



Final Valuation Report

Al-Malqa Compound in Al-Malqa Dist., Riyadh

Client/ Alkhabeer Capital

15 January 2024

V230275

P230352

الخبير المالية
Alkhabeer Capital



Introduction



Dear Alkhabeer Capital,

RE: Al-Malqa Compound in Al-Malqa District-Riyadh.

Further to your request, Abaad thank you for inviting us to complete and submit a valuation report with respect to the aforementioned property.

We have prepared our valuation on the basis of Fair Value for Financial Statements Purposes.

We confirm that the valuation has been prepared in accordance with International Valuation Standards (IVS) 2022 and is compliant with the Saudi Authority of Accredited Valuers, also referred to as "Taqeem."

We confirm that the valuation has been undertaken by us as external valuers and we possess the required knowledge, skills, and understanding to undertake the valuation competently.

We confirm that we are not aware of any existing or potential conflict of interest with respect to this engagement.

Eng. Ammar Abdulaziz Sindi

Chief Executive Officer

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Registration Certificate



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Property Overview

- Nestled within the vibrant landscape of Al Malqa District, the Subject Property stands as a distinguished residential compound, showcasing a harmonious blend of modern living and architectural elegance. Comprising **18** meticulously designed buildings, the property boasts a total of **250** housing units, each thoughtfully crafted for comfort and convenience.
- Spanning an expansive **15,925** square meters of prime land, the compound unfolds across a meticulously planned layout, featuring a total built-up area of **41,361** square meters. This impressive expanse is a testament to thoughtful urban planning and a commitment to providing residents with a spacious and inviting environment.
- Strategically situated along Wadi Hajar Street, a picturesque thoroughfare branching from the renowned King Fahd Road in Riyadh, the Subject Property enjoys a prestigious location within the heart of the city. A mere **17** kilometers from the dynamic City Center and **25** kilometers from the bustling King Khalid International Airport, residents benefit from both accessibility and connectivity.

Property Details

Site Details	Information			
District	Al Malqa			
Permitted Use	Residential			
Tenure	Restricted Ownership			
Deed Number	814009006124	814009006125	314002002198	614004005871
Deed Date	14/9/1440H-15/9/1440H			
Total Land Area (sqm)	15,925			
Gross Leasable (sqm)	39,734			
Owner	Awwal Al Malqa Real Estate Company			

Subject Property Pictures



Valuation Summary

Site Details	Information
Report Type	Detailed Report
Other independent Users	Alkhabeer Capital- Fund Manager & Investors - Report Reviewers - CMA
Purpose of Valuation	Financial Statement
Valuation Approach	Income Approach
Basis of Value	Fair Value
Valuation Hypothesis	Current Use
Adopted Currency	Saudi Riyal
Property Fair Value	276,610,000

Executive Summary

Terms and Conditions



- The Subject Property has been valuated according to the International Valuation Standards (IVS) issued by the Council of International Valuation Standards (IVSC) in **2022** and the rules and regulations of the Saudi Authority for Accredited Valuers in the Kingdom of Saudi Arabia (Taqeem).
- This report was relied upon and valuated according to the specific conditions and restrictions presented in this report.
- The report was issued without any conflict of interest or personal gain.
- This valuation report was prepared based on the instructions received from “The Client” to estimate its “basis of value” for the “purpose” as requested by “The Client”.
- Abaad and Partner Co. are confident that this report meets the client's requirements and instructions, and that the information contained in this report is completely confidential and that the report is issued to the client only.
- The responsibility of the Abaad and Partner Co. is limited to the report and the information contained in the report. Otherwise, the (client) is responsible for requesting the valuation of the Property and the legal consequences thereof.
- The estimated values in this report are for The Subject Property, and any distribution of (value - values) on the parts of the Property applies only according to the narration of the report and for its purpose, and these values should not be used for any other purposes, as it may be incorrect if the purpose has been changed from the valuation for which the report was created.
- This report has been prepared based on the information collected or received and analyzed according to best practices to reach the value, and any material observations that may impact the value are usually noted.
- Please be aware that our inspection was carried out on a visual basis only. No part of the structure was opened up for a detailed examination or testing. We have therefore, where appropriate, made assumptions based on experience of the Property type, construction and materials used. We cannot guarantee that defects do not exist in those parts of the structure, which are concealed, unexposed or not reasonably accessible.
- In the event that any information in the future that is mentioned in the report is found to be untrue and unintentional, the value in this report may change and the client will be notified in due course.
- This valuation report is valid only if approved by the company's seal, in addition to the signature of the accredited valuers.

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Introduction

- Abaad Real Estate Valuation Company employs professional staff capable of providing valuation of this type of assets. It also has the requisite competence to assess the fair value by the required date.
- The subject of the valuation is the assessment of the fair value of Al-Malqa Compound, in Al-Malqa District, Riyadh, for Financial Statements Purposes.

Applicable Standards

- We confirm that this valuation report has been prepared in accordance with International Valuation Standards (IVS) 2022 and is compliant with the Saudi Authority of Accredited Valuers, also referred to as “Taqeem”.

Status of Valuer

- This report has been compiled and verified by Ammar Qutub and Ammar Sindi, who have the necessary qualifications, ability and relevant experience to conduct a valuation of the Subject Property. They have also acted in the capacity of external valuers.

Conflict of Interest

- We confirm that we are not aware of any conflict of interest in acting on your behalf on this exercise.

Purpose of Valuation

- We have prepared our valuation for Financial Statements purpose.

Date of Inspection

- We confirm that the Property was inspected by Abaad Team on 23 November 2023.

Date of Valuation

- We confirm that the date of valuation is 31 December 2023.

Basis of Valuation

- We have prepared our valuation on the basis of Fair Value, which is defined in IVS 2022 as per the below:
“International Accounting Standard No. (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.”

Sources of Information

- We have relied upon the information provided to us by the Client with respect to the Subject Property, which is outlined below:
 - Title Deed.
 - Lease Contract Document
 - Alkhabeer REIT Fund Prospectus.

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General Disclaimers

Liability and Publication

- This report is issued for your use, and that of your professional advisers, for the specific purpose to which it refers. Abaad does not accept any responsibility to any third party for the whole or any part of its contents.
- Neither the whole nor any part of this valuation or any reference to it, may be included in any published document, circular, or statement or disclosed in any way without Abaad prior written consent to the form and context in which it may appear.

Confidentiality

- This report is confidential to the Client and their advisors, and we accept no responsibility 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 to it will only be notified to the Client to whom it is authorized.

Assumptions and Special Assumptions

- Assumptions are matters that are reasonable to accept as a fact in the context of the valuation assignment without specific investigation or verification. They are matters that, once stated, are to be accepted in understanding the valuation or other advice provided.
- Special Assumption is an assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date. Special assumptions are often used to illustrate the effect of changed circumstances on value.
- Only assumptions that are reasonable and relevant having regard to the purpose for which the valuation assignment is required shall be made.
- **No important assumptions or any special assumptions were applied.**

Fair Value Disclaimers

Fair Value Hierarchy

- In accordance with the Fair Value Hierarchy prescribed by IFRS 13, our real estate valuation process adheres to three distinct levels of inputs to ensure transparency and reliability in the determination of fair value.
 - **Level 1 Inputs:** Quoted prices for identical properties in an active market represent the most reliable and transparent inputs. However, due to the unique characteristics of our real estate assets, the availability of Level 1 inputs may be limited.
 - **Level 2 Inputs:** Observable inputs other than quoted prices, such as recent transactions or prices for similar properties, are considered in the absence of Level 1 inputs. These inputs contribute to the valuation process and enhance the robustness of our fair value measurements.
 - **Level 3 Inputs:** The valuation of certain real estate assets relies significantly on Level 3 inputs, which are unobservable and require management judgment. This involves the use of proprietary valuation models, assumptions, and estimates tailored to the specific attributes of our properties. Level 3 inputs are particularly relevant when market activity is limited or absent.
- The choice of input level is determined by the nature of each asset and the availability of observable market data. Our commitment to providing a comprehensive and accurate representation of fair value includes detailed disclosures regarding the methods, assumptions, and risks associated with each valuation.
- This disclosure aims to communicate the approach taken in the real estate valuation process, highlighting the reliance on different levels of inputs and emphasizing transparency for stakeholders.

Fair Value Measurement Disclosure

- In accordance with the Fair Value Hierarchy outlined in IFRS 13, our real estate valuation primarily relies on Level 3 inputs. Level 3 inputs involve unobservable data and require significant management judgment. This is due to the unique characteristics of our properties and the absence of readily available market prices for identical or similar assets. Our valuation approach includes the use of appropriate and relevant valuation methodologies, and the fair value estimates are sensitive to changes in key assumptions. For a detailed understanding of our valuation methodologies and the associated risks, please refer to the comprehensive disclosures provided in through out the report and the valuation methodology section
- This disclosure communicates to stakeholders that Level 3 inputs are a key component of the real estate valuation process, emphasizes the reliance on unobservable data, and encourages users to review the detailed disclosures for a more thorough understanding of the valuation methodologies and associated risks. Providing transparency in this way helps stakeholders make informed decisions based on the unique circumstances of the real estate being valued.

