

## *Executive Summary*

The Middle East flooring market is growing due to the high volume of construction activities in the region. The increasing end-use application and types of flooring material will continue to support consumer demand. This report offers an overview of the Middle East flooring market focusing on the GCC region. It also looks at the volume of active urban construction projects per country and offers an analysis of the construction activities to identify the main growth markets for flooring material.

The highlights of the report are as follows:

- The Middle East flooring market is expected to reach USD 10 billion in 2026 primarily due to the growth in construction activities in the GCC.
- The flooring market comprises of various materials, of which nylon constitutes approximately 40% of the current market share.
- The urban construction sector is driving the demand for flooring material. The GCC has approximately 20,885 active projects, of which approximately 80% are related to urban construction.
- The UAE makes up the majority of urban construction projects in the GCC and together with Saudi Arabia constitute approximately 71% of all urban construction projects in the region.
- Among the various types of urban construction projects, residential and office buildings account for nearly 80% of all urban construction activities and constitute much of the demand for flooring material in the region.

## *Flooring Market Analysis*

The Middle East flooring market is poised for growth due to the high number of active construction projects. The flooring market is expected to grow at a compounded annual rate of over 5% to reach USD 10 billion by 2026.<sup>1</sup> The flooring market can be divided into the following segments: carpet and rugs, tiles, vinyl and rubber flooring, wood flooring and other types such as laminate flooring.<sup>2</sup> Nylon is the most widely-used material which has an estimated value of USD 2.6 billion and constitutes more than 40% of the flooring market share in the region.<sup>3</sup> The increasing end-use application and product designs open up new market opportunities.<sup>4</sup> The demand for flooring material is expected to increase with the rise of new construction and renovation activities in the region.

---

<sup>1</sup> [http://www.tradearabia.com/news/CONS\\_318033.html](http://www.tradearabia.com/news/CONS_318033.html)

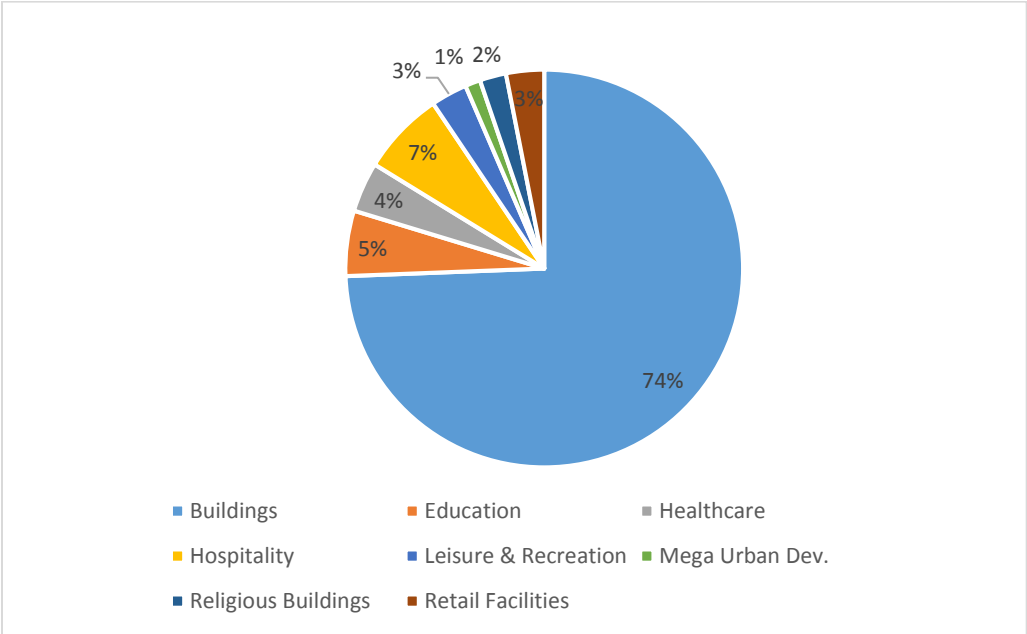
<sup>2</sup> <http://www.transparencymarketresearch.com/flooring-market.html>

<sup>3</sup> <http://www.futuremarketinsights.com/reports/middle-east-flooring-and-carpet-market>

<sup>4</sup> <http://www.futuremarketinsights.com/reports/middle-east-flooring-and-carpet-market>

The main demand driver for flooring material appears to be coming from the urban construction sector, which comprises of office and residential buildings, mega-urban developments, religious buildings, education buildings, leisure and recreation facilities, hospitality buildings, healthcare facilities and retail facilities. As per the BNC Project Intelligence, there are 20,885 active construction projects in the GCC alone, of which approximately 80% is in the urban construction sector. The main demand for flooring in the GCC appears to be coming from development projects in the urban construction sector. But the construction activities in this sector is skewed when looking at the distribution of projects by segment.

