

Kuwait

Kuwait Real Estate Sector

The remarkable state of real estate !

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Global Investment House KSCC

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Summary

The best of times are here to remain as portended by the global oil demand forecasts. Oil price anywhere above US\$50 is bound to ensure adequate liquidity in Kuwait. Besides the buoyant oil scenario, what enhance our expectations for the medium term are the multiplier effects of projects, which attract huge investments. While transport and utility related projects are set to ensure steady investments for years, other construction and tourism related projects would abet the optimum utilization of liquidity in the shorter term. Another offshoot of the current excess liquidity is the increase in earnings from investments for some years to come. Funds managed by agencies such as Kuwait Investment Authority (KIA), Kuwait Petroleum Corporation (KPC) and Public Institute for Social Security have almost multiplied in the previous three years, with the Reserve Fund for Future Generations (RFFG) already estimated to hold around US\$174bn by the end of March 2007.

Kuwait's real estate market is a pillar of strength for the local economy, as its health is tied to the Kuwaiti population as a whole. Aside from Oil sector, Kuwait has two major markets that are stock exchange and real estate. Despite a stellar performance in the market in the past period, the sector still hold potential, as the record levels of liquidity and the uneasy world economic recovery should continue to keep funds flowing into the sector, which is deemed by many as a safe haven. Looking forward, the construction industry is expected to benefit from US\$8bn worth of private investment and US\$3bn worth of government investment over the next five years. The combined cost of US\$11bn could rise to US\$40bn if future Build Operate Transfer (BOT) projects are taken into consideration, including planned residential and tourist resort developments in Failaka and Bubiyan islands. Moreover, much current investment is going into construction of shopping malls, which include entertainment and retail facilities.

GDP stood at a new landmark of KD29.6bn by the end of 2006 to grow rapidly by 20.8%. Oil & Gas took the lion's share of GDP in 2006, comprising 55.0% of total GDP, with contribution of KD16.3bn. The output of this sector grew by 26.4% over that in 2005, which was in line with that in most of the countries in the region, thanks to the sky rocketing oil prices and sustained production levels. Although oil is still the main component of GDP, the non-oil component of GDP has continued its steady rise since 2000. Following up on a growth of 19.9% in 2005, the non-oil sector further grew by 14.2% in 2006, illustrating that there is more to the Kuwaiti economy than oil. All of the sectors within the non-oil economy posted impressive growth during 2006. Among the other non-oil sectors that showed marked improvement were financial institutions (37.0%), transport, storage and communication (13.6%), and construction (9.7%). Community and Social Services, which contributed 11.8% to the GDP, grew by 7.8% in 2006.

Real estate and construction segments continued to expand rapidly and additional funds were pumped into these sectors and they become pivotal to the health of the local economy. In growth terms, both construction and real estate were able to improve their value addition to GDP. Construction sector's contribution to GDP grew by 9.7% during 2006 while real estate contribution grew at 7.2%. Combined, the sectors accounted for 6.0% of Kuwait's economy during 2006, as compared to 8.5% and 6.7% in 2004 and 2005 respectively. However, this does not indicate either real estate or construction activities have been diminishing; instead, this is due to brisk growth in oil & gas sector in Kuwait's economy.

Aided by the increased economic activity and ample liquidity, the real estate and construction sectors have been among the forerunners of those sectors receiving credit facilities over the period 2000-06. Credit to the real estate sector accounted for 22.0% of the total credit extended by banks during 2006, which is the second largest portion after personal facilities. Further, the sector has consistently expanded, with banks increasing facilities to the sector at a CAGR of 25.2% over the same period. During 2006, facilities extended to real estate sector reported 29.5% of annual growth, standing at KD3.3bn. Similarly, banks increased facilities to the construction sector by 25.9% on average over the period 2002-06 to breach the KD1.0bn landmark by the end of 2006. On annual basis, loans to the sector grew rapidly by 39.0% for 2006 to stand at KD1.1bn. Islamic leasing, as well, is beneficial to the real estate sector because it provides a lot of flexibility. Ijara financing has been a major success, mainly due to the boom in the market. The new financing method Ijara or lease-to-own, has flooded the real estate market. This type of financing has pumped considerable funds into the real estate market, taking a large role in driving up property prices across Kuwait.

The increase in prices of building materials was estimated to have resulted in rise of construction cost by 50.0%. Consequently, the government was prompted to temporarily raise subsidies for building materials, especially cement and steel for both years 2005 and 2006. Total government subsidies for building materials reached KD9.9mn for 2006, growing by 32.6% over KD7.4mn last year. Out of total subsidies, steel subsidies grew rapidly at 42.6% reaching KD4.8mn. Cement subsidies on the other hand comprised 50.8% of total subsidies standing at KD5.0mn.

Building permits as a proxy for construction activity in the economy has shown signs of picking up in 2005 after a drop in 2004. As for the year 2006, issued permits reported 12.5% decline reaching 3,601 permits. The decline could be reported mainly to residential permits due to its sheer size (more than 80.0% of permits by the end of 2006). Residential permits declined by 10.5% reaching 2,738 permits. On the other hand, commercial permits grew significantly by 67.3% to 87 permits.

Total property sales value was helped by the buoyancy in real estate sector to grow at a CAGR of 14.2% for the period 2001-06 reaching KD2.7bn. However, total number of units sold during the same period had declined at a CAGR of 1.8%. This implied a higher average price per unit especially for residential segment. Investment segment reported increasing CAGR rates for both number and value of units sold at 7.8% and 27.1% respectively. Similarly, mirroring the real estate boom especially in commercial segment both number and value of units sold reported the highest CAGR rates of 25.8% and 69.0% respectively.

Residential property remains the backbone of the local property market, despite a growing interest in investment properties in the recent period. Much of the activity in the real estate market is concentrated in this vital segment and we hold the view that supply / demand dynamics are deeply biased towards an under supply of residential property. Confirming the undersupply scenario is Public Authority for Housing Welfare (PAHW) data on total applications and waiting list. According to PAHW, waiting rate has been increasing over years. Waiting rate stood at 16.8% during the late eighties then jumped to 24.6% on average for the whole nineties. However, there was a dramatic increase in waiting rate for the last three years reaching more than 50.0% over the period 2004-06.

By the end of 2006, residential land average price hiked to a new landmark of KD277/m² as compared with KD253/m² reported for 2005. Land prices in Hawally and the Capital governorate led the rise as areas closer to Kuwait City, such as Yarmouk, Surra, and Salwa led in interest. Residential land prices in the Capital governorate hiked by an average of around 12.2% by the end of 2006. Following the increase in land prices during the last four years, average price per residential unit followed an increasing trend reporting a CAGR of 4.3% over the period 2003-2006. Average price per unit increased from KD152,470 during 2003 to KD172,980 in 2006. Generally, this increase in average price per unit over the last four years was a common phenomenon in investment and commercial segments as well as industrial segment. On CAGR basis, both segments grew at 18.6 and 19.6% respectively over the period. Average investment and commercial unit price stood at a new landmark of KD703,900 in 2006. More important was industrial segment that witnessed the highest annual growth rate of 87.4% standing at KD707,500 by the end of 2006.

The investment properties sector continued its exceptional performance during the period 2000-2006. The influx of expatriates, increased building space, and rising rents were the main reasons backing the performance. Entering 2006, investment property prices in hotspots such as Salmiya and Hawally grew by 9.7% and 13.0% to stand at KD620 and KD538 per square meter respectively. As a result, the strong demand coupled with shortage in supply has propped most investment property owners to raise rents. Entering 2006, rental rates continued its growth at 9.0% reaching a new landmark of KD2.95 per meter square. Bneed Al Gaar and Fahaheel lead the growth during 2006 reporting annual growth rates of 12.8% and 12.0%. Areas such as Salmiya and Hawally reported the lowest growth rates of 6.5% and 5.9% reaching KD3.26 and KD3.06 per square meter respectively.

After a relatively stagnant performance on the part of the retail market up until 2001, commercial real estate property in Kuwait has seen increased activity. Commercial segment average land rates grew rapidly at a CAGR of 18.8% over the period 2000-2006. Currently, vacancy rates are still low because of huge demand and scarcity of supply and thus rental prices are rising. By the end of 2006, average commercial land rates picked up by 11.8% to a new landmark of KD3,490 per meter square. Commercial land rates in Hawally and Salmiya went up by 25.8% and 10.0% respectively in 2006. Similarly, Retail space rental across the state of Kuwait increased by 16.6% to a new landmark of KD16.7 per square meter by the end of 2006. Rentals in Hawally, Farwaniya and Khaitan increased the most by 27.9%, 26.5% and 21.2% respectively.

Concurrently, the tides have also turned in Kuwait's office market. This has translated into precipitous increases in commercial land value. During the period 2001-2006 commercial land which is licensed for 620.0% built up area in downtown Kuwait grew at a high CAGR of 17.1%. Prices increased to unseen level of KD7,750 per meter square by the end of 2006. Similarly, neighboring Sharq area plots, which are licensed for 520.0% built up area, have also hiked up in value at a CAGR of 21.2% during the same period. Prices sky rocketed to a new landmark of KD6,950 per meter square by the end of 2006.

On the tourism front, the hospitality sector has emerged to the forefront of rapidly expanding segments. After the fall of the Iraqi regime, there was a flood of hotel guests to Kuwait, driving up prices to record levels. The government has also shown its intent on fully supporting tourism in Kuwait, launching a number of tourist projects that could place

Kuwait on the regional tourism radar. One of such tourism projects is the Failaka Island Development Project that is expected to add more than 4000 rooms and chalets to the sector in the most beautiful island off the coast of Kuwait. In addition the project will add no less than 12 hotels, a new harbor and marina for up to 300 boats.

Finally, regarding real estate sector performance in the stock market, Kuwaiti market rebounded during the first half of 2007 backed by investors' confidence that remained high on the back of positive news flow from the macro perspective and healthy corporate earnings. Global General index reported overall YTD gain of 30.0% at the end of the 1H07, while Global Real Estate Index reported 10.4% YTD growth. On the capitalization front, total market capitalization reported YTD growth of 32.5% during 1H07, mirroring the positive market sentiment. Market capitalization stood at KD55.5bn by the end of 1H07 while Real estate capitalization reported a growth of 12.5% standing at KD3.5bn.

On the profitability front, the year 2007 witnessed major changes as total earnings more than doubled during 1Q07. Total earnings grew by 158.3% to stand at KD1.5bn as compared with KD577.3mn during 1Q2006. Backed by the positive market sentiment, almost all sectors reported double digits growth rates during 1Q07. Within all sectors, real estate sector reported the best performance. After reporting KD10.3mn of losses during 1Q06, real estate earnings rebounded during 1Q07 to reach KD75.4mn of profits.

Macroeconomic Profile

Spanning an area of 17,820 square kilometers, the State of Kuwait enjoys a coastline of approximately 499 km and is situated in the Middle East, bordering the Arabian Gulf, between Iraq & Saudi Arabia, enjoying an extremely strategic location at the head of the Arabian Gulf. Kuwait is a small, relatively open economy with proven crude oil reserves of about 99 billion barrels to rank as the fourth largest confirmed oil reserves in the world.

The benefits of high oil prices have been omnipotent in Kuwait, helped by the adequate reserves and the relative small size of the country. It is one of richer countries in the world with a per capita GDP of US\$32,259 in 2006. Abundance of oil reserves as well as the various steps to increase oil production and export capacity has set the economy for high growth at least in the short to medium term. Growth would further be aided by the petrodollar generated liquidity and the resultant investments in construction projects. However, sustaining this growth in the longer term remains the challenge and is contingent upon a number of structural changes in the economy, imperative to reduce the dependence on oil. This revolves around a shift towards market oriented system so as to improve the efficiency on all fronts. Nominal GDP for 2006 reached a new landmark of KD29.6bn, 20.8% higher than the previous year.

The best of times are here to remain as portended by the global oil demand forecasts. Oil price anywhere above US\$50 is bound to ensure adequate liquidity in Kuwait. Besides the buoyant oil scenario, what enhance our expectations for the medium term are the multiplier effects of projects, which attract huge investments. While transport and utility related projects are set to ensure steady investments for years, other construction and tourism related projects would abet the optimum utilization of liquidity in the shorter term. Another offshoot of the current excess liquidity is the increase in earnings from investments for some years to come. Funds managed by agencies such as Kuwait Investment Authority (KIA), Kuwait Petroleum Corporation (KPC) and Public Institute for Social Security have almost multiplied in the previous three years, with the Reserve Fund for Future Generations (RFFG) already estimated to hold around US\$174bn by the end of March 2007.

While the liquidity powered by oil prices and steady production led to high growth of the Kuwait economy, heavy dependence on oil continues to loom large when considering the sustainability of this growth in the longer term. Owing to its dependence on oil as the single largest revenue source (more than 90.0%), the economy of Kuwait can be split into two broad sectors, Oil sector and Non-oil sector. In the Non-oil sectors, three important segments by size and business are,

- Community, Social & Personal Services comprising of public administration, defense, education, health care and personal & household services
- Financial Institutions
- Real Estate & Business Services

Apart from those mentioned above, other sectors such as construction, wholesale & retail trade, transport, storage, and communications are also sizeable and stable sectors. The share of manufacturing sector in the GDP is also large, but it includes the petro-products industry as one of its constituents which, in itself, is significant in size owing to the large oil sector of the country. Although the significant growth in the size of mining & quarrying sector (mainly oil sector) overshadows the performance of the components of non-oil sector, the growth rate of the primary components of non-oil sector is continuous, though declining.

To the credit of the authorities in Kuwait, there has always been a roadmap framed to make structural changes in the country and thus to render the growth more broad based. Salient among these structural changes were privatization, removal of procedural delays, liberalizing the route of foreign investments and lowering of the corporate tax rate for foreign firms. However, for various reasons, some of them have not fructified to the desired extent, while some of them did not take off at all.

There have been a few marked changes in Kuwait's policy towards liberalization in the last few years. These could in turn trigger structural changes, if the few supportive factors fall in place. Forefront among the policy changes has been that towards privatization, with a slew of build operate and transfer (BOT) projects leading the way in the region. Prominent among these are the estimated US\$5bn tourist development in Failaka and US\$6bn development in Bubiyan, which involves the construction of a new port, container terminal and residential and commercial infrastructure on the island. The potential size of tourism industry in Kuwait pales in comparison with some of the other GCC countries. But projects like that in Failaka would result in a huge improvement from the prevailing situation of negligible tourism revenues. Though both the projects have been delayed due to various reasons, the frameworks involving them in itself is in the right direction-that of diversifying the economy.

Gross Domestic Product

Results for 2005 indicated another year of exuberant growth for Kuwaiti economy primarily backed by high oil prices and increased oil production levels. Nominal GDP increased to KD24.5bn in 2005 as compared to KD17.5bn in 2004, a surge of 39.7%. At the same time, real GDP grew by 10.0% to KD16.9bn. The same trend of growth was registered in 2006 too, thanks to oil prices and production levels being on their upward trend. GDP stood at a new landmark of KD29.6bn by the end of 2006 to grow rapidly by 20.8%.

Oil & Gas took the lion's share of GDP in 2006, comprising 55.0% of total GDP, with contribution of KD16.3bn. The output of this sector grew by 26.4% over that in 2005, which was in line with that in most of the countries in the region, thanks to the sky rocketing oil prices and sustained production levels. Although oil is still the main component of GDP, the non-oil component of GDP has continued its steady rise since 2000. Following up on a growth of 19.9% in 2005, the non-oil sector further grew by 14.2% in 2006, illustrating that there is more to the Kuwaiti economy than oil. All of the sectors within the non-oil economy posted impressive growth during 2006. Among the other non-oil sectors that showed marked improvement were financial institutions (37.0%), transport, storage and communication (13.6%), and construction (9.7%). Community and Social Services, which contributed 11.8% to the GDP grew by 7.8% in 2006.

Going forward, we expect more or less the same growth rate for the non-oil sector. However, we believe that instead of being heavily dependent on the 'Refined products' segment, non-oil sector growth would also be driven by sectors like 'Transport, Storage and Communications and construction, thanks to the various ongoing projects. However, in general, it can be seen that oil and refined products would continue to have a major bearing on the growth of the economy.

The abundant oil resources-endowed economy in Kuwait historically threw up little need for major long term capital investments. However, oil revenues hitting the roof changed the situation with the gross fixed capital formation (GFCF) growing by a buoyant CAGR of 28.8% in the period 2000-'06. Capital formation started in a big way with a major spurt since 2001. GFCF grew by 35% and 55.8% in 2004 and 2005 respectively, much higher than the consumption expenditure for both years. Following ahead GFCF continued to grow by 11.7% during 2006 standing at KD5.5bn. Despite the high growth in GFCF, its contribution to GDP accounted only for 16.3% on average for the period 2000-06.

Real estate and construction segments continued to expand rapidly and additional funds were pumped into these sectors and they become pivotal to the health of the local economy. In growth terms, both construction and real estate were able to improve their value addition to GDP. Construction sector's contribution to GDP grew by 9.7% during 2006 while real estate contribution grew at 7.2%. Combined, the sectors accounted for 6.0% of Kuwait's economy during 2006, as compared to 8.5% and 6.7% in 2004 and 2005 respectively. Separately, real estate accounted for 4.4% of GDP, which is below its 6-year period (2000-06) average of 7.1%. Similarly, construction sector accounted for 1.6% of GDP during 2006, as compared with its 6-year average of 2.3%. However, this does not indicate either real estate or construction activities have been diminishing; instead, this is due to brisk growth in oil & gas sector in Kuwait's economy.

Table 01: GDP by Economic Activity (at Current Prices)

Sector (KDmn)	2002	2003	2004	2005	2006
Mining and Quarrying	4,423.0	5,814.8	7,844.5	12,865.2	16,256.2
Manufacturing excluding refined products	476.7	554.6	660.4	742.7	814.2
Refined Products Industry	430.6	572.4	795.5	970.2	1,159.2
Agriculture and Fishing	59.9	64.9	70.9	71.1	74.4
Electricity, Gas and Water	275.3	299.4	306.9	319.1	336.6
Construction	312.0	349.3	401.9	437.1	479.3
Trade, Restaurants and Hotels	946.2	1,064.4	1,120.7	1,185.8	1,260.0
Transport, Storage and Communications	590.4	799.9	1,048.0	1,230.7	1,397.4
Financial Institutions	862.7	1,236.6	1,558.6	2,855.4	3,911.1
Real Estate	969.8	1,062.0	1,094.8	1,208.4	1,295.8
Business Services	163.7	186.6	227.2	242.3	253.4
Community, Social and Personal Services	2,541.0	2,726.4	2,950.0	3,228.3	3,478.7
GDP at Producer's Price	12,051.3	14,731.3	18,079.4	25,356.3	30,716.3
Imports Duties	96.9	135.1	161.5	173.6	174.6
GDP at Purchaser's Price Value	11,590.0	14,253.5	17,516.7	24,477.8	29,572.8
GDP Growth Rate	8.3%	23.0%	23.0%	39.7%	20.8%

Source: Central Bank of Kuwait & Ministry of Planning

Going forward, we believe robust economic conditions and increased private spending as well as a strong pick up in gross fixed capital formation, which will be driven by several capital projects to commence, should help the economy to achieve double-digit growth rates in 2007 and 2008. We expect both construction and real estate sectors to continue to augment growth in the non-oil & gas sector. In fact, we feel that growth of those key sectors will especially be quicker in the coming years as the government begins to put into practice its diversification programs and facilitating the role of private sector in the economy.

Though we continue to bet on the oil price led expansion in the short term, concerns over the longer-term sustainability remains, especially in a scenario of oil price reversal. However, as we expect oil prices to remain at high levels, it would support the overall economy and the returns from increased capital investments during the times of high oil prices would also flow in subsequently.

Public Finance

The preliminary actual results of the fiscal year 2006-'07 revealed totally different figures than those presented in the budget. As compared to a budgeted deficit of KD2.6bn, 2006-'07 witnessed a substantial KD7.2bn surplus representing 24.3% of GDP and 4.8% higher than 2005/2006 surplus. This is the seventh straight year running that the government has been able to produce a surplus. This was the result of combination of actual revenues over performing the budget by 181.5% and expenditure underperforming the budget by 25.7%.

'Oil and Gas' revenues contributed 93.9% to total revenues as it raked in KD14.5bn, supported by a jittery world oil market which left oil prices at relentless highs as well as due to increased production. Non-oil revenues were boosted by the surge in the local property market, in turn leading to an increase in the number of transactions, which helped the government to collect a larger bulk of property transfer fees and additional revenues from land sales. Also taxes on income and profits, customs duties, transportation and communications fees and 'Water and electricity' charges were increased. As a result, non-oil revenues grew by 22.7% to stand at a new landmark of KD948.2mn.

Actual expenditure stood at KD8.3bn, as against KD11.1bn of budgeted expenditure. All five categories revealed under spending with capital expenditures experiencing the heaviest under spending among all categories. The government under spent its transport and equipment installations budget by 71.8%. However, such under spending is expected to be lower as there are certain expenditures that are booked only when the final accounts for the fiscal year are released. Further, construction, maintenance and land acquisition expenditures were also under spent, reaching only 34.3% of the allocated amount. With the private sector taking a more active role in the real estate market in the last few years, the government seems to have cut spending for acquiring new lands, leaving this job to the emerging private sector. Though capital expenditure has seen a CAGR of 12.0% in the period 2000-2006, we believe that it is still low in the context of the oil price-led boom and the resultant revenues. Capital expenditure formed a relatively low share of 9.5% of the total expenditure during the period.

Table 02: Public Finance

KD mn	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07*	2007/08**	6-yr CAGR%
Oil Revenues	4,525.0	5,498.5	6,149.9	8,170.5	12,955.5	14,511.5	7,450.0	21.4%
Other Receipts	811.6	720.5	786.3	791.9	772.7	948.2	870.0	13.8%
Total Revenues	5,336.6	6,219.0	6,936.2	8,962.4	13,728.2	15,459.7	8,320.0	20.8%
Wages and Salaries	1,471.6	1,541.5	1,637.0	1,754.3	1,930.9	1,682.2	2,540.0	8.0%
Goods and Services	545.5	582.1	668.2	870.3	1,057.9	1,067.7	1,819.0	19.5%
Means of Transport & Equipment	24.1	23.7	40.5	44.5	58.6	37.4	177.0	7.7%
Construction & Land Acquisition	406.3	461.4	569.5	678.3	750.5	432.6	1,750.0	12.4%
Misc. Expenditure & Transfer Payments	2,299.0	2,318.7	2,607.5	2,967.8	3,064.1	5,042.7	4,166.0	22.1%
Total Expenditure	4,746.5	4,927.4	5,522.7	6,315.2	6,862.0	8,262.5	10,452.0	17.2%
Surplus (Deficit)	590.1	1,291.6	1,413.5	2,647.2	6,866.2	7,197.3	(2,132.0)	26.3%

* Preliminary actual

**Budgeted

Source: Ministry of Finance & Central Bank of Kuwait

The budgeted figures for the fiscal year 2007/08 envisioned another deficit, however a contracting one, which is projected to reach KD2.1bn. Expenditures are estimated to decline by 6.0% compared to the previous budget however, it would report 26.5% growth over previous year's actual expenditures. This decline in budgeted expenditures is due to the decline in transfers and miscellaneous expenditures by 30.9%. Other expenditure categories continued their growth, where salaries increased by 11.9% to reach KD2.5bn. Other salient expenditure increases include construction and land acquisition to KD1.8bn, transport equipment to KD177.0mn and goods and services expenditures to KD1.8bn. Thus, budgeted expenditures on capital projects have increased by 38.3%, although the government has historically spent only around 68.1% of its projected budget in this category.

Table 03: Economic Classification of Public Expenditure

KD Mn	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07*
Current	2,248.0	3,399.8	3,428.1	3,823.7	4,426.0	4,767.5	6,118.7
Capital	23.9	24.1	23.7	40.5	44.5	58.6	132.5
Construction	214.4	323.2	413.4	521.5	531.3	568.6	900.3
Land Acquisition	-	83.1	48.0	48.0	147.0	181.9	360.7
Other	701.8	916.2	1,014.2	1,089.1	1,166.4	1,285.3	3,606.8
Total	3,188.1	4,746.4	4,927.4	5,522.8	6,315.2	6,861.9	11,119.0

* Budgeted

Source: Ministry of Finance & Central Bank of Kuwait

For the FY 2007/08, the government has budgeted increasing share of total capital expenditures to reach 18.4% of total expenditures. Budgeted construction and land acquisition expenditures stood at new level (KD1.8bn) that is 304.6% and 38.8% above previous year actual and budgeted levels. It is important to note that, the burdens of construction spending are still relayed to some extent onto the shoulders of the private sector, through the use of Build Operate Transfer (BOT) method.

Finally, the new budget for 2007/08 seems to be a very positive and a forward looking statement made by the government. The new budget tried to focus its attention on the capital expenditures and on maintaining a significant rate of investment public spending because of its important role in activating the economy. The new budget has reported marked difference in the capital expenditure, namely "transport and equipment" and "projects and maintenance". Both categories reported the highest growth rates of 33.6% and 38.8% over the previous budget.

Domestic Credit Facilities

Money supply, as measured by M2, has been growing at very high rates since 2004. The money supply expanded by 21.7% during 2006, as compared to 12.1% and 12.3% growth rates for 2004 and 2005 respectively. This was in spite of rising interest rates environment. The tightening monetary policy adopted since 2004 and the consecutive hikes of the discount rate did not effect in limiting the liquidity largely. The reason for the overall soft impact of the policy was banks lending more aggressively during 2005 and 2006. Moreover, climbing oil revenues for the last couple of years pushed liquidity in the market up, thus increased deposits within local banks and consequently the base in which local banks can lend from. As a result, the value of KD credit facility agreements with residents increased to KD7.5bn in 2006 or a growth rate of 25.8% over 2005 level.

The balance of utilized cash credit facilities extended by local banks to different economic sectors increased to reach KD14.9bn by the end of 2006. Such level represented 26.3% growth rate for the year 2006, as compared to 19.9% of growth reported during 2005. It is important to note that, credit facilities extended by local banks had grown at an average of 21.5% over the period 2003-06. However, the year 2004 witnessed a lower growth rate of 17.2% that signified a declining trend as compared with 22.9% of growth reported during 2003. This decline was attributed to the introduction of a cap of 80.0% loans to deposits ratio. The instructions by the CBK to place such ratio has slightly weighed on local bank's abilities to increase their loan portfolios further during 2H04, as most of the Kuwaiti banks were operating at more than that limit. This has forced banks to realign their credit portfolios and has affected credit growth in the short term, including credit to construction sector. Yet this temporary phenomenon convalesced since early 2005 in light of a number of factors, the first of which is the firm oil prices. Secondly, the consecutive CBK's discount rate hikes in the past period, although this may have adverse long-term effects on the real estate market, has attracted additional funds into the system also increasing the deposit base which banks may lend from. Moreover, the effect of a short term reduction in credit from local banks to the real estate sector was marginalized as scores of private sector financing and leasing companies, both listed and unlisted, continued to provide flexible and attractive financing methods to both the real estate and construction sectors.

Aided by the increased economic activity and ample liquidity, the real estate and construction sectors have been among the forerunners of those sectors receiving credit facilities over the period 2000-06. Credit to the real estate sector accounted for 22.0% of the total credit extended by banks during 2006, which is the second largest portion after personal facilities. Further, the sector has consistently expanded, with banks increasing facilities to the sector at a CAGR of 25.2% over the same period. During 2006, facilities extended to real estate sector reported 29.5% of annual growth, standing at KD3.3bn.

Table 04: Balance of Domestic Facilities by Sector

KD mn	2000	2001	2002	2003	2004	2005	2006	6-yr CAGR
Trade	783.6	811.9	1,021.9	1,072.2	1,276.2	1,371.2	1,702.0	13.8%
Industry	318.1	394.3	465.5	441.7	447.1	467.9	608.9	11.4%
Construction	422.9	356.4	454.1	632.6	591.5	769.8	1,069.6	16.7%
Agriculture & Fishing	10.6	13.9	20.1	48.7	22.8	19.1	36.0	22.6%
Non-bank FI's	306.9	612.5	538.1	650.2	781.0	932.8	1,427.0	29.2%
Personal Facilities	1,887.3	2,307.7	2,627.9	3,442.6	4,169.1	5,137.5	6,052.4	21.4%
Real Estate	853.8	1,165.3	1,298.4	1,434.3	2,029.5	2,538.5	3,288.0	25.2%
Crude Oil and Gas	78.2	45.0	66.6	73.0	54.7	51.5	51.3	-6.8%
Public Services	0.8	0.5	0.4	1.2	0.1	4.8	4.7	34.3%
Other	567.5	319.5	360.5	622.9	494.9	534.3	694.0	3.4%
Total	5,229.7	6,027.0	6,853.5	8,419.4	9,866.9	11,827.4	14,933.9	19.1%

Source: Central Bank of Kuwait

The construction sector saw expanding credit growth over the period 2002-06, with the exception of 2004 trough. Banks increased facilities to the sector by 25.9% on average over the five year period to breach the KD1.0bn landmark by the end of 2006. On annual basis, loans to the sector grew rapidly by 39.0% for 2006 to stand at KD1.1bn. Combined, the two inter-feeding sectors accounted for a substantial portion of total facilities in 2006

representing 29.2%. We should note that the two sectors' shares are on increasing trend since 2000 when it stood at 24.4%. This could be reflected as well in the high 6 years CAGR rates for real estate and construction sectors of 25.2% and 16.7% respectively. However, Personal facilities continued to dominate utilized credit facilities at KD6.1bn, representing 40.5% of total facilities during the year 2006.

Table 05: Breakdown of Personal Facilities

KD mn	2001	2002	2003	2004	2005	2006
Consumer loans	633.5	698.0	748.8	736.4	789.0	756.0
Installment Loans	1,057.9	1,397.3	1,558.4	2,074.5	2,447.5	3,154.1
Purchase of Securities	385.8	398.3	755.1	907.5	1,248.3	1,604.6
Other Loans	230.6	134.4	380.2	450.8	652.7	537.7
Total	2,307.8	2,628.0	3,442.5	4,169.2	5,137.5	6,052.4

Source: Central Bank of Kuwait

While personal facilities continue to drive credit growth, real estate does represent a sizeable portion within this segment. Up to the year 2000, housing loans were included as a sub-category in the personal facilities segment, however, after that date, reclassification has bundled the figure into the other installments segment. A look at the installment loans may provide a rough estimate of the growth in housing loans. Installment loans have historically accounted for almost half the total loans under personal facilities. According to the latest available data for 2006, installment loans accounted for 52.1% standing at KD3.2bn. This new level represents 28.9% growth over 2005 level. Although it is not definite to conclude that growth in the real estate facilities has been the main factor behind the historically increasing levels of installment loans, the rising activity in the local property market may suggest that real estate facilities are, in the least, playing a moderate role.

Factors Influencing The Real Estate Sector

As Kuwait's economy continues to gain strength, the real estate sector has continued to move forward. It is nonetheless important to understand the dynamics of the market, identifying factors that may boost / hamper the performance of the local property market in the coming period. Below, we have identified a number of issues affecting real estate in Kuwait.

Economic Activity

The strength of the real estate sector has ultimately been derived from the intensity of the overall economic scene in Kuwait. High oil prices, moderate inflation rates, abundant liquidity, political stability and repatriation of funds have all been economic variables carrying the real estate market to unprecedented levels over the last few years. The sector is clearly going through a boom period. The reasons are well documented; the fall of Saddam Hussain has brought a renewed confidence, previously overseas invested money is flooding back, and the economy, boosted by high oil prices, is surging on a wave of liquidity. Local contractors estimate that over the next five years the private sector will invest up to US\$8bn in the construction sector, on top of US\$3bn to be spent by the government. According to recent report from Oxford Business Group, it is estimated that there were around US\$250bn worth of projects underway or in the works in Kuwait by mid 2006. Moreover, Kuwait real estate sector would benefit from increased trade and contracts with Iraq as a greater number of companies would set up shop in Kuwait targeting Iraqi business. Therefore, demand for both office and apartment space would increase.

Recently, after years of debate and delay the Supreme Petroleum Council approved the draft agreement and official documentation relating to the northern oilfields project – Project Kuwait. Further, the Prime Minister submitted new draft legislation to the National Assembly where the Parliamentary committee on Finance and Economic affairs discussed the draft law and finalized its report -with some amendments- stating that the project does not contradict with the Kuwaiti constitution. Although the decision is an important step in the implementation of the project, there remains the National Assembly's final approval. We feel that a quickened resolution and immediate activation of the stalled project would not only stimulate Kuwait's economy, but would do a great deal in further activating the real estate sector. The Project Kuwait and other small offshoot projects carrying a tag of an estimated US\$14bn would undoubtedly create a demand for commercial & residential real estate in the economy.

Similarly, the Central Bank of Kuwait (CBK) opened up the banking sector in line with the new law allowing foreign banks to operate in the State. CBK allowed five foreign banks to operate namely; France's BNP Paribas –which won the first license-, National Bank of Abu Dhabi, Citibank, HSBC Bank Middle East and Bank of Bahrain and Kuwait. Thus, easing of entry barriers in both the banking and non-banking sectors of the economy would further allow influx of both individuals and business to the country, driving demand for housing, office space, schools, healthcare etc.

Demographics

A primary determinant of the housing demand is the rate of household formations. New households that demand housing are created in two primary ways. First, households can migrate into the country, providing their labor services to the local economy. The second way that household formation can increase is through the transition of young individuals into married life, therefore requiring independent living quarters, whether it is a house or an apartment. The timing for both of these types of demand depends closely on the job opportunities available in the region or economic trends. Kuwait, going through a healthy phase of economic expansion, has seen exceptionally strong job growth, both in terms of new Kuwaiti nationals entering the job market or the retention of expatriate labor services.

Robust economic growth in Kuwait resulted in high population growth rates over the period 2000-06 reporting a CAGR of 6.2%. Statistics available from the Public Authority for Civil Information (PACI) revealed that Kuwait's total population swelled to 2.991mn in 2005, growth of 8.7% over the previous year as compared to 8.1% growth for 2004. Moreover, according to PACI, the latest data for 2006 revealed a rise in total population to breach the 3mn landmark standing at 3.183mn, or 6.4% annual growth. We expect growth to continue at its current tempo for 2007, to cross the 3.4mn landmark.

Table 06: Kuwait's Population

In 000's	Kuwaiti	Non-Kuwaiti	Total
2000	842	1,375	2,217
2001	870	1,439	2,309
2002	898	1,522	2,420
2003	928	1,619	2,547
2004	956	1,797	2,753
2005	992	1,999	2,991
2006	1023	2,160	3,183

Source: Public Authority for Civil Information

The subsiding of the threat of Iraq has spurred businesses to expand both locally and regionally, giving rise to higher demand of expatriate labor. The influx of expatriates into Kuwait has been driving record growth rates since 2001. In 2006, the number of non-Kuwaiti residents surged to 2.16mn individuals, representing 8.0% growth rate over previous year. As for expatriates' composition, it reveals a sharp skew towards the male gender, with 1.51mn males (70.0%), implying a large number of unskilled expatriate workers in construction and other industrial sectors. About 75.4% of expatriate population is between the age group of 20 - 50 years. The age groups of 20-30 witnessed the highest growth rates among expatriates during 2005 and 2006 growing at 15.6% and 10.2% respectively, illustrating that the majority of the non-Kuwaiti population is a part of the local labor market. Furthermore, the profile and growth of the expatriate population in the country elucidates the huge number of jobs generated in recent times. This is the result of petrodollars flowing into a number of construction related projects such as that in Failaka and Bubiyan islands.

