April 3, 2008

Research Note

AL MAL CAPITAL

Real Estate Monthly

- We are initiating the Al Mal Dubai Real Estate Price Index. This index is a price survey looking at median price per square foot and rental yields for both the commercial and residential sectors in Dubai. We will release the results of our survey on a monthly basis.

- Our survey indicates that median residential prices increased 2.7% month over month to AED 1,656/sq.ft. and median commercial prices increased 1.8% month over month to AED 1,854/sq.ft. Rental yields declined for both residential and commercial units to 7.3% and 13.5%, respectively. However, rental costs were roughly flat in both segments.

- We are upgrading Sorouh Properties from a **Market Perform** to **Outperform**. We are maintaining our target price of AED 11.92. As the stock has sold off approximately 17% since our initiation, the upside to our target price of 30% should represent a good entry point for investors.

- We are also upgrading RAK Properties from an **Underperform** to **Market Perform**. Recent weakness has brought the valuation down to more attractive levels. At current levels there is roughly 13.5% upside to our target price of AED 2.54.

- We reiterate our Outperform ratings on Union Properties and Emaar. Though both have performed relatively well during the recent market correction (-1.1% and -5.8% respectively), the upside remains very attractive for both companies. With approximately 50% upside to our target prices, we feel Union Properties and Emaar represent the most attractive opportunities at the moment in the UAE real estate sector.

Equity Data	Emaar	UP	Aldar	Sorouh	RAK	Deyaar
Current Price (AED)	11.35	4.60	10.50	9.16	2.24	2.44
Target Price (AED)	17.29	6.88	12.97	11.92	2.54	3.53
Upside/downside	52.4%	49.6%	23.6%	30.2%	13.5%	44.5%
12 Mo. Performance	4.6%	90.1%	151.8%	252.3%	71.0%	NA
Market Cap. (AED bn.)	69.2	12.8	19.8	22.9	4.5	7.8
Ent. Value (AED bn.)	73.6	16.7	22.7	21.7	3.4	8.5
RIC	EMAR.DU	UPRO.DU	ALDR.AD	SOR.AD	RPRO.AD	DEYR.DU
2008E Estimates						
Revenues (AED mln.)	20,025	3,280	5,521	3,777	438	2,518
Gross Margins	38.2%	21.5%	45.1%	52.3%	43.0%	41.3%
EBIT (AED mln.)	5,336	573	1,275	1,587	149	835
EBIT Margin	26.6%	17.5%	23.1%	42.0%	34.0%	33.2%
EBITDA (AED mln.)	5,551	606	1,360	1,659	150	843
EBITDA Margin	27.7%	18.5%	24.6%	43.9%	34.4%	33.5%
EPS	1.13	0.33	1.28	0.88	0.28	0.28
Cash Earnings/Share	0.98	0.17	0.70	0.75	0.16	0.25
Valuation Multiples						
PE '08E	10.0	14.0	8.2	10.5	7.9	8.7
PE '09E	6.5	2.9	5.8	8.5	6.2	4.7
EV/EBITDA '08E	13.3	27.5	16.7	13.1	22.3	10.1
EV/EBITDA '09E	8.7	4.0	12.4	9.5	12.9	5.1
P/Cash Earnings '08E	11.6	26.5	14.9	12.2	14.1	9.8
P/Cash Earnings '09E	7.2	3.2	11.6	8.9	10.3	5.0
P/BV	1.6	4.0	1.8	3.6	1.5	2.5

Robert McKinnon
T+971 4 360 11 17
robert.mckinnon@almalcapital.com

Mala Pancholia
T+971 4 360 11 54
mala.pancholia@almalcapital.com

Office 302, Burj Dubai Square 4
Sheikh Zayed Road
P. O. Box 119930
Dubai, United Arab Emirates
T +971 4 360 1111
F +971 4 360 1122
www.almalcapital.com

Al Mal Dubai Real Estate Price Index

In general, Dubai real estate prices increased at a strong pace in March. However, we have noticed that price appreciation has slowed from the extremely strong pace experienced in January and February of this year. With a year over year price increase of 33.6% in the residential segment and 36.8% in the commercial segment, our expectation for 28% price appreciation for the whole of 2008 may prove to be conservative. However, we expect price momentum to slow in coming months as Dubai enters the seasonally slow summer period.

Al Mal Dubai Real Estate Price Index

Residential	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
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
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%	33.6%
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%
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%
Commercial	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
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
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%
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%
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%

Source: Al Mal Capital Research

The survey continues to indicate deterioration in rental yields. However, most of the deterioration can be attributed to relatively flat median rental costs, combined with the underlying price appreciation in the market. Our year end forecast residential rental yield is 6.5%, compared to the current residential rental yield of 7.3%. As with market prices, we expect to see less deterioration of rental yields in the summer months as price appreciation should slow. We expect that most of the move towards our target year end residential yield should happen in the later part of the year.

