Construction & Real Estate

The number of mega-projects is continually on the rise
Infrastructure is set to undergo a massive overhaul
Developments to address the residential unit shortage
Diversifying the economy for the sake of sustainability

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As of end-June 2007, the sector contributed $4.7bn to the economy

A whirlwind of activity

Expansion continues with an ever-increasing number of mega-projects

In June 2007 cyclone Gonu slammed into the Omani coast with winds in excess of 200 km per hour and 12-metre-high waves, leaving buildings submerged, roads washed away and thousands homeless. The damage done by Gonu is now being repaired with foreign direct investment, rising wages and a population explosion, fuelling a surge in construction that is erecting structures all over the country.

Due to the continued expansion of the construction sector, the value of projects in development in early 2007 was an estimated $25bn-30bn. Much of this has been fuelled by the unprecedented growth of mixed-use mega-projects across the country, many of which will require financing in excess of $1bn. Significant government investments in infrastructure, low interest rates, high liquidity, an increasing population and new investment-friendly legislation also serve to enhance projected values. Through the end of June 2007 Oman's construction industry contributed OR1.81bn ($4.7bn) to Oman's economy, up 21.6% on the 2006 figure of OR1.49bn ($3.9bn) and accounted for nearly one-third of the Sultanate's GDP.

With the government's focus on diversifying the economy, the industry, tourism and infrastructure sectors are leading the way in construction projects.

SECTOR PLAYERS: With so much work to be done there are simply not enough builders to go around, and construction companies are seeing massive revenue growth and increased profit margins despite a backlog of projects. Although cyclone Gonu wreaked havoc with contractors' timetables, the storm will ultimately be beneficial, as both the government and private sector repair damages, reinforce current buildings and infrastructure in preparation for the possibility of another catastrophe, and alter plans of future projects to make them stronger.

According to Carillion Alawi managing director David Skinner, even if each company in the sector grew by 50% they would still not be able to meet the demands of all the big projects. Partly owned by UK-based Carillion, Carillion Alawi has used the new business to make it one of the largest construction companies operating in Oman today.

Other major construction companies that have operations in the Sultanate are Al Turki Enterprises, Al Hassan Engineering, Al Mashrikia-Travo, Galfar Engineering and Contracting Company, Strabag, Larsen & Toubro and Bauer Spezialtiefbau.

Investors are so enamoured with the construction industry that the Galfar Engineering and Contracting initial public offering (IPO) was oversubscribed 14.5 times in August 2007. Rivalling even the Omantel IPO by setting a new record for IPO collections in Oman, the offering brought in OR872.97m ($2.27bn), 40% of which went to institutional investors, and returned more than 82% on the first day of listing. The company posted a before tax profit of OR17.7m ($46m) through the first nine months of 2007, a 99% increase over the OR8.9m ($23.1m) recorded during the same period in 2006.

BUILDING BLOCKS: With $25bn in ongoing construction projects, there are simply not enough building materials to go around. As a result, the cost of building material has risen at a rate of 13.4% through the first-quarter of 2007, with the price of iron and steel increasing 19.4% and wood 31.5%.

Even with these dramatic, double-digit increases, costs still remain lower than in neighbouring Dubai, partly because of the feverish pace of development in the UAE and also partly due to government efforts to control spiralling costs in Oman.

Oman's cement market is fairly simple, with only two producers on the market: Oman Cement Company (OCC) and Raysut Cement Company (RCC). Both companies are listed on the bourse and run integrated plants, which produced a total of 2.86m tonnes of clinker and 3.61m tonnes of cement in 2006. Now nearing the upper limits of annual capacity for cement (4.4m tonnes) and especially clinker (2.9m tonnes), 2006 production totals represented a 32.4%

The total value of projects underway at the beginning of 2007 was estimated at $25bn-30bn. At the end of June 2007 the construction industry accounted for one-third of Oman's GDP.

The Blue City project is worth approximately $20bn

Oman Cement Company and Raysut Cement Company are the only two cement producers in the country. RCC is the market leader in cement and clinker production with 1.8m and 1.6m tonnes, respectively.

annual increase in clinker production and a 34.4% rise in cement output.

The vast majority of domestic demand was met by the two Omani producers, with only nominal amounts being imported by OCC (0.11m tonnes) and RCC (0.38m tonnes). Market leader RCC led in both clinker and cement production in 2006, with 1.6m tonnes and 1.81m tonnes produced, respectively. Through the first nine months of 2007, RCC reported net profits of OR19.7m ($51.2m), up 25.6% over the OR15.7m ($40.8m) registered in 2006.

OCC produced 1.26m tonnes of clinker and 1.8m tonnes of cement. Annual profits for the company in 2006 amounted to OR20.6m ($53.6m), which is a 13.3% increase over the OR18.1m ($47m) recorded the previous year. In order to meet rising demand, both competitors have been aggressively expanding their capacity by a combined 60% over 2006. OCC added 1.24m tonnes per year to its cement capacity as of mid-2007 and it is also investing $162m in a new 4000 tonnes-per-day clinker line scheduled to begin operations in 2009.

