

Valuation Report Analysis
Arrowad International School
KSA- Riyadh City- June 30, 2020

Prepared for SAUDI FRANSI CAPITAL



شركة أولات للتقييم العقاري Olaat Valuation Company





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# Real Estate Valuation Report Analysis

## **Prepared for:**

Saudi Fransi Capital

#### **Riyadh City**

Date of Valuation June 30, 2020

Date of Report July 06, 2020

**Done by OPM (Olaat valuation Company)** 

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

The person in charge:

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Property's Type	Educational Property –International school		
Location	Riyadh city – Al-Nuzha District- closed to Abi		
	Bakr Siddiq Rd		
Land Area	30,000 sq m		
Title deed number	310115035125		
Title's date	7/2/1435 H		
Plots Number	232- Educational facility		
Scheme Number	1954/ <sup>j</sup>		
Land Topography	Flat		
Boarded streets & Neighbors	N: Street Width 20 m length 200 m		
	S: Parking area then Street width 36 m		
	Length 200 m		
	E: Street width 20 m Length 150 m		
	W: Street width 30 m Length 150 m		
Building (Gross floor area) based to Permit	47,281 sq m plus Fence 686 m2		
Building's Permit number	8250/1427		
Building Permit's date	22/03/1431		
Market value based to DRC method	237,047,000 SR		
Market value based to Cap rate method	240,634,013 SR		
Market value based to 50% Weighted average	238,841,000 (Two hundred Thirty-eight		
between DRC and Cap rate Methods	million, eight hundred fourty one SR)		





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#### **Covid-19 Pandemic**

With the spread of corona virus (COVID-19) In Kingdom of Saudi Arabia enacted to take step to control corona diseases. Initially due to spread it has a great impact on social mobility that lead to impact on kingdom economic growth. In order to control this pandemic and uplift the economic activity government taken a serious step to provide relief package to support corporate and resident and private sector.

#### **Material Valuation Uncertainty under COVID-19 Pandemic**

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Accordingly, many formal measures were taken locally and globally that would affect all business sector including Real Estate Sector.

During critical period, Market activity is clearly being impacted in many sectors especially real estate transaction. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purpose, to inform opinions of value. Indeed, the current response circumstance on which to base a judgement and current condition are under influence of epidemic COVID-19 and we are facing an exceptional situation in which it difficult to build an accurate judgement of market situation and value of real estate.

Accordingly, our valuation is therefor reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global and. Consequently, less certainty-and a higher degree of caution-should be taken to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that keep the valuation of Property under frequent review & property to be revalued when current condition change.



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Saudi Fransi Capital
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P.O. Box 23454, Riyadh 11426

June 30, 2020

Property Address: Arrowad International School (AIS) - Riyadh city - Valuation Report analysis

**Tenure: Educational Freehold property** 

#### Dear Eng. Yousef,

We are Pleased to submit our Valuation report for – **Arrowad International School (AIS)** - **Riyadh city- for REITs Purposes (Real estate Investment Trust)** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the market value In-SITU value at time of valuation, for property,** based upon the existing condition and in the presence of the property preview on site with taken into account the market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, Income cap rate – Net income based to rental market value for **Educational facility** based to market and due to properties & facilities management works PM&FM beside periodically maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The market value of the Educational property 237,313,000 has been assessed by Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.





## 1- Settling the terms of engagement

Identification of the client and any other intended users		Saudi Fransi Capital	
Instruction and	In accordance with RFP dated on June 09, 2020, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Arrowad International school (AIS) property		
purpose of valuation	REITs Purposes (Real estate Investm	ent Trust)	
The subject of the valuation	Valuation for an Educational property	- international school	
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member</i> 's dut to obtain or verify information that may be material		
Inspection	, ,	6 <sup>th</sup> of <sup>June</sup> 2020 by Salem Mafouz, Saudi Authority for Accredited Values ), all significant parts of the property were inspected	
Personnel	Saudi Authority for Accredited Values	models has been prepared by Mustafa Al-Mardina (CVA) memberships, memberships (Taqeem), we confirm that the personnel responsible for cose of the valuation in accordance with the (IACVA) (IVS).	
The nature and source of the information to be relied on		Market Survey - OPM data center	
Other users		Not Available	
Currency		Saudi Riyal	
Valuation report's Date		June 30, 2020	





#### 2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

#### 3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any comparable lands offering either for sale or rent due to scarcity of educational lands.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **Saudi Authority for Accredited Values memberships (Taqeem), International Valuation Standards Council** (IVSC): The estimated amount for which an asset 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.

#### 4- Standard and Premise of value

- This valuation report relies upon the use of market value as the standard of value. For the purposes of this Valuation, market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Values memberships (Taqeem),** International Valuation Standards (IACVA), Valuation Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the market value.





#### 5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the market value of the Property in Time of valuation.

#### 6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands, In addition, we consulted many of real estate experts in **Riyadh city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation and cap rate.

#### 7- Purpose for preparation valuation and Content text

OPM was appointed **Saudi Fransi Capital** to evaluate market value for an Educational property due to market value located within Al-Nuzha district based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated market price for the for evaluated property on time of evaluation.

#### 8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value Method, depreciated replacement cost (DCR) and Capitalization rate method to get the more realistic value of the Asset (property) based to (Capital Market Authority) CMA in Saudi Arabia requirements, this analysis report done by OPM valuation team to reach the estimated value of land property in time of evaluation **June 30, 2020 AD.** 





#### 9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Saudi Fransi Capital**, and have been a presumption of validity.

#### 10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Educational property**, with checking and preview the real instruments if it's legal and owned by the landlord (Fawaz Suleiman Al-Rajhi).

\_\_\_\_\_\_

#### 11-Foundation of evaluation report and Contents

#### **Assumptions**

- 1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
- 2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
- 3. The valuation is valid for Six months period from the date of preparation.
- 4. OPM has no conflict of interest in the time of evaluation.



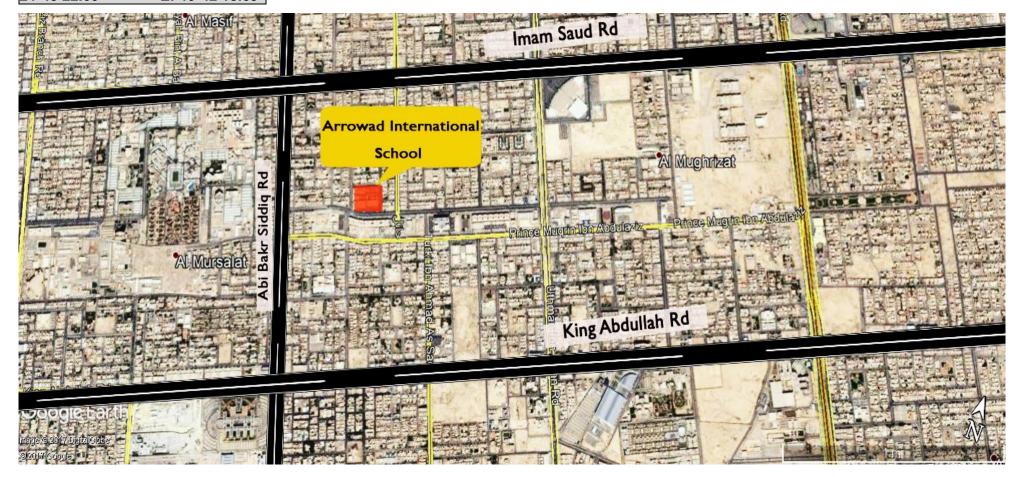


#### 12-Property's Identification

The subject property consists of Educational property Asset (Land + building) located in Riyadh city within Al-Nuzha district. Land area: 30,000 sq m

+ Building GFA 47,281 sq m plus Fence 686 m2 based on data has been received from Saudi Fransi Capital Geographic Coordinates: N:

24°45'22.60" - E: 46°42'13.69"

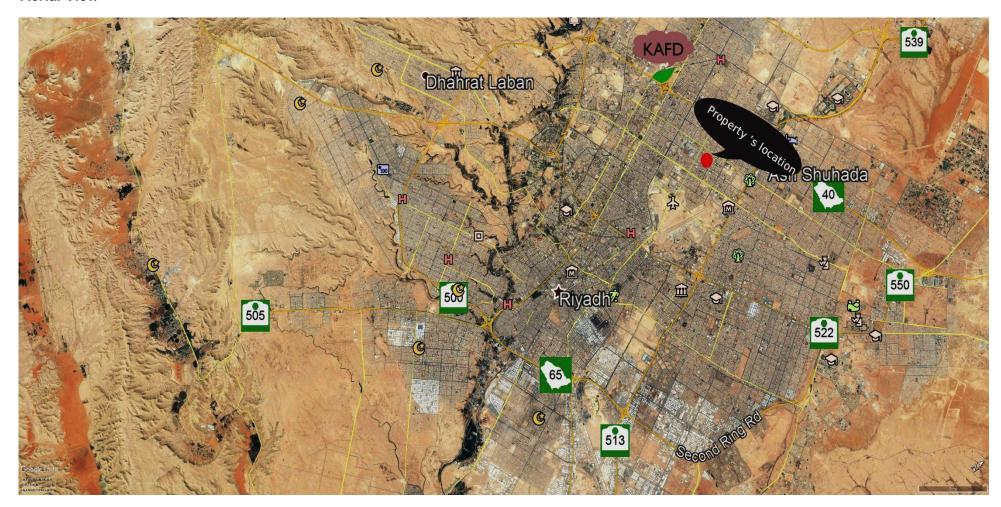




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#### The Image below shows the Boundaries of the site:

#### **Aerial View**





#### 12.1- Property Characteristics



# The following are the site/building attributes that OPM has analyzed that affect the overall (Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the asset from 4 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to business environment that would support the main function of the property and its proposed extension project.
- No Any educational lands in site region offering either for rent or sale
- Lacking for any new rival Educational projects in case of new supply from schools

#### Main features of the project (Advantages):

- Educational school (international) 7000 Student Existing students
- One underground floor Basement: assembly point for school's buses: 100 nos 2 Fire exits
- HVAC system (Central system) more than 250 unit, plus 2 Packaged units 25 Ton (Fuji Electric Manufacturing)
- All building full covered with CCTV with more than 100 surveillance unit
- Automatic Fire system covering only a Basement floor (Theater) and the buildup floors (extinguisher fire fire Hose) plus smoking detectors
- Efficient mechanical design installed
- Technical room, electrical room





- Electrical design connecting to Sceco Room
- All MEP equipment installed
- 10 Elevators, Water Pump Room
- All maintenance (weekly, monthly and quarterly reporting)
- 8 mini Football, Basketball playgrounds, swimming pool
- Public bathrooms and service room in every floor
- Mosque
- Library, Laboratory
- Grounds Porcelain
- Theatre full capacity 250 person
- Management section grounds fine granite

#### (Disadvantages):

- Basement need more lighting
- In general building need soft maintenance Periodically





#### 13.1- Case 1 - Residual value approach (land)

Residual value approach evaluation – Land Evaluation market value (MV)

#### **RV** methodology definition:

**The Land - Residual Approach** is the sum of remaining from the value of the completed (depreciated) property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.





