

CONSULTING
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CONSTRUCTION SECTOR

QATAR CONSTRUCTION SECTOR
OVERVIEW

MAY 2022

CONSTRUCTION SECTOR OVERVIEW COVERING THE PROJECT MARKET FOR THE PERIOD 2018 TO 2029...



INTRODUCTION

This construction sector overview (“**Overview**”) has been prepared by Consulting HAUS LLC (“**CH**”) and seeks to compare published data from international sources as well as the data released from the Planning and Statistics Authority (“**PSA**”), Ashghal and other industry information providers together with information gathered via primary market interviews with a cross section of market participants in Qatar.

After assessing the various sources of data to understand the construction sector dynamics in Qatar, and taking into consideration the primary market research, the Overview concludes upon the market outlook for the construction sector in the coming years. We would like to highlight that the projected view of the market is primarily based on announced projects at the time of conducting our research.

Users of the Overview are encouraged to undertake their own independent research before making any business-related decisions based on the content of the Overview.

AUTHOR

Ashish Mishra
Director
ashish.mishra@consultinghaus.qa



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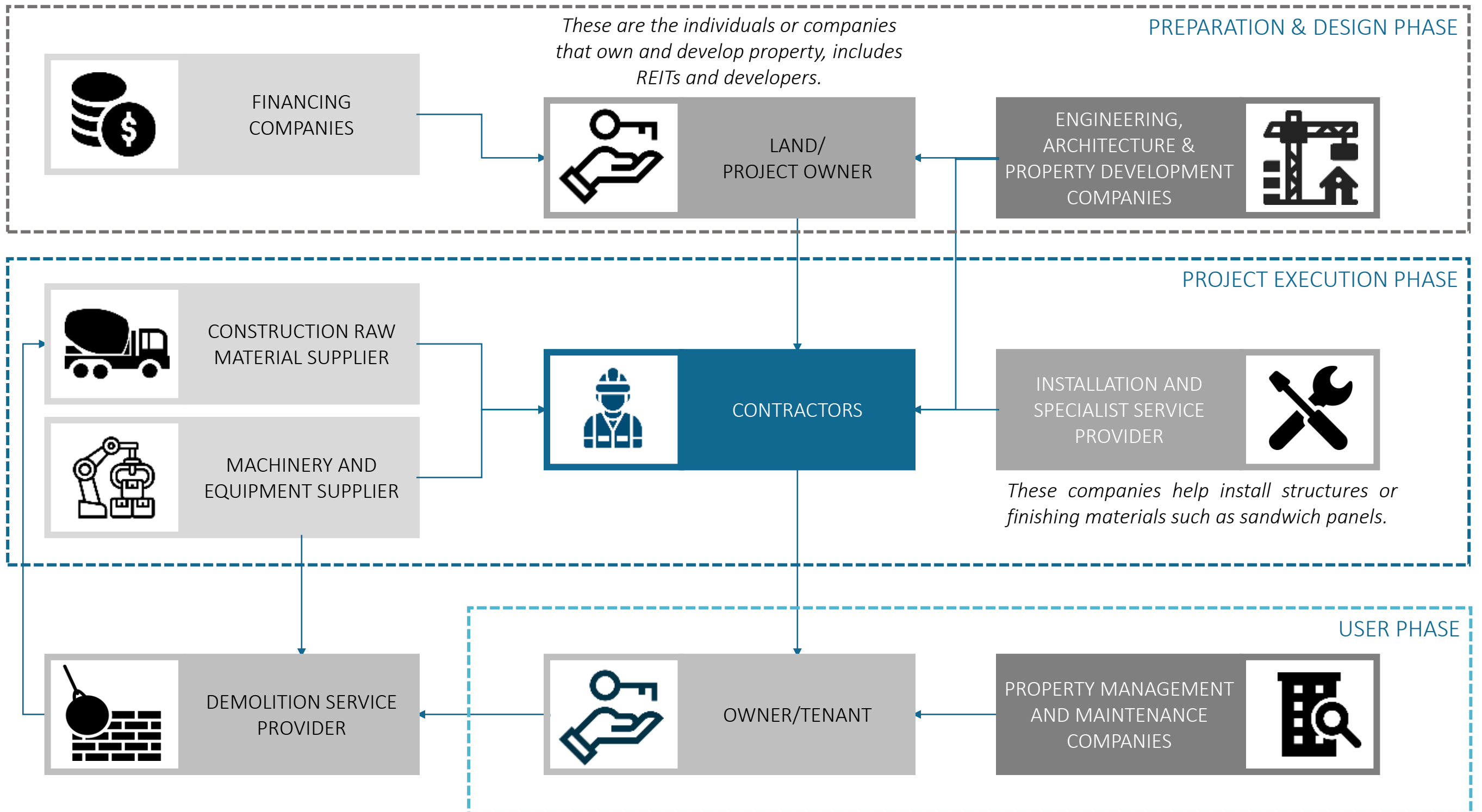
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1. CONSTRUCTION SECTOR VALUE CHAIN

QATAR'S CONSTRUCTION SECTOR HAS A COMPLEX ECOSYSTEM OF MULTIPLE STAKEHOLDERS OPERATING IN TANDEM...

ECOSYSTEM OF CONSTRUCTION INDUSTRY IN QATAR



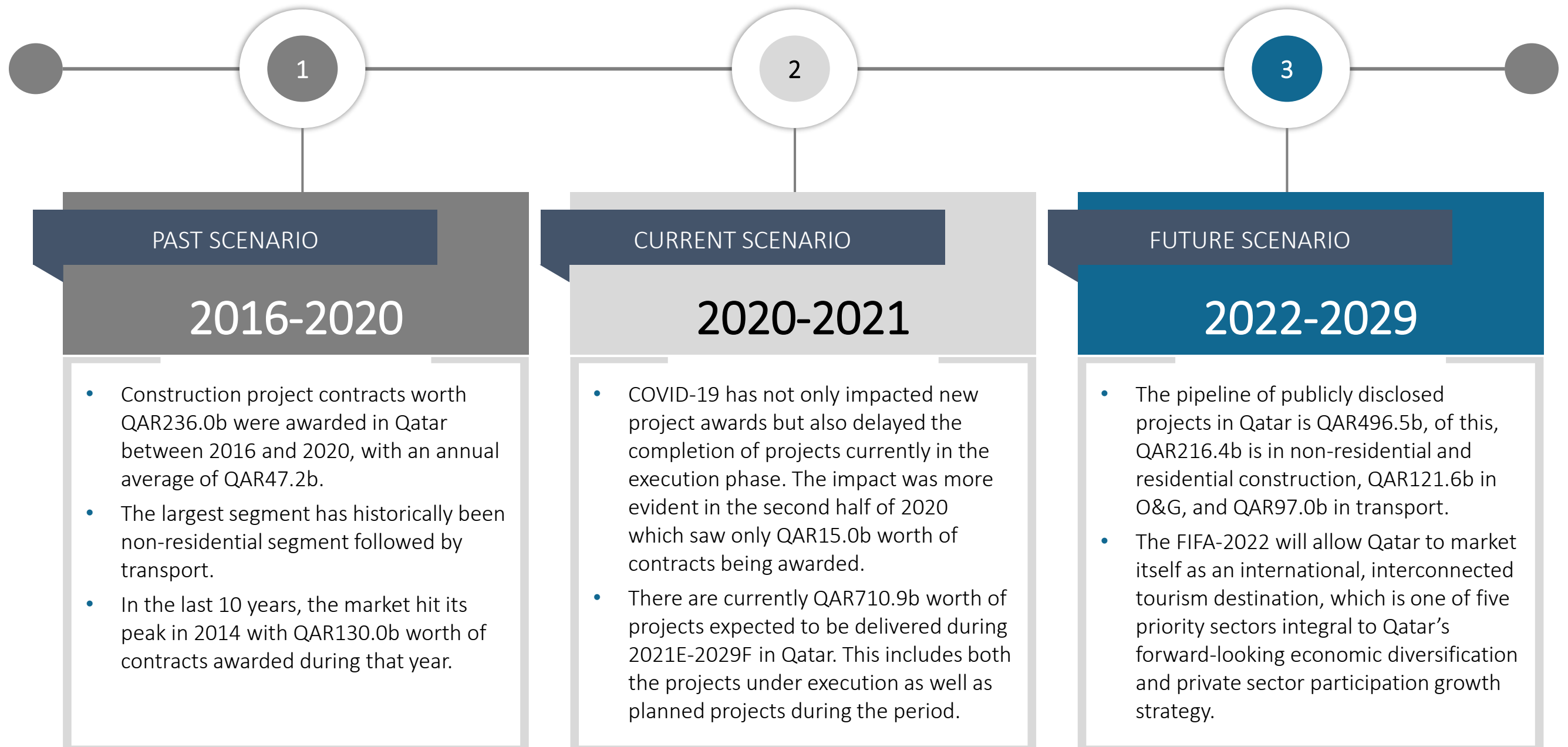
1. CONSTRUCTION SECTOR VALUE CHAIN

MULTIPLE COMPANIES OPERATE AT EACH LEVEL OF THE CONSTRUCTION VALUE CHAIN...

