



Saudi Arabia Construction Market Outlook

A knowledge paper prepared for

STONE & SURFACE

SAUDI ARABIA المملكة العربية السعودية



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Saudi Arabia Construction Market Scenario

In the Gulf Country Council (GCC), Saudi Arabia and the United Arab Emirates (UAE) are the largest construction markets, with Saudi Arabia accounting for more than one-third of the share in the GCC construction market. The active construction projects in Saudi Arabia were valued at around USD850 billion in 2017. The growth of construction sector in the Middle East and North Africa (MENA) region took a dip in 2016 and the growth remained negative in 2017 as well. Saudi Arabia has witnessed the same trend majorly due to decline in crude oil prices and the revenue generated through crude oil exports.

Rising focus of Saudi Arabia government on increasing its net spending and launching of Vision 2030 is expected to significantly boost the country's economy and construction sector in the coming years. Saudi Arabia construction sector's immediate outlook looks promising and the annual average growth rate is expected to be 5.02% during 2019-2024.

Market Segmentation

Sectors

- Industrial
- Commercial
- Infrastructural
- Residential

Region

- West
- East
- Central
- Rest of Saudi Arabia

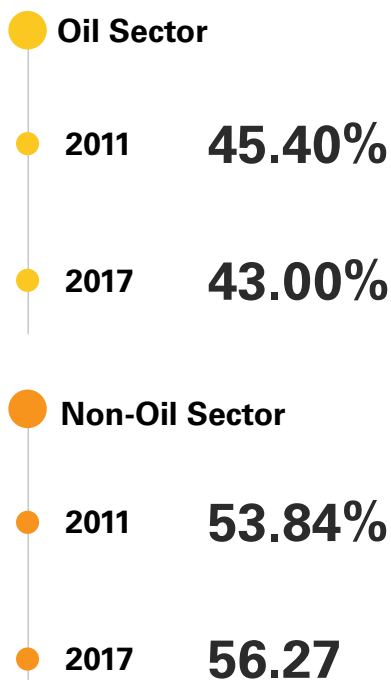
Saudi Arabia Economic Outlook

Kingdom of Saudi Arabia (KSA) is planning to boost overall spending to USD300 billion in 2019, up by about 13% from 2018. The Government of Saudi Arabia is facing several challenges, especially in controlling the fiscal debt, diversifying government revenues and in minimizing dependence on oil. Non-oil based sectors have shown growth in their revenues as government focuses on reducing oil dependence, which is an important contributor to the country's GDP. About 6.30% of the budget of KSA was allocated to infrastructure and transport in 2018.

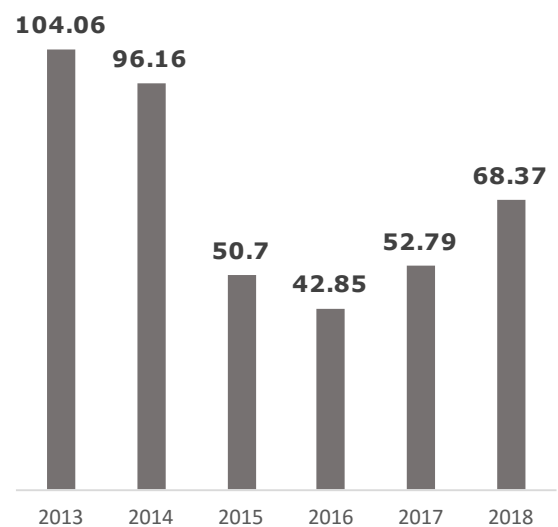
The large budget indicates that KSA is expecting significant revenue growth in the years to come. Declining crude oil prices have led to increased investments in the non-oil sector, through various initiatives like the National Transformation Program (NTP) 2020, undertaken to drive the institutional capacity and capabilities needed to achieve Saudi Arabia's Vision 2030.



Saudi Arabia GDP Spending, By Sector, 2011-2017 (%)



Saudi Arabia Crude Oil Prices, 2013-2018 (USD/bbl)



Saudi Arabia is predominately an oil based economy and will continue to remain one in the coming years as well. However, in the recent years, the government has diversified its economic spending to different sectors. Government service sector accounts for maximum share in non-oil sector-wise spending, which includes military, health-care, etc. Moreover, government is boosting its spending on public education and higher education and training.

Additionally, Government is making considerable spending in healthcare as it aims to complete 2 medical cities. Wholesale, retail, hotels and restaurants account for the second largest share in non-oil sector spending owing to increasing expenditure on development of new hotels and cities, and redevelopment of cities with modern amenities to cater to more number of pilgrims.

The country is also witnessing rise in the manufacturing sector, especially in the field of pharmaceuticals, as many multinational firms such as GSK, Novartis, etc., have set up their production units in the country. Furthermore, with the coming up of Haramain High Speed Railway and Saudi Railway Masterplan, high spending is anticipated for transportation development.

Saudi Arabia Sector-wise Spending in Non-oil Sector, 2018 (%)





Saudi Vision 2030

Aims at diversifying the country's economy by investing and promoting non-oil based sectors.