	<ul> <li>National School - Educational pro</li> </ul>	100.	İ
Cost Type- Dev Type	Con Year 1	Con Year 2	Con Year 3
Development Work			
Land Area - developed / year - sqm	30,000		
Development Cost S.R / sq m	80		
Total Development Cost / Year	2,400,000		
National School Grade B+			
Total BUA - sq m	38,000		
Units BUA construction / Year	12,667	12,667	12,667
Units Construction F&E Cost S.R / sqm	3,200	3,200	3,200
Total Construction Cost / year	40,533,333	40,533,333	40,533,333
Total Construction Costs	40,533,333	40,533,333	40,533,333
Other Costs			
Professional Fees (Engineering Consultant) 2.5%	1,013,333	1,013,333	1,013,333
Statutory fees 2%	810,667	810,667	810,667
Marketing Fees (Media & Advertising) 1.5%	608,000	608,000	608,000
Contingency costs 10%	4,053,333	4,053,333	4,053,333
Overhead cost 2.5%	1,013,333	1,013,333	1,013,333
Total Dev - Cost - SR	48,032,000	48,032,000	48,032,000





## **Gross Income & Revenues Sheet - Free Future Cash Flow (FFCF)**

	Dev- period 3 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1- National school - Rev- Leasing to Opera	ator						
Leasable area - sq m  Annual rental price - sq m		38,000 520	38,000 520	38,000 520	38,000 1000	38,000 1000	38,000 1000
Occupancy Rate %		100%	100%	100%	100%	100%	100%
Revenues Cat 1		19,760,000	19,760,000	19,760,000	38,000,000	38,000,000	38,000,000
Gross Revenues		19,760,000	19,760,000	19,760,000	38,000,000	38,000,000	38,000,000





	Income Statement							
	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33		
Gross Revenues	19,760,000	19,760,000	19,760,000	38,000,000	38,000,000	38,000,000		
General & Administrative Expenses (0%) Triple Net	0	0	0	0	0	0		
Gross Profit - EBITDA	19,760,000	19,760,000	19,760,000	38,000,000	38,000,000	38,000,000		
Depreciation  Earnings after depreciation	(960,640) 18,799,360	(960,640) 18,799,360	(960,640) 18,799,360	(960,640) 37,039,360	(960,640) 37,039,360	(960,640) 37,039,360		
Interest Expense	0	0	0	0	0	0		
Earning after interest expense	18,799,360	18,799,360	18,799,360	37,039,360	37,039,360	37,039,360		
Taxes Zakat & Vat (7.5%)	(1,409,952)	(1,409,952)	(1,409,952)	(2,777,952)	(2,777,952)	(2,777,952)		
Net Income	17,389,408	17,389,408	17,389,408	34,261,408	34,261,408	34,261,408		
Dividends Rate	0	0	0	0	0	0		
Dividends	0	0	0	0	0	0		
Additions to Retained Earnings	17,389,408	17,389,408	17,389,408	34,261,408	34,261,408	34,261,408		
Cumulative Retained earnings	17,389,408	34,778,816	52,168,224	766,843,648	801,105,056	835,366,464		





			Residua	l Value - RV				
RV	Construction / Year 1	Construction/ Year	Construction / Year	Operation / Year 1	Operation / Year 2	Operation / Year 32	Operation / Year 33	Total
IN - Flow	Period	0	0	1	2	32	33	
Revenues	1 criou	0	0	17,389,408	17,389,408	34,261,408	34,261,408	-
Total Inflow		0	0	18,350,048	18,350,048	35,222,048	35,222,048	796,623,488
		•						
Discount Rate:	9%	0.000	0.000	0.917	0.842	0.063	0.058	
OUT Flow	]							
Total Outflow		0	0	0	0	0	0	
	Total Cash out							
Net Cash Flow (Before Discount Rate)	(144,096,000)	0	0	18,350,048	18,350,048	35,222,048	35,222,048	242,282,895
								Total Cash flow
		Ī	1		ı			
Discounted Cash Flow DCF	(144,096,000)	0	0	16,834,906	15,444,868	2,234,430	2,049,935	90,274,692
	-							Residual value

Market Value - MV		
	Land - MV	90,274,692
	Land area - sq m	30,000.00
MV - per sq m - Residual value		3,009.16

Market Value MV	Land Area - sq m	Value / sq m. SAR	MV SAR
Market Value for land	30,000	3,009.16	90,274,800





#### 13.2- Case 2- Cost Approach Depreciated Replacement cost method (DRC) for Building

Depreciated replacement cost (DRC) approach. The 'cost approach' and DRC are regarded as synonymous terms; both are in common use around the world to describe a method of valuation of all types of assets.

Also, the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

It is important to understand that the word depreciation is used in a different context for valuation than for financial reporting. In a DRC valuation, depreciation refers to the reduction, or writing down, of the cost of a modern equivalent asset to reflect the obsolescence and relative disabilities affecting the actual asset. In financial reporting, depreciation accounting refers to a charge made against an entity income to reflect the consumption of an asset over a particular accounting period. These are distinct usages of the word, and there is no direct correlation between the methods used to assess depreciation in each case.

Although the DRC method may be used for the valuation of different types of specialized asset, particular complications arise when applying the DRC method to specialized property.

Some buildings (or specialized plant and equipment assets) have a conventional basic design that is superficially similar to other buildings that are regularly bought and sold in the market, but on closer inspection have specialized features or extensive adaptations designed to meet the requirements of the actual occupier. Typical examples, which may be purpose built or adapted, include a residential complex, office, retail, medical, hotels, universities and or an industrial building (labor camps) with structural alterations to accommodate a particular production process with enhanced security features such as thickened walls, toughened glazing, extra amenities and extra facilities areas.





• Due to availability of Official building permit; the total Gross Floors area GFA has been calculated as 47,281 sq m from Saudi Fransi Capital

Components	Gross Floor Area GFA – sq m	Type of operation
Basement floor	8,085	Parking
Ground floor	12,422	amenities, laboratories, lobbies, services
First floor	14,530	Classes and laboratories
Second floor	13,244	Classes and management
Fence	686	Services
Total GFA – sq m	48,281 plus Fence 686	
External Area – sq m	17,578 sq m	Playgrounds, recreation, swimming pool

### **Depreciated Replacement cost (DRC)**

Standard: Average useful life for Schools building in Al-Riyadh city after taken into consideration climate (Dry)	N (number of years) =	50 years
Deprecation ratio Per annum 2%	Appreciation (Maintenance, renovation) ratio Per annum based to schedule of maintenance work 0% per annum	Apportionment after Calculating Depreciation and Appreciation 2%
Building (equipment) useful life	N (number of years) =	5 years
Apportionment – Acc Depreciation	2%*5 Years	10%

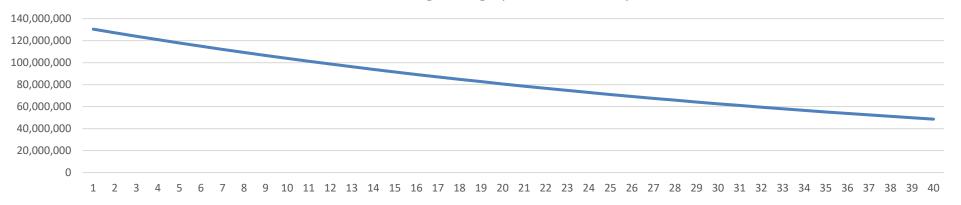




### (Construction, Finishing & MEP equipment) for building – All MEP installed

Type of Construction	GFA / sq m	Replacement cost / SAR – sq m Q1-2020	Completion %	Market value/ SR
		1	1000/	
Basement floor	8,085	3,000	100%	24,255,000
Ground floor	12,422	2,500	100%	31,055,000
First floor	14,530	2,500	100%	36,325,000
Second floor	13,244	2,500	100%	33,110,000
Fence	686	650	100%	445,900
External Area – sq m	17,578	300	100%	5,273,400
Replacement cost - SR				130,464,300
- Apportionment Acc Deprecation		130,464,300 *10 %		(13,046,430)
Depreciated Replacement cost DRC				117,417,870

# Value of building during operational Life Cycle





# 14-Market value (property) Land + Building In the case of finishing up to date from Finishing, fixtures & equipment work-Currency SR

Market Value (Land)	90,274,800 SAR
Plus	
Building Value before adding Profit Margin - SAR	117,417,870 SAR
+ Developer Profit Margin (25%) – only for Building Value - SAR	29,354,468 SAR
Building Value - SAR	146,772,338 SAR
market value - Property	237,047,000 S.R (Two hundred thirty-seven million, forty-seven thousand, Saudi riyals

#### (Sensitivity Analysis) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the property evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the value measurement.

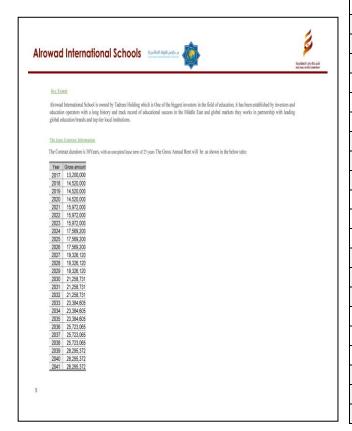
-5%	market value	+5%
225,195,000 SR	237,047,000 SR	248,899,000 SR





15-Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value - Riyadh city Q1-2020- FFO (Funds from Operations) to define the cash flow from their operations.

