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Industry View
No Rating

MENA - Property

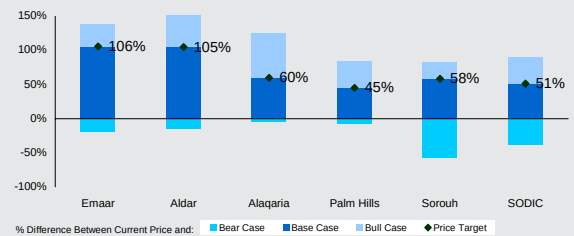
Winners and Losers in MENA Property

We initiate coverage on 12 MENA property stocks; our top picks are Emaar, Aldar, Qatar Real Estate and Palm Hills. For Emaar, we think most of the bad news is behind us. Investors should focus on 1Q09 results as a catalyst, as strong sales from Burj Dubai in 2008 and the benefits of Emaar's international strategy start coming through. Aldar is our preferred play on Abu Dhabi's growing property market, with US\$56 billion in planned portfolio sales over the next 10 years. Both stocks are inexpensive at a 71% discount to 2009e NAV. Qatar Real Estate is the leader in the growing industrial property segment in Qatar. Its rental model to government entities makes it a relatively low risk investment opportunity. The stock trades at a 63% discount to 2009e NAV. Palm Hills is our preferred Egyptian play, with a diversified landbank, high profitability, partnerships and exposure to the Saudi market. The stock trades at a 66% discount to 2009e NAV. Our other Overweights are Sorouh and SODIC.

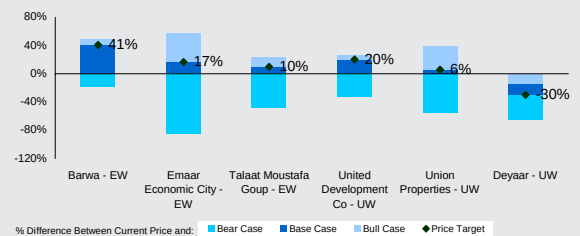
Top down, we are positive on MENA property. We expect Qatar and Abu Dhabi to remain undersupplied through 2012; Dubai oversupply will hit in 2009, in our view, but we think the risk of contagion to other markets is low. Demand is being driven by rising populations — Dubai, Abu Dhabi and Qatar should each grow by 0.5 million over the next five years — and a rising middle class in Egypt and Saudi Arabia. We expect price increases of 25% for Abu Dhabi in 2008-10 and 15% in Qatar. For Dubai, we forecast a 10% decline.

What is the bear case? Property price corrections can be sharp — such as the 80% decline in Singapore in the late 1990s — but we think the MENA region is different, supported by strong underlying economic activity fueled by higher oil prices. We are also encouraged by the fact that our companies already trade at a 62% discount to NAV for 2009e. Nonetheless, our bear case, which assumes the Singapore experience is repeated in MENA, implies 35% downside for the group.

Overweights: Emaar, Aldar, Alaqaria and Palm Hills are our top picks ...



... Equal-weights and Underweights still relatively attractive with 10% average upside



Source: Morgan Stanley Research estimates

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Our Preferred Markets: Abu Dhabi, Saudi Arabia, Qatar

What to expect

- Strong macro outlook backed by high oil prices and successful government diversification efforts.
- Undersupplied property markets at least until 2012, with the largest supply-demand gap in Saudi Arabia.
- Population growth in mid-to-high single digits, with continued influx of expatriates.
- In Egypt, demographic drivers are strong, but we have concerns on a macro level.
- We are less positive on Dubai beyond the short term, with an oversupply in 2009 and possible price correction.

Catalysts

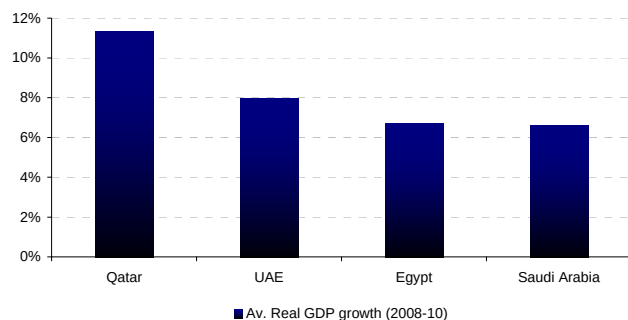
- Improved sentiment on Dubai's property market would be positive for the whole region.
- Progress in GCC economic diversification plans.
- Development of legal infrastructure.
- Easing of global and regional inflationary pressures and lower construction costs.
- Easing geopolitical risk.

Risks

- A hard landing in the Dubai property market would damage sentiment across the region.
- Currency revaluation.
- Higher interest rates.

Exhibit 1

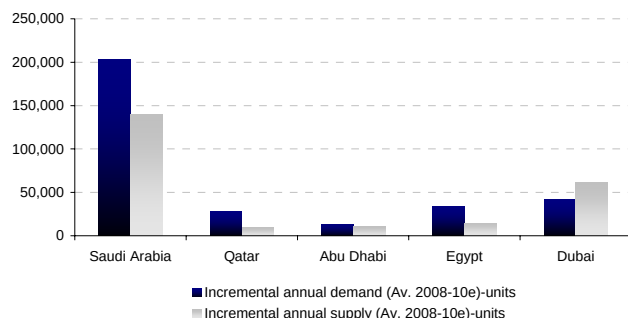
Strong macro outlook ...



Source: EIU, Morgan Stanley Research

Exhibit 2

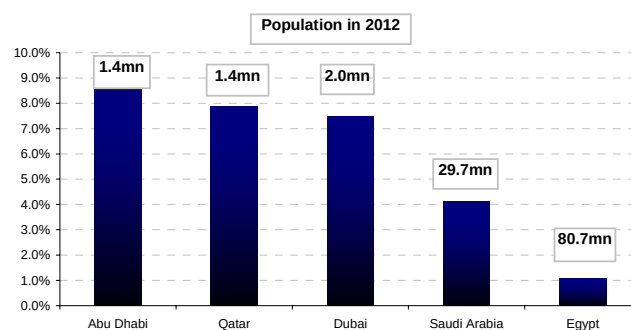
... and robust sector fundamentals*...



*For Egypt, supply-demand model is based on our addressable market
Source: Colliers, Morgan Stanley Research estimates

Exhibit 3

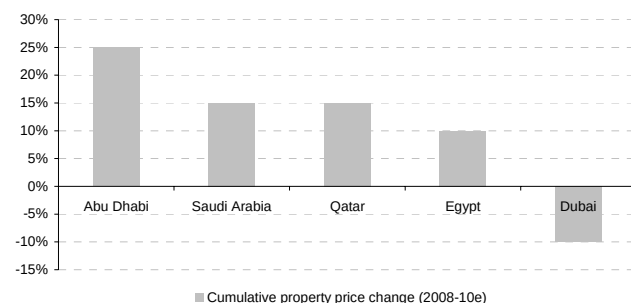
... favourable demographics ...



Source: Morgan Stanley Research estimates

Exhibit 4

... support further property price appreciation



Source: Morgan Stanley Research estimates

What to Buy

Emaar Properties — OW, PT AED21.4

- The shares are not reflecting the strong growth story in Burj Dubai, in our view.
- We think the bad news is behind us, with 1Q09 results likely to be a positive catalyst.
- Emaar has sizeable exposure to strong growing markets ...
- ... and low execution risk, given its strong track record.
- The shares trade at a 71% discount to 2009e NAV and on 4.8x 2009e P/E.

Aldar Properties — OW, PT AED25.4

- Our favoured play on Abu Dhabi, with a larger landbank, more diversified portfolio and lower valuation than peers.
- Exposure to the undersupplied, growing Abu Dhabi market, supported by the government's '2030' plan.
- Interim results above consensus could provide a catalyst.
- On a 71% discount to 2009e NAV, the second most undervalued stock, along with Emaar, in our MENA peer group. Our PT assumes a 40% discount.

Qatar Real Estate (Alaqlaria) — OW, PT QAR105

- A leader in the rapidly growing industrial property segment in Qatar with no sell side coverage to date.
- Its rental model to government entities makes it a relatively low-risk investment opportunity, which should be defensive in a downturn.
- The shares trade at a 63% discount to 2009e NAV and on 11.4x 2009e P/E.

Palm Hills — OW-V, PT EGP23.0

- Our preferred exposure to Egypt.
- A leading developer in the country, with a successful vertically integrated business model.
- Highest profit margin among MENA peers.
- The shares trade at a 66% discount to our 2009e NAV and on 4.0x 2009e P/E.

What to Sell

UDC — UW, PT QAR83.0

- Our call is relative to the peer group; our price target still implies 20% upside.
- A one-project company in Qatar without direct government support means it is likely to miss a lot of the potential in its home market.
- Underperforming local peers in terms of growth in the lucrative Qatari sector.
- The shares trade at a 50% discount to 2009e NAV, versus a peer group average of 62%.

Union Properties — UW, PT AED5.7

- Property portfolio focused on Dubai, on which we are cautious beyond the short term.
- The lack of a secured landbank to date limits the potential for upside.
- The shares are trading at a premium to peers at a 44% discount to 2009e NAV versus 62% for the peer group.

Deyaar Properties — UW-V, PT AED1.4

- Property portfolio focused in Dubai, where we have a cautious outlook beyond the short term.
- It has low profit margins vs. its MENA peers.
- A probe into financial wrongdoing by management and the former CEO is a key concern and has caused the shares to fall.
- The shares trade at a premium to MENA peers on our EV/adjusted cash inflow multiple (45% vs. a peer group average of 26%).

Investment case

Exhibit 5

MENA Property: Our Order of Preference

	Rating	Currency	Share price	Market Cap (US\$bn)	Average daily vol (US\$m)	Foreign ownership limit %	Current foreign ownership %	Price target	Upside (%)	2009e	2009e
										Discount to NAV %	P/E
Overweight - top picks											
Emaar	OW	AED	10.4	17.3	92.4	49	14	21.4	107	-71	4.8x
Aldar	OW	AED	12.4	8.7	52.9	40	40	25.4	105	-71	3.3x
Alaqlaria	OW	QAR	65.7	1.6	3.1	18	18	105.4	60	-63	11.4x
Palm Hills	OW-V	EGP	15.9	1.3	3.5	NR	NR	23.0	45	-66	4.0x
Overweight											
Sorouh	OW	AED	9.1	6.2	34.4	20	20	14.4	59	-62	10.7x
SODIC	OW	EGP	130.3	0.7	6.5	NR	NR	197.3	51	-67	13.3x
Equal-weight											
Barwa	EW	QAR	89.1	6.5	12.8	25	8	125.1	40	-57	19.3x
Talaat Mostafa	EW-V	EGP	8.2	3.0	17.0	NR	NR	9.0	11	-55	6.7x
Emaar Economic City	EW	SAR	20.5	3.2	46.3	NR	NR	23.9	17	-66	10.3x
Underweight											
UDC	UW	QAR	69.1	2.0	4.5	25	25	83.0	20	-50	6.5x
Union Properties	UW	AED	5.4	4.5	17.4	15	14	5.7	6	-44	3.9x
Deyaar	UW-V	AED	2.0	3.2	31.0	NR	NR	1.4	-32	-26	4.2x

Source: Company data, Morgan Stanley Research

We initiate coverage of 12 MENA property stocks; top picks are Emaar, Aldar, Alaqlaria and Palm Hills**Our four top picks — Emaar, Aldar, Alaqlaria and Palm Hills — offer an average 80% upside to our price targets.**

Emaar should see earnings accelerate in 2009 as Burj sales from 2008 and international businesses come through. Aldar is our preferred way to gain exposure to the Abu Dhabi growth story, supported by the government's '2030' plan. Alaqlaria's business model of renting to Qatari government-backed institutions should prove defensive. And, Palm Hills has a diversified land bank, high margins and exposure to Saudi Arabia. We are Underweight UDC, Union Properties and Deyaar. Our report focuses on five markets — Abu Dhabi, Dubai, Egypt, Qatar and Saudi Arabia — which we consider the most attractive to investors and have sizable investable property stock universes.

Positive on MENA property — Abu Dhabi, Saudi Arabia and Qatar are our preferred markets

We think we are in the early to mid stage of a 'super cycle' for property in the region. Dubai stands out as the most advanced market, with a possible price correction in 2009 driven by oversupply. But, Abu Dhabi, Qatar and Saudi Arabia are likely to remain undersupplied through to at least 2012. In Egypt, there are strong demographic drivers of

growth, though macro concerns have increased in 2008.

Demand in the region is being driven by population growth — 1.5 million people are expected to move to Qatar, Dubai and Abu Dhabi over the next five years — and in Egypt and Saudi Arabia there is a growing middle class. Exhibit 6 details our short-term and long-term views by market.

Growth drivers vary by market. In Dubai, demand is driven by the influx of expatriates and foreign investment. The Saudi and Egyptian markets will mostly be driven by domestic 'home-grown' demand (although domestic demand in Egypt is still linked to external factors, as Egypt is more integrated into the global economy). Abu Dhabi and Qatar are fuelled by a mix of strong local and expatriate demand. Visibility on the long-term growth story is therefore greatest for Saudi Arabia, while the Dubai story is the most vulnerable to external shocks, in our opinion. The picture for Egypt is still relatively unclear beyond the short to medium term and is also exposed to external shocks, albeit to a lesser extent than Dubai. We view both Qatar and Abu Dhabi as attractive growth stories. A hard landing in real estate prices in any of the GCC real estate markets, especially Dubai, would damage investor sentiment throughout the region (primarily among high-yield driven investors), and would leave demand dependent on real long-term housing needs.

Valuation appealing — our price targets imply an average 60% upside (on a market cap basis)

MENA property currently trades at an average 62% discount to our 2009e NAV. This is in line with other EMEA property companies. Emaar, Aldar and Palm Hills stand out as trading on some of the largest discounts to NAV, at 71%, 71% and 66% respectively, supporting our Overweight ratings on these names. Deyaar is the most expensive at a 26% discount to NAV. (See our table of comparables in Exhibit 7.)

Our valuations take a fresh approach for the region. In deriving our price targets, we do not simply apply our DCF fair values — the approach we believe the sellside consensus typically adopts. Rather, we have looked at historical trading patterns of developers in Europe and other developing markets, such as Russia, to gauge an appropriate discount to net asset value for our group. Focusing on Spain — the most relevant market in our view given its transformation from emerging market in the 1980s to developed market in the 1990s — we derive a 40-60% discount range to 2009 NAV for setting our price targets.

We expect the stocks to move towards our NAVs over medium term, following the experience in Spain in 1998 and 2005. Singapore also traded up to par in 1999 and 2005 after trading at 30-50% discounts during the down cycle. Under this scenario, we see over 150% upside for the group.

We see two major downside risks for the stocks.

- **Contagion from a slowdown in Dubai.** We expect oversupply to hit Dubai in 2009, leading to a period of price declines. This is reflected in our base case assumptions for Emaar, Union Properties and Deyaar. While we expect these price declines to be limited to Dubai — given the level of undersupply in surrounding markets — we cannot rule out a 'contagion' effect on MENA property share prices, as investor confidence suffers. We have reflected this in our bear case scenarios, which we model on the Singapore property crash in 1997/98 (this saw an 80% property price correction over an 18-month period). Under this scenario, we estimate the average downside would be 35% for the group on a market cap basis. Our top picks Emaar, Aldar, Alagaria and Palm Hills would have 19%, 14%, 4% and 7% downside under our bear case, respectively.
- **Limited dividend support as cash is invested in new projects and rental portfolios.** As a result, the stocks may prove volatile during periods of emerging market risk reduction and global macro uncertainty.

Exhibit 6

Property outlook by market — our long- and short-term views

Market	Outlook		Rationale	Key Risks
	Short Term	Long Term		
Abu Dhabi	Bullish	Neutral	Short term — Bullish: 1. Severe supply shortage. 2. High demand potential, backed by inflow of expatriates. 3. Increasing speculative investment 4. Property prices rise 25% 2008-10e. 5. Rents up another 20-30% over the next 12 months Long term — Neutral: 1. Supply-demand equilibrium in 2012. 2. Prices start to soften with major deliveries in 2011/12. 3. Rental market starts to weaken	Short term: 1. A hard landing in Dubai's property market. 2. Failure to attract expatriates Long term: 1. Economic slowdown. 2. Oversupply. 3. Less developed regulatory framework
Dubai	Neutral	Cautious	Short term — Neutral: 1. Continued strong demand, backed by influx of expatriates. 2. Less speculative investment should property price start to stabilize 3. Minor price increases over the coming 12 months, with the exception of prime locations that may overshoot. 4. Stability in leasehold market Long term — Cautious: 1. Likely oversupply from 2009. 2. Demand remains strong. 3. Property price correction from end 2009	Short term: 1. Negative sentiment affecting purchasing power. 2. Increased concerns about a potential oversupply Long term: 1. Major oversupply. 2. A sharp price correction
Egypt	Bullish	Neutral	Short term — Bullish: 1. Positive sentiment, speculative investment (although less than in GCC) drives demand. 2. No major supply planned. 3. Prices continue to increase Long term — Neutral: 1. Prices fall. 2. Demand remains strong backed by a growing upper-middle and upper income segment	Short term: 1. Inflationary environment puts pressure on mortgage market. 2. Economic slowdown Long term: 1. Affordability
Qatar	Bullish	Neutral	Short term — Bullish: 1. Supply shortage. 2. High demand potential; backed by inflow of expatriates. 3. Property prices up 15% 2008-10e. 4. Rents up 15-20% over the next 12 months Long term — Neutral: 1. Supply-demand equilibrium in 2013. 2. Prices start to soften with major deliveries in 2011. 3. Rental market starts to weaken	Short term: 1. A hard landing in Dubai's market. 2. Failure to attract expatriates Long term: 1. Economic slowdown. 2. Oversupply
Saudi Arabia	Bullish	Bullish	Short term — Bullish: 1. Supply shortage. 2. High demand potential; backed by inflow of expatriates. 3. Property prices up 15% (2008-10e). Long term — Bullish: 1. Supply-demand imbalance continues. 2. Demand continues to be driven by locals and expatriates. 3. Prices start to stabilize	ST: 1. A hard landing in Dubai's market. 2. Failure to attract expatriates LT: 1. Economic slowdown. 2. Oversupply

Source: Morgan Stanley Research

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MENA - Property

Exhibit 7

Comparative Valuation 2008-10e: MENA property developers versus EMEA comparables

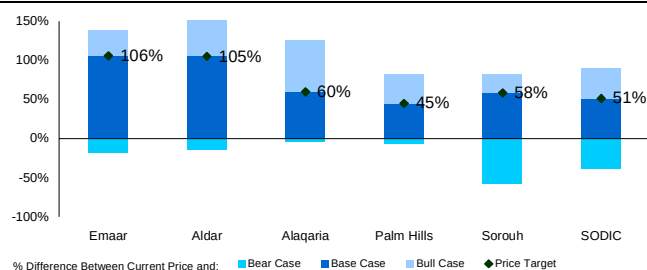
	Rating	Share price	Price target	Up/(down) side (%)	Market cap (US\$m)	Discount to NAV 2008e	2009e	2010e	Target 09 NAV disc	2008e	P/E 2009e	2010e	EPS 08-10e CAGR (%)
Abu Dhabi													
Aldar	OW	12.4	25.4	104.8	8,632	-64.8	-70.7	-74.3	-40	6.1x	3.3x	2.0x	76.3
Sorouh	OW	9.1	14.4	59.2	6,165	-52.4	-62.3	-63.8	-40	9.8x	10.7x	7.8x	12.6
Dubai													
Emaar	OW	10.4	21.4	106.8	17,193	-66.6	-70.9	-72.8	-40	8.9x	4.8x	3.8x	53.7
Union Properties	UW	5.4	5.7	6.3	4,470	-31.4	-43.6	-42.3	-40	15.2x	3.9x	4.3x	87.4
Deyaar	UW-V	2.0	1.4	-32.4	3,212	-17.8	-26.1	-29.6	-50	10.1x	4.2x	4.4x	50.6
Egypt													
Palm Hills	OW-V	15.9	23.0	45.1	1,393	-62.3	-65.6	-67.9	-50	6.9x	4.0x	2.8x	58.8
SODIC	OW	130.3	197.3	51.4	698	-63.4	-67.0	-70.2	-50	14.2x	13.3x	5.5x	61.1
TMG	EW-V	8.2	9.0	10.6	3,122	-47.6	-54.8	-56.9	-50	8.4x	6.7x	5.8x	20.2
Qatar													
Alaqlaria	OW	65.7	105.4	60.4	1,559	-59.5	-62.6	-67.2	-40	15.2x	11.4x	8.4x	34.3
Barwa	EW	89.1	125.1	40.4	6,487	-52.9	-57.3	-59.9	-40	28.0x	19.3x	11.9x	53.6
UDC	UW	69.1	83.0	20.1	2,036	-43.3	-50.0	-55.9	-40	12.1x	6.5x	3.7x	80.8
Saudi Arabia													
Emaar Economic City	EW	20.5	23.9	16.6	4,647	-60.5	-65.7	-68.2	-60	484.3x	10.3x	5.8x	815.6
MENA Median				40.8*		-56.2	-62.4	-65.5	-40	11.1x	6.6x	5.0x	
AFI	OW	6.1	8.1	32.8	3,196	-53.0	-62.4	-69.1	-50	25.7x	10.9x	10.2x	58.7
Globe Trade Center	EW	9.1	11.1	22.5	2,931	-43.9	-47.9	-53.5	-36	95.0x	158.7x	50.9x	36.7
Immoeast	UW	4.9	6.2	27.3	6,091	-54.9	-53.9	-54.9	-41	24.7x	28.7x	47.2x	-27.7
Orco Property Group	UW	26.3	65.3	148.6	407	-72.9	-70.3	-74.0	-26	-10.5x	-6.3x	-5.0x	45.2
RGI	OW	5.7	12.3	114.3	722	-73.1	-76.7	-81.7	-50	19.2x	1.8x	1.4x	272.3
EMEA median				69.1		-54.9	-62.4	-69.1	-41	24.7x	10.9x	10.2x	

* Simple average; 60% on a market cap basis

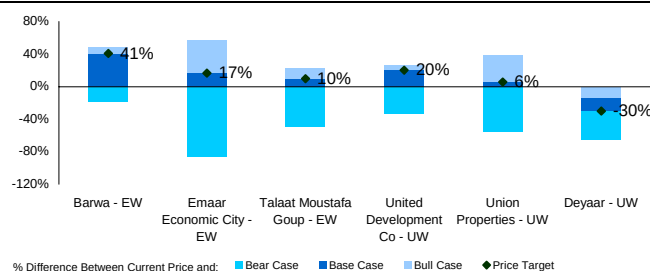
Source: Morgan Stanley Research

Exhibit 8

Overweights: Emaar, Aldar, Alaqlaria, Palm Hills our top picks ...



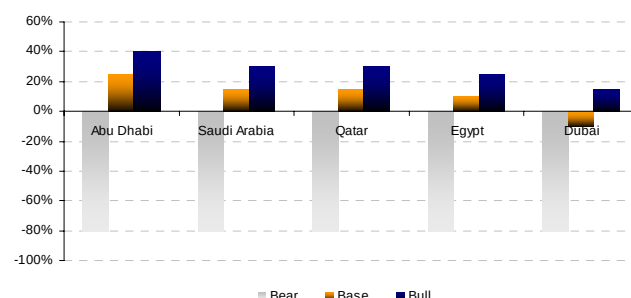
...Equal-weights still relatively attractive and upside to UDC



Source: Morgan Stanley Research estimates

Exhibit 9

Property prices: Our Bear/Base/Bull scenarios, 2008-10



Source: Morgan Stanley Research estimates

Base case — a soft landing in Dubai property market

Bear case — a sharp correction in Dubai; contagion effect across the region

Bull case — improved sentiment in Dubai property

August 4, 2008
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Our top stock ideas

Emaar - Overweight, PT AED21.4, implying 107% upside potential

(Below is an extract from our company note 'High Growth and Lower Risk Underappreciated – OW' published simultaneously)

Exhibit 10

Emaar: summary overview

Price target (AED)	21.4
Shr price close (July 29, 2008)	10.4
Market cap (US\$ bn)	17.3
Foreign ownership limit (%)	49
Foreign ownership (%)	14

(AED mn)	2007	2008e	2009e	2010e
Revenue	17,566	19,023	32,480	42,354
EBIT	5,223	6,240	11,770	14,819
EBIT margin (%)	29.7%	32.8%	36.2%	35.0%
Net income	6,497	7,072	13,072	16,705
ModelWare EPS	1.07	1.16	2.14	2.74
Development Properties	16,194	18,987	21,200	20,118
Investment Properties	5,636	9,404	11,356	15,155
Net debt/ (cash)	2,977	463	(13,999)	(28,461)
NAV (AED)	NA	35.6	38.0	41.6
Premium/(discount) to NAV	NA	-70.9%	-72.8%	-75.1%
Dividend yield	1.9%	1.9%	5.8%	9.7%

Source: Company data, Morgan Stanley Research
e = Morgan Stanley Research estimates

A top pick in our MENA coverage universe: We are Overweight Emaar; with a PT of AED21.4 implying 107% upside. After two years of underperformance, we think the bad news is now more than in the price. We acknowledge investors' concerns on the stock, but at current levels we think the market is now missing the high growth and lower risk of Emaar's diversified business model. We have modeled the company on a project-by-project basis, and believe earnings can grow by a two-year CAGR of 54% to 2010, with 85% YoY growth in 2009, as sales from Burj Dubai and international operations start coming through. 1Q09 results are likely to surprise significantly, in our view, and could be a major trigger for the shares. We think the

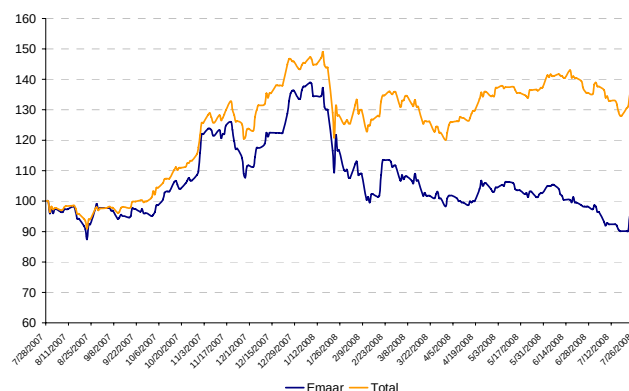
71% discount to 2009e NAV is excessive, given the strengths of the business model; our PT assumes a discount of 40%.

Emaar Economic City is a key value driver. Emaar has a 31% stake in Emaar Economic City (EEC). We initiate coverage on EEC with an Equal-weight rating and PT of SAR23.9, implying 17% upside. The low proportion of deliveries over the next few years makes this a longer-term fundamental story, with few near-term triggers for outperformance.

Attractive risk-reward for Emaar; EEC would be vulnerable in a downturn. Our bear case scenarios assume a sharp correction in Dubai property prices (mirroring the 80% falls seen in Singapore in the 1990s). EEC would see the highest downside in our MENA coverage in such a scenario (81%), given the long-term nature of its projects and heavy cash outlays in the early years. Downside for Emaar is just 18%, reflecting Emaar's edge in already securing significant sales numbers at very rewarding margins. Our bull case of improved investor sentiment on Dubai property sees upside of 88% for EEC and 140% for Emaar.

Exhibit 11

Emaar has lagged the sector since December 2007



Source: Factset, Morgan Stanley Research

August 4, 2008
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Aldar Properties — Overweight, PT AED25.4, implying 105% upside

(Below is an extract from our company note 'The Next Chapter in the UAE Real Estate Story — OW' published simultaneously)

Exhibit 12

Aldar: summary overview

Price target (AED)	25.4
Shr price close (July 29, 2008)	12.4
Market cap (US\$ bn)	8.7
Foreign ownership limit (%)	40.0
Foreign ownership (%)	39.9

(AED mn)	2007	2008e	2009e	2010e
Revenue	1,227	7,939	17,352	27,583
EBIT	157.9	3,042	8,060	14,897
EBIT margin (%)	12.9%	38.3%	46.5%	54.0%
Net income	1,941	5,213	9,479	16,197
ModelWare EPS	1.13	2.04	3.71	6.34

Development Properties	8,403	5,697	8,393	11,816
Investment Properties	3,328	3,328	14,423	19,611
Net debt/ (cash)	2,946	14,047	13,426	5,934

NAV (AED)	NA	35.2	42.4	48.2
Premium/(discount) to NAV	NA	-64.8%	-70.7%	-74.3%
Dividend yield	0.8%	1.6%	6.0%	20.5%

Source: Company data, Morgan Stanley Research
e = Morgan Stanley Research estimates

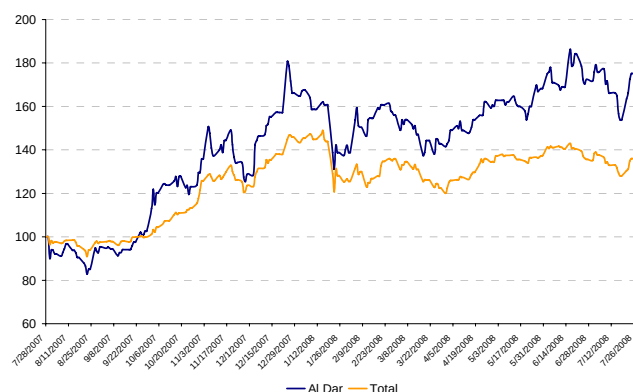
Aldar is among our top picks for a number of reasons. 1) It is the leading developer in Abu Dhabi's real-estate sector and, as such, stands to be a prime beneficiary of the surge in the emirate's economic activity. 2) The company has a favourable cost structure with strong government backing, first by granting (for free) a huge landbank in its home market, and second by sharing the company's infrastructure costs in mega-projects. The prospect of strong sales activity and higher-than-average margins supports our bullish view.

Why do we like Aldar in Abu Dhabi? We are bullish on Abu Dhabi's property market in general, in line with consensus. We believe Aldar is a more appealing investment than its peer Sorouh because of its 1) higher long-term growth potential, leveraging its landbank (1.5 times that of Sorouh); 2) more diversified portfolio with exposure to the booming hospitality segment; 3) lower financing costs and less burdensome cash flow; and 4) more attractive valuation — the stock trades at a substantial 71% discount to 2009e NAV compared to 62% for Sorouh.

The shares are poised to outperform MENA peers, in our view. Aldar is the second most undervalued stock within our MENA peer group (105% upside versus an average of 40% for its MENA peers), on our estimates. The key stock catalysts are above-consensus interim results, new land acquisitions, launches of new projects and/or delivery of projects on schedule. Risks to our call include execution risk and possible future dilution of shareholder value with Aldar's latest convertible bond.

