Real Estate Sector Report
June 2009

ABC Investments

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Table of Contents

ABC Investments

1.0 EXECUTIVE SUMMARY

Even before the eruption of the credit and financial crisis in the United States, the real estate sector in Jordan had begun to exhibit signs of a loss of pace. Moreover, recent developments in the global market have positioned the sector as particularly vulnerable to a sharp correction in real estate prices and rapidly cooling trading activity.

Evidence of a deceleration in Jordan's real estate sector

Prices of real estate in the Kingdom had been mushrooming in recent years as a real estate and construction boom took over the Country. The continued population growth, coupled with the young population of the Kingdom requiring apartments as they set up homes of their own, alongside the influx of refugees, journalists and NGOs to the Kingdom following the U.S.-led war on Iraq, has meant that the supply of apartments and housing units has fallen short of demand. As of 2007, the Housing and Urban Development Corporation estimated an annual housing need of 45,112 units, while supply for 2007 was estimated at 34,668 units.

Liquidity in the market played a vital role in the boom of the sector in recent years

The real estate sector boom in Jordan has been buoyed by an inflow of liquidity and investments to the Kingdom, leading to a flurry of construction activity in the form of residential, commercial and touristic projects, alongside active speculative trading by locals and foreign investors, which, combined, led to rapid appreciation in prices of land and property. Nonetheless, with a real estate boom mirrored across the region, prices of property following such rises remained attractive relative to prices in other neighbouring countries. Moreover, the ability to generate profits in a short space of time continued to attract further investment to the sector, until eventually, real estate became arguably overpriced. Towards the end of 2007, real estate trading activity began to decelerate and the demand seemingly dissipated.

In the period prior to 2008, most real estate development projects had related to lavish housing compounds, sea-side apartments and chalets, upmarket commercial buildings, and large-scale tourist resorts, resulting in a distinct mismatch between the nature of the market demand and that of the supply. The Jordanian population is largely a low-income population, with the middle- and upper-income segments of the population comprising only a meagre proportion of the total, and prices of the properties on supply were substantially greater than affordable by the average Jordanian. Moreover, the undeveloped mortgage market in the Kingdom, and the unfavourable terms offered by banks on housing loans in terms of both interest rates and tenure, did little to facilitate the poorer segment of the market. Existing facilities offering interest rates of 8.5% to over 10% on mortgage loans over a period of 20-years would render it almost impossible for the majority of the population to benefit from them. Assuming a 20-year repayment period, a borrower making the required payments on the loan would, on settlement of the entire outstanding balance, have paid double the actual price of the property. A JD 25,000 loan at an interest rate of 9% payable over 20 years would require a monthly instalment of JD 225. With approximately one-third of the Jordanian population having a family income of less than JD 504 per month, such mortgage terms are not affordable. As a result, despite a continued need for residential units, hundreds of apartment across the Kingdom, particularly in the Capital, remain uninhabited and unoccupied.

Therefore to face the glut in high-end residential units and lingering need for affordable units, the Government, under royal decree, in collaboration with the private sector, embarked on a number of initiatives to cater to the lower-income segment of the population, developing subsidized properties and offering affordable credit facilities.

In 2008, as oil prices began to rapidly soar to unprecedented levels at a time when the Jordanian Government removed its subsidies on fuel, the purchasing power of the population began to shrink. Inflation began to soar, with rising costs of fuel and other commodities spilling over to all facets of the economy. Thus, prices of already over-inflated real estate began to justifiably rise. Developers that had already sold units of skeletal or pre-skeletal under-development projects began to realise losses on their sales as the inputs into construction in terms of steel and cement became increasingly expensive, eating away at the margins that had been pre-set and received on

The spillover effect of the hike in prices of oil and removal of the Government's subsidy on fuel prices drove prices of real estate to surge...

the property. To recoup these losses, developers raised the prices of unsold property, thereby inflating prices further.

Demand began to decline as speculators became cautious of the overpriced market, and developers became fearful of committing to new projects at a time where there was no clear indication of the likely trend construction costs would take. At the same time, sellers stuck to their prices, both in belief of a subsequent rise in prices once more, and as a necessity to recoup the purchase price in order to settle outstanding mortgage balances. Combined, this brought the sector to a relative standstill.

... pricing the bulk of the Jordanian population out of the market and causing demand for land and residential property to drop

The global financial crisis further exacerbated the situation, as banks began to tighten their restrictions on granting facilities, particularly to the real estate sector. Oil prices dropped and stock prices worldwide went into free-fall, leading to a colossal loss of wealth and a dry-up of liquidity. The real estate bust in Dubai further damaged investor sentiment, as fears of a ripple effect reaching Jordan began to build up. In 2008, the Global Property Guide had ranked Amman in position 42 on the "World Most Expensive Residential Real Estate Market Guide List". But in early 2009, the ranking had slumped to position 105 after witnessing a 10%-15% decline in prices compared to last year.

Hopes remain in the sector of a revival in trading activity in the summer months as both Jordanians living abroad and foreigners, particularly those from the Gulf countries, come to Jordan to spend their summer holiday. On a positive note, the resurgence of oil prices should help stimulate investment through increased liquidity in the oil-rich GCC, although this will come at the expense of rising construction costs once more. The combination, however, of expected rising inflation as a consequence of higher oil prices and a global economic slowdown is likely to have a negative impact on the spending power of non-oil rich countries, including Jordan. Therefore, should the trading activity not rise up to expectations in the market, we would expect to see an evident decline in prices of real estate by the end of the year.

Going forward, the revival of the sector will be dependent to a large extent on the flexibility of the banks in granting credit facilities, as well as the interest rates offered and facility terms. Moreover, the status of the real estate sectors in Dubai and the region play an important hand in determining the direction the sector in Jordan will take, and thus, eyes will be focused on regional markets as a signal of the trend to come. And while there is, arguably, a glut in luxury apartments and residential compounds in the Kingdom, there remains ample scope for development and growth in the market targeting low-income citizens, and we anticipate construction activity to divert its attention to such projects going forward.

2.0 INDUSTRY PERFORMANCE

The real estate phenomenon that was observed over the past few years played a significant role in transforming the Kingdom's landscape and its view from the top. The compounds and gated communities have become a popular way of living, especially for the upper-class citizens, while skyscrapers and tower buildings are set to change the skyline of the Kingdom.

Jordan's real estate sector has witnessed a rapid transformation in recent years

2.1 Industry Structure

Residential Properties

The influx of wealthy Iraqis to the Kingdom in 2003 following the US-led attack on Iraq played an important role in transforming Jordan's real estate sector demand and supply dynamics, resulting in a rapid and widespread price appreciation.

The shortage of supply of residential property...

While the rate of population growth in the Kingdom and the nature of its demographics suggest a continued demand for residential property, the nature of the supply in recent years has not matched the demand and hundreds of uninhabited apartments can be found across the Kingdom, particularly in the Capital. Developers in the market had focused their investments on high-end real estate projects and luxury developments in order to satisfy the appetite of such an expanding market. However, the nature of the concentration of construction has targeted a minuscule niche in the population, while ignoring the larger part to whom such luxury developments are unaffordable.

... and mismatch of supply and demand...

Several large scale developments, entailing residential compounds and apartments have already been completed, and handover of the housing units is underway. The market has, as a result of the boom and the one-dimensional direction of development, become over-saturated with up-scale housing units, where supply has out-paced demand. Furthermore, the boom in the real estate market encouraged speculative trading, causing prices of already expensive property to rise further. During 2008, the soaring of oil prices in the international markets, and the Jordanian Government's removal of fuel subsidies pushed inflation rates in the Kingdom to double-digit figures. The costs of construction inputs, particularly steel, soared, and this cost was passed on by the developers to the end buyer. The continuous rise in property prices in the last decade made them no longer affordable to the average citizen, which generated a surplus of supply and uninhabited housing units in a Country with a residential property shortage.

... resulted in soaring property prices and a supply of real estate that was unaffordable to the average citizen

Therefore, in order to adapt to the hike in housing prices and satisfy the apparent population needs, developers began during 2008 to divert more of their attention to catering to the demand of the middle- and low-income segment of the market, and commenced construction of more affordable residential units, collaborating with leading banks in order to offer attractive mortgage packages with low interest rates and longer payment schedules to encourage purchases.

Developers diverted their attention to the middle- and low-income segment

The "Decent Home for A Decent Living" initiative was launched in early 2008 by a royal decree to provide residential units, with competitive funding schemes, for all citizens. These units are specifically targeted towards individuals of the medium- to low-income segment of the population. The initiative, which is executed by the Housing and Urban Development Corporation, a governmental entity that provides housing for low-income individuals, will supply over 100,000 affordable housing units.

The private sector, meanwhile, has also became active in low-cost housing projects, with two of the most prominent of such projects being the Ahl al Azem project, and the King Abdullah Bin Abd Al Aziz project. The Ahl al Azem project includes 15,000 apartments and 800 villas, in additional to offices and retails units, while the King Abdullah Bin Abdul Aziz City includes up to 70,000 affordable housing units.

Commercial Properties

The boom in Jordan's economy has brought about a rapid growth in the number of businesses, and necessitated an increase in commercial properties

The stability of the Kingdom, coupled with the numerous bilateral free trade agreements signed, and attractive incentives offered to investors, helped attract businesses and multinational companies to Jordan, leading to a significant increase in the number of new companies registered in the Kingdom. This phenomenon was particularly visible following the war on Iraq, which increased the number of Iraqi businessmen in the Kingdom, who had to relocate their headquarters to a safer location. The rapid influx of Iraqis, alongside numerous NGOs and international businesses involved in the rebuilding of Iraq that set up shop in Jordan due to its close proximity and easy access to Iraq, led to a shortage in commercial offices, particularly in the Capital, and an increase in demand for such a potential market.

Developers have been quick to respond, with the under-supplied market status already showing signs of easing. As supply continues to catch up with demand and a number of high-rise buildings offering hundreds of offices are currently under construction, it could be argued that there is already a glut of commercial properties in the Capital, and projects such as the Abdali, which upon completion will provide some 490,000 square meters of commercial space, are likely to more than compensate for any remaining shortage of supply in this segment of the market.

Retail Properties

The establishment of the first retail mall in 1999 was followed by a considerable growth in the number of malls developed, with several others in the pipeline. The magnitude and scale of the malls in Jordan, coupled with internationally renowned anchor tenants in the malls, has diverted shoppers away from regular high street shopping into the growing number of malls.

Mecca Mall, the country's largest mall, opened its doors to shoppers in 2005, and was the first mall to offer mixed retail and leisure facilities. In late 2006, the City Mall was established with 55,000 square meters of retail space. The latest to be added to the list of malls was Al Baraka Mall offering a wide range of luxurious retail and leisure facilities. Jordan has a number of other malls, but still remains lacking compared to the region.

The completion of the Taj Mall and Al Mihrath Mall, in addition to the Abdali Boulevard, is expected to increase the retail space in Amman by 470,000 square meters in the coming five years.

Hospitality Properties

Tourism in Jordan has become a focal point in the sustainable development of the Kingdom...

Jordan has stood out during the past decade as a relatively safe country in a turbulent region. The continued conflict in Palestine and the tensions between Lebanon, Syria and Israel, further highlighted Jordan political stability, placing it on the global map of prime touristic destinations. This led to an inflow of investments into developing hotels, touristic resorts and accompanying services and facilities.

... the focus on which has led to the establishment of several brand name five-star hotels and tourist resorts

In the past few years, several brand name five-star hotels have been developed in the Kingdom, with still more in the pipeline, such as the Rotana Group Hotel, which will be developed as part of the Abdali Project, and the Hilton hotel, to be hosted by the Jordan Gate. Moreover, the famous MGM Miraj Group is also looking into establishing a hotel in the Kingdom.

Tourism-oriented projects have also spread across the Kingdom, with Aqaba and the Dead Sea being the primary recipients of such investments. Since 2002, Aqaba has been witnessing the development of a tremendous number of new resorts, residential complexes and leisure facilities. Tala Bay is among the largest projects established in the area, which, upon completion, will offer over 1,000 beds and 1,500 residential units as well as a marina town and marina. The first phase of the USD 500 million project has already been completed. Ayla Oasis, a USD 1 billion project, is another luxurious development in Aqaba, which includes artificial lagoons, five-star hotels, residential units and two gulf courses. Other famous projects to be completed by the end of 2009 is the Saraya project, which is built on a plot of 610,000 square meters and consists of hotels, residential units, a spa and a convention centre. Another project in the pipeline is the "Marsa Zayed" project with an estimated cost of USD 10 billion, entailing the development of an area of 3.2 million square meters and a coastline 2 km long. The project will contain residential towers, malls, hotels and resorts, as well as supporting services.

2.2 Contribution of Real Estate to the Economy

2.2.1 Contribution of Real Estate to GDP

The Jordanian real estate market has been showing signs of a correction, and the real estate phenomenon witnessed in the past few years has been slowly dissipating, leading to a slowdown in the sector.

The construction sector, which correlates directly with the rise and fall of the real estate sector, plays an important role in the country's economic growth. In 2008, the construction sector's contribution to GDP grew by 11.2% despite the real estate's growth in contribution losing pace since 2005, dropping to 3.7% in 2008 from 11.4% three years prior.

Overall since 2004, the real estate and construction sectors have grown at a CAGR of 6.1% and 1.5% respectively.

Contribution of Construction and Real Estate to GDP

(JD Millions)	2004	2005	2006	2007	2008
Construction					
Contribution to GDP	324.4	382.1	429.0	470.8	523.6
% Change	20.9%	17.8%	12.3%	9.7%	11.2%
Real Estate					
Contribution to GDP	960.2	1,069.4	1,123.2	1,166.6	1,209.3
% Change	5.2%	11.4%	5.0%	3.9%	3.7%
GDP at Basic Prices					
Total GDP	7,195.0	7,991.9	9,151.4	10,169.8	12,458.0
% Change	14.2%	11.1%	14.5%	11.1%	22.5%

Source: Central Bank of Jordan

The growth in the real estate sector's contribution to GDP was been decelerating since 2005 while the construction sector's value added has maintained stable growth

2.2.2 Public Expenditure on Real Estate and Construction

(JD Millions)	2003	2004	2005	2006	2007
General Budget Expenditure					
Land & Buildings	46.0	48.2	52.7	45.5	128.5
Construction	408.9	417.0	405.5	446.6	516.3
Total	454.9	465.2	458.2	501.1	644.8

Source: Ministry of Finance

The rapid growth and development of real estate in the Kingdom, particularly in its Capital, Amman, has necessitated the improvement of the Country's existing infrastructure. Moreover, public initiatives under royal decree to provide housing to low-income families has led to increasing expenditure by the Government on construction and land and buildings. The General budget expenditure on land and buildings grew at a compounded annual growth rate of 59.9% since 2003 to reach JD 128.5 million in 2007, while the compounded annual growth in expenditure on construction reached 1.5 % over the same period to reach JD 516.3 million.

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The importance of well-developed infrastructure in the future development of the sector, meant that it was an important segment of the Executive Programme for 2007 through to 2009 prepared by the Ministry of Planning and International Cooperation, with expected expenditure on roads for the period amounting to JD 347.10 million, while on Housing, this reached JD 50.42 million.

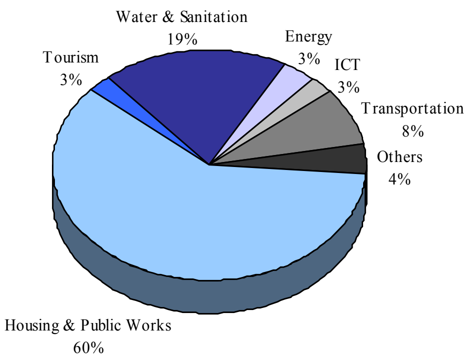
Sector	Total Cost (JD Thousand)	Expected Expenditure (JD Thousands)			
		2007	2008	2009	2007-2009
Transport	1,318,575	69,765	41,190	29,195	140,160
Housing & Public Works	973,923	155,423	142,900	148,700	447,023
• *Roads*	*723,500*	*107,000*	*117,400*	*122,700*	*347,100*
• *Housing*	*50,423*	*31,923*	*9,000*	*9,500*	*50,423*
• *Government Buildings*	*200,000*	*16,500*	*16,500*	*16,500*	*49,500*
Municipal Development	15,000	2,250	2,000	2,000	6,250
Water & Sanitation	1,455,291	150,280	227,510	219,760	597,550
Energy	5,482,936	11,307	14,030	12,820	38,157
ICT	121,407	20,610	38,085	37,717	96,412
Tourism	98,052	14,910	6,750	6,100	27,760
Environment & Agriculture	210,467	24,128	24,645	22,295	71,048
Total Financial Requirements	9,675,651	448,653	497,110	67,,587	1,424,360

Source: Ministry of Planning and International Cooperation

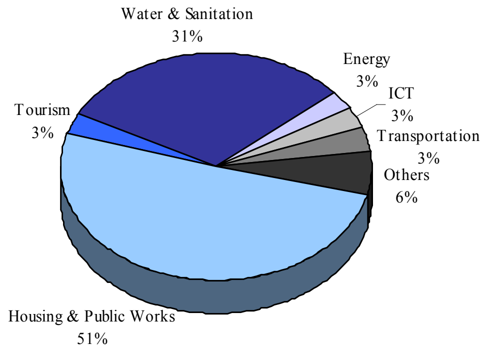
A published report by the Ministry of Planning and International Cooperation revealed that actual expenditure on infrastructure in 2008 fell short of the amount budgeted, with an expenditure of JD 394.05 million compared to a budget of JD 587.59 million. Expenditure on roads, housing and government buildings over the year, however, exceeded the budgeted amount at JD 237.10 million compared to JD 235.06 million. Worth highlighting also is that the expenditure on roads, housing and government buildings comprised a significant 60.2% of the Ministry's expenditure on infrastructure during the year.

