Aldar Properties
First Quarter 2022 Financial Results Conference Call
April 28, 2022

Presenters
Greg Fewer, CFO and Sustainability Officer

Q&A Participants
Taher Safieddine – JP Morgan
Mohamad Haidar – Arqaam Capital
Zohaib Pervez - Al Rayan Investment
Anup Dhanuka - Moon Capital
Ambereen Jiwani - Ajeej Capital

Operator
Greetings. Welcome to Aldar's First Quarter 2022 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. To ask a question by phone, please press star, one from your telephone keypad, and a confirmation tone will indicate your line is in the question queue. You may press star, two, if you would like to remove your question from the queue.

For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. You may submit a question via the Web at any time by using the Ask A Question feature on the webcast. If anyone should require operator assistance during the conference, please press star, zero from your telephone keypad. Please note, this conference is being recorded.

At this time, I will now turn the conference over to Greg Fewer, CFO and Sustainability Officer. Mr. Fewer, you may now begin.

Greg Fewer
Thank you very much. Good afternoon. Good morning. And welcome to the Aldar Q1 2022 Earnings Call. I'll go over a few prepared notes, and then we'll open up the floor to questions and answers right away.

With that, I'll give you an overview of Aldar's performance for the first quarter of 2022. We built upon the momentum in 2021, delivering another strong quarter marked by sustained levels of activity and expansion across our diversified business. Revenue for the quarter stood at AED 2.68 billion, up 32 percent year-on-year, with gross profit increasing 44 percent year-on-year to reach AED 1.12 billion. That profit was also up 26 percent year-on-year to reach AED 688 million.

Our solid position has been achieved against a backdrop of economic recovery across the UAE. Confidence in Abu Dhabi's real estate market remains strong, given the Emirates' growing standing and attraction as a premier investment working in lifestyle destination.

Looking at Aldar Development, the business that develops Aldar's projects and management, and manages government's housing and infrastructure projects, Aldar Development achieved group sales of AED 2.2 billion for the first quarter. This was the seventh consecutive quarter that we broke through the AED 1 billion mark and Aldar's first-ever Q1 with over AED 2 billion in sales.

Within this AED 2.2 billion figure, sales from the UAE amounted to AED 1.5 billion. And Sodic's sales in Egypt stood at AED 678 million. This record-breaking figure was driven by solid demand for existing residential developments in the UAE and the inclusion of Sodic's figures for the first time upon the closing of our acquisition. It also reflects Aldar's deep understanding of our customers' needs and requirements and the regional market dynamics and the continued appeal of Aldar's offering.

Revenue for the development business increased 50 percent year-on-year to AED 1.8 billion. And EBITDA increased 29 percent year-on-year to AED 456 million. And group revenue backlog now stands at AED 10.4 billion, providing strong visibility on future revenue across our UAE and Egyptian operations.

As I mentioned previously, Aldar has had a significant focus on Saadiyat Island and this quarter, in which we launched the world's first Louvre branded residences at Saadiyat Grove. Furthermore, this month Aldar expanded its strategic land bank through the acquisition of a 6.2 million square meter plot on Saadiyat Island. In addition to this focus on Saadiyat, ~~Yazdani~~ Yas Island would also remain a priority destination for the group.

Abu Dhabi continues to reinforce its status as a destination for both investment and home ownership, evidenced by strong appetite we have seen from the overseas and resident expat customer segment. In addition, we are seeing a broadening of our customer profile, with growing demand from both first-time homeowners and female buyers.

On the project management side of the development business, Aldar project's fee-based business delivered strong income, and revenue backlog for future projects overall stood at AED 41.2 billion at the quarter end. Finally, for the development segment, Sodic reported a strong set of results for the quarter, achieving their highest-ever Q1 sales figure, up AED 678 million, which was about a 100 percent year-on-year increase on last year.

We continue to work very closely with the Sodic management team to increase their market share by growing its portfolio of mixed-use residential communities in Greater Cairo, the North Coast, and other major markets with vigor. Meanwhile, Aldar Investment, the largest diversified real estate asset management business platform in the region, continued to demonstrate the resilience of its portfolio in Q1 of 2022, as it targeted further diversification through a number of important investments.

A key highlight was Aldar Investment Properties' issuance of $500 million of subordinated perpetual notes to Apollo Global Management as part of Apollo's strategic $1.4 billion US investment into Aldar's transformational growth initiatives. Announced in February this year, this represents one of the largest-ever foreign direct investments into Abu Dhabi's private sector.

