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I am delighted to introduce to you the MENA Design Outlook report, which offers us a comprehensive analysis of the Middle East’s design industry.

This report is part of our efforts to support Dubai’s ambitious vision to become the capital of design at a global level showcasing regional talent and to drive innovation-led economy.

Over the past few years, Dubai has launched a number of key initiatives aimed at the development of the design industry, both locally and regionally. Today, we are living the results of the government’s dedicated efforts reflected in the establishment of a vibrant design community in Dubai, where we are able to celebrate established designers and empower young talents to emerge and flourish.

Dubai is taking major steps towards becoming the preferred destination for creative talents across the world. This is due to the Government’s holistic approach to developing an attractive environment for all segments of the design community. The Dubai Design & Fashion Council (DDFC) was established to provide the legislative framework for this fast-growing industry and platforms to nurture and support emerging local talent, and also, Dubai Design District (d3) was launched as the region’s only purpose-built creative community to foster growth of the design industry and cater to its industry-specific needs.

The unique MENA Design Outlook report offers us detailed insights to the design landscape and the ongoing evolvement of the industry in the region. Findings of the report will allow us to highlight pillars to the development of design and outline its growth potential. The report also emphasises the vital role the design industry plays in economic development in the region and highlights the fact that the growth of the MENA Design market outperforms the global rate.

We are pleased with the performance of the design market in Dubai, and proud to report that its contribution to the emirate’s GDP is amongst the highest in the region.

I would like to thank everyone who was involved in developing this valuable report, and I hope that all members of the design industry are able to enjoy it and utilise its unique and pioneering content to further develop design in the region.

www.tecomgroup.com
Dubai stands on the brink of an exciting new age. The emirate’s onward journey of advancement continues unabated and design sits at the heart of Dubai’s development - at once celebrating the city’s cultural heritage, while also leading the path toward innovative progress.

There is a myriad of opportunities for design and design businesses ahead. Expo 2020 Dubai will shine the world’s spotlight on the city, and ambitious Government strategies will transform the emirate into one of the world’s most innovative cities. At the same time, the UAE Vision 2021 aspires to establish the United Arab Emirates as one of the best countries in the world. It’s therefore clear that design and the duality of its role in reflecting our heritage and leading innovation is more important than ever.

With this in mind the Dubai Design & Fashion Council (DDFC) is proud to publish MENA Design Outlook. This ground-breaking research for the first time investigates and analyses the Middle East’s design industry, benchmarking the state of design businesses today and identifying emerging trends.

Across all fields of design, from architecture to furniture design, graphic design, interiors, fashion, lighting design, marine design and the visual arts, MENA’s design industry is a fast-growing market, gradually transitioning from importer and consumer of design to creator and exporter of design-driven products and services. Thus, it is by investing in MENA Design Outlook, and in future industry research, that DDFC is able to identify the opportunities and challenges ahead.

The DDFC was created under Royal Decree with the purpose of establishing Dubai as the emerging design capital of the world. The city’s vibrant design community is a gateway to the wider the region and research, such as this report, is important to help us understand where we have been and where the design industry is now as we invigorate a sustainable, world-class design community and shape an exciting path to wider global opportunity.

www.dubaidesignandfashioncouncil.ae
At Dubai Design District, d3, we are developing a dedicated ecosystem with the ambition of inspiring, engaging and enabling creativity and innovation. To achieve this, we have a responsibility to listen to the experts from within the design community, better understand their needs, and to continually work towards enhancing and evolving d3, ensuring that the exciting talent it supports – both emerging and established – can reach their full creative potential. This pioneering MENA Design Outlook helps us to do exactly that.

We are passionate about our role in driving the design industry forward, and d3 will be providing world class facilities and cutting edge smart solutions to underpin our offer to the region’s creative thinkers. However, fostering a genuine design community that is recognised as a global centre of design, is about a lot more than just the best facilities: it is about bringing the industry together in one place, where emerging talent and international brands can coexist side by side. It is about mixing cultures, sparking ideas and encouraging unlikely collaboration.

We already have a wealth of design talent in the UAE and wider region. The next critical step is harnessing this community of talent, and giving it the right environment, culture, facilities and support required to grow and thrive, not just in the Arab world but on the international stage.

As this report shows, the MENA design industry has an exciting future. We are delighted to be playing an important part in that journey.

www.dubaidesigndistrict.com
We are pleased and honoured to have contributed to the very first edition of the MENA Design Outlook, which is planned to be a regular publication providing detailed analysis of the global and regional Design sector and its evolution.

The MENA Design Outlook 2014-2019 is meant to build a bridge between global markets and organizations and local design and opportunities. All the relevant Design segments are analyzed in detail to this extent with a mix of local data and research as well as international benchmarking. The development of the regional Design industry is undeniably in line with the strategy of countries and governments to transition towards ‘knowledge based economies’ where creativity and innovation are incentivized. The Design sector is also an important source of job creation and entrepreneurship for the large regional youth community.

The regional geographic scope of this publication is MENA with focus on five major countries, which are key contributors to the MENA design sector. The report includes the definition and analysis of six design industry segments, consolidating information available globally on design industry classifications: Architecture, Visual Arts, Interior Design, Communication Design, Product Design and Fashion Design. We have leveraged available data sources, although limited as related to the region, complemented by more than 70 industry and expert interviews regionally and globally.

To understand the global macro trends that will shape the MENA design industry we have been working alongside The Future Laboratory, a globally renowned trends and insight consultancy. Based on their previous research and design expertise, they identified and analyzed the key themes that will influence the development of d3. Through a series of interviews with global design experts, The Future Laboratory were able to provide insight into the infrastructure, strategy and key success factors of emerging design hubs and the potential of MENA in the global design landscape.

Throughout the MENA Design Outlook report we have analyzed the MENA region and creative hubs such as Dubai and Beirut in comparison with global industry trends and specifically with international design hubs. In the MENA region the design industry is on the rise and has grown over the past few years at twice the rate of the global industry. A similar growth pattern is expected over the next years. Despite the historic and predicted growth pattern, Design in MENA still presents a number of challenges hence opportunities when compared to other hubs. Part 4 of this report is focused on this analysis across four main Design related themes: National Strategy and Policies, Public and Private sector initiatives, Districts and Clusters, Education and Workforce planning. We trust that this detailed analysis will create specific opportunities for new initiatives for the development of the overall industry in the region.

We would like to express our sincere gratitude to everyone who has contributed to the research and analysis that enabled the preparation of this report. We are proud to have supported the Dubai Design District and the Dubai Design and Fashion Council and thank them for the opportunity to work on this project as well as their commitment and support.
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- Southern Guild Design Foundation
- StartJG
- Super Studio Group
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- Thejamjar
- UAE British Council
- World Design Capital CapeTown 2014
- Xisché & Co
The design sector has been a subject of growing importance globally as governments and organizations across numerous cities, regions and countries are realizing the value and potential of design segments within their local economies. While design industries themselves have been drivers of wealth and jobs for centuries, there has not been a universal and standardized view of design as a distinct sector of the economy. In MENA, creative industries have played a prominent role in the cultural and economic development of the region for centuries, renowned for its unique aesthetic in art, calligraphy, music, poetry and literature, Arabic style architecture, woodworking and a range of crafts and jewellery.

While there is a growing consensus globally on the need to define and classify the design sector so it can be standardized, there is minimal coordination on an international scale as to what segments are included in the sector and how to account for their economic value. At present, there is no common framework or classification for the design sector across the MENA region. According to most established or formal classifications of the design sector, there are four segments which are common across all or most classifications, namely: Interior Design, Industrial and Product Design, Fashion Design and Graphic Design. These have been included in the MENA design sector classification. In order to capture the trends and market data in these significant categories, and considering their relevance in MENA, both Architecture and Visual Arts have also been included as part of the MENA design sector classification. This report includes all digital design and graphic design activities under the umbrella of communication design. For this edition of the report, Industrial and Product Design has been intentionally limited to three sub-segments which have been deemed particularly relevant for the MENA region: Furniture Design, Lighting Design and Marine Design. Lastly, emerging design trends such as social design, experiential design and food design are covered in this report as a space to be watched going forward.

In terms of broad design trends, we have identified three key themes that will influence the design culture globally and in MENA: Co-Commerce, Convergence and Rurbanism. These global themes are gaining grounds in the MENA region, affecting not only designers, consumers and organizations but also the way governments provide public services.

**EXHIBIT 1:**
**TOP 3 MACRO TRENDS THAT WILL AFFECT THE MENA DESIGN LANDSCAPE**

1. **CO-COMMERCE** - New spirit of collaboration between consumers and brands leading to innovative design partnership
2. **CONVERGENCE** - The borders between retail, hospitality, design fields and entertainment are blurring offering new combinations of design fields
3. **RURBANISM** - City dwellers reject the impersonal ‘bigness’ of globalization, adopting new consumption behaviour
Co-commerce is a new way of collaboration between consumers and brands. Globally, Co-commerce is transforming the Design industry with new trends such as co-branding, crowdsourcing, collaboration between artisans and brands and collaborative cities. Co-branding is the participation of brands, designers in joint projects with other complementary brands and consumers. Examples include designer-centric collaboration of high street retailers with high-end designers (e.g. H&M partnering with Jimmy Choo) or fashion designers in the hospitality segment (partnership of Marriott Hotels with Bulgari). In crowdsourcing, customers are approached by brands in a collaborative manner to design new products and services. For instance, Puma launched the Puma Creative Factory in Dubai, an initiative that allows consumers to design their own shoes or regional designers to create their own interpretations of iconic Puma products. Regionally, collaborations between MENA designers and artisans and large corporations to produce innovative design are emerging. For example, Emirati designer Khalid Shafar recently collaborated with the historical French cabinetmaker Moissonnier and with the carpet industry leader Tai Ping on special limited edition releases. Finally, instead of relying on governments to channel money towards civic projects, people are coming together to fund independent initiatives for their community - paving the way for crowd-funded cities, interactive cities or crowd-created cities.

In convergence, the borders between retail, hospitality, design and entertainment are blurring as new technologies bring together formerly disparate industries. The “wearable” industry is one of the most prominent examples, seeing the collaboration between the fashion and technology industries. Multichannel retail is another growing trend where consumers can explore virtual shops (e.g. Avenue Imperial) or receive discount vouchers as they enter bricks and mortar stores. In hybrid spaces, interior designers are creating flexible spaces suited to multiple uses (e.g. The Ace Hotel London). Finally, a more emerging trend is “Big Data” design, whereby a generation of new designers are turning data sets and social media activity into art.

The past decade and a half has witnessed a surge in concern around sustainability (e.g. resource scarcity) and, as a result, we see businesses, consumers and designers applying certain rural practices in an urban context. This trend, called rurbanism, is taking multiple shapes. In “chameleon branding”, brands are adapting the design of their product or services specifically to each locality or culture in which they are sold (e.g. Starbucks). Conversely, the “hyperlocalism” trend sees city dwellers make an effort to reconnect with their communities and patronise local businesses and small-scale brands. In the same vein, designers growingly embrace a rustic craft aesthetic, drawing upon traditional materials and technics (e.g. natural hand-carved woods). Sustainable construction is also a key pillar of rurbanism with the most prominent examples being Joost Bakker’s projects in Australia (e.g. Greenhouse project). Finally, we are witnessing a growing interest in vertical farming where crops are raised in skyscrapers or on stacked layers in regions such as MENA, with limited arable land.
Globally, the growth of the Design market has been estimated at 3.7% from 2010 and 2013 (higher growth rate than world economic growth), boosted by urbanization, a rise in population, increase in disposable income for design-led products and a boom in High Net Worth Individuals (HNWI). In the MENA region, the design industry is gaining grounds: its market value has overpassed USD 100bn in 2014 and it has grown at more than double the pace of the global industry over the last 4 years (CAGR of 7.4% for MENA market vs. 3.7% CAGR for global market). We estimate that the MENA design market constitutes over 4.5% of the global design market, valued at 2.3tn USD in 2014 for the design segments covered in this report. All in all, the MENA region’s outlook is very positive: the sector’s growth is expected to continue outperforming the global design industry. With an average growth of 6%, the MENA Design industry will grow at twice the pace of the global design sector and by 2019, its contribution to the global design sector will reach 5.2%.
EXHIBIT 3: MENA DESIGN MARKET OUTLOOK

USD BILLIONS

FORECAST

GLOBAL

MENA

UAE

In absolute numbers, the UAE and Saudi Arabia are by far the largest overall design markets in the region, respectively totaling USD 27.6bn and USD 21.9bn in design revenues in 2014. The third and fourth largest markets are Qatar and Egypt, both representing around half of the Saudi market. From a growth perspective, Saudi Arabia and Qatar are the fastest growing design markets in the region, having respectively experienced between 2010 and 2013 a growth rate of 9% and 11%.

Currently, the MENA Design sector is still a predominantly import-oriented industry where locally produced design goods and services account for approximately 35% of the total market size. In specific segments of design, particularly Fashion and Furniture, 80% of the demand is satisfied through imports instead of local production. Compared with more mature countries such as Denmark, US, UK and France, the MENA Design sector still has a relatively small contribution to the region’s GDP (1.5%) suggesting room for growth and production opportunities.

Individually, all design sectors in the MENA region have experienced strong recovery since the financial crisis:

The MENA architecture market is inherently tied to the health of the construction sector, which has been driven in part by public sector projects for a number of countries, mainly in the GCC. While the construction market has started to gain confidence since the real estate slump starting in 2009, the market has seen some volatility. We have estimated the MENA revenues for architecture services to be USD 9.9 billion in 2014 growing at a CAGR of 5.8% vs. a global CAGR of 3.5% between 2010 and 2013. Saudi Arabia and the UAE dominate the market, with 33.3% and 25.3% revenues share respectively, and Qatar is the next largest market with 5.6% MENA market share. The MENA architecture market is expected to continue growing up until 2017 at a CAGR of 7.4%, and subsequently by a CAGR of 4.9% to 2019, outpacing again the pace of the global market. The market is fragmented although large players are consolidating their positions as “end-to-end” providers for
mega projects. Residential construction and “mega projects” are the key market drivers for architecture in the region while sustainability and smart design are the most prominent demand trends.

**Visual arts** remains a fairly underrepresented segment of the design sector in the MENA region. In 2013, the MENA visual arts sector was worth an estimated USD 39.4 million. Going forward, sales are conservatively estimated to grow at a CAGR of 7.5% through to 2019 factoring in trade and GDP trends for the region. Given the rise and trajectory of other key emerging markets, growth potential in this segment is promising over the next ten years as the segment matures and the customer base widens. Moreover, from a production point of view, growth in the availability of art institutes and educational programs in the arts is promising for the new generations of artists in the region. In terms of imports, the UAE, which is vying to be a hub in the region for visual art, showed net imports of fine art valued at USD 37 million in 2012. As a number of significant gallery and museum projects are underway, this figure is likely to show steady growth going forward. In the same vein, the prominence of high net worth individuals in the region has been driving the purchases of art as a new asset class for investment purposes. The past few years has also seen a significant number of new art platforms and channels (including online) in the region that have been strongly promoting interest in art for both artists and buyers. Finally, MENA countries have been heavily investing in the development of new museums to promote contemporary, Islamic and modern art present in the region.

The value of the MENA **interior design** market has reached approximately USD 7.1 billion in 2014. Saudi Arabia and the UAE dominate the landscape, with 34.0% and 25.7% of revenues respectively, followed by Qatar with 5.7% of the MENA market share. The MENA revenues for interior design services have grown at a significantly faster pace than the global industry since 2010, with a CAGR of 20.4% vs. a global CAGR of 3.6%. The growth has been driven by the Saudi and Qatari markets, which were largely unaffected by the economic downturn, experiencing notable increases in their interior design sectors of 46.5% and 42.9% respectively, albeit from a low base. The MENA interior design services market is expected to continue growing between 2013 and 2017 at a CAGR of 11.5%, and subsequently by a CAGR of 5.7% to 2019, outpacing the global market growth. Construction in general and the hospitality segment in particular drives the interior design market. In MENA, the fragmented interior design market is experiencing growing competition from European players, including Eastern European entrants. Smart homes are the dominant trend in this sector as technology plays an increasingly important role in interior design.

The MENA **communication design** market reached a value of USD 599 million in 2014, with digital design increasing its proportion of total revenues. The UAE and Saudi Arabia dominate the market, with 50.4% and 17.7% revenues respectively, and Qatar is the next largest market with 4.1% MENA market share. The majority of graphic and digital design companies are based in the UAE, even if they carry out much of their work elsewhere in the region. Lebanon is considered by many industry experts as a hub for graphic and digital design talent in the region with a large number of freelancers. The MENA growth rate for communication design services has underperformed relative to the global industry, with flat growth from 2010 to 2014 compared to a global CAGR of 4.5%. Digital revenue contribution to the industry, as a proportion of total graphic and digital design, increased from 14% to 20% over the time period, indicating the growing potential for digital industries going forward. As in global markets, communication design revenues in MENA are primarily driven by clients’ advertising and branding budgets. The decline in communication design revenues has therefore been primarily driven by the decline of media and marketing spend in a number of markets in the region and particularly Egypt. The market is consolidating as large media groups seek growth in emerging markets and digital design, and new opportunities for freelancers are arising.
Out of the three product design segments considered in MENA (furniture, lighting and marine), only the furniture and lighting segments’ market values were estimated. The steady growth of the furniture market in MENA in the past years has been primarily driven by the renewed construction market boom in the region. As in international markets, forecasted demand in furniture is closely linked with the residential construction market, where the Middle East is currently seeing a rise in major housing, hospitality, retail and business developments underway. Furniture retail remains positive over the next five years, bolstered by strong demand in domestic markets totalling USD 13.2 billion across MENA in 2014. This is largely driven by Saudi Arabia, which has the largest retail market for furniture in the region. Total sales in Saudi Arabia were estimated at USD 3.7 billion in 2013 and are projected to have steady growth over the next few years, with the segment value to be worth an estimated USD 4.6 billion by 2019. Egypt is the second largest furniture market, worth an estimated USD 1.6 billion in 2014. Furniture is a key contributor to manufacturing in MENA, although with very different profiles between countries. The largest demand market, KSA is also the largest producer in the region with USD 2.7 billion of furniture locally manufactured, which makes the country reliant on imports for less than 30% of their domestic demand. The UAE in comparison, whilst having furniture production pockets in Sharjah, relies on imports for close to 50% of the demand. Driven by high demand particularly in the GCC, luxury furniture retailers are entering the MENA market while increased demand for customized products has driven collaboration between renowned international and MENA designers. Design events in the region have acted as a catalyst to regional innovation in furniture design.

Marine design is a growingly important segment for MENA not only from a demand, but also from a supply side perspective with MENA based luxury marine design companies. Increases in wealth levels in the region as well as marine real estate projects have prompted the sale of luxury items such as yachts. In turn, the yacht industry in the region is now maturing through increased investments, production and imports. The MENA region is following the global trend of collaboration to create customized products.

Last but not least, the MENA fashion retail market is estimated to be USD 75 billion in 2014 – in terms of regional apparel retail sales. The UAE, positioning itself as a global and regional fashion retail hub leads the region with a majority 28.3% share of apparel revenues, followed more distantly by Saudi Arabia in second with 16.8%. The UAE in particular has been very proactive in the fashion industry through establishing the new Dubai Design & Fashion Council in 2013, announcing Dubai’s plans to become a global fashion hub by 2020. Saudi Arabia, although the second largest in share of regional apparel spend, is still a largely underserved market not only in fashion retail, but also across other retail industries. In terms of growth, the MENA fashion market has outpaced global industry growth by over 4.7 times since 2010, with a CAGR of 15.7% vs. a global CAGR of 3.3%.

Finally, we contrasted and compared the current state of the Middle East design “hubs” against international good practices. We took a close look at what makes some of the better-known international design hubs, such as London, Berlin, San Francisco, Singapore and Helsinki, a success story. We considered four main themes to compare design hubs: government policy and strategy, projects and initiatives supporting the development of the design sector, the existence of design districts as hubs for the creative industries within the city, and the quality of education institutions and programmes within the city.
While the development of a **national design strategy** should be the first step for design hubs, only a few countries have established a full-fledged design strategy, including Singapore and Finland. Many countries have started with more ad-hoc initiatives around design, for instance, the Japanese government in 2010 established a Creative Industries Promotion Office to promote creative industries under the brand of “Cool Japan”.

With or without an established national design strategy, international hubs have supported the art and design sectors with a variety of **projects and initiatives**. As expected, there are greater levels of government support in mature design cities, such as London and San Francisco, where governments are increasingly collaborating or supporting private initiatives. While government support tends to be lower in emerging design markets, it is often compensated by private initiatives and international investment (such as by the EU Regional Development Fund). Two recurrent initiatives are affordable working space for artists and designers, and creating matchmaking opportunities to integrate design within the broader economy. Mature design cities, such as London and Tokyo, are also investing in their international design reputations through marketing campaigns and international exhibitions and events.

The majority of design hubs have neighbourhoods that can be described as **‘design districts’**. Most design districts have evolved organically over time with a few exceptions of recent purpose-built districts focused on design commercialisation. Design hubs have focused on specific parts of the design value chain: education (e.g. San Francisco), creation (e.g. the London Creative Hubs), production (rare for design goods e.g. Fashion but more common for digital services e.g. Digital), promotion and distribution (which is common to most design districts).

A number of global cities have built an international reputation as **design education hubs** by recognising the importance of education planning and early learning experiences through providing a structured career path and aligning educations skills with the needs of the economy. Good international practices in design education include collaboration between industry and academia, multidisciplinary programs enabling designers to develop broad skills (e.g. management and economics) and world-class infrastructure to support the development and growth of the designers. Finally, funding for skills development (e.g. by Design Councils) is important for both growth in the design sector and to facilitate design research.

Our research has revealed a wide variety of initiatives taking place in the MENA region that are supporting, in line with these international good practices, the emerging design industry to grow at double the global market rate. However, there are also a number of challenges and barriers that remain within the MENA region that will need to be overcome for it to compete effectively with international design hubs. These challenges include the lack of design institutions in the MENA region, the poor enforcement of Intellectual Property protection, the limited willingness to recognise the value of design as a commercial service, the lack of educational facilities and regional talents and, as expected in parts of MENA, the lack of production facilities.
METHODOLOGY

OVERVIEW
The MENA Design Outlook report provides a detailed analysis of the global and regional creative design industries and forecasts their future evolution. While numerous reports have been written on the design industries or specific design segments for the Americas, Europe and Asian regions, there is a dearth of quantitative data and information on design segments across the Middle East and North Africa (MENA) region. The lack of data collected and published regarding the design industries across the Arab world presents a challenge when evaluating their market size, forecasts, trends and economic contribution. To this effect, a market sizing and forecasting model was developed for the design segments in the MENA region. This was based on available data in relevant sectors, macroeconomic drivers and trends, published industry reports, and over seventy interviews with experts in design segments across the MENA region. The market sizing and forecasting were used in combination with qualitative analysis and synthesis of industry reports to depict a full picture of the MENA design landscape and projections.

There are a number of limitations in terms of coverage that should be taken into consideration when interpreting the market size and forecasted numbers presented in this report. The first is that data is not available for all MENA countries, and future reports and endeavours of this nature should aim to include a larger geographic scope as data is made available. The second point is that the design segments covered are not exhaustive, and there are no universal or standard criteria globally as to what economic activities should be classified as a design. To that effect, the market sizing and forecasts are focused on those segments which are consistent across most regions, as well as segments relevant to the MENA region. The most unique of these is product design, which has been sized as three separate industries: furniture design, lighting design, and marine design. This report provides a foundation for analysis on the MENA design segments, but relies on proxy indicators, relative sizing, and secondary data. Going forward, it is important that more primary data and statistics are collected across the MENA region on creative and design industries to provide for a more robust outlook with regards to the economic contribution, performance and potential of these segments.

GEOGRAPHIC SCOPE
The market sizing and forecasted numbers presented in this report cover five countries across the MENA region: United Arab Emirates, Saudi Arabia, Qatar, Egypt and Lebanon, in addition to a snapshot of the overall MENA and global design industries. These countries were selected based on data availability and the contribution of their design segments to the total MENA design sector.

The geographic focus of the wider design segment analysis is the Middle East and North Africa region which includes the Gulf Cooperation Countries (GCC), the Levant, and North African countries. Published information and interviews on trends were taken into consideration for the entire MENA region for industry analysis, though not all countries were included in the market sizing and forecasting.

DESIGN SEGMENT SCOPE
Design segments within the scope of this report include six design industry segments: Architecture, Visual Arts, Interior Design, communication design (includes graphic design), Product Design (Furniture, Lighting, and Marine Design), and Fashion Design. Marine design is not included in the market sizing and forecasting due to lack of data, but secondary sources were used in the segment coverage.

MARKET SIZING
The report examines the historical market size of each segment from 2010 to 2013 and sets growth forecasts for 2014 through 2019. The forecasting methodology employed provides a mix of quantitative assessments backed
by statistical tests for significance as well as qualitative feedback obtained through over seventy interviews with industry experts, company owners and decision makers in market leading businesses and organizations.

This report covers the demand side of the market with numbers obtained through secondary research from the aforementioned sources as well as interview and primary research. For markets with limited data availability (i.e. Egypt and Lebanon for some segments) we have applied a combination of data obtained through primary research in addition to applying quantitative relationships with other markets (relative sizing).

**INTERVIEWS**

We have complemented our market sizing and secondary research via interviews with leading market players in the design industry. We have tested and refined assumptions and outputs with market players over the course of the project. All in all, more than 70 interviews have been conducted with design-driven firms, organizations and designers across the MENA region and globally as illustrated in the exhibits below:

**PRIMARY RESEARCH**

To complement the interviews and to compensate the general lack of available data from secondary research, we have undertaken a quantitative market research exercise addressing, amongst other areas, market sizing, views on the industry challenges and views on the industry future growth. In total our research partner, TNS, has interviewed 152 companies across the design sectors. The split of respondents by sector is provided in the exhibit below:

**FORECAST AND FUTURE GROWTH TRAJECTORIES**

Most of the historical market sizes have been linked with various local and global economic indicators (i.e. based on standard ISIC codes) and forecasted through the growth forecast of such indicators. For example, the growth in the architecture market in the UAE has been forecasted using the forecast growth rate for the UAE’s construction market, the global architecture market growth rate and the results of the market research with architecture companies in the region. Weighted average growth rates have been used in some instances to reflect the significant relationship with one economic indicator over the other(s). Finally we have performed sanity checks on the forecast and future growth via our market players’ interviews.

**DATA SOURCES**

We have limited our secondary research to recognized and renowned sources with annually published data sets and statistics, drawn mainly from the Central Banks of each country in scope, the United Nations, the World Bank, the International Monetary Fund, the Economist Intelligence Unit, IBIS World Reports, Zenith Optimedia, publications and research by
Deloitte and/or Deloitte partners in addition to other research reports such as local bank country analysis and forecast reports.

CURRENCY
The currency used in this report is the US Dollar (notated as USD) with numbers displayed in millions, unless indicated otherwise. Numbers which were originally in a country’s local currency were converted to USD using the average exchange rate for the base year, and the growth rate for the local currency series over the time period was applied to the converted USD base year and historical years to eliminate the exchange rate fluctuation from the analysis.

MODEL INPUTS AND ASSUMPTIONS
Below is a high level view of some of the inputs and assumptions used for the market sizing and forecasting model for the above mentioned countries and design segments:
• Macroeconomic indicators used in the report are based on current prices (i.e. GDP at current prices). Latest numbers are obtained from Central Banks of each country and UN Data
• Segments’ contribution to GDP at current prices is the main indicator for the sizing of each segment
• The model relies on forecasts made by the IMF, The World Bank and the Economist Intelligence Unit for the main economic indicators
• Historical relationships with statistical significance at the 95% or 90% confidence level are expected to persist in the near-term unless official announced plans suggest otherwise
• The share of the combined GDP of the 5 countries in the study to total MENA countries GDP is expected to decrease between 2014 and 2019 following the expected recovery in other resource-rich economies in the MENA region including Iraq and Libya over the period of the forecast

DESIGN SEGMENTS – A CLOSER LOOK
Both the Architecture and Interior Design markets have been historically significantly correlated with each other and to the broader construction market overall. The construction market is the standard reporting line (i.e. ISIC) for each country’s economic activity with no adjustments made. Secondary research and international ratios have been used to determine the size of both the architecture and the interior design markets. Growth forecasts for the two markets have been projected using the average (weighted) growth rate methodology based on multiple local and economic drivers, adjusted with the results of our primary research.

With regards to the Visual Arts market, MENA auction sales reported by the top three auction houses worldwide have been used to derive the market size for each of the countries in scope, adjusted by the average global percentage of auction sales to total visual arts sales. The allocation to each of the 5 countries is based on four main drivers, GDP, GNI, Art exports (and re-exports) and Art imports. The strong relationship between the advertising market and communication design has been employed to determine the market size and growth prospects for the graphic design and digital communications market. Net ad spend as reported by Zenith in addition to pan-Arab ad spend have been used as the base for the advertising market.

The Furniture market reflects the market size for furniture retail, calculated as furniture produced each country plus furniture imports less furniture exports (and re-exports). Several growth rates have been used reflecting the relationship of the various components of the furniture market with local and global economic indicators. For example, a weighted average has been employed to forecast the furniture export market in UAE which takes into account the UAE export market forecast by the EIU (excluding Oil exports), the UAE’s manufacturing GDP growth rate and the global furniture export market. The same methodology applies for the Lighting market, except for the instances where lighting production is not reported by the country.

Lastly, the Fashion market has been captured by measuring the apparel retail activity in each country with numbers obtained through secondary research and quantitative assessments. Future growth rates have been derived using the weighted average methodology taking into consideration different variables (i.e. GDP, Personal Income, global apparel market, etc.) with different weightings to take into consideration the countries’ specific variables, also adjusted with the results of our primary research.
PART 1
DESIGN SEGMENT
CLASSIFICATIONS
DEFINING THE DESIGN SEGMENT

OVERVIEW
The design sector has been a subject of growing importance globally, as governments and organizations across numerous cities, regions and countries are realizing the value and potential of design segments within their local economies. While design industries themselves have been commercialized drivers of wealth and jobs for centuries, there has not been a universal and standardized view of design as a distinct sector of the economy – similar to what could be found for the manufacturing, agriculture, or extractive sectors. In order to derive a more comprehensive and accurate view of design as an economic sector, there have been numerous attempts by public, private and non-profit organizations to classify and define the parameters of design and the data which can be used to analyse design segments.

In order to adequately evaluate the design sector in the MENA region, it is important to view design first in the context of creative industries at large, and then to provide specific definitions of how design has been classified for the purposes of this report.

CREATIVE INDUSTRIES ON THE RISE
The past decade has seen remarkable growth for the world's creative industries, which comprise the segments of the economy focused primarily on the expression, organization and commercialization of creative activities. Creative industries — sometimes referred to as the creative economy or cultural industries — do not have a standard definition across all regions, but in the broadest sense they include the range of businesses and activities which produce intellectual property through creative expression which can be commercialized. This includes the range of activities classified as media, the arts, and also design.

Globalization has fuelled the trade in creative industries, as billions of people enter the middle class with disposable income to spend on differentiated or non-commoditized goods and services. The improved accessibility of international trade channels and networks has also allowed creative industries, which have traditionally been a reflection of local culture and aesthetics, to become internationally relevant and viable in the global marketplace. The goods and services in creative industries reflect their geographic and cultural origins, and the brand value of a Bollywood film, Italian tailored jacket, Apple product or Moroccan tile is intrinsically tied to the perceptions of taste, quality and specialization of the region. As a result, demand for unique creative goods and services has fuelled cross-border trade and consumption in these industries.

According to the United Nations, between 2002 and 2011 world trade in creative goods and services more than doubled1, amounting to nearly USD 630 billion by 2011. Moreover, the global growth in creative industry exports has exceeded 10 percent annually for the majority of the past decade2, attesting to the commercial and business potential of creative content. The surge in creative industries is projected to continue through the next decade, as emerging creative hubs are exposed to global markets and barriers are eased for niche entrants.

The impact of sustained growth in creative industries has undoubtedly reverberated throughout the global economy. The potential for the creative sector as a significant contributor to employment, income, trade and economic performance is becoming readily apparent as more data on the sector is collected at the regional and national levels. A number of recent initiatives and studies have sought to quantify the value of creative industries and bring to light the need for more robust data and standard measurements to accurately capture the sector. This potential has not been lost on national
and local governments, which have increasingly turned towards the stimulation, support, and emphasis of creative industries as pillars of growth and cultural identity.

The United Kingdom, which has been a leader in quantifying and stimulating its creative industries, provides an insightful example of the impact these industries can have on the local economy. Creative industries in the UK are reported to generate roughly USD 12 million per hour, and the creative ecosystem has flourished through public and private support by means of policy, funding, and institutional organization. The UK’s creative industries are worth over USD 107 billion a year, and in 2012 grew by nearly 10 percent, outperforming all other sectors of the economy and providing nearly 1.7 million jobs, according to the UK’s Department for Culture, Media and Sport.

Creative industries in Europe at large play an essential role in the European economy, contributing around 3 percent to European Union’s GDP with an annual market value of nearly USD 640 billion, and providing employment for roughly 6 million people. Similarly, the Americas have taken strides to quantify and develop their creative industries, which are estimated to account for USD 87 billion worth of creative exports, or 14 percent of the world total. As more national and regional entities seek to capture and exploit the value of creative industries, it is becoming increasingly important that standard definitions, classifications and data are made available to accurately assess the sector.

CREATIVE INDUSTRIES IN THE MENA REGION

Creative industries have played a prominent role in the cultural and economic development of the MENA region for centuries, renowned for its unique aesthetic in art, calligraphy, music, poetry and literature, Arabic style architecture, woodworking and a range of crafts and jewellery. In the past decade, considerable growth in media, contemporary architecture, art and fashion has modernized creative industries throughout the Arab world, which have long been steeped in tradition and heritage. Factors such as rapid urbanization, adoption of digital platforms and youthful demographics have positively impacted the MENA creative industries, as more young people, largely in cities, are moving away from agriculture and heavy industries and towards more value-added and knowledge-based activities.

Thus far, formal institutional support mechanisms for creative industries have been fragmented, and the region as a whole has yet to establish a working framework for classifying and developing the sector. Official data on the sector is largely unavailable, though various indicators at the country and industry level show a positive outlook. Lebanon attributes nearly 5% of its economy and total employment to its creative industries, and has seen a rise in Lebanese media, films and designs reaching global renown. New regional initiatives such as Mideast Creatives — a program to support creative industries and entrepreneurs in the Middle East — are springing up across the Arab world and should help to shed light on the value and potential of the sector for the region.

A CLOSER LOOK AT THE DESIGN SECTOR

At the cutting edge of creative industries is design, which is comprised of a wide range of goods and services from the purely aesthetic to the fully functional. The design process is considered a critical competitive factor in the premium value of any product, and is closely associated with innovation. Though it is different from Research & Development (R&D), design plays a similar role in differentiating goods and services away from mass-production and commoditization and towards a unique offering. It has garnered attention from a number of countries and organizations as a high value-adding part of the supply chain across most industries. Singling out the value of design work for a product or service is inherently complicated, particularly without clarity on the boundaries of what activities constitute design. As part of a larger production process, design touches upon the ideas, thought and craft that differentiate products and services from one another.
As a stand-alone economic sector, design is comprised of industries and businesses which are premised on the use of design as the central driver of value. Design segments are those in which the design work is the principle feature of the industry — such as fashion — and are inclusive of all commercial activities within those industries from creation to production and sales. The design sector does not have a standardized or globally accepted classification, but is viewed under the larger umbrella of creative industries and often encompasses segments such as arts, architecture, interior design, fashion, graphic design and product design. In this report, as has been the case with a number of country and regional studies, design is viewed as a distinct economic sector of the economy rather than as part of the production process within other sectors such as manufacturing. Within the design sector, segments can vary greatly in purpose, and represent highly commercial activities such as advertising as well as work aimed at creative and social expression, such as conceptual art.

As a sector, design has been singled out by a growing number of governments and organizations for its potential in contributing to economic development, and has been included in national strategies and development plans as a catalyst for growth in trade, employment and entrepreneurship.

**CHALLENGES TO DEFINING - THE DESIGN SECTOR**

While there is a growing consensus globally on the need to define and classify the design sector so it can be standardized, there is minimal coordination on an international scale as to what segments are included in the sector and how to account for their economic value. A number of countries and international organizations have started to develop classifications and reports on quantifying the design sector, yet harmonizing these has remained a challenge for a number of reasons.

The interdisciplinary work of design segments often means there is an overlap with sectors such as retail, manufacturing, information technology, and engineering. There has been a clear trend over the past decade around the convergence of design work, where functional design is incorporating aesthetic value and artistic work is moving more towards functionality. Social design and design as a lifestyle improvement has influenced a number of design segments, and as a result a number of leading design organizations (design awards, design schools, professional design associations) have expanded their definition of design to include these multidisciplinary activities.

Currently the definition and classification of design as a sector is not comparable and harmonized across regions, as it reflects the local environment, industries and specializations at the country or regional level.

**ISSUES IN DATA COLLECTION FOR THE MENA DESIGN SECTOR**

At present there is no common framework or classification for the design sector across the MENA region. This is in part due to the lack of investigation, reporting and published information on MENA creative and design industries, as well as the limited institutional focus and capability in dealing with the design sector. More importantly, data and statistics on the market size, economic contribution, or trade and investment in the design sector are not collected at large by MENA countries. The majority of Middle East and North African countries adhere to versions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC) in order to define their economic sectors and categorize economic activities for
data collection. ISIC does not classify design as a sector, and design-centric industries are dispersed under a number of sub-categories, often at varying levels and sub-levels of order, and aggregated with non-design activities. This has implications on the availability of data for the MENA design sector, as design segments are not isolated for data collection and most MENA countries only collect data and produce statistics at the highest level of ISIC classifications. Given the challenges of data availability in the region, very little has been published on the size and value of the design industries.

CLASSIFYING DESIGN FOR THE MENA REGION

Given the fact that design is underrepresented in published information and data collection across the region, there is a clear imperative to develop a standard classification for the design sector which can serve as the basis to conduct analysis. This report has defined the design sector as inclusive of six distinct segments, keeping in mind the following three principles:

- There are a large number of existing definitions and classifications of the design sector at the national, regional, and multilateral level. The MENA definition should align with these definitions where possible and reflect those areas which are common across all definitions.
- The definition of design should take into account the reality and composition of the region, and therefore include design segments and sub-segments which exist and omit those which are not present in the region.
- The classification of design should seek to incorporate new developments and activities within the sector, whether this includes new and unique activities or multidisciplinary activities.

