

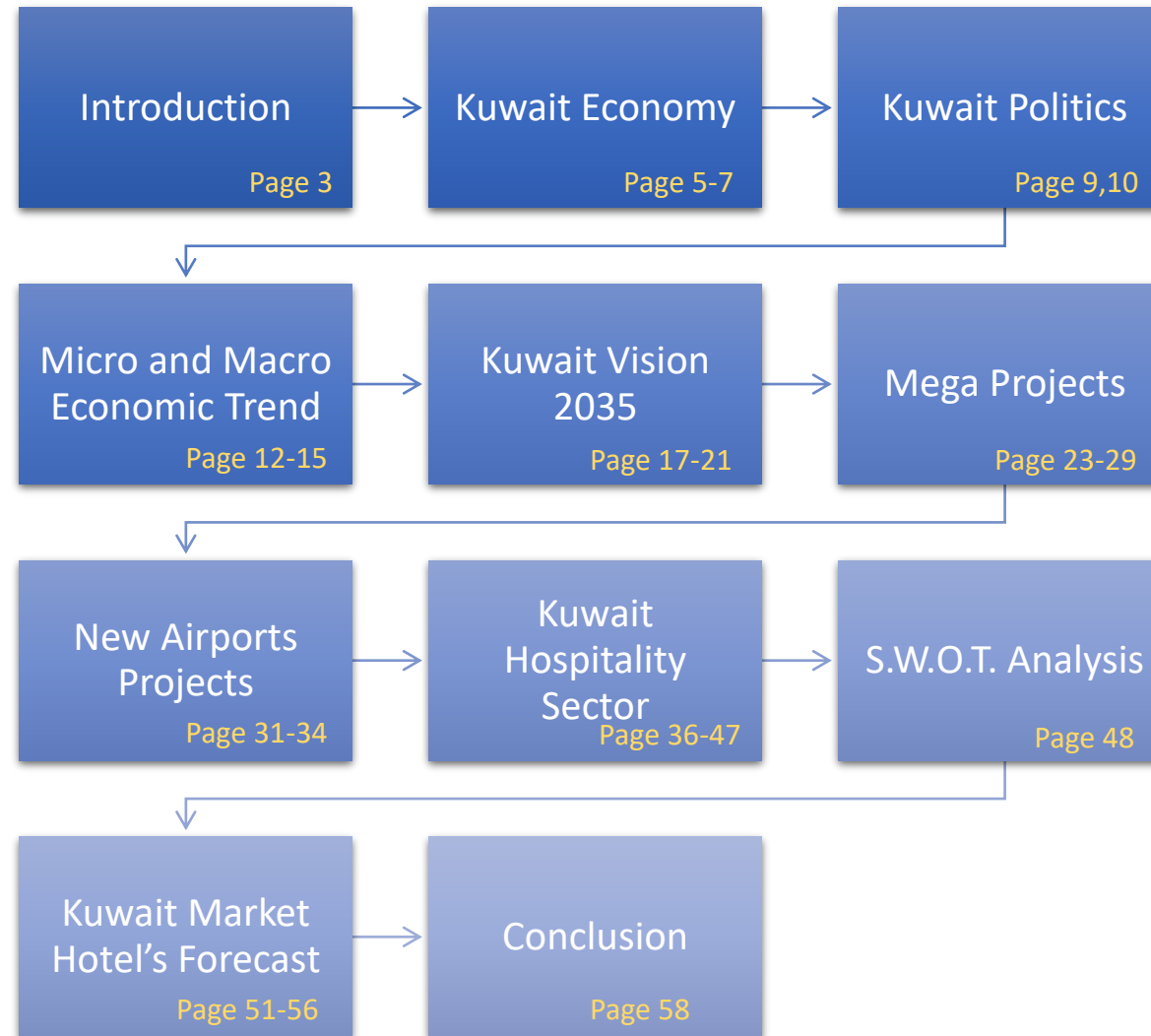
# Kuwait Market Three Years Business Outlook

2019-2021  
June/2018



# Index

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# Introduction

Kuwait Hotel Owners Association is pleased to present to its members the third yearly report on :

✓ **"Kuwait Market Three Years Business Outlook" -- 2019-2021**

This report is aimed to assist in the budget preparation of Hotel Members for 2018 and the three years plan and includes the following :

Kuwait economy

Mega projects in the pipeline

Future hotel supply and demand

In addition the report includes assumptions for future Hotel demand in "Three Scenarios" based on historic figures and possible Risks and Opportunities

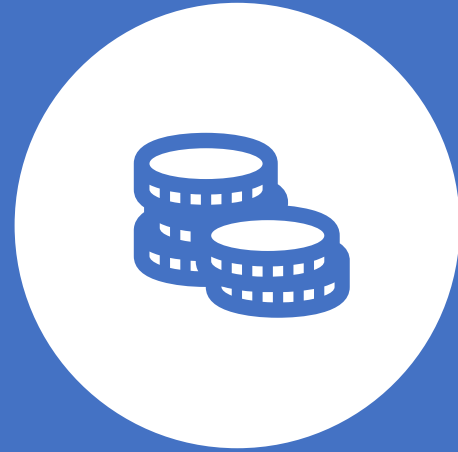
## □ Source of information's :

- i.Public Authority for Civil ID
- ii.Ministry of Information (Tourism Sector)
- iii.Ministry of Interior (MOI)
- iv.High Council for Planning and Development
- v.Kuwait Direct Investment Public Authority(KDIPA)

- vi.Central Bank of Kuwait (CBK)
- vii.National Bank of Kuwait (NBK)
- viii.KHOA Intelligence
- ix.Kuwait Tenders

- x.Smith Travel Research (STR)
- xi.MEED Business & Projects
- xii.TRI Consulting
- xiii.Business Monitor International (BMI)
- xiv.Hotelier Middle East

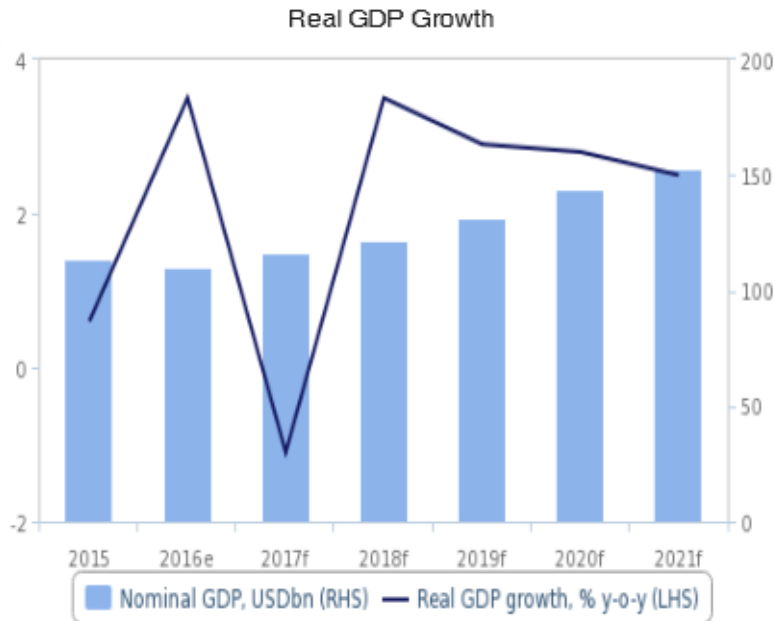




# Kuwait Economy



# Kuwait Economy



e/f = BMI estimate/forecast. Source: Central Bank of Kuwait, BMI

Kuwait's real GDP growth will grow in 2018 following a contraction in 2017, according to a new forecast by BMI Research.

In its report, BMI noted that oil production will do little to support growth in the short-term, given the extension of the OPEC quota to the end of 2018.

The non-oil sector, however, will benefit from rising government spending, with BMI forecasting real GDP growth of 1.9 percent for the year.

From 2019 onwards, with oil production expanding in continuous growth with the non-oil economy, Kuwait's real GDP is expected to above 3 percent in the medium-term, for the first time since 2012. Much of the non-oil growth, the BMI report notes, will largely be driven by the construction of an urban area in the north of Kuwait.

Among the main proponents of "Silk City" is the eldest son of Emir Sheikh Sabah Ahmad Al-Jaber Al-Sabah, who was named as deputy Prime Minister as part of a major cabinet reshuffle in late 2017.

**The Kuwaiti government has said that the \$100 billion project will play an important role in the country's diversification efforts, and will include a 1,000-metre skyscraper, a wildlife sanctuary, a new airport, a duty-free shopping zone and media and conference facilities.**

▶ Kuwait Government is attempting to develop itself into an international shipping and logistics hub through its massive USD16bn Mubarak Al-Kabeer port on Bubiyan Island – the government's centerpiece in this strategy.

▶ **The Mubarak al Kabir port initiative was launched in 2011 and should substantially increase domestic handling capacity, adding 1.8mn containers of capacity. There are four key stages of the project, including dredging to allow access for super tankers and the construction of 24 berths.**

▶ **Construction of the first phase of the development is currently under way. Once this is complete this should boost Kuwait's levels of liner connectivity, which is the second weakest out of the six GCC states.**

## Government Spending

Kuwait's five-year development program bodes very well for fixed investment in the country; an area which has traditionally been a weight on headline growth. The plan targets investment of KWD11.8bn a year over the next five years, and there appears to be greater political will to ensure implementation rates are higher than the historical average of around 75%. Indeed, the collapse in oil prices has only served to increase the importance of the investment plans, especially given its focus on diversifying away from hydrocarbons

## Fixed Investment Outlook

The traditionally lackluster performance of fixed capital investment will lessen slightly over the coming years following the approval of the five year development plan, which will bolster fixed investment. The plan envisages spending of over USD100bn on infrastructure projects, hospitals, power stations and more than 100,000 residential housing units. This includes the first phase of the Lower Fars heavy-oil project costing USD4.2bn. However, capital expenditure (CAPEX) has tended to miss government targets by wide margins in recent years. The average implementation rate of the CAPEX budget has been approximately 75% over the last five years, weighed down by recurrent disputes between the government and the legislature, as well as red tape.

## Net Exports Outlook:

Oil production growth in Iraq and the return of more Iranian crude to international markets from 2016 has added impetus to investment in Kuwait's oil sector. While production fell in 2017 owing to OPEC production cuts, BMI forecast steady growth over the remainder of the forecast period, and this will drive Kuwaiti exports.

# Kuwait Economy

KHOA

	2012	2013	2014	2015	2016	2017	Forecast	
							2018	2019
	(KD billion)							
Nominal GDP	48.7	49.4	46.3	34.5	33.5	36.4	39.1	40.8
Oil	33.2	32.7	29.2	15.7	13.6	16.3	18.1	18.2
Non-oil	21.4	22.4	23.2	23.9	24.5	25.7	26.9	28.8
	(percent change)							
Real GDP	6.6	1.1	0.5	0.6	3.5	-2.9	1.8	2.8
Oil	10.3	-1.8	-2.1	-1.7	2.3	-8.0	0.0	1.5
Non-oil	3.4	4.2	4.8	0.4	2.0	3.3	3.5	4.0
Private credit	4.6	8.1	6.1	8.5	2.9	3.2	7.4	8.5
Money supply (M2)	7.7	10.0	3.4	1.7	3.6	3.0	4.0	4.0
Inflation (% y/y, average)	3.3	2.7	3.2	3.7	3.5	1.5	2.1	2.8
Inflation (% y/y, e.o.p)	2.8	2.7	3.6	3.5	2.6	1.3	2.5	3.0
	(percent of GDP)							
Fiscal balance	9.6	10.0	-5.9	-17.3	-17.7	-10.3	-9.6	-9.6
Revenues	65.7	64.4	53.9	39.5	39.1	44.2	43.3	43.4
Oil	61.5	59.3	48.6	35.0	34.9	40.1	36.6	35.4
Non-oil	4.2	5.1	5.2	4.5	4.2	4.0	6.6	7.9
Expenditure	39.6	38.3	46.3	52.9	52.8	50.1	48.5	48.6
Transfer to Future Generations Fund	16.4	16.1	13.5	4.0	3.9	4.4	4.3	4.3
Broader budget balance*	31.9	33.1	16.1	-1.0	-2.3	9.9	7.5	7.8
Investment income**	5.9	7.0	8.5	12.4	11.4	15.8	12.7	13.0
Public debt	3.2	3.1	3.4	4.6	18.7	18.8	22.1	23.6
Current account balance	45.5	40.3	33.4	3.5	-4.5	6.3	7.9	6.4
Goods balance	54.4	51.8	47.6	24.3	18.1	22.4	23.9	22.2
Export	68.3	66.5	64.2	47.5	41.9	44.2	44.9	43.4
Imports	13.9	14.7	16.6	23.2	23.8	21.8	21.0	21.2
Services (net)	-7.0	-8.5	-11.1	-17.4	-19.0	-18.9	-16.6	-17.0
Investment income (net)	7.4	8.1	9.7	11.2	12.1	16.4	12.4	13.1
Worker remittances	-9.5	-10.2	-10.8	-11.6	-13.5	-11.8	-9.5	-10.2
Exchange rate (KD per 1 USD)	0.280	0.283	0.284	0.301	0.302	0.303	...	...
CBK discount rate	2.00	2.00	2.00	2.25	2.50	2.75	...	...
Kuwait export crude price (USD per barrel)	109	105	95	48	39	51	...	...
Oil production (million barrels per day)	2.98	2.92	2.87	2.86	2.95	2.70	2.71	2.75

Kuwait ended the first quarter of 2018 on a healthy note, increasing by 3.6% q/q, supported by global trends in equities and by foreign investor interest following the release of a list of the ten most likely companies to be included in FTSE Russell's emerging market index.

