Aldar Properties
Third Quarter 2022 Financial Results
October 27, 2022

Presenters
Greg Fewer, Chief Financial and Sustainability Officer

Q&A Participants
Taher Safieddine - JPMorgan
Mohamad Haidar - Arqaam Capital
Nithin Nishara (ph) - Al Ram (ph) Capital

Operator
Greetings, and welcome to the Aldar Properties Third 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 on your telephone keypad. As a reminder, this conference is being recorded.

I would now like to turn the call over to Greg Fewer, Chief Financial and Sustainability Officer. Thank you. You may begin.

Greg Fewer
Thank you, and good afternoon, everyone. Thank you for joining the call today, and we're going to be discussing Aldar's Q3 2022 financial results. As usual, I do look forward to taking your questions. I'll start with a few statements on the overall performance and turn the call over to the operator for Q&A.

So we're very happy to be reporting an excellent set of numbers for the third quarter of 2022. Aldar's Q3 revenue rose 30% to AED 2.7 billion, while net profit increased 27% year-on-year to AED 601 million. This resulted in an outstanding year-to-date performance with a 28% rise in revenue to AED 8.1 billion and a 38% increase in net profit to AED 2.13 billion. The strong results across our areas of our business clearly demonstrates the success of our ongoing execution of Aldar's transformational growth strategy, which continues to deliver strong performance.

The Aldar Development platform, which includes our Aldar Projects business is performing very well. Q3 EBITDA for the business increased 31% year-on-year to AED 1.26 billion on the back of continued strong sales. In fact, we've achieved the ninth consecutive quarter of record-breaking group sales with year-to-date sales standing at AED 9.3 billion, representing a 51% year-on-year rise from the same period last year.

We've had a busy year so far in terms of development launches in the UAE. This enables us to achieve year-to-date UAE sales of AED 7.2 billion, surpassing the lower range of our full year guidance. This has been supported by strong local and international demand with international buyers now accounting for 38% of our UAE sales.

Meanwhile, SODIC, our development business in Egypt, achieved AED 2 billion of sales this year to date and also contributed AED 360 million in revenue and AED 63 million in EBITDA for the third quarter. Our development backlog on a group-wide basis now stands at AED 14.5 billion, which is up 150% from a year earlier. This is revenue that will be booked as developments progress and provide strong earnings visibility going forward as we deliver on these projects into the future.

We've also witnessed the continued strengthening of Aldar's project management services business, which we call Aldar Projects, with AED 31.6 billion of new projects awarded year-to-date across our construction management portfolio for infrastructure, community buildings, schools, and national housing. Aldar Projects will continue to provide stable and recurring fee income and therefore, greater revenue visibility going forward and will be a significant engine of growth and stability for the group as we deliver on existing projects and take on new awarded projects.

Our total CapEx backlog now stands at AED 62.4 billion, up 56% from the beginning of the year. AED 35 billion of this backlog relates to projects that are currently under construction and will be completed over the next three to four years. In addition, we have AED 28 billion of projects that are in the design stage that we expect to commence construction over the coming months.

Meanwhile, the Aldar Investment platform is also seeing significant revenue growth due to new acquisitions and strong performance from retail, commercial, and our hospitality segment. Revenue for the platform was up 34% year-on-year in Q3, with adjusted EBITDA rising 33% to AED 424 million. Adjusted EBITDA for Investment Properties was 23% higher year-on-year at AED 342 million in the third quarter with occupancy across the portfolio very strong at 91%.

Residential adjusted EBITDA was up 7% year-on-year, retail up 12%, and commercial increased by 46%, largely through the addition of the recently acquired ADGM, Abu Dhabi Global Markets, office towers. Our recently acquired logistics assets also made EBITDA contribution of AED 14 million over the quarter, and Aldar Education delivered EBITDA of AED 29 million, growing 14% year-on-year, with student numbers 25% higher at 33,000 students as the platform grows to include 28 owned and managed schools.

Hospitality has also bounced back strongly with an adjusted EBITDA of AED 30 million in Q3 with occupancy at 70% during what is usually a relatively quiet quarter. We expect this growth to accelerate further as we enter a very busy season for events and tourism with expected boosts coming from the FIFA World Cup and the F1 Abu Dhabi Grand Prix.

Our property management and facility management, Provis and Khidmah, respectively, are growing significantly. And during the quarter, we acquired Spark Security Services. The Principal Investments business that holds these assets achieved 60% year-on-year increase in EBITDA to AED 24 million in the third quarter.

