MENA Real Estate Overview

OFFICE | RESIDENTIAL | RETAIL | HOSPITALITY

RESEARCH | FOURTH QUARTER | 2008

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'A Return to Fundamentals'
MENA Regional Overview

Given the range of opportunities presented to investors in Middle East & North Africa (MENA) real estate markets, access to reliable and consistent information is critical to making sound investment decisions.

This Q4 2008 MENA Real Estate Overview provides industry stakeholders with a summary of key performance indicators and our outlook for the office, residential, retail and hospitality real estate sectors, across ten MENA markets. In the first and most comprehensive regional overview of its kind, readers will be able to gain a good understanding of what drives real estate in the MENA region, and where associated opportunities and risks lie. It should be emphasised that this regional synopsis should not be relied upon solely to make investment decisions. The research contained within this document is extracted from our comprehensive real estate market studies across the MENA region, all of which are constantly updated and are available for purchase. These 'off the shelf' documents are immediately accessible to prospective clients, and form the backbone of our multi-faceted, bespoke service offering.

Whilst the development of the real estate sector within MENA markets has broadly mirrored the differing socioeconomic, demographic and regulatory factors to which their economies are subject, a number of common themes can be identified:

- The partial diversion of petrodollar liquidity into MENA real estate markets post 9/11 – a de facto investment asset class given the immaturity of regional equity markets when compared to international peers;
- Improvements made to regional regulatory and institutional frameworks converting benign macroeconomic conditions into investment, characterised by reforms made to property ownership laws and the development of economic free zones;
- Demand for housing and office space driven by job opportunities in the context of economic diversification, with growth in spending power and tourism investment supporting retail and hospitality sectors respectively;
- The onus of development shifting from public municipalities to individual (though often government-owned) developers, with the concurrent establishment of a direct relationship with consumers enhanced by marketing;
- Emergence of mixed-use 'community' development concepts as an alternative to dense, poorly planned residential and business areas common in many regional markets;
- The emergence of apartments and townhouses targeting high-income segments as average household sizes decrease and living patterns evolve, supported by the integration of retail and leisure amenities;
- Increasing demand for Class A office space as domestic economies move away from a historic legacy dominated by state-owned enterprises and regulatory barriers to doing business;
- The popularity of the shopping mall concept as a retail and leisure destination, boosted by the increasing entry of consumer products enabled by tariff barrier reductions and reforms to trade regimes;
- Development of leisure (including cultural and sporting niches), corporate and MICE tourism segments, to promote the sustainability of tourism demand, and protect markets from severe performance fluctuations in response to geopolitical developments.

These factors have propelled a region-wide 'boom' in real estate development and investment throughout the MENA, with the total value of real estate projects under construction in the GCC alone estimated at US$ 2.4 trillion. Generally, most MENA real estate markets have seen economic progress and demographic growth met with a shortage of suitable real estate products – be it primary grade office space, shopping malls, middle-income housing or 5* star hotels. Unsatisfied demand has inflated real estate product performance, which has in turn generated bullish investor sentiment and extensive development activity. For every 'boom', however, there is the risk of a 'bust'. Whilst MENA markets differ in progress within the real estate cycle, a number of risks have emerged due to common themes in real estate development and investment activity throughout the region:

- The focus of many developers on 'premium' (e.g. high-end residential, Class A commercial and 5* hospitality) products;
- Increasing scope for a supply glut caused by a lack of market information transparency and 'bandwagon investment' – where secondary tier developers seek to replicate the successes of first-movers by building similar products en masse;

- A nucleus of investor activity comprised of market speculators rather than end-users, intensifying the risks of market oversupply upon completion of major projects;
- The role of speculative investment as a primary capital value driver, and an asymmetrical market structure of high net worth individuals controlling large proportions of real estate stock coupled with 'retail' investors prone to panic buying and selling;
- Regional markets offering schemes that are competitive to each other.

Whilst these opportunities and risks have manifested themselves in real estate markets throughout the MENA region, they are most pronounced in Dubai, which is the most advanced regional market in the real estate cycle. A first-mover advantage in making regulatory reforms encouraging inward investment, Dubai has been and remains the core of real estate development and investment activity in the MENA region. The total value of real estate projects in Dubai over the next ten years is estimated at over US$ 230bn, whilst the total value of transactions last year was registered at over US$ 125bn. Whilst we do not expect the demand-supply dynamic in Dubai to shift from a position of excess demand to one of excess supply until 2010 at the earliest due to development delays and measures by the Dubai government to prevent cohabiting (thereby creating new demand), we expect increasingly jittery investor sentiment in the interim which may slow the rate of capital value growth due to a downturn in transaction activity.

Our Q2 2008 housing price index demonstrates that house prices in Dubai registered an average growth of 16% between April and June 2008, compared to growth of 42% between Q4 2007 and Q1 2008. Aside from seasonal investment patterns, we attribute this trend to pricing barriers for 'retail' investors, given an average sales price that has reached almost US$ 5,500 per m^2. Whilst we have still seen strong investor appetite for 'ultra-premium' developments such as Burj Dubai and the Palm's Trump Tower, there are concerns that the sentiment amongst high net worth individuals and institutional investors is also becoming increasingly negative. The impact of the 'credit crunch' on major US financial investment institutions has already induced more conservative exposure to UAE equity markets, coupled with a gradual 'drying-up' of liquidity allocated to real estate assets. These worrying trends have prompted the UAE Central Bank to announce the injection of US$ 13.6bn into the local financial system in September 2008, in an effort to prevent a liquidity crisis similar to that experienced in the US and UK.

Given these current and anticipated conditions, we reaffirm our view that investor sentiment is likely to experience a 'return to fundamentals' where investment activity is focused on properties where quality of product, location strength, supporting leisure and commercial amenities and effective facility management meet end-user requirements. These criteria will become even more crucial as banks become more selective about what products they are willing to finance. Our research has already demonstrated significant investment performance differentials between developments as more supply has entered the market, with higher performing developments also enjoying a larger proportion of the owner-occupier segment. We forecast that real estate values will continue to reflect this pattern as we move towards demand-supply equilibrium. Well-planned developments will continue to enjoy strong demand, whilst poorly designed developments that have thus far enjoyed price appreciation due to market undersupply and speculation rather than quality of product will be more exposed to oversupply risks.

We also anticipate that the continued introduction of measures aimed at regulating the market will help improve investor confidence. Dubai's Real Estate Regulatory Authority (RERA) has been a key actor in this respect, supported by the passing of Law 13 in August 2008, aimed at tempering the speed at which speculators can 'flip' properties on the secondary market by requiring registration with the Dubai Land Department beforehand. The role of less-scrupulous developers seeking to maximise profit at the expense of investor satisfaction should also be marginalised by tentative measures aimed at tying off-plan repayments to the progress of construction, and the inauguration of a dedicated Property Court at the beginning of 2009. Prominent Dubai developers such as Emaar and Nakheel have also sought to offset the risks of investor default by raising minimum repayment amounts and ownership periods before being able to resell.

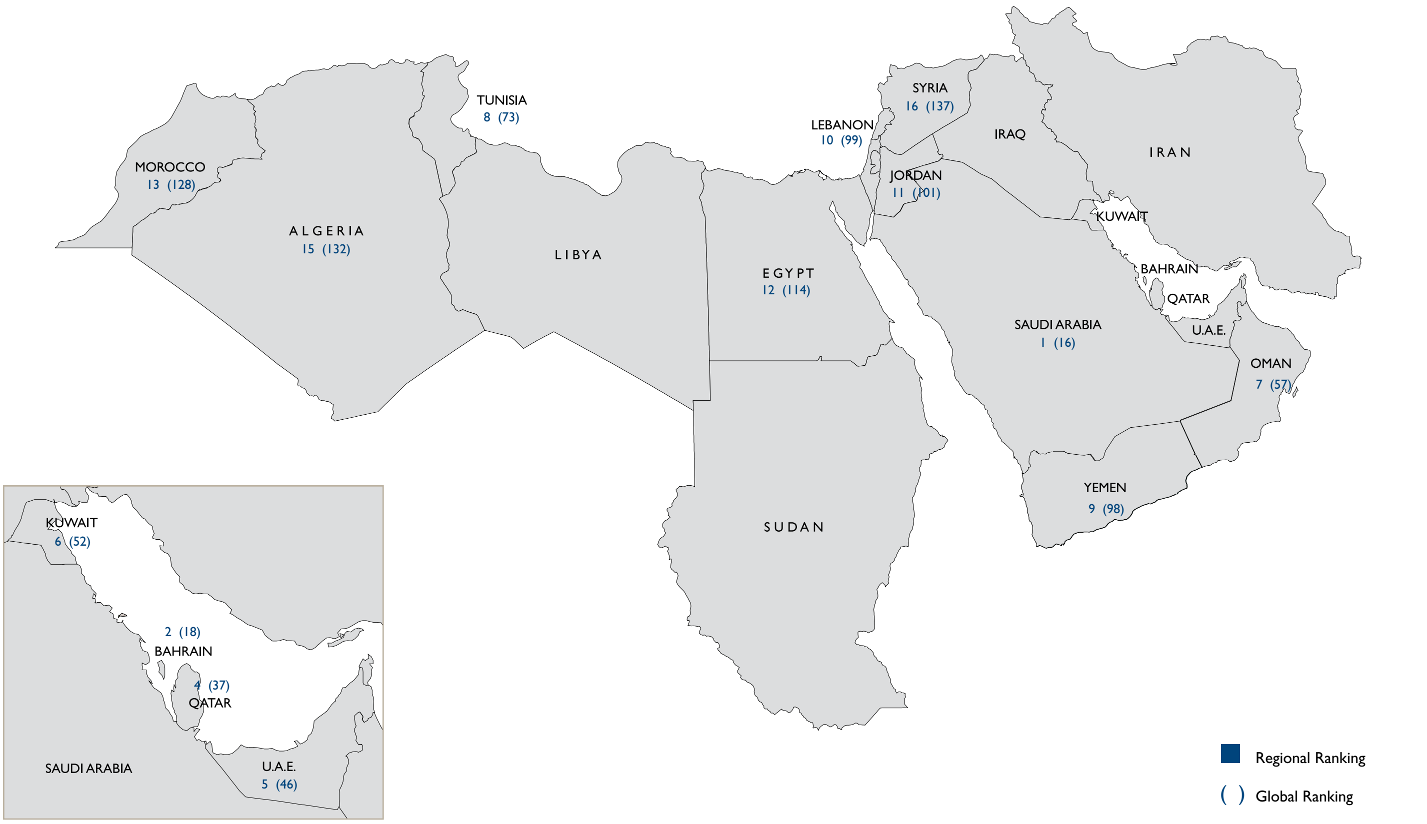
In the same way that, as the lynchpin of the Middle East real estate market there are concerns that a downturn in Dubai could impact negatively on other regional markets, we believe that a 'return to fundamentals' and regulatory reform against a backdrop of liquidity curtailment, will be the defining characteristics of the region over the next two years, as MENA markets progress in the real estate cycle. We also believe that the progress of the real estate market in Abu Dhabi will influence regional trends looking further ahead. The rationale for expanding the UAE's capital city is based around the concept of sustainable development, embodied within the Urban Planning Council's Plan Abu Dhabi 2030. Supporting this comprehensive planning framework is the recent Estidama Initiative implementing a 'green building' framework and the development of the carbon-neutral Masdar City.

Beyond these broad themes, each market presents its own risks and opportunities, which will be explored in more detail throughout this overview. In a part of the world often characterised by a lack of dependable information on real estate markets, our presence in the region since 1996 gives us the confidence to change the status quo. This MENA Real Estate Overview is another step towards achieving this goal.

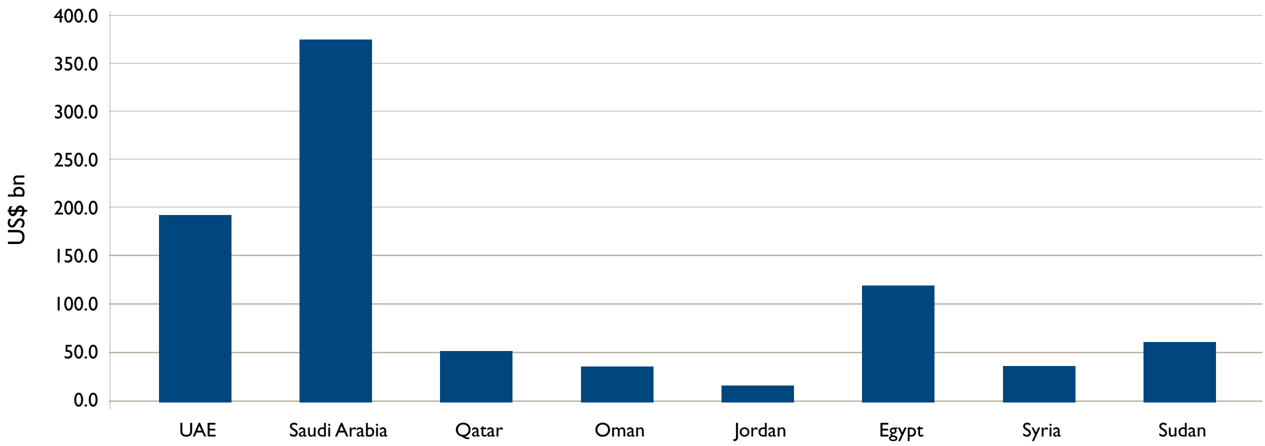
REGIONAL ECONOMIC HIGHLIGHTS

	GDP	Y-O-Y ECONOMIC GROWTH	POPULATION	INFLATION	FDI	OUTLOOK 2009
UAE	US$192.6bn	17.5%	4.5 million	11.5%	US$20.4bn	↑
SAUDI ARABIA	US$376.1bn	3.5%	23.9 million	10.5%	US$18.3bn	↑
QATAR	US$61.1bn	12.9%	1.4 million	13.5%	US$1.8bn	↑
OMAN	US$40bn	12.9%	2.6 million	5.9%	US$1.0bn	↑
JORDAN	US$16bn	6%	6.6 million	5.4%	US$3.1bn	↑
EGYPT	US$128bn	7.1%	81 million	23%	US$11.1bn	↑
LIBYA	US$57.1bn	6.8%	6 million	4.0%	US$1.7bn	↑
SYRIA	US$29.2bn	2.8%	19.4 million	7.0%	US$7.9bn	↑
SUDAN	US$47.9bn	10.2%	33.6 million	8.2%	US$2.9bn	↑

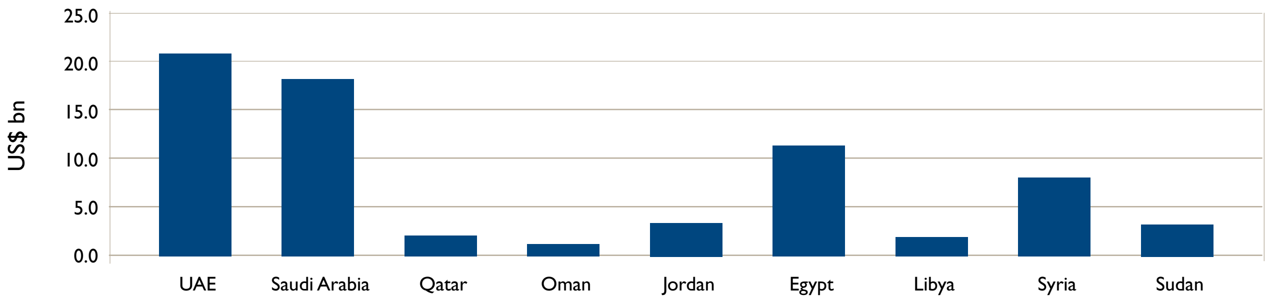
WORLD BANK 'DOING BUSINESS 2009' RANKINGS



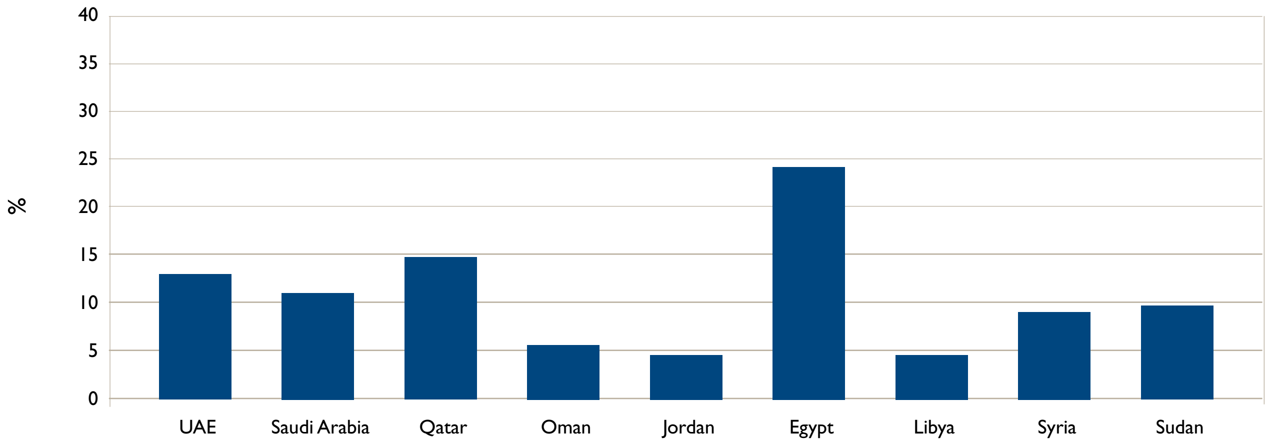
GDP



FOREIGN DIRECT INVESTMENT



INFLATION



REGIONAL OFFICE PERFORMANCE INDICATORS

	Average Rents (US$ per m² p/a)	Average Sales Price (US$ per m²)	Yield	Occupancy Rate (Primary Grade)	Outlook 2010
Dubai	1,050	11,730	8.1%	98%	↑
Abu Dhabi	720	8,600	8.4%	99%	↑
Riyadh	310	4,000	7.7%	91%	↑
Doha	660	5,350	12.3%	95%	→
Muscat	374	Non-Freehold	N/A	90%	↑
Amman	203	3,960	10%	95%	↑
Cairo	274	2,960	9.3%	100%	↑
Tripoli	603	Non-Freehold	N/A	100%	↑
Damascus	285	2,600	11%	87%	↑
Khartoum	270	2,200	12.3%	98%	→

REGIONAL RESIDENTIAL PERFORMANCE INDICATORS

	Average Rents (US$ per m² p/a)	Average Sales Price (US$ per m²)	Yield	Occupancy Rate (High-End)	Outlook 2010
Dubai	420	5,420	7.7%	93%	→
Abu Dhabi	450	6,500	6.9%	99%	↑
Riyadh	64	727	8.8%	92%	↑
Doha	285	4,670	8.0%	99%	↑
Muscat	93	1,895	4.9%	98%	→
Amman	80	900	8.9%	90%	→
Cairo	63	1,006	6.3%	95%	→
Tripoli	187	1,413	13.2%	87%	↑
Damascus	140	2,340	6.0%	Unconfirmed	↓
Khartoum	139	3,050	4.6%	90%	↓

REGIONAL RETAIL PERFORMANCE INDICATORS

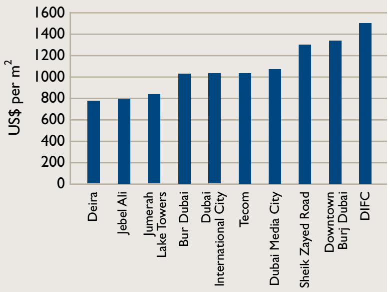
	Existing GLA(m^2)	Average Rents (US$ per m^2 p/a)	Average Monthly Footfall	Average Lease Term	Outlook 2010
Dubai	2.2 million	1,200	1.5 million	Three Years	↓
Abu Dhabi	820,000	950	900,000	Three Years	↑
Riyadh	1.6 million	470	Unconfirmed	Three-Five Years	↑
Doha	700,000	850	Unconfirmed	Three-Five Years	→
Muscat	205,400	440	267,000	Three Years	↑
Amman	216,500	486	612,100	Three-Five Years	↑
Cairo	314,000	867	750,000	Three-Five Years	↑
Tripoli	Unconfirmed	528	22,500	One-Five Years	↑
Damascus	58,500	765	120,000	One-Three Years	↑
Khartoum	3,000	660	300,000	Annual	→

REGIONAL HOSPITALITY PERFORMANCE INDICATORS

	Number of Rooms	5* Occupancy Rate	Average Room Rate (US$)	RevPAR (US$)	Outlook 2010
Dubai	29,280	92%	356	315	↓
Abu Dhabi	11,500	91%	291	252	↓
Riyadh	8,000	85%	249	206	→
Doha	4,880	80%	274	212	↓
Muscat	9,300	87%	275	232	↑
Amman	10,500	59%	130	83	↑
Cairo	14,590	86%	125	104	↑
Tripoli	2,700	85%	233	191	↑
Damascus	1,800 (4* & 5*)	75%	120	90	↑
Khartoum	1,370 (4* & 5*)	87.5%	225	180	→

Growth of 27% in average asset values, and 37% in rents between Q4 2007 and Q2 2008

AVERAGE ANNUAL OFFICE RENT



Primary Grade office space continues to be in high demand, a strong proportion of which remains unmet due to delays in expected delivery

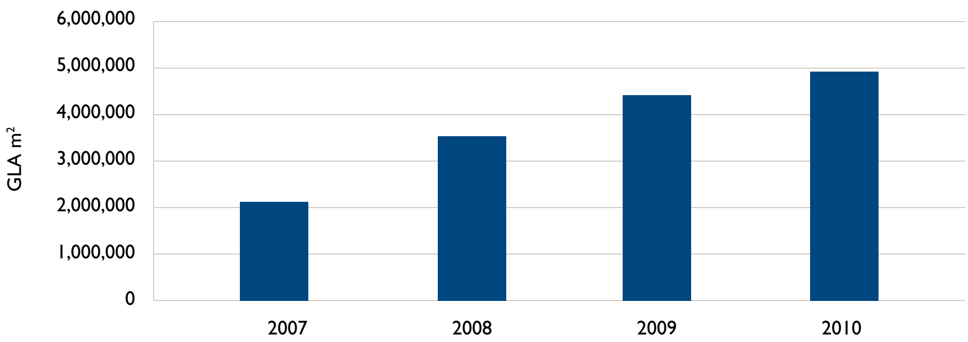
PERFORMANCE INDICATORS

AVERAGE RENT:	US$1,050 per m^2 p/a
PREMIUM RENT:	US$ 1,500 per m^2 p/a
SALES PRICE:	US$ 11,730 per m^2
AVERAGE YIELD:	8.1%
VACANCY RATE:	2%

We expect continued price appreciation over 2008 and 2009 as demand outstrips supply: we have revised our 2010 supply forecasts downward from 6.3 million m^2 to 4.9 million m^2

Our survey of forthcoming development progress reveals that only 45% of office developments are expected to meet their scheduled completion dates

DUBAI CUMULATIVE OFFICE SUPPLY



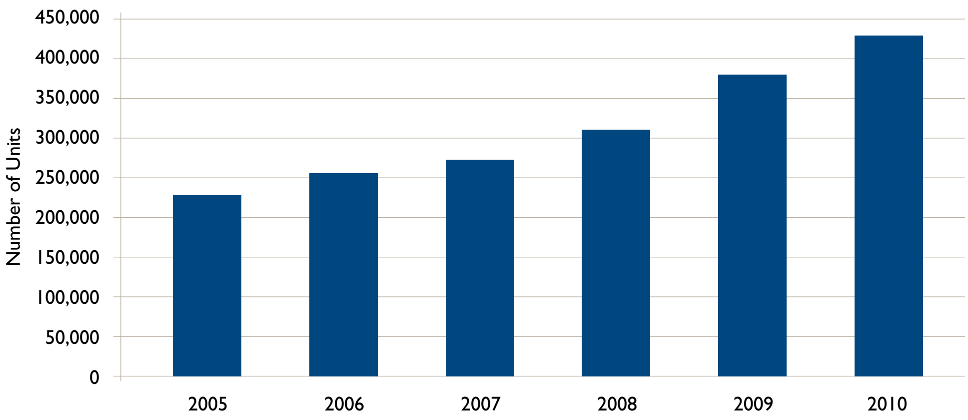
The demand-supply dynamic of Dubai's office market has driven double digit growth in capital values over the past three years, ensuring a vacancy rate across market that has rarely exceeded 2%. The government has played a central role in creating both demand and supply side levers for office space through the creation of economic free zone clusters such as the Dubai International Financial Centre, Dubai Media City and Dubai Internet City – fragmenting Dubai's office space provision away from the traditional business districts of Deira (predominantly comprising tertiary grade stock), Bur Dubai (secondary grade), and the more recently established business corridor of Trade Centre 1st on the Sheikh Zayed Road (primary grade). A belated effort by developers seeking to capitalise on strong demand for office property has seen the increasing incorporation of office space within master-planned developments along the Sheikh Zayed and Emirates Roads, all of which provide non-industry specific office space.

Whilst significant improvement have been made in the quality of finish and the incorporation of international best practices over the past three years, office space investment transactions remain limited due to a continued shortage of primary grade space. Barriers to investment given the concentration of office space available to foreign investors only within free zones, and most notably recent speculative development activity with core investors selling off office floors on a piecemeal basis, marginalize the availability of stock suitable for US and European institutional investors.

Looking ahead, our market outlook has been influenced primarily by completion delays and particularly in Business Bay, which was scheduled to deliver 1.9 million m^2 of office space by Q4 2010, versus an actual completion estimate of 435,000 m^2 over the same period. As such, we have revised our Q4 2010 total cumulative supply forecasts downward from 6.3 million m^2 to 4.9 million m^2 GLA (Gross Leasable Area). Office supply is therefore set to remain tight over the next two years, with a modest increase in GLA per Capita of 2.7 m^2, up from a current average of 2.5 m^2.

The outlook is less optimistic beyond 2010, given that delays to completion over the next two years accentuates the risk of a supply glut thereafter, particularly when factoring in unconfirmed office supply delivered to the market by Dubai Waterfront, Downtown Jebel Ali and numerous master-planned developments off the Emirates Road. Accordingly, we are observing a greater number of corporate leases being agreed for renewable 3, 5 or 10 year terms, and expect more to replace the prevalent market practice of annually renewable leases, as landlords attempt to lock-in tenants and revenues. A potential softening of office rental rates, would lead to further increases in demand for office space, from potential occupiers that currently view high asking rents as a barrier to market entry or a hurdle in relocating to larger offices.

