

Summary:

Construction & Contracting Industry Insider

Coverage

The objective of the report is to provide a detailed analysis of the UAE construction industry, including an up-to-date analysis of the market and its segments along with funding insights. The report focuses on the industry dynamics, value chain, segment and geographical distribution patterns, characteristics of the sector and the competitive landscape.

Report coverage

Market data	Historical and forecast market size figures from 2014–2016 and 2017–2021
Segment Distribution	Key market insights on construction activity in the residential, infrastructure, office, retail, hospitality, leisure and healthcare sectors
Geographical distribution	Distribution patterns of construction and contracting, construction product and machinery companies, distribution by large and SME companies and revenue pattern by geography
Material market	Detailed construction material market analysis in addition to import and export information of key products
Characteristics of the industry	Detailed analysis of the opportunities, threats, trends, legal structure and understanding of the characteristics of construction entrepreneur in the country
Funding insights	Financial funding and investment analysis in a range of options including self-funded, bonds, loans and others
Others	Key industry insights including PEST analysis, competitive landscape and industry outlook

Summary of report

Overview

The UAE construction sector has recovered from the 2009 financial crisis and the Dubai debt crisis, driven by a relative increase in oil and gas prices, an expanding tourism sector and rising exports. The sector has a positive outlook because of continued growth/development of the tourism industry, international events such as Expo 2020 and major government investment in transportation infrastructure. The construction sector in the UAE was valued at USD44.5bn in 2016 and contributed 10.9% of the country's GDP; the figure is expected to increase to 12.0% in 2017. The residential segment generates the maximum revenue, followed by infrastructure and office. Further, most of the sector's revenue is generated by two cities: Abu Dhabi and Dubai.

As of May 2017, construction and contracting companies in Dubai and Abu Dhabi accounted for about 47.6% and 22.8%, respectively, of the total number of construction and contracting companies in the UAE. This is likely due to a high concentration of construction activities and urbanisation in these two cities.

Material market analysis

The construction sector consists of three elements, which are essentially required for construction activity: Inputs (raw material and product manufacturing), construction process (design and engineering, and construction) and outputs (operations and maintenance). A majority of the raw material is sourced locally; however, raw materials such as timber, marble, natural stones and sand are majorly outsourced.

Characteristics of the sector

- ✓ Opportunities include a positive outlook for the sector, a growing entertainment and tourism sector along with a growing focus on renewable energy
- ✓ Threats include changing climate conditions, growing competition, cash flow constraints, proposed VAT and uncertainty over oil prices
- ✓ The key trends include the growing popularity of 3D printing, demand for green buildings and positive FDI flows

Funding and investment

Construction and contracting projects in the UAE are funded through self-financed modes, bank loans, non-banking financial institutions, private equity and venture capitals, private placements, bonds, and M&A. Besides self-funded sources which includes support from family member and friends, bank loans are the most preferred way to fund construction projects.

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Competitive landscape

The construction market, which comprises of more than 6,000 companies, is fragmented and constitutes many domestic and foreign players. The companies are primarily located in Dubai and Abu Dhabi, as construction activity is mainly located in these emirates. The major companies in the country's construction and contracting sector include Orascom Construction Ltd, Dubai Holding Commercial Operations Group LLC, Arabtec Holding, Damac Real Estate Development Ltd, National Petroleum Construction Co, AL Hamra Construction Co, Al Naboodah, Dutco Construction, HLG Contracting LLC and Al Fara's General Contracting Co.

Outlook

The outlook for the UAE construction sector appears to be positive; the sector is expected to increase at a CAGR of 7.5% over 2016–21. Its contribution to the country's GDP is also expected to increase from 10.9% in 2016 to 12.7% in 2021. The sector is expected to benefit from new construction projects and further development of existing projects, majorly due to international events such as Expo 2020 and government investment in transportation, infrastructure and tourism. In March 2017, Moody's Investors Service changed the rating outlook on the Government of UAE from negative to stable.

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How this report can be leveraged

- ✓ Gain understanding of the legal, social, political, economic and technological environment with regard to the construction sector in the country
- ✓ Understand industry trends, growth opportunities and competitive landscape
- ✓ Formulate internalisation or expansion strategies, i.e., how to enter the UAE construction industry or to increase market share

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