Aldar Investments' Q1 revenue stood at 9 percent year-on-year to reach AED 859 million, with EBIDTA for the quarter increasing 13 percent year-on-year to AED 374 million. This was mainly driven by the strong performance of both retail and hospitality and leisure, in addition to higher contributions from the principal investments business.

The residential segment of Investment Properties showed continued strength, reaching an occupancy rate of 95 percent, up from 88 percent in the same period last year. And the commercial portfolio also performed very well, with strong leasing activity, meaning occupancy reached 91 percent at the end of the quarter. In occupancy, our flagship retail asset, Yas Mall, stood at 96 percent at the end of March, up from 78 percent the year earlier. This was driven by the success of our redevelopment program that has reconfigured space and enhanced our overall project offering.

On the investment front, the retail segment was bolstered by Aldar Investment's first entry into Ras Al Khaimah through the acquisition of the 27,000 square meter Al Hamra Mall for AED 410 million earlier. The hospitality and leisure business also saw robust growth, driven by pent-up demand for leisure and business travel.

And we also acquired the ultra all-inclusive Rixos Bab Al Bahr beach resort and Ras Al Khaimah for AED 770 million, which includes additional development rights for 250,000 square feet of gross floor area. Aldar Education also saw an increase in enrollments to ties, since inception of the business. And we were happy to commit a $1 billion investment plan to continue to grow the school's portfolio over time.

So, overall, the fundamentals of the Abu Dhabi real estate market remain robust, with an extensive project pipeline being met by strong demand from local and international homeowners and investors. Aldar started the year in a solid financial and operating position. We also diversified our source of funding and scaled up our operating capabilities in preparation for further growth.

The development business will utilize its strategic land bank to launch new projects throughout 2022. And Aldar Investment has identified the strong pipeline of acquisitions to add further scale and diversification to the platform, including yesterday's announcement of our entry into the logistics sector and the creation of a new vertical through the acquisition of the Abu Dhabi Business Hub.

With AED 5.6 billion of free cash, as at the year-end, and AED 4.9 billion of committed, undrawn facilities, we have significant amount, we have a significant amount of dry acquisition powder that we are looking to deploy efficiently into high-growth and diversification-targeting opportunities. As such, we expect our strong momentum to be carried forward through the rest of the year.

That conclude my remarks. I'm very happy to open the floor now to questions and answers.

Operator
Thank you. We will now be conducting a question-and-answer session. If you'd like to ask a question, please press star, one from your telephone keypad, and a confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue.

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Thank you. Our first question is coming from the line of Taher Safieddine with JP Morgan. Please proceed with your question.

Taher Safieddine
Yes, hi. Good afternoon. It's Taher from JP Morgan. Greg, thank you very much for taking the time. A couple of questions, if I may. I guess just to start with, on this capital deployment, I mean, looking at your balance sheet, between free cash, unused facilities, the expected equity injection that will come through from Apollo, it looks, I mean, as a massive firepower, effectively to be deployed.

So maybe two small questions here. The first one is you've done a couple of deals, the education. Two, assets of Ras Al Khaima yesterday is 500 million. So it would be much easier for us if you can just give us some flavor in terms of NOI contribution because it's almost 2.5 billion already being deployed. And we don't have any indication or guidance on NOI. So if you can just help us get around the NOI contribution. Anything of that sort would be very helpful. This is the first part.

And I guess the second part follow-on is, you're planning to deploy another 9 billion to 10 billion over the next 12 to 18 months. Is there any way we can also, again, get some more visibility or guidance on NOI, on sector breakdown, because this is quite a massive number?

And potentially, it could actually transform Aldar Investment's EBIDTA or NOI in the next year or two. So if you can just give us some more visibility on that, it would be really helpful. Thank you.

Greg Fewer
Okay, sure. Thanks, Taher. So on the NOI guidance front, whenever we deploy and purchase an existing piece of real estate, it's, it will be meeting a very disciplined WACC and return on, the return thresholds that we attach to the business. As we all know, yields, not necessarily cap rates, but yields in our markets are anywhere between, let's say, 6 percent and 8 percent on yielding real estate.

