



UAE Construction Cost Insight Report

Research | September 2021

Foreword

The United Arab Emirates purchasing managers index achieved the highest marker in two years, reaching 54 index points in July 2021 measuring an improved performance for the non-oil private sector. The UAE's GDP forecasted growth is 2.1% for 2021. Indicating a post pandemic recovery led from the successful vaccination drive. As over 80% of the population have received a double dose of the covid19 vaccine. 2021 started as a challenging year with a decline in the construction industry projects market compared to 2020 (see UAE projects snapshot graph). Business optimism is improving for the remainder of 2021 and will continue into 2022. As Q4 marks the anticipated start of Expo 2020 which is expected to attract over 25 million national and international visitors over the six-month exhibition period. Supported by Expo 2020 and the 'Projects of the 50 initiative', the UAE is set to enter a new growth era of economic and social development. The 50 national projects initiative is proposed to shape the economy for future generations, entice investors and innovators alike while expanding the sources of income.

The trade and logistics sectors, of which the UAE is a centralised hub, are seeing increased momentum exceeding pre-pandemic levels and are both highlighted as key drivers for the continuation of the economic recovery. A further growth opportunity within the industrial sector is

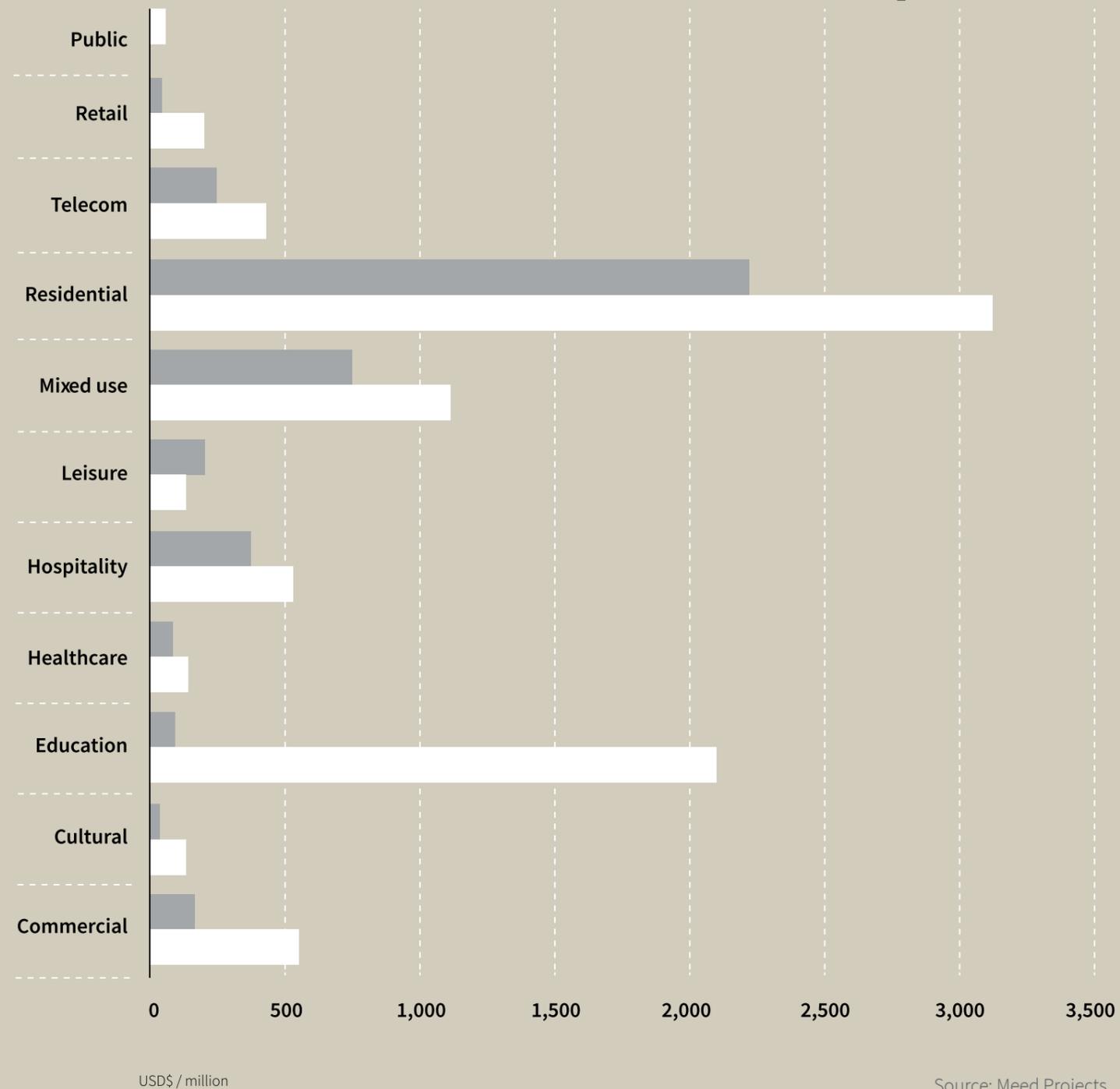
expected to develop from an earlier government announcement requiring all projects within the capital procuring Iron Rebar to be sourced in the country; this is an innovative move for the sector, however, future prices may be impacted by availability and demand within the market.

