

Al Khabeer Capital
Elegance Office Tower
Awal Al Malqa Real Estate Company

Riyadh City
December 2022



REF: 22-0327
Code:
Date: 31/12/2022
M/S: Awal Al Malqa Real Estate Company

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

Dear Sir,

With reference to your request and approval dated on 8th of November 2022. We will provide you with a detailed report on the property under evaluation, including a market analysis, an economic analysis, and a description of the valuation methods. In addition, we WHITE CUBES guarantee the confidentiality of the client's information and are committed to complete impartiality in the evaluation process and acknowledge that there are no common interests between WHITECUBES and the client.

WHITE CUBES Consulting Services Co.

Mr. Essam M. Al-Husaini – President

Fellow Member of the Saudi Authority of Accredited Valuers

License No. 1210000474

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EXECUTIVE SUMMARY

EXECUTIVE
SUMMARY

Executive Summary

Reference No.	22-0327
Dep. Code	
Report Type	Detailed Report.
Client	Awal Al Malqa Real Estate Company.
Report user	Awal Al Malqa Real Estate Company.
Other users	Investors or those wishing to invest in the Real Estate Investment Trust.
Purpose of Valuation	REIT semi annual valuation
Subject Property	Commercial Project.
Property Location	Al Muruj district, Riyadh City.
Title Deed No.	393318001500
Title Deed Date	02/03/1442
Ownership Type	Freehold (Mortgaged).
Owner	شركة أول الملقا العقارية
Land Use	Commercial
Land Area (Sqm)	The land has an area size of 5,695 Sqm
BUA (Sqm)	As per the provided construction permit, the total BUA is 58,163 Sqm.
GLA (Sqm)	The total gross leasable area is 24,322 Sqm composed of office.
Basis of Value	Market Value.
Value Hypothesis	Current use.
Valuation Approach	Comparable Approach, The Depreciated Replacement Cost (DRC), Discounted Cash Flow Approach (DCF).
Currency	Saudi Arabian Riyal
Final Property Value	SAR 494,400,000
Report Date	31/12/2022
Valuation Date	27/11/2022
Inspection Date	14/11/2022
Expiry Date	120 days from date of the inspection, unless there're any economic changes that affect the subject property.



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SCOPE OF WORK

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WORK

Scope of Work

1.1 Introduction

This report was prepared by WHITE CUBES Co. based on the International Valuation Standards of the Council of International Assessment Standards (IVSC 2022) and the Guide to Practice and Regulations issued by the Saudi Authority of Accredited Valuers (Taqeem), to ensure accurate access to information, the evaluation report must be read in its entirety, our firm is pleased to offer its services to Awal Al Malqa Real Estate Company in order to estimate the market value of the property that is being evaluated.

1.2 Purpose of valuation

We conducted an evaluation of the subject property at the request of the client to determine the current market value of the property for REIT semi annual valuation.

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" 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" 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 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;"

"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" is one between parties who do not have a particular or special relationship, 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" means that the asset would be exposed to the market in the most appropriate manner to affect 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;

'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' 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 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 considered 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.

1.4 Valuation Methods

Depending on the purpose of the valuation, and upon the request of the client, we will apply The Comparable Approach, The Depreciated Replacement Cost (DRC), Discounted Cash Flow Approach (DCF).

1.5 Currency

Unless otherwise stated, all values in the report are in Saudi Arabian Riyals.

1.6 Scope of Research

As part of the appraisal process, our team conducted a field survey of the surrounding area of the property in question and similar properties to ensure their authenticity.

1.7 Property Inspection

Inspection refers to visiting and inspecting an asset, testing its performance, and gathering information about it from quantities, specifications, land area, building areas, rental areas, services, public utilities, project components, etc., so that an opinion can be expressed regarding its value. Therefore, we confirm that subject property was inspected on 14/11/2022 with its specifications, as well, we note that this wasn't a technical inspection, but rather a preview and recording of everything that was seen.

1.8 Information Sources

An on-site field survey was conducted by our team to ensure the accuracy of some market information required for the evaluation, including nearby asset prices, occupancy rates, and specific information about the asset under evaluation, to determine its actual market value. The following sources were used during the field research process:

- Title deed and construction permit.
- Field survey.
- The site preview.
- Our historical database of similar assets.
- Agents specializing in the same type of asset.

1.9 Assumptions and Special Assumptions

As defined by the International Valuation Standards, assumptions are logical matters that can be accepted as facts during evaluation work without being specifically checked or scrutinized. They are accepted as soon as they are mentioned. Based on the facts at the time of the valuation.

- The property under evaluation has been evaluated based on absolute ownership.
- Assumed that all information received from the client is accurate and up to date as of the date of the evaluation, whether oral or written.
- This is an evaluation report rather than a structural survey. As a result, we did not conduct any utility checks, service checks, soil tests, etc.
- The valuation methodologies are based on market data compiled using our relevant market knowledge and experience.
- This report's output (final value) is derived from assumptions used, documents received from the client, and market data. Nevertheless, the output estimates provide an indication of the property's value.

1.10 Use, Distribution, and Publication Restrictions

To estimate the market value of the assets being evaluated, WHITE CUBES Co. has prepared this report. There are restrictions on the transfer, referencing, and presentation of this report and its contents to any other party except as stipulated in the contract letter, and the client must obtain our prior written consent in order to use this report for any other purpose other than that stated in this report.

1.11 Legal Notes

As far as we are aware, no legal notices have been served on the property, whether they are in progress or pending in the court system.



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PROPERTY DETAILS

PROPERTY
DETAILS

Property and Location Description

2.1 Property Description

The subject property is an office Tower (Elegance Tower) located in Al Muruj district, Riyadh city with direct view on King Fahad 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.

2.2 Surrounding Area

the subject property is surrounded mostly by several residential and commercial buildings.

2.3 Ease of Access

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

2.4 Infrastructure

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



2.5 Title Deed and Ownership

The client provides us 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	5,695 Sqm
District	Al Muruj	Plot No.	25/26/27/28
T.D Type	Electronic	Block No.	---
T.D Number	393318001500	Layout No.	2593
T.D Date	02/03/1442	Owner	Awal Al Malqa Real Estate Company
T.D Value	SAR 18,020,000	Ownership Type	Freehold
Date of Last Transaction	02/03/1442	Limitation of Document	Mortgaged
Issued From	Notarized by Mishaal Saud Hady Ad Dusari.		
North Side	10 Meters walkway.	East Side	Parking & 20 Meters Street.
South Side	10 Meters Sidewalk.	West Side	Parking & 20 Meters Street.