Sometimes you buy a brownfield asset and a, like, so Al Hamra, the mall in Ras Al Khaima that we purchased, there's a bit of work we're going to put into that. And so then you could, you would expect assets to be yielding maybe on the south end of that range. And then after a year or so, once the redevelopment plan has gone in, then you'd be achieving much higher yields. The only asset that really qualifies in that category is the Hamra.

The rest of the assets we've purchased, there's the large assets we purchased, are yielding existing real estate assets that are in that sort of 6 percent to 8 percent range. Every time we buy something that's yielding that's not requiring a refurbishment or that's in the midst of a lease-up program, we'll be in that 6 percent to 8 percent range.

So that should be in your models going forward for everything that we announce. The only exception is the Shohub school that we announced the acquisition of, of just under 100 million. That's also in the greenfield, or sorry, the brownfield category, where there's a bit of a repositioning that's going to take place.

In terms of the remainder of the 9 billion to 10 billion, yeah, I mean, this is real. I mean, you people, you really need to be thinking about Aldar in an acquisition context. And one of the things we want to really establish with everyone this quarter is we are stitching together a very, what we hope is a credible track record in the near term about closing deals and showing a pattern of outcomes that reflect the effort that the management team is putting in to creating a pipeline and executing transactions.

So between the Rixos, between Hamra, Shohub school, Abu Dhabi Business Hub, The Lagoons, the Saadiyat land plot for $1 billion, I mean, these are real growth transactions that we're executing on. And there's a pipeline of more stuff that we're going to be announcing in Q2 and Q3 and Q4. So management is, probably management's number one focus right now is on the acquisition pipeline. And you're just starting to see the fruits of that labor now, long-lead items, real estate acquisitions in this region, for sure.

But there's a lot of effort that's gone in, and you're going to hear more from us in this space. One final comment is the majority of this 9 billion to 10 billion will be spent on recurring revenue assets. You will see some development and some land development-style acquisitions also come out of this deployment program, but the vast majority will be on income-generating assets.

Taher Safieddine
Okay. Perfect. Thank you, that's helpful. Yeah, I mean, I'll leave it to others, and then I'll come back in case of any questions. Thank you.

Operator
Thank you. We have a question coming from, through the webcast from Zohaib Pervez ~~Sohaib Perez [ph]~~ with Al Rayan~~Orion~~ Investment. Is the FX loss of AED 233 in comprehensive income, is it due to the Egyptian pound depreciation?

Greg Fewer
Correct, yes. So there was a devaluation of the pound that took place during the quarter. The thing to note is that we only own, we own 70 percent of a consortium who acquired 85 percent of, so our share of that loss was about 140 million or 130 million, which is, when you think about the scale of the devaluation against our net dirham deployment of AED 1 billion makes sense, frankly, with the scale of the devaluation that took place. That did not go through the profit and loss. That was a direct adjustment to retained earnings.

Operator
Thank you. As a reminder, to ask a question via the phone, you may press star, one, or you may also use the Ask A Question feature on the webcast. Our next question comes from the phone from Mohamad Haidar with Arqaam Capital. Please proceed with your question.

Mohamad Haidar
Hi, Greg. This is Mohamad Haidar from Arqaam. So I'm looking at the land acquisition on Saadiyat Island. And they assigned value of AED 3.68 billion. But the press was saying that the payment is going to be in-kind. So could you please shed more light? Are you going to develop the units and hand over complete units to the seller? And what's the percentage basically? And is it going to be the higher of this value or a certain percentage?

Greg Fewer
Yes. So two limits of that, Mohammed. So the overall acquisition price of the land is AED 3.68 billion. It will be paid for over time, so there will be milestone-based payments that happen as and when we successfully sell. And part of the payment program will also be not just cash, but it will be in villas. So we will develop villas and deliver them to the seller. That's what's meant by payment in-kind.

So I think what you should take away from that overall program is it's a very buyer-friendly program for what is an enormous plot of land in extreme, prime Abu Dhabi territory for a villa product. And part of the incentive behind this important payment scheme is to encourage expedient and fast development. And that's exactly what we're going to be doing.

Mohamad Haidar
Understood. And then is the in-kind payment part of this AED 3.68 billion?

Greg Fewer
Correct, correct.

Mohamad Haidar
It's part of it. And one thing, Greg, on this. The total value of this project is AED 15 billion. Is that the cost value or the sales value of this project?

Greg Fewer
That was GDV. That's gross development value, yeah.

