



UAE **Construction Industry** Market Trends Report

Building the Future: Insights into the UAE Construction Industry

Introduction

Understanding the broader industry landscape is crucial to Beehive's credit assessment process. When evaluating SMEs, Beehive doesn't just assess the financial health of an individual business—we also analyse the industry in which it operates.

This sector-level research helps mitigate investment risks by ensuring that investors fund SMEs with strong financial fundamentals and those positioned within stable or growing industries. In the UAE construction sector, market trends, regulatory changes, and macroeconomic factors play a significant role in shaping business viability.

By integrating this market intelligence into our credit assessment, Beehive provides clients with a more comprehensive risk evaluation, ensuring informed decision-making and sustainable investment opportunities. This research is one of many we conduct, and as an investor or SME, it might be interesting for you to explore these insights to better understand the sectors you're investing in.

The road ahead for the UAE construction sector

The UAE construction industry has long been a cornerstone of the nation's economic growth, driven by ambitious government initiatives, strategic foreign investments, and a commitment to technological innovation. The sector has undergone a significant transformation from the post-pandemic recovery in 2022 to the anticipated advancements in smart city infrastructure by 2025. This white paper comprehensively analyses market trends, lending dynamics, and financial stability indicators shaping the industry's future.

Rebounding & reshaping: post-pandemic growth

(year-by-year market insights)

2022

A fresh start after pandemic challenges

In 2022, the UAE construction sector rebounded from the COVID-19 Pandemic. The industry experienced moderate growth, supported by ongoing projects initiated under the government's development agenda, such as the "Projects of the 50" initiative, which aimed to attract substantial foreign direct investment (FDI).

The successful Expo 2020, which extended into early 2022, also provided a boost by increasing commercial activities and tourism-related construction.

2024

A leap towards green and smart construction

The UAE construction industry was expected to maintain its growth trajectory in 2024. Sustainability remained a key driver, with further advancements in green building practices and a significant push towards renewable energy projects.

The integration of cutting-edge technologies was set to transform the industry further.

Additionally, the sector was likely to invest more in smart cities and infrastructure projects to support long-term economic and environmental goals.

2023

Infrastructure projects take center stage

By 2023, the construction industry in the UAE had continued to grow, driven by sustained government investment in large-scale infrastructure projects, including the UAE Railway Program and various renewable energy initiatives, as part of the UAE's commitment to achieving net-zero emissions by 2050.

The sector's growth had been estimated at around 3.7% annually, reflecting the country's strategic investments in industrial, transportation, and energy infrastructures.

2025

Forecast, what's next for the industry?

In 2025, the UAE construction and contracting industry is projected to reach USD 42.75 billion, growing at a compound annual growth rate of 6.5%.

Developers drive growth through significant residential, commercial, and hospitality projects and large-scale infrastructure initiatives like the Al Maktoum International Airport and Dubai Metro expansions.

The UAE's focus on sustainable development and green building practices fuels innovation, supported by initiatives such as Dubai's green building regulations and Abu Dhabi's Estidama program. However, the industry must address labour shortages and supply chain challenges to maintain this momentum.

So, what does the UAE construction industry look like?

- The UAE construction market has grown by 3.5% in 2024 and is expected to grow by 3.8% in 2025, driven by government initiatives, economic diversification, and foreign investment.
- The construction industry has demonstrated a strong recovery post-pandemic, with a 20% increase in new projects from 2023 to 2024 and significant overall market growth.
- The government aims for 100% clean energy by 2050 through key initiatives and investments in transport, housing, and renewables.

- Fluctuating prices of construction materials and labour costs can impact profit margins and project viability.
- The industry faces challenges in securing skilled labour, which can delay project timelines and increase costs.
- Government projects drive a significant portion of construction activity. Any reduction in government spending or delays in public sector projects can adversely affect the industry.

- A growing demand for sustainable construction practices and green building certifications presents opportunities for companies specialising in eco-friendly construction methods.
- Liberal trade policies and initiatives to attract foreign investments can lead to more international funding and partnerships, enhancing growth prospects for construction companies.
- Investments in innovative city projects offer new avenues for growth, as there is an increasing need for digital and automated infrastructure.