Exhibit 13

Aldar has outperformed MENA property stocks over the last 12 months



Source: Factset, Morgan Stanley Research

August 4, 2008
MENA - Property

Qatar Real Estate (Alaqaria): Overweight; PT QAR105, implying 60% upside

(From our company note 'An Attractive Play on Qatar's Hydrocarbon Sector — OW' published simultaneously)

Exhibit 14

Qatar Real Estate Company: summary overview

Price target (QAR)	105
Shr price close (July 29, 2008)	65.7
Market cap (US\$ bn)	1.6
Foreign ownership limit (%)	18.3
Foreign ownership (%)	18.0

(QAR mn)	2007	2008e	2009e	2010e
Revenue	269	402	571	756
EBIT	161	258	391	518
EBIT margin (%)	59.9	64.2	68.4	68.5
Net income	300	373	500	672
ModelWare EPS	4.2	4.3	5.8	7.8

Development Properties	1,414	132	1,086	3,097
Investment Properties	912	1,462	2,370	2,461
Net debt/ (cash)	1,640	1,872	2,663	3,736

NAV (QAR)	NA	162	175	200
Premium/(disc) to NAV (%)	NA	-59.5	-62.6	-67.2
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Morgan Stanley Research
e = Morgan Stanley Research estimates

Qatar Real Estate Company, known as Alaqaria, is one of our top picks within the MENA property universe.

Alaqaria has a different business model from its MENA peers, as rental income is its primary revenue source. The company is the leader in the industrial property segment in Qatar, providing housing and commercial facilities to energy-related entities, mainly in industrial cities through long-term agreements. Alaqaria also enjoys strong backing from the Qatari government, which is the major shareholder (27%) and client.

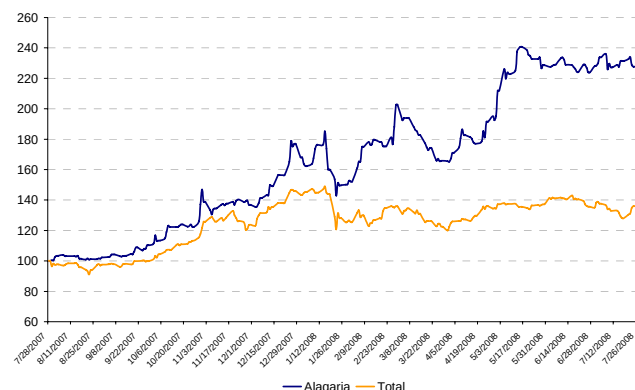
Less vulnerable to property cycles, with good earnings visibility. The company's business model has delivered

strong earnings growth that is less volatile and more visible, in our view, than that of its MENA peers. Financial lease income is locked in for 10-15 years and rental agreements also predetermine income for a period of 5-10 years. Although we are bullish on the local residential market, we believe that Alaqaria would be defensive in any potential downturn in MENA real-estate markets. Its income is relatively stable, with good earnings visibility and exposure to growth in the hydrocarbon and industrial sectors.

Room for further upside to the shares. Despite the recent rally (up 35% YTD), we think there is still room for upside, given 1) investors' continued positive sentiment on Qatari equities; 2) the company's growth potential (we forecast a 2008-12 EPS CAGR of 32%); and 3) an appealing valuation — the stock trades at a 63% discount to 2009e NAV and on a P/E of 11.4x 2009e and 8.4x 2010e. Risks to our view include high construction costs resulting in lower rental yields, revaluation gains/losses on the real-estate investment portfolio, and client concentration in the portfolio.

Exhibit 15

Alaqaria shares have risen 140% in the past 12 months compared to ~40% for sector



Source: Factset, Morgan Stanley Research

August 4, 2008
MENA - Property

Palm Hills: Overweight-V, PT of EGP23 (implying 45% upside)

(Below is an extract from our company note 'Palm Hills: Our top pick in Egypt –OW-V' published simultaneously)

Exhibit 16

Palm Hills: summary overview

Price target (EGP)	23.0			
Shr price close (July 29, 2008)	15.9			
Market cap (US\$ bn)	1.3			
(EGP mn)	2007	2008e	2009e	2010e
Revenue	533	2,175	3,628	6,134
EBIT	284	1,315	2,230	3,201
EBIT margin (%)	53.2	60.4	61.5	52.2
Net income	204	1,065	1,861	2,684
ModelWare EPS	0.5	2.3	4.0	5.8
Development Properties	3,848	4,042	4,465	4,223
Investment Properties	-	-	-	-
Net debt/ (cash)	286	(1,071)	(2,391)	(3,623)
NAV (EGP)	NA	42.0	46.0	49.4
Premium/(disc) to NAV (%)	NA	-62.3	-65.6	-67.9
Dividend yield (%)	0.0	1.9	3.5	4.7

Source: Company data, Morgan Stanley Research
e = Morgan Stanley Research estimates

We think Palm Hills offers an attractive opportunity for investors seeking exposure to the booming Egyptian real-estate sector. The company has a strong franchise and high-quality management team, and is focused primarily on the high-income segment. Our bear case suggests just 7% downside.

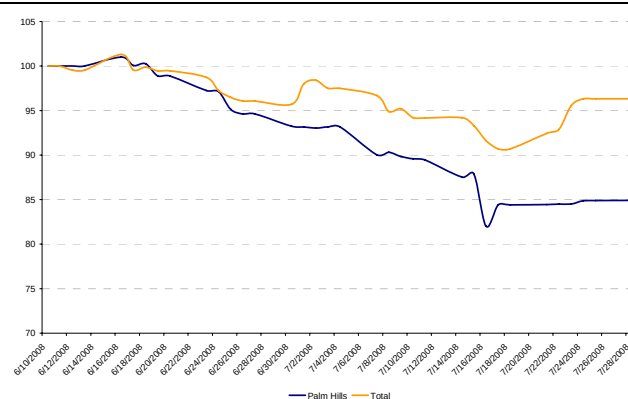
Top pick in Egypt. Palm Hills is our preferred property stock in Egypt: 1) it has a diversified landbank in the local market; 2) its sales portfolio generates the highest margins among its

MENA peers, on our estimates; 3) the company has a long-term partnership with a large local contractor; 4) there is potential exposure to the booming Saudi market; and 5) valuation is attractive, trading at a 66% discount to our 2009 NAV, compared with 62% for the group.

Catalysts: 2Q08 results; management announcements of contracted sales to date; successful sales launches during the summer months in the company's North Coastal projects; sales launches in the Saudi projects; and new land acquisitions outside Palm Hills' home market at attractive prices. Risks to our call include exposure to the more cyclical secondary home market; higher than average exposure to the residential segment; and competition from new entrants.

Exhibit 17

Palm Hills relative performance since IPO



Source: FactSet, Morgan Stanley Research

How we rank the companies — our relative preference scorecard

In rating the stocks, we developed a scorecard covering key aspects of our companies' business models and positioning. We acknowledge that such an exercise is to a large extent subjective, but we think it is a good way to differentiate across countries and between companies in the region.

- **Companies with a track record:** A number of developers in MENA are new to the market, with less than five years' of operating history. They therefore have a very limited track record in terms of unit deliveries. In our view, companies with a longer track record of operating throughout the selling/construction process through to unit delivery deserve a premium.

We believe that Emaar stands out from its peers in this respect, delivering around 22,000 units in Dubai since inception, and close to delivery in some of its international markets. In contrast, Emaar Economic City (EEC) has no track record in deliveries, but does, we believe, benefit from some support from its parent Emaar. It has had a number of impressive sales launches recently, with some deliveries scheduled for 4Q08. Sorouh, also, has yet to deliver its announced projects.

- **Diversified portfolio:** A well-diversified property portfolio is something of a rarity in the peer group: 75% of our companies are primarily focused on their local markets, with no geographical diversification. We like companies with a diversified mix, by business line and geography, as this gives us greater confidence in the long-term sustainability of growth and relative resilience during real estate down cycles. That said, diversification should not be pursued at the expense of management focus.

Emaar is clearly the most diversified in our universe, however, we think that a number of its international ventures have had limited success to date, with poor or unfortunate timing. The company announced expansion into several markets in a relatively short period, which could ultimately result in a 'scattered' international footprint of small operations.

- **Core market view:** This is in line with our broader sector view, the company's target market segment and our market stance. Abu Dhabi, Saudi Arabia and Qatar offer the highest growth potential, in our view. We believe, however, that company-specific factors can produce outperformers in less favourable markets (for example, Emaar) and underperformers in more promising markets (for example, UDC).
- **Government links:** Strong links with the government and/or influential shareholders is important in the MENA property market. Companies with such backing are likely to be better positioned in the event of a downturn, in our view, and in some cases enjoy higher profit margins and a stronger financial position.
- **Profit margins:** These are primarily a function of market conditions, supply-demand factors, the company's market positioning, and its ability to pass on costs and mitigate cost increases, primarily through partnering with contractors. Palm Hills is a leader in this regard.
- **Management:** Although this might be the most subjective factor, we have assessed management teams in terms of: 1. implemented growth strategy; 2. risk management; 3. corporate governance; and 4. transparency and communication with the investment community.
- **Platform for the mortgage market:** We think that development of the mortgage market will be an increasingly important driver of growth, particularly as rising prices make properties less affordable. The mortgage platform is less developed in Egypt than in the GCC nations, although the infrastructure for the mortgage market is now in place, in our view, and improvements are in evidence. Higher interest rates would most likely curb growth.
- **Execution risk.** MENA property companies' exposure to long-term projects means the majority of their fair value is generated in the medium to long term. We capture this in our execution risk scores.

Exhibit 18

Our relative preference scorecard for MENA property companies*

	Track record	Diversified portfolio	Core market view	Gov. links	Mortgage	Margins	Management	Execution risk	Total score	%
Abu Dhabi										
Aldar	2	3	5	5	5	4	3	4	31	78
Sorouh	1	2	5	3	5	3	3	3	25	63
Dubai										
Emaar	4	4	3	3	5	4	2	3	28	70
Union Properties	3	2	2	1	5	2	2	4	21	53
Deyaar	2	1	2	1	5	2	1	3	17	43
Egypt										
Talaat Mostafa	3	3	3	1	2	3	2	3	20	50
Palm Hills	2	3	3	1	2	5	4	5	25	63
SODIC	2	3	3	1	2	4	3	3	21	53
Qatar										
Barwa	2	3	4	4	4	3	2	2	24	60
Alaqlaria	3	1	5	5	4	5	3	3	29	73
UDC	2	1	3	2	4	2	2	4	20	50
Saudi Arabia										
Emaar Economic City	2	3	5	2	3	2	2	2	21	53

* Companies are scored from 1 to 5, with 1 the least attractive and 5 is the most attractive
Source: Company data, Morgan Stanley Research

Property portfolio diversified in 17 markets

Full government support operationally & financially

Highest margins among peers, with Palm Hills leveraging its landbank at cheap prices and lucrative market conditions. Alaqlaria's all-rental model is the reason for its high margins

Our top picks have the highest scores

Valuation — discount to NAV, a fresh approach for the region

- **We use a 40-60% discount to our 2009 NAV to set our price targets.** Consensus typically values MENA property stocks using 100% of their DCF fair value. However, our analysis of property stocks in Europe and other developing markets such as Russia shows that these stocks typically trade at a discount to fair value during the cycle. Our discount to 2009e NAV varies by delivery timetables.
- **Over the cycle our stocks should trade to parity against our NAVs.** This was the case in Spain in 1998 and 2005 and in Singapore in 1999 and 2005. This suggests, on average, over 150% upside for the group for long-term investors. Our top picks Emaar, Aldar, Alaqaria and Palm Hills have the potential to increase by 244%, 242%, 167% and 190% to our 2009e calculated NAVs, respectively.
- **We sense check our relative preference using our EV/five-year adjusted cash inflow.** The group currently trades at a simple average of 28%. SODIC, Emaar and Aldar are the more attractive on a relative basis. Conversely, Barwa, Deyaar and Palm Hills look more expensive.

Our MENA property stocks look attractive, with our price targets implying an average 40% upside. On a standalone basis, we think a DCF best reflects companies' future earnings, given the long-term nature of their projects and cash flow forecasts. And, we note this is the consensus approach to valuation for the region. We have no doubt that over time our stocks will trade up towards our DCF fair values. For example, Spain traded at a premium to NAV in 1998 and 2005. And Singapore traded above fair value in the early 1990s and again in 1999 and 2005.

But property stocks typically trade at a discount to NAV in the early to mid stages of the market cycle, as earnings visibility is low — big development pipelines, but limited income producing assets. As a result, we use a 40-60% discount to 2009e NAV — depending on our view of the market and stage of cycle — to set our price targets. Our Russian property analyst, Toby Carroll, uses a 50% discount to 2009e NAV when setting his price targets for RGI and AFI. We sense check our relative preferences using our proprietary

EV/adjusted cash inflow multiple. The multiple compares companies on a cash inflow basis over a five-year horizon, rather than on a reported earnings basis.

Target discount to 2009 NAV set at 40-60%

We have calculated our own net asset value by company using our sum-of-the-parts DCF fair values. Essentially, we value each development project independently. This is based on managements' master plans in terms of built up area and our assumptions for selling prices, costs and the pace of sales through the cycle. For rental projects, we discount the cash flows over time and capitalize the terminal value from future rentals.

Setting our target 2009 NAV discounts. We have looked at the cycle in Spain and Western Europe to determine our target NAVs by market. We have ranked our companies by delivery schedule of their master plan for 2008-13. Those companies delivering an above-average percentage of their built up area are assigned a discount of 40%. These include Aldar, Sorouh, Emaar, Union Properties and the Qatari property developers. Those delivering a below-average percentage of built up area by 2013 are assigned a 60% discount (Emaar Economic City) — see Exhibit 19. All other companies are assigned a 50% discount. We acknowledge that this is a subjective process, but our approach is designed to try to reward those companies with higher visibility of earnings in the near term.

Exhibit 19

MENA Property: Delivery Schedule, 2008-2013

% of Built Up Area 2008 2009 2010Cumulative2011 2012 2013Cumulative

40% discount to NAV								
UDC	25.0	25.0	25.0	75.0	25.0	0.0	0.0	100.0
Emaar	5.9	9.2	14.8	29.9	17.1	18.4	17.3	82.7
Barwa	4.2	12.1	13.6	29.9	9.1	14.8	14.3	68.0
Union Properties	0.0	12.8	15.5	28.3	9.0	12.5	12.5	62.4
Sorouh	9.9	10.1	7.0	27.0	5.1	7.3	8.8	48.2
Aldar	5.6	7.3	13.3	26.2	10.9	10.2	10.8	58.1
50% discount to NAV								
Palm Hills	1.8	0.9	5.6	8.3	5.7	28.8	31.6	74.5
SODIC	0.0	3.3	8.3	11.6	18.1	21.3	18.1	69.1
Deyaar	0.0	6.0	10.0	16.0	14.2	19.1	19.5	68.9
Talaat Mostafa	2.2	4.5	8.2	14.9	10.2	15.4	13.5	53.9
Average	5.5	9.1	12.1	24.3	12.4	14.8	14.6	62.3

Source: Morgan Stanley Research estimates

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Why don't we use the NAVs reported by our companies?

First, only six of our 12 companies publish a net asset value on an annual basis. Second, we note that five of these companies' NAVs are calculated using a DCF by project approach (see Exhibit 20). For now, we feel more comfortable using our own assumptions for our project valuations rather than those of the valuer given the lack of details on selling price, costs and pace of sales assumptions as well as value by project.

Exhibit 20

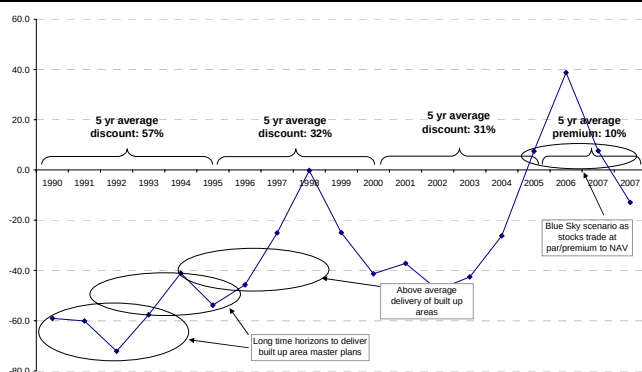
2007 NAV reported by company

Currency	Share price	2007		Valuer	Method
		reported NAV	Prem/(disc) to reported NAV		
SODIC	EGP	135.0	253.2	-46.7	DTZ Comp
TMG	EGP	8.2	11.5	-28.5	CBRE DCF
Palm Hills	EGP	16.0	33.3	-51.9	CBRE DCF
Sorouh	AED	9.5	6.2	53.5	CBRE DCF/comp
Aldar	AED	12.8	20.8	-38.6	CBRE DCF
Emaar	AED	10.6	17.2	-38.5	CBRE DCF

Source: Company data, Morgan Stanley Research

Exhibit 21

Target NAV discount based on Spanish property market developments



Source: Morgan Stanley Research

Exhibit 22

Singapore NAV discount fell to 60% during Asian crisis in 1998



Source: FactSet, Morgan Stanley Research
e = Morgan Stanley Research estimates

Deriving our NAV fair values

We prefer a NAV-based sum-of-the-parts to capture the future earnings and cash flow streams. We value companies on a project-by-project basis. Typically, 40% of the value of our companies is realized in our DCFs in 2010-2014, making these stocks more long-term investments (see Exhibit 23.). For our DCFs, we have used discount rates ranging between 8% and 18% across projects, depending on:

- The country of operation.** This determines our risk-free rate and partly our equity risk premium, depending on market conditions and our expectations of supply-demand dynamics. Egypt has the highest discount rates, given the country's current inflation targeting monetary policy and recent increases in interest rates. We also assign a higher equity risk premium for Dubai-focused companies to reflect our more cautious market view in the medium term.
- Project completion dates.** Projects that have already entered the construction phase and/or sales launches are assigned the lower end of our discount range. Other projects are assigned premiums of 100-400bps depending on: 1) the project's planned time frame, which affects our fundamental price and cost assumptions based on the timing in the cycle; and 2) our expected market conditions, which may imply higher risk for companies embarking on further developments.

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Exhibit 23

DCF fair value skewed to the long term

(%)	2008-09	2009-10	2010-12	2012-14
Abu Dhabi				
Aldar	-5.5	10.2	22.5	16.1
Sorouh	9.8	11.1	24.0	14.6
Dubai				
Emaar	7.2	10.2	26.7	15.1
Union Properties	23.0	5.6	9.6	8.6
Deyaar	16.9	24.3	19.0	25.0
Egypt				
Talaat Mostafa	15.8	13.9	29.9	17.4
Palm Hills	17.8	13.9	33.7	12.3
SODIC	4.7	9.6	29.6	12.1
Qatar				
Barwa	-14.4	5.9	31.1	22.0
Alaqaria	-14.3	-9.4	-8.7	2.2
UDC	-1.8	4.7	26.4	7.4
Saudi Arabia				
Emaar Economic City	-7.4	1.7	2.4	14.2

Source: Morgan Stanley Research estimates

Our proprietary EV/adjusted cash inflow multiple: SODIC, Aldar and Emaar are most attractive

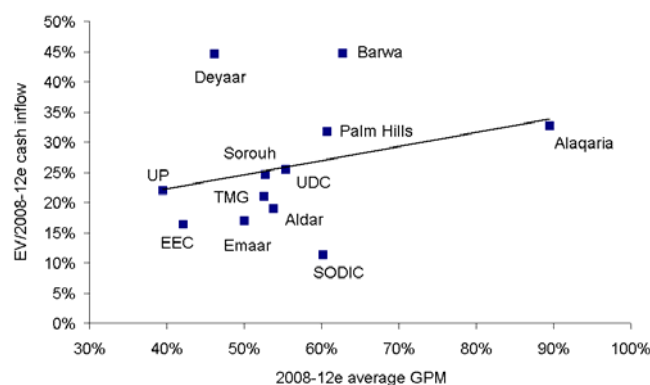
We believe that comparing property companies using near-term earnings multiples is difficult. This is because earnings in any given year are distorted by accounting differences and the long-term nature of property developments. As a result, we prefer to look at cash flow over the cycle; essentially, trying to achieve a normalized earnings number for companies. This is the basis behind our EV/adjusted cash inflow multiple. We construct our multiple based on the following.

- We build the multiple over a five-year horizon to account for a full project cycle and to largely eliminate any one-off deviations.

- Cash inflows from current sales from companies' various projects are then aggregated.
- 2012e rental incomes are capitalized using an average yield of 7%.
- To adjust for profitability differences, we use a company's average gross profit margin realized on current and future sales for the five-year period.
- This is then used to derive our average EV/adjusted cash inflow; our peer group currently trades at a simple average of 28%. SODIC, Emaar and Aldar are the most attractive on a relative basis. Barwa, Deyaar and Palm Hills are comparatively expensive. (See Exhibit 24.)

Exhibit 24

MENA stocks trade at an average 28% EV/adjusted cash profits (2008-12e)



Source: Morgan Stanley Research estimates

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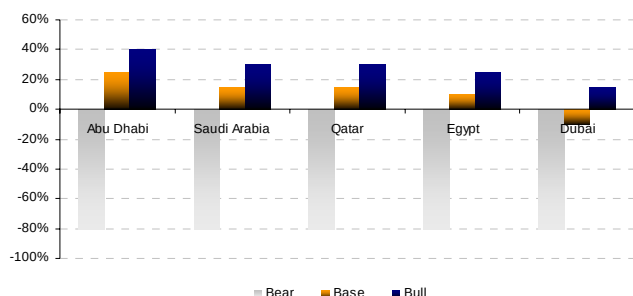
Where could we be wrong?

The MENA property market, especially the UAE and Qatar, has not yet gone through a typical boom-bust property cycle. As a result, we outline bull/bear scenarios for possible market conditions that may emerge below. Countries in the Gulf share the same characteristics, and we would expect a similar overall industry outlook, with some variation in the potential magnitude of the upside and downside. Conversely, Egypt has distinct characteristics — economic factors and affordability are bigger uncertainties than potential oversupply. However, we cannot rule out that the Egyptian real estate stocks will share the same direction as those of the Gulf countries, primarily driven by overall investor sentiment. Exhibit 25 summarizes our property price outlook under various scenarios.

Our base case is for a soft landing in Dubai. Property prices have continued to grow well into 2008, despite increasing concerns about a possible oversupply in the coming 12 months. In 1H08, prices increased by 25% from December 2007 levels, according to our price index. The biggest increases occurred in January to May, with price rises softening in June, especially within the low and middle income segment, such as International City. For 2009, we expect prices to start coming under pressure as oversupply becomes evident; we forecast a 10% decline between 2008 and 2010 in our base case (see Exhibit 25.) Our forecasts are based on an orderly decline in prices supported by strong economic growth and continued influx of expatriates to the emirate.

Exhibit 25

Property prices: Our Bear/Base/Bull scenario, 2008-10



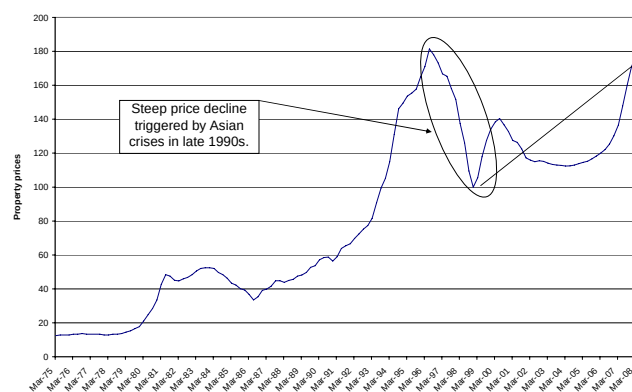
Source: Morgan Stanley Research estimates

Bear case — A sharp correction in Dubai; contagion effect across the region. Dubai is the bellwether for the whole GCC property market, in our view. We have used Singapore as an example of how quickly and by how much a property market can turn. In the late 1990s Singapore

residential prices fell by 80% over an 18-month period, exacerbated by a sharp economic slowdown. For now, we continue to believe this a low probability event for the region, given the support it enjoys from oil prices, diversification of economies and strong underlying economic growth. However, we have factored this into our bear case, which implies average downside of 35% for our stocks on a market cap basis.

Exhibit 26

Singapore residential property prices fell by 80% in 18 months in the late 1990s



Source: URA property prices, Morgan Stanley Research

Exhibit 27

MENA property bear case ASP decline assumptions

	2009	2010	2011	2012	2013
% YoY Chg	-15	-65	0	5	25

Source: Morgan Stanley Research estimates

Bull case: improved sentiment in Dubai property market

As highlighted in our bear market scenario, we believe that Dubai is the bellwether for the whole GCC property market, and price moves and sentiment here may extend to the wider MENA market. As a result, we think that improved investor confidence about the prospects for the Dubai property market is crucial for the performance of the sector and the wider MENA region. We see five potential drivers for improved confidence in the Dubai market.

- Controlled sales launches of new projects may increase confidence in developers' and regulators' views on sector potential.
- The market needs a break: slower property price rises, more stability.

- The economy continues to grow through successful diversification efforts, leading to a greater influx of expatriates than we currently expect.
- Continued low interest rate environment drives higher mortgage penetration. This would have an impact on the banking sector, quality of loans, existing mortgages (especially in high inflation environments) and new mortgages.

- Easing geopolitical risk.

Improved sentiment on Dubai would be positive for Abu Dhabi, Saudi and Qatar. Although sentiment is already positive on these three markets, with investors clearly favoring them over Dubai given their very early stage on the growth curve, we believe that higher confidence in Dubai's property market would have a favorable impact on the remaining MENA region.

Exhibit 28

MENA Property: Implied share price from discount/premium to 2009e NAV

	2009e NAV	Discount/Premium to 2009e NAV										
		-80%	-70%	-60%	-50%	-40%	-30%	-20%	-10%	0%	10%	20%
Abu Dhabi												
Aldar	42.4	8.5	12.7	16.9	21.2	25.4	29.7	33.9	38.1	42.4	46.6	50.8
Sorouh	24.0	4.8	7.2	9.6	12.0	14.4	16.8	19.2	21.6	24.0	26.4	28.8
Dubai												
Emaar	35.66	7.1	10.7	14.3	17.8	21.4	25.0	28.5	32.1	35.7	39.2	42.8
Union Properties	9.50	1.9	2.8	3.8	4.7	5.7	6.6	7.6	8.5	9.5	10.4	11.4
Deyaar	2.76	0.6	0.8	1.1	1.4	1.7	1.9	2.2	2.5	2.8	3.0	3.3
Egypt												
Talaat Mostafa	18.0	3.6	5.4	7.2	9.0	10.8	12.6	14.4	16.2	18.0	19.8	21.6
Palm Hills	46.0	9.2	13.8	18.4	23.0	27.6	32.2	36.8	41.4	46.0	50.6	55.2
SODIC	394.5	78.9	118.4	157.8	197.3	236.7	276.2	315.6	355.1	394.5	434.0	473.4
Qatar												
Barwa	202.8	40.6	60.8	81.1	101.4	125.7	141.9	162.2	182.5	202.8	223.0	243.3
Alaqlaria	175.6	35.1	52.7	70.2	87.8	105.4	122.9	140.5	158.0	175.6	193.2	210.7
UDC	138.3	27.7	41.5	55.3	69.1	83.0	96.8	110.6	124.4	138.3	152.1	165.9
Saudi Arabia												
Emaar Economic City	59.77	12.0	17.9	23.9	29.9	35.9	41.8	47.8	53.8	59.8	65.7	71.7

Bold text = our price targets

Source: Morgan Stanley Research estimates

A closer look at the key industry drivers

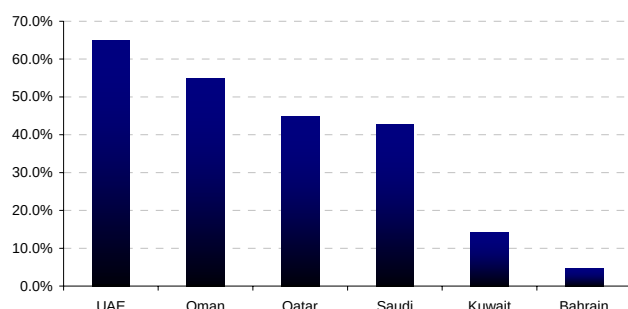
In this section we look in depth at what we consider the main industry drivers and how they impact the companies under our coverage.

Investor sentiment on MENA property remains bullish.

We are also positive on the MENA property market. The sector has attracted considerable attention, growing at extraordinary rates during the past two to three years. Real estate activity has been highest in the UAE, driven by Dubai, with Abu Dhabi's contribution still low. However, in terms of annual growth, Abu Dhabi has seen the highest growth in the GCC.

Exhibit 29

Growth in real estate transaction volumes for the GCC in 2007

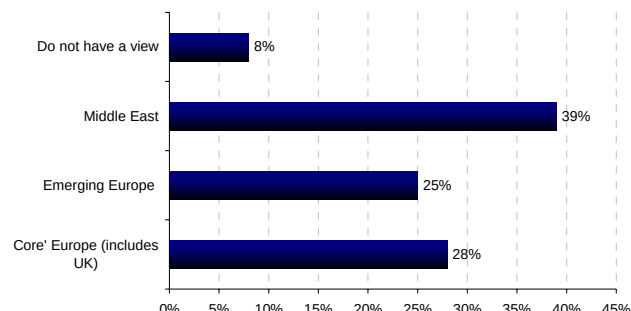


Source: Jones Lang LaSalle (Gulf News), Morgan Stanley Research

Increased activity has led to strong operational performance from the companies and driven positive investor sentiment. The preferred regional focus of attendees at Morgan Stanley's recent property conference (held on June 12 and 13) has switched from emerging Europe to the Middle East: our audience survey suggested that 39% expected the best returns from the Middle East, up from 11% last year. There was a sharp fall in the proportion of those expecting the best performance from emerging Europe, from 55% last year to 25% this year. For more detail on the feedback from the conference, please refer to our June 13 note *Consensus Becomes More Cautious*.

Exhibit 30

In which of the following EMEA regions do you expect the direct commercial property market to perform best in local currency terms over the next 12 months?



Source: Morgan Stanley Research

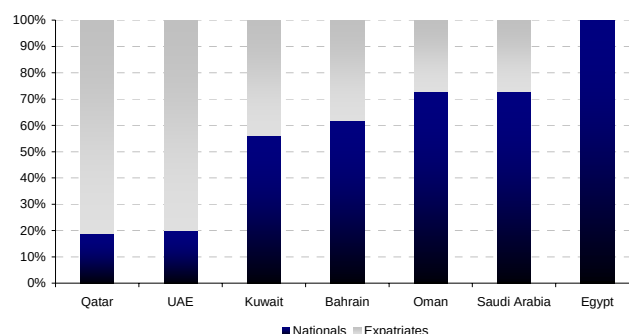
We expect MENA property to remain a focus for investors, particularly in light of the deteriorating fundamentals of other real estate markets around the globe. We take a closer look at the drivers of the property market in the rest of this section.

1. The population argument: size vs. growth

The MENA economies have diverse demographic structures. The GCC economies are primarily dependent on expatriates; around 80% of the populations of Qatar and the UAE are expatriates, compared with around 27% for Saudi Arabia and Oman, and a very low proportion for North African countries such as Egypt, Algeria and Morocco.