Not to be outdone, RCC also commissioned a new 2200 tonnes-per-day clinker plant in 2007, as well as a new floating cement terminal at Port Sultan Qaboos. The new terminal is capable of producing 720,000 tonnes of cement annually. As capacity increases and because both suppliers are reluctant to engage in a price war, many in the industry see prices stabilising for the time being, with the exception of price-sensitive materials such as copper.

Planned plots by use, 2002-06

	2002	2003	2004	2005	2006	Total
Residential	17,592	15,557	46,490	126,599	67,972	274,210
Commerical	1102	1223	3289	7685	2367	15,666
Res/com	0	0	0	3612	3645	7257
Industrial	179	96	1359	1648	1336	4618

SOURCE: Ministry of Housing, Electricity and Water

INDUSTRIAL PROJECTS: As one of the two primary areas of focus by the government for economic development, the Omani industrial sector is in the midst of a massive investment period, with more than $30bn in ongoing construction projects in the oil, gas and industrial sectors.

A significant portion of this investment is taking place in Sohar to further establish its place as a new manufacturing, industrial and logistics centre for the country. Some $12bn is being dedicated to numerous heavy industrial projects, including an aromatics complex, steel plants, a polypropylene plant, methanol and fertiliser projects, and a $1.7bn aluminium smelter. International industrial heavyweights including Shadeed Iron & Steel, Air Liquide, LG Alcan, Hutchinison Port Holdings, Steinweg, MAN Ferostaal, Methanol Holding International and Suez are all involved in the port.

Salalah port is also being converted from a fishing port to an industrial centre with a number of new construction projects. Octal Holding Company is building a new $300m polyethylene terephthalate and amorphous polyethylene terephthalate (a packaging material) plant, scheduled to be online in May 2008, as well as a new methanol plant.

Another $910m methanol plant with a capacity of 1m tonnes per year will be built by the Salalah Methanol Company in the Salalah Free Zone. South Korean company GS E&C will build the plant, which is scheduled for completion in 2010.

AIDING TOURISM: A number of multi-year, multi-billion dollar tourism projects are also currently under development. With financial backing from regional heavyweights, construction companies in Oman are now being treated to the super-sized developments first pioneered in its Gulf Cooperation Council (GCC) neighbours such as Dubai.

The dozens of mega-projects, such as the $20bn Blue City project, $2bn Yenkit, $1.6bn Omagine, $2.4bn the Wave and numerous others are enough to keep construction crews busy for years. With high occupancy rates and a total of 2144 five-star and 1500 four-star hotel rooms, hotel space in Oman can be hard to come by. Desperate to meet the growing demand, contractors are currently building more than 30 new hotels in the Sultanate.

UTILITIES UPGRADE: Population growth, along with the rapid development of resource-intensive industries, including tourism and heavy manufacturing, have put pressure on the government to deliver basic necessities, including power and water.

There are numerous projects underway to meet this increasing demand, the largest of which is the $800m Barka II/Rusayl power plant. The co-generation power plant is to have an installed capacity of 678 MW, and it will produce 26.4m gallons of water per day. Another build, own and operate tender is expected for the Salalah independent water and power plant, which will have an installed capacity of 400 MW and 15m gallons of water per day. Omani company Larsen & Toubro has also been active ➔

Nasser H Al Ansari

Private potential

OBG talks to Nasser H Al Ansari, Chairman's Advisor, Qatari Diar Real Estate Investment Company

Is there enough capacity in the construction sector to accommodate all the region's projects?

AL ANSARI: The construction sector is becoming saturated. Many developers are experiencing difficulties when it comes to employing high-quality contractors. Growth has been tremendous over the past five years and the region does not have a strategic plan to guard against changes of this magnitude in the market. In Oman's case, there is actually still room for continued growth, particularly in the tourism sector. The country is unique in the region for a number of reasons, including natural beauty, friendly people and rich culture. The government has been investing heavily in tourism infrastructure as well, so the airline, roads and airports are getting much-needed upgrades, which will help with the nation's overall capacity for development.

To what extent does volatility in the cost of materials and labour affect your planning?

AL ANSARI: It is important to build in contingency factors for this very reason. Feasibility studies take care of the biggest concerns. Time and money are not spent on projects that are projected to fail, of course. If a project is deemed feasible, then proper forecasting helps to further minimise risks associated with such factors as rising materials costs. This enables management to change operations at the right time and, consequently, to produce the highest profits. The elements of doing business are constantly changing, especially when it comes to materials and labour costs. Interest rates change frequently, customer preferences change on a regular basis, suppliers become constrained and the list goes on. As the factors that affect business change, company forecasts must also change. In this age of rapid development, accurate and timely forecasts have become incredibly important. Recognising the importance of good forecasting and utilising the best expertise available at the perfect time is the only way to run a successful business in this region.

