



Turner & Townsend

# Qatar market intelligence

The next phase  
of construction

Autumn Q3 2023

#TTQMI

making the **difference**



# Contents

- 01 Foreword
- 02 Qatar economic overview
- 03 Qatar construction market outlook
- 04 Qatar construction cost performance
  - Tender price inflation
  - Preliminaries assessment
  - Commodity and material assessment
- 05 Further reading (sources)
- 06 Conclusion
- 07 Contact us

# Foreword



David Smith

Partner, Qatar Country Manager,  
Turner & Townsend

**Qatar's construction industry underwent significant transformation in preparation for the FIFA World Cup. The construction industry was in the spotlight as it rapidly became one of the most important sectors in Qatar.**

Concluding 2022 on a high note, the FIFA World Cup showcased Qatar's capabilities as a strong Gulf Cooperation Council (GCC) nation. When examining the legacy of the FIFA World Cup Qatar 2022, it is evident that while attempts to deliver the event on schedule helped the nation's construction sector, questions are now being raised about how the leaders and government are navigating the pressure to maintain high demand. In 2023 the Qatar construction market will experience a cooling period, but buoyant international energy markets and record-high export revenue, as well as inflows of foreign investment, will continue to drive national finance growth and enable Qatar to continue to move forward with their growth plans for strategic sectors that will support robust construction activity.

## The next phase of growth

Qatar's next phase of construction will effectively drive the objectives of Vision 2030. Vision 2030's main aim is to create an advanced society capable of sustaining its development and providing a high standard of living for its people. High government spending will be the driving force behind the construction industry's growth. The government aims to develop infrastructure and diversify the economy by moving away from its dependence on the oil and gas sector. A key focus area will be the modernisation of infrastructure, in particular mobility programmes.

Government spending will increase in both the healthcare and education sectors, and we will also see the launch of the Gulf Railway programme, with Qatar planning to launch its portion of the railway connecting Qatar and Saudi Arabia. The local rail network will be expanded from Doha to Al Khor in the north and to Al Waqra in the south.

We will also see the repurposing of the World Cup stadiums. The 974 stadium, for instance, was primarily constructed out of shipping containers; many of its components were recycled, and the seats will be shipped to other nations, most likely in Africa. This area, a prime location by the sea, situated between the corniche and Hamad airport, will be transformed into a waterfront business district with entertainment options. Many of the stadium facades hold sentimental and symbolic value for Qataris and will be repurposed into projects that create social value in Qatar. An example would be Education City Stadium, which has aspirations to be converted into academic buildings and research labs. Al Khor's Al Bayt stadium, which resembles an Arabian tent, will have a five-star hotel, a shopping mall, and there are talks underway about installing a hospital on the ground level.

Qatar's liquefied natural gas (LNG) expansion projects will also be one of the driving forces behind construction growth. The North Field East (NFE) project is the world's biggest single non-associated natural gas field offshore the north-east Qatar peninsula.

# Foreword



## Lingering challenges

The outlook for the construction sector in Qatar is promising, but there are significant, largely external, risks that could negatively affect the growth prospects of the sector. The world economy continues to struggle as a result of the knock-on effects of the conflict in Ukraine, global monetary tightening, and a downturn in China's economy, which are also having a negative impact on the region's main international trading and investment partners. Looking ahead, construction companies operating in Qatar and the GCC will need to account for potential risks associated with additional supply chain disruption and the prospect of rapidly rising input and investment costs. The Qatar construction market also saw an exodus of talent post-FIFA 2022. Going forward, the sector will have to deploy strategies to retain and attract more frontline talent.

**In our first edition of the Qatar market intelligence report, we explore Qatar's economic and construction outlook. The report will also look at how we can future-proof the construction value chain to ensure that the key objectives of Vision 2030 are achieved.**

# Qatar economic overview

## Post FIFA tourism and energy investments will drive economic growth

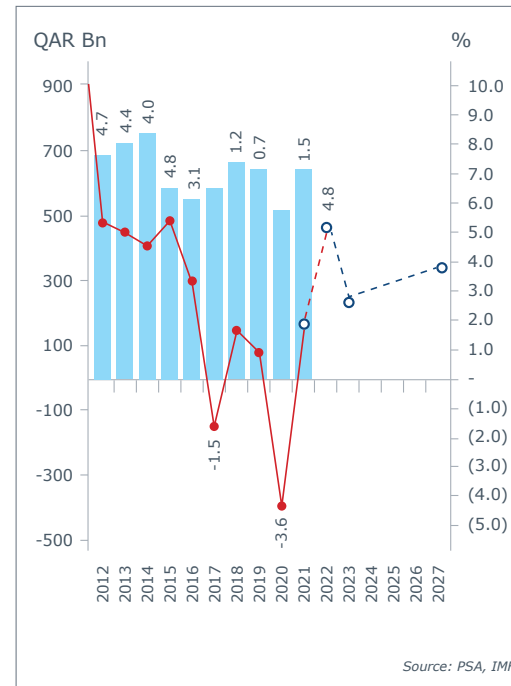
The FIFA World Cup 2022 accelerated transformation in Qatar for over a decade. Now the tournament has concluded, many wonder what Qatar will do next.

Qatar is well-positioned to capitalise on the momentum generated by the World Cup to pursue its national transformation journey, ensuring sustainable economic growth and continuing to build a diversified economy while enhancing its residents and citizens quality of life. Qatar's fiscal strength increased in November 2022, with [Standard & Poor's](#) upgrading Qatar's credit rating to AA. This was complemented by [Moody's](#) positive outlook. With a similar upgrade, the International Monetary Fund ([IMF](#)) predicts the fiscal surplus will reach 16 percent of GDP this year and average 11 percent of GDP from 2024-2027.

