

City-wise, Riyadh remains an oversupplied market. Jeddah, on the other hand, is an undersupplied market, with supply reaching 8,500 by 2014. An anticipated increase in economic activities in the city is expected to absorb the additional 6,800 keys planned to be delivered between 2015 and 2018. Jeddah has a pipeline of noteworthy projects, including hotels by leading brands. Such developments highlight the increased interest of international and regional investors in the Saudi Arabian hospitality sector.

Exhibit 59 shows some key hospitality projects in Saudi Arabia.

Exhibit 59: Select hotel projects planned and under way in Saudi Arabia

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Abraj Kudai	Mecca	Saudi Arabia Ministry of Finance	3,500	2018
Hilton Riyadh Hotel & Residences	Riyadh	General Organization for Social Insurance	450	2015
Holiday Inn	Mecca	InterContinental Hotels Group and Makkah Real	NA	2016
Ramada Plaza	Makkah	Tadawul Al Jezeera Real Estate Company	NA	2018

Source: Meed;
Note: NA indicates data not available on the Media Searches

UAE

The Dubai hospitality market is experiencing a high level of competition

The UAE remains an oversupplied market. The Dubai hospitality market saw the entry of new operators and brands in 2014. This led to the addition of nearly 4,100 keys, denoting a y-o-y increase of 7.0%. Partly as a result of an increase in supply, hotel occupancy in Dubai dipped marginally to register 79% in 2014[81]. Its room count stood at 64,400 in 2014, indicating a y-o-y increase of 7.0%. With an additional 3,600 keys due for completion in 2015, incremental rooms will total to 68,500 units until 2015, the sector is expected to witness subdued growth rates as operators face strong competition[81].

An increase in transit visitors boosted Abu Dhabi's hospitality market in 2014

Unlike Dubai, Abu Dhabi's hospitality market noted an 11.4% rise in demand in 2014, mainly due to an increase in transit visitors[82]. However, the impact of higher visitor arrivals has been offset by a significant rise in supply. Approximately 1,550 hotel rooms were added to the market in 2014, with about 3,500 additional rooms expected to enter by end-2015[82]. Overall supply is expected to reach 23,200 rooms by end-2015, representing a y-o-y growth of 16.0%. Such a rise in supply will be absorbed by the growth in demand as Abu Dhabi is focusing on the increasing visitors mainly for the leisure segment.

Exhibit 60 highlights key developments in the UAE's hospitality sector.

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[81] Source: "Dubai Real Estate Market Overview", Jones Lang LaSalle, Q1 2015
[82] Source: "Abu Dhabi Real Estate Market Overview", Jones Lang LaSalle, Q1 2015

Exhibit 60: Select hotel projects planned and under way in UAE

Project Name	Emirate	Project Sponsor	Project value (US$ Million)	Completion Year
Al Habtoor City	Dubai	Al Habtoor Group	3,000	2017
Royal Atlantis Resort	Dubai	Kerzner International, and Investment Corporation	1,500	2016
Jewel of the creek	Dubai	Dubai International Real Estate	1,360	2017
Paramount Hotel & Resorts	Dubai	Damac Properties	1,350	2018
Viceroy Dubai Business Bay	Dubai	NA	1,000	2018
Saadiyat Island Resort	Abu Dhabi	ALDAR Properties / Mubadala Development	1,000	2017
Aladdin City	Dubai	Dubai Municipality	NA	2018
Deira Islands	Deira	Nakheel	NA	NA
Four Seasons Hotel	Abu Dhabi	Mubadala Real Estate	NA	2016
Al Mamzar beach project	Dubai	Emaar Properties and Dubai Municipality	NA	NA
MGM Grand	Abu Dhabi	Bloom Properties	NA	2019

Source: Meed

Qatar

Qatar's hospitality sector outperformed that of the UAE, in terms of growth in project completions, in 2014

As the country with the highest per capital income in the world, Qatar is attracting investors to its retail and tourism industries. As a result, the country's hospitality sector outperformed that of the UAE, in terms of growth in project completions, in 2014[83].

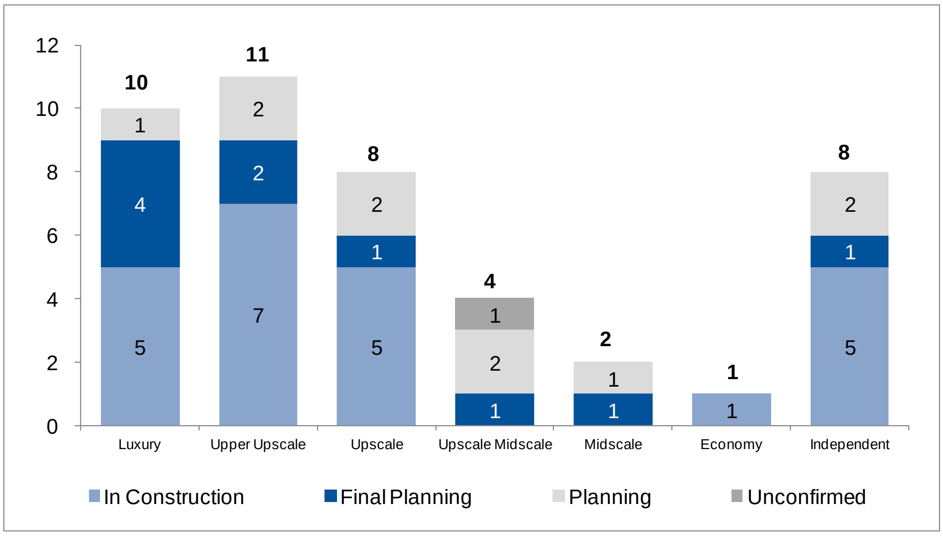
Qatar's demand for hotel rooms is increasing, with a recorded growth of approximately 12.1% per annum between 2009 to 2014[84]. The supply is estimated to have increased by approximately 13% over the same period, resulting in an occupancy level of 72% in 2014[84]. This marginal mismatch in the growth pace of supply and demand has led to a decline in room rates, as the market competes for customers.

As of 2014, Qatar's hospitality projects pipeline included more than 44 hotels in varying stages of planning or construction

As of 2014, Qatar's hospitality pipeline comprised 44 hotels (see Exhibit 61) in varying stages of planning or construction, primarily in the luxury, upper upscale and upscale segments. These projects are slated to deliver 11,000 additional keys into the market by 2018.

[83] Source:"GCC Building Construction and Interiors Update", Ventures Middle East, January 2015
[84] Source: "Middle East Hotel Market Intelligence Report" – Qatar", Deloitte, September 2014

Exhibit 61: Number of the Hotels in the Pipeline – 2014: 44 hotels



Source: Middle East Hotel Market Intelligence Report, Qatar, September 2014
Note: Independent Hotels are the hotels which are not franchised nor affiliated with a well known hotel chain

Select key hospitality projects in Qatar are listed under Exhibit 62.

Exhibit 62: Select hotel projects planned and under way in Qatar

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Silver Pearl Hotel	Doha	Katara Hospitality	1,600	2022
Mozoon Towers	Doha	Qatar General Insurance and Reinsurance Company,	687	2019
The Amphibious 1000	Doha	Giancarlo Zema Design Group	500	2016
Entertainment City Qatar	Doha	Lusail Real Estate Development Company	NA	2019
Planet Hollywood Hotel	Doha	NA	NA	NA
Centara Grand West	Doha	Al Bandary	NA	2016
Le Meridien	Doha	Starwood Hotels & Resorts Worldwide, and Saleh Al	NA	2015
Park Hyatt Msheireb	Doha	Msheireb Hospitality	NA	2016

Source: Meed
Note: NA indicates data not available on the Media Searches

Oman

With a significant demand supply mismatch, currently, the government plans to increase the available room count to 20,000 by 2015

The Omani government has focused on its tourism sector in its vision for 2020. However, its hospitality sector is currently undersupplied. Accordingly, the government plans to increase the available room count to 20,000 rooms by 2015 (compared with 13,200 in 2014) and welcome 12 million visitors, annually, by 2020[85]. The government therefore announced the construction of four hotels with 583 rooms in 2013, which were rapidly absorbed by the buoyant demand of the country's hospitality sector[86]. Brands such as Rotana Hotel Management Corporation Limited; Kempinski Hotels; and Fairmont Hotels & Resorts, among others, are expected to enter the untapped market of Oman in the near future (see Exhibit 63).

Exhibit 63: Select hotel projects planned and under way in Oman

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Tourist Resort	Salalah	Oman International Development and Investment Company	1,000	NA
Saraya Bandar Jissah Resort	Muscat	Oman's tourism development, and Saraya Oman	840	2015
Khasab Family Resort	Muscat	Majan Gulf Properties	779	2017

Source: Meed

Kuwait

Kuwait's hospitality sector showed a marginal improvement in 2014 due to its efforts to promote itself as a strategic business destination in recent times

Unlike other GCC nations, Kuwait's hospitality sector is currently underpenetrated. The country has undertaken serious efforts to promote itself as a strategic business destination in recent times, lending a marginal boost to its hospitality sector in 2014. With over a year of political stability as well as a return of consumer and investor confidence, the government is increasing its focus on the tourism sector. This could benefit its hospitality market in the future.

Exhibit 64 highlights select key hotel development projects in Kuwait.

Exhibit 64: Select hotel projects planned and under way in Kuwait

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Kuwait Four Seasons Hotel (part of Gate of Kuwait Tower)	Kuwait City	Four Seasons Hotel Limited	NA	2016
The InterContinental Hotels	Kuwait City	The InterContinental Hotels Group	NA	2017

Source: Meed

[85] Source: "Oman's 'vision' whets hotel investor appetite", HotelsNewsNow, October 2013
[86] Source: STR Global

Bahrain

Increased inflow of visitors in the coming years is expected to help Bahrain's construction sector to improve

The hospitality construction market of Bahrain is sluggish due to the political situation and the adverse impact of oil prices on the state budget, leading its government to shift its focus to other sectors. Consequently, the hospitality sector is expected to witness reduced investments for the year 2015. The situation is expected to improve with an anticipated increase in the number of visitors. Also, the proximity of Saudi Arabia is expected to result in a spillover of local and regional tourist traffic into Bahrain, helping to stabilize the market. Such factors are likely to help Bahrain regain investor confidence. Exhibit 65 presents select key ongoing hospitality developments in Bahrain.

Exhibit 65: Select hotel projects planned and under way in Bahrain

Project Name	City	Project Sponsor	Project value (US$ Million)	Completion Year
Shaza Hotels	Seef	Hani Group	NA	2017
JW Marriot Hotel Bahrain	Manama	NA	NA	2016
Fairmont Hotels & Resort	Al Jazayer	Bahrain Real Estate Investment	NA	2018

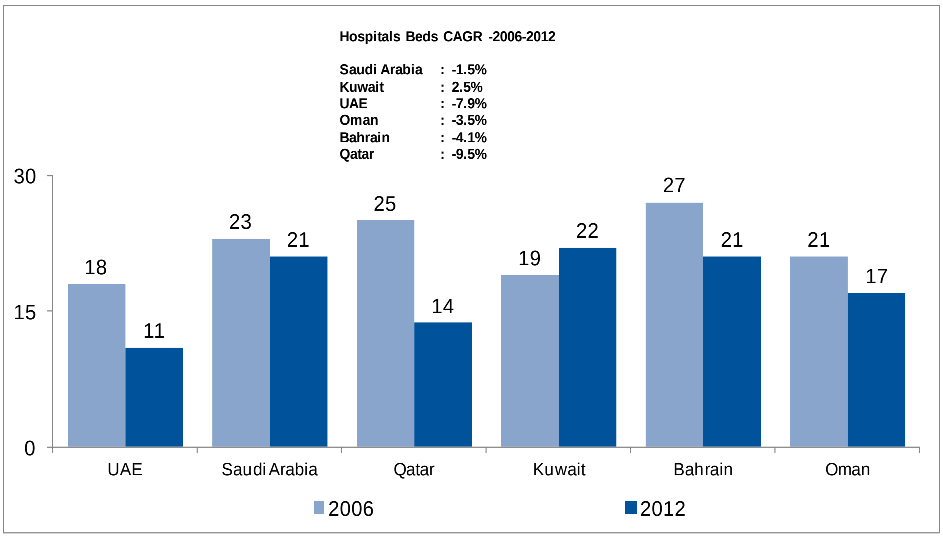
Source: Meed

2.9 Healthcare Construction Market of the GCC

High government attention towards this sector has translated into a healthy pipeline of hospital projects scheduled for completion in 2015

The construction activity in the healthcare sector has emerged recession-proof across the GCC, sustained by significant government investments. High government attention towards this sector has translated into a healthy pipeline of hospital project completions lined up for 2015. Qatar has initiated the revamp of its medical facilities to cater to its rising population. Thus, the highest number of project completions is expected to be seen in Qatar (US$ 2.4 billion), followed by Saudi Arabia (US$ 2.2 billion), and the UAE (US$ 1.8 billion). Bahrain, Oman, and Kuwait are expected to see a significant jump in project completions in 2015, over the previous year.

Exhibit 66: Hospital Beds (per 10,000 population)



Source: WHO (2014)

Based on 2012 figures by WHO, healthcare indicators such as bed density in the region currently lag behind those in the developed economies. For example, the average number of beds per 10,000 people in the GCC was 18 in 2012 (see Exhibit 66) compared to 30 or more in Singapore, the UK and the US, and more than 80 in Germany.

Kuwait

A number of new projects are expected to be constructed across the country, based on the public-private partnership (PPP) model

The population of Kuwait increased at a CAGR of 2.8% from 2012 to 2014 to reach 4.0 million[87]. The supply of the healthcare infrastructure in the country is, however, yet to match pace with its population growth. In order to tackle this undersupply of healthcare facilities, the Kuwaiti government has initiated the implementation of Nine Hospital Expansion Project, which is expected to add a total of 5,000 beds to the existing capacity.

The government has also recently announced a number of new projects to be constructed across the country, based on the public-private partnership (PPP) model. This model is expected to bolster the service quality, while meeting the demand for healthcare facilities. Exhibit 67 presents a list of key hospital projects planned and under way in Kuwait.

[87] Source:" World Economic Outlook", IMF, 2015

Exhibit 67: Select hospitals projects planned and under way in Kuwait

Project Name	City	Project value (US$ Million)	Completion Year
Jaber Al-Ahmed Al-Jaber Al-Sabah Hospital	Kuwait City	1,060	NA
Expansion of Al-Jahra Hospital	Kuwait City	1,000	NA
Al Farwaniyah Hospital Expansion	Kuwait City	935	2018
Sabah Al Salem Cancer Center Expansion	Kuwait City	800	2016

Source: Meed
Note: NA indicates data not available

Saudi Arabia

Increasing the number of hospital beds available is a priority for the Saudi Arabian government

The healthcare sector of Saudi Arabia is in need of an increase in the supply of hospital beds. The population of the kingdom was around 30.7 million[88] in 2014, with only 22 hospital beds for every 10,000 people[89]. Increasing the number of hospital beds available is thus a priority for the Saudi Arabian government. Consequently, the 2014-2015 budget allocated the largest share towards the construction and expansion of hospitals and healthcare facilities across the kingdom. This includes the construction of five major (more than US$ 500 million in value) medical cities, aimed at increasing the supply of medical infrastructure. King Khalid Medical City, will be the leading center of excellence in specialized health care in the Eastern Province. Other key medical cities being planned are King Abdullah Medical City and Prince Mohammed Medical City. Exhibit 68 presents select key healthcare projects planned and under way in Saudi Arabia.

