KSA Market Overview January 2024

Keeping up with unprecedented growth

Market outlook remains positive as vision 2030 continues to take shape

Positive outlook

Our latest construction market overview report analyses the latest economic and market data and anticipates the impact of trends on the construction industry – both in the short and longer-term.

As we enter 2024 the market remains buoyant. The scale and volume of projects being announced across the Kingdom as part of Vision 2030 ensure a strong pipeline of construction activity for the foreseeable future. Coupled with the recent 2030 Expo announcement and Saudi Arabia being the sole bidder for the 2034 World Cup, the future remains bright.

We expect tender price inflation (TPI) will remain steady in the short to medium term, as projects remain in the pipeline and core inflation is modest. If supply continues to meet demand, our earlier predictions of an increase of between 5-7%, following final completion of tendering and negotiation, looks likely to remain accurate.

Supply chain solutions

Over the longer term, as pressure grows to show progress on giga-projects, the supply chain will need to evolve, either by innovation or expansion, to meet demand. To make sure that each project meets its objectives and is delivered as planned, it's critical to identify and appoint competent supply chain partners and structure an appropriate procurement strategy.

IInitial designs may need to factor in overcoming possible supply chain limitations. Solutions could include off-site production or greater use of standardised components in the construction phase. Considering this, we expect a trend for long-term partnerships and alliances to continue. This can reduce the need for multiple procurement processes and can lead to smoother running projects and increased time and cost efficiency. The introduction of facilities management advisory services from the design stage onwards can deliver efficiency and value throughout the building's lifecycle.

Prioritising sustainability

With sustainability forming a key part of Vision 2030 and the Kingdom aiming to achieve net zero by 2060, sustainability measures must be considered as early as possible. We are seeing a trend for sustainability measures to be built into the design stage to help mitigate additional costs that may result from the need to achieve environmental assessment criteria later down the line. As the use of prefabricated, modular build elements grows in popularity, this is helping to provide a tangible solution to supply chain delays while also offering sustainability benefits at the same time.

The unprecedented scale of Vision 2030 means there are some challenges to be overcome to deliver the extensive number of programmes in development. But with the right level of planning, expertise, and creative thinking, we are confident these ambitious programmes can be delivered in a sustainable manner.

Economic Overview

As of November 2023, inflation dropped to 1.7% (down from 3.4% at the start of the year[1]) and growth remains strong.

The construction market has remained buoyant since quarter two.
This suggests that currently the demand for materials and labour is being met. However, as OPEC (The Organization of the Petroleum Exporting Countries) continues to cut production and the conflict in Ukraine increases demand for oil and gas, we will continue to see an impact on commodity prices.

Following a dip in cement prices last year, we do not anticipate a surge in prices in the short term. Most of the work currently being progressed is at pre-concept and feasibility stage, with major awards and a steady stream of contract executions expected in the short to medium term.

[1] https://www.sama.gov.sa/en-US/Indices/Pages/InflationRate.aspx

Key figures

GDP ▲
-4.4%[2] Q3 2023

Following an extended period of increases over the last 2 years, GDP fell by -4.4% in Q3. This was due to voluntary cuts in oil production in a bid to stabilise the market, which resulted in oil activity falling by 17% compared with a year earlier.

The net effect of this was a temporary reduction in GDP, however despite the sharp contraction we expect growth for 2024 to remain positive, projected at a relatively buoyant 4.4%.

Inflation ▲
1.7%[3] November 2023

Since the peak of 3.4% in January 2023, inflation has moved steadily downwards. In November, after nineteen months of decline, it raised slightly to 1.7%.

TPI ▲
5-7% increase

At the beginning of the year, we forecast tender price inflation (TPI) to increase between 5-7% in 2023 and we see no major change in this prediction.

The scale and volume of projects announced in the Kingdom will ensure a pipeline of construction activity for the foreseeable future.

