أبعاد للتقييم العقاري

Final Valuation Report

Pallazzo Commercial Center, Al Sulaimaniya District, Riyadh

Client/ Alkhabeer Capital

09 January 2024
V230275
P230352

الخبير المالية
Alkhabeer Capital

Introduction

Dear **Alkhabeer Capital**,

RE: Valuation of Pallazzo Commercial Center, Al Sulaimaniya 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
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Kingdom of Saudi Arabia
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Registration Certificate

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Executive Summary

Property Overview

- The subject property is a commercial building comprised of 15 showrooms. The area of the land is 6,050 square meters, with a built-up area of 5,819 square meters.
- The property is located at Al Sulaimaniya District, on King Mohammed V Road, Riyadh.
- The subject property is approximately five kilometers from the City Center, and about 37 kilometers from King Khalid International Airport.
- The subject property is in the city of Riyadh, the capital of the Kingdom of Saudi Arabia. It is the largest Saudi city, with a population of 6.9 million in 1440/2018.

Property Details

Site Details	Information
District	Al Sulimaniyah
Permitted Use	Commercial
Tenure	Restricted Ownership
Deed Number	214002002200
Deed Date	14/9/1440
Total Land Area (sqm)	6,050
Total Built-Up Area (sqm)	5,941
Owner	Awwal Al Malqa Real Estate Company

Subject Property Pictures


Valuation Summary

Site Details	Information
Report Type	Detailed Report
Other independent Users	Fund Manager and Investors – Report Reviewers
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	**69,230,000**

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

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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 the Palazzo Commercial Center Property at Al Sulaimaniya District, Riyadh, for Financial Statement 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 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
  - Alkhabeer REIT Fund Prospectus

Disclaimers

General Disclaimers

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للتقييم العقاري

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.

Disclaimers

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.

Tenure

Title Information

Title Information

ID	Description	
Owner	Awal Al Malqa Real Estate Company	
Property Name	Pallazzo Center	
Plot No.	333-342	
Sub-Division	690	
District	Al Sulimaniyah	
Street Name	King Mohammad V	
Coordinates	24° 42.022'N	46° 42.126'E
City	Riyadh	
Ownership Type	Restricted Ownership	
Title Deed Info	Dees No.	214002002200
	Deed Date	14/9/1440

Dimensions and street widths

Side	Dimension (m)	Street Name	Type	Width (m)	Frontage
North	50 m	Al Ayinah	Local	20 m	2
South	50 m	Rawifa bin Thabet	Local	15 m	3
East	121 m	King Mohammad V	Commercial	30 m	1
West	121 m	Ibn Rayyan	Pathway	10 m	4

Sources: Title Deed

Leased Units Summary

Unit #	Contract Period (Years)	Contract Expiry Date (Year)
1	Vacant	
2	Vacant	
3	Vacant	
4	4	2027
5	5	2028
6	Vacant	
7	2	2025
8	1	2024
9	1	2024
10	5	2028
11	5	2028
12	4	2027
13	2	2025
14	1	2024
15	1	2024

