Q1 2026

CONSTRUCTION MARKET UPDATE

KSA & UAE

Matthews

CONTENTS

Matthews Europe, the Middle East and Africa is a full-service private real estate development company with an integrated development, project and cost management consultancy team.

Naia Island

Introduction 03

01 Global Economic & Cost Drivers 06

02 Construction Market & Activity Trends 10

03 Building Costs, Tender Prices & Market Implications 19

04 Market Implications 24

05 About Matthews 28

Introduction

As we enter 2026, construction activity across the UAE and Saudi Arabia remains strong, with on-the-ground delivery near peak levels. However, the notable slowdown in new project awards shows that while the market is busy, investors and project owners are increasingly selective, with costs and delivery risk under closer scrutiny.

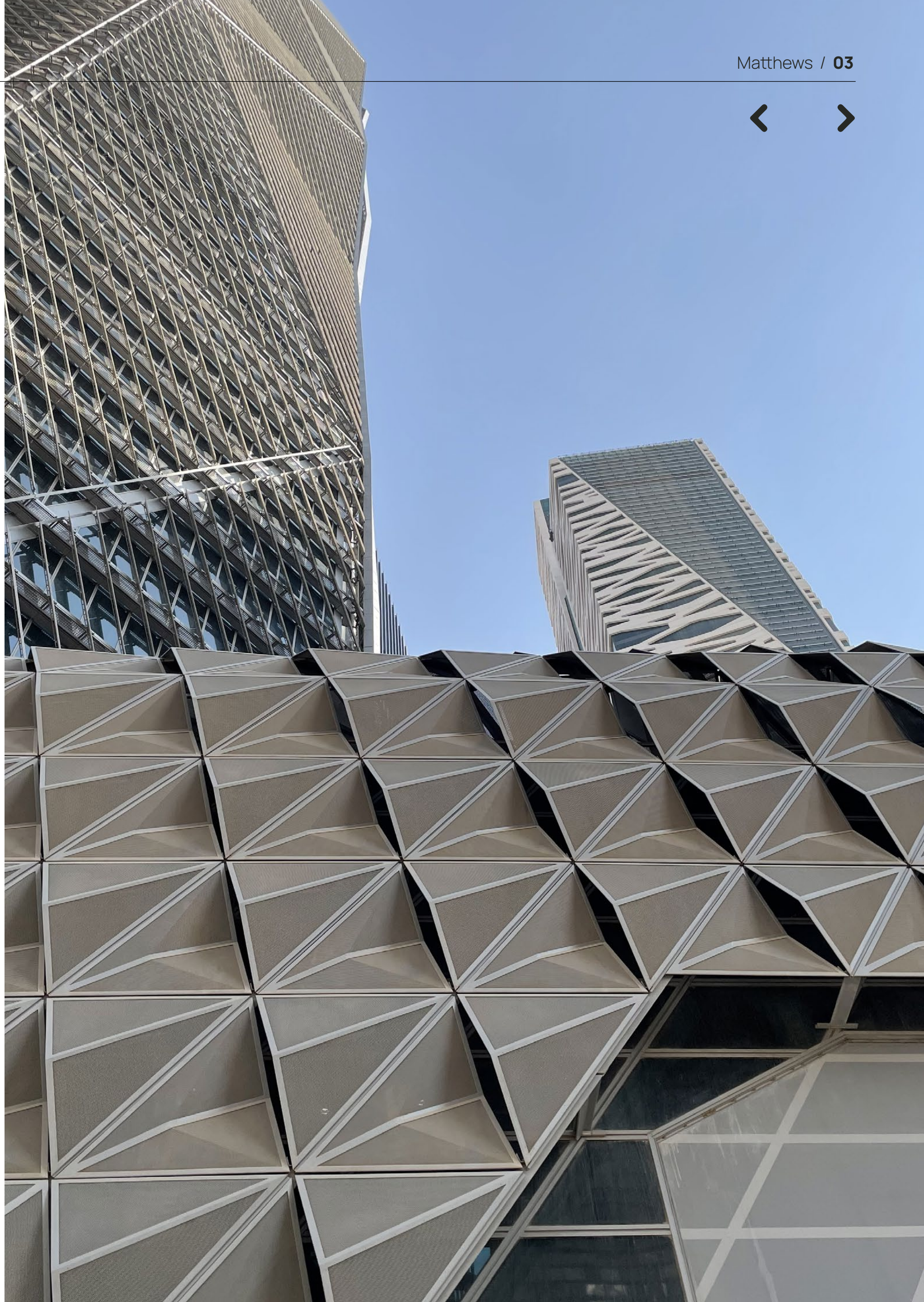
Tender Price Inflation is expected to hold at 2–4% in the UAE and 4–6% in KSA, driven by contractor selectivity, labour constraints, and pressure on MEP-heavy supply chains. While not headline volatility, these increases are material, and margins will tighten if not actively managed. Additional viability challenges from financing and regulatory costs are also impacting the private development landscape.

This report provides an up-to-date view of how market conditions, key cost trends, and delivery risks are influencing development strategies across both markets.

For developers and project owners, focus is needed in three areas:

- **Agile capital deployment:** Shorter, phased, de-risked programmes with disciplined cashflow and near-term revenue visibility.
- **Practical procurement planning:** Strategies should focus on early procurement and contractor engagement to lock in prices and secure capacity, especially on complex or MEP-heavy assets
- **Realistic delivery planning:** Build in contingencies for delays and cost escalation, as delivery certainty and risk control will be key to maintaining investor confidence and protecting returns.

At Matthews, we support clients with data-driven insight and integrated strategies, with focus on aligning capital with viable opportunity, ensuring cost discipline, de-risking delivery, and maintaining control through every stage.



Economy

GDP Growth
2025E **4.8%**
2026 – 28F ...... **4.7% p.a**
Average p.a

Interest Rate
Dec 25 .... **3.9%**
Base Rate

Inflation
Oct 25................. **3.4%**
Annual %, Dubai

Construction Activity

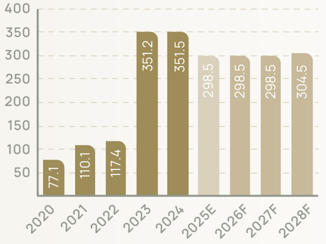
Value of Project Awards
2024 .... **AED 351 bn**
2025E........... **AED 298 bn**

Value of Construction Output

	UAE	Dubai	Abu Dhabi
2024 AED bn	157	26.8	113.2
2025 AED bn	168	31.5	122.3

Construction Output Growth
2025E **8.5%**
UAE, %, real
2026 - 28F **4.1%**

UAE Value of Project Awards (AED, bn)



Growth Sectors
Residential: Dubai - Private led; Abu Dhabi: Private & Citizen Housing
Transport: Airport, Rail, Bridges
Utilities: Energy, Transmission
Hospitality: Dubai - Hotel Refurbishment, Repositioning; Abu Dhabi - Theme Park, Cultural
Digital: Data Centres, Smart Grid Expansions

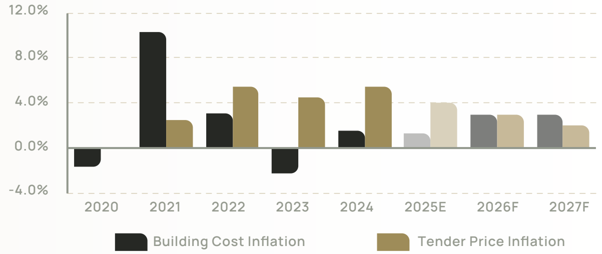
Building Cost & Tender Prices

Building Cost

Annual%	Total	Materials	Labour
2023	-2.1%	-4.2%	2.9%
2024	1.6%	1.5%	1.2%
2025E	1.3%	0.7%	3.1%
2026F	1-3%		

Tender Price Inflation
2025E **3-5%**
2026F **2-4%**

Building Cost and Tender Price Inflation
Central Forecast, Annual %



Real Estate Indicators

Residential Market
Dubai

Project Launches, No
2024 .... **567**
2025 YTD........ **649**

Average Annual Units Delivered
2023-25 .... **35,900**
2026-28F **93.400**

Residential Transactions
Annual % estimated

Volume, No
2024 .... **172,430**
2025 to Q3 ..... **150,140**
+18%

Value, bn
2024 .... **426**
2025 to Q3 ..... **392**
+20%

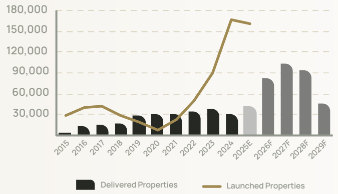
% Mortgage Transaction
2024 .... **24%**
2025 to Q3 ..... **25%**

Abu Dhabi

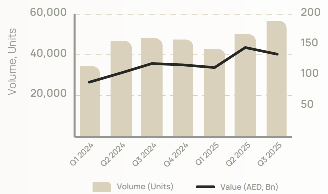
Average Annual Units
Residential supply expected to grow by 4.6% p.a. between 2025 to 2028
2023-25 .... **13,670**
2026-28F **15,670**