Exhibit 68: Select hospitals projects planned and under way in Saudi Arabia

Project Name	City	Project value (US$ Million)	Completion Year
Military Medical City - Phase 1	Riyadh	3,800	2020
Rehabilitation Centres for Prisoners	Riyadh	3,400	2017
King Abdullah Project: Security Forces Medical Complex: 1	Riyadh	3,350	2018
King Abdullah Project: Security Forces Medical Complex: 2	Jeddah	3,350	2017
King Abdullah Medical City	Makkah	1,200	2018
King Khalid Medical City	Dammam	1,200	2018
Ajyad General Hospital	Makkah	600	2016
Prince Mohammed Medical City	Madinah	NA	2020

Source: Meed
Note: NA indicates data not available

[88] Source: "World Economic Outlook", IMF, 2015
[89] Source: "GCC Building Construction and Interiors Overview", Venture Middle East, January 2015

Bahrain

Although a small market, Bahrain has lined up several healthcare projects for completion in 2015. As a result, the country's healthcare segment tops the list of growth in project completions, across its construction sector. In addition, the government plans to build a long-term care facility center, along with a number of other health centers in the northern part of the country, for US$ 36.9 million[90]. Exhibit 69 presents a list of hospital construction projects currently being developed in Bahrain.

Exhibit 69: Select hospitals projects planned and under way in Bahrain

Project Name	City	Project value (US$ Million)	Completion Year
Up gradation of Salmaniya Medical Complex	Manama	39.5	2016
A long-term facility center	Manama	36.9	NA
Al Salam Specialist Hospital	Riffa	18.2	2017
Yousuf Abdulrahman Engineer Health Centre	Isa Town	15.8	2015
Expansion of Hoora Health Centre	Manama	NA	2015
Expansion of Sitra Maternity Hospital	Manama	NA	2016

Source: Meed
Note: NA indicates data not available

Oman

Oman allocated US$ 4.2 billion or 11.3% of the total outlay towards the healthcare sector, under its 2015 budget

The existing healthcare infrastructure is in need of an overhaul due to the uneven supply of healthcare facilities across the country, resulting in an oversupply of secondary care facilities in certain areas. Outside the Greater Muscat area, Oman's population is dispersed over a difficult terrain, making access to healthcare facilities challenging and expensive. However, the sultanate plans to focus on improving its primary care facilities in the near future. To meet this objective, Oman allocated US$ 4.2 billion or 11.3% of the total outlay towards the healthcare sector, under its 2015 budget[90]. This suggests delayed healthcare projects are expected to be revisited in 2015. Exhibit 70 highlights some of the key hospital developments in Oman.

Exhibit 70: Select hospitals projects planned and under way in Oman

Project Name	City	Project value (US$ Million)	Completion Year
Sultan Qaboos Medical City Complex	Barka	1,480	2018
Salalah International Medical City	Salalah	1,000	2016

Source: Meed

[90] Source:" GCC Building Construction and Interiors Overview", Venture Middle East, January 2015

Qatar

To increase its capacity, Qatar has raised its healthcare budget from US$ 3.7 billion in 2014 US$ 4.2 billion in 2015

Qatar's healthcare market is undersupplied, with a significant demand-supply mismatch[91]. The country had 14 hospital beds per 10,000 people in 2012[92]. To boost its capacity, Qatar has increased its healthcare budget from QAR 14.0 billion (US$ 3.9 billion)[93] in 2014 to QAR 15.7 billion (US$ 4.3 billion) in 2015[94]. Accordingly, funds have been allocated to complete the Sidra Medical and Research Center; expand facilities at the Hamad General Hospital and the Hamad Medical Corporation (HMC); establish a dedicated hospital for workers; and build new health centers. Exhibit 71 presents some of the key ongoing hospital developments in Qatar.

Exhibit 71: Select hospitals projects planned and under way in Qatar

Project Name	City	Project value (US$ Million)	Completion Year
Sidra Medical and Research Centre	Doha	2,700	2015
Expansion at Hamad General Hospital	Doha	653	2015
Expansion at Hamad Medical Corporation	Doha	NA	2015

Source: Meed

UAE

The UAE aims to rectify its supply-demand mismatch in the provision of healthcare services by setting up primary and secondary care hospitals across the country

Already a key economy in the Gulf, the UAE aims to emerge as a hub that meets the healthcare requirements of the region. Accordingly, the country's 2015 budget allocated 49% towards social spending including healthcare, education, and social services. Currently, an oversupply situation in certain specialties such as dentistry ails the UAE healthcare sector, with a large number of hospitals situated in its prime emirates (Abu Dhabi and Dubai). In the long run, the country aims to rectify such lopsided supply-demand situations in by setting up both primary and secondary care hospitals in other emirates such as Ajman, Sharjah, Fujairah, Umm Al Quwain, and Ras Al-Khaimah. Exhibit 72 presents key healthcare projects in the country.

Exhibit 72: Select hospitals projects planned and under way in UAE

Project Name	Emirate	Project value (US$ Million)	Completion Year
Al Burjeel Hospital	Abu Dhabi	1,500	2017
New Rashid Hospital	Dubai	817	2016
Mediclinic Parkview hospital	Dubai	NA	2018
Aster Hospital	Sharjah and Dubai	NA	2018
Saudi German Hospital	Ajman	NA	2017
Expansion of Al-Ain Hospital	Al-Ain	NA	2017
New Medical Centre	Abu Dhabi	NA	2015
Hospitals at Dubai Silicon Oasis	Dubai	NA	2017

Source: Meed; Note: NA indicates data not available

[91] Source: Alpen Capital
[92] Source: WHO (2014)
[93] Exchange rate of 3.6342
[94] Exchange rate of 3.6377

2.10 Leisure Construction Market of the GCC Region

The GCC is increasingly focusing on the construction of theme parks, marine sporting recreation developments, and others, to continue to lure tourists

Growing population and rising disposable incomes across the GCC are increasing the demand for family entertainment options. Malls and indoor theme parks are thus gaining popularity in the region, resulting in the development of new retail space and entertainment centers. The Gulf nations, especially those not endowed with natural attractions, are increasingly focusing on the construction of theme parks, marine sporting recreation developments, and man-made island projects to retain their appeal among regional and international tourists.

About 20 theme parks are being planned in the UAE alone, with more in the pipeline in Oman and Qatar

The UAE, Oman, and Qatar are at the forefront in consistently adding to their tourist attractions. Upto 20 theme parks are being planned in the UAE alone, with more in the pipeline in Oman and Qatar[95]. These proposed projects include DreamWorks Zone, the park announced by Dubai Parks and Resorts in early 2015, the first phase of which is scheduled for completion in 2016. The project, which is estimated to cost US$ 2.7 billion, is expected to help Dubai reach its target of attracting 20 million tourists by 2020[96]. Having already built Yas Waterworld and Ferrari World, the neighboring Abu Dhabi expects to add a Warner Bros. theme park in the near future. In addition, attractions such as museums and the Holy Quran Park (in Dubai), with an Islamic garden aimed at drawing tourists from the neighboring Saudi Arabia during the Hajj and Umrah seasons, are also in the pipeline.

Qatar plans to attract seven million visitors by 2030[97]. Halul Real Estate Development Company is constructing the mall, Doha Oasis, comprising homes, shops, and an indoor theme park. US-based International Theme Park Services is developing the US$ 300 million indoor theme park, Adventure Island, as part of this mall. Spread across over 28,300 sq m, Adventure Island is expected to house the world's first reverse-launch roller coaster called Dragonfire, a 4D theatre with hanging gondolas serving as the seats, a 40 ft tall gorilla, and a sky tram. Doha Oasis is slated to open in 2017 and is expected to attract 1.5 million visitors annually. A large theme park is also earmarked for Lusail, north of Doha, at a site being developed by Qatari Diar.

In Oman, the local FBF Group and Arabian Malaysian Development Company are building Majarat Oman, alongside the Al-Sawardi Beach Resort near Muscat. Covering 25,000 sq m, the US$ 104 million park is expected to emerge as the largest indoor entertainment facility in the country. Exhibit 73 presents a list of leisure projects currently being developed or planned in GCC.

Exhibit 73: Select hospitals projects planned and under way in GCC

Project Name	Emirate	Owner	Project value (US$ Million)	Completion Year
Dubailand (Mixed-use)	UAE	Dubai Holding	146,855	2020
Mohammed Bin Rashid (MBR) City (Mixed use)	UAE	Dubai Holding / Emaar Properties	55,000	2023
Saadiyat Island (Mixed Use)	Abu Dhabi	Tourism Development & Investment	27,000	2018
Al-Ogair tourism destination	Saudi Arabia	Saudi Commission for Tourism & Antiquities	7,000	2031
DreamWorks Zone	UAE	Dubai Parks and Resorts	2,700	2018

Source: Meed

[95] Source: "Thrills & Spills: Theme Parks in the GCC", Bloomberg Businessweek for Middle East, March 1, 2015
[96] Source: "Dubai is "on track" to meet 2020 visitor targets, says tourism boss", arabianBusiness.com, May 5, 2015
[97] Source: "Middle East Hotel Market Intelligence Report – Qatar", Deloitte, September 2014

2.11 GCC Construction Industry Outlook

The GCC construction industry foresees growth from 2015-2018, encouraged by factors such as favorable macroeconomics, higher government allocation, positive demographics, and rising tourism activities. Higher budget allocation towards construction sector, as part of the strategic vision of the member nations, lends an added push to the industry.

In Saudi Arabia, efforts to boost religious tourism have translated into higher budget allocations towards the hospitality, retail, and infrastructure sectors. This is expected to result in an increase in construction activities across these sectors in the near future. The kingdom has already planned around US$ 180 billion worth of transport infrastructure projects between 2015 and 2019. Also, in light of the undersupply in the residential market, the government is considering the introduction of vacant land tax to encourage real estate activity on unused land. Accordingly, developers in the country have already accelerated new home delivery.

Optimistic forecasts for the UAE's construction sector is based on its economic recovery as well as a healthy infrastructure project pipeline, as part of the country's strategic vision for 2021. The government has allocated several hectares of land in certain areas of Dubai (such as Al Quoz and Muhaisnah), inviting developers to set up affordable housing units for tenants. As retail mall space remains undersupplied in the region, several retail projects such as Mall of the World, Reem Mall, and Dubai Mall expansion are expected to enter the market in the coming years. A rise in tourist visits is likely to result in an increase in leisure construction projects, with work on DreamWorks Zone, Holy Quran Park, and Warner Bros. Theme Park already underway.

As the country with the highest per capital income in the world, Qatar is attracting investors to its retail and tourism industries. This has led to increased construction projects in the retail and hospitality sectors. Also, nearly US$ 74.6 billion worth of transport projects in Qatar are currently at the planning stage or under construction. Driven by the housing undersupply, the Qatari government has made significant allocations towards the residential sector, as a part of its National Vision 2030 plan.

The construction industry in Oman is expected to remain robust due to a significant increase in infrastructure projects planned by the government, along with many tourism projects as well as the construction of private commercial buildings. In order to meet the demand for quality residential units, several new developments are due for completion from 2015 to 2020 (including the construction of its first residential zone named Zaha, expected to be completed by 2017).

Kuwait is also seeing a rise in the demand for residential and commercial units, paving the way for increased construction activity in the future. The country's efforts to promote itself as a strategic business destination in recent times are expected to lend a marginal boost to construction activities in the hospitality and retail sector.

Developing its infrastructure and reducing its housing shortage remains the principal focus of the Bahraini government, in 2015-2018. In 2014, the government announced the construction of 9,232 housing units (projects worth US$ 2.2 billion) to cope with an undersupplied residential market. Moreover, recently, the government inked a US$ 1 billion project agreement with property developer, Diyar, to purchase affordable housing units. Thus outlook in the residential construction industry in Bahrain is poised for a positive growth.

3. Growth Drivers

Economic Growth and Diversification

Between 2015 and 2018, the trend of rising GDP is expected to continue across the GCC

Between 2009 and 2014, the GCC region weathered the global financial crisis and the Middle Eastern political instability better than other countries. All the member nations, except Qatar, recorded an average mid-single digit growth in their GDP (at constant prices) during the period. Oil and gas exports led Qatar to show faster growth, especially during the early years of the period. Such region-wide growth is expected to continue up to 2018 (see Exhibit 74).

Exhibit 74: Expected GDP Growth (at Constant Prices) in the GCC Countries

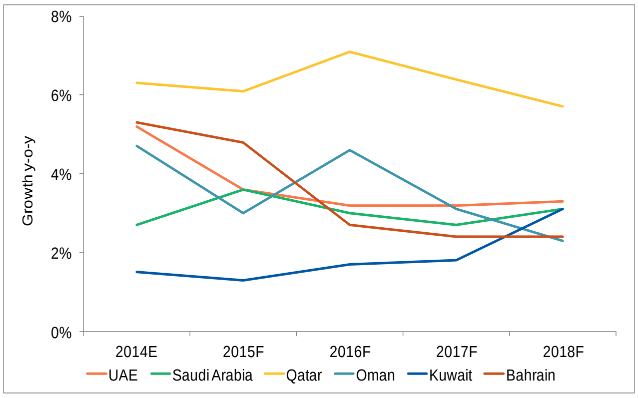
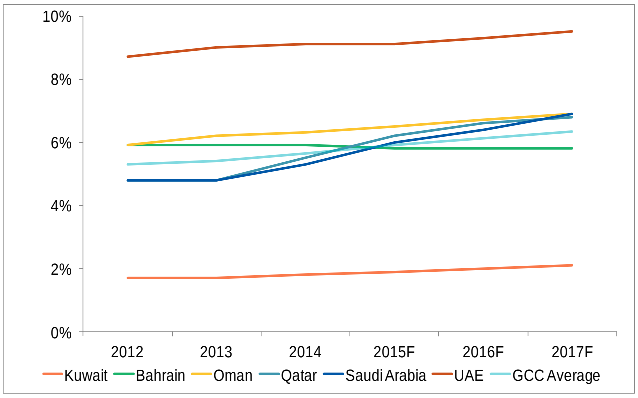


Exhibit 75: Total Capital Investment as a percentage of GDP



Source: IMF, April 2015, and BMI
Note: F indicates forecasted figures

The region presents opportunities due to its sturdy macroeconomics and the ongoing economic diversification

The Gulf region, however, needs to diversify its economy to counter the impact of oil price volatility. The GCC has therefore initiated efforts to bring down its dependence on its hydrocarbons sector, which contributed 33% to its real GDP in 2014 from 41% in 2000[98]. This presents investors with opportunities that arise out of the growth of non-oil sectors such as real estate, retail, healthcare, tourism, and hospitality. The construction industry is emerging as the direct beneficiary of the momentum in these sectors. Some GCC countries are also gearing themselves to host mega events which are expected to lend a further boost to its construction industry.

Since 2013, the GCC economies increased their capital investments, as a percentage of the GDP, in favour of the construction industry (see Exhibit 75). Rising capital investments have resulted in a 6.5% y-o-y increase in the number of construction projects lined up for completion in 2015, totaling to US$ 72 billion in terms of value[99]. Another US$ 103 billion worth of projects are planned to be awarded in 2015, up 21.2% over 2014, despite the anticipated economic slowdown in the region in the wake of a plunge in oil prices.

Simultaneously, the governments of Saudi Arabia, the UAE, and Qatar are undertaking proactive measures to ensure that excess activity does not result in overheating or property bubbles. Accordingly, there have been strong legislations in the property market of these countries.