The following tables highlight some of the prevailing definitions of the design sector developed at the national and multilateral level. These classifications were selected as they are used widely by government departments, design councils, and design associations.
EXHIBIT 8:
DESIGN SECTOR CLASSIFICATIONS USED BY MAJOR INTERNATIONAL CLASSIFICATION SYSTEMS

<table>
<thead>
<tr>
<th>Organization</th>
<th>NACE (Europe)</th>
<th>NAICS (North America)</th>
<th>ANZSIC (Australia)</th>
<th>SSIC (Singapore)</th>
<th>HSIC (HK)</th>
<th>UK SIC</th>
<th>ISIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>European standard classification of productive economic activities</td>
<td>The North American standard classification system of productive economic activities</td>
<td>Australian and New Zealand standard industrial classification of productive economic activities</td>
<td>Singapore Standard industrial classification is a classification of productive economic activities</td>
<td>Hong Kong standard industrial classification is modelled on the United Nations’ International standard industrial classification of all economic activities</td>
<td>UK standard industrial classification of economic activities</td>
<td>The United Nations Statistics Division develops standards and norms for statistical activities, and support countries’ efforts to strengthen their national statistical systems</td>
</tr>
<tr>
<td>Design Segment Classifications</td>
<td>• Interior design</td>
<td>• Architectural services (landscape design &amp; architectural drafting services)</td>
<td>• Interior design</td>
<td>• Interior design</td>
<td>• Interior design</td>
<td>• Architecture activities</td>
<td>• Fashion design</td>
</tr>
<tr>
<td></td>
<td>• Industrial and product design</td>
<td>• Fashion design jewelry design Textile design Commercial art service (graphic, website services, custom printing)</td>
<td>• Fashion design</td>
<td>• Industrial design activities</td>
<td>• Fashion design (including accessories)</td>
<td>• Product design</td>
<td>• Industrial design</td>
</tr>
<tr>
<td></td>
<td>• Graphic design</td>
<td>• Interior design</td>
<td>• Fashion design activities</td>
<td>• Art and Graphic design</td>
<td>• Exhibition stand designers</td>
<td>• Fashion design</td>
<td>• Graphic design</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Interior design</td>
<td>• Industrial design activities</td>
<td>• Exhibition stand designers</td>
<td>• Other specialized design activities</td>
<td>• Graphic design</td>
<td></td>
</tr>
</tbody>
</table>

EXHIBIT 9:
COMPARISON OF DESIGN SEGMENTS INCLUDED IN LEADING CLASSIFICATIONS

### CLASSIFYING ENTITIES

<table>
<thead>
<tr>
<th>Design Segments</th>
<th>Design Council</th>
<th>AGIA (US)</th>
<th>BEDA (EU)</th>
<th>DCMS (UK)</th>
<th>IDA</th>
<th>UNCTAD</th>
<th>UNESCO</th>
<th>ANZSIC (Australia)</th>
<th>NAICS (US)</th>
<th>SSIC (Singapore)</th>
<th>HSIC (HK)</th>
<th>NACE (Europe)</th>
<th>UK SIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interior Design</td>
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<tr>
<td>Industrial and Product Design</td>
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<tr>
<td>Fashion Design</td>
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<tr>
<td>Graphic Design</td>
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</tr>
<tr>
<td>Architecture</td>
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<tr>
<td>Visual Art</td>
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<td></td>
</tr>
<tr>
<td>Social Design</td>
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<tr>
<td>Digital and Multimedia Design</td>
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</tbody>
</table>

Uncontested | Debated | Emerging
According to most established or formal classifications of the design sector, there are four segments which are common across all or most classifications, namely: Interior Design, Industrial and Product Design, Fashion Design and Graphic Design. These have been included in the MENA design sector classification with some amendments to offer comparability with international, national and regional data and indicators. In addition, Architecture and Visual Art are increasingly being considered as part of the design sector, though there are variations in the definition and scope of these segments across classifications. In order to capture the trends and market data in these significant categories, and considering their relevance in MENA, both Architecture and Visual Art have been included as part of the MENA design sector classification. As digital trends continue to impact the design sector, Graphic Design, Multimedia Design and Digital Design are increasingly difficult to separate given their interdisciplinary nature particularly concerning design companies, jobs, and data for the segment. This report includes all digital design and graphic design activities under the umbrella of communication design. For this edition of the report, Industrial and Product Design has been intentionally limited to three sub-segments which have been deemed particularly relevant for the MENA region: Furniture Design, Lighting Design and Marine Design. Lastly, emerging design trends such as Social Design, Experiential Design and Food Design are covered in this report as a space to be watched going forward, but are not included in the design classification as it is not developed or fully present as of yet across the MENA region.

Overall, the report covers a total of 8 segments (plus emerging trends) as described in the exhibit below, with Furniture, Lighting and Marine design falling under the umbrella of Product Design. These segments span high-end to mass market design and reflect the varied nature of design from “durable” structures (architecture) to consumption goods (fashion).

### EXHIBIT 10:
MENA DESIGN OUTLOOK CLASSIFICATIONS OF THE DESIGN SECTOR FOR THE MENA REGION

<table>
<thead>
<tr>
<th>MASS MARKET</th>
<th>NICHE</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Interior Design</td>
<td>4. Furniture</td>
</tr>
<tr>
<td>5. Lighting Design</td>
<td>6. Communication Design</td>
</tr>
<tr>
<td>7. Fashion</td>
<td>8. Marine Design</td>
</tr>
</tbody>
</table>


We have kept in mind in our sectorial analysis the value chain of each design segment. Overall, the value chain of the design sector comprises four main steps – market development, concept, production and delivery - as described in the exhibit below.

EXHIBIT 11:
ECOSYSTEM AND VALUE CHAIN OF DESIGN

<table>
<thead>
<tr>
<th>Market Players</th>
<th>Activities</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPANIES</td>
<td></td>
<td>CORPORATES</td>
</tr>
<tr>
<td>• In-House design team</td>
<td>Research</td>
<td>GOVERNMENTS</td>
</tr>
<tr>
<td>• Design consultancies</td>
<td></td>
<td>CONSUMERS</td>
</tr>
<tr>
<td>• Freelance designers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMPLOYEES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Craftsmen</td>
<td>VALUE CHAIN</td>
<td></td>
</tr>
<tr>
<td>• Engineers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Technicians</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Designers / Artists</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BUSINESS MODELS</td>
<td>VALUE CHAIN</td>
<td></td>
</tr>
<tr>
<td>Selling products — turning design/art into finished products for sale (e.g., lights, paintings)</td>
<td>Research</td>
<td></td>
</tr>
<tr>
<td>Design as a service — many design companies offer design as a service (e.g., architecture)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licensing designs — developing designs, and allowing other firms to use them under license (requires a patent)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

While this constitutes a generic design value chain, each segment has its specificities. For instance in the case of architecture the key components are sales and marketing, concept development, design, tender and procurement and project delivery.
Accordingly, the following exhibits recap the definitions, key attributes and value chain of all main segments in scope of this report.

EXHIBIT 12:
MENA DESIGN OUTLOOK CLASSIFICATIONS OF THE DESIGN SECTOR FOR THE MENA REGION

<table>
<thead>
<tr>
<th>DESIGN SEGMENTS DEFINITION</th>
<th>ARCHITECTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong>: The architecture industry comprises establishments primarily engaged in planning and designing residential, institutional, leisure, commercial, and industrial buildings and structures by applying knowledge of design, construction procedures, zoning regulations, building codes, and building materials.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SUB-SEGMENTS:</th>
<th>KEY ACTIVITIES:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Building Design</strong>: By far the largest sub-segments, which includes:</td>
<td>• Building Designs</td>
</tr>
<tr>
<td>• Residential architecture design: houses, villas, condos, apartments</td>
<td>• Planning interior architecture</td>
</tr>
<tr>
<td>• Commercial architecture design: office space; retail space; special purpose facilities</td>
<td>• Managing construction projects</td>
</tr>
<tr>
<td>• Institutional architecture design: schools, hospitals, government buildings, exhibition centers</td>
<td>• Planning and predesign</td>
</tr>
<tr>
<td>• Leisure architecture design: entertainment, arts and tourist structures and buildings; exhibition and theatre spaces</td>
<td>• Feasibility studies</td>
</tr>
<tr>
<td>• Industrial building design: factories, warehouses, plants</td>
<td>• Landscaping designing</td>
</tr>
<tr>
<td><strong>Public space, outdoor space and landmark design</strong>: Pavilions, public gardens, outdoor well-being spaces, park structures</td>
<td>• Urban designing</td>
</tr>
<tr>
<td><strong>Restoration and non-building design</strong>:</td>
<td></td>
</tr>
<tr>
<td><strong>Other design</strong>: Urban wayfinding systems design; Pop up spaces; Market stalls; allotment spaces</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>KEY CONSIDERATIONS:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Architecture and interior design have been classified as one design segments in some instances due to the interdisciplinary work and synergies between the two segments; but the most commonly accepted classifications group them separately</td>
</tr>
<tr>
<td>• Architecture design includes the use of software and digital service to produce design products and services, but does not include the development of architecture software</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VALUE CHAIN:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales and Marketing</strong>:</td>
</tr>
<tr>
<td>• Marketing and advertising</td>
</tr>
<tr>
<td>• Bidding and presentations</td>
</tr>
<tr>
<td>• Tender negotiations</td>
</tr>
<tr>
<td><strong>Concept development</strong>:</td>
</tr>
<tr>
<td>• Client engagement</td>
</tr>
<tr>
<td>• Site analysis</td>
</tr>
<tr>
<td>• Feasibility study</td>
</tr>
<tr>
<td>• Master planning</td>
</tr>
<tr>
<td>• Project management</td>
</tr>
<tr>
<td><strong>Design</strong>:</td>
</tr>
<tr>
<td>• Schematic design</td>
</tr>
<tr>
<td>• Detailed design and modeling</td>
</tr>
<tr>
<td>• Construction documents</td>
</tr>
<tr>
<td><strong>Tender and Procurement</strong>:</td>
</tr>
<tr>
<td>• Tender and construction document preparation</td>
</tr>
<tr>
<td>• Management of tender process and contractor selection</td>
</tr>
</tbody>
</table>

*Source: NAICS 541310 Architectural Services
**Sources: IBIS 2014 Architecture Global Services Report
DESIGN SEGMENTS DEFINITION | INTERIOR DESIGN

Definition*: This industry comprises establishments primarily engaged in planning, designing, and administering projects in interior spaces to meet the physical and aesthetic needs of people using them, taking into consideration building codes, health and safety regulations, traffic patterns and floor planning, mechanical and electrical needs, and interior fittings and furniture. Interior designers and interior design consultants work in areas such as hospitality design, health care design, institutional design, commercial and corporate design, and residential design. This industry also includes interior decorating consultants engaged exclusively in providing aesthetic services associated with interior spaces.

SUB-SEGMENTS:
- Residential Interior Design: Private residence
- Hospitality Interior Design: hotels, accommodation, restaurants
- Commercial Interior Design: Public buildings and offices, stores, hospitals etc.
- Educational Interior Design: Institutions, schools

SMART Interior Design is an ongoing trend, which feeds into the two sub-segments.

KEY ACTIVITIES:
- Consulting on interior decorating matters, such as residential, hospitality, commercial and educational designs
- Consulting on environmentally sustainable interior designs

PROFESSIONAL ASSOCIATIONS:
- Interior Designers of Canada
- Association of Registered Interior Designers
- International Interior Designers Society
- Society of British Interior Design

KEY CONSIDERATION:
- Rise of Interior Design / Architecture companies providing innovative and technological materials and finishes

VALUE CHAIN:

Sales and Marketing:
- Marketing and advertising
- Bidding and presentations
- Tender negotiations

Concept development:
- Client engagement
- Site analysis
- Feasibility study (health & safety)
- Master planning
- Project management (client, architect, contractor)

Design:
- Schematic and drawings of design
- Furniture design

Tender and Procurement:
- Tender and construction document preparation
- Management of tender process (client, architect)

DESIGN SEGMENTS DEFINITION | GRAPHIC AND DIGITAL DESIGN

Definition*: The graphic and digital design industry comprises establishments primarily engaged in planning, designing, and managing the production of visual communication in order to convey specific messages or concepts, clarify complex information, or project visual identities. These services can include the design of printed materials, packaging, advertising, signage systems, and corporate identification (logos). This industry also includes commercial artists engaged exclusively in generating drawings and illustrations requiring technical accuracy or interpretative skills.

SUB-SEGMENTS:
- Graphic and Digital Design services: 70% of the industry and includes image design, web design through several processes
- Commercial art and illustration: 15% of the industry and consists of the development of printed material and electronic material of images and replicas for sale
- Graphics arts consulting services and storage imaging: accounts for 10% of the industry

Green design of printed media ad material has been an ongoing trend

KEY ACTIVITIES:
- Graphic and commercial art services
- Visual communication design services
- Corporate identification (i.e. logo) design services
- Product design services
- Marketing and advertising services
- Consulting services
- Branding services
- Web design services

PROFESSIONAL ASSOCIATIONS:
- Society of Graphic Designers of Canada
- American Institute of Graphic Arts
- The International Council of Graphic Design Associations
- Society for Experimental Graphic Design
- AIGA

JOBS AND ROLES:
- Exhibition Designer
- Graphic Artist
- Graphic Designer
- Publication Designer
- Digital designer
- Web designer
- Production artist

VALUE CHAIN:

Sales and Marketing:
- Marketing and advertising
- Bidding and presentations
- Tender negotiations

Concept development:
- Client engagement
- Contract and Copyright
- Client Understanding

Design:
- Drawings of graphic design
- Consulting services

Implementations:
- Media Printing
- Other delivery of graphic design services
### DESIGN SEGMENTS DEFINITION | FASHION DESIGN

**Definition**: The Fashion industry comprises establishments primarily engaged in providing professional design services including clothing design, costume design, jewelry design, show design, shoe design, textile design, float design and other fashion design services.

<table>
<thead>
<tr>
<th><strong>SUB-SEGMENTS:</strong></th>
<th><strong>KEY ACTIVITIES:</strong></th>
<th><strong>PROFESSIONAL ASSOCIATIONS:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fashion clothing design; high end fashion design, haute couture, mass market apparel, sportswear</td>
<td>Clothing design services</td>
<td>British Fashion Council</td>
</tr>
<tr>
<td>Footwear design</td>
<td>Fashion manufacturing</td>
<td>Nordic Fashion Association</td>
</tr>
<tr>
<td>Jewelry and accessories design</td>
<td>Fashion merchandising</td>
<td>The Council of Fashion Designers of America</td>
</tr>
</tbody>
</table>

**VALUE CHAIN:**

- **Inspirations**
  - Idea
  - Fabric & Materials development
  - Advanced Construction Research
- **Creations**
  - Business Unit Directors
  - Marketing
  - Quality Assurance
- **Production**
  - Product Development
  - Product Management
  - Social Compliance
  - Quality Assurance
  - Material Production
  - Cut and Stew
- **Distribution**
  - Customer Service
  - Retail
  - Online

**TREND:**
- Fashion collaborations between designers have been an ongoing global trend

### DESIGN SEGMENTS DEFINITION | INDUSTRIAL DESIGN

**Definition**: The Industrial design industry comprises establishments primarily engaged in creating and developing designs and specifications that optimize the use, value, and appearance of their products. These services can include the determination of the materials, construction, mechanisms, shape, color, and surface finishes of the product, taking into consideration human characteristics and needs, safety, market appeal, and efficiency in production, distribution, use, and maintenance. Establishments providing furniture industrial design services or industrial design consulting services are included in this industry.

<table>
<thead>
<tr>
<th><strong>SUB-SEGMENTS:</strong></th>
<th><strong>KEY ACTIVITIES:</strong></th>
<th><strong>PROFESSIONAL ASSOCIATIONS:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture Design</td>
<td>Furniture design services</td>
<td>The International Council of Societies of Design Societies</td>
</tr>
<tr>
<td>Lighting Design</td>
<td>Marine design services</td>
<td>The Industrial Designers Society of America</td>
</tr>
<tr>
<td>Marine Design</td>
<td>Lighting design services</td>
<td>The Design &amp; Emotion society</td>
</tr>
<tr>
<td>Other Product Design</td>
<td>Industrial design services</td>
<td>The Japan Institute of Design Promotion</td>
</tr>
<tr>
<td>Sustainable design is an ongoing trend of Industrial design in all segments of the industry</td>
<td>Industrial design consulting services</td>
<td>The Product Development and Management Association</td>
</tr>
<tr>
<td>Modelling</td>
<td>Packaging design (industrial) services</td>
<td></td>
</tr>
<tr>
<td>Packaging design (industrial) services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**VALUE CHAIN:**

- **Sales and marketing**
  - Marketing and advertising
  - Bidding and presentations
  - Tender negotiations
- **Concept development**
  - Client engagement
  - Site analysis (Understanding of visual, tactile, safety and convenience)
  - Master planning
  - Project management (client, engineering, manufacturing)
- **Design**
  - Drawings
  - Models
  - Verbal descriptions
- **Production**
  - Product development
  - Packaging
- **Distribution**
  - Distribution sales and servicing processes
  - Consulting services
EXHIBIT 12f: DESIGN SEGMENTS DEFINITION | VISUAL ARTS

**Definition**: The industry comprises independent (i.e. freelance) individuals primarily engaged in performing in artistic productions, in creating artistic and cultural works or productions, or in providing technical expertise necessary for these productions.

**SUB-SEGMENTS**:
- Paintings
- Sculptures
- Photography
- Printmaking
- Fines Arts
- Crafts
- Mixed media

Collecting art as financial products for investment purposes has been a common trend. Online auction platforms have also increased, promoting the purchasing of high end art.

**KEY ACTIVITIES**:
- Presenting art in galleries and museums
- Displaying works during events and exhibitions
- Selling pieces on platforms such as retail stores, auction houses, online auctions
- Expressing personal experiences, culture, emotions through visual arts

**PROFESSIONAL ASSOCIATIONS**:
- The International Association of Art
- The International Association of Visual Culture
- Visual Resource Association

**KEY CONSIDERATIONS**:
- The definition of visual arts in this publication does not include printmaking, video, filmmaking, performing arts, conceptual art, textile art, or decorative art

**VALUE CHAIN**:

<table>
<thead>
<tr>
<th>Inspirations</th>
<th>Production</th>
<th>Promotion</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idea</td>
<td>Material access and use</td>
<td>Product Marketed</td>
<td>Distributed in fairs, events, exhibitions, studios, pamphlets, expos, festivals</td>
</tr>
<tr>
<td>Fabric &amp; Materials development</td>
<td>Production of work through mediums</td>
<td>Social Compliance</td>
<td>Client purchase</td>
</tr>
<tr>
<td>Advanced Construction Research</td>
<td>Quality Assurance</td>
<td>Valorization</td>
<td></td>
</tr>
<tr>
<td>Planning space</td>
<td></td>
<td>Transferred to public areas</td>
<td></td>
</tr>
</tbody>
</table>

**WHY FOCUS ON DESIGN IN THE MENA REGION?**
The focus of this report is specifically on the design sector in the Middle East and North Africa region. Thus far, data and analysis of the segment, its economic impact, key trends and valuable market information have been limited and not published in a comprehensive form. While the MENA region is highly diverse in composition – socially, economically, culturally and geographically – there are a number of shared characteristics and trends across the Arab world which highlight the importance of focusing on design as a sector at this point in time. Similarities in demographics, development goals, and public policy initiatives across the Arab world make an analysis of the design sector useful at a regional level.

**DESIGN AND THE TRANSITION TOWARDS KNOWLEDGE-BASED ECONOMIES**
Governments across the MENA region have made it a national priority to diversify away from factor-based industries reliant on low-cost labour, land, feedstock and natural resources. These industries, such as upstream petroleum extraction, low-tech farming and manufacturing and retail of wholesale imported goods have traditionally been large contributors to MENA economies over the past thirty years. The development goals set throughout the Arab world have called for investment into industries which provide a higher degree of economic value-add and which can provide long-term sustainable growth prospects.

Over the past decade, public administrations throughout the MENA region have set forth ambitious strategies which increasingly call for a transition towards ‘knowledge based economies.’ Based on the principle that a country’s competitive advantage and greatest resource is its intellectual and human capital, knowledge based economies are premised on the commercialization of ideas, technologies, and intellectual property. Over the past few decades, governments in the UAE, Saudi Arabia, Bahrain, Qatar and Oman have written the transition to a knowledge based economy into their national planning documents, recognizing the role of human capital and innovation in promoting economic diversification. According to The Global Innovation Index, a number of GCC countries have been promoted in their global rankings over the years, partially due to the public sector investments and policies aimed at economic diversification for the countries within the resource-abundant region. With the UAE occupying the highest rank among all the countries in the Middle East and North Africa, it has also been recognized for its vision and strategy to develop a knowledge-based economy.
The government envisions that by 2021, the UAE will be the region’s hub for a creative and competitive economy driven by enriched knowledge and innovation.  

EXHIBIT 13:  
COMPARATIVE RANKING ON THE GLOBAL INNOVATION INDEX

![Comparative Ranking Chart]

Source: Global Innovation Index

This has implications across the MENA economies as government spending, foreign development aid and national initiatives change focus towards building local capacity in industries which are primarily reliant on human talent. The design sector is considered by many governments as critical to the development of a knowledge-based economy, given its reliance on intellectual capital, craft, and creativity. Across Europe, Asia, Australasia, and the Americas numerous governments have established working groups on creative industries and design as a means to achieve economic diversification and value-added industries.

Providing a coherent framework and classification of design will provide a common foundation for policymakers, institutions and businesses in the MENA region to build upon the design sector as a means to economic diversification and long-term growth.

DESIGN IN THE CONTEXT OF EMPLOYMENT  
AND THE MENA YOUTH BULGE:

One of the most pressing social and economic issues facing the MENA region today is the need for youth employment opportunities. Today the Middle East is experiencing an unprecedented youth bulge, with over 30 percent of the population – more than 100 million young people – between the ages of 15 and 29. This makes up the highest proportion of youth to adults in the region’s history. Moreover, youth unemployment remains a persistent challenge, reaching nearly 30 percent for North Africa and over 25 percent in the Middle East according to 2012 figures from the International Labour Organization. Providing valuable employment opportunities for Arab youth presents a challenge and an opportunity for the region.

In this context, the design sector should be investigated further as a potential source of job creation and entrepreneurship in the MENA region. Internationally, design jobs have proved to be of particular importance to young people, where the rate of job creation often outpaces the general economy. In the UK, creative industries amount to nearly 6% of total employment, and in Japan the figure is closer to 11%. Design sector jobs are disproportionately geared toward young adults, with nearly half of the workers under the age of 40 in some European countries. Likewise, the sector is dominated by small to medium sized enterprises, allowing for young entrepreneurs to start design businesses with less capital and scale relative to other industries. As the Arab world looks for strategies to address its growing youth bulge and demand for jobs, a focus on the design sector as a vehicle for employment and entrepreneurship among young people can be considered in public policy.

URBANIZATION IN THE ARAB WORLD

More than 226 million people – or 62% of the region’s total population – will be living in cities throughout MENA by 2020, as predominantly youthful populations gravitate towards urban areas seeking improved work and lifestyle opportunities. As the region urbanizes, cities and urban clusters are emerging as the main drivers of economic output. This will change the structure of MENA economies as urban land prices increase, cities sub-divide into clusters or specialized hubs, and local residents see higher levels of disposable income. The creative and design sectors thrive in cities and cultural capitals, where they benefit from significant support and acceptance from governments, associations and initiatives promoting the growth of the sector, and the regular churning and influx of people and capital. Many design segments promote a virtuous cycle with the tourism industry, as tourists are drawn
The MENA region has started to witness the impact of urbanization on its design segments, where hubs have emerged in places such as downtown Beirut, Marrakech, Cairo and Dubai. As heavy industry, farming and manufacturing move further away from city centres, potential is increasing for service and talent-based industries. As design starts to play a bigger and more conspicuous role in cities throughout the MENA region, it’s important to draw upon key lessons learnt from other markets and design hubs.

**LOCAL CONTENT IN GLOBAL MARKETS**

There have been a number of recent initiatives, in design as well as in other sectors, to promote Made-in-country value and brands. Globally, a number of countries have put in place policies to promote and protect local designers, while also linking them with export markets. In Japan, the Ministry of Economy, Trade and Industry promotes the “Cool Japan” brand abroad to promote the advancement of Japanese creative industries. A number of similar initiatives are in place across Europe, Asia and the Americas. Support programs to include goods and services which incorporate local design have been successful in a number of markets from London to Berlin to Helsinki.

In the MENA region, the oil and gas and manufacturing sectors have lead the way with notable campaigns and government policies supporting ‘in-country value’ and ‘local content requirements’, which aim to maximize the amount of products and services made in country versus imports. As this trend grows both globally and regionally, it is important to have a view on the market size of design segments in the Arab world. Understanding the value of the design sector and its segments across the region will allow for better insight as to where local production can be supported and expanded.

A number of conditions and developments across the MENA region support the move towards increased support and awareness of the design sector and its potential for MENA economies.
PART 2
MENA DESIGN IN A GLOBAL CONTEXT
SUMMARY OF THE MENA DESIGN MARKET
MENA DESIGN IN THE GLOBAL CONTEXT:
Globally, there has been much recognition from both public and private sectors that thriving design industries are essential for the health of the economy at large. From a public policy perspective, these industries tend to have higher rates of entrepreneurship and gross value added to the economy, employing predominately young people in knowledge-based jobs which have strong cultural value and export potential. Moreover, the success of creative industries is closely tied to indicators of personal wealth and disposable income, and as people accumulate income beyond what is needed for essential items they are inclined to spend on products and services which offer aesthetic and experiential value. Countries which have high levels of production and consumption in creative industries also tend to be wealthier with more mature economies, as more investment goes towards quality and differentiation over pure functionality.

In mature markets such as Europe, creative industries play an essential part to the economy. Creative industries in the UK accounted 5.6 per cent of all UK jobs in 2012, adding £71.4 billion of gross value added to the economy and accounting for 8 percent of all UK service exports. Moreover, growth rates for creative industries in value, GVA, exports and employment far outpace the rates for the UK economy at large.

Globally, the growth of the Design sector is estimated to have a combined annual growth rate (CAGR) of 3.7% from 2010 to 2013, outpacing global growth rates for the economy at large. A number of factors have contributed to this, mainly the economic recovery from the financial crisis, increases in income and wealth, and gradual growth in urbanization, population and world trade.

In the MENA region, the Design industries have grown at a faster pace than global. The outlook is positive for design in the MENA region, and stable growth is projected through the next five years.

EXHIBIT 15:
GLOBAL VS. MENA - KEY INDICATORS
ARAB DESIGN STUDY: commissioned by Dubai Design District (d3)
From an industry segment perspective, the largest contributors to the MENA design sector are fashion, furniture and architecture both globally and regionally. While the weight of Architecture is slightly higher in MENA than in the global markets, reflecting the construction boom in the GCC, Fashion retail largely dominates in MENA representing 69% of the sector’s market value versus 59% globally particularly. This is in part driven by the fashion retail “tourism” in the UAE and Dubai among other factors. Furniture contributes to 12% of the regional Design industry—a significantly lower contribution than global benchmark.

MENA MACRO ECONOMIC AND SOCIAL CONTEXT: IMPACT ON MENA DESIGN

The projected growth and performance of the MENA design sector is impacted by a number of key macroeconomic and social indicators. The increase in population, disposable income, government public spending and the rise of High Net Worth Individuals, particularly in the Gulf countries will boost the growth of the Design sector while the urbanization rate, food security issues and geo-socialization will have a direct impact on the types of products and services required by MENA consumers and supported by the regional governments. Some of the key socio-economic drivers of the MENA Design sector are as follows:

GDP GROWTH:

GDP growth in the region has a strong outlook over the next five years. Improved stability across the wider MENA region in large economies such as Egypt would bode well for the future prospects of the region. GCC states will continue to drive economic growth, as Qatar, UAE and Saudi Arabia in particular roll out ambitious spending and investment plans. The UAE is projected to have a real GDP growth rate of nearly 4.5% annually up through 2020. The Expo 2020 is anticipated to contribute to 1.5% to the GDP according to government sources. Saudi Arabia currently has the highest disposable income in the region of nearly USD 282 billion annually and the largest number of billionaires in GCC. Given the outlook on GDP growth and the current level of demand, the GCC countries are expected to continue to form the bulk of the demand for art and design products and services in the future.
**POPULATION GROWTH AND THE DIGITAL NATIVES:**

By 2020, the Generation Z - born with the internet post 1995 – will have started to join the work force in MENA. This demographic, growing up with digital devices and highly influenced by design in products and services will constitute 44% of the overall MENA population. For Generation Z, concepts such as crowd-sourcing and open platform education are seen not as innovations, but as established and popular problem solving mechanisms. They are a social and mobile generation, relying on smart devices for content consumption, browsing and shopping, as well as social media for interacting with friends. These generations of digital natives with distinct values, beliefs, attitudes, and lifestyles are expected to have a direct impact on the design of product and services.

**EXHIBIT 16:**
KEY REGIONAL MACRO-ECONOMIC AND SOCIAL INDICATORS

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**MENA GDP GROWTH 2014–2020 - PERCENTAGE**

- 2014: 3.2%
- 2015: 4.3%
- 2016: 4.5%

**MENA POPULATION GROWTH 2014–2020 - MILLION INHABITANTS**

- 2014: 371
- 2015: 386
- 2016: 394
- 2017: 403
- 2018: 411
- 2019: 420

**MENA GDP PER CAPITA 2013–2020 - $US**

- 2013: 7,760
- 2020: 10,347

**NUMBER OF CONNECTED DEVICES PER HOUSEHOLD 2013–2020 - BILLION DEVICES**

- 2013: 4.0
- 2020: 7.5

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Source: International Monetary Fund, World Economic Database April 2011
URBANIZATION:
65.4% of the total population (483.5 million) in MENA will be living in urban areas by 2025 with countries such as Bahrain, Kuwait, Lebanon, and Qatar witnessing urbanization rates of over 90%. This explosive growth in urbanization will drive cities like Abu Dhabi and Cairo to become key economic powerhouses, contributing 48 and 77% to their respective countries’ GDPs in 2020. The migration towards metropolises in the region will put greater stress on limited and underdeveloped urban infrastructure forcing governments to rethink urban design and create energy-efficient and sustainable cities for the future. This trend will have a significant impact on the whole regional urban planning and architecture sectors with overspill effects in interior design and product design.

CONSTRUCTION AND SOCIAL INFRASTRUCTURE INVESTMENT:
Construction is a direct driver of the Design sector in MENA at least for three segments - architecture, interior design and furniture. The majority of governments within the region have set ambitious infrastructure plans, much of which will require architecture services. A number of large public infrastructure projects are currently under way in the region with the Riyadh Metro and the Qatar Metro both in the top 20 largest construction projects in the region. Within social infrastructure, governments in the region have launched housing, education and healthcare plans, including Morocco, the UAE and Saudi Arabia. The latter’s housing scheme plans to provide permanent housing to 65% of the population that are currently without; 60,000 units are currently in construction and the total project cost of USD 63 billion is the second largest project currently under execution after another mega housing program in Iraq estimated at USD 160 billion.

RISE OF HIGH NET WORTH INDIVIDUALS (HNWI):
Globally, the group of HNWI - individuals with at least USD 1 million net worth - expanded by nearly 2 million individuals in 2013, a 15% growth rate which was the second largest increase since 2000. The number of wealthy individuals in the region has grown by around 5% per year since 2011. In comparison, North America recorded an annual growth rate of about 2 % in the number of HNWI with a net worth between USD 1 million and USD 100 million. The Middle East is home to one of the largest numbers of HNWI with Dubai being the capital of billionaires in the Middle East. This supports the rise of a class of superwealthy art and design collectors from the region and is one of the main growth drivers for luxury goods (e.g. yachts and marine design products).

EXHIBIT 17:
THE NUMBER OF WEALTHY INDIVIDUALS IN THE MIDDLE EAST (SELECT COUNTRIES)

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>HNWIs (dollar millionaires)</th>
<th>UHNWIs (more than $30m in investable assets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oman</td>
<td>3,260</td>
<td>140</td>
</tr>
<tr>
<td>UAE</td>
<td>53,800</td>
<td>775</td>
</tr>
<tr>
<td>Qatar</td>
<td>4,160</td>
<td>290</td>
</tr>
<tr>
<td>Kuwait</td>
<td>13,600</td>
<td>720</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>23,200</td>
<td>1,225</td>
</tr>
<tr>
<td>TOTAL</td>
<td>98,020</td>
<td>3,150</td>
</tr>
</tbody>
</table>

Source: QFC, Beyond Convention, Middle East Wealth Study 2013
MENA TOURISM AND HOSPITALITY:
According to the United Nations’ World Tourism Organization, the number of international arrivals to the Middle East is forecast to more than double from 61 million in 2010 to 149 million by 2030. The Middle East’s share in international tourism is expected to grow from 5% in 2010 to 8% in 2030. This is anticipated to boost the construction of hospitality and tourism infrastructure in the region as well as drive growth in the retail driven design segments such as fashion.

EXPO 2020 AND QATAR WORLD CUP 2022:
The largest ever Expo site is set to be built in the Jebel Ali Dubai World Central area at a total cost of between USD 2–4 billion. The secondary infrastructure spend will be upwards of USD 8 billion, and will include construction opportunities in the transport, hospitality, retail and commercial sectors. Overall Expo related spending is expected to surpass USD 24 billion. The Qatar World Cup 2022 is estimated to spend more than USD 200 billion on infrastructure alone. Both events will likely to be key drivers of growth for the architecture, interior design and landscaping industries in the UAE and Qatar.

Initial estimates of the impact of Expo 2020 is a growth of 1.5 percentage points per year on Dubai’s real GDP between 2014 and 2020, leading to annual growth of 5.5%.
FOOD SECURITY:
The entire MENA region is characterized by very low food security and high dependence on imports. More than half of the food consumed in the MENA region is imported. This number is expected to grow by more than 60% in the next 20 years. The food import bill for the MENA region is expected to reach USD 92.4 billion by 2020 leading to increased local urban agriculture in food production to secure its food supplies. Many experts point to urban farming as one of the solutions to boost food security and independence in Arab countries. Innovation in the fields of water consumption and energy use will have an impact on design and more specifically architecture in the region, boosting the demand for sky farming and other urban farming facilities. In addition, increasing food security challenges will also drive consumers towards more collaborative consumption schemes and local/micro brands from the region.

DIGITAL AND GEO-SOCIALIZATION:
In 2020, consumers in the MENA region will be linked through 4 billion connected devices, impacting business models and personal lives in a way that is unforeseeable today. 75% of MENA’s online population is expected to be involved in social networking by 2015. The new generation of social networking will rely on geographic services and capabilities such as geocoding and geo-tagging where individual profile and interests data will be matched with location-based services to connect and coordinate with surrounding people or events. These collaborative web-mapping techniques will result in new trends of networking, digital marketing, and innovative ways of socializing thus furthering the evolution of interaction between individuals, governments, and organizations and impacting the delivery of design products and services.

MENA DESIGN MARKET SIZE AND OUTLOOK
Looking into the drivers of architecture, interior design, lighting, furniture, fashion, communication design and visual arts, the majority of the design market in MENA is concentrated in downstream activities of the construction sector and the retail of design products and services. The exhibit below summarizes the main drivers for each design segment grouped into 3 design categories: (1) construction-led design segments; (2) retail-led design segments and (3) graphic-led design segments. Visual Art has been considered as a standalone category.

Construction-led design segments:
The regional construction market is estimated at USD 152 billion in 2014 and is the main driver for four selected design segments including architecture, interior design and to a certain extent furniture and lighting.

Overall, it is estimated that in 2014 around 25% of the total regional design market was driven by the construction industry. The regional architecture market which represents 6.5% of the construction market is currently boosted by overall construction growth (commercial in particular) while the growth of the interior design (4% of the construction market in 2014) has been led by the rise of hospitality projects in the region. The hospitality industry is forecasted to register a CAGR of 4% during 2013–23, higher than the growth rate for the entire Middle East economy (3.8%). The furniture and lighting sectors respectively estimated at USD 13.2 billion and USD 1.9 billion in 2014 are highly correlated with the growth in residential construction as well as retail expansion as illustrated in the Exhibit on the following page.
Retail-led design segments:
MENA is one of the fastest growing regions in retail with the GCC presenting strong growth prospects, given a high disposable income per capita coupled with favourable demographics and large-scale retail projects developing across the region. Retail-led design segments currently represent USD 76 billion – almost 75% of the total design market.

The Communication design segment accounts for only 1% of the total design sector and is primarily led by the media sector and in particular regional advertising spend. Despite its small size, the communication design sector is anticipated to experience strong growth in the coming years, spurred by the rise in digital design adoption and the increase in regional FMCG consumption driving the demand for packaging. At just over USD 30 million in MENA, the Visual Arts segment is in its infancy, but is expected to grow at an annual growth rate of 7% in the coming 5 years supported by the proliferation of art sales platforms (e.g. Christie’s and Sotheby’s regional auction houses, Art Dubai, Abu Dhabi Art) and an increasing demand within the region.

MENA DESIGN MARKET GROWTH:
In this section, we have looked at the historical market size of the overall design market from 2010 to 2013 and sets growth forecasts for 2014 through 2019 covering global and regional design industries growth forecast (in the five target countries UAE, KSA, Qatar, Egypt and Lebanon). The forecast methodology is described in the methodology section while further details on each segment are available in Part III of this report.

2014 saw the size of the MENA design industry overpassing the USD 100 billion milestone. We estimate that the MENA design market constitutes over 4.5% of the global design market, valued at USD 2.3 trillion in 2014 for the design segments covered in this report.
Overall, the MENA region’s outlook is very positive: the sector’s growth is expected to continue outperforming the global design industry. With an average growth of 6%, the MENA design industry will grow at twice the pace of the global design sector and by 2019, its contribution to the global design sector will reach 5.2%. While the UAE is expected to remain the largest contributor to the total MENA design industry (an average of 27% regional share), the country is likely to grow at a slightly slower pace than the MENA region overall due to a higher level of maturity. The rest of the MENA region, especially North African countries such as Morocco, Algeria, Tunisia, and Egypt – while heavily dependent on political stability - are anticipated to gradually narrow the design market gap with the GCC countries.

Source: Deloitte Analysis
(*) Global market includes only the segments covered in the MENA analysis
While we forecast strong growth in the design markets over the next five years, the design industry is even more optimistic about its outlook, both from a revenues and workforce growth point of view.

EXHIBIT 22:
VIEWS OF THE INDUSTRY ON THE NEXT 3 YEAR GROWTH (MARKET RESEARCH)

<table>
<thead>
<tr>
<th>Optimistic on the revenue growth of the industry</th>
<th>Optimistic on the growth of their businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>How much do you think your segment will</td>
<td>During the course of the next 3 years, what is</td>
</tr>
<tr>
<td>annually grow over the next 3 years?</td>
<td>the expected annual increase of headcount in your</td>
</tr>
<tr>
<td></td>
<td>design team up to 2017? (Mid Level)</td>
</tr>
<tr>
<td>Over 20%</td>
<td>Over 30%</td>
</tr>
<tr>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>10% to 20%</td>
<td>25 - 30%</td>
</tr>
<tr>
<td>19%</td>
<td>11%</td>
</tr>
<tr>
<td>5% to 10%</td>
<td>15% - 20%</td>
</tr>
<tr>
<td>34%</td>
<td>17%</td>
</tr>
<tr>
<td>2% to 5%</td>
<td>10% - 15%</td>
</tr>
<tr>
<td>26%</td>
<td>20%</td>
</tr>
<tr>
<td>0% to 2%</td>
<td>5% - 10%</td>
</tr>
<tr>
<td>6%</td>
<td>19%</td>
</tr>
<tr>
<td>Negative to 0%</td>
<td>0% - 5%</td>
</tr>
<tr>
<td>0%</td>
<td>15%</td>
</tr>
<tr>
<td>No recruitment</td>
<td></td>
</tr>
<tr>
<td>9%</td>
<td></td>
</tr>
</tbody>
</table>

Source: TNS, Deloitte Analysis

Overall, the market expects a 9% to 10% CAGR over the next 3 years in revenues. The Digital Design segment is the most bullish on growth while architecture is the most conservative. All design segments anticipate a fast pace of hiring in the next 3 years – on average from 14 to 15% at mid-level and just below 10% at senior level. However it should be noted that one fifth of the respondents do not expect to grow their workforce (mid-level) in the next 3 years.