VALUE CHAIN OF CONSTRUCTION INDUSTRY IN QATAR



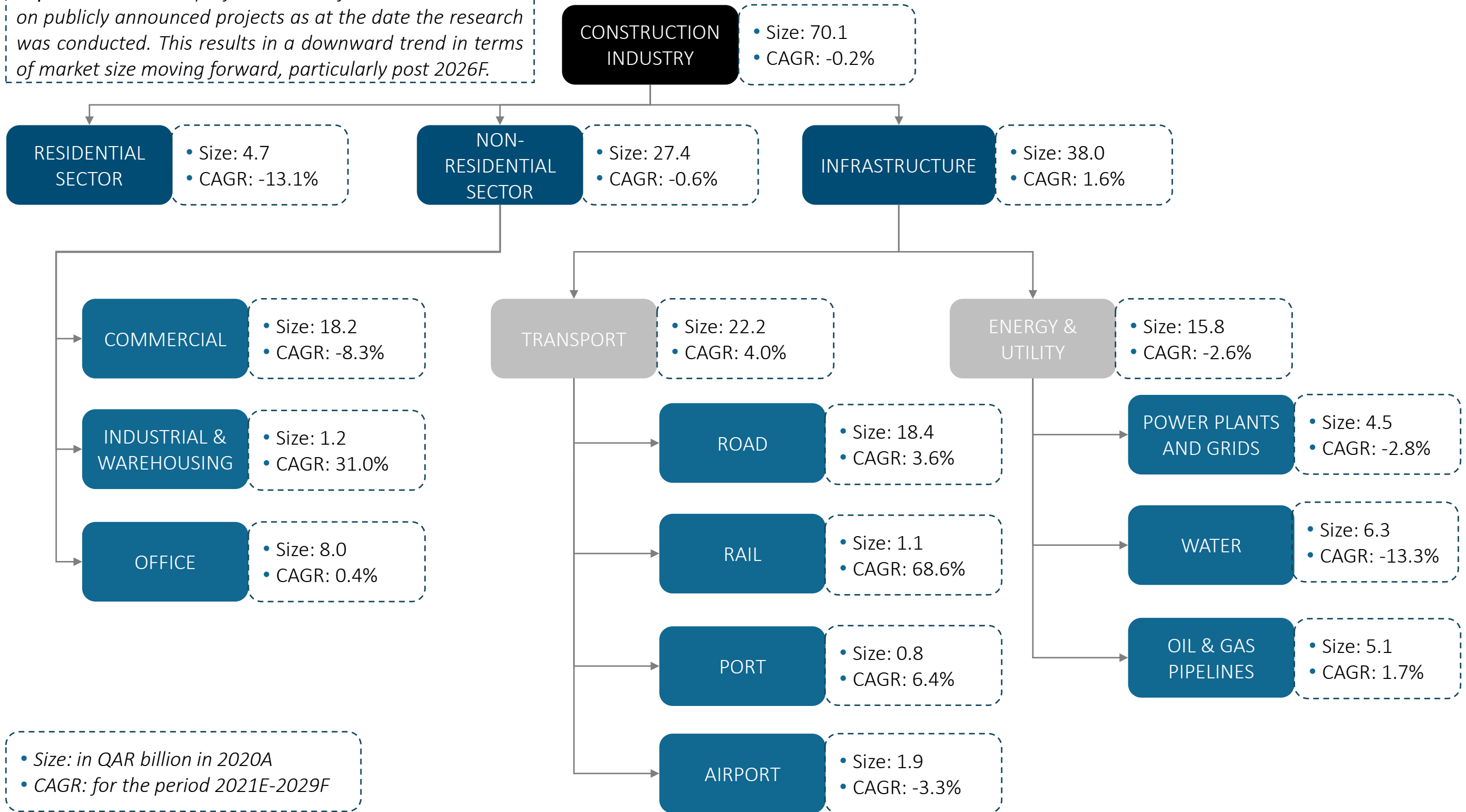
INVESTMENTS IN NON-RESIDENTIAL CONSTRUCTION AND TRANSPORT SECTOR IS EXPECTED TO DRIVE THE DEMAND FOR CONSTRUCTION IN QATAR...



2. QATAR CONSTRUCTION SECTOR

THE CONSTRUCTION SECTOR IS BROKEN DOWN INTO THREE KEY SEGMENTS WHICH ARE FURTHER BROKEN DOWN INTO SEVERAL SUB-SEGMENTS...

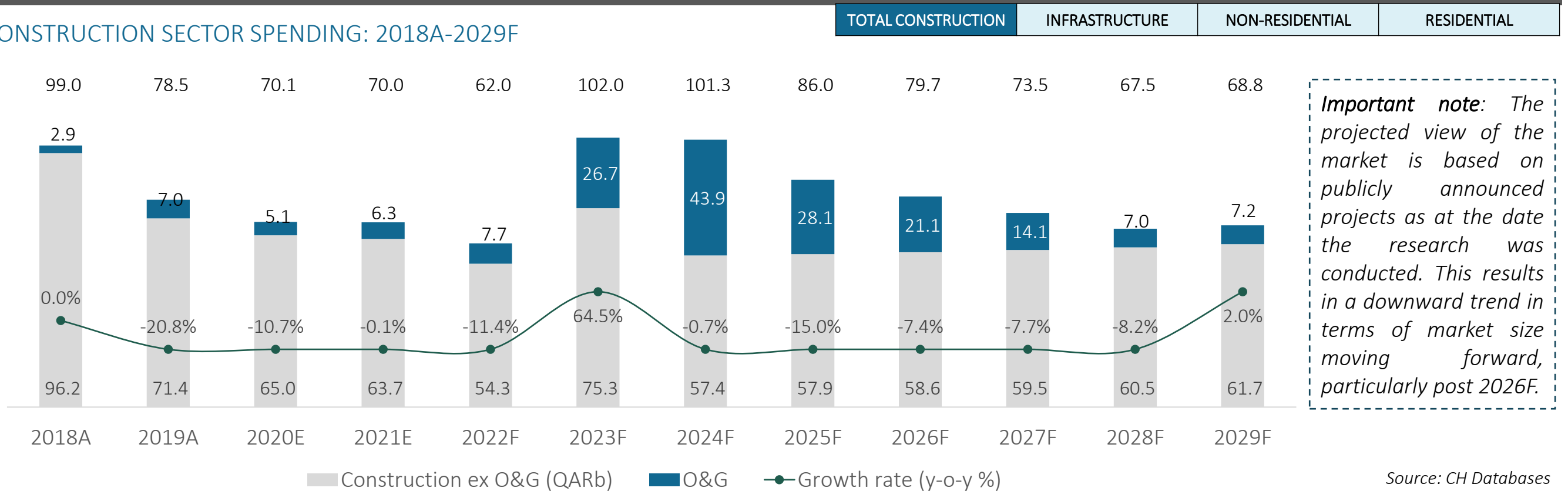
Important note: The projected view of the market is based on publicly announced projects as at the date the research was conducted. This results in a downward trend in terms of market size moving forward, particularly post 2026F.



2. QATAR CONSTRUCTION SECTOR

THE SIZE OF THE NON-O&G SECTOR OF THE CONSTRUCTION INDUSTRY IS EXPECTED TO WITNESS HEALTHY GROWTH IN 2023F AS THE BACKLOG OF DELAYED PROJECTS COMPLETE HOWEVER, FOLLOWING 2024F, THIS SEGMENT OF THE MARKET IS EXPECTED TO WITNESS Y-O-Y DECLINES UNTIL 2029F...