[98] Source: "IIF forecasts strong growth prospects for GCC countries", www.gulfnews.com, May 5, 2014
[99] Source: "GCC Building Construction and Interiors Overview" Ventures Middle east, January 2015

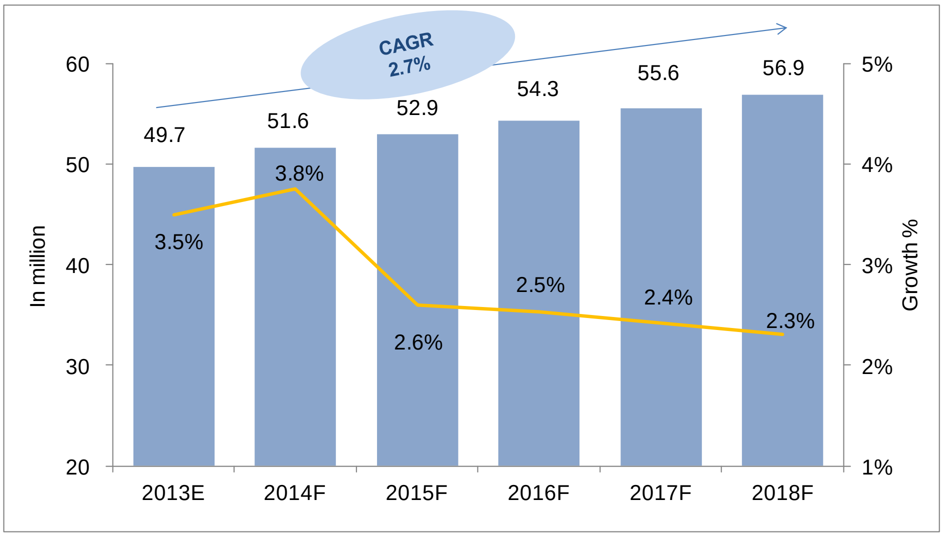
Over the long run, government spend alone is expected to prove inadequate in sustaining the growth of the region's construction market. Private sector involvement thus appears imperative to the further development of the GCC construction industry.

A Diverse Population Base That is Young and Expanding

A young and growing population base bodes well for the Gulf construction industry

At a 3.5% CAGR from 2010 and 2014, the population growth in the Gulf region was among the fastest in the world (see Exhibit 76)[100]. The age group of 15 to 35 years accounts for nearly 41% of the GCC population[100]. Saudi Arabia and Dubai are home to most of the region's young. An expanding population base comprising a high proportion of the young is a result of the inflow of expatriates and higher life expectancy.

Exhibit 76: The GCC Population Growth Trend



Source: IMF, April 2015
Note: E – Estimated, F – Forecasted

Property demand is rising due to increased investment in some countries by expatriates

Seeing an increase in the number of expatriates in the region, the GCC governments now allow foreigners to own properties, in an attempt to boost real estate growth. Overall, the construction industry is seeing an uptick, as governments undertake measures to accommodate a rising population and furnish efficient public infrastructure. An increasing population also requires education, medical, retail and leisure facilities. The region is thus gearing to see an increase in large-scale infrastructure development projects such as airports, railways, highways, and mass transit systems.

Growth of the Tourism Industry

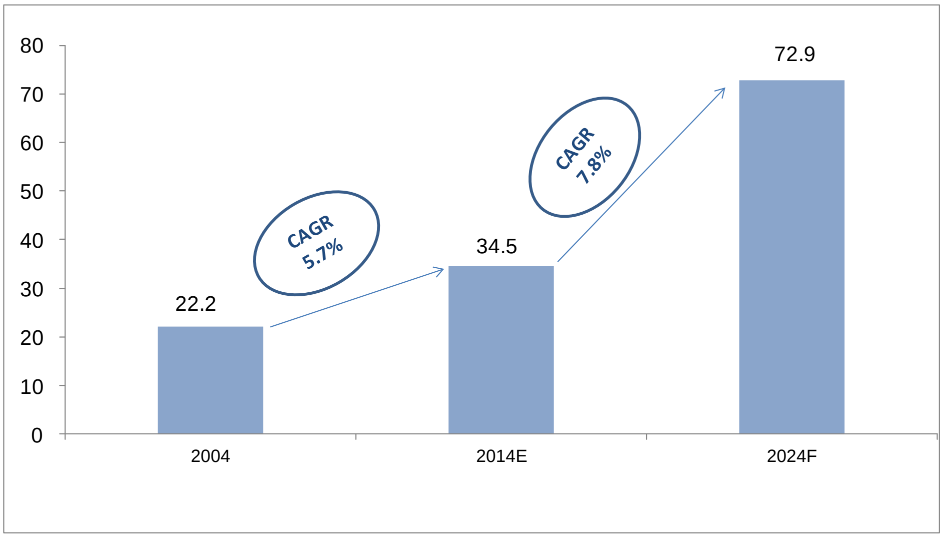
International tourists arrivals in the Gulf are expected to grow at a 7.8% CAGR between 2014 and 2024

The GCC tourism industry is flourishing due to the increasing inflow of business, sports, leisure, and religious tourists. The holy cities of Mecca and Medina are hosts to an increasing number of Islamic pilgrims from across the world each year, resulting in the development of their local economies. Also, with its healthcare sector development, the region is likely to see an increase in medical tourism. The UAE and Qatar are expected to continue to distinguish themselves as unique leisure destinations, with their large-scale initiatives such as Formula One, Atlantis Dubai, Saadiyat Island, Sharjah Biennial. Other GCC countries are also beginning to develop multiple leisure projects. To further lend a

[100] Source: "World Economic Outlook", IMF, April 2015

boost to this sector, the Gulf plans to launch a unified visa program for international tourists, aimed at simplifying the travel formalities. Regional Airlines such as Etihad Airways, Qatar Airways and Emirates Airlines are also extending their code share agreements with various airlines, amid launching flights on new routes such as Asia, Europe, and African regions. Such developments will provide travelers with even more comprehensive travel choices. These activities combined will lead the international tourist arrivals in the GCC to grow at an annual average growth rate of 7.8% between 2014 and 2024 to 72.9 million passengers (see Exhibit 77).

Exhibit 77: Expected International Tourist Arrivals in the GCC Region



Source: World Travel & Tourism Council
Note: E – Estimated, F – Forecasted

A bustling tourism sector is a catalyst for the growth of the construction industry

A growing tourism industry bodes well for the region's construction sector. To accommodate the large number of tourists and further promote the tourism industry, the GCC countries are investing heavily in the development of airports, transportation systems (rail, road networks, etc), hotels, retail, and leisure sectors.

Upcoming Mega Events

Increased construction activities in support of the upcoming mega events are expected to attract more investors

Leveraging its strategic location as a transit hub between the East and the West, the Gulf region is planning to host several international events. The run up to these events is slated to open up opportunities across the sectors of real estate, tourism, hospitality, retail, and infrastructure, translating into growth for construction activities.

About 25 million visitors are expected at Expo 2020 in Dubai from across 180 destinations. As many as 20,000 new businesses are being set up in Dubai due to the event, creating around 275,000 new jobs across sectors. Such a boost in the economy could benefit the residential and commercial construction industries. The retail construction sector is also likely to see growth, as the mall space in Dubai is planned to double to meet the anticipated increase in demand from a rise in tourist inflow. The Gulf region's hospitality, retail, and leisure construction industry will also benefit from higher tourist inflows.

Unrest in Other Middle East Regions

The GCC countries, especially the UAE and Qatar have experienced less turmoil than many of their neighbours

The Arab Spring severely affected the economies across the MENA region. The crises in Syria and Libya in 2014 have intensified the political tensions in the region, bringing economic growth into stagnation. Political and security unrest in Lebanon led visitor arrivals to fall by 6.7% year-on-year in 2014, thereby reaching 1.27 million. Among the Middle Eastern countries, Jordan saw the highest decline of 3.5 percentage points in its hotel occupancy rate, which dropped to 58.8% in October 2014 due to lower demand[101]. Such a dip was a result of the ongoing civil unrest in neighboring countries[102]. However, the GCC countries, especially the UAE and Qatar have experienced less turmoil than many of its neighbors. Thus, the region enjoys the inflow of tourists diverted from the other unstable economies.

Implementation of Mortgage Law in Saudi Arabia

Implementation of the new mortgage law in Saudi Arabia will help to mitigate the affordability issues among the nationals

The implementation of new mortgage law in 2014 is expected to help mitigate the affordability issues in Saudi Arabia, going forward. Lending in Saudi Arabia has traditionally been limited, as banks preferred to provide housing finance to individuals in the age group of 30-45 years. This age group is believed to have stable and high paying jobs, as salary is taken as collateral instead of property. This has limited the affordability of housing among the Saudi nationals.

The mortgage law envisaged creation and registration of real estate mortgages (secured on property) for the first time in the country. The law provides a procedure for banks and other financial institutions to obtain a license for the provision of mortgage finance. This will ensure better transparency and disclosures in the real estate market. In addition, lenders will be able to take on foreclosures, unlike the limited legal reprieve available earlier.

In the long run, a regulated market will induce the development of a secondary market through refinancing, and gradually introduce mortgage based securities in the Kingdom

In the long run, a regulated market will induce the development of a secondary market through refinancing, and gradually introduce mortgage based securities in the kingdom. The introduction of mortgage based securities will also offer investors alternative channels for real estate exposure which may ‘free up’ some of the undeveloped land owned by wealthy families. Finally, the emergence of a long-term Sukuk market will infuse more liquidity into the market.

Such a mechanism would assist in resolving the housing affordability problems in the kingdom, as banks will be in a position to offer financing options to the cross-section of the consumers. This will lead to a higher demand for the housing units, auguring well for the residential construction industry.

Excess Liquidity by Banks

The lending ecosystem characterized by lower interest rates, longer loan tenures, and higher Loan to Value ratios has proved to be a boon for the region's construction companies

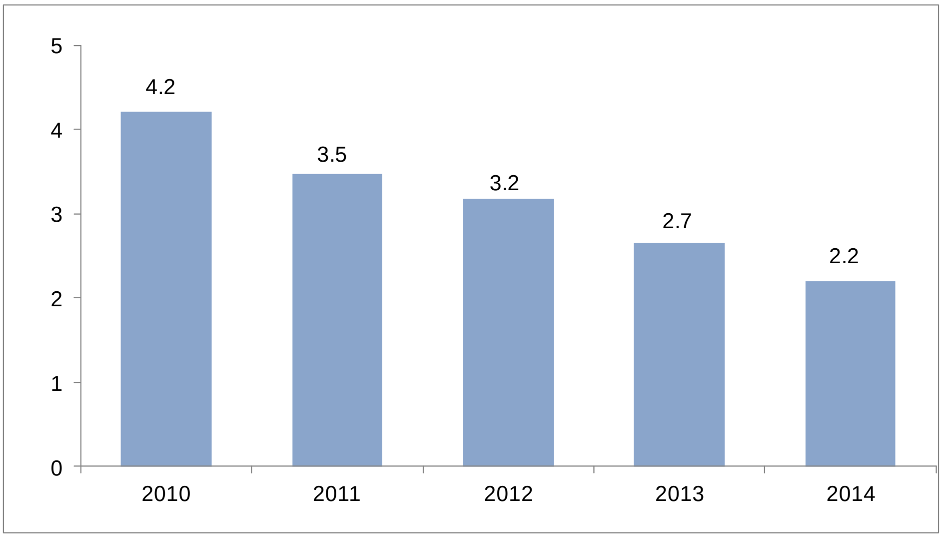
Large spending programmes by the GCC governments coupled with expansionary fiscal policies, and continued infrastructure spending have spurred the growth in credit facilities offered by the regional banks to its construction and real estate sectors. A deposit-based funding structure remains the key credit strength of most of the GCC banks, with customer deposits representing 60%-90% of their total liabilities in 2014[103]. Bank customer deposits in the region grew by approximately 13.2% during the year, creating more room for lending. The GCC banks posted a credit growth of 10% y-o-y in 2014[104]. Banks in Qatar

[101] Source:” MENA Tourism and Hospitality Report”,Aranca,Q4 2014
[102] Source:”STR Global Data, Middle East/Africa Hotel Sector Performance” for October, November, December 2014
[103] Source:”Gulf Banks Flourish In 2014 On Strong Economic Growth”, GulfBusiness, January 24,2015
[104] Source:”Credit stock in GCC bank system set for 10 percent growth”, Saudi Gazette, October 14,2014

growth of 13% followed by Saudi banks with 9%, and both the UAE and Kuwaiti banks with 7%.

High levels of bank liquidity have not only boosted fund availability for capital intensive businesses including construction, but have also improved access to the funds through favorable borrowing terms. The lending ecosystem characterized by lower interest rates, longer loan tenures, and higher Loan to Value ratios has proved to be a boon for the region's construction companies. In addition, non-performing loans (NPL-see Exhibit 78) remain on a downward trend, giving banks more confidence to lend further in the coming years, thus auguring well for the overall industry.

Exhibit 78: NPL Ratio across Major GCC Banks – 2014



Source: Gulf News

4. Challenges

Falling Oil Prices

The GCC region faces the risks arising out of oil price fluctuations due to its high reliance on the hydrocarbon sector

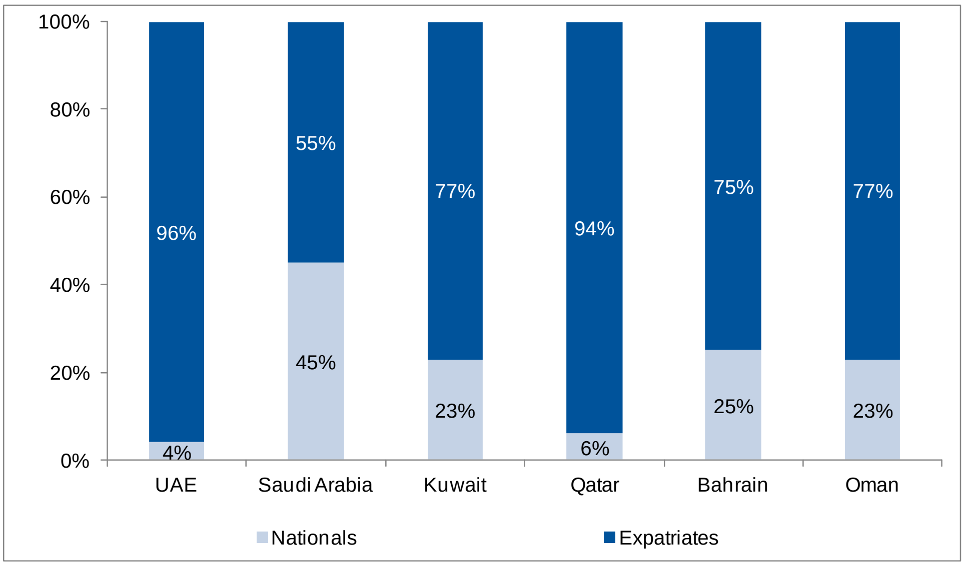
Currently, the economy of the GCC region is largely dependent on its hydrocarbons sector. Fluctuating oil prices in the global market can potentially impact the economies of the GCC nations. Recently, the global oil price dropped from around US$90-US$100 per barrel. This dip in oil prices is likely to impact Saudi Arabia the most, which is the largest economy in the Gulf. Such a situation may push the GCC nations to restrict state spending, hampering the growth of the construction industry, which is materially dependent on government funding. The construction industry opportunity could be affected due to lower investments from the private sector, and plunging disposable income levels. Further, lower tourist inflow from oil-dependent nations may hamper the growth of the construction industry.