 We received official leasing contract for this property and all Funds from Operation FFO data based to annual renting Values mentioned within Contract terms.



Net Yield  13,200,000  14,520,000  14,520,000  14,520,000
14,520,000 14,520,000
14,520,000
14.520.000
1 1,020,000
15,972,000
15,972,000
15,972,000
17,569,200
17,569,200
17,569,200
19,326,120
19,326,120
19,326,120
21,258,731
21,258,731
21,258,731
23,384,605
23,384,605
23,384,605
25,723,065
25,723,065
25,723,065
28,295,372
28,295,372
28,295,372

Average Yield SR/ Annum 20,453,891
------------------------------------





#### 15.1- Rental Market Analysis (RMA) - Market Benchmarking

After previewed and analyzed property's tenancy renting period, and running rents for Al-Rowad school we have compared the net income with market benchmark and rentals achieved in catchment area with other comparable with same leasable areas of other property.

Due to market renting analysis the average rents in the area in between 400 – 500 SAR per sq m for Gross Leasable area excluding basement floor and comparing it to the annual renting values for properties in the same area and the rental market analysis is positive which is match with market benchmarks at date of evaluation.

Based to OPM data center actual transaction recorded within Al-Raeed district, school been leased at beginning of May for 440 SR/ sq m with total GFA 16,000 sq m.

The Property's Av rent for 25 years is 20,453,891 SAR per annum, which equating to around SAR 420 per sq. m





<b>Gross Operating Income GOI – Currency SAR- Average</b> for a 25 Years Contractual period based to official agreement.		20,453,891	
- Vacancy and collection loss		0	
Additional income		0	
Effective gross income		20,453,891	
Operating Expenses (all expanses on Operator's responsibility) - Triple net wise			
Fixed	0		
Variable	0		
Reserves	0		
Total Operating expenses		0	
Net operating income NOI		20,453,891	
Cap rate 8.5%			
Market Value @ 8.5% Capitalization rate		240,634,013 SAR	





# 16-Note: In case of Saudi Fransi Capital desire to reach market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

market value MV	238,841,000 (Two hundred Thirty eight million, eight hundred fourty one -SR)
Sum of Values	238,841,000
Weighted Average (50% for DRC, 50% Cap rate)	/2
Capitalization rate - MV	240,634,013
Residual value + DRC deprecation replacement cost - MV	237,047,000

#### (Sensitivity Analysis) for Asset Property

The Sensitivity ratio for the Property evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the value measurement.

-5%	market value	+5%
226,899,000 SR	238,841,000	250,783,000 SR





#### 17- Real Estate Market Summary- Al-Riyadh Q1-2020

Growth rate slightly Change, Government's decision to collaborate more closely with the development of mega project for the housing sector, The Government successfully conduct the Biggest entertainment event "Riyadh Season" So Commercial Shopping malls owners are hopeful that the proposed entertainment reforms will lead to the more licensing of movie theatres & Entertainment events in the Kingdom & New brands hotels are expected to enter the market over the next coming years with hotels room.

17.1-Offices market: Offices vacancies rate of Office Grade A & B Silently Decrease over the quarter due to (SAGIA) Saudi Arabia General Investment Authority Issue New License to Investor to operate business companies in private sectors. Corporate demand is more focus on Smart & elegant Co-working office space to get benefit for low rental rates. In COVID-19 Pandemic government announced the package to ensure business connectivity and mitigate risk for Business Growth and support to the Private sector.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. MOH Initiative 2030 related to NTP 2020 & Saudi vision 2030 Which will transform sector for achieving Government Operational Excellence.

17.2-Residential market: Residential Units & Villas Prices slightly increase due to government backend support to expand the mortgage scheme and government sakni program for Saudi Resident. According to Vision 2030 in respond to sakni program which helps to increase ownership rate in 2020. Secondly Real estate development fund and Saudi refinance company play vital role to boost homeownership and mortgage market. Due to Current Covid-19 pandemic we can expect in supply & Demand side on-going Residential project will slightly expected to delay to deliver it.





17.3-Hospitality market: The Public Investment fund introduced a tourism and hospitality project like Riyadh season that will help to boost the economic activity in capital city. In end of 2019 Government initiative to allow Developed Countries Like U.K, US & Schengen Visa holder to get visa on arrival facility that help to support tourism industry and enhance the economic activity in the kingdom. While Feb 2020 Hospitality Industry has Healthy performance but Due to COVID-19 Pandemic in Mid of March-2020 Hospitality industry had badly impact for suspension of International Travelling and Q1-2020 Performance of Hospitality Sector is very depressed.

17.4-Retail market: Retail market performance remain stable in Q-4 2019. While ADR is stable of super and super regional mall, and vacancy rate of Grade B Class is slightly increase at the end of 2019. While retail sector enjoys slightly upward trend in performance. Under 2030 Vision strategic goal to increase proportion of online payment. In COVID-19 Pandemic full time & partial lockdown in Riyadh, restriction of consumer mobility & socialize limitation that huge impact on retail and entertainment sector. Due to mobility restriction consumer behavior shifted to online trade that boost to E-Commerce sector that will help to support vision 2030.

17.5- Industrial warehouses: While occupancies increased marginally in the industrial warehouses sector over 2020, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.



#### **18-External and internal Pictures**

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#### **External view**















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# والمنافقة أولات للتقييم العقاري Olaat Valuation Company































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# 19- Olaat valuation Company's team

Title	Job Description	Saudi Authority for Accredited  Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1442/4/13	Real estate
Mustafa Mardina	Formatting and Analyzing report	1220000297	1442/4/13	Real estate
Salem Mafouz	Site visit, inspection Catchment area	1220000968	1442/2/27	Real estate

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#### 19.1- OPM Valuation's team Tageem's certificates











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**∞** 

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Kingdom of Saudi Arabia P.O. Box 62244 Riyadh 11585 



Valuation Report Analysis
Al-Ghad School
KSA- Riyadh City- June 30,2020

Prepared for SAUDI FRANSI CAPITAL



شركة أولات للتقييم العقاري Oleat Valuation Company





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# Real Estate Valuation Report Analysis

## **Prepared for:**

Saudi Fransi Capital

### **Riyadh City**

Date of Valuation June 30, 2020

Date of Report July 06, 2020

**Done by OPM (Olaat valuation Company)** 

P.O. Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

The person in charge:

- Mustafa Al-Mardina

Email: m.mardena@olaat.com

www.olaat.com

C.R:1010462536

Valuation License: 1210000397

Property's Type	Educational Property –School
Location	Riyadh city – King Abdullah District-Khuzam
	Street
Land Area	11,282.59 sq. m
Title deed number	710113086467
Title's date	8/11/1441 H
Plots Number	Educational facility
Scheme Number	3267
Land Topography	Flat
Boarded streets & Neighbors	Based upon Title Deed
Building (Gross floor area)	11,282.58 m <sup>2</sup>
Build up Area (BUA)	17,918 m <sup>2</sup>
Building's Permit number	1439/16886
Building Permit's date	09/11/1439
Market value based to DRC method	SR 94,260,000
Market value based to Cap rate method	SR 94,558,000
Market value based to 45% & 55% Weighted	94,424,000 (Ninety-Four Million, Four
average between DRC and Cap rate Methods	hundred twenty -four thousand SR)



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### **Covid-19 Pandemic**

With the spread of corona virus (COVID-19) In Kingdom of Saudi Arabia enacted to take step to control corona diseases. Initially due to spread it has a great impact on social mobility that lead to impact on kingdom economic growth. In order to control this pandemic and uplift the economic activity government taken a serious step to provide relief package to support corporate and resident and private sector.

### **Material Valuation Uncertainty under COVID-19 Pandemic**

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Accordingly, many formal measures were taken locally and globally that would affect all business sector including Real Estate Sector.

During critical period, Market activity is clearly being impacted in many sectors especially real estate transaction. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purpose, to inform opinions of value. Indeed, the current response circumstance on which to base a judgement and current condition are under influence of epidemic COVID-19 and we are facing an exceptional situation in which it difficult to build an accurate judgement of market situation and value of real estate.

Accordingly, our valuation is therefor reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global and. Consequently, less certainty-and a higher degree of caution-should be taken to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that keep the valuation of Property under frequent review & property to be revalued when current condition change.



OPM

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Saudi Fransi Capital
For the attention of:
Sheikh M. Abbas
Assets Management Division
T: +966 11 2826762
sabbas@fransicapital.com.sa
P.O. Box 56006, Riyadh 11554

June 30, 2020

Property Address: Al Ghad School - Riyadh city - Valuation Report analysis

**Tenure: Educational Freehold property** 

Dear Mr. Sheikh M. Abbas,

We are Pleased to submit our Valuation report for – Al-Ghad School - Riyadh city- for REITs Purposes (Real estate Investment Trust) enclosing with market valuation. In Accordance with your instructions. The objective of this report is to estimate the market value In-SITU value at time of valuation, for property, based upon the existing condition and in the presence of the property preview on site with taken into account the market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, Income cap rate – Net income based to rental market value for Educational facility based to market and due to properties & facilities management works PM&FM beside periodically maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The market value of the Educational property 94,424,000 SAR has been assessed by Residual Value, DRC method (Deprecation replacement cost), And capitalization income method considering the location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.





# 1- Settling the terms of engagement

Identification of the client and any other intended users	Saudi Fransi Capital (Taleem REIT)	
Instruction and	In accordance with RFP dated on June 21, 2020, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Al Ghad School property.	
purpose of valuation	REITs Purposes (Real estate Investment Trust)	
The subject of the valuation	Valuation for an Educational property –Al Ghad School	
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member</i> 's duty to obtain or verify information that may be material.	
Interest to be valued	We are instructed that the subject Land & Building (L&B) should be Valued as freehold, free from any encumbrances or third-Party interests. We have not made any investigation on the data received from Client and assumed that any such investigation would not identify any discrepancies.	
The Basis of Value	Our Valuation has been prepared in accordance with Saudi Authority for accredited valuers ( <b>Taqeem</b> ) Standards, IACVA Valuation standards which conform with international Valuation Standards (IVS) of the basis of Value defined as:  "Value defines the terms and conditions of payment of claims under property insurance policies. It defines the value that will be payable after the loss, and the conditions under which this value may be altered even after the claim has been accepted by the insurer.  value is the basis adopted by the Royal Institution of Chartered Surveyors (RICS) for undertaking an appraisal of Land & Building (L&B) for RIET purposes. The term indicates to repair, reconstruct or renew assets to a condition equal to but not better than when new. This assessment is all-encompassing and can often include inspection and reporting on a wide range of Property of differing size, type and use incorporating complex structures and installations	
Valuation Date	Valuation Date is the date on which the opinion of value applied the date of valuation were the value of Al-Ghad School project reflected on June 30,2020.	

