Real Estate Sector Report
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ABC Investments

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1.0 EXECUTIVE SUMMARY

The Kingdom of Jordan has been witness to an unprecedented boom in real estate, with total investment in the sector over the past five years estimated at over JD 15 billion. Trading in the sector last year reached JD 4.9 billion, comprising almost half of the Gross Domestic Product (GDP), compared to JD 3.5 billion and JD 2 billion in 2005 and 2004 respectively. This figure is expected to reach JD 6 billion this year.

Trading in Real Estate over the past 5 years reached JD 15 billion, and is expected to reach JD 6 billion this year alone.

The Jordanian Real Estate market was affected significantly by the political turmoil and economic boom in recent years, instigated by the September 11th terrorist attack on the United States which compelled Arabs to relocate their investments closer to home, followed by the influx of thousands of Iraqis during the second Gulf war, alongside the rising oil prices that produced an abundance of liquidity in the gulf states, inducing many capital owners to invest in Jordan. The unrivalled activity in trading in real estate and property in Jordan, in addition to the initiatives by the government to encourage investment, and the relatively cheap Jordanian labour, drove local, Arab and foreign investors to divert their investment attention to the Kingdom. While investment has been wide-spread across the Country, the lion's share of investments has been claimed by the capital Amman, the Dead Sea and Aqaba.

Real estate has a direct impact in supporting the growth of other economic sectors, particularly the construction sector, which has a spill-over effect to other areas of the economy, creating job opportunities and generating demand for other supporting industries, such as steel, cement, wood, glass, aluminium, to name a few.

Real estate has had a positive impact on a variety of industries....

It also has a bearing on the financial services sector, with opportunities arising for banks to offer financing to real estate companies and contractors, in addition to providing retail facilities in the form of mortgages for the purchase of land and property.

.... including the Financial Services sector.

Unsurprisingly, there has also been a distinct correlation between the real estate market and the capital markets, due to the large number of real estate companies that are listed on the stock exchange. In 2006, the volume traded on real estate sector companies represented over 30% of the Amman Stock Exchange's total trading activity.

It has also played an important role in the Amman Stock market

The strong demand on real estate in the Kingdom has led to prices of land and property multiplying to levels no longer affordable by the average Jordanian, thereby driving locals to relocate to the outskirts of the city, which were once remote barren areas, where prices remain slightly lower than the Capital.

Estate Agents are keenly awaiting the summer months, where demand for real estate is expected to broaden further as a consequence of the return of Jordanians living abroad for the holiday, the onset of the tourist season, and the arrival of visitors from the Gulf states, wishing to escape the summer heat in their own countries.

Expectations in the market are that the real estate market in Jordan will continue to advance and develop, particularly due to the fact that prices in the Kingdom, despite the hefty increases, remain below the price levels of attractive investment areas in the Gulf, Lebanon and Egypt.

Investment in real estate is estimated at over JD 30 billion for the next five years, according to the Ministry of Public Works and Housing, sustained by the ongoing boom. The growth will continue to be fed by the persistent high oil prices, in addition to the recent amendment of the Landlord and Tenants Law No. 11 of 1994, which abolished the earlier provision allowing tenants indefinite lodging

Investment in real estate is estimated at JD 37 billion for the coming five years in properties at the original rate. Contracts entered into prior to the amendment will be legally terminated in 2010, thereby bringing an end to the fixed rent era. The removal of fixed rent in favour of a free market of demand and supply is driving people to purchase property instead of renting, in a hope of removing the risk of uncertain prices in the future. This buying inclination is being boosted by banks, which are offering attractive mortgage facilities, a relatively new phenomenon for Jordan. Many banks have also collaborated with major real estate companies, providing attractive mortgage rates, financing up to 100% of property values.

The Jordanian Government is also having a strong hand in the development of the sector, through its initiatives to promote investment, in addition to setting in motion a five-year effort in a bid to provide accommodation for fifty thousand families, through directly providing free or supplemented accommodation, providing financing options at low interest rates, or granting land at negligible prices.

In a bid to reduce the congestion in certain locations of the Capital, the Government is developing new zoning regulations in unoccupied areas, allowing for the construction of residential blocks up to six storeys high, thereby creating more space at a lower price, while endorsing the growth of Amman's boundaries.

The government initiatives to relocate military facilities out of city centres have promoted the development of two major projects; the first, the Madinat Al Sharq project, is a bid to tackle the congestion issue in the existing commercial district in Zarqa. A new urban centre will be developed in the location of the former Zarqa military campsites, providing a new and comprehensive residential city served by a city centre providing commercial and retail facilities.

The Government has had a number of initiatives to support the development of the sector, including new zoning regulations and relocating military facilities out of city centres

The second of such developments is the USD 1.5 billion project in the Capital called the Abdali Urban Regeneration Project, providing a built-up area of over 1 million square metres.

Based on 2005 figures, demand for housing is estimated at 33,000 units per year. While a large number of units are expected to be introduced in the coming few years, the demand in the market continues to outpace the supply, causing property prices to shoot through the roof. Recent rises in construction costs, in addition to speculator trading in real estate, have added additional upward pressure on the prices of property. However, as large construction projects come to a completion, and with the prices of property reaching unaffordable levels for the average Jordanian, a glut of properties may be expected to arise. However, as evident in other regional countries, where property prices continue to increase, we expect only a temporary decline in property prices, with less profits made on trading, alongside a slowdown in the trading activity, until population growth causes demand to catch up once more with supply. Furthermore, since lending terms for real estate tend to be over a large number of years making the repayment of loans affordable, provided the rising interest rates trend does not continue to persist, the pressure applied on buyers to sell in a market slowdown will not be significant, allowing the real estate market to retain its current price levels.

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2.0 INTRODUCTION

Once a quiet small country with a tiny population, heavily dependent on foreign grants and neighbourly support, Jordan has, in recent years, transformed itself into a prime holiday resort, a safe haven for refugees in a time of uncertainty and turbulence, a prosperous home for foreign investment, and a country with a constantly developing landscape.

Jordan's economy has expanded significantly over the past few years, with GDP growing by 7.2% in 2005 and 6.4% in 2006, on the back of high liquidity levels created by rising oil prices, strong corporate profitability, an inflow of tourists, alongside an influx of refugees, foreign direct investment (FDI), etc. This growth has been accentuated by the boom in the real estate sector, which has been witness to a mass of construction, soaring prices, and high levels of trading activity.

Jordan's booming economy has seen its GDP rising by 6.4% in 2006, supported by the growth in activity in the real estate and construction sectors...

For a non-oil producing country, real estate and construction play a vital role in supporting the economy. The flourishing of these sectors has spilled over into other key segments of the economy, creating a substantial demand for building materials, cement, steel and iron, and providing numerous job opportunities. The benefits have also infiltrated the financial services sector and the capital market.

...which have spilled over to other segments of the economy

As mentioned, one of the major factors affecting the economy is the high oil prices in recent years, which translated into a booming economy in oil-rich countries, creating a supply of wealth and liquidity. Jordanians living in the Gulf have also been on the receiving end of the wealth, which reached Jordan both through remittances and through investment by Jordanians in the Kingdom.

The September 11th terrorist attack on the United States had the effect of encouraging Arabs to invest closer to home, the impact of which was magnified by the war in Iraq, tensions rising in Syria, the assassination of Prime Minister Rafiq Al-Hariri, and the more recent turbulence in Lebanon and Palestine, all of which highlighted Jordan as a relatively politically stable and safe investment environment.

During the Iraq war, Jordan became the gateway for NGO's, businesses, political leaders and journalists to access the Country, taking up residence in the Kingdom for its proximity to Iraq and relative safety. Visitors to Jordan in 2003 and 2004 during the war amounted to 4.60 million and 5.59 million respectively, compared to 4.68 million in 2002. The number of visitors continued to rise, reaching 5.82 million in 2005 and 6.57 million last year. The addition to the population created a supplementary demand for the Country's output, in terms of food, retail products and housing.

A substantial demand for retail and commercial space arose due to the huge inflow of visitors to the Kingdom consequent to the war in Iraq.

Companies in Jordan capitalised on the situation in Iraq; while at the start of the war in 2003, exports to Iraq dropped to JD 224.0 million compared to JD 311.8 million the previous year, in 2004 and 2005, exports rose to JD 361.9 million and JD 379.7 million respectively.

With Iraq still presenting a dangerous environment, many organisations doing business there have set up office in Amman, requiring office space and accommodation, thereby further feeding the boom.

Furthermore, with the majority of countries in the region experiencing some level of instability, Gulf tourists looking to escape the summer heat in their own countries, began to favour Jordan for their holiday destination. The Country also became an asylum for refugees from Iraq looking to wait out the war in safety.

With a young and growing population, coupled with the large influx of visitors to the Kingdom, a strong need for additional housing has arisen. Jordan has become home to huge residential compound projects, and copious apartments of all shapes and sizes.

This has impacted the hotel industry as well, with occupancy levels reaching their peaks, creating a demand for new hotels. Quick to respond, the Kingdom is seeing the construction of luxury hotels all over the country, with emphasis on the prime tourist attraction areas, Aqaba and the Dead Sea.

The tourism industry and retail market have also been impacted positively

Not to miss out on the activity, the retail market has also been on the receiving end of consumer demand, sparking the new phenomenon of mega-malls, initiated primarily by Mecca Mall and soon after by CitiMall, with several more in the pipeline.

The Government has also embarked on an initiative to create a reliable regulatory framework that would facilitate the promotion of domestic and foreign direct investment, by stimulating the role of the private sector. For this purpose, in 1995 an Investment Promotion Law was established to improve the investment environment by providing attractive incentives such as exemptions from custom duties, income tax and unrestricted movement of profits and funds. The law also affirms that non-Jordanian investors will be treated equally to local investors.

The amalgamation of all the above factors contributed to attracting foreign investment to the Country, with investment for projects recorded by the Jordan Investment Board amounting to JD 845.65 million for 2006 compared to JD 131.39 million back in 2002.

For the real estate and construction sectors, these factors have translated into a flurry of activity, with the number of permits granted rising to 23,691 in 2006 from 21,433 in 2002, and an area of 12.92 million square meters from 7.31 million square meters over the same period. The bulk of the permits granted were for the purpose of residential construction. Interestingly, in 2005 and 2006, the number of permits granted declined, while the area licensed increased, suggesting that larger scale projects were being undertaken, typified by residential compounds and cities, skyscrapers and apartments.

Number of construction permits falls while licensed area grows

	2002	2003	2004	2005	2006	Q1 2007
Number of Permits	21,433	22,555	27,064	25,683	23,691	5,805
Area ('000 square meters)	7,306.8	8,108.3	9,974.2	12,231.4	12,924.7	2,987.3

Source: Central Bank of Jordan

The downturn in the stock market in 2006 led to investors drawing out their liquidity from the turbulent capital market to the comparatively lower risk real estate market. Local buyers are categorically either long-term investors, or due to the dramatically rising prices, speculators. Additionally, investors in the region are looking to diversify their investments as real estate prices in their own country go through the roof.

The advent of the skyscraper phenomenon is also playing an import role in the development of the sector, attracting new and different development patterns and trends that are appealing to a larger segment of investors and consumers both locally and internationally.

This buying phenomenon was further fed by banks, which have begun providing increasingly attractive mortgage rates, in addition to collaborating with major real estate companies, financing up to 100% of property values.

The amendment of the Landlord and Tenants Law No. 11 of 1994 was recently revised, abolishing the earlier provision that allowed tenants indefinite lodging in properties at the original rate. Contracts entered into prior to the amendment will be legally terminated in 2010, thereby bringing an end to the fixed rent era. This is triggering a demand to purchase property instead of renting, to eliminate the risk of uncertain prices.

The end of the fixed rent era approaches, consequent to the revision of the Landlord and Tenants Law No. 11 of 1994

3.0 INDUSTRY PERFORMANCE

The visible changes to Amman's landscape in the past decade have been undeniable, with the emergence of luxury hotels, large hospitals, offices and apartment buildings, and residential dwellings seeping out into what were previously barren areas.

The robust economy, high liquidity levels and favourable population demographics are expected to continue to drive a sustained growth in all segments of the real estate sector in the coming few years.

3.1 Industry Structure

Residential Properties

The growing local population, coupled with the thousands of Iraqi nationals that crossed the border into the Kingdom, created an accommodation need estimated in 2005 at 33,000 housing units per year. In 2003, this estimate had been 20,000-25,000 units. If the tensions rising in Palestine and Lebanon lead to a further inflow of refugees to Jordan, this estimate may be expected to rise further still.

Currently, there are an immeasurable number of residential construction projects underway, which include large compounds, apartments and villas. There is a clear distinction between the types of residential projects being developed based on the target segment of the market. Attracting the upper-class segment, which is primarily the residents of West Amman, there are numerous developments of luxury villas within compounds, 400-500 square meter apartments, or apartments in sky-scrapers. In Aqaba and Madaba, lavish villas and apartments are being constructed, creating a new trend in the Kingdom; the 'holiday' home. While in Europe and the United States, a secondary home for use during vacations can be quite common, in Jordan, the secondary home has usually been limited to farm houses. Now, viewed as a long-term investment, upper-class Jordanians are taking up a second or third home in one of these new residential compounds.

