

# Valuation Report.

Al Andalus Mall Hotel, Jeddah, KSA

Prepared for **SNB Capital**.

Valuation date: 31 December 2022

***Important Notice to all readers of this report***

*Unless you are the Client named within this report, or have been explicitly identified by us as a party to whom we owe a duty of care and who is entitled to rely on this report, Knight Frank Spain Saudi Arabia Real Estate Valuations Company does not owe or assume any duty of care to you in respect of the contents of this report and you are not entitled to rely upon it.*

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globally connected.**

**SNB Capital**

Riyadh, Kingdom of Saudi Arabia

For the attention of Danial Mahfooz, CFA  
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Our ref: KfV377-2022

Date of issue: 16 February 2023

Dear Sirs

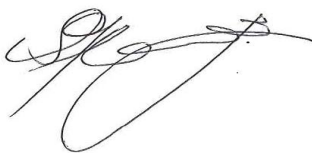
**Valuation Report – Al Andalus Mall Hotel, Old Airport, Al Fayha District, Jeddah, Kingdom of Saudi Arabia.**

Further to your instructions, we are pleased to provide our Valuation Report in respect of the above property. If you have any queries regarding this report, please let us know as soon as possible.

**Signed for and on behalf of Knight Frank Spain Saudi Arabia Real Estate Valuations Company**

**Talal Raqaban, MRICS**  
**RICS Registered Valuer - Taqueem No. 1210001810**  
**Partner, Valuation & Advisory, KSA**  
For and on behalf of Knight Frank Spain Saudi  
Arabia Real Estate Valuations Company

This report has been reviewed, but not undertaken, by:



**Stephen Flanagan, MRICS**  
**RICS Registered Valuer - Taqueem No. 1220001936**  
**Partner, Head of Valuation & Advisory, MENA**  
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# Executive summary

*This Executive summary is a brief overview of our Valuation Report and must not be relied upon in isolation. It is intended to be read in conjunction with the whole report and is subject to any assumptions, caveats and comments stated within the body of this report.*

<b>Addressee</b>	SNB Capital
<b>Property</b>	<p>Al Andalus Mall Hotel (the Property) is currently an owner-operated serviced apartment hotel located in the Al Fayhaa district of Jeddah in the Western Province of the Kingdom of Saudi Arabia (KSA). It is planned to be operated by Hilton International starting January 2023 with no brand and be officially branded under “Doubletree by Hilton” starting January 2024. Opened in May 2017, the Property features 164 serviced apartments, one outdoor swimming pool, one fitness centre, one male spa and one tennis court.</p> <p>The Property is located at the junction of Prince Majid Road (Highway 70) and King Abdullah Road (Highway 45), just south of a large roundabout / interchange. The site is bounded by the districts of Al Worood and Al Naseem to the north of the subject and Jeddah Gate to the west. Prince Majid Road is one of the major north – south arterial highways linking the north of Jeddah and the international airport with the south of Jeddah.</p> <p>King Abdulaziz International Airport is located some 18 km to the north, with a driving time of 30-40 minutes depending on traffic conditions. Jeddah Islamic Port is located some 6 km to the west of the subject.</p>
<b>Tenure</b>	Freehold.
<b>Valuation Considerations</b>	<p>Our projections are prepared in accordance with The Uniform System of Accounts for the Lodging Industry (USALI) as used by the hotel and leisure industry worldwide. We have made a number of assumptions within our valuation which we have listed below:</p> <ul style="list-style-type: none"> <li>• We have assumed the capital expenditure assumed and approved by the Client is deducted from the valuation. The valuation is based on the EBITDA of the hotel, with an allowance to the future FF&amp;E reserve.</li> <li>• Unless otherwise stated, ADR (Average Daily Rate) in our calculations is exclusive of service charges, tax and municipality fees.</li> <li>• Our cash flow is prepared on the basis of a fiscal year. Year 1 of the cash flow starts from the date of valuation.</li> <li>• The valuation is based on the information, lease agreements and fee structure provided within the hotel management agreement, assuming the hotel will be efficiently managed by a competent and efficient operator under the individual names of the relevance to the assets.</li> <li>• The Property has all relevant documentation and permissions required from the relevant planning and trading authorities in Jeddah, KSA.</li> </ul>

	<ul style="list-style-type: none"> <li>• We have assumed the rate of inflation to be 2.50% per annum.</li> <li>• We have adopted a capitalisation rate of 8.75%.</li> <li>• We have adopted a discount rate of 11.25%.</li> <li>• We have valued the Property having had due regard to its projected performance, current forecasts, and our own market expectations.</li> </ul>
<b>Valuation date</b>	31 December 2022
<b>Market Value</b>	<p>We are of the opinion that the Market Value of the freehold interest in the Property, subject to the management agreement and assumptions described within this report as at the valuation date is:</p> <p style="text-align: center;"><b>SAR 133,100,000</b></p> <p style="text-align: center;"><b>(One Hundred and Thirty Three Million, One Hundred Thousand Saudi Arabian Riyals)</b></p>

# 1. Terms of engagement

## Engagement of Knight Frank Spain Saudi Arabia Real Estate Valuations Company

- 1.1 This valuation report (the “Valuation”) has been prepared in accordance with our Terms of Engagement letter and our General Terms of Business for Valuation Services (together the “Agreement”). A copy of this document is attached at Appendix 1 (along with your original instruction for reference purposes).

### Client

- 1.2 We have been instructed to prepare the Valuation by SNB Capital (the “Client”), as manager on behalf of Al-Ahli REIT Fund, a real estate investment traded fund in the Saudi Stock Exchange (Tadawul).

### Valuation standards

- 1.3 This valuation has been undertaken in accordance with the current editions of RICS Valuation - Global Standards, which incorporate the International Valuation Standards (the “Red Book”) and Taqueem Standards. As required by the Red Book / IVS, some key matters relating to this instruction are set out below.

## Independence and expertise

### Disclosure of any conflicts of interest

- 1.4 We have valued the property for the same client in 2017, 2018, 2019, 2020 and 2021. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.
- 1.5 This has been disclosed to you and you have given your consent to us proceeding with this instruction. We confirm that we are not aware of any undisclosed matter giving rise to a potential conflict of interest and that we are providing an objective and unbiased valuation.

### Valuer and expertise

- 1.6 The valuer, on behalf of Knight Frank Spain Saudi Arabia Real Estate Valuation Company with the responsibility for this report is Talal Raqaban MRICS, Partner, RICS Registered Valuer and Fellow member of Taqueem. Parts of this valuation have been undertaken by additional valuers as listed on our file.
- 1.7 We confirm that the valuer and additional valuers meet the requirements of the Red Book / IVS and Taqueem Regulations, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
- 1.8 We are appointed as your valuation advisors; our role is limited to providing property valuation services in accordance with the Red Book and the terms of this Agreement.
- 1.9 For the purposes of the Red Book / IVS, we are acting as External Valuers.

- 1.10 This report has been vetted as part of Knight Frank Spain Saudi Arabia Real Estate Valuation Company quality assurance procedures.

## Use of this Valuation

### Purpose of valuation

- 1.11 The client has confirmed that this valuation report is required for REIT reporting to the Saudi Capital Market Authority (CMA) for the semi-annual reporting of Market Value (MV) in accordance with Taaqem regulations (the "Purpose"). This valuation has been prepared solely for the aforementioned purpose and may not be used for any other purpose without our express written consent.

### Reliance

- 1.12 This Valuation has been prepared for the Client only. No other person is entitled to rely on the Valuation for any purpose. We accept no liability to anyone for any improper or unauthorised reliance on this Valuation.

### Disclosure & publication

- 1.13 The Valuation has been prepared for the Client and in accordance with the Agreement which governs its purpose and use. As stated in the Agreement, this Valuation is confidential and must not be disclosed to any person other than the Client without our express written consent. Nor may the whole nor any part of this valuation nor any reference thereto may be included in any prospectus, listing particulars, published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.

## Limitations on liability

- 1.14 Knight Frank Spain Saudi Arabia Real Estate Valuation Company's total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this Valuation is limited to the amount specified in our Terms of Engagement, a copy of which is attached. Knight Frank Spain Saudi Arabia Real Estate Valuation Company accepts no liability for any indirect or consequential loss or for loss of profits.
- 1.15 We confirm that we hold adequate and appropriate PII cover for this instruction.
- 1.16 No claim arising out of or in connection with this Valuation may be brought against any employee, director, member, partner or consultant of Knight Frank Spain Saudi Arabia Real Estate Valuation Company. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank Spain Saudi Arabia Real Estate Valuation Company.
- 1.17 Nothing in this Valuation shall exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

## Scope of work

1.18 In this report we have been provided with the following information by you, your advisors or other third parties and we have relied upon this information as being materially correct in all aspects.

1.19 In particular, we detail the following:

- Copy of the title deed
- Hotel profit and loss statements from May 2017 to Nov YTD 2022
- STR competitive set data from 2016 to Nov YTD 2022
- Copy of the management agreement with Hilton International

1.20 In the absence of any documents or information provided, we have had to rely solely upon our own enquiries as outlined in this report. Any assumptions resulting from the lack of information are also set out in the relevant section of this report.

## Valuation Date

1.21 The valuation date is 31 December 2022.

## 2. The Property

2.1 The property we have valued, including the inspection details, is as follows:

Property address	Inspected by	Inspection date
Al Andalus Hotel, Old Airport, Al Fayhaa District, Jeddah, KSA	Faris Gari	14 June 2022

### Location

2.2 As can be seen from the map below, the Property is located in the Al Fayhaa district of Jeddah in the Western Province of the Kingdom of Saudi Arabia. The property is located at the junction of Prince Majid Road (Highway 70) and King Abdullah Road (Highway 45), just south of King Abdulaziz roundabout. The site is bounded by the districts of Al Worood and Al Naseem to the north of the subject property and Jeddah New City / Jeddah Gate to the west. Prince Majid Road is one of the major north – south arterial highways linking the north of Jeddah and the international airport with the south of Jeddah.

2.3 The King Abdulaziz International Airport is located some 20 km to the north of the property, with a driving time of 30 – 40 minutes depending on traffic conditions. Jeddah Islamic Port is located some 6 km to the west of the property.



Source: Google Earth / Knight Frank Research

## Site

### Site area

- 2.4 We have been provided with a copy of the title deed, from which we understand that the Property is sharing with the Al Andalus Mall over 159,133.96 sq m of land.

## Description

- 2.5 Al Andalus Mall Hotel is an upscale serviced apartment adjacent to Al Andalus Mall in Jeddah, KSA. The subject property opened its doors to the public on 23 May 2017 and was previously (until recently) operated by InterContinental Hotel Group (IHG) under the Staybridge Suites brand. However, to date, InterContinental Hotel Group (IHG) are no longer managing the property, and the Property continues to be owner-operated. The Client has informed us that Hilton International has been appointed to operate the hotel starting January 2023 with no brand, and starting January 2024 under the brand "Doubletree by Hilton".
- 2.6 The total built up area for the subject property is 18,820 square metres, this is made up over B+G+16 floors, providing 164 guest rooms, 236 parking spaces, seven meeting rooms, two F&B outlets, two male massage rooms, swimming pool, tennis court and gymnasium.

### Guest Rooms

- 2.7 There are 164 guestrooms split into three room types; Studio, one bedroom and two bedroom.
- 2.8 All guest rooms comprise a fitted kitchen with working white units, bedroom, living room and bathroom fixtures and fittings.

Table 1: Room Breakdown

Unit	Unit Breakdown	Gross Internal Area (sq m)	Gross Internal Area (sq ft)
Two Bedroom Type 1	15	110	1,650
Two Bedroom Type 2	15	100	1,500
Studio Type 1	14	55	825
Studio Type 2	15	50	750
Studio Type 3	15	60-69	894
One Bedroom Type 1	75	65-85	5,369
One Bedroom Type 2	15	65-85	1,155
<b>Total Keys</b>	<b>164</b>		<b>12,143</b>

### Food and Beverage Outlets

- 2.9 There are 2 food and beverage outlets in the subject property. These are highlighted below:
- The all-day dining option accommodating 75 covers and offering breakfast, lunch and dinner.



- The Lobby Café is a healthy option located on the ground floor, offering no covers, with a stronger focus on a 'grab and go' concept for passing trade from guests entering and exiting the building.
- It should be noted there are numerous F&B options provided in Al Andalus Mall and as the property is positioned as a serviced apartment, the F&B offering is typically limited, as the concept of the accommodation offers kitchens and kitchenettes in the guest rooms.

Table 2: F&B Breakdown by type and location

F&B Outlets	Type	Level
Lobby café	Grab and go	Ground Floor
All Day Dining	Breakfast, Lunch, Dinner	1st Floor

### Leisure Facilities

2.10 The leisure facilities comprise:

- An outdoor swimming pool
- Gymnasium
- 2 male massage rooms
- Male sauna and steam room
- 1 Tennis court

### Meeting and Conference Facilities

2.11 The meeting and business facilities are located on the first and second floors. There are 2 meeting rooms on the ground floor ranging in size from 62 sq m to 72 sq m Meeting room 3 measuring 785 sq m in total and is situated on the 2nd floor which can be used as a ballroom or split into 5 separate meeting rooms, catering to the MICE segmentation in Jeddah.

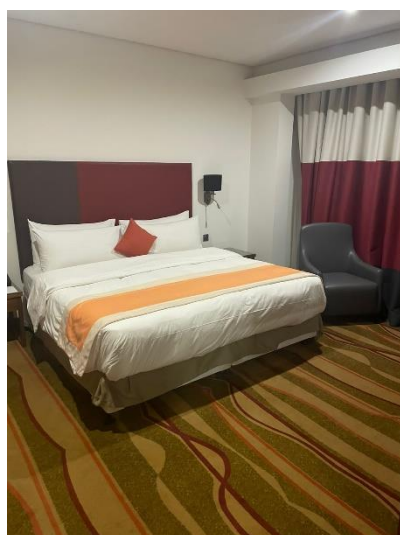
Table 3: Meeting Room breakdown

Meeting Room	Area	Level
Meeting Room 1	62 Sq m	1 <sup>st</sup> Floor
Meeting Room 2	72 Sq m	1 <sup>st</sup> Floor
Meeting Room 3	785 Sq m	2 <sup>nd</sup> Floor

Source: Client



2.12 A selection of photos taken during our inspection is provided below:



## Accommodation

- 2.13 The building has been purpose-built as a serviced apartment by the master developer. It has been fitted and furnished to the standards of a deluxe serviced apartment.
- 2.14 As agreed with the client, we have relied upon the room facilities and details provided to us by SNB Capital. No further verification has been undertaken.

## Services

- 2.15 In accordance with the General Terms of Business, no tests have been undertaken on any of the services.
- 2.16 We have assumed for the purposes of this valuation that mains gas, water, electricity, drainage and telecommunications are all available to the subject property.

- 2.17 Main electricity is available to the hotel via the national grid (SCICO), in addition there are emergency diesel generators should mains power be interrupted.

## Legal Title Deed – Overall Property

### Land ownership

- 2.18 We have been provided with copy of the Property's (land) title deed (including the Al Andalus Mall), the details of which is presented in the following table:

Table 4: Title Deed Summary

Item	Description
Title Deed Number	320211029670
Date	23/10/1440 – 27/06/2019
Size	159,133.96 sq m
Owner	Al Akaria Development Company for Ownership and Management

Source: Client

- 2.19 A copy of the Title Deed can be found in Appendix 2.
- 2.20 These assumptions should be verified by your legal advisors. If they prove incorrect, any variation may have a material impact on value and should be referred back to us for further comment.
- 2.21 For the purposes of this valuation report we have assumed that the property is held on a freehold basis and is free from any encumbrances and third-party interests.

### Covenants

- 2.22 We have assumed that the property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.
- 2.23 We reserve the right to amend our valuation accordingly in the event the above assumption is proven to be incorrect.

## Tenure

### Commercial Register

- 2.24 We have been provided with a copy of the proof of Ownership Licence for the site dated, further details are as follows:

Table 5: Ownership Licence

Item	Description
Type	Limited Liability Company
Main HQ	Riyadh, Kingdom of Saudi Arabia
Date Established	14 December 2017

Trade Name	Al Andalus Mall Hotel
Address	Prince Majid Street, Al Fayha District, Jeddah
Activity	24 <sup>th</sup> February 2016 gaining the tourist accommodation licence

Source: Client

### Classification

- 2.25 We have not been provided with the hotel operating classification licence from the client for the subject property. However, in our valuation report, we have assumed that the subject property will be granted a 5-Star Operating License and continue to operate at a 5-Star standard, in line with the license acquired in the past under the management of Staybridge Suites.

### Covenants

- 2.26 We have assumed that the property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.
- 2.27 We reserve the right to amend our valuation accordingly in the event the above assumption is proven to be incorrect

## Hotel Management Agreement

- 2.28 The Property started operating in May 2017 under a 15-year management agreement under the Staybridge Suites brand, part of InterContinental Hotels Group (IHG). The agreement was dated 17th June 2013 and made between Alandalus Property Company (owner) and Holiday Inns Middle East Limited (operator). However, the client has informed us that they have terminated the agreement with Holiday Inns Middle East Limited and has appointed Hilton International to operate the Property starting January 2023 with no brand, and starting January 2024 under the brand "Doubletree by Hilton".
- 2.29 The Client has provided us with the commercial terms of the new operator Hilton International. We have summarised the salient details of the key terms of the hotel management agreement below as follows:

Table 6: Hotel Management Agreement

Property:	164 key 5 star serviced apartments located adjacent to Al-Andalus Mall in Jeddah
Name:	Doubletree by Hilton Jeddah Al Andalus Mall
Commencement Date	January 2024
Term:	15 years from HMA signature
License Fee:	% of Total Operating Revenue <ul style="list-style-type: none"> <li>Year 1 = 0.9%</li> <li>Year 2 and 3 = 1%</li> <li>Year 4 and 5 = 1.25%</li> </ul>

	<ul style="list-style-type: none"> <li>Year 6 and for the remainder of the Operating Term = 1.5%</li> </ul>
<b>Incentive Management Fee:</b>	<p>% of Adjusted Gross Operating Profit where Adjusted Gross Operating Profit is the Gross Operating Profit less the License Fee, as follows:</p> <ul style="list-style-type: none"> <li>If GOP is less than 20% = 0%</li> <li>If GOP is equal to or greater than 20%, and less than 25% = 4%</li> <li>If GOP is equal to or greater than 25%, and less than 30% = 5%</li> <li>If GOP is equal to or greater than 30%, and less than 35% = 6%</li> <li>If GOP is equal to or greater than 35%, and less than 40% = 7%</li> <li>If GOP is equal to or greater than 40% = 7.5%</li> </ul>
<b>Group Services &amp; Benefits</b>	2.0% of Gross Revenue
<b>*FF&amp;E Reserve:</b>	<p>In each year the greater of 1% of the budgeted Total Operating Revenue or the budgeted amount for FF&amp;E.</p> <p>Budgeted amount for FF&amp;E:</p> <ul style="list-style-type: none"> <li>2% of Gross Revenues – first year of operations under new management</li> <li>3% of Gross Revenues – second year of operations and thereafter</li> </ul>

Source: Client

\* The budgeted amount for FF&E is not available in the proposed Branding & Management Agreement by Hilton International, we have therefore made our own assumptions.

## Property Improvement Plan

- 2.30 Property Improvement Plan (PIP) is an action plan designed to bring a hotel property into compliance with the latest brand standards. As the Property is currently transitioning into a “Doubletree by Hilton” branded hotel, a PIP is required. The Client has informed us that there will be capital expenditures as part of the PIP to bring the Property to “Doubletree” brand standard. The refurbishment will take place in Q1 2023 and is expected to finish by the end of 2023. However, we have not been provided with a budget.
- 2.31 We have then assumed a reasonable budget for the capital expenditure. Below is a summary of the expenditure we have assumed and deducted from the valuation of the Property:

Refurbishment	SAR (per unit)	Units	Total
Refurbishment cost per key	28,125	164	4,612,500

## Condition

### Scope of inspection

- 2.32 We have not undertaken a building or site survey of the Property.

- 2.33 During our inspection we did not inspect any inaccessible areas. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair.
- 2.34 Apart from any matters specifically referred to below, we have assumed is the Property is free from structural faults, rot, infestation, or other defects, and that the services are in a satisfactory condition.
- 2.35 At the date of inspection, the buildings appeared to be in a generally reasonable state of repair commensurate with their age and use. No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme

#### **Ground conditions**

- 2.36 We have not been provided with a copy of a ground condition report for the site. We have assumed that there are no adverse ground or soil conditions.

## **Environmental, Social and Governance (ESG)**

#### **Sustainability**

- 2.37 The issue of sustainability and the ESG agenda is becoming increasingly important to participants in the property market. There is a general expectation that buildings that minimise environmental impact through all parts of the building life cycle and focus on improved health and wellbeing for their occupiers may retain value over a longer term than those that do not. There is an increasing market opinion that although it is not possible to explicitly quantify a 'green premium' for a building, a 'brown discount' for a poorer performing property is being considered by market participants. There is an increasing market opinion that although it is not possible to explicitly quantify a 'green premium' for a building, a 'brown discount' for a poorer performing property is being considered by market participants. There is an increasing market opinion that although it is not possible to explicitly quantify a 'green premium' for a building, a 'brown discount' for a poorer performing property is being considered by market participants. is an increasing market opinion that although it is not possible to explicitly quantify a 'green premium' for a building, a 'brown discount' for a poorer performing property is being considered by market participants
- 2.38 Our valuation provides our opinion of value at the valuation date based on our understanding of how ESG issues and related factors are being taken into account by the market at that date.

#### **Contamination**

- 2.39 Investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Knight Frank is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.
- 2.40 Subject to the above, while carrying out our valuation inspection, we have not been made aware of any uses conducted at the subject Property that would give cause for concern as to possible environmental contamination. Our valuation is provided on the assumption that the Property is unaffected.

## Planning

### Sources of planning information

- 2.41 We have not been provided with any planning information.
- 2.42 It is assumed that the buildings comply with all necessary planning and building regulation approvals as appropriate.

## Statutory licences & certificates

### Classification Certificate

- 2.43 We have assumed in our valuation that all regulations, statutory licences & certificates have been complied with.

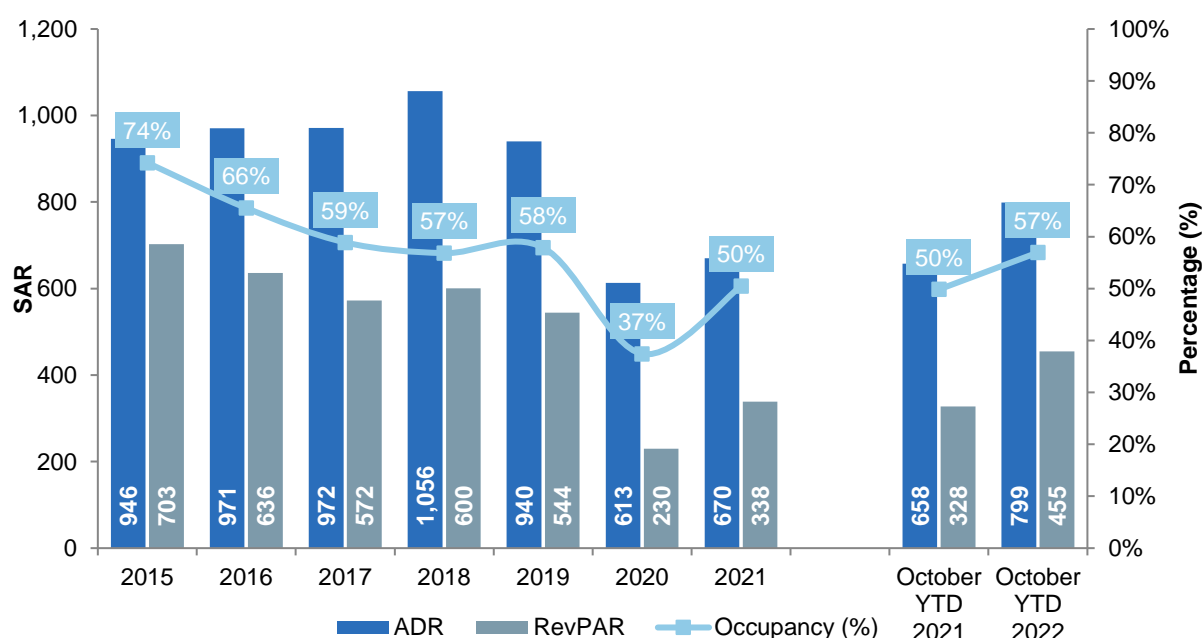
### Fire safety

- 2.44 We have not viewed any documents relating to the fire safety within the Property and have assumed for the purposes of our valuation that the relevant legal requirements have been fully complied with.

## 3. Hotel Market Analysis

### Jeddah Hospitality Performance

- 3.1 Between 2009 to 2014 the market was experiencing fluctuating occupancy rates between 71% and peaking in 2012 at 79%. During this period rate was steadily rising with RevPAR growing 50% in those six years peaking in 2014 at SAR 719.
- 3.2 Between 2014 and 2019 the market has been in a period of decline as supply has been entering the market and as a result of a rise in regional conflicts and a decline in oil prices, which led governments to cut back on spending. Demand was not able to keep pace with occupancy continuing its steady decline and settling at 57% to 58% in 2018 and 2019. Despite rate peaking at SAR 1,056 in 2018, RevPAR recorded a 24% decline in this five-year period, recording a rate of SAR 544 in 2019.
- 3.3 Hotels in Jeddah have historically relied on business from the King and Crown Prince's Affairs and in recent years, these lucrative groups have tightened expenditures (in particular the Crown Prince's Affair), which has likely exacerbated rate performance.
- 3.4 The COVID-19 pandemic affected Jeddah dramatically recording a 61% decline in RevPAR in 2020. The market partially recovered in 2021 with a 46% recovery from 2020, but still 38% below the targeted baseline recovery year of 2019.



Source: STR

- 3.5 October YTD 2022 shows the market is continuing the recovery at a pace with a 21% increase in ADR and 39% in RevPAR compared to the same period in 2021. The RevPAR growth is a result of growth in both rate and occupancy which rose from 50% to 57% to October YTD 2022.



- 3.6 Despite the fact that RevPAR faced downward pressure stemming from weaker oil prices coupled with the outbreak and recovery from COVID-19, we expect the hospitality sector to recover over the medium term but at a slower pace as more supply enters the market in the next four years that will likely lead to further rate decline.
- 3.7 Despite the limited growth potential in the next four years, Jeddah remains a focal point for domestic tourism, religious tourism (a transport conduit for pilgrims visiting Makkah) and business growth, supported by governmental infrastructure and tourism investments in line with Vision 2030. This will likely lead to a return to more pronounced, real terms growth from 2025/26.

## Seasonality

- 3.8 We have made a number of observations regarding seasonality from 2019 as the COVID-19 pandemic has distorted the 2020 and 2021 data. Seasonality in Jeddah differs from the typical seasonality pattern recorded across other GCC cities. The high season in Jeddah is considered to be during the summer period. This is primarily attributed to the demand generated by the King and Crown Prince's Affair, which will often travel to Jeddah during the Ramadan and Hajj periods.
- 3.9 Occupancy and ADRs are volatile throughout the year, with occupancy characterised by seasonality highs from May to September and lows from October to April. The lowest occupancy level in 2019 was observed in February, while the highest occupancy was noted in July.
- 3.10 Rate follows a similar pattern to that of occupancy with highs from May to September. However, the low season is considered to be from November and March, while the month of April and October are shown as the shoulder months.
- 3.11 In general, citywide ADRs are more volatile than occupancy levels, with higher peaks and lower troughs. Hotel operators capitalise on high rates and occupancy during the summer months as a result of the King and Crown Prince's Affairs.
- 3.12 Seasonality is extremely pronounced when analysing RevPAR, which recorded peaks between May and September and lows from November to March. July noted the highest RevPAR in 2019, while November recorded the lowest RevPAR. April and October are considered to the shoulder months.

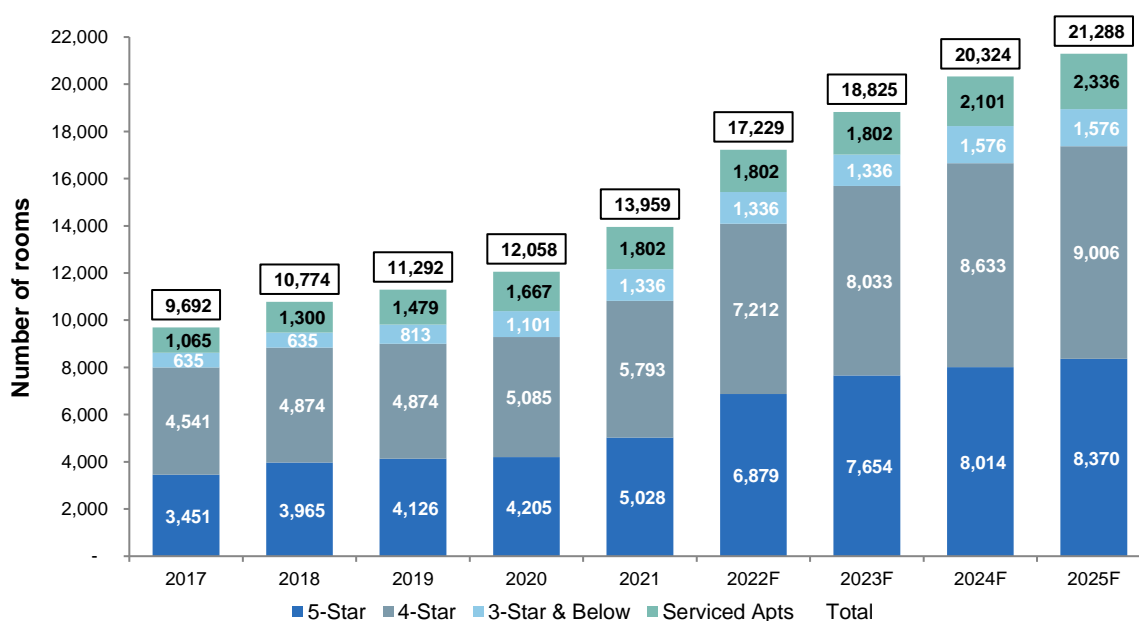
## Supply

- 3.13 At the end of 2020, the total quality room supply in Jeddah stood at 12,058 keys, of which 58% (7,004 keys) of the total quality key count comprised internationally branded rooms.
- 3.14 The quality hotel market in Jeddah recorded an annual growth rate of 5.1% over the last 11 years (2010 to 2020) and 8.8% over the last 5 years (2016-2020) indicating continued growth despite an economic slowdown. Between 2010 and 2020, the serviced apartment segment recorded the highest annual growth rate of 12.2%; however, it is important to note that the segment started with a small base of 526 rooms in 2010. The 3-Star & below segment



recorded the second highest annual growth rate of 5.7 %, while the 5-Star and 4-Star segments recorded annual growth rates of 5.1% and 3.6% respectively.

- 3.15 Given the supply pipeline until the end of 2025, the market is expected to expand at a faster pace compared to historical figures with a compounded annual growth rate of 12% (2021-2025). The quality room supply is estimated to increase by nearly double (10,605 quality rooms); however, it should be noted that the annual historical materialisation rate stood between 40% and 60% and therefore a number of these projects would likely be delayed resulting in growth rates contracting.
- 3.16 The majority of the segments are estimated to record a faster growth rate between 2022 and 2025 compared to growth rates noted between 2010 and 2020, especially as supply has been pent up during the period of the COVID-19 pandemic. The 5-Star and 4-Star segments are anticipated to grow at an annual compound rate of 14.8% and 12.1% respectively. The serviced apartment segment is the only segment that is anticipated to register a slower growth rate at 7.0% in the next five years.



Source: STR

## GCC Hospitality Investment Market

- 3.17 In benchmarking our hotel value per key, we have had regard to the following anecdotal sales transactions in the MENA region, which have occurred over previous years, providing good indicators of where the market lies.

Location	Country of Origin	Transaction Date	Star Rating	Sales Price (USD) (Rounded)	Keys	Value per Key (USD)
Ritz Carlton DIFC	UAE	2011	5 Star	300,000,000	300	600,000

Location	Country of Origin	Transaction Date	Star Rating	Sales Price (USD) (Rounded)	Keys	Value per Key (USD)
Ocean View Residence	UAE	2011	4 Star	98,000,000	342	354,223
Marina View Hotel	UAE	2013	4 Star	60,000,000	224	272,480
Business Bay Hotel	UAE	2014	5 Star	79,000,000	296	266,892
Moevenpick Bur Dubai	UAE	2014	5 Star	95,000,000	312	299,728
Yasat Gloria	UAE	2014	4 Star –	259,000,000	1,019	245,232
Moevenpick JBR	UAE	2014	5 Star	130,000,000	294	435,967
Business Bay Hotel	UAE	2015	4 Star	140,000,000	367	381,471
Kenzi Hotel	KSA	2015	5 Star	400,000,000	759	527,009
Bahrain Tourism Co.	Bahrain	2015	-	92,000,000	246	373,984
Bakkah ARAC Hotel	KSA	-	4 Star	88,000,000	426	206,573
Moevenpick City Star Jeddah Hotel	KSA	2016	4 Star	69,000,000	228	302,632
Al Falaj Hotel	Oman	2016	4 Star	36,000,000	150	240,000
Warwick Hotel	UAE	2017	4 Star	136,000,000	357	381,624
Emaar Portfolio	UAE	2018	5/4 Star portfolio	600,000,000	993	604,230
Shangri La*	UAE	2019	5 Star	700,200,000	428	445,771
Address Sky View	UAE	2020	5 Star	204,400,000	169	1,209,229
Westin Abu Dhabi Golf Resort & Spa**	UAE	2020	5 Star	49,000,000	172	285,153
Rixos Bab Al Bahr	UAE	2022	5 Star	209,800,000	715	293,400

\*Note that there was an office component also located within the Properties which we understand was part of the sale so the actual rate per key would be lower than has been stated above.

\*\*Note that there was a large plot of high-value residential development land also located within the Properties which we understand was part of the sale so the actual rate per key would be lower than has been stated above.

### Hotel Discount Rate / Exit Yield

- 3.18 In general, yield evidence for management encumbered hotels in KSA is extremely rare. As a development led market, sales of existing assets with established operating history are rare and if they do occur, the transaction details are usually highly confidential and not transparent so it is difficult to establish the income the sales price was based on to derive a yield of the transaction. However, despite this fact, sales rates per room are usually more readily available and with market analysis of operating performance a likely yield can be estimated.
- 3.19 We can benchmark hotels as an asset class against long-term secure income in the logistics sector (20-year income) which has shown deals at 8.5% initial yields, and in the commercial

office sector for initial yields for mid to long-term income at 7+%. The fact that there is typically no confirmed / contracted income to the owner, as majority of hotels are run under management agreements rather than leases in KSA, suggests that the yield sought by investors should be higher than other asset classes with long term contracted income.

- 3.20 However, the sector positivity and growth in tourism, particularly considering domestic corporate tourism and Jeddah's growth as an urban centre has led investors to be particularly positive on this asset class. These reasons and the Saudi Vision 2030 mean hospitality and tourism will be prioritised asset classes in the next 15 years which is likely to lead to further growth and maturation of the market to improve its appeal to investors.
- 3.21 We would further comment that the majority of the above transactions happened prior to the first quarter of 2015 when the hospitality market had not showed obvious signs of deceleration, and investors' confidence was a lot higher.
- 3.22 Despite some renewed interest in certain segments of the sector, the market remains uncertain. The impact of COVID-19 is still being felt, with most global observers and advisors expecting hotel markets to recover by 2023/24. Jeddah in general is recovering slower from COVID-19 as at YTD April 2022 and while rate decline is likely to continue in the next few years for reasons cited in this report, we expect the market to recover in the five to ten-year horizon.

## 4. Hotel Competitive Set Commentary

### Competitive Set

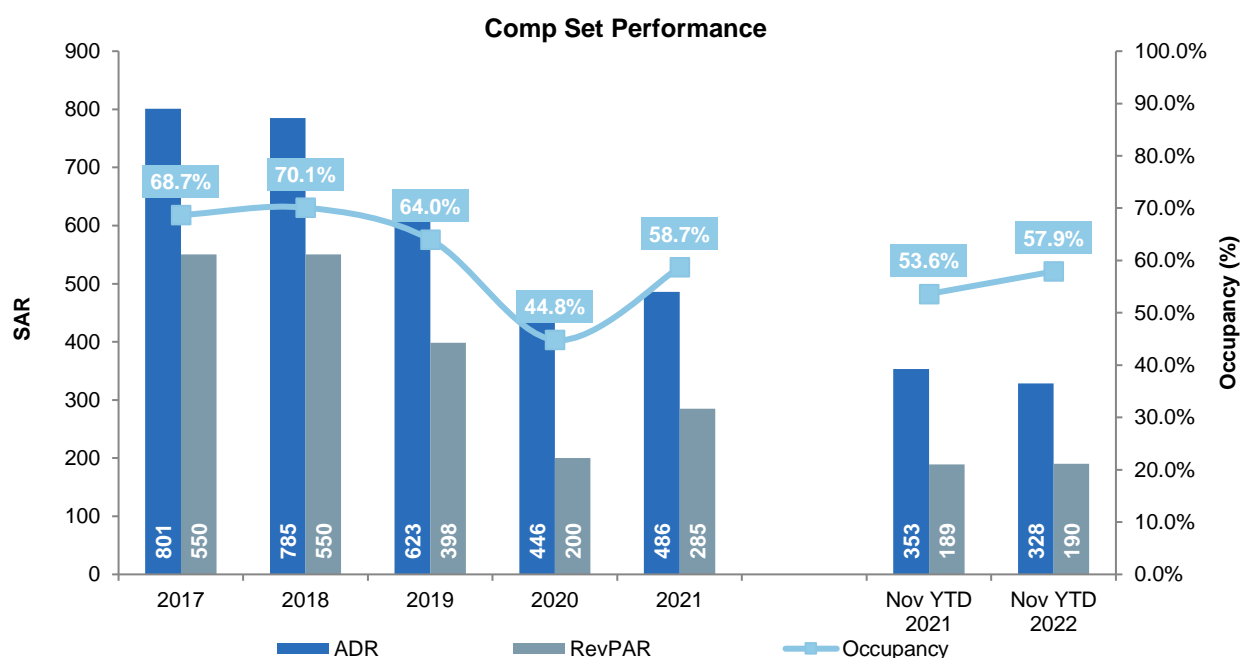
4.1 We have been provided with a competitive set of the Property which is set out in the list below.

Hotel	Class	Open Date	Rooms
Ascott Tahlia Jeddah	Upper Upscale Class	Sep 2015	125
Citadines Al Salamah Jeddah	Upscale Class	Feb 2016	129
Radisson Blu Plaza Hotel Jeddah	Upper Upscale Class	Jul 2015	112
Crowne Plaza Jeddah	Upscale Class	Oct 1984	323
Novotel Jeddah Tahlia Street	Upscale Class	Mar 2017	139

4.2 The set consists of five upscale to upper upscale hotels in Jeddah with an average room count of 166. Two of the set hotels are serviced apartment hotels like the Property, and the other three are hotels with typical guestrooms.

### Competitive Set Performance

4.3 The KPI's for the Property competitive set are summarised below:



4.4 Between 2017 and 2019, the set recorded a decrease in performance, featuring declining ADR and fluctuating occupancy. 2018 was noted for a levelled RevPAR with 2017 driven by a slight increase in occupancy and marginal drop in ADR. In 2019, RevPAR declined considerably by 27.6%, a result of declines in both rates (by 20.6%) and occupancy (by 6.1 percentage points).

- 4.5 While COVID-19 affected the hotel market city-wide, the competitive set experienced a milder shock which still halved its RevPAR in 2020. Both rate and occupancy recorded smaller declines compared to the market by year-on-year. 2021 witnessed growth across all indices for the set hotels, indicating that the market was on course for recovery.
- 4.6 However, RevPAR Nov YTD 2022 almost levelled with that of Nov YTD 2021, signalling stagnant recovery of the set. While the market wide hotels recorded growth in both occupancy and rate, the competitive set's ADR decreased further.
- 4.7 Moving forward, we expect the competitive set's slow recovery to continue especially when new quality hotel rooms of similar positioning will be introduced into the market in the new future. The occupancy is likely to recover to 2019 level as the tourism market is expected to be further developed and expanded in Jeddah. The rate, however, is predicted to encounter more challenges in terms of recovery.
- 4.8 We have set out below a table of the Property's performance compared to the competitive set:

Year	Occupancy (%)			ADR (SAR)					RevPAR (SAR)				
	Hotel	Comp Set	MPI	Hotel	%	Comp Set	%	ARI	Hotel	%	Comp Set	%	RGI
2017	48.0	68.7	0.70	569		801		0.71	273		550		0.50
2018	62.0	70.1	0.88	599	5	785	-2	0.76	371	36	550	0	0.68
2019	42.7	64.0	0.67	560	-7	623	-21	0.90	239	-36	398	-28	0.60
2020	20.6	44.8	0.46	556	-1	446	-28	1.25	115	-52	200	-50	0.57
2021	67.0	58.7	1.14	232	-58	486	9	0.48	155	36	285	43	0.54
Nov YTD 2021	34.0	53.6	0.63	419		353		1.19	143		189		0.75
Nov YTD 2022	51.1	57.9	0.88	362	-14	328	-7	1.10	185	30	190	5	0.97

- 4.9 The performance of the competitive set compared to the overall submarket is characterised by three different index metrics. The Revenue Generating Index (RGI) shows how the competitive set's RevPAR is compared to the Submarket's, while the Market Penetration Index (MPI) and Average Rate Index (ARI) compares occupancy and ADR respectively.
- 4.10 Since its opening in May 2017, the Property's performance was characterised by increasing ARI, as a result of pre-stabilisation ramp up. MPI improved from 0.70 to 0.88 but then quickly declined to 0.67 from 2017 to 2019 with a fluctuating occupancy performance. Starting 2020, the Hotel's performance shifted drastically with high rate and low occupancy in 2020 and low rate and high occupancy in 2021. the Property had been underperforming its competitors ever since 2017 with its year-end RGI hovering around 0.58.
- 4.11 Performance November YTD 2022 was noted for increases across MPI and RGI, indicating that the Property is recovering faster than the competitive set. However, the further decrease in rate is alarming as it is opposed to the market wide ADR recovery.

## 5. Hotel Operating Projections

### Introduction

- 5.1 The assumptions behind the projections on which we have based our valuation are described below. These represent our opinion of the likely projections that would be adopted by a potential purchaser when considering the proposed hotel's likely future performance and do not necessarily match those that might be forecast by current hotel management. In arriving at our projections, we have, where relevant, benchmarked the operating performance against similarly positioned and located hotels in Dubai in order to analyse revenues and costs on a per occupied room (POR), per available room (PAR) and a percentage basis. Whilst we expect that a reasonably efficient operator (REO) of the proposed hotel could achieve a level of operating performance in line with our projections, it should be emphasised that achievement of them largely remains reliant on the skill and expertise of hotel management.
- 5.2 Our forecasts represent indicative assessments of possibilities rather than certain projections and although they have been conscientiously prepared on the basis of information provided to us, we do not guarantee their fulfilment. Whilst we would expect that a reasonably competent operator of a hotel of the given product quality in this location to be capable of achieving a level of trading in line with our projections, it should be emphasised that achievement of trading performance remains largely reliant on the skill and expertise of the hotel management. Some assumptions inevitably will not materialise, and unanticipated events and circumstances may occur.
- 5.3 It should be emphasised that real estate investment markets are subject to fluctuations and that trading forecasts may become out of date after an extended period from the date of this report. We strongly recommend that these estimates are reviewed on a regular basis in order to monitor the market's performance, especially where there is the potential for changes in supply or underlying trends relating to consumer preferences and demand patterns change.
- 5.4 It is also important to note that the current P&Ls of the Property provided are not in Uniform System of Accounts for the Lodging Industry (USALI) format. USALI is the standard for hotel accounting practises, and it enables the classification, organisation, and presentation of financial information in a uniform and consistent manners. We have re-organised the hotel P&L into USALI format and based our valuation on the reformatted accounts. This will improve comprehensibility of the operating statement and allow us to compare like-for-like when we benchmark the Property performance against the industry.

### Projections Summary

- 5.5 We have projected future hotel performance for the next three years as follows:

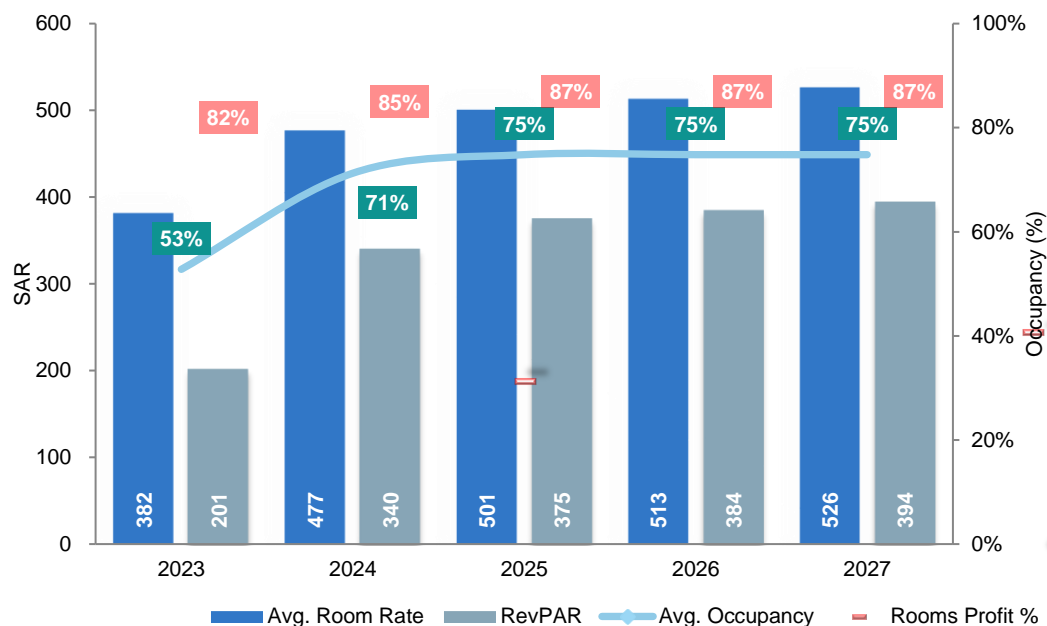
Performance measure	2023	2024	2025
Inventory	164	164	164

Occupancy	52.8%	71.3%	74.8%
ADR (SAR)	382	477	501
RevPAR (SAR)	201	340	375
Total Revenue (SAR 000's)	15,311	24,821	27,365
EBITDA (SAR 000's)	6,602	11,490	12,940
EBITDA (% of Total Revenue)	43.1%	46.3%	47.3%

- 5.6 We have formed our own professional opinion along with commentary and reasoning, in providing projections of hotel performance in our 10-year cash flow, these can be found in the following sections below:

## Occupancy and ADR

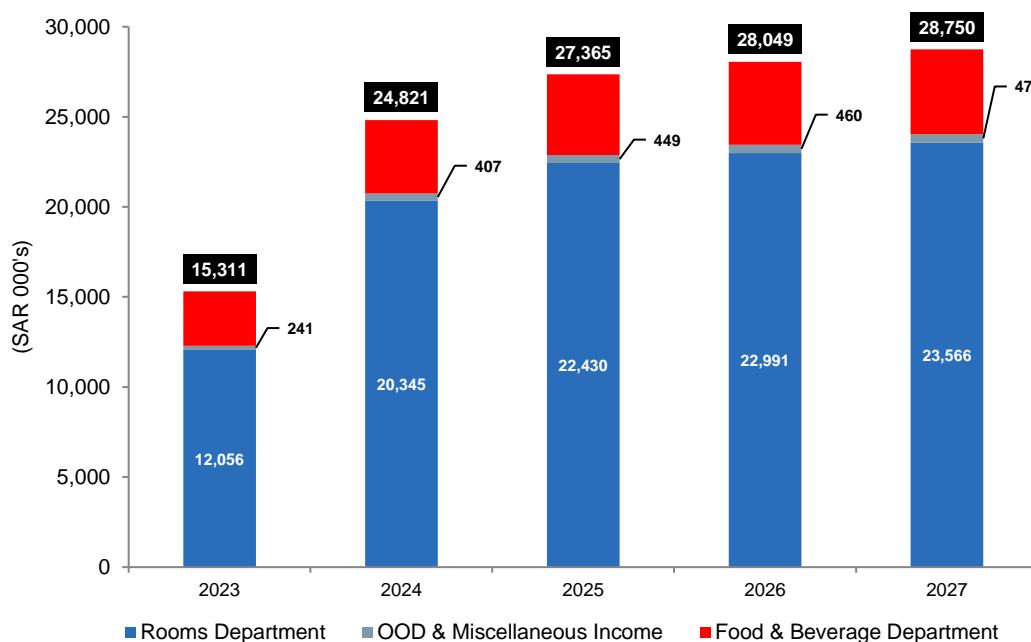
- 5.7 Projections of occupancy depend on trading performance to date, the current and future supply of new hotels of similar category and location, forecast room demand and the existing situation surrounding the recovery from the impact of COVID-19.
- 5.8 Hotel ADR is predicted to stabilise in year three at SAR 501 and occupancy at 74.8%, resulting in a RevPAR of SAR 375. Only inflationary growth of 2.5% will be expected after the years upon stabilisation. We are aware that the occupancies projected are higher than what were achieved historically, however, they are typical and achievable for similar properties in Jeddah and more specifically, the Property is a serviced apartment hotel which will attract more longer stay business, bringing the occupancy rate higher compared to hotels with typical guestrooms. ADR are also projected to be lower than history to reflect the longer-stay nature of the Property as well as the market wide trend of tendered rates,
- 5.9 There is also expected to be large influx of quality hotels rooms in Jeddah in the next years, especially serviced apartment hotels. The introduction of new hotel rooms will increase the competition further, making it more challenging for the Property to outperform.



