



WHITE CUBES

REAL ESTATE VALUATION REPORT

Al Khabeer Capital
PALAZZO PLAZA

Awal Al Malqa Real Estate Company

Riyadh City
December 2023



رؤية
VISION
2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

REAL ESTATE
VALUATION REPORT

REF: 23-0907
Code:
Date: 31/12/2023

Subject: Valuation Report for a Commercial Project (Palazzo Plaza) in Riyadh City, Saudi Arabia.

Dear Awal Al Malqa Real Estate Company,

In accordance with your approved request dated 30th of October 2023, we are pleased to present you with a comprehensive report on the evaluated property. This report encompasses a thorough market analysis, an economic analysis, and a detailed description of the valuation methods employed.

At WHITE CUBES, we prioritize the utmost confidentiality of our clients' information. Rest assured that we maintain strict confidentiality protocols to safeguard the privacy of all client data. Furthermore, our commitment to complete impartiality ensures an unbiased evaluation process. There are no shared interests between WHITE CUBES and the client, ensuring transparency and objectivity throughout the valuation process.

WHITE CUBES Consulting Services Co.

Essam Mohammad Al Husaini – President

Fellow Member of the Saudi Authority of Accredited Valuers

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WHITE CUBES Co. Real Estate Valuation Membership No: 11000171

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EXECUTIVE SUMMARY

EXECUTIVE
SUMMARY

Executive Summary

Reference No.	23-0907
Dep. Code	
Report Type	Detailed Report.
Client	Awal Al Malqa Real Estate Company.
Report user	The Client, The Auditors.
Other users	Investors or individuals interested in making investments.
Purpose of Valuation	Inclusion in financial statements.
Subject Property	Commercial Project.
Property Location	As Sulimaniyah district, Riyadh City.
Title Deed No.	214002002200
Title Deed Date	14/09/1440
Ownership Type	Title deed-restricted
Limitations	Mortgaged to Al Rajhi Banking Investment Company.
Owner	Awal Al Malqa Real Estate Company.
Land Use	Commercial
Land Area (Sqm)	The land has an area size of 6,050 Sqm
BUA (Sqm)	As per the provided construction permit, the total BUA is 5,648.24 Sqm.
GLA (Sqm)	Based on the tenant list provided by the client, the total GLA is 5,941 Sqm due to terraces on the first floor which are not included in the BUA and leased to tenants.
Basis of Value	Fair Value.
Value Hypothesis	Current use.
Valuation Approach	Market Approach, Cost Approach and Income Approach (DCF).
Currency	Saudi Arabian Riyal
Final Property Value	SAR 68,410,000
Report Date	31/12/2023
Valuation Date	30/11/2023
Inspection Date	20/11/2023



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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 **fair value** of the property that is being evaluated.

1.2 Purpose of valuation

The client requested that we evaluate the subject properties for **Inclusion in financial statements**.

1.3 Basis of Valuation

Fair Value: IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the principle of an "exit price,"

1.4 Valuation Methods

Depending on the purpose of the valuation, and upon the request of the client, we will apply **the market approach-comparable method, cost approach-DRC method and Income approach- DCF method**.

1.5 Currency

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

1.6 Scope of Research

Research plays a pivotal role in the valuation process as it enables a comprehensive analysis of various factors that can significantly influence the value of a property or asset. Our valuation approach involves conducting extensive research and analysis to ensure a robust evaluation. This includes investigating market conditions, studying comparable sales data, examining key property characteristics, assessing income potential, and considering pertinent legal and regulatory factors. By diligently conducting thorough research, we aim to provide an accurate and well-informed assessment of the property or asset's value in this valuation report.

1.7 Property Inspection

As per the context of this valuation report, involves a comprehensive visit to the subject property for the purpose of assessing its physical attributes, performance, and gathering relevant information. This includes examining quantities, specifications, land area, building areas, rental areas, services, public utilities, and various project components. The inspection carried out on **20/11/2023** provided an opportunity to observe and record the property's specifications. It should be noted that this inspection was not a technical examination but rather a visual overview and documentation of all observed aspects. This information forms the basis for expressing an opinion regarding the property's value in this valuation report.