- Global economic fluctuations and regional geopolitical issues can impact investor confidence and financial stability in the construction sector.
- Changes in construction regulations and building codes can create compliance challenges and increase operational costs for construction companies.
- The construction industry is highly competitive, with numerous local and international players vying for market share, which can squeeze profit margins and make it challenging to secure projects.

Key takeaways: What lenders need to know

01 Lending to construction and contracting companies in the UAE presents opportunities and risks. The sector's strengths, such as robust government support, technological advancements, and a strong market recovery, make it an attractive option for lenders.

02 However, weaknesses like high material cost volatility and dependency on government spending, coupled with external threats like economic uncertainty and regulatory changes, necessitate carefully assessing each borrowing company's financial health and project portfolio before extending credit.

03 By leveraging opportunities in sustainable construction and smart city developments, lenders can align their investments with the industry's growth trajectory while mitigating risks through thorough due diligence and strategic planning.

A deep dive into financing default trends in the UAE construction industry (2022-2025)

The construction and contracting industry in the UAE is experiencing a remarkable recovery, growth, and resilience journey. In recent years, the sector has successfully navigated challenges brought on by the COVID-19 pandemic while steadily laying a stronger foundation for the future. With declining default rates, increasing market confidence, and a surge in local and foreign investments, the industry is on the rise. The following section will examine the breakdown of funding default rates from 2022 to 2024.

2022

Steering post-pandemic uncertainty



The construction sector's default rate for business funding was relatively stable but still significant due to the lingering impacts of the COVID-19 pandemic. The industry was recovering, with many projects resuming, yet financial stability was fragile.

2023

Restructuring trust and financial health



The default rates improved noticeably. This was driven by a robust recovery in the real estate market and increased government spending on infrastructure projects. The introduction of new visa schemes, like the Golden Visa, and economic diversification efforts contributed to enhanced investor confidence and financial stability within the sector.