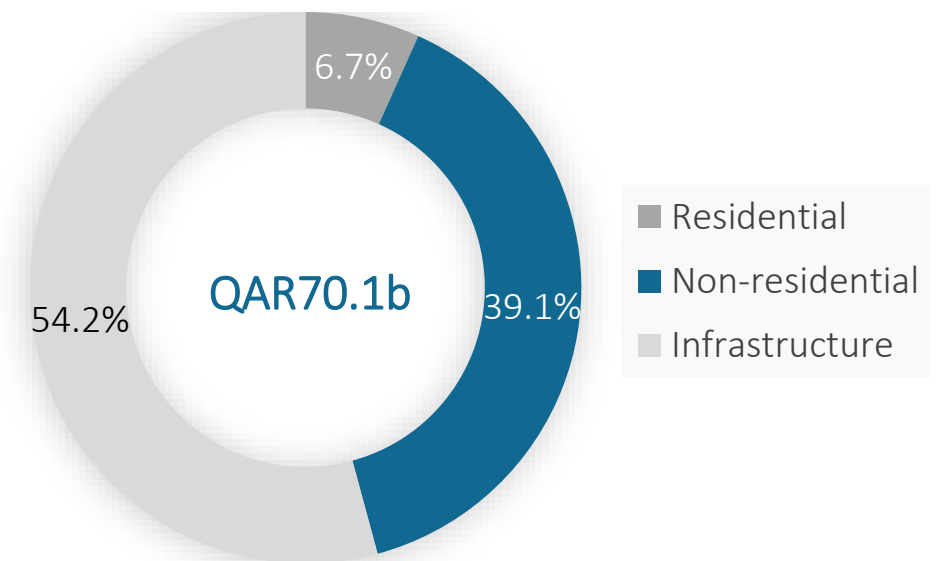
CONSTRUCTION SECTOR SPENDING: 2018A-2029F



KEY INSIGHTS

- Construction project spend in Qatar was estimated to be c.QAR70.1b in 2020E, recording a net decline of 10.7% from 2019A. The decline was mainly due to COVID-19 impact, where projects across industries experienced delays.
- The infrastructure sector accounted for c.54.2% of the construction sector spend in 2020E, mainly driven by the investment in road and airport infrastructure in the country. HIA expansion (QAR29.6b) and ASHGHAL expressway project in Al Wakrah (QAR5.6b) are the two key transport projects currently in the execution phase in the country.
- The overall sector is expected to remain stable in 2021E and then witness a 11.4% decline in 2022F on the back of the remaining FIFA-2022 projects being complete and a pause on all major construction during the tournament itself.
- A significant increase in the market size is expected in 2023F and 2024F largely driven by the Northfield expansion where O&G related construction is expected to contribute 26.2% and 43.3% in each of the years respectively. Excluding O&G related expenditure, the overall market size in 2023F and 2024F is projected at QAR75.3b and QAR57.4b respectively.

CONSTRUCTION MARKET BY SEGMENT – 2020E

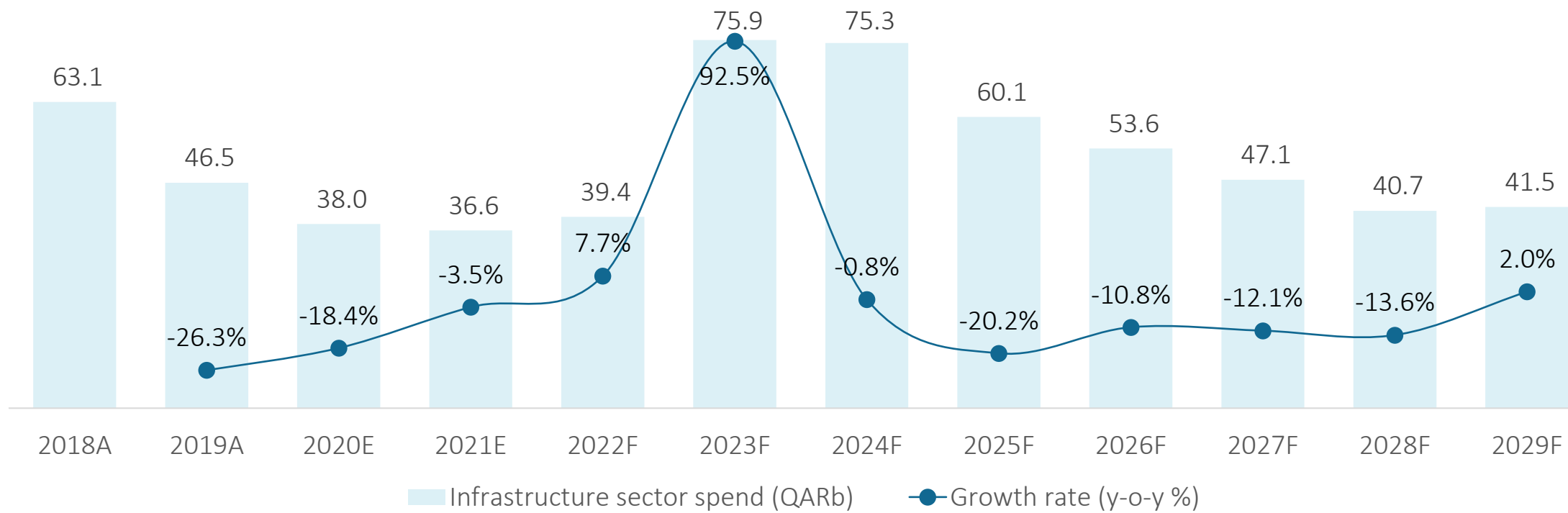


Source: News articles, Fitch analysis, CH analysis

TRANSPORT SECTOR PROJECTS ACCOUNTED FOR THE MAJORITY OF THE CONSTRUCTION SPEND IN 2020E...

INFRASTRUCTURE SECTOR SPENDING: 2018A-2029F

TOTAL CONSTRUCTION	INFRASTRUCTURE	NON-RESIDENTIAL	RESIDENTIAL
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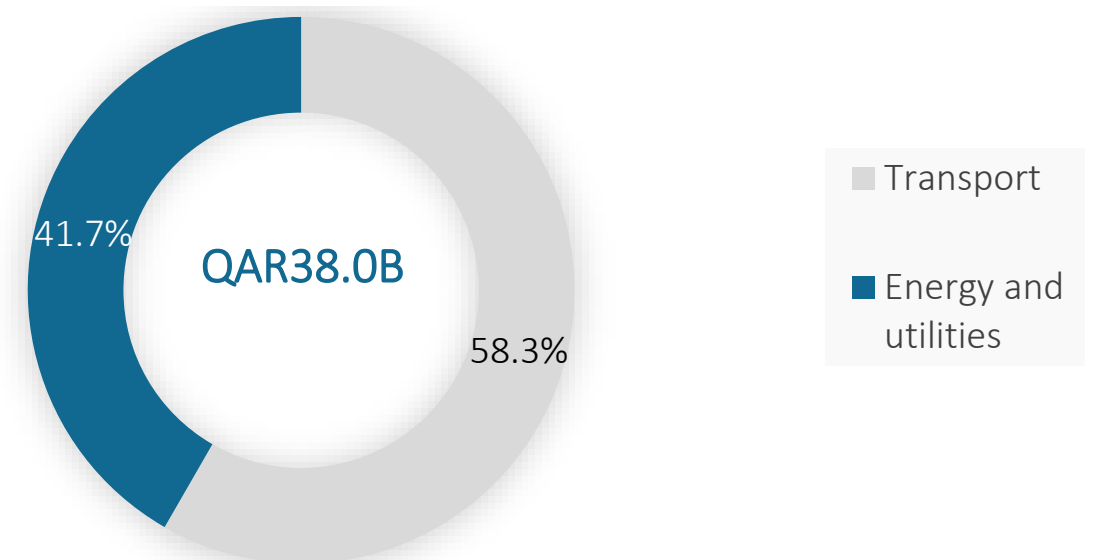
Important note: The projected view of the market is based on publicly announced projects as at the date the research was conducted. This results in a downward trend in terms of market size moving forward, particularly post 2026F.

Source: CH Databases

KEY INSIGHTS

- Infrastructure sector project spending witnessed a decline of 16.6% during 2018A-2021E, mainly driven by the combination of factors including COVID-19 related project delays and completion of the majority of FIFA-2022 related infrastructure projects.
- As of 2020E, projects worth over QAR38.0b are either in execution or have been completed. Transport sector projects accounted for over 58.3% of this spending with the largest transport project currently in execution being 'Qatar Gas - LNG Processing Trains (EPC-1)'.
- Projects in the energy & utility sector were mainly concentrated in the water segment with the largest being the mega reservoir project of KAHRAMAA.