Upgrading Sorouh Properties to Outperform

We are upgrading our investment recommendation for Sorouh Properties to an Outperform from our previous Market Perform rating. In our view, the recent weakness in the share price represents an attractive entry point for investors. We currently see 30% upside to our target price of AED 11.92.

We have not adjusted our estimates for the company. We expect reported EPS of AED 0.88 for 2008 and AED 1.08 in 2009. We project EBITDA of AED 2.3 billion in 2009 and at current prices the stock is trading at 9.5x EV/EBITDA for 2009E

Upgrading RAK Properties to Market Perform

Owing to the recent weakness in the share price of RAK Properties we have upgraded our investment rating from an Underperform to Market Perform. We feel the valuation has become more attractive over the last few weeks. However, the shares are currently trading at 12.9x our 2009E EV/EBITDA. Therefore, the valuation has become more attractive, but we still feel there is better value in the sector.

Union Properties Still Very Attractive

We reiterate our Outperform ratings on Union Properties and Emaar. Though both have performed relatively well during the recent market correction (-1.1% and -5.8% respectively), the upside remains very attractive for both companies. With nearly 50% upside to our target prices, we feel Union Properties and Emaar represent the most attractive opportunities at the moment in the UAE real estate sector.

We feel Union Properties should offer investors the best potential for a catalyst over the next few months as the company should begin to offer more clarity about its post 2010 strategy. Union Properties' valuation is very attractive, currently trading at 4x 2009E EV/EBITDA. Additionally, we continue to feel that the market has not fully discounted the success of Union Properties' existing projects. Since the company uses the completed project method of accounting, we expect the recently strong sales at the company's developments to be reflected in results for 2009.

Sector Ratings & Price performance

	Previous Rating	Current Rating	Since Init.	1 Month	3 Month	1 year
Emaar Properties	Outperform	Outperform	-5.8%	-6.6%	-25.3%	4.6%
Union Properties	Outperform	Outperform	-1.1%	-2.3%	-11.2%	90.1%
Aldar Properties	Market Perform	Market Perform	-5.8%	-4.5%	-13.6%	151.8%
Sorouh Properties	Market Perform	***Outperform***	-16.7%	-8.9%	3.6%	252.3%
RAK Properties	Underperform	***Market Perform***	-15.5%	-15.2%	-17.6%	71.0%
Deyaar Development	Outperform	Outperform	-4.7%	-6.9%	-15.6%	NA

Source: Bloomberg and Al Mal Capital Research

Estimates and Valuation Summary

	Current	Target	EPS			Cash EPS			EBITDA		
	Price	Price	2007A	2008E	2009E	2007A	2008E	2009E	2007A	2008E	2009E
Emaar Properties	11.35	17.29	1.08	1.13	1.74	0.98	0.98	1.57	4,697	5,551	8,420
Union Properties	4.60	6.88	0.25	0.33	1.57	0.11	0.17	1.46	436	606	4,145
Aldar Properties	10.50	12.97	1.04	1.28	1.80	0.08	0.70	0.90	185	1,360	1,837
Sorouh Properties	9.16	11.92	0.50	0.88	1.08	0.53	0.75	1.03	1,112	1,659	2,284
RAK Properties	2.24	2.54	0.25	0.28	0.36	0.06	0.16	0.22	(40)	150	259
Deyaar Development	2.44	3.53	0.17	0.28	0.52	0.13	0.25	0.49	418	843	1,664
			PE			P/Cash Earnings			EV/EBITDA		
	Rating		2007A	2008E	2009E	2007A	2008E	2009E	2007A	2008E	2009E
Emaar Properties	Outperform		10.52	10.00	6.51	11.55	11.59	7.21	15.7	13.3	8.7
Union Properties	Outperform		18.69	13.98	2.93	41.62	26.51	3.15	38.3	27.5	4.0
Aldar Properties	Market Perform		10.09	8.19	5.83	125.28	14.95	11.60	122.8	16.7	12.4
Sorouh Properties	Outperform		18.21	10.45	8.46	17.42	12.15	8.88	19.5	13.1	9.5
RAK Properties	Market Perform		9.03	7.91	6.18	36.79	14.14	10.32	NA	22.3	12.9
Deyaar Development	Outperform		14.50	8.73	4.72	18.35	9.76	4.96	20.3	10.1	5.1

Source: Bloomberg and Al Mal Capital Research

Target Price Summary

	Current	Target			Target PE		Targ. EV/EBITDA	
	Price	Price	Upside	Ke	2008	2009	2008	2009
Emaar Properties	11.35	17.29	52.4%	11.7%	16.0	9.9	19.8	13.0
Union Properties	4.60	6.88	49.6%	10.9%	28.0	4.4	38.0	5.6
Aldar Properties	10.50	12.97	23.6%	11.1%	12.5	7.2	20.1	14.9
Sorouh Properties	9.16	11.92	30.2%	11.1%	23.7	11.0	17.2	12.5
RAK Properties	2.24	2.54	13.5%	10.9%	10.2	7.0	26.3	15.3
Deyaar Development	2.44	3.53	44.5%	9.8%	20.9	6.8	14.2	7.2

Source: Bloomberg and Al Mal Capital Research

Recent Real Estate News

Emaar MGF to Invest $400M in Hotel Projects in India

The Indian joint venture of Dubai's Emaar Properties announced it had tied up with Marriott International to build four hotels in India for a total investment of more than $400 million. The projects are expected to be completed by 2010 and will have a total of 912 rooms. Emaar MGF will own and develop the properties while Marriott will provide advisory and management services.

