



## Taleem REIT Valuation Reports June 2021

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Prepared for  
**SAUDI FRANSI CAPITAL**

السعودي الفرنسي كابيتال  
Saudi Fransi Capital



شركة أولات وشريكه للتقييم العقاري  
Olaat & Partner for Real Estate Valuation Company



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*Valuation Report Analysis*  
Arrowad International School  
*KSA- Riyadh City*

Prepared for  
**SAUDI FRANSI CAPITAL**

السعودي الفرنسي كابيتال  
Saudi Fransi Capital



30/06/2021

شركة أولات للتقييم العقاري  
Olaat Valuation Company



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# Real Estate Valuation Report Analysis

**Prepared for:**  
**Taleem REIT**

**Riyadh City**

**Date of Valuation June 30th, 2021**

**Date of Report July 11th, 2021**

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

**P.O.Box 62244 Riyadh 11585**

**Kingdom of Saudi Arabia**

**The person in charge:**

**- OPM Valuation Company**

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**Valuation License: 1210000397**

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	1954/1
Land Topography	Flat
Boarded streets & Neighbors	<b>N:</b> Street Width 20 m length 200 m
	<b>S:</b> Parking area then Street width 36 m Length 200 m
	<b>E:</b> Street width 20 m Length 150 m
	<b>W:</b> 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	<b>233,786,000 SR</b>
Market value based to Cap rate method	<b>240,634,013 SR</b>
Market value based to 50% Weighted average between DRC and Cap rate Methods	<b>237,210,000 (Two hundred Thirty-Seven million, Two hundred Ten Thousand SR)</b>

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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.

For the attention of:  
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Assistant Management Division  
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[sAbbas@fransicapital.com.sa](mailto:sAbbas@fransicapital.com.sa),  
P.O. Box 23454, Riyadh 11426

June 30, 2021

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

**Tenure: Educational Freehold property**

**Dear Sir,**

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 237,210,000** 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	Taleem REIT	
Instruction and	In accordance with RFP dated on June 07, 2021, 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 Investment 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's</i> duty to obtain or verify information that may be material	
Inspection	The Property was inspected on 16 <sup>th</sup> of June 2021 by Fadi naeem Saudi Authority for Accredited Values membership 1220000119 (Taqeem), all significant parts of the property were inspected.	
Personnel	The Valuation analysis and financial models has been prepared by Taqeeem members, Saudi Authority for Accredited Values memberships (Taqeeem), we confirm that the personnel responsible for this valuation are qualified for the purpose 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, 2021	



## 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 **Taleem REIT** 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, 2021 AD.**

## 9- Legal Description for Property Owner

Document's validity: the property targeted has viewed through available data and documents received from **Taleem REIT**, 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).

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## 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

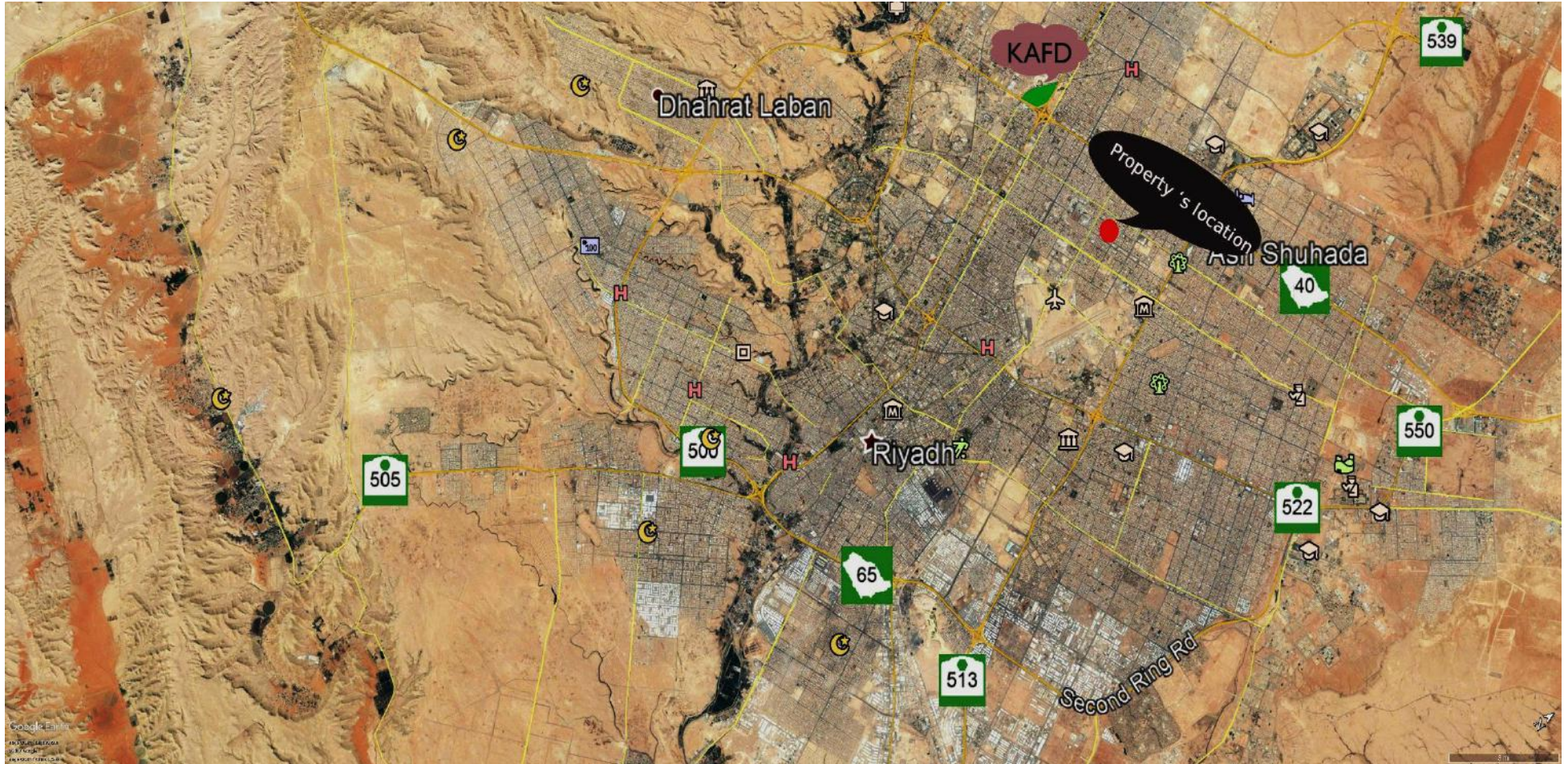
The subject property consists of educational property Asset (Land + building) located in **Riyadh city** within Al-Nuzha district. Land area: **30,000 sq m + Building GFA 47,281 sq m plus Fence 686 m2** based on data has been received from Taleem REIT **Geographic Coordinates:** **N: 24°45'22.60" - E: 46°42'13.69"**





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-Land Valuation

### 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.



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

## 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
<b>Category 1- National school - Rev- Leasing to Operator</b>							
Leasable area - sq m		38,000	38,000	38,000	38,000	38,000	38,000
Annual rental price - sq m		520	520	520	1000	1000	1000
Occupancy Rate %		100%	100%	100%	100%	100%	100%
<b>Revenues Cat 1</b>		<b>19,760,000</b>	<b>19,760,000</b>	<b>19,760,000</b>	<b>38,000,000</b>	<b>38,000,000</b>	<b>38,000,000</b>
<b>Gross Revenues</b>		<b>19,760,000</b>	<b>19,760,000</b>	<b>19,760,000</b>	<b>38,000,000</b>	<b>38,000,000</b>	<b>38,000,000</b>

## 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	(960,640)	(960,640)	(960,640)	(960,640)	(960,640)	(960,640)
Earnings after depreciation	18,799,360	18,799,360	18,799,360	37,039,360	37,039,360	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)
<b>Net Income</b>	<b>17,389,408</b>	<b>17,389,408</b>	<b>17,389,408</b>	<b>34,261,408</b>	<b>34,261,408</b>	<b>34,261,408</b>
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
<b>Cumulative Retained earnings</b>	<b>17,389,408</b>	<b>34,778,816</b>	<b>52,168,224</b>	<b>766,843,648</b>	<b>801,105,056</b>	<b>835,366,464</b>

