

GCC Construction Market Ventures Onsite

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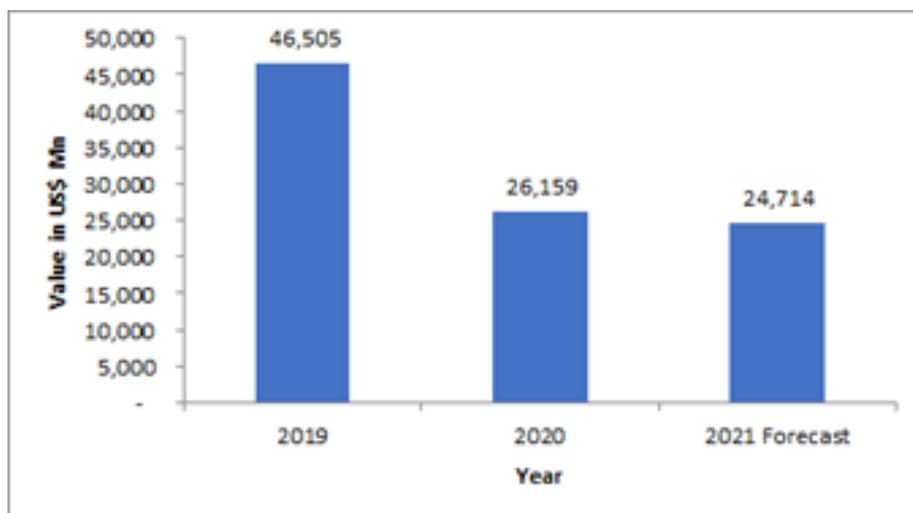
GCC CONSTRUCTION SECTOR OVERVIEW

In order to help recover from the effect of the Covid-19 pandemic, the UAE has launched several measures to attract investment and foreigners. The International Monetary Fund (IMF) increased the UAE's economic growth forecast for 2021 to 3.1% crediting the emirate's measures in handling the Covid-19 pandemic. The UAE plans to launch 50 new economic initiatives to boost the country's competitiveness and attract US\$ 150 billion in foreign direct investment (FDI) in the next nine years. Dubai is also gearing up to host the World Expo, which was a year after it was originally scheduled to be held. The authorities are hoping for the Expo 2021 to attract tourists in large numbers that would help accelerate economic recovery. In preparation for the 2021 Expo, Dubai awarded about 47 construction contracts with a total value of US\$ 3 billion to local and foreign companies. The upcoming Expo has been driving construction demand, particularly in the tourism and hospitality sectors, as well as public spending on infrastructure.

SNAPSHOT OF UAE CONSTRUCTION CONTRACTOR AWARDS

The construction contractor awards in the UAE are forecast to be worth US\$ 24,714 million in 2021 (refer Figure 1).

Figure 1: UAE Construction Contractor Awards, 2019-2021F



The UAE government continues with its plans such as the Energy Strategy 2050, Dubai 2040 Urban Development Plan, the Sheikh Zayed Housing Programme and the Dubai Tourism Strategy. The UAE's Vision 2021 highlights the importance of infrastructure and aims for the emirate to be among the best in the world in the quality of airports, ports, road infrastructure, and electricity. From 1st June 2021, Dubai Investments Park and Expo metro stations opened on Route 2020 of the Metro Red Line. The opening of the two stations on Route 2020 concurred with the start of the countdown of Dubai's hosting of Expo 2021.

The UAE is also adopting the Private Public Partnership (PPP) model as it helps to render efficient commodities and services at a lower cost. The Abu Dhabi's government announced in 2020 an ambitious plan to procure over US\$ 2.72 billion worth of infrastructure partnership projects across a range of sectors including education, transport and municipal works. The PPP initiative was launched as part of the US\$ 14 billion 'Ghadan 21' accelerator programme to boost Abu Dhabi's economy.

The UAE hospitality industry's recovery is expected to rise in 2021 driven by its Covid-19 vaccine push, Expo 2021, and easing travel restrictions in some markets, according to government officials and hoteliers. According to Kuoni, the UAE has emerged as the world's most searched destination for tourism in 2021. 11 new hotels are set to open in 2021 with international players trying to expand in the UAE. However, Knight Frank forecasts that tourism sector investment will remain steadfast regardless of Expo numbers with a potential slower return to business-as-usual and only pick up by 2022-end.

Over 11,000 new houses are currently being built for UAE citizens across the country and will be handed over to the owners soon after they have been completed, according to a top UAE government official. Suhail bin Mohammed Al Mazrouei, Minister of Energy and Infrastructure and Chairman of the Sheikh Zayed Housing Programme said that the government has prioritised the housing sector to provide citizens with suitable housing that will achieve their family stability, happiness and quality of life. The ministry has also provided a stimulus package and exemptions to contractors and consultants who are implementing the residential projects for citizens by granting them more time for completing and delivering the houses and exempting them from fines due to delays resulting from the Covid-19 pandemic.