Chart 1: Percentage of Active Urban Construction Projects Per Segment in the GCC



Source: BNC Project Intelligence

The main construction activities in the urban construction sector are coming from the buildings segment which is supported by state-led urban development and planning programs. The economic diversification policies of GCC governments have changed urban landscapes, as many GCC cities are undergoing a large transformation through the deployment of many urban megaprojects.<sup>5</sup> The urban construction sector is expected to drive the demand for flooring material, notably in the buildings segment, while hospitality and retail segments are indicating high growth potential.

<sup>5</sup> <http://www.sciencedirect.com/science/article/pii/S2095263516000066>

### *Flooring in Building Projects*

The residential segment is pushing the flooring market ahead.<sup>6</sup> There are approximately 12,208 building projects comprising of low-rise buildings (1 to 3 floors), mid-rise buildings (4 to 14 floors) and high-rise buildings (over 15 floors) used for residential and office purposes. The building segment is a major contributor to the demand of flooring material in the region. Several high-value building projects include Al Asfar District in Al Ahsa, Saudi Arabia (USD 10 billion), The South Saad Al Abdullah New City in Kuwait City, Kuwait (USD 4 billion) and The Nawaf Al Ahmad City in Sabriyah, Kuwait (USD 3 billion). All three projects are in the concept stages of development and are expected to add to the demand for flooring and carpet once construction begins.

### *Flooring in Hospitality Projects*

The GCC construction market has been growing over the past few years, notably in the UAE and Qatar in preparation for the upcoming World Expo 2020 and 2022 FIFA World Cup. Both countries are investing in hospitality and tourism in anticipation of the high visitor turnouts.<sup>7</sup> The hospitality projects surrounding the events are expected to give a lift to demand in the flooring market. According to statistics from the UAE Department of Tourism and Commerce Marketing, the number of hotel room supply requirements could range between 140,000 to 160,000 rooms by 2020 with another 10,000-plus rooms that need refurbishment to meet the expected demand.<sup>8</sup> The UAE currently has approximately 85 hospitality projects in the initial stages of construction (i.e. concept and design) including the Firdous Sobha in Umm Al Quwain (USD 6.8 billion), the Hospitality District in the Mall of the World in Dubai (USD 1 billion), and RP One in Business Bay in Dubai (USD 1 billion). Meanwhile, Qatar estimates approximately 45,000 hotel rooms to meet the 2022 FIFA World Cup requirements<sup>9</sup> with approximately 28 planned hotels so far in 2017. Several of the notable hospitality projects in the country include the Sofitel Hotel in the West Bay (USD 150 million) and the Downtown Arjaan Doha (USD 100 million).

### *Flooring in Retail Projects*

The UAE is a considered a regional hub for shopping and luxury retail. Last year Dubai saw a 26,000 square meter increase in retail space, with an additional 350,000 square meters planned for in 2017 and 367,000 square meters in 2018.<sup>10</sup> The expected growth in retail floor space will create a surge in demand for flooring material. According to some media sources, the Saudi retail market may overtake that of the UAE in sheer scale and volume of opportunity.<sup>11</sup> Saudi Arabia has the biggest economy in the Middle East with a population of 30 million people – 70%

---

<sup>6</sup> [http://www.tradearabia.com/news/CONS\\_318033.html](http://www.tradearabia.com/news/CONS_318033.html)

<sup>7</sup> <http://indyfrt.com/wp-content/uploads/2015/07/GCC-Building-Construction-and-Interiors-May-20152.pdf>

<sup>8</sup> <http://indyfrt.com/wp-content/uploads/2015/07/GCC-Building-Construction-and-Interiors-May-20152.pdf>

<sup>9</sup> <http://indyfrt.com/wp-content/uploads/2015/07/GCC-Building-Construction-and-Interiors-May-20152.pdf>

<sup>10</sup> <https://www.oxfordbusinessgroup.com/news/dubai%E2%80%99s-retail-space-expands-growth-cools>

