The Construction Sector in the Kingdom of Saudi Arabia

U.S.-SAUDI ARABIAN BUSINESS COUNCIL

Strengthening Bilateral Business Relations through Trade and Investment
LETTER FROM THE PRESIDENT

Dear Reader,

The U.S.-Saudi Arabian Business Council (USSABC) is pleased to offer you this summary of our Construction Sector in the Kingdom of Saudi Arabia report. Based on extensive research gathered from Saudi Government documents, media agencies, and studies by non-governmental organizations, this report presents a concise yet thorough overview of Saudi Arabia’s construction industry, including billions of dollars worth of investment opportunities.

The report provides an analysis of the most recent statistics and ongoing trends in the industry. It describes the sector’s regulatory structure and major developments. More importantly, these topics are discussed within the framework of private and foreign investment opportunities. A current list of key contacts for government ministries and leading Saudi companies in the industry is also included.

The 2009 Construction Sector report will serve as a great resource for companies interested in learning more about Saudi Arabia’s growing construction industry. Combined with the Council’s other business development services, the report will provide companies with a valuable “first step” toward breaking into the Saudi market, which boasts a combined $1.4 trillion worth of investment opportunities through 2020.

Sincerely,

Edward Burton
President and Managing Director
U.S.-Saudi Arabian Business Council
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## STATE BUDGET ALLOCATIONS 2008-2009

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and Manpower Development</td>
<td>$28 billion</td>
<td>$32.6 billion</td>
</tr>
<tr>
<td>Health and Social Affairs</td>
<td>$11.84 billion</td>
<td>$13.9 billion</td>
</tr>
<tr>
<td>Municipal Services</td>
<td>$4.53 billion</td>
<td>$5.3 billion</td>
</tr>
<tr>
<td>Transportation and Telecommunications</td>
<td>$4.37 billion</td>
<td>$5.2 billion</td>
</tr>
<tr>
<td>Water, Agriculture and Infrastructure</td>
<td>$7.6 billion</td>
<td>$9.4 billion</td>
</tr>
</tbody>
</table>

*Source: Ministry of Finance*

## SIX ECONOMIC CITIES PROJECT

<table>
<thead>
<tr>
<th>Economic City</th>
<th>King Abdullah Economic City (Rabigh)</th>
<th>Jizan Economic City (Jizan)</th>
<th>Prince Abdulaziz bin Musa'ed Economic City (Hail)</th>
<th>Knowledge Economic City (Madinah)</th>
<th>Tabuk Economic City (Tabuk)</th>
<th>Eastern Province Economic City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area (sqkm)</td>
<td>168</td>
<td>103</td>
<td>156</td>
<td>4.8</td>
<td>135</td>
<td>n/a</td>
</tr>
<tr>
<td>Investment (US $Bn)</td>
<td>53</td>
<td>27</td>
<td>8</td>
<td>7</td>
<td>50</td>
<td>n/a</td>
</tr>
<tr>
<td>Jobs (mn)</td>
<td>1</td>
<td>.05</td>
<td>.055</td>
<td>.02</td>
<td>.4</td>
<td>n/a</td>
</tr>
<tr>
<td>Population (mn)</td>
<td>2</td>
<td>.25</td>
<td>.3</td>
<td>.15</td>
<td>1</td>
<td>n/a</td>
</tr>
<tr>
<td>Focus</td>
<td>Ports, logistics, light industry &amp; services</td>
<td>Heavy industries, agro-industries, social development</td>
<td>Logistics, agribusinesses, minerals &amp; construction material</td>
<td>Knowledge-based industries, tourism</td>
<td>Logistics, trade &amp; Industry, environment</td>
<td>Energy, Resource</td>
</tr>
<tr>
<td>Scheduled Completion</td>
<td>2016</td>
<td>2011</td>
<td>2018</td>
<td>2014</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

*Source: SAGIA*
OVERVIEW OF THE CONSTRUCTION SECTOR IN SAUDI ARABIA

The construction sector in Saudi Arabia is the largest and fastest growing market in the Gulf region. Ongoing construction projects in the Gulf are valued at $1.9 trillion (SR7.1 trillion), and one-quarter of the developments are located in Saudi Arabia. A number of positive economic, demographic, and geographic factors, as well as continued government support, have combined to help Saudi Arabia weather the current economic downturn better than most of its Gulf neighbors. According to industry experts, in the first two quarters of 2009, 34 contracts, each with a value over $500 million (SR1.9 billion), were awarded. These contracts represent a combined worth of $50.1 billion (SR187.9 billion), which represents a decrease from the total value of the 49 contracts awarded during the same period in 2008, which had a total worth of $63.5 billion (SR238 billion).