1.8 Information Sources

A comprehensive on-site field survey was undertaken by our team with the primary objective of verifying the accuracy of crucial market information essential for the evaluation process. This involved gathering data on various factors such as nearby asset prices, occupancy rates, and specific details pertaining to the asset under evaluation. The following sources were diligently utilized during the extensive field research:

1. **Property Records:** Property ownership documents such as title deeds and construction permit.
2. **Market Trends:** In-depth analysis of prevailing market trends to understand the dynamics and influences impacting the asset's value within its specific industry or sector.
3. **Income Analysis:** Rigorous assessment of income-related factors, including revenue streams, operating expenses, and potential cash flows, to gauge the asset's financial performance and viability.
4. **Inspection:** Direct observation and meticulous inspection of the asset, encompassing its physical condition, amenities, and any discernible factors that might influence its market value.
5. **Historical Database:** Reference to our extensive historical database housing information on comparable assets to draw meaningful comparisons and insights into market trends, pricing patterns, and value fluctuation over time.
6. **Specialist Agents:** Consultation and engagement with industry experts and agents specializing in the same type of asset to gain valuable insights, expert opinions, and up-to-date market intelligence.

By employing these comprehensive research methodologies, we have ensured the collection of accurate and relevant data, which forms the basis for determining the true market value of the asset under evaluation.

1.9 Assumptions and Special Assumptions

In accordance with the International Valuation Standards, assumptions play a crucial role in the evaluation process. They are considered logical matters that are accepted as facts during the valuation work, without requiring specific verification. These assumptions are acknowledged as soon as they are mentioned and are based on the factual information available at the time of the valuation. The following assumptions have been made for this evaluation report:

1. **Absolute Ownership:** The property under evaluation is assumed to mortgage to Al Rajhi Banking Investment Company., implying that there are no legal or ownership disputes affecting its market value.
2. **Accuracy of Client Information:** It is assumed that all information provided by the client, whether oral or written, is accurate and up to date as of the date of the evaluation.
3. **Valuation Report Scope:** This report focuses on valuation and does not encompass a structural survey. Therefore, utility checks, service checks, soil tests, and similar assessments have not been conducted.
4. **Market-Based Valuation Methodologies:** The valuation methodologies employed in this report are based on market data compiled using our relevant market knowledge and experience. These methodologies provide a framework for estimating the property's value.
5. **Output and Estimates:** The final value presented in this report is derived from the assumptions used, documents received from the client, and relevant market data. However, it is important to note that the estimated output provides an indication of the property's value and should be interpreted as such.

By acknowledging and incorporating these assumptions into the evaluation process, we aim to provide a comprehensive and reliable assessment of the property's market value.

1.10 Use, Distribution, and Publication Restrictions

This report has been prepared by WHITE CUBES Co. to determine the fair value of the assets under evaluation. Please note that there are limitations on the transfer, referencing, and disclosure of this report and its contents to any third party, except as explicitly stated in the contract letter. Any use of this report for purposes other than those specified herein requires prior written consent from WHITE CUBES Co.

1.11 Legal Notes

To the best of our knowledge, there are no ongoing or pending legal notices served on the property, as per the information accessible to us at this time.



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PROPERTY DETAILS

PROPERTY
DETAILS

Property and Location Description

2.1 Property Description

The subject property is a commercial project (Palazzo Plaza) located in Al Sulaymaniyah district, Riyadh city, Kingdom of Saudi Arabia. The property's title deed and construction permit documents confirm a total land area of 6,050 Sqm, and a total BUA of 5,648.24 Sqm. During our site inspection conducted for the purpose of valuation, it was observed that the property is open on 4 sides, allowing ample natural light and ventilation. Notably, the property offers a direct view of King Muhammad V Road from the eastern side, enhancing its desirability and potential accessibility.

