



# Construction Market Intelligence Report

UAE | Q1 2024

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# Introduction

Over the past four years, the Gulf Cooperation Council (GCC) and wider Middle East and North Africa (MENA) region have demonstrated remarkable resilience amidst the pandemic and have steadfastly pursued economic diversification. As a result, the projects market in the region has thrived with a high-value pipeline, especially in the UAE, which is actively working towards its economic diversification goals.

Despite facing challenges such as persistent inflation, elevated interest rates, geopolitical tensions, unprecedented weather conditions in Q1 2024, and the potential impact of the US presidential election in Q2, JLL maintains a positive outlook about the UAE. The country's GDP grew by 3% in 2023, with further projections of 3.8% growth in 2024 and 3.9% in 2025, according to Oxford Economics. Although the S&P Global purchasing managers index (PMI) for the non-oil private sector experienced a slight decline in March 2024, recording at 56.9 compared to February's index of 57.1, the result is still considered robust by Emirates NBD Research. With a PMI above the 50.0 mark, the non-oil private sector remains in growth territory.

In 2023, consumer inflation in the UAE remained below the global average, standing at 1.6%, as reported by the Federal Competitiveness and

Statistics Centre. The tourism sector displayed strong performance indicators, with a significant 15% growth in hotel revenues in 2023 compared to the same period in 2022, contributing to a total revenue of AED 43.5 billion. Furthermore, the number of passengers arriving at Dubai International Airport soared to unprecedented heights, surpassing both pre- and post-pandemic statistics. In 2023, the airport recorded a remarkable record of 86.9 million passengers, exceeding the figures of 86.3 million in 2019 and 66 million in 2022.

According to JLL Research, Dubai is expected to witness the delivery of approximately 25,000 residential units in the remaining nine months of 2024, with around 10,000 units delivered in the first quarter alone. These projections align with a noteworthy 21% year-on-year surge in sales and rental prices as of March 2024. As a result, the total residential stock in Dubai is anticipated to reach approximately 754,000 units. In Abu Dhabi, around 1,600 units were delivered during Q1 2024, with an additional 6,000 units in the pipeline for the remainder of 2024. This is expected to result in a total stock of 294,000 units. Additionally, the capital recorded more moderate annual increases of 5% in sales prices and 2% in rental rates, respectively. Developers in Dubai may encounter challenges due to the rising land and construction costs. To address

these challenges, they may explore the possibility of developing smaller-sized units and projects in secondary areas. In the hospitality sector, Dubai witnessed the addition of 2,000 hotel rooms to its existing stock in Q1 2024, primarily focusing on the 5-star category. Looking ahead, another 5,000 keys are expected to be added in 2024, resulting in a total of 160,000 hotel rooms in Dubai. In Abu Dhabi, there are plans to add approximately 500 keys in 2024, resulting in a total of 34,000 hotel rooms.

JLL's forecast indicated that the UAE is expected to observe a tender price inflation (TPI) of 3% in 2024. However, in other key markets, such as Saudi Arabia, the TPI is expected to exceed this figure due to the rapid expansion of the projects market and the escalation of construction costs. JLL's estimation considers historical construction price trends, prevailing market conditions, the value of the project pipeline, and external factors that may impact construction prices.

According to the RICS construction monitor, the UAE construction market exhibits resilience and promising growth prospects across all sectors despite ongoing economic challenges. The Construction Activity Index (CAI) has demonstrated a consistent upward trend, as observed in Q4 2023. However, feedback from the local industry

highlights financial constraints arising from increasing material costs, and in certain instances, shortages in materials have impacted construction activity. The RICS report identifies several factors influencing the current UAE construction market, including market competition, demand dynamics, delays related to material, project financing, and the adoption of digital construction processes.

Amid the thriving UAE construction sector, MEED Projects has reported a record-high number of awarded projects in 2023, valued at \$87 billion (compared to \$31 billion in 2022). This substantial figure demonstrates the UAE's commendable progress in economic diversification and investment, aligning with the country's goals. However, it is crucial to acknowledge the persisting challenges within the industry.