As far as the local Kuwaiti population is concerned, we continued to witness growth rates around 3.0% through 2005. It grew at a CAGR of 3.3% during the period 2000-06. In 2006, Kuwaiti population reported 3.1% annual growth. This growth has pushed the number of

Kuwaitis to surpass the 1mn mark to reach 1.023mn by the end of year. In terms of gender, females dominate the Kuwaiti population, outnumbering males. Even though the population profile of Kuwaiti nationals has not significantly altered, the number of nationals under the age of 19 has steadily fallen from 52.6% in 2002 to 50.4% by the end of 2006. We foresee that the number of individuals below 19 will fall below the 50.0% mark by the year 2007. However, the still high proportion of young population raises the demand for healthcare and education. On the other hand, a steady decline in their proportion signals a major increase in the number of people entering the job market now, in turn boosting the housing demand too.

Table 07: Age Distribution of Kuwait's Population (2006)

Age	Kuwaiti	Non-Kuwaiti	Total
Up to 5	147,779	98,391	246,170
5-9	131,762	87,529	219,291
10-14	128,469	77,162	205,631
15-19	107,296	77,718	185,014
20-24	94,849	192,235	287,084
25-29	80,418	383,564	463,982
30-34	72,017	350,452	422,469
35-39	63,024	308,741	371,765
40-44	53,686	232,259	285,945
45-49	41,215	160,005	201,220
50-54	32,607	97,176	129,783
55-59	22,027	50,722	72,749
60-64	17,357	22,974	40,331
65+	30,810	20,716	51,526
Total	1,023,316	2,159,644	3,182,960

Source: The Public Authority for Civil Information

Therefore, both ingredients are present for further family creation. Kuwait still has a relatively young population, and as baby-boomers enter into the job market and have financial wherewithal to purchase their first homes, they will add to the demand which at this stage far outweighs supply in the residential segment. Parents of baby boomers are also purchasing their second homes creating a chain reaction in the market. Essentially, nationals are trading their current residences for better ones or re-locating to newer areas or closer to family members. Further, the continued growth in the expatriate population has sustained the building industry for apartment buildings. Developers trying to keep pace with rising demand are staying busy as expatriate population growth is not expected to slow in the coming period.

Another important factor in demand creation for real estate is the total employed labor force. By the end of 2006, the total employed labor force in the state of Kuwait reached 1.936mn, or 8.1% higher than 2005. This can mainly be attributed to the increase in the non-Kuwaiti labor force, which increased at 8.4% compared to 6.3% growth of the Kuwaiti labor force. The Kuwaiti population in the labor force continues to represent a declining percentage falling to 16.9% of the total at the end of 2006.

As for creating new jobs goes, 2006 witnessed the creation of 144,528 jobs, as compared with 180,485 jobs in 2005. The private sector accounted for 91.2% of these newly created jobs. This was backed by the continued trend of improving fortunes in the local economy

which increased hiring expatriates especially in the private sector. As a result, the expatriate component of the labor force continued to grow at a rapid pace, expanding by a rate of 8.4% during 2006.

Interest Rates

Central Bank of Kuwait made five consecutive increments to its discount rate during the period December 2004 and up to the end of 2005, totaling 125 basis points to stand at 6.0%. This was to be compared with 175 basis points increases in the United States Federal Reserve rates over the same period. Such moves emphasized the Central Bank of Kuwait's keenness on ensuring the conformity of KD interest rates with the trends of US dollar to which it was earlier pegged. In 2006, CBK maintained its discount rate at 6.3% as it raised it once by 25 basis points during early July 2006. The latest hike followed the US Federal Reserve raising its discount rate by 25 basis points to 6.3% by the end of June 2006. The discount rate increases were part of a gradual process to wean away the economy from what was an extraordinarily low discount rate environment in 2003.

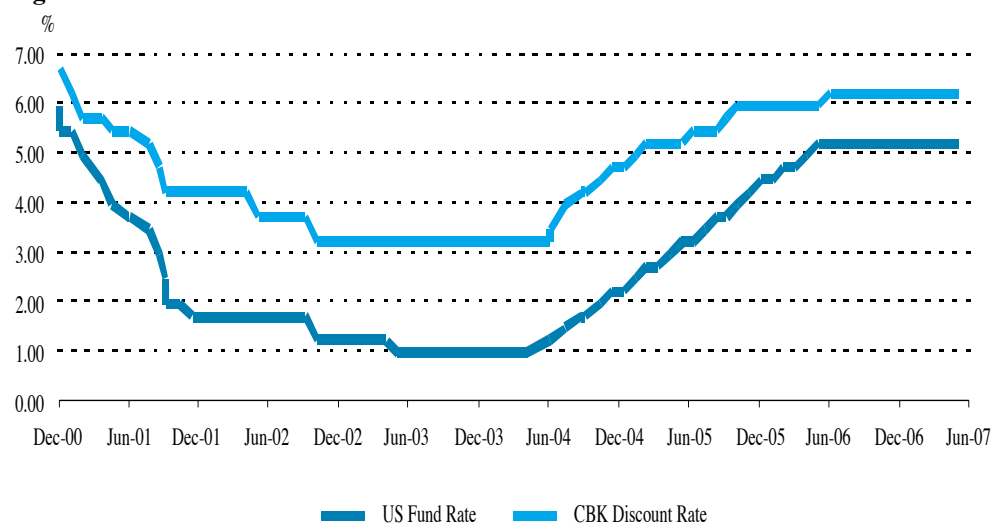
The accelerating pace of economic activity in many non-oil sectors and the resulting growing demand for bank credit has necessitated the discount rate increase, in order to maintain the attractiveness of the KD as a main store of domestic savings. These savings are the main resource which domestic banks draw on to meet the financing needs of the national economic sectors, particularly in light of the uptrend in interest rates on major currencies worldwide. Following such hikes in the discount rate, the differential between the KD and US rates witnessed a downward trend to reach 1.0% in December 2006.

Rising rates are usually unfavorable for real estate because it raises the cost of buying more houses and other properties. Given their escalation up to the mid of 2006, housing prices could be especially vulnerable to rising rates. Between the years 2003 and 2006, the monthly average price for a residential unit in Kuwait shot up from KD152,465 to KD172,978 that is 13.5% growth. Similarly, monthly average price for investment unit increased by 25.4% for the same period from KD421,591 to KD528,622.

However, pressures on the KD exchange rate against all major currencies continued due to its linkage to the tumbling US\$. This has led the CBK to manage its policy in order to curb inflation pressures especially imported inflation. Thus CBK had raised its KD/US\$ exchange rate during May 2006. Exchange rate was raised by 1.0%, reaching 289.14 fils/US\$ from 292 fils/US\$, thus exhausting the allowed margin of movement of $\pm 3.5\%$ around the parity rate of 299.3 fils/US\$ leaving no space for the usefulness of that tool in the near future without changing the band. Entering 2007, CBK continued to use all available tools in hands to curb inflation pressures. However, the announcement regarding the possibility of revaluation increased speculation on Kuwaiti Dinar. CBK cut its repurchase rate twice after warning speculators by the end of March and May 2007. CBK cut its rate by 12.5 basis points to reach 5.8%, then by 25 basis points to 5.5%. Moreover, CBK cut its three-month intervention rate by 37.5 basis points, during April 2007, to reach 5.3% in a move to ease pressure on Kuwaiti Dinar. By the 20th of May 2007, the CBK decided to change its exchange regime by linking the KD to a basket of major foreign currencies rather than merely the US\$. Such move aimed mainly to curb imported inflation pressures. Following this move, the CBK allowed the KD to move freely against the US\$ reflecting its fair value against other foreign currencies. As a

result, up to the end of July 2007 the KD value appreciated more than once against the US\$ to report 2.4% of increase since the adoption of the new exchange regime. We estimate that such moves would have positive impact on real estate and construction sector as the KD value appreciated in comparison with other major currencies thus imports would be much cheaper. Thus imported construction material would be available at slightly lower prices which we estimate to have a positive impact on the sector.

Figure 1: CBK Discount Rate Trend



Source: Central Bank of Kuwait & US Federal Reserve

Looking forward, we expect to see the CBK holding its rates at its current level for the medium term which would provide stability in the market. Additionally, high oil prices will continue to pump additional liquidity into the economy, and with a limited number of investment channels, we continue to expect funds to be channeled to the real estate sector. Investment properties would benefit from higher rates because individuals may be dissuaded to purchase villas due to the higher interest rates, therefore would require rentals, driving up demand and reducing vacancy rates of apartments across the country. Factors pushing market activity forward are sternly intact and we do not see a real threat to market activity as long as real estate yields, estimated to be around 8.5% - 11.0%, and continue to outperform bank deposits. Furthermore, new loan products and a steady flow of lending are continuing to encourage record activity. Islamic leasing has become popular, opening the door to a new class of investors to partake in the real estate market.

Islamic Leasing (Ijara)

Islamic leasing has proven its ability to attract a new demography in various markets because of its multi advantages and its adherence to Islamic Sharia law. Thus over the past several years, Ijara has emerged as a popular mode of financing that has a relatively simple structure, produces substantial profits and has inherent advantages of asset ownership, variable rental rates, securitization potential and flexibility in transaction that makes its application attractive to both lessors (investors) and lessees (borrowers). According to CBK the number of Investment companies operating in accordance with the provisions of Islamic sharia in Kuwait had reached 33 by the end of first quarter 2007, managing assets that approaches

KD5.0bn as compared to KD655.0mn in 2001. As a result, leasing companies in Kuwait have witnessed a substantial growth in the last five years.

Islamic leasing is beneficial to the real estate sector because it provides a lot of flexibility. The new financing method Ijara or lease-to-own, has flooded the real estate market. Ijara financing is more like a partnership, especially in cases of utilizing the property. Under Ijara, the property continues to be owned by the financier until the end of the lease period. However, interest incorporated in the payment would remain fixed and would generally be higher than other banks to compensate for the interest rate risk, which the Islamic financier assumes. This type of financing has pumped considerable funds into the real estate market, taking a large role in driving up property prices across Kuwait. This, coupled with the undoubted multiplication in the number of leasing and financing companies in the country have given investors an easy access to financing their real estate purchases for the purpose of both residency and speculation.

According to some market players, Ijara financing has been a major success, mainly due to the boom in the market. However, increasing interest rates would definitely be a threat for this business in the future. On another front, some players have expressed their fear of the abuse of such tool of financing, as the market is satiated with Ijara contracts. In some cases, Ijara contracts are not subject to the required study and assessment of client's financial ability to pay installments. Thus, once a client has 30.0% of the Ijara contract, the financing company will provide him with the contract without studying his ability to sustain with future installments as long as the asset is under its own ownership and it is bearing almost no risk. Looking forward, Ijara financing will continue to be a major force in the property market, with continued availability allowing for small investors (who may not have the financial capabilities of their own) a chance to join in the property rush.

Private Sector Participation

Significant growth in demand for housing and strong future demand indicate the need for rapid development of infrastructure in new areas. With the government doing its utmost, the private sector is given a more dynamic role in relieving the country of its housing shortage. The mechanism currently being used by the government is the B.O.T (Build-Operate-Transfer) route. This system allows private sector companies to develop and invest in plots that are owned by the government. The private sector has the role of operating and profiting from the investment for a period of 20 years or more, depending on the agreed contract period in which the project is returned to the government.

Similarly, another type of BOT is available but not widely used in Kuwait. This is called "mubadalat", and it works in the opposite way to BOT projects. Within mubadalat, private sector offers services to the government where it develops ideas, identifies the land, designs it and presents the proposal to the government. Within the same token is the less known mechanism 'Build To Suit' type project. The private sector firm builds and operates on its own plot of land following the specifications and regulation of the government body. An example would be the building of a school or hospital by a private sector firm for the benefit of the government.

Historically, the Kuwaiti government started using BOT projects since the seventies. However, these projects were later suspended for about twenty years. Since 1994, the idea was renewed and since then 93 projects with a total value of KD355.0mn have used the BOT system. Generally, BOT projects help in alleviating pressures on state budget. In addition, working on these projects gives the public sector more experience in dealing with private sector. On the other side, BOT projects face the problem of unavailability of unified procedures with the public authorities and bureaucracy. Moreover, BOT projects have certain needs as the time period of 20 years specified for all projects is not suitable. It is not fair to give the same period for all projects as some projects need only 10 years while other projects need 50 years.

Although happening at an unhurried pace, the government is keen to give more importance for BOT projects and to cooperate with the private sector to get maximum results from such projects. Moreover, privatization is another big step, which would lead to the success of infrastructure development. As a part of its efforts in trying to rope in the private sector to develop BOT projects, the government is working on making BOT related regulations more flexible. Thus, a decision was taken by the Cabinet during September 2005 to form a joint-committee comprising of representatives from three ministries namely; Commerce, Planning and Finance as well as the Municipality. The committee is to take final decisions on BOT projects and ensure there is equality between all projects and participants.

It is important to notice that in the recent years, BOT has become a favored method for financing infrastructure projects especially in the power, wastewater, real estate development and transport sectors. The Sharq development on the waterfront of Kuwait City was the first BOT project in Kuwait. Moreover, some major projects like Failaka and Boubyan islands, Arefijan and Kheiran residential projects are already in the pipeline being offered to the private sector as BOT projects. Assuring the increasing role of private sector, the Ministry of Public Works has received tenders from nine local companies for the execution of development projects of Failaka island. Going forward, the Ministry of Public Works' Mega Projects Authority will float another BOT investment project in Failaka island for constructing a huge water station and a 165 megawatt electricity plant. Moreover, the Minister of Public Works and Minister of State for Housing Affairs stated that the private sector is also expected to be responsible for designing and building further projects in the areas of Murgab, North Amghara, Amghara D, Sharq, Sulaibikhat and Fahad Al-Ahmad.

Government Regulations

Although the real estate market is one of the economic sectors not organized or regulated by a government authority, the Kuwaiti government still holds a key position in stimulating growth within the market. Decisions taken by related government ministries or authorities –especially municipality- often times prompt increased activity in certain areas or induces a sell-off in others. Such decisions may vary to include among other things approving; building permits, higher buildings, transforming permits from one segment to another, granting land or allowing foreign ownership. All such decisions have more of impact, which can boost or hinder the real estate market.

Many times the government can take initiatives to drive the real estate market forward. One of such decisions was the cabinet's approval for the municipality decision to transform the rest of Salem Al Mubarak Street from investment to commercial. Another similar decision

was the transformation of the eastern portion of the area behind Al Hamraa complex from residential to investment property, due to its unattractive location for villas. The transformation instigated increased activity and rising prices in the area, also spilling over into neighboring areas.

Changes in government laws also affect real estate market, for example, the new municipal law no 5/2005, allows the Municipal Council to monitor laws and regulations on projects and their locations and to express opinion regarding any subject related to public facilities in the framework of the municipality's scope of concern. Moreover, the new law gives the council the authority to approve or reject any project established on state-owned property according to the BOT system. It is noted that some projects may experience delays awaiting approval of the Municipal council. Among such projects are establishing bank branches in some residential areas, approving altitudes of residential buildings in the Capital governorate, in addition to some construction regulations.

Regarding build up area and number of floors, Kuwait was classified with a 20-storey maximum height up to the mid of 1990s. Following ahead, building heights were lifted to 30-storey buildings (and 40-storey building in downtown areas) till three years back when the law was changed to permit the constructing of skyscrapers. Licenses for 30-stories were awarded to plots of 1000 square meters, while 40-stories were allowed on land between 2000 and 6000 square meters. Kuwait Municipality paved the way for higher building structures during 2004, approving the first 50-storey tower for the Secretariat of Al-Awqaf, simultaneously signaling their tentative support for other 50-storey permit seekers. Moreover, 60-stories licenses were awarded for plots larger than 6000 and less than 10,000 square meters. Following ahead, the plot height restrictions were relaxed even more during 2005, as Kuwait Municipality has decided to allow the construction of buildings with 100 floors in Kuwait City provided their height does not exceed 400 meters and have more than 10,000 square meters of area. Moreover, 2006 witnessed the vision of city of silk project that involves the construction of one of the highest skyscraper in the world with a height of 1,100m named Kuwait Tower with 250 floors. This new trend would act positively to attract further developers as the additions of floors would mean more income on the same plot of land.

Currently, there are close to ten towers under construction in Kuwait City, with another twenty or thirty licensed. So the supply will become huge, looking forward, industry sources are estimating to see a few 80-stories buildings in the near future. Three building will be around 70 stories. Within the 50-60- stories range, there will be six towers. There will be no fewer than 10 buildings with 40-stories. Finally, there will be a significant number of 30-stories buildings within the next three years.

As for the build up area, some industry players stated that it is up to 400.0%, and according to some changes by the municipality, this limit was increased to 600.0% in some areas through the possibility of buying air space. According to the sources, such developments were allowed for only short period during 2005 then suspended by the end of the year. In a related development, the Minister of Justice and State Minister for Municipality affairs announced approving the law of increasing the construction percentage by the end of 2005, pointing out that more than 200 projects from the government and private sectors were executed following this approval.

Situations like those mentioned above are pointing to the need for a clear government role in making, enforcing and reviewing such decisions. That is why the year 2006 witnessed the new minister of Municipality Affairs stating that one of the goals is the amendment of the by-laws of the Kuwait Municipality which can lead to economic growth and national development.

Looking forward, changing government regulations allowing non-Kuwaitis to buy real estate would have its positive impact on the market. A year ago, the government indicated that foreign ownership regulations would be redrawn allowing limited foreign ownership in designated areas. Lots of industry players are calling for passing a law to allow expatriates to own real estates to increase the flow of investments in the market. This is especially that there are lots of expatriates in Kuwait who desire to own real estate in the country and the absence of a law to allow them to have a stake in the country's real estate has prevented Kuwait from benefiting from a percentage of the annual financial remittances the expatriates transfer outside the country. In this regard, discussions have centered on a proposal restricting the amount of property available for sale to expatriates to 1000 square meters, with no right to resale and a requirement that the Prime Ministry approve the deal- and even then, a Kuwaiti national would still need to hold a stake.

Real Estate Clearing Company

The Kuwaiti real estate market has grown considerably in recent years, but, this growth has not been matched by equally rapid and ample development in the transparency of real estate regulations.

But the increasing flow of funds into the local property market is giving the sector an increasingly heavier weight in the local economy, and with this importance comes the need for regulation, which would help improve transparency, efficiency and the flow of information to market participants. With greater awareness of the existing problems, there is a strong desire at all levels (institutional decision-makers and players in the market) to take measures to promote maturity and development from which all those operating in real estate, and the entire economy, may benefit.

The government, in cooperation with specialized parties, has made a strong contribution with the setting up of the Real Estate Clearing Company (RECC). The decision by the Minister of Commerce and Industry to establish a real estate clearing company and take concrete steps towards achieving this is a positive sign for the real estate market. The intention is for it to offer strong inputs in terms of greater clarity in regulations, the spreading of quality market information and transparency, the pointing out of critical problems and obstacles in the market and addressing the most wide-ranging public possible.

Table 08 : Shareholders of Real Estate Clearing Co

Shareholders	Stake (%)	Value in KD ('000)
Kuwait Clearing Co	9.5	95
Kuwait Investment Authority	36	360
Kuwait Investment Co (KIC)	30	300
Securities House	9.5	95
Wafra Real Estate Co	15	150
Total	100	1,000

Source: Zawya & Global Research

After years of delay, in September 2004, the shareholders structure was set up and agreed upon and the founding committee of the new company signed the establishment contract and put together its articles of association and company objectives. RECC Managing Director stated that the company would provide a new system for bookkeeping under which brokers would take the responsibility of documents, contracts and information they provide for both RECC and the Ministry of Justice. Such a system would provide databases for real estate related information, prices, contracts and proxies. Consequently, the market would be characterized by more efficiency, transparency and accuracy regarding real estate data. Regarding RECC relation with government agencies, there would be a managerial unit in the municipality to process the company's transactions.

Spiraling Price of Building Materials

The rising prices of building materials have negatively impacted the market, although not curbing the activity altogether, thanks to the increased government subsidies by 3.7% and 32.6% for 2005 and 2006 respectively. The increase in prices of building materials is estimated to have resulted in rise of construction cost by 50.0%. This is seen as a global problem resulting from an increase in the price of scrap metal, as well China's huge consumption of steel to build sites for the 2008 Olympics.

According to a report by Oxford Business Group, "Kuwaiti contractors reported that prices for steel reinforcing bars (rebar) had gone up at least 1.5 times between May 2005 and May 2006. At the beginning of that period, prices had averaged KD100 (US\$345)/ton, but were around KD150-160 (US\$519-US\$553)/ton a year later. For Kuwait's neighbors, however, these prices are not unusual. Rebar in Bahrain was just over US\$600/ton in May 2006, and by September 2006, rebar was trading for around US\$686/ton in Qatar. As for cement, contractors reported that prices had gone up too, although they remained stable for much of the year at around US\$3.8-US\$4/bag. This compares well with US\$5/bag in Bahrain and US\$6.8 in Qatar".

Consequently, the government was prompted to temporarily raise subsidies for building materials, especially cement and steel for both years 2005 and 2006. This could be figured from the aforementioned example where steel rebar prices in Kuwait were 24.0% cheaper as compared with other neighboring countries, mainly due to government subsidies. According to the latest available data published by the Ministry of Commerce and Industry for 2006, average steel subsidies stood at KD75/ton that is almost 50.0% subsidy. As for cement, average subsidies were at KD0.49/bag or about 41.0% subsidy. This was mainly to control prices and to decrease the cost of real estate investment. Total government subsidies for building materials reached KD9.9mn for 2006, growing by 32.6% over KD7.4mn last year. Out of total subsidies, steel subsidies grew rapidly at 42.6% reaching KD4.8mn. The high growth rate in steel subsidies supported its share to represent 49.2% of total subsidies. However, it is interesting to note that the year 2006 witnessed a 22.6% decline in the quantity of subsidized steel. Thus, the increase in total steel subsidies coupled with lower subsidized quantity implied an increase in subsidy rate from 30.0% in 2005 to 50.0% in 2006. Cement subsidies on the other hand comprised 50.8% of total subsidies standing at KD5.0mn. As for brick subsidies, they were almost nil at 0.02% of total subsidies. Brick production was largely unsubsidized owing to there being few supply problems, with companies sometimes possessing their own kilns.

Table 09: Construction materials subsidies (figures in '000)

Year	Steel		Cement		Brick		Total Subsidy KD
	Tons	KD	50 kg Bag	KD	Brick	KD	
2005	82.81	3397.50	9242.41	4025.55	608.7	2.59	7425.64
2006	64.13	4844.73	10163.45	4999.69	597.0	2.39	9846.81
Growth	-22.6%	42.6%	10.0%	24.2%	-1.9%	-7.8%	32.6%

Source: Ministry of Commerce and Industry monthly bulletin

The increase in government subsidies for both cement and steel was coupled with a decline in the number of beneficiaries declining by 30.5% and 31.1% respectively. Moreover, the Minister of Commerce and Industry issued a decision imposing a ban on the export of cement and steel which are in short supply and have seen hike in prices in the international markets. Concerning bricks and other building materials -manufactured in Kuwait- the ministry is looking into the possibility of imposing a ban on the export of this category of materials given its high cost in the local market.

Table 10: Beneficiaries of Cement & Steel Subsidies

Year	Cement		Steel	
	No. of beneficiaries	000' bags	No. of beneficiaries	000' tons
2004	2,941	9,190.7	2,818	74.0
2005	3,266	9,472.1	3,200	87.6
2006	2,269	6,293.7	2,206	52.2
Y-o-Y Growth	-30.5%	-33.6%	13.6%	18.3%

Source: Ministry of Commerce and Industry monthly bulletin

This decision, along with the government initiative to support prices of building materials resulted in some price stability. At the same time, a shortage of cranes and other equipments is still reported which is also affecting the market. Plant and other equipment higher costs have been rising by leaps and bounds with sector players estimating an average 50.0% hike for cranes, generators, vehicles and other machinery. On another front, another rising cost of construction is wages. This is a phenomenon in many sectors throughout the Gulf at present. Kuwaiti workers had received pay rises of 8.0% in 2005 as compared with 6.9% increase in 2004.

Construction Activity in Kuwait

Construction activity was brisk starting 2003 and up to 2005, as reflected in rising revenues of real estate companies listed on the KSE, rising real estate prices across category and low vacancy levels. Further government regulations, low to medium interest rates & high level of liquidity coupled with rising demand due to expanding population, young and working population, along with influx of expatriates into the economy have further fuelled the demand for real estate. This has led to rising construction activity during 2004 and 2005 as well. Entering 2006, real estate as well as construction activity witnessed a period of stagnation and reluctance. This state mirrored activity in Kuwait and GCC stock markets during 2006. Building permits as a proxy for construction activity in the economy has shown signs of picking up in 2005 after a drop in 2004. There has been a 7.6% growth in the number of permits issued during 2005, reaching 4,116 permits as compared to 3,824 permits the year before. As for the year 2006, issued permits reported 12.5% decline reaching 3,601 permits. The decline could be reported mainly to residential permits due to its sheer size (more than 80.0% of permits by the end of 2006). Residential permits declined by 10.5% reaching 2,738 permits by the end of 2006, almost the same level as 2004. Standing at 426 permits, investment permits reported a huge decline of 40.2% reaching a minimum level since 2002. The decline in both residential and investment permits had dragged overall new construction permits by 13.2% reaching 3,391 permits. On the other hand, commercial permits grew significantly by 67.3% to 87 permits. It could be noted that over the period 2000-06, the growth in issuance of new building permits came from the investment property segment that increased its share in new construction permits from 2.4% in 2000 up to 12.6% in 2006. This was on the expense of residential segment's share that declined from 95.7% to 80.7% during the same period. As for renovation permits it almost stagnated during the year 2006, growing marginally by 0.5% to 210 permits.

Table 11: Building Permits

Permit Type	Full Year							% Change
	2000	2001	2002	2003*	2004	2005**	2006	2006
New Construction	3,013	3,234	5,560	5,606	3,647	3,907	3,391	-13.2%
Commercial	15	25	46	178	55	52	87	67.3%
Investment	71	220	524	712	912	712	426	-40.2%
Industrial	45	63	103	198	62	85	140	64.7%
Residential	2,882	2,926	4,887	4,518	2,618	3,058	2,738	-10.5%
Additions	5,580	6,346	6,949	7,022	n/a	n/a	n/a	n/a
Renovations	1,942	2,297	1,584	1,956	177	209	210	0.5%
Total	10,535	11,877	14,093	14,584	3,824	4,116	3,601	-12.5%

*Annualized

**Excluding Jahra governorate

Source: Kuwait Municipality & Global Research

Building Utilization in Kuwait

According to the latest data available from Public Authority for Civil Information (PACI) for buildings & units, the total number of buildings in Kuwait was 169,205 by the end of 2006, or 1.9% above 2005. Average vacancy rate across the governorates was 11.7% (as compared to 12.2% last year), with the lowest vacancy rates in Mubarak Alkabeer and Kuwait (capital

governorate) at 2.6% and 4.2% respectively, while the highest vacancy rate was in Al-Ahmadi (20.5%). Vacancy rates have remained at the same range compared to that in the previous year, where the capital governorate continued to witness notable increase in vacancy rates to 5.1% and 4.2% for 2005 and 2006 respectively up from 2.0% during 2004. This increase in Capital governorate's vacancy rates could be traced back to the delivery of new supply in the market. By the end of the year, the building mix was- residential buildings (67.4%), commercial (6.1%), residential and commercial (mixed use) (13.9%) and vacant buildings (12.6%).

Industry Structure

Real estate in Kuwait can be broadly divided into three main segments; Residential, Investment and Commercial Properties. Although other segments such as agricultural property, industrial, warehousing and public property also exist, negligible activity within these sectors makes them less attractive & insignificant. A brief description of the three main segments is presented below.

Housing (Residential)

Owing to the resolve of the Kuwaiti Government to provide a house to every citizen and concrete steps towards achieving the resolution, the residential sector is the most important market segment of the real estate sector in Kuwait. Therefore, the housing segment in the country largely deals with “housing for Kuwaiti nationals”. Among the different segments of the real estate market, the residential segment is quite distinct, as it is the direct indicator of the well being of the people. In developing nations, the segment is important in its role to provide the one basic requirement of life to the population, while in the developed countries this sector is more attractive because it serves as both a potential investment avenue and a barometer of the standard of living.

Investment

This segment represents investments in land and construction of either villas or buildings for the purpose of rent. The construction usually takes the form of high rise apartment buildings. Although not substantially different from the residential segment, the possible difference that may be cited is the final user not being the investor and is unlikely to become the owner of the property. Importantly, this segment is active in high demand areas as well as in areas potentially capable to turn into high demand residential localities, and most apartment buildings are usually occupied by expatriates.

In 1997, the positive impetus to the investment segment of the real estate sector was provided by the continued activity in the real estate and a change in the Municipal law from “average population density” planning to “high population density” planning. The change in law allows larger construction rates and flexibility in choosing the type of residential units to construct. An increase in the size of the building area by the Municipality on investment plots by 250.0% as well as the increases in heights of buildings has also been a catalyst for investors towards this sector. The changed municipality law means more apartments may be built which in turn will boost returns on the plot, making it even more attractive to investors. The investment segment has become a vibrant portion of the real estate market, with the influx of expatriates resulting in robust demand for apartment rentals, substantiating a hike in both rates and occupancy levels.

Commercial

This segment represents the construction of commercial complexes and sale or rent of spaces in commercial complexes for offices and/or shop establishments. Quite often, especially for complexes constructed in earlier years, such commercial complexes are combined with commercial car parks to capitalize on the unavailability of sufficient parking lots in prime commercial areas. Since the purpose of this real estate segment is commercial, the location aspect for this segment is a crucial success element. It is undoubtedly true that such commercial

complexes should be located in prime business locations. It is difficult to judge the economic activity in the commercial real estate segment by simple supply-demand dynamics because of high investment owing to high cost of land and construction. The high cost of land owes to the scarcity of commercial land, and investors in the sector are limited to large corporations or high net worth individuals.

Areas in urban Kuwait

- The real estate sector in urban Kuwait comprises of six governorates, which are the Capital, Hawally, Ahmadi, Jahra, Farwaniya and Mubarak Al-Kabeer. Each of these governorates is made up of several areas.
- Some of the upcoming residential areas are Mangaf, Doha, Sulaibikhat, Jahra and Fintas. New residential areas such as South Surra and West Jleeb Al Shiyoukh continue to witness increasing activity.
- The prime investment areas in urban Kuwait are Salmiya, Hawally and Jabriya. Other investment areas include Mangaf, Fintas, Fahaheel, Abu Halifa, Khaitan and Farwaniya.
- The main commercial areas in Kuwait are Kuwait City, Sharq, Farwaniya, Hawally and parts of Salmiya. While commercial space in Kuwait City comprises largely of offices, Salmiya, Hawally and Farwaniya mostly have retail commercial space.

Industry Performance

Kuwait's real estate market is a pillar of strength for the local economy, as its health is tied to the Kuwaiti population as a whole. Aside from Oil sector, Kuwait has two major markets that are stock exchange and real estate. Despite a stellar performance in the market in the past period, the sector still hold potential, as the record levels of liquidity and the uneasy world economic recovery should continue to keep funds flowing into the sector, which is deemed by many as a safe haven. Looking forward, the construction industry is expected to benefit from US\$8bn worth of private investment and US\$3bn worth of government investment over the next five years. The combined cost of US\$11bn could rise to US\$40bn if future Build Operate Transfer (BOT) projects are taken into consideration, including planned residential and tourist resort developments in Failaka and Bubiyan islands. Moreover, much current investment is going into construction of shopping malls, which include entertainment and retail facilities.

With interest in real estate in the local market mounting, the real estate and construction sectors have become vital to the health of the local economy. Preliminary figures point to the fact that the majority of real estate is owned by individuals and not companies. Companies are estimated to own only 2.0% of total tradable real estate land. Kuwait has had a «hot» real estate market for the last few years. The rise in house prices has been a great windfall to current owners who have experienced large returns on their housing investments. Under the current national, political and economic conditions, the Kuwaiti real estate market has performed exceptionally well, and since the economy continues to rapidly expand, it is the common prediction among experts that for the coming period the buying boom in the domestic real estate market would continue, albeit at a slower pace.

Property Sales

The buoyancy in the sector helped total property sales value to grow at a CAGR of 14.2% for the period 2001-06 from KD1.4bn reaching KD2.7bn. However, total number of units sold during the same period had declined at a CAGR of 1.8%. This implied a higher average price per unit over the period especially for residential segment. Out of the total sales, residential property segment was the only segment that reported a decline in total units sold at a CAGR of 3.4%. Number of residential units sold declined from 10,231 units in 2001 to 8,624 units in 2006. On the other side, total value of units sold had grown at a CAGR of 6.1%. Investment segment reported increasing CAGR rates for both number and value of units sold at 7.8% and 27.1% respectively. Similarly, mirroring the real estate boom especially in commercial segment both number and value of units sold reported the highest CAGR rates of 25.8% and 69.0% respectively.

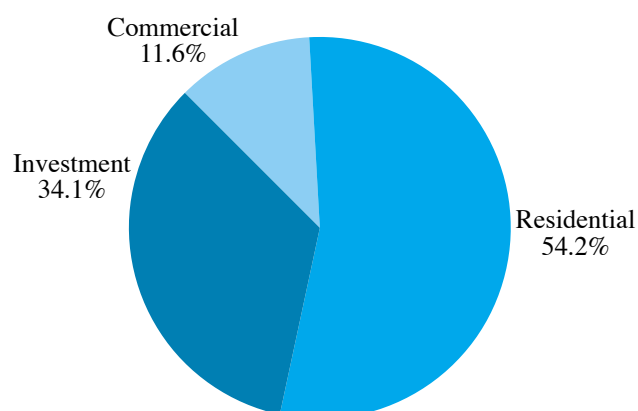
On annual basis, the highlight of the real estate activity in 2006 was a drastic increase in total units sold across the segments and a weakening of activity in terms of value in both residential and investment property segments. Residential property segment, which represents the highest market share of sold units at 83.2%, grew by 20.2% in terms of units sold to 8,624 units. On the other hand, value of residential property sales declined by 32.9% to KD1.5bn, almost the same level as 2002. Similarly, investment property segment followed the same trend of increasing volume of sales and declining value. Investment units sold

grew rapidly by 63.8% reaching 1,592 units. Value of sales however, declined by 39.4% reaching KD930.0mn that is almost within the same range as 2003 and 2004. However, it is important to note that the declined value of sales for both residential and investment segments was traced back to two major reasons. First reason was the high base for 2005 where value of residential and investment sales reported their maximum levels since 1998 standing at KD2.2bn and KD1.5bn respectively. The second reason was the decline in proxies' value rather than contracts. According to data from Ministry of Justice, value of total contracts grew by 18.1% reaching KD1.8bn in 2006. On the other hand, value of total proxies declined significantly by 60.8% to KD912.0mn as compared with KD2.3bn reported for 2005. By segment, value of residential proxies declined the most by 66.9% reaching KD395.0mn in 2006 as compared with previous year's peak of KD1.2bn. Similarly, value of investment segment proxies reported 62.6% of decline reaching KD411.0mn.

Unlike the other segments, commercial property units sold followed an increasing trend, elucidating the relative attractiveness and unsaturated state of this segment. Number of units sold in this segment grew by 66.7%, while the sales' value more than doubled, growing at 159.9% to a new landmark of KD317.0mn in 2006.

Historically, residential sector represented the bulk of activity within the Kuwaiti real estate market, accounting for an average of 71.7% of total sales value during 1998 – 2005. However, activity in investment property and commercial property segments has been steadily on an uptrend at the expense of that of residential segment whose share of the total market activity has declined over the last few years from 85.5% in 2000. The influx of expatriates into the country has prompted increased activity within the investment sector, increasing its relative importance in the market. During 2006, the value of residential sales stood at 54.2% of the total, while rigorous activities in areas such as Hawally, Mobarak Al Kabeer and Ahmady have lifted the activity in investment property to contribute 34.1% of total value of sales. The most interesting feature of 2006 was the huge increase in commercial segment sales that accounted for 11.6%. Historically, commercial sales accounted for merely 2.6% over the period. However, the huge growth in commercial sales during 2006 helped in lifting its share up to this level.