This set of conditions is contributing to impressive GDP growth. In 2022, Qatar's economy expanded by 4.2 percent (IMF), thanks in large part to the outsized impact of the World Cup. This is mirrored in the performance of the non-hydrocarbon sector, which grew by 6.8 percent, its fastest rate of expansion since 2015, according to [Oxford Economics](#).

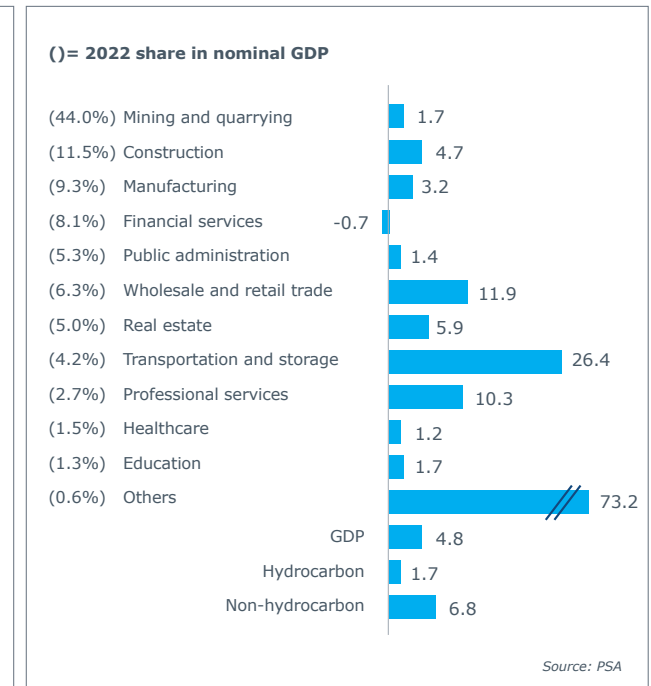
With GCC currencies pegged to the United States Dollar, the high exchange rate has held down the cost of imported products. The downside of this is that interest rates have increased in line with those in the United States, which may make it harder to finance investment.

Qatar GDP (annual) 2012-2027



■ Nominal GDP  
—●— Real GDP (YoY, RHS)  
- - -○- - - IMF

GDP growth, real, 2022 vs 2021



# Qatar economic overview

## LNG pipeline growth remains strong

The oil and gas industry has been the primary economic driver in Qatar. Although this sector has remained the main focus of Qatari investments over the years, a greater emphasis has been placed on expanding the country's gas production and LNG export capacity. The offshore gas reserves of Qatar's North Field have played a pivotal role in the country's rapid economic development. The exportation of gas has resulted in significant financial gains for Qatar, with revenues reaching \$132bn in 2022, according to the [Middle East Institute](#). This has led to the country's high GDP per capita of over \$66,000 at present value positioning it among the wealthiest nations globally. Additionally, the growth of Qatar's sovereign wealth fund (SWF) has been fuelled by these revenues, with estimates suggesting it has grown to approximately \$450bn.

The global energy market is being reshaped by the conflict in Ukraine, resulting in a significant increase in demand for the country's primary commodity, natural gas. Qatar is working to increase the North Field's capacity by 64 percent, which will increase natural gas output to 126m metric tonnes by 2026 from 77m metric tonnes currently; phase one (110m metric tonnes) will be completed by 2025.

## Qatar's economy continues to benefit from non-oil expansion

Hosting the FIFA World Cup 2022 in November and December enhanced Qatar's non-oil growth, but the country has also made substantial investments in non-oil activities at the local, regional, and global levels.

The Qatar market is now cooling following the completion of the FIFA World Cup tournament, with the rate of cost inflation easing from 8 percent in 2022 to 3.5 percent in 2023. Even though government spending may decline, according to [Moody's](#) rating agency's November 2022 forecast, government capex will remain strong, with around \$15bn between 2023-2027, which would still be more than 6% of GDP.

## Key growth drivers for the Qatar non-oil economy will be:

- **Qatar a destination of choice:** Qatar Tourism has launched a new international multi-media campaign, to drive forward the country's tourism goals and cement its ambition to welcome more than six million visitors a year by 2030.
- **Urban redevelopment and repurposing of assets:** Qatar will need to continue creating a sustainable urban environment for its citizens and residents, we will see of the World Cup assets being repurposed and even some areas being redeveloped. The Qatar government will continue spending money on key projects that align to its national vision 2030.
- **Diversification of Qatar's culture sector:** Qatar is formally establishing cultural infrastructure, from museum development, preserving UNESCO heritage sites, to building creative incubators that will host international talent.
- **Transport infrastructure investment will enhance regional logistics capability:** The government will continue investing in transport infrastructure as part of strengthening its logistics capability. The sea and airports are expanding their handling capacities, both in terms of passengers and cargo. Qatar's ports have also been crucial for economic development, and they will be of even greater importance as the government works to build on the country's status as a regional shipping centre.
- **Shifting towards a greener economy:** Sustainability is already one of the four pillars of Qatar National Vision 2030 and will be a focus area for the next phase of expansion. The recent substantial renewable energy investments are a result of Qatar Energy's long-term sustainability goals, which include producing clean energy and making a responsible transition to low-carbon energy. [Qatar's Investment Promotion Agency](#) hopes to attract more than \$70 billion in green investments by 2030.

# Qatar construction market outlook



The Qatar construction market will experience a slowdown in major projects in 2023, but with continued government infrastructure investment, the construction market in Qatar is expected to grow at a 9.5 percent compound annual growth rate (CAGR) between 2023-2030.