(1) UAE Central Bank (2) EmiratesNBD

UAE projects snapshot

The project award analysis graph presents the UAE projects market between Q1-Q3 2020 comparable against the same period in 2021 across all construction sectors.

Project Award Analysis Q1-Q3 2020 / 2021

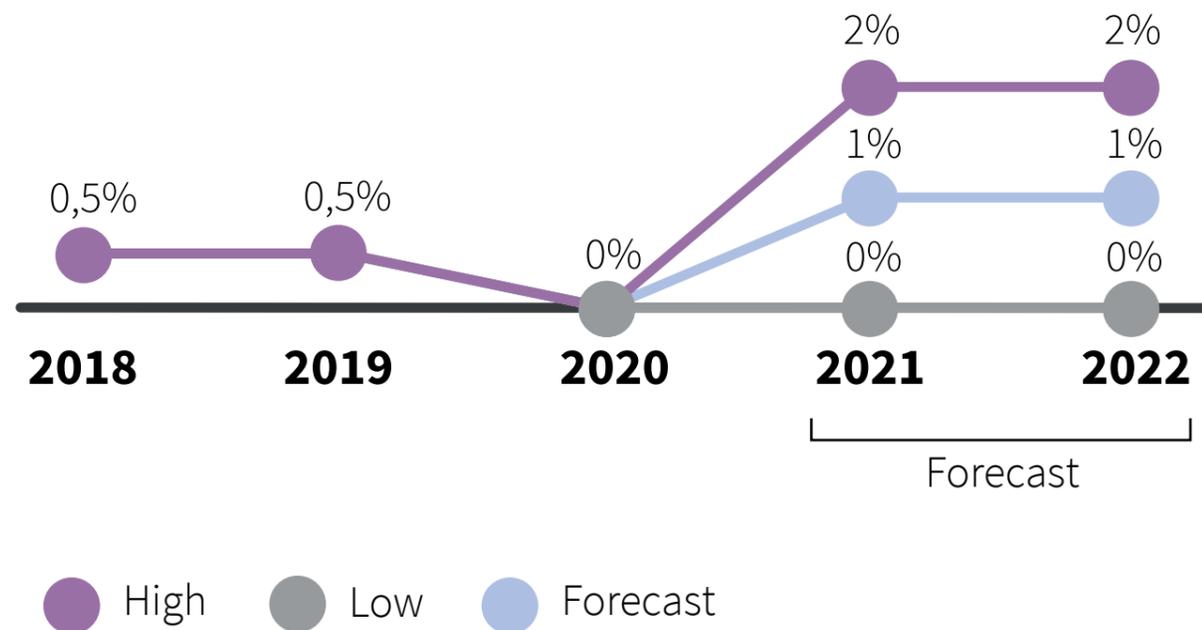


Tender price inflation (TPI)

JLL's view on the market sentiment is looking toward future project developments with the focal point of Vision 2030. We anticipate tender price inflation for 2021 and beyond to stabilise at 1% Y-o-Y, linked closely to the commodities trends. Oil prices (Brent & WTI) have continued to gain this year with a current forecast of \$69/\$66/bl³ for Q4 2021, with forecasts suggesting a decline to approximately \$66/\$63/bl respectively in 2022. The rebound from the low price levels witnessed in 2020 should result in a positive impact to the