Shortage of Labor

Expatriates account for more than 80% of the GCC workforce

Expatriates represent a large proportion of the GCC workforce, both skilled and unskilled. More than 80% of the GCC labor force was expatriate as of 2014, primarily employed in the private sector (see Exhibit 79). As foreigners working in these nations plan to return to their home countries eventually, the region could face high attrition levels. The operations of the construction companies are thus likely to be affected by the challenge of hiring and retaining employees.

Exhibit 79: Composition of the GCC Workforce - 2014



Source: Source: Arab Gulf States: An Assessment of Nationalisation Policies, 2014

Need to work towards making the region a friendlier destination for the global workforce

Increased construction activity requires additional work-force which is not east to source. Additionally, there is the challenge of difficult existing living conditions for expatriates. Following the deportation of thousands of unskilled expatriates, mainly from South Asia, Saudi Arabian companies were compelled to employ local talent, under the Saudization program. As a result, the companies profit margins were adversely affected as the wage level was higher. Such labor challenges may deter the plans of international players looking at entering the GCC construction industry. In order to address such issues, the GCC governments need to introduce laws that instill a sense of security among the expatriate community.

Raw Material-Related Issues

The simultaneous rapid expansion of the GCC construction markets could result in shortages of construction materials

The simultaneous rapid expansion of the GCC construction markets could result in shortages of construction materials. Most of the region's cement plants are already operating at full capacity, with sizeable clinker imports being seen in Saudi Arabia and Qatar. Logistical challenges and stringent regulations regarding the import of raw materials such as steel, in addition to a labor shortage, are exerting pressure on the construction sector. In such a scenario, the completion of projects within the scheduled budgets and time-frame remains a challenge.

Competition

The entry of new players and ongoing industry consolidation is heating up the competition in the market

The GCC construction market faces intense competition over the past few years due to the entry of new players. This includes the merger of developers such as Sorouh and Aldar in 2013, leading to the formation of a larger organization with enormous negotiating power. Such developments add to the woes of small and medium contractors in the region. Also, an increasing number of contractors vying for a project have considerably reduced the margins of firms in recent times.

Competition is expected to intensify in the future due to increasing opportunities in the construction sector. Such a situation could continue to impact margins. However, companies might mitigate the decline by focusing on increasing their share in high-margin business segments.

5. Trends

Repositioning of GCC Countries as a Business and Leisure Tourist Destination

The GCC aims to further promote its countries as international tourist hubs to reduce its reliance on its oil sector

The GCC has been consolidating its presence in the international tourism industry. Its tourism sector is being promoted as a bustling center for sports, adventure, MICE, and leisure activities. Tourists are already attracted to the Middle East, especially the UAE, for the shopping, dining, and indoor entertainment experiences it offers. The GCC aims to further promote its countries as international tourist hubs to reduce its reliance on its oil sector. To boost tourism, the region hosts annual shopping festivals such as the Dubai Shopping Festival, Dubai Summer Surprises, Abu Dhabi Shopping Festival, and Doha Trade Fair. A busy tourism sector is a positive for the region's construction industry.

Foreseeing a large number of visitors at Dubai Expo 2020, the UAE is investing in the expansion of its hotel capacity to meet the additional demand. Recently, the Dubai government announced an US$ 7.8 billion airport expansion project to accommodate the rising passenger inflow[105]. The project is expected to increase the airport capacity from 60 million to 90 million passengers per year by 2018[106].

Saudi Arabia is likely to see an increase in medical tourism led by healthcare sector developments

Pilgrimage to Mecca and Medina in Saudi Arabia (e.g., Haj and Umrah) represents religious tourism with significant socio-cultural effects on the urban development of the holy cities and their local economies. Saudi Arabia plans to invest over US$ 30 billion in its airports infrastructure by 2020. The country also aims at establishing three non-profit professional associations to develop tourist accommodation facilities, promote tour guides and boost travel and tourism.

Oman and Bahrain have also planned a major eco-tourism campaign to strengthen their respective tourism industry

Qatar National Tourism Sector Strategy 2030 aims to increase the number of visitors to the country from 1.2 million tourists in 2012 to 7 million by 2030[107]. The country has taken a solid step forward in its quest to become a quality leisure destination by signing a 17-month agreement with the World Tourism Organization (UNWTO) to chart the framework needed to develop facilities that meet international standards. Oman and Bahrain have also planned a major eco-tourism campaign to strengthen their respective tourism industry. To further encourage the growth of the sector across the region, GCC countries are planning to introduce a unified visa that allows tourists to visit all the member nations on a single visa.

Affordable Housing

GCC nations have been consistently allocating large portions of their budgets towards affordable housing

Affordable housing is aimed at providing housing to the low and middle-income population. In order to bridge the large gap between the demand and supply of housing for the lower income groups, the GCC governments have initiated the implementation of an affordable housing program. Member nations have thus been consistently allocating large portions of their budgets towards affordable housing projects and incentives for consumers in the residential segment, since 2011. The effect of these measures has begun to translate into an increase in the number of affordable residential projects in the Gulf. Lower interest rates are further benefiting the affordable housing segment.

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105 Source:"UAE Economic Report", Bank Audi, January 14,2015
106 Source:"Dubai Airports Strategic Plan 2020",Dubai Airports, February 02,2015
107 Source:"Qatar wants to attract 7 million tourists by 2030", bqdoha.com, February 25,2014

Increased use of Pre-cast Concrete Systems

Precast concrete components are time and cost efficient (10% cheaper to manufacture compared to other alternatives) as well as provide a high-quality finish to the overall structure

The GCC construction sector is showing growth, with a large number of public and private sector projects currently at various stages of development. To meet these deadlines, contractors need products that are versatile, economical, environment-friendly, and durable. Precast is thus a popular choice in the region.

Precast concrete components are time and cost efficient (10% cheaper to manufacture compared to other alternatives) as well as provide a high-quality finish to the overall structure. Moreover, precast concrete structures are 100% recyclable and also help lower interior lighting costs because of their reflectance qualities. As a made-to-order building material, precast concrete also ensures that there is less on-site construction waste, while helping improve quality control.

Precast concrete is driving creativity in the real estate sector as architects now have greater leverage to develop intricate designs that can easily be produced off site. Moreover, with the development and introduction of innovative precast concrete admixtures, contractors and developers are able to further optimize the benefits of using precast concrete, particularly in terms of energy and utility costs.

Precast concrete is largely used in housing projects such as low-rise residential buildings, labour accommodation and hostels projects

Precast concrete is largely used in housing projects such as low-rise residential buildings, labour accommodation across GCC. This is because most of such projects include repetitive designs or structures, making it practical to pre-fabricate certain components. Commercial buildings such as offices and shopping malls form the second-biggest market for precast concrete in GCC.

In the coming years, demand for precast concrete is forecasted to increase in Dubai and Qatar with the commencement of high-end architectural projects. Precast developers are also likely to see opportunities for temporary products, which can be disassembled after the event and transported to other locations. While precast concrete is being used to support large infrastructure projects in the UAE and Qatar, it will be deployed towards meeting government targets of 500,000 new homes in Saudi Arabia.

Rising Joint-ventures with International Companies

International players are aggressively competing for a share of the opportunities in the GGC construction industry

International players are aggressively competing for a share of the opportunities in the GGC construction industry. Companies from across the world are tapping the GCC construction market by partnering with local entities to execute projects in a joint venture (JV) format. Such a business model combines the knowledge, capital, and expertise of the global firm with the contacts and deep understanding of the regional market conditions of the local player. The JV model of entering a new market is advantageous for both the partners, as it reduces their risk significantly. Such a model also facilitates easier execution of projects as the JV partners typically share their domain expertise.

The region presents international players the advantage of low-cost energy resources, economic relations that date back to decades, ease of doing business, proximity to their home country that further facilitates their operations in the GCC, and significant advancing of the region on the Global Competitiveness Index, among others. Such factors are responsible for drawing investments from international companies into the GCC.

Green-field IPO

The relaxation of listing rules and legal reforms, led the Dubai Financial Market to see its first Greenfield IPO, Marka, in September 2014

The GCC region is seeing the return of Greenfield IPOs after several years. Such IPOs were not popular earlier, partly because of the authorities' unfamiliarity with a structure that was not directly asset-backed or based on historical performance. However, in line with government plans to diversify their oil-dependent economies in 2014, led the Dubai Financial Market to see its first Greenfield IPO, Marka, in September 2014. Marka (with interests in fashion, sports and the hospitality, sector) was 36 times oversubscribed and raised US$ 77.1 million. Following Marka's greenfield IPO, the health care and education start-up Amanat was 10 times oversubscribed, raising US$ 381.8 million[108].

The IPO by Dubai Parks and Resorts in 2014 was named as one of the largest IPOs for a greenfield theme park

Dubai Parks and Resorts, a subsidiary of Meraas Holding, witnessed an oversubscription of around 37.5 times. This was one of the largest Greenfield IPO for a theme park[1088]. The IPOs of Marka, Dubai Parks and Resorts, and Amanat Holdings in 2014 signaled significant investor confidence in the UAE, in particular. Such developments directly or indirectly promote the construction sector. Exhibit 80 presents a list of Greenfield IPOs in the region in 2014.

Exhibit 80: Greenfield IPO in GCC - 2014

Issuer	Subscription Period	Value (US$ Million)	Country	Over-subscription (in times)	Sector
Marka	September 2014	77.1	UAE	36x	Retail
Amanat	October 2014	381.8	UAE	10x	Healthcare
Dubai Parks and Resorts	November 2014	695.4	UAE	37.5x	Leisure and Tourism

Source: Zawya

[108] Source: Zawya

6. Merger and Acquisition (M&A) Activities

The opening of the GCC financial markets is expected to lead to an increase in the number of M&A deals in the future

The revival of economic growth in the GCC and a surge in financial markets has improved investors' confidence in the region. As a result, deal activity has increased in the real estate and construction sectors, among others. The merger of developers such as Sorouh and Aldar in 2013 led to the formation of a larger organization, with an enormous negotiating power. Among the various construction firms, Arabtec has been active in M&A activity. In the near future, the strengthening of the GCC financial markets is expected to translate into stronger deal flows and more M&A opportunities.

Medium-sized deals in the real estate and construction sector are expected to continue to dominate the M&A landscape in the GCC. Exhibit 81 presents select significant completed M&A deals in the GCC construction and real estate sectors.

Exhibit 81: Major M&A deals in GCC Construction sector

Acquirer	Acquirer's Country	Target Company	Target's Country	Year	Consideration (US$ Million)	Stake Acquired
Aldar Properties PJSC	UAE	Sorouh Real Estate PJSC	UAE	2013	1,500.0	100.0%
Aabar Investments PJS	UAE	Arabtec Holding PJSC	UAE	2014	962.4	36.1%
Saudi Binladen Group	Saudi Arabia	Jeddhan Economic Company Ltd.	Saudi Arabia	2012	400.0	16.6%
Aabar Investments PJS	UAE	Arabtec Holding PJSC	UAE	2012	225.3	21.6%
Emirates Stallions Properties LLC	UAE	Abu Dhabi Land General Contracting LLC	UAE	2010	89.8	100.0%
Arabtec Holdings PJSC	UAE	TARGET Engineering Construction Company LLC	UAE	2013	73.4	38.0%
Arabtec Holding PJSC	UAE	Depa Limited	UAE	2012	65.2	24.3%
Arabtec Holdings PJSC	UAE	Emirates Falcon Electromechanical	UAE	2013	45.0	45.0%
Hectar Real Estate Investments W.L.L.	NA	Bin Omran Trading & Contracting Co.W.L.L.	Qatar	2012	NA	50.0%
Drake and Scull International PJSC	UAE	International Center for Contracting Company	Saudi Arabia	2011	34.1	100.0%
Saudi Real Estate Company	Saudi Arabia	Umm Al Qura for Development and Construction Company	Saudi Arabia	2012	26.6	NA
Laticrete International Asia Pacific PTE LTD	Singapore	RAK Laticrete LLC	UAE	2015	15.4	NA
Mohammed Hayil Group Trading & Contracting	Qatar	Insha Contracting and Trading	Qatar	2014	NA	100.0%
Al Alfia Holding	Qatar	Harinsa Contracting Company	Qatar	2014	NA	51.0%
Arabtec Holding PJSC	UAE	House of Equipment LLC	UAE	2010	NA	33.3%

Source: Zawya

Country Profiles

Saudi Arabia

Key Growth Drivers

- **Economic growth:** The Saudi Arabian government is increasingly concentrating its efforts on the development of its non-oil sectors to bring about economic diversification. High state spending is bolstering the kingdom's economy, raising the living standards. Sectors such as retail and hospitality are among the key beneficiaries of the resultant increased disposable income levels.
- **Demographic strengths:** The population of Saudi Arabia is the highest across the GCC, with about a third constituting the youth. IMF estimates population growth at a CAGR of 2.1% between 2014 and 2019. The construction industry is expected to gain from government measures towards accommodating a rising population and furnishing efficient public infrastructure.
- **Shortage of residential units:** Residential property owners in Saudi Arabia accounted for only 30% of the population in 2014, which, coupled with a high urbanization rate (anticipated to reach 91.4% in 2015 compared with 89.4% in 2014) presents a huge demand for property. The residential units supply into the market is, however, lagging. The kingdom needs to make at least 200,000 homes available, annually (from 2015 to 2018), to meet the current demand.
- **Smart cities:** With the government's goal of building six smart economic cities in Saudi Arabia by 2025 at a cost of over US$ 110 billion, infrastructure-related construction activities within the country are expected to rise.
- **Implementation of Mortgage Law:** The Implementation of the mortgage law would assist in resolving the housing affordability problems in the kingdom, as banks will be in a position to offer financing options to the cross-section of the consumers. This will lead to a higher demand for housing units, auguring well for the residential construction industry

Recent News

- NA

Macro-economic Indicators

Indicators	Unit	2014	2015F	2019F
GDP growth at constant prices	%	3.5	2.9	3.1
GDP per capita, constant prices	SAR	79,130*	79,884	80,456
GDP per capita, PPP	US$	52,184*	53,149	59,724
Population	mn	30.7*	31.4	34.0
Inflation	%	2.7	2.0	2.8
International tourist arrivals	mn	14.7	15.6	17.9

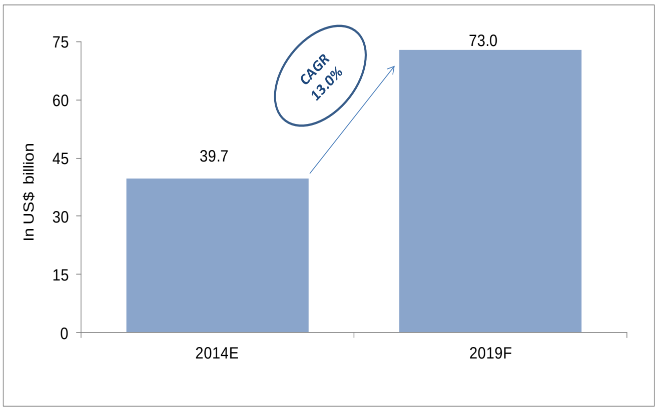
Source: IMF, April 2015; WTTC

*Note: * – Estimated figures, F – Forecasted figures*

Key Players

Company	Type
Abdullah Abdul Mohsin Al-Khodari Sons Company	Contractor
Al-Fouzan Trading and Contracting Company	Contractor
Al Arrab Contracting Company	Contractor
Arabian Bemco Contracting	Contractor
El Seif Engineering Contracting	Contractor

The Saudi Arabian Construction Industry: Market Size



Source: BMI, Q1 2015

*Note: * – Estimated figures, F – Forecasted figures*

UAE

Key Growth Drivers

- **Population:** According to the IMF, the population of the UAE is expected to grow at a CAGR of 2.3% from 2014 to 2019 to reach 10.4 million by 2019. Expatriates account for more than 96% of the country's population. Growth in population is expected to augur well for the overall construction industry.
- **Tourist Influx:** The UAE is the leading tourist destination in the Middle East, especially for leisure travelers. The upcoming World Expo 2020 in Dubai will fuel growth and investments in the retail and tourism sectors. The country's political stability adds to its attractiveness as a major tourist hub.
- **Affordable Housing:** Despite an increasing supply of residential property across the UAE, the shortage of affordable accommodation persists, pushing some developers to consider mid-market projects in the coming years. Moreover, Dubai Municipality has announced plans to introduce mandatory quotas, under which, developers will be obliged to include cheaper units in new residential developments.