Key Goals and Objectives of Vision 2030



- To increase the public investment fund's assets from **USD159.89 billion in 2016 to USD1,865.40 billion by 2030.**
- To increase the share of non-oil based exports from **16% in 2016 to 50% by 2030.**
- To increase the share of Foreign Direct Investment (FDI) in GDP from **3.8% in 2016 to 5.7% by 2030.**
- To increase the private sector contribution from **40% in 2016 to 65% of GDP by 2030**, thereby opening up different sectors for private sector players.
- Vision 2030 also plans to attract **36 million** pilgrims a year to the country's holy places.

Key Initiatives to Achieve Vision 2030

- Saudi Arabia aims to set up a sovereign wealth fund amounting to around USD2 trillion to support the development projects associated with the Vision 2030.
- FDI worth USD1 trillion is anticipated to flow in the country during 2017-2032, thereby boosting the private sector growth.

Construction Sector Contribution to Achieve Vision 2030

- Construction sector is expected to significantly contribute in driving the Saudi Arabia's economy away from an oil based economy by creating job opportunities in both residential and non-residential construction activities.
- Growing population coupled with rising urbanization is fueling the country's construction sector. The country is targeting to increase the contribution of its construction sector to the overall GDP from 5% in 2017 to 10% by 2030.



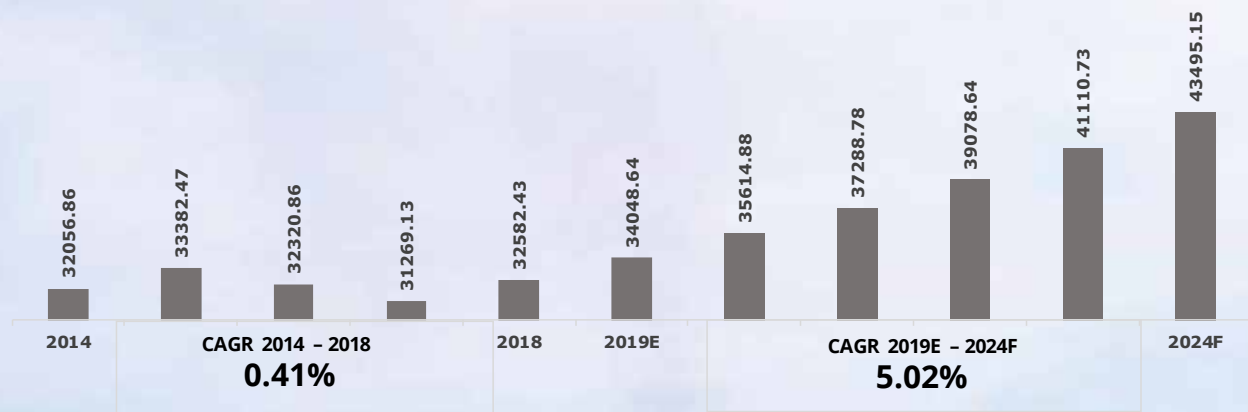


Saudi Arabia Construction Market Outlook

Saudi Arabia construction market was valued at USD32.58 billion and is projected to grow at a CAGR of 5.02% during 2019-2024 to reach a value of USD43.49 billion in 2024. Anticipated growth of the market can be attributed to increasing government spending towards construction of transport and infrastructure in the country.

Moreover, investment through public and private partnership is also on the rise with investment of around USD31 billion coming for the development and expansion of airports in the country, scheduled to be completed by 2020. Additionally, keeping up with the Vision 2030, development of Mecca, Medina and projects in the pilgrim city are gaining traction with major spending on the expansion of Great Mosque of Mecca. Furthermore, the net spending is also increased in the field of education as construction of Knowledge Economic City has attracted an investment close to USD8 billion which is expected to be completed by 2020.

Saudi Arabia Construction Market Size, By Value, 2014–2024F (USD Million)



Market Dynamics – Drivers & Challenges

- **Participation of Foreign Investors**

Saudi Arabian government has allowed 100% ownership of companies, plant, equipment, projects and property along with the various incentives and tax concessions. All these factors are attracting foreign investors.

- **Urban Development and Modernization Projects**

Large number of construction projects in Saudi Arabia are majorly focussed on modernizing the existing infrastructure and constructing new projects.

- **Population Growth Increasing Housing Demand**

Population in Saudi Arabia is rapidly growing and is expected to reach around 37 million by 2020. With close to one-third of the population owning houses, there is a huge untapped market.

- **Lack of Skilled Labor**

Construction companies are showing inclination towards employing only skilled labor for construction activities and prefer to hire skilled electricians, carpenters, etc. However, Saudi Arabia lacks skilled labor force, which is posing a challenge for the construction sector.

- **Declining Oil Prices**

Crude oil prices are the major source of revenue for Saudi Arabia. Thus, low crude oil prices have impacted the country's economy owing to which major construction and infrastructure projects were put on hold due to lack of funds.

