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UAE tops Gulf construction market

Projects worth \$714.8b are in various stages, putting Saudi Arabia second

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The Etihad Towers under construction in Abu Dhabi. Hani Al Hameli, Secretary General of the Dubai Economic Council, says there are encouraging signs of a turnaround.

Image Credit: Alex Westcott/Gulf News

Dubai: The UAE is still the largest construction market in the GCC with a value of \$714.8

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billion (Dh2.63 trillion), a study by the Dubai Chamber of Commerce and Industry said.

The study said that the construction projects in the UAE were currently either in the planning stage or under way.

Saudi Arabia was the second most active market in the GCC with \$283.8 billion worth of construction projects in the pipeline.

The study said that the construction sector was expected to rebound next year. Developers in the UAE were expecting a more promising 2011, it said.

Hani Al Hameli, Secretary General of the Dubai Economic Council, said the study results sounded "very realistic" and it was "no surprise" that the UAE was leading the GCC in the construction market.

Al Hameli said: "Over the last years, the UAE was hit in the construction and real estate sectors.

"Moreover, the financial situation of the emirate is still strong and therefore there is a high possibility of continuing to lead the construction sector on the GCC level".

Diversification

The rapid economic diversification that the UAE has achieved has come primarily from its construction boom.

However, the global economic slowdown that took hold towards the end of 2008 brought an abrupt end to the boom.

The study showed that since then, many building projects have been cancelled or put on hold and there has been little in the way of new project awards.

Al Hameli remarked that while this situation had dominated 2009, it has since faded.

"There were encouraging factors for projects, such as the remarkable decrease in the prices of building materials, especially steel and cement, the two elements that contributed to the soaring prices of properties during 2006-2008," Al Hameli said.

Moreover, the low prices of property sales and rents had lifted long-term demand, he said.

Al Hameli also said new regulations governing real estate had enhanced the transparency of the construction and real estate sectors.

In the UAE economic report for 2009, the construction sector was the second biggest, contributing 10.7 per cent to the UAE's gross domestic product.

Sultan Bin Saeed Al Mansouri, Minister of Economy, said at the presentation the state of the real estate sector in Dubai did not reflect its contribution to GDP as development throughout the country was continuing.

"UAE construction projects are glowing as there are massive construction works currently taking place in Abu Dhabi, Ras Al Khaimah and other emirates in addition to the airport development projects, Dubai Metro, Union Railway and other infrastructure projects," he said.

Al Mansouri said ongoing projects had placed Dubai at the top of international business destinations.

Modernisation

Al Hameli said: "The UAE witnessed a large number of construction projects for the aim of completing the infrastructure to modernise the national economy and enhance economic growth.

"These projects also aimed at providing housing units to achieve social stability for the population, in addition to providing the commercial and tourist units to cope with the rapid growth incurred in the business and tourism sectors," Al Hameli said.

Regarding Abu Dhabi, he added: "As stated by the authorities concerned, the emirate adopted an ambitious plan in the economic development process. A part of this plan is enhancing the infrastructure and constructing properties for various purposes."

The study also showed that recently firms had branched into new markets, switching their focus from private to public sector schemes, and forming alliances to win contracts in an increasingly competitive environment.

This trend was expected to continue in the short term with the UAE government's drive to stimulate the economy by spending on infrastructure projects, particularly in Abu Dhabi, even though until recently it had been Dubai's real estate projects that had dominated the industry.

The largest construction and infrastructure projects by value in the GCC show that five of the region's 10 biggest schemes planned or under way are in Abu Dhabi.

Moreover, the UAE was planning to expand its rail network with the development of three rail schemes, and make strong investments in social infrastructure such as hospitals, schools and museums.

Private finance

The UAE government plans to obtain private finance to fund some of its infrastructure investments.

It is the first country in the GCC to implement private-public partnership funding methods, beginning in the education sector with a new campus in Al Ain University, the study said.

Al Hameli said it was highly likely that the UAE construction sector would continue to grow next year.

He added: "The economic indicators of local and international reports ascertain the recovery in the national, regional and global economy," Al Hameli said.

"In addition to that, the initiatives launched by the UAE federal and local governments have positive consequences in terms of a confidence rebound."

Pointing to the advantage of the crisis, Al Hameli said: "The huge speculation dominating the construction sector has ... faded out during the crisis.

"This encourages serious investors to support the local market with long-term investment," he said.