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Builders in region on a solid foundation

Angela Giuffrida

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With US\$331 billion (Dh1.21 trillion) of construction projects on hold in Dubai and an uncertain future for half of the 90,000 homes once planned in Abu Dhabi, investor scepticism towards regional construction companies may be understandable.

But that scepticism would be unfounded, according to a recent analysis from Collaboration, Management and Control Solutions (CMCS), a project management company based in Dubai.

The report pegs the UAE, and the wider region, as a safe bet for construction in the next five years.

The building of new homes in countries such as Saudi Arabia, where there is high demand from a young and growing population, will contribute to the region's construction sector growing at an annual rate of 3.5 per cent in the next five years, eclipsing Europe and North America, CMCS forecasts.

There are about \$1.35tn of active civil building projects in the Gulf, where infrastructure investment by governments continues at a robust pace.

Qatar is among the most aggressive countries but Egypt, Oman, Jordan and Kuwait are also allocating large sums to schools, hospitals, universities and museums.

Ali Khan, a director at the Dubai investment bank Arqaam Capital, said this strong commitment from regional governments to infrastructure projects should keep contractors' order books healthy.

"Whatever the short-term challenges are, we continue to see in the UAE, as well as the region, commitment to infrastructure spending," Mr Khan said.



Some of the UAE's listed construction companies – such as Arabtec Holding and Drake and Scull – have expanded beyond home shores and are picking up work in countries such as Saudi Arabia, Qatar and Kuwait.

They are also bidding for jobs in Egypt, Syria and North African countries such as Libya.

The growth could also benefit the shares of suppliers including Abu Dhabi's Arkan Building Materials, RAK Cement, Gulf Cement and Fujairah Cement Industries.

"If you look at the construction industry, companies like Arabtec and Drake and Scull have healthy order books, so the business is there," Mr Khan added. "The concern in some cases has been receivables and cash flow."

agiuffrida@thenational.ae

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