

MARCH 2018

THE OUTLOOK FOR GCC CONSTRUCTION

A powerful and authoritative assessment
of the prospects for construction projects
in the region

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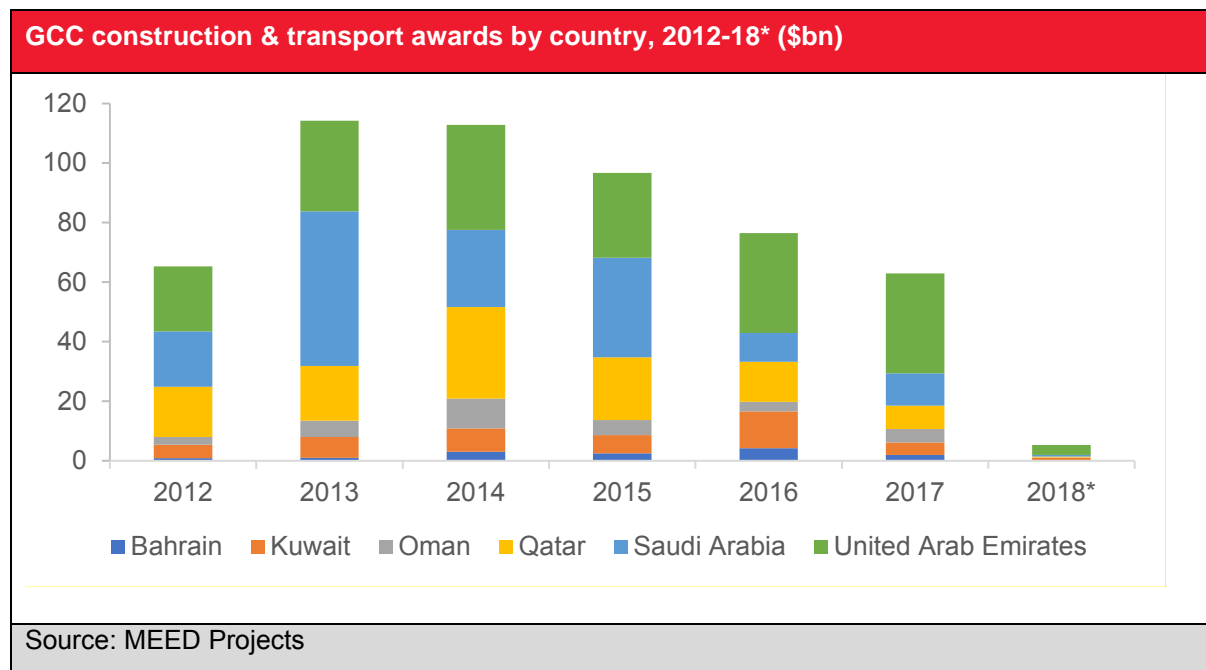
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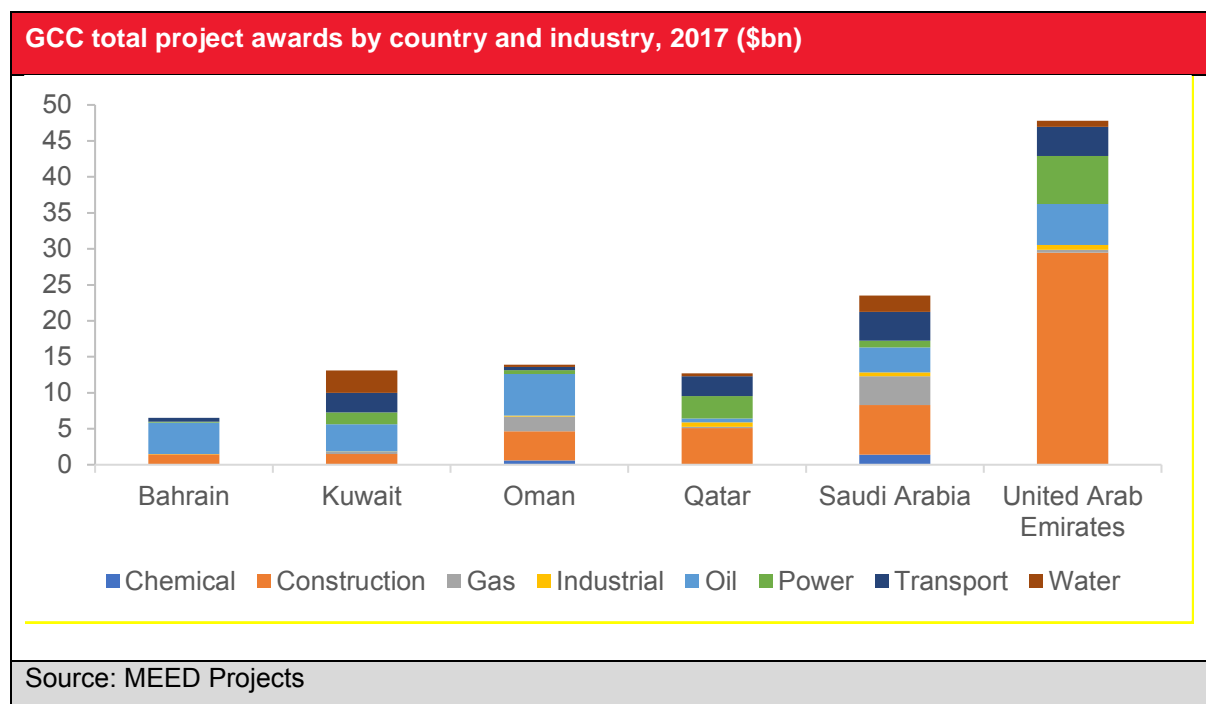
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2.1 Project contract awards