Exhibit 31

Expatriates average 37% of total population in GCC



Source: Central Banks (2007), Morgan Stanley Research

In addition to structure, overall population size and growth potential are the main drivers of housing demand. Of the countries we look at in detail, we believe Saudi Arabia has the

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best mix of drivers, with a population twice the size of the other five GCC nations. The country has the potential to attract expatriates in the medium and long term. The UAE and Qatar have a small population but the highest potential for growth, by attracting expatriates. Egypt has the largest population in the MENA region (more than double that of the whole GCC), but has less potential for population growth.

Exhibit 32

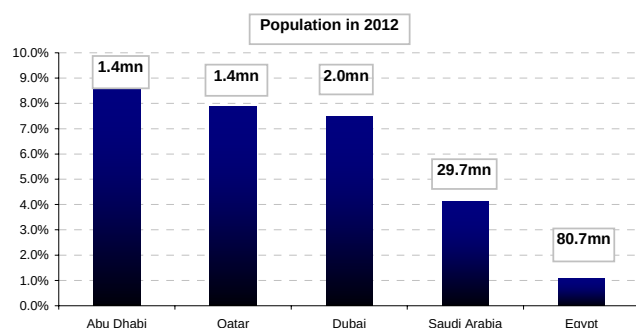
Population size in MENA countries, 2007

Country	Population (mn)
Abu Dhabi	0.93
Dubai	1.41
Egypt	76.4
Qatar	0.93
Saudi Arabia	24.3

Source: Central Banks, Morgan Stanley Research

Exhibit 33

Qatar and Abu Dhabi should deliver the highest population growth to 2012



Source: Morgan Stanley Research estimates

Exhibit 34

Abu Dhabi, Dubai and Qatar to add 800 people a day over next 5 years

	2008e	2009e	2010e	2011e	2012e
Population ('000s)					
Abu Dhabi	1,000	1,075	1,155	1,242	1,335
Dubai	1,544	1,674	1,800	1,919	2,028
Qatar	1,011	1,100	1,189	1,276	1,358
Total	3,555	3,849	4,144	4,436	4,721
New arrivals per day					
Abu Dhabi	191	205	221	237	255
Dubai	358	355	345	326	300
Qatar	224	246	244	237	225
Total	773	806	809	801	781

Source: Morgan Stanley Research estimates

Qatar and Abu Dhabi: highest growth potential

We expect Qatar and Abu Dhabi to show the highest population growth over the next few years, based on the

strong economic outlook and large planned investments in infrastructure, which should attract expatriates. We think the more developed Dubai will likely remain the preferred destination for foreigners seeking a high quality of life, but we expect population growth to slow, given the already well established service sector and competition from Abu Dhabi, Qatar and Saudi Arabia in attracting expatriates. That said, we still estimate Dubai's population will reach 2.0m in 2012, a CAGR of 7.5% from 2007, slightly less than its peers Abu Dhabi (8.5%) and in Qatar (7.9%).

Egypt: addressable segment to grow at twice the rate of population growth

We estimate Egypt's population will grow at an average 1.9% till 2012, in line with average historical rates, with negligible expatriate presence. Egypt's property market is different from that in the GCC: its population structure and economic conditions have resulted in distinct market segmentation, with housing units targeting low, middle, upper middle and high income segments. The low and middle income segments are typically served by government or public sector developers. Although this represents the vast majority of the sector, we have excluded it from our analysis, as the companies under our coverage serve upper middle and high earners only. For the same reason, we also focus on Cairo (27% of total population), our companies' main market.

Our addressable market constitutes the richest 35% of Cairo's population. We expect this market to grow at twice the rate of overall population growth, driven by higher purchasing power among high income earners, a growing upper middle income segment and improved affordability for Egyptian expatriates looking for properties in their home market.

Saudi Arabia: best mix but with challenges

Saudi Arabia has the best mix of population growth drivers in our view, with the highest proportion of nationals/total population in the GCC and the potential to grow its expatriate base, backed by a strong economic outlook and expansionary investment plan. We forecast population to grow at a 2007-12e CAGR of 4.1%.

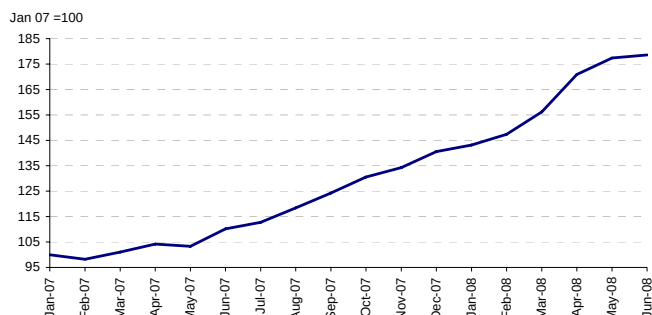
2. Escalating price drivers: demand vs. costs

The property boom in the MENA region began in Dubai three years ago, when the emirate began to promote itself globally as a potential business hub in the Middle East. Property prices have since risen in double digits every year, with average market prices up 79% since the start of 2007, according to our proprietary price index (detailed in Appendix 2).

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Exhibit 35

Property prices up 79% in Dubai over the past 18 months, according to MS property index

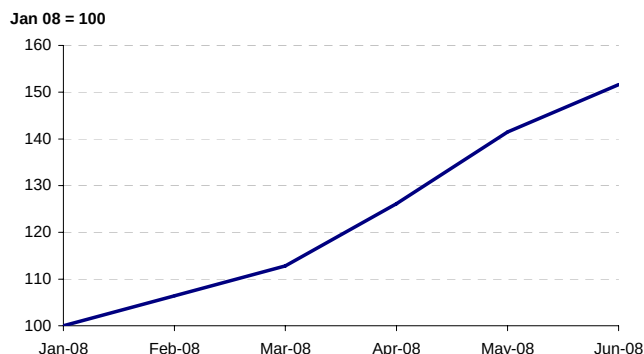


Source: Morgan Stanley Research

The boom in Dubai property extended to several other markets across the MENA area from 2006. Prices have risen by an average 60% in Egypt since 2006, and Abu Dhabi property prices are up 52% YTD.

Exhibit 36

MS Abu Dhabi property price index up 52% YTD



Source: Morgan Stanley Research

Prices have been driven by a combination of genuine demand, speculation and, most recently, escalating construction costs. Although construction costs have been rising since 2005/6, price increases have been more marked since 2007. Before that, demand and speculative investment were the primary factors driving property price increases, in our view. We believe this trend has held throughout the GCC nations, with Dubai the most prominent example.

Demand: an important push factor. Dubai's success in establishing itself as a major service hub, not only in the region but now also on a more global scale, has driven robust demand for housing units for the influx of expatriates. The number of expatriates moving to Dubai significantly outpaced the delivery of housing units, creating a severely

undersupplied market. Speculative investment added to these fundamental drivers, notably following the opening of the sector to foreign ownership in 2005. Investment in real estate assets became increasingly attractive in view of the high rental yields and rising property prices.

The Dubai story has been replicated in a number of other countries, including Doha and more recently Abu Dhabi. In Egypt, the story is different: property prices were driven by increased demand, due to improved economic conditions, higher purchasing power, especially among high earners, and to some extent speculative investment.

High property prices extended to the construction sector, creating a 'contractor's market'. Although price hikes were initially driven by demand factors, we think that construction cost inflation increased in significance from 2007. These costs are broadly broken down into:

1. land cost;
2. construction cost; and
3. contractor's profit margin.

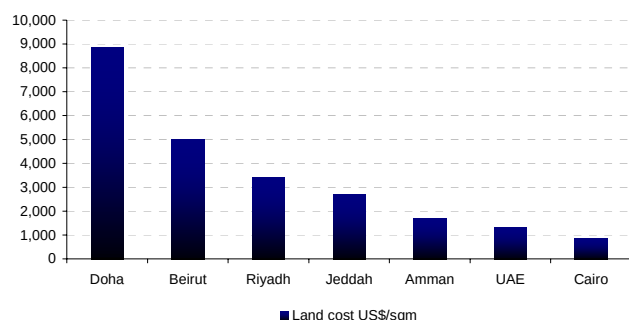
Below, we look at each of these in turn.

Land: becoming a scarce resource. Property price inflation extended into the market for land. Indeed, we would argue that speculative investment is most evident in the land market, as it is easily accessed by individual investors, and plots can be bought and resold within a matter of months at potentially very attractive profits, without any commitment for construction or additional cash outlay. Although there is a lack of data on historical land transactions and selling prices in most of the MENA markets, with the exception of Dubai, we note that recent hikes in land prices have made land cost a major component in developers' total costs. Land cost is highest in Qatar, while Egypt still has the lowest, despite major price increases.

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Exhibit 37

Land prices in major MENA countries

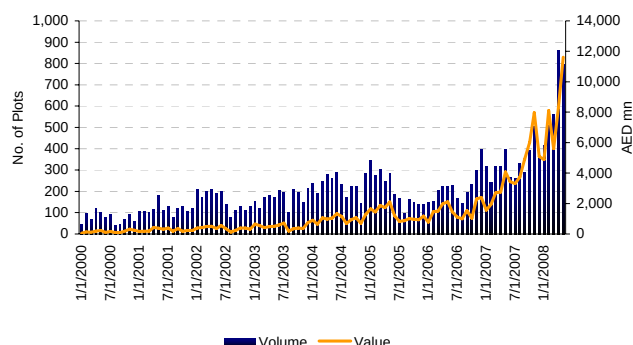


Source: MEED (May 2008), Morgan Stanley Research

In Dubai, the Land Department has recorded a fourfold increase in land prices since 2000. (See Exhibit 39.) Although this is driven in part by genuine demand, speculative investment has also contributed to the price rises, in our view.

Exhibit 38

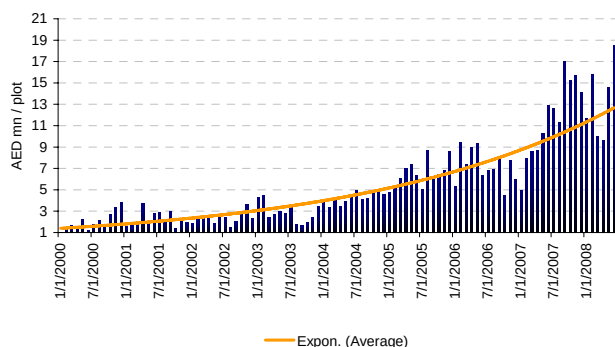
Dubai: monthly land sales by volume and value (Jan 2000 – June 08)



Source: Dubai Land Department, Morgan Stanley Research

Exhibit 39

Fourfold increase in land prices in Dubai since 2000



Source: Dubai Land Department, Morgan Stanley Research

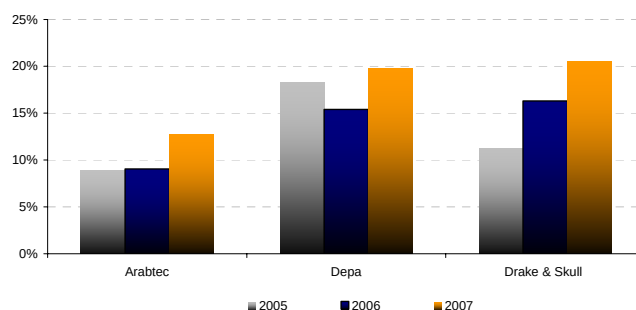
This land price inflation has extended to other markets, most obviously Egypt. In May 2007, the Egyptian government held an auction to sell land plots. Prices have since risen dramatically, driven in part by demand from foreign developers, particularly from Gulf countries, seeking expansion opportunities in Egypt's growing market. Local speculative investment is also likely to have contributed to the price increases.

Construction cost: developers' major concern.

Construction costs have been a principal concern among contractors and developers since 2007, and this has been especially evident in 2008. The construction process from a developers' perspective has many moving parts, which are mainly passed on to the contractor once the construction contract is awarded. Thus, choosing the right contractor is key for a developer. In today's contractor's market, it can be difficult to find a contractor that will deliver with the required quality and on time. Thus, contractors with a good track record in delivering agreed-upon quality and delivery dates have busy schedules and require higher profit margins. Exhibit 40 shows how Arabtec and Drake & Skull (Dubai-based contractors) and Depa (an interior design contractor) have seen widening margins, in particular in 2007.

Exhibit 40

Widening contractors' margins



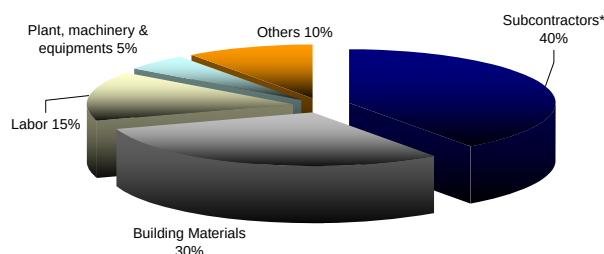
Source: Company data, Morgan Stanley Research

Escalating construction costs have been clearly in evidence this year. Building material (BMs) products, including steel and cement, and the subcontracting element make up 70% of total construction costs. Moreover, the subcontracting component is continuously increasing as a percentage of total construction costs, especially in high end luxury housing units. Basic BM products are a higher contributor to cost in low/middle income housing.

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Exhibit 41

Construction cost breakdown for a typical project



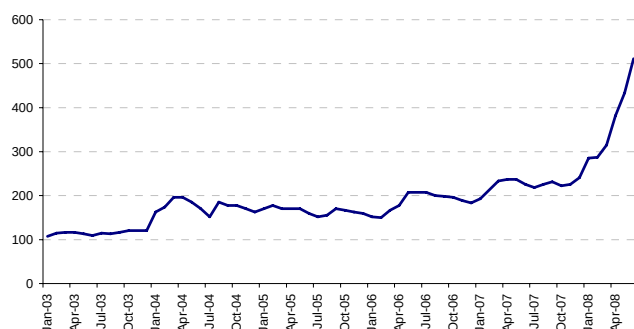
* Includes MEP, Aluminum, cladding, doors, water proofing, painting, dry finishing, elevators and others

Source: Morgan Stanley Research

BMs suppliers: between high demand and escalating production costs. Steel and cement prices are the main drivers of higher building material costs. Steel makes up around 15% of total construction cost. The UAE suffers from a severe shortage in steel products, with the majority of steel being imported. In Egypt, Saudi Arabia and Qatar a large percentage of steel needs are supplied locally. The main drivers of escalating steel prices, especially since 2H07, have been rising demand and higher energy costs.

Exhibit 42

Escalating steel prices: more evident in 2008



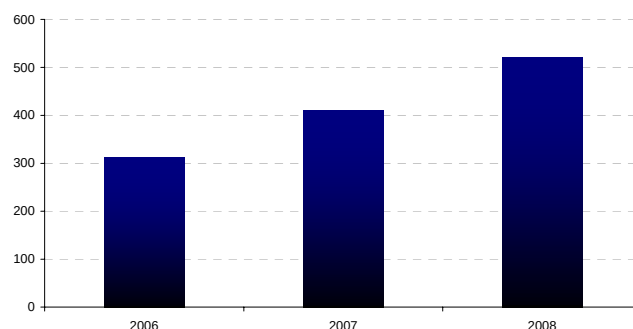
Source: MESTeel, Morgan Stanley Research

The MENA region is a large producer of cement, with Egypt and Saudi Arabia the main producers in the region. However, demand and production cost pressure in major countries have driven up prices. Cement prices have been partially regulated in Egypt, Saudi Arabia and the UAE, with the government setting price caps for the product and/or prohibiting or discouraging exports. However, prices have continued to increase, and 'black' markets for the product have emerged.

Labour has been the principal driver of cost inflation for contractors over the past 18 months. Securing skilled labor is increasingly challenging. Despite its relatively small contribution to total construction costs (c.15%), labor costs have been rising in double digits since 2006. We estimate that a 20% increase in labor costs would inflate construction costs by 4-5%.

Exhibit 43

Labor costs have almost doubled since 2006



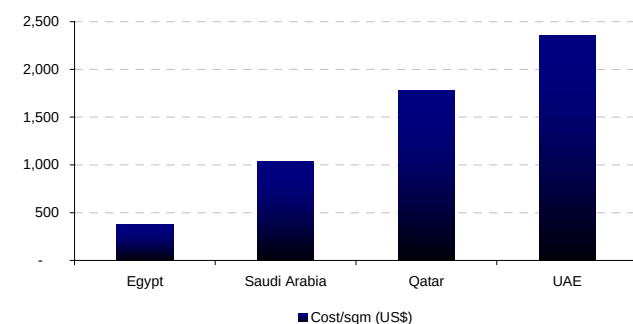
Source: MEED, Morgan Stanley Research

The UAE has the highest construction costs

Cost pressure has been increasing across the region, but is particularly pronounced in the UAE. Rising building material prices, higher labor cost and the scarcity of quality contractors have all contributed to higher construction costs.

Exhibit 44

Construction costs are the highest in the UAE



Source: Morgan Stanley Research estimates

Cost pressures should ease ...

Labor costs (~20% of total construction costs) and contractors' margins are likely to remain high in the short term, given the planned investments across the region in real estate assets. However, we think this should be more than offset by lower prices for building material products, especially cement and steel, with planned capacity expansion across the region. Additionally, we expect land prices to correct downwards in

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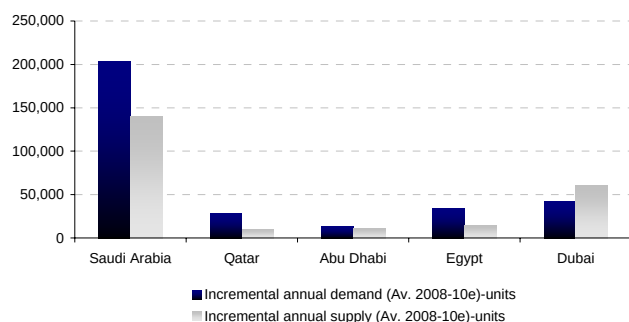
the medium term, as speculative demand softens. Thus, we expect recent cost inflation to lose momentum.

... with demand factors taking the upper hand

In contrast, we expect demand to continue driving real estate asset prices in the short term across the region, most notably in Abu Dhabi. In the medium term, we expect fundamentals to come to the fore, with oversupplied markets such as Dubai most negatively affected and more exposed to price corrections. In our view, Abu Dhabi, Qatar and Saudi Arabia are backed by a shortage in housing units, expected delays in planned deliveries and a strong economic outlook, which should support the inflow of expatriates. However, we note that, in the event of a hard landing in the Dubai market, negative sentiment and loss of confidence may outweigh favorable fundamentals.

Exhibit 45

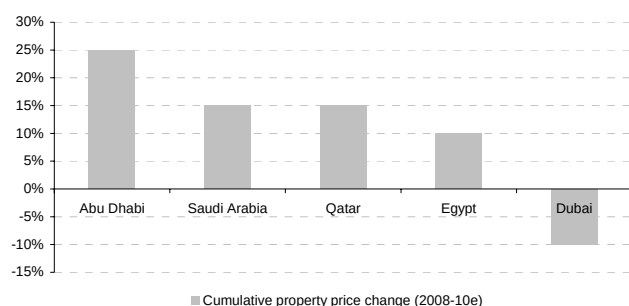
Demand still outpacing supply in MENA markets ...



*For Egypt, supply-demand model is based on our addressable market
Source: Morgan Stanley Research estimates

Exhibit 46

... driving price rises in all markets except Dubai



Source: Morgan Stanley Research estimates

3. Would a potential oversupply extend to all markets?

Yes. We believe that Dubai is the bellwether for the MENA real estate market. A potential oversupply or price correction

here would, in our view, extend to all markets as investor confidence is shaken. *We highlight this scenario in the sector risk-reward discussion of the valuation section.*

4. Government support

The governments of several MENA countries are heavily involved in the real estate sector. This takes various forms:

- **A government real estate arm** that develops mega-projects. The Dubai government owns Nakheel and Dubai Properties, and the government of Qatar owns Diar.
- **Equity stake in several property developers**, including in some listed companies. The government of Dubai owns 32% of Emaar, the government of Abu Dhabi owns 25% of Aldar, and the government of Qatar owns 27% of Alaqaria and 45% of Barwa.
- **Providing support for developers through land grants or extending financing needs.** This applies primarily to UAE and Qatari developers. Although all master developers (Emaar, Nakheel and Dubai Properties) are granted land by the government, governments have recently begun to enter into joint ventures with developers rather than extend pure grants. The main beneficiaries of this to date are Abu Dhabi developers, in particular Aldar. In Qatar, the government grants land in some locations.

Governments are also involved in a number of indirect ways:

- **Forming JVs with private developers.** For example, the government of Dubai and Emaar formed a 50-50 joint venture to develop the Bawadi project.
- **Subsidizing land costs.** This is the case in several countries across the region. Egypt's government supports TMG by offering favorable payment terms. The government gives TMG the land upfront and at the end of each construction phase, TMG gives an agreed upon percentage of the built up area to the government for its own use.
- **Government demand.** In Qatar, the government, through Qatar Petroleum (QP), is Alaqaria's main client. The company offers housing facilities for QP's staff.
- **Developing mortgage financing and other monetary measures.**

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5. Inflation and negative real interest rates — a potential stimulator

Rising inflation has clearly been a global trend recently, but it has been particularly marked in MENA countries. Higher prices for energy, food products, and housing have all contributed. Egypt and Qatar have seen the highest inflation rates so far this year.

Exhibit 47

Double-digit inflation rates across MENA countries

	2004	2005	2006	2007E	Latest 2008
Qatar (%)	6.8	8.8	11.8	13.8	14.0
UAE (%)	5.0	6.2	9.3	11.0	12.0
KSA (%)	4.0	7.0	2.3	4.1	10.5
Egypt (%)	11.3	4.9	7.6	8.8	20.0

Source: Central Banks, Morgan Stanley Research

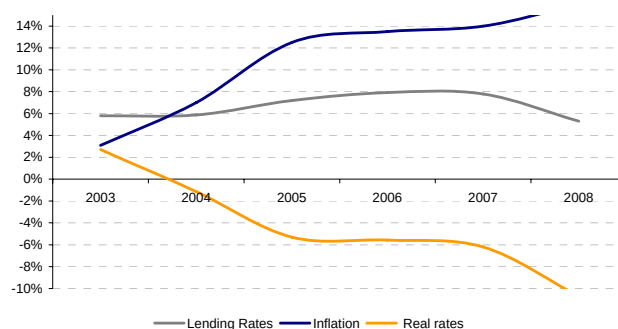
Although the main factors driving inflation vary between countries, we believe housing is the major driver in the UAE and Qatar. A recent survey in the UAE shows that the average household spends around 40% of its income on housing. In Qatar, housing cost inflation has been running above 25% p.a. since 2005.

Rising inflation rates have not been accompanied by increases in interest rates in the GCC, with currencies pegged to the US dollar. This has resulted in increasingly negative real interest rates that we believe fuel property demand. Egypt has adopted an inflation targeting monetary policy, and thus escalating inflation would lead to higher interest rates. However, we note that real interest rates are still negative.

As the regulatory framework becomes more structured, the current negative real interest rate environment should continue to support demand for real estate assets, at least in the short term, given that it is a natural hedge against inflation in the region.

Exhibit 48

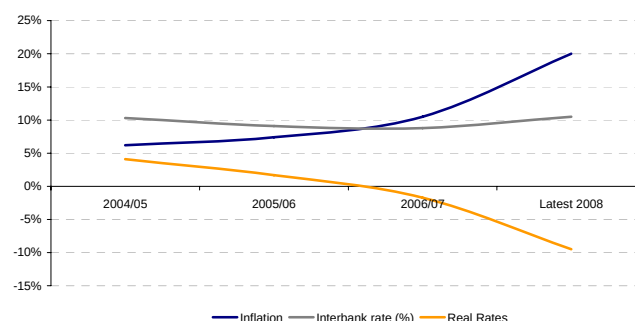
UAE: Negative real interest rates since 2004



Source: Central Bank, Morgan Stanley Research

Exhibit 49

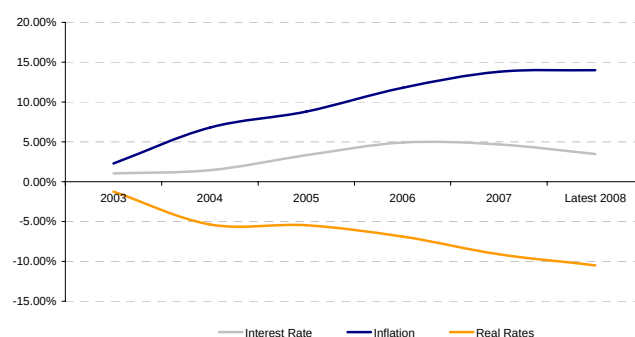
Egypt: Widening negative interest rate trend, with escalating inflation



Source: Central Bank, Morgan Stanley Research

Exhibit 50

Qatar: Negative real interest rates since 2003

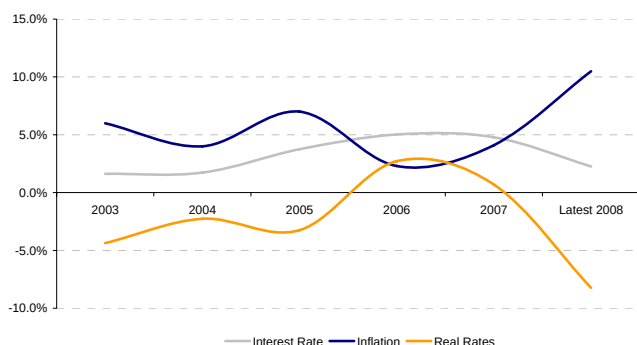


Source: SAMA, QCB, IMF, Morgan Stanley Research

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Exhibit 51

Saudi Arabia: Real interest rates have fluctuated, with a sharp fall in late 2007



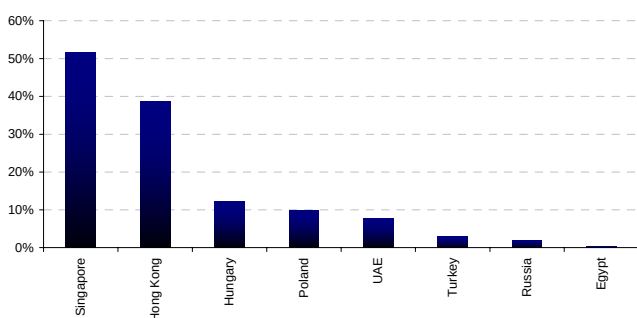
Source: Central Bank, Morgan Stanley Research

6. Mortgage market: gainers and losers

The mortgage market is relatively new to a number of MENA countries. The UAE is the only country with a meaningful mortgage market that has a number of participants, including specialized companies and banks. The mortgage market is still in the very early development phase in Egypt, Saudi Arabia and to a lesser extent Qatar.

Exhibit 52

Mortgage/GDP ratios suggest significant upside



Source: Central Banks, Morgan Stanley Research

Banks in Qatar do offer mortgages; however, there is no data on the amount issued, so we are unable to compare with the UAE. The new mortgage law in Saudi Arabia is awaiting government approval, and we believe this could be a major trigger for the Kingdom's housing market. In Egypt, despite government efforts to build the necessary infrastructure for the mortgage market to boost demand, especially in the middle and upper middle segments, we see rising interest rates as a material deterrent to growth.

7. Company growth strategies

The companies in our coverage universe have adopted a wide range of sales approaches and strategies for growth, which tend to reflect the respective market and age of the company. We highlight our companies' sales and growth strategies by geography and business line in Exhibit 53. There are some common trends:

1. Selling land to fund development: This is especially evident in Gulf companies with a short operating history. This would include Sorouh, Aldar, Barwa, UDC and Emaar Economic City.

2. Targeting sales to multiple income segments in the local market: We favor such a strategy as companies in our coverage predominantly target the upper income segment, which we think will face oversupply in some countries where escalating prices are making real estate less affordable. Thus, we favour companies diversifying the buyer base, given our general view across the region that demand potential for the low/middle income segment is more visible over the medium and longer term. Companies that target buyers from multiple income segments include Emaar, Sorouh, Talaat Mostafa, Barwa, Union Properties and Emaar Economic City.

3. Expanding investment portfolio base: Companies are attempting to leverage current lucrative rental markets in the majority of their core markets and are expanding their investment portfolios. All companies in our coverage have adopted such a strategy, although Qatari companies are most advanced in this respect.

4. Exposure to hospitality: Companies are diversifying away from real estate development and trying to secure recurring income streams through exposure to the growing tourism sector. Companies that have exposure and/or planned exposure to the segment include Emaar, Aldar, Union Properties, Barwa, Talaat Mostafa, Palm Hills and Emaar Economic City.

5. Geographical expansion: A number of companies have been proactive in international expansion, while others are waiting for the right opportunities. Emaar has been the leader in this regard, with Barwa and Talaat Mostafa also pursuing expansion.

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Exhibit 53

Growth strategies for MENA property developers

	Core operation in home market	Growth avenues	
		Geographic expansion	Business lines
Abu Dhabi			
Aldar	- Government support, with land being granted and the government sharing initial infrastructure cash outlays - Master developer with land sales in mega-projects - Land sales in early years to finance construction work - Expansion into the profitable rental segment	-No major plans announced to date	- Expansion in the hospitality segment, with plans to build 40 hotels over the coming 5-7 years, offering around 25% of the country's planned supply for the next 5 years
Sorouh	- Land sales in early years to finance construction work - Luxury housing, targeting the upper income segment, in prime locations - Diversification into middle-upper income segment where demand potential is more visible - Expansion into the rewarding rental segment	- Initial plans to expand in Egypt and Morocco with necessary landbank secured	- No concrete plans announced to date, with the exception of a single development
Dubai			
Emaar	- The market leader in Dubai, focusing on the upper income segment - Government support, with land being granted in most cases, with the exception of the latest Bawadi deal - A change in selling strategy away from land sales - Very proactive in its sales strategy, with several new sales launches every month - Expansion into the profitable rental market, with a focus on the retail segment	- A leader in geographic expansion, focusing on Asian & MENA markets - Presence in the US market, a high risk move given the housing outlook, in our view - Expansion into Saudi, Egypt, Morocco - Overstretched management with presence in 17 markets, however Dubai markets makes up 65%+ of our valuation	-Increasing presence in the hospitality business in home market and internationally -Exposure to the growing mortgage market in the MENA region through its 48% stake in Amlak
Union Properties	- Currently focusing on its mega projects-MotorCity and its DIFC developments - Relatively slow in its sales launches - Manages its old rental portfolio - No new land being secured yet for further growth	- No announced plans to date	- Owns a number of hotels in its home market - Highest exposure to the hospitality segment among MENA peers
Deyaar	- Focusing on the 'affordable' housing segment	- Negligible contribution to date from its Lebanese projects - Early plans to enter Abu Dhabi and Saudi market	- No announced plans to date
Egypt			
Talaat Mostafa	- A leader in the construction of large integrated residential communities - Focus on middle/upper middle income segment	- Plans to expand into Saudi Arabia, with sales in two projects in Jeddah and Riyadh to be launched in 2H08	- Owns a number of hotels in its home market, under The Four Seasons management - Plans further expansion in Egypt, with land recently secured in Luxor - Targets the acquisition of 5,000 hotel rooms
Palm Hills	- Targets the high income segment - Developing prime residential communities in the outskirts of Cairo - Secured landbank at attractive prices, supporting high margins - Expansion in the profitable rental market - Partnering with a local leading contractor to help mitigate cost increases	- Initial plans to expand into Saudi Arabia, with two planned projects in Jeddah and Riyadh	- Exposure to the hospitality business through second home communities on Egypt's North coast and the Red Sea
SODIC	- A small developer targeting the high income segment in Egypt - Developing prime residential communities on the outskirts of Cairo - Secured landbank at attractive prices, supports high profitability - Potential exposure to a well-diversified rental portfolio	- No announced plans to date	- No announced plans to date

Core operation in home market		Growth avenues	
		Geographic expansion	Business lines
<u>Qatar</u>			
Barwa	- A potential leader in its local market, leveraging government backing - Majority of investments targeting the leasehold market - Plans a mega-project with a regional partner, however, no sales have been launched to date	- Planned several international moves in a number of African countries, including Egypt, Sudan and Libya - No sales launches in any market, however landbank has been secured	- Announced several hotel acquisitions, primarily in Europe - No exposure to the hospitality business in its home market
Alaqlaria	- The dominant player in the industrial real estate segment - Depends on rental income of housing units in industrial cities - Leveraging buoyant hydrocarbon sector in Qatar and future planned investments, by planning to increase its portfolio more than sixfold - Exposure to the growing residential & commercial segments through its subsidiaries	- No announced plans to date	- No announced plans to date
United Development Company	- A one-project company - Land sales proceeds in early years were used to finance its relatively small development portfolio	- No specific plans announced to date, with indications of a possible project jointly with Aldar in Abu Dhabi	- No announced plans to date
<u>Saudi Arabia</u>			
Emaar Economic City	- A single project company, with plans to build a city the same size as Dubai from scratch - Backed by the government and its parent Emaar - Aims to offer residential, commercial and industrial space in the under-supplied Saudi market over the coming 20 years	- No announced plans to date	- Expansion in the hospitality segment, with plans to add 12,000 hotel rooms over the project life. Hospitality segment is 16.9% of our total value.