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Title Information

Title Information

ID	Description
Owner	Awwal Almalga Real Estate Company
Property Name	Al-Malqa Compound
Plot No.	1/2337 + 1/2336 + 1/2335 + 2333/2334
District	Al Malqa District
Street Name	Wadi Hajar
Coordinates	<u>46°36'51.2"E 24°48'54.9"N</u>
City	Riyadh
Ownership Type	Restricted Ownership
Title Deed Info	Deed No. 614004005871
	Deed Date 1440/9/15
	Deed No. 314002002198
	Deed Date 1440/9/14
	Deed No. 814009006125
	Deed Date 1440/9/14
	Deed No. 814009006124
	Deed Date 1440/9/14

Sources: Title Deed



Dimensions and street width for Plot N. 1/2334

Side	Dimension	Street Name	Type	Width (m)	Frontage
North	53 m	Wadi Hajar	Commercial	36 m	1
South	53 m	Unnamed	Local	20 m	2
East	65.6 m	Unnamed	Local	-	3
West	65.7 m	Adjacent	-	-	4

Dimensions and street width Plot N. 1/2335

Side	Dimension	Street Name	Type	Width (m)	Frontage
North	53 m	Wadi Hajar	Commercial	36 m	1
South	53 m	Unnamed	Local	20 m	2
East	65.7 m	Adjacent	-	-	3
West	65.7 m	Adjacent	-	-	4

Dimensions and street width for Plot N. 1/2336

Side	Dimension	Street Name	Type	Width (m)	Frontage
North	53 m	Wadi Hajar	Commercial	36 m	1
South	53 m	Unnamed	Local	20 m	2
East	65.7 m	Adjacent	-	-	3
West	65.7 m	Adjacent	-	-	4

Dimensions and street width for Plot N. 2333/2337

Side	Dimension	Street Name	Type	Width (m)	Frontage
North	53 m	Wadi Hajar	Commercial	36 m	1
South	53 m	Unnamed	Local	20 m	2
East	65.7 m	Adjacent	-	-	4
West	65.7 m	Unnamed	Local	15 m	3

Sources: Title Deed

Tenure

Contract Details

Lease Contract Summary

- The rent of the remaining period of the lease contract with Rana company will be used in the DCF table later on in the valuation section.
- After examining the current lease agreement provided by the client, we have determined that the Tenant has leased the whole property, land, and building.
- The contract is a binding contract for the leasing period of 5 years and can't be terminated unless the period is over.
- The tenant is an independent entity with no relationship with the landlord.
- According to the conducted market research about the rental prices, we have concluded that the current lease rate is within the market range.

Lessee	Leased Buildings	Rent (SAR/year)	End Date
Rana Company	3 Buildings	1,899,996	2025

Sources (Lease Contract Copy)

Operation and Maintenance Contract Summary:

- On 18 March 2019, the Landlord signed an operation and maintenance contract with Bennett Operation and Maintenance Company to Provide to Maintain and Operate Buildings 9-18.
- The rent of the remaining period of the lease contract with Bennett Company will be used in the DCF table later on in the valuation section.
- After examining the current lease agreement provided by the client, we have determined that the Tenant has leased the whole property, land, and building.
- The contract is a binding contract for the leasing period of 4 years and can't be terminated unless the period is over.
- The tenant is an independent entity with no relationship with the landlord.
- According to the conducted market research about the rental prices, we have concluded that the current lease rate is within the market range.

Description	Buildings	Duration	Amount (SAR/year)
Bennett Operation and Maintenance Company	9-18	4 years	2,200,000

Sources (Lease Contract Copy)

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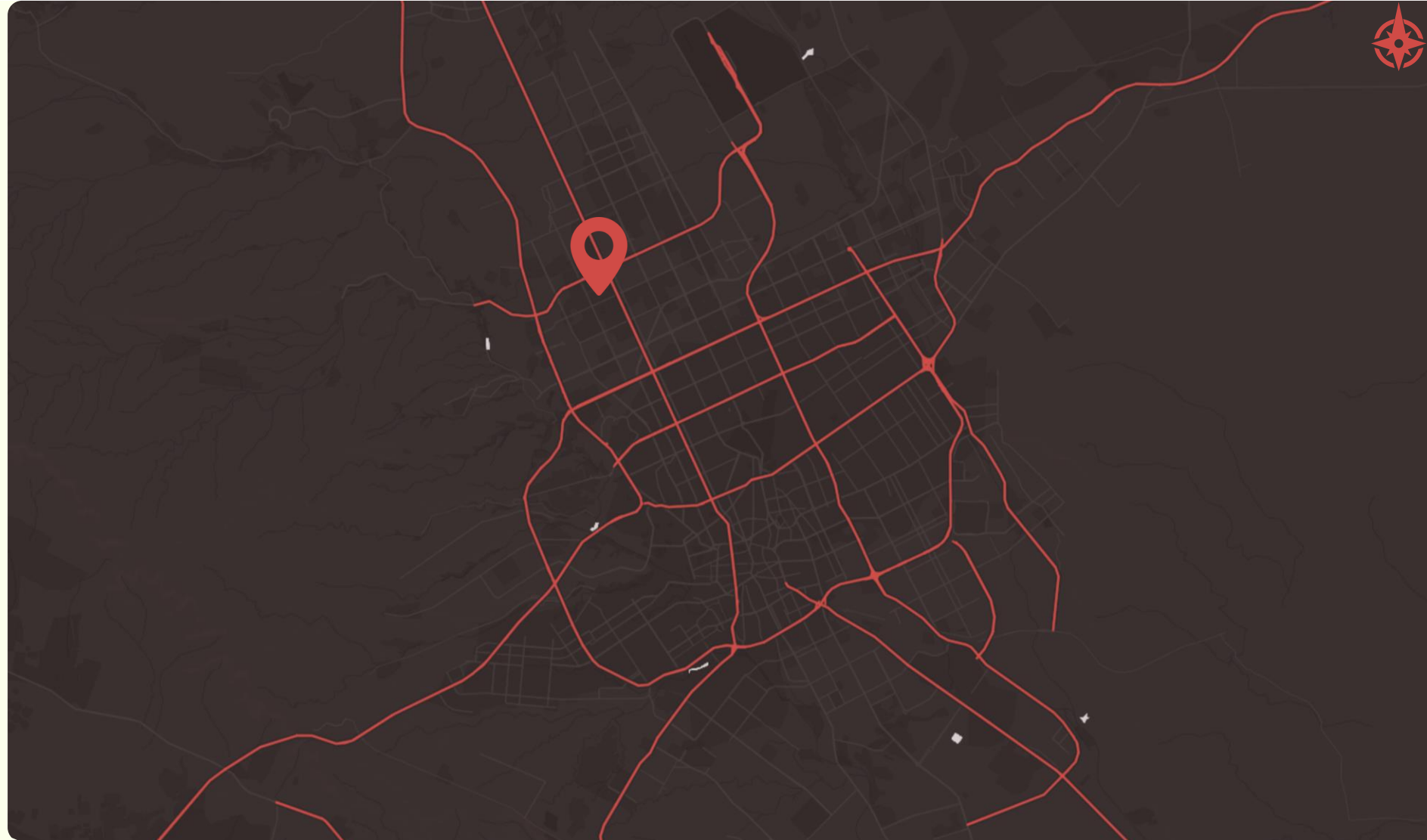
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Site Location Analysis

Macro Location



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- The subject property is strategically situated in Riyadh, the capital of Saudi Arabia and the largest among its cities, serving as the central hub of the Riyadh Region.
- Renowned as the foremost Saudi city, Riyadh boasts a substantial population of 7.5 million as of 1442/2022, solidifying its pivotal role in the nation's landscape. In terms of geographical expanse, Riyadh stands as one of the largest cities in the Arab World, covering an impressive developed area of approximately 1,973 square kilometers.
- Riyadh is currently undergoing transformative development, with a strong focus on infrastructure and public transport. The ongoing Riyadh Metro Project and Public Transport Project are testament to the city's commitment to modernization and efficient urban mobility.
- The subject properties are specifically located in Al Malaz and Al Faisaliyyah Dist., Riyadh. The closest one is strategically positioned approximately 36 kilometers from King Fahd International Airport, ensuring convenient connectivity, and approximately 23 kilometers from the dynamic King Abdullah Financial District, reflecting their prime location within the evolving landscape of Riyadh.

Site Location Analysis

Development Projects at City Level

The Royal Commission for the City of Riyadh carries out many programs and development projects which are strategic in nature with multiple objectives and dimensions and different requirements for execution over time.

هيئة تطوير بوابة الدرعية
Dariyah Gate Development
Authority



Between the architectural, cultural, economic and social features and the environmental development requirements of Wadi Hanifa, it provides a model for the development of the oasis.

The program adopted the principle of integration with the City of Riyadh, making Diriya a world class cultural, tourism and promotional suburb.

Riyadh Art Project



Includes the performance of over 1000 artworks by local and international artists in front of audiences in the various parts of the City of Riyadh, as part of 10 programs covering residential neighborhoods, public parks, natural promenades, public squares, public transport stations, bridges, pedestrian crossings, city entrances and all tourism destinations of the city.