## Residual Value - RV

RV	Construction / Year 1	Construction / Year 2	Construction / Year 3	Operation / Year 1	Operation / Year 2	Operation / Year 32	Operation / Year 33	Total
<b>IN - Flow</b>	<b>Period</b>	0	0	1	2	32	33	
Revenues		0	0	17,389,408	17,389,408	34,261,408	34,261,408	
<b>Total Inflow</b>		<b>0</b>	<b>0</b>	<b>18,350,048</b>	<b>18,350,048</b>	<b>35,222,048</b>	<b>35,222,048</b>	<b>796,623,488</b>
<b>Discount Rate:</b>	<b>9%</b>	0.000	0.000	0.917	0.842	0.063	0.058	
<b>OUT Flow</b>								
<b>Total Outflow</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Cash out</b>								
<b>Net Cash Flow</b> (Before Discount Rate)	<b>(144,096,000)</b>	0	0	18,350,048	18,350,048	35,222,048	35,222,048	242,282,895
								<b>Total Cash flow</b>
<b>Discounted Cash Flow DCF</b>	<b>(144,096,000)</b>	<b>0</b>	<b>0</b>	<b>16,834,906</b>	<b>15,444,868</b>	<b>2,234,430</b>	<b>2,049,935</b>	<b>90,274,692</b>
								<b>Residual value</b>

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

Market Value MV	Land Area – sq m	Value / sq m. SAR	MV SAR
Market Value for land	30,000	3,009.16	90,274,692

### 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 Taleem REIT

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	<b>48,281 plus Fence 686</b>	
External Area – sq m	17,578 sq m	Playgrounds, recreation, swimming pool

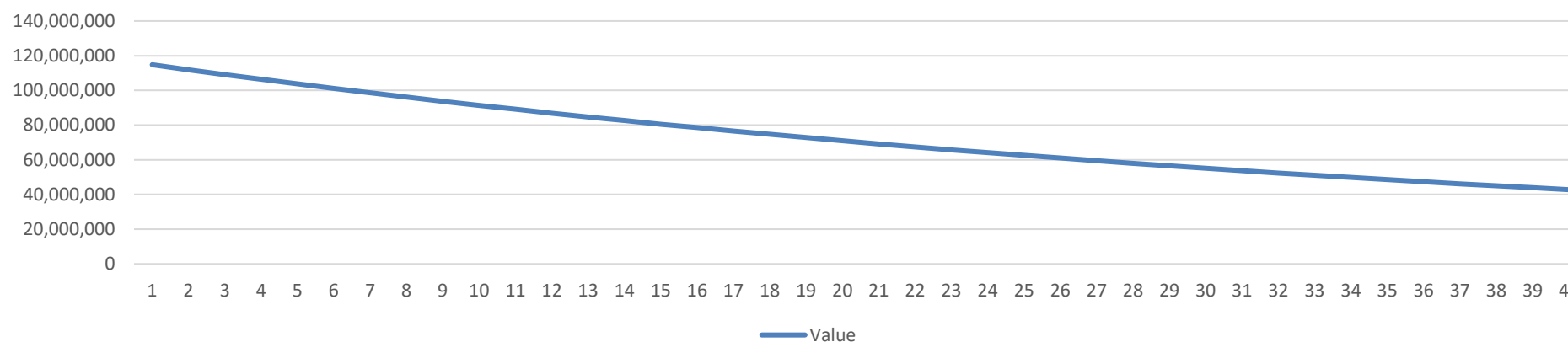
### Depreciated Replacement cost (DRC)

<b>Standard:</b> Average useful life for Schools building in Al-Riyadh city after taken into consideration climate (Dry)	N (number of years) =	<b>50 years</b>
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 <b>2%</b>
Building (equipment) useful life	N (number of years) =	5 years
Apportionment – Acc Depreciation	<b>2%*6 Years</b>	<b>12%</b>

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

Type of Construction	GFA / sq m	Replacement cost / SAR – sq m June-2021	Completion %	Market value/ SR
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
<b>Replacement cost - SR</b>				<b>130,464,300</b>
- Apportionment Acc Deprecation	130,464,300 *12 %			(15,655,716)
*Deprecation Charged on Annual Basis for month of December every year.				
<b>Depreciated Replacement cost DRC</b>				<b>114,808,584</b>

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**

<b>Market Value (Land)</b>	<b>90,274,692 SAR</b>
<b>Plus</b>	
<b>Building Value before adding Profit Margin - SAR</b>	114,808,584 SAR
+ Developer Profit Margin (25%) – only for Building Value - SAR	28,702,146 SAR
<b>Building Value - SAR</b>	<b>143,510,730 SAR</b>
Total Market Value (Land & Building)	<b>233,785,422 SAR</b>
<b>Total Market value (Land &amp; Building Property) Rounding Figure</b>	<b>233,786,000 S.R (Two hundred thirty-three million, Seven Hundred Eighty-six thousand, Saudi riyals</b>

**(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.

<b>-5%</b>	<b>market value</b>	<b>+5%</b>
222,097,000 SR	233,786,000 SR	245,475,000 SR



**15-Valuation Based to Income approach- Capitalization rate** ratio of Net Operating Income (NOI) to property asset value - **Riyadh city -June 2021- 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.

  	
<p><b>Key Tenet</b></p> <p>Alrowad International School is owned by Tadweer Holding which is One of the biggest investors in the field of education, it has been established by investors and education operators with a long history and track record of educational success in the Middle East and global markets they works in partnership with leading global education brands and top tier local institutions.</p>	
<p><b>The lease Contract Information</b></p> <p>The Contract duration is 30Years, with an unexpired lease term of 25 years The Gross Annual Rent will be as shown in the below table:</p>	
Year	Gross amount
2017	13,200,000
2018	14,520,000
2019	14,520,000
2020	14,520,000
2021	15,972,000
2022	15,972,000
2023	15,972,000
2024	17,569,200
2025	17,569,200
2026	17,569,200
2027	19,326,120
2028	19,326,120
2029	19,326,120
2030	21,258,731
2031	21,258,731
2032	21,258,731
2033	23,384,605
2034	23,384,605
2035	23,384,605
2036	25,723,065
2037	25,723,065
2038	25,723,065
2039	28,295,372
2040	28,295,372
2041	28,295,372

Year	Net Yield
2017	13,200,000
2018	14,520,000
2019	14,520,000
2020	14,520,000
2021	15,972,000
2022	15,972,000
2023	15,972,000
2024	17,569,200
2025	17,569,200
2026	17,569,200
2027	19,326,120
2028	19,326,120
2029	19,326,120
2030	21,258,731
2031	21,258,731
2032	21,258,731
2033	23,384,605
2034	23,384,605
2035	23,384,605
2036	25,723,065
2037	25,723,065
2038	25,723,065
2039	28,295,372
2040	28,295,372
2041	28,295,372

<b>Average Yield SR/ Annum</b>	<b>20,453,891</b>
--------------------------------	-------------------

## Update for Taleem REIT June 2021 valuation services in COVID-19 Situation

### As per Client Email Update

➤ **All lease contracts remain in place, with following changes to 2021 rental payment only**

A) 2021 Rent Escalation was suspended for Ar Rowad School (to mitigate COVID19 lockdown impact on School).

B) This escalation will resume automatically starting 1 Jan 2022.

