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# DAR AL-ARKAN REAL ESTATE DEVELOPMENT COMPANY

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June 2009



Homes for life

DAR AL-ARKAN

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**THE KINGDOM OF SAUDI ARABIA AND THE GCC**



**OUR VISION ABOUT THE INDUSTRY**



**WHO ARE WE?**



**OUR STRATEGY**



**OUR REAL ESTATE SUCCESSES AND POTENTIAL**



**FINANCIALS AT A GLANCE**



**SUMMARY**

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**SUMMARY**

# KSA: Largest MENA Free Market Economy

## Population

- Saudi Arabia 24 million
- GCC 36 million (67%)
- MENA 316 million (7%)



## Nominal GDP - 2007

- Saudi Arabia US\$ 375 billion
- GCC US\$ 775 billion (48%)
- MENA US\$ 1,532 billion (24%)

## Per Capita GDP - 2007

- Saudi Arabia US\$ 15,625
- GCC US\$ 21,528
- MENA US\$ 4,848

Source : "2008 Economic Developments and Prospects" The World Bank

# KSA: Well Positioned in World Economy

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## ▶ **Country Rating**

- AA- by Fitch (upgraded July 2008), A+ by S&P and Aa3 by Moody's

## ▶ **High Degree of Foreign Liquidity**

- with prudent monetary policy and healthy banking system

## ▶ **WTO Member Since December 2005**




- committed to encouraging foreign investment opportunities and freedom and transparency of trade

## ▶ **Leading member of GCC, OPEC**

- also member of many other organizations including UN, IMF, World Bank
- More than 20%, 10% of the world's oil and gas reserve respectively

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# Our vision about the industry

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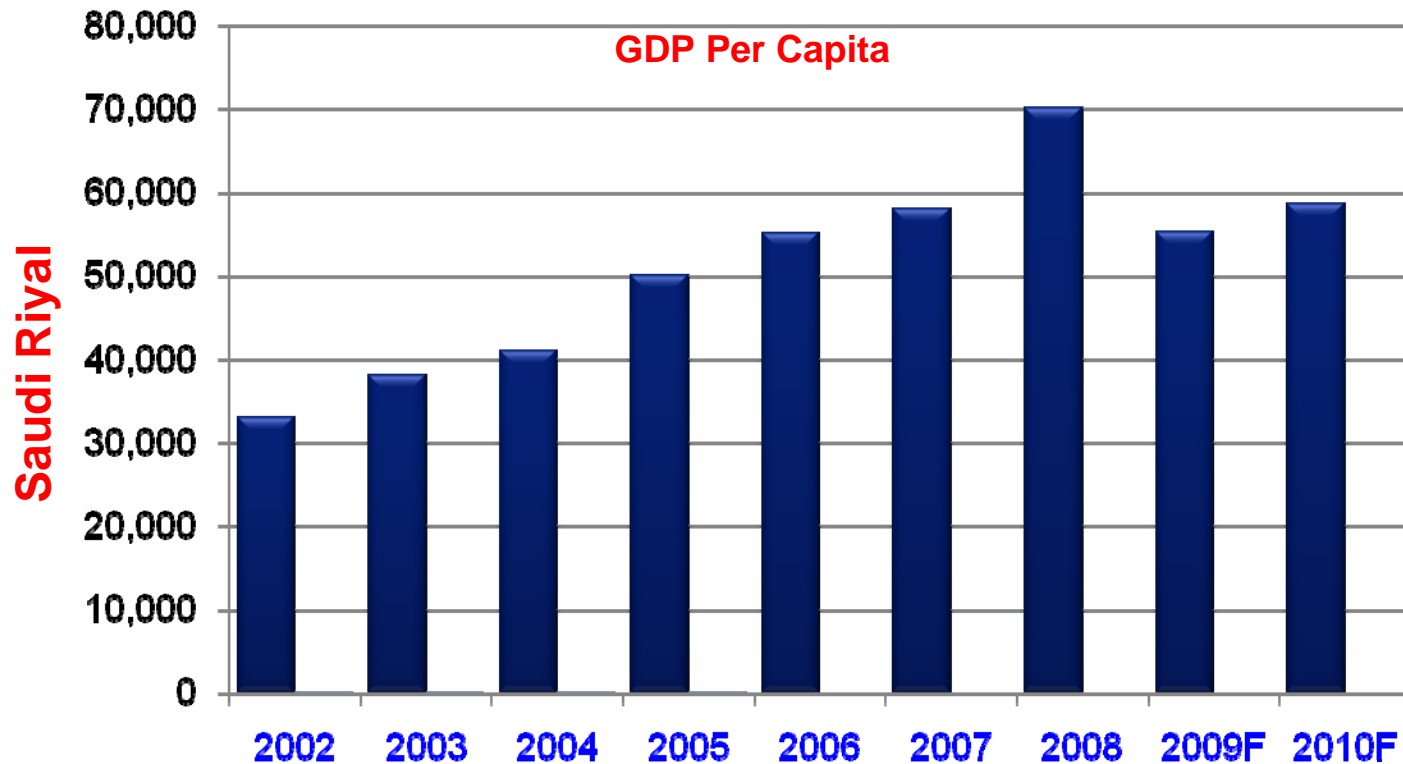
## Drivers for the Industry