Riyadh Boulevard

المسار
الرياضي
Sports Boulevard



Extends 135 kilometers, penetrating the City of Riyadh to connect Wadi Hanifa in the west of the City with Wadi Al Sulay in its east. It includes sports, cultural, recreational and environmental activities, including bicycle tracks, horse tracks, pedestrian sidewalks, a number of gates, stations and rest areas for bikers and hikers. Along the Boulevard inside the City and at Wadi Hanifa and Wadi Al Sulay, recreational services are provided to bikers and hikers, including coffee shops and diverse retail outlets.

Green Riyadh

الرياض الخضراء
GREEN RIYADH

The program aims at planting over 7.5 million trees in all parts of the city, including public parks, community parks, promenades, mosques, schools, academic, health and public installations and facilities, green belts along the spans of public utility lines, in addition to King Khalid International Airport, a roads and streets network, in addition to public transport routes, car parking spaces, vacant lands, valleys and river tributaries.

King Salman Park:

حديقة الملك سلمان
King Salman Park

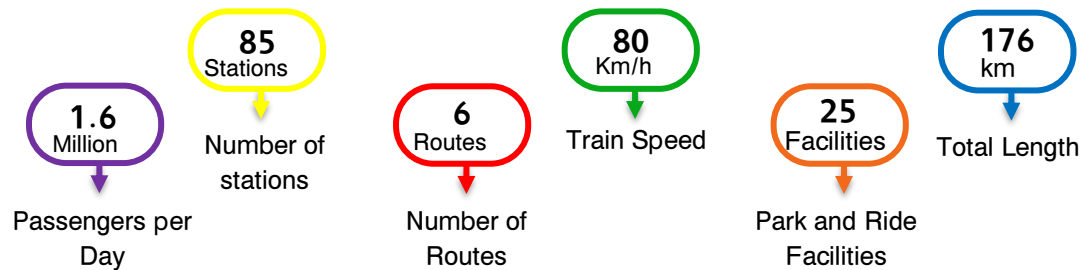


The largest city park in the World with an area exceeding 13 square kilometers. It is considered to be an environmental, cultural, sports and recreational project which contributes to the changing lifestyle in the city.

Site Location Analysis

Public Transport – Riyadh Metro

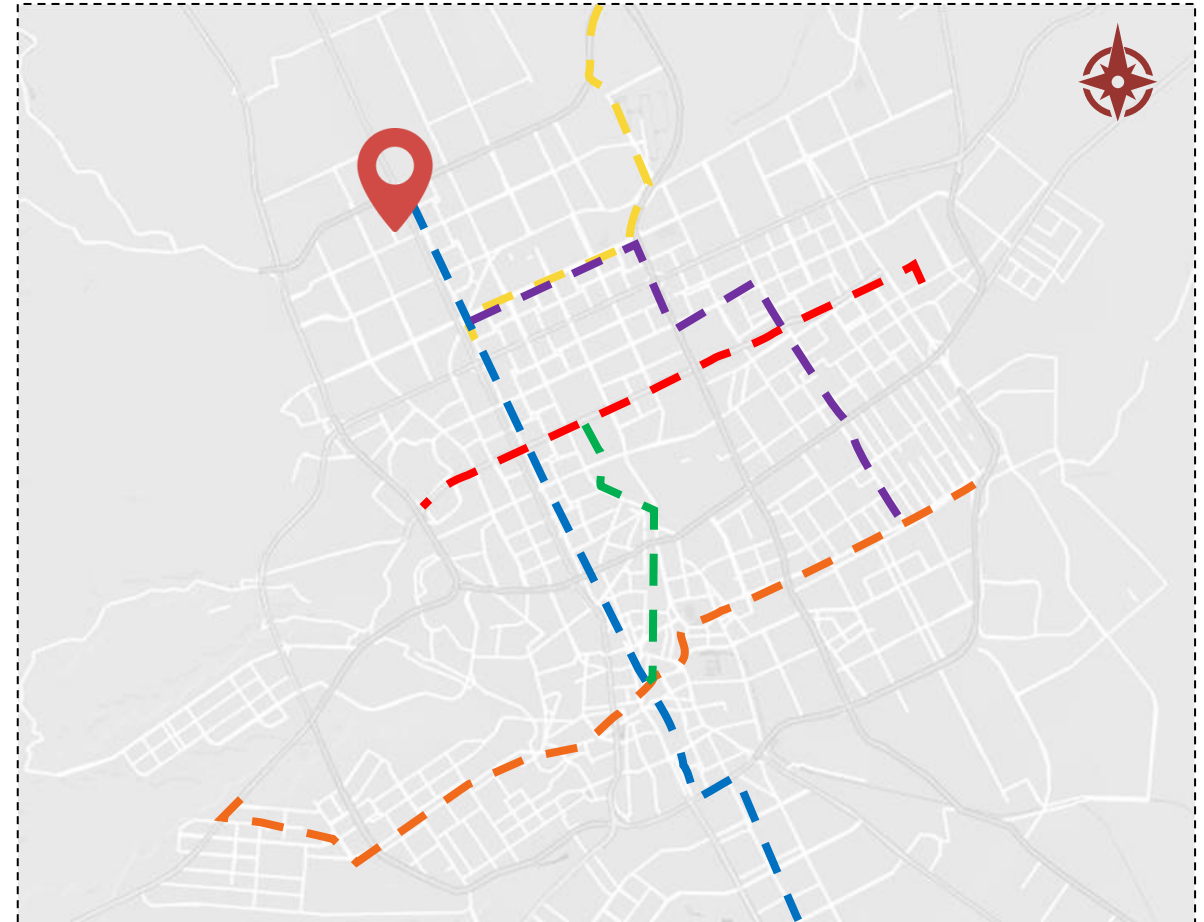
- Metro Riyadh is a high-speed transport system. It is currently under construction. It is one of the largest infrastructure projects in the City of Riyadh.
- The Metro is designed as a world-class transport system, including 756 metro cars, 85 stations, six metro lines, and a network spanning 176 kilometers.
- The construction of the metro system has resulted in several road closures which affected traffic in various parts of the city.



Length of Riyadh Metro Routes

Route	Route Length (Km)
First Route (Blue)	38.0
Second Route (Red)	25.3
Third Route (Orange)	40.7
Fourth Route (Yellow)	29.6
Fifth Route (Green)	12.9
Sixth Route (Purple)	29.5

Riyadh Metro Route Map:

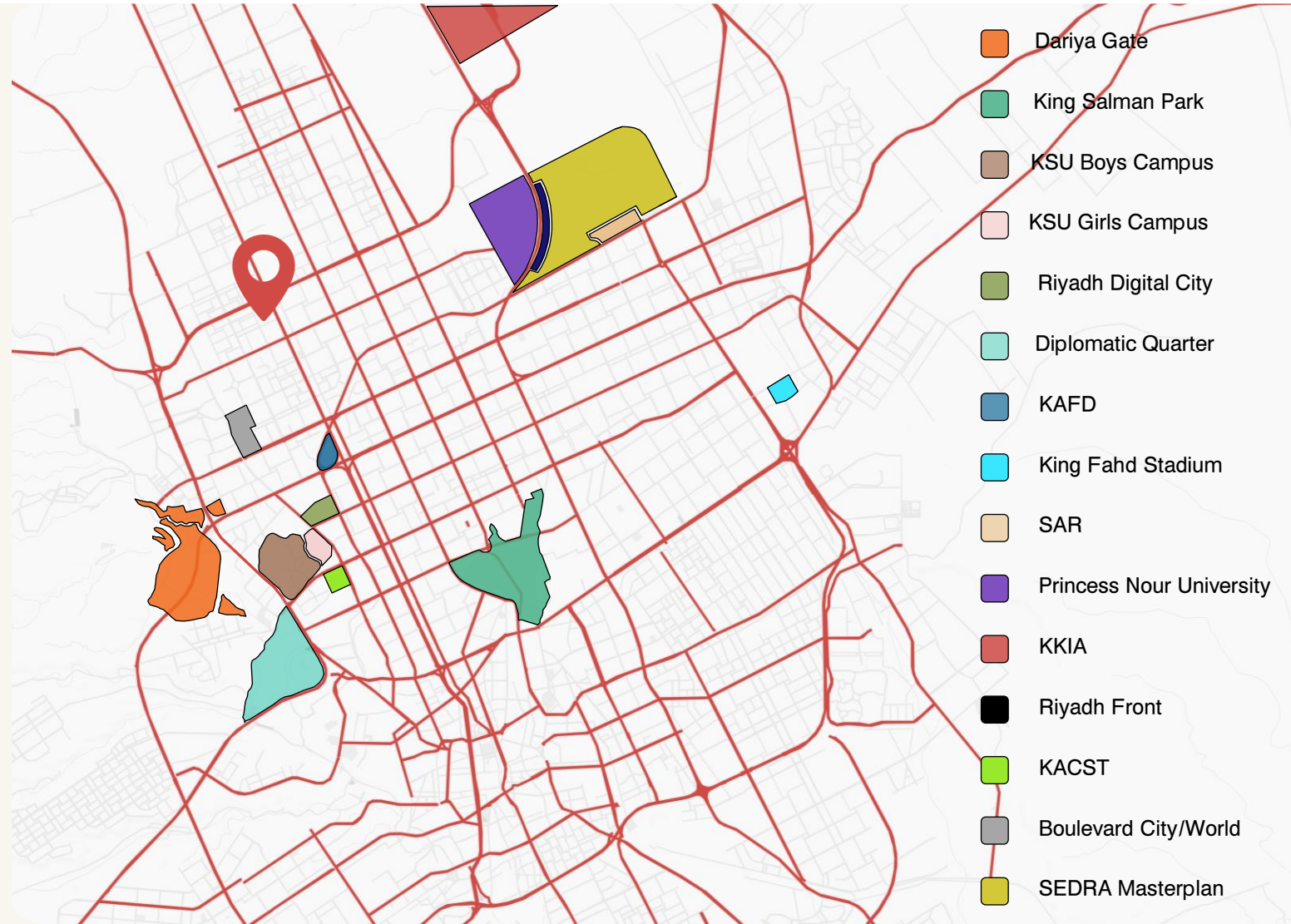


Site Location Analysis

Macro Location



- Riyadh City has many known local destinations that shapes the urban life. The subject property is close to some of these destinations, giving the subject property some advantage.
- Riyadh View forma common place that hosts commercial and food & Beverage activity. Nevertheless, SAR is next to subject property. SAR connects Saudi Arabia different cities in the north, eastern and south of Riyadh with a complexe and modern railway network.
- King Khalid Airport is one of the iconic construction of Riyadh city, easing and connecting local and international travelers with the Capital of Saudi Arabia.
- The existence of several educational institutions in the city is like PNU, that has the capacity of **70,000** student, KSU and KACST, would elevate the educational standers, create better future for generations, and compete with local and international educational systems.
- One of the main district, is the Diplomatic Quarter that taloir all the geopolitical plans and draws international relationships.
- Riyadh has kept an on itself by having two of the most important districts, the financial and digital ones, allowing Saudi Arabia to expand the growth capacity regionally and internationally on both tech and financial sectors.
- As part of the Vision **2030**, The development of Diriyah Gate would return significant impact by attracting tourists, encouraging cultural exchange, exposing the history of Saudi Arabia and hundreds of years of legacy.
- On the Entertainment side, Riyadh has very known and diversified entertainment place, the Boulevard as a city inside of a city and a world inside a city. Also, the Stadium.
- Riyadh Also is waiting of the biggest urban park in the region, King Salman Park, that will achieve Saudi Arabia sustainability goal addressed in Vision **2030**.



Site Location Analysis

Development Projects at District Level

- The subject property, centrally located in Riyadh City Center, stands as a prime asset with meticulously defined boundaries. To the North, it is embraced by the bustling King Salman Road, while the Southern boundary is marked by the prestigious Anas Ibn Malik Road, affording a captivating panorama of King Fahad Road to the East.
- Nestled within the vibrant Al-Malqa District, the property enjoys a harmonious relationship with its neighboring districts. To the North lies the distinguished Qairawan district, while the Southern borders extend to the Al-Aqiq and Hittin districts. To the East, the property is flanked by the dynamic Al-Yasmin and Al-Sahafa districts, and to the West, it is in proximity to the historical Al-Diriyah area.
- The subject property's appeal is further enhanced by its seamless connectivity, as it is accessible from several major city-level axes, including the prominent King Fahad Road and King Salman Road. The property, characterized by its well-defined and regular shape, offers a picturesque vista of Wadi Hajar Street as it gracefully branches from King Fahd Road, adding a touch of scenic charm to its urban setting.



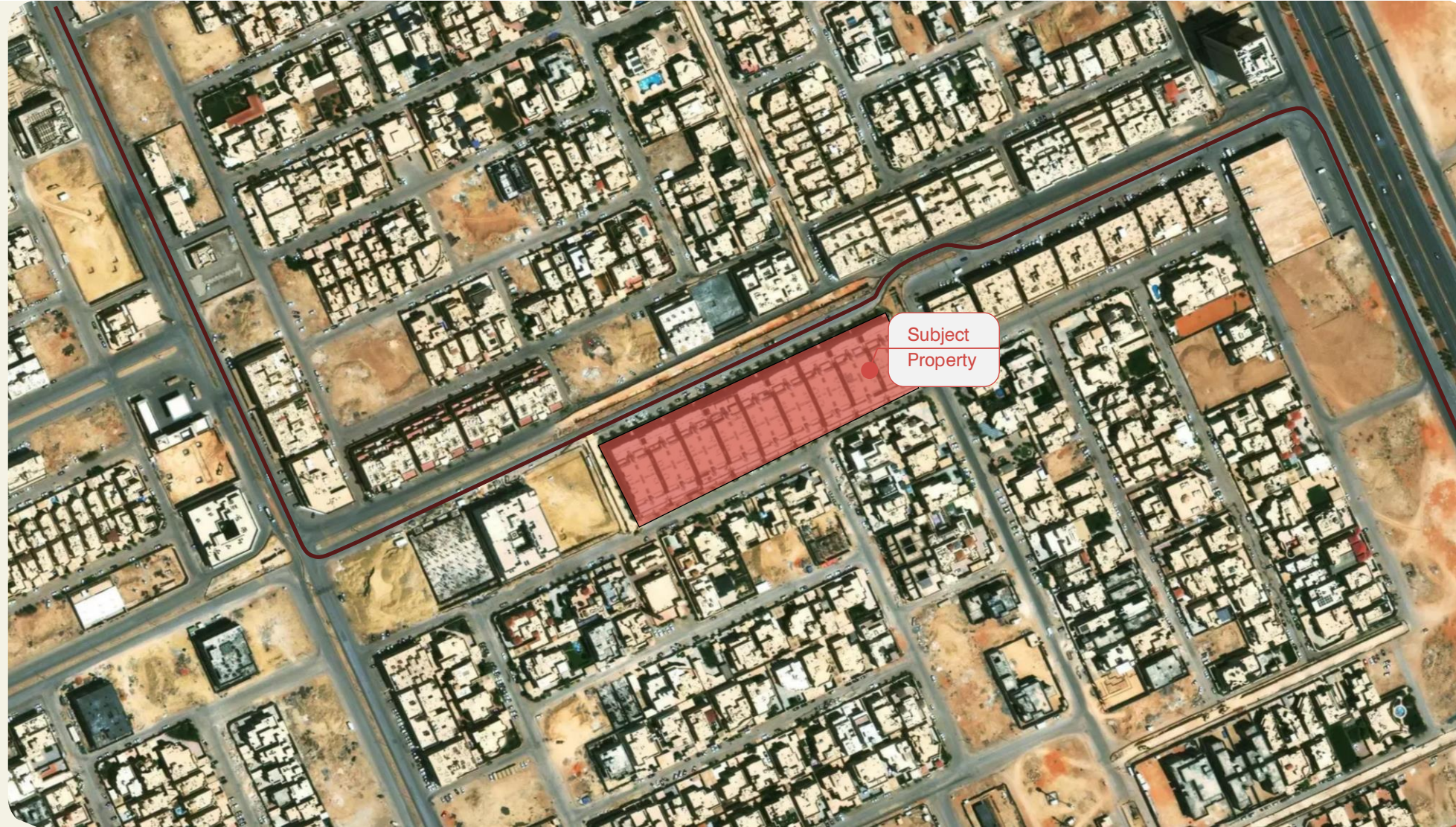
Site Location Analysis

Property Description



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- The Property unfolds as an exclusive residential haven, encompassing **18** three-story buildings, an annex, and a total of **250** thoughtfully designed housing units on a spacious **15,925** square meters of land. The architectural footprint spans an impressive **41,361** square meters, showcasing a meticulous blend of space and functionality.
- Comprising a diverse array of residences, the property boasts **224** three-bedroom units, **10** two-bedroom units, and **18** one-bedroom units, offering a tailored living experience to meet varying lifestyle needs.
- The complex further elevates resident living with a host of amenities, featuring a sprawling **10,000**-square-meter underground car parking area, two inviting swimming pools, two dedicated playground areas, and a modern health club. These facilities create an enriching environment that seamlessly combines recreation and well-being.
- Nestled in the thriving Al Malqa District, along the scenic Wadi Hajar Street branching from Riyadh's prominent King Fahd Road, the Property enjoys a strategic location with convenient access to key city routes.
- With a youthful age of **6.5** years, the Property stands as a testament to contemporary design and construction standards, providing residents with a modern, well-maintained, and harmonious living space.