Numerous luxury residential compounds in the pipeline, introducing the concept of the 'second or third home' to upper-class Jordanians

Meanwhile, in the relatively poorer areas of the Kingdom, the Government has resolved to improve the standard of living in such cities outside Amman in addition to alleviating congestion in areas of the Capital. The Government is developing new zoning regulations in unoccupied areas, allowing for the construction of residential blocks up to six storeys high, thereby creating more space at a lower price, while endorsing the growth of Amman's boundaries. The relocation of military facilities out of city centres has brought about the development of two of the largest projects ongoing in the Kingdom; the first, the Madinat Al Sharq project in Zarqa, and the second is the Abdali Urban Regeneration Project.

Attempts as relieving congestion include developing new zoning regulations in unoccupied areas, in addition to relocating military facilities out of city centers.

Commercial Properties

The economic boom in the Kingdom is encouraging a large number of international corporations to establish subsidiaries or offices in the Kingdom. This effect has been exacerbated by the recent Gulf war, with NGO's and businesses setting up shop in Jordan for its proximity to Iraq. Furthermore, with local businesses growing and becoming more prosperous, many corporations are looking to relocate their premises to larger newer buildings. Moreover, practically daily a new company is established in the Kingdom, with the number of registered companies in 2006 alone amounting to 8,633 companies, all of which spark a demand for commercial domains.

The demand for commercial properties comes in parallel with the ongoing economic boom in the Kingdom

As long as the economic boom continues, the demand for commercial properties will constantly be fuelled.

Retail Properties

In comparison with the region, Jordan is strangely lacking in shopping malls. However, the boom in the retail industry is rectifying this, with a number of malls in the pipeline. The most recent malls to be established in Jordan were Mecca Mall, followed by the recently opened City Mall, in addition to other shopping centres and smaller malls, such as the Istiklal and Mukhtar Malls. A large mall is also being developed in Deir Ghbar by the Tajamouat for Tourist Projects Company, due to open in 2008. The Kurdi Group has also announced plans to develop a JD 400 million "Jordan Mall" on the airport road.

Special Economic Zones (SEZs) and Qualifying Industrial Zones (QIZs)

The Country's efforts to focus on becoming an export-oriented manufacturing economy has led to the establishment of several industrial and economic zones. The Qualified Industrial Zones are areas entitled to duty-free and quota-free access to the United States market. Currently there are 13 QIZs in Jordan hosting a large number of factories.

QIZs and SEZs are helping to attract further investment to the Country

Jordan's Special Economic Zone is the Aqaba Special Economic Zone, governed by the Aqaba Special Economic Zone Authority (ASEZA), which is the statutory institution empowered with regulatory, administrative, fiscal and economic responsibilities for the ASEZ. The aim of the Zone is to enhance the economic capability in Jordan by attracting different economic activities and investments, through being a liberalised, low tax and duty-free development area.

A $750 million special development zone in Mafraq is to be established, which will serve as a transport, logistic and industrial hub. The plan has four components; Industry, logistics, housing, and an airport.

Additionally, in May 2007, His Majesty King Abdullah launched a plan to establish an economic development zone in Irbid, which will include IT, health, residential, industry and services projects.

3.2 Contribution of Real Estate to the Economy

3.2.1 Contribution of Real Estate to GDP

For a non-oil producing country with limited natural resources, the real estate and construction sectors play a vital role in contributing to the economy. The table below highlights the contribution played by the construction and real estate sectors to GDP. In 2006, the contribution played by the construction sector increased by 13.1%, while the real estate increased by 9.5%

	2002	2003	2004	2005	2006
Construction					
Contribution to GDP	251.7	268.3	324.4	358.9	405.8
% Change	9.0%	6.6%	20.9%	10.6%	13.1%
Finance, Insurance, Real Estate & Business Services					
Contribution to GDP	1,236.2	1,311.3	1,444.4	1,565.9	1,714.0
% Change	8.8%	6.1%	10.2%	8.4%	9.5%
GDP at Basic Prices					
Total GDP	5,849.4	6,301.3	7,185.6	7,956.2	8,838.3
% Change	6.9%	7.7%	14.0%	10.7%	11.1%

Source: Central Bank of Jordan

A rise in the contribution to GDP played by the construction and real estate sectors...

For both sectors, the greatest increase in contribution arose in 2004, where GDP also saw the highest rise.

The table below illustrates the sectoral origin of Gross Domestic Product at current prices. The figures clearly illustrate a rise in the importance of construction in 2006, however, despite the increase in

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contribution played by real estate to GDP, as a percentage of GDP it actually declined.

Sector	2002	2003	2004	2005	2006
Agriculture	3.8	4.1	4.2	4.1	3.9
Mining & Quarrying	3.1	2.9	2.6	2.4	2.0
Manufacturing	18.7	18.4	19.8	20.6	21.3
Electricity & Water	2.5	2.6	2.5	2.4	2.5
Construction	5.5	5.3	5.5	5.5	5.8
Trade, Restaurants & Hotels	11.0	11.0	10.7	10.9	11.0
Transport & Communications	17.2	17.7	18.0	18.0	18.1
Finance, Insurance, Real Estate & Business Services	19.9	19.6	19.2	18.9	18.6
Social & Personal Services	4.0	3.9	3.9	3.9	4.0
Producers of Government Services	16.5	16.6	15.8	15.3	14.8
Producers of Private Non-Profit Services for Households	1.1	1.0	1.0	1.0	0.9
Domestic Household Services	0.2	0.2	0.2	0.2	0.2
Less: Imputed Bank Service Charge	(3.5)	(3.3)	(3.4)	(3.2)	(3.1)
GDP at Basic Prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Jordan

...despite a decline in the relative importance of real estate to GDP.

3.2.2 Public Expenditure on Real Estate and Construction

The table below highlights the government expenditure on construction and land and buildings, which have assumed an ascending trend over the years, with a slight decline in 2005.

(JD Millions)	2002	2003	2004	2005	2006
Capital Expenditure of Budgetary Central Govmt					
Construction	174.8	226.6	236.4	204.4	265.5
Land & Buildings	13.6	23.1	29.6	20.4	25.0
Total	188.4	249.7	266.0	224.8	290.5
Capital Expenditure of Own-Budget Agencies					
Construction	104.0	124.4	121.8	129.5	97.0
Land & Buildings	9.5	15.1	11.2	22.0	17.7
Total	113.5	139.5	133.0	151.5	114.7
Total					
Construction	**278.8**	**351.0**	**358.2**	**333.9**	**362.5**
Land & Buildings	**23.1**	**38.2**	**40.8**	**42.4**	**42.7**
Total	**301.9**	**389.2**	**399.0**	**376.3**	**405.2**

Source: Ministry of Finance

Rising expenditure by the Government on construction and land and buildings

However, with the Government's attempts to increase privatisation and heighten the role of the private sector in developing the Country, the private sector has been playing a growing role in construction, and this trend is likely to continue.

During 2006, the accreditation of treasury lands amounted to 58 thousand dunums, the majority of which was land in the governorates of Irbid, Ajloun and Jarash.

Accreditation of Treasury Lands in 2006

	Designation		Accreditation for Building Houses		Accreditation for Agricultural Land		Leasing for Agricultural Purposes		Exchange / Army Lands		Sale / Agricultural Use	
Governorate	No. of Transactions	Area (dunums)	No. of Transactions	Area (dunums)	No. of Transactions	Area (dunums)	No. of Transactions	Area (dunums)	No. of Transactions	Area (dunums)	No. of Transactions	Area (dunums)
Amman	13	102.31	15	2,051.04	-	-	3	132.23	1	2.11	2	1.11
Zarqa	6	177.42	37	4,696.31	3	225.86	-	-	-	-	1	0.77
Mafraq	2	1.966	3	2.74	5	265.03	1	17.26	4	45.38	1	0.09
Ajloun	1	16,290.00	-	-	2	10.08	-	-	-	-	-	-
Jarash	3	11,265.00	-	-	-	-	-	-	-	-	-	-
Irbid	3	17,963.00	-	-	-	-	-	-	-	-	-	-
Madaba	2	4.48	1	0.11	4	156.56	1	17.96	3	35.46	-	-
Al Balqa	2	6.93	-	-	-	-	1	436.15	-	-	-	-
Al Karak	7	214.13	1	0.66	5	2,800.22	2	177.65	-	-	1	0.01
Maan	5	250.73	4	7.64	2	921.73	-	-	-	-	-	-
Al-Tafeeleh	3	53.00	1	0.83	-	-	-	-	-	-	-	-
Total	47	46,328.97	62	6,759.33	21	4,379.47	8	781.25	8	82.94	5	1.97

Source: Department of Land & Surveys

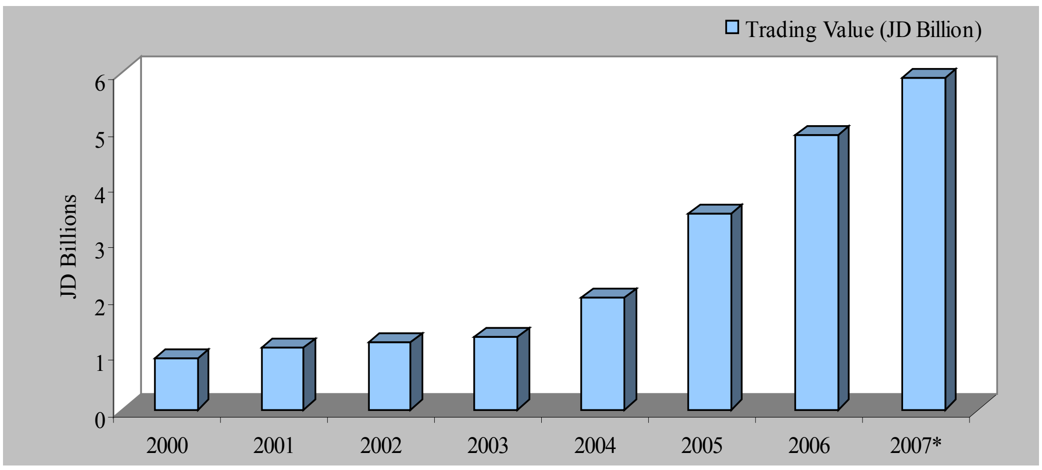
3.3 Transaction Activity

3.3.1 Value Traded

Trading in the sector last year reached JD 4.9 billion, comprising almost half of the gross domestic product, compared to JD 3.5 billion and JD 2 billion in 2005 and 2004 respectively. This figure is expected to reach JD 6 billion this year. According to statistics issued by the Department of Land and Surveys, trading value for the first half of 2007 amounted to JD 2.96 billion, up 23% compared to the same period in 2006.

Trading in the real estate sector for 2006 reached JD 4.9 billion and is expected to reach JD 6 billion in 2007

Value of Trading in Real Estate Sector



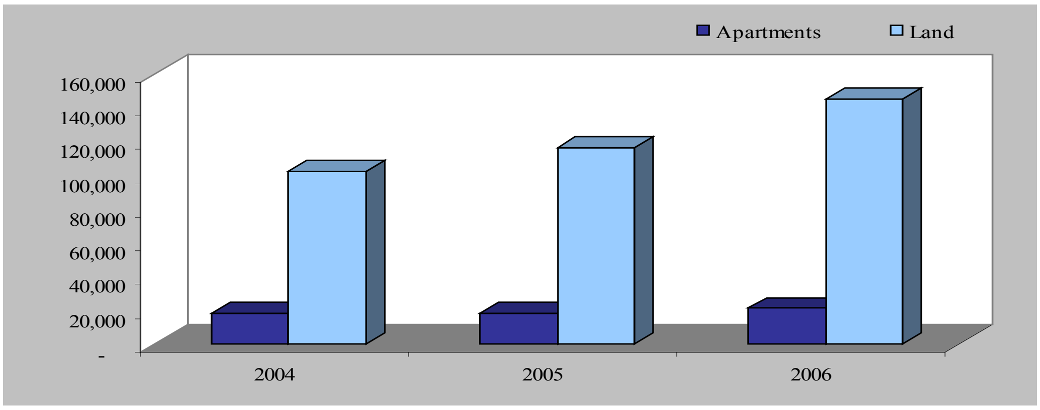
* Annualised semi-annual trading value
Source: Department of Land & Surveys

3.3.2 Volume of Trading

The trend in recent years has shown a rise in the number of apartments and plots of land traded. Statistics show that the number of apartment sold in 2006 amounted to 21 thousand, with 4.4 thousand in East Amman, followed by 4.3 thousand in North Amman and 3.5 thousand in West Amman. In other areas of the Capital, apartment sales reached 3.0 thousand, while those in Irbid and Aqaba amounted to 2.4 thousand and 1.6 thousand, respectively. Sales in the remainder of the Kingdom amounted to 1.8 thousand. This registered 18.2% higher than the sales in 2005.

Number of apartments sold in 2006 reached 21 thousand units

Volume of Sales (number of transactions)



Source: Department of Land & Surveys

The growth in land sales was even more substantial, increasing from 102 thousand transactions in 2004 to 116 thousand and 145 thousand transactions in 2005 and 2006, respectively. In 2006, the growth in land sales reached 24.8%.

