The Future of Construction in Egypt to 2015

Market Intelligence Report

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1 Introduction

1.1 What is this Report About?

This report is the result of WMI's extensive market and company research covering the Egyptian construction Industry. It provides detailed analysis of both historic and forecast construction industry values, at market and category level, analysis of the leading companies in the industry, and major news.

"The Future of Construction in Egypt to 2015" provides a top-level overview and detailed market, category and company-specific insights into the operating environment for construction contractors. It is an essential tool for companies active across the Egyptian construction value chain and for new competitors considering entering the industry.

1.2 Definitions

For the purposes of this report, the following timeframes apply:

- **Review period:** 2006–10
- **Forecast period:** 2010–15

The total value of construction projects can be broadly segmented into the following sectors, related to the products and service types provided during the project:

- Land acquisition and preparation
- Planning and feasibility studies
- Architectural and engineering design
- Construction
    - Construction services
        - Labor
        - Project management
    - Materials
        - Building products
        - Construction materials
    - Construction equipment
- Advisory services
    - Financing
    - Inspection and testing
    - Legal
- Equipment and furnishings

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- Interior products
- Exterior products
- Industrial equipment

- Other

This report focuses on the value of the construction industry, based on the total revenue generated by construction contractors each year.

All data is collected in local currency. To avoid distortions due to currency fluctuations, all conversions into US$, of current, historical and forecast data alike, are made with a yearly average exchange rate. All values in tables, with the exception of compound annual growth rate (CAGR) and compound annual rate of change (CARC) are displayed to one decimal place. Growth rates may, therefore, appear inconsistent with absolute values due to this rounding method.

The key market categories featured in the report are defined below:

Table 1: World Market Intelligence Construction Market Definitions

Market	Definition
Commercial construction	Includes the construction of projects such as office buildings, sports complexes such as athletic fields, golf courses and parks, shopping centers and hotels. For reporting purposes, the market is split into five main areas: leisure and hospitality buildings, office buildings, outdoor leisure facilities, retail buildings and other commercial construction.
Infrastructure construction	A range of heavy infrastructure construction projects including, but not limited to, the construction of highways, bridges, tunnels, water lines, sewer lines, pipelines, power and communication transmission lines, dams, dikes, docks, drainage projects, harbors, reservoirs, canals, sewage treatment plants, water treatment plants, subways, and other mass transit projects. For reporting purposes, the market is split into six main areas: energy and communication infrastructure, rail infrastructure, road infrastructure, sewage infrastructure, water infrastructure and other infrastructure projects.
Industrial construction	Consists of the construction, including new build, extensions and major rebuilds, of industrial buildings. The construction of additional structures with similar production processes to industrial buildings, for example incinerators, cement plants, blast furnaces and similar non-building structures is also included. For reporting purposes, the market is split into six main areas: chemical and pharmaceutical plants, manufacturing plants, metal and material processing plants, refinery buildings, storage tanks and waste processing plants.
Institutional construction	Includes the construction of buildings and facilities that do not fall within the remit of commercial construction, but which by nature are not industrial. This includes educational institutions, research facilities, healthcare facilities, and religious buildings. These may be either public or private sector. For reporting purposes, the market is split into five main areas: educational buildings, healthcare buildings, institutional buildings, religious buildings and research facilities.
Residential construction	Includes the construction, renovation and demolition of residential buildings such as houses, townhouses, cottages, condominiums, single-unit dwellings, sub-divisions and apartments. For reporting purposes, the market is split into three main areas: new multi-family housing, residential building redevelopment and single-family housing.

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1.3 Summary Methodology

All WMI reports are rigorously sourced and created according to a comprehensive four-stage methodology:

1) Market study

A) Standardization

- Market definitions are specified using recognized industry classifications. The same definition is used for every country.

- Annual average currency exchange rates are collected for the latest complete year. These are then applied across both the historical and forecast data to remove exchange rate fluctuations

B) Internal audit

- Review of in-house databases to gather existing data:
    - Historic market databases and reports
    - Company database
    - Construction magazine portfolio
    - Construction projects database

C) Trend monitoring and primary research

- Review of the latest construction company and project trends

- Biannual surveys using expert panels compiled from across the construction value chain:
    - Construction contractors
    - Equipment and material manufacturers and suppliers
    - Architects and designers
    - Project owners and financiers
    - Project advisors

2) Research

A) Sources

- Collection of the latest market-specific data from a wide variety of respected industry sources:
    - Government statistics
    - Industry associations
    - Company filings
    - Broker reports
    - International organizations