Recent News

- In January 2014, Abu Dhabi announced changes in foreign ownership rules, According to the new law, non-Emiratis who make purchases in designated investment zones will be able to register their properties under the freehold law and take possession of property ownership deeds in the same manner as nationals.
- In November 2014, the emirate of Sharjah has updated laws regulating Sharjah's property market to allow foreign expatriates living in the UAE to purchase property in zones authorised by the government. Previously, property could only be sold to UAE nationals, other Gulf Cooperation Council (GCC) nationals and Arab nationals with a valid UAE resident visa, but not to the many other nationalities living in the Emirates. Under the new rule, foreign investors now have the right to own properties in Sharjah for up to 100 years, although non-GCC investors must have a valid UAE residence visa at the time of purchase.

Macro-economic Indicators

Indicators	Unit	2014	2015F	2019F
GDP growth, constant prices	%	3.6*	3.1	3.9
GDP per capita, constant prices	AED	121,100*	121,282	124,267
GDP per capita, PPP	US$	64,479*	65,150	72,041
Population	mn	9.3*	9.3	10.4
Inflation	%	1.1	2.1	2.8
International tourist arrivals	mn	14.6	14.8	21.4

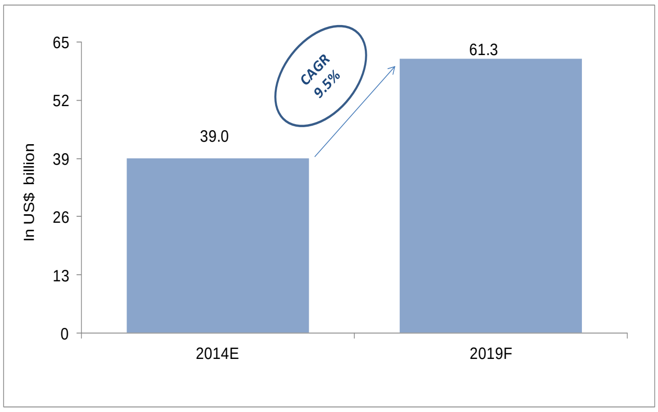
Source: IMF, April 2015; WTTC

*Note: * – Estimated figures, F – Forecasted figures*

Key Players

Company	Type
Engineering Contracting Company	Contractor
Al Naboodah Contracting	Contractor
Drake &Scull	Contractor
Al Jaber	Contractor
Arabian Construction Co	Contractor
Al Futtaim Carillion	Contractor
Arabtec	Contractor
Habtoor Leighton	Contractor

The UAE Construction Industry: Market Size



Source: BMI, Q1 2015

*Note: * – Estimated figures, F – Forecasted figures*

Qatar

Key Growth Drivers

- **Disposable income:** Qatar has the highest GDP per capita (PPP) in the world, based on the IMF figures. Qatar's economy is expected to continue growing at a stable rate in the future, led by LNG exports. The disposable income levels in the country are thus on a rise. Also, the country's private consumption per head is one of the highest across the GCC.
- **Population growth:** Population growth in Qatar is expected to register a CAGR of 4.8% from 2014 to 2019. Economic growth has led to a significant increase in its expatriate workforce, which is a chief contributor to the rise in its population.
- **Increased government allocation:** The Qatari government aims to improve the living conditions for its citizens as well as develop infrastructure, as a part of its strategic vision 2030. Considering a potential for rise in demand due to these factors, the government has made significant allocations towards the residential and infrastructure sector.

Recent News

- As a part of Lusail development, Lusail Real Estate Company awarded a US$ 330 million contract to a joint venture between Malaysia's WCT Holding and the local Al-Ali Projects in April 2015. The contract involves building a mixed-use boulevard with retail and dining. Moreover, WCT holding will also oversee infrastructure work on the development
- In February 2015, the Qatari government announced plans to spend nearly US$ 12.5 billion between 2015 and 2022 towards the construction of housing units.
- In April 2014, the government of Qatar issued a new regulation related to the sale of units in under-construction projects (off-plan units). This regulation allows developers to sell off-plan units only after obtaining the consent of the concerned government department. The criteria for obtaining such license includes creation of the strata title for each off-plan unit, opening of the Escrow account, and submitting the cash-flow forecasts for the completion of the project, along with construction milestones.

Macro-economic Indicators

Indicators	Unit	2014	2015F	2019F
GDP growth, constant prices	%	6.1*	7.2	4.2
GDP per capita, constant prices	QAR	172,007*	170,617	181,204
GDP per capita, PPP	US$	143,427*	143,533	164,516
Population	mn	2.3*	2.4	2.7
Inflation	%	3.0	1.8	2.5
International tourist arrivals	mn	1.4	1.5	1.8

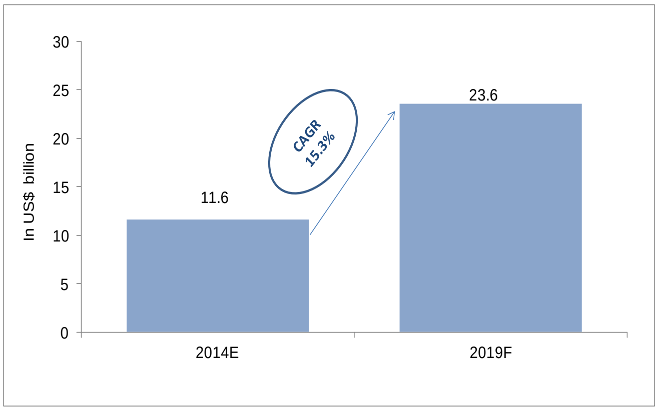
Source: IMF, April 2015; WTTC

*Note: * – Estimated figures, F – Forecasted figures*

Key Players

Company	Type
Hamad Bin Khalid Contracting Company	Contractor
Aljaber Group (includes Aljaber Engineering and Aljaber Trading & Contracting Company)	Contractor
Qatar Building Company	Contractor

The Qatari Construction Industry: Market Size



Source: BMI, Q1 2015

*Note: * – Estimated figures, F – Forecasted figures*

Oman

Key Growth Drivers

- **Population growth:** Population growth in Oman is forecasted to record a 3.7% CAGR from 2014 to 2019 to reach 4.8 million. The Omani construction industry is expected to benefit from the demand arising out of its fast-growing population.
- **Economic growth:** Oman is witnessing economic growth in light of government plans for diversification, industrialization, and privatization. A growing economy is expected to translate into a higher GDP per capita (PPP), strengthening the spending power of the population.
- **Increased focus on the tourism sector:** Oman's vision for 2020 lays emphasis on the development of its tourism sector. However, its hospitality sector is currently undersupplied. Accordingly, the government plans to increase the available room count to 20,000 by 2015 (compared with 13,200 in 2014) and welcome 12 million visitors, annually, by 2020. The government therefore announced the construction of four hotels with 583 rooms in 2013, which were rapidly absorbed by the buoyant demand of the country's hospitality sector.

  Infrastructure Development: Oman's infrastructure plays a key role in supporting its economic diversification, particularly the growth of its tourism sector. However, its existing infrastructure is in need of an overhaul. Accordingly, the government is focusing on the development of its transport and port infrastructure by making increased allocations towards the infrastructure sector in the 2015 budget

Recent News

- In May 2015, the Omani government made an announcement to embark on a large-scale construction plan to provide affordable yet modern residential areas for nationals across all governates in the country.
- In January 2015, Oman-based Al Raid Group entered into a joint venture agreement with a British developer Consero London to invest up to US$ 455 million to develop luxury residential property across Oman and the wider Middle East over 2015-2020.

Macro-economic Indicators

Indicators	Unit	2014	2015F	2019F
GDP growth at constant prices	%	3.0*	4.6	1.6
GDP per capita, constant prices	OMR	6,336*	6,416	6,180
GDP per capita, PPP	US$	39,680*	40,538	42,140
Population	mn	4.0	4.2	4.8
Inflation	%	1.0	0.9	2.7
International tourist arrivals	mn	1.7	1.8	2.2

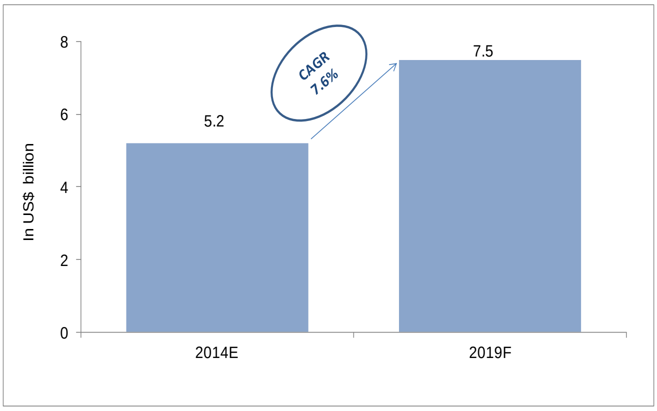
Source: IMF, April 2015; WTTC

*Note: * – Estimated figures, F – Forecasted figures*

Key Players

Company	Type
Services & Trade	Contractor
Al Ansari Trading and Contracting Co	Contractor
Galfar Engineering and Construction	Contractor

The Omani Construction Industry: Market Size



Source: BMI, Q1 2015

*Note: * – Estimated figures, F – Forecasted figures*

Kuwait

Key Growth Drivers

- **Population profile:** Being among the most urbanized countries in the world, most of Kuwait's population resides in its cities. According to IMF estimates, the country's population growth CAGR is expected at be 2.8% from 2014 to 2019. Expatriates constitute around 77% of Kuwait's population. The demand for housing units is expected to increase, in view of a rising population. The construction industry in the country is thus slated to grow.
- **Increasing participation of the private sector:** Social housing is a priority for the Kuwaiti government, which plans to use public-private partnership structures to deliver low-cost housing. Among the large social housing projects is the Sabah Al-Ahmed Urban Housing Project, which is expected to construct 11,000 residential units for as many as 100,000 people.
- **Per capita income:** Kuwait is home to one of the wealthiest populations in the world and is characterized by high per capita income. The ensuring demand across sectors such as retail, hospitality, and housing presents an environment conducive for the growth of its construction sector.
- **Lowest retail mall space per capita:** The Kuwaiti retail sector remains a largely undersupplied market with the lowest mall space per capita (59% lower than its GCC peers, as per the Venture Middle East report, GCC Building Construction and Interiors Update-2015), indicating potential for further growth. Consumer spending is the core driver for the retail sector, triggering the growth of the retail construction market.

Recent News

- In April 2015, State Minister for Housing Affairs announced that Kuwait will overcome its residential housing shortage completely within the next three to five years. The ministry plans to achieve this by increasing the involvement of the private sector.

Macro-economic Indicators

Indicators	Unit	2014	2015F	2019F
GDP growth, constant prices	%	1.4*	1.8	3.3
GDP per capita, constant prices	KWD	10,357*	10,256	10,319
GDP per capita, PPP	US$	70,992*	71,601	78,066
Population	mn	4.0*	4.1	4.6
Inflation	%	3.0	3.5	4.0
International tourist arrivals	mn	0.3	0.3	0.3

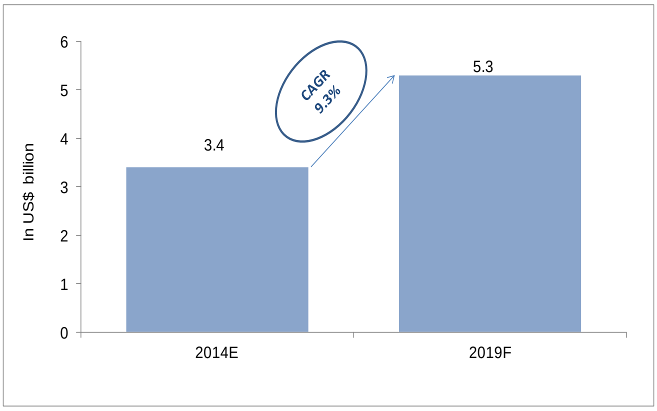
Source: IMF, April 2015; WTTC

*Note: * – Estimated figures, F – Forecasted figures*

Key Players

Company	Type
Combined Group Contracting Company	Contractor

The Kuwaiti Construction Industry: Market Size



Source: BMI, Q1 2015

*Note: * – Estimated figures, F – Forecasted figures*

Company Profiles

Abdullah Abdul Mohsin Al-Khodari Sons Co (Publicly Listed) Saudi Arabia

Company Description

Founded in 1966, Abdullah Abdul Mohsin Al Khodari Sons Co SJSC (AAMAS) is a Saudi Arabia-based company that is engaged in the heavy construction and engineering industry. The Company's activities include general contracting works related to construction, maintenance and operation of roads, power plants and tunnels, janitorial services, wholesale and retail of building materials, among others. The Company employs nearly 15,000 people (as of 31 December, 2014) with a branch in Abu Dhabi. AAMAS is headquartered at Riyadh.

Business Segments/Product Portfolio

- **Construction:** The company is primarily involved in civil engineering, construction of roads, bridges, railways, buildings, infrastructure, water and waste water treatment plants, oil and gas pipelines, city cleaning, environmental control, land transportation, and operation and maintenance activities
- **Other services:** Offers open cast mine support services, travel and tourism, cargo haulage, publicity and advertisement, management and operation of hospitals/health centers and training centers, among others

Key Strengths

- Strong presence in the construction industry of Saudi Arabia
- Diversified product/service portfolio

Recent Developments/Future Plans

- In December 2014, AAMAS won a SAR 1.4 billion (US$ 373.3 million)*, contract from the Saudi Arabian government for the construction of staff housing at King Khalid University.
- In September 2014, the company announced plans to diversify into the solar and nuclear energy segments. Under such segments, the company aims to offer services such as supplying and installing solar energy equipment and systems, among others.
- Taibah University awarded a SAR 374 million (US$ 99.7 million)*, project to AAMAS in August 2014 for the construction of a Computer Science College, Financial and Administrative Science College, and shared class rooms.
- In March 2014, AAMAS won a contract valued at SAR 143 million (US$ 38.1 million)*, for the construction of a municipality building in Taif.