According to a new Verified Market Research analysis, the industry will more than double to \$123.1bn by 2030, from \$53.3bn in 2018. The construction sector will recover from the next 12-month slump as Qatar will continue to invest in a diverse range of infrastructure and industrial projects in order to meet the numerous pillars of Vision 2030.

The country is positioning itself as an international sports hub with a series of secured events, including the 2023 AFC Asian Cup and the 2027 FIBA Basketball World Cup, as well as bids for the 2030 Asian Games and a potential 2036 Olympic bid. This direction looks to capitalise on the infrastructure and knowledge acquired during the World Cup 2022 event.

## Middle East construction market metrics

	Abu Dhabi	Doha	Dubai	Riyadh
<b>Tendering</b>	Warm	Luke warm	Hot	Overheating
Market:	Warmer	Cooler	Warmer	Warmer
Inflation 2021 (%):	4.5	8.0	5.0	10.0
Inflation 2022 (%):	4.0	3.5	5.0	7.5
Inflation 2023 (%):	3.0	2.0	3.0	5.0
Contractor's margin (%):	7.0	8.0	8.0	15.0
Preliminaries (%):	14.0	12.0	14.0	15.0
Location index (London = 100):	46.3	66.7	46.5	61.3

# Qatar construction market outlook

## Construction market challenges:



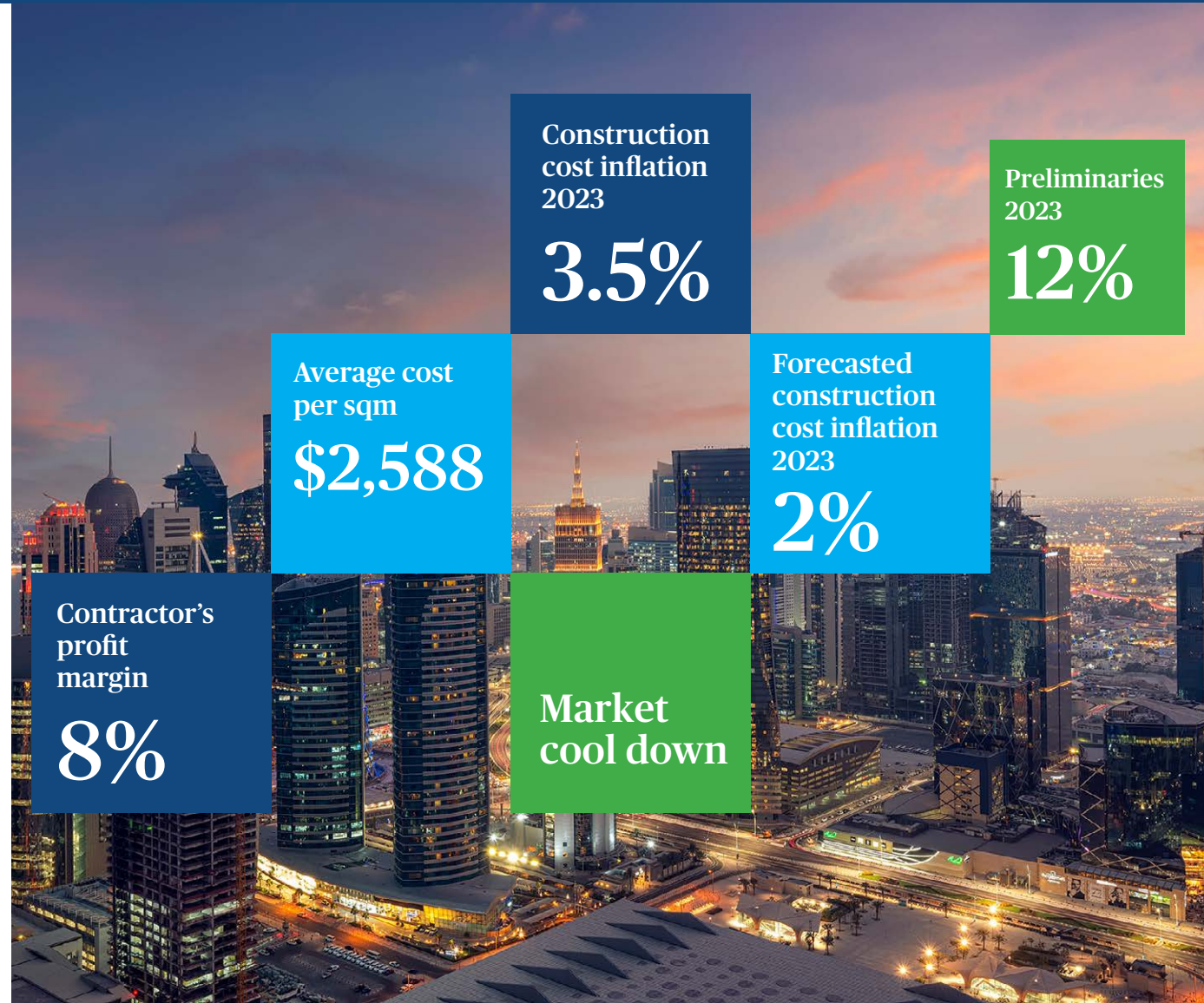
1. Rising costs of construction



2. Excessive lead times



3. Skilled labour shortages





# Qatar construction market outlook

## Future-proofing the Qatar construction industry

### Perspective: digital construction

#### A digital-first approach to improve risk mitigation and sector resilience

The Qatar construction sector has increasingly had to contend with a number of challenges, including climate change, productivity lags and financial pressure. Construction companies are operating in a difficult risk landscape.

A solution might be found in digital construction to build more effectively and of higher quality. The global construction sector has consistently underinvested in technology when it comes to IT spending; only 1.2 percent of its income is devoted to IT, compared to a 3.5 percent industry average. The rise of construction digitalisation offers a tremendous opportunity to not only address these issues but also capitalise on them.

