

THE GULF REGION

**THE CONSTRUCTION
& INTERIORS SECTORS**

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THE GULF REGION – THE CONSTRUCTION & INTERIORS SECTORS

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THE GULF REGION – THE CONSTRUCTION & INTERIORS SECTORS

1. LOCATION AND POPULATION

The Gulf region, located between Europe and the Indian sub-continent, remains a strategically important area of the world with over 65% of the world's oil reserves. The main trading block in the region is the Gulf Co-operation Council ("GCC") comprising Saudi Arabia, The United Arab Emirates ("UAE"), Bahrain, Kuwait, Oman and Qatar. Although not as firmly integrated as the European Union, there is now a common import tariff (generally 5%) and plans to introduce a common currency by 2010. (This would be linked to the US dollar as most Gulf currencies currently are). To the north of the Gulf are Egypt, Jordan and Lebanon, where there are large scale developments to house the increasing population along with substantial investments going into infrastructure.



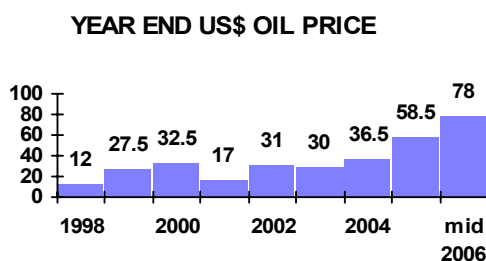
Across the Arabian Sea are Iran and the Indian sub-continent. All these areas have enormous commercial potential and they all trade with the GCC states. Access to these markets, and indeed the GCC countries, is available through the commercial centre of the region, Dubai (in the UAE), with its two large container ports and sophisticated air, road and communications links.

The Gulf region has one of the fastest growing population rates in the world. The high birth rate, coupled with the wealth resulting from the oil reserves and now the large scale gas production, has created a dynamic high growth economy in the region. The population is forecast to grow from the current level of 134 million to 187 million by the year 2025 and then to 237 million by 2050. With the continuing integration of countries within the GCC and the trading opportunities in the region, this will create a market that will rank alongside the European Union, the US and Japan.

000s	1970	2005	2025	2050	Annual %
	Actual	Actual	Forecast	Forecast	2005-2025
Saudi Arabia	5,800	24,573	37,160	49,464	2.1%
UAE	200	4,618	6,875	9,302	2.0%
Kuwait	800	2,589	4,610	7,039	2.9%
Bahrain	200	731	965	1,155	1.4%
Qatar	100	768	1,027	1,103	1.5%
Oman	700	2,436	2,984	3,662	1.0%
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GCC States	7,800	35,715	53,621	71,725	2.1%
Iraq	9,500	69,515	89,042	101,944	1.2%
Iran	28,700	28,807	44,664	63,393	2.2%
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Gulf Region	46,000	134,037	187,327	237,062	1.7 %
	=====	=====	=====	=====	

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2. TRADING BACKGROUND



Trade with the Gulf has been largely dictated by the oil price. Broadly, an additional one US dollar on the price of a barrel of oil increases the revenues of the Gulf states by about US\$5 billion. In 1998 the price fell at one point to US\$11 per barrel. Since then, despite the normal ups and downs,

the oil price has followed a general upward trend and reached a level of US\$78 in August 2006. Since this peak it has fallen back to \$60 per barrel. Based on the average annual oil price, the oil revenues of the Gulf States for 2005 will have totaled US\$240 billion and this will increase to over US\$300 billion in 2006. Given the increasing demands from China and India, it is likely that the oil price will rise again in the short to medium term and the oil revenues of the Gulf States will increase further in 2007.

In addition to the oil reserves, 38.7% of the world's proven gas reserves are located in the Gulf region. Production from these gas fields is beginning to increase, particularly in Qatar, and this will add another significant revenue stream.

On top of the oil and gas revenues, there has been a significant increase in cash flows into the region with the increased opportunities for Arab investment in the region. This is occurring particularly in the hospitality sector. There is massive investment underway in hotels and shopping malls across the region which is responding to the increase in tourism. The wealth being generated is also increasing immigration and this in turn provides opportunities for investment in the residential and commercial sectors.

The GCC is forecast to have a GDP 631.2 billion (1995 - US\$578.1 billion and 1994 - US\$474 billion (being just over 1.4% of world GDP (US\$44,433 billion). However, some of the highest Per Capita GDP's in the world can be found in these countries, particularly Qatar (now the fifth highest Per Capita GDP), the UAE and Kuwait.

COUNTRY	GDP 2006 (f) (US\$ billion)	GDP 2006 (f) Per Capita (US\$)	2005 (f) GROWTH %	2006 (f) GROWTH %
Saudi Arabia	344.5	12,964	6.7	5.7
UAE	128.8	25,136	6.4	6.3
Kuwait	68.6	22,576	7.3	5.7
Bahrain	12.1	15,020	6.8	6.0
Qatar	49.6	54,501	7.4	6.3
Oman	27.6	8,678	4.1	4.3

The GDP data supports the conclusion of the Economist Intelligence Unit that the Middle East will be one of the fastest growing regions of the world over the next two years. One forecast indicates that Middle East GDP growth will continue up to 2030 and is expected to grow five fold in this period as a result of the continuing high oil price and high level of investment in the construction and tourist sectors. According to a recent UN conference on Trade and Development, the GCC States are attracting US\$1.8 billion of Foreign Development Investment annually.

