

UAE AT A GLANCE

The United Arab Emirates (UAE) is a federation of seven states formed in 1971 which since then, has grown into one of the Middle East's most important economic centers. The UAE is bordering Oman to the east and Saudi Arabia to the south; and it shares sea borders with Qatar and Iran. The UAE is governed by a Supreme Council of Rulers made up of the seven emirs, who appoint the prime minister and the cabinet.



BMI has reported increasing opportunities in the hospitality and tourism sectors in the UAE. And the tourism and tourism-related projects has been helping the construction industry over recent troubled years in the residential sector. BMI expected this to continue throughout 2014 and beyond as the UAE, most notably Dubai and Abu Dhabi, positions itself as a global business and tourism. It was also reported that there are RM630 billion worth of projects under construction in the UAE which supports BMI's forecasts for accelerating growth within the construction industry.

SWOT ANALYSIS

Strengths

- An active real estate market and government-supported infrastructure spending in transport and utilities will continue to provide good market growth.
- Comparatively clear regulatory environment and the governing of private investments in infrastructure create a favorable investment climate.
- State-owned utilities (ADEWA, DEWA) are willing to take on majority equity stakes in projects and provide government guarantees in a bid to attract investors.
- Increasing arrivals are cementing Dubai's position as a tourist destination, which is providing opportunities across all sectors.

Weaknesses

- Project finance operations are onerous, while the credit markets remain wary of the UAE, particularly Dubai.
- Many projects, especially megaprojects are announced, but relatively few ever come to full realization.
- High property prices and the remains of the property oversupply, especially in Abu Dhabi, continue to pose risks to the market.

Opportunities

- Dubai has been awarded the 2020 World Expo, which itself will spawn opportunities, but also catalyze activity in other areas.
- The UAE is becoming a hub for renewables and green technologies, with Masdar spearheading new ventures.
- The real estate market in Dubai and now Abu Dhabi has returned to more positive ground.
- An USD25bn rail network is planned, including freight rail and metro lines.
- Continued expansion of the UAE's airport capacity.

Threats

- Cautious investor appetite in light of the previous crash continues to subdue available capital and dampen investor sentiment.
- Over-optimism could repeat the oversupply issues which were a contributing factor to the crash.
- The GCC region is experiencing rapid growth, pushing prices for building materials and labor higher.

INDUSTRY FORECASTS

Construction And Infrastructure Industry Forecast Data (2014-2017)				
	2014	2015	2016	2017
Construction industry value, RM billion	136.5	148	162	177.8
Construction Industry value, % of GDP	9.1	9.3	9.5	9.8
Total capital investment, RM billion	342	370	401	436
Total capital investment, % of GDP	22.94	23.13	23.50	23.94
Cement production (including imported clinker), tons	21,958,083	22,609,399	23,313,046	24,143,855
Cement consumption, tons	21,668,482	22,699,784	23,439,173	24,303,931

Large-scale mass transit projects are under way across the UAE, with the first sections of the Abu Dhabi metro and light-rail network waiting to be awarded and the extension of Dubai's metro expected to enter construction in 2014. The second phase of the RM38.5 billion Etihad Railway Network - also part of the RM350 billion GCC Railway Network - has entered the tendering phase. State-owned Dubai Electricity and Water Authority (DEWA) has also launched a tender for the construction of a new 1,200MW coal-fired power plant which could potentially become the biggest clean coal-fired power plant in the Gulf when it is completed in 2021. As for the nuclear power projects in Abu Dhabi, despite delays and cost inflation, a second reactor is now under construction, and plans for a third and fourth reactor have been granted approval.