Ultimately TPI will increase as demand grows, but we may also see market forces responding, increasing supply, and offsetting the worst of TPI.

"As the market matures, clients are placing higher value on trusted long-term relationships. Those who seek advice at the earliest project stages are experiencing cost savings, while their projects are set to complete on time."

James Irvine
Senior director

[2] https://www.sama.gov.sa/en-us/Indices/Pages/default.aspx
[3] https://www.sama.gov.sa/en-us/Indices/Pages/default.aspx

Building asset costs

Building cost Buiding type	Riyadh USD / m² Low	Riyadh USD / m² High	Riyadh SAR / m² Low	Riyadh SAR / m² High
Hotel				
Budget	USD 1,867	USD 2,800	SAR 7,000	SAR 10,500
Mid-market	USD 2,533	USD 3,467	SAR 9,500	SAR 13,000
Up-market	USD 2,693	USD 4,320	SAR 10,100	SAR 16,200
Resort	USD 3,733	USD 5,867	SAR 14,000	SAR 22,000
Commercial				
Low-rise office (shell & core)	USD 1,333	USD 1,867	SAR 5,000	SAR 7,000
Mid-rise office (shell & core)	USD 1,467	USD 2,133	SAR 5,500	SAR 8,000
High-rise office (shell & core)	USD 1,600	USD 2,667	SAR 6,000	SAR 10,000
Fit out-basic	USD 1,000	USD 1,600	SAR 3,750	SAR 6,000
Fit out-medium	USD 1,600	USD 2,000	SAR 6,000	SAR 7,500
Fit out-high	USD 2,000	USD 2,800	SAR 7,500	SAR 10,500
Residential				
Low-rise	USD 1,200	USD 1,733	SAR 4,500	SAR 6,500
Medium-rise	USD 1,467	USD 2,000	SAR 5,500	SAR 7,500
High-rise	USD 2,000	USD 2,533	SAR 7,500	SAR 9,500
Villas	USD 1,600	USD 3,200	SAR 6,000	SAR 12,000
Retail				
Community	USD 1,333	USD 1,733	SAR 5,000	SAR 6,500
Regional mall	USD 1,653	USD 1,973	SAR 6,200	SAR 7,400
Large regional mall	USD 1,653	USD 1,973	SAR 6,200	SAR 7,400
Schools				
Primary, secondary, academy	USD 1,493	USD 1,813	SAR 5,600	SAR 6,800
Healthcare — district hospital	USD 2,453	USD 3,493	SAR 9,200	SAR 13,100

Exchange rate to 1US$ is SAR 3.75.

“When lifecycle costing principles and procedures are implemented at the start of the design process, we are seeing more modern methods of construction and technologies being adopted. This provides better development viability by reducing operational and maintenance liabilities, increasing longer term investment returns and driving best value.”