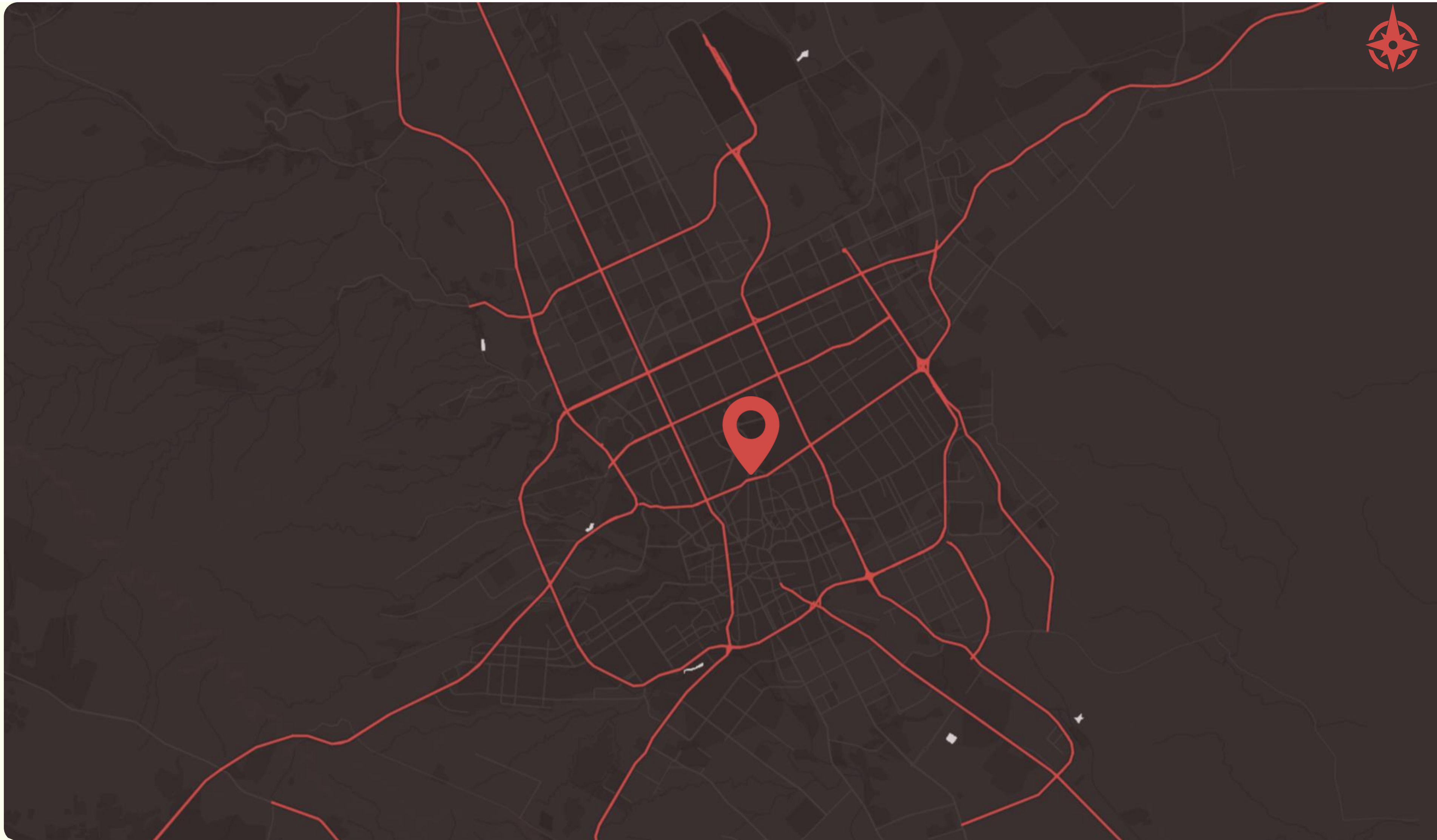
- After examining the Leasing contract, we have found that the tenants and the landlord are independent entities, and the contract is a binding contract.
- The contract lease rate is within the market range.

Information Sources (Lease Contract Copy).