## Operating projections

### Total Revenue

5.10 The following is a table of the projected five-year total revenue:



5.11 The room revenues are the major component of the total revenue, contributing a total of 82.0%. F&B revenue of the hotel is benchmarked against other similarly positioned serviced



apartments in Dubai, and they share 16.4% of the total revenue. Upon stabilisation in year three (2025), F&B revenue, and other operating department (OOD) revenue per occupied room night are expected to be SAR 100.2 and SAR 10.0, respectively.

### Undistributed Expenses

5.12 A summary of our projected Undistributed Expenses is set out below.

(SAR 000s)	2023		2024		2025	
Administration & General	919	6.0%	1,489	6.0%	1,916	7.0%
Sales and Marketing	459	3.0%	745	3.0%	821	3.0%
Property Operation and Maintenance	459	3.0%	745	3.0%	821	3.0%
Utilities	1,072	7.0%	1,737	7.0%	1,916	7.0%
<b>Total Undistributed Operating Expenses</b>	<b>3,139</b>	<b>20.5%</b>	<b>5,088</b>	<b>20.5%</b>	<b>5,883</b>	<b>21.5%</b>

5.13 We have projected the undistributed operating expenses based on the benchmark of similar properties in the market as well as on the Property's historical performance. We expect the total undistributed operating expenses per available room night (PARN) to be at SAR 98 in stabilisation year 2025.

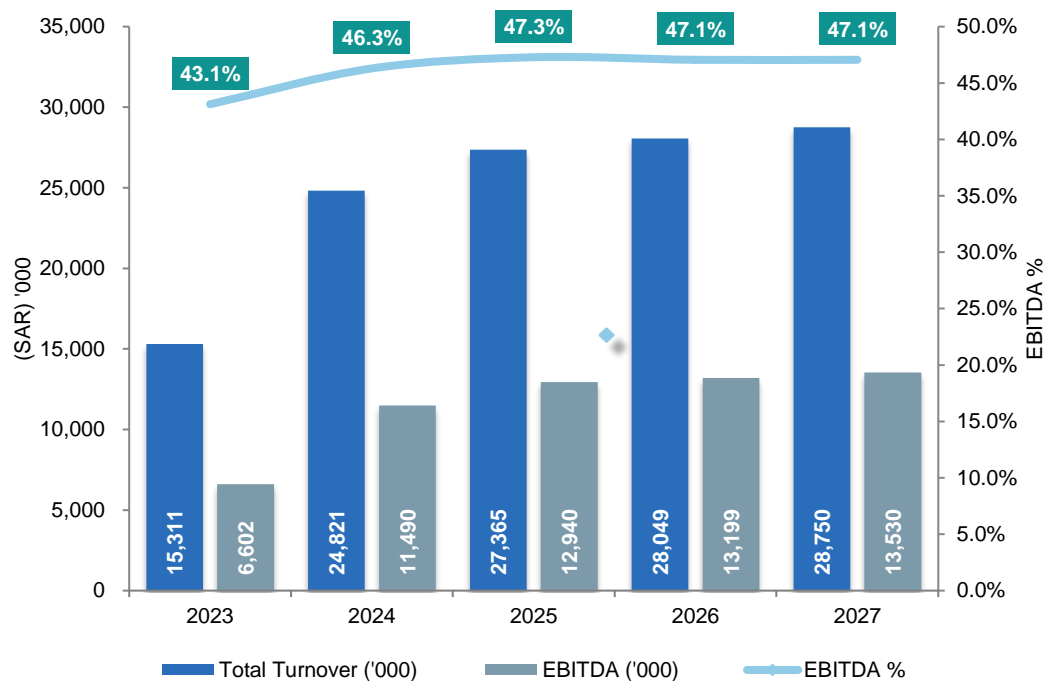
### Forecast EBITDA

5.14 We have run our projections on a competent operator basis, assuming that the hotel is effectively managed, positioned and operated.

5.15 Royalty fees and marketing fees have been calculated according to the management agreement terms we have assumed set out in the section above.

5.16 Insurance is calculated to be 0.5% (SAR 75,811) of the total revenue in year one based on benchmarks obtained in the market. The amount will then grow at the inflation rate 2.5% in the years thereafter.

5.17 We have projected the EBITDA margin to improve to around 47.3% of total revenue in year three (2025). The exhibit below highlights Knight Frank's projected total turnover and EBITDA:



5.18 The table set out below shows the projected operating performance for the next ten years.

Currency (SAR) 000	Operating Projections									
	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029	Year 8 2030	Year 9 2031	Year 10 2032
Room Count	164	164	164	164	164	164	164	164	164	164
Occupancy (%)	53%	71%	75%	75%	75%	75%	75%	75%	75%	75%
Average Daily Rate (ADR)	376	470	494	506	519	531	545	558	572	587
RevPAR	198	335	369	378	388	398	408	418	428	439
Rooms Occupied	31,595	42,653	44,786	44,786	44,786	44,786	44,786	44,786	44,786	44,786
Total Sales	15,088	24,459	26,966	27,640	28,331	29,040	29,766	30,510	31,272	32,054
<b>Rooms Department</b>										
Sales	11,881	20,048	22,103	22,656	23,222	23,803	24,398	25,008	25,633	26,274
Expenses	2,138	3,007	2,873	2,945	3,019	3,094	3,172	3,251	3,332	3,416
Departmental Profit	9,742	17,041	19,230	19,711	20,203	20,709	21,226	21,757	22,301	22,858
<b>Food &amp; Beverage Department</b>										
Sales	2,970	4,010	4,421	4,531	4,644	4,761	4,880	5,002	5,127	5,255
Expenses	1,931	2,506	2,652	2,719	2,787	2,856	2,928	3,001	3,076	3,153
Departmental Profit	1,040	1,504	1,768	1,812	1,858	1,904	1,952	2,001	2,051	2,102
<b>Other Operating Department</b>										
Sales	238	401	442	453	464	476	488	500	513	525
Expenses	48	80	88	91	93	95	98	100	103	105
Departmental Profit	190	321	354	362	372	381	390	400	410	420
<b>Total Sales / Operation Revenue ('000)</b>	<b>15,088</b>	<b>24,459</b>	<b>26,966</b>	<b>27,640</b>	<b>28,331</b>	<b>29,040</b>	<b>29,766</b>	<b>30,510</b>	<b>31,272</b>	<b>32,054</b>
Total Departmental Expenses	4,117	5,594	5,614	5,755	5,898	6,046	6,197	6,352	6,511	6,674
<b>Gross Operating Income ('000)</b>	<b>10,972</b>	<b>18,866</b>	<b>21,352</b>	<b>21,886</b>	<b>22,433</b>	<b>22,994</b>	<b>23,568</b>	<b>24,158</b>	<b>24,762</b>	<b>25,381</b>
<b>Undistributed Operating Expenses</b>										
Administration & General	905	1,468	1,888	1,935	1,983	2,033	2,084	2,136	2,189	2,244
IT	226	367	404	415	425	436	446	458	469	481
Sales and Marketing	453	734	809	829	850	871	893	915	938	962
Property Operation and Maintenance	453	734	809	829	850	871	893	915	938	962
Utilities	1,056	1,712	1,888	1,935	1,983	2,033	2,084	2,136	2,189	2,244
Total Undistributed Expenses ('000)	3,093	5,014	5,798	5,943	6,091	6,244	6,400	6,560	6,724	6,892
<b>Gross Operating Profit ('000)</b>	<b>7,879</b>	<b>13,851</b>	<b>15,554</b>	<b>15,943</b>	<b>16,342</b>	<b>16,750</b>	<b>17,169</b>	<b>17,598</b>	<b>18,038</b>	<b>18,489</b>
License Fee	136	245	270	346	354	436	446	458	469	481
Group Services & Benefits	302	489	539	553	567	581	595	610	625	641
Incentive Royalty Fee (% of AGOP)	558	984	1,106	1,128	1,157	1,180	1,210	1,240	1,271	1,303
Insurance	75	77	79	81	83	85	87	90	92	94
<b>Total Non-Operating Income and Expenses</b>	<b>75</b>	<b>77</b>	<b>78</b>	<b>80</b>	<b>82</b>	<b>83</b>	<b>85</b>	<b>87</b>	<b>88</b>	<b>90</b>
Replacement Reserve	302	734	809	829	850	871	893	915	938	962
<b>EBITDA - ('000)</b>	<b>6,506</b>	<b>11,323</b>	<b>12,752</b>	<b>13,007</b>	<b>13,333</b>	<b>13,599</b>	<b>13,940</b>	<b>14,289</b>	<b>14,646</b>	<b>15,013</b>

## 6. Valuation

### Methodology

- 6.1 Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.

#### Profits Method (DCF)

- 6.2 We value operational property assets by reference to the earnings potential, as this is the basis on which such properties are commonly bought or sold.
- 6.3 The income capitalisation approach is based on the principle that the value is indicated by its net return, or present worth of future benefits, i.e. the future forecast income and expenditure along with the proceeds from a future sale. These benefits are converted into an indication of market value through capitalisation and DCF process.
- 6.4 Of the three valuation approaches available to a valuer, the income capitalisation approach provides the most persuasive and supportable conclusions when valuing a hotel facility. Using a 10 year forecast and an exit yield most accurately reflects the real actions of hotel buyers, who buy based on their leveraged discounted cash flow.

### Valuation General Consideration & Assumptions

- 6.5 Our projections are prepared in accordance with the Uniform System of Accounts for the Lodging Industry (USALI) as used by the hotel and leisure industry worldwide. We have made a number of assumptions within our valuation which we have listed below:
- We have assumed the capital expenditure assumed and approved by the Client is deducted from the valuation. The valuation is based on the EBITDA of the hotel, with an allowance to the future FF&E reserve.
  - Unless otherwise stated, ADR (Average Daily Rate) in our calculations is exclusive of service charges, tax and municipality fees.
  - Our cash flow is prepared on the basis of a fiscal year. Year 1 of the cash flow starts from the date of valuation.
  - The Property has all relevant documentation and permissions required from the relevant planning and trading authorities in Jeddah, KSA.
  - We have adopted a discount rate of 11.25%. The discount rate consists of three components, namely, capitalisation rate (exit yield), inflation rate, as well as stabilisation risk rate.
    - As discussed above, we have adopted an exit yield of 8.75% for the Property
    - We have assumed the rate of inflation to be 2.50% per annum.
    - We have not assumed a stabilisation risk rate.
  - We have valued the Property having had due regard to its projected performance, current forecasts and our own market expectations.

## Valuation Basis

### Market Value

6.6 Market Value is defined within **RICS Valuation - Global Standards / IVS** as:

*“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

## Valuation Date

### Valuation Date

6.7 The valuation date is 31 December 2022.

## Market Value

### Assumptions

6.8 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our Terms of Engagement letter and within this report.

### Market Value

6.9 We are of the opinion that the Market Value of the freehold interest in the Property, subject to the management agreement and assumptions described within this report as at the valuation date is:

**SAR 133,100,000**

**(One Hundred and Thirty Three Million, One Hundred Thousand Saudi Arabian Riyals)**

# Appendix 1 Instruction documentation



**AlAhli REIT Fund (1)**  
Riyadh  
Kingdom of Saudi Arabia

For the attention of Danial Mahfooz

Our Ref: SNB Capital

11 July 2022

Dear Sirs

## Terms of Engagement for Valuation Services for the properties listed in section 2

Thank you for your enquiry of 07 June 2022 requesting a valuation report in respect of the properties detailed below (the "Properties"). We are writing to set out our agreed terms of engagement for carrying out this instruction which comprise this Terms of Engagement letter (this "Letter") together with our General Terms of Business for Valuation Services (the "General Terms"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed by us in writing. To the extent that there is any inconsistency between this Letter and the General Terms, this Letter shall take precedence.

### 1. Client

Our client for this instruction is AlAhli REIT Fund (1) (the "Client", "you", "your").

### 2. Properties to be valued

The Properties to be valued are as follows:

Property Address	Tenure	Occupancy
Asset 1: Al Andalus Mall (including extension land) and Staybridge Suites Hotel Apartments, Jeddah, Kingdom of Saudi Arabia	Freehold	Tenanted - subject to more than one lease or tenancy
Asset 2: Qbic Building, King Abdulaziz Road Al Ghadeer District, Riyadh, Kingdom of Saudi Arabia	Freehold	Tenanted - subject to more than one lease or tenancy
Asset 3: Salama Building, Madinah Road Salamah District, Jeddah, Kingdom of Saudi Arabia	Freehold	Tenanted - subject to more than one lease or tenancy

### 3. Valuation standards

The Valuation will be undertaken in accordance with the current editions of RICS Valuation - Global Standards, incorporating the International Valuation Standards, and the Taqeeem regulations of KSA.

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knightfrank.com.sa

#### **4. Status of valuer and disclosure of any conflicts of interest**

For the purposes of the Red Book, we are acting as External Valuers, as defined therein.

We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

We draw to your attention that if you subsequently request and we agree to the Valuation being re-addressed to a lender (for which we shall make an additional charge), the Valuation may not meet their requirements, having originally been requested by you. We will only readdress the Valuation once we have received a signed reliance letter in our standard format from the new addressee. Please note also that no update or alterations will be made to the Valuation prior to its release to any new addressee.

#### **5. Valuer and competence disclosure**

The valuer, on our behalf, with responsibility for the Valuation will be Stephen Flanagan MRICS, RICS Registered Valuer, Tazeem Fellow Valuer with Membership Number 1220001318 (the "Lead Valuer"). Parts of the Valuation may be undertaken by additional valuers within the firm.

We confirm that we meet the requirements of the Red Book in having sufficient current knowledge of the particular market and the skills and understanding to undertake the Valuation competently.

#### **6. Purpose of valuation**

The Valuation is provided solely for the purpose of REIT Year-end reporting (the "Purpose") and in accordance with clause 4.1 of our General Terms may not be used for any other purpose without our express written consent.

#### **7. Limitation of liability and restrictions on use**

Clause 3.1 of the General Terms limits our liability to SAR 1 million under this instruction.

Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

##### **Third party reliance**

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

##### **Disclosure**

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole, nor any part, of the Valuation nor any reference thereto may be included in any published document, circular or statement, nor published in any way, without our prior written consent and written approval of the form or context in which it may appear.

#### **8. Basis of valuation**

The Valuation will be undertaken on the following basis, as defined in the Red Book:

- Market Value.



## **9. Special assumptions and assumptions**

### **Special assumptions**

In addition to section 8 above, the Valuation will be undertaken on the following special assumptions:

- You have not requested any valuations on special assumptions.

### **Assumptions**

The Valuation will necessarily be based upon a number of assumptions, as set out in the General Terms, this Letter and within the Valuation.

## **10. Valuation date**

The valuation dates are 30 June 2022 and 31 December 2022.

## **11. Currency to be adopted**

The valuation figures will be reported in Saudi Riyals (SAR).

## **12. Extent of inspection and investigations**

We have agreed the following specific requirements in relation to the Valuation:

### **Inspection**

You have instructed us to inspect the Properties internally / by going onto the site, as well as externally.

## **13. Information to be relied upon**

We will rely on information provided to us by you or a third party and will assume it to be correct. This information will be relied upon by us in the Valuation, subject only to any verification that we have agreed to undertake.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.

Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Properties. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

## **14. Report format**

The Valuation will be prepared in our standard format which will be compliant with the Red Book and Taqueem and will take into account any reasonable requests made by you at the relevant time.

## **15. Fees and expenses**

### **Payment details**

Our fee for undertaking this instruction will be Saudi Riyals (SAR) [REDACTED] excluding VAT for each re-valuation, and reasonable disbursements divided into two payment, set out below.

### **June 2022 revaluation:**



Advance Payment	Saudi Riyals (SAR) [REDACTED]
-----------------	-------------------------------

Final payment	Saudi Riyals (SAR) [REDACTED]
---------------	-------------------------------

December 2022 revaluation:

Advance Payment	Saudi Riyals (SAR) [REDACTED]
-----------------	-------------------------------

Final payment	Saudi Riyals (SAR) [REDACTED]
---------------	-------------------------------

Our timeframe for completion of draft reports shall be by 15 working days from receipt of the initial invoice payment and receipt of all information contained within Appendix 4. Where any additional work is undertaken by Knight Frank Spain Saudi Arabia Real Estate Valuations Company or the time period of the assignment is extended due to reasons outside our control, we reserve the right to seek additional fees charged on an as-incurred basis in agreement with the client.

Where we are unable to complete the report as a result on information not being made available by the Client we reserve the right to proceed with the billing of any outstanding fees.

In accordance with clause 10.4 of the General Terms, if you end this instruction at any stage, we will charge abortive fees on the basis of reasonable time and expenses incurred, with a minimum charge of 50% of the above fee if the Properties have been inspected.

Payment of our fee is required in advance. Before the Valuation is discussed or issued the invoice must have been settled.

The scope of our work is set out in the Agreement. In accordance with clause 10.5 of the General Terms, if we are instructed to carry out additional work that we consider either to be beyond the scope of providing the Valuation or to have been requested after we have finalised the Valuation (including, but not limited to, commenting on reports on title) we will charge additional fees for such work. We will endeavour to agree any additional fees with you prior to commencing the work, however, where this is not possible our hourly rates will apply.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the Lead Valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

## 16. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and/or refrain from discussing it with you until this Letter has been

Our Ref: SNB Capital

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countersigned and returned. Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and/or the terms of the Agreement between us please let us know before signing this Letter or otherwise giving us instructions to proceed.

Thank you for instructing Knight Frank Spain Saudi Arabia Real Estate Valuations Company.

Yours faithfully



**Stephen Flanagan MRICS**  
Partner - Head of Valuation & Advisory, MENA,  
Valuation & Advisory, MENA  
For and on behalf of Knight Frank Spain Saudi Arabia  
Real Estate Valuations Company  
stephen.flanagan@me.knightfrank.com  
T +971 4 4267 617  
M +971 50 8133 402



Attached - General Terms of Business for Valuation Services



.....  
Signed for and on behalf of AIAhli REIT Fund (1)

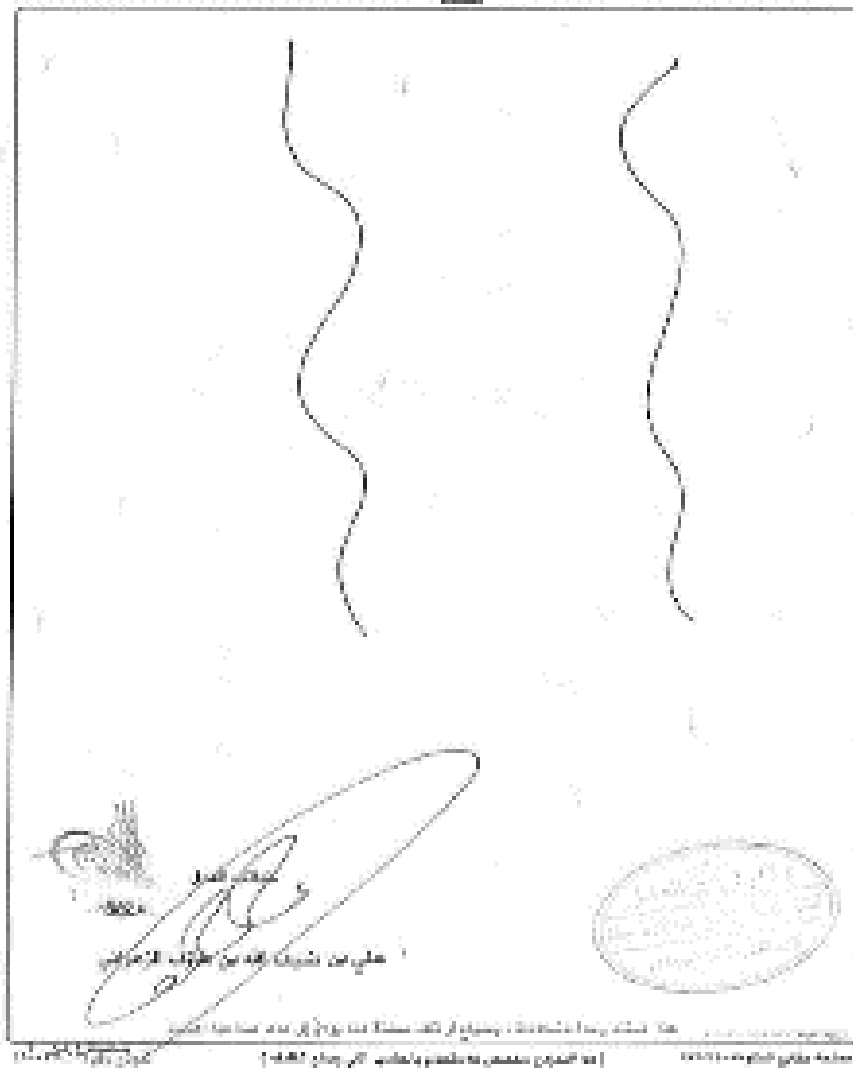
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Date

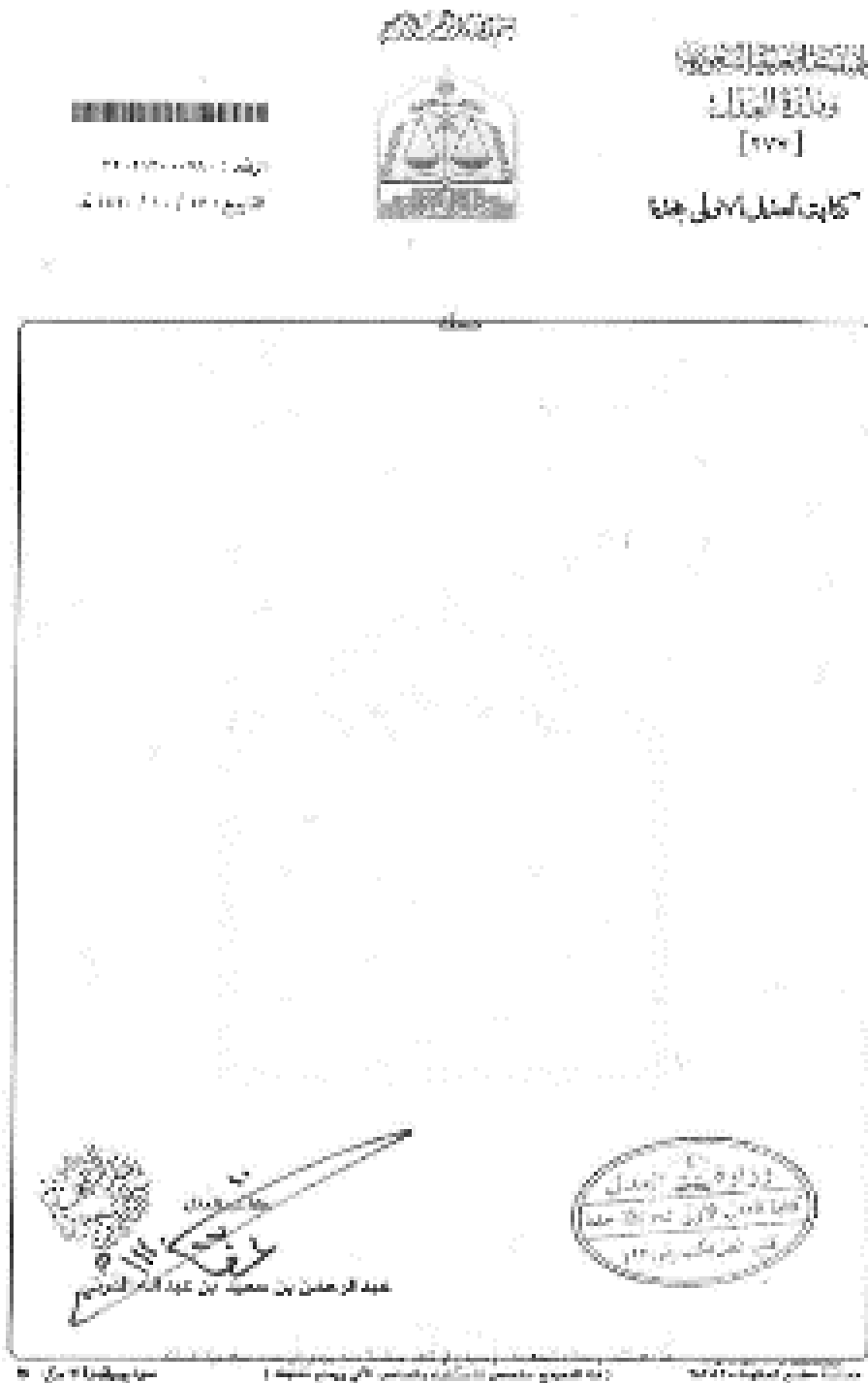
KF Ref: SNB Capital

Our Ref: SNB Capital

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# Valuation Report.

Al Andalus Mall, Jeddah, KSA

Prepared for **SNB Capital.**

Valuation date: 31 December 2022

***Important Notice to all readers of this report***

*Unless you are the Client named within this report, or have been explicitly identified by us as a party to whom we owe a duty of care and who is entitled to rely on this report, Knight Frank Spain Saudi Arabia Real Estate Valuations Company does not owe or assume any duty of care to you in respect of the contents of this report and you are not entitled to rely upon it.*

**Locally expert,  
globally connected.**

**SNB Capital**

Riyadh, Kingdom of Saudi Arabia

For the attention of Danial Mahfooz, CFA

Email: d.mahfooz@alahlicapital.com

Tel: +966 12 690 7817/ M: +966 54 475 2329

Our ref: Kfv377-2022

Date of issue: 16 February 2023

Dear Sirs

**Valuation Report – Al Andalus Mall, Jeddah, KSA**

Further to your instructions, we are pleased to provide our Valuation Report in respect of the above property. If you have any queries regarding this report, please let us know as soon as possible.

**Signed for and on behalf of Knight Frank Spain Saudi Arabia Real Estate Valuations Company**

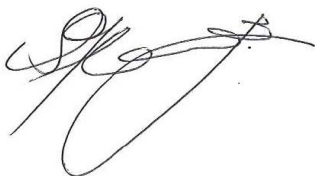
**Talal Raqaban, MRICS**

**RICS Registered Valuer - Taqem No. 1210001810**

**Partner, Valuation & Advisory, KSA**

For and on behalf of Knight Frank Spain Saudi  
Arabia Real Estate Valuations Company

This report has been reviewed, but not undertaken, by:



**Stephen Flanagan, MRICS**

**RICS Registered Valuer - Taqem No. 1220001936**

**Partner, Head of Valuation & Advisory, MENA**

For and on behalf of Knight Frank Spain Saudi  
Arabia Real Estate Valuations Company



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T+966 11 2890 700

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Knight Frank Spain Saudi Arabia Real Estate Valuations Company is a company registered in KSA with commercial registration number 1010564516



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Appendix 6	Andalus Mall Cash Flow
Appendix 7	Market research report

# Executive summary

*This Executive summary is a brief overview of our Valuation Report and must not be relied upon in isolation. It is intended to be read in conjunction with the whole report and is subject to any assumptions, caveats and comments stated within the body of this report.*

<b>Address</b>	<p>Al Andalus Mall, Old Airport, Al Fayha District, Jeddah, Kingdom of Saudi Arabia.</p> <p>GPS Coordinates: 21°30'25.7"N 39°13'04.7"E</p>
<b>Location</b>	<p>The property is located in the Al Fayhaa district of Jeddah in the Western Province of the Kingdom of Saudi Arabia (KSA). The property is located at the junction of Prince Majid Road (Highway 70) and King Abdullah Road (Highway 45), just south of a large roundabout / interchange. The site is bounded by the districts of Al Worood and Al Naseem to the north of the subject and Jeddah Gate to the west. Prince Majid Road is one of the major north – south arterial highways linking the north of Jeddah and the international airport with the south of Jeddah.</p> <p>The King Abdulaziz International Airport is located some 18 km to the north, with a driving time of 30-40 minutes depending on traffic conditions. Jeddah Islamic Port is located some 6 km to the west of the subject.</p>
<b>Description</b>	<p>The property comprises a large retail shopping mall known as Al Andalus Mall, It is a well-established super-regional mall which has over 3,000 car parking spaces and is anchored by Hyper Panda. Built over two principal shopping floors, the main anchor tenant is located on the First Floor level, underneath which is substantial covered parking below at ground level. The mall has a number of entrances on both sides of the mall allowing effective pedestrian circulation.</p> <p>The mall is currently undergoing an expansion project on the mall's front side, which will introduce lifestyle retail and provide additional parking spaces to the mall. We have been informed by the client, that the mall extension will be developed into F&amp;B outlets and leased for an average size of 310 sq m per unit. The mall extension will be arranged over ground, first, and mezzanine floors. Upon completion, the expansion will provide additional 15,822 sq m of gross leasable area to the mall.</p> <p>The mall expansion also comprise a 3-storey parking building with c. 1502 parking spaces which appeared to be completed during our inspection.</p>
<b>Tenure</b>	Freehold.
<b>Tenancies and Occupancy</b>	As at the valuation date, Al Andalus Mall is 92% occupied based on GLA. The lease terms generally range in length from 1 year to 15 years, with the majority of leases being 1-3 years in length. The exceptions to the above include the lease for the Hyper Panda supermarket which has a 20-year lease term.

### Valuation Key Assumptions - Al Andalus Mall

Item	Unit	Assumption
Passing Rent	SAR per annum	125,681,200
Market Rent	SAR per annum	137,700,879
Operating Costs	SAR per annum	25,690,796
Sinking Fund	% of Total Revenue	1.00%
Bad Debts	% of Total Revenue	1.00%
Structural Vacancy	%	5%
Stabilised Occupancy	%	95%
Exit Yield	%	8.75%
Growth	%	2.50%
Discount Rate	%	11.25%
<b>Rounded</b>	<b>SAR</b>	<b>1,161,070,000</b>

### Valuation Key Assumptions

- We have assessed the Market Value of the Shopping Mall using a discounted cash flow approach, where we have had regards to the current and potential future income. Given that the leases are for various different terms, there is some income that is contracted well into the future and secure, and there are also a number of leases which are short and therefore less secure (i.e. terms of 1 year being common for certain units). Where income is contracted for the next few years, we have reflected that contracted income in our cash flow along with fixed rental increases. Upon lease expiry we have assumed they revert to Market Rent.
- We have adopted a rental growth and expense inflation rate of 2.50% in our cash flow, in line with the long term standing average for the Kingdom.
- The current mall occupancy is 92%, this is aligned with the occupancy of other malls in the competitive set as detailed in the report. Having regard to future supply and the age of the mall, we have assumed a structural occupancy level of 95% (stabilised).
- Few malls of this size openly transact and we feel this offers a good option, being well let, firmly anchored and with a diverse offering of F&B and leisure to attract families. Ongoing works are to enhance the food court and entertainment offering further.
- Due to the large lot size of the asset, the able pool of buyers for an asset of this type and size is limited, typically to sovereigns, large funds or big development companies. The large lot size limits the buyer pool, when considered against smaller assets that have a wider potential buyer base. Few malls of this size openly

	transact and we feel this offers a good option, being pitched at the mid income bracket, which is the demographic of the local area.																																							
<b>Valuation Assumptions</b>	<p>When valuing the mall expansion, we have incorporated the GDV of the mall expansion in our residual model, where we have modelled our assumption of the market rent on a 10-year discounted cash flow and have allowed for deductions for expenses and other allowances such as sinking fund and bad debt.</p> <table><tr><th></th><th>Item</th><th>Unit</th><th>Assumption</th></tr><tr><td rowspan="7"><b>Cost Assumptions</b></td><td>GLA (sq m)</td><td>Sq m</td><td>15,822</td></tr><tr><td>Construction period</td><td>Months</td><td>12</td></tr><tr><td>Remaining Construction Period</td><td>Months</td><td>11</td></tr><tr><td>Total Construction Costs</td><td>SAR</td><td>75,066,396</td></tr><tr><td>Paid Construction Costs</td><td>SAR</td><td>3,002,656</td></tr><tr><td>Remaining Construction Costs</td><td>SAR</td><td>72,063,740</td></tr><tr><td><b>Revenue Assumptions</b></td><td>Commencement of Leasing Activities</td><td>Starts on Month</td><td>11</td></tr><tr><td></td><td>GDV</td><td>SAR</td><td>337,100,000</td></tr><tr><td><b>Development Discount Rate</b></td><td colspan="3">13.25%</td></tr><tr><td><b>NPV</b></td><td colspan="3"><b>229,815,000</b></td></tr></table> <p>Details on our valuation assumptions on the mall expansion are provided in later sections within the report.</p>		Item	Unit	Assumption	<b>Cost Assumptions</b>	GLA (sq m)	Sq m	15,822	Construction period	Months	12	Remaining Construction Period	Months	11	Total Construction Costs	SAR	75,066,396	Paid Construction Costs	SAR	3,002,656	Remaining Construction Costs	SAR	72,063,740	<b>Revenue Assumptions</b>	Commencement of Leasing Activities	Starts on Month	11		GDV	SAR	337,100,000	<b>Development Discount Rate</b>	13.25%			<b>NPV</b>	<b>229,815,000</b>		
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<b>Valuation date</b>	31 December 2022																																							
<b>Market Value (aggregate)</b>	<p>We are of the opinion that the (aggregate) Market Value of the properties subject to the caveats and assumptions detailed herein as at the valuation date is:</p> <p style="text-align: center;"><b>SAR 1,390,885,000</b></p> <p style="text-align: center;"><b>(One Billion, Three Hundred and Ninety Million, Eight Hundred and Eighty Five Thousand Saudi Arabian Riyals)</b></p>																																							
<b>Market Value Analysis</b>	<p>Split on values between the two component parts is as follows:</p> <ul style="list-style-type: none"><li>Al Andalus Mall – SAR 1,161,070,000 (One Billion, One Hundred and Sixty One Million, and Seventy Thousand Saudi Arabian Riyals)</li><li>Al Andalus Mall Expansion – SAR 229,815,000 (Two Hundred and Twenty Nine Million, Eight Hundred and Fifteen Thousand Saudi Arabian Riyals)</li></ul>																																							

# 1. Terms of engagement

## Engagement of Knight Frank Spain Saudi Arabia Real Estate Valuations Company

- 1.1 This valuation report (the “Valuation”) has been prepared in accordance with our Terms of Engagement letter and our General Terms of Business for Valuation Services (together the “Agreement”). A copy of this document is attached at Appendix 1 (along with your original instruction for reference purposes).

### Client

- 1.2 We have been instructed to prepare the Valuation by SNB Capital (the “Client”), as manager on behalf of Al-Ahli REIT Fund, a real estate investment traded fund in the Saudi Stock Exchange (Tadawul).

### Valuation standards

- 1.3 This valuation has been undertaken in accordance with the current editions of RICS Valuation - Global Standards, which incorporate the International Valuation Standards (the “Red Book”) and Taaqem Standards. As required by the Red Book / IVS, some key matters relating to this instruction are set out below.

## Independence and expertise

### Disclosure of any conflicts of interest

- 1.4 We have valued the property for the same client in 2017, 2018, 2019, 2020 and 2021. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.
- 1.5 This has been disclosed to you and you have given your consent to us proceeding with this instruction. We confirm that we are not aware of any undisclosed matter giving rise to a potential conflict of interest and that we are providing an objective and unbiased valuation.

### Valuer and expertise

- 1.6 The valuer, on behalf of Knight Frank Spain Saudi Arabia Real Estate Valuation Company with the responsibility for this report is Talal Raqaban MRICS, Partner, RICS Registered Valuer and Fellow member of Taaqem. Parts of this valuation have been undertaken by additional valuers as listed on our file.
- 1.7 We confirm that the valuer and additional valuers meet the requirements of the Red Book / IVS and Taaqem Regulations, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
- 1.8 We are appointed as your valuation advisors; our role is limited to providing property valuation services in accordance with the Red Book and the terms of this Agreement.
- 1.9 For the purposes of the Red Book / IVS, we are acting as External Valuers.
- 1.10 This report has been vetted as part of Knight Frank Spain Saudi Arabia Real Estate Valuation Company quality assurance procedures.

## Use of this Valuation

### Purpose of valuation

- 1.11 The client has confirmed that this valuation report is required for REIT reporting to the Saudi Capital Market Authority (CMA) for the semi-annual reporting of the market value (MV) in accordance with Taqueem regulations (the “Purpose”). This valuation has been prepared solely for the aforementioned purpose and may not be used for any other purpose without our express written consent.

### Reliance

- 1.12 This Valuation has been prepared for the Client only. No other person is entitled to rely on the Valuation for any purpose. We accept no liability to anyone for any improper or unauthorised reliance on this Valuation.

### Disclosure & publication

- 1.13 The Valuation has been prepared for the Client and in accordance with the Agreement which governs its purpose and use. As stated in the Agreement, this Valuation is confidential and must not be disclosed to any person other than the Client without our express written consent. Nor may the whole nor any part of this valuation nor any reference thereto may be included in any prospectus, listing particulars, published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.

## Limitations on liability

- 1.14 Knight Frank Spain Saudi Arabia Real Estate Valuation Company’s total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this Valuation is limited to the amount specified in our Terms of Engagement, a copy of which is attached. Knight Frank Spain Saudi Arabia Real Estate Valuation Company accepts no liability for any indirect or consequential loss or for loss of profits.
- 1.15 We confirm that we hold adequate and appropriate PII cover for this instruction.
- 1.16 No claim arising out of or in connection with this Valuation may be brought against any employee, director, member, partner or consultant of Knight Frank Spain Saudi Arabia Real Estate Valuation Company. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank Spain Saudi Arabia Real Estate Valuation Company.
- 1.17 Nothing in this Valuation shall exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

## Scope of work

- 1.18 In this report we have been provided with the following information by you, your advisors or other third parties and we have relied upon this information as being materially correct in all aspects.
- 1.19 In particular, we detail the following:
- Copy of the title deed

- Information relating to the extent of the property, produced by the client
- Information relating to the tenancy schedules, produced by the client
- Information relating to the operating costs, produced by the client.

1.20 In the absence of any documents or information provided, we have had to rely solely upon our own enquiries as outlined in this report. Any assumptions resulting from the lack of information are also set out in the relevant section of this report.

## Valuation Bases

1.21 In accordance with your instructions, we have provided our opinions of value on the following bases:

### **Market Value (MV)**

1.22 The Market Value of the freehold interest in the property, in its current physical condition, subject to the existing leases.

### **Market Rent (MR)**

1.23 The Market Rent of the property. Our letting assumptions are set out in the Valuation Section of this report.

## Valuation Date

1.24 The valuation date is 31 December 2022.



## 2. The Property

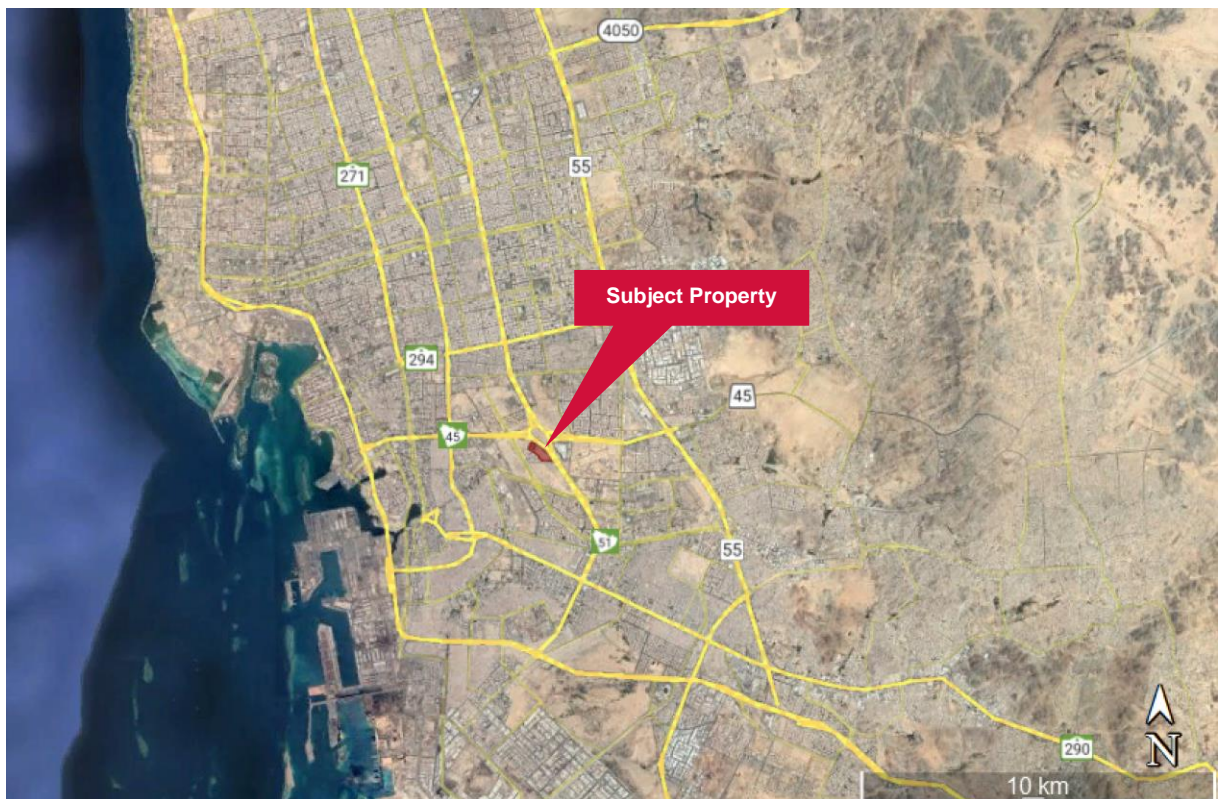
2.1 The property we have valued, including the inspection details, is as follows:

Property address	Inspected by	Inspection date
Al Andalus Mall, Old Airport, Al Fayhaa District, Jeddah, KSA	Ibrahim Alrashed & Fears Aldossari	21 December 2022

### Location

2.2 As can be seen from the map below, the property is located in the Al Fayhaa district of Jeddah in the Western Province of the Kingdom of Saudi Arabia. The property is located at the junction of Prince Majid Road (Highway 70) and King Abdullah Road (Highway 45), just south of King Abdulaziz roundabout. The site is bounded by the districts of Al Worood and Al Naseem to the north of the subject property and Jeddah New City / Jeddah Gate to the west. Prince Majid Road is one of the major north – south arterial highways linking the north of Jeddah and the international airport with the south of Jeddah.

2.3 The King Abdulaziz International Airport is located some 20 km to the north of the property, with a driving time of 30 – 40 minutes depending on traffic conditions. Jeddah Islamic Port is located some 6 km to the west of the property.



Source: Google Earth / Knight Frank Research

## Site

### Site area

- 2.4 We have been provided with a copy of the title deed, from which we understand that the mall and hotel have been developed over 159,133.96 sq m of land. The additional land being developed into a parking structure extends to 9,668.92 sq m.

### Site plan

- 2.5 The property is identified on the Google earth below, showing our understanding of the boundary outlined in red.



Source: Google Earth / Knight Frank Research

## Description

### Al Andalus Mall

- 2.6 The property comprises a super-regional retail shopping mall known as Al Andalus Mall. The mall opened in July 2007 and is therefore around 15 years old at the date of this report. A small extension was added to the mall and completed in 2016.
- 2.7 The mall is a well-established super-regional mall which has over 3,000 car parking spaces and is anchored by Hyper Panda supermarket. Built over two principal shopping floors, the main anchor tenant is located on the First Floor level, underneath which is substantial covered parking below at ground level. The mall has a number of entrances on both sides of the mall allowing effective pedestrian circulation.

- 2.8 The mall is built of traditional reinforced concrete construction, with the roof structure being of a series of steel framed sections with waterproof membrane over parts, with other parts (especially the roof of the Hyper Panda) being a flat concrete structure.
- 2.9 The mall is served by formal entrances to the front, rear and ends of the mall for pedestrians, with one gate being the focal point for entry of vehicles for display and larger attractions. Parking is provided to the rear, partly under the Hyper Panda and thus covered / shaded and to the front at grade.
- 2.10 An extension was added to the mall in 2016, this is now fully let and income producing

#### **Ground Floor**

- 2.11 The ground floor is accessed via 7 different “Gates” on each sides of the mall, strategically placed to access the mall from the car parks. There are numerous large kiosks arranged around the ground floor in the two main corridors running east / west along the length of the mall and also around the central atrium area as well as around the main gates to the mall. Gates 2 and 5 are the most centrally located gates to the mall, being located in the centre, from the front and rear respectively. We understand the mall management are trying to obtain consent to create two more entrances to the mall from the rear side.
- 2.12 The ground floor is effectively anchored with Centre Point at one end of the floor and other mini anchors including Riva, Kiabi, H&M, Mango and Paris Gallery arranged throughout the ground level.

#### **First Floor**

- 2.13 The first floor is anchored by Hyper Panda who take up a large proportion of the first floor GLA. The other major uses on the first floor include the Fun Zone and the Food Court.
- 2.14 Aside from Hyper Panda, the other anchors on the first floor level include Red Tag, Home Box and H&M. The Hyper Panda space extends out over the ground floor parking area, so the GLA of the first floor is much larger than that of the ground floor level.

#### **Other**

- 2.15 Other accommodation includes store rooms which are located to the rear perimeter of the car park and comprise a series of concrete storage rooms which are let to tenants for storage purposes.

#### **AI Andalus Mall Expansion**

- 2.16 The mall is currently undergoing an expansion project on the mall’s front side, which will introduce lifestyle retail and provide additional parking spaces to the mall. We have been informed by the client, that the mall extension will be developed to F&B outlets and leased for an average size of 310 sq m per unit. The mall extension will be arranged over ground, first, and mezzanine floors. Upon completion, the expansion will provide additional 15,822 sq m of gross leasable area to the mall.
- 2.17 The mall expansion will also comprise a 3-storey parking building with c. 1502 parking spaces which appeared to be near completion during our inspection. A copy of the site plan for the mall expansion is attached at appendix 5.



2.18 A selection of photos taken during our inspection is provided below:



## Accommodation

### Retail Mall

2.19 As agreed with the client, we have relied upon floor areas provided to us by the client. No further verification has been undertaken.

## Services

- 2.20 In accordance with the General Terms of Business, no tests have been undertaken on any of the services.
- 2.21 We have assumed for the purposes of this valuation that mains gas, water, electricity, drainage and telecommunications are all available to the subject property.

## Legal Title Deed – Overall Property

### Land ownership

- 2.22 We have been provided with copy of the property's (land) title deed, the details of which is presented in the following table:

Table 1: Title Deed Summary

Item	Description
Title Deed Number	320211029670
Date	23/10/1440 – 27/06/2019
Size	159,133.96 sq m
Owner	Al Akaria Development Company for Ownership and Management

Source: Client

- 2.23 A copy of the Title Deed can be found in Appendix 2.
- 2.24 These assumptions should be verified by your legal advisors. If they prove incorrect, any variation may have a material impact on value and should be referred back to us for further comment.
- 2.25 For the purposes of this valuation report we have assumed that the property is held on a freehold basis and is free from any encumbrances and third party interests.

### Covenants

- 2.26 We have assumed that the property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.
- 2.27 We reserve the right to amend our valuation accordingly in the event the above assumption is proven to be incorrect.

## Tenancies – Al Andalus Mall

### Tenancy information

- 2.28 We have not been provided with a sample of occupational leases. However, in 2017 valuation, we were provided with a sample of occupational lease documentation in Arabic, which we translated to identify the key points but have not verified them further.
- 2.29 The leases are in Arabic but include institutional terms with provision for the following:
- Landlord and Tenant are stated

- Lease fully dated and operating as per the Gregorian calendar
- Units / Demise is identified
- User clause is incorporated
- Term is stated
- Rents and payment terms for the rents are stated (2 payment per year)
- Provision are made for vacation of the store
- Tenants and obligations are set out
- Approvals to be made by the owner are set out
- Provisions are set out for contract termination
- First and second party rights are provided for
- Provision is made for store design and approvals required
- Provisions are made for subletting / assignment
- Provision are made for payment of repairs / maintenance charges

#### **Covenant information**

- 2.30 Although we reflect our general understanding of the status of the tenants, we are not qualified to advise you on their financial standing.