Expenditure by the Ministry of Planning on infrastructure for 2007 and 2008 amounted to an aggregate JD 684.37 million, of which JD JD 384.71 million was on roads, housing and government buildings

Ministry of Planning Expenditure on Infrastructure (2008)



Ministry of Planning Expenditure on Infrastructure (2007)



Source: Ministry of Planning and International Cooperation

A report issued by Mazaya indicated that developed and emerging markets need to expend around 8% of their GDP on infrastructure. Based on the forecasted expenditure for 2009 and the estimated GDP, Jordan's expenditure on infrastructure is roughly 4% of GDP, with the bulk being expended on roads and water. While Jordan's expenditure on infrastructure falls short of the stated requirement by Mazaya, it exceeds the estimated global average expenditure as a percentage of GDP, as illustrated below.

Outlook: Annual World Infrastructure Expenditure (Estimated Average in USD Billions)

Sector	Years 2000 - 2010	% of World GDP	Years 2010 - 2020	% of World GDP	Years 2020 - 2030	% of World GDP
Roads	220	0.38%	245	0.32%	292	0.29%
Rail	49	0.09%	54	0.07%	58	0.06%

Sector	Years 2000 - 2010	% of World GDP	Years 2010 - 2020	% of World GDP	Years 2020 - 2030	% of World GDP
Telecom	654	1.14%	646	0.85%	171	0.17%
Electricity	127	0.22%	180	0.24%	241	0.24%
Water	576	1.01%	772	1.01%	1,037	1.03%
Total	**1,626**	**2.84%**	**1,897**	**2.49%**	**1,799**	**1.79%**

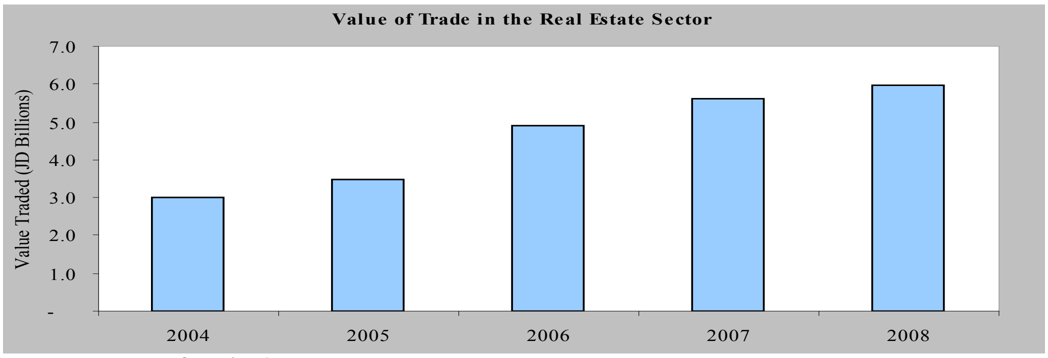
Source: OECD 2007

2.3 Transaction Activity

2.3.1 Value Traded

Trading activity in the sector reached JD 5.97 billion in 2008, up 6.6% compared to the previous year...

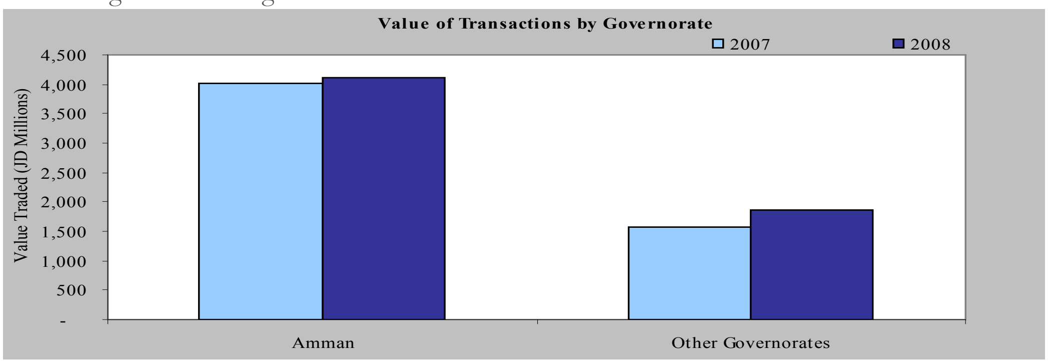
Despite a slowdown in the real estate sector compared to the boom years of 2005 and 2006, the value traded reached JD 5.97 billion in 2008 compared to JD 5.60 billion in 2007 and JD 4.90 billion in 2006. During the first half of the year, the value traded posted impressive results compared to 2007, with the total investments growing by 6.9% over the period. The continuous surge in oil prices during that period meant that costs of construction rose, which was reflected in prices of real estate, driving up the value of trading transactions. Moreover, the fear in the market that prices of real estate will continue to surge led buyers that could afford the high prices, to rush to buy at current prices before further increases occur. However, growth in the sector decelerated towards the end of the year, affected by tight liquidity following the drop in oil prices which reduced excess wealth in the gulf region, and thus, inflow of funds to Jordan, coupled with uncertain investor sentiment towards purchasing property for fear of bursting of the real estate bubble and a consequent free-fall of property prices.



Source: Department of Land & Surveys

... with the value traded in Amman and other governorates rising by 2% and 18% respectively

A breakdown of the value of transactions by governorate reveals that although 68.8% of the total value related to transactions in Amman, the bulk of the increase in value is attributed to growth in value of transactions in the other governorates across the Kingdom. The transaction value in Amman increase by a slight 2% in 2008 compared to 2007, while in other governorates this increase registered at a significant 18%.



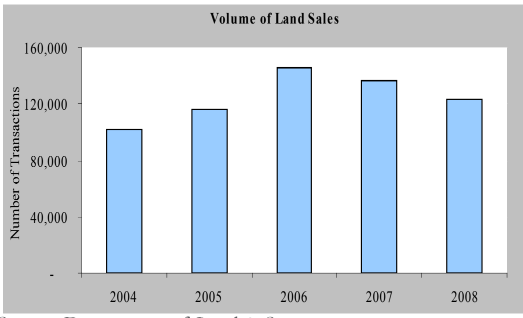
Source: Department of Land & Surveys

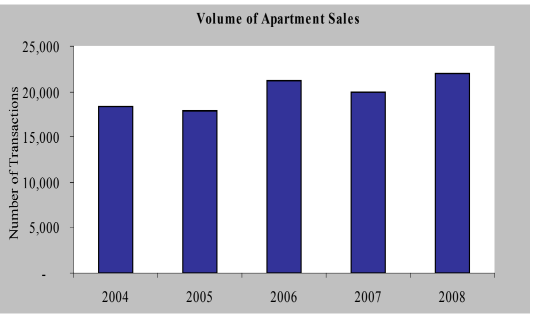
The global financial crisis and credit crunch put a further dampener on the sector, with total investment in the real estate sector falling by 32.4% to reach JD 940 million during the first quarter of 2009, compared to JD 1,390 billion over the same period last year.

2.3.2 Volume of Trading

The continued shortage of residential property supply meant that the volume of transactions traded in the sector improved during 2008 after slightly declining in 2007 compared to 2006. The number of apartments traded reached 21,971 in 2008 compared to 19,909 in 2007, representing a 10.4% increase.

Volume of trading for apartments rose by 10.4% to reach 21,971 transactions in 2008





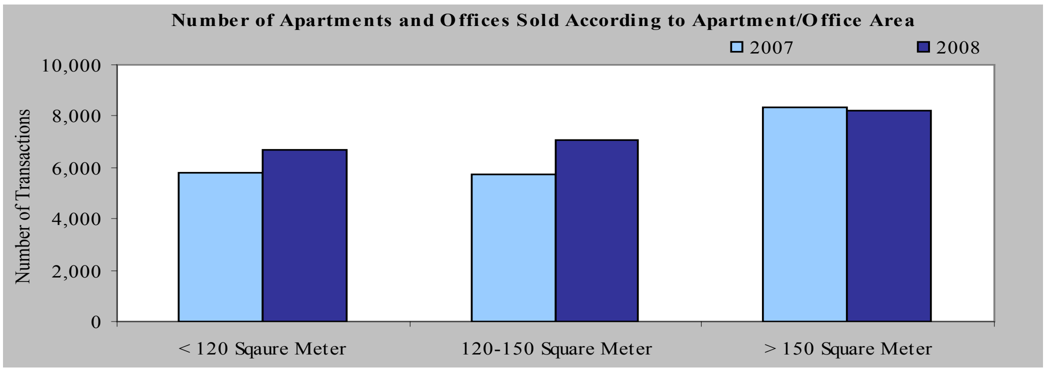
Source: Department of Land & Surveys

In contrast, since 2006 trading of land has dropped by 9.8% to reach 136,974 transactions in 2007, before dropping by a further 9.8% drop in 2008 to 123,513 transactions. This drop came on the back of prices of land reaching unprecedented levels over the years, the evaporation of liquidity, and a sharp drop in speculative trading.

Apartment Sales

The mismatch of supply with demand and the resulting continued shortage of residential property meant that demand for apartments remained strong, despite the high inflation rate in the Kingdom and escalating prices of property. The volume of apartments sold rose by 10.4% in 2008 compared to a decline of 6.1% in the previous year. However, there was an evident shift in purchasing trends. Apartment sales transactions during 2008 tended to comprise of small-sized apartments, as developers and buyers alike seek to benefit from the law exempting buyers from paying registration fees on the first 120 square meters on apartments less than 120 square meters in size, and reduced registration fees on apartments less than 150 square meters in size.

The recent law exempting small-sized apartments from registration fees...

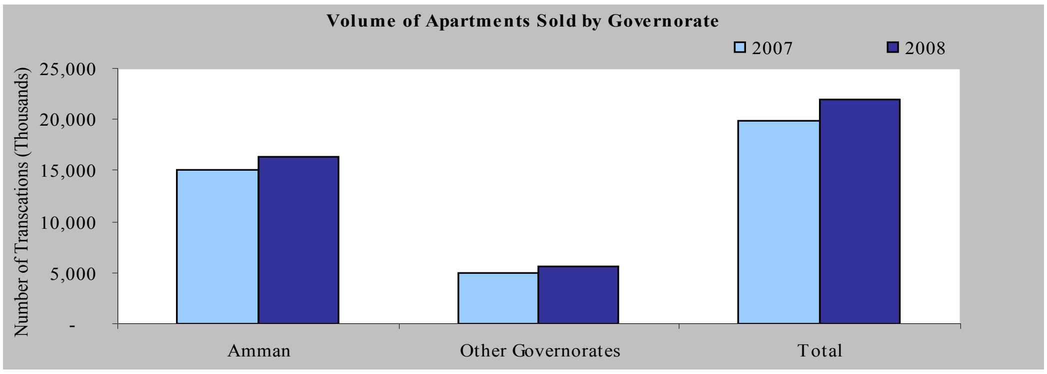


Source: Department of Land and Surveys

... has meant that sales transactions of smaller scale residential and commercial units have been growing in importance...

Accordingly, the number of apartments sold of areas exceeding 150 square meters dropped in 2008 by 2% compared to the previous year, reaching 8,203 transactions, while sales of apartments of area less than 120 square meters rose by 15%, reaching 6,701 transactions, and sales of apartments of area ranging between 120-150 square meters increased from 5,740 sales transactions in 2007 to 7,067 transactions.

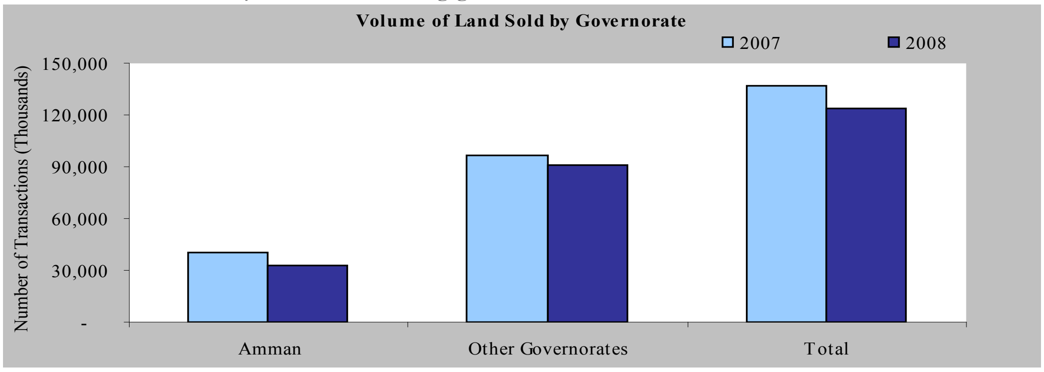
Comparing apartment sales by region reveals that the growth comes both from the Capital and other governorates, with increases of 9% and 14% respectively in 2008 compared to 2007. Worth highlighting however, is that the volume of apartment sales in the Capital constituted 74.5% of total apartment sales in 2008.



Source: Department of Land & Surveys

Land Sales

The exorbitant prices of land led land sales transactions to drop by a respective 20.0% and 5.5% in Amman and other governorates of the Kingdom. The sharp increase in prices of land in recent years led investors wanting to purchase land to put their investment plans temporary on hold, anticipating a near-term correction of prices in the market. Moreover, the financial crisis in the U.S. that spread to other parts of the world during the second half of 2008 made banks in Jordan hesitant to lend, thereby further hindering growth in the volume of land sales.



Source: Department of Land & Surveys

Volume of land transactions dropped by 9.8% to 123,513 transaction

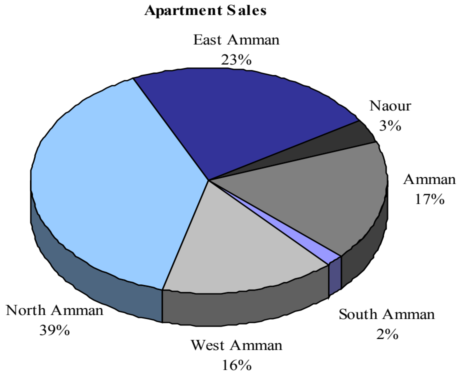
Furthermore, because the boom in the sector has been ongoing for a number of years, large-scale developers have already purchased the land plots needed, which led a relative decline in sales volume.

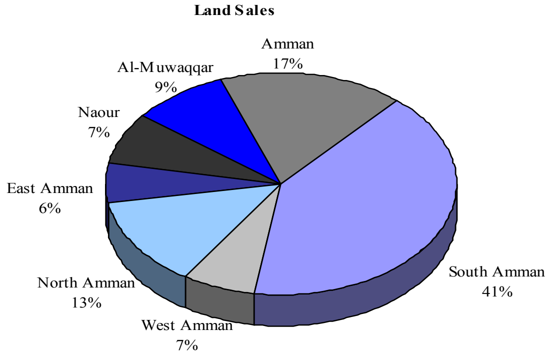
In contrast to apartment sales transactions where the Capital claimed the larger part, land sales in other governorates of the Kingdom surpassed Amman by far. This difference is due to two main reasons, the larger scale touristic resorts are being developed in regions such as Aqaba, the Dead Sea, and Petra, not in Amman. Moreover, land prices in the Capital have soared so high that speculators and developers of low-cost projects have moved their attention away from the Capital to "cheaper" locations.

Sales in Amman

As mentioned above, the majority of apartment sales were executed in the Capital, Amman, A detailed analysis of transactions by region revealed that north Amman claimed the lion's share of apartments sold in Amman, with 6,337 transactions during 2008. East Amman followed with 23% of transactions, equivalent to 3,723 transactions, while the southern region of the Capital came in last with only 282 apartment transactions over the same period.

North Amman had the highest number of apartments sold, while south Amman was the primary recipient of land sales transactions



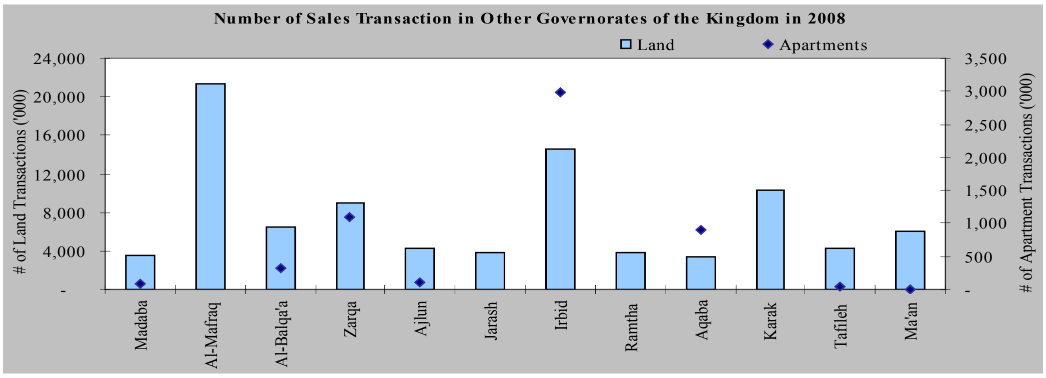


Source: Department of Land & Surveys

In contrast, it was the southern part of Amman that was the primary recipient of land sale transactions, claiming a substantial 41% of total transactions, equivalent to 13,402 transactions. Central Amman came next with 17% of total transactions.

