B&Q (HomeWorks)

AL KHABEER CAPITAL

Awal Al Malqa Real Estate Company

Riyadh City

June 2022

Valuation Report

REF: **22-0112-7EN**
Date: **26/06/2022**
M/S: **Awal Al Malqa Real Estate Company**

Subject: Valuation Report for B&Q (Retail Center) in Riyadh city, Saudi Arabia.

Dear Sir,

With reference to your request and approval dated on June 06, 2022, for valuation service of 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

WHITECUBES

Mr. Essam M. Al-Husaini- Owner

Fellow Member of the Saudi Authority of Accredited Valuers (Taqeem)

Table of Contents

(Please Click on the Title for Direct Access)

1.1	EXECUTIVE SUMMARY	6
1.2	VALUATION REFERENCE	8
1.3	BASIS OF VALUATION	8
1.4	CLIENT APPROVAL DATE	10
1.5	INSPECTION DATE	10
1.6	VALUATION DATE	10
1.7	REPORT DATE	10
1.8	OPINION OF VALUE	10
1.9	PURPOSE OF VALUATION	10
1.10	INSPECTION ROLE	10
1.11	MARKET SURVEY	10
2.1	PROPERTY & LOCATION DESCRIPTION	12
2.2	INFRASTRUCTURE FACILITIES	12
2.3	LOCATION	13
2.4	PROPERTY ACCESS	14
2.5	TITLE DEED & OWNERSHIP	15
2.6	CONSTRUCTION & BUILDINGS	16
2.7	INSURANCE	16
2.8	PHOTO RECORD	17
2.9	LEASING CONTRACT	18
2.10	BUILDING GROSS LEASABLE AREA (GLA)	18
3.1	SAUDI ARABIA ECONOMIC INDICATORS	20
3.2	BUDGET ALLOCATION FOR 2021	20
3.3	SWOT ANALYSIS	21
3.4	SECTOR BRIEF	21
3.5	RISK ANALYSIS	23
4.1	DOCUMENTS RECIEVED	25
4.2	GENERAL ASSUMPTIONS	25
4.3	LEGAL NOTICES	25
4.4	INFORMATION SOURCE	26
4.5	STRUCTURAL EXAMINATION OF BUILDINGS (IF ANY)	26
4.6	VALUATION APPROACH	26

TAQEEM LISCENCE NUMBER: 1210000474

4.7	INPUT VALUATION PROCESS	27
4.8	COMPARABLE APPROACH	28
4.9	COST APPROACH (DRC)	29
4.10	DISCOUNTED CASH FLOW- MARKET RATES	31
4.11	DISCOUNTED CASH FLOW- LEASING CONTRACT	34
4.12	SUBJECT PROPERTY VALUE IN DIFFERENT APPROACHES	35
4.13	SUBJECT PROPERTY VALUE	35
4.14	REPORT USE	35
4.15	DISCLAIMER	35
4.16	CONCLUSION	36
4.17	ACCREDITED VALUERS	36
5.1	CONSULTANT STATUS	38
5.2	DISCLOSING CONFLICT OF INTEREST	38
5.3	CONFIDENTIALITY	38
5.4	ENVIRONMENTAL MATTERS	38

TAQEEM LISCENCE NUMBER: 1210000474

EXECUTIVE SUMMARY

WHITE CUBES

1.1 EXECUTIVE SUMMARY

Introduction	We received instructions from the client on 06/06/2022 to implement valuation service for B&Q retail project in Riyadh city.
Client	For whom this report is being prepared is Awal Al Malqa Real Estate Company, a Saudi company registered under the Saudi law.
Reference No.	22-0112-7EN
Purpose of Valuation	Real Estate Investment Trust (REIT)
Subject Property	Retail Project.
Property Location	The property is located in King Fahad district, Riyadh city.
Title Deed Information	Title Deed No: 214002002199, 314009006126, 314004005870, date: 14/09/1440, Issued from Riyadh Center Primary Notarial.
Ownership Type	Mortgage.
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)	As per the provided construction permit, the total BUA is 9,181 Sqm.
Vacancy Rate	The total GLA is 5,275 Sqm composed of showrooms.
Valuation Approach	Comparable Approach & Cost Approach & Discounted Cash Flow Approach (DCF).
Final Property Value	SAR 68,158,000
Valuation Date	26/06/2022
Inspection Date	15/06/2022