2.2 Surrounding Area

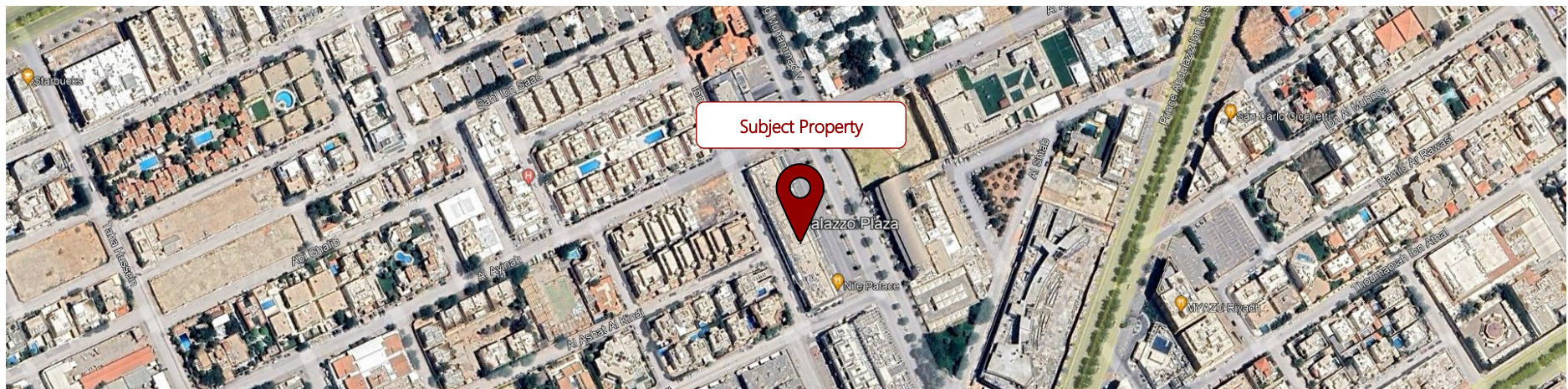
The subject property is primarily surrounded by several residential and commercial buildings, adding to its appeal and potential opportunities.

2.3 Ease of Access

The access level of the subject property is classified as high due to its location on King Muhammad V 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 has provided us with a copy of the title deeds pertaining to the subject property, which is jointly owned by one title deeds. Here are the details of the subject property:

City	Riyadh	Land Area	6,050 Sqm
District	As Sulaymaniyah	Plot No.	333 to 342
T.D Type	Electronic	Block No.	35
T.D Number	214002002200	Layout No.	690
T.D Date	14/09/1440	Ownership Type	Mortgage
Owner	Awal Al Malqa Real Estate Company	Limitation of Document	Mortgage to Al Rajhi Banking Investment Company.
Issued From	Riyadh Center Primary Notarial		
North Side	20 meters street	East Side	30 meters street
South Side	15 meters street	West Side	Walkway 10 meter

Note: The client has provided us with a 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	Add Building Components
Property Type	Commercial Project
Construction Permit No.	2925/1437
Construction Permit Date	17/02/1437

Description	No. of Units	Area (sqm)	Use
Mezzanine	----	2,603.70	Commercial
Commercial Ground Floor	15	2,916.20	Commercial
Electricity Room	----	128,34	Services
Fences	1	171 m	Services
Total BAU (sqm)		5,648.24	

2.7 Maintenance & Operational Expenses

Based on the information provided to us by the client, the total maintenance and operating costs of the subject property are 400,000 SAR per year, which includes all management and maintenance expenses in addition to 507,600 SAR insurance premium expenses.

2.8 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.