DUBAI CUMULATIVE RESIDENTIAL SUPPLY



Whilst double-digit sales and rental price increases over the past few years are a market-wide characteristic, appreciations have been particularly sharp in foreign ownership areas, attributable to two factors:

- Demographic: expatriates are driving Dubai's demographic growth, at an average rate of 9% per annum compared to indigenous population growth of 2.5%. Limited availability of homes in established locations, coupled with a preference for mixed-use community developments have made foreign ownership areas the primary habitat for Dubai's 'white collar' expatriate base
- Investor behaviour: the opportunities afforded by off-plan properties in foreign ownership areas for speculative investment in off-plan properties, has attracted an investor sub-market comprising of high-net worth individuals and consortiums from the UK, India, Pakistan, Iran, Russia and the GCC

Investor behaviour has proved the more compelling factor in residential value appreciations, when considering the 10% growth premium sales prices have enjoyed over rental values during the past year. Market premiums are commanded by properties in Burj Dubai, Emirates Hills, the Palm Jumeriah and the DIFC, with prices per m^2 ranging between US$7,800 and $9,900 on average. The healthy appetite for investments in the Dubai real estate market, strengthened by the positive returns that the real estate market has provided as an alternative asset class to the regional equity markets, has been the predominant cause of the current pace of development activity.

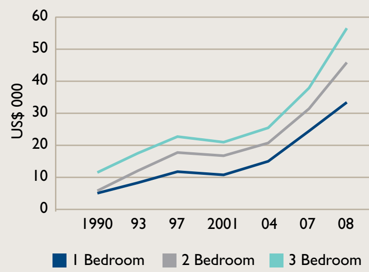
Of significant concern, however, has been the focus of developers on homes marketed as 'high-end'. Whilst the desire of Dubai's primary tier developers reinforcing brand prestige and secondary-tier 'bandwagon' development are important causes for this demographic bias, exponential increases in construction costs, raw materials and the price of land – often reaching triple digit growth YOY – are also a telling factor. Current market dynamics of excess demand have enabled developers to pass increased costs onto a bullish investor base thus far.

We expect an additional 140,000 units to be completed between Q4 2008 and Q4 2010, 40% of which are targeting high-income segments. We accordingly expect the delivery of forthcoming supply to over the next three years to highlight the distinction between high-quality products suitable for the target demographic, and poorer quality developments unlikely to attract premium prices on completion. Strong performing developments will continue to enjoy a higher proportion of owner-occupiers, vis-à-vis greater speculative investment activity in secondary-tier locations, thereby accentuating the risk of a price correction in the latter.

Demand for middle income products is particularly strong in Dubai, particularly when accounting for commuters from Sharjah and other neighbouring Emirates. We therefore believe that there is ample scope for a 'substitution effect' in 'high end' residential products failing to achieve market premiums upon completion, where market repositioning (and pricing) towards middle-income markets can offset the risk of high vacancy rates.

YOY rental price increases of 22%, with sales prices up 37%

AVERAGE RENTAL RATE GROWTH



Residential components within master-planned communities continue to enjoy a higher proportion of the owner-occupier market

PERFORMANCE INDICATORS

AVERAGE RENT:	US$ 420 per m^2 p/a
PREMIUM RENT:	US$ 450 per m^2 p/a
SALES PRICE:	US$ 5,420 per m^2
AVERAGE YIELD:	7.7%
VACANCY RATE:	7%

Almost 140,000 new units expected to be delivered to the market by the end of 2010

We are concerned about developer bias towards the high-end residential segment, when demand for housing from the middle-income segment is most acute

The imminent completion of the Dubai Mall will further develop the 'shopping resort' concept, and will enhance the entertainment and leisure focus of Dubai's retail scene

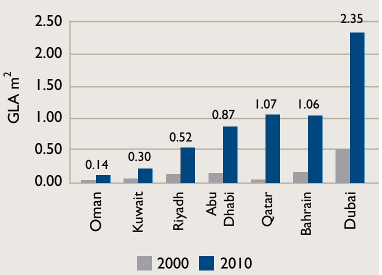
DEVELOPMENT SNAPSHOT*

PROJECT	YEAR	GLA m²
THE DUBAI MALL	2008	344,000
THE WALK (JBR)	2008	71,500
OASIS MALL	2008	60,000
MIRDIFF CITY CENTRE	2009	183,000
DUBAI MARINA MALL	2009	77,000
MALL OF ARABIA (PH I)	2010	400,000

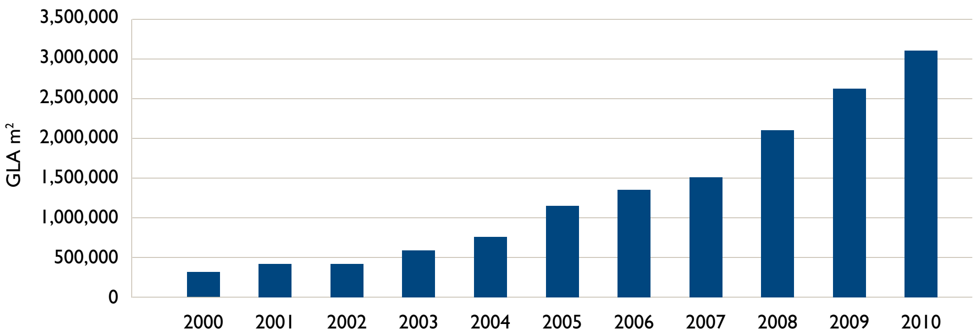
* This table does not constitute an exhaustive list of forthcoming supply

Shopping mall supply accounts for over 70% of total retail GLA, with non-mall GLA representing less than 400,000 m² in total activity

GCC RETAIL MALL GLA PER CAPITA



DUBAI CUMULATIVE SHOPPING MALL SUPPLY



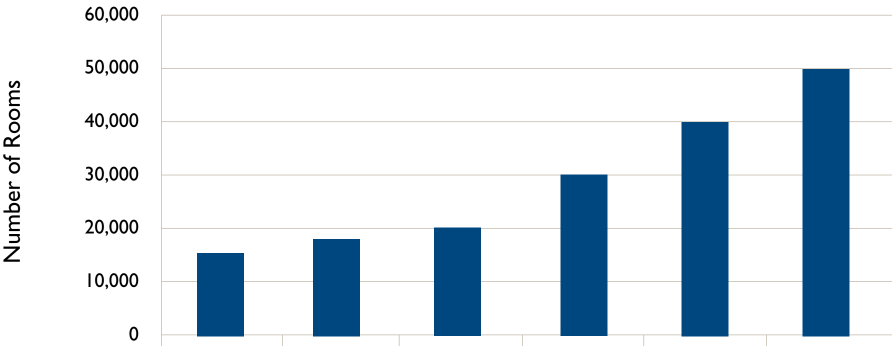
Although GDP Per Capita of over US$40,000 and a desert climate contribute to the popularity of Dubai's shopping malls, a successful marketing campaign promoting the Emirate as a global shopping and leisure destination has proved critical, with over 20% of total retail spending derived from the tourism sector (increasing to over 40% in Dubai prominent shopping malls). Stable demand fundamentals and the success of local retail conglomerates in bringing international brands to the market has driven occupancy rates in excess of 90%. 'Destination shopping malls' – a shopping concept pioneered by the Mall of the Emirates, which incorporates extensive leisure, entertainment and food & beverage amenities – enjoy occupancy rates of 100%, or 98% when allowing for a natural vacancy rate between tenants. Strong tenant demand for destination shopping malls is understandable given drivers of footfall in Dubai, which is determined less by spending power and more by location and available leisure amenities. The Mall of the Emirates currently achieves the highest footfall at 2 million visitors per month. In contrast, Deira City Centre registers 1.5 million visitors and Ibn Battuta Mall hosts just under 1 million visitors per month.

Strong sector performance is also a determining factor of shopping mall rents, which average US$ 1,200 per m² p/a, increasing to an average of US$1,800 in premium retail destinations such as Mall of the Emirates, Dubai Festival City and Burjuman. Anchor tenant rents average US$ 135 per m² p/a at present, though increasing competition for anchor tenants has reduced average rents for forthcoming malls to US$120 per m² p/a.

Competition for retail brands is set to intensify over the next two years with the completion of numerous mega-malls, the first of which will be the Dubai Mall in late 2008. Its status as the world's largest shopping mall may be short-lived, however, with Phase I of the Mall of Arabia alone set to exceed it in scale when completed in 2010. Short term market oversupply is accordingly expected by end of next year, precipitating stratification in the market in favour of new generation malls. Smaller and older malls will be required to reposition themselves to appeal to specific market segments, in order to reduce the impact of sharp vacancy increases and downward pressure on rental rates made likely by market oversupply. New, larger malls with strong tenant mixes are expected to maintain current absorption rates, driven by strong economic fundamentals, continued brand diversification and the evolution of the 'shopping resort' concept towards greater incorporation of leisure amenities.

Although we expect a softening of rental values market-wide in response to the sheer scale of forthcoming supply, over 70% of forthcoming shopping mall supply entering the market between 2008 and 2010 is already pre-let, suggesting that retailers remain bullish on Dubai's growth prospects. GLA Per Capita is set to increase to 2.35 m² in 2010, reduced to 1.14 m² when accounting for expected growth in tourism inflows. Retail sales, however, will have to grow at a steady YOY growth rate of 35% to sustain current performance trends. Total spending in Dubai's retail sector is expected to surpass US$ 7.6bn by the end of next year.

DUBAI CUMULATIVE HOTEL SUPPLY



	2005	2006	2007	2008	2009	2010
Room supply	16,252	17,796	20,206	29,280	39,527	50,280
Annual Growth Rate	0	9.5%	13.5%	44.9%	35.0%	27.2%

Dubai has successfully built a diversified tourism industry, based on a leisure/corporate tourism split of 60:40, with Meetings, Incentives, Conferences and Exhibitions (MICE) tourism accounting for 30% of annual visitors inflows. Best-in-class shopping, sporting events and a strong hospitality offering continues to attract first-time tourists attracted to the global Dubai marketing machine. The role of Emirates, Dubai's flagship carrier, will also continue to play a crucial role in bringing passengers to Dubai, which will be assisted by the recent inclusion of the A380 super-carrier to its fleet.

Despite impressive achievements in tourism numbers, estimated last year at 7 million visitors, the Dubai Government's target of 15 million tourists by 2015 (the date for which has already been pushed back twice from an initial target of 2010) remains optimistic at best. This, measured against a tripling of hotel room supply between Q1 2008 and Q4 2010, is likely to have an adverse effect on occupancy and average room rates over the next two years. The large scale increase in room supply is expected to cause hotel operators to adopt competitive pricing schemes as they attempt to capture market share – a trend which may already be in evidence if the competitiveness of price promotions in the Summer of 2008 are anything to go by (notwithstanding the seasonality of demand).

Occupancy rates are likely to remain above 60%, however, given the likelihood of more price-sensitive tourists exploiting reductions in hotel rates that previously deterred them from visiting the Emirate. The emerging shift towards mass tourism is expected to be formalised with the completion of Dubailand – a 3bn ft^2, multi-scheme mega-project incorporating a wide variety of leisure and entertainment products – from 2010 and onwards over the subsequent ten years (though the completion date of Phase I is already in doubt). Linked to what is being billed as the world's largest entertainment destination is the Bawadi project, a Las Vegas inspired strip that is marketed as having the largest cluster of hotel rooms in the world – estimated at over 60,000 when eventually complete.

The leisure segment is therefore set to become more pivotal to hotel revenues looking ahead, as evidenced by increases in the average length of stay (ALS) in resort hotels to 3.97 days, against a slight decrease in the business hotel ALS to 1.29 days. Aside from unforeseen geopolitical risks that may impact negatively on performance, competition from Abu Dhabi and other GCC markets seeking to boost their tourism industries (albeit on models that emphasise culture and natural surroundings) represent significant market risks looking ahead.

PERFORMANCE INDICATORS

MARKET OCCUPANCY:	88.6%
5* OCCUPANCY:	92.0%
ARR:	US$ 356
REVPAR:	US$ 315

A recent slash in hotel rates by 50% over the summer months may indicate that the market is close to reaching demand-supply equilibrium

20.5 million nights were spent by guests in hotel establishment in 2007

Number of rooms in 2008 reach 29,280

DEVELOPMENT SNAPSHOT*

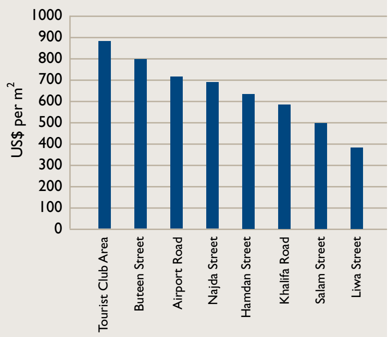
PROJECT	YEAR	ROOMS
ATLANTIS PALM RESORT	2008	1,540
ANANTARA JUMEIRAH DUBAI	2009	473
ARMANI HOTEL	2009	250
CRYSTAL TOWER	2010	244
HILTON CONRAD HOTEL	2010	550

* This table does not constitute an exhaustive list of forthcoming supply

Expected decreases in market occupancy averages will facilitate development of mass tourism markets, as hoteliers become more competitive

Growth in average rents of 14% between Q4 2007 and Q3 2008, indicating a slight slowdown in the intensity of demand due to lack of available space

AVERAGE ANNUAL OFFICE RENT



Primary Grade office space continues to be concentrated in high-density north of Island, with premiums commanded along the Abu Dhabi Corniche

PERFORMANCE INDICATORS

AVERAGE RENT: US$ 720 per m² p/a

PREMIUM RENT: US$ 1,300 per m² p/a

SALES PRICE: US$ 8,600 per m²

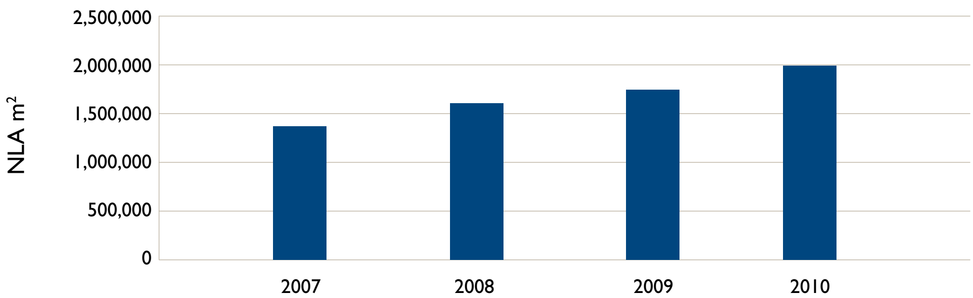
AVERAGE YIELD: 8.4%

VACANCY RATE: 1%

Fragmentation of Class A office space expected over next three years, with forthcoming supply in Al Raha Beach, Capital Centre, Al Sowa Island and Al Reem Island

We expect delivery of Primary Grade stock over two years to act as a demand catalyst for blue chip tenants seeking to expand into Abu Dhabi, as evidenced by a bullish pre-let market at present

ABU DHABI CUMULATIVE OFFICE SUPPLY



According to the Urban Planning Council's baseline figures for 2007, urban Abu Dhabi currently comprises 1.4 million m² of office space. This includes office space owner-occupied by government and quasi-government bodies. Based on our office benchmarking survey, approximately 510,000m² of leasable office space exists in the city at present.

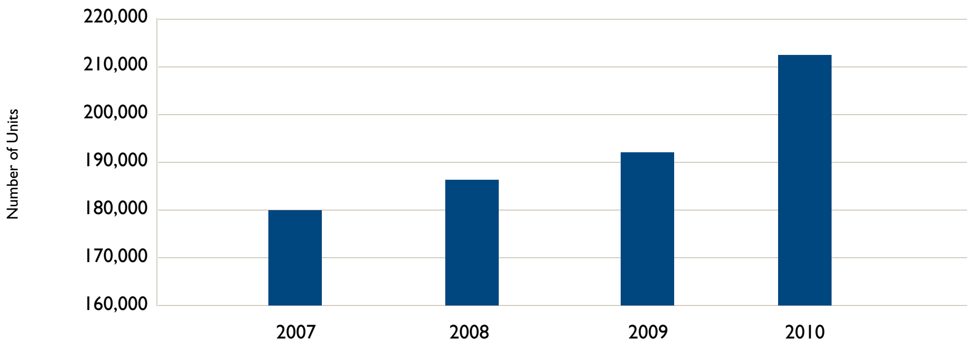
The majority of Abu Dhabi's marginal primary grade office space leased to tenants is located on the major Hamdan and Khalifa Street arteries within the quadrant collectively known as Al Markaziyah, together with a handful of buildings on the Corniche (dominated by government owned Class A buildings) Salam Street and the Abu Dhabi Mall Towers in the Tourist Club Area. Significant secondary and tertiary grade office space is located within the districts of Khalidiyah and Tourist Club Area on either side of Al Markaziyah. Whereas the majority of dedicated office space is accounted for by government-owned buildings, commercial space available for lease is often situated within mixed-use residential/office developments.

Unsatisfied demand for office space on one hand, and limited supply entering the market over the past few years on the other, has manifested itself in sharp rental increases. On average, passing commercial office rents increased at a rate of over 40% between 2005 and 2006. Rental values appreciated at a slower rate of 10% between 2006 and 2007, and has picked up slightly between 2007 and 2008, registering a growth rate of 14%. We believe that a vacancy rate averaging 1% has deterred companies from expanding into the market at present, until suitable office space becomes available.

Forthcoming office supply between Q4 2008 and Q4 2010 will initially be concentrated in Abu Dhabi Island (including Aldar's Baniyas and Mamoura towers), then steadily fragment to different locations on and off-island including ADNEC Capital Centre, Al Raha Beach and Al Reem Island. Primary grade space provision within these developments will compete with the scheduled completion of Phase I of the Al Sowa Island CBD in Q4 2010, a Mubadala-Buck JV that will house the Abu Dhabi Financial District and Stock Exchange.

Overall, over 65% of confirmed forthcoming supply is expected to be marketed as primary grade office space, which will create a shift in the Abu Dhabi office market's current demand-supply dynamic. Given robust economic and demographic growth in the Emirate, we expect demand to continue to outstrip supply over the next three years. Whilst we anticipate development delays and note the option of introducing a free zone to stimulate further demand, the extent of oversupply risk beyond 2011, particularly in the primary grade segment, will be directly proportional to the phasing of office space delivery. We expect the Urban Planning Council to play a key role in directing this process, in conjunction with primary tier master-planners, who control the majority of forthcoming supply.

ABU DHABI CUMULATIVE RESIDENTIAL SUPPLY



The Abu Dhabi residential market continues to be characterised by chronic shortage of housing stock, the product of a two year construction moratorium imposed between 1999 and 2001, and strong economic growth. Vacancy rates have dropped from an average of 2.5% to less than 1%, contributing to the highest YOY rental increases yet since 2001 – at a growth rate of 65% between Q4 2007 and Q4 2008. In these conditions of undersupply, the 5% rent cap revised at the beginning of 2008, may have had the adverse effect of driving up asking rents, with landlords factoring in expected future rental increases in today's market.

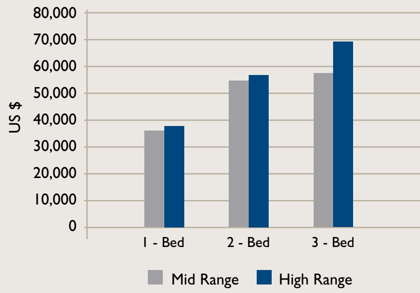
In spite of exponential rent increases, initial yields have actually hardened given even higher increases in sales prices over the past two quarters. The limited availability of off-plan products available on the foreign ownership market at present, coupled with the decision of some developers to launch these at Cityscape Abu Dhabi in May 2008, attracted frenzied investment activity which has driven up prices in the high double digits. Premium developments in Aldar's Al Raha Beach have seen an average 130% price increase since launch a year earlier, contributing to an average sale price growth rate of 89% across market. Whilst there are concerns that investment has been overwhelmingly speculative, the secondary sales and rental markets are expected to remain strong looking ahead as excess demand is absorbed by the completion of new developments.

Price appreciation in the high income segment notwithstanding, the largest gap in the market continues to be in the middle income segment – a fact that the Urban Planning Council has recently announced it will seek to address. It is planning to allocate free land in the forthcoming Capital District located between Mussafah and Khalifa City, in order to encourage smaller developers to build affordable housing. They are also working with key master-plan developers to encourage the allocation of affordable housing components in all major forthcoming projects, including Al Reem Island, and Al Raha Beach.

As of the end of 2007, statistics by the Urban Planning Council estimated a total of 180,000 units within the city of Abu Dhabi. Based on figures supplied by developers operating in Abu Dhabi for developments either under construction or planned, we expect the supply of residential units to increase to over 213,000 by 2010. We have scaled our forthcoming supply estimates back considerably following the delayed completion of residential components within major master-planned developments such as Al Reem, Saadiyat, Al Raha Beach and Al Yas Islands, scheduled for completion beyond 2011. As many as 140,000 additional units are expected between 2011 and 2013, driven by the completion of residential components within the Al Raha Beach and Al Reem Island mega projects. The shape of Abu Dhabi's future demand-supply dynamic is therefore dependent on whether or not these developments are completed to schedule, and the role of the UPC and master-plan developers in phasing the delivery of supply.

Concentration of frenzied investment activity in limited available stock has driven capital values up by an average of 89% since Q4 2007

ABU DHABI ANNUAL APARTMENT RENT



Rents continue to increase due to market undersupply, registering growth of 65% over the past 12 months

PERFORMANCE INDICATORS

AVERAGE RENT:	US$ 450 per m^2 p/a
PREMIUM RENT:	US$ 470 per m^2 p/a
SALES PRICE:	US$ 6,500 per m^2
AVERAGE YIELD:	6.9%
VACANCY RATE:	1%

Over 30,000 new units expected to be delivered to the market by the end of 2010

We expect demand to continue to outstrip supply over the next three years, with concurrent double-digit value growth – barring the implementation of measures tempering speculative investment

Emphasis less on mega-shopping malls, and more on integration of retail amenities into master-planned developments

Urban Planning Council envisages the even distribution of retail amenities throughout the expanded city, rather than 'destination' shopping malls

DEVELOPMENT SNAPSHOT*

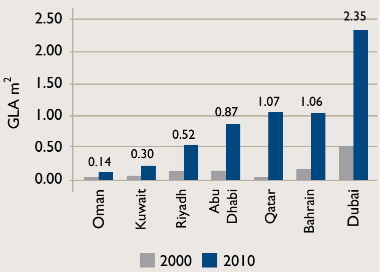
PROJECT	YEAR	GLA m²
MARINA MALL (PH III)	2008	39,000
CENTRAL MARKET	2008	60,000
AL JABER MALL	2008	20,000
MBZ CITY MALL	2009	23,200
ROTANA KHALIFA PARK	2009	11,000
DARWISH ISLAND CITY	2010	70,000
AL REEM MALL	2010	130,000

* This table does not constitute an exhaustive list of forthcoming supply

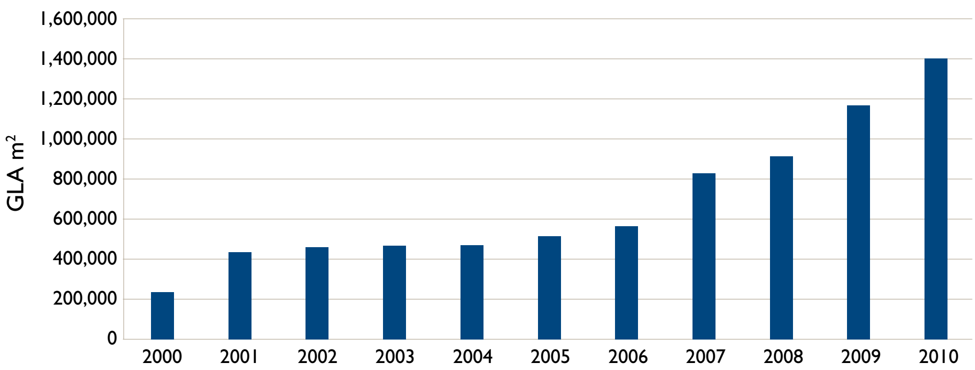
Shopping mall Gross Leasable Area (GLA) in Abu Dhabi set to increase from 820,000m2 at present to 1.4 million m2 by 2010.

Shopping mall supply accounts for almost 60% of total retail GLA, with non-mall GLA representing less than 300,000 m2 in total

GCC RETAIL MALL GLA PER CAPITA



ABU DHABI CUMULATIVE SHOPPING MALL SUPPLY



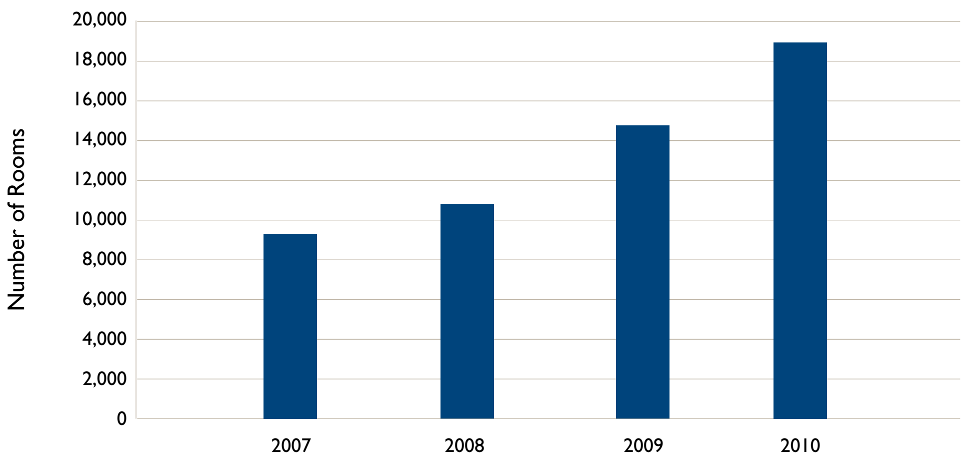
The arrival of the Marina Mall and Abu Dhabi Mall in 2001 precipitated a shift towards the destination shopping mall concept in Abu Dhabi. Large shopping malls based on international retailing standards with anchor tenants, a professionally compiled tenant mix, food courts, and entertainment facilities set a new standards, coinciding with increased petrodollar liquidity in the context of high oil prices, and a lull in GCC tourist visits to the US and Europe in the immediate aftermath of 9-11.

