Aldar Properties
Full Year and Fourth Quarter 2022 Financial Results
February 9, 2023

<u>Presenters</u>
Talal Al Dhiyebi, Group Chief Executive Officer
Greg Fewer, Group Chief Financial & Sustainability Officer
Faisal Falaknaz, Acting Group Chief Financial & Sustainability Officer

<u>Q&A Participants</u>
Taher Safieddine - J.P. Morgan
Mohamad Haidar - Arqaam Capital
Assad Hussein - International Securities
Harsh Mehta - Goldman Sachs

Operator

Greetings. Welcome to Aldar Properties Full Year and Fourth 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. 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'll turn the conference over to Greg Fewer, Chief Financial and Sustainability Officer. Mr. Fewer, you may now begin the presentation.

Greg Fewer

Thank you, and good afternoon and good morning, everybody. Thank you for joining the call today to discuss Aldar's financial and operating performance for the fourth quarter and full-year 2022. Just before I start, I would like to introduce two very important people. The first is Faisal Falaknaz, the new Group Chief Financial and Sustainability Officer for Aldar. Per the announcement we sent out several weeks back, I'll be moving on. Faisal will be taking over the position. Faisal has a day job right now, so he's in the room today to welcome and introduce himself to everybody, which he'll do at the end of our call. And I'll take us through the results.

The second and more important person, we're joined today by our Group Chief Executive, Talal Al Dhiyebi, who will start the call by making a few opening remarks. And we have Talal for about 45 minutes. So, time permitting, he'll be here to answer your calls if we get through our materials fast enough.

So without further ado, I'll just pass over to Talal.

Talal Al Dhiyebi

Good morning, good afternoon, everyone. And thank you for logging on to our full-year 2022 results. I want to start by thanking all of you for attending today and for the support that we've received from the shareholders over the years. It's been another incredible year for Aldar across a lot of our businesses. But, most importantly is that we have continued to deliver our promise of growing transparently in all the plans that we have communicated in the past, and we'll continue to create value and reward our shareholders.

From a sales, from a development perspective, which is a core part of our business, our discussion over the years is how we continue to monetize our land bank, understand customer needs, and really penetrate those sales channels much better than we have done in the past. Over 14 or 15 years, we were averaging just short of $1 billion of annual sales; 2021 saw a doubling of that previous average to just shy of $2 billion, AED 7 billion. I'm very pleased that in 2022, we again doubled that number to AED 14 billion, of which 11 came from our core market in Abu Dhabi. So, stopping and recognizing the increase in sale and the performance of the company, but understanding how the market is performing, but also the reform that we've seen across the UAE and in Abu Dhabi the last 18 and 24 months, everything from the social reform to the legal reform, the company's law, the freehold ownership, the Golden Visa, the way our wise leadership dealt with the situation on the ground during COVID, both from a health perspective but also an economic perspective, we continue to benefit from and reap the benefit by seeing this increased performance. It's seeing the increased attractiveness of Abu Dhabi as a place where people want to come and work and live, visit, retire. So, and that clear in that AED 11 billion sales number.

More importantly as well was our ability to penetrate international sales. So, other than non-national but resident sales, for the first time, we were able to attract quite a significant number of international sales to the tune of AED 1.7 billion, which on some projects like Saadiyat Grove reached as high as 40 percent international buyers. So, the museums, the theme parks, everything that used to be a dream and a promise, people are starting to see that as a reality, is now being converted on the ground.

The bridge of the AED 14 billion came from Egypt, which is a core market that we announced in the past. Again, in our first year of operation, we doubled, more than doubled the sales performance out of SODIC to help reduce the impact of obviously the macroeconomic challenges that are there and an area that we're going to continue to enhance performance over the coming [inaudible].

Our property development segment, which is very unique to have in a development business that's typically cyclical, where a lot of people will say that, yes, in 2021, we heard that this was a post-COVID sales period. We've seen increased performance in 2022 and with these international sales. But, what makes our development business even more resilient is the fact that we have this extremely unique and perpetual relationship with the government to deliver services on their behalf. And this is where we export our project management services to them, off balance sheet, or $150 million worth of net fees every year, which helps just improve the profile of our earnings within what typically is a more cyclical sector.

Turning on the other side in Aldar investments, our biggest, it was our biggest year of deployment with $2 billion across pretty much all of our asset classes, from retail to hospitality and very interesting things like entering a new market, which was Ras Al Khaimah and most notably, our biggest acquisition of five prime office towers, which have performed very well since acquisition and cemented us as the landlord of choice within that sector. We enjoy 90 percent occupancy across all of those key sectors.