**\*So we keep rental income same as per Client intimation**

### **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-Nuzhah 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.	<b>20,453,891</b>	
<b>– Vacancy and collection loss</b>	<b>0</b>	
<b>Additional income</b>	<b>0</b>	
<b>Effective gross income</b>	20,453,891	
<b>Operating Expenses</b> (all expanses on Operator's responsibility) – Triple net wise		
<b>Fixed</b>	0	
<b>Variable</b>	0	
<b>Reserves</b>	0	
<b>Total Operating expenses</b>	<b>0</b>	
<b>Net operating income NOI</b>	<b>20,453,891</b>	
<b>Cap rate 8.5%</b>		
<b>Market Value @ 8.5% Capitalization rate</b>	<b>240,634,013 SAR</b>	

**16-Note: In case of Taleem REIT desire to reach market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method**

Property Value Calculation	Amount (SAR)	Weighted Average	Property Market Value
Land & Building - Residual value + DRC depreciation replacement cost - MV	233,786,000	50%	116,893,000
Capitalization rate - MV rate	240,634,013	50%	120,317,000
Weighted Average (50% for DRC, 50% Cap rate)			/2
Sum of Values			237,210,000
<b>market value MV</b>	<b>237,210,000 (Two hundred Thirty-Seven million, Two hundred Ten thousand Saudi Riyal)</b>		

**(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.

<b>-5%</b>	<b>market value</b>	<b>+5%</b>
<b>225,350,000 SR</b>	<b>237,210,000</b>	<b>249,071,000 SR</b>

## 17- Real Estate Market Summary- Al-Riyadh -2021

*Rapidly changing Saudi Arabia economy 2021 brings a challenging economic climate & importance of monetary fiscal & structural policies aimed at the expansion of non-oil sector, Whilst gradually recovery related to covid pandemic will persist, the overall business environment is progressively improve in the coming quarter with this recovery more strongly in end of 2021. In coming month Saudi Arabia economy expected to return growth in term of GDP and see more rebounding economic activities and higher demand in country economic activities.*



**17.1-Office's market:** Office's vacancies rate of office grade A Silently increase and Grade B also slightly Increase over this quarter and in year 2020 (SAGIA) Saudi Arabia General Investment Authority Issue more than 400 plus new License to Investor to operate business companies in private sectors. and last quarter 2020 show a very positive response for investment prospective in kingdom of Saudi Arabia. According to stats the unemployment rate is reduce for Saudi citizen so it shows the improvement in business sector for overall Saudi Arabia. Increase in business improvement condition play a vital role to increase the office demand & to accelerate economic recovery and attempt to create more opportunity in market. But covid pandemic is still affecting the demand of Office Space and Concept of Co-working Space may suffer due to the result of Behavioral changes and although the provision of Services Spaces may increase as a default to reduce the firm capital expenditure.

Healthcare sector continues rapidly growing and developing advance health care sector in kingdom. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. The Government health care services increase Public, Private Participation (PPP) health care delivery model, to boost and major advancement of healthcare sector in this region. 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 strong government backend support to expand the mortgage scheme and government sakni program for Saudi Resident. mortgage loan raised for construction sector. According to Vision 2030 in respond to sakni program which helps to increase ownership rate in 2021. Secondly Real estate development fund and Saudi refinance company play vital role to boost homeownership and mortgage market. Government initiate to make Riyadh city is the business hub of the regions are expected to be an increase demand in residential sector.

**17.3-Hospitality market:** Despite the current on-going challenges the hospitality sector faces a result of pandemic, but the ministry of tourism announced the regulation to boost the tourism Government Push up Hospitality activities with development of tourism development strategy. They may serve as opportunity for investor and new market entrant to consider the hospitality sector significant potential in Kingdom. The continuous level of Commitment and investment will help to support tourism industry and enhance the economic activity in the kingdom. While Due to Pandemic situation in hospitality industry however international travel restriction set to be lifted from 17<sup>th</sup> may 2021, we expect market performance will begin a process of gradual recovery over the coming quarter.

**17.4-Retail market:** Saudi Arabia's e-commerce industry, whilst developing, is rapidly growing and to support and regulate growth in the Saudi Arabia.Despicte the economic condition caused by pandemic the landlord adopted the digital transformation strategies to redefine consumer experience and introduce more innovative omni-channel retail experiences to attract demand. In addition to strengthening their wider omnichannel platform, retailers have adopted store pickup services more broadly, including fully-automated stores, to allow for a quick collection of purchased goods. although well-capitalized retail operators and new market entrants are selectively looking for expansion opportunities. While retail sector enjoys slightly upward trend in performance. Significant retail development is likely to continue offering incentive to maintenance and attract new retailers to add diversity & increase footfall.

**17.5- Industrial warehouses:** While occupancies increased marginally in the industrial warehouses sector over 2021, the warehouse industry is exhibiting healthy growth. Despite the reopening of many physical stores, e-commerce continues to be a strong driver of demand for logistics space globally, leading to near-record absorption levels in several major markets. The rise of automation and value-added services to attain competitive differentiation is changing the way to operate, leading a dynamic future. The rapid growth of e-commerce across the globe, the ongoing realignment of supply chains and increasing requirement for last mile warehouses is likely to continue to support strong demand over the longer term.

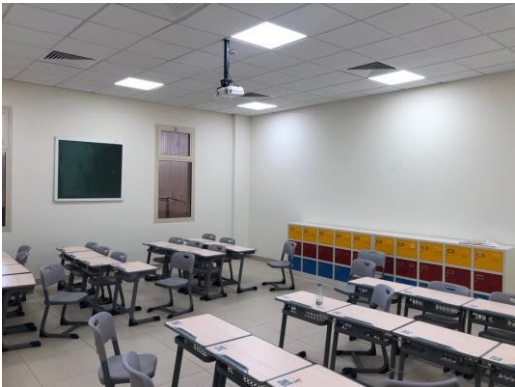
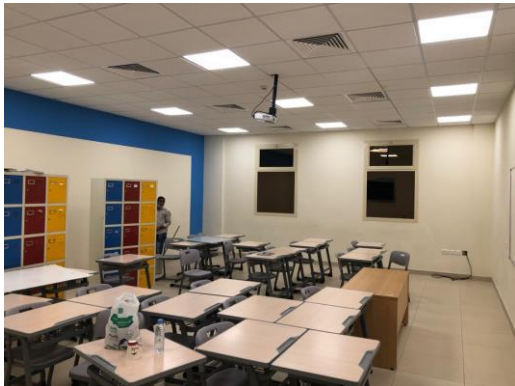
## 18-External and internal Pictures

### External view



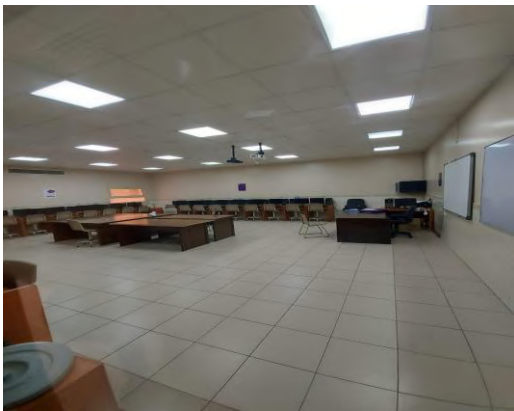
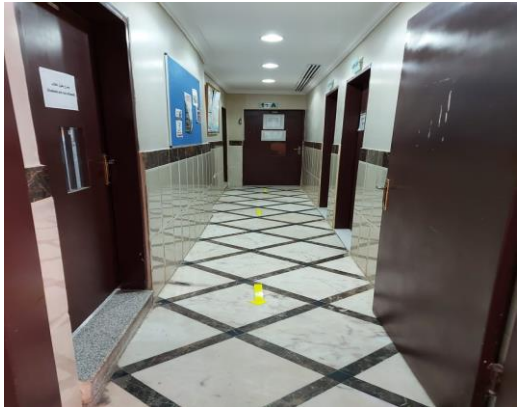


Internal view





Internal view



Internal view



Internal view



## 19- Olaat valuation Company's team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
<b>Abdulmalik Al-Darwsih</b>	Valuation Manger	1210000397	1445/07/18	Real estate
<b>Almoatsem Al Darwish</b>	Analyzing Valuation Manger	1210001148	1444/12/27	Real estate
<b>Fadi Naeem</b>	Site visit, inspection Catchment area	1220000119	1443/07/17	Real estate

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





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*Valuation Report Analysis*  
**AL-GHAD SCHOOL**  
**KSA- Riyadh City**

Prepared for  
**SAUDI FRANSI CAPITAL**

السعودي الفرنسي كابيتال  
Saudi Fransi Capital



30/06/2021

شركة أولات للتقييم العقاري  
Olaa Valuation Company



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**Olaat Valuation Company C.R:1010462536 Valuation License: 121000397**



# Real Estate Valuation Report Analysis

**Prepared for:**  
**Taleem REIT**

## **Riyadh City**

**Date of Valuation June 30th, 2021**

**Date of Report July 11th, 2021**

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

**P.O. Box 62244 Riyadh 11585**

**Kingdom of Saudi Arabia**

**The person in charge:**

**Abdul malik al Darwish**

**Email: [opm@olaat.com](mailto:opm@olaat.com)**

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**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
<b>Market value based to DRC method</b>	<b>SR 95,422,000</b>
<b>Market value based to Cap rate method</b>	<b>SR 94,558,000</b>
<b>Market value based to 45% &amp; 55% Weighted average between DRC and Cap rate Methods</b>	<b>94,947,000 (Ninety-Four Million, Nine-hundred Forty-seven thousand Saudi Riyal only)</b>

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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.