- ▶ **Bullish Macro Economic Outlook**

# KSA: Economic Strengths

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- ▶ One of the **fastest** growing economies
  - IMF forecasts a **GDP growth rate** of 3.5 % per annum till 2010





# Our vision about the industry

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## Drivers for the Industry

▶ Bullish Macro Economic Outlook

▶ **Growing Population**

# KSA: Population Demographics

## ► Historical Population Growth

- An average of 2.5% per annum over 10 years since 1996
- Fastest Population growth

## ► Future Population Growth

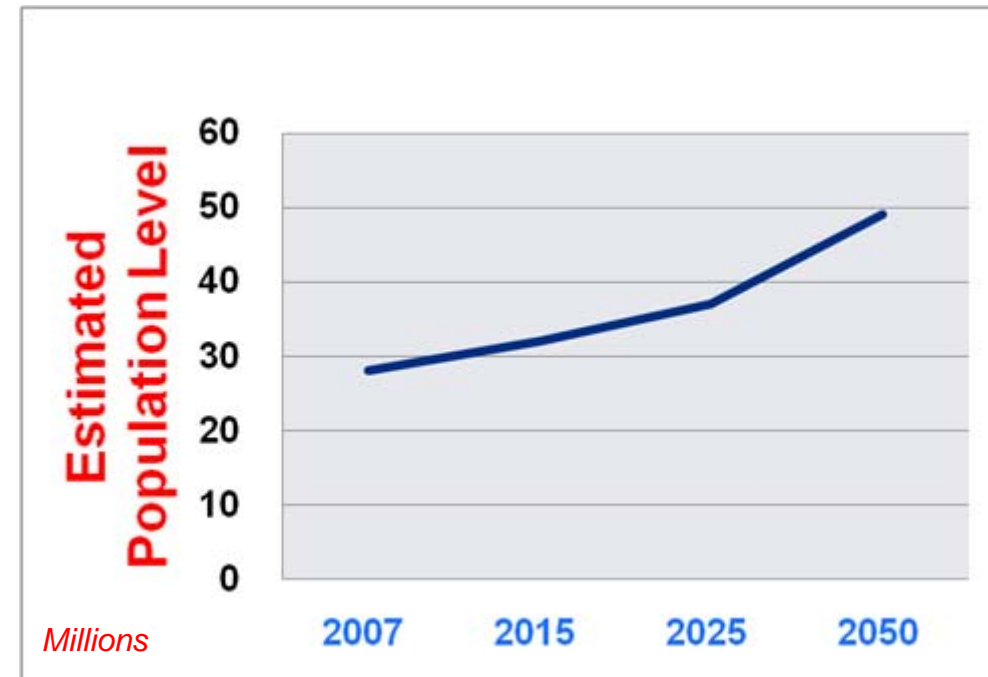
- 10 million expected over the next 18 years

## ► KSA is a Country of the Young

- Approximately 70% of the population is less than 30 years of age
- Approximately 37% under 15 years of age
- Median age of 21.5 years

## ► Internal migration to cities boosting housing needs

## KSA – Population Forecast



Source: UN World Population Prospects

**Large number of young people are entering the housing market**



# Our vision about the industry

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## Drivers for the Industry

- ▶ Bullish Macro Economic Outlook
- ▶ Growing Population
- ▶ **Supply – Demand Gap**

# KSA: Growth In Residential Real Estate Market

- ▶ **Significant under-supply of housing stock** to be met from future development
  - An estimated 1.3 million new housing required by 2015
- ▶ **Total new investment** in housing expected to be around US\$ 180 billion over the next 7 years
- ▶ **KSA's housing sector comprises 75% of all real estate activity**, in value terms
- ▶ **Total projected requirements for housing (2005-2024)**

Thousands	2005-09	2010-14	2015-19	2020-24
Total Population	25,327	28,317	31,442	34,450
New Population	2,798	2,990	3,125	3,088
Bedrooms needed	2,347	2,443	2,511	2,491
Total required residential units	1,027	1,063	1,089	1,077
Total required stock (old and new stock)	5,017	6,080	7,169	8,246
Existing housing stocks at current rates	4,626	5,363	6,217	7,207
Market undersupply (difference in both stocks above)	-391	-326	-235	-87
Gap % supply and demand	-8%	-5%	-3%	-1%