*Kuwait's inclusion in the index is expected to be phased in over two stages in September 2018 and December 2018, with a target country weight of 0.4%. Analysts are predicting passive inflows of around \$800 million as a result. The market's capitalization added KD 1 billion over the quarter, with KD 145 million added in March*

Despite this, trading activity eased, with the 1Q18 average daily value of shares traded decreasing by 19% to KD 12.4 million. In April, Boursa Kuwait began implementing its new exchange structure, with a one-year phase-in period for some listings. The move is expected to boost the market's liquidity and attractiveness, particularly to foreign investors. Combined with the inclusion of Kuwait in the FTSE Russel index, the changes should provide some upward momentum in the market given the solid economic fundamentals Kuwait enjoys.



# Kuwait Politics





# Kuwait Politics

- ▶ Rising tensions in the National Assembly have increased the probability of a fresh legislative election in 2018
- ▶ Disagreements over government spending priorities mean that friction between the executive and legislature will persist during the forecast period.
- ▶ The Economist expect the fiscal balance to remain in deficit in 2018-22, given the difficulty of raising revenue and curbing expenditure. However, real GDP growth will rise from 1.1% in 2018 to 3.4% by 2022 in tandem with recovering oil output.
- ▶ There a speculations that VAT Tax might be introduced to Kuwait to implement local VAT systems. It is suspected that it might be introduced by first quarter of 2019.
- ▶ Rebuilding Iraq conference that was held in Kuwait on Feb 2018 with 2000 delegates from over 50 countries confirm that Kuwait will be the door to rebuild Iraq .

# Middle East

▶ **The Saudi Arabia-led isolation of Qatar** over its alleged financing of terrorists and relationship with Iran is the most important foreign confrontation in the world where US President Donald Trump support it. It started by Q3 2017 and is still ongoing ,very soon it was supported by Bahrain ,UAE ,Egypt ,Libya & Yemen, while Kuwait stayed neutral in this scenario which eventually has lead more business to Kuwait and Increased traffic on Kuwait Airport. Kuwait Companies have supplied Qatari market with many products and commodities since the beginning of the crisis which played an important role in stabilizing the market.

▶ **Syria war** that started In July 2011, defectors from the military announced the formation of the Free Syrian Army, a rebel group aiming to overthrow the government, and Syria began to slide into civil war. Since then countries got involved :US ,Russia, Turkey ,Israel, Iran and EU where some were supporting rebels and some were trying to help the Assad government . Currently in **Homs**: In April, an airbase and other Syrian government facilities in Homs became again the target of Israeli and US-led air strikes in which UK and French forces also participated.

The Syrian army recaptured the city of Homs in 2014, but fighting continues with rebels in the suburbs between Homs and Hama.

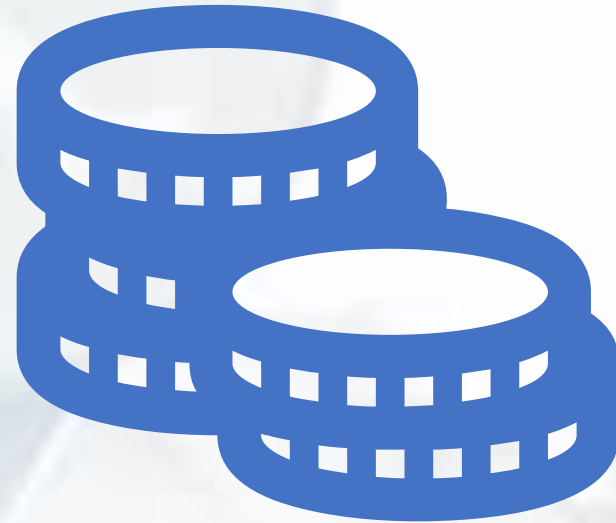
**Afrin**: Turkey and the Free Syrian Army (FSA) began in January 2018 a military operation against US-backed fighters in northwestern Syria, and announced the capture of Afrin's city center in March.

US troops are stationed in nearby Manbij, prompting fears of a US-Turkey confrontation.

▶ **President Donald Trump made decision in May 2018 to end US participation in the Iran nuclear deal . In the same time US imposed sanctions** on six individuals and three companies in the UAE where the front companies were located. State news agency WAM said the move reflects the UAE's determination to disrupt all terror-related networks and the sponsors of terrorist activities and comes following close collaboration between the UAE and the United States.

▶ **Kuwait and the Philippines** signed a deal on May 2018 to regulate domestic workers, after a dispute between the two countries led to a ban on Filipino workers in the Gulf state. It stipulates that contract renewals should be approved by the Philippine Overseas Labor Office, instead of being automatically renewed. Employers must provide domestic workers with food, housing, clothing and health insurance, according to the document.

# Micro & Macro Economic Trend



## Key Indicators

	2017e	2018f	2019f	2020f	2021f	2022f	2023f	2024f	2025f	2026f	2027f
<b>Nominal GDP, us\$bn [3]</b>	115.0	120.3	130.5	142.4	151.1	160.2	169.9	180.7	192.6	205.8	220.4
<b>GDP per capita, us\$ [3]</b>	27,796	28,659	30,708	33,082	34,640	36,222	37,893	39,762	41,839	44,166	46,746
<b>Real GDP growth, % y-o-y [3]</b>	-1.1	3.5	2.9	2.8	2.5	2.9	3.2	3.5	3.8	4.1	4.4
<b>Government final consumption, % of GDP [3]</b>	25.1	24.8	24.4	23.9	24.1	24.4	24.8	25	25.2	25.4	25.5
<b>Population, mn [4]</b>	4.14	4.48	4.54	4.6	4.66	4.71	4.71	4.71	4.71	4.71	4.71
<b>Consumer price inflation, % y-o-y, ave [5]</b>	1.6	3.0	4.1	4.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5
<b>Budget balance, US\$bn [1,3]</b>	-27.9	-25.7	-20.7	-17.0	-13.8	-12.30	-11.2	-9.8	-8.30	-6.8	-5.1
<b>Budget balance, % of GDP [1,3]</b>	-24.3	-21.3	-15.9	-11.9	-9.1	-7.7	-6.6	-5.4	-4.3	-3.3	-2.3
<b>Current account balance, US\$bn [3]</b>	-0.5	0.1	3.0	6.6	5.5	4.5	3.5	2.7	2.2	1.9	1.7
<b>Current account balance, % of GDP [3]</b>	-0.5	0.1	2.3	4.6	4.3	3.5	2.8	2.3	2.0	1.9	2.1
<b>Goods and Services Exports(USD bn)</b>	57.2	60.9	67.1	74.3	78.3	81.4	83.5	86.0	88.9	92.3	96.4
<b>Oil Production (Mil per day)</b>	2.7	2.71	2.75	2.75	2.9	2.9	2.9	2.9	2.9	3.0	3.0

Source : BMI

Notes: e BMI estimates. f BMI forecasts.

# Population

Age Group	Kuwaiti	Non Kuwaiti	Total
0-4	165,233	146,104	311,337
5-9	166,226	143,401	309,627
10-14	153,843	112,181	266,024
15-19	133,439	85,203	218,642
20-24	130,300	181,999	312,299
25-29	112,052	456,476	568,528
30-34	101,380	496,056	597,436
35-39	84,870	474,021	558,891
40-44	74,505	368,175	442,680
45-49	64,223	279,083	343,306
50-54	54,656	180,508	235,164
55-59	42,243	106,652	148,895
60-64	32,798	56,594	89,392
>64	54,245	44,010	98,255
<b>Total</b>	<b>1,370,013</b>	<b>3,130,463</b>	<b>4,500,476</b>

According to Public Authority for Civil ID (PACI) 2018 Statistics :  
 Population By Age ,Kuwaitis total number is 1,370,013 **(30,44%)**  
 and Non-Kuwaiti 3,130,463 **(69,55%)** which makes total of  
 Kuwait Population 4,500,476 people.

Foreigners Eight nationalities make up more than 90 per cent of the foreigners living in Kuwait, official figures indicate as followings:

- Indians 40%
- Egyptians 25%
- Filipino 10%
- Bangladesh 8%
- Syrians 6%
- Pakistani 4%
- Sri Lankan 4%
- Jordanians 3%

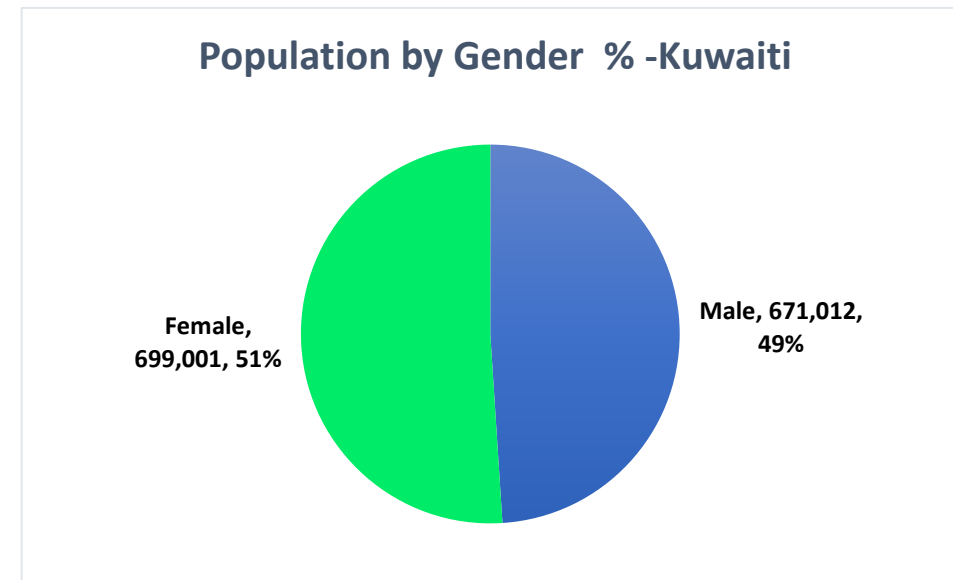
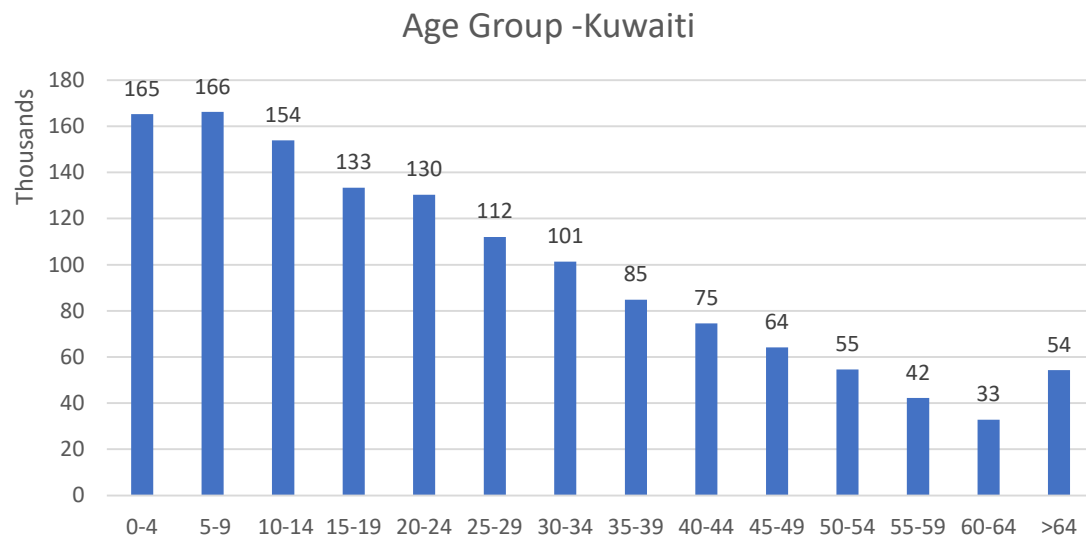
The rest 10% from the 3,130,463 figure of Non-Kuwaiti populations is other nationals (other Arabs ,Europeans ,Americans etc.)