And then the core businesses that we're now focusing on, whether it's hotels or schools or property and facility managing businesses, have all continued to prosper and grow in terms of a contract awarded, in terms of revenues, EBITDA, and margins, which is quite a sustainable story, looking at all of that together.

Two last points before I turn back to Greg. One was post full-year, we took a very strategic move to enter into Dubai, which is probably one of the most lucrative and attractive real estate markets. We're very proud of the partnership that we announced with Dubai Holding, three beautiful sites that are going to penetrate the Dubai market in the area that we see the most attractive from a customer sales perspective, being the single-family homes and low-rise, low-dense multifamily homes and over AED 20 billion of GDV that we hope to add with those three developments and very exciting times ahead on that and also the acquisition of another beautiful island in between Yas and Saadiya that are continuing to prosper. So, again, very clear, well-articulated strategy.

And our last point, which Greg is going to allude to more, that I want you to focus on, is all the enablers that we talked about, from our people that are at the core of everything that we do. And we continue to attract and have the most talented resource pool across any other business that's out there, which allows us to do more M&A deals than anybody else out there in the region, allows us to transform and extract more value out of our current assets like Yas Mall that we announced in the past, our sustainability, which is another core area.

Greg has been instrumental in launching our Net Zero Carbon Plan, which, as you'll see, is more than the document that we're hanging on a wall. But it's a clear and one of the most detailed plans of any real estate player announcement out there, something that we take core to everything that we do, from a procurement and supply-chain perspective to ways to our ongoing assets, and every part of the business that we do. So, those key enablers continue to feed and allow us to deliver these exceptional results, and we continue to reward our shareholders accordingly.

So, I'm going to cut it there, let Greg walk you in more detail into the numbers. And then we'll share with you our more ambitious plans and some of your questions about where we expect to grow next. Thank you very much. Greg?

Greg Fewer
Thank you, Talal, and we'll work through the presentation starting on Slide 4. So it's been a year of exceptional results. Aldar delivered excellent financial performance in 2022, driven by record development sales and higher income across our expanded investment property portfolio. full year revenues increased 31 percent to AED 11 billion with EBITDA up 32 percent and net profit rising 35 percent to AED 3 billion.

Aldar development, which includes our project management business, delivered another record performance in 2022. Group sales doubled to AED 14.4 billion, and revenue increased 38 percent to AED 7 billion in 2022. This was driven by strong local and international demand for existing inventory and new property launches in the UAE as well as a robust sales effort from our Egyptian subsidiary, SODIC. Indeed, the significance of the SODIC platform is growing, with the business contributing AED 3.5 billion in development sales in 2022 and AED 1.4 billion in overall group revenues.

And very important to highlight here is our group revenue backlog of nearly AED 18 billion. This provides important and strong visibility on our future revenue over the next two or three years, as shown on the S-curve chart on the bottom right-hand side of this slide. This is very important because this illustrates that our revenues will double in the areas, in developments, relative to what we've currently produced in the past. It is very important that you take away from this call today the scale at which we are growing our developments and the visibility with which the future earnings will come.

Moving onto project management on Slide 6. During the year, our project management business was awarded AED 36 billion of new projects, bringing the backlog for Aldar projects to almost AED 65 billion.

On Slide 7, you'll see that that Aldar investment segment continues to be another important engine of growth for us. We have seen a continued market recovery driving higher occupancy rates across our diversified portfolio, particularly in the retail and hospitality segments. Adjusted EBITDA for Aldar investment was up 34 percent year-on-year to AED 1.6 billion. And like-for-like occupancy across the investment property portfolio remains stable at 93 percent at the end of the year.

Our retail portfolio benefited from significantly increased footfall and leasing activity. In particular, at Yas Mall, the redevelopment program has proven an overwhelming success with occupancy now at 98 percent. Our portfolio has also grown with the addition of Al Hamra Mall in Ras Al Khaimah. Hospitality has bounced back strongly, supported by a return of travel and tourism and a busy events calendar. Full-year adjusted EBITDA nearly tripled to AED 202 million. Occupancy was strong at 72 percent in 2022, and we expect further improvement this year.

Value accretive additions to our portfolio such as our investments in Ras Al Khaimah, the Abu Dhabi Business Hub for logistics, and the ADGM Office Tower complex at the Maryah Island have contributed to higher income in this business. We're particularly pleased with the leasing activity in Abu Dhabi Global Market Towers, where occupancy has increased to almost 90 percent from 75 percent at the time of our acquisition, beating our own underwriting case. Our education business also grew significantly during the year with enrollments increasing 25 percent to 33,000 students across our network of owned and managed schools.