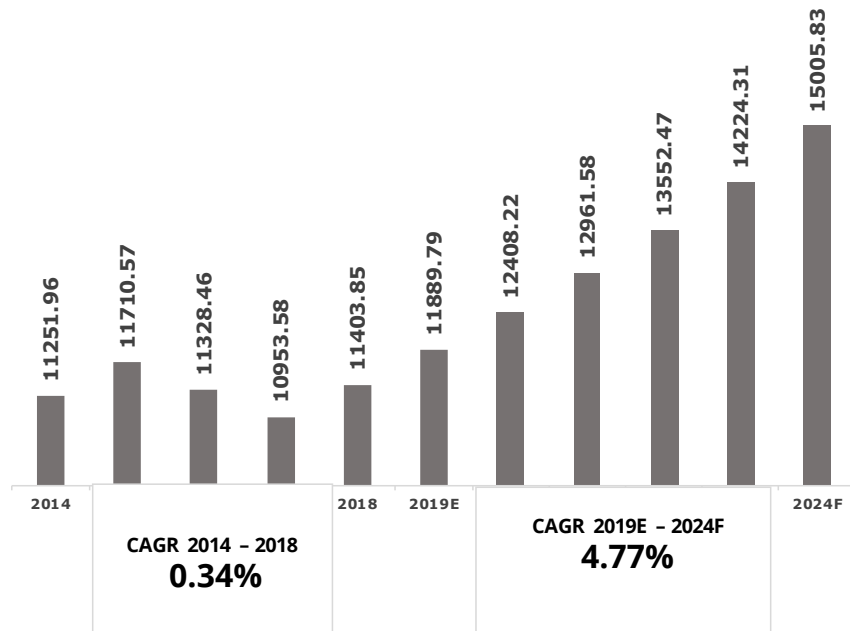
Saudi Arabia Industrial Construction Market Outlook



Saudi Arabia industrial construction market was valued at USD11.40 billion in 2018, and has shown a relatively low CAGR of 0.34% during 2014–2018 majorly due to slump in crude oil prices. However, with the recovery in crude oil prices, the industrial sector is expected to witness growth in the coming years.

Industrial construction market is estimated to grow at a CAGR of 4.77% during 2019–2024 to reach a value of USD15.00 billion by 2024. KSA is rapidly becoming a highly popular investment location in terms of industrial development for the foreign investors owing to government initiatives to support such investments which mainly include tax concession, low cost of sites available in the economic cities such as Jubail & Yanbu and allowing 100% ownership of companies, plant, equipment, projects and property in all regions except Meca & Medina, etc.

Saudi Arabia Industrial Construction Market, By Value, 2014-2024F (USD Million)



Partial List of Key Industrial Construction Projects in Saudi Arabia, 2017

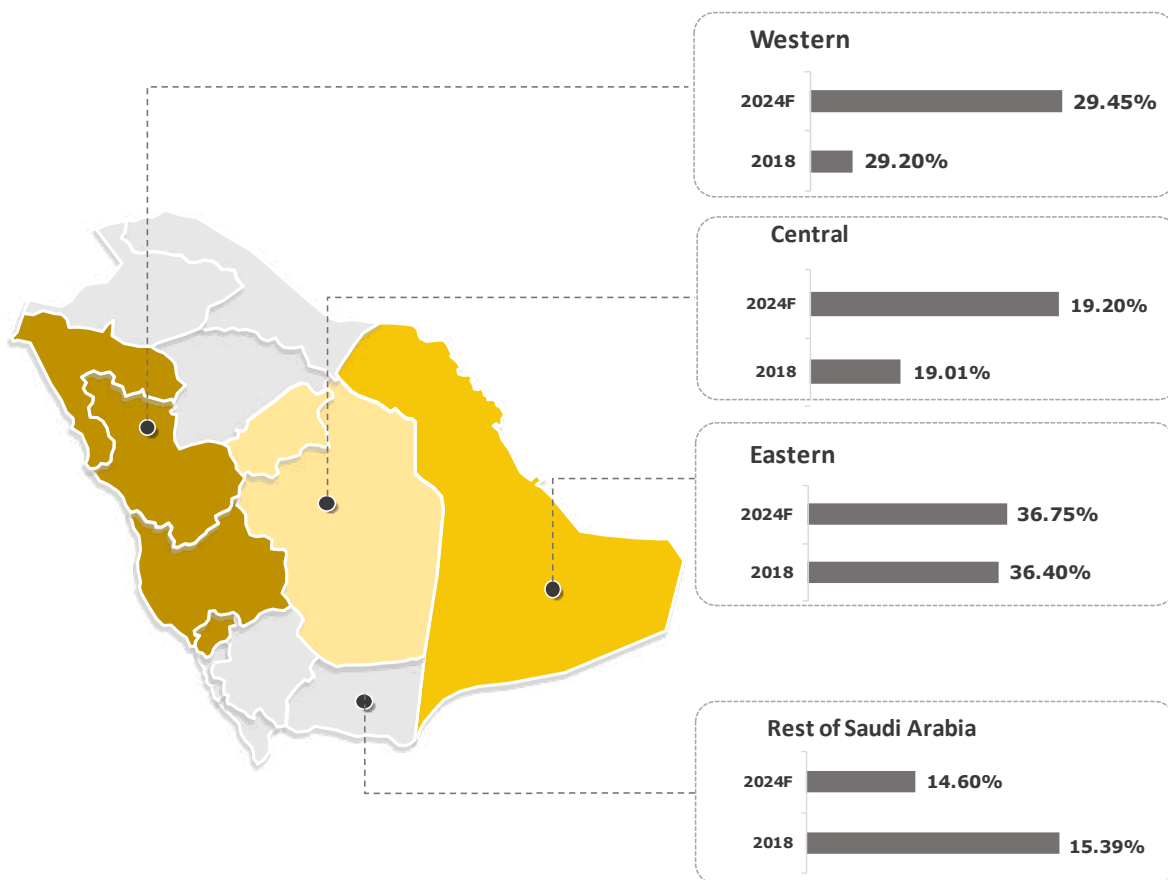
Region	Project Name	Project Cost
Eastern	Jubail II	USD80 billion
	Jubail Power & Desalination Plant	USD8 billion
	Jubail Three Cogeneration Plant	USD4 billion
Rest of Saudi Arabia	Waad Al Shamaal City Development	USD9.6 billion
Western	Jazan Integrated Gasification Combined Cycle	USD12 billion



In 2018, Eastern region held maximum share of 36.40% in Saudi Arabia industrial construction market, followed by western region with 29.20% market share.