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

June 30th, 2021

**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 94,947,000 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	(Taleem REIT)
Instruction and purpose of valuation	In accordance with RFP dated on June 07, 2021, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Al Ghad School property.
The subject of the valuation	REITs Purposes (Real estate Investment Trust)
The extent of the value's investigations	Valuation for an Educational property –Al Ghad School
Interest to be valued	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material.
The Basis of Value	<p>We are instructed that the subject Land &amp; Building (L&amp;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.</p> <p>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:</p> <p>“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.</p> <p>value is the basis adopted by the Royal Institution of Chartered Surveyors (RICS) for undertaking an appraisal of Land &amp; Building (L&amp;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</p>
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 30th,2021.

<b>Report Date</b>	The valuation report usually dated exactly as the valuation date June 30, 2021.
<b>Inspection</b>	The Property was inspected on 18 <sup>th</sup> of June 2021 by Fadi Naeem, Saudi Authority for Accredited Values membership <b>1220000119</b> (Taqeem), all significant parts of the property were inspected.
<b>Inspection Role</b>	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.
<b>Market Survey</b>	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.
<b>State of Valuers</b>	We confirm that the Valuers has no material Connection or involvement with the subject of the value or with the client and can provide an 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.
<b>Independence Valuers</b>	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).
<b>Personnel</b>	The Valuation analysis and financial models has been prepared by Taqeeem memberships, Saudi Authority for Accredited Values memberships (Taqeeem), we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).

<b>Disclosure statement</b>	We are not aware of any existing conflicts or potential conflicts of interest either in the part of OPM or the individual members of the valuation team to be assigned to this project, which would prevent us from providing an independent and objective opinion of the property.
<b>Valuation Methodology</b>	The Valuation has been undertaken using the Residual Value, Depreciated Replacement Cost (DRC) approach, & Income (Cap rate) approach that are defined in the RICS Valuation – Global Standards 2017 (RB Global) Glossary as:
<b>Limitation of Liability</b>	Our Liability is restricted in aggregate to our fee and to the addressee of our report only.
<b>Legal notices</b>	We are not aware of nor have we been informed of any legal notices served on the Project, outstanding or pending in the court law.
<b>The nature and source of the information to be relied on</b>	For the purpose of this report, it is assumed that the written and verbal information provided to us by the client is up to date, complete and correct. OPM have furthermore undertaken further research with respect to Effective useful life, depreciation method, in addition, we have relied on the following sources in the valuation process.
<b>Confidentiality</b>	This document and/or any other document received from the client are confidential between OPM and the client. Except as may be required by any court or authority, the subject Services shall not disclose or use or cause to be disclosed or used, At any time during the term. Any of the client's secrets and/or confidential information, any other non-public information relating to the client business, financial or other affairs acquired by the subject service during the process Remain confidential
<b>The nature and source of the information to be relied on</b>	<b>Market Survey - OPM data center</b>
<b>Environmental Matters</b>	<p>In undertaking our work, we have been instructed to assume that no contamination or potentially contaminative use has ever been carried out on the property. We have not carried out any investigation into past or present uses, either of the Property or of any neighboring land, to establish whether there is any contamination or potential for contamination to the subject Property from the use or site and have therefor assumed that none exists.</p> <p>However, should it be established subsequently that contamination exists at the Property or on any neighboring land, or that the premises has been or is being put to any contaminative use, this might reduce the value now reported.</p>
<b>Currency</b>	<b>Saudi Riyal</b>



<b>Valuation report's Date</b>	<b>June 30th, 2021</b>
<b>SALIENT POINT (GENERAL COMMENTS)</b>	We are unaware of planning or other proposals in the area or other matters which would be of detriment to the subject property, although your legal representative should make their usual searches and enquiries in this respect. We confirm that on-site measurement exercise was not conducted by OPM, and we have relied on the site areas provided by the clients. In the event that the area of the property and site boundary prove erroneous, our opinion of market value may be materially affected, and we reserve the right to amend our valuation and report

## 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	y
Construction Permit	y
Gross Floor area / floor	y
Total leasable area	y
MEP's Details	x
Mapping Plan	x
Civil Defense Letter	x
Photographs	y

## 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.

## 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 **specialized property**, 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 **Taleem REIT** 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

Document's validity: the property targeted has viewed through available data and documents received from **Taleem REIT**, 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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## 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	Permissible height
11,282.58 sqm	60%	G + 40

Land's Topography		
Surface	Shape	Features
Levelled	Polygon	Educational



## 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.

Sr. 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
General Overview	Prime Location	Located Within center of Riyadh, and with newly urban plan growth direction
	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.

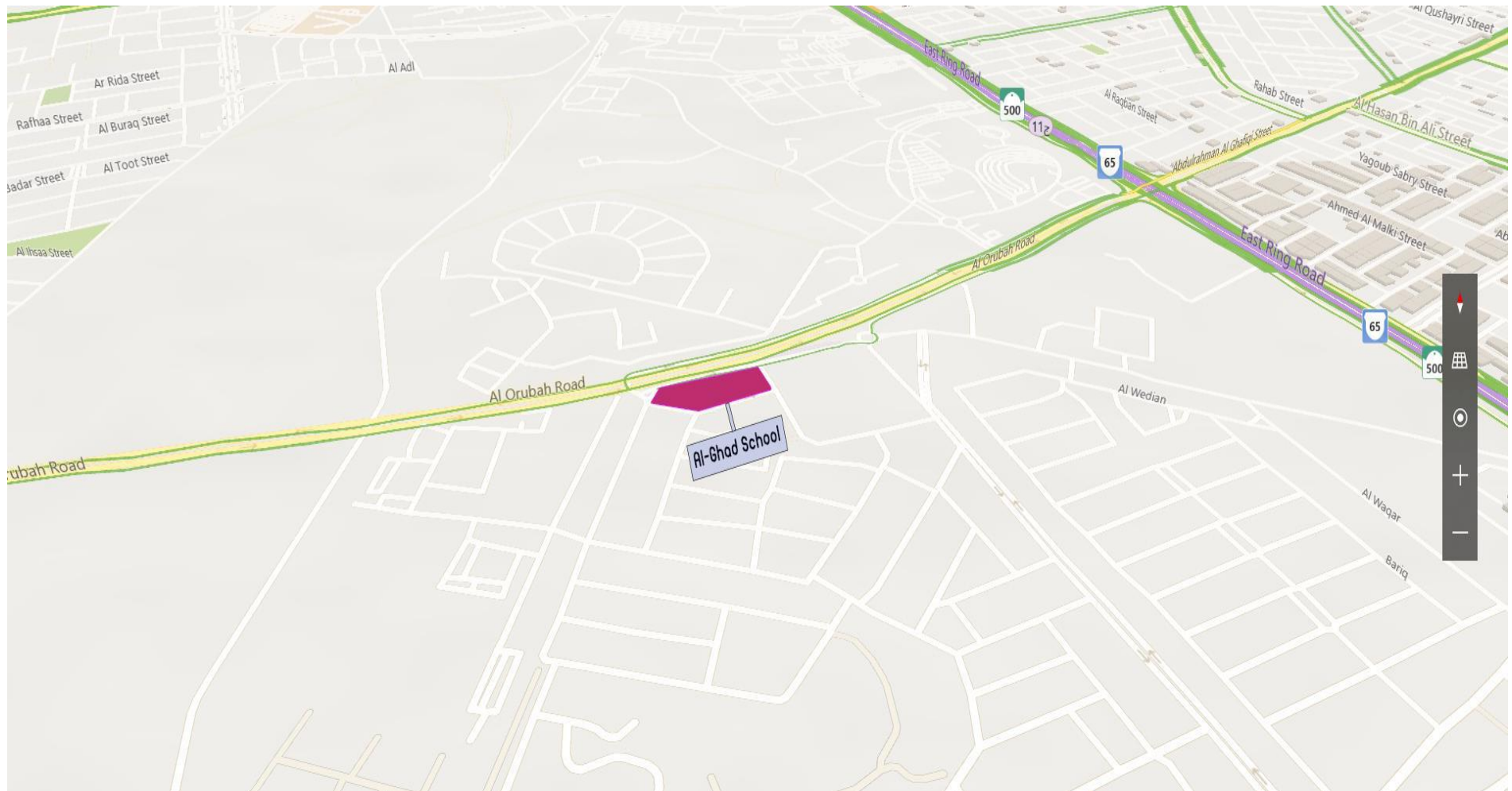
Sector	Side / Part		Comment		
Topography, Environment, internal Streets	Land Shape/ Triangles	Triangle– leveled	The property is leveled fully developed built names as Al Ghad School.		
	Internal and scaping for colleges	Neat & Clean	Yes	No pollution or noisy sources were noticed in the site and no future pollution aspects are anticipated in the near future.	
		Clam level	High		
		Fully development			
	Inside	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				
Public Utilities and Infrastructure	On City Level	Centre Riyadh	The property is located Centre of the city a region filled with new development and project and is the location of the urban growth.				
	Proximity from Attraction	Main Axis		Main Road	Al Urubah Road		
	Utilities and Infrastructure	Surface Drainage	Water		Telephone	The property infrastructure services are complete.	
		Sewer System	Electricity				
	Public Amenities	Planting	Sidewalks		The property is fully developed		
		Lighting	Asphalt Roads				
	Facilities	SportActivity			Public Area	All the utilities are in close proximity to the sites or at least within 5 Km radius.	
		Prayer Area					
	Land Characteristics	Frontages	Land has front age access to many commercial roads, and street outside the property.				
		Street					
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
3	No. of Labs	08
4	Theaters (Auditorium)	02
5	Medical Clinics	02
6	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 Methodology