Few construction businesses have fully digitised their processes outside of a few major projects. The Qatar construction sector can become more digitalised to boost efficiency and better manage risks, with so many lessons learned from the World Cup's construction.

Despite the numerous difficulties encountered throughout the World Cup building period, the industry and its stakeholders have shown themselves to be resilient when confronted with inflexible contractors, high inflation rates in the past, and cost and supply uncertainties. One thing is certain: in order to become more effective, preserve project budgets, and adhere to deadlines, the Qatar construction sector will need to develop access to better data, information and toolkits to reduce risk and build resilience measures.

From preventing design errors to improving worker safety and reducing environmental impact, digital technologies are transforming the way construction sites operate. In this era of digital transformation, it is essential for construction companies in Qatar to leverage these technologies to remain competitive and ensure the success of their projects.

Embracing BIM along with virtual design and construction, robotics, artificial intelligence (AI), virtual reality (VR), augmented reality (AR), and cloud-based solutions ensures quality-assured deliverables and eliminates the probability of potential risks on construction sites. Regional construction companies are adopting BIM to fast-track project development and completion.

#### Qatar public sector leading construction into the digital era

From the perspective of public sector construction, significant digital transformation initiatives are currently under way. According to a local news source, The Peninsula, the Ministry of Municipality has launched a project that involves a massive digital transformation of 400 services.

Qatar has also allocated major investments to over 900 projects to overhaul and update its infrastructure. The Public Works Authority, or Ashghal, is the institution in charge of overseeing these projects. Ashghal, in particular, sees sustainability and digital transformation as top priorities. Ashghal has relied on digital technology to remove silos and automate various components of the projects in order to manage them, ensure correct data, meet deadlines and control costs.



# Qatar construction market outlook

## Future-proofing the Qatar construction industry

### Perspective: digital construction

#### Understanding digital maturity to ensure long term success

New technologies and tools are driving increased automation in construction, leaving organisations asking where they go from here. A [Digital Maturity Assessment](#) framework helps answer that question, providing a road map for the future that integrates both digital and human capability.

Construction is digitalising as it looks to increase productivity and performance, with technologies, data, tools and platforms playing an increasing role in driving improved decision making and ways of working for [projects](#), programmes and enterprises.

But progress among some organisations remains slow and levels of technology adoption vary widely.

A recent survey by the [Royal Institution of Chartered Surveyors](#) found that 40 percent of global industry respondents were not using BIM or digital twin driven processes and practices for six key functional areas including cost estimation, prediction planning and control.

The survey also highlights that, where they were being deployed, adoption levels varied significantly across individual functions, with technologies being most commonly used to enhance progress monitoring and health, safety and wellbeing.

There are many potential routes, options being extended by the continuing growth in software, processing power, innovation, access and affordability.

#### An essential roadmap

A Digital Maturity Assessment is the essential roadmap for organisations, projects, [programmes](#), enterprises and built-asset systems, such as smart systems, providing a framework for identifying strengths and key areas for improvement while aligning human and digital capability.

It gives the in-depth understanding needed to inform both a high-level digital vision and strategy and a targeted improvement plan, providing a benchmark against which readiness to adopt digital solutions and ongoing progress can be measured.

Organisations can undergo a Digital Maturity Assessment at any stage on their digital journey, whether they are just starting or have reached an advanced level of maturity.

By undertaking assessment before making major digital investments, organisations can drive the right solutions and ensure they align with business objectives. Assessment sets out the next steps in integrating human and digital capability to drive automation of construction management processes and practices.



# Qatar construction market outlook

## Future-proofing the Qatar construction industry

### Perspective: digital construction

#### Industry challenges

Clients face a number of challenges along their digital journey:

- **Cost:** Digital investments are regarded as a cost, rather than as an investment that delivers value in increased efficiency, improved decision-making and other advantages. Many organisations in construction lack a dedicated research and development budget to support implementation of technology.
- **Taking people with you:** Within organisations, teams and individuals can perceive the implementation of technology as damaging to existing roles and expertise, rather than as an opportunity to enhance expertise and performance.
- **Lack of capability:** Where digital transformation is delivered on a project-by-project basis, progress may stall once a project is complete because the hero individual or team leading that change moves on and their knowledge has not been transferred adequately through the organisation.
- **Making the right choices:** In this world of fast-paced digital innovation and trends, it is easy to be attracted by new technology. Organisations and projects need to ensure digital capacity grows in line with broader business objectives.



#### A framework for human-digital integration

Our framework enables human and digital resources to be developed, aligned and integrated, as the assessment process measures each resource against nine key criteria, including people culture and leadership, and product and technology fit.

Technology adoption across an organisation is far from uniform, with onsite applications commonly trailing those of office-based functions, such as communications. The framework's five-point grading approach allows key gaps across functions to be identified and prioritised.

The assessment's recommendations will depend on an organisation's degree of digital maturity and individual gaps, but commonly extend beyond technology solutions to investment in areas such as training and governance processes.

# Qatar construction market outlook

## Future-proofing the Qatar construction industry

### Perspective: digital construction

#### A comprehensive and independent perspective

The assessment represents a point in time along the digital journey and organisations are likely to have their own objectives - some may want to be fit-for-digital while others will want to be fully-fledged digital-first businesses. Whatever the destination, the framework gives a comprehensive understanding of the current level of maturity, how it compares with leading digital practice, and how it can be improved.

