

AME Capital

**GLOBAL REAL ESTATE
EQUITY RESEARCH**

**Middle East
MONTHLY REPORT
To
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The Global Real Estate Equity Market – Size Ranking

Table 1: Analysis of global real estate equity markets by size and number of companies

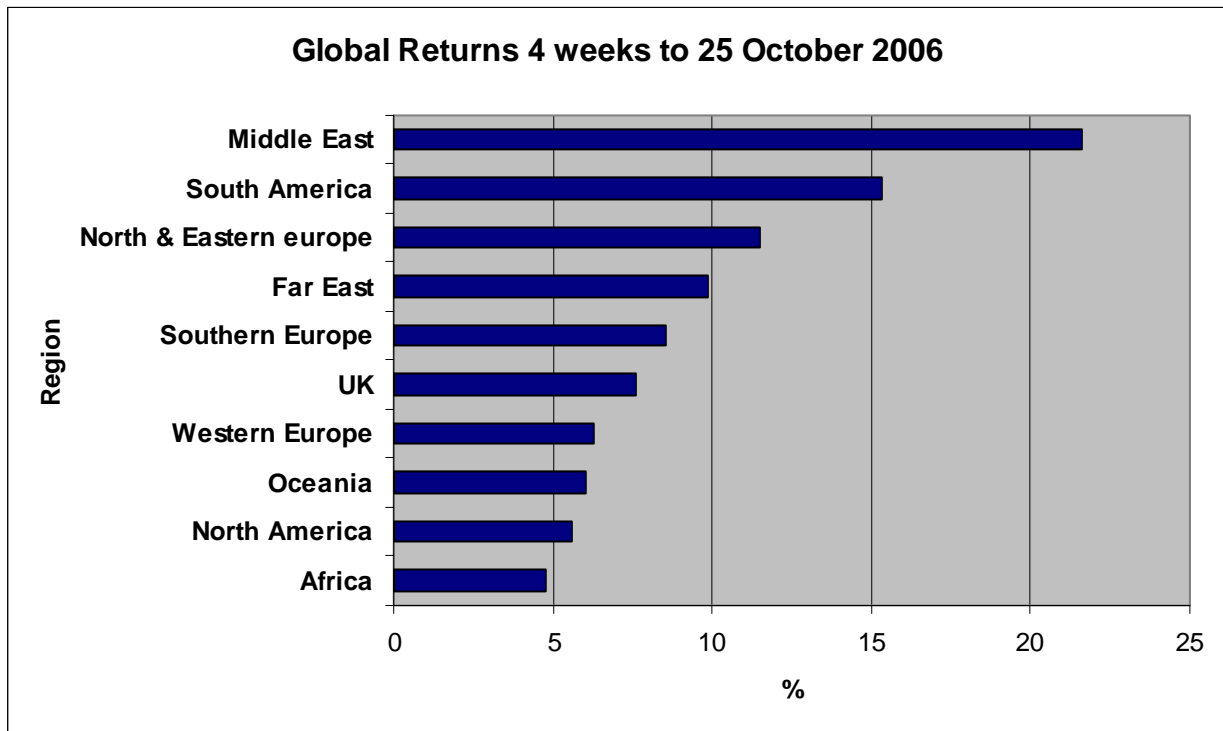
Rank	Listing Country	Number of Companies	Mkt cap > £100m	Mkt cap > £1bn	Sector Mkt cap £	% of Global Listed Real Estate mkt
1	US	311	190	75	261,956,945,882	29.58%
2	Hong Kong	120	64	25	107,395,435,689	12.13%
3	Japan	159	101	18	101,232,773,961	11.43%
4	UK	141	80	9	60,895,747,201	6.88%
5	Australia	131	54	13	56,006,955,369	6.32%
6	France	63	31	11	34,721,943,650	3.92%
7	Canada	84	34	5	31,615,208,018	3.57%
8	Singapore	52	33	8	30,709,067,751	3.47%
9	Spain	22	16	8	27,134,044,100	3.06%
10	UAE	6	6	4	17,471,182,841	1.97%
11	China	84	43	2	15,637,552,574	1.77%
12	Netherlands	12	9	4	14,352,018,437	1.62%
13	Germany	82	19	2	12,505,466,358	1.41%
14	Austria	13	9	3	11,339,059,686	1.28%
15	Sweden	22	15	4	9,709,820,815	1.10%
16	Israel	73	20	1	8,280,535,897	0.93%
17	Saudi Arabia	6	6	2	8,217,745,804	0.93%
18	Malaysia	94	13	1	6,884,879,474	0.78%
19	Kuwait	31	22	0	6,544,955,406	0.74%
20	Italy	14	10	3	6,102,148,731	0.69%
21	Taiwan	47	20	0	5,624,832,152	0.64%
22	South Africa	33	16	0	4,538,492,400	0.51%
23	Philippines	37	6	1	4,438,123,031	0.50%
24	Brazil	7	7	1	3,981,349,646	0.45%
25	India	15	7	0	3,876,480,267	0.44%
26	Belgium	40	9	1	3,748,109,988	0.42%
27	Switzerland	12	6	1	3,590,397,868	0.41%
28	Thailand	41	12	0	3,481,585,309	0.39%
29	Norway	6	6	0	2,589,806,372	0.29%
30	Poland	4	3	1	2,413,301,560	0.27%
31	Denmark	12	6	0	1,741,609,988	0.20%
32	Lebanon	1	1	1	1,605,932,240	0.18%
33	Greece	7	4	0	1,535,240,771	0.17%
34	Indonesia	32	6	0	1,524,270,202	0.17%
35	New Zealand	12	5	0	1,342,401,041	0.15%
36	Botswana	2	1	1	1,277,869,998	0.14%
37	Finland	6	3	0	1,229,393,382	0.14%
38	Qatar	2	2	0	1,206,613,989	0.14%
39	Russia	1	1	1	1,121,996,053	0.13%
40	Morocco	3	1	1	1,101,385,481	0.12%
41	Mexico	1	1	0	959,775,662	0.11%
42	Turkey	10	2	0	787,878,782	0.09%
43	South Korea	14	2	0	639,737,454	0.07%
44	Egypt	12	2	0	526,266,836	0.06%
45	Ireland	3	2	0	523,615,385	0.06%
46	Argentina	2	2	0	446,398,688	0.05%
47	Jordan	9	1	0	238,055,165	0.03%
48	Chile	4	1	0	202,752,229	0.02%
49	Hungary	4	1	0	197,952,947	0.02%
50	Bulgaria	13	0	0	131,660,156	0.01%
51	Bahrain	2	0	0	116,782,777	0.01%
52	Cyprus	3	0	0	90,242,357	0.01%
53	Peru	2	0	0	41,937,276	0.00%
54	Mauritius	1	0	0	20,852,310	0.00%
55	Malta	2	0	0	19,913,084	0.00%
56	Venezuela	1	0	0	17,893,479	0.00%
57	Portugal	2	0	0	10,638,676	0.00%
58	Tunisia	2	0	0	9,656,601	0.00%
59	Latvia	1	0	0	442,733	0.00%
	Grand Total	1928	911	207	885,665,131,980	100.00%