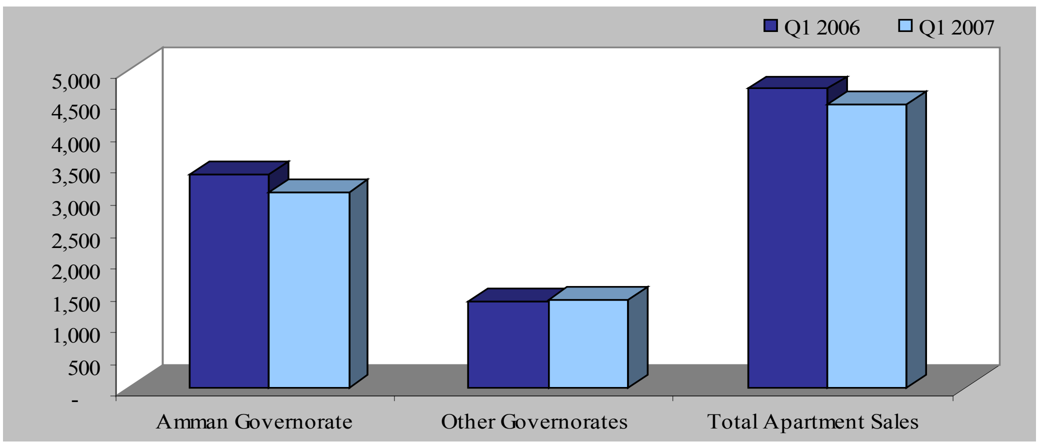
Apartment Sales

A consideration of the sales of apartments in the first quarter of 2007 compared to the same period in 2006 shows a decline. The total apartment sales declined by 5.0% to 4,447 apartments compared to 4,682 apartments for the first quarter of last year.

The decline in the sales is attributed to the fall of activity in the Capital, where the number of apartments sold in the first quarter of 2007 amounted to 3,067 compared to 3,335 apartments for the same period of 2006. This 8.0% drop has been blamed on the rising prices of apartments in Amman, which is leaving the local population priced out of the market.

Number of apartments sold in first quarter of 2007 declined 8% compared to the first quarter of last year

Volume of Apartment Sales by Governorate (number of transactions)



Source: Department of Land & Surveys

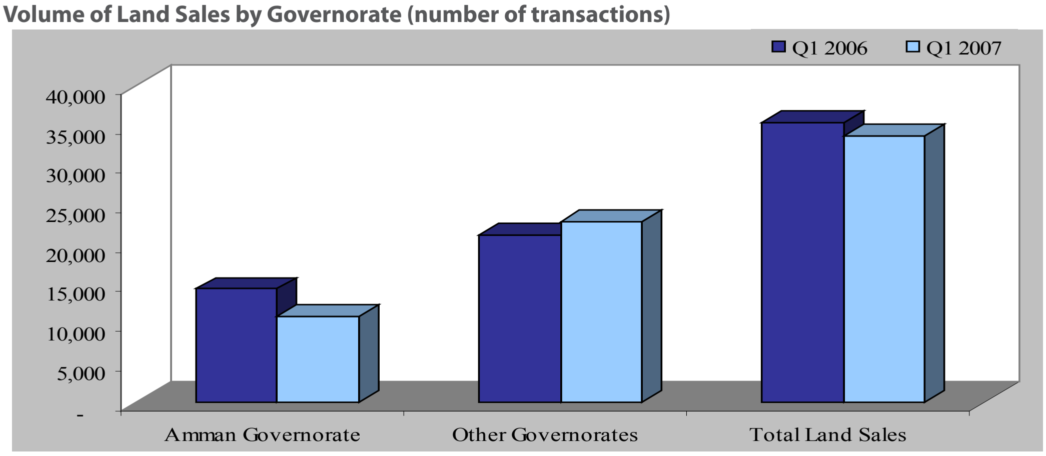
This decline was brought about by a fall in the volume of sales in the Capital, despite an increase in apartment sales in other governorates in the Kingdom

On the other hand, sales in other parts of the Country saw a 2.4% increase, as more and more of the population of Amman seek to move away from the hefty prices in the Capital to more affordable parts of the Country. The recent announcements of plans for development and industrial projects in areas such as Zarqa, Mafraq, Salt, Irbid have led investor attention away from the Capital to other governorates in anticipation of an appreciation of prices there.

Land Sales

Land sales followed a similar trend to the apartments, with sales dropping in the first quarter of 2007 to 33,678 transactions compared to 35,343 transactions during the first quarter of 2006. Once more, the drop in sales occurred in the Capital, falling by 24.5% primarily due to the escalating prices of land. The anticipation of major development and growth in other cities in the Country led to an 8.7% rise in the number of plots of land sold in other areas of the Kingdom.

Volume of Land Sales by Governorate (number of transactions)

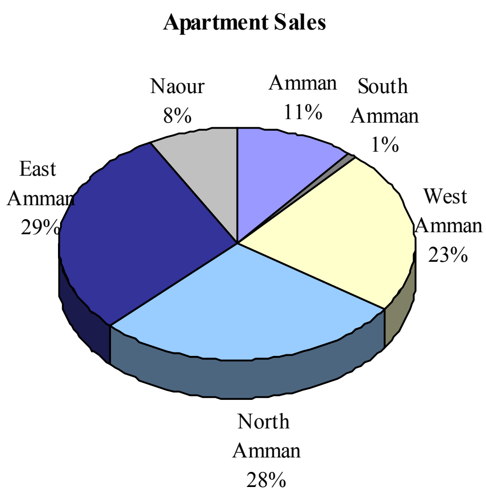


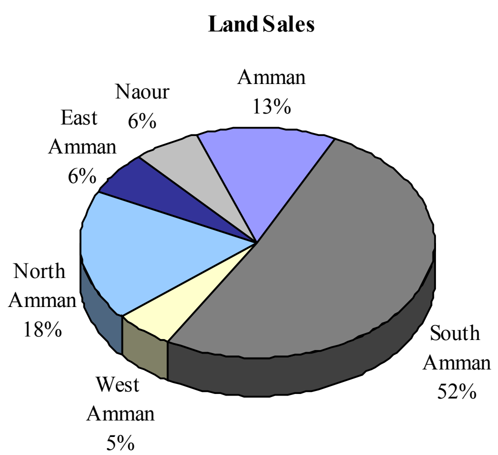
Source: Department of Land & Surveys

Land sales also declined in the Capital while rising elsewhere in the Country

Sales in Amman

In terms of apartment sales, the areas of East and North Amman claimed the lion's share of the transactions, representing 57% combined of total apartment sales in the Capital in 2006. South Amman received the lowest volume of transactions at a mere 1% of sales.





Source: Department of Land & Surveys

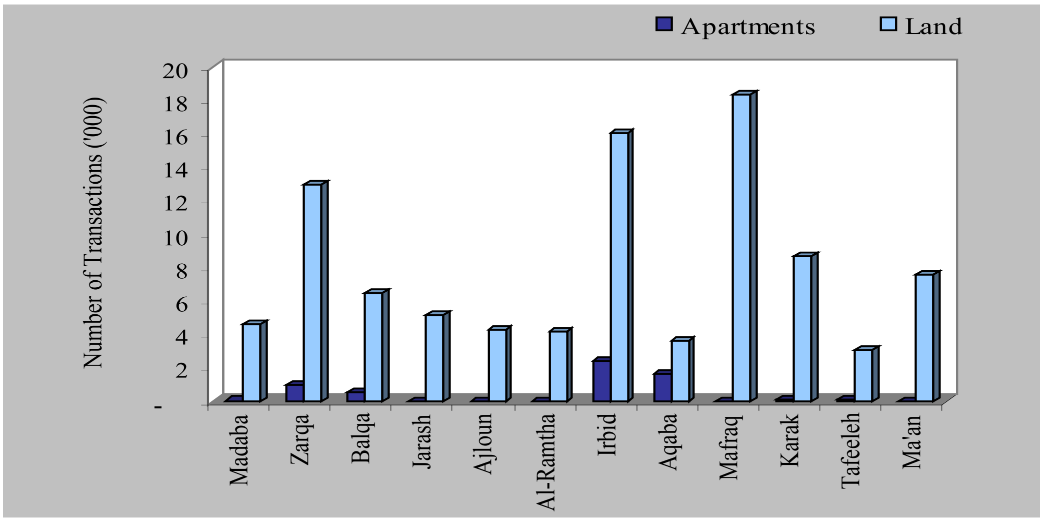
East Amman claimed the lion's share of apartment sales in the Capital, while South Amman claimed the majority of land sales.

Interestingly, in terms of land sales however, South Amman was the frontrunner, claiming a significant 52% of the land sales transactions on its own. The runner up, falling far behind with an 18% share of the transactions, is the area of North Amman. West Amman, notorious for its exorbitant land prices, experienced the lowest level of land sale transactions.

Sales in the Rest of the Kingdom

For the remainder of the Country, in terms of apartment sales, Irbid took the lead with 2,456 apartments sold within 2006. It was followed by Aqaba and Zarqa, with 1,628 and 1,023 apartments, respectively. For land sales, Mafraq took the lead, with land sales transactions amounting to 18,337. It was followed by Irbid and Zarqa with transactions of 16,032 and 12,970 transactions.

Number of Sales Transactions in other Governorates in the Kingdom in 2006

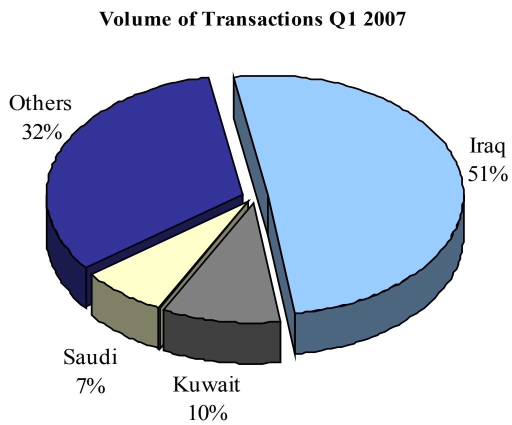


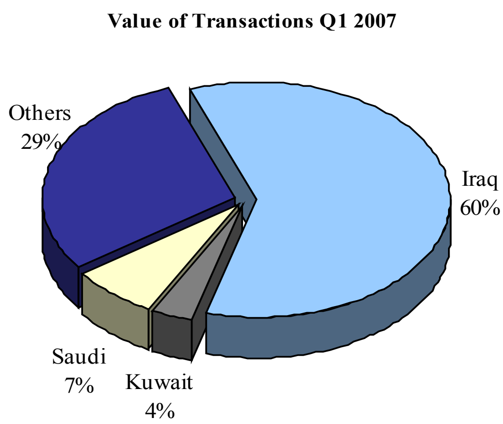
Source: Department of Land & Surveys

Irbid Governorate had the greatest number of apartment sales transactions in 2006, while Mafraq had the largest volume of land sales

Sales to Non-Jordanians

Sales of land to non-Jordanians during the first quarter of 2007 amounted to 506 transactions. The total area of the land sold amounted to 1,229 dunums, with a market price of JD 32.44 million. Of these transactions, Iraqis ranked first place with 256 transactions, making up 50.6% of foreign purchases with a market value of JD 19.34 million. The next highest country for investing in Jordan's real estate market was Saudi Arabia with an investment of JD 2.34 million.





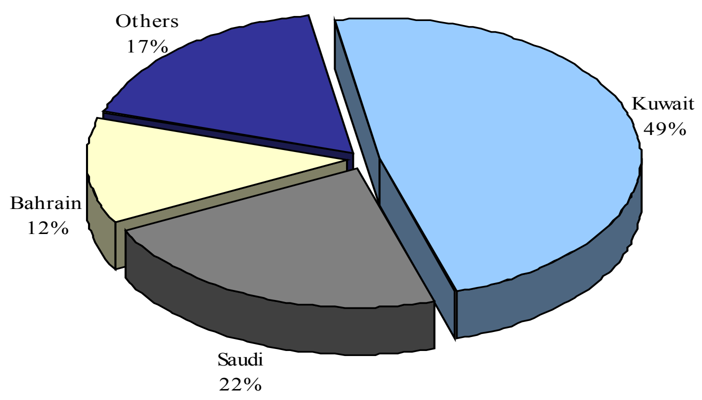
The largest level of investment in real estate by non-Jordanians in terms of volume and value came from Iraqis...

Source: Department of Land & Surveys

While the number of transactions carried out by Kuwaiti nationals exceeded that of Saudi nationals at 49 transactions, as a value this fell below the Saudi level of investment, registering at JD 1.25 million for the quarter.

In terms of total area purchased during the first quarter of 2007, however, Iraq did not feature in the top three nationalities, instead, interestingly, it was the Kuwaiti nationals that purchased the largest area, but, as highlighted above, at a significantly lower cost of investment.

Total Area Purchased



Source: Department of Land & Surveys

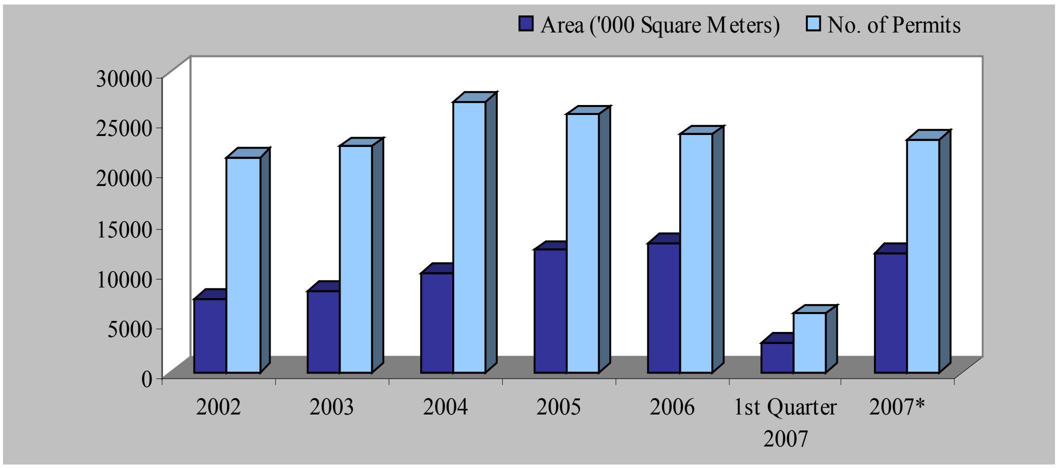
...although the bulk of the areas sold were sold to Kuwaitis

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 purchases made up 60% of total foreign investment in the sector.