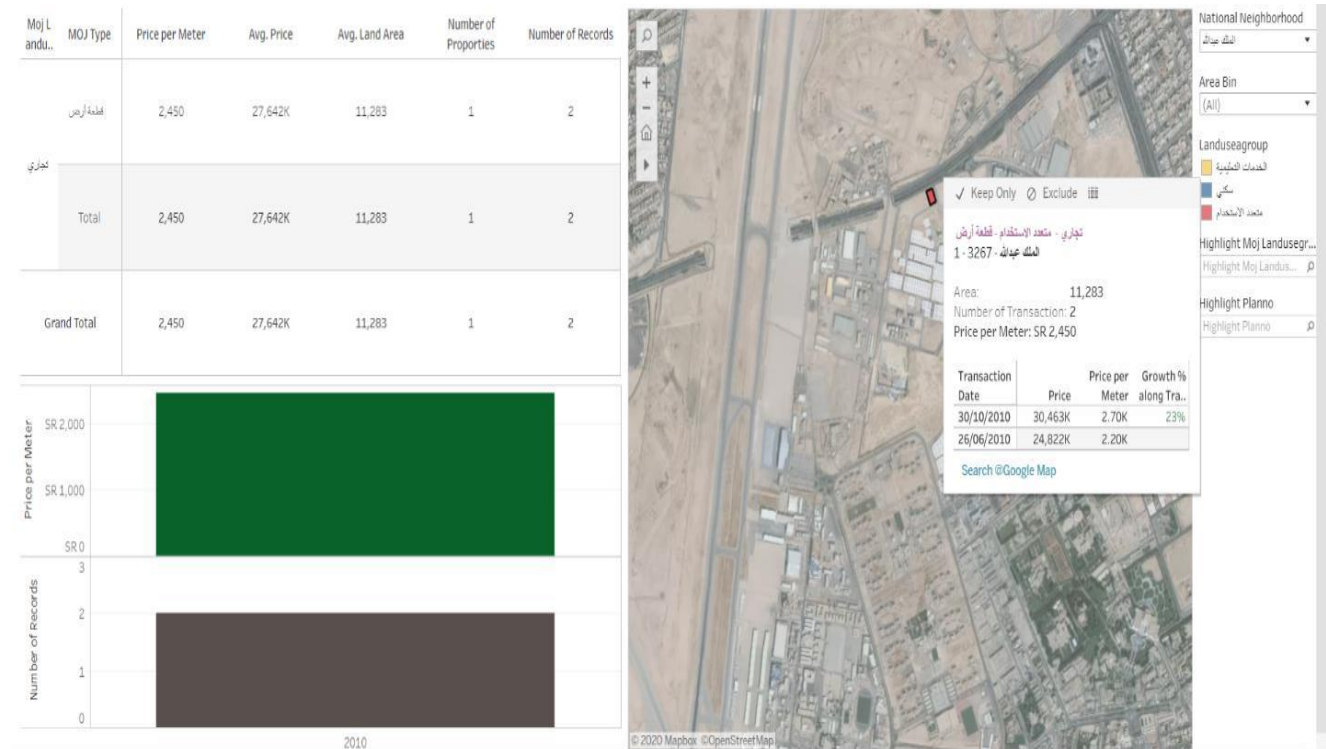
### Comparable Market Approach evaluation – Land Evaluation

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.



(Source: OPM Data)

## 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
<b>Development Work</b>			
Land Area - developed / year - sqm	11,283		
Development Cost S.R / sq. m	80		
Total Development Cost / Year	902,606		
<b>National School Grade B+</b>			
<b>Total BUA - sq m</b>	<b>34,976.0</b>		
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
<b>Total Construction Costs</b>	<b>34,975,998</b>	<b>34,975,998</b>	<b>34,975,998</b>
<b>Other Costs</b>			
<b>Professional Fees (Engineering Consultant) 2.5%</b>	874,400	874,400	874,400
<b>Statutory fees 2%</b>	699,520	699,520	699,520
<b>Marketing Fees (Media &amp; Advertising) 1.5%</b>	524,640	524,640	524,640
<b>Contingency costs 10%</b>	3,497,600	3,497,600	3,497,600
<b>Overhead cost 2.5%</b>	874,400	874,400	874,400
<b>Total Dev - Cost - SR</b>	<b>41,446,558</b>	<b>41,446,558</b>	<b>41,446,558</b>

## 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
<b>Category 1- National school - Rev- Leasing to Operator</b>							
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%
<b>Revenues Cat 1</b>		<b>15,739,199</b>	<b>15,739,199</b>	<b>15,739,199</b>	<b>34,975,998</b>	<b>34,975,998</b>	<b>34,975,998</b>
<b>Gross Revenues</b>		<b>15,739,199</b>	<b>15,739,199</b>	<b>15,739,199</b>	<b>34,975,998</b>	<b>34,975,998</b>	<b>34,975,998</b>

## 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	(828,931)	(828,931)	(828,931)	(828,931)	(828,931)	(828,931)
Earnings after depreciation	14,910,268	14,910,268	14,910,268	34,147,067	34,147,067	34,147,067
Interest Expense	0	0	0	0	0	0
Earning after interest expense	14,910,268	14,910,268	14,910,268	34,147,067	34,147,067	34,147,067
Taxes (7.5%) Zakat & VAT	(1,118,270)	(1,118,270)	(1,118,270)	(2,561,030)	(2,561,030)	(2,561,030)
<b>Net Income</b>	<b>13,791,998</b>	<b>13,791,998</b>	<b>13,791,998</b>	<b>31,586,037</b>	<b>31,586,037</b>	<b>31,586,037</b>
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
<b>Cumulative Retained earnings</b>	<b>13,791,998</b>	<b>27,583,996</b>	<b>41,375,994</b>	<b>681,521,399</b>	<b>713,107,436</b>	<b>744,693,473</b>

## 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
<b>IN - Flow</b>							
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
<b>Total Inflow</b>				14,620,929	14,620,929	32,414,968	32,414,968
<b>OUT Flow</b>							
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				
<b>Total Outflow</b>	<b>(47,917,117)</b>	<b>(47,917,117)</b>	<b>(47,917,117)</b>				
<b>Net Cash Flow</b>	<b>(47,917,117)</b>	<b>(47,917,117)</b>	<b>(47,917,117)</b>	<b>14,620,929</b>	<b>14,620,929</b>	<b>32,414,968</b>	<b>32,414,968</b>
<b>Cumulative Net Income</b>	<b>(47,917,117)</b>	<b>(95,834,235)</b>	<b>(143,751,352)</b>	<b>(129,130,423)</b>	<b>(114,509,494)</b>	<b>595,881,881</b>	<b>628,296,849</b>