Site Location Analysis

Macro Location

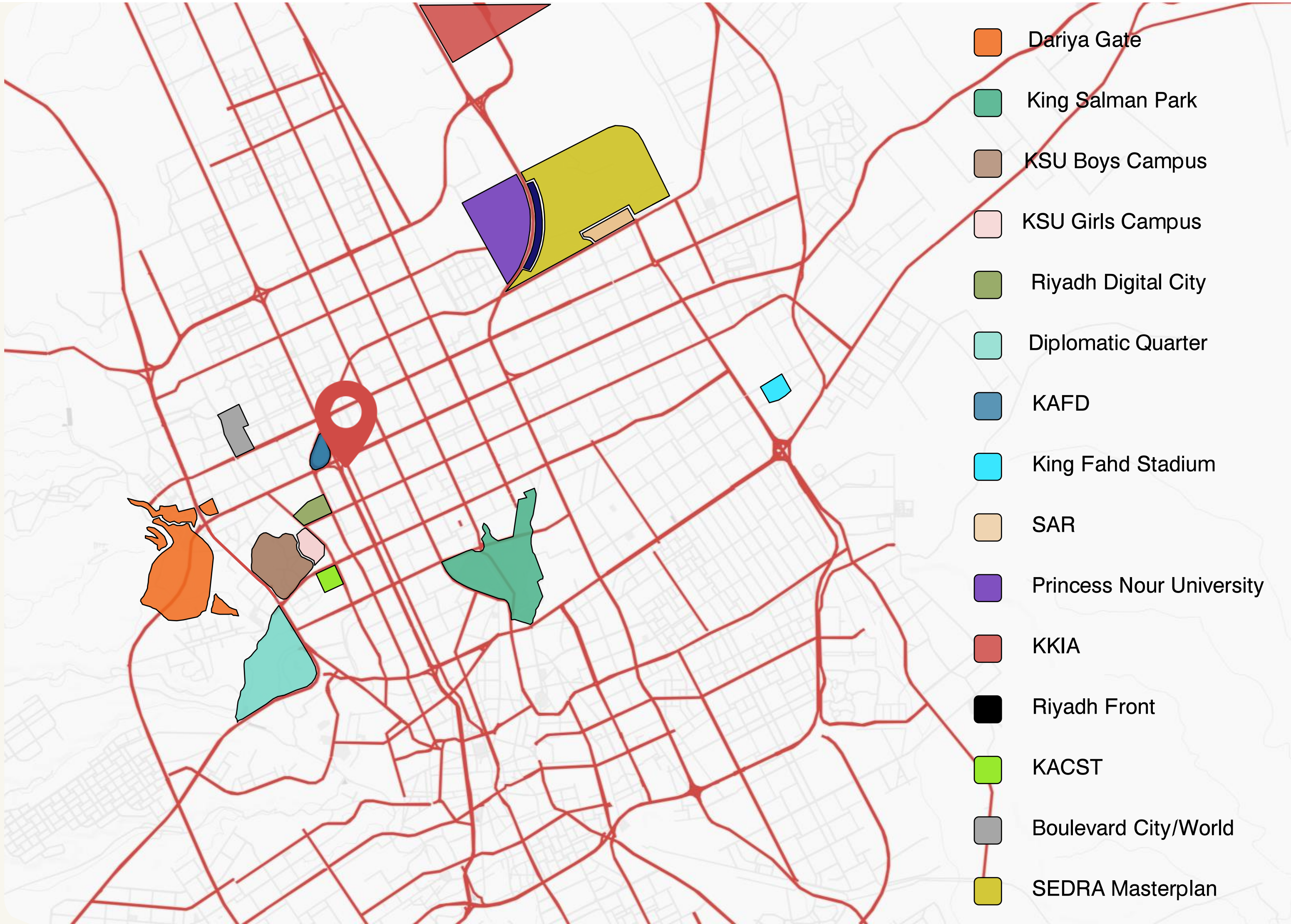
- The subject property is strategically situated in Riyadh, the capital of Saudi Arabia and the largest among its cities, serving as the central hub of the Riyadh Region.
- Renowned as the foremost Saudi city, Riyadh boasts a substantial population of 7.5 million as of 1442/2022, solidifying its pivotal 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.