B) Expert opinion

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- Collation of opinion taken from WMI journalist interviews of leading industry figures

- Analysis of third party opinion and forecasts:
    - Broker reports
    - Industry associations
    - Construction media
    - Official government sources

C) Data consolidation and verification

- Consolidation of data and opinion to create historical datasets

- Creation of models to benchmark data across sectors and geographies

3) Analysis

A) Market forecasts

- Feed of forecast data into market models:
    - Macroeconomic indicators
    - Industry-specific drivers

- Analysis of the WMI Construction Projects Database to identify trends by sector:
    - Latest project announcements
    - Financing shortfalls
    - Project cancellations and postponements

B) Report writing

- Analysis of market data

- Discussion of company and industry trends and issues

- Integration of survey results

- Annual review of financial deal and construction project trends

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4) Quality control

A) Templates

- Detailed process manuals
- Standardized report templates and accompanying style guides
- Complex forecasting tools used to ensure forecast methodologies are consistently applied
- Quality control checklists

B) Quality control process

- Peer review
- Senior level quality control
- Randomized spot checks on data integrity
- Benchmark checks across databases
- Market data cross-checked for consistency with accumulated data from:
  - WMI Construction Projects Database
  - Company filings

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2 Executive Summary

Supported by favorable economic reforms such as a reduction in corporate income taxes, the liberalization of foreign trade, the encouragement of foreign investment since 2004 and various stimulus packages offered by the government in order to support the economy during 2008–10, the Egyptian construction industry recorded a significant CAGR of XX% over the review period. However, as a result of current political unrest and slow economic growth projections WMI expects slower industry growth over the forecast period, at a CAGR of XX%.

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3 Construction Industry Analysis

3.1 Construction Industry Overview

For a period characterized by a financial crisis and weak economies, the Egyptian construction industry performed strongly, growing by a significant annual average rate of XX% during 2008–10. This was accomplished by the various stimulus packages introduced by the Egyptian government during this period. The first stimulus package worth US$XX billion was announced in October 2008 and a second package worth US$XX billion was announced in the June 2009 budget. In January 2010, the Egyptian Government announced a further stimulus package worth US$XX billion, which included US$XX billion for water treatment projects, US$XX million for social programs, US$XX million for developing land near suburban areas, US$XX million for the development of Cairo's ring road and US$XX million for housing projects. Overall, the construction industry in Egypt grew at an impressive CAGR of XX% during the review period.

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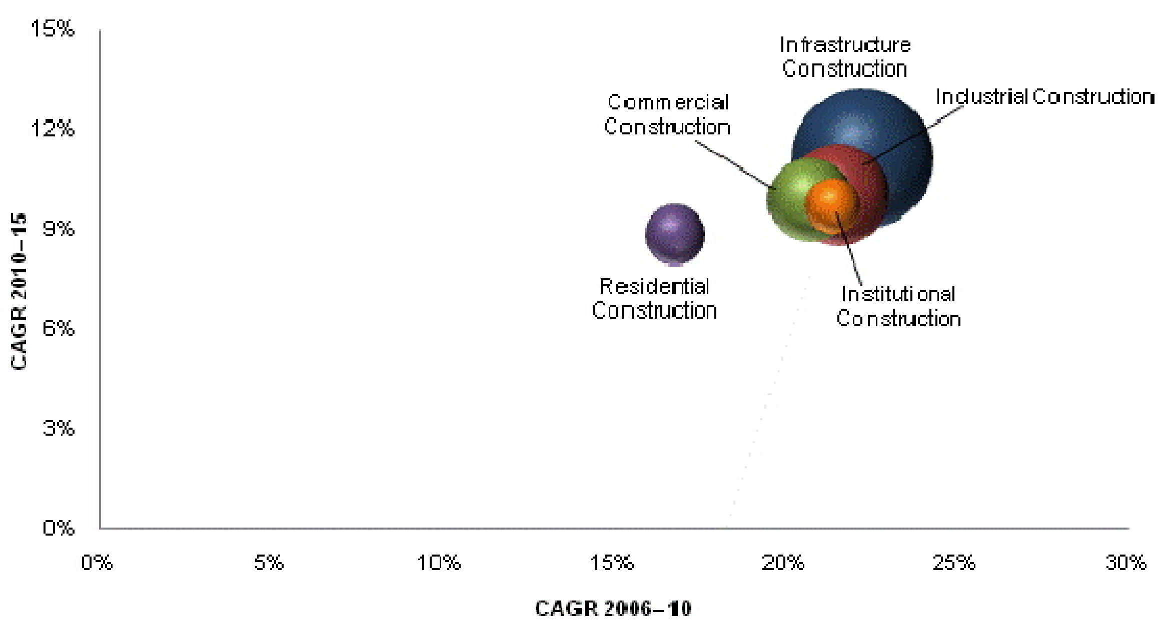
3.2 Industry Dynamics