2.9 Photographs of the Subject Property





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MARKET INDICATORS

MARKET
INDICATORS

Market Indicators

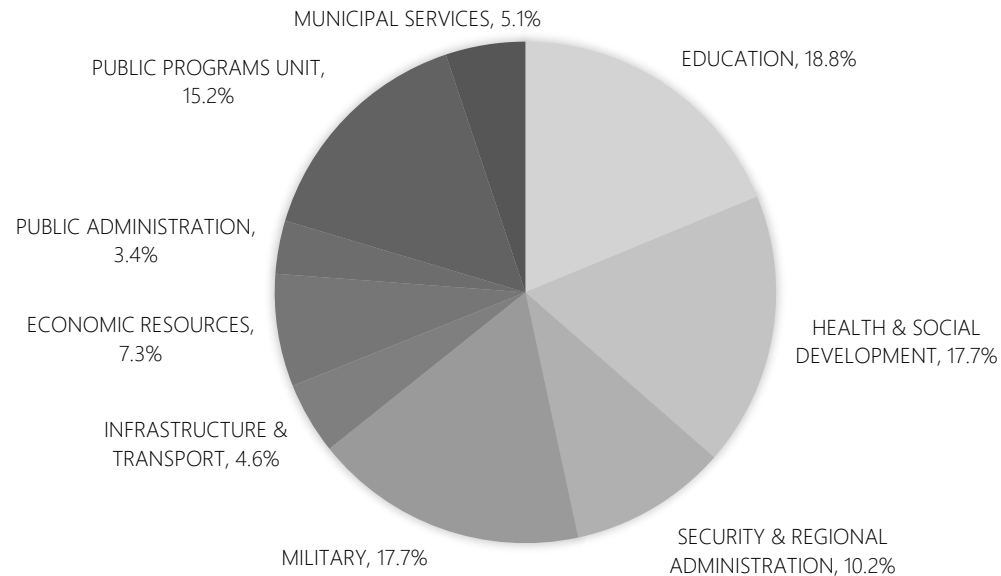
3.1 Saudi Arabia Economic Indicators

Economic Indicator	Budget	Expectations	Estimated	
	2022	2023	2024	2025
Total revenue	1,234	1,130	1,146	1,205
Total expenses	1,132	1,114	1,125	1,134
Budget surplus	102	16	21	71
Debt	985	951	959	962
GDP growth	8.5%	3.1%	5.7%	4.5%
Nominal gross domestic product	3,957	3,869	3,966	4,247
Inflation	2.6%	2.1%	2.1%	2.0%

3.2 Budget Allocation for 2022

Public Administration	37 SAR bn
Military	259 SAR bn
Security & Regional Adm.	105 SAR bn
Municipal Services	63 SAR bn
Education	189 SAR bn
Health & Social Dev.	189 SAR bn
Economic Resources	72 SAR bn
Infrastructure Transport	34 SAR bn
General Items	165 SAR bn