Mohamad Haidar
So more of CapEx?

Greg Fewer
More of the sales, sorry. More of the sales, yes.

Mohamad Haidar
More of the sales. Because it sounds like the land cost is a bit high when compared to the total sales value, at 25 percent. That's slightly above the normal. Should we expect lower margins from this project because of the higher land costs?

Greg Fewer
I mean, the margins, if you say would they be lower, not necessarily. I think what you need to factor into the overall price and the overall package, you've got to stand back and look at this very favorable payment plan being financed, really, by the seller, that's, and the payments in-kind coming as well. So we're taking very little, let's say, market risk, let's say, against the overall payment plan.

Like we will pay as and when we successfully develop. And we're paying also in-kind, not cash. So I think that is a factor in all this. And also when you break down the payment, the value against the number of plots, you come up to this sort of AED 1.3 million, AED 1.4 million per plot. And on Saadiyat, for villa plots, that's a very reasonable overall price.

Mohamad Haidar
Understood. And then was the seller a government entity?

Greg Fewer

Yes.

Mohamad Haidar
Okay, understood. Greg, also on M&A, we're looking at another 10 billion of deployments. Should we expect bigger M&As to come compared to what we saw so far across UAE?

Greg Fewer
Yes, yes. You will not, we've talked about this sort of theme with us in the past many times. It's still a relatively liquid real estate market, and sellers sometimes are very strategic. They take their time. But when a seller strategically wants to revisit its portfolio, that's when big trades happen.

Mohamad Haidar
Okay.

Greg Fewer
And whether it's, the merger was Sorouh, whether it's the acquisition of TDIC, they seem to happen every three to four years. But when they do happen, they're large, they're meaningful, they're with quality counterparties. And we're there, we're liquid, we're ready to transact on those.

So at that scale of deployment, we clearly need one or two of those to get done to fully deploy that scheme, along with, we're very happy to be doing these 600, 500, 500, 100-type transactions. They're quite accretive, the smaller ones. And then there's, some of them are quite interesting from a redevelopment perspective versus the larger, more gilt-edged ones.

Mohamad Haidar
Understood. And I saw that KSA could be a focus market for you. Is this going to be imminent or more of a medium-term plan?

Greg Fewer
I mean, the deployment plan really extends right across 12 months, so sometimes, I mean, like the pipeline is full of Egypt, of UAE, and Saudi. And as and when those shake loose, it really depends on the sellers. But we're ready. There's quality opportunities in the pipeline. We're confident that we will deploy this capital. And that's our, that is our contention that we ask you to believe.

Mohamad Haidar
Amazing. And lastly, on ~~S~~FOL, we've seen some UAE companies raising to 1~~2~~00 percent. Is this something Aldar could be doing in the future?

Greg Fewer
Sorry, can you repeat the--.

Mohamad Haidar
On the foreign, on the, we've seen companies raising it to ~~2~~100 percent in the UAE. Is this something Aldar could be doing in the future?

Greg Fewer
Yeah, I guess it could. We, it's not something that we've been particularly focused on. I mean, we're noting some of the other, but we monitor very carefully the impact that the (inaudible) has on foreign flows. And as a constituent member of the index, we're concerned and very supportive of measures that improve liquidity in the name. And we've always shown that. We were one of the first to move ours up to 49. And if there's logic, and we can, it's something that we'll definitely look at.

Mohamad Haidar
Amazing. Thank you very much.

Greg Fewer
Thank you, Mohamad.

Operator
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Thank you. We have a question coming from Anwaar Khale~~i~~d ~~(ph)~~ with Al Ram~~is~~z. Please proceed with your question.

~~Unidentified Analyst~~Anwaar Khaled
Hi, Greg, and thank you for the call. A couple of questions from my end, if I may. With regards to the UAE sales of AED 1.5 billion, can you provide us with a breakdown of the buyer's nationality? And the second question is regarding the operating expenses. I see an increase there. So is this due to the consolidation of Sodic? Or can you give us more color on that? And, lastly, if you can provide us with guidance for the year in terms of revenues, earnings, sales? Thank you.

Greg Fewer
Sure. Thank you, Anwar. So the first question was on, sorry, I can't read my notes here, oh, the 1.5 billion of UAE sales. So about half of it was to non-UAE nationals. I think that's the most important takeaway. So that's building on an important trend that, which started last year in Q3. In Q4, we were at sort of 40 percent. We launched the Louvre, which is a very internationally marketable asset.