Construction and transport project contract awards in the GCC totalled about \$63bn in 2017, a 21 per cent fall from the \$76.5bn-worth of awards in 2016.



Construction was the most active segment of the GCC projects market in 2017, accounting for about 41 per cent of the \$117.6bn of contract awards in the GCC. Oil and gas followed with 26 per cent, while transport projects accounted for 12 per cent. Power represented 11 per cent of the value of awards.



Much of this growth in visitors is envisaged to come from Bahrain's closest neighbour Saudi Arabia, perhaps using the new 25-kilometre King Hamad Causeway should the project move forward.

The tourism investment projects are part of a larger infrastructure development campaign underway across several sectors in Bahrain.

All projects under the campaign are collectively valued at more than \$32bn. Of this, government funding accounts for \$10bn, in addition to \$7.5bn from the GCC Development Fund and \$15bn from private investors.

As of February 2018, there is \$5.02bn of construction work ongoing on real estate projects in Bahrain.

The largest single contract is the Villamar development at Bahrain Financial Harbour, which is being developed by the Gulf Holding Company. The long-running construction contract was awarded to Al Hamad Group in 2007 and is due to complete by October 2018.

The other major projects also cover work at Bahrain Financial Harbour, and public housing works either being undertaken by the Ministry of Housing directly, or by companies that have partnered with the Ministry for Housing projects.

Largest ongoing real estate projects

Project	Value (\$m)	Contractor	Award	Completion
Villamar at Bahrain Financial Harbour	560	Al-Hamad Group	2007	2018
1,560 Housing Units in Southern Governorate	153	Al-Nabaa Contracting / Tamcon contracting JV	2014	2018
Harbour Row at Bahrain Financial Harbour	360	Almoayyed Contracting Group	2016	2020
Ramli Housing Project	150	Mezal Construction & Services/Luqman Al-Haddad Contracting/Mohammed Saif Ajlan/ Al-Nasir Contracting Est JV	2017	2018
Island 14 at Madinat al-Shamiliya	134	Mohammed Abdulmohsin Al Kharafi & Sons	2013	2018
Catamaran Complex at Seef	84	Kooheji Contractors	2016	2018
Deerat Al Oyoum: 436 Villas	80	Poullaides Construction Company	2016	2019
Bahrain Bay: WaterBay Complex	120	Al Jameel Construction	2015	2019
Ikea Store	105	Kooheji Contractors	2016	2018
Mall of Dilmunia	98	Cyprus Cybarco/Tabet JV	2017	2019
Catamaran Complex at Seef	84	Kooheji Contractors	2016	2018

Source: MEED Projects

Thanks to a series of awards on the Muscat & Salalah International Airport Expansion in recent years, Oman Airports Management Company (OAMC) has become the biggest client in Oman in terms of contracts under execution.

The second-biggest client is the Ministry of Transportation and Communication, which awarded a series of contracts in the last four years for the Batinah and Al Sharqiyah Expressways and other road projects, totalling about \$2.9bn.