In absolute numbers, the UAE and Saudi Arabia are by far the largest overall design markets in the region, respectively totalling USD 27.6 billion and USD 21.9 billion in design revenues. The third and fourth largest markets are Qatar and Egypt, both representing around half of the Saudi market. From a growth perspective, Saudi Arabia and Qatar are the fastest growing design markets in the region, having respectively experienced between 2010 and 2013 a growth rate of 9% and 11%.
EXHIBIT 23:
DESIGN MARKET PERFORMANCE BY COUNTRY, 2014

Fashion, architecture and interior design are the largest contributors to the overall MENA Design sector and specifically to the largest markets (e.g. UAE, Saudi Arabia and Qatar). Furniture is an important and growing segment in countries such as Egypt and Lebanon.

MENA DESIGN MARKET: DEMAND VS. SUPPLY

Even if the MENA region is currently seen more as an importer and consumer of design goods and a retail hub in the case of the UAE, there is potential to grow the importance of creation, production and eventually export of design in the region. A few recent examples include the regional and international success of home grown design led brands such as Qela, SA’CE, and Ajmal Perfumes.

Currently, the MENA design sector is still a predominantly import-oriented industry where locally produced design goods and services account for approximately 35% of the total market size. In specific segments of design, particularly fashion and furniture, 80% of the demand is satisfied through imports instead of local production. Compared with more mature countries such as Denmark, US, UK and France, the MENA design sector has still a relatively small contribution to the region's GDP (1.5%) suggesting room for growth and production opportunities.

Source: Deloitte Analysis
EXHIBIT 24:
DEMAND VS. SUPPLY SIZING OF THE MENA MARKET

MACRO TRENDS: IMPACT ON MENA DESIGN

Dubai Design and Fashion Council and Deloitte have been working alongside The Future Laboratory, a globally renowned trends and insights consultancy, which identified the global macro trends that will shape the MENA Design industry over the next five years. Based on previous research and expertise, they were able to identify the key themes that will transform the way we produce, sell and consume design products and services in the region and within a global context.

Over the last 5 years, our societies have progressively moved from passive acceptance to an “Anarconomy Decade” where anarchic thinking, creative disruption and information sharing have shaped politics, culture, business, retail and leisure and more specifically design habits and manufacturing methods. This trend was particularly reflected in the recent Arab Spring events which had a lasting impact not only on consumers and governments across the region but also on how corporations need to design and conduct their business, resulting in the proliferation of space hacking and open-source design. In the words of Chris Sanderson, co-founder, The Future Laboratory, ‘The future is collaborative. It is cloud-based and, more than anything else, it is increasingly about brands, businesses or corporations being more cultural, artisanal and using the seamlessness of technology to facilitate what we believed technology would prevent us from doing – becoming more intimate, local and social.’

CO-COMMERCE, CONVERGENCE AND RURBANISM

Under Anarconomy, the key themes that will influence the Design culture in MENA are Co-Commerce, Convergence and Rurbanism. These global themes are gaining grounds in the MENA region, affecting not only designers, consumers and organizations but also the way governments provide public services.
CO-COMMERCE IS A NEW SPIRIT OF COLLABORATION BETWEEN CONSUMERS AND BRANDS

Co-commerce is fuelled by a civic mind-set that rejects the current marketplace’s competitive instincts and embraces notions of community. Designers expect brands to be less competitive and more collaborative; less corporate and more cultural.

In Europe and in the US, new models are emerging for retailing, designing and branding products that re-invent the way goods are traded and brought to market. In emerging markets, unprecedented levels of innovation have taken place. Collectively, these forces driven by access to the web, social media and technology are rewriting the rules of commerce in the 21st century. The Co-commerce trend is a new entrepreneurial ethos where businesses are acting in more symbiotic ways by facilitating consumer communities and collaborating with other brands. Brands need now to think Co-opetition, Co-selling, Co-curating, Co-marketing, Co-sharing to create new and more powerful product and service categories.

The shift in attitudes following the Arab Spring increased technology penetration and a booming generation of engaged youth will reshape the regional Design industry in the next five years

64% of young Arabs claim they would put their trust in consumers rather than institutions because consumers have no hidden agenda pointing to a future of peer-to-peer collaboration in the MENA region. The impact of this will be the way that brands change their offer to comply with this mind-set in the future.

We also expect the Co-commerce wave in the region to have a positive impact on challenges such as the disparity between male and female MENA entrepreneurs. We will see a rise in the amount of start-ups, creative shared spaces and hacker spaces in the coming decade in the MENA. Globally, there are many ways Co-commerce has transformed and will change the Design industry as illustrated in the exhibit below.
The most visible impact is probably the Co-branding trend which is the participation of brands, designers in joint projects with other complementary brands and consumers.

Popular examples of Co-branding are designer-centric collaboration of high street retailers with high-end designers (e.g. H&M partnering with Jimmy Choo, Isabel Marant, the collaboration of Coca Cola and Karl Lagerfeld and the partnership of Marriott Hotels with Bulgari). Co-branding has become an increasingly popular way to drive innovation and attract new audience. Consumers are very receptive to the collaborative approach as demonstrated by the success of H&M's sales of designer collections.

Crowdsourcing is another manifestation of the Co-commerce trend in the Design sector where customers are approached by brands in a collaborative manner to design new products and services. Design by crowdsourcing is widespread among global brands such as Kraft Food that set up regular competitions for fans to design print ads for popular products (e.g. Mini-Oreo cookies) or Lego that has a dedicated online idea website where fans can propose new Lego creations.

One of the first multinationals to enter the foray of crowdsourcing was Unilever, with brands such as Ben and Jerry’s ice cream, CIF cleaning liquid and snack Pepperami. As other FMCG companies, Unilever has now entered another stage of crowdsourcing and co-creation maturity by establishing a partnership with eYeka, one of the leading crowdsourcing service providers to tap into the creativity of eYeka’s 250,000 members. Currently, this crowdsourcing platform generates innovative ideas across the company’s entire brand spectrum covering international markets in Asia Pacific, South Africa and also the Middle East.

In the MENA region, one of the first brands that has embraced the crowdsourcing is Puma which launched the Puma Creative Factory in Dubai, an initiative that allows consumers to design their own shoes or regional designers including Zayan Ghandour, Emperor 1688, Tahir Sultan, to create their own interpretations of iconic products such as the T7 Jacket. In the region, companies including small and medium enterprises are also increasingly partnering with newly set Middle East’s crowdsourcing platforms (e.g. Mixilion, Mawwell) to have better access to innovation through a pool of designers and talents.
EXHIBIT 27:  
CASE STUDY - CROWDSOURCING

GLOBAL crowdsourcing market for design

Crowdsourcing, the process of outsourcing tasks to a “crowd” (consumers, artists, freelancers) allows companies to strengthen their relationships with consumers, to leverage creativity to the public and benefit from a new way to innovate in designs and ideas for their products and services.

Traditional agencies have started to adopt crowdsourcing as part of their business model, while new crowdsourcing platforms were born, focusing on the design segments.

![Crowdsourcing Platforms Market Volume (in $ bn)]

- Adobe Creative Juices
- Co-Contest
- Designs
- Eyeka
- Cocontest
- Mixilicon

MENA crowdsourcing for design

Crowdsourcing is a small but growing market in the MENA region

- MENA’s first international-based creative crowdsourcing platform
- MENA’s first based creative crowdsourcing platform
- Partnership between Unilever and eyeka to enter the MENA market

PUMA CASE — DUBAI

- PUMA Creative factory
- PUMA iPad application

- A unique and advanced way for crowdsourcing
- PUMA organizes a competition on Product Design on special occasions like: (2010) Shoe customization (2017) T7 Track Jacket — for the Jacket’s 40 year anniversary
- Participants: Regional artists, bloggers, musicians & filmmakers
- 1st step: Design the product on Facebook app
- 2nd step: Selection of 6 designers to produce their design during a special event workshop in Dubai

- Customization of a product design in-store through the iPad app
- Materials are provided
- Finalizing the design and pay on the app
- The design is then sent to a factory for assembly
- Within 6 weeks, the customer receives an email to pick up the product from a Puma store

Brands are increasingly involving consumers for new ideas about the design of their products and services

<table>
<thead>
<tr>
<th>Logo Design</th>
<th>Product Design</th>
<th>Packaging Design</th>
<th>Brand Positioning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adobe Creative Juices</td>
<td>A t-shirt company that takes members’ designs by vote</td>
<td>Heineken 2,700 ideas from 40 countries</td>
<td>Kraft 500 ideas from 62 countries</td>
</tr>
<tr>
<td>3,600 ideas</td>
<td>25 cm global members</td>
<td>2,700 ideas</td>
<td>40 countries</td>
</tr>
</tbody>
</table>

Source: BRW, Crowdsourcing org, European Union, Puma

CO-COMMERCE IS REFLECTED IN THE DESIGN COLLABORATION OF LARGE ORGANIZATIONS WITH ARTISANS

Brands are increasingly embracing artisanship, either by showcasing and supporting the craftsmen behind their own products, or by collaborating with designers on projects that incorporate the brand’s signature materials or style. Many examples reflect this trend: Eastlocal Design project from Icelandic designer Eirik Helgesen who partnered with the aluminium factory Alcoa to create furniture based on their waste products; Chanel acquiring small Scottish knitwear mill, Barrie; LVMH’s Les Journées Particulières, which opens house events to give the public a glimpse inside more than 40 of its brand ateliers in Europe. Regionally, collaboration between MENA designers and artisans and large corporations to produce innovative design is emerging. For example, Emirati designer Khalid Shafar recently collaborated with the historical French cabinetmaker Moissonnier and with the carpet industry leader Tai Ping on special limited edition releases. Lebanese furniture designer Nada Debs designed a summer collection for international watchmaker TRIWA. Nadine Kanso collaborated with Gucci and Canvas magazine to produce Gucci’s New Book.

Particulières, which opens house events to give the public a glimpse inside more than 40 of its brand ateliers in Europe. Regionally, collaboration between MENA designers and artisans and large corporations to produce innovative design is emerging. For example, Emirati designer Khalid Shafar recently collaborated with the historical French cabinetmaker Moissonnier and with the carpet industry leader Tai Ping on special limited edition releases. Lebanese furniture designer Nada Debs designed a summer collection for international watchmaker TRIWA. Nadine Kanso collaborated with Gucci and Canvas magazine to produce Gucci’s New Book.
As global brands try to be more connected to their local customer base, we anticipate for the coming years a rise in collaboration between MENA designers and global brands. This will be even more facilitated by the emergence of new international platforms that promote regional artists and creatives such as the recent exhibition Middle East Revealed organized by Wallpaper and d3 at London Design Festival that showcased the work of regional designers Nadine Kanso, Nada Debs, Lamya Gharghash, Salem Al Qassimi and Khalid Shafar.

COLLABORATIVE CITIES IS ANOTHER EXAMPLE OF CO-COMMERCE IMPACT ON THE DESIGN SECTOR AND PARTICULARLY THE ARCHITECTURE SEGMENT

The built environment will increasingly reflect people’s needs and desires as expressed through crowdfunding platforms and online networks. Instead of relying on governments to channel money towards civic projects, people are coming together to fund independent initiatives for their community.

In New York, studio FAMILY Architects and design agency PlayLab’s Archie Lee Coates IV and Jeffrey Franklin created the concept +Pool, a swimming pool that uses filtered water from the Hudson River. The project surpassed its Kickstarter funding target of USD 250,000 in July 2013 with 3,175 backers. Community projects such as +Pool point to society’s Co-commerce shift: urban planners and architects are moving away from simply being producers to acting as platforms for networks and communities. Thanks to platforms such as Brickstarter and Airbnb’s Shared City, the Co-Commerce trend is fuelling a wave of collaborative, connected and civic-minded projects which will continue to influence designers in the coming decade. These include:

• Crowd-created Cities: When developing the branding for Helsinki World Design Capital, agency, Kokoro & Moi decided to let the people of Helsinki propose their own design solutions. At a series of 20 workshops, the duo invited residents of the city to draw what design in Helsinki meant to them, resulting in more than 2,000 illustrations. ‘The city is continually developing,’ explained co-founder Teemu Suviala, ‘so the design material and its graphic identity should always evolve, too.’

• Crowd-funded Cities: The “I Make Rotterdam” project by The International Architecture Biennale Rotterdam and ZUS proposed crowd funding as a way to finance new structures and to enable communities to take a sense of ownership of public spaces. The main project of “I Make Rotterdam” was the building of a footbridge between the city’s Central and North districts. The walkway was built with individual planks of wood pledged by people online for €25 each. Etched onto each plank was a personal message written by the people who pledged it online, so they could see the result of their contribution.

• Digital Cities: Recho is an app that enables users to record a sound and leave it for someone else to discover. Via the app, people can see what sounds have been recorded nearby, and are able to hear it once they stand in the location. Founders Åsmund Sollihøgda and Mads Damsbo believe the app has the potential for creating geo-specific stories. The app has already been used at the Roskilde Festival, where festival-goers were encouraged to record the sounds of the event for others to experience over the other 51 weeks of the year when the festival is not running. The City of Copenhagen also plans to run a treasure hunt using Recho to help locals tell their stories about the city and save them on location.

• Interactive Cities: Unnumbered Sparks was an aerial installation, floating in the skies of downtown Vancouver, to mark the 30th anniversary of the TED conference at TED2014. The floating sculpture was a collaboration between artist Janet Echelman who is known for her ethereal mid-air works, and Aaron Koblin, creative director of the Google Data Arts group. The multi-hued billowing textile was made from a 745-feet net embedded with ultra-light fibres. It was powered by Google Chrome, which enabled viewers below to control its light patterns using their smartphones.
In MENA, the necessary ingredients to build civic crowdfunding websites are already there: politically-inspired individuals, a large base of generous donors, young web engineers, and high social media engagement. An example is the economic rescue fund – Support Egypt Fund - set up by the media tycoon Mohamed El-Amin that collected around EGP 1bn from citizens to be invested in infrastructure, education health and social projects. Other crowdfunding platforms such as Yomken in Egypt or Zoomal in Lebanon, solicit donations from the public to finance the production of new lines of products.

**THE CONVERGENCE ECONOMY**

There is one distinctive theme when looking at retail spaces, products, hospitality and entertainment these days: it is difficult to tell one from the other, or set one within particular parameters or boundaries. The borders between retail, hospitality, design and entertainment are blurring as new technologies bring together formerly disparate industries and technology drive Bleisure (business and leisure are more and more intertwined) globally. Many of the resulting combinations — from data analytics and craft production to audio-visual entertainment and haptic feedback — are leading to exciting developments for brands and consumers. Our lifestyles increasingly demand new products and services that facilitate flexible living, which are the key drivers of the Convergence trend. Below are some examples of impact of The Convergence Economy on the global design industry.

**EXHIBIT 28:**
**DESIGN MACRO TRENDS - CONVERGENCE**

1. **WEARABLE TECHNOLOGY**
   Tech Fashion enter the mainstream, fuelled by young consumers’ comfort with experiences that blur the lines between the physical and digital. Thanks to advancements such as wearable tech, fashion brands are innovating in a whole new way.

2. **BIG DATA DESIGN**
   Designers are making the intangible tangible by turning data sets and social media activity into art.

3. **HYBRID SPACE**
   Interior designers are creating flexible spaces suited to multiple uses.

4. **RISE OF MULTI-CHANNEL RETAIL**
   In the multi-channel universe, consumers can explore virtual shops, buy products from videos as they watch, and receive discount vouchers as they enter bricks and mortar stores.

**THE RISE OF FASHION AND TECH COLLABORATIONS:**
Technical textiles have been underway for many years. Now, however, we are beginning to see Tech Fashion enter the mainstream, fuelled by young consumers’ (Generation Z) comfort with experiences that blur the lines between the physical and digital. Now, thanks to the advancements such as washable tech, fashion brands are innovating in a whole new way. Alexander Wang’s A/W 14 collection incorporated heat reactive materials. Intel announced at CES 2014 that it would be teaming up with retailer Opening Ceremony on a range of functional technology accessories to be stocked in luxury department store Barneys New York. Meanwhile, French wearables company Netatmo has joined forces with Tory Burch. At the US Open, Ralph Lauren trialled smart shirts that measure the wearer’s heart rate, activity and breathing. According to Juniper Research\(^1\), the smart mobile wearable technology industry will be worth USD 19bn by 2018.
BIG DATA DESIGN:
A generation of new designers are making the intangible tangible by turning data sets and social media activity into art. Andreas Nicolas Fischer is a Berlin-based designer who investigates the effects of technology and automation on society and contemporary art. He has collaborated with prestigious brands such as Mercedes Benz and Diesel to transform data into art18.

EXHIBIT 29:
CASE STUDIES TECHNOLOGY AND DESIGN INTEGRATION

ANDREAS NICOLAS FISCHER

TURNING BIG DATA INTO ART

• Fischer is an innovator in the field of digital design and computer graphic design. His digital sculptures are often created using semi-controlled algorithms so the resulting visuals cannot be predicted.

• His approach to generative artwork has been embraced by brands such as Mercedes-Benz, for whom he created a video piece depicting the sound of the Mercedes SLS AMG engine using algorithms.

• Most recently, to celebrate the opening of the Diesel flagship store in Rome, he designed the POSTroma project, which took topographical data of the city and presented it through moving visuals projected on the shop walls. Participants could access the project through Twitter and influence its shape and movements.

STUDIO XO

A FASHION & TECHNOLOGY STUDIO

• Studio XO's work sits at the intersection of fashion, design, engineering and technology. Having worked with the strategic design and wearable tech team at Phillips, Studio XO co-founders Nancy Tilbury and Benjamin Males believe that there are great opportunities to be had from tech-enhanced fashion garments.

• Their latest project, XOX, is a platform that “enables brands and artists to track users' emotional states, collect data and tailor services and experiences for both individuals and large audiences”. (Source: http://www.studio-xo.com/

• http://www.xoxemotionaltech.com/

Source: The Future Laboratory Research

THE RISE OF MULTI-CHANNEL RETAIL:
In the multi-channel universe, consumers can explore virtual shops, buy products from videos as they watch, and receive discount vouchers as they enter bricks and mortar stores. A recent example is the Avenue Imperial, the new virtual shopping platform that offers shoppers the chance to walk in and around their favourite stores, purchasing as they browse.

CROSS SECTOR COLLABORATION:
Industrial designers increasingly work with technologists and digital designers to engineer products that can record and analyse personal data such as the fitness tracker Activité watch by Withings or Moto Hint wireless ear bud by Motorola.

HYBRID SPACES:
Interior designers are creating flexible spaces suited to multiple uses (e.g. The Ace Hotel London, by Universal Design Studio, features a bar, a restaurant, a juice bar, a café, a gallery, a basement club and a florist).

We anticipate Convergence to have a major impact on the MENA Design sector in the future. MENA consumers have desire for new, daring experiences provided by brands

72% of MENA adults state they would purchase brands that ‘dare to be different’. Convergence in MENA will be also supported by the dramatic increase in access to technology that will fuel a desire for digital innovation in industries such as mobile commerce.

The rise of multi-use, theatrical retail and hospitality environments in MENA is already a reality in the region with the emergence of retail concepts such as Mahani in Dubai that combines art, fashion, food and lifestyle, Fashion concept store Denim Room in Kuwait and Ginette in Lebanon, a coffee shop, art gallery and boutique offering international designer brands, books, kitchenware and a variety of technology accessories20.
Pop up stores and concepts is another demonstration of the Convergence Economy in MENA. From Fes in Morocco (e.g. Fez medina’s first Pop up shop/gallery) to Saudi Arabia (e.g. Jeddah’s Tanween Boutique) and Lebanon (e.g. Temporary pop up Studio-X in Beirut), this temporary retail and work space concept not only provides a cheap and handy alternative to regional designers with minimal risks but also an interesting platform for global brands to test new products in the region and generate buzz (e.g. Opening of Boucheron pop up store in Doha).

### EXHIBIT 30:
**CASE STUDY - POP UP STORES, THE RISE OF ALTERNATIVE RETAIL SPACES**

#### INTERNATIONAL pop-up stores

- **£2.1 billion in UK pop-up retail turnover in 2013**
- **£23,000 employed in +10,000 pop-up stores**
- **+8.4% projected in pop up consumer spending**
- **+2x the growth of total UK retail expected in pop-up retail in the next year**

#### MENA pop-up store trends

- Stores cover a range of segments including fashion (e.g., B51), art (e.g., Dubai Mobile Art Gallery, Pop Up @ 360 in Kuwait), product & experimental design (e.g., Beirut Loves stores, dXb store) and architecture (e.g., AOD’s “Social Gatherings” themed store)
- International labels use pop up stores to showcase local talent (e.g., In Bahrain, USA’s Saks debuts the region’s most popular designers)
- Major fashion brands use pop up stores to test new products in the region and generate buzz (e.g., Boucheron announced a new pop up in Doha)
- MENA designers use pop up retail to promote their own brands (e.g., Haraka is setup by a designer in Bahrain to market her own items)

#### Business Impact

- Enables designers and consumers to interact closely with each other, encouraging insight and sales
- Increasingly used in major events and shopping areas (e.g., London Fashion Week, Bikini Berlin Mall)
- More online to in-store activity, disrupting low cost e-commerce models (e.g., ebay, amazon)
- Showcases Amazon Fire products
- Pop ups complement digital space
- Aims to maximizes sales in the lead up to and including holiday seasons

#### Example: Amazon

- Culturally themed fashion shop
- 6 designers and 80 items/store
- Successful with most designers selling +90% of their stock

#### Typical Pop Up Store Users

- Blue-chip retailers and designers who have integrated pop-up retail into their sales and marketing strategies
- New entrepreneurs and designers
- Companies in other markets inspired by designer pop up retail (e.g., Nike, ebay, Song, Oxfam, Claire’s, Nissan)

#### Key Indicators (2013)

- **Example Country: UK**
  - UK’s pop-up retail industry is booming

#### Prominent MENA pop-up stores

- **Anthropology of Design**
  - Culturally themed fashion shop
  - 6 designers and 80 items/store
  - Successful with most designers selling +90% of their stock

- **Beirut Loves**
  - Annual 5-year project in Beirut
  - Each year the theme is based on discovering a new world city
  - Brings world designers to Beirut

- **B51 Pop Up Store**
  - Brings international fashion designs and items to MENA
  - Features selected designer talents from all over the world

- **Haraka (“Cool”)**
  - Features fun, colourful and humour themed designer items
  - Setup by designer Muna Yateem to market her own line

Source: Cradlepoint, Anthropology of Design, Centre for Economics and Business Research
Several art galleries and mall venues (e.g. Furla’s exclusive Candy Pop Up store at The Dubai Mall) have also opened up to pop-up shops for a specific period. Dubai’s pop-up concepts are burgeoning with trend setters like My Ex Wardrobe, The Urban Yogi and Shoreditch Muse. We expect alternative retail and design spaces to gain grounds in the MENA region driven by concept stores and pop up formats supported by organizations such as Anthropology of Design.

**IMPACT OF RURBANISM ON THE DESIGN SECTOR**

Rural+Urban= Rurban. The past decade and a half has seen a surge in concern about climate change, resource scarcity and food insecurity. As a result, we see businesses, consumers and designers applying certain rural practices in an urban context. For example, consumers are adopting lifestyle habits such as growing their own food, bee-keeping and hiking that give them a break from the stresses of city living. In addition, there is a changing attitude of city dwellers who reject the impersonal ‘bigness’ of globalization and corporations, and make an effort to reconnect with their communities. They patronise local businesses, grow their own food, and favour small-scale brands such as the Fields Brewery microbrewery in London and HK. Consumers are shopping for more sustainable products that protect the environment.

The entire MENA region is characterized by very low food security. It is closely tied to rising world food prices, as more than half of the food consumed in these countries is imported. This number is expected to grow by more than 60% in the next 20 years. Some experts point to urban farming as a solution to boost food security in Arab countries in the future, so we expect to see innovation in the fields of architecture, urban sustainability, eco-fashion, collaborative consumption and micro brands in the MENA region.

We also expect this region to continue to have a higher percentage of population involved in urban agriculture in the next 10 years (currently MENA has 6% compared with 2% in other regions) and consumers changing radically their consumption patterns towards more local, social and environmentally-friendly design and brands.

**EXHIBIT 31: DESIGN MACRO TRENDS - RURBANISM**

**1. CHAMELEON BRANDING**

Brands change their retail design in an attempt to appear more local and create stores that fit in with their surroundings.

**2. URBAN FARMING AND HYPERLOCALISM**

Citizens who transformed abandoned lots and rooftops into growing spaces (hanging gardens, Honey from rooftop bees). Vertical farms that accommodate urban farming programs and hanging gardens.

**3. THE RISE OF CRAFT**

Designers embrace a rustic craft aesthetic that speaks of simpler times. They draw upon natural hand-carved woods, heavy metals and stoneware, while emphasising sustainable manufacturing.

**4. SUSTAINABLE CONSTRUCTION**

Sustainable construction including large-scale public works, zero-waste café and waste free-dining, are the ultimate examples of Rurban architecture and interior design.
CHAMELEON BRANDING:
Globally, brands are keen to find new ways of connecting with their customer base and are trending toward ‘glocalisation’ by adapting the design of their product or services specifically to each locality or culture in which they are sold. This is the case for the coffee chain Starbucks which adapts the design of its stores to the place in which it operates, creating more local relevancy by taking inspiration from local communities.

HYPERLOCALISM AND MICRO-BRANDS:
City dwellers often reject the impersonal ‘bigness’ of globalization and corporations, and make an effort to reconnect with their communities. They patronise local businesses, grow their own food, and favour small-scale brands. As a consequence, we have seen the rise of design projects that speak to these consumers. The Chicken project by designer Kieren Jones – a custom-built, mini-factory for the home that can turn the uneaten parts of chickens into leather for clothing and bone china for kitchen products is a great example of designers exploring new ways to re-purpose waste food into a useable, design material.

THE RISE OF CRAFT:
Designers embrace a rustic craft aesthetic that speaks of simpler times. They draw upon natural hand-carved woods, heavy metals and stoneware, while emphasising sustainable manufacturing. This trend can be illustrated by the Studio Toogood’s designer in residence exhibition at Hostem store in London.

SUSTAINABLE CONSTRUCTION:
A proponent of sustainable construction, Dutch-born Bakker is known for his large-scale public works and vertical gardens. His Australian ‘Greenhouse by Joost’ project, along with his Silo zero-waste café in Melbourne, are the ultimate examples of Rurban architecture and interior design. When the Rurban trend was nascent, the earliest adopters of the trend were predominantly amateur urban farmers who transformed abandoned lots and rooftops into growing spaces. This inspired initiatives such as Capital Growth, a partnership between London Food Link, the Mayor of London Boris Johnson, and the Big Lottery’s Local Food Fund. Capital Growth supported the creation of 2012 community food growing spaces across London by the end of 2012. Not limited to the UK, the Rurban Revolution exploded around the world, and designers such as Joost Bakker became well-known figures in design. Joost Bakker’s Greenhouse project started in Melbourne and featured in various cities. In 2011, the Greenhouse was invited for a six-week residency at Sydney Harbour by NSW Government’s Sydney Harbour Foreshore Authority. Attracting tens of thousands of visitors and worldwide media attention, the project helped bring the principles of sustainable construction and waste-free dining into the mainstream. Since Joost’s project, we have seen the trend of sustainable restaurants pick up pace alongside a growing consumer preference for organic and health foods. Today, almost half (45%) of Americans actively try to incorporate organically grown items into their diet, according to a study by global polling company Gallup.

VERTICAL FARMING:
By the year 2050, close of 80% of the world’s population will live in urban areas. Vertical farming where crops are raised in skyscrapers or on stacked layers may be the best way to feed water poor countries with non-arable land such as the Middle East. We expect vertical farming expanding in the MENA region and having a major impact on urban planning and architecture.
What is vertical farming?

Associated with city farming, vertical farming is about having farming programs in cities on a small land area by cultivating plants on vertically inclined surfaces instead of on the ground. Vertical farms are promising a new, environmentally friendly way to feed the rapidly growing populations of cities worldwide.

Regional experts point to urban farming as a solution to boost food security in Arab countries in the future knowing that in 2012, GCC food imports stood at 26.6 billion USD with nearly 98% of the food imported. The big advantage for places such as the Middle East, is that vertical farming uses around 70% less water than traditional farming — Whilst in its tentative stages, vertical farming in the Middle East could be a great solution to the regions current water problems and its huge reliance on food imports.

The world’s largest vertical farms

In March 2014, the world’s largest vertical farm has opened in the United States in Scranton. Built by U.S.-based Green Spirit Farms, the farm is only a single storey covering 3.25 hectares, and housing 17 million plants. Its output will be almost 10 times greater than the firm’s first vertical farm, which opened in the United States in 2011. Investment: $27 million.

Hydroponic farm in Saudi Arabia

In Saudi Arabia, arable land is very limited; therefore, it is highly challenging for it to produce adequate food and has to import 95% of their fresh fruits and vegetables. Pegasus Agri-tech, MENA region’s largest commercial operator of hydroponic farming facilities announced this year the construction of the first commercial hydroponic farm in Saudi Arabia that will produce 1000 times more outputs through vertical farming technique than with traditional farming.

Presence of hydroponic farms in the region

Pegasus Agri-tech, MENA region’s largest commercial operator of hydroponic farming facilities has already planned hydroponic projects and farming facilities all over the MENA region, including UAE, Oman, Qatar, Tunisia, Iraq and Afghanistan.

PART 3
MENA DESIGN SEGMENT - TODAY AND OUTLOOK
MENA DESIGN SEGMENT
ARCHITECTURE
The global architecture market has gradually recovered from the 2009 economic crisis, with emerging markets driving the growth. The global architecture industry underwent a downturn following the 2009 economic crisis, followed by a relatively quick rebound due to strong economic growth in emerging markets. The recovery was largely driven by government expenditure in large emerging economies such as China and Brazil, with an emphasis on public infrastructure such as schools and hospitals. Public infrastructure projects helped to stimulate demand for architectural services following 2009, followed by a later recovery in the housing market. Since 2010, the global architecture market has grown at a modest and steady rate between 2 and 4 percent, with a 2013 market value of USD 186 billion. Furthermore, it is forecast to grow at an annualized rate of 2.4% between 2013 and 2017, and then a slightly lower rate of 1.6% to 2019, reaching a market value of USD 211.7 billion by 2019. Improvement in the economic outlook and growth in disposable income is expected to fuel the residential and commercial segments of the construction market going forward, with continued support from government investment into infrastructure in the emerging markets.

**EXHIBIT 33: GLOBAL ARCHITECTURE REVENUES 2010–2019 (USD MILLION)**

The architecture industry structure is highly fragmented with the four largest global players accounting for less than 1% of the annual industry revenues. The majority of operators are small-scale firms with few employees; 87% of member firms from the American Institute of Architects operate from a single office and employ fewer than 12 people24.

Given the fragmented nature of the industry and the barriers of local building regulations, globalization within architecture services has remained limited to a few large architecture and engineering groups. These large multinationals such as AECOM, Gensler or Atkins have either established international offices in foreign markets or developed strategic alliances with local firms.
AECOM generates nearly 50% of its annual revenue from foreign-based activities and its commissions have included the Kingdom Centre in Riyadh. Gensler generates nearly 30% of its annual revenues from foreign-based activities, and its projects have included the Istanbul Financial Centre. Of note is also Skidmore, Owings & Merrill, the firm awarded the commission for the Burj Khalifa in Dubai. Furthermore, UK firm RMJM recently moved its international headquarters from UK to the UAE.

The MENA architecture market is expanding at a faster pace than the global market, with growth driven by Saudi Arabia and Qatar

The MENA architecture market is inherently tied to the health of the construction sector, which has been characterized by public sector projects for a number of countries, mainly in the GCC. While the construction market has started to gain confidence since the real estate slump starting in 2009, the market has seen some volatility. In the GCC, which felt the impact of the financial crisis in its real estate sector, the value of real estate contract awards steadily decreased from 2010 to 2012 from USD 148 billion to USD 119 billion and only significantly picked up in 2013 by over 30% bringing the market to higher levels than 2009. The 2014 edition of Cityscape was a testament of regained investor confidence in the sector with over 40% growth in attendance YOY and 27 mega projects being announced during the event.

We have estimated the MENA region to account for 6.0% of the global architecture industry in 2013. Saudi Arabia and the UAE dominate the market, with 33.3% and 25.3% revenues respectively, and Qatar is the next largest market with 5.6% MENA market share.

The MENA revenues for architecture services have grown at a faster pace than the global industry since 2010, with a CAGR of 5.8% vs. a global CAGR of 3.5%, increasing its share of the global market.

The growth has been driven by the Saudi Arabia and Qatar markets, whose economies in general and real estate markets in particular were less impacted by the economic downturn than the UAE. Due largely to major public infrastructure and housing initiatives, KSA and Qatar experienced compound growth in their architecture sectors of 8.8% and 9.7% respectively while the UAE experienced a CAGR of just 3.2% as several large projects were stalled up to recently. Architects in the region have indicated that architectural services are not as prevalent in other parts of the MENA region, such as Jordan, where, on occasion, engineers cover these services.

The MENA architecture market is expected to continue growing up until 2017 at a CAGR of 7.4%, and subsequently by a CAGR of 4.9% to 2019, outpacing again the pace of the global market.

EXHIBIT 34:
MENA ARCHITECTURE REVENUES 2010–2019 (USD BILLION)
The market is fragmented, although large players are consolidating their positions as "end-to-end" providers for mega projects

Mirroring the global markets, the industry structure of architecture in MENA is fragmented, with a large number of local and regional pure architectural players delivering the majority of medium to small projects, and a few large multinational and multi-disciplined players dominating the large projects landscape. Despite their stronghold on large projects, it can be estimated that the leading eight global players account for just 1.5% of the MENA architecture market.

A limited number of important multi-disciplined regional players also compete for the large contracts, such as KEO International (UAE), which was established in 1964 and has delivered the Emirates Palace in the UAE and The Pearl in Qatar. Dewan Architects & Engineers (UAE) is another home-grown example which has been in the region since 1984, and recently delivered the Yas Viceroy Hotel in Abu Dhabi and the Media One Tower in Dubai.

Developers in the region, delivering large scale projects, increasingly require their contractors to deliver a ‘one stop shop service’ which includes developing building plans, providing design services, supporting with the contracting of construction companies, and oversight of the build phase. This has resulted in a trend towards consolidation in the industry as some of the industry’s largest players have either merged operations with national or international firms, or are forming strategic alliances to become multidisciplinary and multinational providers capable of delivering ‘design and build’ services to clients. This allows the larger architectural companies to compete with multi-disciplined engineering and building companies that have developed in-house architectural capabilities.

Architecture and related companies are increasingly forming strategic alliances to penetrate new markets — e.g., Dubai-based RMJM and Turkish based Tumas who signed an MOU this year to jointly pursue major projects throughout Turkey and the Middle East. In terms of organic vertical expansion, Perkins & Will entered Dubai three years ago with a primary focus on interior design and started to roll out subsequently both architecture services and more recently urban design. It has also formed a strategic alliance with a healthcare specialist in the region to exploit opportunities in this growing sector. Furthermore, acquisitions also took place within the industry as players seek to integrate new capabilities and expand their client base, with one example being the HOK acquisition of 360 Architecture. Although the acquisition was lead internationally, a key motive behind the move was the potential to serve the growing sports development market in the region.

**EXHIBIT 35:**
MENA PRESENCE OF EIGHT LARGEST GLOBAL ARCHITECTURE PLAYERS, 2013

<table>
<thead>
<tr>
<th>Company</th>
<th>MENA Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>AECOM</td>
<td>Al Waab City (Doha, Qatar), 2010</td>
</tr>
<tr>
<td>Gensler</td>
<td>Muharraq (Doha, Qatar), 2016</td>
</tr>
<tr>
<td>Perkins &amp; Will</td>
<td>Princess Nora Bint Abdulrahman University (Riyadh, Saudi Arabia), 2011</td>
</tr>
<tr>
<td>Foster &amp; Partners</td>
<td>The Souk (Abu Dhabi, UAE), 2011</td>
</tr>
<tr>
<td>AEDAS</td>
<td>Hard Rock Hotel (Abu Dhabi, UAE), 2015</td>
</tr>
<tr>
<td>KEO International</td>
<td>New Headquarters of National Bank of Qatar (Doha, Qatar), 2013</td>
</tr>
<tr>
<td>Nikken Group</td>
<td>Dubai Maritime City (Dubai, UAE), 2012</td>
</tr>
<tr>
<td>HOK</td>
<td>Dubai Marina (Dubai, UAE), 2004</td>
</tr>
</tbody>
</table>
Competition in the architecture market peaked in 2008 when the region was overcrowded with a large number of local and international firms, many of which exited the region post-recession. While the market is seeing a new wave of entrants, the degree of competition has not returned to the pre-crisis level. In most international markets, barriers to entry are significant given the complexity of local policies and regulations (e.g., the building regulations around sustainability, company licensing) and growing technology investments (e.g., CAD, 3D). However, the MENA region is more accessible than more mature markets due to the lower levels of registration regulation. New entrants in mature markets, such as the US and UK, are subject to strict regulations, and often require professional licenses and accredited tertiary qualifications.

Architecture firms are moving towards cost optimization, outsourcing and new technology adoption such as 3D printing

Regardless of their appetite to integrate new services and disciplines, industry leaders have highlighted a trend to outsource parts of the architecture value chain. Outsourcing is a growing trend in the region whereby large firms are offshoring their design production to take advantage of lower labour costs in markets such as India and the Philippines. Together with the economies of scale gained from diversifying across the value chain, this is enabling larger players to bid for work at a lower cost, increasing price pressure on the medium and smaller sized pure-play architecture companies.

Technology innovations are also transforming the cost structure of architectural firms across the world. The Middle-East firms are increasingly catching up with technology adoption. The democratisation of 3D printing and modelling is disrupting traditional business processes, reducing time to deliver and costs in the long run. The integration of various technology solutions is increasingly relevant for architecture firms with the need to seamlessly integrate ERP applications with CAD and 3D printing. Integration allows architecture firms to link and automatically update product data (e.g., component, subassembly or assembly data), Bills of Materials and routing instructions between the CAD and ERP systems. In parallel to dropping prices of 3D printers, a number of solutions are coming to the market allowing translation of CAD directly into 3D printable STL files, reducing considerably the delivery time in the architecture design phase.

Residential construction and “mega projects” are the key market drivers for architecture in the region

As in any market, construction is the key driver of architecture services in the MENA region, as architects work closely with engineering and construction companies to develop the design work and detailed plans for construction projects as well as support in the build phase. The construction market in the GCC in 2013 was driven primarily by residential developments (43% of total construction spend), followed by commercial (18%), education (10%), and hospitality sectors (5%).

Residential construction accounts for a significantly larger proportion in the MENA region than in mature markets, such as the US where it accounts for approximately 15% of all construction. This is largely driven by the extensive social housing programs taking place in the MENA region, particularly the Saudi Arabia housing program which has committed to deliver 500,000 housing units between 2011
and 2025\textsuperscript{30}. The plans for this development include the construction of 67,000 housing units in Jeddah, as well as plans for a further 2,000 homes for middle income families on the outskirts of Jeddah. There are further housing programs in the region in the UAE, Morocco and Kuwait. The mid-to-high end of the residential market has also been buoyed by the economic recovery and continued stability in the key markets of Saudi Arabia, the UAE and Qatar, with the latter two markets encouraged further by the award of the Expo 2020 and the FIFA World Cup 2022.