Qatari Diar has invested regionally and internationally. Why did you put $163m into Oman?

AL ANSARI: We see Oman as an emerging market, particularly in terms of eco tourism. The country's natural environment is particularly striking and so there is great potential for resort, leisure and vacation destination growth. We will very likely go much further than our current investments in the country because we believe it has tremendous potential.

Government incentives for investors are increasing the potential that the country will allow more foreign participation. Low land costs, economic growth potential, availability of beachfront plots and good infrastructure are helping to create a great investment climate.

Foreigners can now buy freehold property in the Sultanate. Has this changed your strategy?

AL ANSARI: There is already increasing demand for leisure properties and second homes from the citizens of Oman and from elsewhere in the GCC. Nonetheless, there is definitely rising demand from abroad as well, which should continue to show strong growth for at least the next five to seven years. We see this as an important market to capture because it could allow us to form international partnerships. For example, we already hold Omani licences for Sotheby's and an agreement with North Course. These types of partnerships and agreements help us maintain a strong presence in many areas that we would not reach otherwise.

What other countries in the region or elsewhere do you see as investment opportunities?

AL ANSARI: The US is actually high on the list of new markets to enter, primarily in cities such as New York, Miami and Dallas. The US has good potential for future growth and now is a good time to enter, considering the current market climate. It is very important that we continually gauge changing market conditions elsewhere, as well, in order to discover new potential markets and opportunities as they arise.

Some 52 projects have been approved by the government, worth a total of $935m

As part of its economic diversification strategy, the government is making large investments in infrastructure, including the construction of new airports, roads and ports.

➔ in the power sector, winning two contracts totalling almost $80m. The first, worth $47.16m, is a joint venture with the Zubair Corporation to bolster the transmission and distribution network for the Dhofar Power Company, and the second, worth $32.55m, is to build five primary substations for the Muscat Electricity Distribution Company.

Work is also continuing on the Wadi Dhaiqa dam, which will issue four new tenders for recharging the dams and flood protection barriers, completing 516 km of paving, installing 4500 electricity posts and preparing technical studies on 14 sewage projects. The establishment of new 82,000 cu-metres-per-day sewage treatment plant at Seeb is also planned by the Oman Wastewater Services Company as part of its nationwide development.

As part of its Vision 2020 economic diversification strategy, the government is increasingly investing in the infrastructure of the country. Main areas targeted for development include ports, roads and civil aviation. A total of 52 projects have been approved by the government with a total spend of OR359.65m ($935m).

OUTLOOK: The feverish pitch of development in Oman looks to continue in the future, leading to sustained growth in the construction industry. Margins should continue to improve across the sector due to the abundance of projects and a scarcity of builders with an industry forecast of 13% average annual growth until at least 2010.

The long-term nature of several of the new mega-projects and, in addition, undersupply of stock across all sectors should also ensure continued expansion, along with substantial government outlays for supporting infrastructure. With demand for construction contractors and materials vastly outstripping supply, sustained high construction materials prices will remain a reality in Oman for the foreseeable future. Industry data also predicts a 10% expansion in cement usage through 2010, with a moderate drop off in growth thereafter to about 4-6%.

MORE AND BETTER

Tapping into the budget surplus accumulated largely on the back of a quadrupling of oil prices, the government is investing heavily in the Sultanate's infrastructure. At the 37th National Day festivities in November 2007, government officials announced the approval of a massive overhaul of the nation's infrastructure. The plan encompasses 52 projects with a price tag of OR359.65m ($935m). Priority areas targeted for development include ports and other marine services, roads and civil aviation.

A new ship repair yard at Al Duqm port will be the largest recipient of all marine projects, receiving RO186m ($483.6m). An integral part of the future Duqm maritime gateway, the shipyard is expected to by a keystone in the development of a new commercial and industrial centre. Port operations are expected to begin in 2009. Netherlands-based Royal Haskoning is consulting on the project and Daewoo Shipbuilding and Engineering, a South Korean company, has been contracted to operate the facility for 10 years. Sohar is the other major benefactor, with investments in many different areas, including the OR4.17m ($10.8m) phase two of the construction of docks in a new Sohar port as well as a new fishing port.

A total of 44 different road projects across the Sultanate, including a number of strategic highways and transportation routes linking major urban centres and the interior regions, are also targeted for development.

Some of the more significant projects include the southern expressway, which is scheduled for completion in early 2010, and the OR68m ($176.8m) 94-km Hask-Shuwaymiyah highway, which is being constructed over the next four years. The new highway will provide an alternate route between Muscat and Salalah.