Sales in the Rest of the Kingdom

For the remainder of the Country, Al-Mafraq took the lead in terms of land sales with 21,374 transactions, followed by Irbid and Karak, with 14,646 and 10,316 transactions respectively. For apartment sales, Irbid took the lead, with transactions amounting to 2,987, followed by Zarqa and Aqaba with 1,092 and 898 transactions respectively.



Source: Department of Land & Surveys

Sales to Non-Jordanians

Iraqis claimed the lion's share of value traded for non-Jordanians in 2008, while Kuwaitis ranked in first position in terms of volume traded

The total volume of land and apartment sales to non-Jordanians during 2008 reached 4,704 transactions for a value of JD 216.78 million. Of these transactions, Kuwaitis ranked in first place with 1,450 transactions compared to 328 transactions in 2007. Transactions by Iraqis, meanwhile, dropped from 663 transactions in 2007 to 651 transactions by the end of 2008.

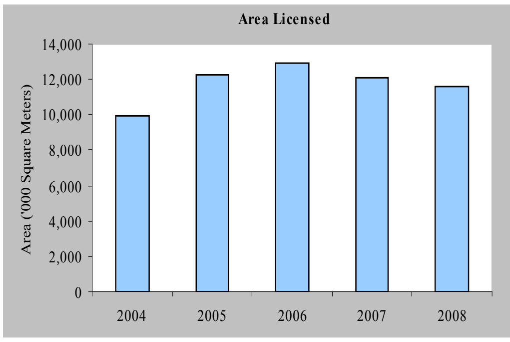
Country	Value Traded 2007 (In Millions)	Value Traded 2008 (In Millions)	% Change	Volume Traded 2007	Volume Traded 2008	% Change
Iraq	59.9	85.5	42.7%	663	651	(1.8%)
Kuwait	18.0	21.1	67.3%	328	1,450	342.1%
Saudi Arabia	11.0	18.4	17.2%	161	N/A	N/A

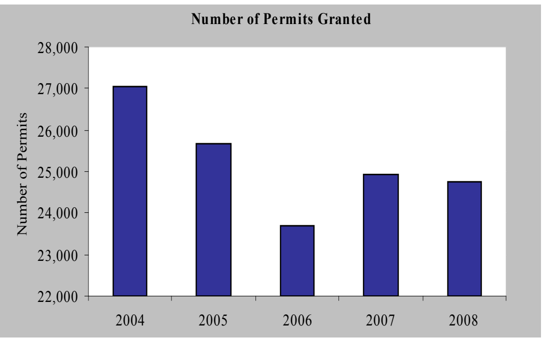
N/A : Not Available
Source: Department of Land and Surveys

Strikingly, however, in terms of value of investment by non-Jordanians it was Iraqi nationals that claimed the top position in 2008, with an investment of JD 85.5 million, registering a 42.7% increase compared to 2007. Kuwaiti and Saudi Arabian investments came next at JD 21.1 million and JD 18.4 million, respectively. This suggests a disparity in the purchasing predilection of these nationalities. For Iraqis, the tendency has been to buy property in the Capital for personal residential purposes. Real estate in Amman is more expensive than other areas in the Kingdom, therefore, although the areas purchased have tended to be of a smaller scale, the higher prices meant that Iraqi investors were the largest contributors to foreign trade.

The Kuwaiti investments, however, have leaned mainly towards development projects, consisting of larger-scale and more numerous purchases, further away from the Capital, where land prices are lower.

2.3.3 Number of Permits and Licensed Area





Source: Central Bank of Jordan

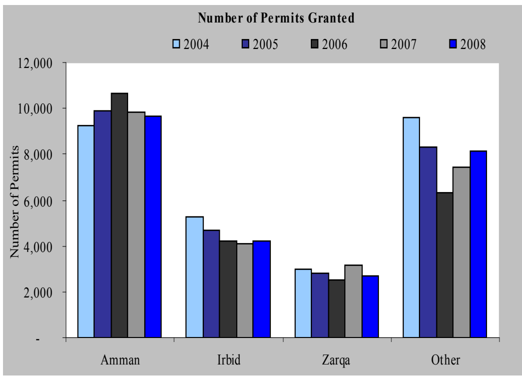
The boom in the real estate sector was a major driver of the increase in the number of permits obtained for real estate construction in recent years. The number of permits in 2004 reached 27,064 permits, registering the highest number over the period between 2004 and 2008. Since 2005 the number of permits have been declining year-on-year reaching 23,691 permits in 2006, to rise slightly in 2007 to 24,918 permits. The surge in prices of land, in addition to the increase in prices of construction materials and the slowdown in the sector, led to a slight drop in the number of permits granted in 2008 to 24,748 permits.

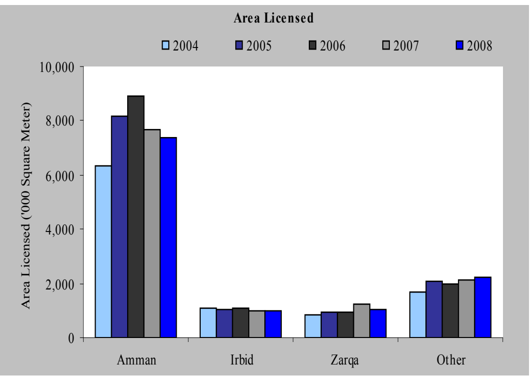
The soaring prices of land and construction materials led to respective drops of 0.6% and 4.2% in permits granted and licensed areas for construction in 2008

With regards to the area licensed for construction, the period 2004-2006 contrasted sharply with the number of permits, whereby licensed area followed a rising trend with an overall increase of 29.6%. The shift towards larger scale projects, such as gated residential compounds, resorts, and high rise towers meant that while the number of construction permits obtained declined, the area of projects was rising. However, the slump in the real estate sector, and soaring costs of land and inputs into construction led to a slowdown in construction activity causing the area licensed for construction to drop in 2007 and 2008 by 6.6% and 4.2% respectively.

The bulk of permits granted were for the Amman area, with a total of 9,664 permits granted during 2008. This registers 2.0% lower than the 9,859 permits granted in 2007. Irbid, on the other hand, witnessed a 2.8% increase in the number of permits granted, while Zarqa saw a significant 13.5% decline.

In Amman, the number of permits declined from 9,859 permits in 2007 to 9,664, while Irbid saw a 2.8% increase over the same period





Source: Central Bank of Jordan

Amman also claimed the lion's share of area licensed for construction, accounting for 64.8% of total area licensed during 2008. Zarqa and Irbid followed with 9.0% and 8.5%, respectively. For Amman, Irbid and Zarqa, 2008 saw a decline in area licensed compared to 2007.

Although the real estate sector remained depressed, the decline in costs of construction following the fall in prices of fuel, steel and cement led to a revival of construction activity during the first quarter of 2009, with the number of permits granted rising from 3,043 permits for the same period of 2008 to reach 6,871 permits, while the area licensed rose by 35.1% to 4,313 square meters.

2.3.4 Number of Construction Companies

The flourishing real estate sector attracted new players to the market, leading to an impressive increase in the number of construction companies established over the years. Since 2004, an aggregate of 1,247 new construction companies were established, with 339 companies set up in 2008 alone.

The number of construction companies registered in the Kingdom have been rising consistently

Number and Paid-Up Capital of Construction Companies Registered

	2004	2005	2006	2007	2008	April-2009
Number of Companies Registered	112	197	265	288	339	95
Capital (JD million)	7.1	19.9	19.5	26.4	86.8	5.5

Source: Central Bank of Jordan

2.4 Prices

The heavy demand for residential units over the past few years led property prices to skyrocket to unexpected levels. In 2008, prices began to drop with the average purchase price of a 120 square meter apartment falling by 8.7% compared to the previous year, while prices of rent for the same size of apartments dropped by 7.7%.

	Buy (USD)	Rent (USD/ Month)	Yield	Buying Price/Sq.M (USD)	Rent Price / Sq.M (USD)
September 2008					
120 Square Meters	138,120	1,120	9.73%	1,151	9.33
240 Square Meters	270,000	1,944	8.64%	1,125	8.10
360 Square Meters	498,960	3,254	7.83%	1,386	9.04
780 Square Meters	1,581,060	6,076	4.61%	2,027	7.79

Areas researched: Um Uthainah, Dair Ghbar, Abdoun, Sweifeh, Jabal Amman
Source: Global Property Guide

September 2007					
120 Square Meters	151,320	1,213	9.62%	1,261	10.11
180 Square Meters	186,840	1,456	9.35%	1,038	8.09
240 Square Meters	301,200	2,078	8.28%	1,255	8.66
300 Square Meters	392,700	2,532	7.74%	1,309	8.44
340 Square Meters	414,447	2,855	8.27%	1,219	8.40

Areas researched: 7th Circle,Al Rabia, Shmisani, Dair Ghbar, Abdoun, Sweifeh,
Source: Global Property Guide

A consideration of the average prices of apartments by region within the Capital highlights that those located in the region between the third and fifth circle are the most expensive, with prices ranging between JD 900-1200 per square meter. In terms of commercial office space the most expensive was found in the Abdoun area, with rent prices ranging between USD 156-213 per square meter.

Average Price of Apartments in Amman	
Area	Price (JD)/ Square Meter
Shmeisani	500-750
Abdoun	750-1200
Deir Ghbar	700-1200
Un Uthina	800-1000
Swafieh	750-1000
Khalda	500-800
Tlaa' Al-Ali	500-800
Third- Fifth Circle	900-1200
Dhahit Al-Rasheed	450-600

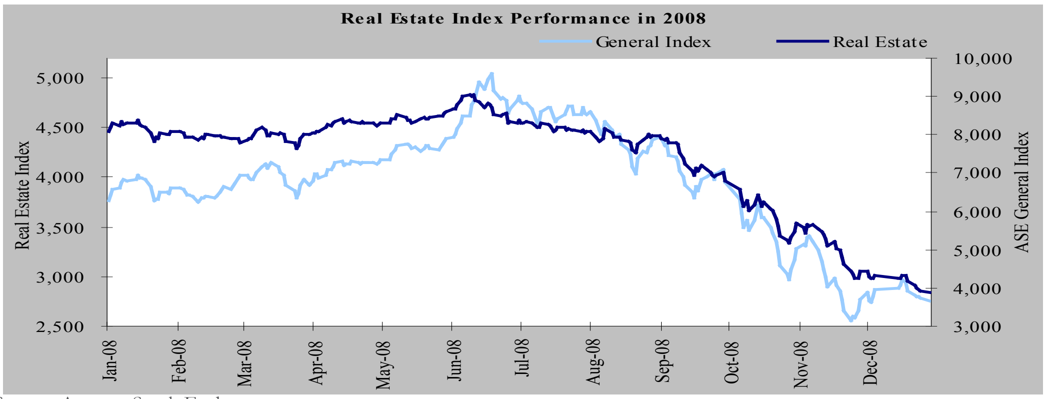
Average Price of Offices in Amman	
Area	Price (JD)/ Square Meter
Shmeisani	69-166
Abdoun	110-151
Deir Ghbar	76-131
Un Uthina	73-141
Swafieh	80-131
Khalda	83
Tlaa' Al-Ali	138
Third- Fifth Circle	72-160
Dhahit Al-Rasheed	N/A

Dollar prices of offices converted at a rate of JD 0.709/USD 1
Source: Amlak Newspaper; Asteco/Jordan

2.5 Sectorial Performance on the Amman Stock Exchange

2.5.1 Performance of the Real Estate Sector Index

Following the stock market correction of 2006 that continued into 2007, year 2008 started off positively, with the real estate sector index rising by 2.8% during the first quarter of the year to 8,002.1 points from 7,823.7 points at 2007's year-end, It was, however, outperformed by the General Index which rose by 6.8% over the same period.



Source: Amman Stock Exchange

The real estate sector index rose by 15.4% during the first half of 2008

The second quarter of the year, however, is when the Jordanian stock market began to truly rally, driven by high liquidity and strong investment levels, leading the real estate sector index to climb, registering its high for the year of 9,031.2 points on June 9th 2008, up 15.4% on a year-to-date basis. It was once again out-paced, however, by the General Index, which had risen by 29.9% during the same period.

The global financial turmoil during the second half of the year led the index to drop by 50.4% by the end of the year

As the repercussions of the credit crisis and financial melt-down erupted in the U.S. which set the stock markets world-wide into free-fall, the Amman Stock Exchange General Index shifted into a downward mode by mid-July, dropping consistently, dragging down with it all sector indices. By August, the real estate sector index has fallen below the 8,000 point level and continued to tumble down to reach the 6,000 point mark by mid-September. At the end of the third quarter, the index had dropped 10.5% compared to the start of the year. The plummet in the index continued through to the end of the year to reach 3,879 points on the 30th of December, hitting its lowest point for the year, and ending 2008 down by a whopping 50.4% year-on-year.

The total value traded for the sector reached JD 3.55 billion compared to JD 2.78 billion in 2007, making up 17.4% of total market value traded for the year, which reached JD 20.32 billion. Volume traded reached 1.47 billion compared to a total market volume of 5.44 billion.

ABC Investments

2.5.2 Sector Trading Activity

Compnay	Ticker	Volume Traded (# of Shares)	Value Traded (JD)
Specialized Investment Compounds	SPIC	86,635,183	640,236,596
Ad-Dulayl Industrial Park Co. & Real Estate	IDMC	319,894,635	587,279,966
Al-Tajamouat for Catering & Housing	JNTH	189,183,217	566,083,534
Taameer Jordan Holdings	TAMR	187,620,495	374,144,846
Union Land Development Corporation	ULDC	173,954,769	320,569,217
Methaq Real Estate Investment	MEET	59,461,385	95,210,664
Arab Real Estate Development	ARED	35,914,596	80,924,139
Real Estate Development	REDV	49,757,445	79,396,158
Arab East for Real Estate Investments	REAL	7,052,722	77,343,400
Emmar Investments & Real Estate Development	EMAR	29,829,594	75,575,523
Ihdathat Co-Ordinates	IHCO	26,802,695	64,179,286
Contempro for Housing Projects	COHO	32,505,548	54,967,513
Resources For Development & Investment	JOMA	24,937,526	49,198,288
The Investors and Eastern Arab For Industrial & Real Estate Investment	IEAI	13,189,778	46,182,873
Palaces Real Estate & Development	PRED	9,926,325	44,546,352
Jordanian Real Estate Development	JRCD	23,735,127	42,504,977
Int'l Arabian Development & Investment Trading	INMA	23,189,485	42,371,289
Middle East Diversified Investment	MEDI	7,627,379	41,960,525
Jordan Dubai Properties	REIN	25,603,980	34,039,285
The Real Estate & Investment Portfolio	PETT	27,263,346	34,035,561
Comprehensive Land Development & Investment	ATTA	24,555,758	32,688,905
High Performance Real Estate	HIPR	16,647,554	31,886,833
Damac Real Estate & Development Jordan	DMAC	8,918,691	30,447,319
The Professional for Real Estate Investment and Housing	PROF	23,163,576	25,793,777
Amad Investment & Real Estate Development	AMAD	10,131,921	20,790,875
Beit Elmal Saving & Investment For Housing	BAMB	8,614,698	14,357,996
Al-Tahdith for Real Estate Investment	THDI	8,554,838	14,241,149
Amwaj Properties	AMWJ	7,271,828	9,831,940
Arab Investors Union for Real Estates Developing	UNAI	3,379,590	5,696,625
Jordan International Investment	HJIIG	4,126,890	5,366,972
Al-Shamekha for Real Estate & Financial Investments	VFED	1,486,405	3,959,560
Amlak Finance (Jordan)	AMLK	3,386,860	2,858,821
Ard Alnnomow for Real Estate Development & Investment	ARDN	218,735	809,622
Zaharat Alurdon Real Estate & Hotels Investment	ZAHI	97,664	282,418
Afaq for Investment & Real Estate Development	MANR	1,000	4,500
Total		1,474,641,238	3,549,767,304

Source: Amman Stock Exchange

The Specialised Investment Compounds (SPIC) claimed the lion's share of value traded at JD 640.24 million. It was followed by Ad-Dulayl Industrial Park (IDMC) with JD 587.28 million and Al Tajmouat for Catering and Housing (JNTH) with JD 566.08 million. The total value of shares traded of the three most active stocks made up 50.5% of the value of all shares traded in the sector for the year.

SPIC was the top performer in terms of value traded in 2008, IDMC led in terms of number of shares traded

With regards to the volume of shares traded, Ad-Dulayl Industrial Park (IDMC) led the real estate sector with 319.89 million shares, followed by Al-Tajamouat for Catering and Housing (JNTH) and Taameer Jordan Holdings (TAMR) with 169.18 million and 187.62 million shares, respectively, making up 47.2% of the total real estate sector's trading.