Dubai Mall Set to Open by end-2008

Emaar's Dubai Mall, expected to be the world's largest shopping mall, is expected to be ready for opening by the end of this year. The mall will have a total site area in excess of 12.1 million sq ft.

Damac Cancels Palm Springs Jebal Ali Development

Dubai-based Damac cancelled the much-delayed project late last month due to "redevelopment of the plots", stating that the development "cannot be situated on the re-allocated plot". Nakheel reported "positive" correspondence with Damac as recently as February, in which the developer gave no indication that it would not be going ahead with the project. Damac has offered to refund the amount of money investors have put down on their property so far, plus 6% annual interest calculated from the date of each instalment payment, or the option of transferring their investment to another project with a 15% discount.

Aldar requests increase in capital through convertible sukuk

1,161,289 shares are issued through convertible sukuk to increase the company's capital to AED 2,353,960,577.

Sorouh Founders Permitted to Sell

Founding shareholders of the third-largest U.A.E. property developer are allowed to sell their shares starting the 31st of March, after the U.A.E. market regulator agreed to end a lock-up period.

RAK Properties Founders Permitted to Sell.

Market regulators have ended the lock-up period for trading in the founders shares on the ADSM.

Aldar Readymix Concrete Deal

Aldar Properties has set up a joint venture with concrete supplier Readymix Abu Dhabi, creating Aldar Readymix. The new company can supply 15,000 cubic metres a day of concrete, and will mainly supply Aldar's developments at Al Raha Beach, the Central Market and Yas Island.

RAK Prop AGM Approves Proposal for Dividend

RAK Properties AGM approved the distribution of a AED 0.075 dividend. The dividend is flat year over year.

Metro-Goldwyn agrees entertainment projects in UAE

Metro-Goldwyn-Mayer Studios Inc and Jordan-based Rubicon agreed to develop entertainment facilities with Sorouh Properties.

Sorouh to Sell $1b in Asset Backed Bonds

Sorouh plans to sell $1 billion of asset backed securities. The bonds, like traditional Islamic bonds known as sukuk, are asset backed. But unlike sukuk, they allow buyers direct access to the underlying asset.

20% Cash Dividend Approved at Emaar AGM

Emaar in its AGM approved a cash dividend of AED0.20, which will be entitled to all shareholders registered on the tenth day following the date of the AGM.

UAE Lifts Customs Duties on Cement and Steel

The UAE government have eliminated the 5% tariff on cement and steel to try and address the existing shortage in the market.

Al Mal Securities Group

Managing Director

Tamim Refai	+971 4 360 11 30

Institutional Sales & Trading

Jalal Faruki	+971 4 360 11 03
Noel Glendon-Doyle	+971 4 360 11 08
Khamis Shinnawi	+971 4 360 11 10
Tareq Hamdan	+971 4 360 11 06
Homam Maghalseh	+971 4 360 11 07

Structured Products

Motaz Ibrahim	+971 4 360 11 01

Portfolio Advisory

Mohamed Salim	+971 4 360 11 02
All Desks Number	+971 4 360 11 00

Al Mal Capital Research

Managing Director

Robert McKinnon	+971 4 360 11 17

Equity Research Analysts

Irfan Ellam	+971 4 360 11 53
Deepak Tolani	+971 4 360 11 52
Mala Pancholia	+971 4 360 11 54
Prerna Sharma	+971 4 360 11 56
Arun Ramachandra	+971 4 360 11 57
Reham Ibrahim	+971 4 360 11 58
Katherine Lynn	+971 4 360 11 66

Disclaimer: This report is not an offer to buy or sell nor a solicitation to buy or sell any of the securities mentioned within. The information and recommendations contained in this report were prepared using information available to the public and sources Al Mal Capital believes to be reliable. Al Mal Capital PSC does not guarantee the accuracy of the information contained within this report and accepts no responsibility or liability for losses or damages incurred as a result of investment decisions taken based on information provided or referred to in this report. Any analysis of historical facts and data is for information purposes only and past performance of any company or security is no guarantee or indication of future results. Al Mal Capital PSC, or its "related group companies" (which may include any of its branches, affiliates and subsidiaries) or any director(s) or employee(s) of the said companies, individually or collectively, may from time to time take positions or effect transactions related to companies mentioned in this report. Al Mal Capital PSC and its related group companies may have performed or seek to perform investment banking or any other financial or advisory services for the companies mentioned in this report.