The Global Real Estate Equity Market - Returns 4 weeks to 25/10/06

Table 2: Analysis of global real estate equity returns by country for four weeks to 25th October 2006

Listing Country	1 month return Real Estate Equity	1 month return Equity Mtk	1 month return Relative
US	5.54	4.86	0.65
Hong Kong	2.24	3.62	-1.33
Japan	12.49	6.38	5.74
UK	7.75	7.16	0.55
Australia	6.04	7.69	-1.54
France	8.73	5.36	3.20
Canada	3.80	6.78	-2.80
Singapore	7.87	7.38	0.46
Spain	7.69	9.79	-1.91
UAE	3.23	-1.54	4.85
China	-3.00	3.98	-6.72
Netherlands	5.10	4.03	1.03
Germany	5.18	6.06	-0.83
Austria	1.58	10.24	-7.86
Sweden	10.12	7.54	2.41
Israel	15.06	7.39	7.14
Saudi Arabia	78.90	-6.45	91.23
Malaysia	1.68	2.28	-0.59
Kuwait	1.94	3.29	-1.31
Italy	5.05	4.91	0.13
Taiwan	9.76	2.16	7.44
South Africa	3.55	6.99	-3.22
Philippines	6.40	5.85	0.52
Brazil	16.55	13.13	3.02
India	11.91	4.45	7.15
Belgium	2.87	4.23	-1.31
Switzerland	1.31	5.08	-3.59
Thailand	15.85	6.88	8.40
Norway	1.70	12.38	-9.50
Poland	22.21	8.43	12.70
Denmark	10.83	7.15	3.43
Lebanon	2.93	0.29	2.63
Greece	8.65	5.47	3.02
Indonesia	6.94	6.43	0.48
New Zealand	0.26	4.44	-4.01
Botswana	-4.28	16.01	-17.49
Finland	9.66	7.04	2.45
Qatar	-3.17	-4.08	0.94
Russia	20.44	12.13	7.41
Morocco	12.55	5.36	6.82
Mexico	9.39	8.00	1.29
Turkey	1.11	3.58	-2.39
South Korea	-0.15	1.20	-1.33
Egypt	8.56	1.93	6.51
Ireland	3.49	5.07	-1.51
Argentina	21.15	9.20	10.94
Jordan	9.86	n/a	n/a
Chile	5.08	5.31	-0.22
Hungary	2.11	5.95	-3.62
Bulgaria	-2.36	13.19	-13.73
Bahrain	6.82	-1.31	8.24
Cyprus	3.61	16.51	-11.07
Peru	0.00	5.86	-5.53
Mauritius	6.90	12.34	-4.84
Malta	0.00	0.73	-0.72
Venezuela	0.00	8.55	-7.88
Portugal	-20.93	4.30	-24.19
Tunisia	15.22	3.28	11.56
Latvia	13.64	-0.68	14.41

