



Final Valuation Report

Elegance Office Tower, Al Murooj District, Riyadh

Client/ Alkhabeer Capital

09 January 2024

V230275

P230352

الخبير المالية
Alkhabeer Capital



Introduction



Dear Alkhabeer Capital,

RE: Valuation of Elegance Office Tower, Al Murooj 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 Statement 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

Kingdom of Saudi Arabia

Mobile: +966 (50) 730 0500

Email: asindi@sa-abaad.com

Registration Certificate



Table of Contents

04

Executive Summary

Property Overview
Terms and Conditions

15

Site Location Analysis

Public Transport – Riyadh Metro
Development Projects at City Level
Development Projects at District Level
Property Description
Property Photographs

07

Valuation Terms

Introduction
Applicable Standards
Status of Valuer and Conflicts of Interest
Purpose of Valuation
Date of Valuation
Date of Inspection
Basis of Valuation
Sources of Information

25

Valuation

Valuation Methodology
Analysis of Property Risks
Income Approach
Valuation Summary

09

Disclaimers

35

Appendices

Appendix 1: Subject Property Documents
Appendix 2: Valuation Glossary

12

Tenure

Title Information
Contract Details

Executive Summary

04

Executive Summary

Property Overview
Terms and Conditions

Valuation Terms

Disclaimers

Tenure

Site Location Analysis

Valuation

Appendices

Executive Summary

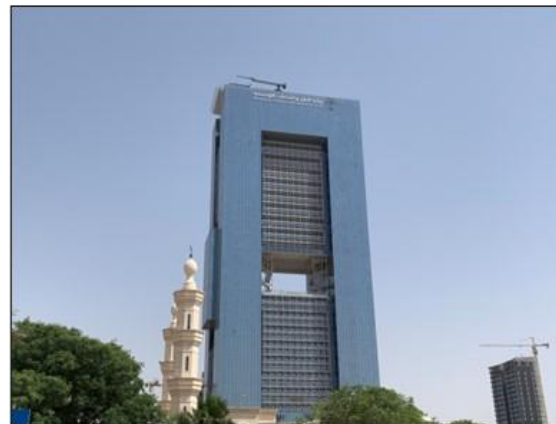
Property Overview

- The Subject Property is an office tower located in the Riyadh City Center in Al Murooj District, at the intersection of Olaya Road and King Fahd Road. The area of the land is 5,695 square meters, with a built-up area of 58,163 square meters and a total leasable area of 24,322 square meters.
- The Property comprises 27 floors, 130 meters above sea level, with a direct view of King Abdullah Financial Center, the Tower has two separate entrances. The Tower has several uses, including offices, a restaurant, and a health club. It includes five underground parking levels.
- The Property is located in Al Murooj District, North Central Riyadh, with a direct view of King Abdullah Financial District and easy accessibility.
- Riyadh is the capital of the Kingdom of Saudi Arabia. It is the largest Saudi city and one of the largest cities in the region, with a population of 6.9 million in 1440/2018.

Property Details

Site Details	Information
District	Al Murooj
Permitted Use	Office
Tenure	Restricted Ownership
Deed Number	393318001500
Deed Date	1442/03/02 H
Total Land Area (sqm)	5,695
Total Built-Up Area (sqm)	58,163
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	484,050,000

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.

Valuation Terms

Executive Summary

Site Location Analysis

07

Valuation Terms

- Introduction
- Applicable Standards
- Status of Valuer and Conflicts of Interest
- Purpose of Valuation
- Date of Valuation
- Date of Inspection
- Basis of Valuation
- Sources of Information

Disclaimers

Tenure

Valuation

Appendices

Valuation Terms



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 Elegance Office Tower, Al Murooj 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 purposes.

Date of Inspection

- We confirm that the Property was inspected by Abaad Team on 22 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 agreements and details
 - Approved Masterplan
 - Property Sale Contract
 - Property Lease Contract / Ministry of Transport Contract
 - Handover report to the Ministry’s Contractor/ Projected Costs Report.

Disclaimers

Executive Summary

Site Location Analysis

Valuation Terms

Valuation

09

Disclaimers

Appendices

Tenure

Disclaimers

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.

Disclaimers

Executive Summary

Site Location Analysis

Valuation Terms

Valuation

Disclaimers

Appendices

12

Tenure

Title Information
Contract Details

Tenure

Title Information

Title Information

ID	Description	
Owner	Awal Al Malqa Real Estate Company	
Property Name	Elegance Office Tower	
Plot No.	25-26-27-28	
Sub-Division	2593	
District	Al Murooj	
Street Name	-	
Coordinates	46°39.053'E	24°45.468'N
City	Riyadh	
Ownership Type	Restricted Ownership	
Title Deed Info	Dees No.	393318001500
	Deed Date	02/03/1442

Sources: Title Deed



أبجد
للتقييم العقاري

Dimensions and street widths

Side	Dimension (m)	Street Name	Type	Width (m)	Frontage
North	85	-	Pedestrian Walkway	10	3
South	85	-	Sidewalk	-	4
East	67	-	Parking Spaces	20	1
West	67	-	Parking Spaces	20	2

Sources: Title Deed

Tenure

Contract Details

Usufruct Contract Summary

ID	Description	Details
1	First Party (Owner)	Awwal Al Malqa Real Estate Company
2	Second Party (Lessee)	Al Saedan Real Estate Company
3	Contract Term	5 Years
4	Contract Effective Date	16/09/2020
A	Lease Rate	30,000,000 SAR
7	First Party's Obligations	Triple Net Lease
8	Second Party's Obligations	The Lessee shall bear all of the Property maintenance and management costs

- After examining the current lease agreement provided by the client, we have determined that the Tenant has leased the property to operate and maintain.
- The contract is binding 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.
- The tenant has the right to usufruct from the property and rent and benefits from the leasable areas.
- The lease of units is unaffected by the expiry of the main usufruct contract with Al Saedan Real Estate Company.

