



Research Note

Real Estate Monthly

- Al Mal Dubai real estate price index indicates a year over year price appreciation of 35.1% in the residential segment while prices in the commercial segment appreciated by 38.2% for the same period. Though the pace of price appreciation in the residential segment as well as commercial segment seems to pick up in April at 4.4% *m-o-m* and 3.6% *m-o-m* respectively, we expect the price momentum to slow in coming months as Dubai enters the summer period.
- Rental yields declined again in April to a median rental yield 7.1% compared to 7.3% in March. The decline in rental yields has been driven mainly by higher prices as the median rent has not declined.
- It appears that completed property prices are currently being driven higher by comparable off-plan property prices, that seemingly offer “free leverage” in the form of payment plans. As such, premiums for off plan properties seem to be higher in properties with less payments already contributed to the developer. As an example, we saw the median price in Business Bay increase roughly 7.7% and 7.3% in Jumeirah Park in April, compared to an average increase of 4.4%

Equity Data	Emaar	UP	Aldar	Sorouh	RAK	Deyaar
Current Price (AED)	11.60	4.68	11.75	9.55	2.19	2.30
Target Price (AED)	17.29	6.88	12.97	11.92	2.54	3.53
Upside/downside	49.1%	47.1%	10.4%	24.9%	16.1%	53.3%
12 Mo. Performance	-2.1%	83.5%	85.3%	148.1%	64.7%	NA
Market Cap. (AED bn.)	68.0	13.0	22.1	23.9	4.4	13.3
Ent. Value (AED bn.)	72.4	16.9	25.1	22.7	3.3	14.0
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	9.8	14.2	9.2	10.9	7.7	15.5
PE '09E	6.7	3.0	6.5	8.8	6.0	10.8
EV/EBITDA '08E	13.3	27.5	16.7	13.1	22.3	10.9
EV/EBITDA '09E	8.7	4.0	12.4	9.5	12.9	7.2
P/Cash Earnings '08E	11.4	27.0	16.7	12.7	13.8	18.2
P/Cash Earnings '09E	7.4	3.2	13.0	9.3	10.1	11.8
P/BV	1.6	4.0	2.0	3.8	1.4	4.2

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Al Mal Dubai Real Estate Price Index

The Al Mal Dubai real estate price index indicates a year over year price appreciation of 35.1% in the residential segment while prices in the commercial segment appreciated by 38.2% for the same period. Though the pace of price appreciation in the residential segment as well as commercial segment seems to pick up in April 2008 at 4.4% *m-o-m* and 3.6% *m-o-m* respectively, we expect the price momentum to slow in coming months as Dubai enters the summer period.

Rental yields declined again in April to a median rental yield 7.1% compared to 7.3% in March. The decline in rental yields has been driven mainly by higher prices as the median rent has not declined.

Though our price index does not include off-plan properties, we do monitor the prices in some of the key off-plan sectors. It appears that completed property prices are currently being driven higher by comparable off-plan property prices, that seemingly offer “free leverage” in the form of payment plans. As such, premiums for off plan properties seem to be higher in properties with less payments already contributed to the developer. As an example, we saw the median price in Business Bay increase roughly 7.7% and 7.3% in Jumeirah Park in April, compared to an average increase of 4.4% for the median completed

Al Mal Dubai Real Estate Price Index

	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08
Residential														
Median Price/sq.ft. (AED)	1,240	1,280	1,283	1,291	1,298	1,309	1,336	1,362	1,383	1,410	1,495	1,612	1,656	1,729
Change (yoy)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	18.8%	25.9%	33.3%	33.5%	35.1%
Change (mom)	2.6%	3.2%	0.2%	0.6%	0.5%	0.8%	2.1%	1.9%	1.5%	2.0%	6.0%	7.9%	2.7%	4.4%
Rental Yield	7.9%	7.9%	7.8%	7.8%	7.8%	7.8%	7.8%	7.7%	7.7%	7.7%	7.7%	7.6%	7.3%	7.1%
Commercial														
Median Price/sq.ft. (AED)	1,355	1,390	1,422	1,444	1,469	1,521	1,562	1,598	1,651	1,699	1,751	1,821	1,854	1,921
Change (yoy)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	29.4%	29.2%	31.0%	36.8%	38.2%
Change (mom)	3.2%	2.6%	2.3%	1.5%	1.8%	3.5%	2.7%	2.3%	3.3%	2.9%	3.1%	4.0%	1.8%	3.6%
Rental Yield	16.6%	16.3%	16.1%	16.0%	15.9%	15.5%	15.3%	15.1%	14.7%	14.4%	14.1%	13.7%	13.5%	13.0%

Source: Al Mal Capital Research



Results for 1Q 08

Emaar, Deyaar and Union Properties- Outperform

We maintain our ratings for Emaar, Deyaar and Union Properties as current prices offer approximately 49.1%, 53.3% and 47.1% upside respectively. We have not adjusted our estimates for the companies.