If external migration will remain on the previous year level, the population will be increased by 130,996 due to the migration reasons. It means that the number of people who move into Kuwait (to which they are not native) in order to settle there as permanent residents (immigrants) will prevail over the number of people who leave the country to settle permanently in another country (emigrants).



# Population

Charts showing Kuwaiti's population

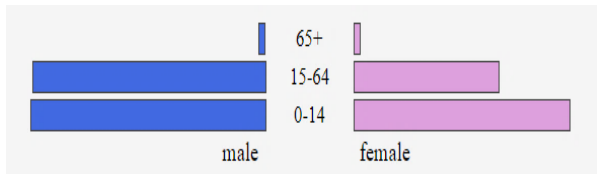


**0-19 = 629 thousand (45,2%)**    **20-39 =420 thousand (31.2%)**    **40-59 =236 thousand (17.2%)**    **>60 = 57 thousand (6.3%)**

Kuwait population is projected to increased by 210,746 people and reach 4,609,533 (between Kuwaitis and non-Kuwaitis) in 2019. The natural increase is expected to be positive, as the number of births will exceed the number of deaths by 79,750.

# Population

As per the **United Nations Statistics of Kuwait age structure**:



- 1,136,075 young people under 15 years old ( 591,153 males / 544,966 females)
- 3,175,572 persons between 15 and 64 years old ( 1,954,733 males / 1,220,839 females)
- 87,140 persons above 64 years old ( 43,108 males / 44,032 females)

As we can see the Kuwait population pyramid has an expanding type. This type of pyramid is common for developing countries with high birth and death rates. Relatively short life expectancy, and poor health care are also describe such kind of population age distribution model.

- **Male life expectancy at birth** is 76 years.
- **Female life expectancy at birth** is 78.3 years.

### Age dependency ratio:

Dependency ratio of population is a ratio of people who are generally not in the labor force (the dependents) to workforce of a country (the productive part of population). The dependent part includes the population under 15 years old and people aged 65 and over. The productive part of population accordingly consists of population between 15 and 64 years. This ratio shows the pressure on productive population produced by the dependent part of population. The **total dependency ratio** of population in Kuwait is 38.5 %.The value of 38.5 % is relatively low. It shows that the dependent part of population is less than a half of the working part. In other words the working population (labor force) in Kuwait must provide goods for itself and cover expenditure on children and aged persons. And this part of population is less than 50% of working population. The value of less than 50% means that the pressure on productive population in Kuwait is relatively low.

The background features a microscopic image of plant tissue, showing a dense layer of small, circular cells at the top, transitioning into a more elongated, fibrous structure below. The image is overlaid with geometric shapes: a dark grey triangle in the top-left corner, a light grey triangle in the bottom-left corner, and a bright yellow triangle in the bottom-right corner.

# Kuwait Vision 2035

An Economic Impact on the Islands of Kuwait and Silk City



# Projects

Kuwait Vision 2035 Plan includes developing Kuwait Islands: Failaka , Boubyan as well developing new City- Silk City.

## Island: Failaka

### COMPETITIVE ADVANTAGE

Rich with Culture and History dating back to the Bronze Age and Hellenistic period . The Island hosted Mesopotamia Settlements Dilmun Settlements and Greek Settlements . Middle and Late Islamic Settlements

### THE VISION

Existing Archeological sites can serve as international attractions and museums . Easy Access to the island from Kuwait and other regions.  
An education zone for exchange of knowledge and meeting point of many cultures .  
Reviewing Kuwait History to be communicated to the region and the worlds.

## Island: Boubyan

### COMPETITIVE ADVANTAGE

The 863 km sq of vacant area. Existing location of Mubarak al Kabeer Port. Located between Iraq and Iran .Natural reserves serving as a migration stop for birds. The temperature is 5% less from main Kuwait

### THE VISION

Mega project that requires large of land .A perfect place for fish farming .Scientific tourism and eco tourism. Availability of large areas for solar energy to promote green data centers powered by solar. An attraction for world class rowing competitors and other related competitions.

## Silk City

### COMPETITIVE ADVANTAGE

Located the northern area of the mainland KW. A 25 min drive from Kuwait City through Jaber Al Ahmed Causeway. Estimated population of 700 thousand residents .Overlooking the sea from Boubyan Island .

### THE VISION

With anticipated vision of Silk City there would be a high demand for financial institutions .This is best situated Silk City where is easy to access Boubyan and an international airport is in the same area.  
Presently there is limited supply of entertainment for children and youth .

# Projects

The Vision for the Islands and Silk City has been formulated from the desired Economic Impact from these projects . There could be many other aspirations to be included in the Islands however the core reason for the development of the northern area is to strategically reinvent the country 's economy and hence the choice of industries and projects.

The country's strong international relations and effective foreign diplomacy gives Kuwait a prominent voice among world countries and forums.

## Silk City



- Financial Center
- Amusement Park

## Failaka



- Education
- Knowledge Based Industry
- Hospitality
- Tourism ( Museums & History)
- Recreation activities
- Creative Industries (art, theater, music)

## Boubyan



- Port & Logistics
- Manufacturing
- Internet, Technology, and Communication (ICT)
- Renewable Energy
- Agriculture & Fishery
- Trade
- Scientific Tourism, Eco-tourism, Athletic Tourism

# Projects

## INVESTMENT - Island: Failaka

Failaka is the sec. largest of the Kuwaiti Islands with 43 Km sq of Island. The island was inhabited for many years ,from Bronze Age till 1990 's. The projects on Failaka would require an estimate 123,000 residents of Island at all time . Tourist would add additional 20,000 traffic at any time . The projects are planed so Failaka would be the Island of History ,Culture ,Education and Tourism. The island would offer high class Hotels and spas for world travelers. . The island would act as the incubator to the future visions. Education as pillar of the island will allow the transformation of your minds in Kuwait to progressive visionaries. Creating ideal environment for thinkers and inventors from young age without boundaries whereby these visions can be transformed into reality in Boubyan .This synchronization between the 2 island will ink them strategically together .Below is a summary of zones and areas proposed :

Zone	Area Km Sq	% of Total Area
Education	7.6	18%
Tourism	2.433	6%
Culture and History	6.398	15%
Energy	1.5	3%
Real Estate	3.312	8%
Agriculture	1	2%
Others	4.045	9%
Total	26.228	61%

Total Investment to Failaka Project is 6 billion KD where is expected to bring Total GDP Contribution 5.2 bil and total Employment of 60,904 people . When it comes to Tourist zone it is expected to cover 6% of area as a percentage of Failaka with total investment 1.2 bill which will bring 5,936 employment and yearly income of 58 mil KD. The 10 world class hotels offering 5000 rooms ,hotels will offer 5 to 7 star service within the island atmosphere. Hotels can be segmented into Boutique hotels for privacy reasons and to provide unique experience in the region.

# Projects

## INVESTMENT- Island: Boubyan

Boubyan is the largest of all Kuwaiti Islands with a total area of 863 km sq. The island is uninhabited and has a special geology being mostly marsh land made of silt. The northern part is characterized by rivers and lagoons giving it a magical natural scene and an ideal location of eco-tourism. Boubyan is planned to be island of creation and development where ideas are transformed into international products and services . It will host large number of skilled engineers ,inventors ,visionaries ,coders , technical staff ,scientists ,with high integration of IT into all sectors . Agriculture productivity and food security are also main goals of the island. Also it will create value added products in different industries under zones proposed:

Project	Area Km Sq	% of Total Area
Seaport	1.8	0.7%
Logistic Area	2.7	1.0%
Manufacturing	45	16.4%
Cargo Airport	6	2.2%
Boubyan Trade Center	1	0.4%
Housing	11	4.0%
Hospital	1	0.4%
Vertical Farms	0.1	0.0%
Boubyan Fishery	17	6.2%
ICT	20	7.3%
Recycling	1.6	0.6%
Infrastructure	87	31.7%
Solar Energy	80	29.2%
Total	274.2	100%

Total Investment is worth 28 bill KD where it will bring as output to GDP contribution worth of 21 bill KD , direct employment of 171,718 .Boubyan introduces new sectors to Kuwait and the region ,new sectors include Fish Farming at a commercial level ,renewable energy ,Vertical Farming and Agriculture . The port is already under construction in Boubyan with construction cost worth of 1.2 trillion . Looking at the location of Boubyan it has an easiest & accessible Island to the region.Idea is creating Industrial Zone to serve the port .It will also have cargo airport that would serve the industrial zone ,logistic zone and trade zone. Expected cost of treatment of soil as per benchmark of KD 55/MT sq; is = 10 ,296,000,000 for the area of 187.2 Km sq.

# Projects

## INVESTMENT- Silk City Project

Silk City is a new conventional mega city proposed to be located in Subiya with size of 500,000 .In this economic study only two projects have been covered in the financial assessment ,which are the Financial Center and the International Theme Park .The economic Report impact of the financial center is mostly on the direct employment part ,while the Theme Park is more towards spending and contributing to GDP.

The vision to transform Kuwait into international commercial and trade hub requires the support of a world class financial services .It is highly recommended to attract a known international theme park ,the location is with acceptable proximity from Kuwait City, Failaka and Boubyan.

### Direct Impact

Sector	Spending KD	Type I Output Revenue(KD)	Direct Employment	Country Annual Profit(KD)
Financial Sector	408,000,000	628,320,000	21,111	4,712,400
Theme Park	1,026,382,631	458,690,930	4,868	87,151,277
Total	1,434,382,631	1,087,010,930	25,979	91,863,677

### Indirect Impact

Sector	Type II Output(KD)	Indirect Employment
Financial Sector	843,833,760	5,328
Theme Park	709,594,869	8,532
Total	1,553,428,629	13,860

### Aggregate Economic Impact

Area	Total Investments	Total GDP Contribution	Total Employment
Silk City	1,434,382,631	2,640,439,559	39,839

Failaka ,Boubyan and Silk City ,each area presents opportunities for investments and economic growth. An important aspect that will be introduced amid all the investment opportunities in Kuwait as a touristic destination for the region.

Regional travelers would directly land in Silk City International Airport .A normal traveler would spend a days in Silk City by attending the international theme park and specking day at Silk City doing the coast looking over Boubyan with Shopping and dinning options.

An aerial rendering of a massive airport terminal building with a long, curved, ribbed roof. The terminal is surrounded by numerous aircraft parked at gates. In the background, there are runways, taxiways, and a large, irregularly shaped green field. The entire scene is overlaid with a semi-transparent blue and grey gradient.

# Mega Projects



# Mega Projects

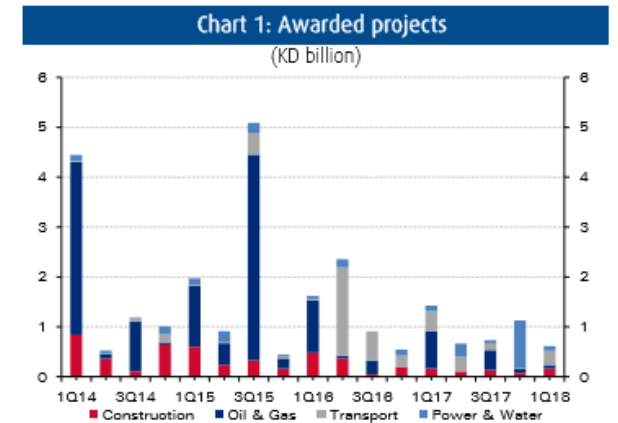
## Kuwait: Projects eased in 1Q18 on delays; a softer 2018 is anticipated

Awarded projects amounted to KD 614 million in 1Q18, falling below the 2017 quarterly average of KD 1 billion, according to data from MEED Projects. (Chart 1.) The largest contribution came from the transport sector. Five awards in the transport sector added KD 283 million for the quarter, two of which were of the anticipated regional road projects. Construction picked up from the prior quarter, but not as much as anticipated, with a KD 161 million tally from seven contracts.

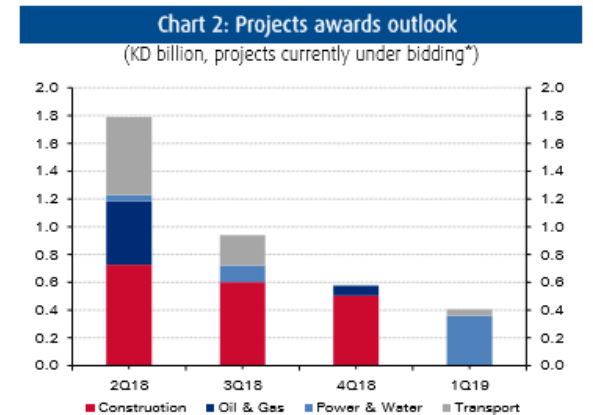
As for the rest of 2018, award activity may fall slightly below the 2017 level. The construction sector is expected to be the largest contributor, bringing in up to KD 1.8 billion in contract awards (Chart 2). Transport projects may witness more delays than anticipated due to the restructuring of the Public Authority for Roads and Transportation (PART), the government agency responsible for the tendering of these projects.

