

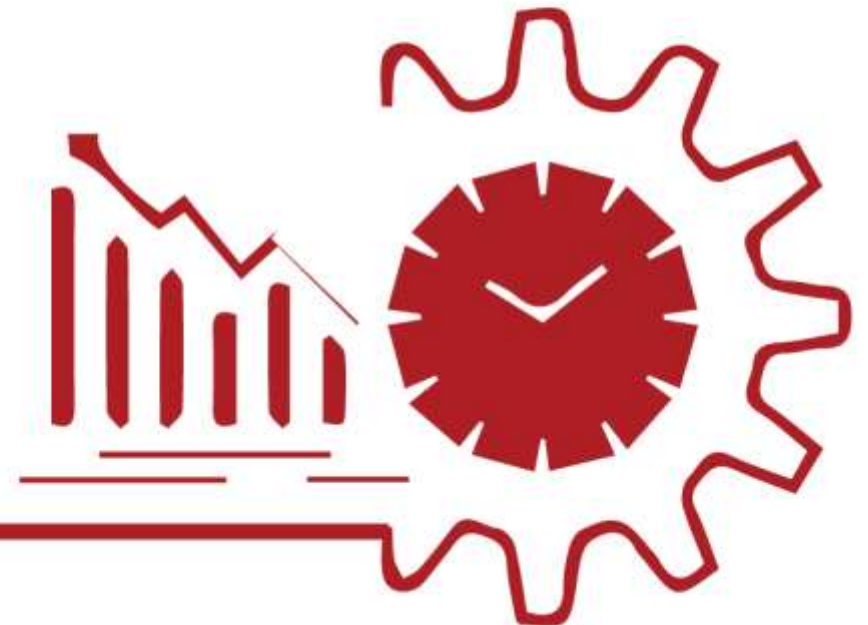


ELEGANCE TOWER
AL KHAbeer CAPITAL

RIYADH CITY

DECEMBER 2021

Valuation Report





REF: 2011396
Date: 31/12/2021
1M/S Al Khabeer Capital

Subject: Valuation Report for Report for an office tower (Elegance Tower) in Riyadh City, Saudi Arabia

Dear Sir,

With reference to your request and approval dated on November 18, 2021 for valuation service of the office Tower (Elegance Tower) 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)



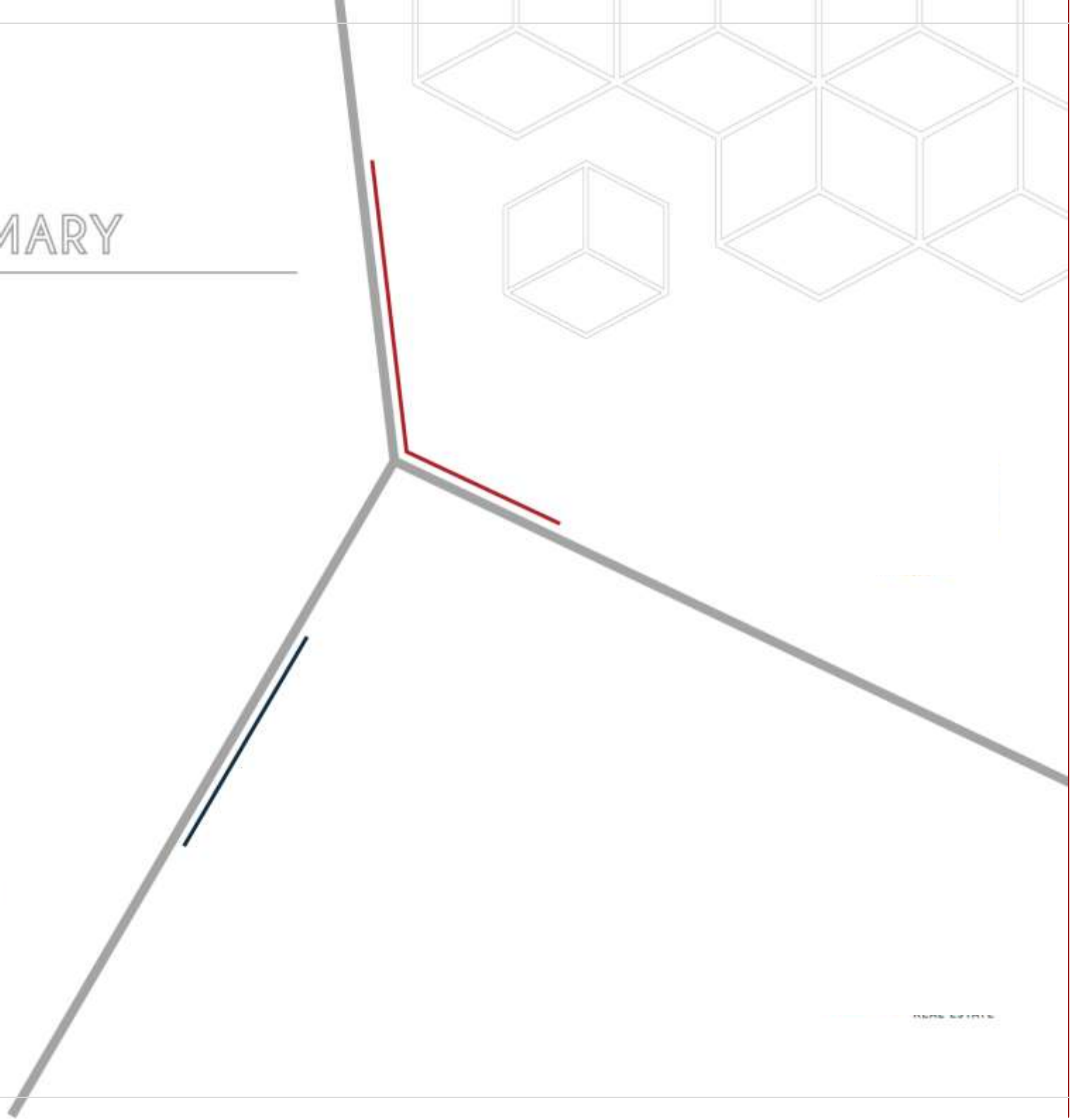
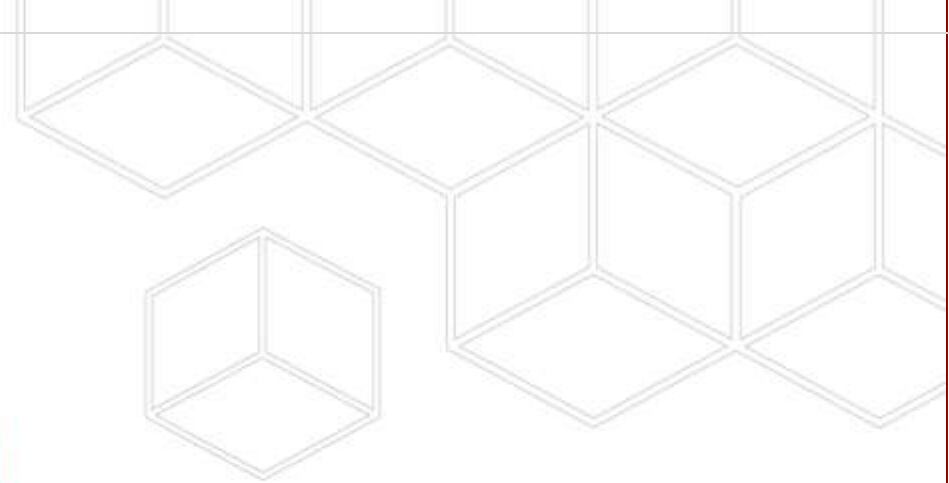


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EXECUTIVE SUMMARY





1.1 EXECUTIVE SUMMARY

Introduction	We received instructions from the client on 18/11/2021 to implement valuation service for an office tower 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.	2011396
Purpose of Valuation	Internal Decision-Making Purposes
Subject Property	Office Tower
Property Location	The property is located in Al Morouj district, Riyadh City.
Title Deed Information	Title Deed No: 393318001500, Title Deed Date: 02/03/1442, Issued from Riyadh Notary
Ownership Type	Freehold (Mortgaged)
Owner	شركة أول الملقى العقارية
Land Use	Commercial Use
Land Area (Sqm)	Based on the title deed, the land has an area size of 5,695 Sqm
BUA (Sqm)	Based on the construction permit, the building has a total BUA of 58,163 Sqm
GLA (Sqm)	The total gross leasable area is 24,322 Sqm composed of office.
Vacancy Rate	Based on the client, the occupancy rate of the project is 100%
Valuation Approach	Comparable Approach & Depreciated Replacement Cost Approach (DRC) & Discounted Cash Flow Approach (DCF)
Final Property Value	485,561,000 SAR
Valuation Date	31/12/2021
Inspection Date	18/11/2021

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 31, 2021.
Report Date	December 31, 2021.