And so one of the things underpinning our guidance around continued sales in the 7 billion to 8 billion range, and that would be guidance number one for 2022, is there's a deep, rich vein of non-UAE national buyers, both offshore and onshore, that we're seeing continue to be active in Q1.

And we fully believe with our launch program, we're going to be catering to some of this pent-up and new developing demand for non-UAE national residents and non-residents. So that's been a very encouraging trend that's been continuing, in particular from Central Europe, from India, and U.K.

In terms of operating expenses, so two important things going on there. The first is, so in 2021, we reorganized from a conglomerate structure to a group structure. We used to be a single company called Aldar Properties, PJSC. And then we re-formed legally into, redialed our investment and our home-building business, Aldar Development, and a bunch of other subsidiaries that sit down, exist underneath.

As part of that operating model change, in 2021, we reclassified a large bucket of our costs from above the gross profit line to below the gross profit line. The annualized impact of this number was about, just under AED 200 million in overall cost that moved from what would have been in the P&L above gross profit in 2021 to below the gross profit line. So that is, by a long shot, the main reasons.

You would have seen actually a small improvement in our gross profit margin. And those costs have now dropped down below the line. And you've also seen a change is, in fact, as you had highlighted, Sodic. So Sodic was not in last year's numbers. And all their below-the-line expenses are now roped up, included in ours.

And in terms of guidances, so we generally guide around two metrics. The first is sales, development sales. So as I mentioned, we're continuing to guide to the AED 7 billion to 8 billion sales number for 2022. And our NOI for the investments business, we've said it's also flat on last year at 1.7.

Unidentified Analyst
Very clear. Thank you, Greg.

Operator
Thank you. We'll pause a moment to assemble the queue. It is star, one to ask a question over the phone, or use the Ask A Question feature on the webcast. Thank you.

Unidentified Participant
I'm just going on air.

Operator
Once again, you may press star, one on the telephone to ask a question, or you may press, use the Ask A Question feature on the webcast. And we have a follow-up question coming from the line of Taher Safieddine~~Saphieddine~~ with JP Morgan. Please proceed with your question.

Taher Safieddine
Yes. Hi, Greg. It's Taher again. Maybe just a couple of follow-ups. To start, from your latest statement, flat NOI in 2022, is this correct, just in terms of . . .

Greg Fewer
Yeah. So let me just qualify that, Taher. So even as the words came out of my mouth, I realized that, so in terms of overall acquisition, so that was just on our like for like portfolio. And the team is sort of reminding me here that we had single-digit growth as our official guidance for that, which I will reiterate now. Now the, by far, the most important dynamic going is as we deploy every single dirham, that's going to be accretive to that. So what we haven't done yet is we haven't re-guided what the NOI will be.

It depends on when the assets are purchased. It depends on how they're added. And, as I said, everything we buy will be in that 6 percent to 8 percent range. And our guidance is that we will be deploying that AED 9 billion to 10 billion over the next 12 months. So I think you'd take all those statements together and then develop what a 2022 NOI would look like. And the most important thing is when you think we will conclude these acquisitions.

Taher Safieddine
Okay. All right. That's clear. So let's just, maybe going back to the like for like, I mean, retail seems to be turning the corner, right? I mean, yeah, small repurpose as positioning is done. Residential continues to be quite steady, hospitality is recovering, education, principal investments. I'm just quite surprised. Why would it be flat year-over-year in terms of guidance? Should we expect at least some growth coming into the numbers on the like for like?

Greg Fewer
Yeah. So, look, I mean, let me just make sure, it's flat, single-digit growth. That's what we're talking about. We've lost some short leases, okay? So we have, Khalidiya Village was something that fell off our NOI from last year. We have another short lease for Mamoura that's going to be falling off during calendar year 2022. But then we've got new assets that come, came online during the year.

We had The Bridges. We've had RA, which is a worker's accommodation thing that came up on Yas Island. So all these things swimming together are yielding this flat to single-digit NOI growth for the year. But, again, I'd reiterate, the most important dynamic is deploying this capital. That's when you're really going to, so everything, so the Rixos, the Hamra, the Abu

Dhabi Business Hub, that's all going to be accretive to what I just said. And those will, those are closing with, revenue accretive starting next quarter.