Commercial construction is the next largest sector following residential, with several large scale ongoing and upcoming projects in the region, such as the King Abdullah Financial District in Saudi Arabia and the World Trade Centre in Qatar. A two-tiered market has developed across the region; one characterized by a demand for high quality office space from multinational firms and the other, which is heavily oversupplied, constituting of Grade B and C properties. However, developers appear once again undeterred by the threat of oversupply, developing incentives such as rent-free months and shorter lease durations to attract tenants\textsuperscript{31}.

Education and healthcare are both growing construction sectors across the region, along with other social infrastructure investments such as housing. Saudi Arabia has launched a large-scale project to build up the education sector, accounting for 25% (USD 56 billion) of its 2014 budget, with plans to finance the construction of 465 new schools and 1,544 existing school projects, as well as the refurbishment of 1,500 schools\textsuperscript{32}. In addition, there are a number of university and vocational projects also included in the plan. Furthermore, Qatar has announced plans for a USD 98.9 billion health and education fund, with the proceeds invested into projects and skills.

### EXHIBIT 37: GCC CONSTRUCTION PROJECTS COMPLETED IN 2013, BY SECTOR %

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>PROJECT</th>
<th>VALUE (USD bn)</th>
<th>COUNTRY</th>
<th>COMPLETION DATE</th>
<th>ARCHITECTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>Metro System</td>
<td>12.0</td>
<td>Jeddah, Saudi Arabia</td>
<td>2020</td>
<td>Foster + Partner</td>
</tr>
<tr>
<td>Hospitality</td>
<td>New Doha International Airport</td>
<td>11.1</td>
<td>Doha, Qatar</td>
<td>2020</td>
<td>HOK Scott Wilson Kilkpatrick &amp; Co</td>
</tr>
<tr>
<td>Medical</td>
<td>Ghantoot Green City</td>
<td>10.0</td>
<td>Abu Dhabi, UAE</td>
<td>2020</td>
<td>RNL Design, HIL International, KEO International, WZMH Architects</td>
</tr>
<tr>
<td>Commercial</td>
<td>Doha Metro (Phase 1)</td>
<td>8.2</td>
<td>Doha, Qatar</td>
<td>2020</td>
<td>UNStudio</td>
</tr>
<tr>
<td>Retail</td>
<td>Water Garden City</td>
<td>7.0</td>
<td>Manama, Bahrain</td>
<td>2020</td>
<td>HOK Architects</td>
</tr>
<tr>
<td>Other</td>
<td>Al Shag Crossing</td>
<td>5.0</td>
<td>Doha, Qatar</td>
<td>2020</td>
<td>Santiago Calatrava, Fluor Corporation</td>
</tr>
<tr>
<td>Education</td>
<td>Lagoon Project</td>
<td>6.0</td>
<td>Jeddah, Saudi Arabia</td>
<td>2015</td>
<td>Crystal Lagoons Corporation</td>
</tr>
<tr>
<td></td>
<td>Al Habtoor City</td>
<td>3.0</td>
<td>Dubai, UAE</td>
<td>2016</td>
<td>WS Atkins, John R &amp; Partners, Habtoor &amp; Alami</td>
</tr>
<tr>
<td></td>
<td>Water Canal</td>
<td>2.0</td>
<td>Dubai, UAE</td>
<td>2016</td>
<td>Maps &amp; Gincal Constructors, China State Corporation, Belhasea Six Construct</td>
</tr>
<tr>
<td></td>
<td>Kingdom Tower</td>
<td>1.2</td>
<td>Jeddah, Saudi Arabia</td>
<td>2017</td>
<td>Adrian Smith + Gordon Gill Architecture</td>
</tr>
<tr>
<td></td>
<td>Jewel of the Creek</td>
<td>0.8</td>
<td>Dubai, UAE</td>
<td>2017</td>
<td>Dubai International Real Estate, Habtoor Leighton Group</td>
</tr>
</tbody>
</table>

There are a number of mega projects in the region that span several sectors, including the metro systems in Riyadh, Jeddah and Doha, the recently completed new Doha International Airport or the water canal in Dubai. All of these projects will continue driving growth in the MENA construction market, delivering a CAGR of 8.4% to 2019.
Interviews with industry leaders have indicated that architecture accounted for an estimated 10-12% of total construction project costs in the MENA region, generally higher than in other markets. The most common fee structure in the region remains to charge clients as a percentage of the total construction cost, and typical rates vary between 5–20%, although architects can also be charged at an hourly rate or as a lump sum based on the time expected to deliver the project.\(^3\)

The complexity of projects in the dominant markets of Saudi Arabia, the UAE and Qatar requires extensive architectural, landscaping and urban planning services (e.g., Expo 2020 in the UAE and the Kingdom Tower in Saudi Arabia) and generally command higher price points. Furthermore, clients in the region prefer to use multi-disciplined architectural companies that can assist throughout the entire construction project, providing these players with a greater proportion of the total project fees.

Regulation is another driver of the architecture market in the region, with increasingly complex guidelines on the materials which can be used in construction work. The Dubai government launched the latest Dubai Green building code in 2014, mandatory for all new buildings across residential, commercial and industrial sectors. The code covers a range of construction features, including building vitality, ecology, as well as energy, water and waste efficiency and effectiveness. The Abu Dhabi government launched the Estidama system in 2008 to evaluate sustainable building practices based on environmental, economic, social and cultural factors. The Qatar Global Sustainability Assessment System is currently applied to all large scale projects and may be extended to other projects in the future. Furthermore, a GCC-wide building code is likely to come into effect after 2015. The growing regulation in the industry is boosting demand for architectural services as construction requirements become more intricate and complex.

**Sustainability and Smart design are the most prominent demand trends in the region**

The most prominent demand trend in architecture in the MENA region is the growth of sustainability and smart architecture which, although behind more mature markets in terms of prevalence, is consistently highlighted by industry leaders as increasingly relevant to this region. Sustainable architecture seeks to minimize the negative environmental impact of buildings by providing efficiency through the materials used, and the use of energy and space. Smart design goes further to apply digital technology to the design of buildings, so that buildings’ subsystems can share information to optimize total building performance. For example, air-conditioning, heating ventilation and shade lighting may all be automatically controlled digitally to minimise energy use and to ensure low carbon usage is maximised.

**EXHIBIT 39: SUSTAINABLE DESIGN GLOBAL VS. MENA VIEW**

The World Green Building Trends report by McGraw Hill Construction 2013 demonstrates that green building is growing across the globe: 38% of architects, engineers and contractors, owners and consultants, across 62 countries report that they are focusing their work on sustainable design.

![Sustainable Architecture Globally](Image)

Looking forward, more firms expect to be dedicated to green architecture and construction.
LEED certified commercial building projects can be found in the urban streetscapes across MENA.

Of UAE respondents replied they engage in green architecture for at least 60% of their projects (UAE is 20% higher than the world average). This number is expected to grow to 74% by 2015. Is the time limit that KSA gave construction developers to go green in all their projects. Standards related to: air, water and noise pollution, hazardous waste, construction material and energy efficiency.

Key drivers for green architecture in MENA

1. High energy use, limited water resources
2. Stricter regulations
3. High urbanization rate

Dubai green projects

- The Dubai Electricity and Water Authority Headquarters has a LEED Platinum rating.
- The Sustainable City — the first Net Zero Energy city in Dubai will provide: 100% water and waste recycling, roof solar panels to provide 200 megawatts and its designed to ensure 50% saving in electricity and water bills.
- Sustainability is one of the three pillars of Expo 2020. Its infrastructure will be based on capturing energy from waste, and mandating more rigorous green building, zero emission vehicles, a subterranean supply system, and on-site solar power generation to meet 50% of its power needs. Accommodating 300,000 people over 438 hectares.

Source: Smart Market Report (McGraw Hill Construction) 2013, Diamond Developers, Sustainable Cities Collective

EXHIBIT 40: SUSTAINABLE DESIGN MENA INITIATIVES

Key Drivers

1. A convergence of pressing issues that collectively demand a more efficient and sustainable use of resources - High domestic energy use, limited water resources, high urbanization rate - 60% vs. global average 52%.
2. Stricter regulations - Most of the MENA countries have ambitious energy reduction targets such as Dubai with its Integrated Energy Strategy, which aims to reduce energy demand by 30 percent by 2030 in addition to diversifying energy resources. In addition, Dubai has passed a law requiring all future buildings to have sustainability in their design starting in 2014.
3. Engagement/expertise of architects - A recent study from McGraw Construction found that 74% of UAE firms expect green building projects to account for the majority of their projects by 2015. However, ‘sustainability’ still seems to be a taboo word among clients since it implies additional upfront costs.

- Government has set a target of generating 20% of its national electricity supply from renewable sources by 2020
- Emergence of eco-resorts (e.g. eco-lodge Basata)
- Development of 100ha Mohammed VI Green City - to be completed by 2020
- 2022 FIFA World Cup - Construction of world’s most sustainable stadiums
- Launch of the Middle East’s first sustainable parks and public space assessment system (GSAS)
- The Kingdom has given construction developers 5 years to go green
- Retrofitting over 90,000 masques in the kingdom using advanced green building techniques
- 65% of all green buildings in the MENA region
- Leader of sustainable cities with several ambitious developments (Masdar city, Sustainable city, Akoya Oxygen, Expo 2020)
- One of the leading MENA countries for eco-resorts (e.g. Zighy Bay, Chedi hotels)

* 2013 figure, Marketing Group - it is estimated that the Landscaping and Outdoor Design market accounts for about 10% of the value of the new construction contractor awards

Source: Deloitte Research 2014
The UAE is a clear leader in sustainability and smart design, with initiatives such as Masdar City, which is a sustainable mixed-use project designed by Foster and Partners in Abu Dhabi. Originally launched in 2008 and forecast for completion in 2016, the project was delayed by the impact of the economic slowdown on the real estate sector, and is now expected for completion in 2025. However, it remains a leading regional projects in terms of sustainability commitments, with considerations including (but not limited to) the orientation and performance optimisation of buildings, the use of glazing and natural light to manage energy consumption, and the installations of smart appliances. As a result of the sustainable design, a typical street in Masdar City is expected to be up to 20 degrees Celsius lower in temperature than a typical street in Abu Dhabi.

Falcon Island also demonstrates the move towards sustainable design in the UAE, due for completion in 2016. Designed by A++, an Italian architecture firm, it is expected to be the first residential development in the GCC to achieve the Platinum Level Leadership in Energy and Environmental Design rating for sustainability. Sustainability as a trend within architecture is also evident in Qatar, with large projects such as the Qatar Foundation buildings, including the Education City, all required to achieve Gold LEED status.

The UAE is ranked 9th globally as having the greatest LEED-certified gross square metres (GSM) of energy-efficient buildings outside the US with 1.82m of GSM. LEED (Leadership in Energy and Environmental Design) is the US Green Building Council’s green building certification system and considered to be the foremost program for the design, construction, maintenance and operation of green buildings. The UAE’s LEED-certified buildings include the Dubai Electricity and Water Authority (DEWA), which achieved a Platinum rating and whose features include special glass to reduce heat transfer into the building, water-cooled chillers to cut down energy consumption, low-powered LED lights, and automatic lighting control systems with occupancy sensors.

EXHIBIT 41:  
TOP TEN COUNTRIES FOR LEED-CERTIFIED SPACE 2014, GSM MILLION

<table>
<thead>
<tr>
<th>Country</th>
<th>GSM Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>17.74</td>
</tr>
<tr>
<td>China</td>
<td>14.3</td>
</tr>
<tr>
<td>India</td>
<td>11.4</td>
</tr>
<tr>
<td>South Korea</td>
<td>3.84</td>
</tr>
<tr>
<td>Taiwan</td>
<td>2.98</td>
</tr>
<tr>
<td>Germany</td>
<td>2.9</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.85</td>
</tr>
<tr>
<td>Singapore</td>
<td>2.16</td>
</tr>
<tr>
<td>UAE</td>
<td>1.82</td>
</tr>
<tr>
<td>Finland</td>
<td>1.45</td>
</tr>
</tbody>
</table>
This trend is supported by both architects as well as governments in the region, and can be seen in the increasing regulation in this area, as well as by educational institutions. For example, the British University in Dubai launched a new Masters programme in Intelligent Building Design and Automation in October 2014, offered in association with Cardiff University and the University of Manchester in the UK, with an initial intake of 10 students.

However, the trend does not appear to be a priority for the majority of individual clients who, according to architecture companies in the region, often do not consider sustainability in their development plans. This is explained by a lack of awareness or knowledge about environmentalism, and by the fact that energy remains relatively inexpensive in the region thereby reducing any incentive for minimizing energy consumption. Furthermore, while sustainability is consistently a high priority in Requests for Proposals (RFPs) for large scale projects, it is often removed from the project once all costs have been considered. This suggests that the trend has not reached the end client yet even if the government and large architecture companies are actively promoting greater responsibility in this area.

While building structures remain the dominant segment, leading players in the region have emphasized urban landscaping as the driving force behind revenue growth, driven by increasing living standards and the prevalence of parks, lawns, and luxurious residential gardens in countries such as the UAE. The Dubai Municipality has pledged to turn Dubai into a ‘Green Paradise’ in time for the World Expo 2020 and has earmarked over USD 1.6 billion towards soft landscaping and expanding the irrigation network. Furthermore, construction regulations in the UAE stipulate that nearly 25% of the project development area must be set aside for landscaping. Over the last 30 years in Dubai alone, the number of landscaping projects completed per year has risen by over 600%, and further growth is expected, particularly in the lead up to the Expo 2020.

Beyond smart design and sustainability, the region as a whole and the UAE in particular is actively engaged in setting smart city initiative steered by a Higher Committee made of key government and private sector entities. Two Smart City pilots are currently underway in Dubai free zones – the first one actually being the Dubai Design District and the other one, Dubai Silicon Oasis.
Notable examples of Islamic Design in architecture have made the trend relevant for the segment

A number of experts in the region point to Islamic architecture as a growing trend in MENA architecture, particularly in terms of combining modern structures and technology with Islamic features like calligraphy and arabesque. This style can be seen across iconic structures in the region, including the Burj Khalifa and the King Abdulaziz International Airport’s Hajj Terminal, both design by Skidmore, Owings and Merrill.

EXHIBIT 43:
ISLAMIC DESIGN IN ARCHITECTURE

Key Drivers

- Dubai as the capital of Islamic Economy: With the vision of becoming the capital of Islamic Art, Dubai will definitively be a global hub for Islamic Art and Islamic Design supported by its renowned Art Dubai fair.
- There is a booming demand for contemporary Islamic architecture across the MENA region.
- Traditional Arabic architecture inspires luxury hospitality and mixed use development across the region (e.g., Culture Village project under construction along Dubai Creek, Waqf Souq in Doha, Sarit Regis hotel, Abu Dhabi).
- Use of the Mashrabiya — one of the most well-known elements of Arabic architecture, used by prominent architects (e.g., Jean Nouvel, Foster+Partners) in the Middle East and Europe in projects such as the Doha Tower (Burj Qatar), Louvre Abu Dhabi, the Institute du Monde Arabe in Paris and the Masdar Institute in Abu Dhabi.
- Popularity of Arabesque patterns, brass, gold, pearl inlay and carved wood.

Examples

Jordan - Queen Alia International Airport
Designed by Norman + Fosters, the airport’s design of Amman has been inspired by Islamic Art and Bedouin tents.

Saudi Arabia — Qur’an inspired architecture
Project of complex in Madainah, that is inspired by Arabic calligraphy and the Qur’an. The interconnected buildings forming a cultural centre which, when viewed from above, makes up an abstract interpretation of Arabic letters.

UAE — Hazza bin Zayed Stadium
Soaring majestically over the desert and inspired by the flowing shape of a traditional Arabic head dress, the towering 50m roof of the Hazza bin Zayed Stadium is a symbol of the growing ambition of the UAE on the world football stage.

On a different note, there is also a notable rise of pre-fabricated buildings in the region, which is a trend that has shown significant growth in mature economies. The development of manufacturing technology has greatly reduced construction time and cost, and pre-fabricated buildings in the MENA region have been used to construct accommodation containers, mosques, and villas. Perkins & Will recently installed prefabricated accommodation units in a remote area in the Western Region of Abu Dhabi, where it would otherwise have been logistically challenging and expensive to transport equipment and construct quality accommodation. Other examples include pre-fabricated bathrooms and pre-cast concrete panels which were used in the construction of the luxurious Atlantis hotel in Dubai, and the prefabrication of several structures on Falcon Island in the UAE to reduce required construction time. This relatively nascent trend in the MENA region is expected to continue, although growth may lag behind mature markets as the low cost of labour in the region offsets the cost benefits of prefabrication.

Finally, quasi-indoor environments, a nascent but growing trend both globally and in the region, involves the regulation of indoor climates to provide a venue that is accessible all year round. This trend has been seen with scepticism by a number of industry experts who question its longevity, and currently there are very few such projects under development. The Strelka Institute in Moscow last year announced the winner of an international competition to design Zaryadye Park, a quasi-indoor environment with its own microclimate to enable the park to function as a public space all year round, including regulated temperatures, controlled wind and simulated daylight. And the UAE government announced the development of Mall of the World in Dubai, which will include a retail street network spreading over seven kilometres whereby the indoor temperature would be controlled in the summer months and the roof would retract in the winter months. The completion date is yet to be announced although construction is due to begin shortly.
VISUAL ARTS

The global visual arts market has experienced double digit growth since 2009 and has reached its pre-recession peak. Over the past decade the global art market has tripled in size, and 2013 represented a peak year for art sales. With a market value of USD 63 billion, worldwide art sales have reached the second highest total in recorded history, after 2007’s peak of USD 64.5 billion. The market is now seeing its fifth year of robust growth coming out of the global recession, and the near term outlook remains strong. After a slump in 2009, art has rebounded with an 11% combined annual growth rate in the years since, representing an upturn of more than 50% in total sales for the period. Unlike the housing market, art has been far more resilient, particularly as an investment class. Not only has the number of works being produced and sold increased, but those works are achieving higher prices in the market.

Growth in art sales has predominately been driven by price appreciation, whereby artworks are fetching a higher price premium from collectors than in recent years. 2013 saw the most expensive artwork ever sold at an auction (USD 142.2 million for a Francis Bacon), and a world record for most expensive auction from Christie’s — until that record was broken in May 2014 again by Christie’s with nearly USD 745 million in contemporary art sold in two and a half hours. Since 2009, the value amount of art has risen by over 67%, far outpacing the 17.7% growth in volume. Performance of fine art over the same period is just below the S&P500 with estimated returns of 7%.

EXHIBIT 44:
GLOBAL ART MARKET VALUE (USD BILLION)
The global art sales continue to be concentrated in three markets — US, China and UK

Global art sales have been driven largely by demand in the United States, which recorded a 25% sales growth from last year, according to the 2014 TEFAF Art Market Report. With nearly 38% of the total global art market, the US is by far the dominant country for art sales, with China and the UK following behind with 24% and 20% respectively. The art market remains highly consolidated in a few geographies — with the largest three countries accounting for 82% of the total value.

Outside of China, emerging markets still represent a small fraction of total art sales (less than 6%), though this is likely to change looking out over the next decade. Wealth creation across Asia, Eastern Europe, Latin America and the Middle East has been impactful for art commerce, and as new trade and sales channels open up these regions are predicted to increase their share and activity in the market. China more than doubled its share of the global art market in just three years between 2010 and 2013, and is also now home to more than 75% of the estimated art investment funds and trusts.

Increasingly, collectors in emerging markets are viewing art as an investment, widening the base of collectors beyond art enthusiasts. International high-end art auction houses Christie’s and Sotheby’s have signalled this trend, opening auction locations in Mumbai, Hong Kong, Shanghai, Dubai and Doha. Most major emerging markets — including the UAE, Singapore, Russia and China were all net importers of art in 2012.

The improved outlook for wealthy individuals continues to drive demand for art as an investment

The past few years have shown major improvements in household wealth and disposable income on a global scale and are now at their highest levels since 2007 (USD 36,771). While this is impactful for the art market at large, premium priced works are largely driven by high net worth individuals, generally defined as those with liquid financial assets in excess of USD 1 million. This elite class has seen impressive growth over the past decade, welcoming 6.7 million new entrants between 2003 and 2013 to reach a total of 13.7 HNWI worth over 52 trillion dollars. It is estimated that at least 2% of these individuals are mid to high level art collectors, with a significant number of new entrants coming from emerging markets. China now has 3.5% of the world’s millionaires, while Singapore has .5%, Russia .3% and UAE 2%. As a whole, art collectors are increasingly making purchases from an investment viewpoint, adding art as an asset to their portfolios. In a survey conducted by Deloitte Luxembourg and ArtTactic, 76% of respondents cited that they purchased art and collectables as a strategic investment in 2013, up from 53% in 2012. Art and collectible holdings represent approximately 9% of assets of wealthy individuals.

EXHIBIT 45:
GLOBAL ART MARKET SHARE 2013

Source: TEFAF 2014

EXHIBIT 46:
GROWTH IN HIGH NET WORTH INDIVIDUALS

Banks have increased art financing services, and growth in the art lending market has been evident. The current art lending market is estimated to be roughly USD 4 billion per year, a figure which could triple over the next few years due to a number of art insurance products. As financing becomes more accessible across geographies, new art investors will enter the market particularly in those economies with growing classes of wealthy individuals. With some stagnation in European economies, the US, China, India and the GCC are anticipated to play a bigger role in art collection.

Along with famous auction houses such as Christie’s and Sotheby’s, online art sales platforms have been paving the way for alternative sales channels

For art sales, traditional art dealers and auctions still account for the vast majority of global transactions in the visual arts segment, with a much smaller contribution from direct artist sales and online sales. Auction sales, led by major houses Christie’s and Sotheby’s, account for 47% of the market value while dealers, galleries and shops generate the remaining 53%. 2014 is expected to reach deals for nearly USD 6 billion in the first half of the year. For the 300,000 or so businesses which make up the network of worldwide art dealers, galleries still represent the majority of sales. Art fairs have also been on the rise, and over the past few years the number of international and local art fairs has grown to account for nearly a third of art sales. This number has declined since 2012, but has remained strong in a few key markets.

Only recently has the online sales channel started to pick up speed in the art world, which has been slow to join the wave of digital commerce. Going forward, online art marketplaces have the potential to drastically affect how art is marketed, auctioned, sold and traded. Currently, online sales contribute between 1.5–5% to global art market sales, though this channel is poised to surge as the art market is further exposed to online platforms. The opportunity to grow the online art market is substantial, as e-commerce improves accessibility across borders, broadens the collector base, and allows for a diverse product and price range to meet varying consumer preferences. Moreover, online marketplaces focused on business-to-business and customer-to-customer sales can break the mould of traditional sales channels and allow for both artists and businesses to expand their reach. Recent announcements such as E-Bay’s partnership with Sotheby’s should usher in a number of other new partnerships and ventures in the online art sales market. Deloitte and ArtTactic reported that more than 300 online art ventures have been established across the world in recent years, showing the bullishness of investors in the potential for online art. In 2013, the global online art market reached an estimated USD 1.57 billion, a figure which is predicted to double by 2018 to an estimated USD 3.76 billion.

EXHIBIT 47:
GLOBAL ONLINE ART MARKET (USD BILLION)

Online art markets have displayed solid growth as a serious sales platform, with sites like 1st dibs taking in USD 650 million in sales in 2012 and LiveAuctioneers reporting USD 225 million in online sales for 2013. E-Bay’s sales of art and collectibles represent over USD 300 million in value, attesting to the potential of e-commerce in the art market. Top sites include ArtFinder, Art Space, Artsy, Exhibition A and Eyestorm. The Auction Room, an online auctioneer established in 2013, was the sole channel used by top art collector and gallery owner Charles Saatchi to sell works from his collection.
Middle Eastern contemporary art. Fifteen works valued at over USD 400,000 were sold through the online site. According to the Hiscox Online Art Trade Report, 71% of collectors and 88% of galleries buy and sell art using just digital images, though galleries are less adoptive of online channels to sell to customers, with only 29% of galleries offering clients the ability to buy art works through their websites.

VISUAL ARTS IN THE MENA CONTEXT

Visual arts remains a fairly underrepresented segment of the design sector in the MENA region, contributing only .039% to MENA total GDP versus 2.86% for the global average. In 2014, the MENA visual arts sector was worth an estimated USD 42.0 million, though this figure mainly represents fine art sold through formal channels such as auctions or dealers. Data is limited in the region for less traditional channels, including online sales, direct sales (artist to customer) and other retail sales at lower price points. Going forward, sales are conservatively estimated to grow at a CAGR of 7.48% through to 2019 factoring in trade and GDP trends for the region. Given the rise and trajectory of other key emerging markets, growth potential in this segment is promising over the next ten years as the segment matures and the customer base widens. Moreover, from a production point of view, growth in the availability of art institutes and educational programs in the arts is promising for the new generations of artists in the region.

EXHIBIT 48:
VISUAL ARTS MARKET OUTLOOK IN MENA (USD MILLION)

In terms of imports, the MENA region has developed a stronger taste for international art. While still not comparable to international trade figures, MENA visual art imports are expected to grow at a combined annual growth rate of 8.3% through to 2019, compared with 3.93% globally. The UAE, which is vying to be a hub in the region for visual art, showed net imports of fine art valued at a mere USD 37 million in 2012. As a number of significant gallery and museum projects are underway this figure is likely to show steady growth going forward.
EXHIBIT 49:
CONTRIBUTION OF ART IMPORTS TO GDP

The prominence of high net worth individuals in the region has been driving the purchases of art as a new asset class for investment purposes

A number of shifting regional dynamics are shaping demand for visual art in the Arab world. Changing wealth patterns throughout MENA have boosted the appetite for new asset classes and investment vehicles, particularly among the elite families in the region. For the resource abundant Gulf States, the growing class of high net worth individuals (HNWI) has ushered in a marked interest in fine arts as both ‘investments of passion’ and investments for capital growth. According to the 2014 Wealth Report Attitudes Survey, 58% of respondents representing HNWIs in the Middle East reported a growing interest in art, with art listed as the fastest growing collectible in this investment category. For Ultra High Net Worth Individuals (UHNWI) with investable assets of over USD 30 million, the Middle East boasts the strongest growth figures in the world, with its UHNW population growing by 15.3% and wealth growing by 23.9% in 2013\(^3\). Saudi Arabia leads the group with 1,360 UHNW individuals worth USD 285 billion, followed by UAE — who posted a growth rate for UHNWI of 20.7% last year. Barclays reports that wealthy individuals in these two countries hold between 17–18% of their total wealth in treasure assets such as tapestries and jewellery\(^3\).

Qatar’s HNW families as well as public sector foundations and endowments have served as prominent patrons of the arts over the past decade. Qatar has made a global name for itself as the world’s biggest buyer of high end fine art over the past 6 years, largely driven by the House of Thani. With Sheikha Mayassa bin Thani at the helm, Qatar has been at the forefront of a number of notable exhibits and purchases, bringing in exhibits and works by Damian Hirst, Jeff Koons, Andy Warhol and Francis Bacon in recent years. As head of the Qatar Museums, Sheikha Mayassa was listed by ArtReview as the art world’s most influential person due to her high profile purchases and activities, making headlines in 2012 for reportedly spending USD 250 million for Cezanne’s “The Card Players.” Beyond the elite families in the GCC, an increasing number of MENA collectors are investing in art, and the region is seeing a rise in the number of individuals who are comfortable spending USD 20,000 or more on artworks\(^4\).
The past few years has shown a significant number of new art platforms and channels in the region that have been strongly promoting interest in art for both artists and buyers.

**AUCTIONS:**

The auction market in MENA is dominated by Christie’s, Bonhams, and Sotheby’s, with limited competition outside the main auction houses located in Dubai and Doha respectively. The auction houses have seen impressive growth since their entry into the region between 2006 and 2008. In April 2008, Christie’s made roughly USD 20 million\(^5\) of Contemporary Art sales in Dubai, mainly sold to regional buyers. Since 2006, Christie’s has sold over USD 200\(^6\) million worth of art in Dubai. In the October 2014 Modern and Contemporary Arab, Iranian and Turkish Art auction, Christie’s took in USD 12.5 million for 121 lots, the highest sale in the category since 2010. Notably, buyers were a mix of regional and international collectors dialing in and bidding online as well as in-person. Christie’s represents nearly three quarters of Middle Eastern Contemporary art, a segment which has demonstrated an increasingly international appeal as European and American collectors look to Dubai. Moreover, Christie’s continues to attract new buyers year over year, with the spring 2013 season seeing a nearly 25% rise in new bidder registrations.

Sotheby’s inaugural auction in Doha – its only location in the Middle East – took place in 2009 and in the years since has helped put Doha on the map as a hub for fine arts. Sotheby’s Doha has broken a number of regional records, including highest value for a work by a living Arab artist and highest price for an auction of Contemporary Art in the Middle East region. In 2013 Sotheby’s took in USD 15.2 million, including work from Egyptian, Lebanese and Palestinian artists as well as famed European artists, which represents 3.5 times more in terms of values than in 2009\(^7\).

Overall, auction sales in Middle East Modern and Contemporary Art in 2013 demonstrated an 85.5% surge in growth from the previous year, jumping to USD 18.5 million from USD 10 million in 2012. Sales prices have
exceeded expectations in both Dubai and Doha, as the vast majority of lots have been sold above their average estimated value. This bodes well for the art market going forward, as both regional and international investors demonstrate confidence in the pricing and value of artwork from the MENA region. With double digit annual growth rates for the auction houses and hundreds of records broken for Arab artwork and Arab artists, the MENA art trade is maturing. The broader base of collectors, higher price tags and competitive bidding in the auction market is promising for the projected sustainability and growth of art collecting in the region.

A clear trend has been the internationalization of Middle Eastern art, with interest growing globally in contemporary and modern art from the Arab world, which is helping to drive up prices. Christie’s Dubai estimates that 30% of works auctioned go to international collectors, while Bonhams recently sold 86% of its Middle Eastern lots to international buyers across twelve countries. For collectors within the MENA region, there has been an increase in buyers looking to collect from other neighboring countries as well as their own. Collectors in the MENA region often start with an interest in art from their home countries, and then diversify into neighboring countries before turning to international art as their collecting habits broaden and mature. Syrian, Egyptian and Lebanese art has performed well throughout the MENA region, particularly in the Gulf States. In the contemporary art category, 42% of Christie’s 2013 total auction sales were for Middle Eastern art, which is substantial relative to other emerging art markets.

Numerous MENA based galleries serve as sanctuaries for arriving artists, offering programs, funding, marketing, residency and other types of support. It is not uncommon in many MENA cities to have cultural centers, educational facilities and centers for dialogue within the arts community tied in with local art galleries. Dubai’s expanding art scene has benefitted from a number of proactive galleries aiming to raise the profile of Middle Eastern art and support local MENA artists.

A number of trends in the MENA gallery scene have helped shape the developing aesthetic for popular artwork in region. Photography as a medium for artists in the Middle East remains highly prevalent, particularly in gallery and exhibit sales. In line with global trends, MENA photographers are increasingly experimenting with technology in graphic design and printing as well as incorporating mixed mediums into their photographic works.

GALLERIES:

Galleries have emerged as a strong channel for up-and-coming artists in the MENA region. Art dealers and galleries still constitute the majority of sales, and the proliferation of gallery space in MENA attests to the growing market and interest in regional art. Over the past decade Dubai has seen the number of galleries jump from just five to over one hundred at present, clustered both in the DIFC (15 galleries) and Al Serkal Avenue, an emerging cultural hub in Dubai with over 20 galleries. The stability of Dubai has helped to attract artists from the region who are able to achieve premium prices for their work. A vast number of Syrian artists and works have transferred to Dubai and Beirut, with over 3,000 Syrian works transferred to Dubai alone. A number of cities across the MENA region are gaining popularity and acclaim for their burgeoning gallery scenes, with Dubai, Doha, Jeddah, Beirut, Cairo and Marrakesh leading the way. Cairo also boasts over one hundred exhibition spaces, with new public spaces being made available to exhibit art such as Art Corner. Riyadh, Muscat, Manama, Sharjah and Kuwait city have also increased the numbers of galleries and exhibits over the last five years, working mainly to showcase local artists.
In terms of subject matter, the axis between modern and traditional cultures remains a popular area of exploration for regional artists, often pairing traditional settings, references and Arabic calligraphy with signs of rapid modernization. This has been particularly relevant for the growing number of female artists gaining prestige in the region. Many emerging female artists are commenting on issues of gender, religion and societal norms through gallery exhibits of contemporary works. This has been particularly notable in Saudi Arabia, where artists such as Manal AlDowayan, Sarah Abu Abdallah, Shadia Alem and Noura Bouzo are drawing attention to the Kingdom’s burgeoning Saudi art scene. Bouzo also co-founded the country’s first arts magazine and helped to launch Saudi Design Week.

Libya has also shown signs of a growing art scene which includes a blend of cultures presented into works of local artists such as Hadia Gana and Aymen Jehani. Organizations, associations and exhibitions have all been dedicated to promoting the growth of the art market with the support of governments and cultural programs.
EXHIBIT 51:
CASE STUDY - EMERGING REGIONAL TALENTS,
THE CASE OF LIBYA AND SAUDI ARABIA

SAUDI ARABIA

- Saudi Arabia has a vibrant art community that comprises around 165 visual artists, 55 art spaces, institutions and organizations
- The Kingdom offers a range of art exhibition spaces, events and shows including 30 major art galleries dedicated to Saudi Art (11 in Jeddah, 10 in Riyadh, 5 in Eastern Province, 5 Internationally), 18 Saudi art institutions and 6 Saudi artists’ organizations
- The majority of the Kingdom’s art spaces, institutions and organizations are based in Jeddah. Since 2013, the burgeoning art scene of Jeddah is supported by the Jeddah Art Week

LIBYA

- Libyan Visual Arts market is small, but has been growing with emerging local artists, galleries and organizations (e.g., Ali Gana, Arete Foundations, Dar Al Fagi Hassan Art Gallery)
- However, scarcity of exhibition space and support has led artists to display work in streets and public spaces and travel to other cities such as London to exhibit their work
- A number of foreign organizations are supporting Libyan artists. (e.g., British Council, Italian Cultural Institute, European Union, Arab Fund for Arts & Culture)

Emerging Saudi Talents

<table>
<thead>
<tr>
<th>Saudi Art Institutions*</th>
<th>Saudi Artists Organizations</th>
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</thead>
<tbody>
<tr>
<td>Greenbox Museum of Cont. Art</td>
<td>Arabian Wings</td>
</tr>
<tr>
<td>• Founded in 2006</td>
<td>• Non-Profit Organization</td>
</tr>
<tr>
<td>• A private research institution and collection on Saudi Art based in Amsterdam</td>
<td>• Promotes Visual Art and young Saudi artists</td>
</tr>
<tr>
<td>• Owns art work from 14 Saudi artists including Jawhara bint Saud, Abdullah Aljohari and Ahmed Mater</td>
<td>• Active in art festivals, seminars, conferences, competitions, books</td>
</tr>
<tr>
<td>• Curated “Limited Edition 2” Exhibition, which sold 90% of its works in 24 hours, worth $133,000</td>
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Emerging Libyan Talents

<table>
<thead>
<tr>
<th>Libyan Art Organizations*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noon Arts</td>
</tr>
<tr>
<td>• Founded in January 2013 to raise awareness of Fine Art Print in Libya</td>
</tr>
<tr>
<td>• Held a large workshop and exhibited art work in Tripoli’s city center</td>
</tr>
<tr>
<td>• Noon Arts Libyan Printmakers</td>
</tr>
<tr>
<td>• A private foundation that promotes visual arts and Libyan artists</td>
</tr>
<tr>
<td>• Holds exhibitions, talks and seminars to showcase Libyan art abroad (e.g., shows in London and Tripoli)</td>
</tr>
</tbody>
</table>

Libyan Artists* |
- Hadia Gana: Ceramics and Installations
- Aymen Jehani: Street Graffiti
- Ali Alswik: Recycled Sculptures
- Nazha Araybi: Painting, Photo and Film
- Mohammed Ben Lamin: Various

Source: BBC, Saudi Art Guide, European Commission

*Note: Not Exhaustive
Major online art auction houses have entered the MENA region and have been encouraging local artists to increase the number of online art platforms available. Adoption of online retail platforms has been sluggish in the MENA region, with consumers still demonstrating a preference for in-store transactions and traditional payment mechanisms. The percentage of e-commerce sales to total retail sales is not more than 1% for MENA, with customers hesitant to use online payment systems and present limitations with regards to shipping and delivery. This has also affected the growth of online art sales, which have had minimal impact on the MENA art market as a preferred sales channel.

New developments in online art platforms have the potential going forward to alter the MENA landscape for art commerce. The viable market for online art sales in the MENA region is promising, particularly in the Gulf States which boast some of the highest broadband and smartphone penetration rates in the world. Moreover, standard commission fees from online art platforms in the region range from 20–30%, giving them an edge with more price conscious consumers over traditional galleries which take 30–50% in commission fees.

The major auction houses have also embraced online sales, with Sotheby’s, Christie’s and Bonhams allowing online bidders to participate in live auctions. In 2013 Christie’s Dubai introduced its first online-only sale which exceeded expectations, attracting a number of new clients who had not worked with Christie’s before, including one who bought the fourth highest-selling lot. Global online auction house Paddle8 also introduced a Middle East and Contemporary art online auction in 2014, featuring lots from over forty artists from the MENA region, most in the five to twenty thousand dollar range. In 2013, Paddle8 was able to raise over USD 1.3 million in an online charity sale for Syrian refugees, selling over 150 works.

A number of smaller online art marketplaces have emerged over the past few years, allowing for lesser-known or independent artists to showcase their work. Arts-Mart, an online gallery featuring the works of Egyptian artists was launched in 2012. It is the region’s largest online gallery for Egyptian art, boasting over 500 pieces. Newcomers to the MENA online art scene include Artscoops and Drawdeck, two recently launched online-only platforms showcasing regional artists. Artscoops, which is partnered with Paddle8, is company based in Beirut that allows visitors to browse and purchase Middle Eastern and African art from galleries and artists in the region. It features nearly fifty artists — twenty five who are not represented by galleries. In its opening online auction it displayed 86 works — the highest priced at USD 41,000 before bidding.

Drawdeck, a Dubai-based online art exchange and marketplace currently works with over 250 artists, more than half who are from the MENA region. While newly launched in 2014, Drawdeck has seen a monthly growth of 35% in new visitors, with over 3,000 unique visitors per week. The platform, which focuses primarily on drawings, aims to support independent artists by connecting them with a wider audience.

Libyan artists have also turned to online platforms to reach a larger international audience as domestic sales remain low. Libya Design Cultural Design Centre founder Muftah Abudajaja set up an online platform called Tqa’amiiza to allow Libyan artists to upload their portfolios and connect with global galleries and buyers.
Online art sales tend to attract younger and first time buyers by providing a wide variety of art, such as Artspace, Artsy and Paddle8 (2014; Amazon has launched its Art portal in 2013, and there has been growth in platforms like Christie's launched an online-only sale of Middle Eastern art in Dubai in 2013 of online platforms in the region. Dubai was the 4th highest selling lot for Christie's online auction, highlighting the popularity of online platforms in the region. Christie's launched an online-only sale of Middle Eastern art in Dubai in 2013. Online art platforms have increasingly emerged, such as Drawdeck, Emerging East and Capsule Arts.