1.4 PURPOSE OF VALUATION

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

PROPERTY DETAILS





1.5 PROPERTY & LOCATION DESCRIPTION

Property Description	The subject property is an office Tower (Elegance Tower) located in Al Morouj district, Riyadh city with direct view on King Fahed Road. Based on the copy of the title deed and the construction permit provided by the client, the project has a total land area of 5,695 Sqm and a total BUA of 58,163 Sqm and composed of 5 basements, a ground floor and 23 upper floors. Yet, the client informed us that the actual project BUA is 62,362 Sqm and that it consists of 27 floors. As per the site inspection done by our team, the tower's and has a regular shape and open from three sides with a direct view on 3 internal streets, where all infrastructural facilities such as water, electricity, sewage and telecommunication are available in the surroundings and connected to the subject property.
Location Description	The property being valued is an office tower located in Al Morouj district Riyadh City. The property is bordered from the north by a Private Property The property is bordered from the south by an Internal Street The Property is bordered from the east by an Internal Street The property is bordered to the west by an Internal Street
Ease of Access	Based on the current location of the subject property, the access level is high, since it is located on King Fahd Road.
The Main Landmarks	The subject property is surrounded by a number of major landmarks such as the General Authority for Zakat & Income Tax, Administrative Courte of Appeal, etc.

Land		Building	
Land Use	Commercial	Building Type	Office Tower
No. of Streets	3	Building Structural Conditions	Fully Constructed
Land Shape	Graded	External Elevation Conditions	Good
Direct View on the Main Road	King Fahed Road	Building Finishing Conditions	Good
Direct View on an Internal Street	Unnamed Streets	Overall Building Conditions	Good

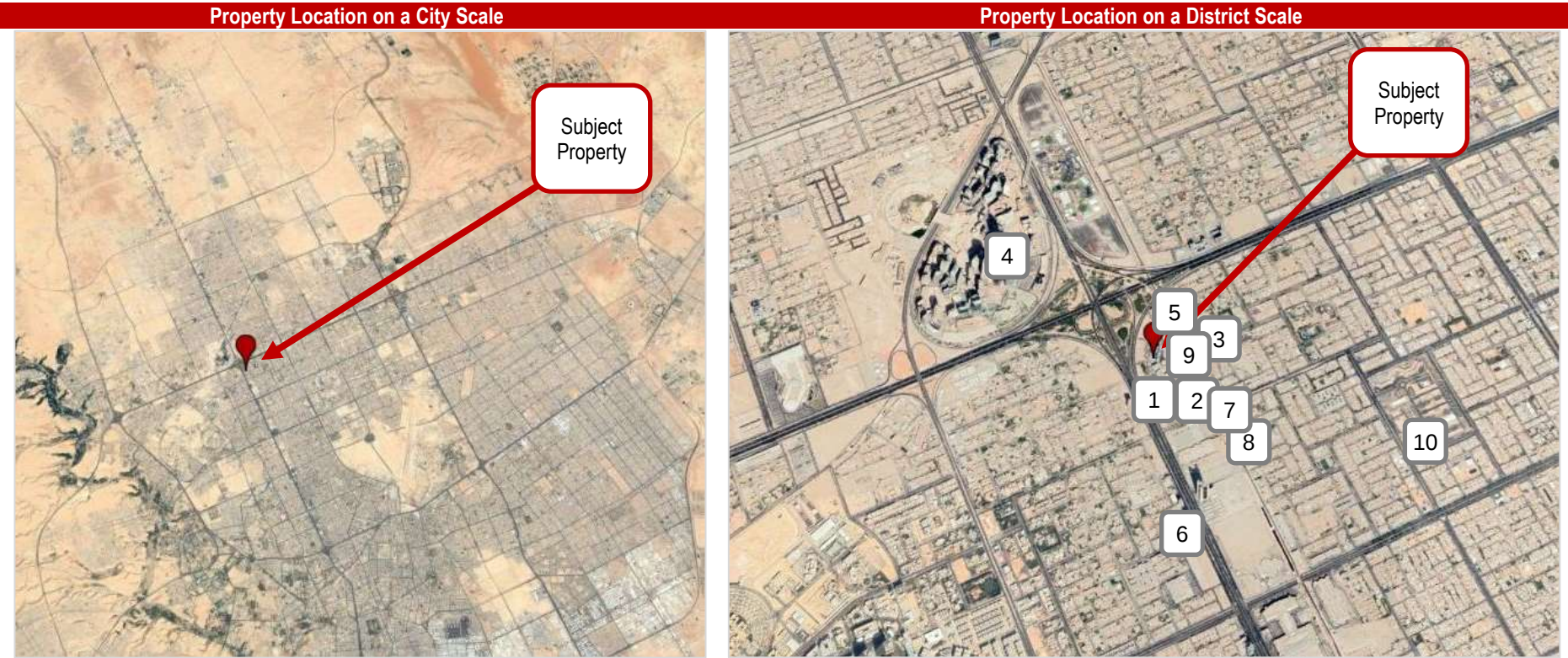
1.6 INFRASTRUCTURE FACILITIES

	Available in the surrounding	Connected to the property	
Water	✓	✓	All the infrastructural facilities are available in the surroundings and connected to the subject property.
Electricity	✓	✓	
Tele-Communication	✓	✓	
Sewage	✓	✓	



1.7 LOCATION

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

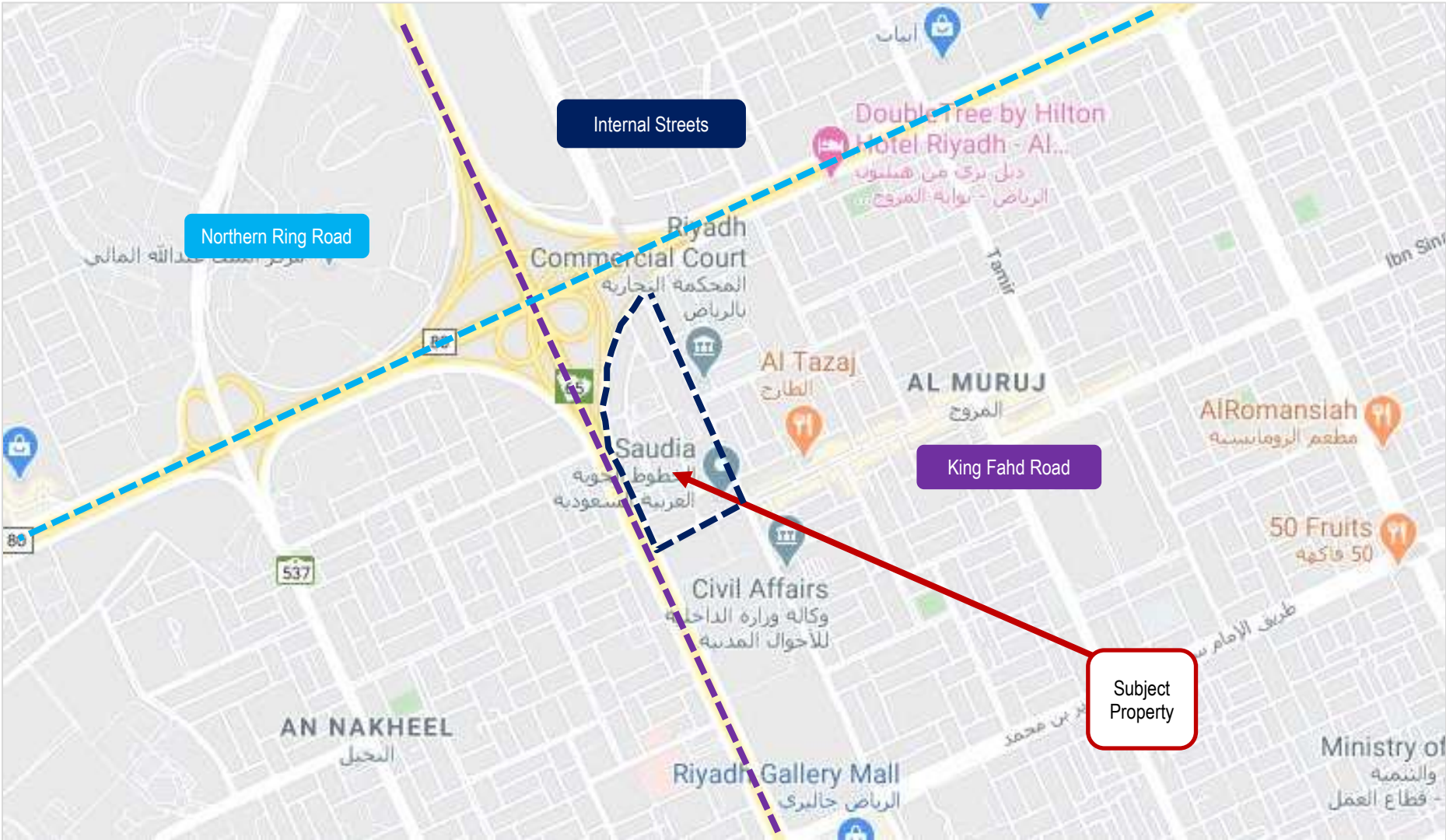


Surrounding Landmarks	
1- General Authority for Zakat & Tax Income (0.2 Kilometers)	6- Dallah Hospitals (1.3 Kilometers)
2- First Notary Public of North Riyadh (0.2 Kilometers)	7- Court of Appeal (0.8 Kilometers)
3- Al Sumoo National School (0.4 Kilometers)	8- Administrative Court of Appeal (1.3 Kilometers)
4- King Abdullah Financial District (1.2 Kilometers)	9- General Directorate for Security Petrol (0.1 Kilometers)
5- Supreme Courte (0.3 Kilometers)	10- General Directorate of Environmental Health (1.6 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 deed related to the subject property which is owned by one title deed. The details of the subject property:

City	Riyadh	Land Area	5,695 Sqm
District	Al Morouj	Plot No.	25, 26, 27, 28
T.D Type	Electronic	Block No.	N/A
T.D Number	393318001500	Layout No.	2,593
T.D Date	02/03/1442	Owner	شركة اول الملقا العقارية
T.D Value	420,000,000 SAR	Ownership Type	Freehold
Date of Last Transaction	02/03/1442	Limitation of Document	Mortgaged
Issued From	Riyadh Notary		
North Side	Pathway	East Side	Parking & 20 Meters Street
South Side	Sidewalk	West Side	Parking & 20 meters Street
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 value 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 client provided us with a building permit for the subject property, which contains the following data:

Subject Property	
Construction Permit Type	Missing Allowance
Property Type	Office Tower
Construction Permit No.	1432/16564
Construction Permit Date	09/03/1438
Permit Expiry Date	09/03/1441

Description	No. of Units	Area (sqm)	Use
Ground Floor	1	1,285	reception
5 Basements	0	28,475	Parking
First Floor	1	1,665	Reception
Floor 2 to 4	16	3,855	Offices
Floor 5 to 9	40	6,765	Offices
Floor 10 to 13	16	3,308	Office
Floor 14 to 18	40	6,765	Offices
Floor 19 to 21	24	3,855	Offices
Floor 22	1	1,095	Restaurant
Floor 23	1	1,095	Restaurant
Total BAU (sqm)		58,163	

1.11 INSURANCE

We have not been provided with any insurance policy for the underlying asset.

1.12 PROPERTY ACTUAL RENTAL RATES

- The project will be leased for 3 years for special tenant with special customization with an annual rent of 30,000,000 SAR. Although, it is expected that such client (governmental authority) will continue renting the project for the same amount, we will conservatively assume that after 3 years the project will be leased as individual offices. In this case, the new upcoming tenants will get the benefit of the special high-tech customization of the project causing higher rental rate compared to the market.



1.13 GROSS LEASABLE AREAS

The client provided us with a document showing the total leasable areas of the subject project as follows:

Floor	Use	No of Floors	GLA / Floor	BUA / Floor	GLA
Basement	Parking + Storage	5	161.80	5,695.00	809.01
Lower Ground	Entrance (Rest. & Gym)	1	108.10	1,301.27	108.10
Upper Floor	Reception + Café	1	207.47	1,301.27	207.47
Mezzanine	MZ	3	470.06	763.10	1,410.18
Service Floor	Mechanical	1	478.20	1,406.80	478.20
TF 6-10	Office	5	1,139.20	1,457.15	5,696.00
Service Floor	Gym	1	1,136.05	1,457.15	1,136.05
Service Floor	Pool	1	1,064.00	1,368.65	1,064.00
TF 13-15	Office	3	538.12	842.15	1,614.36
	Office	0	-	1,456.80	-
TF 16-21	Office	6	1,139.20	1,475.00	6,835.20
TF 22-23	Office	2	1,079.45	1,407.30	2,158.90
F 24	Office	1	1,051.72	1,407.30	1,051.72
F 25	Restaurant	1	1,336.10	1,549.00	1,336.10
RF 26	Restaurant	1	417.10	577.45	417.10
Total		32			24,322.39

GLA Summary	No of Floors	GLA / Floor	GLA
Storage Rooms	5	161.80	809.01
Gym	2	1,127.05	2,254.10
Restaurant & Café	3	671.57	2,014.72
Office	20	962.23	19,244.56
Total			24,322.39

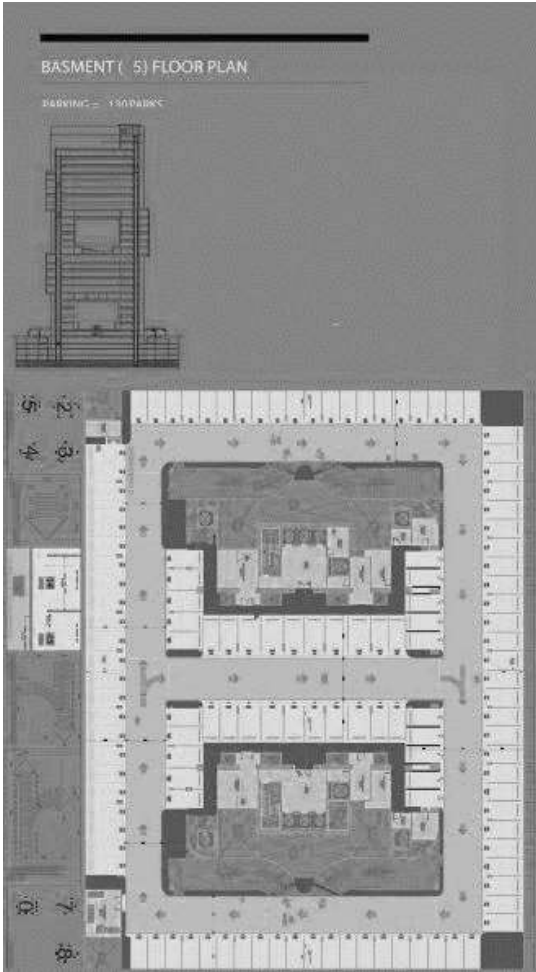
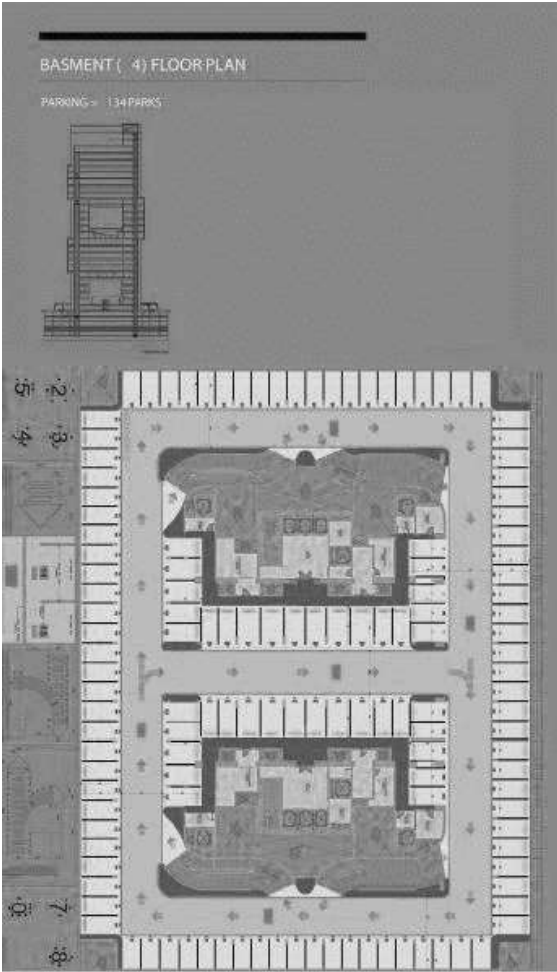
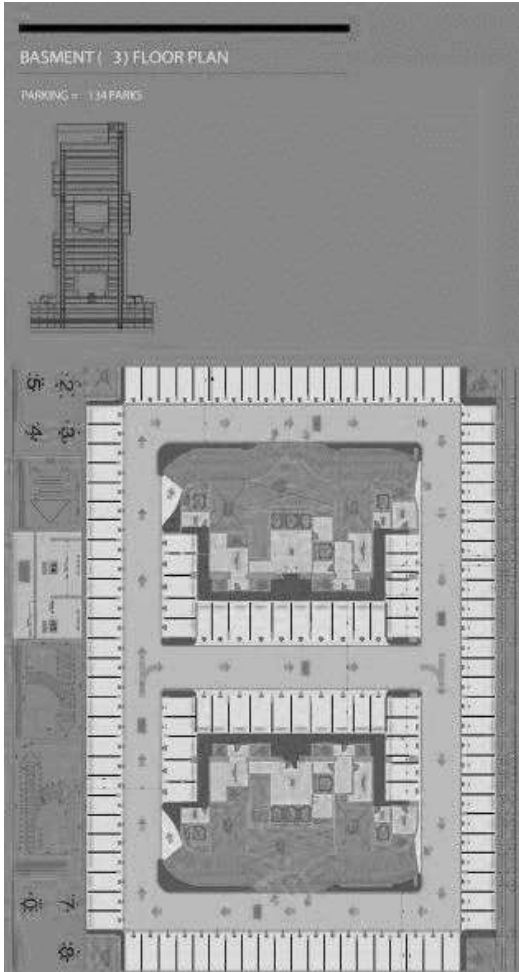
The client informed us that the subject property includes several facilities such as a gymnasium, restaurant, café, pool and a helipad.