INFRASTRUCTURE MARKET BY SEGMENT – 2020E



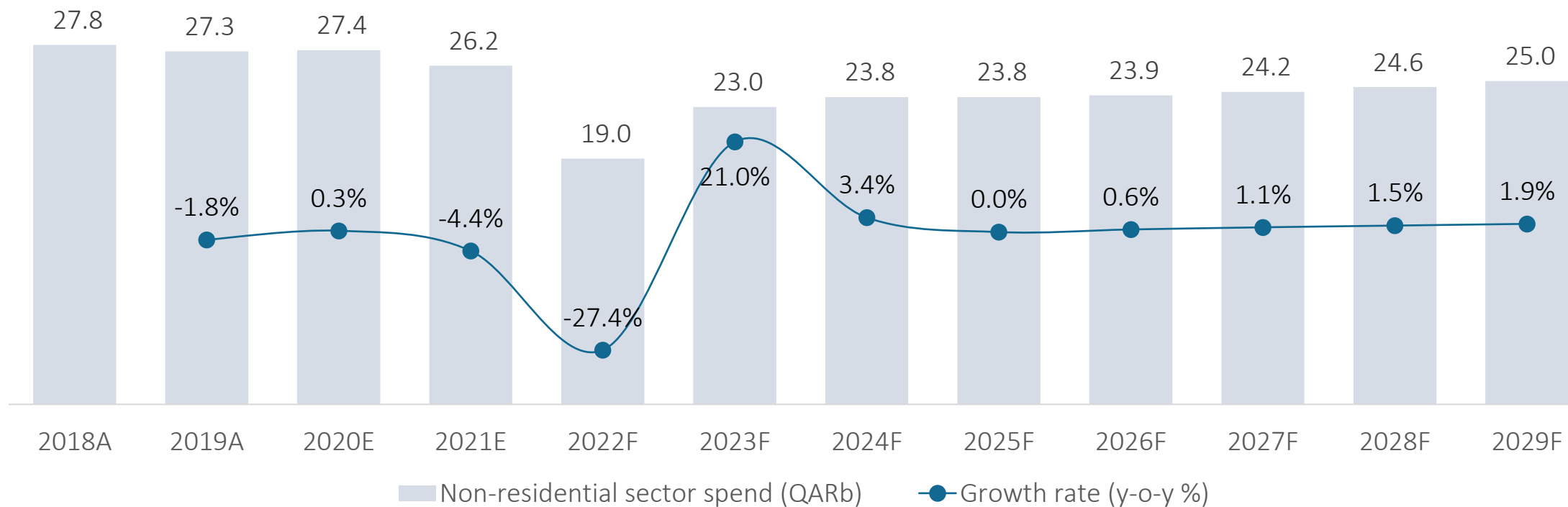
Source: News articles, Fitch analysis, CH analysis

2B. NON-RESIDENTIAL CONSTRUCTION MARKET

WITHIN THE NON-RESIDENTIAL MARKET, THE COMMERCIAL SEGMENT WAS THE MAJOR ONE IN 2020E; HOWEVER, THE OFFICE SEGMENT IS EXPECTED TO INCREASE FASTER THAN OTHER SEGMENTS...

NON-RESIDENTIAL SECTOR ANALYSIS: 2018A-2029F

TOTAL CONSTRUCTION	INFRASTRUCTURE	NON-RESIDENTIAL	RESIDENTIAL
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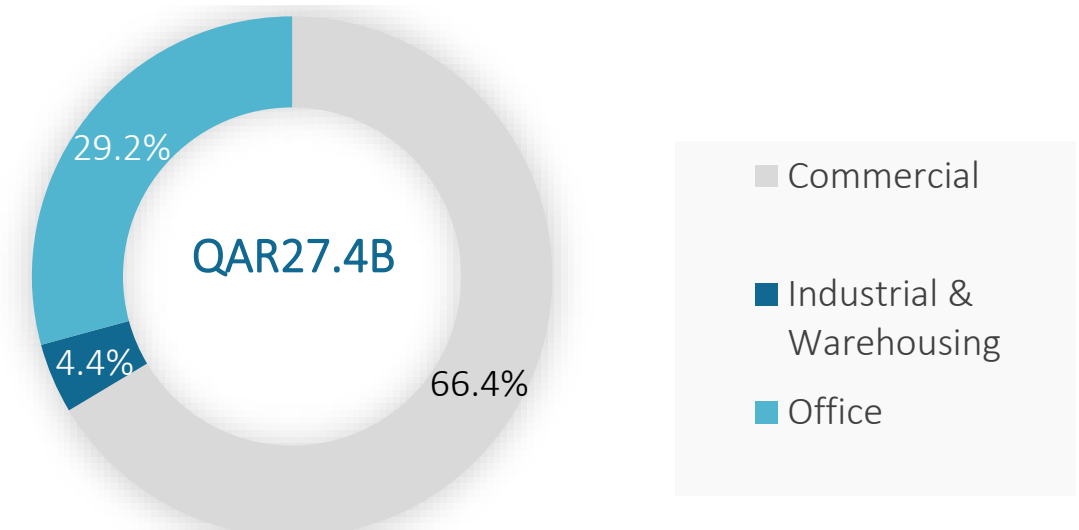
Important note: The projected view of the market is based on publicly announced projects as at the date the research was conducted. This results in a downward trend in terms of market size moving forward, particularly post 2026F.

Source: CH Databases

KEY INSIGHTS

- Commercial sector accounted for c.66.4% of total project spend in the non-residential segment in 2020E. Majority of the commercial projects were concentrated in hospitality, mixed-use, and other commercial properties such as convention and research centers.
- In the industrial and warehousing segment, while the manufacturing and glass industry accounted for the majority of spending in 2020E, the future demand is expected to be driven by investments in the chemical industry.
- The demand in the office segment is driven by public sector investment in government facilities, while the future demand is expected to be driven by the investment in the education and healthcare sector.

NON-RESIDENTIAL MARKET BY SEGMENT – 2020E

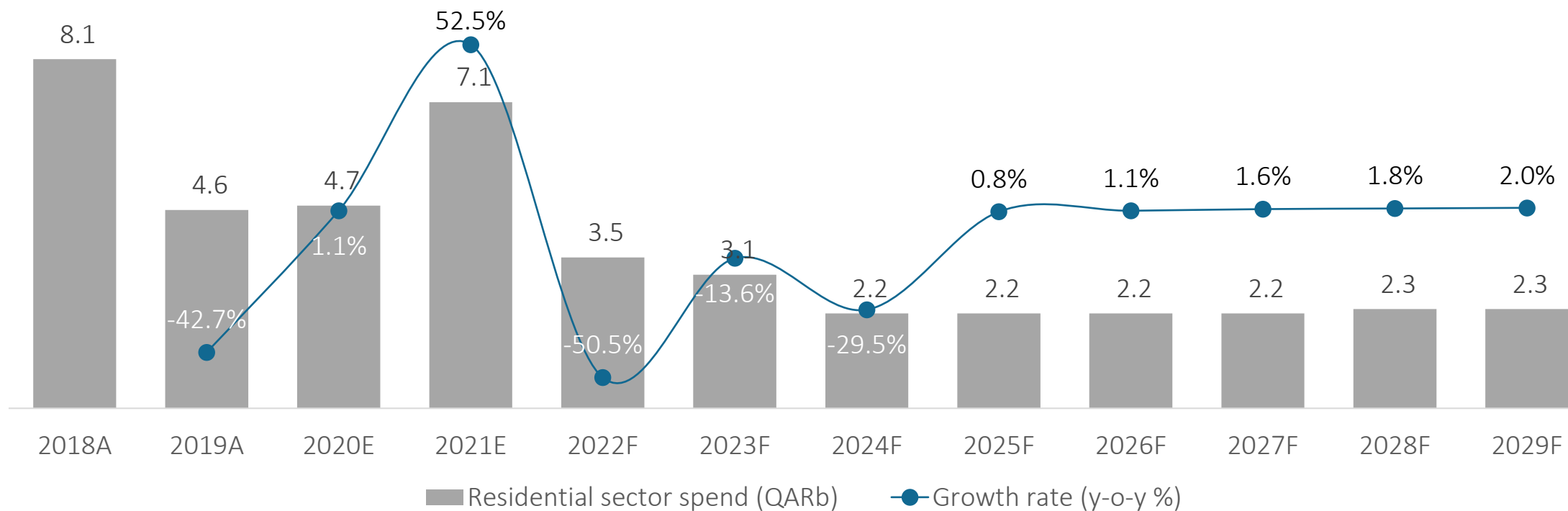


Source: News articles, Fitch analysis, CH analysis

IN THE ABSENCE OF A SIGNIFICANT FUTURE PROJECT PIPELINE, RESIDENTIAL SECTOR PROJECT SPEND IS EXPECTED TO DECLINE DURING 2020E-2029F...

RESIDENTIAL SECTOR ANALYSIS: 2018A-2029F

TOTAL CONSTRUCTION	INFRASTRUCTURE	NON-RESIDENTIAL	RESIDENTIAL
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Important note: The projected view of the market is based on publicly announced projects as at the date the research was conducted. This results in a downward trend in terms of market size moving forward, particularly post 2026F.

Source: CH Databases

KEY INSIGHTS

- Residential sector project spending accounted for c.QAR4.7b in 2020E and is expected to decline to QAR2.3b by 2026F. ‘Madinatna and Barahat Al Janoub Residential Development in Al Wakrah’ (QAR5.0b) and ‘Pearl Qatar: Porto Arabia’ (QAR3.5b) were the key projects in the residential sector in 2020E.
- Main upcoming projects include ‘MMUP - Residential Complexes in Doha’ (QAR1.3b), ‘Al Swida Village’ (QAR1.3b), and Gewan Island in Doha (QAR0.3b).

