

## U.A.E. NEWS REPORT



### **Sharjah: Still Building**

Sharjah's construction industry has managed to work its way through the global financial crisis, avoiding the slump that other regional economies have witnessed.

Although some projects have been delayed and a few others cancelled, overall the market is standing strong. The \$4.9bn Al Nujoom Islands development undertaken by Al Hanoo Holding, which will see the construction of 10 islands and ultimately house up to 40,000 people, is well on track to meet its completion date of 2010, while a series of state-sponsored projects are also set to meet their deadlines.

The government's commitment to support the development of a diverse economy, and in particular the industrial segment, is one of the foundation stones of the sector.

As the main centre for industrial production in the UAE, Sharjah has worked hard to attract manufacturing firms to its shores, while encouraging local producers. One of the key elements in this programme is to provide the infrastructure needed to maintain industrial growth, which in turn has fostered the domestic construction sector.

Officials have said that, despite the global economic crisis, work on all major infrastructure construction projects, valued at some \$400m and including new roads and a sewerage system for Sharjah city, were running on schedule and to budget.

Indeed, the downturn of the global and regional economies has brought some benefits to Sharjah's construction sector, with prices of key materials and freight costs falling sharply. Since April, prices for domestically produced cement have fallen by around 13%, while the drop

for imported cement is close to 20%.

The plunge in the cost of steel has been even more steep, with prices down by as much as 50%. Though many contractors have been forced to lower their margins in order to secure work, new orders for steel and other materials are on the increase.

According to Saif Mohammed Al Midfa, the director-general of Expo Centre Sharjah, which hosts the annual metal-manufacturing and steel-fabrication industry exposition SteelFab, there are definite signs the building trade is picking up.

"The very worst of supply cuts and de-stocking measures appear to be over as inventories are being used up by continuing infrastructure projects. These projects - such as infrastructure, oil and gas, and construction - are now expected to generate demand for metal-working, metal-manufacturing and steel-fabrication equipment and products," Midfa said in late June.

Materials costs are expected to begin edging upwards as soon as freight costs start to rise again, having dipped due to lower fuel prices and transporters slashing tariffs in response to falling demand in the earlier part of this year.

Sharjah and its construction sector have also benefitted from the emirate's close proximity to Dubai, with many residents living in Sharjah but commuting to the neighbouring city for work. With rental costs in Sharjah up to 30% lower than those in Dubai, the emirate has become something of a bedroom suburb, increasing demand for housing and prompting a wave of residential developments and state-sponsored infrastructure projects.

Though rental costs in Dubai have fallen in the past six months, there has not been a mass exodus to the emirate, according to Rajesh Chandrasekharan, chief operating officer of real estate portal Gowealthy.com.

"The low cost of living, ever-improving amenities and the easing of traffic jams have prompted many expatriate families to stay put in the emirate, despite declining rents in neighbouring Dubai," he said in late May.

This is good news for the construction sector, which will hope the demand for lower-cost housing will sustain more building activity.

Sharjah's expanding tourism sector is also contributing to the construction industry's growth. According to the SCCI, a further 4000 hotel rooms are expected to be added to the emirate's accommodation stocks by 2011, a 50% increase on present levels. With arrival numbers climbing by around 11% a year and reaching 1.5m in 2008, the sustained demand in the tourism trade will impact directly and favourably on the building sector.

With a focus on demand rather than speculation, Sharjah's construction has been better placed to weather the recent economic downturn and, ultimately, to take advantage of the expected upswing.

*Source.: Oxford Business Group 17/07/2009*

#### **Dubai: Greening Energy Use**

Dubai is looking to boost electricity production to help meet the emirate's growing thirst for power, while promoting green technology in a bid to reduce emissions levels.

With the emirate's limited hydrocarbon reserves, and oil and gas contributing just 5% to GDP, Dubai has long been a net importer of energy. Ranked among the highest consumers of power in the world, along with the largest per-capita carbon footprint, Dubai is now moving to put a greener tinge to its utilities sector in order to reduce costs and lower pollution levels.

The Dubai Municipality is currently putting the finishing touches to a new building code that will put in place stringent energy, water-efficiency and waste-efficiency requirements on future construction projects and existing

buildings alike. The code has been drafted in response to a call made in 2007 by Dubai's ruler Sheikh Mohammed bin Rashid Al Maktoum that all new constructions adhere to international green building standards.

According to Kamal Azayem, a mechanical engineering expert with the Dubai Municipality and a member of the committee developing the code, the new legislation will be the world's first comprehensive system of green building regulations

"The green building regulations we are developing will be instrumental in helping to save energy and water throughout the emirate," he said in an interview with Bridge Media in mid-July.