Residential Transactions
2025 YTD
Volume .... **+31%**
Value .... **+29%**

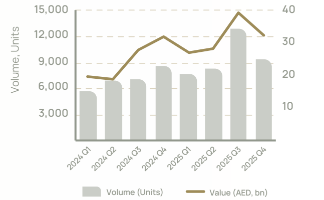
Dubai Residential Unit Supply



Dubai Residential Property Transactions



Abu Dhabi Residential Transactions



Hospitality

2025 YTD	Existing Stock (Keys)	Pipeline		Hotel Occupancy	Hotel ADR
UAE	~213,928	~103 projects/26,061 rooms			
		~235,674 rooms by 2030			
Dubai	~152,800	56 projects / 13,902 rooms	+2%p.a	81%	~AED 584
		165,340 by 2030			
Abu Dhabi	~34,300	10,730 active rooms in the pipeline	+6%p.a	79-80%	~ AED 590

Source: DCS, SCAD, IMF, MEED Projects, DXB Interact, DLD, Abu Dhabi Real Estate Center, STR, Lodging Econometrics, Matthews

Legend: Increase, positive market signal   Decrease, negative market signal   Stable, neutral market signal   E = Estimated   F = Forecasted

Economy

GDP Growth

2025E **4.0%**

2026 – 28F ...... **3.5% p.a**

Interest Rate

Dec 25 .... **4.5%**

Base Rate

Inflation

Oct 25.................. **2.2%**

Annual %, Dubai

Construction Activity

Value of Project Awards

2024 .... **SAR 584 bn**

2025E........... **SAR 298 bn**

Value of Construction Output

2024 ....**363**

SAR bn

2025 ....**376**

SAR bn

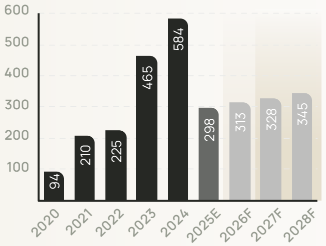
Construction Output Growth

2025E **3.4%**

%, real

2026 - 28F **5.4%**

KSA Value of Project Awards (SAR, bn)



Growth Sectors

Infrastructure: Riyadh Metro, airports, rail and other major transport upgrades nationwide

Entertainment: Qiddiya and other expanding entertainment venues

Sports: Stadiums and associated facilities

Urban New and Redevelopment: New Murabba and Diriyah Gate transforming urban areas in Riyadh, major residential developments across country

Hospitality: Major hotel and resort projects to support tourism and events sector.

Building Cost & Tender Prices

Building Cost

Annual%	Total	Materials	Labour
2023	-1.8%	-7.3%	6.5%
2024	3.0%	-0.7%	4.5%
2025E	2.5%	2.5%	1.5%
2026F	1-3%		

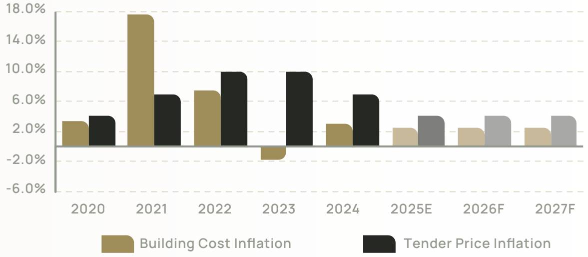
Tender Price Inflation

2025E **4-5%**

2026F............. **4-6%**

Building Cost and Tender Price Inflation

Central Forecast, Annual %



Real Estate Indicators

Hospitality

Total number of visitors

2024 .... **115.9m**

1st half 2025 .... **60.9m**

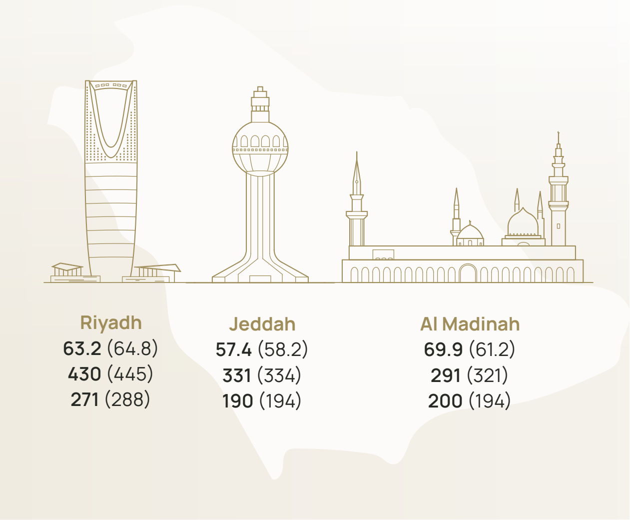
Share of foreign Visitors .... **ca. 25%**

Key Performance Indicators Q3 2025 (Q3 2024)

Occupancy (%) .... **51.1**................. (49.2)

ADR (SAR)................. **301** .... (302)

RevPar (SAR)............ **154**................. (149)



Hospitality Developments

Total licenced facilities (No) **5,622**

Facility Additions in Q3 2025 (No)......... **371**

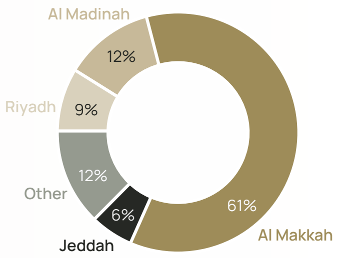
% addition in Q3 2025 (No) **7%**

Additional keys in Q3 2025 (No)........... **29,217**

% addition keys in Q3 2025 (No) **5%**

Total No. Of Keys In Hospitality Facilities

As of Q3 2025



Additions of Keys in Q3 2025 as % of Total

Riyadh **6%**

Al Madinah.......... **10%**

Al Makkah **4%**

Jeddah **5%**

Source: Gastat, Ministry of Tourism, IMF, MEED Projects, Global Data, STR, Lodging Econometrics, Matthews

Legend: Increase, positive market signal; Decrease, negative market signal; Stable, neutral market signal; E = Estimated; F = Forecasted

01

Global Economic & Cost Drivers

Geo-economics will continue to be a defining force in 2026

With trade and capital flows now political tools and US tariffs locked at higher levels, the balance between deeper fragmentation and the formation of new regional blocs will determine the pace of disruption.

Global trade is shifting from efficiency towards political alignment and security-of-supply, while capital investment pipelines are prioritising digital and infrastructure projects.

GLOBAL TREND

Global growth: steady but uneven

The global economy enters 2026 more resilient than expected, with regional differences shaping capital flows and investment decisions. Despite tariff shocks, energy volatility, and political noise in 2025, the world economy has adjusted, helped by milder-than-expected tariff impacts, flexible supply chains, and financial conditions that remain broadly supportive.

Inflation and interest rates: lower but sticky

Global inflation is easing but remains sticky in services, construction materials, and labour-intensive sectors. Interest rates are edging down, yet the ultra-low cost of capital of the 2010–2020 decade is unlikely to return. Meanwhile, the US dollar has weakened, adding complexity to global pricing dynamics.

Trade fragmentation and protectionism: a new economic reality

Tariffs, export controls, and the shift toward regionalised production are reshaping global supply chains. US–China tensions continue to disrupt the availability of high-end MEP equipment, metals, and digital infrastructure hardware, while geopolitical and logistics pressures could add volatility to freight costs and delivery schedules.

Capital investment: shifting towards strategic assets

Globally, capital is moving towards strategic assets, digital infrastructure, energy transition, transport, and resilient supply chains. Capacity constraints for specialist resources are impacting lead times, contractor selectivity, and execution risk on complex, MEP-heavy projects. The global race for AI, data centre, and advanced MEP talent is pushing up costs and making workforce planning central to feasibility.

REGIONAL IMPLICATION

The UAE and KSA remain relative outperformers as capital prioritises stability, governance, and delivery reliability. The UAE benefits from its predictability, while KSA faces greater pressure to demonstrate consistent delivery maturity to turn interest into committed investment.

A weaker USD makes non-USD imports more expensive, adding modest cost pressure. While lower interest rates improve feasibility at the margin, financing costs remain a constraint for private, longer dated, or speculative developments. Developers are therefore expected to prioritise shorter programmes, phased releases, and assets with predictable cashflows.

Delivery risks remain elevated for MEP-heavy projects such as data centres, hospitals, and aviation assets, with longer lead times and cost premiums for critical components likely to continue through 2026–2027. This puts a premium on early procurement, broader supplier strategies, and tighter supply-chain management.

The UAE and KSA is aligned with these priorities, accelerating investment in infrastructure, aviation, digital capacity, and industrial corridors. Increasing private foreign investment will continue to hinge on demonstrated delivery capability and a predictable operating environment.

