


COVER
STORY



BOOM TOWN



Much has been written about Qatar's economy and its record-breaking growth. But this growth is fuelling an unprecedented construction boom which is seeing some of the region's – if not the world's – biggest projects currently underway in this tiny peninsula. And that was before Qatar won the rights to host the 2022 FIFA World Cup. **Rachel Morris** looks at what is underway, what is on the drawing board and what it all means for Qatar's business climate.

Everywhere you look in Qatar, something is under construction. Big projects, small projects and megaprojects. Buildings, roads, sewerage plants, apartment blocks and even new cities.

And this is only the beginning. Construction industry insiders believe that much of the main building activities will kick off between 2012 and 2013, especially the infrastructure and sporting facilities needed for the World Cup and beyond.

Which means there is more construction and disruption ahead for Doha's already besieged residents. But for investors and construction companies eyeing Qatar, the opportunities appear boundless.

On paper, the numbers are astounding and almost unbelievable. Qatar's current and future construction projects are fuelled by a period of record growth. In 2009, building and construction contributed US\$7.1 billion (QR25.78 billion) or 7.2 percent of the overall gross domestic product (GDP) of Qatar.

Government infrastructure investment plans for the future are massive. A whopping 36.9 percent of the 2010/2011 fiscal budget (QR43.5 billion) has been allocated for major capital projects, with infrastructure set to account for the majority of this at QR35.5 billion. And the country's comfortable fiscal position will enable it to continue allocating large sums to the infrastructure sector in the future.

Qatar's glowing economic growth potential is backed by its leadership. In an address given by the minister of finance and economy, HE Yousuf Hussein Kamal, on behalf of the prime minister and foreign minister, HE Sheikh Hamad bin Jassim bin Jabor Al Thani, on March 3, he told delegates attending a meeting of the Institute of International Finance in New Delhi that Qatar's GDP would increase by at least 18 percent in 2011. The International Monetary Fund is even more upbeat, forecasting that

Qatar's economy will grow by 18.6 percent this year, on top of the 16 percent expansion in real GDP in 2010.

To date, the State of Qatar's investment in construction is worth almost US\$100 billion (QR364 billion) in planned investments over the next 12 years. An estimated 40 percent of Qatar's state budgets are dedicated to infrastructure expansion projects, including rail, air and road links. This amounts to more than US\$66 billion (QR240 billion)-worth of infrastructure projects funded by the government alone.

COMING TO A SKYLINE NEAR YOU

The roll call of construction projects – both government-sponsored and privately funded – underway within the state reads like a billionaire's shopping list.

Currently under construction is the US\$9 billion (QR32.7 billion) New Doha International Airport (which was slated to open two years ago), as well as the US\$14 billion (QR50.9 billion) Lusail City development which will transform the area to the north of Doha into a thriving second city.

Lusail, which has been a 'slow burn' for developers Qatari Diar, when complete will accommodate 190,000 residents, offer a workplace for 170,000, and welcome 90,000 visitors. It is Qatar's largest single residential development project.

Also under construction is the US\$7 billion (QR25 billion) deep-water Doha Port, scheduled to open in 2014. The new port will cover an area measuring 20 square kilometres and is to be located between Al Wakra and Mesaieed Industrial City. The container-handling capacity of the new port after the completion of the first phase will be two million, which is to be upgraded to six million.

And then there is the US\$17 billion (QR61.9 billion) rail network to link the country and the Gulf Cooperation Council (GCC) region to the new airport, as well as the 12 stadiums

expected to host the biggest sporting event in the world in 2022. The construction of a fully integrated railway system in the nation of Qatar is set to begin at any time and will result in the creation of over 7000 new jobs.

Qatari Diar's managing director, Al Saad, who is also chairman of the newly created Qatar Railways Company, stated that this undertaking would be one of the largest of its kind throughout the Middle East, if not the world.

Al Saad expressed an eagerness to get started on the work of establishing this cutting-edge integrated network of railways as soon as possible, but did not mention a specific date for completion.

Further, in February, Qatar's Public Works Authority, also known as Ashghal, awarded a contract to United States-based group, KBR, to project manage the design and construction of 30 major roads around the capital of Doha. KBR will help deliver 30 expressway projects over five years, as part of Qatar's US\$20 billion (QR72.8 billion) roads building programme designed to improve traffic flow, and reduce congestion, travel times and environmental impact.

