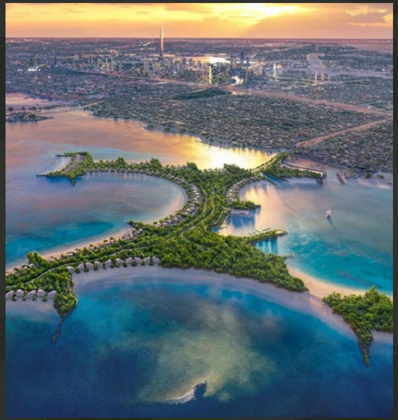
Q3 2026

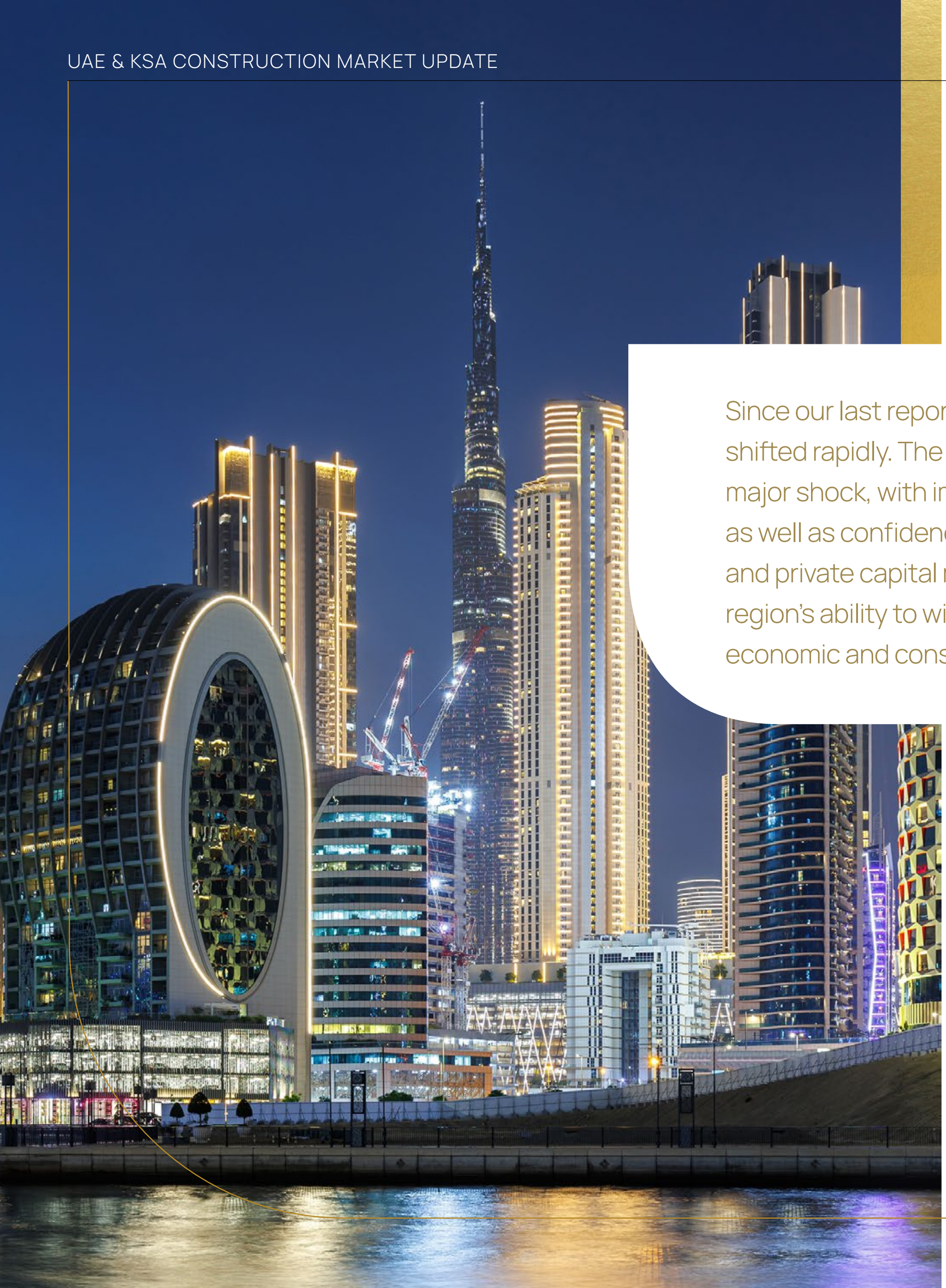
CONSTRUCTION MARKET UPDATE

UAE & KSA

Matthews

Contents





Introduction

Since our last report, the global economic and policy environment has shifted rapidly. The escalation of the US-Iran tension has been another major shock, with immediate impacts on energy and logistics markets, as well as confidence across the region's real estate, tourism, aviation and private capital markets. While the conflict has demonstrated the region's ability to withstand infrastructure attacks, the implications for economic and construction stability remain significant and fluid.

The conflict is unlikely to stop construction activity in the UAE and KSA. Major projects continue, particularly where they are government-backed, strategically important or already under delivery. But the risk environment has changed. Stakeholders are now asking sharper questions around which projects are genuinely strategic, which business cases remain resilient, which packages are exposed, and where the risk actually sits.

This report is structured around three themes.

Resilience: Activity is becoming more selective. Energy, utilities, connectivity and digital infrastructure, and national-priority projects are being advanced. Private developers are still pushing for "business as usual" where demand for quality assets remains firm, but volatility is raising the bar for what gets funded, procured and delivered.

Monitoring: Project owners need closer visibility on the risks that can change cost, schedule, funding and delivery outcomes. This means understanding risk profiles, testing cost assumptions, tracking package-level and unawarded work exposure, contractor health, while ensuring contingencies and contracts reflect the current market.

Decision-Making: The market now rewards discipline and the priority is to make better capital and delivery decisions. Owners will need to decide which projects proceed, which are re-phased, need more equity in light of debt becoming more expensive, or a restructure in procurement, among other things. Projects that can demonstrate funding certainty, product-market fit, realistic costs and credible delivery partners will move first.

While the current ceasefire provides some stability, the market impact is still unfolding. At Matthews, we remain dedicated to providing clients with data-driven insights and integrated strategies, focusing on aligning capital with viable opportunities and ensuring cost discipline.

Significant increase in Matthews Tender Price Forecast for 2026 due to cost increases and market volatility

Economy

GDP Growth

2026F 3.1%

2027 – 29F ...... 4.8% p.a

Average p.a.

- Abu Dhabi
- Dubai
- Ras Al Khaimah

Interest Rate

June 26 .... 3.65%

Base Rate

Inflation

Feb 26 .... 4.8 %

Annual %, Dubai

Pre-Conflict Data

Construction Activity

Value of Project Awards

2025 .... AED 322 bn

2026F .... AED 347 bn

Value of Construction Output

UAE

2025E .... AED 187 bn

2026F .... AED 196 bn

Construction Output Growth

UAE		Dubai	Abu Dhabi
2025E	9.5%	11%	9%
2026F	4.0%	4%	4%

UAE, %, Real

2027 – 29F 5.0%

Average Annual %

Growth Sectors

Infrastructure Resilience: Energy and water security, defence related spending, logistics

O&G: Adnoc 5-year capex pan 2026-2030 SAR 550 bn

Transport: Airport, rail, bridges

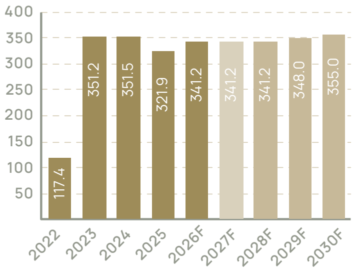
Utilities: Energy, transmission

Urban Development: Transit-led urban expansion

Digital: Data centres, smart grid expansions

Hospitality: Dubai - hotel refurbishment, repositioning; Abu Dhabi - theme park, cultural

UAE Value of Project Awards (AED, bn)



Building Cost & Tender Prices

Building Cost

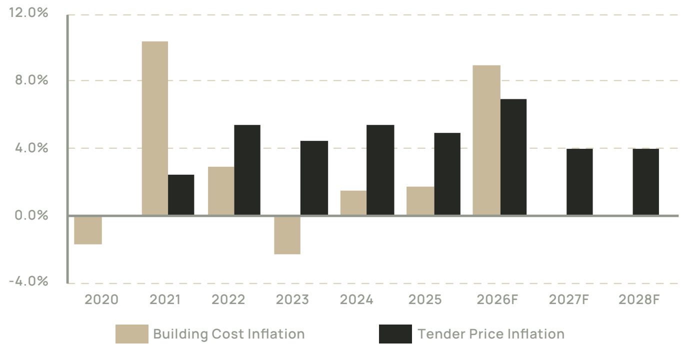
Annual %	Total	Materials	Labour
2025	1.8%	2.7%	2.3%
2026F	7-12%	12.0%	1.5%
2027F	2-4%		

Tender Price Inflation

2025	5%
2026F	6-9%
2027F	3-5%

Building Cost & Tender Price Inflation

Central Forecast, Annual %



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

Real Estate Indicators

Residential Market
Dubai

Project Launches, No

2025 .... **564**
2025 to March **10**

Average Annual Units Delivered

2023-25 .... **38.9K**
2026-28F .... **100K+**

Residential Transactions

Annual % estimated

Volume, no

2025 .... **205,300**
2026 to April **57,900**
-4%

Value, bn

2025 .... **541**
2026 to April **172**
+5%

% Mortgage Transaction

2025 .... **29%**
2026 to April **34%**

Residential Market
Abu Dhabi

Average Annual Units Delivered

Residential supply expected to grow by 2.7% p.a. between 2026 to 2030. Previous ADREC projection at 4.5% p.a.