With the completion the Khalidiyah Mall at the end of 2007, the current supply of shopping mall space in the city reached approximately 820,000m², with a 90% occupancy rate across market, and full occupancy in new generation malls incorporating leisure amenities. Shopping mall rents average US$ 950 per m² p/a, increasing to an average of US$1,500 in premium retail destinations such as Marina Mall, Abu Dhabi Mall and Al Wahda Mall. Anchor tenant rents average US$ 150 per m² p/a, based on 15-year lease terms with 3-year rent reviews.

Whilst the pre-let market is less bullish than Dubai, with momentum gathering within one year of completion, it is clear that the Abu Dhabi retail market is driven more by UAE National spending power rather than tourism inflows. Estimated footfalls are accordingly driven by shopping mall tenant prestige – Abu Dhabi Mall currently achieves the highest footfall at just over 1.2 million visitors per month, and Marina Mall monthly footfall averages 900,000. Abu Dhabi has the highest spending power in UAE, with average GDP per capita of US$65,000, and total spending in Abu Dhabi's retail sector is expected to reach US$ 2bn by the end of next year – making brand diversification and integration of leisure amenities increasingly crucial as more supply enters the market.

The leasable area of retail space in Abu Dhabi is set to increase by 53% to 1.4 million m² by 2010, representing 0.87 m² of GLA per capita. In order to support this volume of retail mall stock, an approximate annual retail spend of US$4,900 per capita will be required, and retail sales will need to grow at a steady YOY growth rate of 19% in order to sustain current performance trends. Abu Dhabi's overall retail supply is set to continue its sharp increase until 2010, assuming scheduled construction timelines are met. Although anecdotal reports indicate that the government does not intend to license the construction of further retail malls beyond those already underway, Abu Dhabi will still offer considerable numbers of retail options with the completion of numerous master-planned that include supporting retail components. The Plan Abu Dhabi 2030 envisages a measured distribution of retail space across the enlarged city of Abu Dhabi, with the existing downtown, Al Reem Island, Capital District, Sadaiyat Island and Al Yas Island representing the key retail 'hot spots' looking ahead.

ABU DHABI CUMULATIVE HOTEL SUPPLY

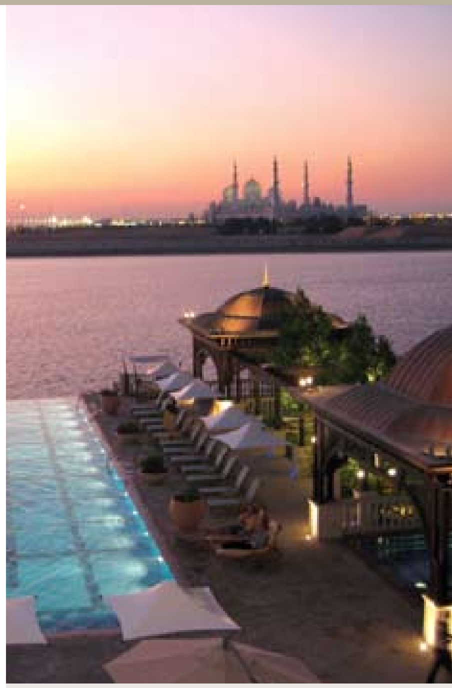


By the end of this year, Abu Dhabi will have 67 hotels and serviced apartment establishments with a total of 11,150 rooms. Five star accommodation accounts for 47% of supply at present, though a new hotel ratings system is likely to adjust this market share downward as Abu Dhabi seeks to embrace international standards. Overall, corporate visitors currently account for 75% of total demand, and constitute the main driver for hotel performance thus far. Occupancy rates market-wide have increased steadily from a low of 69% in 2001 to a 2008 average of 86.7%, with a 5% occupancy premium for 5* hotels. Robust economic growth, the role neighbouring Dubai has played in attracting international investment, and the growth of Etihad Airways has enabled hotels to achieve ARRs at all time highs averaging US$ 291 – representing YOY growth of 40%.

Looking ahead, the Abu Dhabi Tourism Authority is driving a shift towards a leisure tourism market share of 40% by 2015, and has developed an international marketing campaign focussing on cultural, sporting and eco-tourism in order to achieve this goal. It revised its tourism targets in August 2008 to 2.7 million tourists by 2012, up from an initial target of 3 million by 2015. It has also pushed its room supply requirements upwards, and has targeted the development of 25,000 new hotel rooms by 2015, up from an initial plan of 17,000.

The major growth areas for hotel developments in the immediate term are the Airport Road and Bain el Jesrain (Between the Bridges). Luxury resort developments are also planned on the Eastern and Western coastlines of Abu Dhabi, with the Angsana Eastern Mangrove and Al Gurm Resort developments dominating these respective locations. We expect the number of hotel rooms in the market to increase almost two-fold by the end of 2010, increasing total supply to 19,000 rooms. Over the longer term, the focus of hotel development will be in supporting sporting and cultural attractions, including the Formula One race track and Ferrari Theme Park on Al Yas Island, and the Cultural District on Saadiyat Island, which will house the Middle East counterparts of the Louvre and Guggenheim Museums. Emirate-wide, strong emphasis will also be placed on increasing hotel room luxury in the Western Region and Al Ain – both identified as eco-tourism and leisure destinations.

Of some concern is the ADTA's focus on luxury tourism – an estimated 45% of forthcoming hotels earmarked by the ADTA will be in the 5* category, highlighting considerable oversupply risks in this segment over the longer term. Even allowing for the fact that some of this new supply will be in other areas of the Emirate, hotel operators in the city of Abu Dhabi have already indicated that they expect a decline in occupancy levels, even if the ADTA's ambitious target for visitor arrivals is met. In order to sustain such a rapid increase in the city's overall hospitality stock, average lengths of stay will also need to increase substantially from the current average of 2.9 nights.



Expansion of Etihad Airways, and development of cultural and sporting attractions underpin growth of leisure tourism sector

PERFORMANCE INDICATORS

MARKET OCCUPANCY:	86.7%
5* OCCUPANCY:	92%
ARR:	US$ 291
REVPAR:	US$ 252

Corporate tourism still accounts for 75% of current market demand

45% of hotel supply is marketed as 5, though a recently introduced ratings system for the Emirate may adjust this market share downward*

DEVELOPMENT SNAPSHOT*

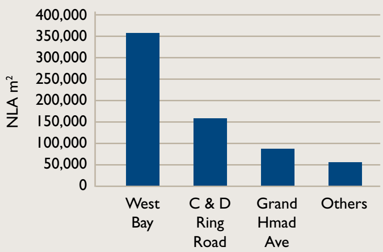
PROJECT	YEAR	ROOMS
ROTANA KHALIDIYAH	2008	400
ABU DHABI CREEK	2008	370
BANYAN TREE	2009	160
HOLIDAY INN	2009	200
COCONUT ISLAND	2010	140
JW MARRIOT	2010	490
ANGSANA MANGROVE	2011	105

* This table does not constitute an exhaustive list of forthcoming supply

Recent five-year strategic plan by ADTA targets 2.7 million visitors by 2012, and envisages development of 25,000 new hotel rooms to meet demand – up from previous targets

Completion of office space in West Bay throughout 2008 has temporarily addressed unsatisfied demand for Class A products, thereby establishing the area as the city's new CBD

EXISTING OFFICE SPACE IN DOHA



Financial institutions, government bodies and energy sector core constituents of Primary Grade office demand

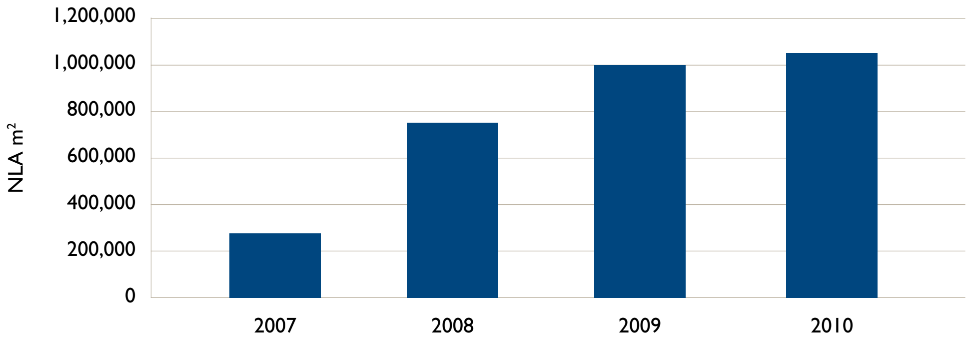
PERFORMANCE INDICATORS

AVERAGE RENT:	US$ 660 per m² p/a
PREMIUM RENT:	US$ 820 per m² p/a
SALES PRICE:	US$ 5,350 per m²
AVERAGE YIELD:	12.3%
VACANCY RATE:	5%

Asking rents for new space command a 40% premium over existing leases

Assuming developments are completed to schedule 2009 will see another major spurt in office supply, representing a risk to current demand-supply equilibrium

WEST BAY CUMULATIVE OFFICE SUPPLY



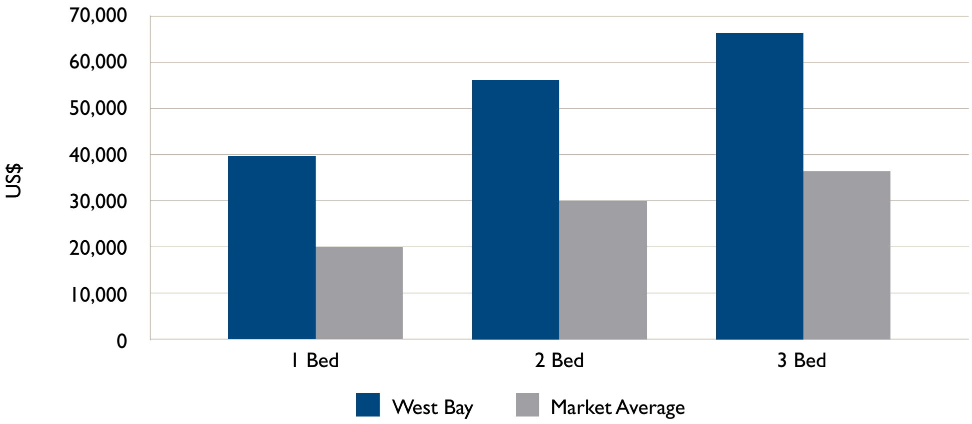
The establishment of West Bay as Doha's new CBD was initially spurred by the relocation of government bodies to the area. The idiosyncratic practice of Qatari government organisations leasing rather than owner-occupying office space (in contrast to other GCC markets) provided an incentive for further development, particularly when considering that public bodies account for over 20% of total office demand in Doha. The subsequent relocation of major local companies from the traditional business thoroughfares of the Grand Hamad Avenue, Al Sadd and the A – D ring roads has further enhanced the prestige factor which has translated into market rents of US$820 per m² – a 25% premium over the market average.

Growth in rents market wide have been boosted by a demand glut for Primary Grade office space over the past three years – a product of Qatar's burgeoning LNG sector, and an associated market for project finance. Accordingly, financial institutions account for the highest proportion of new office demand in Doha – a trend expected to continue with the efforts of the Qatar Financial Centre in attracting international blue chip tenants. The need for banks to locate themselves in West Bay in order to be in close proximity to their oil and gas sector clients, coupled with a shortage of available space has equalled rental premiums comparable to Dubai. A stabilisation of office rents over the past three quarters, however, indicates that the market is reaching demand-supply equilibrium for Primary Grade office space in Doha, which raises some concerns looking ahead.

Current office supply (both government and private) in the market is estimated at 658,000 m² at present, when including locations such as C& D Ring Road, Grand Hamad Avenue and A& B Ring road. Office space in West Bay alone is expected to bring another 500,000m² of supply over the next two years, most of which will be marketed as Primary Grade office space. Whilst development delays may serve to lessen the risk of market oversupply, YOY population growth of 9% is expected to slow over the next three years on the demand side, meaning that premium rents are unlikely to experience annual double-digit growth moving forward. Qatar has earmarked US$130bn over the next four years to assist the economy's diversification into healthcare, industry and tourism, though this translates into marginal new demand for Class A office space.

This leaves the financial, government and energy sectors as the core tenants for forthcoming office space in West Bay, the expected growth of which may prove sufficient if no further large scale office developments are announced in the medium term. The prestige and attractiveness of West Bay as a regional CBD can also be enhanced if tentative plans to develop a public transport network interlinking buildings come to fruition, which would allay current concerns of ingress and egress, as would incentivised lease terms for corporate tenants at the micro-level.

ANNUAL DOHA RENTS - WEST BAY PREMIUM



Doha's residential sector has been typified over the last three years by an acute housing shortage as increasing demand, spurred by double-digit GDP growth, has outstripped supply. Current growth trends indicate that Doha will have a population of approximately 800,000 in 2010, up from an estimated population of 660,000 at present. Expected annual increases of 15% in the influx of expatriate labour over the next three years (against slower indigenous growth of 3%) will reduce Doha's average household size from a 2007 average of 5.9 – further compounding supply constraints. Q3 2008 figures from the Qatar Statistics Authority confirm that Qatar's population grew 18 percent in the first half of 2008 to 1.45 million people.

Despite substantial increases in rents since 2005 we expect growth to slow over the next two years, though due to regulatory intervention rather than market forces. In a bid to control inflation and reverse recent trends where expatriates have been dissuaded from relocating to Qatar due to escalating housing costs, the government revised its 10% rent cap in February 2008 to a two year freeze on rents for leases signed after 1st January 2005. Under Cabinet Resolution No 9 of 2008, limits have also been set for pre 2005 contracts: a 20% increase per annum for annual rents below US$6,600; a 15% increase per annum for rents between US$6,600 and US$16,440; a 10% increase per annum for rents between US$16,440 and US$33,000; and a 5% increase per annum for rents above US$33,000. Sharp rental increases have contributed to the growth of sales transactions in The Pearl and Lusail City – given the availability of products to international investors on a freehold and 99 year lease basis. Increased investment activity from both prospective owner-occupiers and speculative investors has driven YOY growth of 50% in average sales prices between 2007 and 2008.

Looking ahead, core areas of forthcoming development in the medium term will be West Bay (with an estimated 2,500 apartment units), The Pearl Qatar and Lusail City – though the expected delivery of 9,000 additional units over the next two years is marginal in the context of current unsatisfied demand. Major developments such as Barwa Al Khor and Viva Bahriyah (part of The Pearl master-plan) will deliver more substantial supply to the market between 2010 and 2014, though demand fundamentals are expected to remain strong to absorb additional supply for the foreseeable future. Similar to real estate markets in the UAE and some other Middle East cities, there is some concern that escalating construction costs and information opacity are causing a developer bias towards high-end apartment products, despite a more acute shortage of middle-income housing. Accordingly, we expect the onus of affordable housing provision to be on government and semi-government and semi-government master-planners such as Barwa and Qatari Diar moving forward.

Government intervention following threefold increase in rents over past two years

Two year freeze on rents due to market undersupply, intensified by redevelopment of existing city centre

PERFORMANCE INDICATORS

AVERAGE RENT:	US$ 285 per m² p/a
PREMIUM RENT:	US$ 375 per m² p/a
SALES PRICE:	US$ 4,670 per m²
AVERAGE YIELD:	8%
VACANCY RATE:	1%

Housing costs remain largest contributor to inflation

An estimated 9,000 new apartments will be available in Doha by end of 2010

DEVELOPMENT SNAPSHOT*

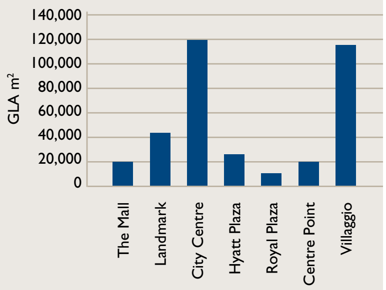
PROJECT	YEAR	GLA m²
WEST BAY	2010	2,700
PORTO ARABIA	2010	4,750
VIVA BAHRIYAH	2012	8,000
BARWA AL KHOR	2014	23,000

* This table does not constitute an exhaustive list of forthcoming supply

GDP Per Capita of US$ 80,000 underlying focus on premium retail developments

Less emphasis on 'mega', 'destination' shopping malls at present due to small leisure tourism market

DOHA RETAIL SUPPLY



Total shopping mall supply expected to increase by 40% between Q1 2009 and Q4 2010

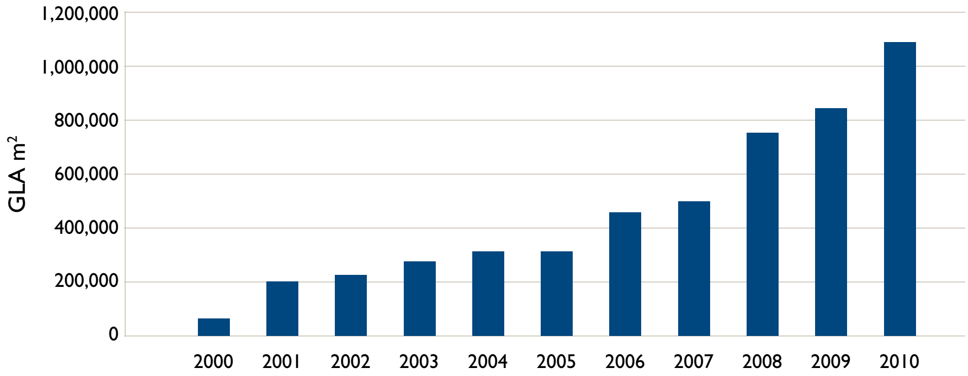
DEVELOPMENT SNAPSHOT*

PROJECT	YEAR	GLA m²
LAGOONA	2009	72,000
AL KHOR MALL	2009	37,000
MALL OF QATAR	2009	150,000
AL WAAB CITY	2010	88,000
COMMERCIAL AVENUE	2010	24,000
THE PEARL	2011	188,000

* This table does not constitute an exhaustive list of forthcoming supply

Scale of forthcoming development reflects bullish developer outlook on demographic and leisure tourism growth

DOHA CUMULATIVE SHOPPING MALL SUPPLY



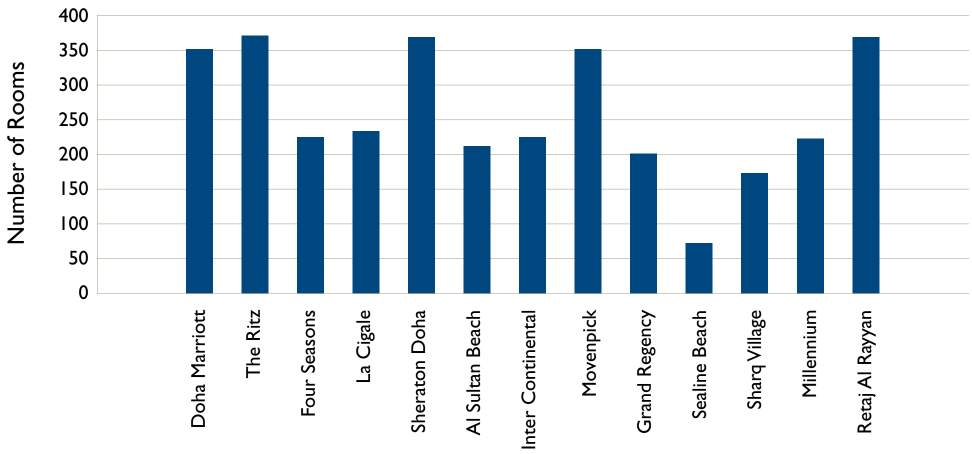
In contrast to regional retail leader Dubai, tourism accounts for a marginal proportion of retail revenues in Doha, where the emphasis is much more on capturing domestic consumer expenditure. Though significant street facing retail provision exists between the A and E Ring Roads, complemented with a renovated souq in downtown Doha, shopping malls incorporating leisure and entertainment amenities have been the retail product of choice in the city's high growth locations. City Center in West Bay and Villagio in Sports City, Doha's two international standard malls, are prominent examples of these.

With the second highest GDP Per Capita in the world and consumer demand driven by expatriate inflows, demand for retail space in prestigious developments has historically been strong in Qatar's shopping malls (the vast majority of which are located in the capital city). Pre-lets have increased from one to two years prior to completion in premium retail developments, whilst rents in existing high-end shopping malls average US$ 850 per m² for line shops. For anchor tenants lease terms range between 5 to 10 years, whilst those for line shop tenants vary between 3 and 5 years. This can be expected to decrease to more competitive periods of 1 -3 years in line with international norms, as more supply enters the market.

Over 700,000m² GLA of retail space existed in Doha as of Q4 2008, with approximately 1,130,000m² GLA scheduled for completion between 2008 and 2014. GLA per Capita will be close to 1.07 m² in 2010, requiring an average annual spend of US$2,600 per capita. With a significant proportion of forthcoming supply also aimed at the high-income consumer bracket, including Porto Arabia at The Pearl and the Regency Mall, this segment will become increasingly competitive.

In light of forthcoming supply, retailers are seeking to diversify their product offering. Management teams of secondary grade malls are turning towards markets traditionally under-catered for and are attempting to create a new breed of mall aimed at the lower and middle segments of the consumer market. Another notable trend, particularly in malls catering to the high-income segment, is the integration of leisure facilities aimed at increasing dwell-time – though a small leisure tourism market makes the concept of a 'destination' shopping mall such as Dubai's Mall of the Emirates unlikely. Accordingly, we expect brand diversification within forthcoming malls to represent a critical success factor for future performance.

DOHA EXISTING 5* HOTELS



STR's HotelBenchmark™ survey of ten Middle East hospitality markets puts Doha after Dubai in terms of achieved ARR (at US$ 274). This performance anomaly can be explained when considering that the corporate tourism segment accounts for 95% of total market share, marginalising the contribution of leisure tourism to hotel performance. Doha's hosting of the Asian games at the end of 2006 provided a temporary spurt in the latter segment, boosting ARRs by a growth rate of 37% YOY and the average RevPAR by 20%. Performance in 2007 compared to the previous year was less robust, with RevPARs registering negative 12% growth and occupancy rates increasing by a negligible 3% when compared to regional performance trends.

Based on an influx of 780,000 tourists in 2007, or 6% growth YOY, the Qatar Tourism Authority faces a challenge in meeting its target of 1.4 million tourists by 2010. The QTA seeks to develop Qatar's corporate/leisure tourism split to 65/35 over the same period, by growing the Meetings, Incentives, Conferences and Exhibitions (MICE), cultural and sporting tourism segments. Existing competition from regional markets such as Dubai, however, coupled with Abu Dhabi's focus on cultural and sporting tourism looking ahead, means that the QTA's targets may need to be revised. The state-owned Qatar Airways will act as an 'enabler' that brings visitors to Qatar and pushes up tourism numbers, though its expansion into new destinations is unlikely to assist the QTA in its drive to increase the average tourist stay from 1.5 days to 3.4 days by 2010. Indeed, the expansion of the airline is likely to enable even shorter business trips to Doha.

Given these market conditions, we believe that plans to increase Doha's hotel room supply to a total of 17,000 rooms by 2012 are likely to be scaled back considerably. Doha currently has almost 4,800 hotel rooms in the 5-star and 4-star categories, and a significant expansion of these segments (given the tendency for regional markets to focus on luxury hotels) would intensify the risk of market oversupply. Based on confirmed hotels already under-development, we still expect total hotel supply to at least double by the end of 2010, necessitating a significant upturn in annual tourism inflows over the next three years.

Though we expect hotel products located along the Corniche and West Bay to continue to outperform hotel located elsewhere – as evidenced by performance premiums enjoyed by the Four Seasons, Ritz Carlton and Sharq Village and Spa – there remains opportunity to create successful hotels in master planned developments along the periphery of central Doha, provided they do not have competitive hotels in the immediate vicinity and enter the market strong price and positioning strategies.