Four new real estate companies were listed on the Amman Stock Exchange in 2008; Afaq for

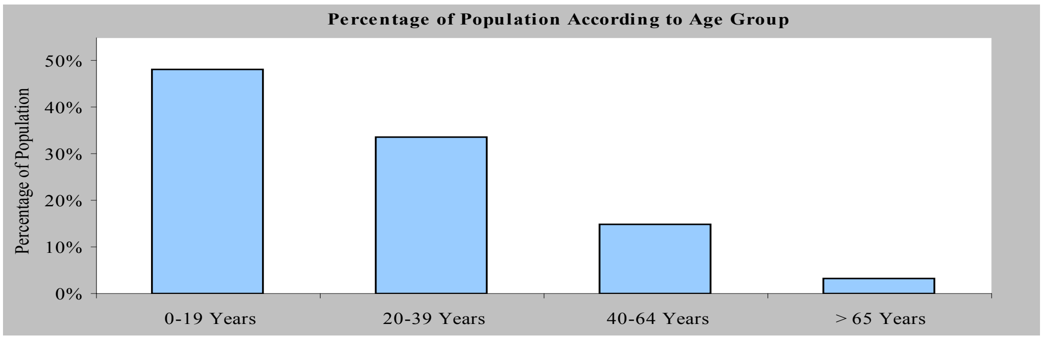
Investment and Real estate Development (MANR), Amlak Finance (AMLK), Amwaj Properties (AMWJ), and Damac Real Estate and Development/ Jordan (DMAC).

2.6 Sector SWOT Analysis

Strengths	Weaknesses
Property & land remain relatively underpriced compared to region	Lack of well-established regulations and controls.
Potential for further growth	Prices have reached unaffordable levels for the bulk of the local population
Compared to the less expensive real estate markets in the region, Jordan as a country is perceived to be more politically safe	High interest rates demanded on housing loans and relatively low repayment periods offered
Increasing need for housing each year, indicating strong demand	Fears in the market of the "bursting" of the real estate bubble
Supportive Government promoting the development of the sector	Lack of supporting infrastructure, leading to traffic congestion and a shortage of parking spaces
Majority of land in the Country is undeveloped, therefore sector has huge opportunity for growth	Tightened restrictions by banks on granting credit facilities
The majority of cities in Jordan are severely under-developed	No securitisation of housing loans
Governments intention to include the listed real estate companies in its bail-out plans	Prime locations in the Capital are constantly changing
Liberalisation of foreign ownership	
Opportunities	**Threats**
Law exempting first 120 square meters of apartments smaller than 300 square meters from registration fees.	Geopolitical threats
Reducing restrictions on Iraqis' entry to the Kingdom	Economic slowdown
Recent regulations supporting the growth of the sector and the investment promotion law	Rising prices of land leading to construction and development projects becoming unfeasible
Growing population driving a need for property development	Rising prices of construction materials accompanying current increase in oil prices
Wide opportunity for growth in the mortgage financing services supported by declining interest rates.	Rising interest rates on borrowing
Scope still available for growth in the low-income targeting segment of the market	Continued restriction on lending by banks
	Inflation leading to even further over-inflated prices of property
	Resolution of situation in Iraq causing a major sell-off of property by Iraqis
	Risk of instantaneous completion of projects leading to oversupply
	Expanding boundaries of the Capital hindering prices of prime locations from remaining sustainably high

3.0 FACTORS SHAPING THE REAL ESTATE & CONSTRUCTION SECTORS

3.1 Population Demographics

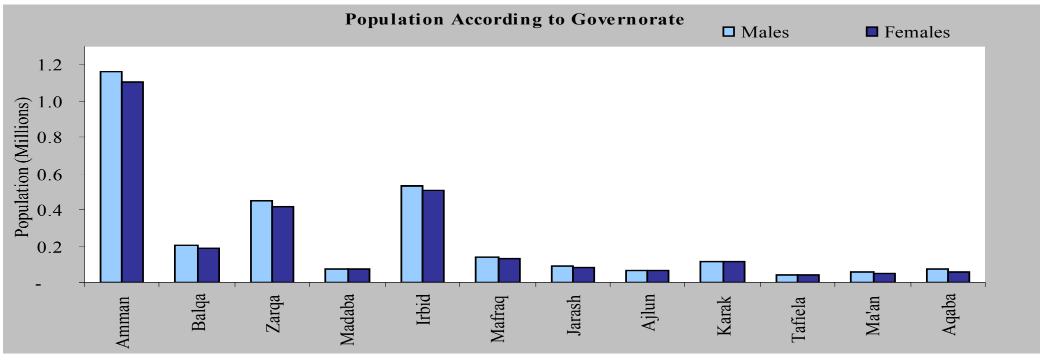


Source: Department of Statistics

37% of Jordan's population are under the age of 15

Jordan's population has been increasing steadily at a rate of 2.2%-2.6% over the past ten years reaching 5.72 million in 2008, with 37% of Jordanian inhabitants being under the age of 15. This young population will continue to be a driver of the sector as the population gets older and couples begin to set up homes of their own.

As illustrated below, some 38.8% of the population in Jordan resides in its Capital, Amman. Irbid and Zarqa are the next two most highly populated cities, home to 17.8% and 14.8% of the population, respectively. The demographics also reveal that the proportion of males to females exceeds 50% in the majority of governorates.



Source: Department of Statistics

3.2 Arrivals

The number of tourists to the Kingdom has been on the rise since 2003. In 2007 however, the number of arrivals declined by 2.7% due to a decrease in arrivals from Arab countries, offset slightly by a 35% increase in European visitors. In 2008, the number of arrivals rose once again by 8.8% with a total number of 7.10 million visitors, of which 3.73 million were overnight visitors while 3.37 million represented same day visitors.

The number of arrivals to the Kingdom reached 7.10 million visitors in 2008, of 52.5% were overnight visitors.

The war on Iraq was a major driver of the increase in the number of visitors to the Kingdom and therefore an important contributor to the boom in the real estate sector. The war led to an influx of refugees, NGOs and businesses involved in rebuilding Iraq to Jordan, all requiring housing and offices. In 2004, 675,636 Iraqis entered the Country, of which 58.0% were overnight visitors, many of which took up resident in Jordan. The number continued to rise reaching 773,498 visitors in 2005. In 2006, however, the numbers of Iraqi visitors fell by 47.1% to 409,290 visitors, while total visitors continued to increase.

The number of Iraqi's entering the Country has been dropping since 2005 to reach 185,558 visitors in 2008 compared to 773,498 back in 2005

The Iraqi Government's encouragement of return of Iraqi citizens to Iraq by issuing stipends, together with tightening residency-granting regulations by the Jordanian Government in 2007, reduced the number of Iraqi visitors to the Kingdom by 48.3% in 2007 to reach 211,406 visitors, and in 2008, this number had fallen further to 185,558 visitors in 2008. Overall, however, the number of total arrivals rose during 2008 to reach 7.10 million.

In early 2009, the Jordanian Government announced new measures to facilitate the entry and residency of Iraqis in the Kingdom. Under the new measures, Iraqis holding a residence permit or any valued residencies in other countries can purchase and buy real estate in the Kingdom without security clearance. This new approach is hoped to increase the volume of investment in the Kingdom and boost the economy.

3.3 Political Stability

The instability in Jordan's neighbouring countries over the few past years has benefited Jordan's real estate sector and its economy as a whole, bringing about an upsurge in real estate sector activity. The political stability in the Kingdom has positioned Jordan as a safe haven relative to its neighbours, which led to a massive influx of immigrants and wealthy investors from Iraq and investors in the region, all of which helped transform Jordan's Capital, Amman, into a cosmopolitan city and an important business hub.

The political stability of the Country played an important hand in the development of the real estate sector

3.4 Liquidity

The soaring prices of oil in 2007 and 2008 generated an abundance of wealth and excess liquidity in the GCC, to which Jordan was a recipient. However, during the second half of 2008, as oil prices began to slump and stock prices globally crashed, this liquidity soon disappeared.

To increase liquidity in the market and boost the Kingdom's national economy, the Central Bank of Jordan cut rates on its monetary policy instruments twice in 2008, by an aggregate of 75 basis points. The re-discount rate was reduced from 7.00% to 6.25%, the repurchase agreement (Repo) rate from 6.75% to 6.00%, and the Jordanian Dinar overnight window deposit rate from 4.75% to 4.00%. The Bank reduced the rates again in 2009 by an aggregate 100 basis points. It also reduced the required cash reserves rate on banks' deposits in both local and foreign currencies from 9% to 7%, while Jordanian Dinar overnight window deposit rate became 3.0%.

The Central Bank of Jordan cut rates on its monetary policy instruments by an aggregate of 75 basis points in 2008 and by 100 basis points in 2009 to boost liquidity

Worth nothing is that despite these interest rates cuts, the banking sector's response to the reduction in interest rates has, to date, been weak.

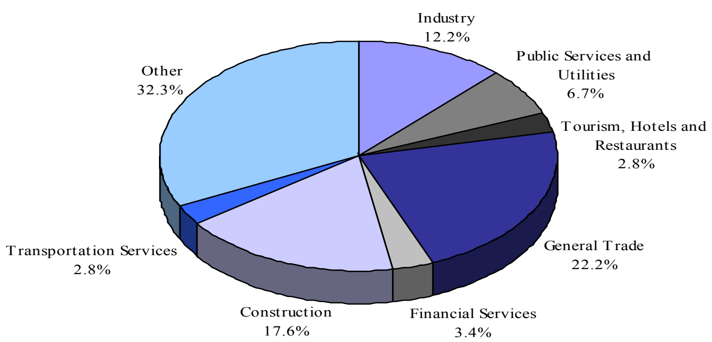
3.5 Credit Financing and Interest Rates

(in JD millions)	2004	2005	2006	2007	2008	Q1 2009
Credit Facilities Granted to Construction & Real Estate Sector	953.2	1,162.1	1,560.8	1,942.1	2,293.1	2,349.4
% Growth	18.5%	21.9%	34.3%	21.9%	18.5%	2.5%
% of Total Facilities Granted	15.4%	15.0%	16.0%	17.2%	17.6%	18.2%

Source: Central Bank of Jordan

Facilities granted by local licensed banks have been increasing year-on-year, with the facilities granted as of 2008 year end registering at JD 2.29 billion.

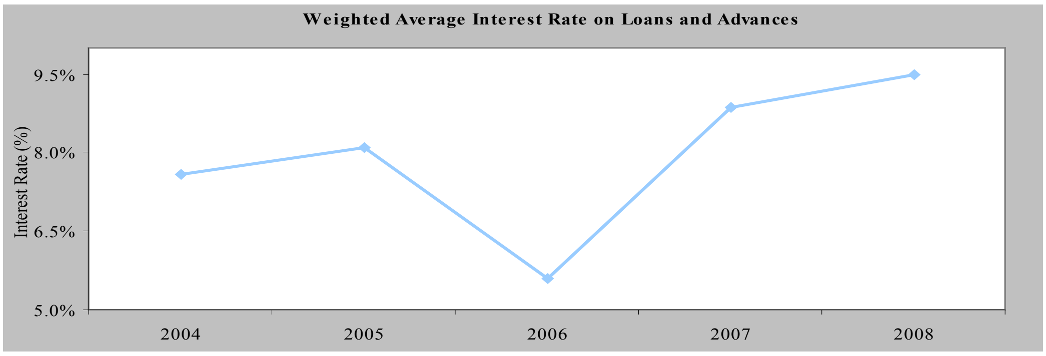
Credit Facilites Granted by License Banks According to Economic Activity in 2008



Source: Central Bank of Jordan

Credit facilities granted for construction activity more than doubled over the past five years, growing from JD 953 million 2004 to JD 2.29 million in 2008, making up 17.6% of total facilities granted by licensed banks during the year.

In terms of interest rates on loans and advances, the weighted average interest rate offered by licensed banks has been increasing year-on-year, to finally reach 9.48% at the end of 2008 compared to 7.59% in 2004. Attempts by the Central Bank to reduce interest rates during the first quarter of 2009 by reducing key interest rates have only marginally succeeded, with the weighted average interest rate declining by a mere 18 basis points to 9.30% at the end of March 2009.



Source: Central Bank of Jordan

The sub-prime crisis of the United States has prompted banks in Jordan to constrain their lending, particularly to the real estate sector, in a bid to avoid a mirrored crisis in the Kingdom. Worth highlighting also is that the slump in the real estate sector during the second half of the year is expected to result in a drop in the value of property offered as collateral to banks against loans granted.

The Central Bank's regulations impose a ceiling of 20% of customer deposits in Jordanian Dinars on the amount of facilities granted by licensed banks to the real estate and construction sector. In late 2008, however, the Central Bank announced the exclusion of credit facilities granted under the framework of the "Decent Home for a Decent Living" initiative for the purchase of residential apartments, as well as facilities granted to approved contractors for the purpose of financing projects related to the initiative, from the specified 20% maximum permitted for real estate loans, thereby freeing up a substantial portion of real estate loans.

3.6 Inflation

Inflation rates have been increasing during the past few years, with the consumer price index rising from 1.3% in 2003 to reach 5.4% in 2007. But it was in 2008 that inflation in the Kingdom surged, reaching 18.5% on a year-on-year basis in September and giving an overall inflation rate of 13.9% for 2008.

Inflation in the Kingdom surged in 2008 to reach 13.9% for the year

Being an import-reliant economy, the rise in prices in the international market of oil, food and commodities was imported into the Kingdom and quickly spread over to the costs of goods and services, the effect of which was exacerbated further by the Government's removal of subsidies on fuel prices. Prices of steel and cement soared, driving up prices of property even further as developers try to recoup their losses on already sold under-construction projects, and to reflect actual rising construction costs.

The high inflation also played a negative role on consumer purchasing power, through its reduction of individuals' disposable income.

3.7 Unemployment

In 2008 Jordan's unemployment rate stood at 12.0%, down from 12.7% in 2007 and 14.0% in

2006. As the unemployment rate in the Kingdom continues to decline and new jobs are created, ability to purchase property is expected to rise, which will boost growth in the sector.

The decline in unemployment is expected to spur growth in demand for real estate

3.8 Tourism

Being an oil-poor country with limited natural resources, Jordan has managed to capitalise on its strategic geographic location and pleasant climate and establish a reputation as a safe tourism destination.

Tourists arrivals over the years have been increasing significantly, with the number of tourists on package tours doubling from 254.15 thousand in 2004 to 506.67 thousand in 2008. The addition of Petra to the list of new seven wonders of the World has further highlighted Jordan as an important touristic destination. Until recently, however, the amenities, accommodation, and standard of service in locations outside the Capital has been strikingly lacking. As the real estate sector began to take off, investors began to react quickly, with major resorts and hotels being developed. The focus of touristic developments to date has been on Aqaba, but the Dead Sea is rapidly catching up as a number of hotels, compounds and resorts pile up in the pipeline.

The number of tourists to the Kingdom has been rising, increasing with it the number of resorts and hotels being developed across the Country

Furthermore, efforts to develop and rehabilitate Jordan's historical cities as part of the National Tourism Strategy and the Siyaha (USAID Jordan Tourism Development Project), should help to boost real estate transactions in the less traditionally active areas of the Kingdom.

3.9 Foreign Direct Investment and GCC wealth

Jordan relies heavily on external liquidity and investments for GDP growth. The stability of the Country, alongside initiatives to attract investment by the Government, all played a role in Jordan becoming a key investment location. The boom in the real estate sector attracted foreign investment and liquidity to the Kingdom, with FDI to the Kingdom reaching JD 1.38 billion in 2008 compared to JD 1.35 billion in 2007.

The boom in the real estate sector attracted foreign investment to the Kingdom, which reached JD 1.38 billion in 2008

The rising price of oil to USD 150 per barrel in mid-2008, generated an abundance of wealth and excess liquidity in the oil-rich GCC countries, which led Gulf investors to look for opportunities to invest their wealth and diversify their portfolios. The Government's continuous efforts to attract investments through its privatisation program and the Investment Promotion Law positioned Jordan, and its real estate sector, on the receiving end of this liquidity.

As oil prices fell, the investment coming from the gulf countries subsided leading to a decline in the amount of liquidity in the Kingdom, which resulted in a decline in both speculative and development-related investment in real estate.

3.10 Private Sector Participation

The Jordanian Government has been playing a vital role in the development of the real estate sector, concentrating on initiatives to provide housing for low-income citizens, through subsidising financing at low interest rates and granting land to developers at low prices. The Investment Promotion Law has also been helping further drive private sector investments over the years.

Value of Investment in Projects Benefiting from the Investment Promotion Law

JD Millions	2004	2005	2006	2007	2008
Local Investment	322.67	473.69	987.99	1,171.51	1,374.57
Arab Investment	28.26	212.03	773.72	541.64	307.38
Other Investors	67.39	64.25	71.93	508.03	252.84
Total Investment	**418.32**	**749.97**	**1,833.64**	**2,221.18**	**1,934.79**

Source: Jordan Investment Board

Local investments benefiting from the Investment Promotion law rose in 2008 while Arab and other nationality investments declined

The value of investments in projects that have benefited from the Investment Promotion Law has grown exponential since 2003. In 2007 the value of local investment in projects reached JD 1.17 billion to continue to rise and reach 1.37 billion at the end of 2008. Strikingly, investments benefiting from the Law registered a decline in 2008.