TAQEEM LISCENCE NUMBER: 1210000474

TERMS OF REFERENCE & VALUATION

WHITE CUBES

1.2 VALUATION REFERENCE

This report was prepared based on the instructions issued to us by Awal Al Malqa Real Estate Company to estimate the market value of the property / real estate that is the subject of this report for the mentioned purpose only. This report may not be used for other purposes. The valuation was prepared in accordance to the regulations and standards issued by the Saudi Authority of Accredited Valuers and the International valuation Standards of the Council of International Assessment Standards (IVSC).

1.3 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.

The definition of Market Value is applied in accordance with the following conceptual framework:
"*The estimated amount*" refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value:

AN ASSET SHOULD EXCHANGE

"***an asset should exchange***" refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the valuation date;

ON THE VALUATION DATE

"***on the valuation date***" requires that the value is time specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the valuation date, not those at any other date;

BETWEEN WILLING BUYER

"***between a willing buyer***" refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute "the market";

TAQEEM LISCENCE NUMBER: 1210000474

AND WILLING SELLER

"**and a willing seller**" is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;

IN AN ARM'S LENGTH TRANSACTION

"***in an arm's-length transaction***" is one between parties who do not have a particular or special relationship, eg parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of special value. The market value transaction is presumed to be between unrelated parties, each acting independently;

AFTER PROPER MARKETING

"**after proper marketing**" means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the market value definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the valuation date;

KNOWLEDGEABLY AND PRUDENTLY

'**where the parties had each acted knowledgeably**, **prudently'** presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the valuation date. Each is further presumed to use that knowledge prudently to seek the price that is most favorable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the valuation date, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;

AND WITHOUT COMPULSION

'**and without compulsion'** establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it. Market value is the basis of value that is most commonly required, being an internationally recognized definition. It describes an exchange between parties that are unconnected (acting at arm's length) and are operating freely in the marketplace and represents the figure that would appear in a hypothetical contract of sale, or equivalent legal document, on the valuation date, reflecting all those factors that would be taken into account in framing their bids by market participants at large and reflecting the highest and best use of the asset. The highest and best use of an asset is the use of an asset that maximizes its productivity and that is possible, legally permissible and financially feasible. Market value is the estimated exchange price of an asset without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

TAQEEM LISCENCE NUMBER: 1210000474

1.4 CLIENT APPROVAL DATE

The client approval date reflects the green light given to us by the client to start the inspection procedures of the property / properties subject to the valuation process.

June 06, 2022.

1.5 INSPECTION DATE

The inspection date reflects the exact date of the property's inspection and the date of executed market survey. Yet, the outcome value of the subject property / properties will be based on the findings at the inspection date.

June 15, 2022.

1.6 VALUATION DATE

The Valuation date is the date on which the opinion of value/s applies. The date of valuation is the date where the value/s of the subject property / properties is reflected. The valuation date is at

June 26, 2022.

1.7 REPORT DATE

The valuation reports usually dated exactly as the valuation date. Yet, and in some cases, the report date can be after the valuation date depending on the nature, size, and location of the subject property.

June 26, 2022.

1.8 OPINION OF VALUE

All the outputs will be shown in this report (Values) are based on our best knowledge of the market, documents received from the client (assumed to be correct), market findings and inspection inputs. Yet, the estimated values of the subject property / properties express our opinion of values based on the previously mentioned findings.

1.9 PURPOSE OF VALUATION

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

1.10 INSPECTION ROLE

A visit to a property or inspection of an asset, to examine it and obtain relevant information, in order to express a professional opinion of its value. We hereby confirm that we have inspected the subject property / Asset at the date of inspection. Our inspection procedure covers only the surface / boundaries / out layers of the property. No technical inspection has been made such as soil test, construction durability, etc. the following shows the findings from the inspection procedures.