It equips organisations for the future by:

- **Giving an independent perspective:** Action is not driven by a software provider or an internal technology and data team, but by the organisation's own purpose and objectives.
- **Increasing understanding:** Assessment enables organisations to understand the level of effort and investment they need to commit to build the right level of digital maturity to deliver on their objectives.
- **Recognising value:** The comprehensive view enables the value of digital ways of working to be fully understood, so that they are not seen purely through the lens of first cost.
- **Aligning human and digital resources:** Assessment recognises the crucial role of both leadership and workers in delivering digital ambitions.
- **Providing a benchmark for continuous improvement:** The process enables clients to chart progress through regular assessment and to compare their digital maturity against peer organisations or projects.

#### Ready for change

Both organisations and their people need to be prepared to embrace the change. Before making a significant investment in new technologies, it is important to gain a clear picture of the overall objective, the value of that technology and the human resource needed to realise anticipated benefits.

A Digital Maturity Assessment is a vital tool that enables organisations and projects to step into construction's new, more automated world with digital and human resources fully aligned, integrated and ready to make the most of the opportunities ahead.



# Qatar construction market outlook

## Future-proofing the Qatar construction industry

### Perspective: net zero

#### Net zero: the way forward

As the world takes decisive action towards sustainability, Qatar has joined the club of net-zero defenders and aims to reduce its carbon footprint by targeting the highest emitters: flaring gas, oil, and cement production, which is essential in the construction of buildings and infrastructure and accounts for approximately 20 percent of global carbon emissions annually.

Government commitment, clear strategies, and quantifiable plans are necessary for the complicated challenge of achieving net-zero targets in the GCC. Qatar has been taking steps to reduce its carbon footprint and achieve sustainable development and will have the highest number of green or carbon-neutral buildings in the Middle East and North Africa by 2030. The 2022 FIFA World Cup has facilitated a shift in the Qatar construction sector and has been a prime example of how large-scale construction can achieve net-zero carbon emissions through effective collaboration across the value chain, which in turn reduces capital carbon.



Turner & Townsend

#### Qatar construction redefining the route to net zero

With its fortunes built upon vast resources of natural gas and oil, Qatar is now seeking to help spearhead the transition to net zero and rebrand as a global green hub. Nowhere is this more evident than in the construction industry.

#### Vested interest

To become a global shop window and knowledge hub for sustainable development would count as a hugely impressive metamorphosis for this independent desert emirate.

Qatar has more incentive than most to promote sustainability and be part of the solution to reduce emissions and combat climate change, given its already searing daytime temperatures and overwhelmingly low-lying built environment.

Beyond dire predictions regarding temperature increases if things continue unchecked, the [Intergovernmental Panel on Climate Change](#) (IPCC) predicts global sea levels will increase by 52–98cm by 2100, raising in Qatar the very real prospect of catastrophic damage to infrastructure and the contamination of precious water supplies.

#### Changing the architecture

The construction of buildings and infrastructure accounts for approximately 20 percent of global carbon emissions annually. Informed by this, Qatar has rightly identified reaching net-zero carbon construction by 2050 as a priority goal, and to this end is urgently seeking innovative ways to reduce carbon emissions across the construction value chain to deliver infrastructure and real estate. Beyond directly targeting the highest emitters, such as flaring gas, oil, and cement production, government funding and redefined ecosystems are helping construction organisations find mutually beneficial partnerships and shared investments that can accelerate emission reductions.

Across multiple large-scale state-owned construction projects, sustainable strategies have been fundamentally revised and new benchmarks set. These now need to be implemented more effectively.

# Qatar construction market outlook

## Future-proofing the Qatar construction industry

### Perspective: net zero

#### Solar power in the net-zero mix

With average daily sunlight of 9.5 hours, low cloud cover conditions, and low population density outside the metropolises, there is excellent scope for solar power projects in Qatar to assist with green building techniques. One example is the Al Kharsaah project, which is set to be the world's largest such facility. Once fully operational, it will meet 10 percent of the country's peak electricity demand and act to avoid releasing 26m metric tonnes of CO2 over its lifetime.

#### Whole-life carbon: a key criteria

With investors and developers placing sustainability outcomes higher on their strategic priorities, it is crucial for construction industry stakeholders to help align project teams with their sustainable and commercial agendas. With the Qatari Government having now made compliance with Global Sustainability Assessment System (GSAS) standards mandatory for all new private and public sector projects, it is promoting the adoption of a whole life cycle carbon approach, meaning buildings must be informed by sustainable thinking from the conceptual stage.

#### The potential of prefab

While the adoption of modular construction in Qatar is still in its infancy, it is quickly gaining traction in the commercial sphere, because the sustainability benefits are clear. These include increased energy efficiency, lower transportation emissions; standardised construction, maintenance, and redevelopment processes, less waste going to landfill and greater scope for recycling and reuse of materials at the end of life.

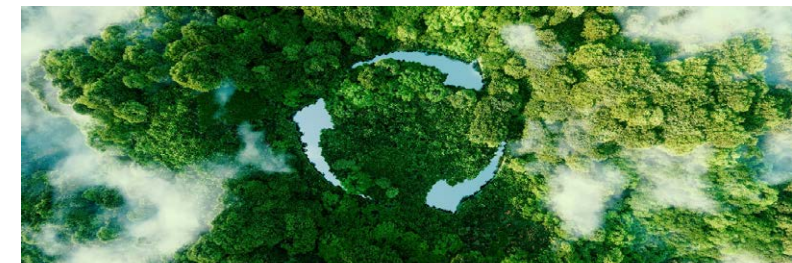
#### Adopting a net-zero waste concept

Any plan to achieve net zero emissions in Qatar must also include a comprehensive sustainable waste management strategy, since, currently, this country of less than three million people generates more than 2.5m tonnes of solid waste each year, with the vast majority heading straight to landfill, representing a major environmental challenge for authorities.