Due to the presence of large capacity ports at Jubail and Dammam in the east and Yanbu in the west, industrial construction is expected to show significant growth in these regions. Eastern region industrial construction market was valued at USD4.15 billion in 2018 and is projected to grow at a CAGR 4.93% during 2019-2024, whereas, industrial construction market in western region is estimated to witness growth at a CAGR of 4.91% during 2019-2024 to reach USD4.42 billion by 2024.

Saudi Arabia Industrial Construction Market Share, By Region, By Value, 2018 & 2024F



NOTE:
 Central region includes Riyadh and Qassim
 Eastern region includes Dammam, Dhahran, Khobar, Jubail, Hofuf and Wadi al-Dawasir
 Rest of Saudi Arabia includes Tabuk, Northern Borders, Jawf, Ha'il, Jizan, Asir and Najran
 Western region includes Jouf, Tabuk, Bahah, Madinah and Mecca.

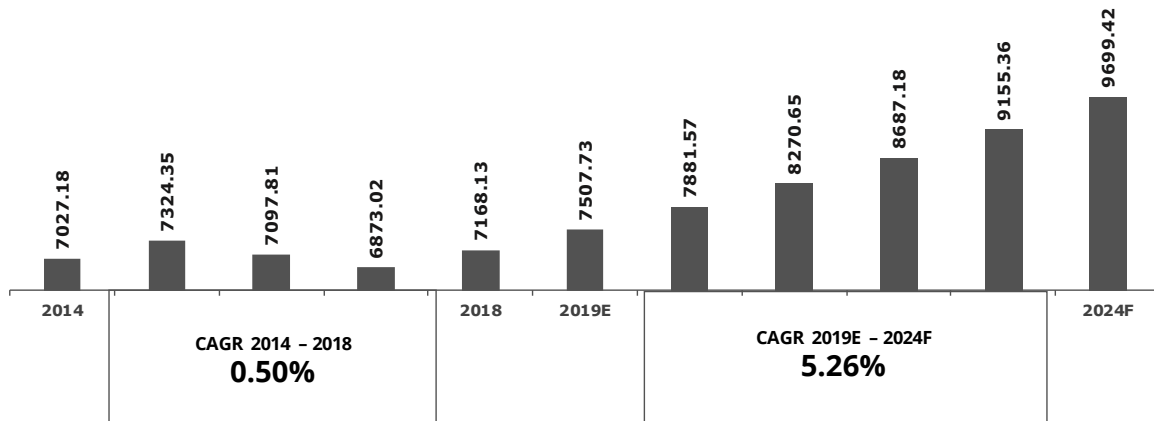
Saudi Arabia Commercial Construction Market Outlook

Saudi Arabia commercial construction market stood at USD7.16 billion in 2018 and exhibited muted CAGR of 0.50% during 2014–2018. The sector is expected to show relatively higher growth in the coming years and is estimated to grow at a CAGR of 5.26% during 2019–2024 to reach USD9.69 billion by 2024.

Over the past few years, Saudi Arabia has attracted high investments in commercial sector backed by National Transformation Programme (NTP) 2020, which aims at strengthening public–private partnerships, creating jobs, reducing dependence on imports, etc. Moreover, national spending on development of offices, schools and hospitals has increased with economic and education cities coming up in various parts of Saudi Arabia. Additionally, with the increase in number of tourist and pilgrims in the country, expenditure in the HoReCa sector is also increasing significantly.



Saudi Arabia Commercial Construction Market, By Value, 2014-2024F (USD Million)



