Dubai’s construction sector overview

- The value of GCC projects bounced back in 2013 from a four year slump reaching USD 156.3bn, up by roughly 31% y/y. Construction, primarily comprised of commercial, residential and mixed use buildings, accounting for 41.4% of total projects, reached almost USD 65bn of awards in 2013.

- The construction sector is the fifth largest sector in Dubai’s economy, recording a share of 8.4% of total GDP in Q1 2014, up by 20.2% q/q and 2.3% y/y. We expect construction growth to have accelerated during the course of 2014 as new projects broke ground.

- Total trade in construction materials reached AED 19.4bn in Q1 2014, up by 5.4% y/y, accounting for almost 6% of Dubai’s non-oil trade. Dubai’s construction trade should be further boosted as Dubai’s foreign trade is expected to reach AED 4tr trillion as we approach 2020 from AED 1.3tr in 2013.

- The cost of Dubai’s major construction materials groups rose marginally to 97.2 in Q2 2014, according to the Dubai Chamber of Commerce and Industry (DCCI). Dubai’s rapid construction growth could push prices for construction materials and labor higher over the next few years.

- Dubai’s construction projects have continued to gain momentum since 2012 accounting for 43.8% of total UAE construction projects in 2013, reaching USD 22.8bn almost doubling compared to 2012. According to MEED, the value of Dubai’s construction projects due to be awarded in 2014 recorded a significant increase at USD 22.2bn, reaching almost the 2013 level.

- The construction sector will benefit from a massive expansion in Dubai’s transport and hospitality sectors with the 2020 tourism strategy aiming to attract 20 million visitors to the emirate by the end of the decade being on track.

- Similarly, data from the transport sector shows growth in capacity and visitor numbers, with passenger traffic expected to reach almost 100 million at Dubai International by the end of 2020.

- Bank credit to the construction and real estate sector jumped to 45.3% y/y in H1 2014 from 11.3% y/y in 2012, accounting for 16.2% of total bank loans. In H1 2014, bank credit to this sector reached AED 186bn compared to AED 180.9bn for the entire 2013, partly attributed to the UAECB’s re-classification of customers from September 2013 onwards.

Top 10 Dubai construction projects due to be awarded in 2014, % of total USD 22.2bn, as of H1 2014

Source: MEED, Emirates NBD Research
Dubai’s construction sector overview

The construction sector is the fifth largest sector in Dubai’s economy, recording a share of 8.4% of total GDP in Q1 2014. Construction continued to gain momentum in Q1 2014, with growth rising 20.2% q/q and 2.3% y/y, up from 0.8% y/y growth in Q4 2013. We expect construction growth to have accelerated during the course of 2014 as new projects broke ground.

According to the Dubai Statistics Centre (DSC), between 2010 and 2012, the total number of workers in the sector declined at an average of roughly 10% per year to 464,711 workers representing 19.5% of Dubai’s total workforce. We expect this trend to reverse given that 30% of the estimated 277,000 new jobs will be directed to the construction sector over the next six years in line with the 2020 Expo’s strategic objectives.

Dubai’s construction sector, % y/y, Q1 2014

<table>
<thead>
<tr>
<th></th>
<th>Q1 2012</th>
<th>Q2 2012</th>
<th>Q3 2012</th>
<th>Q4 2012</th>
<th>Q1 2013</th>
<th>Q2 2013</th>
<th>Q3 2013</th>
<th>Q4 2013</th>
<th>Q1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>% y/y</td>
<td>-3.6</td>
<td>-8.3</td>
<td>-9.8</td>
<td>6.5</td>
<td>0.4</td>
<td>4.7</td>
<td>0.8</td>
<td>2.3</td>
<td></td>
</tr>
</tbody>
</table>

Source: Dubai Statistics Center (DSC), Emirates NBD Research

Dubai’s construction materials price index

The cost of Dubai’s major construction materials groups rose marginally to 97.2 in Q2 2014 from 97.1 in Q1 2014, according to the Dubai Chamber of Commerce and Industry (DCCI). Dubai’s rapid construction growth could push prices for construction materials and labor higher over the coming years.

Dubai’s major construction materials groups cost index*, Q2 2014

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>101.7</td>
<td>99.0</td>
<td>96.8</td>
<td>97.2</td>
<td>97.5</td>
<td>96.3</td>
<td>96.6</td>
<td>97.1</td>
<td>97.2</td>
</tr>
</tbody>
</table>

Source: Dubai Chamber of Commerce and Industry (DCCI), Emirates NBD Research

Of the 16 major construction materials groups, 6 groups showed price increases, 8 posted price decreases and the remaining 2 exhibited relative price stability. The biggest price increase was noted for the group of marble and stones for a fourth consecutive quarter, up by 17.6% y/y in Q2 2014, probably reflecting the overall expansion of Dubai’s luxury construction sub-sectors.