Figure 02: Segmental Sales by Value (2006)



Source: Ministry of Justice

Looking at the monthly trends in 2006, real estate activity showed fluctuating trends. Sales were on a steady growing trend for the first four months with the exception of February. The month of February continued to represent a trough in sales every year due to holidays, thus it reported 20.0% of declining sales. Post February blip, total sales during the month of April reported the highest growth during 1H06 scoring 54.9% monthly growth. Moving forward, the market continued to report a 61.6% decline in sales by the end of August. Following ahead, the month of September reported the highest growth rate in total sales during the year 2006 growing at 88.5%. Such growth rate signaled a rebound trend in sales up to the end of the year. As a result, fourth quarter value of sales more than doubled growing by 125.6% over same quarter previous year.

By governorate, Al Ahmadi and Mubarak Al Kabeer together constitute more than 47.0% of total unit sales nationwide. Unit sales in these two governorates formed 24.2% and 23.5% of the total market respectively. These were followed by Farwaniya and Hawally governorates, which contributed 17.5% and 23.3% of total sales respectively. As for residential units sold, Mubarak Al Kabeer governorate accounted for 28.0% of market sales or 2,419 units. Al Ahmadi governorate ranked second at 22.3% of total units sold.

Table 12: Property Sales by Segment

	Residential Properties		Investment Properties		Commercial Properties		Total Value (KDmn)
	Units	Value (KDmn)	Units	Value (KDmn)	Units	Value (KDmn)	
1998	12,261	1,249	1,136	268	99	63	1,580
1999	9,265	1,027	592	176	49	31	1,234
2000	8,790	937	686	143	32	16	1,096
2001	10,231	1,099	1,094	280	46	23	1,402
2002	13,895	1,482	2,528	742	69	57	2,281
2003	13,397	1,781	2,630	970	64	72	2,823
2004	11,064	1,705	2,213	973	76	76	2,755
2005	7,177	2,203	972	1,535	87	122	3,860
2006	8,624	1,478	1,592	930	145	317	2,725

Source: Ministry of Justice

In the case of investment property segment, Hawally and Al Ahmadi governorates accounted for more than 70.0% of all activity. Medan Hawally and Salmiya, which are within Hawally governorate, attracted a lot of activity as old buildings are being demolished, and replaced by bigger buildings. Al Ahmadi governorate accounted for 34.7% of investment units sold, being helped by heavy activity in coastal areas such as Fahaheel, Mangaf and Mahbula. Moreover, a number of commercial and entertainment venues have sprouted in the governorate, along with schools, clinics and other facilities, catering to the needs of a growing population of expatriates residing in this area. Such increased activity helped Al Ahmadi governorate to account for 23.4% of commercial units sold during 2006. Finally, the capital governorate accounted for the largest share of commercial sales at 37.2%.

Table 13: Unit Sales of Property by Governorate (2006)

Governorate	Residential	%	Investment	%	Commercial	%
Capital	834	9.7	112	7.0	54	37.2
Hawally	1,788	20.7	609	38.3	20	13.8
Farwaniya	1,497	17.4	291	18.3	26	17.9
Mubarak Al Kabeer	2,419	28.0	17	1.1	3	2.1
Al Ahmadi	1,924	22.3	552	34.7	34	23.4
Al Jahraa	162	1.9	11	0.7	8	5.5
Total Units	8,624	100	1,592	100	145	100

Source: Ministry of Justice

Demand-Supply Scenario

Over time, the price of housing and the number of housing units exchanged are determined by the interaction between supply and demand. In the short run, however, one can look primarily to changes in demand as a means of explaining price and sales volume dynamics. This choice reflects the fact that real estate construction, more so than production processes for other durable assets, is extremely time-consuming. Hence, the supply of new housing adjusts very slowly in response to changes in demand. Currently, Kuwait's real estate market is undergoing a period of unprecedented construction activity.

In residential terms, new residential areas are sprouting up across Kuwait as already developed areas are reaching high price levels. Similarly, the investment segment is seeing the addition of tens of new buildings every month, catering to an increasing demand within the expatriate population. The commercial segment is also seeing its share of activity. In Kuwait City, developers are sculpting a new skyline, filled with modern office towers, while commercial and entertainment complexes are dotting the country's landscape. Even the tourism industry is undergoing a quiet boom, with about 90 hotel licenses granted since 2003, according to industry sources.

Residential Properties

Despite a growing interest in investment properties in the recent period, residential property remains the backbone of the local property market, upholding the position of preferred housing of Kuwaiti nationals. Much of the activity in the real estate market is concentrated in this vital segment and we hold the view that supply / demand dynamics are deeply biased towards an under supply of residential property within Kuwait as a whole. A quick look at the Public Authority for Housing Welfare reveals total applicants at 79,894 as of mid 2007 with a waiting list of 30,414 individuals, depicting a ready residential housing demand of at least KD3.7bn (at KD 120,000 per house). On the demand side, the number of new applications averaged around 7000 applicants per year over the period 2000-2006. On the supply side, according to Ministry of Housing figures; between 1994 and 2005 only 19,000 state residential units were built. Confirming the same situation of undersupply are PAHW data on total applications and waiting list. According to PAHW, waiting rate has been increasing over years. Waiting rate stood at 16.8% during the late eighties then jumped to 24.6% on average for the whole nineties. However, there was a dramatic increase in waiting rate for the last three years reaching more than 50.0% over the period 2004-06. Such increase in waiting rate is mainly due to the increasing demand for housing that surpasses supply by all means.

Table 14: Waiting List at Public Authority for Housing Welfare

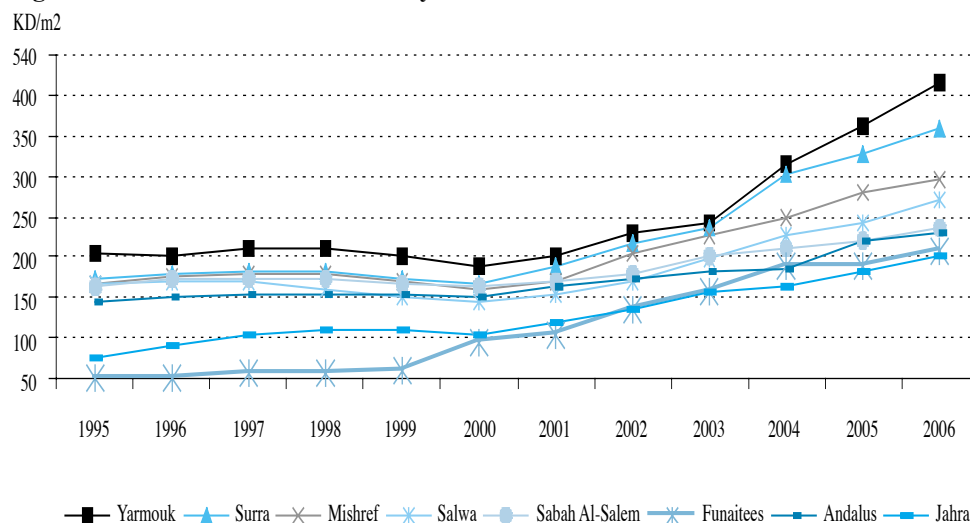
Year	Total Applications	Waiting List	Waiting Rate %
2000	4,762	1,142	24.0%
2001	6,029	1,428	23.7%
2002	6,747	1,632	24.2%
2003	6,872	1,694	24.7%
2004	7,033	2,356	33.5%
2005	7,554	3,610	47.8%
2006	9,792	7,997	81.7%
2007*	4,321	4,321	100.0%
Cumulative Total since 1985	79,894	30,414	38.1%

*As of 27th June 2007

Source: Public Authority for Housing Welfare

Buying a home remains a challenge, as a shortage of housing stock exists in most price ranges, causing an upward spiraling of property prices across the country. According to industry players such increase in prices led land prices to account for more than 50.0%-60.0% of the cost of a finished house. This is to be compared with the usual range of 15.0%-30.0%. Efforts by PAHW to speed up government housing projects and allocate additional government housing units is commendable, however, housing supply is still growing slower than housing demand. Therefore prices will continue to rise, although not in every individual market, but at the national level. Under normal circumstances, one would see property developers erect enough new units to meet the rising demand, however, the situation remains unresolved because new supply is not yet delivered to the market.

Average price per square meter of residential land in Kuwait grew by 9.3% in 2006, in accordance with our estimates of 10.0%. By the end of 2006, residential land average price hiked to a new landmark of KD277/m² as compared with KD253/m² reported for 2005. Land prices in Hawally and the Capital governorate led the rise as areas closer to Kuwait City, such as Yarmouk, Surra, and Salwa led in interest. Residential land prices in the Capital governorate hiked by an average of around 12.2% by the end of 2006. Prices at Yarmouk area grew the most recording 14.0% annual growth to reach a new landmark of KD414/m². Hawally governorate registered an average price appreciation of 8.3%. Similarly, areas within the Mubarak Al Kabeer governorate saw a 7.6% hike in prices during 2006. Messilah, Abu Fatira, Sabah Al Salem and the Funaitees all attracted investors interest as they still have a large number of raw land plots and were given a further boost by the government's decision to build the necessary infrastructure. Average price per square meter grew by 8.4% to KD206/m² in Funaitees.

Figure 03: Residential Land Rates by Area

Source: Kuwait International Bank

Entering 2007, according to industry sources, residential land prices are estimated to have heated up by more than 35.0% over 2006, with some areas reporting more than 50.0% appreciation in land prices. According to Al Mazaya real estate report, residential real estate prices in Kuwait witnessed more than 50.0% of growth during 1H07. For example price in Eastern Qurain area grew by 56.9%, while price in South Surra appreciated by 46.7%. Generally, this hike in prices was mainly driven by increased demand and shortage in supply. Moreover, some property dealers attributed higher prices to the continued speculation as many companies have bought large land areas to resell later at higher prices.

Following the increase in land prices during the last four years, average price per residential unit followed an increasing trend reporting a CAGR of 4.3% over the period 2003-2006. Average price per unit increased from KD152,470 during 2003 to KD172,980 in 2006. Generally, average price per unit continued to escalate over years reaching KD174,160 during 2005, that was the highest price since 2003. Entering 2006, average price per unit retreated marginally by 0.7% after reporting 7.6% of growth during 2005. Standing at KD172,980, it still represents a high average price per unit. However, the marginal decline could be reported to two major reasons. First, the high base of 2005, as real estate activity reached unprecedented levels during 2005, while 2006 witnessed stagnating activity especially for the first half. Second, the higher growth rate in number of units sold as compared to the growth in value of units sold, reporting growth rates of 7.7% and 7.2% respectively.

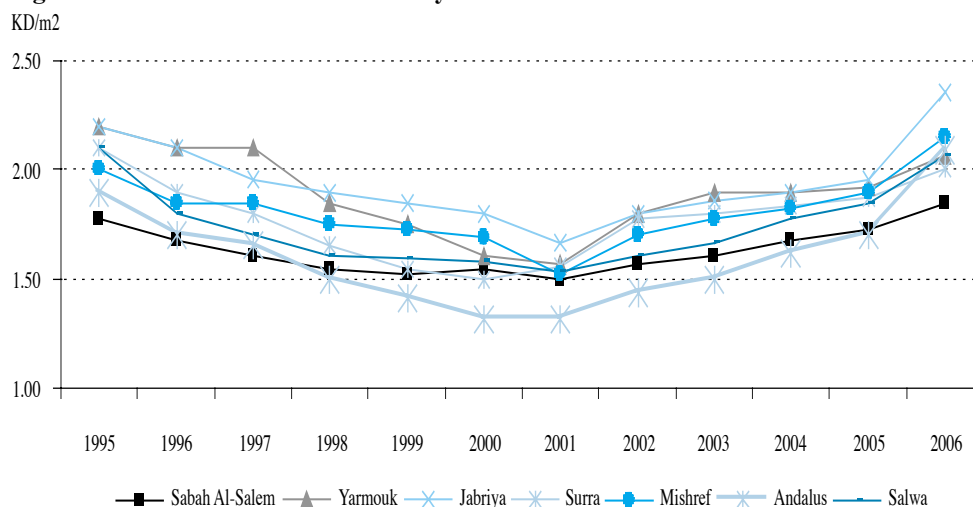
Generally, this increase in average price per unit over the last four years was a common phenomenon in investment and commercial segments as well as industrial segment. On CAGR basis, both segments grew at 18.6 and 19.6% respectively over the period. Average investment and commercial unit price stood at a new landmark of KD703,900 in 2006, up from KD421,600 in 2003. More important was industrial segment that witnessed the highest annual growth rate of 87.4% standing at KD707,500 by the end of 2006. Generally, Kuwait suffers from shortage in industrial plots supply as opposed to increased demand which justifies the high growth rate in prices.

Table 15: Average price per unit

KD'000	Residential	Investment & Commercial	Industrial
2003 Monthly average	152.5	421.6	n/a
2004 Monthly average	161.9	446.5	495.0
2005 Monthly average	174.2	651.7	377.6
2006 Monthly average	173.0	703.9	707.5
2006			
Jan	186.7	1,146.1	-
Feb	162.9	816.2	500.0
Mar	154.9	616.5	-
Apr	181.3	661.8	1,087.5
May	180.6	669.7	-
Jun	163.1	647.6	535.0
Jul	176.2	770.5	-
Aug	161.9	357.8	-
Sep	152.6	643.7	-
Oct	207.9	1,061.0	-
Nov	169.5	457.2	-
Dec	178.1	599.1	-

Source: Ministry of Justice, *Global Research*

The substantial rise in residential land rates over the years and the increasing rental rates has incited many families to rent out a floor in their residence. We have seen an increasing demand for such housing, as well as an increase in rental rates. Residential rental rates continued their decline from 1996 till 2001, reaching their trough of nearly KD1.52/m² from KD2.04/m² in 1995. Since 2001, they have bounced back, registering a CAGR of 6.5% over the period 2001-2006. The average residential rental rate increased in 2006 to nearly KD2.08/m² (as compared with KD1.84/m² in 2005) mirroring rates once charged in the peak of activity in 1995. However, it is important to note that residential rentals have been growing at a declining rate over the period 2002-2005 reporting average growth rate of 4.9%. Thus, the highest growth rate of 13.0% registered in 2006 might indicate that rentals are about to reach a peak. It is important to notice that during 2006, residential rental rates have climbed higher in areas like Andalus, Salwa and Sabah Al Salem growing by 22.9%, 11.9% and 7.6% respectively. Similarly, areas in proximity to Kuwait city, such as Jabirya, Yarmouk and Surra grew rapidly by 20.5%, 7.3% and 7.5%. Those growth rates may reflect the fact that rentals in such areas have reached a peak after which it would stagnate or grow marginally but not to decline. Going forward, we expect residential rental rates to start a period of stagnation or marginal growth especially in the medium term until extra supply is delivered to the market to start a declining trend afterwards.

Figure 04: Residential Rental Rates by Area

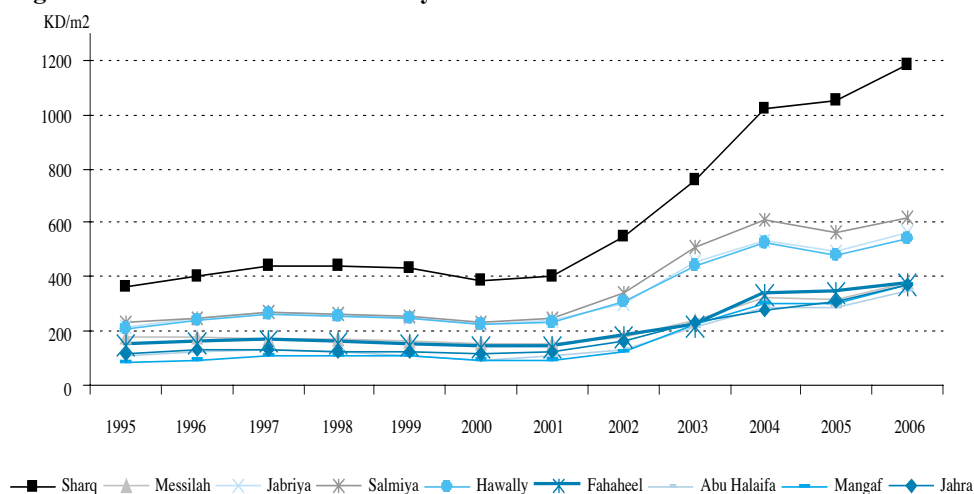
Source: Kuwait International Bank

Investment Properties

The investment properties sector continued its exceptional performance during the period 2000-2006. The influx of expatriates, increased building space, moderate interest rate environment and rising rents were the main reasons backing the performance. On average, investment property prices grew at a CAGR of 19.6% over the period. Entering 2006, hotspots such as Salmiya and Hawally rebounded from last year trough. Investment property prices in those areas scored their highest levels since 1995. They grew by 9.7% and 13.0% to stand at KD620 and KD538 per square meter respectively.

Apart from purchasing investment lands, investors were quickly snatching up old 2-3 storey buildings, demolishing them and replacing them with more modern 10-storey buildings. However, this phenomenon was not exclusive to those areas and property values have been on the rise across all of Kuwait. Average investment property value appreciated by 15.7% and stood at a new landmark of KD528 per square meter by the end of 2006 as compared to KD461 per square meter in 2005.

By governorate, Al Ahmadi governorate led the way in terms of appreciation in property value during 2006, with areas such as Mangaf and Abu Halaifa seeing the highest growth rates of 23.0% and 21.4% respectively during the year. These areas have become favorites of Western nationals and other expatriates, with these mini-colonies enjoying proximity to the Gulf coast and a barrage of new developments in the area. Similarly, prices in Jahra governorate reported a new landmark of KD374 per square meter, or 19.9% growth rate. Finally, prices in the capital governorate -especially Sharq area- continued to surpass prices in all other governorates where price stood at KD1,186 per square meter, reporting 12.3% of annual growth.

Figure 05: Investment Land Rates by Area

Source: Kuwait International Bank

According to industry sources, investment segment witnessed some correction during 2005 and 2006 after reaching its peaks in both rentals and prices during the period 2002-2004. Investment property continued to grow however at declining rates compared to highest growth rates recorded for the period 2002-2004. This was mainly due to the flood of new construction that started to affect the market. Backing the increased supply was mainly a rapid construction pace where apartments are constructed at a special pace. In reality, investors are not replacing the six apartments which were demolished by a newer six, but instead they are replaced with up to 40 new apartments or even more. This has increased the supply of apartments across Kuwait at an extremely rapid pace. Rents, continued to grow however at slower pace reporting 7.7% and 9.0% annual growth rates by the end of 2005 and 2006 respectively, as compared with the highest growth rate of 18.8% reported for 2004.

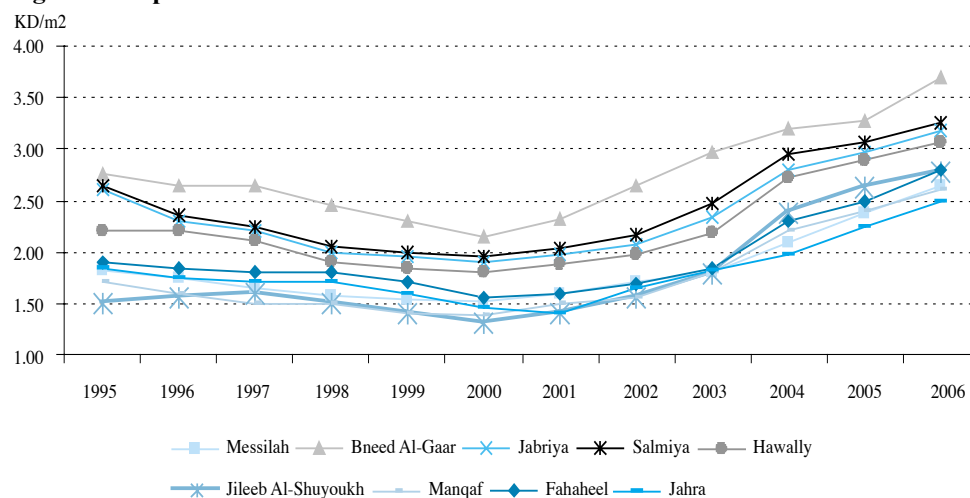
Further, according to industry sources, the consequent hikes of interest rates during 2005 and 2006- where discount rate stood at 6.3%- is estimated to have affected investment segment the most among other segments. Hiking interest rates is expected to quell continued steep rises in investment property prices. Prior to the hike, investors dealing in the segment were content with returns of 6.0% – 7.0%, but post-hike, are looking at 8.0% – 9.5% returns to compensate for risks taken.

Apartments

Kuwait's economic boom in the last period has lead to a shortage of quality apartment space especially with the influx of expatriates, instigating soaring rental prices especially during 2003 & 2004. As a result, many developers leaped on the opportunity to meet this demand. Currently, industry sources point out to about 30,000 apartment units to be in oversupply. Moreover, market estimates point to higher vacancy rates during 2005 & 2006 at 13.0% and 12.6% respectively up from 8.4% in 2003. Vacancy rates in the largest investment areas as Hawally, Salmiya and parts of Farwaniya started to pick up as well during 2006 thus indicating the delivery of new supply in the market.

The strong demand coupled with shortage in supply has propped most investment property owners to raise rents especially during the 2002-2004 boom. Average apartment rentals grew at a CAGR of 15.3% over the three years period. Following ahead, apartment rentals across Kuwait continued to grow during 2005 and 2006 however at lower rates. The majority of governorates experienced rising rents during 2005 lead by Jahra governorate and Messilah area in Mubarak Al Kabeer governorate reporting 13.6% and 14.4% annual growth. Similarly, Jleeb Al Shouyoukh area in the Farwaniya governorate grew by 10.1% to KD2.62 per square meter. Rents in Fahaheel and Mangaf also experienced moderate growth rates, ascending by 8.7% and 9.1% respectively.

Figure 06: Apartment Rental Rates



Source: Kuwait International Bank

Entering 2006, rental rates continued its growth at 9.0% reaching a new landmark of KD2.95 per meter square. Bneed Al Gaar and Fahaheel lead the growth during 2006 reporting annual growth rates of 12.8% and 12.0%. Areas such as Salmya and Hawally reported the lowest growth rates of 6.5% and 5.9% depicting the fact that rentals in such areas might have reached a peak. Rentals in both areas stood at the highest levels since 1995 reaching KD3.26 and KD3.06 per square meter respectively. According to market participants, the slowdown in growth pace during 2006 was mainly due to newly delivered supply in apartment buildings - especially in Salmiya, Hawalli, Khaitan and Farwania. Market sources pointed as well that the apartment market is still characterized by high demand for middle and low-class apartment units with rentals in the range of KD100-KD150/unit due to the fact that most expatriates are low skilled labor, while demand for high-class apartments is much lower.

Looking forward, vacancies are expected to climb because developers are still erecting new complexes at a breakneck pace. Unless there is further economic activation, there runs the risk that supply may exceed demand in the medium term, therefore setting off a general panic that would significantly affect the market. Simultaneously, real estate appraisers are stressing that property valuations have reached their peak and although there may be room for a small rise in the short term, prices are inevitably going to remain range bound, if not declining in the medium term. Moreover, some players are pointing to the fact that the only chance of rents or prices going up from the current level is to change regulations, allowing non-Kuwaitis to own property, which is not a confirmed scenario.

Commercial Property

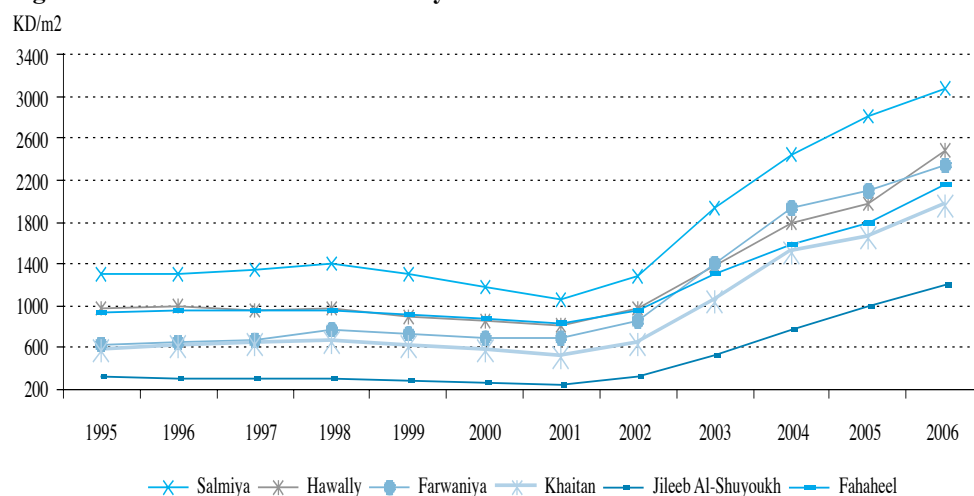
Commercial real estate for a long time was considered by many as the weakest link in the local property market, due to a shortage of investors and the large amounts of money needed for transactions. As a result, the commercial segment was underdeveloped and need further expansion. Following the Iraq liberation war, the segment witnessed increased interest in 2004. Commercial segment witnessed increasing demand in view of the increasing business and number of established companies in Kuwait as well as foreign companies established in Kuwait as an access point to the Iraqi market. Moreover, demand for commercial real estate space is still expected to rise even further in the course of the coming years as the steaming economy and booming consumer spending persist in triggering business expansion, contributing to an increase in the net absorption of commercial space, in both retail as well as the office segments. To close this gap, many new projects are under construction across the country. However, most of the projects in the segment are of the high-end nature. This is a natural consequence of land prices being extremely high. According to industry sources, it is estimated that total supply of commercial property coming into the market by 2007-09 would exceed 75,000sq.m, which would need more demand generation. Moreover, some industry sources are expecting both prices and rentals to come down after the delivery of such projects because of excess supply. The only case that prices and rentals would not decline is creating as much demand as the increasing supply. Creating such demand depends to a great extent on changing sector's regulations and allowing foreign ownership as demand should be created as external demand not an internal one, as local market would be already saturated.

Retail Market

After a relatively stagnant performance on the part of the retail market up until 2001, commercial real estate property in Kuwait has seen increased activity. Malls have proved to be a popular development option as Kuwaitis are well known for their interest in shopping. Thus lots of malls are expected to be launched in the near future with the local group Tamdeen Shopping Center Development Company (TSCD) is planning the new 360° Kuwait mall project, which will boast 75,000 meter square of retail space. In addition the planned Mall of Kuwait will introduce more retail space of 150,000 square meters by 2009. Currently, the Avenues by Mabanee is considered as the largest mall in Kuwait already opened during 2007. The Avenues is a three phase plan with the mall comprising the first. An entertainment center, an office and a residential area will follow.

Starting 2002, commercial land rates across Kuwait staged a recovery and continued to do so up to 2006. Commercial segment average land rates grew rapidly at a CAGR of 18.8% over the period 2000-2006. Currently, vacancy rates are still low because of huge demand and scarcity of supply and thus rental prices are rising. By the end of 2006, average commercial land rates picked up by 11.8% to a new landmark of KD3,490 per meter square. Commercial land rates in Hawally and Salmiya went up by 25.8% and 10.0% respectively in 2006. Similarly, the Farwaniya governorate, continued to witness high growth in commercial property prices during 2006, owing to a number of new housing developments within the governorate. This has led to increased demand for such property, in order to cater to the influx of residents. Therefore, we saw areas such as Jleeb Al Shoyoukh, Khaitan and Farwaniya experiencing high growth rates of 20.0%, 18.2% and 11.9% respectively.

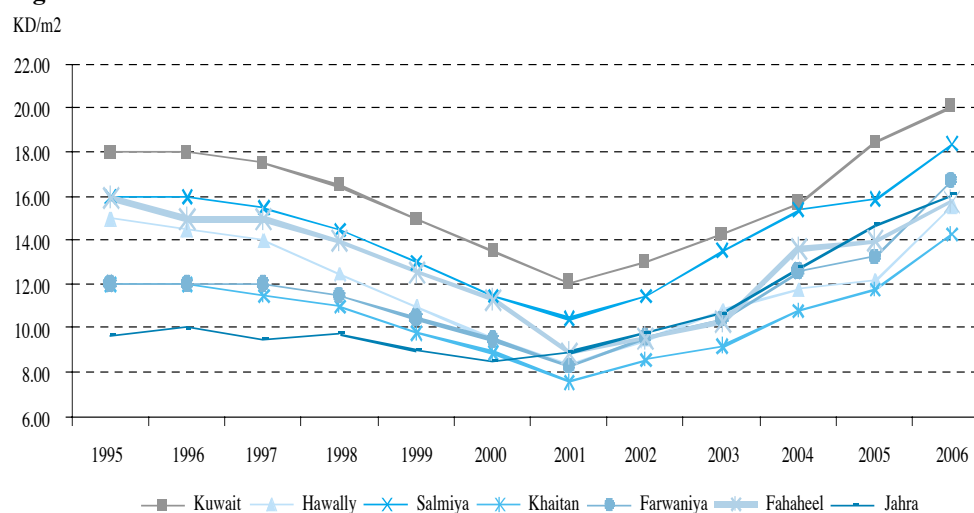
Figure 07: Commercial Land Rates by Area



Source: Kuwait International Bank

The demand for commercial land has stemmed from the fact that commercial rental rates have grown increasing the yield on such property. According to industry sources, commercial property yield is estimated to be in the range of 9.0% up to 12.0%. Retail space rental across the state of Kuwait increased by 16.6% to a new landmark of KD16.7 per square meter by the end of 2006. Rentals in Hawally, Farwaniya and Khaitan increased the most by 27.9%, 26.5% and 21.2% respectively. Prime real estate locations in Salmiya registered 15.7% increase to surpass 1995 peak standing at KD18.4 per meter square.

Figure 08: Commercial Rental Rates

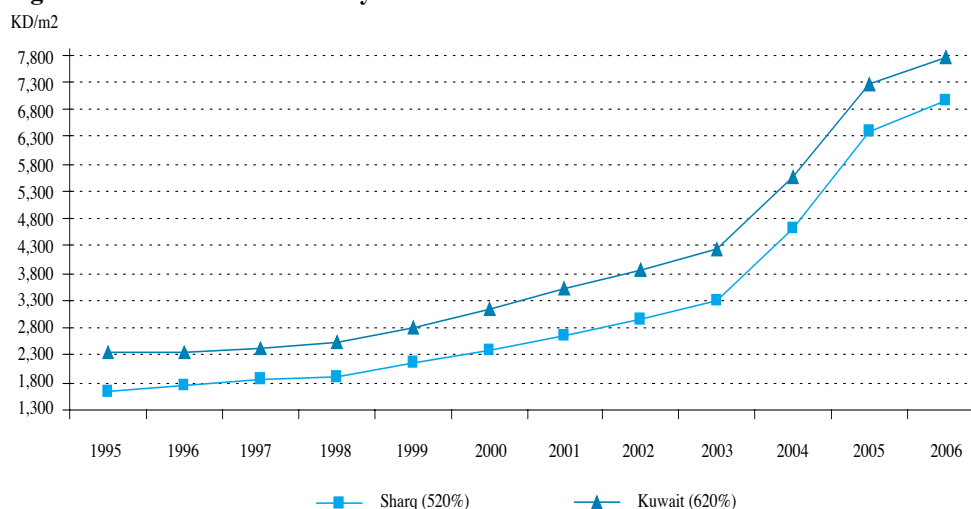


Source: Kuwait International Bank

Office market

Concurrently, the tides have also turned in Kuwait's office market. The low demand scenario prior to the war on Iraq in March 2003 has reversed itself recently, thanks to the booming economy, impelling companies to hire additional employees and apply expansionary business strategies. Further, we have seen the formation of a plethora of new companies since mid-2003 in all sectors of the economy. Adding to this is the entry of foreign banks after CBK opened the sector. Moreover, foreign firms entered the market for direct business or with the Iraqi business in mind; all of this has uplifted demand for premium office space. As for supply, Kuwait City has an extremely tight office market, with quality office space for purchase or rent relatively scarce. This has translated into precipitous increases in commercial land value. During the period 2001-2006 commercial land which is licensed for 620.0% built up area in downtown Kuwait grew at a high CAGR of 17.1%. Prices increased to unseen level of KD7,750 per meter square by the end of 2006. Similarly, neighboring Sharq area plots, which are licensed for 520.0% built up area, have also hiked up in value at a CAGR of 21.2% during the same period. Prices almost sky rocketed to a new landmark of KD6,950 per meter square by the end of 2006.

Figure 09: Office Land Rates by Area



Source: Kuwait International Bank

Looking forward, we estimate prices will continue its growth, however at lower rates. This is mainly because there is still unsatisfied demand due to the high ownership occupation rate. Thus, the majority of office towers being constructed in the capital are to the benefit of private sector firms who own and use the building in whole, not adding much in terms of available market space. Moreover, high construction costs may limit development activities in central areas. As well, the tight rental market has begun to encourage renters to become owners, where a new method of pre-selling is being developed in the market. This phenomenon has shown promising potential with some towers developed and sold through this method. Injazzat Real Estate Development Company began to market the sale of its Al Dhow Tower. The tower is a 33-storey office complex with a total developed area of more than 25,000 sq.m in the heart of the Kuwait city. AMRE proposed to sell 70.0% of the total developed area and retain the balance to generate regular rental income, where 60.0% of the proposed selling area is already sold to leading Kuwaiti companies.

It is no doubt that within few years, Kuwait City's skyline will be completely transformed. Companies are aiming to construct additional towers up to 100-storeys to cater for increasing demand for office space. This was supported by the relaxation of plot height restrictions during early 2005, especially after Kuwait Municipality has decided to allow the construction of buildings with 100 floors (compared to 40 floors previously) in Kuwait City. Looking forward, among other segments Commercial properties will continue its boom because of the scarcity in supply as well the high yields and profitability in that segment. The sector is not expected to face a decline until 2008-09 when the new supply is delivered to the market.

Major Projects

A number of new projects are currently in the pipeline, which includes Failaka Island Project, Kuwait University Project, the Ring-road Project, the Bubiyan Island Project and Project Kuwait. Mega Projects Agency (MPA), a division of the Ministry of Public Works, is charged with overseeing the development of the state's two most important infrastructure projects, Failaka and Bubiyan. Such projects are bound to affect the real estate market in Kuwait. Moreover, it is stated that the Public Authority for Housing Welfare is executing 27 housing projects at a value of KD153mn. Out of these projects is the establishment of housing plots, residential units and public facilities and services in the Fahad Al-Ahmad housing project, East Sulaibikhat, Jaber Al-Ahmad city, and Saed Al-Abdullah area.

Silk City project – The Silk City Project at the Subiyah peninsula is considered as one of the largest additions to real estate development in Kuwait. It will comprise residential and commercial areas, schools, and hospitals. The city will be built on 250 square kilometres, and is expected to house 500,000 residents. The project will be built on a BOT model, by Tamdeen Real Estate and Ajjiyal Real Estate companies. The completion date of the first phase will be within a period of 5-7 years.

Jabr Al-Ahmad Township and Sabbeya projects – Jabr Al-Ahmad project is already under construction and due for completion in two years. It will have 1220 housing units to accommodate 78,000 residents. Sabbeya project located at the north of Kuwait city is to construct 50,000 residential units in the area. The project will also require developing a new 75 km motorway and 36 km causeway from Kuwait city.

Liberation City project – The project is a KD50bn investment to be built gradually within 25 years. It involves the construction one of the highest skyscrapers in the world, Kuwait Tower, with 1.1km height over 250 floors. The tower will be the center of the Silk City. The project will contain commercial, tourist and entertainment establishments in addition to residential units to accommodate 700,000 residents.

Arefijan and the Khairan projects - Two major residential projects are also slated for execution, being offered to the private sector on a BOT basis over a 20-year period, namely; the Arefijan and the Khairan Residential Projects. The Arefijan project costing US\$1.87bn is to be a comprehensive residential area with associated facilities to house more than 100,000 people. It is a new city with estimated area of 40 square kilometers and comprises more than 11,000 residential units. The Khairan Residential Project is a massive 40 square kilometers project, which would add 26,000 residential units, at a cost of more than US\$20bn.