And as you're aware, Aldar has been pursuing an accelerated and transformational growth agenda over a year now with the aim of adding significant scale across our diverse businesses, not only our core development and investment property business, but also project management, property facility services, logistics, and education.

In this context, we have taken on a number of steps to accelerate our growth. Since this year, we have committed and deployed over AED 11 billion of capital to add to the scale and the diversification of both our businesses Aldar Development and Aldar Investments. Our largest acquisition, the AED 4.3 billion transaction for the ADGM office towers, was closed during the third quarter. We are already making very good progress in increasing recurring income from these prime assets.

Asset class diversification remains a key element of our strategy and we made further additions to our hospitality portfolio in Q3 with the additions of the Nurai Island Resort, Rixos Bab Al Bahr, the DoubleTree by Hilton in Ras Al Khaimah. And we've expanded so far to see our retail segment in addition with the acquisition of the Al Hamra Mall also in Ras Al Khaimah.

To further diversify our investment properties portfolio, we expanded into logistics earlier this year with the addition of the Abu Dhabi Business Hub. We also added a school here in Abu Dhabi to our Aldar Education portfolio.

In addition to this, we further expanded our development land bank with the acquisition of prime land on Saadiyat Island. In addition to lands acquired in association with the assets we acquired at the Marjan Island in Ras Al Khaimah and in Nurai.

We continue to carve and create a credible track record in closing transactions and deploying capital and showing a pattern of outcomes that reflect the effort that the management team is putting into creating a pipeline and on executing growth-oriented transactions.

Looking ahead, we continue to have a AED 5 billion allocation of surplus capital that has been allocated to fund equity contributions towards acquisitions over the next 12 months to further drive scale and to further grow and enhance and diversify our business.

On the capital raising front, the remaining components of our USD 1.4 billion Apollo investment were closed and fully drawn during the third quarter. These included the USD 500 million land joint venture and a USD 400 million equity investment that Apollo made into Aldar Investment Properties at 100% of net asset value. And as we've highlighted before, this transaction, overall, adds a significant strategic partner and a significant financial back that will continue to help scaling up our real estate platform and help drive further transformational acquisitions going forward. The investment by -- the investment into Aldar by Apollo is an initial but very credible and real indicative indication of the value on offer in UAE for institutional real estate investors.

So turning to overall market conditions in general. It is clear that property markets globally are coming under some pressure due to slowing economic -- slowing economies and rising interest rates as a response to inflation. The UAE is not and will not be totally immune to these global trends. However, there are very credible reasons to believe the country will continue to prove highly resilient and to be an outlier at this time in our global markets.

Robust global hydrocarbon prices are allowing the country to press ahead with investment programs to implement the strategies to drive economic diversification and the overall transition into an inclusive, net-zero economy.

Moreover, the government continues to invest heavily in the UAE as demonstrated by the comprehensive program of economic and, importantly, social reforms that have already been implemented and designed to bring more capital and people to make them at home in this country. This bodes very well for Aldar's diverse businesses as these reforms have led to an increasingly mature asset market, and we are seeing growing demand from international customers and international investors and significant interest from growing expatriate and UAE -- growing from our expatriate and UAE core base of customers in our offline markets.

As we approach the end of the year, we remain focused on accelerating our growth further and building on the strong momentum showcased to date by driving value and growth in our existing portfolio through our strong asset management experience, as well as pursuing acquisitions that build scale and enhance our offering.

And to reiterate, we still have a further AED 5 billion of surplus capital that has been allocated to fund equity contributions towards acquisitions over the next 12 months to help drive this scale. The focus for those will be in our home market here in Abu Dhabi, Saudi Arabia and Dubai and across segments, including development, education, and logistics, including our core investment property portfolio.

We expect the strong momentum in development sales to continue, and we're updating our guidance such that we think we'll achieve AED 12 billion to AED 13 billion of group development sales for the full year of 2022. This comprises AED 9 billion to AED 10 billion of sales from UAE and a further AED 2.5 billion from Egypt. Separately, we continue to expect Aldar Investments to deliver on an EBITDA for the year of AED 1.9 billion for 2022.

In summary, we are delivering sustainable growth to create value for our shareholders in both the short and long term across our platform. And we have a proven ability to deploy capital accretively to add scale and to diversify our sector and geographic footprint, and we remain uniquely positioned to continue to execute on this transformational growth strategy and to enhance and grow our earnings capacity further in 2023 and beyond.