1.11 MARKET SURVEY

During the site visit, our team has made the market survey for the immediate surrounding areas of the subject property to collect all the possible and related data to the valuation process. The collected data will be prices, rents, land offerings, properties transactions, etc. the collected data type will be according to the property data and the purpose of valuation.

TAQEEM LISCENCE NUMBER: 1210000474

PROPERTY DETAILS

WHITE CUBES

2.1 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 Fahad district in Riyadh city.
The property is bordered from the north by Shaikh Uthman Al Barahim 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 bn 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

2.2 INFRASTRUCTURE FACILITIES

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

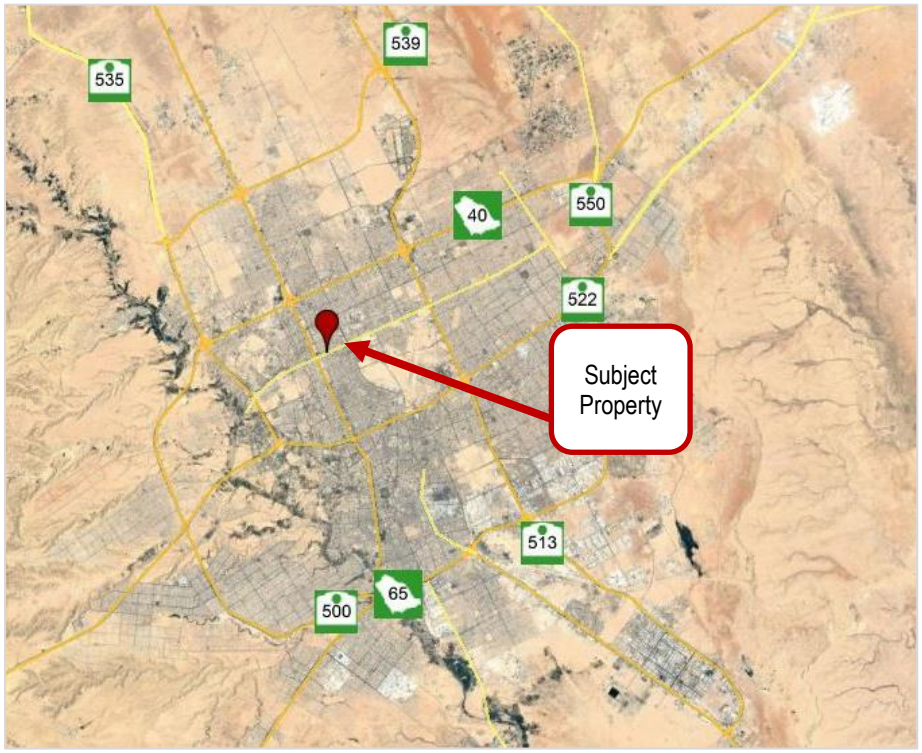
All the infrastructural facilities are available in the surroundings and connected to the subject property.

TAQEEM LISCENCE NUMBER: 1210000474

2.3 LOCATION

The subject property is located in King Fahad district, Riyadh city

Property Location on a City Scale



Property Location on a District Scale

TAQEEM LISCENCE NUMBER: 1210000474

2.4 PROPERTY ACCESS

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

TAQEEM LISCENCE NUMBER: 1210000474

2.5 TITLE DEED & OWNERSHIP

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

City	Riyadh	**Land Area**	2,625
District	King Fahad	**Plot No.**	37 to 40
T.D Type	Electronic	**Block No.**	4
T.D Number	314004005870	**Layout No.**	1324
T.D Date	15/09/1440	**Owner**	شركة أول الملقا العقارية
Date of Last Transaction	15/09/1440	**Ownership Type**	Freehold
Issued From	Riyadh Notary	**Limitation of Document**	Mortgage