Emaar reported net income of AED 1.65 billion (AED 0.27 per share), a decline of 3.8% year over year. Operating margins (32.9%) were adversely impacted by a 33% rise in SG&A y-o-y. However, the company booked sales of AED 5.6 billion in UAE driven by robust sales in the domestic market and land sales by associates in India, and Morocco. We continue to feel that second half of the year will provide a catalyst for the stock as impact of strong sales booked in Burj Dubai Downtown kick in towards the end of the year.

Deyaar reported net profit margin of 43.9% (AED 202 million) and revenues of AED 460 million. The company has a strong development portfolio in the domestic market. Management sought to reassure investors and shareholders that profitability would not be impacted by ongoing financial fraud investigations. We feel that the current weakening in the stock price offers a significant (+53%) upside potential.

Union Properties reported y-o-y 60 % rise in revenues (AED 944 million) and 70% rise in net income (AED 238 million) owing to strong real estate sales coupled with higher contribution from its low margin contracting business. At current trading price, the stock still offers over 47% upside potential.

Sorouh Offers Approximately 25% Upside Potential

Sorouh reported weaker than expected results with net income of AED 361 million and revenues of AED 624 million. However, this could be a timing issue or a reflection of the company's commitment to liaise with quality partners for its projects. The gross margins improved to over 66% for the quarter and we believe this reflects the company's pricing power in its domestic market. At current price, the stock offers approximately 25% upside potential.

Aldar and RAK Properties Still Market Perform

Aldar reported net income of AED 1.36 billion (AED 0.59 per share) and revenues of AED 2.23 billion. As complete results are not yet available, we believe that if results are supported by sustained growth in operational performance, the stock could have more upside potential from our current target price and we would then re-evaluate our rating. At current trading price, the stock offers 10% upside to our target price.

RAK Properties reported a y-o-y 9.62 % gain in net income (AED 114.58 million, AED 0.057 per share) and y-o-y 232% growth in unrecognized sales of AED 564 million. However, the recognition of AED110 million in government land grants was a key driver for the reported net income. We feel that the stock could have more upside potential once the company starts reflecting results from operations rather than revaluation gains / land grants. At current trading price, the stock offers 16% upside potential to our target price.



Sector Ratings & Price performance

	Current Rating	Since Init.	1 Month	3 Month	1 year
Emaar Properties	Outperform	-3.7%	5.5%	3.6%	-2.1%
Union Properties	Outperform	0.6%	6.8%	12.2%	83.5%
Aldar Properties	Market Perform	5.4%	8.3%	9.3%	85.3%
Sorouh Properties	Outperform	-13.2%	-0.2%	4.6%	148.1%
RAK Properties	Market Perform	-17.4%	-6.0%	-13.1%	64.7%
Deyaar Development	Outperform	-10.2%	-2.5%	-6.9%	NA

Source: Bloomberg and Al Mal Capital Research

Estimates and Valuation Summary

	Current Price	Target Price	EPS			Cash EPS			EBITDA		
			2007A	2008E	2009E	2007A	2008E	2009E	2007A	2008E	2009E
Emaar Properties	11.60	17.29	1.08	1.13	1.74	0.98	0.98	1.57	4,697	5,551	8,420
Union Properties	4.68	6.88	0.25	0.33	1.57	0.11	0.17	1.46	436	606	4,145
Aldar Properties	11.75	12.97	1.04	1.28	1.80	0.08	0.70	0.90	185	1,360	1,837
Sorouh Properties	9.55	11.92	0.50	0.88	1.08	0.53	0.75	1.03	1,112	1,659	2,284
RAK Properties	2.19	2.54	0.25	0.28	0.36	0.06	0.16	0.22	(40)	150	259
Deyaar Development	2.30	3.53	0.09	0.15	0.21	0.07	0.13	0.20	418	781	1,183