Source: "Housing Requirements", Ministry of Economy & Planning, KSA



# Our vision about the industry

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## Drivers for the Industry

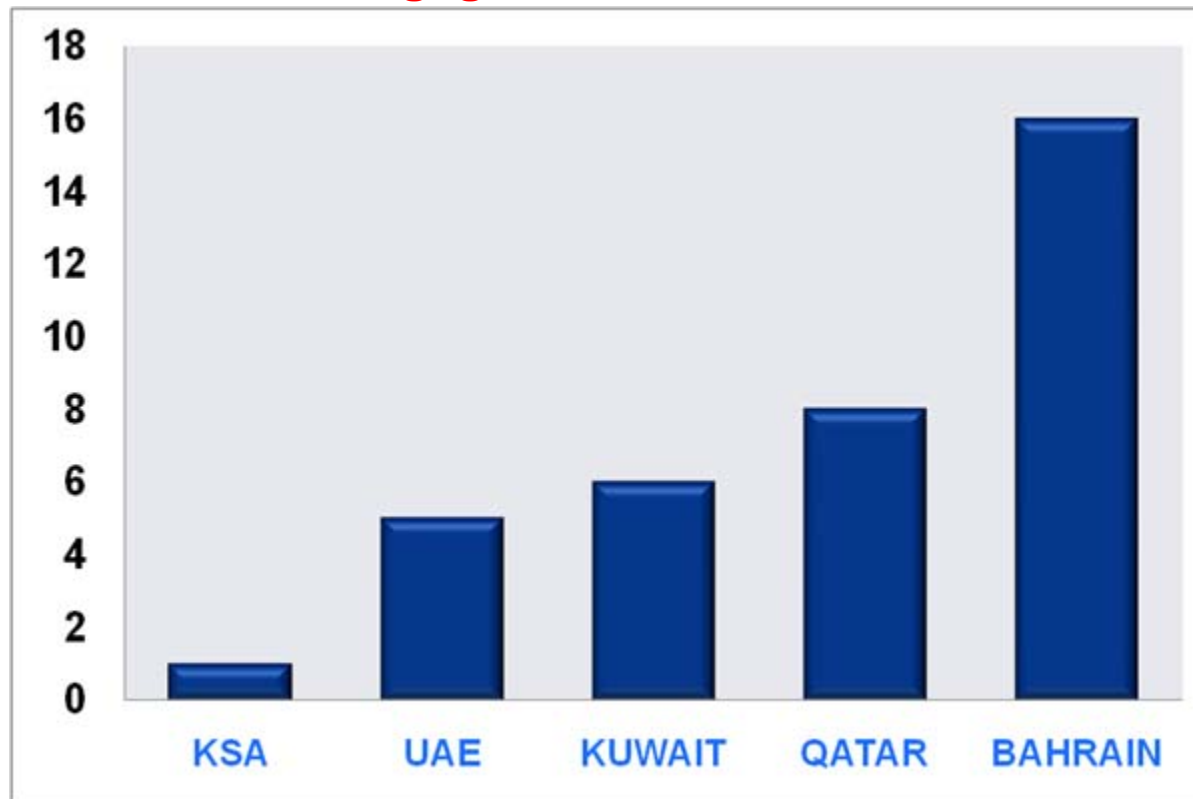
- ▶ Bullish Macro Economic Outlook
- ▶ Growing Population
- ▶ Supply – Demand Gap
- ▶ **Mortgage Finance Set to Take Off**

# KSA: Mortgage Industry at its Infancy

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- ▶ Mortgage market to reach US\$ 23.1 billion by 2012.
  - Represents only 4.4% of GDP (currently less than 1%)

**Mortgage to GDP (as a %)**










# KSA: Mortgage Industry at its Infancy

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- ▶ Mortgage market to reach US\$ 23.1 billion by 2012.
  - Represents only 4.4% of GDP (currently less than 1%)
- ▶ Less than 10% of population are home owners
- ▶ Proposed legislation
  - Lending limit restrictions (longer tenures/higher limits)
  - Lenders recourse (prosecute delinquent borrowers)
  - Foreign ownership
- ▶ New law will serve as a key catalyst driving demand for real estate
- ▶ Mortgage legislation package to be effective in the course of this year

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# Leading Real Estate Developer

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## Real Estate Development Company

- ▶ The largest developer of residential real estate in the Kingdom of Saudi Arabia, operating in all major regions of Saudi Arabia



## Corporate Rating

- ▶ Rated “A-” with stable outlook by Capital Intelligence



## Main Products

- ▶ **Land Projects:** Purchasing of undeveloped land and development of infrastructure
- ▶ **Residential Projects:** construction of housing units (apartment blocks and villas) catering primarily to the middle market segment.



## Commercial Products

- ▶ **Commercial land** developed by Dar Al-Arkan is a part of the residential projects.
- ▶ **Property Management:** Rental of residential and commercial assets to provide ongoing stream of income