Sources: Lease Agreement

Contract Payments

According to the contract, the tenant shall pay the lease at the beginning of each year. The following table will demonstrate the contract payment schedule.

Year	Income (SAR)
9/16/2021	30,000,000
9/16/2022	30,000,000
9/16/2023	30,000,000
9/15/2024	30,000,000
9/15/2025	30,000,000

Sources: Lease Agreement

Site Location Analysis

Executive Summary

Valuation Terms

Disclaimers

Tenure

15

Site Location Analysis

Public Transport – Riyadh Metro
Development Projects at City Level
Development Projects at District Level
Property Description
Property Photographs

Valuation

Appendices

Site Location Analysis

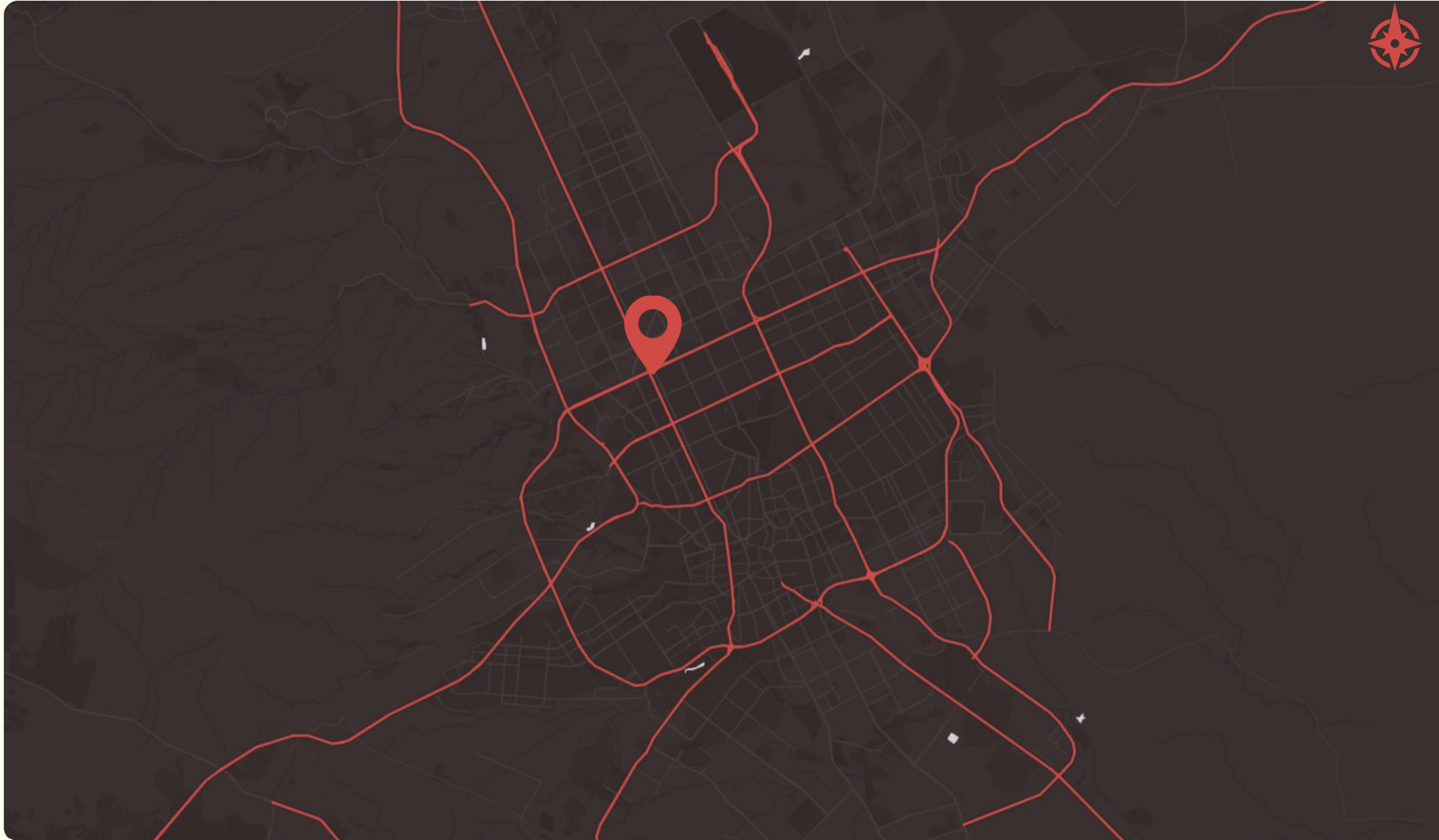
Macro Location



أبجد
للتقييم العقاري



- 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.

