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## Oman

### Realty buzz

With Oman opening up the real-estate sector to private investment, the country is witnessing a boom that is led by a strong inflow of investments.



The Wave development ... building fast.

### More this month on: Oman

- **The Wave rises**
- **Oman Projects at a Glance**
- **Big Blue**

The buzzword in Oman these days is 'integrated tourist resort', with the picturesque sultanate having been successful in drawing both tourism and real estate investors to some of new developments boasting luxury and lifestyle.

This follows the Sultani Decree 12/2006, which opened the realty sector to non-Omanis provided the land is part of a designated 'integrated tourist resort'. Since then, the construction sector has seen major projects breaking ground, such as the \$15 billion Blue City, Oman's biggest beachfront freehold property, and The Wave, Muscat, a mega resort development in the Capital governorate.

A number of developments have been licensed as integrated tourist resorts, including the Muscat Golf and Country Club, the Barr Al Jissah Resort and the Salam Resort in Yiti.

Oman is encouraging tourism development

and with the opening of the real estate market, a number of developers have been making a beeline for the sultanate to exploit the immense opportunities in the tourism sector and projects worth millions of dollars are now moving into the construction stage. In July, for example, Oman's Government signed two contracts with the local Muria Tourist Development Company for the development of two integrated tourist complexes.

Apart from local investors, the sultanate has attracted both regional such as the UAE-based Sama and Majid Al Futtaim Group as well as international investors such as Omagine, which is developing the much-awaited Omagine project that is poised to go ahead.

That the sultanate is serious about its tourism ambitions has been made apparent by its plans to build a total of six new airports while expanding two of the existing facilities in Muscat and Salalah, to cater to the influx of tourists.

Investors have been further encouraged by the government, which is eagerly looking at the private sector to drive the economy forward. Oman signed the Free Trade Agreement (FTA) with the US in January last year paving the way for an inflow of funds and foreign expertise. The move indicates the government's development goals that aim to entice foreign investment, particularly in the oil and gas, tourism, electricity and water sectors.

Tourism and industrial expansion is the country's two-pronged approach at reducing its dependence on oil and gas income, which accounts for around 78 per cent of its revenues. The seat of its industrial ambitions is the northern town of Sohar and the southern city of Salalah, where ports and free zones as well as an array of industrial ventures have been taking shape.

The next growth hub is expected to be Duqm in the Al Wusta region – where the government proposes to build a new refinery, an airport, a port and dry-dock facility and a power station.

The industrial expansion, in turn, has created a surge in demand for power and to provide this, Oman – which has been a pioneer in privatising its power and water sector – continues to explore the avenue of independent water and power projects (IWPPs). Among the recently announced projects are the \$800 million Barka II/Rusayl and the Salalah IWPPs.

Cyclone Gonu that hit Oman last year was a major setback as it left a trail of damage in its wake – estimated at \$4 billion, according to Middle East Insurance Review. It is a credit to the government and the construction sector that the nation has been able to quickly return to a state of normality.

Meanwhile, as part of its 37th National Day celebrations, the sultanate gave the go-ahead to more than 50 projects worth a total of \$934 million related to a number of ports, marine affairs, road and civil aviation projects, indicating the main priorities of the country.

Among the major projects that were given the go-ahead were the marine works at the new Duqm Port at a cost of RO186 million (\$483.24 million), the construction of docks at the new port and the fishing port at Sohar (Phase 2), supervision works for the dock project works of Phase 3 of Sohar industrial port; the construction of the strategic 94 km Hasik-Shuwaymiyah road in Dhofar at a cost RO68 million, and the 32 km Al Malda-Al Hazm dual carriageway in the Al Batinah region as well as numerous internal road projects.

In the aviation sector, contracts were awarded for grading and levelling works at Seeb International Airport (Phase 2) worth RO15.5 million; designing and supervising construction of Ras Al Had Airport in Al Sharqiyah region, Sohar Airport in Al Batinah and Duqm Airport.