Partial List of Key Commercial Construction Projects in Saudi Arabia, 2017

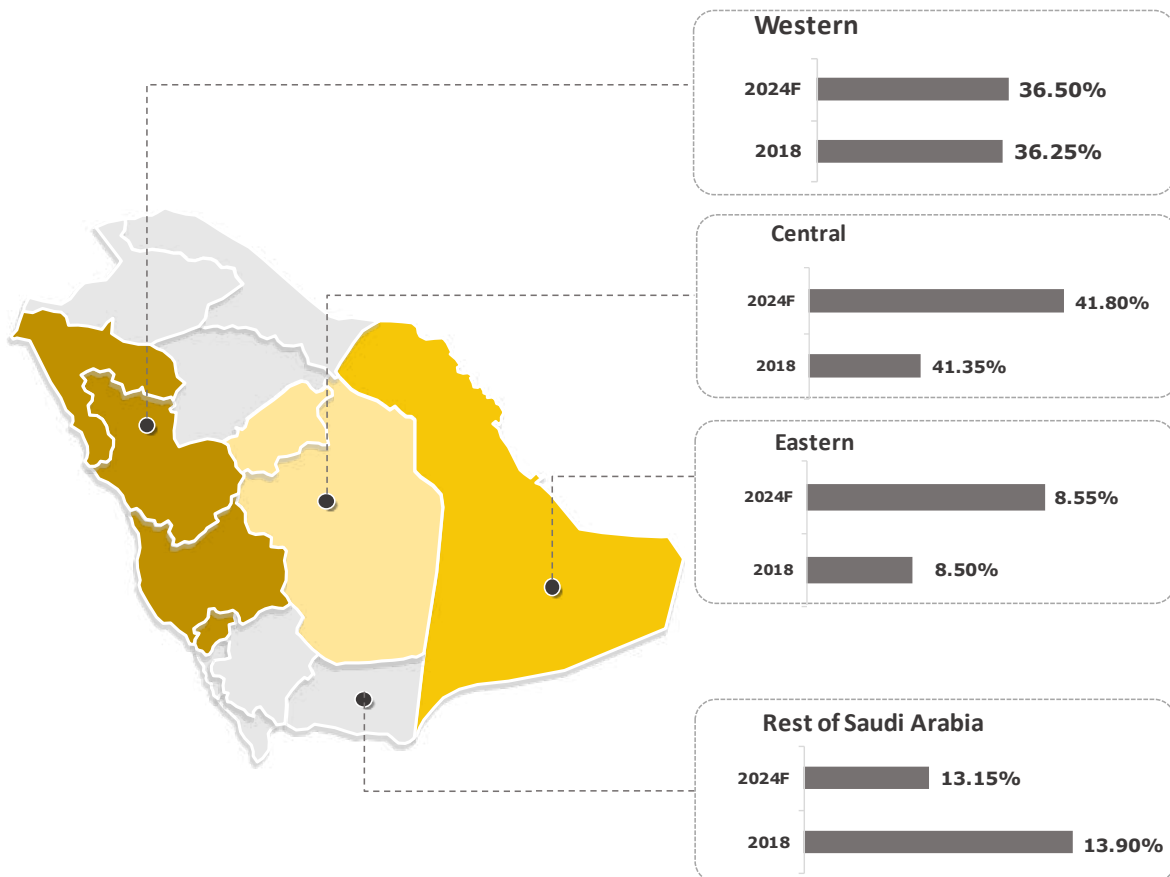
Region	Project Name	Project Cost
Western	Jizan Economic City	USD30 billion
	Jeddah Economic City	USD20 billion
	Heart of Jeddah	USD11 billion
	Knowledge Economic City	USD8 billion
Central	King Abdullah Financial District	USD10 billion



Central region accounts for the maximum share in Saudi Arabia commercial construction market. The region has Riyadh, the capital city, which has witnessed significant construction and development in terms of commercial spaces with construction of King Abdullah Financial District and The Avenues.

Commercial construction market in Central region was valued at USD2.96 billion in 2018 and is forecast to grow at a CAGR of 5.46% during 2019-2024. Following a similar trend, western region commercial construction market is also projected to grow at a CAGR of 5.37% during 2019-2024 to reach USD3.54 billion by 2024.

Saudi Arabia Commercial Construction Market Share, By Region, 2018 & 2024F



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 Central region includes Riyadh and Qassim
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 Western region includes Jof, Tabuk, Bahah, Madinah and Mecca.

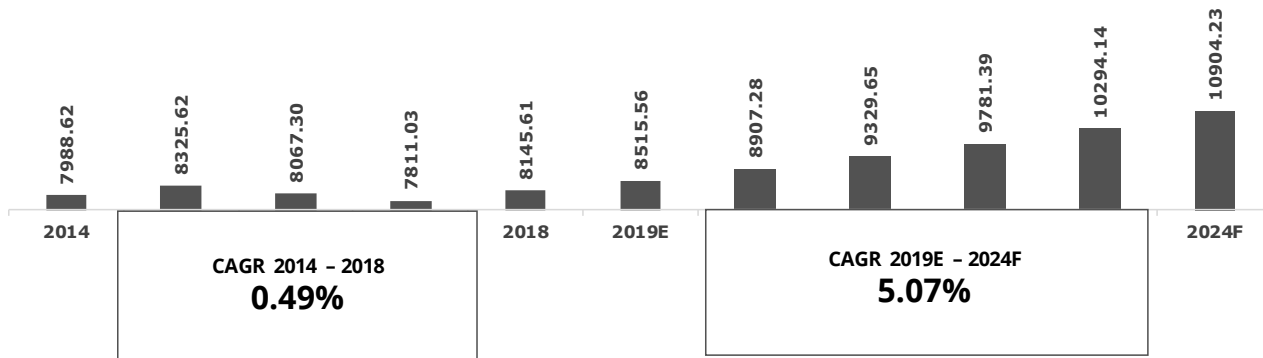


Saudi Arabia Infrastructure Construction Market Outlook

Saudi Arabia infrastructure construction market is estimated to grow at a CAGR of 5.07% during 2019–2024 to reach USD10.90 billion by 2024. The growth in the market is led by rapid growth in the country's tourism industry and rising spending on development and construction of airports. Saudi Arabia is also spending a large sum of money for development of transportation network in the country.