So that concludes the comments. I'm very happy now to turn the call back over to the operator. We can take some questions. Thanks.

Operator
Thank you. We will now be conducting a question and answer session. If you'd like to ask a question via phone, please press star one on your telephone keypad. 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 key. Participants joining via the webcast, you can use the Q&A function to send questions. Again, if you're joining via the webcast, you could use the Q&A function to send questions. One moment, please while we pull for your questions.

Our first questions come from the line of Taher Safieddine with JPMorgan. Please proceed with your questions.

Taher Safieddine
Yes, hi. Good afternoon, Greg. This is Taher from JPMorgan. Thank you again for taking the time. Maybe couple of questions from my side. The first one is just on the Apollo deal. Can you just indicate what kind of valuation for the investment portfolio was finalized? If you can just throw some number and what's the implied stake, minority stake that these guys have taken in the business? That's my first question.

And my second question is just on the recurring portfolio. You mentioned on the M&A deployment, the sectors. I don't know if I heard that correctly, but you focused on education and logistics. So I just want to check if that's correct?

And the other part of the question is the strong trends we saw in the residential and retail portfolio on EBITDA and also on occupancy, if you can just throw some color there and maybe update us on the redevelopment of Yas Mall in terms of KPIs. Thank you.

Greg Fewer

Okay. Thank you, Taher. So just on the first question, so the valuation that Apollo entered AIP at was book value with NAV. 100% of NAV, no discount or anything. It was 100% of NAV. That equates to about 11.1% of the issued share capital of AIP. There's a slight -- there's a 0.7% of the company that we're sort of holding in escrow pending the outcome of corporate tax. And so those disclosures are in the financial statements. We're confident that there will be a REIT tax regime. And if there is a REIT tax regime, then we'll be making that 0.75% back again. But the core valuation was based on the book NAV and a nontax environment of 11.1% at 100% of book value.

In terms of the second question on the recurring assets in the focus areas. It really remains -- we see opportunities across all the main sectors. I mean the ones that we really -- we had a focus to fill were logistics because that was a sector that was conspicuously absent from our portfolio, and it's a high growth, very important sector in our region. So we're very happy to have closed the Abu Dhabi Business Hub transaction earlier in the year. And we definitely see more opportunities in that space. But given the scale, again, of our -- and the diversity of our portfolio, it was nice that we can act on great opportunities when we see them wherever -- whichever sector they are in. Whether it's commercial office as we did with the ADGM towers, multifamily is an attractive asset class as always and the hospitality, which we've acted on a lot during the year, really responding to good niches like we have done in Ras Al Khaimah or with Nurai Island, which is really a unique, one-of-a-kind asset and at very good entry prices.

Education remains very interesting. We're really enjoying the growth that we're seeing in Aldar Education. We think there's a lot more to run in terms of expanding that platform into -- within Abu Dhabi as the government continues to privatize and use the -- and activate the private sector and its charter school program, which has been the main source of growth, as well as Egypt.

Your third question was on some of the sector performance. So yes, very strong performance in resi from an occupancy perspective and retail, again, from an occupancy perspective. So in retail, we saw additions coming from Hamra Mall, that drove our NOI up. But occupancy at Yas Mall has been exceptional really because -- if anyone's in the mall, all the hoardings are sort of 99% down from the redevelopment program that we executed over the last 12 months, and we're enjoying 97% occupancy within the mall right now. So again, the whole success of our redevelopment plan there has been shining through the success we've had leasing. Success you have leasing in our market is really the brand and the retail franchise or who operates here, revalidating Yas Mall as the number mall in Abu Dhabi. So that was really doubled down. And as the COVID restrictions continue to loosen, we see a lot more upside further to achieve in what we've done there.

Taher Safieddine
All right. Very clear. Thank you. I'll come back in the queue later. Thanks.

Greg Fewer

Thank you, Taher.

Operator
Thank you. As a reminder, if you'd like to ask a question via the phone, please press star one on your telephone keypad.

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

Mohamad Haidar
Hi. This is Mohamad Haidar from Arqaam Capital. A follow-up on the Apollo deal regarding the 400 million investment in AIP. So what's exactly included in Aldar Investment properties? Is it the investment properties, hotels, education, and projects, all these combined? That's one.