Note: 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.

2.6 Construction and 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, the Client has provided us with a copy of the Construction Permit issued by Riyadh Municipality with the below details:

Subject Property	
Construction Permit Type	Replacement of lost copy
Property Type	Office Tower
Construction Permit No.	1432/16564
Construction Permit Date	09/03/1438

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	

2.7 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.

2.8 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.

2.9 Photographs of the Subject Property





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MARKET INDICATORS

MARKET
INDICATORS

Market Indicators

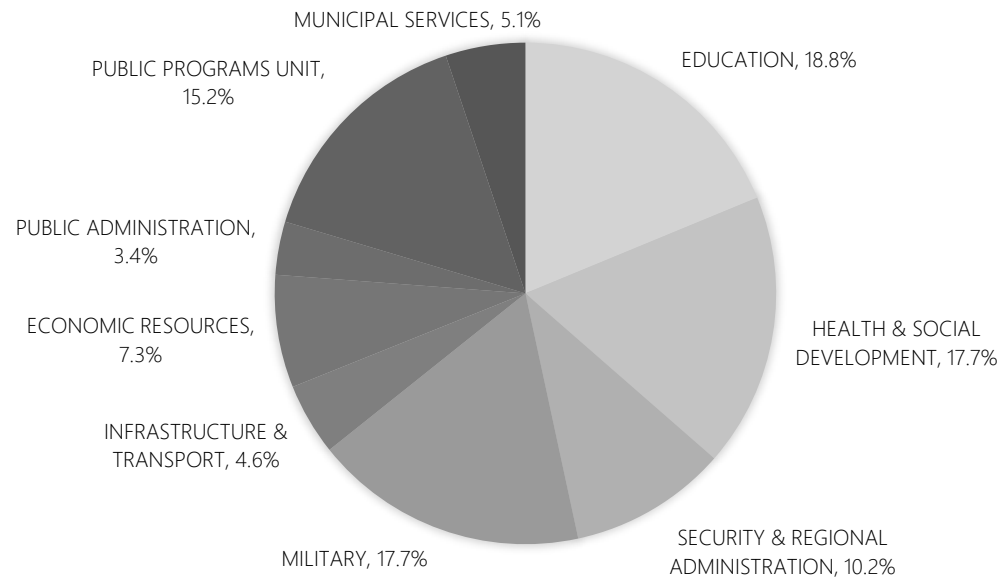
3.1 Saudi Arabia Economic Indicators

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

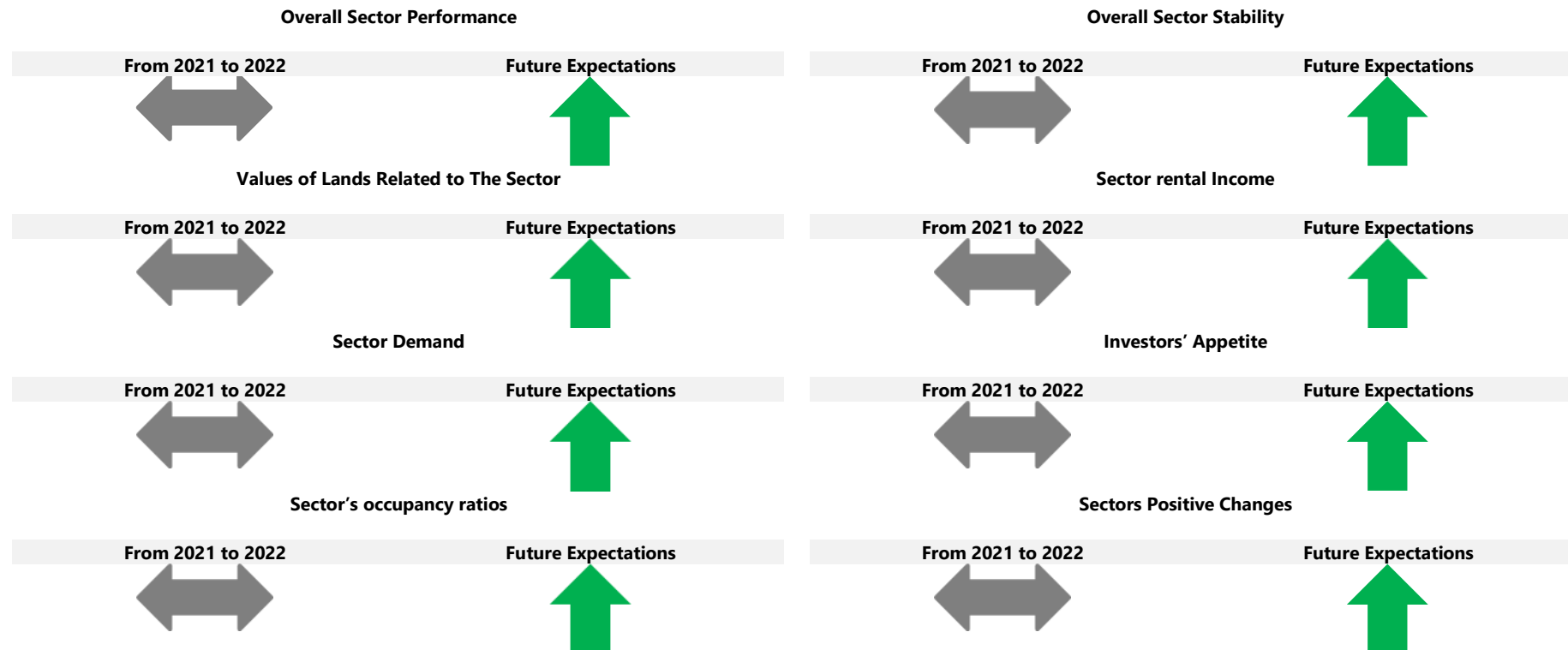
Source: Ministry of Economy



3.3 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



White Cubes Team's Analysis

3.4 Risk Analysis

- Sector Analysis

Risk Factor	Very Low Risk (1) 1-6	Minimal Risk (2) 7-12	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

-Land Analysis

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

-Property Analysis

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



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PROPERTY VALUATION

PROPERTY
VALUATION

Property Valuation

4 Valuation Methods

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:

	Market Approach	Cost Approach	Income Approach			
	Comparable method	DRC method	DCF method	Invest. method	Cap. Rate method	RLV method
Land	✓	----	----	----	----	----
Buildings	----	✓	----	----	----	----
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.