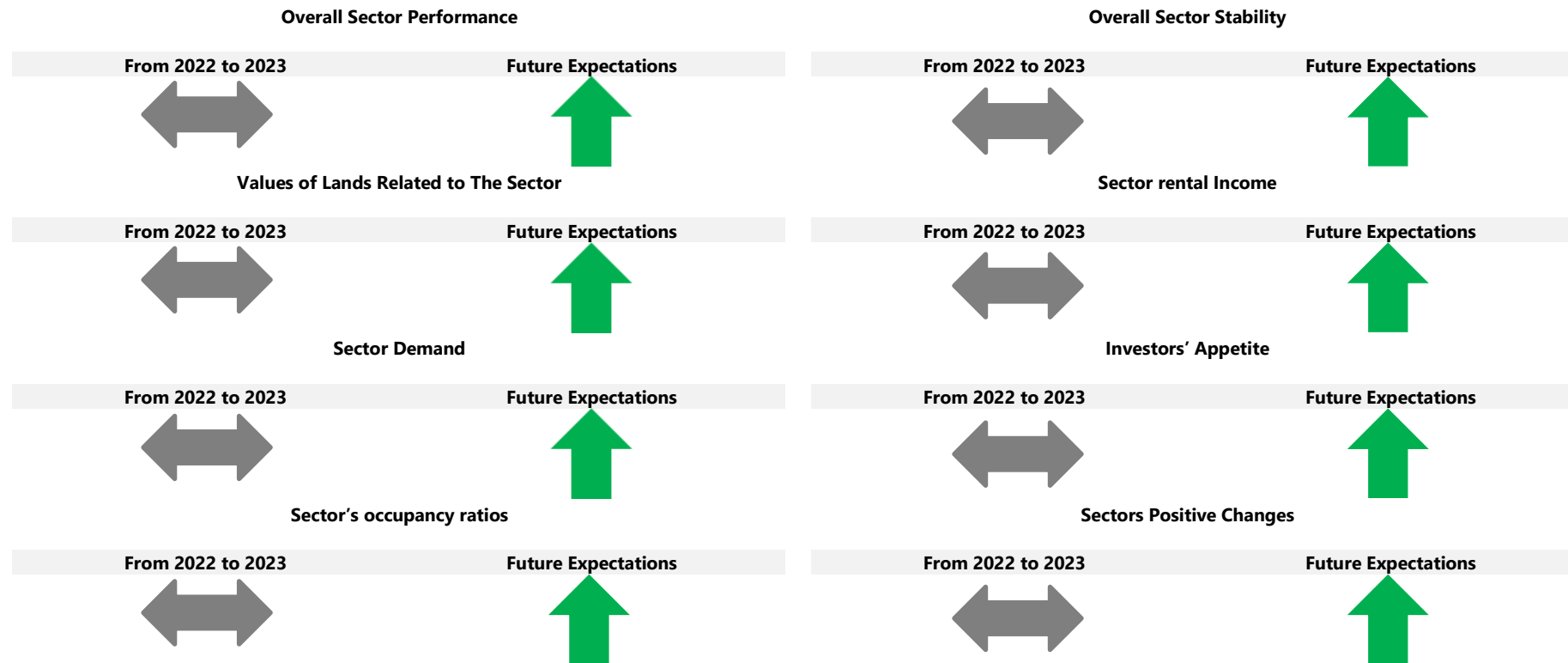
Source: Ministry of Finance



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 of 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

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VALUATION

Property Valuation

4.1 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 fair 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.

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 fair value when the property is new. Generally, the cost approach considers what the land, devoid of any structures, would cost, then adds the cost of building the structures, then depreciation is subtracted. The cost approach is most often used for public buildings, such as schools and mosques, because it is difficult to find recently sold comparable properties in the local market, and public buildings do not earn income, so the income approach cannot be used, either. A property that already has improvements will usually contribute a certain amount of value to the site, but improvements can also lower property value if the site's potential buyers wish to use the property for another use that would entail removing some of the improvements to the current site. The cost approach is best used when improvements are new and there is adequate pricing information to value the property components. The cost

approach may be less desirable if there are no recent sales of vacant land for which to compare, since the major method of valuing vacant lands is to use the sales comparison approach, or when construction costs are not readily available. The cost approach method includes:

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

DISCOUNTED CASH FLOW (DCF)