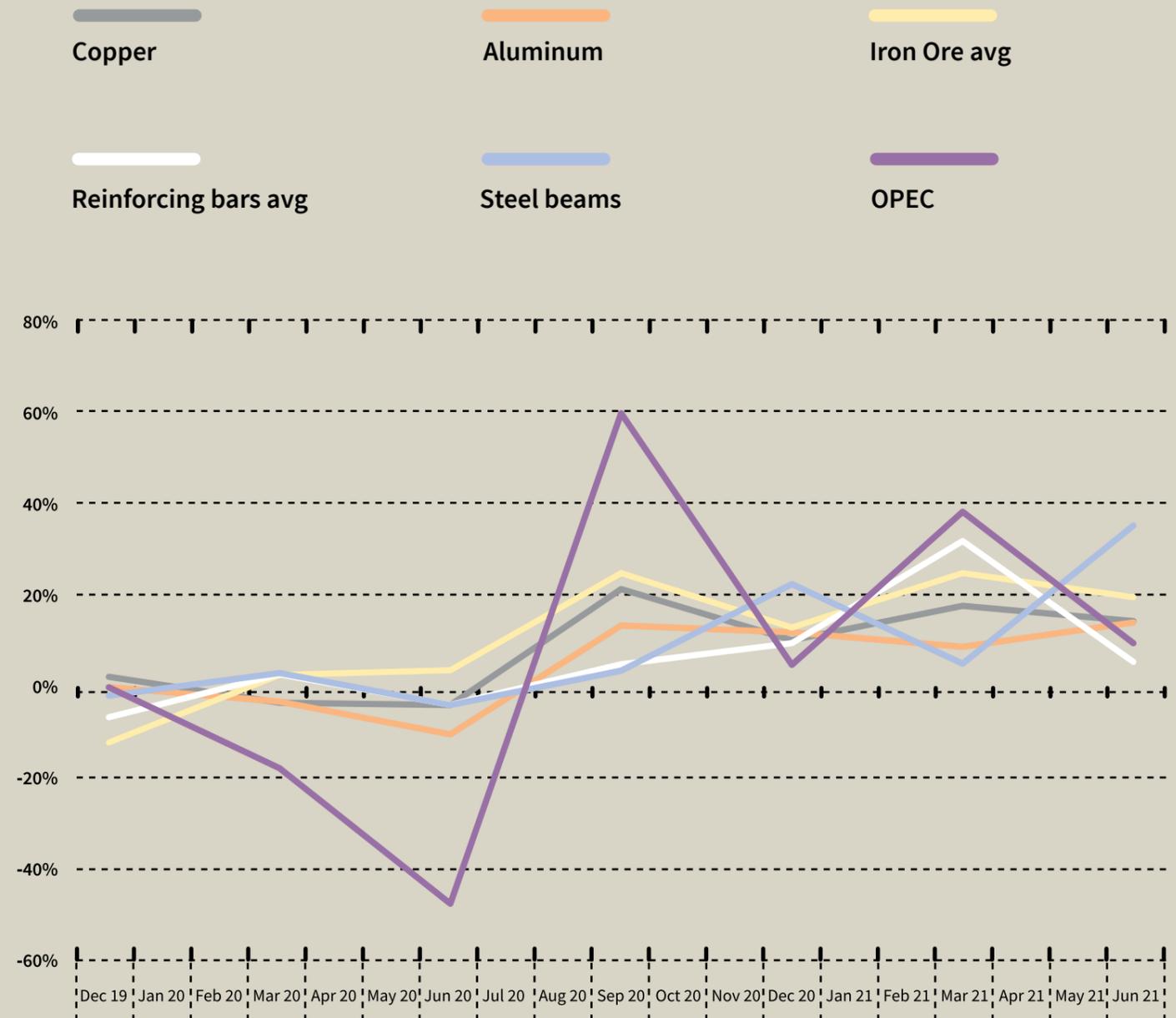
projects market. Metals, which have recently seen prices reach a 10 year high with copper increasing by 89%⁴ (May to May) and Iron Ore by 116%⁴, will likely stabilise as economic activity returns to a new post pandemic norm, local material prices will be led by regional demand and any ongoing supply chain disruptions caused by the pandemic. JLL anticipates that commodities, especially steel, will decrease from recent highs during the end of 2021 and into 2022.