1.14 LAYOUTS

The client provided us with a document showing the layouts of the project as follows:

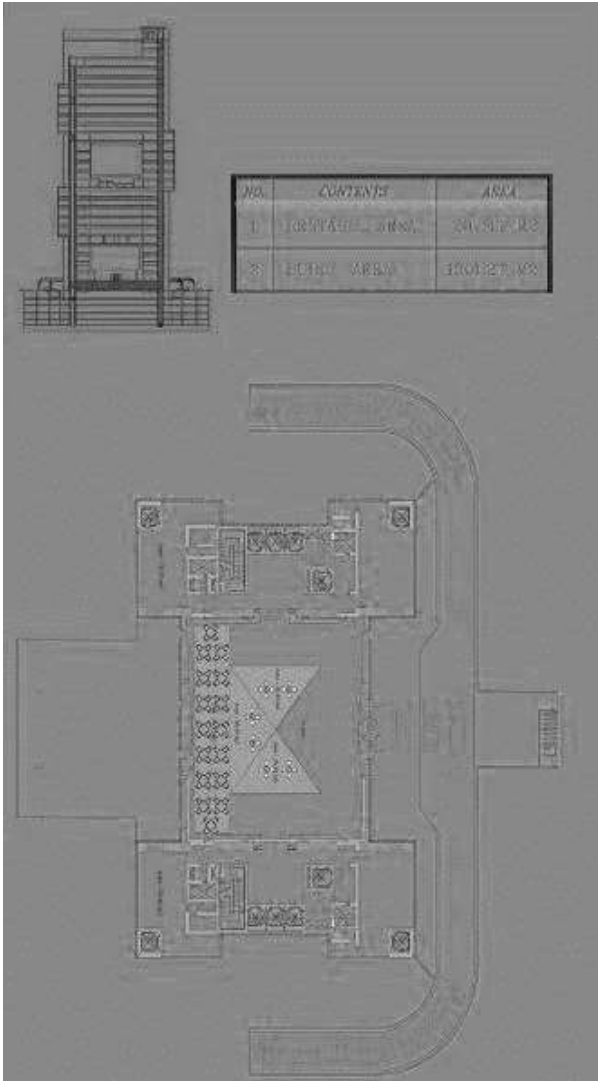
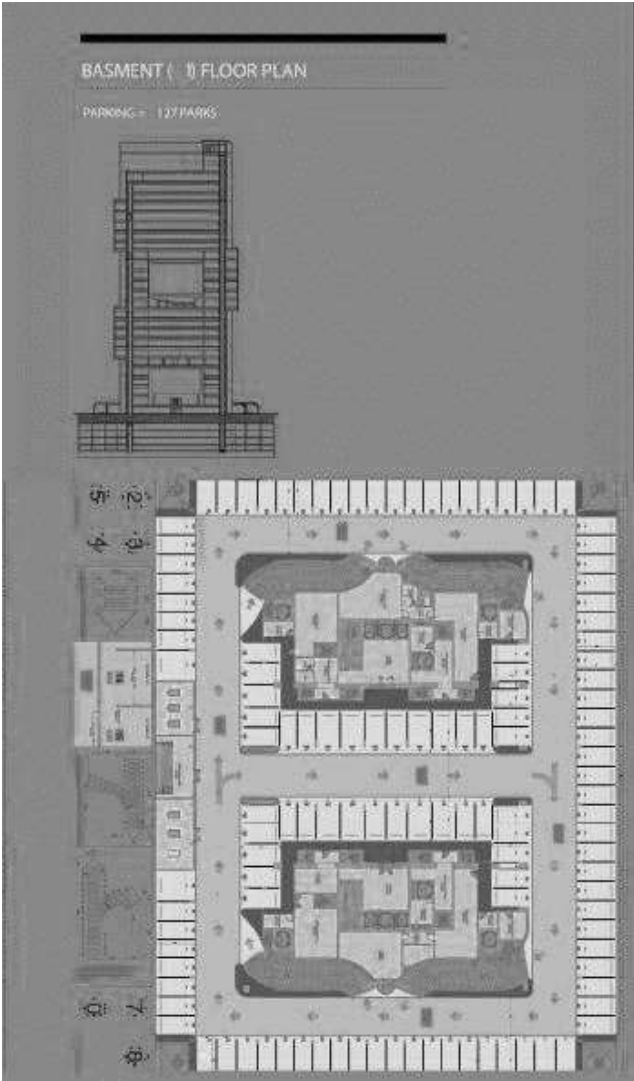
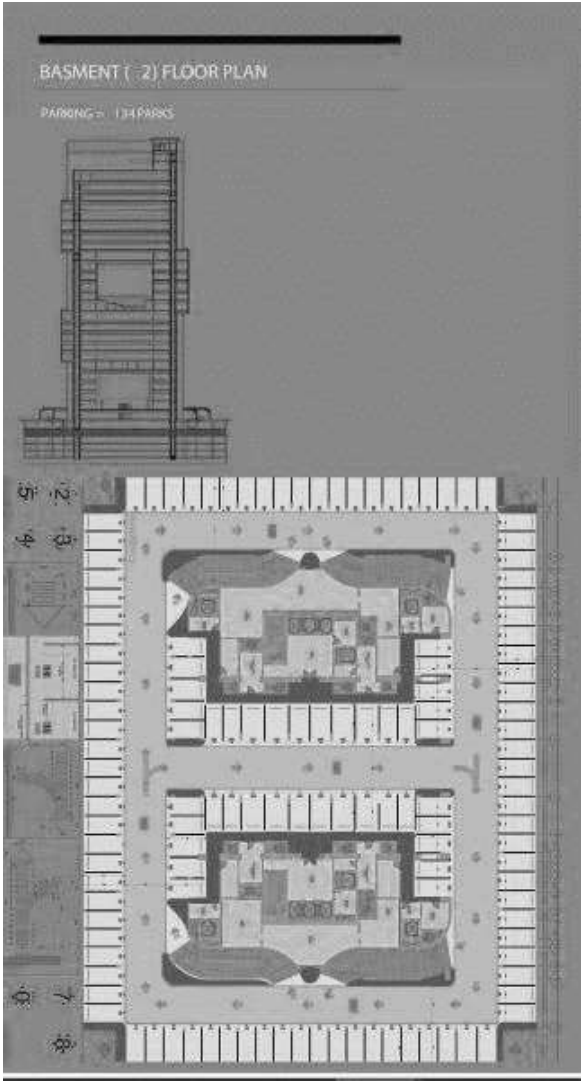
Basement (5)	Basement (4)	Basement (3)
		



Basement (2)

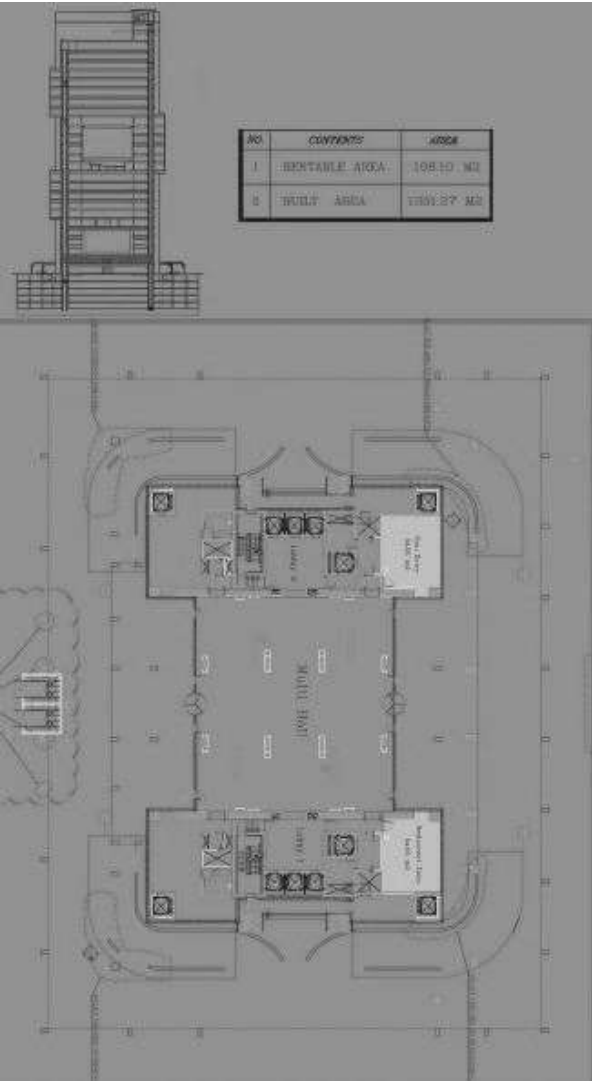
Basement (1)