Looking at our balance sheet on Slide 8, we remain in a very strong financial position, supported by prudent and disciplined approached capital management and allocation. We have a strong liquidity position with AED 6.5 billion of free cash and AED 4 billion of committed, undrawn credit facilities, putting us in a strong position to pursue our further accelerated growth agenda. Aldar refinanced AED 1.5 billion of bank facilities due to mature in 2023 and entered AED 1.5 billion of new facilities. The combined effect has extended our weighted average debt duration for the group to 4.9 years with no significant maturities up until 2025.

Turning to ESG, on Slide 9, where we had a very strong year. Most significantly, Aldar launched in January a detailed Net Zero road map, which is one of the most comprehensive plans published to decarbonize a business of our scale and of our type in our region. We have committed to achieving net zero across Scopes 1, 2, and 3 by 2050. And we're already working to transform our approach to design and construct, manage our supply chains, and manage our owned assets accordingly.

In addition, we have increased our exposure to global technology funds with a first-time investment in the Fifth Wall's climate tech fund in addition to investments into Moderne Ventures fund and others. This gives us an access to a unique global network of sustainability general investment partners as well as startups, while unlocking opportunities to incorporate these exciting opportunities into our own region and portfolio.

Reflecting our progress across ESG, Aldar has received higher ESG scores over the last year from MSCI, Sustainalytics, Dow Jones, who are the key sustainability rating agencies.
On the back of our full-year results and in line with our consistent and transparent dividend policy, the board has recommended a cash dividend of AED 0.16 per share for the 2022 financial year. As always we endeavor to strike the right balance between preservation of capital to invest in future growth and rewarding our shareholders.

And Aldar has a solid track record of doing both, having delivered 10 percent CAGR growth across dividends over the past decade while deploying and committing over AED 11.5 billion in growth capital over 2022 with a guidance to do more in 2023.

In terms of guidance, we remain heavily committed to driving further growth, as evidenced by our strong transaction activity so far this year, including entering into the Dubai market through our JV with Dubai Holding, as well as expanding our local land bank with the acquisition of Al Fahid Island.

In terms of capital deployment, we again this year plan to invest a further AED 5 billion in equity capital. We already have a very strong pipeline of value-accretive opportunities. With our current leverage policies in place, this equates to about AED 7 billion to AED 8 billion of total firepower for investment property-style assets.

We expect between AED 15 billion and 17 billion in group sales in 2023, and we expect to produce a revenue backlog between AED 21 billion and AED 23 billion by the end of the year. In our project management business, we are targeting gross profit of between AED 500 million to AED 550 million over 2023. And Aldar Investments is seeing strong occupancy and has also integrated new assets into its portfolio. And, as such, we are targeting between AED 2 billion and AED 2.1 billion of adjusted EBITDA for the business in 2023.

So, with that, I would like to pass the call back to the operator. We'll take some calls when we have Talal in the room, and we'll make sure we have some time to introduce you properly to Faisal at the end of the call.

Operator
Thank you. We will now be conducting the question-and-answer session. If you'd like to ask a question today, 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'd 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.

For those participating on the Web today, you may use the ask-a-question box on your screen to submit your questions. Thank you. And once again, it's star, one to ask questions over the phone, or you may use the ask-a-question box on your screen. We'll pause a moment to assemble the queue.

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

Taher Safieddine

Yes, hello. Hi. Good afternoon, gentlemen. Thank you very much for the call, and congrats on a strong set of numbers. This is Taher from J.P. Morgan. Just maybe two questions. The first one is on the equity deployment. I mean, 2022 was quite an active year in terms of capital deployment. But, I mean, clearly, you've spent a lot on the commercial side with the big acquisitions, the big tickets. If I may, within this AED 5 billion equity deployment or, Greg, you mentioned AED 7 billion in total firepower, how should we think about sector allocation? Is it going to be in new sectors or we will still be looking at the existing platform that you have today in the recurring portfolio? That's the first part of my question.

And maybe just on that, adjusted EBITDA guidance indicates around 25 percent growth year-over-year, if I'm not mistaken. How much of that is new acquisitions and how much is like-for-like? The reason I'm asking is because you guys have been very busy in 2022. There are lots of really deals to put through in our models and numbers. So, maybe if you can just give us some more color on that. And then maybe I'll go to my second question, if I may.