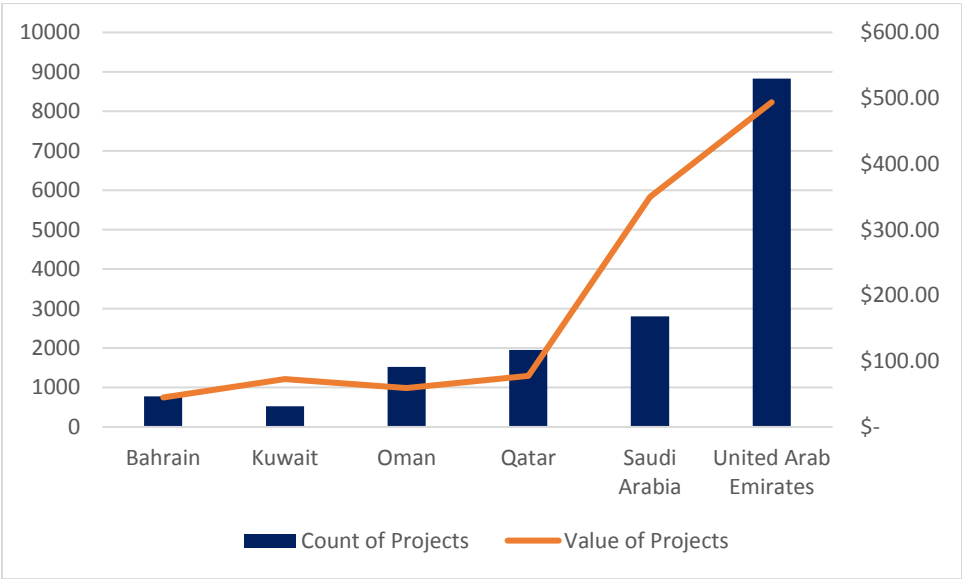
<sup>11</sup> <http://franarabia.com/posts/show/retail-renaissance-in-saudi-arabia>

of whom are aged 30 or under, which is a prime segment for retailers.<sup>12</sup> The Mall of Arabia Riyadh is of the notable retail outlets, which is scheduled to open in 2018; the mall will have a built up area of 260,000 square meters with a gross leasable area of 163,000 square meters.<sup>13</sup> The boost in retail floor space will continue to drive the growth for flooring material in the near future.

### Construction Activities

The GCC construction market is expected to recover in the latter part of 2017, following a relatively sluggish performance in the previous year due to low oil prices. The gradual pick-up of construction activities is expected to spill over into the flooring market. The urban construction sector has approximately 16,411 active projects which account for nearly 80% of all construction activities in the region. The high volume of urban construction projects is driving the demand for flooring material.

Chart 2: Number and Value (in USD Billions) of Active Urban Construction Projects Per Country in the GCC



Source: BNC Project Intelligence

The following analysis is based on data from the BNC Project Intelligence:

<sup>12</sup> <http://franarabia.com/posts/show/retail-renaissance-in-saudi-arabia>

<sup>13</sup> <http://franarabia.com/posts/show/retail-renaissance-in-saudi-arabia>

- The majority of urban construction projects are in the UAE, which constitutes approximately 54% of all urban construction projects in the GCC. The large scale additions of residential and commercial properties will likely create more opportunities for flooring and fit-out contracts.
- Saudi Arabia has the second largest market share of urban construction projects, which make up approximately 17% of all urban construction activities in the region. But when looking at this in dollar terms, the value of urban construction projects in Saudi Arabia accounts for almost 32% of the total estimated value of urban construction investments in the region. The reason for the variance between the number and value of urban construction projects is due to several high-value projects that are currently underway in the country.
- An estimated 63% of urban construction projects are currently under construction, indicating a steady demand for flooring and fit-outs. It is also noteworthy to mention that an estimated USD 252 billion worth of urban construction values are in the initial stages of construction and will open up new demand for flooring material once projects are underway.

## *Conclusion*

The Middle East flooring market is primed for growth due to the high volume of urban construction projects in the GCC. The UAE has the highest number of urban construction projects in the region followed by Saudi Arabia; Qatar is also growing rapidly with a high number of planned hotel rooms and retail outlets expecting to come on stream ahead of the 2022 FIFA World Cup. Many urban construction projects are supported by state-led urban development and planning programs, which are expected to drive the demand for flooring material over the next few years.