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

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.

4.1 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 Muruj	Al Muruj	Al Muruj		
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 price 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.



4.2 Depreciated Replacement Cost (DRC) Approach

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 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
Developer 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

In order to determine the full value of the property, the construction costs will be added to the market value of the land 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

4.3 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%
<i>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</i>	
Total adjustments on capitalization rate	-1.00%
Capitalization rate, according to market averages	8%
Estimated capitalization rate of the property valuation	7.00%

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		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
		0	1	2	3	4	5	6	7	8	9
Increase Revision		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	0	0	0	0	0	0
Total	SAR	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
Rate	SAR	1,288	1,327	1,366	1,407	1,450	1,493	1,538	1,584	1,632	1,681
Total	SAR	0	0	0	0	35,258,517	36,316,273	37,405,761	38,527,934	39,683,772	40,874,285
Others	SAR	0	0	0	0	0	0	0	0	0	0
Service Charge @ 10%	SAR	0	0	0	0	3,525,852	3,631,627	3,740,576	3,852,793	3,968,377	4,087,429
Overall Revenues		30,000,000	30,000,000	30,000,000	30,000,000	38,784,369	39,947,900	41,146,337	42,380,727	43,652,149	44,961,714
Vacancy Rates											
Leasing Contract	0.0%	0	0	0	0	0	0	0	0	0	0
Offices	5.0%	0	0	0	0	1,939,218	1,997,395	2,057,317	2,119,036	2,182,607	2,248,086
Total		0	0	0	0	1,939,218	1,997,395	2,057,317	2,119,036	2,182,607	2,248,086
Expenses											
OPEX	10.0%	0	0	0	0	3,878,437	3,994,790	4,114,634	4,238,073	4,365,215	4,496,171
Overall Expenses		0	0	0	0	3,878,437	3,994,790	4,114,634	4,238,073	4,365,215	4,496,171
NOI		30,000,000	30,000,000	30,000,000	30,000,000	32,966,714	33,955,715	34,974,387	36,023,618	37,104,327	38,217,457
Terminal Value @ -----											545,963,665
->	7.0%										
Discount Rate	8.50%	1.00	0.92	0.85	0.78	0.72	0.67	0.61	0.56	0.52	0.48
Present Value		30,000,000	27,649,770	25,483,659	23,487,243	23,787,933	22,582,093	21,437,379	20,350,691	19,319,089	280,336,647
Market Rate / Net Present Value											494,434,503

		Discount Rate				
Discount Rate		6.50%	7.50%	8.50%	9.5%	10.5%
Market Value		560,870,878	526,232,577	494,434,503	465,212,903	438,330,943

4.4 Subject Property Value in Different Approaches

Methodology	Subject of Valuation	Value in Numbers	Value in Letters
DCF Approach	Property	SAR 494,434,503	Four hundred ninety-four million four hundred thirty-four thousand five hundred three Saudi Riyals
DRC Approach	Land + Building	SAR 330,100,000	Three Hundred Thirty Million and One Hundred Thousand Saudi Riyals

4.5 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 Comparable Approach is:

Property Value: 494,400,000 SAR
Four hundred ninety-four million four hundred thousand Saudi Riyals.

4.6 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.