### Transport

Deals that included a subproject of the Regional Road South along with the Norther Regional Road from Abdaly Expressway to Future Crossroads (a combined KD 139 million) propped up the transport sector in 1Q18, after a subdued 4Q17 (Chart 1). The Public Authority for Housing Welfare (PAHW) awarded three contracts for infrastructure works on housing plots in South AlMutlaa and South Al-Abdullah Al-Mubarak. The



Source: MEED Projects



Source: MEED Projects. \*As of April 2, 2018.

## Mega Projects

In the coming quarters, up to KD 780 million in transport contracts are expected. MPW is expected to award five additional contracts this year, most of which are related to the northern and southern sections of the regional road projects, all currently in the bidding phase. In addition, there are projects from the Kuwait Oil Company, Kuwait University, as well as PAHW.

## Construction

Construction sector awards picked up in 1Q18, exceeding KD 160 million for the first time in three quarters.

The construction sector is expected to lift project awards this year, with up to KD 1.8 billion in anticipated deals for 2018.

Deals that are currently in the bidding phase include PAHW's Jahra and Sulaibiya Low-Cost Housing City (KD 470 million), the National Guard's Kazema Camp (KD 300 million), as well as three private-public partnership (PPP) projects.

The Kuwait Authority for Partnership Projects is tendering a first of its kind (regionally) Schools Development Program project (KD 20 million). Though small, this PPP project is significant in that it signals the start of private involvement in the public education sector as well as broadens the sphere of PPP projects.

## Power & Water

Power and water show subdued activity in the 1Q18, with awards of small-scale projects. Four contracts were awarded, three of which were in the power sector, though they were minor in size. The single water contract was awarded by the MPW, related to water treatment tanks and worth KD 77 million. Contract awards in the power and water sector will be less than anticipated as a major solar project has been scheduled for early 2019. The Dibdibah solar PV power plant project, in the upcoming Shagaya renewable energy complex, had been expected to be signed by 2018, but the prequalification process for the main contract is still taking place. The award and final signing of the contract is now anticipated for early 2019. The Dibdibah plant is expected to be worth up to KD 360 million.

## Oil & Gas

Activity in the oil and gas sector maintains the subdued pace witnessed in previous quarters. As expected, oil and gas activity has remained quiet so far after strong performances in the prior years. With awards of just KD 70 million, the slowest in three quarters, the oil and gas sector is not expected to witness more than KD 500 million in awards this year.





Mega Projects  
Kuwait's top 10  
construction  
developments of 2018



# Kuwait's top 10 construction developments of 2018

**Kuwait is pumping billions of dollars into aviation to meet rising demand across various economic sectors, such as transport and residences according to [Construction Week Online](#)**

Energy is another sector that may have piqued the interest of specialist contractors in Q1, following Kuwait's target to supply 15% its energy demand with renewables by 2030. But that's not all.

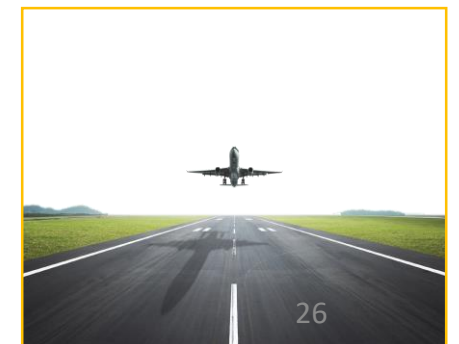
Big projects were delivered and numerous contracts were won in the country last quarter, and it was also revealed that China may become a major construction investor in Kuwait.

## 1. Aviation mega project Terminal 2

A new mega airport that could attract \$12bn (KWD3.6bn) of investment and create 15,000 jobs may be on the horizon for Kuwait, a senior aviation official revealed last month. Directorate General of the Civil Aviation (DGCA) chief Sheikh Salman Sabah Salem Al-Humoud Al-Sabah said plans to build an airport with a capacity of 25 million passengers per year were being explored to address Kuwait's growing air traffic.

Al-Sabah said DGCA was "studying" the viability of issuing a tender for setting up an airport in the northern part of the country. Air traffic at Kuwait International Airport has grown in recent years, with the airport accommodating 13.7 million passengers and 218,631 tones of air cargo in 2017, according to Al-Sabah.

DGCA is braced for an increase in both the number of passengers and cargo it will need to process in the next two decades, fueling the need for Kuwait to explore ways to accommodate this. The DGCA is already developing two runways and a control tower at the Kuwait International Airport and is in the first phase of building a "new cargo city" at the airport, which is expected to be the largest in the Middle East.



# Kuwait's top 10 construction developments of 2018

## 2. The Avenues (Phase 4) mall opens

The [fourth and final phase of Kuwait's biggest shopping mall](#), The Avenues, worth \$2bn (KWD600m), opened in April. Phase 4 was delivered by Mabanee Co, which owns the project, and consultants Pace and Gensler. Completion of the final phase could pave the way for the creation of 30,000 jobs, many of which will be customer-facing roles in the 300 new shops at The Avenues, which now has more than 1,100 retail units altogether. The Avenues' Phase 4 has a built up area of 13ha, a total leasable area of 8.5ha and cost \$900m (KWD265m). As part of the project, a four- and five-star hotel are due to be developed.

## 3. The Assima Project (\$500 bn)

The Assima Project (by Salhia Real-estate company) comprises from a number of commercial and investment properties in Sharq area, and overall forms a part of 31,000 m2 area island which is rarely found in the Capital Area and considered as the biggest commercial project inside Kuwait City. There are couple of parts that constitute this important and distinctive structure : Comercial Part, Hotel Part ,Office Part ,The Utility Part of the project. It is expected that the estimated cost of the project is KD 148 million and it is expected to be opened by 1<sup>st</sup> Quarter 2019.

In 2017 the company entered into a contract with Marriott International to manage and utilize the planned hotel. Finally Salhia Real Estate Company was keen to fully invest its technical and financial expertise in the Al –Assima project which is considered the biggest real –estate edifice to be build by the private sector currently in Kuwait City in terms if total area and financial costs.

## 4. Limak signs \$830m airport expansion funding pact

Turkish construction firm Limak Holdings signed an agreement in February to pay \$830m to finance a new terminal at Kuwait International Airport.

The \$830.6m (KWD249.2m) funding agreement was signed with two local banks - National Bank of Kuwait and Kuwait Finance House. Limak is working with Kuwaiti construction firm Kharafi National on the project.

Around a month after the agreement was stuck, Kuwait's Minister of Public Works, Hussam Al-Roumi, called on Limak to expedite construction of the new terminal. He also revealed other construction projects, including a new airport apron and a parking lot for the country's main airport, would be launched soon, although he did not specify a timeline.



# Kuwait's top 10 construction developments of 2018

## 5. Kuwait eyes cut of China's trillion-dollar Silk Road project

Kuwait has told the world's second-largest economy, China, it is "eager to collaborate" with the Asian superpower on its trillion-dollar Belt and Road initiative.

China wants to work with Kuwait on infrastructure projects, including the construction of Al-Harir City and the development of five uninhabited islands off Kuwait's eastern coast. The two countries expressed an interest to collaborate on construction, energy, infrastructure, and mass communication projects after a meeting in Beijing, China's capital city, on 1 March.

No formal agreement on construction projects were struck at the meet. However, the fact that both countries expressed an interest to work together could be significant as it may herald the start of a rise in Chinese-backed investment into Kuwait construction projects. China is reportedly set to invest close to \$300bn by 2030 in its Belt and Road initiative, which is a revival of the ancient Silk Road trading route and aims to transform global trade.

## 6. Limak wins contract to build \$153m Kuwait govt homes

Kuwait is a goldmine for Turkey's Limak. Not only is the construction firm involved in its new airport terminal, Limak also won a \$153m contract to build government housing in the first three months of the year.

Limak Holding has won an infrastructure contract from the Public Authority for Housing Welfare (PAHW) to construct, complete, and maintain 3,260 land plots for the local government authority. It is one of the biggest largest residential schemes in Kuwait, with 5,201 units, of which 2,346 are part of Phase 1. The Turkish company's work on the South Abdullah Al-Mubarak housing project will last two years.

## 7. Ministry signs \$141m contracts to upgrade two power plants

Kuwait's Ministry of Electricity and Water signed two contracts, worth \$141m (KWD47m), to upgrade the Doha West and the Sabiya power plants. The Doha West power station's fuel reception systems will be renovated over two and a half years. Sabiya power plant's fuel conditioning systems will be overhauled over a period of 36 months. Both of the upgrade agreements were signed by Bakheet Al-Rashidi, Kuwait's Minister of Electricity and Water. At the signing ceremony Al-Rashidi updated official on another major energy project - a sea-water desalination plan at the Doha West power plant. This \$384.7m (KWD116.7m) plant is more 76% complete.



# Kuwait's top 10 construction developments of 2018

## 8. Government plans to generate 15% of power from clean energy

Kuwait hopes renewable energy will meet 15% of its power demand within the next 12 years. The Ministry of Electricity and Water said the country would produce 15% of the country's power demand from renewable energy sources, particularly solar, by 2030. "Mounting power demand in Kuwait should prompt all stakeholders to come up with practical solutions to minimize dependence on oil to produce energy," said Mohammad Al-Sharhan, the ministry's assistant undersecretary for technical services, according to the Kuwait News Agency. Early efforts to increase renewable energy production are already in place, following a [solar energy agreement](#) between the Kuwait Institute for Scientific Research (KSIR) and two South Korean companies – KEPCO E&C and SAM UN.



## 9. Hessah Al Mubarak District –by KIPCO (Two skyscrapers launched)

Kuwait Projects Company (KIPCO) completed infrastructure work for Hessa Al Mubarak District. Handover of public facilities to government entities are reportedly ongoing, with developers expected to commence construction work “soon” Two 40-storey skyscrapers were launched by Kuwaiti real estate giant United Real Estate Company (URC), which will develop 40% of the project through its affiliate company, MENA Homes. Both residential buildings were launched as part of the Hessah Towers development project in the Hessah Al Mubarak district and along the Arabian Gulf Road. The project was conceptualized and designed by Dar SSH and Nabil Gholam Architects.



## 10. 80 Road Projects

Kuwait's budget for road projects is valued at \$26m (KWD8bn), according to a government official. The director general of the roads authority and land transports, Ahmad Al-Hesan, said up to 80 projects will be implemented in Kuwait in the coming years as the country looks to improve conditions for drivers.





# New Airports Projects



# Airports Projects

## Terminal 1

**Terminal 1** is the primary building at Kuwait International Airport and houses all arriving and departing flights other than those operated by Jazeera Airways and flydubai, which operate out of their own terminals. It has 16 gates. The terminal houses restaurants, duty-free shops, security checkpoints and four lounges.

## Terminal 2

**Terminal 2**, designed by Foster and Partners, is currently under construction and will expand overall capacity at the airport by thirteen million passengers a year through the introduction of a triangular building with 28 gates, 4,500 additional parking spaces and a 400-bed airside hotel. It began construction in May 2017 and is due for completion in 2022.

## Terminal 3

Named the Sheikh Saad General Aviation Terminal and conceived for use by private aircraft, **Terminal 3** is a small building currently used exclusively by flydubai.

## Terminal 4

Due to be opened by the end of summer 2018, **Terminal 4** will be used by all flights operated by Kuwait's national carrier, Kuwait Airways. It will have its own building neighboring the cargo-handling facilities on the airport compound built over an area of 55,000 square meters. It will offer nine gates and increase overall capacity at the airport by five million passengers annually. There will be 2,450 additional car parking spaces in a dedicated surface lot adjacent to the Terminal and connected to the building by a bridge.

## Terminal 5

Inaugurated in May 2018, **Terminal 5** is exclusively used by Kuwait-based budget airline Jazeera Airways. Attached to Terminal 1 but with dedicated entrance/exit points, it also includes check-in zones, security checkpoints, lounges, shops, three departure gates, customs and arrival belts. It additionally offers 350 parking spaces in a multi-story facility attached to Terminal 5 by a bridge.

Projects	Investment cost	Due to open	Constructed by
Terminal 2	KD 1.312 bn	2022	Limac
Terminal 5	KD 14 mil	May 2018	First United Company
Terminal 4	KD 60 mil	2018	Turkish Company
VIP Building (By Touristic Enterprise Company)	NA	NA	NA



# Airports Projects

## New Airport –Terminal 2

To increase the capacity of Kuwait International Airport (KIA) and develop it into a new regional air hub in the Gulf, the Directorate General of Civil Aviation, the operator of KIA, has proposed the development of a new terminal building.

The new state-of-the-art terminal will be constructed in phases. While the first phase will add a capacity of 13 million passengers a year, the subsequent phases will enhance the capacity to between 25 million and 50 million passengers a year.