	Rating	PE			P/Cash Earnings			EV/EBITDA		
		2007A	2008E	2009E	2007A	2008E	2009E	2007A	2008E	2009E
Emaar Properties	Outperform	10.76	10.22	6.65	11.80	11.85	7.37	15.7	13.3	8.7
Union Properties	Outperform	19.02	14.22	2.98	42.34	26.97	3.21	38.3	27.5	4.0
Aldar Properties	Market Perform	11.29	9.16	6.53	140.19	16.73	12.99	122.8	16.7	12.4
Sorouh Properties	Outperform	18.99	10.90	8.82	18.17	12.67	9.26	19.5	13.1	9.5
RAK Properties	Market Perform	8.83	7.73	6.04	35.96	13.82	10.09	NA	22.3	12.9
Deyaar Development	Outperform	24.84	15.45	10.76	31.45	18.22	11.79	20.3	10.9	7.2

Source: Bloomberg and Al Mal Capital Research

Target Price Summary

	Current Price	Target Price	Upside		Target PE		Targ. EV/EBITDA	
			Upside	Ke	2008	2009	2008	2009
Emaar Properties	11.60	17.29	49.1%	11.7%	16.0	9.9	19.4	12.8
Union Properties	4.68	6.88	47.1%	10.9%	28.0	4.4	37.5	5.5
Aldar Properties	11.75	12.97	10.4%	11.1%	12.5	7.2	18.2	13.5
Sorouh Properties	9.55	11.92	24.9%	11.1%	23.7	11.0	16.5	12.0
RAK Properties	2.19	2.54	16.1%	10.9%	10.2	7.0	27.1	15.7
Deyaar Development	2.30	3.53	53.3%	9.8%	38.1	16.5	16.2	10.7

Source: Bloomberg and Al Mal Capital Research



Recent Real Estate News

Emaar may land \$800 million from PE funds for 3 SPVs

Goldman Sachs, Deutsche Bank and another financial investor are likely to make a combined investment of \$800 million in three special purpose vehicles (SPVs) being created by real estate major Emaar MGF. The deals will be the first major fund flow into the real estate firm since it withdrew its IPO in February.

Dubai's Emaar to build \$136 million UAE tram system

Emaar Properties plans to develop a tram system to meet transport demands of 30,000 homes in its \$20 billion Burj Dubai project. The 4.6 km. project will cost AED 500 million, with the first phase opening next year and the second in 2010.

Aldar signs exclusive deal with Taj Hotels Resorts

Aldar Hotels and Hospitality will develop a number of projects, including a five-star, 500-room resort on the emirate's Yas Island to be branded as a Taj Palace hotel.

UAE's Aldar to sell \$970 million in bonds to Mubadala

Aldar Properties said it would sell AED 3.56 billion (\$969.5 million) in convertible bonds with a zero coupon and maturity in November 2011, to state-controlled investment firm Mubadala Development Co.

First tram system of Dubai to inter-link major real estate developments

Dubai RTA confirmed the first tram project at cost of Dh4 billion which will be connected to the Dubai Metro's red line. The tram will be 14 km long providing a link the Burj Al Arab, Jumeirah Beach Residence and Jumeirah Lake Towers.

Real estate boom leads UAE to develop nuclear energy for increased consumption

A nationwide real estate market growth of 20% has triggered a concomitant rise in energy consumption. Energy and water consumption in the UAE have exceeded all forecasts in the year 2007 surging to the tune of 17%, a 10% increase on the 7% target previously set by the Federal Water Electricity Authority (FEWA).

Abu Dhabi's Aldar Properties rated 'A-/A-2' with stable outlook - S&P and rated 'A3' with stable outlook - Moody's

Standard & Poor's Rating Services said it has assigned its 'A-' long-term and 'A-2' short-term corporate credit ratings with a stable outlook to Aldar Properties PJSC while Moody's Investors Service assigned the company a long-term local and foreign currency issuer ratings of 'A3', with a stable outlook.

Dubai prosecutors see more arrests in Deyaar probe

The investigation of financial violation at Deyaar has led to the detention of four suspects including former CEO Zack Shahin. The company however assured investors that ongoing investigation will not hit the company's profitability as the



incidents in question occurred in the past and had already been reflected in the company's historical financial disclosures.

Reforms urged to curb UAE rents

Rents in the UAE's capital Abu Dhabi soared 17% in the 1Q 08, compared to 1Q 07, as per Department of Planning and Economy report. A rent ceiling, three year fixed-rate contracts and subsidized utilities for low-income families are among reforms needed to curb soaring accommodation costs in Abu Dhabi, the report said.

Dollar peg, record oil prices adding to inflation misery

The UAE economy minister said that currency pegs and high oil and food prices were compounding inflation but warned that exchange rate and other tools should be treated with more caution.



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