Chart 1: Global Returns by region



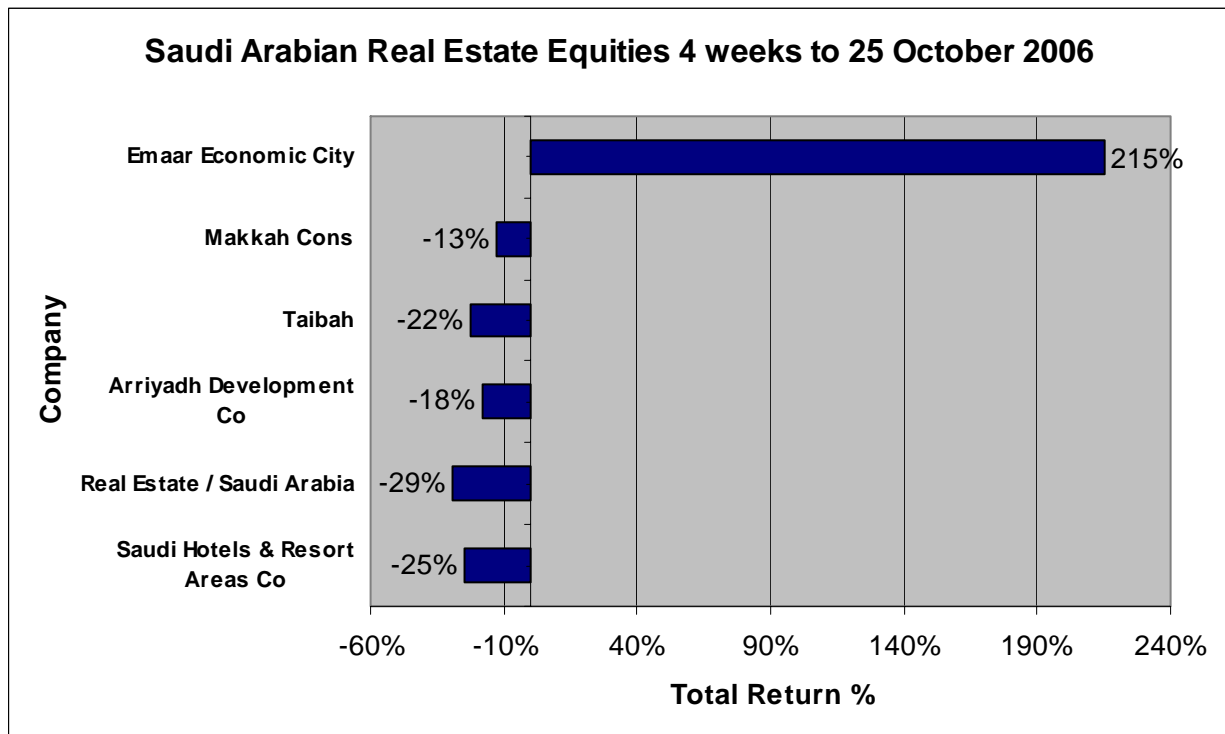
Source: AME Capital / Bloomberg

- This report covers the four week period up to the 25th of October. The end of month reports are available on our website www.amecapital.co.uk under the 'Downloads' section a few days after the end of each month. AME Capital will now publish this Middle East monthly report on the AME Capital website and down the Bloomberg news wire after the Al-Eqtisadiyah Newspaper article is published each month. This is due to an increased focus on the listed real estate sectors of the Middle Eastern nations.
- The Middle East was the best performing region returning 21.6% as shown on Chart 1. One event dominated events in the region during October and that was the IPO of Emaar the Economic City ("EEC"). It listed in Saudi Arabia and began trading on the 7th of October. The share price more than tripled on the first day of trading after the shares were sold at 10 riyals and ended the day at 30.5. The offer was more than twice oversubscribed attracting bids from almost half the Saudi Arabian population. After the IPO, EEC announced it was planning to expand the project fourfold with the Chairman Mohamed Alabba saying "We are creating a new nerve-center for global businesses that look at Saudi Arabia for the investment opportunities provided by the kingdom".