The growth of art fairs and events in the region has been stimulating local talent through art weeks, workshops and educational programs. The art market across the MENA region has benefited from a number of large-scale art events taking place on an annual basis. These events and fairs — which include Art Dubai, Abu Dhabi Art Fair, Beirut Art Fair, Jeddah Art Week and the non-commercial Sharjah and Marrakesh biennales — have seen a steady increase in the number of visitors, participating artists and galleries and sales.

- With over 25,000 visitors in 2014 and artwork from 500 artists valued at USD 45 million, Art Dubai has experienced impressive growth since its 2007 inception. The fair is part of the larger Art Week, which features over forty gallery exhibitions as well as the Sikka Art Fair dedicated exclusively to new work by UAE-based artists. The event has matured over the years to include residencies, educational programs and most notably the Abraaj Group Art Prize for MENA artists worth USD 100,000.
- Abu Dhabi also puts on an annual Art Fair which has completed 6 editions, with the 2013 fair featuring 400 artists and 50 global galleries in Saadiyat Island, the emerging culture and arts hub in the Emirate.
In Jeddah, Saudi Arabia, two significant events have drawn attention to the coastal city as emerging hub for arts. Jeddah Art Week saw the number of visitors jump from 1,500 in 2013 to more than 6,000 in 2014, which is notable given the emphasis on local artists. A second event in Jeddah, “21,39” was launched with the help of HRH Princess Jawaher bint Majed bin Abdulaziz which includes exhibitions, educational workshops, gallery openings and talks. These events are part of a growing interest in art in Jeddah, where a new USD 25 million art institute to support and promote regional artists is underway.

Bahrain has a relatively small local art scene, but aims to promote regional contemporary artists through its flagship art fair. Bahrain Art Week and the The Bahrain Annual Fine Art Exhibition take place annually, with the latter serving as the longest standing GCC arts award program in the region, having completed forty years.

The Beirut Art Fair continues to serve as an important event in the region, and has attracted over 20,000 visitors and 47 international galleries from 14 countries as part of Beirut Art Week.

Egypt currently hosts three main annual contemporary art festivals, the Artbeat festival launched in 2010, the Di-Egy festival 0.1 launched in 2013, and the Downtown contemporary Arts Festival (D-CAF) established in 2012.

Founded in 1993 and organised by the Sharjah Art Foundation, The Sharjah Biennial is one of the most recognised art fair in the region attracting an international audience and promoting contemporary art in relation to certain themes relevant for the region with a wider international perspective. D-CAF served as one of the premier contemporary art events in North Africa, lasting two weeks and hosting over 150 artists in Cairo. The Artbeat and Di-Egy festivals explore multidisciplinary fields in art, the former combining music and visual arts and the latter focusing on digital art.

The growth of art festivals and events in the MENA region, particularly in the Gulf States, is notable given that only a few of the current galleries, art spaces and exhibits existed over a decade ago.

**MENA countries have been heavily investing in the development of new museums to promote Contemporary, Islamic and Modern art present in the region**

Globally, the number of museums has grown from around 23,000 two decades ago to at least 55,000 today63. In the MENA region, a renewed public sector patronage of the arts is manifested in a number of large-scale plans for museums. GCC countries are undertaking significant development projects, often partnering with world renowned architects to expand the amount of museum space in the region.

Saudi Arabia is reportedly spending more than USD 1.7 billion on building 230\textsuperscript{64} new museums to develop its art and cultural sector, focusing on both antiquities as well as contemporary art. Abu Dhabi has focused on partnering with major international art museums and institutions, working with the French government to secure art loans and art consulting services worth more than USD 750 million. The two major developments in Saadiyat Island - which is geared to be the new art and cultural hub of Abu Dhabi - include the Louvre designed by Jean Nouvel and the largest ever Guggenheim designed by Frank Gehry.

In Qatar, five major museum developments are underway which aim to be world class institutes for modern Arab art, Islamic art, and international art. The National Museum is a sprawling structure also designed by Jean Nouvel, and will include international masterpieces as well as local heritage work. Other notable museums include the Qatar Orientalist Museum, the Olympic and Sports Museum, and the Museum of Islamic Art. Art imports should increase going forward as the museums look to build up permanent collections. Museums and art comprise a key pillar of Qatar’s long-term tourism strategy.

In Lebanon, Contemporary and Modern Art are the mainstays of the Beirut art scene. In the past five years two contemporary museums were developed: the Beirut Art Centre and the Modern and Contemporary Art Museum (MACAM). In September 2013, three months after its launch, MACAM had received over 1,000 visitors.

More recently, Rabat opened the doors to Morocco’s first modern and contemporary art museum in October 2014. The facility aims to showcase Moroccan artists and boost support and awareness for the arts in Morocco.
MENA DESIGN SEGMENT
INTERIOR DESIGN
INTERIOR DESIGN

The global interior design market revenues are dominated by the US and Europe, although emerging markets are driving growth

The global interior design market has experienced modest but steady growth since 2010 with an estimated 2013 value of USD 106 billion. The US and Europe dominate the interior design services market in terms of revenues, although emerging economies such as China, India, and the MENA region are driving growth in the industry. Firms are expanding in regions where corporate spending and consumer disposable incomes are rising, and urbanisation in the emerging economies is also fuelling demand for interior design services.

The main driver for the interior design services market is the construction and renovation of buildings, including (but not limited to) residential, commercial, and hospitality, as interior designers are engaged to plan, design, and supervise physical and aesthetic projects for interiors of buildings. Interior designers typically evaluate clients’ functional requirements and style preferences, as well as budgets, and provide recommendations to customize interiors accordingly. Designers may also solve specific problems, such as optimizing the design of heating and air conditioning, and they ensure that their recommendations comply with local building, health, and safety codes.

The global interior design market is forecasted to grow by a CAGR of 3.0% to 2017, and a further 2.3% CAGR to reach an estimated value of USD 124 billion by 2019. The growth of the interior design market is broadly aligned with the global growth in architecture services, as these two markets have historically evolved hand in hand.
The structure of the global interior design market is highly fragmented, with a large number of small companies and freelancers and a small number of large design and build companies, such as Gensler, HOK, and Perkins & Will. As an example, the 50 largest US companies account for about 10% of the country’s interior design revenues. Interior design firms typically specialize by industry, such as residential or hospitality.

Several of the large multi-disciplined interior design companies have exported their services from the US or UK into emerging markets, to take advantage of growth opportunities. For example, Perkins & Will entered the UAE market three years ago and currently has approximately 9% of its total design staff located in the region. There is a great deal of overlap between the large companies in the region that provide interior design services and those that provide architecture services, most large multinational and multidiscipline firms have expanded across the value chain. AECOM, Gensler and HOK, which have exported their architectural capabilities to the region, are also prominent players within the interior design market.

**The MENA region has expanded at a significant pace since 2010, driven by the growth in the residential and hospitality segments**

The value of the MENA interior design market has reached approximately USD 7.1 billion in 2014. Saudi Arabia and the UAE dominate the landscape, with 34.0% and 25.7% of revenues respectively, followed by Qatar with 5.7% of the MENA market share.

The MENA revenues for interior design services have grown at a significantly faster pace than the global industry since 2010, with a CAGR of 20.4% vs. a global CAGR of 3.6%, increasing its share of the global market by 1.9 percentage points from 3.5% in 2010 to 5.4%.

The growth has been driven by the Saudi and Qatari markets, which were largely unaffected by the economic downturn, experiencing notable increases in their interior design sectors of 46.5% and 42.9% respectively. The strong growth in Saudi Arabia can be explained by the fact that it has risen from a low base in 2010 and by the extensive social infrastructure programs launched by the government since 2011, such as residential and education projects, driving demand for interior design services. In comparison, the Lebanese and Egyptian interior design market grew at a relatively slow pace due primarily to the political unrest in both countries which has impacted spend in design services overall.

The MENA interior design services market is expected to continue growing between 2013 and 2017 at a CAGR of 11.5%, and subsequently by a CAGR of 5.7% to 2019, outpacing the global market growth.

**EXHIBIT 57:**
MENA INTERIOR DESIGN REVENUES 2010–2019 (USD BILLION)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MENA</td>
<td>3.3</td>
<td>3.9</td>
<td>5.1</td>
<td>6.1</td>
<td>7.1</td>
<td>7.6</td>
<td>8.2</td>
<td>8.8</td>
<td>9.3</td>
<td>9.8</td>
</tr>
<tr>
<td>LEBANON</td>
<td>0.2</td>
<td>0.3</td>
<td>0.4</td>
<td>0.6</td>
<td>0.8</td>
<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
<td>EGYPT</td>
<td>1.2</td>
<td>1.3</td>
<td>1.4</td>
<td>1.5</td>
<td>1.6</td>
<td>1.7</td>
<td>1.7</td>
<td>1.9</td>
<td>1.9</td>
<td>2.1</td>
</tr>
<tr>
<td>QATAR</td>
<td>1.5</td>
<td>1.9</td>
<td>2.2</td>
<td>2.3</td>
<td>2.5</td>
<td>2.7</td>
<td>2.8</td>
<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>UAE</td>
<td>0.6</td>
<td>0.9</td>
<td>1.5</td>
<td>1.9</td>
<td>2.2</td>
<td>2.3</td>
<td>2.5</td>
<td>2.7</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td>KSA</td>
<td>0.6</td>
<td>0.9</td>
<td>1.5</td>
<td>1.9</td>
<td>2.2</td>
<td>2.3</td>
<td>2.5</td>
<td>2.7</td>
<td>2.8</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Source: Deloitte Analysis
The residential sector accounts for 43% of interior design spend, which directly correlates to the residential share of the construction market. While the extensive low cost housing program in Saudi Arabia is generating a portion of the interior design spend (high volume, low fees), a significant portion is also generated by expatriates in the region who make up the mid to high end of the housing market. Commercial interior design spend is also consistent with its share of the commercial construction market at 18%.

Hospitality is identified by a number of MENA interior design experts as a critical and growing sector for the segment. Hospitality projects account for a disproportionate share of interior design spending compared to construction projects (11% vs. 5%). The interior design market is anticipated to see positive spill over effects from tourist infrastructure underway to support the World Cup 2022 FIFA event in Qatar, the World Expo 2020 in the UAE, and a number of other attractions which are projected to double tourist arrivals in Dubai between 2012 and 2020 for the events. Furthermore, the region's luxury hotel segment is booming, with over 40% of hotels listed as 5 star or 4 star in the UAE, and major brands such as Starwood, Rotana and Four Seasons launching expansions in the region, which is likely to drive demand for high quality interiors.

Similarly, retail is a proportionally higher contributor to interior design than its share of construction spend (6% vs. 3%). A number of new large scale retail developments including Mall of the World in Dubai will reinforce retail as a key segment of growth in the interior design market.

Education and Medical account for a disproportionately low proportion of interior design spend given the relatively basic requirements for interior design services and the fact that recommendations can be replicated to a degree across a number of projects.

We estimate that interior design accounts for an estimated 4.5% of total construction project costs in the MENA region in 2013, higher than the global average of 1.7% but in line with estimates from industry experts. Pricing may be structured based on hourly fees, which is a common method for smaller projects; a fixed-price bid, used for specific projects where time and material costs can be easily estimated; or a percentage mark-up on materials and services that are incurred, such as flooring and carpeting. Large multidiscipline firms will often charge a percentage of the total cost of the project, which is estimated at around 5% on average although will vary according to the scale and complexity of the work.

A number of factors explain the disproportionate level of interior design spend by MENA clients versus their international counterparts in the United States, Europe and Japan. The importance of the high-end hospitality sector in some MENA markets is part of the explanation - hotels are the biggest segment spender with over 22.5% of the total project costs allocated to interior contracting and fit-out projects in 2012. Residential developments in the GCC also tend to require high end interior design services - the newly launched Sparkle Tower in Dubai has been highlighted as an example.

Construction drives the interior design market - in particular the hospitality segment

Construction is the key driver of interior design services in the MENA region as new projects require interior services and refurbishments require advice regarding better space management and flexibility, as well as environmental and sustainability factors. The interior design services spend is broadly aligned with the sectorial share of spend of the construction market although some notable exceptions reflect the nature of the requirements of subsectors, particularly hospitality and retail.
which is a crystal-themed ultra-luxurious resort-style residential development that has been delivered in collaboration with Swarovski. Furthermore, clients in the region prefer to use multi-disciplined interior design companies that can assist throughout the entire construction project, providing these firms with a greater proportion of the total project fees.

The continued social infrastructure construction in the region, as well as the increasing hospitality supply as a result of the upcoming major global events in the region, will continue driving the construction market in the region, which in turn will drive demand for interior design services.

Within the interior design segment, new specialized industries are emerging, pushing the boundaries of traditional design spaces. The airline interiors segment is expected to lead the global growth with airline passenger numbers forecast to grow at 6.3% a year up to 2017, and it is predicted that Middle Eastern airlines will require 2,610 new aircraft worth an estimated USD 550 billion over the next 20 years. This is likely to drive spend in the airline interior design sector, a trend that is already evident in the attendance at the Aircraft Interiors Middle East show, which witnessed a 34% increase in participation in 2013 and a further 25% growth in 2014 to welcome 3,000 attendees from 70 countries. Further evidence of this trend can be seen in Etihad’s investment in interior design with the recently launched ‘The Residence’, providing private cabins and described as “the world's most luxurious living space in the air”. The cabins’ features include Poltrona Frau leather furnishings, a natural fibre mattress double bed, and Egyptian cotton sheets.

Lastly, refurbishment also emerged as a strong trend amid tighter budgets since the recession, which has driven demand for interior design, for example in terms of better space management. Recent refurbishments in the region include the Radisson Blu in Kuwait in 2013, Le Meridien Mina Seyahi Beach Resort in Dubai in 2013, the Pullman Deira City Centre Hotel in Dubai in 2014, and the ongoing renovations to the Al Manzil Hotel in Dubai due for completion in December 2014.

The fragmented interior design market is experiencing growing competition from European players, including Eastern European entrants

Similar to the global architecture and interior design markets, the MENA interior design market structure is highly fragmented. While large contracts are generally dominated by a limited number of multinational, multidisciplined firms, the ten largest global players account for just 1.2% of the MENA market. The large contracts also tend to be awarded to vertically integrated firms that can provide clients with an end-to-end service, and almost half of the Interior Design projects are driven by architecture firms such as Gensler. All of the ten largest global players operating in the MENA interior design market also provide architecture services, as well as additional services such as consulting or urban planning. Moreover, UAE-based projects tend to dominate the portfolios of a number of international firms.

EXHIBIT 59:
MENA MARKET SHARE OF THE EIGHT LARGEST GLOBAL INTERIOR DESIGN FIRMS, 2013

<table>
<thead>
<tr>
<th>Company</th>
<th>% of MENA revenues</th>
<th>MENA Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gensler</td>
<td>0.51%</td>
<td>National Bank of Abu Dhabi (Abu Dhabi, UAE), 2013</td>
</tr>
<tr>
<td>HOK</td>
<td>0.22%</td>
<td>The Change Initiative Store (Dubai, UAE), 2013</td>
</tr>
<tr>
<td>Perkins &amp; Will</td>
<td>0.14%</td>
<td>Dubai International Airport Concourse 2 (Dubai, UAE), 2009</td>
</tr>
<tr>
<td>Wilson Associates</td>
<td>0.10%</td>
<td>Al Maryah Hotel (Dubai, UAE), 2010</td>
</tr>
<tr>
<td>Skidmore Owings &amp; Merrill</td>
<td>0.08%</td>
<td>Burj Khalifa (Dubai, UAE), 2010</td>
</tr>
<tr>
<td>HBA</td>
<td>0.07%</td>
<td>The St. Regis (Abu Dhabi, UAE), 2013</td>
</tr>
<tr>
<td>Perkins Eastman</td>
<td>0.05%</td>
<td>Al Maktoum Accident &amp; Emergency Hospital (Dubai, UAE), 2012</td>
</tr>
<tr>
<td>HKS</td>
<td>0.02%</td>
<td>Dorsett Al Emarat (Abu Dhabi, UAE), 2012</td>
</tr>
<tr>
<td>Total</td>
<td>1.2%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Deloitte Analysis
Industry leaders have stressed the importance of both international experience as well as strong local presence in the market in the region, which is demonstrated by the fact that international companies have opened local offices, and also that successful regional players, such as LW Design Group and Pallavi Dean Interiors, tend to be led by teams with extensive international experience.

The industry is experiencing consolidation as companies move across the value chain to provide end-to-end services to clients including design and executions, which is illustrated by Perkins & Will’s move into architecture services and urban planning in the region, and by HBA’s diversification into architecture in 2010. As more firms move across the value chain, it is increasingly important to differentiate by developing a niche specialization in industry, such as hospitality or healthcare. For example, HBA, a multi-disciplined design company whose breadth of services enables it to contribute across the lifetime of a project, considers itself a specialist boutique design agency focused on the hospitality sector. Idolise Interiors is a boutique agency that entered the Dubai market in 2012 to specialize in hospitality design, and MMAC is another boutique design agency that was launched in 2014 that specializes in luxury, up-scale and upper mid-scale hotel and restaurant design.

Competition is increasing in the region from European firms pursuing growing emerging markets since the prolonged economic slump in Europe. Barriers to entry in MENA are considered low; interior design businesses can be established without certification or industry specific experience, and technology such as CAD software has made the industry more accessible to new entrants.

The number of European exhibitors at Dubai’s INDEX conference increased by 8.3% between 2013 and 2014. Examples include Idolise Interiors (UK); Reinhold Keller Company Group, a German full-service interior design company that specialises in restaurant design and that opened a subsidiary in Dubai in 2013; and Katharine Pooley, a luxury interior design company that has recently opened a showroom in Doha.

There appears to be particular interest from Eastern European designers in the MENA market, with a threefold increase in the number of exhibitors at INDEX Dubai between 2013 and 2014 (albeit from a small base). For example, Czech design company Lasvit debuted as INDEX 2014 and Croatian Design Company Skira featured as a speaker at the designMENA Summit 2014, while Czech designer Viktor Udzenija recently established the design company VUAD in Dubai.

EXHIBIT 60:
INDEX EXHIBITOR BREAKDOWN BY TOTAL PARTICIPATION, EUROPE, AND EASTERN EUROPE, 2013 VS. 2014

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Europe</strong></td>
<td>6</td>
<td>240</td>
<td>200%</td>
</tr>
<tr>
<td><strong>Eastern Europe</strong></td>
<td>359</td>
<td>460</td>
<td>20.2%</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>260</td>
<td>18</td>
<td>8.3%</td>
</tr>
</tbody>
</table>

Source: Index

There has been an emergence of home furnishing companies and art galleries entering the MENA interior design market to provide interior design services. Certain companies provide cost-free design advisory services to support product sales, such as The One, while others have entered the market competitively. Katharine Pooley in Doha is primarily an interiors showroom although the company provides design services to high-end clients, and Luxury Living Group, owner of five luxury furniture brands, has been commissioned to design the interiors of developments on Falcon Island in the UAE. Furthermore, in 2013 UAE-based Mussawir Art Gallery launched an art
consultancy service for commercial interior and private residential projects, working collaboratively with other interior designers and architects to create bespoke art environments.

A new partnership in the UAE, announced in May 2014, between the Association of Professional Interior Designers and the National Design Academy (NDA), signals growing investment into talent in the region. The partnership intends to develop the expertise and enhance the reputation of this industry through education and continuous professional development for interior designers. The NDA offers an online Master program for designers in the region and should support the development of the local talent pool.

EXHIBIT 61: PARTNERSHIP BETWEEN THE NDA AND APID

PARTNERSHIP BETWEEN THE NATIONAL DESIGN ACADEMY (NDA) AND THE ASSOCIATION OF THE PROFESSIONAL INTERIOR DESIGNERS (APID)

- The National Design Academy is a British institution that educates students from over 75 different countries, most of which come from the MENA region.
- The institution offers several degrees ranging from interior design, retail design and design for outdoor living.
- NDA is also the first and only institution to offer an online Masters course in interior design.
- APID partnered with NDA due to its highly reputable and UK accredited educational programs and online courses allowing mobility in the region.
- The partnership signed in May 2014 between NDA and APID is intended to bring new advances to the interior market in the UAE and in the region.
- NDA plans to develop training opportunities, activities and events and education in the region to promote local talent in collaboration with IPDA.

By offering their students professional training, the NDA and APID intend to support the infrastructure and construction industry in the MENA region. With the mega projects taking place in the region such as the Dubai Expo 2020 and the World Cup 2022 in Qatar, this partnership hopes to offer the industry a growing number of experienced interior designers.

Source: Companies’ Websites

Smart homes are the dominant trend in this sector as technology plays an increasingly important role in interior design

Smart homes, in which electronics and appliances can be controlled remotely by smartphones or computers, is already widespread in mature markets and demand is growing in the Middle East, which is estimated to be the second fastest growing region for M2M connections globally. Technology is increasingly being integrated into design to create flexible and convenient living and working spaces for residential and commercial buildings, a trend illustrated by the selection of Technology as the focus for Downtown Design’s second season (October 2014) in Dubai. An interactive show home at the fair, exhibited by Ikonhouse Dubai, illustrated the capabilities of an automated home, including window-blinds that roll up and down following sunset and sunrise, high-tech bulbs that turn themselves off, mirrors that transform into a TV or computer screen, and cooking appliances that can be preheated remotely.

Interior automation is already a prerequisite for all new-build high-end residential developments, and telecoms and technology companies are also taking advantage of this appetite to launch Smart home solutions to existing homes. du and Etisalat have both announced the arrival of new products to the market. du’s solution, announced at GITEX 2014, is a partnership with PCCW Global which includes features such as automation of home appliances, AV and TV services, and home security. Furthermore, high-tech companies such as Archimedia, Element One and Bang & Olufsen have developed automation capabilities within their products to enable users to control room features. With the region’s prevalent youth demographic and internet penetration levels of up to 86% in Qatar and 71% in the UAE, Arab citizens are increasingly expecting digital and smart appliances to be part of their daily lives. In 2013, 70% of GCC households and 33% of North African households were estimated to own a tablet, with an average of 49% for the MENA region. Furthermore, digitalization of appliances is already commonplace, with two thirds of households in the MENA region connected to digital television in 2014.

In terms of new technology entering the interior design segment, the impact of 3D printing in the MENA region has been mixed, with a number of experts highlighting its
capacity to transform the way that design companies work, both in terms of design development (design modelling) and communication of ideas (design printing). Large interior design and architecture companies in the region, such as Godwin Austen Johnson (GAJ), already use 3D printing in their client work (via suppliers in Europe), although the proliferation of the trend is currently limited by the cost of 3D printing hardware. There are, however, a number of recent new 3D printing providers to the market, such as the recent arrival in the UAE of D2M Solutions FZE, a 3D printing factory that provides on-demand professional 3D printing service to the Middle East region.

EXHIBIT 62:
CASE STUDY - 3D PRINTING

**GLOBAL 3D Printing Market**

- 2013 estimated Value $3.07bn
- 2020 expected value: $8.6bn

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of 3D Printing Market ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1.7</td>
</tr>
<tr>
<td>2012</td>
<td>2.2</td>
</tr>
<tr>
<td>2013</td>
<td>2.5</td>
</tr>
<tr>
<td>2014</td>
<td>3.07</td>
</tr>
</tbody>
</table>

**3D Printers:**

- Main materials used: plastic, steel, stainless steel, titanium, gold, silver, nylon wax

**3D Printing creates 3D objects, that are virtually designed on a digital file, by laying down consecutive layers of material**
- 3D printing has grown significantly (CAGR 22%) among enterprises and households. Main usage: 22% consumer products/electronics, 14.4% artistic items, 4.9% visual aids, 4% architecture
- 3D printer prices are trending downwards (some as low as $500)
- Product designers see benefits of manufacturing e.g., using less material, avoiding transport costs, manufacturing on need-basis, creating unique products, less costly and less labor intensive

**Design segments using 3D printers**

<table>
<thead>
<tr>
<th>Design Segment</th>
<th>3D Printers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interior Design</td>
<td>&quot;Solid Chair&quot;</td>
</tr>
<tr>
<td>Architecture</td>
<td>&quot;Landscape House&quot;</td>
</tr>
<tr>
<td>Fashion</td>
<td>&quot;Nike Vapor Lazer&quot;</td>
</tr>
<tr>
<td>Product Design</td>
<td>&quot;Quoby iPhone case&quot;</td>
</tr>
<tr>
<td>Jewelry</td>
<td>&quot;Bio Cell Pendant&quot;</td>
</tr>
<tr>
<td>Digital Design</td>
<td>&quot;Game Controller&quot;</td>
</tr>
</tbody>
</table>

**Users**

<table>
<thead>
<tr>
<th>Product</th>
<th>Nike</th>
<th>Warner Bros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Makie Lab</td>
<td>Estée Lauder</td>
<td></td>
</tr>
<tr>
<td>Swarovski</td>
<td>Cartier</td>
<td></td>
</tr>
<tr>
<td>Fisher-Price</td>
<td>Shapeways</td>
<td></td>
</tr>
<tr>
<td>Ebay</td>
<td>Black &amp; Decker</td>
<td></td>
</tr>
<tr>
<td>Addidas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**MENA 3D Printing Market**

- The Middle East is expected to see a CAGR of 59% in terms of units sold between 2012 and 2017 and a CAGR of 29% between 2012 and 2017 in terms of revenue

**MENA Projects**

- **3Doodler**
  - A 3D sketching pen, launched in the UAE targeted for designers/architects

- **Prayer Chair**
  - A 3D printer chair by a student mapping in visual communications

- **Bahrain Model**
  - A 3D model of Bahrain, one of the largest models of a county

Source: Financial Times, Zawya, The National, DesignMENA
COMMUNICATION DESIGN

The communication design segment groups a range of companies offering services from strategy to execution, both on traditional and digital platforms. The industries and firms covered in the “Communication Design” segment have been the most impacted by the movement towards convergence. Convergence of platforms (Digital vs. Traditional) and convergence of services (Strategic vs. Execution) have shaped this segment into a complex mix of companies from pure play graphic design boutiques to fully integrated advertising and creative agencies, as well as hybrids offering both consulting and design services.

From a service point of view, many companies have diversified away from traditional graphic design services, which focus on the execution of a design whether it is a corporate logo, an advertisement or a web site. Strategic advice is emerging as a growing service of focus in the industry whether it is linked to corporate branding consulting or more experiential design domains such as retail experience redesign.

From a platform point of view, graphic design was a skillset specialized in the development of printed materials, including packaging, advertising, signage systems and logos. Digital design agencies emerged as audience focus and advertisers’ spend started to migrate towards digital platforms, and they offered services such as web design and digital marketing. With the convergence of the offline and online worlds, and as clients’ requirements increasingly include traditional media platforms with digital presence, the required skillsets of ‘graphic design’ companies have evolved. This has affected the industry composition, with graphic design agencies providing both traditional and digital design, as well as other services under one roof, such as marketing, branding and consulting.

The definition of graphic design and the classification of activities that fall under its umbrella are evolving within the scope of creative industries. Industry experts agree that the term graphic design has taken on a variety of meanings and uses, ranging from a very narrow skillset through to a broad term for all visual design activities. This publication groups both graphic and digital design together into “Communication Design” with the recognition that all the skillsets described above are increasingly integrated under one client solution, but with an understanding that they individually (e.g. traditional graphic design vs. digital) continue to be relevant in their own right to certain creative groups.

Globally, the communication design market has grown by an annualized rate of 4.5% since 2010, and was valued at USD 42.8 billion in 2013. The recovery from the global economic slowdown has been slower in the communication design industry than for the economy as a whole, as companies have remained cautious with their marketing and advertising investments, which are often viewed as discretionary spending. The communication design industry is heavily influenced by the performance of the economy and closely follows the evolution of the advertising market, as companies are more likely to invest in new products, brands and campaigns during periods of growth, and to reduce discretionary spend in times of uncertainty.

The compound annual growth of the communication design industry to 2017 is expected to be 5.1%, indicating a greater confidence in the global economy as companies increase their marketing, branding and advertising budgets and invest in communications campaigns, corporate messaging and other services. The growth is expected to be supported by emerging markets with increasing levels disposable income, as producers of consumer products vie to differentiate their brands among new consumers in countries such as China and the Middle East. There are marked differences in the sub-segments of the communication industry with the digital market growing at a significantly higher rate in the next few years compared to traditional or print graphic design services.
The global communication design industry is highly polarized. On one hand, the market is very fragmented, with the market share of the largest companies estimated at 1% or less. The industry is largely composed of small companies operating from a single location or freelancers operating from home offices, and a small number of global firms that service global clients. On the other hand, the large advertising networks, the “big 4” (WPP, Omnicom, Publicis and Interpublic) are increasingly bringing in-house design capabilities (both digital and traditional) by consolidating smaller agencies. These larger players operate as full-service advertising agencies including strategy, design, advertising and sometimes technology across a global footprint.

Given the fragmented nature of the industry, globalization of the graphic and digital design industry has remained limited to a few large firms. There are, however, a number of large full-service creative agencies that operate in the MENA region, such as Saatchi & Saatchi and Ogilvy. In most cases these creative agencies form part of a wider communication group (in this case Publicis and WPP) and offer services such as media planning and buying, branding and public relations which do not fall within the “communication design” segment.

The MENA communication design market reached a value of USD 599 million in 2014, with digital design increasing its proportion of total revenues

The MENA region is estimated to account for 1.3% of the global graphic and digital design industry in 2014. The UAE and Saudi Arabia dominate the market, with 50.4% and 17.7% revenues respectively, and Qatar is the next largest market with 4.1% MENA market share. The majority of graphic and digital design companies are based in the UAE, even if they carry out much of their work elsewhere in the region. According to the companies interviewed, the UAE is viewed by clients as a dynamic and culturally-close market. Lebanon is considered by many industry experts as a hub for graphic and digital design talent in the region with a large number of freelancers.

The MENA growth rate for communication design services has underperformed relative to the global industry, with flat growth from 2010 to 2014 compared to a global CAGR of
4.5 percent. Digital revenue contribution to the industry, as a proportion of total graphic and digital design, increased from 14% to 20% over the time period, indicating the growing potential for digital industries going forward.

As in global markets, communication design revenues in MENA are primarily driven by clients’ advertising and branding budgets. The decline in Communication Design revenues has therefore been primarily driven by the decline of media and marketing spend in a number of markets in the region and particularly Egypt. Regional instability has negatively impacted branding and advertising spend in some of the larger MENA markets. The UAE communication design sector is the only MENA market which continued to expand albeit at a low growth rate, with revenues decreasing in 2011 but recovering gradually in 2012 and 2013.

EXHIBIT 64:
MENA ADVERTISING REVENUES (NET) 2010–2016
(USD MILLION)

The MENA communication design market is expected to experience strong growth up to 2017 at a CAGR of 8.8%, and subsequently at a CAGR of 5.2% to 2019, outpacing the global market to grow its market share by a further 0.2% percentage points to 1.5% in 2019.

EXHIBIT 65:
MENA COMMUNICATION DESIGN REVENUES 2010–2019 (USD MILLION)

Source: Deloitte Analysis
The main clients for graphic and digital design in the region generally fall under four groups:

- **Consumer-facing brands**, such as fashion and FMCG companies – including large international groups with local packaging operations in the region as well as the regional FMCG companies (e.g. Al Ain, Al Rawabi etc.). The regional expansion of global packaging manufacturing companies such as Linpak and Sirane and the emergence of local packaging design agencies (e.g. Dunes) is contributing to the growth of the sector.

- **Publishers**, such as newspapers, magazines, websites and books (e.g. ADM, ITP etc.) – although a number of regional media companies have brought in house design capabilities amongst their layout and pre-press teams supported by increasing user-friendliness of digital design software.

- **Advertising agencies**, including the local operations of the “Big 4”, that may outsource the graphic and digital design element of their client work. Advertising agencies are also increasingly providing graphic and digital design services, as they have brought these services in-house.

- **Finally the marketing and communications teams of corporates** are traditional buyers of communication design services whether strategic in nature (e.g. branding) or more tactical (e.g. marketing collaterals). As companies grow their online and social media presence and ecommerce adoption, digital design services constitute an increasing component of their spending, which is generally outsourced. Demand for branding services in the past few years has been notably driven by the transition of large family owned businesses particularly in KSA to full-fledged corporations as well as expansion of regional companies on the global scene (e.g. in the telecoms sector with Qtel becoming Ooredoo). In both cases, companies have embarked on large strategic transformation projects including re-branding.

The most common fee structure in the region is to cost per project, based on time and resources, although agencies may be provided with a monthly retainer by a client to take care of ongoing media requirements, and advertising agencies may receive a percentage of the media buying.

**The market for graphic and digital design is broad and can be segmented into four main groups, categorized by geographic breadth and range of services**

Industry experts point to the fragmented nature of the industry in the region, with the vast majority of media companies in Dubai employing fewer than 15 employees and regularly hiring freelancers for specific skills. The market for communication design is composed of a wide variety of agencies providing graphic and digital design as a skillset, usually supporting other services such as advertising, branding, or design consultancy, and can be segmented into four main groups; global full service advertising agencies, regional generalists; global specialists, and regional specialists.
The global full-service advertising agencies have increasingly developed graphic and digital design as an in-house skillset, to be able to cater to all of their clients’ needs, though outsourcing graphic and digital design requirements to specialist companies and freelancers is still a regular practice. This segment of the market is very consolidated and globally dominated by the “Big 4” advertising networks. These large agencies tend to dominate the major creative contracts, such as Impact BBDO, the MENA brand within the BBDO network (in turn part of Omnicom) that was awarded the Etisalat account in 2013. Outside of the “Big 4” other independent agencies are making strides in the MENA market. For instance Nomads, a global agency headquartered in the Netherlands was awarded the Emirates account in 2013. Furthermore, these players typically dominate the creative design awards in the region, such as the Dubai Lynx Awards.

Having a local presence is highly advantageous for winning contracts in the region, and thus the majority of the large full-service agencies have established offices in the region. For example, Memac Ogilvy, Leo Burnett MENA, JWT Beirut and J&R Dubai are all local subsidiaries of the wider network and, while these companies are able to leverage an extensive global network, they also provide important local expertise.

On the other end, the local agencies market is very fragmented with a number of players operating in specific design services. Some focus on strategic and design consultancy services while others are primarily focused on the execution side of designs, either on traditional platforms (e.g. printing companies moving up the design value chain) or digital with a high number of local digital agencies.

In between the local specialist agencies and the global communication agencies, a few local companies have expanded across the MENA region, generally offering a wider set of creative and design services. The quality of graphic and digital design services varies greatly across the industry, with our interviewees reporting a shortage of high quality local talent, although there are successful regional players that are growing their presence across the region and beyond. Interesting Times is a Beirut-based creative agency that has expanded to the UAE since winning the Ferrari advertising account in 2012, and Agency 222 is a Doha-based advertising and communications agency that has expanded to Saudi Arabia in 2014 and plans to open an office in the UAE in 2015. Brash Brands, a UAE-based branding and design agency, whose clients have included Etihad Rail and Dnata, has expanded outside the region to Shanghai, Singapore and London. Kairo in Egypt and Moloobhoy & Brown in Dubai also represent leading home-grown communication design agencies in the region.

In the same way that local presence is important for international brands in the region, local agencies are typically managed by teams with international qualifications.
and experience. For example, Brash Brands founder John Brash has experience at design agencies Landor Associates and Conran Design Group in London, and Moloobhoy & Brown’s co-founder and Creative Director Elliott Brown has experience at Fitch and Red Stone agencies in London.

The market is consolidating as large media groups seek growth in emerging markets and digital design, and new opportunities for freelancers are arising.

The communication design market appears to be consolidating as successful regional players expand geographically and acquire larger shares of the market, and also as large agencies acquire smaller firms. One of the acquisitions of note was by Publicis which bought one of the largest independent digital agencies, Sapient, in a USD 3.7 billion deal. Overall, global media agencies, such as Publicis Group and WPP, have developed aggressive growth strategies in the last few years with a focus on emerging markets and digital agencies. Many of the acquisitions have occurred in other emerging markets such as China and India although this trend has also permeated the Middle East to a degree.

EXHIBIT 67
CONSOLIDATION OF THE MARKET THROUGH M&A

INTERNATIONAL Communication Design

- Consolidation occurred in the graphic design market as a result of the global economic downturn, as spending on graphic design was reduced by 11% in 2009 and smaller agencies struggled to cope with reduced and inconsistent demand
- Large agencies have developed aggressive growth strategies to benefit from growth in emerging markets and from the digital revolution. E.g., Publicis, WPP, IPG
- Overall, 25% of advertising companies made acquisitions in 2013

MENA Communication Design M&A

- Consolidation in the MENA region has broadly followed the global trend e.g., Publicis acquire Flip Media, Webedia acquires Diwanee, Havas Worldwide and Paradigm Advertising and Publishing merge and Aya and StartJG form a strategic partnership
- Consolidations, mergers and strategic alliances are trending in the region as companies are trying to provide clients with a full breadth of non-traditional services (e.g., advertising companies acquiring digital agencies, media agencies) and diversifying their capabilities

<table>
<thead>
<tr>
<th>ACQUIRER</th>
<th>GROWTH STRENGTH</th>
<th>2012 ACQUISITIONS</th>
<th>2013 ACQUISITIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publicis Group</td>
<td>Agencies in high-growth geographies</td>
<td>Publicis, DDB, Leo Burnett, BBDO, Havas, Wunderman</td>
<td>Publicis, DDB, Leo Burnett, BBDO, Havas, Wunderman</td>
</tr>
<tr>
<td>WPP</td>
<td>Digital agencies, Emerging markets</td>
<td>MDC, Barton Bogle Hegarty, VML, BBDO Digital, Walsh, RWD</td>
<td>MDC, Barton Bogle Hegarty, VML, BBDO Digital, Walsh, RWD</td>
</tr>
<tr>
<td>Havas</td>
<td>Digital agencies, Emerging markets</td>
<td>Leo Burnett, DDB, BBDO, RWD, VML</td>
<td>Leo Burnett, DDB, BBDO, RWD, VML</td>
</tr>
<tr>
<td>Webedia</td>
<td>Overseas digital agencies</td>
<td>MPR, Data 2 Decisions, Cossette</td>
<td>MPR, Data 2 Decisions, Cossette</td>
</tr>
</tbody>
</table>

CONSOLIDATION GROWTH STRATEGY

- Publicis Group acquires Flip Media (2012)
  - Acquire top digital services in the region i.e., digital strategy, design, production and content delivery
  - Develop extended client database and good reputation in the Middle East as Flip Media is recognized for its awards winning creative and pioneering technology
  - Merger to provide more professional services i.e., digital advertising
  - Merger to combine strengths of both agencies e.g., advertising, branding, public relations, events and media services
  - Aim to have the most integrated communication business model in the region
- Webedia acquires Diwanee (2014)
  - Merge to provide Webedia extensive network of freelancers, a structured ad sales team, and tech advances i.e., data analytics tools
  - Webedia will increase revenue from access to branded content series

Source: Forbes, The Economist, AD Brands
As the larger players build up scale through acquisitions, the opportunity for freelancers in the Communication Design industry appears to be increasing. Many companies are opting for a lean and flexible structure following the economic downturn and, as a result, are minimising their numbers of full time employees and increasing their use of freelancers for specialist jobs. The MENA region is one of the fastest growing regions for freelancing, ranking fifth behind the United States, Australia, the United Kingdom and Canada, with the most sought skills being graphic and digital design, web design, web development, content writing and social media. One of the most prominent freelance job websites in the MENA region is Nabbesh, which has amassed 40,000 members, most of them under the age of 35, and facilitated nearly 5,000 freelance job opportunities.

