GCC Building Construction and Interiors Overview

October 2014

www.ventures-me.com

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

Introduction

With strong oil output and consistently high oil prices, the six economies of the Gulf Cooperation Council (GCC) have continued their emphasis on diversification and non-oil sector growth with heavy government spending addressing the needs of the economies and their development alongside. Social infrastructure has emerged as the core focus area including affordable housing projects, education and healthcare. Simultaneously, a growth model that has emerged beginning with Qatar's winning bid to host the World Cup 2022, is the need to attract foreign investment by hosting global events or showcasing the countries as a global destination for tourists and investors. The United Arab Emirates (UAE) has also joined the bandwagon by winning the bid to host the World Expo 2020 networking event, while Bahrain and Kuwait have witnessed a strong revival of investor and consumer sentiments, and the fastest growth of project completions in 2014 as these governments too have embarked on ambitious spending programs to woo investors. Oman is also building the foundations of its growth model with tourism as the cornerstone.

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

The Kingdom of Saudi Arabia (KSA) and the UAE continue to loom as the largest markets in terms of projects lined up for completion over 2014 followed by Qatar. However, maximum growth in terms of projects completed in 2014 and likely to be completed over the rest of the year is led by the erstwhile troubled economies of Kuwait and Bahrain, followed by Qatar, where projects have picked up pace in readiness to host the World Cup in 2022 as a number of projects have entered construction completion in the buildings sector to support the growing inflow of expatriate workers and tourists in the run up to the event.

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

Building projects worth over US$ 74.1 billion were awarded to contractors in 2013 across all the building sectors including residential, commercial, hospitality. As governments concretized their plans in 2014 in the run up to major events such as the World Cup 2022 and World Expo 2020 for Qatar and the UAE, and tourism focus and revival for Kuwait, Bahrain and Oman picking up pace, building construction contractor awards are expected to growing significantly to reach over US$ 88.9 billion for 2014.

On the one hand are the traditional leaders of the markets such as Saudi Arabia, UAE and Qatar which are vying with each other to achieve top spots in various segments of the building construction market and thereby provide larger opportunities in the interiors market, and on the other are strong emerging markets of Bahrain, Kuwait and Oman, which, though smaller markets compared to the big three, revival has been strong in the former two markets that had been laggards all through 2011 through 2013 owing to social unrest. Oman too has carved for itself a niche with its renewed focus on tourism as a part of its diversification plans and emerged as a rising star of the Middle East while also benefitting from the increased connectivity with its larger neighbours such as Qatar and its World Cup spill-overs. Residential developments in Integrated Tourism Complexes (ITCs) in particular have witnessed a spurt in demand in Oman in 2014.

Though revival has been strong across segments of the real estate market, the strongest spurt has been witnessed across residential projects which have been receiving continual support under the social infrastructure spending programmes of the various GCC governments including projects such as the Saudi low cost housing, Emirati housing schemes and Kuwait and Bahrain social housing programs. Experts have strongly urged the UAE developers too to focus on the affordable housing segment of the market to further grow in terms of market size. The luxury segment in the markets such as UAE and KSA too have witnessed a strong upward trend over 2014.

On the other end of the spectrum with the next largest growth in projects completed is the commercial sector across the GCC with continuing large scale additions to the supply of commercial office space in the first three quarters of 2014, making it the second largest sector in terms of projects completed in 2014 after the residential sector. This segment continues to face oversupply though the situation is easing in markets such as the UAE and Qatar in the run up to the World Cup

2022 and World Expo 2020, as more companies set up shop working toward the completion of projects for the world events.

With oversupply, am emergent trend is that of better utilization of existing space better and acquiring properties cheap to remodel it for value enhancement. Thus a whole gamut of opportunities have opened up for the interiors and fit outs market in terms of a renovation and refurbishment market for interiors amid stringent and shrinking budgets among global investors wanting to invest in the region.

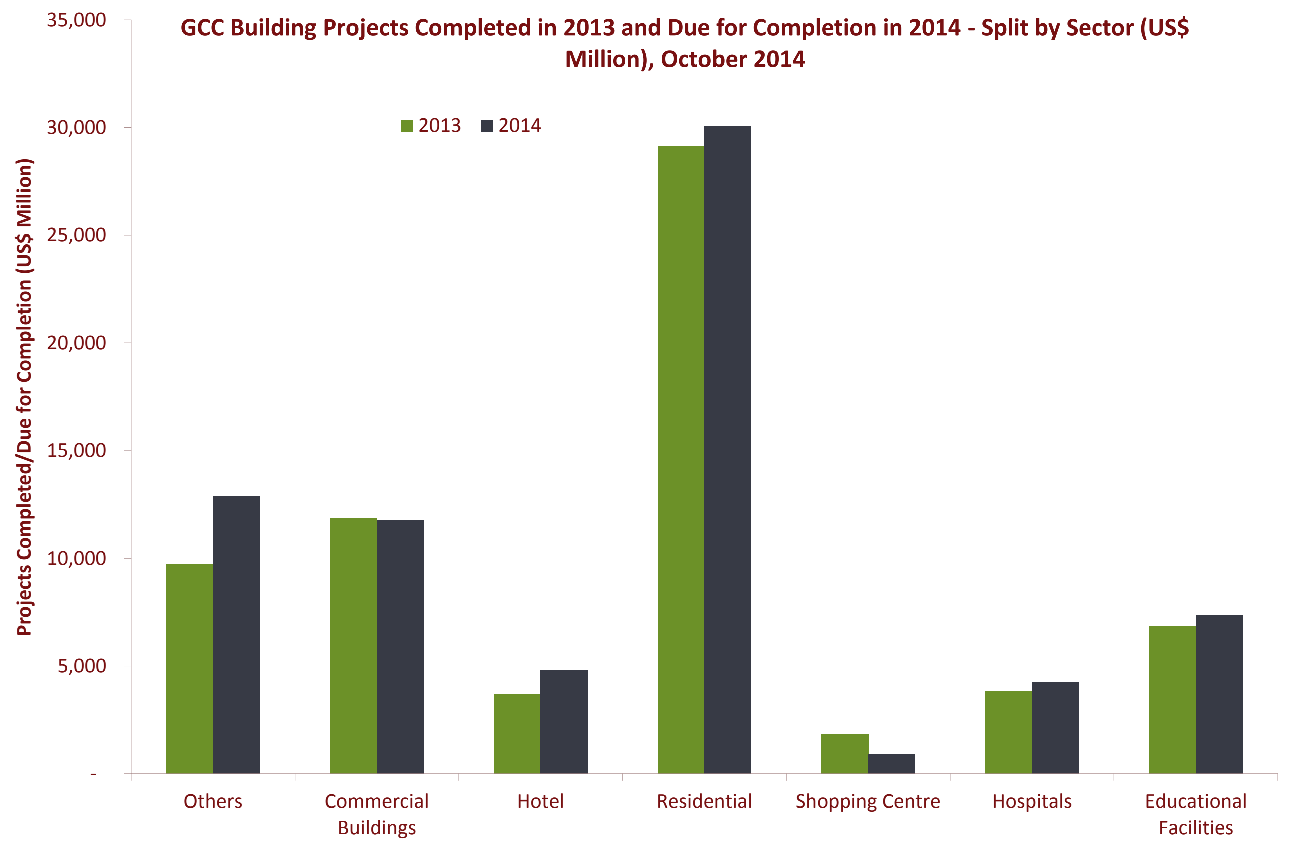
Countries such as Saudi Arabia have attracted international acclaim for undertaking the world's largest investments across building up of its educational sector and upgrading healthcare facilities, also pointing to the massive opportunity for the interiors and fit out markets that lies in these segments.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

Though UAE has already been a favourite with retail investors owing to the large disposable incomes and growing population of these economies, Qatar, Oman, Kuwait and Saudi Arabia have also emerged as retail destinations in 2014, making it to consulting firm AT Kearney's list of top global retail markets for 2014, with UAE moving up to fourth, Kuwait eighth, Saudi Arabia sixteenth, and Kuwait at seventeenth. UAE moved up from its previous year ranking of 5th for the second year in a row, on the back of strong retail sales and renewed consumer confidence and the country's retail malls have begun to sport their best performance in over a decade over 2013 and 2014. However, retail project completions were far lower in 2014 as the retail market was characterized by less new entrants in 2013 and early 2014. Existing brands however continued to penetrate into the region by expanding their presence, spreading from the saturated Dubai market into the rest of the region, with Saudi Arabia, Kuwait, Oman, and to a smaller extent Qatar and Bahrain all feeling the benefit .

Tourism remains the primary driver for retail growth, as most GCC countries have placed heavy emphasis on developing tourism as the key driver to their new diversified growth model. According to estimates by the United Nations World Tourism Organization (UNWTO), the Middle East region witnessed close to 53 million visitors in 2013, of which a large proportion went to the GCC. Hotel occupancies surged over the last quarter of 2013 and the first quarter of 2014, across the region, when compared to late 2012 and early 2013. This has been spurred by the increasing economic activity surrounding the hosting of the 2022 FIFA World Cup and Dubai's Expo2020 related events. Given these factors, analysts forecast the GCC retail market to grow at a CAGR of 7.9 percent to US$221 billion by 2015. With a corresponding boost to the hospitality sector, hotel projects too have received a significant boost with a number of international hotel chains such as Accor and Mayfair planning large scale expansion into the region over the next few years.

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

Figure 1: GCC Building Construction Projects Completions 2013-14 (US$ Million), as of October 2014



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

With the continued focus of four consecutive budgets from 2011 to 2014 of GCC governments on social infrastructure with special focus on affordable housing in countries like Kuwait, Bahrain, KSA and UAE, the residential segment has emerged as the clear leader in terms of projects completed both for 2013 and 2014, sustained by the rising demand from a young, affluent and growing population. Some GCC economies have planned to host global events in a bid to attract foreign investments that are further likely to boost the demand for residences across the region. With an upward growth trajectory across the construction industry, the residential segment is likely to continue its strong growth momentum of 2013 into this year with strong growth across pure residential and mixed use projects backed by increased budgetary allocations, easing legislations and strong liquidity funding housing development.

Altogether UAE and KSA markets have witnessed the largest share of projects completed in the residential segment over 2013 and 2014, especially in the prices and rentals for modern high quality buildings. Though economic growth has levelled off in these countries to a more sedate pace as compared to the large spurt witnessed in Qatar in 2012, the after effects of the budgetary push that continues to be made by all GCC governments is clearly translating into sustained growth across the real estate markets of the GCC for over two years. Private sector has contributed vastly to this trend with announcement of a number of residential and mixed use projects across the key markets of Abu Dhabi, Dubai, Sharjah, Riyadh, Jeddah, Mecca and Medina, Doha, Manama and Muscat. While prices and rentals stabilized in most of the Gulf countries in Q3 2014, after a strong upward trend in the earlier quarters, increasing supply has failed to dampen the trend. Markets such as Dubai have witnessed as much as 18 percent increase in prices in 2014, while that of Qatar witnessed nearly 10 percent increase in prices. Conscious efforts of the government to ease legislations and emulate the Qatar model of growth by hosting the World Expo in 2020 is seen as the key reason for this trend to attract business collaborators and investors from across the world in a bid to boost economic growth and tourism prospects.

Saudi Arabia has begun to focus on education and skill building to man its developmental efforts and substitute domestic labour for the currently used highly expensive expatriate labour force, on a scale not matched elsewhere in the world. The hospitality sector is the strongest beneficiary of this trend along with the large focus of Qatar and the UAE on hosting the World Cup 2022 and World Expo 2020 respectively, a number of international hotel chains have found their way into the economy. Strengthening consumer and investor confidence in the Bahrain and Kuwait markets have also benefited the hospitality and hotel sectors apart from a moderate revival of retail markets in these countries in 2014 after a strong comeback in 2013. Many Bahrainis purchased property for investment while Kuwait markets are likely to be boosted by the strong government stimulus in the residential and business tourism sectors.

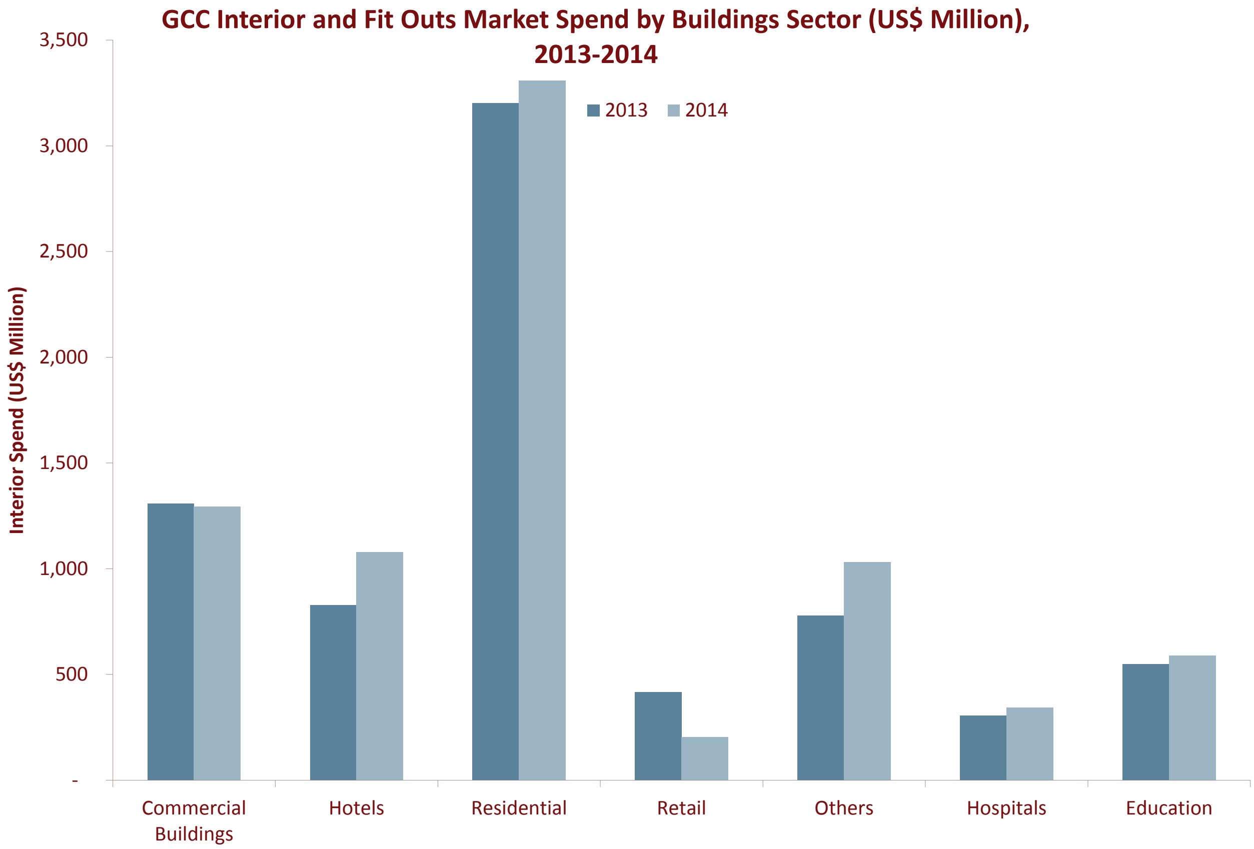
The Interiors contracting and fit outs market closely mirrors the trends in the building construction markets owing from which the demand for interiors stems in terms of fresh projects requiring interiors and fit outs apart from existing ones that require refurbishment for better space management and flexibility, environment and sustainability in design of buildings and open plan layouts to increase their marketability. Though the pace of growth from 2013 to 2014 has witnessed a considerable slowing down, the upward trend continues at a moderate pace over 2014 with a likelihood of a stronger upward trend likely closer to 2020 as the two main markets of UAE and

Qatar near the scheduled timelines for hosting their respective global events. The commercial segment however continues to be slightly oversupplied in most of the markets for the present.

The GCC interior contracting and fit outs sector encompassing internal wood works, soft and hard furnishings, lightings, partitions, flooring, kitchens, bathroom fittings etc constitutes approximately 10 to 20 percent of the average construction project value, performing much better than its European and Asian counterparts. Worldwide market slowdowns have prompted investors to seek markets that offer growth prospects in the near term and GCC with its adaptive shift offers ample growth prospects for the interiors and fit outs market as existing structures are managed to suit the tighter pockets of the clients and landlords wanting to let out in an oversupplied market. Newer strategies to revive real estate markets such as the continued focus on social infrastructure and the hosting of global events such as the World Cup 2022 and the World Expo 2020 are likely to help improve this trend. As of October 2014, the GCC market for interior contracting and fit outs based on the estimated size of project completed in 2014 was estimated at US$ 7.4 billion. Growth in this market is set to climb by 6 percent to US$ 7.8 billion by 2014 from the projects likely to be completed over 2014.

Figure 2 provides the GCC Interior decoration and fit outs spend by sector for the years 2013 and 2014 as of 1st October 2014.

Figure 2: GCC Interior Contracting and Fit-outs Spend (US$ Million), 2013 and 2014



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

As of 1st October 2014, interior and fit outs spend in residential sector projects estimated at US$ 3.2 billion, occupies the largest share of 42 percent of the GCC interiors and fit outs market for 2013. However, though the increasing trend is likely to continue into 2014, the share of the residential sector is likely to marginally reduce as the initial heavy investment by the government affordable housing program peters out and are eaten up by the increasing shares of the hospitality and educational segments that have witnessed a heavy upward trend over 2014. The residential segment however, continues to maintain the highest share of the market given the strong growth in population, a large proportion of which is expatriate and the constantly growing demand for residences as is clear from the activity across the segments by the end of October 2014.

The commercial segment with a share of 18 percent occupied the second largest share though it is likely to slip to 17 percent over 2014 along with the retail sector which is also likely to witness a drop in shares from 6 to 3 percent over 2014 as the hospitality and educational segments cut into their shares, followed closely with projects from the others segment which include recreational and leisure facilities among other buildings. The trend is strongly influenced by the tourism boost and the government focus on these segments.