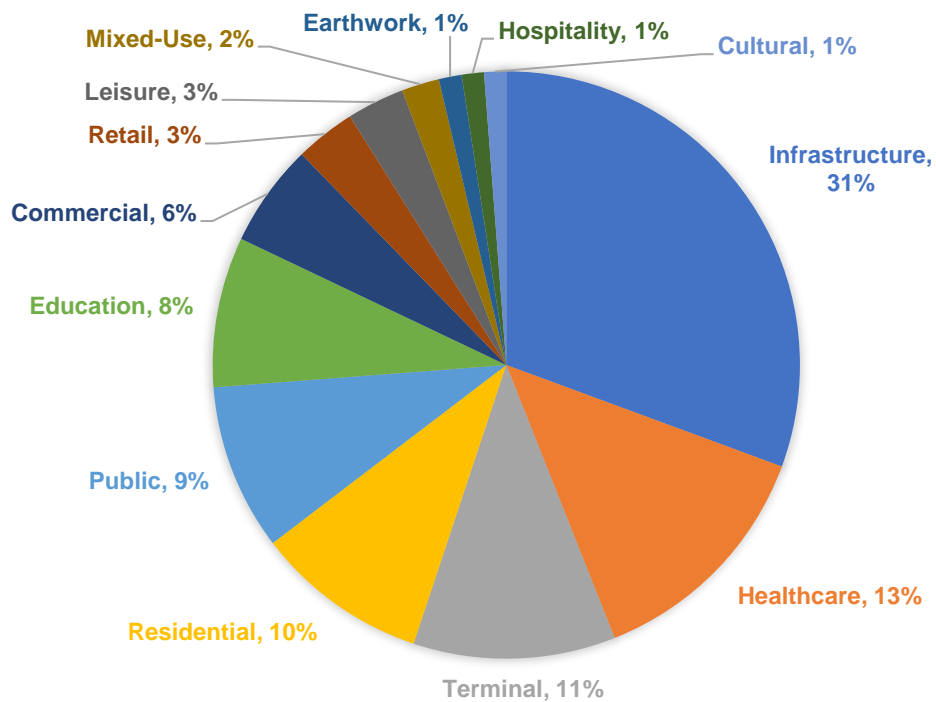
On the contracting side, the building, construction and transport market has historically been dominated by local firms such as Galfar Engineering & Contracting, which today is the biggest main contractor with about \$1.3bn of contracts under execution as of 19 February 2018.

Established in 1972, the company had an annual turnover of \$885m in 2016, which also includes work in Oman's substantial oil and gas sector. It is executing a number of major contracts in Oman's roads sector for the Ministry of Transport & Communications.

Athens-based Consolidated Contractors Company is second to Galfar Engineering & Contracting with some \$1.1bn of construction and transport schemes underway. The \$1.2bn contract for expanding the facilities at the Muscat and Salalah international airports, won by Galfar Engineering & Contracting along with TAV, is nearing completion.

Other international contractors that have enjoyed success in the market include India's Shapoorji Pallonji & Co, which is working on contracts worth \$840m.

Kuwait construction and transport awards 2010-17 by subsector (percentage of \$52.7bn)



Source: MEED Projects

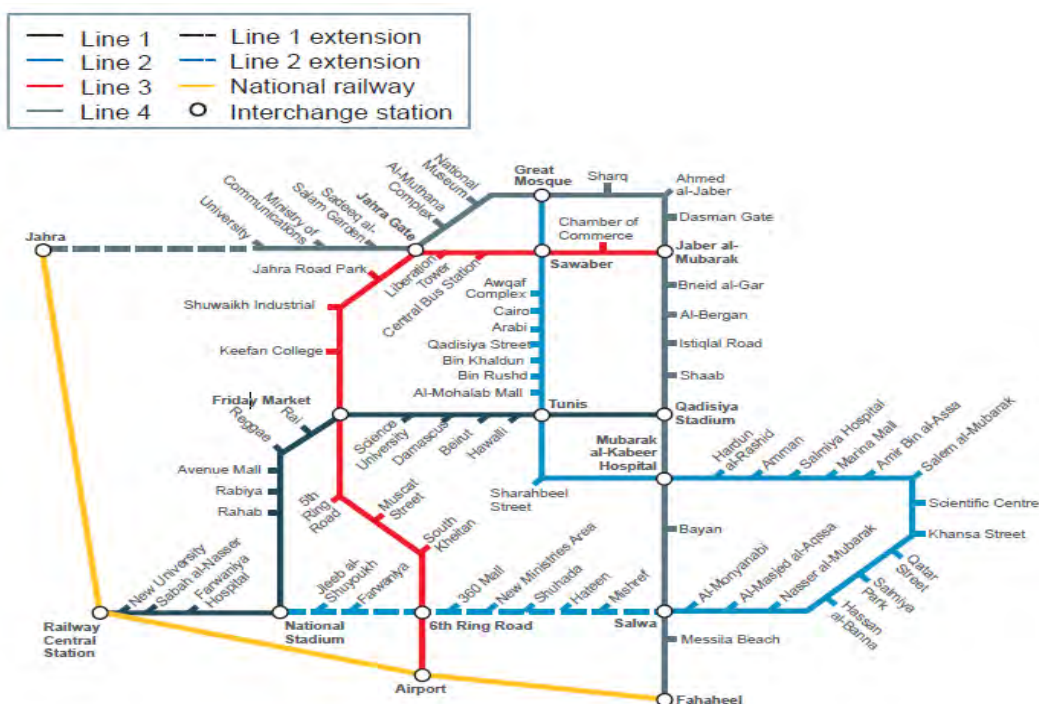
Due to a lack of private development activity, the construction and transportation sector in Kuwait is dominated by four government clients: the Ministry of Public Works (MPW), Kuwait University, the Ministry of Health and the Public Authority for Housing Welfare (PAHW).