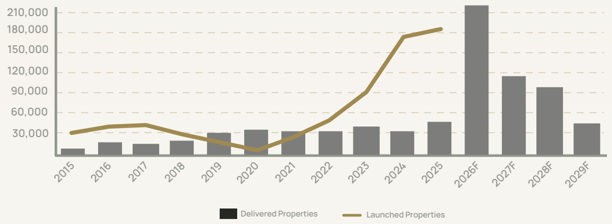
2023-25 .... **10,000**
2026-28F **13,300**

Residential Transactions

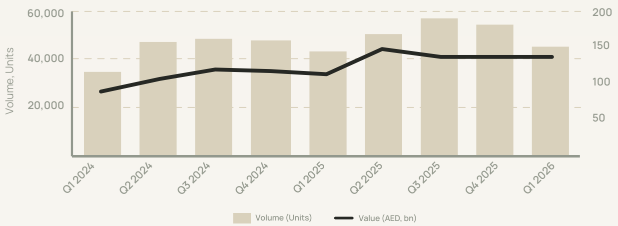
Annual	2025	2026 Q1
Volume	**+31%**	**+31%**
Value	**+29%**	**+29%**

Dubai Residential Unit Supply

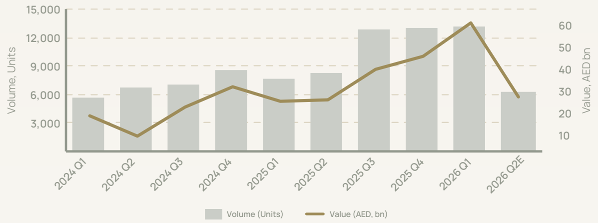
Forecast includes delayed deliveries



Dubai Residential Property Transactions



Abu Dhabi Residential Transactions



Hospitality

Hotel Occupancy	2025	Jan-Feb 2026	March 2026	April 2026
Dubai	81%	85%	54%	15-25%
Abu Dhabi	80%	85%	40%	15-25%

Legend: Increase, positive market signal; Decrease, negative market signal; Stable, neutral market signal

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

Increase in Matthews Tender Price Forecast for 2026 due to cost increases and market volatility

Economy

GDP Growth

2026F **3.1%**

2027 – 29F ...... **3.9% p.a**

Average p.a.

Interest Rate

June 26 .... **4.25%**

Base Rate

Inflation

May 26................ **1.8%**

Annual %, KSA

Construction Activity

Value of Project Awards

2025 .... **SAR 317 bn**

2026F............. **SAR 285 bn**

Value of Construction Output

SAR bn

2025 .... **382 peak levels**

2026E.............. **396**

Construction Output Growth

2026F **3.5%**

KSA, %, Real

2027 – 29F **4.0%**

Average Annual %

Growth Sectors

Resilience: Energy, water and digital related resilience, logistics and storage

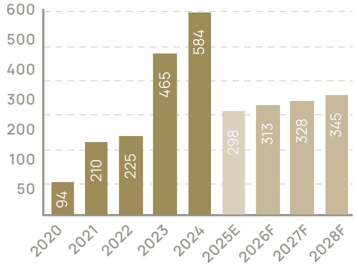
Infrastructure: Riyadh metro, airports, rail and other major transport upgrades nationwide

Entertainment: Qiddiya and other expanding entertainment venues

Sports: Stadiums and associated facilities

Urban New & Redevelopment: Diriyah Gate, major residential developments across country

KSA Value of Project Awards (SAR, bn)



Building Cost & Tender Prices

Building Cost

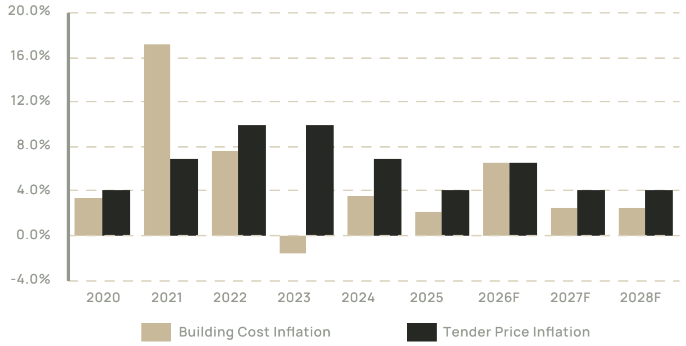
Annual %	Total	Materials	Labour
2024	**3.6%**	**-0.6%**	**4.5%**
2025	**2.1%**	**3.5%**	**2.1%**
2026F	**5-8%**	**9%**	**2.0%**
2027F	**2-4%**		

Tender Price Inflation

2026F	**5-8%**
2027F	**3-5%**

Building Cost & Tender Price Inflation

Central Forecast, Annual %



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

Real Estate Indicators

Hospitality

Total Number of Visitors

2025 ....**115.9 m**

Q1 2026 ....**37.2 m** **8%**

Share of foreign visitors...........**ca. 22%**

Key Performance Indicators 2025 (% vs 2024)

KSA

Occupancy (%) ....**55.3** **(0.6%)**

ADR (SAR)..................................**385** **(-2.0%)**

RevPar (SAR)..............................**213** **(-1.0%)**

Hospitality Developments

Total licensed facilities (No) **5,937**

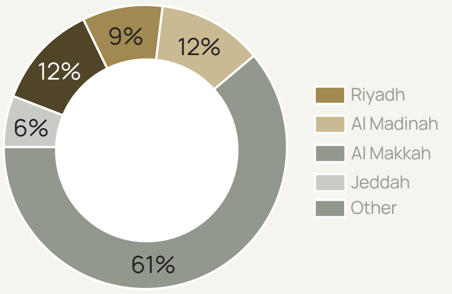
Facility additions in 2025 (No) **371**

RevPar (SAR)...**48%**

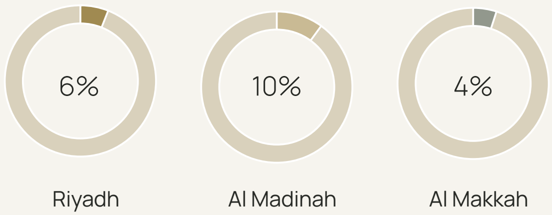
Additional keys in 2025 (No) **155,848**

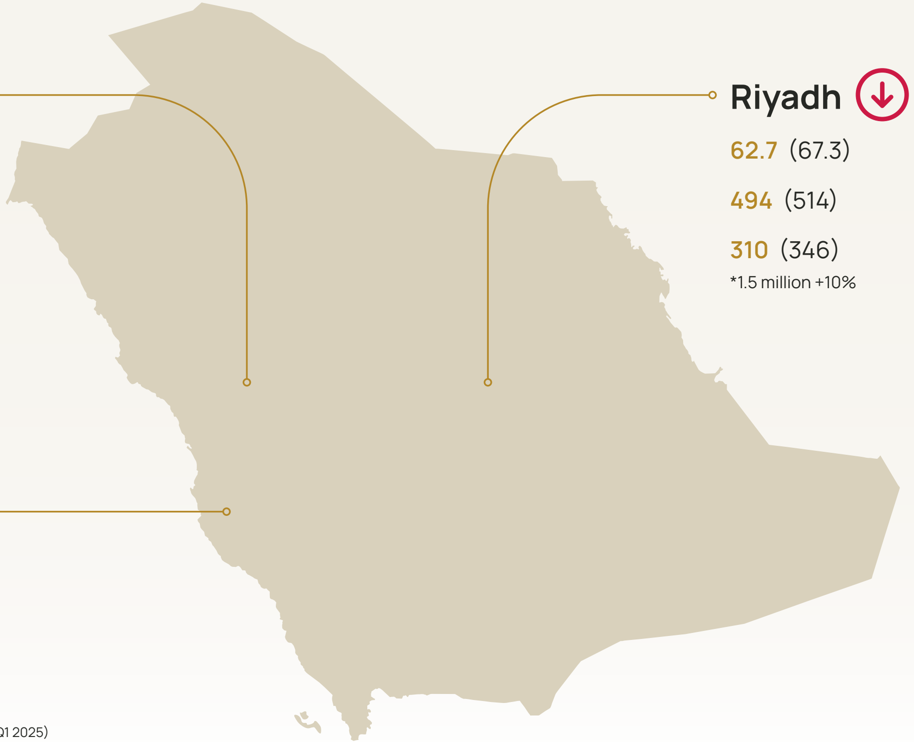
% Addition keys in 2025 (No)...................**35%**

Total No. of Keys in Hospitality Facilities as of Q3 2025



Additions of Keys in Q3 2025 as % of Total





Al Madinah

75.0 (70.1)

430 (457)

322 (321)

*0.8 million +20%

Riyadh

62.7 (67.3)

494 (514)

310 (346)

*1.5 million +10%

Jeddah

58.1 (58.0)

364 (370)

212 (214)

*1.1 million +17%

*Total number of visitors in Q1 2026 (% vs Q1 2025)

Legend: Increase, positive market signal Decrease, negative market signal Stable, neutral market signal Source: Gastat, Ministry of Tourism, IMF, MEED Projects, Global Data, STR, Lodging Econometrics, Matthews

01 Macroeconomic Impact & Risk Outlook

Conflict and oil price shock are redefining the 2026 global economic backdrop

The US-Iran conflict has moved geopolitical risk from the background into the centre of the 2026 economic outlook. Higher oil prices provide support to oil-exporting economies where revenues and export routes are protected, but the benefit comes with a wider cost.

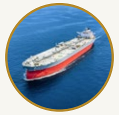
Confidence has weakened, fuel, freight, insurance and logistics costs have risen, and disruption around the Strait of Hormuz has put energy security and trade continuity back at the forefront of market risk.

The UAE and KSA entered this period from a position of relative strength, supported by strategic development pipelines and government priorities in infrastructure, energy, utilities, transport, logistics and digital investment.

Resilience, however, does not mean immunity.

Real estate, tourism, aviation, logistics and financial markets, important drivers of private-sector growth and investment activity in recent years, are keenly feeling the confidence shock. They now need to be managed through a more uncertain period.

The key question is how quickly confidence returns, demand stabilises and capital is allocated while visibility remains lower.