## Ownership

- ▶ Founding shareholders maintaining an aggregate stake of over 70%

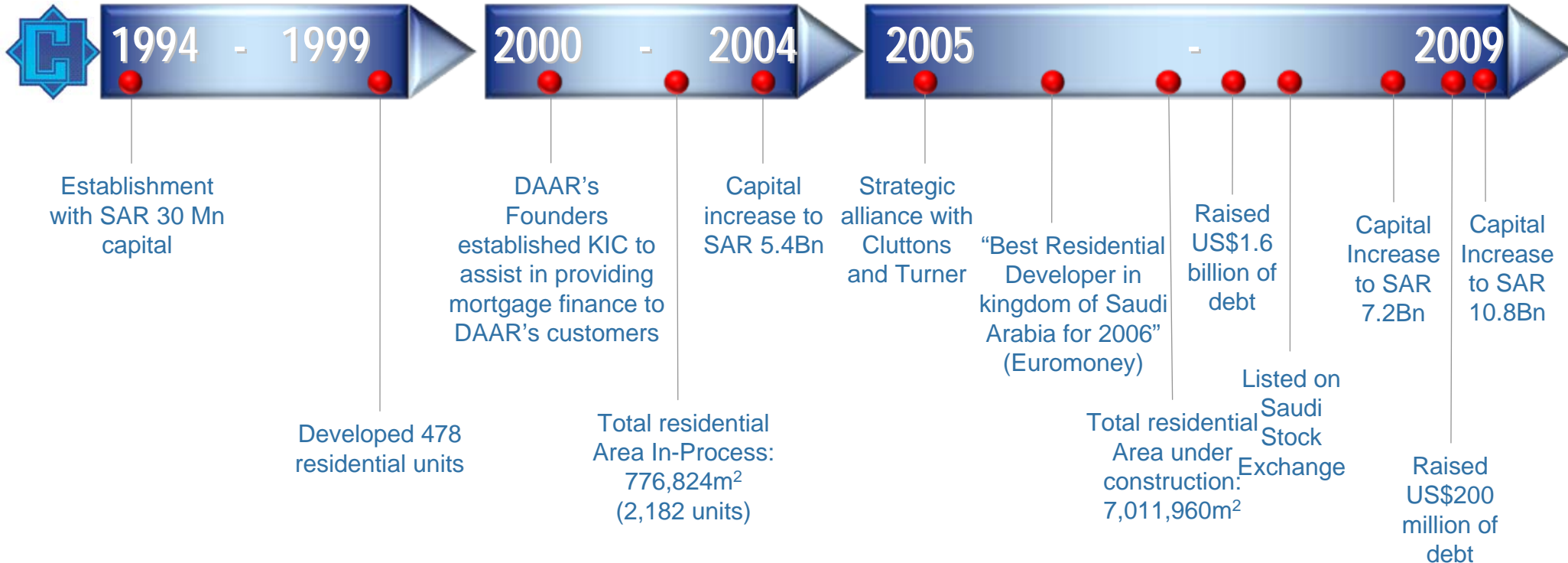
# History of Achievements

## Managing Real Estate Development Projects & Providing Affordable Home to Middle Class Saudis

Limited number of residential units, land development as well as handling public and private real estate development contracts





Focus on managing residential developments for the mid market segment

Expansion & increase in production capacity



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# Our Strategy

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## How to get there...

- ▶ **Focus and Opportunity**

# Focus and Opportunity

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- ▶ Focuses on developing lifestyle ***residential communities*** and other projects targeting middle income households
- ▶ ***Middle income households*** are a rapidly growing segment with specific housing requirements
- ▶ The segment expects an ***annual new requirement of 50,000 residential units*** over the next few years
- ▶ To ***cater*** to this opportunity
  - ***A shift in focus*** to development of complete residential environments rather than plain land
  - ***Develop suburban areas*** rather than inner city centers



## How to get there...

▶ Focus and Opportunity

▶ **Competitive Advantage**

# Competitive Advantages

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- ▶ **Name Recognition** - Dar Al-Arkan is a name, recognized in the Kingdom of Saudi Arabia for developing quality residential products at affordable prices
- ▶ **Developing lifestyle Residential Communities** - Pioneered the concept of lifestyle residential communities in KSA in response to a growing demand, capitalizing on its capacity, expertise and product mix
- ▶ **Access to land** - Have access to raw land via individuals and land banks
- ▶ **Growth through product innovation** - Regularly upgrade product portfolio through new product extensions and innovative packaging solutions
- ▶ **Strong financial performance** - Has continued to increase profits since inception and has managed to maintain low debt leverage and high liquidity
- ▶ **Experienced management team** - Experienced management team which has considerable expertise and industry knowledge of the KSA real estate market



## How to get there...

- ▶ Focus and Opportunity
- ▶ Competitive Advantage
- ▶ **Support development of Mortgage Industry**

# Saudi Home Loans








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- ▶ We initiated a mortgage finance **joint venture**
- ▶ **Partners** are: Arab National Bank, Kingdom Installment Company and International Finance Corporation
- ▶ **Capital** of SR 2 billion
- ▶ **First** housing finance company licensed by SAMA

**Will provide wider access to property ownership for Saudis and resident foreigners**

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- ▶ **Location**: Al Mareiah
- ▶ **Area** : 5 million m<sup>2</sup>
- ▶ **Cost** : SR 6 billion
- ▶ **Units** : 3,200 Villas
- ▶ **Status** : Under Construction  
20% Completed



## Characteristics

- ▶ Part of Al Derriyah province, an area which plans to invest Billions of Riyals, allowing high future promise
- ▶ Wide streets, pavements and special pedestrian lanes
- ▶ Intense green spaces
- ▶ Area for building sports club and soccer fields
- ▶ Less than 10 km from future financial district





- ▶ **Location:** King Fahad Road
- ▶ **Area** : 0.85 million m<sup>2</sup>
- ▶ **Cost** : SR 2.5 billion
- ▶ **Units** : 3,000 Residential
- ▶ **Status** : Under Construction  
84 % Completed



## Characteristics

- ▶ Comprehensive development covering all aspects of utilities and infrastructure
- ▶ Includes service projects such as parks and facilities
- ▶ Includes
  - 254 Villas
  - 131 Residential buildings (2,800 Apartments)
  - Commercial buildings, offices and centers
  - A 78,000 m<sup>2</sup> shopping mall



# Jeddah Khozam



- ▶ **Location**: Jeddah inner city
- ▶ **Area** : 3.7 million m<sup>2</sup>
- ▶ **BUA** : 15 million m<sup>2</sup>
- ▶ **Status** : Master planning  
& Market Analysis

## Characteristics

- ▶ Central inner city area with high historical value
- ▶ The project plays a key role within the regeneration goals of the city and the Makkah province (Makkah 2020 vision)
- ▶ Objective: developing land to be available for a world class high density mixed-use inner city development.
- ▶ Phase 1: land acquisition, demolition, land development