City	Riyadh	**Land Area**	1,750
District	King Fahad	**Plot No.**	43, 44
T.D Type	Electronic	**Block No.**	N/A
T.D Number	314009006126	**Layout No.**	1324
T.D Date	14/09/1440	**Owner**	شركة أول الملقا العقارية
Date of Last Transaction	14/09/1440	**Ownership Type**	Freehold
Issued From	Riyadh Notary	**Limitation of Document**	Mortgage

City	Riyadh	**Land Area**	2,625
District	King Fahad	**Plot No.**	39 to 42
T.D Type	Electronic	**Block No.**	4
T.D Number	214002002199	**Layout No.**	1324
T.D Date	14/09/1440	**Owner**	شركة أول الملقا العقارية
Date of Last Transaction	14/09/1440	**Ownership Type**	Freehold
Issued From	Riyadh Notary	**Limitation of Document**	Mortgage

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.

TAQEEM LISCENCE NUMBER: 1210000474

2.6 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 Client has provided us with a copy of the Construction Permit with the below details:

Subject Property	
Construction Permit Type	Add Building Components
Property Type	Commercial Project
Construction Permit No.	9/1/7/27
Construction Permit Date	20/02/1419

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	

As per the provided construction permit, the total BUA is 9,181 Sqm, which will be used in our valuation analysis.

2.7 INSURANCE

Based on the information provided to us by the client, the total costs of the subject property are 25,000 SAR insurance premium expenses.

TAQEEM LISCENCE NUMBER: 1210000474

2.8 PHOTO RECORD

TAQEEM LISCENCE NUMBER: 1210000474

2.9 LEASING CONTRACT

The client informed us that the mater lease rent is for 15 years starting on 01/08/1438 ending 30/07/1453. 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

2.10 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
----	----	----	----	
----	----	----	----	
----	----	----	----	
----	----	----	----	
----	----	----	----	
----	----	----	----	
----	----	----	----	

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.

TAQEEM LISCENCE NUMBER: 1210000474

MARKET INDICATORS

WHITE CUBES

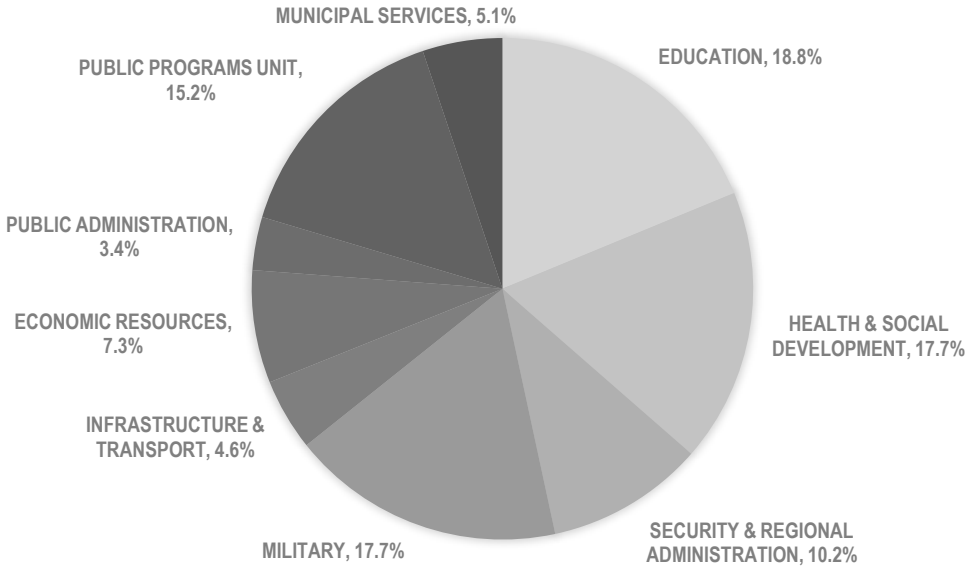
3.1 SAUDI ARABIA ECONOMIC INDICATORS

Economic Indicator	2021 Budget	2022 Expectations	2023 Estimated
Nominal GDP (Billion Riyals)	2,866	3,042	3,232
Real GDP Growth	3.2%	3.4%	3.5%
Inflation Rate	2.9%	2.0%	2.0%
Total Revenue (Billion Riyals)	849	864	928
Total Expenses (Billion Riyals)	990	955	941
Budget Deficit	-141	-91	-13
Public Debt	937	1,013	1,026
Government Reserves at the Saudi Central Bank	280	265	265