It is not just the municipality that is trying to reduce energy use. At the end of June, the Dubai Electricity and Water Authority (DEWA) launched an awareness campaign to encourage a scaling back of energy consumption during peak hours in summer, when electricity demand traditionally spikes. The increased load on the power grid by the widespread use of air conditioners can account for up to 60% of all power intake by residential and commercial customers.

The main objective of the campaign was to encourage the responsible use of electricity, according to Amal Koshak, DEWA's senior manager for demand and tariff management.

"Instilling a culture of energy conservation is our primary objective of this summer campaign, while also guiding our consumers for efficiently balancing their electricity usage during peak-load hours," Koshak told local media on June 30. "People need to play an active role in the preservation of our environment and we are confident DEWA's various education and motivational programmes will achieve that objective."

DEWA has already had considerable success in getting the general public to reduce resource consumption, with water usage by residential units, governments, schools, universities and private companies down 37% and electricity by 6% last year.

By mobilising public awareness through advertising, public relations, mass communications and direct marketing, DEWA was able to reach out to the community and raise understanding of global best practices, the authority's managing director and chief executive officer, Saeed Mohammad Al Tayer, told a press conference in late April.

"These campaigns were focused on raising awareness amongst people of the importance of saving water and electricity for the welfare of future generations as well as increasing their involvement in prudently using the two valuable resources," he said.

And water, as much as electricity, is an energy issue in Dubai, which has to rely almost totally on desalination to meet its rapidly growing water requirements.

Currently, Dubai's six desalination plants produce around 1.2bn litres of water a day, a figure that will increase to 3.6bn litres in the next decade as some \$20bn worth of new power and water projects come on-line. The power components of these developments, which between them will produce 7500 MW, will more than double Dubai's electricity generation capacity.

However, the planned new power and water production capacity will only be enough to keep pace with growing demand. According to DEWA figures, consumption rates for water rose by 10% last year, hitting 400bn litres. A similar rate of increase will see much of Dubai's new desalination capacity, and thus the electricity generation facilities needed to produce it, fully utilised as soon as they commence operations.

Dubai's Department of Tourism and Commerce Marketing (DTCM) is also

involved in efforts to reduce electricity consumption, launching an initiative to reduce carbon emissions in the emirate's hospitality industry by 20% within three years.

According to a recent study, the average hotel in Dubai produces 6.5 kg of CO2 emissions a year, with the combined total of all of Dubai's hotels being more than 500,000 kilogrammes annually.

All hotels are now required to register with the DTCM's hotel energy optimisation plan and develop a programme through which they will reduce their energy usage by the targeted level.

While all of these efforts should help reduce Dubai's energy consumption, increasing demand is still expected to outstrip the savings made by conservation measures. Dubai will need all of the new generating capacity it intends to build over the next few years, and then probably more again, if it is to keep pace.

*Source.: Oxford Business Group 17/07/2009*

### **Abu Dhabi: Home Sweet Home**

In order to meet the housing needs of local residents, Abu Dhabi's government and developers are working together to deliver a number of projects in the capital.

Aldar Properties, a government-backed real estate developer, initiated a deal on July 19 with three contracting companies, Al Jaber Building, El Seif Engineering and Pembinaan, to build 5000 villas for Emiratis in Abu Dhabi. The development, named Al Falah, will consist of five self-sustained villages, each with its own facilities and amenities, and will likely reach completion by the third-quarter of 2012. The project is part of The Plan Abu Dhabi 2030: Urban Structure Framework Plan.

Al Falah, which will cost \$2.55bn, is east of the Abu Dhabi International Airport and will cover about 1200 ha.

Given the fact that many developers in the region are struggling to fulfil their

building commitments due to the global credit crunch, the project is seen by many as testimony to the emirate's commitment to meet the housing needs of its residents.

Aldar is not the only developer catering to the needs of local residents. Sorouh Real Estate is expected to contribute 2000 to 3000 units in Abu Dhabi, while Al Qudra Real Estate has a large project planned for the eastern region of Al Ain.

"Today we have the Ain Al Fayda project, which is 24 sq km and will supply about 6000 residential units that will be used as part of the national housing programme," Mahmood Ebraheem Al Mahmood, the CEO of Al Qudra Holding, told OBG.

Tamouh, another developer, is expected to deliver more than 3000 units in the Jebel Hafeet area.

Both Abu Dhabi and Al Ain have an undersupply of housing across all segments, brought on mostly by an influx of foreign workers in recent years.

According to Abu Dhabi's Department of Economic Development, between 2002 and 2007 the emirate's population grew at an average annual rate of 4.8%. This number leapt even further for the years 2005-08, with growth figures averaging between 6-7%.

Meanwhile, the Abu Dhabi Chamber of Commerce and Industry estimated a supply shortfall of 50,000 units in 2008.