Numerous other projects have been designed to improve access to the interior, such as the OR56m ($145.6m) Wadi Adai Al Amerat road being built by the Nagarjuna Construction Company, the OR48m ($124.8m), 37-km Salalah-Thumrait road project and the OR4.81m ($12.5m) Misbit road being built in Bidbid.

Six new airports are planned for the aviation sector, to be located in Sohar, Al Duqm, Ras Al Had, Adam, Haima and Shaleem, as well as the expansion of the Muscat International and Salalah Airports. The expansions come with a price tag in excess of $3bn, paid for by the government. Other agreements include a OR2.6m ($6.8m) contract for consultation services relating to the design and supervision of construction of the Ras Al Hadd Airport with contracts for similar services at the Sohar ($6m) and Al Duqm ($3.4m) airports.

Sales increased from 21,113 to 53,230 between 2005 and 2006

Resorts aplenty

New residential, commercial and retail developments are underway

In addition to the economic factors boosting the construction and real estate market, the government has introduced a number of investor-friendly laws, one of the most significant being the relaxation of foreign ownership restrictions.

Long known as a friendly, calm regional oasis, Oman's residents and visiting tourists are now as likely to hear the concussion of a jackhammer, the whir of portable drills and circular saw or the measured blow of a hammer than they are to hear a call to prayer or waves lapping on the beach.

Strong economic growth and population growth have driven the real estate market to heights previously unimaginable, as land prices have doubled, tripled and even quadrupled in the past few years.

RAPIDLY INCREASING INTEREST: "Appetite is growing because of the demand for stock, however the difficulty lies in land prices, which are currently very high compared to the returns in other markets," said Cluttons Property Consultants' general manager and partner Ian Gladwin.

With coffers flush with petrol dollars and inexpensive, easy credit leading to high liquidity, many speculative Gulf Cooperation Council (GCC) investors are snapping up real estate and driving up land prices in the entire region. Despite the massive amounts of cash being dumped into the real estate market, most developers are also becoming more sophisticated in their ventures and are now realising demand before building supply.

Legal transactions involving land in 2006 jumped 74% to 292,298 over the 2005 total of 167,942. Muscat led all governates and regions with 73,199 transactions followed closely by Al Batinah (66,852), Ad Dakhliyah (50,778), Ash Sharqiyah (50,496), Adh Dhahirah (25,072), Dhofar (19,210), Al Wustah (3482) and Musandam (3209).

On a longer timeline, mortgage and dismortgage transactions increased from 7123 in 2002 to 12,342 in 2006, deed transactions jumped from 48,074 in 2002 to 215,783 in 2006 and sales increased from a total of 21,113 to 53,230 over the same period.

In addition to the economic factors that are fuelling the current property boom, Oman's government has recently introduced more business-friendly measures targeting the real estate sector. One of the most notable of these is the relaxation of foreign ownership restrictions.

Soaring demand has led developers to abandon smaller projects and think big, with more than a dozen large-scale multi-use developments currently under construction across the Sultanate. Bigger projects also require bigger investments, although finding interested investors to foot the bill for grandiose mega-projects costing hundreds of millions of dollars has not been a problem as the region's surging economies continues to grow.

Following the lead of proven business models elsewhere in the Gulf, Oman's new developments are essentially small integrated cities in themselves, complete with hotels, residential villas, apartments, retail and commercial space, entertainment and even marinas and golf courses.

Some of the largest projects include the Blue City (Al Madina Al Zarqa), The Wave, Omagine, Yenkit, Muriya and more than a dozen others.

RETAIL SPACE EXPANSION: Until recently the majority of Oman's underdeveloped retail stock was limited to smaller sized souks and only a few large retail centres. However, increased international traffic, rising incomes and a taste for a greater variety of goods has spurred on the growth of larger shopping malls in the country.

In response to the increasing demand for large-scale shopping centres, about 68,000 sq metres of gross leasable area was under various stages of development at the end of 2007.

Approximately 68,000 sq metres of new gross leasable area (GLA) has been planned for retail space and was in various stages of development at the end of 2007. Another 75,000 sq metres is in the pipeline to be completed by 2011, according to figures from Retail International.

When completed, these developments will bring the total amount of retail GLA up to 343,000 sq metres, a 143,000-sq-metre increase over the 200,000 sq metres available at the end of 2006. Retail rates vary according to locale, with an average sq metre of retail space renting for RO10-12

($26-31) and space in higher-end shopping malls going for around RO16-19 ($41.60-49.40).

One of the most notable of a number of new shopping malls under development is the Muscat Grand Mall being built in the Al Khuwair district of Muscat. The mall will be built on 61,000 sq metres of prime real estate and is part of the Tilal Al Khuwair development project. The project includes commercial, residential and retail space and is due to be completed in 2009. Oasis by the Bay, the Mall of Oman and the Al Harthy complex are also in the process of being renovated.

Already the largest shopping centre in the country with 33,036 sq metres, Muscat City Centre completed an expansion in 2007, which increased its stock by 17% and added 63 new retail spaces, bringing total GLA to 60,484 sq metres.