As market dynamics constantly evolve, JLL diligently monitors market updates and their impact on construction costs. Recently, we have observed volatile construction costs caused by various factors, such as global economic headwinds, capacity constraints in the local market, rising shipping costs, and the escalation of interest rates.



# Commodities and construction cost drivers

According to the latest data from the World Bank, commodity prices experienced a 5% increase in Q3 2023, primarily driven by rising oil prices and the conflict in the Middle East. However, despite this uptick, prices were still 29% lower than their peak in June 2022. The rise in oil prices was a

result of production cuts implemented by the OPEC+ group, resulting in an increase from \$72 per barrel to \$90 per barrel by the end of Q3 2023. The World Bank predicts that oil prices will average \$81 per barrel in both 2024 and 2025.

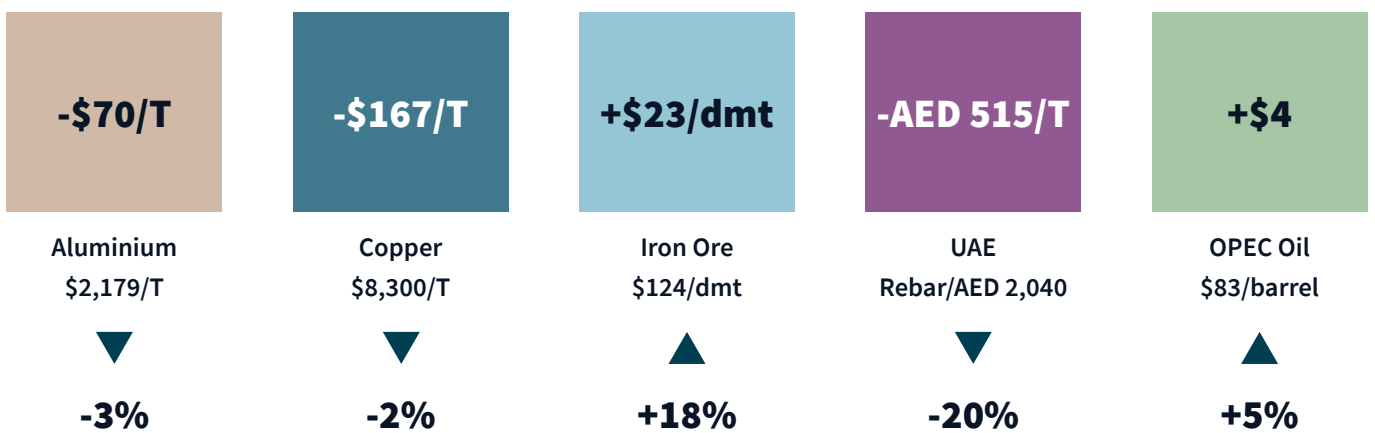
Conversely, the World Bank expects base metal prices to decline by 5% in 2024. However, Emirates NBD Research and Bloomberg forecasts suggest a subsequent increase in 2025. JLL has observed a historical correlation between iron ore and rebar prices, noting that as of Q1 2023, the rebar supply price remained stable despite a rise in the price of iron ore.

JLL closely monitors construction rates in the UAE to stay abreast of the ongoing price fluctuations. These fluctuations stem from local market demand dynamics and external factors, including rising input costs. Notably, JLL acknowledges the significant impact of market shocks related to shipping and transportation, which heavily influence local construction rates due to the reliance on imported materials. In 2024, disruptions have resulted in a notable increase in freight shipping prices, with the Drewry Index rising from \$1,800 per 40-foot container in March

2023 to over \$3,000 in March 2024. Although still below the peak price index observed in Q1 2022, conflicts and disruptions continue to pose potential risks for freight prices.