The Kuwaiti investments, however, have leaned mainly towards development projects, consisting of larger-scale purchases, further away from the Capital, where land prices are lower. Claiming 49% of total area sold to foreigners, Kuwaiti Nationals' investments in the sector made up a mere 4% of the total value of foreign purchases.

3.3.2 No. of Permits and Licensed Area

The number of permits obtained for construction purposes increased from 21,433 permits in 2002 to 27,064 in 2004, representing a 26.3% increase. In the years that followed, however, the permits obtained experienced a declining trend, falling by 5.1% in 2005 and a further 7.8% in 2006. On the other hand, as the graph below illustrates, while the number of permits dropped, the area of land licensed actually increased, rising by a significant 22.6% in 2005 and slowing down to a growth of 5.7% last year. This trend highlights the departure of constructors from previous building trends towards larger scale projects, such as residential compounds, huge touristic resorts, and skyscrapers.



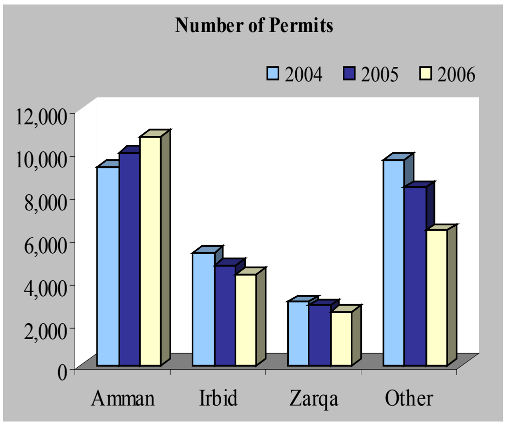
Declining trend in the number of permits granted, accompanied by a rising trend in the area of licensed land

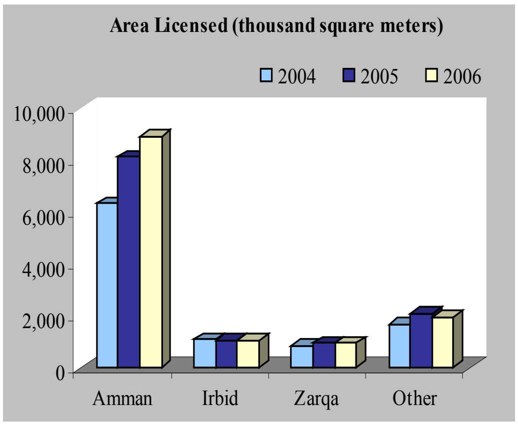
* 1st Quarter Annualised
Source: Central Bank of Jordan

A comparison of the total number of permits obtained in the first quarter of 2007 compared to the same period the previous year shows an increase of 6.8% representing an additional 369 permits, in addition to a 4.5% increase in the area. Licensed areas for building reached 9.12 million square meters in 2006, 5% higher than in 2005.

In terms of regions in the Country, the bulk of permits and areas licensed related to Amman, comprising 45.0% and 69.1% of the total, respectively. In the three years up to 2006, the number of permits and area licensed in the Capital have been rising. For Irbid, on the other hand, the number of permits granted and licensed area have been experiencing a declining trend, while Zarqa has seen a rise in the area licensed, accompanied by a decline in the number of permits.

Rising trend in number of permits granted in Amman, with a declining trend elsewhere in Jordan

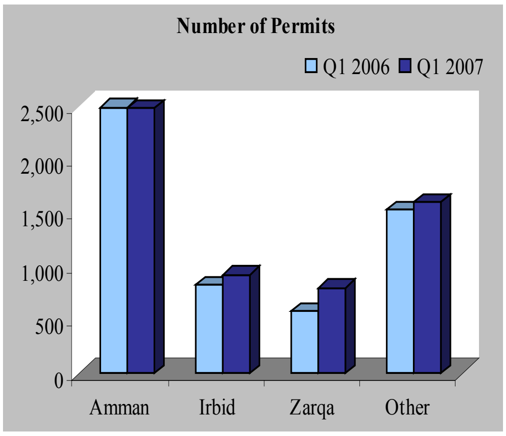


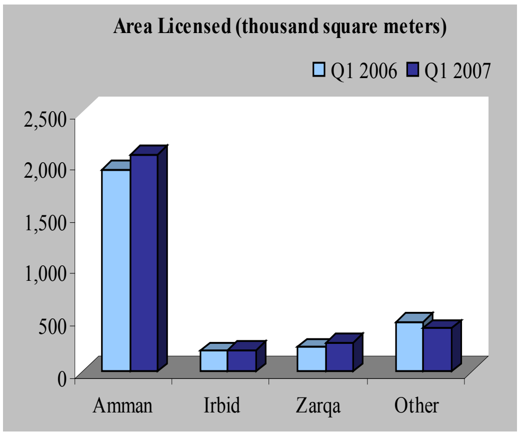


Source: Central Bank of Jordan

For the first quarter of 2007, all areas in the Kingdom excluding the Capital saw a rise in the number of permits granted compared to the first quarter of 2006, as shown below. For Amman, the number of permits dropped from 2,493 last year to 2,481. The largest increase witnessed was for Zarqa, rising from 582 permits at the end of the first quarter of 2006 to 801 permits at the end of the first quarter of this year.

Number of permits granted rising in all areas excluding Amman during the first quarter of 2007, while licensed areas grew in Amman, Irbid and Zarqa over the same period compared to the first quarter last year





Source: Central Bank of Jordan

In terms of licensed area, Amman, Irbid and Zarqa saw a rise in Q1 2007, with Zarqa once again taking the lead with a 17.6% increase.

3.3.3 Number of Construction Companies

Buoyed by the boom in the sector, the construction sector has seen the number of construction companies soar in recent years. Since 2004, a tremendous 674 new companies were established, with a significant 265 companies established in 2006 alone.

	2002	2003	2004	2005	2006	Apr-2007
# of Companies Registered	65	86	112	197	265	100
Capital (JD mil)	7.2	6.0	7.1	20.2	19.6	17.3

Source: Central Bank of Jordan

A growing number of construction companies emerging in the Kingdom

3.4 Prices

Prices of property, particularly in Amman, have soared to extremely high levels. The growth in demand for accommodation, particularly in prime areas in Amman, in addition to the speculative trading in real estate, has led to an outstanding rise in the price of properties. This effect was magnified further by the sharp rise in the cost of land, which makes up around 60% of the total construction cost, in addition to rising costs of raw materials.

Area	Residential/Apartments (per Square Meter)
Shmeisani	JD 500 - 750
Abdoun	JD 750 - 1,000
Deir Ghbar	JD 700 - 1,200
Um Uthaina	JD 800 - 1,000
Sweifiyeh	JD 750 - 1,000
Khalda	JD 500 - 800
Tla-al-Ali	JD 500 - 800
Third to Fifth Circle	JD 900 - 1,200
Dahiyet Al-Rashid	JD 450 - 600

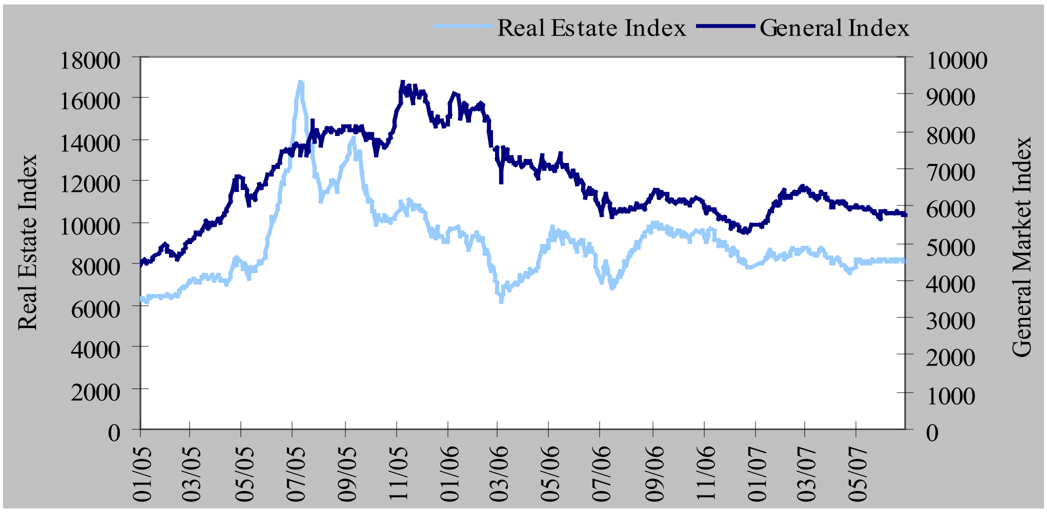
Source: Amlak Newspaper

Over the past three years, prices of property have risen by more than 350%. During the first quarter of 2007 alone, prices of apartments are said to have increased by 10%.

3.5 Sectoral Performance on the Amman Stock Exchange

3.5.1 Performance of the Real Estate Sector Index

The outstanding performance of the stock market in Jordan during 2005 led to the real estate index rising by an impressive 43% throughout the year. June 2005 saw the sector index embark on a sharp rise to reach its peak of 16,777.9 points on July 10th.



Source: Amman Stock Exchange

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However, while the general index continued to rise until November, the real estate sector index had already begun an overall downward decline, falling by year-end to 9,093.2 points.

The correction in the stock market that followed led to the real estate sector index dropping to a low of 6,157.8 points on March 6th 2006. It managed to recover in May and June before falling again in July. A recovery occurred once more in September, where the index reached its highest level for 2006 of 9,987.4 points. The index continued the year with an overall declining trend to register at year-end at 7,798.9 points.

Real Estate Index dropped from 9,093.2 points at the start of 2006 to 7,798.9 points at year-end.

In 2007, with expectations in the market of a recovery, the real estate index began a sharp ascent, rising by 900.7 points within the first two weeks of trading, reaching 8,699.6 on January 18th. The week that followed saw the index drop to 8,245.1 points. The fluctuation continued during the two months that followed, reaching the peak for the first half of 2007 on February 28th, which amounted to 8,782.2 points. The 22nd of March represented the commencing of a sharp decline in the index, whereby it fell from 8,722 points to 7,587.2 points on April 23rd. The index recovered and continued through May and June oscillating between 8,050 and 8,300 points to end the first half of the year at 8,060.2 points.

The Real Estate index ended the first half of 2007 at 8,060.2 points, up 3.4% from the start of the year.

3.5.2 Sector Trading Activity

Company Name	Ticker	Value Traded (JD)	Number of Transactions	Number of Shares
Beit Al-Mal Saving & Inv. for Housing	BAMB	35,894,055	18,883	10,802,591
Al-Shamekha for Real Estate & Financial Investments	VFED	3,086,726	1,760	1,107,078
Real Estate Investment (AQARCO)	REIN	10,528,126	6,730	5,736,394
Union Land Development Corp.	ULDC	111,669,590	33,961	47,399,035
Al-Tajamouat for Catering & Housing Co. Plc	JNTH	42,621,496	26,316	36,560,088
Specialized Investment Compounds	SPIC	169,961,575	32,361	32,288,885
Real Estate Development	REDV	76,312,635	23,506	34,023,676
Arab East for Real Estate Investment Company	REAL	53,526,874	6,469	4,178,840
Amad Investment & Real Estate Development	AMAD	45,669,128	15,300	17,659,814
Emmar Investments & Real Estate Development	EMAR	27,024,583	17,216	9,761,572
Resources Company for Dev. & Investment	JOMA	25,740,147	12,994	25,931,522
Arab Real Estate Development	ARED	52,867,500	10,272	23,361,000
The Real Estate & Investment Portfolio Company	PETT	32,934,926	17,193	18,729,482
The Investors & Eastern Arab for Industrial & Real Estate Inv.	IEAI	34,056,025	8,005	11,074,896
Int'l Arabian Dev. & Investment Trading Company	INMA	159,449,033	31,617	55,036,129
Building Development & Investment Company	BDIN	24,088,238	16,016	12,760,896
Jordanian Real Estate Co. for Development	JRCD	16,581,918	12,404	9,027,640
Ihdathiat Coordinates	IHCO	15,039,192	11,877	6,193,380
Taameer Jordan	TAMR	192,301,208	69,205	85,891,613
Methaq Real Estate Investment	MEET	20,265,327	14,164	8,735,047
Contempro for Housing Projects	COHO	61,106,844	28,884	28,496,020
Zahrat Alurdon Real Estate & Hotels Investment	ZAHI	668,691	1,565	132,442
Middle East Diversified Investment Company	MEDI	22,299,710	8,899	7,675,730

Company Name	Ticker	Value Traded (JD)	Number of Transactions	Number of Shares
High Performance Real Estate	HIPR	45,373,471	30,731	21,959,560
Arab Investors Union for Real Estate Developing	UNAI	27,783,636	17,622	11,270,622
Jordan International Investment	JIIG	10,892,426	7,168	7,202,123
Palaces Real Estate and Development	PRED	20,354,586	38,326	7,892,830
Comprehensive Land Dev. & Investment	ATTA	42,450,959	23,513	30,695,472
Ad-Dulayl Industrial Park Co.	IDMC	-	-	-
Sector Total		**1,380,548,625**	**542,957**	**571,584,377**
Sector Daily Average 2007 (up to June 30th)		**11,133,457**	**4,379**	**4,609,551**
Sector Daily Average 2006		**17,812,741**	**5,173**	**6,304,869**

Trading activity declined significantly in the first half of 2007 compared to 2006. This comes despite the fact that the entire market experienced a severe correction in 2006, which saw the market index decline by 32%. In the first half of 2007, the daily average trading value was JD 11.13 million, 37.5% lower than 2006's daily average of JD 17.81 million. An average of 4.61 million shares were traded per day in the first half of 2007 over an average of 4,379 transactions compared to 6.30 million shares over an average of 5,173 transactions for 2006.