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

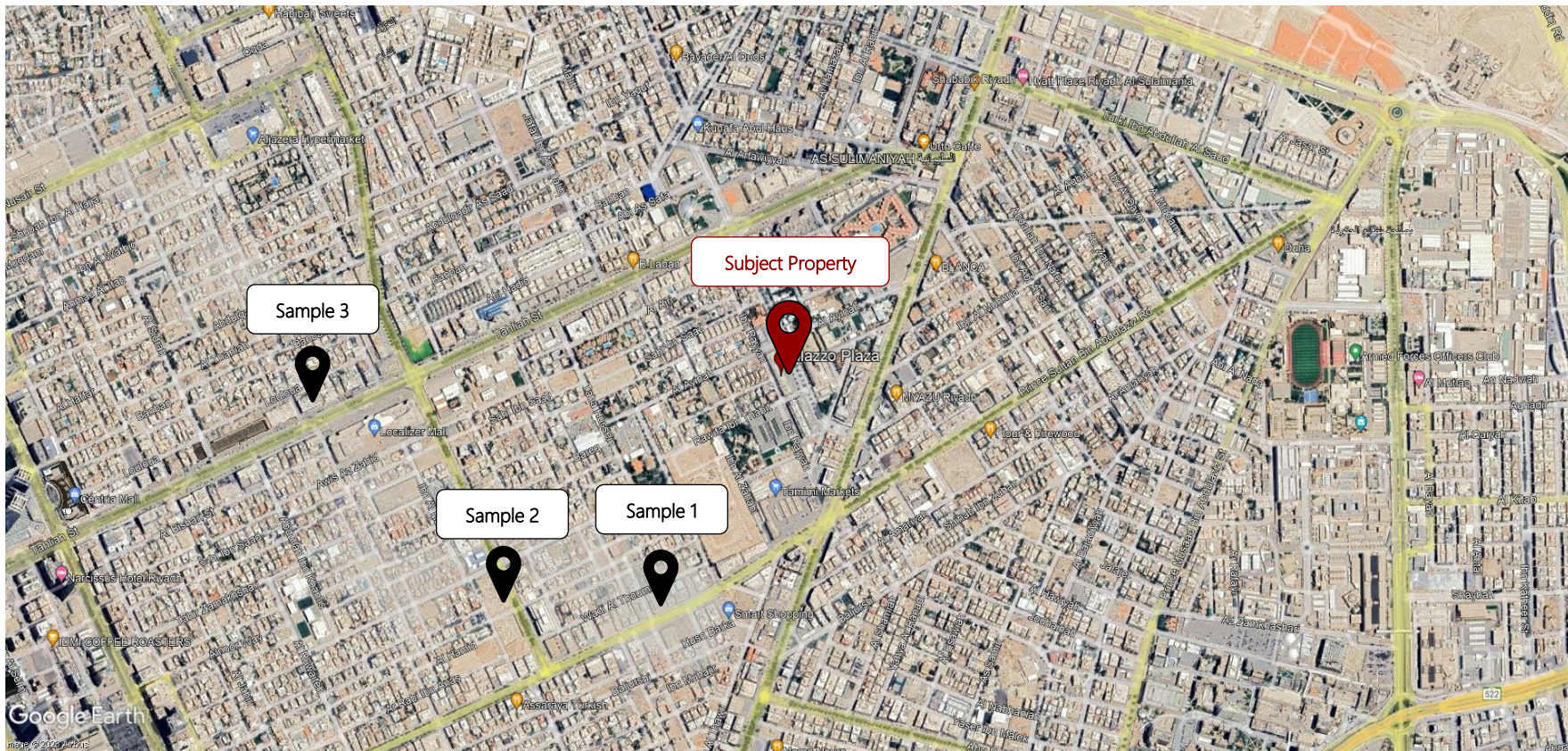
4.2 Comparable Method

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		Sample 3	
Quoting	-----	Offering		Offering		Offering	
City	Riyadh	Riyadh		Riyadh		Riyadh	
Sale Price	-----	SAR 73,800,000		SAR 61,500,000		SAR 60,700,000	
Data Source	Client	Market Survey		Market Survey		Market Survey	
Area Size	6,050.00	9,000.00		7,300.00		5,400.00	
SAR / Sqm	-----	SAR 8,200		SAR 8,425		SAR 11,241	
Market Conditions Adjustment Analysis							
	Subject Property	Sample 1		Sample 2		Sample 3	
SAR/ Sqm before Adj.	-----	SAR 8,200.0		SAR 8,424.7		SAR 11,240.7	
Mortgage	-----	Cash	0.00%	Cash	0.00%	Cash	0.00%
Market Conditions	-----	-----	0.00%	-----	0.00%	-----	0.00%
Total Adjustments Ratio			0.00%		0.00%		0.00%
Total Adjustment Amount			SAR 0.00		SAR 0.00		SAR 0.00
Net After Adjustment			SAR 8,200.00		SAR 8,424.66		SAR 11,240.74
Location Adjustment Analysis							
	Subject Property	Sample 1		Sample 2		Sample 3	
Area Size	6,050.00	9,000.00	-5.00%	7,300.00	-5.00%	5,400.00	0.00%
Location Desirability	Average	Average	-2.50%	Average	0.00%	Average	0.00%
Accessibility	Average	Average	0.00%	Average	0.00%	Average	0.00%
Main Street Width (m)	40	40	0.00%	30	0.00%	40	0.00%
Sides Open	3	4	-2.50%	2	2.50%	2	2.50%
Land Shape	Regular	Regular	0.00%	Regular	0.00%	Regular	0.00%
Close to main street	Yes	Yes	0.00%	Yes	0.00%	Yes	0.00%
Total Adjustments Ratio			-10.00%		-2.50%		2.50%
Total Adjustment Amount			-SAR 820.0		-SAR 210.6		SAR 281.0
Net After Adjustment			SAR 7,380.0		SAR 8,214.0		SAR 11,521.8
Weighted Mean			70%		15%		15%
			SAR 5,166.00		SAR 1,232.11		SAR 1,728.26
SAR / Sqm	SAR 8,126						
Rounded Value	SAR 8,100						

Property Value	Sensitivity Analysis					
		-10%	-5%	0%	5%	10%
	Land Area	6,050	6,050	6,050	6,050	6,050
	SAR / Sqm	SAR 7,290.0	SAR 7,695.0	SAR 8,100.0	SAR 8,505.0	SAR 8,910.0
SAR 49,005,000	Property Value	SAR 44,104,500	SAR 46,554,750	SAR 49,005,000	SAR 51,455,250	SAR 53,905,500

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 7,900 and 8,300 SAR/ Sqm, we will base our valuation on the average rate 8,100 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.