The ECC IPO boosted the total returns and size of Saudi Arabia's listed real estate sector. Saudi returns were 78.90% for the 4 weeks to the 25th October and the size of the listed real estate market grew to £8.2bn which is now 0.93% of the global listed real estate market, up from 0.6% in September. Saudi Arabia is now the 17th largest listed real estate market globally.

Chart 2 shows the total returns of the Saudi Arabian companies. All companies bar EEC showed declines of between -13% to -29%. During October Q3 results were announced. These included Saudi Real Estate Q3 profit down 8% as earnings from trading stock fell, Arriyadh Development's Q3 profit rose 4% from increased rental fees, Taibah announced Q3 profits declined 17% as gains from their stock investments fell more than 50% and the Saudi Hotels & Resort Areas Co said profit plunged 85% in the third quarter.

Chart 2: Saudi Arabian company returns



Source: AME Capital / Bloomberg

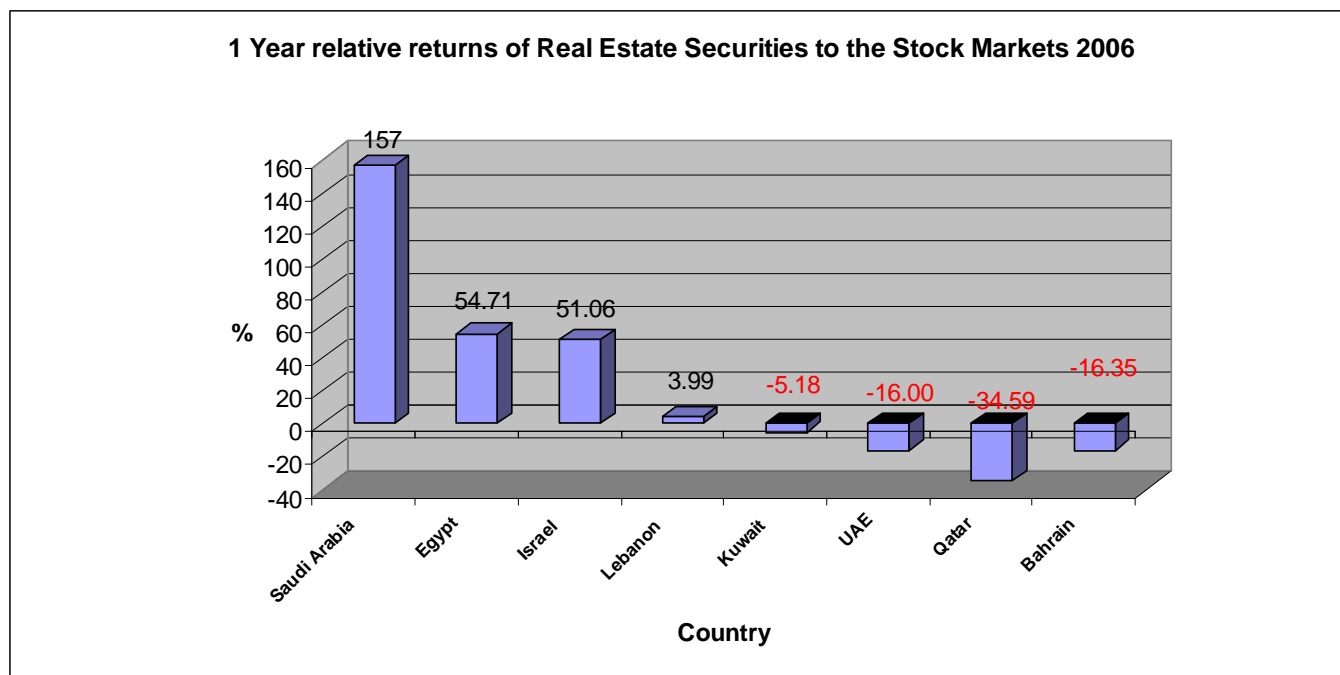
Other countries in the region that performed well in terms of total returns were Israel returning 15.06%, Jordan 9.86%, Egypt 8.56% and Bahrain 6.82%. Israel showed a particularly consistent performance with 71% of listed companies returning over 5% for the four weeks to the 25th of October and real estate equities there outperformed the share market by 7.14%. This was largely fuelled by speculation that the Bank of Israel would cut interest rates (which it did by 25 basis points to 5.25%) following a fall in oil prices, and a strong shekel.