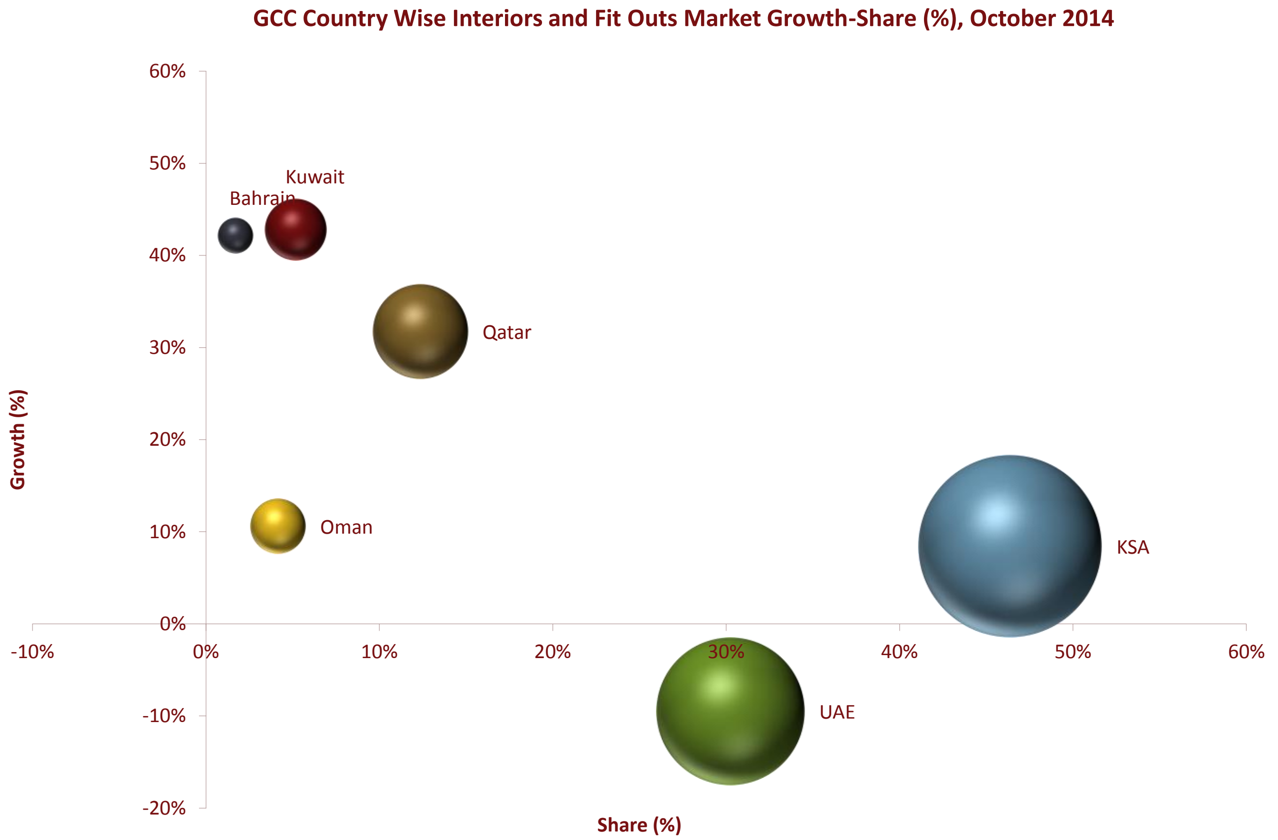
The hospitality segment has begun to become an area of interest for investors in the building construction sector as a flurry of activity had been taking place since 2013 when two big countries announced their winning bids to host world renowned events alongside the already heavy focus of GCC countries on tourism as a cornerstone of diversified growth. The second and third quarters of 2014 have witnessed a steady improvement in occupancies and supply entering the markets as GCC governments focus on building up a number of tourism related projects in a bid to attract investors such as Eco tourism parks and entertainment parks, while upgrading infrastructure such as international airports and local transport such as metro and road rail networks, that are likely to help boost growth in this segment and make it the third largest in terms of growth and shares in projects completed for 2013 and 2014. These are likely to present a growing opportunity for the interiors and fit outs sector into 2014.

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

As 2014 progresses, the equations are changing gradually in the GCC interiors and fit outs market with trends emerging from markets that were earlier dormant and recovering slowly, while the existing leaders continue their dominance. Saudi Arabia and the UAE for example continue to be the leaders in terms of shares, shooting ahead of its neighbours in terms of the size of projects in line for completion in 2013 and 2014 as UAE received a fresh impetus in its winning bid to host the Expo2020 in the latter half of 2013. This is followed by Qatar with its mega projects relating to World Cup 2022 event hosting, while new entrants Kuwait and Bahrain, though much smaller in size have taken the lead in terms of growth or the number of projects in the total pie for completions for the interiors and fit outs sector as of October 2014 with their renewed focus on tourism and the government efforts toward stability and foreign investment in the first the last quarters of 2013 and the early quarters of 2014.

Figure 3 provides a comparative analysis of the largest versus fastest growing countries with regards to the interior and fit out spend as October 2014.

Figure 3: GCC Interior and Fit outs Spend, Growth versus Share by Country, October 2014



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

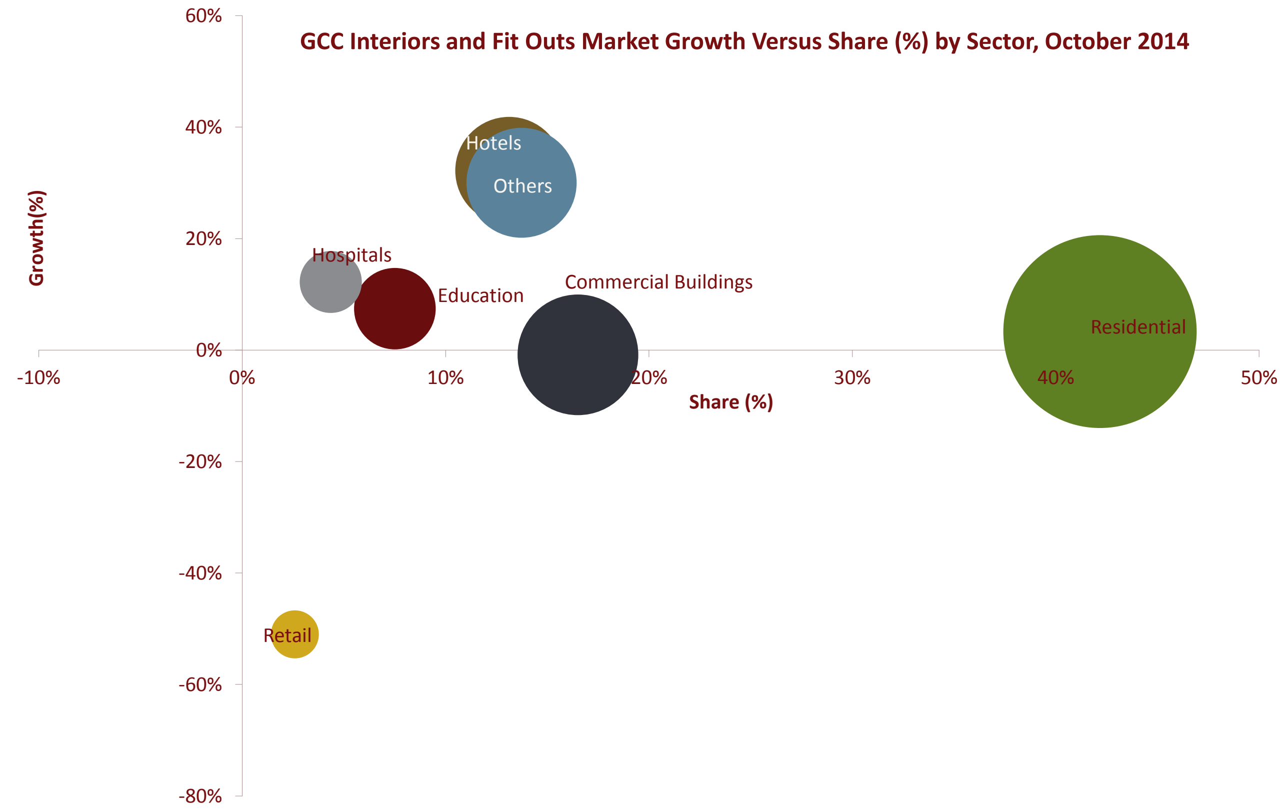
The dominant markets in terms of large projects due for completions in 2013 and 2014 backed by large government sponsored spending programmes are KSA, UAE and Qatar while growth continues to be slow on account of the oversupply and saturation continuing to pull down prices in various segments of these markets. Markets in Bahrain and Kuwait have made a strong revival supported by the large scale spending programmes unleashed by the governments in an effort to shore up the economy. With the resultant push to private investment across tourism and social infrastructure sectors, the interiors and fit outs market are likely to benefit strongly from the impact on building construction into 2014. In particular, Kuwait has surged ahead in 2014 in terms of both growth and shares as government push following a stable government for over a year since June 2013 have managed to revive private investment and consumer sentiments with growth at a robust 43 percent in 2014.

Bahrain has clearly emerged out of its past sluggishness to forge ahead as the market sporting the second largest growth in terms of projects completed in 2014, led by its hospitality sector as returning investor and consumer confidence inspires international hotel chains such as Four Seasons and Raffles to enter the market and the residential segment with strong demand and buoyant supply, including the mixed use segment.

Qatar too is emerging as one of the stronger markets with large growth spurts as the economy has begun to build in earnest in preparations for the hosting of the World Cup 2022. Though its commercial sector continues to be oversupplied, most sectors, especially hotels with occupancies hovering at 100 percent are likely to project strong growth in its interiors and fit outs sector into 2014 of 32 percent. As the results of consistent World Cup 2022 investment from 2011 to 2014 near completion in 2013 and 2014, the infrastructure, hospitality and residential segments have begun to take on a greater priority. The hospitality and infrastructure sectors in Qatar are likely to be the primary drivers of growth for the interiors and fit outs market in this country.

Figure 4 provides a comparative analysis of the largest versus fastest growing sectors with regards to the interior and fit out spend as of 1st October 2014.

Figure 4 GCC Interior and Fit outs spend, Growth versus Share by Sector, October 2014



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

As of October 2014, residential sector continues to maintain its position as the largest market for interiors and fit outs in the GCC with likely investments of the residential sector remains the largest market for GCC interior and fit out sector with investments worth US$ 3.3 billion being invested in interiors for various residential units expecting completion through 2014. Though the increasing emphasis by GCC governments on affordable housing schemes across the region and the large investments in these projects provided a heavy boost to the residential sector from 2011 through 2014, the growth is likely to peter out once the scheduled investments have achieved their goals, while the commercial sector is expected to soon make a revival on the back of the flurry of activity across sectors, many countries focusing on attracting foreign investments and tourists with their outward oriented growth models. The education and healthcare sectors are also likely to reap their share of the heavy fiscal stimulus that have encouraged projects across this sector since 2011 on an increasing trend translating into greater spend on interiors and fit outs on projects nearing completion in 2013 and 2014. The aim of the GCC spending program has been to build domestic competencies and encourage medical tourism as yet another growth and revenue generator for the GCC economies and the focus on healthcare and education are a part of this vision which are likely to help the interiors and fit outs sector immensely over 2013 and 2014. Currently, however, it has managed to push the hospitality sector to the top in terms of growth followed by the others segment comprising leisure and recreational activities, establishing the GCC as the favourite luxury destination of the world.

Retail projects have however taken a back seat amid increasing activity in other segments, most notably the hospitality and social infrastructure segments and others such as recreational and sports facilities and tourism related projects such as museums and theme parks that are more likely to garner interest of investors in the projects nearing completion in 2013 and 2014.

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

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

CHAPTER 1
GCC COMMERCIAL REAL ESTATE MARKET

Oversupply continues to be the operative word across the commercial real estate segment across the GCC even as it continues to be among the segments with the largest number of projects completed in 2014 and likely to be completed by the end of 2014. In fast growing markets such as KSA, Qatar and the UAE Grade A office space continues to face shortage of supply as demand for high quality office space from multinationals is on the rise though Grade B and C office space rentals and prices have tended to soften as greater supply enters the market in 2014. Muscat too currently faces high occupancies and rising demand for office space though supply is likely to increase to cater to the increasing demand expected with the government encouraging more multinationals to set up base in the country by wooing investors.

The prevailing oversupply and slow growth of project completions in this segment as compared to the others in the building construction sector has however not posed a threat to the market for interiors and fit outs and has on the contrary led to the emergence of a new trend, that of better management of existing space with a market to add value with interiors and fit outs so as to increase the marketability of the existing commercial space on the one hand and reallocate space on the other. So much so that the commercial sector has emerged as the segment with the largest potential for the interiors and fit outs market since 2013 up to the point 2014 draws to a close.

Demand however continues its weak recovery with prices and rentals remaining low. Companies are however now seeking office spaces that are more compact and a value for the lease obtained. These provide further scope for the remodelling and interiors. Recovery is likely to be made gradually by 2015 as projects and investments relating to the hosting of the FIFA World Cup in Qatar and the World Expo in 2022 pick-up pace, aided by the GCC's fast growing reputation as a safe haven with strong economic fundamentals and clear and extensive government support. Nearly US$ 11.87 billion worth of office projects have been completed at the end of 2013 with an additional US$

11.78 billion likely to be completed over 2014, proving to be a moderately attractive market for the commercial interiors and fit outs market.

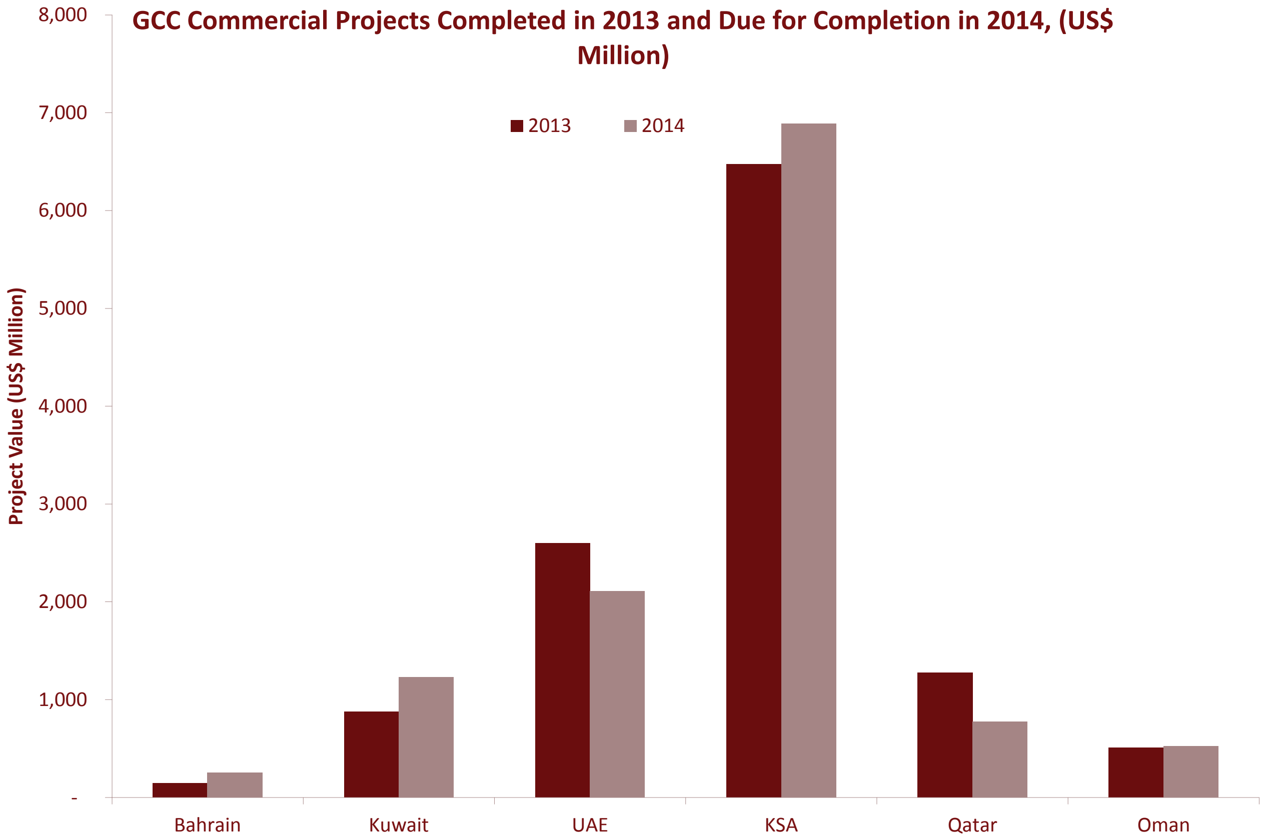
Moreover, in markets such as Bahrain as a part of the incentives offered by landlords to improve rentals and encourage occupancy, interiors and fit outs were being paid for by the landlord since 2013, widening the market for interiors and fit outs and also helping boost rentals and prices over 2014. Kuwait, Oman and Bahrain have proved to be the strongly emergent markets of the commercial segment in 2014.

In countries such as Qatar, while entry of new office space is continuing to exert its downward pressure on the demand for new office space, fully fitted office space is witnessing a rapid rise in demand over 2013 and the pent up demand is continuing to sustain and absorb the increasing supply over 2014, which is yet another indicator of improved prospects for the interiors and fit outs market in the region.

Jeddah and Riyadh in Saudi Arabia too are likely to have rentals and prices continue to be oversupplied as additional office space continues to be added to the commercial market. These developments are likely to translate to lower growth prospects across the commercial interiors and fit outs market in 2014.

Figure 5 describes the country wide split of projects completed in 2013 and likely to be completed in 2014 in the commercial buildings sector as of 1st October 2014.

Figure 5: GCC Commercial Sector Projects Completed in 2013 and those expected to be Completed in 2014 by Country (US$ Million), 2013-2014



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

Demand for office space is witnessing a healthy growth in 2014 mainly driven by government agencies and public sector bodies in Abu Dhabi, key cities of Saudi Arabia, Kuwait and Qatar, while non-oil private sector growth is also exerting its share with healthy growth in 2014, Dubai and Qatar are likely to witness greater supply of office space coming on board in future though 2014 project completions remained low compared to 2013. There is however, a significant turnaround and lowering of the demand supply gap in the GCC commercial segment of the buildings with KSA and UAE accounting for the largest shares of total projects completed in 2013 and likely to be completed in 2014. Saudi Arabia has continued to lead the market with the huge demand for office space from an increasing number of companies setting shop in the country as it diversifies into a large hub of commercial activity into 2014. Accounting for an estimated hefty share of 49 percent of total projects completed in 2014, as new developments in the King Abdullah Financial District (KAFD) such as the Olaya Towers (a set of eight office buildings) in Riyadh and strong demand translating into a number of commercial projects in the pipeline to add an additional supply of nearly 1.7 million square metres of commercial space in Jeddah's CBU (Central Business District) gradually by 2016, KSA has earned the slot as the largest market for commercial establishments.

However, in both the leading markets of the UAE and Saudi Arabia, the performance of commercial markets was mixed as rentals and leasing activity in primary Grade A spaces remained high with moderate activity and oversupply in secondary locations. However, what remains common to most of these markets is the continuing supply of fresh commercial real estate entering the market presenting a growing opportunity for the interiors and fit outs market in the region.

Commercial projects worth US$ 11.8 billion were completed in 2013 with an additional US$ 11.7 billion likely to be completed over 2014, as the second largest segment in terms of project completions after the residential segment. UAE with a share of US$ 2.6 billion of completed projects in 2013 and US$ 2.1 billion expected to be completed in 2014 along with Qatar with project completions of US$ 1.2 billion in 2013 and US$.0.8 billion expected to be completed by 2014, are fast losing share in the mounting stockpile of commercial projects to KSA and Kuwait, with projects worth US$ 6.4 billion and US$ 0.8 billion, respectively by the end of 2013 and a further US$ 6.8 billion and, US$ 1.2 billion respectively by 2014. Oman and Bahrain too have made a strong comeback in terms of project completions with the encouragement of large government backed projects and for Oman, demand has also begun to be generated from international companies being wooed by the government to set shop in the country.