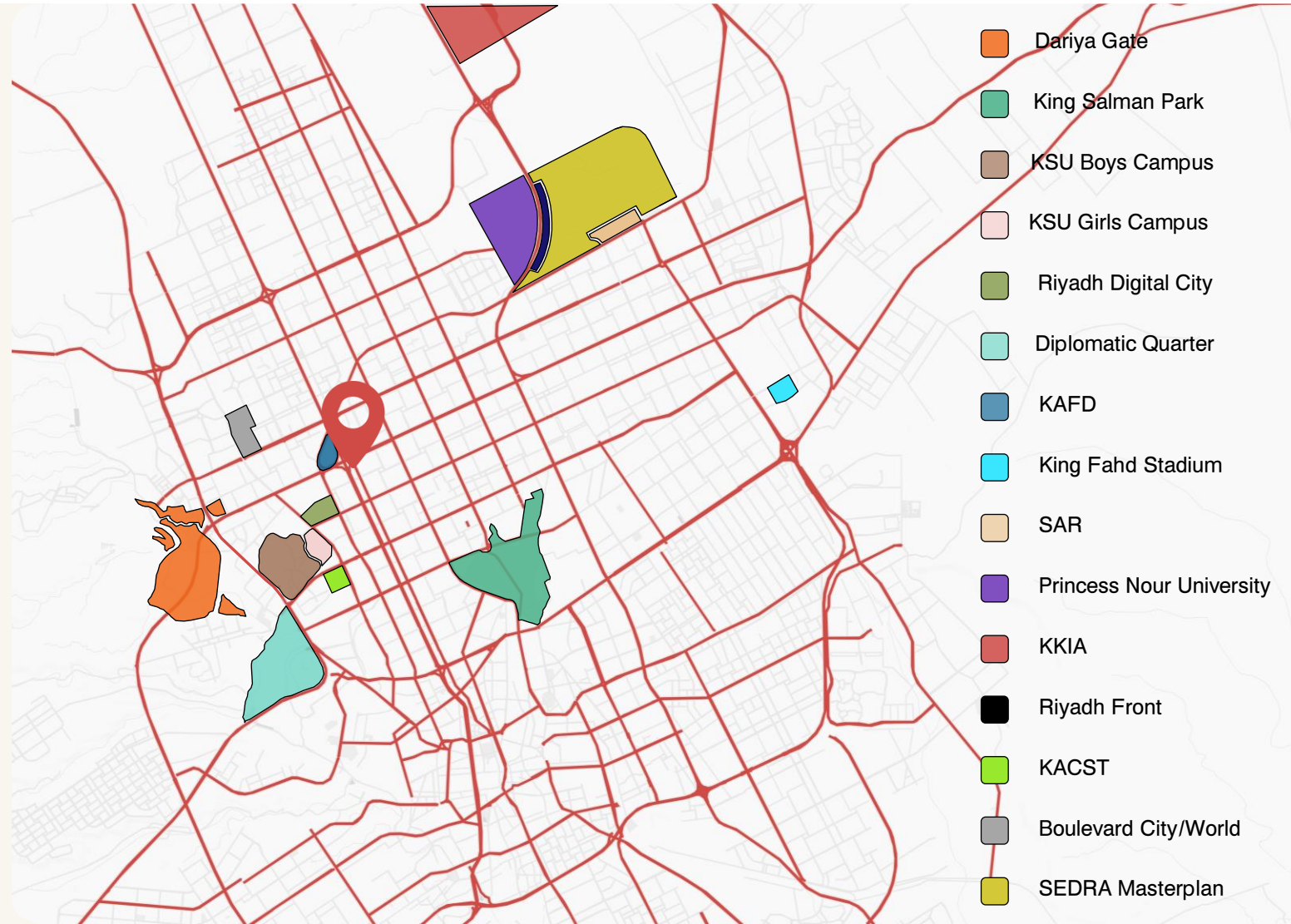


Site Location Analysis

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 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

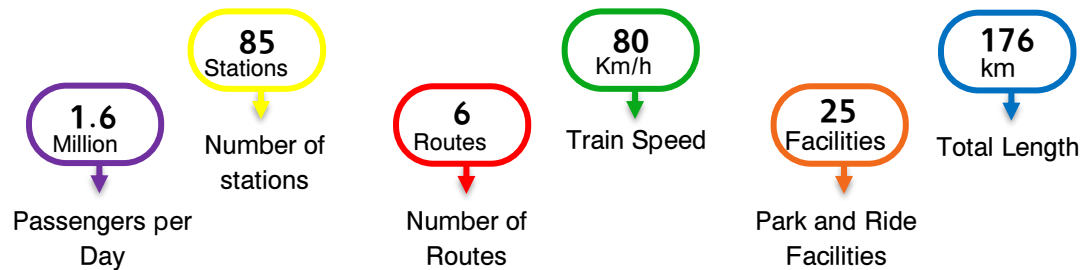


The largest city park in the World with an area exceeding 13 square kilometers. It is considered to be an environmental, cultural, sports and recreational project which contributes to the changing lifestyle in the city.