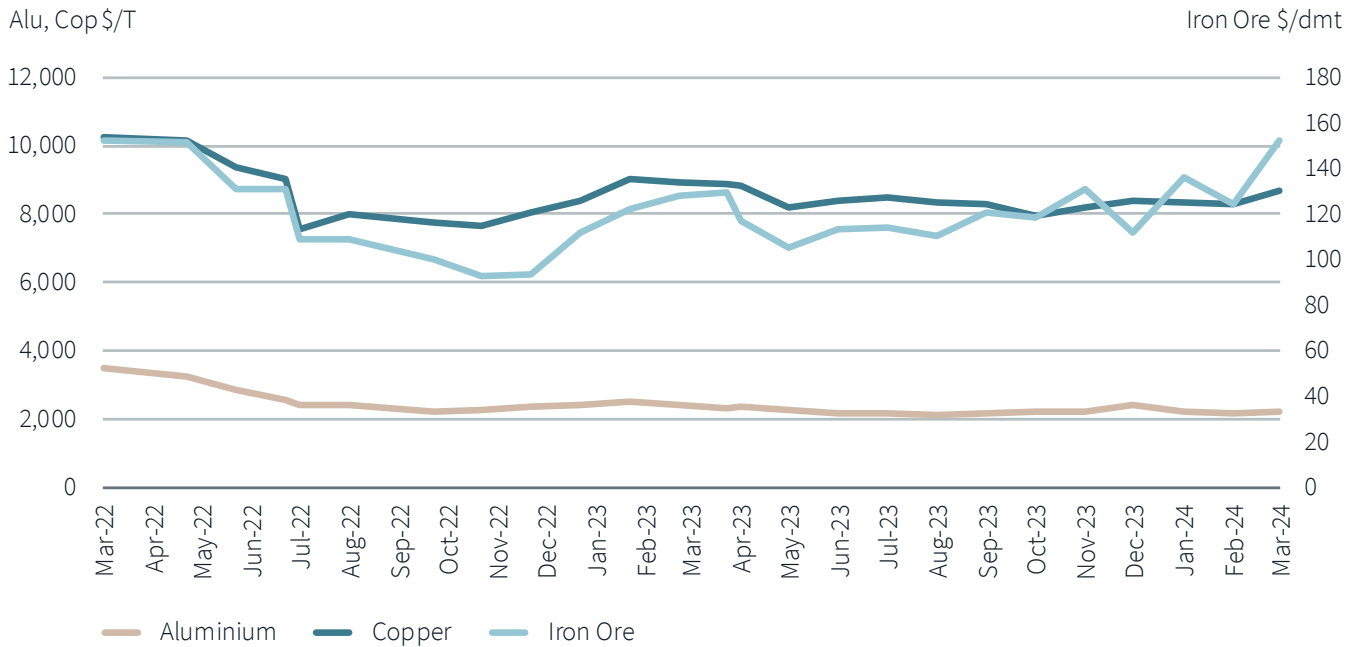
Amid the recent disruptions and supply challenges, JLL’s analysis indicates that material availability is currently stable. While a significant reliance on imported materials like glazing, facade systems, and timber persists in the local and regional markets, the medium- to long-term outlook foresees improvements in local manufacturing capabilities. These improvements are driven by the demand generated by major projects in Saudi Arabia. According to the World Steel Association (WSA), global steel production experienced a 1.6% decline from January 2023 to January 2024. However, steel demand is anticipated to grow by 1.9% in 2024. Additionally, in the MENA region, steel demand is projected to rebound in 2024, fuelled by mega projects and the residential sector.