Corporate tourism accounts for over 95% of total demand

Average occupancy rates in 2007 dropped to 70%, down from a high of 75% in 2006 (due to the Doha Asian Games)

PERFORMANCE INDICATORS

MARKET OCCUPANCY:	77.3%
5* OCCUPANCY:	80%
ARR:	US$ 274
REVPAR:	US$ 212

Qatar Tourism Authority (QTA) is targeting 1.4 million tourists by 2010, up from 2007 total of 780,000

DEVELOPMENT SNAPSHOT (2008-10)*

PROJECT	NO OF ROOMS
W HOTEL & RESIDENCES	447
DOHA HILTON	320
SHANGRI-LA	272
ROTANA	384
MARRIOTT RENAISSANCE	257
MARRIOTT COURTYARD	327
MERWEB HOTEL	347

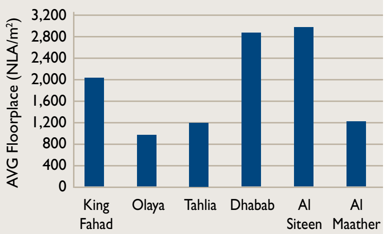
* This table does not constitute an exhaustive list of forthcoming supply

Total supply planned to increase to approximately 17,000 rooms by 2012

Demand for office space driven by improvements in the business environment, and expected annual private sector growth of 5% over next three years

New building regulations by Riyadh Municipality will create latent demand from commercial villa tenants, and require the provision of larger floorplate sizes

AVERAGE FLOORPLATE SIZE BY CBD



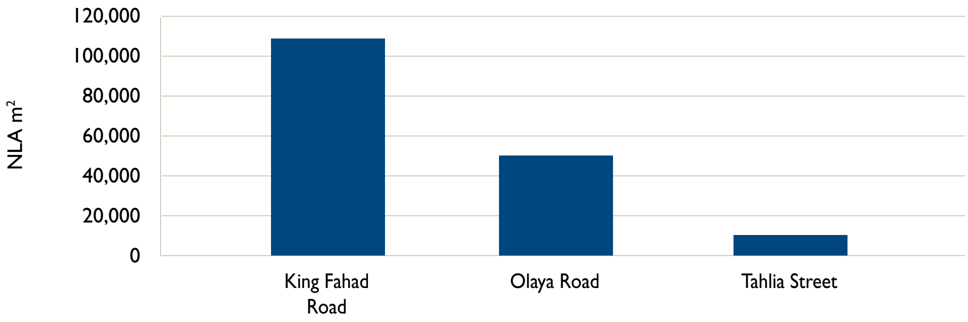
Unsatisfied demand for Primary Grade office space, with premiums commanded in the Kingdom and Al Faisaliyah Towers

PERFORMANCE INDICATORS

AVERAGE RENT:	US$ 336 per m² p/a
PREMIUM RENT:	US$ 775 per m² p/a
SALES PRICE:	US$ 4,000 per m²
AVERAGE YIELD:	8.4%
VACANCY RATE:	9%

Majority of forthcoming supply concentrated on the King Fahad Road, targeting Class A tenants

RIYADH FORTHCOMING OFFICE SUPPLY (2010)



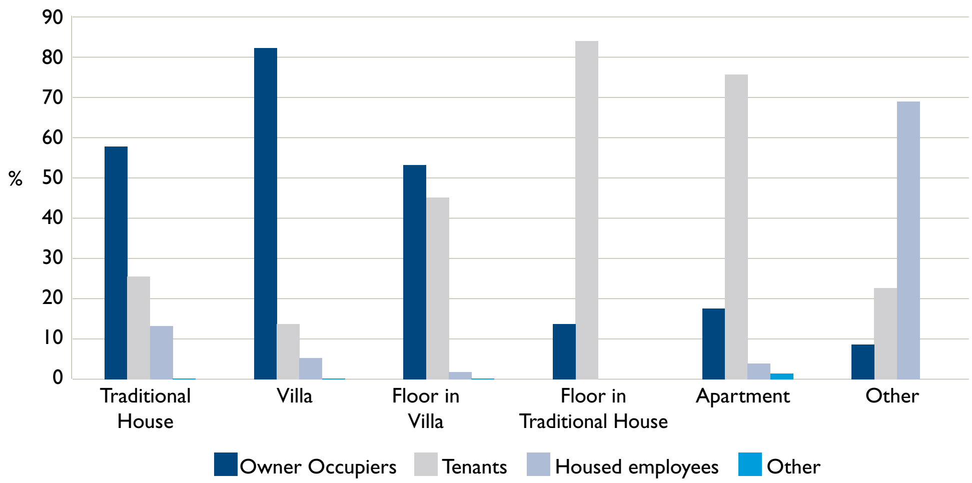
Riyadh's formal office space provision is concentrated on the King Fahad and Al Olaya Roads, also called the 'Golden Belt'. In addition to this primary CBD area, there are a number of secondary CBD areas with concentrations of low rise, secondary grade office space, including the Mecca, Tahliya, Dhabab, Al Ma'ather and Al Siteen Roads. A historic shortage of adequate office space and traffic congestion on these major commercial arteries has compelled some office occupiers to seek alternative options, including the conversion of residential villas into commercial premises. Occupiers of this space have been instructed by the Municipality that commercial use of residential property will no longer be permitted, which will provide an additional demand driver that will help to absorb supply currently under construction.

Ar-Riyadh Development Authority statistics indicate that there are 16,500 formal commercial office buildings across the city, though commercial villas are not included within these records. Our research suggests that the majority of these buildings are G+3 in secondary CBD areas and G+8 – G+20 in the primary CBD. Current Class A and Class B office occupancy rates in Riyadh are over 91% and 74% on average respectively. It is noted that certain older, lower quality buildings in poor locations have begun to suffer reductions in rates and occupancy as new supply has entered the market.

Due to a lack of international Class A office buildings in Riyadh, the 'iconic' Kingdom and Faisaliah Towers constitute a market segment of their own. They command substantially higher rent premiums than the rest of the market, and report occupancy levels of 95-100%, with extensive waiting lists. Our research indicates that potential buyers are currently offering prices and transacting buildings at yields of around 7.5-8%, reflecting a strengthening sector.

Our research has identified 21 office buildings under construction in the primary CBD area, with a total NLA of approximately 186,400m², of which 37% of the total NLA is expected to be delivered during the remainder of 2008, with the rest scheduled for completion by the end of 2009. With notable exceptions, such as the Al Waseel Building, Al Anoud Tower and Dream Tower on King Fahad Road, the majority of developers are electing to build to lower elevations. Even so, new products on the King Fahd and Olaya Roads will almost exclusively address the needs of primary grade office occupiers. Conversely, the largest volume of demand entering the market in the short to medium term will be from tenants previously occupying commercial villas, indicating a shortage of Class B space looking ahead. Overall, strong economic growth and marked improvements in the business environment (with a concurrent increase in FDI) will support bullish office sector performance, barring a major downturn in global oil prices – to which the Saudi economy remains highly exposed.

DISTRIBUTION OF HOUSING STOCK BY TENANT PROFILE



Riyadh is Saudi Arabia's fastest growing housing market. Over the past fifteen years, the Saudi capital's population has grown at an annual rate averaging 2.2%. The Riyadh Development Authority forecasts an annual demand for 30,000 new residential units until 2023, indicating stronger domestic demand fundamentals when compared to expatriate driven markets in most other GCC countries. Demographic trends run converse to household income, however, necessitating a shift towards smaller units and more affordable housing looking ahead. At present, villa and other single-unit accommodation dominates Riyadh's residential stock, accounting for a 39% market share, followed by the apartments sub-market with a share of 36%.

The imminent introduction of the long-awaited mortgage law will serve as a core catalyst in a market where only 56% of the population are owner-occupiers. We expect continued higher volumes of sales transactions (some of which is speculative), with a complementary hardening of yields from current averages of 9%. As regional developers have entered the market, moreover, the traditional practice of selling empty plots within a large scheme for investors to develop on a piecemeal basis, is gradually shifting towards a preference for finished units.

The north of Riyadh currently enjoys the market premium for residential properties due to its relative proximity to the city's CBD, with an average selling price for villas of US$1,192 per m^2 and annual rents averaging at US$76 per m^2. Apartments transact at an average price of US$748 per m^2, whilst rents average at US$63 per m^2 per annum. Areas of lesser prominence include East and Central Riyadh, where sales and annual rental transactions average at US$ 1,000 per m^2 and US$67 per m^2 respectively, and West and South Riyadh where sales and annual rental transactions average at US$ 818 per m^2 and US$52 per m^2 respectively. Lease terms are generally weighted in favour of landlords due to market conditions, with half-yearly rental payments in advance. Across market, occupancy rates are estimated at 92%, increasing to 98% in residential compounds that house the vast majority of Riyadh's 'white collar' expatriates. The latter segment operates as a market of its own in terms of commanded rents and cultural practices, though developers have opted to focus on the domestic market, given the opportunity to sell stock off-plan and on the secondary market.

The Riyadh Development Authority has estimated that housing demand will increase by 60 % over the next two decades with a projected housing stock of 1.5 million units required by 2018, up from a current total stock of 750,000. These strong demand fundamentals have encouraged extensive master-planned development activity in the city, and particularly towards the north of city. Although many of these developments mirror regional trends of targeting high-income segments by default, one of Saudi Arabia's largest developers, Dar Al Arkan, has focussed on middle-income segments – a trend which if followed by other developers, will enhance the long term performance of the Riyadh housing market.

Strong domestic demand translating into need for smaller housing units

New mortgage law expected to boost pure investor and owner-occupier activity

PERFORMANCE INDICATORS

AVERAGE RENT:	US$ 64 per m^2 p/a
PREMIUM RENT:	US$ 76 per m^2 p/a
SALES PRICE:	US$ 727 per m^2
AVERAGE YIELD:	8.8%
VACANCY RATE:	8%

Additional 30,000 new units needed per annum for next 15 years

Extensive development activity towards the north of the city to meet demand

DEVELOPMENT SNAPSHOT*

PROJECT	UNITS
DURRAT AL RIYADH	843
AJMAKAN	300
SHAMS AL RIYADH	8,000
AL BAYT	400

* This table does not constitute an exhaustive list of forthcoming supply

Growth of Riyadh's shopping mall supply continues

Increasing integration of entertainment amenities, and introduction of anchor tenants and international brands

Total shopping mall supply expected to increase by a further 636,800 m² over the next four years

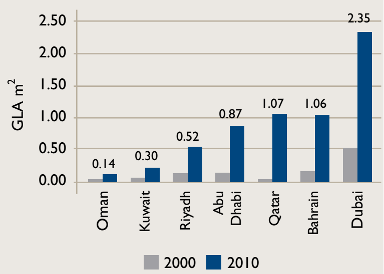
DEVELOPMENT SNAPSHOT*

PROJECT	YEAR	GLA m²
SALBOUKH MALL	2009	26,400
PANORAMA MALL	2009	130,000
RIYADH AVENUE	2010	53,000
ETHRA MALL	2010	42,000

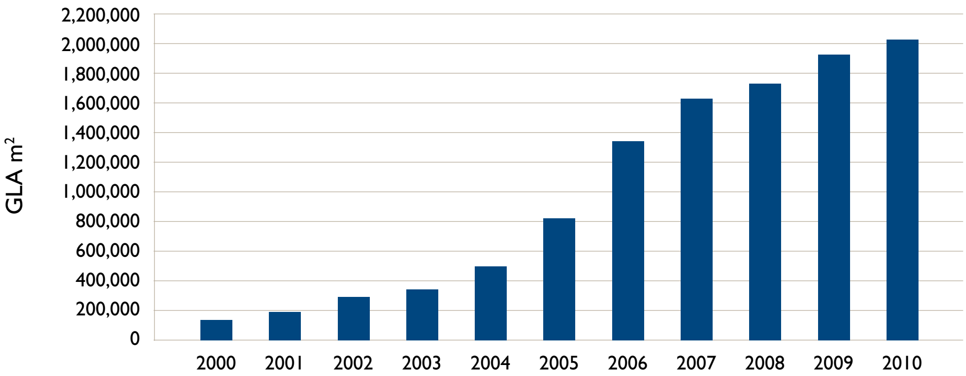
* This table does not constitute an exhaustive list of forthcoming supply

Demographic growth fundamentals and shopping as primary form of entertainment outweigh scale of forthcoming supply, translating into a bullish retail market outlook

GCC RETAIL MALL GLA PER CAPITA



RIYADH CUMULATIVE SHOPPING MALL SUPPLY



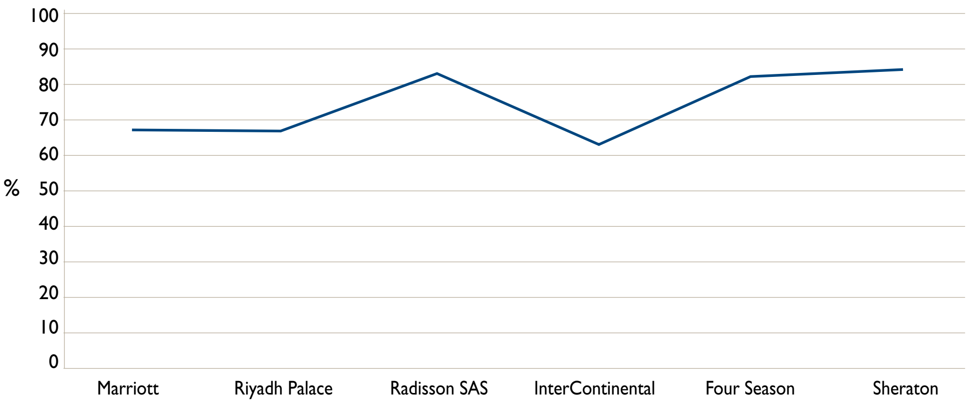
Evolving shopping and lifestyle habits in the capital have served as a catalyst for growth of shopping malls. As retail is one of the few leisure activities in Saudi Arabia, recent retail developments in Riyadh have positioned themselves as entertainment venues, within the confines of prevalent cultural norms. Many newer shopping malls have provided an entertainment section geared towards a young consumer base, whilst targeting their tenant mix towards the crucial family weekend shopper market, which necessitates the provision of food and beverage outlets. Increasing competition over the past two years has also seen the introduction of anchor tenants in shopping malls – primarily hypermarkets, but also fashion stores in some cases. There has also been a marked trend in the entry of international brands into the Saudi market over the past three years, where they have found a strong customer base defined by a young, increasingly image and brand conscious consumer market. With a number of exceptions, the majority of these brands target middle-income shoppers at present.

Over the past four years, gross leasable area (GLA) supply has increased by almost 73% with average annual growth of 27%. Malls with GLAs of 20,000 – 50,000m² account for the largest number of retail developments in the city, and rental rates currently average at US$ 470 per m² per annum, reflecting the impact of a substantial increase in GLA across Riyadh. This has also precipitated a gradual shift towards shorter tenancies, which are now heading towards more competitive three year lease terms. Past practices indicated five-year lease terms, without break clauses or rental reviews during the period. Riyadh's prominent Al Mamlaka shopping mall attracts annual rents of US$810 per m², commanding a rental premium due to its focus on high-end, luxury brands.

We forecast substantial growth in Riyadh's shopping mall GLA over the next four years, with an additional 636, 800m² of retail expected by the end of 2012, in various areas of the city. Strong demographic growth trends, however, means that Riyadh's GLA per capita is unlikely to exceed 0.50 m² over this period – which remains low when compared to other GCC markets.

We therefore expect a strong performing retail market in the medium term, despite cultural constraints that prohibit the provision of entertainment amenities such as cinemas, for example. The core driver for retail performance will be disposable income – according to a National Commercial Bank report in 2007, total retail potential in the Kingdom is US$ 35bn. This is derived from an estimated 3.77 million households in Saudi Arabia, an average household income of US$45,000 and an assumed disposable income percentage of 20% according to the General Commission of Tourism and Antiquities.

5* HOTEL OCCUPANCY RATE



With a total of 82 hotels and 8,000 rooms, Riyadh accounts for only 7.7% of total supply in the Kingdom, translating into a moderately sized but highly profitable hospitality sector – the Saudi capital is second only to Abu Dhabi in reported GOPPAR (Gross Operating Profit per Available Room) revenue in the MENA region. Hotels enjoy high occupancy rates averaging 83% in Q1 2008 (with occupancy rates of 88.5% during the high season), and 92% growth in ARRs over the past five years to a current average of US$249, driven by corporate demand growth. RevPAR has grown by 147% over the same period, to a current average of US$206. The Four Seasons and the Al Faisaliah (operated by Rosewood) account for Riyadh's international 5* Deluxe hotel offering. The Intercontinental and the Sheraton constitute the international 5* segment, whilst the Al Khozama (also operated by Rosewood), Marriott, Radisson SAS, Holiday Inn Olaya and the Holiday Inn Minhal account for the international 4* market.

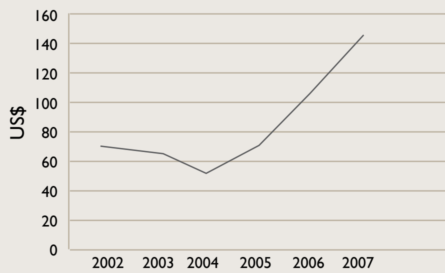
Demand for hotel accommodation in Riyadh is overwhelmingly derived from business tourism. Growth in foreign investment, along with the development of the industrial and real estate sectors, has resulted in rapidly increasing demand. At present, there is a reported tendency for Middle Eastern visitors to prefer hotel accommodation at the upper end of the spectrum, with larger proportions of European and Asian guests staying in hotels of international 4* quality. The leisure tourist segment accounts for only a small market share of Riyadh's current hospitality industry, and is expected to remain the case for the foreseeable future. According to the Supreme Council for Tourism, Riyadh accounts for 19% of the total leisure trips in the Kingdom, though the vast majority of this demand is from family visits and returnee expatriate Saudis, and fluctuates with seasonality. A niche market targeting female business and leisure guests has also emerged, with the soft opening of the Luthan Hotel in March 2008 – preliminary results report occupancy rates nearing 100% during the high season, and 60% during the low season.

There are several new hotel properties currently under construction in the city, some of which have already secured agreements with international operators. We anticipate the completion of 1,470 new hotel rooms by Q2 2010, with four and five star hotels accounting for the majority of forthcoming supply – notable hotels include the Movenpick, Novotel, Holiday Inn and Courtyard by Marriot. We expect that both segments will experience short term performance declines as new supply is delivered over this period, followed by a recovery and steady growth in occupancy of 0.4% per annum in the medium to long term, despite the onset of additional supply between 2011 and 2013.

2nd highest Gross Operating Profit Per Available Room in the region

Strong performance growth driven by corporate demand

REVPAR GROWTH



PERFORMANCE INDICATORS

MARKET OCCUPANCY:	82.8%
5* OCCUPANCY:	77%
ARR:	US$ 240
REVPAR:	US$ 206

We expect an additional 1,470 rooms by Q2 2010, representing an 18.5% increase in total supply

We forecast steady performance growth over the long term, with niche market positioning opportunities available

Increased economic activity has brought about a shortage of supply due to the increase in the number of new local and international companies

PERFORMANCE INDICATORS

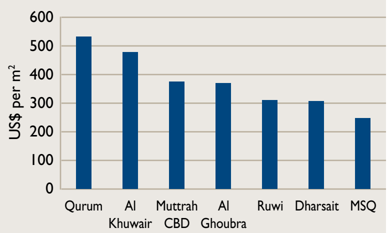
AVERAGE RENT: US$ 374 per m² p/a

PREMIUM RENT: US$ 350 per m² p/a

VACANCY RATE: 10%

Office rents have escalated due to the shortage of supply in the immediate term, witnessing an average YOY increase of 33%

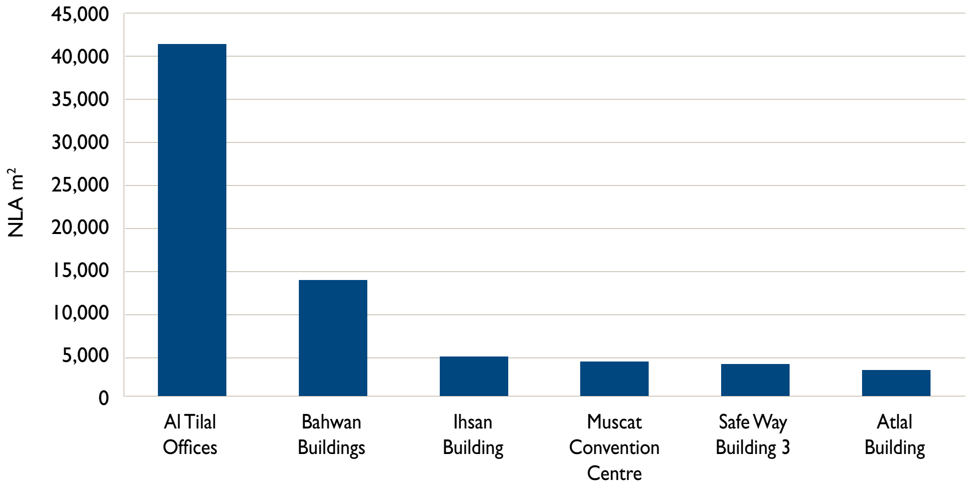
ANNUAL OFFICE RENT



Planned commercial developments are attempting to address the current shortcomings of available office space and parking provision, and will deliver larger unit sizes of 150m² on average

We expect approximately 68,000 m² of NLA to enter the market by 2010

MUSCAT OFFICE DEVELOPMENT SNAPSHOT



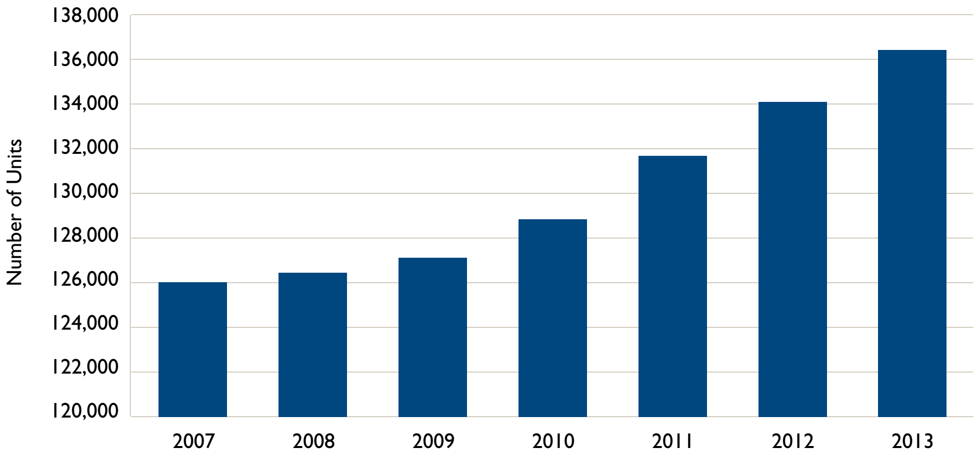
The office property segment has experienced a paradigm shift in its demand-supply dynamic over the last few years. Historically a stagnant market characterized by weak demand, increased economic activity has now brought about a shortage of supply due to the increase in the number of new companies, both local and foreign, setting up operations in the Sultanate. As expected, the increased demand for office space has induced a concurrent increase in office rental rates, registering YOY rental increases of 33% in Q3 2008.

The current market trend of unsatisfied demand is most pronounced for Class A office space. Whilst there is a defined CBD in Muscat located in Muttrah, existing office space does not meet international standards when factoring in design, maintenance and parking provision. Although the CBD enjoys occupancy levels close to 100%, the ageing conditions of many of the buildings, inadequate facilities, the lack of parking space and associated traffic congestion in the area have compelled occupiers to seek alternative areas for office space. Central and West Muscat – including the areas of Qurum, Madinat Sultan Qaboos, Al Khuwair, Ghala, and Azaiba – have witnessed a concentration of new office developments and industrial parks accommodating relocating companies, together with new entrants into the Omani market. These emerging business areas are set to expand further given the availability of vacant land plots therein. Adequate parking space provision as well as relatively smoother traffic flows have diverted commercial space demand to areas such as Qurum Business District and Al Khuwair, which command the highest average office rentals, standing at US$ 528 and US$ 468 per m² per annum respectively.

In response to the current shortage of supply, close to 80,000m² of new office space will be delivered by 2010, with a further 40,000m² upon the completion of the Wave Muscat development in 2014. In an indication of trends in the immediate term, 20,000m² of space scheduled for delivery this year has already been let. Independent mixed-use buildings are also being constructed in Al Seeb and Bowshar which are scheduled to come onto the market by the end of 2008 or early 2009. In meeting the demand characteristics of the market, forthcoming office space will be delivered in shell and core for the most part, with the inclusion of all necessary utilities plus advanced data telecommunication facilities.

Whilst regulatory constraints on construction limit the development of high-rise buildings in Muscat – which would naturally provide a more profitable investment opportunity in terms of land use – the Muscat office market's anticipated healthy demand-supply dynamic, where sustained economic growth meets with controlled, intermittent office supply provision, means that prospective investors are likely to achieve sustainably high occupancy levels. This positive outlook is on the assumption that no new large scale office developments are announced within the next five years that would risk tipping the market into oversupply.

MUSCUT CUMULATIVE RESIDENTIAL SUPPLY



The residential sector in Oman has witnessed sharp demand increases in the last three years. Strong economic activity has amplified domestic as well as foreign investments, leading to higher influxes of expatriate workers. As a result, the residential market is currently witnessing major supply deficits. According to latest official data from the 2003 Census, the total number of housing units in the Governorate of Muscat was 118,473, representing a 33% increase since a 1993 census was carried out. Using Muscat Municipality statistics on new residential plots permits as our base, we estimate that an additional 5,680 units were completed between 2004 and 2007 – a modest increase when compared to other regional markets. Market rent averages have registered YOY growth of 28% between 2007 and 2008 – increasing to 45% in prestigious areas such as Qurum and Al Khuwair. In addition, Royal Decrees which granted foreign ownership rights to GCC nationals in 2004 and to foreigners in 2006, have substantially increased investment demand from both speculators and owner-occupiers alike.

Recent construction trends indicate that Muscat is shifting west, towards Seeb, in close proximity to the International Airport. The fastest growing areas in Muscat today are Al Khuwair, Al Azaiba and Al Ghobra. The area between Al Ghobra and Al Azaiba is fast developing into one of the most sought after addresses in Muscat. Developers have switched their focus to this area and are implementing plans for several new residential and commercial complexes. This, in addition to its proximity to the Ministries' Area in Al Khuwair, makes it popular with segments of Oman's skilled expatriate population, particularly Europeans. Due to increased demand, prices have seen high growth in the last two years, but still remain more competitive than other areas such as Qurum Heights.

We expect the delivery of approximately 11,850 new units by 2014. Given topographical constraints in the city, over 90% of forthcoming supply will be integrated within master-planned developments. The Wave, Blue City and Salam Yiti – 'residential resort' concepts benefiting from large beachfront plots – will provide the largest volume of residential supply, supported by a number of smaller hospitality focussed developments providing supporting residential components, such as the Tilal Residences, The Malkai and Muscat Hills. Assuming developments are completed to schedule, we anticipate a short-term supply glut in 2010, though we only expect a soft landing for the residential market, rather than a price correction. Whilst a strong proportion of forthcoming supply is targeted at the high-end segment, preliminary data gathered on off-plan absorption rates and investor profiles indicate substantial weekend and holiday home purchases from investors in neighbouring markets in the UAE and other GCC countries, reducing the risk of a 'boom-bust' scenario.

