B&Q

AL KHABEER CAPITAL

RIYADH CITY

DECEMBER 2021

Valuation Report

REF: 2011397-6
Date: 14/12/2021
M/S Al Khabeer Capital

<u>Subject: Valuation Report for B&Q (Retail Center) in Riyadh City, Saudi Arabia.</u>

Dear Sir,

With reference to your request and approval dated on November 18, 2021 for valuation service of the Commercial project (B&Q) located in Riyadh city, please find hereafter our detailed valuation report including other information related to the mentioned property.

Issued without prejudice and liabilities

WHITE CUBES REAL ESTATE

Mr. Essam Al Hussaini – GM- WHITE CUBES KSA

Member of the Saudi Authority of Accredited Valuers (Taqeem)

WHITE CUBES valuation cr 1010469071 • license no 1210000474

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TAQEEM LISCENCE NUMBER: 1210000474

EXECUTIVE SUMMARY

1.1 EXECUTIVE SUMMARY

Introduction	We received instructions from the client on 18/11/2021 to implement valuation service for a retail project in Riyadh city.
Client	For whom this report is being prepared is Al Khabeer Capital, a Saudi company registered under the Saudi law.
Reference No.	2011397-6
Purpose of Valuation	Real Estate Investment Trust (REIT) Purpose
Subject Property	Retail Project
Property Location	The property is located in King Fahed district, Riyadh City.
Title Deed Information	Title Deed No: 310111052642, 510108048507, 410106060097, Title Deed Date: 27/04/1440, Issued from Riyadh Notary
Ownership Type	Freehold
Owner	شركة أول الملقا العقارية
Land Use	Commercial
Land Area (Sqm)	Based on the title deed, the land has an area size of 7,000 Sqm
BUA (Sqm)	The building is composed of 3 floors with a total BUA of 9,181 Sqm
GLA (Sqm)	The total gross leasable area is 5,275 Sqm composed of showrooms.
Vacancy Rate	As per the client, the property is fully leased to 1 tenant
Valuation Approach	Comparable Approach & Cost Approach & Discounted Cash Flow Approach (DCF)
Final Property Value	68,158,000 SAR
Valuation Date	14/12/2021
Inspection Date	25/11/2021

TERMS OF REFERENCE & VALUATION

1.2 BASIS OF VALUATION

Market Value
Market Value is defined as: -
The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties have each acted knowledgeably, prudently and without compulsion.

1.3 DATES

Client Approval Date	**November 18, 2021.**
Inspection Date	**November 25, 2021.**
Valuation Date	**December 14, 2021.**
Report Date	**December 14, 2021.**

1.4 PURPOSE OF VALUATION

The client requested to know the current market value of the subject property for Real Estate Investment Trust (REIT) Purposes. Therefore, and according to the valuation purpose, and as requested by the client, we will adapt the valuation methodologies of The Comparable Approach, The DCF Approach & Depreciated Replacement Cost (DRC)

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PROPERTY DETAILS

REAL ESTATE

1.5 PROPERTY & LOCATION DESCRIPTION

Property Description

The subject property is a Retail Project (B&Q) located in Riyadh city. The building has a total land area of 7,000 Sqm, and a total BUA of 9,181 Sqm and was constructed 24 years ago. The project is open on 3 sides from the north, south and east with a direct view on King Abdullah Road where all the infrastructure facilities such as water, telecommunication, sewage and electricity are available in the surrounding and connected to the subject property.

Location Description

The property subject of valuation is a retail project in King Fahed district in Riyadh city.
The property is bordered from the north by Shaikh Uthman AlBarahim Street
The property is bordered from the south by a King Abdullah Road
The Property is bordered from the east by Abi Ishaq Al Harbi Street
The property is bordered to the west by Hussain ibn Hassan street

Ease of Access

Based on the current location of the subject property, the access level is high, since it is located on King Abdullah Road.

Area Surrounding the Property

The subject property is mostly surrounded by residential and commercial buildings

Land	
Land Use	Commercial
No. of Streets	3
Land Shape	Graded
Direct View on the Main Road	King Abudullah Road
Direct View on an Internal Street	Unnamed Street
Land Condition	Constructed

Building	
Building Type	Retail Building
Building Structural Conditions	Fully Constructed
External Elevation Conditions	Good
Building Finishing Conditions	Good
Overall Building Conditions	Good

1.6 INFRASTRUCTURE FACILITIES

	Available in the surrounding	Connected to the property
Water	✓	✓
Electricity	✓	✓
Tele-Communication	✓	✓
Sewage	✓	✓

All the infrastructural facilities are available in the surroundings and connected to the subject property.