However, with the upsurge in construction activity come the associated problems of shortage and rising cost of building materials such as steel and cement as well as a shortage of labour and hence the government has initiated moves to slow down the pace of construction. Official figures show that Oman's inflation rate in the first 10 months of 2007 hit 5.3 per cent.

"We now tender projects after every 15 days instead of the usual practice of tendering them every week," said Oman's Minister of National Economy and supervisor of the Ministry of Finance Ahmed bin Abdulnabi Macki while releasing the country's budget for 2008 last month.

As per the budget, Oman's general revenues in 2008 are expected to reach RO5.4 billion (\$14.04 billion), while expenditures are estimated at RO5.8 billion (\$15.08 billion), leaving a deficit of RO400 million (\$1 billion). The percentage of deficit in total revenues in 2008 decreased to 7 per cent from 9 per cent in 2007. However, the projected shortfall

could turn into a surplus as the price of oil, which accounts for most of Oman's revenue, is calculated at only \$45 per barrel. The current budget allocates RO725 million for development projects, 45 per cent more than last year.

With oil and gas accounting for the bulk of its revenue, the sultanate continues to invest in this sector. Among the massive developments in this field is a proposed oil refinery and petrochemical complex on its southeast coast – possibly at Duqm – which could cost over \$7 billion. The refinery is expected have a capacity of up to 300,000 barrels per day (bpd). Oman currently has two state-owned refineries, the Oman Refinery Company with a capacity of 106,000 bpd and the 116,400 bpd Sohar Refinery Company.

### **Power & water**

The demand for water and power is increasing dramatically in Oman and a number of major projects are either under way or in the early development phases to meet this need.

Among the largest projects in the power and water sector is the estimated \$800 million Barka II/Rusayl and the Salalah IWPP. The Barka II/Rusayl scheme involves the construction of a grassroots co-generation plant, with capacity of 678 MW and 26.4 million gallons a day, and the acquisition of the existing 665-MW Rusayl station.

The contract for the Salalah IWPP is expected to be announced soon. The project, with a final capacity of 400 MW of power and 15 million gallons of water per day, is to be set up on a build, own and operate basis. Power demand in the southern Dhofar region jumped to 230 MW in 2006 from 130 MW in 1999, according to official figures, and is forecast to reach 570 MW by 2013.

Among other developments, Larsen & Toubro (Oman) bagged two contracts last December worth \$79.7 million in the power sector. The company – a joint venture between Larsen & Toubro Limited (L&T) and the Zubair Corporation – won a \$47.16 million deal from Dhofar Power Company to strengthen the transmission and distribution system in the Dhofar region and a \$32.55 million contract from Muscat Electricity Distribution Company for construction of five primary substations.

### **Airports**

The sultanate has ambitious plans for its aviation sector with a total of six new airports to be developed in the country and the

expansion of two existing international airports – Seeb International Airport in Muscat and Salalah – set to go ahead. The new airports will be built in Sohar, Al Duqm, Ras Al Had, Adam, Haima and Shaleem. More than \$3 billion is expected to be spent on the expansion of Seeb International Airport and Salalah Airport. Airport de Paris Ingenierie has already been contracted for project management consultancy. Passenger numbers through Seeb have risen steadily since 2002, doubling by the end of 2006 to reach 4.8 million. The expansion of Seeb airport, due for completion in 2011, will increase its handling capacity to 12 million passengers per year. There are plans to boost this number to 24 million eventually. The Salalah airport expansion will allow the facility to accommodate 2 million passengers per year.

Some RO17 million has already been allocated for consultancy studies, design and supervision of the proposed new domestic airports to be built in the southern towns of Adam, Haima and Shaleem.