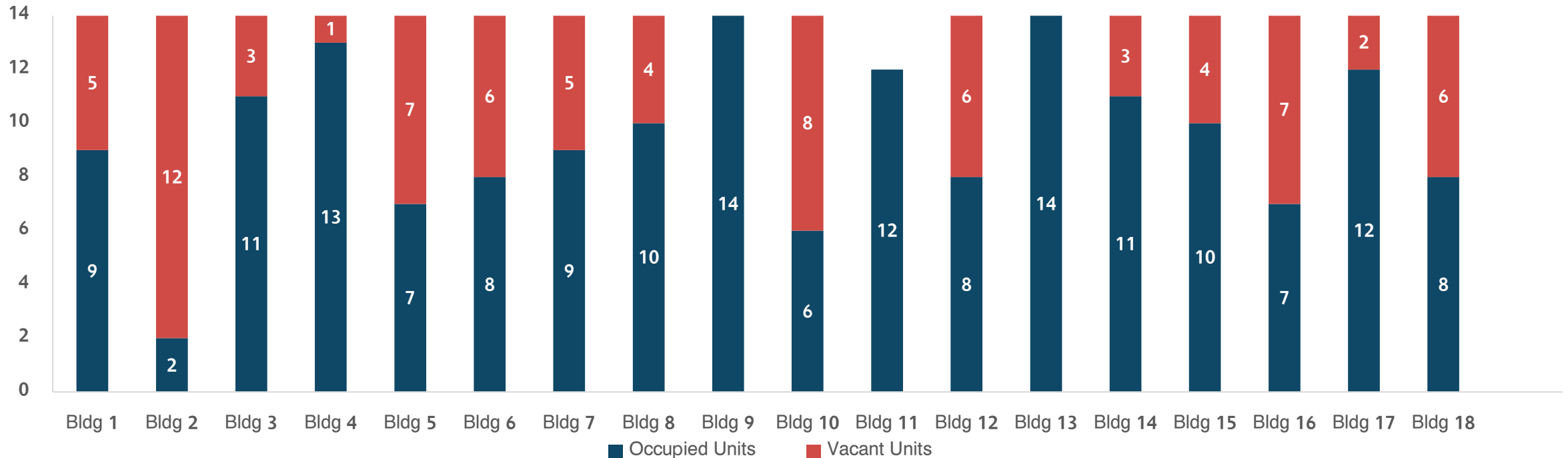


Site Location Analysis

Property Description - Unit Details

Property Buildings Details

- Rana Medical Services Company has leased 3 buildings (9, 11, and 13) with a total of 40 units. These 40 units represent 16% of the total units of the compound.
- The rest of the compound consists of 210 units of which 131 units are leased and distributed over 15 buildings.
- That said, the total occupancy in the compound is 68% where Rana MS Co. is responsible alone for 16% of occupancy, and the individually leased units are 52%.
- As for the rest of the building that forms 84% of the total leasable area, 111 units were rented of the 210 units
- The chart demonstrates the leasing status of all 18 buildings in the compound.



Site Location Analysis

Property Photographs



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Income Valuation Methodology - DCF

Income Valuation Approach

- In determining our opinion of [Market Value] for the Subject Properties and based on the fact that they are all multi-tenanted income producing assets, we have utilized the Investment Approach of Valuation via the Discounted Cash Flow technique.
- Discounting Cash Flow (DCF) analysis is a financial modelling technique based on explicit assumptions regarding the prospective cashflow of a property. This analysis involves the projection of a series of periodic cash flows that a property is anticipated to generate. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with a property.
- With regard to the subject properties, the cashflow has been calculated on an annual basis. With respect to the growth rate applied throughout our cashflow, we have adopted the long-term average inflation rate for Saudi Arabia at 2.8%.
- The cashflow is discounted back to the date of valuation at an appropriate rate to reflect the time value of money, and in so doing thus determining the [Market Value]. It is important to note that the cashflows reflect assumptions that market participants would use when pricing the asset (i.e., determining its value).
- The projected rents, as well as costs, are forecasts formed on the basis of information currently available to us and are not representations of what the values of the Properties will be as at a future date.

Valuation Steps Using Income Approach - DCF

01

Income Approach

The Investment Approach is a commonly used approach to value income-generated assets. The approach captures the revenues generated from the operation of the asset, using the Discounted Cashflow.

02

Cost Assumptions

The Discounted Cashflow is calculated on annual basis, with a growth rate of 2.8 %/annum.

03

Property Income

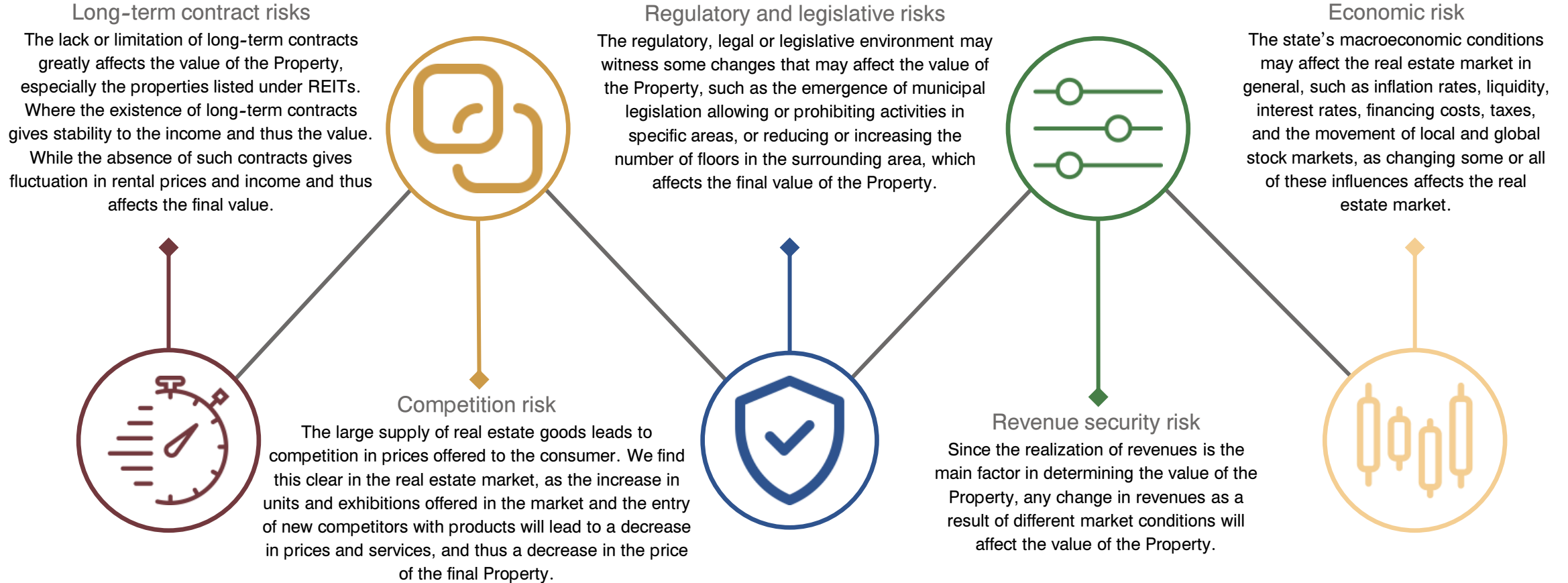
The property income represents the revenue derived from the rent payments received during a year.

04

Property Costs

The property costs attribute to the costs generated from the operation of the asset, for instance, maintenance, and marketing costs. The costs are typically calculated on an annual basis.

Property Risk Analysis



Market Study - Demand and Supply

Office

- In the first three months of **2023**, around **50,000** sq. m. of office gross leasable area (GLA) was delivered in Riyadh and Jeddah collectively. This brought the total existing stock to approximately **4.9** million sq. m. in the capital and **1.2** million sq. m. in Jeddah. Over the remainder of this year, an additional **61,000** sq. m. and **583,000** sq. m. of office GLA is scheduled to enter the market in Jeddah and Riyadh, respectively.
- In the capital, the supply and demand dynamics have further shifted the tide towards landlords, and they are expected to continue to remain bullish in order to capitalize on the strong demand. Additionally, corporates have been expanding towards the north, where office offerings come with better accessibility and parking. There is tight availability of good quality office space in the market. Indeed, the average market-wide vacancy in Riyadh dropped to **1%** in **Q1 2023**. As a result, average Grade A rents increased by **19%** year-on-year (Y-o-Y) to reach **SAR 1,764** per sq. m. per annum during the same period.
- In Jeddah however, the office market is exhibiting signs of softening. That said, well managed, single owned quality office spaces are highly sought after. Consequently, average Grade A rents rose by **15%** Y-o-Y to reach **SAR 1,199** per sq. m. per annum in the first quarter of **2023**. Broadly, market-wide demand is being led by local companies and family businesses relocating to newer areas towards the north and west. Accordingly, the citywide average vacancy stood at **8%** in **Q1 2023**.
- The office market in the Kingdom is expected to sustain its positive momentum. As Riyadh is being positioned as the new commercial nerve center, we expect more efforts towards substantially improving the infrastructure of the capital, to cater to its increasing popularity.

Residential

- Riyadh witnessed the completion of close to **7,800** residential units in **Q1 2023**, pushing up the total stock to **1.4** million residential units. Over the same period, **4,400** units were handed over in Jeddah to bring the city's residential inventory to **864,000** units. In the remaining months of this year, **45,000** units are planned to be delivered across the two cities combined.
- Several government-backed projects were launched in recent months to support the growing residential sector, such as the first phase of Al Arous in Jeddah, Al Fursan, and the second phase of Khuzum in the capital. One of the biggest announcements has been the launch of New Murabba in Riyadh, which aims to be one of the world's largest downtowns. All these announcements are reflective of strong pent-up demand and the government's continued confidence in the long-term growth of the residential sector in the Kingdom.
- The government has introduced several measures to expedite home ownership among Saudi nationals and boost the residential sector. Demand has been increasing, and I expect to continue to trend up. In a recent announcement, **100** million sq. m. of land was allocated to the residential sector in the capital and other cities to control the increase in land and residential prices. Undeniably, in the first quarter of **2023**, average sale prices and rents in Riyadh increased by **7%** and **2%**, Y-o-Y, respectively. On the same basis, in Jeddah, average sale prices increased by **11%** annually, and average rents climbed by **9%**.
- Overall, there has been a structural shift in the market, and demand for apartments has been outpacing villas, with sale prices registering an annual growth of **6%** in the capital and **17%** in Jeddah, in **Q1 2023**. Over the same period, rents for apartments grew by **4%** in Riyadh and **13%** in Jeddah.