Lower Ground Plan

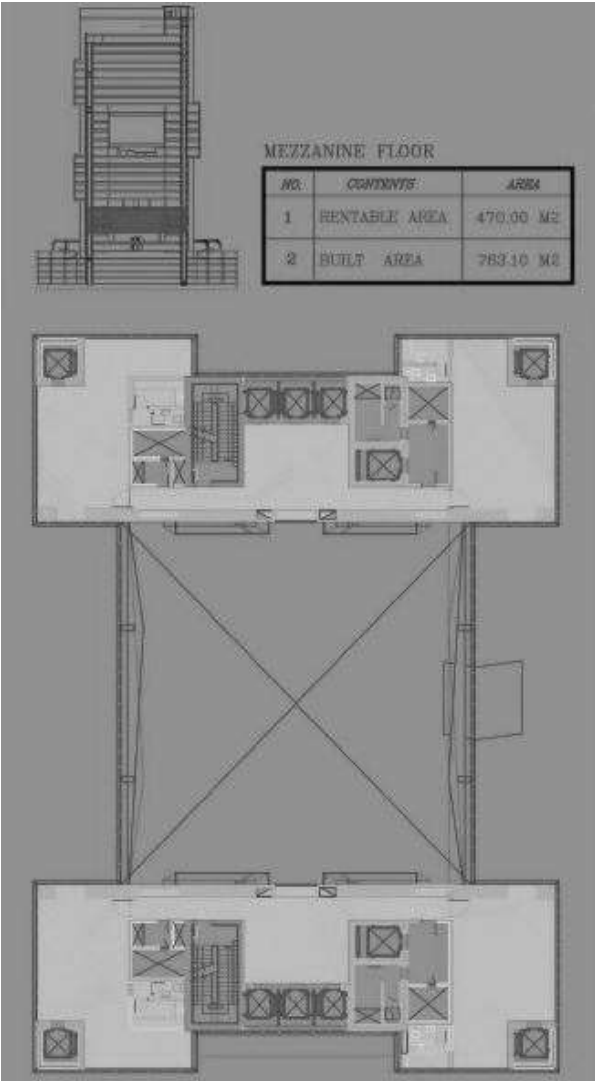




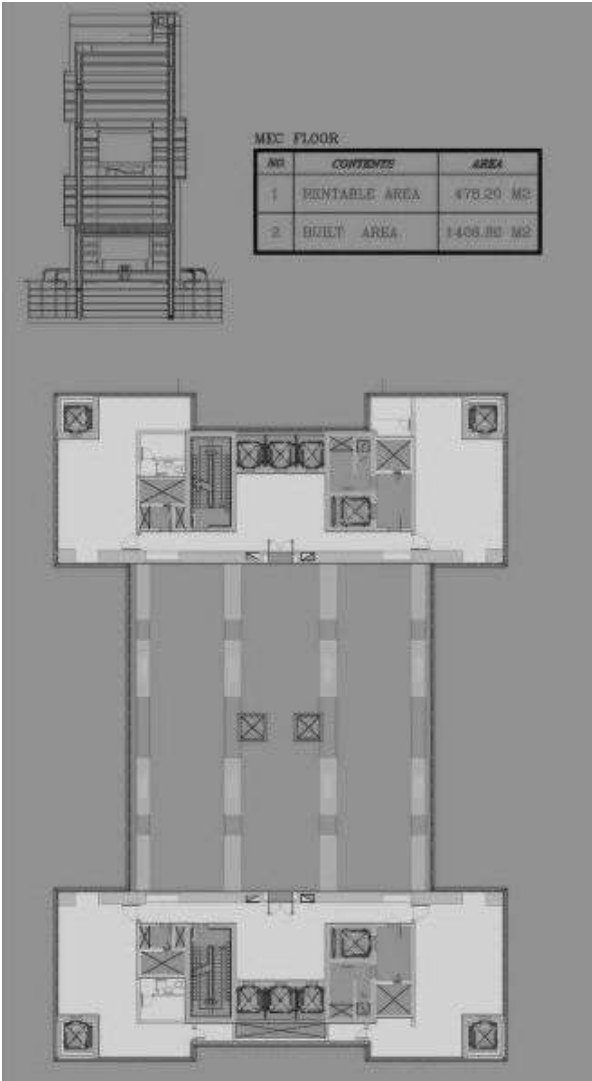
Upper Ground Floor Plan



Mezzanine Floor



MEC. Floor Plan

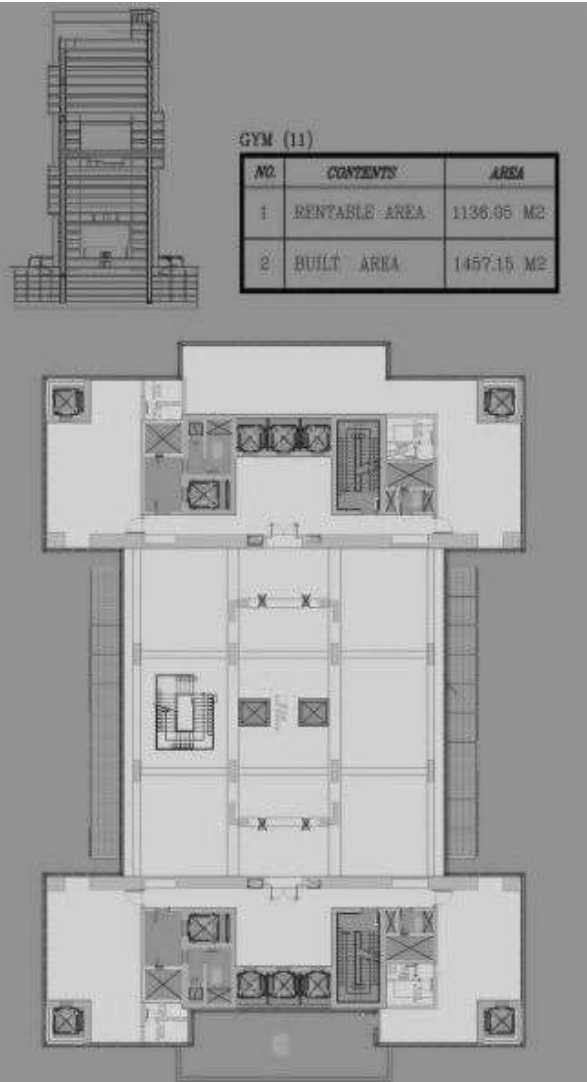
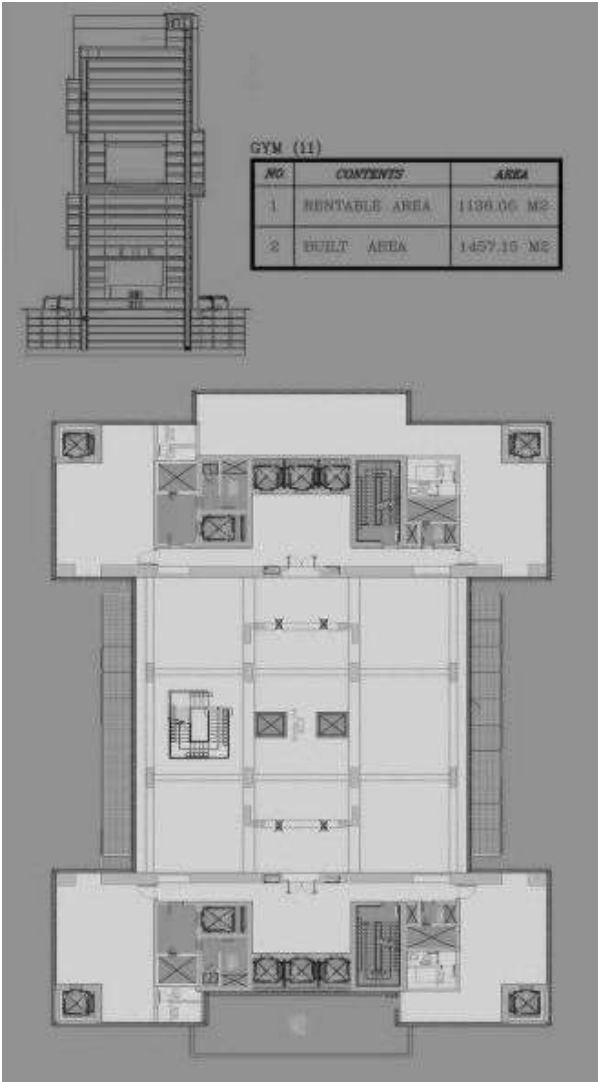
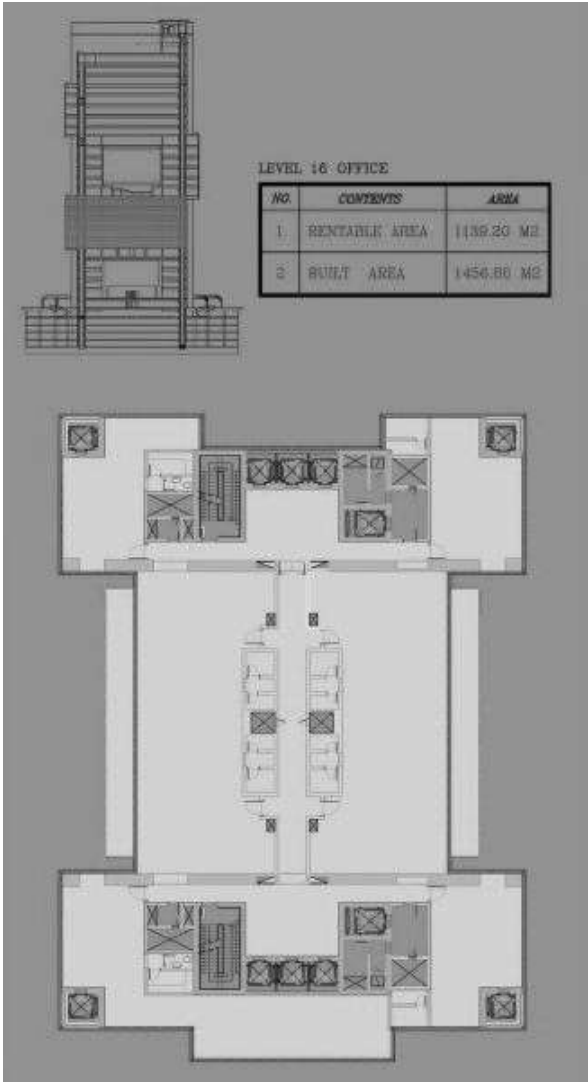




Floor Plan for Typical (6-10)