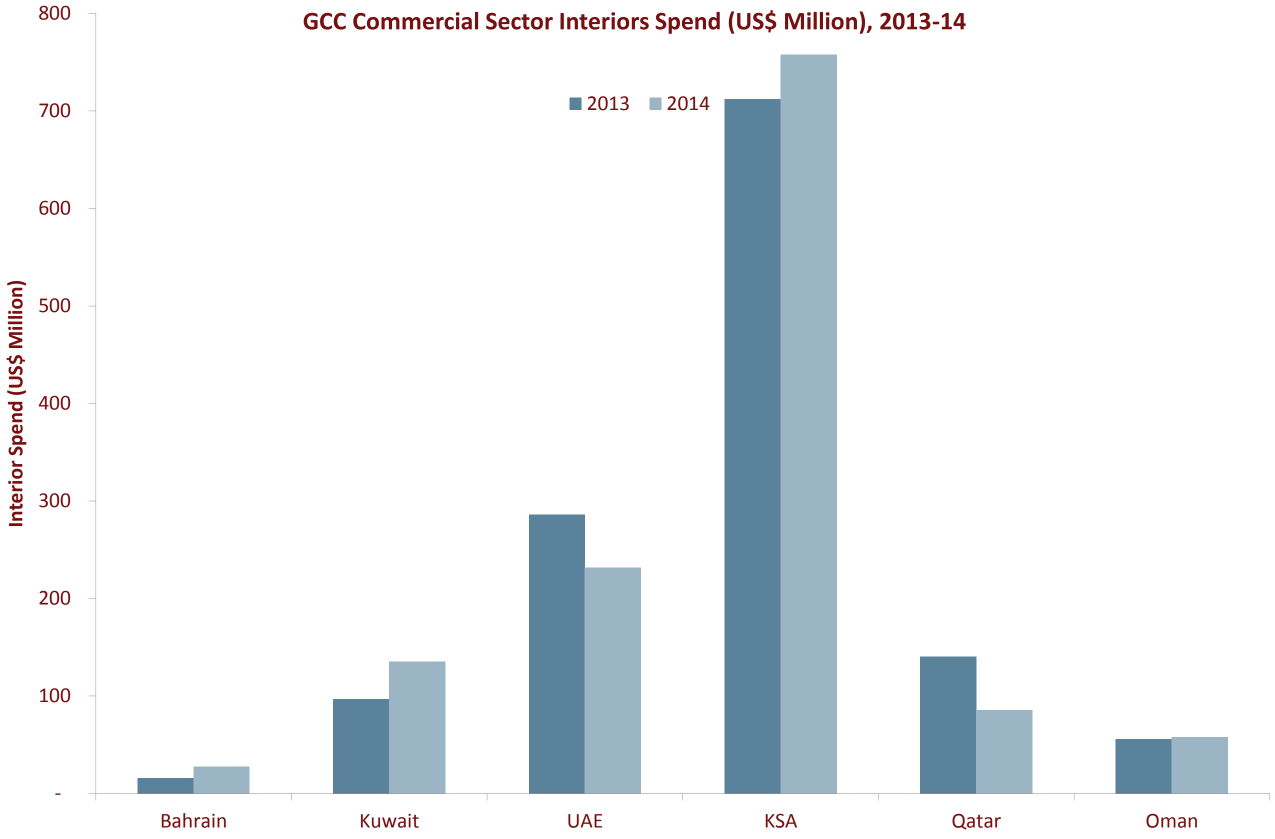
In Bahrain the commercial sector seems to have bottomed out in terms of falling rentals and prices and has begun a steady revival as internal changes have driven demand for additional office space rather than fresh office space from investors outside. While concessions continue in terms of rent free periods analysts expect no further fall in rentals which is likely to translate into better prospects for the interiors and fit outs sector in the long run.

Interiors Contracting and Fit Outs in Commercial Sector Developments

The expanding supply of commercial sector in the GCC provided opportunities to the tune of US$ 1.3 billion worth of interiors development from project completions of 2013, and a further US$ 1.29

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

Figure 6: GCC Commercial Interiors and Fit out Spend by Country (US$ Million), 2013-2014



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

As the market with the largest projects completed in 2013 and likely to be completed over 2014, KSA emerged the leading market for interiors and fit outs in 2014 in terms of projects taken up to October 2014 with an expected spend of US$ 712 million for projects completed in 2013, pushing UAE to second place with half the size with a spend of US$ 286 million likely to be spent on projects completed in 2013 owing to the massive spending programme of the government of the former resulting in larger developments in the commercial space, while fresh projects in the commercial sector in the UAE have been limited in 2014. Dhabi continues to stagnate with oversupply and consequently sluggish demand for construction. This trend is likely to continue into 2014 with UAE recording a marginal decline in interior spend to US$ 232 million while KSA records an increase to US$ 758 million.

While Qatar holds the third place in terms of interior spend from project completions of 2013, Kuwait has overtaken Qatar as the pace of supply slackened into 2014 for Qatar over significant project delays and concerns on the likelihood of the country being stripped of the honour to host the World Cup 2022 on corruption charges being investigated. While growth of the commercial interior spend has stood at US$ 140 million for Qatar and US$ 96 million for Kuwait for project completions of 2013, in 2014 interior spend of Qatar is likely to fall to US$ 85 million and that of Kuwait is likely to grow significantly to US$ 135 million on projects likely to be completed in 2014, It is also believed that Qatar is carefully regulating fresh supply so as to not outpace demand prior to the hosting of the World Cup. Demand for Grade A office space continues to be concentrated around the Diplomatic Area and West Bay where the requirements are mainly concentrated for Grade A fully fitted office space in prime locations, of less than 500 square metres. At the continuing rate of supply, however, oversupply is likely to emerge closer to the World Cup event as more projects are likely to near completion around that period. .

Oman and Bahrain though smaller markets in terms of interior and fit outs spend worth US$ 56 million and US$ 16 million on 2013 project completions, these markets represent high growth and are likely to present increasing opportunities for commercial interiors as they emerge strongly from the past sluggishness spurred by their incentivized revival. However, though Muscat is seeing a large amount of office supply enter the market it is mainly concentrated on Grade B and Grade C quality space, lacking basic occupier requirements. Demand for fully furnished Grade ‘A’ office space is concentrated around prime locations and continue to be scarce. Small office spaces of around 50 square metres and more amenities such as facilities management and parking are in demand, mainly from business start-ups. Moreover, larger offices are being occupied mainly by government bodies, all of which offer huge and growing opportunities for the interiors and fit outs sector.

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

Table 1: Major GCC wide Commercial Building Projects completed up to October 1, 2014 by Project Value (US$ Million)

PROJECT NAME	COUNTRY	CLIENT	VALUE (US$ MILLION)
ITCC Park in Riyadh - Phase I	Saudi Arabia	Public Pension Agency (PPA) / Rayadah Investment Company / Information Technology & Communication Complex	1,500
Bay Square at the Business Bay	UAE	Dubai Properties	1,009
Burj Rafal in Riyadh	Saudi Arabia	RAFAL Real Estate Development Co. Ltd / Kempinski Group	500
Burj Al Salam	UAE	Abdulsalam Group	400
Lincoln Park in Arjan	UAE	Damac Properties, Dubai	272
Masdar Institute of Science & Technology in Abu Dhabi (MIST)-1B &1C	UAE	Masdar (Abu Dhabi Future Energy Company)	255
Al Kharj Industrial City	Saudi Arabia	Saudi Industrial Property Authority (Modon)	250
Central Plaza 2 at Downtown Jebel Ali	UAE	Limitless, Dubai	250
Olaya Towers in Riyadh	Saudi Arabia	General Organization for Social Insurance (GOSI), Saudi Arabia	250
Service Building for PAAET in Kuwait	Kuwait	Public Authority for Applied Education & Training (PAAET)	248
Corniche Tower	Saudi Arabia	Emaar Middle East Properties, Saudi Arabia	240
Dubai Mixed-Use Development	UAE	Private Office of H.H. Sheikh Mohammed Bin Khalid Al Nahyan	237
The Buildings of Daman in Dubai International Financial Centre	UAE	Daman Asset Management	218
Schon Business Park in Dubai Investments Park	UAE	Schon Properties	200
The One Tower at Tecom	UAE	Al Yasat Holdings	150
Al Obeikan Tower in Riyadh	Saudi Arabia	Al Obeikan Investment Group / Hilton International	100
Criminal Court Complex in Riyadh	Saudi Arabia	Arriyadh Development Authority (ADA)	94
IIB Tower in Dafna	Qatar	Qatar International Islamic Bank (QIIB)	82
Al-Rajhi Bank Branches in Madina	Saudi Arabia	Al Rajhi Bank	80
PAMA Headquarters at Mirqab	Kuwait	Public Authority for Minor Affairs (PAMA), Kuwait / Ministry of Public Works (MPW), Kuwait	71

PROJECT NAME	COUNTRY	CLIENT	VALUE (US$ MILLION)
The Corner in Business Bay	UAE	Damac Properties, Dubai	66
Cooperation Investment House Tower	Bahrain	Cooperation Investment House	60
Remote Control & Monitoring Center in Kuwait	Kuwait	Ministry of Public Works (MPW), Kuwait	57
Meraas Headquarters in Satwa	UAE	Meraas Development	50
ADIC Development at the Abu Dhabi National Exhibition Center	UAE	Abu Dhabi Investment Company (ADIC)	50
Durrat Marina - Phase 1	Bahrain	Al Khaleej Development Company (Tameer) / Durrat Khaliji Bahrain	48

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

Table 2: Major GCC wide Commercial Building Projects Due for Completion by Q4, 2014 by Project Value (US$ Million)

PROJECT NAME	COUNTRY	CLIENT	VALUE (US$ MILLION)
King Abdullah Financial District (KAFD) - 20 Towers	Saudi Arabia	Rayadah Investment Company	3,700
Al Marina Project in Dammam	Saudi Arabia	Injaz Development Co.	2,655
Residential City in Al Tuwal - Phase 1	Saudi Arabia	Ministry of Finance, Saudi Arabia	1,857
Central Park in Dubai International Financial Centre (DIFC)	UAE	Dubai Properties / Deyaar	1,090
Jabal Omar Development - Phase 1	Saudi Arabia	Jabal Omar Development Company / Hilton International / Hyatt Regency / Marriott International; Global Sales Middle East & Africa / Mercure Hotels / Resta Hotels & Resorts / Sofitel Hotels	908
Palazzo Versace Resort in Culture Village	UAE	Emirates International Holding / Sunland Group (Australia) / Gulf Resources / Abraaj Capital	626
Jafza One-Jafza Convention Centre	UAE	Jebel Ali Free Zone Authority (JAFZA)	545
King Abdullah Petroleum Studies & Research Center (KAPSARC) - Commercial Buildings	Saudi Arabia	Saudi Aramco	533
King Abdullah Financial District (KAFD) - Vertical Medina	Saudi Arabia	Rayadah Investment Company	530
Industrial Gate City in Riyadh	Saudi Arabia	Mawten Real Estate Co. / Masheed Arabia	432
Minerals Railway - Passenger Stations, SAR HQ & Mosques	Saudi Arabia	Saudi Railway Company (SAR) / Saudi Railways Organization (SRO)	420

PROJECT NAME	COUNTRY	CLIENT	VALUE (US$ MILLION)
Al Shamal Complex at Al Gharaffa	Qatar	Ezdan Holding	400
Headquarters for the Ministry of Finance in Riyadh	Saudi Arabia	Ministry of Finance, Saudi Arabia	400
King Abdullah Financial District (KAFD) - Wyndham Hotel & Office Tower	Saudi Arabia	Public Pension Agency (PPA) / Rayadah Investment Company / Wyndham Hotel Group, US	380
Central Bank of Kuwait Headquarters	Kuwait	Central Bank of Kuwait	375
King Abdullah Financial District (KAFD) - Samba Headquarters	Saudi Arabia	Rayadah Investment Company / Public Pension Agency (PPA)	373
King Abdullah Financial District (KAFD) - Phase 2 - Capital Market Authority (CMA) Tower	Saudi Arabia	Public Pension Agency (PPA) / Rayadah Investment Company	300
King Abdullah Financial District (KAFD) - Residential and Commercial Towers	Saudi Arabia	Rayadah Investment Company / Public Pension Agency (PPA)	300
Addax Tower at the City of Lights - C1 and C12	UAE	Tamouh Investments	273
Muscat Grand Mall Complex	Oman	Tilal Development Company (TDC)	260
Headquarter for Ministry of Finance in Riyadh	Saudi Arabia	Ministry of Finance, Saudi Arabia	255
Hadiyah Towers	Saudi Arabia	Naseel Holding Co. For Commercial Development	250
Business Gate in Riyadh	Saudi Arabia	Kingdom Holding Company	230
Mixed Use Development In Nad Al Qasimia	UAE	Dr. Hasan Ibrahim Al Merzouqi / Four Points Sheraton	210
Qatar Foundation Headquarters Building	Qatar	Qatar Foundation for Education Science & Community Development	200
Twin Towers in West Bay	Qatar	Sheikh Al Thani	190
Tasameem Towers at Business Bay	UAE	Tasameem Real Estate / Aabar Investments PJSC	163
Bloom Central in Abu Dhabi	UAE	Bloom Properties	163
Al Othman Complex at Hawalli	Kuwait	Public Authority for Minor Affairs (PAMA), Kuwait	150
Al Hekma (Wisdom) Tower in Dubai	UAE	Pearl Properties	150
Masdar Headquarters	UAE	Masdar (Abu Dhabi Future Energy Company)	150
Pearl Ajman	UAE	Sheikh Hamed Al Nuaimi	150
King Faisal Medical City in Taif	Saudi Arabia	Ministry of Health, Saudi Arabia	150
Rocco Forte Asseila Towers	Saudi Arabia	AMIAS Real Estate	149
Headquarters for Abu Dhabi Islamic Bank	UAE	Burooj Properties, Abu Dhabi	145

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

Chapter 2
GCC Hospitality Sector

Tourism continues to be the most promising trend amongst GCC countries as governments forge ahead with developments to airports, connectivity to their respective countries and projects that promise a number of marine and man-made tourist attractions in a bid to boost tourism. These factors have upped the tourism quotient of the GCC region attracting a large number of hospitality projects in 2013 and 2014. It therefore comprises the sector with the largest growth of project completions from 2013 to 2014 of around 40 percent. A healthy pipeline of hotel projects have been lined up for completion over 2014 and have been completed in 2013 as well, anticipating the huge growth in the GCC economies in the coming years. A large number of international hotel chains such as Accor, Mayfair, Rotana, and Action hotels, among others have unveiled plans to expand in the region and already a healthy pipeline of hotel projects have been lined up across the UAE, Qatar, KSA, Oman, Kuwait and Bahrain leading to a large number of hotel projects being slated for completion in 2013 and 2014 that promise increasing opportunities for the GCC interiors and fit outs sector in this segment.

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

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

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

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

Oman has used tourism as the primary focus of its vision for 2020 and upgrading surrounding infrastructure to attract investments into the Sultanate that is likely to bring in its share of investments in its hospitality sector in the next few years. As Kuwait and Bahrain made strong recoveries in 2013 from their adverse political climate and poor recovered consumer confidence, Kuwait positioned itself as a strategic business tourist destination, with massive government spend on upgrading its airports and tourist attractions in the country, to counteract the poor performance in 2012 and half of 2013. However, the hospitality segment of Kuwait continue to reflect poor project completion rates over 2014. Bahrain too has made only a moderate recovery in its tourism and hospitality market by investing large amounts on upgrading transport infrastructure as it revived its tourism revenues on the hosting of the F1 Grand Prix to attract further hospitality projects in 2014 though the number of project completions continued to be low 2013.

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

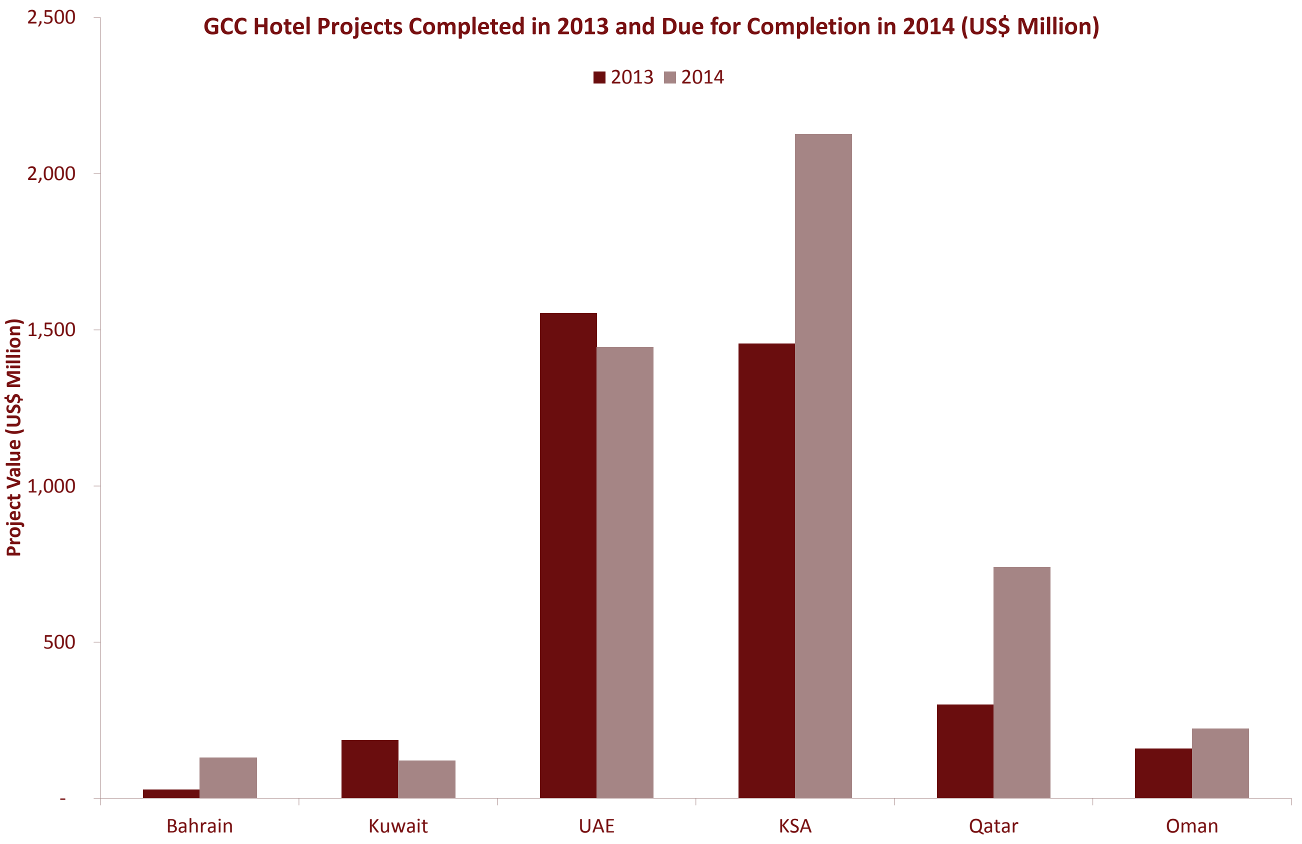
The largest shares in hospitality projects completed continue to come from the Kingdom of Saudi Arabia and the UAE in 2013 with KSA overtaking UAE in terms of project completions in 2014, as the heavy government investment plans to promote tourism, retail and infrastructure as an attractive destination for international and local investors in the hospitality sector. Saudi has in the pipeline noteworthy projects in the Mecca and Medina and Jeddah region as a part of its slant toward religious tourism with announcement of projects such as new hotels from leading brands in Makkah, Medina and Jeddah, all highlighting the increased interest evinced by international and regional investors in the hospitality sector in Saudi Arabia. Added to these developments are the ongoing plans for the 1.6 million square metres "Pilgrim City" in Medina with a capacity to accommodate 200,000 pilgrims during Hajj and Umrah seasons. Innovative accommodation such as the smart tent city housing tents with the latest technology and single storeys to house pilgrims in the Arafat region are also being planned in a bid to benefit from the religious tourism boom facing the country. The Kingdom has also announced plans for the upgrade of its Riyadh King Khaled International Airport from its current capacity of 12 million passengers up to 35 million by 2017 as a part of its focus on tourism that are likely to help the hospitality sector and the interiors and fit out market in this segment immensely.

For the UAE, a large number of hotel developments were completed in 2013 such as the Oberoi and Vida Hotels of Dubai with the Conrad and Novotel Al Barsha, and the Viceroy Palm Jumeirah and the New Dubai Inn and the Sharjah Mleiha Eco Tourism Project with phases of resorts and lodges included for completion by end of 2014.