Failaka Island Project - The estimated US\$5bn project is to be developed on a 20-50 year BOT basis and calls for the construction of tourism infrastructure on the 43-square-kilometer island, including hotels, chalets, leisure and entertainment facilities. The Ministry of Public Works has received tenders from nine local companies for executing the project. Moreover, the Mega Projects Authority is said to float a BOT investment project for the construction of a water station and a 165-megawatt electricity plant in addition to a water distillation station at an estimated cost of US\$25mn.

Bubiyah Island Project – The estimated US\$6bn development of Bubiyan involve the construction of a new port, container terminal and residential and commercial infrastructure on the island. The Bubiyan seaport project is a US\$6bn investment with the aim of opening (2.5mn ton a year) port by 2008. Nineteen companies were pre-qualified for the first phase tender covering the construction of road and bridge access to island, plus railway option at a cost of US\$200-300mn. The second stage will cover the dredging of 40KM long, 260m wide, 14m deep approach channel at a cost of US\$500mn.

Kuwait University Project – The project has an estimated KD1.0bn value, aiming to bring all the current university faculties, currently spread across the capital, under one roof. The new educational facility will be co-educational and accommodate up to 40,000 students. Local consultants are doing the designs for the dormitories, sports facilities and auditoriums as well as all the individual faculties.

The International Hospital and South Surra Hospital Projects– the International Hospital project is a KD8.0mn investment to construct a private hospital in Salmiya. The hospital is a 52-bed facility with a built-up area of 6000 square meter. The South Surra Hospital is a 1050-bed facility with estimated investment of KD50-60mn; it is expected to be the largest general-purpose hospital in Kuwait.

The First Ring Road project– The US\$100mn first ring road project involves the upgrade of 2.5km of carriage way, 10 bridges and a division of existing underground utilities. The project also involves the construction of an 800 meter long stretch of single-lane overpass and a 1.5km section below ground.

Project Kuwait & 4th Refinery Project – Project Kuwait entails US\$8.5bn development of the strategically vital Northern Oilfields, to achieve production levels of 5mn b/d by 2020 from about 2.8mn b/d today. The 4th refinery project is expected to be the world’s largest Greenfield refinery project. It would raise the country’s refining capacity to 1.5mn b/d with estimated overall investment of US\$14bn.

Table 16: Landmark Projects in Kuwait

Project	Type	Expected Delivery Date	Estimated Cost (US\$ bn)	Developer
City of Silk	Mixed use	-	86	Tamdeen Real Estate Co. / Ajial Real Estate Co.
Khairan Residential City	Residential	-	27	Public Authority for Housing Welfare
Project Kuwait	Industrial	2010	8.5	Kuwait Petroleum Corporation (KPC)
Bubiyah Island	Tourism	2016	6.0	Mega Projects Agency (MPA)
Failaka Island	Tourism	2014	5.0	Mega Projects Agency (MPA)

Source: *Global Research*.

Hospitality Sector

With the new geo-political conditions that have resulted from the fall of the former Iraqi regime, the hospitality sector has emerged to the forefront of rapidly expanding segments. After the fall of the Iraqi regime, there was a flood of hotel guests to Kuwait, driving up prices to record levels. Further, scrapping visa requirements upon arrival for 34 nationalities is expected to fuel business trips to Kuwait as well as tourism. Kuwait also has opened its skies through the establishment of the first private commercial airline, which is expected to increase the number of passengers coming to Kuwait or passing through to Iraq.

According to industry sources, the signs of recovery started in 2002 and 2003, where occupancy rates jumped as high as 90.0%. It is reported that such high occupancy rates pushed Kuwait rank from 127th in 2002 to the first rank on the international scale during 2003. However, starting 2004 occupancy rates declined gradually to stand at the current average level of 60.0%. Similarly, average room rate dropped by 9.7% in 2005 while room yield was down by 11.7%.

The government has also shown its intent on fully supporting tourism in Kuwait, launching a number of tourist projects that could place Kuwait on the regional tourism radar. One of such tourism projects is the Failaka Island Development Project that is expected to add more than 4000 rooms and chalets to the sector in the most beautiful island off the coast of Kuwait. In addition the project will add no less than 12 hotels, a new harbor and marina for up to 300 boats. Moreover, the government is also working on developing a 20-years strategic tourism development plan. Such plan aims to attract a portion of the outbound Gulf tourism, as well as business tourism and representatives of international companies.

The sector passed a stagnation period during 1982-2002, where supply (room inventory) remained unchanged standing at nearly 7,500 rooms. Currently, there are 28 hotels with approximately 4,500 rooms serving all of Kuwait, with ten five star hotels and nine four star hotels in addition to ten resorts and twenty three hostels. The new found interest in hotels will push the activity in the sector much further constructing new hotels. According to industry sources, it is estimated that since 2005, the Ministry of Commerce and Industry received 128 applications for new hotels with more than 15,000 rooms. Out of those applications, 100 new hotels were granted approval during early 2006. In fact only ten new hotels began construction during the course of 2006 bringing to the market 2,164 new rooms. It is important to notice that new developments in the sector are concentrated in the five and four-star category as well in prime locations as Salmiya, Sharq and Hawally. Such activities in the tourism sector would further drive the real estate market as prime areas would most likely be the targets of the incoming hotel developers.

Regulations & role of Government bodies

As compared to its other GCC counterparts, laws allowing foreigners or expatriates to purchase property in Kuwait are not there yet. Moreover, market players are not seeing it coming in the near future although almost all of them are calling for it. Currently, foreigners are only allowed to own units through the real estate portfolio of a financing company where the property is under the company's name until the allowance of expatriates' ownership. According to industry sources, opening the sector -through allowing foreigners ownership-

would have much of positive impact on the real estate sector as well as on the whole economy supporting the government plans to transform Kuwait to a financial and trade hub in the region. On one hand, opening the sector is expected to attract more international investment, thus pouring more liquidity in the market. On the other hand, current expatriates will be encouraged to spend and invest their money within the economy instead of transferring it outside. Moreover, within five years such step would be inevitable to keep the boom in the sector and avoid an expected oversupply scenario especially in investment and commercial segments.

On another front, BOT regulations still constitutes one major concern for private sector participants in developing the county's infrastructure. According to industry players, such regulations may act as a tool to either support or hamper private sector participation and pushing construction activity forward. Among the major problems facing private sector participation in BOT projects are; governmental bureaucracy (being unable to issue licenses), as well as, no unified procedures are there to deal with the public authorities. Moreover, the investment period is up to 20 years maximum for all projects, which is not fair as some projects need only 10 years while others need longer periods up to 50 years.

Currently, the government is keen to give more importance for BOT projects to cooperate with private sector in this field. For example, the Ministry of Finance is giving more support for the usage of BOT projects as it helps to relieve the pressure on the state's budget. Thus, as a response to the private sector needs, the minister of Finance stated that a new BOT law is to be proposed to the cabinet. Moreover, the government intends to apply the Public Private Partnership principle (PPP) to overcome the main obstacle facing BOT projects within public authorities, namely paper work. The new law is the first one that calls for cooperation between the two sectors. It would set guidelines to the work plan under the PPP system in addition to guidelines to foreign investors.

Performance Of Real Estate Sector On KSE

The year 2005 in particular was good for the GCC region as all GCC indices registered healthy annual growth rates. Saudi Arabia led the markets with a 103.7% annual gains in 2005, UAE emerged as number two with annual gains of 102.9%, followed by Qatar (+83.5%) and Kuwait (+67.6%). Bahrain and Oman seem to have underperformed only when compared to the other GCC countries, however, they still recorded good annual growth of 23.7% and 44.4% respectively in 2005.

By the end of 2006, Global General Index for KSE was down by 9.2% as compared with previous year's growth of 67.6%. Overall, the year 2006 was a year of unpredictability. It will be a year to remember wherein the markets started the year by reaching their respective peaks and then started a slide, keeping many analysts and market observers guessing. Whether one calls it a market correction or a crash, one could see it coming as the market capitalization growth had far overrun the earnings growth in the regional markets.

Considering the sectoral performances in 2006, all sectors except banking and insurance ended in the negative territory. Maximum decline was in real estate sector, which declined by 26.9% in 2006, followed closely by investment sector which declined by 26.5% in 2006. Investment companies were hit by overall bearish sentiment prevailing in the market. Sectors like food and services also declined by 17.3% and 9.9% respectively in 2006. As mentioned above, only banking and insurance sector ended in positive territory in 2006. Banking, the largest sector, gained 11.9% in 2006.

Kuwaiti market rebounded during the first half of 2007. The rebound of 1H07 was backed by investors' confidence that remained high on the back of positive news flow from the macro perspective and healthy corporate earnings. The index reported overall YTD gain of 30.0% at the end of the 1H07.

Table 17: Sectoral Performance of KSE stocks

Sectors	2004	2005	2006	% Change 2005	% Change 2006	1H06	1H07	YTD% 2007
Banking	199.83	319.60	357.69	59.9%	11.9%	331.37	454.04	26.9%
Investment	225.01	470.35	349.83	109.0%	-25.6%	365.79	412.41	17.9%
Insurance	50.26	61.08	63.57	21.5%	4.1%	59.76	60.33	-5.1%
Real Estate	121.83	173.08	126.45	42.1%	-26.9%	134.21	139.63	10.4%
Industrial	213.90	350.70	326.29	64.0%	-7.0%	268.47	398.37	22.1%
Services	844.00	1,295.73	1,166.99	53.5%	-9.9%	1,087.39	1,827.97	56.6%
Food	193.87	301.69	249.40	55.6%	-17.3%	259.30	591.41	137.1%
Non-Kuwaiti	41.35	79.21	73.65	91.6%	-7.0%	72.25	84.95	15.3%
Total Market	191.09	320.24	290.77	67.6%	-9.2%	278.70	378.09	30.0%

Source: *Global Research*.

Kuwaiti market performance was exceptional in terms of both growth and trading activity during 2005. However, both the volume and value of shares traded declined in 2006 along with the decline in the market. Total volume of shares traded reported 27.9% of decline reaching 37.7bn shares down from 52.2bn shares traded during 2005. On the other side, total

value of shares traded declined from KD28.4bn in 2005 to KD17.3bn in 2006, a decline of 39.2%. Except banking sector which saw a 3.9% increase in value of shares traded, all other sectors experienced a significant decline in the value of shares traded. The food sector was the worst-hit, where total value of shares traded declined by 74.4% in 2006. Other sectors which saw significant decline included real estate and investment sectors. The total value of shares traded in real estate and investment sector declined by 51.0% and 43.6% respectively in 2006.

As for Real Estate Sector, it reported a declining trend for both value and volume of shares traded retreating by 51.0% and 38.4% respectively during 2006. However, entering the year 2007 both value and volume of trade rebounded to grow by 12.3% and 72.7% respectively on Y-O-Y basis. During 1H07, thirty Kuwaiti real estate companies listed on KSE witnessed 7.16bn traded shares at a value of KD1.7bn. It is important to note that, real estate stocks continued to generate substantial amount of interest during 1H07, representing 21.8% of traded shares during the period, ranking the second after Investment stocks.

Table 18: Value of Shares Traded

KD mn	2004	2005	2006	1H06	1H07
Banking	1,529	2,171	2,255	1,141	3,142
Investment	4,406	10,963	6,185	3,573	4,398
Insurance	41	53	31	21	41
Real Estate	2,443	5,574	2,730	1,504	1,686
Industrial	1,849	2,530	1,530	692	1,510
Services	3,720	5,071	3,469	1,675	6,835
Food	298	568	145	68	275
Non-Kuwaiti	990	1,491	932	522	998
Total Market	15,276	28,421	17,278	9,195	18,887

Source: *Global Research.*

Table 19: Volume of Shares Traded

Shares (mn)	2004	2005	2006	1H06	1H07
Banking	2,339	2,573	2,557	1,283	2,801
Investment	13,183	23,075	16,212	8,673	10,137
Insurance	93	135	78	53	73
Real Estate	6,079	13,134	8,088	4,147	7,160
Industrial	3,066	3,482	1,940	815	1,927
Services	3,375	4,679	6,192	3,386	5,431
Food	1,130	1,293	340	143	560
Non-Kuwaiti	4,279	3,874	2,249	1,142	2,801
Total Market	33,544	52,245	37,655	19,642	30,891

Source: *Global Research.*

On the capitalization front, total market capitalization improved marginally by 1.0% to reach KD41.9bn at the end of 2006. Banking sector, which constituted 30.5% of total market capitalization at the end of 2006, led the increase in market capitalization by registering a growth rate of 20.0% in 2006. The other sectors which saw an improvement in market capitalization include insurance, non- Kuwaiti, industrial and services. Among the sectors which experienced a decline in market capitalization, investment and real estate sectors declined the most. Real estate capitalization retreated by 20.9% to stand at KD3.1bn, or 7.4% of total market capitalization.

In 1H07, total market capitalization reported a YTD growth of 32.5%, mirroring the positive market sentiment. Market capitalization stood at KD55.5bn by the end of 1H07. Real estate capitalization reported a growth of 12.5% to reach KD3.5bn. Banking sector continued to contribute the most of total market capitalization accounting for 29.9% of total capitalization by the end of 1H07. This was followed by services sector that contributed 26.4% of total capitalization, while real estate sector accounted for 6.2% of total market capitalization.

Table 20: Market Capitalization

KD mn	2004	2005	2006	1H07	YTD%
Banking	6,457	10,648	12,775	16,578	29.8%
Investment	4,127	9,838	7,713	9,522	23.5%
Insurance	344	423	453	430	-5.1%
Real Estate	2,251	3,893	3,079	3,465	12.5%
Industrial	2,135	3,525	3,619	4,442	22.7%
Services	5,026	9,038	9,256	14,679	58.6%
Food	372	563	477	1,131	137.1%
Non-Kuwaiti	1,452	3,562	4,543	5,289	16.4%
Total Market	22,164	41,490	41,915	55,536	32.5%

Source: *Global Research*.

The overall profitability of companies listed in KSE declined by 19.5% in 2006. Such decline was to be compared to 2005 stellar performance when earnings almost doubled reporting 95.5% of annual growth. Most of the sectors saw a decline in their profitability except banking and services sectors.

Table 21: Profitability of KSE listed companies

KD mn	2004	2005	2006	%Change 2005	%Change 2006	1Q06	1Q07	%Change
Banking	463.72	636.70	801.79	37.3%	25.9%	184.21	231.67	25.8%
Investment	455.44	1,006.85	512.94	121.1%	-49.1%	29.92	609.58	1937.0%
Insurance	31.21	64.31	46.75	106.1%	-27.3%	16.98	38.76	128.2%
Real Estate	169.26	445.76	145.34	163.4%	-67.4%	-10.31	75.43	-
Industrial	168.53	378.14	287.30	124.4%	-24.0%	80.32	175.31	118.3%
Services	365.05	630.93	717.60	72.8%	13.7%	167.24	205.74	23.0%
Food	26.09	76.18	50.67	192.0%	-33.5%	11.51	14.94	29.8%
Non-Kuwaiti	145.55	328.34	309.17	125.6%	-5.8%	97.41	139.85	43.6%
Total Market	1,824.86	3,567.22	2,871.56	95.5%	-19.5%	577.28	1,491.28	158.3%

Source: *Global Research*.

The real estate sector saw maximum decline in the profitability in 2006, declining by 67.4% over the previous year. Following the same declining trend, profitability of investment and food sectors declined by 49.1% and 33.5% respectively in 2006. Generally, the declined profitability was due to dip in the other income categories, of which investment income was the major component. Due to the booming stock market in 2005, the investment income of the companies was significant, which came down sharply in 2006 and impacted the bottom-line. Among the sectors which bucked the trend, banking was the major gainer, growing by 25.9% in 2006. Services sector was another sector which did well, growing by 13.7%.

The year 2007 witnessed major changes on the profitability front as total earnings more than doubled during 1Q07. Total earnings grew by 158.3% to stand at KD1.5bn by the end of 1Q07 as compared with KD577.3mn during the same period last year. Backed by the positive market sentiment, almost all sectors reported double digits growth rates during 1Q07. Within all sectors, real estate sector reported the best performance. After reporting KD10.3mn of losses during 1Q06, real estate earnings rebounded during 1Q07 to reach KD75.4mn of profits.

Looking forward, we believe the market will continue its growth through the course of the year supported by positive news flows from the macro perspective, high oil prices and improved corporate earnings thus improving market sentiment.

We expect Kuwait market to show stable growth in 2007. Kuwait market is estimated to show more than 30.0% growth in 2007, which is in-line with the earnings growth that we expect in 2007. At the current price, Kuwait market looks attractive and the forward P/E is estimated to be in the range of 10x-11x for Kuwait. The fall in the market during 2006 has given opportunity to the institutional as well as retail investors to do “bottom-fishing” in the market and we believe that markets will do well over the medium term.

Players Profile

Public Authority for Housing Welfare (PAHW)

- **Public Authority for Housing Welfare (PAHW)** -formerly known as Public Authority for Housing Care (PAHC)- was established in 1993 as an independent entity to replace the Ministry of Housing. Previously, PAHC was responsible for the construction of government residence for Kuwaiti citizens. In 1986, PAHC merged with the Ministry of Housing –which was responsible for the distribution of such residents- to jointly carry their operations under the Ministry’s supervision.
- PAHW is seen as the largest real estate development entity in Kuwait. Its principal activities cover the formulation and implementation of national housing policies, infrastructure, in addition to planning and development of new and existing urban areas.
- Although the government holds the resolve to provide every Kuwaiti citizen with a house, the sheer number of applicants at PAHW has resulted in an increasing queue that has reached 30,414 individuals by mid-2007. The government has set up a vehicle in which citizens may take up a subsidized loan from the government institution (Savings & Credit Bank) to purchase or construct a house.

Table 01: Waiting List at Public Authority for Housing Welfare

Year	Total Applications	Waiting List	Waiting Rate %
2000	4,762	1,142	24.0%
2001	6,029	1,428	23.7%
2002	6,747	1,632	24.2%
2003	6,872	1,694	24.7%
2004	7,033	2,356	33.5%
2005	7,554	3,610	47.8%
2006	9,792	7,997	81.7%
2007*	4,321	4,321	100.0%
Cumulative Total since 1985	79,894	30,414	38.1%

* As of 27 June 2007

Source: Public Authority for Housing Welfare

- Although commendable efforts are being exhibited by the PAHW in reducing the waiting period, more and more applicants have opted to buy a house using financing from government institutions. Waiting rate stood at 16.8% during the late eighties, but then jumped to 24.6% on average for the whole nineties. However, there was a dramatic increase in waiting rate during the last three years reaching more than 50.0%. Such increase in waiting rate is mainly backed by the increasing demand for housing that surpasses supply by all means.

Savings & Credit Bank (SCB)

Operational Highlights

- SCB is a public institution supervised by the Ministry of Finance and was established in 1960 as “Credit Bank”, to facilitate subsidized real estate and social credit to eligible Kuwaiti citizens. In 1965, SCB replaced Credit Bank. It has an authorized capital of KD2.5bn and all of its assets and liabilities are located in Kuwait. SCB gives out loans for buying, constructing or renovating a house (both government & private).
- In FY 2005/06, the decree number 60 of 2006 has been issued to transfer the supervision on the SCB to His Excellency Vice-Chairman of the Cabinet, the State Minister of the Cabinet’s Affairs and State-Minister for National Assembly’s Affairs.
- During 2006, the board of directors addressed the CBK to deal with the bank as a governmental authority according to the articles of association thereof and to approve considering the same as a client, not as a banking authority in its dealing with other banks. This resulted in increasing the demand on the deposits of the SCB, consequently increasing the interest during the FY2005/06.
- 11,272 families benefited from the real estate and social loans during FY2005/06, up 1.1% from 11,155 in FY2004/05. Total approved loans & disbursed loans during the year 2005/06 amounted to KD249.5mn and KD262.0mn respectively, showing a decline of 16.3% and 8.8% from KD298.0mn and KD287.1mn respectively in FY2004/05.
- However, as individuals opt for SCB loans, it becomes imperative to track the government’s ability to meet this increasing demand for financing. Number of approved real estate loans has declined from 4,908 in 2005 to 4,437 in 2006. In terms of value, real estate loans approved and paid out declined from KD273.5mn and KD262.5mn in 2005 to KD222.5mn and KD235.1mn respectively in 2006.
- Starting April 2006 up to the end of the March 2007, the SCB had disbursed loans worth KD206.0mn, or 12.5% decline from the disbursed loans for the same period previous year. Approved loans for the period stood at 4,911 which represented a 10.7% growth. However the value of approved loans declined by 37.5% reaching a value of KD139.2mn. Out of total loans, new construction loans continued to attract the majority of disbursals.
- During 2005, SCB changed its regulations for the eligibility of KD70,000 free-interest loan allowed for Kuwaitis. According to the change, eligible citizens can purchase a 280-square meters plot, down from 360-square meters plot, to be eligible for the loan. This change is to help provide more housing care for citizens which is expected to have positive impact on the market as well as on the bank performance.

Table 01: Savings and Credit Bank Disbursals

Description	2004			2005			2006		
	Approved	Paid		Approved	Paid		Approved	Paid	
	Numbers	KD	KD	Numbers	KD	KD	Numbers	KD	KD
	Mn	Mn		Mn	Mn		Mn	Mn	
Plot building	2,296.0	156.2	168.7	2,828.0	191.5	171.6	2,286.0	143.9	161.6
Purchases of houses	1,591.0	88.6	87.3	1,213.0	65.0	72.2	1,187.0	60.6	56.2
Extension & restorations									
private residences	23.0	0.3	0.5	23.0	0.4	0.5	25.0	0.3	0.4
government houses	1,107.0	22.7	19.7	844.0	16.5	18.1	939.0	17.7	16.8
TOTAL	5,017.0	267.8	276.2	4,908.0	273.5	262.5	4,437.0	222.5	235.1

Source: Savings & Credit Bank Annual Reports, Global Research

Table 02: Savings and Credit Bank Disbursals

Description	Apr 2006-Mar 2007		
	Approved	Paid	
Numbers	KD	Mn	KD Mn
Plot building	1,770.0	55.5	122.6
Purchases of houses	1,423.0	60.9	62.1
Extension & restorations	1,718.0	22.8	21.3
TOTAL	4,911.0	139.2	206.0

Source: Company data, Global Research

Financial Highlights for 2006

- Total revenues of SCB continued to grow and for the period 2001-2006 grew at a CAGR of 10.2%. During 2006, total revenues grew rapidly by 17.7% reaching a new landmark of KD84.3mn. Within total revenues, interest on loans stood at KD65.9mn reporting 4.1% of annual growth. Similarly, gain on revaluation of investments held for trading stood at KD3.0mn. Interest on deposits and call accounts almost doubled growing by 97.9% to stand at KD12.7mn. Finally, investments income bulged to KD2.5mn, or 42.7% of growth.
- In 2006, keeping in line with its business model and objectives, interest on loans was by far the biggest contributor at 78.2%, followed by interest on call & deposit accounts at 15.1%. On average, interest on loans accounted for 80.4% of total revenues over the period 2001-2006. This is indicative of rising real estate activity in the economy, to which SCB is contributing increasingly by giving out housing/real estate loans for construction, buying a house and renovating.
- Over the past five years period, total expenses grew at a CAGR of 24.1%. During 2006, total expenses grew by 21.2% to report its highest level of KD12.1mn as compared with KD10.0mn recorded in 2005. Despite this high growth rate in total expenses, net profit rebounded from previous year trough to report 17.1% growth reaching KD72.2mn.
- The ROAE and ROAA for 2006 increased to reach 2.13% and 1.92% respectively, as compared with 2005 levels of 1.85% and 1.72%.

- SCB, being backed by the government, has a strong balance sheet, with an asset size of KD3.8bn in 2006 rising by 4.7% from KD3.7bn reported in 2005. Given the nature of the business (giving out low interest and subsidized loans to financing housing purchase) and its backing by the government, the assets were funded by equity to the tune of KD3.4bn and KD3.4bn in 2005 and 2006 respectively.
- Within SCB assets, loans continued to account for the largest share that averaged 88.9% of total assets during the period 2001-2006, followed by cash and time deposits accounting for 9.9% over the same period.
- At the end of 2006, paid up capital remained at its level since establishment of KD2.5bn.

Financial Summary

All figures in KD 000s	2001*	2002	2003	2004	2005	2006	5-years
	31st Mar	31st Mar	31st Mar	31st Mar	31st Mar	31st Mar	CAGR - %
Operating Summary							
Interest on loans	38,176	52,563	56,853	60,463	63,290	65,872	5.8%
Interest on deposits & call accounts	11,688	11,530	10,125	8,896	6,432	12,729	2.5%
Interest on deposits certificates	-	-	-	-	129	-	
Investment Income	127	637	4,278	994	1,735	2,475	40.4%
Gain on revaluation of investments held for trading	-	1,715	219	1,764	-	3,038	15.4%
Other Income**	1,820	58	35	29	27	151	26.9%
Total Income	51,811	66,504	71,510	72,146	71,613	84,265	6.1%
Total expenses & other charges	6,781	5,100	5,499	7,754	9,979	12,092	24.1%
Net profit	45,030	61,403	66,012	64,393	61,634	72,173	4.1%
Balance Sheet Summary							
Cash & time deposits	249,380	383,872	348,888	335,600	346,962	379,387	-0.3%
Investment held for trading	3,513	5,214	5,428	6,955	6,719	9,698	16.8%
Investment in property	2,912	1,743	1,115	19,605	35,172	54,767	136.8%
Loans	2,840,708	2,769,686	2,972,122	3,125,759	3,265,647	3,379,377	5.1%
Total Assets	3,110,458	3,174,992	3,342,613	3,506,613	3,670,792	3,842,741	4.9%
Due to banks & bonds	1,303	2,387	101,687	201,560	302,558	401,748	260.2%
Total Liabilities	8,933	12,064	113,673	213,281	315,825	415,601	142.3%
Paid - up capital	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	
Shareholders Equity	3,101,525	3,162,928	3,228,940	3,293,333	3,354,967	3,427,140	2.0%

* Results are from 01-07-2000 to 31-03-2001

** Other income includes claims received from UNCC and fees from dormant savings accounts

Key ratios	2001	2002	2003	2004	2005	2006
ROAE - %	-	1.96	2.07	1.97	1.85	2.13
ROAA - %	-	1.95	2.03	1.88	1.72	1.92

Source: Savings & Credit Bank Annual Reports, Global Research

United Real Estate Company

Reuters Code:

[UREK.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

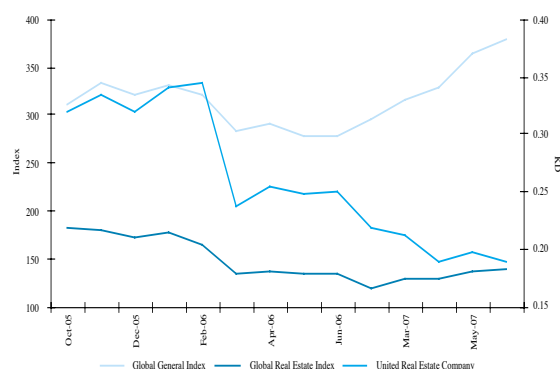
[192 Fils](#)

Key Data

CMP (Fils)*	192.0
Market Cap (KDmn)	140.5
EPS (Fils)	25.0
BV (Fils)***	189.5
P/E*	7.7
P/BV***	1.0
12 M Average Volume	2,144,183
Year Lo-High (Fils)	174 - 236

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- United Real Estate Company (UREK)** was established in 1973 as a shareholding company. It was listed on the Kuwait Stock Exchange in 1984. UREK is one of the largest real estate companies. It is a subsidiary of Kuwait Projects Company (KIPCO). United real estate is a full service real estate company, which deals in various real estate activities especially purchase, sale, leasing and renting of land and buildings.
- Geographically, 82% of the company's assets are concentrated in Kuwait. However, UREK has a strong presence across countries such as Egypt, Jordan, Lebanon and the UAE through its subsidiaries and affiliates. Core operating assets amounted to KD162mn in FY06, forming 84% of the company's total assets. The rental portfolio constituted 56% of total core assets, while strategic holdings accounted for 36% of total assets.
- Though Kuwait has been the core market, UREK has been active in seeking attractive opportunities in selected markets. Besides the Kuwait projects, UREK has started projects in Lebanon, Jordan, and Oman, with a focus on the retail and hospitality segments. The company is also negotiating to acquire pieces of land in Sharm el Sheikh, and Cairo in Egypt. Other future projects include the five star Rawcheh hotel in Lebanon, Fairmont Heliopolis hotel in Egypt, Verdun Mall project in Lebanon, a mall and a hotel in Jordan, a long term lease retail project in Salalah in Oman.

- UREK's portfolio includes commercial complexes, hotels, resorts, residential buildings, shopping centers, high rise office buildings as well as mixed-use projects (office, retail, and residential). UREK is the developer of the waterfront project or the Marina World seaside project, one of the largest BOT projects in the real estate sector in Kuwait. Through its subsidiaries, UREK has invested in numerous hotels and tourism projects such as the five-star Fairmont Heliopolis Hotel in Egypt and the four-star Bhamdoun Hotel in Lebanon as well as numerous other projects across the Middle East.
- After completing the Marina Mall project, that cost KD54mn, UREK launched its second phase of Marina World coastline complex which includes Marina Crescent, a seafront leisure and retail area with a 130-berth marina, restaurants and cafes, luxury shops and a world-class five-star hotel. The company has a new project in Kuwait named Kuwait Business City - a downtown mixed-use project with a 50 floor-plus tower. It is due to be completed in 2008.
- Future developments for UREK include the United Towers that is scheduled to be completed in 2010. United Towers is one of the largest commercial and residential complexes in Kuwait consisting of one tower on a 4,852 square meters plot of land. Also to be completed in 2009 is the 22 floor five-star Rawcheh Hotel in Lebanon.
- UREK is responsible for the construction "United Towers" (previously "Kuwait Business City"), a mixed use project that will be constructed adjacent to Al-Shahid and Madina buildings at a total cost of KD34.1mn. Construction started in December 2004 and is expected to be completed in 2010. UT will consist of a 58-storey tower containing 37 floors of office space, 11 residential floors, a five level podium inclusive of retail areas on the ground level and four mezzanine floors, along with two floors of basement parking and an existing seven-storey parking complex. The total leasable area is expected to be 50,500sqm. The two towers will be connected to the Shahid and Madina towers, making UT one of the biggest commercial and residential complexes in the heart of Kuwait city.
- In Feb-2006, UREK announced that it would develop Al Abdali Border passage between Iraq and Kuwait at KD250mn. The project includes the construction of warehouses, showrooms and industrial facilities along with hotels and residential towers on an area of 8mn sqm.
- In May-2007, the company struck a deal with the Jordanian Abdali Co. for Investment and Development on designing Al-Abdali Mall in Amman, capital of Jordan. The project will cover an area of 32,000 sqm in Al-Abdali District of Amman and will cost about US\$200mn.

Financial Highlights for FY06

- Total assets witnessed marginal growth of 1% in FY06. Despite, the significant increase in investment in associate companies which increased by KD33.6mn in FY06 to reach KD58.5mn, that increase was offset by the decline in investment properties, and land for development which declined by KD21.4mn, and KD15mn in FY06 to reach KD90.8mn, and KD0.3mn respectively.

- Investments properties constituted around 47.2% of the company's total assets, followed by investment in associated companies at 30.4%.
- Revenues from operations consisting of rental income, hotel revenues, and other operating revenues witnessed a modest increase of 1% to reach KD11.8mn in FY06. UREK's operating revenues are mainly generated from its rental portfolio. Marina Mall revenues accounts for almost 65% of the company's rental revenues, while the remaining rental revenues comes from residential, and commercial rentals.
- Following the launch of the Marina Hotel in 2005, the company recorded a net hotel operating revenue of KD0.43mn in FY05, which witnessed a significant increase of 139% in FY06 to reach KD0.95mn.
- Net profit for FY06 amounted to KD13.5mn, increasing by 8% from KD12.5mn reported in FY05. The increase in net profit came mainly on the back of one-off gains of KD9.6mn from the sale of subsidiaries, associates, land for development and investment properties. EPS improved to 25.0 fils in FY06 as compared to 23.16 Fils in FY05.
- ROAE and ROAA stood at 13.4% and 7.1% in FY06 respectively, compared to 12.7% and 7.0% in FY05.

Interim Results (Q1 FY07)

- Total income for the first quarter of FY07 was up by 5.9% to reach KD4.5mn from KD4.2mn recorded in the corresponding period in FY06.
- The main reason behind the rise was 33.2% increase in hotel income, which reached KD1.0mn in the first quarter of FY07 as compared to KD0.76mn in the first quarter of FY06.
- Despite this increase in total income, net profit for the period decreased by 60.1% to reach KD1.6mn in the first quarter of FY07 compared to KD4.0mn recorded in the corresponding period in FY06.

Summary of Financials

<i>(In KD '000)</i>	FY02	FY03	FY04	FY05	FY06
Operating Summary					
Rental income	5,819	11,055	13,059	12,634	11,670
Share of results of associated companies	1,238	448	837	659	2,905
Gain on sale of investment properties	392	507	0	1,300	-
Gain on sale of part investment in subsidiary	0	742	0	916	3,266
Other operating income	838	710	1,105	1,229	1,556
Total Operating Profit	8,288	13,463	15,000	3,461	3,540
Net Profit for the year	3,105	13,002	13,368	12,550	13,553
Change in fair value of investment properties	(468)	6,428	6,269	5,093	1,686
Balance Sheet Summary					
Cash and cash equivalents	381	1,329	2,178	690	7,633
Investments available for sale	4,046	5,769	2,569	3,494	11,547
Investments in associated companies	10,284	10,027	12,802	24,840	58,520
Investment properties	84,645	86,715	97,671	112,364	90,880
Land for development	14,721	14,986	15,560	15,468	350
Property and equipment	1,353	1,134	1,131	19,758	12,377
Total Assets	130,939	146,515	168,530	191,005	192,744
Total Liabilities	65,801	71,463	71,846	90,723	90,072
Paid-Up capital	47,123	47,123	54,191	54,191	54,191
Shareholders Equity	65,138	75,052	96,684	100,281	102,672
Key Ratios					
EPS (in Fils)	6.6	27.6	24.7	23.2	25.0
Book value per share (in Fils)	138.2	159.3	178.4	185.1	189.5
Net Profit Growth	102.7%	318.8%	2.8%	-6.1%	8.0%
Assets Growth	16.7%	11.9%	15.0%	13.3%	0.9%
ROAE %	4.8%	18.5%	15.6%	12.7%	13.4%
ROAA %	2.6%	9.4%	8.5%	7.0%	7.1%
P/E*	30.4	10.1	10.5	13.8	7.7
P/BV*	1.4	1.8	1.5	1.7	1.0

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Kuwait Real Estate Company

Reuters Code:

[KREK.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

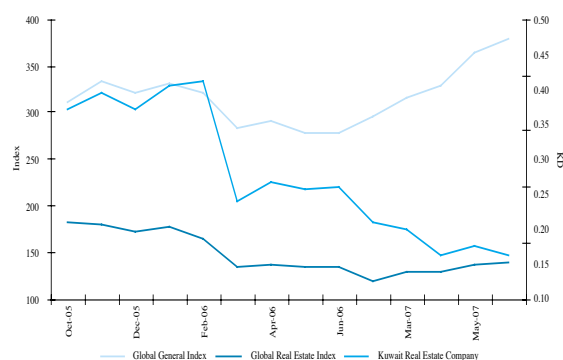
[188 Fils](#)

Key Data

CMP (Fils)*	188
Market Cap (KD mn)	155.0
EPS (Fils)	NM
BV (Fils)***	167.9
P/E*	NM
P/BV***	1.1
12 M Average Volume	4,583,755
Year Lo-High (Fils)	138 - 200

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- Kuwait Real Estate Company (KREK)** was incorporated in May 1972 as a shareholding company. It got listed on the Kuwait Stock Exchange effective September 1984. KREK has presence in the entire real estate value chain from sale, purchase, renting, leasing of land and buildings, land development, construction of buildings and investments in projects similar to its own activities.
- KREK's main projects include – Courts complex, Souk Al Kabir, Souk Al Kuwait, Al Marzouk Pearls, Al Maseel Pearls, Durrar Complexes, Fahaheel complex and Workers Home – Sabhan. These are a mix of commercial and residential complexes developed by the company.
- KREK has the following subsidiaries – Kuwait Industrial Marble Mfg Co (57%) KSCC, Gerbert Benet Company for Industry (33.3%), Habada Farm Company (33.3%), Puzzle Land Company (3.3%) It has a number of associated companies, which include – Kuwait Building Materials Mfg Co. (24.7%), National Slaughters Houses Co. (34.7%) among others.