Market Study-Demand and Supply

Retail

- In Q1 2023, there were two retail developments completed in Riyadh, adding approximately 84,000 sq. m. of retail space and increasing the total supply to 3.4 million sq. m. Over the same period, Jeddah's retail stock increased by roughly 46,000 sq. m. to 1.8 million sq. m. In the remaining nine months of this year, 478,000 sq. m. of retail floorspace is scheduled to enter the market in Jeddah and about 105,000 sq. m. in Riyadh. With the retail market softening in Jeddah, we continue to be cautious about completing future projects on schedule.
- Overall, strip retail and smaller community centers have been performing better than larger super regional malls. The majority of the inquiries were for smaller spaces, particularly in Jeddah, where enquired spaces ranged between 8 to 120 sq. m. Additionally, tenants displayed a preference for corner locations with high visibility on the street, and outdoor seating areas have become very important for F&B (Food and Beverage) retailers due to their increasing popularity among consumers. In line with this trend, several malls have started to establish a separate F&B area located outside of the malls to attract tenants and increase footfall in their developments.
- F&B and entertainment segments have been the key footfall generators with increased focus on experiential retail. Moreover, landlords in the capital are trying to attract new market entrants who do not have a local presence in the country. In contrast, landlords in Jeddah are being more cautious and are seeking well-known brands to avoid risks associated with new market entrants.
- Looking at the rental performance, in annual terms, rents for super regional and regional malls increased by 11% and 8%, respectively, in Riyadh in the first quarter of this year. On the same basis, rents in Jeddah fell on average by 6% across super regional malls and remained stable for regional malls, signaling slowing market conditions in the city.

Source of Info: JII

Hospitality

- There were no new hotel developments completed in the capital in Q1 2023, keeping the total stock stable at 21,000 keys. During the same period, Jeddah saw the delivery of 300 keys, increasing the total existing supply to 16,000 keys. An additional 3,000 keys are scheduled to enter the market in 2023 in both cities combined. Of this, around 2,000 keys are expected to enter Riyadh, and the remaining 1,000 keys are in Jeddah.
- As part of its efforts to increase tourism in the Kingdom and reach the target of 100 million visits a year by 2030, the government recently launched a new national airline, Riyadh Air, which will have its hub at Riyadh's King Salman International Airport. Additionally, a new stop-over (transit) visa was also announced for passengers traveling using existing national airlines, Saudia and Flynas. All these initiatives are going to boost the hospitality industry and help position Saudi Arabia as a global tourism destination in the long run.
- The Saudi market is currently going through a cultural shift, where new entertainment venues are being created, and global events are being hosted to establish its presence on the global tourism map. Looking at the growth prospects of the hotel industry, the majority of the operators who already have a presence in the country are planning to aggressively expand their offerings in the Kingdom and increase the volume of rooms under their portfolios. That said, owners of hospitality developments, are seeking to attract new unique operators.
- As a result, the hospitality sector performed strongly in the first quarter of 2023. Riyadh's occupancy rate rose to 76%, and the average daily rate (ADR) increased to USD 212 for YT February 2023, compared to the same period last year. On the same basis, Jeddah's occupancy rate reached 54% and ADR was recorded at USD 147. The Saudi hospitality market is expected to sustain its positive drive and improve further.

Source of Info: JII

Valuation

Market Research - Case Study

Site Location Map



information source (field research)



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Viola Compound

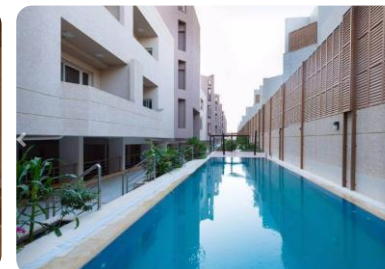
Type of Units	Area (sqm_	Number of Units	Rental Rate (SAR)	Rental Rate (SAR)
1 Room	75	44	40,000	533
2 Rooms	126	74	50,000	397
3 Rooms	150	30	60,000	429

Services and Facilities

- The project is a complex of luxury apartments designed to ensure privacy and complete security. The complex consists of **10** adjacent buildings with **148** apartments and one elevator, and each floor is on two levels, and there are only two apartments on each level. The apartments are easily accessed from the parking. The limited entrances to the complex ensure complete security and control of movement. The units are not furnished. Occupancy is **85%**.

Swimming Pool	Security	Maintenance	Gardens	Parking
✓	✓	✓	✓	✓
Promenade	Drivers Room	Courts	Playing Area	Health Club
✓	✓	✓	✓	✓

Compound Photographs



Valuation

Market Research - Case Study

Residential Compound Map



information source (field research)

Al Malqa Village Compound

Type of Units	Area (m²)	Rental Rate (SAR)	Rental Rate (SAR)
2 Rooms	120	85,000	708
2 Rooms	140	95,000	679
3 Rooms	170	118,500	700

The project is comprised of a high-end apartment complex, designed to ensure total privacy and security. It contains **16** buildings with open spaces between the buildings. The limited entrances of the compound guarantee full security and control over movement. The units are fully furnished. Occupancy **95%**.

Services and Facilities

Swimming Pool	Security	Maintenance	Gardens	Parking
✓	✓	✓	✓	✓
Promenade	Drivers Room	Courts	Playing Area	Health Club
✓	✓	✓	✓	✓

Compound Photographs



Valuation

Valuation Input

Residential Compound Map



information source (field research)

Lease Rate Estimation

Upon completion of the research and collection of information, we have analyzed the following comparables and made calculations and adjustments to reach the average lease value (SAR/sqm). The below schedule shows changes and adjustments made to the valuation matrix.

Valuation Matrix

Description	Viola Compound	Al Malqa Village
Land Area (sqm)	150	170
Lease Rate (SAR/sqm)	429	700
Adjustment Factors		
Open Spaces	0.0%	-5.0%
Design of Units	-5.0%	-5.0%
Ease of Access	0.0%	2.5%
Area	0.0%	2.5%
Facilities and Services	0.0%	-2.5%
Compound Category	0.0%	-22.5%
Furniture	20.0%	0.0%
Negotiation	-7.5%	-5.0%
Total Percentage (%)	7.50%	-37.50%
Final Value After Adjustments	461	455
Weightage (%)	50%	50%
Lease Rate (SAR/m ²)	458	

Occupancy Rate

Based on the Occupancy rate in the case studies, we have adopted a stable occupancy rate up to 90%.

Income Approach - Valuation Approach

Key Assumptions in the Discounted Cash Flow Method:

Revenues

- According to the Tenancy Schedule provided by the client, the total annual income of 3 buildings leased for Rana Medical Services Company is **1,900,000 SAR**. Also, the annual income of the **131** units rented for individuals is **9,958,810 SAR**. After the contractual lease period of Rana Medical Services Company, income will be estimated based on market leasing rates for the remaining years of the DCF table.

Costs

- The building insurance is about **117,540 SAR** annually. This amount will be expressed semi-annually in the Discounted Cash Flow table.
- The other buildings, **1-8**, have no operation contracts, but the landlord has provided the operation costs as **10%**, semi-annually, of total income.

Leasing Period

- The remaining period of the leasing contract of Rana Medical Company is **2** years.
- The renewal of the leasing contract is still vague, so it won't be considered to be renewed.
- After the expiry of the leasing contract, the leased units of building **9, 10**, and **11** will be offered back in the market. Thus, occupancy and income will be market-based, similar to the units in **1-8** buildings. Hence, overall occupancy will decrease because the available leasable units increased in the market.

Inflation Rate.

- Inflation Rate: Discounted cash flows are calculated at an annual inflation rate of **2.8%** per annum by taking the average inflation rate in the domestic product of the Kingdom of Saudi Arabia for the past **12** years as per the Central Bank of Saudi Arabia.

Capitalization Rate

- we have conducted market research about properties with similar usage to the subject property in the residential sector, which serve as a benchmark to determine the appropriate cap rate for the subject.

Property	City	Type	Cap Rate (%)
Mena Compound	Riyadh	Residential	7.5%
La Casa Compound	Riyadh	Residential	8.0%
Akaria Compound	Riyadh	Residential	8.5%
DQ Coumpound	Riyadh	Residential	8.0%
Rabwa Compound	Riyadh	Residential	7.5%
Yamama Compound	Riyadh	Residential	7.25%
Wadi al Hoda Compound	Riyadh	Residential	7.0%

- Comparing these properties with our subject property considering location, finishing, class, type, accessibility, and the area it belongs to, alongside the current binding lease contracts, we conclude that the cap rate should be **7.75%**.

Discount Rate

- We have used the build-up method to calculate the discount rate, which considers inflation, cap rate, and market risk.
- Since the subject property enjoys a long-term binding lease securing income, market risk is null. Hence, the discount rate is set as **10.55%**.

Valuation



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Income Approach - DCF

- As a result of the prior information, cash flows were calculated to reach the value of the subject property over 5 years.
- Since the first 2 years of cash flow are based on the lease contract of the leased units (Rana Company Contract), the remaining 2 years will be market-based.
- The income and occupancy of the remaining units during the 5 years period of the DCF are based on market research explained in previous pages.
- Occupancy rates start with the actual occupancy and increase chronologically until it reaches the market stable occupancy.