4.3 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
Concrete Cost	SAR 900	SAR 1,100	SAR 1,000
MEP	SAR 550	SAR 650	SAR 600
Finishing Materials	SAR 350	SAR 450	SAR 400
Site Improvements	SAR 100	SAR 140	SAR 120
Developer 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
6,050.00	SAR 8,100		SAR 49,005,000
Building			
	Unit		Total BUA
Ground Floor	Sqm		2,916.20
Mezzanine	Sqm		2,603.70
Electricity Room	Sqm		128.34
Fences	L m		171
Total (SQM)	5,648.24		

Development Cost					
Hard Cost - (Upper Floors)					
	Area	SAR / Sqm	Total	Completion Rate	Total Cost
Skeleton and Block	5,648.24	SAR 1,000	SAR 5,648,240	100%	SAR 5,648,240
Electro Mechanic	5,648.24	SAR 600	SAR 3,388,944	100%	SAR 3,388,944
Finishing	5,648.24	SAR 400	SAR 2,259,296	100%	SAR 2,259,296
Site Improvement	6,050.00	SAR 120	SAR 726,000	100%	SAR 726,000
Total			SAR 12,022,480	100%	SAR 12,022,480

Overall Soft Cost					
			Total Hard Cost	Ratio	Soft Cost
Initial Project Pre Cost			SAR 12,022,480	0.10%	SAR 12,022
Design			SAR 12,022,480	1.00%	SAR 120,225
Eng Consultant			SAR 12,022,480	1.00%	SAR 120,225
Management			SAR 12,022,480	5.00%	SAR 601,124
Contingency			SAR 12,022,480	5.00%	SAR 601,124
Others			SAR 12,022,480	0.00%	SAR 0
TOTAL				12.10%	SAR 1,454,720.08
Total Hard Cost	SAR 12,022,480			BUA	5,648.24
Total Soft Cost	SAR 1,454,720.08			SAR / Sqm	SAR 2,386
Total Construction Cost	SAR 13,477,200.08			Overall Completion	100%

After knowing the total construction costs at a rate of 2,386 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 fair value of the building.

DEVELOPMENT VALUE			
Total Dev Cost	SAR 13,477,200	Annual Dep Rate	2.0%
Total Completion Rate	100%	Actual Age	4
Developer Profit Rate	20.0%	Total Dep Rate	8.00%
Dev. Profit Amount	SAR 2,695,440	Add Appr Rate	0.00%
Development Value	SAR 15,094,464	Net Dep Rate	8.00%
Economic Age	50	Cost After Depreciation	SAR 12,399,024

In order to determine the full value of the property, the construction costs will be added to the fair value of the land as follows:

Total Dev. Value	Land Value	Total Property Value	Rounded Value
SAR 15,094,464	SAR 49,005,000	SAR 64,099,464	SAR 64,100,000

4.4 Income Approach- 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 1,000 to 1,200 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	Commercial Showroom Units
	Rental Rate/ Sqm
	1,000 SAR/ Sqm
	1,200 SAR/ Sqm
Average	1,100 SAR/ Sqm



Analysis of Operating and Maintenance Expenses

The operating expenses of similar properties reached between 8% to 12% 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 5%
Operating and maintenance expenses	3% to 5%
General service bills expenses	3% to 4%
Other incidental expenses	10% to 15%

Property Operation and Maintenance Expenses

The maintenance and operation costs of the project are assumed accordingly to market averages for similar projects. Therefore, we will apply the rate of 9% 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 8% 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.

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

Project	Sample 1	Sample 2	Sample 3
Sale Price	86,455,000	93,349,500	104,500,000
Revenue	7,564,813	7,467,960	8,360,000
Cap Rate	8.50%	8.00%	9.00%
Average Cap Rate		8.50%	

The estimated capitalization rate for the property, which will be based on the valuation process, is 8.50%, which will be applied subsequently to the net operating income of the property.