2024

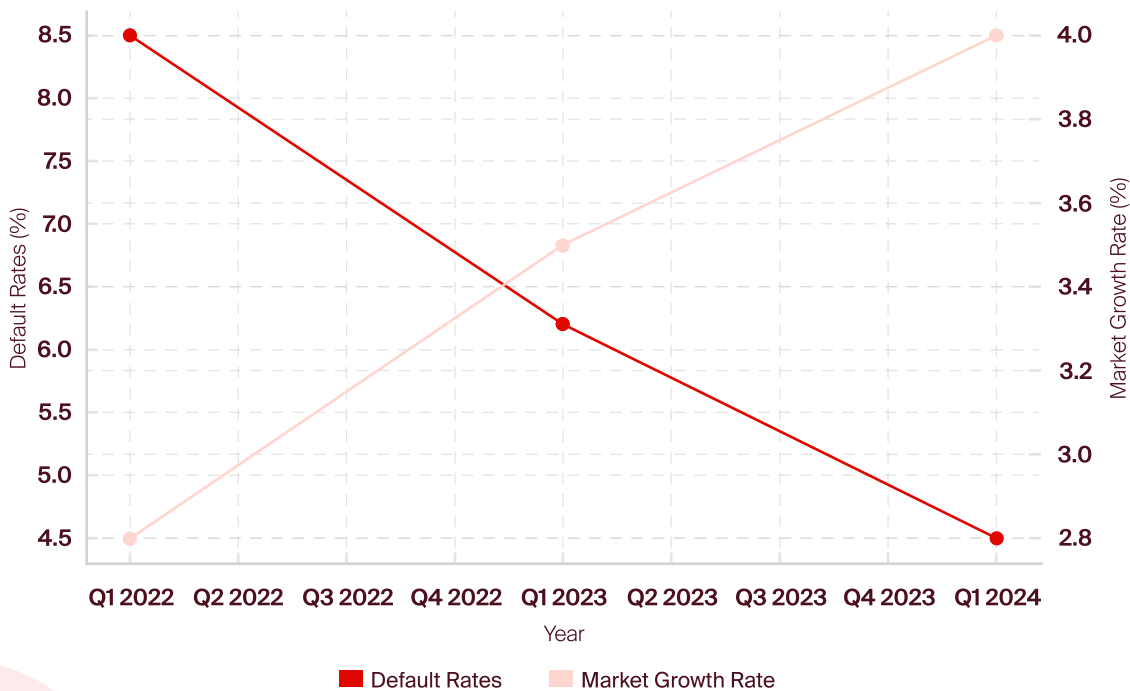
The path to sustained growth



Early indicators for 2024 suggested a continued decline in default rates, reflecting sustained growth in the construction industry. The ongoing development of mega-projects and increased foreign investments had bolstered the financial health of construction firms, reducing the risk of funding defaults.

Figure 1: Comparison of the default rates and market growth rates in the UAE construction industry from 2022 to 2024:

UAE Construction Industry: Default rates and market growth (2022-2024)



Default Rates: These show a declining trend, indicating improving financial stability in the construction sector:



Market Growth Rate: These show an increasing trend, reflecting the robust growth in the construction market:



Momentum & Beyond: The future of UAE construction

The construction and contracting industry in the UAE has demonstrated a positive trend in reducing financing default rates from 2022 to 2025. This improvement has been driven by government support, strong market demand, and technological advancements.

This positive trend is expected to continue as the industry grows and stabilises. The momentum from 2024 is carrying into 2025, with the initiation of several new projects alongside those already in progress from 2024. However, addressing labour shortages and supply chain challenges will be critical to sustaining this momentum.

Overall, the outlook for 2025 is optimistic, particularly given that businesses increased their revenue in 2024.

About Beehive:

Founded in 2014, Beehive is the first regulated and leading digital SME lending platform in the MENA region. Our award-winning platform connects businesses seeking funding with global investors who can fund their growth. Beehive is operational in the UAE, KSA, and Oman and is regulated by the DFSA in the UAE and the FSA in Oman.

With a deep culture of innovation and excellence, Beehive is helping bridge the gap between SMEs and Investors. Beehive has become a trusted partner for SMEs across the GCC.

Learn more at : www.beehive.om

References & Resources:

<https://settlecreate.com/construction-in-uae>

<https://www.globenewswire.com/news-release/2023/08/10/2722773/28124/en/United-Arab-Emirates-UAE-Construction-Industry-Report-2023-Industry-to-Expand-by-3-3-in-Real-Terms-this-Year-Following-an-Annual-Growth-of-2-in-2022-Forecasts-to-2027.html>

<https://firstbit.ae/blog/uae-construction-sector-shows-strong-growth-amidst-regional-challenges-rics-report/>

<https://www.globaldata.com/store/report/uae-construction-market-analysis/>

<https://www.techsciresearch.com/report/uae-construction-market/4448.html>

<https://www.marketresearch.com/GlobalData-v3648/United-Arab-Emirates-UAE-Construction-34409656/>

<https://www.mordorintelligence.com/industry-reports/analysis-of-the-construction-industry-in-gcc-countries-industry>

<https://www.turnerandtownsend.com/insights/the-future-of-uae-infrastructure/>

<https://www.imarcgroup.com/uae-construction-market>

<https://www.bncnetwork.net/Access-UAE-Construction-Projects-News-Analytic-Reports-and-Forecasts>

<https://firstbit.ae/blog/construction-practices-in-the-uae-are-changing-towards-more-sustainable-options/>

<https://gulfbusiness.com/sustainable-construction-building-a-greener-future-for-the-region/>

<https://chr.ae/2024/05/17/green-building-practices-dubai/>

<https://rakez.com/en/media-centre/articles-details/articleid/456/uae-construction-trends-business-setup-insights>

<https://www.globalarbitrationnews.com/2019/05/02/construction-and-projects-in-united-arab-emirates-overview/>

<https://www.zawya.com/en/business/default-rate-among-uae-smes-drops-significantly-rb8sv954>

All data in this report is UAE-specific and reflects patterns seen in the UAE market