Daniel King
Director

Unit rates

Item	Unit	SAR	$
Concrete blinding, C20	m^3	450.00	120.00
Concrete, C40	m^3	515.00	137.33
Concrete, C50	m^3	550.00	146.67
Concrete, C60	m^3	640.00	170.67
Shuttering	m^2	175.00	46.67
Reinforcing bars	ton	5,500.00	1,466.67
Reinforcing mesh	m^2	75.00	20.00
Structural steel	tonne	16,500.00	4,400.00
Metal deck	m^2	800.00	213.33
Waterproofing, under grade slab HDPE 1000 gauge	m^2	6.00	1.60
Waterproofing, 4mm SBS Modified bitumen waterproofing membrane incliding primer coat and vapour barrier	m^2	113.00	30.13
Insulation, 100mm rigid insulation	m^2	80.00	21.33
Blockwork, solid, 100mm thick	m^2	132.00	35.20
Blockwork, solid, 200mm thick	m^2	180.00	48.00
Blockwork, insulated, 300mm thick	m^2	261.00	69.60
Blockwork, hollow, 100mm thick	m^2	132.00	35.20
Blockwork, hollow, 200mm thick	m^2	176.00	46.93
Lightweight partitions, gypsum board/timber studs, 100mm thick	m^2	202.00	53.87
Lightweight partitions, gypsum board/timber studs, 150mm thick	m^2	259.00	69.07
Lightweight partitions, gypsum board/timber studs, 200mm thick	m^2	316.00	84.27
Glazed partitions, single glazed - 38dB	m^2	871.00	232.27
Glazed partitions, double glazed - 51dB	m^2	1,907.00	508.53
Aluminium/glazing, stick system Aluminium/ glazing, unitised	m^2	2,450.00	653.33
Aluminium louvers	m^2	1,670.00	445.33
Aluminium mashrabiya Facad	m^2	3,000.00	800.00
Aluminium mashrabiya internal screen	m^2	1,800.00	480.00
Standing seam roof system	m^2	250.00	66.67
EIFS cladding system excluding block wall	m^2	338.00	90.13
External plaster finish	m^2	55.00	14.67
External paint finish	m^2	48.00	12.80
Internal plaster finish	m^2	47.00	12.53
Sand cement screeds, 50mm thick	m^2	50.00	13.33
External wall waterproofing	m^2	70.00	18.67
Epoxy resin floor coatings	m^2	160.00	42.67
Gypsum board ceilings	m^2	131.00	34.93
Gypsum board ceilings	m^2	149.00	39.73
Paint finish to ceilings	m^2	30.00	$8.00
Suspended ceiling system, vinyl faced gypsum tile 600x600x9.5 mm	m^2	229.00	61.07
UPVC drainage pipe, 80mm dia	LM	84.00	22.40
UPVC drainage pipe, 110mm dla	LM	126.00	33.60
HOPE rainwaterwaste pipe, 80mm	LM	403.00	107.47
HDPE rainwater/waste pipe, 110mm	LM	580.00	154.67
Polybutylene water pipe, 15mm dia	LM	38.00	10.13
Polybutylene water pipe, 25mm da	LM	60.00	16.00
Polybutylene water pipe, 75mm da	LM	188.00	50.13
Copper pipe, 54mm da	LM	670.00	178.67
Copper pipe, 76mm dia	LM	810.00	216.00
Copper pipe, 108mm dia	LM	970.00	258.67
Black steel, chilled water pipe, 20mm dia	LM	92.00	24.53
Black steel, chilled water pipe, 50mm dia	LM	207.00	55.20
Black steel, chilled water pipe, 65mm dia	LM	207.00	55.20
Carbon steel chilled water pipe, 40mm dia	LM	225.00	60.00
Carbon steel chilled water pipe, 65mm dia	LM	362.50	96.67
Carbon steel chilled water pipe, 80mm dia	LM	450.00	120.00
Ductwork, gauge 22	KG	45.00	12.00
Ductwork, gauge 26	KG	45.00	12.00
Cable, 2x4C 240mm2 XLPE/LSF/SWA/ CU+2x1C 120mm2 LSF/Cu GY	LM	796.00	212.27
Cable, 4C 240mm2 XLPE/LSF/SWA/CU+ 1C 120mm2 LSF/Cu G/Y	LM	398.00	106.13
Cable, 2C 16mm2 XLPE/LSF/SWA/Cu+ 1C 16mm2 LSF/Cu G/Y	LM	32.63	8.70
Cable (fire rated), 3x4C 240mm2 XLPEALSF/ SWA/Cu + 3x1C 120mm2 LSF/Cu G/Y	LM	1,509.00	402.40
Cable (fire rated), 2x4C 240mm2 XLPE/LSF/ SWA/CU+2x1C 120mm2 LSFICU GIY	LM	1,006.00	268.27
Cable (fire rated), 4C 240mm2 XLPE/LSF/ SWA/CU+1C 120mm2 LSF/Cu G/Y	LM	503.00	134.13

“Exploring project feasibility at an early stage will enable clients to mitigate time delays and additional costs. This will also lead to efficiencies to procurement, supply chain and resource management.”