These four clients accounted for about 72 per cent of the value of contracts under execution as of 19 February 2018.

The relaunch of the public-private partnership (PPP) programme may result in more openings for foreign companies, but unless a major scheme comes along, it is difficult to see a substantial increase in private construction activity in the short term.

The biggest contract awards in 2017 are related to PAHW's housing programme, DGCA's airport expansion programme, and MPW's roads building programme.

Kuwait city metro network



Source: KAPP

The final phase covered Jahra West and Al-Khout and was expected to cover 60km and include 15 stations. It was also scheduled to open in 2035.

Kuwait Metropolitan Rapid Transit project: Original plan

Phase	Sections	Completion date	Length (km)	Number of stations
1	Salmiya to Kuwait University and airport branch	2020	50	28
2	Messila Beach and UN branches	2022	20	7
3	Cross City line	2030	10	9
4	Central line	2035	20	10
5	Jahra West and Al-Khout extensions	2035	60	15
Total			160	69

Source: MEED

The focus was on phase 1 with the additional phases forming part of a wider masterplan and dependent on the success of the first phase. The first phase was considered too large to issue as a single PPP package, so it was decided to break it down into smaller packages.

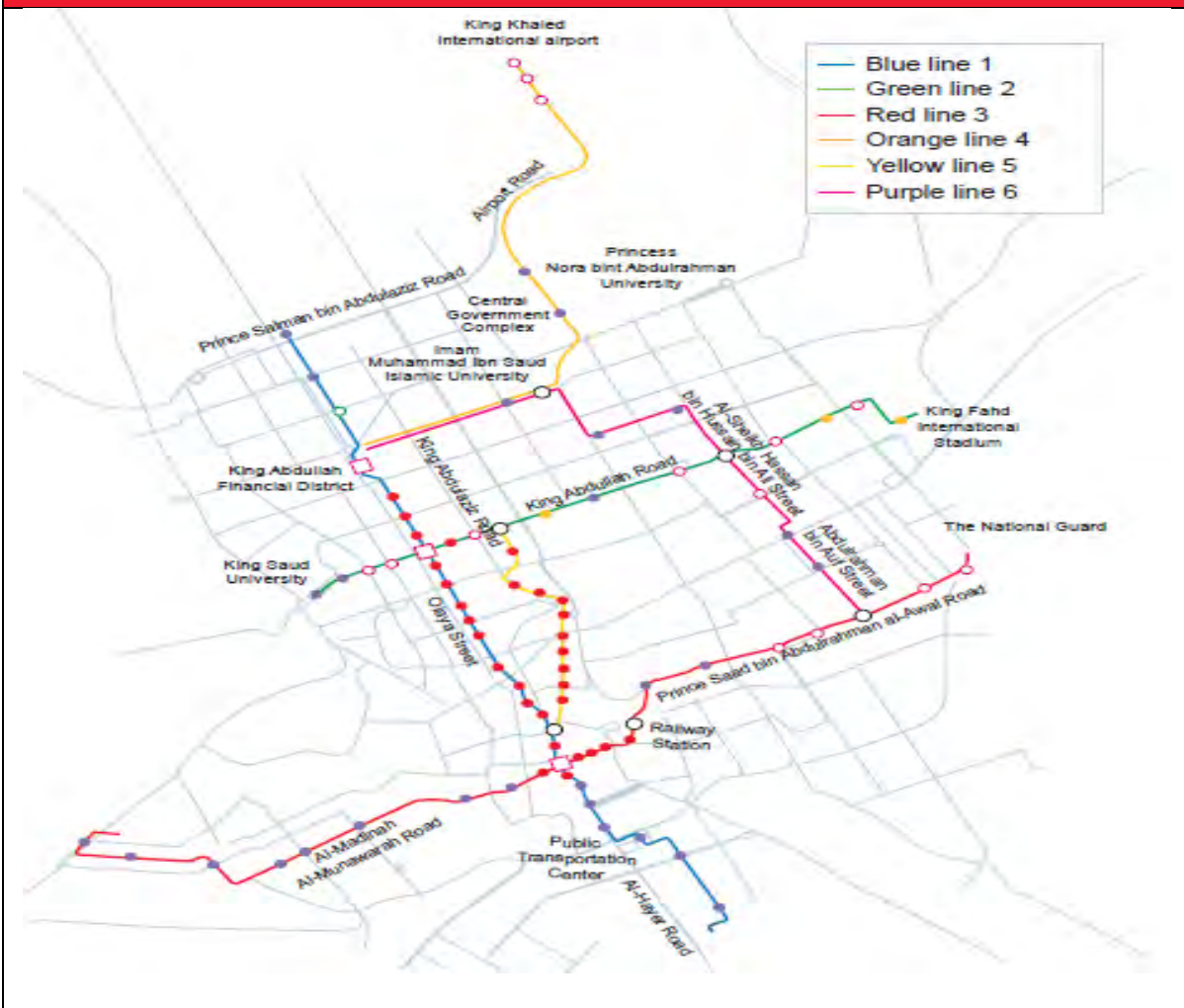
It was decided that developers would have more success raising the necessary funding by approaching the bank market with smaller packages rather than trying to raise the entire contract value at the same time.