Talal Al Dhiyebi
On the first one, Taher, thank you, it's Talal. So, on the AED 5 billion, obviously it depends on certain opportunities. We have a big pipeline that we're looking at. It was quite diversified in 2021, as you said. And we got some great assets across predominantly the hospitality side, which opened up a new geography, and the office side. We are open to looking at different opportunities as they came. So, would we do another office deal if the right opportunity came? Yeah, we'd definitely look into it.

But, also very important from an AIP perspective is to maintain that diversity that we've had in the past. We were under-invested in the past in commercial. This has just brought us in line by having almost an equal split right now between retail, resi, and commercial. That will change from year to year with acquisitions and things. We don't think that we're overexposed in any one of those sectors. And when you start to break it down, office as an example, when you talk about Grade B office spaces or business parks, we still see opportunities over there.

Our main focus, however, is in a number of new sectors that we've talked about in the past. And some of that is in nonconventional real estate. What we talked about, logistics, so we entered our first deal with the creation of Aldar Logistics when we purchased Abu Dhabi Business Hub. We're still very active pursuers in this field. And we're looking for many more opportunities. Other nonconventional sectors are education. There's PROPCO/OPCO-type structures that are there, life sciences, things like labs, healthcare or other areas or data centers on the real estate side, more than on the OPCO side, are key sectors that we're going to continue to look into.

We also do see opportunities in specific segments within residential and retail. Some of those will be through acquisitions. Some of those will also be through internal d-hold where our development business will build specifically for the REIT. Some of that will be in the affordable housing, and on the retail side will be in the community retail, where we don't see ourselves building any more regional or super regional malls. But, we see a lot of opportunities, particularly within our new developments, on a lot of community retail.

So, we want to remain diversified. It will change from year to year. With the split of where we are at the moment, we like, except for obviously the introduction of these, what we are calling nonconventional real estate.

I hope I answered that question. And then Greg will walk you through the second one.

Greg Fewer
And, Taher, so just on the adjusted EBITDA guide, so first observation is we used to guide NOI. We're now guiding on adjusted EBITDA, which includes all the costs of our business. So, in that platform that produced 1.6 billion of adjusted EBITDA, about 100 million or so, just under 100 million, of costs, one-off nonrecurring costs would have been booked over the course of 2022. some handover costs that we had, giving back some apartments to, on those short leases that we had, and some receivable impairments that we took, nothing out of the ordinary, nothing untoward, sort of cleaning out sort of old legacy items.

That like the, without one-offs, the number was more like AED 1.7. So if you take that AED 1.7, the incremental addition from the assets we acquired last year, over and above what we already produced in 2022 since we acquired them, is around AED 260 million, AED 270 million. So, that takes you up to AED 2 billion. So, to answer your question, the vast majority of the guidance of AED 2 to AED 2.1 is coming from acquired existing assets. And you don't need to believe in an awful lot in terms of like-for-like growth, and there's not a lot of like-for-like growth built into that guidance, and if anything, it's a little conservative because we will be deploying AED 5 billion of equity into new assets. So, those will just add to that performance we'll be able to do there.

Taher Safieddine
Okay. So, if I understand correctly, this buildup from AED 1.7 to AED 2.1 will include around AED 260 million to AED 270 million coming in from the pre-2023 M&A, right?

Greg Fewer
Correct, yes. Correct.

Taher Safieddine
Okay. And what was the number, sorry, in 2022 from this AED 1.7 million? How much was contributed from the newly acquired assets over the year? Do you have a ballpark figure on that?

Greg Fewer
Yes. Just a little, almost the same. Just a bit less, about AED 240 or AED 230, in that ballpark.

Taher Safieddine
Okay, AED 230. Okay. Sorry, just to leave room for others, the second question is just on the JV with Dubai Holding. Just quickly, I mean, it's quite sizable. So, maybe you can just give us some color on the economics. Is it more asset-light, where Dubai Holding contributes the land, and you handle everything in terms of development and sales, and then you share the profits? I think this is really the first question. And the second question within that is can you be more specific on where were these land acquisitions, if that's possible? Thank you.

Talal Al Dhiyebi
So, there's three sites, Taher, that are on the Mohamed Bin Zayed highway, very close to very well-established destinations, everything from the Arabian Ranches to the villa to Barari, the prime infrastructure is there in terms of highways and utilities and, as I said, very well-established destinations right adjacent to us.

