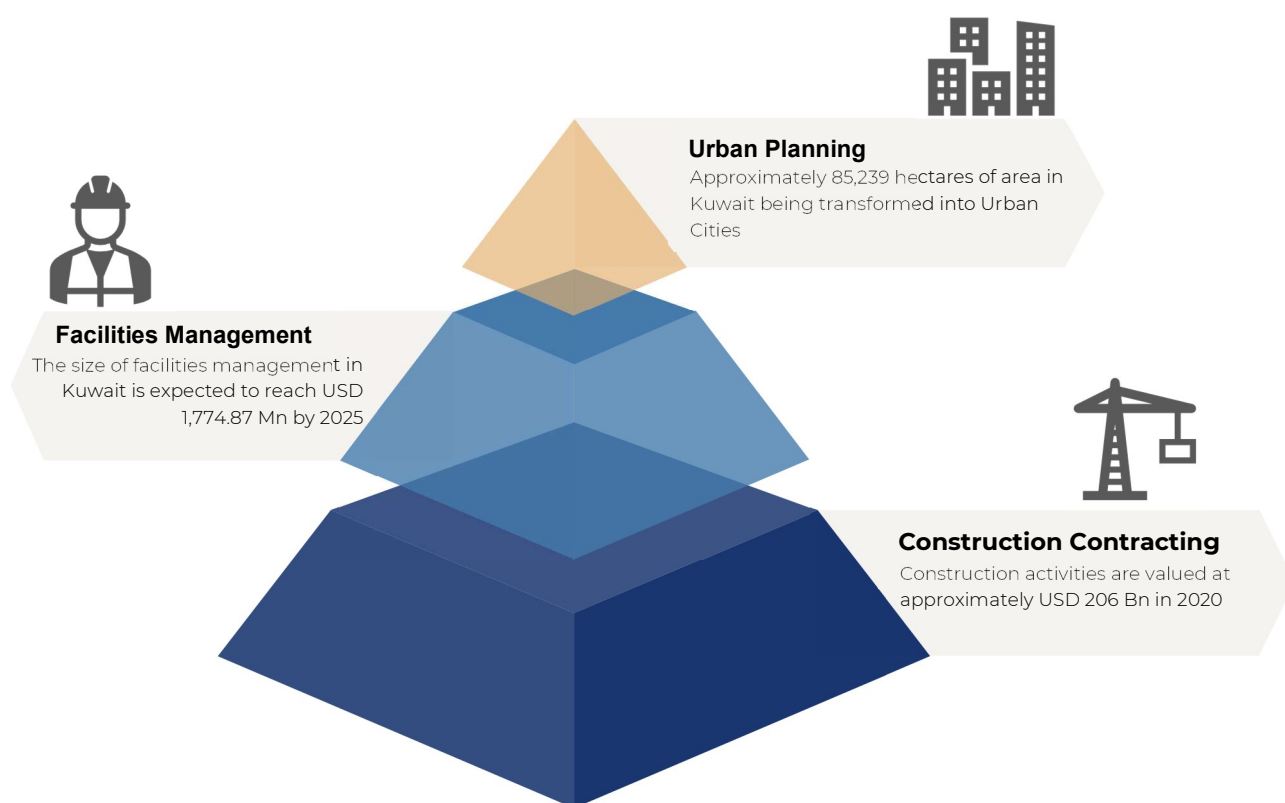


## 3.6 Housing Projects and Urban Development Sector

### Sector Overview

Housing Projects and Urban Development are a highly prioritized sector under Kuwait Vision 2035 Development Plan and includes a number of mega infrastructural projects undertaken by the government. These projects revolve around the development of massive residential cities in Kuwait with the intention of providing housing facilities for the Kuwaiti population. The projects undertaken are of such massive scale that the government chooses to utilize the private sector in the development of several components related to the projects.

### SUBSECTORS



Several components of mega city projects tendered by the government are on PPP basis and require consortium members with international experience to participate in the development of such components. The PPPs are tendered at favorable terms to international investors that will provide them with attractive returns on investment.