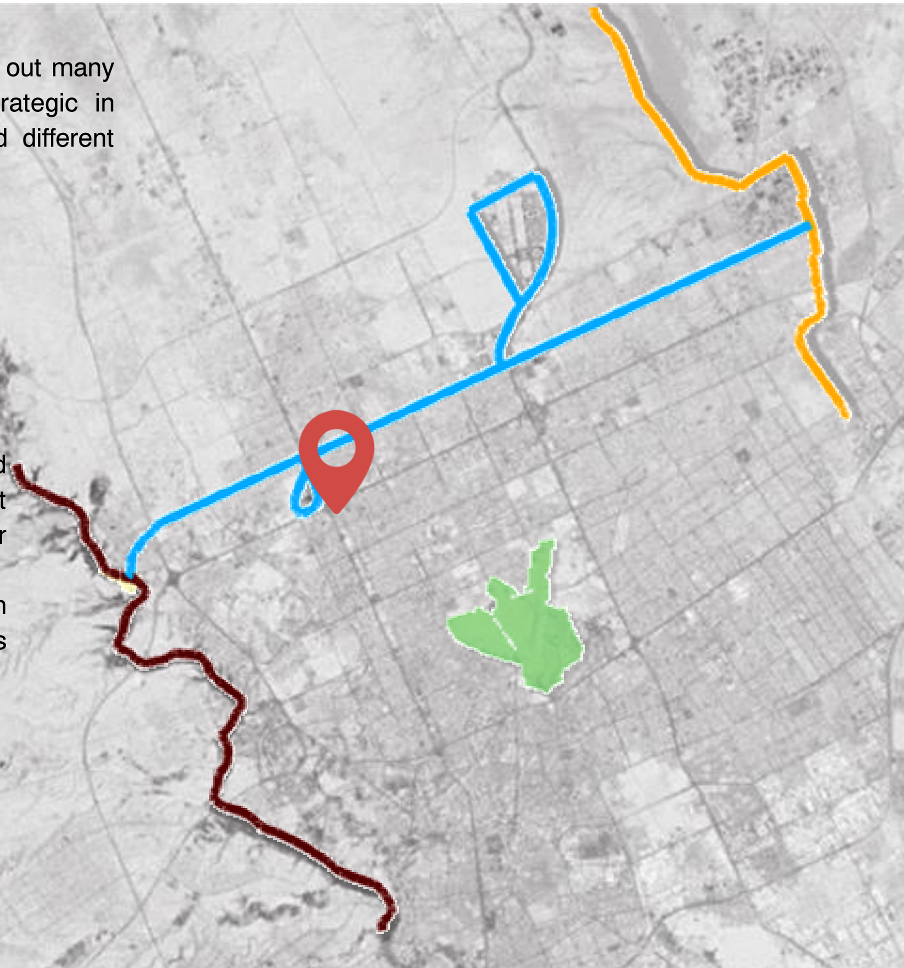
Site Location Analysis

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

RIYADH ART

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.