Within the Egyptian construction industry, infrastructure construction was the largest market in 2010, with a share of XX%. In terms of growth, the infrastructure construction market registered the highest review period CAGR of XX% and is expected to record a CAGR of XX% during the forecast period. Industrial construction was the second fastest market during the review period, increasing at a CAGR of XX%.

Figure 1: Egyptian Overall Construction Industry Dynamics By Market (XX), 2006–15



Note: Bubble size represents 2010 market value (US$ million)

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Note: - The numbers or % figures shown in this graph and the subsequent graphs are dummy.

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4 Construction Industry Data

4.1 Historic Industry Value

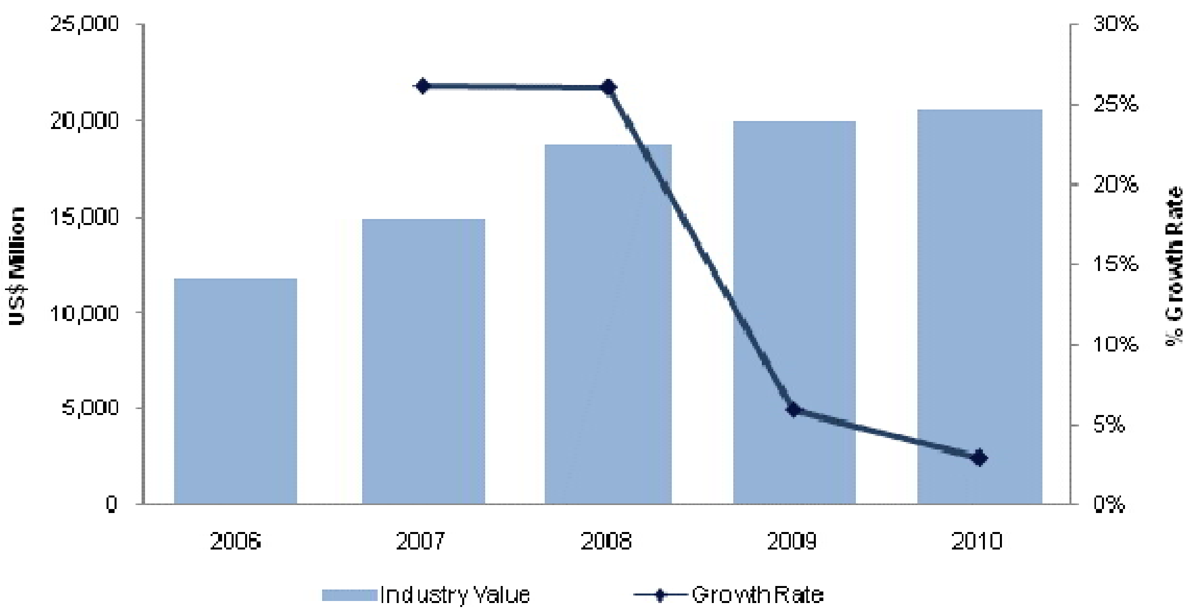
The Egyptian construction industry was valued at US$XX billion in 2010, an increase of XX% over 2009. Over the review period, the industry achieved a CAGR of XX%.

Table 2: Egyptian Construction Industry Value (XX), 2006–10

Year	US$ Million	% Growth
2006		
2007		
2008		
2009		
2010		
	CAGR 2006–10	XX%

Source: World Market Intelligence Analysis © World Market Intelligence

Figure 2: Egyptian Construction Industry Value (XX), 2006–10



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4.2 Historic Industry Segmentation

The largest market in the Egyptian construction industry in 2010 was infrastructure construction, with a value of US$XX billion, equal to XX% of the total construction industry. The second largest market was industrial construction, with a value of US$XX billion, followed by commercial construction, with a value of US$XX billion.