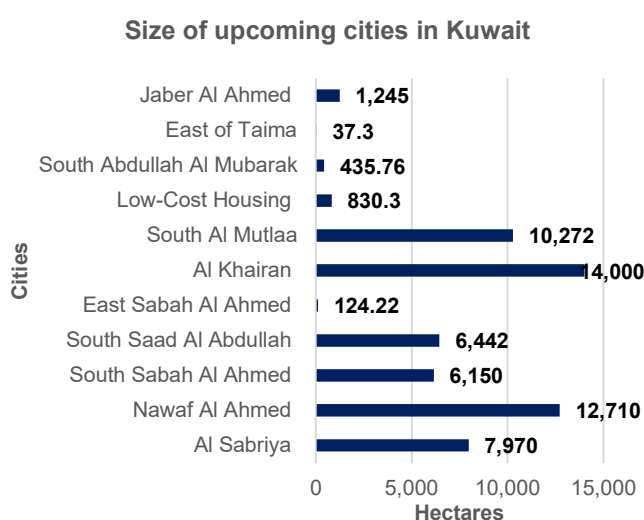
## 3.6.1 Urban Planning

Urban planning is the process of designating and designing spaces within areas by taking into consideration the expected economic activity, the topography, and the social impact. This process is often applied when planning cities, towns, urban or metropolitan areas.

### OVERVIEW AND FACTORS INFLUENCING THE MARKET

- A large number of housing projects are currently undertaken by the government of Kuwait to address issues related to the short supply of housing for Kuwaitis.
- Thus, as part of Kuwait's Vision 2035 development plan, Kuwait has launched the development of a number of cities/housing projects. Some of the Projects are listed below<sup>1, 2</sup>:

City Name	Areas (Hectares)
Al Sabriya	7,970
Nawaf Al Ahmed	12,710
South Sabah Al Ahmed	6,150
South Saad Al Abdullah	6,442
East Sabah Al Ahmed	124.22
Al Khairan	14,000
South Al Mutlaa	10,272
Low-Cost Housing	830.30
South Abdullah Al Mubarak	435.76
East of Taima	37.3
Jaber Al Ahmed	1,245



- A large number of real estate developers in the private sector have also launched large scale projects. Some of them include:

Developer	Project Name	Area (Hectares)	Use
KIPCO	Hessah Al Mubarak	22.7	Multi Use <sup>3</sup>
Al Tamdeen Group	Madinat Al Hareer (Silk City)	25,000	Multi Use <sup>4</sup>

- It is further expected that a large number of real estate projects will be launched in the near future to meet the continuing demand for housing and commerce.
- International firms specialized in urban planning have a limited presence in the country. Though international firms' participation in public tenders issued by the government for development of cities, their presence is often on a short-term basis with limited personnel on the ground.
- In most cases such arrangements are ineffective and undesirable to governmental authorities who would prefer permanent offices of the firms to be present in the country.

## OPPORTUNITIES AND INVESTMENT CONSIDERATIONS

- Upcoming housing and infrastructure projects will create great opportunities for foreign investors to participate in their urban design and planning and would encourage them to have a direct presence within the country through their representative offices.
- Foreign investors will have a higher reach in sourcing business from local authorities as well as higher chance of winning new opportunities.

Source: <sup>1</sup>PAHW, <sup>2</sup>Kuwait Vision 2035 Development Plan, <sup>3</sup>KIPCO, <sup>4</sup>Al Tamdeen Group



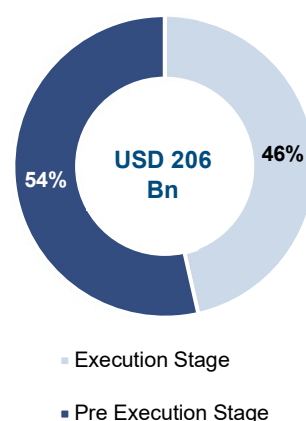
## 3.6.2 Construction Contracting

Construction contracting is the process of designating companies specialized in the area of building/ developing physical structures for carrying on activities against predetermined designs/specification by ensuring quality and timely delivery of the project.