1.6 Million – Passengers per Day

85 Stations – Number of stations

6 Routes – Number of Routes

80 Km/h – Train Speed

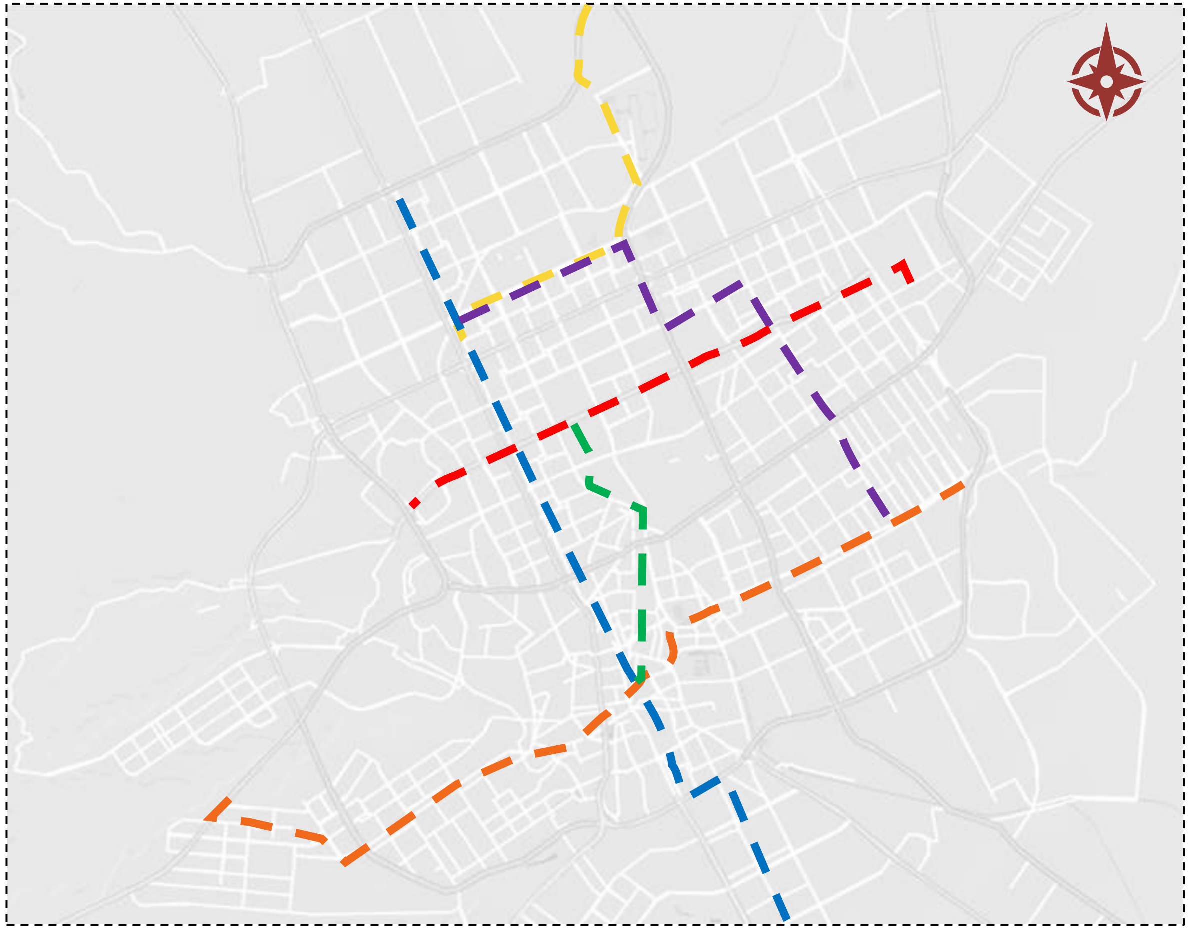
25 Facilities – Park and Ride Facilities

176 km – Total Length

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

- The Subject property is strategically situated in the heart of Riyadh City Center, offering unparalleled accessibility and connectivity. The property's expansive area is delineated by prominent thoroughfares, with Prince Mohammed bin Abdulaziz Road to the North, Prince Sultan bin Abdulaziz Road to the South, King Mohammed V Road to the East, and King Fahd Road to the West, providing a direct and panoramic view.
- As Sulaimaniyah District, in which the property is located, is surrounded by key landmarks, with Al Wurood District to the North, Ministries, Muraba, and Dubbat Districts to the South, King Salman Air Base to the East, and Olaya District to the West, creating a dynamic and vibrant neighborhood.
- The subject property enjoys connectivity to vital city axes and roads, including the prominent King Abdulaziz Road and King Mohammed bin Abdulaziz Road, ensuring convenient access for residents and visitors alike. This prime location not only enhances the property's desirability but also positions it as a focal point within the dynamic urban landscape of Riyadh.

Site Location Analysis

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Property Photographs

Site Location Analysis

Property Photographs

Income Valuation Methodology - DCF

Income Valuation Approach

- In determining our opinion of [Fair 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 [Fair 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.

Valuation

Property Risk Analysis

Long-term contract risks

The lack or limitation of long-term contracts greatly affects the value of the Property, especially the properties listed under REITs. Where the existence of long-term contracts gives stability to the income and thus the value. While the absence of such contracts gives fluctuation in rental prices and income and thus affects the final value.