A prominent trend within the region is the convergence of design services, with the emergence of "hybrid" agencies such as Xisché & Co and Cultural Engineering. Creative agencies are increasingly building on client relationships, and their in-depth understanding of the company’s brand and strategy, to provide additional design-related services including service design or business consultancy. Global “hybrid agencies” are also increasingly present in the region such as Start JG which has delivered a number of multi-channel customer experience projects including the new retail experience of Etisalat (physical stores).

EXHIBIT 68
THE RISE OF HYBRID AGENCIES

INTERNATIONAL hybrid design agencies
- Convergence of different disciplines has led agencies to evolve to become more multi-disciplinary (e.g., Ashraf Ghori, Richard Allenby-Pratt)
- With the proliferation of digital and social media, creative design agencies are expanding to incorporate new services as part of their offering. Media buying agencies are also acquiring / creating their own creative agencies (e.g., Omnicom Group owns Wolff Olins)
- The agency business model is shifting towards performance based fees (e.g., +70% of USA CMOs believe agencies should be considered on results)

HAKUHODO
- Japanese hybrid agency - +3000 staff
- Services: branding, creative, research, strategic planning, marketing, communications, events, media and content
- Allowing many spin off creative agency shops within its roof

WOLFF OLINS
- Brand consultancy, combining brand, design and technology thinking
- Owned by Omnicom Group
- Founded in 1965, employs +150 designers, strategists and managers

Wolff Olins

Prominent MENA hybrid design agencies
- Most graphic and communication design companies are based in UAE as Dubai is viewed as a forward thinking but culturally similar market within the MENA region
- Creative agencies are becoming increasingly multidisciplinary in the Middle East and especially in Dubai offering new creative services (e.g., culture, innovation, blended art and design)
- There is an emergence of local hybrid agencies such as Xisché & Co in Dubai who works with regional artists (e.g., Xisché’s “I am Dubai” JBR installation) and allow spin off creative agencies within its roof (e.g., Nicolas Dumont, BlackSheep Ventures)

INTERNATIONAL Hybrid Design Agencies

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Prominent MENA Hybrid Design Agencies

XISCHÉ & CO.
- Dubai and New York – based hybrid agency that combines management consulting with technology and design thinking. Disciplines: business, brand, digital and social

Brash Brands
- Brand consultancy that helps its clients create and strengthen brands
- Covers seven sectors (e.g., RE, FSI, TMT)
- Disciplines: brand and communications, digital and retail services

Source: Bernardo Carvalho, Barcelona Creative, Xisché & Co
A relatively nascent trend that has been highlighted by industry experts is specialization by client type, whereby creative agencies provide general design services and differentiate by targeting specific industries. For example, HBA Graphics specialises in hospitality, Moloobhoy & Brown specialises in the creative sectors, such as art and fashion, and Bluehaus design consultancy is increasingly focussing on the hospitality sector.

Barriers to entry to the communications design market are considered to be low as there are minimal setup costs, with many graphic and digital designers able to operate out of home offices and access affordable design software, and there are no registration or qualification requirements required to legally establish a graphic and digital design business. The industry fragmentation suggests that economies of scale are limited, although large agencies are able to minimise costs by outsourcing design production to low cost countries. A barrier to growth in the industry is the acquisition of client relationships however, which can be challenging without prior reputation or experience.

**Digital design is an increasingly significant contributor to the communications design market as clients recognise the importance of building online presence**

The increasing penetration of the internet throughout the MENA region presents a significant opportunity for brands in terms of communicating with customers online and growing their e-commerce sales. E-commerce in the region is relatively nascent as the MENA region is still a cash-based society, although growth in online sales in the MENA region between 2011 and 2012 was 45%, more than double the global average of 20%.

As a result, branding and advertising activities are shifting online, with industry experts reporting an increased demand for web and application development to establish online brand presence. Digital spend accounted for approximately 20% of total advertising spend in 2013 and is expected to increase to 26% by 2017. Regional companies that are embracing digital advertising include the low cost airline Flydubai that has adopted mobile advertising as an integral part of its strategy, the Jumeirah Group and Emirates Airlines that have both invested in integrated marketing communications campaigns, and e-commerce platforms such as JadoPado.

The growth of MENA internet users has led to a rise in demand for local Arabic digital content that relates to customers’ culture and lifestyle, and has supported the growth of a number of application developers within the region. Prominent developers include Ertica that launched Lamsa, providing access to a wide range of digital Arabic literature; and digital e-book platform Rufoof that launched in 2011 has 11,000 titles on offer and over 100,000 users in 2014. Opportunities for localized Arabic content are sizeable as smartphone penetration grows in the MENA region, with Saudi Arabia and the UAE currently leading the way with 63% and 78% respectively, and as mobile applications become increasingly popular, with 70% of Smartphone users already downloading applications in Lebanon. Furthermore, less than 1% of total global online content is Arabic and less than 0.2% of global digital content hosted in the Middle East and North Africa, despite native Arabic speakers representing about 4.5% of the world population.

Convergence amongst consumer-facing brands has also been highlighted by industry experts as a driving force for branding services in the region, as companies seek to communicate their evolving propositions to customers (to avoid brand dilution), which in turn drives the graphic and digital design sector. Luxury retailers have increasingly sought to develop a proposition whereby the breadth of products or services offered is broadened to cater to the target customer’s lifestyle, for example Armani diversifying from apparel to hospitality with Hotel Armani Dubai in 2011 and fashion designer Roberto Cavalli launching the Cavalli Club in Dubai in 2013. The trend has permeated the mainstream retail market, with Puma’s recent experiential campaign Fishtail Rides, which aimed to create a new fixed gear community in Dubai, as parts of its strategy to establish itself as a lifestyle brand.
FURNITURE

Furniture design and production has experienced steady growth over the past three years on the back of an upturn in the residential construction market.

The furniture design and production segment has seen promising growth on a global scale for the third consecutive year, posting a compound annual growth rate of nearly 5% for the 2010-2013 period⁸². As demand for housing, retail and office space is on the rise, furniture producers and manufacturers have fared well, and the global furniture manufacturing industry now generates roughly USD 400 billion in revenue annually⁸³. Measured in terms of production and annual output, furniture is the second largest design segment after fashion with around 18% of the design sector global market.

Of the three major product categories for furniture, household furniture generates half of the industry’s revenue, followed by office furniture with 35% and mattresses, shades, and blinds with 15%.⁸⁴ Given the reliance on household furniture for the health of the sector, the recovery of the housing market in the United States and Europe is paramount to the forward-looking prospects for furniture.

EXHIBIT 69
GLOBAL FURNITURE ANNUAL REVENUE GROWTH (USD BILLION)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (USD Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>346</td>
</tr>
<tr>
<td>2011</td>
<td>378</td>
</tr>
<tr>
<td>2012</td>
<td>386</td>
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<tr>
<td>2013</td>
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<td>2016</td>
<td>446</td>
</tr>
<tr>
<td>2017</td>
<td>462</td>
</tr>
<tr>
<td>2018</td>
<td>478</td>
</tr>
<tr>
<td>2019</td>
<td>496</td>
</tr>
</tbody>
</table>

CAGR: 4.9%  CAGR: 3.68%  CAGR: 3.55%  

Source: Deloitte Analysis
Historically there has been a high degree of correlation between the furniture and the residential construction market as shown in the exhibit below.

**EXHIBIT 70**
**CORRELATION RESIDENTIAL CONSTRUCTION SPENDING CHANGE (%) VS. FURNITURE OUTPUT CHANGE (%) - US**

The furniture segment was adversely affected by the financial crisis which marked a strong downturn in real estate prices and home sales. For home furniture, this translated into a 6% decline in sales in 2009 at the onset of the housing slump when renters and homeowners were hesitant to buy or remodel. For the office furniture segment, which tends to mirror the general health of the economy, reduced discretionary spending from businesses and corporations pressured margins on an industry which already has quite high fixed costs. On aggregate, the global recession dipped net profit margins of the furniture segment at large to a mere .07%.

Coming out of five years of steady recovery and an upturn in the global housing market, furniture production is expected to grow at a CAGR of just under 4% looking out over the next five years. The critical driver for this will be global construction of new houses, which are expected to reach 61.3 million units in 2018 on advances of 2.9%, annually.

A revitalized confidence in the housing market is expected to translate into a 3-5% increase in furniture sales, with IFMAC forecasting a growth of 4.4% for 2015 in global furniture. This bodes well for major furniture designers and producers in the mass market space, though luxury and craft furniture is also benefiting from a strong recovery.

Consumption trends in furniture have been shifting, driven by a growth in disposable income and the vast number of individuals entering the middle and upper classes globally. This has impacted the general awareness and demand for high end brands, spurring an interest in the luxury furniture segment. Though Europe still drives much of the production and demand for high end furniture, emerging markets – particularly in the BRIC nations – are expected to drive consumption in the coming years. High end brands Poltrona Frau, Knoll, and Herman Miller already have a strong global presence, and are looking towards emerging markets for growth over the next decade.
Driven by mega housing projects across MENA, the furniture market has been growing at double digit figures

The steady growth of the furniture market in MENA in the past years has been primarily driven by the renewed construction market boom in the region. As in international markets, forecasted demand in furniture is closely linked with the residential construction market, where the Middle East is currently seeing a rise in major housing, hospitality, retail and business developments underway. Public sector megaprojects and private sector real estate projects are flourishing in the MENA region, with the GCC countries averaging USD 115 billion worth of projects in 2012, up from USD 68 billion in 2008. Saudi Arabia currently holds the largest and fastest-growing construction market in the region, which coincides with its retail demand for furniture.

From a demand perspective, furniture retail remains positive over the next five years, bolstered by strong demand in domestic markets totalling USD 13.2 billion across MENA in 2014. This is largely driven by Saudi Arabia, which has the largest retail market for furniture in the region. Total sales in Saudi were estimated at USD 3.7 billion in 2013 and are projected to have steady growth over the next few years, with the segment value to be worth an estimated USD 4.6 billion by 2019. Egypt is the second largest furniture market, worth an estimated USD 1.6 billion in 2014.

**EXHIBIT 71**
FURNITURE RETAIL IN THE MENA REGION BY COUNTRY (USD BILLION)

Furniture is a key contributor to manufacturing in MENA although with very different profiles from between countries

From a furniture production viewpoint, countries in MENA have very different profiles. The largest demand market, KSA is also the largest producer in the region with USD 2.7 billion of furniture locally manufactured, which makes the country reliant on imports for less than 30% of their domestic demand. The UAE in comparison, whilst having furniture production pockets in Sharjah, relies on imports for close to 50% of the demand. The reliance on imports is even greater in Qatar at close to 70%. Going forward, growth in the MENA furniture segment at large is projected to outpace global furniture production with a CAGR of 5.5% from 2013-2017, reaching revenues of over USD 15.1 billion by 2017. While growth has tapered slightly from the 2010-2013 period, MENA is poised to grow its market share over the next five years, which at 1.6% of the global furniture market is low given the size of the region.
Both Lebanon and Egypt are actually furniture exporters. As the largest furniture exporter in the MENA region, Egypt exports USD 326 million worth of manufactured furniture while producing a total output of USD 1.4 billion. Egypt’s exports are still expected to grow further by nearly 9% to reach a value of USD 455 million in 2019 while projected output is valued USD 1.9 billion. The dynamic nature of Egypt’s furniture industry has been recognized internationally, and Egypt has ranked as one of the fastest growing global furniture exporters between the years 1999-2008. Though the Arab Spring caused some disruptions to its manufactured output, Egypt’s furniture market has remained resilient and demand for furniture both regionally and internationally has supported the industry.

Egypt’s success in the furniture market was based on key factors that pushed Egypt to be one of the most competitive countries in the industry:
1. Creative woodworking skills e.g. hand carved furniture, elaborate woodwork
2. Proximity to importing countries e.g. MENA and Europe
3. Advantages of cost structure e.g. low labor costs and low transportation costs
4. Production flexibility e.g. ability to produce large quantities at low prices
5. Design flexibility e.g. ability to produce customized and limited items based on demand from high end customers
6. Availability of raw materials in Egypt e.g. wood and metal

Egypt’s furniture sector has expanded with the help of strong governmental support, councils and regulation:
1. The ministry of Trade and Industry
2. The Industrial Modernization Centre (funded by the government, the private sector and the EU
3. The Egyptian Furniture Export Council (created by the Egyptian government)
Driven by high demand particularly in the GCC, luxury furniture retailers are entering the MENA market

With the upcoming megaprojects such as the Qatar World Cup 2022, the Dubai Expo 2020 or the King Abdullah Financial District and the Kingdom Tower in Jeddah, the MENA region is anticipating a peak in demand for high quality architecture and interiors, driving the need for luxury furniture designs to complement these developments. A number of premium furniture retailers based in Dubai have expressed great optimism concerning the rise in demand for high-end furniture and products, primarily from clients in the real estate and tourism sectors.

As the demand for high quality furniture in the region grows, international high end furniture retailers are entering the market. MKR Global Trading Company based in the UAE introduced three European high end furniture brands to support projects in the Middle East. MKR introduced Amboan Furniture, Almerich Furniture and Ascention Latorre, Valencia. Similarly, the Poltrona Frau Group expanded into Qatar in 2013 to meet high end consumer demand. In parallel new home-grown bespoke furniture manufacturers (such as Dubai-based Knights Wood) are emerging, tapping into the expected growth in the hospitality sector.

‘Modern arabesque’ designs have been trending among local furniture designers looking to maintain cultural aesthetics while incorporating modern techniques

Acknowledging the importance of culture and heritage in the Middle East, furniture designers are leveraging the traditional, Islamic and arabesque design aesthetics which have been popular for centuries into fresh new designs. A number of regional furniture designers have experimented with the idea of modern arabesque designs that sustain the authentic and traditional aesthetics of their products while adding modern touches to their creations. Furniture designers such as Nada Debs, Dina Gildeh, Marcos Cain and Linnea Forslund have created a new trend that pursues the Arabian inspired interior while incorporating foreign features that create more contemporary designs.

Nada Debs has fused together design influences from the Far East with cultural ideas from the Middle East. In her collection ‘East & East’ she took minimalist designs from the Far East and blended them with Arabesque prints from the region to create classical and modest furniture. Debs has gained popularity in Dubai, London, Geneva and Cairo for her contemporary furniture that comfortably incorporates arabesque material such as mother of pearl and geometric designs.

Influenced by her Middle Eastern roots, Jordanian décor designer Dina Gildeh has also incorporated arabesque culture with modernity in her furniture creations. This fusion was expressed in tables, chairs, trays and stools and incorporates a mixture of Arabic calligraphy, materials such as mother of pearl and an array of bright colors that add contemporary inspiration to the designs.

Furniture designers Marcos Cain and Linnea Forslund highlight the creative flexibility when choosing arabesque styles, incorporating accentual colours and simple elements that transform history and tradition into something modern. As Middle Eastern furniture has been closely linked to golden colourings, exaggerated floral patterns, detailed mosaics and overly luxurious arabesque aesthetics, this new trend has shown room for change. Expatriates in the UAE for example are showing more interest in simpler yet elegant furniture. Therefore, the furniture designers focus more on contemporary designs with modular furniture arrangements that include some Bedouin heritage and influence, serving this new interest.
Increased demand for customized products has driven collaboration between renowned international and MENA designers

Demand for original and customized furniture has become increasingly popular in the region. To meet this consumer demand, furniture designers have collaborated with fashion brands, graphic designers, product designers and artists to introduce new and unique products to the furniture market. Global brands Sicis and Christian Lacroix collaborated and exhibited their products at Dubai’s ‘Downtown Design’ event showcasing furniture that represented a blend between mosaic and fashion such as the Theodora Armchair and Theodora Pouff, while Saletti and Diesel collaborated to introduce customized home accessories. Throughout the region, these collaborations have put a spotlight on product design, with furniture leading the way for aesthetically driven and multipurpose pieces.

In 2012, UAE-based Jomayli Interior & Furniture partnered with Art Couture gallery and artists Cynthia Reta Richards and Petra Puschmann to create original, custom made and most importantly, artistic pieces of furniture for their customers. Through this partnership, the designer intended to distinguish his pieces by blending art, furniture, craft and function to produce what he calls ‘Art Furniture’.

The industry also saw collaborations between furniture designer Khalid Shafar and French furniture manufacturer, Moissonnier, to produce customized and limited edition furniture products, which were exhibited at Design Days Dubai. The furniture designer transformed simple chests into pieces of art for Moissonnier, as he focused on carefully sculpting and painting while adding his own aesthetic touch to create a combination of art and product rather than the creation of simple cabinets. The chests were reinterpretations of the privately owned horses of Dubai’s Al Maktoum Royal family which won in the Dubai World Cup.

Similarly, Nada Debs collaborated with local graphic designer Rana Salam to create stools designed with printed collages of images from Salam’s Middle Eastern influenced collection. The collaboration added contemporary, pop-culture designs to Debs’s classic stools through the use of bright colours and decorative shapes and forms. Together, the collaboration introduced the famous ‘Floating Stools’.

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Similarly, Nada Debs collaborated with local graphic designer Rana Salam to create stools designed with printed collages of images from Salam’s Middle Eastern influenced collection. The collaboration added contemporary, pop-culture designs to Debs’s classic stools through the use of bright colours and decorative shapes and forms. Together, the collaboration introduced the famous ‘Floating Stools’.

In 2012, UAE-based Jomayli Interior & Furniture partnered with Art Couture gallery and artists Cynthia Reta Richards and Petra Puschmann to create original, custom made and most importantly, artistic pieces of furniture for their customers. Through this partnership, the designer intended to distinguish his pieces by blending art, furniture, craft and function to produce what he calls “Art Furniture”.

The industry also saw collaborations between furniture designer Khalid Shafar and French furniture manufacturer, Moissonnier, to produce customized and limited edition furniture products, which were exhibited at Design Days Dubai. The furniture designer transformed simple chests into pieces of art for Moissonnier, as he focused on carefully sculpting and painting while adding his own aesthetic touch to create a combination of art and product rather than the creation of simple cabinets. The chests were reinterpretations of the privately owned horses of Dubai’s Al Maktoum Royal family which won in the Dubai World Cup.
Design events in the region have acted as catalyst to regional innovation in furniture design

Annual events in the region have also strongly promoted the design trend of exclusive objects and artistic furniture. Downtown Design, a furniture and interior design fair in Dubai, chose its theme to be ‘original’ for the 2014 event. The theme clearly stated the promotion and encouragement of innovative designs in the region and the mission was to create a culture that recognizes the aesthetic importance of original design.

EXHIBIT 76
DOWNTOWN DESIGN - 2014 EDITION

Dubai’s annual event, Downtown Design feature furniture exhibitors to showcase contemporary high quality designs. The fair chose ‘original’ as this year’s theme, to promote innovation across the region. It features designers such as Fritz Hansen and Vitra creating contemporary chairs. It also includes Emeco collaborating with Coca Cola to create the ‘111’ Chair made from recycled coca cola bottles. The fair also featured Nanu Al Hamad and his futuristic creations such as the Gibbous Chair.

EXHIBITORS’ DESIGNS

Fritz Hansen ‘Egg Chair’  Vitra ‘Eames Lounge Chair’  Coca Cola Emeco ‘111 Chair’  Nanu Al Hamad ‘Gibbous Chair’

The use and creation of sustainable furniture using eco-friendly material is gaining traction in MENA

Sustainable, eco-friendly furniture has been a topic of interest in the Middle East during the past few years, as companies and households are taking initiatives to promote ‘greener’ spaces.

For example, Sun and Shades, a European furniture brand with its main branch based in Dubai, has introduced a special collection of furniture which caters to the extremity of the weather conditions in the MENA region. The furniture is manufactured to be protected against the harsh sun, humidity and wind.

Furthermore, the outdoor furniture is made completely from raw, environmentally friendly, recyclable material.

Similar initiatives to create eco-friendly spaces have been tailored to accommodate office furniture as well as household furniture. The Green Company in the UAE offers a variety of workstations, sofas, chairs, cabinets, partitions, filing systems and more that are all environmentally friendly. The aim of the company, besides creating a more sustainable environment, is to reduce costs by using lower cost materials requiring less elaborate systems.
LIGHTING

GLOBAL OVERVIEW
The global lighting industry has experienced steady growth over the past few years, posting a CAGR of 5.45% from 2010 to 2013. The industry generated approximately USD 99 billion in revenue in 2013, which is inclusive of all lighting segments (not just design). Though it only accounts for 0.13% of the total global design GDP, the market is forecasted to have promising growth between 2013 and 2017 at a CAGR of 5.16% to reach an estimated output of USD 121 billion. By 2020 lighting will be an industry worth over USD 130 billion. Divided into two main segments, the majority of revenue is generated from the general lighting segment as opposed to automotive lighting. General lighting, which accounts for 75% of the market, caters to both functional and décor purposes and is categorized into seven divisions: residential, office, shop, hospitality, industrial, outdoor, and architectural lighting, while automotive or vehicle lighting installation represents roughly 20%.

EXHIBIT 77
GLOBAL LIGHTING INDUSTRY (USD BILLION)

The lighting industry has seen a shift from energy consuming installations to sustainable solutions
The lighting industry has been highly fragmented from a design perspective with numerous companies occupying different segments of the global lighting market. Within the larger lighting industry, there are a number of notable firms driving the market, including lighting and lamp product wholesalers such as Rexel, Solar and Sonepar and also fixtures companies such as Dialight, Gerard Lighting Group and Osramy Panasonic. The lighting industry also includes companies such as Bridgelaux, NXP Semiconductors and Xicato who supply LED lights. These companies are driving and promoting the
transition of energy consuming light bulbs to sustainable light and LED installations to respond to the need for more ecological and lasting lighting systems. These companies are embracing the high demand for environmentally friendly lighting systems and the need for replacing high energy lighting installations such as incandescent light bulbs to energy-preserving, sustainable and eco-friendly lighting systems such as LEDs. This progressive shift from traditional lighting systems to LED lighting is expected to continue over the next decade, and estimates have shown that in 2016, the share of LED usage in general lighting will be approximately 45% reaching to 70% by 2020\textsuperscript{101}.

Sustainable LED systems have shown great flexibility in design through the use of new materials, colours and shapes. The transition to LED lighting systems has been extremely relevant in architectural lighting design; a field allowing for aesthetic design in the illumination of buildings. LEDs, unlike traditional lights, allow for flexibility in design as they can be combined to create different shapes while still producing exceedingly efficient lighting. The brightness and dimness of these light bulbs can also be better controlled and can be altered depending on the design scheme, location or mood in which they are installed.

Furthermore, LED light bulbs allow for the use of materials that designers could not previously use due to the combustible nature of those bulbs. As energy-efficient bulbs, LEDs do not reach high temperatures and so can be used with wood, glass, cardboard and recycled material. This new trend and the more advanced technologies have given designers more flexibility to create lighting systems whose primary use is not only functional but also aesthetically purposeful to homes or offices.

The flexibility of designing with LEDs has given lighting designers and architects more incentive to invest in sustainable lighting. The New York Design Week, one of the most prominent design events in the world, recently showcased a line of lighting designs that were all sustainable and eco-friendly, and promoted new lighting concepts through ‘Green designs’.

**EXHIBIT 78**
**GREEN LIGHTING DESIGNS\textsuperscript{102}**

<table>
<thead>
<tr>
<th>Bower’s Magnetic Lamp</th>
<th>Mineheart’s Tiny King Edison XII Chandelier</th>
<th>Tucker Robbin’s Indonesian Fishing Basket Lamps</th>
<th>David Trubridge’s Ring of Fire Lamp</th>
<th>Group-Two Design’s LED Chandelier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scraps of wood built around LED lights, magnets to attach to any surface</td>
<td>Sustainable lamp lit by 12 tiny bulbs enclosed in a glass bulb</td>
<td>Teardrop Lights made from fishing baskets</td>
<td>In collaboration with Swarovski, Trubridge created a circular LED lamp bordered with crystals</td>
<td>LED lights in the five arms of the chandelier using laser cutting technology</td>
</tr>
</tbody>
</table>
Government regulation has also driven the use of LEDs and other eco-friendly lighting installations
New government regulations have also been an important demand driver for the global transition to sustainable lighting. Public policy priorities around energy savings and reduced consumption have stimulated the transition from incandescent bulbs to LED lighting systems, due to their social, economic and environmental advantages. While increased sustainable construction projects across the world have been demanding more LED installations in the past few years, China’s government has gone as far as passing legislation to ban incandescent light bulbs, promoting the use of LEDs. Europe is promoting LEDs as well by banning low-voltage halogen lamps.

Moreover, the erosion of LED prices has also been an important factor fuelling the growth of the industry and the penetration of the LED market. These light bulbs have proven energy efficient, sustainable and eco-friendly and research developments have shown that they emit less heat, produce zero UV emissions, are free of toxins and have life spans three to five times longer than incandescent light bulbs.

MENA OVERVIEW

The lighting market in the Middle East and North African region experienced double digit growth for the 2010-2013 period with a CAGR of 17.3%, far outpacing global growth in the segment which posted a CAGR of 5.4%. From a demand perspective, the MENA lighting market reached USD 1.9 billion in 2014, and is forecasted to grow at a CAGR of 9% until 2017 to reach USD 2.4 billion. The country with the largest lighting market in the MENA region is unsurprisingly the UAE, driven by high demand from its booming construction sector. The UAE lighting market was approximately USD 417 million in 2013, accounting for 24% of the total market value. Following the UAE is Saudi Arabia, Qatar, Egypt and then Lebanon.

EXHIBIT 79
LIGHTING REVENUE EVOLUTION IN MENA BY COUNTRY (USD BILLION)
As demand for lighting grows in the region due to higher levels of construction work, MENA lighting architects are following the global trend and looking towards more sustainable lighting solutions.

The boom in megaproject construction, transportation systems and airports in the region has been primarily driving the growth of lighting installations. However, an evident trend that has also been contributing to the industry growth is the amplified interest in better, more sustainable infrastructure. Governments in the region have become aware of the advantages of sustainable solutions, driving the increased demand for environmentally friendly lighting systems. Following the global transitions, the MENA region is starting to carry out initiatives to shift from traditional energy-consuming lighting to energy-efficient lighting using CFL (Compact Fluorescent Lamps) and LEDs. Philips Electronics has stated that switching from traditional light bulbs to more sustainable ones in public and commercial buildings could potentially save up to AED 33 billion in the MENA region.

Lighting architects in the region have also realized the benefits and potential for sustainable lighting solutions, while events have been taking place to promote this transition. As the GCC market – which accounts for the largest share of lighting revenue in the region – has been continuously attracting international lighting companies into the region, the growth of the MENA market is giving lighting brands the opportunity to enter and offer new, high quality lighting installations to customers.

**Events in the Middle East have promoted the use of LEDs and encouraged design through these new solutions**

The ‘Light Middle East’ fair that takes place annually aims to attract international lighting brands and companies to generate better business for the industry in the region. In 2014, the fair took place in Dubai under the Dubai Municipality and over 325 lighting companies from around the world participated, presenting new solutions. For example, European manufacturers Rovasi and Regiolux recently introduced their latest products to the region. These items involved energy efficient LEDs and are allowing lighting designers in the MENA region to use them for high-end products.

‘Light Middle East’ also featured a design concept that focused on innovative and futuristic designs called ‘Future Zone’. This show involved some of the newest lighting technologies and most prominent designers showcasing crafted lighting systems. The adoption of LED lighting systems in the region has contributed to the aesthetics of installations as well as the environment. The use of LEDs has become very popular among lighting designers due to the flexibility of materials they can be used with and the flexibility of the brightness, dimness and colouring.

The head of Philips Lighting University Middle East, Abdo Rouhana explained that LED solutions are offering lots of support for the changes taking place in work lives and offices. A lot of attention has been directed to the individuality of office spaces and now LED lighting allows for the freedom of shapes and design, the use of different colours and the creation of different effects. These products can be used to form different environments depending on the mood and ambiance of the space.

Some of the international lighting companies that participated in ‘Light Middle East’ were GE Lighting, Osram, iGuzzini, LG, acdc, Trilux, Linea Light and ERCO. Most of the designs showcased by these companies were LED related technologies fashioned to produce innovative products such as scalable street lights, laser blades, series of architectural down lights and a variety of innovative gallery luminaires.
iGuzzini, a UAE-based lighting system company, and Dean Skira also collaborated to create 'Underscore', a lighting product used to light pathways. Though it is an architectural product, the designers intended to focus on the aesthetic appearance of their creation as well using LEDs that allowed dynamic shapes, colours and spaces.\(^{109}\)

Philips also launched LED designed products that are selling in Dubai such as vases, coasters, platters and table lights. The products come in different shapes and colours, they are combined with different materials and the consumers can choose the brightness of the items.\(^{110}\)

As sustainability proves to be the central trend in the lighting industry, promoting more environmentally friendly solutions, it is also proving to pave the way for unique and innovative designs through the use of new methods that were unable to previously exist. As the market continues to grow, the involvement of lighting architects will become more prevalent in the process of residential, commercial or hospitality design.
MARINE DESIGN

GLOBAL OVERVIEW
The Marine design industry entails the production of high-end products such as boats, sailing boats, yachts and super yachts. This segment has been faring well year over year since 2009, and is anticipated to see exceptional growth figures up through 2020. In 2012, the global motor and sailing yacht market was estimated to be worth approximately USD 4.46 billion and is expected to grow to USD 27.8 billion by 2015 and to USD 73 billion by 2020\textsuperscript{111}. These luxury items have suffered severe downsizing while some manufacturers even declared bankruptcy due to the high ownership per capita and pressures due to the economic recession. Some of the main manufacturers and producers in the industry were harshly affected by the downturn, such as the United States, France, Italy, Australia, Canada and Japan. However the market is now on a positive recovering trend due to the demand from high net worth individuals in China and the Middle East.

Increases in wealth and net worth have driven the demand and growth of the marine industry
The super yachts market is the most luxurious market in the industry with an estimated 4,200 super yachts, which are currently dominated by the European and North American markets. The last decade alone has generated the sale of 50% of these super yachts, driven by increases in wealth across high net worth individuals. It also indicates a competitive environment driving the demand of marine products and manufacturing innovations, with the main manufacturers in this industry being Italy’s Azimut, UK’s Sunseeker, and France’s Beneteau\textsuperscript{112}.

On the global scale, design integration in yacht manufacturing has been trending
The production of yachts and super yachts has spurred interest in integrating design ideas into the manufacturing process such as customizable products. This aspect of individualizing production has become so important that on average the yacht designers receive a minimum of 5% of the total cost and are expected to receive as high as 25% in the near future. Manufacturers have even collaborated with fashion designers to produce high end, luxury, designed yachts. An example of this is the recent collaboration between Martin Francis and Swarovski. Francis collaborated with the jewelry brand for its specialization in crystals that would complement his famous glass work, which he incorporates in yacht manufacturing\textsuperscript{113}.

EXHIBIT 82
CROSS DESIGN COLLABORATION IN MARINE DESIGN

| The iconic naval designer, Martin Francis partners with Swarovski to create the super-luxe crystal yacht interiors |

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francisdesign

Swarovski
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“Swarovski Surface Collection”
- The collaboration produced a variety of products designed for the surfaces of the yacht interiors.
- Swarovski added crystal refinement to Francis’ high end designs that he made with high quality materials such as wood, suede, leather and glass.
- Swarovski crystals were placed on leather or suede surfaces to create the most high-end, sophisticated yacht interiors and craftsmanship.
Boat shows are also held around the world to boost sales by increasing the audience attendance and to encourage innovation among the designers. Research has shown that boat shows generate roughly 20% of total sales in the world. Some of the most prominent shows with sizeable audiences are The Grand Pavois in La Rochelle which brought in 700 exhibitors, the Miami International Boat Show which brought in 2,000 participants displaying over 3,000 boats, and the Paris Nautic Boat Show, which brought in 785 exhibitors, 1,300 brands displaying 700 boats, inviting over 240,000 visitors. 114

MENA OVERVIEW
The MENA marine market, although flooded with high net worth individuals driving consumer demand, still lacks in producers and manufacturers of yachts and boats. The Middle East and North African countries mainly import boats, yachts and super yachts to the region rather than specializing in their production. In 2009, sales of yachts in the Middle East reached a value of USD 685 million and it was estimated that the demand for marina berths from the MENA region was around 41,000 in 2012. Forecasts predict that the demand for marina berths will double to more than 80,000 by 2015. Consequently, to meet this growing consumer demand, developers are expected to invest USD 200-300 billion in the next 15 years. 115

Increases in wealth levels in the region as well as marine real estate projects have prompted the sale of luxury items such as yachts
With the growing wealth and disposable income in the region and the increase in the number of high net worth individuals, the willingness to pay for luxury items such as yachts and super yachts is rising in the MENA region, mainly driven by the Gulf States. GCC countries are experiencing notable increases in GDP which has translated into luxury spending. The World Ultra Wealth Report stated that the MENA region holds a higher percentage of wealth growth than any other region in the world, which can be seen in the success of luxury cars and boats. This rising wealth and consumer demand is incentivizing developers to spend on the marine industry across the GCC region. Evidently, megaprojects such as the Expo 2020 and the UAE Maritime Vision 2030 are also drivers of the UAE marine design industry in particular.

Major maritime projects, coastline and island developments such as Dubai Maritime City, Nakheel, The World and the Dubai Canal are also driving the growth in the UAE boat industry. In Saudi Arabia, marina real estate projects and luxury resort construction projects are similarly fueling demand for increased activity in the Kingdom’s marina market.

The yacht industry in the region is maturing through increased investments, production and imports
The region is responding to this growing demand by increasing marine activity through events, investments and production. The Saudi Arabian retail boat market is growing at 20% each year and so Middle East leisure boat manufacturers and dealers are targeting the Kingdom as a sales destination. Dubai has also made strides to become the hub for the maritime design industry in the region. With the UAE being the largest consumer of luxury items in this market, the UAE Maritime industry has received USD 170-220 million in investments for boat design and boat building. In addition, the Dubai Maritime City Authority has stated that Dubai’s maritime industry is contributing approximately AED 14.4 billion to GDP and roughly 75,000 job opportunities. 117

Some of the major local yacht manufacturers are Gulf Craft (acting as the largest manufacturer in the region), Al Sayer Yachts, Emirates Boats and Al Hareb Marine. While some of the major importers of yachts are ART Marine (Azimut, Benetti), Al Yousuf (Yamaha), Luxury Sea Boats (Sessa Marine, Carnevalli Yachts), Leisure Marine (Princess Yachts), Macky Marine (Formula Boats, Monterey Power Boats), Sea Pros (Ferretti Group with Riva and Perching; Regal, Itama), Emirates Yachting (Bayliner,
There are also importers with a local subsidiary such as Sunseeker Middle East and Hatteras Collection Middle East.

**The MENA region is following the global trend of collaboration to create customized products**

The production of leisure boats has become highly design oriented with focus based on the architectural, interior design and construction engineering aspects of the product. These luxury items have been works of art, in that some are fully or semi customized while some are end products of manufacturer and fashion designer collaborations. For example, Gulf Craft, the UAE-based yacht manufacturer and the largest manufacturer in the region, has so far produced 7,000 products that have been sold internationally. Gulf Craft has also produced, designed, semi and fully customized 450 super yachts that have been put on the market. In total, these products by Gulf Craft account for 10% of the total luxury yachts currently sailing around the world.

**Boat shows in the MENA region have also promoted sales and activity in the yacht market**

Boat shows and events in the Middle East have also become increasingly common. One of the most prominent shows in the MENA region is the Dubai International Boat Show which is leading the sales of luxury yachts across the MENA region. In 2014, the show hosted 840 companies and exhibitors, 12% more than they had hosted in 2013 with 26,000 visitors. And as the secondary yacht market grows in the region, Dubai has also hosted the Dubai Pre-owned Boat Show. Other shows that display leisure boats in the region are held in Qatar such as the Qatar International boat show as well as in Saudi Arabia, with the Saudi International Boat show.

International boat shows that have been held outside of the region have also recognized regional yacht architects and designers. UAE-based Greenline Yacht Interiors won at London’s World Superyacht Awards in 2011 for being the best fit-out company. Greenline Yacht Interiors were renowned for their craftsmanship when designing the interior space of the largest privately owned yacht.

The production and manufacturing marine market have yet to develop and design innovation still has room to grow. However the pace of the industry predicts that the market will grow in the near future following rises in consumer wealth determined by the health of the economy. With these developments in marine products and increased funding into the market, manufacturers will look to increase activity in the industry while designers will look to increase investments in creating new and individualized items focused on more luxurious interiors and creative infrastructures.
MENA DESIGN SEGMENT
FASHION DESIGN
GLOBAL INDUSTRY OVERVIEW
Fashion is one of the most ubiquitous industries within the design sector, given its high brand visibility in the public sphere as well as its familiarity with the majority of consumers worldwide who regularly purchase fashion items (which fall just behind food in terms of biggest expenses over a lifetime). In mature markets, a woman will purchase an average of 3,000 fashion items in a lifespan, making the fashion industry one of the most pervasive of the design segments. Moreover, the fashion industry is complex, very segmented and the largest in size of all design segments – and worthy of its own report. This edition of the report aims to look at the MENA design sector at large, and more emphasis has been placed on other design segments which are slightly less recognized than fashion.

In terms of market analysis and forecasting, the fashion segment can be divided into production (which encompasses fashion design) as well as fashion retail. This report will cover both but put more focus on fashion retail, given its relevance to the MENA region which has seen impressive growth.

The fashion retail market is estimated to be worth over USD 1.3 trillion, representing over 1.7% of global GDP in 2013. Over the years from 2009 to 2013, trends in retail apparel sales show that the global fashion industry has seen consistent growth with a 3.3% CAGR for the period.

Fashion is also one of the few industries which posted stable growth through the financial crisis, maintaining year-on-year sales growth above 2% for every year since 2008. Looking forward, the global fashion retail market is forecasted to exceed USD 1.7 trillion by 2019.

Much of the new growth is coming from less mature markets as Brazil, Mexico, Eastern Europe and China, where the retail and apparel markets have been in an upward swing. Emerging markets will account for a larger market share and stronger market growth rates in this segment over the next ten years, with China playing an increasingly important role.

In mature markets, consumer confidence has returned to pre-recession status, particularly in the US which had suffered low sales figures. Oversaturation and product differentiation remain key challenges for mid-market fashion, with retailers relying on niche segments and promotions to drive volume. Interest is growing in a number of categories such as accessories, shoes, handbags and menswear. Menswear has seen a strong return in fashion retail – where in countries such as the UK, men are reportedly outspending women on fashion items such as shoes. This is reflected in the growth of global menswear sales, which over the past few years has consistently exceeded that of womenswear every year since 2009, growing at 9-13% each year.
EMERGING MARKETS

Emerging market economies, with rapidly growing middle and upper classes, have developed a much stronger demand for fashion apparel. Key emerging markets driving fashion expenditure include Brazil, Russia, India, China (i.e. the BRICs), MENA and even Africa over the longer term. This is reflected in the fact that fifteen out of the twenty cities exhibiting the fastest apparel sales growth are outside of Western markets. China in particular is at the forefront of this growth, where the fashion market has tripled over the past two decades, and is expected to triple again over the next decade. In other emerging regions such as Africa, the addressable market is estimated at 1 billion customers, with reportedly the fastest rising middle class population globally, and a projected fashion market to reach USD 15 billion by 2020. To capitalize on emerging market growth, retailers will need to expand their footprint.