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1.7 LOCATION

The subject property is located in King fahed district, Riyadh city and surrounded by several landmarks as follows:

Property Location on a City Scale	Property Location on a District Scale

Surrounding Landmarks

1- Sahara Plaza (1.4 Kilometers)	6- Posts Compound (2.15 Kilometers)
2- Riyadh Gallery (2.00 Kilometers)	7- Prince Sultan University (3.1 Kilometers)
3- Royal Mall (1.1 Kilometers)	8- Riyadh College of Technology (3.1 Kilometers)
4- Dallah Hospital (2.6 Kilometers)	9- Hayat Mall (2 Kilometers)
5- Marina Mall (1.8 Kilometers)	10- Ministry of Foreign Affairs Housing (1.1 Kilometers)

1.8 PROPERTY ACCESS

The subject property can be accessed as shown in the map below:

1.9 TITLE DEED & OWNERSHIP

We were provided with copy of the title deeds related to the subject property which is owned by three title deeds. The details of the subject property:

City	Riyadh	**Land Area**	2,625
District	King Fahed	**Plot No.**	37 to 40
T.D Type	Electronic	**Block No.**	4
T.D Number	310111052642	**Layout No.**	1324
T.D Date	27/04/1440	**Owner**	شركة أول الملقا العقارية
T.D Value	30,000,000 SAR	**Ownership Type**	Freehold
Date of Last Transaction	27/04/1440	**Limitation of Document**	N/A
Issued From	Riyadh Notary		
Notes	The client has provided us with copy of the Title Deed which was assumed to be correct and authentic. It is not in our scope to run legal diagnosis on any legal document.		

City	Riyadh	**Land Area**	1,750
District	King Fahed	**Plot No.**	43, 44
T.D Type	Electronic	**Block No.**	N/A
T.D Number	410106060097	**Layout No.**	1324
T.D Date	27/04/1440	**Owner**	شركة أول الملقا العقارية
T.D Value	18,000,000 SAR	**Ownership Type**	Freehold
Date of Last Transaction	14/09/1440	**Limitation of Document**	N/A
Issued From	Riyadh Notary		
Notes	The client has provided us with copy of the Title Deed which was assumed to be correct and authentic. It is not in our scope to run legal diagnosis on any legal document.		

City	Riyadh	**Land Area**	2,625
District	King Fahed	**Plot No.**	39 to 42
T.D Type	Electronic	**Block No.**	4
T.D Number	510108048507	**Layout No.**	1324
T.D Date	27/04/1440	**Owner**	شركة أول الملقا العقارية
T.D Value	30,000,000 SAR	**Ownership Type**	Freehold
Date of Last Transaction	Electronic	**Limitation of Document**	N/A
Issued From	Riyadh Notary		
Notes	The client has provided us with copy of the Title Deed which was assumed to be correct and authentic. It is not in our scope to run legal diagnosis on any legal document.		

1.10 CONSTRUCTION & BUILDINGS

The building permit indicates the maximum permissible BUA approved by the city municipality. However, the actual area may differ from the area mentioned in the building permit. Therefore, if the customer did not provide us with a copy of the approved plans, the valuation will be done based on the building permit provided by the customer. In the event that the customer does not provide us with a copy of the legal documents that show the total building surfaces, we will valuate them using the skills of our team along with the municipality's laws and regulations, and therefore the building surfaces will be estimated only roughly.

Source of BUA		Actual Age of the Property		Status of the property	
Construction Permit	✓	Construction Permit	✓	New	---------------------------
As Built Drawings	---------------------------	As Built Drawings	---------------------------	Fully Constructed	✓
Other Documents	---------------------------	Other Documents	---------------------------	Under Construction	---------------------------
Verbal Information	---------------------------	Verbal Information	---------------------------		
Estimation	---------------------------	Estimation	---------------------------		

The subject property is a fully constructed retail building consisting of 3 floors including 1 basement, ground floor and first floor. The client provided us with a building permit for the subject property, which contains the following data:

Subject Property	
Construction Permit Type	New Permit
Property Type	Commercial
Construction Permit No.	9/1/7/27
Construction Permit Date	20/02/1419 AH
Permit Expiry Date	20/02/1422 AH

Description	No. of Units	Area (sqm)	Use
Basement	----	3,906	Parking
Ground Floor	----	3,906	Showrooms
First Floor	----	1,369	Offices
Total BAU (sqm)		9,181	

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1.11 PHOTO RECORD







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1.12 LEASING CONTRACT

The client informed us that the mater lease rent is for 15 years starting on 01/08/1438 ending 30/007/1453. Yet, the net income from rent is as follows:

First 5 years as follows:

- 3 years: SAR 6.00 mn per year
- 2 years: SAR 4.50 mn after discount

Second 5 years: SAR 4.75 mn after discount

Third 5 years: SAR 5.00 mn after discount

1.13 BUILDING GROSS LEASABLE AREA (GLA)

Use	No. of Units	BUA (Sqm)	GLA (Sqm)	Information Source
Showrooms	----	9,181	5,275	Rental spaces are provided by the client
----	----	----	----	
----	----	----	----	
----	----	----	----	
----	----	----	----	
----	----	----	----	
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The client informed us with the below:

تم اضافة شركة الفطيم الرائدة كطرف اضافي الى عقد الإيجار المبرم بين شركة اول الملقا العقارية وشركة الفطيم العالمية وتغيير العلامة التجارية من Home Works الى B&Q حسب الملحق التكميلي الرابع مع تمديد الخصم السابق منحه لشركة الفطيم العالمية المنصوص عليه في الملحق التكميلي الثالث حتى نهاية العقد.

