

# UAE | BENCHMARKING UPDATE

## JANUARY 2017

### Abu Dhabi and Dubai Construction Cost Benchmarking

Item	Building Type	2016 (4th Quarter)	
		Cost Range (AED/m <sup>2</sup> )	
<b>Residential</b>			
1	Villa - Medium Specification	3,428	4,201
2	Villa - High Specification	5,251	6,240
3	Apartment Low to Medium Rise - Medium Specification	3,214	4,208
4	Apartment High Rise - High Specification	5,560	6,295
<b>Commercial (Shell and Core only)</b>			
5	Office Low to Medium Rise - Medium Specification	3,425	4,250
6	Office High Rise - Medium Specification	3,922	5,223
<b>Industrial</b>			
7	Medium Duty Industrial	1,715	2,858
8	Medium to Heavy Duty Industrial	2,686	5,355
<b>Hotels (Including FF&amp;E)</b>			
9	Three Star	5,305	6,710
10	Four Star	7,621	9,250
11	Five Star	9,107	11,977
<b>Retail (Shell &amp; core with public area finished)</b>			
12	District Mall	3,812	5,225
<b>Carparking</b>			
13	Podium	1,899	2,568
14	Basement	2,451	2,911
<ul style="list-style-type: none"> <li>Professional fees, land acquisition costs and financing costs are excluded from the above.</li> <li>All hotel rates are inclusive of Furniture, Fittings and Equipment (FF&amp;E).</li> <li>Costs/m<sup>2</sup> are based on GIA as per the RICS code of measuring practice 6<sup>th</sup> edition.</li> </ul>			

Source: Colliers International January 2017

*“Benchmarking is an essential tool to predict the cost of construction at the inception stage of projects.”*

## Source of our benchmarking

Colliers International’s internal database of projects across the UAE form the basis of the **Cost Models** required to build our benchmarking. A cost model provides a consolidated construction cost image of a proposed development type, however, each cost model has to be normalized and index linked. For projects older than 6 months in our database, we update via developing a **Construction Cost Index**, to track the actual movement of cost from the point in time the project was tendered/awarded, up to January 2017, which allows us to build an accurate current range.

The Construction Cost Index tracks the historic movement of the following;

- Global construction commodity trends
- Movement in construction materials
- Shifts in manpower which include overheads, supervision staff, skilled and unskilled labour
- Construction workload & competitiveness

**Construction Materials:** Some of the more notable movements over the 12 month period from Q3 2015 to Q3 2016 include increases in aggregate & sand +3%, blocks +6%, concrete +2%, sanitaryware +4%, single core PVC insulated cables +5.6%, glass and mirrors +5%. Others that recorded a drop in price include cement -3%, timber -7%, diesel -14%, uPVC pipes -11% and switches & sockets -5.5%.

On average, for a second consecutive year material pricing has remained stable. In the context of overall construction costs, the 2016 movement in material prices represents a variance of -0.4% to +1.2% on 2015 costs, depending on the building type, design and specification.

**Cashflow:** The single biggest issue for UAE contractors and sub-contractors at present is cashflow. Sustained delays in payment should not be viewed as a problem solely for the construction companies, it needs to be acknowledged as an issue that affects the industry as a whole, including stakeholders. Widespread cashflow issues negatively impact the industry’s ability to deliver quality projects within budget and on time.

**Inflation Outlook:** Weakening global construction commodity pricing over the past two years has given a much needed buffer to the industry. However, going forward commodities including crude oil, aluminium, iron ore and copper are predicted to gradually rise. This combined with fuel/subsidy cuts and the introduction of Value Added Tax (VAT) in January 2018, will put upward pressure on construction costs for the next 2 years.





## Colliers International Construction Consultancy

As specialist construction consultants we provide project, cost and construction management services. Our success is based on two simple principles;

- i. Construction advisory that is tailored to each client, based on the knowledge of our staff whom first and foremost are construction people.
- ii. Our services ensure risks are eliminated, quality of design & construction is delivered, optimum program timelines are achieved, all at the lowest price possible.

## Our Project Management & Cost Consultancy Services include:

### Project Management

- > Development Management
- > Program Management
- > Project Management
- > Client Representation
- > Construction Supervision
- > Tenant Coordination
- > Building Surveying

### Quantity Surveying

- > Cost Modelling & Benchmarking
- > Cost Planning/Management/Control
- > Risk Appraisal
- > Life Cycle Costing
- > Value Engineering
- > Procurement Strategy & Advise
- > Tendering & Evaluation
- > Tender Documentation & Bills of Quantities
- > Contract Documentation & Administration
- > Cash Flow Forecasting

### Project Monitoring

- > Bank/Financial Institution Representation
- > Early Warning Advice
- > Project Cost Analysis and Advice
- > Program Monitoring
- > Stage Payment Recommendations
- > Quality & Specification Inspections



# Colliers International

554 offices in  
66 countries on  
6 continents

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**\$2.5**

billion in  
annual revenue

**2**

billion square feet  
under management

**16,000**

professionals  
and staff

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