**Commodity Supply Prices (March 2024 year-on-year)\***

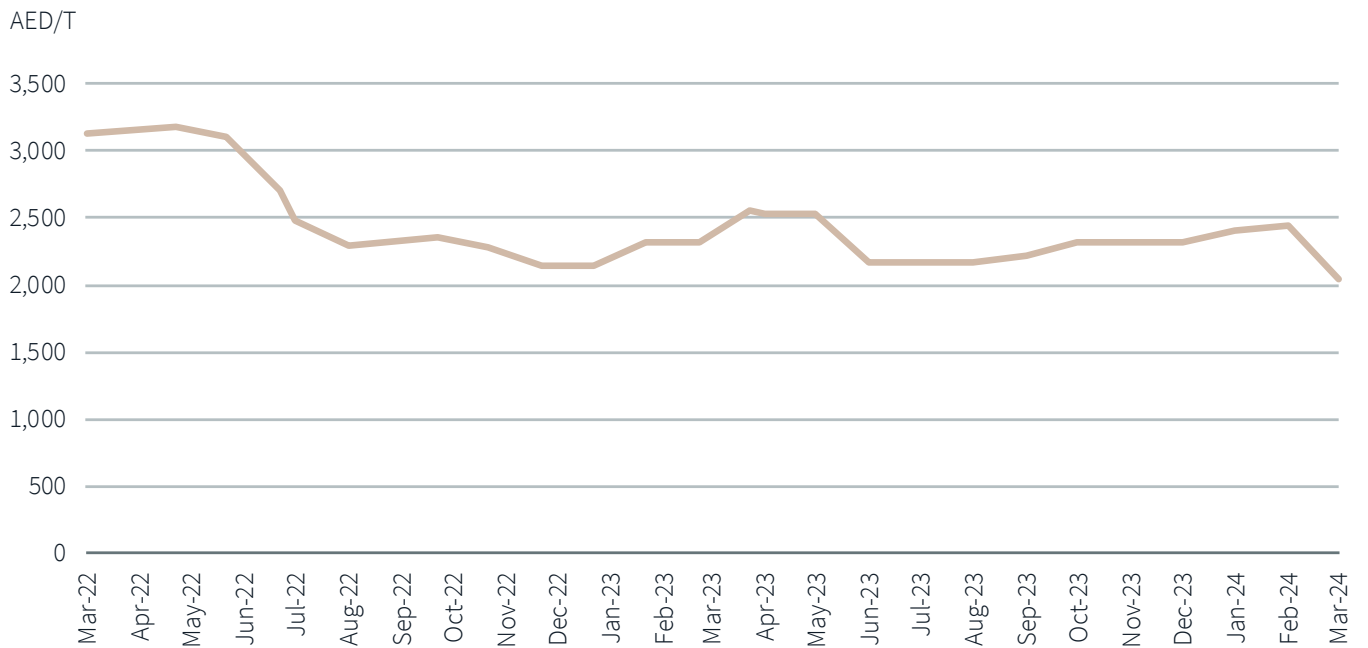


Source: The World Bank, ME Steel

The World Bank Commodities (Metals)



