



Research Note

Real Estate Monthly

Emaar Properties

Rating: Outperform

Union Properties

Rating: Outperform

Deyaar Properties

Rating: Outperform

Aldar Properties

Rating: Market Perform

Sorouh Properties

Rating: Outperform

RAK Properties

Rating: Market Perform

- **Emaar:** Excluding expected non-cash goodwill write downs of AED 700 million for the company's US operations, we expect Emaar's bottom line results to come in roughly 10% higher compared to the same period last year. We expect net income of AED 1.711 billion (0.28 EPS), compared to consensus of AED 1.728 billion. Including the write down we expect AED 1.011 billion net income (0.17 EPS).
- **Union Properties:** We expect EPS of AED 0.06, an improvement of roughly 15% yoy. The contracting and MEP businesses should continue to show strong results.
- **Deyaar:** We expect EPS of AED 0.03, flat compared to the 1Q08. Sales are expected to be driven by stronger results from the brokerage and management operations.
- **Aldar:** The wild card for our EPS estimate should come from recognition of the land revaluation, which is approximately 65% of our estimated EPS. We expect EPS of AED 0.52, a significant improvement of 163% yoy.
- **Sorouh:** We expect EPS of AED 0.19, compared to AED 0.18 in 2Q07 and AED 0.14 in 1Q08.
- **RAK Properties:** We expect EPS of AED 0.02, compared to AED 0.10 in 2Q07 and AED 0.10 in 1Q08. We do not expect the company to recognize any revenues from operations in the quarter.
- **Dubai Real Estate Property Price Index:** Our Dubai real estate price index indicates a year over year price appreciation of 40.8% in the residential segment, while prices in the commercial segment appreciated by 42.7% for the same period. Residential rental yields declined again in June to a median rental yield of 6.8% compared to 6.9% in May.

Equity Data	Emaar	UP	Aldar	Sorouh	RAK	Deyaar
Current Price (AED)	10.25	5.53	11.95	9.11	1.90	2.02
Target Price (AED)	17.29	6.88	12.97	11.92	2.54	3.53
Upside/downside	68.7%	24.5%	8.6%	30.9%	33.8%	74.6%
12 Mo. Performance	-14.6%	80.7%	50.7%	98.5%	10.5%	NA
Market Cap. (AED bn.)	62.5	15.4	22.5	22.8	3.8	11.7
Ent. Value (AED bn.)	66.9	19.3	25.5	21.6	2.7	12.4
RIC	EMAR.DU	UPRO.DU	ALDRAD	SORAD	RPRO.AD	DEYR.DU
2008E Estimates						
Revenues (AED mln.)	20,025	3,280	5,521	3,777	438	2,160
Gross Margins	38.2%	21.5%	45.1%	52.3%	43.0%	44.0%
EBIT (AED mln.)	5,336	573	1,275	1,587	149	774
EBIT Margin	26.6%	17.5%	23.1%	42.0%	34.0%	35.8%
EBITDA (AED mln.)	5,551	606	1,360	1,659	150	781
EBITDA Margin	27.7%	18.5%	24.6%	43.9%	34.4%	36.2%
EPS	1.13	0.33	1.28	0.88	0.28	0.15
Cash Earnings/Share	0.98	0.17	0.70	0.75	0.16	0.13
Valuation Multiples						
PE '08E	9.0	16.8	9.3	10.4	6.7	13.6
PE '09E	5.9	3.5	6.6	8.4	5.2	9.4
EV/EBITDA '08E	12.1	31.8	18.7	13.0	17.7	15.9
EV/EBITDA '09E	7.9	4.7	13.9	9.4	10.3	10.5
P/Cash Earnings '08E	10.5	31.9	17.0	12.1	12.0	16.0
P/Cash Earnings '09E	6.5	3.8	13.2	8.8	8.8	10.4
P/BV	1.4	4.0	2.1	3.6	1.2	3.7

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Al Mal Dubai Real Estate Price Index

Al Mal Dubai real estate price index indicates a year over year price appreciation of 40.8% in the residential segment, while prices in the commercial segment appreciated by 42.7% for the same period.

Rental yields declined again in June to a median rental yield of 6.8% compared to 6.9% in May. The decline in rental yields has been driven mainly by higher prices as the median rent has been relatively flat the last three months.

For commercial properties, the median rental yield also declined slightly to 12.4% in June from 12.8% in May.

We have started to see indication of a seasonal slowing in price appreciation for the Dubai residential market, though it still recorded a brisk 1.6% month over month gain. This is somewhat slower price appreciation compared to the 4.4% pace in April and the 3.5% recorded in May. The summer continues to be stronger than last year which saw a 0.6% increase this time last year.

