

Firms zero in on healthcare as construction and realty lag



By Karen Remo-Listana on Sunday, September 27, 2009

Companies are now increasingly focusing on the healthcare sector while construction and property sectors continue to remain weak.

Decision-makers speaking to **Emirates Business** said the non-cyclical nature of healthcare and the unmatched high demand for health-related services are alluring service and financial firms to expand or create new businesses in this arena.

"We are focusing on the healthcare market because this is the kind of industry that will sustain [us] through out the downturn," said Steve Williams, Chief Executive of Gulf Finance, a Shuaa subsidiary.

"Because we are responsible lenders we are looking at sectors with a bit more predictability," he added.

"For example, with more than 1.2 million people in Dubai alone and 4.5 million people in the UAE as a whole, healthcare has to be a critical concern."

"So a clinic that is looking at an MRI scanner and has proven clients using that piece of equipment... that represents really good opportunity to support a growing business that is supporting the emirate," Williams said.

"The population of the region, and especially the UAE, will increase at faster rates than the global average," said Ki Wan Kim, Chief Executive, LG Middle East and Africa Regional Company.

"With increases come the associated burden on the existing healthcare infrastructure and while governments are investing to develop the infrastructure, they are and will be for the foreseeable future, playing catch up," To this end, LG has begun beefing up its healthcare offerings in the region by inducing the sense of need to consumers.

"Our portfolio in healthcare is still not so big but this caters to health-conscious consumers. Through innovation and communication we can convince the consumer, and can create a market. There is already a hidden desire but how can we provoke this desire is our goal," Kim said.

Industry estimates show that the healthcare market in the UAE is expected to rise to \$12 billion (Dh44bn) in 2015, from \$3.2bn in 2005.

Yearly, the UAE is spending about \$1bn on sending patients abroad for speciality cases, said Adil Ameer, Vice-President at Dubai Healthcare City.

The total regional spending on healthcare is slated to have touched around \$137bn last year, he said.

Currently about \$14 billion worth of healthcare-related projects are under way in the Gulf, with Saudi Arabia alone spending more than \$6.6bn on a total of 83 projects, and the UAE and Qatar spending \$2.9bn and \$2.8bn, respectively.

While there are more than 100 hospitals in the planning stage, a number of them have been delayed due to the financial crisis.

Figures from ProLeads show that in Dubai alone \$1.6bn worth of healthcare projects are on hold due to financial issues. Most of them are located in the dedicated area of Dubai Healthcare City.

This includes the \$1.1bn Dubai Healthcare City II (Formerly Wellness Village) – master plan. The construction of the project, being developed by Tatweer, was originally set in July 2006 with final completion due in July 2011.

Also on hold are the \$235m Dubai Healthcare City (DHCC) – City Towers and the \$327m Dubai Healthcare City II – WorldCare Wellness Centre. The \$1bn Healthcare City – Oman, which will see the construction of a new one million square metre healthcare city near Muscat was also put on hold.

Ameer admitted that while there is a big opportunity in capturing the healthcare market, access to capital has become a major obstacle in pursuing investments.

Despite the capital lag, a handful of projects are still progressing well, thanks to government support and a long-term commitment to healthcare infrastructure growth.

But the government's pocket would not be enough to fill in the growing demand.

According to a report by Ithmar Capital and Dow Jones Private Equity, Gulf Co-operation Council Countries (GCC), need 138,965 hospital beds; 140,334 physicians and 227,079 nurses by 2050 to maintain the current healthcare levels.

The UAE alone, it said, will need 15,698 new beds and physicians along with 31,396 additional nurses.

The report thus called on policymakers to engage with the private sector to expand, consolidate and support healthcare in the GCC.

"The requirement for healthcare provision to meet the needs of population all over the world is undiminished in the face of unprecedented financial turmoil," said Faisal bin Juma Belhoul, Founder and Managing Partner, Ithmar Capital.

"Remarkable progress continues to be made by GCC governments in putting this capacity in place, and as a result, the inhabitants of the Gulf can today look forward to life expectancies unparalleled in the history of the region. However, this achievement is now facing a series of potentially terminal threats caused by the very growth that has made it possible."

"Meeting the GCC Healthcare Challenge 2050 will require a consensus-driven healthcare infrastructure and regulatory environment, which plays to the strengths of both the public and private sectors," he added.

Regulations

Insurance providers are switching their focus from construction to consumer business, especially in the healthcare area, thanks to laws/bills making health cover compulsory for workers. "The health regulations help us a lot in Abu Dhabi," said Walid Sidani, CEO of Abu Dhabi National Insurance Company. "We are optimistic that in Dubai a similar concept will happen. The concept of HAD – Health Authority of Abu Dhabi – will also be set up to manage the growth in healthcare."

Increasing health problems

The economic development has played a defining role in the proliferation of serious health problems associated with growing affluence, including diabetes and obesity.

According to the World Health Organization (WHO), the UAE is among the top five countries with the highest percentage of adult diabetes sufferers. Obesity has also become a major problem, with more than 60 per cent of Emirati nationals overweight.

This has prompted the world's largest pharmaceutical companies to look closer to the region. Pfizer for one is banking on the region's growing income level, improving regulations as well as on the changing health conditions as the main drivers for its growth here.

In the UAE alone, Pfizer has established that diseases are on a rise. In a series of studies, it said cardiovascular disease amounts to 28 per cent of all deaths in the UAE and that one in three Gulf residents suffer from arthritis.

"Things are changing very fast creating new opportunities," said Jean-Michel Halfon, President and GM of the Emerging Markets Business Unit.

Although the Middle East is not growing as fast as China, Halfon said the region is nevertheless growing in high single digit. "Over the next five years we expect the Middle East growing by double digits," he said. "The growth will come from the increase of income and the fact that access to healthcare is being reinforced so this will increase the market. Third is epidemiology itself, the frequency of ailments such as chronic diseases."

According to a joint study by LG Electronics and research firm Synovate, respiratory and nutrition problems dominate the health concerns of residents across the Middle East with about 80 per cent of residents saying there are more health problems now than in the past, and on an average the same proportion of people are increasingly concerned by its implications.

In the UAE, where ozone levels in many areas are rising above guidelines set by the WHO, 88 per cent of people highlight respiratory problems as the highest concern and diagnosed cases have risen 8.2 per cent since 2005. Dust, pollution and bacteria in the air are identified by residents as the main cause of the problem.

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