Though, Oman, Qatar and Bahrain offer smaller shares of 4 percent, 8 percent and 1 percent, respectively, in hotel projects completed in 2013, as of October 2014, the number of hospitality projects that they are estimated to bring to the market in 2014 are likely to accelerate rapidly, especially in Oman, as the effects of the heavy push toward tourism development and its vision of doubling the number of hotel rooms in the Sultanate over the next five years and quadrupling tourism arrivals by 2020 help the trend as also in Qatar as the timelines for the hosting of the World Cup 2022 events draw closer and more hospitality projects near completion, as compared to the UAE which is likely to moderate the number of projects into 2014 to not risk deepening the existing oversupply situation prevailing across Abu Dhabi and Dubai, while the Northern Emirates offers some opportunity with the government announcing large allocations for tourism development in that region is likely to witness a lower share of 30 percent of project completions in 2014 as compared to 42 percent in 2013.

The GCC had projects completed in the hotel sector worth US$ 3.7 billion in 2013 with an expected US$ 4.8 billion due to be completed in 2014 with Saudi Arabia, UAE and Qatar sporting the largest growth in the number of hospitality projects under construction as of October 2014. Figure 7 provides the split of all hotel projects completed in GCC Countries in 2013 and expecting completion in the 2014 as of 1st October 2014.

Figure 7: GCC Hotel Projects completed in 2013 and Expected to be Completed in 2014 (US$ Million), 2013-2014



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

In 2014, Saudi Arabia has overtaken the UAE as the largest market with projects likely to be completed in 2014 with hotels performing at high occupancies and supply being ramped up in 2013 and 2014. The main reasons for this trend are the significant additions to its existing estimated supply of 53,000 hotel rooms that are likely to grow as much as 60 percent over the next few years with the thrust provided to religious tourism across Mecca and Medina bringing on board large developments. Hotel performance, in terms of RevPar and occupancies, has made a steady upward climb since 2013 into the early quarters of 2014 as well. The restriction placed on Umrah visas is however likely to be a slight dampener, though not in a significant manner to this unparalleled growth trend.

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

Moreover, the existing hotels having to keep up with this upsurge in new hotel developments would also have to resort to refurbishments which could present huge opportunities for the interiors and fit outs market in the country.

Hotel openings completed in 2013 included the Conrad Hotel, the Novotel Al Barsha, the Oberoi Business Bay, the Doubletree and the Sofitel Palm Jumeirah Beach resort are expected completion in 2014, and the Intercontinental Dubai Marina, are however, likely to exert further downward pressure on the Dubai hospitality market by the end of 2014. Adding the significant hotel components of mixed used developments such as the Mohammed Bin Rashid City, the Madinat Jumeirah expansion due for completion in 2015, the Dubai Mall expansion project that is planned to include another hotel managed by Emaar are all likely to add to the existing oversupply.

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

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

According to third party research, In January 2014 the hotel market in Doha recorded average occupancy levels of 70%, an increase of 9% over the same period last year. ADRs also rose in line with occupancy growth, from USD 230 in January 2013 to USD 243 in January 2014, resulting in RevPar growth of approximately 21.1 percent for year-on-year growth. In general Doha's hotel supply is dominated by Luxury/Upscale properties and the substantial forthcoming supply in that segment might lead to rate compression over the mid-term. This is a clear indicator that demand for hotel rooms is likely to outpace the expected supply of 17 hotels that have been announced and 140 properties that are in the pipeline with occupancies already having reached 70 percent in the second quarter of 2013 and likely to grow further by 2016 as the country nears the World Cup 2022 timeline.

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

Oman has also positioned itself well as a tourist destination both for leisure and business, with a healthy flow of tourist arrivals at the Muscat International Airport, where passenger traffic has witnessed a continuous upward trend since 2012 as the country improves its Airport with expansions and increases supply of hotels from 12,000 as of 2012 to 20,000 expected by 2015. According to the Ministry of Tourism, an additional investment of OMR 1.15 billion is likely in this segment over the next 3 to 4 years and an additional supply of 3000 hotels are likely to be opened over 2013 and 2014 are likely to be absorbed by the buoyant demand in the country's hospitality sector. In the first quarter of 2014, Omran - the Sultanate's leading development, investment and hospitality asset Management Company, launched a new local hotel brand, Atana, to operate a number of their recent developments. Saraya Bandar Jissah is yet another hotel development, which will include two beachfront luxury hotels to be managed by Jumeirah Group scheduled to be completed by 2021.

According to third party research, occupancy rates in Sultanate of Oman have grown by 2% in Q1 2014, compared to the same period in the previous year. The 4-Star and 5-Star sector reached 71.4% occupancy levels across the country in line with a significant increase in the total number of accommodated guests of 22% year on year in the first quarter of 2014.

Bahrain has steadily witnessed a return to normalcy since the end of 2012 with improving consumer confidence helping RevPar and occupancies as the hospitality sector grew at a healthy pace. In the first quarter of 2014, Manama posted the highest RevPAR growth year-to-date among the entire GCC, a whopping 37.7% to US$ 120.1 across the market. Hotel occupancy reached 63.2% in Q1 2014, featuring a 39% year on year increase, which is the highest among GCC and MENA region for the second year in a row. So much so that the future pipeline is likely to be dominated by four and five star hotel properties, accounting for over 75 percent of the expected addition of 2,700 hotel rooms in its pipeline to add to the existing cumulative supply of 6,650 hotel rooms as of 2013. New projects include the first Wyndham Hotel in Bahrain Bay slated to open by the end of this year and a JW Marriott slated for completion in 2016.

Bahrain is expected to witness a healthy increase of 7 percent in tourist arrivals by the end of 2014. While the proximity of Saudi Arabia and the hosting of the F1 Grand Prix event have helped stabilize the Bahrain hospitality markets, long run sustainability is essential to improve global investor and tourist sentiments. However, stability in the long run is required to ensure sustained improvement in global investor and tourist outlook to improve hotel market performance. The government of Bahrain for its part is making efforts to ensure stability and create an attractive tourist environment by hosting events such as the hosting the Bahrain International Air Show and the Gulf Incentive Business Travel Exhibition and also trying to attract regional neighbours in a bid to boost its tourism.

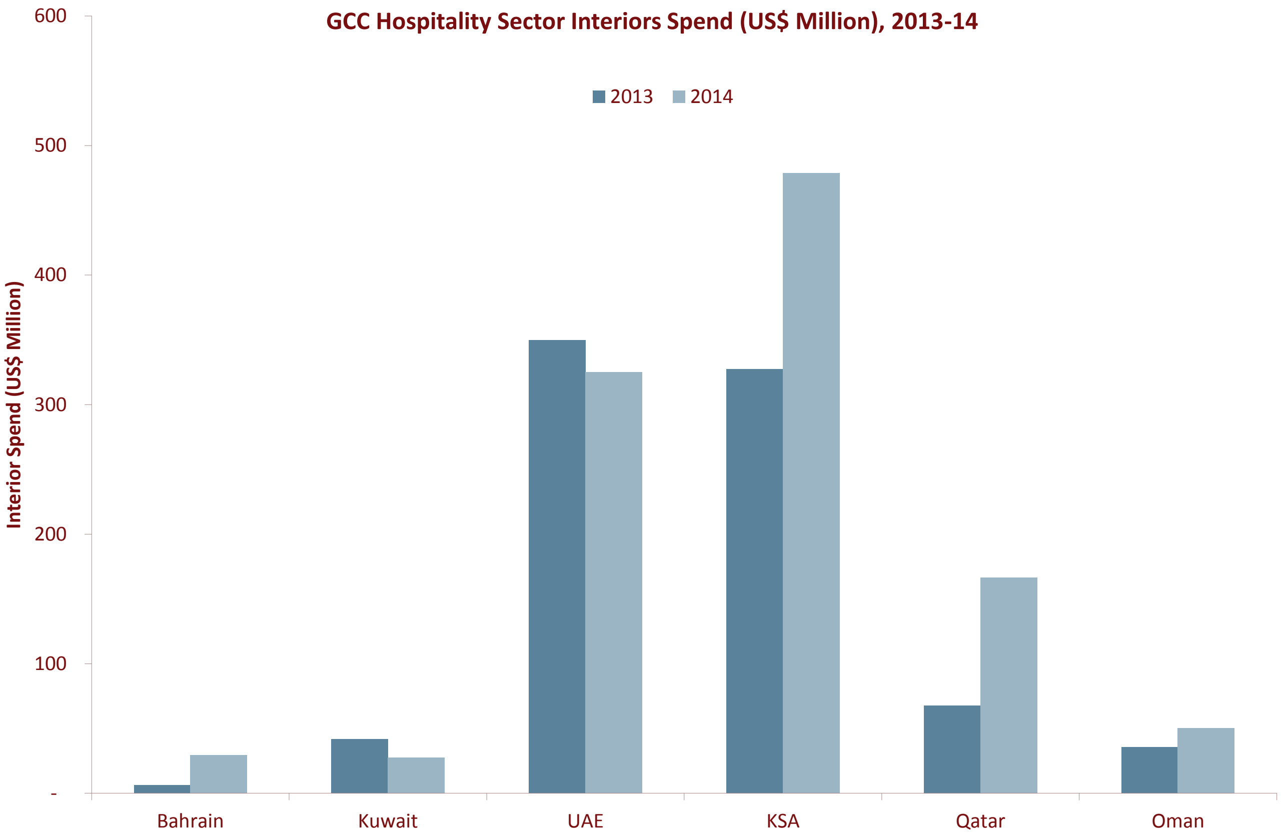
Kuwait though not quite as popular as the other tourist destinations in the Gulf due to relatively less endowed attractions and tourism draws, has made serious efforts to promote itself as a strategic business destination with a resultant marginal boost to its hospitality sector over 2013 and 2014.

With over a year of political stability prevailing, and return of consumer and investor confidence, the government is taking the situation in hand and increasing focus on the tourism sector with expansion plans for its international airport to double its current capacity of 7 million passengers per year, the situation, is likely to adjust itself gradually, aided by the reversal of tourist flows to the GCC region from the rest of the Arab World and the less stable European neighbours.

Hotel Interiors Contracting and Fit-outs Sector

Figure 8 provides the country wide split of interiors and fit-out spend in the GCC Hotel sector for the years 2013 and 2014 as of October 2014.

Figure 8: GCC Hotel Interior Contracting and Fit out Spend (US$ Million), 2013-2014



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

The positive upturn in the GCC hospitality sector spells improvement and opportunity for interiors development not only in terms of interiors and fit out contracts on fresh projects, but also for hotel refurbishment and fit-outs, as competition spurs existing hotels to invest in fresh interiors and fit outs to keep up with the new hotel brands pouring into the market to attract visitors. Hotel projects completed in the year 2013 are likely to translate into an interior spend of US$ 828 million, an approximate 22.5 percent of total project costs of US$ 3.7 billion, growing to US$ 1,077 million on projects likely to be completed in 2014 worth US$ 4.8 billion.

With economic recovery and growth prospects positive, the GCC hospitality sector is at the crossroads where the right investments across the region in the interiors market can help it use the recovery to its best advantage, supplemented by the refurbishments market that existing hotel chains and new entrants are sure to tap in a bid to improve their competitive position in the market over 2014 and beyond.

Table 3 and 4 provide a list of major hotel projects completed up to October 1, 2014 and slated for completion by Q4, 2014.

Table 3: Major GCC wide Hotel Projects completed up to October 1, 2014 by Project Value (US$ Million)

PROJECT NAME	COUNTRY	CLIENT	VALUE (US$ MILLION)
Al Habtoor Island Resort and Spa (Hilton Waldorf Astoria)	UAE	Al Habtoor Group	200
J.W. Marriott at the Dubai Healthcare City 2 (Nilona Tower)	UAE	Onyx Building Systems	190
ITCC Park in Riyadh - Phase 1 - Crowne Plaza Hotel & Convention Center	Saudi Arabia	Public Pension Agency (PPA) / Information Technology & Communication Complex	150
Ibis Hotel in Yanbu	Saudi Arabia	Accor Middle East	150
Movenpick Hotel in Riyadh	Saudi Arabia	Manafea Holding	135
Bin Samikh Tower Hotel	Qatar	Tanmiyat Real Estate Company	110
Salmiya Hotel	Kuwait	Gulf Development House	81
Courtyard by Marriott Jubail	Saudi Arabia	Marriott International; Global Sales Middle East & Africa / Fawaz Abdulaziz Al Hokair & Co	40
Jabal Al Akhdar Alila Resort	Oman	Omran Office	37
Al Ehsan Royal Hotel in Makkah	Saudi Arabia	Mawten Real Estate Co.	30
24 Storey Hotel in Juffair	Bahrain	Shaikh Ali	30
Refurbishment of Le Royal Meridien Hotel in Abu Dhabi	UAE	Le Royal Meridien, Abu Dhabi	30
Al Madaen Hotel (Sonesta Hotel)	Qatar	Al Madaen Company	30
Development of Khasab Hotel	Oman	Omran Office	27
Al Babtain Hotel in Al	Saudi Arabia	Saud Bin Abdul Latif Al Babtain	21

PROJECT NAME	COUNTRY	CLIENT	VALUE (US$ MILLION)
Aziziyah		Real Estate Company	
Azaiba Hotel in Muscat	Oman	Azaiba Hotels LLC	20
Hotel Building in Bathaa Quraish	Saudi Arabia	Mr. Abdul Aziz Al Mirghalany	15
Sheraton Dubai Creek Hotel Refurbishment	UAE	Al Mulla Enterprises	15

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

Table 4: Major GCC wide Hotel Projects Slated for Completion by Q4, 2014 by Project Value (US$ Million)

PROJECT NAME	COUNTRY	CLIENT	VALUE (US$ MILLION)
Marriott Hotels in Jazan	Saudi Arabia	Marriott International; Global Sales Middle East & Africa	500
City Center Expansion Project	Qatar	Al Faisal Holding Company / Al Rayan Tourism & Investment Company	330
Kempinski Hotel - Al Khobar	Saudi Arabia	Al-Othman Group / Kempinski Group	300
Jumeirah Al Khor Hotel at Dubai Healthcare City	UAE	Wasl	235
Fairmont Hotel - Riyadh	Saudi Arabia	Business Gate / Tatweer Holding / Kingdom Holding Company	230
Al Rashid Hotel Tower - Al Khobar	Saudi Arabia	Rashid Saad al-Rashid	216
World Trade Center in Abu Dhabi - The Hotels	UAE	ALDAR Properties	200
Best Western Hotel in Riyadh	Saudi Arabia	Rugaib Holding Co	200
Knowledge Economic City in Madina (KEC) - Holiday Inn Express	Saudi Arabia	Saudi Real Estate Company (SRECO)	200
Renovation of Sheraton Doha Resort & Convention Hotel	Qatar	Katara Hospitality / Government	175
Resort in Al Sodah Island	Oman	Muriya Tourism Development Company	175
Aloft Hotels in Riyadh	Saudi Arabia	Fawaz Abdulaziz Al Hokair & Co	150
Westin Doha Hotel & Spa	Qatar	Ghanem Al Thani Holding	120
Courtyard by Marriot in Riyadh	Saudi Arabia	Marriott International; Global Sales Middle East & Africa / Fawaz Abdulaziz Al Hokair & Co	120
Al Forsan Hotel in Khalifa City A	UAE	Private Property Management (PPM) / Al Forsan International Resort	109
Hilton Garden Inn Hotel - Tabouk	Saudi Arabia	Adex Group	85
Four Seasons Hotel at the Jumeirah Beach	UAE	Bright Start Holdings	80
Samariya Hotel Suites	Qatar	Mr. Ali Mohammad Al Khayareen	80
Hilton King Saud University Residence	Saudi Arabia	Hilton Hotels Corporation (International Operations) / King Saud University (KSA)	80
City Seasons Hotel Bur Dubai	UAE	City Seasons Group	75
Waqf Al Jabart Hotel Building	Saudi Arabia	Al Jabart	70

Project Name	Country	Client	Value (US$ Million)
Banader Rotana Hotel in Manama	Bahrain	Banader Hotels Company	70
Residence Inn by Marriott in Kuwait	Kuwait	United Family Company / Marriott International; Global Sales Middle East & Africa / Salhia Real Estate Co. (SREC)	68
Al Jazeera Hotel in Al Khobar	Saudi Arabia	Al-Jazeera International Group	65
Al Mana Hotel Apartments	Qatar	Mr. Mohammed Hamad Al Mana	62
Centro Rotana Hotel	Qatar	Al Malki Real Estate	60
Bay Central in Dubai Marina - InterContinental Hotel	UAE	Select Group	60

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

CHAPTER 3 GCC RESIDENTIAL DEVELOPMENT SECTOR OVERVIEW

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

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

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

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

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

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

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

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

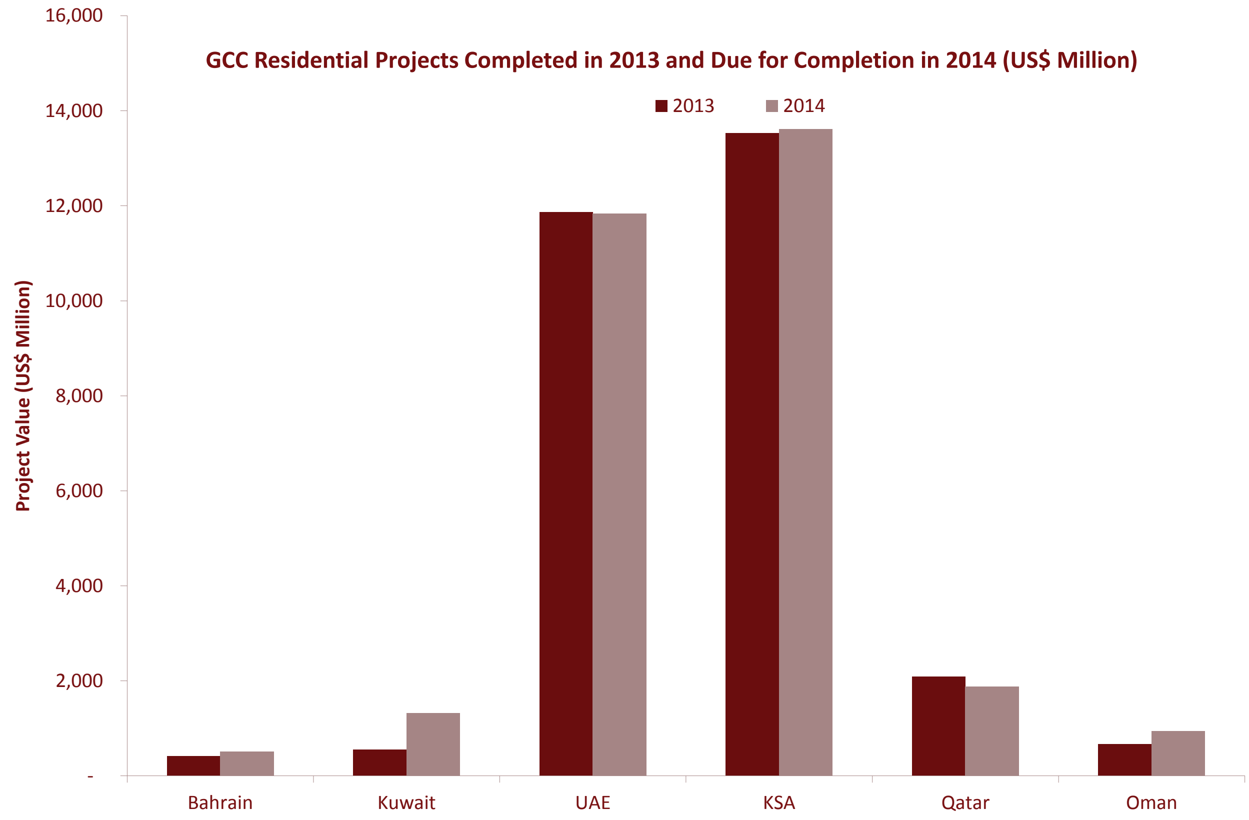
The residential market of Dubai continued to perform strongly with an increase in average sales prices of 36% and rents of 24% compared to the same quarter in the previous year. However, on a quarter-on-quarter basis, growths patterns started to slow down. In addition to the slowdown, according to the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

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

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

Figure 9 provides the summary of residential projects completed in 2013 and likely to be completed in 2014 as of October 2014.