Designed to provide the highest level of passenger comfort, the new terminal will significantly enhance the airport's status as the gateway to the State of Kuwait. Construction of the terminal is expected to be completed within four years from the date of initiation.

Construction of the new terminal started in May 2017.

The passenger flow at the airport has doubled in the last eight years, from less than five million in 2004 to more than nine million in 2012, and is forecast to reach 12 million by 2020. A \$4.3bn construction contract was awarded to Turkish company Limak, making it the biggest tender awarded abroad in a single package by Turkish contractors.



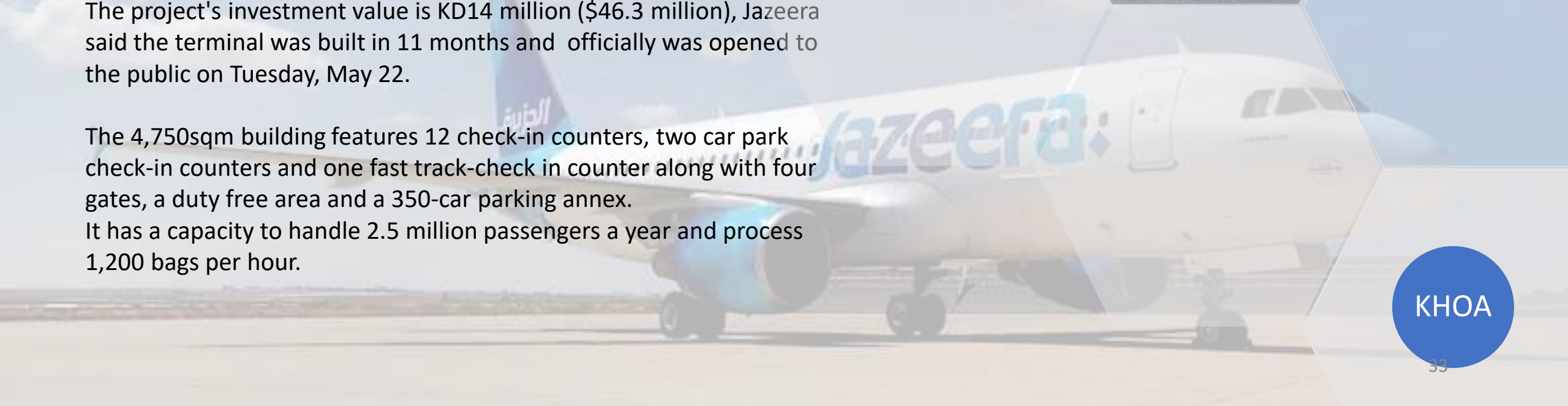
# Airports Projects

## **Jazeera Airways - Terminal 5**

Jazeera Airways Chairman, Marwan Boodai, said: “The new Jazeera Airways terminal marks a significant milestone in the development of the aviation industry in Kuwait and the Middle East. It is the first terminal owned by a non-government airline, and a testament to the Government of Kuwait’s belief in empowering the private sector to have an active role in the Kuwait Vision 2035.

The project's investment value is KD14 million (\$46.3 million), Jazeera said the terminal was built in 11 months and officially was opened to the public on Tuesday, May 22.

The 4,750sqm building features 12 check-in counters, two car park check-in counters and one fast track-check in counter along with four gates, a duty free area and a 350-car parking annex. It has a capacity to handle 2.5 million passengers a year and process 1,200 bags per hour.



# Airports Projects

## New Supportive Airport for Kuwait Airways Use only – Terminal 4

The new expansion terminal that's being constructed [near the cargo terminal](#) will be operational by November of this year. The new expansion terminal will have 14 gates and will be operated by Kuwait Airways. With new planes and now a new terminal, Kuwait Airways are really upping their game. A supporting terminal is built on 55,000 square meters and will increase capacity by five million passengers every year. This terminal, which encompasses some 2,450 parking lots, will have 14 gates for departing planes and 10 gates for arrivals. The terminal, a joint Turkish-Kuwaiti KD 52.89 million (USD 173.2 million) project, is expected to be operational in first quarter 2018, said Al-Fouzan.



# Kuwait Hospitality Sector



# Kuwait Hospitality Sector

## By World Travel & Tourism Council

KUWAIT 2017 ANNUAL RESEARCH: KEY FACTS

Travel & Tourism generated 63,500 jobs directly in 2016 (2.3% of total employment) and this is forecast to fall by 1.1% in 2017 to 62,500 (excluding commuter services). It also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists. By 2027, Travel & Tourism will account for 72,000 jobs directly, an increase of 1.4% pa over the next ten years.

### VISITOR EXPORTS

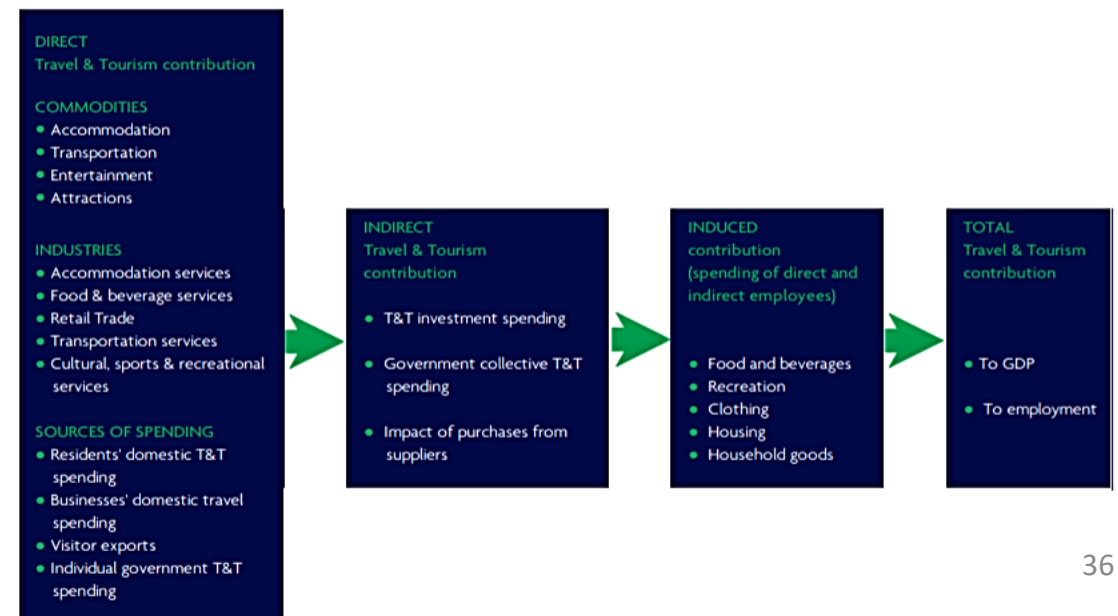
Visitor exports are a key component of the direct contribution of Travel & Tourism. In 2016, Kuwait generated KWD310.4mn in visitor exports. In 2017, this is expected to grow by 6.9%, and the country is expected to attract 368,000 international tourist arrivals. By 2027, international tourist arrivals are forecast to total 570,000, generating expenditure of KWD705.2mn, an increase of 7.8% pa

### INVESTMENT

Travel & Tourism is expected to have attracted capital investment of KWD113.0mn in 2016. This is expected to rise by 3.7% in 2017, and rise by 1.5% pa over the next ten years to KWD135.6mn in 2027. Travel & Tourism's share of total national investment will rise from 1.3% in 2017 to 1.5% in 2027.

## DEFINING THE ECONOMIC CONTRIBUTION OF TRAVEL & TOURISM

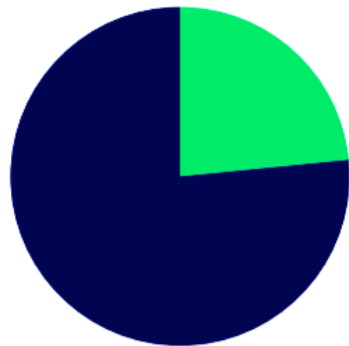
Travel & Tourism is an important economic activity in most countries around the world. As well as its direct economic impact, the industry has significant indirect and induced impacts. The UN Statistics Division-approved Tourism Satellite Accounting methodology (TSA:RMF 2008) quantifies only the direct contribution of Travel & Tourism. But WTTC recognises that Travel & Tourism's total contribution is much greater, and aims to capture its indirect and induced impacts through its annual research.



# Kuwait Hospitality Sector

## DIFFERENT COMPONENTS OF TRAVEL & TOURISM

**KUWAIT**  
TRAVEL & TOURISM'S CONTRIBUTION TO GDP:  
BUSINESS VS LEISURE, 2016



Leisure spending  
**76.6%**

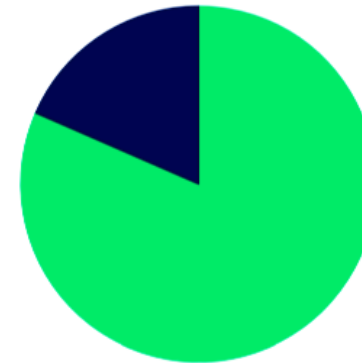
Business spending  
**23.4%**

Leisure travel spending (inbound and domestic) generated 76.6% of direct Travel & Tourism GDP in 2016 (KWD1,288.0mn) compared with 23.4% for business travel spending (KWD394.1mn).

Leisure travel spending is expected to grow by 2.1% in 2017 to KWD1,315.4mn, and rise by 4.1% pa to KWD1,975.3mn in 2027

Business travel spending is expected to grow by 13.1% in 2017 to KWD445.6mn, and rise by 5.4% pa to KWD751.1mn in 2027.

**KUWAIT**  
TRAVEL & TOURISM'S CONTRIBUTION TO GDP:  
DOMESTIC VS FOREIGN, 2016



Foreign visitor spending  
**18.5%**

Domestic spending  
**81.5%**

Domestic travel spending generated 81.5% of direct Travel & Tourism GDP in 2016 compared with 18.5% for visitor exports (ie foreign visitor spending or international tourism receipts)

Domestic travel spending is expected to grow by 4.2% in 2017 to KWD1,429.2mn, and rise by 3.5% pa to KWD2,021.2mn in 2027. Visitor exports are expected to grow by 6.9% in 2017 to KWD331.8 mil and rise by 7.8% pa to KWD 705.2 mn in 2027.

# Kuwait Hospitality Sector

## DIFFERENT COMPONENTS OF TRAVEL & TOURISM

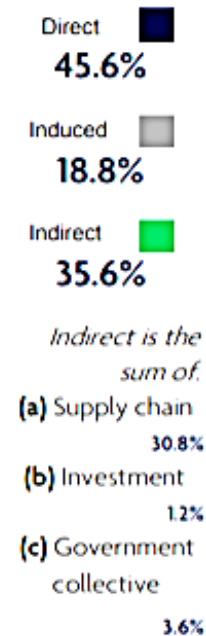
The Travel & Tourism industry contributes to GDP and employment in many ways as detailed on page 2. The total contribution of Travel & Tourism to GDP is twice as large as its direct contribution.

### GDP TOTAL CONTRIBUTION

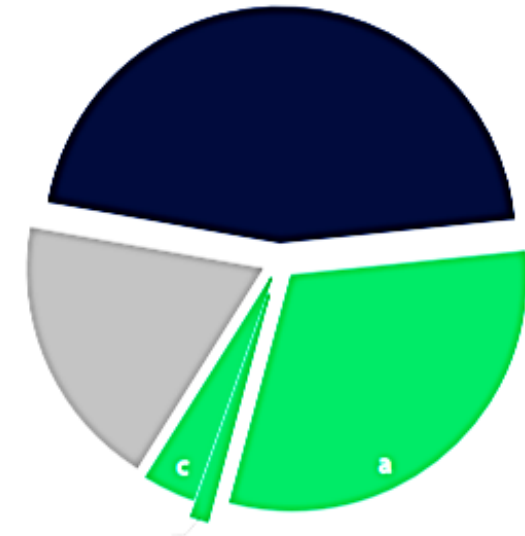
The total contribution of Travel & Tourism to GDP was KWD2,037.6mn (USD6,748.3mn), 5.4% of GDP in 2016, and is forecast to rise by 4.3% in 2017, and to rise by 4.7% pa to KWD3,361.3mn (USD11,132.3mn), 5.7% of GDP in 2027.

### GDP DIRECT CONTRIBUTION

The direct contribution of Travel & Tourism to GDP was KWD929.2mn (USD3,077.5mn), 2.5% of total GDP in 2016 and is forecast to rise by 4.9% in 2017, and to rise by 4.6% pa, from 2017-2027, to KWD1,533.0mn (USD5,077.2mn), 2.6% of total GDP in 2027.