#### **Tenancy Schedules**

- 2.31 The client has provided us with the tenancy schedule for the property, which shows the unit breakdown of Al Andalus Mall, along with lease start and end dates, rent amount and scheduled rent uplifts. We provide a summary of this below.

Table 2: Occupancy Summary – Al Andalus Mall

Status	Percentage of area	GLA (sq m)	Total Passing rent (SAR pa)
Occupied	92%	83,368	125,681,200
Vacant	8%	7,019	-
Total	100%	90,387	125,681,200

Source: Client

#### **Summary**

- 2.32 The current rent passing as at the date of valuation is SAR 125,681,200 per annum. The property is currently 92% occupied.
- 2.33 The lease terms generally range in length from 1 year to 15 years, with the majority of leases being 1-3 years in length. The exceptions to the above include the lease for the Hyper Panda Supermarket, which has a 20 year lease term.

## **Condition – Overall Property**

#### **Scope of inspection**

- 2.34 As stated in the General Terms of Business attached, we have inspected the property. However, we have not undertaken a building or site survey of the property

- 2.35 During our limited inspection we did not inspect any inaccessible areas. We are unable to confirm whether the property is free from urgent or significant defects or items of disrepair.

#### **Comments**

- 2.36 At the date of inspection, the buildings appeared to be in a generally reasonable state of repair, commensurate with its age and use. No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme.

#### **Ground conditions**

- 2.37 We have not been provided with a copy of a ground condition report for the site. We have assumed that there are no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the buildings constructed thereon.

### **Environmental considerations**

#### **Contamination**

- 2.38 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Knight Frank is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

### **Planning**

#### **Sources of planning information**

- 2.39 We have been provided with a one page document that sets out the permission to build on the site, which is dated 26/2/04 and provides for a commercial centre licensed to build 2 floors, including parking, commercial content, ground and first floors and 220 commercial units. This is in Arabic and has been translated to provide details. (This is attached at Appendix 3).
- 2.40 We are not qualified to advise you if this fully covers the actual property which stands today – i.e. mall and hotel, and therefore your legal advisors need to verify that this is the case. For the purposes of our valuation, we have assumed that all necessary consents and licences are in place for the property as built.

### **Highways and access**

- 2.41 We have assumed that there are no current highway proposals in the immediate vicinity likely to have a detrimental effect upon the property within the foreseeable future.

#### **Access**

- 2.42 In reporting our opinion of value, we have assumed that there are no third party interests between the boundary of the subject property and the adopted highways and that accordingly the property has unfettered vehicular and pedestrian access.

- 2.43 We have assumed that there are no issues relating to visibility splays which may impact upon the use or proposed use of the property.

### **Statutory licences & certificates**

- 2.44 We have assumed in our valuation that all regulations, statutory licences & certificates have been complied with.

#### **Fire safety**

- 2.45 We have not viewed any documents relating to the fire safety within the property and have assumed for the purposes of our valuation that the relevant legal requirements have been fully complied with.



## 3. Market analysis

### Saudi Arabia Market Commentary





- 3.1 A copy of the KSA Macro Economic and Retail Market Overview, prepared by Knight Frank, is attached at Appendix 7.








#### Source of information

- 3.2 Our market analysis has been undertaken using market knowledge within Knight Frank, enquiries of other agents, searches of property databases, as appropriate and any information provided to us.

### Investment Overview – Retail

- 3.3 Below we document some of the transactions that have taken place in the retail sector in the past few years. The REITS have been the most active acquirers of retail real estate in the Kingdom in terms of retail malls. In addition, Arabian Centres listed their malls business on the Tadawul in early 2019, which was oversubscribed at the time, showing the appetite for investors exposure to this asset class.

Asset	Location	Acquisition Price SAR	NOI	Cap rate	Notes
	Al Makan Mall, Tabuk	219,417,197	17,820,000	8.12%	Acquired by Wabel REIT in 2018. 3 yrs old mall, 75 tenants, 97% occupancy, freehold title. Anchored by HyperPanda and H&M.
	Al Makan Mall, Dawadmi	166,820,000	21,390,000	12.82%	Acquired by Wabel REIT in 2018. 4 yrs old mall. 114 tenants, 97% occupancy, leasehold title. Anchored by HyperPanda and Centrepont.
	Al Makan Mall, Hafr Al Batin	470,206,000	42,800,000	9.10%	Acquired by Wabel REIT in 2018. 3 yr old mall, 171 tenants, 97.5% occupancy, freehold title. Anchored by Hyper Panda, Asateer, Home Centre.
	Al Makan Mall, Riyadh	232,560,000	19,920,000	8.57%	Acquired by Wabel REIT in 2018. 3 yr old mall, 63 tenants, 93% occupancy, freehold title. Anchored by Centrepont, Panda, H&M, City Max.

	Ahlan Court Centre	70,000,000	7,000,000	10%	Acquired by AlKhabeer REIT in 2019. Head lease in place for the entire asset at an annual rent of SAR 7m, which appears over rented. 9 showrooms and an office.
	Al Rashid Mall, Jizan	206,000,000	15,646,293	7.60%	Built in 2010, 3 storeys,
	Al Rashid Mall, Abha	372,000,000	34,583,966	15.49%	Acquired by Bonyan REIT, initial SAR 233 m plus SAR 148 m payable upon 90% occupancy, total SAR 372m. 20 year leasehold title, newly built in 2017/2018.
	Al Rashid Mega Mall, Madinah	505,500,000	32,824,933	6.49%	Acquired by Bonyan REIT, built in 2009, freehold title, 4 storeys.
	Al Andalus Mall, Jeddah	1,147,279,000	92,396,115	8.05%	Acquired by Al Ahli REIT in 2017, 10 year old+ mall, central location, occupancy 95%, anchored by HyperPanda, freehold title. Connected to Staybridge Suites.
	Ajdan Walk, Khobar	345,000,000	25,000,000	7.25%	Acquired by Sedco REIT in 2018, newly constructed retail development on Khobar corniche, occupancy, anchored by Cheesecake Factory and other Al Shaya brands. Freehold title, headlease to Al Fozan / Al Oula for 5 years.
	Boulevard Riyadh	320,000,000	29,300,000	9.16%	Acquired by Jadwa REIT Saudi in 2021, well constructed retail development on Prince Turki Al Awal Road, 97% occupancy, anchored by Sultan's Steakhouse, Kyokusen sushi boutique, Papillon and Arena Fitness Innovation.

**Yield Conclusions**

- 3.4 We consider that the mall, the asset is a large lot size, with a relatively limited number of potential purchasers. The key positive factors associated with the asset include high occupancy, well established mall with excellent parking, a tenant mix that is very in line with the surrounding catchment income profile and a strong anchor supermarket in the form of Hyper Panda. It has a good mix of mini anchors and smaller line shops and some franchisees that underwrite large portions of the income.
- 3.5 We conclude that a terminal cap rate of 8.50 to 9.0% would be reasonable for the subject mall given its size, age and income profile.

## 4. Valuation

### Methodology

- 4.1 Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.

#### **Investment Method – Al Andalus Mall**

- 4.2 Our valuation has been carried out using the comparative and investment methods. In undertaking our valuation of the mall property, we have made our assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, terms, covenant and other material factors.
- 4.3 We have undertaken the valuation of the mall via a discounted cash flow approach, whereby we can reflect current and potential future revenues and costs explicitly. We have applied rental growth, occupancy percentages, and operating expenses in our cash flow based on our discussions with the client.

#### **Residual Method – Al Andalus Mall Expansion**

- 4.4 The subject to valuation asset is a project, which is currently under development. The adopted valuation approach is the residual approach, via a discounted cash flow methodology, where the output is a Net Present Value (NPV), which equates to the Market Value of the project as it stands at the date of the valuation.
- 4.5 Through the residual method of valuation we have assessed the Market Value of the project once various inputs such as the end product; construction costs and development phasing have been assumed. Firstly, we have calculated the GDV (often referred to as the “Gross Development Value”) using the comparative and investment method (cash flow), which involves comparison of the subject scheme with sales and/or lease evidence from other comparable schemes and other sales/leases within the local market and making adjustments using our professional judgement.
- 4.6 Gross Development Value is the value of the scheme as if complete and operating at the valuation date. RICS Valuation – Professional Standards refer to a valuation on this basis as being the Market Value on the special assumption that “a building or other proposed development has been completed in accordance with a defined plan and specification”. This is colloquially known as the Gross Development Value (GDV).
- 4.7 Gross Development Value (GDV) is defined by Knight Frank as the aggregate Market Value(s) for the proposed scheme at the property, on the special assumption that the proposed scheme has obtained all necessary permissions and been fully completed and operating.
- 4.8 The GDV of the development components upon completion have been assessed based on the Investment and Comparative methods (described above).

## Benchmarking – Al Andalus Mall

4.9 In forming our opinion of the Market Rent for the Shopping Mall, we have sourced key performance metrics of super-regional and regional malls in Jeddah, to understand how the below malls perform in relation to the subject, and what they offer as competition.

Table 3: Mall Comparable Evidence

Benchmark	Total NLA (sq. m)	Opening	Grade*	Owner/agent	Lease Rate (SAR / sq m / annum)	Occupancy
Hera'a International Mall	52,000	1982	Regional Mall	SKAB Group	2,100	85%
Aziz Mall	70,954	2005	Regional Mall	Arabian Centers Real Estate	2,680	96%
Roshan Mall	36,305	2006	Regional Mall	Kinan International for Real Estate Development Co.	2,150	91%
Haifaa Mall	32,111	2013	Regional Mall	Arabian Centers Real Estate	2,487	79%
Mall of Arabia	102,097	2008	Super-Regional Mall	Arabian Centers Real Estate	3,600	96%
Red Sea Mall	144,707	2008	Super-Regional Mall	SEDCO Development	3,150	93%
Al Salaam Mall	111,914	2012	Super-Regional Mall	Arabian Centers Real Estate	2,300	88%
Yasmeen Mall	58,311	2016	Regional Mall	Arabian Centers Real Estate	2,680	93%

Source: Knight Frank Research

4.10 The comparable set of shopping malls above, show occupancy ranging between 79% to 96% and a total net leasable area ranging between 32,111 sq m to 144,707 sq m.

## Valuation Assumptions – Al Andalus Mall

4.11 We have assessed the Market Value of the Shopping Mall using a discounted cash flow approach, where we have had regards to the current and potential future income. Given that the leases are for various different terms, there is some income that is contracted well into the future and secure, and there are also a number of leases which are short and therefore less secure (i.e. terms of 1 year being common for certain units). Where income is contracted for the next few years, we have reflected that contracted income in our cash flow along with fixed rental increases. Upon lease expiry we have assumed they revert to Market Rent.

### Inflation

4.12 We have adopted a rental growth and expense inflation rate of 2.50% in our cash flow, in line with the long term standing average for the Kingdom.

### Occupancy

4.13 The current mall occupancy is 92%, this is aligned with the occupancy of other malls in the competitive set above. Having regard to future supply and the age of the mall, we have assumed a stabilised occupancy level of 95%, allowing for a 5% structural vacancy.

- 4.14 Based on recent lettings and our analysis from benchmarking other malls, we have derived the following gross Estimated Rental Value for Al Andalus Mall components as follows:

Table 4: Al Andalus Mall Estimated Rental Values

Item	Ground Floor (SAR per sq m)	First Floor (SAR per sq m / unit)
0 to 49	3,670	2,735
50 to 100	2,440	2,275
101 to 150	2,310	2,020
151 to 250	1,960	1,910
251 to 500	1,540	1,565
501+	1,200	665
Food Court	-	2,640
GF Kiosk	152,190	-
FF Kiosk		96,810
Cinema	-	1,100
ATM	-	78,570
Supermarket	-	520
Warehouse	-	840
Advertisement	-	5,500,000

- 4.15 The above are the adopted market rents having regard to the recent deals achieved in the mall.

#### Operating Expenses

- 4.16 We have been provided with the breakdown of the operating costs for the property by the Client which amounts to SAR 25,690,796 per annum. This have been adopted in our valuation.

- 4.17 A summary of our valuation assumptions is provided in the table below:

Table 5: Valuation Summary

Item	Unit	Assumption
Passing Rent	SAR per annum	125,681,200
Market Rent	SAR per annum	137,700,879

Item	Unit	Assumption
Operating Costs	SAR per annum	25,690,796
Sinking Fund	% of Total Revenue	1.00%
Bad Debts	% of Total Revenue	1.00%
Structural Vacancy	%	5%
Stabilised Occupancy	%	95%
Exit Yield	%	8.75%
Growth	%	2.50%
Discount Rate	%	11.25%
Market Value	SAR	1,161,065,251
<b>Rounded</b>	<b>SAR</b>	<b>1,161,070,000</b>

## Benchmarking – Mall Expansion

4.18 In order to form our opinion of the lease rates for the mall expansion, we have benchmarked the property against lifestyle centers within the surrounding area of the property. We have considered the asking lease rates per sq m per annum for F&B units within the benchmarks and have made the necessary adjustments for location, access, specification, and quality.

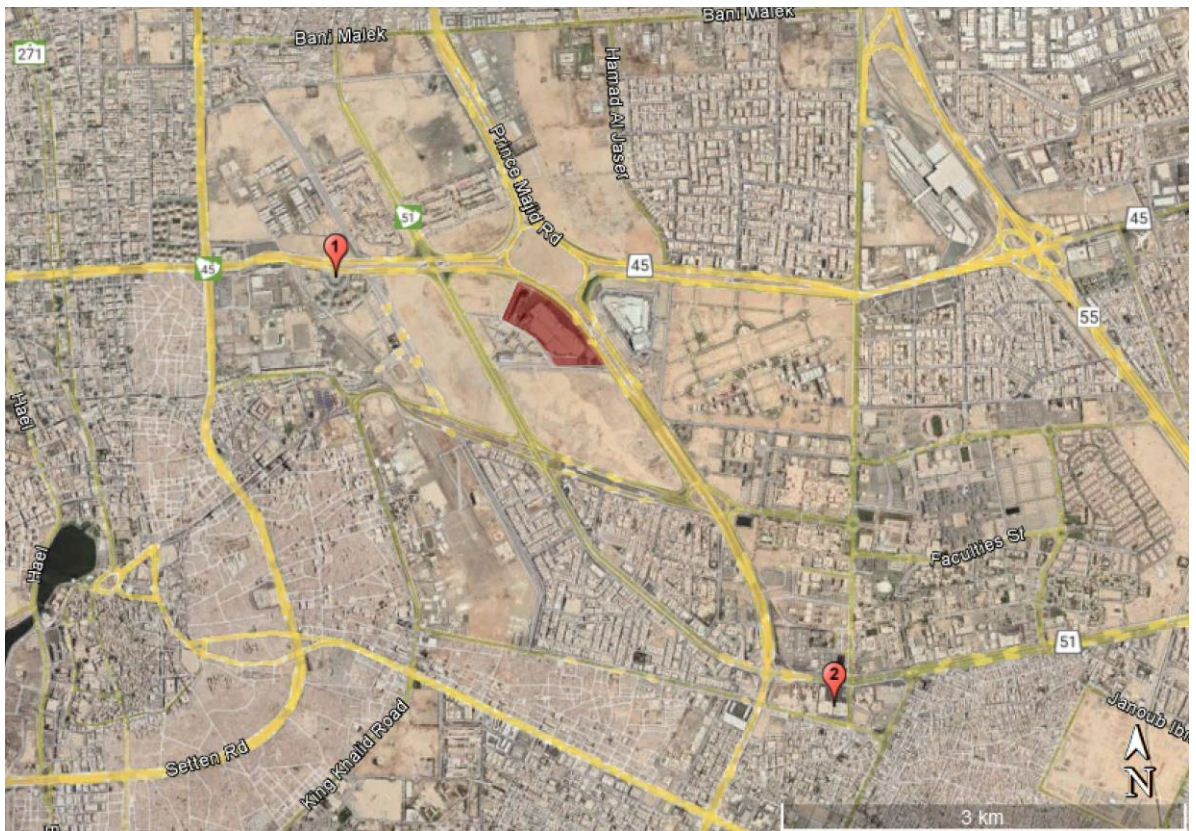
4.19 We provide a summary of our comparable evidence in the table and corresponding map below:

Table 6: Comparable Evidence – Lifestyle Centers

Ref.	Benchmark	Opening	Unit Size (sq m)	Total GLA (sq m)	Occupancy	Lease rate (SAR per sq m pa)	Service Charge
1	Town Square	2020	150 – 200	27,197	99%	2,000	10%
2	Jeddah Gate	2019	150 – 200	3,589	92%	1,800 – 2,200	10%

Source: Knight Frank Research





Source: Google Earth

### Comparables Commentary

- 4.20 The benchmarks noted above have been included as a result of their location, quality, and positioning. These benchmarks form the foundation of our analysis of the mall expansion expected performance in terms of lease rates, absorption, and occupancy.
- 4.21 In forming our opinion of lease rates for the mall expansion, we have had regards to the lease rates of the F&B units within the benchmarks. As shown in the table above, F&B units are currently being leased at quoted rents of SAR 1,800 to SAR 2,200 per sq m per annum.
- 4.22 Town Square is a newly developed outdoor lifestyle center located west of the intersection of Abdullah Sulayman Street and Haramain Road. Town Square offers various type of units to let to cater to different tenant requirements, such as anchor stores, retail, and F&B. Units in Town Square vary in size between 150 sq m to 200 sq m. We consider the subjecto command a premium against Town Square due to better location and accessibility, with it being located on prince Majid Road. We have assumed that the subject will be developed in similar standards to town square, hence we have not made any adjustments for specification.
- 4.23 Jeddah Gate is located on King Abdullah Road in Al Fayha district, it comprises of three office buildings, residential buildings, and a ground level retail plaza with a wide range of F&B units. We consider the subject property to command a premium against Jeddah Gate for location, accessibility, and specification.



- 4.24 Our professional judgement, derived from the above benchmarks, and subject to adjustments for premiums and discounts we have arrived at an adopted lease rate of SAR 2,145 per sq m per annum. We have assumed a 10% service charge to be applied on top of the annual rent, in line with the benchmarks.

## Valuation Assumptions – Mall Expansion

### Investment Method

- 4.25 We understand that the mall is currently undergoing an expansion project which will introduce lifestyle retail and additional parking spaces. The lifestyle component is to be developed to F&B standards and leased for an average size of 310 sq m per unit, which have been taken into consideration when valuing the property.
- 4.26 In forming our opinion of Market Rent for the mall expansion, we have had regard to the quoted lease rates of lifestyle retail located in close proximity to the subject property. We have been informed by the client, that units of the mall expansion are to be developed and leased for F&B tenants. Therefore, we have relied on lease rates of F&B within the benchmarks and reflected the necessary adjustments.
- 4.27 When valuing the mall expansion, we have incorporated the GDV of the mall expansion in our residual model, where we have modelled our assumption of the market rent on a 10 year discounted cash flow and have allowed for deductions for expenses and other allowances such as sinking fund and bad debt. Our estimated rental value for the mall expansion is SAR 37,332,009 per annum.
- 4.28 We have not been provided by the operating costs budget for the project. We have therefore assumed that the operating cost for the project is SAR 150 per sq m of gross leasable area. We have also allowed for deductions for sinking fund provision and bad debt on the total effective revenue.
- 4.29 Based on our professional experience and previous engagements, we have allowed for a lease up period of three years, followed by stabilised occupancy of 85% on the fourth year.
- 4.30 We have assumed a 2.50% annual inflation on revenues and costs in our cash flow, and have adopted 8.75% exit yield and 11.25% discount rate.
- 4.31 We provide a summary of our key valuation assumptions adopted in the investment method in the table below:

Table 7: Valuation Summary – Investment Method

Item	Unit	Assumption
Gross Leasable Area (GLA)	Sq m	15,822
Market Rent (at 100% occupancy)	SAR per annum	37,332,009
Market Rent (inclusive of service charge)	SAR per sq m per per annum	2,360
Operating Cost	SAR per sq m	150
Stabilised Occupancy	%	85%
Service Charge	%	10%
Bad Debt	%	1%
Sinking Fund	%	1%
Capitalization Rate	%	8.75%
Operational Discount Rate	%	11.25%

Item	Unit	Assumption
Growth Rate	%	2.50%
<b>GDV</b>	<b>SAR</b>	<b>337,100,000</b>

#### Residual Method – Vertical Development

- 4.32 In forming our opinion of value, we have relied on information provided to us by the client. If any of the assumptions upon which the valuation is based on have subsequently changed, then the figures presented in this report may also need revision and should be referred back to the valuer.
- 4.33 As per information provided by the client, it is noted that the construction of the mall expansion has started in November 2022 and is expected to be completed by November 2023.
- 4.34 We note that valuation of the mall extension on the vertical development utilises the residual method of valuation, which is sensitive to multiple inputs, including the phasing strategy. We have been provided with a generic phasing strategy of the subject, where information provided on the total area to be developed and construction costs for each phase are insufficient. Therefore, we have assumed that the entire site is developed in one go over a period of 12 months from November 2022 until November 2023.
- 4.35 We have been provided with the gross leasable area of the mall expansion, which equates to 15,822 sq m.
- 4.36 In forming our opinion of value, we have relied on the total construction costs provided by the client, which is SAR 75,066,396 – this is inclusive of consultancy and utilities fees, as well as 15% contingency. We have not accounted for inflation on construction costs and have only relied upon costs provided by the client.
- 4.37 We have only reflected the remaining construction costs of SAR 72,063,740 and the remaining construction period of 11 months, in our cash flows,
- 4.38 Leasing activities are assumed to commence after the development is completed on month 14.
- 4.39 A development discount rate of 13.25% has been adopted. Our discount rate takes into account the capex required as well as the perceived risk profile of the property.
- 4.40 We provide a summary of our valuation in the table below:

Table 8: Mall Expansion Valuation Summary – Vertical Development

	Item	Unit	Assumption
<b>Cost Assumptions</b>	GLA	Sq m	15,822
	Construction period	Months	12
	Remaining Construction Period	Months	11
	Total Construction Costs	SAR	75,066,396
	Paid Construction Costs	SAR	3,002,656
	Remaining Construction Costs	SAR	72,063,740
<b>Revenue Assumptions</b>	Commencement of Leasing Activities	Starts on Month	11
	GDV	SAR	337,100,000
<b>Development Discount Rate</b>			13.25%
<b>NPV</b>			<b>229,815,000</b>

## Valuation bases

### Market Value

4.41 Market Value is defined within **RICS Valuation - Global Standards / IVS** as:

*“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

### Market Rent

4.42 Market Rent is defined in **RICS Valuation – Professional Standards** as:

*“The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

## Valuation date

### Valuation date

4.43 The valuation date is 31 December 2022.

## Market Value

### Assumptions

4.44 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Terms of Engagement Letter and within this report.

### Key Assumptions

4.45 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to the following assumptions which are particularly important / relevant:

- Knight Frank have not measured the property and have relied upon the client provided areas for all elements.

### Market Value (Aggregate)

4.46 We are of the opinion that the Market Value of the freehold interest in the entire properties, subject to the existing leases at the valuation date is:

**SAR 1,390,885,000**

**(One Billion, Three Hundred and Ninety Million, Eight Hundred and Eighty Five Thousand Saudi Arabian Riyals)**

4.47 The split between the components is as follows:

**Market Value (Al Andalus Mall)**

4.48 We are of the opinion that the Market Value of the freehold interest in the mall, subject to the existing leases, at the valuation date is:

**SAR 1,161,070,000**

**(One Billion, One Hundred and Sixty One Million, Seventy Thousand Saudi Arabian Riyals)**

**Market Value (Al Andalus Mall Expansion)**

4.49 We are of the opinion that the Market Value of the freehold interest in the mall expansion, subject to the assumptions and caveats detailed herein, at the valuation date is:

**SAR 229,815,000**

**(Two Hundred and Twenty Nine Million, Eight Hundred and Fifteen Thousand Saudi Arabian Riyals)**

## 5. Risk analysis

### General comments

- 5.1 In this section of our report we summarise the property related risks which we have identified as part of our valuation report and which we consider should be drawn to your attention. This summary should not be taken to be exhaustive and must be considered in conjunction with the remainder of the report. Nothing in this section should be construed as being a recommendation of taking any particular course of action.

### Risks relating to the property

#### Location

- 5.2 This location is very central and is at the intersection of two major highways, by a large interchange, therefore is very accessible from all directions generally. The only downside is the fact that there is another super regional mall located across the interchange from this one – Al Salaam Mall.
- 5.3 The property is located within an area which we expect to be subject to further growth and development in the short to medium term, as there is substantial vacant land around both this and Salaam Mall, some of which is already master planned for residential development, and long terms this will enhance the immediate catchment and potential customers for the mall.

#### Condition

- 5.4 The mall is relatively dated and older than many of its competition. Although it is well maintained, there does need to be an effective planned preventative maintenance programme in place in order to uphold the value of the asset over the long term. The mall is at the stage where certain items such as A/C plant need to be gradually replaced on phased basis, and whilst this would be the case for any mall, the age of the subject means that these expenses are arriving more quickly than a newer property.

### Income Risks

#### Leases

- 5.5 The major anchor Hyper Panda has a lease that has 5 years unexpired, and some of the mini anchors are on 5-8 year leases, however the majority of the leases in the mall range in length from 1 to 3 years, therefore the income is relatively short. As new supply enters the market, there is a risk that if the mall is not well maintained and managed to the standard required by tenants, they may see better opportunities in newer facilities going forward, which could impact occupancy.

### Economic & property market risks

#### Demand from occupiers

- 5.6 Based on the fact that the mall is at 92% occupancy which is aligned with its peers, this suggests there is still a good level of demand from the type of tenant that would be attracted to this mall and it's positioning in the retail market.

**Supply of similar properties**

- 5.7 One of the key malls to note is Al Salam Mall, located opposite the property. Like the property this is a super-regional mall, but is it slightly larger as it extends to 121,113 sq m. The risk of tenants moving to Salam Mall may be a possibility, however it is worth mentioning that Al Salam Mall has occupancy above 88% therefore the space available would be limited. Nonetheless the property was built in 2007 and has shown strong performance in terms of retaining tenants, rental growth and has high occupancy.

**Investor**

- 5.8 Malls in the GCC are generally owned by the large family groups, e.g. Al Hokair, Majid Al Futtain, Al Futtain Group etc. Investors often have difficulty obtaining good exposure to the retail sector due to the barriers to entry – for example, Emaar Malls IPO gave investors this opportunity, but if malls are held in private company, this does not allow investors much exposure. We consider there is suitable appetite and strong investor demand for a well-managed, well-let mall in a good location in a major city given the demographics and young population.

**Liquidity of the property type / Time to sell**

- 5.9 The lot size of the subject is considerable. This means that there are only a limited number of investors that would be able to / have the capacity to acquire such as asset. Many funds would find that its size would not fit in with portfolio weightings and asset allocations, therefore the potential buyers would tend to be sovereign or government related entities, other REITS which means the number of potential purchasers could be slightly limited.

# Appendix 1 Instruction documentation



**AlAhli REIT Fund (1)**  
Riyadh  
Kingdom of Saudi Arabia

For the attention of Danial Mahfooz

Our Ref: SNB Capital

11 July 2022

Dear Sirs

## **Terms of Engagement for Valuation Services for the properties listed in section 2**

Thank you for your enquiry of 07 June 2022 requesting a valuation report in respect of the properties detailed below (the "Properties"). We are writing to set out our agreed terms of engagement for carrying out this instruction which comprise this Terms of Engagement letter (this "Letter") together with our General Terms of Business for Valuation Services (the "General Terms"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed by us in writing. To the extent that there is any inconsistency between this Letter and the General Terms, this Letter shall take precedence.

### **1. Client**

Our client for this instruction is AlAhli REIT Fund (1) (the "Client", "you", "your").

### **2. Properties to be valued**

The Properties to be valued are as follows:

Property Address	Tenure	Occupancy
Asset 1: Al Andalus Mall (including extension land) and Staybridge Suites Hotel Apartments, Jeddah, Kingdom of Saudi Arabia	Freehold	Tenanted - subject to more than one lease or tenancy
Asset 2: Qbic Building, King Abdulaziz Road Al Ghadeer District, Riyadh, Kingdom of Saudi Arabia	Freehold	Tenanted - subject to more than one lease or tenancy
Asset 3: Salama Building, Madinah Road Salamah District, Jeddah, Kingdom of Saudi Arabia	Freehold	Tenanted - subject to more than one lease or tenancy

### **3. Valuation standards**

The Valuation will be undertaken in accordance with the current editions of RICS Valuation - Global Standards, incorporating the International Valuation Standards, and the Taaqem regulations of KSA.

Building WH01-04 1St Floor Al Raidah Digital City  
T +966 5308 03297  
knightfrank.com.sa



#### **4. Status of valuer and disclosure of any conflicts of interest**

For the purposes of the Red Book, we are acting as External Valuers, as defined therein.

We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

We draw to your attention that if you subsequently request and we agree to the Valuation being re-addressed to a lender (for which we shall make an additional charge), the Valuation may not meet their requirements, having originally been requested by you. We will only readdress the Valuation once we have received a signed reliance letter in our standard format from the new addressee. Please note also that no update or alterations will be made to the Valuation prior to its release to any new addressee.

#### **5. Valuer and competence disclosure**

The valuer, on our behalf, with responsibility for the Valuation will be Stephen Flanagan MRICS, RICS Registered Valuer, Taqeen Fellow Valuer with Membership Number 1220001318 (the "Lead Valuer"). Parts of the Valuation may be undertaken by additional valuers within the firm.

We confirm that we meet the requirements of the Red Book in having sufficient current knowledge of the particular market and the skills and understanding to undertake the Valuation competently.

#### **6. Purpose of valuation**

The Valuation is provided solely for the purpose of REIT Year-end reporting (the "Purpose") and in accordance with clause 4.1 of our General Terms may not be used for any other purpose without our express written consent.

#### **7. Limitation of liability and restrictions on use**

Clause 3.1 of the General Terms limits our liability to SAR 1 million under this instruction.

Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

##### **Third party reliance**

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

##### **Disclosure**

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole, nor any part, of the Valuation nor any reference thereto may be included in any published document, circular or statement, nor published in any way, without our prior written consent and written approval of the form or context in which it may appear.

#### **8. Basis of valuation**

The Valuation will be undertaken on the following basis, as defined in the Red Book:

- Market Value.





## **9. Special assumptions and assumptions**

### **Special assumptions**

In addition to section 8 above, the Valuation will be undertaken on the following special assumptions:

- You have not requested any valuations on special assumptions.

### **Assumptions**

The Valuation will necessarily be based upon a number of assumptions, as set out in the General Terms, this Letter and within the Valuation.

## **10. Valuation date**

The valuation dates are 30 June 2022 and 31 December 2022.

## **11. Currency to be adopted**

The valuation figures will be reported in Saudi Riyals (SAR).

## **12. Extent of inspection and investigations**

We have agreed the following specific requirements in relation to the Valuation:

### **Inspection**

You have instructed us to inspect the Properties internally / by going onto the site, as well as externally.

## **13. Information to be relied upon**

We will rely on information provided to us by you or a third party and will assume it to be correct. This information will be relied upon by us in the Valuation, subject only to any verification that we have agreed to undertake.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.

Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Properties. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

## **14. Report format**

The Valuation will be prepared in our standard format which will be compliant with the Red Book and Taqueem and will take into account any reasonable requests made by you at the relevant time.

## **15. Fees and expenses**

### **Payment details**

Our fee for undertaking this instruction will be Saudi Riyals (SAR) [REDACTED] excluding VAT for each re-valuation, and reasonable disbursements divided into two payment, set out below.

**June 2022 revaluation:**



Advance Payment	
Final payment	

December 2022 revaluation:

Advance Payment	
Final payment	

Our timeframe for completion of draft reports shall be by 15 working days from receipt of the initial invoice payment and receipt of all information contained within Appendix 4. Where any additional work is undertaken by Knight Frank Spain Saudi Arabia Real Estate Valuations Company or the time period of the assignment is extended due to reasons outside our control, we reserve the right to seek additional fees charged on an as-incurred basis in agreement with the client.

Where we are unable to complete the report as a result on information not being made available by the Client we reserve the right to proceed with the billing of any outstanding fees.

In accordance with clause 10.4 of the General Terms, if you end this instruction at any stage, we will charge abortive fees on the basis of reasonable time and expenses incurred, with a minimum charge of 50% of the above fee if the Properties have been inspected.

Payment of our fee is required in advance. Before the Valuation is discussed or issued the invoice must have been settled.

The scope of our work is set out in the Agreement. In accordance with clause 10.5 of the General Terms, if we are instructed to carry out additional work that we consider either to be beyond the scope of providing the Valuation or to have been requested after we have finalised the Valuation (including, but not limited to, commenting on reports on title) we will charge additional fees for such work. We will endeavour to agree any additional fees with you prior to commencing the work, however, where this is not possible our hourly rates will apply.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the Lead Valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

## 16. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and/or refrain from discussing it with you until this Letter has been

Our Ref: SNB Capital

4

Yours faithfully



**Stephen Flanagan MRICS**  
Partner - Head of Valuation & Advisory, MENA,  
Valuation & Advisory, MENA  
For and on behalf of Knight Frank Spain Saudi Arabia  
Real Estate Valuations Company  
stephen.flanagan@me.knightfrank.com  
T +971 4 4267 617  
M +971 50 8133 402



Attached - General Terms of Business for Valuation Services

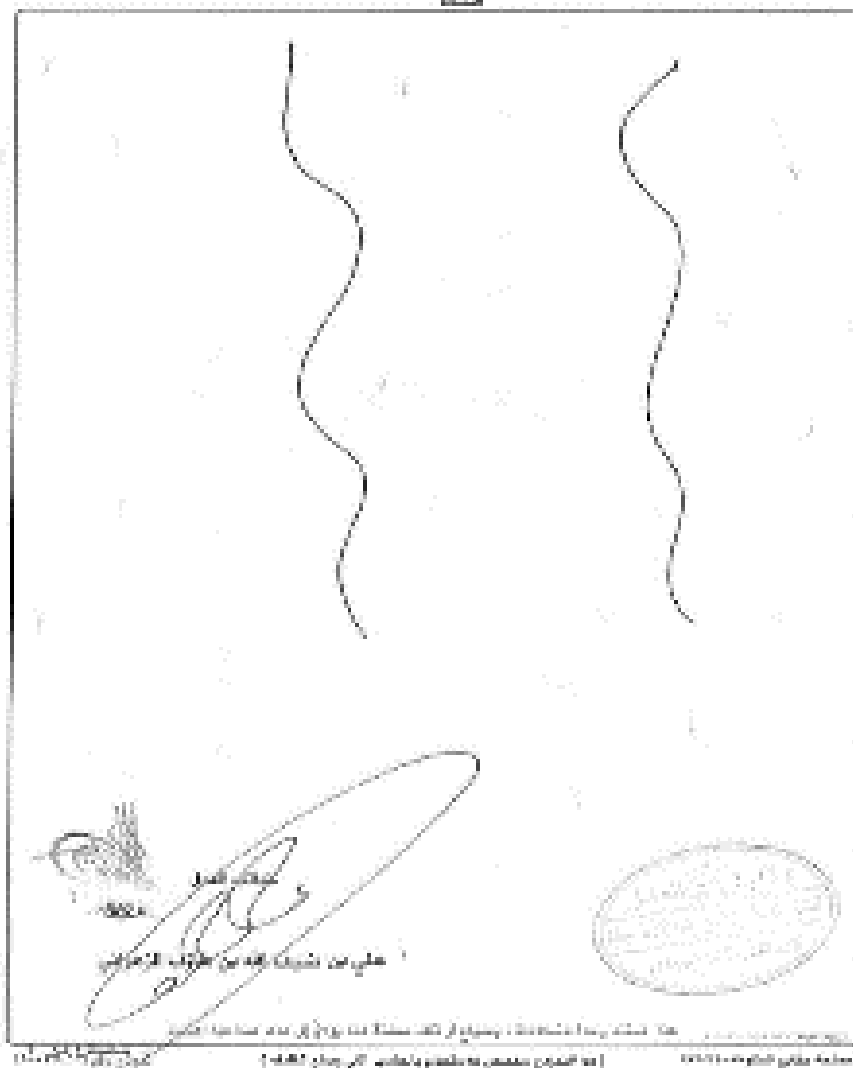


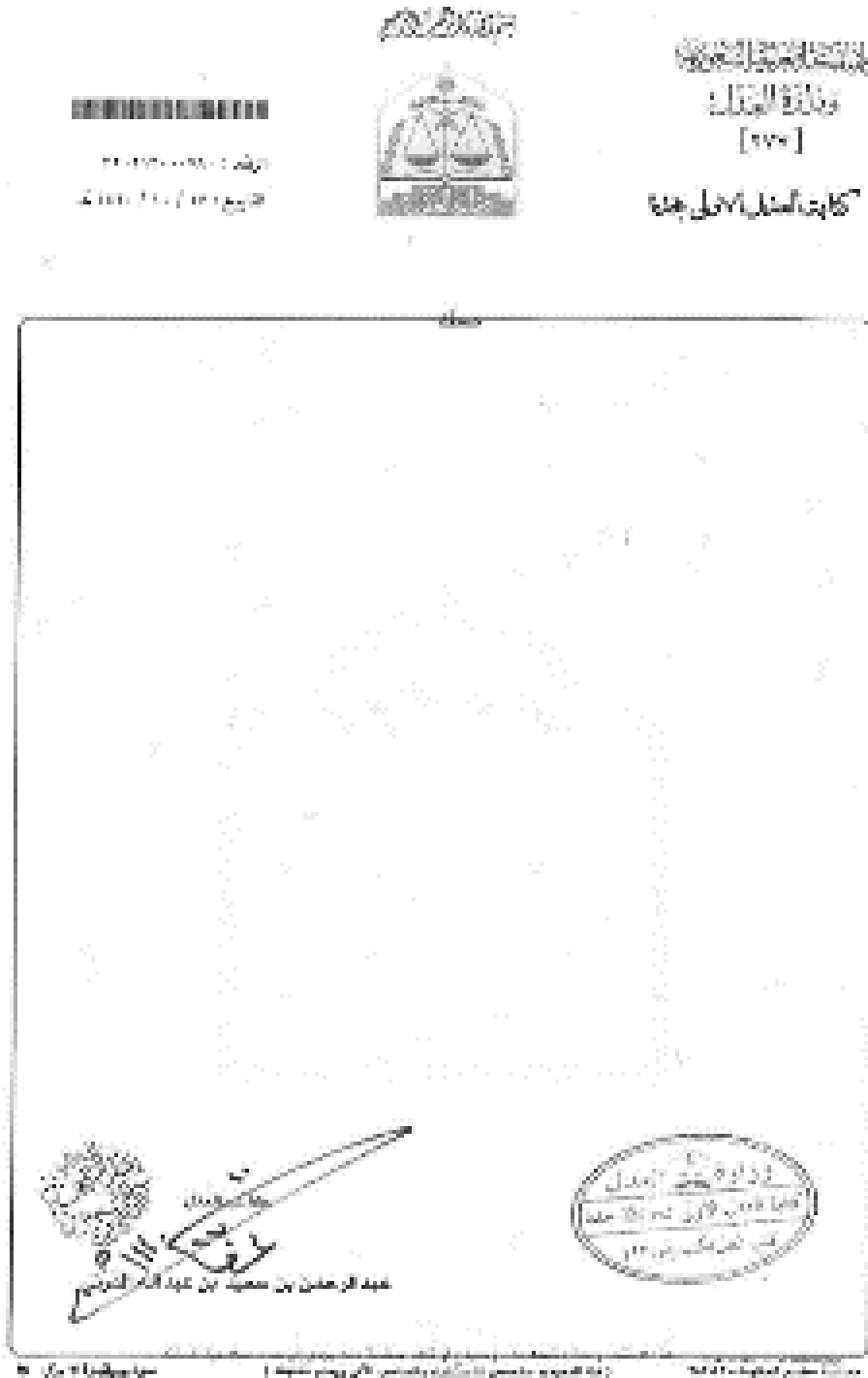
.....  
Signed for and on behalf of AIAhli REIT Fund (1)

.....  
Date

KF Ref: SNB Capital









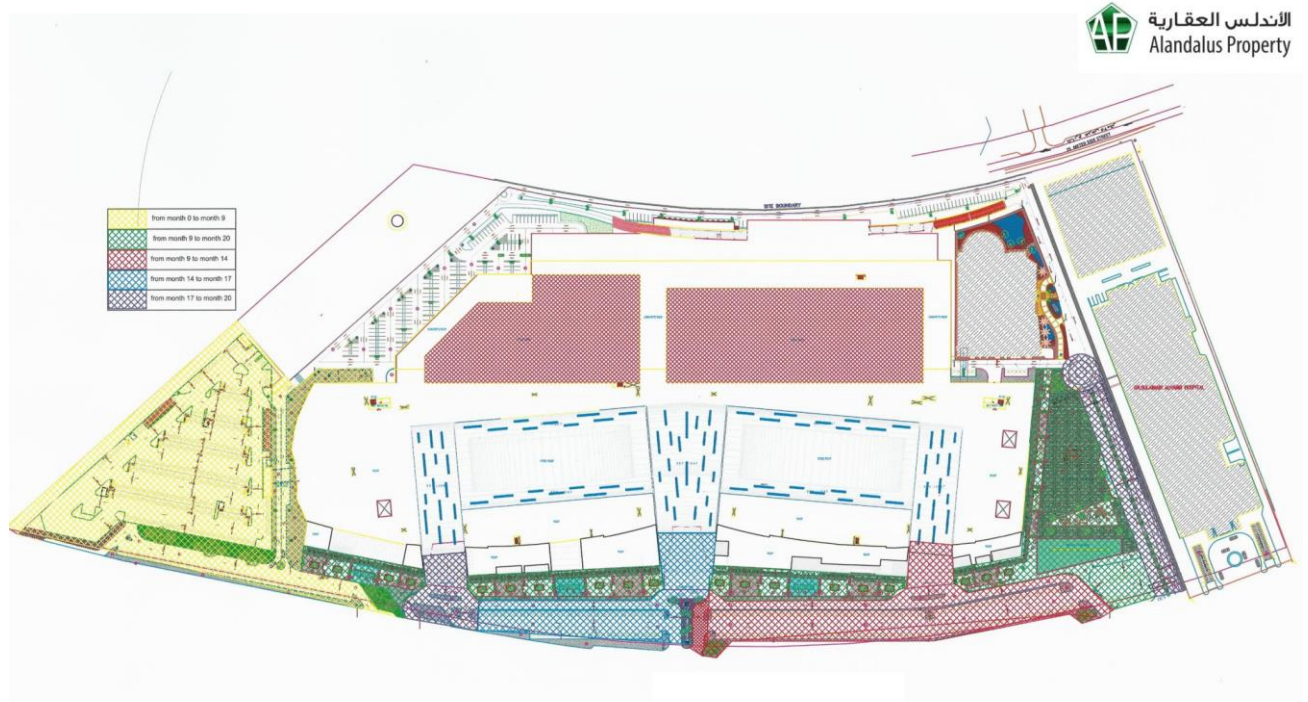


## Appendix 4 Floor Plans





## Appendix 5 Andalus Expansion Project



# Appendix 6 Andalus Mall Cash Flow

## Cash Flow Report

Al Andalus Mall (Amounts in SAR)  
Dec, 2022 through Nov, 2033  
27/12/2022 17:07:44

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
For the Years Ending	Year 1 Nov-2023	Year 2 Nov-2024	Year 3 Nov-2025	Year 4 Nov-2026	Year 5 Nov-2027	Year 6 Nov-2028	Year 7 Nov-2029	Year 8 Nov-2030	Year 9 Nov-2031	Year 10 Nov-2032	Year 11 Nov-2033	Total
<b>Rental Revenue</b>												
Headline Rent	127,730,996	130,174,252	138,763,377	142,547,166	147,323,193	153,297,668	157,032,837	160,800,340	164,662,031	168,620,509	172,677,454	1,663,629,824
Void Loss	-435,630	0	0	0	0	0	0	0	0	0	0	-435,630
Passing Rent	127,295,366	130,174,252	138,763,377	142,547,166	147,323,193	153,297,668	157,032,837	160,800,340	164,662,031	168,620,509	172,677,454	1,663,194,193
Total Rental Revenue	127,295,366	130,174,252	138,763,377	142,547,166	147,323,193	153,297,668	157,032,837	160,800,340	164,662,031	168,620,509	172,677,454	1,663,194,193
Total Tenant Revenue	127,295,366	130,174,252	138,763,377	142,547,166	147,323,193	153,297,668	157,032,837	160,800,340	164,662,031	168,620,509	172,677,454	1,663,194,193
<b>Other Revenue</b>												
Advertisement	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	1,833,333	0	0	0	40,333,333
Total Other Revenue	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	1,833,333	0	0	0	40,333,333
Potential Gross Revenue	132,795,366	135,674,252	144,263,377	148,047,166	152,823,193	158,797,668	162,532,837	162,633,673	164,662,031	168,620,509	172,677,454	1,703,527,527
<b>Vacancy &amp; Credit Loss</b>												
Vacancy Allowance	-6,212,469	-6,753,752	-7,196,356	-7,391,881	-7,616,878	-7,927,452	-8,114,543	-8,119,283	-8,220,390	-8,417,995	-8,620,518	-84,591,516
Total Vacancy & Credit Loss	-6,212,469	-6,753,752	-7,196,356	-7,391,881	-7,616,878	-7,927,452	-8,114,543	-8,119,283	-8,220,390	-8,417,995	-8,620,518	-84,591,516
Effective Gross Revenue	126,582,897	128,920,500	137,067,021	140,655,286	145,206,315	150,870,217	154,418,294	154,514,391	156,441,641	160,202,514	164,056,936	1,618,936,010
<b>Revenue Costs</b>												
Sinking fund	1,172,478	1,295,750	1,384,271	1,423,376	1,468,376	1,530,490	1,567,909	1,605,523	1,644,078	1,683,599	1,724,104	16,499,954
Bad debts	1,172,478	1,295,750	1,384,271	1,423,376	1,468,376	1,530,490	1,567,909	1,605,523	1,644,078	1,683,599	1,724,104	16,499,954
Opex	23,618,958	26,333,066	26,991,393	27,666,177	28,357,832	29,066,778	29,793,447	30,538,283	31,301,740	32,084,284	32,886,391	318,638,348
Total Revenue Costs	25,963,914	28,924,567	29,759,935	30,512,930	31,294,583	32,127,758	32,929,264	33,749,330	34,589,896	35,451,482	36,334,598	351,638,256
Net Operating Income	100,618,983	99,995,933	107,307,087	110,142,356	113,911,731	118,742,459	121,489,029	120,765,061	121,851,744	124,751,033	127,722,337	1,267,297,754
Cash Flow Before Debt Service	100,618,983	99,995,933	107,307,087	110,142,356	113,911,731	118,742,459	121,489,029	120,765,061	121,851,744	124,751,033	127,722,337	1,267,297,754
Cash Flow Available for Distribution	100,618,983	99,995,933	107,307,087	110,142,356	113,911,731	118,742,459	121,489,029	120,765,061	121,851,744	124,751,033	127,722,337	1,267,297,754

## Appendix 7 Market research report

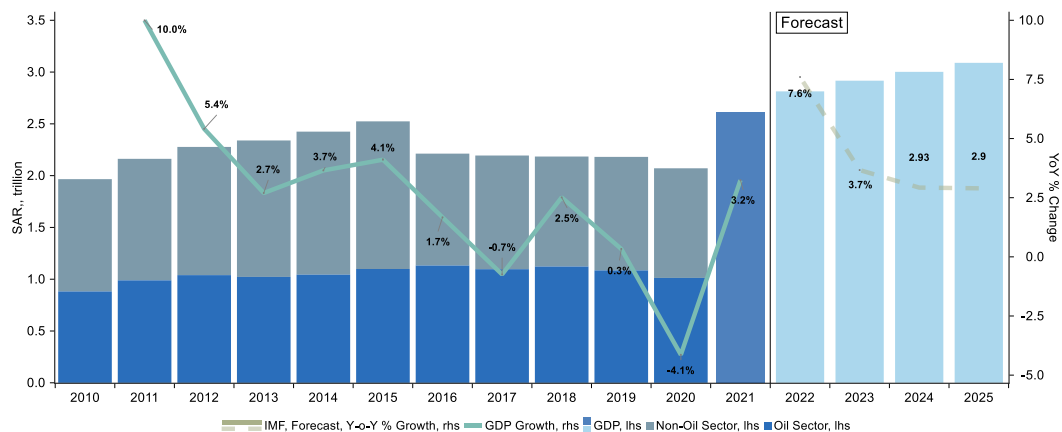
### Saudi Arabia GDP Growth, 2011 - 2025

After a year of contraction due to the pandemic, Saudi Arabia's economy resumed growth in 2021. According to preliminary full-year data from the General Authority for Statistics (GaSat), Saudi Arabia's real GDP grew by 3.3% in 2021, compared to a 4.2% drop in 2020, when the pandemic slowed down most economic activities.

Saudi Arabia's economy is expanding in both the oil and non-oil sectors. In the third quarter of 2022, the Kingdom's real GDP increased by 8.6%. This expansion was primarily driven by a 14.5% increase in oil activity, while the non-oil sector rose by 5.6% over the same time.

