

Research Paper
MENA | Project Management
MAY 2019



ABU DHABI & DUBAI

Construction Costs Update – May 2019

QUARTER 2 | 2019



PROJECT MANAGEMENT

Abu Dhabi and Dubai Construction Cost Benchmarking

		2019 (1st Quarter)
Item	Building Type	Cost Range (AED/m ²)
Residential		
1	Villa - Medium Specification	3,351 - 4,189
2	Villa - High Specification	5,382 - 6,411
3	Apartment Low to Medium Rise - Medium Specification	3,259 - 4,279
4	Apartment High Rise - High Specification	5,632 - 6,405
Commercial (Shell and Core only)		
5	Office Low to Medium Rise - Medium Specification	3,482 - 4,325
6	Office High Rise - Medium Specification	3,989 - 5,320
Industrial		
7	Medium Duty Industrial	1,772 - 2,955
8	Medium to Heavy Duty Industrial	2,775 - 5,535
Hotels (Including FF&E)		
9	Three Star	5,369 - 6,703
10	Four Star	7,652 - 9,133
11	Five Star	9,210 - 11,853
Retail (Shell & core with public area finished)		
12	District Mall	3,892 - 5,326
Carparking		
13	Podium	2,043 - 2,811
14	Basement	2,612 - 3,130

- Professional fees, land acquisition costs and financing costs are excluded from the above
- All hotel rates are inclusive of Furniture, Fittings and Equipment (FF&E)
- Costs/m² are based on GIA as per the RICS code of measuring practice 6th edition

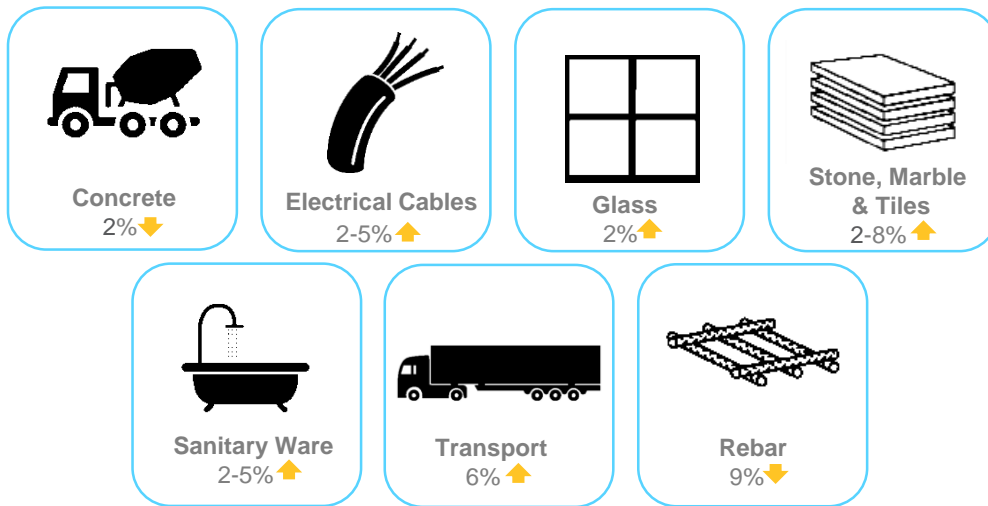
Construction Cost Movement

Materials

The industry has witnessed a mixed bag in terms of material price movement for the period between Q1 2018 & Q1 2019. The largest shift been the drop of steel rebar by 9%, which correlates with the downward trend of Middle East steel pricing.

The material effect on the cost of construction is dependent on building type, design and specification. On average, the cost of construction between Q1 2018 & Q1 2019 only rose by circa 0.8%.

Below is representative of the material percentage movement from Q1 2018 to Q1 2019.



The Market Outlook

The current construction slowdown is expected to continue throughout 2019, as property developers balance their portfolio against tighter demand.

Expo 2020 is seen as a key driver of activity, however, the related workload will not significantly impact the cost of construction.

Abu Dhabi and Dubai continue to spend on physical and social infrastructure to meet demand for both population growth and increasing tourism. Investments such as the Sheikh Zayed Housing program, Al Maktoum Airport, Dubai Creek Harbour, Jubail Island, road and metro projects etc., help to lessen the effect of the downturn on the industry. However, strong competition will continue due to reduced spending and demand, thereby forcing downward pressure on construction company margins.

Inflation Outlook

Colliers International MENA predicts that construction cost inflation for Abu Dhabi and Dubai, will not exceed 1% over the next 12 months.



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

FOR MORE INFORMATION

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About Colliers International

Colliers International is a global leader in commercial real estate services, with over 17,000 professionals operating in 68 countries. Colliers International delivers a full range of services to real estate users, owners and investors worldwide, including global corporate solutions, brokerage, property and asset management, hotel investment sales and consulting, valuation, consulting and appraisal services and insightful research. The latest annual survey by the Lipsey Company ranked Colliers International as the second-most recognised commercial real estate firm in the world.

In MENA, Colliers International has provided leading advisory services through its regional offices since 1996.