4.7 Accredited Valuers

Essam M. Al Husaini
President



Fellow Member of (Taqeem)
License No. 1210000474

Nabeel M. Al Husaini
CEO



Member of (Taqeem)
License No. 1210002782

Farah E. Al Husaini
Valuation Manager



Member of (Taqeem)
License No. 1210001964

Nasser A. Al Arifi
Valuer



Member of (Taqeem)
License No. 1210002399

WHITECUBES Stamp





WHITE **CUBES**
DOCUMENTS

DOCUMENTS

5.1 Title deed and Construction Permit

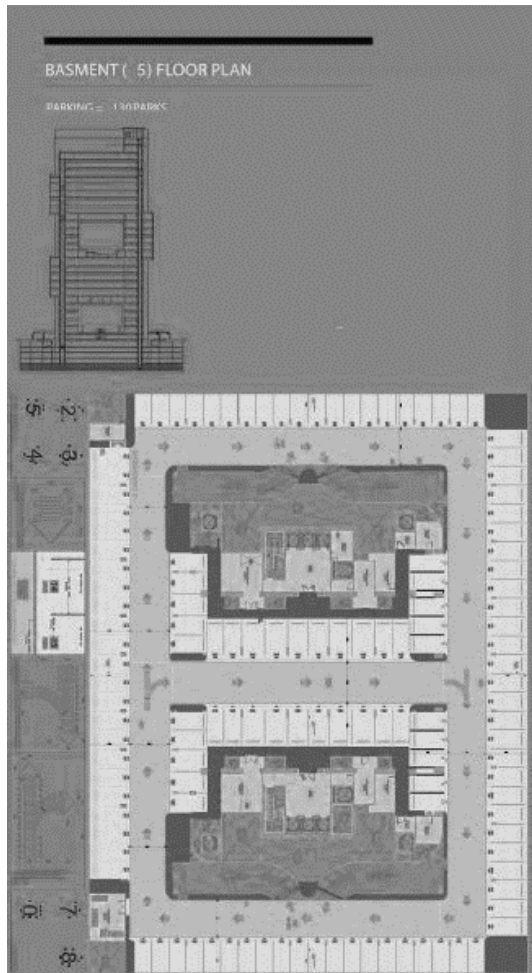
صیغہ رہسن

الختم الرسمي

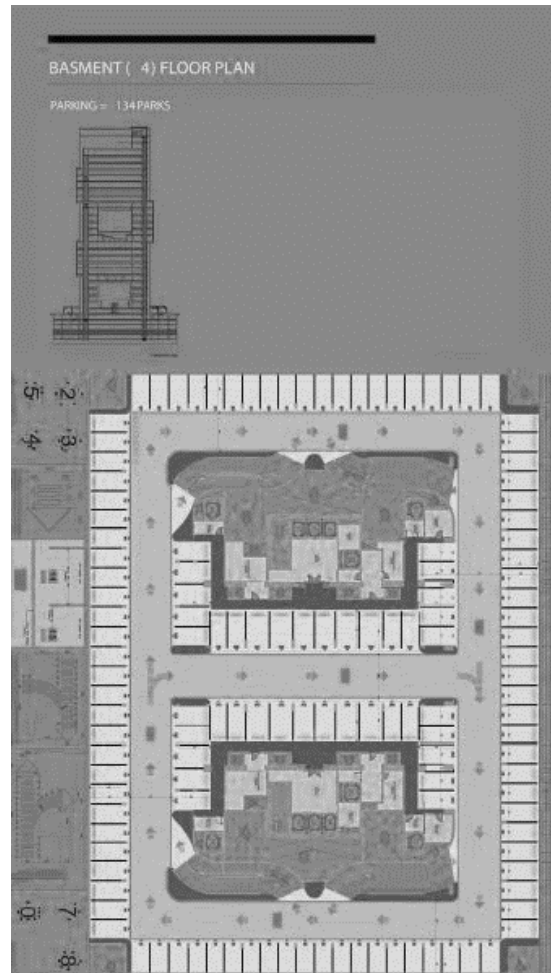
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5.2 Layout

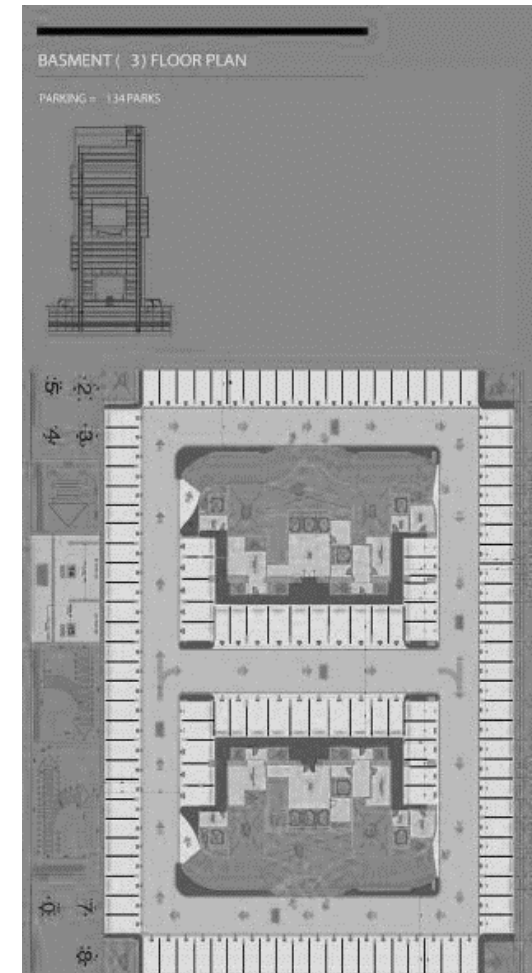
Basement (5)