Competition risk

The large supply of real estate goods leads to competition in prices offered to the consumer. We find this clear in the real estate market, as the increase in units and exhibitions offered in the market and the entry of new competitors with products will lead to a decrease in prices and services, and thus a decrease in the price of the final Property.

Regulatory and legislative risks

The regulatory, legal or legislative environment may witness some changes that may affect the value of the Property, such as the emergence of municipal legislation allowing or prohibiting activities in specific areas, or reducing or increasing the number of floors in the surrounding area, which affects the final value of the Property.

Revenue security risk

Since the realization of revenues is the main factor in determining the value of the Property, any change in revenues as a result of different market conditions will affect the value of the Property.

Economic risk

The state's macroeconomic conditions may affect the real estate market in general, such as inflation rates, liquidity, interest rates, financing costs, taxes, and the movement of local and global stock markets, as changing some or all of these influences affects the real estate market.

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: Jll

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: Jll

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: Jll

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: Jll

Valuation

Valuation Inputs

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 (٪)
Al Ouruba Plaza	Riyadh	Retail	8.0٪
Localizer Mall	Riyadh	Retail	8.5٪
Al Wadi Square	Riyadh	Retail	7.5٪
City Life Plaza	Riyadh	Retail	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 8.00٪.

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 10.80٪.

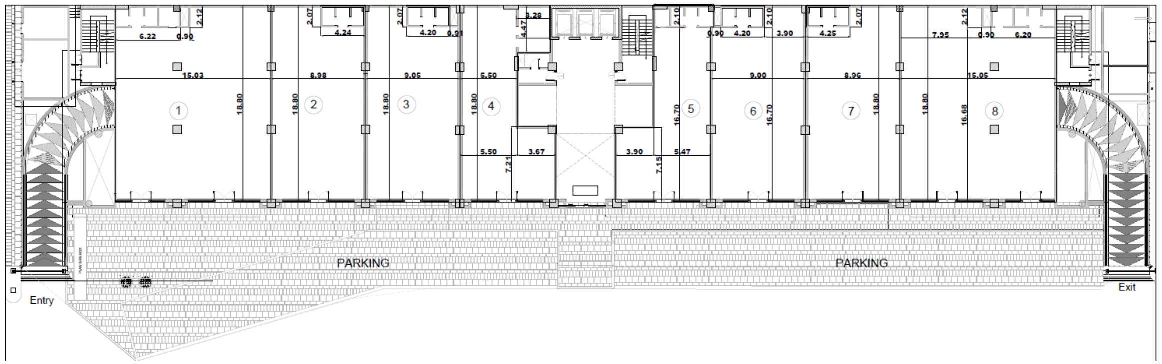
Valuation

Comparable Sites

Al Bani 8144:

Information Source: Field Research

Horizontal Projection for the Commercial Showrooms:



Location	Showrooms	Floors	Average Rent
Al Sulimaniyah District	8 Showrooms	Ground Floor Only	1,400 SAR/m²
Street	**Parking Lots**	**Completion Date**	**Distance to Property**
King Mohammad V	Limited Parking Spaces	2019	12 Meters

Valuation

Revenues Estimation

Revenues

- **According to the tenant schedule provided by the Client**, the property's total annual revenue is SAR **4,060,567**, thus, the average rent is **1,010** SAR/sqm. The Abaad team has conducted market research in the relevant area to verify these numbers.

Valuation Matrix

Description	Al Bani 8146
Land Area (m2)	225.5
Price per Meter (SAR/m2)	1300
Adjustments	
Location	0.0٪
Area	-5.0٪
Facades	0.0٪
Streets	0.0٪
Ease of Access	0.0٪
Development Type	5.0٪
Negotiation	0.0٪
Total Adjustments (٪)	0.0٪
Adjusted Rent (SAR/m2)	1,300
Weightage (٪)	100٪
Lease Rate (Showrooms) (SAR/sqm)	**1,300**

- Based on the market study, we have found that rent is about 1,150 SAR/sqm.
- This market-based rent value will be applied to units that are vacant to conclude the property's Gross Potential Income.