MAJOR PROJECTS IN PRE-EXECUTION STAGE IN RESIDENTIAL SECTOR IN QATAR

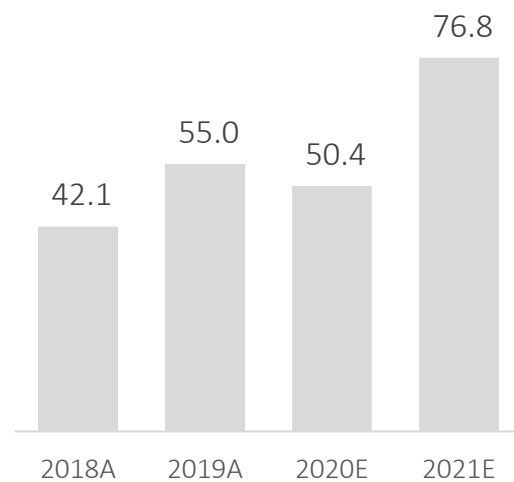
PROJECT NAME	VALUE (QARB)	CLIENT	COMPLETION YEAR
MMUP - residential complexes in Doha	1.3	Ministry of Municipality and Urban Planning	2024
Al Swida village	1.3	Al Bandary Group	2025
Qetaifan islands south 2 and 3: villas & apartment blocks	1.1	Lusail Real Estate Development Co	2025

Source: News articles, Fitch analysis, CH analysis

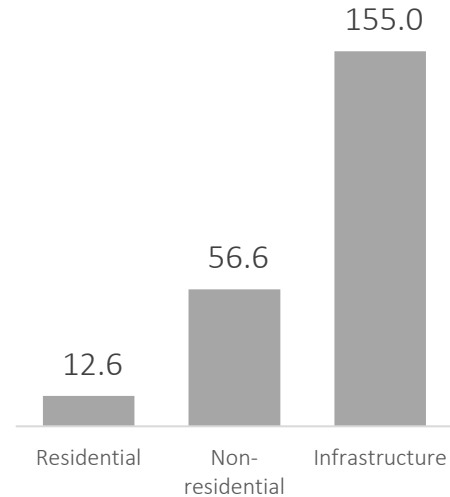
3. QATAR CONSTRUCTION PROJECT AWARD

THE O&G SECTOR RECEIVED THE HIGHEST VALUE FOR NEW PROJECT AWARDS DURING 2018A-2021E...

TOTAL PROJECT AWARD ANALYSIS: 2018A-2021E (QARB)

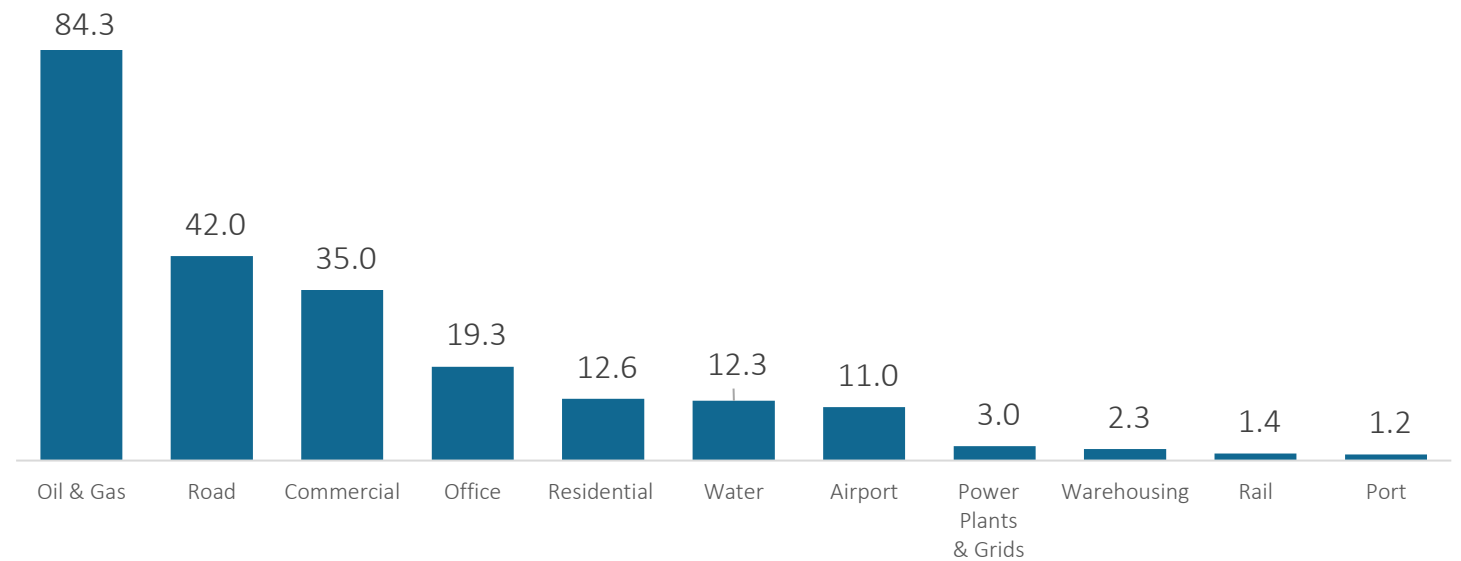


PROJECT AWARD BY SEGMENT (QARB)



Cumulative value 2018A-2021E

PROJECT AWARD BY INDUSTRY, (QARB)



Cumulative value for 2018A-2021E

KEY INSIGHTS

- Projects award declined in 2020E, mainly due to the economic uncertainties owing to COVID-19 pandemic. While there were projects worth QAR50.4b awarded in various sectors, a few large projects were canceled such as 'LRDP - Doha North Sewerage Schemes', and 'Expressway Programme: Lusail Expressway - Package 2'.
- Infrastructure was the leading segment for project awards during 2018A-2021E witnessing total project awards worth QAR155.0b.
- Residential and non-residential construction sectors recorded total project awards worth QAR69.2b during 2018A-2021E.
- 'Qatar Gas - North Field LNG Expansion' (QAR3.5b) and 'QP - Idd El Shargi North Dome Expansion: Phase 5' (QAR3.3b) are the key projects awarded in the O&G sector.

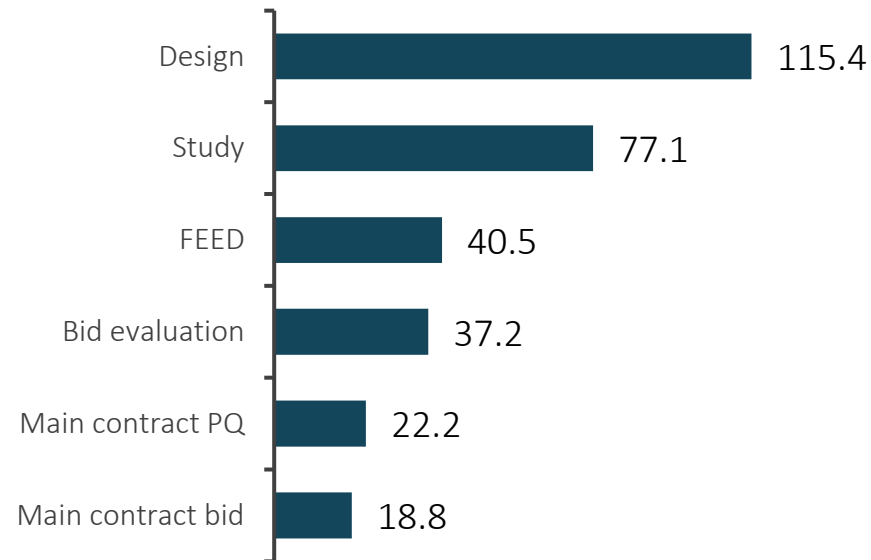
KEY PROJECTS AWARDED IN 2020

PROJECT NAME	VALUE (QARB)	CLIENT	COMPLETION YEAR
Barwa - Madinatna and Barahat Al Janoub residential development in Al Wakrah	5.0	Barwa	2022
QU - Qatar university expansion	4.6	Qatar University	2022
QP - Idd El Shargi north dome expansion: phase 5	3.3	Qatar Petroleum	2023
QP - ISND phase 5: Installation of topsides and subsea pipelines	0.5	Qatar Petroleum	2023