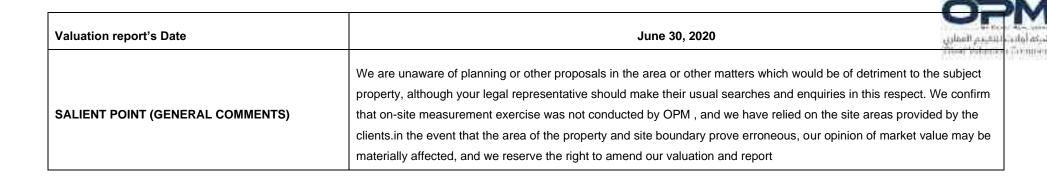


Report Date	The valuation report usually dated exactly as the valuation date July 06, 2020.
Inspection	The Property was inspected on 21 <sup>th</sup> of <sup>June</sup> 2020 by Fadi Naeem, Saudi Authority for Accredited Values membership <b>1220000119</b> (Taqeem), all significant parts of the property were inspected.
Inspection Role	A consecutive visit to inspection of Land & Building, to examine it and obtain relevant information, in order to express a professional opinion of its value. We hereby confirm that we have inspected the subject property/Asset at the date of inspection. Our inspection procedure covers only the surface/boundaries/out layers of the property.
Market Survey	OPM team has made fully market Survey for the immediate similar assets to collect all the possible and Related data to the valuation process. The collected data will be based on Market Value for Property. The collected data type will be according to the property data and the Purpose of valuation.
State of Valuers	We confirm that the Valuers has no material Connection or involvement with the subject of the value or with the client and can provide and object and Unbiased valuation. We confirm that the valuer is Competent to undertake the valuation assignment and Has sufficient skills and knowledge of the respective Market to undertake the valuation.
Independence Valuers	An External Valuer is defined in the IVS Standards as: A Valuer who, together with any associates, has no material links with the client or the subject of the assignment. We Confirm that we are an Independent Contractor for the subject services, and nothing contained in this assignment shall be construed as constituting any relationship with the client other than that of client and independent contractor, or as creating any employment relationship whatsoever between client and OPM's staff. We also confirm that we have no conflict of interest to the client's Property, Land & Building (L&B).
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina (IACVA) memberships, Saudi Authority for Accredited Values memberships (Taqeem), we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).



report, it is assumed that the written and verbal information provided to us by the client is up to rect. OPM have furthermore undertaken further research with respect to Effective useful life, addition, we have relied on the following sources in the valuation process.  The subject Services shall not disclose or use or cause to be disclosed or go the term. Any of the client's secrets and/or confidential information, any other non-public he client business, financial or other affairs acquired by the subject service during the process.  Market Survey - OPM data center  In the property. We have not carried out any investigation into past or present uses, either of the aboring land, to establish whether there is any contamination or potential for contamination to the ne use or site and have therefor assumed that none exists.  The property or on any neighboring land, or has been or is being put to any contamination exists at the Property or on any neighboring land, or has been or is being put to any contaminative use, this might reduce the value now reported.
report, it is assumed that the written and verbal information provided to us by the client is up to rect. OPM have furthermore undertaken further research with respect to Effective useful life, addition, we have relied on the following sources in the valuation process.  The source of the subject Services shall not disclose or use or cause to be disclosed or go the term. Any of the client's secrets and/or confidential information, any other non-public he client business, financial or other affairs acquired by the subject service during the process.  Market Survey - OPM data center  K, we have been instructed to assume that no contamination or potentially contaminative use has an the property. We have not carried out any investigation into past or present uses, either of the aboring land, to establish whether there is any contamination or potential for contamination to the
or have we been informed of any legal notices served on the Project, outstanding or pending in report, it is assumed that the written and verbal information provided to us by the client is up to rect. OPM have furthermore undertaken further research with respect to Effective useful life, addition, we have relied on the following sources in the valuation process.  Any other document received from the client are confidential between OPM and the client. Except any court or authority, the subject Services shall not disclose or use or cause to be disclosed or go the term. Any of the client's secrets and/or confidential information, any other non-public he client business, financial or other affairs acquired by the subject service during the process  Market Survey - OPM data center
or have we been informed of any legal notices served on the Project, outstanding or pending in report, it is assumed that the written and verbal information provided to us by the client is up to rect. OPM have furthermore undertaken further research with respect to Effective useful life, addition, we have relied on the following sources in the valuation process.  The analysis of the client received from the client are confidential between OPM and the client. Except any court or authority, the subject Services shall not disclose or use or cause to be disclosed or go the term. Any of the client's secrets and/or confidential information, any other non-public
report, it is assumed that the written and verbal information provided to us by the client is up to rect. OPM have furthermore undertaken further research with respect to Effective useful life,
d in aggregate to our fee and to the addressee of our report only.
n undertaken using the Residual Value,Depreciated Replacement Cost (DRC) approach, & coach that are defined in the RICS Valuation – Global Standards 2017 (RB Global) Glossary as:
ion team to be assigned to this project, which would prevent us from providing an independent f the property.





### 2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

### 3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any comparable lands offering either for sale or rent due to scarcity of educational lands.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **Saudi Authority for Accredited Values memberships (Taqeem), International Valuation Standards Council** (IVSC): The estimated amount for which an asset 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.





### 4- Standard and Premise of value

- This valuation report relies upon the use of market value as the standard of value. For the purposes of this Valuation, market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Values memberships (Taqeem),** International Valuation Standards (IACVA), Valuation Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the market value.

### 5- Documents Received

The Client has provided us by clear copy of the following documents

Title Deed Copy	У
Construction Permit	У
Gross Floor area / floor	У
Total leasable area	У
MEP's Details	х
Mapping Plan	х
Civil Defense Letter	х
Photographs	ý





### 6- Valuation's Methodologist Definitions

There are three principal approaches to valuation that are generally recognized internationally: According to the International Valuation Standard Council (IVSC), and according to the TAQEEM valuation principles, there are 3 main types of valuation Approaches as per the following:

### 6.1- Depreciated Replacement cost (DRC)

A Depreciated Replacement cost the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization".

The DRC method is based on the economic theory of substitution. Like the other forms of valuation, it involves comparing the asset being valued with another. However, DRC is normally used in situations where there is no directly comparable alternative. The comparison therefore has to be made with a hypothetical substitute, also described as the modern equivalent asset (MEA). The underlying theory is that the potential buyer in the exchange would not pay any more to acquire the asset being valued than the cost of acquiring an equivalent new one. The technique involves assessing all the costs of providing a modern equivalent asset using pricing at the valuation date.

In order to assess the price that the potential buyer would bid for the actual asset, valuation depreciation adjustments have to be made to the gross replacement cost of the MEA to reflect the differences between it and the modern equivalent. These differences can reflect obsolescence factors such as the physical condition, the remaining economic life, the comparative running costs and the comparative efficiency and functionality of the actual asset. Land required for the MEA will be separately assessed.



# PM (aller Markey Hadley)

### When depreciated replacement cost is used?

DRC is used where there is no active market for the asset being valued – that is, where there is no useful or relevant evidence of recent sales transactions due to the specialized nature of the asset – and it is impractical to produce a reliable valuation using other methods.

The DRC method may be used for the valuation of specialized property, which is defined as:

"Property that is rarely, if ever, sold in the market, except by way of a sale of the business or entity of which it is part, due to the uniqueness arising from its specialized nature and design, its configuration, size, location or otherwise."

This definition is broad and can apply to Property or assets that may be of conventional construction, but become specialized by virtue of being of a size or in a location where there is no relevant or reliable evidence of sales involving similar property.

The market for assets can change over time. Assets that might previously have been identified as having no market may have an active market that has recently emerged. For example, within the healthcare and leisure sectors, evidence of market transactions is growing. Therefore, before adopting the DRC method the valuer will need to be satisfied that there are no transactions involving similar buildings in similar use or location that could provide sufficient evidence to use an alternative valuation method.

The value of a specialized property (or a specialized Land & Building Property) is intrinsically linked to its use.

- The type of Asset and how it is used an understanding of the asset, its function and its environment.
- Classification of the asset for accounting purposes by the entity.
- the entity's componentization policy and the entity's position on modern equivalent asset (MEA) issues such as Asset's site location and site size.
- knowledge of the specification that would be required for an equivalent asset in the current market, and the cost of acquiring or procuring that asset.
- Sufficient knowledge of the asset and its marketplace to determine the remaining physical and economic life of the asset and sufficient knowledge of the sector in question to assess functional, technical or economic obsolescence.





If the asset is specialized it may be necessary to define what is to be included in the valuation. The identification of assets that are classified as part of the property interest and those that are classified as plant and equipment is often unclear in a specialized property.

Any specialized assets comprise separately identifiable components, and the valuer will need to discuss with the entity whether it is appropriate to value these as separate items, or to what degree it would be appropriate to regard them as aggregated into a single asset, and valued accordingly. The entity's accounting policies may influence this decision.

The principle can be illustrated by considering the value of Property that is a few years old. If technological advancements mean that the same output can now be achieved with a smaller and more efficient machine, the actual machine would most likely not be replaced as is. The modern equivalent is defined by its comparative performance and output.

In assessing the cost of the replacement asset, due account should be taken of all the costs that would be incurred by a potential buyer on the valuation date unless there is applicable direction to the contrary:

- Delivery and transportation
- Installation and commissioning
- Any unrecoverable duties or taxes
- Setting up costs, where appropriate, such as planning fees and site preparation works
- Professional fees related to the project
- A contingency allowance, if appropriate and finance costs, taking into account the likely pattern of payment.