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4. THE INTERIORS SECTOR

The latest information, drawn from the trade statistics and other estimates issued by the individual countries in the region, indicates that imports of furniture and interiors products continued to increase in 2005, amounting to approximately US\$6billion. A further rise is expected in 2006.

US\$ million	General Furniture	Fabrics & Floorcovering	Lighting	Ceramics	Total 2005	Total 2004	Total 2003	Total 2002
Dubai	508	294	223	286	1,311	1,165	916	797
Abu Dhabi	64	43	21	35	163	157	146	132
Sharjah	6	11	7	20	44	42	36	39
Re-exports	247	114	77	198	636	526	424	319
UAE	825	462	328	539	2,154	1,890	1,522	1,287
Saudi Arabia	530	246	121	504	1,401	1,209	1,099	979
Kuwait	165	58	33	107	363	346	329	314
Bahrain	48	11	10	41	110	156	153	138
Oman	165	42	38	97	342	145	191	152
Qatar	60	16	28	51	155	146	121	119
GCC TOTAL	1,793	835	558	1,339	4,525	3,892	3,415	2,989
Iran	10	124	10	66	210	204	191	175
Egypt	33	25	20	55	133	99	98	119
Jordan	58	45	15	66	184	112	101	96
Lebanon	76	48	38	87	249	199	180	186
India	130	358	41	178	707	589	427	323
TOTAL	2,100	1,435	682	1,791	6,008	5,095	4,412	3,888

- The market for furniture and interiors products in the Gulf region is particularly buoyant with imports having risen by 13% in 2003, 15% in 2004 and by 18% in 2005. With the construction sector expanding, this upward trend is set to continue and is likely to reach in excess of US\$6.5 billion in 2006.
- The UAE accounts for 48% and Saudi Arabia accounts for 31% of the Interiors imported into the GCC.
- The data indicates that the main trading centre for the furniture and interiors sector in the Gulf is Dubai. Despite its relatively small population it is, by a large margin, the main trading point for the importation of furniture and interiors products into the region, importing US\$1,311 million in 2005 (up 13% on 2004). Nearly 41% of Interiors products imported into the GCC are traded through Dubai (US\$1,311 million and US\$536 million of Dubai re-exports).
- US\$636 million were directly re-exported on to foreign destinations (US\$536 million via Dubai).
- The principle exporters of furniture products into Saudi Arabia are Italy (18%), USA (16%), China (12%), Malaysia (10%) and Spain (6%). The main exporters into the UAE furniture sector are Italy (30%), China (15%), the USA (7%), Spain (4%) and the UK (3%).

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5. FURNITURE PRODUCTION

The changes in furniture production activity can be seen by reviewing the trends in the imports of the raw material required for production, namely Sawn Wood and Wood panels. The most recent data indicates an increase of activity of 24% in 2005 following a 20% increase in 2004:-

IMPORTS US\$ (m)	SAWN WOOD	WOOD PANELS	2005	2004	2003	2002	2001	2000
DUBAI	188.9	238.4	427.3	351.5	239.6	197.8	186.3	177.5
ABU DAHBI	10.9	20.2	31.1	29.2	28.7	28.8	27.6	27.7
SHARJAH	7.9	37.7	45.6	24.7	16.7	10.7	5.2	0.3
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UAE	207.7	296.3	504.0	405.4	285.0	237.3	219.1	205.5
SAUDI	191.8	237.7	429.5	339.3	316.4	335.4	303.7	323.0
KUWAIT	36.1	43.1	79.2	75.5	73.3	69.8	67.1	74.2
BAHRAIN	10.2	17.9	28.1	39.8	35.4	32.4	28.9	29.5
QATAR	18.8	55.0	73.8	28.4	33.1	28.8	26.0	18.7
OMAN	23.2	37.8	61.0	56.3	45.1	43.6	46.1	35.9
GCC TOTAL	487.8	687.8	1,175.6	944.8	788.3	747.3	690.9	686.8

The principle statistics relating to the furniture industry including production, imports, exports and consumption (usage) in the Gulf region are summarised in the following table:-

2002 DATA	FACTORIES	WORKERS	PROD'N US\$M	IMPORT US\$M	EXPORT US\$M	USAGE US\$M
UAE	240	11,500	160	315	83	392
SAUDI	220	9,000	165	359	17	507
KUWAIT	340 *	4,500	40	104	15	129
OTHER GCC	100	2,000	10	162	10	162
	-----	-----	-----	-----	-----	-----
	900	27,000	375	940	125	1,190
	=====	=====	=====	=====	=====	=====

* - High number relative to the UAE and Saudi Arabia due to Kuwait having a large number of smaller factories and workshops.

The import data indicates that net furniture imports into the GCC states were approximately US\$940 million in 2002. Furniture production in the GCC amounts to US\$375 million with about US\$125 million being exported. Consequently, a simple calculation would indicate that consumption of furniture (at cost) in the GCC amounted to about 1,190 millions in 2002. This would have increased to well over US\$2.5 billion by 2006.

UAE DATA	2001	2000	1999	1998	1997
NO. OF FACTORIES	236	216	174	158	140
WORKERS (000s)	11.4	10.7	9.2	7.9	6.9
CAPITAL (US\$ million)	135	130	107	89	26

The growth in the furniture industry in the GCC has been substantial. This can be demonstrated by reviewing the data from the latest UAE statistics.