Average daily trading in the sector down in 2007 compared to 2006.

3.6 Sector SWOT Analysis

Strengths	Weaknesses
Property & land underpriced compared to region	Lack of well-established regulations and controls.
Wide potential for growth	Prices have reached unaffordable levels for the bulk of the local population
Lower exposure to a "crash" compared to the capital markets	Fears in the market of the "bursting" of the real estate bubble
The majority of cities in Jordan are severely under-developed	Lack of supporting infrastructure, leading to a shortage of parking spaces and traffic congestion
Supportive Government promoting the development of the sector	
Opportunities	**Threats**
Growing market	Geopolitical threats
High liquidity and foreign direct investment	Economic slowdown
Downturn in capital markets diverting attention to real estate market	Rising prices of land leading to construction and development projects becoming unfeasible
Recent regulations supporting the growth of the sector and the investment promotion law	Rising prices of construction materials
Increasing availability of mortgage financing	Rising interest rates
Growing population driving a need for property development	
Instability in the region continues to drive the boom in the local real estate sector	

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4.0 FACTORS SHAPING THE REAL ESTATE & CONSTRUCTION SECTORS

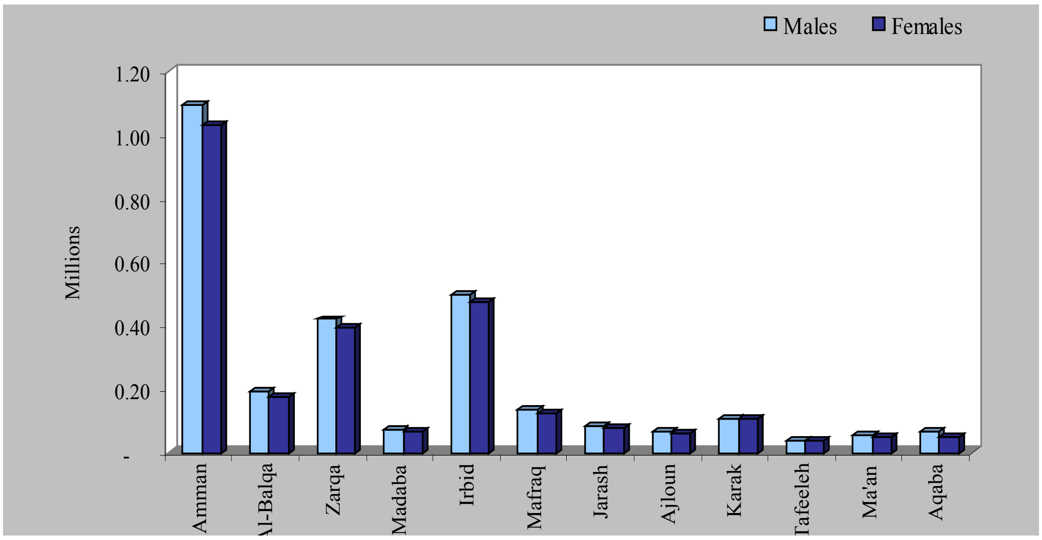
4.1 Population Demographics

The population in Jordan is characterised as young and growing. Current day estimates of the population by the Department of Statistics stand at 5.67 million, and is projected to grow at 2.26%.

The 5.67 million population of Jordan is projected to grow at 2.26%...

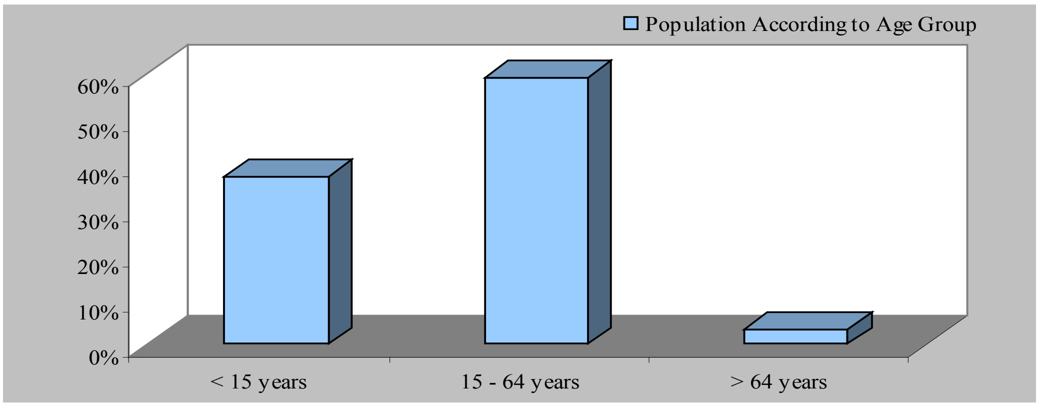
The population distribution graph below shows that Amman is home to the lion's share of the population, at around 38.8% in 2005, representing almost 2.13 million of a total population of 5.57 million. The capital is followed by Irbid at 17.7% and Zarqa at 14.8%. The allocation of males to females shows that males dominate slightly in the majority of areas in the capital.

...with the bulk of the population residing in Amman



Source: Department of Statistics

An important characteristic of the Jordanian population is its youth. The breakdown of the population as of 2005 year-end shows a young population, with 37.3% under 15 years of age, while 59.4% arise in the age group 15-64 years.



Source: Department of Statistics

The median population age in Jordan is 20.1 years, with 37.3% falling within the "15 years and under" age category, and 59.4% within the "15-64 years" category.

According to estimates, the population falling within the 15-64 years category is skewed to the left, with the population median age in 2005 amounting to 20.1 years.

For the real estate sector, this signifies a strong demand potential for the future, as the young population get older and get married, requiring homes of their own.

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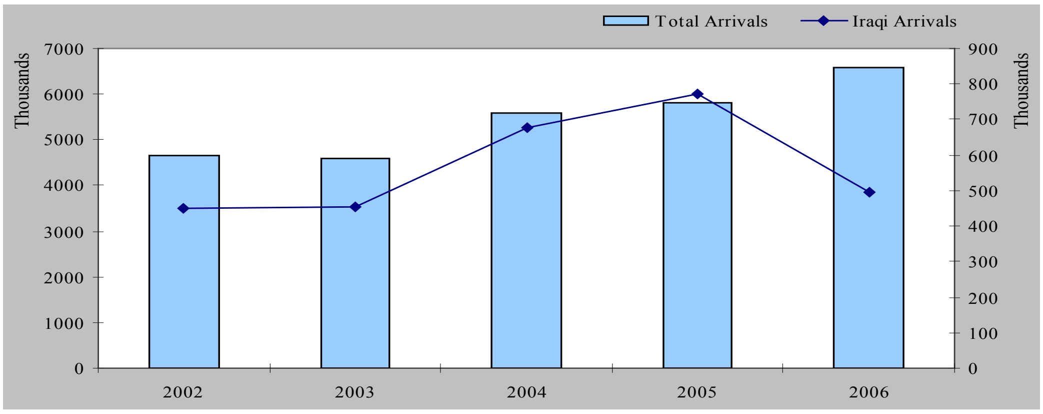
Arrivals

Jordan has been on the receiving end of a substantial amount of tourist attention, with the number of visitors to the country soaring in recent years, rising by 21.5% in 2004, representing an increase of just under 1 million visitors compared to 2003. In 2005 and 2006, the number of visitors continued to rise, with an increase of 4.1% and 13.0%, respectively. For 2006, the total number of visitors to the Kingdom amounted to 6.57 million, of which 3.35 million represented same day visitors, while 3.23 million were overnight visitors.

The number of arrivals to the Kingdom have been on the rise, with an increase of 13% in 2006.

The occupancy levels in hotels have surged in recent years, and been sustained at such levels for significant periods of time. This triggered a signal to both local and foreign investors of a severe shortage in hotel accommodation across the Kindgom. The recent development projects and government initiatives to promote Jordan's touristic attractions, namely Aqaba and the Dead Sea, have also highlighted a huge capacity to accommodate numerous hotels and touristic resorts. Furthermore, the recent official recognition of Petra as one of the world's seven wonders will play a mighty role in attracting tourists to the red city, opening up yet another window of opportunity to be grasped by developers.



Source: Ministry of Tourism & Antiquities

However, not all incoming visitors to the Kingdom are tourists. The war in Iraq saw an influx of Iraqi's taking up residence in Jordan until the danger in their own country subsides. Estimates for the number of Iraqis currently resident in Jordan vary from 200 thousand to as much as one million. In terms of arrivals, however, 2004 saw the most dramatic inflow of Iraqi's, which increased by 49.3%. In 2005, the Iraqi arrivals continued to grow, rising by 14.5%, while in 2006, Iraqi arrivals dropped by 36.1% from 773,498 visitors in 2005 to 494,337. Of these, however, the number of overnight Iraqi arrivals actually increased from 324,869 to 469,620.

Adding to the growing Jordanian population, the war meant that Jordan, due to its proximity to Iraq, became host to the various reporters, NGO's and businesses requiring access to Iraq, setting up shop in the safety of Jordan.

4.2 Credit Financing and Interest Rates

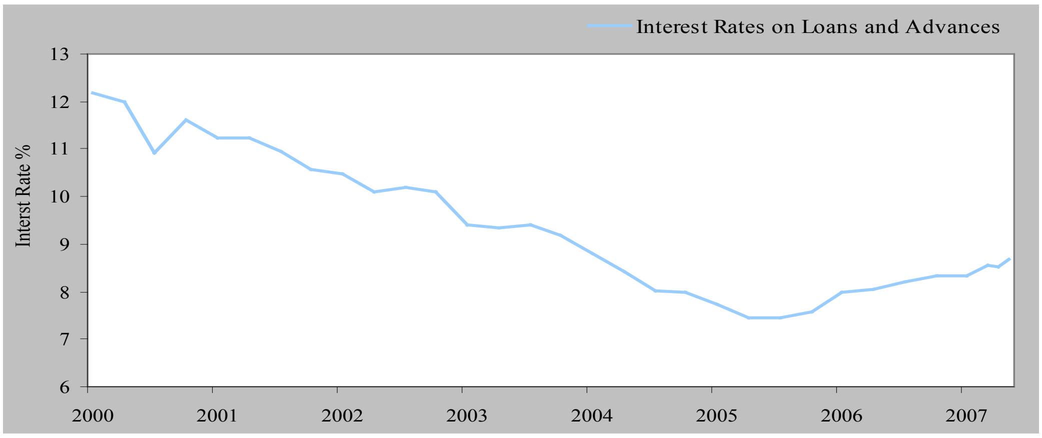
	2002	2003	2004	2005	2006	June-2007
Credit Facilities Granted to Construction Sector (JD Million)	764.9	804.5	953.2	1,162.1	1,560.8	1,873.2
% Growth	4.9%	5.2%	18.5%	21.9%	34.3%	20.0%
% of Total Facilities Granted	14.9%	15.3%	15.4%	15.0%	16.0%	17.4%

Source: Central Bank of Jordan

Facilities granted by local licensed banks have been increasing year-on-year, with the facilities granted in the first six months of 2007 alone registering at JD 312.4 million.

While the absolute value of credit facilities granted to the construction sector has risen year-on-year, particularly in 2005 and 2006, with growth rates of 21.9% and 34.3%, respectively, it has also grown as a percentage of total facilities that were granted, indicating the growing importance of construction to the financial services sector.

For the borrower, the interest rate has, up until recently, been experiencing a declining trend, making it very much a borrowers market. In mid-2005, however, the interest rates on loans and advances began to rise.



Source: Central Bank of Jordan

Rising interest rates making financing more expensive for the developer and the buyer.

The rates were raised by the CBJ from 7.59% at the end of 2004 to 8.10% in 2005 and 8.56% in 2006. The prime lending rate reached 8.10% in June 2007 compared to 7.50% in 2006 and 7.00% in 2005. Despite these hikes, however, the interest rates remain below the rates of the pre-2004 years.

Mortgage financing has also been rising, corresponding to the rise in real estate demand and prices. As a result, the percentage of such facilities to GDP has risen from 2% in 1997 to over 18%. However, the increasing property prices accompanied by the rising interest rates is playing a hand in deterring the purchase of property in the Kingdom.