Figure 9: GCC Residential Projects completed in 2013 and Due for Completion in 2014 (US$ Million), 2013 – 2014



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

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

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

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

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

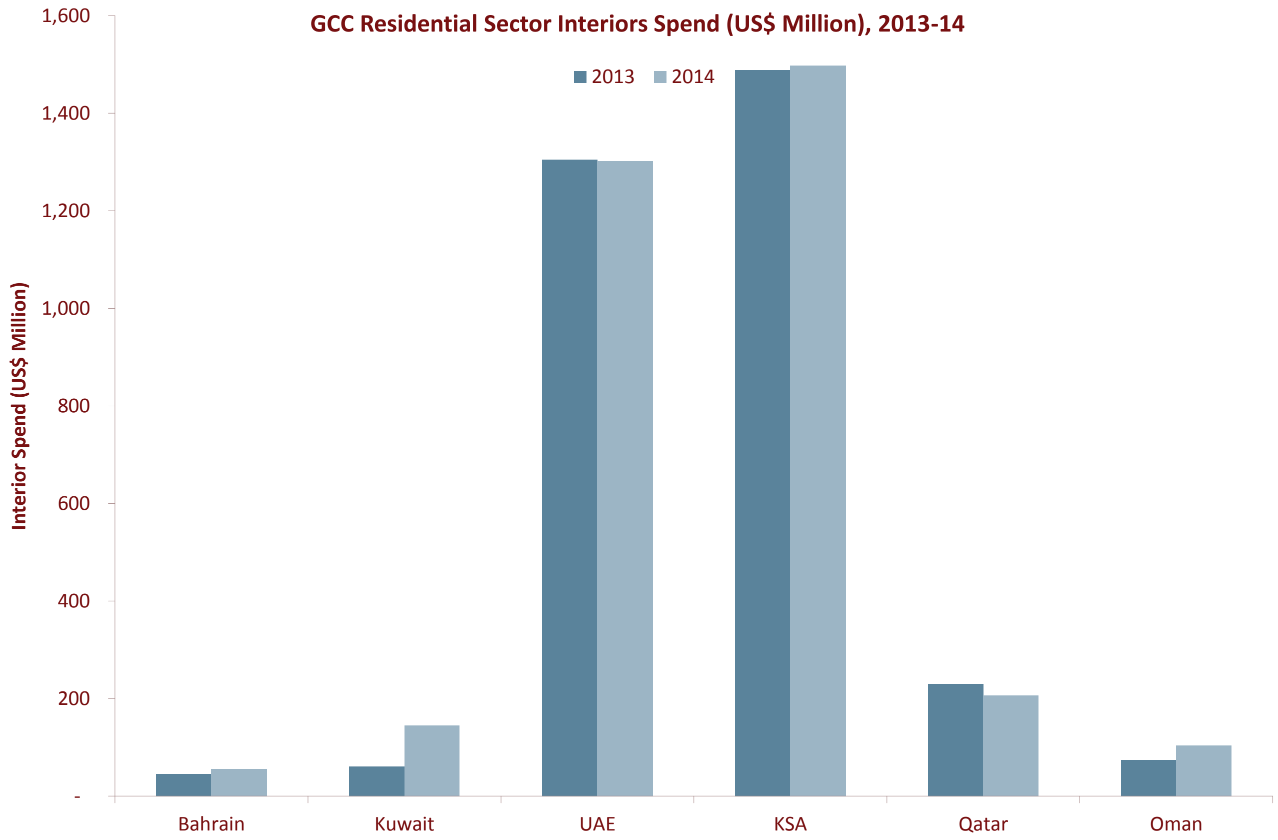
Bahrain residential markets were badly hit by the political unrests surrounding the Arab Spring, which itself arose partly from discontent at the extreme shortage of affordable housing with a waiting list for social housing at 55,000 people and poor social infrastructure in the country. This situation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

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

Residential Sector Interiors Contracting and Fit-Out Sector

Figure 10 provides the country wide split of interiors contracting and fit out spend involved in the GCC residential sector over 2013 and 2014 as of October 2014.

Figure 10: Residential Sector Interiors Contracting and Fit out Spend (US$ Million), 2013-2014



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

KSA remains the largest market with interior spends with estimated spend of US$ 1,488 million likely over project completions of 2013. An estimated US$ 13.5 billion worth of residential units were completed in the KSA in 2013 with interior contracting and fit outs accounting for approximately 11 percent of total project costs. UAE with US $ 1,305 million in 2013 took second place in the interiors spend pie in terms of residential projects completed in 2013 and interiors spend on projects likely to be completed in 2014. Kuwait with US$ 60 million interior spend in 2013 is also likely to double its share with greater residential projects completed in 2014 eating into the share of Qatar which had an interior spend of US$230 million in terms of projects completed in 2013 likely to fall to US$ 206 million over project completions expected in 2014. Growth in interiors is likely to be lower in 2014 for the Qatar as compared to other markets as caution prevails and recovery is gradual, as government backed affordable housing projects of Saudi Arabia continue to gain shares over other countries.

The following tables list of top projects completed across the GCC residential sector up to October 1, 2014 and likely to be completed by Q4, 2014, respectively.

Table 5: Major GCC wide Residential Sector Projects completed up to October 1, 2014 by Project Value (US$ Million)

Project Name	Country	Client	Value (US$ Million)
Watani Residential Development in Abu Dhabi	UAE	ALDAR Properties	600
2 Residential Towers at Dubai Silicon Oasis	UAE	Dubai Silicon Oasis Authority	150
Accommodation and Administration Complexes at ADCO Qusahwira Oilfield	UAE	Abu Dhabi Company for Onshore Oil Operations (ADCO)	139
The Piazza	Qatar	Damac Properties, Dubai / Qatari Diar Real Estate Investment Company (QDREIC)	130
Staff & Crew Accommodation Complex	Qatar	Qatar Airways	124
Burj Damac 5 Hotel at the Business Bay	UAE	Damac Properties, Dubai	122
202 Villas at the Falcon City of Wonders	UAE	Salem Al Moosa Group	100
West Avenue in Dubai Marina	UAE	Select Group	82
Meydan City - Meydan Heights Phase 2	UAE	Meydan	70
448 Villas in Sila	UAE	ALDAR Properties / Western Region Development Council (WRDC)	70
Residential Tower in Porto Arabia - Plot No: 09A	Qatar	Regency Group	70
72 Residential Buildings in Ruwais - Pack 12	UAE	Abu Dhabi National Oil Company (ADNOC)	60
Al Majid Residential Tower	Qatar	Mr. Ahmad Mahdi Ali Al Majid	57
Ahmed Abdul Rahim Al Attar Tower on Sheikh Zayed Road	UAE	Al Attar Properties	55
Capital House at the Capital Center in Abu Dhabi - C19	UAE	Sinogulf Real Estate Investments	52
69 Villas in Dubailand	UAE	National Properties L.L.C.	50
Arjaan Hotel Apartments in ADNEC	UAE	Bin Hamoodah Properties	50
Jumeirah Park Villa Community - Package 5A	UAE	Nakheel Corporation	50
Red Residence in Dubai Sports City, Dubailand	UAE	Middle East Development Engineering Office, Dubai / Al Masraf	50
The Galeria - Al Wasl Retail Center & Villas	UAE	H&H Investment and Development	50
Khalifa Complex in Al Nahda - Zone B	UAE	Sheikh Zayed Housing Programme, Fujairah	49
Fairview Tower in Business Bay	UAE	Deyaar	40

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

Table 6: Major GCC Residential Sector Projects Due for Completion by Q4, 2014 by Project Value (US$ Million)

PROJECT NAME	COUNTRY	CLIENT	VALUE (US$ MILLION)
Ajyad Al Masafi Development in Makkah	Saudi Arabia	The High Commission For The Development of Makkah Province / Abu Ryash Real Estate	700
King Abdullah Economic City (KAEC) - 1,040 Modern Apartments Package	Saudi Arabia	Emaar Economic City, Saudi	500
Sabah Al Ahmad City - 1,271 Housing Units	Kuwait	Public Authority for Housing Welfare (PAHW)	459
Imam Islamic University - Staff Housing	Saudi Arabia	Imam Islamic University / Ministry of Higher Education, Saudi Arabia	453
Sabah Al Ahmad City - 930 Housing Units	Kuwait	Public Authority for Housing Welfare (PAHW)	442
Amwaj Waves - Phase 1	Bahrain	Lona Real Estate	396
Sulaibikhat Residential City - Main File	Kuwait	Public Authority for Housing Welfare (PAHW)	375
1240 Villas in Al Barsha	UAE	Mohammed Bin Rashid Housing Establishment	350
2200 Villas - Batinah Coast	Oman	The Supreme Committee for Town Planning	348
Al-Farida in Jeddah	Saudi Arabia	Ewaan Global Residential Company	324
Pacific on Marjan Island	UAE	Select Group	272
Sasref Refinery - 217 Housing Units	Saudi Arabia	Saudi Aramco Shell Refinery Company (SASREF)	250
1000 Residential Units in Different Areas in Oman	Oman	Muscat Municipality	250
696 Residential Complex in Jubail Industrial City	Saudi Arabia	General Organization for Social Insurance (GOSI), Saudi Arabia	235
Sanctuary Falls in Jumeirah Golf Estates	UAE	Shaikh Holdings	232
Three Residential Towers in Viva Bahriya - Imperial Towers	Qatar	United Development Company (UDC) / Durrat al Doha	230
Taif University - Students Accommodation	Saudi Arabia	Ministry of Higher Education, Saudi Arabia	226
King Faisal University in Al Ihsa - Students Accommodation - Phase 1	Saudi Arabia	King Faisal University / Ministry of Higher Education, Saudi Arabia	180
433 Villas in Ghayathi	UAE	Abu Dhabi General Services PJSC (Musanada)	175
Al Akaria Residence in Diplomatic Quarter	Saudi Arabia	Al Akaria	160
Al Waha Community in Barka - Phase 1	Oman	Alargan Towell Investment	150
Al Kheesa Gate Villas	Qatar	Al Bandary Real Estate	150
Jeddah 2nd Industrial City - 1200 Housing Units	Saudi Arabia	Saudi Industrial Property Authority (Modon) / Annan Holding Co.	147
500,000 Housing Units in Different Areas of Saudi Arabia - Phase 1 - Hafr Al Batin (Eastern Province)	Saudi Arabia	Housing Committee / Ministry of Housing, Saudi Arabia	145

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

Chapter 4
GCC Retail Development Sector Overview

As a safe haven for investors, GCC economies have vastly benefited from healthy economic growth, consistently high oil prices, and government backed spending, increase in public salaries of employees across economies such as Kuwait, Qatar and Saudi Arabia and economic diversification plans combined with the large expatriate population, have all contributed to high disposable incomes and rapid urbanization in recent years. Consequently, beginning with the UAE and spreading over to other GCC economies, international retail brands have found GCC economies the favourite retail destination for investors as well as tourists. With the high disposable incomes of the consumers, and home to a largely expatriate population, the GCC has become synonymous with luxury retailing in the global retail marketplace. GCC economies possess a number of factors that drive the retail attractiveness of the region.

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

As a whole, the region has witnessed strong annual GDP growth, estimated at 3.7 percent in 2013 by the International Monetary Fund (IMF) who also forecast a 4.1 percent GDP for 2014. These economies are composed of a predominantly young, growing and affluent population. Coupled with increased consumer confidence, and spending spurred by events such as Qatar hosting the 2022 FIFA World Cup and Dubai's upcoming Expo2020, the GCC is likely to witness a continued infrastructure and construction boom, over the next two to three years. These factors will help these countries climb the global retail attractiveness rankings.

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

The GCC Retail market has been characterized by less new entrants in 2013 and increased expansion into the region by existing international brands. These have spread from the saturated Dubai market into the rest of the region, with Saudi Arabia, Kuwait, Oman, and to a smaller extent Qatar and Bahrain all feeling the benefit.

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

Tourism remains the primary driver for retail growth, as most GCC countries have placed heavy emphasis on developing tourism as the key driver to their new diversified growth model. According to estimates by the United Nations World Tourism Organization (UNWTO), the Middle East region witnessed close to 53 million visitors in 2013, of which a large proportion went to the GCC.

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

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

The retail segment of UAE in 2013 too had witnessed the announcement of a number of new retail projects such as the Art Centre project in Al Barsha estimated to add 32,500 square metres of GLA to UAE's existing retail supply by 2015 and the commissioning of a Design District named D3 located adjacent to the Business Bay area in Dubai, in order to encourage and develop the Emirate's design, fashion and luxury sectors and provide a platform for designers and retailers in a mixed use development that accommodates design institutes alongside residential, office and retail space through a Business park, a Creative cluster housing commercial and retail space, an Esplanade with boutique hotels and restaurants and a Residential cluster targeting designers and design savvy residents. The first phase of the project comprising ten buildings is also slated for completion by 2015. In addition, a plan to construct a mall in Dubai Sports City that will feature 130,000 square meters of leasable space has also been announced in 2014. Other retail projects in the pipeline include: a regional / super-regional mall in Mohammed Bin Rashid City, a 620,000 square meters mall on Deira Islands and 90,000 square meters of leasable area in Jumeirah Village Triangle. An addition of approximately 496,000 square meters of retail space is expected to enter Dubai by the end of 2016. Additions to Abu Dhabi retail space include an additional 20,000 square meters of retail GLA has been added in the second quarter of 2014 in the Nation Towers Galleria and Al Marasy in Al Bateen, bringing the total retail stock to approximately 2.2 million square meters of GLA. By year end, 418,000 square meters of retail future supply will be dominated by the delivery of Yas Mall on Yas Island. The capital will also receive further retail additions in 2017 and 2018 that include super-regional malls such as Sowwah Central, Saadiyat Mall / the District, Reem Mall and the planned extension of Marina Mall

Most existing malls are also witnessing expansion and extension such as the Dubai Mall and the Mall of Emirates. A new 50 store community Mall has also been announced by the Al Futtaim group in the near future. Rents and prices too have remained stable with the Yas Mall in Abu Dhabi slated for opening in 2014 having already absorbed 60 percent of its leasable area. In the Northern Emirates too, significant supply was added to the market with the opening of the RAK Mall adding 35,300 square metres to the supply while the Al Hamra Mall also announced its expansion adding 6600 square metres to its existing space to increase its offerings. International retailers that have made a beeline to this region's retailing include Mont Blanc's first retail boutique in the Sahara Centre.

Qatar, despite having the largest proportion of expatriate population in the world, has the least developed retail markets in the region, though the market is emerging as the second fastest growing market in the region with significant expansions in hyper and super markets in 2013 and retail sales likely to grow at an annual rate of 7 percent up to 2016. Qatar is also a growing market for fashion and luxury retailers driven by one of the largest per capita disposable incomes in the world and is likely to witness the largest share of projects completed in the retail segment in 2014 among the GCC countries. The cumulative retail space in Qatar currently amounts to approximately 650,000 square meters across 14 major developments. This current supply is expected to nearly double to reach almost one million square meters of net leasable area over the next two to three years. Two new malls, Ezdan Shopping Centre and West End Mall, have recently opened their doors alongside the debut of The Pearl Qatar Medina Centre in 2014 boosting the retail quotient of the country significantly.

Saudi Arabia too has attracted its share of retailers mainly owing to its highly affluent and young, domestic population that offers a huge and growing demand base. Examples include plans by international retailers such as the coffee retailer Tim Hortons to open over 100 stores across the Kingdom over the next five years and the United Electronics Company's plans to add its 31st store in the Kingdom. KSA government has also made earnest efforts to develop its religious tourist corridor of Mecca and Medina with greater private investments also encouraging growth and fanning growth in the retail sector. As a favourite of luxury retailers rivalling the UAE, KSA is also undergoing significant expansion in GLA over 2013 and 2014 with retail and mixed use developments sprouting such as the Kingdom Centre that has already achieved 100 percent occupancy, the planned Dubai based Landmark groups three neighbourhood shopping malls under the "Oasis Brand" slated for completion by end of 2013 and the already open Landmark managed mall in the city of Abha apart from the Kingdom's largest shopping mall at the Jabal Omar Project in Mecca on the drawing board and the international retailer Faithful and Gould's plans to collaborate with the Al Futtaim group to build a new super regional mall in Northern Riyadh slated for completion in 2018 adding a GLA of 150,000 square metres to become Riyadh's biggest mall. Retail floor space has grown rapidly over the recent decade, e.g. increasing by 80% in Jeddah alone since 2005. Arabian Centers, the Kingdom's largest shopping mall developer, has announced plans to about 500,000 square meters of retail space in the next 3 to 4 years, while Majid Al Futtaim is seeking to build its first mall in the Kingdom in Riyadh.

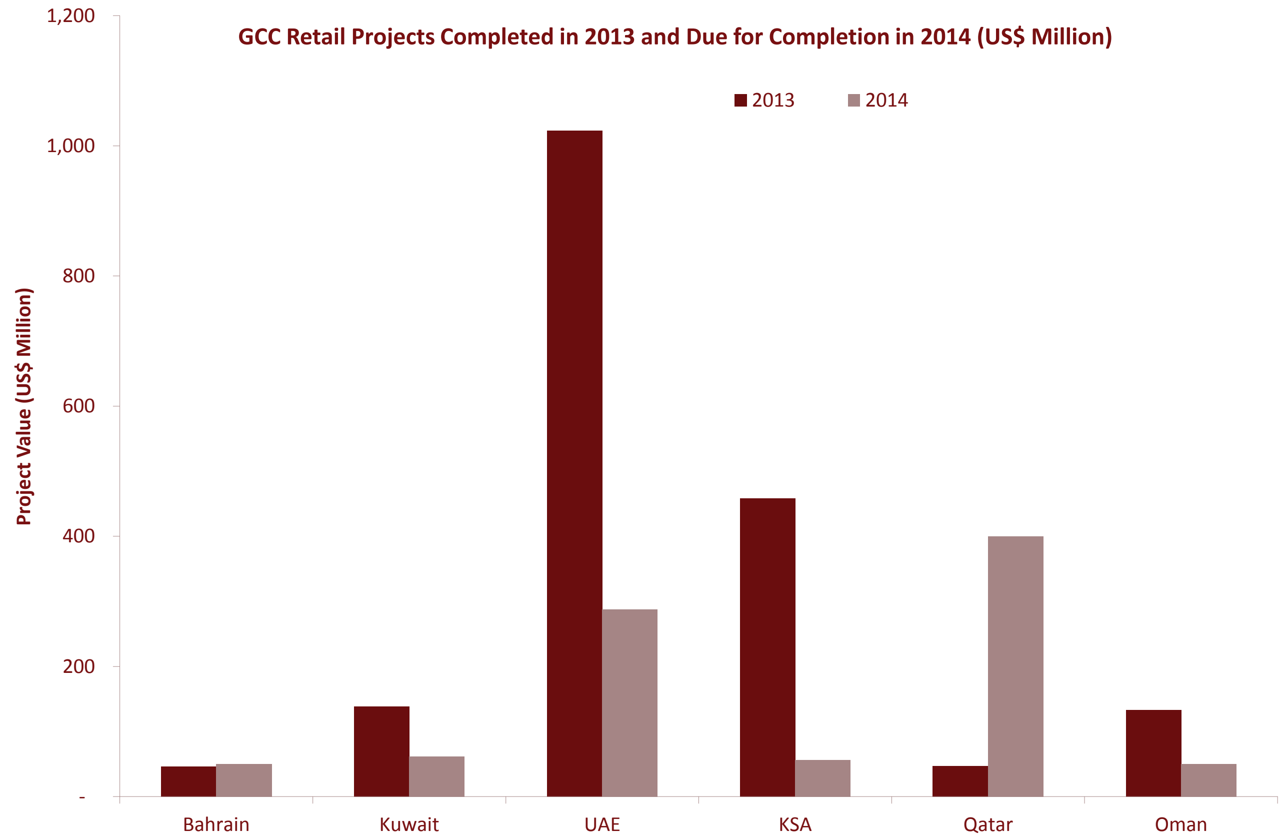
Leading brands and retailers from world over are clamouring for a share of the GCC retail pie with GLA expansions the norm across these countries. With demand supportive, the retail development sector is growing at a healthy pace and likely to continue its expansion at a rapid pace in the future.