Source: Company data, Morgan Stanley Research

8. Geographic expansion strategies

Diversification is relatively limited in our coverage group, with around 75% of companies primarily focusing on their local operations with no significant geographical expansion. We like companies with a diversified mix (by business line and geography), as this gives us more comfort in long-term sustainable growth and reduces exposure to real estate cycles. Although we view geographic expansion as a positive step for developers that lowers market risks, it does require scale, management resources and market knowledge.

Developers in the region are extending their footprints outside their home markets, although most of this expansion is within the MENA region. In addition, Asian economies, notably India, have attracted many GCC developers.

Dubai-based companies have been the leaders in this regard, as favorable market conditions in recent years have given them the necessary scale and financial capacity to expand operations abroad. Emaar, Nakheel, Dubai Properties and DAMAC all have international operations.

Developers in **Qatar** are starting to follow the same path, with the government-owned Diar (the largest local developer) and

Barwa announcing international expansion plans. These include a number of African markets (Egypt, Sudan and Libya).

Abu Dhabi-based companies are still focusing on operations in their home market, which is in the early stages of growth. In addition, developers are relatively new to the market.

In **Egypt**, developers are still focusing on the domestic market; however, TMG and Palm Hills have announced new operations in Saudi Arabia. Egyptian developers are coming out of a downturn and therefore do not have the financial capacity for international expansion, particularly when in competition with GCC companies, which have deeper pockets and greater scale.

Companies in our coverage universe: Emaar, Barwa and TMG have an international presence, with operations outside their local market representing roughly 40%, 20% and 15%, respectively of total valuation, on our estimates. Exhibit 54 summarises our assessment of international expansion moves to date.

In summary, Emaar has been among the first movers in several growing markets, although we have some concerns

about its expansion in the US given the recent slowdown in the housing market and related credit cycle. Moreover, we think that operating in 17 markets presents significant management challenges. We like Barwa's expansion into other MENA regions, which has focused on underserved markets with a large population base (in contrast to its home

market of Qatar). However, we must note that we do not favor its investments in the currently less appealing European markets.

Exhibit 54

MENA property developers' geographical moves: our assessment

Company	Our View	Primary factors influencing our view					MS Estimated Contribution to SoTP-value (%)
		Local partnership	Demographics	Supply-demand	Economic outlook	Competition	
<u>Companies with established international presence</u>							
Emaar							
Saudi Arabia	😊	✓	✓	✓	✓	—	11.0
Egypt	😊	×	✓	✓	—	×	11.4
Morocco	😊	✓	—	—	—	×	3.9
India	😊	✓	✓	×	—	×	0.8
Pakistan	😊	✓	✓	—	—	×	0.6
Jordan	😊	✓	—	×	—	×	0.2
Turkey	😊	✓	✓	✓	—	—	0.2
US	😞	×	×	×	×	×	0.5
Barwa							
Egypt	😊	×	✓	✓	—	×	13.9
Sudan	😊	×	✓	✓	—	✓	2.8
Libya	😊	×	✓	✓	—	✓	0.0
Europe*	😞	×	N/R	N/R	N/R	×	15.0
TMG							
Saudi Arabia	😊	✓	✓	✓	✓	×	14.8
4.9							
Deyaar							
Lebanon	😊	×	—	—	—	—	
<u>Companies with initial announced international plans</u>							
Palm Hills							
Saudi Arabia	😊	✓	✓	✓	✓	×	0.0%
UDC							
Abu Dhabi	😊	✓	✓	✓	✓	×	0.0%
Sorouh							
Egypt	😊	×	✓	✓	✓	—	0.0%
Morocco	😊	×	—	—	—	×	0.0%

* N/R: Not Relevant as the vast majority of investments are in the hospitality segment
Source: Company data, Morgan Stanley Research

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9. Can we compare earnings between companies?

No. Companies under our coverage follow different accounting standards. Comparison among real estate companies is very difficult, given the various accounting standards they follow in recognizing revenue (percentage of completion vs. completed method). In addition, some developers recognize land revaluation gains in their income statement, thus normalized EPS is distorted.

There are also tax differences between companies.

Egyptian companies are subject to a 20% tax rate, with the exception of some projects that can be tax-exempt or subject to preferential treatment. Companies in the UAE and Qatar are tax-exempt, although companies with international operations (through their subsidiaries) are subject to the respective countries' tax laws. Companies operating in Saudi Arabia are subject to 2.5% zakat

Exhibit 55

Accounting methodologies for MENA stocks

	Revenue Recognition	Revaluation
<u>Abu Dhabi</u>		
Aldar	% of completion	Yes
Sorouh	Completed method	Yes
<u>Dubai</u>		
Emaar	% of completion	No
Union Properties	Completed method	Yes
Deyaar	% of completion	No
<u>Egypt</u>		
Talaat Mostafa	Completed method	No
Palm Hills	Both	No
SODIC	Completed method	No
<u>Qatar</u>		
Barwa	% of completion	Yes
Alaqaria	N/M	No
UDC	% of completion	No
<u>Saudi Arabia</u>		
Emaar Economic City	% of completion	No

Source: Company data, Morgan Stanley Research

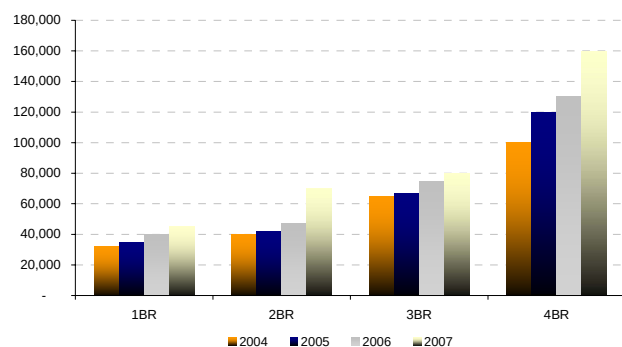
Abu Dhabi — early on the growth curve

Market in brief

- **Strong macro outlook:** The richest emirate in the UAE has historically adopted a conservative approach to spending.
- **Sector:** A building moratorium in the emirate's property sector in the late 1990s has left a legacy of undersupply. Many workers commute from Al Ain and sometimes from Dubai, given the severe housing shortage.
- **Regulations:** A new property law was recently approved, allowing foreigners to own units on a 99-year lease.
- The government plans to invest US\$275bn over the coming five years in infrastructure and real estate projects.
- **Key risks:** A hard landing in the Dubai property market, failure to attract expatriates, regulatory framework.

Exhibit 56

Leasehold market: on an equal footing with Dubai in some areas



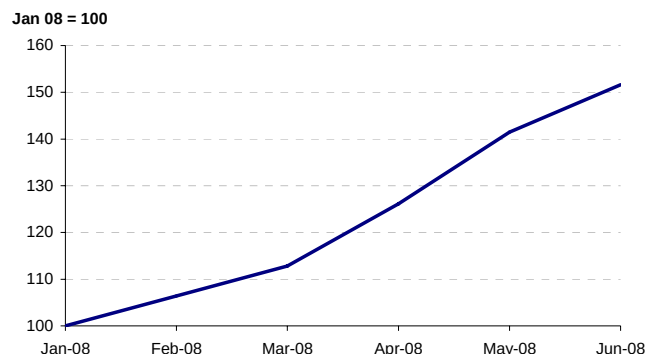
Source: Colliers, Morgan Stanley Research

Key Takeaways

- Rental rates on the uptrend since 2004, with major increases from 2007
- Rent cap of 7% introduced in 2007, revised to 5% in January 2008
- Rents rose further in 2008 to be in line and in some cases higher than in Dubai
- The under-supplied market and high rentals forced workers to commute from Al Ain or Dubai

Exhibit 57

MS Abu Dhabi property price index up 52% YTD



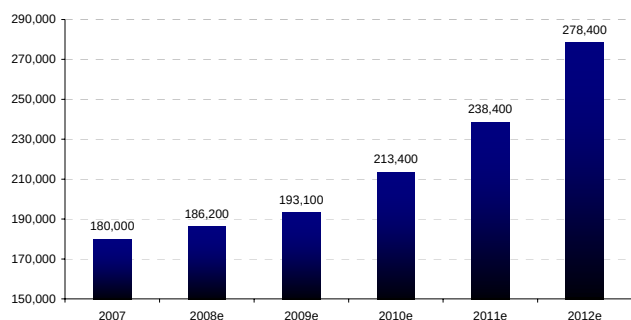
Source: Morgan Stanley Research

Key Takeaways

- We have developed our proprietary property price index, tracking back property prices in Abu Dhabi since January 2008 (detailed in Appendix 1)
- Our index is based on prices in the secondary market and thus includes only three locations: Al Reem Island, The Gate district and Al Raha Beach
- Prices in Al Reem Island saw the highest increases (+75% YTD) vs. 52% for the market on average

Exhibit 58

The capital plans to increase housing units by 30% until 2012



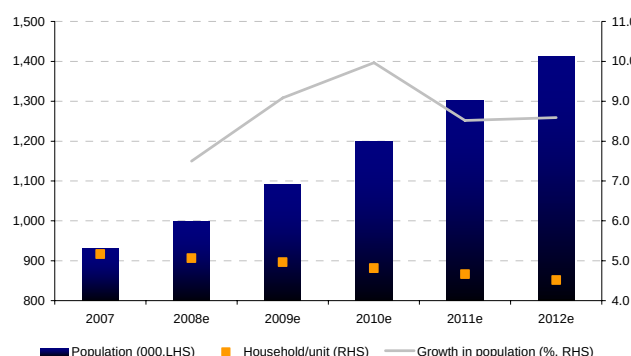
Source: Abu Dhabi 2030 Plan, Colliers, Morgan Stanley Research

Main assumptions:

- 2007 starting point of 180,000 units
- Colliers assumes average annual additions of 13,600 units until 2010, reaching 213,000 units
- We assume an average of 20,000 unit additions in 2011-12e, according to current developers' delivery plans (10% higher than that stated in AD plan)
- Aldar, Sorouh, TDIC, Tomouh and Reem Investment will supply 75% of total planned supply, according to Colliers

Exhibit 59

We forecast 7.3% population CAGR 2007-12e



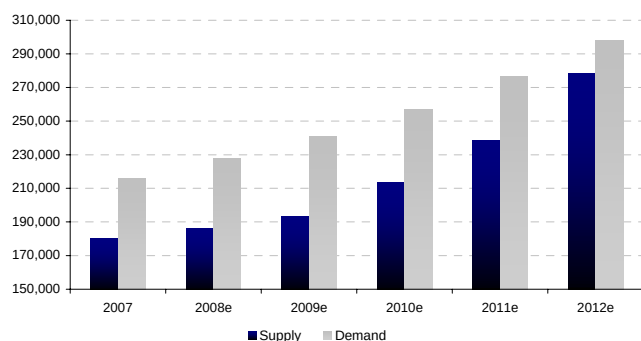
Source: Abu Dhabi 2030 Plan, Morgan Stanley Research estimates (e)

Main assumptions:

- 2007 population of 930,000
- Expatriates make up 75% of the population
- 20% of 2007 population are workers living in labor camps and thus excluded from our forecast
- Assume 3% growth p.a. for locals and 9% for expatriates
- Population reaching 1.5 million in 2013 (vs. 1.3 million in Abu Dhabi plan)

Exhibit 60

Putting it all together indicates an undersupplied market until 2012



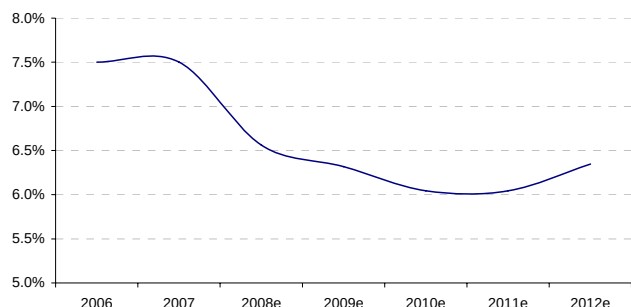
Source: Abu Dhabi 2030 Plan, Colliers, Morgan Stanley Research estimates (e)

Key Takeaways

- An undersupplied market till 2012, with the gap being narrowed only in 2012
- We estimate total number of units to reach 278,000 in 2012e with major planned additions in 2011-12 (vs. 251,000 units in 2013 in Abu Dhabi plan)
- Any scaling back in developers' delivery plans, a highly probable scenario, in our view, may result in further tightening in market conditions
- We expect property prices to continue increasing over the coming 2-3 years, until major supply comes to the market

Exhibit 61

Falling yields as market conditions tighten



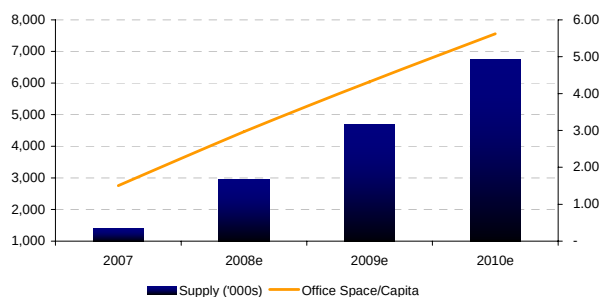
Source: Morgan Stanley Research estimates

Key Takeaways

- We expect the leasehold market to remain very strong in 2008-09, with rates increasing by c.30% p.a.
- Yields bottom out in 2011, on our estimates, with 200bps gap in yields between Dubai and Abu Dhabi
- Rental market will lag the freehold market, in our view, with signs of weakening from 2012 and yields resuming an upward trend

Exhibit 62

Office space: oversupply possible if planned projects deliver on time



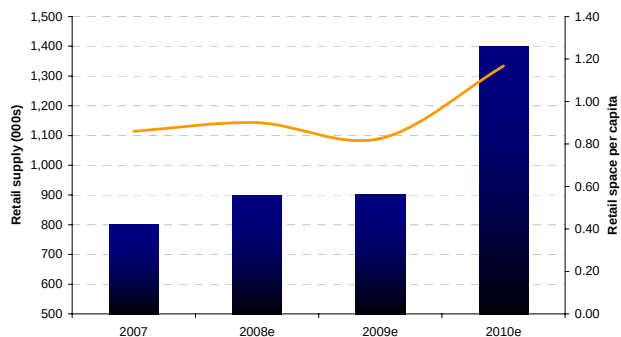
Source: Colliers, Morgan Stanley Research estimates

Key Takeaways

- Planned additions would be fragmented in several locations within the city and in new planned areas
- Current market shortage (occupancy of 98%), potential growth in business activity and companies' eagerness to upgrade their current office premises will drive up demand
- Office GLA/capita would reach 5.6 in 2010, on our estimates, far surpassing the 3.7 in Dubai, a relatively high ratio that may indicate an oversupply if planned projects deliver on time

Exhibit 63

Retail space: major capacity inflow in 2010



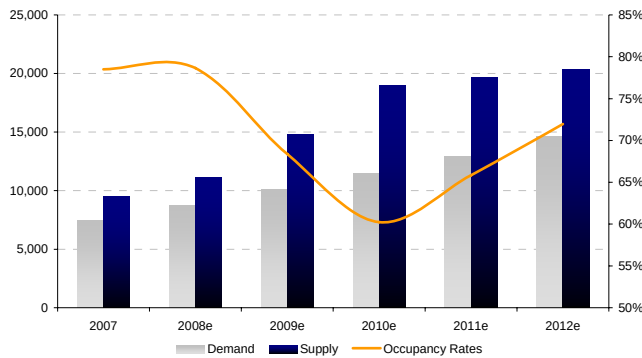
Source: Colliers, Morgan Stanley Research estimates

Key Takeaways

- Minor supply additions until 2010, with the majority of supply then coming in Al Raha Beach, Yas Island and Al Reem Island
- We expect demand to increase. This should be driven by residents (in contrast to Dubai, a major shopping center)
- Possible upgrades of existing retail shops to new, more luxurious shopping malls could be a demand driver

Exhibit 64

Hospitality segment: a snapshot



Source: Colliers, Morgan Stanley Research estimates

Key Takeaways

- Abu Dhabi has just begun to increase efforts to become a tourist destination in the Middle East
- The emirate targets 3.3 million tourists by 2013, up from 1.8 million in 2007. We estimate 2.5 million tourists by 2010 and the targeted 3.3 million by 2013
- Hotel rooms would increase by 11,000 by 2012, on our estimates, with supply additions evenly distributed...
- ... bringing down occupancy rates to the 60% level from 2009 (vs. 79% in 2007)

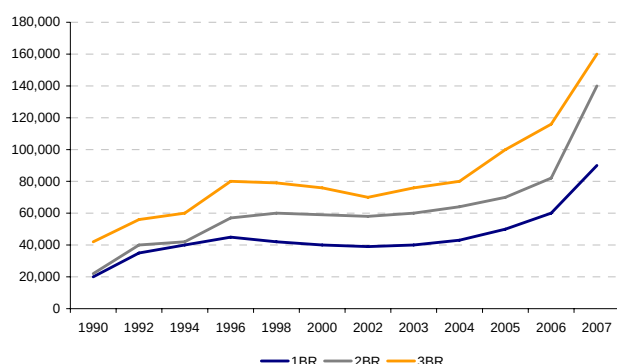
Dubai — it's not about fundamentals

Market in brief

- **Sector structure:** dominated by three large players that are directly or indirectly government owned
- **Sector dynamics:** An undersupplied market with demand driven by the influx of expatriates, which far outpaced housing unit deliveries. Along with speculative demand, this led to sharp rises in property prices and rental rates
- **Regulations:** the most developed in the GCC, allowing foreigners to own property (law issued in March 2006)
- **Key risks:** negative investor sentiment, potential oversupply, property price correction

Exhibit 65

Leasehold market — 'going up'



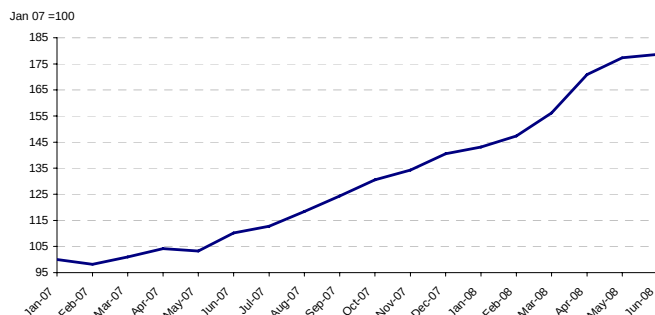
Source: Colliers, Morgan Stanley Research

Key Takeaways

- Rental rates have been rising since 2003, with double-digit increases in the past three years
- The highest increase has been for two-bedroom apartments, driven by expatriates and their families
- Nearby emirates Sharjah and Ajman are becoming destinations for low and middle income segments looking for lower rents
- Rent cap of 15% introduced at the end of 2005. It has since been lowered to 5%

Exhibit 66

MS Property Price Index up 76% in 18 months and 25% YTD



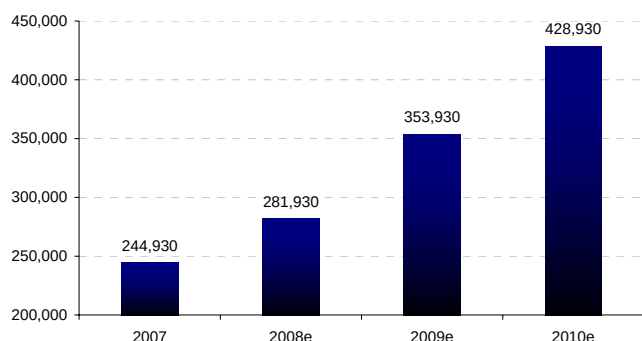
Source: Morgan Stanley Research

Key Takeaways

- We have developed our proprietary property price index, tracking back property prices in Dubai since January 2007 (detailed in Appendix 1)
- Prices in Burj Dubai (104%) and Business Bay (+98%) areas have outperformed ...
- ... while developments in IMPZ (+37%) and Palm Jebel Ali (+31%) have underperformed the general index

Exhibit 67

Material uplift in supply in 2009-10



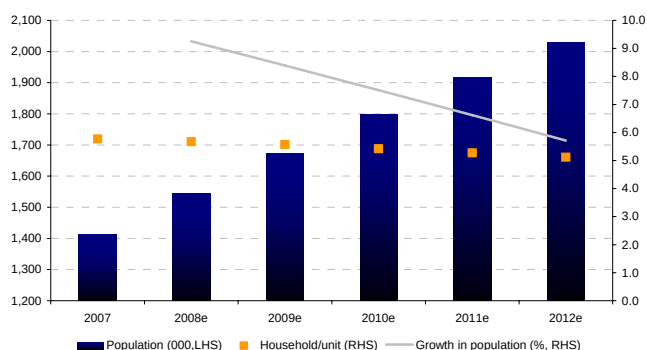
Source: Colliers, Morgan Stanley Research

Main assumptions:

- 2007 starting point of 245,000 units
- Colliers assumes average annual additions of 61,000 units until 2010, reaching 429,000 units.
- Bulk of deliveries in 2009-10, concentrated in Dubai Marina and Jumeirah Lake Towers projects
- Some delays are assumed in the forecast, according to Colliers. However, we do not rule out more delays, which could prolong current bull market conditions

Exhibit 68

Demand continues to be driven by expatriates



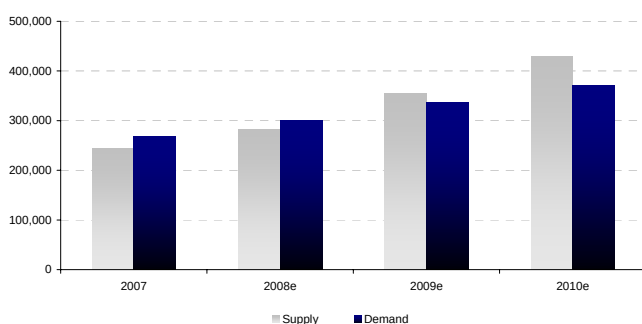
Source: Morgan Stanley Research estimates

Main assumptions:

- 2007 population of 1.4 million
- Expatriates make up 85% of the population
- 25% of 2007 population are workers living in labor camps and thus excluded from our forecast
- Assume 2.5% average growth p.a. for locals and 8% for expatriates
- Assume fewer persons per household per unit
- Population reaching 2.0 million in 2012

Exhibit 69

Putting it all together — 2009 is the year to watch



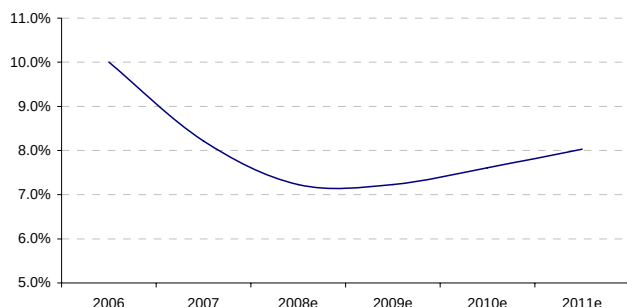
Source: Colliers, Morgan Stanley Research estimates

Key Takeaways

- An undersupplied market till 1H09
- 2009 is the year to watch, with excess planned supply and current negative sentiment. Both may cause a higher than expected negative impact
- The demand-supply gap widens in 2010
- Long-term picture does not look as bad. We see room for possible industry consolidation potentially driven by the 'big' three master developers who have sound financial positions

Exhibit 70

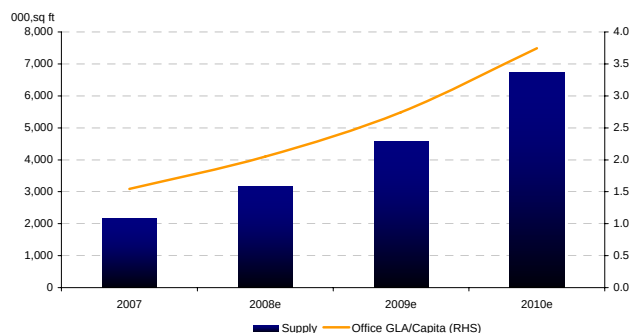
Falling rental yields until 2010, on our estimates



Source: Morgan Stanley Research estimates

Exhibit 71

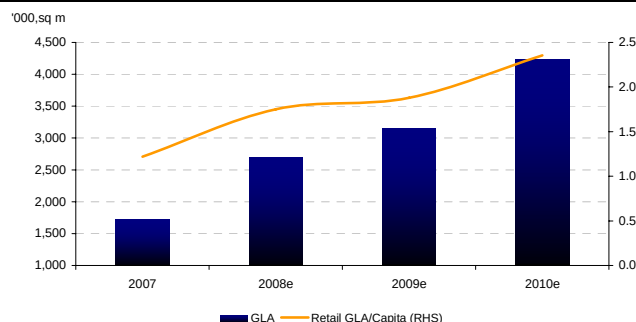
Office space to grow at a 2007-10e CAGR of 46%



Source: Colliers, Morgan Stanley Research estimates (e)

Exhibit 72

Retail space grow at 2007-10e CAGR of 35%



Source: Colliers, Morgan Stanley Research estimates (e)

Key Takeaways

- We expect the leasehold market to remain strong in 2008-09, with rates increasing by a cumulative 15%
- Yields would bottom out in 2009, on our estimates, maintaining a 90bps gap between Dubai and Abu Dhabi yields
- Rental market will lag the freehold market, in our view, with signs of weakening from 2010 and yields resuming an upward trend

Key Takeaways

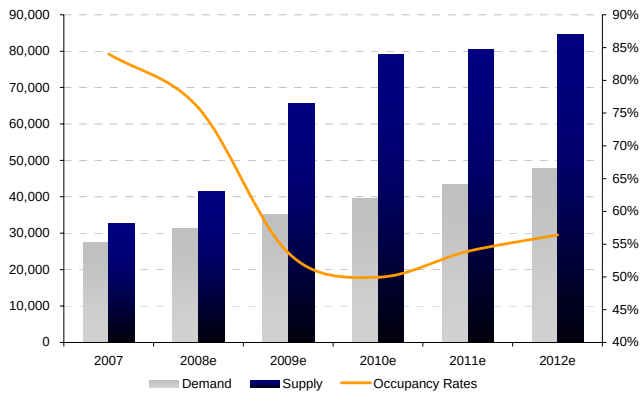
- Existing capacity is primarily focused in TECOM area, while planned additions would be most evident in Business Bay and free zones (e.g. Dubai International Financial District).
- Current market shortage (occupancy of 98%), continued growth in business activity (evidenced in a rising number of new business licenses) and companies' eagerness to upgrade their office premises will drive up demand
- Office GLA/capita would reach 3.7 in 2010, on our estimates

Key Takeaways

- A hike in 2008 supply, with the delivery of Emaar's Dubai Mall and Dubai Marina Mall
- We expect demand to remain strong, backed by Dubai's current and expanding profile as a major shopping destination in the Middle East
- 'Premium' malls like The Dubai Mall or Mall of the Emirate will have high occupancy rates

Exhibit 73

Hospitality: occupancy rate falls to a low of 50% in 2010, on our estimates



Source: Colliers, Morgan Stanley Research estimates (e)

Key Takeaways

- Dubai is increasing its efforts to become a major tourist destination in the Middle East
- The emirate targets 10 million tourists by 2010, up from 6.6 million in 2007. We estimate 8.5 million tourists by 2010 and the targeted 10 million by 2012.
- Hotel rooms would increase by 52,000 by 2012, on our estimates, with most additions in 2009 ...
- ... bringing occupancy rates down to the 50% level

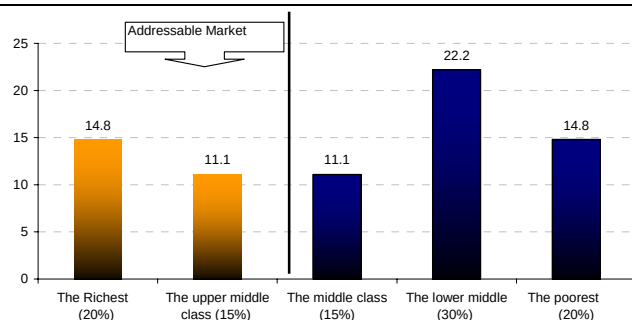
Egypt — strong fundamentals but some macro concerns

Market in brief

- The largest market in the MENA region, dependent on local rather than expatriate demand. However, wide variations in income have created distinct property markets, each with their own supply-demand dynamics
- **Sector:** We focus on the upper and upper middle income segments in Cairo. The lower income segments are primarily supplied by the public sector
- **Regulations.** Foreigners can buy into the housing market, with restrictions only in the Sinai region. The mortgage market is still small, and we expect it to face challenges in the current economic conditions
- **Key risks:** macroeconomic concerns, affordability

Exhibit 74

Our addressable market is the richest 35% of Cairo's population



Source: CAPMAS, Morgan Stanley Research estimates

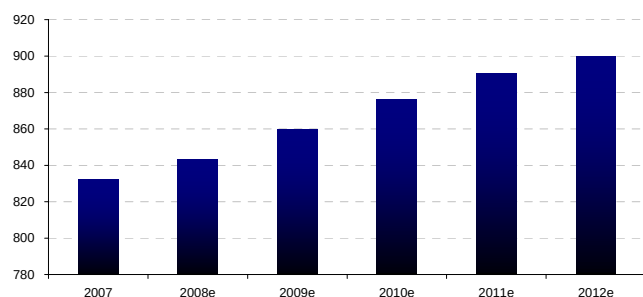
Main assumptions

We have narrowed our addressable market to include:

- The richest 35% of Cairo's population, implying a starting population size of 25.9 million. We believe this target market is the most relevant for companies we cover
- We estimate our addressable market grows at double the rate of population growth, reaching 29.0 million by 2012

Exhibit 75

Supply by major developers (2007-12e)



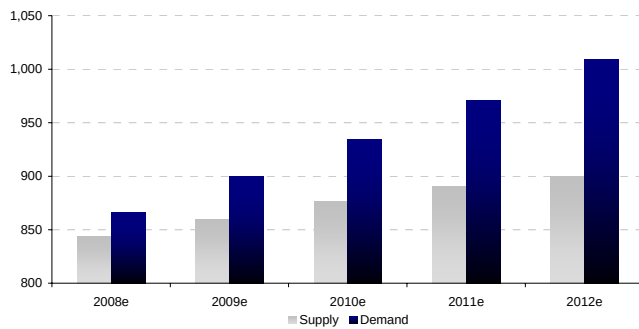
Source: CAPMAS, Morgan Stanley Research estimates

Main assumptions

- We estimate the starting point for housing units that serve our addressable market at 40% of Cairo's total housing unit stock
- We have included only supply additions from major developers, primarily those we cover, given the lack of public data
- We estimate annual supply additions of 13,500 units between 2008 and 2012

Exhibit 76

Putting it all together — strong fundamentals but risks on the demand side



Source: CAPMAS, Morgan Stanley Research estimates

Main assumptions:

- We estimate the annual housing shortage will increase from the current 5,000 units to around 10,000
- Our main concern is the demand side, where a deterioration in the economic outlook could damage buyers' purchasing power
- We believe that Egypt's housing market goes beyond the fundamental supply-demand forces, where we believe that affordability, a rising middle class and sentiment are key determinants

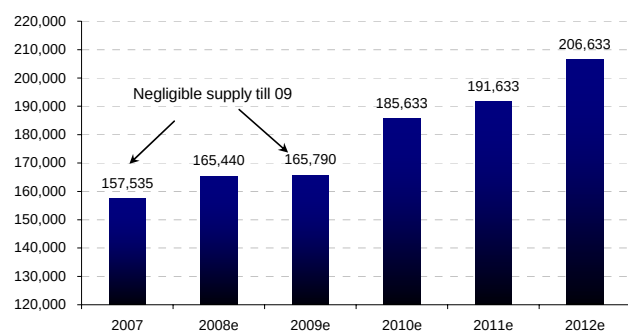
Qatar — strong sector fundamentals

Market in brief

- **Strong macro call:** highest GDP forecast (2008-10) in the GCC, highest GDP/capita, driven by inflow of expatriates and hydrocarbons industry
- **Government role:** The government plays a significant role through direct and indirect ownerships in developers, offering land grants to some developers, and setting rental caps
- **Sector structure:** Unlike other GCC nations, Qatar has a big industrial property segment, dominated by Alaqaria Company, to serve the growing hydrocarbon sector
- **Supply by the big players:** The sector is dominated by a few names, including Barwa and UDC
- **Regulations:** foreigners may buy on 99-year leases in three designated areas
- **Key risks:** hard landing in the Dubai property market, regulatory framework

Exhibit 77

Negligible supply addition in 2008-09



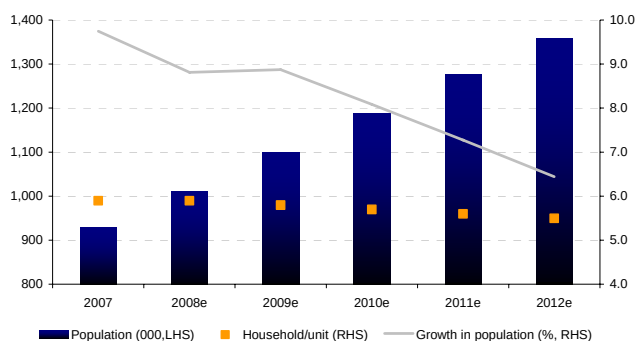
Source: Company data, Morgan Stanley Research estimates (e)

Main assumptions:

- 2007 starting point of 157,000 units
- Assume average annual unit additions of 10,000 between 2008 and 2012, with major additions in 2010 and 2012 ...
- ... coming in West Bay area, The Pearl Island and Lusail projects, with foreigners allowed into the first two

Exhibit 78

Strong population growth to continue in the short and medium term



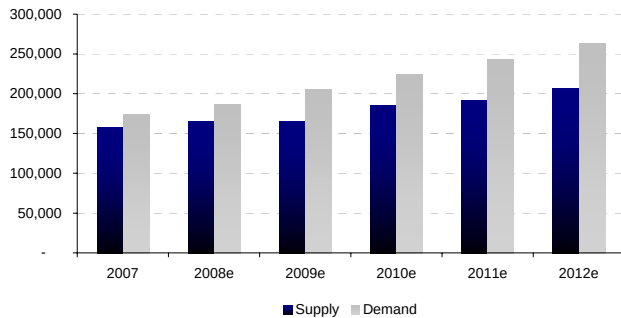
Source: Company data, Morgan Stanley Research estimates (e)

Main assumptions:

- 2007 population of 0.9 million (same size as Abu Dhabi)
- Expatriates make up 83% of the population
- 15% of 2007 population are workers living in labor camps and thus excluded from our forecast
- Assume 3% growth p.a. for locals and 8.5% for expatriates
- Household/unit of 5.5 in 2012e (5.9 in 2007)
- Population reaching 1.36m in 2012

Exhibit 79

Putting it all together — an undersupplied market until 2012



Source: Company data, Morgan Stanley Research estimates (e)

Key Takeaways

- An undersupplied market till 2012; however, we note that supply numbers include only freehold units
- Developers have plans to deliver units on a leasehold basis. Barwa, for example, plans to deliver 10,000 units over the coming 4-5 years
- We expect property prices to continue rising for the next two to three years, until significant supply comes to the market

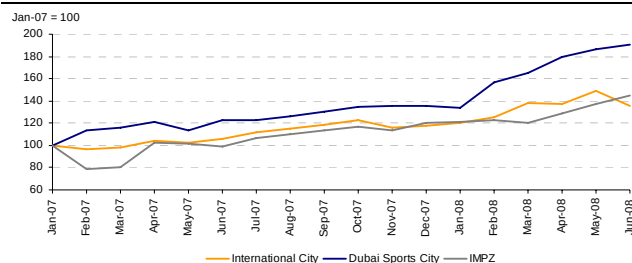
Appendix 1: Our proprietary pricing model

How it works

- We track back property prices in the secondary market. Dubai data dates back to January 2007; January 2008 is the starting point for Abu Dhabi
- Data is for various areas in Dubai, with an average 1,800 data points each month. In Abu Dhabi, data is limited to only three locations, where there is an active secondary market
- In arriving at an average market index, we use a weighted average for all listed properties each month
- Note that data points are asking prices rather than transaction prices

Exhibit 80

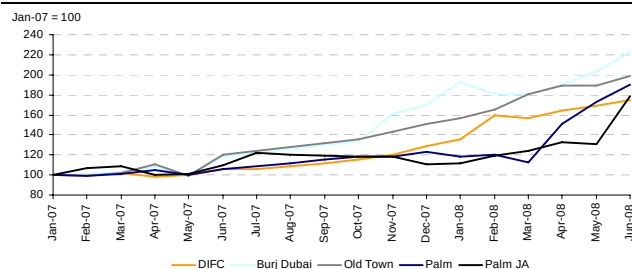
Dubai mid to low-end apartment prices



Source: Better Homes, Morgan Stanley Research

Exhibit 81

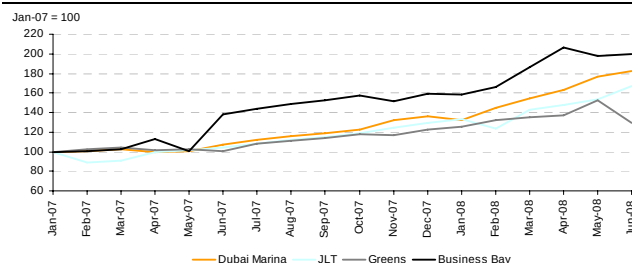
Dubai high-end apartment prices



Source: Better Homes, Morgan Stanley Research

Exhibit 82

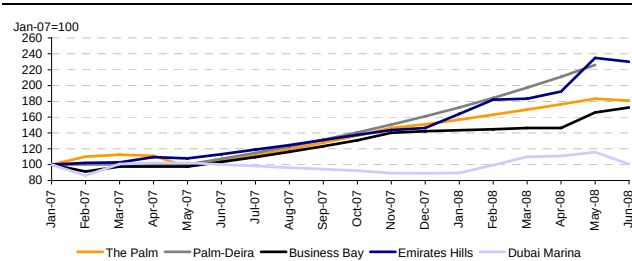
Dubai mid to high-end apartment prices



Source: Better Homes, Morgan Stanley Research

Exhibit 83

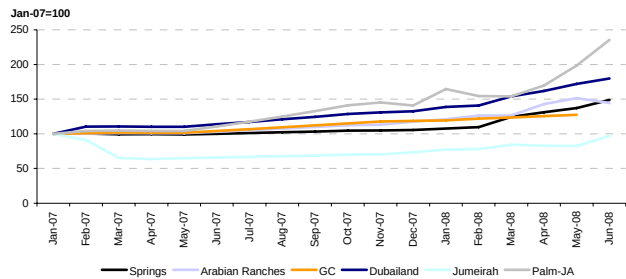
Dubai high-end villa prices



Source: Better Homes, Morgan Stanley Research

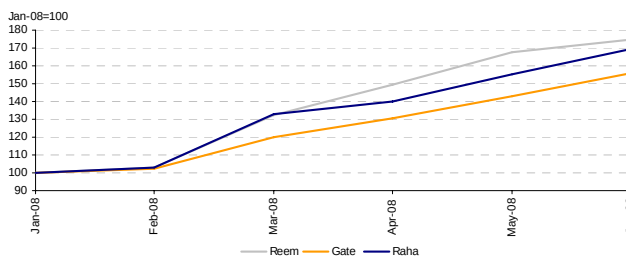
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Exhibit 84
Dubai mid to high-end villa prices



Source: Better Homes, Morgan Stanley Research

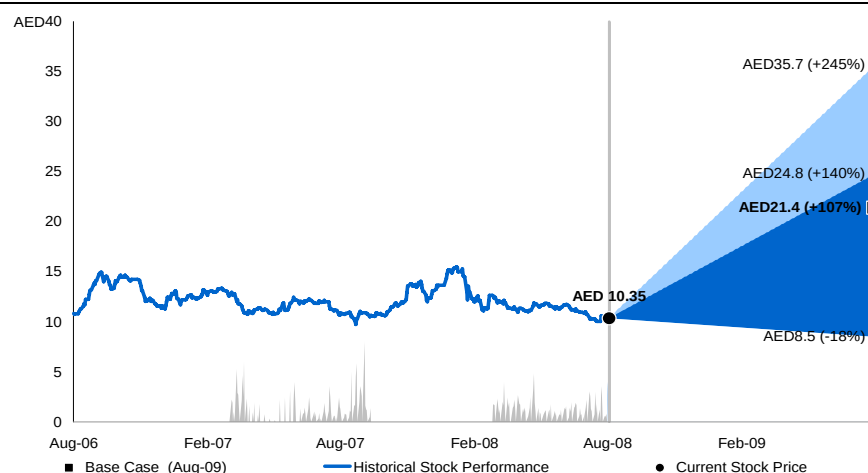
Exhibit 85
Abu Dhabi prices



Source: Better Homes, Morgan Stanley Research

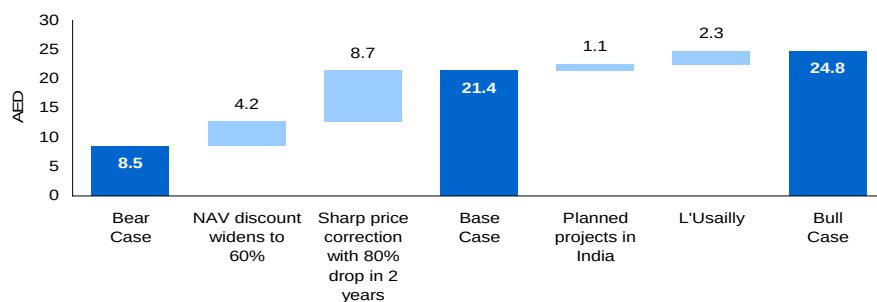
Emaar (Emaar.DU, AED10.4, OW, PT AED21.4)

Risk-Reward View: most of the bad news is already priced in



Price Target	Methodology. We use a target 40% discount to our 2009 NAV to set our price target for Emaar.
Blue sky AED35.7	Our blue sky scenario reflects Emaar trading at par to 2009e NAV. While this is unlikely to materialise over the next 12-18 months, we note that most property stocks trade towards NAV as income generating assets increase.
Bull Case AED24.8	Favourable market conditions persist for longer than expected. We assume that favourable market conditions in Dubai allow the company to launch L'Usailly project. We also assume that planned projects in India go ahead
Base Case AED21.4	No additional landbank and favourable market conditions over the medium term. We assume favourable market conditions prevail over the medium term in most of Emaar's markets, with the company successfully executing its current international announced projects.
Bear Case AED8.5	A sharp price correction in the property market. We assume a hard landing in Dubai spreads to other markets across MENA; our bear case assumes a slump in prices by 15% in 2009 and 65% in 2010 similar to Singapore during the Asian crisis. We also use a 60% discount to NAV.

Bear to Bull – regional property crash drives downside



Source: FactSet, Morgan Stanley Research estimates

Why Overweight?

- Emaar stands out from its MENA peers in terms of the higher growth and lower risk of its business model, in our view – neither of which is reflected in the current valuation.
- The shares have underperformed since 2006 on concerns over slowing growth, poorly timed international expansion and disappointments on transparency and corporate governance. Although we understand the rationale behind investors' concerns, we think the shares have been over-penalized.
- We think consensus is missing the sharp upturn in growth from 2009. Our net income forecasts (built on a detailed model by project) are 21% above consensus in 2009 and 36% above in 2010, as sales from Burj Dubai and international operations starting feeding through into the financials.
- The risk-reward looks very attractive, with limited downside implied by our bear case scenario (a sharp correction in Dubai property prices) and upside of 140% to our bull case.

Key Value Drivers

- Revenues coming through from international operations
- Share gains in the Saudi market

Potential Catalysts

- 1Q09 results in April 09 should exceed sellside expectations, potentially a major trigger for the shares.
- Increasing overseas contribution from 2008, giving investors confidence in the growth story and more comfort about the execution risks in various markets.

Exhibit 86

Emaar: Income Statement, 2006-16e

(AED mn)	2006	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Sales of Properties	13,395	16,260	18,423	28,791	38,420	44,244	44,072	41,089	39,359	24,271	17,832
Other income	610.3	1,306	599.7	3,689	3,934	4,873	6,954	8,229	9,054	9,643	10,035
Total Revenue	14,006	17,566	19,023	32,480	42,354	49,117	51,026	49,318	48,413	33,914	27,867
YoY Growth (%)		25.4	8.3	70.7	30.4	16.0	3.9	-3.3	-1.8	-29.9	-17.8
Cost of Sale of Properties	6,896	10,076	9,944	15,768	21,915	22,013	20,686	18,416	17,062	11,799	8,357
Other costs	143.4	564.7	555.9	1,337	1,343	1,437	1,622	1,825	2,099	2,141	2,170
Total Cost of Sales	7,039	10,640	10,500	17,105	23,258	23,449	22,308	20,241	19,161	13,939	10,527
Gross Profit	6,966	6,926	8,522	15,376	19,096	25,667	28,718	29,077	29,252	19,975	17,340
Gross Profit Margin (%)	49.7	39.4	44.8	47.3	45.1	52.3	56.3	59.0	60.4	58.9	62.2
SG&A	904.1	1,337	2,238	3,378	4,139	4,883	5,093	5,425	5,325	4,409	4,180
Other operating income (net)	(319.9)	(366.6)	(44.4)	(227.7)	(138.8)	(127.1)	(162.8)	295.9	242.1	169.6	139.3
EBIT	5,742	5,223	6,240	11,770	14,819	20,658	23,463	23,948	24,168	15,736	13,299
EBIT Margin (%)	41.0	29.7	32.8	36.2	35.0	42.1	46.0	48.6	49.9	46.4	47.7
Net interest income	274.4	242.0	5.1	74.6	596.0	1,143	1,506	2,283	2,730	3,106	3,496
Investment income	133.0	402.3	613.2	1,377	1,697	1,652	1,770	2,891	4,272	2,967	4,420
Other income/(expense)	253.3	683.9	380.5	324.8	381.2	392.9	357.2	295.9	242.1	101.7	83.6
Pre-tax income	6,403	6,551	7,239	13,546	17,493	23,845	27,096	29,419	31,412	21,910	21,299
Taxes	47.1	14.5	21.7	135.5	349.9	476.9	541.9	588.4	628.2	438.2	426.0
Minority interest	15.4	39.0	144.8	338.7	437.3	715.4	812.9	735.5	785.3	547.8	532.5
Net income	6,340	6,497	7,072	13,072	16,705	22,653	25,741	28,095	29,999	20,924	20,341

e = Morgan Stanley Research estimates, YoY = Year on year

Source: Company data, Morgan Stanley Research

Exhibit 87

Emaar: Balance Sheet, 2006-16e

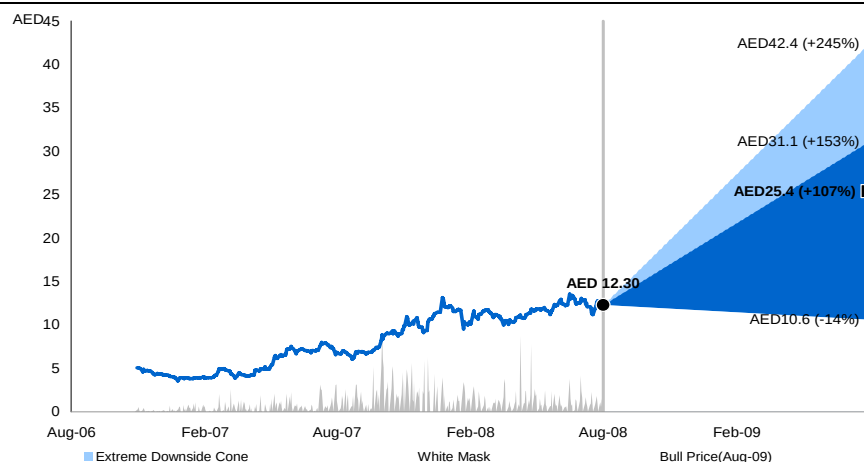
(AED mn)	2006	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Cash & cash equivalents	2,329	4,727	7,161	21,623	36,008	46,106	67,691	80,087	86,269	97,114	95,102
Accounts Receivables	2,690	3,634	3,582	5,598	7,471	8,603	8,570	7,990	8,200	5,057	3,715
Development Properties	11,121	16,194	18,987	21,200	20,118	19,618	18,433	17,660	18,005	18,346	18,125
Other current assets	2,321	537.8	554.0	570.6	587.7	605.3	623.5	642.2	661.5	681.3	701.7
Total current assets	18,462	25,092	30,284	48,991	64,185	74,932	95,317	106,378	113,135	121,198	117,644
Investment Properties	6,971	5,636	9,404	11,356	15,155	17,452	17,384	16,207	15,525	9,574	7,034
Investments	9,111	13,668	14,281	15,658	17,355	19,006	20,777	23,668	27,940	30,907	35,327
Net PP&E	4,185	7,433	7,293	7,142	6,979	6,779	6,568	6,348	6,118	5,732	5,342
Other non-current assets	2,962	2,962	2,442	1,922	1,402	882.0	362.0	362.0	362.0	362.0	362.0
Total non-current assets	23,228	29,699	33,420	36,078	40,891	44,119	45,090	46,585	49,944	46,574	48,065
Total assets	41,690	54,791	63,704	85,070	105,075	119,051	140,407	152,963	163,079	167,772	165,709
Short term debt	2,933	1,563	1,483	1,483	1,407	1,407	1,407	1,407	1,407	1,407	1,407
Accounts Payable	6,721	6,457	7,729	12,496	16,797	10,096	9,605	8,883	8,410	6,002	4,620
Dividend Payable	-	-	1,219	3,658	6,096	9,144	12,193	15,241	15,241	18,289	18,289
Other current liabilities	-	2,880	3,473	8,157	10,822	14,889	20,100	17,450	13,258	14,650	11,890
Total current liabilities	9,654	10,900	13,905	25,794	35,122	35,537	43,304	42,981	38,315	40,347	36,206
Long term debt	1,059	6,140	6,140	6,140	6,140	6,140	6,140	6,140	6,140	6,140	6,140
Other non-current liabilities	420.2	543.4	597.8	657.6	723.3	774.0	812.7	837.0	862.2	888.0	914.7
Total non-current liabilities	1,479	6,684	6,738	6,798	6,864	6,914	6,953	6,977	7,002	7,028	7,055
Provisions	12.0	18.4	20.2	22.3	24.5	26.9	28.3	29.1	28.5	28.0	27.4
Minority Interest	565.9	652.2	652.2	652.2	652.2	652.2	652.2	652.2	652.2	652.2	652.2
Total liabilities	11,711	18,255	21,316	33,266	42,663	43,130	50,938	50,640	45,998	48,055	43,941
Equity	29,979	36,536	42,389	51,803	62,412	75,921	89,469	102,323	117,081	119,716	121,768

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

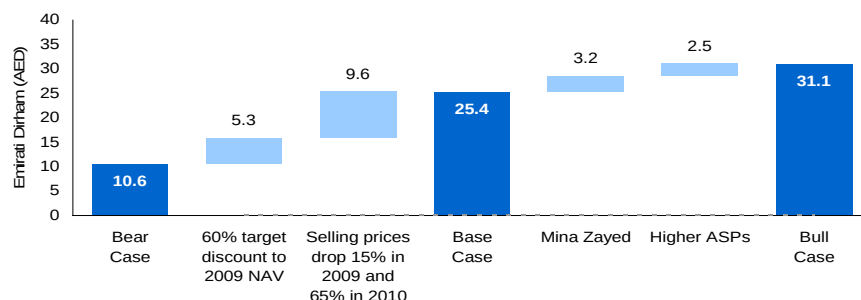
Aldar (ALDR.AD, OW, AED12.4, PT AED25.4)

Little risk to the downside, in our view



Price Target	Methodology. We use a target 40% discount to our 2009 NAV to set our base case price target for Aldar.
Blue sky AED42.4	Our blue sky scenario reflects Aldar trading at par to its 2009 NAV. While this is unlikely to materialise over the next 12-18 months, we note that most property stocks trade towards NAV as income generating assets increase.
Bull Case AED31.1	Favourable market conditions remain longer and Mina Zayed land is granted. We assume Mina Zayed Island is granted and ASPs continue escalating beyond 2012 (our base case). Discount rates are 100bps lower than under base case.
Base Case AED25.4	Favourable market conditions remain over the medium term. We assume that the company succeeds in selling its planned projects. We do not account for Mina Zayed as management has yet to set clear final plans. We use a discount rate range of 10-14%
Bear Case AED10.6	A sharp price correction in the property market. We assume a hard landing in Dubai spreads to other markets across MENA; our bear case assumes a slump in prices by 15% in 2009 and 65% in 2010 similar to Singapore during the Asian crisis. We also use a 60% discount to NAV.

Bear to bull: sharp property correction is the biggest risk to valuation



Source: FactSet (historical share price data), Morgan Stanley Research estimates

Why Overweight?

- Stock is a unique play on Abu Dhabi's booming property market, being the market leader.
- Favourable market conditions and land grants should allow Aldar to boost margins.
- Property price escalation in Abu Dhabi, with 95% of Aldar's planned projects yet to be launched.
- Strong earnings and cash flow visibility with AED5.7 billion worth of sales YTD to be delivered over the next three years.
- Cheap valuation – stock is already trading at a 70% discount to our 2009 NAV; Spain bottomed at 80% discount to NAV in the early 1990s.

Key Value Drivers

- Government backing offers operational and financial support

Catalysts

- Above-consensus performance and interim results
- New land acquisitions
- More project launches in Yas Island (23%) and Mina Zayed
- Continued strong off-plan sales
- Delivery of projects on schedule

Key Risks

- Execution risk including possible delays in project developments, given that most of its portfolio is still in the pre-construction stage.
- Shareholder value exposed to possible dilution following recent convertible bond.
- Possible shift in management focus in short term away from new sales launches towards projects such as Ferrari World Theme Park development.

August 4, 2008
MENA - Property

Exhibit 88

Aldar: Income Statement, 2006-17e

(AED mn)	2006	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e
Land Sales	-	919.4	3,749	3,516	7,835	6,084	3,545	1,823	2,091	1,528	723.9	-
Sale of Properties	164.6	277.3	4,111	13,314	17,594	27,928	23,089	21,976	17,180	10,329	7,005	3,954
Rental Income	22.9	30.1	78.2	434.7	1,484	2,417	3,352	3,926	4,352	4,624	4,923	4,501
Hotel Revenue	-	-	-	86.7	670.1	1,032	1,773	1,760	1,657	1,559	1,559	1,559
Total Revenue	187.5	1,227	7,939	17,352	27,583	37,461	31,759	29,485	25,280	18,041	14,211	10,014
YoY Growth (%)		554.2	547.1	118.6	59.0	35.8	-15.2	-7.2	-14.3	-28.6	-21.2	-29.5
Cost of Sales-Land	-	503.3	1,242	1,165	2,720	2,145	1,296	709.6	814.0	594.8	281.8	-
Cost of Sales-Properties	-	145.0	2,414	7,097	8,489	14,965	13,058	10,037	6,502	4,125	3,340	2,595
Rental Cost	11.5	11.7	16.0	25.5	136.8	259.1	894.1	1,271	1,280	1,308	1,337	990
Other costs	145.2	6.9	34.2	50.7	289.9	408.3	678.0	701.2	721.3	740.6	768.0	796.5
Total Cost of Sales	156.7	666.9	3,706	8,337	11,636	17,777	15,926	12,719	9,317	6,768	5,727	4,382
Gross Profit	30.8	559.9	4,233	9,014	15,947	19,684	15,833	16,766	15,963	11,273	8,484	5,632
Gross Profit Margin (%)		45.6	53.3	52.0	57.8	52.5	49.9	56.9	63.1	62.5	59.7	56.2
SG&A	264.3	402.0	1,191	954.4	1,050	1,102	1,157	1,215	1,276	1,340	1,367	1,394
EBIT	-233.4	157.9	3,042	8,060	14,897	18,582	14,676	15,551	14,687	9,933	7,117	4,238
EBIT Margin (%)		12.9	38.3	46.5	54.0	49.6	46.2	52.7	58.1	55.1	50.1	42.3
Net interest income	67.8	-69.7	-214.9	-306.4	-93.0	91.9	73.8	221.7	300.5	272.7	261.3	238.4
Investment income	0.0	23.7	40.0	44.0	47.1	51.3	54.9	58.2	61.7	65.4	69.3	73.5
Fair value gain (loss) on invest. prop	1,414	1,821	2,330	1,664	1,331	1,442	980.5	565.9	334.1	356.4	381.3	397.0
Other income/(expense)	0.9	8.2	15.9	17.4	13.8	18.7	15.9	29.5	25.3	18.0	14.2	10.0
Net income	1,250	1,941	5,213	9,479	16,197	20,186	15,801	16,426	15,409	10,645	7,844	4,957

e = Morgan Stanley Research estimates, YoY = Year on year

Source: Company data, Morgan Stanley Research

Exhibit 89

Aldar: Balance Sheet, 2006-17e

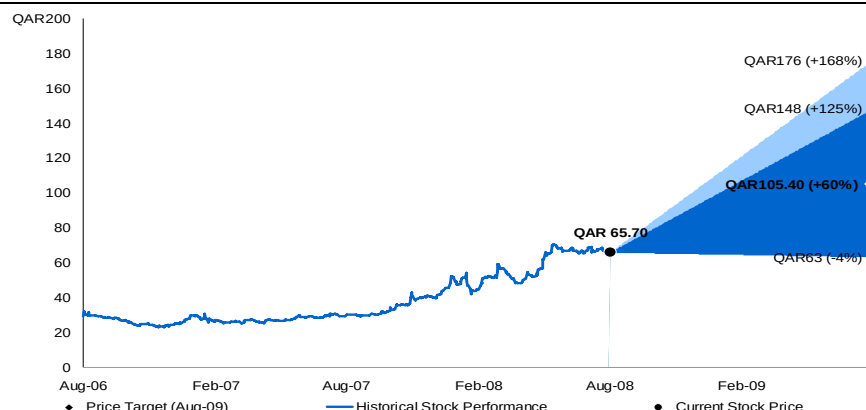
(AED mn)	2006	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e
Cash & cash equivalents	895.0	7,616	1,344	9,535	15,626	23,136	31,628	33,206	27,274	26,125	23,844	15,799
Accounts Receivables	181.8	2,372	5,292	8,194	9,960	11,446	9,704	9,009	7,725	5,513	4,342	3,060
Development Properties	2,122	8,403	20,699	21,628	24,378	18,792	13,976	13,168	16,113	16,107	16,236	6,238
Other current assets	2.0	3.0	12.2	12.8	13.5	14.2	14.9	15.2	15.5	15.8	16.1	16.4
Total current assets	3,201	18,394	27,347	39,370	49,978	53,388	55,323	55,398	51,127	47,760	44,439	25,112
Investment Properties	1,572	3,328	3,328	14,423	19,611	28,297	33,405	35,640	38,125	39,696	41,278	42,522
Investments	120.1	239.0	309.0	309.0	309.0	309.0	309.0	309.0	309.0	309.0	309.0	309.0
Net PP&E	13.0	487.2	1,976	3,702	4,853	6,122	7,202	8,306	9,430	10,574	11,744	12,492
Other non-current assets	202.8	266.4	305.6	348.1	390.5	441.4	487.3	522.4	561.1	603.6	650.4	701.8
Total non-current assets	1,908	4,321	5,919	18,782	25,163	35,169	41,404	44,777	48,425	51,182	53,981	56,026
Total assets	5,109	22,715	33,266	58,152	75,142	88,556	96,726	100,176	99,552	98,942	98,420	81,138
Short term debt	618.3	756.9	2,328	2,328	2,328	2,046	2,046	2,046	644.9	644.9	15,676	644.9
Accounts Payable	496.1	2,644	2,882	4,864	5,171	10,370	12,829	10,952	8,023	5,828	4,932	3,773
Dividend Payable	-	7.9	521.3	1,896	6,479	10,093	9,480	11,498	10,786	8,516	7,059	4,461
Other current liabilities	68.8	442.9	561.7	588.5	616.5	645.9	665.3	685.3	705.8	727.0	748.8	771.3
Total current liabilities	1,183	3,851	6,293	9,676	14,594	23,154	25,021	25,181	20,160	15,717	28,415	9,651
Long term debt	32.2	9,805	13,063	20,634	19,233	17,832	16,431	15,031	15,031	15,031	-	-
Other non-current liabilities	622.4	1,369	1,529	7,878	11,632	7,795	9,179	8,940	8,716	10,420	11,446	12,432
Total non-current liabilities	654.6	11,174	14,592	28,512	30,865	25,627	25,610	23,971	23,747	25,450	11,446	12,432
Total liabilities	1,838	15,026	20,885	38,187	45,459	48,781	50,631	49,152	43,907	41,167	39,861	22,083
Equity	3,271	7,689	12,381	19,964	29,682	39,775	46,095	51,023	55,646	57,775	58,559	59,055

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

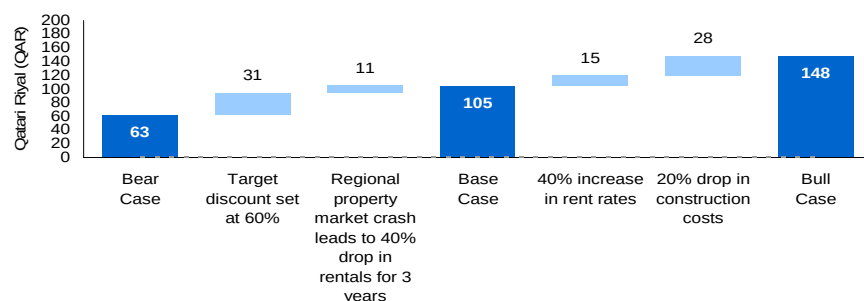
Alaqlaria (QREC.QA, OW, QAR65.7, PT QAR105)

Alaqlaria — a low-risk investment opportunity



Price Target	Methodology.
	We use a target 40% discount to our 2009 NAV to set our price target for Alaqlaria.
Blue sky QAR176	Our blue sky scenario reflects Alaqlaria trading at par to its 2009 NAV. While this is unlikely to materialise over the next 12-18 months, we note that most property stocks trade towards NAV as income generating assets increase.
Bull Case QAR148	40% increase in rent rates for all portfolio. We assume that the company will be able to raise rent rates by 40% for its entire project portfolio. We also assume lower construction costs for planned projects and a discount rate 100bps lower than under our base case.
Base Case QAR105	Planned developments are complete; rental rates stable. We assume that planned developments of QAR10.8bn are complete by 2014. We use a discount range of 8-11% based on the construction stage of each project.
Bear Case QAR63	A sharp price correction in the property market. We assume a hard landing in Dubai spreads to other markets across MENA; our bear case assumes a slump in prices by 15% in 2009 and 65% in 2010 similar to Singapore during the Asian crisis. We also use a 60% discount to NAV similar to the levels hit in Singapore.