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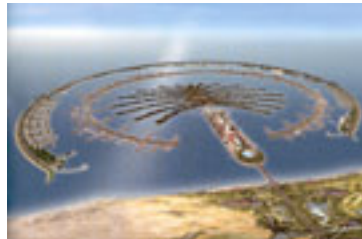
6. MAJOR PROJECTS

The review of the construction sector (in section 3) indicated that, of all the Gulf States, the UAE had the most projects planned. As with most commercial activity in the UAE, construction is largely concentrated on the Emirate of Dubai, due mainly to the rapid expansion of the real estate and tourism sectors.

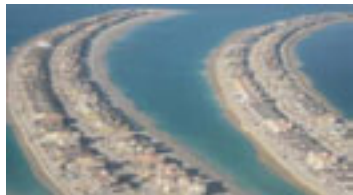


Dubai has always sought to lead the development of the Gulf region and has created some stunning buildings. These include the Dubai World Trade Centre Tower, the Burg Al Arab hotel and The Emirates Twin Towers.

PALM ISLANDS - Three Palm islands are being constructed off the shore of Dubai. These are the Palm Jumeirah (pictured left below), The Palm Jebel Ali (picture centred) and The Palm Diera (pictured right below). The estimated value of the construction is US\$5 billion.



The Palm Jumeirah is nearing completion (see below) and the infrastructure is now being built. It has an 11 kilometre breakwater, which will have 40 hotels located on it, and there will be 3,000 villas and apartments built on the palm. The initial part of the project is due to be completed by late 2006 although full completion will not be until 2008.



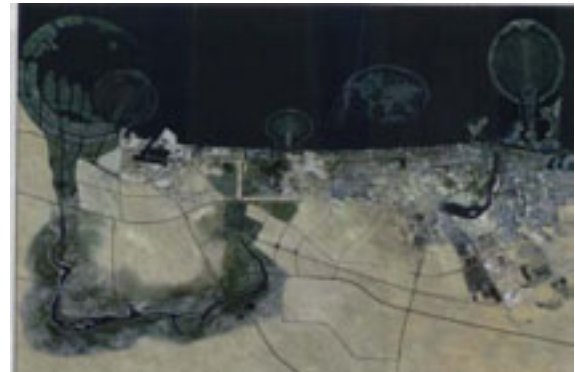
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6. MAJOR PROJECTS (continued)

THE WORLD PROJECT – This will feature 200 islands laid out according to the globe, situated 5 kilometres off the coast of Dubai. The development will be 5.5 kilometres in both length and width, covering 60 million square feet. The estimated completion date is 2008. Islands will be sold to high net worth individuals who can then create their own environments on their island or to hotel chains wanting to establish exclusive resorts.



THE WATERFRONT PROJECT – The latest ambitious land reclamation project (US\$50 billion) will create an 81 million square metre Waterfront with 10 zones incorporating the Palm Jebel Ali and 250 planned communities, both on and offshore. It will have 600 kilometres of roads and 370 kilometres of canals and waterways making it nine times larger than the canal network in Venice.



DUBAI MARINA – This is a US\$10 billion project that will be completed over a twenty year period. The first phase has involved the construction of a 3.5 kilometre canal and marina area connected to the sea. The second phase of the development is the construction of prestigious residential towers incorporating over 1,200 apartments and waterfront villas with over 60 shops and commercial buildings.



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6. MAJOR PROJECTS (continued)



DUBAI FESTIVAL CITY – This is a 1,200 acre development on the Dubai Creek near the Al Garhoud Bridge. The project cost is now US\$7 billion. It will be built in phases with completion due in 2015. It includes a 4 kilometre waterfront promenade comprising a mix of entertainment, dining shopping, sport and leisure facilities, hotels and marinas as well as residential and office. Construction is now well advanced on this project.



The Burg Dubai Tower is a US\$1 billion project which is planned to be the world's tallest tower and it will form the centerpiece of the Gulf regions most prestigious urban development. It has been designed to contain residential and commercial space as well as a hotel.

The tower will have 162 floors, being 574 metres high with a spire increasing it to 808 metres. This will make it the tallest building in the world.

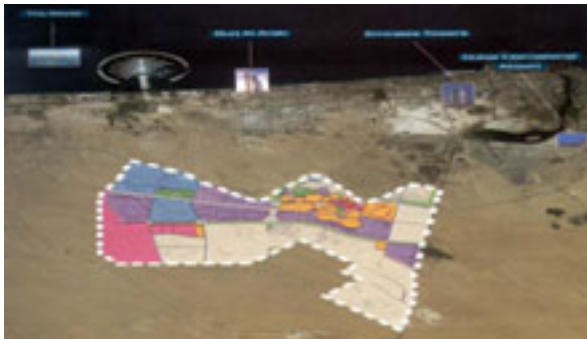


INTERNATIONAL CITY – This is located in the Al Warsan area of Dubai, being about 12 kilometres from Dubai Airport. This US\$2.5 billion development, due for completion in 2007, will host a population of 65,000. It is being constructed in ten distinct districts, reflecting the architectural styles of China (The Dragon Mart – the largest trading complex for Chinese goods opened in 2004), The UK, Spain, France, Italy, Greece, Iran, Russia, Morocco, Thailand and Indonesia.

