
KINGDOM OF SAUDI ARABIA

Construction Cost 2018

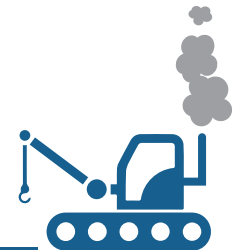
Benchmark Report



The Construction Cost Benchmark Report

- Century21 Saudi has prepared this report using both our industry knowledge and market expertise from our real estate projects & studies.
- This report will act as a point of reference for our clients, investors, developers and competitors within the real estate industry.
- It will help the market in identifying whether they are on the high end of cost or lower end.
- It will act as an industry standard for investors, developers and other stakeholders
- It will act as a key input for real estate projects forecasting & investment appraisal.

Construction Sector Outlook



1

Overall construction activity has been slow ever since the Government put on hold some of the key projects.

2

The key demand and activity generator for the construction sector are the Riyadh Metro, Airport expansions and Haramain Express projects respectively.

3

The CEMENT, STEEL and READY-MIX CONCRETE industries associated with construction sector have been affected due to slow economic activity in the Kingdom.

4

Both slow economic activity and lower demand in the market has negatively affected the prices of construction materials, which has resulted in reduced profit margins for materials manufacturers.

5

On the positive side, this has resulted in lower construction cost due to decline in the prices of raw materials and also the availability of sub-contractors at lower rates.



CEMENT



When compared on a Y-O-Y basis, the price of Cement saw a decline of around 6% on average in 2017.



IRON



There has been a marginal drop in price of Iron. On a Y-O-Y basis, the price of Iron saw a decline of around 1% on average in 2017.



READY MIXED CONCRETE



On a Y-O-Y basis, the price of Ready-mixed concrete saw a decline of around 8% on average in 2017.

Impact of VAT on Construction Sector

A key problem which construction companies/head contractors might face is the fact that many smaller subcontractors will either not be registered, or not required to be registered for VAT as they fall below the registration threshold (i.e. SAR 375,000**).

As a result of not being registered such businesses will not be able to recover the Input VAT incurred on its costs or purchases. This might lead to increase in overall cost of construction for a project.

Construction companies/head contractors might only deal with sub-contractors who are VAT registered in order to remain competitive.

Asset Type	Cost Range (SR/sqm)	
Residential	Min	Max
Villa -Low Asset Class	1,700	2,000
Villa -Medium Asset Class	2,200	2,500
Villa -High Asset Class	3,200	4,200
Apartment Low Rise -Low Asset Class	2,000	2,200
Apartment Low to Medium Rise -Medium Asset Class	2,500	3,000
Apartment High Rise -High Asset Class	3,500	4,500
Residential Compound - B Class (including FF & E)	3,500	4,200
Residential Compound - B+ Class (including FF & E)	4,500	5,000
Residential Compound - A Class (including FF & E)	5,200	6,200
Commercial (Shell and Core only)		
Office Low to Medium Rise -Medium Asset Class	2,375	3,000
Office High Rise -Medium Asset Class (B+ Class)	3,100	3,600
Office High Rise -High Asset Class (A Class)	3,800	4,500
Industrial		
Warehouse - C & S	1,500	1,600
WareHouse - Temperature Control	1,800	2,500
Light Industrial	1,500	2,200
Medium to Heavy Duty Industrial	2,300	3,800
Hotels (Including FF&E)		
Three Star	4,000	5,500
Four Star	5,500	7,000
Five Star	7,500	8,500
Furnished Apartments - International Brand	4,500	6,000
Furnished Apartments - Local Brand	3,500	4,000
Retail		
Community Mall	2,400	3,000
Regional Mall	3,000	3,500
Super Regional Mall	3,600	4,000
Traditional Strip Retail	2,300	2,600
Carparking		
Podium	1,400	1,600
Basement	1,920	2,160

- The above table excludes the funding cost, land procurement costs and Professional fees related to project management & supervision and any VAT.
- The costs per sqm for all hospitality asset classes including Furniture, Fittings and Equipment (FF&E).
- The above numbers are indicative ranges on averages, based on different regions in Kingdom of Saudi Arabia.