Bear to bull: rent rates are the key value driver



Source: FactSet (historical share price data), Morgan Stanley Research estimates

Why Overweight?

- The stock offers a rare opportunity for indirect exposure to the booming hydrocarbon sector in Qatar.
- A low-risk business model, less vulnerable to the property cycle and thus, we think, offering a defensive play in a downturn.
- A minimum required IRR of 12% on new projects (assuming conservative estimates) vs. interest cost of 6-7%.
- Strong revenue visibility; projects worth QAR2.4bn are planned to be delivered in 2008-09, with revenue up 50% in 08e and 42% in 09e.
- Government backing, owning 27% of the company and being its main client.
- Planned investments set to quadruple current portfolio, leveraging Qatar's booming energy sector.
- Minimal development risks, with 80% of its planned developments being directed to QP through financial leases, thus entailing pre-determined guaranteed return.
- Exposure to the booming Qatari non-industrial RE segment, through its subsidiaries.

Catalysts

- Growing contribution from ASAS subsidiary — 10.3% of our valuation
- Replicating the same business model in energy-rich regional economies
- 3Q08 results

Key Risks

- High construction costs resulting in lower rental yields
- Possible revaluation gains/losses on investment portfolio
- Business loss risk, with projects concentrated on few clients

Exhibit 90

Qatar Real Estate (Alaqaria): Income Statement, 2006-17e

(QAR mn)	2006	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e
Revenues	290.5	269.1	402.3	571.4	755.6	1,188	1,403	1,788	1,925	1,807	1,761	1,600
<i>YoY Growth</i>	<i>125.1</i>	<i>-7.4</i>	<i>49.5</i>	<i>42.0</i>	<i>32.2</i>	<i>57.2</i>	<i>18.1</i>	<i>27.4</i>	<i>7.7</i>	<i>-6.1</i>	<i>-2.5</i>	<i>-9.1</i>
<i>of which:</i>												
Financial Lease	22.8	21.4	104.0	295.3	358.3	657.7	831.4	1,109	1,232	1,111	1,062	897.1
Rental Income	123.3	159.0	198.3	276.1	397.3	530.1	571.5	678.4	692.1	695.7	699.4	703.4
Real Estate Investment Income	144.3	88.7	100.0	-	-	-	-	-	-	-	-	-
Operating costs	21.5	51.2	64.7	57.3	70.4	99.2	121.5	155.1	179.9	192.6	207.3	213.6
Gross Profit	269.0	217.9	337.6	514.1	685.2	1,089	1,281	1,633	1,745	1,615	1,554	1,387
<i>Gross Profit Margin (%)</i>	<i>92.6</i>	<i>81.0</i>	<i>83.9</i>	<i>90.0</i>	<i>90.7</i>	<i>91.6</i>	<i>91.3</i>	<i>91.3</i>	<i>90.7</i>	<i>89.3</i>	<i>88.2</i>	<i>86.7</i>
Depreciation of investment properties	25.5	34.1	48.5	71.8	95.5	194.0	216.8	235.6	245.3	250.3	255.3	259.4
SG&A	19.6	22.5	31.0	51.4	71.8	87.9	87.0	80.4	96.2	99.4	123.3	128.0
EBIT	224.0	161.3	258.2	390.8	517.9	806.7	977.6	1,316	1,403	1,265	1,175	999.4
<i>EBIT Margin (%)</i>	<i>77.1</i>	<i>59.9</i>	<i>64.2</i>	<i>68.4</i>	<i>68.5</i>	<i>67.9</i>	<i>69.7</i>	<i>73.6</i>	<i>72.9</i>	<i>70.0</i>	<i>66.7</i>	<i>62.4</i>
EBITDA	249.5	195.4	306.6	462.6	613.4	1,001	1,194	1,552	1,648	1,515	1,431	1,259
<i>EBITDA Margin (%)</i>	<i>85.9</i>	<i>72.6</i>	<i>76.2</i>	<i>81.0</i>	<i>81.2</i>	<i>84.2</i>	<i>85.1</i>	<i>86.8</i>	<i>85.7</i>	<i>83.8</i>	<i>81.2</i>	<i>78.7</i>
Net interest income	(27.7)	(41.3)	(41.2)	(59.3)	(60.2)	(83.5)	(90.5)	(77.9)	(89.8)	(75.2)	(18.2)	21.5
Investment income	37.6	68.9	95.5	116.7	146.3	182.0	195.0	207.0	217.3	227.1	237.4	248.2
Non-operating income (net)	(98.7)	110.8	60.3	51.4	68.0	71.3	56.1	35.8	38.5	36.1	35.2	32.0
Net income	135.1	299.7	372.8	499.6	672.0	976.5	1,138	1,481	1,569	1,453	1,430	1,301

e = Morgan Stanley Research estimates, YoY = Year on year

Source: Company data, Morgan Stanley Research

Exhibit 91

Qatar Real Estate (Alaqaria): Balance Sheet, 2006-17e

(QAR mn)	2006	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e
Cash & cash equivalents	410.8	566.1	207.5	275.3	260.7	612.3	1,141	785.6	701.0	1,148	1,063	1,009
Accounts Receivables	193.1	287.2	223.5	317.4	419.8	659.9	467.6	397.3	427.7	401.6	391.4	355.7
Financial Receivables	145.5	133.4	1,668	1,418	1,140	1,701	3,726	4,668	4,777	4,052	3,452	2,913
Development Properties under progress	498.5	1,414	131.5	1,086	3,097	4,351	1,854	2,120	2,764	2,764	2,764	2,764
Total current assets	1,248	2,401	2,230	3,097	4,917	7,324	7,189	7,971	8,670	8,366	7,670	7,042
Investment Properties	816.4	912.1	1,462	2,370	2,461	2,538	4,700	4,849	4,989	5,071	5,026	4,836
Investments	1,552	1,105	1,181	1,271	1,376	1,490	1,611	1,737	1,870	2,009	2,156	2,309
Net PP&E	1.9	2.4	3.1	4.0	5.5	7.2	9.5	12.6	16.7	22.0	29.0	38.2
Total non-current assets	2,370	2,020	2,646	3,645	3,842	4,035	6,320	6,599	6,875	7,102	7,210	7,184
Total assets	3,618	4,420	4,877	6,743	8,760	11,359	13,509	14,570	15,546	15,468	14,881	14,226
Short term debt	-	-	141.6	141.6	136.7	1,183	119.1	119.1	1,619	2,119	2,000	-
Accounts Payable	656.7	365.1	575.1	1,083	1,370	1,930	2,025	1,724	1,249	1,338	1,439	1,484
Total current liabilities	656.7	365.1	716.8	1,225	1,506	3,113	2,144	1,843	2,868	3,457	3,439	1,484
Long term debt	1,281	2,206	1,938	2,796	3,860	3,876	5,857	5,738	4,119	2,000	-	-
Total non-current liabilities	1,281	2,206	1,938	2,796	3,860	3,876	5,857	5,738	4,119	2,000	-	-
Total liabilities	1,938	2,571	2,655	4,021	5,366	6,989	8,001	7,581	6,987	5,457	3,439	1,484
Equity	1,680	1,849	2,222	2,721	3,393	4,370	5,508	6,989	8,559	10,011	11,441	12,742

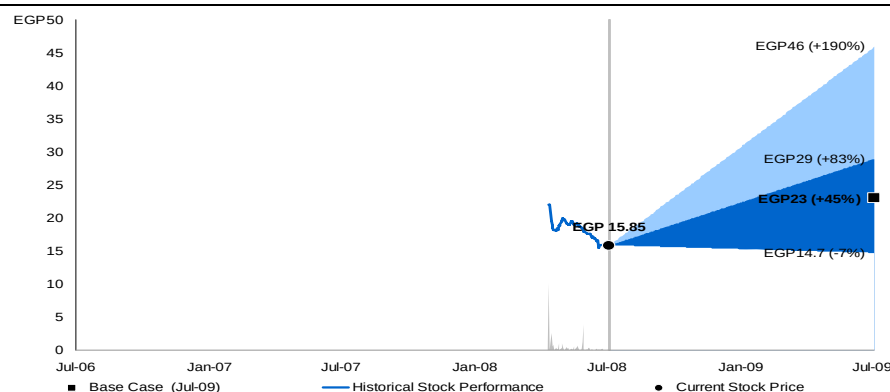
e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

August 4, 2008
MENA - Property

Palm Hills (PHDC.CA, OW-V, EGP15.9, PT EGP23.0)

Favourable risk-reward profile supports our top pick in Egypt



Price Target	Methodology. We use a target 50% discount to our 2009 NAV to set our price target for Palm Hills.
Blue sky EGP46.0	Our blue sky scenario reflects Palm Hills trading at par to its 2009 NAV. While this is unlikely to materialise over the next 12-18 months, we note that most property stocks trade towards NAV as income generating assets increase.
Bull Case EGP29.0	Bull market conditions beyond the medium term and launch of its 2 Saudi projects.
Base Case EGP23.0	Favourable market conditions remain over the medium term. We assume that the company succeeds in selling its planned projects, leveraging high demand potential and favourable selling conditions. We exclude announced international expansions pending a clear set of final plans.
Bear Case EGP14.7	A sharp price correction in the property market. We assume a hard landing in Dubai spreads to other markets across MENA; our bear case assumes a slump in prices by 15% in 2009 and 65% in 2010 similar to Singapore during the Asian crisis. We also use a 60% discount to NAV similar to the levels hit in Singapore.

Why Overweight-V?

- We see Palm Hills as an attractive play on Egypt's real-estate sector with a well-diversified portfolio leveraging Egypt's lucrative rental market and attractive secondary home market.
- Strong earnings visibility in short and medium term, with sales in its launched projects totalling EGP6bn to be delivered over the next four years.
- Experienced management with strong market knowledge and track record.
- Long-term partnership with large local contractor Hassan Allam — a key differentiator.
- Highest profit margin on its total sales portfolio, averaging 59% vs. 56% for SODIC and 50% for TMG.
- Exposure to the booming Saudi sector via joint venture with a "well established", but undisclosed, Saudi partner.
- Attractive valuation: the stock trades at a 66% discount to our 2009e NAV and 4.0x our 2009 EPS. Our bear case implies just 7% downside.

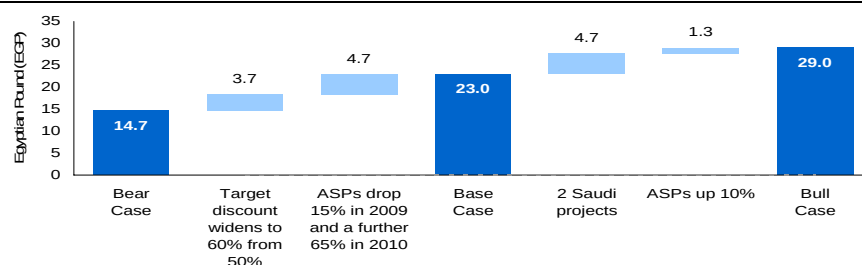
Catalysts

- 2Q08 results
- Sales launch of the Saudi projects
- New sales launches
- Plans for current landbank in Egypt

Key Risks

- Exposure to the more cyclical secondary home market
- No significant exposure to Egypt's booming commercial segment
- Competition from new entrants, especially in high-income segment

Bear to Bull: Saudi Arabia worth EGP5 per share upside



Source: FactSet (historical share price data), Morgan Stanley Research estimates

Exhibit 92

Palm Hills: Income Statement, 2007-16e

(EGP mn)	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Sale of units	0.0	99.0	585.0	2,554	4,418	4,562	4,340	1,843	2,405	308.1
Sale of land attributable to villas & TH	533	2,076	3,043	3,565	1,897	1,122	1,158	0	0	0
Rental income	0.0	0.0	0.0	15.8	263.2	385.1	456.2	530.0	555.3	583.1
Total Revenue	533	2,175	3,628	6,134	6,579	6,070	5,954	2,373	2,960	891
YoY Growth (%)		307.8	66.8	69.1	7.2	-7.7	-1.9	-60.1	24.7	-69.9
Cost of residential units	0.0	60.4	389.7	1,454.0	2,349.0	2,365.3	2,080.9	792.9	1,491.8	229.9
Cost of Land	141.6	674.1	787.2	1,092	558.7	229.7	229.7	0.0	0.0	0.0
Cost of services	0.0	0.0	0.0	0.0	52.6	73.9	87.4	106.0	111.1	116.6
Total Cost of Sales	142	734	1,177	2,546	2,960	2,669	2,398	899	1,603	346
Gross Profit	392	1,441	2,451	3,588	3,618	3,401	3,557	1,475	1,357	545
Gross Profit Margin (%)	73.5	66.2	67.6	58.5	55.0	56.0	59.7	62.1	45.9	61.1
SG&A	71.3	147.9	253.9	441.6	460.5	406.7	387.0	142.4	177.6	53.5
Other operating income (net)	-36.6	21.8	32.6	55.2	52.6	42.5	35.7	11.9	14.8	4.5
EBIT	284	1,315	2,230	3,201	3,210	3,037	3,205	1,344	1,194	496
EBIT Margin (%)	53.2	60.4	61.5	52.2	48.8	50.0	53.8	56.6	40.4	55.6
Net interest income	-34.7	-13.2	47.9	86.1	130.4	192.7	274.4	269.7	240.1	209.3
Investment income	4.6	5.0	5.5	6.1	6.7	7.3	8.1	8.9	9.7	10.7
Other income/(expense)	-22.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax income	232	1,307	2,283	3,293	3,348	3,237	3,488	1,623	1,444	716
Taxes	29.0	196.0	342.4	494.0	502.1	485.5	523.1	243.4	216.6	107.4
Minority interest	-1.3	45.7	79.9	115.3	117.2	113.3	122.1	56.8	50.5	25.0
Net income	203.9	1,065	1,861	2,684	2,728	2,638	2,842	1,322	1,177	583.3

e = Morgan Stanley Research estimates, YoY = Year on year

Source: Company data, Morgan Stanley Research

Exhibit 93

Palm Hills; Balance Sheet, 2007-16e

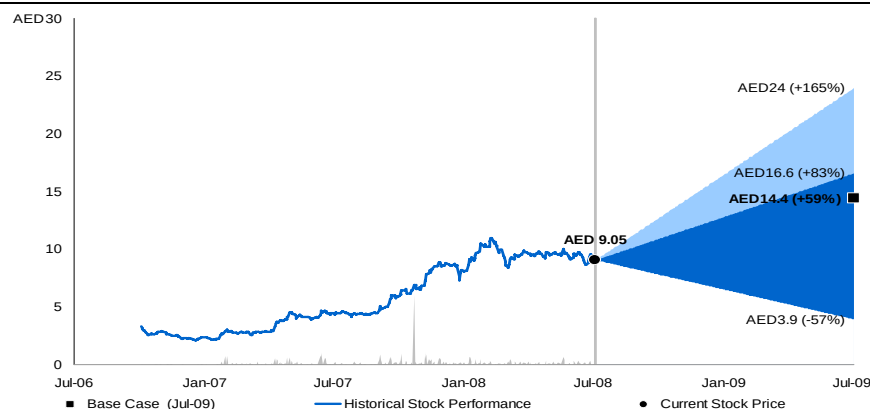
(EGP mn)	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Cash & cash equivalents	388.6	1,653	2,391	3,623	5,352	7,622	7,491	6,668	5,813	4,788
Accounts Receivables	365.5	1,269	2,116	3,578	3,838	3,541	3,473	1,385	1,727	520
Development Properties	4,255	4,450	4,872	4,630	3,986	2,270	740.2	772.9	103.5	357.0
Other current assets	120.0	132.0	145.2	159.7	175.7	193.3	212.6	233.9	257.3	283.0
Total current assets	5,129	7,504	9,525	11,991	13,351	13,626	11,917	9,060	7,901	5,948
Investment Properties	-	-	-	-	-	1,184	1,722	1,745	1,745	1,745
Investments	0.2	5.2	10.7	16.8	23.5	30.8	38.8	47.7	57.4	68.1
LT Receivables	616.4	628.8	647.6	667.1	687.1	707.7	728.9	750.8	773.3	796.5
Net PP&E	30.6	35.1	40.3	46.2	53.0	60.8	69.9	80.2	92.1	105.8
Total non-current assets	647.3	669.1	698.7	730.1	763.5	1,983	2,560	2,624	2,668	2,716
Total assets	5,777	8,173	10,223	12,721	14,115	15,610	14,477	11,684	10,569	8,664
Short term debt	671.2	582.5	-	-	-	-	-	-	-	-
Accounts Payable	269.6	612.1	980.7	2,122	2,467	2,224	1,998	749.0	1,336	288.7
Dividend Payable	-	-	930.3	1,879	2,183	2,374	2,558	1,190	1,059	525.0
Other current liabilities	1,364	1,243	2,022	2,082	2,735	4,270	3,076	2,915	1,373	1,130
Total current liabilities	2,305	2,438	3,933	6,083	7,384	8,869	7,633	4,854	3,768	1,944
Long term debt	3.7	-	-	-	-	-	-	-	-	-
Other non-current liabilities	2,437	2,255	1,880	1,422	968.8	715.7	534.5	388.1	241.7	102.2
Total non-current liabilities	2,440	2,255	1,880	1,422	968.8	715.7	534.5	388.1	241.7	102.2
Total liabilities	4,745	4,693	5,813	7,505	8,353	9,584	8,167	5,242	4,010	2,046
Equity	1,031	3,480	4,411	5,216	5,762	6,025	6,310	6,442	6,560	6,618

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

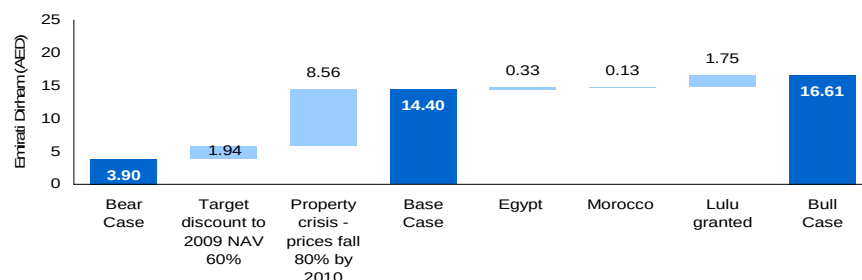
Sorouh (SOR.AD, OW, AED9.1, PT AED14.4)

Risk/reward is more skewed to the upside



Price Target	Methodology. We use a target 40% discount to our 2009 NAV to set our price target for Sorouh.
Blue sky AED24.0	Our blue sky scenario reflects Sorouh trading at par to 2009e NAV. While this is unlikely to materialise over the next 12-18 months, we note that most property stocks trade towards NAV as income generating assets increase.
Bull Case AED16.6	Successful geographical expansions and Lulu land being granted. We assume planned projects in Egypt and Morocco are successful, raising our average 2012-16 earnings by 18%. We also assume Lulu Island is granted.
Base Case AED14.4	Favourable market conditions remain over the medium term. We assume that the company is successful in selling its planned projects. We exclude announced international expansions pending clear final plans. We use a discount rate of 11-13%
Bear Case AED3.9	A sharp price correction in the property market. We assume a hard landing in Dubai spreads to other markets across MENA; our bear case assumes a slump in prices by 15% in 2009 and 65% in 2010 similar to Singapore during the Asian crisis. We also use a 60% discount to NAV similar to the levels hit in Singapore.

Bear to bull: development of Lulu Island is key for valuation



Source: FactSet (historical share price data), Morgan Stanley Research estimates

Investment thesis

- Sorouh is a play on Abu Dhabi's growing property market, which has attracted investor interest over the past 12 months.
- Abu Dhabi has seen property price escalation; c.95% of Sorouh's planned projects have yet to be launched.
- Sorouh has strong earnings and cash flow visibility, with AED8 billion of sales in 2006-07 to be delivered over the next three years.
- The company is penetrating the growing middle/upper-middle-income segment, where demand is more visible but at slimmer margins.
- It is a new mover to other MENA markets, diversifying and tapping growth in new markets.

Key Value Drivers

- Launch of developments on Lulu Island – 28.7% of our SoTP-value
- Success of project on Seih Al Sedira land – 24.2% of SOP-value
- Additions of new landbank both inside and outside its core market, with more land grants being an optimal scenario

Catalysts

- Lulu land being granted
- New project launches in Egypt and Morocco, which would increase our 2012-16 earnings by an average of 18% and NAV by AED0.5
- Increase in foreign ownership limit to 40%

Key Risks

- Execution risk – too many projects on the plate
- A delay in developments, given that most of the portfolio is still in the pre-construction stage

Exhibit 94

Sorouh: Income Statement, 2006-17e

(AED mn)	2006	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e
Sale of Properties	-	-	-	791.3	5,950	8,625	17,061	21,355	13,086	13,531	15,364	11,795
Land Sales	-	2,001	3,841	3,614	1,299	1,949	1,629	1,548	1,246	1,246	1,131	1,195
Rental Income	630.2	320.2	70.8	220.0	286.5	444.8	1,161	1,303	1,522	1,611	1,692	1,445
Total Revenue	630.2	2,321	3,912	4,625	7,536	11,018	19,851	24,206	15,853	16,388	18,187	14,435
YoY Growth (%)		268.3	68.6	18.2	62.9	46.2	80.2	21.9	-34.5	3.4	11.0	-20.6
Cost of Sales-Properties	-	-	-	481.1	3,398	5,044	10,107	11,843	5,618	6,805	7,346	4,743
Cost of Sales- Land	-	848.4	1,238	1,550	745.9	489.5	247.3	271.4	317.3	325.0	388.0	412.1
Rental Cost	643.1	152.9	21.2	66.0	68.5	130.4	345.3	387.8	454.4	481.2	505.2	431.5
Other costs	-	-	2.3	2.9	3.0	5.4	8.1	11.3	13.4	15.6	18.0	19.9
Total Cost of Sales	643.1	1,001	1,261	2,100	4,215	5,670	10,708	12,514	6,403	7,627	8,257	5,607
Gross Profit	(12.9)	1,320	2,651	2,525	3,320	5,348	9,143	11,692	9,451	8,760	9,930	8,828
Gross Profit Margin (%)	N/M	56.9	67.8	54.6	44.1	48.5	46.1	48.3	59.6	53.5	54.6	61.2
SG&A	117.7	264.9	449.9	508.8	602.9	826.4	933.0	1,210	1,110	950.5	1,091	866.1
EBIT	(130.2)	1,055	2,201	2,016	2,717	4,522	8,210	10,482	8,341	7,810	8,839	7,962
EBIT Margin (%)	N/M	45.4	56.3	43.6	36.1	41.0	41.4	43.3	52.6	47.7	48.6	55.2
Net interest income	558.3	70.0	30.7	18.0	105.9	255.4	407.5	518.4	578.1	521.1	501.2	498.6
Investment income	-	18.4	25.0	26.3	27.6	28.9	30.4	31.9	33.5	35.2	36.9	38.8
Fair value gain (loss) on investment prop	650.5	-	-	-	-	-	-	-	-	-	-	-
Other income/(expense)	(102.7)	114.2	43.5	48.8	67.3	89.3	34.3	49.7	42.7	44.5	47.7	45.5
Net income	975.5	1,257	2,300	2,109	2,918	4,895	8,682	11,082	8,995	8,411	9,425	8,545

e = Morgan Stanley Research estimates, YoY = Year on year

Source: Company data, Morgan Stanley Research

Exhibit 95

Sorouh: Balance Sheet, 2006-17e

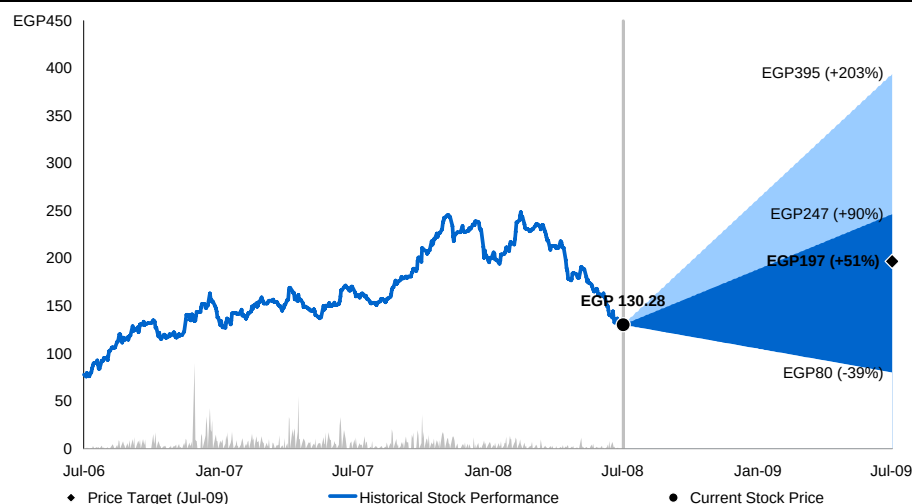
(AED mn)	2006	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e
Cash & cash equivalents	1,454	1,458	854.7	5,457	12,838	20,388	25,921	28,907	26,062	25,061	24,928	29,479
Accounts Receivables	251.8	2,080	3,260	3,212	3,559	3,061	2,757	2,017	1,321	1,366	1,516	1,203
Development Properties under progress	414.5	1,082	4,358	11,349	17,101	23,927	19,702	12,922	14,621	13,742	11,973	12,281
Other current assets	423.8	742.1	1,112	1,159	1,207	1,258	1,311	1,334	1,356	1,380	1,404	1,428
Total current assets	2,544	5,362	9,585	21,177	34,704	48,633	49,691	46,691	45,179	44,547	39,820	44,391
Investment Properties	1,019	1,261	1,806	2,450	2,750	4,735	6,837	7,346	7,401	7,401	7,401	7,401
Investments	139.3	213.3	233.3	254.3	276.3	299.5	323.8	349.3	376.1	404.3	433.8	464.8
Net PP&E	6.2	18.0	23.5	29.8	41.8	58.5	90.1	127.2	145.5	162.7	181.1	190.0
Other non-current assets	642.5	365.9	365.9	365.9	365.9	365.9	365.9	365.9	365.9	365.9	365.9	365.9
Total non-current assets	1,807	1,859	2,428	3,100	3,434	5,459	7,616	8,189	8,289	8,334	8,382	8,422
Total assets	4,351	7,221	12,013	24,277	38,137	54,092	57,308	53,368	51,649	49,882	48,202	52,813
Short term debt	11.7	42.6	107.2	28.8	28.8	7.0	-	-	-	-	-	-
Accounts Payable	743.7	2,177	4,580	15,269	26,844	39,485	36,222	26,289	23,824	19,835	16,056	19,946
Dividend Payable	-	-	500.0	875.0	1,875	3,000	5,500	7,500	6,250	7,500	7,500	7,500
Other current liabilities	71.5	208.5	351.5	415.6	677.0	989.9	1,783	2,175	1,424	1,472	1,634	1,297
Total current liabilities	827.0	2,428	5,539	16,588	29,425	43,482	43,505	35,973	31,498	28,807	25,190	28,742
Long term debt	29.3	190.2	64.7	35.9	7.0	-	-	-	-	-	-	-
Other non-current liabilities	24.7	139.1	147.1	155.6	164.6	174.2	184.3	195.1	206.5	218.7	231.6	245.2
Total non-current liabilities	54.0	329.3	211.8	191.5	171.6	174.2	184.3	195.1	206.5	218.7	231.6	245.2
Total liabilities	881.0	2,758	5,750	16,780	29,597	43,656	43,690	36,168	31,704	29,026	25,422	28,988
Equity	3,470	4,463	6,263	7,497	8,540	10,436	13,618	17,200	19,945	20,856	22,780	23,825

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

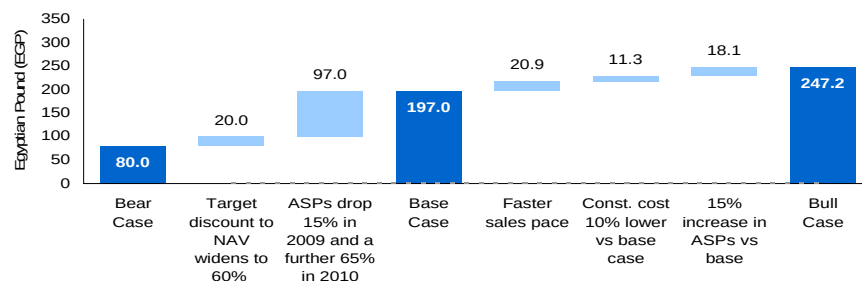
SODIC (OCDI.CA, OW, EGP130, PT EGP197)

Risk-reward more skewed to the upside



Price Target	Methodology. We use a target 50% discount to our 2009 NAV to set our price target for SODIC.
Blue sky EGP395	Our blue sky scenario reflects SODIC trading at par to its 2009 NAV. While this is unlikely to materialise over the next 12-18 months, we note that most property stocks trade towards NAV as income generating assets increase.
Bull Case EGP247	Favourable market conditions stay for longer than expected. We assume that favourable market conditions allow for faster sales pace and higher ASPs vs. base case (15%). The company negotiates better construction contracts than we expect in our base case. We value projects using discount rates of 14-16%.
Base Case EGP197	No additional landbank and favourable market conditions only over the medium term. We assume favourable market conditions prevail over the medium term, with ASPs increasing at a 2008-12 CAGR of 8.7%, while costs increase at 10%. We value projects using discount rates of 16-18%.
Bear Case EGP80	A sharp price correction in the property market. We assume a hard landing in Dubai spreads to other markets across MENA; our bear case assumes a slump in prices by 15% in 2009 and 65% in 2010 similar to Singapore during the Asian crisis. We also use a 60% discount to NAV, where Singapore stocks traded.