### **Ports**

Moves are being made to set up a ship repair yard in Duqm, which will be the second largest such facility in the Gulf area after Dubai Drydocks. The \$200 million project forms a focal part of the new Duqm Maritime Gateway, which will include a major port on the Wusta coast.

The plan involves an investment of about \$1.1 billion, towards which Oman signed a \$660 million loan agreement with the Japan Bank for International Cooperation last September. The port is expected to be ready by 2009, while the ship repair yard is to be completed by 2010. Oman hopes the development will become a major industrial and commercial hub, including power generation, petrochemical and water desalination facilities.

The consultant for the new shipyard is Royal Haskoning. South Korea's Daewoo Shipbuilding and Engineering has already secured a 10-year contract from the Omani government to operate and manage the shipyard, with an option on a further 10 years.

### **Real estate**

Work was launched last year on The Wave Muscat and the Blue City, while other major projects such as Omagine and Muscat Golf Course have been given the go-ahead.

Contractors Carillion Alawi, Al Turki Enterprises, Al Mashrikiya-Travo and Bauer Spezialtiefbau are currently engaged on housing construction and setting up of requisite infrastructure and related support structures for The Wave (see separate article).

Meanwhile, work on the \$3 billion phase one of the Blue City was launched in December. The first phase of the project will be built over an area totalling 5.4 sq km and will have 5,193 villas and apartments, four hotels, six retail areas with a total floor area of approximately 1.7 million sq m and it will be ready for delivery by 2010 (see separate article).

The Muscat Golf Course and the Oagine projects have also crossed key milestones. In December, Larsen & Toubro (Oman) received a real estate development contract worth \$110.37 million for the Muscat Golf Course project. The deal includes building luxury villas, apartments and roads for the township.

The planned \$1.5 billion-plus Oagine tourism project has moved ahead with Consolidated Contractors Company Oman (CCC), confirmed as the general contractor last month. In addition, its parent company Consolidated Contractors Group's (CCG) investment arm has indicated it will invest \$49.4 million in the developing company. The project, to be completed in four to five years, will be located on approximately 300 acres of beachfront land facing the Gulf of Oman just west of Muscat and will boast over a kilometre of beachfront. It will include commercial (retail, hotel and office) elements and more than 3,000 residences.

Meanwhile, last July, the government signed two contracts with local Muria Tourist Development Company for the development of two integrated tourist complexes, one each in Al Seifa and Salalah. Under the first contract, the government will allocate to the company an area of 6 million sq m in Al Seifa, in the Muscat governorate to build and operate it for up to 50 years. The first phase involves setting up of three five-star hotels, a golf course, a yacht marina for 200 vessels, a shopping mall, as well as luxury residential units and open markets. The company has to complete the project and all infrastructure works within a five-year period.

Under the second contract, Muria Tourist Development Company has been allocated an area of 15 million sq m in Salalah, for setting up of a similar complex under a 50-year

contract period.

Among other developments, the UAE-based Sama is developing two projects in Oman. These include the Yiti resort which comprises hotels, villas, apartments, a retail centre and a golf course; and a hotel project in Shinas, which entails construction of four hotels – two of which will be five-star – serviced apartments and a shopping centre, a 150-berth marina and an 18-hole golf course. Dubai-based MAF is also developing Yenkit, a 9.5 sq km resort including private beaches, hotels, golf courses, residential buildings and a fishing village.

Meanwhile, Radiance International (Oman) is spearheading a mixed-use development project called Green Acres in Muscat. It joined hands with Malaysia's Transmit Nanyang Engineering Construction last July to develop the \$500 million project, which will have water theme parks, hotels, housing, stables, golf course as well as a golf academy and driving range. The company has also signed agreements with six local companies for three other similar projects in Sohar, Bureimi and Dhofar with a total value of about \$600 million.

### **Roads**

A number of strategic road projects have recently got under way in Oman, both to link major cities as well as the interior regions. These include the \$342 million Southern Expressway and the 94-km Hasik-Shuwaymiyah Highway along the southern coast of the sultanate.