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

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

Figure 11 depicts the retail construction projects completed in 2013 and those that are slated for completion in 2014 taken as of October 2014.

Figure 11: Retail Construction Projects with Completion in 2013 and 2014 (US$ Million), 2013-2014



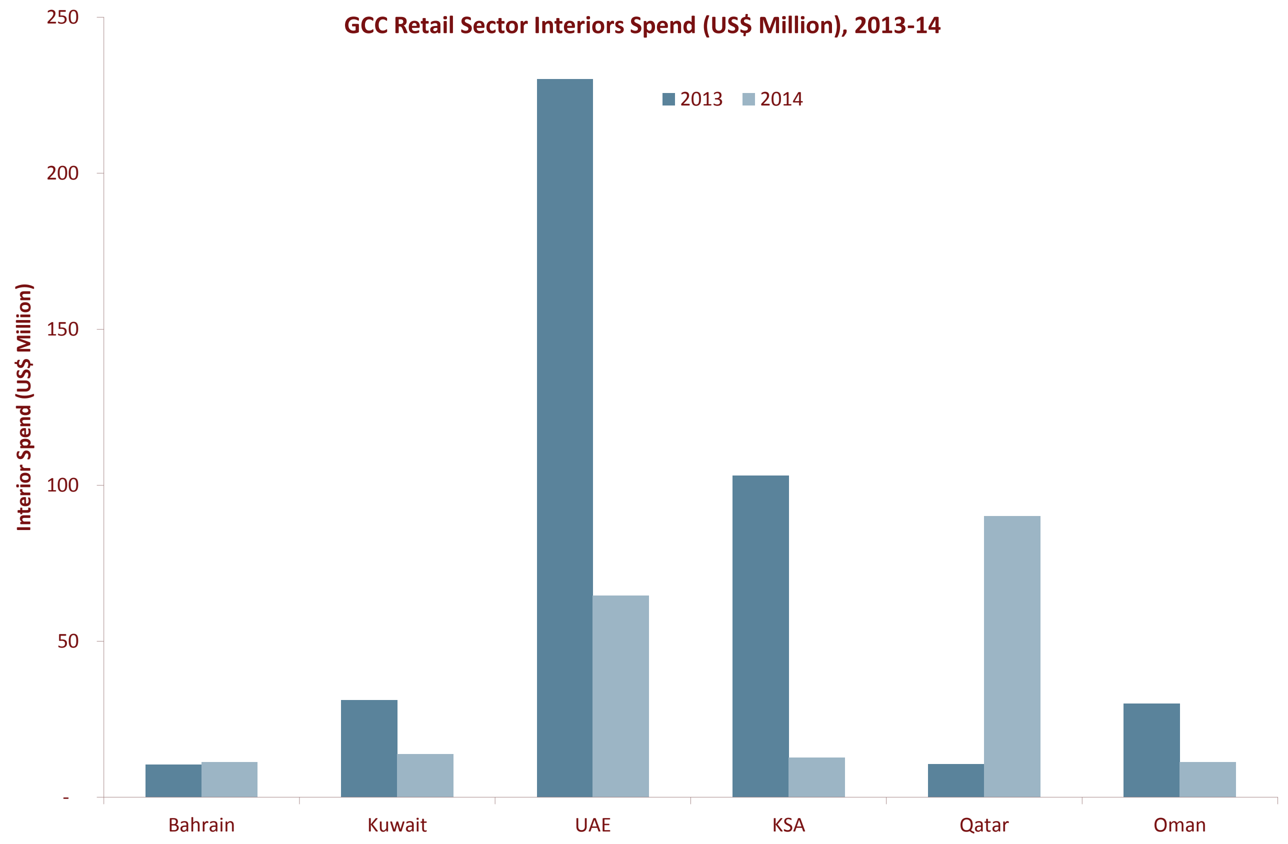
Source: Ventures Onsite MENA Projects Database www.venturesonsite.com

With a focused effort to bring back lost custom in the field of design , luxury and retail, the UAE has managed to reestablish itself as a favourite destination for global retailers aided by strong recovery in its economy and real estate markets. Saudi Arabia with its young and affluent fast growing population has become the next favourite of retailers worldwide as international brands swarmed the Kingdom in recent years and led to retail developments in the past few years on a larger scale. Qatar with the world's largest disposable income emerged third in terms of project completions with record number of retail projects completed slated for 2014 followed by Kuwait and Oman, the newly emerging stars of the GCC, with significant shares in the retail projects completed pie for 2013, mainly owing to the large size of its retail projects for Kuwait and the heavy tourism focus for Oman helping it build its retail sector alongside. The AT Kearney report had forecast retail sales to grow by US $4 billion in Kuwait between 2011 and 2015 with fashion retailing a significant portion of that. Retail sector in Bahrain, which is relatively small when compared to its GCC neighbours, is likely to make a modest comeback as it tided over its political tensions and resumed investor confidence in 2013, and continued to grow at a moderate pace in 2014.

Retail Development Interiors Contracting and Fit-Out Sector

Figure 12 provides the country wide split of interiors and fit out spend involved in the development and refurbishment of the retail sector in GCC for the year 2013 and 2014.

Figure 12: GCC Retail Interiors Contracting and Fit-out Spend (US$ Million), 2013-2014



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

The interior contracting and fit-out developments in the retail sector is estimated to earn US$ 415 million on projects worth US$ 1,845 million completed in 2013, slightly lower than 2012 as the initial retail frenzy emerging from the tourism focus of the GCC countries begins to wear off and focus shifts elsewhere, 2014 is likely to sport a lower spend of US$ 203 million due to relatively lower projects completed with the exception of Qatar, which is making up for its relatively late entry into the retail markets of the region with larger number of retail developments slated for completion in 2014. UAE continues to hold the largest share of retail interior spend at US$ 230 million followed by

KSA with US$ 103 million followed by Kuwait and Oman neck to neck with shares of US$ 31 million and US$ 30 million, respectively, in the retail interior and fit outs market in 2013. Qatar with projects such as Barwa City Phase 1 Mixed use development toward attracting visitors for the World Cup 2022 completed in 2013 among others is likely to overtake UAE and KSA in 2014 in the interiors market.

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

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

Table 7: Major GCC wide Retail Projects completed as of October 1, 2014 by Project Value (US$ Million)

Project Name	Country	Client	Value (US$ Million)
Bay Square at the Business Bay	UAE	Dubai Properties	1,009
Burj Rafal in Riyadh	Saudi Arabia	RAFAL Real Estate Development Co. Ltd / Kempinski Group	500
Burj Al Salam	UAE	Abdulsalam Group	400
Lincoln Park in Arjan	UAE	Damac Properties, Dubai	272
Central Plaza 2 at Downtown Jebel Ali	UAE	Limitless, Dubai	250
Corniche Tower	Saudi Arabia	Emaar Middle East Properties, Saudi Arabia	240
Dubai Mixed-Use Development	UAE	Private Office of H.H. Sheikh Mohammed Bin Khalid Al Nahyan	237
The Buildings of Daman in Dubai International Financial Centre	UAE	Daman Asset Management	218
Gulf Mall at Gharafa	Qatar	Sheikh Nasser Bin Abdulla Al Thani / Business Trading Company	200
Multi-Purpose Sports Hall and QFF Offices in Duhail	Qatar	Government	180
Al Wakra Mall	Qatar	Ezdan Holding	110
Al Obeikan Tower in Riyadh	Saudi Arabia	Al Obeikan Investment Group / Hilton International	100
King Saud University - Sport City	Saudi Arabia	Ministry of Higher Education, Saudi Arabia	65
Norman Clubhouse at the Jumeirah Golf Estates	UAE	Jumeirah Golf Estates	50

Project Name	Coun try	Client	Value (US$ Million)
Muharraq Seef Mall	Bahrai n	Muharraq Mall Company / Seef Properties	50
Durrat Marina - Phase 1	Bahrai n	Al Khaleej Development Company (Tameer) / Durrat Khaliji Bahrain	48
Asas Tower in Sharjah	UAE	ASAS Real Estate	47
Jubail Market in Sharjah	UAE	Government of Sharjah	47
Gate Mall	Kuwait	Shuwaikh Gate Holding	41
Jasmine Complex in Al Khoweir	Oman	Taameer Investment	39
Sports Complex at Buraimi	Oman	Ministry of Sports Affairs, Oman	36
King Abdullah Park - Al Malaz Park	Saudi Arabia	Ministry of Municipal & Rural Affairs (MOMRA), Saudi Arabia	35

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

Table 8: Major GCC wide Retail Projects Due for Completion by Q4, 2014 by Project Value (US$ Million)

Project Name	Country	Client	Value (US$ Million)
Al Turaif Living Museum	Saudi Arabia	Arriyadh Development Authority (ADA)	1,500
King Abdulaziz Center for World Culture (KACWC)	Saudi Arabia	Saudi Aramco	533
Multi-Purpose Sports Hall at Lusail	Qatar	Qatar Olympic Committee	315
Central Library at Education City	Qatar	Qatar Foundation for Education Science & Community Development	210
Restless Planet in the City of Arabia	UAE	Ilyas & Mustafa Galadari Group	163
Dragon Mart in International City Expansion	UAE	Nakheel Corporation	143
Al Sadd Sports Club Multi-Purpose Hall	Qatar	Qatar Olympic Committee	141
Boulevard (Salmiya Park) in Kuwait	Kuwait	Public Authority for Agriculture Affairs & Fish Resources (PAAFR) / Kuwait Commercial Market Complex Company (KCMCC)	124
King Khalid University - Sports City (Faraa Campus)	Saudi Arabia	King Khalid University / Ministry of Higher Education, Saudi Arabia	107
Al Shaheed Park Development	Kuwait	Amiri Diwan	100
Shopping Complex at Markhiya	Qatar	Ismail Bin Ali Group (IBA Group)	55
Mall at Gharaffa	Qatar	FBA Group	35
Business & Recreational Complex Package 1 at MIC	Qatar	Qatar Real Estate Investment Company (Alaqaria) / Qatar Petroleum (QP)	35
Hub Zero Entertainment Center in Downtown Dubai	UAE	Meraas Development	34
Sama Mall in Fintas	Kuwait	Jazeerat Warba Real Estate Company	31

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

Chapter 5
GCC Healthcare Sector Overview

With the growing importance of social infrastructure in the GCC budgets since 2009, wherein almost all GCC economies have made increasingly large allocations toward upgrading their healthcare infrastructure in a bid to improve the standards of living of its population, while diversifying their economies from the exclusive dependence on hydrocarbons to fuel growth. The services sector and more specifically the healthcare sector has proved to be recession proof across the GCC as per findings of analysts, sustained by the vast government investments and boasting the latest and state of art equipment and healthcare infrastructure in the world.

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

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

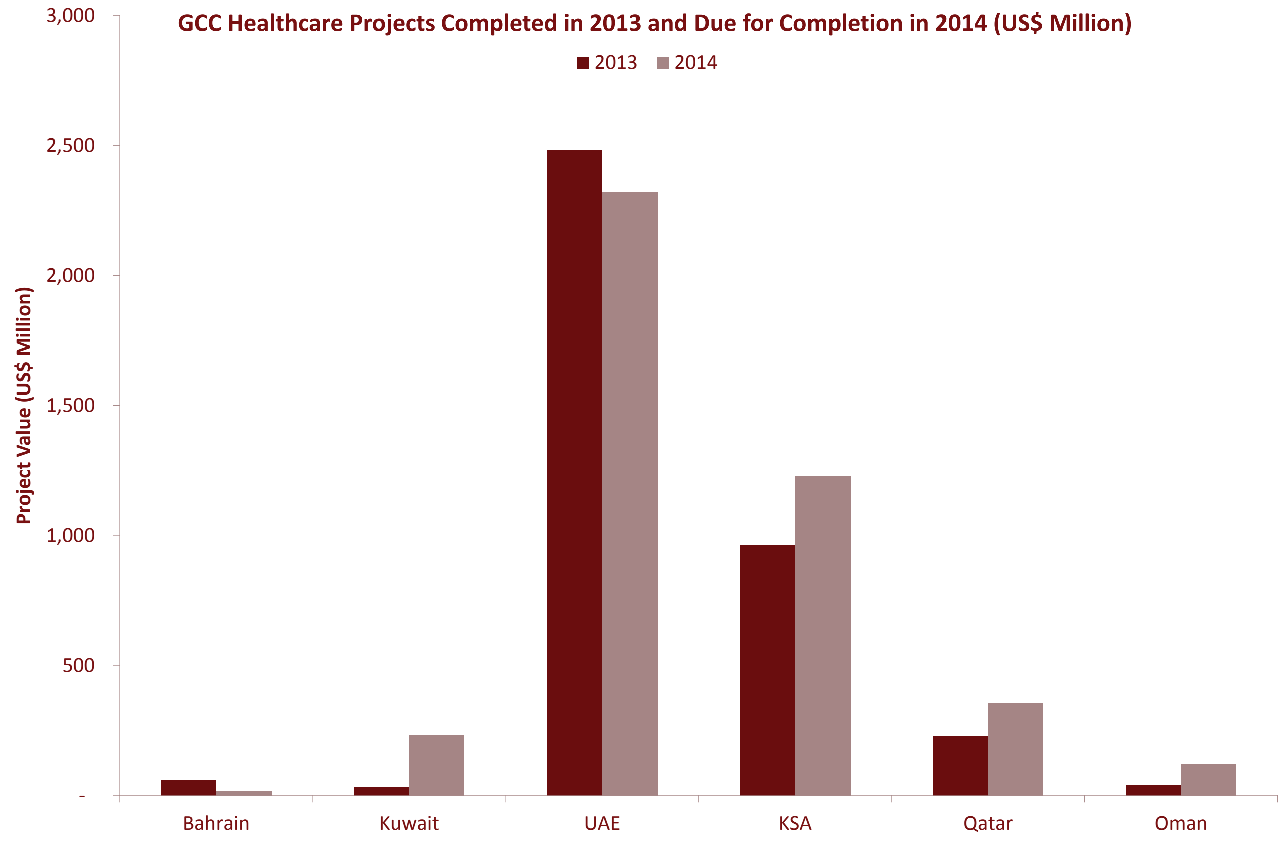
Significant announcements in this sphere in recent years include that of the Saudi Arabian Ministry of Health to procure more healthcare services from the private sector health providers to improve the provision of healthcare services. The Ministry of health has in 2012 signed a host of healthcare contracts worth over SR 4 billion including 30 hospitals in the pipeline. The population of the Kingdom is estimated to be around 25 million and currently there are 22 beds for every 10,000 people. The Kingdom's budget for 2013 had appropriated US$ 26.7 billion for construction and expansion of hospitals and healthcare facilities across the Kingdom including the ambitious ongoing project for the development of five medical cities that are currently under construction. The budget allocation would go toward the construction of 117 hospitals, 750 primary healthcare centres, and 400 emergency centres. Targets for improving the amount of hospital beds available as well as the ratio of physicians per bed had also been set.

Following Saudi Arabia, UAE too aims to rectify the current lopsided supply demand ratio in healthcare services marked by an oversupply of medical services in certain specialities and increasing the efficiency of public and private healthcare facilities particularly in the capital cities of Abu Dhabi and Dubai. In line with the above the Dubai Health Authority (DHA) had announced a survey to collect comprehensive data from its private and public hospitals, poly clinics, Dubai Healthcare city and diagnostic and primary healthcare centres Kuwait too has made a major foray into upgrading its healthcare infrastructure with 10 new hospitals in the pipeline. The UAE 2013 budget of AED 44.6 billion social spending allocated the largest share of 51 percent, a significant portion of which was earmarked for upgrading healthcare infrastructure.

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

Figure 13 depicts the medical construction projects completed in 2013 and those that are expecting completion in 2014 as of October 2014.

Figure 13: GCC Healthcare Projects with Completion in 2013 and 2014 by Country, (US$ Million)



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

From 2012 to 2014, increasingly larger shares have been allocated in the GCC government budgets toward upgrading healthcare and health infrastructure beginning with Saudi Arabia followed by UAE and later since 203 by other GCC economies as well. As privatization is as yet an emerging concept in the region, government spend on healthcare remained the primary driver of growth across most countries in the GCC till recently.

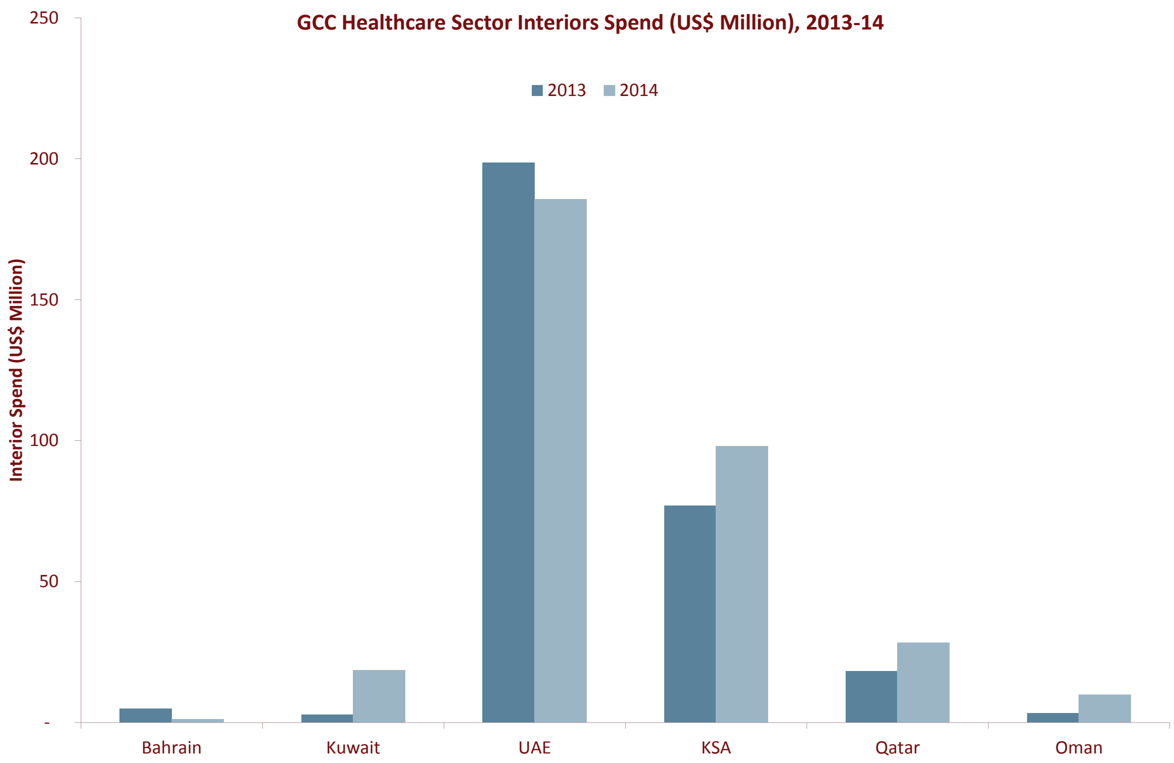
UAE with healthcare projects worth US$ 2.8 billion led the healthcare project completions for 2013 followed by KSA with US$ 961 million worth of projects completed in 2013. Qatar joined the race to upgrade its medical facilities in a bid to host the World Cup 2022 event with the highest standards of healthcare available to the sports and tourist population visiting the nation with projects worth US$ 227 million likely completed in 2013. Bahrain, Kuwait and Oman followed with smaller scales of healthcare project completions worth US$ 60 million, US$ 40 million, and US$ 33 million, respectively, over 2013 though with significant jumps in project completions over 2014 for Oman and Kuwait.