Site Location Analysis

Public Transport – Riyadh Metro

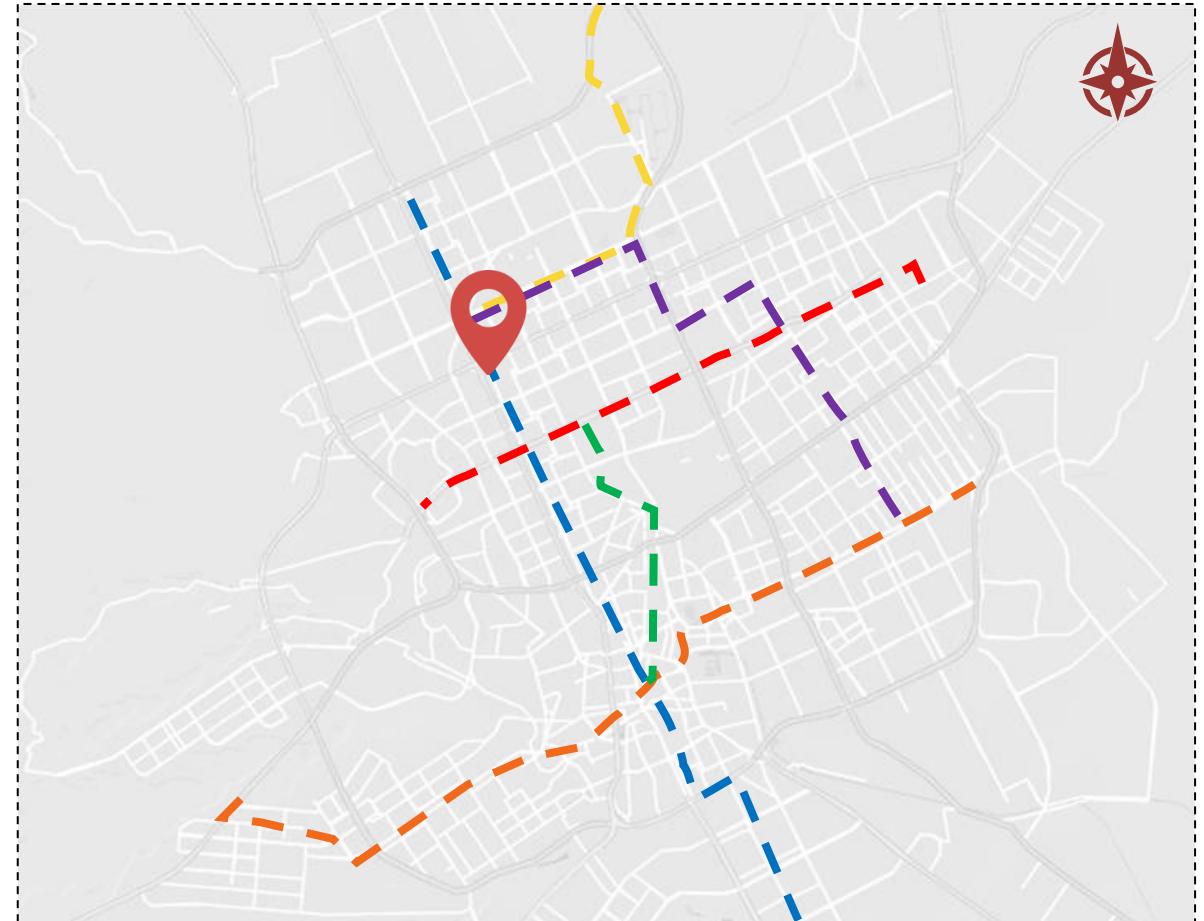
- Metro Riyadh is a high-speed transport system. It is currently under construction. It is one of the largest infrastructure projects in the City of Riyadh.
- The Metro is designed as a world-class transport system, including 756 metro cars, 85 stations, six metro lines, and a network spanning 176 kilometers.
- 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

Development Projects at District Level

- Situated in the vibrant Al-Morouj district, this property boasts a strategic location with the Northern Ring Road to the north, Al-Ghadeer District to the northeast, Imam Saud Road to the south, King Fahd District to the southwest, King Abdulaziz Road to the east, Al-Masif District to the southeast, and King Fahd Road to the west, bordering Al-Nakhil District.
- Access to the property is facilitated by key thoroughfares, including the Northern Ring Road, King Abdullah Road, and King Fahd Road, enhancing connectivity to various parts of Riyadh.
- The property's well-defined shape adds to its appeal, and it enjoys direct access to the prominent King Fahd Road, ensuring convenient transportation links.
- A noteworthy feature is the passage of the Riyadh Metro Road (blue) through the Al-Morouj neighborhood, establishing a vital connection between the northern and southern regions of Riyadh while traversing the dynamic landscape of the King Abdullah Financial District. This not only enhances accessibility but also contributes to the property's prominence within the broader urban framework of Riyadh.