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6. MAJOR PROJECTS (continued)

DUBAILAND – A US\$5 billion tourism, leisure and entertainment development, Dubailand will span 2 billion square feet. The theme park will consist of 45 separate projects from a space exploration exhibition to a full size dinosaur enclosure. This is part of the infrastructure required to increase tourism from the current level of 7 million per annum to 15 million per annum by 2010.



This vast development will be divided into six zones – The Attractions and Experience World, The Themed Leisure and Vacation World, The Retail and Entertainment World, The Eco Tourism World, The Sports and Outdoor World (to host rugby, cricket and American Football events) and the Downtown business and administrative district.

THE EXHIBITION CENTRE – The Dubai International Exhibition Centre completed a US\$210 million enhancement in 2003. This included a new Conference Centre with the capacity for 6,000 delegates, additional exhibition facilities, offices, a shopping concourse and two hotels. The complex was the venue in September 2003 for the Governors annual meeting of the International Monetary Fund (IMF). A further exhibition hall of 15,000 square metres will be completed in October 2006 in time for the two largest exhibitions in the Middle East, The BIG 5 construction exhibition and The INDEX interiors exhibition. These exhibitions will completely fill the 65,000 square metres of gross space at the complex.



However, even this new complex has proved to be too small to cope with the increased demand for the ever larger exhibitions required to enhance Dubai's trading predominance in the region. A US\$2.2 billion project to construct a Dubai Exhibition City at Jebel Ali is now underway. This will have 19 halls with 500,000 square metres of exhibition space (being 8 times larger than the current facility). The first phase of 146,000 square metres is due for completion in 2009. Dubai will move from being a regional exhibition centre to one that is able to present exhibitions that match the large scale global events that take place in Europe and the USA.

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6. MAJOR PROJECTS (continued)

FREE ZONES - Dubai has developed a number of free zones, the most notable being Jebel Ali, Internet City and Media City. These zones have encouraged large numbers of international companies to establish their Middle East offices in Dubai and have given rise to the construction of large business districts on the outskirts of the city.

DUBAI METRO – One of the consequences of the rapid development of Dubai has been the ever increasing level of traffic on the roads. The US\$3.9 billion project to construct four lines of 166 kilometres with 55 stations, 18 kilometres of tunnels and 51 kilometres of viaducts is due for completion in stages from 2009 -2015.



DUBAI HEALTH CARE CITY (DHCC) – This project, announced in late 2002, is worth US\$1.8 billion and will transform Dubai into a global hub for specialized healthcare, research and medical education by 2010 catering for the Middle East's US\$74 billion healthcare market (which is currently expanding at 16% per annum).



THE DUBAI PEARL – This is a US\$1.6 billion office development of 3.04 million square metres, which is located at the entrance to the palm Jumeirah.

The office towers will rise to 55 floors and will be part of a prestigious business, residential and leisure destination that will incorporate the latest design technologies.

BUSINESS BAY – The Dubai Creek is being extended to create a canal around which the Business Bay district will be constructed. This project is worth US\$8.2 billion and stretches across 547 million square feet. The initial phase will comprise 11 residential towers and 10 commercial buildings.



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6. MAJOR PROJECTS (continued)

The massive development in Dubai is continuing with the construction of Dubai World Central. This is a 140 square kilometre development that will be centred on the world's largest air passenger and cargo hub – Dubai World Central International Airport. This is probably the most ambitious and strategically important project yet announced by the Dubai Government.



The new scheme will house 750,000 people and is designed to support Dubai's aviation, tourism, commercial and logistics requirements up to 2050. The infrastructure costs are estimated to be US\$33 billion. There are six zones in the development:-

- Dubai World Central International Airport - This is due for completion in 2007 and will have six runways, three terminals and capacity for 120 million passengers and 12 million tonnes of cargo per annum.
- Dubai Logistics City – Again, due for completion in 2007, this will have 16 air cargo terminals and will be the logistics hub for the Gulf, the Indian sub-continent and East Africa.
- Dubai Residential City – This will provide housing, hotels, shopping malls, schools, hospitals and leisure facilities.
- Golf Resort – Two golf courses, a hotel and residential homes.
- Commercial City – This will be the business centre and will comprise 850 office towers as well as hotels and support services.
- Enterprise Park – An area designated for technology companies.



ZAYED UNIVERSITY – The Campus of this Dubai based university (on left) has just been completed at a cost of US\$115 million.

DUBAI KNOWLEDGE VILLAGE – The regions education hub has now launched phase III of its development. This will be located within the Dubai Academic City Complex. This project worth US\$82 million will cover 1 million square feet.

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6. MAJOR PROJECTS (continued)

Dubai does lead the way in major projects, but the developments going on in other Emirates as well as the other GCC states, seeking to copy the success of Dubai, are equally spectacular.



Abu Dhabi has announced the plans to develop Saddiyat Island which will transform the 26 square kilometre natural island into a strategic international tourism destination. The project is likely to cost in excess of US\$26 billion.

The project is a symbol of Abu Dhabi's renewed economic openness and a signal that the emirate is open to international partnerships.

Abu Dhabi will be investing over US\$100 billion in the next five years in new airports, a seaport, new towns and tourism. Other examples of this are the Al Raha district (US\$15 billion), the Abu Shuoom Island development – Emirates Pearl (US\$9.5 billion) and The Reem Island project (US\$5.5 billion). These follow the opening of the luxurious Emirates Palace Hotel with 390 rooms, one of the largest hotels in the world.