UAE, Rebar







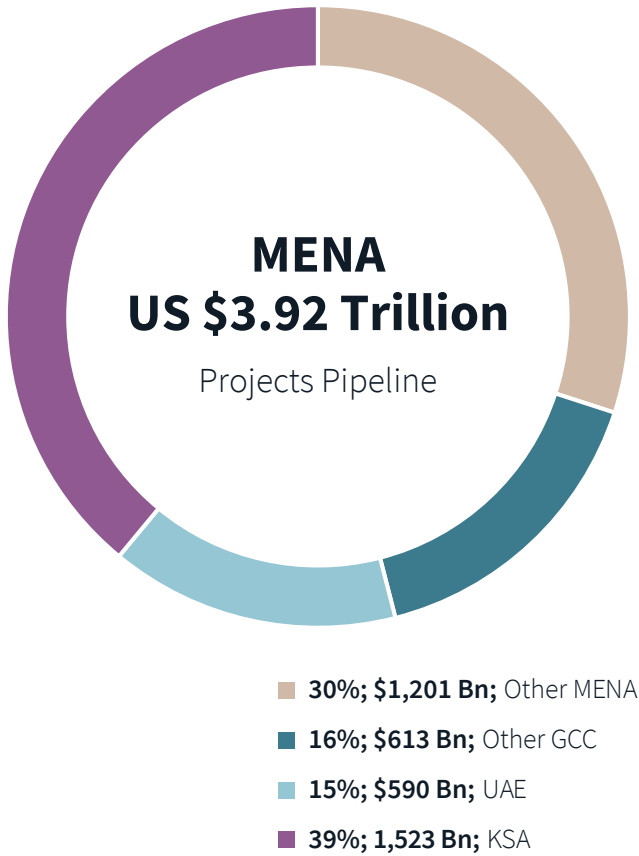
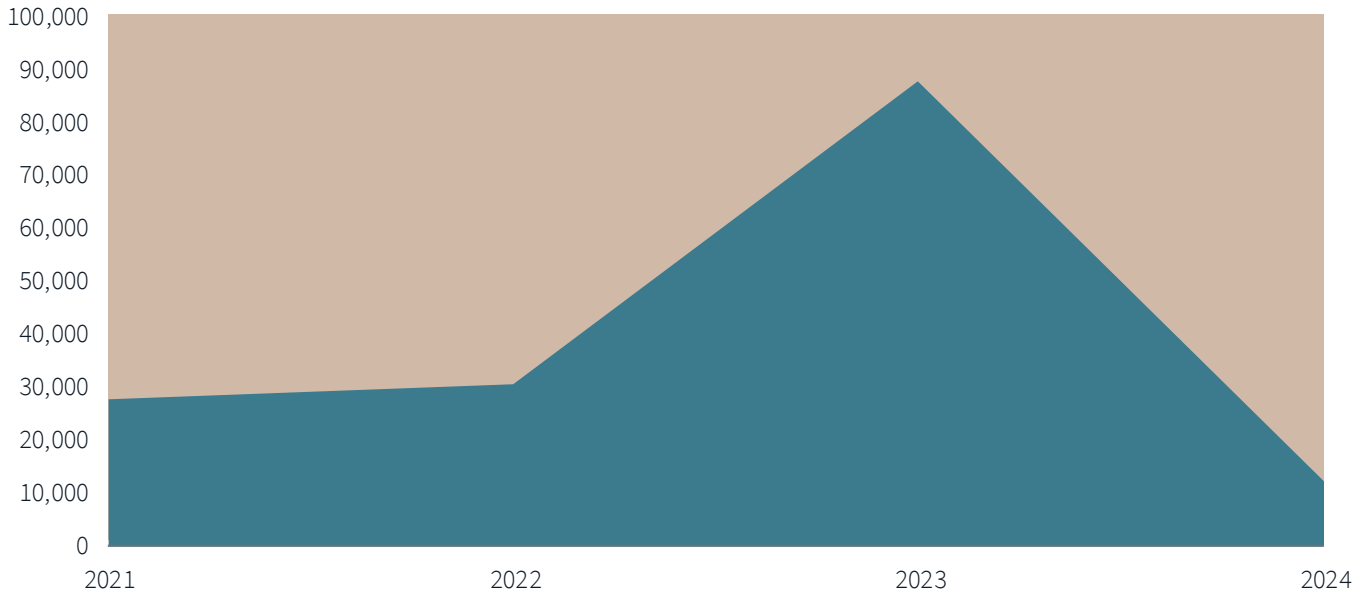


## Project market trends

In 2023, the UAE achieved a remarkable milestone with the highest value of projects awarded in the country, amounting to \$87 billion, as recorded by MEED Projects. The construction sector played a significant role, contributing \$42.9 billion, which represented 49% of the total awards. The remaining portion of the awards were distributed across sectors such as oil, gas, transport, and utilities. Notably, within the construction sector, the residential sector accounted for \$27 billion (31%), and the hospitality sector contributed \$4 billion (5%).

Despite prevailing local and global economic challenges, the pipeline value of unawarded projects in the UAE and the broader MENA region remained substantial. As estimated by MEED Projects, the total pipeline value is projected to reach \$3.9 trillion. Within this pipeline, the UAE holds a share of \$590 billion (15%), with residential projects accounting for \$125 billion (21%), and mixed-use projects representing \$232 billion (39%). In comparison, Saudi Arabia represents \$1.5 trillion, accounting for 39% of the total MENA pipeline value.

UAE Value of Projects Awards (\$, millions)



Source: The World Bank, ME Steel



# Benchmarking

JLL has observed a consistent uptick in construction prices since the onset of the pandemic. However, our outlook indicates a higher probability of volatility, driven by diverse economic challenges and external risks. Notably, we have observed rising input costs primarily influenced by intense local demand competition, elevated energy prices, increased labour expenses resulting from the global surge in the cost of living, and fluctuations in freight

and shipping costs associated with high oil prices and disruptions in the supply chain. In addition to these economic risks, JLL acknowledges the presence of global headwinds such as climate change, adverse weather conditions, elevated interest rates, inflationary pressures, geopolitical tensions, and the upcoming key political elections in 2024. These factors collectively contribute to a potentially uncertain landscape concerning construction costs.