Revenues Estimation

أبعاد للتقييم العقاري

Income Estimation

Lease agreements of the subject property were reviewed. Following the completion of the review of the lease agreements, the income of the subject property will be calculated based on market rates to reach the average rental value per square meter of the subject property. The table below shows **the income of the property by lease agreement in black**, and the income of the property based on market rates in blue.

Unit #	Area (sqm)	2024	2025	2026	2027	2028	2029
1	367	477,555	477,555	477,555	477,555	477,555	477,555
2	366	476,034	476,034	476,034	476,034	476,034	476,034
3	415	539,500	539,500	539,500	539,500	539,500	539,500
4	415	415,000	415,000	415,000	415,000	539,825	539,825
5	415	433,675	433,675	433,675	433,675	433,675	539,825
6	415	539,500	539,500	539,500	539,500	539,500	539,500
7	473	348,810	348,810	539,825	539,825	539,825	539,825
8	415	302,588	269,750	269,750	269,750	269,750	269,750
9	415	302,588	269,750	269,750	269,750	269,750	269,750
10	415	378,908	378,908	378,908	378,908	378,908	539,500
11	415	378,908	378,908	378,908	378,908	378,908	539,500
12	415	415,000	415,000	415,000	415,000	539,825	539,825
13	366	403,201	403,201	476,034	476,034	476,034	476,034
14	366	340,945	487,071	487,071	487,071	487,071	487,071
15	383	340,945	487,071	487,071	487,071	487,071	487,071
Total Income (SAR)		**6,093,156**	**6,319,732**	**6,583,580**	**6,583,580**	**6,833,230**	**7,260,565**

Valuation

Income Approach - DCF

As a result of the prior information, cash flows were calculated to reach the value of the subject property covering a period of 8 years, where the GPI is **6,093,156 SAR** for the first trading year.

Cash Flow Calculations:

Period (Semi-annual)	1	2	3	4	5	6	7	8
Discount Period (Y)	1	2	3	4	5	6	7	8
Inflation Factor	1.03	1.06	1.09	1.12	1.15	1.18	1.21	1.25
Contract Area (sqm)	4,022	2,857	2,491	2,491	1,245	0	0	0
Contract Income (SAR)	4,060,567	2,773,501	2,021,490	2,021,490	1,191,490	0	0	0
Other Units Income (SAR)	1,564	2,728	3,094	3,094	4,340	5,585	5,585	5,585
Occupancy (٪)	28.0٪	48.8٪	55.4٪	55.4٪	77.7٪	87.7٪	95.0٪	95.0٪
Other Units Income (SAR)	584,954	1,830,416	2,420,752	2,488,533	5,032,935	7,515,327	8,368,465	8,602,782
Total GEI (SAR)	4,645,521	4,603,917	4,442,242	4,510,023	6,224,425	7,515,327	8,368,465	8,602,782
OpEx (٪)	10.00٪	10.00٪	10.00٪	10.00٪	10.00٪	10.00٪	10.00٪	10.00٪
OpEx (SAR)	464,552	460,392	444,224	451,002	622,442	751,533	836,847	860,278
Insurance (SAR)	23,540	23,540	23,540	23,540	23,540	23,540	23,540	23,540
Total Expanses (SAR)	488,092	483,932	467,764	474,542	645,982	775,073	860,387	883,818
Net Income (SAR)	4,157,429	4,119,985	3,974,478	4,035,481	5,578,442	6,740,254	7,508,079	7,718,964
Exit (SAR)								96,487,053
PV Factor	0.90	0.81	0.74	0.66	0.60	0.54	0.49	0.44
NPV (SAR)	3,752,193	3,355,955	2,921,869	2,677,542	3,340,520	3,642,820	3,662,271	45,874,856
Property Fair Value (SAR) (rounded)	**69,230,000**							

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

- **69,230,000 SAR (Sixty-Nine Million Two Hundred Thirty 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