The product mix is, I would say, 70 percent to 80 percent skewed towards single-family homes and different things. We'll have everything from townhouses to villas to the more premium-type single-family homes over there as well as low-dense apartments. The partnership with Dubai Holding, so it's being, it's completely led by Aldar. The lands are being contributed in. There are certain contractual payments that are back ended. And all of the equity funding is going to be provided by Aldar. There are certain preferred returns that we have there and then certain thresholds beyond which we have a profit share mechanism with them. It is a very attractive market. We're very confident in our ability to go out and not only monetize these profits and deliver a significant amount of profit in the coming years from them but actually produce something that is very different and competitive in those areas.

So I'd say from a risk perspective, it's really about believing in what Aldar can do and bring to the table. And within that, one of the differences that we have, because we're diversified, we bring in the resi, and we bring in our know-how when it comes to managing communities, our schools, our retail, our co-working spaces, all of which we have. And that's really what we think the market really lacks is these very sort of sustainable type of communities that are there.

So, that will be a big part of the guidance when we launch that. So we can talk about launching. In late Q3, early Q4 is when we expect to complete the master plans and the approvals on those sites and hopefully go to market within that window. And as we'll be launching those projects, we'll be talking much more about that, unless you have any other specific questions.

Taher Safieddine
No, that's fine. Thank you. I'll leave it to others. Maybe I'll come back in the queue. Thank you very much.

Talal Al Dhiyebi
Thank you.

Operator
Our next question comes from the line of Mohamad Haidar with Arqaam Capital. Please proceed with your question.

Mohamad Haidar
Thank you. And hello, everyone. This is Mohammed Haidar from Arqaam Capital. Just a follow-up question on the JV with Dubai Holding, please, is there a down payment involved in this deal? And this is going to be part of the AED 5 billion equity capital to be deployed this year?

My second question, please, is how should we think of this new partnership with Dubai Holding? Will it be limited to the 9,000 units, or should we expect more expansions and partnerships in the future?

Talal Al Dhiyebi
Okay. So, I'll answer your second question, Mohamad. Thank you. And then I'll pass the difficult question to Greg. The first one is one Dubai Holding. Dubai Holding are one of the most established players that are out there. We have a very close collaborative relationship with them. We're always looking for opportunities within existing partners and others. But, like what we've seen with Apollo and others, when we work with Aldar, we like to have these sort of longstanding relationships with people.

They're involved in many sectors, which you guys can read about. We can't comment on specific things. But, we are looking to do more opportunities with them across, whether it's on land or in some of the other sectors that they're in. And we're also looking for other opportunities in Dubai, alongside any other partners or opportunities, where we just acquire land or acquire assets.

Again, our deployment strategy, we have a clear deployment strategy for our education business, for our property and facility management business. We actually went in in the last few years and deployed the acquired companies like Asteco and others as part of our property and facility management company. Similarly, each of our other sectors, whether it's hospitality or others, may see opportunities that are there. So, and we think that's the real value-add is to continue to invest, not necessarily in every single sector that we're in but wherever we see value for us to be able to go in and create rewarding value for our shareholders.

So, I hope I've answered your question. Greg will talk about the deployment and the down payment.

Greg Fewer
Mohamad, so in terms of financial impact, this is the JV that Aldar will control. So, we'll record the revenue. The assets will be on our books. It will appear on our balance sheet, and we'll work through our P&L and our cash flow statement in the same way that any owned project from Aldar would. In terms of some of the, there is, to the land acquisition, there is a small down payment upfront, and as Talal said, some modest payments required throughout the period that are very, very back-ended, so very, very patient. And ultimately, what you're seeing is a JV where, between the proprietary return and the profit sharing, Aldar, will be making the majority of the profits out of this JV. But, you'll see this on top of, it will appear in our financials like any other project.

Talal Al Dhiyebi
It's in the way we deploy it. I think one thing that makes Aldar different is that when you look at last year, our overall deployment strategy, it was much more skewed towards our recurring income portfolio and getting immediate returns that are there. We are continuing to invest in our land but doing that in a very smart way with very back-ended and long payment plans, or such as our acquisition of Saadiyat Lagoons, which we announced I think maybe 12 months ago or so, which was paid as value in kind.

I think that kind of sophistication in terms of how we expand both parts of our business, but in a very, very smart and equity-accretive way, shows you the kind of discipline that we have within our investment committees. And that will be kind of the same theme going forward.

Mohamad Haidar
Very clear. Thank you very much. And just one follow-up on this one, Dubai Holding is known to share the land for 60 percent of the overall profits of the project. Will it be the case in this JV? Or will Aldar own more than 50 percent?