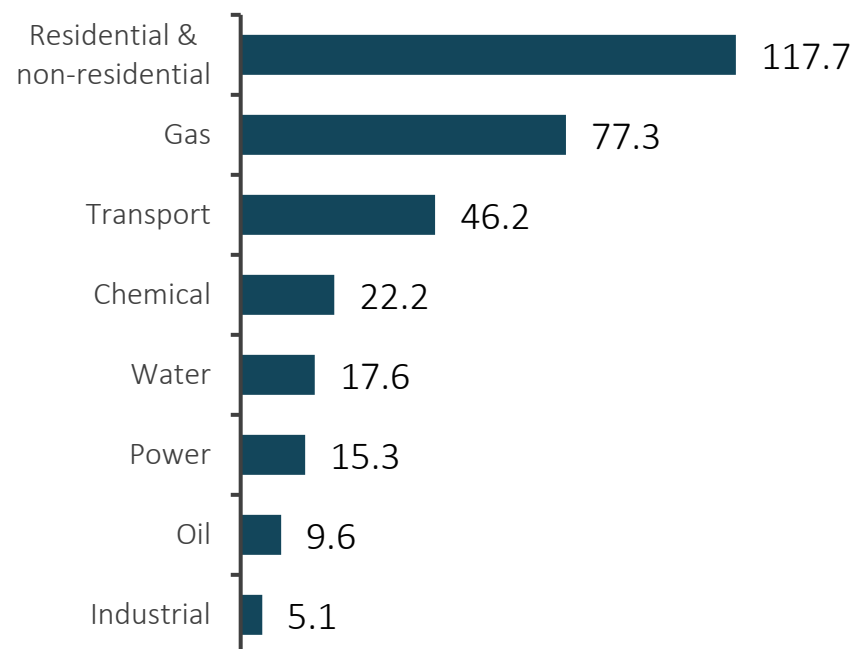
4. QATAR CONSTRUCTION PROJECT PIPELINE

QATAR HAS A STRONG PIPELINE OF CONSTRUCTION PROJECTS WITH QAR311.1B WORTH OF PROJECTS CURRENTLY AT VARIOUS STAGES OF PRE-EXECUTION...

PLANNED PROJECTS: BY STATUS (QARB)



PLANNED PROJECTS: BY SECTOR (QARB)



KEY INSIGHTS

- Projects worth over QAR311.1b are in various stages of pre-execution, highlighting the large project pipeline in Qatar for construction projects.
- Approximately 37.1% of these projects are in the design stage, while 24.8% are in the study stage. 'NDIA - Airport City' in Doha is the largest project currently in the design stage (QAR62.8b) while 'Q-Chem - Ras Laffan Petrochemical Complex' is the largest project (QAR18.5b) currently in the study stage.
- C.47.0% of all projects in the pre-execution stage are expected to be awarded in 2022F, while 41.0% of the projects are expected to be awarded in 2021E. 'NDIA - Airport City' in Doha is expected to be awarded in 2021E, while 'Qatar Gas - North Field South Development' will be awarded in 2022F.
- Projects worth over QAR117.7b are in pipeline for the residential and non-residential construction sector, while projects worth QAR77.3b are in pipeline for the gas sector. Within residential and non-residential, the growth is primarily driven by non-residential segment. Key projects in the gas sector include 'Qatar Gas - North Field South Development', and 'Qatar Gas/ExxonMobil - Barzan Gas Development: Onshore (Phase 2 & 3)'.
- In the transport sector, 'HIA Expansion: Concourse D and E' is the largest project, accounting for approximately QAR6.3b.



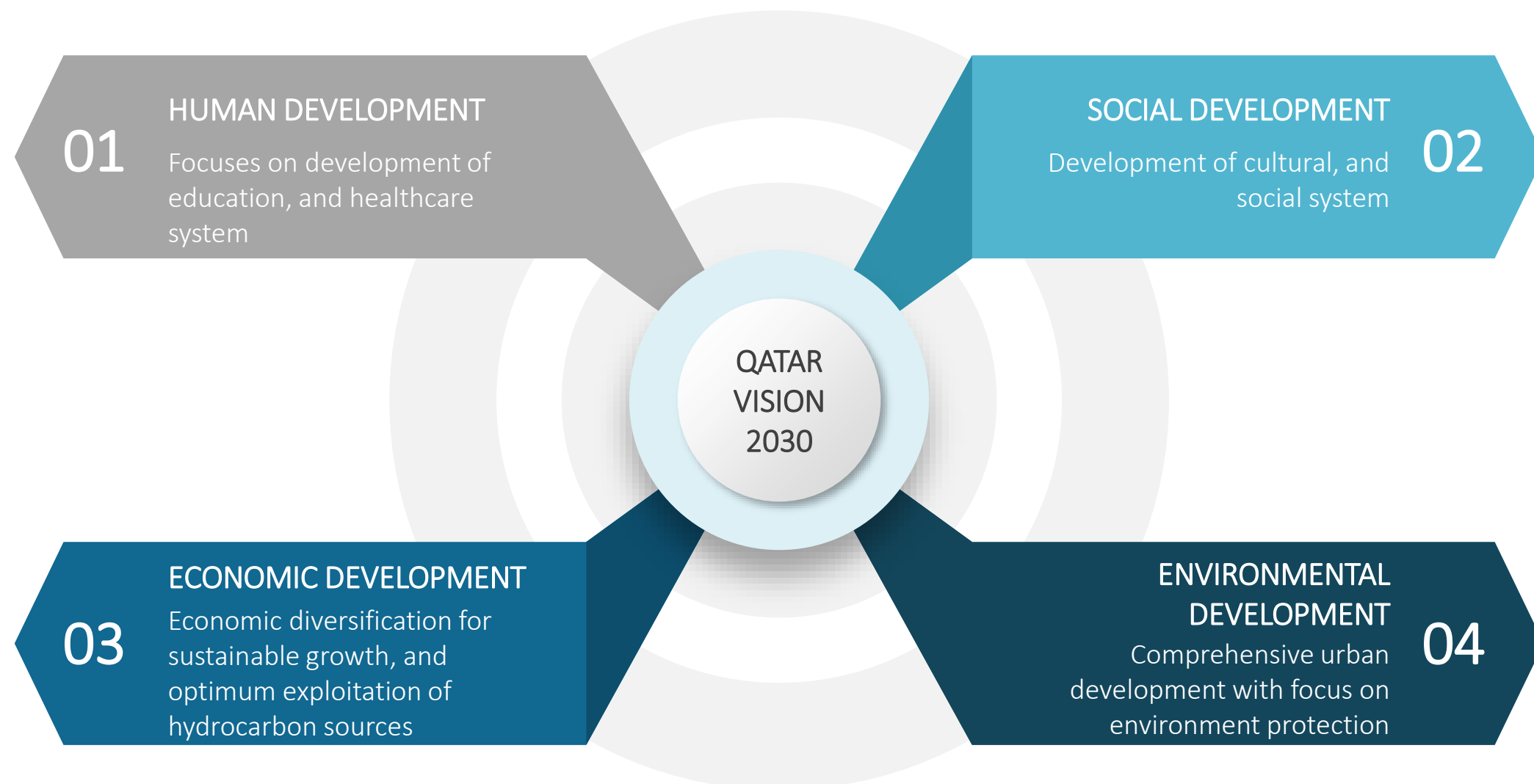
Source: News articles, Fitch analysis, CH analysis

5. QATAR CONSTRUCTION MARKET DRIVERS

QATAR NATIONAL VISION 2030 SETS A BASE FOR CONSTRUCTION ACTIVITIES IN THE COUNTRY WHERE EACH PILLAR DEFINES THE SCOPE OF DEVELOPMENT IN A SPECIFIC SECTOR...

KEY DRIVERS OF THE CONSTRUCTION INDUSTRY IN QATAR

- Approved in 2008, QNV-2030 provides a framework for national strategies and development plans for long-term outcomes.
- The plan is divided into four pillars; human development, social development, economic development, and environmental development. These pillars set a base for current and future construction activities across industries.
- Activities set under each pillar have defined the scope for development in each dimension of construction; for example, human development need requires building sound education and healthcare infrastructure, while economic development is witnessing the country's effort to encourage the development of manufacturing and service industry.



Source: Qatar National Vision 2030, CH analysis

5. QATAR CONSTRUCTION MARKET DRIVERS

HOSTING LARGE SPORTS EVENTS AND GROWING TOURISM SECTOR IS DRIVING THE INVESTMENT IN CONSTRUCTION PROJECTS...

DRIVERS FOR CONSTRUCTION PROJECTS IN NON-RESIDENTIAL AND INFRASTRUCTURE SEGMENT

SPORTS EVENT HOSTING

- Qatar is hosting FIFA-2022, for which the country has initiated several construction projects. These projects are not only related to sports infrastructure but also include the development of supporting facilities such as transport infrastructure, hospitality projects, and commercial infrastructure.
- Apart from FIFA-2022, Qatar is also hosting other sports events such as FINA-2023, and Asian Games 2030.

RISING TOURISM

- Qatar has launched 'Qatar National Tourism Sector Strategy 2030' to increase the global visibility of Qatar as a tourist destination.
- In this strategy, the country aims to balance supply and demand in the hospitality sector, diversifying tourist accommodation options, and provide tourism offerings across 6 areas: coastal and desert tourism, cultural tourism, business events, sports tourism, urban and family entertainment, and cruise tourism.