(3) US Energy Information Administration (EIA) (4) World Bank



Tender Price Inflation TPI UAE: the chart represents historical and forecasted TPI for the period 2018-2022 (with a +/- 1% sensitivity factor).

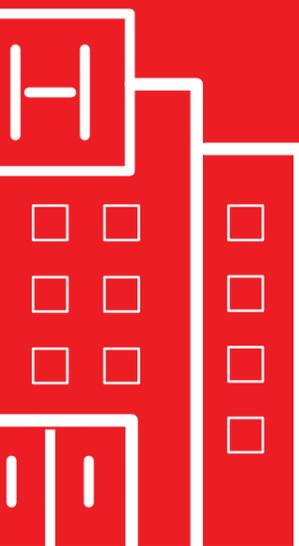
Commodity trends



Quarterly average % change. Source: World Bank; copper, aluminium, iron ore. ME Steel; reinforcing bars, steel beams. OPEC; oil.

UAE cost of construction

			Low AED/m ²	Avr or mid AED/m ²	High AED/m ²
	Residential	High Rise Villa's	4,050 4,500	5,800 6,000	8,000 7,500
	Retail	Strip Retail Community /Regional	3,500 4,500	4,000 5,500	4,500 6,500
	Commercial	Low - Mid Rise (S&C) Low - Mid Rise (Fit Out)	4,250 3,500	5,375 5,500	6,500 8,000
	Car Parking	Basement Above Grade	3,200 2,250	3,600 2,750	4,000 3,250
	Public Amenities	Public Parks & Landscape Local Mosque Friday Mosque	250 3,900 6,500	490 4,600 9,150	900 5,800 12,000

Hotels			Low	Avr or mid	High
	5★ Resort	AED cost / key	1,450,000	2,495,000	3,600,000
		Average GFA / key	120	200	335
		AED cost / m ²	8,500	13,260	16,000
	5★ Hotel	AED cost / key	975,000	1,940,000	3,100,000
		Average GFA / key	125	200	275
		AED cost / m ²	7,500	9,775	11,250
	4★ Hotel	AED cost / key	815,000	1,295,000	1,600,000
		Average GFA / key	105	125	140
		AED cost / m ²	6,500	8,880	10,250

Definitions

Basis & Assumptions

- Area based on GIA
- The benchmark rates included are a range of indicative UAE construction costs based on JLL project data. Factors such as project location, contract type, contractor, building design e.g. façade type, specification level, structural solution can impact the cost.
- **Low range:** assumption is based on low-medium specification and verified against JLL benchmark projects
- **Average range (rates in black):** is based upon the average rate / m² of a group of categorised benchmarked projects. This will differ from the mid range
- **Mid range rates:** are based upon the midpoint of the low - high rates
- **High range:** assumption is based on medium - high specification and verified against JLL benchmark projects

General Exclusions

Capital contributions to third parties, tenants or authorities	Marketing cost & expense land cost	All works outside the plot boundary
Client finance costs	Municipality connection cost	Developer legal fees
Local authority charges, road closures, etc.	Master infrastructure & utility cost	Inflation professional fees
Client insurances	Abnormal ground conditions	Contingency
Value Added Tax (VAT) or other Taxes	Grey & rain water recycling system	
Development management cost & expense	Waste management	
	Facility management equipment	

Retail Notes

Excludes tenant fit out.

Residential / Commercial Notes

Excludes loose furniture, white goods, OS&E, artwork, internal planting, active IT equipment and leasing & acquisition costs.

Hospitality Notes

Excludes loose furniture, white goods, OS&E, artwork and internal planting, TV and AV system.

Carparking Notes

The benchmark rates are based on 35-40m² average parking space per bay.

Landscaping Notes

The benchmark data is a blended rate which includes hard, softscape, furniture, lighting, associated mechanical & electrical services, special features and earth works. Factors such as, volume and density, specification level and features will impact the complete AED/m² cost.



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