CONFLICT TRANSMISSION CHANNEL	GLOBAL TREND	REGIONAL IMPLICATION
Oil and energy shock 	Oil and energy prices have moved sharply higher, with the World Bank forecasting a 24% rise in energy prices in 2026.	Supports GCC revenue if export routes are open but raises fuel costs and confidence risks. KSA benefits more directly from higher oil revenues; the UAE has more exposure to aviation, tourism, trade, real estate sentiment and international capital flows.
Supply-chain disruptions 	Strait of Hormuz disruption is affecting global shipping, supply-chains and energy markets.	Region affected by shipping disruption, insurance premiums, re-routing, port delays and freight volatility. UAE exposure is through trade, ports, aviation and imports. KSA exposure is through long domestic haulage and imported systems.
Inflation and funding pressure 	The conflict has reintroduced inflation risk through oil, diesel, jet fuel, shipping, insurance and food/logistics channels. This interrupts the expected move towards easier cost and funding conditions.	Fuel pass-through affects logistics, food, aviation, industrial production, construction, utilities and operating costs.
Capital reallocation 	Government and investors prioritise resilience: energy security, defence, infrastructure, food and water, digital infrastructure and strategic industrial capacity.	The UAE and KSA remain attractive, as they are comparatively stable, well-capitalised and strategically important. Investors will want stronger governance, delivery, infrastructure readiness, cost control.

Current GDP Growth Forecast (in %)

2026 GDP growth

	Current Forecast	Compared to Previous Estimate	Annual Average 2027-2029F
UAE	3.1	-1.9	4.8
KSA	3.1	-0.9	3.9
WORLD	2.6	-0.5	2.6

Source: IMF, WEO April 2026

Outlook for UAE and KSA economies: resilient, but exposed in different ways

In the short term, oil and industrial led economies should be protected than those dependent on real estate, tourism and discretionary private capital. With the conflict still playing out, the longer-term recovery will depend heavily on whether the region moves towards a clear resolution or settles into a fragile ceasefire.

Budget allocation risk:
Government / PIF priorities, event-linked delivery, enabling infrastructure and economic diversification.

Saudi Arabia's economy and construction sector have so far been relatively less affected than the UAE, and Dubai in particular, supported by government-led investment and long-term national programmes.

Strategic, enabling and event-linked assets should remain priorities, particularly where they support national programmes, logistics resilience, energy, utilities and economic diversification. Less critical phases may be slowed, resequenced or retested.

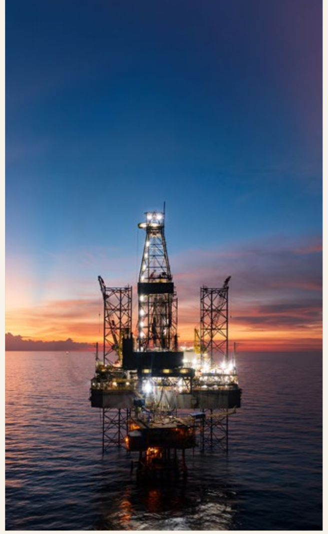
Confidence-led demand risk:
Tourism, aviation, trade, residential investment, hospitality and financial flows.

For the UAE, and in particular Dubai, the risk is more confidence-led, with tourism, aviation, residential investment, hospitality and financial flows are more exposed to weaker sentiment.


Red Palace

The current ceasefire is a challenging scenario if prolonged. Following the initial sharp shock, activity continues, but with a standing risk premium. In this environment, investment decisions are slower, funding commitments cautious, and owners have to work harder to prove viability. Even as governments are taking initiatives to support demand and have the capacity to spend, the market needs to understand which budgets are protected and which are at risk of reallocation.

The recovery will depend on the timing and shape of the conflict resolution



Current Shock
Oil, fuel, logistics, production insurance and confidence disruption

PATH 1: CLEAR RESOLUTION I NORMALISING

Economic Effect	**Normalising** Confidence gradually returns. Oil, freight and insurance volatility ease	Capital Response	**Broadening** Delayed projects restart Risk premiums fade Private and discretionary investment improves

PATH 2: FRAGILE CEASEFIRE

Economic Effect	**Operating with caution** Markets continue to operate, but with a standing risk premium. Trade, aviation, tourism and capital flows remain cautious	Capital Response	**Prioritising** Strategic projects remain funded (energy security, utilities, logistics, transportation) Private capital stays selective Viability and delivery discipline matter more

PATH 3: PROLONGED DISRUPTION

Economic Effect	**Risk off path** Trade, aviation, tourism and capital flows remain under pressure; weaker demand starts to filter into real estate and hospitality	Capital Response	**Defending** Essential and resilience-led assets dominate Non-core spending is deferred Capital preservation takes priority

Oil and fuel prices: potential cost pass-through

Global commodity and freight markets have moved back into a higher-risk-pricing environment. Oil, metals and logistics are under renewed pressure, with energy volatility, insurance costs and delivery disruption feeding into imported costs, domestic inflation and contractor pricing.

Oil prices have risen sharply following disruption linked to the war with Iran and reduced flows through the Strait of Hormuz. Prices surged above $100/bbl since March, moving closer to the $130–$140 range. With few signs of a swift and sustained resolution, the risk to both the broader economy and construction cost inflation is rising.

Even if oil prices ease, fuel-related cost pressure may unwind more slowly as suppliers and subcontractors reprice transport and delivery terms.

Implications

Higher oil prices feed through quickly into fuel, electricity, transport and broader inflation, with secondary effects on energy-intensive materials. Depending on the duration of this increase, contractors will adjust bids and contracts to cover price volatility.

- Fuel is now a commercial risk, particularly on transport and plant-intensive projects.
- Potentially include fuel or transport escalation clauses in key contracts.
- Review contingencies to reflect higher logistics and delivery costs.
- Consider fuel surcharges or cost-sharing arrangements with subcontractors where exposure is significant.

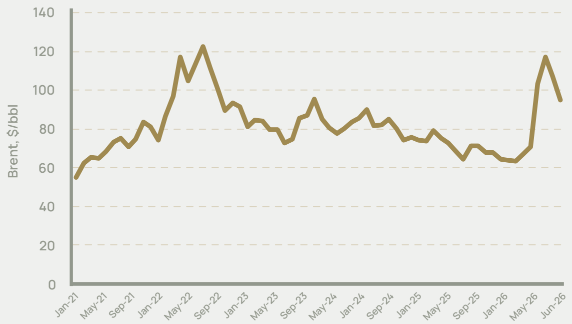
The UAE left OPEC effective 1 May to gain autonomy over oil production and exports, which could have a big economic boost.

Global Oil Prices (BRENT)

Average Oil Prices (US$/ bbl)

Dec 2025	$63	80%+
May 2026	$105 - 120	
June 2026	$85 - 100	

US/Iran Military Conflict Oil Price Shock



Average Fuel Pass-Through to Building Costs

Ca 10 %

10% increase in fuel costs translate into an approx.
1 % increase in construction costs, before accounting for timing, procurement, and supplier pricing behaviour. Exposure at project-level varies materially, depending on equipment intensity, logistics requirements and material mix.

Regional Fuel Costs Impact

Average Diesel Price

	UAE		KSA	
Dec 2025	AED 2.85	52%+	SAR 1.66	8%+
May 2026	AED 4.69		SAR 4.69	
June 2026	AED 4.33		SAR 1.79	

Average Gasoline Prices (Special 95)

	UAE		KSA	
Dec 2025	AED 2.58	48%+	SAR 2.33	0%
May 2026	AED 3.55		SAR 2.33	
June 2026	AED 3.83			

Impact of Higher Fuel Prices

Operating Cost: Equipment operating, temporary power cause higher site running cost.

Logistics: Freight costs increase landed cost impact supplier validity periods.

Materials: Embedded energy cost increase material costs.

(Sub) Contractor pricing: Pass-through costs from suppliers, site preliminaries, higher risk allowances.

Source: EIA, Gulf News, Matthews Analysis


Museum of The Future

Global commodity prices

Despite softer global demand and capital investment conditions, costs for key commodities have increased since the start of the year. Since early March 2026, the Middle East geopolitical escalation has injected a fresh risk premium to metal commodities and logistics markets.

GLOBAL TREND

Metals are firming: Copper and aluminium prices are supported by structural demand and are now facing additional upside risk from freight, insurance and supply-chain disruption. Aluminium prices in May are sharply higher than at the start of 2026 (+26%), reflecting disruption to regional production and supply, higher energy and shipping costs linked to the conflict. Copper prices rose by 10%.

Steel is not tight globally, but costs are rising: Global steel costs are rising due to energy and shipping costs, supply chain disruption, and elevated war-risk premiums. This points to deepening cost pressure rather than any meaningful improvement in underlying end-user demand.

Logistics is an immediate cost risk: Global freight costs remain below 2024 peaks, but regional war-risk surcharges, re-routing and insurance premia have sharply increased delivered costs across sea, air and road freight.

REGIONAL IMPLICATION

Exposure is concentrated in import-heavy packages: Copper, aluminium and logistics costs impact MEP, façades, cables, wiring, HVAC, specialist systems.

Shipping lead times and inventory costs: Uncertainty around logistics schedules increases inventory requirements and costs.

Steel risk is mainly local landed cost risk: Domestic market feel cost pressure through freight, insurance and FX even if global steel prices stay broadly rangebound.

Contractor pricing behaviour, as firms incorporate freight and delivery risk into bids.

Potential procurement implications:

- Lock specifications early
- MEP/façades remain long-lead imports
- Ring-fence metals escalation clauses where exposure is significant.

Expect more volatility: Markets are not uniformly short of supply, but pricing is becoming less predictable, and procurement risk is increasing.