Exchange Rate of 3.7502

Current Price (US$)	8.08

Price as on June 18, 2015

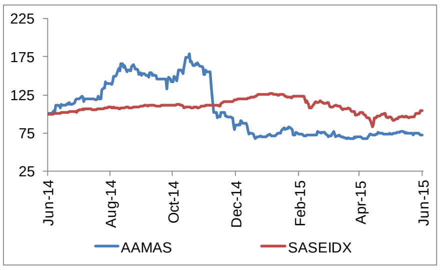
Stock Details	
Bloomberg ticker	ALKHODAR AB
52 week high/ low	20.0/7.51
Market Cap (US$ mn)	429.5
Enterprise value (US$ mn)	730.8
Shares outstanding (mn)	53.1

Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US$
3M	30,802.1	8,193.4
6M	61,340.0	16,347.1

Share Price Chart



Valuation Multiples

	2013	2014E	2015E
P/E (x)	27.2	16.1	17.4
P/B (x)	2.2	1.8	1.7
EV/S (x)	2.0	1.6	1.3
Dividend yield (%)	1.5	1.6	2.1

Source: Bloomberg

Shareholding Structure

Abdullah Abdul Mohsin Al Khodari Sons Investment Holding Company	55.80%
Public	44.20%
Total	**100.00%**

Source: Zawya

Financial Performance				
US$ Million	**2013**	**2014**	**Change (%)**	
Revenue	408.1	463.0	13.4%	
COGS	(357.0)	(422.3)	18.1%	
Operating Income	26.7	17.4	-34.9%	
Operating Margin (%)	5.8	4.2		
Net Income	17.1	26.9	57.3%	
Net Income Margin (%)	4.2	5.8		
Return on Equity (%)	11.4	8		
Return on Assets (%)	2.0	3.2		

- *Revenue grew by 13.4% y-o-y to US$ 463.0 million FY2014 from US$ 408.1 million in FY2013, on account of growth in construction and other services segments*
- *Operating income decreased by 34.9% y-o-y to US$ 17.4 million from US$ 26.7 million due to an increase in COGS and other expenses. Operating margin decreased from 5.8% in FY2013 to 4.2% in FY2014.*
- *Net income increased by 57.3% y-o-y to US$ 26.9 million in FY2014 due to sales growth and higher other income.*

Al Ansari Trading and Contracting Company (Private) Oman

Company Description

Established in 1975, Al Ansari Trading and Contracting Company (Al Ansari) is the contracting division of Al Ansari Group. Al Ansari provides structural-works services across various sectors such as commercial, residential, hospitality, oil and gas, water, environment, power, and infrastructure. Apart from structural-works, the company also provides joinery services, fabrication, erection of water and power plants, electro-mechanical solutions, and instrument calibration and repair, among other services. Al Ansari is owned by private investors namely Mohammed Ali Juma Al Zadjali, Kiran N Asher, and Yusuf Esmailji Nalwala. The group employs more than 4,000 (as of December 2014) professionals, across Oman, Dubai, and India. Some of the projects executed by Al Ansari includes construction of New Sohar Airport, Sultan Taimur bin Faisal Mosque at Mabella, Florist Building at Bait al Barakah, VIP Clinic at Sohar, and Villa complex at Azaibah, among others

Business Segments/Product Portfolio

- **Construction:** This division provides building materials, civil construction services, electro-mechanical works, landscaping and irrigation systems, instrumentation, calibration of construction and oil field equipment, and plating of metals. It also trades in bended steel rebars
- **Marketing:** Through this division, the group sells kitchen and laundry equipments such as exhaust fans, and water heaters, among other products
- **Manufacturing:** The company manufactures, and assembling water-pump sets

Key Strengths

- Registered as an excellent grade company with the Tender Board of Oman and is ISO 9001:2008 certified.
- Diversified product portfolio.
- Part of a leading business group in the Sultanate of Oman.

Recent Developments/Future Plans

- In October 2014, Al Ansari formed a joint venture with France's Degrémont for the operation and maintenance of Al Amerat wastewater treatment plant in Muscat.

Al Arrab Contracting Company (Private) — Saudi Arabia

Company Description

Founded in 1983, Al Arrab Contracting Company (ACC) provides general contracting and real estate development services. ACC's acquisition by Al Rajhi Group was completed in 2011, which helped it enhance its portfolio capabilities across segments such as civil construction, MEP, power, water, aviation, and rail, among others. Riyadh-headquartered ACC is present in Saudi Arabia, Qatar, Bahrain, Jordan, and the UAE, employing more than 9,771 professionals.

Business Segments/Product Portfolio

- **Construction:** Through this division, the company offers civil contracting services for educational buildings, hostels, hospitals, offices, residential buildings, warehouses, and infrastructure projects.
- **Healthcare:** ACC engages in the distribution of medical devices.
- **Industrial Trading:** The company's product portfolio includes the retail distribution, repair and maintenance of equipment and electrical machinery, among other services

Key Strengths

- A diversified business portfolio.

Recent Developments/Future Plans

- N/A

Al- Fouzan Trading and General Construction Co (Private) Saudi Arabia

Company Description

Founded in 1963, Al- Fouzan Trading & General Construction Co. (Al- Fouzan) is a construction company in the Kingdom of Saudi Arabia. It specializes in the construction of hospitals , educational, scientific, and technical facilities related to the medical aspects of projects. In 2010, Al-Fouzan was awarded the “Middle East's Best Medical Project Pioneering Award” for building and designing hospitals in line with modern design styles and high standards. The company is one among the 25 fastest growing construction companies in Saudi Arabia. Key projects completed by Al-Fouzan include ASIR Medical City, East Riyadh Hospital, King Faizal University, Grain Silos and Flour Mills, and Semesi Hospital, among others.

Business Segments/Product Portfolio

- **Universities & Educational Centers:** This business segment constructs educational institutes and universities for the Ministry of Education. Key ongoing projects include the construction of Dohat Al Zahran Educational Complex and Al Imam Muhammad Ibn Saud Islamic University – Housing for Faculty Members Phase 3.
- **Hospitals:** Through this division, Al Fouzan constructs various hospitals and medical cities in Saudi Arabia for the Ministry of Health. One of its major projects was to construct the King Faisal Medical City in the Southern Province.

Key Strengths

- Ranked 8^{th} in the list of the largest 25 construction companies in Saudi Arabia for 2015.
- Lead executor of key government initiated projects for the Ministry of Education and the Ministry of Health.
- Strong track record of constructing medical facilities in Saudi Arabia.

Recent Developments/Future Plans

- NA

Al-Futtaim Carillion LLC (Private) UAE

Company Description

Based in the UAE, Al-Futtaim Carillion LLC (Al-Futtaim Carillion) is jointly owned by Al-Futtaim (Private) Limited, (51% stake), and Carillion Construction Overseas Limited. Al-Futtaim Carillion commenced its operations in the mid-1950s as George Wimpey & Co. Ltd. until 1970, when it was renamed Al-Futtaim Wimpey LLC. The company became Al-Futtaim Tarmac in 1994, following the Wimpey-Tarmac asset swap and subsequently, Al-Futtaim Carillion LLC, after the Tarmac de-merger in 1999. The company offers services across sectors such as retail, residential, hotels, commercial buildings, roads, and aluminum smelters, in addition to its work for the oil and gas industry. Recognized as one of the leading construction groups in Dubai, Al-Futtaim Carillion is involved in many landmark projects across the UAE, including Dubai Marina Towers, Dubai Autodrome, and Al Raha Beach.

Business Segments/Product Portfolio

- **Retail Construction:** The company undertakes retail construction, through this division.
- **Residential Construction:** Through this division, the company is engaged in the construction of high-rise towers, buildings, and residential villas.
- **Hotel Construction:** Involved in the construction of hotels.
- **Other - Construction:** Involved in the construction and development of hospitals, educational institutes, community centers, and offices.
- **Aluminum Smelters:** Al Futtaim Carillion specializes in the construction of aluminum smelters.
- **Scaffold & Formwork Services:** Al Futtaim Carillion offers scaffold and formwork services such as labor and materials, supervision and inspection, aluminum scaffold towers, formwork material types, and full design services for both access scaffolding and formwork services.

Key Strengths

- Strong footprint in the UAE construction market.
- Involved in the construction of some of the most iconic developments in the UAE in recent years.
- Diversified project portfolio.

Recent Developments/Future Plans

- In March 2014, Meraas awarded a contract worth AED 765 million (US$ 208.3 million)* to Al Futtaim Carillion, for the construction of The Avenue Phase 2 City Walk development in Dubai.
- Al Futtaim Carillion won the main contract for the Phase 1 delivery of the Dubai World Trade Centre District in March 2014. The contract was valued at approximately AED 375 million (US$ 102.1 million)*.
- In January 2014, Dubai Electricity and Water Authority signed a memorandum of understanding with a Swedish energy technology company Cleanergy and Al Futtaim Carillion, for setting-up the first Stirling Engine Concentrated Solar Power technology power plant in Dubai.

*Exchange Rate of 3.6723

Aljaber Group (Private) Qatar

Company Description

Established in 1976, Aljaber Group of Companies (Aljaber) offers a wide range of products and services in the construction industry, in partnership with international construction companies across various sectors. Through its subsidiaries, the group is present across the numerous verticals of the construction industry. The company provides services in the areas of residential, commercial, healthcare, industrial complexes, hospitality, education, and warehousing.

Business Segments/Product Portfolio

- **Construction:** The company provides road construction, earth moving, contracting and infrastructure services, civil solutions for housing and urban development, EPC services, integrated process services, and equipment for the upstream oil and gas industry, services for water pipe networks, sewerage pipe networks, pumping stations, and tunneling applications.

Key Strengths

- A diverse client base.
- Technically skilled management.
- Experience of more than 35 years in the construction industry.

Recent Developments/Future Plans

- N/A

Al Moayyed Contracting (Private) Bahrain

Company Description

Al Moayyed Contracting (AMC) is the contracting arm of Y.K. Almoayyed & Sons BSC, which provides an entire range of contracting services. AMC has successfully executed numerous projects for the government as well as the private sector. It also has an extensive portfolio of assignments in progress, including 400 houses for the Ministry of Housing in Wadi Al-Sail. Past projects include the Supreme Council for Women, Emirates Tower, Ebrahimia Tower in Manama, the RUF Automobile Assembly Complex at Bahrain International Circuit, the Nissan Garage in Sitra, Gulf Hotel Block, Crescent Villas at Amwaj Islands, and the Addax multi-storey car park in Seef.

Business Segments/Product Portfolio

- **Construction:** The company provides civil construction and maintenance solutions and services across the residential, commercial, retail, and infrastructure sectors.
- **Other services:** It also provides customized services that include interior decoration, landscaping, carpentry, and steel fabrication. Through its subsidiaries, the company leases machinery and equipment for piling, foundation and ground improvement works, and distributes, installs, repairs, and maintains heating, ventilation, and air conditioning products.

Key Strengths

- Backed by one of the largest privately-held conglomerates, Y.K. Almoayyed & Sons BSC, in Bahrain
- Classified as a Grade AA contractor by the Bahraini government.

Recent Developments/Future Plans

- N/A

Al Naboodah Contracting Company LLC (Private) UAE

Company Description

Based in the UAE, Al Naboodah Contracting Company LLC (Al Naboodah) is part of the Saeed & Mohammed Al Naboodah Group, which is one of the leading contractors in the UAE, comprising of more than 20 subsidiaries that offer a diverse portfolio of services and products. Al Naboodah along with its group companies has completed several civil engineering contracts, including multi-storey buildings, hospitals, mosques, showrooms, villas and housing complexes, and industrial projects.

Business Segments/Product Portfolio

- **Construction:** The company offers civil engineering and contracting services across various sectors in the UAE.

Key Strengths

- Part of a renowned group that has a rich experience of around 35 years in the construction industry.
- A diverse executed project portfolio.

Recent Developments/Future Plans

- N/A

Al Namal Contracting & Trading Company (Private) Bahrain

Company Description

Established in 1997, Al Namal Contracting & Trading Company WLL (Al Namal Contracting) is part of the Al Namal Group and the VKL Group. Al Namal Contracting has successfully completed more than 200 projects, including luxury villas, high-rise buildings, hotel complexes, resorts, and industrial buildings in Bahrain. In-line with its vertical integration strategy, the Group has businesses which specialize in the areas of property management, land reclamation and dredging, electro-mechanical, electrical, wrought iron and aluminum works, heating, ventilation, and air-conditioning (HVAC), interior fittings, elevators and building materials.

Business Segments/Product Portfolio

- **Construction:** Al Namal Contracting specializes in the construction of luxury villas, high-rises, hotels, resorts, and industrial buildings.
- **Manufacturing:** The company manufactures all types of aluminum doors, windows, railings, and curtain walls.

Key Strengths

- Backed by one of the largest privately-held conglomerates in Bahrain.
- Offers a wide range of service offerings.

Recent Developments/Future Plans

- N/A

Al Jaber Group (Private) UAE

Company Description

Established in 1970, Abu Dhabi-based Al Jaber Group (Al Jaber) and its subsidiaries have interests in the industries of construction, leasing, heavy lifting and logistics, industrial, marine transportation, as well as trading. The company also operates a number of associated businesses through strategic joint ventures with leading international entities to complement its core construction business. This includes the provision of services related to power-station technology, environmental engineering and waste management, hydraulic components, and vehicle tracking devices. Al Jaber employs more than 55,000 people across the MENA region, and is fully owned by HE Obeid Khalifa Jaber Al Murri.

Business Segments/Product Portfolio

- **Construction:** This division is engaged in the engineering and construction of highways, bridges, towers, air ports, ports, and providing piling & construction equipment.
- **Heavy Lifting:** The company provides heavy lifting and transportation services.
- **Industrial Goods:** Al Jaber provides industrial goods such as welded storage tanks, valves, traffic control systems, solar flashing systems, filters for automobiles and industrial equipment, and crusher parts, among others.
- **Trading:** This division distributes used equipment, spare parts, oil lubricants, tractors and trucks through agency agreements

Key Strengths

- Strong presence in the MENA region.
- A diversified product/ service portfolio.
- Has strategic joint ventures with leading international companies.

Recent Developments/Future Plans

- Al Jaber's subsidiary, ALEC, was awarded contracts worth nearly AED 4.0 billion (US$ 1.1 billion)* in the residential and retail construction sectors between February 2015 and April 2015.
- In January 2015, Al Jaber's Saudi Arabian subsidiary was awarded a SAR 1.8 billion (US$ 479.6 million) ** contract for the development of the Abha Airport in the kingdom.

*Exchange Rate of 3.6721; ** Exchange Rate of 3.7535

Arabian Bemco Contracting Co. (Private) — Saudi Arabia

Company Description

Formed in 1968, Arabian Bemco Contracting Company (BEMCO) along with its 10 affiliates is a leading engineering, procurement and construction (EPC) turnkey contractor mainly for industrial and power projects (which includes co-generation, and combined cycle and steam power plants). Other capabilities of BEMCO include, full-scale and integrated capabilities in engineering, procurement, construction, fabrication, and start-up and commissioning services. In order to benefit from the government's privatization initiatives which started in 2012, BEMCO diversified its operations to include project development and project financing for independent power projects (IPP) and independent power and water projects (IWPP). Trisax Investment Holding Company, and Mr Samawal Abdullah Taha Bakhsh together own 45% of BEMCO. The company has a presence in the Middle East as well as North Africa, with an employee strength of 18,000 (as of 31 December 2014).

Business Segments/Product Portfolio

- **Power:** This division focuses on power, substation and heavy electrical work projects.
- **Industrial:** Undertakes design engineering work, procurement, construction, project management, steel fabrication, and project start-up/testing/commissioning work.
- **Civil Projects:** This business unit executes civil works for BEMCO's turnkey projects in the power and industrial sectors related to large power plants, oil and gas facilities, refrigeration, and water projects, among others.
- **Electro/ Mechanical Projects:** This division is involved in the design, supply, installation, testing and commissioning of mechanical, electrical and low current systems.

Key Strengths

- BEMCO is a leading turnkey EPC contractor in Saudi Arabia focusing on industrial and power projects.