Sharjah has announced the US\$4.9 billion Nujoom Island resort and the US\$800 million Stars Island project. The latter will comprise 10 islands surrounded by lakes fed by the waters of the Arabian Gulf all connected by bridges. Located on the islands will be 10 apartment blocks, 2,500 villas, hotels and retail units. Fujairah will also spend US\$800m to develop its tourism sector in the next five years and this will include the Al Dana project (350 villas and 11 hotels). The US\$327 million Al Ameera Village is planned for Ajman and Umm Al Quwain will construct the US\$8.1 billion Al Salam City on the Emirates Road, to promote tourism and house over half a million residents.

Saudi Arabia's oil revenues are expected to reach over US\$200 billion in 2006 and this will result in a budget surplus of about US\$60 billion. This will drive the continuing investment in infrastructure with three mega projects being announced in 2006. These include two new refineries at US\$6 billion each, the railway across the kingdom and the US\$26.6 billion King Abdullah City (see artists impression below).



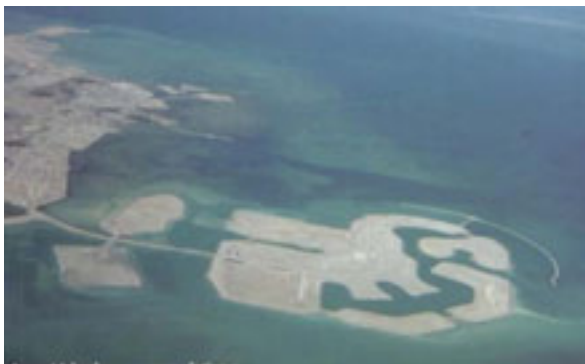
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6. MAJOR PROJECTS (continued)

The Durrat Al Bahrain is a US\$1.2 billion project located on the south east coast of Bahrain about 25 kilometres from Manama. The resort will comprise 13 different islands with over 2,000 villas. The satellite picture (on right below) indicates that the project is underway.



Also in Bahrain is the US\$1.3 billion Amwaj Island project (left below). Marriott International have announced that they will manage a 323 room hotel on the island that will be part of the residential, commercial, shopping mall and marina development. Bahrain is also completing the iconic 240 metre high Bahrain World Trade Centre (right below). The latest project (announced in June 2005) is the US\$3 billion – Two Seas – island city.



BLUE CITY OMAN - Oman's largest project is the US\$15 billion Al Madina Al Zarqa – The Blue City which commenced in late 2005. It is a new city, covering an area of 35 square kilometers, incorporating luxury hotels and is designed for up to 200,000 residents. Oman is also investing US\$800 million in The Wave project at Al Seeb, a hotel, marina, yacht and golf club complex.



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6. MAJOR PROJECTS (continued)

THE PEARL QATAR – This US\$2.5 billion man made island is a four phase mixed use development comprising 10 districts which will have 8,000 beachfront villas, town houses and apartments, housing up to 30,000 people. The island will also have 5 star hotels, marinas and schools as well as retail and restaurant outlets.



The project is well under way, having commenced in April 2004, and the satellite picture above (right) shows the current state of development while the picture on the left above provides an artists impression of how The Pearl will look upon completion in 2009.



The Qatari Government will be spending in the region of US\$1 billion in preparation for the Asian Games that will be taking place in December 2006 in Doha. The event will attract 10,000 athletes from over 40 countries, being only second in size to the Olympic games. The stadium and facilities are now in place.

The pace of economic expansion in Qatar will be breathtaking as the impact of liquefied natural gas exports drives economic growth. On a GDP per capita basis Qatar is likely to lead the world in the next few years. The US\$5 billion Lusail project, to the north of Doha, was announced in December 2005. Other projects include the US\$2 billion bridge to link Qatar and Bahrain while US\$15 billion has been earmarked for tourism and hotel projects, US\$1.6 billion for water and electricity and US\$7 billion for road and social infrastructure.

KUWAIT - Developments in Kuwait include the Buoyan Island (US\$4.2 billion), the new Subiya City (US\$5.3 billion) and Failaka Islands (US\$5 billion).

Beyond the GCC States there are also large projects underway, examples being the US\$4 billion Cairo Heights and the US\$1.2 billion project to construct a hotel, retail and the residential complex at Port Ghalib. The Damascus World Trade Centre, one of the largest commercial developments in Syria is underway (US\$120 million).

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7. AIRPORT DEVELOPMENT

The increasing tourism and commercial activity in the Middle East is leading to a boom in the aviation sector. The International Air Transportation Association (IATA) figures indicated that Middle East passenger traffic increased by 13.1% in 2005 (following an 11.3% increase in 2004) and this compared to a global growth rate of 7.6%.

In March 2006 GCC airlines were operating 341 aircraft. At that time they had a further 308 aircraft on order and both Boeing and Airbus have estimated that Middle East carriers will order 1,000 new planes in the next 10 years worth about US\$124 billion. The UAE is leading the way with 127 aircraft for Emirates and 27 for Ettihad (Abu Dhabi airline) while Qatar has 80 on order. The Emirates order includes 42 Boeing 777s for US\$9.7 billion announced in late 2005.

