



2013 – Edition 2

Welcome to the cost bulletin for United Arab Emirates. The purpose of this bulletin is to provide useful information on the current construction market and trends in relation to material prices. The information is derived from a selection of local and international sources and is deemed to be representative of the current market as a whole.

Construction news

- **Prices are on the rise, cranes are on the up, and buyers are battling each other for a bargain again – but has the Middle East real estate scene learned the lessons of the last crash?**

In 2013, according to Booz & Company, ‘executives will need to focus more on creating value than on simply erecting buildings; firms today must avoid the “mis-steps” many were guilty of during the last boom that quickly became apparent as the market faltered’. They advise that too many developers neglected ‘commercial capabilities and profits in favour of prestige projects’. Looking at the UAE prior to the crash of its property market, ‘real estate developers put speed and scale over and above all other factors when making decisions’. Booz & Company cautions developers and has set-out three guidelines to avoid a repeat of previous mistakes:

- Do not expand prematurely beyond the local market
- Only specialise in one or two property types over the long term
- Consider entering underserved property classes.

Zawya (13 May 2013)

- **The code requiring all tall buildings in Dubai to withstand earthquakes up to a magnitude on the Richter scale of 5.9 could produce significant delays and increases in construction costs.**

The code is effective immediately for buildings over ten floors currently under construction. These new rules will be of great concern to all those people designing and working on tall buildings in Dubai at the moment, especially those already under construction. The biggest problem is that it could take two or three months to re-analyse and produce the design documentation and to get a new permit from the municipality. The additional cost could increase by up to ten per cent.

‘The exact cost of these new rules will depend on the height of the structure, with costs increasing disproportionately with height.’ The civic authorities publicised the ruling in a statement to Emirates News Agency (WAM) last week, declaring it ‘a result of the increasing number of earthquakes recorded in Iran.’

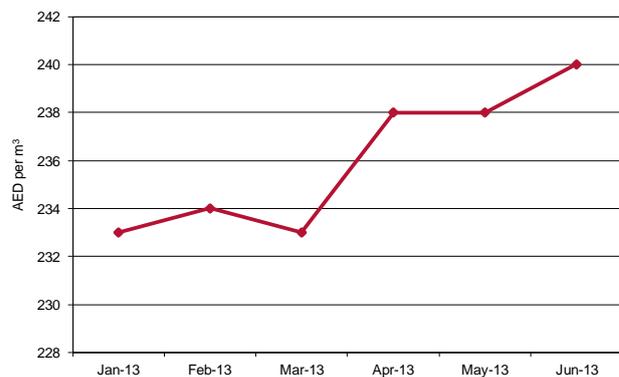
Construction Week Online (19 May 2013)

- **Dubai has issued a new hotel law. A new decree that will govern the licensing and classification of hotels in Dubai has been issued by Sheikh Mohammed bin Rashid Al Maktoum.**

A new system has already been announced by the Department of Tourism and Commerce Marketing (DTMC) which will evaluate the type and quality of hotel rooms and accommodation available as well as services provided. Business Monitor International (BMI) expects the UAE to maintain its regional reputation as a safehaven for tourism.

www.meamonitor.com (July 2013)

Concrete (supply only)



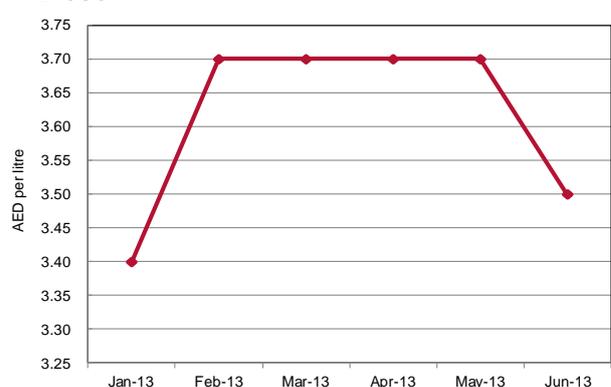
Based upon five local concrete suppliers (Dubai)

