## Abu Dhabi and Dubai Construction Cost Benchmarking

<table>
<thead>
<tr>
<th>Item</th>
<th>Building Type</th>
<th>2015 (3rd Quarter)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Cost Range (AED/m²)</td>
</tr>
<tr>
<td><strong>Residential</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Villa - Medium Specification</td>
<td>3,548 - 4,196</td>
</tr>
<tr>
<td>2</td>
<td>Villa - High Specification</td>
<td>5,229 - 6,333</td>
</tr>
<tr>
<td>3</td>
<td>Apartment Low to Medium Rise - Medium Specification</td>
<td>3,424 - 4,316</td>
</tr>
<tr>
<td>4</td>
<td>Apartment High Rise - High Specification</td>
<td>5,478 - 6,361</td>
</tr>
<tr>
<td><strong>Commercial</strong> (Shell and Core only)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Office Low to Medium Rise - Medium Specification</td>
<td>3,385 - 4,192</td>
</tr>
<tr>
<td>6</td>
<td>Office High Rise - Medium Specification</td>
<td>3,943 - 5,116</td>
</tr>
<tr>
<td><strong>Industrial</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Medium Duty Industrial</td>
<td>1,715 - 2,668</td>
</tr>
<tr>
<td>8</td>
<td>Medium to Heavy Duty Industrial</td>
<td>2,552 - 4,961</td>
</tr>
<tr>
<td><strong>Hotels (Including FF&amp;E)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Three Star</td>
<td>5,150 - 6,888</td>
</tr>
<tr>
<td>10</td>
<td>Four Star</td>
<td>7,358 - 9,089</td>
</tr>
<tr>
<td>11</td>
<td>Five Star</td>
<td>8,903 - 11,800</td>
</tr>
<tr>
<td><strong>Retail</strong> (Shell &amp; core with public area finished)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>District Mall</td>
<td>4,318 - 6,193</td>
</tr>
<tr>
<td><strong>Carparking</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Podium</td>
<td>1,983 - 2,578</td>
</tr>
<tr>
<td>14</td>
<td>Basement</td>
<td>2,379 - 2,967</td>
</tr>
</tbody>
</table>

- 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.

Source: Colliers International October 2015
“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 Price Index, to track the actual movement of cost from the point in time the project was tendered/awarded, up to October 2015, which allows us to build an accurate current range.

The Construction Price Index tracks the historic movement of the following:

- Global construction commodity trends
- Movement in construction materials such as steel, concrete, cement, blockwork, etc.
- Shifts in manpower which include overheads, supervision staff, skilled and unskilled labour
- Construction workload & competitiveness

The above are the key drivers for index linking all projects over 6 months old to present day pricing.

The main construction cost drivers include:

Construction Materials: Overall the pricing for construction materials have been stable for the past 12 months. The below figures are an average of the reported figures by Abu Dhabi & Dubai. The single biggest change, when comparing Q2 2014 with Q2 2015, is a drop of circa -14% in the price of steel bar. However, the drop in steel is balanced by an increase in the price of aggregate & sand +3.5%, blockwork +1.5%, tiles & marble +2.1%, glass +2.5% and cement +1%.

So depending on the building type, design and specification, the movement in main construction materials from Q2 2014 to Q2 2015 shows a variance of -0.5% to + 1%, which from an industry perspective is very steady.

Labour: Construction labour, which includes skilled & unskilled site operatives, supervisors and management staff represents just under 30% of overall construction costs. Therefore, going forward a 10% increase or decrease in labour cost will swing building costs by circa 3%.

Competitiveness: To date for the year 2015, we have not yet reached a level of activity in the industry so as to put an upward pressure on construction companies to increase profit margins. Investment in social infrastructure, economic diversification and “Event” driven construction are key factors that will influence construction pricing in the UAE in the short term. If we see spend on infrastructure required to accommodate a growing population, ambitious plans for economic diversification away from the dependence on the oil and gas sector and preparations required for Dubai Expo 2020, all occurring at the same time, then we would see a bottle neck for resources and an immediate spike in construction pricing. However, the current volatility in the oil markets leaves a question mark over capital spending priorities which will come under review in 2015/16.
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
> Workplace Consultancy
> 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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502 offices in
67 countries on
6 continents
United States: 151
Canada: 46
Latin America: 26
Asia Pacific: 190
EMEA: 89

$2.3
billion in
annual revenue

160
million square metres
under management

16,300
professionals
and staff