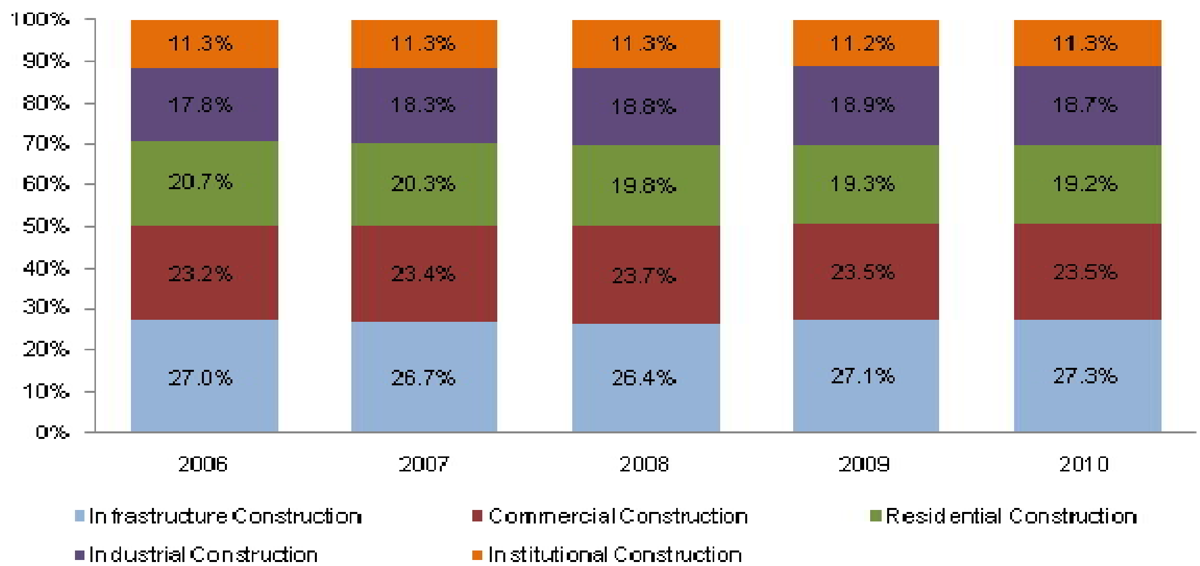
Infrastructure construction was the fastest growing market in the Egyptian construction industry during the review period, with a CAGR of XX%, followed by industrial construction with a CAGR of XX%, and institutional construction with a CAGR of XX%.

Table 3: Egyptian Construction Industry Segmentation By Market (XX), 2006–10

Market	2006	2007	2008	2009	2010	CAGR 2006–10
Infrastructure Construction						
Industrial Construction						
Commercial Construction						
Residential Construction						
Institutional Construction						
Overall						

Source: World Market Intelligence Analysis © World Market Intelligence

Figure 3: Egyptian Construction Industry Segmentation By Market (XX), 2006–10



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4.3 Industry Value Forecast

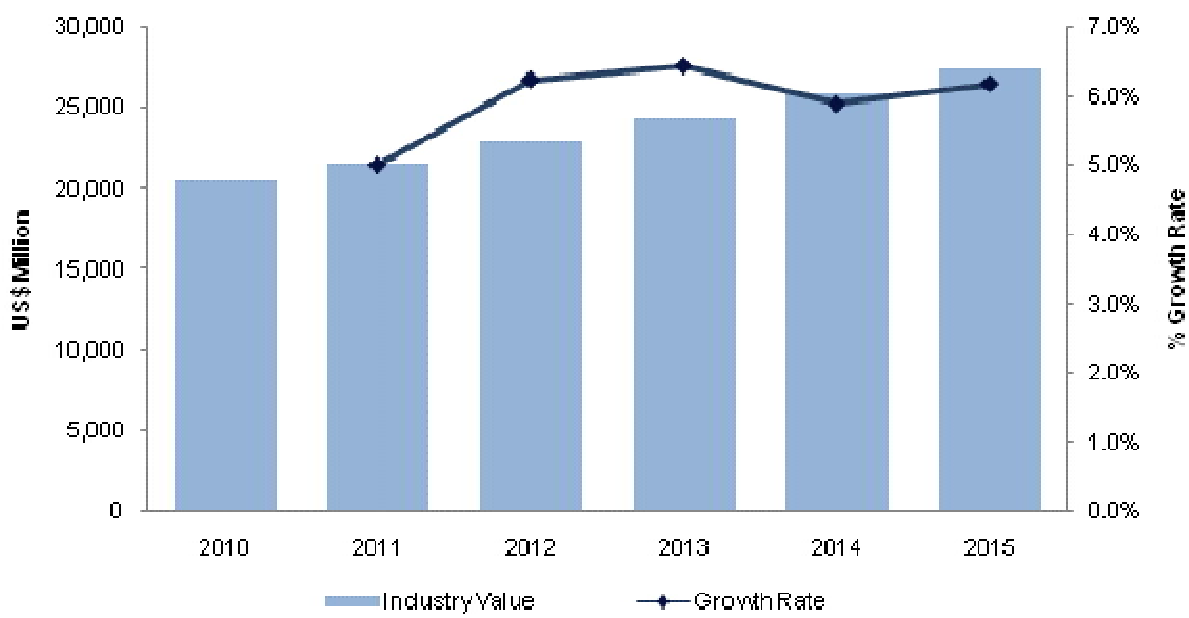
WMI expects the Egyptian construction industry to value US$XX billion in 2015, compared to US$XX billion in 2010. The industry is forecast to achieve a CAGR of XX% over the forecast period.