Al Mal Dubai Real Estate Price Index

	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08
Residential													
Median Price/sq.ft. (AED)	1,291	1,298	1,309	1,336	1,362	1,383	1,410	1,495	1,612	1,656	1,729	1,790	1,818
Change (yoy)	N/A	N/A	N/A	N/A	N/A	N/A	18.8%	25.9%	33.3%	33.5%	35.1%	39.5%	40.8%
Change (mom)	0.6%	0.5%	0.8%	2.1%	1.9%	1.5%	2.0%	6.0%	7.9%	2.7%	4.4%	3.5%	1.6%
Rental Yield	7.8%	7.8%	7.8%	7.8%	7.7%	7.7%	7.7%	7.7%	7.6%	7.3%	7.1%	6.9%	6.8%
Commercial													
Median Price/sq.ft. (AED)	1,444	1,469	1,521	1,562	1,598	1,651	1,699	1,751	1,821	1,854	1,921	1,996	2,060
Change (yoy)	N/A	N/A	N/A	N/A	N/A	N/A	29.4%	29.2%	31.0%	36.8%	38.2%	40.3%	42.7%
Change (mom)	1.5%	1.8%	3.5%	2.7%	2.3%	3.3%	2.9%	3.1%	4.0%	1.8%	3.6%	3.9%	3.2%
Rental Yield	16.0%	15.9%	15.5%	15.3%	15.1%	14.7%	14.4%	14.1%	13.7%	13.5%	13.0%	12.8%	12.4%

Source: Al Mal Capital Research



UAE Real Estate Expectation Summary

Union Properties						
(AED Millions)	2Q07	1Q08	2Q08E	Consensus	yoy	qoq
Revenues	574	944	881	NA	54%	-7%
EBIT	84	84	151	NA	80%	80%
Net Income	154	238	178	163	15%	-25%
EPS	0.06	0.09	0.06	0.05	-	-
Emaar Properties						
(AED Millions)	2Q07	1Q08	2Q08E	Consensus	yoy	qoq
Revenues	4174	3961	4382	NA	5%	11%
EBIT	1035	1304	1367	NA	32%	5%
Net Income	1558	1657	1011	888	-35%	-39%
Net Income (Excl. Imp.)	1558	1657	1711	1728		
EPS	0.26	0.27	0.17	0.28	-35%	-39%
EPS (Excl. Imp.)	0.26	0.27	0.28	0.28	10%	3%
Deyaar						
(AED Millions)	2Q07	1Q08	2Q08E	Consensus	yoy	qoq
Revenues	NA	460	503	NA	-	9%
EBIT	NA	132	165	NA	-	25%
Net Income	NA	202	180	NA	-	-11%
EPS	NA	0.03	0.03	NA	-	-
Aldar						
(AED Millions)	2Q07	1Q08	2Q08E	Consensus	yoy	qoq
Revenues	9	2231	1840	NA	-	-18%
EBIT	-100	982	425	NA	-	-57%
Net Income	459	1367	1207	1231	163%	-12%
EPS	0.26	0.59	0.52	0.53	-	-
Sorouh						
(AED Millions)	2Q07	1Q08	2Q08E	Consensus	yoy	qoq
Revenues	801	624	773	NA	-3%	24%
EBIT	379	316	448	NA	18%	42%
Net Income	443	361	492	447	11%	36%
EPS	0.18	0.14	0.19	0.17	-	-
RAK Properties						
(AED Millions)	2Q07	1Q08	2Q08E	Consensus	yoy	qoq
Revenues	0	0	0	NA	-	-
EBIT	-11	-7	-8	NA	-	-
Net Income	173	115	36	NA	-79%	-69%
EPS	0.09	0.10	0.02	NA	-	-

Source: Al Mal Capital Research and Consensus estimates from Bloomberg

Emaar

Excluding expected non-cash goodwill write downs of AED 700 million for the company's US operations, we expect Emaar's bottom line results to come in roughly 10% higher compared to the same period last year. We expect net income AED 1.711 billion (0.28 EPS), compared to consensus of AED 1.728 billion. Including the write down we expect AED 1.011 billion net income (0.17 EPS).



Union Properties

We expect EPS of AED 0.06, an improvement of roughly 15% yoy. The contracting and MEP businesses should continue to show strong results. We continue to notice a strong sales and pricing environment in both its DIFC and Motor City projects that should show up in 2009 results. On an operating basis, we expect to see substantial improvement. EBIT is expected to improve 80% over 2Q07 on the back of an over 50% gain in revenues, year over year.

Deyaar

We expect EPS of AED 0.03, flat compared to the 1Q08. Sales are expected to be driven by stronger results from the brokerage and management operations. We expect a 9% increase over the 1Q08 top line numbers.

Aldar

We expect EPS of AED 0.52, a significant improvement of 163% yoy, but a decline of 12% qoq. Our indications show strong sales activity for the company and we expect further strength from land sales (roughly 30% of revenues). The wild card for our EPS estimate should come from recognition of the land revaluation, which is approximately 65% of our estimated EPS.

Sorouh

We expect EPS of AED 0.19, compared to AED 0.18 in 2Q07 and AED 0.14 in 1Q08. We have not included any assumption for potential revaluation gains. The company has not run a revaluation through the income statement since 2006. If a revaluation of the real estate portfolio is included, there could be as much as 150% upside to our estimate.

RAK Properties

We do not expect the company to recognize any revenues from operations in the quarter. Therefore, the main drivers of results should be gains from the sale of investments and the fair value gains on the real estate portfolio. We expect EPS of AED 0.02, compared to AED 0.09 in 2Q07 and AED 0.10 in 1Q08.



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