4.3 Private Sector Participation

The substantial level of demand for housing in the Kingdom, alongside the expansion of Amman's boundaries, has necessitated the rapid development of both existing infrastructure and infrastructure needed in new areas. The Jordanian Government's endeavours to increase private sector participation in the sector are to help meet this need alongside the rising demand for housing.

The involvement of the private sector is helping to drive the real estate and construction sectors further forward, with numerous projects underway, whereby it is involved in planning, developing, building, marketing and selling property in the Kingdom.

The Government has been facilitating investment, primarily through its Investment Promotion Law.

Value of Investment in Projects Benefiting from the Investment Promotion Law

	2002	2003	2004	2005	2006	Q1 2007
Local Investment	169,638,002	177,945,533	322,674,046	473,694,140	987,993,342	475,220,651
Arab Investment	22,818,131	12,353,925	28,262,215	212,033,998	773,715,355	33,186,120
Other Investors	108,575,399	71,361,000	67,390,588	64,254,996	71,932,723	460,995,500
Total Investment	**301,031,532**	**261,660,458**	**418,326,849**	**749,983,134**	**1,833,641,420**	**969,402,271**

Source: Jordan Investment Board

The value of investments in projects that have benefited from the Investment Promotion Law has more than doubled each year since 2003. In the first quarter of 2007, the total of such investments reached almost JD 1 billion, indicating that by year end, the value of such projects could reach JD 4 billion, more than double that of 2006.

The Government's plans to develop various cities in the Kingdom should see the private sector investments continue to rise in the years to come.

4.4 The Ongoing Economic Boom

With a strong macroeconomic performance and a positive outlook, a declining inflation rate and sustained growth of around 6%, the country is likely to continue to attract foreign investment. As a stable country in a surrounding turbulent environment, with a highly educated population and relatively low labour costs, Jordan stands out as a very attractive investment climate.

The booming economy will continue to attract foreign investment, of which part will go towards the real estate and construction sectors

Not wishing to miss the boat, the ongoing boom continues to encourage foreign investors to invest in the Country.

4.5 Land Prices

A significant player in the real estate market is land, with the price of land making up approximately 60% of total construction costs. As the price of land continues to rise due to insatiable demand in recent years, these increasing costs are passed on to the buyer, making the selling price of property more and more expensive.

Rising land prices make property increasingly unaffordable for the buyer

The high property prices are having the effect of driving the population further and further away from the Capital to less expensive areas, leading to a rise in the price of land in such areas, albeit so far, not to the same scale as in Amman.

4.6 Construction Costs

Construction costs are transferred by the developer to the end-user, the buyer. The recent rises in costs due to the high steel and cement prices, in addition to soaring fuel costs, have applied upward pressure on the prices of property.

High fuel costs and international steel prices, in addition to rising local cement prices are all contributing to the rising prices of property

4.6.1 Steel

Global demand for steel has been on the rise in recent years, in line with the strengthening pace of world economic activity and buoyant investment in rapidly developing economies. High global demand has caused international steel prices to soar. According to Moody's, given the forecast for the world GDP growth for the next two years, demand for steel is expected to remain solid in 2007 and 2008.

Prices in USD per tonne	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06
Billets - Blooms	235-245	300 - 310	370 - 380	330 - 340	450 - 460
Reinforcing Bars	260-270	340 - 350	430 - 440	420 - 430	485 - 495
Angles	255-290	350 - 370	490 - 510	410 - 430	465 - 490
Beams - Channels	280 - 300	400 - 420	515 - 630	440 - 530	730 - 780
Beams (JIS-Sizes)	N/A	N/A	N/A	N/A	520 - 540
Wire Rod	270 - 280	355 - 365	470 - 480	410 - 425	470 - 490

Prices in USD per tonne	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06
Hot Rolled Plates	280 - 290	395 - 405	600 - 620	450 - 480	565 - 630
Hot Rolled Coils	290 - 310	360 - 370	540 - 600	390 - 420	480 - 520
Cold Rolled Coils	390 - 400	460 - 470	630 - 700	490 - 510	560 - 600
Hot Dip Galvanized Coils, HR base	450 - 460	510 - 520	770 - 780	550 - 570	770 - 800
Hot Dip Galvanized Coils, CR base	490 - 520	550 - 570	760 - 800	590 - 610	780 - 830
Pre-painted Galvanized Coils 0.35mm	N/A	N/A	970 – 1000	800 - 830	1030-1080
Tinplate 0.32MM	N/A	N/A	940 - 970	830 - 880	880 - 920
Stainless Steel HR Coils 304 base	1450 - 1500	1900 - 1950	2600 – 2700	2000 - 2100	4300 – 4400
Stainless Steel HR Coils 316L base	N/A	N/A	4600 - 4700	4000 - 4100	7100 - 7200

Source: MEsteel

Given the continued strong demand, prices of steel have been rising over the years, with the price of billets increasing from a range of USD 235-245 in 2002 to USD 450-460 in 2006, a rise of USD 215 per tonne, while the price of reinforcement bars rose from USD 260-270 to USD 485-495 over the same period, giving a rise of USD 225 per tonne.

For the Jordanian steel industry, imported billets make up in excess of 80% of the sector's production costs, making the sector significantly sensitive to the international steel prices. A rise in international steel prices will therefore force the local steel producers to hike their prices accordingly.

Consequently, the cost of steel used in construction has been rising, in recent years, thereby raising the prices of property in Jordan.

4.6.2 Other Materials

Materials	Price (JD)
Cement	JD 85-90 per tonne
Iron	JD 560-570 per tonne
Stone	JD 2.5-6.0 per meter
Local Granite	JD 7-10 per square meter
Imported Granite (Italian)	JD 30 per meter length
10cm Bricks	JD 20-25 per 100
15cm Bricks	JD 22-27 per 100
20cm Bricks	JD 27-30 per 100
Tiles	JD 2.75-7.5 per square meter

Source: Aqarcom Newspaper (June 2007)

The price of cement, a primary material used in construction, has also been rising due to the strong local demand accompanying the eruption of construction activity. In 2006, the price of cement reached as high as JD 125 per tonne, and currently stands at JD 85-90 per tonne. This is significantly higher than the 2004 price of below JD 50 per tonne.

However, with three cement factories in the pipeline; two by the Saudi Arabian company Al-Rajhi Group and one by the Kuwaiti company, Al-Kharafi Group, the cement market will become more competitive, and production will satisfy local demand, which will likely be reflected in a drop in cement prices.

4.7 Government Initiatives

4.7.1 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.

4.7.2 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, 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.

4.7.3 The Landlords and Tenants Law No. 11 of 1994

The original Landlords and Tenants law, which allowed tenants to remain on the 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 amendment of the Landlords and Tenants Law of 1994 is driving a shift in customer demand away from the rental market to the buying market.

4.7.4 Waiving of Fees and Taxes on Apartment Sales below 120 square meters

The recent 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, will 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. Where the area of the unit exceeds 150 square meters, the entire area is subject to the total registration fees and sales tax.

4.7.5 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
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 this year, 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.

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.

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
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

5.0 MAJOR SECTOR PLAYERS

5.1 Government Players

National Resources Investment & Development Corporation (Mawared)

Mawared is a financially and administratively independent government-owned corporation aiming 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.

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 Madinat Al Sharq Project.

Aqaba Special Economic Zone Authority (ASEZA)

The Aqaba Special Economic Zone Authority (ASEZA) was established in 2000 to promote the development of the Aqaba region. Mandated with the authority to manage, regulate, administer and provide municipal services within the Aqaba Special Economic Zone (ASEZ). ASEZ is a duty free zone with special governmental authority to develop a world-class economic investment environment.

ASEZA is a private sector development initiative that aims to maximise the private sector participation in the development of ASEZ. In 2002, ASEZA developed a Master Plan to promote investments in the Economic Zone. The plan encourages investment in industrial and port activities, tourism, residential developments and recreational facilities.

In 2004, the Government of Jordan and ASEZA launched the Aqaba Development Corporation (ADC) to be responsible for developing the ASEZ.

Aqaba Development Corporation (ADC)

The Aqaba Development Corporation (ADC) is a private company established in 2004 as the development arm of the Aqaba Special Economic Zone (ASEZ). Its purpose is to promote the development of the ASEZ by maximising public-private sector partnerships and investment. The ADC owns strategic assets including the air and sea ports in Aqaba, in addition to strategic plots of land, and the development and management rights in key sector of the ASEZ economy. ADC is required to develop the ASEZ by building necessary infrastructure and manage and operate its key facilities.

ADC is regulated by the Aqaba Special Economic Zone Authority, and is expected to enact the Master Plan as required by the ASEZA. ADC is wholly owned by ASEZA and the Government of Jordan, each with a holding of 50%.

Jordan Valley Authority (JVA)

Established in 1973 as the Jordan Valley Commission, and renamed as the Jordan Valley Authority (JVA) in 1977. The area under the JVA's responsibility extends from the Yarmouk River in the North to the Red Sea in the South.

The JVA is a governmental organisation responsible for the social and economic development of the Jordan Valley, including the development, utilisation and conservation of water resources.

In 1995, the JVA launched a Master Plan for the promotion of tourism investment and development on the East Coast of the Dead Sea between Suweimeh and Zara. The land available for investment is around 3,135 dunums, of which 2,275 dunum are in Suweimeh and 860 dunums in Zara. Tourism development and promotion is part of the Jordan Valley Development law and is one of the main objectives of the JVA Strategic Plan 2003-2008.

5.2 Private Players

Abdali Investment and Development PSC

Abdali Investment and Development PSC (Abdali PSC) is a private shareholding company formed in 2004 through the public-private partnership between the National Resources Investment and Development Corporation (Mawared), a government-owned corporation, and Oger Jordan, a

Jordanian subsidiary of Saudi Oger Ltd., an international construction conglomerate.

Abdali PSC is a land development company that aims to develop customer-centric properties to include residential, office and retail units. Its current project is the urban regeneration of the Abdali area in Amman, which comprises 350,000 square meters of land, and will consist of a built-up area of in excess of 1,000,000 square meters. This land will be developed by Abdali PSC as well as numerous other investors, to transfer the development into the new 'down town' of Amman.

Madaen Al-Nour Real Estate Investment & Development Company

Madaen Al-Nour Real Estate Investment & Development Company is a company committed to real estate development. Its portfolio includes a variety of residential, commercial and touristic projects. Madaen Al-Nour has signed agreements with various Jordanian Governorates to develop a variety of projects, to include the Abdali Project (Amman Governorate), Madinat Al-Sharq (Zarqa Governorate) and ASEZ (Aqaba Governorate), and is planning further projects in the Dead Sea, amongst others.

Ayla Oasis Development Company (OASIS)

Ayla Oasis Development Company (OASIS) is a private shareholding company, established in June 2003. OASIS is the main developer of the Ayla project in Aqaba. Its objectives are to increase the beach areas in Aqaba by adding 17km to the coastline, through creating 75 hectares of artificial lagoons. The development scheme built around these man-made lagoons will encompass tourist attractions, residential units, and recreational facilities, to include a town centre and golf course.

The shareholders of Oasis are the Arab Supply and Trading Company (ASTRA) with a 40% holding, and the Al-Maseera International Company, with a 60% holding. ASTRA is a Saudi Arabian Company, with diversified operations, and a high level of expertise in hotel and tourism. ASTRA has ongoing investments in tourism projects in Jordan through Zara Investment (Holding) Company. Al-Maseera International Company is a Qatari Company.

Saraya Jordan

Saraya Jordan was established in 2005 as a real estate development holding company. With an initial capital of JD 100 million, the Company proposes to implement a variety of major development projects. Currently, Saraya is implementing Saraya Aqaba, a large-scale real estate tourism project, with an estimated cost of USD 600 million, with Saraya Dead Sea project in the pipeline.

Kurdi Group

The Kurdi Group was established in 1860 when its main activities were the purchase, sale, and leasing of land. Its activities began to include development of real estate, where in the 1930's, the Group built the Gold Market in downtown Amman. Its activities grew further with the 1980's witnessing the development of several plots of land. However, the major achievement of the Kurdi Group are much more recent, with the construction of Abdoun Mall in 2001, followed by the building and expansion of Mecca Mall during 2003/2004, and finally, in 2005, the development of the Green Land Residential Estate. Under construction, the Green Land Residential Estate is built on a total land area of 1,100,000 square meters in Marj al Hamam, and will comprise 1,000 residential units, complete with services and facilities. Recently, the Group has announced plans to develop the largest mall in the Kingdom, called the Jordan Mall, on an area of land of 100 dunums on the airport road. The development will also include a 350 room four-star hotel, in addition to commercial offices.

Tamleek

Tamleek, a private shareholding company, was established in 2005 as a distinctive real estate development company. It aims to generate and facilitate investment operations in the real estate sector and to design, plan and execute real estate development projects. Its current development projects include Tilal Mahes, Jabal Amman Residence, Diyar Al Baraka and Rabia Office Tower.