# Projects in Riyadh



Location	Status	Area (m <sup>2</sup> )	Units
Ishbiliyah	sold	694,900	420
Al Rabea	Sold	349,943	368
Al Munsiyah	Sold	285,822	259
Al Yarmouk	Sold	409,775	389
Al Falah	Sold	110,843	139
Al Tawoun	Sold	30,506	42



# Makkah City Projects

Al Abrar (Sold)



- ▶ Located in Aziah road in Shesha area, near the Holy Mosque

- ▶ Project consists of **400** units

- ▶ Divided into **8** towers with all services present

Al Mashaer (Sold)



- ▶ Located near the Holy Mosque, in the heart of Makkah

- ▶ Project consists of **442** units

- ▶ Contains parking and shopping areas

- ▶ Divided into **7** towers with all services present

Al Awaly (Sold)








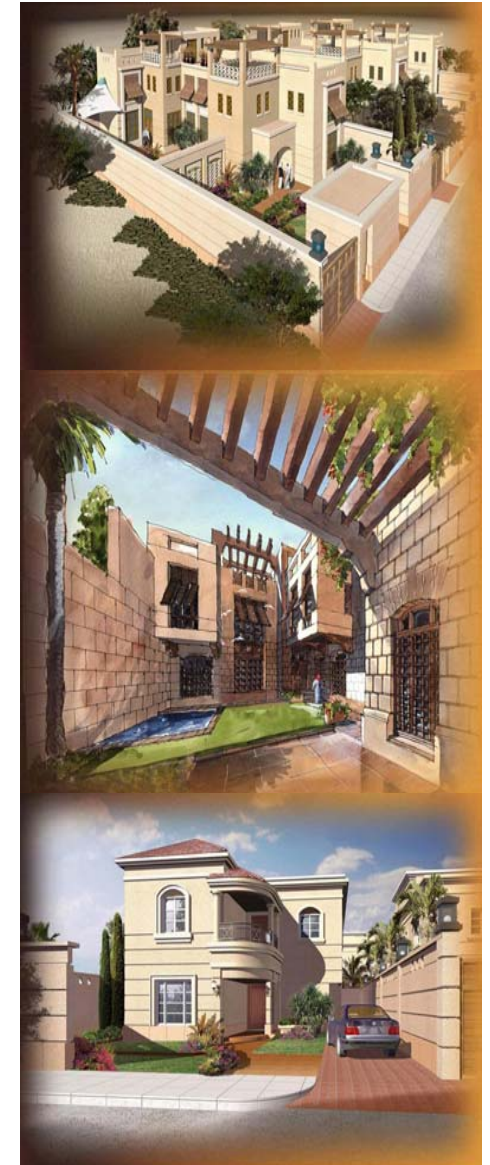
- ▶ Located in Al Awaly area

- ▶ Project consists of **55** villas

- ▶ Exhibits an Islamic theme








# Other Projects In Kingdom

	City	Location	Status	Units
	Golden Beach Jeddah	Obhor North of Jeddah	Sold	36
	Al Manar Jeddah	East	Sold	28
	Al Tilal Medinah	7 Km away from Al- Haram Al- Sharif	Under Construction	500
	Al Noor Medinah	Near Prophet's Holy Mosque	Sold	80
	Al Mourjan Yonboh	Near sea and city center	Sold	95



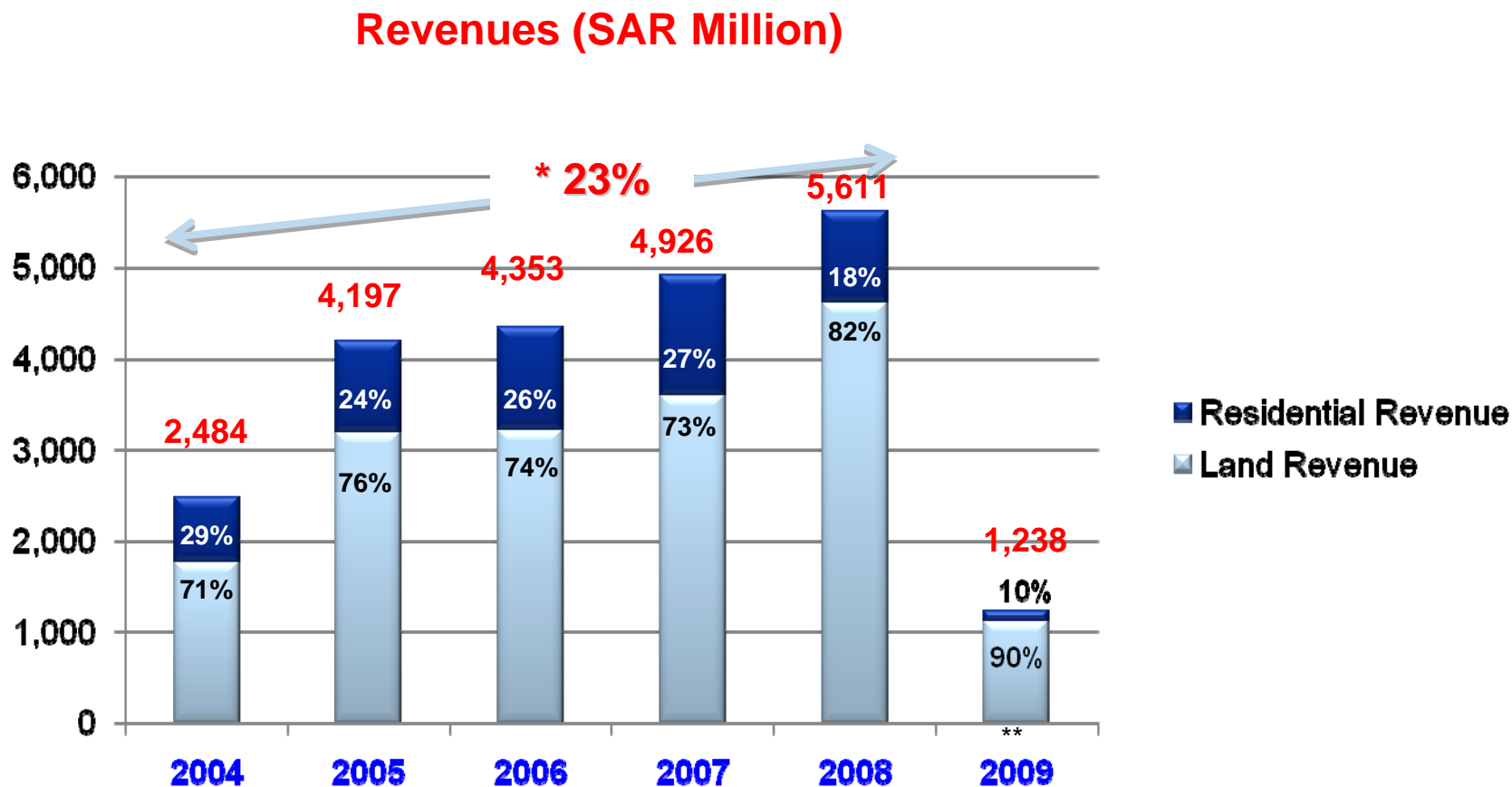
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# Strong Revenues Growth Momentum