The UAE is gradually shifting the focus towards the industrial sector as its backbone for growth. According to experts, the government's plan to increase the contribution of the industrial sector to the country's economy in the next 10 years will help create new jobs and attract fresh investment into the country. The UAE's leadership announced a new industrial strategy named "Operation 300bn" to more than double the contribution of the industrial sector to the country's overall economic output to US\$ 82 billion by 2031. A key part of the strategy will be attracting foreign investment, with recent legislative changes facilitating 100% foreign ownership of companies and projects. Research and development spending on the industrial sector will also increase to US\$ 16 billion by 2031. Operation 300bn will focus on promoting existing industries and enhance their contributions to the GDP, while focusing on developing a new industrial ecosystem, primarily high-tech industries and Fourth Industrial Revolution (4IR) ventures. It also encourages the UAE's business sector to move towards industrial projects and contribute to the development of local industries across the country.

The UAE is optimistic about a recovery in oil demand in 2021, but says it will not be immediate. The Cabinet approved in 2021 the UAE Circular Economy Policy 2021-2031 and established the UAE Circular Economy Council, which will be chaired by Minister Abdullah al-Nuaimi. This move comes amid plans by Abu Dhabi National Oil Company (ADNOC) to boost its oil production capacity by 25% to 5 mn b/d by 2030. The circular economy policy aims to support the UAE economy, and since our modern and technologically sophisticated oil and gas sector is a major contributor to the GDP, companies in that sector will remain part of future development. The UAE is juggling the energy transition agenda and plans to generate greater profit from its oil and gas projects as it seeks to secure a role in future crude demand scenarios, while at the same time appeasing investors looking to combat climate change.

The UAE Energy Strategy 2050 aims to ensure a secure power supply by diversifying the country's fuel mix and reducing its dependence on natural gas. The strategy targets a power generation mix comprised of 44% from renewables, 38% from natural gas, 12% from coal and 6% from nuclear energy.

Abu Dhabi's Department of Municipal Affairs (DMT) completed over 150 infrastructure projects in 2020 despite the pandemic. In June 2021, the Ruler of Dubai announced US\$ 0.52 billion in UAE infrastructure projects. The mega projects aim to connect cities and shorten distances across the country. The country aims to create infrastructure that is among the world's best and the strategic projects are designed to further enhance the UAE's high global ranking in economic, social and quality of life indicators, according to Sheikh Mansour bin Zayed, Deputy Prime Minister and Minister of Presidential Affairs.

MAJOR UAE CONSTRUCTION PROJECTS

Table 1 below lists the major projects awarded to contractors in 2021.

Name	Client	Contractor
Yas Living in North Yas (NOYA), Abu Dhabi	ALDAR Properties	Fibrex Construction Group
Belbazem Oil Field Development	Al Yasat Petroleum	JNational Petroleum Construction Company (NPCC)
Optimum Shah Gas Expansion (OSGE)	ADNOC Sour Gas (former Al Hosn Gas)	Saipem S.p.A.
MAG City (District 7 in Meydan City) - 546 Townhouses	Moafaq Al Gaddah (MAG) Group	Intermass Engineering Contracting Company
Jubail Island in Abu Dhabi - Phase 1 - Plot No. 1A , Sector JS	Jubail Island Investment Company (JIIC)	Arabian Construction Company (ACC) SAL

Source: Ventures ONSITE Projects Intelligence Platform, www.venturesonsite.com

Table 2 below lists the major projects announced in 2021.

Name	Project Status	Contractor
Masaar in Sharjah	Design	Arada Development (A part of KBW Investments)
Industrial Raw Materials Production Facility in Ta'ziz	Concept Stage	Abu Dhabi National Oil Company (ADNOC)
Green Ammonia Plant in Kizad	Concept Stage	Khalifa Industrial Zone Abu Dhabi (Kizad)
Food Tech Valley in Dubai	Concept Stage	Wasl, Ministry of Food and Water Security
Samanea Mixed Use Development in Warsan	Design	Meraas Development, Samanea Group

Table 3 below lists the major projects expected to be awarded to contractors in H2 2021.

Name	Client
Borouge 4 Complex - Package 2 - Mixed Feed Cracker Unit	Abu Dhabi Polymers Company (Borouge), Borealis A/S Representative Office
North West Field Development - Dalma Field - Gas Processing Plant - Onshore Package A	ADNOC Sour Gas (former Al Hosn Gas)
Umm Shaif Gas Cap Condensate Development Project	ADNOC Offshore (former Abu Dhabi Marine Operating Company (Adma-Opc))
Borouge 4 Complex - Package 3 - Polymers Production Unit	Abu Dhabi Polymers Company (Borouge), Borealis A/S Representative Office
Guggenheim Abu Dhabi on Saadiyat Island	Tourism Development & Investment Co. (TDIC)

Source: Ventures ONSITE Projects Intelligence Platform, www.venturesonsite.com



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