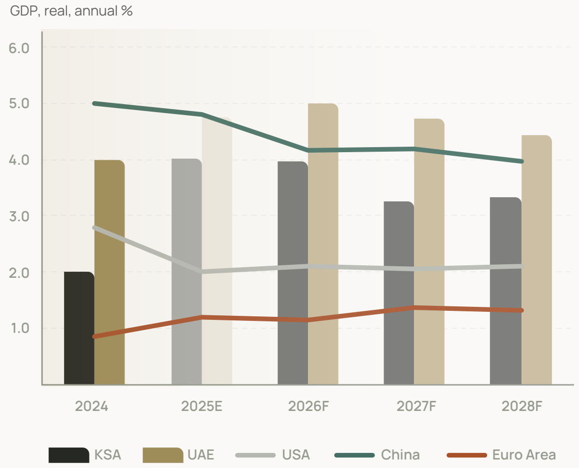
GDP growth annual average 2026-2030F

UAE	KSA	World
4.7%	3.5%	3.2%

Base interest rate in December 2025

UAE	KSA
3.9%	4.25%
January 2025 - 4.4%	January 2025 - 5%

Economic Growth Forecasts Diverge



Source: IMF, WEO, Oct 2025, SAMA, CBUAE

Global commodity prices – lower but less predictable

The full impact of higher tariffs on global industrial activity has yet to be felt, as these shocks typically take 9-12 months to work through supply chains. In 2026, softer global investment on infrastructure and manufacturing projects is likely to weigh on industrial production and construction, easing demand for commodities - fuels, metals, and key building materials in the near to medium term.

GLOBAL TREND

Oil: Downward pressure as OPEC+ unwinds cuts and China's industrial demand remains soft.

Copper and aluminium: Increased cost pressure due to electrification demand, potential supply concerns (copper) and a China production cap (aluminium), but cyclical softness in global manufacturing and construction activity caps near-term prices.

Steel: Stabilising but vulnerable to sharp policy-driven price fluctuations.

Freight and energy: Moderating but still volatile, influencing landed costs into the GCC.

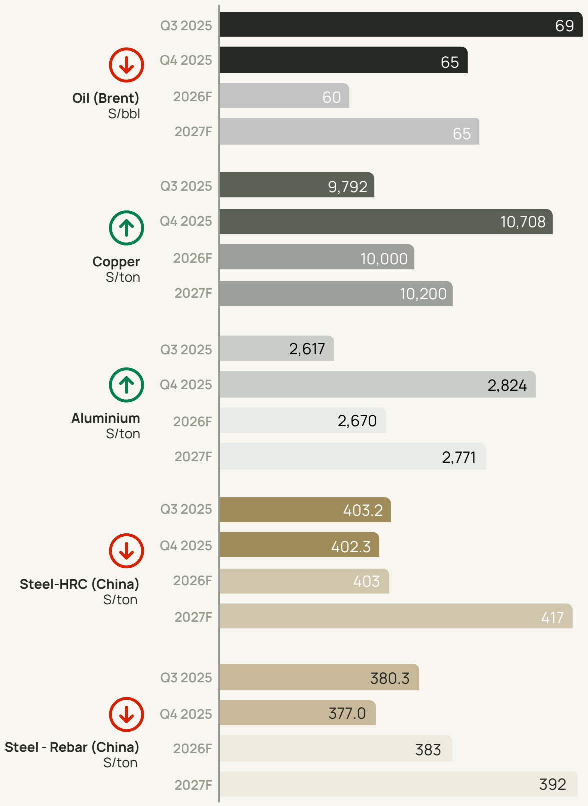
REGIONAL IMPLICATION

Softer oil prices narrow fiscal buffers, while volatility in metals and freight costs could impact project budgets and schedules.

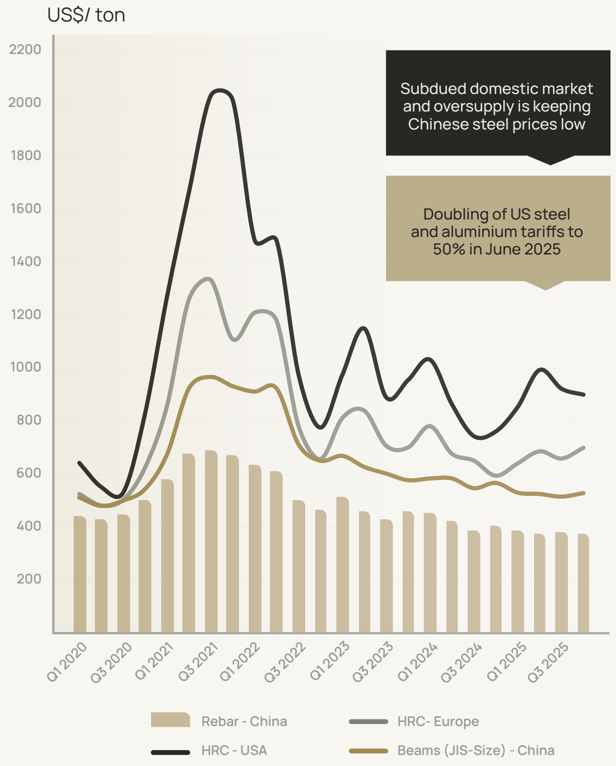
Commodity markets are increasingly shaped by industrial policy rather than supply and demand. Domestic supply chains, strategic-sector incentives, and competing trading blocs, particularly for battery and rare-earth metals, are creating persistent divergences, making price forecasts difficult.

Commodity Price Trends And Current Forecasts

Arrows indicate current Q4 2025 cost trends compared to Q4 2024



Global Steel Prices



International construction cost trends

The global construction industry has come through another year of adjustment. While government priorities vary, major markets are competing for AI capacity, advanced manufacturing, and strategic infrastructure investment, impacting capital investments, market dynamics and construction costs.

What this means for project delivery

Plan for steady, compounding inflation: A steady 4–5% annual rise equates to 15–20% higher costs by 2029.

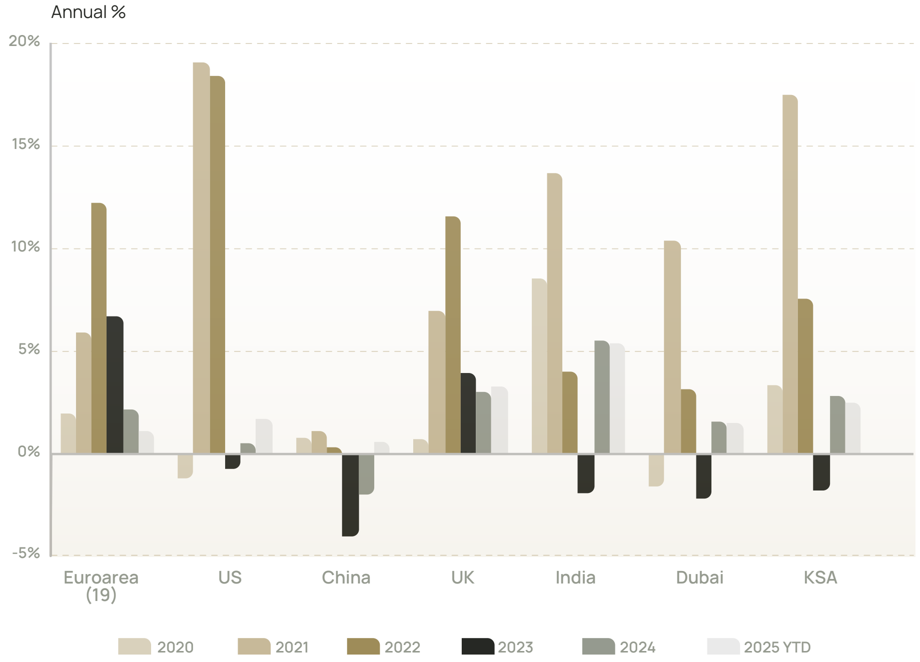
Labour strategy is critical: Access to specialist skills and labour costs will impact budgets and schedules.

Proactive procurement: Early contractor engagement, diversified suppliers, and selective bulk purchasing can materially improve outcomes.

Design flexibility matters: Substitution options, modular approaches, and value engineering routes help manage volatility.

Productivity gains matter: BIM, automation, and data-driven decision-making will increasingly become key differentiators in delivery and cost performance.

Globally, Cost Inflation has Eased from its Peak but Remains Firmly Positive



Tender Prices are Expected to Outpace Input Cost Increases

Global average tender price inflation

2025E **3.5-4.5%**

2026F **4.0-5.0%**

2027F **4.0-5.0%**

Labour shortages, particularly in specialist and MEP trades, are the main driver of price growth, while activity in data centres, aviation, transport, and energy-transition projects is keeping tender inflation in the mid-single digits through 2027.

Hot sectors could see higher tender price inflation of around **5-7% p.a**.

- Data centres (limited specialist contractors, MEP-heavy, long lead equipment).
- Rail and transport megaprojects (civil capacity constraints).
- Renewables and grid upgrades (specialist labour + materials demand).

02

Construction Market Activity & Trends

Flow of project awards slow, but activity on site at peak levels

Project award activity has eased from the 2023–2024 peak as markets absorb committed workloads, capital becomes more selective, and supply chains test whether current demand reflects a sustained cycle or a temporary spike.