Bear to bull: selling prices are the main value driver



Source: FactSet (historical share price data), Morgan Stanley Research estimates

Why Overweight?

- We see SODIC as an attractive play on Egypt's real-estate sector. It has a well-diversified portfolio leveraging the underserved commercial segment and lucrative rental market.
- SODIC is an undiscovered value and growth play that the market has neglected, in our view. Positive news flow and a possible significant re-rating following new sales launches should help reveal its potential, we believe.
- Management has proven success at rebranding, building a new portfolio mix and an attractive growth strategy.
- Attractive valuation: the stock is trading at a 67% discount to our 2009e NAV; our price target suggests 51% upside.

Key Value Drivers

- Success of SODIC-Solidere projects – 84% of our equity value.
- High rental yields maintained – with rental portfolio, 28% of equity value.

Catalysts

- SODIC-Solidere project launches
- Plans to acquire 2-3m sqm of landbank if with clear immediate development plans
- Regional expansion in growing underserved markets

Key Risks

- Invisibility of long-term future growth due to a limited landbank
- 84% of our equity valuation in two projects that have yet to be launched
- No long-term partnership with contractors, so exposed to cost overrun risk

August 4, 2008
MENA - Property

Exhibit 96

SODIC: Income Statement, 2006-16e

(EGP mn)	2006	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Sale of Properties	33.4	45.9	104.9	125.8	540.0	2,521	6,106	6,497	4,151	3,272	4,784
Land Sales	326.1	440.7	403.0	516.1	904.0	696.9	293.5	268.5	255.6	-	-
Rental Income	-	-	-	-	-	357.1	886.5	1,166	1,293	1,432	1,572
Total Revenue	359.4	486.6	507.9	641.9	1,444	3,575	7,286	7,931	5,699	4,704	6,356
YoY Growth (%)		35.4	4.4	26.4	125.0	147.6	103.8	8.9	-28.1	-17.5	35.1
Cost of Sales-Properties	29.1	36.9	78.0	85.8	278.9	1,512	3,148	3,155	1,557	1,275	1,983
Cost of Sales- Land	84.6	127.1	80.6	110.8	139.9	45.8	33.1	23.3	23.3	-	-
Rental Cost	-	-	-	-	-	114.1	290.7	388.5	431.8	477.0	523.0
Total Cost of Sales	113.8	164.0	158.6	196.6	418.8	1,672	3,472	3,566	2,012	1,752	2,506
Gross Profit	245.7	322.7	349.3	445.2	1,025	1,903	3,814	4,365	3,687	2,952	3,850
Gross Profit Margin (%)	68.4	66.3	68.8	69.4	71.0	53.2	52.4	55.0	64.7	62.8	60.6
SG&A	22.0	67.2	160.6	187.5	297.1	405.3	494.2	310.3	225.2	226.3	283.2
Other operating income (net)	3.8	28.5	71.1	22.5	43.3	42.9	43.7	47.6	34.2	28.2	38.1
EBIT	227.6	284.0	259.8	280.2	771.5	1,541	3,364	4,102	3,496	2,754	3,605
EBIT Margin (%)	63.3	58.4	51.1	43.7	53.4	43.1	46.2	51.7	61.3	58.5	56.7
Net interest income	(3.6)	34.1	23.4	60.2	65.0	107.8	139.0	222.5	197.6	91.7	58.9
Investment income	(0.8)	4.8	6.0	6.6	7.3	8.0	41.5	9.7	10.6	11.7	12.9
Pre-tax income	223.1	322.9	289.1	347.1	843.8	1,656	3,544	4,334	3,704	2,857	3,677
Taxes	-	(8.4)	28.9	69.4	168.8	331.3	708.8	866.6	740.8	571.4	735.4
Net income	223.1	331.3	260.2	277.6	675.0	1,325	2,835	3,467	2,963	2,286	2,942

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Exhibit 97

SODIC: Balance Sheet, 2006-16e

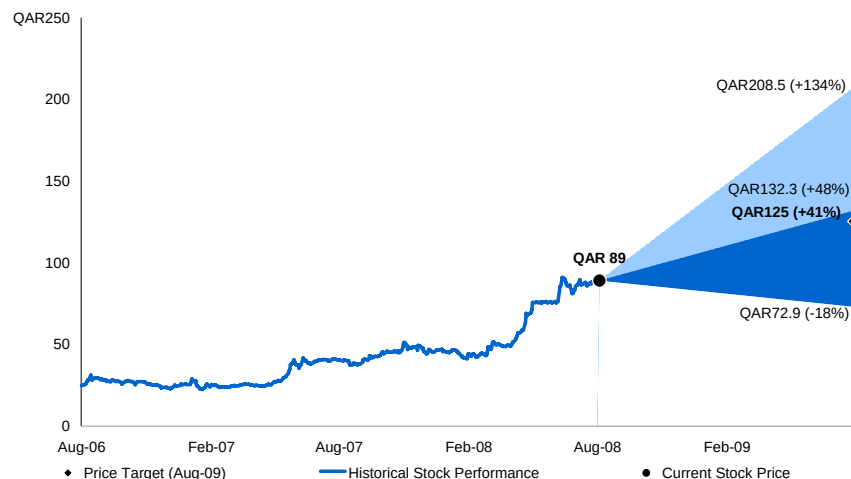
(EGP mn)	2006	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Cash & cash equivalents	793.8	467.3	1,506	1,626	2,695	3,474	5,564	4,939	2,292	1,474	1,058
Accounts Receivables	140.0	516.3	716.5	980.6	1,404	2,383	2,631	2,864	3,799	3,136	3,355
Development Properties	171.5	883.2	1,101	3,135	6,021	6,816	5,701	3,897	2,895	2,228	883.1
Total current assets	1,105	1,867	3,324	5,742	10,121	12,673	13,896	11,700	8,986	6,837	5,296
-											
Investment Properties	-	-	-	-	-	1,307	2,149	2,738	3,140	3,562	4,153
Investments	12.2	6.9	12.9	19.5	26.7	34.7	43.5	53.2	63.8	75.5	88.4
Net PP&E	2.0	34.2	35.7	40.8	46.6	53.2	60.9	69.7	79.9	91.6	105.0
Other non-current assets	550.8	354.0	364.1	374.5	385.2	396.3	407.6	419.4	431.4	443.9	456.7
Total non-current assets	565.0	395.0	412.7	434.7	458.5	1,791	2,661	3,280	3,715	4,173	4,803
Total assets	1,670	2,262	3,737	6,176	10,579	14,464	16,557	14,980	12,701	11,010	10,099
Accounts Payable	92.2	145.8	264.3	300.4	581.6	557.3	675.0	941.1	530.9	462.3	661.3
Dividend Payable	-	-	-	111.0	337.5	795.1	1,843	2,427	2,223	1,829	2,353
Other current liabilities	131.7	119.5	1,219	3,348	6,909	9,833	9,771	6,306	3,904	2,221	-
Total current liabilities	224.0	265.3	1,483	3,760	7,828	11,185	12,289	9,674	6,658	4,512	3,015
Other non-current liabilities	56.2	251.0	247.6	244.4	241.3	238.4	235.6	233.0	230.5	228.2	225.9
Total non-current liabilities	56.2	251.0	247.6	244.4	241.3	238.4	235.6	233.0	230.5	228.2	225.9
Total liabilities	280.2	516.3	1,731	4,004	8,069	11,424	12,525	9,907	6,888	4,740	3,241
Equity	1,390	1,746	2,006	2,172	2,510	3,040	4,032	5,072	5,813	6,270	6,859

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

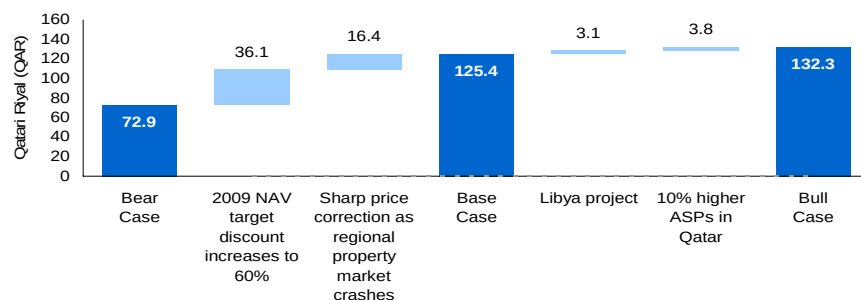
Barwa (BRES.QA, QAR89.1, EW, PT QAR125.4)

Risk-reward looks fairly balanced



Price Target	Methodology. We use a target 40% discount to our 2009 NAV to set our price target for Barwa.
Blue sky EGP208.5	Our blue sky scenario reflects Barwa trading at par to 2009e NAV. While this is unlikely to materialise over the next 12-18 months, we note that most property stocks trade towards NAV as income generating assets increase.
Bull Case QAR132.3	Better market conditions in Qatar and moving ahead with the Libyan project. We include its planned Libya project and assume a stronger domestic market with ASPs 10% higher than our base case forecasts. We also assume 100bps lower WACCs.
Base Case QAR125.4	Favourable local market conditions over the medium term and launch of announced international projects. We assume that the company succeeds in selling its planned projects in Qatar and goes ahead with its expansion in Egypt and Sudan. We use discount rates of 8%-16%.
Bear Case QAR72.9	A sharp price correction in the property market. We assume a hard landing in Dubai spreads to other markets across MENA; our bear case assumes a slump in prices by 15% in 2009 and 65% in 2010, similar to Singapore during the Asian crisis. We also use a 60% discount to NAV similar to the levels hit in Singapore.

Bear to Bull: increasing target NAV discount is biggest risk to NAV



Source: FactSet, Morgan Stanley Research estimates

Why Equal-weight?

- Barwa offers exposure to Qatar's real-estate market, benefiting from double-digit GDP growth rates over the next three years, high population growth, a simulative regulatory system (freehold regulations) and mortgage finance platforms. Negative real interest rates are likely to continue to augment demand.
- It enjoys government support, suggesting future cheap land acquisitions.
- A first mover in a number of growing markets including Sudan.
- Exposure to the currently very profitable rental market in Qatar.
- The valuation less exciting relative to peer group. The stock trades at a premium to peers on our EV/adjusted cash inflow multiple.

Key Value Drivers

- Success of the Barwa Al Khour project – 30% of our fair value
- Execution in international markets

Potential Catalysts

- Sales launches in Barwa Al Khour project
- Sales launches in Egypt and Sudan
- Delivery of planned projects in the rental portfolio, contributing to earnings
- 2Q08 results (mid August)

Key Risks

- Execution risk
- Management overstretched
- Relatively high exposure to the European hotel industry (15% of our fair value)

Exhibit 98

Barwa: Income Statement, 2007-16

(QAR mn)	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Property Sales	0	3,248	3,922	3,133	2,897	2,421	1,636	2,473	1,958	3,018
Rental income	0	28	95	577	1,181	1,218	1,338	1,437	1,540	1,626
Other revenues	0	41	108	430	487	553	581	610	639	669
Total Revenue	0	3,317	4,125	4,141	4,565	4,192	3,555	4,519	4,137	5,313
YoY Growth (%)			24.4	0.4	10.2	-8.2	-15.2	27.1	-8.5	28.4
Cost of developments	0	1,890	2,488	1,740	1,327	925	749	1,136	902	1,385
Rental cost	0	22	34	99	203	309	250	267	287	304
Other cost	0	4	5	157	179	206	219	221	247	263
Total Cost of Sales	0	1,916	2,527	1,997	1,709	1,440	1,218	1,624	1,436	1,951
Gross Profit	279	1,401	1,598	2,145	2,856	2,752	2,337	2,895	2,701	3,362
Gross Profit Margin (%)		42.2	38.7	51.8	62.6	65.6	65.7	64.1	65.3	63.3
SG&A	181	431	536	621	685	629	249	316	290	372
EBIT	98	970	1,061	1,523	2,171	2,123	2,088	2,579	2,411	2,990
EBIT Margin (%)		29.2	25.7	36.8	47.6	50.6	58.7	57.1	58.3	56.3
Net interest income	-153	-521	-372	-311	-138	52	197	335	329	321
Other income	617	457	627	924	2,250	1,699	2,320	2,028	1,313	1,015
Pre-tax income	562	905	1,317	2,136	4,283	3,874	4,606	4,943	4,054	4,326
Minority Interest	32	63	92	107	128	116	138	148	122	130
Taxes	0	0	0	43	171	194	276	297	243	260
Net income	530	842	1,225	1,987	3,983	3,564	4,191	4,498	3,689	3,937

Source: Company data, Morgan Stanley Research

e = Morgan Stanley Research estimates

Exhibit 99

Barwa: Balance Sheet, 2007-16

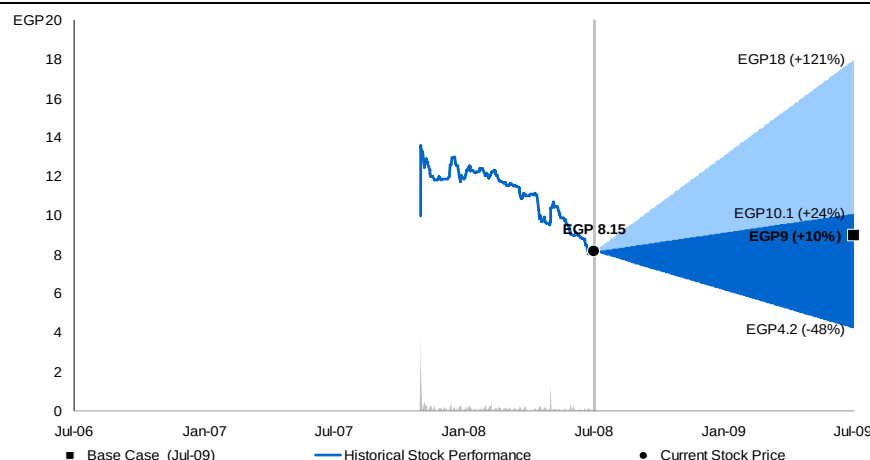
(QAR mn)	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Cash & cash equivalents	1,829	2,531	303	1,784	3,858	6,580	11,179	10,982	10,711	8,103
Accounts Receivables	6,972	8,120	9,804	7,833	7,244	6,052	4,089	6,181	4,894	7,544
Development Properties	2,575	2,764	3,443	2,661	2,204	914	1,511	2,153	2,602	2,410
Other current assets	382	223	291	232	200	170	145	190	169	227
Total current assets	11,758	13,637	13,841	12,510	13,505	13,716	16,925	19,507	18,377	18,284
Investment Properties	1,849	1,849	1,849	3,249	4,788	7,227	7,227	7,227	7,227	7,227
Investments	1,239	1,639	1,924	2,268	2,922	3,247	3,694	4,081	4,203	4,293
Net PP&E	22	23	25	27	28	28	28	28	27	25
Other non-current assets	1,130	184	184	184	184	184	184	184	184	184
Total non-current assets	4,240	3,696	3,982	5,729	7,923	10,687	11,134	11,520	11,640	11,729
Total assets	15,998	17,334	17,822	18,239	21,428	24,403	28,059	31,027	30,017	30,013
Short term debt	0	1,828	1,828	1,828	1,828	0	0	0	0	0
Accounts Payable	3,563	4,257	5,616	4,991	4,747	4,001	3,383	4,511	3,989	5,419
Dividend Payable	0	295	429	695	1,593	1,782	2,515	3,148	2,582	2,756
Other current liabilities	0	128	156	1,466	3,440	7,016	8,878	8,731	7,697	4,898
Total current liabilities	3,563	6,508	8,029	8,981	11,608	12,799	14,775	16,391	14,268	13,073
Long term debt	9,142	5,485	3,657	1,828	0	0	0	0	0	0
Other non-current liabilities	250	251	251	252	253	255	258	262	268	277
Total non-current liabilities	9,392	5,736	3,908	2,080	253	255	258	262	268	277
Total liabilities	12,955	12,244	11,937	11,061	11,861	13,054	15,033	16,653	14,536	13,350
Equity	3,042	5,090	5,886	7,177	9,567	11,349	13,025	14,375	15,481	16,662

Source: Company data, Morgan Stanley Research

e = Morgan Stanley Research estimates

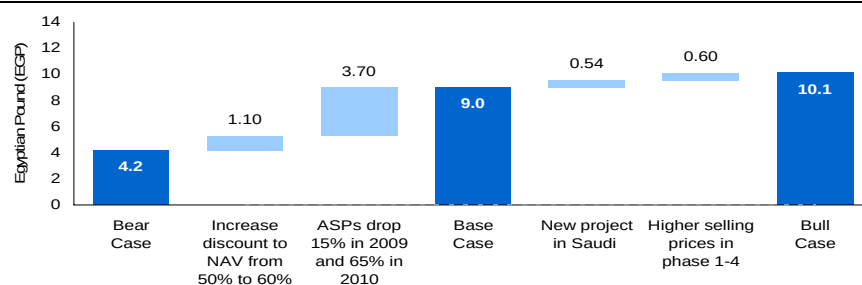
TMG (TMGH.CA, EW-V, EGP8.2, PT EGP9.0)

Risk-reward less attractive than its peers



Price Target	Methodology. We use a target 50% discount to our 2009 NAV to set our price target for TMG.
Blue sky EGP18	Our blue sky scenario reflects TMG trading at par to 2009e NAV. While this is unlikely to materialise over the next 12-18 months, we note that most property stocks trade towards NAV as income generating assets increase.
Bull Case EGP10.1	Favourable market conditions prevail in long term; a new project in Saudi. We assume that market conditions allow for faster sales and higher ASPs (15%). We also assume that the company starts a third project in Saudi.
Base Case EGP9	Current favourable market conditions in Egypt only over the medium term. We assume ASPs and costs increase by 10% in 2008-10e, with lower ASPs starting in 2011. We use WACCs of 12%-16%.
Bear Case EGP4.2	A sharp price correction in the property market. We assume a hard landing in Dubai spreads to other markets across MENA; our bear case assumes a slump in prices by 15% in 2009 and 65% in 2010 similar to Singapore during the Asian crisis. We also use a 60% discount to NAV similar to the levels hit in Singapore.

Bear to bull: selling prices have biggest impact on fair value



Source: FactSet (historical share price data), Morgan Stanley Research estimates

Why Equal-weight-V?

- TMG offers an attractive opportunity to gain exposure to Egypt's growing market, with a focus on the most underserved middle/upper-middle segments.
- Strong earnings visibility in short and medium term, with sales in the two major projects (totalling EGP25 billion) to be delivered over the next four years.
- Exposure to the rapidly growing Saudi market, with plans to increase revenue contribution from the country to 40% by 2014.
- Exposure to the hospitality industry, with ambitious expansion plans extending to the MENA region and Eastern Europe.
- Experienced management with strong market knowledge and track record.
- Land acquisitions at attractive prices and payment terms.
- Economies of scale, adding to the cost advantage.

Key risks

- Long-life projects imply higher exposure to cyclical risks
- Target market segment is most sensitive to selling price changes
- Landbank concentration in the east of Cairo

Potential Catalysts

- Further announcements on strong sales progress in two major projects
- Sales launch of the Saudi projects
- Further land acquisitions in Saudi Arabia
- Possible long-term partnership with a contractor

August 4, 2008
MENA - Property

Exhibit 100

TMG: Income Statement, 2007-16e

(EGP mn)	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Sale of property	1,599	4,737	5,999	7,332	10,318	18,026	17,658	14,304	4,312	8,722
Hotel revenue (net)	228.6	291.7	357.7	150.7	467.2	663.6	741.2	801.0	895.9	939.9
Other income	48.5	65.0	78.4	92.8	187.3	256.4	317.3	341.0	388.7	502.2
Land sales	-	-	-	-	-	5,504	3,669	-	-	-
Total Revenue	1,876	5,093	6,435	7,576	10,973	24,450	22,386	15,446	5,596	10,164
YoY Growth (%)		171.5	26.3	17.7	44.8	122.8	-8.4	-31.0	-63.8	81.6
Cost of property sold	939.4	2,533	3,318	3,863	5,300	7,084	7,507	7,716	2,201	3,941
Other cost	85.7	109.0	122.7	125.7	150.4	172.3	191.5	199.7	215.3	250.2
Land cost	-	-	-	-	-	1,333	888.8	-	-	-
Total Cost of Sales	1,025	2,642	3,441	3,989	5,450	8,590	8,588	7,916	2,416	4,191
Gross Profit	850.7	2,451	2,994	3,587	5,523	15,860	13,798	7,531	3,180	5,973
Gross Profit Margin (%)	45.4	48.1	46.5	47.4	50.3	64.9	61.6	48.8	56.8	58.8
SG&A	267.0	343.5	426.6	564.6	573.1	510.6	466.6	347.5	270.6	287.2
Other operating income (net)	40.6	50.9	64.4	75.8	109.7	244.5	223.9	154.5	56.0	101.6
EBIT	624.3	2,159	2,632	3,098	5,059	15,594	13,555	7,338	2,965	5,787
EBIT Margin (%)	33.3	42.4	40.9	40.9	46.1	63.8	60.6	47.5	53.0	56.9
Net interest income	64.6	92.2	176.8	168.0	223.8	316.5	399.1	362.3	233.9	198.1
Investment income	12.2	15.0	15.5	15.9	16.4	16.9	17.4	17.9	18.4	19.0
Other income/(expense)	1,082	10.2	6.4	3.8	5.5	12.2	22.4	15.4	5.6	10.2
Pre-tax income	1,783	2,276	2,831	3,286	5,305	15,939	13,994	7,733	3,223	6,015
Minority Interest	396.3	227.6	283.1	262.9	265.2	318.8	139.9	154.7	161.2	180.4
Taxes	45.9	68.3	84.9	163.8	424.1	1434.6	1399.0	734.4	209.2	540.9
Net income	1,341	1,980	2,463	2,859	4,615	14,186	12,455	6,844	2,853	5,293

e = Morgan Stanley Research estimates, YoY = Year on year

Source: Company data, Morgan Stanley Research

Exhibit 101

TMG: Balance Sheet, 2007-16e

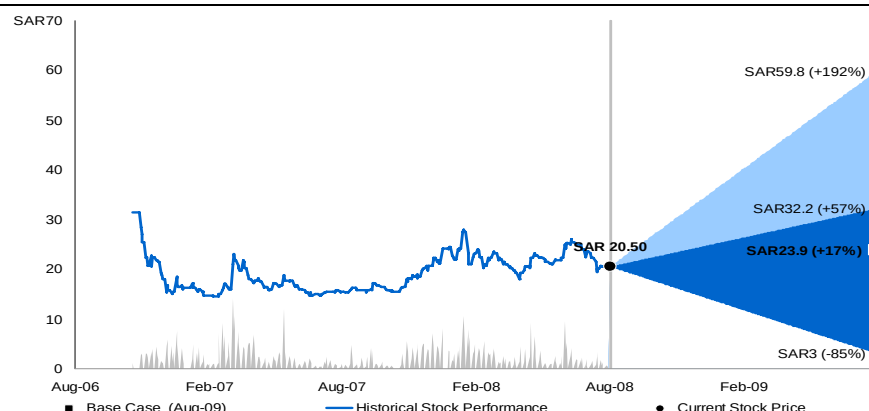
(EGP mn)	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Cash & cash equivalents	3,490	7,773	14,584	22,794	31,794	39,907	36,226	23,388	19,814	15,420
Accounts Receivables	2,447	3,947	4,999	6,110	8,599	15,022	14,715	11,920	3,593	7,268
Development Properties	3,979	6,635	9,047	11,379	10,299	7,100	5,907	6,686	7,428	5,548
Other current assets	1,010	1,500	1,511	1,519	1,539	1,583	1,582	1,573	1,497	1,521
Total current assets	10,926	19,856	30,141	41,802	52,230	63,611	58,431	43,567	32,331	29,757
Investment Properties	4,754	4,754	4,754	4,754	5,237	5,470	5,470	5,725	5,725	6,568
Investments	49.4	60.7	72.3	84.2	96.5	109.1	122.2	135.6	149.5	163.7
LT Receivables	7,832	8,224	8,635	9,067	9,520	9,901	10,297	10,709	11,137	11,582
Net PP&E	2,840	3,347	3,793	4,185	4,225	4,211	4,152	4,091	4,031	3,969
Other non-current assets	16,579	16,579	16,579	16,579	16,579	16,579	16,579	16,579	16,579	16,579
Total non-current assets	32,055	32,965	33,834	34,669	35,658	36,271	36,620	37,240	37,621	38,863
Total assets	42,981	52,821	63,975	76,471	87,888	99,882	95,051	80,807	69,953	68,620
Short term debt	409.0	412.8	412.8	412.8	412.8	-	-	-	-	-
Accounts Payable	1,371	2,715	3,536	4,099	5,602	8,828	8,826	8,135	2,483	4,307
Dividend Payable	-	-	738.9	1,430	3,231	11,349	11,210	6,160	2,567	4,764
Other current liabilities	2,039	6,351	12,237	20,438	25,537	22,637	19,062	11,998	12,015	7,852
Total current liabilities	3,819	9,480	16,925	26,380	34,782	42,815	39,098	26,293	17,065	16,923
Long term debt	1,710	1,242	825.6	412.8	-	-	-	-	-	-
Other non-current liabilities	15,628	18,296	20,696	22,721	24,764	25,887	23,528	21,404	19,493	17,773
Total non-current liabilities	17,339	19,537	21,522	23,134	24,764	25,887	23,528	21,404	19,493	17,773
Total liabilities	21,158	29,017	38,447	49,513	59,545	68,702	62,626	47,697	36,558	34,696
Equity	21,824	23,804	25,528	26,958	28,342	31,179	32,425	33,109	33,395	33,924

e = Morgan Stanley Research estimates,

Source: Company data, Morgan Stanley Research

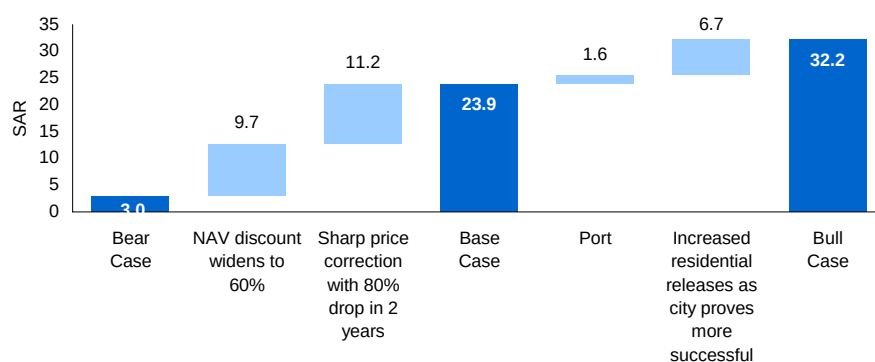
Emaar Economic City (4220.SE, EW, SAR20.5, PT SAR23.9)

The long-term nature of the project implies a wide risk-reward range



Price Target	Methodology. We use a target 60% discount to our 2009 NAV to set our price target for Emaar Economic City.
Blue sky SAR59.8	Our blue sky scenario reflects EEC trading at par to its 2009 NAV. While this is unlikely to materialise over the next 12-18 months, we note that most property stocks trade towards NAV as income generating assets increase.
Bull Case SAR32.2	Success of the city model in the medium term. We assume that the planned city model proves successful and the company launches more residential areas in the medium term.
Base Case SAR23.9	Favourable market conditions remain over the medium term. We assume that the company succeeds in selling its planned built up area, leveraging high demand potential and favourable selling conditions. We exclude announced international expansions pending a clear set of final plans.
Bear Case SAR3.0	A sharp price correction in the property market. We assume a hard landing in Dubai spreads to other markets across MENA; our bear case assumes a slump in prices by 15% in 2009 and 65% in 2010 similar to Singapore during the Asian crisis. We also use a 60% discount to NAV.

Bear to Bull: property crash drives downside



Source: FactSet (historical share price data), Morgan Stanley Research estimates

Why Equal-weight?

- The stock offers exposure to the booming real estate sector in Saudi Arabia. We view this as an underserved market with strong growth in the medium and long term.
- Around 99% of EEC's planned projects/districts have yet to be launched. We estimate 12% will be launched in 2008-12, making this one of the longer-term stories in our MENA coverage universe.
- EEC will be an integrated city, benefiting from the growing industrial and commercial sector.
- It is supported by the government and benefits from the expertise of SAGIA.
- But the risk-reward trade-off looks unfavorable, with our bear case implying 85% downside.

Potential Catalysts

- The proposed new mortgage law should boost demand and affordability in the sector.
- Allocation of a higher percentage of BUA to higher-margin retail and commercial segments.
- More project announcements in the short term, leveraging current buoyant sector conditions, would improve earnings visibility and provide a catalyst for the shares.
- Saudi stock market opening up to foreign investors.

Key Risks

- Long-term project implies greater exposure to cyclical risks
- A delay in developments, given that the vast majority of the portfolio is still in the pre-construction stage and cyclical risks.