### OVERVIEW AND FACTORS INFLUENCING THE MARKET

- Under the Kuwait Vision 2035 Development Plan, the government has launched a number of infrastructural projects in the country within the Real Estate, Healthcare, Oil and gas, transport, and other sectors.
- Most of the projects have been launched taking into consideration the young demography of the country and its growing needs for housing and healthcare.
- A number of these projects are to be procured at a massive scale and will include enormous construction activities valued at approximately USD 206 Bn in 2020.<sup>1</sup>
- Real Estate, at 39% was the largest sector in demand for construction activities followed by Oil and Gas in the second position at 25% and Air, Maritime and Transport in the third position at 24%.<sup>1</sup> The construction of new airports, ports and roadways is crucial for achieving the vision of Kuwait as a financial and commercial hub in the near future.
- While 46% of the infrastructure projects were in the execution stage, the remaining projects were at varied stages of pre-execution including study, planning and design.<sup>1</sup>
- While a number of construction companies are present in Kuwait, they are limited by their ability to execute massive projects. The availability of labor is one of the prime constraints they face, with Kuwait facing massive shortages in labor following the COVID-19 pandemic.
- Further, the kind of technical knowledge and experience that they bring to these projects may not match those of international construction companies' standards.

Construction Stage by Sector



### OPPORTUNITIES AND INVESTMENT CONSIDERATIONS

- The construction sector of the Kuwaiti market has the potential for witnessing enormous growth since 54% of the government projects are yet to reach the execution stage.
- The Kuwaiti market has a lack of local construction companies who can take on the massive pipeline of construction projects yet to be launched. Hence, there is ample opportunity for foreign investors to participate within this sector.
- Many governmental projects are tendered on a PPP basis, whereby the government calls on companies/firms with international experience to bid for the projects. Hence, the government favors international bidders for the advanced technical skills and international experience they bring to the table.

Source: <sup>1</sup>Gulf Bank – Kuwait Projects Landscape Report

### 3.6.3 Facilities Management

Facilities management is a process of providing effective and efficient support services to ensure the functionality, security, and safety of real estate properties.

#### OVERVIEW AND FACTORS INFLUENCING THE MARKET

- Kuwait is undertaking the construction of a number of infrastructure projects at a massive scale. The said projects are in line with Kuwait Vision 2035 Development Plan, which envisions Kuwait as a diversified economy and a regional financial and commercial hub.
- Large-scale construction will have a spillover effect, with demand rising for maintaining the facilities constructed to ensure seamless utilization of the structures. Hence, there will be a major demand for Facilities Management in the country. In fact, the size of the Facilities Management sector in Kuwait was estimated latest at USD 1,176.22 Mn in 2019. This is expected to grow at a CAGR of 9.26% to USD 1,774.87 Mn by 2025.<sup>1</sup>
- Demand in this sector is driven from three different segments:
  - The government of Kuwait that has tendered a large number of infrastructural projects including housing, schools, universities, and hospitals. Most of these projects are tendered on a PPP basis and as part of the arrangement, the participation of a FM Company with international experience is a mandatory requirement.
  - Private residential owners with significant disposable income have created a demand for high quality housing and thus expect to be catered to by professional facility managers.
  - Private companies intend to optimize their operations, thereby outsourcing their non-core activities, that helps to reduce costs. This has created demand for FM in the country.
- Major players within the FM sector include local companies and a couple of international companies. Some of the companies are listed below:
  - Tanzifco Company (W.L.L)
  - Magnaflux Corp.
  - Al Mulla Group
  - Alghanim International General Trading & Contracting Co. (W.L.L)
  - United Facilities Management Company (K.S.C.C)
  - ENGIE Services General Contracting for Buildings Company (W.L.L)
  - Al Mazaya Holding Company (K.S.C.P)
  - Ecovert FM
  - Kharafi National FM
  - PIMCO Kuwait

#### OPPORTUNITIES AND INVESTMENT CONSIDERATIONS

- A number of infrastructure projects are currently being executed in the country. There are several other projects in the pipeline and expected to be executed in the coming period. These projects range over many sectors including Real Estate, Healthcare and Education. This creates a huge opportunity for foreign investors to participate in the segment with their international expertise in Facilities Management.
- Kuwait is also planning to be the next tourism hub of the GCC. It has thus invested in infrastructure related to airports, hotels, and resorts. The need to provide tourists with facilities of international standards and cater to their health and safety measures is also increasing the demand for effective facility management in the hospitality sector.

- The rise of climate and environmental consciousness among the general public requires facility management services to be provided through eco-friendly solutions. Such expertise does not exist in the local market and so foreign investors can take advantage of these gaps within the market and provide clean solutions.

Source: <sup>1</sup>Business Wire