Taher Safieddine
Okay. All right, clear. And just one, maybe one quick question on the project management services. I mean, how are we looking there? Still comfortable planning for an NOI of 400 million, 500 million? I mean, the projects are getting executed. Is there any update there you can share with us on that business?

Greg Fewer
Yeah, look. That's going really, really well. I think no change in that guidance. The only other thing I'd add to that is that . . .

Operator
Thank you. We have a question coming from the webcast from Anup Dhanuka ~~Anuk Daka (ph)~~ with Moon Capital. What are your growth plans for Egypt? What kind of further investment do you plan there? And does recent devaluation have any impact on your outlook there?

Greg Fewer
I'm sorry, I think our line dropped dead there. And I, just as I was answering Taher's question on the project management. So I'll just reiterate that. And, operator, if you can let me know if you're hearing me or not.

Operator
Yes, I can hear you, sir. Please continue.

Greg Fewer
Okay. So just to conclude on the project management thing, the guidance has not changed on it. It's going well. The government is seeing a lot of value that we're adding. And I think the important point that I want to reiterate on this call is that people need to be thinking about this as an annuity, perpetuity business. This is a, it's a perpetual franchise. We have taken over civil construction from the government of Abu Dhabi, a very unique public/private partnership.

As some projects are running off, we were actually adding new projects to it. And so the backlog sitting at 41.5 billion reflects not just some runoff that we experienced in the quarter but the addition of a few new projects. And we'll be announcing more additions to this in the quarters to come. And we hope that, to our investment community, we will be demonstrating that this is a permanent business, and it will be valued as such by the, which is exactly how the management team thinks about it.

Sorry, operator, there was a follow-up question on the web?

Operator

Yes, that's correct, sir. It has three parts. The first part is, what are your growth plans for Egypt? What kind of further investment do you plan there? And does recent evaluation have an impact on your outlook there?

Greg Fewer
Okay. So for Egypt, Egypt is really a long-term play for us. The plan was always to go in with our partner, EDQ, plug into our network. And there's a great G to G network operating there, that shows us opportunities to grow. And home building in Egypt, it's very important. Your procurement of land, keeping your development pipeline going. We think we can add an awful lot to the Sodic platform with this network that we're part of.

So that thesis has not changed. That's a long-term view. There's long term-oriented investments that we have been curating and that we hope to conclude in the coming quarters to demonstrate that long-term view. And so nothing has changed. I think Egypt has had some issues, and the devaluation was a bit painful but necessary.

Our position, as we mentioned earlier, is un-hedged. It's, our net position remains at about AED 1 billion of investment. And I think the scale of Aldar's overall balance sheet is still a manageable level of exposure to present our shareholders with, so we're continuing to run that position un-hedged. And we think the fundamentals of the Egyptian home building space . . .

Operator
Excuse me. Your line has paused for a moment. Could you just reiterate the answer you were giving, please?

Greg Fewer
Sorry, operator. I think we're dropping the line here a little bit. Can you repeat the question?

Operator
Yes, sir. Your line had dropped for a moment. I was going to ask you if you could just reiterate the answer you were giving, please.

Greg Fewer
Okay. So the question was Egypt and Egypt outlook. And I think we, the devaluation has not caused us to change our outlook for Egypt. We've invested in there for the long term. The long-term play has not been altered. The devaluation was painful but necessary.

The reason we're there, which is our powerful network able to scale the Sodic platform, take advantage of the powerful Egyptian demographic and the synergies that exist between Aldar and Sodic, who had very complementary approaches to development, we plan to implement our growth plan there unchanged from the, and unphased by the devaluation.

Taher Safieddine

Thank you.

Operator
As a reminder, if you'd like to ask a question today over the phone, please press star, one, and you may use the Ask A Question feature on the webcast to submit your question. We'll pause while we assemble the queue. Thank you.

And once again, you may press star, one to ask a question over the phone or Ask A Question feature on the webcast. Thank you. We'll pause a moment as we assemble the queue. We do have another question, a follow-up coming from the line of Taher Safieddine with JP Morgan. Please proceed with your questions.

Taher Safieddine
Yeah. Hi, Greg. Sorry, this is the last time, I promise. I'm just looking at the development, two things just maybe quickly. Revenue growth has been quite solid, along with EBITDA. And also the cash collections, if I'm not mistaken, we seem to be running at a much higher pace than the quarterly run rate of 2021.