MAJOR SPORTING EVENTS IN THE COUNTRY

FIFA-2022

- Majority of the projects related to FIFA-2022, has already been completed or nearing completion; however, these projects were a driver for construction sector growth and offered a pivot for future sports event hosting projects.

ASIAN GAMES 2030

- Qatar was selected by the OCA in December 2020 to host the upcoming edition of the Asian Games in 2030.



FOCUS TOURISM OFFERINGS

CRUISE TOURISM

- Qatar is targeting to attract 500,000 cruise tourists by 2026F, 5 times more than the current 100,000 tourists annually.
- To achieve the target, the country is developing ports and associated infrastructure.

SPORT TOURISM

- The country hosts 80 sporting events and competitions annually across sporting disciplines.
- The country leverages these games to attract international tourists.

DESTINATION WEDDINGS

- Qatar is positioning itself as an attractive destination wedding location and for this, it has developed several ballrooms and vistas.

5. QATAR CONSTRUCTION MARKET DRIVERS

AN INCREASE IN O&G PRODUCTION ACTIVITY AND NEW FIELD DEVELOPMENT REQUIRE INVESTMENT IN ASSOCIATED INFRASTRUCTURE...

DRIVERS FOR CONSTRUCTION PROJECTS IN O&G SECTOR

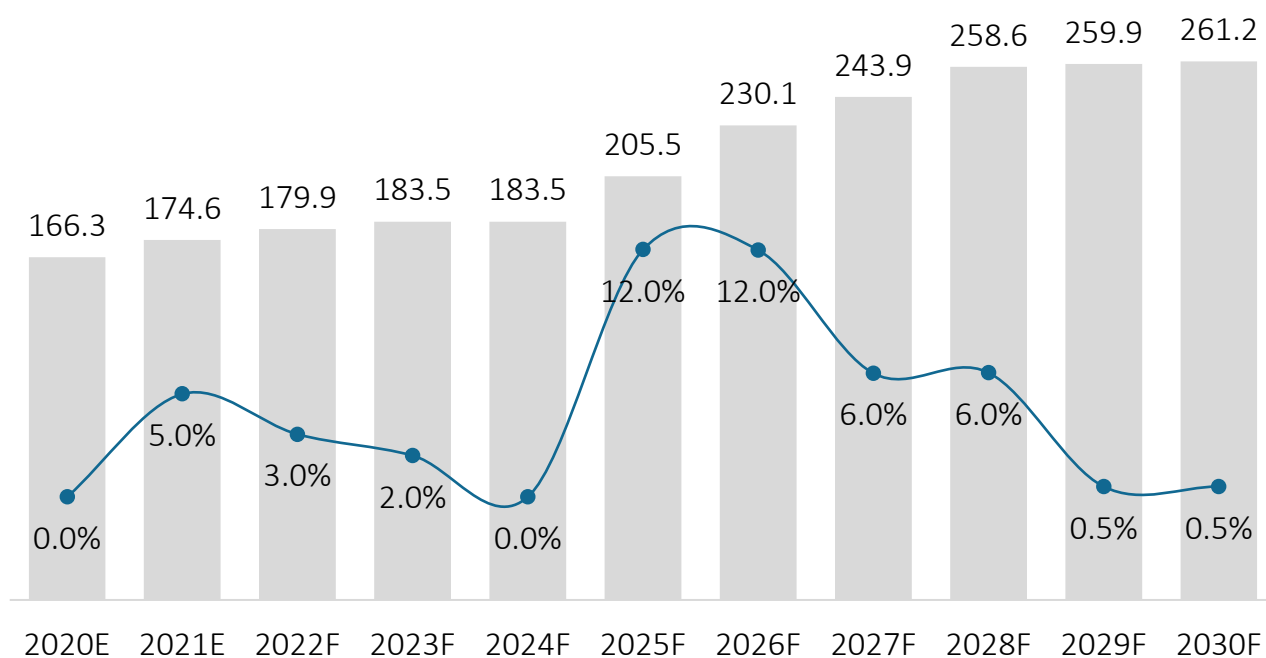
INCREASE IN O&G PRODUCTION

- In 2020E, Qatar produced approximately 166.3bcm of natural gas, which is anticipated to increase at a CAGR of 4.6% to reach 261.2bcm by 2030F.
- Increased gas production would require building associated onshore and offshore infrastructure, which in turn will drive the construction projects market in the country.

NEW FIELD DEVELOPMENT

- North field has one of the largest gas reserves in the world.
- In 2017A, QP announced the expansion of the field and in April 2020A, it reported the commencement of development drilling in the North field east.
- Gas production from this field is expected to start by 2023F.

GAS PRODUCTION OUTLOOK IN QATAR (BCM)



KEY GREENFIELD PROJECTS

PROJECT NAME	TOTAL CAPACITY (MTPA)	START YEAR	OWNER
North field expansion 1	33.0	2023	QP
North field expansion 2	16.0	2027	QP

MODULAR CONSTRUCTION, GREEN CONSTRUCTION, AND INCREASED USAGE OF TECHNOLOGY ARE SOME OF THE KEY TRENDS IN THE CONSTRUCTION SECTOR IN QATAR...

GLOBAL TRENDS FOR CONSTRUCTION SECTOR AT AN OVERALL LEVEL



MODULAR AND OFFSITE CONSTRUCTION DEMAND

- Modular and prefab construction is growing in the country and the major end application segment for this construction requirement is the residential sector.
- Cost cutting measures and limited labour availability is expected to drive the demand for these construction products.



RISING DEMAND FOR GREEN CONSTRUCTION STANDARD

- End users including tenants, home buyers, and renters are demanding green construction standards due to the sustainability of the associated features.
- Green construction uses technology in building design to reduce the usage of resources and thereby reduce the carbon footprint.



INCREASED USAGE OF TECHNOLOGY

- EPC companies and contractors are using technologies to improve the project execution and profitability.
- Technology such as BIM, AR, and 'drone-based scanning' is gaining popularity.

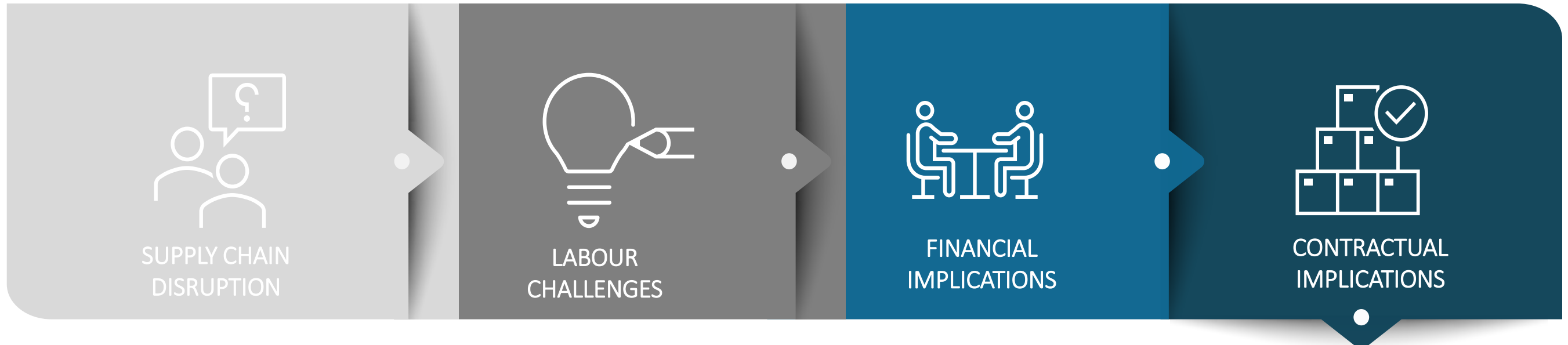


INCREASING FOCUS ON WORKER SAFETY

- Construction companies across the globe are focusing on improving worker safety standards to reduce the on-job injuries.
- Use of protective gears, standard operating procedures for worker safety, and use of technologies such as robotics to perform a challenging task is trending.

COVID-19 LED DISRUPTIONS HAVE CREATED A VICIOUS CYCLE OF SLOWDOWN WHICH IS HAMPERING THE CAPABILITY OF CONSTRUCTION CONTRACTORS...

DIMENSIONS OF CONSTRUCTION SECTOR IMPACTED BY COVID-19 PANDEMIC



- COVID-19 led restrictions have disrupted the supply chain across the globe, materials required for construction activities are not reaching the construction site which is obstructing the work.
- Construction raw materials such as steel, cement, are not being transported to the project site from different factories in the country or imported countries.

- Increased cost of raw materials
- Delayed supply

- Social distancing measures and travel and visa restrictions imposed by the government to contain the COVID-19 spread has restricted the availability of labours at construction sites.
- In addition, there has been a change in the labor law which has led to increase the cost of labor in the country.
- Subcontracting labors have increased a lot to meet the shortfall while the costs couldn't be passed on.