Dubai’s construction trade indicators

Total trade in construction materials reached AED 19.4bn in Q1 2014, up by 5.4% y/y, accounting for almost 6% of Dubai’s non-oil trade. Base metals dominated the overall trade accounting for 83.4% and 79.7% of imports and exports, respectively. We expect Dubai’s construction trade to be further boosted by 2020 Expo with Dubai’s foreign trade targeted to reach AED 4tr by 2020 from AED 1.3tr in 2013.
Dubai’s construction materials cost, % y/y, Q2 2014

<table>
<thead>
<tr>
<th>Construction Materials Groups</th>
<th>Cost, % y/y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marble &amp; stones</td>
<td>5.6</td>
</tr>
<tr>
<td>Bricks</td>
<td>-1.7</td>
</tr>
<tr>
<td>Waterproofing products</td>
<td>4.9</td>
</tr>
<tr>
<td>Glass &amp; mirrors</td>
<td>4.2</td>
</tr>
<tr>
<td>Gravel and sand</td>
<td>3.1</td>
</tr>
<tr>
<td>Ready mix concrete</td>
<td>2.4</td>
</tr>
<tr>
<td>False ceiling</td>
<td>0.7</td>
</tr>
<tr>
<td>Paints and varnish</td>
<td>0.0</td>
</tr>
<tr>
<td>Tiles &amp; flooring material</td>
<td>-1.7</td>
</tr>
<tr>
<td>Pipes &amp; fittings</td>
<td>-1.7</td>
</tr>
<tr>
<td>Sanitary ware</td>
<td>-2.3</td>
</tr>
<tr>
<td>Wires and cables</td>
<td>-2.9</td>
</tr>
<tr>
<td>Timber</td>
<td>-3.3</td>
</tr>
<tr>
<td>Building metal products</td>
<td>-5.0</td>
</tr>
<tr>
<td>Steel</td>
<td>-5.1</td>
</tr>
<tr>
<td>Cement &amp; gypsum</td>
<td>-6.3</td>
</tr>
</tbody>
</table>

Source: Dubai Chamber of Commerce and Industry (DCCI), Emirates NBD Research

GCC’s construction sector opportunities

The value of GCC projects* bounced back in 2013 from a four year slump reaching USD 156.3bn, up by roughly 31% y/y. UAE accounted for roughly one third of the GCC projects in 2013, showing strong signs of economic recovery as investors started to look ahead to the Dubai 2020 Expo, with the reactivation of numerous delayed projects and the launch of many new ventures.

GCC projects by country, % of total, 2013

<table>
<thead>
<tr>
<th>Country</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>UAE</td>
<td>33.1%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>42%</td>
</tr>
<tr>
<td>Qatar</td>
<td>14%</td>
</tr>
<tr>
<td>Oman</td>
<td>4.5%</td>
</tr>
<tr>
<td>Bahrain</td>
<td>0.6%</td>
</tr>
<tr>
<td>Kuwait</td>
<td>5.7%</td>
</tr>
<tr>
<td>Rest of UAE</td>
<td>18.6%</td>
</tr>
</tbody>
</table>

Source: MEED, Emirates NBD Research

Construction, primarily comprised of commercial, residential and mixed use buildings, accounting for 41.4% of total projects reached almost USD 65bn of construction awards in 2013. Construction and transport sectors account for a combined

Dubai’s construction projects, % of total UAE construction projects

<table>
<thead>
<tr>
<th>Year</th>
<th>Dubai projects, % of total UAE (LHS)</th>
<th>Value of Dubai projects, USD (RHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>12.1%</td>
<td>5.6 USD bn</td>
</tr>
<tr>
<td>2009</td>
<td>14.6%</td>
<td>10.0 USD bn</td>
</tr>
<tr>
<td>2010</td>
<td>25.4%</td>
<td>25.4 USD bn</td>
</tr>
<tr>
<td>2011</td>
<td>36.2%</td>
<td>36.2 USD bn</td>
</tr>
<tr>
<td>2012</td>
<td>43.3%</td>
<td>43.3 USD bn</td>
</tr>
<tr>
<td>2013</td>
<td>50.2%</td>
<td>50.2 USD bn</td>
</tr>
</tbody>
</table>

Source: MEED, Emirates NBD Research

The construction sector should benefit from a massive expansion in Dubai’s transport and hospitality sectors. The latest data suggest that Dubai is on its way to achieving the ambitious travel and tourism strategy announced early this year. The 2020 tourism strategy aims to attract 20 million visitors to the emirate by the end of the decade – approximately double the number in 2012. Similarly, passenger traffic is expected to reach almost 100 million at Dubai International by the end of 2020. Achieving this will require substantial growth in capacity on both transport and hotel infrastructure.