AIRPORT	SPEND
	US\$millions
DUBAI - MAIN	4,100
DUBAI - JEBEL ALI	8,100
ABU DHABI	6,800
OTHER EMIRATES	100

UAE	19,100
SAUDI - JEDDAH	1,500
KUWAIT	690
BAHRAIN	300
QATAR (DOHA)	5,500

GCC	27,090
YEMEN	300
EGYPT - CAIRO	850
NORTH AFRICA	1,625
EAST AFRICA	650
INDIA / PAKISTAN	4,625

	35,140
	=====

To deal with this increased activity, the countries of the Gulf region are investing to develop new airports and upgrade existing facilities. Projects announced are now in excess of US\$35 billion as analysed in the table on the left.

The leading regional hub is Dubai which had a throughput of about 25 million passengers in 2005 (an increase of 14% on 2004). It is well on its way to achieving its medium term objective of 30 million passengers by 2010, half of whom it is estimated will be tourists. With the construction of the terminal 3, which is now well advanced, Dubai International Airport will increase its total capacity to 60 million passengers per annum by 2008. As was the case when terminal 2 was completed three years ago, the capacity created will encourage utilisation and more long term substantial growth, no doubt, will result.

Dubai International Airport will not have the capacity to allow the long term development of the aviation sector and so the decision was taken in 2005 to commence work on Dubai World Central (at Jebel Ali) which will have 6 runways (see section 6). The new Abu Dhabi International Airport will be completed in two phases and will then have capacity for 50 million passengers per annum.

Qatar is investing US\$5.5 billion in the New Doha International airport. Phase 1 will open in 2009 with 2 parallel runways and a terminal with a capacity for 12 million passengers.

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8. THE HOTEL SECTOR

There has been a boom in hotel construction in the Gulf region in the last ten years and a number of very prestigious hotels have now been established. As with most sectors The UAE, and Dubai in particular, have led the way. The most famous is the Burg Al Arab (below left) rumoured to have cost in the region of US\$700 million, followed by the recently completed Madinat Jumeriah complex with its system of canals connecting the the Al Qasr (below 2nd from the right) and Mina Al Salem hotels. The large hotel chains have followed, examples being The Grovesnor House (below 2nd from the left) and The Shangri-La (below left) which opened in 2004 and is located close to the Fairmont.



United Nations World Tourism Organisation statistics predict that travel and tourism will generate US\$148 billion worth of activity in the Middle East region in 2006 accounting for nearly 5 million jobs and 10% of all employment. With the development of business and tourism, particularly with the massive expansion of Emirates and the construction of Dubailand (15 million tourists estimated by Dubai alone in 2010), the demand for hotel rooms is set to rise. There appears to be no real danger of over-supply despite the substantial expansion plans.

There are currently about 2,185 hotels with 178,662 rooms (of all classes) based on information supplied by GCC Governments. Approximately 80% of the hotel supply and 60% of the rooms / suites comprise accommodation that is of a 3 star standard and below. These largely represent the unbranded hotels which leads to the conclusion that branded hotels are under represented in the market and therefore there is great potential for the branded hotel chains to expand their operations.

An example of one of the new developments, announced in 2006, is the Bawadi project in Dubai, which will be worth about US\$27 billion and involve the construction of 31 theme based hotels delivering 29,200 rooms in the longest hotel strip in the world. Tatweer, a subsidiary of Dubai Holdings, intends investing US\$11 billion and will raise US\$16 billion from investors.



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8. THE HOTEL SECTOR (continued)

CHAIN	HOTELS	ROOMS
Accor	15	5,734
Bavaria	3	4,700
Rotana	13	4,212
Movenpick	10	3,128
Rezidor SAS	9	2,288
Starwood	4	2,045
Marriott	7	1,846
Kerzner International	2	1,669
InterContinental	4	1,360
Kempinski	3	1,120
Flamingo	6	1,014
TUI/Travco	3	922
Hilton	4	920
Four Seasons	3	850
KM Properties	1	700
Fairmont	2	665
Emaar	3	640
Abu Dhabi National Hotels	2	615
Refad	3	664
Al Hamra	2	567
Anantara	2	509
Nikko	1	487
Jumeriah	1	476
Millenium	2	448
Hyatt	2	407
Safir International	2	404
Southern Sun	2	383
Nakeel	2	350
Domina	1	340
Cendant	1	256
Armani	1	250
Raffles	1	240
Indian Hotels Company	1	232
Palazzo Versace	1	220
Capitol	1	200
La Cigale	1	190
Royal Regency International	1	180
Qatar National Hotels	1	174
Coral International	1	150
Rosewood	1	127
Bonnington	1	120
Banyan tree	1	71
Al Habtoor	1	63
TOTAL	128	41,936

Another major area of hotel development in Dubai that will take place in the next few years is on the breakwater of the Palm Jumeriah where 40 hotels will be built. Already underway is The Palm Atlantis, a project costing US\$1.5 billion, which is at the top of the Palm development. It will open in 2008.

According to a recent report by TRI Hospitality Consulting, 128 (2005 – 87) new hotels, which will deliver 41,936 (2005 – 25,888) new rooms, will open their doors in the GCC in the period up to 2009. In 2004, there were only 13,746 new rooms forecast in the GCC, so there is a clear and accelerating growth trend.

The hotel development is expected to continue into the medium to long term due to fact that occupancy levels remain very high. The occupancy rates in Dubai in 2004 and 2005 were at a level of 85%. In Abu Dhabi the rate rose from 77% in 2004 to 78% in 2005. In both Qatar and Oman there will be an acute room shortage until at least 2008.