Gym

Gym

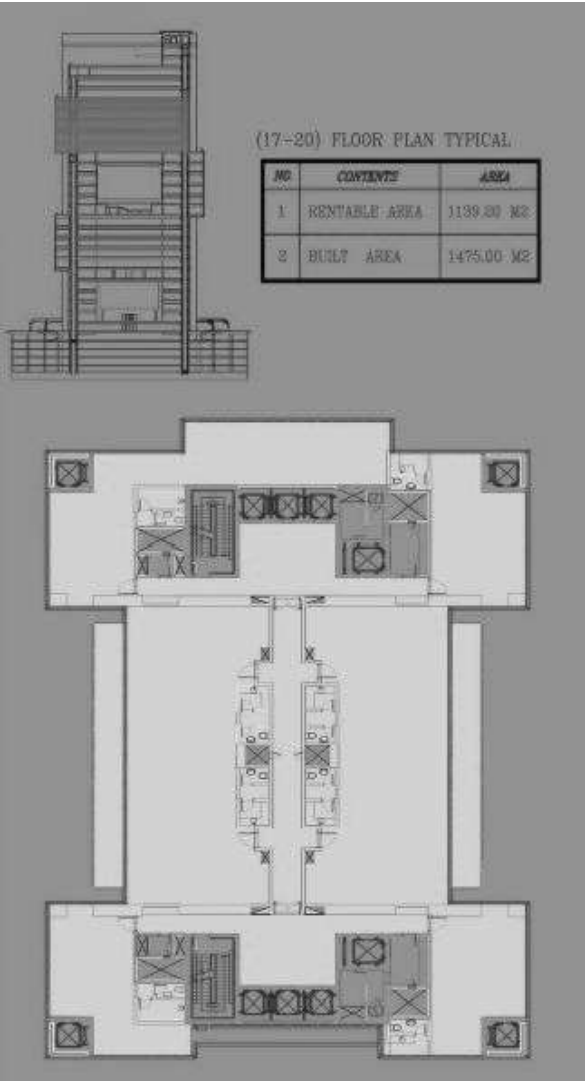
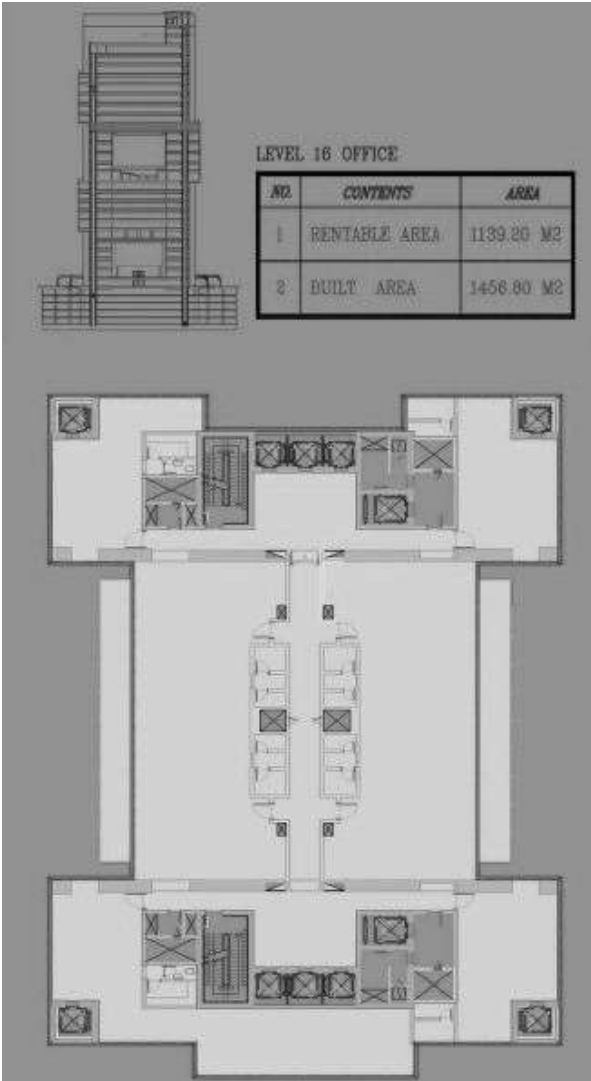




(13-14-15) Floor Plan

Level 16 Office

(17-20) Floor Plan Typical

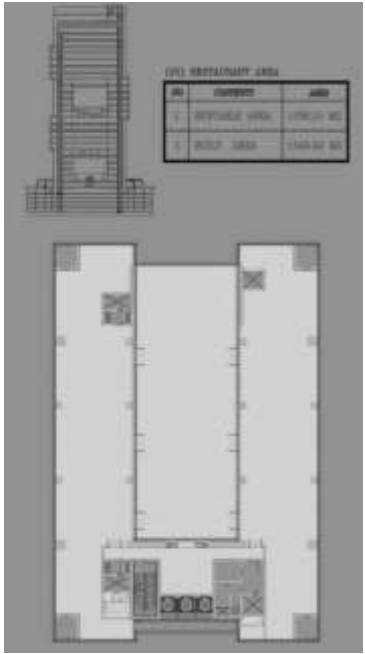
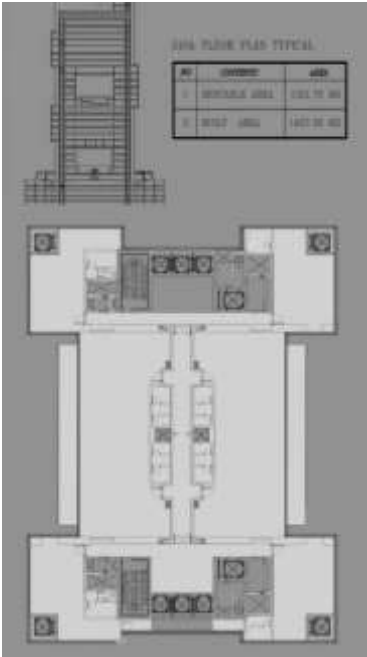
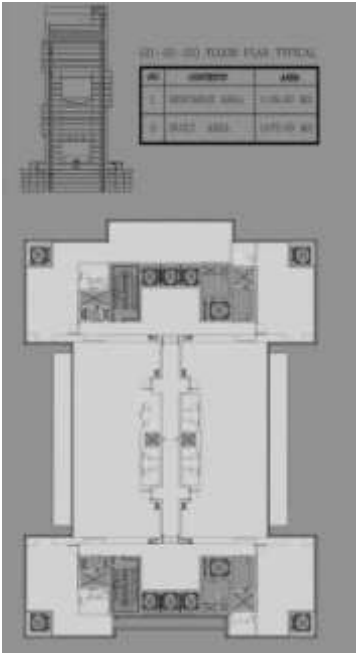




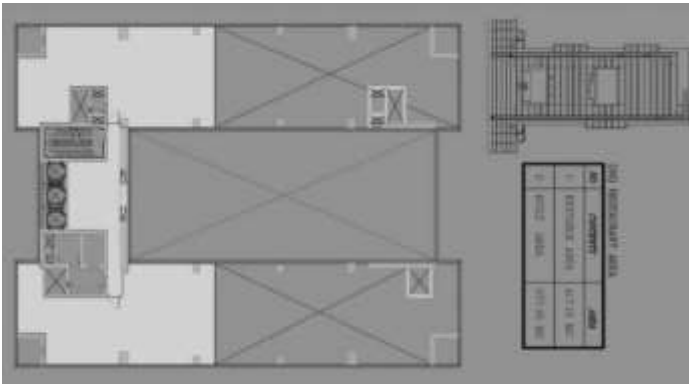
(21-22-23) Floor Plan Typical

(24) Floor Plan Typical

Restaurant Area (25)



Restaurant Area 2 (26)