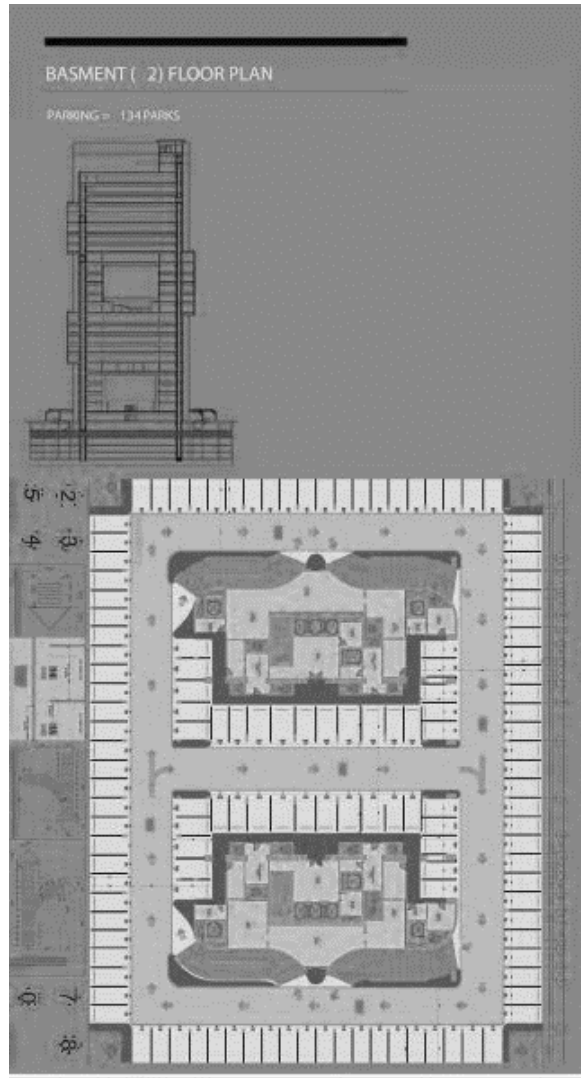
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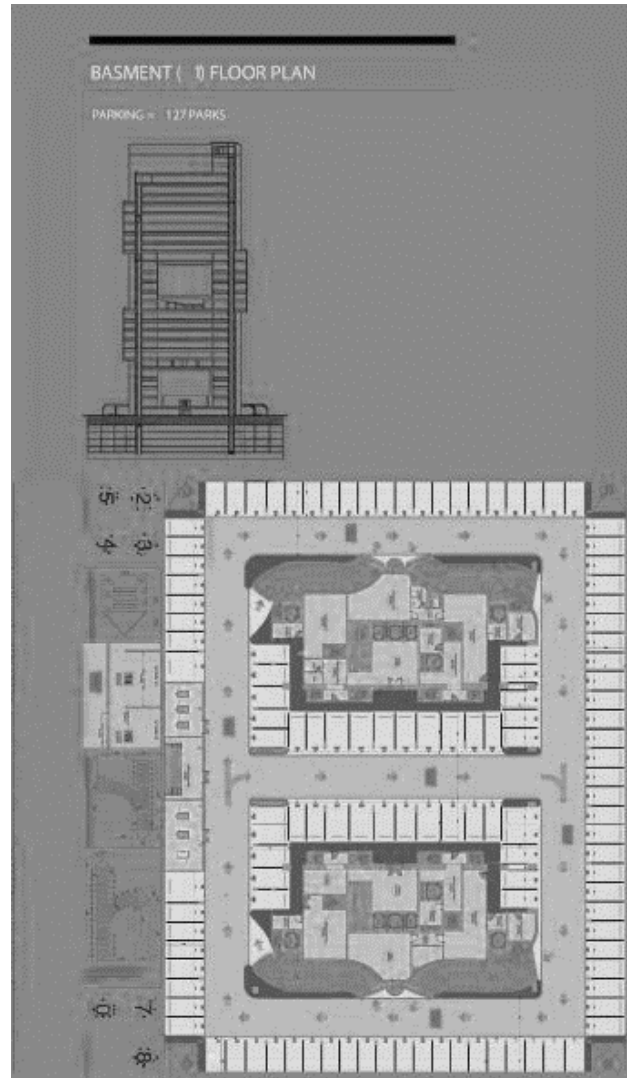
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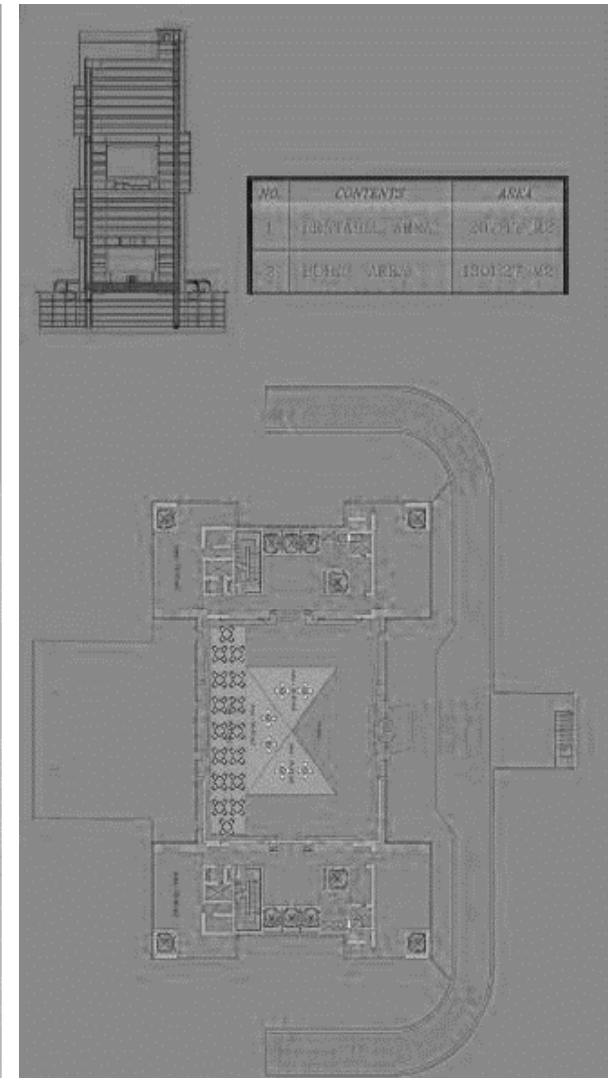
Basement (2)



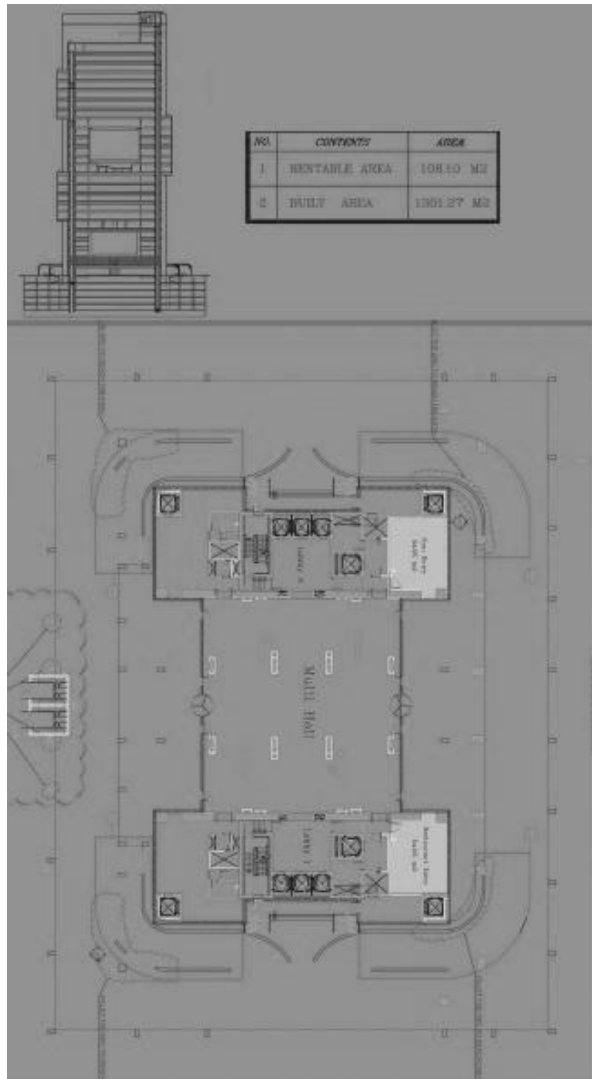
Basement (1)