This phenomenal rise in the healthcare spend in Kuwait may be attributed to the Government finally taking initiatives to upgrade its healthcare system which had come under strain for having the least number of hospital beds of 1.4 per thousand amongst all the GCC nations. The recent massive overhaul of the nation's healthcare system is all set to complete with a large spend by Kuwait from its government budget in 2013 which translate into projects slated for completion over 2014. Saudi Arabia and UAE too were ranked the first and second largest spenders of healthcare in Middle East with UAE likely to shoot ahead to first place with greater projects completed over 2014. The other three nations of Oman, Kuwait and Bahrain, despite focusing their efforts on developing their healthcare systems, have a much smaller share in the total value of healthcare projects completed owing to their smaller size and scale of projects.

Healthcare Development Interiors Contracting and Fit-Out Sector

Figure 14 provides the country wide split of interiors and fit out spend involved in the development and refurbishment of the medical sector in GCC for the years 2013 and 2014 as of October 2014.

Figure 14: GCC Healthcare Sector Interiors and Fit out Spend (US$ Million) by Country, 2013 - 2014



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

The interiors contracting and fit-out developments in the healthcare sector is estimated to earn US$ 341 million on projects worth US$ 4, 268 million expected to completed over 2014. While the UAE has taken the lead in terms of healthcare projects completed in 2013 and likely to be completed in 2014 with interior and fit out spend expected approximating US$ 199 million in 2013, Saudi Arabia, with interior and fit outs spends expected of US$ 77 million has emerged as a closely competing market as with other segments followed by the Qatar with US$ 18 million interiors and fit out spend. Bahrain with US$5 million is followed by Oman and Kuwait with an estimated US$ 3 million each of interior and fit outs expenditures based on projects completed in 2013.

It is only Saudi Arabia and the UAE which continued significant investments in healthcare from 2012 onwards, while other countries have stepped up to the upgrade only since early 2013. Kuwait has been the late entrant with greater interior spends likely in 2014 when greater number of its healthcare projects near completion owing to allocations made only in the 2013 budget. In Oman, healthcare projects completed have also happened but on a much smaller scale offering a small but a significantly growing market as well for interiors and fit outs into 2014.

The following table provides the top hospital projects completed up to October 1, 2014 and likely to be completed over 2014 as of 1st October 2014.

Table 9: Major GCC wide Hospital Projects completed up to October 1, 2014 by Project Value (US$ Million)

Project Name	Country	Client	Value (US$ million)
Cleveland Clinic in Al Maryah Island	UAE	Mubadala Development Company, UAE	1,540
Al Jalila Bin Mohammed Bin Rashid Al Maktoum Hospital For Children	UAE	Dubai Health Authority (DHA)	183
Iranian Hospital Extension in Wasl	UAE	Iranian Hospital	81
King Fahd Specialized Hospital in Buraydah	Saudi Arabia	Ministry of Health, Saudi Arabia	51
King Saud Medical Complex in Riyadh : Second Medical Tower	Saudi Arabia	Ministry of Health, Saudi Arabia	50
King Faisal Hospital Tower in Makkah	Saudi Arabia	Ministry of Health, Saudi Arabia	42
Aspetar Orthopaedic Hospital Expansion	Qatar	Aspire Zone	40
Masirah Hospital	Oman	Ministry of Health, Oman	35
The Dubai Investment Park	UAE	New Medical Center	33

PROJECT NAME	COUNTRY	CLIENT	VALUE (US$ MILLION)
General Hospital			
Hospital in South Salalah	Oman	Ministry of Defence, Oman	31
King Abdulaziz Hospital in Riyadh - External Clinics	Saudi Arabia	King Saud University (KSA)	30
Brightpoint Maternity Hospital on Muroor Road	UAE	KBBO Group / New Medical Center	30
National Cardiology Center at Royal Hospital	Oman	Ministry of Health, Oman	21
Prime Hospital in Garhoud	UAE	Prime Hospital LLC	16
GMC Hospital in Dubai	UAE	Thumbay Group	15
Halat Bu Maher Health Center	Bahrain	Ministry of Works & Housing, Bahrain	12

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

Table 10: Major GCC wide Hospital Projects Due for Completion by Q4, 2014 by Project Value (US$ Million)

PROJECT NAME	COUNTRY	CLIENT	VALUE (US$ MILLION)
4 Hospitals at Hamad Bin Khalifa Medical City - Fit-out Package	Qatar	Public Works Authority (Ashghal) / Hamad Medical Corporation (HMC)	534
Ahmadi Hospital	Kuwait	Kuwait Oil Company (KOC)	298
King Faisal Specialist Hospital & Research Center Expansion - King Abdullah Center of Tumors & Liver Diseases	Saudi Arabia	Ministry of Health, Saudi Arabia / King Faisal Specialist Hospital & Research Centre (KFSH)	242
NMC Specialty Hospital at the Khalifa City A	UAE	New Medical Center	200
King Faisal University in Al Ihsa - University Hospital	Saudi Arabia	King Faisal University / Ministry of Higher Education, Saudi Arabia	157
Najran University Hospital	Saudi Arabia	Najran University / Ministry of Higher Education, Saudi Arabia	150
King Faisal Specialist Hospital & Research Center Expansion - Emergency Center & VIP Wing	Saudi Arabia	King Faisal Specialist Hospital & Research Centre (KFSH)	147
Nine General Hospitals in Saudi Arabia	Saudi Arabia	Ministry of Health, Saudi Arabia	131
Dr. Sulaiman Al Habib Hospital at Dubai Healthcare City	UAE	Sulaiman Al-Habib Medical Center (HMC)	109
Hail University - University Hospital	Saudi Arabia	Ministry of Higher Education, Saudi Arabia	108
300-Bed Maternity Hospital in Dammam	Saudi Arabia	Ministry of Health, Saudi Arabia	100
King Fahd (Fahad) Medical City - Proton Therapy Center	Saudi Arabia	King Fahd Medical City / Ministry of Health, Saudi Arabia	74
King Saud University Endowment - Al Rajhi Bank Medical Tower	Saudi Arabia	King Saud University Endowment	70
300- Bed Hospital in East of Jeddah	Saudi Arabia	Ministry of Health, Saudi Arabia	70
Hospital in Sila	UAE	Seha - Abu Dhabi Health Services	65
Community Hospital in Ghayathi	UAE	Seha - Abu Dhabi Health Services	65

Project Name	Country	Client	Value (US$ Million)
Central Hospital in Arar	Saudi Arabia	Ministry of Health, Saudi Arabia	53
300- Bed Hospital in North of Riyadh	Saudi Arabia	Ministry of Health, Saudi Arabia	52
Al Mouwasat Hospital in Riyadh	Saudi Arabia	Saudi Al Mouwasat Medical Services	43
200-Bed Hospital in Al Mekhwa	Saudi Arabia	Ministry of Health, Saudi Arabia	37
100-Bed Hospital in Al Laith	Saudi Arabia	Ministry of Health, Saudi Arabia	33
100-Bed Hospital in Ahd Rafidah	Saudi Arabia	Ministry of Health, Saudi Arabia	31
Renal Dialysis Units at Tawam Hospital	UAE	Seha - Abu Dhabi Health Services	30

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

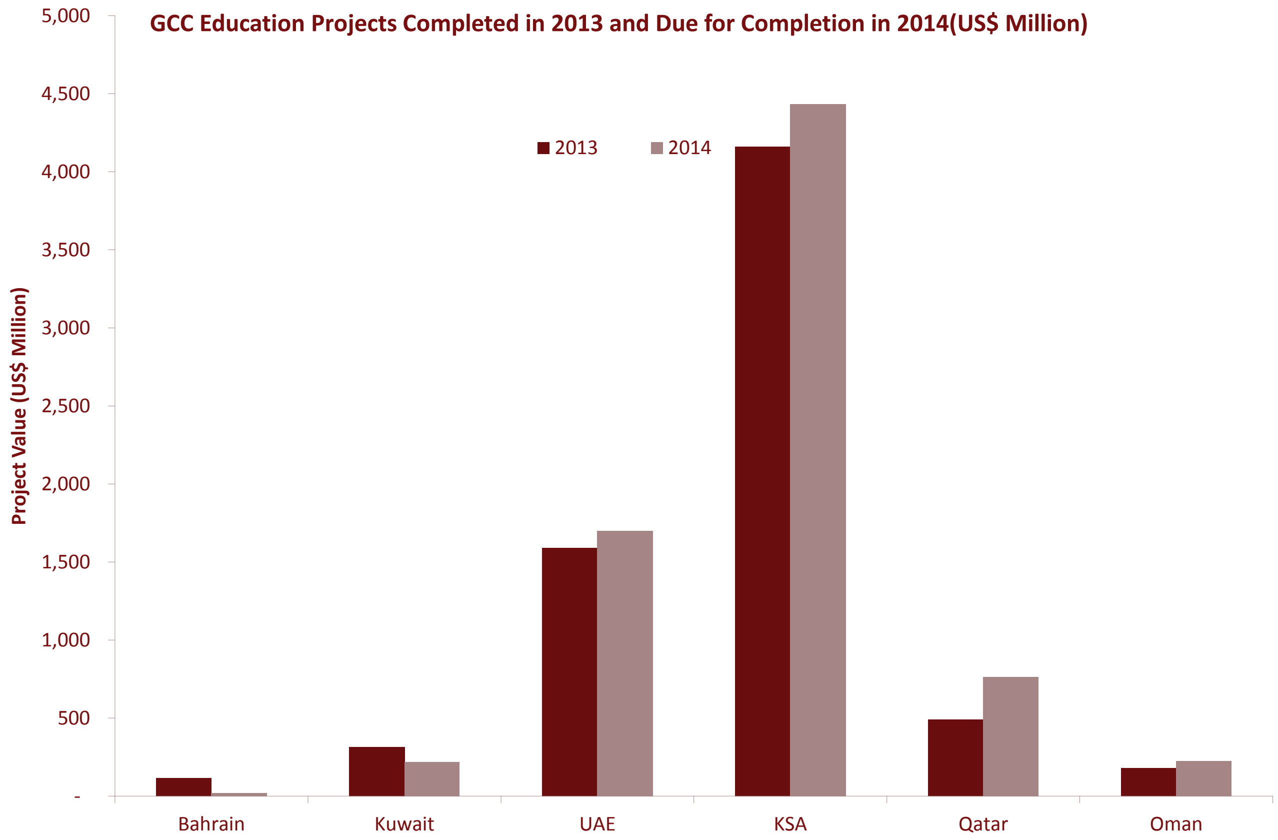
CHAPTER 6
GCC EDUCATION SECTOR OVERVIEW

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

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

Figure 15 depicts the country wise split educational construction projects completed in 2013 and due for completion in 2014 as of October 2014.

Figure 15: GCC Educational Projects with Completion in 2013 and 2014 by Country, (US$ Million)



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

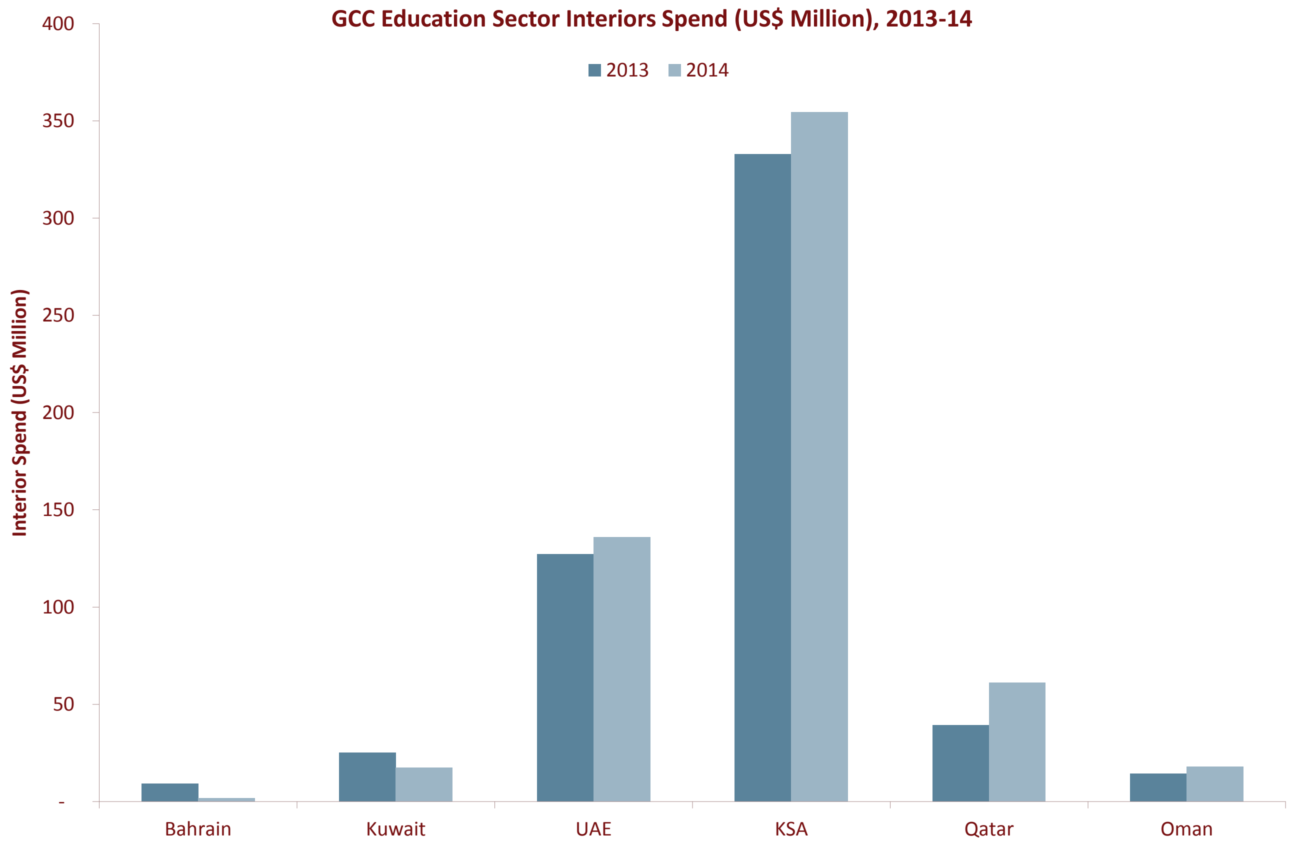
The Kingdom of Saudi Arabia ranked the largest educational investor in GCC with educational developmental projects worth US$ 4.6 billion expecting completion in 2014, a slight increase from US$ 4.1 billion completed in 2013, much higher than earlier years, in its effort to implement Suadiization where all employers operating in the Kingdom are mandated to employ a given proportion of Saudi citizens across their organizations failing which they are liable to attract heavy penalty. Saudi Arabia adopted the largest budget in the country's history in 2013, higher than the 2012 budget which had been touted as the largest in history at that time. This has translated into larger number of projects completed in 2013 and 2014 as well. The largest portion of the budget has been allocated to education, health and municipal services. The budget includes ongoing plans to build 742 new schools in addition to the 2,900 already under construction, and refurbishment of 2,000 existing schools. These funds will also support the establishment of an electronic college and 40 new colleges; the development existing universities; and an increase in the number of scholarship programs that allow Saudi students to study abroad.

Following Saudi Arabia, UAE is the second largest in terms of educational projects completed at US$ 1.59 billion in 2013 overtaking Qatar with educational developmental projects worth US$ 489 million reaching completion in 2013, as of October 2014. The Qatari Government too has allocated a sizeable budget expenditure of QR 22 billion in funding educational development programs including the construction of new schools in addition to refurbishment and development of universities besides increasing the scholarship programs. Kuwait ranked fourth in terms of educational projects completed with total projects worth US$ 313 million completed in 2013. This is followed by Oman and Bahrain taking the rear, with projects worth US$ 179 million and US$ 115 million, respectively. Recovering steadily from the aftermath of political instability experienced in 2011 and recovered investor confidence, Bahrain has a moderate amount of educational development projects expecting completion in 2013 falling again drastically to US$ 15 million as emphasis shifted to other sectors. Oman with a predominantly expatriate population and smaller in size and scale, ranked among the last in the region in this segment in 2013, though it overtook Bahrain in terms of projects likely to be completed in 2014.

Educational Development Interiors Contracting and Fit-Out Sector

Figure 16 provides the country wide split of interiors and fit out spend involved in the development and refurbishment of the Educational development sector in GCC for the years 2013 and 2014 as of October 2014.

Figure 16 GCC Educational Interiors and Fit out Spend (US$ Million) by Country, 2013-2014



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

As of October 2014, the interiors contracting and fit-out developments in the educational development sector is estimated to earn US$ 588 million on projects worth US$ 7.4 billion expected to complete by 2014. Saudi Arabia with an investment of US$ 33 million on the completion of projects worth US$ 4.2 billion and the UAE with investments worth US$ 127 million on the completion of projects worth US$ 1.6 billion bagged the largest share of the education pie interiors spend. Qatar bagged the third place with investments worth US$ 39 million on the completion of projects worth US$ 489 million in the educational development interiors contracting and fit out pie in 2013, with Kuwait, Bahrain and Oman with smaller shares.

The following tables list the major GCC wide educational projects completed up to October 1, 2014 and those slated for completion by Q4 2014.