Summary of Cash Flow Calculations:

Period (semi-annual)	1	2	3	4	5	6	7	8		
Discount Period (y)	0.5	1	1.5	2	2.5	3	3.5	4	4.5	5
Inflation Factor	1.01	1.03	1.04	1.06	1.07	1.09	1.10	1.12	1.13	1.15
Income from Rana Medical Company										
Occupancy (16% of total units) (%)	100.0%	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Revenue (SAR)	949,998	949,998	949,998	0	0	0	0	0	0	0
Income from the remaining units										
Rental price (SAR/sqm)	464	471	477	484	491	498	504	511	519	526
Leasable Area (sqm)	27,340	27,340	27,340	32,546	32,546	32,546	32,546	32,546	32,546	32,546
Occupancy rate (84% of total units) (%)	62.4%	72.4%	82.4%	74.0%	84.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Income (SAR)	7,919,770	9,317,114	10,751,782	11,656,738	13,415,942	14,574,073	14,776,702	14,982,147	15,190,449	15,401,647
Costs										
Bennett maintenance contract costs	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Building 1-8 Costs (%)	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Building 1-8 Costs (SAR)	791,977	931,711	1,075,178	1,165,674	1,341,594	1,457,407	1,477,670	1,498,215	1,519,045	1,540,165
Property Insurance Costs (SAR)	58,770	58,770	58,770	58,770	58,770	58,770	58,770	58,770	58,770	58,770
Total Costs (SAR)	1,950,747	2,090,481	2,233,948	2,324,444	2,500,364	2,616,177	2,636,440	2,656,985	2,677,815	2,698,935
Net Income (SAR)	6,919,021	8,176,630	9,467,832	9,332,294	10,915,578	11,957,896	12,140,262	12,325,163	12,512,634	12,702,713
TV (SAR)										325,359,317
PV Factor	0.95	0.90	0.86	0.82	0.78	0.74	0.70	0.67	0.64	0.61
NPV (SAR)	6,580,596	7,396,319	8,145,400	7,636,088	8,494,735	8,850,719	8,546,188	8,251,971	7,967,726	204,739,982
Property Fair Value (SAR)	276,610,000									

Valuation Summary

Opinion of Value

Abaad is of the opinion that the Value of the Subject Property as of the date of valuation, based upon assumptions and detail within this report, may be fairly stated as follows:

Fair Value of Subject Property Using Income Approach as of 31 December 2023

- 276,610,000 SAR (Two Hundred Seventy-Six Million Six Hundred Ten Thousand Saudi Riyal).

Signatures & Authorizations

Eng. Yousuf Abdullah Khan

Taqeem ID: 1220001989

Membership Type: Provisional Member

Sector: Real Estate Sector

Membership Date: 17/09/2020

Contribution: Inspector, Valuer and Report Creator



Eng. Ammar Mohamed Qutub

Taqeem ID: 1210000392

Membership Type: Fellow Member

Sector: Real Estate Sector

Membership Date: 24/01/2016

Contribution: Valuation & Report Reviewer



Eng. Ammar Abdulaziz Sindi

Taqeem ID: 1210000219

Membership Type: Fellow Member

Sector: Real Estate Sector

Membership Date: 22/12/2015

Contribution: Report Reviewer & Authorizer



Company Stamp

Company Name: **Abaad & Partner for Real Estate Valuation**

Company No. 11000111

CR No: 4030297686

CL No: 323/18/781



Appendices

Executive Summary

Site Location Analysis

Valuation Terms

Valuation

Disclaimers

Tenure

Appendices

- Appendix 1: Subject Property Documents
- Appendix 2:Valuation Glossary



صك رهن وتملك عقار

الحمد لله وحده والصلاة والسلام على من لا نبي بعده، وبعد:

فإن قطعة الأرض رقم ٢٣٣٥ / ١ من المخطط رقم ٣١١٤ الواقع في حي الملقا بمدينة الرياض - محدودها وأطوالها كالتالي:

شمالاً: شارع عرض ٣٦ بطول: (٥٣) ثلاثة وخمسون متر
جنوباً: شارع عرض ٢٠ بطول: (٥٣) ثلاثة وخمسون متر
شرقاً: قطعة رقم ٢٣٣٤ / ٢٣٣٣ بطول: (٦٥.٦٥) خمسة وستون متر وخمسة وستون سنتيمتر
غرباً: قطعة رقم ٢٣٣٣ / ١ بطول: (٦٥.٦٧) خمسة وستون متر وسبعة وستون سنتيمتر
ومساحتها: (٣٢,٤٨٠, ٢٣) ثلاثة آلاف وأربعمائة وثمانون متر مربعاً وثلاثة وعشرون سنتيمتراً مربعاً فقط والمقام عليها مجمع سكني

المعلومة ٤ شركة أول الملقا العقارية بموجب سجل تجاري رقم ١٠١٠٨٣٩٠٢ / ١٠ / ١٩ في ١٤٤٤ هـ بالصلك الصادر من كتابة العدل الأولى بالرياض برقم ١٢١٠٦١٢٠٤٥٩٦٧ في ٢٢ / ١٢ / ١٤٤٠ هـ قد تم رهنها وما أقيم أو سيقام عليها من بناء لصالح / حرمشراح الجاسري الضمنية للاستثمار بموجب سجل تجاري رقم ١٠١٠٠٠٠٩٦٦ في ٢٥ / ١٠ / ١٩٧٦ هـ ضماناً لوفائه / بما عليه من مستحقات مالية لصالح مصرف الراجحي بموجب سجل تجاري رقم ١٠١٠٠٠٠٩٦ في ٢٥ / ١٠ / ١٩٧٦ هـ بمبلغ وقدره (٣٨١٨١٨, ١٩) ريال ثمانية وثلاثون مليوناً ومائة وأحد وثمانون ألفاً وثمانمائة وثمانية عشر ريالاً وتسعة عشر هللة المجاز من الهيئة الشرعية برقم ١٨٠٧٢ في ٢٥ / ٧ / ١٤٣٩ هـ، على أن يتم سداد الميونة على أقساط كل ستة أشهر من تاريخ صرف التمويل وقبعة كل قسط (١٠٠٠٠٠) ريال مليون ريال، تدفع اعتباراً من تاريخ ٢٥ / ٧ / ٢٠١٩ م. وفي حالة عدم السداد فلهتمرن بيع العقار بالقيمة التي تنتهي عندها الرضبان واستيفاء ما عليه أمانة الزاهن من مبلغ وما نقص برجه عليه بعد اكمال مايلزم شرعاً وعليه جرى التصديق تحريراً في ١٤ / ٩ / ١٤٤٠ هـ وصلى الله على نبينا محمد وآله وصحبه وسلم.

١٤٢٠ / ٩ / ٦
ووصلني الله على نبينا محمد وآله وصحبه وسلم.

وزارة العدل
كتاب العدل بوسط الرضا
كتب العدل مكتب الج ١

رئيس كتابة العدل المساعد
صالح بن ضيف الله بن أحمد العمري

هذا السيد وحده بخطامه، وضواحي تكلف منتهى عنه وبذات اليد عدم صلاحية التمسك
[هذا المذود مخصص للاستخدام بالحساب الألي وعدم تخطئه]
مصدق عليه الحكومة ٢٨٣١٥

تتم صفحة ١٧ من ٢٠

Appendix 1: Property Documents



أبعاد
للتقييم العقاري



صك رهن وتملك عقار

الحمد لله وحده والصلاة والسلام على من لا نبي بعده، وبعد:

فإن قطعة الأرض رقم ٢٣٣٧ / ١ من المخطط رقم ٣١١٤ الواقع في حي الملكة بمدينة الرياض، وحدودها وأصولها كالتالي:

شمالاً: شارع عرض ٣٦ م	بطول: (٥٣) ثلاثة وخمسون متر
جنوباً: شارع عرض ٢٠ م	بطول: (٥٣) ثلاثة وخمسون متر
شرقاً: قطعة رقم ١/٢٣٣٧	بطول: (٦٥,٦٩) خمسة وستون متر وتسعة وستون سنتيمتر
غرباً: شارع عرض ١٥ م	بطول: (٦٥,٧) خمسة وستون متر وسبعون سنتيمتر

ومساحتها: (٣,٤٨١,٩) ثلاثة آلاف وأربعمائة وواحد وثمانون متراً مربعاً وتسعون سنتيمتراً مربعاً فقط والمقام عليها مجمع سكني

المملوكة لـ شركة أول الملكة العقارية بموجب سجل تجاري رقم ١٠١٠٨٩٣٨٠٢ وتنتهي في ١٩ / ١٠ / ١٤٤٤ هـ بالصك الصادر من كتابة العدل الأول بالرياض برقم ٣١٠١٢١٠٤٥١٦٩ في ٢٢ / ٦ / ١٤٤٠ هـ. قد تم رهنها وما أقيم أو سيقام عليها من بناء لصالح / شركة كراجي المصرفية للاستثمار بموجب سجل تجاري رقم ١٠١٠٠٠٠٠٩٦ في ٢٥ / ١٠ / ١٣٧٦ هـ ضماناً لوفائه بـ/ بما عليه من مستحقات مالية لصالح مصرف الراجحي بموجب سجل تجاري رقم ١٠١٠٠٠٠٠٩٦ بمبلغ وقدره (٣٨١٨١٨١,١٩) ريال ثمانية وثلاثون مليوناً ومائة وواحد وثمانون ألفاً وثمانمائة وثمانية عشر ريالاً وتسعة عشر هللة المجاز من الهيئة الشرعية برقم ١٨٠٧٢ في ٧ / ٧ / ١٤٣٩ هـ، على أن يتم سداد المئوية على أقساط كل أشهر من تاريخ صرف التمويل بقيمة كل قسط (١٠٠٠٠٠) ريال مليون ريال، تدفع اعتباراً من تاريخ ٣١ / ٣ / ٢٠١٩ م وبه حالة عدم السداد فللمرتهن بيع العقار بالقيمة التي تنتهي عندها الرغبات واستيفاء ما به ذمة الراهن من مبلغ وما نقص يرجع فيه عليه بعد اكتمال مايلزم شرعاً وعليه جرى التصديق تحريراً في ١٥ / ٩ / ١٤٤٠ هـ ووصل الله على نبينا محمد وآله وصحبه وسلم.