Other large retail centres include the Markaz Al Bahja, Al Araimi, Zakher Shopping Mall, Al Sarooj, Capital Commercial Centre, Sultan Centre, Capital Stores, Khimji Megastore, Al Khamis Plaza, City Plaza, Sabco Centre and Jawharat A'Shati.

There are two malls being developed in Sohar: one 36,000-sq-metre project by the Safeer Group and another, the Al Masa Mall, by the Sharaf Group, which opened in late-2006. Capitalising on the success of its free zone and increased tourism activity, the first large-scale shopping centre in Salalah is also being developed by United Real Estate Company, a Kuwaiti shareholding company.

Although no major plans have been announced yet, a number of other areas hold significant potential for future retail development. Some of these include the area around the soon-to-be-opened southern expressway as well as waterfront and boardwalk property that is unutilised.

RESIDENTIAL: After residential building stagnated from 2002-04, the market has seen demand driven with a shortage of about 10-20% (or some 2500 units in Muscat annually) in the housing market. As a result, preferred residential unit prices in Muscat have effectively doubled in the past three to four years, growing from approximately RO75-100 ($195-260) in 2004 to RO150-200 ($390-520) per sq metre in 2007. Driven by the continual flow of highly paid expatriate workers into the country – as well as their large employers, which often foot housing expenses – medium-priced and luxury residential units are sprouting up all across Muscat.

Six of the new mega-projects will provide an additional 17,660 residential units when completed

These new mega-projects will provide a steady stream of supply for the market over the next decade. Some of the larger projects include Blue City, with finished capacity of 250,000 residents in 6000 residential units, the Wave (4000 residential units), Omagine (3900 residential units), Yenkit (3300 units), Tilal Al Khuwair (300 units) and Muscat Golf and Country Club (160 units). When completed, these six projects alone will provide an additional 17,660 residential units for the market.

While much of this new capacity is being built into large-scale mixed-use developments, there are also

There has been a shortage of about 2500 residential units in Muscat annually, and as a result unit prices in Muscat have doubled over the past three to four years, increasing from around $195-260 per sq metre in 2004 to $390-520 in 2007.

Individual home ownership is a fast-growing segment. Personal loans, which include housing loans, increased 26% from 2005 to 2006.

a number of stand-alone projects in the city. Spreading out to address other market segments, numerous affordable units are also being built. In 2006 the AlArgan Towell Investment Company completed the 72-home Al Hail residential development near Muscat City Centre shopping mall.

Originally these units were priced at a relatively reasonable RO35,000 ($91,000) in 2006, but the units are now worth roughly double that amount.

A similar project targeting the middle-income market segment in Al Hail, which consists of 100 town houses, experienced comparable appreciation as units that originally sold for RO38,000 ($98,800) are now worth approximately RO65,000 ($169,000). Construction for this project is underway and all units have already been sold.

HOME LOAN GROWTH: Individual home ownership is also a rapidly growing market segment, and home loans are a major contributor to growing credit activity in the country's healthy banking sector.

Personal loans, which include housing loans, increased by 26% from 2005 to 2006, an amount equal to 14% of Oman's GDP. These kinds of loans accounted for the majority of all bank- issued lending, with approximately 41%.

Until recently, the Oman Housing Bank and the Alliance Housing Bank were the only two institutions in Oman that specialised in home building loans, and they dominated this market segment. At the moment, with home ownership on the rise, numerous other players are also coming into the market, and new regulations have increased the amount of personal loans allowed as a portion of the banks' total loan portfolios from 40% to 45%.

The government of Oman, which is by far the country's largest landowner, also has a great deal of influence in determining the amount of supply released onto the market. Residential plots distributed by the government stood at 65,590 in 2006. These were released at a rate of $2.60 per sq metre with plots averaging 600 sq metres. The Omani government allocated a total of 3590 residential units for the social housing programme and granted financial assistance for home building or renovation to 1025 families for a total of RO7.02bn ($18.25bn).

In the rental market, prices increased by 25% in Muscat in 2006, pushing monthly rental prices for a two-bedroom apartment to $350-700, with even higher growth seen in other areas, such as Sohar.

COMMERCIAL: The increased presence of international companies, combined with a 12% increase in the Omani private sector in 2006, has begun to put upward demand pressure on the commercial market and has pushed Muscat into the top 35 most-expensive commercial markets in the world.

Since 2004 the price of commercial office space has increased significantly from RO150-200 ($390-520) per sq metre to RO300-400 ($780-1040) in

RULES AND REGULATIONS

Although high oil prices have so far been enough to fuel Oman's growing economy and create a comfortable budget surplus, declining oil production has spurred the Sultanate into diversifying its economy for the future.

The leaders have recognised the potential of the real estate market as a major economic contributor, and the government has been relaxing restrictions in an effort to promote growth and investment in the sector.