MARKET INDICATORS

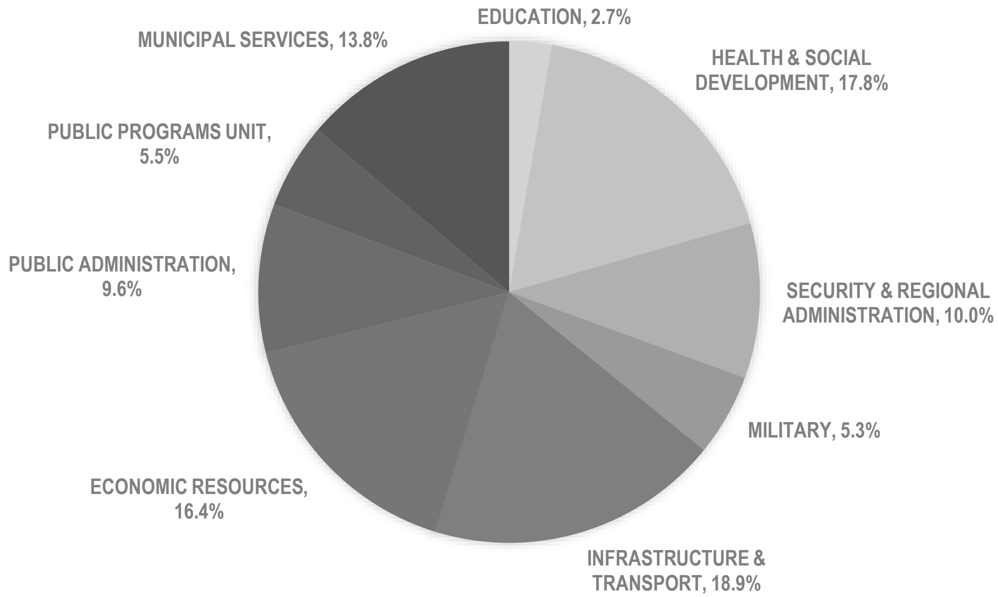
1.14 SAUDI ARABIA ECONOMIC INDICATORS

Economic Indicator	2018	2019	2020	2021
GDP (Source: General Authority for Statistics)	(Q2) 732,747 Bn	793.8 Bn	700 Bn Q1	790 Bn Q1
GDP Growth (Source: Ministry of Finance)	%2.3	0.5%	-4.1%	2.84% (E)
Inflation Rate (Source: Statista)	2.45%	-1.22%	3.44%	3.23 (E)
Interest Rates (Source: Trading Economics)	2.75%	3%	2.25%	0.7 (E)
Government Revenues (Source: General Authority for Statistics)	895 Bn	978 Bn	770 Bn	654 Bn (E)
Government Spending (Source: General Authority for Statistics)	1,079 Bn	1,100 Bn	1,020 Bn	1,100 Bn (E)
Unemployment Rate (Source: Trading Economics)	6%	5.6%	8.22%	6.6% (E)
Population (Source: General Authority for Statistics)	33,413,660	34,413,660	34,810,000	35,565,592 (E)

1.15 BUDGET ALLOCATION FOR 2020

Public Administration	28 SAR bn
Military	182 SAR bn
Security & Regional Adm.	102 SAR bn
Municipal Services	54 SAR bn
Education	193 SAR bn
Health & Social Dev.	167 SAR bn
Economic Resources	98 SAR bn
Infrastructure & Transport	56 SAR bn
General Items	141 SAR bn

Source: Ministry of Economy



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1.16 SWOT ANALYSIS

Strength	Weakness
- Direct view on King Abdullah Branch Road - The subject property has 3 sides open - The subject property is leased to one tenant and secured for 15 years	- Parking area need so cleaning works
Opportunities	**Threats**
- The retail sector in Riyadh city is very much stable compared to other real estate sectors. Which grant good level of demand for the subject property.	- Since the subject property is leased for 15 years to one tenant, this can be also considered as a threat once the tenant decides to terminate the leasing contract, especially when the property is customized for the tenant use.

The strength and weakness points mentioned above are considered as an indicator only, where no full market study was conducted in this matter. Yet, all the mentioned points are based only on the site inspection of the subject property.

1.17 RISK ANALYSIS

Risk Factor	Very Low Risk (1) 1-10	Minimal Risk (2) 11-20	Medium Risk (3) 21-30	Elevated Risk (4) 31-40	Very High Risk (5) 41-50
Overall Economy	------------	------------	✓	------------	------------
Sector Current Performance	------------	------------	✓	------------	------------
Sector Future Performance	------------	✓	------------	------------	------------
Occupancy Rates	------------	------------	✓	------------	------------
Supply Rate	------------	------------	✓	------------	------------
Demand Rate	------------	------------	✓	------------	------------
Access	✓	------------	------------	------------	------------
Location	✓	------------	------------	------------	------------
Land Shape	------------	✓	------------	------------	------------
Surrounding Area facilities	------------	------------	✓	------------	------------
Total Risk	2	4	18	0	0

Risk Category 24 Risk Points – Medium Risk

Sector Analysis

Risk Category- 24 Risk Points - Medium Risk

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PROPERTY VALUATION

REAL ESTATE

1.18 GENERAL ASSUMPTIONS

- The subject property is valued under the assumption of freehold status unless otherwise stated in the report.
- All the written and verbal information provided to us by the Client assumed to be up to date, complete and correct in relation to elements such as title deed, construction permits, land area, and any other relevant matters that are set out in the report.
- This report is a valuation report and not structural / building survey. Therefore, we did not carry out any structural due diligence, utilities check, services check, soil test, etc.
- All the inputs used in the valuation methodologies are based on the collected market data using our best know how and experience in the related market.
- The output of this report (Final Value), is based on the used assumptions, received documents from the client and available market data. Yet, the output estimates show an indicative value of the subject property / properties.