The GCC Railway Network, Saudi Arabian railway network, Bus & Transit system and Metro transit systems are few of the initiatives taken by the Ministry of Transport in KSA. Moreover, the country's spending on the development of port facilities has increased in the recent years as King Fahad Industrial Port is going through an expansion with addition of new berths.

Saudi Arabia Infrastructure Construction Market, By Value, 2014-2024F (USD Million)



Saudi Railway Masterplan

This project has several routes and connects the capital Riyadh with northern and southern parts of the country as well as the port cities. The total investment is expected to cross more than USD95 billion and the project will be completed in 3 phases by 2040.

Partial List of Key Infrastructure Construction Projects in Saudi Arabia, 2017

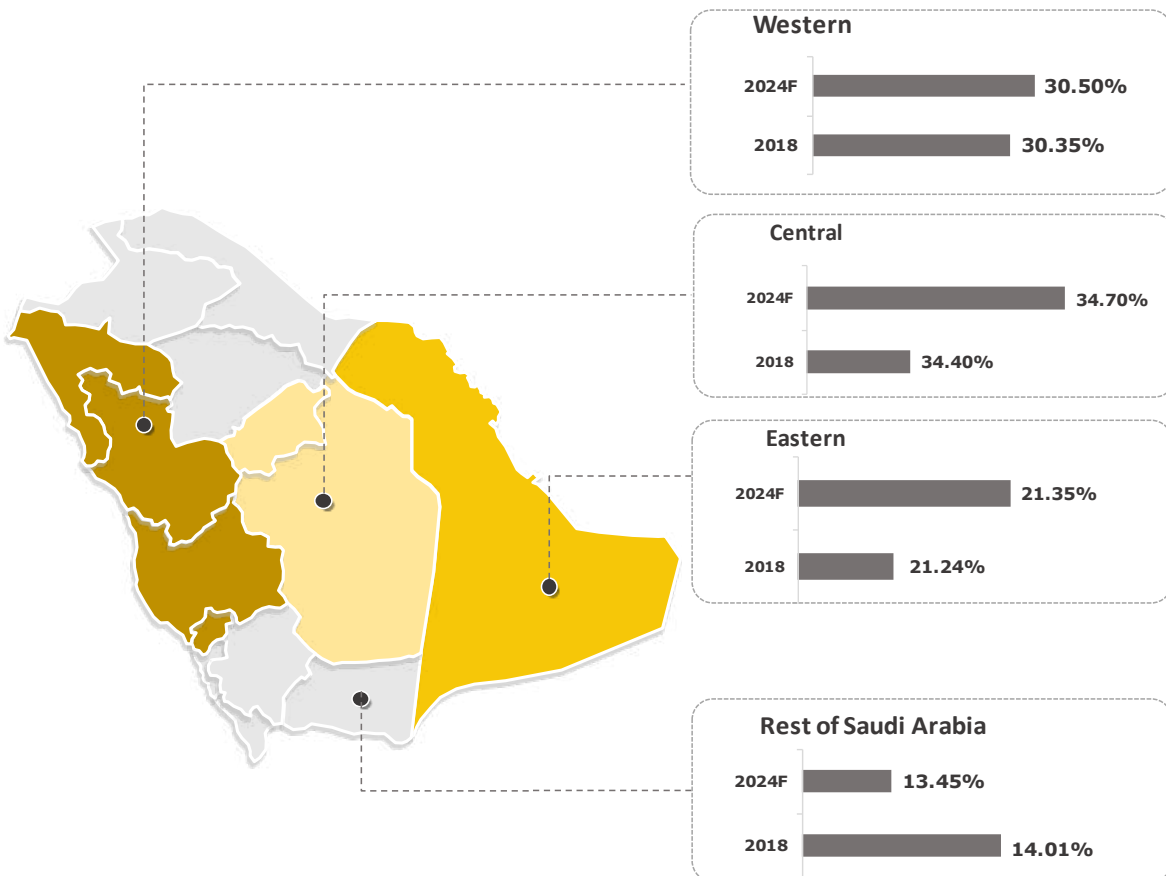
Region	Project Name	Project Cost
Pan Saudi Arabia	Saudi Railway Masterplan	USD95 billion
Central	Riyadh Metro	USD22 billion
	King Khalid International Airport Expansion	USD6 billion
Western	Mecca Public Transport Programme	USD16.5 billion
	King Abdul Aziz International Airport Expansion	USD10 billion



Central region is the leading region in Saudi Arabia infrastructure construction market followed by western and eastern region. In 2018, central region infrastructure construction market stood at USD2.80 billion and is projected to witness growth at a CAGR of 5.21% during 2019-2024.

Whereas, western region infrastructure construction market is forecast to grow at a CAGR of 5.15% during forecast period to reach USD3.32 billion by 2024. Dominance of central region can be attributed to Riyadh Metro, the upcoming landmark project in the capital city along with the expansion of airport terminals which has attracted significant investments.