Strong economic activity has amplified domestic as well as foreign investments, leading to higher influxes of expatriate workers

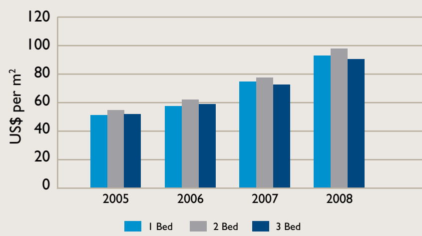
Muscat Municipality statistics shows that 7,648 new residential plot permits were issued in the four year period between 2004 and 2007

PERFORMANCE INDICATORS

AVERAGE RENT:	US$ 93 per m² p/a
PREMIUM RENT:	US$ 99 per m² p/a
SALES PRICE:	US$ 1,895 per m²
AVERAGE YIELD:	4.9%
VACANCY RATE:	2%

Market rent averages have demonstrated YOY growth of 28% between 2007 and 2008

AVERAGE RESIDENTIAL RENTS



We expect the delivery of 10,300 units over the next five years, most of which will be integrated within master-planned developments

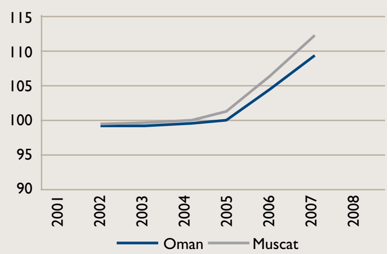
Stable macroeconomic conditions have increased consumers' disposable income and reinforced domestic demand

Shopping mall Gross Leasable Area (GLA) in Muscat is currently 205,400 m²

AVERAGE ANNUAL RENT

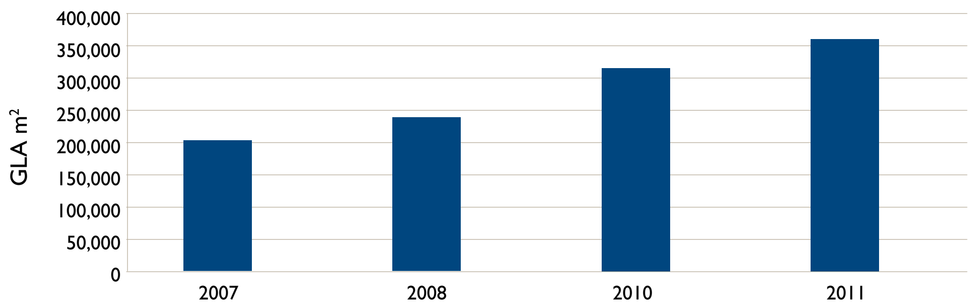
Increases in disposable income has contributed to double-digit inflation this year

GENERAL CONSUMER PRICE INDEX



Muscat retail leasable area is set to reach 359,000 m² GLA by 2011, representing 0.12 m² of GLA per capita

MUSCAT CUMULATIVE SHOPPING MALL SUPPLY



Historically, Muscat's retail offering was limited to a number of small community shopping centres (with Gross Leasable Areas ranging between 1,500 and 13,000m²) spread across the city and street facing outlets. Over the past three years, however, the Sultanate's capital has seen a marked change to its retail landscape, moving from a market with no major retail malls to a market with considerable, and successful, primary grade retail space. Muscat's shopping mall supply is mainly concentrated in the areas of Qurum, Al Khuwair and Seeb. Core retail provision is complemented by a number of traditional souks, mostly located in the Muttrah area adjacent to Port Sultan Qaboos.

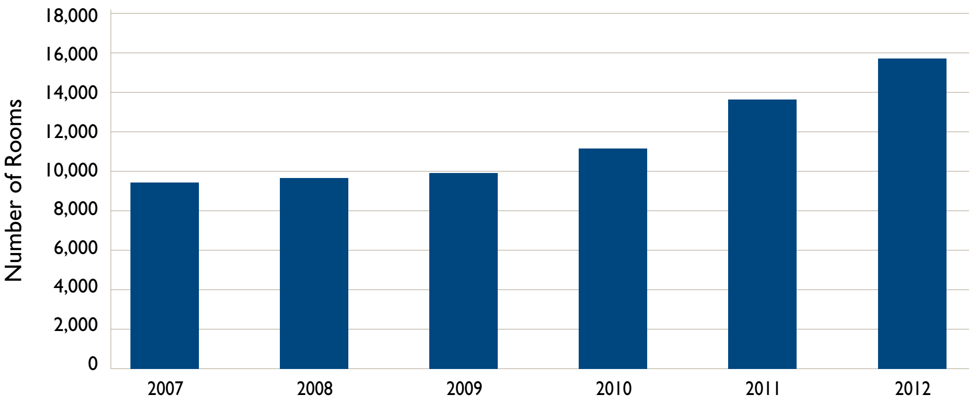
The supply of retail space in Muscat has increased dramatically since the opening of the Muscat City Centre Mall (MCC) in 2001, which remains the only mall regarded as being of international standard, and is credited with creating a paradigm shift within the market – by introducing a three year lease term for tenants. Asking rents in MCC command a significant premium above average market rents of US$440 per m² p/a. Moreover MCC also stands out in terms of size with 60,500 m² GLA; by comparison the leasable area of other shopping centres in Muscat that were announced between 2000 and 2007 averaged 13,500m².

On the demand side, strong growth of the local economy has increased consumers' disposable income and reinforced domestic demand. Historically commanding a smaller disposable income than their GCC counterparts with less exposure to international brands, and a lower proportion of high-income expatriates and tourists compared to neighbouring UAE, Oman's more recent positioning as a prominent regional tourism destination, strong economic growth and foreign investment fuelled by its growing LNG sector, and a labour market driven primarily by the local population, provide a solid base for increases in Oman's spending power. The number of high-earning Omanis working in the private sector, for example, has increased by almost 12% in 2008 compared to the previous year.

Global escalation in food and energy prices has driven inflation in Oman from a low of 3.4% in 2006 to a current of 5.9%. In order to tackle the negative effects of inflation on household income, the government increased public salaries according to income levels by an average of 28% last year, with private sector companies following suit and increasing average wages by around 25%. This short term measure, however, is likely to drive consumer inflation upwards looking ahead.

Muscat retail leasable area is set to increase from over 205,500 m² at the end of 2007 to around 359,000 m² by 2011, representing a 0.12 m² of GLA per capita (assuming the official annual population growth rate of 2.7%). The concurrent increase in international brand presence and leisure facilities planned for Muscat's forthcoming retail developments is set to retain greater income expenditure on retail within the Sultanate, as the impetus for Oman's upper-middle and high income segment to travel to Dubai to meet their shopping demands becomes less pressing.

MUSCAT CUMULATIVE HOTEL SUPPLY



The performance of the hotel industry in Oman has been remarkably bullish over the past four years, even despite the setback of Cyclone Gonu in June 2007. Oman's mountainous topography, natural beauty and coastline on both the Arabian Gulf and Indian Ocean, a concerted effort by the Ministry of Tourism to promote the country as a high-end cultural and eco-tourism experience, the positioning of boutique luxury hotels servicing this market; and economic growth have boosted leisure and business tourism visits to the Sultanate, and particularly its capital city. STR's 2007 Global Benchmark Survey ranked Oman as the "strongest growing market in the Middle East". Average RevPAR for Muscat hotels ranked as 3-star and above stood at US$ 152, a 53% increase over 2006.

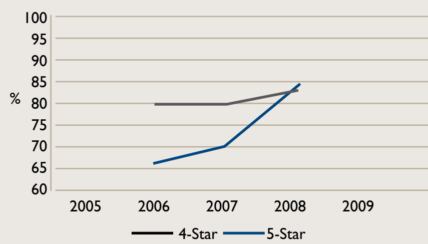
As of the beginning of 2008, Oman had 190 hotels and serviced apartment establishments, an 8.6% increase over 2006 figures. Room numbers witnessed a growth rate of 9.5% (CAGR) during the 2003-2007 period, rising from 6,475 to 9,300 rooms. At present, there are ten 5-star and sixteen 4-star hotels in Oman, of which six and nine respectively are located in the capital. Over the past six years, the supply of 4-star and 5-star hotel rooms in Muscat grew from 2,179 to 3,036 at an annual growth rate of 6.86%.

Muscat's hotels enjoyed an average occupancy rate of 84.2% in Q1 2008 with an overall Average Room Rate of US$ 275. RevPAR witnessed the strongest growth in the Middle East region to reach US$ 232 by in Q1 2008. Performance indicators for the 4 & 5 star hotel segment in Muscat have experienced even more robust growth than the market wide performance indicators, reaching occupancy all-time highs after the closure of Al Bustan, Sheraton Muscat and the Ramada hotel for major refurbishment works at the beginning of 2007, effectively depriving the market of 515 rooms, almost 17% of the total supply in Muscat. Average occupancy rates for 5-star hotels have increased by 20% YOY, touching 86.5% in the first quarter of 2008. Four-star hotels occupancy rates witnessed a less significant, 3% growth rate in 2008 reaching almost 83%. RevPAR for five-star hotels increased by 55% to US$ 281, whereas RevPAR for four-star hotels grew by 51% to US$ 211. Total hotel revenues for 2007 touched US$324 million (a 17.5% increase over the previous year) with room rents and food & beverage sales constituting around 55% and 36% respectively.

Robust hospitality performance has produced an expected investment surge in the sector: as of Q3 2008, there were 24 major hospitality projects comprising 4 and 5 Star hotels under construction or in late planning stages. These proposed developments are set to add 6,785 rooms to Oman's current 4 and 5 Star hotel room stock by the end of 2012. Most of the proposed projects are being developed in the Governorate of Muscat and they all tend to target the high-end and luxury tourism market.

Growth in business and leisure tourist visits has resulted in high occupancy levels and increasing average room rates – part of an overall boom in the hospitality sector

MUSCAT OCCUPANCY RATES

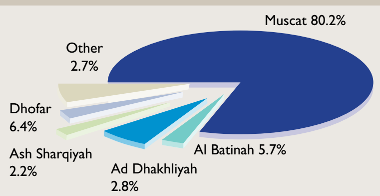


PERFORMANCE INDICATORS

MARKET OCCUPANCY:	84.2%
5* OCCUPANCY:	86.5%
ARR:	US$ 275
REVPAR:	US$ 232

Room numbers witnessed a growth rate of 9.5% (CAGR) during the 2003-2007 period, rising from 6,475 to 9,300 rooms

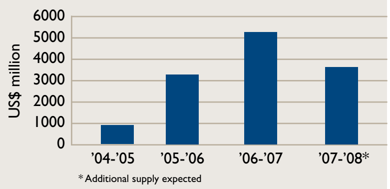
HOTEL REVENUES BY GOVERNORATE (2007)



Muscat has currently 24 major hospitality projects underway, adding approximately 6,700 rooms to existing 4 and 5* hotel room stock by 2012*

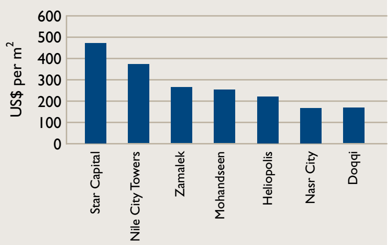
Robust GDP and FDI increases has driven the entry of new multinational organisations and the expansion of local business

NEW ESTABLISHMENTS AND EXPANSIONS



The entry of Nile City Towers and Star Capital to the Cairo office market, has increased the aggregated average rental price by 30.5%

AVERAGE ANNUAL OFFICE RENT

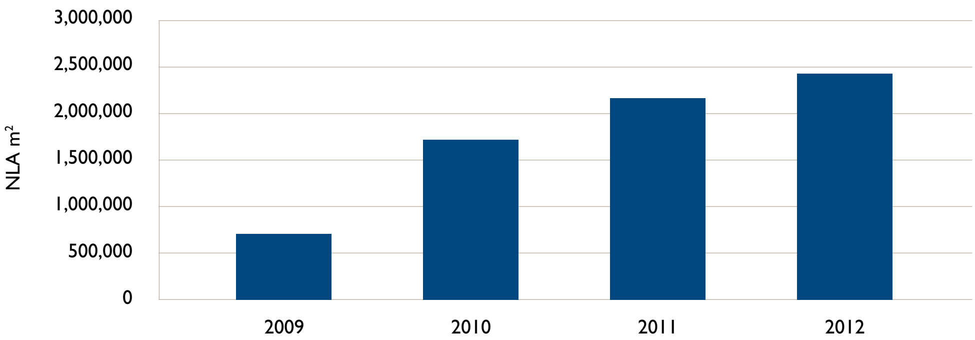


PERFORMANCE INDICATORS

AVERAGE RENT:	US$ 274 per m^2 p/a
PREMIUM RENT:	US$ 480 per m^2 p/a
SALES PRICE:	US$ 2,960 per m^2
YIELD:	9.3%
VACANCY RATE:	0.5%

We expect the delivery of 1.7 million m^2 of Class A office space by 2012, doubling Greater Cairo's Primary Grade office stock over the next four years

CAIRO CUMULATIVE OFFICE SUPPLY



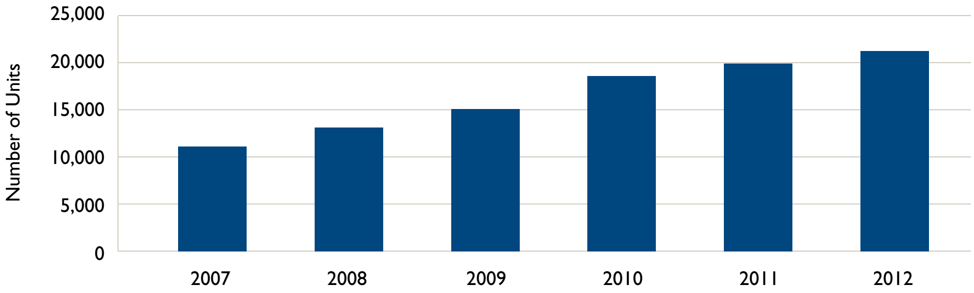
Occupancy rates of 100% in Cairo's limited Class A office stock has prompted the conversion of ground floor residential units into office space as a short-term measure. This practice, however, has only exacerbated the existing fragmentation of the office market. Cairo has no defined CBD, with office space scattered between converted units in the upmarket residential locations of Zamalek and Maadi, dedicated office buildings in Dokki, Mohandessein and Heliopolis (although largely of secondary and tertiary grade). These are complemented by a handful of dedicated primary grade office buildings on the Nile and in Heliopolis, and the gradual development of office space in the new communities to the East and West of the city – inspired by the success of the Smart Village IT and Business Park. Genuine Class A office space at present is limited to Nile City Towers in Downtown Cairo, and Star Capital (part of the larger CityStars complex) in Heliopolis, enabling them to command a significant rent premium of 80% over their nearest counterparts in Zamalek and Mohandessein.

The crux of forthcoming office development, which will bring total cumulative supply in Greater Cairo to 2.4 million m^2 NLA by 2012, is in the new communities of 6th October and New Cairo (to the West and East of the city respectively), with Moqattam representing the remaining high-growth location in central Cairo. With the exception of Phase II of Smart Village and Alkan Group's Cairo Financial Centre, forthcoming office space will be incorporated within mixed-use master-planned developments, highlighting an emerging trend of developers minimising risks by providing supporting amenities in close proximity.

The absence of a defined CBD in Cairo works to the city's advantage in light of congestion constraints and limited supply of high quality office space, providing the impetus for the development of new business parks on the outskirts of the city. We expect the cluster of commercial developments surrounding Smart Village on the Cairo-Alexandria Highway to emerge as the de facto business centre for blue-chip multinationals in the finance, IT and telecoms industries. Rather than there being one core CBD, however, current trends indicate a series of business clusters throughout the city emerging in the longer term. Significant opportunities exist for New Cairo to develop its own business clusters, encouraged by the expected delivery of Class A office space in Al Futtaim's Cairo Festival City, Eastown (a SODIC-Solidere JV), and Emaar's New Cairo City.

Despite significant increases in the availability of primary grade office space over the next three years, we are bullish on the market's prospects due to extensive pent-up demand for high quality space, intensified by new demand created out of strong economic growth. We therefore expect demand to continue to outstrip supply over the next three years, provided no new major projects are announced. The likelihood of development delays is expected to reinforce our anticipated demand-supply dynamic, which is forecast to translate into rental and capital value increases of 10% per annum until 2011.

CAIRO ANNUAL RESIDENTIAL SUPPLY



Cairo continues to attract the majority of investment activity in Egypt's residential market, and has accordingly seen the sharpest price increases in the country over the past two years. The focus of this price growth, however, has been in the new communities of New Cairo and 6th October, where property values have registered annual jumps averaging 75% since 2005, particularly in the price of land. The price per m² for finished units in these communities have also seen exponential growth over the past four years, with averages of US$150 per m² in 2004 rising to US$800 last year – representing a fivefold increase. Price appreciation in the established residential districts of central Cairo, whilst benefiting from the upturn in the real estate market, has been significantly slower due to market saturation factors. Despite investment activity in the upcoming communities, upmarket districts such as Zamalek, Maadi and Heliopolis still command the market premium overall.

Reliable figures on total residential supply in Cairo is made difficult by the fact that less than 10% of all properties in Egypt are actually registered, a symptom of historically cumbersome and expensive property registration requirements. According to the Ministry of Housing Utilities and Urban Development, 280,000 new housing units were delivered to the Cairo market over the 2006-07 period. Approximately 140,000 of these units were targeted towards the low-income segment, as part of the National Housing Project implemented in 2005. A further 40,000 units targeting middle-income markets were developed, with 15,000 high-end units. The remaining 85,000 units were accounted for in rural areas surrounding Greater Cairo, together with the re-development of collapsible residential buildings. In a significant development, the private sector built 95% of total units over this period.

Whilst the Cairo housing market is underpinned by solid economic and demographic demand fundamentals, the current focus on high-end developments in the new communities remains a concern – driven by the keenness of private sector developers to capitalise on unsatisfied and latent demand within the high-income segment for a higher quality of life in the suburbs. We expect an additional 60,000 residential units to be delivered to the market by 2013, the majority of which will be in New Cairo and 6th October City. In the short to medium term, economic growth, increased capital inflows, saturation in central Cairo, and demographic growth trends all point to demand outstripping supply over the next three years. We estimate existing pent-up demand within the high-income demographic to equate to 35,000 units, based on this segment's 5.2% share of total pent-up demand. Considering additional demand estimated at 13,000 – 18,000 units per year between this year and 2011, we expect moderate levels of price appreciation in the new communities over the next three years.

With no visible government levers in place to control the pace of development in 6th October and New Cairo, however, the risk of long term market oversupply within this target segment is considerable, placing an important emphasis on product quality, the integration of recreational facilities, and the provision of supporting retail, office and hospitality amenities within forthcoming master-planned communities. At the other end of the income spectrum, inflation of 23% since July 2007 – albeit driven by soaring food prices – has intensified affordability constraints for a large segment of Cairo's demand base.

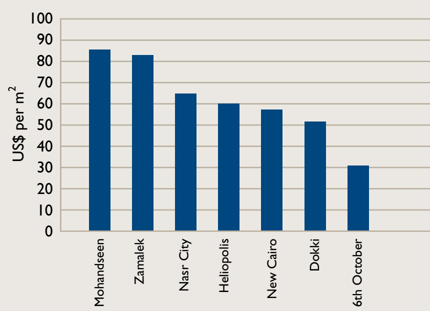
Significant movement of wealthy and upper-middle income Cairenes from the existing high-income areas to the new communities

Mortgage lending in Egypt stands less than 1% of GDP, in comparison to the USA at 65%, Europe at 45% and the UAE at 14%

PERFORMANCE INDICATORS

AVERAGE RENT:	US$ 63 per m² p/a
PREMIUM RENT:	US$ 86 per m² p/a
SALES PRICE:	US$ 1,006 per m²
AVERAGE YIELD:	6.3%
VACANCY RATE:	5%

AVERAGE ANNUAL APARTMENT RENT

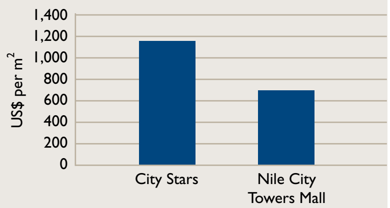


Approximately 280,000 new housing units were delivered to the Cairo market over the 2006-07 period, with 50% targeting the low-income segment

Retail component sector driven by economic growth and a decrease in import duties from 100%-150% to 20% three years ago

Footfall average of 25,000 visitors per day

AVERAGE ANNUAL RENT



Rent for high-end retail malls averages US$867 per m² pa

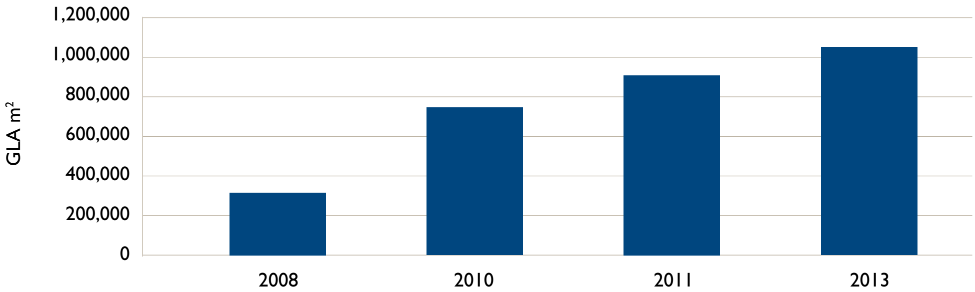
DEVELOPMENT SNAPSHOT*

PROJECT	YEAR	GLA m²
MALL OF AFRICA	2010	185.000
CAIRO FESTIVAL CITY	2011	154,000
UPTOWN CAIRO	2013	130,000

* This table does not constitute an exhaustive list of forthcoming supply

Current mall supply (high-end) comprises a total of 314,000m² (GLA), which is expected to increase by 173% to reach GLA 539,000m² by 2013

CAIRO CUMULATIVE SHOPPING MALL SUPPLY



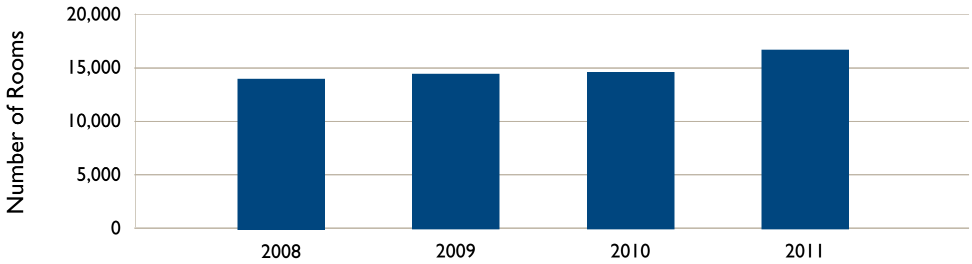
Cairo's retail offering has evolved from traditional souqs such as Khan Al Khalili (which remains a popular destination for tourists seeking a more authentic shopping experience, and for Egyptians as a pastime), towards 'high-street' facing outlets. Major shopping arteries in Downtown Cairo, Mohandessein and Nasr City constitute the mainstay of the Egyptian retail market. Although Cairo was first exposed to the shopping mall retail concept as far back as 1989 (with the opening of the YaMama Mall in Zamalek), growth of this particular retail segment has been cumbersome and cautious, due to historically slow economic growth and high tariffs on imported goods. Dictated primarily by the shopping needs of the middle-class, moreover, the provision of luxury and high-income goods were limited to a handful of boutique outlets in Zamalek, Maadi and certain 5* hotels – sufficient given the traditional practice of wealthy Egyptians satisfying their shopping needs while abroad on holiday or business.

A reduction in import duties from 100%-150% to 20% in 2005 marked a major turning point, for the retail sector and the shopping mall retail concept has since established a firm grip on Egypt's shoppers. The convenience factor of providing shopping, F&B and entertainment amenities under one roof, in a climate controlled environment, makes visits to shopping malls an increasingly popular leisure activity for middle to higher-income Egyptians. Prominent malls such as CityStars in Heliopolis, Maadi City Centre and Dandy Mall on the Cairo-Alexandria highway distinguish themselves based on several criteria; dedicated parking, ample supply of food and beverage restaurants, incorporation of entertainment and recreational amenities, the provision high-end and upper middle income international brands, and anchors by hypermarkets such as Carrefour and Spinneys. At the same time, the luxury goods market is in the midst of a boom, with the opening of numerous high-end boutiques and shopping arcades over the past few years, including the Galleria within the Grand Hyatt and Beyman in the Four Seasons.

According to the IMF, Egypt's GDP Per Capita last year was estimated at US$1,420, or US$2,244 when adjusted for Purchasing Power Parity (PPP). The EIU estimates current total disposable personal income at US$66bn (representing a modest growth rate of 3.5% since 1996), which translates into US$1,030 per person. Whilst this puts Egypt in the lower-income category when compared against global peers, the relatively small proportion of expenditure on housing costs does provide some scope for increases in disposable income, particularly in light of estimates forecasting steady growth in consumer expenditure of 3.8% per annum.

On the supply side, the influx of international goods at more affordable prices, and by extension the entry of more retailers into the market enabling economies of scale, will be facilitated by the continued liberalisation of Egypt's trade regime, due to its obligations under WTO membership and the EU association agreement. A second major tariff reduction was implemented by the government in February 2007, during which import tariffs were reduced on 1,114 separate items, including foodstuffs, raw materials and finished goods. The changes have reduced the weighted average of import tariffs from 9% to 6.9%.

CAIRO CUMULATIVE HOTEL SUPPLY



Cairo is Egypt's business hub as well as a popular tourist destination, which leads to a large inflow of both leisure and business travellers. Cairo had a total of 175 hotels as of the beginning of 2008, with a total of 14,590 rooms. Three star hotels have the highest proportion of the total, equivalent to 46 hotels and 32.2% of total supply. The market share of 5* hotels represented 18.9% of the total hotel distribution, accounting for 27 hotels. Although the majority of hotels in Cairo are within the 3* category, 5* hotels have the largest shares of hotel rooms, equivalent to 8,584 rooms or 58.9% of the total supply. The 4* category commands a 16.5% market share, equivalent to 2,411 hotel rooms.

Whilst hotel supply is distributed across the city, the three main areas of concentration are Heliopolis, the Nile strip and Giza. The guest profile of hotels located in Heliopolis is mainly business travellers, due to the area's close proximity to the airport and significant supply of office space. Prominent hotels in the area include the Fairmont Heliopolis, Meridien hotel and Intercontinental City Stars, all of which are marketed as business hotels. Hotels in Giza are focussed exclusively on leisure tourism given its proximity to the Pyramids, and include the Mena House Oberoi and the Movenpick. Hotels in this area derive the vast majority of their customer base from packaged tours, and are therefore more sensitive to tourism inflow volatility. The downtown Nile strip is considered to be the most prestigious hotel location in Cairo, and enjoys a mix of both business and leisure tourists given its location advantages. Prominent hotels include the Cairo Sheraton, Nile Hilton, Grand Hyatt (which has recently recovered lost revenues, following a temporary decision by its Saudi owner to ban the sale of alcohol on the hotel premises), Intercontinental and the Four Seasons – all offering views of the Nile. Land prices in this location are particularly high, due to prestige the area and the lack of available plots.