Talal Al Dhiyebi
It will be a very profitable joint venture for Aldar, and the first of hopefully many more opportunities, that, I think we've given quite a bit of disclosure and stuff so far. Once we announce our projects, we'll be giving you more light and guidance, Mohamad, on those specific projects. But, we expect to have very healthy margins on these projects as we go forward. It's not as straightforward as you explained in

terms of the way the waterfall structure works. But, as I said, we expect them to be quite rewarding for us, and we're very confident in our ability to monetize it.

Mohamad Haidar
Understood, Talal. Thank you very much. And, Greg, my final question. When you said that development proceeds are going to double in the future, so is it going to be like in 2023, it's going to be double what we saw in 2022, or it's going to take some time to actually reach that figure?

Greg Fewer
Yeah, so we've included, we've enhanced the sort of average duration S-curve, let's say, of our current AED 14 billion backlog in our disclosure slide. Now to show you the relatively young duration that the current backlog program has. So, the first half of 2023 might look similar to, with some modest growth, to 2022. But, you really see Aldar explode in the second half of 2023 and into 2024.

So, it's just, it's really, really important to, if people are thinking about us in those terms. We've got, just the last 12 months, we have just seen an incredible explosion in sales of new projects that are sold. We will construct these as soon as, as easily as the sun will rise in the east, so, too, will these projects get built, and so, too, will the revenues and profits get recorded.

There's as much visibility, I argue, on the development side as there is on the asset management side, where we have contracted rent, and we make rent. Here we have a contracted sale. We're in command and control of our delivery organization here and supply chain. And we've got excellent performance from our customers. We have very, very low default rate still. It's a very good jurisdiction for people like us to operate in. And so you really need to be thinking about our business growing in terms like that.

Mohamad Haidar
Understood. Thank you very much. That's all from my end.

Talal Al Dhiyebi
Thanks, Mohamad.

Operator
Thank you. The next question is from the line of Assad Hussein with International Securities. Please proceed with your questions.

Assad Hussein
Hello, everyone. This is Assad Hussein from International Securities. I just have two quick questions. First, as you can see from the numbers like Aldar investments recurring portfolio, the revenues have increased. I think partly some of it can be attributable to new acquisitions which were made in the previous year. And then some of it is attributable to the higher occupancy which the company would have witnessed. So, can you just give, more specifically point out or give color on how the occupancies were for the existing assets compared to like the new assets which were acquired in the previous year?

Greg Fewer
So, our existing portfolio, almost across the board, going back six to nine months, has been in the mid-90s, almost across all of them, whether it's commercial office, retail, residential. The significant

acquisitions we made was the ADGM Towers, which we acquired in the, say, the low to mid-70s and now have gone into the 90 percent range. So, that has been a ramp-up of leasing occupancy since that acquisition took place.

The other important thing to note is we also acquired recently a tower in partnership with Mubadala on Maryah Island, which is as of yet unoccupied. So, that's not rolling up in our occupancies right now. That will get topped and tailed a little bit before we launch it into the leasing market in the, later in the first quarter this year.

Assad Hussein
Sure. Just one more question on these development revenues. Like for this particular quarter, we can see there was some slight like correction in the margins in the development business, especially pertaining to UAE. How can we expect these margins to evolve in the future? And then if you can just give some color on that.

Greg Fewer
Yeah. I mean, I think the main thing there was the like-for-like comparator. We had an exceptional quarter in Q4 last year where we released some cost provisioning that we had that we weren't going to spend on some of our projects that, in terms of impact on margins, is very pronounced in the quarter it takes place. So, that didn't happen this time around. So, the kind of margins, the gross profit margins you're seeing now, are more sustainable in that 35 percent range.

And as we start to develop more with JVs with our partners, you should see that continue across the portfolio, always, of course, subject to mix, where we sell more land versus more mid income. You'll see our margins drifting more down towards the mid-20s, where there's more land and more luxury products. You're going to be more towards 35 and on average blend us out around 30-ish percent. And we don't see a massive change in that guidance going into 2023.

Assad Hussein
Sure, thank you, thank you.

Operator
Thank you. At this time, we have some Web-submitted questions. Our first is coming from Nikhil Mishra. Can you please provide color on the like-for-like growth, excluding the impact of acquisitions? Particularly in the context of Aldar Investments, what was the contribution of acquisitions for fourth quarter or full-year to get some idea on how to see the contribution of the completed acquisitions for 2023? Thank you.