However, in a detailed analysis of the impact of Qatar's World Cup success on the country, the Middle East Economic Digest estimates that projects, not included in the above estimates, and worth as much as US\$60 billion (QR218 billion), initially on the drawing board, have now been given the green light post-2022 announcement.

These include a US\$4 billion (QR14.5 billion) stadium building programme that will see the construction of nine new eco-friendly and air-conditioned football stadiums and the expansion of three existing stadiums. The stadium programme includes the construction of the 86,000-seat Losail Stadium, which will host the tournament's opening and final matches and be the showcase for the event.

Other projects believed to be in the pipeline include: Al Wakrah Stadium, Al Khor Stadium, Education City Stadium, Sports City Stadium, Al Shamal Stadium, Doha Port Stadium, Qatar University Stadium and Umm Sal Stadium.

The troubled Qatar-Bahrain Causeway, sometimes referred to as the 'Friendship Bridge', said to be worth US\$4 billion (QR14.5 billion), is also back on the agenda after the 2022 announcement and a thawing in occasionally-frosty relations between the two countries. The longest single extension bridge in the world, the project was put on the backburner for 18 months because of political wrangling.

Another project finally moving ahead after several delays is that of The Heart of Doha, a project by Qatar Foundation partner, Dohaland. Renamed 'Musheireb', the mixed-use development has been designed to reinvigorate the 'heart' of the city which fell into disrepair when much of the business community moved to the West Bay district. The project has been beset by problems, including key architectural contractor, Aedas, terminating their contracting in late-2010.

Once completed, Musheireb will feature 226 buildings in total, including a national archive, theatre and museum, hotels and heritage quarter. The project has a projected population of 27,637 and the entire scheme is estimated to be completed by 2016.

This list does not even include the myriad of towers and smaller projects currently underway in Doha and throughout the country.



BEHIND THE SCENES

What does this mean to players already in the market? Tony Saadie, executive general manager, Qatar, of Al Habtoor Leighton Group, told *TheEDGE* that the industry and the government needs to be stringent with its selection criteria for construction companies and project managers.

“In many ways the playing field for construction companies remains the same. A number of the projects announced for the World Cup 2022 are not new, but ones that were already planned,” he reveals. “Due to the recent World Cup announcement, these projects will now be prioritised and put out to tender.

“It is essential that only experienced contractors who are already established in Qatar are appointed to construct the critical World Cup infrastructure, as well as the supporting infrastructure.”

Al Habtoor Leighton, which has been operating in Qatar since 2005 and has 1200 full-time local staff, is behind some of the country’s most high-profile projects. But, says Saadie, the ‘boom’ has not yet begun.

“World Cup 2022 is acting as the catalyst for the realisation of many previously planned projects, particularly in the infrastructure sector. The ‘boom’ has not happened yet, although there is a definite upturn in activity on expressions of interest and pre-qualifications.”

Among Al Habtoor Leighton’s projects is the Duhail and Umm Qarn Reservoirs project for Qatar General Electricity and Water Corporation, for the development of new and independent water infrastructure facilities, including six concrete reservoirs, a pump house, associated buildings, roadworks and landscaping, as well as a 17-kilometre water transmission pipeline. The company is also working on Qatar Foundation’s Al Shaqab Equestrian Academy at Education City.

“We operate in both the building and civil/infrastructure markets and believe the latter market will have more of a focus for us over the next 10 years in Qatar,” Saadie states. “We are awaiting outcomes of tenders submitted for a number of building and infrastructure projects. Currently we are tendering a major expressway project in Doha, a



large shopping mall and office complex, building works and a water reservoir project. Current pre-qualifications or expressions of interest underway are for major building projects, a retail facility, stormwater outfall, expressway and rail projects.”

The industry is certainly seeing interest and activity from existing and new players.

Arab United Construction (Arcon) has been at work in Qatar since 1991. General manager, Medhat Radwan, recently said that companies operating in the country have seen significant changes: “The most important change witnessed by the construction sector is in the increase in budgets allotted to projects.”

Both Radwan and Saadie admit there are challenges facing the local construction industry. “The size of current investments and projects in Qatar is huge and is taking place simultaneously, so there is a big demand for building materials, some of which are available in Qatar and others that must be imported,” Radwan says.

Recurrent rise in prices is also a problem, but the government addressed this problem recently and decided to freeze the prices of some building materials for the coming three years.