Reinforcement bars (supply only)



Based upon Middle East steel price indication

Diesel



Based upon Dubai's diesel price indication

Material

- **Iron ore prices have rebounded to \$120 a ton, bucking the slide in other industrial metals and supporting investor sentiment towards the beleaguered mining sector.**

Benchmark Australian iron ore has risen 8.2 per cent in the last week, hitting a 2½-week high of \$120 a ton on Wednesday (12 June). The commodity had fallen to a seven-month low of \$110.40 at the end of May, according to The Steel Index, a price reporting agency.

FT (19 June 2013)

- **Gold tumbled more than 4 per cent to a 2½-year low and other commodity prices also slid after the US Federal Reserve signalled a scaling back of its monetary stimulus programme.**

The combination of a change of course from the Fed together with fresh signs of softer growth in China meant that commodities from palladium and copper to oil and coffee were among the hardest hit in a widespread market rout on Thursday (13 June).

Precious metals, already struggling as investors dump their holdings following a sharp price reversal this year, bore the brunt of the selling. Gold tumbled as much as 4.8 per cent to a 2½-year low of \$1,285.90 a troy ounce, while silver plunged by as much as 7.6 per cent and palladium dropped 5 per cent.

FT (20 June 2013)

Labour

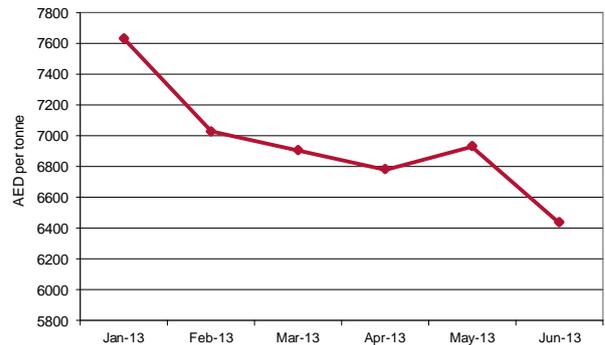
- **Wage increases are needed; migrant workers are not willing to come to the Gulf for salaries currently being offered.**

Dubai will need workers for construction projects if it wins the right to host the World Expo 2020, which is the centerpiece of many of its future development plans. The event would draw millions more tourists and, crucially, give Dubai more international prestige.

The 2020 host will be selected in November.

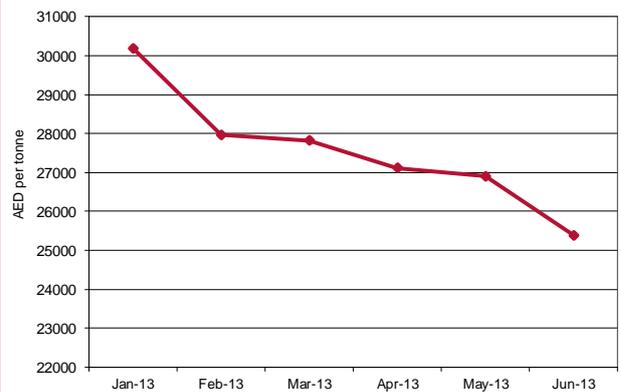
Arabian Business (7 June 2013)

Aluminium



Based upon London Metal Exchange

Copper



Based upon London Metal Exchange

How Currie & Brown can help you

There are a number of approaches that can be adopted by our clients to mitigate risk. By providing innovative solutions drawn from experience, Currie & Brown assists you in managing risk, reducing costs and enhancing value.

By continually analysing the market factors affecting construction, Currie & Brown provides clients with up-to-date cost information which allows them to make informed decisions to help them manage their property portfolio. Over the last few years the Middle East construction markets have been volatile, and many clients now rely on our up-to-date cost advice to ensure they maximise return on their investments.

To comment on the content of this cost bulletin or to learn more about Currie & Brown's services and how we can provide benefit to your organisation or project, please contact us.

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