The Saudi economy benefited from higher oil prices and higher outputs during the first nine months of 2022. Looking ahead, growth in oil prices and non-oil sector activities appears to be supporting an increase in government revenue, which underpins Saudi Arabia's 7.6% GDP growth forecast for 2022, the highest in the region. (Oxford Economics)

### Saudi Arabia GDP, YoY % change



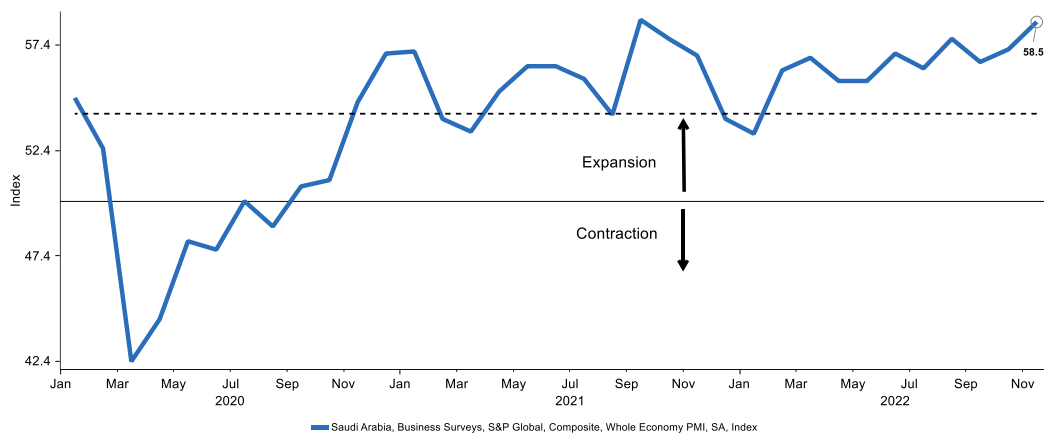
Source: Knight Frank, Oxford Economics

### Saudi Arabia, Purchasing Manager Index (PMI)

The non-oil private sectors are at the centre of Saudi Arabia's Vision 2030, and the reforms launched to bolster these sectors are already being felt widely across the economy. Indeed, Saudi Arabia's Purchasing Manager Index (PMI), which tracks the country's private non-oil economy, registered a reading of 58.5% in November 2022, which is above the long-run series average of 56.8% and represents the 27th month of expansion and business growth in the country's non-oil sector activity.

This was also the highest reading since September 2021, as output hit a seven-year high, new order growth accelerated to a 14-month high, and export sales rose the most in seven years.

### Saudi Arabia PMI



Source: Knight Frank, Oxford Economics

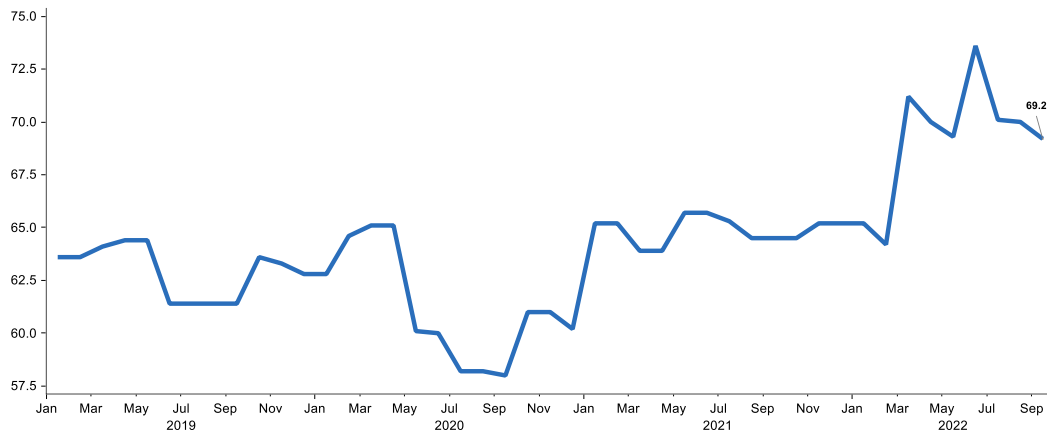
### Saudi Arabia Primary Consumer Sentiment Index by Thomson Reuters / IPSOS

The Primary Consumer Sentiment Index (PCSI) of Saudi Arabia is a national survey of consumer opinions regarding the current and future status of the local economy, personal financial situation, as well as confidence in making big investments, and ability to save.

The latest reading in October 2022 of the Primary Consumer Sentiment Index (PCSI) in Saudi Arabia, released by IPSOS, reveals the state of Saudi Arabia remain positive with a slight drop in the index since September 2022, leaving it at 69.2 versus 70.

Saudi Arabia ranked second in terms of the present status of its economy, with 58% believing it is robust. The Kingdom is also ranked second in the world, with the great majority of consumers (93%) saying the country is on the right track.

### PCSI, by Thomson Reuters / IPSOS



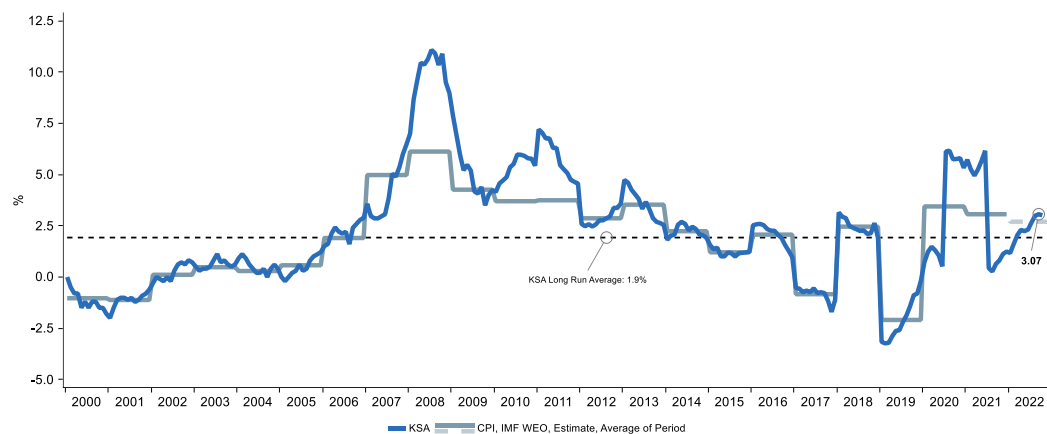
Source: Knight Frank, IPSOS

### Saudi Arabia Consumer Price Index, YoY Change %

The Consumer Price Index (CPI) increased by 3.01% in October 2022, compared to October 2021. The increase in the CPI was mostly due to higher prices food and beverages by (4.4%) and housing, water, electricity, gas and other fuels by (3.3%).

Transport prices climbed by 4.4%, mostly owing to increasing in purchase of motor cars prices, which increased by 5.8%. Because of their significant relative importance in the Saudi consumer basket (22%), food and beverage expenses were the major driver of the inflation rate in October 2022.

### CPI, YoY % Change



Knight Frank, GSTAT

Source:

## Saudi Arabia Population Forecasts

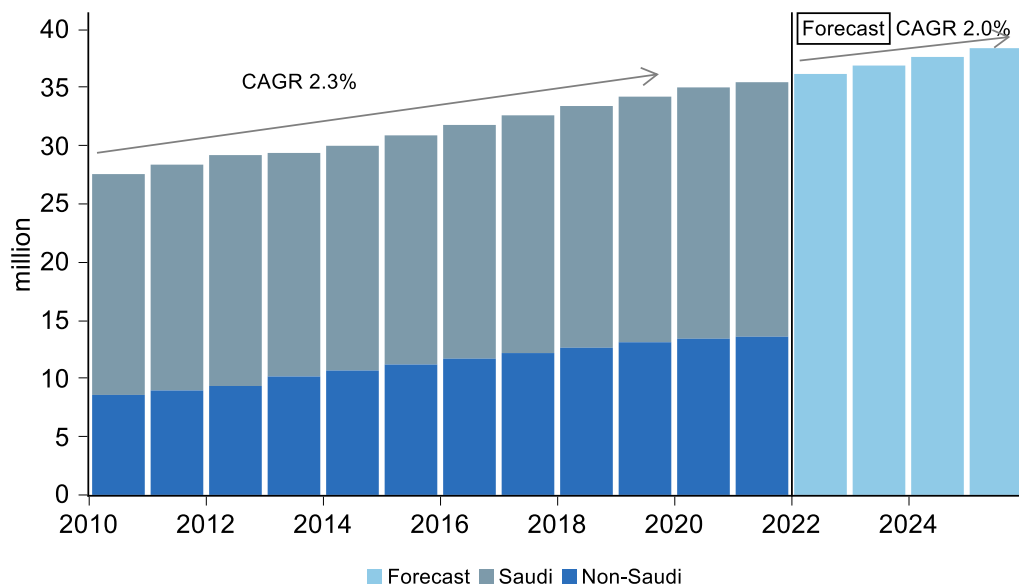
Saudi Arabia accounts for more than half of the GCC's total population and has a larger population than any other GCC country. According to official statistics, the population count was registered at 35.4 million in 2021.

According to the statistics, the population of Saudi Arabia is estimated to have reached 36.61 million in 2022. The Saudi/Non-Saudi breakdown of the population for 2021 stands at 21.8 million/13.6 million.

Based on the Oxford Economics forecasts, the population of Saudi Arabia is expected to grow at a constant 2% annual growth rate from 2021 onwards, reaching 38.3 million in 2025. A large and growing population, albeit at a slower pace than previous years, will continue to drive demand for goods and services in the short to medium term.

Saudi Arabia's population is dominated by Saudi nationals, accounting for 62% of the population. This implies that aggregate demand for products and services does not primarily stem from the expatriate workforce.

## Saudi Arabia Population Evolution



Source: Knight Frank Research, IMF

## Total Number of Households

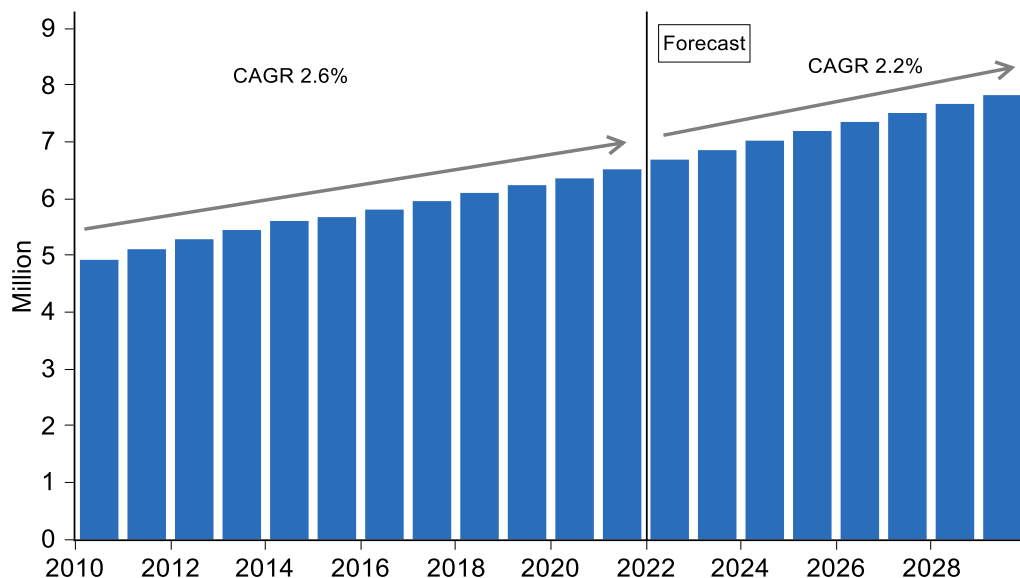
The total number of households in Saudi Arabia is currently estimated at roughly 6.5 million in 2021 and is expected to increase to 6.7 million in 2022. According to Oxford Economics, annual average growth

in the number of households will slow to 2.2% between 2021 and 2030, down from 2.6% between 2010 and 2021.

The average household size in Saudi Arabia stood at 5.51 individuals in 2021, according to Oxford Economics. While the average household size for Saudi households stands at just over 6.0, the average household size for non-Saudis is closer to 4 individuals. The overall average household size is set to slightly decrease over the next years reaching 5.46 in 2030.

Regarding the local population, it was not unusual historically for generations of the same family to be living in a sizeable family home. The younger generation now exhibits a desire to move away from multi-generational household structure. Over the next decades, falling household sizes will underpin demand for higher density development which provides smaller and more efficient units.

### Number of Households



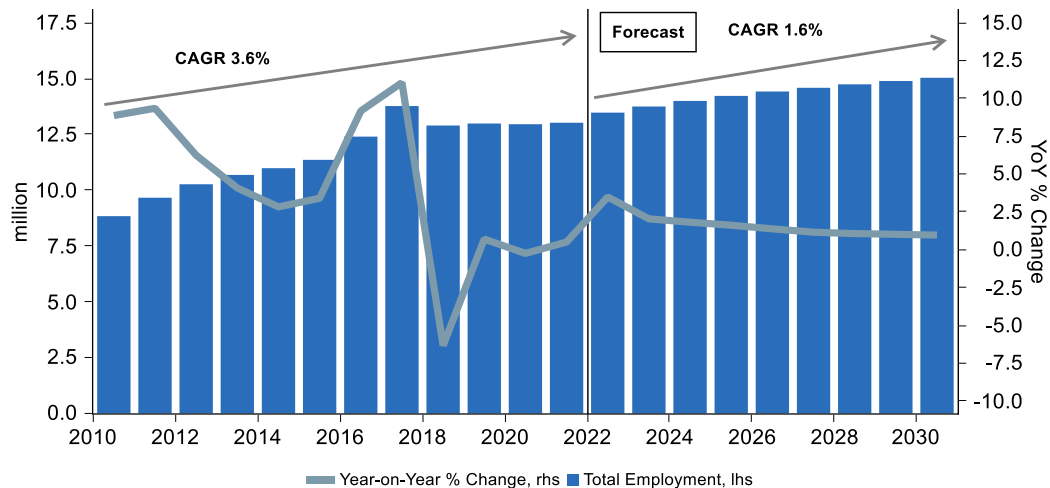
*'Source: Knight Frank Research/ Macrobond, Oxford Economics*

### Total Employment - KSA

Saudi Arabia's total workforce was estimated at 13 Million employees in 2021, down from 13.8 Million employees in 2017. The decrease is mostly as a result of the departure c. 750,000 expatriates from the workforce during this period. Looking ahead, given the positive momentum created by the government's extraordinary response to COVID-19 and several economic reforms that have supported employment growth in a variety of industries. The Saudi labour force is expected to increase to 13.6 million by the end of 2022.

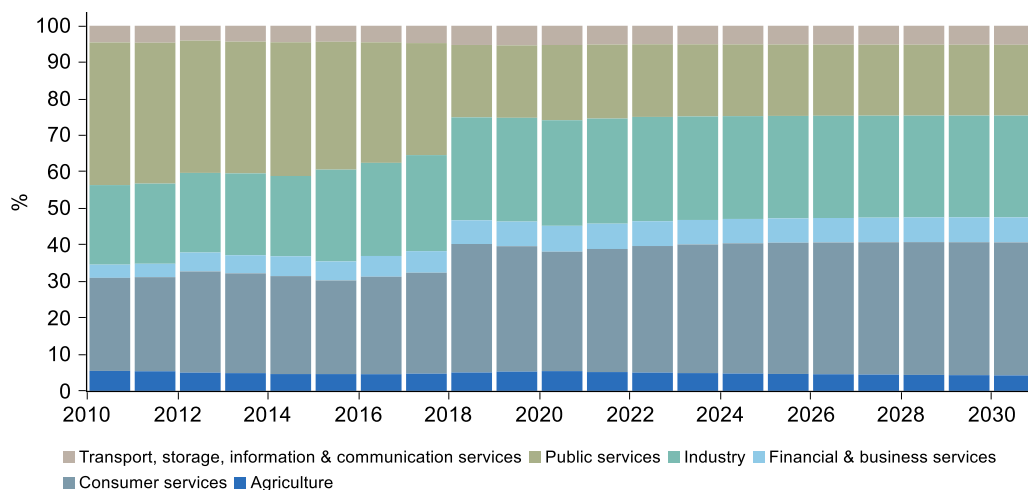
Saudi Arabia's employment CAGR is set to slow to 1.6% per annum between 2021 and 2030, according to Oxford Economics, down from a CARG of 3.6% between 2010 and 2021.

## KSA, Employment



## Breakdown of Employment by Economic Sector – KSA

Currently, the consumer services, industrial sectors and public services are the largest employment sectors in Saudi Arabia, accounting for 33.7%, 28.8% and 20.3% of total employment in 2021, respectively. This is expected to remain roughly unchanged over the coming ten years.



*Source: Knight Frank Research, Macrobond*

## Employment YoY Change%

Employment growth in Saudi Arabia is set to decelerate to 1.6% per annum between 2021 and 2030 down from 3.6% between 2010 and 2021 according to Oxford Economics estimates.



Total employment declined by -6.34% in 2018 due to outflows of expatriates from the workforce. However, this trend has reversed in 2019 where total employment increased marginally by 1.31%.

The exodus of expat workers from Saudi Arabia in 2020, due to the economic fallout from COVID-19 and the oil price shock, has accelerated a shift in the labour market, resulting in a 0.2% decline in employment growth in 2020. However, this trend has reversed again in 2021 where total employment increased marginally by 0.5%.

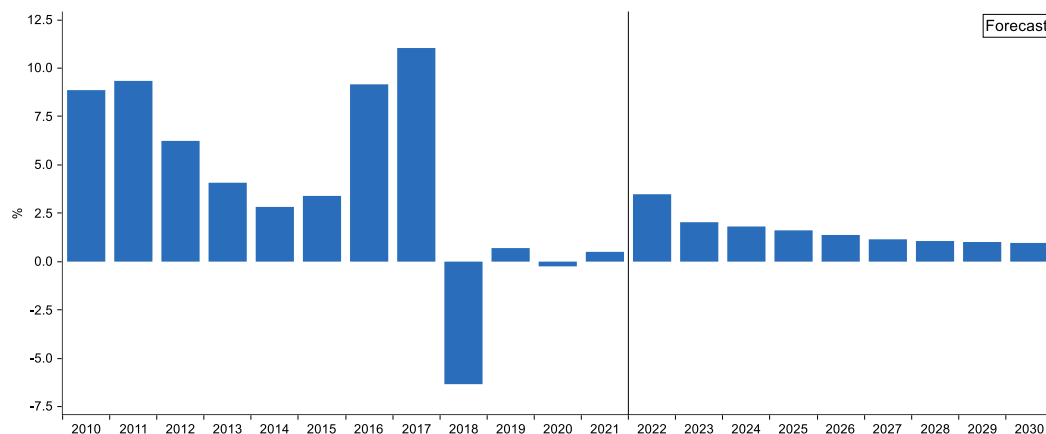
Looking forward, employment growth is expected to remain supported by the various initiatives aimed at boosting youth, women and Saudi nationals' participation in the workforce. In the short to medium term, this will be balanced by rising pressures on the expat labour market resulting from the impact of government fees and Saudization plans on non-Saudi employment figure.

In fact, the Saudi unemployment rate reached 9.7% in Q2 2022, a 0.4 percentage point (pp) drop over Q1/2022. (GSTAT).

Furthermore, among Saudi males, the unemployment rate fell to 4.7%, a decline of 1.4 percentage points from the previous year's Q2/2021.

This quarter's decline in Saudi male unemployment coincided with both an expansion of labour market participation and employment growth, with the participation rate rising by 1.5 percentage points to 67.5%.

### Employment, YoY % Change



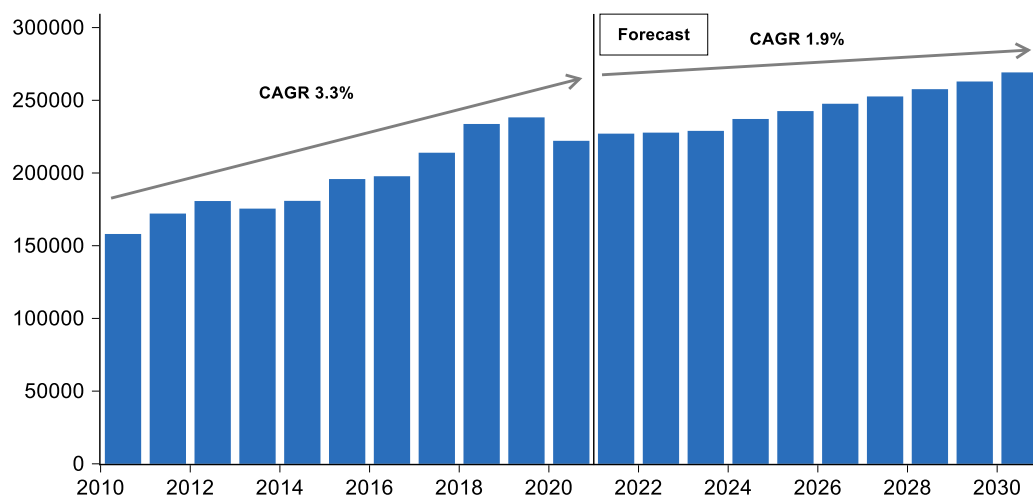
Source: Oxford Economics, Macrobond

### KSA average household disposable Income in SAR

Household income is a key determinant of affordability and consumer spending patterns.

Average household personal disposable income in Saudi Arabia stood at c. SAR 227,000 in 2021. Between 2010 and 2021, the average household personal disposable income increased at a CAGR of 3.3%. It is expected that this growth momentum will slowdown to 1.9% between 2021 and 2030, as highlighted in the adjacent graph.

#### Household Disposable Income



Source: Oxford Economics, Macrobond

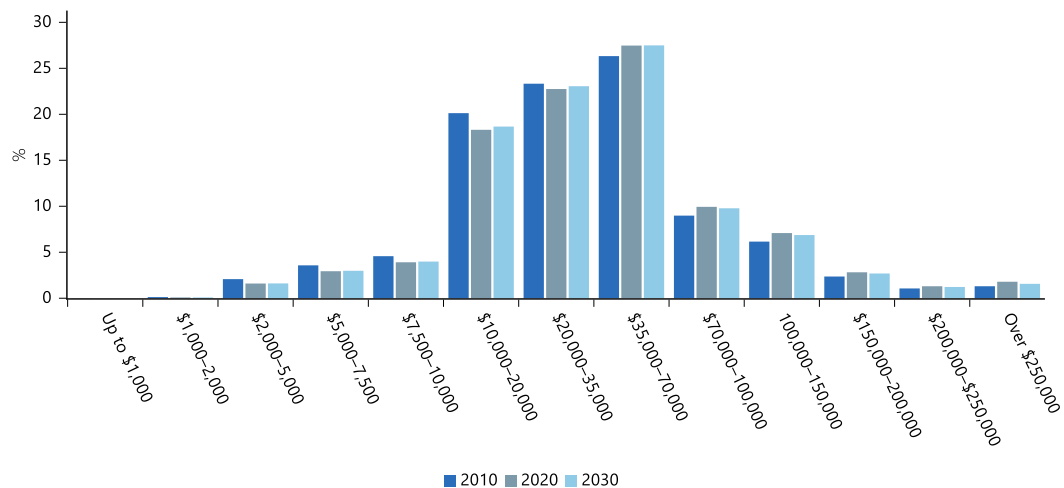
#### KSA number of household by income bands (as a % of total households)

The number of households in Saudi Arabia currently (2021) stands at approximately 6.5 million and is expected to grow to 8 million by 2030.

In 2021, 49.6% of households in Riyadh were within income bands above USD 35,000 and this share is expected to marginally decrease going forward, reaching 49.4% in 2030.

50.6% of households had incomes less than USD 35,000, and this share is likely to stay largely stable over the next decade.

### Household, By Income Band



Source: Oxford Economics, Macrobond

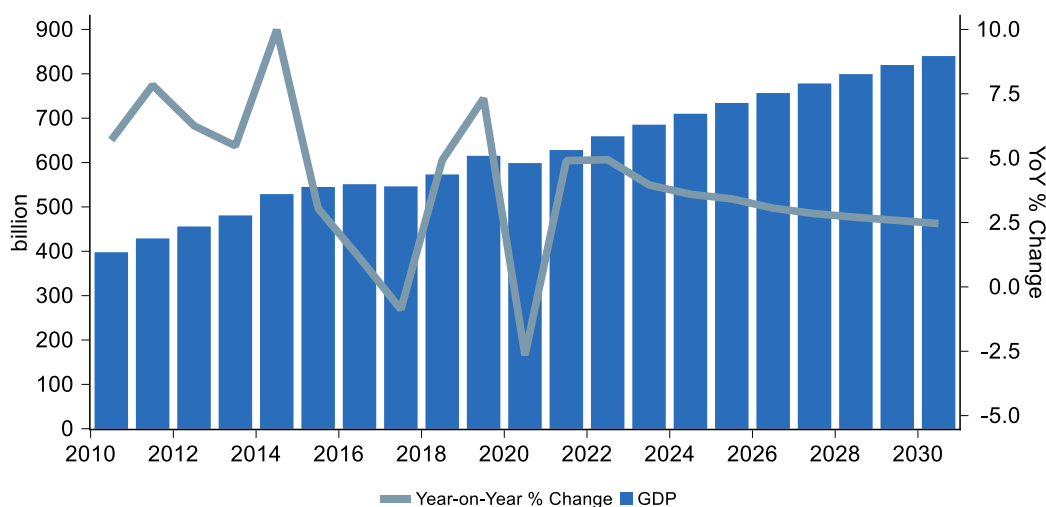
### Gross Domestic Product – Riyadh city

Riyadh's GDP came back to growth in 2021, after a year of contraction due to the pandemic. The Riyadh's real GDO grew by 4.9% year-on-year to 628 billion in 2021, up from 598 billion in 2020.

Riyadh's economy recorded a historical CAGR of 3.9% between 2011 and 2021. From 2021 to 2031, this rate is forecast to decrease to 3.2%.

Riyadh's economy is fairly diversified and does not rely on the hydrocarbon sector directly. However, indirectly growth in hydrocarbon sector in Saudi Arabia and regionally will impact investment volumes into Riyadh.

Looking ahead, Riyadh's economy is expected to record a growth rate of 4.9% in 2022 and 4.0% in 2023 (Oxford Economics).



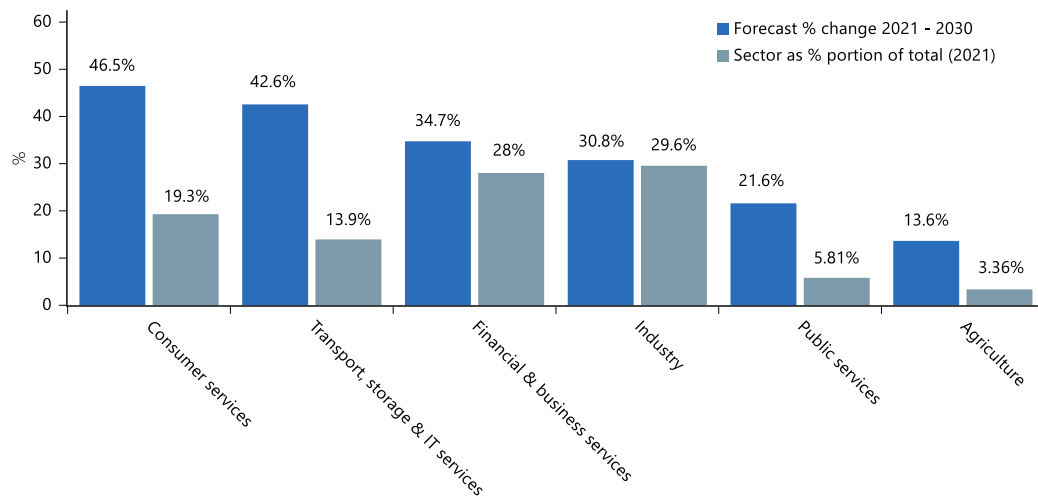
### Gross value Added by Sector – Riyadh city

The breakdown of the gross value added (GVA) by sector for Riyadh highlights that from 2021 to 2030, all sectors are forecast to register growth.

The industrial sector is the largest contributor to Riyadh's GDA in 2021 (29.6%) and is forecast to grow by 30.8% in the nine years to 2030.

The contribution of the consumer services industry is expected to rise the quickest in the decade to 2030, at 46.5%.

Transport, storage, and information technology, as well as financial and business services, are expected to grow by 42.6% and 34.7%, respectively, over the next nine years.



*'Source: Knight Frank Research/ Macrobond/ Oxford Economics'*

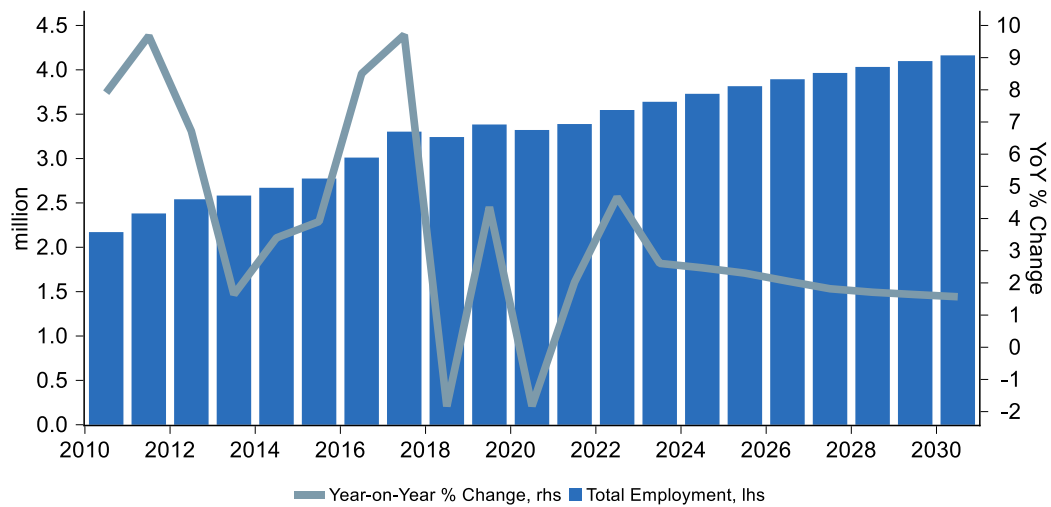
### **Total Employment - Riyadh city**

Riyadh's employed population stood at 3.38 million in 2021, representing c. 85% of the total employed population in Riyadh Province.

Employment growth in Riyadh averaged 4.1% from 2010 until 2021, reaching an all-time high of 9.7% in 2011 and a record low of -1.8% in 2018. Total employment declined by 1.8% in 2018, was a trend underpinned by the challenging economic backdrop, which led to an outflow of expatriates workers from the workforce. However, this trend reversed in 2019, where total employment increased by 4.36% year-on-year.

According to Oxford Economics, Riyadh's employment is estimated to grow from 3.38 million in 2021 to 3.54 million in 2022, at a growth rate of 4.7%.

Riyadh's employment CAGR is set to slow to 2.3% per annum between 2021 and 2030, down from 4.1% between 2010 and 2021.

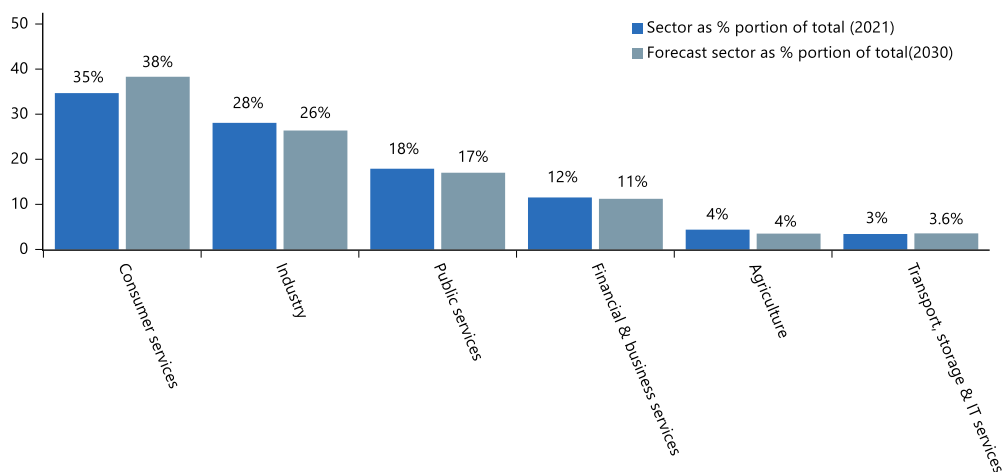


Source: Macrobond, Oxford Economics

### Breakdown of Employment by Economic Sector – Riyadh city

The consumer services, Industry and public services sectors are the largest employment markets in Riyadh, accounting for 35%, 28% and 18% of total employment in 2021.

The share of consumer services in total employment has been gradually increasing over time and is expected to follow the same trend going forward. The contribution rose from 24.7 in 2010 to 34.7 in 2021 and is expected to reach 38% in 2030 according to Oxford Economics.



Source: Macrobond, Oxford Economics

### Total consumer spending - Riyadh (in SAR billion)

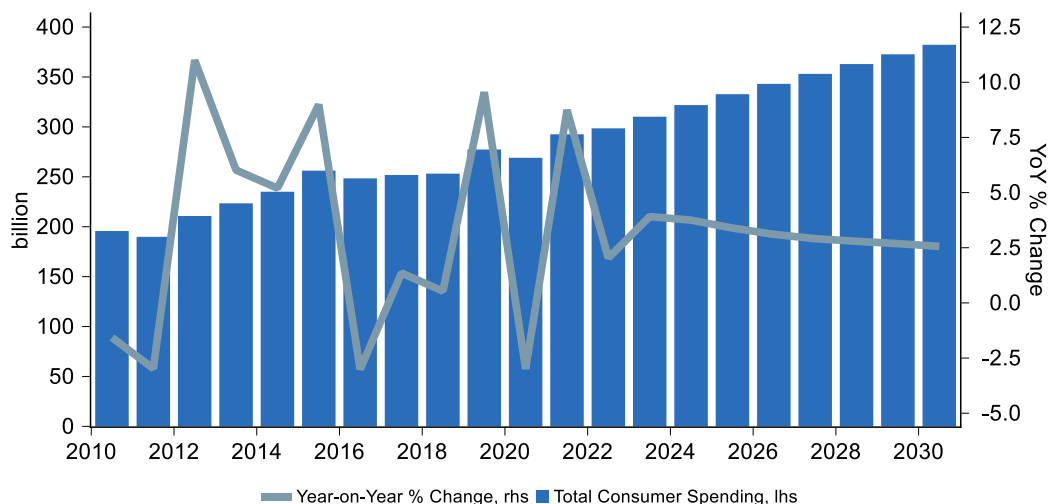
According to Oxford Economics, consumer spending in Riyadh increased by 8.7%, to around SAR 292 billion in 2021, compared to SAR 269 billion last year. The food & beverages sectors were the main drivers of this growth. More so, this relative outperformance is linked in part to the slight easing of lockdown restrictions, which boosted footfall across the Kingdom's food and beverage outlets.

Consumer spending in Riyadh is expected to remain on an upward trajectory over the coming years, reaching SAR 310 billion in 2023. The compound annual growth rate is expected to decelerate to 3.0% between 2021 and 2030 versus 3.7% between 2010 to 2021 (Oxford Economics).

Housing is the biggest area of consumer spending and has seen its contribution gradually increase over time.

Recreational and cultural goods and services accounted for 2.8% of total consumer spending as of 2021 and is predicted to increase in the short to medium term.

Consumer spending on restaurants and hotels amounts to 4.1% of total spending in 2021, and is expected to remain relatively unchanged by 2030.



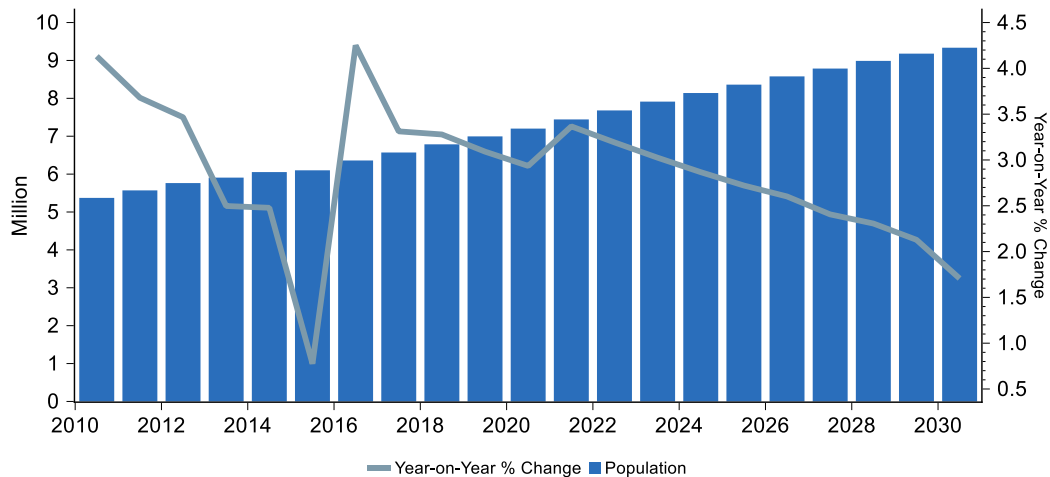
Source: Macrobond, Oxford Economics

### Riyadh population 2010- 2030

According to Oxford Economics, the population of Riyadh have reached 7.4 million in 2021. representing c. 81% of the total population of the Riyadh Region.



Riyadh's population is expected to grow at CAGR of 2.5% from 2021 to 2030, reaching 9.3 million by 2030. A large and growing population, albeit at a slower pace than previous years, will continue to drive demand for goods and services in the medium to long term.



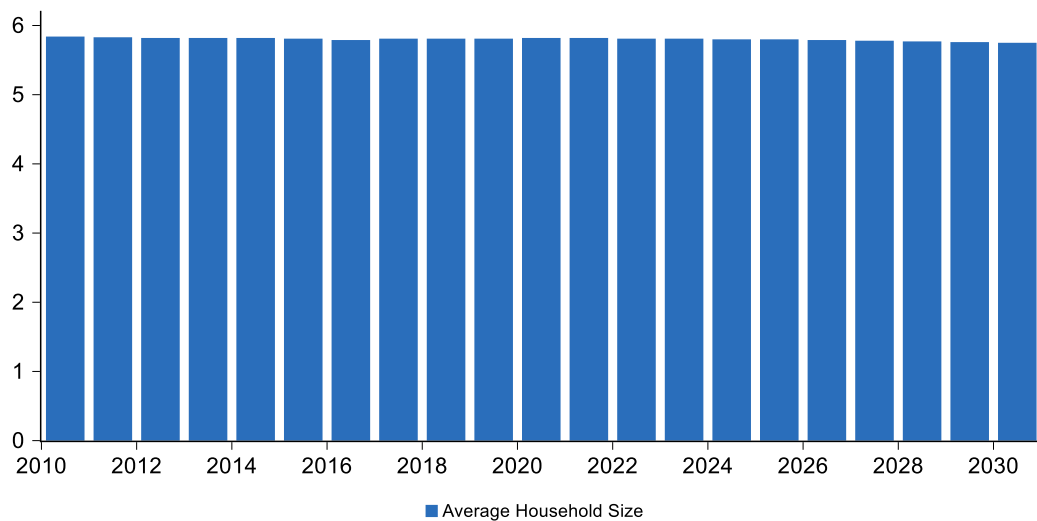
Source: GASTAT, Oxford Economics, Knight Frank Research

### Average household size – Riyadh

Large average household sizes – over five people – is a trend that is observed across much of the Middle East and Africa region.

The average household size in Saudi Arabia stood at 5.5 individuals in 2021, although the figure is higher for Riyadh at an average of 5.8 people per household.

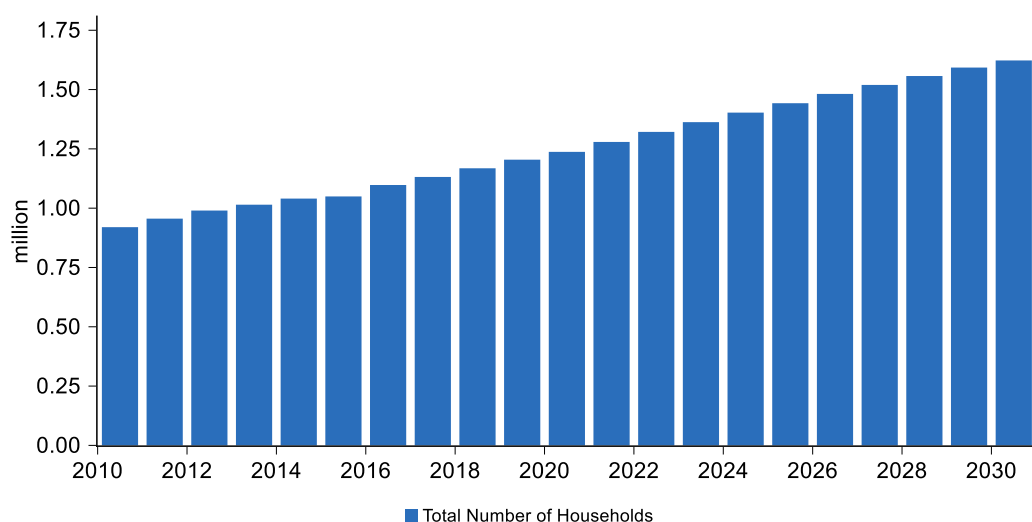
Usually, changes within average household sizes tend to be gradual, therefore the average household size for Riyadh combining Saudi and non-Saudi households is expected to reach to 5.7 individuals by 2030.



### Total number of households - Riyadh

Total number of households in Riyadh stood at c. 1.28 million in 2021. Between 2010 and 2021, the number of households increased at a CAGR of 3.0%. This growth momentum is expected to slow to 2.7% between 2021 and 2030, driving the total number of households to reach an estimated 1.62 million by 2030.

Based on these forecasts, it is estimated that 344,000 additional households will be formed in Riyadh between 2021 and 2030.

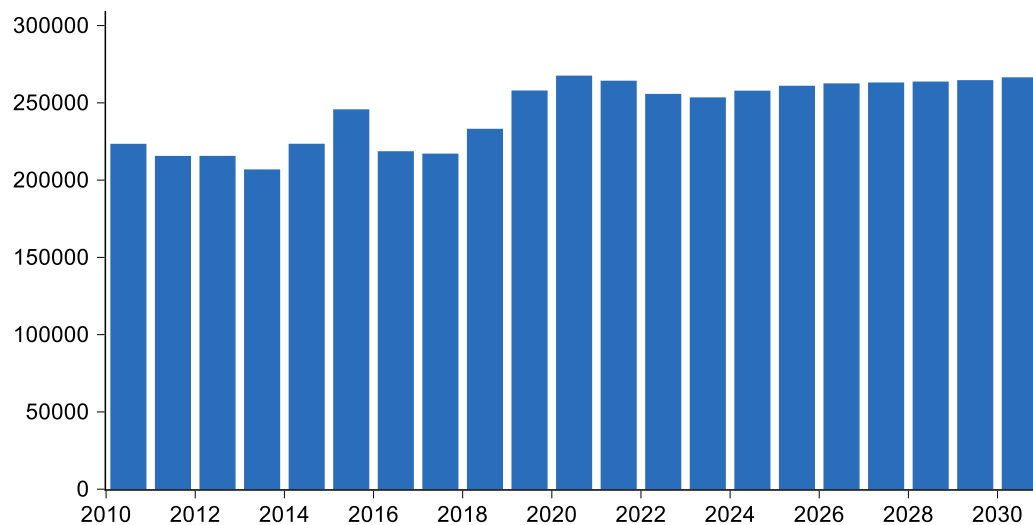


Source: Macrobond, Oxford Economics

### Riyadh average household disposable income in SAR

Household income is a key determinant of affordability and consumer spending patterns.

Average household personal disposable income in Riyadh stood at c. SAR 264,348 in 2021. Between 2010 and 2021, the average household personal disposable income increased at a CAGR of 1.5%. It is expected that the Riyadh's average household disposable income will remain relatively same between 2021 and 2030, as highlighted in the adjacent graph.



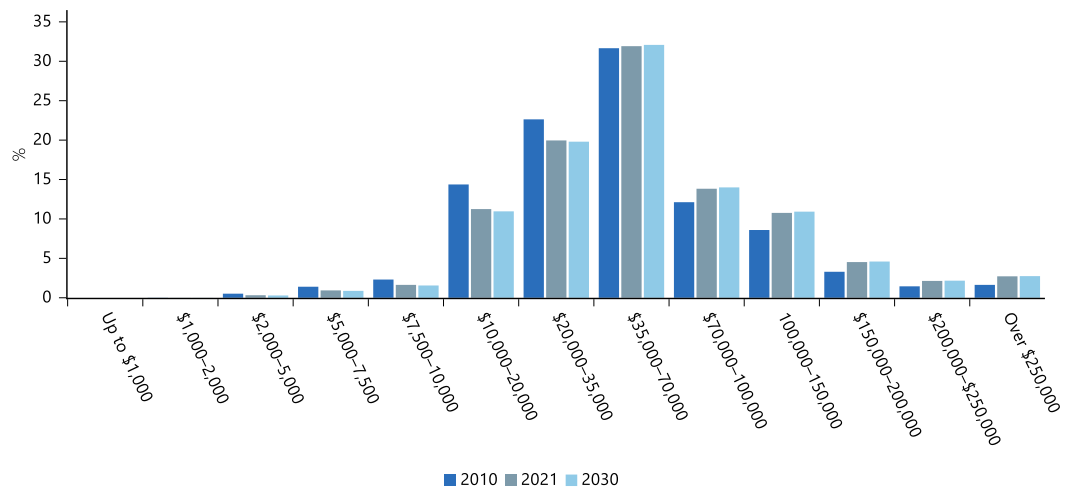
#### Riyadh number of household by income bands (as a % of total households)

The number of households in Riyadh currently (2021) stands at approximately 1.28 million and is expected to grow to 1.62 million by 2030.

As at **2021**, the households in the income band of \$35,000 - \$70,000 accounted for the largest portion of households at **31.9%**, marginally up from 31.9% a decade earlier.

More so, as at **2021**, the number of households in the income brackets above \$35,000 accounted for **65.9%** of total households, up from 57.1% in 2010. This trend has primarily been driven by an decrease in the number of households in the \$5,000 to \$35,000 income band.

The share of households earning over \$100,000 has increased from **14%** of households to **20.1%** of households from **2010** to **2021** respectively. By **2030**, this number is expected to remain relatively same.



Source: Macrobond, Oxford Economics

# Valuation Report.

Salama Building, Madinah Road, Salamah District, Jeddah, KSA

Prepared for SNB Capital

Valuation date: 31 December 2022

***Important Notice to all readers of this report***

*Unless you are the Client named within this report, or have been explicitly identified by us as a party to whom we owe a duty of care and who is entitled to rely on this report, Knight Frank Spain Saudi Arabia Real Estate Valuations Company does not owe or assume any duty of care to you in respect of the contents of this report and you are not entitled to rely upon it.*

**Locally expert,  
globally connected.**

**SNB Capital**

Riyadh, Kingdom of Saudi Arabia

For the attention of Danial Mahfooz, CFA

Email: d.mahfooz@alahlicapital.com

Tel: +966 12 690 7817/ M: +966 54 475 2329

Our ref: KfV377-2022

Date of issue: 16 February 2023

Dear Sirs

**Valuation Report – Salama Building, Madinah Road, Salamah District, Jeddah, KSA**

Further to your instructions, we are pleased to provide our Valuation Report in respect of the above property. If you have any queries regarding this report, please let us know as soon as possible.