Greg Fewer
Yes. I think we answered that earlier on the call where we had about AED 240, AED 230-240 of contribution from acquired assets in 2023. The most notable change in like-for-like contribution was really coming from hotels where we had an exceptional Q4 across the owned, the like-to-like assets. And we've had good like-to-like growth in retail as the leasing program at Yas Mall continued to accrue the income in 2022 that we hadn't fully done in 2021.

Operator

Thank you. Our next Web question comes from Boudewijn Schoon. Are you seeing higher costs for financing? What is your return hurdle on development or asset acquisition? Has it changed with finance cost increases? Thank you.

Greg Fewer
So we definitely -- we have seen the finance cost increase. So, our overall cost of debt right now sits at about 4.95 percent, in that range. Historically, when LIBOR was much lower, it was in the 3s for us. So, like every corporate out there with some exposure to floating rates were seeing that. The question in terms of our hurdle rates, we do have a very disciplined investment process here, where we have hurdle rates. We see our group weighted average cost of capital in the high 9s. We have around 8 percent weighted average of capital in the REIT and about 13 percent in the home builder. And those are the hurdle rates that we generally apply to every acquisition that we look at.

Now by definition, without getting into too much detail on the theories of corporate finance, those don't change with the short-term machinations of LIBOR. Those survive that. They were ultimately founded on long-term, forward-looking estimates of what the components of our cost of capital and our hurdle rates. So, no, we have not changed those. And indeed, if you look at our fair valuations with LIBOR increasing 1.5 percent, 2 percent, we have not seen much change in the cap rates that ultimately drive the valuation of existing real estate.

But, you have seen some changes in other parts of the world. But again, one of, reminding the caller, is one of the great things about the Abu Dhabi market here is we have the highest, and certainly going into COVID into the rates correction world, we had the highest spread to sovereign in terms of the spread between what the average cap rate is for commercial and institutional real estate in a market and what the risk-free rate for the sovereign is [inaudible] in the world.

So, our ability to absorb cost of debt increases here is much higher, much higher than what you'd expect to see in other markets where you see real estate lending now at 6 percent, where in those markets sometimes you saw cap rates in 4.5 percent and 5 percent ranges in the months before. That is not the dynamic in our market.

Operator
Thank you. We have a question coming from the phone from the line of Harsh Mehta, Goldman Sachs. Please proceed with your question.

Harsh Mehta
Hi. Good afternoon, gentlemen. Just a few questions. So, the first one is, on your recent announcement about entering into Dubai, and you kind of alluded in terms of the JV structure. What I'm keen on understanding is should we assume that Aldar would at some point be an independent master developer in Dubai? And I'm more interested in understanding because Dubai has always been a fragmented market, more cyclical. And you guys have generally been a master developer in Abu Dhabi, managing an entire community. So what is the plan there, not now but two or three years out from here? And I'll keep my other questions later on, yeah.

Greg Fewer
Okay. Yeah, I mean, look, in terms of the role we're playing in this JV, we are the master developer. We will sell, we will procure contractors, we will design, we will manage communities, we will bring the

Aldar DNA and the Aldar way of development into Dubai. And as you've observed already, and we agree with you, we think sometimes Dubai can appear as a fragmented market.

And sometimes the way its buildings go up, don't have that kind of community feel to it, that thoughtful approach to community development. So, we think there's a space for us in that market. And we will be leading our developments in that market with our brand and with our networks. And the goal would be to expand.

Harsh Mehta
Okay. Fair enough. Thank you. The same question is on the guidance for the project management where the guidance is somewhere around AED 500 million to AED 550 million of gross profit. Now that's not really very high compared to the gross profit that I saw for 2022. And this is despite the backlog charge for the project management, showing a significant growth in terms of new awards this year. So, is it fair to assume that a lot of this new backlog that you've got is actually going to get executed and deliver on your gross profit, probably three, four years out from now?

Greg Fewer
Correct. I mean, some of that, again, we've got that enhanced guidance slide in our investor pack where we split the backlog into a red bar, which is under construction, and a black bar, which is approved and awarded and is under design. So the black bar got a bit bigger this quarter, a bit more distant. I think we're also just being a bit more conservative in terms of those guidance.

We want to make sure we're being robust, and the stuff that we announce, we're very confident we'll hit, so you people value it and make sure that you bank on it. So, this is still showing growth. I mean, it's going from AED 450 million to AED 500 million, AED 550 million, so that's 10 percent, 15 percent, 20 percent growth. And it is still a growth business.

And what we said on the last call, and I'll say it again now, the longer we manage this franchise, the more we like its stickiness and the more the government is seeing the value that we're bringing to them by managing these projects. So, we feel better and better and better about this franchise as, the longer and longer we're into it. So, it's still a growth story. We're improving the visibility on how it looks. And, yes, you could surmise that to realize the full AED 60 billion that we're putting into sort of years two and three.