“Availability of staff and labour resources from our available pool in the Gulf and internationally is a great asset for us,” Saadi states. “Current supply capacity in Qatar for aggregates, cement and steel may need to be reviewed to ensure no supply-side bottlenecks occur.”

AN INDUSTRY UPSURGES

Ahmad Jassim Al Jolo, chairman of the Qatar Society of Engineers, confirms the overall impression that construction in Qatar is on the upsurge. “There will undoubtedly be enormous international interest in Qatar projects as a result of FIFA’s decision. Things will start to move by the middle of next year (2012), but we need to start with initial planning now,” he warns. “It’s a challenge, but a very encouraging one.”

Even feeder industries are experiencing a surge. Project Qatar 2011, the annual exhibition and gathering for the construction

One area of exploration remains partnerships between the public and private sectors, highlighted by the Ministry for Business and Trade as a way forward for Qatar.

industry in the country, reports that in contrast to last year's event, 2011 will see more exhibitors than ever, an almost 70 percent increase in the number of companies and organisations taking part, with approximately 1700 already signed up. This growth is expected to impact the number of international and Qatar-based visitors to Project Qatar.

"This is the biggest Project Qatar we have ever undertaken both in size and numbers of exhibitors," says a spokesperson from IFP Qatar, the organisers of the event. "We had more than 32,000 visitors in 2010 and we expect to increase that number in 2011 significantly. This event continues to grow in size as the construction boom in Qatar and the GCC speeds up ahead of the 2022 World Cup, and as completion dates for major infrastructure projects loom."

Meanwhile, delivery and timing of these megaprojects is under the microscope.

Several projects that have been under construction for several years are starting to come online. The most significant of these, both strategically and symbolically, is the New Doha International Airport. The airport, already behind schedule, sits on more than 20 square kilometres of reclaimed land, and will be inaugurated on Qatar's National Day, December 18, this year.

Qatar Civil Aviation Authority chairman and managing director, Abdulaziz Al Noaimi, said in February that about 80 percent of the project had already been completed, including the state-of-the-art Emiri Terminal.

EXERCISING CAUTION

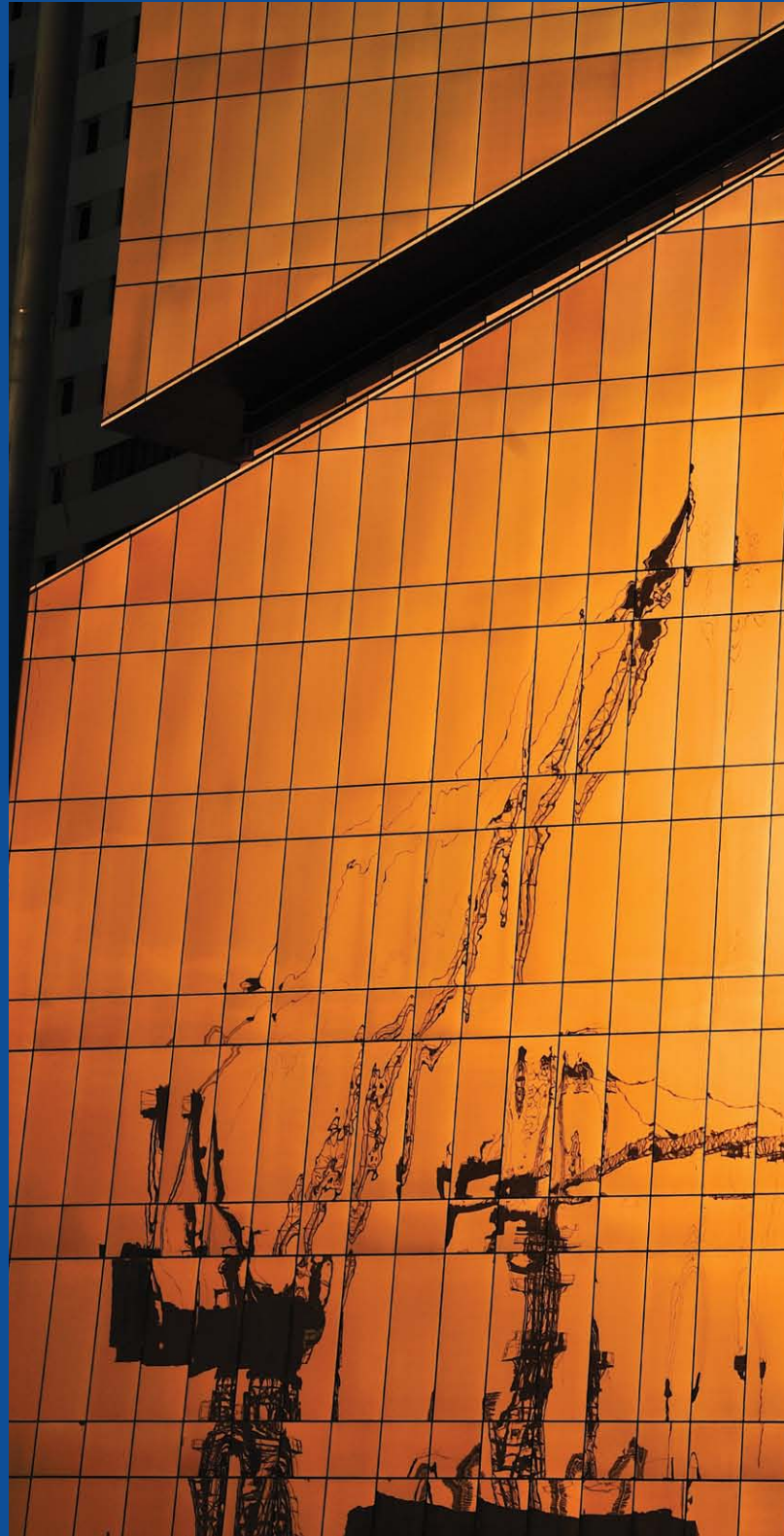
One area of exploration remains partnerships between the public and private sectors, known as PPPs. The Ministry for Business and Trade has highlighted this as a way forward for Qatar and has established a specialised unit to explore opportunities.