**Signed for and on behalf of Knight Frank Spain Saudi Arabia Real Estate Valuations Company**

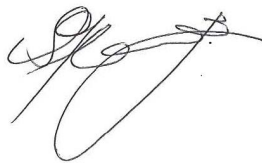
**Talal Raqaban, MRICS**

**RICS Registered Valuer - Taqem No. 1210001810**

**Partner, Valuation & Advisory, KSA**

For and on behalf of Knight Frank Spain Saudi  
Arabia Real Estate Valuations Company

This report has been reviewed, but not undertaken, by:



**Stephen Flanagan, MRICS**

**RICS Registered Valuer - Taqem No. 1220001936**

**Partner, Head of Valuation & Advisory, MENA**

For and on behalf of Knight Frank Spain Saudi  
Arabia Real Estate Valuations Company



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# Appendices

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# Executive summary

*This Executive summary is a brief overview of our Valuation Report and must not be relied upon in isolation. It is intended to be read in conjunction with the whole report and is subject to any assumptions, caveats and comments stated within the body of this report.*

<b>Address</b>	Salama Building, Madinah Road, Salamah District, Jeddah, KSA
<b>Location</b>	<p>The property is located on Madinah Road within the Salamah district of Jeddah, which is perceived to be a good location in central Jeddah. The property has a frontage of approximately 100 meters on Madinah Road to the east along with a frontage to the north, west and south onto secondary roads. It lies within a high-density populated area where the prevailing land use comprises mainly of residential apartment buildings.</p> <p>The King Abdulaziz International Airport is located some 6 km to the north of the property. The coast of the Red Sea is situated some 5 km to the west.</p>
<b>Description</b>	<p>The property comprises a good quality office building with ancillary retail. It was built in 2013 and contains 8 retail units on the ground floor and 116 office units situated across the upper 13 floors.</p> <p>The property's construction takes the form of a reinforced concrete frame with grey and blue exterior cladding. There are approximately 400 car parking spaces situated across the basement and mezzanine floors.</p> <p>The retail units on the ground floor benefit from good road frontage, all of which have double ceiling heights that allow for mezzanine accommodation.</p> <p>The office floors are accessed from the rear of the property through a dedicated lobby with six passenger lifts and one service lift. Internally the common area is in good condition.</p>
<b>Areas</b>	The property has a total net leasable area (NLA) of 31,420 sq m, of which 5,710 sq m is zoned for retail use and 24,002 sq m is zoned for office use. The rest of the NLA comprises storage space, telecommunication antennas, sign board, etc. The land plot, which the property is built on, extends to 7,682 sq m according to the copy of the land title deed that was provided to us.
<b>Tenure</b>	Assumed freehold.
<b>Planning</b>	The client has provided us with the property's building permit, which indicates that the site has permission for a commercial development. We would advise your legal advisors to verify this.
<b>Valuation considerations</b>	<ul style="list-style-type: none"> <li>We have valued the property subject to the head lease that is currently in place. The head lease is for a 5-year term starting on 05 August 2019 and ending on 05 August 2024, with a fixed rental income of SAR 23,100,000 per annum and no</li> </ul>

	<p>escalations. After expiry of the head lease, we have assumed that the head lease is not renewed, and the building then becomes available to let on a multi tenanted basis and is leased to third parties on market based lease terms.</p> <ul style="list-style-type: none"> <li>• The lot size is such that this asset would prove attractive in the market given the two distinct asset classes of retail and offices.</li> <li>• We have assessed the market value of the property using a discounted cash flow approach, where we have modelled the cash flows generated under the head lease for the contracted lease term and upon expiration, we have assumed the building would be leased based on our assumptions of Market Rent, with allowances being made for deduction of operating expenses, leasing fees and property management fees.</li> <li>• We have allowed for 12% structural vacancy on revenues, annually. This has been assumed in regard to our benchmarks and our professional experience of advising in the region.</li> <li>• Our Estimated Rental Value for the property as at the valuation date is SAR 25,716,246 per annum (assuming 100% occupancy). We have assumed 2.50% annual inflation in our cash flows and adopted an 8.25% exit yield reflecting a 10.75% discount rate.</li> <li>• The property benefits from good road frontage along Madinah Road and provides flexible, well laid out retail accommodation on the ground floor. The common area is in good and serviceable condition. Additionally, there may be opportunities to rentalise part of this space in the future.</li> <li>• We understand that the municipality requires a parking ratio of 1 parking bay per 70 sq m of office space and 1 parking bay per 55 sq m of retail space which equates to a total requirement of 443 bays. The existing car parking ratio for the office space is relatively poor with c. 400 spots available, which is c 43 spaces short of the municipality standard.</li> <li>• Visitors currently use a vacant land opposite to the subject site for parking. This may cause inconvenience to tenants should the land be developed in the future. It may also appear to be less attractive to a number of potential buyers / investors, as lettability of the building could be adversely impacted – parking is one of the key factors that tenants look for when considering taking space in an office building.</li> </ul>
<b>Valuation date</b>	31 December 2022.
<b>Market Value</b>	<p>We are of the opinion that the Market Value of the freehold interest in the Property which is identified as Salama Building on Madinah Road in Jeddah, KSA, subject to the signed Head Lease and the assumptions and the caveats detailed herein, as at the valuation date is:</p> <p style="text-align: center;"><b>SAR 242,820,000</b></p> <p style="text-align: center;"><b>(Two Hundred and Forty Two Million, Eight Hundred and Twenty Thousand Saudi Arabian Riyals)</b></p>

**Valuation  
Assumptions**

Item	Unit	Assumption
Head Lease	Entire building	Start Date: 05 August 2019 End Date: 05 August 2024
Passing rent	SAR per annum	23,100,000
ERV	SAR per annum	25,716,246
Office Occupied Area	sq m	24,002
Retail Occupied Area	sq m	5,710
Estimated Office Market Rent (after the Head Lease expiry)	SAR / sq m per annum	680 to 815
Estimated Retail Market Rent (after the Head Lease expiry)	SAR / sq m per annum	1,320
Service Charge	%	10%
Telecommunications Tower income	SAR per annum	32,375
Insurance	SAR per annum	156,135
Operating Costs (after expiry of the Head Lease)	SAR / sq m per annum	90
Property Management Fee and Marketing	Percent of Revenue	1.00%
Sinking Fund	Percent of Revenue	1.00%
Exit Yield	%	8.25%
Growth	%	2.50%
Discount Rate	%	10.75%

# 1. Terms of engagement

## Engagement of Knight Frank Spain Saudi Arabia Real Estate Valuations Company

- 1.1 This valuation report (the “Valuation”) has been prepared in accordance with our Terms of Engagement letter and our General Terms of Business for Valuation Services (together the “Agreement”). A copy of this document is attached at Appendix 1 (along with your original instruction for reference purposes).

### **Client**

- 1.2 We have been instructed to prepare the Valuation by SNB Capital (the “Client”), as manager on behalf of Al-Ahli REIT Fund, a real estate investment traded fund in the Saudi Stock Exchange (Tadawul).

### **Valuation standards**

- 1.3 This valuation has been undertaken in accordance with the current editions of RICS Valuation - Global Standards, which incorporate the International Valuation Standards (the “Red Book”) and Taaqem Standards. As required by the Red Book / IVS, some key matters relating to this instruction are set out below.

## Independence and expertise

### **Disclosure of any conflicts of interest**

- 1.4 We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.

### **Valuer and expertise**

- 1.5 The valuer, on behalf of Knight Frank Spain Saudi Arabia Real Estate Valuation Company with the responsibility for this report is Talal Raqaban MRICS, RICS Registered Valuer and Fellow member of Taaqem. Parts of this valuation have been undertaken by additional valuers as listed on our file.
- 1.6 We confirm that the valuer and additional valuers meet the requirements of the Red Book / IVS and Taaqem Regulations, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
- 1.7 We are appointed as your valuation advisors; our role is limited to providing property valuation services in accordance with the Red Book and the terms of this Agreement.
- 1.8 For the purposes of the Red Book / IVS, we are acting as External Valuer.
- 1.9 This report has been vetted as part of Knight Frank Spain Saudi Arabia Real Estate Valuation Company quality assurance procedures.

## Use of this Valuation

### **Purpose of valuation**

- 1.10 The client has confirmed that this valuation report is required for REIT reporting to the Saudi Capital Market Authority (CMA) for the semi-annual reporting of the market value (MV) in accordance with

Taqeem regulations (the “Purpose”). This valuation has been prepared solely for the aforementioned purpose and may not be used for any other purpose without our express written consent.

#### **Reliance**

- 1.11 This Valuation has been prepared for the Client only. No other person is entitled to rely on the Valuation for any purpose. We accept no liability to anyone for any improper or unauthorised reliance on this Valuation.

#### **Disclosure & publication**

- 1.12 The Valuation has been prepared for the Client and in accordance with the Agreement which governs its purpose and use. As stated in the Agreement, this Valuation is confidential and must not be disclosed to any person other than the Client without our express written consent. Nor may the whole nor any part of this valuation nor any reference thereto may be included in any prospectus, listing particulars, published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.

### **Limitations on liability**

- 1.13 Knight Frank Spain Saudi Arabia Real Estate Valuation Company’s total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this Valuation is limited to the amount specified in our Terms of Engagement, a copy of which is attached. Knight Frank Spain Saudi Arabia Real Estate Valuation Company accepts no liability for any indirect or consequential loss or for loss of profits.
- 1.14 We confirm that we hold adequate and appropriate PII cover for this instruction.
- 1.15 No claim arising out of or in connection with this Valuation may be brought against any employee, director, member, partner or consultant of Knight Frank Spain Saudi Arabia Real Estate Valuation Company. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank Spain Saudi Arabia Real Estate Valuation Company.
- 1.16 Nothing in this Valuation shall exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

### **Scope of work**

- 1.17 In this report we have been provided with the following information by you, your advisors or other third parties and we have relied upon this information as being materially correct in all aspects.
- 1.18 In particular, we detail the following:
- Information relating to the extent of the property
  - Project summary
  - Copy of the title deed
  - Copy of the Building Permit
  - Head lease (in Arabic)

- 1.19 In the absence of any documents or information provided, we have had to rely solely upon our own enquiries as outlined in this report. Any assumptions resulting from the lack of information are also set out in the relevant section of this report.



## 2. The Property

2.1 The property we have valued, including the inspection details, is as follows:

Property address	Inspected by	Inspection date
Salama Building, Madinah Road, Salamah District, Jeddah, KSA	Ibrahim Alrashed & Feras Aldossari	21 December 2022

### Location

- 2.2 As can be seen from the map below, the property is located on Madinah Road within the Salamah district, which is perceived to be a good location in central Jeddah. The property has a frontage of approximately 100 meters on Madinah Road to the east along with a frontage to the north, west and south onto secondary roads. It lies within an area that is dominated by high-density population where the prevailing use is comprised predominantly of residential apartment buildings.
- 2.3 Access to the city centre is achieved via Madinah Road which is an arterial route running north south while Hira Street is situated a short distance to the north which affords access to the city in an east west direction.
- 2.4 The King Abdulaziz International Airport is located some 6 km to the north from the property. The coast of the Red Sea is situated some 5 km to the west.



Source: Google Earth / Knight Frank Research

## Site

### Site area

- 2.5 The property occupies a broadly rectangular site of approximately 7,682 sq m (areas taken from client).

### Site plan

- 2.6 The property is identified on the Google Earth image below, showing our understanding of the boundaries outlined in red.

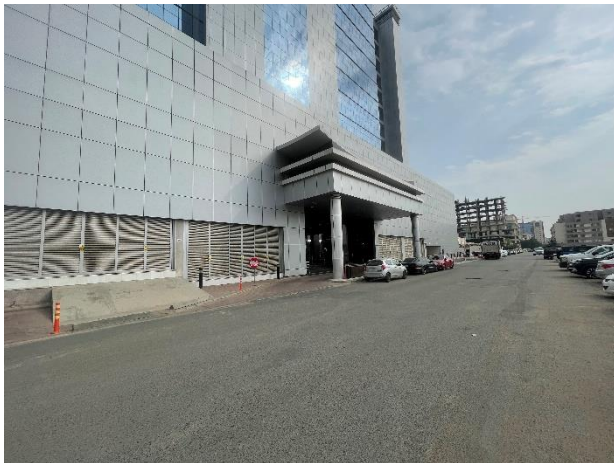


Source: Google Earth / Knight Frank Research

## Description

- 2.7 The property comprises a good quality office building with ancillary retail. It was built in 2013 and contains 8 retail units on the ground floor and 116 office units situated across the upper 13 floors.
- 2.8 The property's construction takes the form of a reinforced concrete frame with grey and blue exterior cladding. There are approximately 400 car parking spaces situated across the basement and mezzanine floors.
- 2.9 The retail units on the ground floor benefit from good road frontage, all of which have double ceiling heights that allow for mezzanine accommodation.
- 2.10 The office floors are accessed from the rear of the property through a dedicated lobby with six passenger lifts and one service lift. Internally the common area is in good condition.
- 2.11 A selection of photos taken during our inspection is provided below:





## Accommodation

### Measurement

- 2.12 As agreed with the client, we have relied upon the areas provided to us by them and have assumed that they have been prepared in accordance with local market practice and regulations. No further verification has been undertaken.

### Areas

- 2.13 The client has provided us with the breakdown of the Net Leasable Areas (NLA) of the property, a summary of which is provided below.
- The property has a total net leasable area (NLA) of 31,420 sq m
  - The occupied Area of the retail units is 5,710 sq m
  - The occupied of the office units is 24,002 sq m
- 2.14 The rest of the floor space is comprised of common areas, storage space, telecommunications antennas, sign board, etc.

## Services

- 2.15 No tests have been undertaken on any of the services.
- 2.16 For the purpose of this valuation, we have assumed that mains gas, water, electricity, drainage and telecommunications are all available to the subject property.
- 2.17 We have not tested the services and utilities available to the property; however, for the purpose of this report we assume that they have sufficient capacity to service its current use. We have not accounted for any costs in improving such services and utilities within our valuation. Should this prove not to be the case, we reserve the right to amend our valuation.

## Legal title

### Sources of Information

- 2.18 We have been advised that Al Ahli REIT Fund (1) owns the property and were provided with a copy of the updated title deed, with the details shown below:

Table 1: Title deed

Item	Description
Number	320212024018
Date	4 August 2019
Area	7,682 sq m
Note	Ownership transferred to Sundoq Tamkeen Real Estate Company which we understand to be the SPV of the Fund
Price	SAR 255,000,000

Source: Client

- 2.19 A copy of the title deed is attached in Appendix 2.

### Tenure

- 2.20 For the purposes of this valuation, we have assumed that the property is held freehold and is free from any encumbrances and third party interests.

### Covenants

- 2.21 We have assumed that the property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoing.
- 2.22 These assumptions should be verified by your legal advisors. If they prove incorrect, any variation may have a material impact on value and should be referred back to us for further comment.

### Tenancies

- 2.23 The property is subject to a head lease. The salient terms of the lease agreement are summarised below:

Table 2: Lease terms summary

Item	Description
Landlord	Al Ahli REIT Fund (1)
Tenant	Confidential
Term	5 years
Lease Start Date	04 August 2019
Lease End Date	04 August 2024
Break option	None.
Rent	Fixed rent of SAR 23,100,000 per annum paid semi-annually in arrears.
Repair	The tenant covenants to keep the premises in good and substantial repair and condition.
Alienation	Subject to the lessor's prior written approval, the lessee shall be entitled to sublease the property.

Source: Client

## Condition

### Scope of inspection

- 2.24 We have not undertaken a site survey of the property.
- 2.25 During our limited inspection we did not inspect any inaccessible areas. We are unable to confirm whether the property is free from urgent or significant defects or items of disrepair.

### Comments

- 2.26 No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme.
- 2.27 During the course of our inspection, the buildings appeared to be in a generally reasonable state of repair commensurate with their age and use.

### Ground conditions

- 2.28 We have not been provided with a copy of a ground condition report for the site. We have assumed that there are no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the buildings constructed thereon.

## Environmental considerations

### Contamination

- 2.29 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Knight Frank is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

## Planning

### Sources of planning information

- 2.30 The client has provided us with a copy of the property's planning permit from which we understand the following:

Table 3: Summary of Planning Permit

Floor	Gross Leasable Area (sq m)	Net Leasable Area (sq m)
Basement	7,685.30	-
Ground Floor	4,777	3,952
Mezzanine	2,763	2,530
Service Floor 1	4,851	-
Service Floor 2	4,851	-
1 <sup>st</sup>	4,136	2,752
2 <sup>nd</sup>	2,851	2,126
3 <sup>rd</sup>	2,851	2,126
4 <sup>th</sup>	2,851	2,126
5 <sup>th</sup>	2,851	2,126
6 <sup>th</sup>	2,851	2,126
7 <sup>th</sup>	2,851	2,126
8 <sup>th</sup>	2,851	2,126
9 <sup>th</sup>	2,851	2,126
10 <sup>th</sup>	2,851	2,126
11 <sup>th</sup>	2,170	1,644
12 <sup>th</sup>	1,437	908
13 <sup>th</sup>	590	500
<b>Total</b>	<b>58,919.30</b>	<b>31,420</b>

Source: Client

## Highways and access

- 2.31 We have assumed that there are no current highway proposals in the immediate vicinity likely to have a detrimental effect upon the property within the foreseeable future.

**Access**

- 2.32 In reporting our opinion of value, we have assumed that there are no third party interests between the boundary of the subject property and the adopted highways and that accordingly the property has unfettered vehicular and pedestrian access.
- 2.33 We have assumed that there are no issues relating to visibility splays which may impact upon the use or proposed use of the property.

**Statutory licences & certificates**

- 2.34 We have assumed in our valuation that all regulations, statutory licences & certificates have been complied with.

**Fire safety**

- 2.35 We have not viewed any documents relating to the fire safety within the property and have assumed for the purposes of our valuation that the relevant legal requirements have been fully complied with.

## 3. Market analysis

### **Saudi Arabia market commentary**

- 3.1 A copy of the KSA Macro Economic Overview, prepared by Knight Frank, is attached at Appendix 5.

#### **Source of information**

- 3.2 Our market analysis has been undertaken using market knowledge within Knight Frank, enquiries of other agents, searches of property databases, as appropriate and any information provided to us.



## 4. Valuation

### Methodology

- 4.1 Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.

#### Investment Method

- 4.2 Our calculation of the Market Value of the Property has been carried out using the comparative and investment methods. In undertaking our valuation of the property, we have made our assessment on the basis of a collation and analysis of rental and sales transactions for similar properties. With the benefit of such transactions we have then applied these to the property, taking into account size, location, terms, covenant and other material factors and adopting an appropriate capitalisation yield.
- 4.3 We have capitalised the head lease rent for the contracted term and have reverted to a multi tenanted lease up of the building upon expiry of the head lease.

### Comparable Evidence – Benchmarking

- 4.4 In order to form our opinion of the market rent upon the expiry of the head lease, we have had regards to comparable Grade B offices and retail in close proximity to the property. We have considered the asking lease rates per annum, and have made the necessary adjustments for location, specification, and size. A summary of our comparable evidence is provided in the tables below and corresponding map:

Table of Comparable – Office Rents

Ref.	Building	Construction Year	Condition	Grade	Occupancy	Asking Rent (SAR psm pa)	Service Charge
1	Sumou Tower Jeddah	2013	Fitted	B	85%	825	10%
2	Elite Al Shatea	2012	Fitted	B	75%	700	10%
3	Tahliya Centre	2010	Fitted	B	70%	700	10%
4	Al Mukmal Tower	2010	Fitted	B	95%	900	10%

Source: Knight Frank Research

Table of Comparable Retail Rents:

Ref.	Location	Condition	Area (sq m)	Asking Rent (SAR psm pa)
5	Prince Sultan Road, Salamah District	Good	350	1,800
6	Al Batarji Street, Al Zahraa District	New	160	1,500
7	Madinah Road, Al Nuzha District	New	350	1,800
8	Prince Sultan Road, Nahdah District	Good	125	1,600

Source: Knight Frank Research

Map of Comparables



Source: Google Earth

#### Comparables Commentary – Offices

- 4.5 As shown above, rents in comparable offices range between SAR 700 to SAR 900 per sq m per annum varying upon location, specification and quality. The rents stated in the table above are subject to a service charge.
- 4.6 Sumou Tower, which was completed in 2013 and offers grade B fitted space for SAR 825 per sq m per annum. Sumou Tower has two retail showrooms on the ground floor along King Abdulaziz Road and is subject to 10% service charge. The occupancy of Sumou Tower has increased from 75% to 85% over the past 6 months. We consider this benchmark superior in terms of location and specification, as such we have applied a discount to the property.
- 4.7 Elite Al Shatea features a mix of retail and office space. Completed in 2012, the building offers fitted out grade B office space with rents current asking rent of SAR 700 per sq m per annum. Rents at Elite Al Shatea are subject to a standard 10% service charge.
- 4.8 Rents at Tahliya Centre have slightly decreased over the past 6 months, while occupancy has decreased by c.19%. Headline rent is SAR 700 per sq m plus 10% service charge. The office space is considered as grade B space and the units are fitted out. This benchmark and the property have similar specifications, hence no adjustments were made. However, we applied a discount to the subject property for location since the location of Tahliya Center is better.

- 4.9 At 95% occupancy, comparable four (Al Mukmal Tower) has the highest occupancy in our table of comparables. Al Mukmal Tower completed construction in 2010 and commands a rent of SAR 900 per sq m per annum plus service charge. Rents have remained stable over the past 6 months, while occupancy has decreased by 3%.
- 4.10 Although the property is located along a primary road in Jeddah and benefits from good accessibility and visibility, we consider the location of the benchmarks above to be more suitable for office spaces. We also consider the benchmarks to have slightly better specifications / quality. We have therefore assumed that the property would command lower lease rates than the benchmarks, at SAR 615 per sq m per annum.
- 4.11 We note that the above benchmarks charge 10% service charge on top of the annual lease rate, therefore, after deriving our opinion of the lease rate for the property we have included a 10% service charge to the adjusted lease rate to arrive at the adopted lease rate of SAR 680 per sq m per annum.
- 4.12 We have then divided the office units into four groups based on the floor level, and applied a premium to upper floors due to better views.

#### **Comparables Commentary – Retail**

- 4.13 The comparable set above, comprises retail shops located in close proximity to the property. Although the property has good location, with it being located on Madinah Road, it is deemed less desirable when compared to King Abdulaziz Road, Prince Sultan Road, and Al Batarji street. We have therefore applied a discount to the subject property against comparable five, six, and eight.
- 4.14 The comparables are of various sizes, ranging between between 125 sq m to 350 sq m. Given that the average size for retail units within the property is 1,428 sq m which is larger, we have applied discounts to the property against the comparables.
- 4.15 Based on the adjustments above, the adjusted lease rate for retail units is SAR 1,200 per sq m per annum. We have assumed a 10% service charge to be applied on top of the annual rent, which results in an adopted rate of SAR 1,320 per sq m per annum.

#### **Estimated Rental Values**

- 4.16 We set out our Estimated Rental Values (ERV), which are inclusive of service charge below:

##### **Estimated Rental Values**

Floor	Type	Unit	ERV (SAR psm)
1st - 3rd	Office	SAR per sq m / pa	680
4th - 8th	Office	SAR per sq m / pa	725
9th - 11th	Office	SAR per sq m / pa	770
12th and 13th	Office	SAR per sq m / pa	815
-	Retail	SAR per sq m / pa	1,320
-	Storage	SAR per annum	7,400
-	Telecom Tower	SAR per annum	32,375

## Valuation Assumptions

### Operating Costs (after the Head Lease)

- 4.17 Upon expiry of the head lease we have allowed for operating costs of SAR 90 per sq m pa for general maintenance, lift service, security, cleaning and insurance, water and electricity power for the common areas.

### Service Charges

- 4.18 Our opinion of Market Rent assumes a 10% service charge, which has been factored in our estimated rental value.

### Market Rent

- 4.19 The estimated Market Rent for the property is SAR 25,716,246 per annum as at the valuation date. This amount is reflected with market growth at 2.50% in our valuation model after the expiry of the Head Lease.

#### Valuation Summary

Item	Unit	Assumption
Office Occupied Area	sq m	24,002
Retail Occupied Area	sq m	5,710
Estimated Office Market Rent	SAR / sq m per annum	680 to 815
Estimated Retail Market Rent	SAR / sq m per annum	1,320
Service Charge	%	10%
Telecommunications Tower Income	SAR per annum	32,375
Passing Rent	SAR per annum	23,100,000
Market Rent (100% occupancy)	SAR per annum	25,716,246
Insurance	SAR per annum	156,135
Operating Costs	SAR / sq m per annum	90
Structural Vacancy	%	12%
Property Management and Marketing Fee	Percent of Revenue	1.00%
Sinking Fund	Percent of Revenue	1.00%
Exit Yield	%	8.25%
Growth	%	2.50%
Discount Rate	%	10.75%
<b>Market Value (SAR)</b>	<b>SAR</b>	<b>242,820,000</b>

## Valuation Considerations

### Subject property

- 4.20 We have valued the property subject to the head lease that is currently in place. The head lease is for a 5-year term starting on 05 August 2019 and ending on 05 August 2024, with a fixed rental income of SAR 23,100,000 per annum and no escalations. After expiry of the head lease, we have assumed that the head lease is not renewed and the building then becomes available to let on a multi tenanted basis, and is leased to third parties on market based lease terms.
- 4.21 The lot size is such that this asset would prove attractive in the market given the two distinct asset classes of retail and offices.
- 4.22 We have assessed the market value of the property using a discounted cash flow approach, where we have modelled the cash flows generated under the head lease for the contracted lease term and upon expiration, we have assumed the building would be leased based on our assumptions of Market Rent, with allowances being made for deduction of operating expenses, leasing fees and property management fees.
- 4.23 We allowed for 12% structural vacancy of on revenues, annually. This has been assumed in regards to our benchmarks and our professional experience of advising in the region.
- 4.24 Our Estimated Rental Value for the property as at the valuation date is SAR 25,716,246 per annum (assuming 100% occupancy). We have assumed 2.50% annual inflation in our cash flows and adopted an 8.25% exit yield reflecting a 10.75% discount rate.
- 4.25 The property benefits from good road frontage along Madinah Road and provides flexible, well laid out retail accommodation on the ground floor. The common area is in good and serviceable condition. Additionally, there may be opportunities to rentalise part of this space in the future.
- 4.26 We understand that the municipality requires a parking ratio of 1 parking bay per 70 sq m of office space and 1 parking bay per 55 sq m of retail space which equates to a total requirement of 443 bays. The existing car parking ratio for the office space is relatively poor with c. 400 spots available, which is c 43 spaces short of the municipality standard.
- 4.27 Visitors currently use a vacant land opposite to the subject site for parking. This may cause inconvenience to tenants should the land be developed in the future. It may also appear to be less attractive to a number of potential buyers / investors, as lettability of the building could be adversely impacted – parking is one of the key factors that tenants look for when considering taking space in an office building.

## SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Head Lease – secure short-term income.</li> <li>• Very good visibility and access on Madinah Road.</li> <li>• Additional income received from telecom towers.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of parking spaces for visitors where they currently park on a vacant land plot next to the subject property.</li> <li>• General signs of the building appearing to age.</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>• Tenant renegotiating leases to be long-term, with rental uplifts thus enhancing Head Lease attractiveness.</li> </ul>	<ul style="list-style-type: none"> <li>• The vacant land opposite the subject property is being used as parking for visitors, if this plot is developed, there will be a parking issue at the property.</li> <li>• General movement of Government entities and business to Riyadh could cause demand for offices in Jeddah to slow down further.</li> </ul>

## Valuation bases

### Market Value

4.28 Market Value is defined within **RICS Valuation - Global Standards / IVS** as:

*“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

## Valuation date

### Valuation date

4.29 The valuation date is 31 December 2022.

## Market Value

### Assumptions

4.30 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Terms of Engagement Letter and within this report.

### Market Value

4.31 We are of the opinion that the Market Value of the freehold interest in the property which is identified as Salama Building on Madinah Road in Jeddah, KSA, subject to the signed Head Lease and the assumptions and the caveats detailed herein, as at the valuation date is:

**SAR 242,820,000**

**(Two Hundred and Forty Two Million, Eight Hundred and Twenty Thousand Saudi Arabian Riyals)**



# Appendix 1 Instruction documentation



**AlAhli REIT Fund (1)**  
Riyadh  
Kingdom of Saudi Arabia

For the attention of Danial Mahfooz

Our Ref: SNB Capital

11 July 2022

Dear Sirs

## **Terms of Engagement for Valuation Services for the properties listed in section 2**

Thank you for your enquiry of 07 June 2022 requesting a valuation report in respect of the properties detailed below (the "Properties"). We are writing to set out our agreed terms of engagement for carrying out this instruction which comprise this Terms of Engagement letter (this "Letter") together with our General Terms of Business for Valuation Services (the "General Terms"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed by us in writing. To the extent that there is any inconsistency between this Letter and the General Terms, this Letter shall take precedence.

### **1. Client**

Our client for this instruction is AlAhli REIT Fund (1) (the "Client", "you", "your").

### **2. Properties to be valued**

The Properties to be valued are as follows:

Property Address	Tenure	Occupancy
Asset 1: Al Andalus Mall (including extension land) and Staybridge Suites Hotel Apartments, Jeddah, Kingdom of Saudi Arabia	Freehold	Tenanted - subject to more than one lease or tenancy
Asset 2: Qbic Building, King Abdulaziz Road Al Ghadeer District, Riyadh, Kingdom of Saudi Arabia	Freehold	Tenanted - subject to more than one lease or tenancy
Asset 3: Salama Building, Madinah Road Salamah District, Jeddah, Kingdom of Saudi Arabia	Freehold	Tenanted - subject to more than one lease or tenancy

### **3. Valuation standards**

The Valuation will be undertaken in accordance with the current editions of RICS Valuation - Global Standards, incorporating the International Valuation Standards, and the Taqeeem regulations of KSA.

Building WH01-04 1st Floor Al Raidah Digital City  
T +966 5308 03297  
knightfrank.com.sa

#### **4. Status of valuer and disclosure of any conflicts of interest**

For the purposes of the Red Book, we are acting as External Valuers, as defined therein.

We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

We draw to your attention that if you subsequently request and we agree to the Valuation being re-addressed to a lender (for which we shall make an additional charge), the Valuation may not meet their requirements, having originally been requested by you. We will only readdress the Valuation once we have received a signed reliance letter in our standard format from the new addressee. Please note also that no update or alterations will be made to the Valuation prior to its release to any new addressee.

#### **5. Valuer and competence disclosure**

The valuer, on our behalf, with responsibility for the Valuation will be Stephen Flanagan MRICS, RICS Registered Valuer, Tazeem Fellow Valuer with Membership Number 1220001318 (the "Lead Valuer"). Parts of the Valuation may be undertaken by additional valuers within the firm.

We confirm that we meet the requirements of the Red Book in having sufficient current knowledge of the particular market and the skills and understanding to undertake the Valuation competently.

#### **6. Purpose of valuation**

The Valuation is provided solely for the purpose of REIT Year-end reporting (the "Purpose") and in accordance with clause 4.1 of our General Terms may not be used for any other purpose without our express written consent.

#### **7. Limitation of liability and restrictions on use**

Clause 3.1 of the General Terms limits our liability to SAR 1 million under this instruction.

Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

##### **Third party reliance**

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

##### **Disclosure**

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole, nor any part, of the Valuation nor any reference thereto may be included in any published document, circular or statement, nor published in any way, without our prior written consent and written approval of the form or context in which it may appear.

#### **8. Basis of valuation**

The Valuation will be undertaken on the following basis, as defined in the Red Book:

- Market Value.



## **9. Special assumptions and assumptions**

### **Special assumptions**

In addition to section 8 above, the Valuation will be undertaken on the following special assumptions:

- You have not requested any valuations on special assumptions.

### **Assumptions**

The Valuation will necessarily be based upon a number of assumptions, as set out in the General Terms, this Letter and within the Valuation.

## **10. Valuation date**

The valuation dates are 30 June 2022 and 31 December 2022.

## **11. Currency to be adopted**

The valuation figures will be reported in Saudi Riyals (SAR).

## **12. Extent of inspection and investigations**

We have agreed the following specific requirements in relation to the Valuation:

### **Inspection**

You have instructed us to inspect the Properties internally / by going onto the site, as well as externally.

## **13. Information to be relied upon**

We will rely on information provided to us by you or a third party and will assume it to be correct. This information will be relied upon by us in the Valuation, subject only to any verification that we have agreed to undertake.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.

Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Properties. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

## **14. Report format**

The Valuation will be prepared in our standard format which will be compliant with the Red Book and Taseem and will take into account any reasonable requests made by you at the relevant time.

## **15. Fees and expenses**

### **Payment details**

Our fee for undertaking this instruction will be Saudi Riyals (SAR) [REDACTED] excluding VAT for each re-valuation, and reasonable disbursements divided into two payment, set out below.

**June 2022 revaluation:**

Advance Payment	
Final payment	

December 2022 revaluation:

Advance Payment	
Final payment	

Our timeframe for completion of draft reports shall be by 15 working days from receipt of the initial invoice payment and receipt of all information contained within Appendix 4. Where any additional work is undertaken by Knight Frank Spain Saudi Arabia Real Estate Valuations Company or the time period of the assignment is extended due to reasons outside our control, we reserve the right to seek additional fees charged on an as-incurred basis in agreement with the client.

Where we are unable to complete the report as a result on information not being made available by the Client we reserve the right to proceed with the billing of any outstanding fees.

In accordance with clause 10.4 of the General Terms, if you end this instruction at any stage, we will charge abortive fees on the basis of reasonable time and expenses incurred, with a minimum charge of 50% of the above fee if the Properties have been inspected.

Payment of our fee is required in advance. Before the Valuation is discussed or issued the invoice must have been settled.

The scope of our work is set out in the Agreement. In accordance with clause 10.5 of the General Terms, if we are instructed to carry out additional work that we consider either to be beyond the scope of providing the Valuation or to have been requested after we have finalised the Valuation (including, but not limited to, commenting on reports on title) we will charge additional fees for such work. We will endeavour to agree any additional fees with you prior to commencing the work, however, where this is not possible our hourly rates will apply.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the Lead Valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

## 16. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and/or refrain from discussing it with you until this Letter has been

Our Ref: SNB Capital

4

Yours faithfully



**Stephen Flanagan MRICS**  
Partner - Head of Valuation & Advisory, MENA,  
Valuation & Advisory, MENA  
For and on behalf of Knight Frank Spain Saudi Arabia  
Real Estate Valuations Company  
stephen.flanagan@me.knightfrank.com  
T +971 4 4267 617  
M +971 50 8133 402



Attached - General Terms of Business for Valuation Services



.....  
Signed for and on behalf of AIAhli REIT Fund (1)

.....  
Date

KF Ref: SNB Capital



## Appendix 2 Title Deed

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الجمهورية العربية السورية  
وزارة العدل

[٢٧٧]

كتابة العدل الاولى بجدة

الرقم: ٣٢٠٢١٢٠٢٤٠١٨  
التاريخ: ١٤٤٠ / ١٢ / ٣ هـ

صك

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

فإن قطعة الأرض المرموز لها بحرف ( ب ) الواقع في حي السلامة بمدينة جدة .

وحدودها وأطوالها كالتالي:

شمالاً: شارع عرض ١٢ م بطول: (٤,٢٤) يبدأ من الجنوب الشرقي للشمال الغربي بطول ٤,٢٤ م ثم غرباً ٧١ م ثم

شطرقة جنوب غرب بطول ٤,٢٤ م

جنوباً: شارع عرض ١٢ م بطول: (٤,٢٤) يبدأ بشطرقة من الشمال الشرقي للجنوب الغربي بطول أربعة متر و أربعة و

عشرون سنتيمتر ثم غرباً بطول ٧١ م ثم شطرقة شمال غرب ٤,٢٤ م

شرقاً: طريق المدينة بعرض ٥٧ م بطول: (٩٤) أربعة و تسعون متر

غرباً: شارع عرض ١٢ م بطول: (٩٤) أربعة و تسعون متر

ومساحتها ( ٧٦٨٢ ) سبعة آلاف و ستمائة و إثنين و ثمانون متر مربعاً فقط وبناءً على قرار دائرة التنفيذ الأولى بجدة رقم

٢٤/٥/١٤٣٨ في ٣٨٣٦٦٠٩٩ والمستند في إفراغها على الصك الصادر من هذه الإدارة برقم ٥٢٠٢١٢٠٢٣٩٦٨ في ٢٩ / ١١ / ١٤٤٠ هـ

قد انتقلت ملكيتها ل: شركة صندوق تمكين العقارية بموجب سجل تجاري رقم ١٠١٠٩٢٨٨٩٠ وتنتهي في ٢٤ / ٣ / ١٤٤٢ هـ ،

بثمن وقدره ٢٥٥٠٠٠٠٠٠ مئتين و خمسة و خمسون مليون ريال وعليه جرى التصديق تحريراً في ٣ / ١٢ / ١٤٤٠ هـ لاعتداده ،

وصلى الله على نبينا محمد وآله وصحبه وسلم.

وزارة العدل

كاتب العدل

بدر بن طلال بن بريك السلمي

وزارة العدل  
كتابة العدل الأولى بمحافظة جدة  
كاتب العدل بمكتب رقم (١٢)

هذا المستند وحدة متكاملة، وضياؤه تألف صفحة منه يؤتى إلى عدم صلاحية المستند  
( هذا النموذج مخصص للاستخدام بالحاسب الآلي ويمنع تغليفه )

مصلحة مطابع الحكومة - ٢٨٢٠٢٢

نموذج ج ١١ - ١٤٠٠

## Appendix 3 Building Permit

**الإدارة المركزية لرخص البناء**  
رخصة بناء مفعلة  
٢٠٠٠١٨٢٢٤  
الرقم التسلسلي (٤١٧٩)

أمانة محافظة جدة

تجديد رخصة

رقم رخصة البناء	٢٧٩٨	تاريخها	١٤٣١/٠٧/٠٢
رخصة بناء :	اداري تجاري	صالحة إلى	١٤٣٤/٠٧/٠٢
اسم المالك :	احمد محمد عمر باسمراف		
نوع هوية :	حفيظة نفوس	رقمها	١٠٠٠٤٨٨٣١٠
صك ملكية رقم :	٢٢٧٦	تاريخ	١٤١٣/٠٥/١٥
رقم المبنى :	حى	السلامة	جدة
رقم القطعة :	شارع	رقم المخطط	

قد رخص المالك ببناء عدد ١٥ دور بموجب الحدود والأبعاد والارتفاعات والبروزات

المحويات	مسكن	تجاري	مواقف سيارات	وحدات أخرى	مساحة الدور
البنود	٠	٠	٧٩٨٢	٠	٠
طابق خدمة	٠	٠	٦٥٨٨,١	٠	٠
الطابق الأرضي	٠	٠	٠	٠	٤٤٨٦,٥
طابق الميزانين	٠	٠	٠	٠	٢١٩٢,٥
الطابق الأول	٠	٠	٠	٠	٣٤٨٤
الطابق الثاني	٠	٠	٠	٠	٢٧٠٣
الطابق الثالث	٠	٠	٠	٠	٢٥٣٨٥,٦٩
الطابق المتكرر	٠	٠	٠	٠	

إجمالي طول الأسوار (م - ط)

رقم رخصة المكتب الهندسي

مكتب المهندس مروان بدر الدين عاشور

الرسوم

رقم الإرسال

٣١٠١١٣٧٩١٧

٤٣,٥٠٣,٦٠

١٤٣١/٠٦/٢٢

تم إحضار العقود المطلوبة حسب النظام

عدد الوحدات السكنية : ١.١.٦

رئيس القسم

م/ أنيسيو مدينا السكيكي

مدير الإدارة المركزية لرخص البناء

م/ هبلد الرزاق عبد الرحمن شبيب عطر

الإدارة العامة

لرخص واشترطات البناء

إدارة المشاريع الخدمية والتجارية

رمز التشغيل

يجب على صاحب الرخصة إلقاء مخلفات البناء/ الهدم/ الترميم في الممرم المعتمد من الأمانة باستخدام البطاقات المغلفة الممنوحة له عند إصدار الرخصة .  
وأن أمانة محافظة جدة في حال تقاعس صاحب الرخصة في توريد الدمارات المقررة ستطبق الجزاءات والعقوبات اللازمة لضمان إزالة المخلفات .

جدة أمانة  
فنون الأمانة

002-01-F09; V 3.0

# Appendix 4 Cash Flow

## Cash Flow Report

Salamah Jeddah Head Lease - Semi Annual discounting (Amounts in SAR)  
Dec, 2022 through Nov, 2033  
29/12/2022 09:36:42

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Year 1 Nov-2023	Year 2 Nov-2024	Year 3 Nov-2025	Year 4 Nov-2026	Year 5 Nov-2027	Year 6 Nov-2028	Year 7 Nov-2029	Year 8 Nov-2030	Year 9 Nov-2031	Year 10 Nov-2032	Year 11 Nov-2033	Total
<b>For the Years Ending</b>												
<b>Rental Revenue</b>												
Headline Rent	48,816,247	43,220,586	27,018,132	27,693,585	28,385,925	29,095,573	29,822,962	30,568,536	31,332,750	32,116,069	32,918,970	360,989,335
Void Loss	-25,716,247	-17,860,847	0	0	0	0	0	0	0	0	0	-43,577,094
Passing Rent	23,100,000	25,359,739	27,018,132	27,693,585	28,385,925	29,095,573	29,822,962	30,568,536	31,332,750	32,116,069	32,918,970	317,412,241
<b>Total Rental Revenue</b>	<b>23,100,000</b>	<b>25,359,739</b>	<b>27,018,132</b>	<b>27,693,585</b>	<b>28,385,925</b>	<b>29,095,573</b>	<b>29,822,962</b>	<b>30,568,536</b>	<b>31,332,750</b>	<b>32,116,069</b>	<b>32,918,970</b>	<b>317,412,241</b>
<b>Total Tenant Revenue</b>	<b>23,100,000</b>	<b>25,359,739</b>	<b>27,018,132</b>	<b>27,693,585</b>	<b>28,385,925</b>	<b>29,095,573</b>	<b>29,822,962</b>	<b>30,568,536</b>	<b>31,332,750</b>	<b>32,116,069</b>	<b>32,918,970</b>	<b>317,412,241</b>
<b>Potential Gross Revenue</b>	<b>23,100,000</b>	<b>25,359,739</b>	<b>27,018,132</b>	<b>27,693,585</b>	<b>28,385,925</b>	<b>29,095,573</b>	<b>29,822,962</b>	<b>30,568,536</b>	<b>31,332,750</b>	<b>32,116,069</b>	<b>32,918,970</b>	<b>317,412,241</b>
<b>Vacancy &amp; Credit Loss</b>												
Vacancy Allowance	0	-760,792	-3,107,365	-3,268,322	-3,350,030	-3,433,781	-3,519,626	-3,607,616	-3,697,807	-3,790,252	-3,885,008	-32,420,600
<b>Total Vacancy &amp; Credit Loss</b>	<b>0</b>	<b>-760,792</b>	<b>-3,107,365</b>	<b>-3,268,322</b>	<b>-3,350,030</b>	<b>-3,433,781</b>	<b>-3,519,626</b>	<b>-3,607,616</b>	<b>-3,697,807</b>	<b>-3,790,252</b>	<b>-3,885,008</b>	<b>-32,420,600</b>
<b>Effective Gross Revenue</b>	<b>23,100,000</b>	<b>24,598,947</b>	<b>23,910,767</b>	<b>24,425,263</b>	<b>25,035,894</b>	<b>25,661,792</b>	<b>26,303,337</b>	<b>26,960,920</b>	<b>27,634,943</b>	<b>28,325,817</b>	<b>29,033,962</b>	<b>284,991,641</b>
<b>Revenue Costs</b>												
Property Management	0	251,492	270,003	276,863	283,785	290,879	298,151	305,605	313,245	321,076	329,103	2,940,204
Sinking Fund	231,000	238,289	258,947	272,360	279,169	286,148	293,302	300,635	308,151	315,854	323,751	3,107,607
Op Ex	0	2,767,487	2,859,356	2,930,840	3,004,111	3,079,213	3,156,194	3,235,099	3,315,976	3,398,875	3,483,847	31,230,998
Insurance	156,135	160,038	164,039	168,140	172,344	176,652	181,069	185,595	190,235	194,991	199,866	1,949,106
<b>Total Revenue Costs</b>	<b>387,135</b>	<b>3,417,307</b>	<b>3,552,345</b>	<b>3,648,203</b>	<b>3,739,409</b>	<b>3,832,894</b>	<b>3,928,716</b>	<b>4,026,934</b>	<b>4,127,607</b>	<b>4,230,797</b>	<b>4,336,567</b>	<b>39,227,915</b>
<b>Net Operating Income</b>	<b>22,712,865</b>	<b>21,181,640</b>	<b>20,358,422</b>	<b>20,777,059</b>	<b>21,296,486</b>	<b>21,828,898</b>	<b>22,374,620</b>	<b>22,933,986</b>	<b>23,507,336</b>	<b>24,095,019</b>	<b>24,697,395</b>	<b>245,763,726</b>
<b>Cash Flow Before Debt Service</b>	<b>22,712,865</b>	<b>21,181,640</b>	<b>20,358,422</b>	<b>20,777,059</b>	<b>21,296,486</b>	<b>21,828,898</b>	<b>22,374,620</b>	<b>22,933,986</b>	<b>23,507,336</b>	<b>24,095,019</b>	<b>24,697,395</b>	<b>245,763,726</b>
<b>Cash Flow Available for Distribution</b>	<b>22,712,865</b>	<b>21,181,640</b>	<b>20,358,422</b>	<b>20,777,059</b>	<b>21,296,486</b>	<b>21,828,898</b>	<b>22,374,620</b>	<b>22,933,986</b>	<b>23,507,336</b>	<b>24,095,019</b>	<b>24,697,395</b>	<b>245,763,726</b>



## Appendix 5 Market Research Report

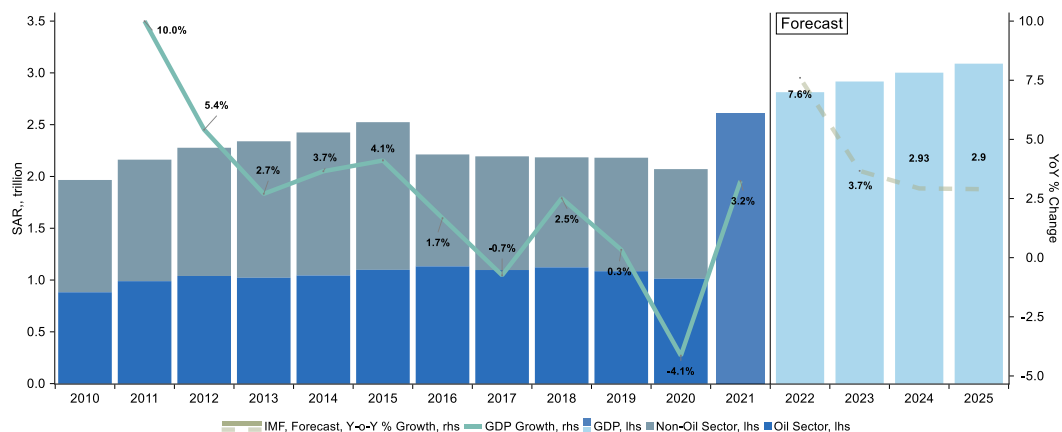
### Saudi Arabia GDP Growth, 2011 - 2025

After a year of contraction due to the pandemic, Saudi Arabia's economy resumed growth in 2021. According to preliminary full-year data from the General Authority for Statistics (GaSat), Saudi Arabia's real GDP grew by 3.3% in 2021, compared to a 4.2% drop in 2020, when the pandemic slowed down most economic activities.

Saudi Arabia's economy is expanding in both the oil and non-oil sectors. In the third quarter of 2022, the Kingdom's real GDP increased by 8.6%. This expansion was primarily driven by a 14.5% increase in oil activity, while the non-oil sector rose by 5.6% over the same time.

The Saudi economy benefited from higher oil prices and higher outputs during the first nine months of 2022. Looking ahead, growth in oil prices and non-oil sector activities appears to be supporting an increase in government revenue, which underpins Saudi Arabia's 7.6% GDP growth forecast for 2022, the highest in the region. (Oxford Economics)

### Saudi Arabia GDP, YoY % change



*Source: Knight Frank, Oxford Economics*

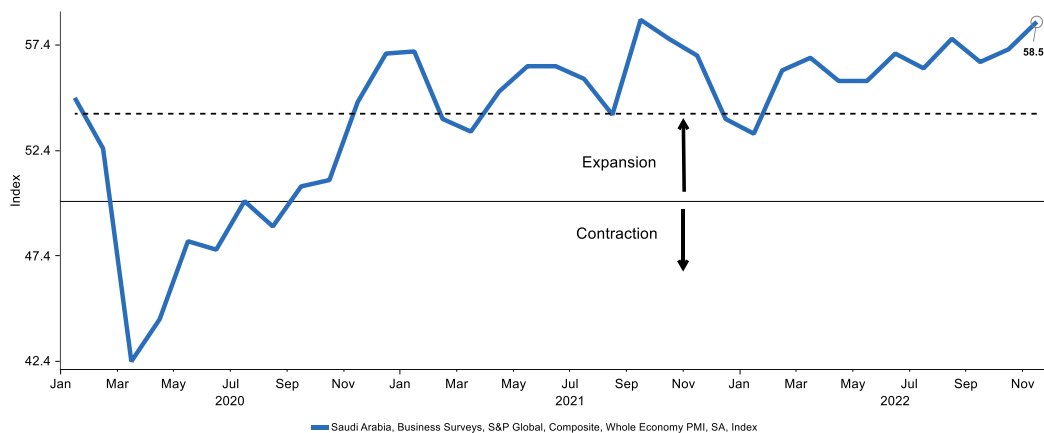


### Saudi Arabia, Purchasing Manager Index (PMI)

The non-oil private sectors are at the centre of Saudi Arabia's Vision 2030, and the reforms launched to bolster these sectors are already being felt widely across the economy. Indeed, Saudi Arabia's Purchasing Manager Index (PMI), which tracks the country's private non-oil economy, registered a reading of 58.5% in November 2022, which is above the long-run series average of 56.8% and represents the 27th month of expansion and business growth in the country's non-oil sector activity.