Site Location Analysis

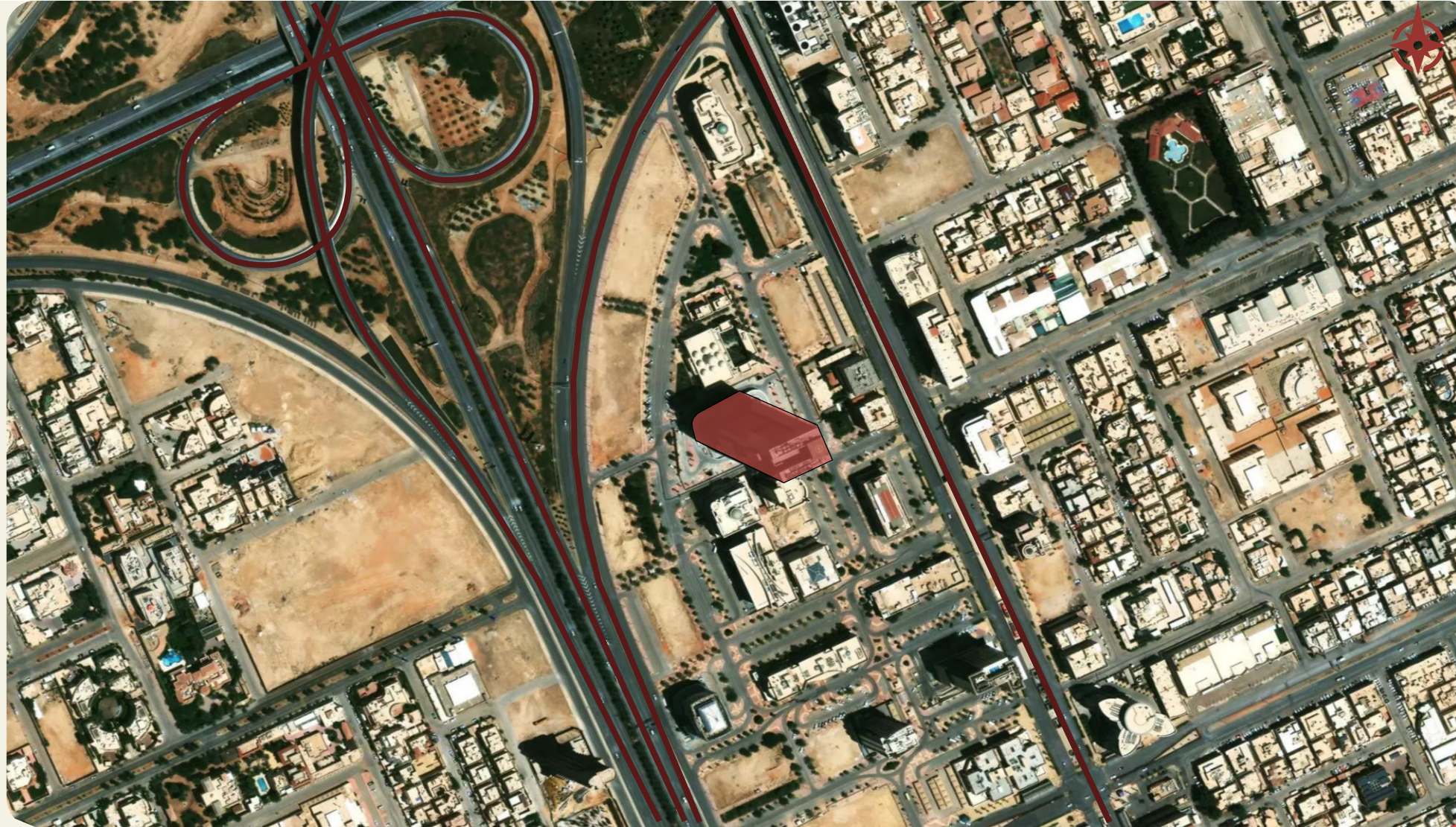
Property Description



أبجد
للتقييم العقاري



- The Subject Property stands tall as an impressive office tower, boasting a remarkable architectural presence with its 27 floors above ground and an additional 5 below ground. Occupying a generous land area of 5,695 square meters, the building's expansive footprint culminates in a total built-up area of 58,163 square meters. Within this substantial space, the leasable area spans an impressive 24,322 square meters.
- The exterior of the tower is adorned with sleek glass facades, offering a contemporary aesthetic that speaks to modern design sensibilities. As one enters, the internal finishings exude sophistication, with entrances and common spaces adorned in luxurious marble and porcelain, creating an inviting ambiance. The remaining areas feature tasteful basic finishes in a neutral tone, providing a versatile backdrop for customization based on the specific requirements of the tenant.
- Functionality is a key consideration, with the lower floors thoughtfully designed to accommodate 720 positions, ensuring a dynamic and efficient use of space. The meticulous attention to detail is evident throughout the property, from the refined finishes to the tailored approach in unit specifications, allowing tenants to craft their spaces to align seamlessly with their unique needs.
- With a construction age of 5.5 years, the property stands as a testament to enduring quality and contemporary design, offering a workspace that harmonizes both form and function.



Site Location Analysis

Property Description

- The Property is an office tower with **27** floors above the ground and **5** floors of underground parkings with a total built up area of **58,163** square meters.
- The tower includes an area designated for the use of a café and an entire floor dedicated to a health club and a swimming pool at a height of **50** meters.
- The floor space varies between **827-1,665** square meters
- Underground parking can accommodate up to **720** cars.
- The front of the tower has four interactive screens.
- The main entrance contains a space designated for the reception in addition to a space designated for a café.
- The tower has **12** electric elevators divided into **6** main elevators, **4** external panoramic elevators, a service elevator and a civil defense elevator.
- The tower contains a helipad.
- The tower is equipped with central communication systems, a fire fighting system and an integrated monitoring system.
- The tower is equipped with a central air conditioning system.
- The tower contains **4** interactive screens.