Table 11: Major GCC wide Educational Projects completed up to October 1, 2014 by Project Value (US$ Million)

Project Name	Country	Client	Value (US$ Million)
New York University on Saadiyat Island	UAE	Mubadala Development Company, UAE	1,000
School of Islamic Studies in Education City	Qatar	Qatar Foundation for Education Science & Community Development	210
Police Training Institute in Doha	Qatar	Ministry of Interior, Qatar	104
Future School in Abu Dhabi - Phase 4 - Pack 1	UAE	Abu Dhabi General Services PJSC (Musanada)	66
4 Schools - Pack 3 Stage 7B	Qatar	Public Works Authority (Ashghal)	62
Qatar Foundation Research & Development Complex - Phase 1	Qatar	Qatar Foundation for Education Science & Community Development	60
Science Research School in Al Warqa	UAE	Mrs. Al Shamsi	54
American International School in Riyadh	Saudi Arabia	Olayan Group	40
Najran University - Men's Computer College	Saudi Arabia	Ministry of Higher Education, Saudi Arabia	38
New Emirates Aviation College Campus at the Academic City	UAE	Emirates Aviation College	38
Future School in Al Falah Development	UAE	Abu Dhabi General Services PJSC (Musanada)	35
Saudi Institute for Aircraft Maintenance	Saudi Arabia	Technical and Vocational Training Corporation	29
Gems Wellington Academy - Phase 3	UAE	Premier School International LLC	27
Uptown School -Phase 3 in Mirdif	UAE	Taaleem Education	22
Al Jouf University - Faculty of Humanities and Administrative Sciences	Saudi Arabia	Al Jouf University	18
Al Muftah Boys & Girls School	Qatar	Mr. Abdul Rahman Al Muftah	17
Technical College in Muzahimiyah, Riyadh	Saudi Arabia	The General Organization for Technical Education & Vocational Training (GOTEVOT)	17
The Modern Indian Science Private School in Mohammed Bin Zayed City	UAE	Mr. Mohammad Ismail Abbas Khory	15
Habitat Private School in Ajman	UAE	Sheikh Sultan Bin Saqr Al Nuaimi	14
King Abdulaziz University - English Center	Saudi Arabia	Ministry of Higher Education, Saudi Arabia / King Abdulaziz University	12
Expansion of Oman Medical College in Sohar	Oman	Oman Medical College, Sohar	11
Imam Islamic University - Science College for Men	Saudi Arabia	Imam Islamic University	10

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

Table 12: Major GCC wide Educational Sector Projects Due for Completion by Q4, 2014 by Project Value (US$ Million)

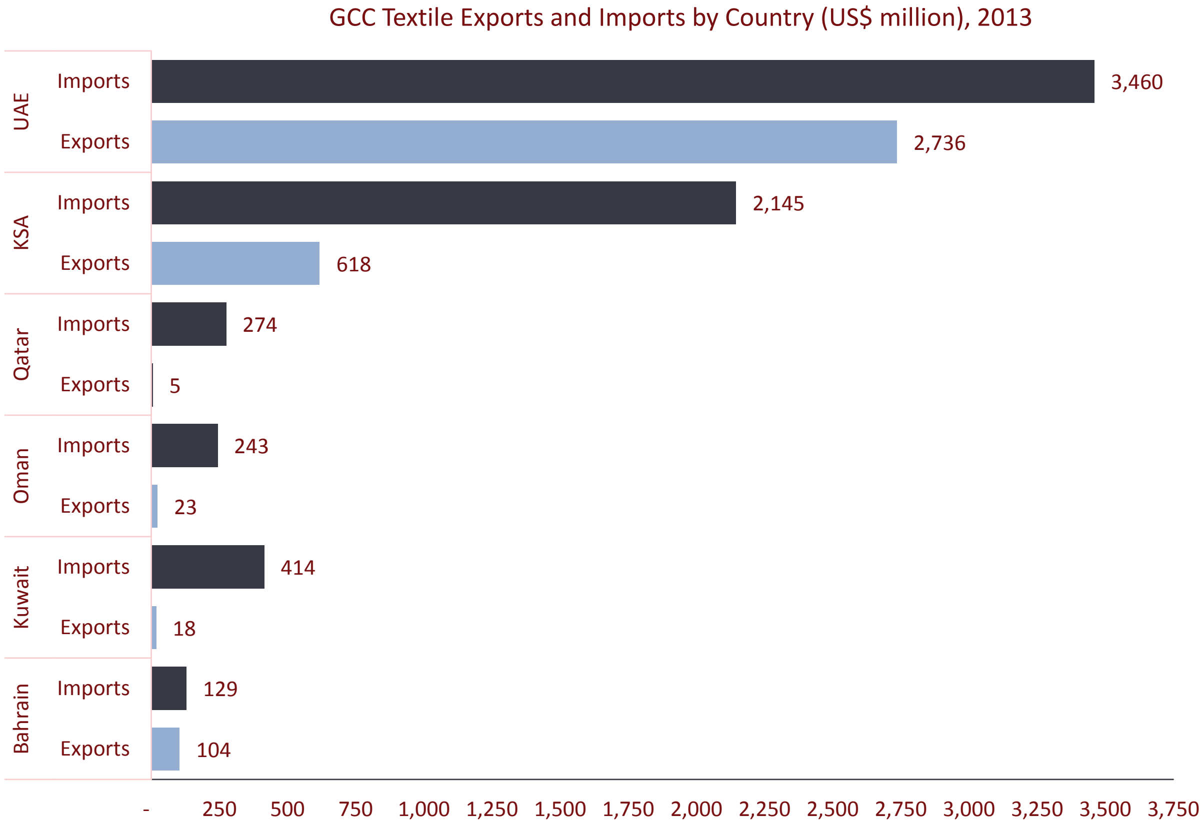
Project Name	Country	Client	Value (US$ Million)
Jazan University - Main File	Saudi Arabia	Ministry of Higher Education, Saudi Arabia / Jazan University	814
King Khalid University in Abha - Medical City - Phase 2	Saudi Arabia	King Khalid University	800
Najran University - Main File	Saudi Arabia	Ministry of Higher Education, Saudi Arabia	676
200 Schools in Different Cities in Saudi Arabia	Saudi Arabia	Ministry of Education, Saudi Arabia	535
King Khalid University at Abha - Medical City Male Campus Phase 2	Saudi Arabia	Ministry of Higher Education, Saudi Arabia / King Khalid University	492
Tabouk University - Phase 1	Saudi Arabia	Ministry of Higher Education, Saudi Arabia / Tabuk University	375
King Khalid University at Abha - Phase 3: Administration Buildings	Saudi Arabia	King Khalid University / Ministry of Higher Education, Saudi Arabia	175
King Khalid University at Abha	Saudi Arabia	King Khalid University	160
Police College at Mubarikiya District	Kuwait	Ministry of Public Works (MPW), Kuwait	157
Qassim University - Campus & Medical Colleges for Men	Saudi Arabia	Ministry of Higher Education, Saudi Arabia	140
Industrial Training Institute in Al Ihsa	Saudi Arabia	Saudi Aramco / The General Organization for Technical Education & Vocational Training (GOTEVOT)	135
Baynuna Academy Complex	UAE	Institute of Applied Technology	129
Northwestern College of Media & Communication at Education City	Qatar	Qatar Foundation for Education Science & Community Development	120
Labs and Workshops for Second Extension of the College of Technology in Shuwaikh	Kuwait	Public Authority for Applied Education & Training (PAAET)	102
Sulaiman Al Rajhi University - Medical Colleges	Saudi Arabia	Sulaiman Al Rajhi Colleges	100
Qassim University - Female Health Colleges	Saudi Arabia	Qassim University	94
14 School in Riyadh	Saudi Arabia	Ministry of Education, Saudi Arabia	81
Jazan University - Engineering & Computer Science College	Saudi Arabia	Jazan University / Ministry of Higher Education, Saudi Arabia	75
Tabouk University - Phase 1 - Medical College	Saudi Arabia	Tabuk University	74
Vocational and Educational Center in Zayed Military City	UAE	GHQ	72
10 Kindergartens around Doha & in Villages - Package 6	Qatar	Public Works Authority (Ashghal)	71
Umm al-Qura University Expansion in Makkah	Saudi Arabia	Umm al Qura University	69
Future School in Abu Dhabi - Phase 4 - Pack 2	UAE	Abu Dhabi General Services PJSC (Musanada)	66

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

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

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

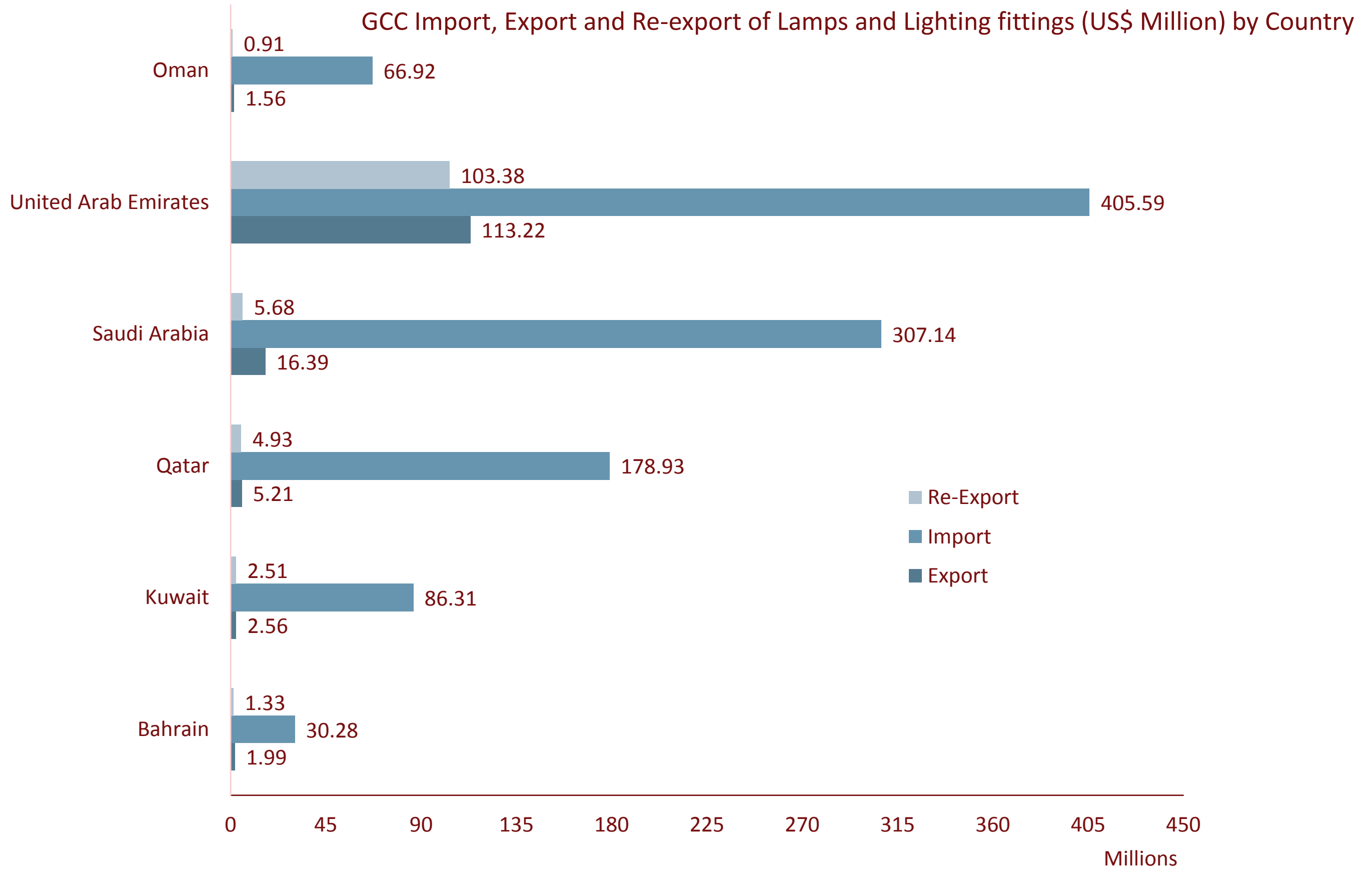
Figure 17: GCC Import and Export of Textiles (US$ Million) by Country



Source: World Trade Organization www.wto.org

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

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

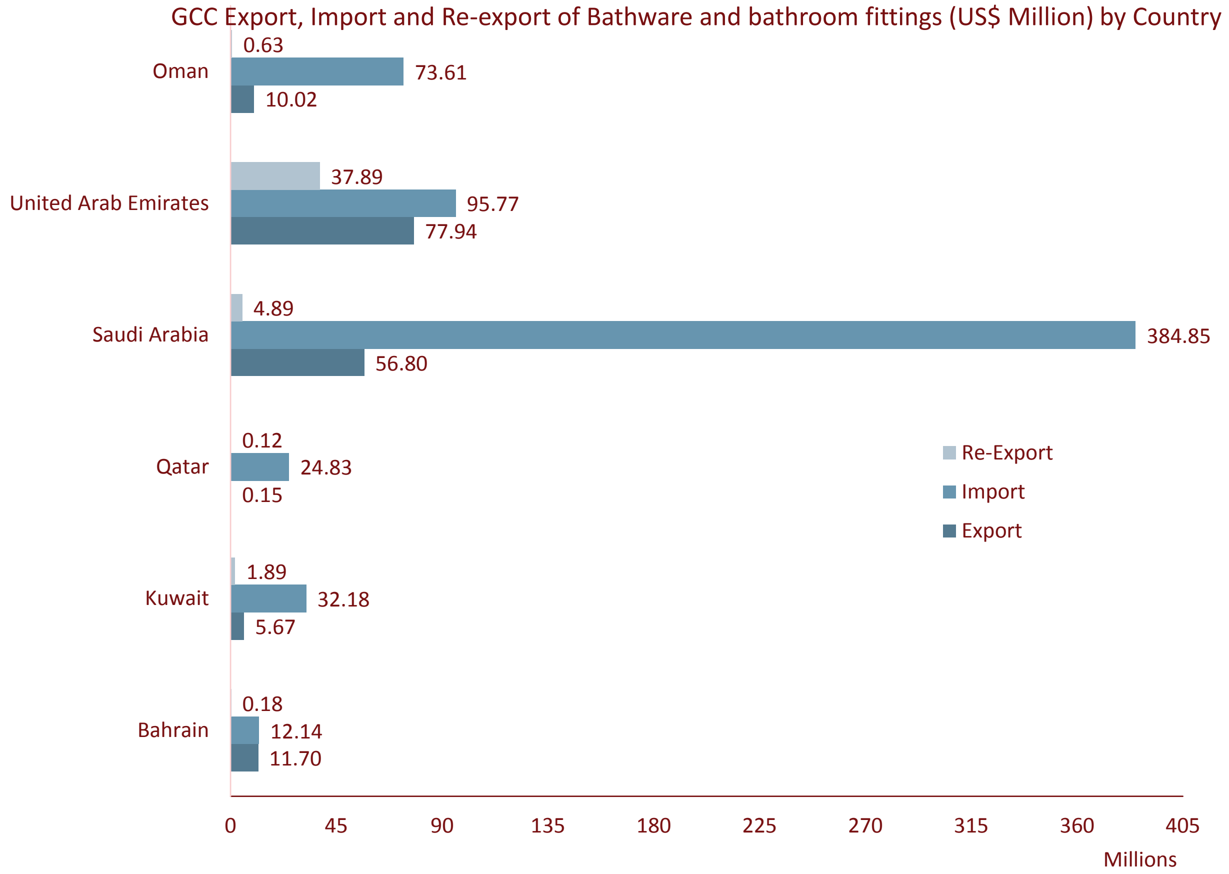


Source: United Nations Commodity Trade Database, http://comtrade.un.org/

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

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

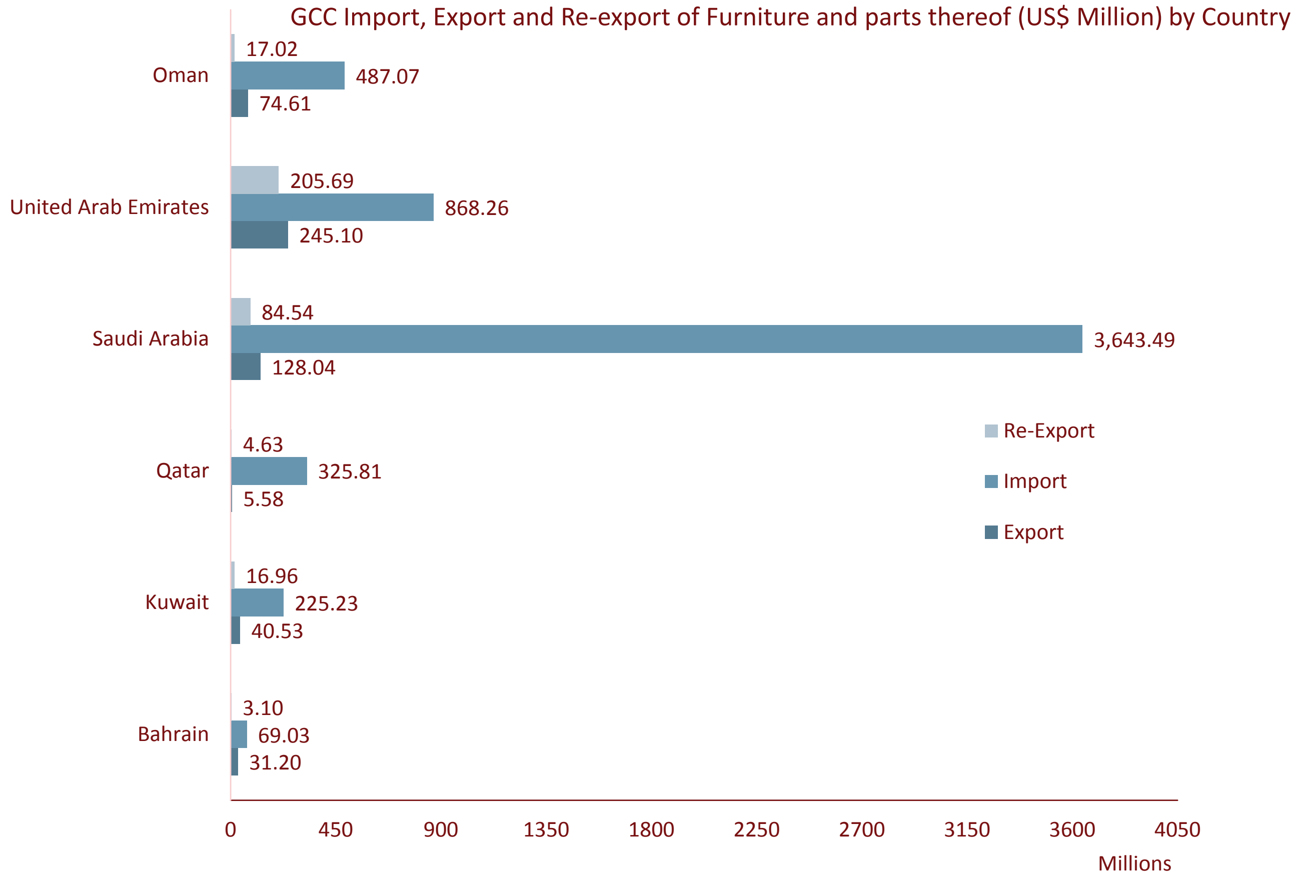
Figure 19: Import, Export and Re-export of Interior Items-Plastic Bathroom ware (US$ Million) by Country



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

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

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



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

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

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

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

CONCLUSION

The GCC building construction market is clearly showing a positive uptrend in 2014, with most segments beginning to show the results of the sustained government backed budgetary spend of the past few years. As social infrastructure and diversification remained the cornerstones of this growth model, the residential segment spurred by the large scale social housing programs in the region, education and healthcare development have stood to benefit immensely. Physical infrastructure upgrades and adopting tourism as a means to attract foreign investment has also helped many of the countries adopt a sustainable platform to growth.

The winning bids to host global events such as the World Expo 2020 by Dubai and the World Cup 2022 by Qatar have provided these economies with a catalyst to help boost economic revival. This has unleashed a chain of economic activities across the building construction industry, attracting foreign investors and tourists to the affluent, fast growing consumer base of the GCC alongside spurring retail and hospitality segment of the buildings market. Even the commercial segment that has over the years vastly remained oversupplied has begun to witness greater absorption rates over 2014.

The aforementioned trends have translated into a plethora of opportunities for the interiors and fit outs market across segments, apart from a growing market for refurbishment as existing establishments also gear up to meet the increased competition by remodelling themselves.

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

Despite these long term concerns, the GCC building construction and interiors market is clearly set for a sustained upward stint over the next few years with the hospitality and educational sectors being the ones to watch out for Oman, Bahrain and Qatar that are the fastest growing sectors and countries in terms of project completions in 2014.