- Low availability of labours
- Slow project progress

- Lack of raw material and issues with labour availability and presence have slowed the construction activities leading to reduced revenue inflow.
- The low revenue is hampering contractors' capability to pay off their debt and, hence stressing their financial stability.

- Limited fund availability for procurement and payments, resulting in low raw material purchase and further slowdown in project progress

- The key concern in the contract is mainly a clause called 'force majeure'. If the 'force majeure' clause is mentioned in the contract, then no compensation will be paid to the contractor by the developer or owner due to delay.

8. MARKET CONCLUSION

THE CONSTRUCTION INDUSTRY IS GOING TO BENEFIT IN THE COMING 2-3 YEARS FROM THE LARGE PIPELINE OF O&G PROJECTS, HOWEVER, POST 2024F THERE IS LIKELY TO BE AN OVERSUPPLY IN OTHER SEGMENTS MEANING A MARKET CORRECTION IS LIKELY...

FINAL THOUGHTS

Construction sector in Qatar is expected to witness a peak in 2023F/2024F supported by the country's investments in O&G after which, a market correction is likely

- Investment in petrochemical plants, O&G projects, and transportation sector will keep the momentum of construction activities in the country until 2023F/2024F. Following this, the pipeline for the projects are likely to witness a negative trend.
- Hosting of mega sports tournaments such as Asian Games 2030 would require investment in construction activities related to the non-residential and infrastructure sector. However, the future growth is expected to be significantly smaller to that witnessed between 2014-2018.

Government's focus on self sufficiency and domestic construction experience in large projects

- Domestic companies are capable to execute large and complex projects which enhances their chances of receiving large future projects.
- In addition, the government is focusing on self-sufficiency and promoting local business for the majority of the sectors, including construction.

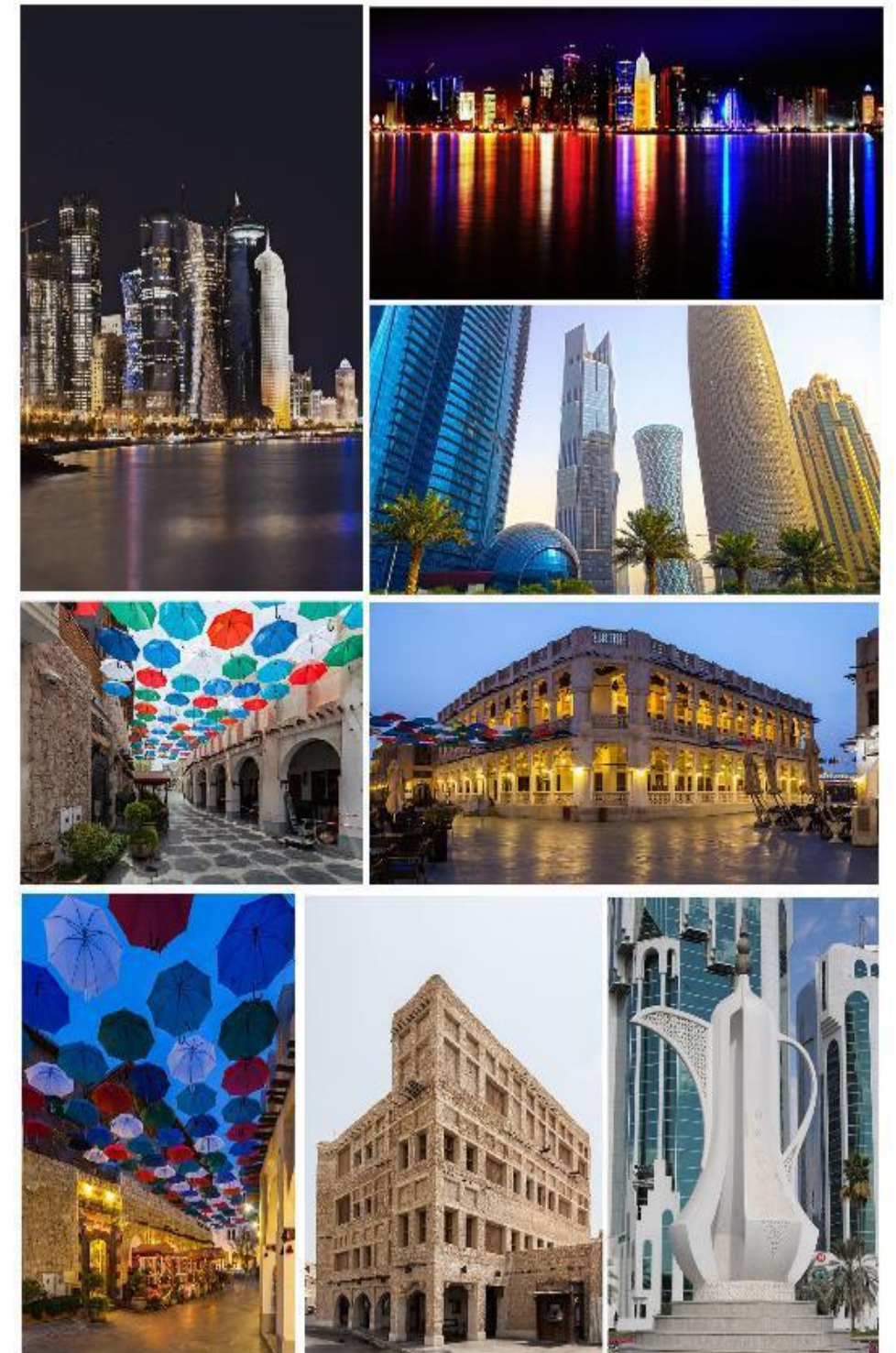
QNV-2030 and economic diversification efforts will support new project development

- QNV-2030 objectives require investment in sectors impacting its four pillars namely; human development, social development, economic development, and environmental development.
- Economic diversification to ensure sustainable economic development would need the investment in industries other than hydrocarbons, such as manufacturing and service. This would require investment in infrastructure development.

To conclude, the construction market is already facing difficulties due to over supply and this position is likely to continue in the short to medium term

Large projects currently in execution and a substantial project pipeline until 2024F (particularly in O&G and non-residential segments) will underpin the projected growth however, with no significant pipeline post 2024F and lack of visibility of the project is likely to make the market increasingly competitive.

- Although favorable policies towards local business enhance the market potential for domestic construction companies, there is significant competition within local companies in the country and the market could effectively witness an oversupply of the projects within the next couple of years.
- Few challenges such as labour availability may hamper the project execution pace; however, the improvement in working conditions in the country may keep up the influx of expats to support the human resource requirements.



ABBREVIATIONS

ABBREVIATIONS	EXPLANATIONS
A.	ACTUAL
AR	AUGMENTED REALITY
B OR b	BILLIONS
BIM	BUILDING INFORMATION MODELING
BCM	BILLION CUBIC METER
C. OR c.	CIRCA
CAGR	COMPOUNDED ANNUAL GROWTH RATE
CH	CONSULTING HAUS LLC
COVID-19	CORONA VIRUS DISEASE 2019
E	ESTIMATED
EPC	ENGINEERING, PROCUREMENT, AND COMMISSIONING
F	FORECAST
FEED	FRONT END ENGINEERING DESIGN
FIFA	FÉDÉRATION INTERNATIONALE DE FOOTBALL ASSOCIATION
FIFA-2022	FOOTBALL WORLD CUP IN 2022
FINA	FÉDÉRATION INTERNATIONALE DE NATATION
FINA-2023	WORLD SWIMMING CHAMPIONSHIP IN 2023
GDP	GROSS DOMESTIC PRODUCT
HIA	HAMAD INTERNATIONAL AIRPORT
ISND	IDD EL SHARGI NORTH DOME
LNG	LIQUEFIED NATURAL GAS
LRDP	LOCAL ROADS AND DRAINAGE PROGRAM

ABBREVIATIONS	EXPLANATIONS
M OR m	MILLION
MENA	MIDDLE EAST AND NORTH AFRICA
MMUP	MINISTRY OF MUNICIPALITY AND URBAN PLANNING
MTPA	MILLION TONNES PER ANNUM
NDIA	NEW DOHA INTERNATIONAL AIRPORT
OCA	OLYMPIC COUNCIL OF ASIA
PQ	PRE-QUALIFICATION
PSA	PLANNING AND STATISTICS AUTHORITY
QAR	QATARI RIYAL
QNV-2030	QATARI NATIONAL VISION-2030
QP	QATAR PETROLEUM
QU	QATAR UNIVERSITY
REIT	REAL ESTATE INVESTMENT TRUST
SCDL	SUPREME COMMITTEE FOR DELIVERY & LEGACY



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