The industrial and hotels sectors were the most to benefit from the Investment Promotion Law, with total investments in 2008 reaching JD 1.1 billion and JD 688.40 million respectively.

3.11 Construction Costs

The rise in international prices of oil, which increased prices of goods and services across the board, brought about an increase in production costs, The Government's removal of oil subsidies led inflation to rise month-on-month to levels not seen in years, which further pushed up prices and the cost of production. Moreover the devaluation of the dollar, and therefore the dinar, against other currencies made imports to the country more expensive, with imported inflation adding to the local inflation. This all had a spill-over effect on costs of materials, such as steel and cement, as well as costs of construction itself, and the end product.

During the first half of the year, construction activity slumped, attributable to the lack of stability in construction material prices, which made it difficult to determine the final construction cost and therefore an appropriate selling price. This was also affected by the decline in the purchasing ability of the population due to the rising prices of real estate.

The sharp ascent in prices of construction materials during the first half of the year brought about a slump in construction activity

However, during the second half of the year, as prices of oil dropped and the dinar strengthened, prices of inputs into construction began to slowly decline, encouraging developers to resume halted projects and uptake new projects.

3.11.1 Steel

The escalating prices of raw materials, fuel and freight costs in 2008 led to an increase in the global prices of steel, where it recorded new peaks. The U.S. financial crisis that progressed into a global economic downturn, however, brought about a massive global decline in steel prices in late 2008 which has continued into the first quarter of 2009. By the end of 2008, billet prices had fallen to a range between USD 350-380 compared to USD 620-630 in December 2007.

Prices in USD per tonne / CFR Dubai	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08
Billets - Blooms	370 - 380	330 - 340	450 - 460	620 - 630	350 - 380
Reinforcing Bars	430 - 440	420 - 430	485 - 495	640 - 650	450 - 470
Angles	490 - 510	410 - 430	465 - 490	715 - 730	520 - 550
Beams - Channels	515 - 630	440 - 530	730 - 780	760 - 800	600 - 650
Beams (JIS-Sizes)	N/A	N/A	520 - 540	780 - 830	650 - 750
Wire Rod	470 - 480	410 - 425	470 - 490	630 - 650	480 - 520
Hot Rolled Plates	600 - 620	450 - 480	565 - 630	800 - 850	620 - 670
Hot Rolled Coils	540 - 600	390 - 420	480 - 520	640 - 670	440 - 500
Cold Rolled Coils	630 - 700	490 - 510	560 - 600	710 - 730	470 - 520
Hot Dip Galvanized Coils, HR base	770 - 780	550 - 570	770 - 800	790 - 820	700 - 740
Hot Dip Galvanized Coils, CR base	760 - 800	590 - 610	780 - 830	870 - 900	720 - 750
Pre-painted Galvanized Coils 0.35mm	970 – 1000	800 - 830	1,030-1,080	1,130 - 1,180	900 - 950
Tinplate 0.32MM	940 - 970	830 - 880	880 - 920	1,000 - 1,100	1,150 - 1,250
Stainless Steel HR Coils 304 base	2,600 – 2,700	2,000 - 2,100	4,300 – 4,400	3,700 - 3,800	2,100 - 2,200
Stainless Steel HR Coils 316L base	4,600 - 4,700	4,000 - 4,100	7,100 - 7,200	6,600 - 6,800	3,500 - 3,600

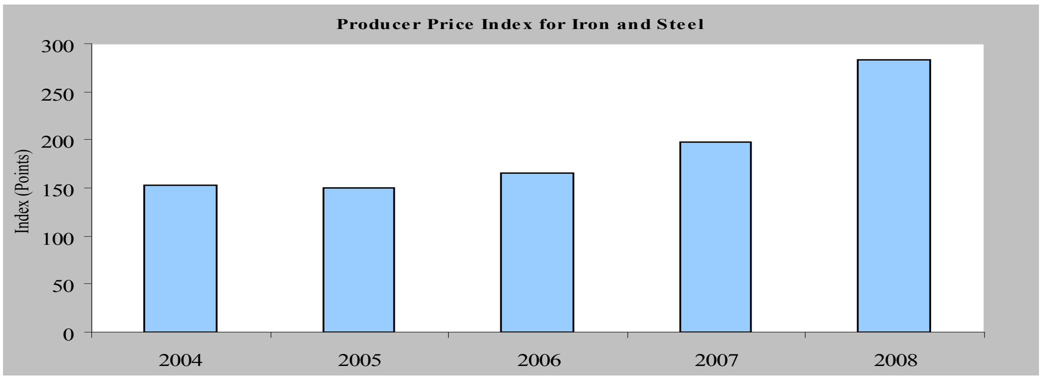
Source: MEsteel

For the Jordanian steel industry, imported billets contribute to some 80% of production costs,

ABC Investments

making the industry extremely sensitive to international steel prices. The local market prices of steel approached the JD 1,000 per tonne mark by mid-July 2008, which contributed to driving up prices of property. However, corresponding with the decline in prices of steel internationally, by the end of the year prices locally had dropped to approximately JD 440 per tonne.

The local prices of steel approached the JD 1,000 per tonne by mid July 2008 before dropping to JD 440 per tonne by the end of the year



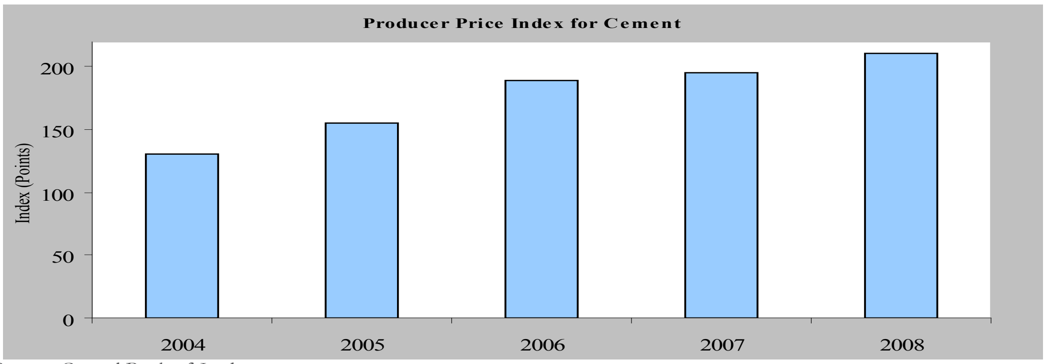
Source: Central Bank of Jordan

The producer price index for iron and steel highlights the sharp rise in prices in 2008, and the steady climb in prices since 2005.

3.11.2 Cement

Cement is a primary material used in construction, and the strong demand for cement accompanying the eruption of construction activity, unmatched by supply, has led to prices of cement to rise.

The resurgence of construction activity in the Kingdom in 2009 led to a shortage in the market, with cement manufacturers operating at full capacity to provide 18 thousand tonnes of cement per day to the local market. The entry of new players to the cement industry should help ease some of the shortage and pricing pressure going forward.



Source: Central Bank of Jordan

The upsurge in construction activity in recent years led to a strong demand for cement and a shortage in supply, driving up its price in the local market

The producer price index for cement highlights the steady climb in prices since 2004.

3.12 Government Initiatives

3.12.1 Investment Promotion Law

Exemptions from Taxes and fees:

Projects falling within the following sectors are entitled to exemptions from income and social services taxes, in accordance with the 2000 amendments of the 1995 Investment Promotion Law; Industry, Agriculture, Hotels, Hospitals, Maritime transport and railways, and any other sectors the Council of Ministers may decide to include.

The exemptions allowed are determined based on the development area in which the project falls under. The geographical areas which enjoy tax exemptions are divided into three development areas, Zones A, B and C, subject to the degree of economic development of such areas. Investments in Zone C, the least developed areas of Jordan, receive the highest level of exemptions. However, all agricultural, maritime transport, and railway investments are classified as Zone C, irrespective of location. Hotel and tourism-related projects set up along the Dead Sea coastal area, leisure and recreational compounds, and convention and exhibition centres receive Zone A designations. Qualifying industrial zones (QIZS) are zoned according to their geographical location, unless they apply for an exemption.

The Jordanian Government is actively trying to attract investment to the Country, through its Investment Promotion Law, in addition to creating Special Economic Zones and Qualifying Industrial Zones

The exemptions applied are as follows:

- 25% tax exemption for Zone A
- 50% tax exemption for Zone B
- 75% tax exemption for Zone C

These exemptions are applied for 10 years, but may be extended by one year, with a maximum of four years, for each increase in production capacity exceeding 25%, through expansion or modernization.

Projects in the Hotel and Hospital sectors are granted additional exemptions from fees and taxes every 7 years for their purchases of furniture and supplies required for renewal and modernization.

Treatment of Non-Jordanian Investors

Non-Jordanian investors may invest in Jordan through ownership, partnership or shareholding, in accordance with the laws and regulations specified by the Investment Promotion Committee, whereby the investment shall not be less than JD 50,000, with the exception of participating in public shareholding companies.

Non-Jordanian Investors shall be offered the same treatment as Jordanian Investors, and are entitled to remit abroad, in a fully convertible foreign currency, foreign capital invested, and any returns and profits from the project, in addition to the proceeds of sale or liquidation of the investment.

The Kingdom is also promoting foreign investment through offering treatment equal to that offered to Jordanians

Foreign companies may open representative and branch offices. The branch offices are entitled to carry out full business activities, while the representative offices may serve as liaisons between head offices and Jordanian customers.

Foreigners are permitted to own or lease property in Jordan for both investment and personal use purposes, provided that their home country allows the same for Jordanians. Foreign ownership is approved by the Department of Land and Surveys, its Director General, the Minister of Finance or the Cabinet. Property obtained for investment purposes must be developed within 5 years of obtaining the approval.

Those holding a majority share in a Jordanian company, as well as wholly-owned subsidiaries, automatically obtain national treatment with respect to ownership of land where the company's business objectives require ownership of land or real estate.

3.12.2 Foreign Trade Zones/Free Ports

Jordan has a number of free zone areas; the Zarqa Free Zone, the Sahab Industrial Estate Free Zone, Queen Alia International Airport Free Zone, the Karak Free Zone, the Al-Karameh Free Zone, and the Gateway Qualifying Industrial Zone. In 2001, the Jordanian Government converted the Aqaba port and surrounding area into a special economic zone (SEZ) with streamlined bureaucracy, lower taxes, and facilitated customs handling.

The free zone areas aim to attract local and foreign investment to the various economic sectors, thereby enhancing the role of the private sector in the development of the Country.

3.12.3 The Landlords and Tenants Law No. 11 of 1994

The original Landlords and Tenants law, which allowed tenants to remain on the rented premises after the end of the term lease, was repealed in 2001, bringing an end to the fixed-rent era. Leases entered into before the 2001 amendment will be subject to the law prior to the amendment, but will terminate at the end of 2010. Agreements entered into after the amendment came into force are subject to the will of the contracting parties.

The controversial Landlord and Tenants Law is set to bring an end to the fixed-rent era in the Kingdom

Fears of social uproar, and accusations that the controversial Law is unfair and biased towards landlords led the Government in late 2008, to propose amendments to the Law, whereby leases negotiated prior to 1984 shall expire at the end of 2013, while leases that came into effect during the period between 1984-2000 will expire after 30 years from the date the lease contract was executed, to not exceed year 2020. Moreover, additions to the rental rates for contracts signed prior to 1976 shall amount to 5% of the basic rent for each year of rent, if the purpose of rent is residential, 7.5% if leased to public entities, and 10% if used for commercial purposes. For contracts signed during the period 1976-1991, a 2.5% increase per year of rent will be added if the property is leased for residential purposes or by public entities, and 5% if rented as a commercial property. For contracts signed during the period 1991-2000, a 2.5% increase per year will be added on all kinds of leased properties.

3.12.4 Waiving of Fees and Taxes on Apartment Sales

The decision to waive sales tax and registration fees on the sale apartments and housing units of areas less than 120 square meters instead of 150 square meters, as was applicable previously, was expected to have a negative effect on the buying power of the middle to lower-income segment of the population. Each additional square meter over and above the 120 square meter limit is subject to a 1% registration fee, and where the area of the unit exceeds 150 square meters, the entire area becomes subject to the total registration fees and sales tax.

The exemption of registration fees on the first 120 square meter is intended to stimulate the real estate sector by reducing costs of purchase

In a bid to boost the Kingdom's real estate sector, the Government announced in 2009 that the exemption law will be applicable on residential and housing units with areas of 300 square meters instead of the previously applicable 120 square meters, with the first 120 square meters of the unit remaining exempt from the sales tax and registration fees. However, if the area of the unit exceeds 300 square meters then the entire area is subject to registration fees and related expenses.

3.12.5 The Master Plan

The Master Plan's purpose is to provide clear direction for the sustainable development of the city of Amman over the next twenty years, in accordance with new planning legislation. The plan focuses on intensifying construction in designated areas of the Capital to meet the expected surge in the population within the city, forecasted to reach 6.4 million by 2025, compared to a current population of 2.2 million.

The Plan's milestones are as follows:

February 2007	Interim Growth Strategy
June 2007	Corridor Intensification Strategy
August 2007	Industrial Land Policy
October 2007	Airport Road Rural Residential Policy
December 2007	Metro-Growth Strategy
December 2008	Master Plans for all growth areas

Phase 1:

The first phase of the Master plan, announced in February 2007, highlights the locations of the High Development Multi-Use (HDMU) areas in which high rise developments may be constructed. These areas were restricted to Abdali, Abdoun, Jubeiha and the airport road. The selection of the areas was based on infrastructure matters, road capacity, heritage preservation and maintaining green areas.

The first phase specifies locations permitted for High Development Multi-Use areas (HDMU)

In Abdali, the high rise buildings will be located within the Abdali Urban Regeneration Project. The second location starts in Wadi Abdoun and ends at the Princess Basma-Prince Ali Ben Al-Hussein Street intersection. The third lies between the Queen Rania Road near the Sports City adjacent to the Al-Urdon Street. The fourth location is at the south of the Capital, adjacent to the Eastern edge of the airport road, bordered by the Wadi Abdoun Road and Jabal Arafat Street.

This phase is expected to add some 260 tower blocks over an area of land of 4,000 dunums.

List of HDMU Developments, excluding the Abdali Urban Regeneration Project

	Area A: Central Parkway	Area B: Northern Gateway	Area C: Southern Gateway
Location	Princess Basma & Prince Ali Ben Al-Hussein	Al-Urdon Corridor (Jordan Street)	Abdoun Corridor - Wadi Abdoun
Area Size (dunums)	282	1,060	2,190
HDMU Zones (dunums)	82	243	419
HDMU Lots	26	80	139
HDMU Building Area (sq. meters)	311,958	855,690	2,594,532
Public Parks (dunums)	100	290	490
Community Facilities (dunums)	30	60	70

Source: Greater Amman Municipality

Phase 2:

The second phase, called the Corridor Intensification Strategy, focuses on intensifying construction in designated areas of the Capital. This phase is linked to the first phase, which deflected high rise development away from heavily travelled corridors to areas that can accommodate the growth.

The Corridor Intensification Strategy concentrates on intensifying construction development in designated areas of the capital

Guidelines will be applied to ensure adequate transportation, urban design, and the creation of a pedestrian and green metropolis. The phase is intended to transform the character of some of the City's corridors, and Zahran will become Amman's "signature" street.

The height of the buildings will be restricted to four stories, while conserving the major old buildings. Between the 1st and 5th circle, the plan is to promote the heritage and green character of Zahran. Between 6th and 8th circle, the area is to be transformed into a green boulevard, lined with multi-use residential, commercial and retail developments.

Corridor Build-Out Estimates

Corridor	Existing Development	As-of-Right Build-out	Proposed Build-Out Mixed Use Zoning					
			Office	Residential	Residential + Commercial	Commercial	Master Planned	Total
Arar	65,353	202,016	171,808	56,768	292,274	-	77,466	598,316
Al Kindi	200,779	358,500	188,120	36,049	173,681	-	145,880	543,731
Shaker Bin Zeid	94,136	283,972	279,246	-	-	-	35,389	314,636
Hussein Bin Ali	172,116	215,402	166,844	315,333	-	-	-	482,177
Zahran 5th-8th	173,277	766,452	437,296	-	993,335	119,635	-	1,550,265
Abdullah Ghosheh	82,793	257,317	-	25,479	367,360	-	-	392,839
Queen Alia Airport	91,611	495,874	343,257	107,940	205,351	-	-	656,548

Corridor	Existing Development	As-of-Right Build-out	Proposed Build-Out Mixed Use Zoning					
			Office	Residential	Residential + Commercial	Commercial	Master Planned	Total
Mecca	281,720	1,061,244	270,248	146,259	160,968	1,033,544	72,742	1,683,761
Queen Rania - Alia	199,858	457,372	352,511	-	370,009	977,484	-	1,700,004
King Abdullah II	137,805	875,793	556,920	235,741	146,916	34,824	72,742	1,047,143
Total	1,499,450	4,973,941						8,969,419

Source: Greater Amman Municipality

Phase 3:

The third phase is the Industrial Land Policy, which aims at creating industrial clusters

The third phase of the Amman Master Plan aims at creating sufficient economic growth in order to accommodate the rapid expansion of the city and to prevent unorganized development.