Financial Highlights for FY06

- Total assets decreased by 21.5%, reaching KD197.2mn in FY06 compared to KD251.1mn in FY05. Available for sale (AFS) investments constituted 39.2% of the company's total assets. Investment properties made 30.3% of the assets.
- Available for sale investments stood at KD77.3mn in FY06 compared to KD108.7mn in FY05, a decline of 28.9%.
- The company incurred net losses of KD9.8mn due to huge unrealized losses of KD30.9mn on investments at fair value. While in FY05 the company recorded profits of KD62.1mn and EPS stood at 94.2 Fils.

Interim Results (Q1 FY07)

- Total income for the first quarter of FY07 witnessed a great recovery to reach KD2.7mn as compared to a loss of KD16.1mn in the corresponding period last year.
- The main reason behind the recovery was unrealized profit on investments at fair value through income statement of KD.76mn as compared to huge loss of KD22.3mn in the corresponding period last year.
- The company earned a net profit of KD1.8mn in 1Q07 as compared to net loss of KD16.8mn reported in the corresponding period in FY06.

Summary of Financials (In KD '000)

<i>(In KD '000)</i>	FY02	FY03	FY04	FY05	FY06
Operating Summary					
Real estate rental income	6,504	7,227	7,493	7,677	7,573
Gain on sale of investment properties	(367)	523	3,605	5,252	4,539
Gain on sale of available for sale investments	253	564	3,186	25,387	142
Gain on sale of investments at fair value	504	0	1,003	2,514	108
Gain on sale of associated companies	0	1,891	873	949	0
Dividends income	927	1,292	2,262	2,134	2,530
Total Income	12,603	25,400	20,948	67,790	(6,282)
Net Profit for the year	9,573	23,605	17,050	62,108	(9,776)
Unrealized gain on investments at fair value	8,618	23,804	12,073	29,722	(30,973)
Balance Sheet Summary					
Cash and cash equivalents	2,574	7,058	12,665	13,403	13,591
Investment at fair value through income statement	8,803	9,549	40,626	67,424	34,084
Available for sale investments	23,179	44,795	41,517	108,666	77,251
Investment properties	59,150	62,941	66,221	48,496	59,785
Total Assets	113,879	138,006	175,360	251,125	197,195
Total Liabilities	42,076	42,597	57,085	58,162	58,813
Paid-Up capital	57,093	57,093	62,803	65,943	82,428
Shareholders Equity	71,803	95,409	118,275	192,963	138,382
Key Ratios					
EPS (in Fils)	16.767	41.345	27.148	94.185	NM
Book value per share (in Fils)	125.77	167.11	188.33	292.62	167.88
Net Profit Growth	-	146.59%	-27.77%	264.28%	NM
Assets Growth	-	21.2%	27.1%	43.2%	-21.5%
ROAE %	13.33%	28.23%	15.96%	44.31%	NM
ROAA %	8.41%	18.74%	10.88%	29.13%	NM
P/E*	8.23	10.40	10.31	4.46	NM
P/BV*	1.10	2.57	1.49	1.44	1.12

* Market Price as on Year end except for FY06, which is as on June 30th 2007

National Real Estate Company

Reuters Code:

[NREK.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

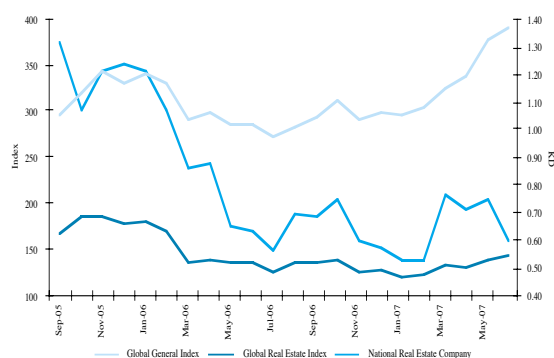
560 Fils

Key Data

CMP (Fils)*	650
Market Cap (KD mn)	481.1
EPS (Fils)	102.1
BV (Fils)***	350.7
P/E*	6.37
P/BV***	1.9
12 M Average Volume	4,243,759
Year Lo-High (Fils)	490 -780

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- National Real Estate Company (NREK)** was established in 1973, with equity capital of KD5mn. Since then, the company's capital grew to KD64.4mn at the end of FY06. NREK established and operates the 1st Free Trade Zone in Kuwait. The major shareholders in the company are Agility (25.5%), one of the leading firms in warehousing and storage business in Kuwait, Sultan Centre Food Products (25.3%) and Public Authority for Minor affairs (10.0%).
- The company's portfolio includes Souk Sharq, the Fish Market, Al-Joan Resort, and HRD International (100.0%).
- NREK's activities primarily involve buying, selling, developing and managing both commercial and industrial real estate properties, which include shopping centers, a free trade zone, office buildings, resorts and retail centers locally and internationally. In addition, NREK constructs and operates properties for both private and governmental sectors. Furthermore, NREK provides contracting and trading services for building materials and supplies.
- NREK also owns and manages most of the properties it owns such as Wataniya Tower, Mishal Center, Bubiyan Commercial Complex and Dasman tower.

- NREK currently has a number of commercial and residential projects in Iraq, UAE, USA and Lebanon, and working on final process of buying investment lands in the Kingdom of Jordan, Morocco, Libya, Algeria, and the Kingdom of Bahrain.

Financial Highlights for FY06

- Total assets increased by 6.2%, reaching KD277.6mn in FY06 compared to KD261.5mn in FY05. Investments in associates constituted around 61.0% of the company's total assets, followed by investment properties at 23.7%.
- Investments in associates increased by 15.6% reaching KD169.3mn in FY06 compared to KD146.4mn in FY05.
- The company's total revenues increased significantly in FY06, reaching KD59.9mn as compared to KD53.6mn in FY05. The main reason behind this increase in total revenues is the increase in income from associates that contributed 64.7% to total revenues.
- Net profit stood at KD35.1mn in FY06 compared to KD54.7mn in FY05, while EPS increased to 54 Fils from 102 Fils.
- ROAE and ROAA stood at 17.1% and 13.0% in FY06 respectively, compared to 34.6% and 26% in FY05.

Interim Results (Q1 FY07)

- Total revenues for the first quarter of FY06 dropped by 12.2% to reach KD13.6mn as compared to KD15.5mn recorded in the corresponding period in FY06.
- The main reason behind the decrease in total revenues is the decrease in net rental income by 57.6% reaching KD1.8mn.
- Despite the decrease in total revenues; net profit increased by 7.6% to reach KD12.0mn during the first quarter of FY07 as compared to net profit of KD11.2mn in 1Q06.

Summary of Financials

<i>(in KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Rental income	13,646	16,593	15,670	16,157	16,290
Share in associate's results	2,066	9,646	24,974	35,782	38,806
Other income	2,155	1,552	2,578	2,763	4,478
Total revenue	17,868	27,790	43,223	53,609	59,937
Operating profit	11,182	17,428	30,579	41,470	31,468
Investment income	1,092	7,749	7,642	15,606	6,849
Net profit for the year	10,744	26,052	34,603	54,745	35,072

Balance Sheet Summary

Cash and bank balances	128	358	1,053	517	8,020
Investments at fair value through income statement	4,679	6,587	13,835	14,386	2,729
Accounts receivable and other debit balances	1,818	3,259	3,786	11,275	7,187
Investment in associate	28,458	36,825	60,112	146,410	169,309
Investment properties	66,774	68,203	67,892	67,179	65,922
Total assets	115,790	130,096	159,616	261,525	277,598
Total liabilities	30,746	25,543	31,166	73,425	56,647
Capital	44,419	46,640	46,640	53,636	64,363
Total equity	85,044	104,553	128,450	188,100	220,950

Key Ratios

EPS (in Fils)	24.2	55.9	74.2	102.1	54.5
Book value per share (in Fils)	191.5	224.2	275.4	350.7	343.3
Net Profit Growth	92.2%	142.5%	32.8%	58.2%	-35.9%
Assets Growth	-1.8%	12.4%	22.7%	63.8%	6.1%
ROAE %	13.2%	27.5%	29.7%	34.6%	17.1%
ROAA %	9.2%	21.2%	23.9%	26.0%	13.0%
P/E*	11.4	8.9	11.7	11.8	11.9
P/BV*	1.4	2.2	3.2	3.4	1.9

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Salhia Real Estate Company

Reuters Code:

[SREK.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

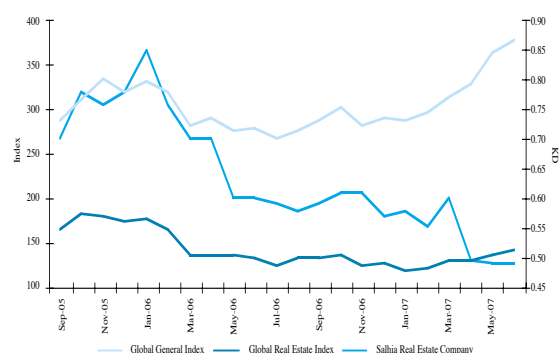
[475 Fils](#)

Key Data

CMP (Fils)*	475
Market Cap (KD mn)	172.0
EPS (Fils)	155.5
BV (Fils)***	457.5
P/E*	3.1
P/BV***	1.0
12 M Average Volume	301,548
Year Lo-High (Fils)	475 - 650

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- Salhia Real Estate Company (SREK)** was established in 1974. It was listed on the Kuwait Stock Exchange in 1984 as a Kuwaiti joint stock company. The company is engaged in dealing in various real estate activities, in particular the owning and renting out of commercial property, including hotel accommodation in Kuwait and the operation of care homes in Germany. Surplus funds are invested in real estate and securities portfolios managed by specialized investment managers.
- Salhia's real estate and hotel operations are mainly concentrated in Kuwait, with a focus on commercial and hospitality segments. The company is the developer and owner of the luxurious Salhia and Arraya commercial complexes. The company also owns the Sahab commercial complex. Hotel operations include the JW Marriott, Courtyard by Marriott, and the Arraya Ballroom, all located in the heart of Kuwait city.
- The company also operates care homes business in Germany through its subsidiary, "Haddia Holding Company" in Germany. The primary activities of Haddia Holding GmbH are the development, ownership and management of nursing homes and senior residence in northern Germany. Salhia also owns 89.7% of SAREC Company, which specializes in leasing properties. SAREC mainly leases nursing homes to Dana Company, another subsidiary of Salhia. Dana Company is the operating company of the care homes operation of Salhia.

- The company also has two operating companies in the United Kingdom, which form part of its consolidated financials, “Key Property Investments” (KPI), and Drawbridge Securities.
- Besides the German and the UK operations, the company is also contemplating to venture into other GCC countries. The company has initiated studies of commercial projects in Bahrain, which will be developed on an area of 5,100sqm at a total cost of KD23mn. Salhia is also considering entering into commercial projects in Oman.
- The company’s future projects include “Al Asima” and “Arraya II” commercial projects in Kuwait, a commercial project in Bahrain, the Elephant and Castle Commercial Complex, (which is subject to bid and approval of Council) and the Farnborough Shopping Centre in the UK. The company is also considering other opportunities in Germany through its German subsidiary.

Financial Highlights for FY06

- The company’s total assets grew by 11% on y-o-y basis to reach KD242.4mn in FY06, with core operating assets forming 72% of total assets.
- Fixed assets increased marginally by 4.7% to KD103.9mn in FY06 from KD99.3mn last year. While investment properties declined significantly by 19.2% to reach KD51.8mn in FY06 as compared to KD64.2mn the year before.
- The company’s rental income consists of revenues from local real estate operations, hotel operations, and nursing home operations in Germany. Revenues from hotel operations accounted for 36.3% of Salhia’s revenues in 2006, followed care home operations, which contributed 35.7%, and local real estate operations contributing 28% to total revenues.
- Revenues from real estate, hotel and care home operations increased by 8% on a y-o-y basis to reach KD36.5mn in FY06. The highest y-o-y increase in revenues came from real estate and hotels operations which witnessed a y-o-y increase of 10.3%, and 10.1% respectively, while revenues from care home operations grew by 4.4% on a y-o-y basis.
- Salhia sold 21,414sqm of land in Al-Sharq area to “Al Asima Real Estate Company” at a price of KD115mn, realizing a profit of KD49mn. The transaction took place upon the completion of a rights issue that increased “Al Asima Real Estate Company” capital to KD80mn. Salhia now owns 50% of “Al Asima Real Estate Company”.
- Net profit stood at KD48.9mn in FY06 against KD17.5mn in FY05, while EPS stood at 155.5 fils as compared to 55.6 Fils. This significant increase in net profit came on the back of capital gains from the sale of the land of “Al Asima project”.
- ROAE and ROAA stood at 39.6% and 21.3% in FY06 respectively, compared to 17.1% and 8.0% in FY05.

Interim Results (Q1 FY07)

- Revenue for the first quarter of FY07 witnessed a 23.0% increase to reach KD10.2mn as compared to KD8.3mn recorded in the corresponding period in FY06. Gross profit was up by 23.9%.
- Net profit for the period jumped by 196.9% to reach KD3.1mn in the first quarter of FY07 as compared to KD1.0mn recorded in the corresponding period in FY06.

Summary of Financials

<i>(in KD '000)</i>	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary						
Revenues	17,978	20,541	25,841	34,165	33,778	36,503
Share in joint venture's results	677	622	2,329	2,094	1,498	1,668
Investment income	2,938	3,431	2,577	5,923	11,467	885
Gain from sale of investment property	0	1,091	0	0	4,912	49,057
Profit before contribution to KFAS, NLST and Director's Fee	21,895	6,926	9,872	11,202	18,178	50,851
Net profit for the year	5,895	6,635	9,545	10,189	17,501	48,957

Balance Sheet Summary

Cash and bank balances	5,270	2,646	3,624	4,259	2,540	2,458
Investments	16,530	15,780	20,860	23,066	28,099	36,819
Investment in joint venture	4,714	11,514	13,960	17,188	15,447	18,575
Investment properties	48,857	44,086	44,142	67,311	64,159	51,812
Fixed assets	57,170	74,796	104,382	100,625	99,281	103,956
Total assets	136,915	152,724	191,982	219,570	217,064	242,453
Total liabilities	74,396	86,610	112,968	117,841	114,158	98,360
Capital	23,841	23,841	23,841	31,492	31,492	31,492
Total equity	62,520	66,115	79,014	101,729	102,905	144,093

Key Ratios

EPS (in Fils)	24.7	27.8	40.0	32.4	55.6	155.5
Book value per share (in Fils)	262.2	277.3	331.4	323.0	326.8	457.5
Net Profit Growth	-	12.5%	43.9%	6.8%	71.8%	179.7%
Assets Growth	-	11.5%	25.7%	14.4%	-1.1%	11.7%
ROAE %	9.4%	10.3%	13.2%	11.3%	17.1%	39.6%
ROAA %	4.3%	4.6%	5.5%	5.0%	8.0%	21.3%
P/E*	NA	12.2	14.5	16.1	14.0	3.1
P/BV*	NA	1.2	1.8	1.6	2.4	1.0

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Pearl of Kuwait Real Estate Company

Reuters Code:

[PEAR.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

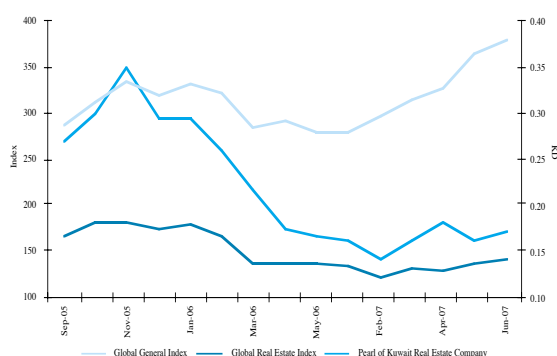
180 Fils

Key Data

CMP (Fils)*	180
Market Cap (KD mn)	48.9
EPS (Fils)	1.2
BV (Fils)**	125.5
P/E**	154.2
P/BV**	1.4
12 M Average Volume	1,642,750
Year Lo-High (Fils)	134 - 186

*CMP: Current Market Price on June 30th 2007

** As of the end of FY06



Company Overview

- Pearl of Kuwait Real Estate Company (PEAR)**, was established in February 1975, and listed on Kuwait Stock Exchange in 1987. Its primary activities include – sale and purchase of real estate as well as valuation and sale of land. PEAR invests in commercial, industrial real estate projects through establishing or buying into specialized companies, real estate management, and investing in similar companies. PEAR executes various types of projects either directly or by sharing with and representing other contracting companies.
- PEAR is currently involved in numerous projects including the development of the US\$201mn. Breidenbacher Hof Hotel in Germany and the US\$14mn Palm Resort in Dubai. Moreover, PEAR is involved in developing a US\$12mn Pearl Tower in Kuwait. Palm Jumeira and Golden Mile in UAE are the projects that the company is undertaking.
- PEAR has established two subsidiaries in Kuwait– Al Noor International Holding (100% owned) and Sea View Company (60% owned). Besides this, it has New Zone (49.0%) in Lebanon, Cordial NV Company Netherlands (47.5%) and Tornham Company Netherlands (47.5%).

Financial Highlights for FY06

- The paid up capital increased from KD21.38mn by the end of FY05 to its current level of KD22.9mn.
- Total assets increased by 20.4%, reaching KD72.1mn in FY06 as compared to KD59.9mn in FY05. AFS investments constituted around 17.7% of the company's total assets. Investments at fair value through income statement contributed to 23.4% of total assets, Investment properties made about 22.4% of assets.
- Investments at fair value through income statement grew significantly by 59.7% to KD16.9mn in FY06 compared to KD10.6mn in FY05. Investment Properties grew by 86.3% to KD16.2mn from KD8.7mn last year.
- The company's profit before tax (PBT) dropped by 73.8% in FY06 reaching KD1.1mn compared to KD4.1mn in FY05. The reason behind this fall was a simultaneous drop in every component of the company's earning.
- Net profit declined by 92.4% on the back of decreasing PBT. Net profit stood at KD267,000 in FY06 compared to KD3.5mn in FY05. Consequently, EPS declined to 1.16 Fils from 16.5 Fils last year.
- ROAE and ROAA stood at 0.9% and 0.4% in FY05 respectively, down from 12.6% and 6.4% in FY05.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Gross profit on sale of crops	231	609	558	1,060	0
Gross profit on hotel services	(343)	92	(899)	0	0
Gain on sale of investment properties	1,291	360	4,552	958	(47)
Revenue from investment properties	0	255	316	350	547
Gain from investments	0	849	1,229	2,635	923
Profit before tax	378	1,469	3,342	4,131	1,083
Net Profit for the year	496	1,400	4,085	3,527	267

Balance Sheet Summary

Cash & cash equivalents	115	500	555	730	270
Investment at fair value through income statement	0	863	2,182	10,561	16,869
Property held for sale	0	10,309	7,502	7,433	7,360
Accounts receivable and other debit balances	1,719	2,069	4,199	8,333	6,142
Available for sale investments	6,868	7,618	4,614	11,599	12,773
Investment properties	11,351	5,636	16,155	8,680	16,167
Total Assets	32,966	41,463	51,051	59,906	72,133
Total Liabilities	18,128	16,035	23,949	31,106	43,233
Paid-Up capital	11,300	19,210	20,363	21,381	22,877
Shareholders Equity	14,838	25,427	27,102	28,661	28,715

Key Ratios

EPS (in Fils)	4.4	7.3	20.1	16.5	1.2
Book value per share (in Fils)	131.3	132.4	133.1	134.1	125.5
Net Profit Growth	NM	182.0%	191.8%	-13.7%	-92.4%
Asset Growth	3.3%	25.8%	23.1%	17.3%	20.4%
ROAE %	3.5%	7.0%	15.6%	12.6%	0.9%
ROAA %	1.5%	3.8%	8.8%	6.4%	0.4%
P/E*	28.2	31.8	10.9	17.9	154.2
P/BV*	0.9	1.8	1.6	2.2	1.4

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Tamdeen Real Estate Company

Reuters Code:

[TAMK.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

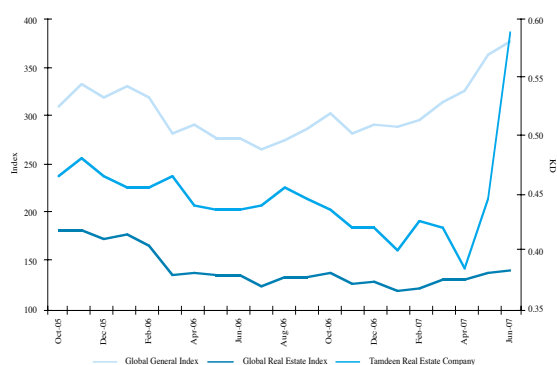
490 Fils

Key Data

CMP (Fils)*	490
Market Cap (KD mn)	166.2
EPS (Fils)	18.5
BV (Fils)***	626.3
P/E*	26.5
P/BV***	0.8
12 M Average Volume	480,699
Year Lo-High (Fils)	365 - 590

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- **Tamdeen Real Estate Company (TAMK)** was established in 1982, and listed on Kuwait Stock Exchange in 1995.
- The company's principal activities include delivering large-scale as well as mixed-use developments in Kuwait and it continues to expand not only in terms of selective acquisition and construction but also in the marketing and development of a wide range of projects.
- The merger of Salmiya Real Estate pivoted TAMK into the upper levels of retail property development segment with the acquisition of the prestigious Al Fanar Shopping Complex in Salmiya coupled with the purchase of Al Mancher Complex and Towers in Fahaheel in 1998 helped the company to consolidate its position in the executive sector of residential apartment and retail shopping segment.
- TAMK is currently holding 11.3% in Kuwait National Cinema Company KNCC and is one of its associated companies. Moreover, TAMK investments in unconsolidated companies represent 51.8% ownership of Tamdeen Investment Co. and 50.0% of Manshar Real Estate Company.
- TAMK was awarded the development and management of the Fahaheel Waterfront Project (Al-Kout). Al-Kout project involves development of over 200,000 sqm of ground

space and over 17,000 sqm of retail and rentable area. TAMK has also undertaken the redevelopment of Al-Manshar Towers and Complex project (including Al Manshar Rotana Hotel in Madinat Al Fahaheel project). It is one of Kuwait's largest multi-phased development projects completed recently. Al Kout – Fahaheel Waterfront Project is the most-sought-after destination.

- During FY05, TAMK announced the construction of KD7mn Al Manshar Rotana Hotel in Al Fahaheel. The 5-star luxury hotel is one of southern Kuwait's finest, featuring 200 luxurious suites, leisure, sports and health facilities.
- TAMK, along with Ajial Real Estate Entertainment Co., is engaged in the largest real estate project in the MENA region, Madinat al Hareer or City of Silk project. The KD50bn project is to be executed in several phases over 25 years. It will be located in the Sabiya region with a 250-floor skyscraper of 1001 meters as its Center-point.
- Other future projects of the company include the upcoming two mega shopping centers, "360 Kuwait", and "Mall of Kuwait".

Financial Highlights for FY06

- Total assets increased by 32.8%, reaching KD350.9mn in FY06 compared to KD264.3mn in FY05. Available for sale (AFS) investments constituted around 46.6% of the company's total assets while investment properties contributed 25.7%.
- AFS investments stood at KD163.5mn in FY06 compared to KD108.4mn in FY05, a growth of 50.8%. Investment properties increased sharply by 44.0% to reach KD90.1mn as compared with KD62.6mn in FY05.
- The company's total income dropped marginally by 6.2% in FY06, reaching KD15.8mn compared to KD16.8mn in FY05. The main reason behind this drop was the decrease in share of associated companies to KD410,000 as compared to KD3.3mn last year.
- Net profit decreased by 23.4% to KD6.3mn in FY06 compared to KD8.2mn in FY05. Consequently EPS decreased to 18.5 Fils in FY06 compared to 25.6 Fils in FY05.
- ROAE and ROAA stood at 3.25% and 2.04% in FY06 respectively, compared to 5.48% and 3.51 in FY05.

Interim Results (Q1 FY07)

- Total income for the first quarter of FY06 increased by 29.0% to reach KD5.9mn compared to KD4.6mn recorded in the corresponding period of FY06.
- The main reason behind the increase in total income was a 38.6% increase in income from investment, which increased to KD3.9mn in the first quarter of FY07 as compared to KD2.8mn in the first quarter of FY06.
- Following the increase in total income, the company recorded a 10.5% increase in net profit reaching KD3.1mn in the first quarter of FY07 compared to KD2.8mn in the corresponding period of FY06.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Net real estate rental income	2,974	2,792	3,035	4,246	5,894
Other real estate income	271	353	1,007	1,203	1,501
Net investment income	1,009	6,542	5,533	6,472	6,091
share of profit in associated company	0	0	556	3,250	410
Total Income	4,319	10,213	10,603	16,819	15,774
Profit from operations	2,168	5,411	5,867	8,364	6,627
Net profit for the year	2,067	5,217	5,653	8,185	6,273
Balance Sheet Summary					
Cash and bank balances	285	1,336	363	1,812	1,272
Available for sale investment	16,008	72,284	97,744	108,416	163,461
Investment in associated companies	0	3,797	31,611	34,252	7,073
Investment properties	35,736	35,434	35,133	62,583	90,088
Total assets	68,251	130,525	202,249	264,287	350,945
Total liabilities	26,854	51,620	77,382	90,538	138,511
Capital	25,169	25,169	32,000	32,000	33,920
Total equity	41,397	78,905	124,867	173,749	212,434
Key Ratios					
EPS (in Fils)	8.2	20.7	17.7	25.6	18.5
Book value per share (in Fils)	164.5	313.5	390.2	543.0	626.3
Net Profit Growth	-31.1%	152.5%	8.4%	44.8%	-23.4%
Asset Growth	31.6%	91.2%	55.0%	30.7%	32.8%
ROAE %	5.2%	8.7%	5.5%	5.5%	3.2%
ROAA %	3.4%	5.3%	3.4%	3.5%	2.0%
P/E*	23.1	16.4	22.6	18.2	26.5
P/BV*	1.2	1.1	1.0	0.9	0.8

* Market Price as on Year end except for FY06, which is as on June 30th 2007

International Investment Projects Company

Reuters Code:

[IIPK.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

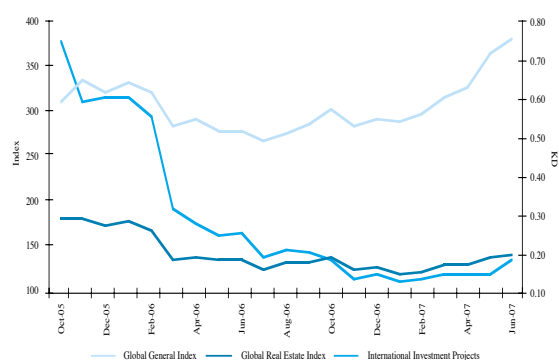
196 Fils

Key Data

CMP (Fils)*	196
Market Cap (KD mn)	117.4
EPS (Fils)	NM
BV (Fils)***	76.3
P/E*	NM
P/BV***	2.6
12 M Average Volume	5,749,919
Year Lo-High (Fils)	116 - 196

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- **International Investment Projects Company (IIPK)** was established as a Kuwaiti shareholding company in 1977, and was listed on the Kuwait stock exchange in March 1997. The company's shares were suspended from trading on the Kuwait stock exchange on March 29, 2000, and resumed trading on January 10, 2005.
- The company's core business is real estate trade, investment, and development, leasing and renting various forms of properties, as well as management of hotels, restaurants, cafes, and other forms of commercial outlets.
- Major shareholders of the company include Kuwait Real Estate Company (15.75%), Commercial Real Estate Company (13.59%), Diwan Al Omdah Trading Co. (11.77%), Al Deera Holding Company (8.19%), and Gulf Real Estate Co. (8.03%).
- The company holds 10.7% stake in International Financial Advisors, 9.1% in International Resorts Company, and 5.2% in Al Deera Holding Co.

Financial Highlights for FY06

- The company's recorded a total loss of KD57.7mn in FY06, as compared to a total income of KD72.2mn in FY05. The main reason behind this drop was a loss of KD64.6mn on investment at fair value through income statement.
- Total assets in FY06 decreased by 41.0% to reach KD107.0mn compared to KD181.4mn in FY05, mainly due to a 40.7% decrease in investment at fair value through income statement which decreased to KD96.6mn compared to KD162.8mn in FY05. In addition, investments available for sale decreased by 34.5% to reach KD6.4mn compared to KD9.7mn in FY05.
- The company recorded a net loss of KD62.5mn in FY06 against profit of KD66.2mn in FY05.

Summary of Financials

<i>(In KD '000)</i>	FY2003	FY2004	FY2005	FY2006
Operating Summary				
Gain from investments at fair value through income statement	0	9,572	69,430	(64,607)
Net gain on recording of liability related to an investment available for sale	0	(18,208)	0	1,638
Company's share from results of associate	0	236	895	0
Gain from sale of shares in associate	0	1,191	1,458	0
Reversing of impairment in value of right of use of leasehold land	(183)	268	0	
Real estate income and management fees	43	43	49	58
Total Income	31,280	(5,152)	72,249	(57,694)
Net profit	25,767	(12,605)	66,216	(62,528)

Balance Sheet Summary

Cash & cash equivalents	746	4,914	5,510	689
Investment at fair value through income statement	0	20,397	162,891	96,603
Investments in associates	0	4,942	1	1
Account Receivable & Other Assets	-	-	1,615	1,728
Investment Available for Sale	-	-	9,747	6,382
Right of Use of Leasehold Land	-	-	1,611	1,611
Investments held for trading	57,423	59,620	-	-
Total Assets	72,247	92,067	181,375	107,014
Total Liabilities	29,360	61,492	62,971	61,313
Paid-up capital	60,000	60,000	47,923	59,904
Shareholders' Equity	42,887	30,575	118,404	45,701

Key Ratios

EPS (in Fils)	42.9	NM	138.17	NM
Book value per share (in Fils)	71.5	51.0	247.1	76.3
Net Profit Growth	-	NM	NM	NM
Asset Growth	-	27.4%	97.0%	-41.0%
ROAE %	60.1%	-	88.9%	-76.2%
ROAA %	35.7%	-	48.4%	-43.4%
P/E*	1.35	-	4.34	NM
P/BV*	0.81	1.14	2.43	2.57

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Ajial Real Estate Entertainment Company

Reuters Code:

[AREC.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

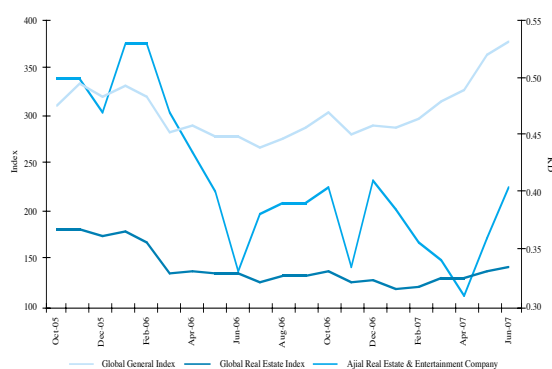
[400 Fils](#)

Key Data

CMP (Fils)*	400
Market Cap (KD mn)	67.2
EPS (Fils)	27.17
BV (Fils)***	659
P/E*	14.72
P/BV***	0.61
12 M Average Volume	112,023
Year Lo-High (Fils)	285 - 410

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- **Ajial Real Estate Entertainment Company (AREC)** (formerly known as Sanabel Real Estate) was established in 1982. AREC was listed on the Kuwait stock exchange in 1997. It is engaged in real estate, contracting, entertainment activities, and all related real estate trading activities, which includes renting, purchasing and selling land and buildings.
- Currently, AREC is focusing on the entertainment industry with investments in malls and cinema complexes. The company's major projects are Silk City, Al Hamra project, Ajial Mall and Al Andalus project where the company received an approval to merge Al-Andalus cinema land plots to initiate construction of a commercial complex.
- AREC manages Kuwait National Cinema Company's project, which is a large entertainment cinema complex constructed by Al-Ahmediah Construction and Commercial Company on the drive-in cinema land plot.
- AREC has 59% stake in Al-Hamra Real Estate Company.

Financial Highlights for FY06

- Total assets increased by 1.3%, reaching KD110.9mn in FY06 compared to KD109.5mn in FY05. Property and equipment stood at KD42.1mn, constituting 65.8% of the company's total assets. Held for trading investments increased by 2.8% to KD21.2mn, which contributes 19.1% to total assets.

- The company's total revenues declined by 45.1% in FY06, to reach KD4.9mn compared to KD9.0mn in FY05. The main reason behind this decline was the significant drop in the change in fair value of held for trading investments, which declined sharply from a profit of KD4.7mn in FY05 to a loss of KD0.82mn in FY06.
- Net profit declined by 42.9% to KD4.3mn in FY06 compared to KD7.6mn in FY05. EPS declined to 27.2 Fils as compared to 47.5 Fils in FY05.
- ROAE and ROAA stood at 4.1% and 4.0% in FY06 respectively, compared to 7.5% and 7.3% in FY05.

Interim Results (Q1 FY07)

- Total income for the first quarter of FY07 witnessed an increase of 12.6% to reach KD1.7mn compared to KD1.5mn recorded in the corresponding period of FY06.
- The reason behind the increase was a significant increase in unrealized gain on investments at fair value through income statement, which stood at KD437,525 in 1Q-FY07 as compared to KD21,484 in 1Q-FY06.
- On the back of rising revenue, net profit for the period rose by 16% to reach KD1.3mn in the first quarter of FY07 as compared to KD1.1mn recorded in the corresponding period of FY06.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Rental income	72	283	1,426	1,404	1,380
Change in fair value of held for trading investments	200	526	151	4,692	(818)
Gain on sale of held for trading investments	97	309	293	372	(180)
Gain on sale of available for sale investments	4	533	14	468	281
Gain on disposal of investment properties	0	0	7,804	193	3,199
Profit for the year before contribution to KFAS and NLST	254	1,665	9,548	7,921	4,543
Net profit for the year	222	1,574	9,189	7,606	4,347
Balance Sheet Summary					
Cash & cash equivalents	24	71	41,130	26,761	17,998
Property and equipment	2,704	5,869	38,604	42,083	72,904
Investment properties	0	5,905	10,633	9,994	9,579
Held for trading investment	4,040	3,827	4,144	20,620	21,202
Total assets	14,543	18,237	98,835	109,468	110,881
Total liabilities	1,603	4,037	2,946	2,317	5,426
Capital	7,000	7,000	13,000	16,000	16,000
Total equity	12,940	14,200	95,889	107,150	105,455
Key Ratios					
EPS (in Fils)	3.2	22.5	70.7	47.5	27.2
Book value per share (in Fils)	184.9	202.9	737.6	669.7	659.1
Net Profit Growth	-80.4%	608.8%	483.9%	-17.2%	-42.8%
Asset Growth	9.4%	25.4%	441.9%	10.8%	1.3%
ROAE %	1.7%	11.6%	16.7%	7.5%	4.1%
ROAA %	1.6%	9.6%	15.7%	7.3%	3.9%
P/E*	69.4	16.0	9.1	9.9	14.7
P/BV*	1.2	1.8	0.9	0.7	0.6

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Al Massaleh Real Estate Company

Reuters Code:

[MREC.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

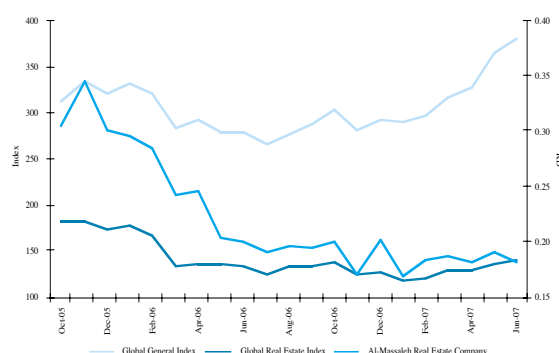
178 Fils

Key Data

CMP (Fils)*	178
Market Cap (KD mn)	38.1
EPS (Fils)	NM
BV (Fils)***	271
P/E*	NM
P/BV***	0.7
12 M Average Volume	145,417
Year Lo-High (Fils)	160 - 202

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- Al Massaleh Real Estate Company (MREC)** was established in 1989 and commenced operations in 1990. MREC was listed in 1997. It is a subsidiary of Kuwait Interests for Development Company. MREC's principal activities include participation in public and private sector real estate projects and developments as an owner, broker and manager. Apart from this, it is engaged in real estate trading and maintenance or property management of third party's real estate.
- The company derives most of its revenues from rentals of residential and commercial properties which it owns. MREC owns the Abu Halifa Restaurants Centre, which is a commercial complex. It also owns two residential complexes, Al Massaleh Towers and the Bush Plaza.
- MREC has several strategic investments in associates, it has 49% stake in Al Tameer Real estate, 45% stake in Al-Ahlia Circle Clearing Company and 20% stake in Venus International Company. At the end of FY06, the company's fully owned subsidiaries were as follows:

Subsidiary	% of ownership	Country
Abu Halifa Restaurent	Kuwait	100%
Al Massaleh Towers	Kuwait	100%
Bush Plaza	Kuwait	100%
Lebanese Massaleh Co.	Lebanon	100%

Source: Zawya

The company's international investments include the construction of a residential project in Malta at a cost of US\$375.9mn. The project Shamsiah Crown or the Solar Region Crown is to be completed in four to five years and is expected to yield an annual return on investment of 15%. This project consists of residential complexes encompassing 1,000 apartments.