Harsh Mehta
Thanks for that, Greg. And just the last one. So when I look at the fourth quarter net margins, after adjusting for the reevaluation gains and some provisions and one-offs, the actual net margins that I calculate as under 20 percent, which is one of the lowest in the recent past. A part of that you already explained in terms of the reasons why you had lower gross margins in the development business.

And part of it I see is because of the increase in finance and costs. Now, as you mentioned earlier, the gross margins that we saw in the property development side now seems at more kind of sustainable levels, around 30 percent, 35 percent. And on the other hand, the financing cost seems to be kind of, will remain high in the near-term. So, it is fair to assume that your net margins would be somewhere around 20 percent at least for the next few quarters?

Greg Fewer

That's around 20 percent. That's not bad. I mean, I think, I think it's definitely right not to look at our Q4 as a guide at all. The Q4 for us this year, we had a huge increase in sales and marketing and G&A costs because of the activity. And we had over AED 5 billion in sales. We had one of the busiest sales quarters ever. And, as you know, you record your marketing expenses and then the business of launch in the quarter you do it, but you don't record the revenue for the project over time.

So, our cost base was blipping a bit high this quarter in anticipation of the revenues for the sold projects coming through. That was a big jump. I mean, you saw over AED 100 billion in sales and marketing increase in this quarter and also AED 100 million in G&A. And that is all from activity that we are not recording revenue on.

We also had some one-offs in Q4. So, there's probably another AED 40 million to AED 50 million of one-offs that you're probably not adjusting for that are in our EBITDA line, like the bridge between gross profit and net profit, that are one-offs this quarter. So the 20 percent, that will be a little higher probably than 20 percent. I'm just thinking at the top of my head on a sustainable net guidance. But, I don't think you're too far off. But, don't use Q4 as a straight line. That's my message.

Harsh Mehta
Understood. Got it. And just one follow-up question on the first question I had on the access to Dubai. So, you did mention that you'd be looking at going further into Dubai. But, just getting more, like would you be doing like independent master development like a lot of other developers, private sector developers, do in Dubai? Or you'd always, would you always prefer a joint venture? Because in the past, you guys had announced a JV with Emaar. Now it's a JV with Dubai Holding. So, is that a more preferential kind of way, similar to what you've done in Egypt as well?

Greg Fewer
I mean, look, we're 10 years of reviewing the Dubai market, and we're two for two on the JV side in terms of preferred entry method. So, yes, definitely it's, you could call it our preferred way. So I think it's just the way that things have played out as we've evaluated all the potential universe partners there. Very quickly you land on the big institutional players like Emaar and Dubai Holdings in terms of where the prime, prime land is.

I think one lesson that Dubai tells you on real estate is that you really need to be prime. And if that's, and that's certainly our approach to Dubai. And if that's your opening premise, then that leads you to one or two or three players. And you just do a good, the most transactable commercial deal that makes sense for those counterparts. In these cases, they've been JVs.

Harsh Mehta
Got it. Very clear. Thank you so much.

Operator
Thank you. We have reached the end of the question-and-answer session. Any unanswered questions will be addressed directly, by the company directly. I will now turn the call back to Greg Fewer for closing remarks.

Greg Fewer

Okay. Thanks, all. I just wanted to, just to wrap up, to pick up on the intro we made at the beginning, so we're very happy that Faisal Falaknaz is joining us on the call. He will be taking over as Group Chief Financial and Sustainability Officer, effective the end of this month, and what I hope looked to everyone like a very smooth and orderly transition because that's exactly what this is. Myself, I'm going to be moving out within the family here, never leaving Abu Dhabi, staying close. It's been a very easy transition in that sense, very well planned. We've had great succession, great talent in the organization.

Faisal Falaknaz
Thank you, Greg. I look forward to taking on this role. I've always been proud to calling Aldar my home, so two and a half years in my current capacity as Aldar Investment CFO. I've also worked with Aldar back in 2012 in different capacities. And obviously, Greg had a huge impact on the organization for the past decade. So, it's a privilege to be carrying the baton, going forward. I look forward to upholding the same principles of the group all the way from transparency, governance, financial prudence and, most importantly, continuing to drive shareholder value. And I look forward to meeting you also.

Greg Fewer
And with that, we'll conclude. Thank you, everyone, for dialing in, and see you next quarter. Thank you.

Operator
This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.