Appendix 1: Property Documents

بسم الله الرحمن الرحيم

المملكة العربية السعودية
وزارة العدل
[٢٧٧]
كتابة العدل بوسط الرياض

الرقم : ٢١٤٤٠٠٢٠٠٢٢٠٠
التاريخ : ١٤ / ٩ / ١٤٤٠ هـ

وزارة العدل

صك رهن وتملك عقار

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

فإن قطعة الارض ٣٣٣ و قطعة الارض ٣٣٤ و قطعة الارض ٣٣٥ و قطعة الارض ٣٣٦ و قطعة الارض ٣٣٧ و قطعة الارض ٣٣٨ و قطعة الارض ٣٣٩ و قطعة الارض ٣٤٠ و قطعة الارض ٣٤١ و قطعة الارض ٣٤٢ من البلك رقم ٣٥ من المخطط رقم ٦٩٠ الواقع في حي السليمانية بمدينة الرياض . وحدودها وأطوالها كالتالي:

شمالاً: شارع عرض ٢٠م بطول: (٥٠) خمسون متر

جنوباً: شارع عرض ١٥م بطول: (٥٠) خمسون متر

شرقاً: شارع عرض ٣٠م بطول: (١٢١) مائة و واحد و عشرون متر

غرباً: ممر مشاه عرض ١٠م بطول: (١٢١) مائة و واحد و عشرون متر

ومساحتها : (٦٠٥٠) ستةآلاف و خمسون متر مربعاً فقط

المملوكة لـ/ شركة أول الملقا العقارية بموجب سجل تجاري رقم ١٠١٠٨٩٣٨٠٢ وتنتهي في ١٩ / ١٠/ ١٤٤٤ هـ بالصك الصادر من كتابة العدل الاولى بالرياض برقم ٧١٠١١٦٠٤٥١٢٤ في ٢٧ / ٤/ ١٤٤٠ هـ .قد تم رهنها وما أقيم أو سيقام عليها من بناء لصالح / شركةالراجحي المصرفية للاستثمار بموجب سجل تجاري رقم ١٠١٠٠٠٠٠٩٦ في ٢٥ / ١٠/ ١٣٧٦ هـ ضمانا لوفائه بـ/ بما عليه من مستحقات مالية لصالح مصرف الراجحى بموجب سجل تجارى رقم ١٠١٠٠٠٠٠٩٦ بمبلغ وقدره (٣٨١٨١٨١٨.١٩) ريال ثمانية و ثلاثون مليونا و مائة و واحد و ثمانون ألفا و ثمانمائة و ثمانية عشر ريال و تسعة عشر هللة المجاز من الهيئة الشرعية برقم ١٨٠٧٢ في٣ / ٧ / ١٤٣٩هـ ، على أن يتم سداد المديونية على أقساط كل ستة أشهر من تاريخ صرف التمويل وقيمة كل قسط (١٠٠٠٠٠٠) ريال مليون ريال ، تدفع اعتباراً من تاريخ ٣١/ ٠٣/ ٢٠١٩ م وفي حالة عدم السداد فللمرتهن بيع العقار بالقيمة التي تنتهي عندها الرغبات واستيفاء ما في ذمة الراهن من مبلغ وما نقص يرجع فيه عليه بعد اكمال مايلزم شرعاً وعليه جرى التصديق تحريراً في ١٤ / ٩/ ١٤٤٠ هـ وصلى الله على نبينا محمد وآله وصحبه وسلم.

رئيس كتابة العدل المساعد
صالح بن ضيف الله بن احمد العمري

وزارة العدل
كتابة العدل بوسط الرياض

هذا السند وحدة متكاملة ، وضياع أو تلف صفحة منه يؤدي إلى عدم صلاحية السند

مصلحة مطابع الحكومة - ٢٩٢١١٥ (هذا النموذج مخصص للاستخدام بالحاسب الآلي ويمنع تغليفه) نموذج مقفل ١-كن-٢١

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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.

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للتقييم العقاري

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.

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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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