The Saudi Government, however, is intent on fueling the sector’s growth. According to Saudi Government officials, the Kingdom will spend an estimated $400 billion (SR1.5 trillion) on large infrastructure projects over the next five years. In the period between October 2008 and April 2009, industry experts estimate that the Saudi Government invested nearly $137 billion (SR513.8 billion) on construction projects. The figure is more than twice the estimated value of projects that have been delayed ($62 billion) during this same period.

Government-driven infrastructure projects will be important in reviving the Saudi construction sector. In fact, H.E. Amr Al Dabbagh, Governor of Saudi Arabian General Investment Authority (SAGIA), believes that the economic slowdown has benefitted the Saudi construction sector: “The global economic slowdown has presented a great deal of opportunities including depressed prices of building materials and surplus capacities in construction companies, equipment and human capital. All these challenges were there six months ago but now we are talking about a cost advantage for construction between 30 and 40 percent. Now the challenge is how much we can do in 24 hours a day, seven days a week.” Further, despite the current economic climate, according to TradeArabia News Service in June 2009, only 4 percent of Saudi real estate projects worth a total of $543 billion (SR2 trillion) have been cancelled or delayed. Indeed, 30 projects have been cancelled, while 25 have been delayed, out of a total of 812 projects in real estate, leisure, and infrastructure. Approximately 460 projects worth an estimated $289 billion (SR1.1 trillion) are currently in the construction phase. Among the remaining projects, the majority is being planned, designed, or is in the bidding stage.

The construction sector has great potential for growth, as demand rises for residential, commercial, housing and institutional construction. The housing sector, in particular, is likely to grow, as the Saudi population is rising at a rate of 2.5 percent a year. Construction will also play a large part in the Kingdom's massive industrial expansion through the National Industrial Cluster Development Program as well as in the completion of six Economic Cities. Saudi Arabia’s government budget reflects the importance of ongoing growth in the construction sector. Government spending is likely to remain aggressive in the sector, as the prices of commodities decrease due to the global economic downturn. Furthermore, according to industry experts, a revival in the Saudi economy in general, and in the construction sector in particular, is likely, as demand for projects continues to increase and as the financial climate improves.
SELECT USSABC MEMBERS ENGAGED IN THE WATER INDUSTRY

Abdel Hadi Abdullah Al-Qahtani & Sons Group  
Website: www.ahqsons.com

Al Dhahry Group  
Website: www.al-dhahry-group.com

A.K. Al-Muhaidib Group  
Website: www.muhaidib.com

Al-Rashid Trading & Contracting Co.  
Website: www.rtcc.com.sa

Al-Rushaid Investment Company  
Website: www.al-rushaid.com

Hajjan Trading Establishment  
Website: www.hatcon.com.sa

M. & A. Albawardi Group  
Website: www.albawardi.com

M.H. Sherbiny for Commerce  
Website: www.sherbinyforcommerce.com

Al-Rushaid Investment Company  
Website: www.al-rushaid.com

Hajjan Trading Establishment  
Website: www.hatcon.com.sa

M. & A. Albawardi Group  
Website: www.albawardi.com

M.H. Sherbiny for Commerce  
Website: www.sherbinyforcommerce.com

Rezayat Company  
Website: www.rezayat-commercial.com

Saudi Binladin Group  
Website: www.sbg.com.sa

Seder Group  
Website: www.sedergroup.com

Tamimi Group of Companies  
Website: www.al-tamimi.com

Trading and Development Partnership Company  
Website: www.tdpc.com

Xenel Group  
Website: www.xenel.com

Yusuf Bin Ahmed Kanoo  
Website: www.ybakanoo.com

Zamil Group Holding  
Website: www.zamil.com

U.S.-SAUDI ARABIAN BUSINESS COUNCIL PRODUCTS & SERVICES

Taking full advantage of the experience and expertise of Business Council staff in both the Washington, D.C. metropolitan area and Riyadh, the USSABC offers a wide range of tailored products and services offers a full menu of business development, networking, and communications and information services to Members and Non-Members. Products and services include:

**Business Development Services**

- Market Insight & Analysis
- Competition Analysis
- Market Entry Strategy
- Partner Identification & Introduction
- Company Profiles & Contact Information
- In-Country Partnership Screening & Analysis
- In-Country Appointments & Logistical Support
- Trade Show Support Services
- Trade Missions to and from Saudi Arabia
- Advisory Services

**Networking Services**

- Annual Business Conference/Plenary Meeting
- Business Round Tables/Issue Luncheons
- Business Dialogue Sessions
- Pre-dinner or reception meeting with dignitaries

**Communications & Information Services**

- Newsletter
- A Business Guide to Saudi Arabia
- Industry Sector Reports
U.S.-SAUDI ARABIAN BUSINESS COUNCIL MEMBERSHIP BENEFITS

$5,000 Platinum Member
- Priority notice of special events
- Priority Table Seating for CEO/Chairman at selected events
- CEO receives direct access to dignitaries at events
- Pre-dinner or reception meeting with dignitaries
- Special invitations to round table executive discussions
- Unlimited Saudi visa sponsorships
- Limit of ten copies of Business Guide, limit of ten sector reports per year; additional copies at a discount
- Ten free hours for research requests; additional hours at a discount
- Ten free hours for identifying partners or distributors; additional hours at a discount
- Corporate logo displayed on the Council’s website with link to company site

$2,500 Gold Member
- Priority notice of special events
- Special invitations to round table executive discussions
- Limit of five Saudi visa sponsorships per year
- Limit of five copies of Business Guide, limit of five sector reports per year; additional copies at a discount
- Five free hours for research requests; additional hours at a discount
- Five free hours for identifying partners or distributors; additional hours at a discount

$1,000 Silver Member
- Invitations to special events
- Limit of three Saudi visa sponsorships per year
- Limit of three copies of Business Guide, limit of three sector reports per year; additional copies at a discount
- Three free hours for research requests; additional hours at a discount
- Three free hours for identifying partners or distributors; additional hours at a discount

ABOUT THE U.S.-SAUDI ARABIAN BUSINESS COUNCIL

The U.S.-Saudi Arabian Business Council (USSABC) was established in December 1993 to improve the mutual knowledge and understanding between the private sectors of the United States and Saudi Arabia, and to promote and facilitate increased trade and investment between the two countries. Our mission is to foster, develop, and expand the strategic business alliance between the U.S. and Saudi Arabia by promoting trade and investment between the two countries and contributing to the accurate depiction of the business environment within the Kingdom of Saudi Arabia. The USSABC also seeks to create awareness of the opportunities for small and medium sized businesses in both countries.

The USSABC has built a membership base of leading companies in the U.S. and Saudi Arabia, enjoys strong government support from both countries, and interacts regularly with officials to promote issues of mutual interest to U.S. and Saudi firms. The Business Council serves as the central source of information and assistance for companies that want to pursue specific business activities in the Kingdom of Saudi Arabia. Furthermore, the USSABC organizes conferences and seminars in both countries to promote dialogue between the two private sectors, as well as trade and investment missions that provide networking opportunities for U.S. and Saudi companies.

The USSABC provides a wide variety of business development services to Council members and non-members alike. These services include market entry strategy, partner identification and introduction, in-country appointments and logistical support, and the organization of trade missions to and from Saudi Arabia. The USSABC also provides up-to-date information on market opportunities in Saudi Arabia through a number of publications, including A Business Guide to Saudi Arabia, a bi-monthly newsletter, the U.S.-Saudi Business Brief, and special reports on Saudi Arabian industry sectors. For more information on Council membership or services, please visit www.us-sabc.org.