Two, we saw that the new acquisitions contributed roughly AED 100 million in Q3. How much do you think this will grow in Q4? So it's going to more or less double in Q4. So we should expect roughly 200 million contribution to NOI in Q4? That's it from my side.

Greg Fewer
Okay. So Mohamad, good to hear from you again. So on the first question on the AIP perimeter, it excludes education and hospitality and the service businesses and includes what you'd consider to be core investment properties, like the commercial office buildings, the multifamily rental assets, and the malls. So that's sort of what's in the perimeter. So they have not bought a minority stake in education. They have not thought minority stake in the service businesses. They have not bought a minority stake in the hotels.

Mohamad Haidar
Very clear.

Greg Fewer
Second question was on sort of the contribution from the acquisitions we've announced for the fourth quarter. So we did about 100 in the third quarter. It won't double. I mean the biggest one was the acquisition from ADGM which closed in July. So we're just doing some math in our heads right now, and I think you can expect some modest gains from that, but not doubling, like sort of in the 30% to 50% range increase of what we saw in Q3.

Mohamad Haidar
Thank you very much.

Greg Fewer

The only other comment I'd add to that is that we've acquired a lot of hotels. So whether it's the Rixos or DoubleTree or Nurai, they always do much better in the fourth quarter. So there's a seasonality overlay that you need to throw on that as well.

Operator
Thank you. As a reminder, if you would like to ask a question via the phone, please press star one on your telephone keypad.

Now we will move over to web questions. We do have a few questions in.

Our first question is from Frances Ames. She said -- sorry -- what would have been year-over-year NOI growth for 9 months and Q3, excluding acquisitions?

Greg Fewer
Okay. So the acquisition contribution in the nine months has been about 145 million or so. For the -- if you added everything up, including all the bids that we did, it's about 170 million. So then you would just adjust that from the year-on-year -- from the year-on-year growth that we've achieved. So like-for-like, this time last year, we did about 975 million. And those like -- this is NOI, not EBITDA, net NOI income. And the like-for-like on those same assets this time around has been about 1.1.

Operator
Thank you. The next question is, what is the annual level of depreciation for the hospitality business post acquisitions? What is the breakeven level of occupancy and ADR required to achieve full year net profit in hospitality and how many total rooms now in the consolidated hotels portfolio?

Greg Fewer
Okay. Well, so the -- so I'll just break that down a little bit here. So the ADR, the breakeven ADR, I don't think we're really running with one of those right now, to be honest. I mean, do you have the question that came up? Was it referring just to the acquired assets? What's nice about those is that they're all through the season profitable. So, I think we're going to have to get back to this person on a concept of ADR. It's not a KPI that we're tracking right now.

In terms of overall room keys, post-acquisition, we're now at 4,200. Historically, we've been in the 3,000 range. But these are big hotels we've acquired in Ras Al Khaimah with Rixos and DoubleTree.

Operator
Thank you. The next question is, what is the target annual ROI for the SODIC acquisition?

Greg Fewer
Well, so there's two ways to answer that. So there's -- we bought the SODIC platform to grow it. So we deployed our own capital. So we're directly and indirectly exposed to about 60% of that overall company. We deployed AED 1 billion. We've made about AED 200 million year-to-date in terms of the contribution that SODIC has made, which conveniently coincides with what many investors going into SODIC might look at it as a WAT, the weighted average term of our money that you want to look at, which is around -- for us, it was in the high teens in terms of overall return on investment.

Now the reason we're there is not -- so we're very happy, so they've accelerated their sales and development in excess of the base case that we had when we were going in. And so in nine months, we've made almost a high teens net income return on our capital deployed. But the real play there is just going to be growth in the land banks that will be contributing into SODIC, and we see a doubling and tripling of overall sales levels in that entity going forward. But maybe to -- if the question was focusing on a target, our return on capital in Egypt, as I said, high teens in pound terms, and we expect to exceed it.

Operator
Thank you. The next question is, what is the average rent per square foot in Yas Mall today?

Greg Fewer
So net rent across the malls with specifics on the back of the successful leasing program is about AED 1,800 per square meter. And that would be an average running across the big boxes and the small line shops where you might make sometimes half that on big box anchors. And often, you make double that for smaller F&B, let's say, kiosk locations.

Operator
Thank you. As a reminder, if you would like to ask a question via the webcast, you can type in the Q&A question pod on your webcast screen.

Now moving back to the phone lines. Our next questions come from the line of Mohamad Haidar with Arqaam Capital. Please proceed with your questions.