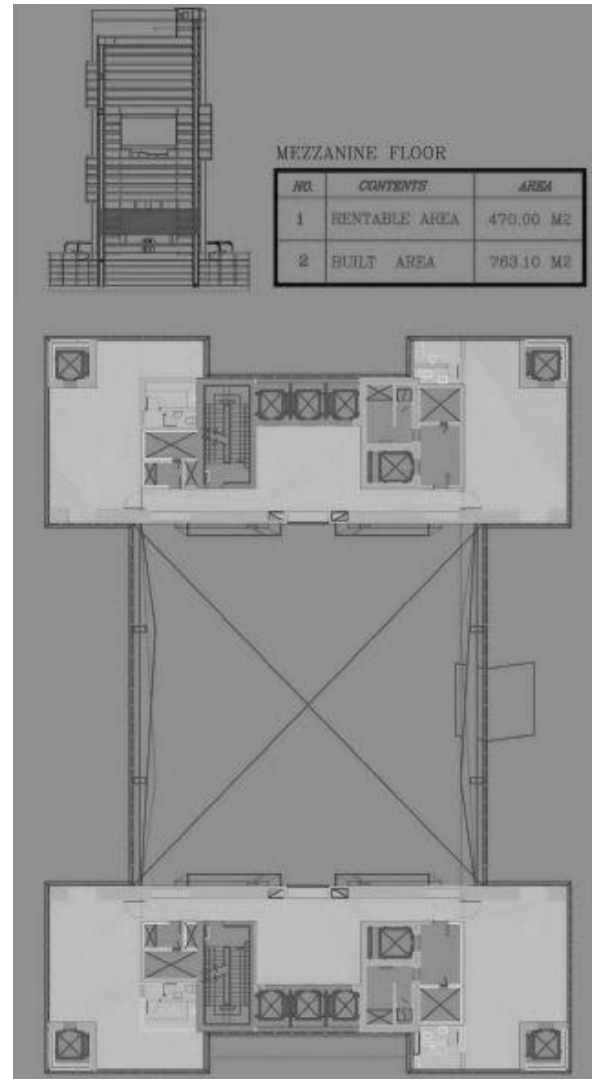
Lower Ground Plan



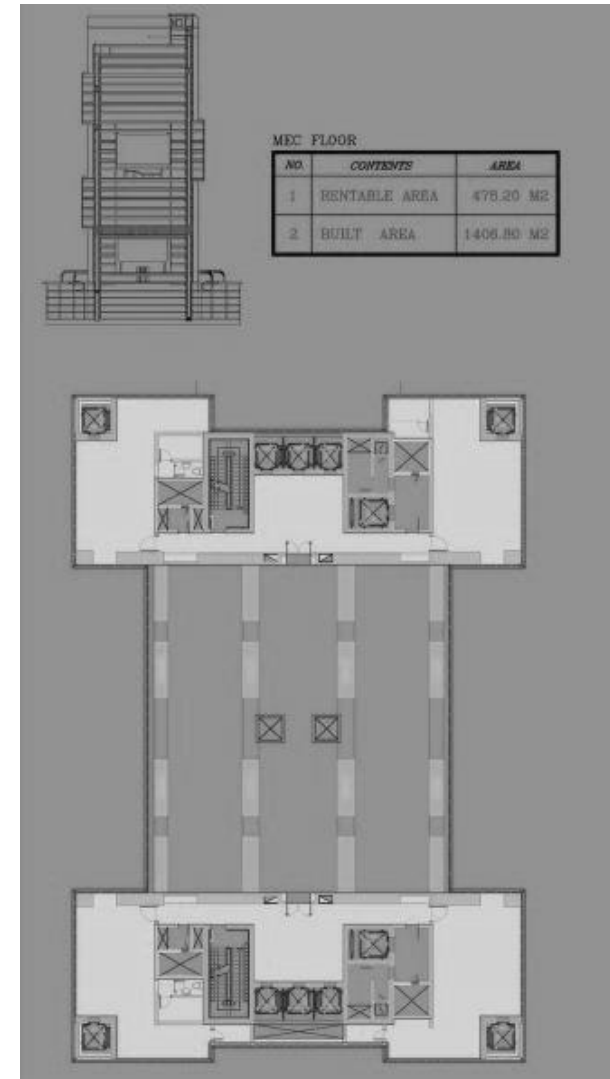
Upper Ground Floor Plan



Mezzanine Floor