Much of this figure can be attributed to the huge increase in construction over recent years, with measures to remedy the situation including a stated objective to include 35 percent circular procurement in all public infrastructure. This translates to work, goods, and services that contribute to closed energy and material loops within the supply chain being prioritised.

#### Action not words

As the global knowledge base for net-zero construction expands, the industry itself must evolve to keep pace. In Qatar, it is essential that key construction stakeholders not only question past practices, but also have the courage to implement new best practices if the government wishes to achieve its goals. Since the 2022 FIFA World Cup concluded, the eyes of the world are no longer fixed upon Qatar, but the logic for action in reforming the construction sector to make it more sustainable will be no less profound.



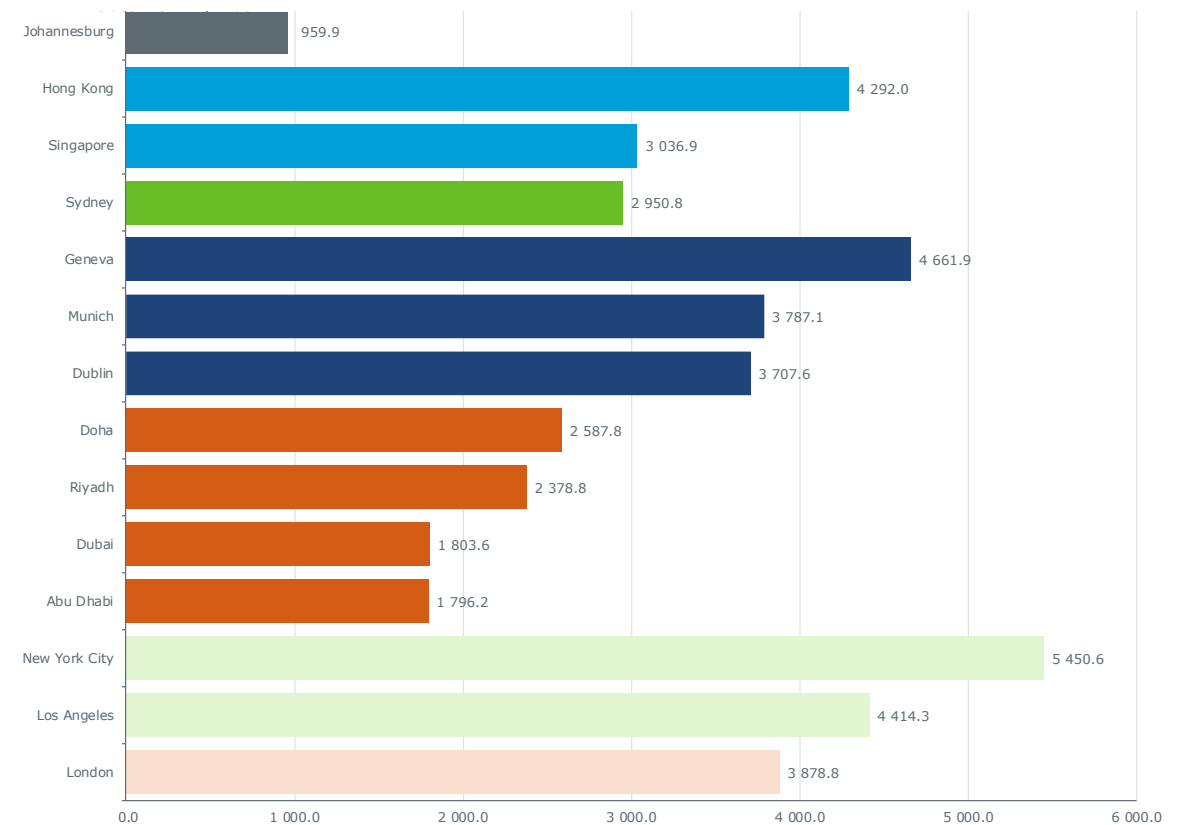
# Qatar construction cost performance

**The most expensive location to build in the region is Doha, with an average cost of \$2,588 per sqm. Qatar has seen sustained cost inflation due to extensive construction activity in recent years, in particular to prepare for the FIFA World Cup in 2022.**

Due to several unique local factors, Qatar's construction industry continues to be the most expensive in the region. Several of the main raw material prices, including steel, concrete, and aggregate, remain higher relative to the average prices in neighbouring countries. The main contracting market has yet to fully mature, and the efficiencies that come with a sufficiently developed supply chain have yet to be fully realised. The market at large maintains a transient status, which adds to the cost of business as well as the loss of knowledge and skills at a management level.

As the market changes in 2023, the sector is witnessing challenges related to professional services, workforce, and contractor capability against the backdrop of the current and forecasted expenditure in the region, with particular reference to the Saudi Arabia. The ongoing activity in the region will see Qatar compete for labour and resources, which will be a contributing factor in future costs in the country.

Global ranking index average construction cost (m2) (four building types) in USD.



# Qatar construction cost performance

Qatar construction building costs per m<sup>2</sup> of internal area 2023 (QAR and USD)

Asset type	Doha	
	QAR	USD
<b>Commercial</b>		
Offices - high-rise prestige (incl. Cat B fit out)	12,750	3,443
Offices - up to 20 floor medium – A- Grade (incl. Cat B fit-out)	10,000	2,700
<b>Education</b>		
Primary and secondary	8,000	2,160
<b>Hotels</b>		
3-star travelers	8,000	2,160
5-star luxury	13,500	3,645
Resort style	15,000	4,050
<b>Industrial</b>		
Advanced manufacturing facility	6,000	1,620
Large warehouse distribution centre	4,800	1,296
<b>Retail</b>		
Large shopping centre including mall	7,500	2,025
Neighbourhood including supermarket	6,000	1,620
Prestige care showroom	10,000	2,700
<b>Residential</b>		
Apartment high rise	9,000	2,430
Townhouses medium standard	8,000	2,160





# Qatar construction cost performance

## Tender price inflation

The market is witnessing a series of inflationary impacts both at a global and regional level that are affecting tender prices in Qatar. While a strong USD has provided mitigation, raw materials, transportation, fuel, and the labour market generally have all been impacted through factory shutdowns, unpredictable global demands, and challenges on trade routes.