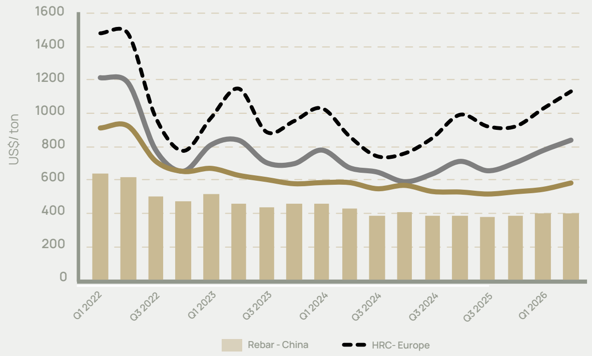
Global Metals

Copper	S/ton	
Dec 2025	11,770	16%+
June 2026	13,710	

Aluminium	S/ton	
Dec 2025	2,871	26%+
June 2026	3,610	

Steel – Rebar (China)	S/ton	
Dec 2025	392	6%+
June 2026	415	

Upward trend in global steel prices due to tariffs in US, higher energy costs and logistics pass-through impacting landed costs



Global Shipping Rates & Supply Chains

Shipping surcharges as of May 26: $1,800 - $4,000

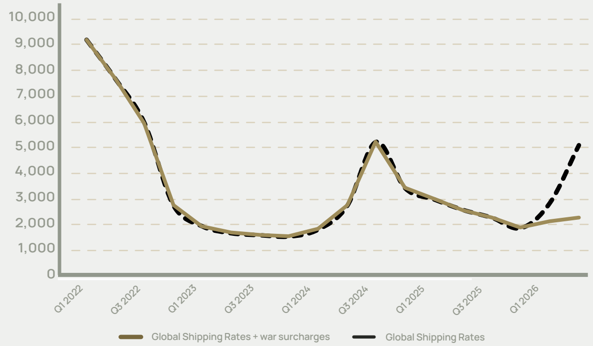
Imports, exports, and transshipment cargo involving UAE and KSA (Dammam/Jubail), Bahrain, Kuwait, Qatar, Oman, and Iraq.

Total cost increases: Combined with base rate increases, shipping costs have risen by 125–180% on some routes.

125% - 180%

Logistics diversification: Alternative pipelines, overland routes and supporting infrastructure are set to gain focus, with Fujairah's strategic role increasingly in the spotlight.

US$ per 40ft container + surcharge adjustment



Source: Westmetall, Steelbenchmarker, MESteel, Drewry, Maersk, Matthews Analysis

02

Construction Market Activity & Trends

From broad growth to selective resilience

Market conditions have shifted from a relatively stable operating environment, with benign inflation and visible, albeit slowing, pipelines, to a more challenging backdrop. Conflict escalation has hit investor and project owner confidence, while sharply lower aviation and tourism activity, logistics disruption, fuel price increases and wider cost pressures prompted a high level of uncertainty around the market outlook and supply-chain resilience.

The UAE and KSA were already moving from broad-based growth to a more selective delivery cycle, with fewer project awards, greater contractor selectivity and closer scrutiny on cost, funding and programme risk. The conflict has reinforced that shift.

The immediate impact has been uneven. Projects already on-site have largely continued, particularly where funding is committed or delivery is strategically important. However, viability questions have become sharper, especially around cost escalation, procurement risk and programme certainty. Projects in procurement are being delayed, revalidated or re-phased, while schemes still in planning are likely to be reviewed as the situation becomes clearer.

In the near term, investment is likely to favour infrastructure that supports resilience, continuity and long-term urban development. Discretionary projects will face greater scrutiny. The longer-term outlook will depend on whether the conflict moves towards clear resolution or settles into a more uncertain, fragile ceasefire.

Resilience & Infrastructure Focus

The more resilient sectors are likely to be

- Defence and security infrastructure
- Aviation, rail, logistics
- Energy and utilities
- Digital infrastructure
- Industrial and manufacturing
- Event-linked and national-priority projects

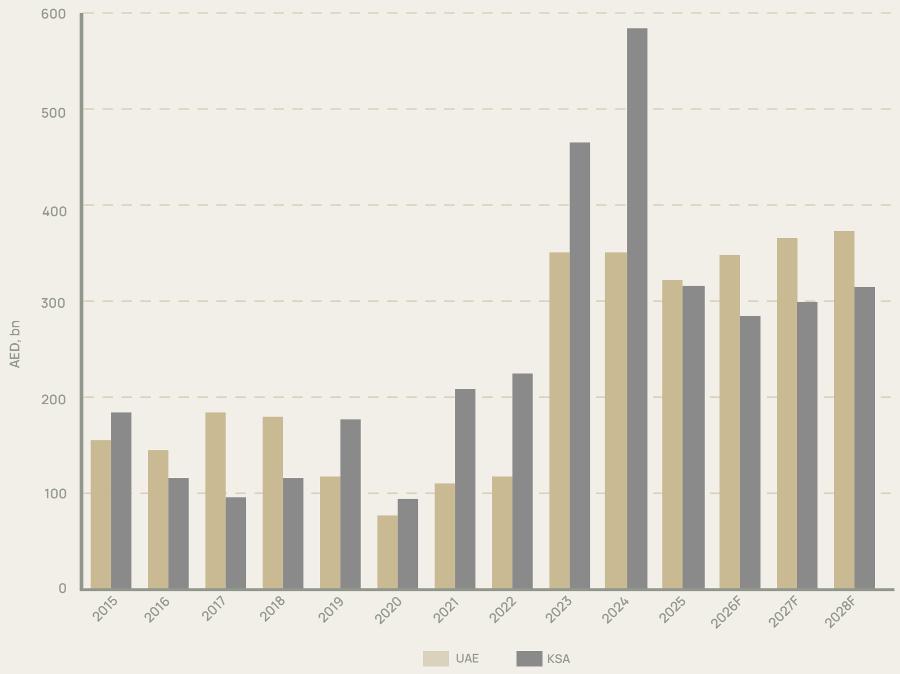
More exposed areas include

- Speculative residential
- Discretionary hospitality
- Later phases of large masterplans
- Projects with weak infrastructure readiness
- Projects dependent on uncommitted private capital
- Projects with unresolved procurement or thin contingencies

Focus of attention **on the strategic importance of Fujairah:** Plans to increase **logistics and infrastructure** capacity and investments at Eastern Ports (major port facilities, logistics, supporting connection infrastructure).

Project Awards

Despite bearing the brunt of impact from the Iran conflict, the UAE remains the most active construction market, with activity buoyed by key transportation, digital and energy project and a real estate market that is holding up.



Source: MEED, Matthews Analysis

Connectivity and resilience on the front of the infrastructure agenda

Government push for connectivity infrastructure

The conflict strengthens the case for infrastructure that protects connectivity and economic continuity. Rail, metro, roads, airports, ports and logistics corridors are growing in strategic importance as they support trade continuity, mobility, tourism recovery, industrial growth, long-term urban development and quality of life. These government-led investments are particularly important to sustain construction activity at a time when private-sector and discretionary projects are becoming more cautious.

Implication

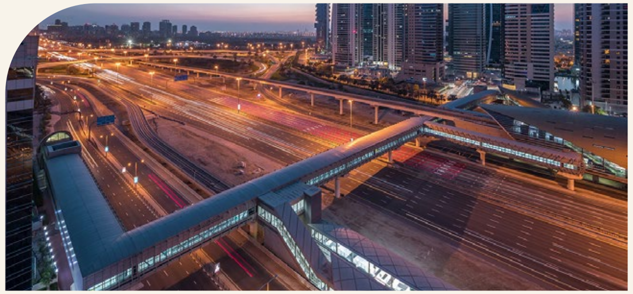
While infrastructure projects continue, they will not be immune from higher risk allowances or closer scrutiny of procurement and supply-chain readiness. Clients will want stronger evidence around supplier capacity, lead times, insurance, logistics routes, contractor capability and programme realism. The main delivery risks sit in large imported systems, specialist MEP, tunnelling, rail and airport systems, long-lead equipment and aggressive programmes.

Infrastructure resilience, security and digital continuity

The conflict has pushed governments to focus more heavily on critical infrastructure, security, continuity of supply and digital resilience. This should support investment in defence-related assets, utilities, water, power, fuel, food and materials storage, data centres, smart grids, cybersecurity and energy infrastructure.

Implication

These sectors are likely to be relative winners as they are closely aligned with business continuity, national security and long-term competitiveness. They also create indirect demand for urban development, industrial land, logistics space and specialist accommodation. At the same time, these projects are often technically complex, MEP-heavy and dependent on imported equipment, specialist contractors, long-lead systems and commissioning certainty. Demand may be resilient, but delivery will still carry higher cost, schedule and procurement risk.