The St. Regis (Qatari Diar) and Nile Hotel (TMG) developments, both located on the downtown Nile Corniche strip, represent the last 'greenfield' hotel developments in central Cairo, due to land availability constraints. The focus of new hotel supply in central Cairo looking ahead will be on the redevelopment of existing sites, the regeneration of urbanised areas (such as Islamic Cairo or Giza) or the transfer of existing hotels into the hand of new operators, as in the case of the Ramses Hilton's transfer to the Ritz-Carlton group. The concentration of future hotel development will otherwise be in the new communities of 6th October and New Cairo. A common theme of these developments will be the integration of hospitality components within major master-plan developments.

Market conditions in 2011 will permeate an 'eat or be eaten' scenario for incumbent 5* hotels facing increased competition. The entry of hotels setting a new standard in quality (a process already underway) will require older hotels to upgrade their services, or face a de facto downgrading.

Tourist inflows into Cairo in 2007 were registered at 2.6 million visitors, representing a gain of 12.6% over the previous year

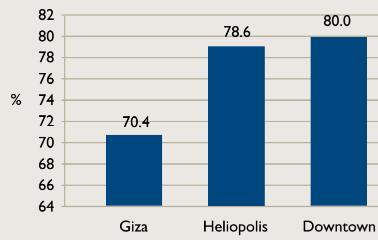
Hotels on the Cairo Nile strip command an ARR premium and achieve the highest occupancy rates in the market

PERFORMANCE INDICATORS

MARKET OCCUPANCY:	83%
5* OCCUPANCY:	85.5%
ARR:	US$ 125
REVPAR:	US$ 104

Although two hotels are under construction on the Nile strip, the concentration of forthcoming hotels will be located in 6th October and New Cairo

5* OCCUPANCY RATES BY AREA



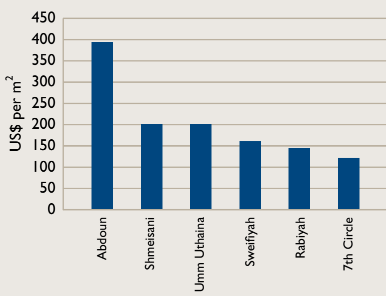
Largest concentration of dedicated office space in Shmeisani, with secondary concentration of 'Class A' office space located between the 4th and 6th Circles

PERFORMANCE INDICATORS

AVERAGE RENT:	US$ 203 per m² p/a
PREMIUM RENT:	US$ 395 per m² p/a
SALES PRICE:	US$ 3,960 per m²
YIELD:	10%
VACANCY RATE:	5%

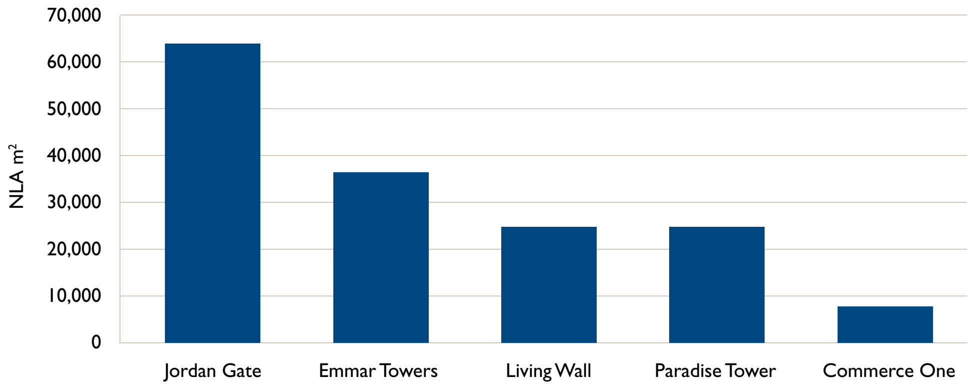
Average rental prices has increased by 64% between Q2 2008 and Q4 2008

AVERAGE ANNUAL OFFICE RENT



We expect over 426,000m² of primary grade office space to enter the market between Q1 2008 and the end of 2011, with the consolidation of Class A product in the Abdali master-planned development

AMMAN FORTHCOMING OFFICE SUPPLY



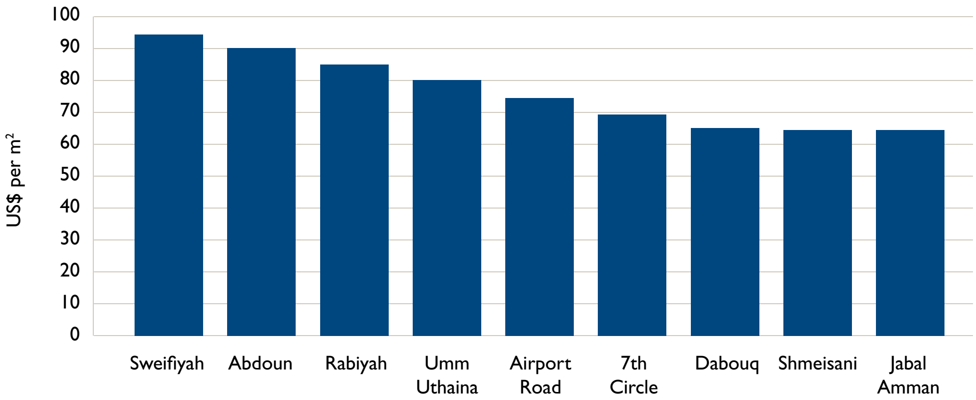
Despite the escalating demand for high quality office space is driven by increases in the number of regional and international companies establishing subsidiaries in Amman. the capital still lacks of a defined Central Business District and the supply of primary grade office space is scarce. The relatively poor quality of available office stock, combined with comparatively high rental prices due to the unsatisfied demand, has driven many office space users to purchase and convert residential villas for commercial use until suitable space becomes available. Amman is currently dominated by low rise, owner-occupied units disparately located throughout the city, with a greater concentration in districts to the west of the city centre.

The largest concentration of dedicated commercial space is in Shmeisani, the de facto financial hub of Amman at present. This area houses a number of Jordanian and International finance and insurance institutions, interspersed with residential apartment buildings, high street and boutique retail outlets and a number of 5* hotels. The existing boundaries of office space are expanding southwards to encompass Wadi Saqqra, a key artery for forthcoming office developments, given the availability of land. A secondary concentration of Class A office space is located between the 4th and 6th Circles, and includes the offices of international consulting and financial firms. This commercial artery expands southwards to encompass the retail hub of Sweifiyah (which also houses a significant proportion of converted office villas) to the south, and forthcoming office developments to the north – most notably the Jordan Gate. The remaining concentration of office space occupied by international and top-tier Jordanian tenants is accounted for by converted commercial villas in Western Amman, with key clusters including Abdoun (to the immediate south of Zahran), Umm Uthaina (in close proximity to Sweifiyah) and Rabiyah (to the immediate west of Shmeisani).

The Abdali project (located to the immediate South-East of Shmeisani), the Jordan Gate development off the 6th Circle and numerous developments along Wadi Saqqra will bring on a significant amount of primary grade office space to the existing office stock. The Greater Amman Municipality's Corridor Intensification Strategy, moreover, will support the Abdali scheme by planning for commercial space provision on key arteries surrounding the site, thereby ensuring that supply adequately meets demand over the next twenty years.

We expect over 426,000m² of primary grade office space to enter the market between Q1 2008 and the end of 2011, 340,000m² of which will be provided by developments within the Abdali master-plan. Beyond 2011, a further 162,000m² of office space will be delivered to the market within Phase II of Abdali, with completion scheduled for the end of by 2013. Forthcoming supply is expected to be well designed, high quality office space appealing to an international tenant base that will command premiums in the market, irrespective of the performance of developments elsewhere.

AMMAN ANNUAL RESIDENTIAL RENT



Residential stock in the city consists largely of low rise apartment buildings. Development has been haphazard, and much of the existing stock is in need of redevelopment. Supply growth of residential units in Amman has been relatively steady since 2000, with a current stock of 580,000 units. Overall residential unit supply in Amman grew by approximately 14,000 units (2.9%) in 2005, 11,000 of which were new apartment units. In 2006, supply growth was slower, with around 2,500 additional villas and 9,500 additional apartments completed in the city, representing a cumulative supply growth rate of 2.4%.

Residential apartments constitute the majority of residential units in Amman, predominantly within seven storey apartment buildings or less. High end apartment units are currently dispersed around the core commercial hubs of Shmeisani and Sweifiyah. Villa units targeting the high income segment are located primarily in Abdoun, around the 1st Circle (currently a merging concerted regeneration and conversation initiative) and around Dabuq to the north-west of the city (a high growth location that is emerging as a core retail and leisure hub targeting high-income and visitor segments. Key attractions in close proximity include the King Hussein Mosque, the Children and Aviation museums and the City Mall).

The focus of forthcoming residential supply will be on the Abdali development, which will bring a new and distinct product targeting high-income segment in Jordan. Preliminary estimates place total residential stock brought to the market by the Abdali development at 1,200 units by 2013, upon completion of Phases I and II. Strong sales performance and price premiums within Abdali of 250% over the market average are both a cause for bullishness and concern. On the one hand, absorption rates of 98% in The Heights and 100% in The Lofts (residential developments within the overall master-plan) reflect strong demand and investor tolerance to increasing prices. The negative downside to the price appreciation, however, has been the activity of speculative investors seeking to profit from further price growth. Over 75% of investors in The Heights have been pure-investors as opposed to owner-occupier thus far. It has been anecdotally reported, moreover, that the majority of take up has been for smaller apartments priced at the lower end of the scale. Whilst we expect prices to appreciate in the short term as Phase I developments near completion, and as Phase II is launched to a new round of investors, the sustainability of such high pricing relative to the overall market will depend on how effectively individual developments meet future demand on the part of owner-occupiers and end-users.

Looking further ahead, the GAM's Corridor Intensification Strategy will serve to increase the value of residential components within planned mixed-use redevelopments around the city centre, targeting the upper income demographic and non-resident Jordanians. The south of Amman, on the other hand, is a high growth location for development activity which will target middle-income segments – thereby effecting a shift in the current East-West demographic split of Amman, to one which is increasingly North-South.

Supply growth of residential units in Amman has been relatively steady since 2000, with a current stock of 580,000 units

PERFORMANCE INDICATORS

AVERAGE RENT: US$ 80 per m² p/a
PREMIUM RENT: US$ 95 per m² p/a
SALES PRICE: US$ 900 per m²
AVERAGE YIELD: 8.9%
VACANCY RATE: 10%

28.7% of Jordan's total population live in the low to middle income East of Amman, with a further 10.1% living in the middle to high income West of Amman

ABDALI DEVELOPMENT SNAPSHOT*

PROJECT	UNITS	COMPLETION
VERTEX TOWER	130	Q1 2010
THE COURTYARD	160	Q3 2010
THE HEIGHTS	132	Q3 2010
CENTRAL AVENUE	102	Q3 2010
THE LOFTS	92	Q3 2010

* This table does not constitute an exhaustive list of forthcoming supply

Off-plan one-bedroom apartments enjoying highest sales absorption rates, though attracting a higher proportion of pure investors

Approximately 1,200 units will be brought to the city's total stock upon completion of Abdali phase 1 and 11

Current total supply of shopping mall space in the city amounts to approximately 216,500m² GLA

Despite the notable improvements in the retail sector, there is not yet a mall on the market that can offer a shopping experience comparable to international standards employed in Dubai, Singapore or Hong Kong

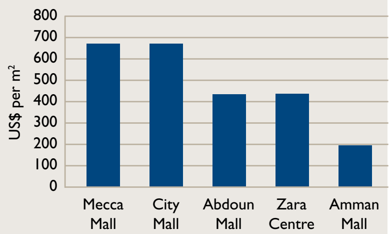
EXISTING SUPPLY SNAPSHOT*

PROJECT	UNITS	GLA (M²)
MECCA MALL	350	110,000
CITY MALL	60	55,000
ABDOUN MALL	70	12,000
AMMAN MALL	50	12,000
BARAKA MALL	90	16,000

* This table does not constitute an exhaustive list of existing supply

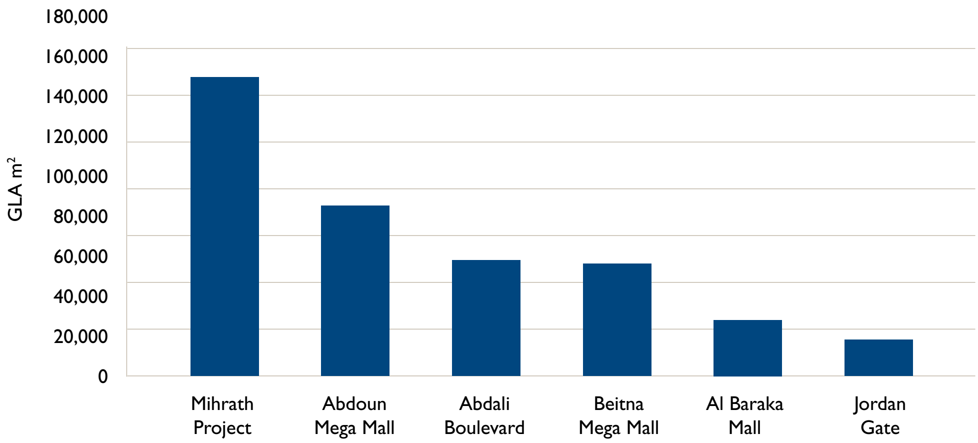
Existing mall supply concentrated in Western Amman

AVERAGE ANNUAL RETAIL RENTS



Total supply is expected to increase to 332,000m² GLA, a 65.6% increase, by 2011. The Abdali Boulevard will introduce a new retail offering combining street facing and mall concepts

AMMAN RETAIL DEVELOPMENT SNAPSHOT



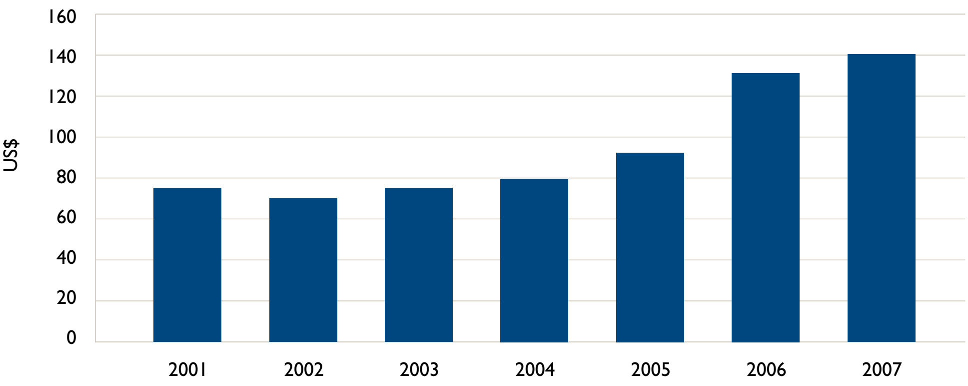
The retail sector in Amman has traditionally been dominated by independent, street facing retail units. The retail landscape has gradually shifted towards shopping malls since the beginning of this decade, driven primarily by a liberalised trade regime and the emergence of regional retail groups expanding beyond home markets in the GCC. Shopping mall supply is concentrated primarily in Amman's high-income districts of Abdoun, Sweifiyah and Tlaa Al Aali (home to the City Mall and Mecca Mall), located in West Amman.

With the recent opening of the Baraka Mall in Sweifiyah, total supply of shopping mall space in the city has reached approximately 216,500m². The arrival of new major international brands have provided further impetus to the mall sector. Passing rents in older properties reflect fixed, long lease terms agreed by landlords. Newer malls have achieved a sharp escalation in rental prices over the more long serving buildings. This reflects the growing acceptance of regional market practices, and the growing confidence of retailers in retail mall units.

Nevertheless, street facing retail units remain an important and popular segment of the city's overall retail provision, given a favourable climate and weaker spending power when compared to GCC markets. The concept of a shopping mall as an entertainment destination in itself is therefore yet to be established in Amman, and forthcoming shopping mall supply will also compete with retail supply integrated within mixed-use developments.

The Greater Amman Municipality (GAM) has emphasised the incorporation of retail within mixed-use developments in its long term plan. The prototype for this strategy is the Abdali Boulevard, which provides a central retail and entertainment spine surrounded by residential, office and hospitality products targeting high-end markets. Part of Amman's first master-planned development, the Abdali Boulevard will benefit from attracting residents, office tenants and guests in the immediate catchment area, as well as external visitors. We accordingly expect Abdali Boulevard to command a market premium, provided it can attract prestigious international brands befitting the overall concept. We also expect the integrated retail model to be replicated across the city over the longer term, as mixed-use developments become market practice in Amman.

AMMAN HISTORIC 5* HOTEL ARRs



The hospitality sector in Amman has been in a period of transition in recent years. The volume of internationally operated hotel room supply in the city has played a major contributory role in constraining ARR growth, along with the external shocks to which Amman's hospitality sector has been subject. At present, five-star and four-star hotels are concentrated in Sweifiyah, Shmeisani and around Zahran between the 1st and the 4th circles – areas dominated by high-end residential and primary grade office buildings.

Amman derives its hospitality sector demand from a number of sources. As is the case in the city's other real estate sectors, demand related to the security situation in Iraq has bolstered the market, with Non Governmental Organisations, contractors and journalists commonly pass through Jordan. A second major source of demand for hotel accommodation in Amman is Jordan's popularity as a Meetings Incentives Conferences and Exhibitions (MICE) destination. Whilst the bulk of conferences and exhibition facilities are located on the Dead Sea and near to Petra, hotels in the city report that the majority of delegates will spend at least one night in a hotel in Amman during their visit. The third primary source of demand for hotel rooms in Amman is leisure tourists. In a similar manner to MICE visitors, a significant number of these visitors pass through Amman's hotels for between one and three nights as one of the destinations on their tour of Jordan. The fourth, and largest, source of demand for Amman's hotels is business travellers.

The bulk of the city's premium hospitality stock is business oriented, and this remains unlikely to change for the foreseeable future.

The growth in the hospitality sector has led to an achieved average room rate of over US$130. There has been a downturn in occupancy rates to an average of 54.5% in Q1 2008, down from 67% in 2007. Performance levels are expected to stabilise assuming that the impact of external shocks can be constrained.

Some new hotels are under construction or planning, but additional room supply remains limited when compared to the scale of forthcoming supply in other regional markets such as Dubai, Abu Dhabi and Doha. Supply of 5* hotel rooms is expected to increase by 1,320 rooms over the next three years, representing a 12.6% increase in overall stock. Beyond 2010, the prospects for the sector are dependent upon what proportion of additional hotels under planning actually enter the market. In the short term, current construction schedules mean that the city's hotels will enjoy at least three years of strong performance. At a reasonable level of demand growth, the sector could sustain approximately 1,000 additional 4* and 5* hotel rooms over and above those already under construction during the next five years. Construction of a greater volume than this would be likely to challenge the profitability of the sector as a whole in the medium term and longer term.

Amman has currently a total of 137 hotels

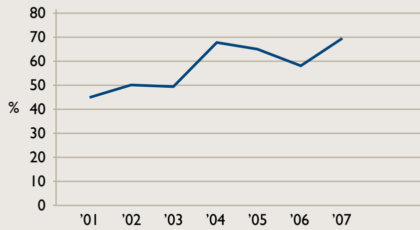
Jordan tourism inflows reached 3.4 million in 2007

PERFORMANCE INDICATORS

MARKET OCCUPANCY:	54.5%
5* OCCUPANCY:	59%
ARR:	US$ 130
REVPAR:	US$ 83

The market has undergone a recovery since the bombings of three hotels in 2005, with the entry of premium 5 hotel brands, domestic economic growth, regional geopolitical developments and improved security measures.*

HISTORIC 5* HOTEL OCCUPANCY

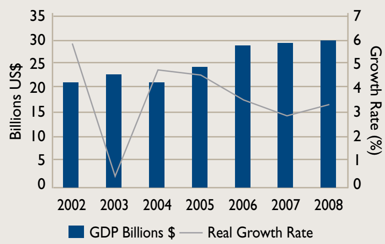


By 2011, Amman will have 3 new hotels comprising a total of 1,320 rooms

Office space within dedicated buildings in the Syrian capital comprises approximately 130,000 m² NLA, most of which is of secondary and tertiary grade

Steady economic growth in the context of an improved geopolitical environment, has driven the conversion of residential ground floor units into office space by new market entrants

SYRIA GDP AND REAL GROWTH RATE



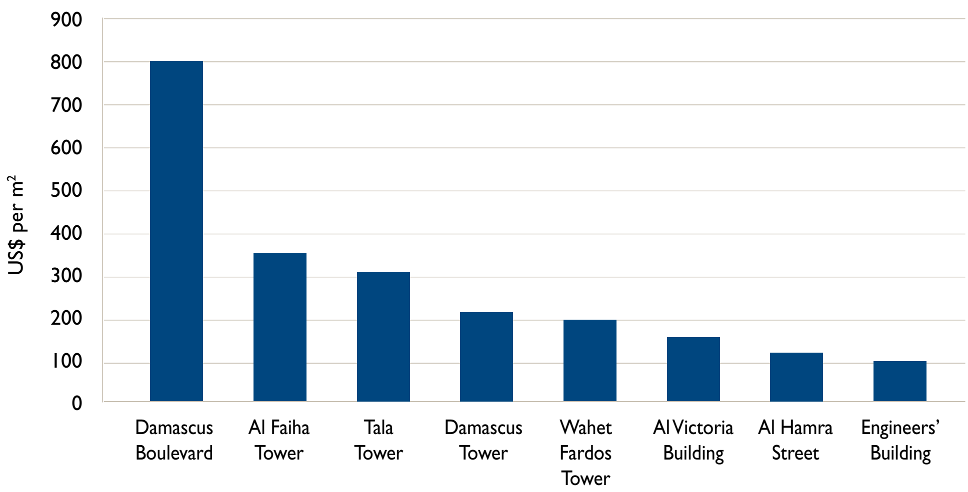
The Damascus office market is immature and fragmented, with high yields driven by inflated rental rates, in turn determined by the market's demand-supply dynamic as opposed to quality of product

PERFORMANCE INDICATORS

AVERAGE RENT:	US$ 285 per m² p/a
PREMIUM RENT:	US$ 800 per m² p/a
SALES PRICE:	US$ 2,600 per m²
YIELD:	11%
VACANCY RATE:	13%

Recently completed and forthcoming developments show a trend towards the integration of office space within mixed-use developments

DAMASCUS ANNUAL OFFICE RENT



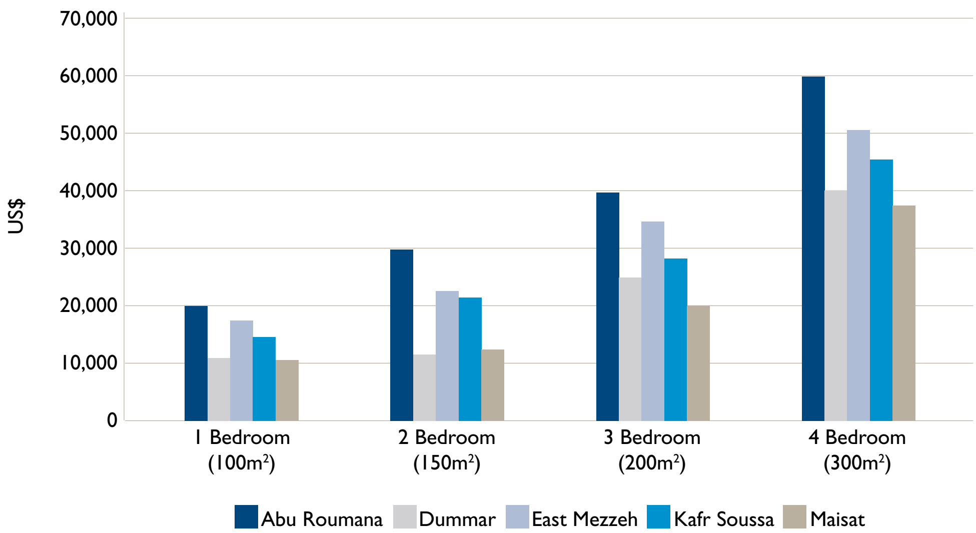
Demand for Class A office space is driven by the entry of private banks and insurance companies into the Syrian market. This is complemented by the gradual increase in Syrian subsidiaries of multinational organisations, the growth of the Syrian private sector, the repatriation of Syrian nationals in response to increased investment opportunities, and an annual growth in the labour force of 4.5% per annum. Demand growth, however, has been met with a shortage of international grade office supply, given that the traditional Central Business District (CBD) of Damascus comprises office buildings built in the 1970s and 1980s, which are predominantly suffering from outdated design and poor upkeep.

The inadequacy of office space in the Downtown CBD has brought about a fragmentation of office space throughout the city, first in the district of Salhiyah to the immediate northwest, and then in the emerging business hub of Mezzeh. The development of purpose-built office buildings in these areas has been complemented by the conversion of residential buildings for commercial use, particularly in the upmarket districts of Abu Roumana and Mezzeh. Further fragmentation to the office market is caused by the trend of international companies establishing offices in the Baramkeh Free Zone, conferring the dual benefits of a reduction in market exposure risk and the provision of higher quality office space. Nevertheless, demand continues to outstrip supply of office space, driving up sales and rental prices on the basis of a lack of available alternatives rather than quality of product. The exception to this overall trend is the rental premium commanded by office suites within the Damascus Boulevard development – a commercial and hospitality complex incorporating the Four Seasons Hotel, Rotana Café and a number of luxury boutique outlets.

Our survey of forthcoming office provision in Damascus reveals a marked reluctance on the part of private sector developers to construct purpose-built office space, opting instead to incorporate office components into mixed-use projects. With the exception of the forthcoming Souk Al Hejaz project located in Downtown Damascus, the majority of forthcoming Class A office supply will be located in 'New Damascus'.