**KUWAIT**  
BREAKDOWN OF TRAVEL & TOURISM'S  
TOTAL CONTRIBUTION TO GDP, 2016



<sup>1</sup> All values are in constant 2016 prices & exchange rates

# Kuwait Hospitality Sector

## STR 2018 April YTD Results

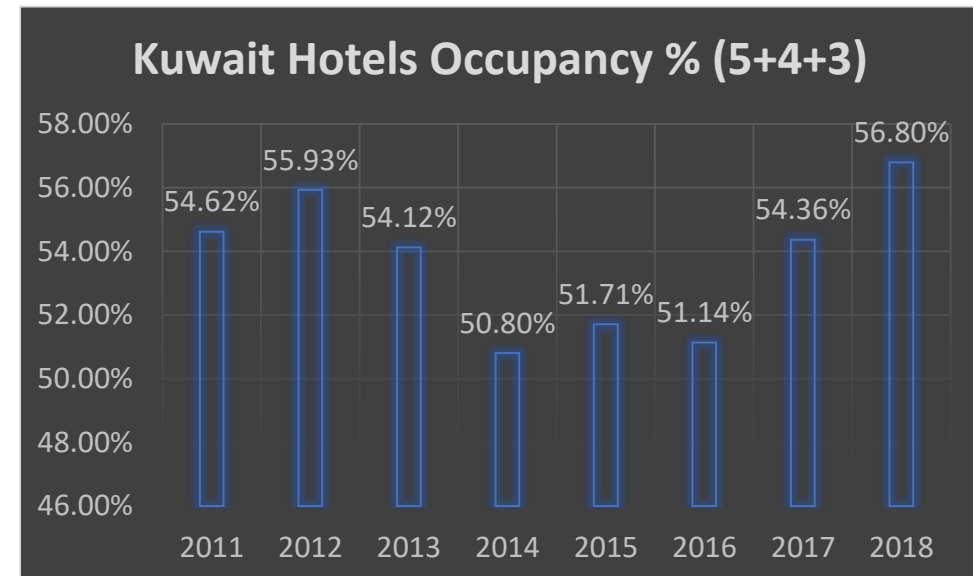
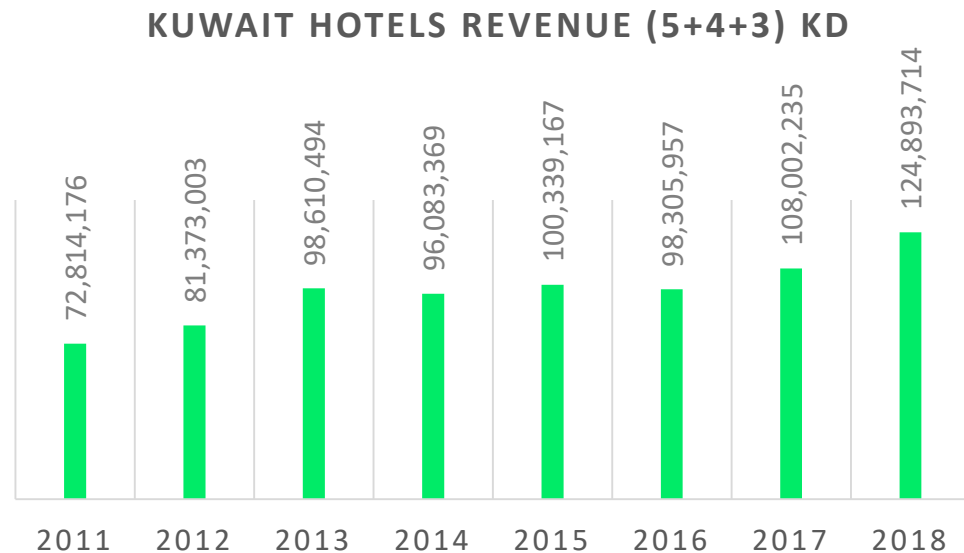
	Year to Date - April 2018 vs April 2017											
	Occ %		ADR		RevPAR		Percent Change from YTD 2017					
	2018	2017	2018	2017	2018	2017	Occ	ADR	RevPAR	Room Rev	Room Avail	Room Sold
Oman	68.18	67.67	52.43	52.04	35.75	35.22	0.8	0.7	1.5	5.4	3.8	4.6
United Arab Emirates	82.95	82.75	53.96	57.58	44.76	47.65	0.2	-6.3	-6.1	-2.1	4.2	4.4
Bahrain	53.66	56.31	51.16	56.92	27.45	32.05	-4.7	-10.1	-14.3	-7.6	7.8	2.8
Saudi Arabia	59.00	60.25	41.67	46.02	24.59	27.73	-2.1	-9.4	-11.3	-4.5	7.7	5.4
Qatar	63.09	67.33	32.54	38.84	20.53	26.15	-6.3	-16.2	-21.5	-15.0	8.3	1.5
Kuwait	65.04	60.23	72.01	66.90	46.84	40.29	8.0	7.7	16.2	25.6	8.0	16.7

STR survey, notes that while Kuwait increase in occupancy, to 65% for the first four months of the year, average room rate has increase by 7.7% year-on-year, to KD 72.01, resulting in a 26% revenue increase and revPAR, which stood at KD 47.

During month of May overall figures have dropped by 5 % due to early Ramadan days which was expected. Slow pickup started already in June.

# Kuwait Hospitality Sector

## KUWAIT HOTELS RESULTS – 2018 FORECAST FIGURES



- Hoteliers in Kuwait do appear confident in their offering and, as a result, after seeing decline of ADR in 2017 from KD 66.74 to KD 65.41 it has recover in 2018 by +7.7% after Opening of Four Season Hotel in Kuwait .
- The hotel development scene doesn't look to be slowing anytime soon. The government is making huge investments in enhancing tourism infrastructure, as well as developing new leisure and lifestyle attractions. [The World Travel and Tourism Council says that travel and tourism investment in Kuwait is set to grow by 1.4% per annum over the next 10 years, to KD 138m annually in 2027.](#)



# Kuwait Hotels Inventory (5,4&3 Stars)

The 5 Stars Hotels	Opening Year	2018 R.A.
Sheraton Hotels & Towers	1966	310
JW Marriot	1981	313
The Regency	1984	215
Hilton Resort	2002	480
Seashel Julai Resort	2004	256
Marina Hotel	2006	91
The Palms	2008	125
Movenpick Al Bida'a	2009	308
Al Manshar Rotana	2009	190
Safir Hotel & Residence	2010	150
Symphony Style	2011	169
Jumeirah Messilah Beach and Spa Hotel	1974	408
Radisson Blu Hotel	1981	191
Crowne Plaza Al Thuraya	2016	211
Millennium	2015 Q3	300
Four Seasons	2017	284

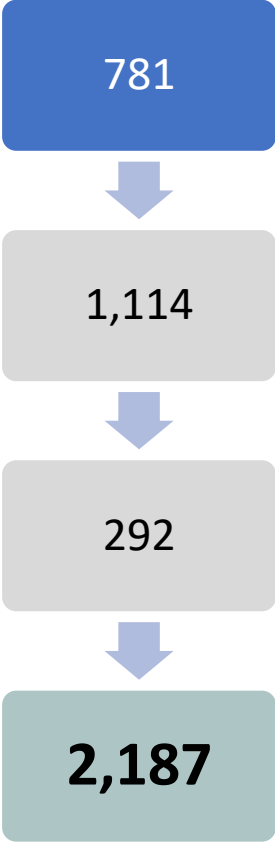
The 4 Stars Hotels	Opening Year	2018 R.A.
Best Western	2014	100
Safir International Hotel	1969	146
Le Royal Hotel	2004	79
Movenpick Hotel Kuwait	2006	100
Courtyard by Marriot	2006	306
Four Points by Sheraton	2006	410
Holiday Inn Kuwait	2007	189
Le Royal Tower	2007	70
Holiday Inn Down Town	2008	169
Plaza Athenee	2009	63
Copthorne Hotel Al Jahra	2010	320
Costa De Sol	2010	150
Holiday Inn Al Thuraya	1981	300
Best Western Plus Salmiya	2016	70
*Boudl Hotel Fahaheel	2012	56
*Boudl Hotel Salmiya	2014	108
*Adams Hotel Kuwait City	2015	60
*Plage Hotel Kuwait	2016	150
City Tower Hotel Kuwait	2014	131

The 3 Stars Hotels	Opening Year	2018 R.A.
Oasis Hotel	1988	63
Safir Airport Hotel	1988	200
Inn & Go	1994	122
Royal Suites	1994	12
Al Bastaki Hotel	1994	100
Imperial Hotel	2005	39
Ramada Hotel Riggae	2006	112
Ritz Hotel Sharq	2008	54
Ibis Salmiya	2009	170
Ritz Salmiya	2009	66
Corniche Hotel	2009	33
Hawthome Hotels and Suites	2009	78
Al Jazz	2013	80
Rimal Hotel	2010	124
Kuwait Hayat	1995	55
Ibis Sharq	2011	160
Residence In (by Marriott)	2014	160
*Grand Majestic Hotel	2018	187

# Kuwait Future Hotels Inventory (5,4&3 Stars)



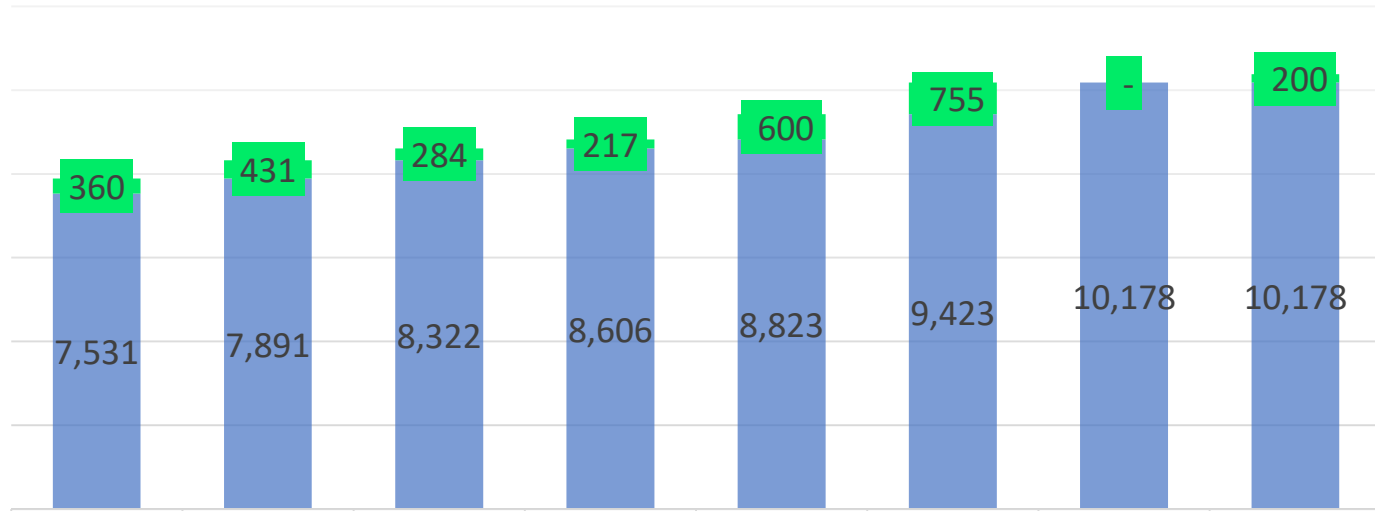
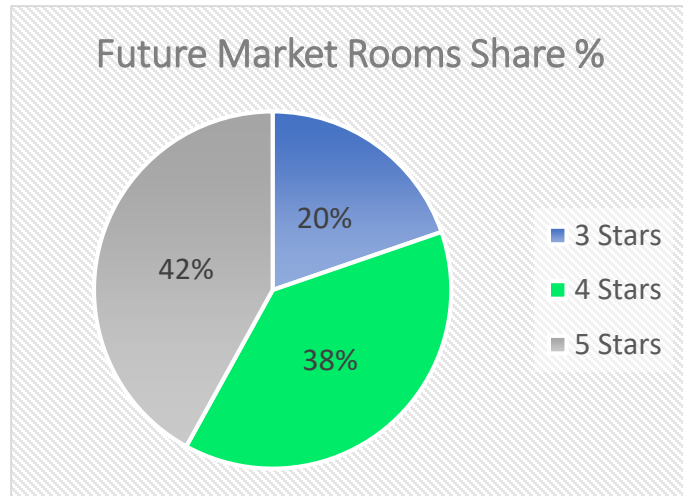
<u>Name of Hotels</u>	<u>Opening Year</u>	<u>Rooms</u>
Intercontinental Hotel Farwania	2020	120
Grand Hyatt	2020	261
Waldorf Astoria(Avenues )	2019	200
Oriental Mandarin (200 rooms)	2022	200
Novotel	NA	160
Garden Inn (Avenues)	2019	400
MEA (Marriott Executive Apartments)	2020	174
Mazaya Downtown Residence	2021	160
Staybridge Suites	2021	120
Heritage Village Hotel	NA	100
Centro (by Rotana)	2020	200
Swiss-Bell Al Sharq	NA	62
Swiss-Bel Residences Bneid Al Gar	2018	30



N.B. Future Hotels in the pipeline by Government (Olympic Village Hotel, New Airport Hotel , New University Hotel).