ABC Investments

5.3 Listed Players

Company Name	Ticker	Paid-Up Capital	Total Assets	Equity	Net Income '06	ROaA	ROaE
Beit Al-Mal Saving & Inv. for Housing	BAMB	20,000,000	68,973,568	52,665,775	10,535,753	17.9%	23.8%
Al-Shamekha for Real Estate & Financial Investments	VFED	1,200,000	1,751,025	1,327,758	91,207	4.2%	5.2%
Real Estate Investment (AQARCO)	REIN	7,500,000	9,920,637	8,226,302	337,482	3.4%	4.1%
Union Land Development Corp.	ULDC	45,000,000	54,046,624	52,325,745	249	0.0%	0.0%
Al-Tajamouat for Catering & Housing Co. Plc	JNTH	10,000,000	12,733,156	11,197,718	522,196	4.3%	4.7%
Specialized Inv. Compounds	SPIC	20,500,000	72,603,277	32,058,563	3,493,067	5.2%	11.8%
Real Estate Development	REDV	50,000,000	76,807,036	58,175,843	92,671	0.2%	0.3%
Arab East for Real Estate Inv. Co.	REAL	9,996,082	48,908,543	37,867,239	11,316,633	24.1%	36.5%
Amad Investment & Real Estate Development	AMAD	6,000,000	9,786,350	9,092,731	2,091,234	24.4%	25.6%
Emmar Investments & Real Estate Development	EMAR	11,743,626	32,136,754	14,617,589	775,513	3.9%	7.2%
Resources Company for Dev. & Investment	JOMA	11,000,000	11,578,986	11,060,607	-44,111	-0.4%	-0.4%
Arab Real Estate Development	ARED	20,000,000	75,696,604	27,019,521	2,071,331	5.2%	13.3%
Real Estate & Inv. Portfolio Co.	PETT	15,000,000	16,751,834	16,693,416	-681,638	-4.1%	-4.2%
The Investors & Eastern Arab for Industrial & Real Estate Inv.	IEAI	29,953,604	49,800,201	30,301,922	-3,141,166	-7.4%	-9.9%
Int'l Arabian Dev. & Inv. Trading Company	INMA	7,000,000	15,870,334	14,672,255	3,368,247	23.2%	25.6%
Building Development & Inv. Co.	BDIN	1,000,000	1,201,521	1,069,134	-313,399	-22.3%	-24.0%
Jordanian Real Estate Co. for Development	JRCD	29,959,000	35,768,212	32,319,253	2,299,901	8.4%	9.7%
Ihdathiat Coordinates	IHCO	3,000,000	4,086,698	2,883,593	39,419	1.9%	2.7%
Taameer Jordan	TAMR	211,929,823	277,380,143	228,827,490	30,013,184	21.6%	26.2%
Methaq Real Estate Investment	MEET	5,000,000	5,716,949	5,147,549	-142,201	-5.0%	-5.5%
Contempro for Housing Projects	COHO	3,615,000	4,898,691	4,187,887	602,416	13.2%	14.6%
Zahrat Alurdon Real Estate & Hotels Investment	ZAHI	500,000	484,735	481,205	-20,006	-8.3%	-8.3%
Middle East Diversified Inv. Co.	MEDI	2,000,000	2,573,248	2,051,088	50,088	3.9%	4.9%
Jordan International Investment	JIIG	10,000,000	13,147,738	9,870,099	-132,126	-2.0%	-2.7%
Comprehensive Land Dev. & Inv.	ATTA	5,950,442	13,963,712	6,285,178	60,538	0.6%	1.0%
Ad-Dulayl Industrial Park Co.	IDMC	14,000,000	23,640,012	14,740,581	435,303	1.8%	3.0%
Total		**551,847,577**	**940,226,588**	**685,166,041**	**63,721,785**	**7.5%**	**9.9%**

Additionally, there are three companies categorised under the real estate sector that were established in 2006, and did not produce annual results that year. These companies are the High Performance Real Estate (HIPR), Arab Investors Union for Real Estate Developing (UNAI) and Palaces Real Estate & Development (PRED).

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

ABC Investments

Taameer (TAMR)

Taameer was established in 2005 as a public shareholding company with an authorised capital of JD 212 million. Taameer's initial public offering was the largest to take place in Jordan, being oversubscribed by around 14 times. Taameer's aspiration is to develop residential and touristic projects, in addition to commercial and industrial areas across Jordan. The Company has also established the Real Estate Loan Company to provide long-term loan facilities for potential buyers.

Taameer has two subsidiaries, 100% owned; The Andalucia Residential & Tourist Projects and Al-Qabas Real Estate Development. The Company's major projects include the Andalucia Village, the Red Sea Resorts, Al-Rawda Village in Madinat Al-Sharq in Zarqa, and Ayla Park Plaza in Aqaba. It also has two upcoming projects, the Al Jiza Residential City and the Al-Mushatta Project. Taameer recently signed an agreement with the Housing and Urban Development Corporation for the establishment of the USD 900 million Al Jiza residential city that will be located 37km south of Amman. The city will provide 16,000 residential units in addition to offices and retail outlets.

Key Highlights

Net Income 2006	JD 30,013,184
Net Income Q1 2007	N/A
Share Price (30/6/2007)	JD 2.24
EPS 2006	JD 0.142
EPS (31/3/2007)	N/A
Forward P/E	N/A
Trailing P/E (times)	15.775x
Trailing P/BV (times)	2.075x

Union Land Development (ULDC)

Union Land Development (ULDC) was established in 1995 as a public shareholding company, with a paid up capital of JD 5 million, through the merger of Jordan Gulf Company for Real Estate Investments and Petra for Projects and Equipment Rentals. 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, where in 2005, it was increased to JD 45 million through a private placement.

The Company aims to provide high quality construction and development services, to become a regional leader in urban development. They develop land and property for residential, commercial, touristic and industrial purposes, in addition to building and owning hotels. The company has three subsidiaries, and at the beginning of year 2006 a contracting company was established which is fully owned by ULDC. ULDC's projects are numerous, and include the Um Uthaina Offices, Um Al-Amad Residential Compounds, the Dabouq Compound, Al Zara Chalets, Wadi Saqra Residential Building, Al-Dheir Villas, in addition to several apartment buildings in Abdoun.

Key Highlights

Net Income 2006	JD 249
Net Income Q1 2007	JD 2,053,528
Share Price (30/6/2007)	JD 2.06
EPS 2006	N/A
EPS (31/3/2007)	JD 0.046
Forward P/E*	11.285x
Trailing P/E (times)	N/A
Trailing P/BV (times)	1.772x

* Based on annualised Q1 2007 earnings

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 invests in projects such as Al-Tajamouat Industrial City, which was established as a specialised industrial zone. The industrial city provides local and foreign investors the necessary infrastructure and supporting services needed for any investment project.

Besides the industrial city, SPIC is engaging in a residential project called Taj Luxury Homes., in addition to a residential compound in Naour, residential apartments and a mall in Abdoun. SPIC also announced that it will be establishing a 1 million square meter comprehensive industrial estate in Egypt.

Key Highlights

Net Income 2006	JD 3,493,067
Net Income Q1 2007	JD 669,002
Share Price (30/6/2007)	JD 5.3
EPS 2006	JD 0.170
EPS (31/3/2007)	JD 0.033
Forward P/E*	40.602x
Trailing P/E (times)	31.104x
Trailing P/BV (times)	3.389x

* Based on annualised Q1 2007 earnings

Real Estate Development Company (REDV)

The Real Estate Development Company was established as a shareholding company in 1995. The Company's purpose is the purchase, sale, investment, development, and trading of land and real estate, in addition to a variety of projects, to include residential, commercial, industrial, agricultural and investment projects. REDV also maintains and develops old buildings to meet the requirements of modern buildings. 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 2005 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 it further to JD 100 million, and is currently raising the capital to 89 million through strategic partners.

REDV is involved, in collaboration with other partners, in the multi-purpose Paradise Tower within the Abdali Project. It is also the main shareholder in a touristic development in Aqaba called the Al-Hidab. This project is being constructed by Al-Hidab Real Estate and Tourism Investment Company. The Company has also developed a number of apartment buildings, and a commercial building on Wasfi Al-Tal Street, with a total buildup area of 14.7 thousand square meters.

Key Highlights

Net Income 2006	JD 92,671
Net Income Q1 2007	(JD 581,896)
Share Price (30/6/2007)	JD 2.10
EPS 2006	JD 0.002
EPS (31/3/2007)	(JD 0.012)
Forward P/E	N/A
Trailing P/E (times)	N/A
Trailing P/BV (times)	1.805x

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 by United Arab Investors, with a 50% holding, 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

Its major projects include the Al-Mushatta Industrial Estate. The Al-Mushatta Industrial Estate, with an approximate area of 4.4 million square meters, provides the necessary environment for industrial investment through developing the required infrastructure, and offering incentives and services to investors.

Key Highlights

Net Income 2006	(JD 3,141,166)
Net Income Q1 2007	N/A
Share Price (30/6/2007)	JD 2.72
EPS 2006	(JD 0.105)
EPS (31/3/2007)	N/A
Forward P/E	N/A
Trailing P/E (times)	N/A
Trailing P/BV (times)	2.69x

Real Estate Commercial Investment Company (REIN)

The Real Estate Commercial Investment Company, AQARCO, was established in 1982 as a developer and owner of real estate projects. The company has built and developed approximately 80 warehouses in Jordan for the years 2004 and 2005 and undertook two new residential projects, adding to its portfolio of 108 offices and 102 shops spread in its commercial centres located in Abdoun and Um Sumac. The company deals with building and construction materials and tools, it also constructs and builds housing projects, buys land for investment, and provides renting services. REIN also owns residential and commercial buildings.

Key Highlights

Net Income 2006	JD 337,482
Net Income Q1 2007	JD 25,211
Share Price (30/6/2007)	JD 1.84
EPS 2006	JD 0.045
EPS (31/3/2007)	JD 0.003
Forward P/E*	136.85x
Trailing P/E (times)	40.89x
Trailing P/BV (times)	1.68x

* Based on annualised Q1 2007 earnings

Arab East for Real Estate Investment (REAL)

The Arab East for Real Estate Investment Company was established as a limited liability company in 1995. The company was transformed into a public shareholding company in 2004 with a paid up capital of JD 2,500,000. The capital was later increased by JD 7,600,000 to become JD 10,100,000 in 2005 through a private placement of JD 2.5 per share.

The company is involved in all transactions relating to real estate, including buying and selling. The Company is also involved in developing residential, touristic, retail and industrial projects, in addition to renting and selling them. REAL also trades in real estate, and offers management services for properties and real estate projects.

Key Highlights

Net Income 2006	JD 11,316,633
Net Income Q1 2007	JD 5,427,607
Share Price (30/6/2007)	JD 12.17
EPS 2006	JD 1.132
EPS (31/3/2007)	JD 0.543
Forward P/E*	5.60x
Trailing P/E (times)	10.75x
Trailing P/BV (times)	3.21x

* Based on annualised Q1 2007 earnings

Emmar Investments & Real Estate Development

Emmar Investment & Real Estate Development Company was established in 2000 as a public shareholding company. It offers residential and commercial property construction and management services, and is engaged in the purchase, sale and investment of land and real estate. The Company is also active in the construction and development of real estate projects for housing, commercial and industrial purposes, as well as the renovation of old properties.

The Company's major project in the pipeline is the Dead Sea Golf and Beach Resort, which is a community containing apartments and villas, two hotels, a green golf course, and 17,000 square meters of retail and entertainment facilities.

Key Highlights

Net Income 2006	JD 775,513
Net Income Q1 2007	(JD 92,637)
Share Price (30/6/2007)	JD 2.62
EPS 2006	JD 0.066
EPS (31/3/2007)	(JD 0.008)
Forward P/E	N/A
Trailing P/E (times)	39.67x
Trailing P/BV (times)	2.10x

5.3.1 Impact of Real Estate Sector Performance on Listed Companies

The buzz around the sector and stocks is impelling the emergence of a large number of IPOs in the market, with several companies in both the real estate and investment sectors being established in 2006, the most renowned being Taameer, and more recently, High Performance Real Estate (HIPR), Arab Investors Union for Real Estate Developing (UNAI) and Palaces Real Estate & Development (PRED). There are several more IPOs underway or in the pipeline for 2007, to include Afaq for Investment and Real Estate Development, Al-Rakaez Investment Company and Al-Mihaniyeh Company for Real Estate Investment.

The current real estate boom is providing ample opportunity for investment and development companies to enter the market and capitalise on the stream of interest in the sector. However, because of the high prices of property in the Kingdom, such companies now require a large initial capital.

A look at the breakdown of the major real estate companies' income shows a dependence of many on gains made from revaluating the property held on their balance sheets.

Ticker Symbol	Balance Sheet		Income Statement					
	Investment in Real Estate		Operating Income		Income from Revaluation of Real Estate		Bottom Line	
	2005	2006	2005	2006	2005	2006	2005	2006
BAMB	42,751,142	51,628,797	8,967,821	13,834,701	15,384,247	6,517,808	6,344,652	10,535,753
REIN	5,182,609	4,970,728	850,759	756,687	-	-	510,873	337,482
ULDC	26,108,898	35,229,773	3,965,506	891,896	-	-	1,310,996	249
REDV	22,568,932	24,654,250	135,380	423,911	8,140,252	-	7,032,205	92,671
REAL	22,425,316	19,655,381	12,765,928	15,294,013	-	-	14,129,345	11,316,633
EMAR	281,148	2,462,508	27,199	551,799	2,076,259	102,295	2,098,450	775,513
IEAI	16,206,305	30,303,290	-174,528	2,366,785	-	-	-310,451	-3,141,166
TAMR		119,374,370		2,461,897		30,595,569		30,013,184
AMAD	-	-	10,704	2,043,451	-	-	118,790	2,091,234
ARED	923,776	17,111,510	47,557	225,491	-	4,277,150	343,283	2,071,331
INMA	10,775,818	13,587,119	146,772	357,316	4,419,553	3,347,298	4,821,183	3,368,247
JRCD	11,821,101	23,634,531	70,227	2,385,585	-	-	118,441	2,299,901

For BAMB, REDV, EMAR, TAMR, ARED and INMA, a significant portion of their bottom line for 2005 and/or 2006 relates to income from such revaluation. A downturn in the prices of real estate will hit their income statements negatively, as the drop in prices will be recognised as a loss from revaluation of real estate. This is similar to what occurred to the bulk of companies carrying investments in stocks following the capital market crash in 2006, whereby the profitability of the majority of companies dropped significantly in 2006 compared to 2005, despite a rise in their income from core operations.