This was also the highest reading since September 2021, as output hit a seven-year high, new order growth accelerated to a 14-month high, and export sales rose the most in seven years.

### Saudi Arabia PMI



Source: Knight Frank, Oxford Economics

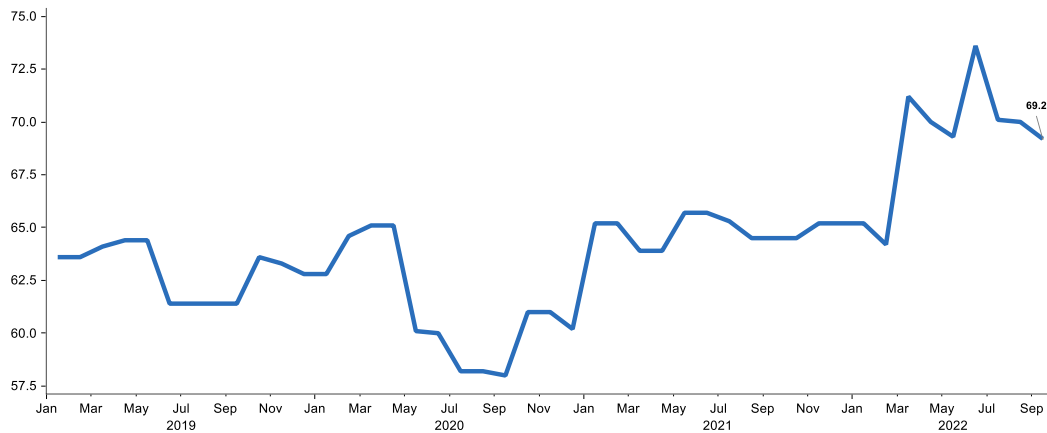
### Saudi Arabia Primary Consumer Sentiment Index by Thomson Reuters / IPSOS

The Primary Consumer Sentiment Index (PCSI) of Saudi Arabia is a national survey of consumer opinions regarding the current and future status of the local economy, personal financial situation, as well as confidence in making big investments, and ability to save.

The latest reading in October 2022 of the Primary Consumer Sentiment Index (PCSI) in Saudi Arabia, released by IPSOS, reveals the state of Saudi Arabia remain positive with a slight drop in the index since September 2022, leaving it at 69.2 versus 70.

Saudi Arabia ranked second in terms of the present status of its economy, with 58% believing it is robust. The Kingdom is also ranked second in the world, with the great majority of consumers (93%) saying the country is on the right track.

### PCSI, by Thomson Reuters / IPSOS



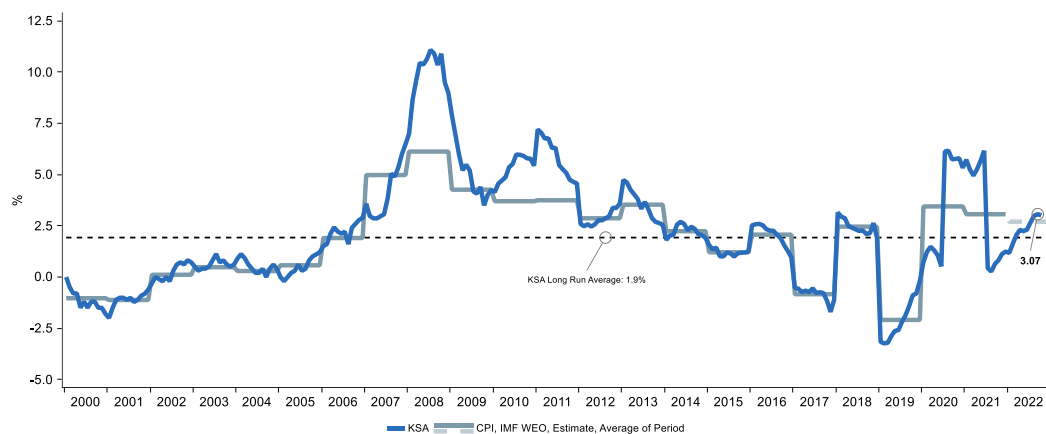
Source: Knight Frank, IPSOS

### Saudi Arabia Consumer Price Index, YoY Change %

The Consumer Price Index (CPI) increased by 3.01% in October 2022, compared to October 2021. The increase in the CPI was mostly due to higher prices food and beverages by (4.4%) and housing, water, electricity, gas and other fuels by (3.3%).

Transport prices climbed by 4.4%, mostly owing to increasing in purchase of motor cars prices, which increased by 5.8%. Because of their significant relative importance in the Saudi consumer basket (22%), food and beverage expenses were the major driver of the inflation rate in October 2022.

### CPI, YoY % Change



Knight Frank, GSTAT

Source:

## Saudi Arabia Population Forecasts

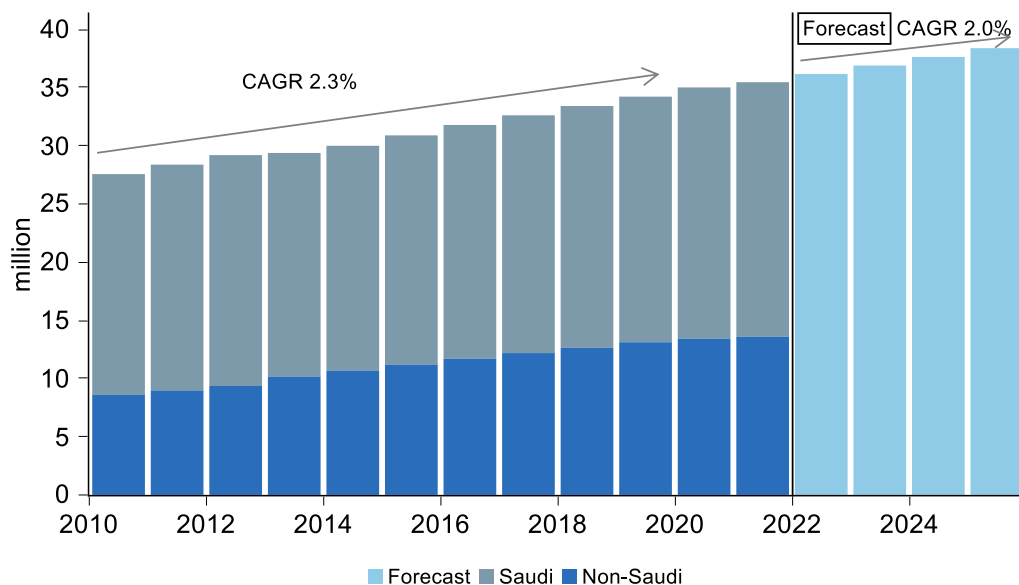
Saudi Arabia accounts for more than half of the GCC's total population and has a larger population than any other GCC country. According to official statistics, the population count was registered at 35.4 million in 2021.

According to the statistics, the population of Saudi Arabia is estimated to have reached 36.61 million in 2022. The Saudi/Non-Saudi breakdown of the population for 2021 stands at 21.8 million/13.6 million.

Based on the Oxford Economics forecasts, the population of Saudi Arabia is expected to grow at a constant 2% annual growth rate from 2021 onwards, reaching 38.3 million in 2025. A large and growing population, albeit at a slower pace than previous years, will continue to drive demand for goods and services in the short to medium term.

Saudi Arabia's population is dominated by Saudi nationals, accounting for 62% of the population. This implies that aggregate demand for products and services does not primarily stem from the expatriate workforce.

## Saudi Arabia Population Evolution



Source: Knight Frank Research, IMF

## Total Number of Households

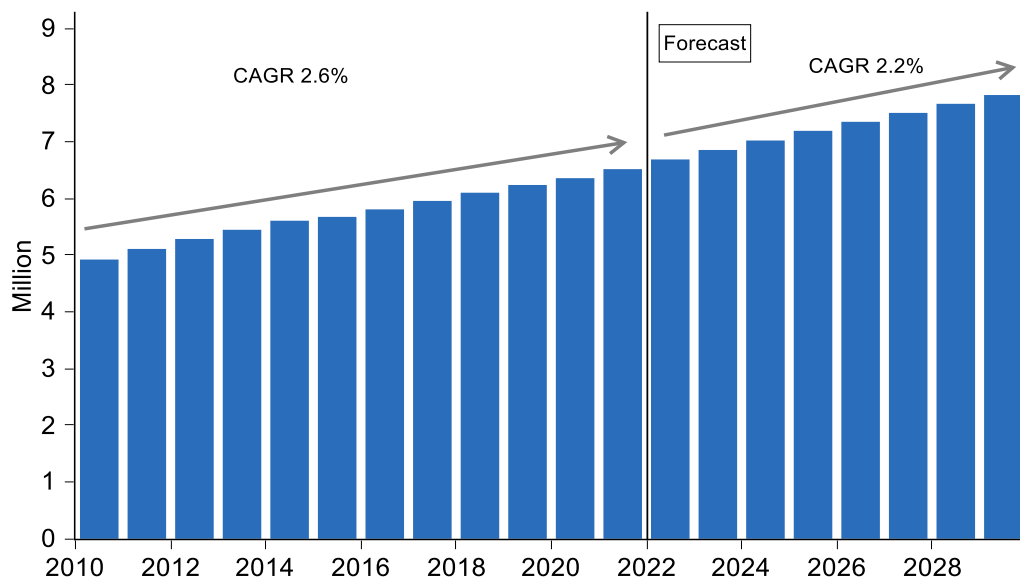
The total number of households in Saudi Arabia is currently estimated at roughly 6.5 million in 2021 and is expected to increase to 6.7 million in 2022. According to Oxford Economics, annual average growth

in the number of households will slow to 2.2% between 2021 and 2030, down from 2.6% between 2010 and 2021.

The average household size in Saudi Arabia stood at 5.51 individuals in 2021, according to Oxford Economics. While the average household size for Saudi households stands at just over 6.0, the average household size for non-Saudis is closer to 4 individuals. The overall average household size is set to slightly decrease over the next years reaching 5.46 in 2030.

Regarding the local population, it was not unusual historically for generations of the same family to be living in a sizeable family home. The younger generation now exhibits a desire to move away from multi-generational household structure. Over the next decades, falling household sizes will underpin demand for higher density development which provides smaller and more efficient units.

### Number of Households



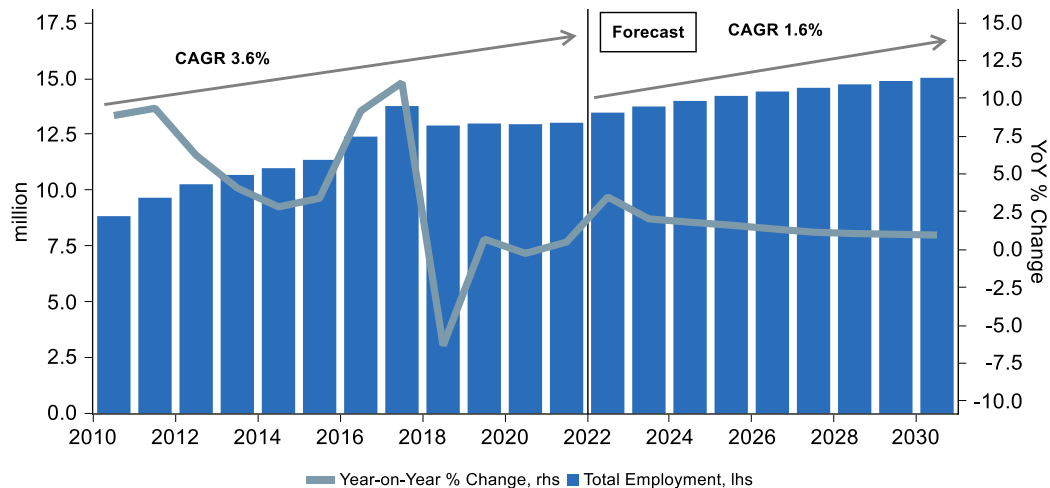
*Source: Knight Frank Research/ Macrobond, Oxford Economics*

### Total Employment - KSA

Saudi Arabia's total workforce was estimated at 13 Million employees in 2021, down from 13.8 Million employees in 2017. The decrease is mostly as a result of the departure c. 750,000 expatriates from the workforce during this period. Looking ahead, given the positive momentum created by the government's extraordinary response to COVID-19 and several economic reforms that have supported employment growth in a variety of industries. The Saudi labour force is expected to increase to 13.6 million by the end of 2022.

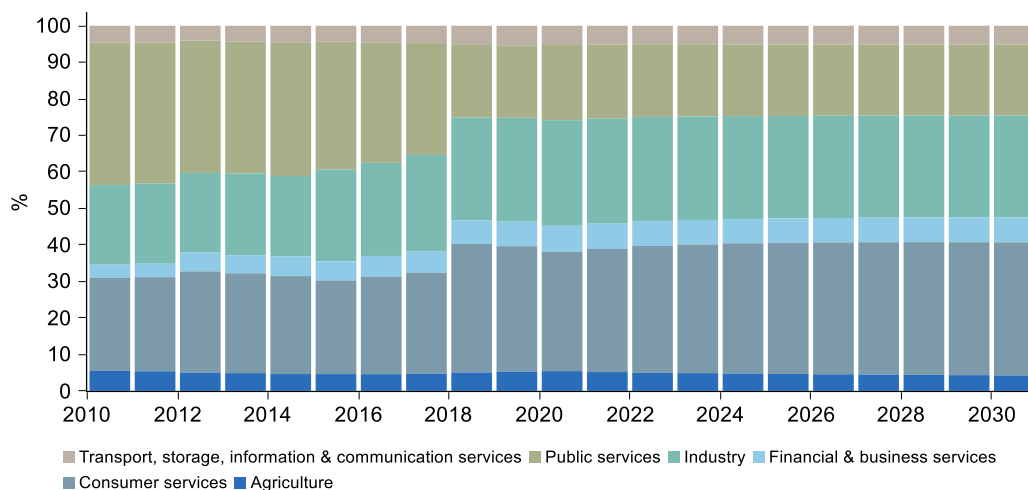
Saudi Arabia's employment CAGR is set to slow to 1.6% per annum between 2021 and 2030, according to Oxford Economics, down from a CARG of 3.6% between 2010 and 2021.

## KSA, Employment



## Breakdown of Employment by Economic Sector – KSA

Currently, the consumer services, industrial sectors and public services are the largest employment sectors in Saudi Arabia, accounting for 33.7%, 28.8% and 20.3% of total employment in 2021, respectively. This is expected to remain roughly unchanged over the coming ten years.



*Source: Knight Frank Research, Macrobond*

## Employment YoY Change%

Employment growth in Saudi Arabia is set to decelerate to 1.6% per annum between 2021 and 2030 down from 3.6% between 2010 and 2021 according to Oxford Economics estimates.

Total employment declined by -6.34% in 2018 due to outflows of expatriates from the workforce. However, this trend has reversed in 2019 where total employment increased marginally by 1.31%.

The exodus of expat workers from Saudi Arabia in 2020, due to the economic fallout from COVID-19 and the oil price shock, has accelerated a shift in the labour market, resulting in a 0.2% decline in employment growth in 2020. However, this trend has reversed again in 2021 where total employment increased marginally by 0.5%.

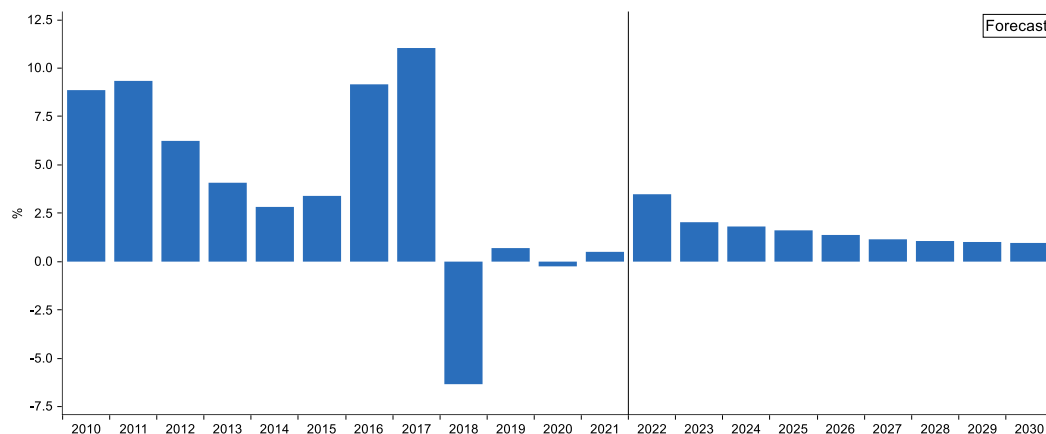
Looking forward, employment growth is expected to remain supported by the various initiatives aimed at boosting youth, women and Saudi nationals' participation in the workforce. In the short to medium term, this will be balanced by rising pressures on the expat labour market resulting from the impact of government fees and Saudization plans on non-Saudi employment figure.

In fact, the Saudi unemployment rate reached 9.7% in Q2 2022, a 0.4 percentage point (pp) drop over Q1/2022. (GSTAT).

Furthermore, among Saudi males, the unemployment rate fell to 4.7%, a decline of 1.4 percentage points from the previous year's Q2/2021.

This quarter's decline in Saudi male unemployment coincided with both an expansion of labour market participation and employment growth, with the participation rate rising by 1.5 percentage points to 67.5%.

### Employment, YoY % Change



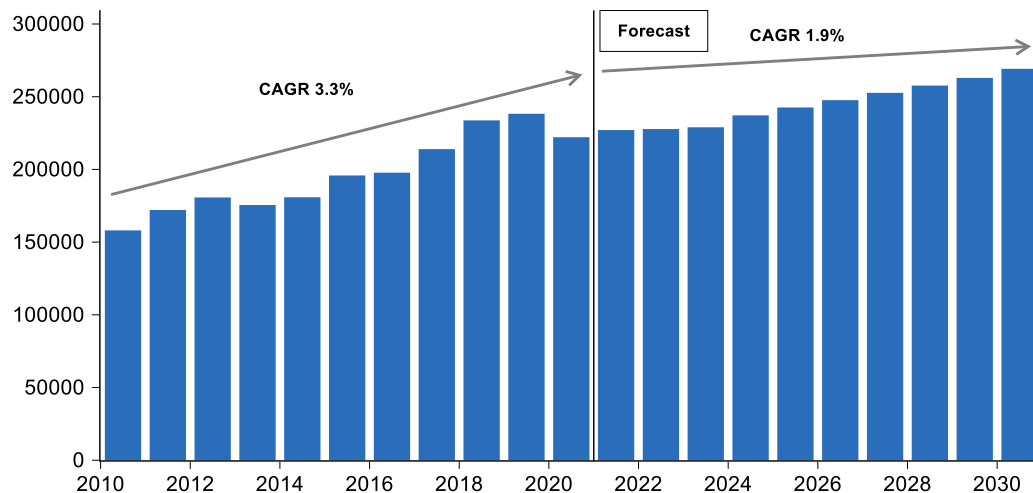
Source: Oxford Economics, Macrobond

### KSA average household disposable Income in SAR

Household income is a key determinant of affordability and consumer spending patterns.

Average household personal disposable income in Saudi Arabia stood at c. SAR 227,000 in 2021. Between 2010 and 2021, the average household personal disposable income increased at a CAGR of 3.3%. It is expected that this growth momentum will slowdown to 1.9% between 2021 and 2030, as highlighted in the adjacent graph.

### Household Disposable Income



Source: Oxford Economics, Macrobond

### KSA number of household by income bands (as a % of total households)

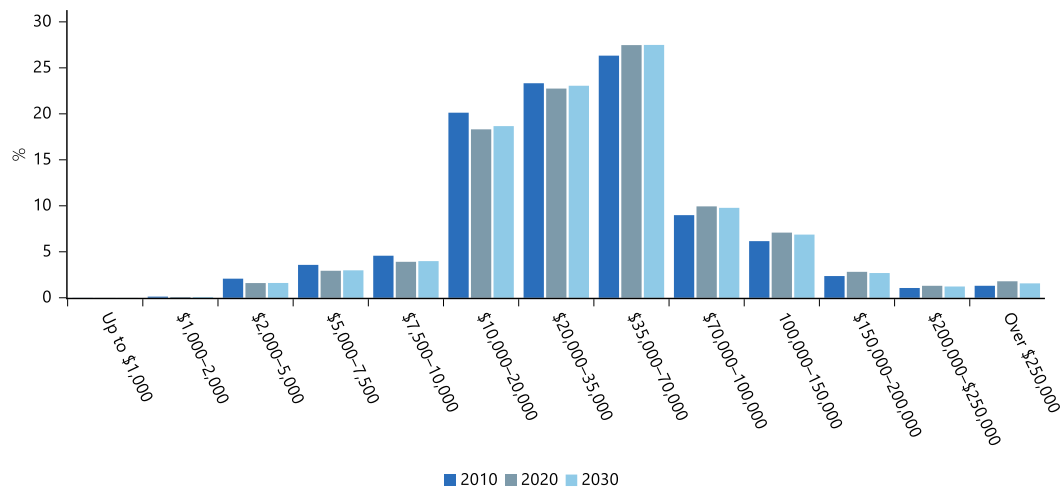
The number of households in Saudi Arabia currently (2021) stands at approximately 6.5 million and is expected to grow to 8 million by 2030.

In 2021, 49.6% of households in Riyadh were within income bands above USD 35,000 and this share is expected to marginally decrease going forward, reaching 49.4% in 2030.

50.6% of households had incomes less than USD 35,000, and this share is likely to stay largely stable over the next decade.

### Household, By Income Band





Source: Oxford Economics, Macrobond

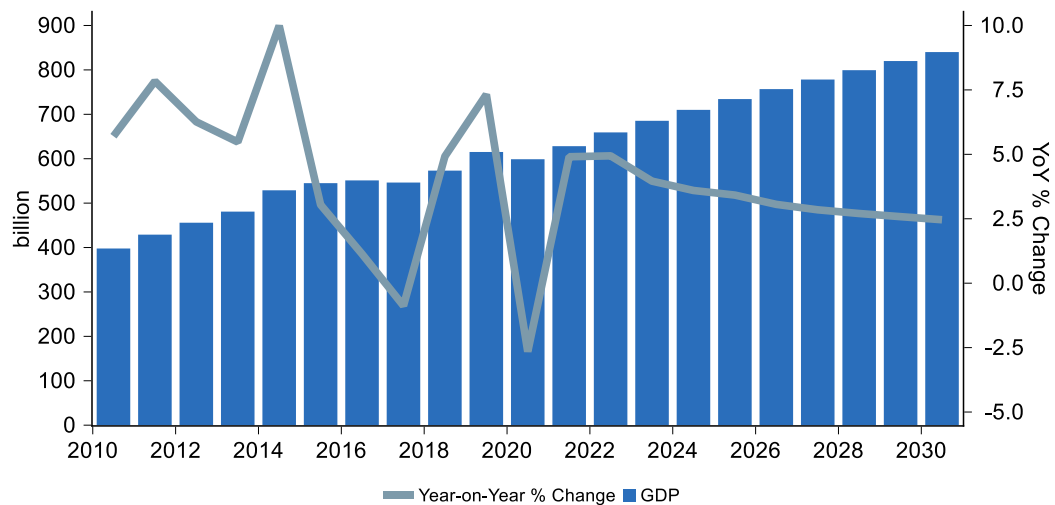
### Gross Domestic Product – Riyadh city

Riyadh's GDP came back to growth in 2021, after a year of contraction due to the pandemic. The Riyadh's real GDO grew by 4.9% year-on-year to 628 billion in 2021, up from 598 billion in 2020.

Riyadh's economy recorded a historical CAGR of 3.9% between 2011 and 2021. From 2021 to 2031, this rate is forecast to decrease to 3.2%.

Riyadh's economy is fairly diversified and does not rely on the hydrocarbon sector directly. However, indirectly growth in hydrocarbon sector in Saudi Arabia and regionally will impact investment volumes into Riyadh.

Looking ahead, Riyadh's economy is expected to record a growth rate of 4.9% in 2022 and 4.0% in 2023 (Oxford Economics).



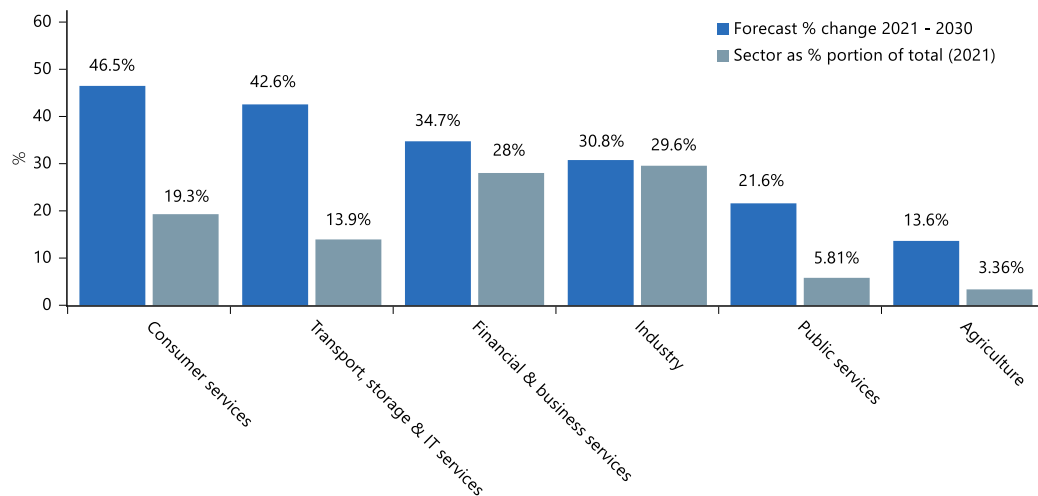
### Gross value Added by Sector – Riyadh city

The breakdown of the gross value added (GVA) by sector for Riyadh highlights that from 2021 to 2030, all sectors are forecast to register growth.

The industrial sector is the largest contributor to Riyadh's GVA in 2021 (29.6%) and is forecast to grow by 30.8% in the nine years to 2030.

The contribution of the consumer services industry is expected to rise the quickest in the decade to 2030, at 46.5%.

Transport, storage, and information technology, as well as financial and business services, are expected to grow by 42.6% and 34.7%, respectively, over the next nine years.



*'Source: Knight Frank Research/ Macrobond/ Oxford Economics'*

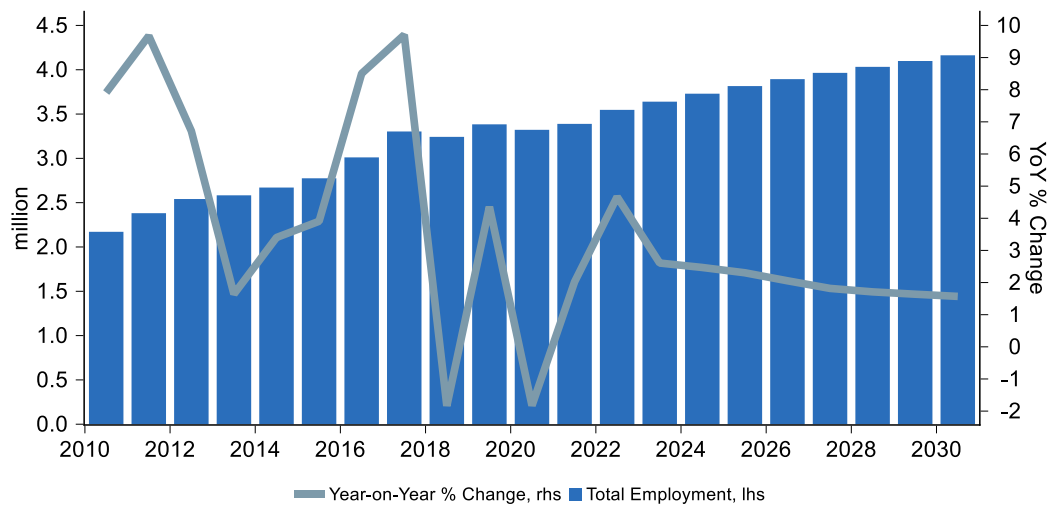
### Total Employment - Riyadh city

Riyadh's employed population stood at 3.38 million in 2021, representing c. 85% of the total employed population in Riyadh Province.

Employment growth in Riyadh averaged 4.1% from 2010 until 2021, reaching an all-time high of 9.7% in 2011 and a record low of -1.8% in 2018. Total employment declined by 1.8% in 2018, was a trend underpinned by the challenging economic backdrop, which led to an outflow of expatriates workers from the workforce. However, this trend reversed in 2019, where total employment increased by 4.36% year-on-year.

According to Oxford Economics, Riyadh's employment is estimated to grow from 3.38 million in 2021 to 3.54 million in 2022, at a growth rate of 4.7%.

Riyadh's employment CAGR is set to slow to 2.3% per annum between 2021 and 2030, down from 4.1% between 2010 and 2021.

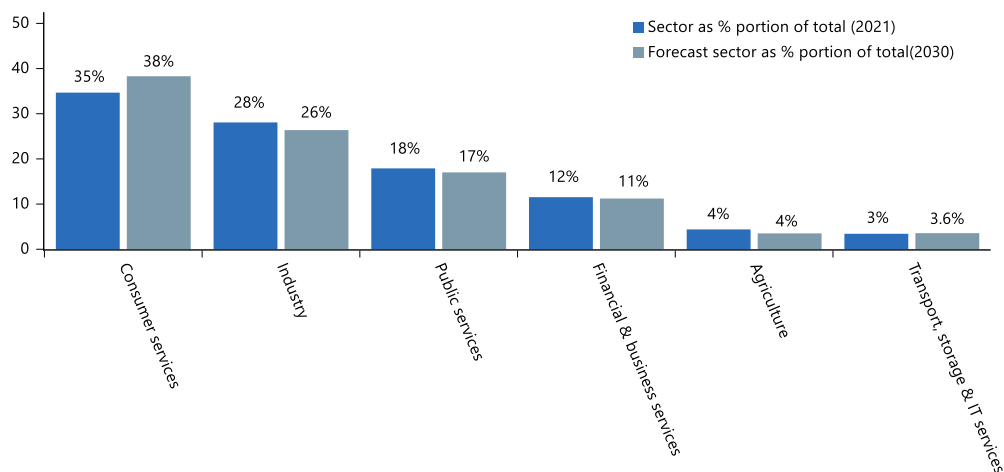


Source: Macrobond, Oxford Economics

### Breakdown of Employment by Economic Sector – Riyadh city

The consumer services, Industry and public services sectors are the largest employment markets in Riyadh, accounting for 35%, 28% and 18% of total employment in 2021.

The share of consumer services in total employment has been gradually increasing over time and is expected to follow the same trend going forward. The contribution rose from 24.7 in 2010 to 34.7 in 2021 and is expected to reach 38% in 2030 according to Oxford Economics.



Source: Macrobond, Oxford Economics

### Total consumer spending - Riyadh (in SAR billion)

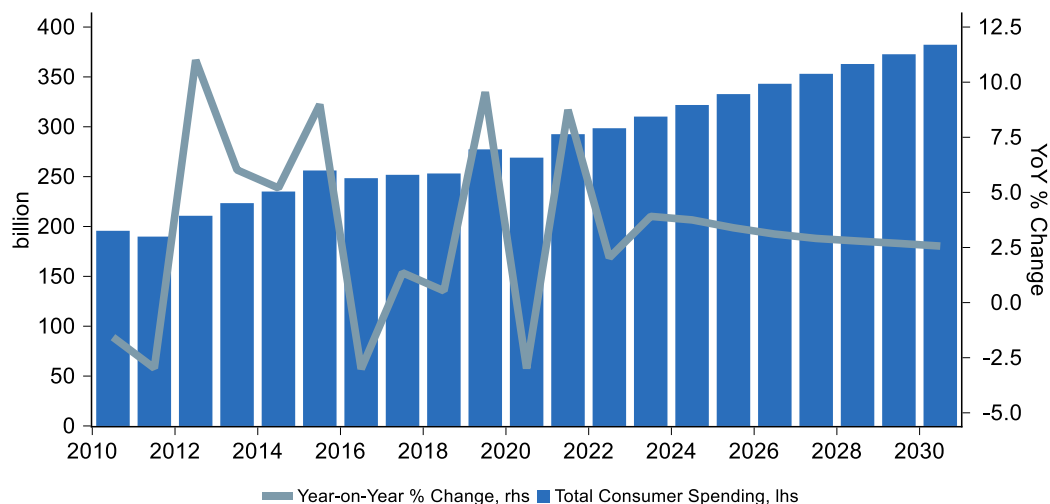
According to Oxford Economics, consumer spending in Riyadh increased by 8.7%, to around SAR 292 billion in 2021, compared to SAR 269 billion last year. The food & beverages sectors were the main drivers of this growth. More so, this relative outperformance is linked in part to the slight easing of lockdown restrictions, which boosted footfall across the Kingdom's food and beverage outlets.

Consumer spending in Riyadh is expected to remain on an upward trajectory over the coming years, reaching SAR 310 billion in 2023. The compound annual growth rate is expected to decelerate to 3.0% between 2021 and 2030 versus 3.7% between 2010 to 2021 (Oxford Economics).

Housing is the biggest area of consumer spending and has seen its contribution gradually increase over time.

Recreational and cultural goods and services accounted for 2.8% of total consumer spending as of 2021 and is predicted to increase in the short to medium term.

Consumer spending on restaurants and hotels amounts to 4.1% of total spending in 2021, and is expected to remain relatively unchanged by 2030.

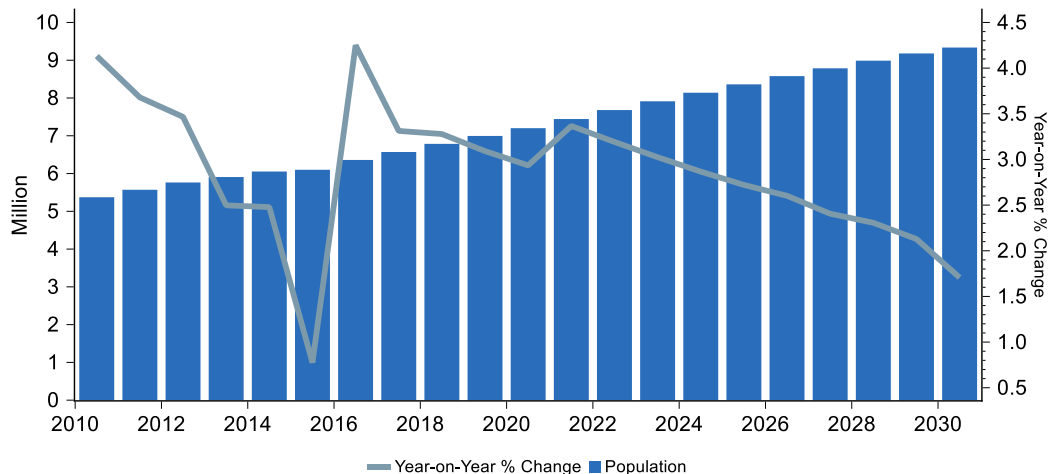


Source: Macrobond, Oxford Economics

### Riyadh population 2010- 2030

According to Oxford Economics, the population of Riyadh have reached 7.4 million in 2021. representing c. 81% of the total population of the Riyadh Region.

Riyadh's population is expected to grow at CAGR of 2.5% from 2021 to 2030, reaching 9.3 million by 2030. A large and growing population, albeit at a slower pace than previous years, will continue to drive demand for goods and services in the medium to long term.



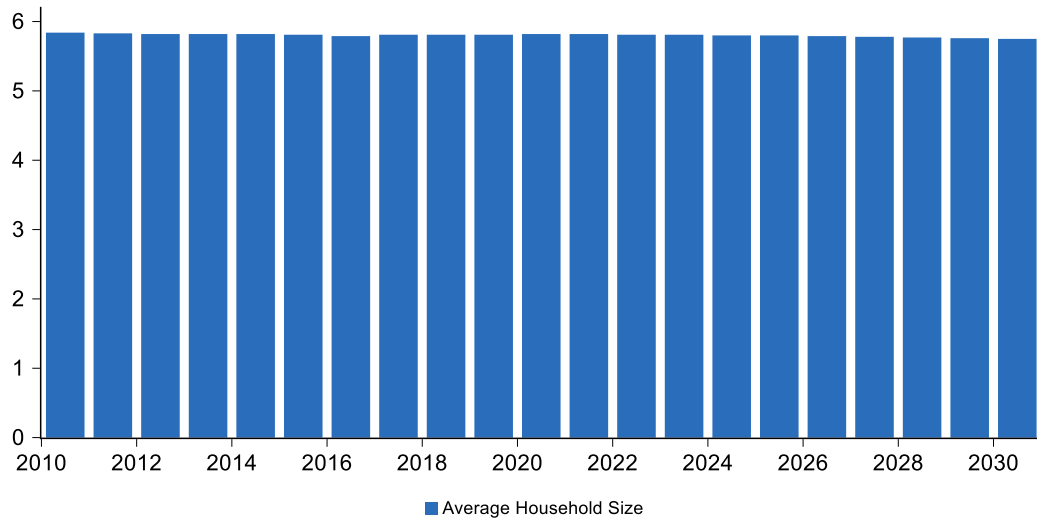
Source: GASTAT, Oxford Economics, Knight Frank Research

### Average household size – Riyadh

Large average household sizes – over five people – is a trend that is observed across much of the Middle East and Africa region.

The average household size in Saudi Arabia stood at 5.5 individuals in 2021, although the figure is higher for Riyadh at an average of 5.8 people per household.

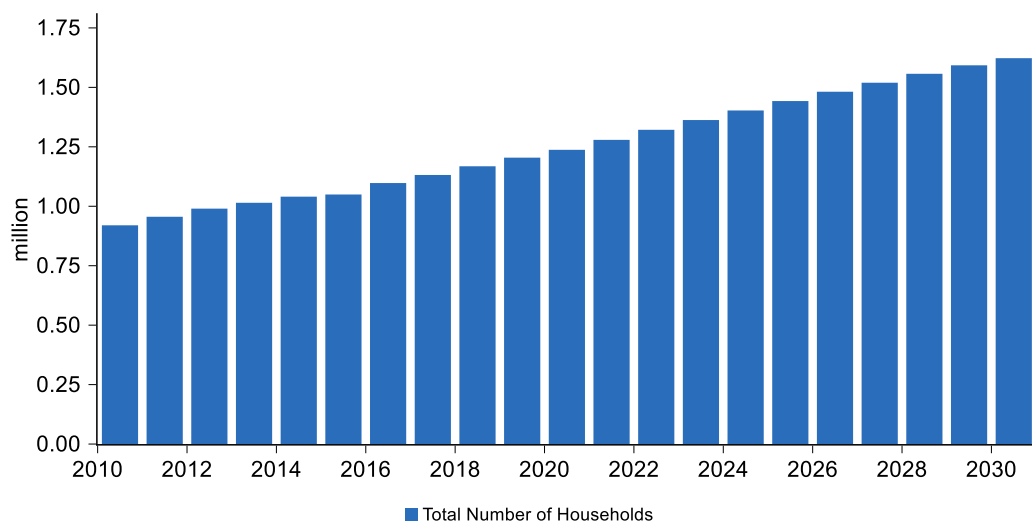
Usually, changes within average household sizes tend to be gradual, therefore the average household size for Riyadh combining Saudi and non-Saudi households is expected to reach to 5.7 individuals by 2030.



#### Total number of households - Riyadh

Total number of households in Riyadh stood at c. 1.28 million in 2021. Between 2010 and 2021, the number of households increased at a CAGR of 3.0%. This growth momentum is expected to slow to 2.7% between 2021 and 2030, driving the total number of households to reach an estimated 1.62 million by 2030.

Based on these forecasts, it is estimated that 344,000 additional households will be formed in Riyadh between 2021 and 2030.



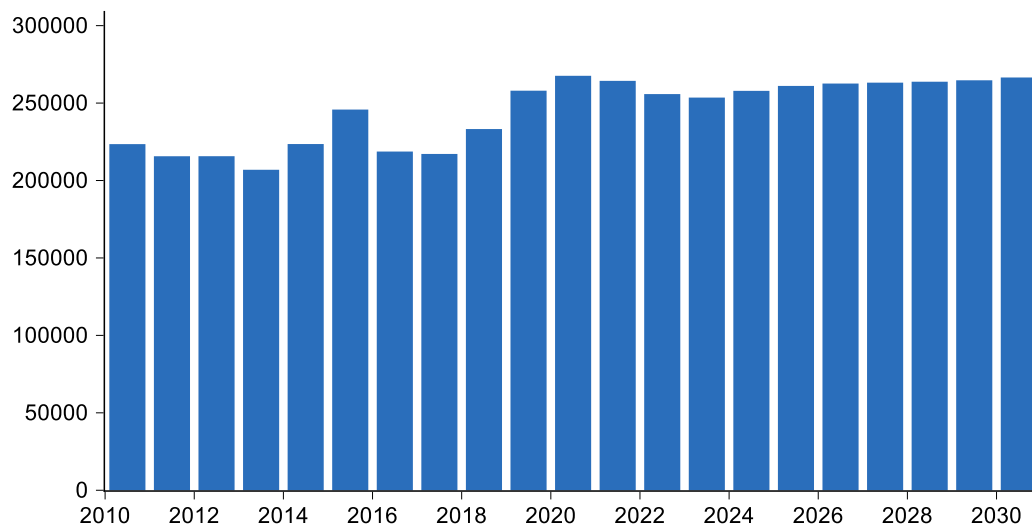
Source: Macrobond, Oxford Economics

#### Riyadh average household disposable income in SAR



Household income is a key determinant of affordability and consumer spending patterns.

Average household personal disposable income in Riyadh stood at c. SAR 264,348 in 2021. Between 2010 and 2021, the average household personal disposable income increased at a CAGR of 1.5%. It is expected that the Riyadh's average household disposable income will remain relatively same between 2021 and 2030, as highlighted in the adjacent graph.



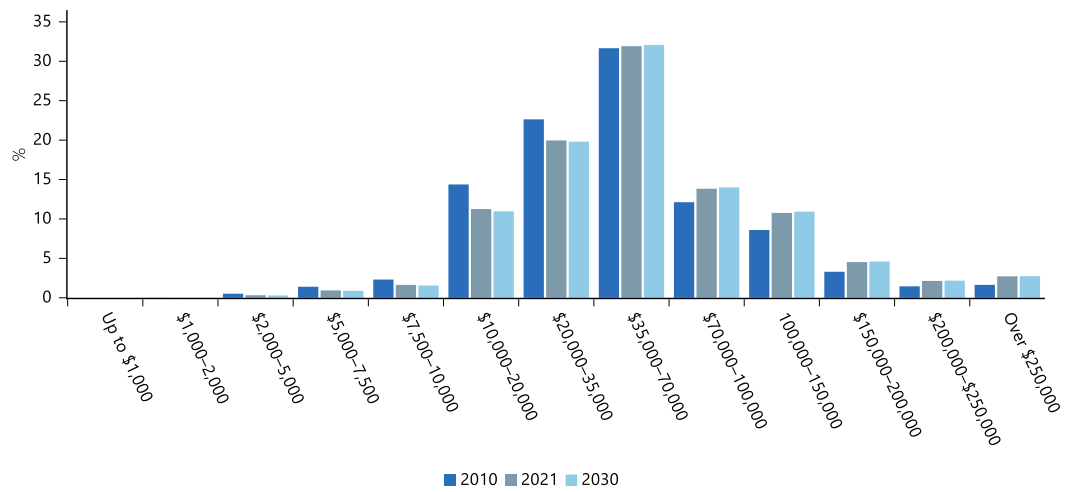
#### Riyadh number of household by income bands (as a % of total households)

The number of households in Riyadh currently (2021) stands at approximately 1.28 million and is expected to grow to 1.62 million by 2030.

As at **2021**, the households in the income band of \$35,000 - \$70,000 accounted for the largest portion of households at **31.9%**, marginally up from 31.9% a decade earlier.

More so, as at **2021**, the number of households in the income brackets above \$35,000 accounted for **65.9%** of total households, up from 57.1% in 2010. This trend has primarily been driven by an decrease in the number of households in the \$5,000 to \$35,000 income band.

The share of households earning over \$100,000 has increased from **14%** of households to **20.1%** of households from **2010** to **2021** respectively. By **2030**, this number is expected to remain relatively same.



Source: Macrobond, Oxford Economics

# Valuation Report.

Qbic Building, Al Ghadeer District, Riyadh, KSA

Prepared for SNB Capital

Valuation date: 31 December 2022

***Important Notice to all readers of this report***

*Unless you are the Client named within this report, or have been explicitly identified by us as a party to whom we owe a duty of care and who is entitled to rely on this report, Knight Frank Spain Saudi Arabia Real Estate Valuations Company does not owe or assume any duty of care to you in respect of the contents of this report and you are not entitled to rely upon it.*

**Locally expert,  
globally connected.**

**SNB Capital**

Riyadh, Kingdom of Saudi Arabia

For the attention of Danial Mahfooz, CFA

Email: d.mahfooz@alahlicapital.com

Tel: +966 12 690 7817/ M: +966 54 475 2329

Our ref: Kfv377-2022

Date of issue: 16 February 2023

Dear Sirs

**Valuation Report – Qbic Building, Al Ghadeer District, Riyadh, KSA**

Further to your instructions, we are pleased to provide our Valuation Report in respect of the above property. If you have any queries regarding this report, please let us know as soon as possible.

**Signed for and on behalf of Knight Frank Spain Saudi Arabia Real Estate Valuations Company**

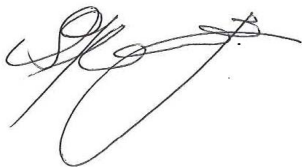
**Talal Raqaban, MRICS**

**RICS Registered Valuer - Taqem No. 1210001810**

**Partner, Valuation & Advisory, KSA**

For and on behalf of Knight Frank Spain Saudi  
Arabia Real Estate Valuations Company

This report has been reviewed, but not undertaken, by:



**Stephen Flanagan, MRICS**

**RICS Registered Valuer - Taqem No. 1220001936**

**Partner, Head of Valuation & Advisory, MENA**

For and on behalf of Knight Frank Spain Saudi  
Arabia Real Estate Valuations Company



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# Appendices

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# Executive summary

*This Executive summary is a brief overview of our Valuation Report and must not be relied upon in isolation. It is intended to be read in conjunction with the whole report and is subject to any assumptions, caveats and comments stated within the body of this report.*

<b>Address</b>	Qbic Building, King Abdulaziz Road, Al Ghadeer District, Riyadh, KSA																
<b>Location</b>	<p>The property is located just 170 meters north of the junction of King Abdulaziz Road with the Northern Ring Branch Road in Al Ghadeer District in Riyadh. More specifically, it is situated just across from Tala Mall and it is bounded by King Abdulaziz Road from the east, by Tanmar Road to the north, by Wadi Rikham Road to the west and Tanduf Road to the south. The King Abdullah Financial District (KAJD) is just 2 km to the west and the King Khalid International Airport is 20 km north.</p> <p>The wider area is mainly residential comprising local villas and apartment buildings while commercial uses prevail on King Abdulaziz Road and Northern Ring Branch Road.</p>																
<b>Description</b>	<p>The property comprises a high-end mixed-use commercial retail strip (showrooms, shops, office units and restaurants) accommodating three buildings – A, B and C – that are designed in a U shape. Building A includes a ground floor, a mezzanine level, first floor and second floor. Building B and C include a ground floor, first floor and second floor.</p> <p>The property is best suited for high-end fine dining restaurants and showrooms. Many of the restaurants have external terraces that give a high-end property feel. There is a vehicular ramp that leads from the ground floor to the two basements. A standalone building is located in the middle of the property just before the ramp that leads to the basements. The property has two basement floors with a total of c. 670 parking spaces. The basements have good air flow circulation. There are three accesses to the parking area on the first basement floor, including the ramp.</p>																
<b>Areas</b>	<p>The built up area (BUA) and the net leasable area (NLA) of the property are 42,145 sq m and 21,253 sq m, respectively, on a land plot of 17,444.21 square meters.</p> <table> <tr> <th>Level</th><th>Built Up Area (sq m)</th></tr> <tr> <td>Basement Parking</td><td>18,744</td></tr> <tr> <td>Ground Floor</td><td>7,560</td></tr> <tr> <td>Mezzanine Floor</td><td>1,584</td></tr> <tr> <td>First Floor</td><td>8,412</td></tr> <tr> <td>Roof Floor</td><td>5,678</td></tr> <tr> <td>Standalone Building</td><td>168</td></tr> <tr> <td><b>Total</b></td><td><b>42,145</b></td></tr> </table>	Level	Built Up Area (sq m)	Basement Parking	18,744	Ground Floor	7,560	Mezzanine Floor	1,584	First Floor	8,412	Roof Floor	5,678	Standalone Building	168	<b>Total</b>	<b>42,145</b>
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Roof Floor	5,678																
Standalone Building	168																
<b>Total</b>	<b>42,145</b>																



<b>Tenure</b>	Freehold
<b>Tenancies</b>	The property is leased in its entirety to the Ministry of Housing for a term of 3 years from 25 February 2020 for a rent of SAR 21,613,000 per annum with no escalations.
<b>Planning</b>	We have been provided with a Building Permit for the property which indicates that the property has approval to accommodate restaurants, showrooms and offices.
<b>Valuation considerations</b>	<ul style="list-style-type: none"> <li>• The main benefits the subject property has are the fact it is newly constructed, and thus should not require substantial repairs and maintenance for a few years, and the fact that it is leased to the Ministry of Housing, which is a blue chip covenant and very low credit risk.</li> <li>• The fact that the Ministry have spent substantial capital on fitting out the space suggests there will be a high probability of the initial 3 year term being extended for a further 3 years (6 years total) and thus we believe this is reasonable to reflect in our valuation analysis under the special assumption scenario.</li> <li>• The blend of retail and commercial office space in this type of development does not typically attract true blue chip covenants, as tenants such as large financial companies, banks, lawyers, and corporates typically are bound by a corporate identity and must take space in a prescribed central office tower. Therefore, we could expect to see second tier international occupiers, local companies looking for a good profile and able to pay a strong rent.</li> <li>• The property is well located, well designed and the format has proved popular with tenants, retailers, and customers.</li> <li>• We consider that the head lease underwritten by the Government entity provides security of income in difficult trading conditions. We have adopted an exit yield of 8% for the property.</li> <li>• We have assessed the market value of the property using a discounted cash flow approach, where we have reflected the contracted triple net rent for the initial lease term with a renewal of further 3 years, then modelled our assumption of the Market Rent of the property assuming the Ministry vacate and the property is then available to lease with vacant possession.</li> <li>• In this scenario, we have assumed a phased lease up period of 18 months on market terms and have allowed for 5% annual structural vacancy. We have also allowed for deduction of operating expenses. Our Estimated Rental Value is SAR 30,247,626 per annum.</li> <li>• We have assumed 2.50% annual inflation in our cash flows and adopted an 8% exit yield and 10.50% discount rate.</li> <li>• There is no historical evidence regarding service charges / costs for FM per annum, therefore we have reflected an OPEX provision of SAR 200 per sq m of net leasable area in our valuation analysis upon expiry of the head lease to the Ministry of Housing.</li> </ul>

	<ul style="list-style-type: none"> <li>Should the head lease of the building not be renewed, this valuation might be impacted due to allowing for void periods and structural vacancy.</li> </ul>
<b>Valuation date</b>	31 December 2022
<b>Market Rent</b>	SAR 30,247,626 per annum.
<b>Special Assumption</b>	The property is currently leased to the Ministry of Housing for a term of 3 years. We have also made a Special Assumption that this lease is renewed for a similar term.
<b>Market Value on Special Assumption</b>	<p>We are of the opinion that the Market Value of the freehold interest in the property, on the special assumption that the head lease is renewed for an additional 3-years at a rent of SAR 20,532,350 to the Ministry of Housing, at the valuation date, is:</p> <p style="text-align: center;"><b>SAR 266,180,000</b></p> <p style="text-align: center;"><b>(Two Hundred and Sixty Six Million, One Hundred and Eighty Thousand Saudi Arabian Riyals)</b></p>

# 1. Terms of engagement

## Engagement of Knight Frank Spain Saudi Arabia Real Estate Valuations Company

- 1.1 This valuation report (the “Valuation”) has been prepared in accordance with our Terms of Engagement letter date and our General Terms of Business for Valuation Services (together the “Agreement”). A copy of this document is attached at Appendix 1 (along with your original instruction for reference purposes).