INDUSTRY CONSOLIDATION

Industry consolidation is continuing in the fashion industry, with mergers and acquisitions (M&A) on the rise following the financial crisis. In 2012 alone there was USD 1.6 billion worth of M&A deals affecting the fashion market. This has carried forward into 2014 and is expected to continue at least in the short term into 2015. This is particularly the case in the high-end luxury market. Examples of notable acquisitions include LVMH’s USD 2.6 billion takeover of Loro Piana and USD 6 billion acquisition of Neiman Marcus. The extent of the horizontal integration is such that only four conglomerates LVMH, Kering, Swatch Group and Richemont, collectively control as many as 115 luxury brands. Vertical integration is also taking place to seize benefits across the supply chain. Examples include Kering’s acquisition of exotic skin supplier Heng Long, a supplier to Hermes, for around USD 110 million.

DIGITIZATION

The rise in digital services such as ecommerce and social media continues to impact growth in fashion sales. Online sales channels for the clothing and footwear market are expected to continue growing at three to four times the pace of offline retail channels. Although online is still growing off
a relatively low base, the scale of the growth over the past five years positions it as a serious retail channel for fashion going forward. This is particularly true in established Western markets such as the US, where online sales of apparel and accessories already has the highest share of total US ecommerce sales around 22% (with computer and consumer electronics also around 22%). Moreover, category sales are expected to grow at 14% per annum over the longer term.

Similar trends are present in emerging markets such as China, especially with the force of online giants AliBaba.com in the ecommerce world. Social media and blogs such as Facebook, Twitter and Pinterest now also profoundly influence consumers’ sense of fashion and buying behaviour, through Consumer-to-Consumer (C2C) feedback pre and post product sales. Social channels also provide an excellent forum for Business-to-Consumer (B2C) interaction, enabling designers to collect feedback and market intelligence on target consumer trends and preferences.

In the MENA region, digital services are on an upward swing, though this has yet to impact the fashion retail industry in a material way. An increasing number of fashion stores in the region. Social media has also increased brand awareness as it has enabled designers to engage and cooperate directly with their customers and serve as a testing forum for new designs. For example new modest fashion brand Hijabik from Jordan was established online following feedback given by customers on pictures of sample designer headscarves posted on Facebook, while fashion blogger Acsia AKF in Kuwait reached over 1 million followers on Instagram, after over a year of blogging. This has not yet translated into notable sales growth for the segment in MENA, but has allowed for improved brand visibility in the fashion world.

MODERNIZATION OF THE SHOPPING EXPERIENCE
The growth and cluttering of both online and offline brands has compelled a number of labels to focus on improving the in-store experience. Technology companies such as Apple have innovated in-store design and experiences to notable success, with a number of fashion brands following suite. Technology is being applied to offer an enhanced shopping experience and generate a buzz among consumers.

The relatively lower shop traffic during the economic downturn has also reduced the sales per square meter in stores, which has added strain to store profit margins. Department stores have looked into various options including having a higher number of smaller stores (higher density and reach) or setting-up shop-in-shop initiatives, where retailers sublet some of their own retail space to others. Michael Kors has converted approximately 1,400 department store spaces to shop-in-shops, so they can provide customers with a more authentic shopping experience, which has reportedly helped to boost their sales.

Pop up stores (temporary retail stores or spaces) are increasingly being used as another sales platform across the fashion industry. Each pop up store is unique and enables designers and consumers to interact closely with each other. They are used in fashion department stores (e.g. Saks Fifth Avenue), events (e.g. London Fashion Week), in shopping areas and by new designers seeking to enter the market. Blue-chip retailers and designers such as Nike have also integrated pop-up retail into their sales and marketing strategies.

FASHION MEETS WEARABLE TECHNOLOGY
Wearable technology is still in an experimental stage, but has sparked the interest of the fashion industry with collaborations between technology firms and fashion designers (e.g. fitbit & Tory Birch, Ralph Lauren & OM Signal, NuMetrex & Adidas). Wearables are devices that can be worn or integrated with clothing, shoes and accessories; usually to track information related to health and fitness, which sync with mobile devices. As the industry is still in its infancy, many wearables are in prototype stage, but technology firms, fashion and product designers are teaming up to create a variety of apparel,
accessories and fitness wear. Geographically, developments are taking place in USA and Europe, Western fashion hubs where many wearable technology start-ups are based are displaying their items at major fashion events such as the Fashion Weeks in New York, London and Paris.

EXHIBIT 85
CASE STUDY - WEARABLE TECHNOLOGIES

INTERNATIONAL wearable technologies

<table>
<thead>
<tr>
<th>Wearables</th>
<th>Estimated Sales 2014</th>
<th>Average Price 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smart Glasses</td>
<td>4 million Units</td>
<td>$500</td>
</tr>
<tr>
<td>Fitness Bands</td>
<td>4 million Units</td>
<td>$140</td>
</tr>
<tr>
<td>Smart watches</td>
<td>2 million Units</td>
<td>$200</td>
</tr>
</tbody>
</table>

Wearables are anticipated to sell an estimated 10 million units, worth around US $3 billion in revenues in 2014

MENA wearable technologies

- Many international wearables items are now commercially available in the Middle East (e.g., Samsung Gear, Sony Watch, FitBit, Google Glass**) and featuring increasingly in large Middle East trade shows (e.g., QITCOM in Qatar, GITEX in UAE).
- Wearable technology ventures have started to spring up in MENA, but activity has been slow and limited to sports and health items.

Prominent wearable technology start ups and ventures

- Established in 2011 by a student from American University of Beirut who developed the world’s first waterproof heart monitor.
- Mountable on goggles, capable of providing swimmers with real time visual feedback to reduce drag.
- Partnered with a Chinese manufacturer, with plans to ship to +47 countries worldwide.
- Plan similar wearables for other sports: cycling, skiing, running.

* The sizing was done before the release of Google Glass being suspended
** In its current version, Google Glass has been suspended

REVITALIZED INTEREST IN HAUTE COUTURE

Haute Couture is the creation of highly niche, exclusive custom-fit and handcrafted clothing. Considered a very
high craft, Haute Couture is etched into the heritage of the fashion world, with the term “Haute Couture” itself protected by French law. The sector holds key strategic and historical significance as it represents the absolute pinnacle of fashion in terms of style, skill, quality and uniqueness. To preserve its high standard, Haute Couture members are very tightly regulated by the French Chamber of Commerce and Industry, with strict guidelines on several areas such as runway shows, ateliers and artisans. By its nature, this area of fashion is highly specialized, catering to the ultra-niche high net worth consumer segment. Haute Couture is therefore not simply entered into as a commercial business, but as a strategic marketing and brand development tool, as pieces worn by notable individuals or celebrities gain great media attention and exposure.

In recent years, Haute Couture has made a notable comeback. Clientele has not only expanded, but has also shifted in demographics from the traditionally older more mature female segment to a more youthful and geographically diverse clientele. The boost in Haute Couture demand has primarily stemmed from young high net worth clients in the emerging BRIC economies, Middle East and Africa, representing a shift away from the traditional niche-European client base. The MENA region is estimated to represent up to one third of global Haute Couture clientele. As a result, global fashion brands have been very active in this space, with Dior announcing double digit growth in Haute Couture revenues, as well as Channel with record 20% growth in Haute Couture in 2014. Smaller specialist boutiques have also experienced a strong surge, most notably with Ralph & Russo, which has reportedly grown up to 400% year-on-year (albeit off a lower base). This success has also attracted a range of prominent designers who are expressing interest in this sector, namely Valentino, John Galliano, Carolina Herrera and Nina Ricci, among others. In the MENA region, Elie Saab and Zuhair Murad have introduced Haute Couture lines, and modest Haute Couture has also entered the market with companies such as Haute Arabia.

**MENA REGIONAL CONTEXT**

The MENA region is estimated to account for 5.4% of the global fashion retail industry in 2013. The UAE, positioning itself as a global and regional fashion retail hub leads the region with a majority 28.3% share of MENA apparel revenues, followed more distantly by Saudi Arabia in second with 16.8%. Following the UAE and Saudi Arabia, Qatar and Egypt have regional market shares of 12.9% and 11.5% respectively, while other countries across the GCC, Levant and North Africa have roughly 30.6% of MENA’s apparel revenues. The significant size of other countries’ share of apparel revenues illustrates the market opportunity that is prevalent for the fashion industry across the region.

In terms of growth, the MENA fashion market has outpaced global industry growth by over 4.7 times since 2010, with a CAGR of 15.7% vs. a global CAGR of 3.3%. Naturally this has led to the MENA region increasing its share of the global fashion market by an estimated 0.4 percentage points from about 5.0% in 2010. The growth has been driven by robust spending in retail infrastructure in Qatar, Saudi and UAE, with Qatar and Saudi Arabia posting CAGRs of 11.4% and 7.6% respectively. With its market base at almost 1.7 times the size of the Saudi Arabia and more than 2.2 times the size of Qatar, the UAE has also proved to be significant in driving overall regional fashion growth.
KEY REGIONAL DRIVERS - RISING SIGNIFICANCE AS A GLOBAL FASHION MARKET

The region’s growing prominence as an emerging fashion market is attracting many global retail brands to enter, particularly in the GCC where strong purchasing power, tourism growth and leisure spend bode well for fashion retail.

Over the coming years fashion in the MENA region is expected to continue growing to 2017 at a CAGR of 6.1%, and subsequently by a CAGR of 7.5% to 2019, outpacing global growth to increase its market share by a further 0.6% percentage points to 6.0% in 2019.

The UAE in particular has been very proactive in the fashion industry, establishing the new Dubai Design & Fashion Council in 2013 before announcing Dubai’s plans to become a global fashion hub by 2020. Dubai now competes with London and Tokyo in terms of fashion retail sales, and has a number of large scale retail infrastructure projects underway which should help the Emirate fare positively in terms of tourism-based leisure spend. High-end brands such as Chanel and Louis Vuitton have placed great importance on the Middle East, reporting consistently high sales from the region. This is reflected in the estimated 41.7% increase in Middle East sales that the world’s top 250 retailers experienced in 2012. A recent UAE consumer apparel study revealed that one third of UAE respondents buy luxury goods, with most buying designer fashion apparel and accessories.

Outside the UAE, global fashion brands are also increasing their presence in the region, particularly in Qatar and Saudi Arabia where demand for luxury products is highest. Saudi Arabia, although the second largest in share of regional apparel spend, is still a largely underserved market not only in fashion retail but also across other retail industries, according to Saudi retail reports. Morocco has also seen promising growth in its luxury segment, which grew by 36 per cent between 2007 and 2012.

PROLIFERATION OF RETAIL SPACE

The region continues to develop retail space at a faster pace than most mature markets, and boasts a number of existing and planned retail spaces which aim to serve the ever growing fashion tourism market. Fashion retail has been a key attraction in the GCC, with Dubai leading the way in attracting both brands and shoppers, hosting 59% of global fashion
brands. While still in its earliest stages of development, the Mall of the World upon completion has ambitions to serve as the largest mall in the world at 48 million square feet, and will pay homage to a number of fashion tourism destinations with “celebration walk” modelled on Barcelona’s Las Ramblas, a shopping district modelled on London’s Oxford street as well a model of New York’s Broadway district.

Arguably the most notable fashion destination in the region at present is the Dubai Mall, which boasts ‘Fashion Avenue’, recognized as the largest collection of luxury fashion brands under one roof anywhere in the world, sprawling over 440,000 square feet and hosting a wide array of brands within the its more than 1,200 shops. The Dubai Mall has been listed as one of the world’s largest and most-visited retail destinations, and is increasingly moving towards showcasing more innovative and niche design brands. A number of up and coming fashion houses have selected Dubai for their international retail debut, due mainly to its scale and the exposure it brings in fashion tourism.

In 2014 the mall welcomed over one million visitors during the three-day Vogue Fashion Dubai Experience (VFDE), which brought together leaders in the fashion world to feature new looks as well as emerging designers. VFDE also hosted the ‘International Talents Showcase’ at the Armani Hotel, which showcased 20 up and coming designers from around the world, chosen by Vogue Italia and The Dubai Mall. A number of selected brands were from MENA designers, including Asudari Studio by Lamia Asudari from Saudi Arabia, Madiya Al Sharqi from the UAE and No3 Design by Bushra Badri and Amira Al Khaja from the UAE.

In Saudi Arabia retail developments include the Mall of Arabia, one of the largest malls in the GCC and the Red Sea Mall, one of the most popular in Jeddah. The established mall culture and growing number of malls, particularly in the GCC, will naturally drive growth in retail outlets, reach and fashion product sales. One of the major fashion retail development trends is investment by GCC-based franchisees and developers to the wider MENA region, hoping to recreate the success of fashion tourism in new markets. Alhokair and Nesk from Saudi Arabia and Al Shaya from Kuwait are recent franchisees to capitalize on the rapidly expanding Moroccan fashion retail opportunities, while Saudi developers have backed some of the largest retail spaces in the MENA region.

Outside of the GCC, two notable retail developments which have emerged are the Beirut Souks and the Morocco Mall. The Beirut Souks is a mega-shopping district made of open air shops and a department store, built upon historical ruins and incorporating Arab design into its architecture. The area is Beirut’s biggest shopping destination, and is home to more than 200 shops and a department store designed by Zaha Hadid, which hosts both international luxury brands as well as Lebanese designers such as Nada G. Beirut Souks in combination with neighbouring Saifi Village make up the premiere and most prominent luxury shopping destination in the Levant region, hosting numerous local and international design brands.

Morocco has also made an impact in the MENA fashion retail segment with the Morocco Mall, which serves as the largest shopping centre in Africa with over 200,000m² of floor space in Casablanca. Designed by Architect Davide Padoa of London-based Design International, the mall has won a number of notable international awards such as Best Retail Development in Africa (African Property Awards), Best Shopping Centre (MIPI M), Best Retail & Leisure Development (MAPIC) and Most Innovative Retail & Leisure Concept (Global RLI Awards). The mall has helped attract major international fashion houses to the region, to the extent that Prada opened two standalone stores within it. Moreover, since the opening of the Morocco mall numerous high end luxury fashion brands have come to the North Africa region. In Morocco alone two more high-end luxury malls have opened or are under development.
Malls and integrated retail clusters are playing an increasingly important role for the MENA fashion segment, as a channel for exposing emerging design talent to consumers while also putting MENA cities on the map as shopping and tourism destinations. The fashion retail segment has used retail as a major channel to connect with the international fashion world, which is trending eastward as emerging markets boost demand for fashion products.

FASHION DESIGN

Fashion design and production has been low in the MENA region relative to mature markets. While MENA fashion brands have emerged over the past decade, few have received international or even regional exposure. As large retail outlets start to turn towards boutiques and niche brands, and improved design education and infrastructure is developed, there is potential going forward for more MENA designers. Currently Lebanon leads the MENA region from a fashion design perspective, with a number of successful luxury labels launched by Lebanese designers. One of the biggest Arab names in fashion is Elie Saab, whose signature collections are sold in 50 countries worldwide, with over 100 retail outlets and major flagship stores in Dubai, Beirut, Paris, London, Hong Kong and Mexico City. Saab has dressed more than 100 celebrities for major red carpet events, and the designer and the 200 employees of the brand maintain head design offices in Beirut.

Like Saab, Reem Acra is another Lebanese designer best known for wedding and eveningwear, with her collections sold by over 130 exclusive retailers across 30 countries. In 2013 Acra saw a 25% growth in her wedding line, despite the sluggish segment performance.

Other notable Lebanese designers to break into the elite international fashion scene are Zuhair Murad, Georges Hobeika, Caroline Seikaly, Milia Maroun, Bashar Assaf and Rabih Kayrouz. Eveningwear has been one of the most popular segments for these designers.
MENA FASHION EVENTS ON THE RISE

Fashion events around the world have increased across a number of dimensions including number of events, attendees and audience base, and in expenditure (both from a funding and consumer perspective). The four big Fashion Week events in key world fashion capitals London, New York, Paris and Milan, are hosting more shows to accommodate the increasing number of new international designers each year. For example, New York Fashion Week hosts designers from over 30 countries across the world in addition to its own American brands. London Fashion Week in 2013 increased its attendee and audience base, having opened its doors to ordinary fashion shoppers (in addition to the fashion community) for the first time. Emerging fashion economies have also significantly increased the number of fashion events, with China, India, Singapore and South Africa more than doubling their fashion events from 2006 to 2010, investing in creating their own fashion weeks as alternatives to the traditional big four.

The last five years have seen a wave of new fashion events hosted throughout the MENA region, attesting to the growing interest in this segment from both local industry as well as government bodies, which have backed a number of events. In the UAE alone, the number of fashion events has more than doubled between 2006 and 2010. This includes regional events such as Arab Fashion Week (hosted in Dubai) and Middle East Fashion Week (also in Dubai) as well as Fashion Forward (Dubai based fashion events for regional designers), Vogue Fashion Dubai Experience and the Dubai Islamic Fashion Week, dedicated to Islamic and modest fashion. In 2015 Middle East Fashion week plans to present an estimated 50 designers in Dubai, of which two will be invited to New York Fashion Week to present their collections. In line with other emerging design trends involving sustainability, Abu Dhabi also launched the region’s first Eco-Green Fashion show to promote socially responsible and environmentally friendly fashion brands.

Beirut continues to serve as a fashion design hub in the MENA region, and has seen a notable increase in both fashion space and fashion related events. Of note are the Beirut Fashion Expo, Beirut Fashion Week (Winter Fashion Week and Summer Fashion Week), Luxury Fashion Week, and Jewellery Design Week.

Countries across the region have also introduced their own fashion events such as the Muscat Fashion Show in Oman, the Doha Fashion Week in Qatar, the Dhahran Fashion Show, Riyadh Fashion Days and Jeddah Wedding Fashion Fair events in Saudi Arabia, Cairo Fashion Week in Egypt, and Casablanca Fashion week.

Despite the geographic spread of fashion events throughout the MENA region, most events have had limited international exposure or acclaim, drawing a local or regional audience. Nonetheless, the proliferation of events has been seen as a positive sign for the future of fashion design in the region, as Arab designers have used these events as a precursor for international launches.

GROWTH IN MODEST FASHION

Contemporary modest fashion has risen and grown to become a prominent segment of the world fashion industry. Based on Islamic principles, modest fashion traditionally caters to female Muslim clientele. With a population of over 1.7 billion Muslims worldwide spanning 57 countries, modest fashion has a significant addressable market base. Estimated at USD 224 billion in 2012, this segment is anticipated to grow to USD 322 billion by 2018. Although modest fashion primarily was conceived to cater towards the needs of contemporary Muslim women, modest fashion brands have seen success outside of their target market. For example Capsters, a modest multi-purpose headscarf accessories brand, was created by a reputable non-Muslim Dutch designer and brands such as Ernaan and East Essence have focused on modest and traditional menswear, signalling a growing designer and consumer base for the industry.
Interestingly, the proliferation of modest fashion over the past decade has also coincided with the growth of digital services, in particular e-commerce, across the world. This has helped modest fashion designers to setup low cost shops online (e.g. ShukrOnline.com, InayahCollection.com), engage with consumers directly through social media, market themselves through online blogs and magazines (e.g. Aquila-Style.com) as well as to build their own business networks online (e.g. Sheikhahub.com).

In the MENA region, contemporary modest fashion remains a notable segment of the local fashion design industry, with increasing global demand generating opportunities for up-and-coming designers. With Muslims representing more than 20% of the world’s population, and the Muslim population growing at a much faster pace at around 1.8% per annum, modest fashion has a large, growing addressable market which is attracting interest from the fashion world. Of the USD 224 billion that Muslims around the world are estimated to have spent in total on fashion in 2012, the UAE, Saudi Arabia and Egypt had spent a significant 19% share. Prominent examples of modest fashion designers in the region include DAS Collection from the UAE, widely reputed to be one of the region’s top jalabiya and abaya designer brands, which became the first abaya-wear to be stocked online at harrods.com, and Julea Domani, offering traditional Arabic dresses to large populations across the region. Well known Saudi abaya designer brands such as Dal by Dareen, Manar Alrawi, Ta Marbota, Hania Luxury Abaya among many others, have also attracted global fashion houses such as Saks Fifth Avenue, Harvey Nichols, Fitaihi and other names across the Gulf.

Events also extend to the modest fashion sector, with an increase in Islamic fashion events at home and across the globe, including events such as the UAE-Indonesia Fashion Night, Iran International Islamic Fashion Show, Indonesian Islamic Fashion Fair and Moscow Fashion Show (Islamic Style). All of the ‘big 4’ events of fashion: Paris Fashion Week, London Fashion Week, New York Fashion Week and Milan Fashion Week, have also introduced their own corresponding modest fashion events such as the Paris Islamic Fashion Festival (started for the first time in 2013), the Hijab Fashion Week (debuted in London), the USA Islamic Fashion Week and Milan-Malaysia Islamic Fashion Festival partnership. Such events are significant as they provide a great platform for local designers to gain international exposure and growth.
EXHIBIT 87
EVENTS AND SHOWS ENDORSING MODEST FASHION IN 2013

International Fashion Shows are increasingly endorsing modest fashion. All “big 4 of fashion” (i.e. New York, London, Paris and Milan Fashion Weeks) and many other prominent shows have featured modest fashion designers in 2013, and dedicated shows are picking up momentum with many new events which have started taking place in 2014.

Collaboration between mainstream (e.g. big 4) and modest fashion entities is increasing, however in a more ad hoc manner as separate modest fashion events are being founded by key modest fashion players and influential bodies. Over time coordination is expected to improve to unlock the modest fashion opportunity.

Source: Deloitte research and analysis
EXHIBIT 88
CASE STUDY - GROWTH OF MODEST FASHION

Modest fashion is a clothing industry that caters to Muslim women who express contemporary fashion trends whilst practicing their faith. With Muslims representing around 20% of the world’s population, growing at a much faster pace, modest fashion has a large, growing addressable market, now attracting mainstream fashion interest.

**INTERNATIONAL Modest Fashion**

- Large addressable market of 1.7 billion Muslims globally, 80% living in Sub-Continent Asia, South East Asia & MENA

**Global Muslim Fashion Spend & Share of Total Global Fashion Spend (2012)**

- $224 billion (10.6%)

**Global Muslim Modest Fashion Spend & Share of Global Muslim Fashion Spend (2012)**

- $96 billion (43%)

**MENA Modest Fashion**

- Fashion spend in Egypt, KSA and UAE is estimated at $43 billion, representing 19% of total global fashion spend — indicating these are prime consumer markets for modest fashion
- This is further supported by the fact that GCC clothing imports ($11 billion) were led by the UAE (an estimated $7.18 billion) and Saudi Arabia ($3 billion)
- Led by the UAE, the region is very active in promoting modest fashion at home and globally through fashion events (e.g., Dubai Fashion Week, Iran International Islamic Fashion Show)
- Digital magazines, e-Commerce and social media are now major platforms for the rising modest fashion following (e.g., modest fashion blogger and designer Acsia AKF in Kuwait has +1 million followers on Instagram)

**Established MENA Modest Fashion Designers**

- **RABIA Z**
  - In operation since 2007
  - Pioneered a range of modest fashion design styles, concepts and products including Conservative-Chic Women’s Ready-to-wear products (also known as Pret-a-Porter) and Pret-a-Couture
  - Caters to a wide range of modest fashion consumers from economic low-mid price range up to and including niche haute couture (luxury custom made clothing) segment
  - Engaged in a range of modest fashion initiatives, with significant activity and presence online (e.g. e-commerce store, TEDx talks, online Rabia Z TV channel, blog and Facebook and Twitter pages)
  - Sales span across 45 countries, with a strategic vision to increase its expansion to 80 countries
  - Featured prominently in big fashion week events across the world and recipient of numerous international awards

- **DAS Collection**
  - In operation since 2009
  - Specialist Abaya and traditional Emirati dress designers
  - Was the first Abaya brand stocked online at harrods.com
  - Designs also inspired from other landscapes, cultures and arts
  - Aim to expand global product availability and brand recognition

**Business Impact and Trends**

- Driven by a young Muslim population aged <25 years, modest fashion is naturally predominantly skewed towards the female clientele and promoted by female bloggers
- Main items include headscarves and dresses, industry-led by local designers
- Popular trends include the “hijabista” (fusion of hijab and fashionista) and successful launch of specialized garments such as the burqini, capster and Islamic nursing wear
- Modest Fashion is a key part of the world Islamic economy. As Dubai aims to be the capital of the global Islamic economy, it is doing much to support industry growth
- Modest Fashion is increasingly being displayed at global Islamic fashion events across the globe (e.g., Paris Islamic Fashion Festival, USA Islamic Fashion Show)
- Success of the Haute Couture segment, with many prominent designers such as Valentino, John Galliano, Carolina Herrera, Nina Ricci expressing interest in the area
- Increasing convergence of clothing tastes globally provides reach to local designers

MENA DESIGN SEGMENT
EMERGING DESIGN
EMERGING DESIGN TRENDS

The nature of creative industries and particularly the design sector is such that constant experimentation and innovation is necessary for product and service differentiation. There are numerous firms at the forefront of the sector focused on avant-garde thinking and experimentation in order to break new ground in the concepts, delivery and execution of products and services. These trends can have large-scale and material impact on design segments, and while it is difficult to estimate their quantitative impact, their influence is notable.

Some of the most recent design trends being explored across multiple industries are focusing on user-perception and experience. These movements place more emphasis on how a person or group interacts with and interprets a brand, product or service rather than the actual end product itself. Experiential and social design are the most prominent, with the former exploring the design of user experience and the latter concentrating on design as it relates to societal and environmental impact.

Currently these trends are being explored largely in more mature economies with concentrated design markets, but have started to emerge in the MENA region. They were highlighted in a number of interviews with leading design experts in and outside of the region.

EXPERIENTIAL DESIGN

Experiential design in the simplest form is the design of user experiences and interfaces. It draws on a number of disciplines such as behavioural psychology, information architecture, and marketing to understand how users will encounter, perceive and interpret an experience associated with a brand, product or service. Experiential and social design are the most prominent, with the former exploring the design of user experience and the latter concentrating on design as it relates to societal and environmental impact.

One of the main ideas behind this movement is the premise that most of a company’s focus is on the sale and the quality of the product rather than the experiences it generates. Companies and brands have focused much of their analysis and spend on the design of a product or service, and relied on analytical marketing and branding to drive volume or price premiums. In experiential design, the experience and interaction of a good or service is as important as the item itself.

Generally experiential design is a cross-discipline approach that can be applied to, for example, architecture and interior design (understanding how people perceive and experience physical spaces), communication design (looking at how content and information can be presented to illicit reactions), and product design (focusing on how users experience and create connections with products). Experiential design has been implicit in both art and fashion design given the highly sensory nature of both, but is increasingly being used in the curation and presentation of art and fashion pieces, from the gallery to the catwalk to the retail space.

Apple is one of the most iconic brands to rely on experiential design principles, which can be seen in their campaigns, retail spaces and locations, customer service approach, product interfaces, packaging and launch events.

This type of design appears to be emerging in the MENA region as brands increasingly seek to build emotional connections and lasting relationships with customers, particularly with the rise of social media and the youth demographics. Experiential retail outlets and marketing campaigns have been some of the few notable examples.

The UAE has been one of the first MENA countries to use experiential design services to enhance customer interactions and brand perceptions. UAE-based telecom service provider Etisalat recently launched a new concept store in Al Ain in 2014 with the aim of reimagining the overall customer interface and experience. It called upon the multichannel brand agency StartJG to design the customer experience through the interactions with physical retail space, the staff, the product and the overall brand. Customers receive a ‘triage’
on arrival to determine the nature of their request and to be directed to the appropriate part of the store, which is divided into express consultation areas and a private space for more complex requests, with a comfortable café-style lounge to entertain customers while they wait, including iPads with browsable content. Furthermore, the brand’s products and services are showcased as ‘mini-experiences’ via hotspots, providing customers with an interactive experience.

PUMA is an international brand which used experiential design to make an impactful user experience for a local market. PUMA Fishtail Rides paired up with brand agency Moloobhoy & Brown, seeking to build PUMA’s status a lifestyle brand. One aspect to this was building a fixed-gear community experience in Dubai, where bike rides were organized on a monthly basis under the brand positioning ‘ride a different side of your city’, and a brand video was developed to showcase the activities along with a bespoke soundtrack. Overall the user would experience the PUMA brand through live and active events which encourage a sense of participation, community, and healthy activity.

SOCIAL DESIGN
Social design is focused on the impact of sustainability and social responsibility on design choices. The idea is that the design of products or services can be altered to reduce negative impacts on the environment and society, and can encourage socially responsible choices and behaviour. The view often shared in this community of designers is that brands and products need to provide sustainable solutions that appeal to consumers and communities in order to affect changes in the way products and services are produced and consumed. Social design is influenced by the environmental or green movements, as well as the trends toward corporate and social responsibility. This can be seen from how raw materials are sourced and produced, how goods are packaged, delivered and consumed, and how services are presented and experienced by consumers. Social design tends to take into account the full supply chain of any goods or service keeping in mind working conditions, environmental impact, and social behaviour of consumers who experience the products.

This form of design is prevalent across more mature design markets, with community initiatives employing designers to develop new tools to improve social cohesion, through to governments employing designers to improve the delivery of public services.

Awareness around issues of sustainability and social responsibility has increased in the MENA region, with a number of movements and initiatives from ethical purchasing to organic sourcing gaining traction. Social design principles can also be seen in the number of farmers markets, organic produce stores and product and clothing lines supporting local workers. This is especially true in the handicrafts sector which is specific to the region and benefits from government provision and support.

Still, social design as a commercial service is relatively nascent in the MENA region with limited examples of corporate or government spending on social design services to improve products and offerings. A few projects have been established in Beirut and Dubai, one being DESMEEM, a multidisciplinary social design project in Beirut that facilitates collaborations between designers and architects to address social issues in Lebanon, such as urban living and sustainable consumerism.

FOOD DESIGN
Food design involves designing a food product in terms of the surrounding context and environment, and creating an experience for the end consumer. It can also involve creating tools for the eating experience. An example of this would be Open Chocolate, an interactive chocolate bar that is stamped with a graphic code providing access to nutritional information about the product and a database of chocolate recipes.

Food design in the MENA region is very much in its infancy, although Beirut and Dubai appear to be leading the way on this front. At the 2013 Beirut Design Week the Beirut 2090 was a collaborative workshop in food design that re-interpreted traditional recipes and reimagined them in futuristic form, in recognition of the country’s evolving identity within the region. In addition, the Carwan Gallery opened in late 2013 in Beirut with a food design installation by Chef Charbel El Hachem and designer Carlo Massoud. In Dubai, the Department of Tourism and Commerce Marketing commissioned an art installation depicting Dubai’s famous skyline and iconic buildings made entirely out of food, which was exhibited at the World Travel Market in London and will be exhibited at the Dubai Food Festival in February 2015.
PART 4
INTERNATIONAL DESIGN HUBS - THE WAY FORWARD FOR MENA
As shown in previous sections, the MENA art and design market have experienced strong growth over the past few years. The industry has gained recognition and momentum in the region - a number of high profile events, such as Art Dubai and Beirut Design Week, are increasingly placing the region on the global stage.

However, there are a number of development areas for the region as a whole, with similar topics raised throughout our market research and our interviews, such as the lack of government support and the limited supply of regional talent. We take a closer look in this section of the report at what makes some of the better-known international design hubs, such as London, Berlin, San Francisco, Singapore and Helsinki, a success story. We considered four main themes to compare design hubs: government policy and strategy; projects and initiatives supporting the development of the design sector; the existence of design districts as hubs for the creative industries within the city; and the quality of education institutions and programmes within the city.

EXHIBIT 89
INTERNATIONAL DESIGN HUBS – 4 KEY THEMES

THEME 1: NATIONAL DESIGN STRATEGY
Design is increasingly recognized as a fundamental pillar to economic competitiveness. Together with innovation, design provides businesses with opportunities to increase productivity and create value in products and services, which is particularly relevant in the face of intensifying international competition. Design equips companies with tools to innovate and differentiate, strengthening competitiveness, and is increasingly used by governments to improve the public’s service experience while at the same time reducing the cost of service.

While the development of a national design strategy should be the first step for design hubs, many countries have started with more ad-hoc initiatives around design. Finland is one of the few countries whose government has codified its design strategy within a national programme. The current ‘Design Finland Programme’ (initiated in its first design strategy Design 2005!) sets out a vision on how design competence will be employed by businesses to create value for customers and by the public sector to create value for citizens, with the ultimate goal to improve the nation’s competitiveness. The current programme sets out a series of objectives and actions to establish an effective ‘design ecosystem’ by 2020, held together by the Finnish Design Centre, whereby design is the interface between the public sector, private sector and the citizens. Policies include, for example, tax incentives to SMEs for the employment of research and development staff.

Singapore launched in 2003 its Design Singapore strategy (DSG-I), a 5 year plan covering design development, design promotion and design culture. The DSG-I has achieved significant results by adopting a holistic approach aimed at developing Singapore into an international design hub as described in the exhibit below.
EXHIBIT 90
DESIGN SINGAPORE STRATEGY (DSG-I) AND IMPACT

Source: Government of Singapore

While the UK does not currently have a full-fledged national design strategy, the government published a report, "Innovation and Research Strategy for Growth", that sets out the need for a design ecosystem with closer links between entrepreneurs, researchers, design experts, and intellectual property and standards. It also published a plan for growth that sets out a series of policies to support growth in the digital and creative industries, such as greater flexibility in the communications and media regulatory framework, and increased support to IP-intensive businesses to ensure they can exploit their IP domestically and overseas.

Other nations have taken steps to develop a national design strategy and supporting institutions but very few countries have defined similar strategic plans to the ones of Finland or Singapore. Turkey has established a Design Council in 2009 to support the Ministry for Industry and Trade, with the responsibility for establishing a national design policy. The objective was to introduce design to industry and society in order to help Turkey’s designers and national industries become more internationally competitive. It is now in the process of drafting its initial policy document entitled the ‘National Design Strategy and Action Plan’. The Japanese government in 2010 established a Creative Industries Promotion Office to promote creative industries under the brand of “Cool Japan”, and in 2013 established the Cool Japan Fund, with an initial government investment of approximately USD 330m, to invest in small and medium-sized cultural products and to support exports. However, the impact on the creative sector to date is considered to be limited.
Design thinking principles are being embedded within the development of public policy, and in the design of public services.

Beyond national design strategy, Governments are also raising the strategic importance of design by adopting design good practices in the development of their own public services. The ‘Design Finland Programme’ states the government’s ambition to continue the process of incorporating design thinking in the improvement of public services and as means of tackling societal challenges such as the ageing population or climate change. An example of this is the Design Exchange Programme, implemented by Helsinki Design Lab (which closed in 2014 but whose activities will be continued by Sitra), which developed and supported the development of design capability within government ministries in 2013, to offer new tools for delivering on their commitments and responsibilities.

A similar initiative has been launched by the UK government in April 2014, called the Policy Lab, which was modelled on the Helsinki Design Lab amongst other global labs, and will work with policy teams to apply design principles and methods to service design within the Civil Service.

The Office of the Mayor in San Francisco announced a new initiative in 2014 called the Entrepreneurship-in-Residence Program that will bring together start-up digital designers with the City Departments to explore innovative solutions to improve public services. The selected candidates include a mobile technology start-up that will work with the San Francisco Police Department to enhance social engagement with the community, and an internet start-up that will provide San Francisco International Airport with enhanced navigation and location-based services.

MIDDLE EAST VIEW

There is limited evidence in the Middle-East of countries which crafted a National Design Strategy. A case in point is Lebanon where, despite a vibrant local design scene, government entities have only taken minor steps in fostering the design ecosystem in the country. While some initiatives have emerged (e.g. MENA Design Research Centre) they have been primarily driven by private institutions, for instance with Berytech and the Design Cluster. A number of international associations have also opened their local chapters in Beirut (e.g. AIGA) but are yet to be fully activated.

The UAE, however, has taken some important steps towards building the institutional design framework for the country. The Dubai Fashion and Design Council was launched in mid-2014 with a three-pronged remit covering the promotion of Dubai as a hub of the design and fashion industry, the contribution of the design and fashion industry to achieving a sustainable development in the emirate and the development and attraction of local and regional design talents.

THEME 2: PROJECTS AND INITIATIVES SUPPORTING THE DEVELOPMENT OF THE DESIGN SECTOR

With or without an established national design strategy, international hubs have supported the art and design sectors with a variety of projects and initiatives. As expected, there is greater levels of government support in mature design cities, such as London and San Francisco, where governments are increasingly collaborating or supporting private initiatives (such as with education institutions or not-for-profit organizations). While government support tends to be lower in emerging design markets, it is often compensated by private initiatives and international investment (such as by the EU Regional Development Fund).

We have identified a few consistent themes across the design cities in terms projects and initiatives. Two recurrent initiatives are affordable working space for artists and designers, and creating matchmaking opportunities to integrate design within the broader economy. Mature design cities, such as London and Tokyo, are also investing in their international design reputations, through marketing campaigns and international exhibitions and events. In some cases, they also provide financial support to design companies.
Governments are investing in creative eminence and events to promote the city as international design hubs and destination

Governments in design cities have invested in international marketing campaigns to elevate the value of products made in-country and to attract design-related tourism. The Japanese government launched the ‘Creative Tokyo’ project in 2011 to showcase Tokyo’s creative industries and to establish Tokyo as a leading creative hub of Asia, seeking to both promote the local creative industries and attract international interest to Tokyo through organized events. An example is the organization of the Tokyo Design Week which has since been exported to international design events elsewhere, such as the London Design Festival where it showcased Japanese design on a global level.

The Berlin Senate Department for Economics and Technology co-founded the brand Design Selection in 2013 to provide international visibility of Berlin’s design scene and to stimulate the creation of new products. To make the city’s design offering more easily accessible to tourists, a 3D replica of the city was created by Metaversum/ Twinity to showcase its creative attractions. Tokyo has followed in Berlin’s footsteps to develop an interactive cultural guide to art and design-related venues in the city.

EXHIBIT 91
TWINTITY: MARKETING IN 3D OF BERLIN’S INNOVATIVE CITY

In more emerging design markets such as Turkey, the Turkish government has pursued a branding strategy overseas since 2005 with the promotion of Turquality, a program to develop and promote Turkish brands, and has launched the Turkish design awards to showcase the country’s industrial design since 2008. In South Africa, the Cape Craft and Design Institute, a development agency in the Western Cape, has sought to promote the local craft industry through the brand ‘Handmade Cape’.

Governments have also invested in design eminence by funding international art and design events, and permanent design museums to showcase the country’s leadership in art and design. The local governments in London and Tokyo invest funds into promoting design events, such as the annual London Fashion Week and the Tokyo Designers Week. The Mayor of London is a key sponsor of the London Design Festival that attracts in the region of 350,000 visitors annually and 1,200 design companies, and of the London Fashion Week, which generated GBP 100m of orders in 2014. The Tokyo Metropolitan Government provides support to the Tokyo Designer Week, an annual international fair that attracts over 100,000 visitors, and the annual Roppongi Art Night in the city, which attracts over 830,000 visitors and around 90 artists.
London, Helsinki and Tokyo have established design museums that showcase the country’s leadership in the field. The London Design Museum is an independent charity that receives approximately 300,000 visitors annually, and its focus includes product, industrial, graphic, fashion and architectural design. Previous exhibitions have included a retrospective of Peter Saville’s Graphic Design, Manolo Blahnik’s Shoe Design and the History of Video Games. The Helsinki Design Museum is a public institution with a permanent exhibition of the history of Finnish design to the present day, consisting of over 75,000 objects, 40,000 drawings and 100,000 drawings. It also presents foreign design shows, including industrial design, fashion, and graphic design. The Tokyo Design Museum, called 21_21 Design Sight is a privately owned exhibition space that also runs research programs into the potential of design.