When considering <u>specialized property</u>, the current gross replacement cost of the asset is assessed. This comprises the cost of replacing the land plus the cost of replacing the improvements to the land. For the latter, the approach is to assess the cost of their replacement with a modern equivalent and then make valuation depreciation adjustments to reflect the differences between it and the actual asset when compared with a modern equivalent. Once the gross replacement cost has been derived, the valuation depreciation factors are applied as a further and separate calculation.

Although the ultimate objective of the DRC method is to produce a valuation of the actual property in its actual location, the initial stage of estimating the gross replacement cost should reflect the cost of a site suitable for a modern equivalent facility. While this may be a site of a similar size and in a similar location to the actual site, if the actual site is clearly one that a prudent buyer would no longer consider appropriate because it would be commercially wasteful or would be an inappropriate use of resources, the modern equivalent site is assumed to have the appropriate characteristics to deliver the required service potential.

The fundamental principle is that the hypothetical buyer for a modern equivalent asset would purchase the least expensive site that would realistically be suitable and appropriate for its proposed operations and the envisaged modern equivalent facility. How the actual site was obtained is irrelevant to the valuation. The valuer will need to discuss and agree with the entity the possible locations for the current defined service requirement.

The property being valued may be located in a situation that would now be considered unnecessarily expensive. This may be due to changes in the way in which the service provided is delivered, or to changes in the market for the product it produces.

### Calculating the cost of Land & Building improvements of a specialized property-

When valuing a specialized property, it is often difficult to distinguish between what may be classified as a building or structure and what may be classified as plant. In the specialized industrial sector, many structures effectively only provide support and weather protection for process plant – if the plant was removed, the 'building' would not exist. In such cases there should be discussion with the entity as to whether a distinction needs to be made between buildings and plant and, if so, what items fall under each heading. Because of the diverse nature of the buildings, structures and plant that may





form part of a specialized property, the term 'site improvement' refers to all additions to the land. These are buildings, structures or some modifications to land of a permanent nature involving expenditures of labor and capital, and they are intended to enhance the value or utility of the property. Improvements have differing patterns of use and economic lives.

Site improvements will include all site works associated with the development, including services, fencing, paving and any other items of a permanent nature that support the specialized use. The following paragraphs provide guidance on calculating the cost of buildings and site improvements. Although they refer specifically to buildings, the same principles apply to all improvements.

### Sources of cost information

The nature, size and specification of the modern equivalent building and all other necessary improvements, the cost of providing these:

- Assessed by reference to published building cost data (benchmark). However, published construction price data may be of limited assistance where the replacement building or structure is highly specialized. Instead, the valuer may have to rely on actual costs involved in the creation of the current asset, or discuss with their instructing client the need to conduct external cost research and/or commission specialist cost advice.
- Contractors and Consultants Other factors that may result in the cost of creating the actual asset to differ from that of a notional replacement include:
- **Site preparation**: work may have been undertaken to prepare the actual site for development that would not be necessary for the assumed equivalent site. For example, costs actually incurred in levelling a site or providing services to the site boundary may already be reflected in the cost of acquiring an equivalent site in the market if the available evidence was for level, serviced land.
- **Phasing of work:** A large site may have been developed in phases, whereas the cost of the modern equivalent reflects the cost that would be incurred in replacing the whole asset at the valuation date let as a single contract. This could create economies of scale and reduce contract overheads, for example, on preliminaries work.
- Optimal working conditions: If the cost of the equivalent site is based on a site that is assumed to be free of any difficulties or constraints on development, any additional costs incurred because of abnormal conditions on the actual site are ignored.



- Contract variations: any additional costs incurred in constructing the actual building caused by design or specification changes during the progress of the contract are ignored.
- **Planning changes:** When the actual asset was constructed it may have had deemed planning consent. As the planning legislation has changed, the cost of obtaining consent for a modern equivalent may need to be taken into account.
- Incidental costs: Such as fees and carrying costs, are to be restricted to those costs associated with the assumed procurement of the building.

  Allowance for VAT is made only where this is an irrecoverable cost. Although it would not normally be appropriate to make an addition to the cost to reflect developer's profit (because the purchaser is deemed to be procuring the building
- for owner occupation), it may be appropriate to add for management time if this were a significant cost that would be incurred in constructing a modern equivalent.

### **Assessing valuation depreciation**

Established the replacement cost of a modern equivalent asset, it is then necessary to adjust or depreciate all costs incurred to provide the modern equivalent asset to reflect differences between this modern equivalent and the actual asset being valued. The underlying principle is that the hypothetical buyer has the option of procuring either the modern equivalent or the actual asset. If the modern equivalent provides the ideal facility for the buyer, the price paid for the actual asset is expected to reflect all the disadvantages that it suffers in comparison.

Applying valuation depreciation is primarily a process of replicating how the market would view the asset. Depreciation rates and estimates of the future economic life of an asset are influenced by market trends and/or the entity's intentions. It is recommended that the valuer identify these trends and intentions, and be capable of using them to support the depreciation rates applied. The application of DRC should replicate the deductive process of a potential buyer with a limited market for reference.





### Three principal types of depreciation allowance, or obsolescence, may be identified as:

- **Physical deterioration:** If the cost of repairing, reconditioning or refurbishing the actual asset to render it useable has exceeded the cost of a modern equivalent, the asset would have no value.
- **Functional obsolescence:** The introduction of new technology may render obsolete a relatively new asset with an otherwise long anticipated life, with the result that there would be no demand for it other than any value for salvage or an alternative use.
- **Economical obsolescence:** Economic obsolescence: if demand for the product or service provided by the asset has collapsed and is not expected to recover, there would be no demand for the asset other than for any salvage value or alternative use.

### Remaining economic life

Key step in the estimation of valuation depreciation to reflect obsolescence is the assessment of the lifespan and anticipated remaining life that is attributable to the asset being valued, having regard to the impact of its different constituent parts, this then being applied to the modern equivalent asset that has been selected.

Lifespan: When assessing the target lifespan of an asset, it is important to take into account that the asset comprises many different parts, each with their own lifespan, some of which will be much shorter than the period over which the asset may be used for service delivery. The impact of capital expenditure on replacing parts whose economic service delivery potential has been exhausted cannot be reflected until that expenditure occurs. The projected lifespan of an asset when new is therefore not the lifespan of the asset's longest life part nor the period over which the entity intends to remain in occupation delivering services from it but rather should reflect the varying lifespans of the in-situ constituent parts. Approximation or other techniques, such as weighting the impact of the lifespans of different parts by value, will be necessary to arrive at a lifespan for the overall asset that faithfully reflects the varied individual lives of the asset's parts.



### **Types of Depreciation**

- Straight-line: The straight-line basis tends to be the most commonly adopted method for calculating depreciation of buildings because of its simplicity and relative ease of application. Straight-line depreciation assumes the same amount is allocated for depreciation for each year of the estimated life.
- Reducing balance: The reducing balance method of depreciation assumes a constant percentage rate of depreciation from the reducing base. The reduction of the balance at the end of each period by a fixed proportion of itself creates a sagging depreciating value curve over the life of the asset. This method effectively 'compounds' the total depreciation. This may match reasonable expectations of declining value over time better than the straight-line method.
- S-curve: The S-curve is recommended where sufficient data is available for the valuer to be confident that the curve represents the likely reality. In some cases, it presents the most realistic representation of an asset's depreciation by assuming that depreciation is at a low rate in the early years, then accelerates in the middle years and reduces again in the final years. However, some assets, such as plant, may have a different depreciation pattern (high at first rather than low).
- The three methods outlined are all in common use. Of these, the straight-line approach has the advantage of simplicity. However, it does not represent the way in which asset values are normally reflected in the marketplace. The reducing balance method may also be open to similar criticism that it does not reflect market perceptions. The S-curve attempts a surrogate for market behavior and is appropriate where there is empirical evidence available.

Other forms of depreciation curves are available, and where they are used by a particular market the valuer is expected to reflect them. In making adjustments for depreciation and obsolescence the valuer is advised to rely on professional knowledge, judgement and market experience, and to take due account of the nature of the asset and the type of use to which it is put.

### Other considerations

It is not normally appropriate to make any deduction for depreciation from the cost of acquiring a modern equivalent site in the market, because freehold land rarely depreciates. When valuing specialized property, the normal practice is to assess the cost of the improvements separately, assess the appropriate valuation depreciation and then add this to the cost of replacing the land in order to arrive at the final valuation.





Where a multi-block site comprises more than one specialized building, each building will have its own remaining life (reflecting the lesser of their respective physical or remaining economic lives) except in the rare circumstances of there being a strong interdependency such as potentially in the case of an oil refinery.

### 6.2- Comparable Method

This is method most are familiar with as it is the accepted method for valuing assets. Typically, this method involves selecting assets with similar characteristics in the same market area that have recently sold. Once those Property are found they are compared to the property in question and a professional appraiser will deduct value from the subject property for comparative deficiencies and increase the value of advantages. Typically, this method is required if the investor is seeking conventional financing. For comparable information, property brokers, dealers and estate agents are contacted to ascertain the asking and selling prices for property of the nature in immediate neighborhood and adjoining areas. Neighboring Property, which have been recently sold or purchased, are investigated to ascertain a reasonable selling price.

### 6.3- Capitalization Method (Cap RATE)

The income approach values property by the amount of income that it can potentially generate. Hence, this method is used for apartments. Office building, malls, and other property that generates a regular income.

The appraiser calculator the income according to the following steps:

- Estimate the potential annual gross income by doing market studies to determine what the property could earn, which may not be the same as what it is currently earning.
- The effective gross income is calculated by subtracting the vacancy rate and rent loss as estimated by the appraiser using market studies.
- The net operating income (NOI) is then calculated by subtracting the annual operating expenses from the effective gross income. Annual operating expense include real estate taxes, insurance utilities, maintenance, repairs, advertising and management expenses. Management expenses are included even if the owner is going to manage it, since the owner incurs an opportunity cost by managing it herself. The cost of capital items is not included, since it is not an operating expense. Hence, it does not include mortgage and interest, since this is a debt payment on a capital item.

Estimate the Capitalization rate (aka cap rate), which is the rate of return, or yield, that other investors of property are getting in the local market.





### 7- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the market value of the Property in Time of valuation.

### 8- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands, In addition, we consulted many of real estate experts in **Riyadh city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation and cap rate.