In order to specify the areas suitable for industrial growth, the Greater Amman Municipality followed an approach which guaranteed the protection of existing communities, agricultural land and heritage sites. The industrial areas will be situated in selected locations where growth will be accommodated with access to housing, transportation and other general services.

The policy will introduce a new industrial classification system, which will protect the surrounding community as a whole and provide locations for the more polluting industries to exist. The Greater Amman Municipality revealed that the expected investments in the industrial sector within the borders of Amman by 2025 is estimated to reach JD 4 billion. These investments require an area of land of 18 thousand dunums, and will include the establishment of heavy, medium and light industries, as well as manufacturing industries.

The industrial clusters are:

- Sahab Al Mouwaqer Corridor: An additional industrial area will be recommended along the corridor and industrial uses will be medium and light industries.
- Qastal Industrial Area: This area will be expanded towards the airport road, and the additional area will be used for specialised industries, research and development parks.
- Al Jeezah Industrial Park: The industrial park will be located south of Al Jeezah area, where medium and light industries will exist, along with the area serving an as employment anchor for the Taameer Jordan Holdings "Ahl Al Azim" project.

Phase 4:

The fourth phase of the Master Plan is the Airport Corridor Plan and Interim Rural Residence Policy

The fourth phase includes the Airport Corridor Plan and Interim Rural Residence Policy. The airport road is the city's most important corridor. The Airport Corridor Plan will link the Queen Alia International Airport with the Amman development corridor, and will redevelop the airport road into a traffic and transit corridor, which upon completion will facilitate access to different parts of the Country.

The Amman Airport Corridor includes a proposed conceptual land use for five communities; the Arafat Intersection, South Park, Al-Yadouda, Metro Gateway, and Alia International Airport. These communities will be developed in phases from the north to the south.

The second component of the phase is the Interim Rural Residence policy which works at increasing residential developments in areas beyond the GAM's remote districts. The policy's objective is to protect the rural areas landscape, while developing the required infrastructure and transportation, as well as offering different developments and lifestyle selection to the areas.

Four rural growth areas are included in the policy, located around villages. The areas are Um Rumana, Maja Al Kutayfa (Mowaqqar), Na'our, and Al Bahath (Marj Al Hamam).

Phase 5:

The Metropolitan Growth Plan is the Amman Master Plan's most important component. The policy provides an overall settlement and growth structure, along with supporting other metropolitan plan area policies.

Phase 6:

The Area Plan Phase includes two areas, the Central Area Plan and the Inner South Area Plan. The Area Plan will work on connecting the large-scale metropolitan plan with the more detailed community plans.

Phase 7:

The Amman Plan will also include the Metropolitan Corridor Plan, Urban Corridor Plan, Area Plans, Heritage studies, Urban designs Studies, Community Plans, and Sector Plans.

4.0 MAJOR SECTOR PLAYERS

4.1 Government Players

Greater Amman Municipality (GAM)

In response to the growing population in the Capital, the upsurge in construction activity, and the rapidly increasing congestion, GAM has been working on improving the city's infrastructure and facilities to be able to keep up with the population growth, in addition to promoting Jordan as a safe place to live. It has been a vital player in improving and organizing the Capital's public spaces and public transport.

GAM is working on improving the City's infrastructure and facilities

In 2006, His Majesty the King appointed the Greater Amman Municipality to prepare the Amman Master Plan. The plan aims at improving the residents' quality of life, by expanding and organizing its districts and developing the Capital, within a time span of up to year 2025.

Other than the Master Plan, GAM has several other projects planned at improving the city, with an emphasis on balancing between the regeneration of the Capital and maintaining its natural heritage and character. The Municipality is working on improving roads and streets, establishing parks and gardens within the city, in addition to a number of touristic, environmental and heritage projects. It has, in recent months, granted 250 preliminary and final approvals for the establishment of a variety of investment projects in the Capital, and is looking into another 100 project requests by investment and real estate companies.

Housing and Urban Development Corporation (HUDC)

The Housing and Urban Development Corporation was established in 1992 with the primary purpose of facilitating low-income citizens in purchasing suitable housing, through alliances and collaboration with the private sector.

"Decent Home for a Decent Living " is the HUDC most important initiative

The Corporation works at executing the Government's initiatives, the most important of which is the "Decent Home for a Decent Living" initiative, which will, upon completion, provide over 100 thousand housing units to low-income citizens.

The Housing and Urban Development Corporation identified four elements of its 5-years strategy plan regarding the initiative. The first element includes providing residential apartments to beneficiaries at subsidized prices, through contracting with investors in the housing sector to build residential complexes. The second element of the strategy entails allocation of land owned by the treasury to those qualified, in addition to an amount of JD 5 thousand to establish residential units in certain municipalities. The third element supports citizens wishing to purchase residential units outside the project's initiative through offering support of JD 10 thousand, while the fourth element supports the mortgage financing sector, which has been implementing by the Corporation for a number of years, and provides public sector employees that own land with housing loans that are repayable over 20 years.

Jordan Mortgage Refinance Company (JMRC)

The Jordan Mortgage Refinance Company was established in 1996 as a public shareholding company in which the Jordanian Government owns 38%. JMRC is the sole company in the Kingdom that provides and grants banks and financial institutions with financing to expand and improve their mortgage facilities. It promotes residential housing finance by providing refinancing of banks facilities, enabling banks to lend at more attractive rates to potential homeowners. Housing loans refinanced by JMRC are excluded from the 20% ceiling imposed by the Central Bank on licensed banks in terms of credit facilities as a percentage of customer deposits. Moreover, refinanced loans by the JMRC do no need to be provided for by the banks in their general banking risk provisions.

In 2008, JMRC signed 17 loan refinance agreements with nine licensed banks with terms ranging between one and five years for an aggregate value of JD 119 million. By the end of the year, JMRC registered a refinancing loans balance of JD 248 million compared to a balance of JD 170 million in 2007. Moreover, since the establishment of the Company, the number of loan agreements signed reached 116 for an aggregate value of JD 406.4 million.

National Resources Investment & Development Corporation (Mawared)

Mawared is a financially and administratively independent government-owned corporation aimed towards generating investment opportunities for the private sector, creating job opportunities and supporting economic growth. Established in 2000, Mawared is Jordan's largest real estate developer, driving towards urban regeneration and inner-city development.

Mawareed's main projects are the King Abdullah Bin Abdul Aziz City and the Abdali Project

Mawared is the owner of a number of urban sites, and provides the land for development for both residential and commercial purposes. It poses as a strategic partner for the private sector with the benefit of being able to offer coordinated smooth processing of official dealings with local authorities, working closely with municipalities and public utilities corporations. Mawared's key projects are the Al Abdali Urban Regeneration Project and the King Abdullah Bin Abdul Aziz City Project.

Development Zones Commission (DZC)

The Development Zones Commission is a governmental entity established in 2008 under the Development Zones Law, with an objective to increase Jordan's foreign direct investments, facilitate economic growth of the Kingdom through enhancing growth in development zone areas. The DZC offers a one-stop-shop service for investors in the development zones, such as licenses and registering of enterprises and permits, labour licenses, in addition to offering investment incentives and sales tax and customs exemption on any projects within the development zones.

DZC was established in 2008 to increase the Kingdom's foreign direct investment by offering a one-stop-shop service to investors in the development zone areas

In Jordan, there are three major development zones operating; the King Hussein Bin Talal Development Area, which is positioned at a strategic geographic location for industrial production and a regional transportation hub, the Ma'an Development Area, which includes an industrial park, a skills development centre, a residential community and a hajj oasis, and finally the Irbid Development Area, which offers information and communication technology opportunities, health care and research development, in addition to residential and mixed-use commercial opportunities.

4.2 Private Players

Deera Investment and Real Estate Development Company

Deera Investment and Real Estate Development Company was established in 2005 with an initial capital of JD 30 million with an objective to focus on small- to medium-sized projects.

Currently, Deera is implementing the Rawabi Dabouq project, which is built on an area on 56 thousand square meters and includes 76 villas, the Deera Commercial Centre and Deera Business Centre, which will be located at the King Abduallah Street, along with Deera Residence and Rahmanyeh Villas. Other projects in the pipeline are the Um Qais Project and a multipurpose mega project on the airport road.

Deera's main projects are Rawabi Dabouq, Deera Commercial Centre, Deera Business Centre, Deera Residence and Rahmanyeh Villa

Amaar Properties

Amaar Properties is a limited liability company committed to real estate development. Its portfolio includes a variety of residential and commercial projects. The Company is currently developing its Al Hummar Hills project, a gated community compound located in Hummar on an area of 29 thousand square meters, which includes 42 villas divided into four types. Palm Hills is another residential compound being developed by Amaar Properties, located in Aqaba and includes the Palm Tower and Residence and the Palm Hotel.

Amaar's projects are Al Hummar Hills, Palm Hills, the Palm Tower and Residence, and the Palm Hotel in Aqaba

Lamar Investment and Property Development

Lamar Investment and Property Development is Jordan-based development company. It aims to generate investment operations in the real estate sector, as well as design, plan and execute real estate development projects. Its current development projects include Lamar Heights located on a plot of 20 thousand square meters with 32 luxurious housing units.

Raya Development and Investment

Raya Development and Investment was established in 2005 with a capital of JD 15 million The Company proposes to implement a variety of major development projects. Currently, Raya is implementing the Raya Sea Side Residence, which is a JD 50 million residential compound located in Aqaba on a total area of 40 thousand square meters. The project will include 189 residential units with area ranging between 126 to 410 square meters. The project is expected to be completed by the second half of 2010. Another of Raya's projects under construction in Aqaba is the Raya Plaza, which consists of commercial offices, while the Company has the Raya Ajloun project in its pipeline.

Raya's main projects are the Raya Sea Side Residence, Raya Plaza in Aqaba, and Raya Ajloun, which is a project in the pipeline

ABC Investments

4.3 Listed Players

Company	Ticker	Paid up Capital	Total Assets	Shareholders' Equity	Net Profit	ROAA	ROAE
AMLAK FINANCE/ JORDAN	AMLK	60,000,000	61,637,632	61,300,273	1,300,273	2.1%	2.1%
AMAD REAL ESTATE INV.	AMAD	6,600,000	11,198,195	10,560,063	1,809,489	17.0%	18.0%
AMWAJ PROPERTIES	AMWJ	14,000,000	36,518,971	13,893,125	(106,875)	(0.3%)	(0.8%)
ARD ANNOMOW	ARDN	500,000	317,419	452,042	(47,958)	(15.1%)	(10.6%)
ARAB REAL EST	ARED	40,000,000	112,391,795	40,345,353	(1,448,156)	(1.5%)	(4.0%)
B. AL-MAL/BEITNA	BAMB	28,600,000	56,628,529	27,653,968	(6,307,559)	(11.5%)	(20.5%)
CONTEMPRO	COHO	6,000,000	8,457,231	8,072,702	330,546	3.7%	4.0%
DAMAC REAL ESTATE	DMAC	5,000,000	5,532,272	5,338,485	147,725	2.7%	2.8%
EMMAR INV. DEV.	EMAR	13,780,000	27,405,952	15,085,291	450,284	1.5%	3.0%
AL ENTKHAEYA	ENTK	3,423,060	3,199,325	3,159,989	(263,071)	(8.2%)	(8.3%)
HIGH PERFORMANCE	HIPR	12,000,000	12,445,854	12,247,453	(140,527)	(1.1%)	(1.1%)
INVEST ESTATE INDUST	IEAI	30,000,000	64,210,456	39,064,937	7,611,658	13.1%	21.6%
IHDATHIAT CO.	IHCO	3,000,000	3,395,060	3,285,694	175,353	4.9%	5.3%
ARABIAN DEV CO	INMA	10,000,000	12,857,444	11,071,658	607,444	4.9%	5.6%
INTERNATIONAL INV.	JIIG	10,000,000	11,355,767	9,338,504	(238,680)	(2.0%)	(2.5%)
TAJCATERINGHOUSING	JNTH	10,000,000	14,352,646	9,764,257	(486,341)	(3.5%)	(4.8%)
RESOURCES INVEST	JOMA	11,000,000	12,586,832	12,467,471	1,443,982	12.2%	12.3%
JO REALESTATE	JRCD	30,000,000	42,277,291	36,737,442	4,905,188	11.4%	13.0%
AFAQ INVEST REAL DEV	MANR	80,000,000	101,762,270	93,376,380	8,052,733	8.0%	9.0%
MIDDLE EAST DIV	MEDI	2,000,000	3,327,291	1,982,179	(195,258)	(5.8%)	(9.4%)
METHAQ	MEET	12,962,894	16,538,261	12,338,499	(938,591)	(6.7%)	(9.3%)
REAL ESTATE & INV PORT	PETT	15,000,000	9,850,770	9,780,393	(1,509,241)	(14.1%)	(14.3%)
PALACES	PRED	4,000,000	7,016,325	3,809,613	(108,625)	(1.9%)	(2.8%)
PROFESSIONAL	PROF	55,000,000	52,138,260	50,979,551	(4,192,693)	(8.0%)	(8.2%)
EAST REAL ESTATE	REAL	9,996,082	37,863,803	29,588,971	(6,938,041)	(15.6%)	(20.0%)
REAL ESTATE DV	REDV	91,500,000	198,782,640	124,113,797	(9,425,253)	(6.5%)	(11.0%)
REAL ESTATE INV	REIN	70,000,000	82,247,240	70,168,099	590,420	1.3%	1.5%
SPCZ.INVST.COMD	SPIC	25,760,000	72,327,333	26,952,773	65,096	0.1%	0.2%
TAAMEER JOR HLDGS	TAMR	211,982,573	340,456,793	182,721,786	3,953,938	1.3%	2.1%
AL-TAHDITH	THDI	2,000,000	2,629,732	1,921,984	(94,310)	(3.9%)	(4.8%)
UNION LAND DEV	ULDC	45,000,000	82,153,477	55,776,655	3,153,954	4.1%	5.6%
ARAB INV. UNION	UNAI	3,000,000	2,753,406	2,744,310	(81,393)	(2.9%)	(2.9%)
AL SHAMEKHA REAL	VFED	1,200,000	2,877,219	2,607,754	253,961	9.0%	10.0%
ZAHRAT ALURDON	ZAHI	500,000	412,636	399,279	(180)	(0.0%)	(0.0%)
Total		941,804,609	1,508,906,127	989,100,730	2,329,292	0.17%	0.3%

We have highlighted key information for some of the major players:

ABC Investments

Damac Real Estate Development/ Jordan (DMAC)

Damac Real Estate Development Company is one of the largest real estate companies in the Middle East region. It was established in Jordan under the name Damac Real Estate Development/ Jordan in 2006 as a public shareholding company with an authorised capital of JD 5 million. Damac's initial public offering saw the largest oversubscription by around 72 times, which was due to the Company's reputable presence in the U.A.E. Damac's main operations include development and real estate activities, purchasing, buying and leasing lands, as well as the establishment of housing and commercial projects.

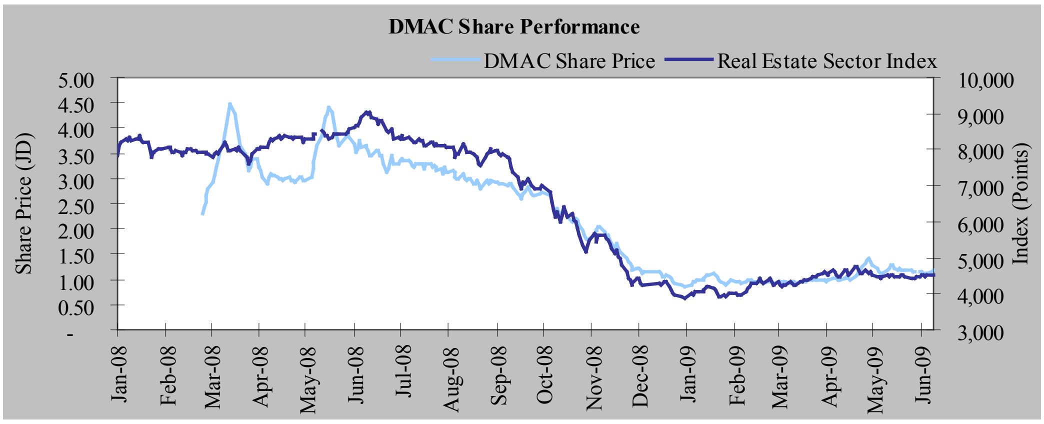
The Company has five major projects which are all located in the Abdali Urban Regeneration Project and was the first to launch residential and business towers in the project area. The projects include "The Heights", a 35-storey tower building, "The Loft", an 8-storey residential development adjacent to the tower, and "The Courtyard", which is a 9-storey residential project of one- to two-bedroom apartments and lofts, in addition to retail stores.

DMAC' has five projects all located in the Abdali Urban Regeneration Project

DAMC has recently commenced the construction of its fourth project, the "Business Gate and Heights". All projects are expected to begin handover to owners by mid-2010.