Financial Highlights for FY06

- Total assets increased by 2.9%, reaching KD84.0mn in FY06 compared to KD81.6mn in FY05. Investment properties and investments available for sale contributed 38.2% and 18.0% to the company's total assets respectively.
- Available for sale investments stood at KD15.2mn in FY06 compared to KD17.1mn in FY05, a decline of 11.3%.
- The company's total revenues increased significantly by 17.2% in FY06, reaching KD4.2mn compared to KD3.6mn in FY05. The growth in health club income during the year was the main reason behind this increase. Health club income reached KD1.1mn in FY06 as compared to KD58,000 in FY05.
- The company reported net loss of KD0.5mn on the back of huge increase in operating expenses, which grew by 73.2% to reach KD4.5mn in FY06 compared to a net profit of KD2.41mn in FY05.

Interim Results (Q1 FY07)

- Total revenues for the first quarter of FY07 witnessed a 60.6% increase to reach KD1.0mn compared to KD0.64mn recorded in the corresponding period of FY06.
- The main reasons behind the increase in total revenues were the increase in health club revenues which recorded KD0.28mn increasing from KD0.2mn in the first quarter of FY06 coupled with an increase in rental income which reached KD0.58mn as compared to KD0.43mn in the first quarter of FY06.
- The company registered a net profit of KDKD1.0mn in 1Q-FY07 as compared to a net loss of KD1.5mn in 1Q-FY06.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Rental income	1,401	1,671	1,957	1,746	2,133
Other operating income	372	471	70	103	0
Health Club Income	0	0	0	58	1,106
Property Management Fee	0	0	0	30	489
Gain on Sale of Investment Properties	0	0	0	0	430
Gain on Sale of Real Estate Trading	0	0	0	15	8
Total revenue	1,773	2,142	2,027	1,849	4,167
Net profit for the year	2,635	18,027	1,769	2,406	(464)

Investment income	2,610	18,253	806	2,607	80
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Balance Sheet Summary

Cash and bank balances	2,780	12,602	16,473	5,773	2,271
Investments at fair value through income statement	1,687	2,910	1,834	9,284	8,873
investments available for sale	22,205	16,884	16,508	17,077	15,154
Investment properties	19,066	26,340	25,337	26,233	32,035
Total assets	53,260	68,575	73,914	81,607	83,971
Total liabilities	17,059	21,176	15,435	22,187	25,889
Capital	14,374	15,524	17,853	17,853	21,423
Total equity	36,201	47,399	58,479	59,420	58,082

Key Ratios

EPS (in Fils)	18.3	116.1	9.9	13.5	NM
Book value per share (in Fils)	251.9	305.3	327.6	332.8	271.1
Net Profit Growth	140.5%	584.3%	-90.2%	36.0%	NM
Asset Growth	17.9%	28.8%	7.8%	10.4%	2.9%
ROAE %	8.2%	43.1%	3.3%	4.1%	NM
ROAA %	5.4%	29.6%	2.5%	3.1%	NM
P/E*	10.3	4.4	24.8	22.3	NM
P/BV*	0.7	1.7	0.8	0.9	0.7

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Arab Real Estate Company

Reuters Code:

[ARAB.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

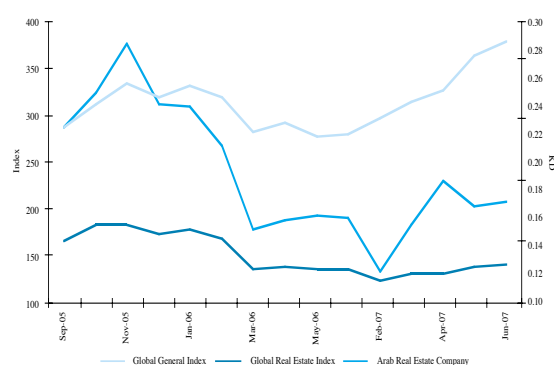
168 Fils

Key Data

CMP (Fils)*	168.0
Market Cap (KD mn)	77.7
EPS (Fils)	7.8
BV (Fils)***	154.2
P/E*	21.7
P/BV***	1.1
12 M Average Volume	2,882,634
Year Lo-High (Fils)	120 - 194

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- **Arab Real Estate Company (ARAB)** was established in 1976, and got listed on KSE in 1998. ARAB operations involve many activities such as; contracting, maintenance, construction and related trading activities, commercial real estate activities including rental, purchase and sale of land and property. Moreover, ARAB manages real estate portfolios, establishes and manages real estate investment funds, prepares studies and provides consultancy services in real estate sector. Finally, ARAB constructs, acquires, and manages hotels including their tourist activities.
- ARAB owns several large properties from which it derives rental income. Among the main properties it owns in Kuwait are the Al Huda residential complexes in Salmiya and Farwaniya Complex in Dajeej. Following is the list of its current holdings:

Developments and Projects

Name	Country	Holding
Burj Al Arabia	Kuwait	100.0%
AREC Head Quarters	Kuwait	100.0%
Farwaniya Residence	Kuwait	100.0%
Holiday Inn Salmiya 2	Kuwait	100.0%
Crystal Towers	Kuwait	100.0%
Al Huda Residential Complex	Kuwait	100.0%

Source: Zawya

- Assets of ARAB are not only confined to Kuwait, but also to international assets especially in UAE and Syria. This includes 100% holding of Rotana Hotel in Sharjah and 10% in the capital of Safir Asayida Zeinab Hotel located in Damascus, Syria.
- ARAB built the Holiday Inn in Kuwait City, which was completed in FY05. Reportedly the company is in negotiations to sell its Sharjah Rotana Hotel for KD24mn (AED301mn).
- The major shareholders in the company are – Barari Al Kuwait Trading Company (13.5%), Al Imad Real Estate Company (10.8%) and Al Nojoun Real Estate Company (10.2%).
- ARAB's current projects include the US\$42mn Burj Al Arabia commercial and residential complex in Kuwait and the 40-floor residential and commercial complex estimated at a cost of US\$32mn. Others are Crystal Towers, Al Huda Residential Complex, Holiday Inn Salmiya 2 and Farwaniya Residence. The company holds 100.0% in each of these projects.
- The company has a license to launch a real estate fund that aims for all types of investments in the real estate sector, with an approved capital base ranging from KD5mn to a maximum of KD30mn.

Financial Highlights for FY06

- The company increased its capital to KD46.24mn divided over 462.4mn shares at a par value of 100 Fils per share.
- Total assets increased by 16.5%, reaching KD108.7mn in FY06 compared to KD93.3mn in FY05. Projects under construction made about 22.5% of total assets and investment in associates constituted around 19.5% of the company's total assets.
- Projects under construction grew significantly to KD24.4mn in FY06 compared to KD11.2mn in FY05, a jump of more than 118%.
- The company's operating profit decreased significantly by 25.7% in FY06, reaching KD5.3mn compared to KD7.1mn in FY05. The main reason behind this decrease in operating profit was a zero gain on sale of investments as compared to gain of KD2.9mn.
- Net profit were KD3.6mn in FY06 compared to KD8.4mn in FY05, while EPS stood at 7.75 Fils compared to 21.9 Fils.
- ROAE and ROAA stood at 5.4% and 3.6% in FY06 respectively, compared to 15.1% and 9.7% in FY05.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Net rental income	999	981	930	1,068	1,552
Hotel operating income	510	500	472	760	1,261
Gain on sale of investments	0	0	0	2,894	0
Gain on sale of properties	117	720	248	0	(234)
Gain from investments	6,045	13,780	5,727	3,435	4,643
Other income	(609)	(1,124)	31	2,244	
Operating Profit	7,671	15,980	7,378	7,148	5,308
Net Profit for the year	5,024	10,977	4,276	8,435	3,585
Balance Sheet Summary					
Cash on hand and at banks	913	4,317	2,687	534	702
Investment held for trading	16,124	29,014	30,424	13,993	19,348
Properties for trading	9,166	10,319	8,274	8,335	1,078
Investment in associates	560	425	481	22,292	21,144
Investment properties	15,042	13,605	14,855	12,792	16,194
Projects under construction	75	5,708	13,783	11,156	24,419
Total Assets	53,034	72,887	80,183	93,316	108,717
Total Liabilities	19,770	29,983	29,375	32,631	37,390
Paid-Up capital	27,313	28,679	35,848	38,537	46,244
Shareholders Equity	33,264	42,904	50,808	60,685	71,326
Key Ratios					
EPS (in Fils)	18.4	38.3	11.9	21.9	7.8
Book value per share (in Fils)	121.8	149.6	141.7	157.5	154.2
Net Profit Growth	30.9%	118.5%	-61.1%	97.3%	-57.5%
Asset Growth	35.3%	37.4%	10.0%	16.4%	16.5%
ROAE %	16.7%	28.8%	9.1%	15.1%	5.4%
ROAA %	10.9%	17.4%	5.6%	9.7%	3.6%
P/E*	7.4	7.1	14.1	11.1	21.7
P/BV*	1.1	1.8	1.2	1.5	1.1

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Union Real Estate Company

Reuters Code:

[UREC.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

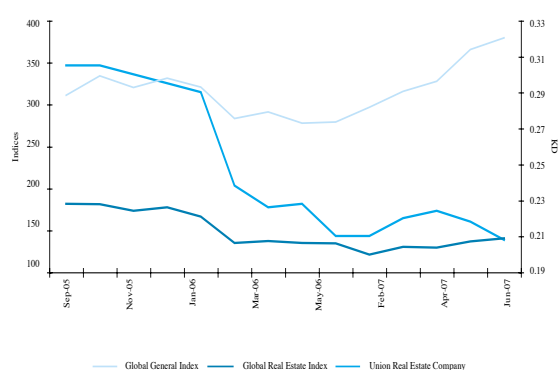
218 Fils

Key Data

CMP (Fils)*	218.0
Market Cap (KD mn)	41.7
EPS (Fils)	14.7
BV (Fils)***	198.2
P/E*	14.9
P/BV***	1.1
12 M Average Volume	173,139
Year Lo-High (Fils)	192 -226

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- **Union Real Estate Company (UREC)** was established in 1975 and was listed on KSE in 1999. UREC operates in all real estate activities particularly purchase and sale of land and real estate. It conducts real estate investment and development; leasing and renting of land and buildings; construction and maintenance.
- UREC's major projects include among others; Latifa Complex, Union Center, Ghazwa Complex in Mahboula, Dira West Complex in Jabriyah, Areej Complex and Yasmine Towers in Al-Shaab.
- UREC owns 100% share in Ghazwa for Mechanical and Electrical Works Company KSC. It also owns 94% in the newly established company Ghazwa Real Estate KSC.

Financial Highlights for FY06

- The company increased its paid up capital by 5% to KD18.23mn divided over 182.3mn shares at a par value of 100 Fils per share. Total assets increased by 9.9%, reaching KD39.2mn in FY06 compared to KD43.5mn in FY05.
- Real estate investments constituted around 67.1% of the company's total assets. It grew by 5.2% during FY06 to KD26.3mn as compared to KD25mn reported in the year before. Investments available for sale decreased by 42.0% to KD7.8mn, contributing 19.8% to total assets.

- The company's gross profit decreased by 2.2% in FY06, reaching KD3.46mn against KD3.54mn in FY05. Rental revenues which stood at KD2.0mn constituted a major part of the company's earnings.
- Net profit stood at KD2.7mn in FY06 compared to KD2.9mn in FY05, while EPS stood at 14.7 Fils compared to 16.9 Fils.
- ROAE and ROAA stood at 7.0% and 6.5% in FY06 respectively, compared to 7.8% and 7.4% in FY05.

Interim Results (Q1 FY07)

- Operating gross profit for the first quarter of FY07 witnessed a sharp increase of 263.4% to reach KD1.97mn compared to KD0.54mn recorded in the corresponding period of FY06.
- The main reason behind the huge increase in gross profit was the increase in net profit of real estate investment, which reached KD1.46mn in 1Q-FY07 as compared to nil in 1Q-FY06.
- Net profit jumped by 387.9% to reach KD1.78mn in the first quarter of FY07 compared to KD0.36mn recorded in the corresponding period of FY06.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Rental revenues of buildings	1,764	1,837	1,789	1,786	1,991
Gain on sale of available for sale investments	248	1,697	254	494	233
Unrealized gain from revaluation of investment properties	301	0	1,161	1,057	274
Gross Profit	2,423	3,565	3,297	3,540	3,461
Net Profit for the year	1,918	2,976	2,584	2,934	2,674

Balance Sheet Summary

Cash & cash equivalents	408	798	23	68	356
Investments available for sale	3,225	5,192	10,386	13,374	7,754
Real estate investments	21,134	21,165	22,452	24,996	26,290
Land for development	0	1,882	1,882	1,579	0
Total Assets	26,552	29,778	35,508	43,503	39,189
Total Liabilities	1,127	617	855	3,076	3,044
Paid-Up capital	15,000	15,750	16,538	17,364	18,233
Shareholders Equity	25,425	29,161	34,654	40,427	36,145

Key Ratios

EPS (in Fils)	12.8	18.9	15.6	16.9	14.7
Book value per share (in Fils)	169.5	185.2	209.5	232.8	198.2
Net Profit Growth	72.4%	55.2%	-13.2%	13.5%	-8.9%
Asset Growth	10.4%	12.2%	19.2%	22.5%	-9.9%
ROAE %	7.8%	10.9%	8.1%	7.8%	7.0%
ROAA %	7.6%	10.6%	7.9%	7.4%	6.5%
P/E*	15.5	13.8	15.6	17.8	14.9
P/BV*	1.2	1.4	1.2	1.3	1.1

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Al-Enma'a Real Estate Company

Reuters Code:

[ENMA.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

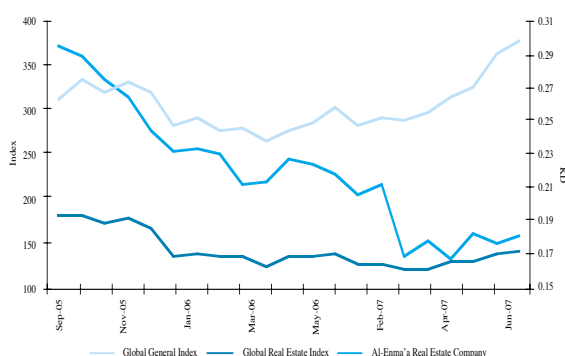
[178 Fils](#)

Key Data

CMP (Fils)*	178
Market Cap (KD mn)	69.4
EPS (Fils)	22.76
BV (Fils)***	153
P/E*	7.82
P/BV***	1.16
12 M Average Volume	430,865
Year Lo-High (Fils)	166 - 208

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- **Al-Enma'a Real Estate (ENMA)** was established in 1993 as a subsidiary of Kuwait Finance House. ENMA is engaged in real estate activities inside and outside Kuwait where all its activities are conducted in accordance with Islamic Shariah.
- The company's principal activities include contracting, management and maintenance of real estate. ENMA undertakes contracts to construct buildings and to carry on real estate, commercial, residential, industrial and touristic projects.
- At the end of FY06 the company's only subsidiary was Bait Enma'a Real Estate.
- Major shareholders in the company are Kuwait Finance House (50.1%) and Public Authority for Minor Affairs (5.1%).
- The Hadiya 294 Housing and related infrastructure services project has been executed by the company. Furthermore, it has executed the care center for mentally handicapped at South Sabahiah for the Ministry of Public Works, Al-Salam Villas project in South Surra and Al-Enma'a Tower.
- ENMA has also executed the project of mosques' maintenance in Farwaniah, at a cost of KD1.8mn, along with constructing and maintaining five schools for Public Authority for Housing Welfare, at a cost of KD 3.44 mn.

- Its current projects are Al Jawhara Tower and Ishbiliya Village, both located in Kuwait.

Financial Highlights for FY06

- During FY06, the company raised its paid up capital to KD36.1mn up from KD33.4mn in FY05.
- Total assets increased by 11.4%, reaching KD64.7mn in FY06 compared to KD58.1mn in FY05. Available for sale investments and investment properties constituted 23.4% and 28.3% of the company's total assets respectively.
- Available for sale investments stood at KD15.1mn in FY06 compared KD15.0mn in FY05, a growth of 0.9%. Investment properties grew by 19.9% to KD18.3mn as compared with KD15.3mn in FY05.
- The company's total revenues increased significantly in FY06, reaching KD30.0mn compared to KD22.8mn in FY05, a growth of 31.8%. The reason behind this increase was the 115.8% growth in revenues from trading sales reaching KD8.1mn, which made about 27% of total revenues.
- Revenues from construction contracts grew by 25.8% to KD12.3mn compared to KD9.8mn in FY05. While revenue from services rendered decreased marginally by 0.1% to reach KD5.4mn in FY06.
- Net profit stood at KD8.2mn in FY06 compared to KD7.7mn in FY05, while EPS stood at 22.8 Fils compared to 23.1 Fils. The decrease in EPS has been caused by the increase in number of shares outstanding to 361.2mn.
- ROAE and ROAA stood at 15.7% and 13.4% in FY06 respectively, compared to 16.4% and 14.1% in FY05.

Interim Results (Q1 FY07)

- Total revenues for the first quarter of FY07 witnessed a 17.8% increase to reach KD6.4mn compared to KD5.4mn recorded in the corresponding period in FY06.
- The main reason behind the increase in total revenues was the 31.7% increase in revenues from construction contracts, which increased to KD3.1mn in the first quarter of FY07 as compared to KD2.1mn in the first quarter of FY06.
- Net profit for the period increased nominally by 0.1% to reach KD1.902mn in the first quarter of FY07 as compared to KD1.9mn recorded in the corresponding period in FY06.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Revenue from services rendered	3,728	4,167	4,920	5,358	5,351
Revenue from real estate owned by the company	959	1,014	1,096	1,159	1,307
Revenue from construction contracts	9,976	7,404	6,683	9,781	12,301
Trading sales	1,039	693	1,417	3,747	8,088
Readymix cement factory sales	0	0	1,264	2,741	2,983
Total revenue	15,701	13,278	15,380	22,785	30,030
Net profit for the year	3,858	5,301	6,446	7,732	8,221

Balance Sheet Summary

Cash & cash equivalents	125	457	523	512	1,343
Available for sale investments	8,386	12,268	14,586	14,989	15,119
Investment properties	12,605	12,228	14,300	15,284	18,317
Total assets	43,193	47,204	51,436	58,122	64,749
Total liabilities	4,824	4,954	6,357	8,823	9,529
Capital	30,000	31,350	31,850	33,443	36,118
Total equity	38,369	42,249	45,079	49,300	55,220

Key Ratios

EPS (in Fils)	12.9	16.9	20.2	23.1	22.8
Book value per share (in Fils)	127.9	134.8	141.5	147.4	152.9
Net Profit Growth	20.6%	37.4%	21.6%	20.0%	6.3%
Asset Growth	1.6%	9.3%	9.0%	13.0%	11.4%
ROAE %	10.3%	13.2%	14.8%	16.4%	15.7%
ROAA %	9.0%	11.7%	13.1%	14.1%	13.4%
P/E*	14.8	15.1	11.9	11.9	7.8
P/BV*	1.5	1.9	1.7	1.9	1.2

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Mabanee Real Estate Company (formerly Kuwait Building & Construction)

Reuters Code:

[KBCC.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

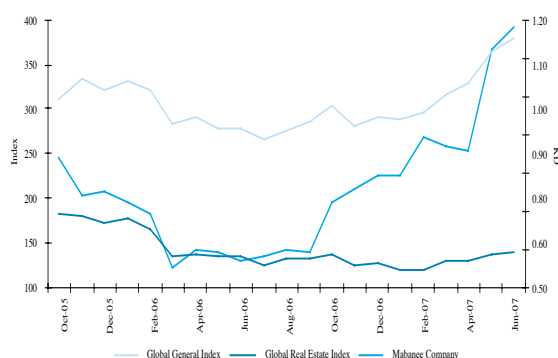
[1,100 Fils](#)

Key Data

CMP (Fils)*	1,100
Market Cap (KD mn)	399.3
EPS (Fils)	30.4
BV (Fils)**	207.6
P/E*	36.2
P/BV**	5.30
12 M Average Volume	692,634
Year Lo-High (Fils)	780 -1,200

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- Mabanee Company formerly known as Kuwait Building and Construction Co. (KBCC)** was established in 1964 and got listed in 1999. Mabanee is engaged in real estate investment, the manufacture and erection of pre-cast buildings, related construction work and the installation of sanitary, mechanical, electrical and other equipment. The company invests its surplus funds in portfolios managed by specialized firms.
- The company's most important project is "the Avenues", currently considered to be the largest shopping mall in Kuwait. The mall opened in 2007, and has been developed on a gross built area of almost 500,000 sqm and a gross leasable area (GLA) of 160,000sqm. Anchor tenants so far are Carrefour, Ikea, and 10 screen cinema "Cinescape" as well as Al Shaya Group.
- With the aim of establishing a diversified real estate portfolio, obtaining good returns and the possibility of significant capital appreciation, Mabanee acquired a building in Al-Salhia district in Kuwait City. The company purchased a strategic plot in Al-Salmiyah area that is considered to be one of the most important commercial and high density residential areas in Kuwait.
- Major shareholders in the company are Red Sea Commercial Company (36.2%), National Industries Group Holding (18.4%), and Eastern Investment Company (7.3%). The public hold (38.1%).

Financial Highlights for FY06

- Total assets increased by 37.0%, reaching KD123.5mn in FY06 compared to KD90.2mn in FY05. Held for trading investments constituted around 20.7% of the company's total assets at KD25.6mn.
- Property, plant and equipment made 57.9% of the total assets at KD71.6mn in FY06 as compared to KD30.5mn last year, showing a growth of 135.1%.
- Operating revenues declined by 23.8% in FY06, reaching KD12.1mn compared to KD15.9mn in FY05, on the back of the decrease in income from financial investments which stood at KD1.7mn compared to KD14.7mn in FY05. On the other hand, income from construction and real estate development witnessed a remarkable increase to reach KF10.3mn in FY06 compared to KD1.13mn in FY05.
- Net profit dropped by 28.0% to KD10.0mn in FY06 compared KD13.9mn in FY05, while EPS stood at 30.4 Fils compared to 46.5 Fils.
- ROAE and ROAA stood at 15.8% and 9.4% respectively in FY06, compared to 25.9% and 19.4% in FY05.

Interim Results (Q1 FY07)

- Total revenues for the first quarter of FY07 witnessed a 43.9% decrease to reach KD3.6mn compared to KD6.4mn recorded in the corresponding period of FY06.
- The main reason behind the decrease in total revenues was the sharp decrease in revenues from construction and real estate development activities. It decreased from KD10.1mn in the first quarter of FY06 to KD0.84mn in FY07.
- Net profit for the period decreased by 50.3% to reach KD2.7mn in the first quarter of FY07 as compared to KD5.5mn recorded in the corresponding period of FY06.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Income from construction and real estate development	43	56	108	1,130	10,390
Income from manufacturing	83	53	63	47	0
Income from financial investments	5,843	10,869	4,650	14,726	1,729
Gross Profit (incl. Other Income)	5,781	10,747	4,781	17,227	12,174
Net profit for the year	5,023	9,260	3,093	13,938	10,031

Balance Sheet Summary

Cash & cash equivalents	2,405	2,115	3,044	2,505	1,421
Property, plant and equipment	1,147	2,493	2,525	30,455	71,584
Investment property	3,785	5,347	6,919	6,354	6,315
Investment in associate	0	0	0	13,129	5,481
Held for trading investment	26,585	33,050	23,895	30,633	25,634
Total assets	45,480	55,740	53,745	90,157	123,539
Total liabilities	1,014	1,416	4,710	31,570	55,039
Capital	30,000	30,000	30,000	30,000	33,000
Total equity	44,466	54,324	49,035	58,587	68,500

Key Ratios

EPS (in Fils)	16.7	30.9	10.3	46.5	30.4
Book value per share (in Fils)	148.2	181.1	163.5	195.3	207.6
Net Profit Growth	18.9%	84.3%	-66.6%	350.7%	-28.0%
Assets Growth	9.1%	22.6%	-3.6%	67.8%	37.0%
ROAE %	11.8%	18.7%	6.0%	25.9%	15.8%
ROAA %	11.5%	18.3%	5.7%	19.4%	9.4%
P/E*	11.0	13.0	51.4	16.1	36.2
P/BV*	1.2	2.2	3.2	3.8	5.3

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Injazzat Real Estate Company (formerly Al-Mal)

Reuters Code:

[INJA.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

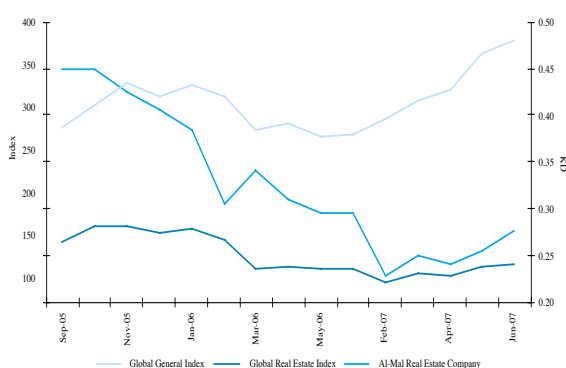
[270 Fils](#)

Key Data

CMP (Fils)*	270
Market Cap (KD mn)	81.2
EPS (Fils)	39.15
BV (Fils)***	214.5
P/E*	6.9
P/BV***	1.3
12 M Average Volume	1,070,082
Year Lo-High (Fils)	216 - 285

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- Injazzat Company formerly known as Al-Mal Real Estate Company (AMRE)** was established in 1998 and got listed in 2002. Injazzat operates in different real estate segments including commercial, residential, hotels and entertainment. The company also owns a portfolio of indirect investments in funds and shares in real estate companies and build-operate-transfer (BOT) projects.
- Injazzat's activities are spread geographically among many regions and countries with around 55% of the company's assets concentrated in Kuwait. The company also operates in other GCC countries such as UAE, Bahrain, and Qatar. Injazzat is also present in the USA, France, and Bulgaria.
- In Kuwait, the company has several properties in Al-Sharq area and Al Dajeej Ministries. The Dajeej property has a total of 10,634 sqm of office space, occupied by ministry authorities as long-term leases. In addition, the company developed the Dhow Office Tower in Sharq, which was completed at the end of 2006. Injazzat sold 70% of the project, while 6 floors have been retained for leasing in order to boost the company's rental income. The remaining 3 floors were utilized for corporate headquarters.

- The company established “Al Mal & Aqar Joint Projects Company” was established in the 3rd quarter of 2005, in cooperation with Aqar Real Estate Investment Company (Aqar). Injazzat holds 66.6% of equity in the new company while Aqar holds 33.3%. The new company will develop an office tower in Sharq area with a total floor area of nearly 35,000sqm.
- The company has purchased several plots in Al Quoz industrial area, Dubai to develop them as Labor Camps. The company has started the execution of two of these Labor Camps in May 2006, and initiated the work on the design of the third one in August 2006. The first two projects will be completed by the second quarter of 2007 while the third project will be ready by the beginning of 2008.
- Injazzat’s future developments include Injazzat office complex in Sharq area in Kuwait, a mixed used development in Shuwaikh , Al Qouz Labor Camps and Al Barsha office complex in Dubai.
- Major shareholders include Alshaya Group (20.0%), Al Mal Investment Company (20.0%), Jassem Hamad Abdullah Al Sager (6.6%) and Abdullah Al Hamad Al Sager and Brothers Company (5.6%). The public hold 47.8%.

Financial Highlights for FY06

- Total assets stood at KD98mn at the end of FY06 and grew by 33% on a year on year basis. Investment properties increased by 48% during FY06 to reach KD59.42mn, and constituted the major part of Injazzat’s assets, forming 61% of total assets in FY06.
- Injazzat total revenues witnessed a 25% decline to reach KD13.6mn in FY06 compared to KD18.1mn reported in FY05. The decline in total revenues resulted from the decrease in income from sale of investment properties which dropped from KD3.8mn in FY05 to KD0.8mn in FY06, coupled with the decline in the share in joint venture results. During 2006, the company recorded no income from share in joint venture results compared to KD1mn reported in FY05 since it sold a majority of its stake in its joint venture, “First Real Estate” in Bahrain. Injazzat currently owns a 12.5% stake in First Real Estate.
- During FY06 rental income declined by 48% to reach KD0.385mn compared to KD0.739mn recorded in the previous year. Currently, the company’s rental income is mainly generated from the office building in the Al Dajeej area that the company is leasing to government ministerial authorities under long-term leases.
- During FY06, the company completed the development of Al Dhow office complex in Kuwait, and concluded the sale of 22 floors, which resulted in a profit of KD2.5mn recognized as profit on sale of developed property.
- Injazzat disposed the Verona residential complex during FY06, a revenue generating asset in the US. The disposal of the Verona residential complex in the US which was classified under investments available for sale resulted in a reported income of KD0.978mn.
- Net profit excluding minority interest witnessed a 33% decline in FY06 to reach KD10.2mn compared to KD15.2mn reported in the previous year. EPS stood at 38fils per share in FY06 compared to an EPS of 58fils per share recorded in the previous year.

- ROAE and ROAA stood at 19.5% and 12.4% respectively in FY06, compared to 39.5% and 26.4% in FY05.

Interim Results (Q1 FY07)

- Total income for the first quarter of FY07 increased by 11.6% to reach KD4.0mn compared to KD3.6mn recorded in the corresponding period in FY06.
- The main reason behind the increase in total income was change in fair value of property investment which was KD2.5mn in 1Q-FY07 as compared to nil last year. This more than compensated for the decline in profit on sale of property under development to nil in first quarter of FY07 as compared to KD2.25mn in first quarter of FY06.
- Net profit for the period increased by 3.4% to reach KD3.0mn in the first quarter of FY07 compared to KD2.9mn recorded in the corresponding period in FY06.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Rental income	546	922	1,013	739	385
Profit on Sale of Developed Properties				-	2,504
Income from sale of investments properties	232	399	0	3,859	815
Change in fair value of investment properties	1,087	1,655	3,141	9,620	7,407
Foreign real estate funds and portfolio management fees	67	227	295	1,797	537
Share of results of joint venture	0	0	288	1,060	-
Total Income	2,695	3,848	6,404	17,919	13,635
Net Profit for the year	1,760	2,509	4,233	15,238	10,697

Balance Sheet Summary

Cash & cash equivalents	1,492	1,494	1,254	2,624	6,581
Available for sale investments	8,051	11,003	10,989	14,650	14,426
Investment properties	11,049	16,072	18,487	40,078	59,422
Property under development	0	0	5,633	8,661	-
Total Assets	22,518	29,664	41,573	73,843	98,075
Total Liabilities	4,166	8,373	15,579	22,649	39,459
Paid-Up capital	15,000	16,200	18,000	23,760	27,324
Shareholders Equity	18,352	21,292	25,993	51,194	58,616

Key Ratios

EPS (in Fils)	11.7	15.5	23.5	64.1	39.1
Book value per share (in Fils)	122.3	131.4	144.4	215.5	214.5
Net Profit Growth	45.4%	42.5%	68.7%	260.0%	-29.8%
Assets Growth	18.9%	31.7%	40.1%	77.6%	32.8%
ROAE %	9.9%	12.7%	17.9%	39.5%	19.5%
ROAA %	8.5%	9.6%	11.9%	26.4%	12.4%
P/E*	15.0	14.9	11.1	6.3	6.9
P/BV*	1.4	1.8	1.8	1.9	1.3

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Jeezan Real Estate Company

Reuters Code:

JEZK.KW

Listing:

Kuwait Stock Exchange

CMP:

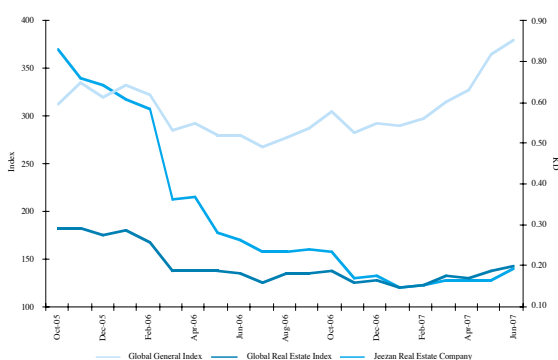
196 Fils

Key Data

CMP (Fils)*	196
Market Cap (KD mn)	44.3
EPS (Fils)	NM
BV (Fils)***	148
P/E*	NM
P/BV***	1.3
12 M Average Volume	685,333
Year Lo-High (Fils)	136 - 210

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- **Jeezan Real Estate Company (JEZK)** was established in 1983 and engages in real estate sale, purchase and ownership, renting and leasing, construction and development of land and properties – commercial centers, housing and commercial complexes etc. JEZK was listed on the Kuwait Stock Exchange in April 2003.
- JEZK also invests in companies which have businesses similar to its own i.e real estate sale, purchase, development and maintenance of residential, commercial and retail real estate, leasing and renting of all kinds of real estate. JEZK activities are concentrated in Kuwait.
- JEZK owns 10.0% in Al Safa Real Estate Company, 8.8% in Automated System Company, 6.4% in International Financial Advisors and 5% in National Slaughterhouse Company.
- Its major shareholders are Offset for General Trading and Contracting (17.1%), Kuwait Invest Holding Company (7.4%) and Rana for General Trading and Contracting (6.2%).

Financial Highlights for FY06

- The company increased its authorized and paid-up capital from KD16.7mn to KD22.6mn.
- Total assets decreased by 47.1%, reaching KD38.0mn in FY06 compared to KD71.8mn in FY05. Investment at fair value through income statement constituted 69.7% of the company's total assets.
- Investment at fair value through income statement stood at KD26.5mn in FY06 as compared to KD60.4mn in FY05, a decline of 56.2%.
- The company's registered a total loss of KD30.2mn as compared to a total profit of KD34.6mn in FY05. The main reason behind this was net loss from investments which stood at KD31.9mn as compared to profit of KD31.4mn in FY05.
- The company registered a net loss of KD30.6mn in FY06 compared to a profit of KD33.2mn in FY05.
- ROAE and ROAA stood at -60.9% and -55.7% respectively in FY05, compared to 63.8% and 60% in FY04.