In the UAE, construction volumes remain at record levels, growing 7–9% p.a. over the past three years, supported by strong residential, transport, digital infrastructure, hospitality, and industrial pipelines. The market is still expanding, but new awards are moderating, and performance is increasingly uneven across sub-sectors as developers focus on feasibility, speed to market, and income stability.

In KSA, the post-reset slowdown has shifted the market from the rapid momentum of 2022–2023 into a more structured delivery phase. Giga-projects are now more sequenced, public spending more selective, and 2026 marks a pivot toward execution. Riyadh remains the centre of activity, but regional markets (Medina, Jeddah, Asir) are also active. Delivery capacity has improved, easing some cost pressure, but as major aviation and rail programmes enter procurement, strengthening delivery reliability will be essential to building investor confidence and attracting sustained private and institutional capital.

Construction Market Trends

Mega-Infrastructure driving regional construction cycle

1. Digital & energy infrastructure surge
2. Transportation & Aviation programmes

UAE

3. Two-speed residential market
4. Accelerating refurbishment cycle

KSA

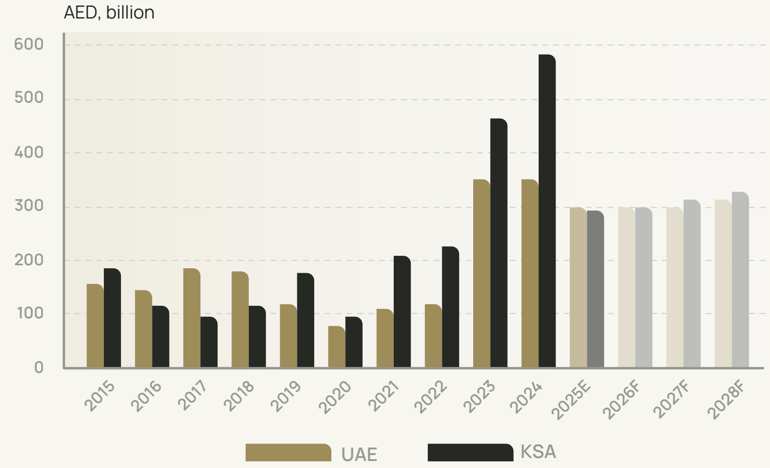
5. Phased, disciplined development strategies dominate 2026
6. Investor confidence driven by readiness and governance

Implications

7. Capital more selective, favouring certainty
8. Execution quality in focus
9. Delivery capacity stretched in specific segments

Project Awards

Sharp drop in 2023-2024 project awards, but current procurement pipeline still at a historic high level.



Construction Delivered on Site at Peak Levels

KSA:

SAR 370 bn

Est. annual construction output in 2024 and 2025

SAR 170–190 bn

Est. annual construction output pre-Covid

UAE:

AED 170-180 bn

Est. annual construction output in 2024 and 2025

AED 125-140 bn

10-year average prior to 2023

Mega-infrastructure driving regional construction cycle

Mega-infrastructure cycle

A new wave of aviation and rail projects is entering procurement in the UAE and KSA. Airport expansions, national rail corridors, and metro upgrades drive construction demand and reinforce the region's role as a global transit and logistics hub. Their scale and timing draw on the same contractors and programme management pool.

Implication

Cross-border competition for labour and specialist subcontractors could intensify, putting pressure on prices and challenging programme certainty, particularly as projects like Dubai's Al Maktoum Airport gain increasing momentum.

Digital and energy infrastructure surge

AI adoption, cloud expansion, and hyperscale demand are making digital infrastructure a major construction driver, with the UAE and KSA both racing to build regional data centre capacity. Power networks, transmission upgrades, renewable generation, and industrial electrification are accelerating in parallel.

Implication

Workload is shifting towards MEP-heavy, technically complex, power-intensive projects, tightening procurement pipelines, absorbing specialist labour, and pushing up demand for MEP-heavy supply chains.

Development drivers and considerations

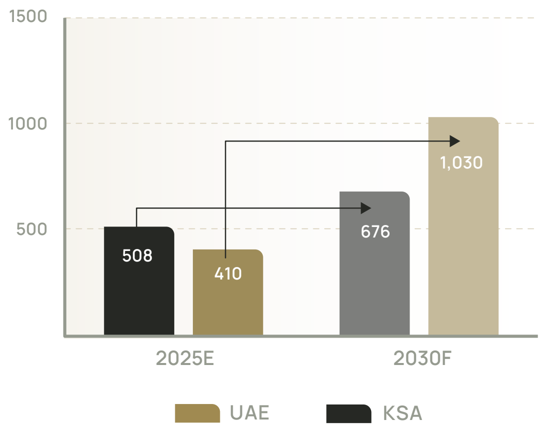
	KSA	UAE
Strategic Fit	Localised, regulated, industrial or giga-project workloads.	Regional AI, multi-country apps, high-density compute.
Development Management	Heavier compliance and localisation; domestic scale focus. Strong push for industrial AI, IoT, and digital government means workloads frequently require edge + central region infrastructure.	Regional hub; new AI/GPU capabilities appear here first; ideal for AI-heavy development. Lean development cycles with easier compliance and faster access to managed services. High maturity for standardised architectures, high-density compute.
Project Management	Larger governance overhead; Vision 2030 programme complexity; longer timelines. Stakeholder environment is more complex: ministries, regulators, sovereign funds, giga-project PMOs.	Faster project cycles, driven by commercial timelines rather than national program milestones; streamlined approvals. Hyperscaler partnerships (G42, Khazna, Microsoft, AWS) offer clearer roadmaps and timelines. Fewer regulatory and localisation gates for cloud projects.
Cost Drivers	Lower entry data centre costs but potentially higher regulatory and talent costs; more redundancy; possible sovereign obligations. High Power-and-Cooling OPEX in desert climate.	Higher colocation costs but better efficiency; more predictable cloud spend; lower operational friction. High Power-and-Cooling OPEX in desert climate.

KSA and UAE are positioning as regional AI and cloud hubs, with data centre growth driven by strategic government initiatives, hyperscaler expansion and colocation investments.

Market size KPIs: relatively small markets compared to global hubs, but fast growing

CAGR 2025-2030F	UAE 6%	KSA 20%

IT Load Capacity in MW



Strategic positioning

KSA

- Vision 2030 driving domestic workloads
- $100 B sovereign AI initiative HUMAIN
- Sovereign-backed AI/DC investment, hyperscaler cloud region build-outs
- Capacity shifting from small DCs to 100+ MW campuses linked to cities and industry
- $14.85 Bn "tech-pledge" by private sector (e.g. Equinix $1Bn cloud-computing site, $1.4 Bn campus rollout by Alfanar).

UAE

- Government digital-first agenda and Smart Dubai / UAE 2031 visions
- Most mature regional data centre and cloud hub; high density of hyperscalers
- Large AI and GPU-focused campuses (e.g., Microsoft–G42–Khazna, Stargate)
- MGX's $100B technology fund, backed by Mubadala and G42; adoption of sovereign AI models (e.g., G42 "Jais") driving GPU-dense builds
- Attractive regulatory environment, free zones, strong connectivity.

Strong investment appetite in the UAE, with the market repositioning towards refurbishments and targeted residential demand

Two-speed residential market

Residential demand has split. Ultra-prime assets continue to sell at pace, driven by global high-net-worth inflows. Prime and upper-mid segments are softening as supply builds and absorption slows, with buyers becoming far more selective about location, amenity, and developer reputation.