## 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
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	707,218,265
Discount Rate:	11%	0.000	0.000	0.901	0.812	0.732	0.040	0.036	0.032	
OUT Flow										
Total Outflow		0	0	0	0	0	0	0	0	
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	238,843,799
										Total Cash flow
Discounted Cash Flow DCF	(124,339,673)	0	0	13,176,756	11,875,231	10,702,263	1,289,988	1,162,570	1,047,738	37,235,535
										Residual value

NPV	190,968,501
-----	-------------

IRR	11.75%

Market Value - MV		
	Land - MV	37,235,535
	Land area - sq m	11,283.00
MV - per sq m - Residual value		3,300.14

Market Value MV	Land Area – sq m	Value / sq m. SAR	MV SAR
Market Value for land	11,283	3,300.14	37,235,535

## 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 Taleem REIT.

### Depreciated Replacement cost (DRC)

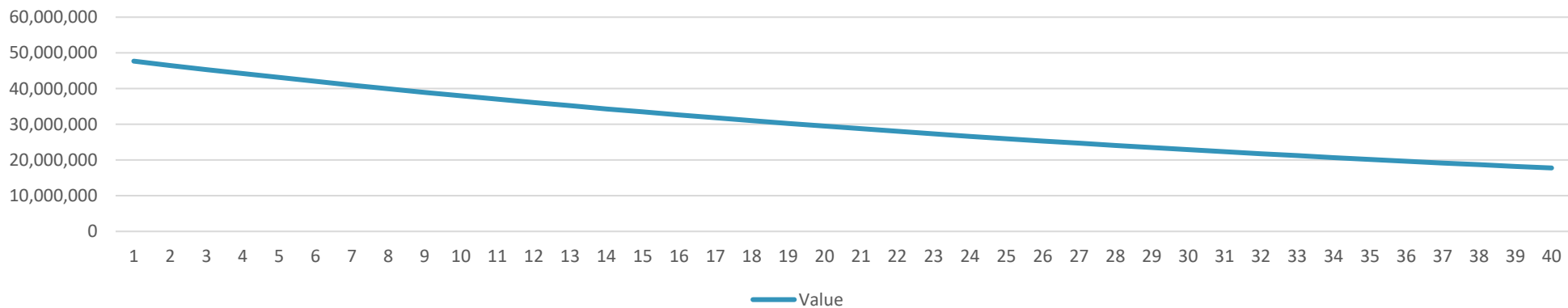
Standard: Average useful life for school building in Riyadh city after taken into consideration climate.	N (number of years) =	50 years
Deprecation ratio Per annum 2%	Appreciation 0.5 (Maintenance, renovation) ratio Per annum based to schedule of maintenance work per annum	Apportionment after Calculating Depreciation and Appreciation <b>1.5%</b>
Building (equipment) useful life	N (number of years) =	2 years
Apportionment – Acc Depreciation	1.5%*2 Years	3%



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

Type of Construction	GFA / sq. m	Replacement cost / SAR – sq. m June-2021	Completion %	Market value/ SR
Basement	5580.40	3,000	100%	16,741,200
Ground Floor	4604.00	2,900	100%	13,351,600
First Floor	4838.00	2,900	100%	14,030,200
Electric Room	71.38	1,000	100%	71,380
Addition Room Floor	2374.60	2,000	100%	4,749,200
Surrounding Area	450	500	100%	225,000
<b>Replacement cost - SR</b>				<b>49,168,580</b>
- Apportionment Acc Deprecation – June 2021	(49,168,580*3/100)			(1,475,058)
<b>Depreciated Replacement cost DRC for building</b>				<b>47,693,523</b>

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**

<b>Market Value (Land)</b>	<b>37,235,535 SAR</b>
Plus	
<b>Building Value before adding Profit Margin - SAR</b>	<b>47,693,523 SAR</b>
+ Developer Profit Margin (22%) – only for Building Value - SAR	10,492,575 SAR
<b>Building Value - SAR</b>	<b>58,186,098 SAR</b>
Sum of Value – Property	95,421,633 SAR
<b>Market value -Total Land &amp; Building Property (Rounding Figure)</b>	<b>95,422,000 S.R (Ninety-five million, Four hundred Twenty-two thousand, Saudi riyals)</b>

**(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.

<b>-5%</b>	<b>market value</b>	<b>+5%</b>
<b>90,650,000 SR</b>	<b>95,422,000 SR</b>	<b>100,193,000 SR</b>

**21-Valuation Based to Income approach- Capitalization rate** ratio of Net Operating Income (NOI) to property asset value - **Riyadh city June-2021- 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**  
**30<sup>st</sup> June 2021**

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.	<b>7,375,525</b>	
<b>– Vacancy and collection loss</b>	<b>0</b>	
<b>Additional income</b>	<b>0</b>	
<b>Effective gross income</b>	<b>7,375,525</b>	
<b>Operating Expenses</b> (all expanses on Operator's responsibility) – Triple net wise		
<b>Fixed</b>	0	
<b>Variable</b>	0	
<b>Reserves</b>	0	
<b>Total Operating expenses</b>	<b>0</b>	
<b>Net operating income NOI</b>	<b>7,375,525</b>	
<b>Cap rate 7.8%</b>		
<b>Market Value @ 7.8% Capitalization rate</b>	<b>94,558,012 SAR</b>	

**23- Note: Opinion of Value In case of Taleem REIT 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:

Property Value Calculation	Amount (SAR)	Weighted Average	Property Market Value
L&B Value (Residual value + DRC depreciation replacement cost – MV)	95,422,000	45%	42,939,900
Income Approach Capitalization rate – Market Value	94,558,012	55%	52,006,906
Weighted Average (45% for DRC, 55% Cap rate)			
Aggregate Market value property			94,946,806
Market value MV (Rounding Figure)		94,947,000 (Ninety-Four million, Nine hundred forty seven thousand Saudi Riyal )	

**(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%
90,200,000 SR	94,947,000	9,964,000 SR

## 24- Real Estate Market Summary- Riyadh City- 2021

*Rapidly changing Saudi Arabia economy 2021 brings a challenging economic climate & importance of monetary fiscal & structural policies aimed at the expansion of non-oil sector, Whilst gradually recovery related to covid pandemic will persist, the overall business environment is progressively improve in the coming quarter with this recovery more strongly in end of 2021. In coming month Saudi Arabia economy expected to return growth in term of GDP and see more rebounding economic activities and higher demand in country economic activities.*



**17.1-Office's market:** Office's vacancies rate of office grade A Silently increase and Grade B also slightly Increase over this quarter and in year 2020 (SAGIA) Saudi Arabia General Investment Authority Issue more than 400 plus new License to Investor to operate business companies in private sectors. and last quarter 2020 show a very positive response for investment prospective in kingdom of Saudi Arabia. According to stats the unemployment rate is reduce for Saudi citizen so it shows the improvement in business sector for overall Saudi Arabia. Increase in business improvement condition play a vital role to increase the office demand & to accelerate economic recovery and attempt to create more opportunity in market. But covid pandemic is still affecting the demand of Office Space and Concept of Co-working Space may suffer due to the result of Behavioral changes and although the provision of Services Spaces may increase as a default to reduce the firm capital expenditure.

Healthcare sector continues rapidly growing and developing advance health care sector in kingdom. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. The Government health care services increase Public, Private Participation (PPP) health care delivery model, to boost and major advancement of healthcare sector in this region. 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 strong government backend support to expand the mortgage scheme and government sakni program for Saudi Resident. mortgage loan raised for construction sector. According to Vision 2030 in respond to sakni program which helps to increase ownership rate in 2021. Secondly Real estate development fund and Saudi refinance company play vital role to boost homeownership and mortgage market. Government initiate to make Riyadh city is the business hub of the regions are expected to be an increase demand in residential sector.