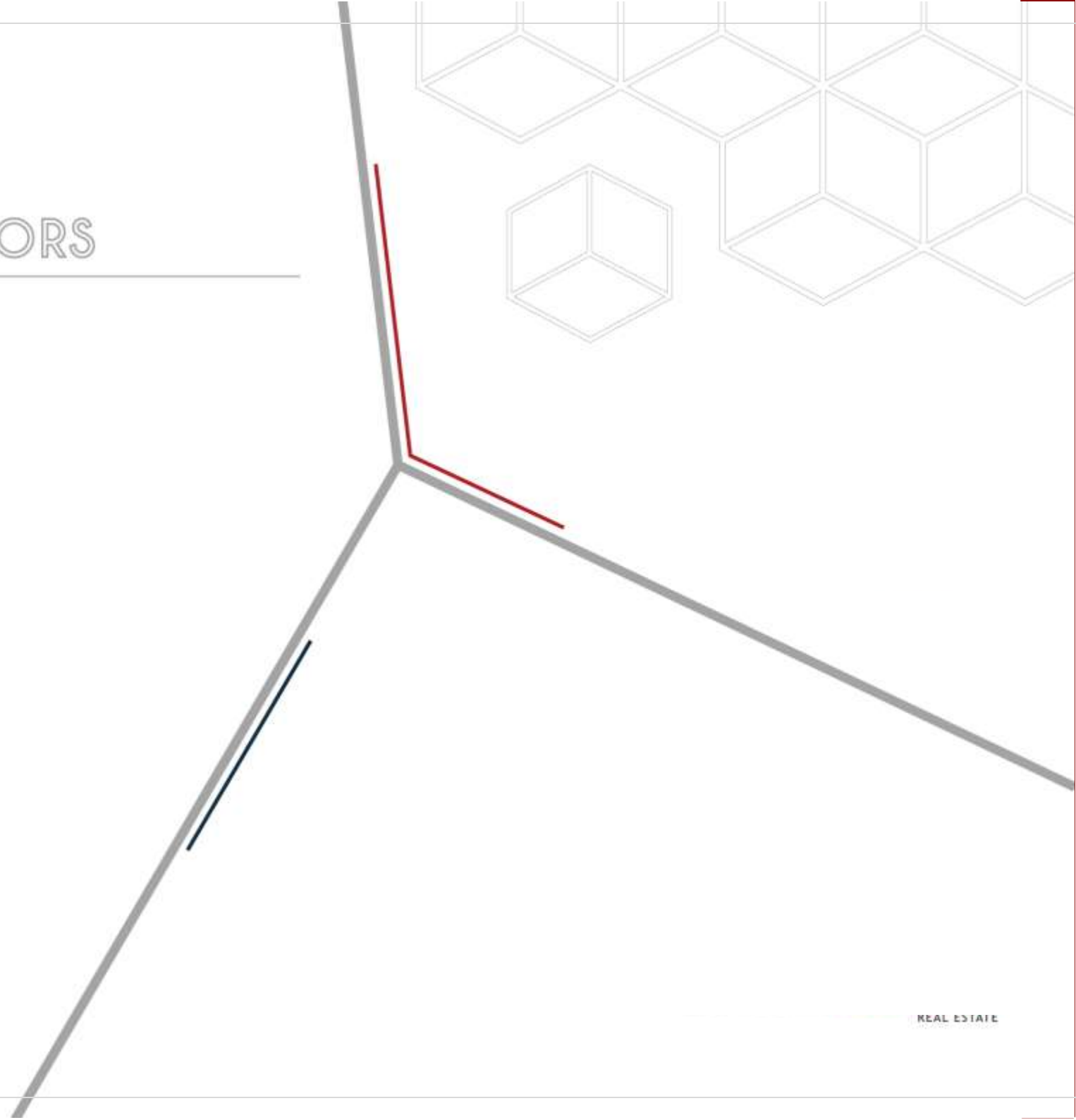




1.15 PHOTO RECORD



MARKET INDICATORS





1.16 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)

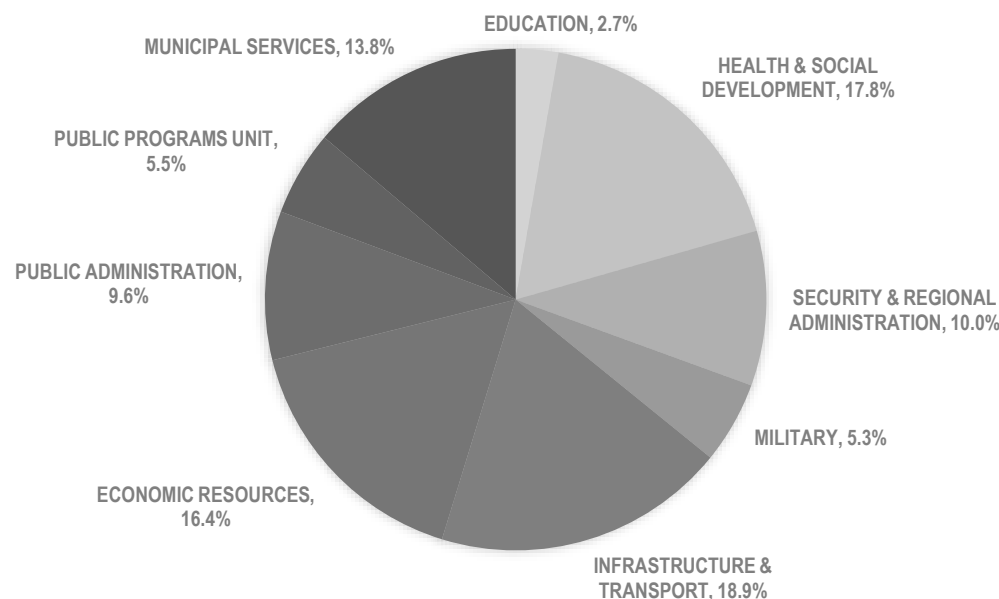
1.17 BUDGET ALLOCATION FOR 2020

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





1.18 SWOT ANALYSIS

Strength - Located on the intersection of the northern ring road and King Fahed Road - The tower is open on 3 sides - Good finishing and unique design - Direct view on King Fahed Financial District - Ease of Access - Availability of several amenities in the near area of the subject property	Weakness - Still in vacant condition
Opportunities - High demand on the property type in the area due to the proximity of several public services and facilities - Leasable to class A tenants	Threats - Existing and upcoming similar projects

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.

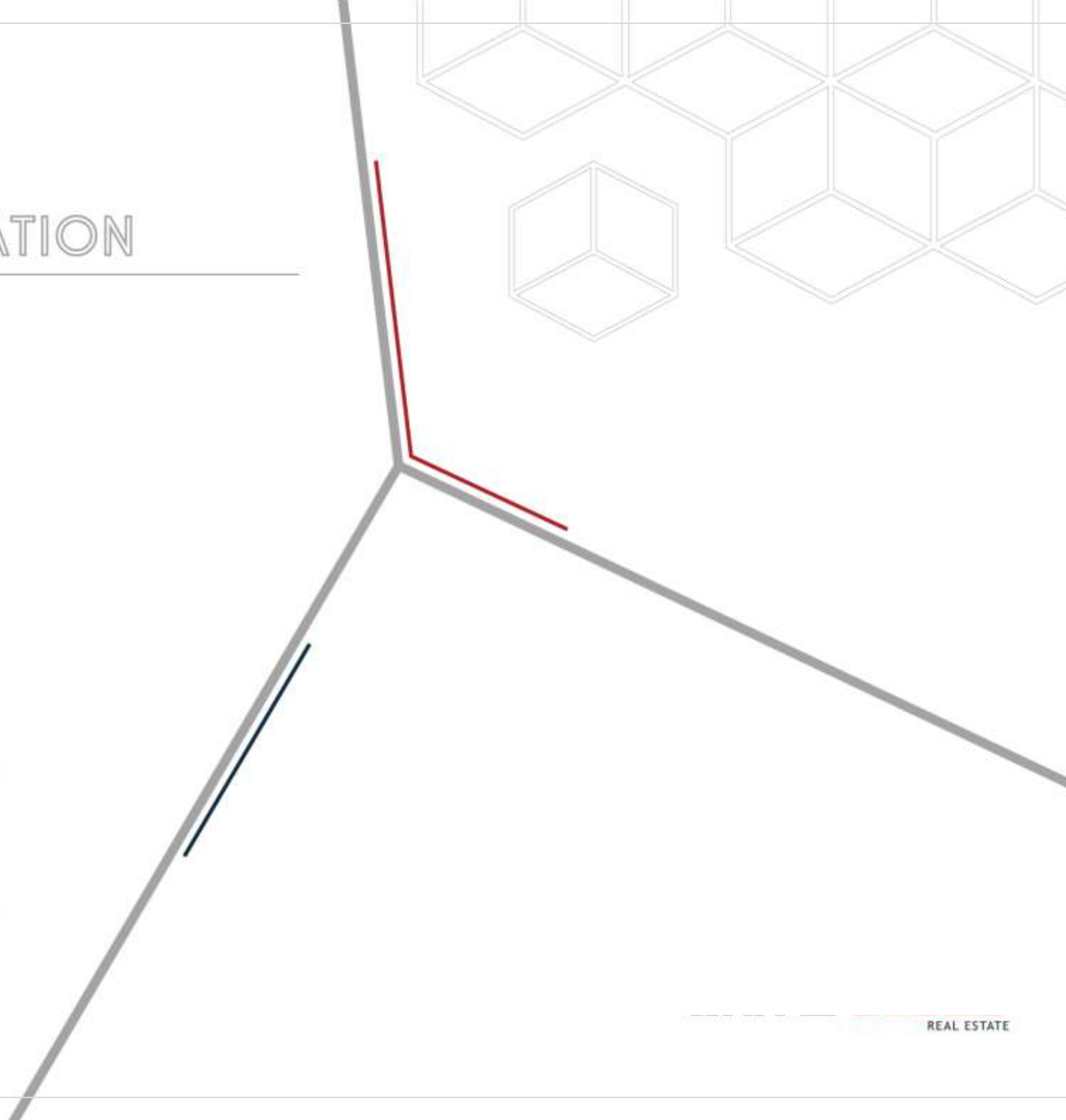
1.19 RISK ANALYSIS

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	0	8	18	0	0
Risk Category	26 Risk Points – Medium Risk				

Sector Analysis

Risk Category- 26 Risk Points - Medium Risk

PROPERTY VALUATION





1.20 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.