Interim Results (Q1 FY07)

- Total loss for the first quarter of FY07 decreased to KD0.47mn as compared to significant losses of KD14.0mn recorded in the corresponding period of FY06.
- The main reason behind the decrease in losses compared to last year was a decrease in losses from investments through income statement which declined to KD0.7mn in Q1-FY07 from KD14.4mn in the first quarter of FY06.
- Net losses for the period was lower at KD0.54mn in the first quarter of FY07 as compared to losses of KD14.1mn recorded in the corresponding period in FY06.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Income from investment	37	133	5,798	31,436	(31,957)
Realized gain from available for sale investments	5	91	2,202	1,650	528
Profit on sale of properties	-	214	1,953	-	0
Change in fair value of available for sale investments	(25)	2,095	-	-	0
Dividend Income	0	0	0	432	720
Brokerage income	1,771	4,327	-	-	
Profit from sale of shares in subsidiary	-	10,861	-	-	
Total Income	1,836	17,985	16,813	34,606	(30,210)
Net profit for the year	872	16,101	15,979	33,160	(30,590)

Balance Sheet Summary

Bank balances and cash	2,114	99	50	280	381
Investment properties	2,381	4,295	-	-	-
Available for sale investment investments at fair value through income statement	2,462	16,654	10,438	8,968	-
	80	403	26,643	60,361	26,451
Total assets	7,350	24,299	38,644	71,845	37,970
Total liabilities	2,585	3,512	1,653	4,845	4,562
Capital	3,320	3,984	11,952	16,733	22,589
Total equity	4,686	20,787	36,991	67,000	33,408

Key Ratios

EPS (in Fils)	26.3	404.1	133.7	198.2	NM
Book value per share (in Fils)	141.1	521.7	309.5	400.4	147.9
Net Profit Growth	58.4%	1746.8%	-0.8%	107.5%	NM
Asset Growth	72.1%	230.6%	59.0%	85.9%	-47.2%
ROAE %	20.7%	126.4%	55.3%	63.8%	-60.9%
ROAA %	15.0%	101.7%	50.8%	60.0%	-55.7%
P/E*	NA	6.93	8.68	3.63	NM
P/BV*	NA	5.37	3.75	1.80	1.33

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Grand Real Estate and Touristic Development Company

Reuters Code:

[TOUR.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

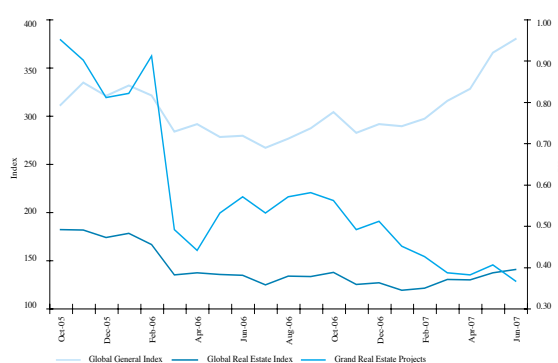
142 Fils

Key Data

CMP (Fils)*	142
Market Cap (KD mn)	142.0
EPS (Fils)	1.1
BV (Fils)**	231.6
P/E*	125.7
P/BV**	0.6
12 M Average Volume	7,008,029
Year Lo-High (Fils)	132 - 192

*CMP: Current Market Price on June 30th 2007

** As of the end of FY06



Company Overview

- Grand Real Estate and Touristic Development Company** formerly known as Kuwait Lebanese Real Estate Development Company (KLRE) is a closed shareholding company established in Oct 1998. It was listed on the Kuwait Stock Exchange in November FY03. KLRE's principal activities include investment and trading in real estate properties and participation in financial and real estate funds in compliance with Islamic principles.
- Grand Real Estate primarily operates in 2 geographical segments, that is - Kuwait (representing the operations of the parent company) and Lebanon. In Lebanon it operates through its wholly owned subsidiary Lebanese Real Estate Development Company, established in Lebanon for real estate trading and development businesses. Moreover, during FY05, the company acquired a 25% equity stake in Safat Prosperous Real Estate Company.
- Grand Real Estate has appointed International Investor Company, as the consultant and technical manager of the company, as per the agreement dated 15th December 1998. The technical manager and consultant is entitled to an annual fee, as per the agreement and holds shares of the company as a custodian.
- The Grand Real Estate Projects as a major shareholder in Grand Real Estate holds 88.5% stake in Grand Real Estate and Touristic Development Company.

Financial Highlights for FY06

- Total assets increased by 4.4%, reaching KD26.2mn in FY06 compared to KD25.1mn in FY05. Investments through income statement constituted around 26.5% of the company's total assets followed by available for sale investments forming 24.8% of total assets.
- The company's Profit before contribution to KFAS, NLST and director's fee dropped to KD105,000, a fall of 98.6% in FY06 as compared to KD7.4mn in FY05. The main reason behind this fall was the fall in gain on sale of investments by 87.4% to KD358,000 as compared to KD2.8mn in FY05.
- Net profit stood at KD104,000 in FY06 compared to KD7.1mn in FY05, EPS too fell to 1.13 Fils compared to 76.4 Fils.
- ROAE and ROAA stood at 0.5% and 0.4% in FY05 respectively, compared to 36.9% and 33.7% in FY05.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Revenue from sale of properties	-	-	0	2,554	244
Unrealized gain from investment	230	3,749	3,193	4,585	(3,068)
Gain on sale of investments	0	0	0	2,842	358
Dividend Income	(33)	265	252	228	314
Profit before contribution to KFAS, NLST and Director's Fee	332	4,050	3,447	7,386	105
Net profit for the year	297	3,875	3,120	7,092	105

Balance Sheet Summary

Cash & Bank balances	39	16	521	247	3,062
Investments carried at fair value through income statement	0	0	11,008	16,945	6,937
Available for sale investments	5,450	8,040	2,850	5,199	6,496
Property held for sale	1,433	2,512	2,599	1,076	942
Total assets	6,967	10,572	16,982	25,091	26,190
Total liabilities	158	263	1,055	2,625	4,245
Capital	6,250	6,250	8,437	9,280	9,280
Total equity	6,809	10,309	15,928	22,466	21,496

Key Ratios

EPS (in Fils)	4.8	62.0	37.0	76.4	1.1
Book value per share (in Fils)	108.9	164.9	188.8	242.1	231.6
Net Profit Growth	-	1203.2%	-19.5%	127.3%	-98.5%
Asset Growth	-	51.8%	60.6%	47.8%	4.4%
ROAE %	4.4%	45.3%	23.8%	36.9%	0.5%
ROAA %	4.3%	44.2%	22.6%	33.7%	0.4%
P/E*	NA	6.1	9.3	7.2	126.1
P/BV*	NA	2.3	1.8	2.3	0.6

* Market Price as on Year end except for FY06, which is as on June 30th 2007

International Resorts Company

Reuters Code:

[IRCK.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

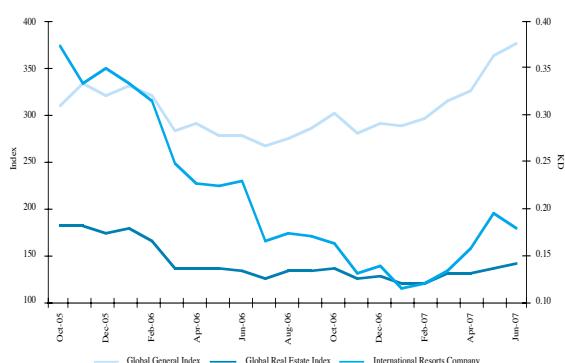
[198 Fils](#)

Key Data

CMP (Fils)*	198
Market Cap (KD mn)	30.6
EPS (Fils)	NM
BV (Fils)**	128.5
P/E*	NM
P/BV**	1.5
12 M Average Volume	2,314,065
Year Lo-High (Fils)	110 - 214

*CMP: Current Market Price on June 30th 2007

** As of the end of FY06



Company Overview

- **The company was incorporated as a Kuwaiti shareholding company** in 1976 under the name “Kuwait Projects Company for Reconstruction and Real estate” and was later renamed to “International Resorts Company (IRCK)” on 7 February 1998. The company’s shares were listed on the Kuwait Stock Exchange on 13 December 2004.
- The company’s core business is investment in real estate, hotels, restaurants and beach resorts as well as general contracting and civil, mechanical and electrical maintenance inside and outside Kuwait.
- Major shareholders of the company include Kuwait Real Estate Company (17.3%), Kuwait International Investment Company (13.6%), Kuwait Gate Holding (10.7%), International Investment projects (9.1%) and International Financial Advisors (8.1%).

Financial Highlights for FY06

- The company registered a total loss of KD6.9mn for FY06 as compared to total income of KD7.6mn. The main reason behind this was unrealized losses of KD7.0mn on investments at fair value through income statement .

- The company's total assets decreased by 26.4% to reach KD20.6mn in FY06 compared to KD28.0mn in FY05. Investment at fair value through income statement constituted 60.1% of total assets in FY06.
- The company registered net loss of KD7.2mn in FY06 as compared to net profit of KD6.95mn in FY06.

Interim Results (Q1 FY07)

- Total income for the first quarter of FY07 turned to positive at KD0.9mn as compared to losses of KD4.3mn recorded in the corresponding period in FY06.
- The unrealized profit on investments through income statement was the main reason behind the turn around. The company recorded gain on investments of KD 0.85mn as compared to loss of KD4.4mn reported in the first quarter of FY06.
- The company recorded net profit for the period of KD0.8mn in the first quarter of FY07 as compared to a loss of KD4.4mn recorded in the corresponding period in FY06.

Summary of Financials

<i>(In KD '000)</i>	FY2003	FY2004	FY2005	FY2006
Operating Summary				
Realized gain on sale of investments at fair value through income statement		226	3,499	(570)
Unrealized gain on investments at fair value through income statement		1,837	3,882	(6,984)
Realized gain on sale of held for trading land	13,462	0	0	269
Unrealized on held for trading investments	2,125	0	0	0
Total Income	5,928	2,991	7,554	(6,931)
Net profit	5,480	2,644	6,952	(7,217)

Balance Sheet Summary

Cash & cash equivalents	475	50	104	1,312
Investment at fair value through income statement	0	13,241	20,365	12,377
Available for sale investments	4,432	0	398,571	1,723
Held for trading investments	5,041	0	1,618	0
Total assets	17,889	20,913	27,965	20,585
Total liabilities	1,465	458	1,168	731
Paid-up capital	11,631	12,212	13,433	15,448
Shareholders' Equity	16,424	20,455	26,797	19,854

Key Ratios

EPS (in Fils)	47.1	21.7	51.8	NM
Book value per share (in Fils)	141.2	167.5	199.5	128.5
Net Profit Growth	-	-51.7%	162.9%	-203.8%
Asset Growth	-	16.9%	33.7%	-26.4%
ROAE %	33.4%	14.3%	29.4%	-30.9%
ROAA %	30.6%	13.6%	28.4%	-29.7%
P/E*	NA	-	6.8	NM
P/BV*	NA	1.6	1.8	1.5

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Commercial Real Estate Company (Altijaria)

Reuters Code:

[CRCK.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

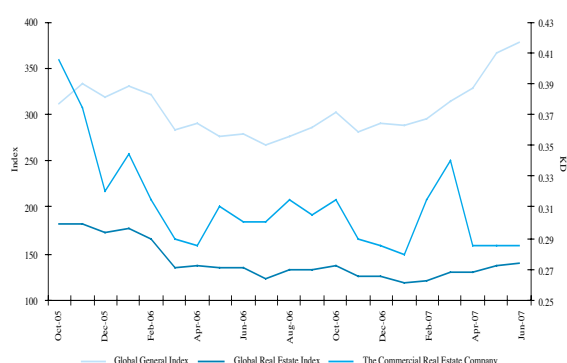
280 Fils

Key Data

CMP (Fils)*	280
Market Cap (KD mn)	407.9
EPS (Fils)	26.6
BV (Fils)***	148.23
P/E*	10.5
P/BV***	1.9
12 M Average Volume	2,314,065
Year Lo-High (Fils)	270 - 355

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- **The Commercial Real Estate Company (CRC)**, also known as “Al Tijaria”, was established in 1968, and is considered to be one of the oldest and experienced players in Kuwait’s real estate market. The company was listed on the Kuwaiti stock exchange on 21/12/2004. All financial aspects of CRC are governed by Sharia’s (Islamic) laws and regulations.
- CRC’s core business is real estate development and investment, with a focus on divesting low performing financial and real estate assets and replacing them with stronger performing assets, improving land available for private residence, developing commercial and investment property projects using distinctive and creative designs and concepts, and the active participation in high value privatization and B.O.T projects.
- The main focus of Al-Tijaria is directed towards commercial property investment in Kuwait and the Gulf. CRC’s major projects include Al Manar, and Al Lodan residential complexes, Al Shorouq, and Al Bodour office towers. Other projects in the pipeline include the X-zone entertainment project, and the Green hills residential complex in Kuwait as well as Hajer and Al Maqam towers in Mecca, and Ain Athari Park in Bahrain.

- In addition to the real estate business, CRC is also engaged in private property portfolio management. Among the funds managed by the company; the Real Estate Center Fund, Al Dar Real Estate Fund, Real Estate investments portfolio of the Kuwait Public Transport Co., Commercial Islamic Fund, and Al Markaz Real Estate Fund
- The company was assigned a credit rating of BBB+ by Capital Intelligence. Also it has been awarded the ISO 2000:9001 certification for financial and managerial achievement.
- The company's major shareholders include Kuwait International Investment Company (9.1%), Wedyan Real Estate Company (8.0%), Industrial and Finance Investments Company (7.0%) and Saheal Real Estate Company (7.0%). The public holds 68.9% of shares.
- During 2002, CRC acquired 90% of Kuwait Resorts Company, engaged mainly in managing and operating Kuwait Hilton Resort, and started preparing consolidated financial statements as of December 2003 incorporating the financial statements of the commercial real estate company (parent company) and Kuwait Resorts Company. During 2006, the company sold a 59.24% stake in Kuwait's Resorts company decreasing the company's holding to 30.76%. Other associate companies include Arab Ready-Mix Concrete Center Company, Industrial & Financial Investment Company, and Markets Complex Co..
- The company has three fully owned subsidiary companies. Those subsidiaries include Al Areen Real Estate Co., Safir Al Dana Hotel and Beach and Al Shefa'a Company for Medical Care.
- The company signed a KD20mn contract to establish a new medical center in Kuwait in partnership with the hospital at the University of Hamburg, Germany. The project will be owned by Al Shifa Company for Medical Care, a full subsidiary of CRC created for this purpose, and the University Medical Center Hamburg-Eppendorf will fully manage the center.

Financial Highlights for FY06

- Total assets increased by 10% in FY06 to reach KD311.3mn compared to KD283.9mn in FY05. Investment properties grew by 8% to reach KD84.2mn compared to KD77.5mn in FY05.
- Net profit increased by 7% in FY06 to reach KD35.6mn compared to KD33.4mn in FY05. The company's main revenues come from profit from investment properties, profit from land and real estate held for trading, and hotel income representing the company's share in revenue from Kuwait Hilton Resort, Restar Resort (formerly Safir Al Dana Hotel).
- Profit from land and real estate held for trading decreased by 26% to reach KD6.0mn in FY06 compared to KD8.2mn in FY05.
- The company recorded profit from available for sale investments of KD9.3mn in FY06 compared to KD14.2mn in FY05, which translates into a fall of 34%.

- ROAE and ROAA stood at 18.1% and 12.0% in FY06 respectively, compared to 17.6% and 12.9% in FY05.

Interim Results (Q1 FY07)

- Net profit for the period decreased by 61.1% to reach KD6.7mn in the first quarter of FY07 as compared to KD17.2mn recorded in the corresponding period in FY06.
- The reason behind the drop was a one time gain in Q1-FY06 of KD13.9mn from partial disposal of subsidiary.
- On the other hand, gain from investment properties rose to KD5.2mn in Q1-FY07 as compared to KD1.4mn in 1Q-FY06.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Profit from investment properties	5,895	13,631	7,514	9,217	11,131
Profit from land and real estate held for trading	8,672	6,910	3,894	8,190	6,029
Hotel income	38	5,113	5,911	6,274	466
Profit from available for sale investments	128	545	15,453	14,185	9,305
Net Profit	12,563	24,882	26,940	33,439	35,628

Balance Sheet Summary

Cash & cash equivalents	3,867	3,094	5,759	5,185	38,589
Investments available for sale	20,455	82,801	46,521	46,342	27,453
Investments in associates	13,354	10,715	25,436	25,946	39,029
Investment properties	41,053	46,182	45,436	77,598	84,173
Total assets	150,956	245,049	233,657	283,993	311,285
Total liabilities	10,384	36,510	47,980	89,200	112,556
Paid-up capital	121,883	121,883	121,883	121,883	134,071
Shareholders' Equity	140,572	208,539	185,677	194,793	198,729

Key Ratios

EPS (in Fils)	10.3	20.4	22.1	27.4	26.6
Book value per share (in Fils)	115.3	171.1	152.3	159.8	148.2
Net Profit Growth	0.0%	98.1%	8.3%	24.1%	6.5%
Asset Growth	0.8%	62.3%	-4.6%	21.5%	9.6%
ROAE %	9.3%	14.3%	13.7%	17.6%	18.1%
ROAA %	8.4%	12.6%	11.3%	12.9%	12.0%
P/E*	NA	NA	15.6	11.7	10.5
P/BV*	NA	NA	2.3	2.0	1.9

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Sanam Real Estate Company

Reuters Code:

[SANK.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

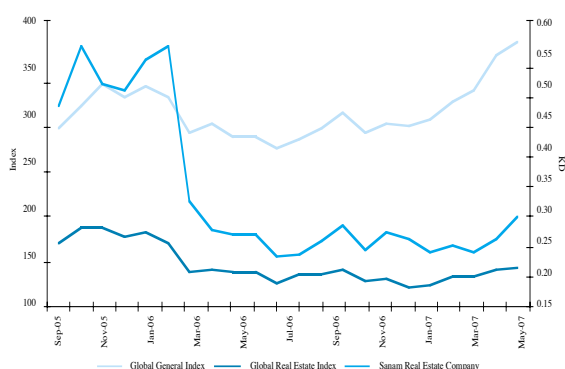
285 Fils

Key Data

CMP (Fils)*	285
Market Cap (KD mn)	19.0
EPS (Fils)	6.3
BV (Fils)***	160.3
P/E*	45.5
P/BV***	1.8
12 M Average Volume	238,252
Year Lo-High (Fils)	222 - 305

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- The company was established in 1982, and was listed on the Kuwait stock exchange on 28th December 2004.
- Principal activities of the company include purchasing and sale of land and real estate, managing, renting, leasing, purchasing and sale of shares, bonds and other securities of companies having similar objectives.
- Major shareholders include Wafra International Investment Company (27.43%), Jassem Mohamed Al Moussa (6.92%) and Blassem General Trading Company(6.50%).
- The company's only subsidiary is Wataniya for Paper Industries located in Kuwait.
- The project that the company is currently undertaking is "The Big" in Dubai Metro.

Financial Highlights for FY06

- Total assets increased by 144.7%, reaching KD17.0mn in FY06 as compared to KD6.95mn in FY05. Investments available for sale constituted around 28.9% of the company's total assets. It decreased by 9.3%, reaching KD4.9mn in FY06 compared to KD5.4mn in FY05.

- The company's total revenues decreased by 72.5% in FY06, reaching KD564,000 as compared to KD2.0mn in FY05. The main reason behind this decrease in total revenues was the decline in revenue from sale of investments available for sale and portfolios, which stood at KD0.21mn as compared to KD1.4mn in FY05.
- Net profit stood at KD0.38mn in FY06 compared to KD1.62mn in FY05, while EPS stood at 6.3 Fils as compared to 46.9 Fils.
- ROAE and ROAA stood at 4.7% and 3.2% respectively in FY06, as compared to 30.5% and 29.2% in FY05.

Interim Results (Q1 FY07)

- Total revenues for the first quarter of FY07 witnessed a 70.3% rise to reach KD0.2mn compared to KD0.12mn recorded in the corresponding period in FY06.
- The main reason behind the rise in total revenues was a 58.6% increase in revenues from sale of AFS investments, which stood at KD0.12mn in the first quarter of FY07 as compared to KD0.06mn in the first quarter of FY06.
- Net profit for the period increased by 86.3% to reach KD0.17mn in the first quarter of FY07 compared to KD0.09mn recorded in the corresponding period in FY06.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Revenue from sale of investments available for sale and portfolios	416	1,091	376	1,415	211
Revenue share from Affiliated Co.	150	421	366	491	165
Other income	72	59	80	141	188
Total revenue	638	1,570	822	2,047	564
Net profit	578	1,482	692	1,624	380

Balance Sheet Summary

Cash & cash equivalents	184	808	652	203	1,345
Investment available for sale	957	2,848	2,828	5,425	4,920
Total assets	3,126	4,175	4,156	6,953	17,011
Total liabilities	67	88	112	344	7,292
Paid-up capital	3,000	3,000	3,300	3,465	6,064
Sharholders' equity	3,059	4,087	4,044	6,609	9,718

Key Ratios

EPS (in Fils)	19.3	49.4	21.0	46.9	6.3
Book value per share (in Fils)	102	136	123	191	160
Net Profit Growth	-	156.7%	-53.3%	134.6%	-76.6%
Asset Growth	-	33.6%	-0.4%	67.3%	144.7%
ROAE%	18.9%	41.5%	17.0%	30.5%	4.7%
ROAA%	18.5%	71.0%	19.0%	29.2%	3.2%
P/E*	NA	NA	15.7	10.5	45.5
P/BV*	NA	NA	2.7	2.6	1.8

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Aa'yan Real Estate Company

Reuters Code:

[AYRE.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

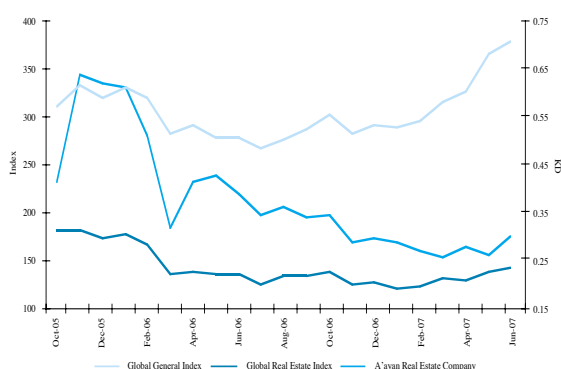
300 Fils

Key Data

CMP (Fils)*	300
Market Cap (KD mn)	54.0
EPS (Fils)	28.6
BV (Fils)**	171.0
P/E*	10.5
P/BV**	1.8
12 M Average Volume	816,092
Year Lo-High (Fils)	248 - 320

*CMP: Current Market Price on June 30th 2007

** As of the end of FY06



Company Overview

- **Aayan Real Estate Company**, (formerly Souk Al Duaij Real Estate Company) was established in 1976, and was listed on the Kuwait stock exchange on March 14, 2005.
- During FY04, the company amended its activities to comply with the laws of the Islamic Sharia'a, and in the same year it became a subsidiary of Aayan Leasing and Investment Company.
- The main activities of the company are trading and managing real estate and related activities and trading in shares.
- Major shareholders include Aayan Leasing and Investment Company (51.4%), Heirs of Duaij Al Duaij (7.8%), Heirs of Saad Al Duaij (7.4%) and Shorouk Investment Fund (6.1%)
- The company's subsidiaries are Jadaf Real Estate Company (21.9%) and Hajar Real Estate Company.

Financial Highlights for FY06

- The paid-up capital increased by 36.3% to reach KD16.4mn as compared to KD12.0mn in FY05
- Total assets increased by 26.3%, to reach KD46.7mn in FY06 compared to KD37.0mn in FY05.
- The company's total income increased marginally in FY06, reaching KD6.5mn compared to KD6.4mn in FY05.
- Gain on sale of investment available for sale increased to KD2.6mn as compared to KD101,000 last year.
- Net profit stood at KD4.7mn in FY06 compared to KD4.3mn in FY05, while EPS stood at 28.6 Fils compared to 35.9 Fils.
- ROAE and ROAA stood at 19.6% and 11.2% respectively in FY06, compared to 29.6% and 18.0% in FY05.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Rental income	475	466	482	490	530
Gain on sale of investment available for sale	0	0	283	101	2,623
Gain on sale of share in associated company	0	0	0	4,275	0
Other income	42	553	546	66	102
Total Income	517	1,019	1,311	6,365	6,532
Net profit for the year	469	764	1,105	4,337	4,674

Balance Sheet Summary

Cash & cash equivalents	364	316	159	2,232	2,364
Due from associated company	0	0	0	12,801	5,741
Due from related parties	276	0	-	7,621	0
Investments available for sale	661	1,133	849	4,902	5,843
Investment in associated company			0	3,962	5,322
Investment properties	1,882	7,150	10,037	8,996	11,990
Total assets	3,248	8,703	11,117	36,966	46,688
Total liabilities	27	230	1,600	17,156	18,720
Paid-up capital	2,000	2,000	7,300	12,000	16,360
Shareholders' equity	3,221	8,473	9,517	19,810	27,967

Key Ratios

EPS (in Fils)	23.4	38.2	15.1	35.9	28.6
Book value per share (in Fils)	161.1	423.6	130.4	164.0	171.0
Net Profit Growth	-	63.0%	44.6%	292.4%	7.8%
Asset Growth	2.5%	168.0%	27.7%	232.5%	26.3%
ROAE%	14.7%	13.1%	12.3%	29.6%	19.6%
ROAA%	14.6%	12.8%	11.2%	18.0%	11.2%
P/E*	NA	NA	NA	17.3	10.5
P/BV*	NA	NA	NA	3.8	1.8

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Aqar Real Estate Co.

Reuters Code:

[AQAR.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

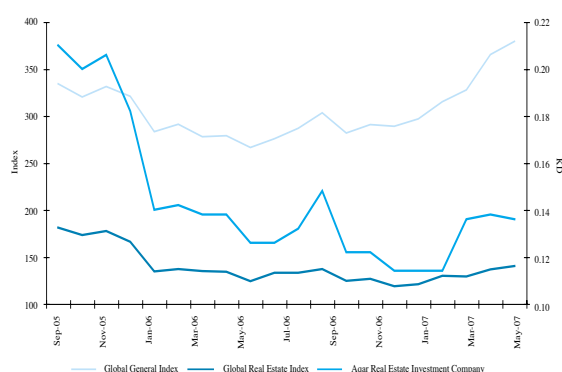
140 Fils

Key Data

CMP (Fils)*	140.0
Market Cap (KD mn)	
EPS (Fils)	3.50
BV (Fils)***	112.00
P/E*	40.00
P/BV***	1.25
12 M Average Volume	1,278,204
Year Lo-High (Fils)	106 - 142

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- **Aqar Real Estate Investment Company** was established in 1997, and was listed on the Kuwait stock exchange on April 11, 2005.
- During FY05, the company established a fully owned subsidiary, Al Ro'oya International Real Estate Company which is engaged in various types of real estate investment activities.
- Major shareholders of Aqar Real Estate include Coast Investment and Development Company (19.0%), Abdulaziz Abel and Sons Company (6.4%), Al Ahli Bank of Kuwait (5.5%) and Youssef Zeben Youssef Al Zeben (5.0%).
- The company's major investments are Gulf North Africa Holding Company, Al Barsha Real Estate Company and Al Mal Real Estate.

Financial Highlights for FY06

- Total assets increased by 9%, reaching KD25.71mn in FY06 compared to KD23.65mn in FY05. The increase in total assets was mainly due to an increase in available for sale investments and investment in associates, which grew by 32% and 39% to reach KD5.6mn and KD6.3mn respectively.

- The company's total income decreased by 51.7% in FY06, reaching KD.13mn compared to KD2.6mn in FY04.
- Net profit stood at KD0.76mn in FY06 compared to KD1.97mn in FY05, while EPS stood at 3.5 Fils compared to 9.9 Fils.
- ROAE and ROAA stood at 3.2% and 3.1% respectively in FY06, compared to 8.8% and 7.9% in FY05.

Interim Results (Q1 FY07)

- Total income for the first quarter of FY07 witnessed a sharp rise of 841.5% to reach KD1.0mn compared to KD0.11mn recorded in the corresponding period in FY06.
- The main reason behind the increase in total income was a gain on sale of property under development of KD0.75mn in Q1-FY07.
- Net profit for the period jumped by more than 91 times (9,172.0%) to reach KD0.86mn in the first quarter of FY07 as compared to KD9,300 recorded in the corresponding period in FY06.

Summary of Financials

<i>(in KD '000)</i>	FY2003	FY2004	FY2005	FY2006
Operating Summary				
Gain on sale of investment property	-	0	152	0
Real Estate Income	-	0	305	333
Realised gain on available for sale investments	-	5	727	3
Unrealised gain on investments at fair value through income statement	0	0	53	(41)
Change in fair value of investment properties	0	615	928	23
Rental income	0	0	26	21
Other income	249	709	409	916
Total Income	249	1,329	2,598	1,255
Net profit for the year	227	1,143	1,973	760

Balance Sheet Summary

Cash & cash equivalents	303	2,310	985	184
Available for sale investments		2,192	4,283	5,646
Investment in associate		0	4,528	6,293
Investment property	0	6,400	6,184	4,257
Fixed deposits	20,000	14,230	5,630	4,691
Total assets	20,351	26,447	23,650	25,715
Total liabilities	2	4,982	271	1,670
Paid-up capital	20,000	20,000	20,000	21,500
Shareholders' equity	20,349	21,465	23,379	24,045

Key Ratios

EPS (in Fils)	1.1	5.7	9.9	3.5
Book value per share (in Fils)	101.7	107.3	116.9	111.8
Net profit growth	NM	404.1%	72.7%	-61.5%
Asset growth		30.0%	-10.6%	8.7%
ROAE%	2.2%	5.5%	8.8%	3.2%
ROAA%	2.2%	4.9%	7.9%	3.1%
P/E*	NA	NA	20.3	39.6
P/BV*	NA	NA	1.7	1.3

* Market Price as on Year end except for FY06, which is as on June 30th 2007

KWT Real Estate Holding (AlAqaria)

Reuters Code:

ALAQ.KW

Listing:

Kuwait Stock Exchange

CMP:

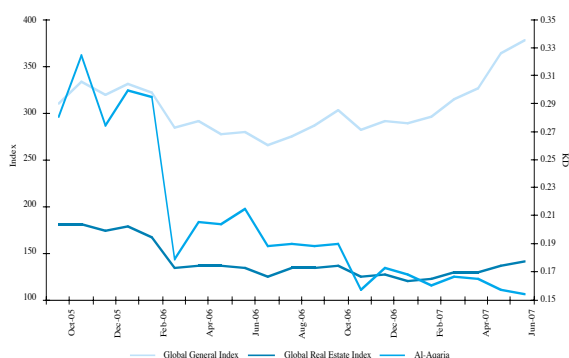
156 Fils

Key Data

CMP (Fils)*	156
Market Cap (KD mn)	46.8
EPS (Fils)	7.2
BV (Fils)**	132.3
P/E*	21.7
P/BV**	1.2
12 M Average Volume	1,542,609
Year Lo-High (Fils)	148 - 178

*CMP: Current Market Price on June 30th 2007

** As of the end of FY06



Company Overview

- **KWT Real Estate Holding** formerly known as Kuwait National Real Estate Services and Investment Co. was established in 1980, and was listed on the Kuwait Stock Exchange in April 2005.
- During 2005, the company established two subsidiaries Projman Real Estate. and Inter Project Management Co. The company and its subsidiaries undertake all activities in accordance with Islamic Sharia'a principles. The company has eight 100% owned subsidiary, all located in Kuwait.
- The company's principal activities are property management, project management, asset management, technical maintenance as well as cleaning and security.
- Major shareholders include Kuwait Investment Company (18.0%), National Industries Group (15.5%), Kuwait Finance and Investment Company (8.8%) and Ibtisam Ali Mohamed Al Basem (6.0%).
- One of the few investments of the company are Al Soukouk Holding Company, First Bahrain Real Estate Company, Gulf Development Company and Kuwait Asia Holding Company.

Financial Highlights for FY06

- Total assets decreased by 10.1%, reaching KD47.1mn in FY06 compared to KD52.3mn in FY05. Investment properties constituted 22.2% of the company's total assets. It decreased by 40.6% reaching KD10.4mn in FY06 compared to KD17.6mn in FY05. Available for sale investments increased by 12.6% in FY06, reaching KD14.1mn compared to KD12.5mn in FY05.
- Net profit decreased significantly in FY06, reaching KD2.2mn compared to KD7.1mn in FY05. The main reasons behind this decrease in profits was the 70.9% decrease in unrealized gain from valuation of investment properties which stood at KD1.3mn compared to KD4.4mn in FY05, coupled with the decrease in unrealized profits from financial assets at fair value through income statement which reached zero compared to KD2.2mn in FY05.
- ROAE and ROAA stood at 5.3% and 4.4% respectively in FY06, compared to 18.9% and 16.2% in FY05.

Summary of Financials

<i>(in KD '000)</i>	FY2004	FY2005	FY2006
Operating Summary			
Net rental income	76	637	284
Unrealized gain from revaluation of investment properties	1,715	4,448	1,293
Unrealized profits from financial assets at fair value through income statement	755	2,243	-
Realized profit from available for sale investments	21	566	-
Net profit	2,520	7,082	2,166

Balance Sheet Summary

Cash & cash equivalents	10,332	3,587	13,191
Financial assets at fair value through income statement	5,235	7,015	4,466
Available for sale investments	4,683	12,526	14,099
Land and property under development	-	4,668	0
Investment properties	11,327	17,556	10,434
Total assets	34,855	52,349	47,064
Total liabilities	1,837	10,516	7,370
Paid-up capital	30,000	30,000	30,000
Shareholders' equity	33,019	41,834	39,694

Key Ratios

EPS (in Fils)	8.4	23.6	7.2
Book value per share	110.1	139.4	132.3
Net profit growth	-	181.0%	-69.4%
Asset growth	-	50.2%	-10.1%
ROAE%	8%	18.9%	5.3%
ROAA%	7%	16.2%	4.4%
P/E*	NA	11.6	21.6
P/BV*	NA	2.0	1.2

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Al Mazaya Holding Co.

Reuters Code:

[MAZA.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

580 Fils

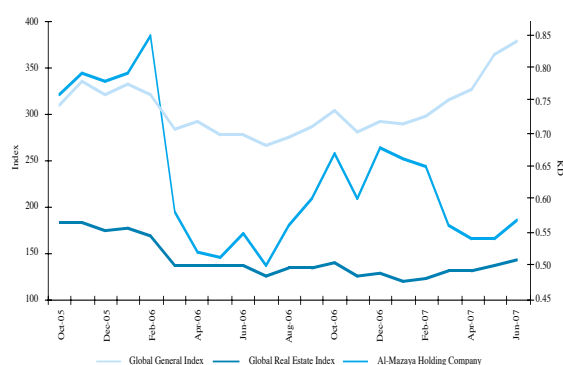
Key Data

CMP (Fils)*	510.00
Market Cap (KD mn)	77.27
EPS (Fils)	87.68
BV (Fils)**	207.35
P/E*	5.82
P/BV**	3.76
12 M Average Volume	1.51
Year Lo-High (Fils)	272-662

*CMP: Current Market Price on July 26th 2006

** Annualized based on Q1 2006 results

*** As of the end of 2005



Company Overview

- Mazaya Real Estate was established in 1998, and got listed on the Kuwait stock exchange on May 5, 2005, and on the Dubai Financial Market in February 2006.
- The company's core business activities include real estate ownership, purchasing, selling, leasing, renting, developing, and managing real estate, lands, markets, complexes, hotels, clubs, and parks, inside and outside Kuwait city as well as providing comprehensive real estate services.
- Major shareholders include Global Investment House (8.61%), and Mayadeen (20%).
- The company's portfolio of projects is currently concentrated in Kuwait and UAE, and includes residential, commercial, and health care activities. Its main projects in Kuwait include Al Roya Tower, Mazaya Tower, View Point and Seven Zones while main projects in UAE include Business Bay, Queue Point and Icon Zumeirah Group Lake. The company acquired three companies in the UAE last year- Al Wahda Real Estate Investment, Dana Real Estate, and Rayan Real Estate.
- The company entered the Jordanian market with a 20% stake in Mazaya Jordan. The new company had been established with a capital of JD40 million. Of this capital, 20% is owned by Global Investment House, and 20% by First Jordan Investment Company

(FJIC) and 40% will be offered for public subscription. The company has 90% stake in First Dubai Real Estate Development Company.