### 9- Purpose for preparation valuation and Content text

OPM was appointed **Saudi Fransi Capital** to evaluate market value for an Educational property due to market value located within Abdullah District- based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated market price for the for evaluated property on time of evaluation.

### **10- Valuation Report Brief**

It is a comprehensive valuation report for the property specification according to the Residual Value, depreciated replacement cost (DCR) and Capitalization rate method to get the more realistic value of the Asset (property) based to (Capital Market Authority) CMA in Saudi Arabia requirements, this analysis report done by OPM valuation team to reach the estimated value of land property in time of evaluation.





### 11- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Saudi Fransi Capital**, and have been a presumption of validity.

### 12- Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Educational property**, with checking and preview the real instruments if it's legal and owned by the landlord.

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### 13- Foundation of evaluation report and Contents

### **Assumptions**

- 1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation).
- 2. Estimated current market value depending on Comparison approach, depreciated replacement cost DRC, Capitalization rate.
- 3. OPM has no conflict of interest in the time of evaluation.





### 14 -Site Inspection and collecting Information

The quality of information initially gathered, and later collated, is pivotal to the accurate assessment of the cost. An inspection of the property will be required in order to gather the information needed to complete the cost assessment through:

- General inspection of the Property and its environs before beginning the detailed inspection and confirm that the extent of the property being inspected conforms to the description given by the client.
- Assess the age of the building.
- Consider whether there are any restrictions to demolition and rebuilding that will result from the surrounding environment. Are there Property, the occupation of which may affect working hours? Are any special protection works likely to be necessary? Is the building detached, semi-detached or terraced, therefore do party walls, temporary protection, insurers, etc.
- Consider whether there are likely to be any deleterious materials that will increase the cost of demolition and debris removal due to higher disposal costs, i.e. review the asbestos register.
- Taking sufficient notes, photographs and measurements and produce sketches to record.
- A schedule of the accommodational use.
- A summary of the building's structure, and the different types of construction, eaves, ceiling heights and finishes.
- A summary of the building's MEP (for example, Firefighting system, smoking detectors, Fire Hose, Extinguisher, sprinkler provision, lifts, escalators, BMS, and HVAC system).
- Summary of the external areas, boundaries, outbuildings, etc.
- A summary of specialist features (these may be internal or external features considered as extra over the standard building finishes or that influence the basis of assessment, for example, marble cladding, ornate stonework or timber paneling) and a summary of general topography.





- Estimate All Property 's Value through Depreciated Replacement Cost DRC Approach with few exceptions, the final assessment figure will comprise the total cost of completely rebuilding the asset, to be insured (DRC), together with allowances in respect of other matters, including:
- Demolition and debris removal and professional and statutory fees
- The net rebuilding cost is normally calculated by multiplying the gross internal area of the building by a suitable rate for its reconstruction, Depreciated Replacement Cost, and Current market cost based.
- All external works and services such as drainage, manholes, water supply, electricity supply, boundary structures and outbuildings.
- Average prices for costs are usually generated from a wide range of building costs that reflect differing methods of construction, scopes of work and standards of finishes.
- Approximate quantities may also be used to assist in the appropriate allocation of costs in the elemental breakdown.
- Replacement using vernacular materials and uncommon traditional techniques in replicating items such as ornamentation.
- It is advisable for the cost assessment to include certain additions to take account of further costs that will be incurred in the reconstruction of the building and replacement for machineries, equipment, and system.
- Debris removal, demolition and shoring up party walls
- Professional fees
- Public authorities' stipulations







This section provides an analysis of the site and its overall location, with the aim of understanding the specific constraints and opportunities related to potential development.

The assessment studies the site's location, conditions and characteristics and sheds light on the following points:

- Site Context & Characteristics
- Site Uses Zoning Regulations
- Surrounding Uses
- Proximity to Key Demand Generators Accessibility & Visibility

These conclusions, in conjunction with the findings from the Offices real estate market assessment feed into the development program and recommendations elaborated for the overall site as highlighted in subsequent sections of this report.

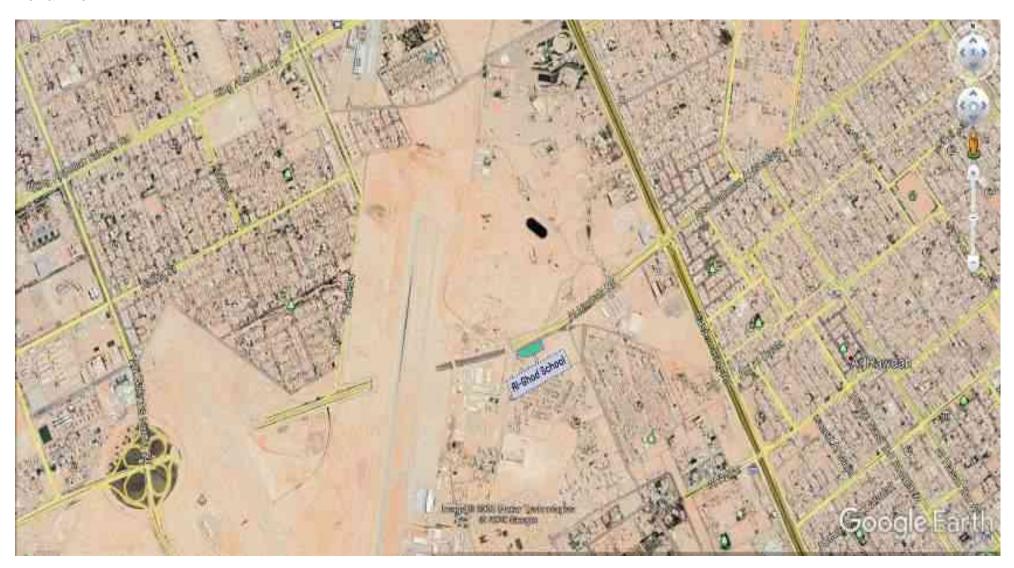
The adjacent map presents the subject site's location within the wider city of Madinah while the table below, provides the site's coordinates for the purpose of identifying the exact location via Google Earth.

Property Map Coordinates	24°44'00.7 "N	46°44'18.4"E
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# OPM Color Volumer Terminery

### **Aerial View**







### 14.1- Site Context & Characteristics

### Location

- It should be noted that, the subject site lies King Abdullah District Riyadh City.
- The adjacent map highlights the subject site's location in relation to nearby key roads and surrounding districts while the insert map provides a micro view of the subject site.
- The subject site is located to the of city within approximately, 3.75 Km from Suliman Al Habib Hospital and 3.71 Km from Rawdah Park & 25 K.m international Airport respectively.
- On a micro level, the subject site is ideally positioned along Khuzam Street Al-urubah road major transport links and arterial roads such as the Retail hub and major Roads.
- It is of the note that the site is situated within the growth corridor of the city in proximity to key landmarks / infrastructure.
- The subject site will benefit from enhanced connectivity to and from the wider city given its direct positioning on the all major district as depicted in the adjacent map.





- As per information received from the client, the subject site encompasses a total land area of approximately 11,282.58 sqm.
- Based on OPM's Inspection, the site was found to be Developed and occupied structure for Educational properties.

Summary			
Land area/ sq. m Land area Coverage Permiss		Permissible height	
11,282.58 sqm	60%	G + 40	

Land's Topography			
Surface	Shape	Features	
Levelled	Polygon	Educational	





# OPM when belonger formery

### 14.2- Proximity to Demand Generators

The Maps Below presents the subject's site location in relation to a sample of key surrounding uses / developments.







The tables below present a sample of existing developments situated within the site's immediate and wider surroundings.

No	Surrounding Use	Distance - KM		
1	KACST	10 K.M		
2	International Air-port	26 K.M		
3	Riyadh Mall	5.0 K.M		
4	King Abdullah Financial District	11 K.M		
5	Suliman Al Habib Hospital	4.0 K.M		

The subject site's Located on Main Road include Commercial & residential subdivisions and districts supported by a number of existing small retail shops, and locally branded serviced apartments.





# 14.3- Site Accessibility and Visibility

Sector	Side / Part	Comment				
	Prime Location	Located Within center of Riyadh, and with newly urban plan growth direction				
General Overview	Accessibility and Visibility	*Accessibility through many major roads such as Al Urubah Road. *Visibility – All Major Commercial Property Surrounding the site.				
	Potential Growth	This side have a highly growth rate comparing to other side of city, Other mega projects will be under construction in the area.				

Sector	Side / Part		Comment			
	Land Shape/ Triangles	Triangle– leveled	The property is leveled fully developed built names as Al Ghad School.			names as Al Ghad School.
	Internal and	Neat & Clean	Yes			
Topography, Environment,	t, scaping for Colleges	Clam level	High	No pollution or noisy sources were noticed in the site and no future pollution aspects are anticipated in the near future.		
internal Streets		Fully development				
		Abdullah District	The property is located central-side of the city a region filled with new development and project and is the location of urban growth and Development.			
Site Development	Power Generator	-	Central A/C Units System		Water Treatment station	Fences





### 14.4 - Area Brief

The subject of this report comprises of developed land extending to approximately GFA 11,282.58 sq. m and located in Abdullah District Riyadh, KSA. Al-Ghad school including Masterplan generally including Offices, Educational Classes for kindergarten to primary, intermediate & secondary stages.

All utilities and infrastructure founded Near By.

