

Utilities supply crunch in Northern Emirates

Real estate projects in the Northern Emirates could be left without utilities because development is not being properly planned, says a senior official at the Federal Electricity and Water Authority (Fewa).

This could lead to a major shortage of water, electricity and drainage, that might take years to remedy, said Hassan Abdullah Al Ghasyah, Executive Director of Supply.

"The abrupt development in the construction field now seen in the Northern Emirates is unplanned," he added. "Local authorities have not co-ordinated with Fewa on the precise water and power requirements."

Al Ghasyah said Fewa was committed to increasing power and water supplies by a minimum of eight per cent annually. But private estimates of current growth in Ajman alone dwarf this figure – gross domestic product is thought to be growing at 27 per cent annually, while the population increases by 18 per cent.

Limited supplies of natural gas are already straining on generation capacity in some of the Northern Emirates and there have been reports of delays in connecting new developments to utilities. The issue of shortages is leading to tension between government and developers. Al Salam City, a Dh30bn project by Dubai-based Tameer, was placed on hold in May. The city, which was set to house up to half a million people, was due to be built in Umm Al Quwain. Tameer claimed a shortage of water and electricity meant that, for the time being, it could not proceed with the project.

Company sources blamed the emirate's government, saying: "The government is telling us they don't have enough resources to provide water and electricity for the city. We don't have any idea how long this period will go on for."

The government responded furiously and took the unusual step of publishing a clause from Tameer's contract, which says: "The government is not responsible for supplying electric power, sanitary discharge, water, wire and wireless extensions."

The delay in such a high-profile development – which according to some sources was 70 per cent sold – was a major blow to Umm Al Quwain. Given the degree of off-plan selling that has already taken place it is a headache for Tameer too.

The company has offered investors three options – a full refund, a rollover to Al Arjan project in Dubai with a 20 per cent discount or a rollover to any other project with a three per cent discount. It says Al Salam is still merely "on hold" and work will resume once the utilities issue has been resolved.

For some Al Salam investors, however, the options offered by Tameer may not be attractive. As with Damac's Palm Springs project, which was cancelled in March, the refund offered by Tameer reflects market prices at the time of signing contracts. Prices

have doubled or even tripled in the past two years and Tameer's new projects reflect current costs and valuation.

With 300 towers currently under construction in the Northern Emirates and real estate agencies in Europe and the US talking up the boom, the stage would appear to be set for further bottlenecks in utilities supply. Major power infrastructure is currently in the pipeline, including private sector investment under Fewa's supervision.