1.19 VALUATION APPROACH

With reference to the valuation purpose, taking into consideration the nature of the subject property, we will use the following ticked methods to estimate the market value of the subject property:

	DRC	Comparable	Income Cap	DCF	RLV
Land	-------------------	✓	-------------------	-------------------	-------------------
Building	✓	-------------------	-------------------	-------------------	-------------------
Overall Property	-------------------	-------------------	-------------------	✓	-------------------

COMPARABLE METHOD

This is the method most are familiar with as it is the accepted method for valuing residential real estate. Typically, this method involves selecting properties with similar characteristics in the same market area that have recently sold. Once those properties are found they are compared to the property in question and a professional appraiser will deduct value from the subject property for comparative deficiencies and increase value for advantages. Typically, this method is required if the investor is seeking conventional financing. For comparable information, property brokers, dealers and estate agents are contacted to ascertain the asking and selling prices for property of the nature in the immediate neighborhood and adjoining areas. Neighboring properties, which have been recently sold or purchased, are investigated to ascertain a reasonable selling price.

DEPRECIATED REPLACEMENT COST (DRC)

A cost approach is a real estate valuation method that surmises that the price someone should pay for a piece of property should not exceed what someone would have to pay to build an equivalent building. In cost approach pricing, the market price for the property is equivalent to the cost of land plus cost of construction, less depreciation. It is often most accurate for market value when the property is new. Generally, the cost approach considers what the land, devoid of any structures, would cost, then adds the cost of building the structures, then depreciation is subtracted. The cost approach is most often used for public buildings, such as schools and mosques, because it is difficult to find recently sold comparable properties in the local market, and public buildings do not earn income, so the income approach cannot be used, either. A property that already has improvements will usually contribute a certain amount of value to the site, but improvements can also lower property value if the site's potential buyers wish to use the property for another use that would entail removing some of the improvements to the current site. The cost approach is best used when improvements are new and there is adequate pricing information to value the property components. The cost approach may be less desirable if there are no recent sales of vacant land for which to compare, since the major method of valuing vacant lands is to use the sales comparison approach, or when construction costs are not readily available. The cost approach method includes:

- Estimate what the vacant property would be worth.
- Estimate the current cost of building the structures, then add that value to the value of the vacant land.
- Estimate the amount of accrued depreciation of the subject property, then subtract it from the total to arrive at the property’s worth.

DISCOUNTED CASH FLOW (DCF)

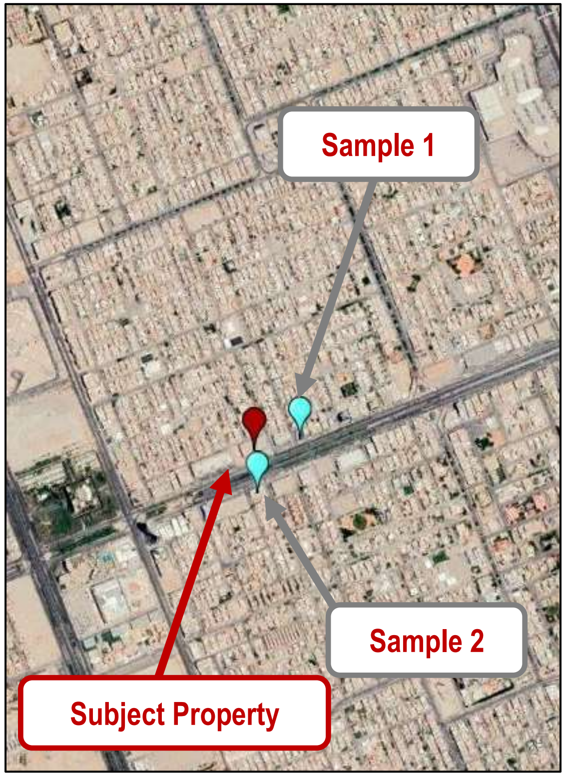
The Discounted Cash Flow Method involves estimating net cash flows of an income generating property over specific period of time, and then calculating the present value of that series of cash flows by discounting those net cash flows using a selected "discount rate." A discounted cash flow method (DCF) is a valuation method used to estimate the attractiveness of an income generating property

1.20 COMPARABLE APPROACH

This method aims to collect data and information on actual sales and / or current offers of similar properties within the surrounding market, and then make the necessary adjustments to these comparisons in terms of area, location, shape, quality, content and others. Below is a summary of the valuation process using the comparable method and the amendments made to the available comparisons

Characteristics of Samples			
Feature	**Subject Property**	**Sample 1**	**Sample 2**
Quoting	---------	Offering	Offering
District	King Fahed	King Fahed	King Fahed
Sale Price	----------	SAR 32,000,000	SAR 27,000,000
Data Source	Title Deed	Market Survey	Market Survey
Area Size	7,000.00	3,850.00	3,000.00
SAR / Sqm	--------	SAR 8,312	SAR 9,000
Sides Open	3	3	3