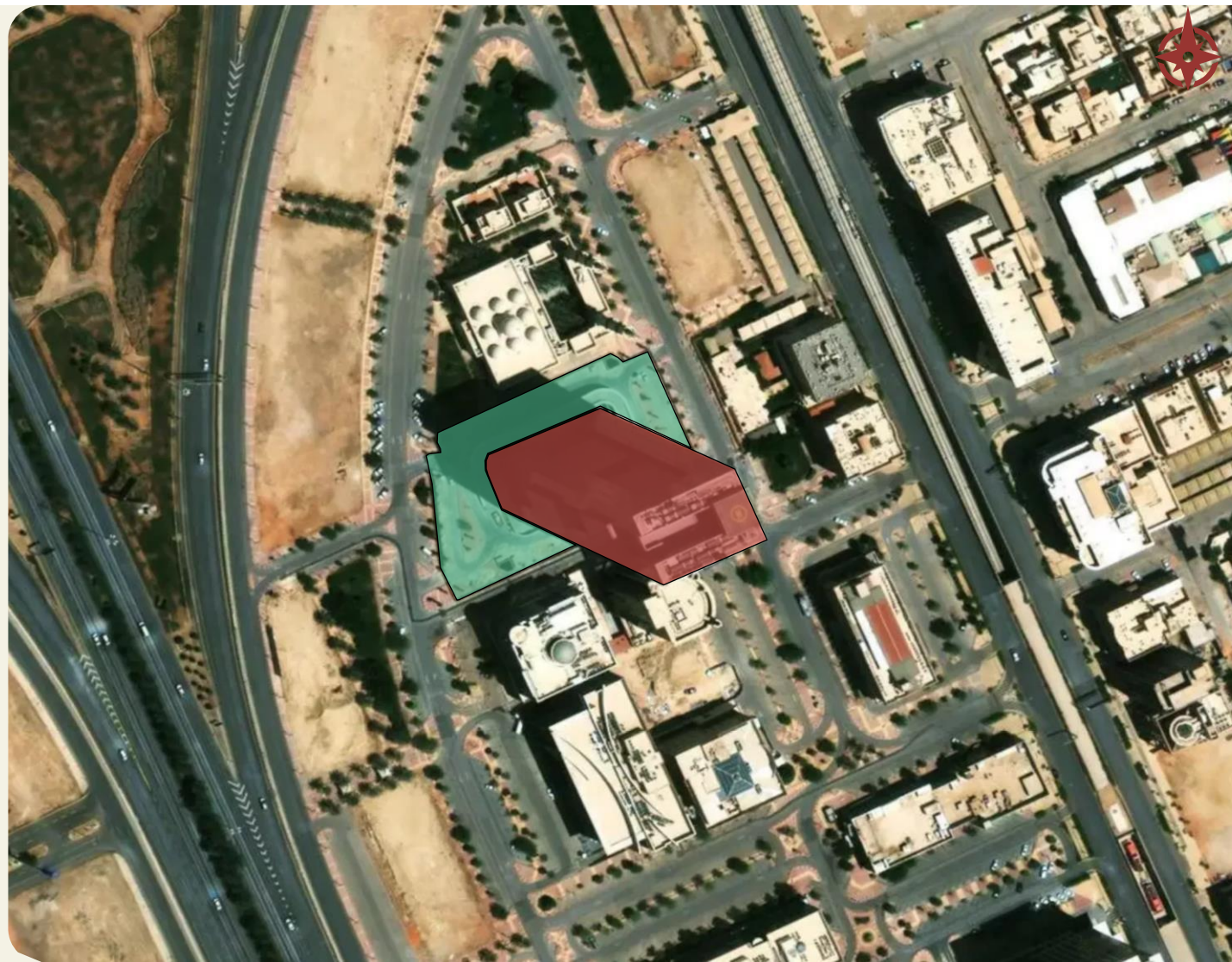
Site Location Analysis

Property Description



أبجد
للتقييم العقاري

Details of the Leasable Areas:			
Floor	Use	Floors	Leasable Area
Basement	Parking Spaces + storage	5	809.01
Lower Entrance	Entrance of the Restaurant and the Health Club	1	108.10
Upper Entrance	Reception + Cafe	1	207.47
Mezzanine	-	3	1,410.18
Service Floor	-	1	478.20
Floors 6-10	Offices	5	5,696.00
Service Floor	Health Club	1	1,136.05
Service Floor	Swimming Pool	1	1,064.00
Floors 13-15	Offices	3	1,614.36
Floors 16-21	Offices	6	6,835.20
Floors 22-23	Offices	2	2,158.90
Floor 24	Offices	1	1,051.72
Floor 25	Restaurant	1	1,336.10
Floor 26	Restaurant	1	417.10
Total		32	24,322