Citibank's research team believes this undersupply will continue, with an excess demand of 34,000 units in 2012 based solely on projected population growth.

Due to this continuous swell of residents, UAE nationals have watched prices skyrocket in the capital, leaving many paying higher rents or prices for new homes.

In response, according to the Abu Dhabi Urban Planning Council (UPC), over 50,000 homes will be built for Emiratis over the next 20 years. Of this amount,

roughly 30,000 of the units will be erected in Abu Dhabi and 20,000 in the city of Al Ain. In the first three years alone the project cost is estimated to reach \$6.8bn. In addition to the 5000 homes in Al Falah, there are plans for plots in others areas of the emirate, including 10,500 homes in South Shamkha, approximately 13,000 in Al Wathba, and between 2000 and 3000 in central Shamkha.

There is also speculation that the housing in these areas could be given to Emiratis free of charge. However, according to the UPC a final decision has yet to be made on this.

Although the current housing situation is not going to be fixed overnight, the government, working in concert with developers, is resolute in increasing the amount of units coming on to the market for nationals over the next few years.

*Source.: Oxford Business Group 05/08/2009*

#### **Abu Dhabi: Positive Signs**

Like the majority of stock markets around the world, the Abu Dhabi Securities Exchange (ADX) has endured an element of uncertainty since the onset of the global financial crisis. However, with the index on an 11-week high, and positive trading signals for the first half of the year, the capital's bourse can look to the future with a degree of optimism.

The emirate's index, buoyed by a surging Emirates Telecommunications Corp (Etisalat), climbed 0.5% to 2897 points on August 31, its highest finish since June 15. While other reasons for sanguinity came from the fact that the ADX index, market capitalisation and volumes all increased in the first half of 2009, influenced by an appreciation for the positive long-term economic outlook for Abu Dhabi, according to Tom Healy, the chief executive of the ADX.

Statistics released in mid-July showed trading volumes leapt 39% in the first half of the year, while the ADX index and market capitalisation are up 10% and 12%, respectively. The increase in activity was

attributable, in part at least, to the return of foreign investors, which accounted for 30% of trading.

This resurgence of non-GCC participation is a welcome shot in the arm for the bourse. During the global credit crunch - and the ensuing financial morass in which many stockholders found themselves - a horde of foreign investors repatriated their money to meet domestic obligations.

In the UAE matters were made worse due to a significant amount of speculative cash, known as "hot money", entering into the markets in 2007 and early 2008, with the aim of making a quick profit on the anticipation of the de-pegging of the dirham from the dollar. Once this began to look like a failed gamble, the hot money flowed out.

Though the majority of this capital still remains overseas - foreign investors owned only 4% of the value of stocks listed on ADX in the first half of this year - there is an increase in trading from non-GCC investors, amounting to around 30% of all trades. This accounts to buying and selling shares worth nearly \$4bn, leaving them with net purchases of \$163m worth of shares, according to the ADX.

As it currently stands, UAE nationals remain the highest owners of shares by value, with \$59bn worth of shares, 92.5% of the total value owned.

The good news for traders at the ADX is that volumes have picked up steadily in the first half of 2009 compared to the second half of 2008. Towards the end of last year the ADX witnessed a fall in volumes. However, since the beginning of 2009 volumes have risen 39% to over 20bn shares, from under 15bn.

"As we would expect, given the lower values of shares, the value of trading is down by 48%, with shares worth \$9.8bn changing hands in the first six months of this year compared to \$19bn in the latter half of 2008," Healy told OBG.

Due to the global economic uncertainty

there has also been a slowdown in initial public offerings, as Abu Dhabi companies put capital-raising plans on hold until financial markets stabilise. Green Crescent Insurance Company was the only firm to list in the first half of 2009, bringing the total amount of companies to 66, the vast majority of which are national.

The combined market capitalisation of the ADX is over \$77bn, a 12% increase on the end of 2008. Etisalat retained its place as the largest company listed on the ADX in terms of market capitalisation, followed by the National Bank of Abu Dhabi. In terms of trading value by sector, real estate demonstrated its supremacy again. Aldar, a government-backed real estate developer, was the most traded, with over \$2.3bn worth of shares changing hands. Sorouh, another property developer, came second with \$1.7bn, followed by RAK Properties, Dana Gas and Aabar Investments, respectively.

The number of institutional investors on the ADX also increased by 7% in the first six months of this year. Attracting such investors is a central tenet of the ADX strategy because they bring with them stability and experience to the market.

Healy is confident that Abu Dhabi possesses the right characteristics to succeed in this sphere. He told OBG that, "Abu Dhabi's economy has a very positive outlook for the next 20 years, as outlined in the Economic Vision 2030 plan. It has strong fundamentals, which tick many of the right boxes for investors, particularly the large foreign institutions looking for high growth in emerging markets."

