

2.6: Integrated housing projects and urban development sector

SECTOR OVERVIEW

Kuwait has outlined plans for development of a number of large scale integrated housing projects to address the housing needs of its growing population. These projects are expected to propel growth of the real estate sector and provide opportunities for investors to participate across the real estate value chain from development planning, construction contracting to real estate services like property and facilities management.

DEVELOPMENT PLANNING

The Government is seeking to develop large scale integrated housing projects with an estimated value of USD 135 Bn. These projects are likely to drive the growth of development planning services such as concept planning, design and feasibility studies for real estate projects

CONSTRUCTION CONTRACTING

Kuwait has a strong pipeline of planned construction projects across sectors like real estate, infrastructure, power, water and oil and gas. This constitutes a sizeable opportunity for international construction contractors to establish presence in the country.

FACILITIES MANAGEMENT

The facilities management market in Kuwait is fragmented and there is a need for specialist facilities management services and competent professional resources. The planned increase in real estate assets is likely to drive demand for such services.

PROPERTY MANAGEMENT

A large proportion of properties in Kuwait are owner-managed and several real estate services companies offer property management as part of their service portfolio. Demand for specialized property management services across residential, commercial and retail segments is expected to increase as owners seek to focus their core business and outsource property management services.

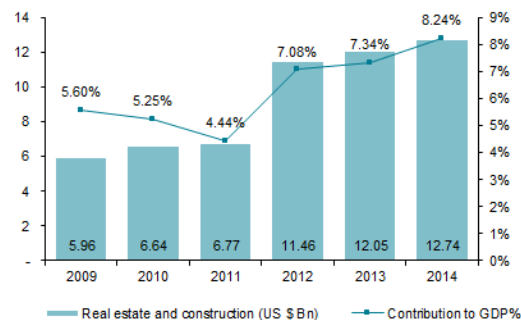
The planned construction of large scale integrated townships and housing projects is expected to drive demand for services across the real estate value chain.

Pipeline of construction projects -

Project value

**200+ projects,
USD 250 Bn**

Real Estate Sector contribution to GDP, 2009-2012



Development of large scale integrated housing projects and urban development

Project value

USD 135 Bn

Madinat Al Hareer (Silk City) project – Expected operations by 2023

Project value

USD 88 Bn

2.6.1: Development planning for integrated housing projects

OPPORTUNITY OVERVIEW

With a number of large projects for housing and urban development currently in the initial stages and several others yet to be initiated, there exists considerable opportunity for development planning services such as concept planning, design and feasibility studies for such projects.

Kuwait has planned a number of large integrated housing projects including the Madinat Al Hareer (Silk City) project, Khairan Residential City and the Sabah Al Ahmad Future City. Development planning for such large scale projects requires specialists and creates demand for local and international development planning firms and real estate service providers to offer such services in Kuwait.

Select Housing Projects*	Value (USD Mn)
Tamdeen - Madinat Al Hareer	88,000
PAHW - Khairan Residential City	14,000
PAHW - Sabah Al Ahmad Future City	27,000
KIPCO - Daiya real estate project	5,000
PAHW - Sabah Al Ahmad Future City - Dahiya A4, A5	452
PAHW - North West Sulaibikhat Residential City	274
PAHW - Sabah Al Ahmad Future City - Area B Public Buildings	136
PAHW - North West Sulaibikhat Residential City -310 Apartments Package	130
PAHW - Sabah Al Ahmad Future City - Area C - Area Public Buildings	121
PAHW - North West Sulaibikhat Residential City - 396 House Package	11
Total	135,124

- The large scale integrated housing projects planned by the Government to address the current undersupply in the residential and investment sectors will create opportunities for development planning services in the next few years.
- Obtaining finance is expected to be a critical aspect for large scale integrated housing projects, many of which will be undertaken with private sector participation.
- These projects are expected to drive demand for services such as development planning, master planning, technical and financial feasibility studies and due diligence that banks and investors require for evaluating projects.

The potential market size for development planning services is approximately USD 900 Mn

Currently, there is a limited presence of specialized development planning firms in Kuwait with most of this work done by foreign players who do not have a physical office presence in the country which is not a very efficient model.

The planned construction and infrastructure development activity would create opportunities for international investors to establish presence in the country



2.6.2: Property Management

OPPORTUNITY OVERVIEW

Property management (PM) firms are often used when the asset owners lack the time, resources or expertise necessary for day-to-day management of the property. PM firms liaise between owners and tenants to manage property related services on behalf of owners. Property management is still relatively underdeveloped in Kuwait with most of these services being offered in-house by owners/ asset operators

However, as the real estate market matures, asset managers will need to focus on their core business of real estate development and outsource property management services to specialized professional management firms. This would result in a strong potential for specialized third party, pure play property managers to establish their presence and bring in leading practices in this sector.

Kuwait - Residential real estate market (2011)		
Category	No. of buildings	Potential annual property management fees (USD '000)
Class A+	22	1,040
Class A	435	10,825
Class B+	657	11,760
Class B	1,195	15,865
Class C	3,578	42,157
Other	5,182	50,792
Total	11,069	132,438

Kuwait - Retail market(2011)		
Category	Total GLA (SQM '000)	Potential annual property management fees (USD '000)
Malls - operating space	618	31

Kuwait-Office and mixed-use real estate market (2011)			
Category	No. of buildings	Total GLA (SQM'000)	Potential annual property management fees (USD'000)
Class A+	340	2,550	28,556
Class B+	400	2,400	27,554
Class B	1,200	6,000	66,662
Class C	1,803	6,311	67,137
Other	549	1,098	7,513
Total	4,292	18,359	197,421

- Kuwait's economic growth, together with the steadily growing population and increasing number of expatriates has led to additional demand for real estate developments and corresponding opportunity for PM services.
- With several real estate development initiatives being planned by the Kuwait Government, an opportunity exists for PM firms to manage assets on behalf of the operators.