**17.3-Hospitality market:** Despite the current on-going challenges the hospitality sector faces a result of pandemic, but the ministry of tourism announced the regulation to boost the tourism Government Push up Hospitality activities with development of tourism development strategy. They may serve as opportunity for investor and new market entrant to consider the hospitality sector significant potential in Kingdom. The continuous level of Commitment and investment will help to support tourism industry and enhance the economic activity in the kingdom. While Due to Pandemic situation in hospitality industry however international travel restriction set to be lifted from 17<sup>th</sup> may 2021, we expect market performance will begin a process of gradual recovery over the coming quarter.

**17.4-Retail market:** Saudi Arabia's e-commerce industry, whilst developing, is rapidly growing and to support and regulate growth in the Saudi Arabia.Despicte the economic condition caused by pandemic the landlord adopted the digital transformation strategies to redefine consumer experience and introduce more innovative omni-channel retail experiences to attract demand. In addition to strengthening their wider omnichannel platform, retailers have adopted store pickup services more broadly, including fully-automated stores, to allow for a quick collection of purchased goods. although well-capitalized retail operators and new market entrants are selectively looking for expansion opportunities. While retail sector enjoys slightly upward trend in performance. Significant retail development is likely to continue offering incentive to maintenance and attract new retailers to add diversity & increase footfall.

**17.5- Industrial warehouses:** While occupancies increased marginally in the industrial warehouses sector over 2021, the warehouse industry is exhibiting healthy growth. Despite the reopening of many physical stores, e-commerce continues to be a strong driver of demand for logistics space globally, leading to near-record absorption levels in several major markets. The rise of automation and value-added services to attain competitive differentiation is changing the way to operate, leading a dynamic future. The rapid growth of e-commerce across the globe, the ongoing realignment of supply chains and increasing requirement for last mile warehouses is likely to continue to support strong demand over the longer term.



25- External and internal Pictures

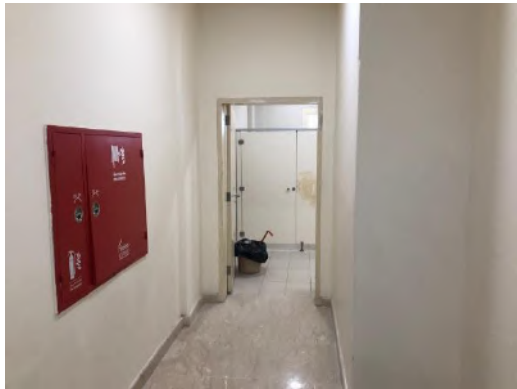
External view



External View



Internal view

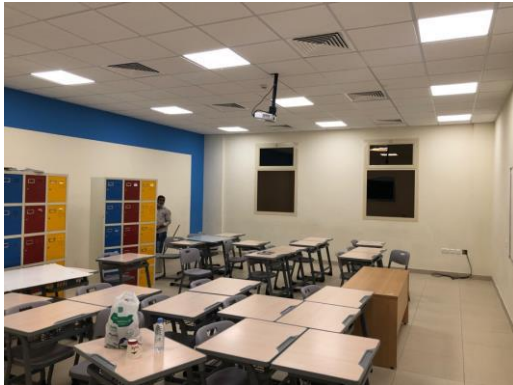
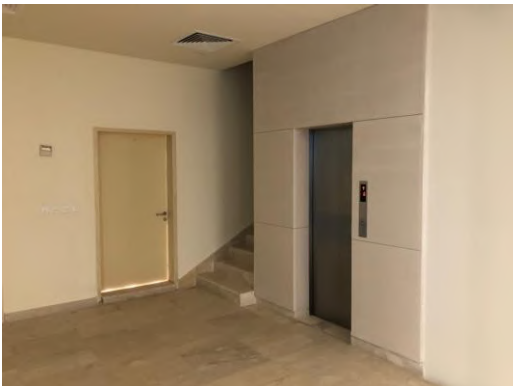




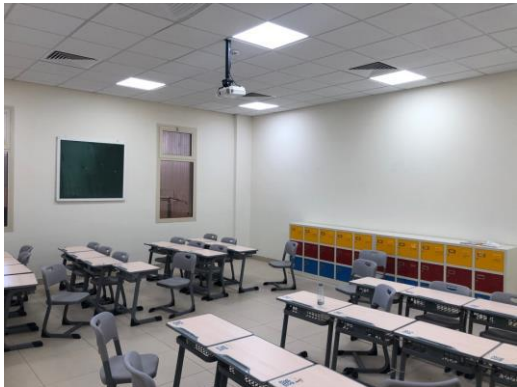
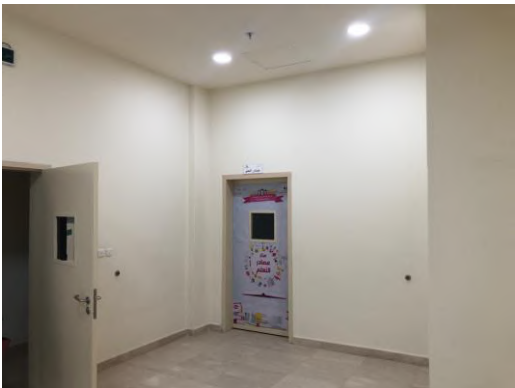
Internal view



Internal view

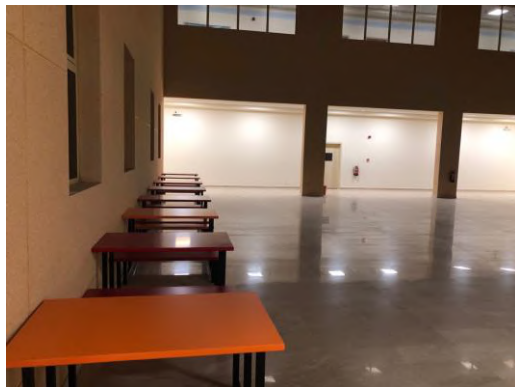


Internal view





Internal view



## 26-Olaa 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	1445/07/18	Real estate
Almoatsem Al Darwish	Deputy Valuation Manger	1210001148	1444/12/27	Real estate
Fadi Naeem	Site visit, inspection Catchment area	1220000119	1443/07/17	Real estate

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



## Al Ghad School Official Documents As per Client

[illegible]

١٨٣٠  
رقم : ٧١-٦٢-٨٤٩٣٢  
التاريخ : ١ / ١١ / ١٤٤١ هـ

كتاب العدل الأصلي بالرياح

صك

الحمد لله وحده والصلاة والسلام على من لا نبي بعده، وبعد :-  
فإن قطعة الأرض ١ و قطعة الأرض ٢ و قطعة الأرض ٣ و قطعة الأرض ٤ و قطعة الأرض ٥ من البلك رقم ١ من المخطط رقم ٢٢٦٧ الواقع في حي الملك عبد الله بمدينة الرياض -  
وحدودها وأطرافها بكتائفي:  
شمالاً: شارع عرض ٦٠ م بطول: (١٨٣,٦) مائة وثلاثة وثمانون متر وستون سنتيمتر  
جنوباً: شارع عرض ١٨ م+عمر مشاة عرض ٩ م بطول: (٢١٥,٩٢) مائتين وخمس عشرة متر واثنين وتسعون سنتيمتر  
شرقاً: شارع عرض ٢٠ م بطول: (٥٧,٨٨) سبعة وخمسون متر وثمانية وثمانون سنتيمتر  
غرباً: شارع عرض ٢٠ م بطول: (٢٩,٨) أربعة وعشرون متر وثمانون سنتيمتر  
ومساحتها : (١٦,٢٨٢,٥٨) أحد عشر ألفاً ومائتين واثنين وثمانون متر مربعاً و ثمانية وخمسون سنتيمتراً مربعاً فقط بموجب محضر لجنة فحص الصكوك المقيد برقم ٤١٩٥٩٩٤٥٠ في ١١ / ١١ / ١٤٤١ هـ.  
والمتخذ في أطرافها على الصك الصادر من هذه الإدارة برقم ٧١٠١٢٣٠٢٢٠١١ في ١٨ / ١ / ١٤٣٥ هـ.  
قد انتقلت ملكيتها لـ شركة ربيع التعليم العقارية بموجب سجل تجاري رقم ١٠١٠٧١٠٥٥٩ في ٢٥ / ٨ / ١٤٣٨ هـ ،  
بتمن وقدره ٩٢٠٠٠٠٠٠ إثنين وتسعون مليون ريال وعليه جرى التصديق تحريراً في ١ / ١١ / ١٤٤١ هـ لإتمامه . وسأل الله علي نبينا محمد وآله وصحبه وسلم.