Furthermore, a decline in prices of real estate will eat into the margins of all real estate companies, which carry high costs due to purchasing real estate at high prices alongside the rising construction costs, all of which will negatively impact the sector's bottom line.

6.0 MAJOR PROJECTS UNDERWAY

Andalucia Village

The Andalucia Village is a high-quality, luxurious residential compound, being developed by Taameer. The village is built on an area of 800,000 square meters, located off the airport road in the direction of Madaba. The compound will comprise around 600 residential villas, both detached and semi-detached, shopping centres, restaurants, a preschool, a mosque, a fitness centre and swimming pool, in addition to many other facilities. The compound will also provide other services, such as 24-hour security, a fire station, maintenance services, a medical clinic, and wireless internet connections. These services come at a JD 1,000 annual charge.

The villas are available in ten different styles, and vary in size between 312 square meters and 650 square meters. Its current level of completion is approximately 65%, and 70% of the residential units have already been sold.

Green Land

The Green Land Project is a residential estate project, constructed by the Kurdi Group. The Project encompassing a total land area of 1,100 dunums, is located in Marj Al-Hamam. The total cost of the project is USD 1 billion, and is scheduled to be completed in 2009.

The appeal of the Green Land lies in its location, which is on the outskirts of Amman, but still within a convenient distance from the Capital. Those looking to escape the pollution and congestion, but still remain within close reach of Amman, will find the location of Green Land to meet these requirements.

Green Land offers a choice of villas, in a variety of sizes and locations, and apartments. It provides lavish settings, along with facilities and services such as a shopping centre, service and maintenance centre, door-to-door delivery, a kindergarten, post office, clinic, sports and health areas, parks, a mosque, and horse-riding court.

Currently underway is the construction of 580 villas with areas ranging from 185 square meters to 1,169 square meters. Approximately 75% of the first stage of the project has been sold.

Saraya Aqaba

The Saraya Aqaba project consists of an ancient Arabian style city that will include 5-star hotels, resorts and spas, residences with serviced apartments, a convention centre, shopping centres, a cinema, an aquarium, in addition to restaurants and coffee shops.

The area of the project is 610 thousand square meters , and is expected to be completed in 2009. Its estimated cost is USD 600 million.

Tala Bay

Tala Bay is an integrated resort and residential community built on 2.67 million square meters of land in Aqaba. The project consists of hotels, sports and leisure facilities, residential areas, commercial and retail centres, Marina Town and Marina. The Marina Town is the first phase of the project, which contains a marina, residences, a hotel and beach club, in addition to retail centres.

Ayla Oasis

The Ayla Oasis is a luxurious development project in Aqaba on an area of land of 430 hectares. The project entails creating 75km of artificial lagoons, thereby adding 17km to the coastline. The project will include 5 hotels, residential communities with 2.9 thousand housing units, two golf courses and golf club, in addition to a town centre of 100 thousand square meters, containing a marina, retail units, and recreational facilities.

The project development cost is approximately USD 1 billion and consists of two 4-year phases.

The Abdali Urban Regeneration Project

The Abdali Urban Regeneration Project is a USD 1.5 billion development in the Abdali region, developed on a 350 thousand square meter piece of land, providing a built-up area of in excess of 1 million square meters. The project will border the Palace of Justice, the Parliament Building and King Abdullah Mosque, and will contain high-rise towers, luxury apartments, hotels, retail outlets and other facilities. The project is being carried out by a 50/50 partnership between the National Resources Investment and Development Corporation (Mawared), a state-owned investment corporation, and Saudi Oger.

The Royal Metropolis Project

A project by the Gulf Finance House and Kuwait Investment & Finance Company valued at USD 1 billion. The first components of the project are the Jordan Gate and the Royal Village.

The Jordan Gate is a development consisting of two high-rise towers connected by a multi-storey podium, located at the fifth circle. The Gate will contain executive offices, retail outlets and a five-star hotel. The Gate's built up area will be approximately 220 thousand square meters, over an area of 28.5 thousand square meters.

The Royal Village, on the other hand, is a residential community located at Marj Al-Hamam. The village is a 470 thousand square meter development, and will contain a recreational centre, a retail mall, a hotel, and other commercial space.

Madinat Al Sharq Project

The aim of this project is to transform the former military camps site in Zarqa into an urban and commercial centre. The area is 2,500 hectares, and will include a residential city as well as commercial, cultural, public and entertainment facilities. 10% of the site area represents the first phase of implementation of the project is called the Pilot Project. The infrastructure for the Pilot Project has been completed by Mawared and the site is now ready for development. The expected population of the Pilot Project is 23,000 inhabitants by 2012. This Pilot project will include (according to the master plan) residential areas, schools, public parks, a hotel, a youth centre entertainment facilities and a shopping centre. Madinat Al Sharq is one of the largest planned urban projects in Jordan, and will provide housing for 500,000 inhabitants by 2025.

Majestic Project

Another project by the Kurdi Group is the Majestic Project, which consists of 5 thousand housing units ranging from 55.5 square meters to 113 square meters. The project will target the middle and low-income segment of the market, offering housing for sale with monthly instalments on a par with monthly rental instalments.

In addition to the housing units, the project includes parks, a mall, recreation centres, restaurants, medical facilities and service areas.

The expected cost for this project is USD 300 million.

Vertex Tower and Residences Project

The Vertex Tower and Residences Project is a complex being developed by the Dubai Construction Company. The complex consists of a 34-storey tower and two 7-storey podiums, with a built up area of 66 thousand square meters. Apartments range in size from 100-400 square meters. Facilities include a gym, private cinema, library and underground car park.

Red Sea Resort

The Red Sea Resort is a gated community built on 147 thousand square meters in Aqaba by Taameer. The project will contain 260 villas ranging in size from 117 to 256 square meters, in addition to a 9 thousand square meter entertainment centre containing restaurants, spas, swimming pools, and is expected to cost JD 50 million. The project's percentage of completion currently stands at around 65%. 70% of the project has already been sold.

Samarah Dead Sea Golf & Beach Resort

The Samarah Dead Sea Golf & Beach Resort is a JD 354 million mixed-use development project, carried out by the Dead Sea Touristic and Real Estate Investment Company, which is formed by Emaar Properties PJSC and other investors. The Resort will contain hundreds of luxury apartments and villas, commercial facilities, a full-fledged gold course, and various retail outlets.

The Heights

Created by Damac, the Heights is a USD 120 million luxury living development located within the Abdali area. The Heights is a 25 storey tower, with studios, one, two and three bedroom apartments, in addition to penthouses, all with luxury amenities. The project is expected to be completed in 2010. The Business Heights, on the other hand, is a 20-storey commercial tower in the same location.

Upcoming Major Projects

Al-Jiza

The Al-Jiza Residential City is a development located south of Queen Alia International Airport, by Taameer Jordan. The project is expected to cost USD 900 million, over a 7.5 million square meter area. The development will include 15 thousand housing units in seven different sizes. These units will accommodate in excess of 80,000 persons, and will be offered at affordable prices. The city will also include 2010 commercial units ranging in size between 100 - 200 square meters, in addition to schools, medical facilities, mosques and parks.

The land for the project is being offered by the Housing and Urban Development Corporation, while Taameer Jordan will develop the residential city.

Residential City by Beit Al-Diyafeh Holding Company

Beit Al-Diyafeh Holding Company is a recently established company with a number of investors of Arab nationality. The Company has recently announced plans to develop a comprehensive residential city in the Kingdom, with an estimated cost of JD 2 billion. The city will be constructed on a 3 million square meter plot of land, and will include 2,000 residential units in 14 different designs. The city will target the middle and lower-income population.

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. The city will be developed on a 21 thousand dunum piece 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.

7.0 OUR PERSPECTIVE ON THE MARKET

On the back of surging demand, the real estate boom witnessed in Jordan in recent years has been fed by Jordan's 2.3% annual population growth rate, alongside the migration of foreigners into a market already lacking in housing supply. The second gulf war, alongside instability in the region, has seen Iraqis and other nationalities taking refuge in the Kingdom, and the Country's infrastructure has been struggling to keep up. Jordan has also been host to a large inflow of expatriates, both due to its proximity to Iraq and following the Country's attempts to attract tourism and foreign investment, which led to the establishment of new companies, contributing further to the underlying demand for housing and commercial space.

This soaring in demand, unmatched in its increase by the supply, has led to real estate prices sky-rocketing, causing the majority of the local population to be priced out of the market. The rise in prices was exacerbated by the increased prices of construction materials, the cost of which is transferred to the end-user, placing a further financial burden on the buyer.

Despite the high prices however, real estate in Jordan remains relatively low compared to the region, providing ample opportunities to capitalise on the emerging market. The inflow of foreign direct investment and liquidity, alongside a shift towards commercial property development and speculative trading, has highlighted the vast investment opportunities in the sector. Quick to react to the market, investment giants have been honing in, and developing numerous mega-projects.

The declining trend in interest rates up until recently, alongside the correction in the capital markets, has led to investors diverting their investments towards real estate, viewed as less volatile and offering a high return on investment.

In 2005 and continuing through 2006 and into 2007, however, interest rates have been on the rise. This, coupled with the increased costs of purchasing or renting property in the Kingdom, is causing the purchasing power of Jordanians to diminish. Current estimates place 10,000 empty apartments in West Amman. However, this is not an indication of a lack of demand, but rather unaffordability of the property. With 70% of these apartments of a size in excess of 150 square meters, costs have been known to exceed JD 100 thousand in various areas of the Kingdom. Where in the past market demand had been leaning towards buying rather than renting, the current market prices are beginning to shift the demand towards renting.

Even for development projects targeting the low-income segment of the population, the bulk of which are being developed in cities with comparatively cheaper lands, prices appear to still be too expensive for the average Jordanian.

The sentiment in the market is showing uncertainty with regards the direction the market will take. The indications are that a glut of properties will materialise in the near future, with the completion of the first phases of several major projects expected in 2008. This year however, an apartment deficit could still be possible, due to the weak purchasing power of the population leading to reduced production.

The oncoming summer months will shape the trend for the real estate market for the rest of the year, as gulf Arabs and tourists flock to the Kingdom for the summer holidays. The rental market in Jordan tends to flourish during the summer months, driving up rent prices further. Very often, Jordanians will hold out on renting their properties till the summer when they can charge much higher rent for shorter periods of time.

In the short term, with no end in sight for the instability in Iraq and the incompletion of many of the development projects in the Country, prices will continue to grow but at a decelerating rate. With Iraqis representing the largest foreign purchases of property in Jordan, the Government has set out new regulations in a bid to control the rising price of real estate in Jordan; The registration of property in the name of Iraqis has been restricted to those granted full residency permits. With the majority holding temporary permits or none at all, the demand for real estate caused by Iraqi nationals in the Country should decline sharply.

The expected completions of projects for 2008 will lead to the release of a substantial number of housing and commercial units to the market, easing off the demand problem or even shifting to an oversupply. This will push down real estate prices, as competition increases and supply overtakes demand.

The substantial gains made from trading in real estate will become a thing of the past. Margins on sales will deteriorate as supply in the market rises, and developers are forced to cut their price in order to sell.

On the other hand, prices of land and properties in areas in close proximity to major construction projects may continue to rise, albeit at a decelerating rate. Furthermore, in touristic areas, such as Aqaba and the Dead Sea, prices will continue to rise, due to the severe lack of tourist accommodation and facilities in those areas. Additionally, the Third Tourism Project, a JD 50 million project to revive five of the Country's cities, namely Al-Salt, Jarash, Karak, Madaba and Ajloun, will attract investment attention to those areas, which will drive up the prices of land.

By 2009 and 2010, a major portion of the ongoing development projects would have reached completion, and construction will come to a slow down. The growing population, alongside the booming economy, will continue to create a need for property, and demand will catch up with supply, and prices will increase once more.

The real estate is heavily dependent on the conditions of the economy, the stability in Jordan, and the turbulence in the region. Increased tensions in Palestine or Lebanon could lead to a further influx of refugees to Jordan, creating a new demand for real estate, whereas an easing off of conflict in Iraq could cause Iraqis to sell their properties in Jordan, and vacate their rented premises, boosting the available level of supply. Furthermore, a slump in the economy will evaporate the projected business activity throughout the Kingdom, rendering a significant portion of the commercial properties under development obsolete. Moreover, a continuation of the trend of rising interest rates will result in many speculators and investors defaulting on their mortgage repayments, with properties being repossessed by Banks and other financial institutions, and offered in the market for a lower price.