The potential consolidation of office space in the Sabboura and Yafour district, due to planned office space within the MAF and Emaar mega-projects, raises the prospect of a new 'satellite CBD' – an idea that has been repeatedly proposed by the government over the past few years. This prospect is enhanced by the provision of Class A office space with adequate parking provision and supporting retail, residential, hospitality and leisure products. We expect a migration of corporate tenants towards these new office districts as Class B and Class C occupiers seek to benefit from the prestige, design and accessibility gains that 'New Damascus' will offer.

DAMASCUS APARTMENT RENTS BY LOCATION



An increase in demand for housing has been met by a marked shortage of residential supply in Damascus. This is due to a historic dearth of private sector development activity, and insufficient provision by the government and housing co-operatives. Population growth rates averaging 6% per annum in Metropolitan Damascus have compounded supply constraints, intensified by the establishment of Iraqi communities in suburban districts such as Jaramana and Sayyeda Zeinab to the south of the city. The injection of capital into the Damascus residential market on the part of foreign investors due to regional conflict has been complemented by the repatriation of Syrian nationals living in Lebanon following political tensions, with the concurrent diversion of savings traditionally held in Lebanese banks into real estate assets back home.

Excess demand in the Damascus residential real estate market has led to considerable speculative investment activity, applying further upward pressure on both sales and rental transactions. The inflationary characteristics of residential property have been intensified by the absence of 'fair market value' transactions, due to a history of price fixing imposed by government bodies. As such, average sales prices have increased by approximately 20% over last year, whilst rental rates have witnessed increases of between 30-40%.

Whilst appreciation of rental rates remains considerable, these pale in comparison to 2007 growth rates of 130% in rents over the previous year.

The shift towards greater private sector involvement in the residential real estate market has been crystallised by the forthcoming provision of housing stock in the western districts of Kafr Soussa and Dummar within urban Damascus, and the announcement of numerous master-planned projects in the rural outskirts of the city. The focus of these latter developments towards the west of the city – led by Emaar's Eighth Gate project, Majid Al Futtaim (MAF) Developments, Yafour Gardens and a proposed residential development by Kuwait's Al-Kharafi Group – has given rise to the term 'New Damascus', denoting a paradigm-shift of future high-end and upper-middle income housing supply towards the west of the city, supported by retail, office, hospitality and leisure amenities.

Whilst this shift is placing a growing premium on housing stock towards the western end of the city, it should also serve to temper inflationary pressures on over-priced residential real estate towards the east of the city, currently riding the wave of speculation and commanding asking prices inconsistent with the area's middle-income profile.

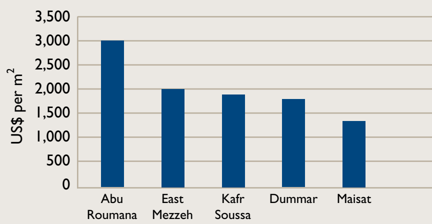
Stabilisation of values over the past year, following inflationary growth of 130% in rents and 30% in sales prices in 2007 driven by migration pressures from Iraq

PERFORMANCE INDICATORS

AVERAGE RENT:	US$ 140 per m² p/a
PREMIUM RENT:	US$ 180 per m² p/a
SALES PRICE:	US$ 2,340 per m²
AVERAGE YIELD:	6%

Areas considered upper-middle income towards the east of the city are experiencing a downgrading in target market, as the new supply of larger, higher quality units become available towards the west of the city

APARTMENT SALES PRICES



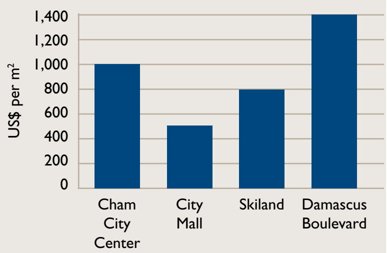
We expect the delivery of 6,000 new units over the next three years

Focus of forthcoming supply beyond 2010 will be in 'New Damascus' to the east of city, where a number of master-planned developments are currently underway

The shopping mall concept of a leisure and entertainment destination has entrenched itself in the Syrian retail market, appealing to a wide income demographic

Reduction in import tariffs in April 2006 provided impetus for evolution of retail market

ANNUAL RETAIL RENT



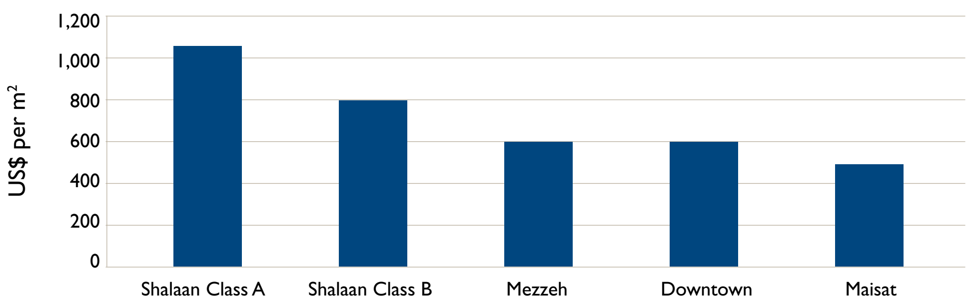
Last year marked a major shift in the Damascus retail scene, with the completion of Cham City Center, Skiland and Damascus Boulevard

Shopping mall supply is expected to increase at least five-fold over the next five years, indicating consumer confidence

DEVELOPMENT SNAPSHOT*

PROJECT	YEAR	GLA m²
DAMASQUINO MALL	2008	21,600
SOUK AL HEJAZ	TBC	10,000
MAF DEVELOPMENTS	2012	200,000
EMAAR EIGHTH GATE	2013	55,000

DAMASCUS RETAIL RENTS BY LOCATION



The retail sector plays a key role in the Syrian economy. It is the country's largest employer, accounting for 27% of the total labour force. It is also the third largest contributor to GDP at 17%, boosted by the key reduction of import tariff barriers in April 2006.

Demand drivers supporting the emergence of shopping malls in Damascus over the past few years include a young demographic core increasing demand for leisure and family entertainment amenities. The popularity of shopping and dining as key leisure activities in Syria for both the middle and high classes, and increases in consumer purchasing power have also stimulated demand for retail malls with strong brand representation and entertainment facilities.

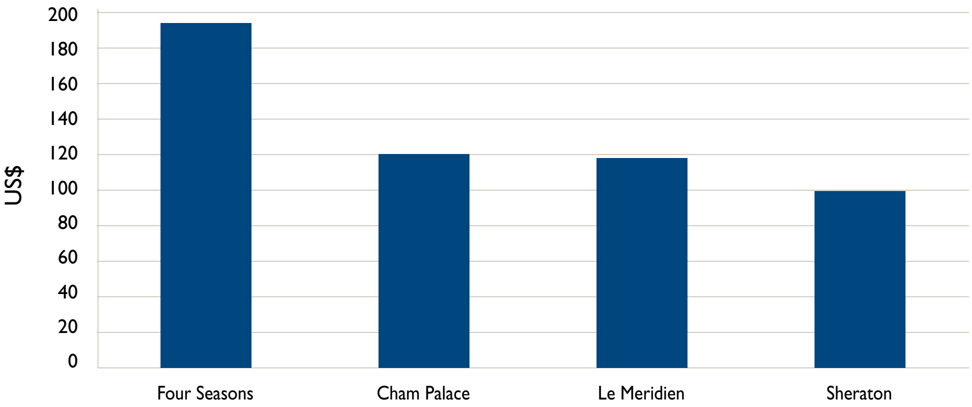
This is complemented to a lesser extent by increases in tourism and daily visitor levels. The success of the of the middle-income targeted 35,000m² Town Center – completed in 2004, located 12km to the south of the city centre, and representing Syria's first standalone shopping mall) – prompted the establishment of the 8,000m² Cham Centre in the upper-middle income district of Kafr Soussalast year. Recent and forthcoming developments have confirmed the quick adoption of the shopping mall concept in Damascus, though the focus for the most part is on leisure and entertainment, rather than 'serious shopping'.

Colliers International's study of the retail real estate sector in the Syrian capital reveals the following trends:

- Strong demand for family entertainment amenities and affordable F&B options
- Clothing retail-driven market, with international brands less common in the consumer electronics, F&B, cosmetics and supermarket segments
- Willingness of consumers to travel across and out of the city to visit shopping malls
- Importance of immediate catchment areas for retail products targeting high-income segments, to provide equilibrium between 'shoppers' and 'browsers'
- Presence of similar and identical brands in the city's malls, implying the need for brand diversification in forthcoming malls to encourage shopping

The June 2007 completion of Skiland (a 10,000m² mall incorporating an ice rink and located off the Airport Road on the outskirts of the city), and the August 2007 opening of Damascus Boulevard (a 2,800m² shopping arcade attached to the Four Seasons hotel targeted exclusively towards the high-income segment), represent the first steps in the shift towards shopping mall product variety. The imminent completion of the Damasquino Mall (a hypermarket-anchored development adjoined to the Cham Center) will mark the end of a two year spurt in the completion of shopping malls, before regaining momentum from 2010 onwards. The second wave of shopping mall developments will be focused around the master-planned communities being built to the west of Damascus, including Emaar's Eight Gate and MAF's mixed-use mega-project. These developments are expected to evolve Syria's retail offering further, based on shopping mall concepts that act as leisure and tourism attractions in themselves.

DAMASCUS 5* HOTEL ARRs (2007)



Demand within the hospitality real estate sector is tied largely to the fortunes of the broader tourism sector in Syria, which encompasses leisure, business, religious and retail visitors to the country. Tourist inflows in 2007 reflected a continuation of robust growth trends, reaching 3.9 million, representing a 23% growth rate over the previous year. The number of arrivals, defined as visitors spending less than one hotel night in Syria, but nevertheless significant as it encompasses day visitors from neighbouring Lebanon and Jordan, remained at 6 million in 2007, showing little change over the last two years.

Significant increases in tourism levels over the past two years have intensified supply constraints in the Damascus 4* and 5* hotel segments, increasing both occupancy levels and average room rates on the basis of supply shortages, rather than the quality of rooms and services available. Although numerous hotel developments have been announced in urban and rural Damascus off the back of improved investor confidence in the tourism sector, demand is expected to outstrip supply over the next five years at the macro-market level, with a concurrent increase in occupancy levels and RevPARs in response to unmet demand.

Despite this, the increasing distinction between international standard and local standard 4* and 5* star hotels in urban and rural Damascus should compel incumbent hotels to upgrade their facilities in response to newer, competitive offerings. The entry of Kingdom Holdings' Four Seasons hotel into the market in 2006 signalled the end of a 30 year monopoly on the five star market by the government-owned Le Meridien, Sheraton and Cham Palace hotels. The need for a comprehensive overhaul of the incumbents has been given even more impetus in light of tentative plans by the Ministry of Tourism to transfer the management of its hotels to new operators, with international hotel chains Kempinski, Fairmont and Swisshotel mooted most frequently.

Whilst the focus in the short term is on increasing hotel room supply in city of Damascus – we expect 4* and 5* room supply to increase by 1,250 rooms from a current stock of 1,800 over the next five years – the Ministry of Tourism has earmarked three strategic axes in rural Damascus for tourism investment and development, to capitalise on existing tourism activities and to promote further local, regional and international visitors. Many of the regional master-planners concentrated in the 'New Damascus' corridor to the west of the city have taken advantage of tourism investment promotion laws to facilitate market entry, and are expected to incorporate significant hospitality and leisure amenities into their developments. Another potential high-growth area is the continued emergence of boutique hotels within the Old City of Damascus – products that are particularly appealing to Syria's European visitors.

Continued growth of leisure and corporate tourism segments contribute to YOY RevPAR growth of 30%

Performance trends also influenced by shortage of international standard 4 and 5*, inflating occupancy and Average Room Rates*

PERFORMANCE INDICATORS (2007)

MARKET OCCUPANCY:	74%
5* OCCUPANCY:	75%
ARR:	US$ 120
REVPAR:	US$ 90

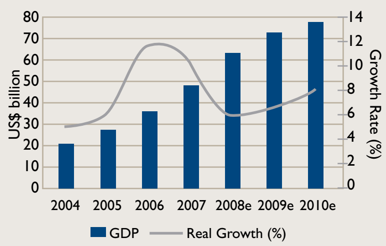
4 and 5* hotel supply expected to increase from over 1,800 to over 3,000 rooms over the next five years*

DEVELOPMENT SNAPSHOT*

PROJECT	ROOMS
MARRIOT APARTMENTS (2010)	TBC
SWISS INN (2010)	200
INTERCONTINENTAL (2011)	500
MAF DEVELOPMENTS (2012+)**	250
EMAAR EIGHTH GATE (2013)**	300
ART AIPORT HOTEL (2013)	TBC

* This table does not constitute an exhaustive list of forthcoming supply
** Hotel Operators to be confirmed

SUDAN NOMINAL GDP

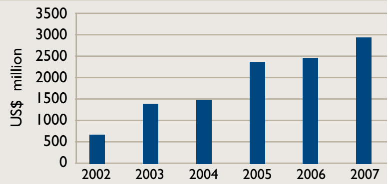


PERFORMANCE INDICATORS

AVERAGE RENT: US$ 273 per m² p/a
PREMIUM RENT: US$ 385 per m² p/a
SALES PRICE: US$ 2,200 per m²
YIELD: 12.3%
VACANCY RATE: 2%
(CLASS A)

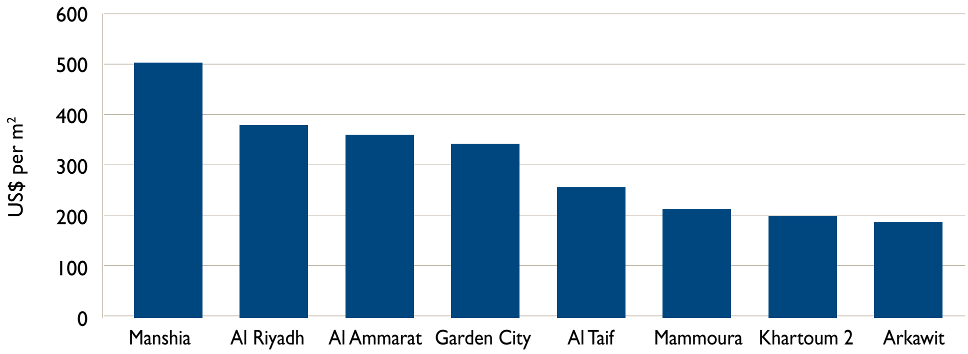
Office stock comprises dilapidated, tertiary grade buildings in downtown Khartoum and converted villas in high-end residential districts of the city, with marginal supply of primary grade office space

SUDAN FOREIGN DIRECT INVESTMENT



Progress of Almogran CBD continues to be hampered by politically-induced delays, limiting provision of new, Class A office space over next five years

KHARTOUM ANNUAL OFFICE RENTS



Khartoum lacks a defined Central Business District and has been characterised by a shortage of primary grade office space. Current demand for commercial office space in Khartoum is being fuelled by buoyant economic growth and increases in the rate of employment, which has averaged an annual growth rate of 5% over the past five years and is expected to rise by the same until 2010, mainly driven by foreign investment and repatriating Sudanese nationals.

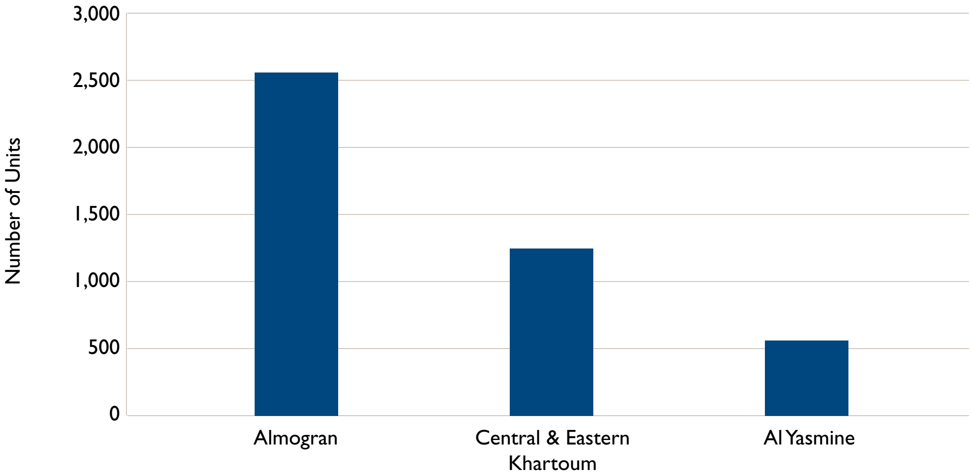
Despite the widening of US-imposed economic sanctions in May 2007, growth of the petroleum sector and a tentative 'North-South' peace deal have increased the presence of non-governmental and international organisations in Khartoum, and has encouraged further foreign investment from China and Arab countries in the telecoms, agriculture and banking sectors.

With the exception of a handful of recently completed office buildings such as the Heglieg Petroleum Tower, office stock in Khartoum is generally of tertiary grade, with existing dedicated buildings in Downtown Khartoum demonstrating a historic lack of maintenance. Landlord & Tenant laws are weighted in preference of tenants' rights, with little legal recourse available to landlords faced with defaulting or 'squatting' tenants on long term leases. This has created a clear preference for owner-occupation, further compounding supply constraints. The lack of landlord security has also led to an underdeveloped facility management market, as tenants and investors alike associate little importance to the general maintenance and upkeep of building common areas – resulting in a high level of degradation. These factors have led both market entrants and local companies expanding their operations to convert residential villas in Khartoum II, Manshia and Al Riyadh into office space, by default.

Unsatisfied demand has been reflected in current average rents for office space; the current annual average rent is around US$270 per m², reflecting price growth of 10% over 2007 figures – albeit modest compared to YOY growth of 125% achieved in 2006. Even so, these market conditions have enabled owner-occupiers to benefit from strong capital appreciation by releasing surplus space to the market at inflated prices. Current trends reveal that owner-occupiers lease out 30-50% of their office space to tenants on short-term fixed contracts – allowing owner-occupiers to increase space at relatively short notice or alternatively modify the terms of contract in response to demand patterns.

The extent of forthcoming office space provision in Khartoum is tied primarily to the progress of the Almogran CBD mega-project, which envisages the eventual completion of 43 commercial towers over two phases. Initially planned to deliver 1.1 million m² of office space by 2010, its progress has been hampered by the imposition of economic sanctions and delays to existing projects. We accordingly expect forthcoming supply over the next two years to comprise owner-occupied office space in Downtown Khartoum (including the New Nile and Investment Corporation Towers) and the provision of leasable space within the Wahat Al Khartoum and Sudan Tower developments.

KHARTOUM RESIDENTIAL DEVELOPMENT SNAPSHOT



Anticipated economic and demographic growth driven by the hydrocarbons sector and the 2005 Comprehensive Peace Agreement between the North and South of Sudan, coupled with a shortage of supply serving the expatriate and local high-income segment, spurred a flurry of speculative investment in the Khartoum residential market, precipitating triple digit sales and rental increases over the past three years.

Although single unit family residences have traditionally been preferred in Khartoum, the share of the apartment market has been slowly rising. This is due to the market's natural evolution, as occupant perceptions move away from associating 'high-class' living exclusively to standalone residences, and extend this perception to high-quality apartment accommodation.

The rapid increase in land values over the 2003-06 periods, in conjunction with rising construction and factor input costs have effectively decreased margins on villa developments, prompting a trend towards the development of multiple-occupancy apartment buildings as an optimal investment option. Demand driven by the presence of the UN and other international organisations, however, is skewed towards rented villa accommodation with relatively high quality finishing, in residential areas in close proximity to the airport. This location preference is generated out of operational necessity rather than personal choice, as UN regulations require all staff to reside as close to an international airport as possible, in case of emergency evacuation.

Whilst the petroleum sector continues to expand, a slowdown in rental growth over the past year is a symptom of less benign political developments in the West of Sudan and the resultant imposition of economic sanctions by the US in 2007. The gradual release of additional supply, mostly attributable to speculative investments in anticipation of increased NGO demand (which has failed to materialise), has forced the residential market into a price correction phase at present.

The fortunes of the Khartoum real estate market looking ahead is dependent on the progress of the Almogran development – which proposes to deliver 4,500 apartment and villa units by 2013. Given the doubts surrounding the future of the master-planned development, confirmed supply of 1,500 units over the next two years will comprise smaller master-planned villa developments in the south of Khartoum (most notably Al Yasmine), and individual apartment blocks around the city centre. Our supply estimates do not include any residential components to be confirmed by Qatari Diar's Al Difaf or Al Noor City, nor does it include other potential supply in Omdurman or Khartoum North – though the latter two are likely to be marginal by comparison. At present, over 80% of confirmed residential product is aimed and priced at higher-income segment, belying income distribution trends in the city, indicating continued opportunities to serve middle income segments of the market.

Slowdown in YOY rental growth as expected surge in demand from UN staff does not materialise

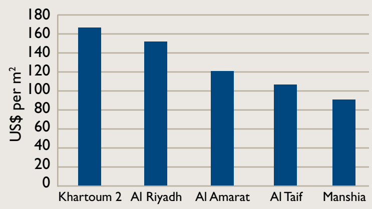
PERFORMANCE INDICATORS

AVERAGE RENT:	US$ 139 per m^2 p/a
PREMIUM RENT:	US$ 173 per m^2 p/a
SALES PRICE:	US$ 3,050 per m^2
AVERAGE YIELD:	4.6%
VACANCY RATE:	10%

Based on the current average selling price and construction costs, the profit margin for residential developments is between 15-25%

Gradual release of additional supply has forced the residential market into a price correction phase following two years of inflationary value appreciation

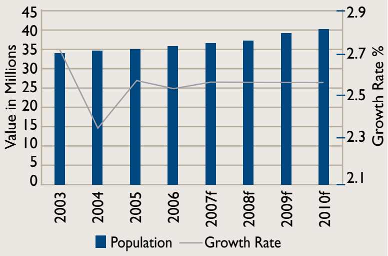
ANNUAL APARTMENT RENTS



We expect the completion of approximately 4,500 units by 2013, provided planned supply within the Almogran development is delivered

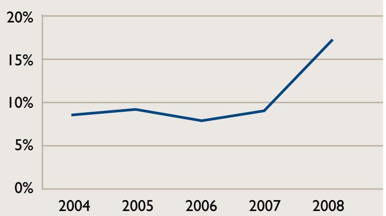
GDP per capita stands at US$2,227 according to purchasing power parity, but real earnings remain far below this, averaging approximately US$650 per month

SUDAN POPULATION & GROWTH RATE



The 3,000m² Afra Centre is Khartoum's only existing mall

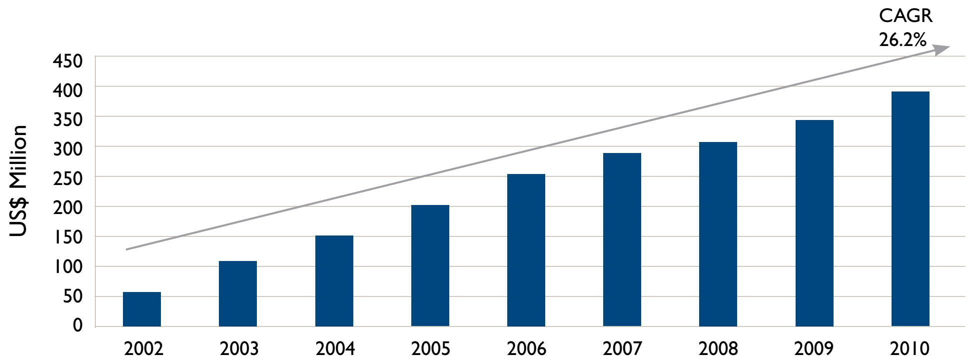
KHARTOUM INFLATION



Average monthly rents range between US$40 and $70 per m²

Limited provision of leasable retail space – unlikely to exceed 5,000m² - will be released into the market between 2008 and 2010

SUDAN FOREIGN VISITOR SPENDING



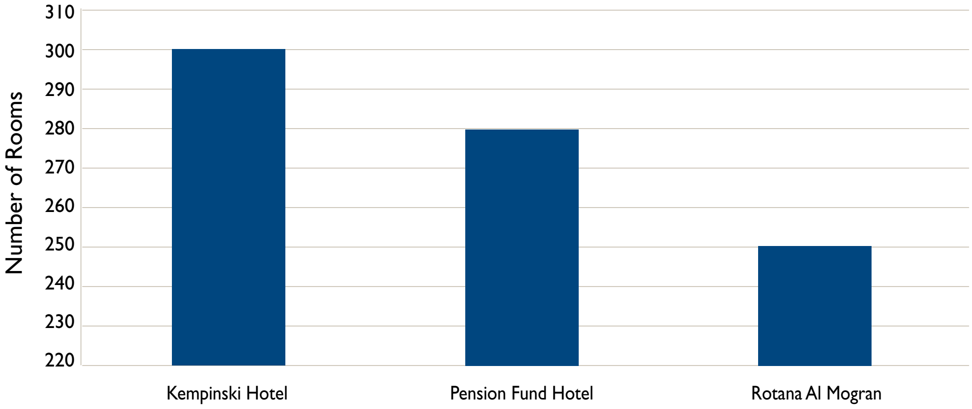
Khartoum's retail offering is very limited, due to years of stagnant economic growth, minimal purchasing power and high trade tariffs. Current provision consists of a single, relatively small shopping mall – the Afra Centre, located in south eastern Khartoum – and a number of shopping nodes on certain streets of the city. These shopping nodes are predominantly comprised of small stores, usually on the street level of mixed use buildings, with a few stand-alone shops spread indiscriminately across the city.

The shopping mall concept does not appear to have enjoyed the success initially envisaged, however, based on the gradual downgrading of unit brands since opening. The standard of fit-out, stock levels and stock variety of outlets surveyed by Colliers International were found to be well below that found in GCC malls, which is perhaps unsurprising given the difference in disposable income and consumer product availability. More surprising were low footfall levels, ranging between 5,000 visitors during the week to 15,000 during the weekend, with only 20% of visitors actually doing any shopping, pointing to a discrepancy with the target market and actual visitors.