Adjustment Analysis					
		SAMPLE 1		SAMPLE 1	
Area size	7,000.00	3,850.00	0.00%	3,000.00	0.00%
Location Desirability	High	High	0.00%	High	0.00%
Accessibility	Excellent	Excellent	0.00%	Excellent	0.00%
Main Street Width (m)	80	80	0.00%	80	0.00%
Sides Open	3	3	0.00%	3	0.00%
Land Shape	Regular	Regular	0.00%	Regular	0.00%
Close to main street	Yes	Yes	0.00%	Yes	0.00%
Negotiable	---------	No	0.00%	No	-10.00%
Other Factor	----------	----------	0.00%	----------	0.00%
Total Adjustments Ratio			0.00%		-10.00%
Total Adjustment Amount			SAR 0.0		-SAR 900.0
Net After Adjustment			SAR 8,311.7		SAR 8,100.0
SAR / Sqm		SAR 8,206			
Rounded Value		SAR 8,200			



SENSITIVITY ANALYSIS					
	-10%	-5%	0%	5%	10%
Land Area	7,000	7,000	7,000	7,000	7,000
SAR / Sqm	SAR 7,380.0	SAR 7,790.0	SAR 8,200.0	SAR 8,610.0	SAR 9,020.0
Property Value	SAR 51,660,000	SAR 54,530,000	SAR 57,400,000	SAR 60,270,000	SAR 63,140,000
			PROPERTY VALUE		

Based on the market samples obtained with the assistance of some real estate experts in the region and the inspection made by our team, the average prices for similar properties falls in the range of 8,000- 8,500 SAR / Sqm with an average of 8,250 SAR / Sqm. When comparing with the results of the analysis of comparisons, we found that the property value falls within the same range and is close to the market average values.

1.21 COST APPROACH (DRC)

As a first step, the cost of reconstructing the building (the cost of replacement) was estimated, based on the average construction costs of similar properties and at the same level of finishes, services, utilities, and others. The opinion of some engineering experts was used in this regards. The following table shows the expected replacement costs for such property.

	Min Cost (SAR / Sqm)	Max Cost (SAR / Sqm)	Average Cost
Skeleton - Concrete Cost	SAR 900	SAR 1,100	SAR 1,000
MEP	SAR 550	SAR 650	SAR 600
Finishing Materials	SAR 450	SAR 550	SAR 500
Site Improvements	SAR 100	SAR 140	SAR 120
Owner Profit	18%	22%	20%

In the following table, we will estimate the direct replacement cost of the property taking into consideration the main components of the building, such as the concrete structure, electromechanical work, finishes, site improvements, etc. Then we will estimate the value of the indirect costs as a percentage of the total direct costs to estimate the total construction costs of the project

LAND		
Land Area	**SAR / Sqm**	**Total Value**
7,000.00	SAR 8,200	SAR 57,400,000

Building			
	Unit	**No of Floors**	**Total BUA**
Basement	Sqm	1	3,906.00
Ground Floor	Sqm	1	3,906.00
Upper Floors	Sqm	1	1,369.00
Fences	Lm	-----	70.00
Total (SQM)	**9,181.00**		

Development Cost					
Hard Cost - Upper Floors					
	Area	**SAR / Sqm**	**Total**	**Completion Rate**	**Total Cost**
Skeleton & Block	5,275.00	SAR 1,000	SAR 5,275,000	100%	SAR 5,275,000
Electro Mechanic	5,275.00	SAR 600	SAR 3,165,000	100%	SAR 3,165,000
Finishing	5,275.00	SAR 500	SAR 2,637,500	100%	SAR 2,637,500
Fit outs & Appliances	5,275.00	SAR 0	SAR 0	100%	SAR 0
Furniture	5,275.00	SAR 0	SAR 0	100%	SAR 0
Site Improvement	7,000.00	SAR 120	SAR 840,000	100%	SAR 840,000
Total			**SAR 11,917,500**	**100.00%**	**SAR 11,917,500**

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Hard Cost - Underground)					
	Area	SAR / Sqm	Total	Completion Rate	Total Cost
Skeleton & Block	3,906.00	SAR 1,500	SAR 5,859,000	100%	SAR 5,859,000
Electro Mechanic	3,906.00	SAR 500	SAR 1,953,000	100%	SAR 1,953,000
Finishing	3,906.00	SAR 300	SAR 1,171,800	100%	SAR 1,171,800
Total			**SAR 8,983,800**	**100.00%**	**SAR 8,983,800**

Overall Soft Cost			
	Total Hard Cost	Ratio	Soft Cost
Initial Project Pre Cost	SAR 20,901,300	0.10%	SAR 20,901
Design	SAR 20,901,300	1.00%	SAR 209,013
Eng Consultant	SAR 20,901,300	1.00%	SAR 209,013
Management	SAR 20,901,300	5.00%	SAR 1,045,065
Contingency	SAR 20,901,300	5.00%	SAR 1,045,065
Others	SAR 20,901,300	0.00%	SAR 0
TOTAL		**12.10%**	**SAR 2,529,057.30**

Total Hard Cost	SAR 20,901,300	BUA	9,181.00
Total Soft Cost	SAR 2,529,057.30	SAR / Sqm	SAR 2,552
Total Construction Cost	SAR 23,430,357.30	Overall Completion	100.0%

After knowing the total construction costs at a rate of 2,552 SAR per square meter, we will estimate the economic life of the property according to the type of construction and its general condition, then apply the depreciation rates based on the actual age of the property. The developer's profitability will be added to the property's value after depreciation to reflect the estimated market value of the building