Table 4: Egyptian Construction Industry Value Forecast (XX), 2010–15

Year	US$ Million	% Growth
2010		
2011		
2012		
2013		
2014		
2015		
	CAGR 2010–15	XX%

Source: World Market Intelligence Analysis © World Market Intelligence

Figure 4: Egyptian Construction Industry Value Forecast (XX), 2010–15



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4.4 Industry Segmentation Forecast

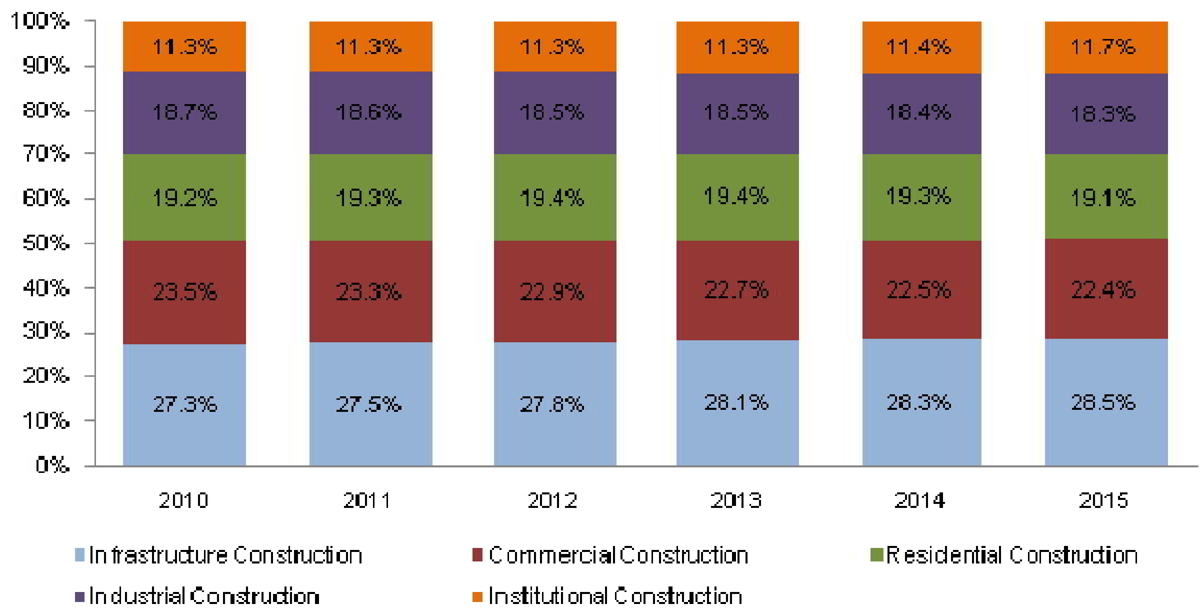
Infrastructure construction is forecast to be the largest market in the industry in 2015, with a market value of US$XX billion and a market share of XX%, an increase of XX percentage points over 2010. The second largest market is forecast to be industrial construction, with a market share of XX%.

Table 5: Egyptian Construction Industry Segmentation Forecast By Market (XX), 2010–15

Market	2010	2011	2012	2013	2014	2015	CAGR 2010–15
Infrastructure Construction							
Industrial Construction							
Commercial Construction							
Residential Construction							
Institutional Construction							
Overall							

Source: World Market Intelligence Analysis © World Market Intelligence

Figure 5: Egyptian Construction Industry Segmentation Forecast By Market (XX), 2010–15



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