James McCombe
Director

Global commodity prices

World Bank Commodities Price Data (The Pink Sheet)

		Quarterly Averages				
		Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Commodity	**Unit**	2022	2022	2023	2023	2023
Energy						
Coal, Australia	$/mt	413.3	370.4	237.6	164.7	151.9
Coal, South Africa	$/mt	259.6	191.8	151.2	111.8	98.1
Crude oil, average	$/bbl	96.4	85.3	79.0	76.6	85.3
Crude oil, Brent	$/bbl	99.2	88.4	81.4	78.2	86.8
Crude oil, Dubai	$/bbl	98.3	84.6	79.6	77.9	86.7
Crude oil, WTI	$/bbl	91.8	82.9	76.1	73.8	82.5
Natural gas, Index	2010=100	396.8	255.9	124.6	89.3	91.2
Natural gas, Europe	$/mmbtu	60.16	36.93	16.84	11.33	10.76
Natural gas, U.S.	$/mmbtu	7.93	5.47	2.65	2.16	2.59
Liquefied natural gas, Japan	$/mmbtu	21.28	20.67	18.21	13.49	12.58

Source: World Bank Commodities Price Data (The Pink Sheet) December 2023

"Increasing interest rates and costs will put more pressure on contractors – a strong relationship built on trust will be vital."

James Irvine
Senior director

Global commodity prices continued

World Bank Commodities Price Data (The Pink Sheet)

Commodity	Unit	Quarterly Averages Jul-Sep 2022	Oct-Dec 2022	Jan-Mar 2023	Apr-Jun 2023	Jul-Sep 2023
Timber						
Logs, Africa	$/cum	352.6	357.1	375.6	381.2	381.0
Logs, S.E. Asia	$/cum	215.4	210.7	224.9	217.0	206.1
Plywood	¢/sheets	395.1	386.5	412.6	398.1	378.0
Sawnwood, Africa	$/cum	564.0	562.2	582.1	599.8	606.8
Sawnwood, S.E. Asia	$/cum	641.5	639.4	662.1	682.2	690.1
Other Raw Materials						
Cotton	$/kg	2.74	2.22	2.17	2.07	2.11
Rubber, RSS3	$/kg	1.62	1.49	1.61	1.54	1.51
Rubber, TSR20	$/kg	1.45	1.30	1.39	1.34	1.34
Metals and Minerals						
Aluminum	$/mt	2,355	2,336	2,405	2,266	2,160
Copper	$/mt	7,758	8,025	8,944	8,474	8,368
Iron ore	$/dmt	105.7	99.2	126.1	112.0	115.2
Lead	$/mt	1,976	2,105	2,137	2,119	2,172
Nickel	$/mt	22,104	25,514	26,070	22,366	20,392
Tin	$/mt	23,722	21,604	26,339	26,181	26,797
Zinc	$/mt	3,273	3,012	3,137	2,540	2,436

Source: World Bank Commodities Price Data (The Pink Sheet) December 2023

"The use of modern methods of construction can speed up delivery, reduce labour costs, eliminate waste, and improve energy efficiency."

John Carlton
Director

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Disclaimer

Our comparative cost indices review current material and labour prices in Saudi Arabia. We base this index on market saturation, labour rates, commodity pricing and current economic conditions.

These are indicative building costs that will change depending upon scale, design, specification, procurement route, contract route, inflation and other factors. The information provided is for general informational purposes only and is not intended as legal, financial or professional advice. The user should not rely on the information provided as a substitute for obtaining professional advice from a qualified professional. The user bears sole responsibility for their own actions and decisions based on the information provided. We shall not be liable for any damages or losses resulting from the use of the information provided herein.

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Currie & Brown has been a Sidara company since 2012.