So maybe if you can just help us understand, how should we think about the revenue recognition within the development business into 2022 and the cash collection? I mean, is, are these rates sustainable on a year-over-year? Or we should think as more, relatively stable. So if you can just help us just understand the revenue recognition and the cash collection, that would be very helpful.

Operator
Excuse me, everyone. Excuse me for interrupting. We're experiencing some technical difficulties at the moment. Please stand by, Mr. Safieddine. We will resume with your question in just a moment. Ladies and gentlemen, please remain on the line. We will resume momentarily. Thank you.

Thank you for standing by. Please remain on the line. We are experiencing technical difficulties, and we will resume momentarily. Thank you. Once again, please remain on the line. We are experiencing technical difficulties, and we will resume momentarily. Thank you. Thank you for remaining on the line. Our conference will resume momentarily. We are currently experiencing technical difficulties. Thank you.

Mr. Fewer, I show your line. Can you hear me, sir?

Greg Fewer
Yes, I can hear you. Yeah.

Operator
Thank you. And we have Taher still with us. Please proceed with your questions, Taher.

Taher Safieddine
Yeah. Hi, Greg. So just one final follow-up. On the Aldar development, just looking at the UAE business, revenue is up year-over-year, also EBITDA. And I've noticed in the cash collection that the pace is much stronger than the average in 2021. So how should we think about this revenue (inaudible) and cash collection? Is this sustainable into the coming quarters? Or we should think about the total (inaudible) as similar to 2021? That's my first part.

And the second part, you've been actively launching new projects in 2021. So, ideally, it's fair to assume that revenue recognition on the development side should remain stable to higher into the next two years.

Greg Fewer
Yes, correct. I mean, all that is true. And we're in 2022 now. So there's a little bit of a, the COVID projects that weren't launched during 2020, those would normally have been hitting now. But we were still active in 2021 coming out of launching. The team has been so successful selling inventory and selling land that, and that's kind of what we're going through now. So the Q1 number, we had some great land. We had one land sale, we had some great inventory sales.

And you have yet to see in our revenue recognition some of the big launches that we did at Yas Island, those big-ticket villa developments, ~~Denoya's~~ Noya~~(ph)~~, etc., really hitting, and our Saadiyat (inaudible), for example. These are big, big revenue recognition events that have yet to really start. And that's what you're going to be seen in the second half of 2022 and into 2023. But in the meantime, for 2022, between the land stuff that we've got going right now, between land sales and continued, like we've got a very strong pipeline for the rest of the year.

Taher Safieddine
And when, so when you mention land sales, these are ad hoc, right? This is out of this development portfolio that you currently focus on, right? These are out of that scope?

Greg Fewer
Yeah, correct. Every now and then, and we've talked about how do we guide for this in the past, so we'll sell a 100 million land plot, a 200 million land plot, that kind of thing. So those hit every other quarter. And there's a number of those that we're working on in the pipeline right now.

Taher Safieddine
Okay.

Greg Fewer
The development has an incredible ability to produce strong revenues through the cycle, even with these, with such a large land bank. And in particular, when the world's attention is really

on that land bank, you've got plenty of opportunities to monetize, not just through the off-plan model.

Taher Safieddine
Okay. Maybe just a follow-up technical question, I mean, usually you've been reporting on revenue gross profit. And now we've seen everything has changed into EBIDTA. Is this the way it is moving forward? I mean, and that's my first question. And maybe, is there a big difference between NOI and EBITDA, just in terms of restating earlier historical numbers?

Greg Fewer
Look, not really. I think EBITDA is, frankly, in response to a lot of discussions with your peers. EBITDA is a nice number because it factors in all the costs, below the line costs, which, of course, are extremely important. There's a little bit of noise, in reference to one of the earlier calls about some of the reclassification that we did from the above the line to below the line on those costs. And it just seemed like a good time to be focusing, refocusing everyone on EBITDA, which was a good way to cut through all that and see the fully loaded profit for a business.

Taher Safieddine
Okay. All right, that's clear. Thank you very much.

Greg Fewer
Thank you.

Operator
We do have a question coming from the webcast. There are several questions. The first is, what portion of Aldar's profits come from related party business? Are you seeking more competition in the real estate space from other GRE entities such as Q Properties? Why are Aldar's hotels still loss making? Did Abu Dhabi not see strong improvement in tourism in first quarter 2022? And please could you comment on the rental trends and outlook in Abu Dhabi residential and office markets versus Dubai?