Mohamad Haidar
Greg, back to Apollo deal, the JV on the land. Is it 51% owned by Aldar and 49% by Apollo?

Greg Fewer
Correct, correct. So we set up a JV. That JV is owned 51% by Aldar. We control that JV. We consolidate that JV into our numbers and the JV involves the transfer of land into that entity and

the sale of lands from out of that entity. And we are the primary and the only real off-taker for the land that come on the back of it or that are sold out of that entity.

Mohamad Haidar
And which land exactly was transferred?

Greg Fewer
It was a real mix. I think, you know, it's complicated when you look at this transaction, but I think the way we want investors to think about this is about this is non-dilutive equity. This is a very patient investor who came in with long-term capital, gave us $500 million, and we are providing that investor with a structured return on that investment. But we will control the lands at all times. We will develop the lands at any time, whether it's land that we put in. So to answer your question, we put in a mixture of lands all over our portfolio.

But because of the very flexible nature of the structuring, if we want to develop any of the land in the JV, we just take it out and swap a new plot of land in. And over the 25-year -- the duration of this JV we've guaranteed the Apollo investor that we will be buying a baseline amount coming out so they have their structured baseline return. But the lands that go in are kind of irrelevant because we can swap them in and out at any time in an unfettered, unencumbered way.

Mohamad Haidar
Understood. And given that this JV is going to be consolidated, is it going to be part of the dividend policy now that it's not fully owned by Aldar? Or is it going to be excluded from that one?

Greg Fewer
Yeah, it will be excluded from that. The way to think about it is that the capital that we raised from Apollo is forming part of the AED 5 billion of growth capital that we're reiterating in this quarterly call. And that capital will be deployed to generate earnings. And that -- those earnings will then form part of the dividend calculator that we use. The cost of the structure to us, which is the cost of the money, the cost of the AED 500 million, goes directly into -- runs directly into our equity account. And I'll reiterate that this is off balance sheet. It is an equity investment -- dilutive equity investments that you -- that is presented in the financial statements reflecting the investment.

Mohamad Haidar
Yes. And the total proceeds, the 1.4 billion are not restricted by Aldar? It can be used on anywhere, basically?

Greg Fewer
Anything. Anything across the group.

Mohamad Haidar
Understood. Thank you very much.

Greg Fewer
Thanks, Mohamad.

Operator
Thank you. As a reminder, if you would like to ask a question via the phone, please press star one on your telephone keypad. Or via the webcast, you could use the Q&A function to send in questions.

Our next phone questions come from the line of Taher Safieddine with JPMorgan. Please proceed with your questions.

Taher Safieddine
Hello. Yes, hi, Greg. Taher again. So just a follow up on some questions. The first one is on the deployment. Clearly, you've deployed around 11 billion. So I just want to simplify how should we think about incremental NOI on an annual basis from these assets? Because there is seasonality, some of these assets are maybe still ramping up, not a full quarter contribution. But if you want to take a full year look into these assets, I mean, how should we think about NOI or EBITDA contribution?

And within that, I mean what is really the most exciting upside? Is it the ADGM assets? Or is it the hotels that you acquired in Ras Al Khaimah? So maybe if you can just give us some color in terms of upside to these assets, along with the annual NOI, that would be very helpful. That's my first question.

Greg Fewer
Okay. So maybe to break down that 11 a little bit, to help break that down. So the biggest thing -- the second biggest component in that island we acquired on Saadiyat Island. So people that are familiar with our markets, Saadiyat is knee-deep, prime location. I mean villa product in our market is almost impossible to get ahold of right now. We're super excited to be able to acquire this land. And in terms of very quickly -- we've already announced it. So we launched what we call Saadiyat Lagoons, we did that three days ago. And we're going to start generating sales right away at very good profit margins.

But in terms of that land price, really, we expect in terms of what that will convert into in profit for us, land is typically 10%, 15% of your total cost for a villa that you sell. So our profit margins generally are high 20s. So the first guidance I'd give you is we're going to double that. In terms of the that capital deployed, we're going to get the same amount of profit back from that once we successfully launch all the villas. I expect these Saadiyat villas to be tremendously successful because they are probably the number one most desired product in our market.

Breaking down the rest of the next big one is the 4.3 billion from ADGM towers. And we are already well in excess of our leasing program. Those towers were launched 10 years ago. We think they're going to be full very quickly, well ahead of our underwriting plan. And as we fair value these assets, any kind of an accelerated ramp-up scheme, I'd expect to see something in fair valuation gains to reflect the success we're having leasing the assets up in the near term.