Al Habtoor Leighton has experience in such partnerships through its Australian arm.

"PPP is a mature concept in Australia and Europe and this model of project delivery has a long history in these markets and will take some time before being implemented here," Saadi says. "This region has a more traditional approach to project delivery and I believe the way forward here would be to incorporate early contractor involvement in projects, particularly those that are technically challenging and require a short development and construction cycle."

But there are some who believe that Qatar's building boom isn't all it promises to be. Business Monitor International, in its report, *Qatar Infrastructure Report Q4 2010*, warned: "...a note of caution must be sounded considering the volatile nature of the construction industry, and the ability for relatively small projects to have a substantial impact on growth, or the cancellation or postponing of a contract on a contraction."

With the government and international agencies alike predicting GDP to expand by almost 20 percent this year, and a budget surplus in the double-digit billions, Qatar's economy is set to outstrip almost all others, the world over, in 2011.





“It’s essential that only contractors who are already established in Qatar are appointed to construct the critical World Cup infrastructure.” – Tony Saadie

Just about the only cloud on the horizon is the return of demand-driven inflation, though even this concern seems likely to dissipate in the face of sustained growth.

According to Deputy Prime Minister HE Abdullah bin Hamad Al Attiyah, Qatar has been witnessing a boom for the last 10 years in terms of growth and prosperity and it is up to the country’s leadership to ensure these projects are managed and developed wisely and prudently. ■

A SUSTAINABLE FUTURE

With the building and construction boom replicated across the region, the need for sustainable and green building solutions has never been stronger. The Qatar National Vision 2030 lays out the need for sustainable development in Qatar that seeks to meet the needs of the present generation without compromising the ability of future generations to meet their needs.

Qatar is creating new regulations to implement green building concepts in the country, the Minister of Municipality and Urban Planning HE Abdul Rahman bin Khalifa bin Abdul Aziz Al Thani said in March, stating that all future developments would be judged and approved according to their adherence to environmental standards. “The climate change data is clear – we are in a global environmental crisis, and building design and operations must be a key part of the response,” says Barwa and Qatari Diar Research Institute founder and managing director, Dr Yousef Al Horr.

Companies are taking note.

“Al Habtoor Leighton adheres to an environmental policy that ensures it complies with all relevant environmental laws and regulations, takes all practicable steps to prevent pollution in its activities, and conserves resources through the efficient use of energy and materials. We are certified to ISO14001:2004,” says Tony Saadie, executive general manager, Qatar, of Al Habtoor Leighton Group. “We are aware of the impact that our work can have on the environment, and as such, environmental management forms an important element of our project management and reporting systems.”