The key trend that has emerged is the diversification of hotel chains with new product types. The upscale brands like Four Seasons, Ritz Carlton, Rosewood and Fairmont are consolidating their regional base while several chains are expanding into the mid market sector with brands such as Accor's Ibis, Express by Holiday Inn and Centro by Rotana.

Other chains entering the market include Regent, Missoni, Park Inn, Conrad, Nikko (Japan), Domina, Raffles, Taj Exotica, and Banyan Tree.



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9. THE RETAIL SECTOR

The GCC retail spend in 2005 is estimated to be in the region of US\$17.5 billion being about 3% of the GDP (578.1 billion in 2005).

With the number of tourists visiting Dubai expected to top 10 million by 2007 and then rise to 15 million by 2010, retail expansion is a key component of the strategy to increase tourism.

This trend to increase tourism and expand the retail sector can be seen across the GCC. The total GCC retail space completed at the end of 2005 amounted to 55 million square feet of gross leaseable area and there is now 45.2 million square feet under development. As this is completed, over the next three to four years, the gross leaseable area in the GCC will increase to over 100 million square feet, an 84% increase.

CITY	GLA (sq. feet m) AT END OF 2005	GLA (sq. feet m) UNDER DEVELOPMENT	GLA (sq. feet m) EXPECTED BY 2010
Dubai	12.7	16.8	29.5
Abu Dhabi	5.0	4.3	9.3
Sharjah	2.1	1.1	3.2
	-----	-----	-----
United Arab Emirates	19.8	22.2	42.0
Riyadh (Saudi Arabia)	8.5	6.5	15.0
Jeddah (Saudi Arabia)	8.4	6.4	14.8
Al Khobar (Saudi Arabia)	2.2	1.8	4.0
Manama (Bahrain)	3.8	2.1	5.9
Doha (Qatar)	2.8	2.0	4.8
Kuwait City	2.6	2.7	5.3
Muscat (Oman)	2.1	0.5	2.6
Other	4.8	1.0	5.8
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TOTAL GCC	55.0	45.2	100.2
	====	====	====

If uncommitted projects are taken into account the total of 100.2 million square feet of gross leaseable area could increase to 143 million square feet. Beyond the Gulf States – Amman, Beirut and Cairo - there is a further 9.7 million square feet completed and a further 6.5 million square feet under construction.

As new malls are constructed, the original malls have been extending and improving their facilities to maintain their competitiveness. In Dubai, The Bur Jurman Centre has recently completed a large extension and Diera City Centre is spending US\$68 million on improvements which will be completed in time for the Dubai Shopping Festival which will take place in January 2007.

THE GULF REGION - CONSTRUCTION & INTERIORS SECTORS

9. THE RETAIL SECTOR

As with most sectors Dubai dominates the market and it is leading the field with a number of flagship projects. The 3.1 million square foot Ibn Battata Mall (below) was completed in 2005 and was recently joined by the 2.4 million square foot Mall of the Emirates (US\$850 million) with 350 shops as well an indoor Ski Centre. Under construction are The Dubai Mall (5.6 million square foot) (see below) and The Mall of Arabia (10 million square foot).



For many years there has always been a concern in the Gulf that too many shopping malls have been established and that there is no need for any further development. However, analysis of the situation indicates that there is likely to be a demand for up to 400 new malls across the Middle East, North Africa and South Asia in the next 10 years. In this region there are two billion potential consumers in countries where the GDP is expanding at a rate in excess of 5%. Over 50% of the population in this region is under the age of 20 and a large proportion will become consumers in the medium to long term.

COUNTRY	PER CAPITA RETAIL SPACE (SQUARE FEET)
USA	17
ASIA	7
MIDDLE EAST	2

A further indicator suggesting more Dubai Malls will be built comes from data issued by Retail International who have estimated that in 2009, Dubai will have the highest retail spend in the GCC, higher than Saudi Arabia despite having a population one twentieth the size. This will result from the retail spend generated from the 15 million tourists.

A review of the Per Capita Retail Space indicates that there is scope for development as the Middle East region has low retail space compared with Asia and the USA. There is no doubt that this will result in further development, especially of modern well designed malls integrated with cinema and entertainment complexes.

LOCATION	US\$ BILLION RETAIL SPEND
DUBAI	7.6
SAUDI ARABIA	6.0
ABU DHABI	1.9
BAHRAIN	1.4
QATAR	1.4

THE GULF REGION - CONSTRUCTION & INTERIORS SECTORS

10. THE OFFICE SECTOR

Dubai is very much the commercial centre of the Gulf region. There is currently 14 million square feet of primary and secondary grade office space within its central business districts. With the rapid influx of businesses into the region there is a severe shortage of office space. This is driving up rents and resulting in the construction of new office space. Colliers International (Real Estate) has reported that there is now over 24 million square feet of commercial office space under development. This puts Dubai second in the world in terms of commercial building development with only Moscow (26.9 million square feet under development) ahead with Beijing and Shanghai in third and fourth place.

The modern high tech infrastructure and the pro business attitude of the Government results in nearly every international company, wishing to open a Middle East office, looking at Dubai. This has resulted in the establishment of a large number of business centres in the city and development of new ones is progressing at a fast pace. An example is The Sheikh Zayed Road which was effectively just sand over 15 years ago. It is now a ten lane highway with a 'Manhattan Skyline'.