Sector	Side / Part		Comment			
	On City Level	Centre Riyadh	The property is located Centre of the city a region filled with new development and pro- and is the location of the urban growth.			
	Proximity from Attraction	Main Axis			Main Road	Al Urubah Road
	Utilities and Infrastructure	Surface Drainage	Water			The property infrastructure services are complete.
		Sewer System	Electricity		Telephone	
Public Utilities and Infrastructure	Public Amenities	Planting	Sidewalks		The property is fully developed	
		Lighting	Asphalt Roads		The propert	y is fully developed
		SportAct	SportActivity		Public Area	All the utilities arein close
	Facilities	Prayer <i>I</i>	\rea		Fublic Area	proximity to the sites or at least within 5 Km radius.
		Frontages				
	Land	Street	Land has frontage access to many commercial roads, and street outside the proper			
	Characteristics	Land Shape				





# Middle View of Property







### **15- Property Characteristics**

The following are the site/building attributes that OPM has analyzed that affect the overall (Market Value) of the Property in relation to its current use:

### **Building Information**

Sr.no	Title Name	Floor Area Sqm	Building Use
1	Basement	5580.40	Services
2	Ground Floor	4604.00	Educational
3	First Floor	4838.00	Educational
4	Electric Room	71.38	Electricity
5	Addition Room Floor	2374.60	Educational
6	Surrounding Area	450	Services





### **16- Property Information**

### **Site Location Detail**

Sr.no	Building	No. of Units
1	No. of Classroom & Educational Activity room	94
2	Libraries	06
4	No. of Labs	08
5	Theaters (Auditorium)	02
6	Medical Clinics	02
7	Play Ground	04

### **Classes Details**

Sr.no	Description	No. of Units	Student Capacity
1	Gross No. of Classes	94	Max Up to 2300
2	Enrolled Student		1751



#### 17-Land Valuation

### **Comparable Market Approach evaluation – Land Evaluation**

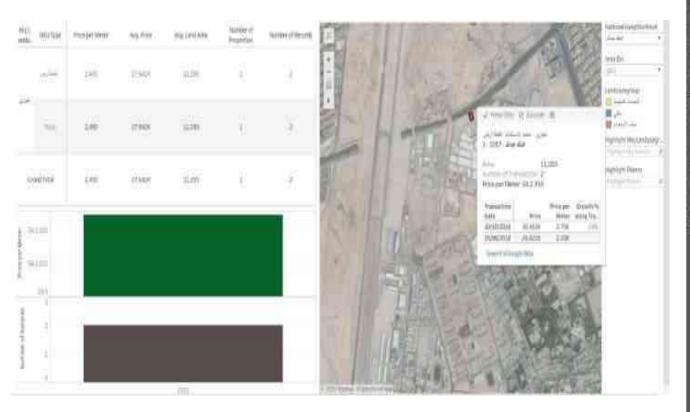
In this method, we tried to estimate the Educational Facility Land on King Abdullah District Urubah Road in Riyadh city according to the market comparable approach but there is No Transaction Occurred **Since 2010.** 

No Comparable Samples sold since 2010 (Transactions since 2010) within the Catchment area - Uruba road. (see Attached pic Report

as evidence).

So, after seeing the transaction History. Through the market survey done by OPM team, no similar land plots sizes for Targeted Lands founded in the surrounding area and similar to targeted land by Area size and in the same district for Comparison.

So, We Can Evaluate through Residual Value method for Property.









### 18- Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation market value (MV)

### **RV** methodology definition:

**The Land - Residual Approach** is the sum of remaining from the value of the completed (depreciated) property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.





Dev - Cost Sheet - National School - Educational project					
Cost Type- Dev Type	Con Year 1	Con Year 2	Con Year 3		
Development Work		Т	Γ		
Land Area - developed / year - sqm	11,283				
Development Cost S.R / sq. m	80				
Total Development Cost / Year	902,606				
National School Grade B+					
Total BUA - sq m	34,976.0				
Units BUA construction / Year	11,659	11,659	11,659		
Units Construction F&E Cost S.R / sqm	3,000	3,000	3,000		
Total Construction Cost / year	34,975,998	34,975,998	34,975,998		
	,				
Total Construction Costs	34,975,998	34,975,998	34,975,998		
Other Costs					
Professional Fees					
(Engineering Consultant) 2.5%	874,400	874,400	874,400		
Statutory fees 2%	699,520	699,520	699,520		
Marketing Fees (Media & Advertising) 1.5%	524,640	524,640	524,640		
Contingency costs 10%	3,497,600	3,497,600	3,497,600		
Overhead cost 2.5%	874,400	874,400	874,400		
Total Dev - Cost - SR	41,446,558	41,446,558	41,446,558		





### **Gross Income & Revenues Sheet - Free Future Cash Flow (FFCF)**

	Dev- period 3 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1- National school - Rev- Leasing to Op	paretor						
Leasable area - sq m		34,976	34,976	34,976	34,976	34,976	34,976
Annual rental price - sq m		450	450	450	1000	1000	1000
Occupancy Rate %		100%	100%	100%	100%	100%	100%
Revenues Cat 1		15,739,199	15,739,199	15,739,199	34,975,998	34,975,998	34,975,998
Gross Revenues		15,739,199	15,739,199	15,739,199	34,975,998	34,975,998	34,975,998





Income Statement						
	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Revenues	15,739,199	15,739,199	15,739,199	34,975,998	34,975,998	34,975,998
General & Administrative Expenses (0%) Triple Net	0	0	0	0	0	0
Gross Profit - EBITDA	15,739,199	15,739,199	15,739,199	34,975,998	34,975,998	34,975,998
Depreciation  Earnings after depreciation	(828,931) 14,910,268	(828,931) 14,910,268	(828,931) 14,910,268	(828,931) 34,147,067	(828,931) 34,147,067	(828,931) 34,147,067
Interest Expense	0	0	0	0	0	0
Earning after intrest expense	14,910,268	14,910,268	14,910,268	34,147,067	34,147,067	34,147,067
Taxes (7.5%) Zakkat & VAT	(1,118,270)	(1,118,270)	(1,118,270)	(2,561,030)	(2,561,030)	(2,561,030)
Net Income	13,791,998	13,791,998	13,791,998	31,586,037	31,586,037	31,586,037
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	13,791,998	13,791,998	13,791,998	31,586,037	31,586,037	31,586,037
Cumulative Retained earnings	13,791,998	27,583,996	41,375,994	681,521,399	713,107,436	744,693,473





	Cash Flow Statement						
Cash flow Table	Construction Year 1	Construction Year 2	Construction Year 3	Operation Year 1	Operation Year 2	Operation Year 32	Operation Year 33
IN - Flow							
Capital Injection							
Net Revenues				13,791,998	13,791,998	31,586,037	31,586,037
Depreciation				828,931	828,931	828,931	828,931
Total Inflow				14,620,929	14,620,929	32,414,968	32,414,968
	_						
OUT Flow			<del>,</del>	<del>,</del>	<del>,</del>		
Total Construction Cost	41,446,558	41,446,558	41,446,558				
Professional Fees	874,400	874,400	874,400				
Statutory fees 2%	699,520	699,520	699,520				
Marketing Fees (Media & Advertising) 1.5%	524,640	524,640	524,640				
Contingency costs 10%	3,497,600	3,497,600	3,497,600				
Overhead cost 1%	874,400	874,400	874,400				
Total Outflow	(47,917,117)	(47,917,117)	(47,917,117)				
Net Cash Flow	(47,917,117)	(47,917,117)	(47,917,117)	14,620,929	14,620,929	32,414,968	32,414,968
Cumulative Net Income	(47,917,117)	(95,834,235)	(143,751,352)	(129,130,423)	(114,509,494)	595,881,881	628,296,849





Residual Value - RV										
RV	Construction / Year 1	Construction/ Year 2	Construction / Year 3	Operation / Year 1	Operation / Year 2	Operation / Year 3	Operation / Year 31	Operation / Year 32	Operation / Year 33	Total
				1		1	1	I	1	
IN - Flow	Period	0	0	1	2	3	31	32	33	
Revenues		0	0	13,791,998	13,791,998	13,791,998	31,586,037	31,586,037	31,586,037	
Total Inflow		0	0	14,620,929	14,620,929	14,620,929	32,414,968	32,414,968	32,414,968	707,218,26
Discount Rate:	11%	0.000	0.000	0.901	0.812	0.731	0.039	0.035	0.032	
				l				l .		
OUT Flow										
Total Outflow		0	0	0	0	0	0	0	0	
	<u> </u>									
	Total Cash out									
Net Cash Flow (Before Discount Rate)	(124,339,673)	0	0	14,620,929	14,620,929	14,620,929	32,414,968	32,414,968	32,414,968	238,843,79
										Total Cash flow
Discounted Cash Flow DCF	(124,339,673)	0	0	13,172,008	11,866,674	10,690,697	1,275,655	1,149,239	1,035,350	36,602,490
	,		1	,				1	1	Residual value

Market Value - MV		
	Land - MV	36,602,490
	Land area - sq m	
MV - per sq m - Residual va	3,244.04	

Market Value MV	Land Area – sq m	Value / sq m. SAR	MV SAR
Market Value for land	11,283	3,244.04	36,602,490





### 19- Case 2- Cost Approach Depreciated Replacement cost method (DRC) for Building

Depreciated replacement cost (DRC) approach. The 'cost approach' and DRC are regarded as synonymous terms; both are in common use around the world to describe a method of valuation of all types of assets.

Also, the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

It is important to understand that the word depreciation is used in a different context for valuation than for financial reporting. In a DRC valuation, depreciation refers to the reduction, or writing down, of the cost of a modern equivalent asset to reflect the obsolescence and relative disabilities affecting the actual asset. In financial reporting, depreciation accounting refers to a charge made against an entity income to reflect the consumption of an asset over a particular accounting period. These are distinct usages of the word, and there is no direct correlation between the methods used to assess depreciation in each case.

Although the DRC method may be used for the valuation of different types of specialized asset, particular complications arise when applying the DRC method to specialized property.

Some buildings (or specialized plant and equipment assets) have a conventional basic design that is superficially similar to other buildings that are regularly bought and sold in the market, but on closer inspection have specialized features or extensive adaptations designed to meet the requirements of the actual occupier. Typical examples, which may be purpose built or adapted, include a residential complex, office, retail, medical, hotels, universities and or an industrial building (labor camps) with structural alterations to accommodate a particular production process with enhanced security features such as thickened walls, toughened glazing, extra amenities and extra facilities areas.