Financial Highlights for FY06

- The company increased its paid-up capital by 89% to KD28.6mn in FY06 from KD15.15mn in FY05.
- The company's total assets increased by 225% in FY06 reaching KD116.2mn compared to KD51.1mn in FY05. Properties under development made 35.6% of total assets standing at KD59.2mn in FY06 as compared to KD11.3mn in FY05.
- Total income in FY06 consisted of revenue from sale of properties under development (69%), unrealized revenue from investments at fair value (12%), management fees and commissions income (10%), and revenue from held for sale properties (9%).
- Total income increased by 28.8% in FY06, reaching KD28.5mn compared to KD22.2mn in FY05. The increase in income came mainly on the back of revenue from sale of properties under development of KD19.7mn as compared to KD1.8mn in FY06.
- Revenue from held for sale investments decreased by 35.2%, reaching KD2.5mn in FY06 compared to KD3.8mn in FY05.
- Net profit for FY06 stood at KD23.8mn compared to KD14mn in FY05, while EPS stood at 83.3 Fils compared to 92.5 Fils, on the back of the rise in number of shares to 286mn as compared to 151.5mn.
- ROAE and ROAA stood at 38.7% and 21.9% respectively in FY06 as compared to 52.9% and 32.3% in FY05.

Interim Results (Q1 FY07)

- Net profit for the period decreased by 7.6% to reach KD3.7mn in the first quarter of FY07 compared to KD4mn recorded in the corresponding period in FY06.

Summary of Financials

<i>(In KD '000)</i>	FY2003	FY2004	FY2005	FY2006
Operating Summary				
Revenue from sales of properties under development	0	0	1,795	19,705
Management Fees & Comissions	0	341	2,925	2,815
Revenue from sale of properties held for sale	0	6,574	3,881	2,516
Revenue from sale of rights to certain properties	0	0	1,546	(605)
Net Investment Income			6,004	740
Share of Profit/(Loss) from JV			0	(20)
Forex Gain			0	66
Unrealized revenue from investments at fair value	0	400	5,969	3,308
Revenue from sale of investments at fair value	0	37	34	0
Other income	337	35	19	23
Total Income	337	7,387	22,173	28,547
Net Profit	7	6,585	14,008	23,817

Balance Sheet Summary

Cash & cash equivalents	118	4,078	3,230	16,097
Investment at fair value through income statement	0	7,776	13,841	21,816
Investment in unconsolidated subsidiaries	0	0	8,995	-
Properties held for sale		5,362	0	0
Properties under development	0	8,254	11,266	59,191
Total assets	125	35,609	51,094	166,167
Total liabilities	15	14,014	19,681	74,538
Paid-up capital	100	15,000	15,150	28,601
Shareholders' Equity	110	21,595	31,413	91,630

Key Ratios

EPS (in Fils)	-	43.9	92.5	83.3
Book value per share (in Fils)	-	144.0	207.3	320.4
Net profit growth	-	100773.2%	112.7%	70.0%
Asset growth	-	28447.5%	43.5%	225.2%
ROAE %	11.9%	60.7%	52.9%	38.7%
ROAA%	10.5%	36.9%	32.3%	21.9%
P/E*	NA	NA	8.4	7.0
P/BV*	NA	NA	3.8	1.8

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Al Dar National Real Estate Company

Reuters Code:

[ADNC.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

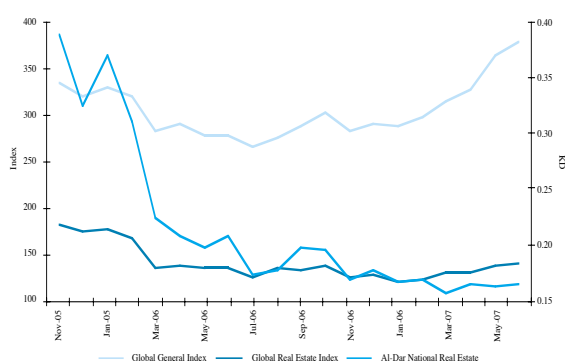
[164 Fils](#)

Key Data

CMP (Fils)*	164
Market Cap (KD mn)	68.8
EPS (Fils)	3.8
BV (Fils)**	133.9
P/E*	43.6
P/BV**	1.2
12 M Average Volume	607,705
Year Lo-High (Fils)	152 - 176

*CMP: Current Market Price on June 30th 2007

** As of the end of FY06



Company Overview

- **Al Dar National Real Estate Company** formerly Al Dar First Real Estate Company was established in 2000 with a capital of KD1mn. Later, its capital was increased through a special subscription to KD35mn. The company got listed on the Kuwait stock exchange on July 2 2005.
- Major shareholders of the company include Investment Dar (20.1%) and First Holding Company (17.1%).
- Al Dar National Real Estate is engaged in a variety of real estate activities, including sale, purchase and development of properties and land, ownership and management of its own and third-party properties, real estate auctions, BOT projects, maintenance services for the company real estate and properties and organization of real estate exhibitions. The company's main project is the 50-storey City Capital Tower in Kuwait City.

Financial Highlights for FY06

- Total assets increased by 2.5%, reaching KD79.2mn in FY06 compared to KD77.3mn in FY05. The company's main assets are investments at fair value through income statement (51.3%), Land and properties under development (26%) and investment properties (20.8%). The main increase in the company's assets came in investments at fair value

through income statement which stood at KD40.6mn in FY06 compared to KD24.7mn in FY05.

- The company's total revenues decreased significantly by 70.8% in FY06, reaching KD4.3mn compared to KD14.9mn in FY05. The main reason behind this decrease in total revenues was the loss from investments at fair value through income statement which stood at KD386,000 compared to gain of KD10.1mn in FY05.
- Revenue from investment properties decreased by 10.2%, reaching KD4.1mn compared to KD4.5mn in FY05.
- Net profit stood at KD1.6mn in FY06 compared to KD13.6mn in FY05, while EPS stood at 3.8 Fils compared to 38.9 Fils.
- ROAE and ROAA stood at 2.9% and 2.0% respectively in FY06 as compared to 30.6% and 22.5% in FY05.

Summary of Financials

<i>(In KD '000)</i>	FY2004	FY2005	FY2006
Operating Summary			
Revenue from investment properties	2,194	4,589	4,121
Gain from investments at fair value through income statement	138	10,093	(386)
Other income	406	215	615
Total revenue	2,737	14,897	4,349
Net Profit	2,512	13,619	1,579

Balance Sheet Summary

Cash & cash equivalents	1,365	6,722	987
Murabahat	6,347	9,525	0
Land and properties under development	19,259	20,098	20,592
Investment properties	11,100	11,660	16,451
Investments at fair value through income statement	5,245	24,715	40,619
Total assets	43,917	77,267	79,235
Total liabilities	6,174	25,904	22,982
Paid-up capital	35,000	35,000	42,000
Shareholders' Equity	37,744	51,363	56,252

Key Ratios

EPS (in Fils)	7.2	38.9	3.8
Book value per share (in Fils)	107.8	146.8	133.9
Net profit growth	-	442.2%	-88.4%
Asset growth	1679.7%	75.9%	2.5%
ROAE %	12.5%	30.6%	2.9%
ROAA %	10.8%	22.5%	2.0%
P/E*	NA	8.4	43.6
P/BV*	NA	2.2	1.2

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Al Themar Real Estate Company

Reuters Code:

[THMR.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

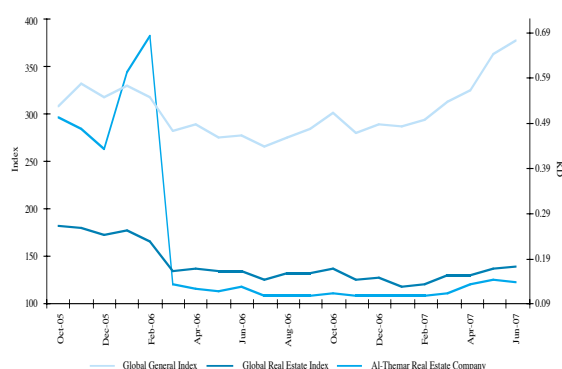
130 Fils

Key Data

CMP (Fils)*	130
Market Cap (KD mn)	131.6
EPS (Fils)	3.9
BV (Fils)**	103.15
P/E*	33.3
P/BV**	1.2603005
12 M Average Volume	4,033,633
Year Lo-High (Fils)	104 - 144

*CMP: Current Market Price on June 30th 2007

** As of the end of FY06



Company Overview

- Al Themar International Holding formerly known as Al Themar Real Estate Company was established in 1982, and got listed on the Kuwait Stock Exchange on July 25, FY05.
- The company's principal activities are buying and selling land, real estate, residential buildings, commercial buildings and complexes as well as investments in equities, bonds, local and international securities that are similar to the company's objectives.
- Major shareholders include Al Sharq Holding Company (31.4%) and Securities Group (5.8%). The public hold 62.8% of shares in the company.

Financial Highlights for FY05

- Total assets increased by about 670%, reaching KD104.4mn in FY06 compared to KD13.6mn in FY05. Investments properties constituted around 10.8% of the company's total assets in FY06. It stood at KD11.3mn in FY06, recording no change from FY05.
- The company's total revenues in FY06 decreased significantly reaching KD2.0mn compared to KD8.0mn in FY05. The decrease in revenues came on the back of the decrease in gain on real estate investment, which stood at zero as compared to KD7mn in FY05.

- Net profit stood at KD3.9mn in FY06 compared to KD7.5mn in FY05, while EPS stood at 3.9 Fils compared to 149 Fils.
- ROAE and ROAA stood at 6.6% each in FY06, compared to 79.0% and 77.2% respectively in FY05.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Rental income	366	606	230	885	922
Gain on real estate investments	0	0	0	7,000	0
Other income	0	0	450	89	1,103
Total revenue	366	606	680	7,974	2,025
Net Profit	14	254	411	7,450	3,903

Balance Sheet Summary

Cash & cash equivalents	90	105	9	20	3,507
Investment properties	4,373	4,136	4,286	11,286	11,286
Total assets	5,054	5,313	5,728	13,582	104,440
Total liabilities	10	15	20	424	0
Paid-up capital	5,000	5,000	5,000	5,000	101,250
Shareholders' Equity	5,043	5,298	5,709	13,158	104,440

Key Ratios

EPS (in Fils)	0.0	50.8	8.2	149.0	3.9
Book value per share (in Fils)	1.0	1.1	114.2	263.2	103.2
Net profit growth	0.0%	1751.0%	61.7%	1712.5%	-47.6%
Asset growth	-5.9%	5.1%	7.8%	137.1%	668.9%
ROAE %	0.3%	4.9%	8%	79.0%	6.6%
ROAA %	0.3%	5%	7%	77.2%	6.6%
P/E*	NA	NA	NA	2.9	33.7
P/BV*	NA	NA	NA	1.6	1.3

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Grand Real Estate Projects

Reuters Code:

[GRND.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

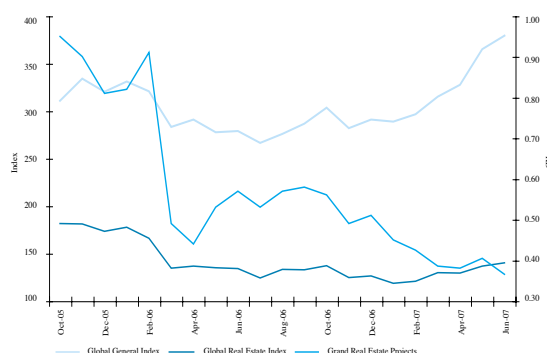
365 Fils

Key Data

CMP (Fils)*	365.0
Market Cap (KD mn)	97.6
EPS (Fils)	83.6
BV (Fils)**	203.1
P/E**	4.4
P/BV**	1.8
12 M Average Volume	2,313,623
Year Lo-High (Fils)	345 - 510

*CMP: Current Market Price on June 30th 2007

** As of the end of FY06



Company Overview

- **Grand Real Estate Projects** was established in 1989, and got listed on the Kuwait Stock Exchange on August 15, 2005.
- The company's principal activities include purchase, sale and development of real estate and land inside or outside Kuwait as well as investing in real estate companies and investing of the company's cash surpluses in portfolios managed by specialized companies.
- Major shareholders include Gulf Monetary Group (29.0%), International Investment Group (14.0%), Investors bank (10.0%) and Kuwait Awqaf Public Foundation (5.0%).
- The company purchased about 88.5% stake in Kuwaiti Lebanese Real Estate Development Company. Kuwaiti Lebanese Real Estate merged into Grand Real Estate and engaged in the implementation of the projects of Grand Real Estate in Lebanon, Jordan, the UAE, Saudi Arabia and Egypt. These projects are mainly tourism projects.
- Other subsidiaries of the company are ADG International Real Estate Group (100.0%), Arabian Family Leisure Company (100.0%), Eye of Dubai Investment Company (30.0%) and Bahrain Family Leisure Company (21.0%).

- The company has investments in Gulf Petroleum Investments (11.2%), Saudi Norjay (10.0%) and International Investment Group (5.1%).

Financial Highlights for FY06

- Total assets increased by 263.3%, reaching KD125.2mn in FY06 compared to KD34.5mn in FY05. Investments at fair value through income statement constituted 16.2% of the company's total assets. It stood at KD20.3mn in FY06 compared to KD24.0mn in FY05.
- The company's total income decreased by 17.0% in FY06, reaching KD13.0mn compared to KD15.7mn in FY05. The main reason behind this decrease in total income was the drop in net profit from investment securities, which stood at KD7.6mn as compared to KD15.3mn in FY05.
- Net profit stood at KD9.0mn in FY06 compared to KD13.8mn in FY05, while EPS stood at 29.6 Fils compared to 83.6 Fils.
- ROAE and ROAA stood at 15.2% and 11.2% in FY06 respectively, compared to 51.9% and 49.2% in FY05.

Summary of Financials

<i>(In KD '000)</i>	FY2003	FY2004	FY2005	FY2006
Operating Summary				
Net Profit from Investment Securities	0	38	15,306	7,573
Share of Results of Associated Companies	0	2,072	0	5,321
Gain/ (Loss) on Foreign Exchange	0	3	(48)	60
Other Income	159	0	353	79
Mudaraba Income	378	979	107	8
Total Income	536	3,092	15,719	13,041
Net Profit	361	2,547	13,799	8,969

Balance Sheet Summary

Cash & cash equivalents	53	632	1,120	226
Investment at fair value through income statement	0	9,916	24,025	20,332
Available for sale investments	7,224	0	2,786	12,233
Total assets	17,320	21,661	34,458	125,199
Total liabilities	160	1,951	947	40,630
Paid-up capital	15,000	15,000	16,500	30,320
Shareholders' Equity	17,160	19,710	33,511	84,569

Key Ratios

EPS (in Fils)	2.4	17.0	83.6	29.6
Book value per share (in Fils)	0.1	131.4	203.1	278.9
Net profit growth	-	604.9%	441.8%	-35.0%
Asset growth	2.3%	25.1%	59.1%	263.3%
ROAE %	2%	14%	51.9%	15.2%
ROAA %	2%	13%	49.2%	11.2%
P/E*	NA	NA	9.7	12.3
P/BV*	NA	NA	4.0	1.3

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Al Tameer Real Estate Investment Co.

Reuters Code:

[AMAR.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

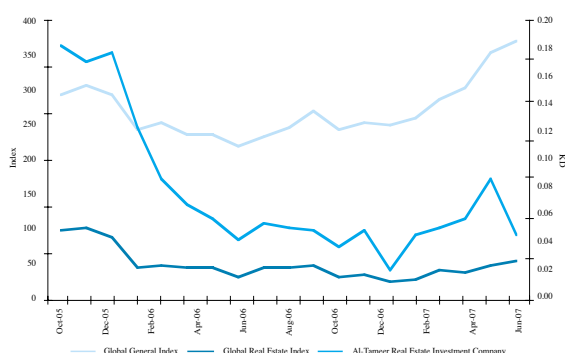
130 Fils

Key Data

CMP (Fils)*	130.0
Market Cap (KD mn)	31.2
EPS (Fils)	NM
BV (Fils)***	153.9
P/E*	NM
P/BV***	0.8
12 M Average Volume	153,929
Year Lo-High (Fils)	114 - 160

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- Tameer Real Estate Investment was established in 1978, and got listed on the Kuwait Stock Exchange on December 12, 2005.
- The company's principal activities include managing, operating, investing and renting hotels, fitness clubs, residential blocks, touristic and leisure properties, spas and health resorts and sport complexes.
- The company owns 82% of Al Corniche Club Company, whose main activity is to establish, operate and manage health clubs within Kuwait and foreign countries. The company opened its first major project; Al-Corniche Marine Club in the year FY05; a fitness club and spa in Al Shaab marine club. Other subsidiaries are Tameer Holding (100.0%) and Global Hospitality Holding Company (70.0%).
- The company is owned by Massaleh Real Estate Company (49%), offshore funds (10.5%) Public Institution for Social Security (10.5%) and Al Massaleh Finance Investment Company (9.0%).
- One of the main investments of the Company are Ikros Real Estate Company in Kuwait and Tatweer Project in Qatar as well as various funds.

Financial Highlights for FY06

- Total assets decreased by 4.2%, reaching KD42.3mn in FY06 compared to KD44.1mn in FY05. The decrease in total assets came on the back of the decrease in cash and cash equivalents to KD0.4mn as compared to KD5.1mn in FY05.
- The company's operating income increased to KD1.24mn in FY06 compared to KD0.49mn in FY05.
- Despite the increase in operating income, the company recorded net loss of KD0.33mn in FY06 as compared to net profit of KD7.6mn in FY05. The reasons for the loss were increased finance charges KD3.7mn as compared to KD1.2mn and a loss from investments in subsidiaries of KD3.0mn.
- ROAE and ROAA stood at -0.9% and 0.8% respectively in FY06 as compared to 22.1% and 19.5% in FY05.

Interim Results (Q1 FY07)

- The company recorded a net profit of KD0.29mn in the first quarter of FY07 as compared to net loss of KD0.6mn recorded in the corresponding period in FY06. The turnaround was due to net investment income of KD0.58mn in Q1-FY07 as compared to a loss of KD0.29mn during the corresponding period of FY06.

Summary of Financials

<i>(In KD '000)</i>	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Summary					
Rental income	623	672	696	438	136
Health club income	-	-	0	58	1,106
Operating income	623	672	696	495	1,242
Gross profit			553	168	494
Gain from revaluation of investment property	938	1,875	1,200	7,016	304
Net profit	1,318	2,248	1,833	7,636	(331)

Balance Sheet Summary

Cash & cash equivalents	-	-	16,144	5,119	403
Investments at fair value through income statement			269	4,429	2,905
Investments available for sale			1,716	4,797	5,871
Projects under construction			4,090	-	4,254
Fixed assets			50	6,693	6,749
Investment property	8,125	10,000	11,200	18,216	20,160
Total assets	8,275	10,444	34,244	44,140	42,274
Total liabilities	388	310	3,487	5,921	5,334
Paid-up capital	13,890	8,000	20,000	20,000	24,000
Shareholders' equity	7,887	10,135	30,757	38,219	36,940

Key Ratios

EPS (in Fils)	9.5	28.1	9.2	38.2	NM
Book value per share (in Fils)	56.8	126.7	153.8	191.1	153.9
Net Profit Growth	-	70.5%	-18.4%	316.5%	NM
Asset Growth	14.9%	26.2%	227.9%	28.9%	NM
ROAE%	18.2%	24.9%	9.0%	22.1%	-0.9%
ROAA%	17.0%	24.0%	8.2%	19.5%	-0.8%
P/E*	NA	NA	NA	6.0	NM
P/BV*	NA	NA	NA	1.2	0.8

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Arkan Al Kuwait Real Estate Company (Arkan)

Reuters Code:

[ARKK.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

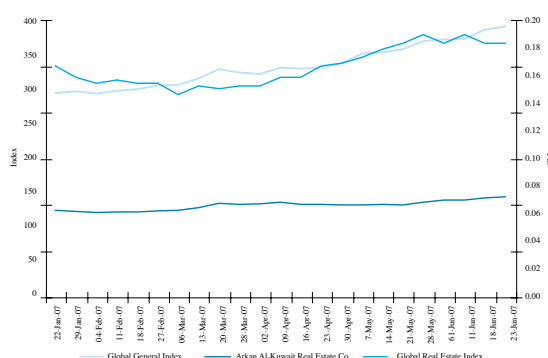
[182 Fils](#)

Key Data

CMP (Fils)*	182
Market Cap (KD mn)	38.0
EPS (Fils)	15.6
BV (Fils)***	122.2
P/E*	11.7
P/BV***	1.5
12 M Average Volume	1,964,111
Year Lo-High (Fils)	142 - 190

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- **Arkan Al Kuwait Real Estate Company (Arkan)** was established in 2003 as a shareholding company, and was listed on the Kuwait Stock Exchange in 2006. The company deals with real estate investment, development, purchase and sale, and funding activities. It carries out its activities in compliance with Islamic Sharia principles. Arkan also invests in start-up companies.
- It has invested in the development of residential and commercial projects, in Kuwait and Saudi Arabia. It acquired a stake in First Elysian, which is a real estate developer, and Stronghaven Incorporation, which is the manufacturer of corrugated cardboard packages.
- Its major shareholders are Gulf Investment House (19.7%), Kuwait Finance House (14.9%), and First Investment Company (10.9%). The public owns 54.5% of shares.
- The company is open for foreign/GCC ownership, up to 70%.

Financial Highlights for FY06

- Total assets increased by 16.9%, reaching KD25.7mn in FY06 as compared to KD22mn in FY05. Investments available for sale constituted around 21.5% of the company's total assets. Investment at fair value through income statement made 23.1% of total assets.
- Investment at fair value through income statement stood at KD5.9mn in FY06 as compared to KD4.1mn in FY05, registering a growth of 43.0%.
- Investments available for sale stood at KD5.5mn in FY06 as compared to KD2.9mn in FY05, registering a growth of 91.0%.
- The company's total income increased by 32.0% in FY06, reaching KD3.7mn compared to KD2.8mn in FY05.
- Net profit increased to KD3.0mn in FY06 compared to KD2.2mn in FY05. EPS improved to 15.6 Fils in FY06 as compared to 11.4 Fils in FY05.
- ROAE and ROAA stood at 13.6% and 12.6% in FY06 respectively, compared to 10.7% and 10.0% in FY05.

Interim Results (Q1 FY07)

- Total income for the first quarter of FY07 was up by 0.7% to reach KD1.08mn as compared to KD1.07mn recorded in the corresponding period in FY06.
- Net profit for the period decreased by 4.2% to reach KD0.89mn in the first quarter of FY07 compared to KD0.93mn recorded in the corresponding period in FY06.

Summary of Financials

<i>(In KD '000)</i>	FY2005	FY2006
Operating Summary		
Net rental income	201	305
Profit from sale of real estate under development	-	677
Profit from Investment available for sale	225	52
Profit from sale of real estate about to finish	269	-
Other income	-	108
Total Income	2,839	3,747
Net Profit for the year	2,199	3,010

Balance Sheet Summary

Cash on hand and at banks	355	134
Investment at fair value through income statement	4,145	5,927
Investment available for sale	2,894	5,528
Real Estate about to finish	205	-
Real estate under development	6,023	5,772
Total Assets	21,985	25,709
Total Liabilities	1,459	2,022
Paid-Up capital	18,000	19,385
Shareholders Equity	20,525	23,686

Key Ratios

EPS (in Fils)	11.4	15.6
Book value per share (in Fils)	114.0	122.2
Net Profit Growth	NA	36.9%
Asset Growth	NA	16.9%
ROAE %	10.7%	13.6%
ROAA %	10.0%	12.6%
P/E*	NA	11.7
P/BV*	NA	1.5

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Gulf Horizon Co. (GHHC)

Reuters Code:

[GHHK.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

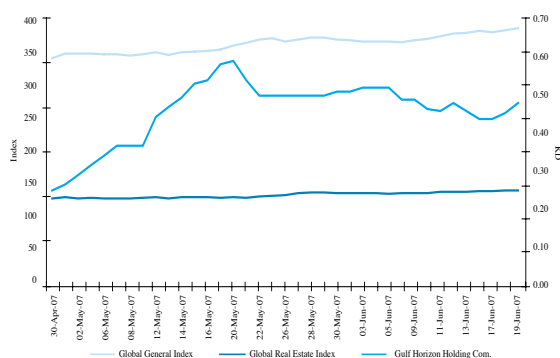
495 Fils

Key Data

CMP (Fils)*	495
Market Cap (KD mn)	14.9
EPS (Fils)	19.8
BV (Fils)**	126.1
P/E*	25.1
P/BV***	3.9
12 M Average Volume	803,056
Year Lo-High (Fils)	234 - 580

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- **Gulf Horizon Holding Co. (GHHC)** was initially established as a real estate development and investment company in 1992. The company changed its legal structure to become a holding company in March 2006, and got listed on the Kuwait Stock Exchange in April 2007.
- The company's first subsidiary, Abu Al Hasaniya International Real Estate Company develops, invests in, and manages residential and commercial real estate properties besides undertaking facility management activities for the properties. GHHC owns about 70% in the company.
- Its major shareholders are Al Madina for Finance and Investment Company (31.7%) and Shareef Jassem Mohammed Al Essa (10.0%). The public owns 58.3%.

Financial Highlights for FY06

- Total assets increased by 19.8%, reaching KD9.1mn in FY06 compared to KD7.6mn in FY05. The increase in total assets came on the back of the increase in real estate and investment lands to KD5.3mn as compared to KD2.9mn in FY06.

- The company's operating profit decreased by 50.8% in FY06, to reach KD535,000 compared to KD1.1mn in FY05.
- Net profit of the company declined to KD593,000 in FY06 as compared to KD1.1mn in FY05.
- ROAE and ROAA stood at 34.3% and 7.1% respectively in FY06 as compared to 78.4% and 17.5% in FY05.

Summary of Financials

<i>(In KD '000)</i>	FY2004	FY2005	FY2006
Operating Summary			
Net rental income	167	243	247
sale of lands for trade	304	483	463
Unrealized gain from revaluation	-	580	621
Profit from sale of Subsidiaries	-	118	-
Operating Profit	1,518	1,089	535
Net Profit for the year	1,516	1,094	593

Balance Sheet Summary

Cash on hand and at banks	513	178	12
Investment at fair value through income statement	648	1,446	1,155
Investment available for sale	36	494	857
Real Estate & Investment lands	258	2,880	5,323
Total Assets	4,958	7,571	9,068
Total Liabilities	2,003	2,746	3,369
Paid-Up capital	1,000	1,000	3,000
Shareholders Equity	2,792	3,456	3,783

Key Ratios

EPS (in Fils)	151.6	109.4	19.8
Book value per share (in Fils)	279.2	345.6	126.1
Net Profit Growth	NA	-27.8%	-45.8%
Asset Growth		52.7%	19.8%
ROAE %		78.4%	34.3%
ROAA %		17.5%	7.1%
P/E*			25.1
P/BV*			3.9

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Tijara and Real Estate Investment Company

Reuters Code:

[TIJA.KW](#)

Listing:

[Kuwait Stock Exchange](#)

CMP:

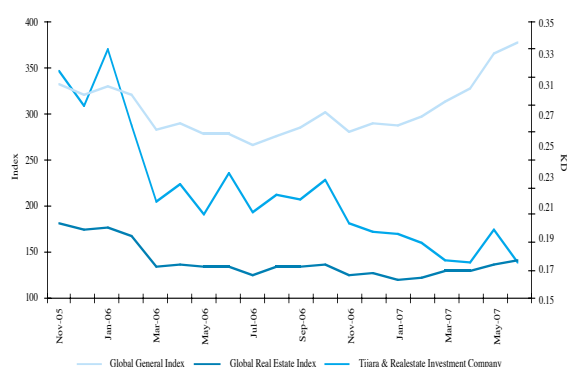
180 Fils

Key Data

CMP (Fils)*	180
Market Cap (KD mn)	69.2
EPS (Fils)	20.0
BV (Fils)***	140.4
P/E*	9.0
P/BV***	1.3
12 M Average Volume	1,129,631
Year Lo-High (Fils)	168 - 202

*CMP: Current Market Price on June 30th 2007

*** As of the end of FY06



Company Overview

- The company was established in 1983, and was listed on the Kuwait stock exchange on September 2005.
- Principal activities of the company include investments in real estate according to Sharia principles of Islam.
- Major shareholders include Sheikh Salem Al Jaber Al Ahmed Al Sobah (46.8%) and Magas (23.6%). The public holds 29.6% of the shares.
- The projects that the company is currently undertaking are Al Zain Complex (100% holding), Al Shuhada (100%), Mermaid Project (100%) and February Towers.

Financial Highlights for FY06

- Total assets increased by 4.3%, reaching KD69.7mn in FY06 as compared to KD66.8mn in FY05. Investment properties constituted 51.5% of the company's total assets, and grew by 5.7% to reach KD29.4mn in FY06 compared to KD27.8mn in FY05.
- The company's total income improved by a 4.4% in FY06, reaching KD9.9mn as compared to KD9.5mn in FY05. This increase came despite unrealized losses on sale

of investment at fair value of KD2.0mn in FY06 as compared to a gain of KD2.9mn in FY05. The main reason behind this increase was a jump in unrealized gain from re-measurement of investment properties to fair value to KD6.0mn in FY06 as compared to KD1.9mn in FY05.

- Net profit stood at KD7.68mn in FY06 compared to KD7.67mn in FY05.
- ROAE and ROAA stood at 14.6% and 11.3% respectively in FY06, as compared to 30.0% and 23.0% in FY05.

Summary of Financials

<i>(In KD '000)</i>	FU2005	FY2006
Operating Summary		
Revenue from Sale of Developed Properties	486	2,145
Rental Income	154	775
Realised Gain/(loss) on Sale of Investment at Fair Value through Income Statement	2,538	1,197
Unrealised Gain/(loss) on Sale of Investment at Fair Value through Income Statement	2,903	(1,969)
Income from available for sale investments-Real Estate	925	977
Unrealised Gain from Re-measurement of Investment Properties to Fair Value	1,900	6,040
Realised Gain on Sale of Investment Properties	127	75
Total Income	9,479	9,898
Net Profit for the year	7,674	7,681
	0	
Balance Sheet Summary		
Cash & cash equivalents	5,348	2,447
Investment at fair value through income statement	13,117	9,915
Investments properties	27,818	29,408
Available for Sale Investments	16,174	12,586
Total Assets	66,798	69,689
Total Liabilities	15,618	15,725
Paid-Up capital	38,446	38,446
Shareholders Equity	51,180	53,964
Key Ratios		
EPS (in Fils)	19.960	19.978
Book value per share (in Fils)	133.12	140.36
Net profit growth	-	0.1%
Asset growth	-	4.3%
ROAE%	30.0%	14.6%
ROAA %	23.0%	11.3%
P/E*	14.529	9.001
P/BV*	2.178	1.282

* Market Price as on Year end except for FY06, which is as on June 30th 2007

Interim Results (Q1 FY07)

- Total revenues for the first quarter of FY07 witnessed a 70.3% rise to reach KD0.2mn compared to KD0.12mn recorded in the corresponding period in FY06.
- The main reason behind the rise in total revenues was a 58.6% increase in revenues from sale of available for sale investments, which increased to KD0.12mn in the first quarter of FY07 as compared to KD0.06mn in the first quarter of FY06.
- Net profit for the period increased by 86.3% to reach KD0.17mn in the first quarter of FY07 compared to KD0.09mn recorded in the corresponding period in FY06.

Real Estate Sector Interim Results Q1-FY07

Company name	Reuters Code	Net profit KDmn		Change %	EPS - fils	
		Mar-07	Mar-06		Mar-07	Mar-06
Kuwait Real Estate Co. (Holding)	KREK.KW	1.80	-16.81	-	2.2	-20.4
United Real Estate Co.	UREK.KW	1.59	4.01	-60.34%	2.7	7.6
National Real Estate Co.	NREK.KW	11.84	11.06	7.06%	19.31	18.39
Salhia Real Estate Co.	SREK.KW	3.12	1.06	193.23%	9	3.1
Pearl of Kuwait Real Estate Co.	PEAR.KW	1.03	0.28	273.40%	4.53	1.21
Tamdeen Real Estate Co.	TAMK.KW	1.72	1.64	4.45%	5.1	4.8
International Investment Projects	IIPK.KW	-1.77	-32.56	-	-3	-54.4
Ajial Real Estate Entertainment Co.	AREC.KW	1.20	0.97	24.15%	7.21	5.78
Al- Massaleh Real Estate Co.	MREC.KW	0.88	-1.12	-	4.43	-5.61
Arab Real Estate Co.	ARAB.KW	3.21	-2.42	-	6.94	-6.03
Union Real Estate Co.	UREC.KW	1.78	0.36	387.93%	10.02	2.04
Al-Enma'a Real Estate Co. (ERESCO) !!	ENMA.KW	1.90	1.90	0.12%	4.88	4.87
Al-Mabane Company	MABK.KW	2.72	5.47	-50.27%	7.55	15.25
Injazat Real Estate Development Co. (Al Mal Real Estate)	AMRE.KW	3.01	2.91	3.41%	10.17	9.73
Jeezan Real Estate Co.	JEZK.KW	-0.54	-14.12	-	-2.38	-62.52
Grand Tourism Development Company	TOUR.KW	5.73	-2.97	-	7.26	-7.83
International Resorts	IRCK.KW	0.79	-4.41	-	5	-29
Commercial Real Estate Co.	TIJK.KW	6.67	16.85	-60.41%	4.74	11.58
Sanam Real Estate Co.	SANK.KW	0.17	0.09	86.34%	2.59	1.88
A'ayan Real Estate Company	AYRE.KW	1.36	1.50	-9.10%	7.6	8.9
Aqar Real Estate Investment Company	AQAR.KW	0.86	0.009	9142.52%	4.01	0.04
Kuwait National Real Estate Services & Investment Company	ALOQ.KW	0.70	1.20	-41.79%	2.37	4.04
Al-Mazaya Holding Company	MAZA.KW	3.61	4.00	-9.71%	10.99	21.92
Al-Dar National Real Estate	ADNC.KW	-0.52	2.63	-	-1.26	6.84
Al-Themar International Holding Co. !!! ***	THMR.KW	14.77	7.45	98.26%	25.14	12
Grand Real Estate Projects	GRND.KW	5.61	0.87	541.71%	18.58	3.93
Tijara & Real Estate Investment Co.	TIJA.KW	1.19	1.54	-22.77%	3.13	4.05
Al-Tameer Real Estate Investment Company	AMAR.KW	0.31	-0.54	-	1.36	-2.3
Arkan Al-Kuwait Real Estate Company!!	ARKK.KW	0.83	0.34	146.18%	4.02	1.75
Gulf Horizon Holding Company	GHHK.KW	0.23	0.02	1180.28%	7.54	0.58
AlArgan International Real Estate Company	ARGK.KW	0.79	-	-	3.11	-

Source: Companies Reports, Global Research.

!! 3Months ending in January 2007

!!! 15Months ending in March 2007

*** Adjusted EPS

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