Implication

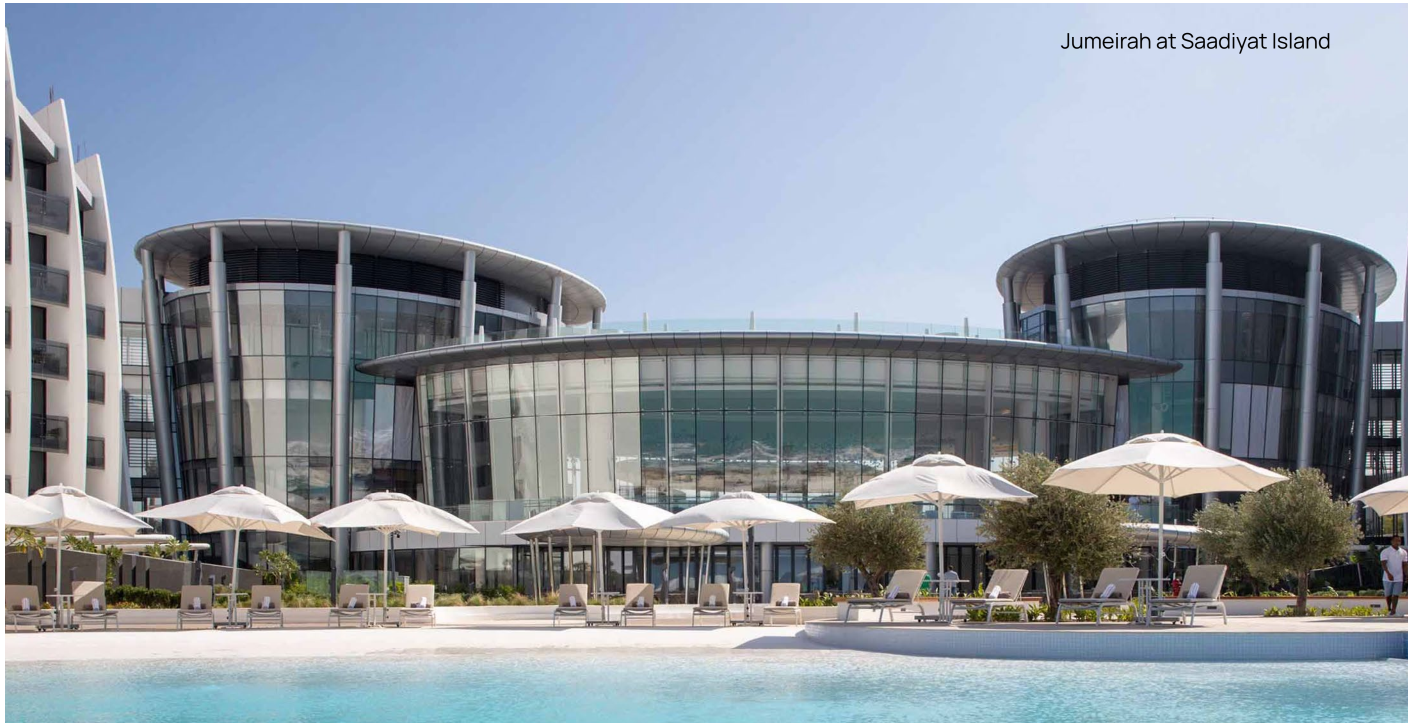
Developers are shifting toward phased releases, differentiated product, and faster delivery cycles to ensure project feasibility, but the record UAE delivery pipeline entering the market in 2026–2027 will test pricing power.

Accelerating refurbishment cycle

Ageing stock in mature districts has triggered a significant uplift in upgrade activity. A growing share of UAE investment is targeting refurbishment and repositioning of first-generation assets, particularly in hospitality, serviced apartments, and large mixed-use precincts in Dubai.

Implication

Refurbishment is becoming a core growth segment and supply-chain demand is tilting toward interior fit-out, MEP upgrades, and specialist remodelling trades.

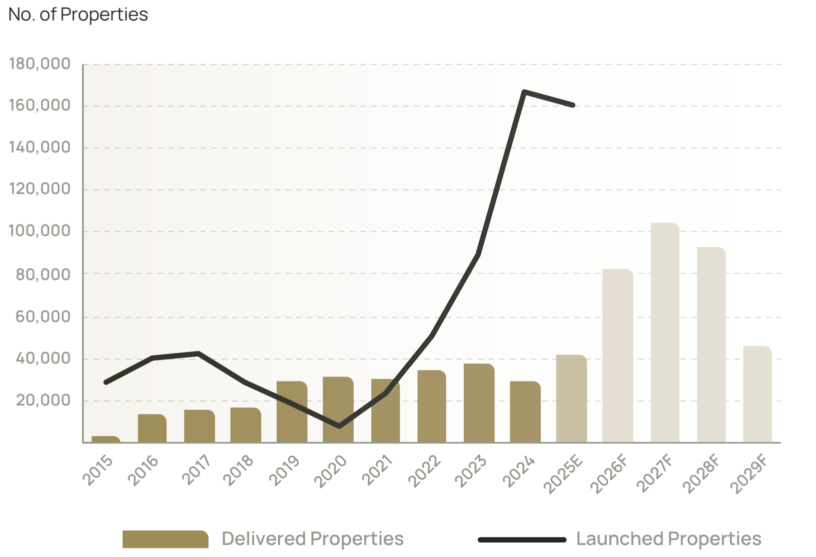


Jumeirah at Saadiyat Island

Dubai Residential Property Supply

No. of project launches

2023	2024	2025 to Nov 25
322	567	649



Project launch momentum remains high, signalling sustained confidence and an active development pipeline.

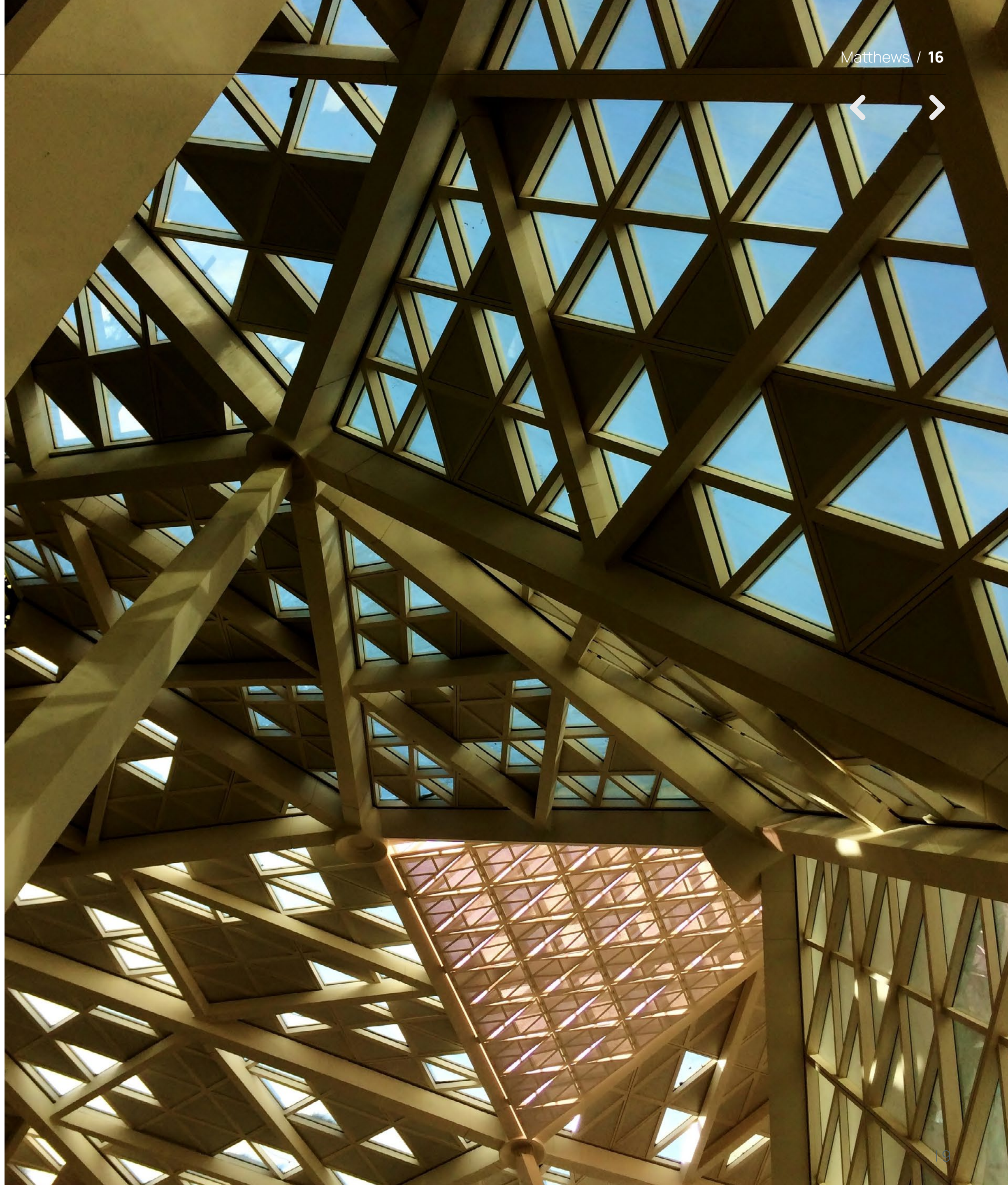
More developers are entering the market, increasing supply-side participation and competitive pressure.

Absorption is beginning to soften, especially in apartments, with newer entrants relying more on incentives and flexible payment plans to drive sales.

Dubai Residential Property

	Sales Volume	Annual % Est. for 2025	Sales Value (AED, billion)	Annual % Est. for 2025
2023	125		324	
		+38%		+12%
2024	172		462	
		+18%		+20%
2025 to Q3	150		392	

Off-plan market share	ca. 70%
Share of mortgage transactions	ca. 24%



2025 accelerates Saudi Arabia's necessary shift to crowding-in private investment

Shift towards phased, disciplined development

KSA's market has shifted into a more sequenced, delivery-focused phase following the 2024–2025 budget resets. Giga-projects are prioritising critical path assets, realistic schedules, and budget control.

Implication

Award cycles will be steadier but more selective, but event linked projects are still time-related execution pressure.

Investor interest yet to translate into private capital commitment

International capital remains interested in KSA, but conversion into committed investment hinges on consistent delivery, governance discipline, and predictable operating conditions.