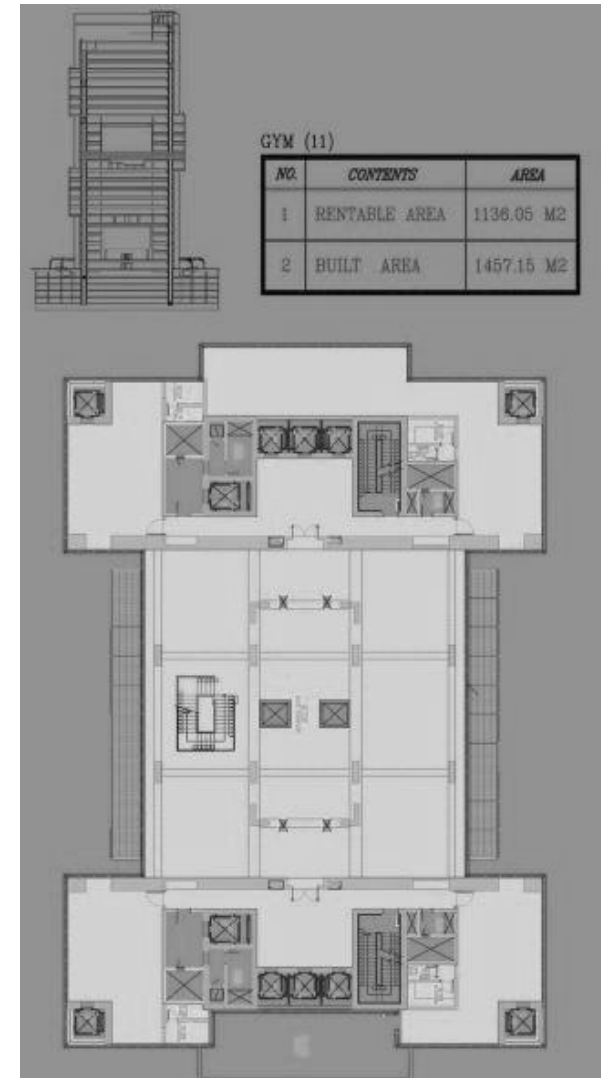
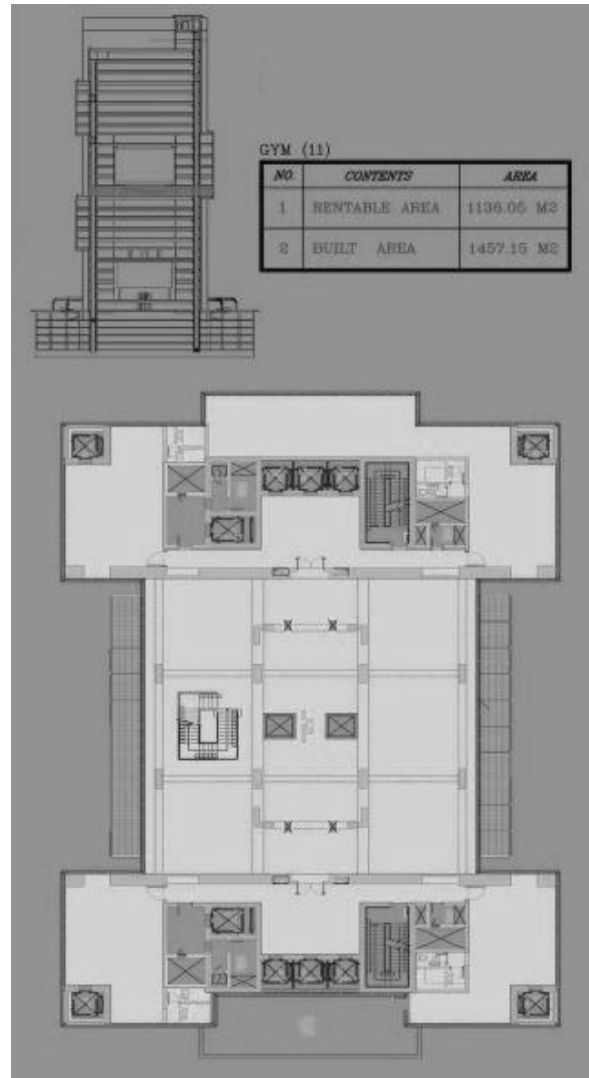
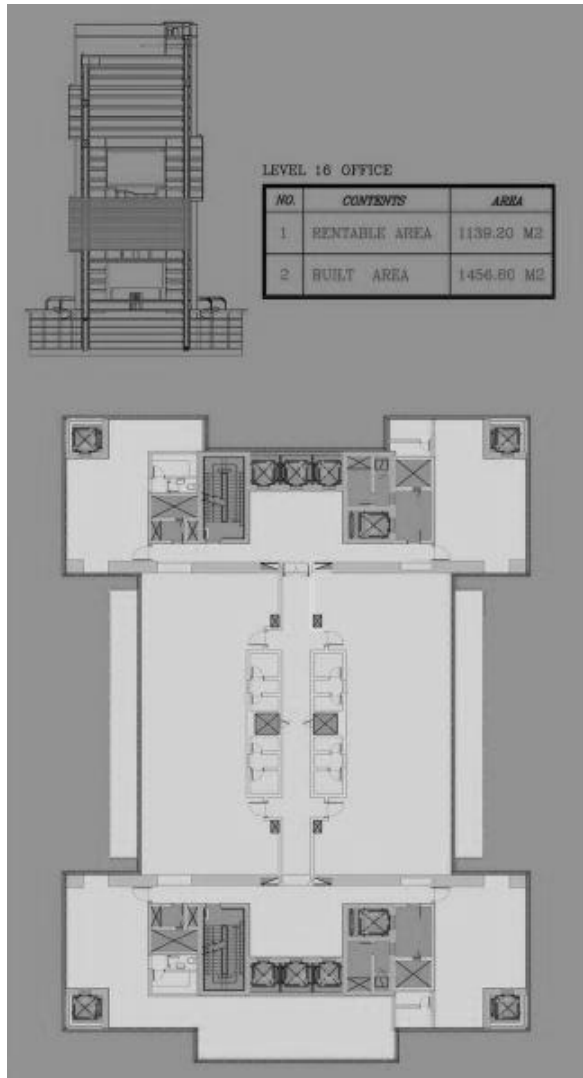
MEC. Floor Plan



Floor Plan for Typical (6-10)