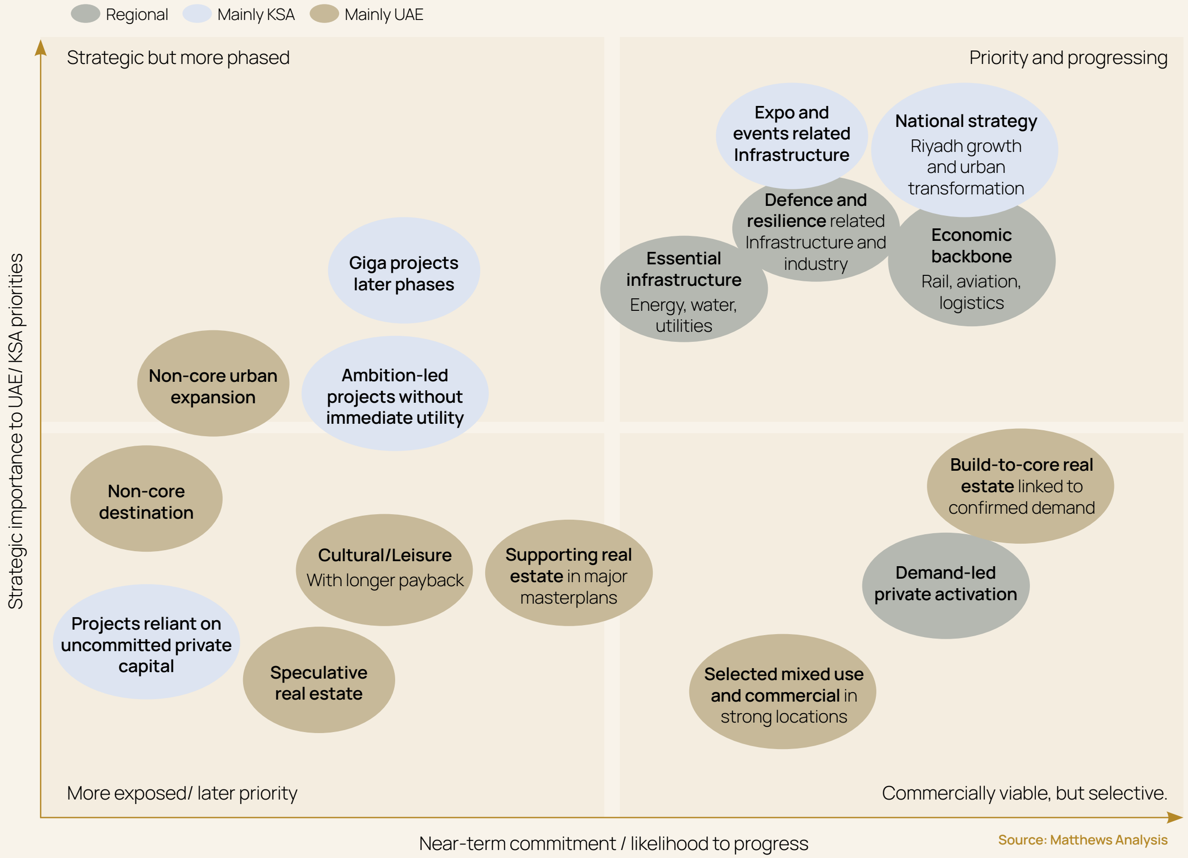


Recent Projects

Dubai Metrolink Procurement

- Al Maktoum International Airport West Terminal Procurement
- Abu Dhabi to Dubai high-speed rail project award
- Riyadh Line 7 Procurement
- KSIA Terminal 6 Procurement

Project Priorities: Activity Concentrates Around Projects With Clear Strategic Use



Source: Matthews Analysis

Government backed projects drives UAE construction demand, while private real estate sectors face a higher bar

Aviation and rail-led urban transformation continues

Rail and aviation are central to the UAE's urban and economic strategy. Airport expansion, rail connectivity, metro upgrades, roads, ports and logistics infrastructure continue to support the UAE's role as a regional hub.

The conflict makes this more important, but also more complex. Aviation is strategically important, but exposed to regional security perception, airspace risk and tourism confidence. Rail and land connectivity becomes more valuable if shipping or air routes remain uncertain. Logistics infrastructure also becomes more important as supply-chain resilience moves higher on the policy agenda.

Implication

Rail, metro and aviation projects require deep supply chains, specialist contractors and technical integration. That makes them more exposed to disruption, even where headline demand and government support is strong.

Residential and hospitably market face challenges

Residential and hospitality are most exposed to the sudden shift in sentiment. The impact did not constitute an immediate stop in demand but caused a shift in how investors, buyers and funders perceive market risk. A more cautious market is enough to separate strong projects from weak ones. Refurbishments are gaining momentum, particularly in Dubai's hospitality sector. In a softer market, refurbishment can help preserve existing income and respond faster to changing occupier and guest expectations than ground-up development.

Implication

Residential remains a long-term opportunity, but buyers, funders and contractors will look more closely at who is delivering, where the project sits, how it is funded and whether the product is genuinely differentiated. The UAE secondary market remains subdued but may become more attractive as access to debt tightens and some owners look for liquidity. At the same time, refurbishment should not be treated as low risk. Existing-condition risk, live operations, access constraints, MEP replacement, authority approvals, logistics and compressed programmes can all push costs above early expectations.

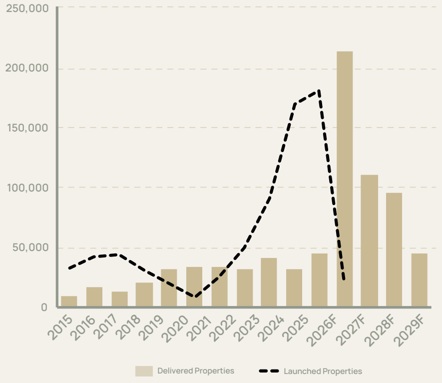
Dubai Residential Property Supply

No. of Project Launches

2024 568
2025 556
2026 to March 26 10

Compared to **125** projects in year to March 2025

No. of Properties



Dubai Residential Property Transactions

	Sales Volume: Number	Annual % Est. for 2026	Sales Volume: AED, bn	Annual % Est. for 2026
2024	182		524	
		+19%		+31%
2025	216		687	
		-6%		+3%
2026 to March 26	65		237	

Off-plan market share ca. 70%

% of mortgage transactions ca. 33% Increasing

- **Project launch momentum has slowed sharply in 2026**, signalling a wait-and-see approach among developers, amid weaker market sentiment and a peak development pipeline.
- **Capital** is shifting decisively into the primary market.
- **Absorption continues to soften,** especially in apartments, with newer entrants relying more on incentives and flexible payment plans to drive sales.
- **Mortgage activity** is becoming a key support for prices, with higher loan values and rising LTVs favouring primary-market opportunities over resale exposure.

Source: DLD, DXBInteract

Activity in KSA concentrates around projects with clear strategic utility

Phased, disciplined delivery is firmly the focus

KSA is relatively less exposed to the immediate construction impact as much of the pipeline is government-backed, strategic or linked to national programmes. However, the conflict reinforces a shift that was already underway: the hurdle for commitment is higher. Projects will need to show that they are a priority, how they are funded, whether the infrastructure is ready, and whether the delivery route is credible.

Implication

Projects with clear government or PIF priority, strong infrastructure, event-linked deadlines or visible demand should remain active. Discretionary components and schemes reliant on uncommitted private capital are more likely to be re-tested.

Strategic projects focus

KSA's priority projects are likely to remain active, but the basis for commitment is becoming even more focused on projects with a clear role in economic resilience, national events, urban growth or revenue creation. Projects are being tested more directly against what they enable, e.g. movement of people, energy and water security, industrial activity, logistics, jobs, private investment and long-term operating income.

Implication

The more exposed projects are those where the strategic story is less immediate. Later phases, highly bespoke destination assets and non-critical real estate components may still proceed, but they are more likely to be re-phased, value-engineered or held back until market visibility improves.

Major 2026 Project Awards focus on Riyadh

Restructuring of giga-projects providing boost to Riyadh

Urban Development	**Diriyah is the most active giga project** • Residential & Hospitality (e.g. SAR 2.5 bn Pendry superblock) • Cultural & Civic (e.g. SAR 5.1 bn Royal Diriyah Opera House, SAR 915 M King Salman Mosque, SAR 1.84 bn Saudi Arabia Museum of Contemporary Art) • Entertainment (e.g. SAR 5.75 bn Diriyah Arena Block) • Commercial Assets (e.g. Diriyah Square Retail, Zallal project) **King Salman Park** • SAR 3.2 bn 4th Package – Cultural Neighbourhood • SAR 11 bn 5th Package – Metro-connected district
Expo 2030	**Infrastructure & Utilities Project Awards** Pre-qualification for vertical assets
Connectivity	**King Salman Airport – Terminal 6** Riyadh Metro Line 7

Prince Mohammad Bin Abdulaziz International Airport

Market considerations

The Iran conflict may slow some discretionary development, but it strengthens the case for infrastructure that supports resilience, continuity and national security. The key challenge is visibility.

The regional construction supply-chains need to understand which budgets remain protected, which projects are being re-prioritised, and which schemes still have a strong enough business case under potentially higher costs and longer delivery periods.

These risks can affect projects even where the physical supply of materials is not interrupted. In many cases, the constraint will be commercial rather than physical, including shorter quotation validity, wider exclusions, higher deposits, revised logistics assumptions and slower approvals can all change the cost, programme and commercial position.

For project owners, this shifts the focus towards active exposure management, including the assessment of where cost, schedule and commercial risk sits across live contracts, unawarded packages, procurement routes and contractor supply chains.

Conflict Transmission Channels To Construction

Projects market is still activity, but capital is selective with greater risks putting the focus firmly on project monitoring and execution quality

1. Oil, energy and fuel price volatility

Strait of Hormuz disruption / perceived disruption

Implication

Raises uncertainty, costs and market caution

2. Freight and insurance premiums

Longer lead times for imported materials and equipment

Implication

Increases landed cost and delivery risk

3. Higher working-capital requirements for contractors

Wider risk allowances in tenders

Implication

Pushes up pricing risks and weakens delivery certainty

4. Slower private-sector decision-making

More cautious funders and investors

Implication

Delays commitment and increases selectivity

03

Building Costs & Tender Prices

Monitoring and managing higher cost, schedule and contract risks

The conflict has shifted regional cost inflation assumptions for the short to medium term. The near-term risk is potential price overreaction, with contractors and suppliers lifting costs beyond the actual impact on materials, freight and availability. Lump-sum fixed-price contracts are under pressure, while some projects are being paused as the market tests whether disruption is temporary or will carry into the second half of the year.

The impact will extend beyond material prices showing up in preliminaries, logistics, exclusions, escalation allowances, programme float, insurance, claims and contractor selectivity. The risk is not just higher input costs but securing the right materials on time under contracts that still protect the programme.

Material and operating costs:

The conflict has increased material and operating costs, particularly through higher logistics, fuel, freight, insurance, port handling and storage costs. The impact varies by material, with prices for steel, aluminium, copper, cement, glass, timber and MEP components influenced by global demand, local supply, existing stock and energy-intensive production. Even where factory-gate prices remain stable, landed costs are moving quickly, while project-level impacts may emerge through higher preliminaries, resequencing, prolongation or acceleration, substitution and increased contractor risk pricing.

Programme and schedule impact:

Programme risk may prove more important than direct cost inflation in the current market. Delays could build gradually through procurement, approvals, logistics and commercial decision-making.

Likely schedule impacts:

- Shorter supplier quotation validity
- Potentially delayed package awards
- Longer lead times for imported equipment
- Shipping delays
- Resequencing caused by late packages
- Slower client decisions
- More claims and commercial negotiation.