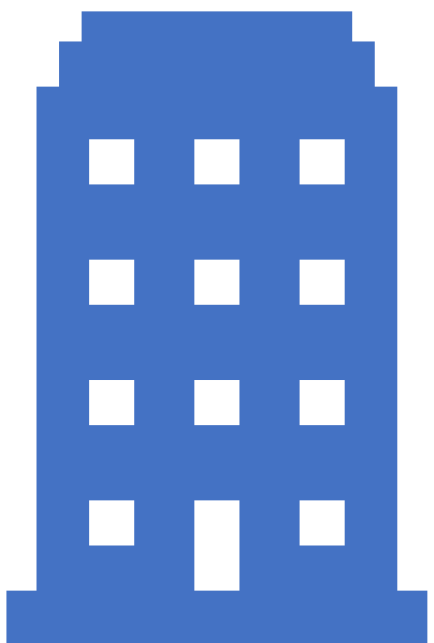
# List of present and future Hotels In Kuwait

**KUWAIT HOTEL ROOMS (BRANDED & NON-BRANDED 5+4+3 STARS)**



■ New Hotels Rooms Inventory per year  
■ Total Hotels Rooms available per Year

	2015	2016	2017	2018	2019	2020	2021	2022
Total Hotels Rooms available per Year	7,531	7,891	8,322	8,606	8,823	9,423	10,178	10,178
New Hotels Rooms Inventory per year	360	431	284	217	600	755	-	200



# Kuwait Hospitality Sector Leisure and Cultural Projects



# Leisure and Cultural Projects -Kuwait

## 1. Sheikh Jaber Center (Opera ) completed in 2016

Kuwait has opened the doors to the Sheikh Jaber Al Ahmad Cultural Centre in 2016, the first of its kind in the city. The building have cost Dhs2.7 billion done by SSH and functions as the city's top entertainment destination, fostering the region's emerging talents across music, dance and art, as well as provide a location for international talent to perform.

The 214,000 square-metre Centre is the first building in Kuwait's new cultural district, and is home to a 2,000-seat Opera House, which is also a first, as well as music and conference center's and a library for historical documents.

## 2. Shaheed Parks 1 & 2 completed in 2017

Al Shaheed Park is a fully integrated cultural platform with cutting-edge architecture and art works. The park's Amphitheater diversifies into different kinds of gardens (Oasis Garden, Museum Garden, Seasonal Garden and others), walkways (Visitors and Pedestrian Passages), museums, exhibition areas, outdoor theatres, and performance centers for music concerts, theatrical performances, art exhibitions, and other kinds of cultural events. Al Shaheed Park consists of several phases. Phase II of the park opened in April 2017.[2] The new phase includes a skate park, parkour area, tree top climbing obstacles, multipurpose youth complex, board and interactive games area, and an open air performance centre. Al Shaheed Park is a project developed by Al Diwan Al Amiri and managed by LOYAC (Lothan Youth Achievement Center). It is a precedent of its kind that Al Diwan Al Amiri - seen as one of the symbols of the State of Kuwait's sovereignty and in which serves as the headquarters and the permanent centre of the country's rulers takes initiation into reclaiming the former Green Belt - a series of gardens built between the old city of Kuwait and its expansion

## 3. Sheikh Abdullah Al-Salem Cultural Centre completed in 2018

The Center is a cultural complex in Kuwait owned by the Diwan Amiri. It consists of museums, fine arts centre, theatre, and public spaces that include outdoor exhibits, as well as cafes and restaurants. The Sheikh Abdullah Al-Salem Cultural Centre is a 13-hectare site with a total exhibit area of 22,000 m2 making it the largest museum project in the world.

The Sheikh Abdullah Al Salem Cultural Centre will create a new world class museum district within Kuwait. Together with the Sheikh Jaber Al Ahmad Cultural Centre, the cultural centre is part of the new Kuwait National Cultural District (KNCD).

The cultural district is a celebration of the scientific and cultural achievements of mankind and the scale, shapes and shades of the buildings are designed to convey a sense of wonder and awe.

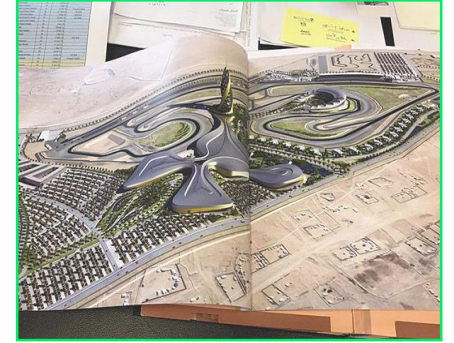


# Leisure and Cultural Projects -Kuwait

## 4. Formula One Track completed in 2018

The auto sports development is centred around a racetrack circuit which will be able to host Formula 1 event. Asphalt subcontractor Arizona National Company executed the Formula 1 racetrack for Kuwait Motor Town, deploying advanced machine control technologies in partnership with Trimble that represent novel territory for both Kuwait and Formula 1. Germany's Tilke Engineers and Architects, a leading specialist in racetracks responsible for numerous Formula 1 projects worldwide, oversaw Arizona's adherence to the project's specifications. The world-class \$162.27 million Motor Town which features seven racing circuits which will enable the country to host Formula One and MotoGP races in the future.

Under a KD49-million (\$162.27 million) contract awarded by the Amiri Diwan, local developer Bayan National Trading Company will design and build the Motor Town south of Kuwait City, in Orafjan, adjacent to Wafra Road, according to a Kuwait News Agency (Kuna) report.



## 5. Al Salam Palace under construction

Hopes of restoring the abandoned palace were unfulfilled over 30 years, but the Amiri Diwan has announced with great pride that the palace, its famous chandelier and its extensive grounds will be restored to their former beauty and splendor.

The palace will re-open as a museum dedicated to the history of Kuwait told through its 15 rulers. The design will retain the palace's original character while incorporating contemporary additions and meeting the highest international construction standards.

Visitors will follow in the footsteps of heads of state and VIPs, arriving in the Rotunda, the heart of the original palace, before beginning a journey through nine re-created palatial rooms and galleries. The new palace will border the new Sheikh Jaber Al Ahmad Cultural Centre and be part of Kuwait's vibrant new cultural landscape.

Al Salam Palace will consist of:

Museum to tell the history of Kuwait through the story of its rulers

Visitor Centre

Palace Garden

The project is being procured on a design build basis and SSH has been appointed by Combined Group Contracting.



# Leisure and Cultural Projects -Kuwait

## 6. New Entertainment City under construction

After more than two years of closing Kuwait Entertainment City, latest news say that it will be reopened by the end of the year 2021.

The Entertainment city will undergo huge renovations and it will also undergo development and expansion to include sports park, water park, hotels and more.

By the end of 2021, the main Entertainment city area will be ready along with a three stars hotel and a sports park but the waterpark and other hotels will be ready between December 2022 and March 2023

## 7. New Sabah Al Ahmed New City (Al Khiran Pearl Complex Resort ) under construction

SSH has been awarded the Khiran Pearl Mixed Use Complex by Tamdeen Shopping Centers Company. SSH (and RTKL), will complete the design of the new resort-style recreational and residential space in Kuwait's southern region.

This beautiful development will be home to 200,000 people, and will create significant opportunities to boost Kuwait's tourism and business growth. The unique project is said to include Kuwait's first high-end Outlet Mall, high-rise residential towers, a tower with furnished apartments, a marina to house over 900 boats, and a 5-star resort style hotel with an international spa. Adding to all this, the Al Khiran project will be the first environmentally friendly development in Kuwait! At the center of the development you'll find their most iconic landform, The Al Khiran Park.

With a variety of open-air attractions for children as well as huge performance spaces, this park will have rich, varied forms of vegetation. You heard us right – the park will have lots and lots of green space. This alone will create a powerful magnetic force for all of Kuwait. Al Khiran will become the entertainment and commercial cornerstone of the new community at Sabah Al Ahmed Sea City and all the surrounding areas.

Al-Khiran, which should be executed by 2019





# S.W.O.T. Analysis





# S.W.O.T. Analysis

## Strengths

Oil wealth typical enables the state to run a fiscal surplus ,although the budget balance turned negative in 2016 ,NBK & BMI believes that it will return to positive territory over coming years .In the meantime a large fiscal buffer will allow spending to be maintained without damaging the sovereign profile.

## Weaknesses

Oil accounts for approximately 65% of GDP ,more than 80% of government revenues and more than 90% of total export earnings ,with the non-oil economy still relatively underdeveloped .This makes Kuwait highly vulnerable to external shocks ,especially in relation to world oil prices.

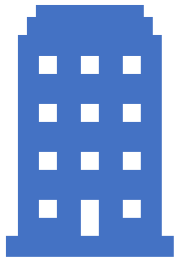


## Opportunities

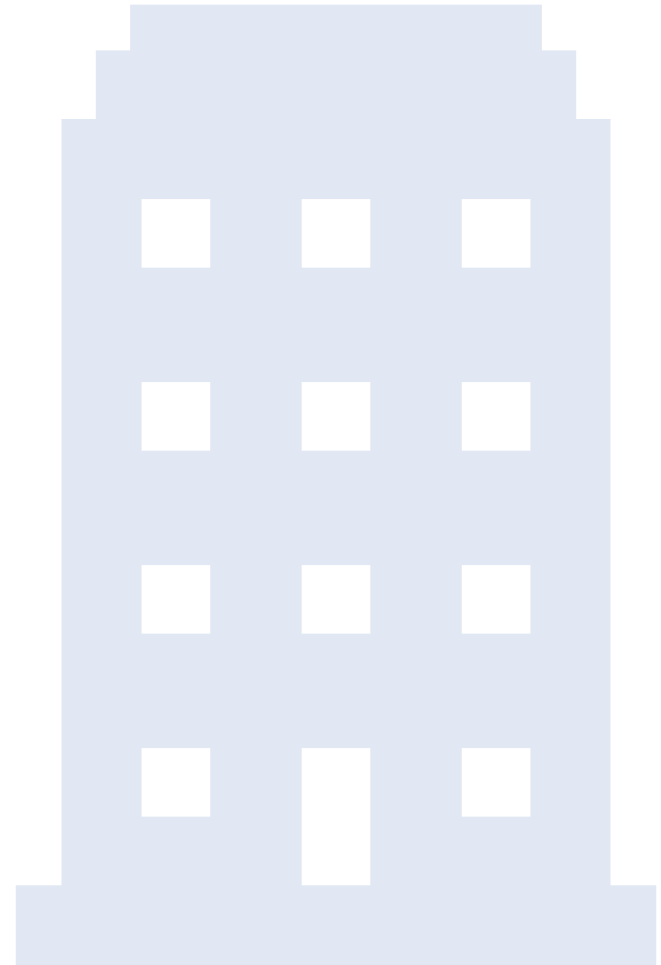
Although security risks across Iraq's border have so far minimized the potential for investors in Kuwait to benefit from reconstruction works in neighborhood .Kuwait will remain an attractive staging point for companies and businessman with dealing in Iraq.

## Threats

The pace of economic reform is being hampered by western interest .Unstable situation in Middle East still ongoing.