DEVELOPMENT VALUE			
Total Dev Cost	**SAR 23,430,357**	**Net Dep Rate**	42.00%
		Dev Cost After Depreciation	**SAR 13,589,607**
Economic Age	50		
Annual Dep Rate	2.00%	**Total Completion Rate**	100.00%
		Developer Profit Rate	20.0%
Actual Age	21		
Total Dep Rate	42.00%		
Add Appr Rate	0.00%	**Dev. Profit Amount**	SAR 2,717,921
Net Dep Rate	**42.00%**	**Development Value**	**SAR 16,307,529**

The total value of the building is 16,307,529 SAR, which will be added to the value of the land in order to get the full value of the property as follows:

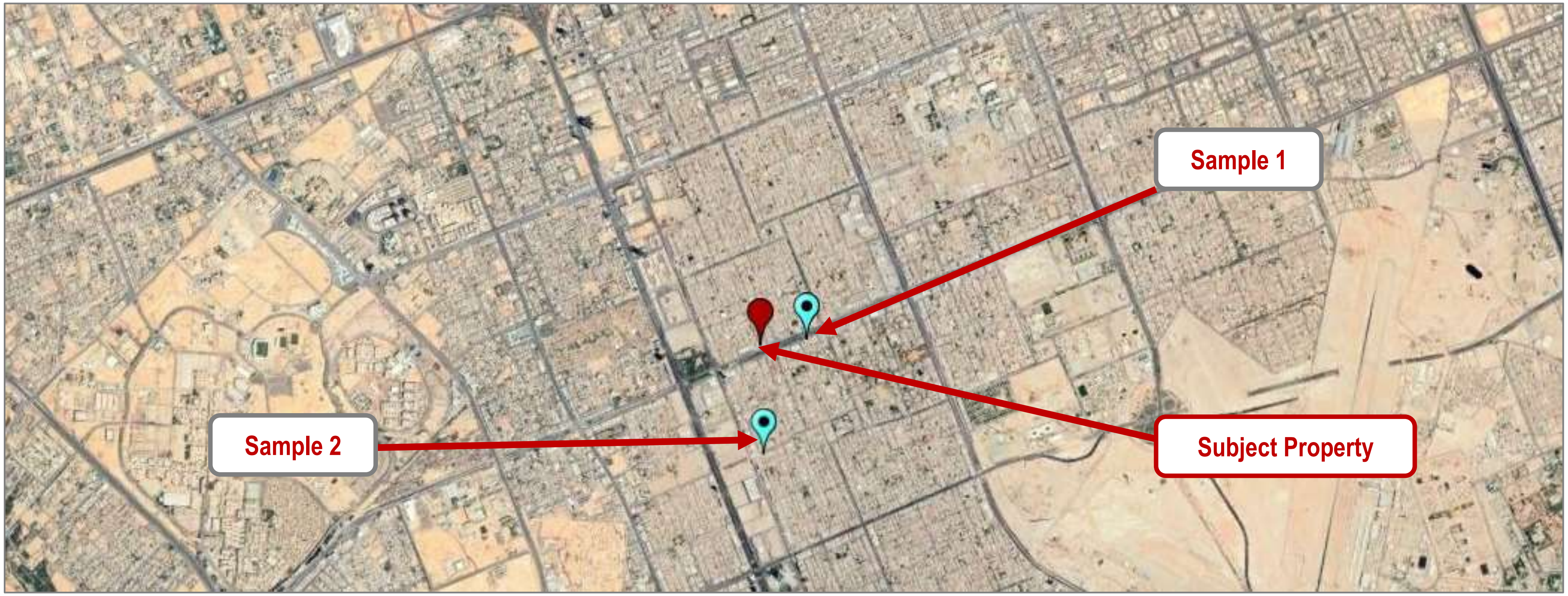
Total Dev. Value	Land Value	Total Property Value	Rounded Value
SAR 16,307,529	**SAR 57,400,000**	**SAR 73,707,529**	**SAR 73,710,000**

1.22 DISCOUNTED CASH FLOW- MARKET RATES

Market Rental Analysis

By studying the rental rates for similar properties in the surrounding area of the subject property, we have found that the average renting rates for commercial units range from 1,100 to 1,300 SAR / Sqm. The following is a table that shows some of the comparisons that were used in analysing the market rental rates, as well as the occupancy rates for similar properties:

	Commercial Showroom Units
Comparable No.	Rental Rate/ Unit
Comparable 1	1,500 SAR/ Sqm
Comparable 2	1,000 SAR/ Sqm
Average	**1,250 SAR/ Sqm**



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Analysis of Operating and Maintenance Expenses

The operating expenses of similar properties reached between 15% to 20% of the total expected income for the property. These ratios depend on the condition and quality of the property and the type of services and public facilities available in the property itself. These ratios are divided into several main categories as follows:

Management expenses	5% to 7%
Operating and maintenance expenses	5% to 6%
General service bills expenses	3% to 4%
Other incidental expenses	2% to 3%

Property Operation and Maintenance Expenses

The client did not provide us with details of the actual maintenance and operation costs of the project and accordingly market averages for similar projects will be assumed. Therefore, we will apply the rate of 15% as the OPEX which will be calculated from the total revenues of the property. This ratio is based on the condition and quality of the property and the type of services and public facilities available in the property itself.