Cost increases in unawarded packages within awarded contracts

A project may have a main contractor appointed but still carry major exposure through unawarded or provisional packages. Typical exposed packages include: Façade; MEP; lifts and escalators; generators, switchgear, transformers; FF&E.

Package position	Risk level	Project impact	Project owner impact
Fully bought out	Lower	Price is mostly secured	Are production slots, shipping and insurance confirmed?
Tendered, not awarded	High	Prices may no longer be valid	When do quotes expire. What exclusions have changed?
Designed, not tendered	High	Cost plan may need review	Does the current budget reflect today's market?
Nominated package	High	Interface risk between parties	Who owns delay, escalation and substitution risk?
Provisional sum	Very high	Owner may be retaining the risk	What is the realistic market-tested value?

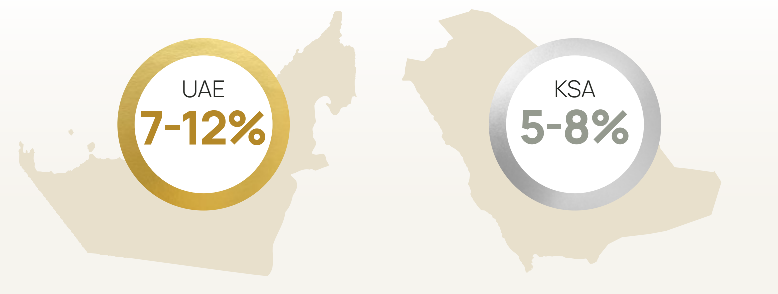
Cost increases in unawarded projects

For unawarded projects, the focus should move from applying a blanket cost uplift to testing whether the project remains viable under a changed delivery and cost environment.

Longer procurement periods, higher financing costs, and increased contractor risk allowances can materially affect feasibility. Projects should be re-tested across construction cost, fuel and logistics exposure, tender price risk, programme duration, phasing, infrastructure timing, contingency and procurement route.

Building materials costs

Expected Change In Building Costs In 2026



Upside risk in H1 2026 to cost in imported and energy-intensive materials.

Labour costs relatively stable.

Moderation in building cost pressures in H2 2026 dependent on sustained resolution of Iran conflict, normalisation in logistics operations and decrease in oil prices.

Area	Current cost risk exposure	Project impact
Steel	High risk	Price is mostly secured
Aluminium and façade	Higher risk	Prices may no longer be valid
Copper and cable	Higher risk	Cost plan may need review
Cement and concrete	High risk	Interface risk between parties
Bitumen and asphalt	High risk	Owner may be retaining the risk
MEP plant	Higher risk	MEP plant
Fit-out	Selective	Fit-out
Labour	Selective	Labour

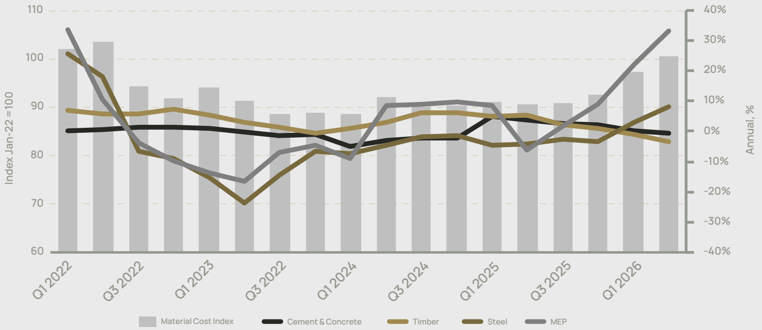
Building Cost Index KSA

	Annual % 2025	Annual % H1 2026	Current Trend
Building Cost Index	2.0%	7.0%	↗
Materials	1.0%	9.0%	↗
Labour	2.0%	3.0%	→
Logistics	11.0%	28.0%	→
Plant & Equipment	0.0%	4.0%	↗

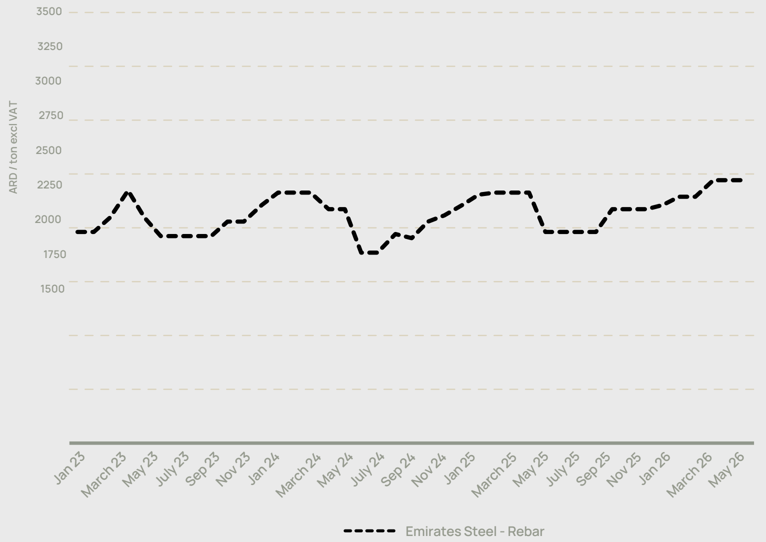
Building Cost Index UAE

	Annual % 2025	Annual % H1 2026	Current Trend
Building Cost Index	2.0%	9.0%	↗
Materials	2.0%	12%	↗
Labour	2.0%	1.0%	→
Logistics	-13%	36%	→
Plant & Equipment	1.0%	4.0%	↗

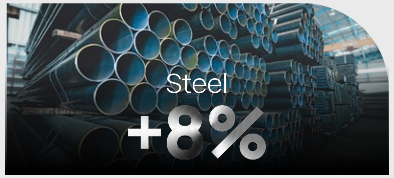
KSA Material Costs

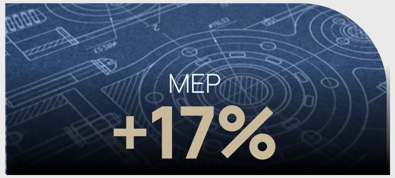


UAE Emirates Steel Rebar Price Announcements



Largest material cost increases in 2026 YTD (April 2026)





*Current Cost Trend expectations for H2 2026. Stable inflation implies a potential slowdown in price increases but necessarily a decrease in prices.

*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%. The opposite trend is observed in H1 2026, where fuel prices in the UAE saw a much sharper increase in the UAE compared to KSA, where diesel prices were hiked in January, but gasoline prices were held stable.

Source: Gastat, DSC, Westmetall, Drewry, WorldBank, MESteel, Matthews Analysis

Higher costs and a still tight contractor pool will keep tender price inflation elevated, despite a slower project pipeline in key real estate markets

Tender prices are expected to move in line with higher building cost inflation in the near term. While contractors are expected to absorb some of the higher costs in a slower market, they will be pricing uncertainty of higher programme risk, insurance, logistics, longer procurement periods and the commercial risk of committing to fixed prices in an uncertain market.

Tender prices are expected to reflect risk more than simple input inflation. The premium will be highest where projects are complex, fast-track, MEP-heavy, fuel-sensitive, imported-package-heavy or commercially difficult to price.

Current pricing drivers

- Fuel and logistics costs
- MEP and long-lead / imported equipment
- Insurance and freight
- Shorter supplier validity
- Contractor selectivity
- Limited specialist capacity
- Risk transfer in contracts
- Unawarded package exposure
- Working-capital pressure.

Market	Base tender price view	Higher risk and market premium	Sectors with downward TPI pressure
UAE	Upward pressure. Higher increases in specific infrastructure and transportation sectors are offset by a competitive real estate market. Rising input costs amid a slower real estate market could compress margins for contractors in these sectors, but a smaller pool of available contractors and sub-contractors is likely to put a floor under prices.	Aviation, rail, data centres and digital resilience, infrastructure, energy projects, complex refurbishment, imported MEP and fit-out packages.	Residential may become more selective. Strong developers with credible projects will attract contractor interest and may be able to achieve keen pricing.
KSA	Cost increases more moderate than in the UAE, but busy Tier 1 contractors likely to maintain pricing momentum.	Higher on strategic, fast-track, event-linked deadlines, imported and MEP-heavy packages.	Limited. Phasing may reduce some pricing pressure, but credible delivery capacity remains constrained in key locations.

TPI Forecast 2026

UAE 6-9% & KSA 5-8%

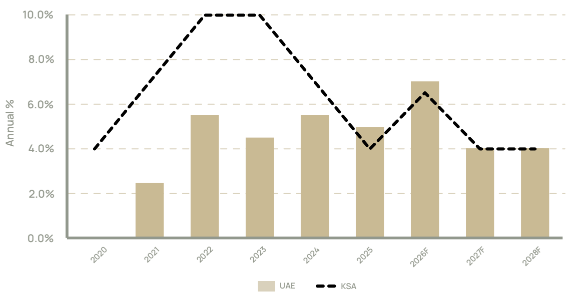
Cost pressures significantly higher on packages procured in H1 2026, with expectations of moderation as the year progresses and sustained conflict resolution can be achieved.

Tender Price Inflation

TPI Forecast Range (%)

Year	UAE	KSA
2024	5.5%	7%
2025	5%	4 %
2026F	6 – 9%	5 – 8%
2027F	3– 5%	3 – 5%
2028F	3– 5%	3 – 5%

Central TPI



Preliminaries & OHP

	2025	2026
Preliminaries		
UAE	12-16%	12-16%
KSA	14-18%	14-18%
OHP		
UAE	10-15%	10-15%
KSA	12-15%	12-15%

Average Fuel Pass-Through to Building Costs

Moderate increase in preliminaries associated with site running costs and volatility risks, offset by margin squeeze.

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.

Source: Matthews Analysis

04 Market Implications

Decision-making in a more uncertain market

The UAE and Saudi Arabia remain active construction markets, but the conflict, which is still playing out as of May 2026, has changed the level of uncertainty around cost, delivery and capital commitment. The response for project owners and their delivery partners should not be to pause by default, but to increase monitoring and control.