One of most significant recent changes was the altering of the laws regulating foreign property ownership in Oman in order to stimulate greater investment in the tourism sector. According to Decree No 12/2006, non-Omanis are now able to purchase freehold property in designated integrated tourism resorts for the purposes of residence or investment.

Aimed at the dozens of new resorts being constructed in Oman, a number of the mega-projects have already been granted integrated tourism resort status. The resorts that have been awarded the status include: The Wave, a resort on an area of 2.5m sq metres; Muscat Golf and Country Club, with a residential development, golf club and spa; Blue City, a new city for more than 250,000 residents and visitors; Salam Yiti Lifestyle Resort and Spa; and a resort village called Barr Al Jissah Resort and Spa.

Omanis will also find it easier to obtain funds with which to buy a home after the cap imposed on banks for personal loans – which include home loans – as a percentage of total loan portfolio was increased from 40% to 45%.

Strict building restrictions, which give the capital Muscat much of its distinctive character, such as height restrictions and the use of traditional architectural styles, are also coming under strain as larger projects, as well as a rising population density, give rise to the argument for taller, higher-capacity buildings.

In response to this growing pressure, the traditional six-story limit on buildings will be extended in some areas to a new eight-story limit. These laws build upon previous legislation such as the 2002 directive requiring public institutions to hold 10% of their reserves in real estate.

Not all laws were made to stimulate growth in the market across the board, however, and government concerns over the ballooning residential rent prices induced a decree capping rental increases at 15%. The full effects of the regulation have yet to be felt. So far, the decree has resulted in some initial confusion, as the decree has yet to be codified, and implementation could prove to be somewhat challenging in the future.

Breakdown of plots by use and region, 2006

Region	Land use				
	Residential	Commercial	Residential/ commercial	Industrial	Agricultural
Muscat	16,920	4	998	0	0
Al Batninah	19,885	86	1216	0	0
Musandam	696	6	19	0	0
Adh Dhahirah	3224	412	0	204	0
Ad Dakhliyah	13,616	63	788	214	0
Ash Sharqiyah	9675	44	348	436	1
Al Wusta	1690	284	276	160	0
Dhofar	2266	1468	0	322	12
Total	67,972	2367	3645	1336	13

SOURCE: Ministry of Housing, Electricity and Water

2007. Commercial rental prices lead all market segments at approximately RO15-16 ($39-41.60) per sq metre, which is an increase from RO10 ($26) in 2006 and RO6 ($15.60) in 2005.

ATTRACTION OF BUSINESS PARKS: Much of the commercial space has been historically located in eastern Muscat in the central business district. However, with growing congestion and an increasing appetite for state-of-the-art workspace, companies are exploring new locations.

"The central business district is becoming obsolete. The Bank of Muscat is moving out, and there are only small plots there. Demand is changing and the traffic is making the commute difficult," Gladwin told OBG. "Projects are now moving west and will be developed in a business-park, low-rise style, with more support services for the longer business days that people tend to work now."

Construction of a new business park in the Azaiba district of Muscat is scheduled to break ground in 2009, and is due to be completed by 2011. According to Mohammed Al Barwani, the chairman of the project's developer, MB Holding Company. The $300m park will include modern corporate offices, upmarket retail facilities, a five-star hotel and serviced apartments.

Qurum will also see a significant influx of business-related development in the coming years, with both Muriya's Qurum City complex and AlArgan Towell Investment Company developing 35,000 sq metres and 13,000 sq metres of office space, respectively. In total, up to 200,000 sq metres of office space will be developed over the next five years, much of it in large new business parks.