For the latter, approximately 80,000 new hotel rooms – nearly double the existing stock – will need to be built by the end of the decade, according to the Department of Tourism and Commerce Marketing (DTCM). Data from STR Global also shows...
that a further 11,779 hotel room are currently under construction in Dubai, with another 13,561 in planning stages. The increasing opportunities in tourism and tourism related projects would provide an important source of growth for Dubai’s construction sector throughout 2014 and beyond as Dubai position itself as a global tourism hub.

Top 10 Dubai construction projects due to be awarded in 2014, in USD bn

Bank credit to the construction and real estate sector

Looking at the breakdown of bank loans by sector, lending to the construction and real estate sector jumped to 45.3% y/y in H1 2014 from 11.3% y/y in 2012 while quarterly growth was more modest at 3.6% y/y in Q2 2014. Loans to this sector accounted for 16.2% of total bank loans in H1 2014.

UAE Bank credit by economic activity, % of total, H1 2014

In H1 2014, bank credit to the construction and real estate sector reached AED 186bn compared to AED 180.9bn for the entire 2013, partly attributed to the UAECB’s re-classification of customers by the introduction of new reporting forms from September 2013 onwards. Construction and real estate continued to gain momentum in Q1 2014, with combined growth rising to 41.9% q/q and 7.5% y/y, down from 8.7% y/y growth in Q4 2013.

UAE’s overall quality of infrastructure

The UAE ranked as the most competitive economy in the region, according to the 2015 World Economic Forum’s Global Competitiveness Report with a score of 5.33. Overall, the UAE ranked 12th out of 144 countries. The country’s successful bid for 2020 Expo and its strong drive toward reforms have anchored many initiatives to enhance competitiveness. UAE’s competitiveness reflects the high quality of its overall infrastructure where it ranks 3rd further boosting the country’s overall business climate towards 2020.

UAE’s overall quality of infrastructure, 2014

Source: World Economic Forum (WEF), Emirates NBD Research

Source: MEED, Emirates NBD Research

Source: UAE Central Bank, Emirates NBD Research

Source: UAE Central Bank, Emirates NBD Research

Source: UAE Central Bank, Emirates NBD Research
Looking at the breakdown of construction and real estate loans by banking institution, the Commercial Bank of Abu Dhabi (ADCB) had the largest share with 23.8% (AED 52.5bn), followed by the National Bank of Abu Dhabi (NBAD) with 18.9% (AED 41.5bn) and Emirates NBD with 18.3% (AED 40.2bn) of the total construction and real estate loans for 2013.

Bank credit by UAE banks to the construction and real estate sector, % of total, 2013


Source: 2013 Financial Results, Emirates NBD Research
Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereby or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment described herein; (c) UNIANO-IMPLIED DAMAGES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL, ERRORS, NBD, ITS OWN PERSONS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report.

The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY, YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

Page 6
Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

Aazar Ali Khwaja
Group Treasurer & EVP Global Markets & Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Tim Fox
Head of Research & Chief Economist
+971 4 230 7800
timothyl@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+971 4 230 7803
khatijah@emiratesnbd.com

Jean Paul Pigat
Economist
+971 4 230 7807
jeanp@emiratesnbd.com

Aditya Pugalia
Analyst
+971 4 230 7802
adityap@emiratesnbd.com

Anita Yadav
Head of Fixed Income Research
+971 4 230 7630
anitay@emiratesnbd.com

Athanasios Tsetsonis
Sector Economist
+971 4 230 7629
athanasiost@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
Lee Sims
+44 (0) 20 7838 2240
simsl@emiratesnbd.com

Egypt
Shahinaz Foda
+20 22 726 5050
shahinaz.foda@bnparibas.com

Corporate Communications

Ibrahim Sowaidan
+971 4 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+971 4 609 4143
clairea@emiratesnbd.com

Investor Relations

Patrick Clerkin
+971 4 230 7805
patricke@emiratesnbd.com