MAJOR PROJECTS

Project Name	Value (RM mil)	Size	Unit	Timeframe Start	Timeframe End	Status
Expansion of Al Ain International Airport, Al Ain	-	-	-	2014	2017	In tender/Tender launched
Sharjah Airport expansion project, Sharjah	-	-	-	-	-	At planning stage
Al Maktoum International Airport Expansion	112,000	200	mil passeng er/yr	-	-	Approved
RAK Airport expansion, Ras al-Khaimah	570.5	1.5	mil passeng er/yr	2009	2020	At planning stage
Ajman International Airport, Ajman	1,235.5	1	mil passeng er/yr	-	2015	Approved
Etiihad Rail Project - UAE's National Railway Network - Phase 3 (Fujairah and Ras Al Khaimah)	-	279	km	-	2018	At planning stage
Abu Dhabi Metro (Phase 2 and 3)	14,000	-	-	-	-	At planning stage
Dubai Metro Extension	-	35.4	km	-	2020	At planning stage
Al Sufouh Tram Project - Phase II	-	5	km	-	2020	At planning stage
Railway Terminal Facility at Khalifa Port, Abu Dhabi	-	-	-	-	-	At planning stage
Abu Dhabi Metro (Phase 1)	10,500	18	km	2014	2017	In tender/Tender launched
Etiihad Rail Project - UAE's National Railway Network - Phase 2 (Ruweis - Ghweifat; Tarif - Dubai & Al Ain)	-	628	km	2014	2017	In tender/Tender launched
Dubai Green Metro Line Extension Project, Dubai	-	21	km	2014	2020	At planning stage
Dubai Metro Lines Extension Project (Blue, Gold and Purple)	-	421	km	-	2030	At planning stage
Additional Tier On Sheikh Zayed (Dubai Creek to Jebel Ali Port) Road	-	35	km	-	-	In tender/Tender launched
Construction of Four Bridges - 3, 4, 10, 11 (connecting Al Maryah Island with Reem Island)	314.4	-	-	-	2016	At planning stage
Construction of Elevated Road Section (Sheikh Zayed Road - Bluewaters Island)	-	1.4	km	-	-	At planning stage
Construction of a five lane intersection, New roads near airport, Abu Dhabi	606.5	-	-	-	2017	At planning stage
Al Ittihad bridge project across Dubai Creek, Dubai	-	0.42	km	2014	2018	In tender/Tender launched
Umlifaina Bridge, Abu Dhabi	285.6	-	-	-	2014	In tender/Tender launched
Abu Dhabi - Dubai dual carriageway (E311)	2,000	62	km	-	2017	In tender/Tender launched

INFRASTRUCTURE AND CONSTRUCTION PLAYERS

Arabtec Construction (Arabtec) was established in 1975 and is the largest construction group in the UAE. It is a subsidiary of Arabtec Holdings and focuses on the residential and commercial construction. Since April 2012, Abu Dhabi investment vehicle Aabar Investments owned 21.25% of the company, making it the largest single shareholder. Arabtec has partnerships with several other companies in the region and its joint venture with Samsung and GS Engineering is expected to facilitate move into the oil and gas and related infrastructure sector. However, although the company has expertise to take on civil engineering/infrastructure projects, its portfolio is overweight with commercial and residential projects.

Dutco Balfour Beatty Group (Dutco) was established in 2002 after the merger of Dutco Balfour Beatty, Dutco Construction, Dutco Tunnelling and BK Gulf. The UK's Balfour Beatty is a 49% shareholder and Dutco (the Dubai Transport Company) owns 51%. The construction business is made up of five companies, operating across all segments of the construction industry. Local and international expertise allows Dutco to appeal both nationally and internationally. Dutco also has a well established reputation as a local company and its local and international expertise allows Dutco to appeal both nationally and internationally. Major projects include the Improvement of Sheikh Zayed Road, Jebel Ali Hotel Extension, Dubai International Airport Access Road & Parking Phase, and Dam Construction and Recharge Facilities in the northern emirates.

Habtoor Leighton Group (HLG) was established in 2007, following the merger of the Gulf operations of Leighton International, a subsidiary of Australia's Leighton Group, and Al-Habtoor Engineering, a subsidiary of UAE-based al-Habtoor Group. The company builds airports, civil works, commercial and residential buildings, hospitals, hotels and malls. Leighton International owns a 45% stake in HLG, while al-Habtoor Engineering owns the remaining 55%. The HLG has a strong order backlog and was awarded several major flagship projects over the years. However, it has also been badly impacted by the downturn in Dubai.

Drake & Scull International (DSI) is a UAE-based engineering and auxiliary services provider focusing on the areas of mechanical electrical and plumbing (MEP), civil works and infrastructure, water and power (IWP). DSI's main base of operations is in the UAE, but the company has established businesses in Qatar, Saudi Arabia, Kuwait and Egypt, and has participated in projects throughout the Middle East, North Africa and Asia region. DSI's expansion in Saudi Arabia and Qatar has exposed the company to high growth markets supported by massive government expenditures.

For further details, please contact:

International Division
CIDB Malaysia
Level 33, Menara Dato' Onn
Putra World Trade Centre (PWTC)
No. 45, Jalan Tun Ismail
50480 Kuala Lumpur

Email: international@cidb.gov.my
Tel: +603 4047 7028 Fax: +603 4047 7030