1.21 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 churches, 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



1.22 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	Al Moruj	Al Moruj		Al Moruj	
Sale Price	-----	SAR 46,000,000		SAR 41,250,000	
Data Source	Title Deed	Market Survey		Market Survey	
Area Size	5,695.00	2,703.00		2,500.00	
SAR / Sqm	-----	SAR 17,018		SAR 16,500	
Sides Open	3	3		3	

Adjustment Analysis					
		SAMPLE 1		SAMPLE 2	
Area size	5,695.00	2,703.00	0.00%	2,500.00	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	0.00%
Other Factor	-----	-----	0.00%	-----	0.00%
Total Adjustments Ratio		0.00%		0.00%	
Total Adjustment Amount		SAR 0.0		SAR 0.0	
Net After Adjustment		SAR 17,018.1		SAR 16,500.0	
SAR / Sqm		SAR 16,759			
Rounded Value		SAR 16,800			



SENSITIVITY ANALYSIS					
	-10%	-5%	0%	5%	10%
Land Area	5,695	5,695	5,695	5,695	5,695
SAR / Sqm	SAR 15,120.0	SAR 15,960.0	SAR 16,800.0	SAR 17,640.0	SAR 18,480.0
Property Value	SAR 86,108,400	SAR 90,892,200	SAR 95,676,000	SAR 100,459,800	SAR 105,243,600
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 16,500 - 17,000 SAR / Sqm with an average of 16,750 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.

1.23 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 1,100	SAR 1,300	SAR 1,200
MEP	SAR 500	SAR 700	SAR 600
Finishing Materials	SAR 1,200	SAR 1,400	SAR 1,300
Fitouts &Appliance	SAR 80	SAR 120	SAR 100
Site Improvements	SAR 100	SAR 140	SAR 120
Owner Profit	20%	30%	25%

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		
5,695.00	SAR 16,800		SAR 95,676,000		
Building					
	Unit	No of Floors	Total BUA		
Underground	Sqm	5	28,475.00		
Upper Floors	Sqm	1	29,688.00		
Total (SQM)	58,163.00				
Development Cost					
Hard Cost - Upper Floors					
	Area	SAR / Sqm	Total	Completion Rate	Total Cost
Skeleton & Block	29,688.00	SAR 1,200	SAR 35,625,600	100%	SAR 35,625,600
Electro Mechanic	29,688.00	SAR 600	SAR 17,812,800	100%	SAR 17,812,800
Finishing	29,688.00	SAR 1,300	SAR 38,594,400	100%	SAR 38,594,400
Fit outs & Appliances	29,688.00	SAR 100	SAR 2,968,800	100%	SAR 2,968,800
Furniture	29,688.00	SAR 0	SAR 0	100%	SAR 0
Site Improvement	5,695.00	SAR 120	SAR 683,400	100%	SAR 683,400
Total			SAR 95,685,000	100.00%	SAR 95,685,000



Hard Cost - Underground					
	Area	SAR / Sqm	Total	Completion Rate	Total Cost
Skeleton & Block	28,475.00	SAR 1,800	SAR 51,255,000	100%	SAR 51,255,000
Electro Mechanic	28,475.00	SAR 500	SAR 14,237,500	100%	SAR 14,237,500
Finishing	28,475.00	SAR 600	SAR 17,085,000	100%	SAR 17,085,000
Total			SAR 82,577,500	100.00%	SAR 82,577,500
Overall Soft Cost					
			Total Hard Cost	Ratio	Soft Cost
Initial Project Pre Cost			SAR 178,262,500	0.10%	SAR 178,263
Design			SAR 178,262,500	0.50%	SAR 891,313
Eng Consultant			SAR 178,262,500	1.00%	SAR 1,782,625
Management			SAR 178,262,500	5.00%	SAR 8,913,125
Contingency			SAR 178,262,500	5.00%	SAR 8,913,125
Others			SAR 178,262,500	0.00%	SAR 0
TOTAL				11.60%	SAR 20,678,450.00
Total Hard Cost	SAR 178,262,500		BUA	58,163.00	
Total Soft Cost	SAR 20,678,450.00		SAR / Sqm	SAR 3,420	
Total Construction Cost	SAR 198,940,950.00		Overall Completion	100.0%	

After knowing the total construction costs at a rate of 3,420 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 198,940,950	Net Dep Rate	5.71%
		Dev Cost After Depreciation	SAR 187,572,896
Economic Age	35	Total Completion Rate	100.00%
Annual Dep Rate	2.86%	Developer Profit Rate	25.0%
Actual Age	2		
Total Dep Rate	5.71%		
Add Appr Rate	0.00%	Dev. Profit Amount	SAR 46,893,224
Net Dep Rate	5.71%	Development Value	SAR 234,466,120

The total value of the building is 234,466,120 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 234,466,120	SAR 95,676,000	SAR 330,142,120	SAR 330,100,000



1.24 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 office 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:

Comparable No.	Office Units
	Rental Rate/ Unit
Comparable 1	1,100 SAR/ Sqm
Comparable 2	1,400 SAR/ Sqm
Average	1,250 SAR/ Sqm





Analysis of comparison of market rents with actual rents

The project will be leased for 5 years for special tenant with special customization with an annual rent of 30,000,000 SAR. Although, it is expected that such client (governmental authority) will continue renting the project for the same amount, we will conservatively assume that after the 5 years the project will be leased as individual offices. In this case, the new upcoming tenants will get the benefit of the special high-tech customization of the project causing higher rental rate compared to the market.

Analysis of Operating and Maintenance Expenses

The operating expenses of similar properties reached between 10% to 15% 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	3% to 7%
Operating and maintenance expenses	3% to 6%
General service bills expenses	3% to 4%
Other incidental expenses	1% to 3%

Property Operation and Maintenance Expenses

The owner 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 10% 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 9%. 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.

Minimum capitalization rate		7.00%
Maximum capitalization rate		9.00%
Average		8.00%
The effect of the property specifications on the property		
Item	Influence	Notes
Ease of access to the property	-0.25%	Several major methods
General condition of the property	-0.25%	The Property is still new
The general location of the property	-0.25%	The area is served excellently
Quality and finishes	0.00%	Average quality finishes
Project Management Team	-0.25%	Average management and operational team level
Services and public facilities	0.00%	Level and availability of services is average
Total	-1.00%	
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	-1.00%	
Capitalization rate, according to market averages	8%	
Estimated capitalization rate of the property valuation	7.00%	

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%, which will be applied subsequently to the net operating income of the property.

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 11%. We have used a lower discount rate of 8.5% due to several reasons: 1- The property is fully leased to a special tenant with special customization; 2- Good location on the intersection of 2 main roads the northern ring road and the King Fahd Road in addition to its proximity to King Abdullah Financial City. 3- We assume that after the 5 years the project will be leased as individual offices. In this case, the new upcoming tenants will get the benefit of the special high-tech customization of the project causing higher rental rate compared to the market.

CAPM (Cost of Equity) Calculation	
Risk Free Rate	2.20%
Beta	1.12
Country Risk Premium	2.50%
Equity Risk Premium	4.02%
Indigenous Risk Premium	1.50%
Cost of Equity	11.00%



Cash Flow		0	1	2	3	4	5	6	7	8	9	10
Increase Revision		0%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Expected Revenues												
Leasing Contract	SAR	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	0	0	0	0	0	0
Total	SAR	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	0	0	0	0	0	0
Offices	Sqm	24,322	24,322	24,322	24,322	24,322	24,322	24,322	24,322	24,322	24,322	24,322
Rate	SAR	1,250	1,288	1,326	1,366	1,407	1,449	1,493	1,537	1,583	1,631	1,680
Total	SAR	0	0	0	0	0	35,244,830	36,302,175	37,391,240	38,512,977	39,668,367	40,858,418
Service Charge @ 10%	SAR	0	0	0	0	0	3,524,483	3,630,217	3,739,124	3,851,298	3,966,837	4,085,842
Overall Revenues		30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	38,769,313	39,932,392	41,130,364	42,364,275	43,635,203	44,944,259
Vacancy Rates												
Leasing Contract	0.0%	0	0	0	0	0	0	0	0	0	0	0
Offices	5.0%	0	0	0	0	0	1,938,466	1,996,620	2,056,518	2,118,214	2,181,760	2,247,213
Total		0	0	0	0	0	1,938,466	1,996,620	2,056,518	2,118,214	2,181,760	2,247,213
Expenses												
OPEX	10.0%	0	0	0	0	0	3,876,931	3,993,239	4,113,036	4,236,428	4,363,520	4,494,426
Overall Expenses		0	0	0	0	0	3,876,931	3,993,239	4,113,036	4,236,428	4,363,520	4,494,426
NOI		30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	32,953,916	33,942,534	34,960,810	36,009,634	37,089,923	38,202,621
Terminal Value @ ----->	7.0%											545,751,722
Discount Rate	8.50%	1.00	0.92	0.85	0.78	0.72	0.67	0.61	0.56	0.52	0.48	0.44
Present Value		30,000,000	27,649,770	25,483,659	23,487,243	21,647,229	21,915,851	20,804,909	19,750,283	18,749,116	17,798,700	258,274,489
Market Rate / Net Present Value												485,561,248

	Discount Rate				
Discount Rate	6.50%	7.50%	8.50%	9.5%	10.5%
Market Value	556,474,778	519,367,652	485,561,248	454,724,358	426,562,116

1.25 SUBJECT PROPERTY VALUE IN DIFFERENT APPROACHES

Methodology	Subject of Valuation	Value in Numbers	Value in Letters
DCF Approach	Property	SAR 485,561,000	Four Hundred Eighty-Five Million and Five Hundred Sixty-One Thousand Saudi Riyals
DRC Approach	Land + Building	SAR 330,100,000	Three Hundred Thirty Million and One Hundred Thousand Saudi Riyals



1.26 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 is:

Property Value: **485,561,000 SAR**
Four Hundred Eighty-Five Million and Five Hundred Sixty-One Thousand Saudi Riyals

1.27 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.

1.28 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.

1.29 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.



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GENERAL NOTES