Market Capitalization Rate Analysis

Based on recent transactions of real estate properties and funds, the average capitalization rate of acquiring such property falls in the range of 7% to 8%. This average is mainly driven by several factors such as the quality of the building, finishing materials, the general location, ease of access, actual age of the property, size of the project, and the extent of income stability in it. In addition to the above, the capitalization rates are also affected directly by the supply and demand rates for the same type of real estate

The Capitalization Rate Used for the Valuation

With regard to the capitalization rate used in the valuation, we will base our analysis on the average capitalization rates based on the market and then make some adjustments based on the property situation in terms of its characteristics, location and some other important elements.

With regard to the capitalization rate used in the valuation, we will rely on the averages of the capitalization rate by market and then make some adjustments based on the real estate situation in terms of the following:

- Easy access to the property
- The general condition of the property
- The general location of the property
- Quality of finishes
- Quality and presence of management team
- Services and public utilities

The estimated capitalization rate for the property, which will be based on the valuation process, is 7.5 %, which will be applied subsequently to the net operating income of the property.

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Minimum capitalization rate	7.00%
Maximum capitalization rate	8.00%
Average	7.50%

The effect of the property specifications on the property

Item	Status	Influence	Notes
Ease of access to the property	---------	-0.25%	several major methods
General condition of the property	---------	0.50%	The actual age of the property is 19 years
The general location of the property	---------	-0.25%	The area is served excellently
Quality and finishes	---------	0.00%	Average quality finishes
Project Management Team	---------	0.00%	Average management and operational team level
Services and public facilities	---------	0.00%	Level and availability of services is average
Total		**0.00%**	

Note: When the effect is negative (-), this reduces the capitalization rate, which increases the value of the property. And when the effect is positive (+), this increases the capitalization rate, which reduces the value of the property

Total adjustments on capitalization rate	0.00%
Capitalization rate, according to market averages	8%
Estimated capitalization rate of the property valuation	**7.50%**

Estimated the Discount Rate of Cash Flows

To estimate the discount rate used in the cash flow method, we will use the CAPM model,
which includes a calculation of several risk factors related to the property, for the purpose of determining the value of future cash at the present time. The estimation of the existing risk rates has been based according to the developments in the current property market. As a result, the expected discount rate is 12.1%.

Cash Flow		0	1	2	3	4	5	6	7	8	9
Increase Revision		0%	0%	0%	3%	0%	0%	3%	0%	0%	3%
Expected Revenues											
Showrooms	Sqm	5,275	5,275	5,275	5,275	5,275	5,275	5,275	5,275	5,275	5,275
Rate (SAR)	SAR	1,250	1,250	1,250	1,288	1,288	1,288	1,326	1,326	1,326	1,366
Total	SAR	6,593,750	6,593,750	6,593,750	6,791,563	6,791,563	6,791,563	6,995,309	6,995,309	6,995,309	7,205,169
Overall Revenues		6,593,750	6,593,750	6,593,750	6,791,563	6,791,563	6,791,563	6,995,309	6,995,309	6,995,309	7,205,169
Vacancy Rates											
Showrooms	10.0%	659,375	659,375	659,375	679,156	679,156	679,156	699,531	699,531	699,531	720,517
Showrooms	0.0%	0	0	0	0	0	0	0	0	0	0
Others	0.0%	0	0	0	0	0	0	0	0	0	0
Total		**659,375**	**659,375**	**659,375**	**679,156**	**679,156**	**679,156**	**699,531**	**699,531**	**699,531**	**720,517**
Expenses											
OPEX	15.0%	989,063	989,063	989,063	1,018,734	1,018,734	1,018,734	1,049,296	1,049,296	1,049,296	1,080,775
Others	5%	329,688	329,688	329,688	339,578	339,578	339,578	349,765	349,765	349,765	360,258
Overall Expenses		**1,318,750**	**1,318,750**	**1,318,750**	**1,358,313**	**1,358,313**	**1,358,313**	**1,399,062**	**1,399,062**	**1,399,062**	**1,441,034**

NOI		4,615,625	4,615,625	4,615,625	4,754,094	4,754,094	4,754,094	4,896,717	4,896,717	4,896,717	5,043,618
Terminal Value @ --------->	**7.5%**										**67,248,241**
Discount Rate	8.00%	1.00	0.93	0.86	0.79	0.74	0.68	0.63	0.58	0.54	0.50
Present Value		4,615,625	4,273,727	3,957,154	3,773,953	3,494,401	3,235,556	3,085,762	2,857,187	2,645,544	36,163,928
Market Rate / Net Present Value											68,102,837

	Discount Rate				
Discount Rate	**6.00%**	**7.00%**	**8.00%**	**9.0%**	**10.0%**
Market Value	76,958,019	72,342,227	68,102,837	64,204,911	60,617,081

1.23 DISCOUNTED CASH FLOW- LEASING CONTRACT

As per the leasing contract received from the client, the subject property is fully leased to one tenant under the name of HOMEWORKS Retail Center (Department Store)

First Party	شركة الفطيم العالمية التجارية
Second Party	شركة الفطيم الرائدة التجارية
Contract Date	01/08/1438
Contract Duration	15 years
Contract Effective Date	30/07/1453
Contract Value	75,750,000 SAR
OPEX	Paid by The Tenant

تم اضافة شركة الفطيم الرائدة كطرف اضافي الى عقد الإيجار المبرم بين شركة اول الملقا العقارية وشركة الفطيم العالمية وتغيير العلامة التجارية من Home Works الى B&Q مع تمديد الخصم السابق منحه لشركة الفطيم العالمية المنصوص عليه حتى نهاية العقد.