DAAR's rapid growth corresponds to a clear shortfall in the supply of housing units and an increasing demand for residential real estate in KSA, in particular within the middle-income segment of the market.



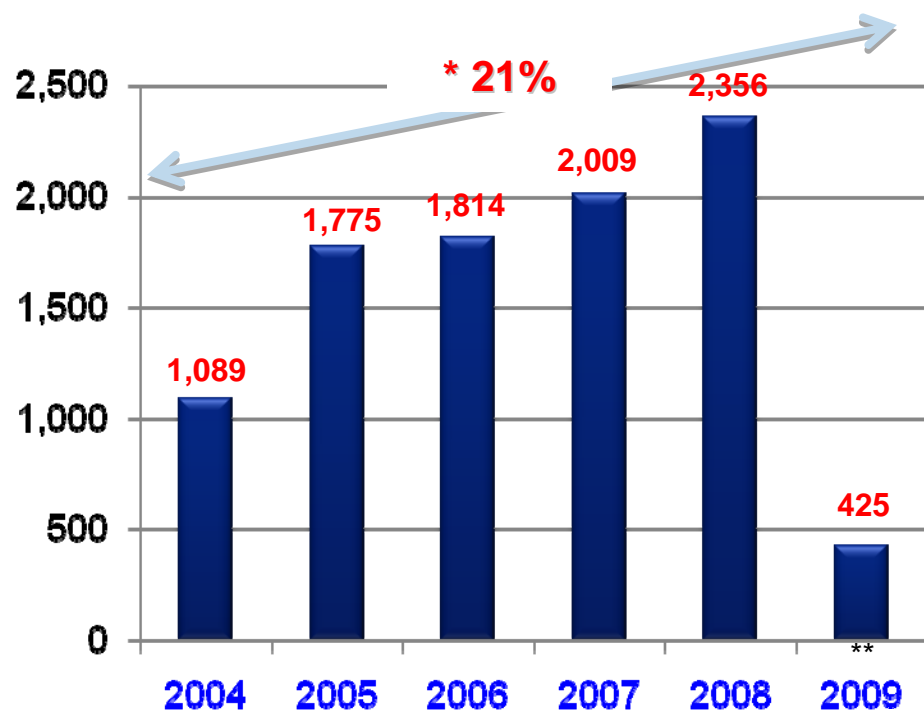
\* 2004 - 2008 CAGR

\*\* Year to date March 2009

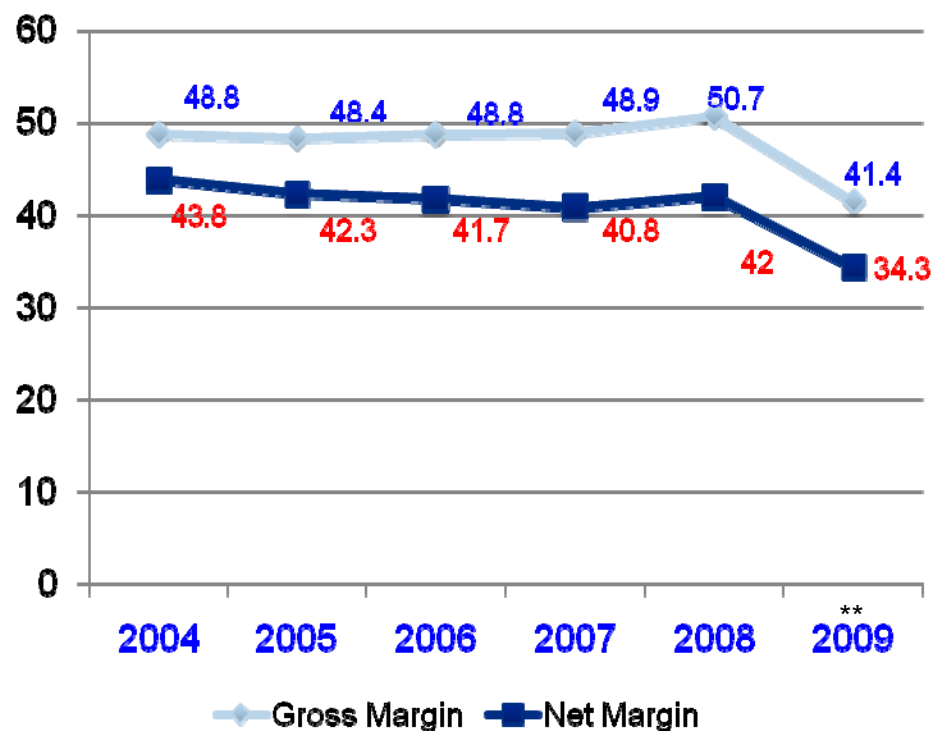
# Solid Earnings Growth

DAAR registered handsome profitability levels for the 