*Source.: Oxford Business Group 04/09/2009*

### **Dubai: Getting on Track**

Dubai's transport sector is about to enter a new era, with the launch of the initial stage of the world's largest fully automated metro system scheduled for early September.

The first phase of the network, the Red Line, consists of 52 km of track, linking

29 stations, and will begin a limited service on September 9, with the second stage, the 18-station Green Line, scheduled to start running in March 2010. There are also plans being drafted for an additional two lines - Purple and Blue - though work on these will be held off pending further studies on growth trends and transport requirements.

At optimum levels, the initial metro link will be able to carry 23,000 passengers in each direction every hour, a figure set to expand as further services come on-line.

To maximise the usage of the metro, the Roads & Transport Authority (RTA) is reconfiguring its public bus routes and timetables to provide easy feeder services to the metro's stations, and has re-equipped its bus fleet with new vehicles to increase passenger comfort and appeal.

The project has a well-publicised budget of \$4bn, though senior officials have acknowledged there has been a cost overrun. This is in large part due in part to extensive changes to the planned design and facilities required to meet the growing needs of Dubai, RTA board chairman and executive director Mattar Al Tayer said in an interview with the daily *Gulf News* in mid-August.

Though well over budget, Al Tayer said the metro would be value for money.

"Take a ride once or twice on the metro and you will get used to it because it is the best metro system in the world," he said.

However, the new centrepiece of Dubai's mass transit system has had its fair share of problems in the lead up to its opening. The project was completed in four and a half years, far quicker than comparable transit systems elsewhere, though this tight timeframe has caused difficulties. While the launch of the new transit system will be a gala event, the opening will not be all that was promised, with as few as nine of the network's 29 stations expected to be ready for service on September 9.

Such has been the rush to get even these

stations completed that contractors have had to breach Dubai's building laws, which mandate no outdoors construction work be carried out between the hours of 12.30-3.00pm in the summer months.

There have also been media reports of technical problems, with difficulties over some of the software needed to operate the fully automated system and delays with handing over some of the stations to Serco, the British firm that will manage the network.

However, the biggest issue that the metro will have to contend with is Dubai's love affair with the automobile. Many in the emirate are more accustomed to private transport than public, resulting in heavy traffic congestion in and around the city centre, as well as high levels of pollution and competition for limited parking spaces.

Currently, just 6% of Dubai's 2.2m population use public transport, according to the RTA, a figure it hopes to increase to 30% by 2020, with half of that total carried by the new rail network.

The RTA is planning a massive promotion campaign to encourage the public to leave their cars at home and ride the rails, touting the network's ease, convenience and cost effectiveness.

More than just a people mover, the Dubai metro has been designed as a mover of the emirate's economy. With some estimates putting the cost of time lost due to traffic congestion at Dh4.5bn (\$1.2bn) annually, the metro could pay for itself in a few years.

Among those looking to reap the rewards are Dubai's retailers. According to Eisa Ibrahim, the general manager of the BurJuman shopping centre, the metro will have a major impact on the emirate's malls.

"It will bring in huge numbers through its stations," Ibrahim told local media on August 28. "In addition, the ease on traffic will also help a lot more people come

through with their cars. We see a very positive benefit to all the malls either connected to or located close to the stations."

Some sectors are less sure what the short-term impact will be, adopting a wait-and-see attitude. One such industry is the real estate sector, which is expecting a rise in property prices but is still uncertain about how the metro will affect both commercial and residential clusters.

According to Jesse Downs, the director of research and advisory services at Landmark Advisory, the market is still unclear about metro-usage patterns at the outset and how these will evolve over time.

"On average, I could imagine a 5-10% average premium developing in areas around stations over the first one or two years of operation," he said in an interview with local press in late August. "Of course, the actual premium will depend on the residential location and specifics of the development and individual building. For commuters, the office location will be a critical factor."

Some doubt that the metro will provide value for money, given that few such transit systems turn a profit. These concerns are in part based on Dubai's relatively small population and the propensity of locals and expatriates to rely on private means of transport.

Though possibly not a money spinner, others such as Richard Anderson, of the Imperial College's railway and transport strategy centre in London, believe the metro offers Dubai a value far beyond monetary terms.

"The main benefit of a metro system is that it allows a city to be more cost effective. It increases productivity in a way that is not easily quantified, and helps it support a sustainable lifestyle," Anderson said in an interview with *The National* on August 27. "It is hard to put a price on those benefits."

Time will tell if the Dubai metro will allow the city to be more cost effective. For it to do so, the RTA will need to convince potential passengers of the efficiency of the service, and wean them away from their addiction to the automobile.

**Source.: Oxford Business Group  
04/09/2009**