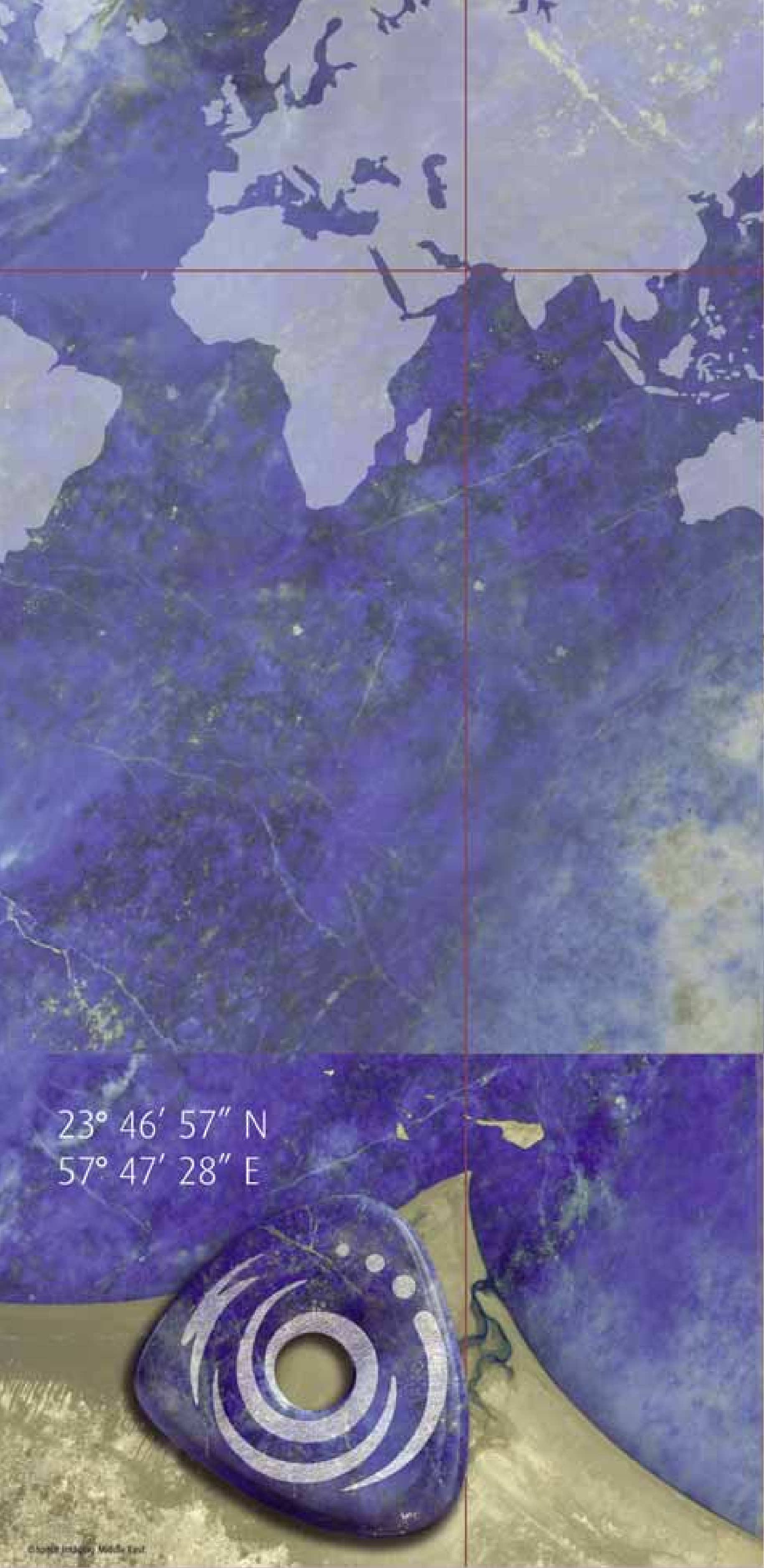
OUTLOOK: The current economic growth and influx of foreign workers and companies into Oman has spurred a real estate upsurge that looks to be sustainable for at least the medium term.

Favourable government action, which includes substantial investment in infrastructure, increased land distribution and more investment-friendly ownership regulations also bodes well for the sector.

The very strong speculative market, as well as undersupply across the residential, commercial and retail market segments should all continue to produce high valuation of properties until a substantial amount of stock is delivered over the next five years.

According to Decree No 12/2006, foreigners are now able to purchase freehold property in designated tourism resorts in Oman.

Due to the congestion in the central business district, commercial projects are moving to new business parks with more support services.



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A new city is born

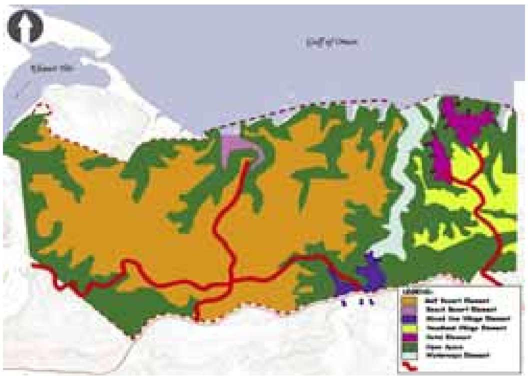
The top 15

Projects that will change the face of the country

Despite the fact that Oman is just beginning to cash in on the region-wide building craze, the Sultanate has not wasted any time when it comes to attracting major investors to fund mega-projects. The sheer volume of projects in development and under construction in the country right now is stunning, especially when considered in the context of Oman's recent history. A decade ago the country's construction and real estate industries might easily have been described as sleepy and provincial, but not anymore. Today developers are erecting enormous towers and drawing up entire cityscapes from what used to be barren deserts and empty coastlines. While there is no doubt that Oman's recent development has been motivated in part by the awe-inspiring projects going up in Dubai and the other emirates, the Sultanate is taking a slightly different approach, focusing on environmentally friendly projects that are aimed not so much at the average tourist, but at the refined luxury traveler, adventure seeker or family-oriented holidaymaker.