Cash Flow		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
		0	1	2	3	4	5	6	7	8	9	10
Inflation		0.0%	0.0%	2.5%	0.0%	0.0%	1.5%	0.0%	0.0%	0.5%	0.0%	0.2%
Expected Revenues												
Commercial Units	Sqm	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941
Rate (SAR)	SAR	1,100	1,100	1,128	1,128	1,128	1,144	1,144	1,144	1,150	1,150	1,152
Total	SAR	6,535,100	6,535,100	6,698,478	6,698,478	6,698,478	6,798,955	6,798,955	6,798,955	6,832,949	6,832,949	6,845,249
Overall Revenues		6,535,100	6,535,100	6,698,478	6,698,478	6,698,478	6,798,955	6,798,955	6,798,955	6,832,949	6,832,949	6,845,249
Vacancy and Credit Loss												
Commercial Units	20.0%	1,307,020	1,307,020	1,339,696	1,339,696	1,339,696	1,359,791	1,359,791	1,359,791	1,366,590	1,366,590	1,369,050
Total		1,307,020	1,307,020	1,339,696	1,339,696	1,339,696	1,359,791	1,359,791	1,359,791	1,366,590	1,366,590	1,369,050
Effective Rental Income		5,228,080	5,228,080	5,358,782	5,358,782	5,358,782	5,439,164	5,439,164	5,439,164	5,466,360	5,466,360	5,476,199
Expenses												
OPEX	5.0%	261,404	261,404	267,939	267,939	267,939	271,958	271,958	271,958	273,318	273,318	273,810
Maintenance	4.0%	209,123	209,123	214,351	214,351	214,351	217,567	217,567	217,567	218,654	218,654	219,048
Overall Expenses		470,527	470,527	482,290	482,290	482,290	489,525	489,525	489,525	491,972	491,972	492,858
NOI		4,757,553	4,757,553	4,876,492	4,876,492	4,876,492	4,949,639	4,949,639	4,949,639	4,974,387	4,974,387	4,983,341
Terminal Value	7.0%											71,190,587
Discount Rate	8.5%	1.00	0.92	0.85	0.78	0.72	0.67	0.61	0.56	0.52	0.48	0.44
Present Value		4,757,553	4,384,841	4,142,362	3,817,845	3,518,751	3,291,735	3,033,857	2,796,181	2,590,011	2,387,107	33,690,617
Net Present Value												68,410,861
												68,410,000

4.5 Subject Property Value in Different Approaches

Methodology	Subject of Valuation	Value in Numbers	Value in Letters
DCF Method	Property	SAR 68,410,000	Sixty-Eight Million and Four Hundred Ten Thousand Saudi Riyals
DRC Method	Land + Building	SAR 64,100,000	Sixty-Four Million One Hundred Thousand Saudi Riyals

4.6 Subject Property Value

Based on our analysis utilizing the discounted cash flow (DCF) method and considering the intended purpose of valuation, we have reached the conclusion that the total fair value of the subject property is as follows:

Property Value: SAR 68,410,000
Sixty-Eight Million and Four Hundred Ten Thousand Saudi Riyals.

4.7 Accredited Valuers

Essam M. Al Husaini
 President



Fellow Member of (RE Valuation)
 License No. 1210000474

Nabeel M. Al Husaini
 CEO



Member of (RE Valuation)
 License No. 1210002782

Farah E. Al Husaini
 Valuation Manager



Member of (RE Valuation)
 License No. 1210001964

Abdulrahman A. Al Rajih
 Valuer



Fellow Member of (RE Valuation)
 License No. 1210002523

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4.8 Conclusion

In conclusion, this evaluation report offers a comprehensive assessment of the subject property's value, considering pertinent factors and adhering to established valuation standards. The information contained in this report is confidential and intended exclusively for the client's review and consideration. Reproduction or distribution of this report necessitates written consent from the valuer.

It is important to note that the value presented in this report is based on the available information and professional expertise. However, it is subject to limitations and external factors that may influence the property's value.



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5.2 Real Estate Valuation License





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Ministry of Commerce and Investment

ترخيص مزاولة مهنة لفرع تقييم العقارات

المقر الرئيسي: الرياض

فئة العضوية: أساسي

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

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/ق/42) وتاريخ 1442/5/22 هـ

رئيس لجنة قيد المقيمين



أ. وليد بن عبدالله الرويشد

ختم الوزارة



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