Greg Fewer
Okay. So let's, I'll take those in, as I've written them down in reverse order. So rental trends, so in, taking them by sector. So Villa product right now, of which we do have exposure in our Sas Al Nakhl~~Sasselnackel~~ ~~(ph)~~ development. Those are positive, anywhere between 10 percent to 15 percent. Apartment stock is more single-digit sort of opportunities in terms of rental gross.

The only other thing that will be going on in the portfolio is just the short leases that would be running off year-on-year. As I mentioned, we had a Khalidiya Village they'll be running off. And we have a Mamoura building that will be running out of its short lease later on, so in terms of impact on overall NOI.

The reference to hotels lost, so hotels do make money on an EBITDA perspective. I think you're looking at the post-appreciation impact of that. So our hotels business actually had a decent quarter. With, we're seeing good recoveries overall in terms of staycation, business, local people going out to hotels more, and a large influx of new people coming into the region for holiday making. So we're getting back to, I wouldn't say near fully pre-pandemic levels yet. But we're not too far off.

There was a question on competition, which is a question about, specifically about Q Properties. So Q Properties is really, it's sort of a new incarnation of what used to be Tamouh~~ua (ph)~~. So Tamouh~~Tamua~~ was a developer, and Q Properties is a developer. They have land at Reem Island and other places. Those lands, they are in great locations, and we expect them to get developed at some point. It's important that they do.

Market share has never really been a concern of ours. We run, we think, around 80 percent of the market for off-plan product. And so we welcome competition. It's important, frankly, to keep us on our toes. We do sell lands to sub-developers. And we've announced earlier in the year at Sustainability Week a joint development with Sustainability City and Diamond Developers.

That's an example of us sort of bringing in willingly other developers when they come and, come out for something that complements what we do. So it's good to have competition. We're by far the largest competitor. I think it's important that we have some in the market to keep us on our toes. And there's more than enough to go around.

Operator
Thank you. As a reminder . . .

Greg Fewer
I'm sorry. There was a question on related party, which I'm just going to refer you to the notes in the back of our financials, note number 23-1, where we lay out very clearly what our related party revenues are, which, just looking at those now, are AED 352 million.

Operator
Thank you. We do have another question from the webcast coming from Admire Mavolwane ~~Admir Malvolene (ph)~~. It asks, you've been selling development properties out of inventories for the past two years. How big was this inventory stock? What has been the impact on margins of the repricing opportunity? And how long could you go selling inventory stock, assuming no new launches? Thank you.

Greg Fewer
Okay, yeah. I mean, look, we definitely have had some inventory that we've been liquidating. So we've had Mayan at Yas Island. We've had Alghadeer~~Agadir~~ out in the border with Abu Dhabi and Dubai. And the team has been very successful liquidating those down. We've also

had some handovers. So during the quarter, we finished our Water's Edge development, and we transferred about AED 300 million of unsold products into inventory from there.

And so the team is just pulling up the overall inventory now with (inaudible), about AED 900 million still on the balance sheet from that. So all those numbers are at cost. So there's no, we don't fair value those inventories. So the same gross profit margin we would have realized, we are realizing now.

And the team does reprice to market, so our sales team, if nothing else, is highly incentivized to make sure that if there are higher opportunities for pricing, that we're taking full advantage of those. And you would have seen a fairly healthy profit margin in the development division this quarter, reflecting that.

Operator
Thank you. As a reminder, to ask a phone question, please press star, one, or you may use the Ask A Question feature on the webcast. We'll pause a moment while we assemble the queue. Thank you. Once again, it's star, one for phone questions or Ask A Question feature on the webcast. We'll pause to assemble the queue. Thank you.

Once again, we'd like to give everyone another opportunity to ask a question. You may press star, one from your telephone keypad to ask a question, or you may use the Ask A Question feature on the webcast. Thank you. At this time, I'm showing no additional questions. Would you like to make some additional comments while we poll for questions?

Greg Fewer
No, that's great. Thank you, everybody, for dialing in. And we look forward to speaking to you at Q2. Thank you.

Operator
Thank you to everyone joining us today. This will conclude today's conference. You may disconnect your lines and log off the webcast at this time. We thank you for your participation.