3.2 BUDGET ALLOCATION FOR 2021

Public Administration	34 SAR bn
Military	175 SAR bn
Security & Regional Adm.	101 SAR bn
Municipal Services	51 SAR bn
Education	186 SAR bn
Health & Social Dev.	175 SAR bn
Economic Resources	72 SAR bn
Infrastructure & Transport	46 SAR bn
General Items	151 SAR bn

Source: Ministry of Economy

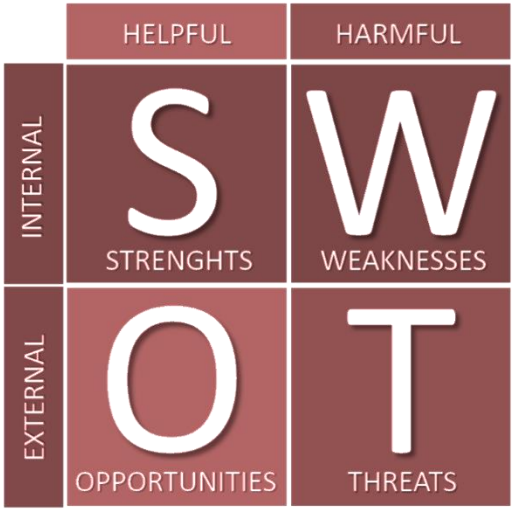


TAQEEM LISCENCE NUMBER: 1210000474

3.3 SWOT ANALYSIS

Strength	Weakness
- Direct view on the main road, King Abdullah Road. - The subject property has 3 sides open	- None.
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.	- 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.



3.4 SECTOR BRIEF

In the following we will insert general information about the real estate sector related to the property subject of our valuation and which is intended to give an initial indication on the sector. These information and indicators are estimated based on our experience, the current sector performance and some other historical data collected from our side, In addition to some current economic changes in general.

Indicator showing a decrease in the current performance comparing to last year
Indicator showing an increase in the current performance comparing to last year
Indicator showing a stable position in the current performance comparing to last year

TAQEEM LISCENCE NUMBER: 1210000474

TAQEEM LISCENCE NUMBER: 1210000474

3.5 RISK ANALYSIS

Risk Factor	Very Low Risk (1) 1-6	Minimal Risk (2) 8-12	Medium Risk (3) 13-18	Elevated Risk (4) 19-24	Very High Risk (5) 25-30
Overall Economy			✓		
Sector Current Performance			✓		
Sector Future Performance		✓			
Occupancy Rates			✓		
Supply Rate			✓		
Demand Rate			✓		
Total Risk	0	2	15	0	0

Risk Category 17 Risk Points - Medium Risk

Sector Analysis
Risk Category
17 Risk Points
Medium Risk

Risk Factor	Very Low Risk (1) 1-5	Minimal Risk (2) 6-10	Medium Risk (3) 11-15	Elevated Risk (4) 16-20	Very High Risk (5) 21-25
Access		✓			
Location		✓			
Land Shape		✓			
Surrounding Area facilities		✓			
Total Risk	0	8	0	0	0

Risk Category 8 Risk Points – Minimal Risk

Land Analysis
Risk Category
8 Risk Points
Minimal Risk

Risk Factor	Very Low Risk (1) 1-3	Minimal Risk (2) 4-6	Medium Risk (3) 7-9	Elevated Risk (4) 10-12	Very High Risk (5) 13-15
Facilities & Amenities			✓		
Management Skills			✓		
Overall Condition		✓			
Total Risk	0	2	6	0	0

Risk Category 8 Risk Points - Medium Risk

Property Analysis
Risk Category
8 Risk Points
Medium Risk

TAQEEM LISCENCE NUMBER: 1210000474

PROPERTY VALUATION

WHITE CUBES

4.1 DOCUMENTS RECIEVED

The client has provided us by clear copy of the following documents.