2004-2008 period, growing at a 20% CAGR. The Company is expected to maintain the earnings growth momentum due to the size increase of its operations and the resultant economies of scale

## Net Income (SAR Million)



## Net Margins (%)



\* 2004 - 2008 CAGR

\*\* Year to date March 2008

# Strong Financial Ratios

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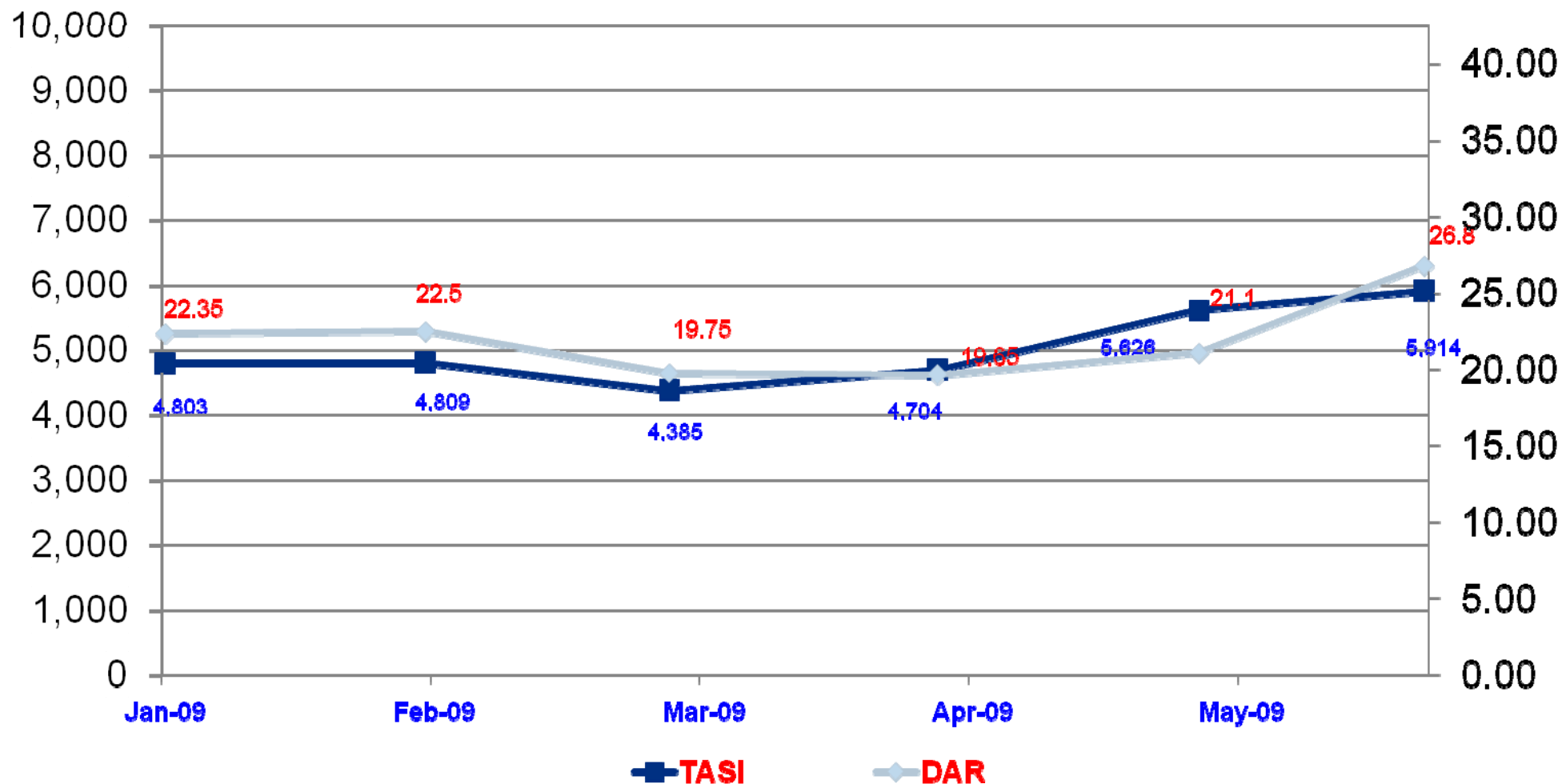
**March 31, 2009**