Blue City

Developer: Al Sawadi Investment and Tourism
Cost: $15-20bn
Expected completion: 2020
Blue City will be located approximately 100 km outside of Muscat and house over 250,000 residents. It will contain commercial and leisure facilities including resorts, five-star hotels and golf courses.



Yenkit

Developer: Yenkit Tourism Development
Cost: $2bn
Expected completion: TBA
The development will be located south-east of Muscat. In addition to four five-star hotels, 1400 residential villas and 1900 residential apartments, it will have an 18-hole golf course and sports facilities.

Omagine

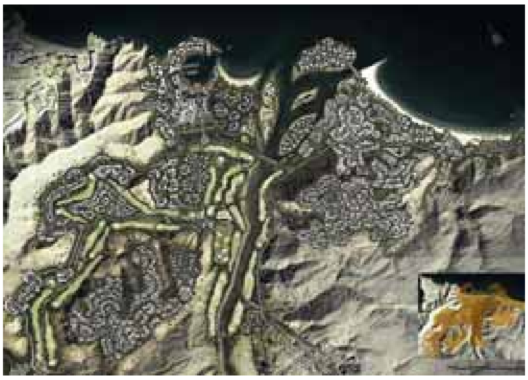
Developer: Journey of Light
Cost: $1.6bn
Expected completion: 2011-12
Omagine will feature a unique cultural theme park named the Landmark, which will include seven pearl-shaped buildings and exhibition halls. It will also have hotels, restaurants, parks and residential space.

Salam Sports and Leisure Resort – Shinas

Developer: Sama
Cost: $1bn
Expected completion: 2012
Salam Sports and Leisure Resort will house four hotels – including two five-star – as well as serviced apartments. Additional facilities include a shopping center, a 150-berth marina and an 18-hole golf course.

Tilal Al Khuwair

Developer: Al Madina Real Estate
Cost: $1bn
Expected completion: Grand Mall-2009; Project-2011
Located in Muscat, this commercial and residential development will be for shopping, entertainment and work. The 350,000-sq-metre facility will include the Muscat Grand Mall and a five-star hotel.



Salam Yiti

Developer: Sama Dubai and Omran
Cost: $1.6bn
Expected completion: 2011
The Yiti resort will have three five-star hotels, 400 villas, 1000 apartments and 720 townhouses. Other facilities included a souk retail centre, an 18-hole golf course, a marina, a beach and community facilities.

Al Khyran Resort

Developer: AlArgan Towell Investment
Cost: $30m
Expected completion: 2010
Located 17 km east of Muscat, this project will be developed as an exclusive hotel on 13.74 ha of wilderness landscape on an enclosed bay. The project will include an 82-room hotel, central facilities and a spa.

The Wave

Developer: Waterfront Investments (Omani government) and Majid Al Futtaim Investments
Cost: $2.4bn
Expected completion: 2013
The only project to be developed in Muscat, it will feature over 4000 residential units, an 18-hole Greg Norman golf course and a 300-berth marina.

Green Acres

Developer: Radiance International (Al Ishraq International) and Transmit Nanvang Engineering
Cost: $500m
Expected completion: 2013
The largest recreational development of its kind in the region, the complex will include residential areas, hotels, a golf academy and other activities.

Salalah Beach

Developer: Muriya (Oman Tourism Development Company and Orascom)
Cost: $200m
Expected completion: TBA
Salalah Beach will be in the southern Dhofar region and will include five hotels, 538 villas, 1000 apartments and features restaurants, retail stores and a marina.

Jebel Sifah

Developer: Muriya (Oman Tourism Development Company and Orascom)
Cost: $200m
Expected completion: TBA
Jebel Sifah will be located 45 km from Muscat and will include four hotels, 450 villas and 500 apartments, restaurants, retail stores and an 18-hole golf course.

Ras Al Hadd Resort

Developer: Qatari Diar
Cost: $164m
Expected completion: TBA
This eco-friendly resort will be built on the coast close to Sur and is inspired by the natural environment with an emphasis on sustainability. It will include hotels and villas and will cover an area of 2m sq metres.

Muscat Hills Golf and Country Club

Developer: Sayyid Kais bin Tarik Al Said
Cost: $400m
Expected completion: 2009
The luxury resort located in Muscat will feature a five-star hotel, an 18-hole championship golf course, 140 luxury villas, 29 luxury three-storey apartment blocks, a retail area and other recreational facilities.

Al Duqum

Developer: The Omani government
Cost: TBA
Expected completion: from 2010
Al Duqum is strategically located close to international shipping lanes and will include a dry dock, a crude oil export terminal, downstream industries, an airport, a free zone and commercial developments.

Port of Sohar Expansion

Developer: Port of Sohar
Cost: TBA
Expected completion: TBA
The Port of Sohar is located in the north-east and is close to the UAE. It serves as an industrial centre. Expansion will increase the port's size from 2000 ha to 6000 ha. It is managed as a partnership.