In order to effectively address and mitigate these risks, we proactively engage with our clients, placing special emphasis on establishing well-defined design and budget objectives in the early stages of construction projects. We recognise the critical importance of project management

and cost management expertise in helping clients adhere to their budgets and timelines. Our primary focus is on creating value during the project design phase and providing assistance in identifying appropriate procurement and contractual strategies.



## JLL Benchmarking

		JLL UAE Low 2024 (AED)	JLL UAE High 2024 (AED)
Residential	Mid - High Rise	5,500	9,700
	Villas	5,000	9,800
	Townhouse	4,500	6,000
Commercial	Mid-rise office (S&C)	5,200	8,700
	Fit out	4,500	9,000
Retail	Strip	3,700	4,900
	Community/Regional	4,700	7,000
Hospitality	5* Resort (avg 220m <sup>2</sup> GFA/Key)	14,200 m <sup>2</sup> /3,124,000 key	18,000 m <sup>2</sup> /3,970,500 key
	5* Hotel (avg 200m <sup>2</sup> GFA/Key)	11,800 m <sup>2</sup> /2,360,000 key	14,000 m <sup>2</sup> /2,800,000 key
	4* Hotel (avg 120m <sup>2</sup> GFA/Key)	8,400 m <sup>2</sup> /1,008,000 key	12,000 m <sup>2</sup> /1,440,000 key
	3* Hotel (avg 90m <sup>2</sup> GFA/Key)	6,800 m <sup>2</sup> /620,000 key	9,600 m <sup>2</sup> /864,000 key
Industrial & logistics	Light industrial unit (LIU)	2,800	4,000
	Logistics Warehouse Facility	6,000	8,500
Education	School (Primary/Secondary)	6,000	10,000
Car parking	Multi storey (BUA m <sup>2</sup> )	2,400	3,600
	Basement (BUA m <sup>2</sup> )	3,500	4,400
Public amenities	Mosque	5,000	10,000
	Park/Landscaping (land area m <sup>2</sup> )	250	1,200

Source: JLL

How much are key construction rates in UAE as of 2024?

11,000 - 13,500

Structural Steel AED/t

400 - 500

Concrete AED/m<sup>3</sup>

4,100 - 4,700

Rebar AED/t

40 - 55

Excavation & Disposal AED/m<sup>3</sup>



# Definitions: Basis and assumptions

- The m<sup>2</sup> area is based on GIA unless otherwise stated
- Low range: assumption is based on low-medium specification and verified against JLL benchmark projects. Actual project outcomes may differ from the benchmark ranges provided and a sensitivity level of accuracy should be considered.
- Supply and installation, fittings and equipment. Actual project rates are dependent on the specific project, quantity / volume, site condition and procurement route and are subject to commodity price fluctuations and inflation.

## General exclusions

Capital contributions to third parties, tenants or authorities	Marketing cost and expense	Utilities outside the plot boundary
Client finance costs	Land cost	Developer legal fees
Local authority charges, road closures, etc.	Municipality connection cost	Inflation
Client insurances	Master infrastructure cost	Professional fees
Value Added Tax (VAT) and other taxes	Grey and rain water recycling system and other renewable technology	





## Material rates



### Concrete

Grade 40/50, excludes admixtures and additional temperature control costs, minimum load volumes are applicable



### Bulk excavation and disposal;

based on sand soil material only, excludes any work related to hard rock, contaminated material treatment and special systems to support adjacent structures



### Rebar

Cut and bend costs included, grade 60 12-32mm dia bars



### Structural steel

Excludes fire protection coating and corrosion protection

JLL endeavours to provide accurate benchmark cost data relevant for the MENA market, however all benchmark data reported has a sensitivity cost factor of +/- 15% and are relevant up to March 2024