Implication

Strengthening delivery reliability is becoming as important as ambition in attracting private and institutional capital.

2025 marks a clear shift in Saudi Arabia's development model, with the ambition to position private real estate investment as a core funding mechanism for publicly funded iconic infrastructure, foreign ownership reform, developer MOUs, expanded REIT pathways, and structured land partnerships within giga-projects.

Q1 2025

Policy Enabler and Narrative Shift

Strategic positioning at WEF 2025 and LEAP 2025: RE monetisation to play central role in giga-project delivery

Foreign ownership reform expands capital pool: draft law allowing foreign individuals and companies to own real estate, included in previously restricted zones.

Investment Agreements

JCDC SAR7Bn investment agreements for hospitality projects at Jeddah Central: Midad Real Estate and Kerzner International, Mandarin Oriental, Hilton, NMR Group.

Q2 2025

Funding Channels Expand

Capital market authority enhances REIT and asset monetisation frameworks. Pathways to list and fund income-producing assets strengthened.

Capital Partnerships

MOUs signed between giga-projects and global RE: NEOM, Diriyah, and Roshn announce MOUs for co-development with international developers, operators, and investment groups.

Q3 2025 – Q4 2025

Private Sector Participation Grows

Land allocations and joint ventures announcements at 2025 Cityscape Riyadh; Public masterplans formally integrate private developers.

MOUs signed to at advance investments: Rua AlHaram AlMakki signs 4 MOUs with local Osool, Malaysian MRCB and TAIB, and Forbes Global Properties for collaboration on King Salman Gate.

Market considerations

Capital deployment active but selective

Investors remain positive, but expectations now focus on clearer procurement, cash-flow visibility, and proven delivery capability. Phased, de-risked approaches with strong governance and cost certainty are becoming standard. Abu Dhabi's predictability attracts institutional capital, while Dubai offers higher growth with higher delivery-risk premiums. KSA is seeking external capital, but confidence still depends on clearer policy signals and demonstrated execution.

Implication

Capital remains available but is more selective, favouring developers who can show delivery readiness and governance early, particularly in KSA, where investor trust still lags the scale of the pipeline.

Execution quality in focus

With project volumes elevated and investor expectations rising, both markets are experiencing increased scrutiny on delivery reliability, programme discipline, and quality management. Variability in contractor capability, pressure on MEP-heavy trades, and ambitious programme timelines are heightening the focus on governance and technical oversight across the full project lifecycle.

Implication

Strong Development Management / Project Management leadership and robust governance frameworks are becoming key differentiators, directly influencing investor confidence and project feasibility.

Delivery capacity mixed in specific segments

Labour availability and specialist contracting capacity remain uneven, even as the flow of project awards slowed. Contractors in both markets continue to report shortages of skilled managerial staff, planners, commercial managers, and specialist MEP teams, creating bottlenecks that limit how fast new work can be absorbed. This imbalance is becoming more evident as UAE projects peak and KSA's execution phase accelerates.

Implication

Early procurement, realistic programming, and strategic supplier partnerships will be essential to secure capacity and maintain delivery certainty.

03 Building Costs, Tender Prices & Market Implications

Building cost and lead times

Building cost inflation is moderate across both markets, supported by stable material prices and more controlled wage growth. This trend is expected to hold into 2026, although pockets of pressure remain in labour, MEP-intensive systems, and specialist fit-out trades.

Labour cost

Wage inflation has stabilised at around 1–3% p.a. in both the UAE and KSA, but staffing challenges remain. High turnover, shortages in skilled managerial and specialist labour, and recruitment delays continue to affect planning, commercial control, and delivery quality. These constraints are increasingly visible on MEP-heavy and complex projects where technical oversight is critical.

Materials

Material prices are broadly stable. Copper and aluminium costs remain elevated due to global electrification and data centre demand, while rebar prices in both markets have ticked up modestly in H2 2025. Chinese steel imports remain competitive in the UAE, but KSA's new anti-dumping duties (6.5–27.3% CIF on welded stainless pipes from China/Taiwan) are raising costs for water, utilities, and industrial applications.

Lead times are generally stable, though MEP remains the key pressure point, with major plant often dictating programme sequencing.

MEP systems

Extended delivery periods for generators, transformers, switchgear, escalators, and lifts are now typical, and most clients and contractors are building longer procurement horizons into project schedules.

Costs are stable, but delivery delays are more challenging than pricing; labour and commissioning resources for complex systems remain stretched.

Early nomination of MEP specialists is used to secure production slots. Design certainty supports management of lead times.

Fit-out

Lead times elevated for architectural finishes, lighting, and bespoke imported components, especially for European-sourced items, where premium logistics routes increase costs.

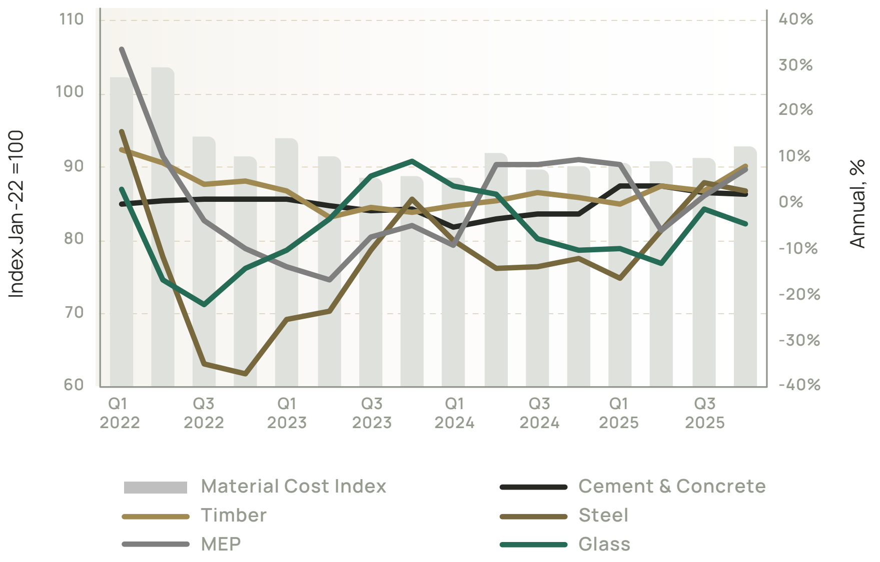
Supply is available, but installation labour and site coordination are the primary bottlenecks.

Building Cost Index

	KSA			UAE		
	Annual % 2024	2025E	Current Trend*	2024	2025E	Current Trend*
Building Cost Index	3.0%	2.5%	↑	1.6%	1.8%	↑
Materials	-0.7%	2.5%	↑	1.5%	1.0%	↑
Labour	4.5%	1.5%	→	1.2%	3.0%	↑
Logistics	42.0%	5.0%	↑	7.5%	-10.0%	→
Plant & Equipment	-1.0%	-2.0%	→	2.5%	0.0%	→

*The diverging trend in logistics costs is due annual diesel price hikes in KSA, which in Q4 2025 were 36% up year-on-year. Diesel prices in the UAE over the same period rose by just 4%.

KSA Material Costs



*Current Cost Trend Q4 2025 vs Q3 2025

Expected Change In Building Costs In 2026

KSA & UAE

1-3%

Upside risk to cost in specific MEP-heavy sectors

Tender price escalation above cost inflation, driven by market conditions, risk pricing, and contractor selectivity

Persistent tender price inflation

- High project activity driving prices, especially for complex, fast-track work.
- Contractors are selective, prioritising clearer risk–reward.
- Tier 1 firms are securing stronger margins and commercial terms.
- Premiums linked to programme certainty, design readiness, and payment terms.
- Longer procurement cycles and requirements add cost and delay.

Competition for delivery resources

Project award levels stretch Tier 1 availability, especially on complex projects.

Tender competition easing as contractor pool tightens - more in Dubai than Abu Dhabi.

Subcontractor capacity stretched, top firms booked to 2027; rising quality gaps.

MEP and specialist packages remain the key cost and scheduling pinch points.

Wage pressure stable, but recruitment delays can extend programmes.

Expanding capacity

- Consultants expanding and driving fee competition, but smaller firms struggle to scale due to high overheads and resourcing costs.
- Contractor selectivity easing, with competitive bidding returning in some packages.
- Subcontractor depth and quality remain uneven; cross-border mobility adding delivery and pricing risk.

Elevated tender price inflation

Localisation requirements continue to influence pricing and supply-chain decisions.

Higher risk premiums, particularly on complex or fast-track projects.

Extended tender and approval cycles add incremental cost escalation.

Faster, standardised procurement and pre-qualified frameworks key to manage inflation.