# Kuwait Market Hotels Forecast (Three Scenarios)



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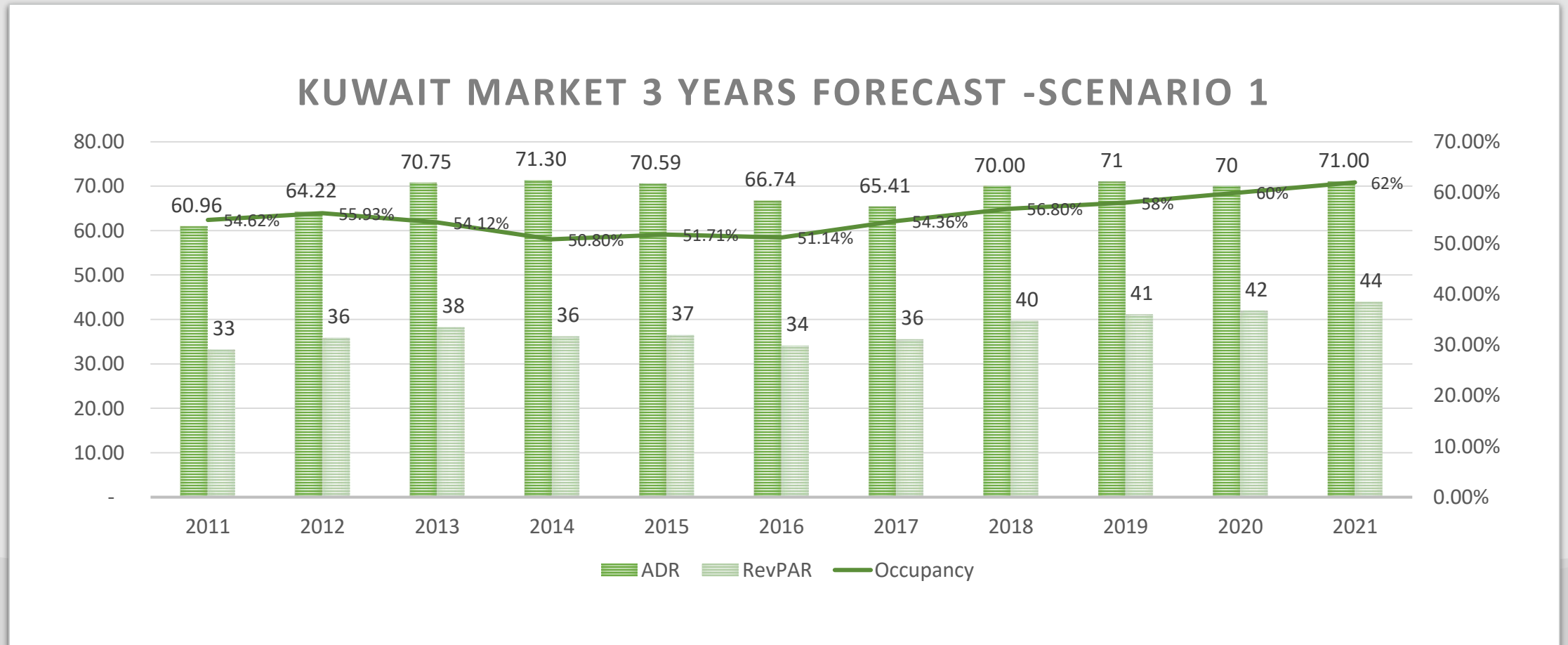
## SCENARIO 1 – High Opportunity & No Risk

Actual	2016	2017	2018	2019	2020	2021
<b>Supply</b>	2,880,215	3,037,530	3,141,190	3,220,395	3,439,395	<b>3,439,395</b>
<b>Demand</b>	1,472,922	1,651,256	1,784,196	1,867,829	2,063,637	<b>2,132,425</b>
<b>Occupancy</b>	51.14%	54.36%	56.80%	58%	60%	<b>62%</b>
<b>ADR</b>	66.74	65.41	70.00	71	70	<b>71.00</b>
<b>RevPAR</b>	34	36	40	41	42	<b>44</b>
<b>Revenue</b>	<b>98,305,957</b>	<b>108,002,235</b>	<b>124,893,714</b>	<b>132,615,866</b>	<b>144,454,590</b>	<b>151,402,168</b>

### KHOA Market Scenario 1 :

- As per the forecast from Kuwait Economy Growth it is expected that new situation likely will support hospitality industry by increasing demand on average 5-15%.
- Scenario one suspects that projects in Kuwait will be developed accordingly which would add extra demand to Kuwait market.
- New Hotels would add price up as Avenues Hotels will open in 2019 while new 3 Star sector would slightly decrease prices by 2020 after which Hayat Hotel would open and increase market share of 5 Stars . Hotels market is expected to follow KHOA rates due to higher demand trend.

# Kuwait Market Hotels Forecast (Three Scenarios)



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## SCENARIO 2 - No changes from present situation

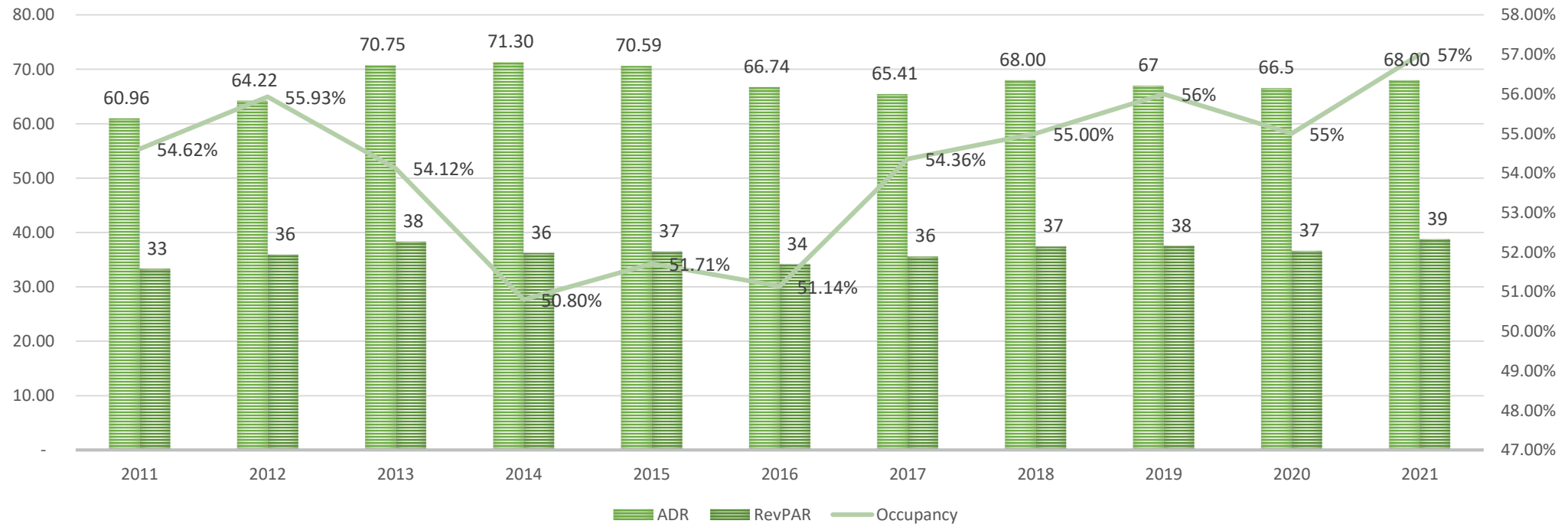
Actual	2016	2017	2018	2019	2020	2021
Supply	2,880,215	3,037,530	3,141,190	3,220,395	3,439,395	<b>3,439,395</b>
Demand	1,472,922	1,651,256	1,727,655	1,803,421	1,891,667	<b>1,960,455</b>
Occupancy	51.14%	54.36%	55.00%	56%	55%	<b>57%</b>
ADR	66.74	65.41	68.00	67	66.5	<b>68.00</b>
RevPAR	34	36	37	38	37	<b>39</b>
Revenue	<b>98,305,957</b>	<b>108,002,235</b>	<b>117,480,506</b>	<b>120,829,220</b>	<b>125,795,872</b>	<b>133,310,950</b>

### KHOA Market Scenario 2 :

- The 2018 is suspected to close on positive note with occupancy increase of 5% compare to last year .It is assumed that trend will drop during summer season and it will recover in last quarter of 2018.
- Scenario two suspects that projects in Kuwait will be delayed which will eventually take slow path with demand increase on average 5%
- New Hotels would add pressure on current existing market share and 2019 and 2020 year might be challenging with high competition after which in 2021 would recover with demand increase.

# Kuwait Market Hotels Forecast (Three Scenarios)

## KUWAIT MARKET 3 YEARS FORECAST -SCENARIO 2



# Kuwait Market Hotels Forecast (Three Scenarios)

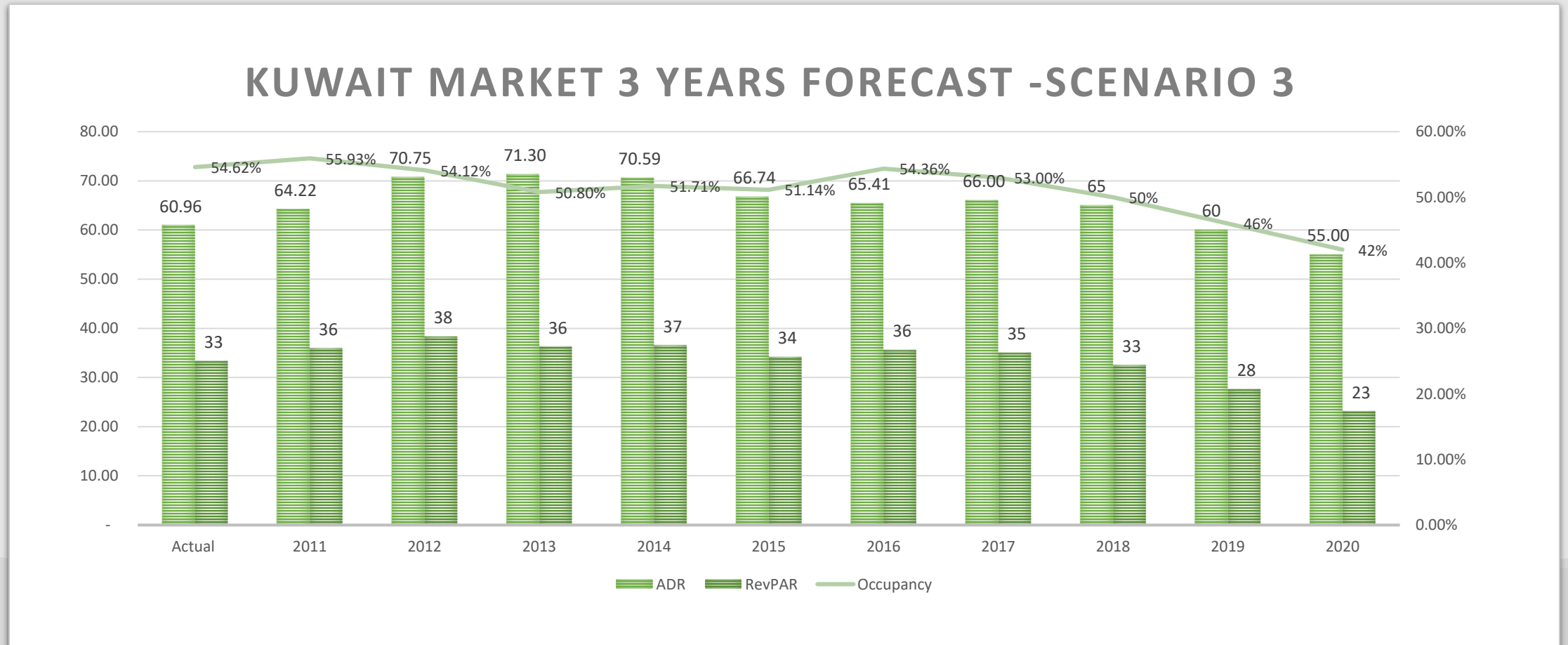
## SCENARIO 3-High Risk & No Opportunity

Actual	2016	2017	2018	2019	2020	2021
Supply	2,880,215	3,037,530	3,141,190	3,220,395	3,439,395	<b>3,439,395</b>
Demand	1,472,922	1,651,256	1,664,831	1,610,198	1,582,122	<b>1,444,546</b>
Occupancy	51.14%	54.36%	53.00%	50%	46%	<b>42%</b>
ADR	66.74	65.41	66.00	65	60	<b>55.00</b>
RevPAR	34	36	35	33	28	<b>23</b>
Revenue	<b>98,305,957</b>	<b>108,002,235</b>	<b>109,878,826</b>	<b>104,662,838</b>	<b>94,927,302</b>	<b>79,450,025</b>

### KHOA Market Scenario 3 :

- Its suspected that 2018 will close on slightly behind compare to last year and current demand trend would start dropping due to high risk in the region.
- Scenario three suspects that projects in Kuwait will be stopped and no opportunity on the market would occur.
- New Hotels opening might be delayed which would slightly improve occupancy trend from the forecast above.
- Demand would be decreasing -4 to -10 % respectively and might decrease more in future if risk continues.

# Kuwait Market Hotels Forecast (Three Scenarios)





# Conclusion



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- The World Travel and Tourism Council says that travel and tourism investment in Kuwait is set to grow by 1.4% per annum over the next 10 years, to KD 138m annually in 2027.
- TRI Consulting Team said that Kuwait hospitality scene is “unique” among those in the GCC, adding that the hotel market has historically seen low occupancy levels but high average room rates (ARR), and strong profitability levels. This is largely driven by a rate agreement put in place by Kuwait Hotel Owners Association (KHOA) .
- In the current market, the agreement is considered critical for hotels to maintain the rates, revenues, and profitability, given the level of current and future supply of hotels within the relatively small market.
- Looking beyond today’s numbers, however, hotel developers are still interested in investing in Kuwait. Industry onlookers believe this has to do with the forecast of a dramatic rise in visitor numbers. It is hard to say if projected investments by Kuwait Government would seen light which would support Hotels Industry and add new demand according to forecast scenario 1.
- KHOA expect the future most probably will end between scenario 1 or 2 since the trend od demand has seen its increase and most probably will continue onward in 2019.



Thank you