Saudi Arabia Infrastructure Construction Market Share, By Region, By Value, 2018 & 2024F



NOTE:
 Central region includes Riyadh and Qassim
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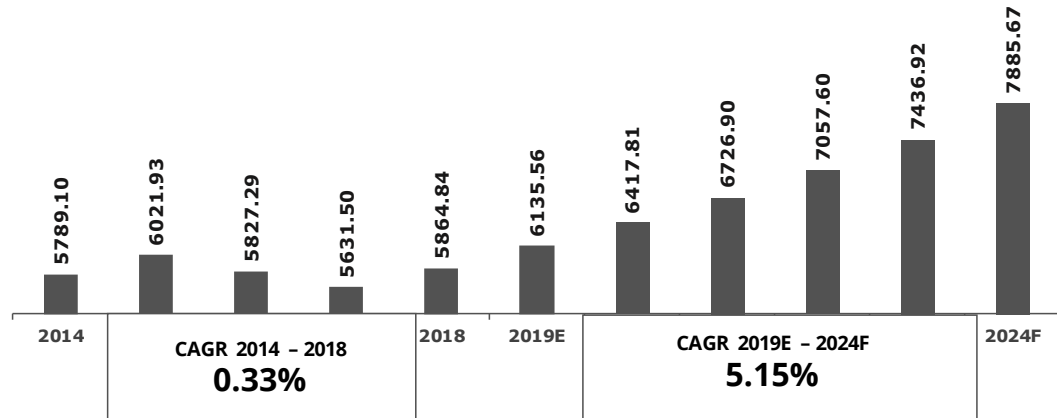
Saudi Arabia Residential Construction Market Outlook

Residential construction market in Saudi Arabia was valued at USD5.86 billion and witnessed sluggish growth at a CAGR of 0.33% during 2014–2018. The market is estimated to grow at a CAGR of 5.15% during 2019–2024 to reach USD7.88 billion by 2024.

Population of Saudi Arabia stood at 33.95 million in 2017 which is expected to grow to 37.20 million by 2020, thereby further resulting in huge demand for houses in the coming years. Moreover, creation of new cities and government development plans is further anticipated to fuel growth in residential construction market at a significant pace. Additionally, other factors such as higher disposable income, rapid urbanization and newly updated mortgage and tax laws, which eased the lending policies, is expected to significantly attract customers for buying new homes and thereby creating a high demand for houses.



Saudi Arabia Residential Construction Market, By Value, 2014-2024F (USD Million)



Partial List of Residential Construction Projects in Saudi Arabia, 2017

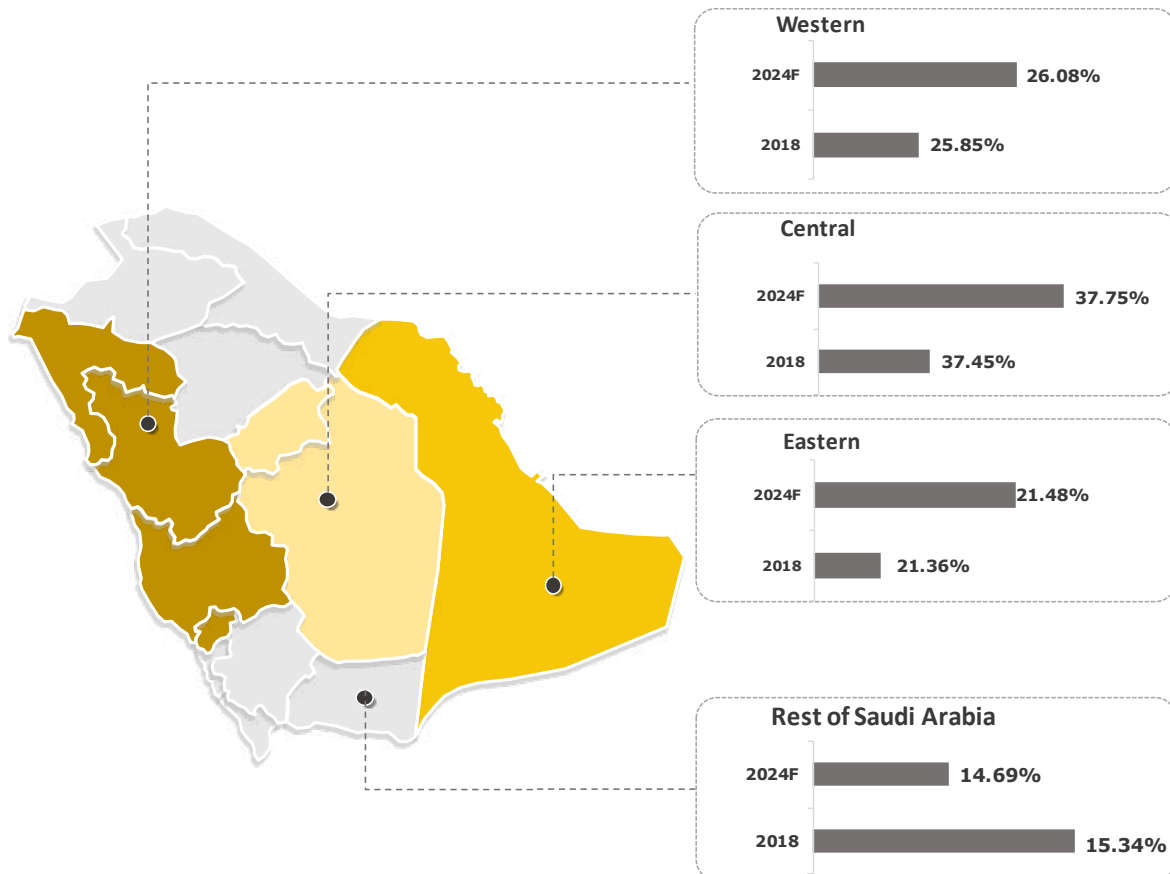
Region	Project Name	Project Cost
Rest of Saudi Arabia	NEOM City	USD500 billion
Central	Dahiyat Fursan Housing Project	USD20 billion
Western	Qasr Khozam	USD13.3 billion
	Al Faisaliah City	USD25 billion
	Al Ruwais Redevelopment	USD13.3 billion



Central region accounts for the majority share of 37.45% in Saudi Arabia residential construction market. Riyadh, being the capital city, has seen rapid urbanization over the past few years, thus development is maximum in this region. In 2018, central region residential construction market was valued at USD2.20 billion and is projected to grow at a CAGR of 5.3% during 2019-2024.