That general trend first began to change in 2021, as the global economy started to emerge from the COVID-19 pandemic. The outbreak of conflict in Ukraine at the start of 2022 and the resulting squeeze on energy costs and material availability set inflation rates on a rapid upward trajectory.

Since the start of 2023, momentum has begun to shift again, and reasons for optimism around the pace of inflation have materialised. Many markets have seen an encouraging decrease in the growth of headline inflation since January 2023. The Consumer Price Index (CPI) in the EU and the UK has fallen slightly to 8.1 and 7.8 percent, respectively, as of April 2023. Meanwhile, the United States and Canada are seeing inflation soften to 4.9 percent and 4.4 percent for the year, respectively.

While these falling rates provide some comfort for consumers and businesses, the picture is complex. Core inflation, which excludes food and energy costs, continues to rise in many markets, boosted by growing costs in the service sector.

From a local market point of view, the post-World Cup environment has not yet created a competitive contractor landscape. Instead, it has led to a decrease in market capacity as the supply chain has moved resources and skills to other places in the region, mostly Saudi Arabia. With this reduction in capacity, the supply chain is facing higher costs of doing business, including proportionally higher management costs and overheads relative to their turnover. These regional pressures, combined with the global landscape, are both having a negative impact on construction inflation in Qatar.

## Preliminaries assessment:

Qatar contractors	
Preliminaries 2023	12%
Margin 2023	8%

\* *Varies depending on size of project*

Contractor preliminaries costs cover fixed and time-related expenditures for the project duration. The cost level of preliminaries is impacted by a multitude of factors, including but not limited to:

- Project typology (i.e., fit out, road, rail, etc.)
- The contract programme
- The procurement route
- The location of the site and site access
- Payment terms and management requirements.

The preliminaries, whilst broken down by category during the tender process, allow the contractor to price undefined items within this section of their tender. Subsequently, this is typically the section of the tender that accommodates risk related to the supply chain, extensions, damages, etc.

In Qatar, we see preliminaries prices ranging typically from 8 percent to 20 percent, which is a broad range. For projects that consist of traditional procurement, we typically see a range of 8-12 percent for fit out projects and 10-15 percent for major building or infrastructure projects. With design-build procurement, we typically see a 3-5 percent premium on these ranges to account for the design responsibility and the associated risk with design development. While these ranges are indicative, it is common to see unpredictable ranges within tender returns.

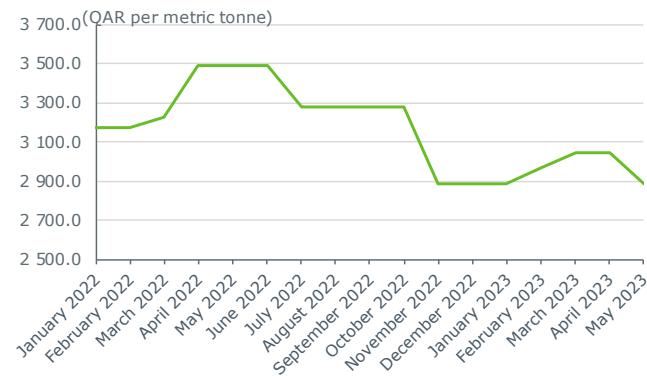
# Qatar construction cost performance

## Commodity and material assessment

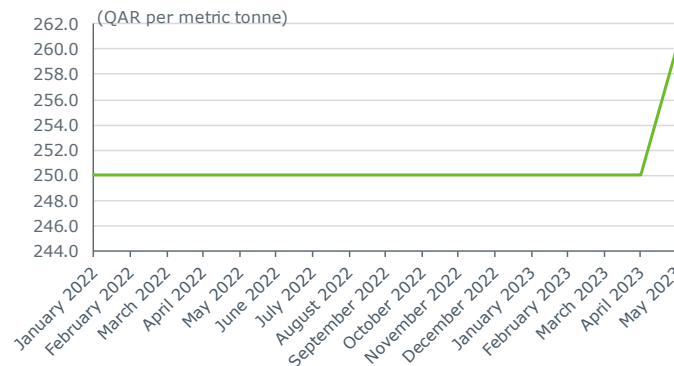
Commodity construction material pricing and supply in Qatar are controlled and regulated by the government, both with a view to controlling costs and managing supply to meet major project requirements. The materials controlled include but are not limited to cement, steel, coarse and fine sand, limestone, bitumen, diesel, and crushed stones. Bitumen and aggregate are imported from the UAE and Oman. As of May 2023, steel rebar was priced at QAR2,885 per tonne, cement at QAR260 per tonne (bulk), and diesel at QAR2.05 per litre.

Other materials are typically imported to Qatar through Hamad Port and attract customs and duties in the region of 7 percent of the material cost. Since the blockade, as well as a focus on food security, there has been an increase in manufacturing capability in the country, reducing the requirement for directly imported construction materials. This direction aligns with the country’s drive towards becoming a self-reliant and sustainable country.