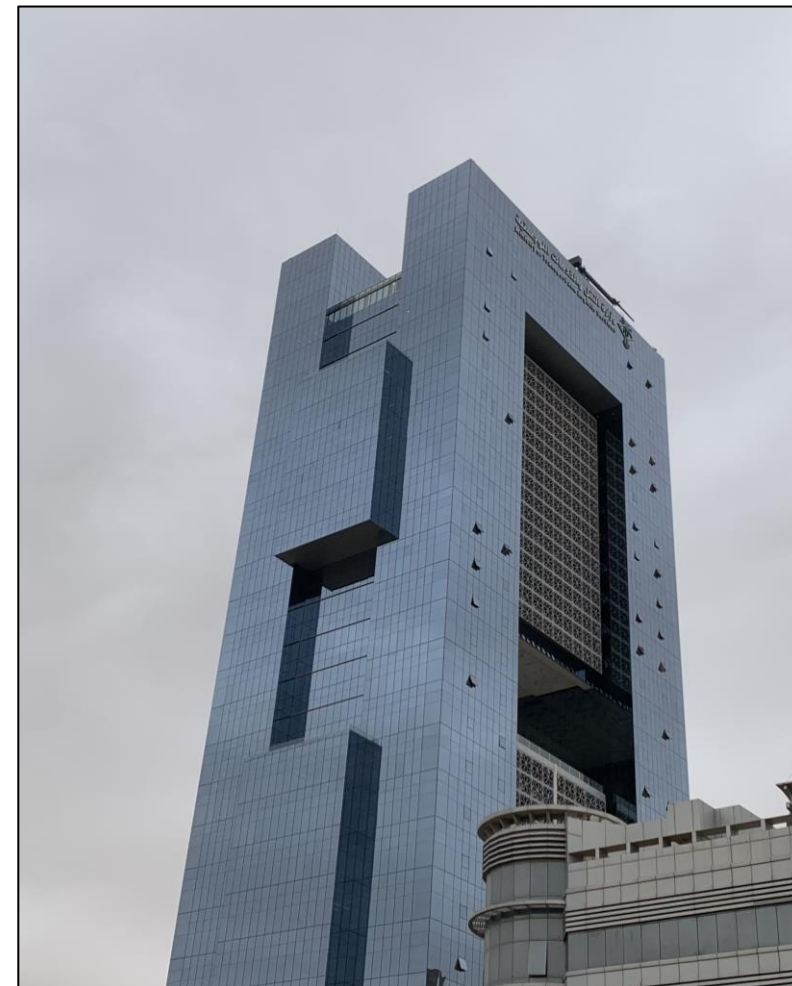


Site Location Analysis

Property Photographs



أبجد
للتقييم العقاري



Valuation

Executive Summary

Site Location Analysis

Valuation Terms

25

Valuation

Valuation Methodology
Analysis of Property Risks
Income Approach
Valuation Summary

Disclaimers

Appendices

Tenure

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

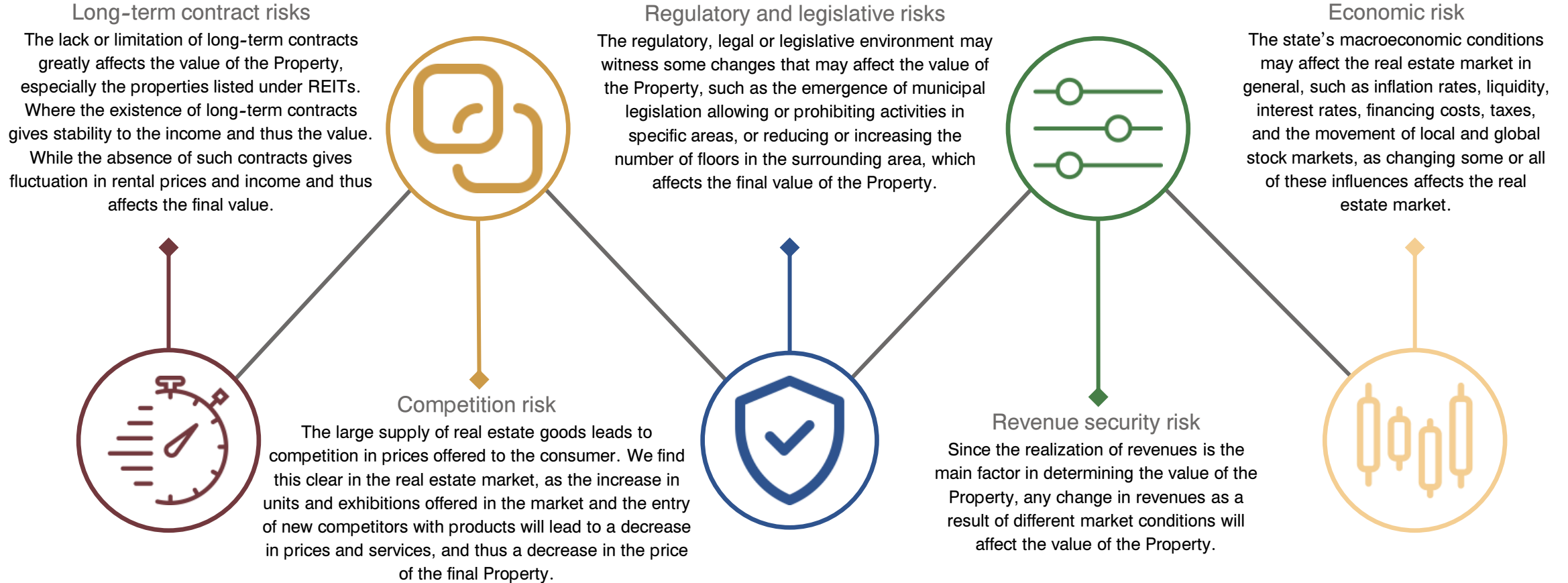
The property income represents the revenue derived from the rent payments received during a year.

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.

Source of Info: JII

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.

Source of Info: JII

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 Approach

Key Factors in the Discounted Cash Flow Method:

Inflation Rate

- Inflation Rate: Discounted cash flows are calculated at an annual inflation rate of **2.8%** per annum by taking the average rate of inflation 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 office sector, which serves as a benchmark to determine the appropriate cap rate for the subject.

Property	City	Type	Cap Rate (%)
Verdun Tower	Riyadh	Offices	7.5%
Takween Tower	Riyadh	Offices	8.0%
Hamad Tower	Riyadh	Offices	7.0%
La Plaza Bldg	Riyadh	Offices	8.5%
Thiqah Twin Bldg	Riyadh	Offices	8.0%

- Comparing these properties with our subject property taking into consideration location, finishing, class, type, accessibility, and the area it belongs to, we conclude that the cap rate should be **7.00%**.

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 **9.80%**.