August 4, 2008
MENA - Property

Exhibit 102

Emaar Economic City: Income Statement, 2006-17e

(SAR mn)	2006	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e
Land Sales	-	-	-	3,159	3,317	6,521	6,615	8,517	10,722	10,040	10,341	9,586
Sale of Properties	-	-	932.5	3,057	7,830	5,558	4,253	8,797	9,397	10,307	10,364	9,983
Rental Income	-	-	24.0	65.0	370.4	903.8	1,968	3,046	3,997	5,182	6,441	7,590
Total Revenue	-	-	956.5	6,282	11,517	12,983	12,836	20,360	24,117	25,529	27,146	27,159
YoY Growth (%)		NR	NR	556.7	83.4	12.7	-1.1	58.6	18.5	5.9	6.3	0.0
Cost of Sales-Land	-	-	-	1,810	1,900	3,736	3,790	4,879	6,142	5,751	5,924	5,491
Cost of Sales-Properties	-	-	629.5	2,044	5,123	4,051	3,391	5,285	3,115	9,344	5,918	5,622
Rental Cost	-	-	-	-	64.9	180.2	438.4	720.5	939.7	1,239	1,529	1,758
Other costs	1.2	12.7	92.9	126.7	153.9	170.2	184.6	196.2	206.5	217.3	229.8	244.1
Total Cost of Sales	1.2	12.7	722.5	3,980	7,242	8,137	7,804	11,081	10,403	16,552	13,600	13,115
Gross Profit	-1.2	-12.7	234.1	2,301	4,276	4,846	5,032	9,280	13,714	8,978	13,546	14,044
Gross Profit Margin (%)		NR	24.5	36.6	37.1	37.3	39.2	45.6	56.9	35.2	49.9	51.7
SG&A	22.2	157.1	220.0	628.2	1,175	1,298	1,245	1,934	2,171	2,298	2,443	2,444
EBIT	-23.4	-169.8	14.1	1,673	3,101	3,548	3,787	7,346	11,543	6,680	11,103	11,600
EBIT Margin (%)		NR	1.5	26.6	26.9	27.3	29.5	36.1	47.9	26.2	40.9	42.7
Net interest income	60.3	206.7	23.0	66.0	8.6	11.0	140.2	200.0	409.0	753.5	1,003	1,268
Other expenses	49.8	-	-	-	-	-	-	-	-	-	-	-
Pre-tax income	-12.9	36.9	37.1	1,739	3,109	3,558	3,927	7,545	11,952	7,434	12,106	12,868
Taxes	-	10.6	1.1	52.2	93.3	106.8	117.8	226.4	358.6	223.0	363.2	386.0
Net income	-12.9	26.3	36.0	1,687	3,016	3,452	3,809	7,319	11,594	7,211	11,743	12,482

e = Morgan Stanley Research estimates, YoY = Year on year

Source: Company data, Morgan Stanley Research

Exhibit 103

Emaar Economic City: Balance Sheet, 2006-17e

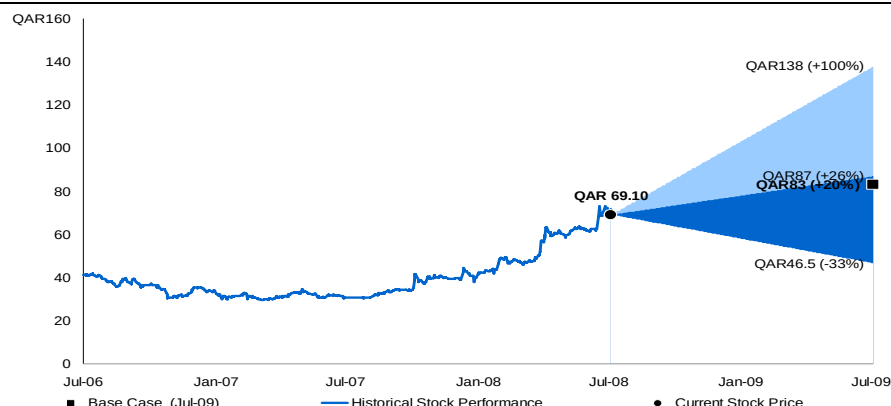
(SAR mn)	2006	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e
Cash & cash equivalents	4,574	640	1,833	239	304	3,894	5,554	11,362	20,929	27,864	35,209	48,842
Accounts Receivables	5.4	17.8	292.3	1,004	1,738	4,060	4,209	7,049	8,895	9,271	9,821	9,741
Development Properties under progress	5.3	18.0	3,206	7,083	4,429	4,967	10,788	8,783	11,778	12,312	15,805	19,663
Other current assets	0.0	0.0	70.2	110.6	201.2	791.1	758.7	1,077	1,011	1,609	1,322	1,275
Total current assets	4,585	675.5	5,402	8,436	6,672	13,712	21,310	28,271	42,614	51,055	62,157	79,521
Investment Properties	-	-	-	-	5,415	2,776	2,729	4,901	2,318	4,631	4,461	-
Investments	-	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400
Net PP&E	272.2	895.7	1,222	1,534	1,734	1,776	1,778	1,733	1,660	1,583	1,515	1,458
Other non-current assets	3,780	3,776	-	-	-	-	-	-	-	-	-	-
Total non-current assets	4,052	8,071	4,622	4,934	10,549	7,951	7,906	10,034	7,378	9,613	9,376	4,858
Total assets	8,637	8,747	10,024	13,370	17,221	21,664	29,216	38,305	49,992	60,668	71,533	84,378
Accounts Payable	180.5	263.1	331.1	1,802	3,219	3,504	3,360	4,863	4,566	7,126	5,969	5,829
Other current liabilities	-	-	1,173	1,361	779.4	1,485	5,373	5,639	6,029	6,935	7,214	7,717
Total liabilities	180.6	264.4	1,505	3,164	3,999	4,990	8,734	10,504	10,596	14,062	13,184	13,547
Equity	8,456	8,483	8,519	10,206	13,222	16,674	20,483	27,802	39,396	46,606	58,349	70,831

e = Morgan Stanley Research estimates,

Source: Company data, Morgan Stanley Research

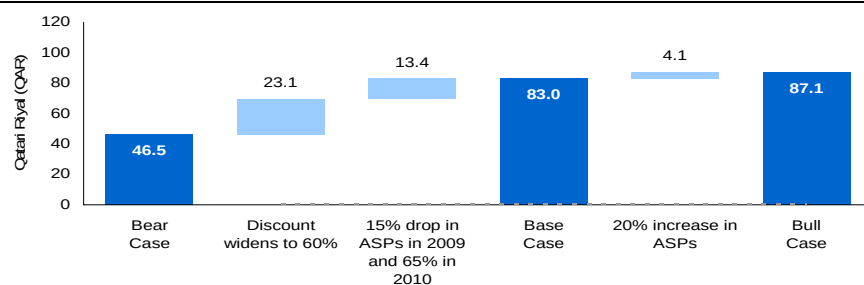
United Development Company (UDCD.QA, UW, QAR69, PT QAR83)

Risk-reward: bull case upside limited as deliveries are more near dated



Price Target	Methodology. We use a target 40% discount to our 2009 DCF-based NAV to set our price target for UDC.
Blue sky QAR138	Our blue sky scenario reflects UDC trading at par to 2009e NAV. While this is unlikely to materialise over the next 12-18 months, we note that most property stocks trade towards NAV as income generating assets increase.
Bull Case QAR87	Higher prices for new launches. We assume a 20% hike in ASPs for the new launches in the project (15% of total project size). This increases our 2008-12 earnings by an average of 18%.
Base Case QAR83	No additional landbank and favourable market conditions only over the medium term. We assume favourable market conditions prevail over the medium term, with ASPs for remaining sales launches increasing in 2009/10 by 10-20% depending on the project, while costs increase by 10%.
Bear Case QAR46.5	A sharp price correction in the property market. We assume a hard landing in Dubai spreads to other markets across MENA; our bear case assumes a slump in prices by 15% in 2009 and 65% in 2010 similar to Singapore during the Asian crisis. We also use a 60% discount to NAV.

Bear to bull: pricing is the key driver to the downside



Source: FactSet (historical share price data), Morgan Stanley Research estimates

Why Underweight?

- A pure play on Qatar real-estate market, benefiting from double-digit GDP growth rates over the next three years, high population growth, a simulative regulatory system (freehold regulations) and mortgage finance platforms. Negative real interest rates are likely to continue to augment demand.
- Although our price target implies 20% upside, the limited geographical expansion and/or limited landbank suppress the attractiveness of UDC's story relative to peers, in our view.
- UDC is underperforming peers and losing ground to competitors in Qatar's booming real estate sector.
- The stock is less appealing at a 50% discount to our 2009 NAV compared to a peer group average of 62%.

Potential catalysts

- Securing landbank would improve long-term earnings visibility.
- Further expansion in Qatar Cool would boost recurring revenue.
- 2H08 new sales launches in the 'The Pearl' could boost confidence in the company's operational performance and hence the stock performance.
- Expansion in new business lines which could possibly create synergies.
- Geographical expansion into the region to capitalise on the region's booming real-estate sector.

August 4, 2008
MENA - Property

Exhibit 104

UDC: Income Statement, 2007-16e

(QAR mn)	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Property Sales	1,820	2,333	2,888	4,056	3,176	3,026	-	-	-	-
Rental income	-	38.5	135.0	356.6	714.8	794.4	794.8	795.2	795.5	795.9
Qatar Cool	38.0	49.5	111.7	161.1	208.8	244.6	252.0	259.5	267.3	275.3
Total Revenue	1,858	2,421	3,135	4,573	4,100	4,065	1,047	1,055	1,063	1,071
YoY Growth (%)		30.3	29.5	45.9	-10.4	-0.8	-74.3	0.8	0.8	0.8
Cost of developments	1,504	1,652	1,630	1,890	1,505	1,295	-	-	-	-
Rental cost	-	15.4	54.0	134.0	236.7	251.1	251.2	251.4	251.5	251.7
Depreciation	16.4	36.5	50.9	51.8	68.1	75.9	79.5	83.1	86.7	90.2
Qatar Cool	23.8	22.3	50.2	72.5	93.9	110.1	113.4	116.8	120.3	123.9
Total Cost of Sales	1,545	1,727	1,785	2,148	1,904	1,732	444.1	451.3	458.5	465.8
Gross Profit	313.1	694.0	1,350	2,425	2,196	2,333	602.6	603.4	604.3	605.5
Gross Profit Margin (%)	16.9	28.7	43.1	53.0	53.6	57.4	57.6	57.2	56.9	56.5
SG&A	96.5	181.6	235.1	343.0	307.5	304.9	109.9	110.7	111.6	112.5
EBIT	215.4	512.5	1,115	2,082	1,888	2,028	492.7	492.7	492.7	493.0
EBIT Margin (%)	11.6	21.2	35.6	45.5	46.1	49.9	47.1	46.7	46.4	46.0
Net interest income	48.7	55.1	16.5	(7.8)	(7.0)	54.9	62.3	50.5	62.1	74.2
Investment Income	(53.0)	25.0	27.5	30.3	32.4	34.0	35.7	37.5	39.3	41.3
Dividend income	4.3	5.0	5.8	6.6	7.6	8.7	10.1	11.6	13.3	15.5
Other income	128.6	96.8	125.4	160.1	123.0	101.6	20.9	15.8	10.6	10.7
Pre-tax income	343.9	694.4	1,290	2,271	2,044	2,228	621.7	608.0	618.1	634.5
Minority interest	4.4	83.3	154.8	272.5	245.3	267.3	74.6	73.0	74.2	76.1
Net income	339.6	611.1	1,135	1,999	1,799	1,960	547.1	535.0	543.9	558.4

e = Morgan Stanley Research estimates, YoY = year on year

Source: Company data, Morgan Stanley Research

Exhibit 105

UDC: Balance Sheet, 2007-16e

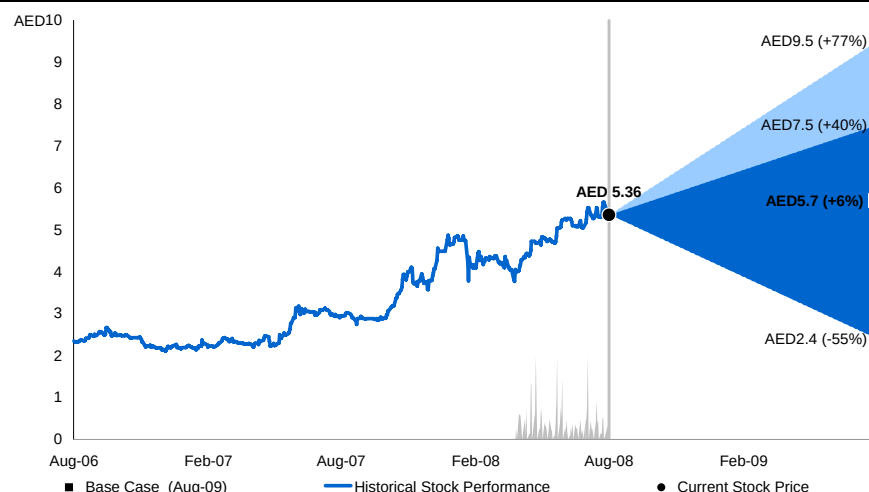
(QAR mn)	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Cash & cash equivalents	1,419	454.9	197.6	196.8	1,373	1,558	1,262	1,552	1,856	2,061
Accounts Receivables	932.7	941.4	1,045	1,524	1,708	2,258	581.5	585.9	590.5	595.1
Development Properties	648.5	1,593	2,945	1,661	586.7	-	-	-	-	-
Other current assets	18.1	19.7	25.0	30.1	32.3	35.7	31.2	34.1	37.3	40.8
Total current assets	3,018	3,009	4,213	3,412	3,700	3,852	1,875	2,172	2,484	2,697
Investment Properties	-	-	-	1,654	2,850	2,850	2,850	2,850	2,850	2,850
Investments	1,416	1,421	1,427	1,433	1,441	1,450	1,460	1,471	1,484	1,500
Net PP&E	1,415	1,752	2,135	2,348	2,529	2,689	2,717	2,742	2,764	2,778
Other non-current assets	15.0	16.2	17.7	19.4	21.5	24.1	27.1	30.8	35.1	40.4
Total non-current assets	2,846	3,189	3,579	5,454	6,841	7,012	7,054	7,094	7,133	7,168
Total assets	5,864	6,198	7,792	8,867	10,541	10,864	8,929	9,266	9,617	9,865
Short term debt	23.8	202.3	243.2	643.2	219.5	64.5	40.9	40.9	163.7	-
Accounts Payable	226.6	239.8	347.0	417.7	370.2	336.8	86.4	87.7	89.2	90.6
Dividend Payable	268.1	268.1	268.1	321.8	858.0	1,180	214.5	214.5	214.5	214.5
Other current liabilities	1,111	1,240	2,006	1,065	1,914	1,351	326.5	342.9	360.6	380.1
Total current liabilities	1,630	1,950	2,865	2,447	3,362	2,932	668.3	686.0	828.1	685.2
Long term debt	1,327	968.4	749.0	529.5	310.0	245.6	204.6	163.7	-	-
Other non-current liabilities	288.0	316.8	348.5	383.3	421.6	458.6	495.2	535.1	578.4	625.5
Total non-current liabilities	1,615	1,285	1,097	912.8	731.7	704.2	699.9	698.8	578.4	625.5
Total liabilities	3,244	3,235	3,962	3,360	4,094	3,636	1,368	1,385	1,406	1,311
Equity	2,620	2,963	3,830	5,506	6,447	7,228	7,560	7,881	8,210	8,554

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Union Properties (UPRO.DU, UW, AED5.4, PT AED5.7)

Risk-Reward view: just 6% upside to base case in a sector with 60%



Why Underweight?

- A pure play on Dubai's real estate market, with current project portfolio, expected to be delivered by 2011.
- We have a cautious view on Dubai's property market beyond the short term, based on the high level of speculation and weaker fundamentals we expect post 2009.
- Weak long-term cash flow visibility. Although company indicated plans to nearly double its landbank in Dubai, no further details were disclosed.
- No geographical expansion and secured landbank suppress the attractiveness of UP story relative to peers, in our view.
- Short-term earning multiples may look attractive, but the underlying growth fundamentals are less appealing, in our view.

Potential Catalysts

- Securing landbank would improve long-term earnings visibility.
- Penetrating low income housing, an underserved segment in our view that would be a growth driver.
- Geographical expansion into the regional real estate sector.
- 3Q08 results

Risks to the upside

- Landbank acquisitions and project announcements, which will give us clear earnings and cash flow visibility into the long term.
- Prolonged bull market conditions in Dubai, which would sustain current sales pace and rental yields.
- Rapid expansion outside Dubai.

Price Target Methodology. We use a target 40% discount to our 2009 DCF-based NAV to set our price target for Union Properties.

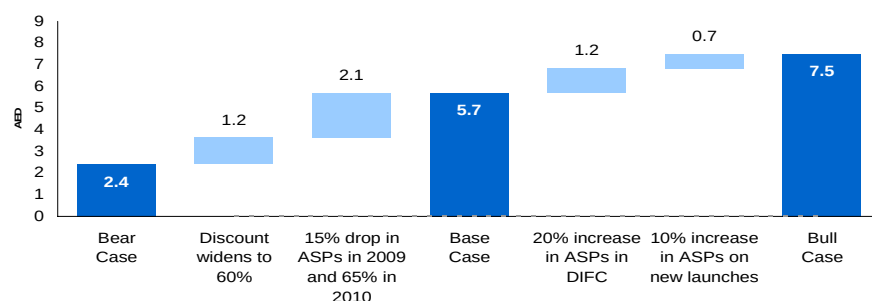
Blue sky QAR9.5 Our blue sky scenario reflects UP trading at par to 2009e NAV. While this is unlikely to materialise over the next 12-18 months, we note that most property stocks trade towards NAV as income generating assets increase.

Bull Case AED7.5 Higher selling prices driven by more robust property market in Dubai. We assume a 20% higher selling price for the premium area of DIFC and 10% higher prices on its new launches.

Base Case AED5.7 Dubai experiences a soft landing in selling prices. We assume UP acquires 4.6m SQM of new land and a built up area of 1.8m SQM. We use a discount rate of 10% for existing projects and 12% for new launches.

Bear Case AED2.4 A sharp price correction in the property market. We assume a hard landing in Dubai spreads to other markets across MENA; our bear case assumes a slump in prices by 15% in 2009 and 65% in 2010 similar to Singapore during the Asian crisis. We also use a 60% discount to NAV.

Bear to Bull: Selling prices are the key value driver



Source: FactSet, Morgan Stanley Research estimates

Exhibit 106

UP: Income Statement, 2006-16e

(AED mn)	2006	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Property Sales	404	347	363	6,959	6,364	1,892	2,757	4,136	4,595	5,055	6,433
Property Rentals	141	192	196	225	300	354	356	369	381	394	407
Hotel Revenue	0	0	105	137	688	703	677	668	646	675	704
Other operating activities	1,981	2,382	2,807	3,368	3,873	4,067	4,189	4,314	4,530	4,666	4,806
Total Revenue	2,525	2,922	3,471	10,688	11,225	7,016	7,979	9,487	10,152	10,789	12,350
YoY Growth (%)		15.7	18.8	208.0	5.0	-37.5	13.7	18.9	7.0	6.3	14.5
Cost of property sales	238	141	150	2,772	3,215	1,108	2,142	3,213	3,569	3,926	4,997
Cost of rentals	34	36	54	69	86	85	88	92	96	100	81
Depreciation	0	0	41	62	63	84	90	97	104	111	120
Other operating costs	1,837	2,217	2,672	3,259	3,748	3,936	4,054	4,175	4,301	4,430	4,563
Total Cost of Sales	2,108	2,395	2,917	6,162	7,112	5,213	6,374	7,577	8,070	8,567	9,760
Gross Profit	417	527	554	4,527	4,113	1,804	1,605	1,910	2,083	2,222	2,590
Gross Profit Margin (%)		18.0	16.0	42.4	36.6	25.7	20.1	20.1	20.5	20.6	21.0
SG&A	73	122	139	214	224	210	319	427	508	539	618
EBIT	343	405	415	4,313	3,889	1,593	1,286	1,483	1,575	1,682	1,972
EBIT Margin (%)		13.9	12.0	40.4	34.6	22.7	16.1	15.6	15.5	15.6	16.0
Net interest income	-8	-60	-71	-164	-125	-119	-112	-64	-21	6	20
Investment income	49	42	23	24	21	19	18	19	18	17	16
Fair value gain (loss) on investment property	230	308	540	0	0	0	0	0	0	0	0
Other income/(expense)	0	5	174	11	6	4	4	9	10	11	12
Net income	614	698	1,080	4,184	3,790	1,496	1,196	1,448	1,582	1,716	2,021

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Exhibit 107

UP: Balance Sheet, 2006-16e

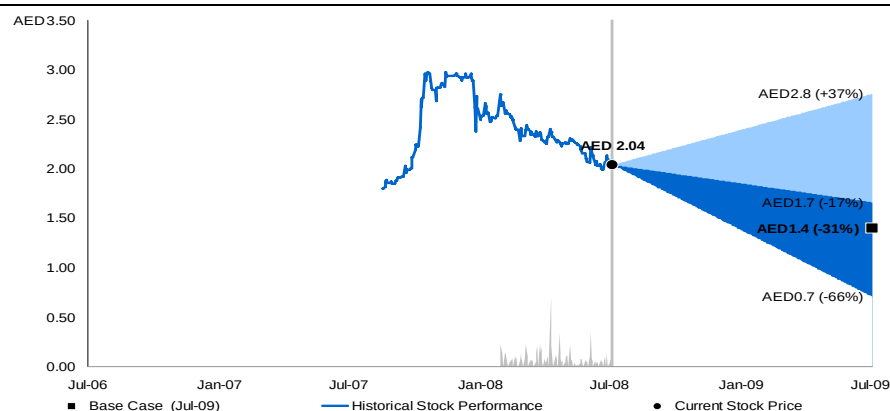
(AED mn)	2006	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Cash & cash equivalents	51	102	1,499	2,547	4,444	545	2,455	2,995	3,104	5,101	10,540
Accounts Receivables	1,779	2,943	3,126	3,479	2,298	2,628	1,110	1,631	1,813	1,994	2,538
Other current assets	803	649	891	1,284	1,482	1,086	1,328	1,473	1,569	1,666	2,033
Total current assets	2,633	3,694	5,516	7,310	8,224	4,259	4,894	6,099	6,485	8,761	15,111
Investment Properties	2,629	2,814	3,367	3,567	4,067	4,467	4,467	4,467	4,467	4,467	4,467
Investments	146	222	233	245	257	270	283	297	312	328	344
Net PP&E	367	376	540	1,505	1,900	2,490	2,692	2,917	3,166	3,443	3,751
Other non-current assets	1,775	3,993	5,894	7,534	8,170	9,713	10,354	10,009	9,306	7,329	2,332
Total non-current assets	4,917	7,405	10,034	12,850	14,394	16,939	17,796	17,690	17,251	15,567	10,894
Total assets	7,550	11,098	15,550	20,160	22,618	21,199	22,690	23,789	23,737	24,328	26,004
Short term debt	776	1,185	2,010	2,010	2,010	2,010	2,010	2,010	1,398	1,109	1,109
Accounts Payable	1,471	2,326	2,268	3,594	3,161	3,041	5,135	6,524	6,949	7,377	8,405
Dividend Payable	0	0	0	0	1,895	898	837	1,157	1,264	1,372	1,616
Other current liabilities	3	6	0	0	0	0	0	0	0	0	0
Total current liabilities	2,251	3,516	4,279	5,604	7,066	5,949	7,982	9,691	9,611	9,858	11,130
Long term debt	607	2,194	4,794	3,893	2,992	2,091	1,190	288	0	0	0
Other non-current liabilities	140	163	172	174	176	177	178	179	180	181	182
Total non-current liabilities	747	2,357	4,966	4,067	3,168	2,268	1,368	467	180	181	182
Total liabilities	2,997	5,874	9,245	9,672	10,234	8,217	9,349	10,159	9,791	10,039	11,312
Equity	4,553	5,225	6,305	10,488	12,384	12,982	13,341	13,630	13,946	14,289	14,693

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

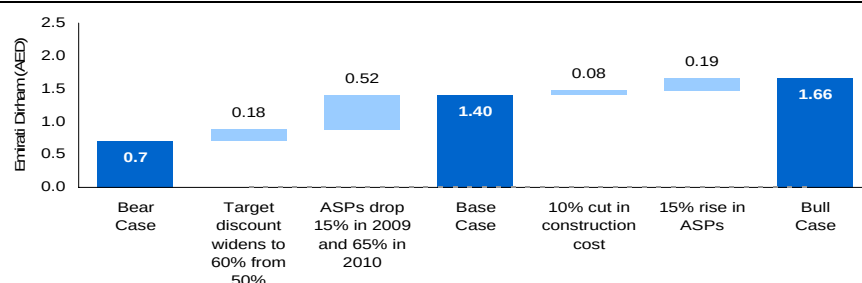
Deyaar (DEYR.DU, AED2.0, UW-V, PT AED1.4)

Deyaar: considerable risk to the downside



Price Target	Methodology. We use a target 50% discount to our 2009 NAV to set our price target for Deyaar.
Blue sky AED2.8	Our blue sky scenario reflects Deyaar trading at par to 2009e NAV. While this is unlikely to materialise over the next 12-18 months, we note that most property stocks trade towards NAV as income generating assets increase.
Bull Case AED1.7	Favourable market conditions in Dubai prevail in the long term. Faster sales and higher ASPs (15%); WACC falls (-100bps).
Base Case AED1.4	Favourable market conditions in Dubai in the short term only. All of the landbank is developed over the next 10 years; high WACC of 13.5-15.5% to account for market and management risk.
Bear Case AED0.7	A sharp price correction in the property market. We assume a hard landing in Dubai spreads to other markets across MENA; our bear case assumes a slump in prices by 15% in 2009 and 65% in 2010 similar to Singapore during the Asian crisis. We also use a 60% discount to NAV.

Bear to Bull: overexposed to Dubai



Source: FactSet (historical share price data), Morgan Stanley Research estimates

Why Underweight-V?

- Positive momentum could dissipate beyond the short term as the company lacks exposure to markets outside of Dubai.
- Unfavourable valuation compared to peers, with the stock trading at a 26% discount to our 2009 NAV vs. an average of 62% for our peer group. Our price target implies 31% downside.
- Risk-reward is more skewed to the downside, with our bear case implying 66% downside.

Key drivers

- Announcements on huge projects in Dubai's Water Front area would provide long-term earnings and cash flow visibility.
- Favourable market conditions prevail in Dubai, leading to successful launches and sales.
- Rapid expansion outside Dubai, e.g. in Saudi Arabia.
- Indirect government support through parent company Dubai Islamic Bank reduces execution risk and provides financial support in the event of a bear market.

Downside risks

- Property market slump curtailing new projects
- Buyer defaulting on current purchases

Catalysts

- Management change could boost investor confidence
- Announced expansion plans in the Saudi market – a top priority for management
- Stock opening up to foreign ownership

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Exhibit 108

Deyaar: Income Statement, 2007-16e

(AED mn)	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Sale of properties	724.8	2,521	6,858	6,632	3,614	3,055	2,657	2,402	1,557	1,557
Rental revenue	-	-	-	57.3	73.5	94.0	107.3	134.6	141.9	152.1
Other revenue	107.5	123.7	142.2	156.4	172.1	184.1	193.3	199.1	205.1	211.3
Total Revenue	832.3	2,645	7,000	6,845	3,860	3,333	2,957	2,736	1,904	1,921
YoY Growth (%)		210.4	164.7	-2.2	-43.6	-13.6	-11.3	-7.5	-30.4	0.9
Cost of properties sale	503.8	1,278	3,778	3,761	2,212	1,837	1,605	1,471	925.3	925.4
Cost of rent	-	-	-	21.5	28.0	36.1	41.8	52.5	56.0	60.7
Total Cost of Sales	503.8	1,278	3,778	3,783	2,240	1,873	1,647	1,523	981.3	986.0
Gross Profit	328.5	1,367	3,222	3,063	1,620	1,460	1,311	1,213	923.0	934.6
Gross Profit Margin (%)	39.5	51.7	46.0	44.7	42.0	43.8	44.3	44.3	48.5	48.7
SG&A	116.5	407.3	577.0	593.7	540.4	466.6	414.0	383.0	266.6	319.9
Other operating income (net)	66.3	110.7	132.8	159.4	310.9	268.5	238.2	220.4	153.4	154.7
EBIT	278.3	1,170	2,778	2,628	1,391	1,262	1,135	1,050	809.8	769.4
EBIT Margin (%)	33.4	44.2	39.7	38.4	36.0	37.9	38.4	38.4	42.5	51.7
Net interest income	32.1	2.4	9.5	29.7	47.7	51.8	47.1	51.8	59.4	56.0
Other income/(expense)	107.4	-	-	-	-	-	-	-	-	-
Pre-tax income	417.8	1,173	2,788	2,658	1,439	1,314	1,182	1,104	869.2	825.4
Taxes	1.4	-	-	-	-	-	-	-	-	-
Net income	416.4	1,173	2,788	2,658	1,439	1,314	1,182	1,104	869.2	825.4

e = Morgan Stanley Research estimates, YoY = Year on year

Source: Company data, Morgan Stanley Research

Exhibit 109

Deyaar: Balance Sheet, 2007-16e

(AED mn)	2007	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Cash & cash equivalents	1,250	1,306	2,828	4,544	4,933	4,487	5,142	5,657	5,336	6,181
Accounts Receivables	801.8	1,102	2,917	2,852	1,608	1,389	1,232	1,140	793.4	800.3
Development Properties	5,141	6,407	6,129	5,135	5,092	4,819	4,323	3,777	3,777	3,008
Other current assets	646.0	710.6	774.6	842.7	910.1	980.8	1,055	1,135	1,220	1,312
Total current assets	7,838	9,359	12,689	13,292	12,428	11,586	11,663	11,620	11,038	11,302
Investment Properties	-	-	-	650.0	650.0	650.0	650.0	650.0	650.0	650.0
Investments	540.2	540.2	540.2	540.2	540.2	540.2	540.2	540.2	540.2	540.2
Net PP&E	26.7	27.6	28.8	30.3	32.0	34.0	36.4	39.1	42.3	45.9
Other non-current assets	969.1	969.1	969.1	969.1	969.1	969.1	969.1	969.1	969.1	969.1
Total non-current assets	1,536	1,537	1,538	2,190	2,191	2,193	2,196	2,198	2,202	2,205
Total assets	9,374	10,896	14,228	15,482	14,620	13,779	13,858	13,818	13,240	13,507
Short term debt	287.3	187.8	-	-	-	-	-	-	-	-
Accounts Payable	1,522	1,775	4,198	4,203	2,488	2,081	1,830	1,692	1,090	1,096
Dividend Payable	-	234.5	1,394	1,595	1,007	1,051	945.7	883.5	695.3	660.4
Other current liabilities	1,245	1,731	58.4	157.0	1,189	412.0	599.7	524.9	547.8	574.3
Total current liabilities	3,054	3,807	5,756	5,961	4,669	3,555	3,386	3,112	2,345	2,330
Long term debt	130.3	-	-	-	-	-	-	-	-	-
Other non-current liabilities	90.9	98.3	106.5	115.5	125.5	136.5	148.6	162.0	176.7	192.9
Total non-current liabilities	221.5	98.3	106.5	115.5	125.5	136.5	148.6	162.0	176.7	192.9
Total liabilities	3,276	4,027	5,757	6,076	4,810	3,681	3,524	3,263	2,510	2,523
Equity	6,098	7,036	8,430	9,493	9,925	10,188	10,424	10,645	10,819	10,984

Source: Company data, Morgan Stanley Research

e = Morgan Stanley Research estimates

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