عبد العزيز بن محمد بن عبد العزيز آل خطاب

وزارة العدل
كتابة العدل بوسط الرياض
كتب العدل رقم ()

صك رهن وتملك عقار

الحمد لله وحده والصلاة والسلام على من لا نبي بعده، وبعد:

فإن قطعة الأرض رقم ٢٣٣٧ / ١ من المخطط رقم ٣١١٤ الواقع في حي الملكة بمدينة الرياض، وحدودها وأصولها كالتالي:

شمالاً: شارع عرض ٣٦ م	بطول: (٥٣) ثلاثة وخمسون متر
جنوباً: شارع عرض ٢٠ م	بطول: (٥٣) ثلاثة وخمسون متر
شرقاً: قطعة رقم ١/٢٣٣٧	بطول: (٦٥,٦٩) خمسة وستون متر وتسعة وستون سنتيمتر
غرباً: قطعة رقم ١/٢٣٣٧	بطول: (٦٥,٦٩) خمسة وستون متر وتسعة وستون سنتيمتر

ومساحتها: (٣,٤٨١,٩) ثلاثة آلاف وأربعمائة وواحد وثمانون متراً مربعاً وعشرة سنتيمتراً مربعاً فقط والمقام عليها مجمع سكني

المملوكة لـ شركة أول الملكة العقارية بموجب سجل تجاري رقم ١٠١٠٨٩٣٨٠٢ وتنتهي في ١٩ / ١٠ / ١٤٤٤ هـ بالصك الصادر من كتابة العدل الأول بالرياض برقم ٣١٠١٢١٠٤٥١٦٩ في ٢٢ / ٦ / ١٤٤٠ هـ. قد تم رهنها وما أقيم أو سيقام عليها من بناء لصالح / شركة كراجي المصرفية للاستثمار بموجب سجل تجاري رقم ١٠١٠٠٠٠٠٩٦ في ٢٥ / ١٠ / ١٣٧٦ هـ ضماناً لوفائه بـ/ بما عليه من مستحقات مالية لصالح مصرف الراجحي بموجب سجل تجاري رقم ١٠١٠٠٠٠٠٩٦ بمبلغ وقدره (٣٨١٨١٨١,١٩) ريال ثمانية وثلاثون مليوناً ومائة وواحد وثمانون ألفاً وثمانمائة وثمانية عشر ريالاً وتسعة عشر هللة المجاز من الهيئة الشرعية برقم ١٨٠٧٢ في ٧ / ٧ / ١٤٣٩ هـ، على أن يتم سداد المئوية على أقساط كل أشهر من تاريخ صرف التمويل بقيمة كل قسط (١٠٠٠٠٠) ريال مليون ريال، تدفع اعتباراً من تاريخ ٣١ / ٣ / ٢٠١٩ م وبه حالة عدم السداد فللمرتهن بيع العقار بالقيمة التي تنتهي عندها الرغبات واستيفاء ما به ذمة الراهن من مبلغ وما نقص يرجع فيه عليه بعد اكتمال مايلزم شرعاً وعليه جرى التصديق تحريراً في ١٥ / ٩ / ١٤٤٠ هـ ووصل الله على نبينا محمد وآله وصحبه وسلم.

عبد الرحمن بن محمد بن رشيد الحربي

وزارة العدل
كتابة العدل بوسط الرياض
كتب العدل رقم ()

Appendix 2: Valuation Glossary

Saudi Authority

- The Saudi Authority for Accredited Valuers (TAQEEM) was established pursuant to the royal decree no.(m/43), dated (09/07/1433H) as a body of an independent, non-profit and judicial personality. TAQEEM is working under the Ministry of Commerce and Investment with an independent budget and its board of directors is chaired by His Excellency the Minister of Commerce and Investment.

Asset or Assets

- To assist in the readability of the standards and to avoid repetition, the words “asset” and “assets” refer generally to items that might be subject to a valuation engagement. Unless otherwise specified in the standard, these terms can be considered to mean “asset, group of assets, liability, group of liabilities, or group of assets and liabilities”.

Client

- The word “client” refers to the person, persons, or entity for whom the valuation is performed. This may include external clients (ie, when a valuer is engaged by a third-party client) as well as internal clients (ie, valuations performed for an employer).

Intended Use

- The use(s) of a valuer’s reported valuation or valuation review results, as identified by the valuer based on communication with the client.

Intended User

- The client and any other party as identified, by name or type, as users of the valuation or valuation review report by the valuer, based on communication with the client.

Jurisdiction

- The word “jurisdiction” refers to the legal and regulatory environment in which a valuation engagement is performed. This generally includes laws and regulations set by governments (eg, country, state and municipal) and, depending on the purpose, rules set by certain regulators (eg, banking authorities and securities regulators).

May

- The word “may” describes actions and procedures that valuers have a responsibility to consider. Matters described in this fashion require the valuer’s attention and understanding. How and whether the valuer implements these matters in the valuation engagement will depend on the exercise of professional judgement in the circumstances consistent with the objectives of the standards.

Appendix 2: Valuation Glossary

Must

- The word “must” indicates an unconditional responsibility. The valuer must fulfill responsibilities of this type in all cases in which the circumstances exist to which the requirement applies.

Participant

- The word “participant” refers to the relevant participants pursuant to the basis (or bases) of value used in a valuation engagement (see IVS 104 Bases of Value). Different bases of value require valuers to consider different perspectives, such as those of “market participants” (eg, Fair Value, IFRS Fair Value) or a particular owner or prospective buyer (eg, Investment Value).

Purpose

- The word “purpose” refers to the reason(s) a valuation is performed. Common purposes include (but are not limited to) financial reporting, tax reporting, litigation support, transaction support, and to support secured lending decisions.

Should

- The word “should” indicates responsibilities that are presumptively mandatory. The valuer must comply with requirements of this type unless the valuer demonstrates that alternative actions which were followed under the circumstances were sufficient to achieve the objectives of the standards.
- In the rare circumstances in which the valuer believes the objectives of the standard can be met by alternative means, the valuer must document why the indicated action was not deemed to be necessary and/or appropriate.
- If a standard provides that the valuer “should” consider an action or procedure, consideration of the action or procedure is presumptively mandatory, while the action or procedure is not.

Appendix 2: Valuation Glossary

Significant and/or Material

- Assessing significance and materiality require professional judgement. However, that judgement should be made in the following context:
- Aspects of a valuation (including inputs, assumptions, special assumptions, and methods and approaches applied) are considered to be significant/material if their application and/or impact on the valuation could reasonably be expected to influence the economic or other decisions of users of the valuation; and judgments about materiality are made in light of the overall valuation engagement and are affected by the size or nature of the subject asset.
- As used in these standards, “material/materiality” refers to materiality to the valuation engagement, which may be different from materiality considerations for other purposes, such as financial statements and their audits.

Subject or Subject Asset:

- These terms refer to the asset(s) valued in a particular valuation engagement.

Valuation

- A “valuation” refers to the act or process of determining an estimate of value of an asset or liability by applying IVS.

- Valuation Purpose or Purpose of Valuation:
- See “Purpose”.

Valuation Reviewer

- A “valuation reviewer” is a professional valuer engaged to review the work of another valuer. As part of a valuation review, that professional may perform certain valuation procedures and/or provide an opinion of value.

Value (n)

- The word “value” refers to the judgement of the valuer of the estimated amount consistent with one of the bases of value set out in IVS 104 Bases of Value.

Valuer

- A “valuer” is an individual, group of individuals or a firm who possesses the necessary qualifications, ability and experience to execute a valuation in an objective, unbiased and competent manner. In some jurisdictions, licensing is required before one can act as a valuer.

Appendices

Appendix 2: Valuation Glossary

Weight

- The word “weight” refers to the amount of reliance placed on a particular indication of value in reaching a conclusion of value (eg, when a single method is used, it is afforded 100% weight).

Weighting

- The word “weighting” refers to the process of analysing and reconciling differing indications of values, typically from different methods and/or approaches. This process does not include the averaging of valuations, which is not acceptable.



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