### **Client**

- 1.2 We have been instructed to prepare the Valuation by SNB Capital (the “Client”), as manager on behalf of Al-Ahli REIT Fund, a real estate investment traded fund in the Saudi Stock Exchange (Tadawul).

### **Valuation standards**

- 1.3 This valuation has been undertaken in accordance with the current editions of RICS Valuation - Global Standards, which incorporate the International Valuation Standards (the “Red Book”) and Taaem Standards. As required by the Red Book / IVS, some key matters relating to this instruction are set out below.

## Independence and expertise

### **Disclosure of any conflicts of interest**

- 1.4 We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.

### **Valuer and expertise**

- 1.5 The valuer, on behalf of Knight Frank Spain Saudi Arabia Real Estate Valuation Company with the responsibility for this report is Talal Raqaban MRICS, RICS Registered Valuer and Fellow member of Taaem. Parts of this valuation have been undertaken by additional valuers as listed on our file.
- 1.6 We confirm that the valuer and additional valuers meet the requirements of the Red Book / IVS and Taaem Regulations, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
- 1.7 We are appointed as your valuation advisors; our role is limited to providing property valuation services in accordance with the Red Book and the terms of this Agreement.
- 1.8 For the purposes of the Red Book / IVS, we are acting as External Valuer.
- 1.9 This report has been vetted as part of Knight Frank Spain Saudi Arabia Real Estate Valuation Company quality assurance procedures.

## Use of this Valuation

### Purpose of valuation

- 1.10 The client has confirmed that this valuation report is required for REIT reporting to the Saudi Capital Market Authority (CMA) for the semi-annual reporting of the market value (MV) in accordance with Taseem regulations (the “Purpose”). This valuation has been prepared solely for the aforementioned purpose and may not be used for any other purpose without our express written consent.

### Reliance

- 1.11 This Valuation has been prepared for the Client only. No other person is entitled to rely on the Valuation for any purpose. We accept no liability to anyone for any improper or unauthorised reliance on this Valuation.

### Disclosure & publication

- 1.12 The Valuation has been prepared for the Client and in accordance with the Agreement which governs its purpose and use. As stated in the Agreement, this Valuation is confidential and must not be disclosed to any person other than the Client without our express written consent. Nor may the whole nor any part of this valuation nor any reference thereto may be included in any prospectus, listing particulars, published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.

## Limitations on liability

- 1.13 Knight Frank Spain Saudi Arabia Real Estate Valuation Company's total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this Valuation is limited the amount specified in our Terms of Engagement, a copy of which is attached. Knight Frank Spain Saudi Arabia Real Estate Valuation Company accepts no liability for any indirect or consequential loss or for loss of profits.
- 1.14 We confirm that we hold adequate and appropriate PII cover for this instruction.
- 1.15 No claim arising out of or in connection with this Valuation may be brought against any employee, director, member, partner or consultant of Knight Frank Spain Saudi Arabia Real Estate Valuation Company. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank Spain Saudi Arabia Real Estate Valuation Company.
- 1.16 Nothing in this Valuation shall exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

## Scope of work

- 1.17 In this report we have been provided with the following information by you, your advisors or other third parties and we have relied upon this information as being materially correct in all aspects.
- 1.18 In particular, we detail the following:
- Information relating to the extent of the property.

- Breakdown of units (in Excel).
- Floor plans (ground floor, mezzanine, first floor, second floor, roof).
- Project summary (PDF).
- Copy of the title deed.
- Copy of the Building Permit.
- Details of the rent provisions, structure and lease length.

1.19 In the absence of any documents or information provided, we have had to rely solely upon our own enquiries as outlined in this report. Any assumptions resulting from the lack of information are also set out in the relevant section of this report.

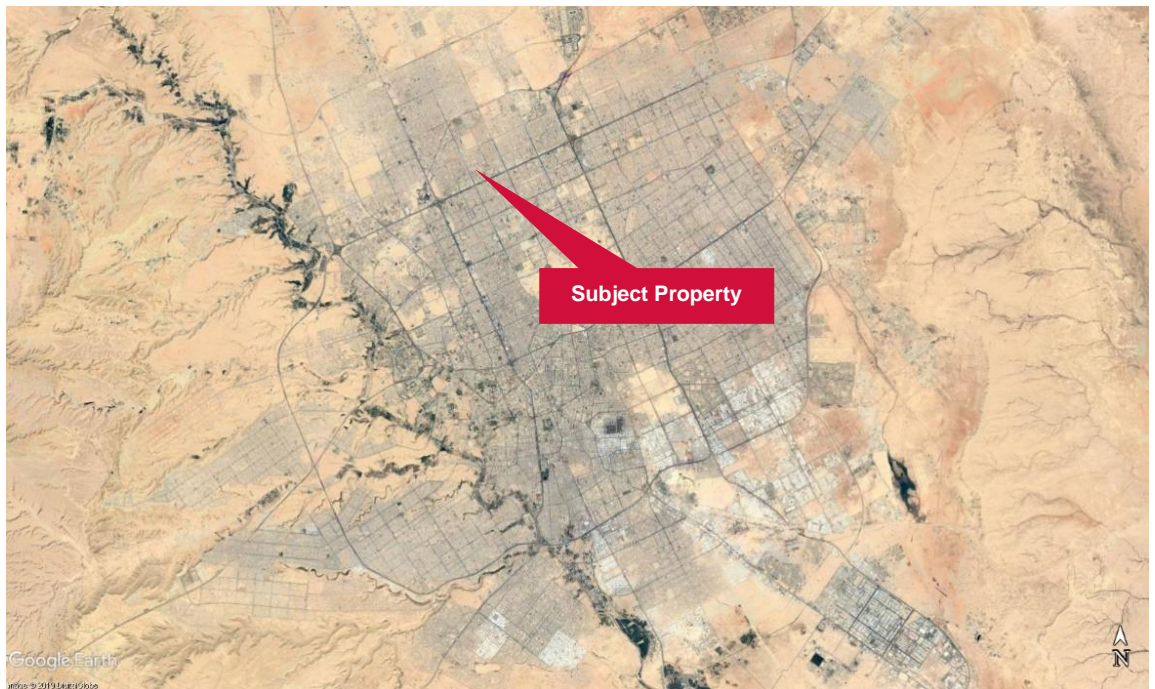
## 2. The Property

- 2.1 The property we have valued, including the inspection details, is as follows:

Property address	Inspected by	Inspection date
Qbic Building, King Abdulaziz Road, Al Ghadeer District, Riyadh, KSA	Ibrahim Alrashed	28 December 2022

### Location

- 2.2 As can be seen from the plan below, the property is located just 170 meters north of the junction of King Abdulaziz Road with Northern Ring Branch Road in Al Ghadeer District in Riyadh. More specifically, it is situated just across from Tala Mall and it is bounded by King Abdulaziz Road from the east, by Tanmar Road to the north, by Wadi Rikham Road to the west and Tanduf Road to the south. The King Abdullah Financial District (KAJD) is just 2 km to the west and the King Khalid International Airport is 20 km north.
- 2.3 The wider area is mainly residential comprising local villas and apartment buildings while commercial uses prevail on King Abdulaziz Road and Northern Ring Branch Road.



Source: Google Earth / Knight Frank Research

### Site

#### Site area

- 2.4 The property occupies a flat and rectangular site of approximately 17,444.21 sq m (areas taken from client).



## Site plan

- 2.5 The property is identified on the Google Earth map below, showing our understanding of the boundary outlined in red as per the building permit attached in appendix 2.



Source: Google Earth / Knight Frank Research

## Description

- 2.6 The property comprises a high-end mixed-use commercial retail strip (showrooms, shops, office units and restaurants) accommodating three buildings – A, B and C – that are designed in a U shape. Building A includes a ground floor, a mezzanine level, first floor and second floor. Building B and C include a ground floor, first floor and second floor.
- 2.7 The property is well suited for high-end fine dining restaurants and showrooms. Many of the restaurants have external terraces that give a high-end property feel. There is a vehicular ramp that leads from the ground floor to the two basements. A standalone building is located in the middle of the property just before the ramp that leads to the basements. The property has two basement floors with c. 670 parking spaces. The basements have good air flow circulation. There are three accesses to the parking area on the first basement floor, including the ramp.
- 2.8 A selection of photos taken during our inspection is provided below:



## Accommodation

### Measurement

- 2.9 As agreed with the client, we have relied upon floor areas provided to us by them. No further verification has been undertaken. This is as follows:

### Floor areas

Table 1: Built Up Area (BUA)

Description	BUA (sq m)
Basement Parking	18,744
Ground Floor	7,560
Mezzanine Floor	1,584
First Floor	8,412
Roof Floor	5,678
Standalone Building	168
<b>Total</b>	<b>42,145</b>



Table 2: Net Leasable Area (NLA)

QBIC Strip Mall - Floor Areas				
Shop No	Floor	Type	Building	Area (sq m)
Restaurant 001	Ground	Restaurant	C	448
Terrace (Restaurant 001)	Ground	Restaurant	C	528
Restaurant 002	Ground	Restaurant	C	146
Restaurant 003	Ground	Restaurant	C	223
Restaurant 004	Ground	Restaurant	C	66
Restaurant 005	Ground	Restaurant	C	66
Restaurant 006	Ground	Restaurant	C	75
Restaurant 007	Ground	Restaurant	C	222
Restaurant 008	First	Restaurant	C	414
Terrace (Restaurant 008)	First	Rest Terrace	C	495
Restaurant 009	First	Restaurant	C	455
Terrace (Restaurant 009)	First	Rest Terrace	C	204
Restaurant 10	First	Restaurant	C	455
Terrace (Restaurant 10)	First	Rest Terrace	C	161
Shop No. 01	Ground	Shop	C	148
Shop No. 02	Ground	Shop	C	148
Shop No. 03	Ground	Shop	C	224
Showroom 001	Ground	Showroom	A	355
Mezzanine 001	Ground	SR, Mezzanine	A	146
Show Rm 002	Ground	Showroom	A	226
Mezzanine 002	Ground	SR, Mezzanine	A	116
Show Rm 003	Ground	Showroom	A	226
Mezzanine 003	Ground	SR, Mezzanine	A	116
Show Rm 004	Ground	Showroom	A	226
Mezzanine 004	Ground	SR, Mezzanine	A	116
Show Rm 005	Ground	Showroom	A	199
Mezzanine 005	Ground	SR, Mezzanine	A	100
Show Rm 006	Ground	Showroom	A	283
Mezzanine 006	Ground	SR, Mezzanine	A	173
Show Rm 007	Ground	Showroom	A	281
Mezzanine 007	Ground	SR, Mezzanine	A	173
Show Rm 008	Ground	Showroom	A	199
Mezzanine 008	Ground	SR, Mezzanine	A	100

Show Rm 009	Ground	Showroom	A	226
Mezzanine 009	Ground	SR, Mezzanine	A	116
Show Rm 10	Ground	Showroom	A	224
Mezzanine 10	Ground	SR, Mezzanine	A	116
Show Rm 11	Ground	Showroom	A	586
Mezzanine 11	Ground	SR, Mezzanine	A	310
Shop No. 04	Ground	Shop	B	148
Shop No. 05	Ground	Shop	B	148
Shop No. 06	Ground	Shop	B	224
Restaurant 13	Ground	Rest	B	449
Restaurant 14	Ground	Rest	B	146
Restaurant 15	Ground	Rest	B	184
Restaurant 16	Ground	Rest	B	184
Restaurant 17	Ground	Rest	B	146
Restaurant 18	Ground	Rest	B	75
Restaurant 19	Ground	Rest	B	222
Restaurant 20	First	Rest	B	510
Terrace (Restaurant 20)	First	Rest Terrace	B	504
Restaurant 21	First	Restaurant	B	550
Terrace (Restaurant 21)	First	Rest Terrace	B	202
Restaurant 22	First	Restaurant	B	498
Terrace (Restaurant 22)	First	Rest Terrace	B	156
Stand Alone (1)	Ground	Stand Alone	SA	196
Restaurant 11	Second	Restaurant	C	307
Terrace (Restaurant 11)	Second	Rest Terrace	C	342
Restaurant 12	Second	Restaurant	C	225
Terrace (Restaurant 12)	Second	Rest Terrace	C	297
Restaurant 23	Second	Restaurant	B	396
Terrace (Restaurant 23)	Second	Rest Terrace	B	411
Restaurant 24	Second	Restaurant	B	297
Terrace (Restaurant 24)	Second	Rest Terrace	B	354
Office 001	First	Office	A	182
Office 002	First	Office	A	182
Office 003	First	Office	A	236
Terrace (Office 003)	First	Office, Terrace	A	75
Office 004	First	Office	A	160
Terrace (Office 004)	First	Office, Terrace	A	75
Office 005	First	Office	A	179
Office 006	First	Office	A	196

Office 007	First	Office	A	196
Office 008	First	Office	A	176
Office 009	First	Office	A	202
Office 010	First	Office	A	313
Office 011	First	Office	A	182
Office 012	First	Office	A	180
Office (13)	Second	Office	A	119
Terrace (Office 13)	Second	Office, Terrace	A	56
Office (14)	Second	Office	A	323
Terrace (Office 14)	Second	Office, Terrace	A	444
Office (15)	Second	Office	A	126
Terrace (Office 15)	Second	Office, Terrace	A	45
Office (16)	Second	Office	A	126
Terrace (Office 16)	Second	Office, Terrace	A	45
Office (17)	Second	Office	A	323
Terrace (Office 17)	Second	Office, Terrace	A	675
Office (18)	Second	Office	A	118
Terrace (Office 18)	Second	Office, Terrace	A	57
<b>Total</b>				<b>21,253</b>

Source: Client

- 2.10 The valuation given does not include any chattels or contents within the property.
- 2.11 Copies of floor plans provided are attached at Appendix 4 and for the sake of convenience we would list the accommodation as follows. There are three buildings – A, B and C – that are arranged in a U shape. Building A includes a ground floor, a mezzanine level, first and second floors. Building B and C include a ground floor, first and second floors. There is also a ground floor standalone building in the middle of the development.

## Services

- 2.12 No tests have been undertaken on any of the services.
- 2.13 We have assumed for the purposes of this valuation that mains gas, water, electricity, drainage and telecommunications are all available to the subject property.

## Legal title

### Sources of Information

- 2.14 We have been provided by the client with a copy of the title deed of the property, details as shown below:

Table 3: Title deed

Item	Description
Title Deed number	710120033331
Date	26/10/2014
Plot	24,25,26,27 scheme 2726
District	Al Ghadeer
Owner	Abdulaziz Bin Abdullah Bin Abdulaziz Almousa & Abdulaziz Bin Hamad Bin Ibrahim Almesheal
Area (sq m)	17,444.21

Source: Client

- 2.15 A copy of the title deed is attached in Appendix 3.

#### Tenure

- 2.16 As per information provided by the client, we understand that the property is held freehold by Abdulaziz Bin Abdullah Bin Abdulaziz Almousa & Abdulaziz Bin Hamad Bin Ibrahim Almesheal.

#### Covenants

- 2.17 We have assumed that the property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.

#### Tenancies

- 2.18 The property is currently fully leased to the Ministry of Housing on a three-year lease. The salient terms of the lease agreement are summarised below:

Table 4: Lease agreement summary

Item	Description
Demise	Commercial building and two basement floors
Lease Date	25/02/2020 (1441/07/01 Hijri)
Tenant	Ministry of Housing
Term	3 years
Land Area (sq m)	17,444.21 sq m
Current Passing Rent	SAR 21,613,000 per annum
Rent Review	Fixed Rent
Use	Office

- 2.19 In the absence of a lease copy, we have assumed that normal covenants and liabilities devolve upon the lessee. It is further assumed that there are no onerous restrictions or outgoings contained within the lease that would impact on the valuation provided within this report.
- 2.20 These assumptions should be verified by your legal advisors. If they prove incorrect, any variation may have a material impact on value and should be referred back to us for further comment.

## Condition

### Scope of inspection

- 2.21 We have not undertaken a site survey of the property.
- 2.22 During our limited inspection we did not inspect any inaccessible areas. We are unable to confirm whether the property is free from urgent or significant defects or items of disrepair.

### Comments

- 2.23 No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme. We have assumed that the building has been completed in accordance with its planning consent to a good standard.
- 2.24 During the course of our inspection, the buildings appeared to be in a generally reasonable state of repair commensurate with their age and use.

### Ground conditions

- 2.25 We have not been provided with a copy of a ground condition report for the site. We have assumed that there are no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the buildings constructed thereon.

## Environmental considerations

### Contamination

- 2.26 Investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Knight Frank is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

## Planning

### Sources of planning information

- 2.27 We have been provided with the property's Building Permit, the details of which are detailed below:

Table 5: Summary of Building Permit

Item	Description
License number	1436/19453
Issue Date	12/10/2015
End Date	09/09/2018
Land Area (sq m)	17,426.21
Area (sq m)	38,002.60

Source: Client

## Highways and access

- 2.28 We have assumed that there are no current highway proposals in the immediate vicinity likely to have a detrimental effect upon the property within the foreseeable future.

### Access

- 2.29 In reporting our opinion of value, we have assumed that there are no third party interests between the boundary of the subject property and the adopted highways and that accordingly the property has unfettered vehicular and pedestrian access.
- 2.30 We have assumed that there are no issues relating to visibility splays which may impact upon the use or proposed use of the property.

## Statutory licences & certificates

- 2.31 We have assumed in our valuation that all regulations, statutory licences & certificates have been complied with.

### Fire safety

- 2.32 We have not viewed any documents relating to the fire safety within the property and have assumed for the purposes of our valuation that the relevant legal requirements have been fully complied with.

## 3. Market analysis

### Saudi Arabia market commentary

- 3.1 A copy of the KSA Macro Economic Overview, prepared by Knight Frank, is attached at Appendix 6.

#### **Source of information**

- 3.2 Our market analysis has been undertaken using market knowledge within Knight Frank, enquiries of other agents, searches of property databases, as appropriate and any information provided to us.



## 4. Valuation

### Methodology

- 4.1 Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.

#### **Comparative method**

- 4.2 In undertaking our valuation of the property, we have made our assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, aspect and other material factors.

#### **Investment Method**

- 4.3 Our valuation has been carried out using the comparative and investment methods. In undertaking our valuation of the property, we have made our assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, terms, covenant and other material factors.
- 4.4 We have undertaken the valuation of the property via a discounted cash flow approach, whereby we reflect current and potential future revenues and operational costs explicitly. We have applied rental growth, occupancy assumptions, sinking fund provision and operating expenses in our cash flow.

### Comparable Evidence – Benchmarking

- 4.5 For restaurants, offices, and retail rental evidence we have analysed appropriate comparable properties, together with evidence of demand within the market of the subject property.
- 4.6 For the retail component, Knight Frank has focused on properties that have similar layout, architecture, and consumer targeting to the subject property.
- 4.7 We provide a summary of our comparable evidence in the map and corresponding table below.



Source: Google Earth / Knight Frank Research

- 4.8 As shown in the map above, five properties are chosen as comparable set (retail / commercial) to the subject property as following:

#### Comparable Evidence

Ref.	Development Name	Opening	Service Charges	Occupancy%	Min (SAR per sq m)	Max (SAR per sq m)
1	Rubeen Plaza	Q4 2015	Inclusive	100%	1,500	2,800
2	The Zone	Q2 2019	15%	96%	2,500	3,000
3	Cordoba Boulevard	Q2 2019	10%	98%	1,500	3,000
4	Riyadh Front	Q3 2019	Inclusive	95%	1,200	3,000
5	The Boulevard	Q2 2017	Inclusive	95%	1,500	2,500

Source: Knight Frank Research

- 4.9 The retail benchmarks noted in the table and location map above have been assessed as the market of relevance for the subject property. These have been included as a result of their location, positioning, tenant mix, characteristics as well as best practices.
- 4.10 As a result, these benchmarks form the foundation of our analysis to ascertain the subject property's key performance indicators (lease rates, absorption, vacancy, etc.).



- 4.11 A lifestyle centre is considered to be F&B and entertainment led retail development featuring outdoor spaces and supporting retail elements. A number of these benchmarks have been included in our analysis as the positioning is deemed to be a suitable fit for the subject site given the characteristics of the site (leveraging from the King Abdulaziz branch Road).
- 4.12 We have used similar comparable sets around the city of Riyadh to arrive at the applied estimated rental values (ERVs). We have gathered information from high-quality retail strips, mixed-used projects and office developments.
- 4.13 We have divided the subject property into eight different categories of tenant / use. The categories include the restaurants on the ground floor, restaurants on the first floor, restaurants on the second floor, shops, showrooms, offices on the first floor, offices on the second floor, and the stand-alone building. Based on our understanding of the market and the subject property, we have applied a base rate to each of the eight categories.
- 4.14 We have then adjusted each unit compared to the base unit rate of each category. We have applied a base rate of SAR 2,025 per sq m for the ground floor retail spaces, SAR 1,823 per sq m for the first floor retail (10% discount compared to the ground floor) and SAR 1,721 per sq m for the retail on the second floor (15% discount compared to the ground floor).
- 4.15 For the office component, Knight Frank has focused on properties that include non-high rise good quality office buildings. A summary of our comparable evidence for the office component is provided in the map and corresponding table below:



Source: Google Earth / Knight Frank Research

## Comparable Evidence

Ref.	Development Name	Service Charges	Occupancy%	Rent SAR Per sq m
1	Raidah Digital City	15%	100%	1,500
2	Business Gate	10%	95%	1,700
3	Granada Business Park	10%	95%	1,600
4	Riyadh Business Front	10%	96%	1,650
5	The Boulevard	-	98%	1,300 – 1,500

Source: Knight Frank Research

- 4.16 The property is not located within the core office CBD of Riyadh, however it comprises more than 6,000 sq m of office space, which could be attractive to small to medium sized private companies or government entities. The parking area and the retail component is definitely an advantage and has historically been proved to be appealing to potential tenants.
- 4.17 Quoting rents at Raidah Digital City are SAR 1,500 per sq m per annum, and the space offered is prime grade A space. Raidah Digital City commands a premium to the property due to specification, being situated in an integrated masterplan, and that there is good provision for parking with exceptional security.
- 4.18 Business Gate is a low rise business park which tenanted mainly by mid to large sized businesses. Current asking rents at Business Gate are SAR 1,700 per sq m per annum. We consider that when comparing Business Gate to the property a discount for specification is applicable. Although the location of the property is a better, we consider that the overall adjustment would be negative due to grade of space, aspect, access, and that Qbic is not situated in a business park.
- 4.19 Granada Business Gate is a business park themed grade A office development, with headline rents standing at SAR 1,600 per sq m per annum. The development is situated beside Granada Mall and sits near the Eastern Ring Road. We consider that an premium for location would be applicable against the property, although a discount for facilities, specification, access, and grade of space is applicable.
- 4.20 Riyadh Business Front is situated along Airport Road, opposite Princess Noura University in a fairly undeveloped area. Riyadh Business Front benefits from great visibility and accessibility off Airport Road. The space offered is considered better than that offered in the property due to specification. Overall we consider that the property would lease at a discount to Riyadh Business Front.
- 4.21 At the lower end of the range is The Boulevard, with headline rents ranging at SAR 1,300 to SAR 1,500 per sq m per annum. The Boulevard sits on the west side of Prince Turki Ibn Abdulaziz Al Awwal Road and is known for its lifestyle retail offering. We consider that the office space would command a discount for location and accessibility.
- 4.22 Overall Knight Frank's research data shows that similar developments would lease at a discount to the benchmarks shown above due to specification, location, access, and positioning.

- 4.23 When forming our opinion of the base lease rates for the office space within the property, we have made the necessary adjustments for location, accessibility, specification, and we have also allowed for a negotiation element. We have then adjusted the base rate and have adopted a rate of SAR 1,110 per sq m for first floor offices, and SAR 1,235 per sq m for second floor offices. Further adjustments have been made to reflect the unique size of each unit.

## SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• New modern construction.</li> <li>• Very good visibility and access on King Abdulaziz Road.</li> <li>• Very good design/layout.</li> <li>• Adequate number of parking spaces.</li> <li>• No market risk, and very limited credit risk for the initial 3 year lease period.</li> </ul>	<ul style="list-style-type: none"> <li>• Property is located across from Tala Mall, a 22,711 sq m community mall on the north Ring Branch (exit 5) crossing King Abdulaziz Road.</li> <li>• Hayat Mall is located just 3.2km to the south on King Abdulaziz Road.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Tenant mix to compliment competitive schemes in the wider area, e.g. fine dining restaurants.</li> <li>• Subject to a head lease agreement there is an opportunity of steady rental income for a number of years.</li> </ul>	<ul style="list-style-type: none"> <li>• Similar developments on vacant / undeveloped plots in the wider area.</li> <li>• Retail sector performance / Saudi population spending power.</li> </ul>

## Valuation Considerations

- 4.24 The main benefits the subject property has are the fact it is newly constructed, and thus should not require substantial repairs and maintenance for a few years, and the fact that it is leased to the Ministry of Housing, which is a blue chip covenant and very low credit risk.
- 4.25 The fact that the Ministry are spending substantial capital on fitting out the space suggests there will be a high probability of the initial 3 year term being extended for a further 3 years (6 years total) and thus we believe this is reasonable to reflect in our valuation analysis under the special assumption scenario.
- 4.26 The blend of retail and commercial office space in this type of development does not typically attract true blue chip covenants, as tenants such as large financial companies, banks, lawyers, and corporates typically are bound by a corporate identity and must take space in a prescribed central office tower. Therefore, we could expect to see second tier international occupiers, local companies looking for a good profile and able to pay a strong rent.
- 4.27 The property is well located, well designed and the format has proved popular with tenants, retailers, and customers.

- 4.28 We consider that the head lease underwritten by the Government entity provides security of income in difficult trading conditions. We have adopted an exit yield of 8.00% for the property.
- 4.29 We have assessed the market value of the property using a discounted cash flow approach, where we have reflected the contracted triple net rent for the initial lease term with a renewal of further 3 years, then modelled our assumption of the Market Rent of the property assuming the Ministry vacate and the property is then available to lease with vacant possession.
- 4.30 In this scenario, we have assumed a phased lease up period of 18 months on market terms and have allowed for 5% annual structural vacancy. We have also allowed for deduction of operating expenses. Our Estimated Rental Value is SAR 30,247,626 per annum.
- 4.31 We have assumed 2.50% annual inflation in our cash flows and adopted an 8.00% exit yield and 10.50% discount rate.
- 4.32 There is no historical evidence regarding service charges / costs for FM per annum, therefore we have reflected an OPEX provision of SAR 200 per sq m of net leasable area in our valuation analysis upon expiry of the head lease to the Ministry of Housing.
- 4.33 Should the head lease of the building not be renewed, this valuation might be impacted due to allowing for void periods and structural vacancy.

## Valuation Assumptions

- 4.34 We provide our valuation assumptions in the table below:

Table 6: Valuation Assumptions

Item	Unit	Assumption
Net Leasable Area (sq m)	Sq m	21,253
Built Up Area (sq m)	Sq m	42,145
Service Charge	% of Rental Value	10%
Management Fee	% of Revenue	2%
Sinking Fund	% of Revenue	1%
Operating Costs	SAR per sq m of NLA per annum	200
Structural Vacancy	%	5%
Lease Up Period upon lease expiry	Months	18 Months
Passing Rent	SAR per annum	21,613,000
Head Lease Renewal Year 1 - 3	SAR per annum	20,532,350
Market Rent	SAR per annum	30,247,626
Market Rent Year 4+	SAR per sq m per annum	1,423

Item	Unit	Assumption
Terminal Yield	%	8.00%
Discount Rate	%	10.50%
Growth rate	%	2.50%
<b>Market Value (SAR)</b>	<b>SAR</b>	<b>266,180,000</b>

## Valuation bases

### Market Value

- 4.35 Market Value is defined within **RICS Valuation - Global Standards / IVS** as:

*“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

### Market Rent

- 4.36 The basis of valuation for our opinion of rental value is Market Rent. This is defined in RICS Valuation - Global Standards / IVS as:

*“The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.*

## Valuation date

### Valuation date

- 4.37 The valuation date is 31 December 2022.

## Market Value

### Assumptions

- 4.38 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our Terms of Engagement letter and within this report.

### Key Assumption

- 4.39 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to the following key assumption: We have not measured the property and our valuation calculations are based on the areas provided by the client.

### Special Assumption

- 4.40 The property is currently leased to the Ministry of Housing for a term of 3 years, we have upon discussion with the Client made the Special Assumption that this lease is renewed for a similar term. This is considered reasonable due to the high capex incurred in the fit out and the likelihood to need to amortise this fit out cost.



**Market Value on Special Assumption**

- 4.41 We are of the opinion that the Market Value of the freehold interest in the property, on the special assumption that the head lease is renewed for an additional 3-years at a rent of SAR 20,532,350 to the Ministry of Housing, at the valuation date, is:

**SAR 266,180,000**

**(Two Hundred and Sixty Six Million, One Hundred and Eighty Thousand Saudi Arabian Riyals)**

# Appendix 1 Instruction documentation



AIAhli REIT Fund (1)  
Riyadh  
Kingdom of Saudi Arabia

For the attention of Danial Mahfooz

Our Ref: SNB Capital

11 July 2022

Dear Sirs

## Terms of Engagement for Valuation Services for the properties listed in section 2

Thank you for your enquiry of 07 June 2022 requesting a valuation report in respect of the properties detailed below (the "Properties"). We are writing to set out our agreed terms of engagement for carrying out this instruction which comprise this Terms of Engagement letter (this "Letter") together with our General Terms of Business for Valuation Services (the "General Terms"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed by us in writing. To the extent that there is any inconsistency between this Letter and the General Terms, this Letter shall take precedence.

### 1. Client

Our client for this instruction is AIAhli REIT Fund (1) (the "Client", "you", "your").

### 2. Properties to be valued

The Properties to be valued are as follows:

Property Address	Tenure	Occupancy
Asset 1: Al Andalus Mall (including extension land) and Staybridge Suites Hotel Apartments, Jeddah, Kingdom of Saudi Arabia	Freehold	Tenanted - subject to more than one lease or tenancy
Asset 2: Qbic Building, King Abdulaziz Road Al Ghadeer District, Riyadh, Kingdom of Saudi Arabia	Freehold	Tenanted - subject to more than one lease or tenancy
Asset 3: Salama Building, Madinah Road Salamah District, Jeddah, Kingdom of Saudi Arabia	Freehold	Tenanted - subject to more than one lease or tenancy

### 3. Valuation standards

The Valuation will be undertaken in accordance with the current editions of RICS Valuation - Global Standards, incorporating the International Valuation Standards, and the Taaqem regulations of KSA.

Building WH01-04 1st Floor Al Raidah Digital City  
T +966 5308 03297  
knightfrank.com.sa

#### **4. Status of valuer and disclosure of any conflicts of interest**

For the purposes of the Red Book, we are acting as External Valuers, as defined therein.

We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

We draw to your attention that if you subsequently request and we agree to the Valuation being re-addressed to a lender (for which we shall make an additional charge), the Valuation may not meet their requirements, having originally been requested by you. We will only readdress the Valuation once we have received a signed reliance letter in our standard format from the new addressee. Please note also that no update or alterations will be made to the Valuation prior to its release to any new addressee.

#### **5. Valuer and competence disclosure**

The valuer, on our behalf, with responsibility for the Valuation will be Stephen Flanagan MRICS, RICS Registered Valuer, Taqeen Fellow Valuer with Membership Number 1220001318 (the "Lead Valuer"). Parts of the Valuation may be undertaken by additional valuers within the firm.

We confirm that we meet the requirements of the Red Book in having sufficient current knowledge of the particular market and the skills and understanding to undertake the Valuation competently.

#### **6. Purpose of valuation**

The Valuation is provided solely for the purpose of REIT Year-end reporting (the "Purpose") and in accordance with clause 4.1 of our General Terms may not be used for any other purpose without our express written consent.

#### **7. Limitation of liability and restrictions on use**

Clause 3.1 of the General Terms limits our liability to SAR 1 million under this instruction.

Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

##### **Third party reliance**

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

##### **Disclosure**

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole, nor any part, of the Valuation nor any reference thereto may be included in any published document, circular or statement, nor published in any way, without our prior written consent and written approval of the form or context in which it may appear.

#### **8. Basis of valuation**

The Valuation will be undertaken on the following basis, as defined in the Red Book:

- Market Value.

## **9. Special assumptions and assumptions**

### **Special assumptions**

In addition to section 8 above, the Valuation will be undertaken on the following special assumptions:

- You have not requested any valuations on special assumptions.

### **Assumptions**

The Valuation will necessarily be based upon a number of assumptions, as set out in the General Terms, this Letter and within the Valuation.

## **10. Valuation date**

The valuation dates are 30 June 2022 and 31 December 2022.

## **11. Currency to be adopted**

The valuation figures will be reported in Saudi Riyals (SAR).

## **12. Extent of inspection and investigations**

We have agreed the following specific requirements in relation to the Valuation:

### **Inspection**

You have instructed us to inspect the Properties internally / by going onto the site, as well as externally.

## **13. Information to be relied upon**

We will rely on information provided to us by you or a third party and will assume it to be correct. This information will be relied upon by us in the Valuation, subject only to any verification that we have agreed to undertake.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.

Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Properties. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

## **14. Report format**

The Valuation will be prepared in our standard format which will be compliant with the Red Book and Taqeen and will take into account any reasonable requests made by you at the relevant time.

## **15. Fees and expenses**

### **Payment details**

Our fee for undertaking this instruction will be Saudi Riyals (SAR) [REDACTED] excluding VAT for each re-valuation, and reasonable disbursements divided into two payment, set out below.

**June 2022 revaluation:**



Advance Payment	
Final payment	

December 2022 revaluation:

Advance Payment	
Final payment	

Our timeframe for completion of draft reports shall be by 15 working days from receipt of the initial invoice payment and receipt of all information contained within Appendix 4. Where any additional work is undertaken by Knight Frank Spain Saudi Arabia Real Estate Valuations Company or the time period of the assignment is extended due to reasons outside our control, we reserve the right to seek additional fees charged on an as-incurred basis in agreement with the client.

Where we are unable to complete the report as a result on information not being made available by the Client we reserve the right to proceed with the billing of any outstanding fees.

In accordance with clause 10.4 of the General Terms, if you end this instruction at any stage, we will charge abortive fees on the basis of reasonable time and expenses incurred, with a minimum charge of 50% of the above fee if the Properties have been inspected.

Payment of our fee is required in advance. Before the Valuation is discussed or issued the invoice must have been settled.

The scope of our work is set out in the Agreement. In accordance with clause 10.5 of the General Terms, if we are instructed to carry out additional work that we consider either to be beyond the scope of providing the Valuation or to have been requested after we have finalised the Valuation (including, but not limited to, commenting on reports on title) we will charge additional fees for such work. We will endeavour to agree any additional fees with you prior to commencing the work, however, where this is not possible our hourly rates will apply.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the Lead Valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

## 16. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and/or refrain from discussing it with you until this Letter has been

Our Ref: SNB Capital

4



Yours faithfully



**Stephen Flanagan MRICS**  
Partner - Head of Valuation & Advisory, MENA,  
Valuation & Advisory, MENA  
For and on behalf of Knight Frank Spain Saudi Arabia  
Real Estate Valuations Company  
stephen.flanagan@me.knightfrank.com  
T +971 4 4267 617  
M +971 50 8133 402



Attached - General Terms of Business for Valuation Services



.....  
Signed for and on behalf of AIAhli REIT Fund (1)

.....  
Date

KF Ref: SNB Capital





## Appendix 3 Title Deed

وزارة العدل  
[٢٧٧]

الرقم: ٧١٠١٢٠٠٣٣٣٣١  
التاريخ: ١٤٣٦ / ١ / ٣ هـ

كتابة العدل الأولى بالرياض

صك

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

فإن قطعة الأرض ٢٤ و قطعة الأرض ٢٥ و قطعة الأرض ٢٦ و قطعة الأرض ٢٧ من المخطط رقم ٢٧٢٦ / الواقع في حي الغدير بمدينة الرياض .

وحدودها وأطوالها كالتالي:

شمالاً: شارع عرض ٢٠ م	بطول: (١٤٩,٨) مائة وتسعة وأربعون متر و ثمانون سنتيمتر
جنوباً: شارع عرض ٢٠ م	بطول: (١٤٩,٨) مائة وتسعة وأربعون متر و ثمانون سنتيمتر
شرقاً: طريق عرض ٦٠ م	بطول: (١١٦,٤٥) مائة وستة عشر متر و خمسة وأربعون سنتيمتر
غرباً: شارع عرض ٢٠ م	بطول: (١١٦,٤٥) مائة وستة عشر متر و خمسة وأربعون سنتيمتر

ومساحتها: (١٧,٤٤٤,٢١) سبعة عشر ألفاً و أربعمئة و أربعة و أربعون متر مربعاً و واحد و عشرون سنتيمتراً مربعاً فقط بناء على خطاب الأمانة ٥٤٦٣٤ في ٢١/١٢/١٤٣٥ هـ والمقيد في هذه الإدارة رقم ٤٥٣٤٨٠٤٣٧ وتاريخ ٢٢/١٢/١٤٣٥.

الملوكة بالصك الصادر من هذه الإدارة برقم ٩١٠١١٣٠٥٧٢٥٠ في ١٤ / ٦ / ١٤٣٥ هـ

هي في ملك عبد العزيز بن عبد الله بن عبد العزيز الموسى سعودي الجنسية بموجب سجل مدني رقم ١٠١٤٣٣٢٥٧٩ و عبد العزيز بن حمد بن ابراهيم المشعل سعودي الجنسية بموجب سجل مدني رقم ١٠١٠٦٢٥٩٧٦ ، وعليه جرى تحريره في ١ / ١ / ١٤٣٦ هـ لاعتماده ، وصلى الله على نبيينا محمد وآله وصحبه وسلم.

كاتب العدل  
مصعب بن محمد بن احمد الخنين

صفحة ١ من ١

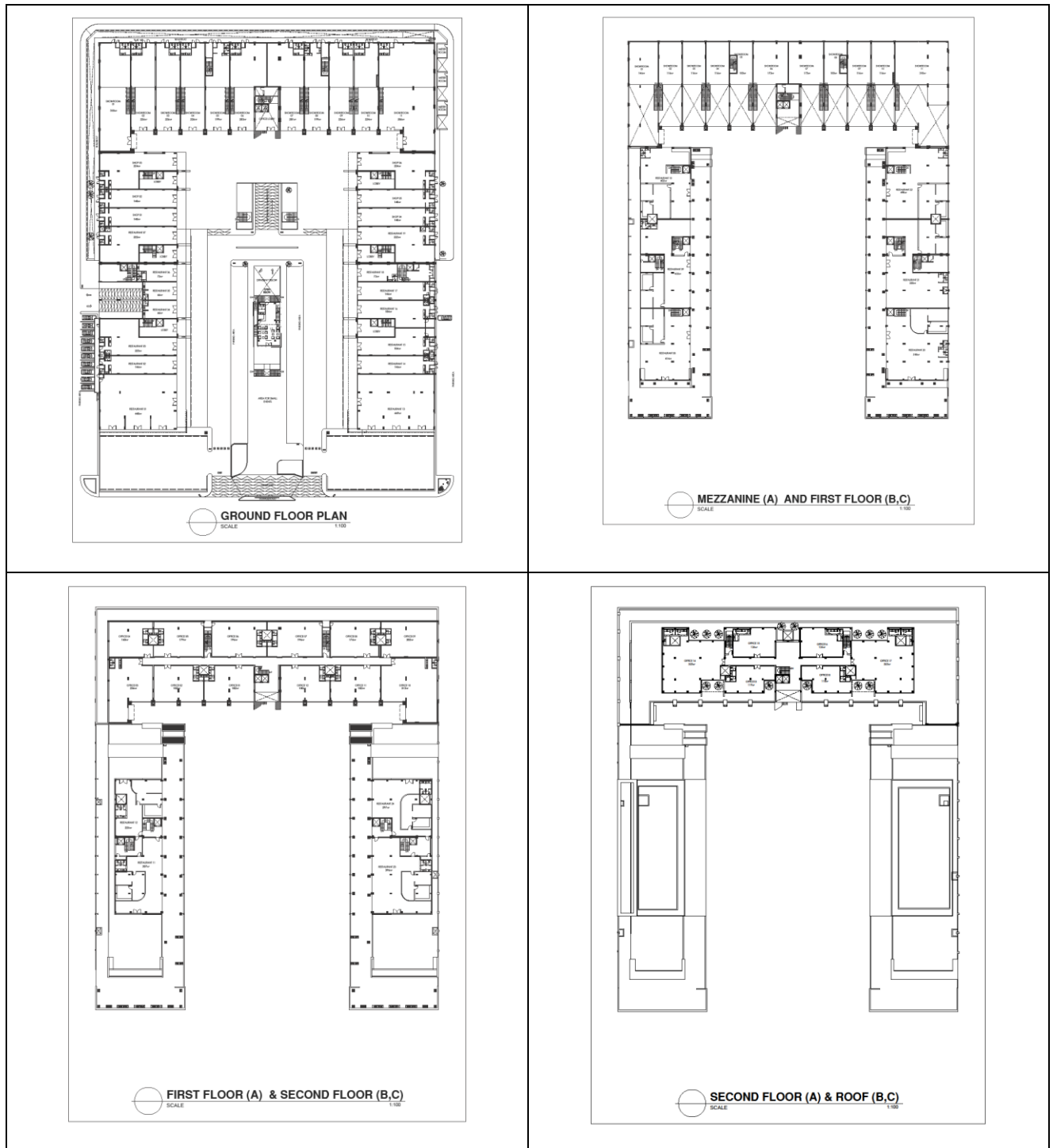
نموذج رقم (١٠٠٣-٠١٢)

( هذا النموذج مخصص للاستخدام بالحاسب الآلي ويمنع تغليفه )

محافظة الرياض ٣٥٢٥١٨

هذا المستند وحده متكاملاً ، وشياع أو تلفت صفحة منه يؤدي إلى عدم صلاحية المستند .

## Appendix 4 Floor Plans



# Appendix 5 Cash Flow

## Cash Flow Report

Qbic Special Assumption (Amounts in SAR)  
Dec, 2022 through Nov, 2033  
27/12/2022 17:04:16

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
For the Years Ending	Nov-2023	Nov-2024	Nov-2025	Nov-2026	Nov-2027	Nov-2028	Nov-2029	Nov-2030	Nov-2031	Nov-2032	Nov-2033	
<b>Rental Revenue</b>												
Headline Rent	20,532,350	20,532,350	20,532,350	24,817,817	33,047,471	33,113,963	33,527,954	34,773,752	35,637,646	36,106,239	37,447,528	330,069,420
Void Loss	0	0	0	-19,433,657	-11,461,102	-292,178	0	0	0	0	0	-31,186,937
Passing Rent	20,532,350	20,532,350	20,532,350	5,384,160	21,586,369	32,821,784	33,527,954	34,773,752	35,637,646	36,106,239	37,447,528	298,882,482
<b>Total Rental Revenue</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>5,384,160</b>	<b>21,586,369</b>	<b>32,821,784</b>	<b>33,527,954</b>	<b>34,773,752</b>	<b>35,637,646</b>	<b>36,106,239</b>	<b>37,447,528</b>	<b>298,882,482</b>
<b>Total Tenant Revenue</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>5,384,160</b>	<b>21,586,369</b>	<b>32,821,784</b>	<b>33,527,954</b>	<b>34,773,752</b>	<b>35,637,646</b>	<b>36,106,239</b>	<b>37,447,528</b>	<b>298,882,482</b>
<b>Potential Gross Revenue</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>5,384,160</b>	<b>21,586,369</b>	<b>32,821,784</b>	<b>33,527,954</b>	<b>34,773,752</b>	<b>35,637,646</b>	<b>36,106,239</b>	<b>37,447,528</b>	<b>298,882,482</b>
<b>Vacancy &amp; Credit Loss</b>												
Vacancy Allowance	0	0	0	0	0	-1,427,271	-1,676,398	-1,738,688	-1,781,882	-1,805,312	-1,872,376	-10,301,927
<b>Total Vacancy &amp; Credit Loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,427,271</b>	<b>-1,676,398</b>	<b>-1,738,688</b>	<b>-1,781,882</b>	<b>-1,805,312</b>	<b>-1,872,376</b>	<b>-10,301,927</b>
<b>Effective Gross Revenue</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>5,384,160</b>	<b>21,586,369</b>	<b>31,394,514</b>	<b>31,851,556</b>	<b>33,035,064</b>	<b>33,855,764</b>	<b>34,300,927</b>	<b>35,575,151</b>	<b>288,580,556</b>
<b>Revenue Costs</b>												
Op Ex	0	0	0	1,108,485	3,490,080	4,828,999	4,949,932	5,073,680	5,200,522	5,330,535	5,463,799	35,446,033
Sinking Fund	0	0	0	78,314	243,674	331,125	337,161	349,876	356,600	363,089	376,778	2,436,617
Property Management	0	0	0	156,627	487,348	662,250	674,322	699,752	713,200	726,177	753,556	4,873,234
<b>Total Revenue Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,343,426</b>	<b>4,221,103</b>	<b>5,822,375</b>	<b>5,961,416</b>	<b>6,123,308</b>	<b>6,270,322</b>	<b>6,419,802</b>	<b>6,594,133</b>	<b>42,755,884</b>
<b>Net Operating Income</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>4,040,733</b>	<b>17,365,267</b>	<b>25,572,139</b>	<b>25,890,141</b>	<b>26,911,756</b>	<b>27,585,441</b>	<b>27,881,126</b>	<b>28,981,018</b>	<b>245,824,672</b>
<b>Cash Flow Before Debt Service</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>4,040,733</b>	<b>17,365,267</b>	<b>25,572,139</b>	<b>25,890,141</b>	<b>26,911,756</b>	<b>27,585,441</b>	<b>27,881,126</b>	<b>28,981,018</b>	<b>245,824,672</b>
<b>Cash Flow Available for Distribution</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>4,040,733</b>	<b>17,365,267</b>	<b>25,572,139</b>	<b>25,890,141</b>	<b>26,911,756</b>	<b>27,585,441</b>	<b>27,881,126</b>	<b>28,981,018</b>	<b>245,824,672</b>

## Appendix 6 Market Research Report

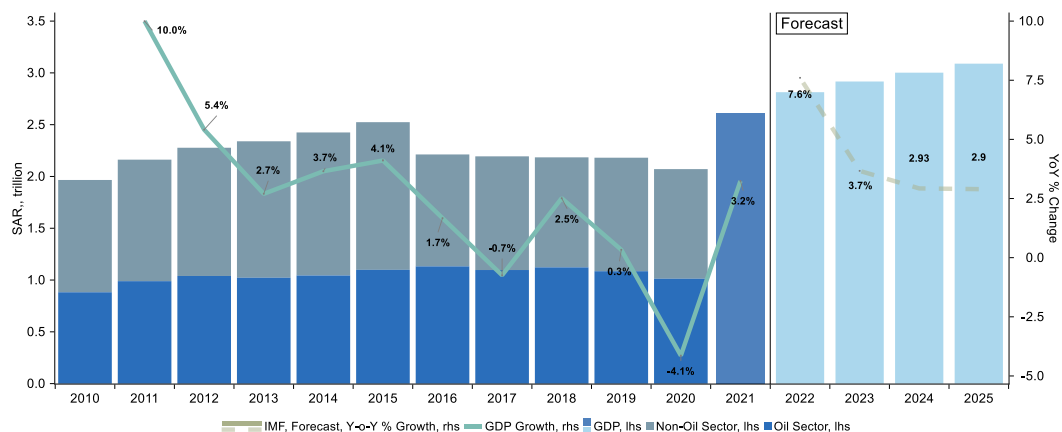
### Saudi Arabia GDP Growth, 2011 - 2025

After a year of contraction due to the pandemic, Saudi Arabia's economy resumed growth in 2021. According to preliminary full-year data from the General Authority for Statistics (GaSat), Saudi Arabia's real GDP grew by 3.3% in 2021, compared to a 4.2% drop in 2020, when the pandemic slowed down most economic activities.