Valuation

Comparable Sites - Raden Center

Retail



64 Showrooms

Offices



54 Offices

Office Rent



1,500 SAR/Sqm

Total GLA



15,613 Sqm

Street



Olya Street

District



Al Morooj

Parking



351 Bays

Distance from Subject Site



1.5 Km



أبجد
للتقييم العقاري

Location



About Raden Center

- Ground & first floor terrace areas, panorama elevators, escalators, 351 parking spaces including 227 underground, new modern design, fire alarm system for the whole building, and flexible spaces.
- Raden Center is one of the latest Real Estate commercial projects.
- Commercial and office building with a unique design and concept.
- Beautiful view and amazing outdoor seating areas.
- Provides perfect and comfortable environment for relaxing and enjoyment.
- The building has four floors including ground. The ground and first floors contains retail, second and third contain offices.

Valuation

Revenues Estimation

Occupancy

- The lease of units is unaffected by the expiry of the main Lease Contract with Al Saedan Real Estate Company and only expires when the units' lease contracts expire. Thus, Occupancy is stable at the current rate, **90%**, provided by the client.

Lease Rate

- Based on the current contract, the tower's total annual income is **30,000,000 SAR** for five years.
- We haven't considered that the current lease contract will be renewed. Thus, the lease rate and operation expenses, after the contract period ends, will be market-based.
- On the previous page of this report, after studying Raden Center, we have analyzed and applied adjustments to renting prices, considering several factors such as type, location, street, and frontage to reach the average rental value.
- The following table shows the concluded rental prices alongside the income if fully leased.

Type	AVG Lease (SAR/Sqm)	GLA (sqm)	Income (SAR)
Offices	1,680	21,259	35,715,590
Health Club	850	2,254	1,915,985
Warehouses	250	809	202,253
Total			37,833,828

Other Income

The property has additional sources of income represented in the following table.

Type	GLA (sqm)
Coffee Shop	207
Restaurant	1,753

Based on the market study conducted about similar properties, we have found that the other income range is **10-15%** of the total income. Based on the size of the restaurant and the coffee shop, location, and building type, we will adopt **15%** as additional income of total income.

Operation Expenses

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

Property	City	Type	OpEx (%)
Verdun Tower	Riyadh	Offices	13.0%
Thiqah Twin Bldg.	Riyadh	Offices	13.0%

- These OpEx are inclusive of all expenses of the property.
- Comparing the up-mentioned properties taking into consideration the location, building type, and activity types, we have adopted OpEx of **13.0%** for the subject property

Valuation

Income Approach



أبجد
للتقييم العقاري

As a result of the prior information, cash flows were calculated to reach the value of the subject property. The contract between Al Khabeer Capital and Al Saedan Company was considered for the remaining 2 years. After that, the rental was assumed in accordance with market rates.

Summary of Cash Flow Calculations

Period	1	2	3	4	5	6	7	8	9	10
Discount Period (Y)	0.7	1.7	2.7	3.7	4.7	5.7	6.7	7.7	8.7	9.7
Inflation Factor	1.02	1.05	1.08	1.10	1.13	1.16	1.19	1.22	1.24	1.27
Renting Gross Potential Income (SAR)	30,000,000	30,000,000	40,714,664	41,774,011	42,833,358	43,892,705	44,952,052	46,011,400	47,070,747	48,130,094
Vacancy (%)	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Vacancy (SAR)	0	0	4,071,466	4,177,401	4,283,336	4,389,271	4,495,205	4,601,140	4,707,075	4,813,009
Renting Gross Effective Income (SAR)	30,000,000	30,000,000	36,643,197	37,596,610	38,550,022	39,503,435	40,456,847	41,410,260	42,363,672	43,317,085
Additional Income (%)	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%
Additional Income (SAR)	0	0	5,496,480	5,639,491	5,782,503	5,925,515	6,068,527	6,211,539	6,354,551	6,497,563
Gross Effective Income (SAR)	30,000,000	30,000,000	42,139,677	43,236,101	44,332,526	45,428,950	46,525,374	47,621,799	48,718,223	49,814,647
Operation Expenses (%)	0.0%	0.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Operation Expenses (SAR)	0	0	5,478,158	5,620,693	5,763,228	5,905,763	6,048,299	6,190,834	6,333,369	6,475,904
Net Operation Income (SAR)	30,000,000	30,000,000	36,661,519	37,615,408	38,569,297	39,523,186	40,477,076	41,430,965	42,384,854	43,338,743
TV (SAR)										619,124,902
PV Factor	0.93	0.85	0.78	0.71	0.64	0.59	0.53	0.49	0.44	0.40
PV (SAR)	28,048,531	25,545,111	28,431,164	26,567,313	24,809,684	23,154,165	21,596,529	20,132,492	18,757,754	267,011,435
Property Fair Value (SAR)	484,050,000									

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

- 484,050,000 SAR (Four Hundred Eighty-Four Million Fifty 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

[illegible]

التاريخ: 1442/03/02 هـ

صكك رهسڤن

[illegible]

الموثق

الختم الرسمي

ممثل سعودي هادي الذي، في

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.



Abaad & Partner For Real Estate Valuation Co.

Jeddah Branch (Head Office):

Mohamed Ibrahim Masoud Street,
Al-Salama District
Oash Offices Building, 5th Floor, suite 21
Jeddah, Kingdom of Saudi Arabia

Riyadh Branch:

Imam Saud bin Faisal Road,
Al-Sahafa District
Al-Difaa Office, 2nd Floor, suite 106
Riyadh, Kingdom of Saudi Arabia

For more information, please contact us at:
Universal Access Number: **920004134**

Eng. Ammar Sindi

CEO

Mobile: +966 (50) 730 0500

Email: asindi@sa-abaad.com

Eng. Ammar Qutub

Director

Mobile: +966 (55) 556 2500

Email: ammarq@sa-abaad.com