So you're alluding in your comments to where to expect some -- where to expect some upsides. Anytime we outperform a plan that was on a lease-up scheme like that, and we're well ahead of it. You should expect potentially some reflection of that in the year-end fair valuations that we do.

The rest of them, they're all very accretive acquisitions, Taher. We guide always 7% to 8% on a running stabilized yield for the recurring assets that we purchased. So hopefully, if you take that AED 11 billion, and you peel out the 3.6, and we expect to have at least 3.6 of profit over the 2- to 3-year period that, that project will develop. The remainder is -- 80% of the remainder is recurring revenue assets and those all stabilized at 7% to 8% with a great upside coming from certainly the leisure assets that we're in for a really strong period in our markets, both the Ras Al Khaimah assets and our Abu Dhabi assets, in particular Nurai. The corporate hospitality industry is really descending onto -- into the region for the next few months because of World Cup and F1. So I think you might see some outperformance on that aspect.

Taher Safieddine
So high level, yes. So high level, the Aldar Investment is 7.1 billion out of this 11, as I can see on the slide. If we just slap a 7.5% stabilized NOI, just a midpoint, that gets to around 500, 550 million NOI. That is a sensible way to look at this on a normalized basis?

Greg Fewer
That's a sensible way to look at it. Yes.

Taher Safieddine
Okay. All right. Okay. Perfect. And then maybe just a follow-up quickly. Just on the dividends. I mean, clearly, there's a -- there's a very clear dividends policy, right? I mean, in terms of payout from distributable free cash on the recurring and development profits. Given today, the growth that's happening and the investment portfolio, both organic and inorganically, in addition to quite a sustained performance clearly on the development side. I mean higher sales, cash collections are happening. Is it fair to assume that we shouldn't expect any major surprises and this progressive dividend will continue? Again, I know it's a bit early, but just from like building on the policy, is this the right way to think about it?

Greg Fewer
I mean look, we've always been very clear and transparent on our policy, and I've learned over the years never to preempt your board and get out ahead of that discussion. Those are all very healthy debates we have with the board. But they are the ones that really endorse the policy we have. It was designed to bring predictability and transparency into how we think about it. And as we enter this dividend, let's say, declaration season, those philosophies really haven't changed.

I think the only thing I'd overlay on top of that is just a lot of excitement around growth. I mean it's -- we sound like a bit of a broken record here sometimes, but we see lots of interesting growth opportunities. We are the most efficient platform for real estate ownership in our region. We think there's lots of opportunity to monetize this platform further. Lots of catalysts coming up in our market, including corporate tax and other things that will give rise to valuing efficient platforms much more. So growth is everything we discussed. But what's nice about our dividend policy is that we balance growth with rewarding our shareholders, and we've got a great track record doing both.

Taher Safieddine
All right. Very clear. Thank you.

Operator
Thank you. Our next phone questions come from the line of Nithin Nishara (ph) with Al Ram (ph) Capital. Please proceed with your questions.

Nithin Nishara
Thanks for taking the questions. Couple of questions. First, in terms of geographic expansion, which are the areas we are looking at? And is there any particular scale you are looking at in those areas, in those regions? And my second question is regarding the one-offs in the (inaudible) more color on what are the one-offs in this particular quarter versus the last quarter? Thank you.

Greg Fewer
Okay. Sorry, it's a very tough line. I got your second question, which was are there any one-offs to report in this quarter and no. I think the main one-offs that come for us really comes from our fair valuations that take place at the half year and the Q4. And so Q1 and Q3 are typically a little more quiet. It was a busy quarter. I mean there's a lot of one-offs in terms of onboarding new acquisitions and things like that, but no, nothing that we would -- provisions were very normal. So nothing to add there. I'm sorry, you need to repeat your first question though. The line was very rough.

Nithin Nishara

Sure. The first question is about the geographic expansion. Which are the regions or the countries that you are looking for geographic expansion? And is there any particular amount you are looking to deploy in those regions?

Greg Fewer
Okay. Sorry. So geographic expansion. So we're pretty focused, right? We see our capital being deployed in Abu Dhabi, in Dubai, Ras Al Khaimah, Saudi, and Egypt. This is where our focus is, and it's across multiple segments of our business.