No developer has sought to replicate the standalone retail mall concept in Khartoum thus far, preferring to opt for retail provision attached to forthcoming mixed-use, residential, commercial and hospitality developments. An arguable exception to this, though not strictly a standalone retail development, is the 12,000m² community centre that is a component of the Al-Yasmine residential development. Although unconfirmed as yet, retail provision within the Almogran CBD will be far greater, amounting to 120,000m² of space on the lower levels of office and residential buildings. The Burj Al Fateh, also known as the Libyan Hotel in reference to its owners, will offer smaller retail provision of 2,800m² on the ground and first floor when finally completed later this year.

Even assuming completion of retail space within Almogran to schedule – an unlikely prospect – applying a 3% population growth rate in line with current trends to Metropolitan Khartoum's current estimated population of 6 million, provides a forecasted GLA per capita of approximately 0.02m² over the next six years. This indicates considerable undersupply of retail space, further emphasised by the fact that supply within Almogran accounts for almost 90% of the total. There remains strong potential for retail developments targeting a wider demographic base. A more conservative GLA per capita estimate that only accounts for population growth in Khartoum proper – estimated at 1.18 million in 2013, results in a GLA per capita of 0.11m², further emphasising this potential. By way of comparison, forecasted GLA per capita in 2010 for other Middle-East markets includes 2.35m² for Dubai, 1.07m² for Qatar and 0.87m² for Abu Dhabi.

KHARTOUM HOTEL DEVELOPMENT SNAPSHOT



Hotel provision in Khartoum reflects a historic demand-supply dynamic similar to that in the residential, commercial and retail real estate markets: historically weak demand due to poor economic growth and political uncertainty, and a concurrent lack of investment activity given perceived low returns on the various real estate asset classes available. A reversal in Khartoum's economic and political fortunes has had the same driving effect on forthcoming hospitality development activity, in anticipation of increasingly unmet demand for international quality hotel rooms. This demand is driven overwhelmingly by corporate tourism, constituting 90% of total visits to Sudan. The oil and construction sectors, together with humanitarian organisations, account for a significant proportion of demand within this broadly defined segment.

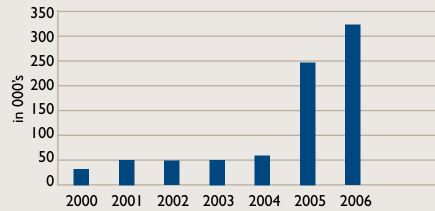
Long stay guests have historically been a lucrative source of income, with a number of hotels housing staff working for international organizations and in various corporate sectors. This market, however, is declining as residential compounds are completed and apartments of a higher standard are being delivered. Business visits to Sudan are characterized by a longer stay length period of 5-7 days, compared to 2-3 days in Dubai for example. Stays are getting gradually shorter, however, as an indirect product of economic growth in Sudan; more frequent flights have made slightly shorter stay-times feasible. Leisure stays where they exist are generally a single night as visitors transfer from the airport to archaeological sites elsewhere in the country. The small share of the market held by leisure visitors (many of whom are repatriated Sudanese nationals returning home for vacation) is likely to decline further in the medium term as the country receives more business and MICE tourism.

The first phase of the forthcoming supply will serve to increase competition in the market, and is likely to force incumbent hotels to upgrade their service standards and interior fit-out, or suffer a downgrading of their existing hotel classifications. Hotels under development will serve to highlight the difference between international and local market standards with existing 5* hotels commonly described as 'Khartoum 5*' rather than 'International 5*'. The absence of announced independent convention facility developments over the next few years points to the ample provision of such facilities within forthcoming hotel supply. There are three new hotels under construction, and six hotels planned which provide a minimum of two convention facilities and six meeting rooms apiece, indicating that all of these hotels will be aimed primarily at the corporate and MICE tourism market. We forecast that Khartoum will witness 100% growth in its conference hall provision and 400% growth in its meeting room supply over the next few years.

Assuming improved political stability and concurrent economic growth, demand for hotel rooms is expected to increase, keeping room availability tight throughout 2008 and 2009. As a result, occupancy levels for existing 4* and 5* hotels are expected to increase or be maintained. Khartoum's hotel demand-supply dynamic is expected to reach equilibrium in 2010, with a concurrent decline in occupancy rates at incumbent hotels that do not offer the same standard of service.

Demand driven overwhelmingly by corporate tourism, constituting 90% of total visits to Sudan

SUDAN ANNUAL VISITOR ARRIVALS



Current supply comprises of three locally classified five-star hotels and four hotels defined as four-star according to Sudanese standards

PERFORMANCE INDICATORS (2007)

MARKET OCCUPANCY:	80%
5* OCCUPANCY:	87.5%
ARR:	US$ 225
REVPAR:	US$ 180

Occupancy rate has risen rapidly from around 50% in 2007 to a current 80% in Q3 2008

Total number of 5 hotel rooms reached 717 in Q3 2008 with an additional 830 rooms, within the same star category, by 2011*

Office stock in the Libyan capital is dominated by state-owned buildings of secondary and tertiary grade

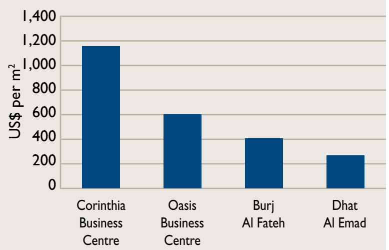
Primary Grade office space is limited to the Burj Al Fateh and Dhat Al Emad office complexes, supported by small business centres within hotels and malls

PERFORMANCE INDICATORS

AVERAGE RENT: US$ 603 per m² p/a
PREMIUM RENT: US$ 1,152 per m² p/a
VACANCY RATE: 0%
(CLASS A)

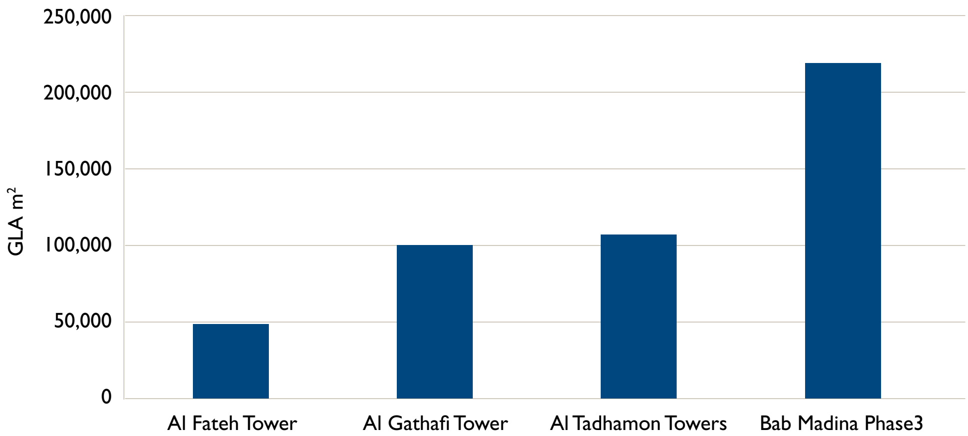
Average rental prices have increased by 43.5% between 2007 and 2008

ANNUAL OFFICE RENT



We expect over 475,000m² of primary grade office space to enter the market by 2013

TRIPOLI OFFICE DEVELOPMENT SNAPSHOT



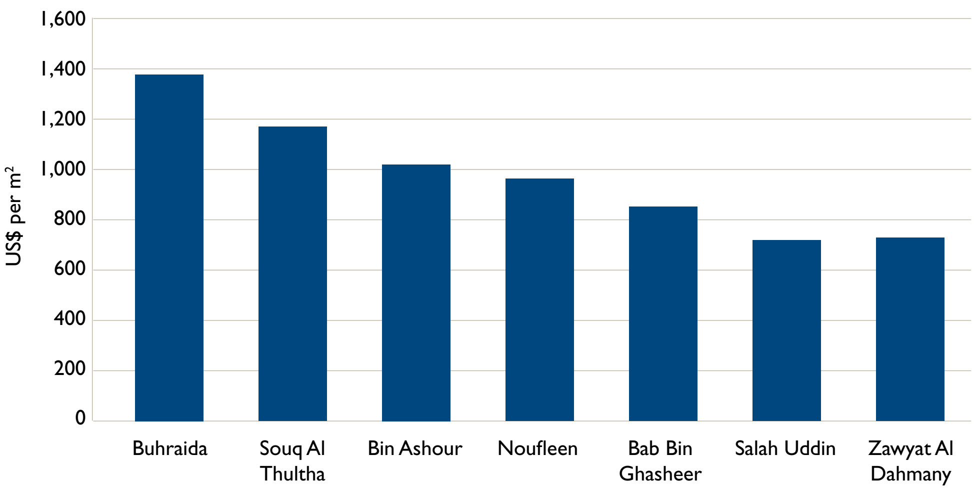
The Tripoli office market is highly diversified. It varies from state owned multi-storey towers to privately owned low-rise office buildings and villas and apartments converted into offices. Demand for high quality office accommodation is derived primarily from oil companies, airlines, government departments and embassies who are concerned about security in their offices in addition to the prestige of their commercial accommodation.

Formal supply of what passes for Primary Grade office space in Tripoli is dominated by two office complexes, namely the Burj Al Fateh and the Dhat Al Emad, both of which are state owned with rentals determined by the Government. International standard Class A space is limited to the 6,500m² Corinthia Business Centre, attached to the Maltese-run Corinthia Hotel. Distinctive features include security advantages, central IT provision and quality of finish – enabling it to command maximum occupancy and a 100% rental premium over its nearest competitor, the Oasis Business Centre. Apart from these developments, there are a handful of five to six storey office buildings in the Dhahra and downtown areas of similar, or lower, quality than the Burj al Fateh office tower.

The market for converted villas is expanding as a result of limited supply of formal office space. A considerable number of government offices and embassies have been forced to use this alternative. The under supply of primary grade office space has led to large increases in average office rent, reaching a 43.5% Y-O-Y increase. Office sales data is unavailable given market conditions in Libya, and the dominant role of the government in controlling supply.

We expect the delivery of over 475,000 m² of primary grade stock by 2013, based on our coverage of forthcoming supply. Supply is clustered around the Burj al Fateh, and includes a second Al Fateh Tower, Al Gathafi Tower and Phase III of the Bab Medina master-planned development. Together, the concentration of office space in one location will provide Tripoli with a CBD, and capture unsatisfied demand. Despite the delivery of a disproportionately large amount of stock, there appears to be little risk of an oversupply. The existing tenants of the Burj Al Fateh and the Dhat Al Emad are likely to relocate to higher grade accommodation en masse when new stock is delivered. In addition, economic growth and increased openness is bringing new international investors (and, hence, office occupiers) to the Tripoli market. Given the current economic and political climate, it is likely that this demand growth for primary grade accommodation will continue throughout the short and medium term. Core requirements for potential Class A tenants already in the Libyan market include security and controlled access, fire and emergency escape provision, sufficient parking provision, telephone and broadband internet connections and regular maintenance.

TRIPOLI APARTMENT SALES PRICES



In the mid 1990s, when the country started to experience the effects of the UN sanctions, prior rules in the residential market were gradually relaxed. The government needed to satisfy a growing housing shortage while also providing accommodation for a growing population of expatriate workers from countries such as Egypt and Sudan. The first step in meeting this need was to permit Libyan nationals living abroad to lease residential property that would otherwise have stood vacant. Eventually, the government further relaxed regulations, legalising the ownership of multiple properties and the creation of a rental market. However, this relaxation of regulations has not yet stimulated large scale private investment in residential apartments.

The residential sector therefore remains undersupplied with increasing demand in tandem as foreign investment in oil and construction sectors brings growing numbers of relatively high income occupiers into the city. Tripoli's rental market has grown sharply in volume following the liberalisation of regulations on private ownership of property, albeit restricted to Libyan nationals. Villa owners reportedly prefer to rent to commercial tenants on long term leases, even though the rental prices commanded are relatively similar to those of primary grade residential use rentals. Market conditions have translated into a YOY rental growth rate of 25%.

Central Tripoli comprises four main districts, the Old City, Downtown, Sharia Jamhariya and Tariq As Sour respectively. The vast majority of properties in these areas are old and in a poor state of repair. The government has identified a large number of buildings, both large and small, for demolition. Some will be replaced with newer residential units, whilst others will be removed in order to release space necessary for upgrading of the city's infrastructure, primarily its road network.

Forthcoming development activity is concentrated towards the south of the city, in proximity to the International Airport. Land price appreciation has been extremely sharp, reaching 400% a year in some cases. The government is also building several large apartment blocks along Airport Road which will provide a considerable portion of the current social housing commitment. In terms of private sector development, approximately 5,600 high end residential units are scheduled for completion by 2012, targeting a high-income buy-to-let market focussing on housing skilled expatriates.

A visit to Libya in August 2008 by the US Sectretary of State represented another major development in the country's integration into the international diplomatic and economic arena, which will support future housing demand growth from skilled expatriates looking ahead.

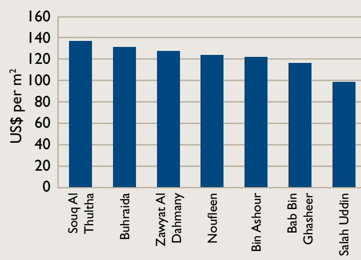
The residential sector is predominantly controlled and regulated by the government, with construction loans and mortgages only offered to Libyan nationals

PERFORMANCE INDICATORS

AVERAGE RENT:	US$ 187 per m² p/a
PREMIUM RENT:	US$ 196 per m² p/a
SALES PRICE:	US$ 1,413 per m²
AVERAGE YIELD:	13.2%
VACANCY RATE:	13%

Tripoli has witnessed a 25% rent increase between Q4 2007 and Q4 2008, primarily driven by increases in the number of expatriates

AVERAGE ANNUAL RENT



We expect the delivery of 5,600 units by 2012 targeting the expatriate rental market

A 25% increase in salaries has increased disposable income, reaching an average of US$ 4,308 per annum

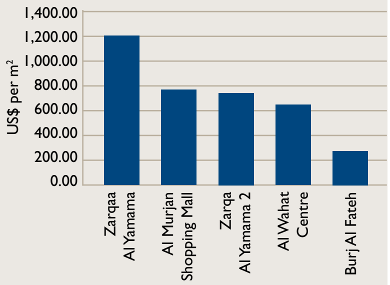
EXISTING SUPPLY SNAPSHOT*

PROJECT	UNITS	GLA(m^2)
AL THULATHA COMPLEX	210	25,000
BAB AL ANDALOUS	236	20,000
SOUQ AL MAHARI	30	15,000
AL BUSTAN	25	15,000
AL MURJAN SHOPPING MALL	25	10,000

* This table does not constitute an exhaustive list of existing supply

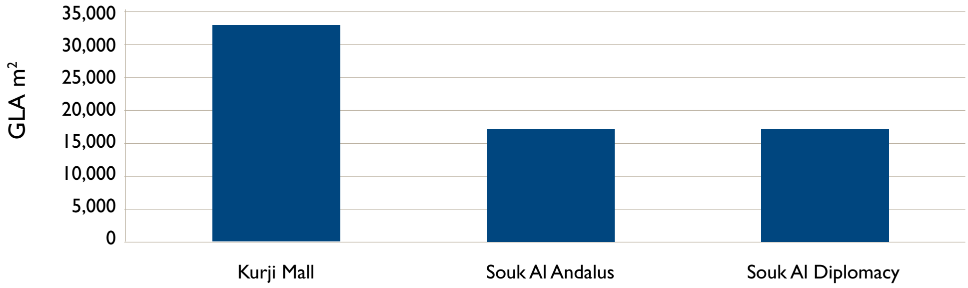
Average annual rent price across market reached US$ 528 per m^2 pa in 2008

ANNUAL RETAIL RENTS



Forthcoming supply comprises three high end shopping centres, adding 67,000 m^2 of GLA to existing supply

TRIPOLI RETAIL DEVELOPMENT SNAPSHOT



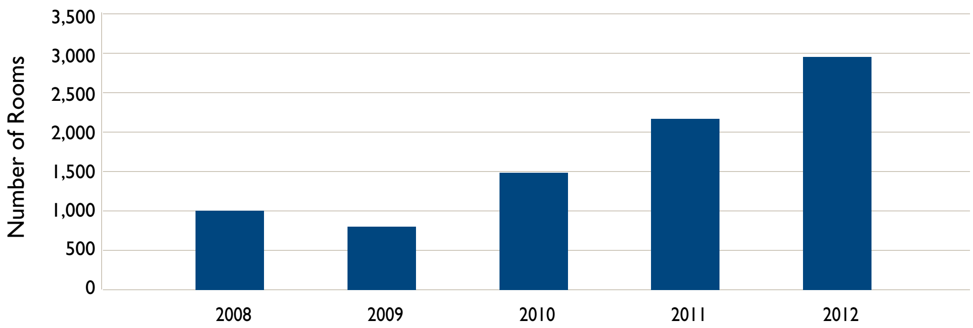
In the aftermath of the 1969 revolution, the government forced the closure of all private retail operations. State run department stores were opened across the city, which represented the only retail facilities available until the late 1980s. In an effort to create jobs and stimulate the economy, private retailing was again permitted in 1988. However, rebuilding of confidence in retail investment was slow, and it is only in recent years that the industry has seen meaningful growth in store opening numbers, save for a few retail outlets in hotels and office buildings, and a handful of small shopping centres such as the Zarqa Al Yamama centres.

Retailers in Tripoli have slowly begun to adopt international retail industry standards in terms of store design, layout, merchandising, store lighting and other presentation features. A number of new shopping centres have started operations in the last two years, including the Oasis Centre and the Al Mahary Hypermarket, both of which have achieved 100% occupancy. Government owned retail units have also been taken over by private individuals and are being refurbished, giving rise to the entry of international brands including Benetton and Damas.

The demand for higher quality retail environments and products is evident from the success that the new shopping centres have achieved. September 2007's public sector salary increases of 25% are expected to increase overall purchasing power, whilst foreign brands are already popular within higher income groups. The major retailing areas are on and off the Gargarash Road, where middle-income targeted retailers mix with upmarket fashion stores. On main streets in the city centre, unit rentals are approximately US$364 per m^2 per annum. On Gargaresh Road, and the adjacent Rashid and Jaraba Streets, the rent is significantly higher at around US$1,440 per m^2 per annum. These rent prices have been stable over the past 12 months, due in part to the fact that many units are due for demolition as part of the new infrastructure plans for the city.

As yet, the focus of forthcoming supply remains on retail centres rather than shopping malls, as evidenced by the recent completion of the renovated Souk Al Thalatha which offers a GLA of 17,000m^2. What is noticeable is the shift of retailers towards products targeting high-income segments, and the integration of leisure amenities such as bowling in the Souk Al Diplomacy. Strong demand for good quality retail space in Tripoli will be met by the completion of these developments, although total GLA per head of population will remain small by regional standards – indicating scope for further retail developments.

TRIPOLI CUMULATIVE 4* & 5* HOTEL SUPPLY



The Libyan hospitality market remains in its infancy. There are approximately 13,000 existing hotel rooms in Libya, of which 2,700 are in Tripoli. The government expects considerable expansion of Libya's tourist arrivals in the short to medium term. As a result, the government has entered into a programme of promoting hotel construction. This programme includes granting permission for resort projects to be developed by international companies, construction of tourism hotels near attractions such as Leptis Magna, and the renovation of government owned hotels in Tripoli. Demand is expected to increase most strongly in the 4 and 5* segments.

Current demand within the hospitality segment is predominantly corporate or government related, with leisure tourism demand reportedly accounting for 30% of total visitors. Government run 5* hotels (as locally classified) derive a large proportion of their demand from the visits of foreign government delegations into Tripoli, and therefore command very low occupancy level across weekends. In general, leisure tourists visit Tripoli as a stopover en route to historical sites and to the desert, and rarely spend more than three nights in Tripoli (and generally only spend one night).

The Tripoli hospitality market is currently undersupplied in the upper tiers. The bulk of the nominally 5* hotels are government owned and operated. These include the Al Kabir Hotel (Grand Hotel), Bab Al Bahr Hotel (Beach Hotel) and Al Mahary Hotel, operating at 70-75% occupancy, all of which are owned by the government and lack the basic requirements of good service, quality fittings and supportive facilities for visiting businessmen. The Corinthia, operating at 80-90% occupancy, is the only privately owned 5* hotel operating in Tripoli and the only internationally recognized hotel brand currently operating in Libya.

There is significant 5* hotel room supply under development in Tripoli, which will end the functionally monopolistic position enjoyed by the Corinthia at present. Assuming all announced projects are delivered to schedule, supply of 4 and 5* hotel rooms in Tripoli will increase from 1,009 rooms in 2008 to around 2,920 rooms by the end of 2012, with a slight decline in available room nights in 2009 due to the planned closure and renovation of the Al Mahary Hotel.

These developments will satisfy the existing latent demand for 5* hotel accommodation within the city, as well as causing a downwards reclassification of nominally 5* government run hotels. As this occurs, it is likely that a proportion of the demand currently satisfied by government run hotels will be relocated to new hotels under development. Across market, it is also likely that this additional supply will result in a reduction in occupancy rates at sub-standard privately run 4* and 5* hotels, prompting a gradual consolidation of these segments in favour of internationally branded operators.

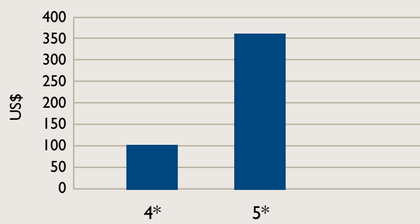
Tripoli's hospitality sector is attracting the interest of many international hotel chains, due to its lack of existing supply and heavily unsatisfied demand

PERFORMANCE INDICATORS

MARKET OCCUPANCY:	81.8%
5* OCCUPANCY:	85%
ARR:	US$ 233
REVPAR:	US$ 190

Existing supply comprises 2,700 hotel rooms in total, the majority of which are government owned and operated

AVERAGE ROOM RATES



Supply of 4 and 5* hotel rooms will increase from 1,009 rooms in 2008 to around 2,920 rooms by the end of 2012*

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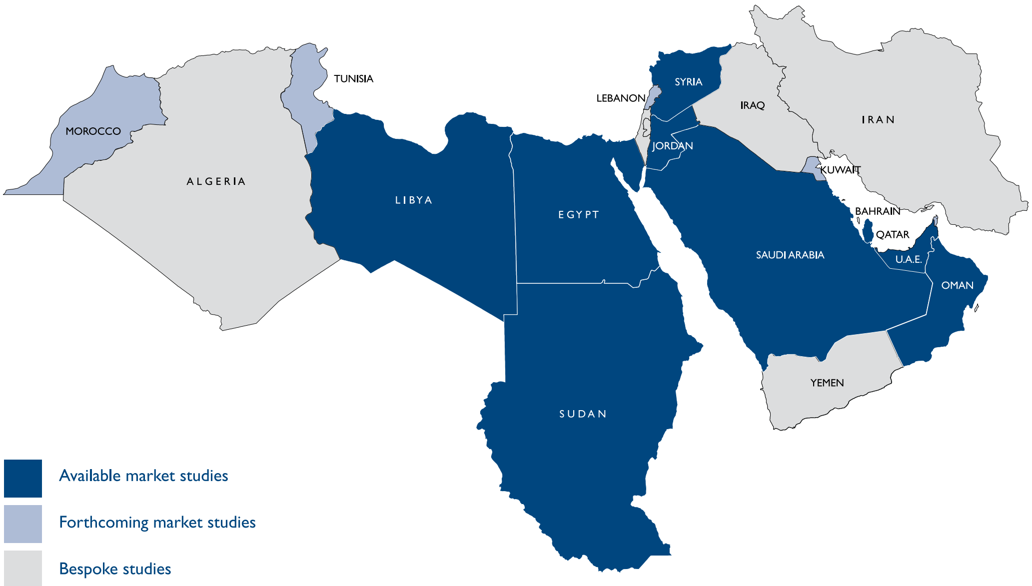

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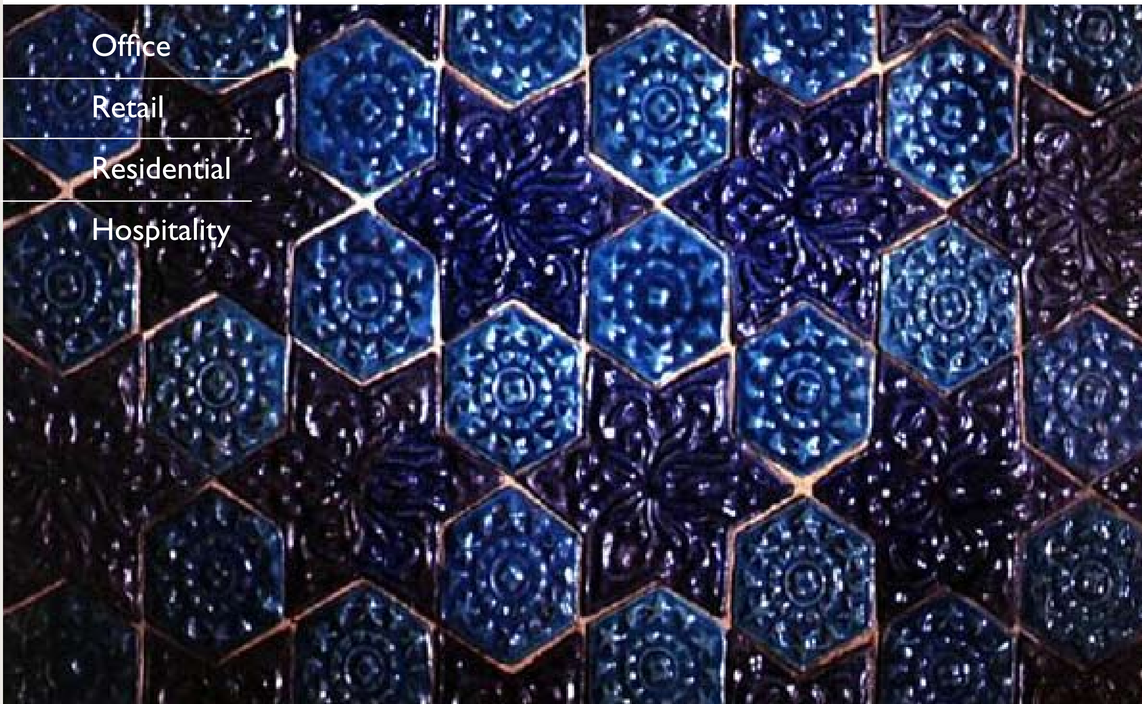

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