## Kingdom of Saudi Arabia Construction Cost Benchmarking and Forecasting

### Residential

<table>
<thead>
<tr>
<th>Item</th>
<th>Building Type</th>
<th>2016 (2nd Qtr)</th>
<th>2017 (2nd Qtr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Villa - Low Specification</td>
<td>1,905 - 2,345</td>
<td>1,772 - 2,181</td>
</tr>
<tr>
<td>2</td>
<td>Villa - Medium Specification</td>
<td>2,681 - 3,255</td>
<td>2,493 - 3,027</td>
</tr>
<tr>
<td>4</td>
<td>Villa - High Specification</td>
<td>4,694 - 5,725</td>
<td>4,365 - 5,324</td>
</tr>
<tr>
<td>5</td>
<td>Apartment Low Rise - Low Specification</td>
<td>2,003 - 2,438</td>
<td>1,863 - 2,267</td>
</tr>
<tr>
<td>6</td>
<td>Apartment Low to Medium Rise - Medium Specification</td>
<td>2,892 - 3,734</td>
<td>2,689 - 3,587</td>
</tr>
<tr>
<td>7</td>
<td>Apartment High Rise - High Specification</td>
<td>5,241 - 5,885</td>
<td>4,874 - 5,473</td>
</tr>
</tbody>
</table>

### Commercial (Shell and Core only)

<table>
<thead>
<tr>
<th>Item</th>
<th>Building Type</th>
<th>2016 (2nd Qtr)</th>
<th>2017 (2nd Qtr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>Office Low to Medium Rise - Medium Specification</td>
<td>2,813 - 3,653</td>
<td>2,616 - 3,397</td>
</tr>
<tr>
<td>9</td>
<td>Office High Rise - Medium Specification</td>
<td>3,426 - 4,167</td>
<td>3,186 - 3,875</td>
</tr>
<tr>
<td>10</td>
<td>Office High Rise - High Specification</td>
<td>4,599 - 5,272</td>
<td>4,277 - 4,903</td>
</tr>
</tbody>
</table>

### Industrial

<table>
<thead>
<tr>
<th>Item</th>
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<th>2016 (2nd Qtr)</th>
<th>2017 (2nd Qtr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Light Duty Industry</td>
<td>1,611 - 2,605</td>
<td>1,498 - 2,423</td>
</tr>
<tr>
<td>12</td>
<td>Medium to Heavy Duty Industrial</td>
<td>2,259 - 4,718</td>
<td>2,101 - 4,388</td>
</tr>
</tbody>
</table>

### Hotels (Including FF&E)

<table>
<thead>
<tr>
<th>Item</th>
<th>Building Type</th>
<th>2016 (2nd Qtr)</th>
<th>2017 (2nd Qtr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Three Star</td>
<td>4,625 - 6,209</td>
<td>4,301 - 5,774</td>
</tr>
<tr>
<td>14</td>
<td>Four Star</td>
<td>6,495 - 8,316</td>
<td>6,040 - 7,734</td>
</tr>
<tr>
<td>15</td>
<td>Five Star</td>
<td>7,494 - 10,257</td>
<td>6,969 - 10,041</td>
</tr>
</tbody>
</table>

### Retail (Shell & core with public area finished)

<table>
<thead>
<tr>
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<th>2017 (2nd Qtr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>District Mall</td>
<td>3,968 - 5,687</td>
<td>3,690 - 5,289</td>
</tr>
</tbody>
</table>

### Carparking

<table>
<thead>
<tr>
<th>Item</th>
<th>Building Type</th>
<th>2016 (2nd Qtr)</th>
<th>2017 (2nd Qtr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Podium</td>
<td>1,882 - 2,523</td>
<td>1,750 - 2,346</td>
</tr>
<tr>
<td>18</td>
<td>Basement</td>
<td>2,134 - 2,828</td>
<td>1,985 - 2,630</td>
</tr>
</tbody>
</table>

- Professional fees, land acquisition costs and financing costs are excluded from the above.
- All hotel rates are inclusive of Furniture, Fittings and Equipment (FF&E).
- Costs/m² are based on GIA as per the RICS code of measuring practice 6th edition.

(Source: Colliers International May 2016)
“Benchmarking is an essential tool to predict the cost of construction at the inception stage of projects.”

Source of our benchmarking
Colliers International’s internal database of projects across Saudi Arabia form the basis of the Cost Models required to build our benchmarking. A cost model provides a consolidated construction cost image of a proposed development type, however, each cost model has to be normalized and index linked. For projects older than 6 months in our database, we update via developing a Construction Price Index, to track the actual movement of cost from the point in time the project was tendered/awarded, up to May 2016, which allows us to build an accurate current range.

The Construction Price Index tracks the historic movement of the following:

- Global construction commodity trends.
- Movement in construction materials such as steel, concrete, cement, blockwork, etc.
- Shifts in manpower which include overheads, supervision staff, skilled and unskilled labour.
- Construction workload & competitiveness.

The aforementioned are the key drivers for index linking all projects over 6 months old to present day pricing.

When predicting the future construction costs for 2016 & 2017, the same methodology is used, however, instead of looking at historical data, we study forecasted data. Whilst the forecasted data is derived from local, regional and international sources such as Government Departments, the IMF, the World Bank, Industry Stake Holders, etc., they are predictions based on current information which require updating regularly.

Some of the highlights included within our Cost Benchmarking are;

Subsidy Cuts: Current cuts in the subsidies for fuel, water and electricity will increase the cost of production, labour and materials, adding circa 1% onto the cost of construction for 2016.

Labour Costs: Labour will see a reduction in wages to professionals and trades over 2016 and 2017, however the net effect may likely be offset somewhat by an increased push towards Saudization.

Construction Workload and Competitiveness: The single biggest influence on construction pricing for 2016 & 2017 will be the level of profit, or lack thereof, that construction companies will include within tenders. With a significant decrease in the number of projects to be awarded over the next 2 years, competition will be strong in all sectors.
Colliers International Construction Consultancy

As specialist construction consultants we provide project, cost and construction management services. Our success is based on two simple principles;

i. Construction advisory that is tailored to each client, based on the knowledge of our staff whom first and foremost are construction people.

ii. Our services ensure risks are eliminated, quality of design & construction is delivered, optimum program timelines are achieved, all at the lowest price possible.

Our Project Management & Cost Consultancy Services include:

Project Management
> Development Management
> Program Management
> Project Management
> Client Representation
> Construction Supervision
> Tenant Coordination
> Building Surveying

Quantity Surveying
> Cost Modelling & Benchmarking
> Cost Planning / Management / Control
> Risk Appraisal
> Life Cycle Costing
> Value Engineering
> Procurement Strategy & Advise
> Tendering & Evaluation
> Tender Documentation & Bills of Quantities
> Contract Documentation & Administration
> Cash Flow Forecasting

Project Monitoring
> Bank/Financial Institution Representation
> Early Warning Advice
> Project Cost Analysis and Advice
> Program Monitoring
> Stage Payment Recommendations
> Quality & Specification Inspections
502 offices in 67 countries on 6 continents

United States: 151
Canada: 46
Latin America: 26
Asia Pacific: 190
EMEA: 89

$2.5 billion in annual revenue

2 billion square feet under management

16,300 professionals and staff

FOR MORE INFORMATION CONTACT

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