Cash Flow		0	1	2	3	4	5	6	7	8	9
Expected Revenues											
Overall Revenues		4,750,000	4,750,000	4,750,000	4,750,000	4,750,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Expenses											
OPEX	0.0%	0	0	0	0	0	0	0	0	0	0
Insurance	SAR	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Overall Expenses		**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**
NOI		4,725,000	4,725,000	4,725,000	4,725,000	4,725,000	4,975,000	4,975,000	4,975,000	4,975,000	4,975,000
Terminal Value @ --------->	**7.5%**										**66,333,333**
Discount Rate	8.00%	1.00	0.93	0.86	0.79	0.74	0.68	0.63	0.58	0.54	0.50
Present Value		4,725,000	4,375,000	4,050,926	3,750,857	3,473,016	3,385,901	3,135,094	2,902,865	2,687,838	35,671,920
Market Rate / Net Present Value											68,158,417

	Discount Rate				
Discount Rate	6.00%	7.00%	8.00%	9.0%	10.0%
Market Value	76,959,741	72,372,416	68,158,417	64,283,133	60,715,486

1.24 SUBJECT PROPERTY VALUE IN DIFFERENT APPROACHES

Methodology	Subject of Valuation	Value in Numbers	Value in Letters
DRC Approach	Land + Building	SAR 73,710,000	Seventy-Three Million and Seven Hundred Ten Thousand Saudi Riyals
DCF- Market Rates	Property	SAR 68,103,000	Sixty-Eight Million and One Hundred Three Thousand Saudi Riyals
DCF- Contract	Property	SAR 68,158,000	Sixty-Eight Million and One Hundred Fifty-Eight Thousand Saudi Riyals

1.25 SUBJECT PROPERTY VALUE

We are of an opinion that the total market value of the subject property taking into consideration the purpose of valuation by using the DCF Approach based on the leasing contract is:

Property Value: **68,158,000 SAR**
Sixty-Eight Million and One Hundred Fifty-Eight Thousand Saudi Riyals

1.26 REPORT USE

This valuation is for the sole use of the named Client. This report is confidential to the Client, and that of their advisors, and we accept no responsibility whatsoever to any third party. No responsibility is accepted to any third party who may use or rely upon the whole or any part of the contents of this report. It should be noted that any subsequent amendments or changes in any form thereto will only be notified to the Client to whom it is authorized.

1.27 DISCLAIMER

In undertaking and executing this assignment, extreme care and precaution has been exercised. This report is based on the information supplied by the bank and or the owner/s of the property. The values may differ or vary periodically due to various unforeseen factors beyond our control such as supply and demand, inflation, local policies and tariffs, poor maintenance, variation in costs of various inputs, etc. It is beyond the scope of our services to ensure the consistency in values due to changing scenarios.

1.28 CONCLUSION

We trust that this report and valuation fulfills the requirement of your instruction. The contents, formats, methodology and criteria outlined in this report are pending copyright. This report is compiled based on the information received to the best of our belief, knowledge and understanding. The information revealed in this report is strictly confidential and issued for the consideration of the client. The valuer's approval is required in writing to reproduce this report either electronically or otherwise and for further onward distribution, hence no part of this report may be copied without prior consent. We trust that this report and valuation fulfills the requirement of your instruction. The contents, formats, methodology and criteria outlined in this report are pending copyright.

Essam Hussaini
Site Inspection Check

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GENERAL NOTES

1.29 CONSULTANT STATUS

We confirm that the consultant / valuator has no physical contact or affiliation with the original subject matter of valuation or with the client and can provide objective, unbiased valuation. We confirm that the valuator is competent to carry out the valuation task and has sufficient skills and market knowledge concerned to conduct the valuation.

1.30 DISCLOSING CONFLICT OF INTEREST

We affirm that we are completely independent of the customer and the subject of the valuation, and nothing contained in this agreement must be interpreted as constituting any relationship with the customer except for the normal official relationship of work, or that it aims to establish any business relationship whatsoever between the customer and Whitecubes employees. We also confirm that we do not have any conflicts of interest with the customer's property. We would like to draw your attention to the following:

	No	*If Yes*		*Remarks*
		Client	Date	
The subject property was previously valued by White Cubes		Al Khabeer Capital	June 2021	--------------------------------------
White Cubes was previously involved in selling activities related to the property	✓	-------------------	---------	--------------------------------------
White Cubes was previously involved in advisory services related to the property	✓	-------------------	---------	--------------------------------------

1.31 CONFIDENTIALITY

This document and / or any other documents received from the client are confidential between White Cubes Est. and the client. Except as may be required by any court or authority, the subject service shall not disclose or use or cause to be disclosed or used, at any time during the Term.

Any of the Client's secrets and/or confidential information, any other non-public information relating to the client business, financial or other affairs acquired by the subject service during the process remain confidential.

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