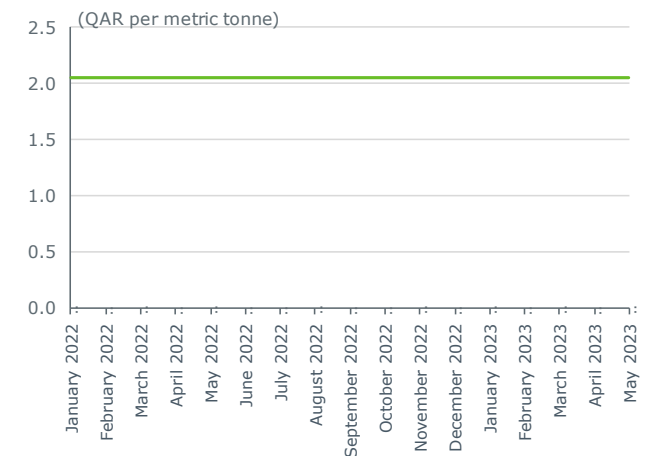
**Steel rebar (8mm) - QAR/tonne cost assessment (January 2022 - May 2023)**



**Cement (OPC bulk) - QAR/tonne cost assessment (January 2022 - May 2023)**



**Diesel - QAR/litre cost assessment (Jan 2022 - May 2023)**



# Conclusion

According to a [Mordor Intelligence forecast](#), Qatar's construction sector is expected to be valued \$57.68bn this year and \$89.27bn by 2028.

Over the past ten years, Qatar has made significant economic progress and has established itself as a major participant on the world stage. Qatar will keep expanding its options for foreign direct investment and diversifying its economy. As a result of major sporting events such as the 2022 FIFA World Cup and the upcoming 2023 FIFA Asian Cup, Qatar will remain in the public eye and become a key worldwide sporting destination for years to come.

Qatar construction activity will continue to be driven by state-backed ambitions to diversify the traditionally oil-rich economy. Construction activity in Qatar has seen a period of slowdown of big projects compared to the major investment period in the lead-up to the World Cup. The fundamental market conditions nonetheless remain strong, and a new round of megaprojects is expected to be announced.

## Short-term construction sector growth to be driven by tourism and transport developments

The Qatari government's 2050 Transport Plan consists of 268 new projects that will be awarded between 2023 and 2025. Qatar has become a popular tourism destination as a result of key infrastructure and cultural developments, including the metro system, contemporary motorways, the Museum of Islamic Art and the National Museum of Qatar. A key area of focus for transport development will be rail, with the construction of the Gulf Railway being an important component of the plan. The 2,177km Gulf Railway, which connects Saudi Arabia and Qatar, will be split among the six countries based on the size of their respective rail networks.

## Digital transformation drives sustainability in construction

Aligned with Qatar National Vision 2030, Qatar has witnessed a notable surge in sustainable construction initiatives incorporating cutting-edge technologies designed to minimize environmental harm.

The Public Works Authority 'Ashghal' has made significant efforts to incorporate sustainability in its strategic plan through implementing several initiatives on site. The initiatives aim to ensure both sustainability and environmental protection, as part of the commitment to play a significant role in contributing to Qatar's strategic objectives, in line with Qatar National Vision 2030. The two biggest trends now influencing the global construction industry are undoubtedly digital transformation and sustainability.

Since technologies like 3D printing and prefab help reduce waste, it is obvious that the sector needs to promote digitalisation. Construction companies now have the ability to improve the efficiency and sustainability during project execution and as part of the finished product. BIM can assist the construction sector in reaching sustainability goals by producing a virtual 3D model with data that enables energy calculations and material comparisons to determine which building materials best meet sustainability standards.

## Qatar construction cost to remain high in 2023

Qatar has seen sustained cost inflation due to extensive construction activity in recent years. In Doha, the market is now cooling following the completion of the 2022 FIFA World Cup, with the rate of cost inflation easing from 8 percent in 2022 to 3.5 percent in 2023.

As the Middle East market continues to change in 2023, the construction sector, in particular in Saudi Arabia, is witnessing challenges related to professional services, workforce, and contractor capability against the backdrop of the current and forecasted expenditure in the region. The ongoing activity in the region will see Qatar compete for labour and resources, which will impact construction cost escalation going forward.

# Further reading



## Sources:

IMF World Economic Outlook April 2023  
<https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>

Trading Economics  
<https://tradingeconomics.com>

Qatar National Vision 2030:  
<https://www.gco.gov.qa/en/about-qatar/national-vision2030/>

Transport sector growth drives Qatar towards 2030 vision  
<https://thepeninsulaqatar.com/article/29/01/2023/transport-sector-growth-drives-qatar-towards-2030-vision>

World Bank – Qatar GDP per capita  
<https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=QA>

# Contact us

## About Turner & Townsend

Through the commitment, capability and care our team brings we build trust between clients, suppliers, governments and society. Delivering better outcomes that have a positive impact on the world around us.

We work smarter to face the challenges of the future; bringing the clarity that helps teams realise their full potential across the real estate, infrastructure and natural resources sectors.

It's how we've made the difference for 75 years.

Transforming performance for a green, inclusive and productive Qatar.



**David Smith - Partner**  
Qatar Country Manager

t: +974 4436 7288  
e: david.esmith@turntown.com



**Colin McBride**  
Director

t: +974 6630 4435  
e: colin.mcbride@turntown.com



**Danny Waters**  
Associate Director

t: +974 3034 6496  
e: danny.waters@turntown.com

**[www.turnerandtowntsend.com](http://www.turnerandtowntsend.com)**

© Turner & Townsend International Limited. This content is for general information purposes only and does not purport to constitute professional advice. We do not make any representation or give any warranty, express or implied, and shall not be liable for any losses or damages whatsoever, arising from reliance on information contained in this document.

It must not be made available or copied or otherwise quoted or referred to in whole or in part in any way, including orally, to any other party without our express written permission and we accept no liability of whatsoever nature for any use by any other party.