Key Highlights

Net Income 2008	JD 147,725
Net Income Q1 2009	-
Share Price (01/06/2009)	JD 1.16
EPS 2008	JD 0.030
EPS (31/3/2009)	-
Forward P/E	-
Trailing P/E (times)	39.262x
Trailing P/BV (times)	1.086x



Source: Amman Stock Exchange

Union Land Development (ULDC)

Union Land Development (ULDC) was established in 1995 as a public shareholding company, through the merger of Jordan Gulf Company for Real Estate Investments and Petra for Projects and Equipment Rentals, with a paid-up capital of JD 5 million. In 2004, ULDC increased its capital to JD 7 million after acquiring the Middle East and Commodore Hotels Company. The Company continued to increase its capital to reach JD 45 million in 2005. It has not been increased since.

The Company develops land and property for residential, commercial, touristic and industrial purposes and offers high quality construction and development services.

ULDC's projects are numerous, including the Um Uthaina Offices, Um Al-Amad Residential Compounds, the Dabouq Compound, Al Zara Chalets, Wadi Saqra Residential Building, in addition to several apartment buildings in Abdoun, which were completed in 2008, Al-Dheir Villas, and Al Kursi Villas, which are developed to a high quality standard with full amenities.

ULDC's projects are spread across the Kingdom

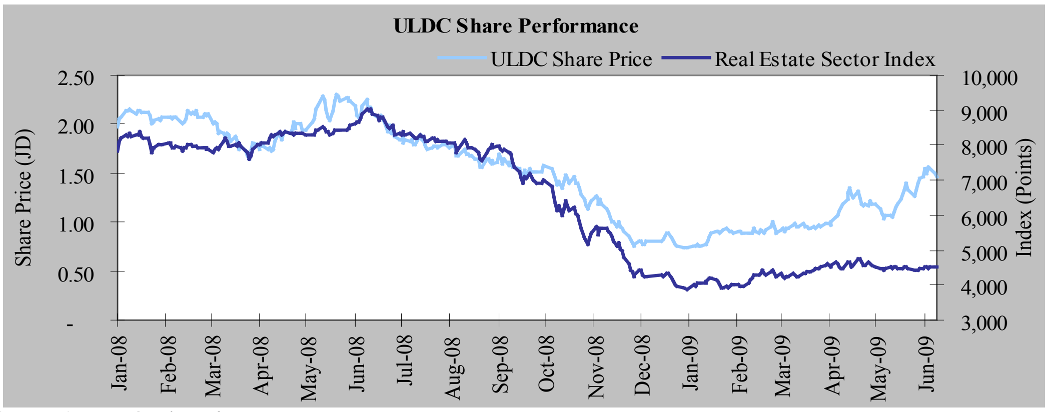
Other important projects are the Dead Sea Jewels chalets which are located in the Dead Sea area on a 58 thousand square meters plot of land. The project consists of 40 chalets, each containing a swimming pool and a building area ranging between 138 and 165 square meters. The Dead Sea project is expected to be delivered to owners by the end of 2009.

The Company is also developing the K-Tower, which is located in the Abdali Project and is expected to be completed by mid-2011.

Key Highlights

Net Income 2008	JD 3,153,954
Net Income Q1 2009	JD 739,141
Share Price (01/06/2009)	JD 1.54
EPS 2008	JD 0.070
EPS (31/3/2009)	JD 0.016
Forward P/E*	23.439x
Trailing P/E (times)	21.972x
Trailing P/BV (times)	1.242x

* Based on Annualised Q1 2009 EPS



Source: Amman Stock Exchange

Specialised Investment Compounds Company PLC (SPIC)

Specialised Investment Compounds Company was established as a public shareholding company in 1994, with a paid-up capital of JD 17.8 million.

The Company's primary investments include the Al-Tajamouat Industrial City, which was established as a specialised industrial zone in Sahab. The industrial city provides local and foreign investors with the necessary infrastructure and supporting services needed for any investment project.

Besides the industrial city, SPIC is engaging in a residential project the Taj Luxury Homes, in addition to a residential compound in Naour, and residential apartments in Abdoun. Another major investment for SPIC is the Taj Mall which is located in Abdoun, with a rental space of 50 thousand square meter, expected to be completed by 2010. The mall is primarily an up-scale retail complex and will consist of a multi-purpose facility catering to a wide spectrum, including entertainment centres, restaurants, retail stores, and a large supermarket.

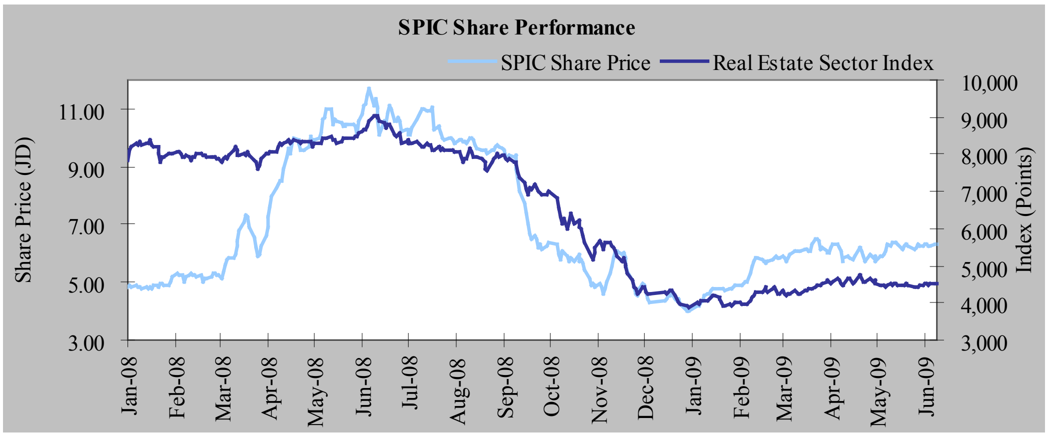
SPIC's main investments are the Al -Tajamouat Industrial City, the Taj Luxury Homes, the Taj Mall, in addition to an industrial city in Egypt

Recently, Specialised Investment Compounds announced that it has commenced in the execution of its industrial city project in Egypt. The industrial city will be established on an area of 1.1 million square meters and will cost approximately USD 200 million.

Key Highlights

Net Income 2008	JD 65,096
Net Income Q1 2009	JD 630,341
Share Price (01/06/2009)	JD 6.34
EPS 2008	JD 0.003
EPS (31/3/2009)	JD 0.024
Forward P/E*	64.774x
Trailing P/E (times)	>100x
Trailing P/BV (times)	6.059x

* Based on Annualised Q1 2009 EPS



Source: Amman Stock Exchange

ABC Investments

Real Estate Development Company (REDV)

The Real Estate Development Company was established as a public shareholding company in 1995. The Company increased its capital in 2005 from JD 7 million to JD 50 million through a partnership with Global Investment House and Arab East Investment Company in order to finance the purchase of land in Amman, expand its investment portfolio, and invest in new companies in the region. It is intending to raise its capital further to JD 100 million, and is currently raising the capital to JD 89 million through allocation to strategic partners.

The Company's purpose is the purchase, sale, investment, development, and trading of land and real estate. REDV has a variety of projects spread across the Kingdom, which include residential, commercial, industrial, agricultural and investment projects. The Company has also developed a number of apartment buildings, and a commercial building on Wasfi Al-Tal Street, with a total built-up area of 14.7 thousand square meters.

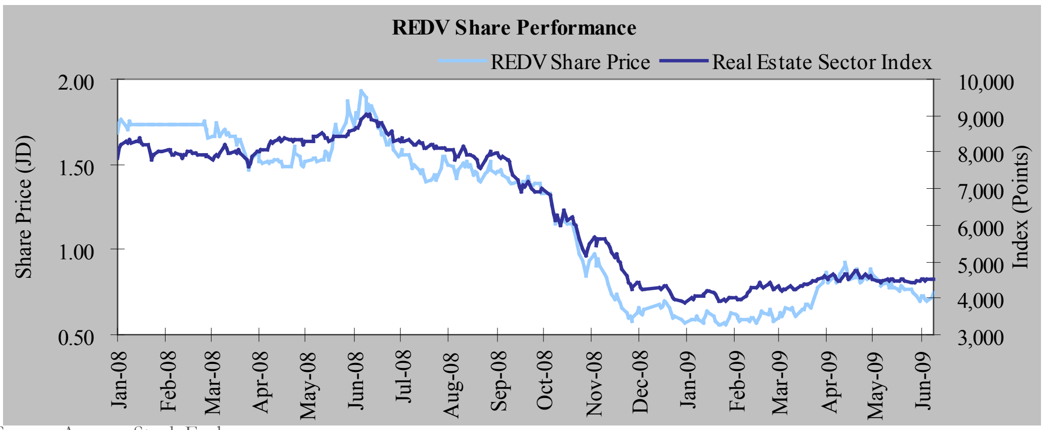
REDV has a multi-purpose tower established in Abdali project, a touristic development in Aqaba and a residential project in the Tariq area

The Company, in collaboration with other partners, is establishing a multi-purpose Paradise Tower within the Abdali Project, and is also a main shareholder in a touristic development in Aqaba called Al-Hidab.

At the end of 2007, REDV launched its first residential project for middle- and low-income citizens in the Tariq area of Amman. The project is established on an area of 16,500 square meters and will consist of 160 apartments, with all required services.

Key Highlights

Net Income 2008	JD (9,425,253)
Net Income Q1 2009	JD (1,365,848)
Share Price (01/06/2009)	JD 0.73
EPS 2008	JD (0.103)
EPS (31/3/2009)	JD (0.015)
Forward P/E	Negative
Trailing P/E (times)	Negative
Trailing P/BV (times)	0.538x



Source: Amman Stock Exchange

Investors & Eastern Arab for Industrial and Real Estate Investment Company PLC (IEAI)

The Investors & Eastern Arab for Industrial and Real Estate Investment Company was established in 1998 with a 50% holding each by the United Arab Investors and Arab East for Real Estate Investment. In 2002, IEAI was transformed into a public shareholding company, with the purpose of attracting investments to Jordan, exploiting free trade agreements and taking advantage of the skilled local work force as well as government incentives.

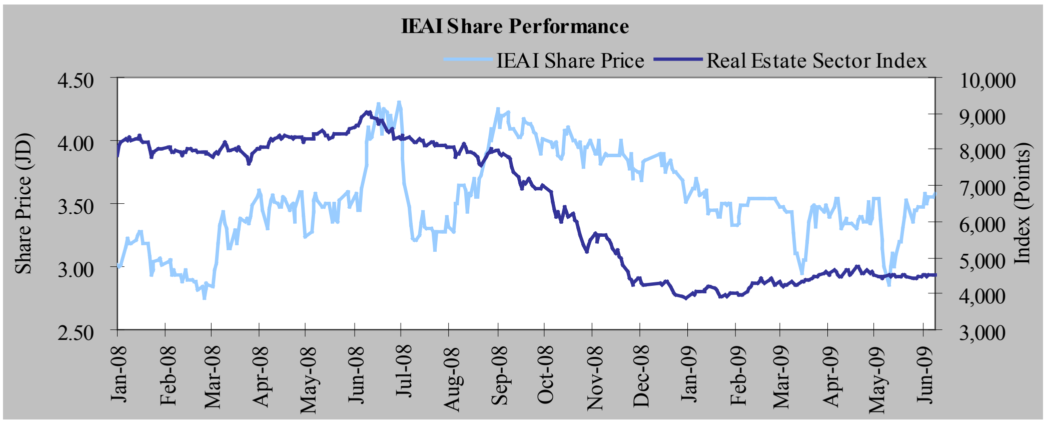
Al-Mushatta Industrial Estate is IEAI's main project

Its major projects include the Al-Mushatta Industrial Estate, with an approximate area of 4.4 million square meters, which provides the necessary environment for industrial investments through developing the required infrastructure, and offering incentives and services to investors. The first phase of the project has been completed, which includes the industrial area for the Aviation city, which has an aircraft maintenance and services building in additional to a flight school. Investments other than aircraft industries will include steel manufacturing and water treatment and recycling, as well as other electronic and heavy machinery manufacturing industries.

The City will include banking and medical services, maintenance and consumer services, and a four-star hotel that will accommodate investors visiting the city.

Key Highlights

Net Income 2008	JD 7,611,658
Net Income Q1 2009	N/A
Share Price (01/06/2009)	JD 3.47
EPS 2008	JD 0.254
EPS (31/3/2009)	N/A
Forward P/E	N/A
Trailing P/E (times)	13.676x
Trailing P/BV (times)	2.665x



Source: Amman Stock Exchange

Jordan Dubai Properties (REIN)

Jordan Dubai Properties, formerly known as Real Estate Commercial Investment Company/ AQARCO, was established in 1982 as a developer of real estate projects. In early 2008, REIN raised its paid-up capital from JD 7.5 million to JD 70 million, in addition to transforming the Company into the investment arm of Jordan Dubai Capital, operating under a new name. The Company manages planning and development of investments in the real estate and tourism sectors in Jordan.

The Company deals with building and construction materials and tools, it also constructs and builds housing projects, buys land for investment, and provides rental services. REIN also owns a number of residential and commercial buildings.

The Company has built and developed approximately 80 warehouses in Jordan, and has a portfolio of 108 offices and 102 shops spread in its commercial centres located in Abdoun and Um Sumac.

The Munya Woodland Resort and Spa in Dibeen is one of Company's main projects, it is being established on an area of 250,000 square meters, and will include a seven-star hotel and world class spa built in an eco-freindly way, and is expected to cost JD 40 million and be completed by 2011. Another key project of Jordan Dubai Properties is the Dead Sea Development Project which lies on the Dead Sea shores on an area of 450,000 square meters, which includes both residential and hotel facilities.

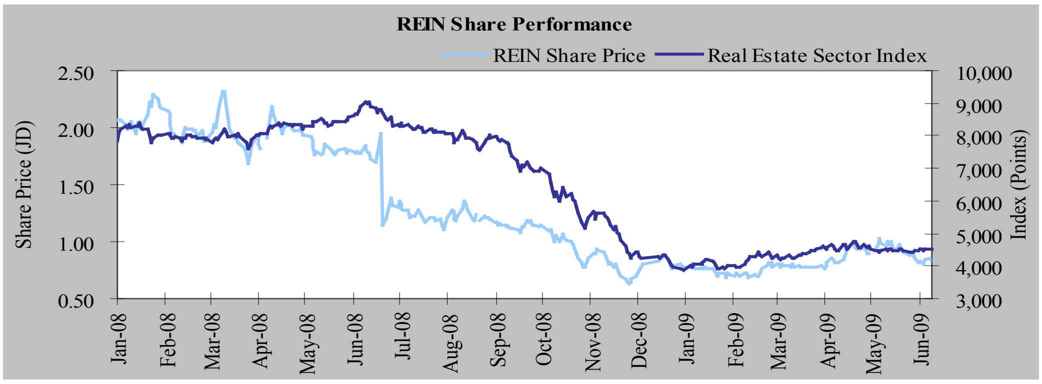
REIN has a JD 40 million eco-freindly project in Dibeen, in addition to projects in Dead Sea and Wadi Rum

The Company will also be establishing a resort in Wadi Rum on an area of one million square meters. The first phase of the project will be include 20 residential suites, each of an area of 100 square meters. This phase is expected to cost JD 6.6 million and is expected to be completed by the second quarter of 2011.

Key Highlights

Net Income 2008	JD 590,420
Net Income Q1 2009	JD 57,499
Share Price (01/06/2009)	JD 0.83
EPS 2008	JD 0.008
EPS (31/3/2009)	JD 0.001
Forward P/E*	P/E>100
Trailing P/E (times)	98.405x
Trailing P/BV (times)	0.828x

* Based on Annualised Q1 2009 EPS



Source: Amman Stock Exchange

Emmar Investments & Real Estate Development (EMAR)

Emmar Investment & Real Estate Development Company was established in 2005 to purchase and sell properties and build and establish commercial and residential projects. In 2006 EMAR underwent an IPO, offering 25% of its equity to the public.

The Company has five subsidiaries all located in Jordan, which include Jordan Mounts for Real Estate Development, the investment arm of Emmar, Islamic Emmar for Investment and Rent, Abraaj Emmar Operation Management Company, Sharq Amman Housing and Development Company, and Eastern Amman for Housing and Development Company.

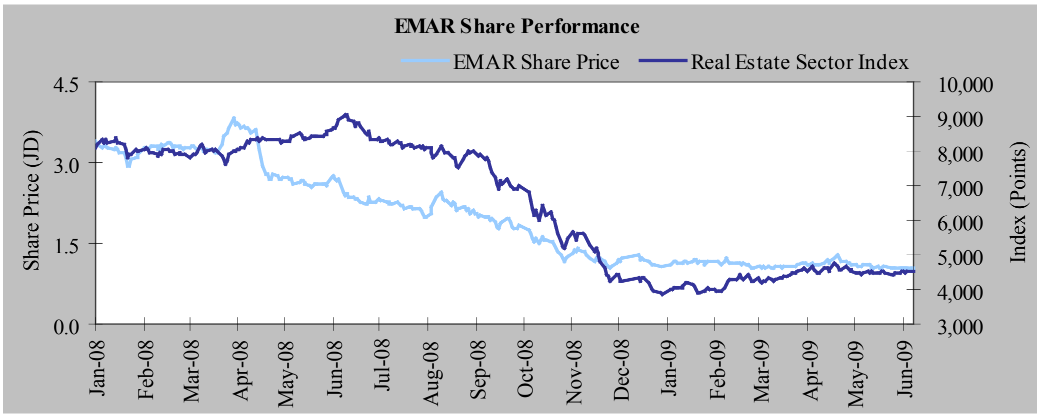
EMAR's main project is the JD 40 million Mushagar Residential City which is being established in the south west area of Amman and constructed on an area of 500 thousand square meters. The city is expected to be completed by the end of 2009. Another major project of the Company is the Emmar Towers project which was completed in late 2008 and has opened its door to business owners.

