
Slowdown signs - UAE construction falls by 85%

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MEED reported that the value of the UAE construction market fell by 85% over the course of 2008. The latest figures show that just USD 14.4 billion of contract awards were made during the fourth quarter of 2008, down from USD 98.1 billion during the same period in 2007.

Over the past 5 years, the sector has become one of the most important parts of the UAE economy. A recent report by Standard & Poor's estimated that the construction and real estate sectors account for almost half of Dubai's GDP.

Although the last two months of 2008 saw a dramatic fall in activity, the sector has suffered a steady decline throughout 2008 as projects struggled to secure financing in the wake of the global credit crisis. In total, USD 191.8 billion of contract awards were made in 2008, a 60% drop from the USD 482.5 billion of awards made in 2007.

Many schemes due to start construction during 2008 have not gone ahead, and many projects that were under construction have been put on hold. There are now USD 23.2 billions worth of projects on hold, almost 10% of the USD 249.7 billion of projects under construction.

At the start of 2008, many international construction companies hoped the UAE would be immune from the global economic slowdown. But the year's final months showed the market's fragility.

The first major scheme to be affected by the downturn was Palm Deira, when local developer Nakheel scaled back dredging works in October 2008. Since then almost every major real estate scheme in the emirate has had the level of construction activity reduced or put on hold.

These include some of the emirate's most well known projects including Dubai Waterfront, Dubailand, and the Trump International Hotel & Tower, which was launched at a high profile event in Los Angeles in June 2008, but is now on hold.

Other markets are also starting to suffer. Real estate developers in Saudi Arabia are now saying that they are starting to see signs of uncertainty there, as investors become more circumspect and anticipate a slowdown in 2009.

Mr Raed al Shaksheer, special projects manager at the local Aldar al Khasa, which is developing the SAR 800 million mixed use Headquarters Business Park on the Jeddah Corniche said that "It has been very quiet lately; it seems that a lot of real estate is on hold."

He added that "There is no movement in buying or selling. People are being cautious, and want to see what the outcome of this crisis will be. They are not sure what is going to happen, so they are holding back."

Mr Nasri el Helou MD of Saudi Arabia at The Land Real Estate Investment & Development in Riyadh confirms that the sector is displaying caution. He said that "The kingdom is not as badly affected as Dubai. However, people are being more conservative about investing in real estate. It will take time to get back on track."

Meanwhile contractors also said that the slowdown is also impacting on them too. Mr Ahmed Qanawati, project manager of a local contracting firm said that "A lot of clients are waiting for 2009 budget before making further decisions."

It may be pointed out that in October 2008 parts of King Abdullah Economic City were being prioritized by the developer Emaar amid concerns over the financial climate in the country. The SAR 100 billion privately funded Project City is one of 6 economic cities being promoted by the Saudi Arabian General Investment Authority to diversify Saudi Arabia's economy away from oil.

(Sourced from: MEED)

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