The main cost pressure is concentrated in fuel, logistics and contractor risk pricing, rather than uniform material inflation. Owners should re-test business cases, audit unawarded packages, track fuel and logistics exposure, monitor contractor health, review contract positions, and keep enough phasing and design flexibility to respond to the market as it stands now.

In the current environment, good development, project and cost management gives owners and funders the visibility to make decisions before risk becomes delay, claims or lost viability.


BEEAH Group HQ

Decision Framework & Action Points for Clients

Know where the risk sits

1. Map where is the project still exposed, and who currently owns that exposure

Revisit contract strategy

2. Check if the contract strategy match how priceable the risk is

Monitor contractor and supply-chain health

3. Track financial resilience, delivery capacity, procurement constraints and claims behaviour

Protect viability through contingency and phasing

4. Stress-test project parameters

Keep design flexible, but controlled

5. Preserve optionality for substitution, redesign and re-approval without losing scope discipline

At Matthews we will continue to monitor market changes to support project decision-making. The priority is to understand where projects are exposed, how those risks are allocated, and which decisions need to be made now.


Net Zero Energy Mosque

1. Know where the risk sits

Owners and delivery partners need to move from project-level risk to package-level exposure management. The current market risks sit in specific packages, suppliers, contracts and procurement decisions. The aim is to give decision-makers a clear view of where the project remains exposed, whether the exposure is cost, programme or commercial risk and who currently owns it.

A structured review should cover four areas:

1. Package status
How defined and committed is the package?

Design status, tender status, award status, buy-out position, provisional sums and unawarded elements.

2. Procurement exposure
How secure is the supply position?

Supplier location, logistics route, quote validity, lead times, exclusions and approved alternatives.

3. Cost exposure
How exposed is the package to fuel, freight and logistics disruption?

Fuel-sensitive components, haulage distance, freight assumptions, energy escalation, logistics exclusions, plant intensity, temporary power and preliminaries.

4. Commercial ownership
Who carries the risk if the market moves?

Escalation, freight, insurance, deposits, substitution rights, and entitlement rules for route disruption or conflict-related delay.

Watchpoint: Assess how much exposure remains inside awarded contracts, unsecured imported materials and long-lead procurement gaps?

2. Revisit contract strategy

The contract strategy should be tested against how priceable the risk is. Owners should be careful about pushing every risk to the contractor. Risk transfer only works where the risk is understood, measurable and priceable. If it is not, it will usually come back as a higher tender, fewer bidders, wider exclusions or claims later.

Fixed-price lump sum is appropriate where scope is defined, packages are bought out and the supply route is clear. Where risks are still moving owners may achieve better value through defined risk-sharing mechanisms rather than forcing a contractor to price worst-case assumptions.

Contract Risk Map

1. What is fixed, what is variable, and what is excluded?

2. Who carries the cost and delay if routes, freight or cover change?

3. If delay occurs, what relief is available and what evidence is required?

4. Where is the project exposed through suppliers, nominated packages or financial security?

Risk / package condition	Recommended commercial approach	
Defined scope, bought-out package, clear supplier route	Fixed price	Risk is understood and can be priced competitively
Commodity exposure such as fuel, steel, copper / fuel, freight or logistics volatility	Fluctuation clause or indexed adjustment	Could avoids contractors pricing worst-case escalation; shares risk without hiding it in tender margins
Imported equipment with uncertain lead time or freight cost	Provisional allowance with conversion mechanism	Could keep budget visible while supplier pricing settles
Conflict-related delay or route disruption	Clear entitlement rules and evidence requirements	Could reduce dispute risk if delay occurs
Complex MEP, systems or specialist packages	Early contractor / specialist involvement	Could improves price certainty before final commitment
Potential product or supplier substitution	Pre-agreed substitution procedure	Could avoid late redesign and approval delay

3. Monitor contractor and supply-chain health

Contractor distress often appears before formal default and may appears first as slow procurement, late submissions, staff turnover, claims activity or pressure for advance payments.

Indicators	Monitor signals
Procurement progress	Late package awards, expired quotes, supplier changes can signal pricing uncertainty, cash-flow pressure or supplier hesitation
Financial stress	Advance payment requests, delayed subcontractor payments and bond capacity
Commercial behaviour	Claims frequency, exclusions, variation pressure could indicate that risk is being pushed back to owner
Delivery performance	Staffing, productivity, site progress, quality issues could indicate if commercial challenges impact programme risk
Supply-chain stability	Sub-contractor churn, replacement suppliers could signal challenges with package management and scope uncertainty

4. Protect viability through contingency and phasing

Owners should separate contingency by risk type e.g. design development, construction risk, escalation, fuel/logistics exposure, client change. This improves cost visibility and prevents one general contingency allowance from masking distinct risks with different owners, timing and mitigation options.

Phasing is not only about cash flow. It can protect viability and be used as a risk tool, prioritising revenue-generating assets, delaying non-critical scope and creating decision gates before further capital is committed. In current market conditions, use phasing to:

- Prioritise revenue-generating assets
- Delay non-critical scope
- Align infrastructure with demand
- Reduce early capital exposure
- Create decision gates
- Allow redesign if the market shifts
- Avoid overcommitting.

5. Keep design flexible, but controlled

Flexibility should be designed in early. Late substitution usually costs more, takes longer and creates approval risk.

Owners could for example identify alternative façade systems, MEP suppliers, local equivalents, simplified specifications and performance- based options before procurement pressure starts.

Residential project viability reset - Matthews as the credibility layer between capital, development and execution

In the current market, capital will back projects that look controlled, not just ambitious. Matthews role is to create that confidence by bringing structure, transparency and delivery discipline between capital, development and execution.

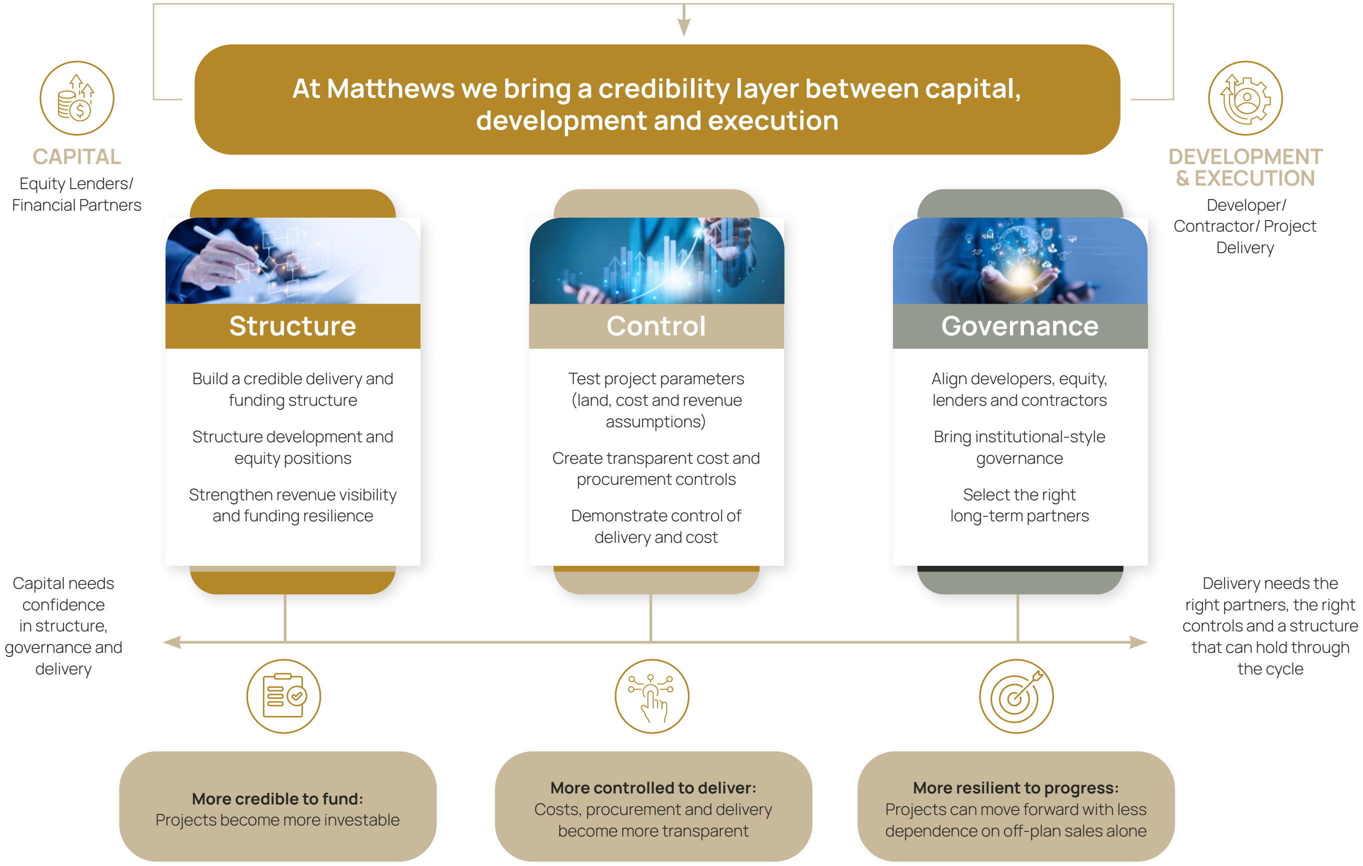
Softer sentiment in the UAE residential market is exposing challenges that were less visible during the upswing of the past 4-5 years. Many schemes are now facing several pressures at once: land acquired at peak values, higher funding costs, rising construction risk, more selective buyers and contractors less willing to absorb uncertainty.

This exposes projects that are too dependent on off-plan sales, thin developer equity, aggressive payment plans or lowest-cost contractor procurement. These structures worked in a rising market but are less resilient when sales and delivery risks increase slow.

The current phase will favour a healthier delivery model. That may mean better-capitalised projects, stronger lending and equity partners, disciplined cost control, and credible delivery partnerships where cost, procurement and governance are visible from the start and that can give funders and buyers confidence that projects will be delivered.