Looking at the regions one year returns to October 25 relative to the returns of the relevant stock-markets, Chart 3 shows a picture of 2 halves. Saudi Arabia, Egypt, and Israel showed 157%, 54.71% and 51.06% out-performance of their equity markets respectively and Kuwait, UAE, Qatar and Bahrain showed between -34.59% and -5.18% underperformance. It must be noted however that AME Capital use the Tadawul All Share Index as the Saudi Arabian stock market benchmark which does not include the exceptional returns of Emaar the Economic City. If the index was to have included EEC we believe the out-performance for the year would be 147% down from the 157% of Chart 3, and 84% for the month down from the 91.23% of Table 2.

The UAE listed real estate sector returned 3.23%. This was predominantly due to the 6.74% return of Emaar the consortium leader of Emaar the Economic City IPO and the sixth largest real estate equity in the world. Recently Emaar announced it will build 17 buildings in partnership with Porsche AG (the German performance car maker) including the worlds first Porsche Design Tower. This year they pushed further investment outside the UAE including winning a \$43bn contract to develop two Islands near Karachi in Pakistan, opened its first international sales office in Pakistan as part of another \$2.4bn development, invested in a \$4bn Indian joint venture, planned a Chinese office to evaluate investment in China, bought Raffles Campus of Singapore expanding into education, revealed a new \$1.7bn mixed use project in Egypt and acquired UK based Hamptons International. Emaar posted a Q3 2006 profit increase of 39% significantly from strong Dubai property sales and property values plus strong revenue from their overseas projects.

Commentary

Chart 3: Middle East relative performance



Source: AME Capital / Bloomberg

- Table 3 below highlights average market capitalisation weighted Beta's for the regions of the world and the countries of the Middle East. This measure shows the Saudi Arabian beta of real estate equities is 1.04 which is about on par with the Global Beta of 1.02, indicating similar systematic risk to the global real estate equity market. Levels around 1 thus do not provide as good a diversification benefit into real estate equities as say Europe or Oceania with Betas between 0.6 & 0.8 indicating low systematic risk, or the Far East with a Beta of 1.22 indicating higher systematic risk.

Table 3: 1 year market capitalisation weighted Beta

Region	Beta
Far East	1.22
UAE	1.20
Israel	1.15
Middle East	1.10
Saudi Arabia	1.04
Global Mkt Cap Weight	1.02
North America	1.00
UK	0.98
Jordan	0.97
Qatar	0.96
Egypt	0.94
South America	0.86
Kuwait	0.84
Northern & Eastern Euro	0.80
Southern Europe	0.72
Oceania	0.63
Western Europe	0.60
Africa	0.47

Commentary

Source: AME Capital / Bloomberg

AME Capital offers a number of services to the Middle East including:

- Corporate advisory encompassing advise for companies looking to list on the London Stock Exchange (LSE). As of August 2006 there were 37 companies listed on the LSE from the Middle Eastern countries of the UAE (1), Bahrain (1), Jordan (1), Lebanon (2), Egypt (9), Qatar (1), Oman (1) and Israel (21).
- Fund Advisory for fund mangers of real estate equity funds.
- Research at a summary global level and detailed company reports.
- Real Estate Equity Index licensing and construction.

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Note1: all stock returns quote in this article are total returns and weighted by pounds sterling market capitalisation.

** Note2: Return numbers were frozen on the 25th of October 2006*

** Note3: Return and market capitalisation numbers are sourced from Bloomberg*