In 2014, the Real Estate and Construction sector contributed around 9.6% and 2.6% of the nominal GDP

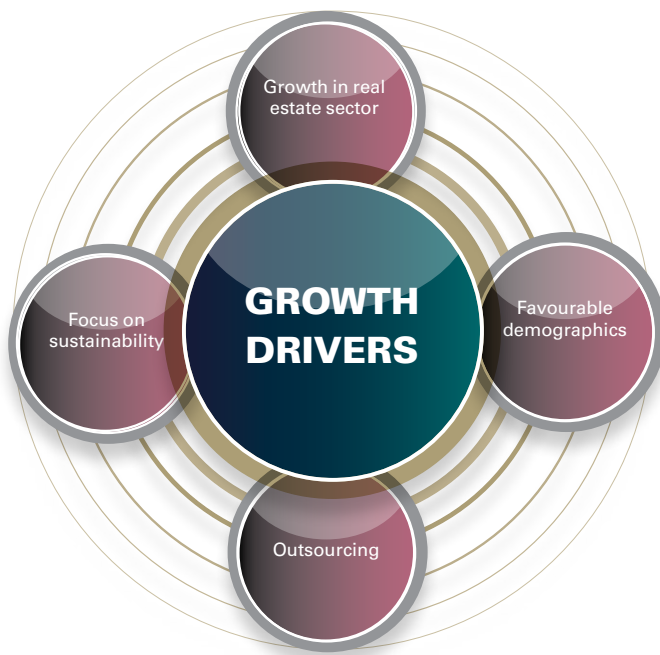
The market size for PM was estimated at USD 350 Mn in 2011, with commercial real estate being the key segment.

Development of large scale residential projects and expansion of retail and commercial space would provide opportunities for global and regional property managers to offer specialized services.

2.6.3: Facilities Management

OPPORTUNITY OVERVIEW

Facilities Management (FM) services are mainly driven by an increase in available real estate activities. Several large infrastructure projects initiated in Kuwait will result in a growing need to manage these facilities and requirement for FM service providers. Additionally, a change in mindset of asset managers to outsource this non-core activity to specialized FM service providers is likely to further augment demand for FM.



- Kuwait's expanding real estate sector and high per-capita income of its relatively young population are leading to demand for higher quality residential options. Investment in the residential real estate sector is expected to grow, resulting in a demand for high quality FM services.
- Companies focusing on reducing operating costs are further expected to outsource their non-core activities, resulting in growing demand for professional FM services.
- Rising focus on sustainability and growing number of developments conforming to green/LEED standards, leads to demand for specialized FM service providers.

The FM industry in Kuwait was estimated at USD 270 Mn in 2011, and is expected to have reached USD 430 Mn by 2013. Local players currently dominate the market and there is limited presence of specialized global FM service providers. There is an opportunity for such specialized firms to enter Kuwait, establish industry standards and benchmarks and enter into long term contracts with infrastructure asset owners and operators in Kuwait.

2.6.4: Construction Contracting

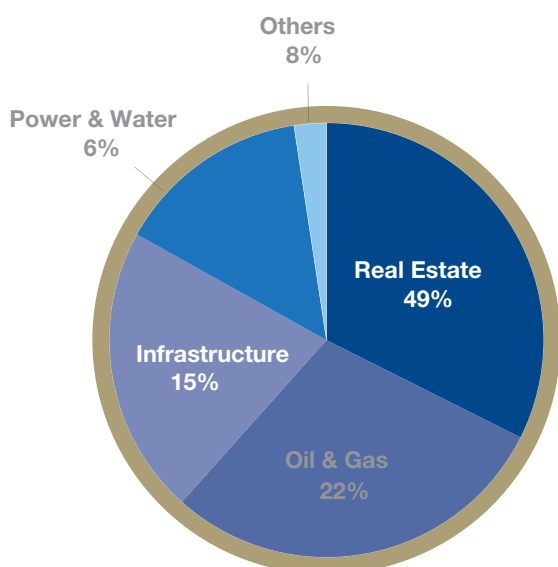
OPPORTUNITY OVERVIEW

Kuwait Government's focus on development of infrastructure (roads, ports, airport, rail) along with large scale integrated housing projects is expected to drive a large volume of construction activity in the country.

Construction contractors in Kuwait face constraints in terms of technological expertise and experience in executing large scale complex projects, thereby creating an entry point for international companies. Additionally, the scale of announced projects is likely to be more than what can be absorbed by domestic players which further highlights the potential market for international contractors to consider Kuwait as a key market within the GCC region.

The pipeline of current projects is valued at over USD 250 Bn in 2015. This provides considerable opportunity for construction activity. Real estate projects account for a majority of the planned construction activities, followed by oil and gas, infrastructure and power and water.

Proposed construction projects by sector (by value) in %



- A growing, young population is driving the need for additional residential units and construction activity.
- The planned integrated housing projects will further augment the demand for construction management services.
- The Kuwait Development Plan includes construction of large infrastructure projects such as roads, bridges, ports, airports, rail and Government buildings which will lead to significant construction activity.

Over 90,000 housing units are proposed to be added over a period of 6 to 7 years under the various housing projects initiated by the Public Authority for Housing Welfare. The Ministry of Health is undertaking construction of 8 additional hospitals in the country. These projects offer significant opportunities for international construction contractors particularly in large, complex or technically challenging areas where local contracting capacity and expertise may be stretched.