• Due to availability of Educational building permit; the total Gross Floor area GFA has been calculated area 11,282.58 sq. from Saudi Fransi Capital Depreciated Replacement cost (DRC)

Standard: Average useful life for school building in Riyadh city after taken into consideration climate.	N (number of years) =	50 years
Deprecation ratio Per annum 2%	Appreciation (Maintenance, renovation) ratio Per annum based to schedule of maintenance work per annum	Apportionment after Calculating Depreciation and Appreciation 2.0%
Building (equipment) useful life	N (number of years) =	1 years
Apportionment – Acc Depreciation	2.0%*1 Years	2%

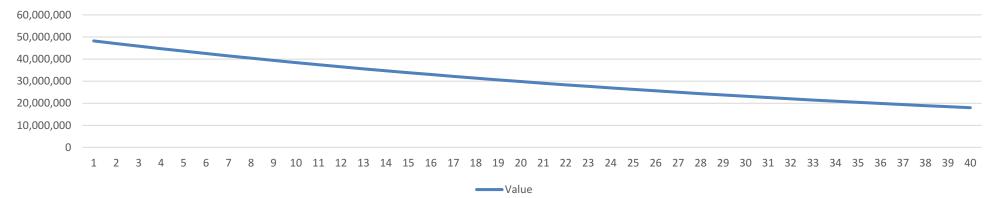




### (Construction, Finishing & MEP equipment) for building – All MEP installed

Type of Construction	GFA / sq. m	Replacement cost / SAR – sq. m Q1-2020	Completion %	Market value/ SR
Basement	5580.40	3000	100%	16,741,200
Ground Floor	4604.00	2800	100%	12,891,200
First Floor	4838.00	2800	100%	13,546,400
Electric Room	71.38	1000	100%	71,380
Addition Room Floor	2374.60	2000	100%	4,749,200
Surrounding Area	450	500	100%	225,000
Replacement cost - SR				48,224,380
- Apportionment Acc Deprecation	48,224,380 *2 %			(964,488)
Depreciated Replacement cost DRC				47,259,892

### Value of building during operational Life Cycle







### 20-Market value (property) Land + Building In the case of finishing up to date from Finishing, fixtures & equipment work-Currency SR

Market Value (Land)	36,602,490 SAR
Plus	
Building Value before adding Profit Margin - SAR	47,259,892 SAR
+ Developer Profit Margin (22%) – only for Building Value - SAR	10,397,176 SAR
Building Value - SAR	57,657,069 SAR
Market value -Total Property	94,260,000 S.R (Ninety-four million, Two hundred sixty thousand, Saudi riyals

#### (Sensitivity Analysis) for Weighted average value based

The Sensitivity ratio for the Property evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the value measurement.

-5%	market value	+5%
89,547,000 SR	94,260,000 SR	98,973,000 SR







21-Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value - Riyadh city Q1-2020- FFO to define the cash flow from their operations Official leasing Percentage Yield Escalation As per received from Client:

Taleem REIT
AlGhad Yield Rental Payment Schedule
15 June 2020

Year	Rent Start Date	Rent End Date	Rent Payment Date	Anniversary date	Rent Amount (in SAR)
1	1-Jul-20	30-Jun-21	30-Jun-20	1st Anniversary	5,950,000
2	1-Jul-21	30-Jun-22	30-Jun-21	2nd Anniversary	5,950,000
3	1-Jul-22	30-Jun-23	30-Jun-22	3rd Anniversary	5,950,000
4	1-Jul-23	30-Jun-24	30-Jun-23	4th Anniversary	5,950,000
5	1-Jul-24	30-Jun-25	30-Jun-24	5th Anniversary	6,545,000
6	1-Jul-25	30-Jun-26	30-Jun-25	6th Anniversary	6,545,000
7	1-Jul-26	30-Jun-27	30-Jun-26	7th Anniversary	6,545,000
8	1-Jul-27	30-Jun-28	30-Jun-27	8th Anniversary	6,545,000
9	1-Jul-28	30-Jun-29	30-Jun-28	9th Anniversary	6,545,000
10	1-Jul-29	30-Jun-30	30-Jun-29	10th Anniversary	7,199,500
11	1-Jul-30	30-Jun-31	30-Jun-30	11th Anniversary	7,199,500
12	1-Jul-31	30-Jun-32	30-Jun-31	12th Anniversary	7,199,500
13	1-Jul-32	30-Jun-33	30-Jun-32	13th Anniversary	7,199,500
14	1-Jul-33	30-Jun-34	30-Jun-33	14th Anniversary	7,199,500
15	1-Jul-34	30-Jun-35	30-Jun-34	15th Anniversary	7,919,450
16	1-Jul-35	30-Jun-36	30-Jun-35	16th Anniversary	7,919,450
17	1-Jul-36	30-Jun-37	30-Jun-36	17th Anniversary	7,919,450
18	1-Jul-37	30-Jun-38	30-Jun-37	18th Anniversary	7,919,450
19	1-Jul-38	30-Jun-39	30-Jun-38	19th Anniversary	7,919,450
20	1-Jul-39	30-Jun-40	30-Jun-39	20th Anniversary	8,711,395
21	1-Jul-40	30-Jun-41	30-Jun-40	21st Anniversary	8,711,395
22	1-Jul-41	30-Jun-42	30-Jun-41	22nd Anniversary	8,711,395
23	1-Jul-42	30-Jun-43	30-Jun-42	23rd Anniversary	8,711,395
24	1-Jul-43	30-Jun-44	30-Jun-43	24th Anniversary	8,711,395
25	1-Jul-44	30-Jun-45	30-Jun-44	25th Anniversary	8,711,395





### 22- Rental Market Analysis (RMA) - Market Benchmarking

After previewed and analyzed property's tenancy renting period percentage for Al-ghad school and after Inspection for Riyadh Market and catchment area without found any comparable based due to Scarcity of similar property beside the type of college areas of other property and market renting pricing in Riyadh market was based to experience and Saudi Arabia major cities benchmark for educational property After taking into consideration for location of property, quality of building and market indicators.

Due to market renting analysis the average rents in the area at time of valuation in between 375 –475 SAR per sq. m for net Leasable area including basement floor and comparing it to the annual renting values for properties in the Riyadh City and the rental market analysis is positive which is match with market benchmarks at date of evaluation.

The Property's Av rent for 25 years is 7,375,525 SAR per annum, which equating to around SAR 411.62\* per sq. m

\* Notes: Average Rental Value/Total Build up Area 7,375,525/17,918.38 =411.62





<b>Net Operating Income – triple Net</b> for a 25 Years Contractual period based to client's statement.		7,375,525		
- Vacancy and collection loss		O		
Additional income		0		
Effective gross income		7,375,525		
Operating Expenses (all expanses on Operator's responsibility) – Triple net wise				
Fixed	0			
Variable	0			
Reserves	0			
Total Operating expenses		0		
Net operating income NOI		7,375,525		
Cap rate 7.8%				
Market Value @ 7.8% Capitalization rate		94,558,012 SAR		





### 23- Note: Opinion of Value In case of Saudi Fransi Capital desire to reach market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

We are of an opinion that the total market value of the subject property taking into consideration the purpose of valuation by using the Income Approach based on the lease Escalation data received from Client for 25 Obligatory Contractual period is Market Value:

Residual value + DRC deprecation replacement cost - MV	94,260,000
Income Approach Capitalization rate – Market Value	94,558,012
Weighted Average (45% for DRC, 55% Cap rate)	
	94,423,907
Market value MV	94,424,000 (Ninety-four million, Four Hundred Twenty- Four thousand, SR)

#### (Sensitivity Analysis) for Asset Property

The Sensitivity ratio for the property evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the value measurement.

-5%	market value	+5%
89,703,000 SR	94,424,000	99,145,000 SR





### 24- Real Estate Market Summary- Riyadh City Q1-2020

Growth rate slightly Change, Government's decision to collaborate more closely with the development of mega project for the housing sector, The Government successfully conduct the Biggest entertainment event "Riyadh Season" So Commercial Shopping malls owners are hopeful that the proposed entertainment reforms will lead to the more licensing of movie theatres & Entertainment events in the Kingdom & New brands hotels are expected to enter the market over the next coming years with hotels room.

24.1-Offices market: Offices vacancies rate of Office Grade A & B Silently Decrease over the quarter due to (SAGIA) Saudi Arabia General Investment Authority Issue New License to Investor to operate business companies



in private sectors. Corporate demand is more focus on Smart & elegant Co-working office space to get benefit for low rental rates. In COVID-19 Pandemic government announced the package to ensure business connectivity and mitigate risk for Business Growth and support to the Private sector.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. MOH Initiative 2030 related to NTP 2020 & Saudi vision 2030 Which will transform sector for achieving Government Operational Excellence.

24.2-Residential market: Residential Units & Villas Prices slightly increase due to government backend support to expand the mortgage scheme and government sakni program for Saudi Resident. According to Vision 2030 in respond to sakni program which helps to increase ownership rate in 2020. Secondly Real estate development fund and Saudi refinance company play vital role to boost homeownership and mortgage market. Due to Current Covid-19 pandemic we can expect in supply & Demand side on-going Residential project will slightly expected to delay to deliver it.





24.3-Hospitality market: The Public Investment fund introduced a tourism and hospitality project like Riyadh season that will help to boost the economic activity in capital city. In end of 2019 Government initiative to allow Developed Countries Like U.K, US & Schengen Visa holder to get visa on arrival facility that help to support tourism industry and enhance the economic activity in the kingdom. While Feb 2020 Hospitality Industry has Healthy performance but Due to COVID-19 Pandemic in Mid of March-2020 Hospitality industry had badly impact for suspension of International Travelling and Q1-2020 Performance of Hospitality Sector is very depressed.

24.4-Retail market: Retail market performance remain stable in till Q-4 2019. While ADR is stable of super and super regional mall, and vacancy rate of Grade B Class is slightly increase at the end of 2019. While retail sector enjoys slightly upward trend in performance. Under 2030 Vision strategic goal to increase proportion of online payment. In COVID-19 Pandemic full time & partial lockdown in Riyadh, restriction of consumer mobility & socialize limitation that huge impact on retail and entertainment sector. Due to mobility restriction consumer behavior shifted to online trade that boost to E-Commerce sector that will help to support vision 2030.

**24.5- Industrial warehouses:** While occupancies increased marginally in the industrial warehouses sector over 2020, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.





### 25- External and internal Pictures

### **External view**















# PACE Value Formery

### **External View**















# OPM Observation Street O















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### 26-Olaat valuation Company's team

Title	Job Description	Saudi Authority for Accredited  Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1442/4/13	Real estate
Mustafa Mardina	Formatting and Analyzing report	1220000297	1442/04/13	Real estate
Fadi Naeem	Site visit, inspection Catchment area	1220000119	1442/04/13	Real estate





### www.olaat.com







### OPM Color Value Termey

### 26.1- OPM Valuation's team Tageem's certificates











### Al Ghad School Official Documents As per Client









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