This may reduce some of the returns seen in the strongest cycle years. Higher equity contributions, GP-LP structures and more institutional capital typically mean a more balanced return profile. However, they also make projects more resilient and more deliverable. In this market, credibility to complete is becoming part of the value proposition.

The opportunity is a clear flight to quality. Well-located residential projects with realistic land values, differentiated product and credible sponsors should continue to attract capital, while distressed or undercapitalised projects, may create openings for investors able to reset cost, structure and execution.



05

About Matthews

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.

Skyports DXV Vertiport

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.

Professional Services

Providing specialist Design Management and Technical Documentation consultancy services by delivering design governance, risk management, programme alignment, specifications, technical assurance, and strategic advisory services across complex construction projects.

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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Matthews Professional Services Strategy

The construction and development markets across the Middle East and Europe continue to present significant opportunities for specialist consultancy services that support the successful delivery of increasingly complex projects. Driven by major investment programmes across the region, clients are seeking experienced partners capable of providing strategic oversight, technical leadership and effective management of project risk throughout the design and delivery process.

Matthews Professional Services was established as a strategic extension of Matthews, building on an established reputation for delivering high-value projects. Our suite of specialist services is well placed to support clients with the expertise they require across Design Management, Technical Documentation and BIM Consultancy.

The market continues to evolve beyond traditional design consultancy models. As projects become larger, more complex and increasingly fast-tracked, there is growing demand for independent oversight, structured governance and technical expertise. Matthews Professional Services is well positioned to capitalise on this trend by bridging the gap between design intent, commercial objectives and project delivery, giving clients confidence that projects are being effectively managed from concept through to completion.

Through our integrated services, we support clients, developers, architects and contractors across a broad range of project requirements, from front-end strategy and design management through to technical documentation, BIM consultancy and detailed design coordination, with the objective of improving project outcomes and reducing delivery risk.

The emergence of Artificial Intelligence (AI) is transforming the way we approach and deliver our services. Activities such as technical content drafting and regular project reporting can increasingly be supported by AI-enabled tools, which we are actively embracing. However, whilst these tools can improve efficiency in many areas, they do not replace the professional judgement required to manage technical risk, coordinate multidisciplinary teams, define responsibilities or ensure alignment between design intent and project delivery.

Matthews Professional Services view these developments as an opportunity rather than a threat. We are actively embracing technologies that improve efficiency, whilst recognising that the greatest value lies in the experience, expertise and technical leadership of our teams.

Our strategy is clear and aligned with both current market demand and future industry direction. We will continue to expand our suite of specialist solutions throughout the region, whilst integrating a wider range of services that support our business and our clients.

We will also continue to adopt technology to enhance our existing services, develop new revenue streams and increase our focus on data. Matthews Professional Services is positioning itself as a trusted strategic partner to clients across EMEA. This approach will support sustainable growth, strengthen long-term client relationships and establish Matthews Professional Services as a recognised leader in our fields throughout our operating region.

A change of paradigm in the UAE real estate market

Jonathan Denis-Jacob
Director at Cistri

For over two decades the United Arab Emirates (UAE) property market has shown remarkable resilience.

Aside from a short-lived downturn during the Global Financial Crisis, the UAE's real estate sector has remained on an upward trajectory, underpinned by sustained population growth, solid economic fundamentals and a safe haven status.

Recent geopolitical instability, particularly from the United States-Iran conflict is a black swan event that has put the UAE real estate market's resilience and safe-haven reputation to the test.

The UAE real estate market is currently experiencing a short-term contraction. According to analysis by Goldman Sachs, transaction volumes are down 37% year-on-year, reflecting softer market conditions. Fitch Ratings forecasts a price correction of around 15% by the end of 2026, driven by weaker economic activity, reduced tourism and slower population growth. The crisis triggered a property market transition from a tourism and investor-led boom towards a resident and infrastructure-led property cycle.

1. Infrastructure as the primary growth catalyst

The UAE has embarked on an ambitious infrastructure investment programme, with the Etihad Rail, Al Maktoum International Airport (DWC) Expansion, Dubai Metro Gold and Blue lines, Khalifa Port expansions and Public Private Partnership (PPP) road projects. In Dubai alone, the 99.5 billion dirhams projected expenditure for the 2026 fiscal year, 48% will make up infrastructure investments. Infrastructure work will sustain demand for the construction sector, while driving growth in the property sector.

2. TOD and metro price appreciation premium

Transit-Oriented Developments (TOD) are now a primary driver of value in the UAE property market, shifting investor focus from speculative hype toward connectivity and liveability. Proximity to mass transit is redefining the city's real estate premium. Property values near metro stations already command a 10% to 25% premium, with an additional 30% capital appreciation in newly developed stations. Developers are paying attention and have started to aggressively replenish their land banks in transit-oriented locations, including around the Etihad rail stations.

3. The rise of liveable, walkable communities

Market preferences are evolving with developers, buyers and renters transitioning away from isolated highway-oriented towers. Buyers and tenants are attracted to new integrated, mixed-use, transit-oriented master planned communities, catering to a lifestyle centred on reduced dependence on private cars and shorter daily commutes.

4. Hotel and mall refurbishment

The temporary slowdown in international tourism and consumer spending has opened a window of opportunity for hotel and mall landlords to refurbish and reposition their properties for the future.

Refurbishment and retrofitting work is accelerating as landlords and owners understand now is the time for meaningful asset enhancement initiatives.

As history reminds us, periods of disruption often accelerate transformation. The UAE is undoubtedly navigating an unprecedented crisis, but one that will lead to long-lasting transformation and a change of paradigm in its critical property and construction sector.

Ancient building methods meet modern technology

Net Zero Energy Mosque

Abu Dhabi has unveiled the world's first net zero mosque, a pioneering development that seamlessly blends ancient rammed-earth construction with cutting-edge solar technology.

Designed by Arup and developed by Masdar City, this project reflects a pioneering shift in how civic and religious spaces can support global climate goals whilst respecting cultural heritage. With its integration of traditional materials, innovative engineering and net zero energy performance, the mosque stands as a powerful symbol of the UAE's leadership in sustainable development.

Matthews provided cost consultancy services on the project. Our scope included developing the CAPEX framework in line with the approved budget, conducting continuous cost monitoring during design development, preparing cost estimates at key stage gateways, leading value engineering, and production of bills of quantities, tender documentation and analysis to ensure robust financial governance throughout.

- Region's first net zero energy mosque
- The region's first rammed-earth wall construction
- Zero Energy, LEED Platinum, Estidama 4-Pearl, and WELL Gold certifications
- Accommodates 1,300 worshippers

Integrated cost intelligence into design

Translating ambition into a 'design to budget' framework

- **Initial engagement:** The brief called for a landmark mosque that was both architecturally ambitious and environmentally pioneering — all within a tightly defined budget.
- **Target cost framework:** A structured cost model was established to translate the overall budget into clear design components such as façade, structure, finishes, and energy systems. This approach provided the design team with transparent financial boundaries for each element.

Collaborative design-to-cost strategy

- **Design cost integration:** Cost considerations were embedded into the design process from the outset, fostering a proactive and transparent design-to-cost culture.
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- **Workshops and iterations:** Regular design-cost workshops were held to explore options, test ideas, and refine solutions. This iterative dialogue helped balance creativity with feasibility.
- **Material and system selection:** Alternative materials and systems including rammed-earth walls and solar integration were integrated, not only for performance but also for affordability, constructability and local market suitability.

Leveraging 5D BIM for real time cost intelligence

- **Digital modelling:** A BIM model was developed that linked geometry (3D) and cost (5D) data to provide a unified design and cost platform.
- **Real time feedback:** As design iterations progressed, the model delivered real time feedback on cost implications, allowing the team to make informed decisions quickly.
- **Efficiency gains:** This data-driven approach reduced manual updates, minimised rework, and accelerated the design cycle while improving cost accuracy and transparency.

Market testing and supply chain engagement

- **Local validation:** Engagement with local contractors and suppliers during early design stages helped validate pricing, availability, and constructibility assumptions.
- **Constructibility reviews:** These discussions helped refine the design to suit local construction practices, reducing risk during tendering and execution.

Continuous alignment and risk management

- **Cost reviews:** At each design milestone, formal cost reviews were conducted to ensure continued alignment with the target budget and client expectations.
- **Risk identification:** Potential cost risks such as material volatility or construction complexity were identified early and mitigated through design adjustments or procurement strategies.

Project Challenges

- **Balancing vision and viability:** Delivering an architecturally distinctive and environmentally advanced design while maintaining strict cost parameters.
- **Innovative construction techniques:** Integrating rammed-earth walls — a method not previously used at this scale in the region — presented unique design and delivery considerations.
- **Sustainability targets:** Achieving net zero energy performance through full solar integration added complexity to the design and engineering process.
- **Cost control:** Ensuring the design remained within budget required rigorous, transparent cost management across all stages.
- **Buildability and market alignment:** Aligning ambitious design intent with local construction capabilities and pricing structures was key to successful delivery.

Matthews Approach

- **Cost-led design:** Implemented a structured cost framework to guide decision-making and maintain budget alignment.
- **Collaborative process:** Fostered close coordination between design, engineering, and commercial teams to balance creativity with feasibility.
- **Material and system evaluation:** Assessed a range of options to identify solutions that provided a feasible design outcome.
- **Digital integration:** Leveraged BIM and other digital tools to link design and cost data, enabling real time analysis and minimising inefficiencies.
- **Market engagement:** Engaged local suppliers and contractors early to validate buildability, supply availability, and cost assumptions.

Project Outcomes

- **Successful tendering:** Bidders returned proposals within the target budget, confirming the effectiveness of the cost-led design approach.
- **Enhanced efficiency:** The integrated digital process improved decision making, reduced resource use, and streamlined delivery.
- **Architectural and environmental achievement:** The completed mosque achieved its net zero energy goals and introduced pioneering sustainable construction techniques to the region.
- **Global milestone:** The world's first net-zero energy mosque and the region's first rammed-earth wall construction, setting a new benchmark for sustainable design in the built environment.

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