Nithin Nishara
Okay. Is there any particular amount you are looking for, let's say, Saudi? Is there any scale you are looking at? Or is it you're open to any kind of any kind of acquisition in terms of size?

Greg Fewer
Yes. So we earmarked AED 5 billion for equity and that has been allocated and is fully funded to be deployed as equity into these acquisitions. The majority of this money will go into the UAE and Saudi. Some money will go into Egypt, but you should expect the majority to be deployed across Abu Dhabi, Dubai, Ras Al Khaimah, and Saudi.

Nithin Nishara
Okay. Thank you.

Operator
Thank you. Now we will move back to the webcast questions. This is a four-part question -- or a three-part question here. Speaking of that 7% to 8% yield, how do you manage in a rising interest rate environment? Can you remind us which portion of your debt is fixed and floating? Do longer-term rental agreements have a CPI inflation linked component? Do you foresee a squeeze in your spreads given rising rates?

Greg Fewer
Okay. So I mean, look, the rising rates have really been one of the things that have been causing real estate prices to soften globally. There's a few things that indemnify us relatively from that. The first is that we're generally considered in our market to have the highest spread to sovereign in our commercial real estate yields -- in terms of our commercial real estate yields versus what the risk-free rate is in our region. That spread for us has historically been around 5%. And at the height of the market, that spread in other markets was closer to 1% or 2% in some markets. So the first answer is that we've got a lot of buffer already. We used to borrow at 3% and the yields were 7% to 8%. Now we're borrowing at 4%, 5%, and the yields are still 7% to 8%.

But relatively speaking, we're much better off than most people are elsewhere. In terms of our fixed float proportion, we're 53% fixed, 47% float. And I have to mention as it actually has a separate line in our -- the presentation of our balance sheet now, our treasury department has been quite busy when they were supposed to be busy, which was a yeah and a half ago, procuring fixed-rate swaps when the markets were low. So back when treasuries -- U.S. dollar treasuries were 1.4%, we were busy locking in those rates in anticipation of issuing debt on the back of acquisition activity that we were convinced that we were going to be doing.

So I think what's nice is that relative to our peers, we will continue to enjoy a low cost -- and a lower cost of capital because we've got about AED 1.4 billion of forward starting swaps swapped in already that will -- that have an average bid treasury cost of around -- of just around 1.6 where the current market is, you know, it's 4. So we're going to have half the all-in debt cost. The value of those swaps got so large, they got their own line on our balance sheet now. So there's AED 206 million of mark-to-market value in those swaps.

I think that was -- so fixed the float we did -- sorry, the team also, they refinanced bank loans over the quarter. So we did 2.9 billion in overall financing, there's 1.5 of new money and refinancing. So we don't have any maturities anymore going out until 2025.

So we're not one of those borrowers who are sort of exposed to a cliff or anything like that. The bank loans that we've written -- so another thing that investors should take note of is that the banks in our market remain incredibly liquid. Some of the hydrocarbon surplus that the governments are achieving do make it into the banking system here. And so we remain extremely well banked. The lowest credit spreads we've ever achieved were those in the loans that we just wrote which are under 1% in terms of the credit spread. So liquidity, cost of capital, wealth has gone up for everybody on the planet. Comparatively speaking, we feel very good that we're going to have a lower cost of capital than any of our peers in the region over the near term.

And then the longer rental agreement -- sorry, there's a question on CPI and the rental agreement and to what extent we have CPI inflation in our rental agreements.

So we have escalation in I'd say about -- yes. So sorry, the calculation we're just running right now is what percent of our leases have an escalator, which is all of them, but then it's what percent or have that escalator linked to CPI. And I think the answer coming back to the minority of them. But all our contracts have a fixed rate element in them. I think the one other point to focus there is that we've got a large multifamily rental portfolio, which was 60% of it is on one-year rental. So that there's a mark-to-market, I guess, that takes place in those which underlie, I guess, real estate's position as a hedge against inflation.

Operator
Thank you. As a reminder, if you would like to ask a question via the phone, please press star one on your telephone keypad. If you're joining via the webcast, you could use the Q&A function to send questions.

Greg Fewer

Okay, if that's all for calls and questions -- I see there's no more on the line. So thank you all for dialing in, and we look forward to speaking to everybody in our fourth quarter update call in the new year. Thank you.

Operator

Thank you. This does conclude today's teleconference. We appreciate your participation. You may disconnect your lines at this time. Enjoy the rest of your day.