Title Deed Copy ✓	Construction Permit ✓	Krooki ---
Master Plan ---	Layouts ---	3D Design & Perspectives ---
Pictures ---	Presentation of the subject property ---	Location Map ✓
Location Link ✓	Contact Details ✓	Costing & Budget ---
Tenant List ---	Leasing Contract ---	Operational Cost - OPEX ---

4.2 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.

4.3 LEGAL NOTICES

We are not aware of and have not been notified of any legal notices on the property, whether they are ongoing or pending in the courts.

TAQEEM LISCENCE NUMBER: 1210000474

4.4 INFORMATION SOURCE

Referring to the purpose of this report, it has been assumed that all information received from the client, whether verbal or written, is up-to-date and correct. Our team conducted field research in order to ensure the validity of some market information for the purpose of valuation, which included the values of assets in the region, occupancy rates and market information related to the asset being valued in order to reach the market value of the asset being valued. During the field research process, some sources were relied on as follows:

- The field survey prepared by us
- Site inspection done by our team
- Our historical database for the similar assets of the property being valuated
- Sales agents specialized with the same type of assets subject to valuation

4.5 STRUCTURAL EXAMINATION OF BUILDINGS (IF ANY)

Our service's scope does not include any technical testing of buildings and / or structural examinations and does not include any quality assurance of these constructions. However, in the event of any visible and observed deficiencies in the structural structure, we will write it down in our report and reflect such effect on the value.

4.6 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.

TAQEEM LISCENCE NUMBER: 1210000474

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

4.7 INPUT VALUATION PROCESS

After carrying out the inspection process of the subject property, and based on the purpose of the valuation, we surveyed the surrounding area for the purpose of bringing in information related to the same sector to begin the actual assessment. This information may include similar land prices, residual values, income rates and other information that may be useful, depending on the assessment method to be followed in this report.

TAQEEM LISCENCE NUMBER: 1210000474

4.8 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 Fahad	King Fahad		King Fahad		
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		

TAQEEM LISCENCE NUMBER: 1210000474

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 price 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.

4.9 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 regard. 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	L m	-----	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**