Saudi Arabia's economy is expanding in both the oil and non-oil sectors. In the third quarter of 2022, the Kingdom's real GDP increased by 8.6%. This expansion was primarily driven by a 14.5% increase in oil activity, while the non-oil sector rose by 5.6% over the same time.

The Saudi economy benefited from higher oil prices and higher outputs during the first nine months of 2022. Looking ahead, growth in oil prices and non-oil sector activities appears to be supporting an increase in government revenue, which underpins Saudi Arabia's 7.6% GDP growth forecast for 2022, the highest in the region. (Oxford Economics)

### Saudi Arabia GDP, YoY % change



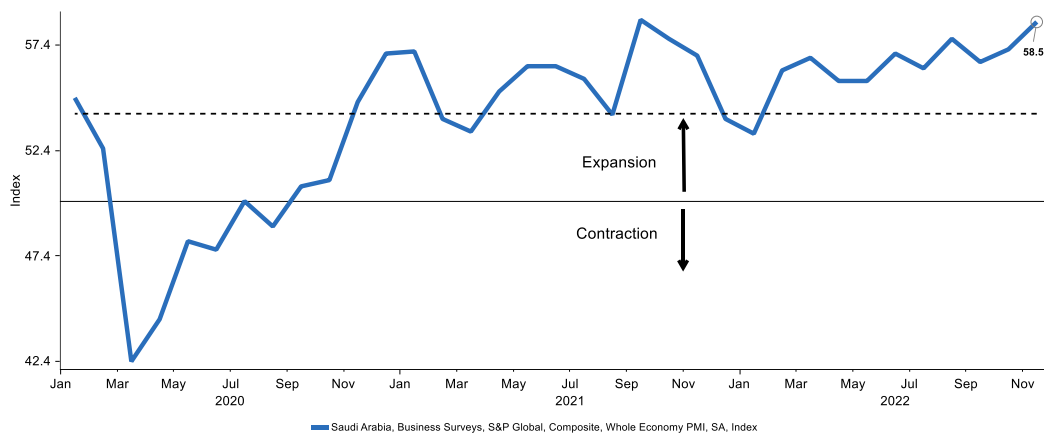
*Source: Knight Frank, Oxford Economics*

### Saudi Arabia, Purchasing Manager Index (PMI)

The non-oil private sectors are at the centre of Saudi Arabia's Vision 2030, and the reforms launched to bolster these sectors are already being felt widely across the economy. Indeed, Saudi Arabia's Purchasing Manager Index (PMI), which tracks the country's private non-oil economy, registered a reading of 58.5% in November 2022, which is above the long-run series average of 56.8% and represents the 27th month of expansion and business growth in the country's non-oil sector activity.

This was also the highest reading since September 2021, as output hit a seven-year high, new order growth accelerated to a 14-month high, and export sales rose the most in seven years.

### Saudi Arabia PMI



Source: Knight Frank, Oxford Economics

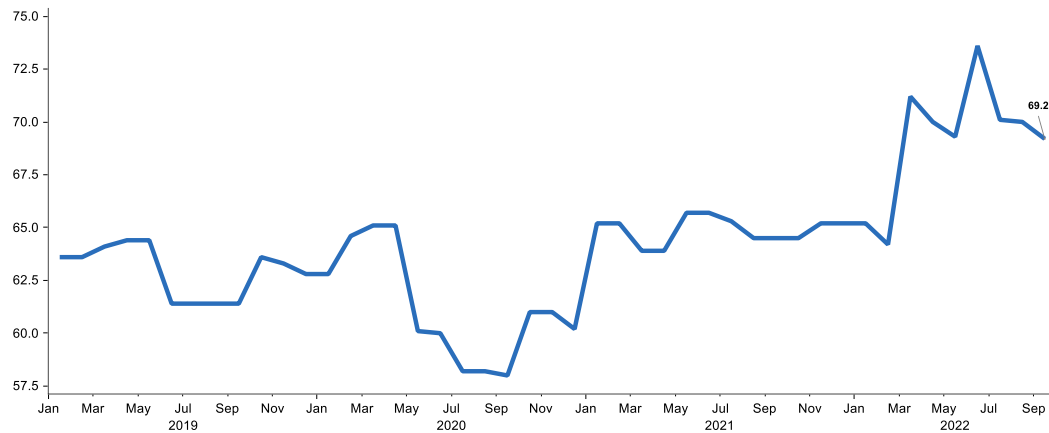
### Saudi Arabia Primary Consumer Sentiment Index by Thomson Reuters / IPSOS

The Primary Consumer Sentiment Index (PCSI) of Saudi Arabia is a national survey of consumer opinions regarding the current and future status of the local economy, personal financial situation, as well as confidence in making big investments, and ability to save.

The latest reading in October 2022 of the Primary Consumer Sentiment Index (PCSI) in Saudi Arabia, released by IPSOS, reveals the state of Saudi Arabia remain positive with a slight drop in the index since September 2022, leaving it at 69.2 versus 70.

Saudi Arabia ranked second in terms of the present status of its economy, with 58% believing it is robust. The Kingdom is also ranked second in the world, with the great majority of consumers (93%) saying the country is on the right track.

### PCSI, by Thomson Reuters / IPSOS



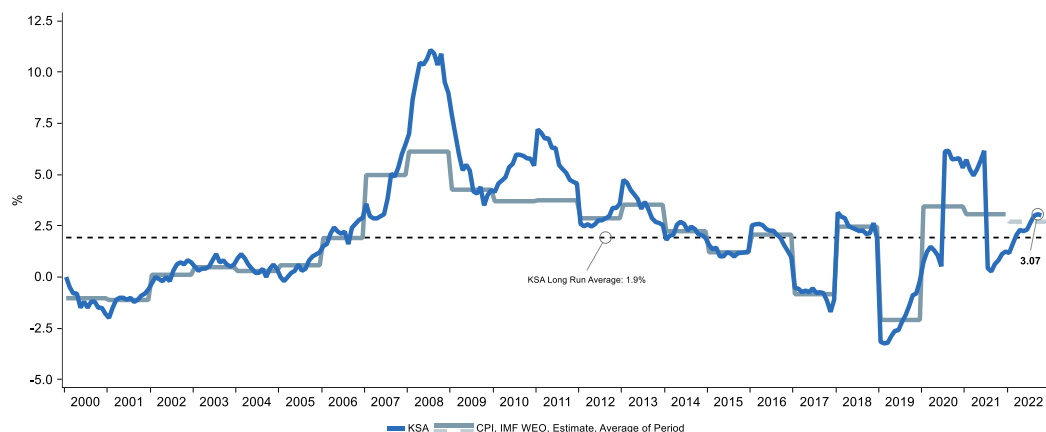
Source: Knight Frank, IPSOS

### Saudi Arabia Consumer Price Index, YoY Change %

The Consumer Price Index (CPI) increased by 3.01% in October 2022, compared to October 2021. The increase in the CPI was mostly due to higher prices food and beverages by (4.4%) and housing, water, electricity, gas and other fuels by (3.3%).

Transport prices climbed by 4.4%, mostly owing to increasing in purchase of motor cars prices, which increased by 5.8%. Because of their significant relative importance in the Saudi consumer basket (22%), food and beverage expenses were the major driver of the inflation rate in October 2022.

### CPI, YoY % Change



Knight Frank, GSTAT

Source:

### Saudi Arabia Population Forecasts

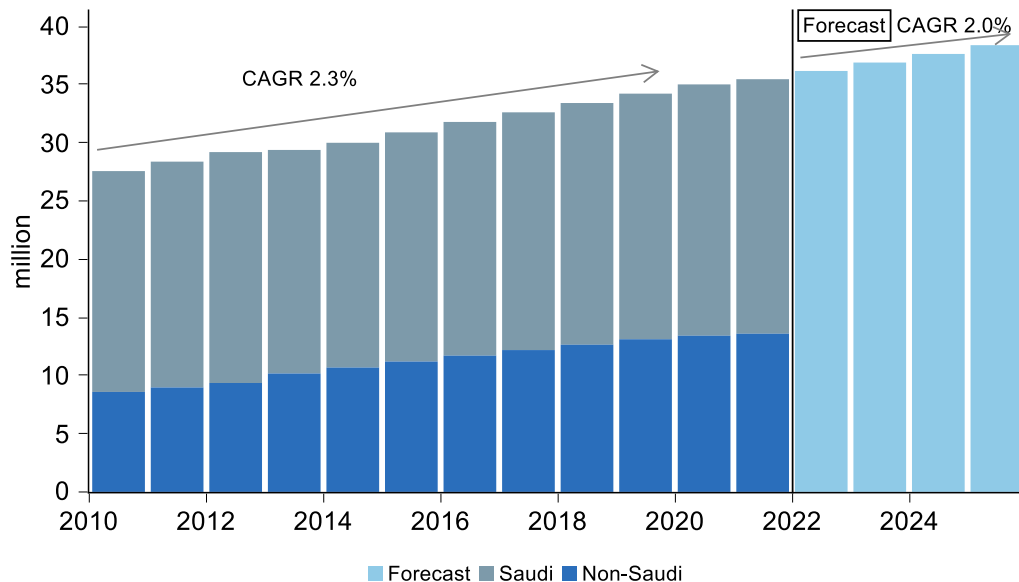
Saudi Arabia accounts for more than half of the GCC's total population and has a larger population than any other GCC country. According to official statistics, the population count was registered at 35.4 million in 2021.

According to the statistics, the population of Saudi Arabia is estimated to have reached 36.61 million in 2022. The Saudi/Non-Saudi breakdown of the population for 2021 stands at 21.8 million/13.6 million.

Based on the Oxford Economics forecasts, the population of Saudi Arabia is expected to grow at a constant 2% annual growth rate from 2021 onwards, reaching 38.3 million in 2025. A large and growing population, albeit at a slower pace than previous years, will continue to drive demand for goods and services in the short to medium term.

Saudi Arabia's population is dominated by Saudi nationals, accounting for 62% of the population. This implies that aggregate demand for products and services does not primarily stem from the expatriate workforce.

### Saudi Arabia Population Evolution



Source: Knight Frank Research, IMF

### Total Number of Households

The total number of households in Saudi Arabia is currently estimated at roughly 6.5 million in 2021 and is expected to increase to 6.7 million in 2022. According to Oxford Economics, annual average growth

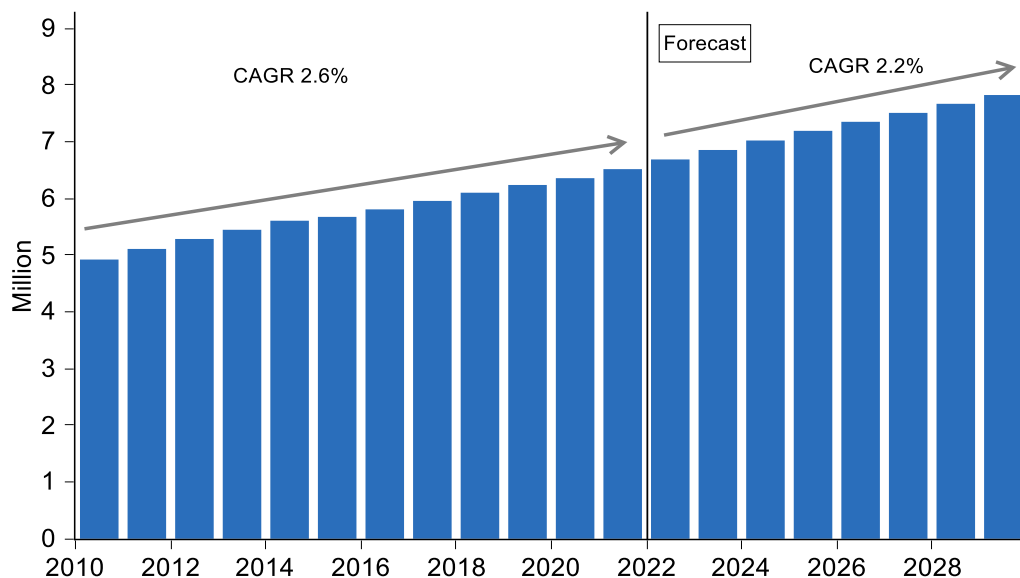


in the number of households will slow to 2.2% between 2021 and 2030, down from 2.6% between 2010 and 2021.

The average household size in Saudi Arabia stood at 5.51 individuals in 2021, according to Oxford Economics. While the average household size for Saudi households stands at just over 6.0, the average household size for non-Saudis is closer to 4 individuals. The overall average household size is set to slightly decrease over the next years reaching 5.46 in 2030.

Regarding the local population, it was not unusual historically for generations of the same family to be living in a sizeable family home. The younger generation now exhibits a desire to move away from multi-generational household structure. Over the next decades, falling household sizes will underpin demand for higher density development which provides smaller and more efficient units.

### Number of Households



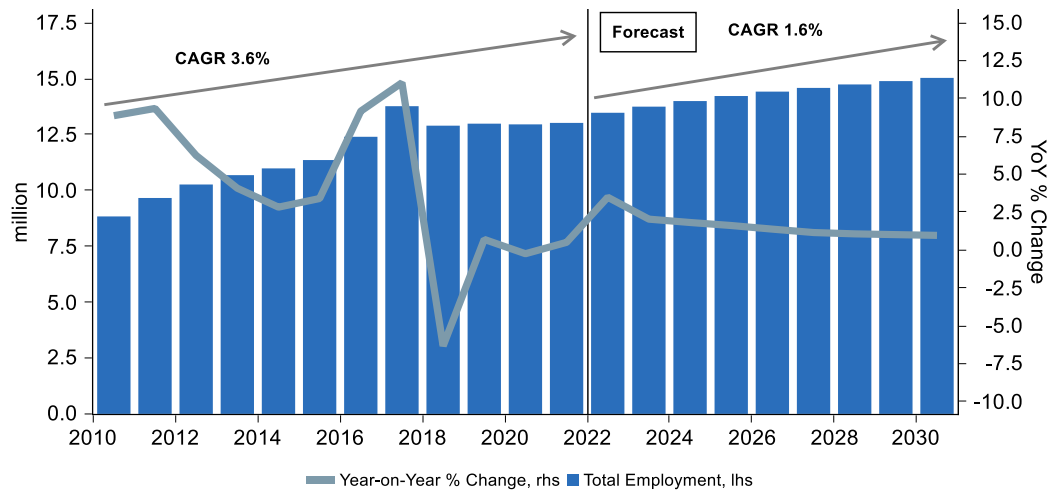
*Source: Knight Frank Research/ Macrobond, Oxford Economics*

### Total Employment - KSA

Saudi Arabia's total workforce was estimated at 13 Million employees in 2021, down from 13.8 Million employees in 2017. The decrease is mostly as a result of the departure c. 750,000 expatriates from the workforce during this period. Looking ahead, given the positive momentum created by the government's extraordinary response to COVID-19 and several economic reforms that have supported employment growth in a variety of industries. The Saudi labour force is expected to increase to 13.6 million by the end of 2022.

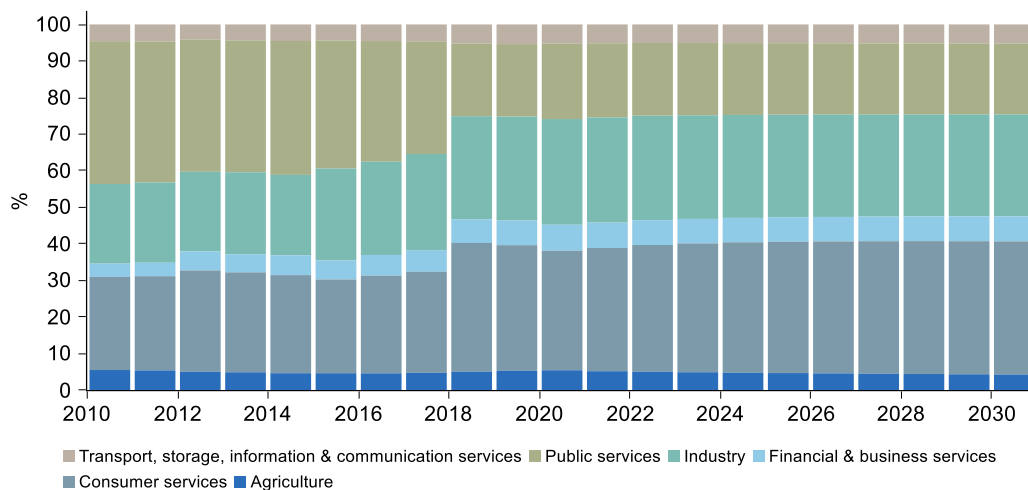
Saudi Arabia's employment CAGR is set to slow to 1.6% per annum between 2021 and 2030, according to Oxford Economics, down from a CARG of 3.6% between 2010 and 2021.

## KSA, Employment



## Breakdown of Employment by Economic Sector – KSA

Currently, the consumer services, industrial sectors and public services are the largest employment sectors in Saudi Arabia, accounting for 33.7%, 28.8% and 20.3% of total employment in 2021, respectively. This is expected to remain roughly unchanged over the coming ten years.



*Source: Knight Frank Research, Macrobond*

## Employment YoY Change%

Employment growth in Saudi Arabia is set to decelerate to 1.6% per annum between 2021 and 2030 down from 3.6% between 2010 and 2021 according to Oxford Economics estimates.

Total employment declined by -6.34% in 2018 due to outflows of expatriates from the workforce. However, this trend has reversed in 2019 where total employment increased marginally by 1.31%.

The exodus of expat workers from Saudi Arabia in 2020, due to the economic fallout from COVID-19 and the oil price shock, has accelerated a shift in the labour market, resulting in a 0.2% decline in employment growth in 2020. However, this trend has reversed again in 2021 where total employment increased marginally by 0.5%.

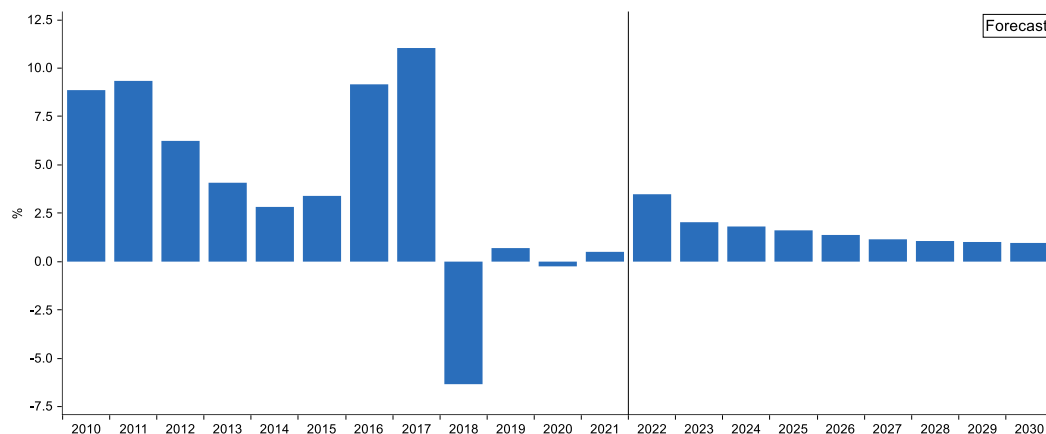
Looking forward, employment growth is expected to remain supported by the various initiatives aimed at boosting youth, women and Saudi nationals' participation in the workforce. In the short to medium term, this will be balanced by rising pressures on the expat labour market resulting from the impact of government fees and Saudization plans on non-Saudi employment figure.

In fact, the Saudi unemployment rate reached 9.7% in Q2 2022, a 0.4 percentage point (pp) drop over Q1/2022. (GSTAT).

Furthermore, among Saudi males, the unemployment rate fell to 4.7%, a decline of 1.4 percentage points from the previous year's Q2/2021.

This quarter's decline in Saudi male unemployment coincided with both an expansion of labour market participation and employment growth, with the participation rate rising by 1.5 percentage points to 67.5%.

### Employment, YoY % Change



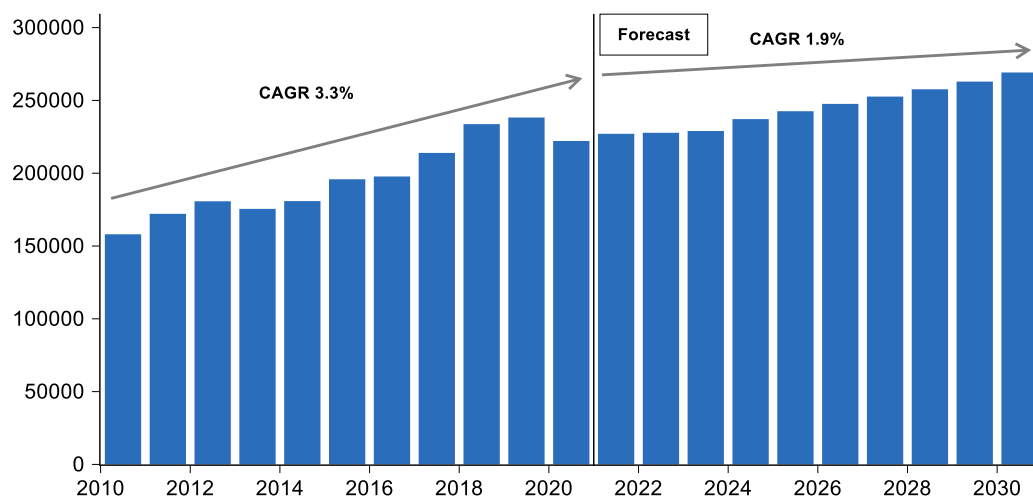
Source: Oxford Economics, Macrobond

### KSA average household disposable Income in SAR

Household income is a key determinant of affordability and consumer spending patterns.

Average household personal disposable income in Saudi Arabia stood at c. SAR 227,000 in 2021. Between 2010 and 2021, the average household personal disposable income increased at a CAGR of 3.3%. It is expected that this growth momentum will slowdown to 1.9% between 2021 and 2030, as highlighted in the adjacent graph.

#### Household Disposable Income



Source: Oxford Economics, Macrobond

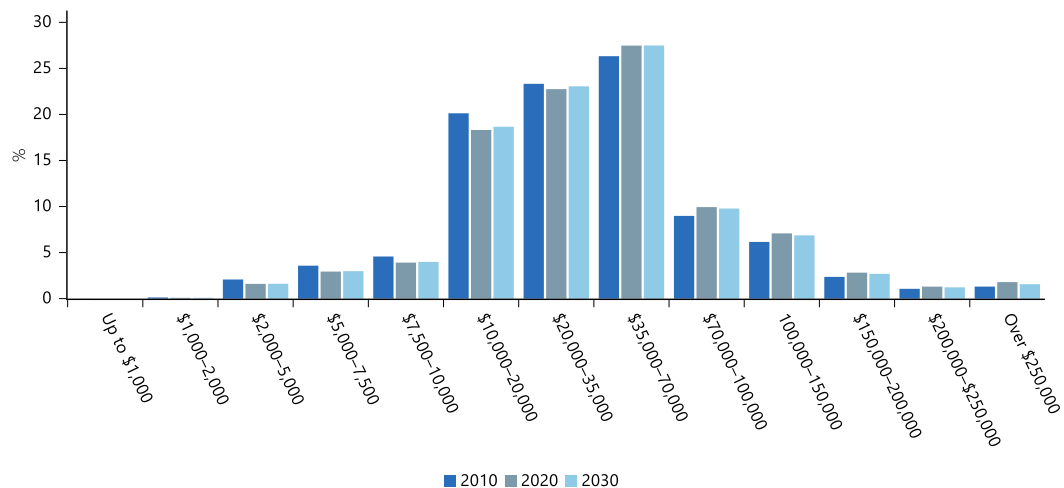
#### KSA number of household by income bands (as a % of total households)

The number of households in Saudi Arabia currently (2021) stands at approximately 6.5 million and is expected to grow to 8 million by 2030.

In 2021, 49.6% of households in Riyadh were within income bands above USD 35,000 and this share is expected to marginally decrease going forward, reaching 49.4% in 2030.

50.6% of households had incomes less than USD 35,000, and this share is likely to stay largely stable over the next decade.

### Household, By Income Band



Source: Oxford Economics, Macrobond

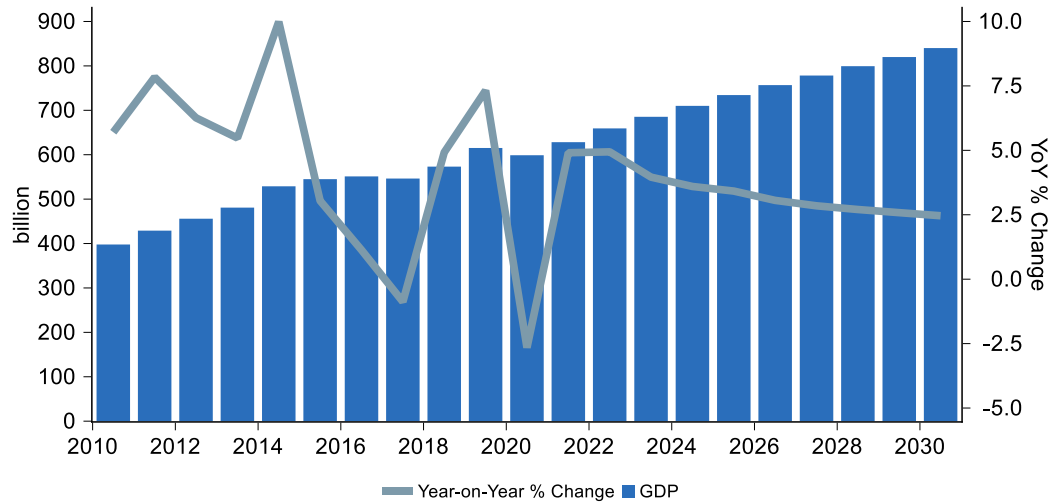
### Gross Domestic Product – Riyadh city

Riyadh's GDP came back to growth in 2021, after a year of contraction due to the pandemic. The Riyadh's real GDO grew by 4.9% year-on-year to 628 billion in 2021, up from 598 billion in 2020.

Riyadh's economy recorded a historical CAGR of 3.9% between 2011 and 2021. From 2021 to 2031, this rate is forecast to decrease to 3.2%.

Riyadh's economy is fairly diversified and does not rely on the hydrocarbon sector directly. However, indirectly growth in hydrocarbon sector in Saudi Arabia and regionally will impact investment volumes into Riyadh.

Looking ahead, Riyadh's economy is expected to record a growth rate of 4.9% in 2022 and 4.0% in 2023 (Oxford Economics).



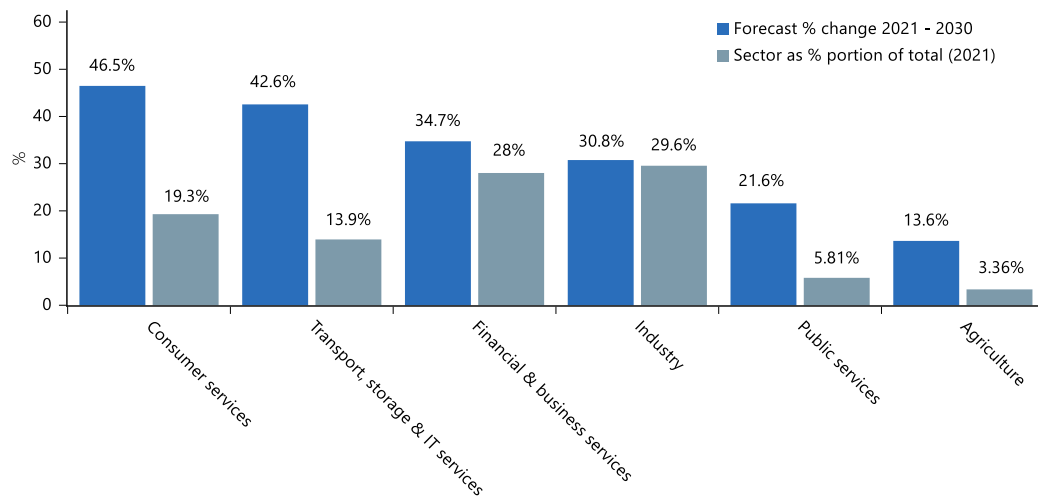
### Gross value Added by Sector – Riyadh city

The breakdown of the gross value added (GVA) by sector for Riyadh highlights that from 2021 to 2030, all sectors are forecast to register growth.

The industrial sector is the largest contributor to Riyadh's GVA in 2021 (29.6%) and is forecast to grow by 30.8% in the nine years to 2030.

The contribution of the consumer services industry is expected to rise the quickest in the decade to 2030, at 46.5%.

Transport, storage, and information technology, as well as financial and business services, are expected to grow by 42.6% and 34.7%, respectively, over the next nine years.



*'Source: Knight Frank Research/ Macrobond/ Oxford Economics'*

### **Total Employment - Riyadh city**

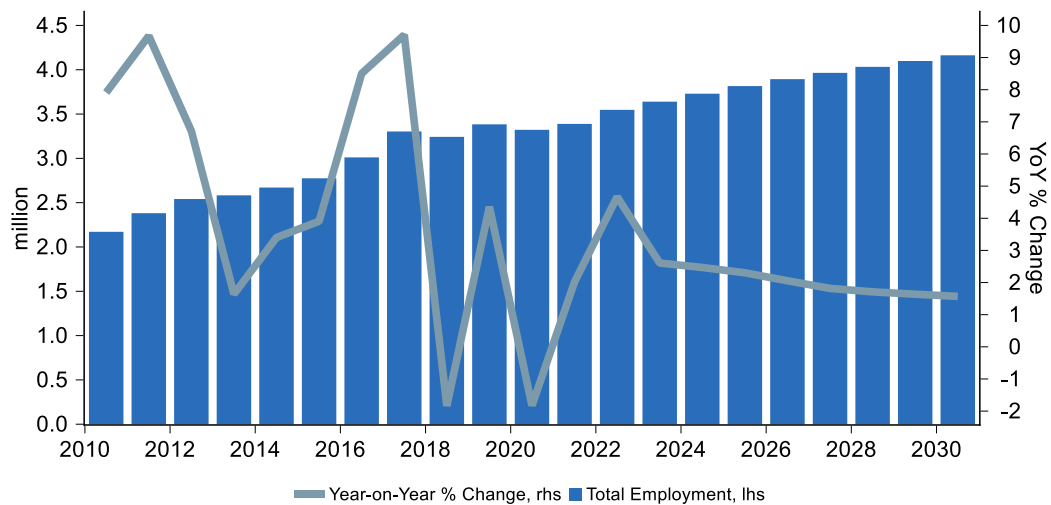
Riyadh's employed population stood at 3.38 million in 2021, representing c. 85% of the total employed population in Riyadh Province.

Employment growth in Riyadh averaged 4.1% from 2010 until 2021, reaching an all-time high of 9.7% in 2011 and a record low of -1.8% in 2018. Total employment declined by 1.8% in 2018, was a trend underpinned by the challenging economic backdrop, which led to an outflow of expatriates workers from the workforce. However, this trend reversed in 2019, where total employment increased by 4.36% year-on-year.

According to Oxford Economics, Riyadh's employment is estimated to grow from 3.38 million in 2021 to 3.54 million in 2022, at a growth rate of 4.7%.

Riyadh's employment CAGR is set to slow to 2.3% per annum between 2021 and 2030, down from 4.1% between 2010 and 2021.



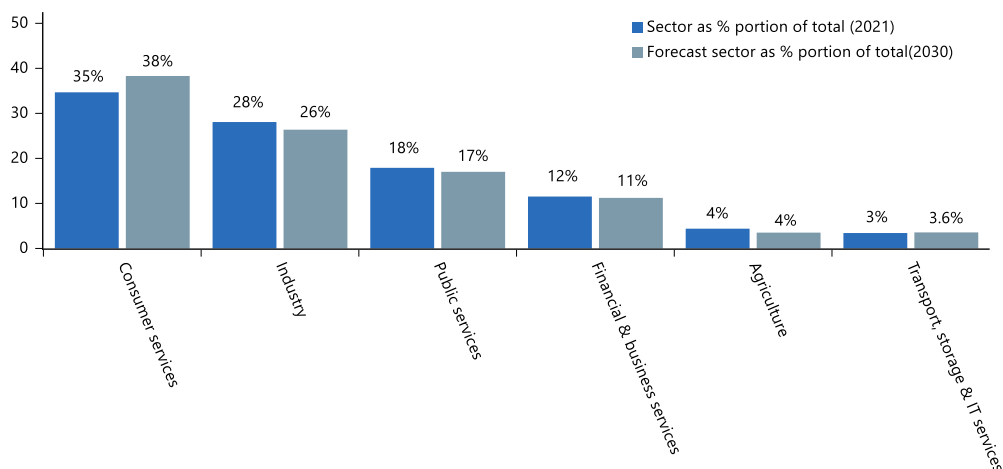


Source: Macrobond, Oxford Economics

### Breakdown of Employment by Economic Sector – Riyadh city

The consumer services, Industry and public services sectors are the largest employment markets in Riyadh, accounting for 35%, 28% and 18% of total employment in 2021.

The share of consumer services in total employment has been gradually increasing over time and is expected to follow the same trend going forward. The contribution rose from 24.7 in 2010 to 34.7 in 2021 and is expected to reach 38% in 2030 according to Oxford Economics.



Source: Macrobond, Oxford Economics

### Total consumer spending - Riyadh (in SAR billion)

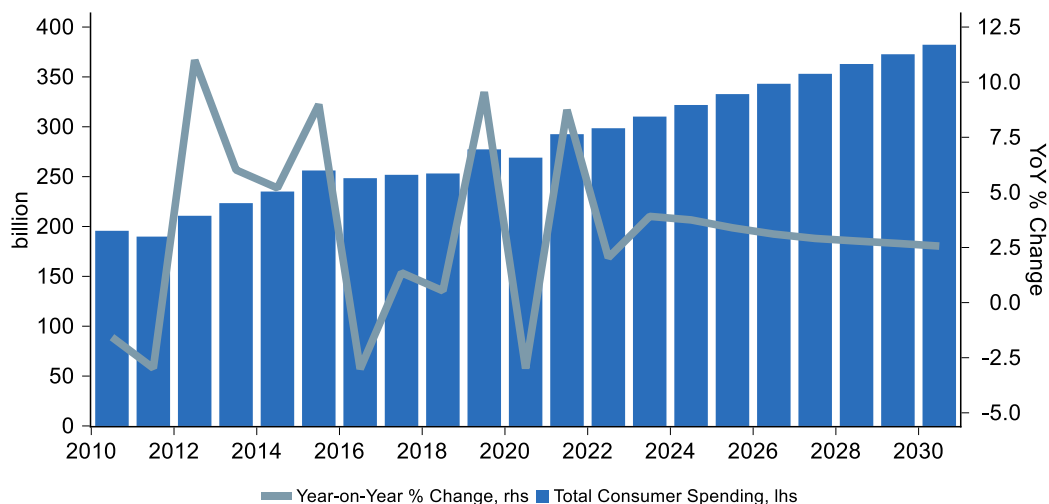
According to Oxford Economics, consumer spending in Riyadh increased by 8.7%, to around SAR 292 billion in 2021, compared to SAR 269 billion last year. The food & beverages sectors were the main drivers of this growth. More so, this relative outperformance is linked in part to the slight easing of lockdown restrictions, which boosted footfall across the Kingdom's food and beverage outlets.

Consumer spending in Riyadh is expected to remain on an upward trajectory over the coming years, reaching SAR 310 billion in 2023. The compound annual growth rate is expected to decelerate to 3.0% between 2021 and 2030 versus 3.7% between 2010 to 2021 (Oxford Economics).

Housing is the biggest area of consumer spending and has seen its contribution gradually increase over time.

Recreational and cultural goods and services accounted for 2.8% of total consumer spending as of 2021 and is predicted to increase in the short to medium term.

Consumer spending on restaurants and hotels amounts to 4.1% of total spending in 2021, and is expected to remain relatively unchanged by 2030.

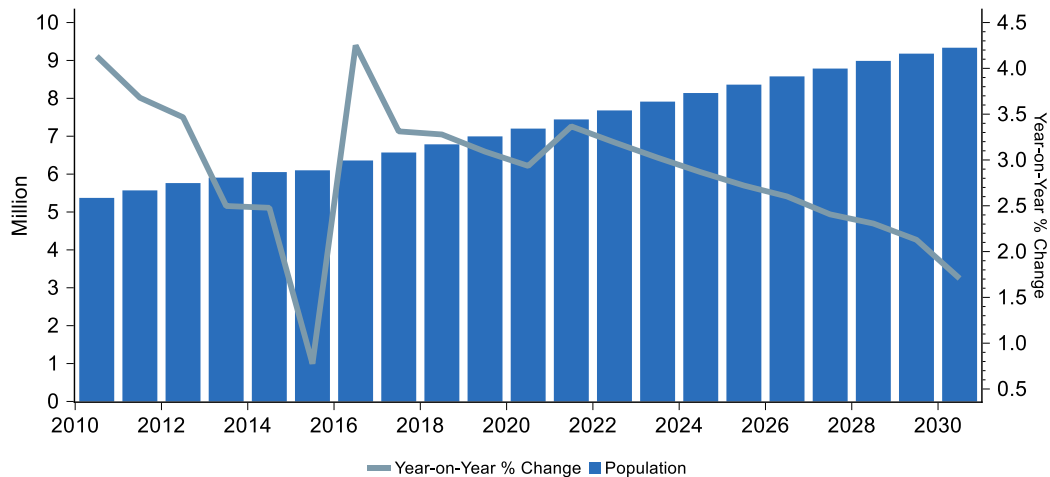


Source: Macrobond, Oxford Economics

### Riyadh population 2010- 2030

According to Oxford Economics, the population of Riyadh have reached 7.4 million in 2021. representing c. 81% of the total population of the Riyadh Region.

Riyadh's population is expected to grow at CAGR of 2.5% from 2021 to 2030, reaching 9.3 million by 2030. A large and growing population, albeit at a slower pace than previous years, will continue to drive demand for goods and services in the medium to long term.



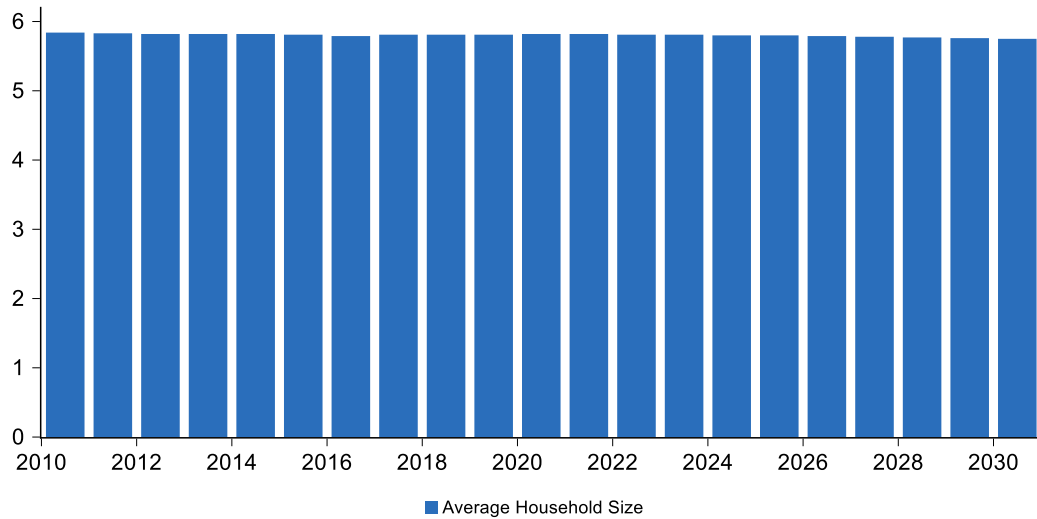
Source: GASTAT, Oxford Economics, Knight Frank Research

### Average household size – Riyadh

Large average household sizes – over five people – is a trend that is observed across much of the Middle East and Africa region.

The average household size in Saudi Arabia stood at 5.5 individuals in 2021, although the figure is higher for Riyadh at an average of 5.8 people per household.

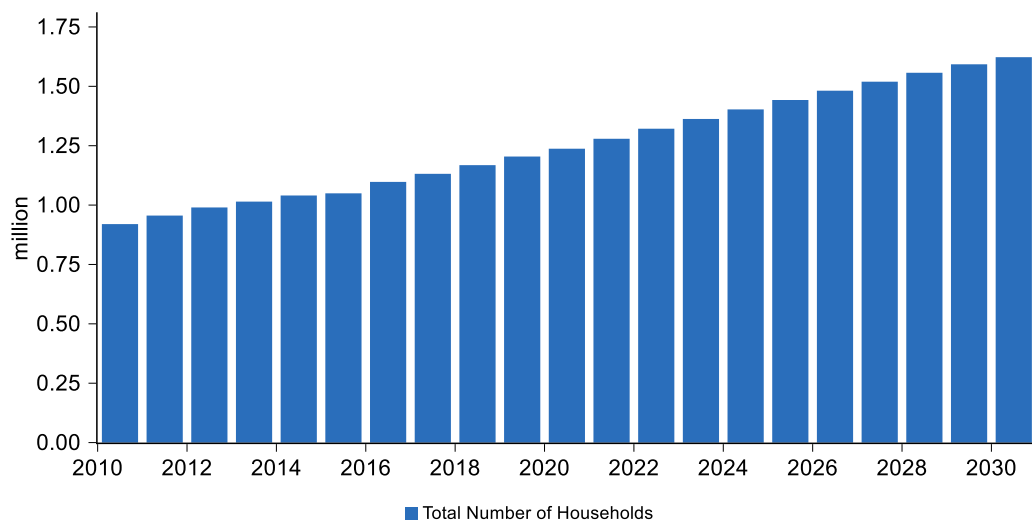
Usually, changes within average household sizes tend to be gradual, therefore the average household size for Riyadh combining Saudi and non-Saudi households is expected to reach to 5.7 individuals by 2030.



### Total number of households - Riyadh

Total number of households in Riyadh stood at c. 1.28 million in 2021. Between 2010 and 2021, the number of households increased at a CAGR of 3.0%. This growth momentum is expected to slow to 2.7% between 2021 and 2030, driving the total number of households to reach an estimated 1.62 million by 2030.

Based on these forecasts, it is estimated that 344,000 additional households will be formed in Riyadh between 2021 and 2030.

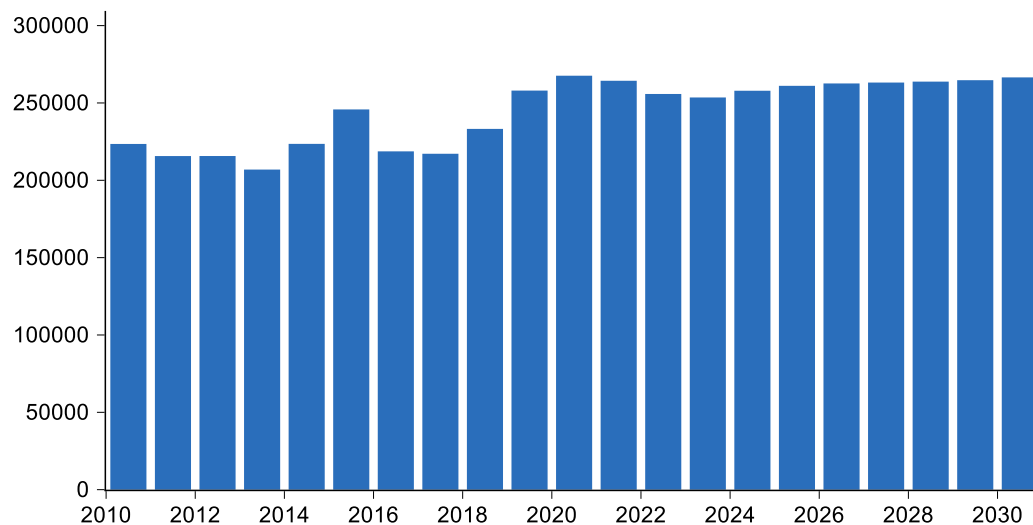


Source: Macrobond, Oxford Economics

### Riyadh average household disposable income in SAR

Household income is a key determinant of affordability and consumer spending patterns.

Average household personal disposable income in Riyadh stood at c. SAR 264,348 in 2021. Between 2010 and 2021, the average household personal disposable income increased at a CAGR of 1.5%. It is expected that the Riyadh's average household disposable income will remain relatively same between 2021 and 2030, as highlighted in the adjacent graph.



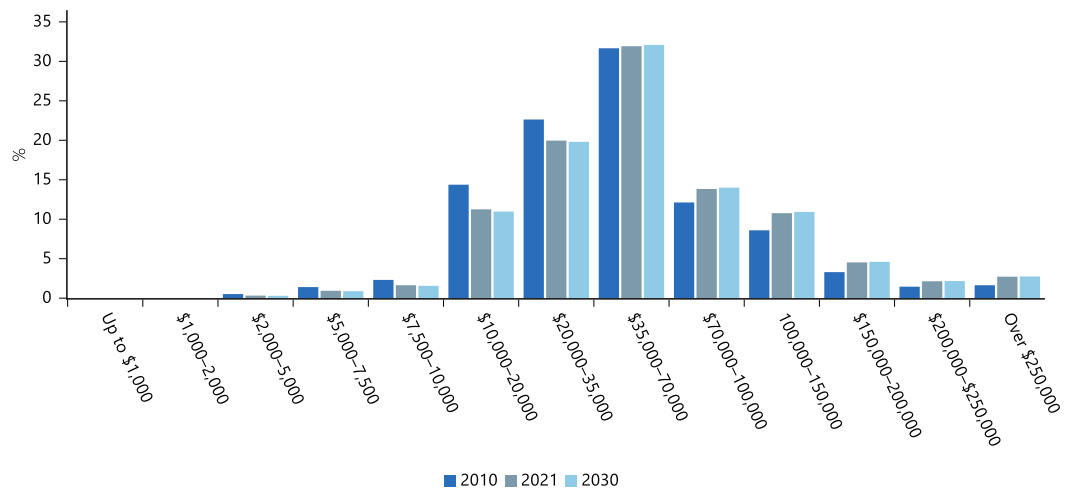
#### Riyadh number of household by income bands (as a % of total households)

The number of households in Riyadh currently (2021) stands at approximately 1.28 million and is expected to grow to 1.62 million by 2030.

As at **2021**, the households in the income band of \$35,000 - \$70,000 accounted for the largest portion of households at **31.9%**, marginally up from 31.9% a decade earlier.

More so, as at **2021**, the number of households in the income brackets above \$35,000 accounted for **65.9%** of total households, up from 57.1% in 2010. This trend has primarily been driven by an decrease in the number of households in the \$5,000 to \$35,000 income band.

The share of households earning over \$100,000 has increased from **14%** of households to **20.1%** of households from **2010** to **2021** respectively. By **2030**, this number is expected to remain relatively same.



Source: Macrobond, Oxford Economics