TPI Forecast 2026

UAE 2-4%

KSA 4-6%

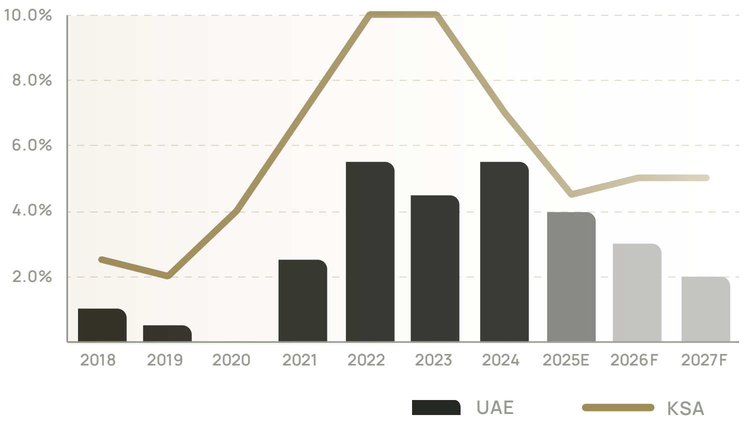
Tender Price Inflation

TPI Forecast Range (%)

Year	UAE	KSA
2024	5.5%	7.0%
2025E	3 – 5%	4 – 5%
2026F	2 – 4%	4 – 6%
2027F	1 – 3%	4 – 6%

Central TPI

Annual %



Preliminaries and OHP

	2024	2025
Preliminaries		
UAE	12-16%	12-16%
KSA	14-18%	14-18%
OHP		
UAE	10-15%	10-15%
KSA	12-15%	12-15%

UAE specific:

Preliminaries currently range between 12-16% for new vertical builds, lower on infrastructure, and can exceed 20% on retrofit, complex sites, and other risk factors.

KSA specific:

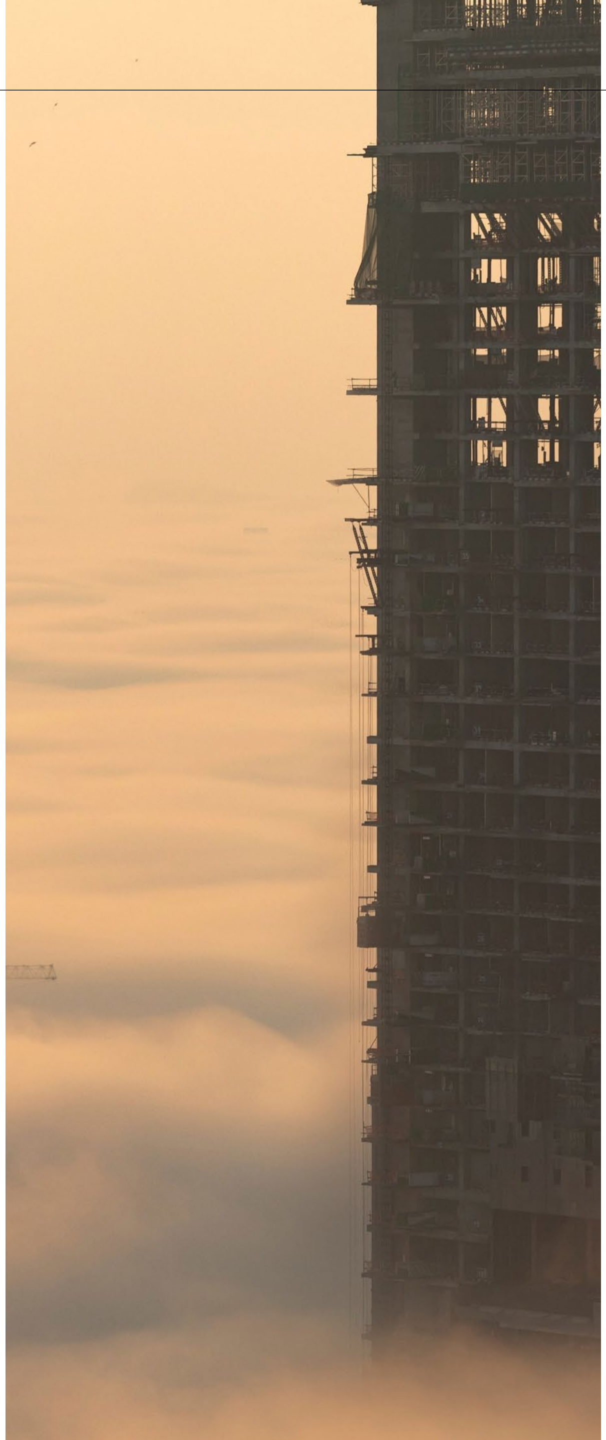
Preliminaries pertain to vertical building projects in Riyadh, Jeddah and other major local markets.

04

Market Implications

Meeting evolving client expectations

A new wave of developers, often family offices, landowners, or first-time developers with significant capital, are entering the regional real estate market. Many have land and funding but limited development experience and expect partners who can lead effective capital deployment from feasibility to handover.



Market dynamics are shaping development demands

Trusted Partnerships

Clients seek senior, relationship-led advisors who act in their interest and guide the entire development journey.

Capital Deployment Discipline

Developers expect phased, milestone-based investment to reduce risk and ensure capital is only committed as the project proves itself. New developers seek guidance on how to invest gradually without stalling progress.

Speed to Market

Developers want faster development cycles (to capture demand windows or early revenue) through efficient processes and proactive risk management - without compromising quality.

Delivery Certainty

Clients expect realistic budgets and timelines, demanding rigorous planning and reliable execution from day one. They value firms that can predict timelines and costs early – and then stick to them.

Evolving development and project management approaches

End-to end involvement

Development managers now engage from the concept stage, using early feasibility, market insight, and budgeting to shape viable, well-aligned projects and allocate capital to the right opportunities.

Integrated teams

Leading firms can unite project and cost management into one accountable partner. This means assembling a hand-picked team of architects, engineers, contractors, and specialists that the Development Manager knows and trusts, all aligned under unified leadership to ensure cohesive execution.

Relationship-led

Development Management / Project Management firms that lead with senior executives build trust, anticipate challenges, guide decisions and stay closely aligned with each client's goals and risk appetite.

Adaptability and agile execution

To deliver speed with certainty, effective Development Management / Project Management firms now plan for multiple scenarios and pivot quickly, using contingencies and flexible delivery strategies to maintain momentum and meet tight schedules.

Aligned risk

Some firms, like Matthews, offer co-investment / development models, aligning incentives and commitment to a project's financial viability and delivery.

Action points for clients

Trust and track record matter: In an environment where many new developers lack experience, having a trusted partner with a proven track record is a game-changer. If that partner also shares risk or has a stake in the outcome, it further boosts confidence – you know they will treat the project's success as their own.

- **Augment your team with expertise:** If your in-house team is inexperienced, engage development partner early to guide you on process, from concept to completion.
- **Prioritise local knowledge and relationships.**
- **Insist on integrated services for fewer gaps and faster decisions.**
- **Demand rigorous feasibility and market analysis:** Validate concept, costs, and demand before committing capital so your project is grounded in reality.
- **Structure financing to match project stages:** Fund in tranches aligned to milestones, sales, and absorption. On a large masterplan, carefully consider phased infrastructure build out.
- **Demand transparency and accountability:** Identify key risks early, assign ownership, and prepare contingencies.
- **Communicate to build confidence:** Share timely, transparent updates to maintain investor and buyer trust.

Maintaining viability in a maturing market

Dubai's real estate sector, like other regional markets, is moving from a "build-fast, sell-fast" era to a more mature growth model. With slower absorption and rising construction costs, full-scale launches pose greater risk. To maintain viability, developers must adopt smarter phasing, tighter product to market alignment, and more disciplined, staged infrastructure investment.

Strategic responses

Phased development as a viability tool

Aligning supply with demand
Development managers now engage from the concept stage, using early feasibility, market insight, and budgeting to shape viable, well-aligned projects and allocate capital to the right opportunities.

Reducing financial exposure
Capital is deployed progressively, with early revenues helping to fund later phases and lower overall risk.

Flexibility to adapt the product mix
Each phase provides feedback, allowing refinement of product, pricing, or positioning to evolve with demand.

Staged infrastructure and amenities
Infrastructure and amenities are delivered progressively, conserving capital and avoiding early overbuild.

Resource and labour management
Sequenced delivery eases resource pressure, supports better pricing, and protects construction quality.

Product fit in maturing markets

Diversify asset types
In a maturing market, demand is more nuanced, delivering a mix of uses and unit types helps spread demand risk and keep parts of the project performing through cycles.

Right-sizing and right-pricing
Tailor unit sizes, layouts, and pricing strategies to current absorption and affordability sweet spots to maintain viability.

Quality and differentiation
Stand out through design, amenities, and brand partnerships to sustain demand and pricing power even in a slower market.

Operational flexibility
Design for alternative uses, e.g. rental, hospitality, co-working, to safeguard revenue, ensuring the project can weather slower sales through flexible, income-generating options.

Sales strategy and timing
Align launches, release pacing, targeting, and payment terms with current buyer sentiment to sustain absorption and performance.