Gym

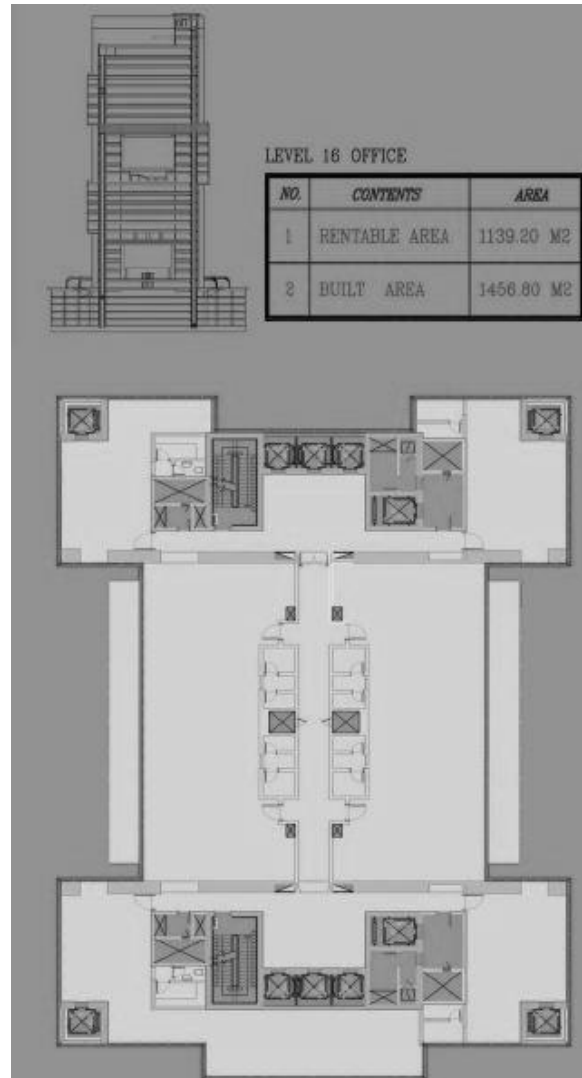
Gym



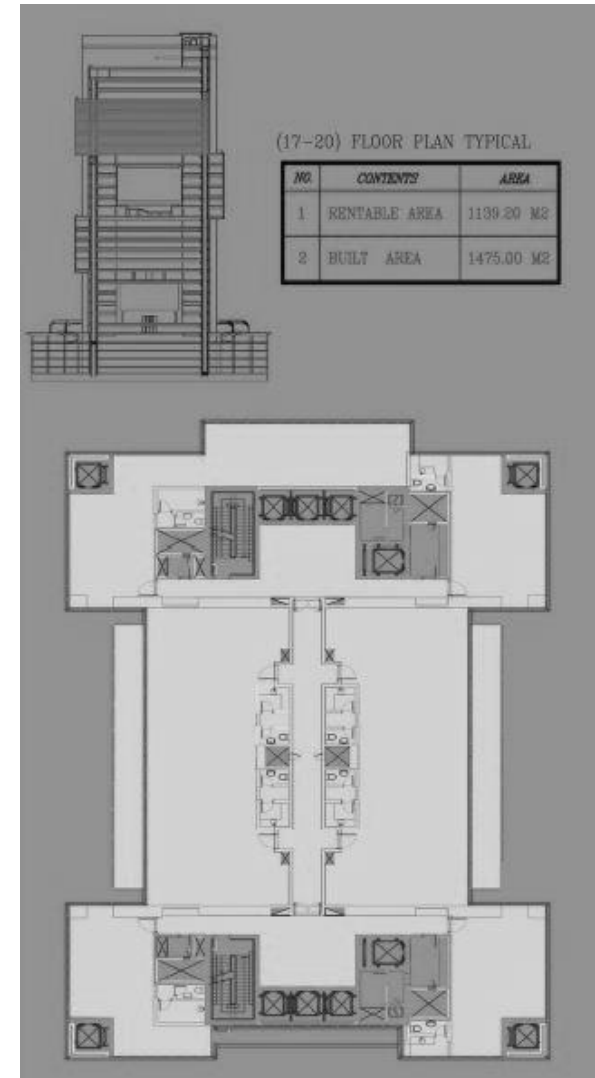
(13-14-15) Floor Plan



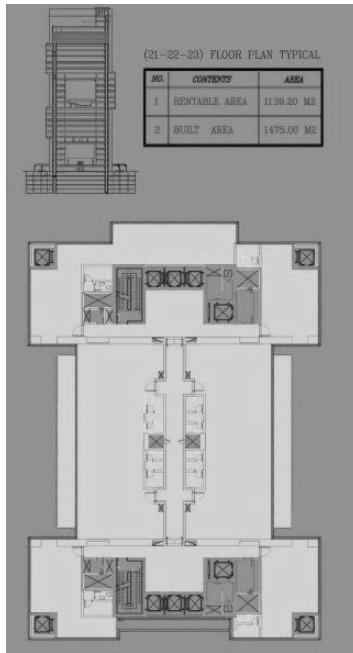
Level 16 Office



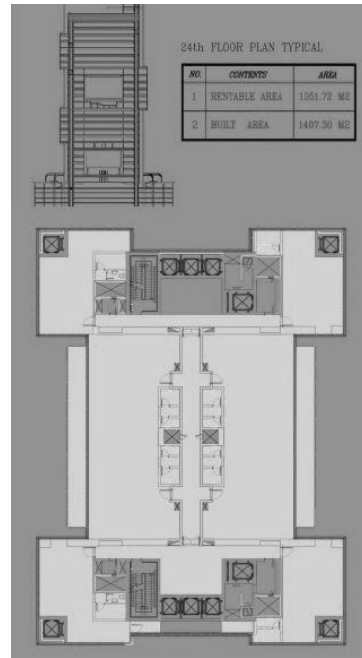
(17-20) Floor Plan Typical



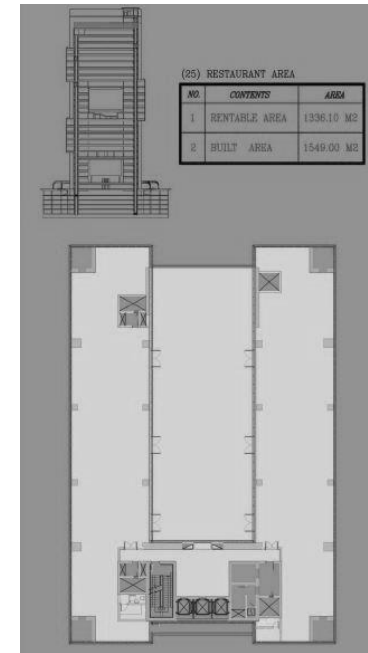
(21-22-23) Floor Plan Typical



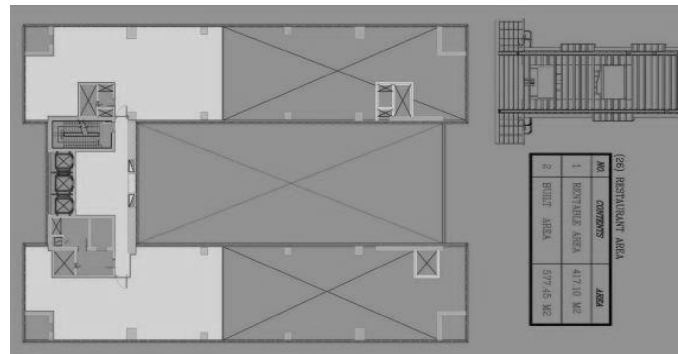
(24) Floor Plan Typical



Restaurant Area (25)



Restaurant Area 2 (26)



5.3 Real Estate Valuation License



المقر الرئيسي: الرياض



وزارة التجارة والاستثمار
Ministry of Commerce and Investment

ترخيص مزاولة مهنة لفرع تقييم العقارات

رقم الترخيص 1210000474 تاريخ إصداره 1437/8/1 هـ تاريخ انتهائه 1447/8/24 هـ

فئة العضوية: أساسي

يرخص **عصام محمد عبدالله الحسيني** (سعودي الجنسية) سجل مدني رقم 1044275947 لمزاولة المهنة وقد منح هذا الترخيص بعد أن استوفى شروط القيد الواردة في المادة الخامسة من نظام المقيمين المعتمدين الصادر بالمرسوم الملكي رقم (م/43) وتاريخ 1433/07/9 هـ بموجب قرار لجنة قيد المقيمين رقم (95/3/42) وتاريخ 1442/5/22 هـ

رئيس لجنة قيد المقيمين



أ. وليد بن عبدالله الرويشد

ختم الوزارة



وزارة التجارة والاستثمار
Ministry of Commerce and Investment
إدارة المهن الاستشارية