times faster than traditional methods. Each train has two cars that are 36 metres long and 2.7 metres wide.

Canada's Bombardier will supply systems and trains for the Arriyadh New Mobility group. Bombardier's share of the deal is worth about \$383m. The work involves supplying 47 of its Innovia Metro 300 two-car driverless trains that are equipped with Mitrac propulsion technology. The electrical and mechanical equipment for the metro system will be delivered by Ansaldo STS.

Siemens will provide the systems and rolling stock for the BACS consortium.

Riyadh Metro network



Source: ADA

In August 2013, ADA officially awarded the PMCM contracts for the Riyadh Metro. A joint venture of the US' Parsons International and French firms Egis and Systra won a \$556m contract to manage lines 1, 2 and 3. A joint venture of US firms Louis Berger and Hill International was awarded the second \$264m contract to manage metro lines 4, 5 and 6. Towards the end of the year, the

The UAE plans to build 7,200 housing units costing AED7.2bn (\$2bn) across the federation for local Emiratis.

In a cabinet meeting in February 2018, the Vice President, Prime Minister and Ruler of Dubai, Sheikh Mohammed bin Rashid al-Maktoum, approved the plans that will be delivered up until 2021.

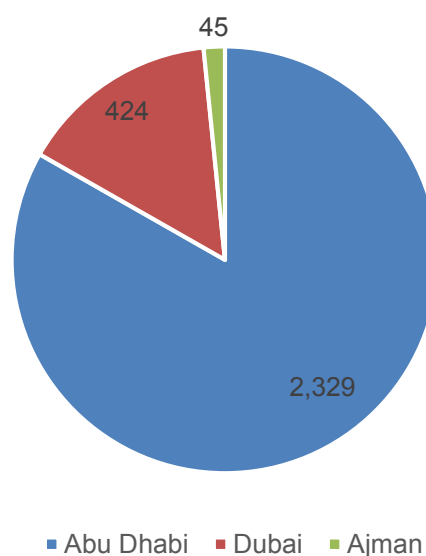
With 80 per cent of Emiratis owning their homes (one of the highest percentages globally), Sheikh Mohammed bin Rashid al-Maktoum stated that housing is a key priority for the UAE 2018, with a total budget allocation of \$953m. For the 2018 federal budget, housing is the largest recipient of planned project spending, with the Sheikh Zayed Housing Programme being allocated AED1.4bn.

Education

According to MEED Projects, school and university projects worth \$2.8bn are currently planned or underway in the UAE, as compared to \$1.8bn pipeline of planned projects in 2016.

NMC's Medical University project budgeted at \$2bn is one of the biggest planned project in the pipeline of the UAE's education sector. NMC Health Care is constructing a new first-of-its-kind medical university in Abu Dhabi. The university will be synchronised with either Duke University in North Carolina or the University of California. The client is currently awaiting approval from the government authorities in the emirate, after which it is expected to be awarded by mid-2020.

Education projects underway by emirate (percentage of \$2.8 bn) 2017



Source: MEED Projects

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