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| Commentary |
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| Economy |
| Energy |
| Industry |
| Petrochemicals |
| Power |
| Real Estate |
| Telecoms and IT |
| Tourism |
| Transport |
| Water |
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| Bahrain |
| Egypt |
| Gaza/West Bank |
| Iran |
| Iraq |
| Jordan |
| Kuwait |
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Contractor survey 2008 - Oman: Tourism drive stretches resources

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Oman's construction market has been quiet compared with the rest of the Gulf, but with the launch of a series of projects aimed at boosting tourism, local contractors will be put to the test.

"The government seems to have got itself organised, and the projects are starting to move ahead"

Real estate consultant

Oman is often forgotten when assessing construction opportunities in the Gulf, but its location on other side of the Arabian Peninsula to the development hotbeds of Dubai, Abu Dhabi and Qatar has become an advantage as it seeks to attract investment to its burgeoning tourism sector. "It [development] is beginning to happen in Oman," says a real estate consultant. "The government seems to have got itself organised, and the projects are starting to move ahead."

The foundations for development were put in place in 2007 with major construction contract awards. Belgium's Jan De Nul, together with Athens-based Consolidated Contractors International

Company and Turkey's Sezai Turkes-Feyzi Akkaya (STFA), won contracts for marine works at Duqm port, which the government hopes will be a catalyst for development in the surrounding area. The local/UK Carillion Alawi won the estimated \$130m contract to build a theatre in Muscat, and the local Galfar Engineering & Contracting secured road contracts and an order to build a fishing port at Seeb.

Sustaining growth

Nevertheless, the sultanate's construction market still lags behind the UAE and is unable to sustain major contracting organisations, such as those found in the UAE or Saudi Arabia. According to MEED Projects, about \$8bn worth of construction is under way, compared with \$121bn worth of projects across the UAE.

Muscat aims to follow a more measured approach than Dubai and it has a lot to offer developers – hundreds of kilometres of coastline, desert, mountains and, in the south, green areas watered by monsoon rains. Leading the development charge are a series of major projects that will create resorts close to Muscat.

The expansion of Seeb airport is central to Oman's ambitions. Work on the project was expected to start in 2007, but it was delayed following the damage created by tropical cyclone Gonu in June that year. The government will move ahead with the scheme in 2008, together with a major infrastructure investment programme that was announced as part of the sultanate's budget in early January.

The infrastructure will support the sultanate's megaprojects aimed at increasing tourism. Work is progressing on the \$2bn tourism development The Wave, planned by Dubai-based Majid alFuttaim Investments in a joint venture with local partners. In early 2007, Carillion Alawi will build townhouses, a quay wall and a breakwater under the first phase. The local Al-Turki Enterprises has been selected for infrastructure and villa construction, while Lebanon's SNE will carry out reef construction. The scheme also includes four hotels, a golf course, a marina and a business park.

Buoyed by the sultanate's potential as a destination for tourists, Al-Futtaim is planning another resort, Yenkit, which will involve residential buildings, private beaches and golf courses surrounding a fishing village.

At Al-Sawadi, a joint venture of Greece's Aktor and Turkey's Enka has started work on the \$15bn Blue City (Al-Madinat al-Zarqa) project, which will involve the construction of hotels, villas, apartments and shopping centres, providing housing for 250,000 people, attracting 2 million tourists a year and creating about 50,000 jobs, primarily for Omani nationals.

Plans are also being prepared for the \$1.6bn Oimage project, which will involve the construction of a theme park, hotels, a harbour and about 3,900 residential units.

These large-scale development projects are supplemented by a host of smaller schemes promoted by the Oman Tourism & Development Board, such as hotels in Ras al-Hamra and Duqm, and a convention and exhibition centre in Muscat.

But with more than \$6bn worth of tourist-related projects moving into construction, there is a growing concern that the supply chain will not be able to cope. Infrastructure and industrial developments in Sohar have already tested the supply chain, as contractors compete with nearby Dubai and Abu Dhabi for raw materials and equipment.

Securing manpower is also a problem. There is a dearth of experienced workers in the sultanate, and many contractors have been forced to recruit workers with little or no experience, which severely hampers productivity.

As costs rise, the viability of some of the projects planned will be undermined. Those planned

several years ago are based on historical cost data that bears little resemblance to current market conditions. In extreme cases, more marginal projects may be cancelled, demonstrating that Oman may be able to escape many of the development problems faced elsewhere in the Gulf, but when it comes to resources and costs, there is nowhere to hide.

Table: Oman project award (\$m)

| Company | Country of origin | 2005 | 2006 | 2007 |
|----------------------|-------------------|-----------|------------|------------|
| CCC | Athens | na | 90 | 248 |
| Jan De ^{nc} | Belgium | na | na | 217 |
| Carillion Alawi | UK/Oman | 39 | 121 | 240 |
| STFA | Turkey | na | 46 | 135 |
| Total | | 39 | 257 | 840 |

na=not available. Source: MEED
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 Dubai

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