The Southern Expressway project is reported to be making good progress and this is due to be ready in early 2010. The Central Corridor, a road project that will link neighbourhoods in Muscat with the Southern Expressway, is nearing completion.

The Hasik-Shuwaymiyah Highway, which will be completed in four years, will provide an alternative route between Muscat and Salalah. The local Galfar Engineering and Contracting secured the \$178 million deal for the project last September.

Meanwhile, Oman continues with its drive to link interior areas. Last December, Nagarjuna Construction Company won orders worth RO56 million for the construction of Wadi Adai Al Amerat Road, which is expected to be completed within 18 months of starting construction. A major interior project that is nearing completion is the RO48 million Salalah-Thumrait road project, which was launched in September 2006. The 73 km dual

carriageway is part of the road which links the cities of Salalah and Thumrait, both in southern Oman.

### **Industry**

Sohar continues to be the focus of the sultanate's industrial ambitions, where Oman is investing more than \$12 billion in projects, including an aromatics complex, steel plants, a polypropylene plant, methanol and fertiliser projects and an aluminium smelter. The mega aluminium venture – Sohar Aluminium – is due to come on stream this year.

Sohar will also accommodate a new equipment manufacturing plant to cater to the requirements of refineries, petrochemicals, fertiliser and other processing industries. Larsen & Toubro Heavy Engineering, a joint venture between Larsen and Oman's Zubair Corporation, has signed a deal with Sohar Industrial Port Company to set up the plant, which will involve an initial investment of \$50 million.

Salalah also has its fair share of industrial projects among the largest being Octal Holding Company's new \$300 million polyethylene terephthalate and amorphous polyethylene terephthalate (a packaging material) facility (APET) and a new methanol plant. Octal plans to open the new 300,000 tpy plant located next to Salalah Port in May. Meanwhile, Salalah Methanol Company has signed a financing deal for the construction of the 1 million tonnes per year methanol plant, according to its parent firm, Oman Oil Company.

The plant, to be built in the Salalah Free Zone, is expected to be operational in early 2010 and entails a total investment of \$910 million. The EPC contract was awarded to GS E&C of Korea last March. The methanol production facility will include power generation, water desalination as well as construction of seawater intake and supply facilities.

### **Other projects**

- Oman's privately-held Al-Buraimi University College has awarded a (\$7.8 million) contract to Gulf Office for Engineering Consultancy to design and oversee the construction of the college's new building, which will comprise administrative offices, lecture halls, libraries, computer labs and sports halls as well as internal student residential units. It will cover an area of 100,000 sq m and will have a capacity for 2,500 students. Construction work is expected to start in April and the new



building is planned to open doors for the 2009 academic year.

- Oman Wastewater Services Company is to launch work shortly on its 82,000-cu m-a-day sewage treatment plant at Seeb as part of a series of wastewater projects being developed in the sultanate.

- Punj Lloyd has received a major order from Oman Gas Company for the construction of a 24-inch, 40- km pipeline as well as a 32-inch, 292-km pipeline. The project is expected to be completed by October.

- Carillion Alawi is building the House of Musical Arts, which will include a 1,000-seat concert hall to accommodate the full range of arts, including music and drama productions as well as opera.

- Galfar Engineering and Contracting Company (Galfar) has recently won a \$70 million contract for the construction of the headquarters of Bank Muscat in Seeb.

- Muscat City Centre has completed its 16-month, RO22.5 million expansion project, increasing the centre's gross leasable area from 33,036 sq m to 60,484 sq m. The mall has added 42 top new brands, a first-of-its-kind, dedicated flyover and a spacious multi-level parking lot.

- Work is expected to start shortly on the 200-room hotel project in Muscat for Ecos Hotels, a newly-created Dubai-based budget hotel chain. The project – the chain's first in Oman – is expected to be completed in the last quarter of 2008.