**MIDDLE EAST VIEW**

There is a lack of government funding for art and design in the MENA region, although this is often compensated by international organisations, such as the British Council, and private enterprises to promote the art and design sectors. The Beirut Design Week however, is an example of the growing recognition by regional governments of design tourism. A collaboration between the not-for-profit organization MENA Design Research Centre, the British Council and the Ministry for Tourism, the event attracted over 20,000 visitors over 80 locations across the city. In the UAE, a number of events have contributed to the increased recognition of Dubai in the design scene, including Art Dubai, Design Days and Downtown Design. In most cases, government agencies and ministries have played an active role in supporting the events.

Public and Private funding are seeding the growth of the design industries globally

A key growth barrier to design businesses that was often mentioned in interviews is the level of financial support available in the early stages of development, particularly in emerging design cities such as Beirut and Istanbul. However, in mature markets, a number of investment funds and incubators have focused on growth funding in the design sector.

The German creative industries contribute 2.6% of the national GDP, and the government has recognised the increasing importance of the creative industries to the economy with the development of the Berlin VC Fonds Kreativwirtschaft to provide investment capital to SMEs in these sectors. The investment is typically aimed to finance the development and launch of innovative products or services in areas such as fashion and architecture, with 50% of funds provided by the public bank of Berlin and 50% by the EU Regional Development Fund. Similarly, Sitra in Finland is a public fund that invests in ecologically and socially sustainable
projects, with an in-house team dedicated to advancing strategic design principles throughout its collaborations.

There are a large number of incubating organisations across the more mature design cities, such as London where the creative industries contributed 5% to the national GDP in 2013. Ravensbourne supports London’s media, technology and design companies and is backed by £1m from the European Regional Development Fund; The Future Streets Incubator is backed by Transport for London to develop innovative on-street trials that aim to encourage sustainable transport and create vibrant public space; and the Centre of Fashion Enterprise offers both a two-year programme for upcoming designers and a one-season pioneer scheme for young brands. The creative industries in California accounted for 7.8% of its GDP in 2013, and one example of an incubation organization is Matter, which supports media entrepreneurs with cash investment and business boot-camps.

**Governments and organizations are carrying out design-related research, recognising the value of design and innovation to the economy**

Design-related research is being carried out mostly by organizations within design cities, often using design-led thinking, as well as strategic and social design principles, to develop new ideas for social advancement, such as ways to tackle challenges faced by social services or communities. For example, the Helen Hamlyn Centre for Design in London focuses its research on designing for social needs, with current projects including a study on how digital technology can create trust and altruism, and research into a more human centred approach to lighting. Furthermore, the International Design Forum in Berlin carries out research and fosters debate through its events, such as a recent event that considered innovative concepts and solutions for public transport.

London and Berlin’s governments have funded comprehensive research studies into the countries’ design industries. The UK Design Council was commissioned to carry out a comprehensive survey of the design industry in 2009, which covered over 2,200 design businesses including in-house design teams, design consultancies and freelance designers working across various design segments, and the findings provided insight such as helping to define the sector and quantify its contribution to GDP and employment. The Berlin regional government presented a blueprint for the future of the design industry in the German capital in 2011 that quantified the current state of the design industry.

**EXHIBIT 93**

**BERLIN CITY’S REPORTS ON DESIGN AND CREATIVE INDUSTRIES**

Since 2009, the city of Berlin (Projekt Zukunft) has published on a regular basis public reports and survey results that demonstrated the contribution of the Design and Creative sectors to the city’s economy (e.g. GDP, employment, spillover).

Source: Projekt Zukunft, City of Berlin
MIDDLE EAST VIEW

The MENA Design Research Centre in Beirut, which is a not-for-profit organization, focuses its design research on social improvement in the Middle East, using design as a multidisciplinary tool for problem-solving, such as how design could support the youth to manage their spending habits.

In Dubai, part of the Dubai Fashion and Design Council’s role will be to lead thought leadership and research in the regional design industry such as this publication, the MENA Design Outlook.

Affordable working and exhibition spaces for emerging brands and designers

Public and private investment is being channelled into supporting the sector’s growth via affordable designers’ spaces including refurbishment of empty public spaces and the creation of affordable co-working spaces to accommodate freelancers and small companies. Helsinki, Berlin and San Francisco have all recognized the need for affordable exhibition and working space for their creative communities, altering regulation and dedicating public spaces for the use of creative communities. This provides designers with an opportunity to collaborate with other designers and share ideas, and to expose their work to a public audience. For example, in Helsinki the Kaapeli building, which is a former cable factory, has been converted into a cultural centre with museums, art galleries, dance theatres, ateliers, art schools, as well as hosting several events throughout the year.

The Berlin State has altered its Zwischennutzung regulation to allow for temporary use of abandoned places for the creative initiatives at affordable rental prices, with venues being established such as Betahaus, a multi-story co-working space that houses creative start-ups and programs like the Open Design City, which is a workshop with facilities such as 3D printing. The concept of Betahaus is to promote innovation and creativity, as well as providing an affordable working space for designers, and approximately 200 freelance professionals from the creative scene have worked in Betahaus since 2009, including graphic designers, photographers, and architects.

The San Francisco local government launched the Living Innovation Zones project in 2013. The initiative has dedicated public spaces to the installations of design concepts, to foster collaboration and learning. The first installation has been created by The Exploratorium, a museum in San Francisco, with an installation on a central street that encourages passers-by to stop and consider their urban environment.

EXHIBIT 94
SAN FRANCISCO’S LIVING INNOVATION ZONES

Living Innovation Zone allows designers and artists to utilize City-owned properties for creative projects and innovative technologies. This project is part of a larger City initiative called Make Your Market Street which aims to bring artists, designers and creative to the sidewalks of Market Street in order to revitalize one of San Francisco’s most important streets.
Private initiatives have sought to promote affordable working spaces as a way to support the creative industries in commercially savvy ways, such as the Cambridge Satchel Company that recognised the importance that bloggers play in building brands’ online reputations and dedicated a floor of the two story store, which opened in 2012 in Covent Garden in London, to the blogging community as a co-working space. MAK3D is a co-working space on Brick Lane in London, launched in 2012, that rents co-working space and access to 3D equipment at affordable prices, in recognition that the hardware is unaffordable for the majority of designers to buy. Current residents include a toy designer and a jewellery designer.

The growth of young brands is increasingly supported by the provision of temporary pop-up stores that allow start-ups to test concepts and products on target customers. These pop-up concepts are particularly present in mature design markets, such as London and Berlin. Boxpark Shoreditch, which opened in East London in 2011, is a pop-up mall that is made out of shipping containers. Retail stores consist of 1 to 3 containers available for 1 to 5 year leases, which are tenanted with a mix of local and international brands as well as cafes and galleries, and which provide a low-cost and low-risk retailing concept. The Bikini Berlin concept mall has also introduced Bikini Boxes, which are pop-up stores with flexible leases that have been designed for the presentation of new ideas and products as shops, showrooms or future labs.

**MIDDLE EAST VIEW**

There are a number of private initiatives that are being developed in the MENA region to provide affordable co-working spaces. One of these is the Mideast Creatives programme, which is being funded by the Swedish International Development Cooperation Agency and will concentrate on six MENA countries to start with (Egypt, Tunisia, Lebanon, Jordan, Iraq and Libya). The initiative focuses on providing support to collaborative workspaces, setting up training programmes for entrepreneurs in the aligned industries and improving their access to finance. Co-working locations supported currently include entrepreneurial community Alt-City in Lebanon and creative hub Cogite in Tunis.

Furthermore, the concept of pop-ups is expanding in Dubai, with B51POP-UP hosted by FN designs gallery in Al Serkal for its second collection in 2013. B51POP-UP is a matchmaking concept that sources products from independent designers and brings them together in its pop-up store concept.

Governments and private enterprises are developing matchmaking initiatives to promote collaboration between designers and businesses, and within the design ecosystem

Governments, universities and private enterprises are recognising the importance of collaboration both in terms of embedding design principles within companies to foster innovation and competitiveness, and within the value chain to maintain the design ecosystem (e.g. between artisans and designers).

The Japanese and British governments have developed initiatives to encourage greater collaboration between designers and companies, to commercialize good design and to embed design principles within businesses, to encourage the development of new products and services. The Tokyo Metropolitan Government launched the Tokyo Design Market as a matchmaking forum, with a view to connect the approximately 60,000 manufacturers with design-related businesses in Tokyo, such as graphic designers and industrial designers, to support the development of new products and services.

Innovate UK is a non-departmental public body that is established to support business-led innovation, and has launched Innovation Vouchers for start-up, small and medium-sized businesses in the UK. The vouchers provide funding for businesses to engage with external experts, such as design specialists, to support the development and launch of new ideas.
There are a number of government-funded university projects that have sought to connect designers with small and medium-sized companies, such as the Hybrid Plattform in Berlin, which brings the disciplines of arts and design together with those of engineering and the natural sciences to carry out research and develop new problem-solving techniques. Funding has been provided since 2011 by the European Regional Development Fund, through the Berlin Senate Department for Economics, Technology and Research. Design Reaktor in Berlin was another university project that sought to encourage cooperation between small and medium-sized companies and designers in the development of innovative ideas. It brought together 52 businesses, ranging from a suitcase factory to a paste making, and nine professorially-led research teams from disciplines that include fashion and product design, digital design, and communication design. Overall, 52 widely diverse products were developed and six patents were applied for.

MIDDLE EAST VIEW
The government support for matchmaking has been limited in the MENA region, although it has been offset by investment from international associations, such as the British Council, and by private enterprises. Examples of matchmaking designers with the wider economy include Made by Many, which is an initiative by the British Council to establish co-working spaces and creative hubs that bring together creative entrepreneurs, cultural innovators and policy-makers from the Middle East and the UK, with a view to exploring the frontiers between culture, enterprise, social development and technology.

The matchmaking initiatives in the MENA region, more than elsewhere, have focused on improving the quality of design work and supporting the local craftsmanship industry. House of Today is a non profit organization in Beirut that aims to showcase and connect emerging Lebanese designers with established designers, design patrons, and collectors. Furthermore, the Artisan Initiative is a nascent initiative that aims to help craftsmen in Bourj Hammoud raise their quality of work up to luxury standard by attracting experts from Italy to provide high quality artisanal training.

THEME 3: THE EXISTENCE OF DESIGN DISTRICTS AS HUBS FOR THE CREATIVE INDUSTRIES WITHIN THE CITY
The majority of design hubs have neighbourhoods that can be described as ‘design districts’, either because they have attracted artists and designers over time and developed organically into a creative area, or because they have been purpose-built to accommodate design communities. Beyond simply how the district has evolved, there are other important differences between the various districts considered in this report, including the purpose the district serves (such as creation and production vs. promotion and distribution), and the type of management that oversees its operations (government vs. membership structure). Furthermore, some districts host more traditional design segments, such as furniture and interior design, whereas others are dedicated to the promotion of new and innovative ideas.

The majority of design districts have evolved organically over time with a few exceptions of recent purpose-built districts focused on design commercialisation
The majority of design hubs have art and design neighbourhoods that have evolved organically, often evolving from neglected city suburbs to gentrified and fashionable creative districts over time as artists and designers are drawn to low-rent areas of the city. For example, Shoreditch’s industrial and working class history is evident in the run-down warehouses and street graffiti that are present throughout the neighbourhood, although today it is also home to a number of designer shops and upmarket boutique hotels, and has been designated a design district by the London Design Festival. Equally, Augustrasse in Berlin experienced revival following the reunification of Berlin, and the set-up of the Kunst Werke Institute for Contemporary Art by artists occupying a former margarine factory. The neighbourhood currently consists of a variety of art and design facilities including six art galleries and a creative co-working space, Betahaus.
Other design districts have evolved around art and design institutions, such as the Brompton Design District around the Victoria and Albert Museum or the Helsinki Design District around the Helsinki Design Museum and the Helsinki Architecture Museum. In these cases the institution acts as a hub for creative activity, attracting galleries and design shops to gradually form a district recognised for art and design.

The degree to which the neighbourhood’s development is planned or controlled tends to increase as the district becomes more gentrified. For example, the Helsinki Design District became an official district in 2005 when the creative companies operating in its 25 streets formed an association with a view to promoting the neighbourhood as a design destination. Its 200 members have organized initiatives such as developing a map of the area of touristic and networking events amongst members. The Brompton Design District, already associated with art and design, was branded a design district in 2007 through a partnership of local stakeholders to promote the neighbourhood’s creative sectors and to improve the quality of design-related events. The concept in both of these cases has been to brand a neighbourhood with existing design infrastructure.

There are examples within the global design hubs of design districts that have been purpose-built, usually with the intention to develop a design ecosystem. The Tokyo Midtown District that launched in 2007 is a creative hub designed to connect design institutions in promotion, research and education through various exhibitions and seminars. The development includes several art venues, such as the Suntory Museum of Art and the 21_21 Design Sight, and it hosts a number of prominent events such as the annual Ropponghi Art Night. Tokyo Midtown Design Hub’s ambition is to bring together design institutions in three different fields; promotion, research and education and functions as a multi-purpose space for exhibition, seminars and workshop, as presented in the exhibit below.

EXHIBIT 95
TOKYO MIDTOWN DESIGN DISTRICT

SITE AREA: 68,891m², total Floor Area: 563,801m² buildings (130 stores, 517 apartments, 248 hotel rooms)

Selection of globally recognized artists to produce / exhibit works across all the common areas of the Design Hub

The Tokyo Midtown Design hub is managed by the Japan Institute of Design Promotion

Since the earthquake disaster in 2011, Tokyo Midtown Design hub leads a Design Centre supporting the reconstruction effort.

Source: TOKYO MIDTOWN DESIGN DISTRICT
The Bikini Berlin design-oriented concept mall in Berlin was developed to attract an international audience and to promote innovative new design concepts through the 20 pop-up stores provided. The development includes 16 art and design stores, and a design studio that connects entrepreneurs from Berlin with students from the Los Angeles Art and Design School through joint projects.

**MIDDLE EAST VIEW**

Within the MENA region, there is evidence of both organically developed creative districts and planned developments. For example, the Mar Mikhael neighbourhood that was previously a Beirut suburb with rent prices at less than a quarter of that of nearby Gemmayze (2011), has developed into a hub for the arts, crafts and design communities, including the Creative Space Beirut. This district has received financial support from MEDNETA between 2007 and 2013. MEDNETA supported the district’s three day cultural festival ‘Nehna wel Amar wel Jirari’ in 2013 when the organisers were unsuccessful in securing funding from the Ministry of Culture. In terms of planned space in the MENA region, the Beirut Digital District is a partnership between a real estate developer (ZRE S.A.L) and a business incubator (Berytech), and which is regulated and facilitate by the Ministry of Telecommunications, that was launched in 2012 with a vision for an urbanized hub that would develop the creative sector and talent in Lebanon. It currently comprises 5000m² of office space and 5000m² dedicated to a business development centre for Berytech, is estimated to have cost USD 150m to date.

Design hubs have focused on specific parts of the design value chain

It appears to be universally challenging to develop a design district that caters to the broad design ecosystem, from education and creation through to promotion and distribution, as artists and designers are ultimately marginalized as the district gains prominence and rental prices increase. The majority of the design districts considered for this report are either neighbourhoods that have been gentrified and experienced increased rental and property prices, or planned districts that are commercially-focused. For this reason, the activity within the district tends to be concentrated towards the more commercial end of the value chain, in promotion and distribution.

**EXHIBIT 96**

THE DESIGN ECOSYSTEM AND ITS COVERAGE ACROSS INTERNATIONAL DESIGN DISTRICTS

<table>
<thead>
<tr>
<th>Degree of Emphasis</th>
<th>BERLIN</th>
<th>CAPE TOWN</th>
<th>SAN FRANCISCO</th>
<th>LONDON</th>
<th>TOKYO</th>
<th>HELSINKI</th>
<th>BEIRUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>MED</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>LOW</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design Districts</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**INCREASINGLY COMMERCIAL ACTIVITIES**

- **Education**
  - The education of a particular art or design expertise, or communication of new research, e.g. university or workshops

- **Creation**
  - The development of a concept and specifications, e.g. designing an architectural product or an interior space

- **Production**
  - The sale of art or design products and services, such as via an auction, a gallery or a retail store

- **Promotion**
  - The promotion of art or design work, such as in an exhibition or an event

- **Distribution**
  - The production of a product or service, e.g. manufacturing a garment or building a website

*Source: Deloitte Analysis*
There are two notable examples of districts that have integrated formal educational institutions. The Mimar Sinan University of Fine Arts, located in Beyoğlu in Istanbul, is a state university that provides courses in fine art, architecture and textiles. The second one, the California College of the Arts’ campus, located by the San Francisco Design District, offers a wide range of courses including Industrial Design, Printmaking and Graphic Design. However, other districts provide educational and research initiatives through the various events held annually, such as at the annual design weeks, and through research collaborations. For instance, the Art Centre Bikini Berlin that is a satellite studio for the Art Center College of Design in California and acts as a test lab for new design concepts. As importantly, many of these districts boast prominent art and design museums, such as the Helsinki Design Museum.

There is a degree of creation that takes place within the design districts, although it is typically on the high-end of the market and performed by designers employed by established brands. The type of design creation in Clerkenwell in London, for example, focuses on the development of interior spaces and architectural designs, as well as the concept development for innovative products. Design studios within the district include Jump Studios, whose services include the development of interior spaces and installations as well as the brand identity and digital applications; and Tilt Projects, whose services include the development of interior spaces and innovative product design. Freelance designers, students and artists, however, find it challenging to work within these districts due to high rents and lengthy lease requirements.

Production, in terms of the realization of the design concept, rarely takes place in the design district itself. For fashion and furniture, production is typically performed in a factory site outside the city centre, and architecture and interior design services typically executed at the client site, at least during the delivery stages. However, digital services, such as web development and digital branding, are created and produced within design studios and offices, and this type of production is seen in design districts, primarily by established brands or freelancers operating out of co-working spaces such as Betahaus in Berlin.

EXHIBIT 97
RELATIVE COMPARISON: BREADTH OF DISTRICT DESIGN ECOSYSTEM VS. DISTRICT DEVELOPMENT TYPE

Source: Deloitte Analysis
While organically-evolved design districts may cater to the entire design ecosystem throughout the course of their development, it is often the case that by the time the district has been recognized for its creativity and become increasingly gentrified, that the artisans and majority of artists and designers are pushed elsewhere due to rising rents and property prices. The design-related activities within the district are concentrated in the commercial promotion and distribution of design. Furthermore, the planned districts considered for this report have typically been established for commercial purposes, recognising the potential of certain design sectors, focusing on the commercialization of art and design.

There are, however, initiatives that have been developed, as discussed in the last chapter, to widen the design ecosystem within the districts, such as matchmaking opportunities between artisans and designers (e.g., House of Today in Beirut), and pop-up stores that provide young brands with low-cost and low-risk retail space (e.g., Boxpark in Shoreditch).

MIDDLE EAST VIEW
The MENA region design districts experience similar ecosystem challenges, with creation and promotion focussed in the Bourj Hammoud district of Beirut, and the promotion and distribution largely occurring in the more fashionable Mar Mikhael district. Bourj Hammoud is a centre of craftsmanship, renowned for hand-made industry such as jewellery, leather and apparel, and several initiatives have been introduced to maintain the expertise and also to raise the quality of output to international standards, such as the Artisan Initiative. In the UAE, the launch of the Dubai Design District will aim to build the supporting infrastructure to host various components of the design ecosystem including education facilities, creative office space, design retail spaces and exhibition facilities.

MANAGEMENT OF THE DESIGN DISTRICTS
Design districts are typically managed either by a private entity (such as a real estate developer) or by the member tenants themselves, often also receiving funding from the government as part of its culture and tourism strategy.

Districts that have been developed by private entities are Bikini Berlin and Saifi Village in Beirut that were both developed by local property developers as high-end projects to commercialise the potential of the art and design industry. Saifi Village, however, is primarily a residential development that comprises a traditional, high-end Quartier Des Arts with a cluster of art galleries, antique and artisan shops, and boutiques. Bikini Berlin is a concept mall and design hub that promotes primarily unique and high-end retail, such as Pasadena and designs from the California’s Art Center College of Design, as well as independent young brands through its Bikini Boxes pop-up concept.

Districts that have been formalized through a membership of tenants are typically founded with the purpose to preserve the neighbourhood's traditional identity, be it craftsmanship or its association with artists, and ensure that it retains its affinity with the creative industries through marketing and/or events. The Helsinki Design District is a membership of 200 companies to promote Finnish design and to facilitate networking and collaboration between members, and Queens Park Design District in London has been established by a group of local creatives to promote the neighbourhood's long established creativity at the London Design Festival.

THEME 4: DESIGN EDUCATION
A number of global cities have built an international reputation as design education hubs by recognising the importance of education planning and early learning experiences, through to providing a structured career path and aligning education skills with the needs of the economy. We have identified a series of good practices that have supported the development of design education hubs and a skilled design workforce.

Advanced design economies have fostered exposure to design in early education
A common practice seen across the design education hubs is the fostering of early interest in design education through innovative programs involving active projects in primary and secondary schools. The UK Design Council partnered with Cornwall Council, University College Falmouth and the Technology Strategy Board to develop the Time Program in Cornwall and the Isle of Scilly,
which sought to develop new solutions for social and economic challenges by involving communities in designing local services. For example, one of the programs initiated by the project encourages Year 8 students to channel their creativity into redesigning parts of their schools, with the objective of reducing their ecological and carbon footprints.

The Design Singapore Council developed the “Many Ways of Seeing (MWOS) Educational Workshop”. The objective of this initiative is to foster creative thinking and design appreciation in teenagers through developing educational workshops to train design conceptual thinking in primary and secondary schools. The initiative was introduced in 2003 as a pilot project in three schools in Singapore and since then many schools have participated through the Singapore Polytechnic.

**Developed markets offer personalized pathways to design education through vocational education training**

An important feature of a developed design education system is the existence of multiple pathways into higher education through the university and Vocational education training (VET) route. VET plays a significant role in offering on-the-job experience as well as continuing professional education for working professionals. Vocational training and academic institutions are well established within Singapore, with a clear pathway for students as of secondary level. There are currently five polytechnics in Singapore, offering a wide range of courses in various fields including diplomas in industrial design and interior design. The government funds and regulates Polytechnics, which deliver three year diploma courses in vocational subjects, with around 6% of Singaporeans currently gaining a Polytechnic diploma.

In the UK, having concluded their core education at 16, pupils can take vocational qualifications at school, or at a college or work based learning including apprenticeships. The UK government places a statutory obligation on schools to deliver careers advice which the government quality assures. As detailed in the exhibit below, there is a foundation diploma in Art and Design, which functions as an exploratory year. This foundation course does not prepare students for work, and is solely used as a route into further university study.

**EXHIBIT 98**

MULTIPLE PATHWAYS TO EDUCATION - UK SYSTEM

<table>
<thead>
<tr>
<th>AGE</th>
<th>Foundation</th>
<th>University</th>
<th>Further Education Institutes</th>
<th>University Technical College (UTC)</th>
</tr>
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<tbody>
<tr>
<td>14-16</td>
<td>Sorrell’s National Art &amp; Design Saturday Club</td>
<td>Further Education Institutes</td>
<td>University Technical College (UTC)</td>
<td>Build your Own MA</td>
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<tr>
<td>17</td>
<td>Eco Design Challenge</td>
<td>Course: Access to HE Diploma Design</td>
<td>Specialism: Digital Technologies, Entertainment Technologies and Crafts</td>
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<td>University of Further Education Institutes</td>
<td>Course: Introduction to the Study of Fashion</td>
<td>Specialism: Product Design</td>
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<tr>
<td>19</td>
<td>Masters Degree</td>
<td>Course: BA Fashion, BA Graphic Design, BA Jewelry Design</td>
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<tr>
<td>20</td>
<td>University</td>
<td>Course: MA Architecture, MA Interior Design</td>
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<tr>
<td>21</td>
<td>PHD</td>
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</table>

Source: Deloitte research analysis 2014. European portal for youngsters in vocational educational training
UK'S NATIONAL OCCUPATION STANDARDS - DESIGN

EXHIBIT 99
UK'S NATIONAL OCCUPATION STANDARDS - DESIGN

Creative Skillset creates National Occupational Standards which define the skills, knowledge and experience required to work in the Creative Industries.

Example of National Occupational Standard: Create Drawings to Meet Production Requirements

Benefits
- The Creative Skillset has developed National Occupational Standards across 4 areas: - Publishing, Journalism and Advertising - Fashion & Textiles - Media & Entertainment - Generic (includes business skills and health & safety standards)
- These standards are integral to qualifications and apprenticeships and they are created in close collaboration with industry bodies, companies and other key stakeholders.
- Standards can help students to determine whether courses are relevant, employers to identify training needs for their staff, and educational institutions to provide courses which prepare students adequately for the job market.
- In Singapore, the Workforce Development Agency is responsible for developing industry wide National Occupational Standards for all industries including design. To date there are 33 workforce skills qualifications (WSQ) industry frameworks, which detail the skills, required to perform in the industry, and the occupational skills to perform specific jobs.

Collaboration between industry and academia ensures that graduates are equipped with the relevant skills for the economy
A strong industry-academia linkage ensures a robust design education in which industry practitioners ensure that design education courses continue to remain relevant to workforce
needs. Moreover, real life projects and collaborations between the universities and corporates strengthen the student skill sets and experience. The Sector Skills Councils in the UK works with education and training providers to make sure qualifications address the needs of the sector. In addition, the councils promote and deliver apprenticeships, work with providers to ensure industries’ current and future skills needs are met.

In some markets such as the Netherlands, academia (e.g., Eindhoven Design Academy through the General Director of the Executive Board) actively participates in shaping the national agenda for a smart and creative workforce. In San Francisco, the TechSF economic and workforce initiative is a partnership between industry, educators and community based partners. It provides education, training and job placement assistance, as presented in the exhibit below.

### EXHIBIT 100
SAN FRANCISCO TECHSF INITIATIVE

<table>
<thead>
<tr>
<th>TechSF Description</th>
<th>Training</th>
<th>Employer Engagement</th>
</tr>
</thead>
</table>
| • Citywide economic and workforce initiative which provides training, mentoring, internships, job placement assistance in high growth ICT areas to address local skills gaps | • Provides multimedia training through education providers:  
  - Web design  
  - 3D graphics design  
  - Motion graphics design  
  - Video production  
  - Mobile app development  
  • Courses offered in multimedia typically last for 6-3 months  
  • Aligns coursework of its educational partners with in-demand occupations (e.g. City College) | • Employers participate in TechSF’s initiative through:  
  - Networking events  
  - Focused career panels such as women in Tech, graphic design  
  - Volunteer days for employees to conduct workshops, coach, mentor  
  - Project based learning  
  - Workplace learning such as job shadowing and internships (e.g., 6-3 months) |
| • Provides industry recommendations to the Workforce Investment Board including program or policy changes that would improve workforce services for the ICT sector | | |
| • Partnership between employers, educators, training and community-based partners | | |
| • Funded by the Office of Economic and Workforce Development | | |
| • Members within the TechSF Industry Advisory Council include industry leaders such as Google, LinkedIn, Twitter and Zynga | | |

TechSF partnerships:
Students at Instituto Marangoni, a leading fashion school in Italy, have various opportunities to work on projects with real clients. For example, the school and Ermenegildo Zegna partnered to create the Master in Menswear Program, with students given the opportunity to offer ideas and proposals to contribute to the men’s collections of Ermenegildo Zegna’s design lines. An important aspect of the course is the presence of managers from the fashion label to enhance students’ skills in the three areas of product, style, and retail.

Multidisciplinary programs offer diverse courses that enable designers to develop broad skills, such as management and economics, in addition to design expertise
Multi-disciplinary study is emerging as an important trend to enable designers to draw on a broad range of disciplines, including social sciences and the humanities in order to compete in a global, competitive market. The approach offers diverse courses for students to develop their skills across various disciplines as well as bringing together students from different backgrounds in multidisciplinary collaboration. Higher education institutions in the UK offer multi-disciplinary Masters Programs, such as Northumbria University in Newcastle that launched a Masters in Multi-disciplinary Design Innovation, run by the School of Design in collaboration with Newcastle Business School and the School of Computing, Engineering and Information Sciences.

Paris College of Art provides Master in Transdisciplinary New Media targeting students who are interested in exploring New Media that goes beyond traditionally defined art and design disciplines. To encourage the transdisciplinary approach, the program is open to applicants from various backgrounds including art, design, programming, business, literature, philosophy, science, music.

A National Career services framework offers free services related to career, skills and training to people at every stage of their careers
A critical factor for success in many of the design education hubs is the existence of a robust National Career Services framework establishing linkages across the education sector and the workforce and catering to age groups from 13 years and over. The Workforce Development Agency (WDA) in Singapore and National Careers Service (NCS) in UK provide a range of career and training services for the local workforce including career coaching and training advice.

Advanced design economies provide world-class infrastructure to support the development and growth of the designers
A common feature of the top design schools was the availability of advanced infrastructure (e.g., fabrication labs, workshops, 3D printing facilities, etc.) on campus. Open spaces on campus (e.g., the “White Lady” campus of the Eindhoven Design Academy) offer opportunities for close interaction. Many of the top design schools (e.g., Pratt Design Incubator for Sustainable Innovation) and a few regional schools surveyed offer in-house incubation facilities which have resulted in several successful design start-ups.

Funding for skills development is important for both growth in the design sector and to facilitate design research
Skills funding is actively provided by government agencies, Design councils and other innovation focused charities, and some markets, such as Singapore, also impose a levy on employers (i.e., through the Skills Development Fund). The main objective of the funding initiative is to support training and skills development in the design industry. In the UK skills funding have two roles, the first is to invest in skills and education to promote trade, boost innovation and help people to start and grow a business. The second is to support creative businesses and help organizations to bring innovative ideas to life.
Partnerships between educational institutions aim to develop educational programs and enhance student experience

Strategic alliances and partnerships amongst the top design institutes is seen as a key feature across the mature design markets. These partnerships focus on exchanging students and teaching staff, knowledge exchange and experience. The Eindhoven Design Academy organized Connecting Concepts, a travelling exhibition showcasing Dutch design as well as designs from other participating countries, with the aim to support the development of sustainable creative networks and to share and discuss ways of design thinking. Connecting Concepts connected students of Design Academy Eindhoven with other students in various schools and universities across different countries stimulating exchange of knowledge and network development among students and designers.

EXHIBIT 101
SINGAPORE SKILLS FUNDING

**Funding for Skills**

### Skills Development Fund
- It is established for the promotion, development and upgrading of skills of people preparing to join the workforce
- Funded by levy on employers:
  - The levy is calculated at a rate of 0.25 of the remuneration in any month of the employee (with a minimum of 1.6$)
  - Funds part of training fees of workers

### The Lifelong Learning Endowment Fund
- An endowment fund set up by the Government
- Promotes continuous learning
- Fund stands at approximately 2.2$ bn

EXHIBIT 102
EINDHOVEN DESIGN ACADEMY’S “CONNECTING CONCEPTS”

**DESCRIPTION**

- Connecting Concepts’ is a travelling exhibition showcasing Dutch design as well as designs from other participating countries
- Connecting Concepts is a joint project of Premsela; the Netherlands Architecture Institute; and Design Cooperation Brainport. The exhibition is part of the Dutch Design Fashion Architecture program
- Local designs are added to the exhibition at each staging post, thus interconnecting the respective design cultures and kick-starting a dialogue. In doing so, it engages in dialogue with different design cultures, with the help of visitors, designers and producers
- ‘Connecting Concepts’ stimulates network development, cooperation in the field of education, and meetings among designers, professional and trade associations and potential clients
- In Feb, 2012; a new project was added to Connecting Concepts which connected Students of Design Academy Eindhoven to traditional Turkish craftsmanship; young
Turkish and Dutch designers and students work together creating an interesting exchange of knowledge and a new vision for design

- Exchange of knowledge is a key outcome of Connecting Concepts and with Istanbul the participating institutions included the Mimar Sinan Fine Arts University, Glass Furnace, Istanbul Technical University and Design Academy Eindhoven

- The exhibition has been featured in China, India and Germany

CONCLUSION: DESIGN IN MENA — THE WAY FORWARD

The principle barrier to growth in the MENA region is the lack of government support for art and design, and the lack of educational facilities and local talent are also important challenges

The extensive primary research that has been carried out for the purpose of this publication has revealed a wide variety of initiatives taking place in the MENA region that are supporting the emerging industry to grow at double the global market rate. However, there are also a number of challenges and barriers that remain within the MENA region that will need to be overcome for it to compete effectively with international design hubs.

Government strategy/policy: Design institutions

There is generally a lack of design institutions in the MENA region, which is particularly evident in Beirut where design is not yet considered a priority by the government. There are no public institutions or national museums dedicated to the sector, despite the fact that the creative industries contribute 4.8% of GDP\(^1\). The sector has benefited from investments from the private sector to date, such as the MENA Design Research Center and STARCH, as well as investment from foreign organisations, such as the British Council. However, there are increasingly some government-facilitated initiatives underway, such as the Beirut Digital District that was launched in 2012 and will support the growth of the
digital industry, and the Ministry of Tourism is a partner to the annual Beirut design Week. Elsewhere in the region, the Dubai government established the Design and Fashion Council in 2013 to support talent and promote creativity across the emirate, and is in the process of building a design district (d3) that will aim to support local talent in the region.

However, there is more than can be done within the MENA region to set up a supportive design ecosystem and there are a number of such examples from international design hubs. For example, Finland and the UK are leading the way in terms of embedding design within national decision-making, with both having commissioned design experts to train government policy makers through the Helsinki Design Lab and Policy Lab respectively. Furthermore, the UK Design Council is the UK government’s advisor on design, provides design services and carries out innovative design research, with a view to championing the sector.

**Government strategy/policy: Policy and regulation**

The poor enforcement of Intellectual Property protection has been a recurring theme throughout our interviews in the MENA region, with experts highlighting a lack of regulation harmonisation across the region and issues with implementation and enforcement. A number of agencies that we spoke to confirmed that they protect their IP in the UK or U.S. at significant cost, and that this presents a barrier to entry to freelancers and small agencies that cannot do the same. Beyond IP protection a number of important policy decisions critical for the design industries have also been highlighted, such as labour law to allow freelance status, rigidity around trade licenses, and flexibility for students to participate in internships and apprenticeships.

Copyright laws have been introduced in all the GCC states, but they are not harmonised across countries and, in some cases, have not been implemented and therefore remain unenforceable. It is important for regional designers to see progress in this area in order to retain the talent and encourage foreign designers to participate in the MENA economy. The UK, for example, has recently passed an updated IP law, strengthening protection for designers and reducing red tape surrounding the process, in recognition that it contributes USD 25 billion to the UK economy annually.

**Design promotion initiatives**

A barrier to growth that has been identified throughout our market research is the limited willingness to recognise design as a commercial service in the region. There is a general consensus that there is demand for design but that the design element of a piece of work is compromised in cost negotiations as clients resist paying for the service. This has been particularly evident in the architecture and interior design segments.

There are a wide number of design events that promote the art and design sectors, particularly in Beirut and Dubai, such as the Beirut Design Week and Design Days Dubai that are both partnered by their respective governments. However, there is certainly more that can be done by the governments in the region to advocate the commercialization of design by using promotion strategies, such as developing branding initiatives or subsidizing private sector collaboration. Examples from international design hubs include Turquality in Turkey and Design Selection in Germany that have been developed to promote national design domestically and overseas, and Innovation Vouchers in the UK that subsidize the services of design experts to private businesses.

**Education and talent: the education system**

The lack of educational facilities and the lack of regional talents are intertwined as barriers to growth, and together in fact received the greatest consensus as the greatest barriers to growth. There are several challenges to pursuing a creative career in the MENA region, including the lack of early stage involvement in design as well as unclear career pathways, with many programs that are available in design education hubs not available in this region. Furthermore, there is a lack of clarity about career options within design
and about earning potential, as well as limited support for emerging artists and designers. However it should be noted that there are increasing educational opportunities in the region, with the American University of Sharjah frequently mentioned as setting the standard within the region, and the Sheikha Salama bint Hamdan Al Nahyan Foundation in the UAE that launched a cultural awareness programme in 2013 in which high school students are taken on cultural trips to international design hubs, such as Tokyo.

There are opportunities for the region to learn from international cities that have established global reputations for their design education. Initiatives include incorporating design into early learning programmes, as seen in the UK and Singapore, which build an understanding of design from a young age, and providing a greater range and depth of education programs to compete with global counterparts. Furthermore, greater alignment with the needs of the economy should ensure that design graduates are equipped with the skills required to succeed in the globalized economy. For example, in some markets such as the Netherlands, academia representatives actively participate in shaping the national agenda for a smart and creative workforce.

**Education and talent: nurturing talents**

In order to retain and nurture local talent it is important to provide an environment in which upcoming talent can flourish, and that promote collaboration within the design community and with the wider economy. There is some evidence of this within the MENA region, particularly in Beirut where a culture of co-working spaces and collaboration amongst designers has developed, such as the Mideast Creatives programme, and the MENA region has one of the fastest growing rates of freelancers in the world.

However, the support that is being provided at the moment is heavily focused on the provision of space and opportunities, and interviews with designers in the region have highlighted a lack of funding available for early-stage businesses. The most advanced international design hubs have recognised design as a profit-making sector and have set up investment funds to provide direct equity investment into young businesses to support growth, such as the VC Fonds Kreativwirtschaft Berlin in Germany.

**Design infrastructure**

A further barrier that has been highlighted in our market research is the limited production facilities in the region, which is particularly evident in the Gulf region where the focus within the design value chain tends to be on promotion and distribution. Our analysis indicates that the contribution of design-related industries in Dubai to GDP is 4.5% based on retail sales, and this falls to 1.5% when considering only local production, indicating that the demand for design-related products and services exceeds the existing supply. The UAE’s approach to developing its production facilities would therefore depend on how it views its role within the design value chain, i.e., to act as a retail presence for large design companies that want to address the affluent regional market or, more ambitiously, to grow design creation and production in the region.

It is evident across international design hubs that it is challenging to maintain the whole design value chain, including production and distribution, within a single district. This can be explained by the competing requirements of upcoming artists and designers, as well as artisans, for low-risk and low-cost facilities, and the costly and inflexible leases associated with high end galleries and retail outlets. However, cities such as Berlin and London have developed initiatives to support upcoming designers and young brands, such as pop-up concepts that provide affordable space in which to test new design concepts. Furthermore, the Artisan Initiative in Beirut supports craftsmen in Bourj Hammoud raise their quality of work up to luxury standard by attracting experts from Italy to provide high quality artisanal training. Should the UAE plan to develop its creation and production capabilities, the development of similar innovative initiatives to incubate the design community would be a critical component to the success of this strategy.
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MENA DESIGN OUTLOOK

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