Central region is followed by western region which is forecast to exhibit a CAGR of 5.29% during 2019-2024 to reach a value of USD2.06 billion by 2024.

Saudi Arabia Residential Construction Market Share, By Region, By Value, 2018 & 2024F



NOTE:
 Central region includes Riyadh and Qassim
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 Western region includes Jouf, Tabuk, Bahah, Madinah and Mecca.



Saudi Arabia Top Construction Contractors

Saudi Binladin Group

It is a family-owned company with an experience of over 60 years in infrastructure, energy, and healthcare industries. SBG has been part of big development projects such as the expansion of King Abdul Aziz International Airport in Jeddah with the project value of USD7.20 billion.

In 2016, the group also commenced the construction of Haramain high-speed rail along with the construction of the major stations. SBG is also the leading contractor to build the world's tallest building, Kingdom Tower in Jeddah which is scheduled to be completed by 2021. In addition to these projects, SBG is also part of some long-term projects such as KAFD and KAEC in Rabigh. The group also won the contract for construction of Abraj Kudai project in Mecca and was awarded contract for the expansion of the Grand Mosque in Makkah worth USD21 billion in 2018.

El Seif Engineering Contracting Company

El Seif Engineering Contracting Company is one of the leading contractors in KSA and the GCC region. The firm has completed several large projects such as the Kingdom Tower in Riyadh, the Jewels Twin Towers in Dubai Marina, and Silhouette Tower in Qatar. El Seif is also responsible for designing and building four high rise office and residential buildings in King Abdullah Financial District in Riyadh. Moreover, the company has constructed and developed Hamad Medical City in Qatar and Samba Financial Tower in Riyadh. In 2016, the company was awarded with the project for development and construction of King Abdullah Security Compounds which is scheduled to be completed in 2019.

Abdullah Am Al-khodari Sons Company

Abdullah AM Al-Khodari Sons Company was established in 1966 and is the largest public project EPC service provider in Saudi Arabia. The company has been the leading contractor to clients such as Royal Commission for Jubail & Yanbu, Ministry of Transport, Ministry of Water & Electricity, etc., and has undertaken various projects for these clients which include Main Sewage Line in Wadi Al-Dawaser near Riyadh, Sea water FRP Pipeline, De-Bottlenecking of Pipeline corridors and Procurement & Construction of Potable Water Storage Tanks – Stage III in Jubail. The company is also working on Operations & Management of Water in Hassa and Abqaiq Villages in Eastern provinces of KSA.



Al Rashid Trading & Contracting Company (RTCC)

Al Rashid Trading & Contracting Company was established in 1957. RTCC is one of the leading Saudi Arabian contracting companies whose major projects include college campus, medical centers, etc., and has carried out projects for clients such as Ministry of Health (MOH), Ministry of Education, Ministry of Interior (MOI), Ministry of Water & Electricity, Saudi Railway (SAR) and Ministry of Finance and Public Investment Fund (PIF). The company's ongoing project includes the construction of King Abdullah bin Abdul Aziz Security Headquarters for the Ministry of Interior whose combined cost is estimated to be around USD13 billion.

Al-kifah Contracting Company

The Al-Kifah Contracting Company is one of the largest family owned companies in the Eastern Province of Saudi Arabia. Located in Dammam, the company was established in 1973 and has an expertise in Civil & infrastructure field, MEP & Energy Solutions field and Industrial & EPC field. The company's latest major projects include Industrial Building Works in Riyadh for Saudi Electricity Company and City Commercial Port in Jizan Economic City for Saudi Aramco. The company is also working on civil educational and housing projects such as College Of Basic Sciences and Housing For Military Armed Forces in Dammam.



Al Arrab Contracting Company (ACC)

Al Arrab Contracting Company was established in 1983 and is based in Riyadh. The company's famous projects include King Abdullah Security Compound and Ras Al Zour IWPP project. ACC also executed the largest infrastructure project in Saudi Arabia – the First Phase of USD14 billion Haramain Railway that connects the holy cities of Mecca and Medina through Jeddah.

Al Fouzan Trading And Contracting Company

Al Fouzan Trading and Contracting Company was established in 1974. The company is well known for designing and construction of various medical cities, hospitals, universities and educational centers. Al Fouzan has successfully completed several large projects in the healthcare sector, such as King Abdullah Medical City in Mecca and King Saud Medical City. The major ongoing projects of the company include development of Jeddah Economic City, Dar Al-Hijra Madinah, Government Agencies Complex in Riyadh, King Faisal Medical City, etc.

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