EMAR is establishing Al Mushagar Residential City in addition to an affordable housing project in the eastern region of the Capital

EMAR has also been involved in affordable housing projects; it is establishing residential units in the eastern regions of Amman, including the Khaled bin Al Waleed project, which will include 300 apartments with an area ranging between 60 and 136 square meters.

Key Highlights

Net Income 2008	JD 450,284
Net Income Q1 2009	JD (56,410)
Share Price (01/06/2009)	JD 1.03
EPS 2008	JD 0.033
EPS (31/3/2009)	JD (0.004)
Forward P/E	Negative
Trailing P/E (times)	31.521x
Trailing P/BV (times)	0.941x



Source: Amman Stock Exchange

Taameer Jordan Holdings (TAMR)

Taameer Jordan Holdings was established in 2005 as a public shareholding company with a paid-up capital of JD 212 million, becoming one of the largest real-estate companies in the Middle East. The projects being developed by TAMR include the Andalucia project in Amman, the Red Sea Resort in Aqaba, Ahl Al Azm Residential City in the Jiza District, the Gardens Villas in Zarqa, and Al Mushata Industrial City, in addition to Mansion Hills and Ayla Park Plaza in Aqaba.

TAMR main projects are Al Andalucia, Red Sea Resort, Gardens Villas, Ahl Al Azm Residential City, in addition to Mansion Hills and Ayla Park Plaza

The JD 150 million Andalucia residential compound is built on a 800 thousand square meters plot of land and includes 588 villa in ten different designs with several public facilities. The first phase of the project will be handed over to residents by September 2009 while the rest of the project will be completed by the end of the year. Representatives of the Company revealed that some 65% of the total number of villas have already been sold.

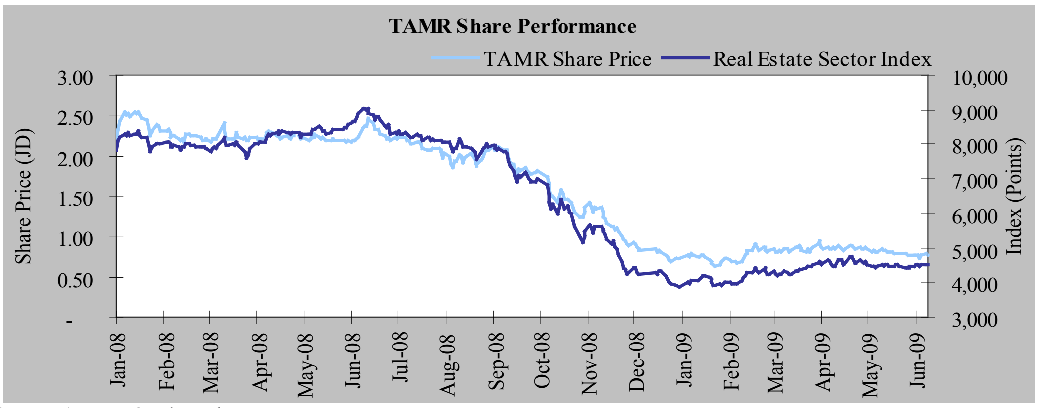
The 360 villas of the Red Sea Resort are located on the south beach of Aqaba and on an area of 147 thousand square meters. Around 75% of the project has been completed, with villas expected to be handed over to owners by the end of 2009.

Gardens Villas is being developed in Zarqa, the first phase of which includes 253 semi-detached villas, while the second phase of the project includes 200 villas. The project is expected to be completed by 2010.

In 2008 TAMR launched its Mansion Hills project which will be located on the southern side of the city of Aqaba. The project has a total cost of USD 2 million and will include 27,000 residential units with different designs, and will also incorporate international five-and four-star hotels, chalets and an aqua park, in addition to other leisure entertainment facilities. The project will consist of three phases and is expected to be completed in 9 years.

Key Highlights

Net Income 2008	JD 3,953,938
Net Income Q1 2009	N/A
Share Price (01/06/2009)	JD 0.76
EPS 2008	JD 0.019
EPS (31/3/2009)	N/A
Forward P/E	N/A
Trailing P/E (times)	40.746x
Trailing P/BV (times)	0.882x



Source: Amman Stock Exchange

5.0 MAJOR PROJECTS UNDERWAY

Decent Home for a Decent Living

The Decent Home for a Decent Living is an initiative launched by His Majesty the King in early 2008, where the Government aims to build over 100,000 homes for the low-income citizens over a period of five years. The initiative is administered by the Housing and Urban development Corporation.

Decent Home for a Decent Living initiative was launched to establish over 100,000 homes for the low-income citizens

The initiative entails the establishment of residential units in the municipalities of Amman, Zarqa, Madaba, Irbid and Aqaba, of areas ranging between 80-140 square meters. Prices are set at around JD 24,000, requiring no downpayment, payable over 240 instalments not exceeding one-third of the buyer's salary.

The strategic plan of the initiative includes two phases, the first phase commenced during 2008 and consists of the construction of 20,500 housing units on plots of land owned by the HUDC that are spread across different governorates of the Kingdom, and are supplied with the required infrastructure services. The units will also be built on lands owned by the Government, and within the King Abduallah Bin Abdel Aziz Residential City and the Aqaba Special Economic Zone.

The second phase will include the construction of 100 thousand units to be implemented during the coming five years, establishing 20,000 unit per year. 75% of the units will be within residential cities while the remaining 25% will be distributed across the Kingdom.

The HUDC has signed agreements with companies in real estate and housing development which have the technical and financial abilities to implement such a project, while the Government announced that it will offer required facilities for the companies.

Madinat Al Majd

The USD 500 million Madinat Al Majd project is Taameer International Company's first mega project in Jordan. It is located in the new Zarqa area, built on a 2 million square meter plot of land. The project will comprise more than 50,000 residential units, with the majority of the units targeting the lower-income end of the market.

Madinat Al Majd project targets the low-income citizens, located in the new Zarqa area

Madinat Al Majd will offer its residents a selection of amenities to cater to their needs, from mosques, hospitals, schools, green areas, parks and commercial districts. The first phase of the project has been handed over to buyers.

Ahl Al Azm

Ahla Al Azm project has a total investment of USD 1 billion. The project is spread over 750 thousand square meters and is expected to be completed by 2013. The project aims to cater the needs of the medium- to low-income citizens and will offer about 15,000 housing units with areas ranging between 80 to 311 square meters. The project also offers 2,010 offices varying in size between 100 to 200 square meters.

Ahl Al Azm project offers about 15,000 housing units for the medium- to low-income citizens

King Abdullah Bin Abdel Aziz Residential City

The King Abdullah Bin Abdel Aziz Residential City is a city targeted at the lower-income population of Zarqa, constructed by National Resources Investment and Development Company/ Mawared. The City is being developed on a 21 thousand dunum plot of land of an estimated cost of USD 600 million, donated by the Jordanian Government for this project. The city will include 70 thousand housing units ranging in size between 100-160 square meters, expected to house 370 thousand persons. The city will also include retail properties, banks, parks and a mosque. The expected cost of this project is USD 1.3 billion.

King Abdullah Bin Abdel Aziz Residential City is being established by Mawared in Zarqa to cater the needs of the low-income citizens

Sanaya Amman

Sanaya Amman is a 60-storey twin tower project, constructed by Dubai Limitless Company for a total investment of USD 300 million. The towers will be located in Abdoun and built on an area of 8.6 dunums with a height of 200 meters.

The tallest twin towers in Jordan are being constructed by Limitless Dubai

The two towers will be the tallest towers in Jordan and will be connected by a suspended swimming pool, built at over 100 meters high. The towers will include both residential and commercial developments, where residential units will be up to 50 storeys high with around 500 units, while the 10 thousand square meter indoor plaza will have retail, entertainment, and leisure facilities.

Sanaya Amman will also be the first green building in Jordan. The project will adopt a number of eco-friendly initiatives which will enable it to achieve the Leadership in Energy and Environmental Design (LEED) accreditation.

Marsa Zayed

Marsa Zayad will be the biggest real estate project in the history of the Kingdom, implemented by Al Maabar International Company for a total cost of USD 10 billion. The real estate investment will be established in Aqaba on an area of 3.2 square kilometers, which will include two kilometers of waterfront and high rise residential towers, as well as entertainment and business districts. It will also have a marina which will be the new port for yachts and cruise ships in Aqaba.

The biggest real estate project in the history of the Kingdom is being established in Aqaba

The project will be implemented in several phases, where the first phase will commence execution by the first half of 2010.

Saraya Dead Sea

The Saraya Dead Sea project consists of an 18-hole signature gulf course and a 9-hole practice course with its private club, a horse racing track, a world class hotel, a boutique hotel, and a health spa. The project will be developed on 3,000 dunum plot of land by the Dead Sea, and is expected to cost USD 500 million.

Saraya Dead Sea will consist of gulf courses, a horse racing track, hotels, and health spa

Reef Amman

Reef Amman project, a project by Darat Jordan Holding, is located seventeen kilometers to the north of Amman in Jubbah village in Jerash. The project is established on an area of 300 thousand square meters and will include 51 fully serviced farm houses. The first phase of the project is valued at USD 20 million and is scheduled to be completed at the end of 2009 while the second phase will be completed by the end of 2010.

Reef Amman project is located in Jubbah village in Jarash and will include fully serviced farm houses

Amman Living Wall

The Amman Living Wall project is a mixed-use development located in Wadi Saqra, developed by the Development Investment Project (DIP). The Amman Living Wall consists of six mini towers, offering both commercial and residential space including offices, apartments and the first boutique hotel in Amman. The project has an expected cost of USD 180 million.

Amman Living Wall consists of six mini towers, offering commercial and residential space

Amman Gardens

The Abu Dhabi Manazel Real Estate Company is establishing the Amman Gardens for a total investment of JD 110 million, located between the centre of Amman and the Airport road. Amman Gardens will include 1,863 villas on an area of 500 dunums. The project will be delivered to owners by the end of 2010.

Amman Gardens is located between the centre of Amman and the Airport road, and will include 1,863 villas

Upcoming Major Projects

Al Maabar International Company announced that it will establish a real estate project in Amman for a total cost of JD 190 million and on an area of 18 thousand square meters. The project will be established in Abdoun and will include a hotel and luxurious apartments, and is expected to commence construction prior to the end of the first quarter of 2010.

Projects in the pipeline include residential projects in Amman constructed by Al Maabar International Company and Nour Jordan Kuwait Company, and the Jordan Mall, which is being developed by Al Kurdi Group in Abdoun

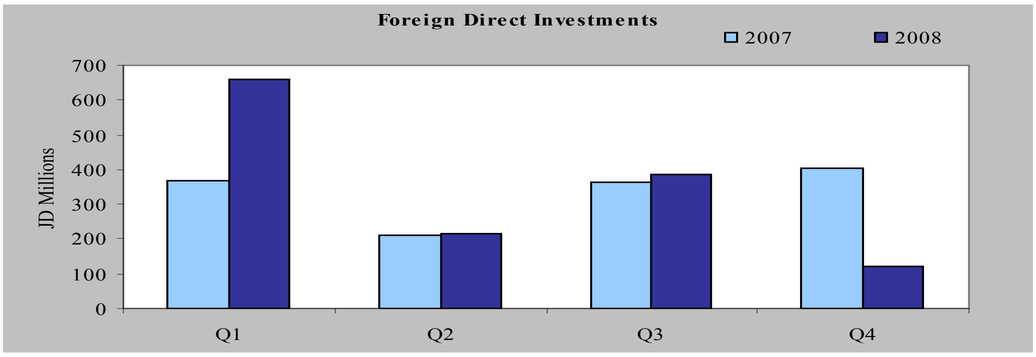
Noor Jordanian Kuwait Company announced that it intends to establish a USD 100 million residential city on an area of 190 dunums close to the airport road.

Jordan Mall is another mixed-use development of Al Kurdi Group which will be located in Abdoun on an area of 75 thousand square meters. The mall will include a gym, hypermarket, theatre and a hotel that will be operated by an international operator.

6.0 OUR PERSPECTIVE ON THE MARKET

Following more than half a decade of impressive economic growth, in 2008 Jordan entered into a period of significant challenges and obstacles that needed to be met head on. At the start of 2008, the Jordanian Government removed its subsidies on fuel prices, a step that was applauded by the International Monetary Fund (IMF). However, coupled with the soaring prices of oil in international markets, the removal of the subsidy sent prices of goods and services through the roof as producers raised selling prices in order to cover the high costs of inputs and production expenses. The impact was exacerbated by the depreciation of the dollar in recent years, which led to a weakening of the Jordanian dinar against major currencies. As an import-reliant country, the population of Jordan soon found itself struggling to make ends meet.

The financial crisis in the United States and the global credit crunch positioned banks in unfamiliar territory, causing them to rein in their lending policies and restrict credit financing. Liquidity, in the space of weeks, had seemingly evaporated. Meanwhile, the consequent drop in oil prices during the second half of 2008, and the sharp downturn in capital markets meant that excess liquidity in the GCC countries, Jordan's primary foreign investors in both investment projects and speculative trading, rapidly dissipated. The chart below highlights the extent of the decline in FDI to the Kingdom during the fourth quarter of 2008 following the eruption of the sub-prime mortgage debacle in the U.S. and its global repercussions.



Source: Central Bank of Jordan

And while lower oil prices translated into declining inflation rates and reduced construction costs, the lack of both domestic and foreign liquidity was reflected as a slump in the real estate sector. It wasn't until 2009 that construction activity began to pick up once more. The lower prices of steel and cement, in parallel with the still remaining shortage of supply in real estate to certain segments of the population, drew developers back in to resume suspended developments and initiate new projects. Trading activity, however, remained low, dropping by 34.3% during the first five months of 2009 from JD 2.47 billion to JD 1.63 billion for the same period of 2008, as willingness of buyers to buy declined and sellers stood determined to redeem the costs incurred in the development of the project. And while hopes remain in the market of a revival in the sector as the summer months approach, as foreigners and Jordanians living abroad return to the Kingdom, we remain sceptical of any significant boom in the sector, due to the impact of the global economic slowdown rendering investors cautious and expectant of a drop in real estate prices, as well as an overall weakening of purchasing power. Prices of land in speculative trading areas such as Mafraq are anticipated to continue to slump. However, in the Capital, land prices to date have remained sustained at high levels, exhibiting only minor declines, albeit at a lower volume of selling transactions. As the most expensive input into development projects, it therefore remains logical that prices of property will not fall significantly as long as land prices remain high. While the boundaries of Amman are expanding, which slightly reduces the importance of the so-called "prime locations" of the Capital and therefore their respective per-square meter prices, the lack of available space within its centre means that prices are unlikely to fall substantially, even if demand does not pick up again. Moreover, once a resolution on the the Landlord and Tenant's

Law is reached and set into action, demand will be recreated as tenants are evicted or forced to pay the higher rates applicable in the market.

The resurgence of oil prices of late are likely to be a key determinant of the direction the sector will take going forward. Higher oil prices are a double-edged sword for the Kingdom, since a rise in fuel costs will drive up construction costs and prices, while concurrently increasing the liquidity in the GCC countries and as a result, FDI into the Kingdom.

Another important factor remains the position of banks on lending. To date, the terms of credit facilities have been unfavourable, and the recent tightening of restrictions have further inhibited the ability to obtain financing to purchase real estate. Moreover, the limit imposed on lending to the sector by the Central Bank is further constraining banks' ability to lend. The Central Bank's attempts to boost liquidity and stimulate investment by reducing key interest rates will remain dependant on banks' reactions to the reduced rates and the extent passed through to rates on credit facilities granted.

In terms of company performance in the sector, we anticipate continued low profitability as the sector struggles amidst a global economic downturn. The real estate sector is typically a highly cyclical segment of the economy, and therefore until definite indications that an economic recovery is underway, we do not expect to see the levels of profitability that had been exhibited by these companies back in 2005. Furthermore, the resurgence of oil prices in recent months is likely to increase prices of steel and cement once more, leading to higher development costs. However, the expectant entry of new players to the cement industry is likely to ease some of the shortage in the market and pricing pressures.

To conclude, while we concur that there is a glut in luxury development projects, particularly in and around the Capital, Jordan's touristic areas, Aqaba and the Dead Sea, which have received plenty of investor attention in recent years, still remain substantially under-developed compared to their neighbours in Egypt and Israel, offering abundant scope for further projects. Furthermore, we reiterate the huge potential market that remains in the low-income segment across the Kingdom. Developments should capitalise on the currently low construction costs, and the existing law exempting small-sized apartments from registration fees.

And finally, Jordan is a country highly sensitive to the economies of countries in the region. A revival of real estate sectors in the GCC, particularly the UAE, is likely to spur growth and investment in the Kingdom going forward.

Disclaimer