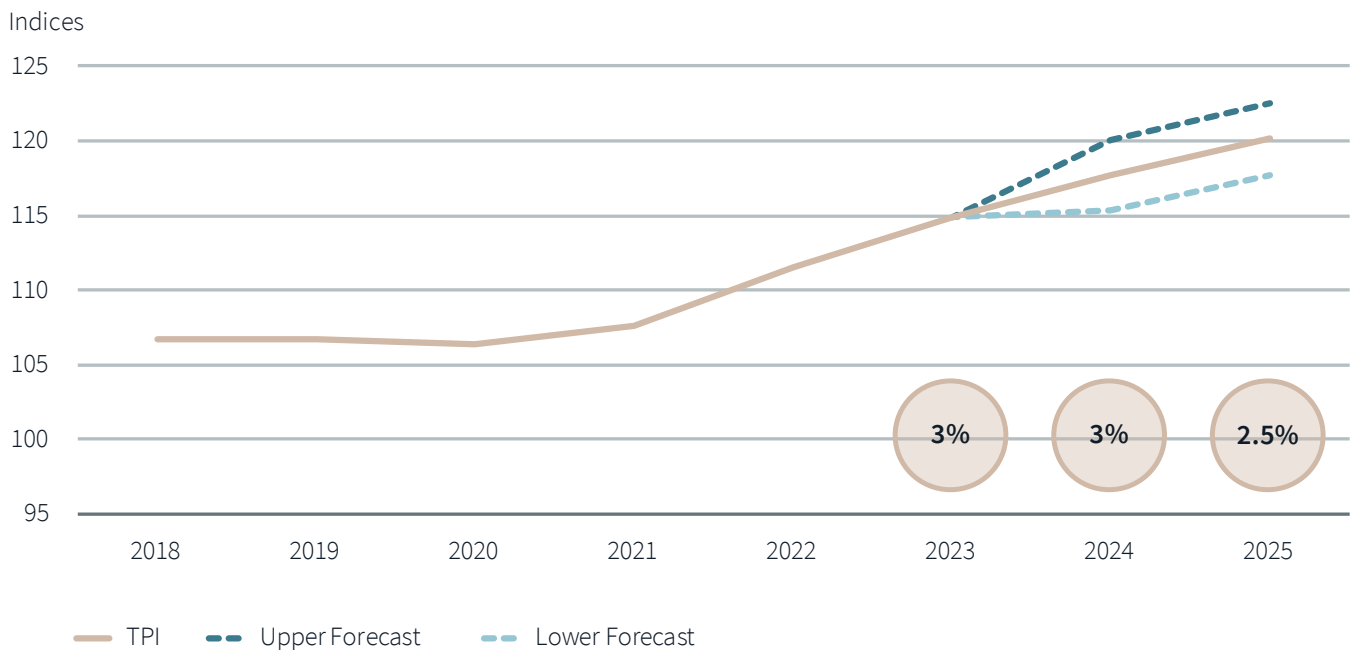
## Inflation

JLL's 2024 forecast for tender price inflation (TPI) projects an average annual increase of 3%. We expect inflation to remain elevated throughout the year, driven by economic challenges and robust market demand, with careful consideration given

to market capacity. The data analysed by JLL presents a compounded tender price inflation rate of 7% between Q1 2020 to Q1 2024, indicating an increase in construction prices over the last four years.



### JLL UAE tender price inflation



Disclaimer: JLL’s tender price inflation provides a qualitative assessment of both local and international market conditions, this data is collated from JLL and market intelligence sources. It is representative of market factors including commodity and construction price trends, correlated to future local and regional demand. JLL endeavours to provide a prudent tender price inflation forecast, however it is impossible for any organisation to fully determine the expected future financial impact on the construction sector supply chain (e.g. increases in material costs, energy prices, labour shortages, supply chain disruptions) and how global events might impact price increases. Actual project outcomes could differ substantially from our projections and therefore no warranty is given to the accuracy of this information.

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## About JLL

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A Fortune 500® company with annual revenue of \$20.8 billion and operations in over 80 countries around the world, our more than 106,000 employees bring the power of a global platform combined with local expertise. Driven by our purpose to shape the future of real estate for a better world, we help our clients, people and communities SEE A BRIGHTER WAY<sup>SM</sup>. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. For further information, visit [jll.com](http://jll.com).