Recent Developments/Future Plans

- In August 2014, BEMCO announced that its affiliate company Bemco Services was approved as a testing and commissioning contractor for the Saudi National Grid's Extra-High-Voltage (EHV) projects.
- In March 2014, BEMCO through its affiliate company, INMA Contracting was awarded a contract for electro-mechanical works at the new Kingdom tower project located in Jeddah, Saudi Arabia

Arabian Construction Company (Private) UAE

Company Description

Commencing operations in 1967, Arabian Construction Company (ACC) is involved in the construction of power generation plants, desalination plants, factories, hotels, and hospitals. In addition to offering comprehensive contracting services, the company also undertakes feasibility studies, preliminary designing, and project financing as a joint venture partner. Its portfolio includes some of the region's most iconic landmarks, from super high rise luxury developments to 5* hotels and intricately sophisticated smart buildings. ACC's infrastructure projects include desalination plants, power plants and marine works. Its clientele comprises government as well as private sector entities across the Middle East.

Business Segments/Product Portfolio

- **Infrastructure and Civil Works Construction:** Through this segment of its business, the company is involved in the construction of power plants, desalination plants, smart buildings, commercial developments, residential buildings, defense works, public buildings, hospitals, hotels, resorts, and palaces.
- **Turnkey Contracting:** ACC is engaged in the construction of turnkey projects, with projects such as Mirfa Fruit and Vegetable Processing Factory, and the Rotana Beach Hotel expansion being prominent ones.
- **Others:** ACC also offers value engineering, and industrial equipment procurement and installation, as part of its services.

Key Strengths

- Ability to provide end-to-end contracting services.
- Expertise in executing projects across sectors.
- A diverse client base.

Recent Developments/Future Plans

- A subsidiary of Emaar Properties, Emaar Middle East, entered into an agreement with ACC in August 2014 to develop the Emaar Square commercial district in Jeddah, Saudi Arabia. The value of the contract was SAR 150 million (US$ 40 million)*.
- In July 2014, Brys Group awarded a US$ 51.8 million contract to build an 81-storey tower in Noida, India, to ACC. Through such contracts, ACC aims to strengthen its foothold in the Indian construction industry.
- In 2014, Emaar Properties awarded ACC two prestigious contracts in the Downtown Dubai area. Fountain Views is a development of three high-rise towers, incorporating luxury residential apartments and an Address Residence Hotel. The value of the contract is US$ 769 million. The second development, Sky Views, is a 50-storey luxury hotel, residence and serviced apartment twin-tower complex. The contract is worth US$ 517 million.

* Exchange Rate of 3.7502

Arabtec Holding PJSC (Publicly Listed) UAE

Company Description

Arabtec Holding PJSC (Arabtec Holding) commenced operations in 1975 as Arab Technical Construction Company. Arabtec Holding's services span across the areas of architectural modeling, civil engineering and building, construction and project management, quantity surveying, commercial and industrial projects, offshore as well as onshore oil and gas installations, residential projects, luxury villas, hotel interiors, cinema complexes, hypermarket fit-outs, food courts, and airport development. Arabtec Holding has recently acquired contracting related entities in its core markets. Arabtec Holding is present in the UAE, Qatar, Saudi Arabia, Jordan, Syria, Palestine, and Russia. The company's noteworthy projects include Burj Khalifa, Infinity Tower, and Ocean Heights, located in Dubai.

Business Segments/Product Portfolio

- **Building Construction:** Arabtec Holding develops high-rise towers, buildings, and residential villas.
- **Precast and Concrete Production:** Manufactures ready-mix concrete and precast products used in its building construction projects.
- **Drainage and Electromechanical Work:** Undertakes drainage, electrical, and mechanical works through this division.
- **Marine Construction:** Has its own marine transport division, owning landing craft (ISM certified), barges, tugs, and motor boats, all of which comply with the maritime requirements of UAE and Qatar.
- **Equipment Trading:** Distributes heavy equipments and steel

Key Strengths

- Has a diversified track record of executed projects.
- Has the ability to deliver complex projects.
- Vertically integrated across the construction value chain.
- Has a long-standing presence of more than 25 years in the UAE's construction

Recent Developments/Future Plans

- In March 2015, Raja Ghanma was promoted from chief operating officer to CEO of Arabtec Construction, a wholly-owned construction subsidiary of Arabtec Holding.
- In February 2015, Aabar Investments increased its stake in Arabtec Holding from 18.94% in 2014 to 36.11% in 2015.
- Arabtec Holding announced its intension to commence construction of 120,000 homes (Phase 1) in Egypt. The company signed this contract worth US$ 40 billion in 2014 with the Government of Egypt.

Current Price (US$)	*0.71*

Price as on June 19, 2015

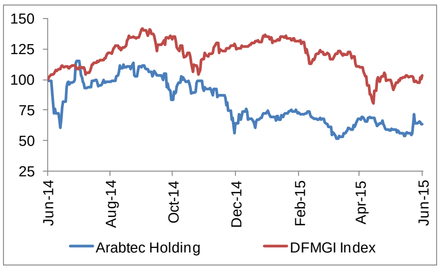
Stock Details	
Bloomberg ticker	ARTC UH
52 week high/ low	1.28/0.58
Market Cap (US$ mn)	3,254.3
Enterprise value (US$ mn)	3,392.1
Shares outstanding (mn)	4,615.1

Source: Bloomberg

Average Daily Turnover ('000)

	AED	US$
3M	96,216.9	26,199.9
6M	120,029.0	32,683.9

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	84.7	136.7	21.6
P/B (x)	1.6	2.3	2.0
EV/S (x)	1.3	1.6	1.3
Dividend yield (%)	3.5	N/A	3.7

Source: Bloomberg

Shareholding Structure	
Aabar Investments PJS	36.11%
Mr Hasan Abdullah Mohamed Ismaik	11.81%
Public	52.08%
Total	**100.00%**

Source: Zawya

Financial Performance				
US$ Million	**2013**	**2014**	**Change (%)**	• *Revenue grew by 12.5% y-o-y to US$ 2,257 million in FY2014, on account of an increase in the building construction segment revenue by 62.1% to US$ 1,869 million in FY 2014.* • *Operating income decreased by 51.4% to US$ 52.5 million in FY 2014 primarily due to an increase in depreciation expense and other expenses. As a result, operating margin decreased from 5.3% to 2.3%.* • *The company's net income decreased by 43.1% y-o-y to US$ 58.4 million in FY2014, due to a decrease in operating income and income from associates.*
Revenue	2,006.3	2,257.8	12.5%	
COGS	(1,774.1)	(1,937.9)	9.2%	
Operating Income	108.2	52.5	-51.4%	
Operating Margin (%)	5.3	2.3		
Net Income	102.8	58.4	-43.1%	
Net Income Margin (%)	5.13	2.59		
Return on Equity (%)	6.8	3.7		
Return on Assets (%)	2.9	1.5		

Combined Group Contracting Company (Publicly Listed) — Kuwait

Company Description

Combined Group Contracting Company (CGCC) was established in 1965. The company offers services such as civil and mechanical contracting for buildings, roads, and bridges, as well as trading and packaging of cement. The company's subsidiaries include Combined Group for Trading and Contracting Company WLL, Combined International Real Estate Company KSCC, and Combined Group Factories Company WLL, among others. Geographically, CGCC has a presence in Kuwait and other Gulf countries such as Saudi Arabia, the UAE, Qatar, Syria, Iraq, and Oman. Internationally, CGCC has executed various projects in Indonesia, Tajikistan, Mongolia, Uzbekistan, Georgia, and Lebanon.

Business Segments/Product Portfolio

- **Building:** Involved in the construction of offices, apartment blocks, houses, local mosques, shopping malls, and structures.
- **Micro-tunneling:** Constructs infrastructure, sanitary and storm water networks for line-depths, which are placed under roads.
- **Roads and Infrastructure:** Involved in the construction of bridges, roads maintenance and repairs, paving works, resurfacing, milling and asphalt works, sanitary sewage networks, maintenance of water and gas networks, street lighting, traffic control system, warning signs, guide signs and road marking, chain link fencing, and overhead sign gantries.
- **Oil & Gas:** This division is involved in handling the installation, testing and commissioning of gas pipelines and associated civil works.
- **Service Center:** Operates two asphalt plants, three readymix concrete plants, an aggregate division, and a garage.

Key Strengths

- Extensive experience in the construction sector.
- Vertical integration provides a competitive advantage through its in-house service centers providing materials for its construction projects.
- Provides a diverse range of services.

Recent Developments/Future Plans

- One of CGCC's subsidiaries, Combined Group for Trading & Contracting Co., was awarded a KWD 245.7 million (US$ 864.5 million)* contract in October 2014 for constructing an entertainment complex in Qatar.

*Exchange Rate of 0.2842

Current Price (US$)	2.72

Price as on June 14, 2015

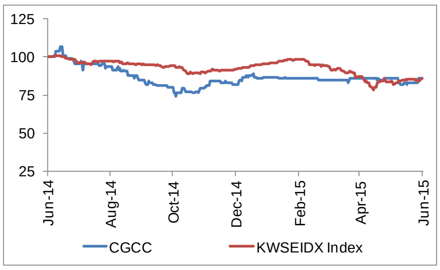
Stock Details	
Bloomberg ticker	CGC KK
52 week high/ low	3.61/2.45
Market Cap (US$ mn)	333.6
Enterprise value (US$ mn)	405.7
Shares outstanding (mn)	122.5

Source: Bloomberg

Average Daily Turnover ('000)

	KWD	US$
3M	2,208.2	7,609.1
6M	5,158.3	17,281.8

Share Price Chart



Valuation Multiples

	2013	2014	2015*
P/E (x)	29.1	19.9	19.7
P/B (x)	3.4	2.5	2.4
EV/S (x)	1.0	0.6	0.6
Dividend yield (%)	N/A	3.8	N/A

Source: Bloomberg

***the figures for 2015 are as of May 25, 2015. The estimated figures for FY 2015 were not available*

Shareholding Structure	
Mr Abdulrahman Mousa Al-Marouf	24.5%
Mr Mousa Ahmad Mousa Al-Marouf	24.5%
Suleiman Khaled Abdullatif Al Hamad	9.91%
Public	41.09%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2013	2014	Change (%)
Revenue	549.5	676.9	23.1%
COGS	(497.8)	(609.3)	22.3%
Operating Income	22.8	21.9	-3.9%
Operating Margin (%)	4.1	3.2	
Net Income	16.5	17.6	6.6%
Net Income Margin (%)	3.0	2.6	
Return on Equity (%)	11.6	12.4	
Return on Assets (%)	2.4	2.2	

- *Revenue grew by 23.1% y-o-y to US$ 676.9 million in FY2014, on account of a 29% increase in the value of construction projects awarded in FY2014.*
- *Operating income decreased by 3.9% to US$ 21.9 million in FY2014 primarily due to higher operating expenses*
- *The company's net income increased by 6.6% y-o-y to US$ 17.6 million in FY2014, attributable to higher other income, and a decline in finance charges..*

Drake & Scull International (Publicly Listed) UAE

Company Description

Drake & Scull International (DSI) is a UAE-based engineering and auxiliary services provider focusing on the areas of mechanical electrical and plumbing (MEP), civil works and infrastructure, water and power (IWP). As a project manager and services provider of major civil and construction projects, DSI covers the entire value chain of a project from design to commissioning. The company operates through nine subsidiaries, each specializing in a country or segment. DSI's main base of operations is in the UAE, but the company has established businesses in Qatar, Saudi Arabia, Kuwait and Egypt, and has participated in projects throughout the Middle East and North Africa (MENA) region and Asia (Thailand).

Business Segments/Product Portfolio

- **Engineering:** This segment is involved in contract works such as MEP and sanitation. It also offers engineering services relating to infrastructure, water treatment plants, district cooling plants, and power plants.
- **Civil:** The company offers contracting works for residential and commercial projects.
- **Oil and Gas:** This division provides various contracting services relating to the design and engineering, procurement, fabrication, and construction of plants and facilities.
- **Rail:** The company is engaged in turnkey rail construction and maintenance projects. It offers EPC solutions for various systems/ services for stations, depots, and tunnels to its industrial, manufacturing, and government clients.

Key Strengths

- Wide-ranging product offerings. Particularly strong in providing MEP related services
- Strong presence in the MENA region.
- Good experience in executing large and complex construction projects.

Recent Developments/Future Plans

- In June 2015, Drake and Scull International announced that one of its units was awarded contracts worth a total of US$ 95.3 million in Oman. The unit, named Drake and Scull Engineering Oman, will undertake technical, electrical and sanitation projects for the Oman Convention and Exhibition Centre in Seeb, two hotels and an airport.

Current Price (US$)	*0.20*

Price as on June 18, 2015

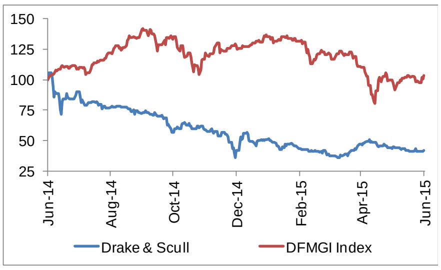
Stock Details	
Bloomberg ticker	DSI UH
52 week high/ low	0.51/0.17
Market Cap (US$ mn)	466.6
Enterprise value (US$ mn)	867.3
Shares outstanding (mn)	2,285.0

Source: Bloomberg

Average Daily Turnover ('000)

	AED	US$
3M	9,411.6	2,562.8
6M	9,748.0	2,654.4

Share Price Chart



Valuation Multiples

	2013	2014	2015E
P/E (x)	19.7	20.3	12.9
P/B (x)	1.1	0.7	0.6
EV/S (x)	0.8	0.7	0.6
Dividend yield (%)	N/A	N/A	1.3

Source: Bloomberg

Shareholding Structure	
Emirates Investment Bank (P.J.S.C)	12.07%
KRT2 Limited	9.19%
KRT3 Limited	8.64%
Mr Khaldoun Rachid S Tabari	8.30%
Public	61.80%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2013	2014	Change (%)
Revenue	1,328.3	1,296.5	-2.3%
COGS	(1,185.1)	(1,158.7)	-2.2%
Operating Income	57.3	46.9	-18.1%
Operating Margin (%)	4.3	3.6	
Net Income	45.3	27.4	-39.5%
Net Income Margin (%)	3.4	2.1	
Return on Equity (%)	5.7	3.3	
Return on Assets (%)	2.3	1.1	

- *Revenues declined by 2.3% y-o-y in FY2014, primarily due to the decrease in revenues of the Civil and Oil and Gas segments. Geographically, Drake and Scull's FY2014 performance was strong in the UAE.*
- *A fall in revenues coupled with higher general and administrative expenses resulted in an 18.1% y-o-y decline in operating income in FY2014.*
- *The company's net income decreased by 39.5% y-o-y to US$ 27.4 million in FY2014 due to lower finance income and a loss from investment in associates.*

El Seif Engineering Contracting (Private) Saudi Arabia

Company Description

EL Seif Engineering Contracting Co (ESEC), a member of El Seif Group, is a Saudi Arabia-based company that is engaged in providing construction and engineering services for a wide range of projects. The Company undertakes construction activities relating to various projects, including, towers, mixed-use buildings, residential and commercial complexes, housing projects, infrastructure projects, airports, hospitals and healthcare sector projects, oil and gas plants, power generation, transmission and desalination plants, communication projects, defense and military projects, heavy-duty equipment rental and leasing, industrial installations and electro-mechanical works.

Business Segments/Product Portfolio

- **Construction:** ESEC provides a wide range of services to its clients, which include project construction management, general contracting civil works, engineering, procurement and construction, design and build, international procurement, logistics, mechanical and electrical installation, operation and maintenance services.