▶ Net Debt / Equity	-	0.60
▶ Net Debt / Total Assets	-	0.36
▶ Interest Coverage	-	5.0

# Stock Performance

**Index (TASI)**

**DAR Price**



**YTD Performance:**

- DAR +20%
  - TASI +23%
- +34% Post 1<sup>st</sup> Q Results

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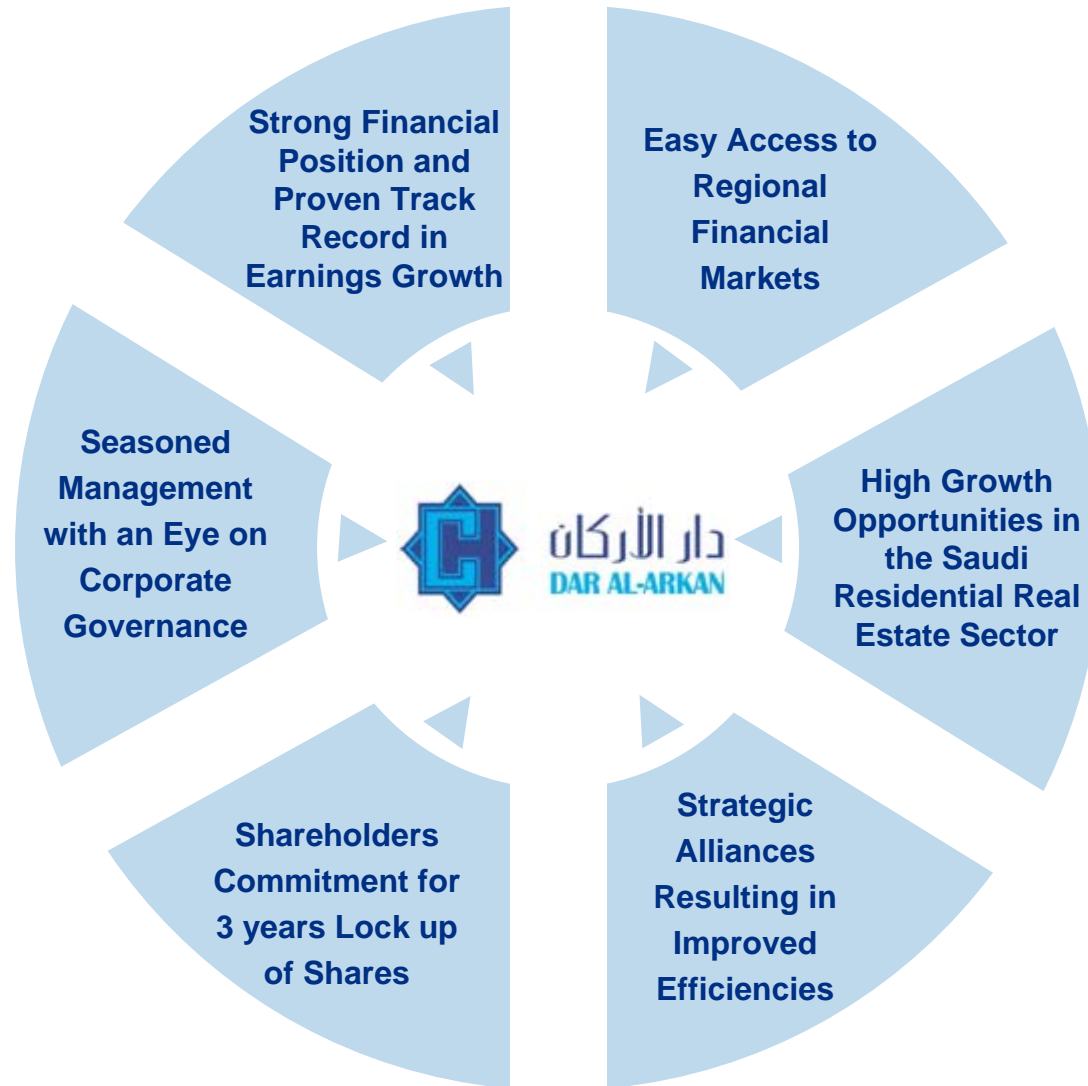
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**SUMMARY**

# The Leading Real Estate Developer in the Kingdom

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# FORWARD-LOOKING STATEMENT

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This presentation contains forward-looking statements. Such statements are not statements of historical fact, and reflect the beliefs and expectations of the Company's management. The words "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "plans," "predicts," "projects" and "targets" and similar words are intended to identify these statements, which necessarily involve known and unknown risks and uncertainties. Known risks and uncertainties include those resulting from the short history of the Company's operations as a real estate developer, the inherent risk of the execution of large scale master planned development and the introduction of competition, as well as those relating to the cost and availability of financing, the performance of the Saudi economy generally and the levels of exchange rates between Saudi Riyal and foreign currencies. Accordingly, the actual results of operations of the Company may be different from the Company's current expectations, and the reader should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date they are made, and the Company does not undertake any obligation to update them in light of new information or future developments.