Another example of Dubai's success is the building of both the Internet City (below left) and Dubai Media City (below right). The launch of both these ventures coincided with the technology downturn in the United States and a global recession. However, these have been transformed into thriving e-communities that are now home to 4,000 workers and 500 companies. A whole range of Free Zones have since been established in Dubai.



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10. THE OFFICE SECTOR (continued).

In recognition of the likely demands that Dubai will face as it develops as a business centre, the Dubai Government announced the Dubai International Financial Centre (DIFC) which will involve the construction of 13 towers adjacent to the Emirates Towers (US\$1 billion project). The towers will provide 9 million square feet for offices and commercial premises. The initial stage is the building of the DIFC Gateway which has now been completed.



In the picture above, the Emirates Towers can be seen in the background. The right hand tower is the tallest building in Europe and the Middle East and 17th tallest in the world.



The other major office projects underway in Dubai are the Business Bay project (US\$8.2 billion) (The Executive towers are now underway (see left)), The Dubai Pearl (US\$1.6 billion) and the Commercial City with its 850 towers, which will be developed adjacent to the airport at Dubai World Central (see details of these projects in section 6).

The US\$272 million Jumeriah Wave Business towers have also been announced in Dubai. There will be three commercial towers whose wave style design will incorporate a mixture of glass and steel.

As the surrounding Emirates and the other Gulf States develop and copy the Dubai model to expand their economies, Dubai will find increasing demand for its services as a business centre, providing advice and consulting services to the rest of the Gulf region. Its long term role as a business and commercial centre would seem assured.

Although Dubai is continuing to lead the way in the business and commercial sector, developments can also be seen across the Gulf. Work has commenced on Abu Dhabi's tallest tower, The Sky Tower. At 379 metres, this will be the fifteenth tallest in the world. The Tower will have commercial, residential and retail sectors. Eight further towers will be built adjacent to the Sky Tower, the project being worth US\$2.7 billion.

As well as the US\$26.6 billion King Abdulla City (see section 6), Saudi Arabia is constructing an Industrial City at Jubail to be built in four phases, the initial stage being estimated at US\$3.46 billion.

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10. THE OFFICE SECTOR (continued).

A US\$1.5 billion project is underway in Bahrain to build the Bahrain Financial Harbour, a development designed to rival the DIFC in Dubai. This covers an area of 380,000 square metres and includes a series of interconnecting islands formed from re-claimed land. Work is also underway on the Bahrain World Trade Centre (see section 6)



In response to the moves by Dubai and Qatar to establish financial centres, Qatar has announced that it will establish a third such centre in the Gulf region, offering a three year tax holiday followed by low tax rates after this initial period. Qatar has also announced a number of new commercial buildings including The Qatar Navigation Tower, the 44 storey Cylindrical Complex, the Qatar Commercial Bank Tower, the 36 storey Al Jazeera Tower and the Alfardan Tower.

Work has now commenced on what will be Qatar's tallest tower, The Dubai Tower (see left), that will be 437 metres high upon completion in 2008. This will have 88 floors containing state of the art offices as well as a hotel, retail and residential areas.

The Kuwait Petroleum Corporation has recently taken possession of its new US\$119 million international head office at Kuwait Bay (see right). Work is now underway on the Al Awadi Commercial complex, a 34 storey tower, as well as the 24 storey tower being built for the Government's social security department.

Kuwait has also just announced the latest of its large scale construction projects, the building of a new Business Town (US\$248m) at Al Mirqab.



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11. THE RESIDENTIAL SECTOR

The GCC real estate and property market was worth an estimated US\$150 billion with Dubai and the UAE leading the majority of the expansion across the Gulf region.

In Dubai housing completions have risen from 42,000 per annum in 2004 to 45,000 in 2005 and this is expected to rise to 48,000 in 2006. These include the Jumeriah Palm project, Jumeriah Islands, Dubai Marina, Arabian Ranches, Emirates Hills, The Meadows, Arabian Heights Residences, The Old Town Island (below left) and Jumeirah Beach Residence to mention only a few.



The City of Arabia, US\$2 billion project (above right) is a project with a large residential element. This will involve the construction of 34 tower blocks, a complex of five storey apartments fronting a 4 kilometre canal and it will incorporate the Mall of Arabia (all part of Dubailand). Other projects include The World Trade Centre Residence, comprising 377 apartments in two towers, scheduled for completion in 2007.

In Abu Dhabi work is now underway on the US\$15 billion city district to be built on 6.8 million square metres of reclaimed land at Al Raha beach. Once this is completed, it will accommodate a resident population of 120,000. The Central Market redevelopment is also underway.

Saudi Arabia has announced the US\$200 million Fanar City waterfront scheme along the Al Khobar-Dammam Corniche and a US\$200 million real estate project in Jeddah. Initial plans have been announced by Bovis and Foster & Partners to build 750,000 homes in Saudi Arabia. This project is estimated at US\$16 billion.

Kuwait is investing US\$1.8 billion in the Arifjan Residential Project to construct 11,000 residential units. A further three new cities have been announced, Jaber (13,000 houses), Subiya and Khiran (26,000 houses).

Bahrain is constructing four new towns, East Muharraq, East Sitra, West Hamada and North Bahrain (15,000 houses costing US\$2.65 billion).

As with all the other sectors reviewed, the residential sector is very active across the Gulf and is this is likely to remain the case in the medium to long term, given the high population growth, the high oil prices and the increasing commercial activity.

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