Key Strengths

- Offers construction and engineering services for a wide range of projects including for infrastructure, airports and public works.

Recent Developments/Future Plans

- In April 2015, El Seif was awarded an estimated US$ 1.4 billion contract for an Interior Ministry housing development project in Saudi Arabia.
- The company was awarded two housing contracts in February 2015. The first contract, with a value of SAR 4.5 billion (US$ 1.2 billion)* relates to the construction of 2,400 housing units. The second contract relates to constructing nearly 2,100 housing units for a contract value of SAR 3.5 billion (US$ 0.9 billion)*.
- In February 2014, El Seif was awarded a contract worth US$ 350 million to build the headquarters of the Interior Ministry in Jeddah, Saudi Arabia.
- In June 2014, the kingdom's Interior Ministry awarded an estimated SAR 2.5 billion (US$ 0.7 billion)* project to build Phase 2B of its Security Compound Network, also known as the King Abdullah Project.

*Exchange Rate of 3.7502

Engineering Contracting Company (Private) UAE

Company Description

Established in 1975, Engineering Contracting Company LLC (ECC) provides civil contracting services, primarily for the hospitality, residential, industrial, leisure, retail, and education sectors across the GCC. ECC has subsidiaries involved in providing electro-mechanical, wood processing, real-estate development, and steel fabrication services. One subsidiary also trades in construction machinery and equipment. The names of its subsidiaries are United Masters Electromechanical, Abanos Furniture Industries and Decoration, Aurora, ECC Plant Department, and Prime Metal Industries. Some of the key clients of the company include Etisalat, Emaar Properties, Abu Dhabi National Oil Company, Asteco, Union Properties, Dubai Festival City, and Damac.

Business Segments/Product Portfolio

- **Construction:** The company focuses on constructing public and industrial buildings, hospitals, high-rise towers, water and sewerage system transmission and distribution networks, and water reservoirs.

Key Strengths

- Present across all verticals of the construction sector, through its subsidiaries.
- Experience of handling large and complex construction projects.
- Has a track record of executing diverse projects.

Recent Developments/Future Plans

- N/A

Galfar Engineering and Construction (Publicly Listed) — Oman

Company Description

Galfar Engineering and Contracting SAOG (Galfar) is an Oman-based joint stock company. The Company operates in three segments: construction, hiring of equipment and training of personnel. The Company's principal activities comprise: civil and mechanical construction, public health engineering, road construction, electrical, plumbing and maintenance, leasing of cranes, equipment and vehicles, and training of drivers and operators. The Company's sectorial focus is: Civil & Utilities, Oil & Gas, and Roads & Bridges. In addition to Oman, the Company has operations in other GCC countries and India.

Business Segments/Product Portfolio

- **Construction:** Includes roads, bridges, airports, EPC works, civil, and mechanical construction, public health engineering, electrical, plumbing, maintenance contracts, and design, build, finance, operate and transfer (DBFOT) projects.
- **Hiring of equipment:** Leasses cranes, equipment, and other construction machinery.
- **Training:** Offers training services to drivers and operators
- **Others:** Manufactures ready-mix concrete.

Key Strengths

- Extensive geographic footprint.
- One of the largest construction companies in the Middle East.

Recent Developments/Future Plans

- Galfar won a contract to build and install a gas gathering system at the Khazzan Gas project site in Oman in May 2015, valued at US$ 110 million.
- In January 2015, the company was awarded a contract of OMR 213 million (US$ 554.8 million)* for the construction of a new general hospital for the Royal Oman Police.
- In February 2014, Galfar formed a joint venture with Mott MacDonald to offer EPC services in the oil and gas sector.

*Exchange Rate of 0.3839

Current Price (US$)	0.33

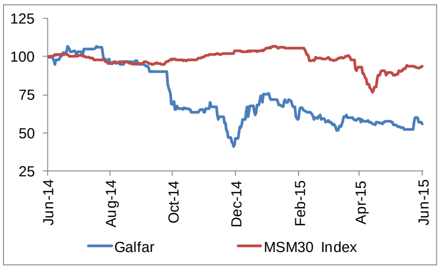
Price as on June 18, 2015

Stock Details	
Bloomberg ticker	GECS OM
52 week high/ low	0.63/0.24
Market Cap (US$ mn)	212.9
Enterprise value (US$ mn)	757.1
Shares outstanding (mn)	290.0

Source: Bloomberg

Average Daily Turnover ('000)	OMR	US$
3M	70.8	184.0
6M	120.3	312.5

Share Price Chart



Valuation Multiples	2013	2014	2015E
P/E (x)	12.3	N/A	31.0
P/B (x)	0.9	0.6	N/A
EV/S (x)	0.7	0.7	N/A
Dividend yield (%)	3.7	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Dr Said Ali Salem Al Fannah Al Araimi	18.78%
Al Siraj Investment Holding LLC	12.80%
Aimmar United Investment & Project LLC	12.06%
Dr Parambathek and Mohamed Ali	10.05%
Rasiya M A	7.36%
Qhassiyah Projects & Investment LLC	2.51%
PMA International, and Public	36.44%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2013	2014	Change (%)
Revenue	1,071.2	967.5	-9.6%
COGS	(928.2)	(851.7)	-8.2%
Operating Income	55.4	28.8	-48%
Operating Margin (%)	5.1	2.9	
Net Income	19.5	0.5	-97%
Net Income Margin (%)	1.8	0.05	
Return on Equity (%)	7.1	0.2	
Return on Assets (%)	1.5	0.04	

- *Revenue decreased by 9.6% y-o-y to US$ 967.5 million in FY2014 from US$ 1,071.2 million due to delays in the completion of projects.*
- *Operating income decreased by48% y-o-y to US$ 28.8 million from US$ 55.4 million, primarily due to the decline in revenue. Operating margin decreased from 5.1% in FY2013 to 2.9% in FY2014.*
- *Net income decreased sharply by 97% y-o-y to US$ 0.5 million in FY2014 due to the decline in revenue and an increase in interest expense.*

G.P. Zachariades (Private) — Bahrain

Company Description

Founded in 1956, G.P. Zachariades (GPZ) commenced contracting activities in Cyprus. In 1976, GPZ was registered in Bahrain as a general contractor, offering services such as civil engineering, building construction, industrial construction, infrastructure construction, maintenance, interior decoration, and fit-out works. GPZ has a successful track record in Bahrain for the construction of projects in the hospitality, residential, retail, and commercial sectors.

Business Segments/Product Portfolio

- **Civil Engineering Works:** The company's expertise is in heavy civil engineering works, ranging from dams, tunnels, river diversions, and civil works to power stations and desalination plants. It also provides civil works for the aluminum, cement, edible oil, and electricity distribution industries.
- **Building Works:** Engaged in all types of building construction, ranging from the characteristic Islamic architecture found in mosques to modern residential developments, VIP palaces, high-tech multi-storey office towers, and luxury hotels.
- **Industrial Works:** GPZ offers a wide range of industrial engineering services, ranging from simple plant foundations to turnkey projects, dams and river diversions, utility plants, water treatment facilities, and bridge rehabilitation works.
- **Structural Steel Works:** This division provides fabricated and erected structural steel-work for the majority of the company's steel frame projects. The company has the in-house capability to fabricate and build all types of structural steel and light metalwork, as well as cut and bend steel reinforcement.The company's fabrication facilities are located at Sitra, Bahrain.

Key Strengths

- Classified as a Grade AA contractor by the Bahrain Ministry of Works.
- An in-house fabrication unit supplies fabricated and erected structural steel-work for most of the company's steel-frame projects.
- Diverse product/ service offering.

Recent Developments/Future Plans

- In August 2014, GPZ won a contract to build an US$ 81.7 million cancer treatment center at King Hamad University Hospital in Muharraq.

Habtoor Leighton Group (Private) — UAE

Company Description

Established in 2007, Al Habtoor Leighton Group (HLG) is a result of a merger between Al Habtoor Engineering and Gulf Leighton. Al Habtoor Engineering was a UAE-based contractor, whereas Gulf Leighton was the operating arm of Australia's Leighton Group in the GCC. HLG offers services in the fields of infrastructure, building, rail, oil & gas, and mining. It has also entered into strategic joint ventures with international entities to support its core areas of operation. The construction of Kempinski Hotel & Residences Palm Jumeirah, Arzanah Medical Complex, Dubai International Airport Expansion Phase II - Terminal 3, and Concourse 2 are among the company's prominent projects.

Business Segments/Product Portfolio

- **Buildings:** Provides construction services in the areas of residential, commercial, hospitality, retail, healthcare, education, culture, industrial, sports, government, and defense.
- **Infrastructure:** Provides engineering and infrastructure services, including design, development, construction, operation, and maintenance, with a focus on transportation related projects.
- **Rail:** Provides development, design, construction, testing, commissioning, maintenance and operation of rail transportation projects. Also provides services for metro, regional, and heavy haul infrastructure projects through its partner - Advance Rail Group (ARG).
- **Oil & Gas:** Focuses on near-shore import and export facilities as well as onshore facilities at greenfield and brownfield locations.
- **Mining:** In addition to managing and operating mines, HLG has expertise in the areas of mining, processing, haulage, and train load-out operations of coal, iron ore, gold, nickel, bauxite, phosphate, and copper.

Key Strengths

- Operations are spread across the various verticals of the construction sector.
- Has a strong foothold in the MENA region.
- Able to execute large and complex construction projects.

Recent Developments/Future Plans

- HLG was awarded a AED 370 million (US$ 100.8 million)* contract by Jebel Ali Free Zone Authorities in September 2014.
- In May 2014, HLG won the Saraya Bandar Jissah hotel project in Oman.
- In March 2014, the joint venture of HLG and Al Jaber Engineering was awarded a US$ 1.7 billion contract for the design and construction of the New Orbital Highway and Truck Route near Doha, Qatar, by Qatar's Public Works Authority (Ashghal).

*Exchange Rate of 3.6723

Haji Hassan Group (Private) Bahrain

Company Description

Manama-based Haji Hassan Group WLL (Haji Hassan) was founded in 1954. The group operates through 15 subsidiaries and is engaged in the provision of heavy duty construction and engineering services in Bahrain. Haji Hassan has operations in Dubai, Abu Dhabi, Bahrain and Qatar. Haji Hassan, along with its subsidiaries, employed nearly 6,000 professionals as of June 2014.

Business Segments/Product Portfolio

- **Manufacturing & Construction:** Haji Hassan's core area of activity is the manufacture of pre-fabricated cement and cement products, concrete slabs, blocks, and the construction of pipes, oil and gas terminals, and chemical facilities.
- **Other services:** Provides spare parts, ready-mix cement, asphalt, building materials, reinforced concrete, pipes, tanks, as well as real estate services.

Key Strengths

- Strong presence in manufacturing pre-fabricated cement and cement products.

Recent Developments/Future Plans

- N/A

Hamad Bin Khalid Contracting Company (Private) Qatar

Company Description

Established in 1970, Hamad Bin Khalid Contracting Company WLL (HBK) operates as a subsidiary of the HBK Group. HBK undertakes civil construction projects in Qatar across sectors such as residential, commercial, infrastructure, education, and hospitality. The company has developed the capability to meet the complete requirements of the construction**,** pipeline networks, and infrastructure sectors. The company's clientele includes the Armed Forces Work Engineering Unit, Public Works Authority (Ashghal), Ministry of Interior, Kahramaa, Qatar Olympic Committee, Qatar Petroleum, Jazeera, Al Aqaria, Aayan Real Estate, Qatar International Islamic Bank, Abu Dhabi Investment House, Msheireb Properties, and Qatar Rail, amongst others. As of December 2014, HBK's workforce comprised of around 7,000 professionals.

Business Segments/Product Portfolio

- **Construction and Contracting Services:** The company undertakes construction, general civil engineering works, and contracting services for public buildings, residential and commercial towers, industrial complexes, main feeder lines and distribution networks for water and sewerage systems, water reservoirs, sewerage treatment plants, pumping stations, roads and bridges as well as infrastructure and shore protection projects.

Key Strengths

- One of the leading contractors in the construction industry of Qatar.
- Experience of handling large and complex construction projects.
- Technically skilled employees.

Recent Developments/Future Plans

- In May 2014, Lusail Real Estate Development Company (LREDC) - responsible for the Lusail City project in Qatar, awarded the final phase of the Seef Lusail South Infrastructure works contract to a consortium comprising of Hamad Bin Khalid Contracting Company and Qatar Building Company.
- In May 2014, the Supreme Committee for Delivery & Legacy awarded enabling works contract for Al Wakrah stadium to HBK. As a part of this contract, HBK will be responsible to deliver bulk earthworks including site clearance, excavation and disposal, fill, underground services, and stadium foundations.

Qatar Building Company (Private) Qatar

Company Description

Qatar Building Company (QBC) is headquartered in Doha, Qatar, and offers civil engineering, materials production and heavy equipment trading to government agencies, international contractors, gas majors, and private developers. The company has developed some of Qatar's largest infrastructure projects such as the Airport Road, the Doha Expressway and D-Ring Interchange, the New Doha International Airport, Energy City, Cultural City (Katara), Education City (Qatar Foundation), and Lusail City. As of August 2014, QBC's workforce comprised of nearly 4,800 employees.

Business Segments/Product Portfolio

- **Civil Contracting:** Involved in the construction of buildings, roads, airfields, highways, and projects in the areas of infrastructure, drainage, water, power cables, horizontal directional drilling (HDD), and micro-tunneling works.
- **Production:** Manufactures ready-mix, asphalt, concrete products, and crushers. Also has a steel fabrication workshop.
- **Trading:** Distributes construction equipment, spare parts, and provides after-sales service for global brands.

Key Strengths

- An exclusive supplier of heavy equipment and construction machinery from the world's leading brands such as Pramac Generators, D'avino Concrete Mixers, Daemo Rock Breakers, and PC Produzioni Cranes.
- Has executed a diverse portfolio of projects.

Recent Developments/Future Plans

- In May 2014, Lusail Real Estate Development Company (LREDC) - responsible for the Lusail City project in Qatar, awarded the final phase of the Seef Lusail South Infrastructure works contract to a consortium comprising Hamad Bin Khalid Contracting Company and QBC.

Services & Trade (Private) Oman

Company Description

Established in 1976, Services & Trade (S&T) is a diversified group, focused on the areas of interiors, contracting, information technology, real estate, procurement, hospitality, marble & mining, healthcare, trading, and FMCG distribution. Headquartered in Muscat, Oman, the company operates in 13 countries across the Middle East, Europe, India, Asia, and the US. As of December 2014, the group's turnover was around US$ 200 million, with a strength of nearly 4,000 employees

Business Segments/Product Portfolio

- **Luxury Interiors:** S&T designs interiors for private villas, palaces, hotels, and corporate offices. It also provides civil-work services related to interior finishes, mechanical and electrical works, joinery works, furniture and fittings, carpeting and accessories, light fittings, and soft furnishings such as curtains and bed spreads, among others.
- **Building Material Trading:** Specializes in sourcing teak and timber from across the world, in addition to offering building material products, electro-mechanical products, kitchen solutions, and office solutions.
- **Civil Construction & MEP:** Provides turnkey design and building solutions for commercial and residential projects.
- **Other Services:** Provides decorative gypsum plastering as well as specialist painting such as murals and portraits. It also provides gliding services with 24-karat gold, specialist painting-stipling, and rag rolling services.

Key Strengths

- Extensive geographic presence across 13 countries including the Middle East, Europe, Asia, and the US.
- Strong presence in turnkey interior fit-out, civil construction, and building materials trading.

Recent Developments/Future Plans

- N/A

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