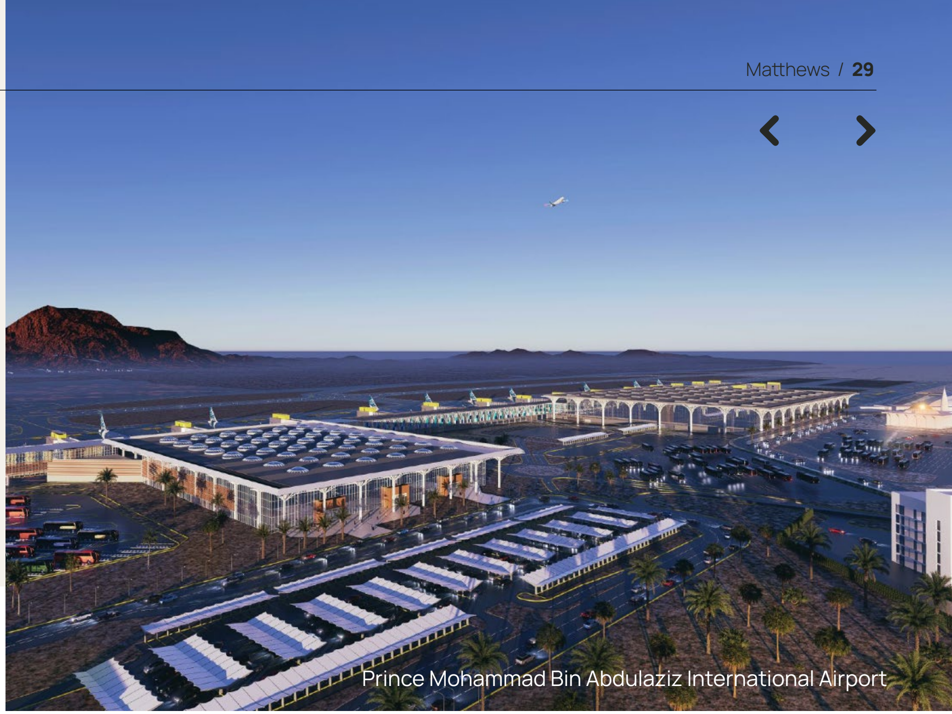
Action points for clients

When phasing and adaptive strategy define your project, experienced advisors bring the foresight and execution discipline needed to deliver it well. Engage a development partner who can shape flexible masterplans, apply early value engineering, run scenario-based phasing strategies, and manage staged delivery, ensuring each decision strengthens long-term project viability.

- **Masterplan with flexibility:** Design adaptable zones and secure mixed-use approvals to adjust as market conditions change.
- **Set clear phase triggers:** Link future phases to defined sales or absorption metrics to maintain discipline and prevent over-extension.
- **Monitor the market continuously:** Track demand and pricing and refine product or strategy as conditions evolve.
- **Engage stakeholders early:** Work closely with government authorities on phased approvals and infrastructure delivery, to ensure infrastructure phasing aligns with public development plans. Keep buyers informed to support future phases.
- **Partner with experienced teams:** Choose experienced delivery partners who can sequence development, manage cost pressures, and maintain momentum.

05

About Matthews



Prince Mohammad Bin Abdulaziz International Airport

Building tomorrow's vision, today

Matthews Europe, the Middle East and Africa is a full-service private real estate development company with an integrated development, project and cost management consultancy team.

Development

Building value for our clients, we provide development advisory from concept to project completion including site acquisition, feasibility studies, project conceptulisation, planning, design management, construction and procurement.

Development Management

Providing end-to-end development management, overseeing every phase from feasibility and planning through design, approvals, procurement and delivery to ensure each project meets its commercial, design and construction goals.

Programme Management

Aligning with the project's objectives, we optimize timelines, budgets and resources whilst maintaining consistency and control across the full lifecycle of the programme.

Project Management

Providing end-to-end project management tailored to each client, ensuring seamless delivery, cost control and quality outcomes from concept to completion.

Cost Management

Delivering precise and transparent cost management, maximising value at every stage, navigating complex commercial landscapes and mitigating risk to ensure a successful outcome.

Procurement Management

Strategic procurement management for timely and cost-effective sourcing of services, materials, and contracts, aligned with project goals and compliant with local requirements.

Learn more about our business

A global business with decades of experience shaping communities worldwide

Matthews is a global real estate development company with projects spanning three continents. For over 30 years, Matthews has delivered every aspect of development, from securing investment and providing advisory services to managing construction and long-term operations.

Since 1994, Matthews has built its reputation on a collaborative approach, guided by four core values: do the right thing; build partnerships that last; create long-term value, and thrive in complexity.

Matthews operates across three regions (North America, Europe, the Middle East and Africa) and includes five specialised divisions: Matthews Hospitality, Matthews West, Matthews Energy, Matthews Switzerland, and Inspire Dallas.

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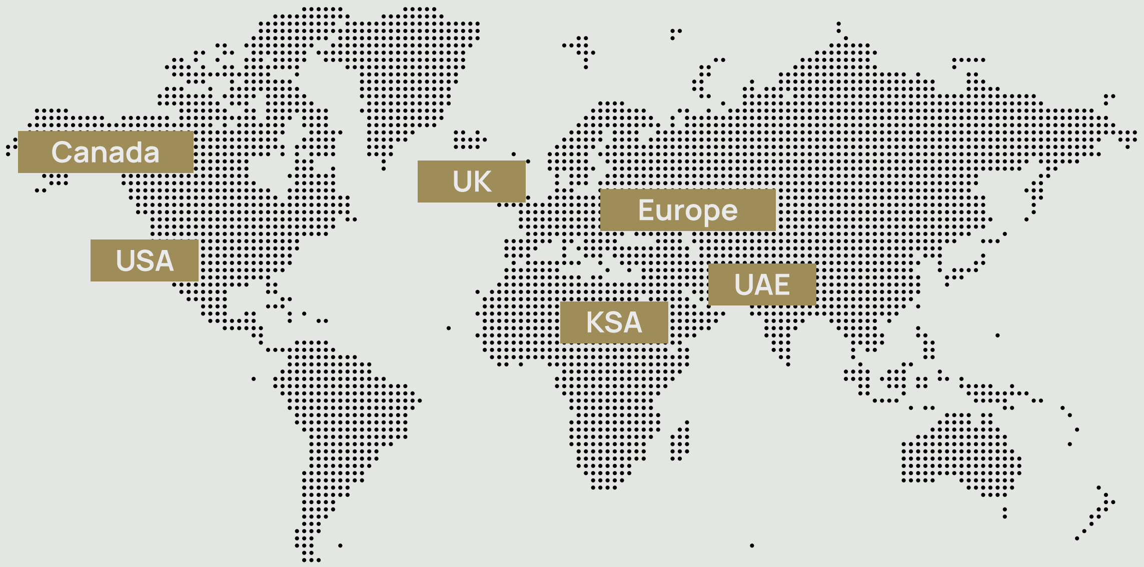

The role of AI in shaping the future of real estate and construction

Artificial Intelligence is rapidly transforming the global real estate and construction sectors, reshaping how assets are planned, delivered, and operated.

Across the industry, AI is being deployed to drive efficiencies, enhance design intelligence, improve risk management, and accelerate decision-making, ultimately changing the way projects are conceived and executed.

On the development side, AI-enabled generative design tools allow masterplanners and architects to explore multiple design scenarios in real time, optimising layouts for sustainability, cost, and market performance. In construction, AI is increasingly used to analyse programmes and procurement data to identify delays before they happen, optimise resource allocation, and improve safety on site. At the operational level, AI is driving smart building systems, predictive maintenance, and energy management solutions that reduce lifecycle costs and support ESG targets.

At Matthews, we see AI as a strategic enabler across our business, and we are implementing AI tools within our current project pipeline. We are already seeing tangible benefits, particularly in areas such as masterplanning, market analysis, risk reduction, commercial reviews, and critical decision-making on both live projects and new opportunities. These early results are reinforcing our view that AI will become a core driver of competitive advantage in the years ahead.

Current initiatives include the development of secure internal AI chatbots to support our project teams, early exploration of AI-driven masterplanning tools, and the use of predictive analytics to inform development strategies and risk assessments.

Building on this digital transformation, Matthews is also advancing digitised cost consultancy through the integration of 5D Building Information Modelling (BIM). By linking design geometry (3D) with live cost data (5D), we create a single digital source of truth that enables real-time cost intelligence throughout the project lifecycle. As designs evolve, the model provides instant feedback on cost implications, empowering teams to make informed, data-driven decisions with greater speed and transparency. This integrated approach reduces manual inputs, minimises rework, and enhances efficiency across the design and delivery process. By connecting BIM with benchmarking tools and predictive analytics, Matthews provides clients with instant visibility of cost, performance, and value, driving smarter, more sustainable project outcomes.

Looking ahead, our ambition is to position Matthews as a sector leader in practical AI adoption, combining human expertise with technology to deliver faster, smarter, and more sustainable outcomes for our clients and partners. We are actively evaluating partnerships and in-house capabilities that will keep us ahead of the curve as this technological shift accelerates.

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