TAQEEM LISCENCE NUMBER: 1210000474

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**

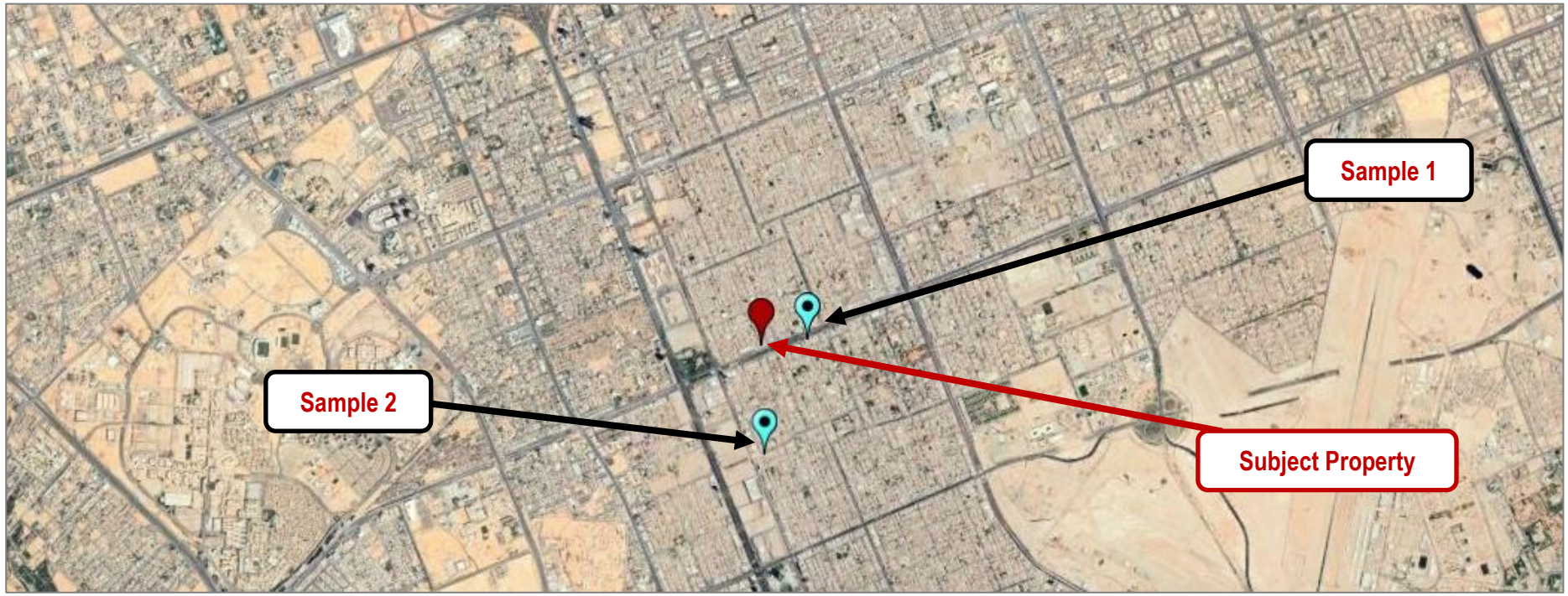
TAQEEM LISCENCE NUMBER: 1210000474

4.10 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**



TAQEEM LISCENCE NUMBER: 1210000474

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.

TAQEEM LISCENCE NUMBER: 1210000474

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**

TAQEEM LISCENCE NUMBER: 1210000474

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

4.11 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.

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

Al Futtaim Group Company has been added as an additional party to the lease agreement concluded between Awal Al Malqa Real Estate Company and Al Futtaim International Company. And changing the brand name from HOMEWORKS to B&Q. with extension of the discount previously granted to Al Futtaim International Company until the end of the contract

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

TAQEEM LISCENCE NUMBER: 1210000474

4.12 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

4.13 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 (DCF Approach) is:

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

4.14 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.

4.15 DISCLAIMER

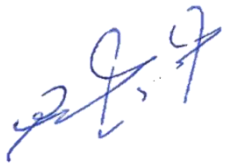
In undertaking and executing this assignment, extreme care and precaution has been exercised. This report is based on the information supplied by the bank and or the owner/s of the property. The values may differ or vary periodically due to various unforeseen factors beyond our control such as supply 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.

TAQEEM LISCENCE NUMBER: 1210000474

4.16 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.

4.17 ACCREDITED VALUERS

Essam M. Al Husaini Owner	Nabeel M. Al Husaini CEO	Farah E. Al Husaini Valuation Manager	WHITECUBES Stamp
			
Fellow Member of (Taqeem) License No. 1210000474	Member of (Taqeem) License No. 1210002782	Member of (Taqeem) License No. 1210001964	

TAQEEM LISCENCE NUMBER: 1210000474

GENERAL NOTES

WHITE CUBES

5.1 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.

5.2 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 White Cubes 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 valuated by White Cubes		Awal Al Malqa Real Estate Company	12/2021	----------
White Cubes was previously involved in selling activities related to the property	✔	----------	---------	----------
White Cubes was previously involved in advisory services related to the property	✔	----------	---------	----------

5.3 CONFIDENTIALITY

This document and / or any other documents received from the client are confidential between White Cubes. 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.

5.4 ENVIRONMENTAL MATTERS

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination.
In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative use has ever been carried out on the property. We have not carried out any investigation into past or present uses, either of the properties or of any neighboring land, to establish whether there is any contamination or potential for contamination to the subject properties from the use or site and have therefore assumed that none exists.
However, should it be established subsequently that contamination exists at the properties or on any neighboring land, or that the premises has been or is being put to any contaminative use, this might reduce the value now reported.

TAQEEM LISCENCE NUMBER: 1210000474