مكتب العدل

عبدالله بن محمد بن سعود الرشيد

هذا المستند حجة مثبته ، وعليه جاز كل صفة منه يؤدي إلى عدم صلاحية المستند .

صفحة ١ من ١



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نستنبط القيمة الأدق في سوق متغير



شركة أولات وشريكه للتقييم العقاري  
Olaat & Partner for Real Estate Valuation Company

## Valuation Report Analysis **Tarbiyat-Islamiya School**

KSA-Riyadh City

Prepared for  
**SAUDI FRANCI CAPITAL**

Report number: Taleem REIT - Tarbiya 006  
Date of report: 30/06/2021



We derive the Accurate Value in a changing market



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**Olaat Valuation Company C.R:1010462536 Valuation License: 121000397**

# Real Estate Valuation Report Analysis

**Prepared for:**  
**Taleem REIT**

**Riyadh City**

**Date of Valuation June 30th, 2021**

**Date of Report July 11th, 2021**

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

**P.O. Box 62244 Riyadh 11585**

**Kingdom of Saudi Arabia**

**The person in charge:**

**- OPM Valuation Company**

**Email: [opm@olaat.com](mailto:opm@olaat.com)**

**[www.olaat.com](http://www.olaat.com)**

**C.R:1010462536**

**Valuation License: 1210000397**

Property's Type	Educational Property – Educational school
Location	Riyadh city – Rahmaniyyah District- closed to Takhassusi Rd
Land Area	45,666.94 sq m
Title deed number	310111045181
Title's date	2/9/1438 H
Plots Number	- Educational facility
Scheme Number	1324-B
Land Topography	Flat
Boarded streets & Neighbors	<b>N:</b> Street Width 20 m length 188.79 m
	<b>S:</b> Street width 15 m Length 188.46 m
	<b>E:</b> Takkassusi Street width 46 m Length 212.1 m
	<b>W:</b> Street width 15 m Length 212.16 m
Building (Gross floor area) based to Permit	30,122 sq m
Building's Permit number	License was provided with us
Building Life	Approx. 28 Years
Market value based to <b>DRC</b> method	<b>302,191,477 SR</b>
Market value based to <b>Cap rate</b> method	<b>299,072,186 SR</b>
Market value based to Weighted average between 65% DRC and 35% Cap rate Methods	<b>301,100,000 (Three hundred one million, One hundred Thousand Saudi Riyal only)</b>

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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.



For the attention of:  
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P.O. Box 23454, Riyadh 11426

June 30, 2021

**Property Address: Al Tarbiyah Islamiyah School (TIS) - Riyadh city - Valuation Report analysis**

**Tenure: Educational Freehold property**

**Dear Sir,**

We are Pleased to submit our Valuation report for – **Al Tarbiyah Islamiyah School (TIS) - 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 301,100,000** 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	Taleem REIT	
Instruction and	In accordance with RFP dated on June 07, 2021, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Tarbiyah Islamiyah school (TIS) property	
purpose of valuation	REITs Purposes (Real estate Investment 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's</i> duty to obtain or verify information that may be material	
Inspection	The Property was inspected on 17 <sup>th</sup> of June 2021 by Fadi Naeem Saudi Authority for Accredited Values membership 1220000119 (Taqeem), all significant parts of the property were inspected	
Personnel	The Valuation analysis and financial models has been prepared by Taqeeem member, Saudi Authority for Accredited Values memberships (Taqeeem), we confirm that the personnel responsible for this valuation are qualified for the purpose 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, 2021	

## 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 **Taleem REIT** to evaluate market value for an educational property due to market value located within Rahmaniyyah 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, 2021 AD.**

## 9- Legal Description for Property Owner

Document's validity: the property targeted has viewed through available data and documents received from **Taleem REIT**, 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.

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## 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.



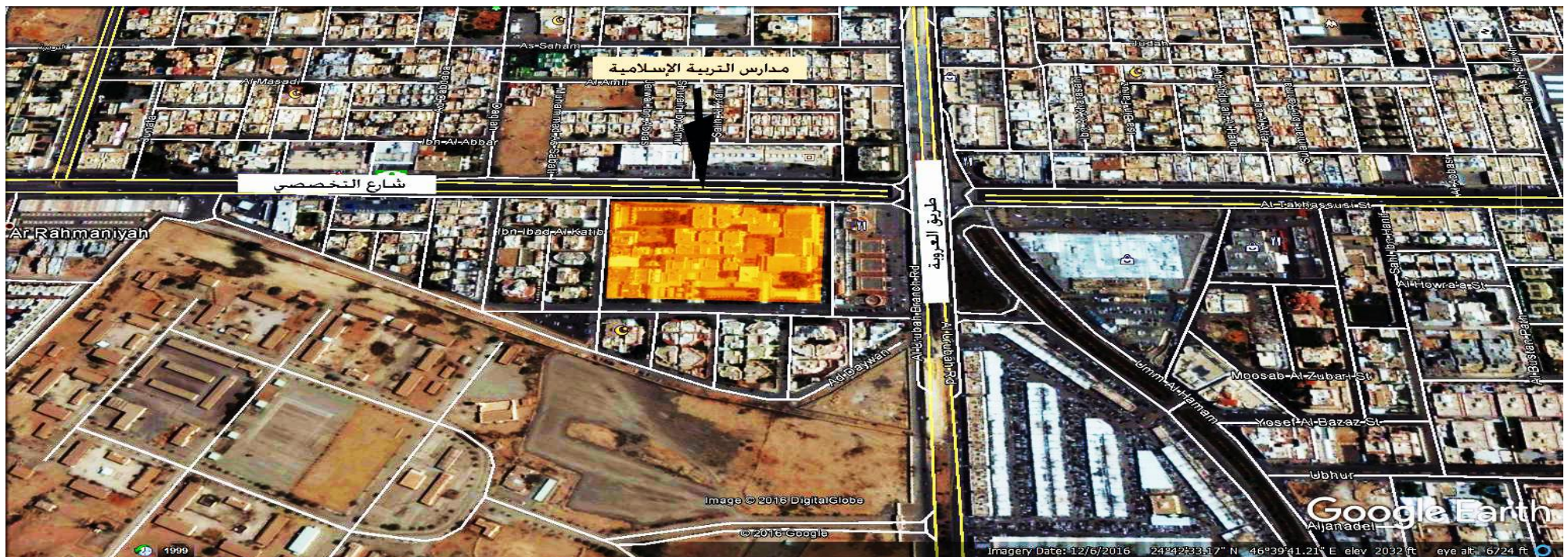
## 12-Property's Identification

The subject property consists of educational property Asset (Land + building) located in **Riyadh city** within Rahmaniyyah district. Land area: **45,666.94 sq m + Building GFA 30,122 sq m** based on data has been received from **Taleem REIT Geographic Coordinates: N: 24°42'36.77" - E: 46°36'36.77"**

### Location Coordinator

N:24°42'36.77"

E:46°36'36.77"





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: Easy Access to impediments to the building access main Takassusi Road.
- General surroundings: This describes the area in terms of the surroundings and its uses (Major commercial and Retails Destination)
- Competitive environment: This describes the location in terms of whether the competition and rival situation are high.
- Al-Takhasusi Street and Al-Thumamah Road are among the most prominent streets and roads targeted at the present time to invest in multi-use projects such as independent office buildings, restaurants and malls complex projects
- Proximity to demand generators: These would refer to proximity to very Important business environment that would fully support the main function of the property and its proposed extension project.
- The office buildings sector is one of the supporting sectors that spread along Al-Takhassusi Street and Al-Orouba Road.
- The retail sector is one of the most active sectors at the level of building quality projects on Al-Takhasusi Street in terms of high demand, and rents are higher than the market, especially restaurants and cafes, and the details project and The Zone project, most of which are allocated to international restaurants and cafes e.g., Leila Bin Lebanon & Le Chatea Etc.

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

- Educational school (international) – Kindergarten, Elementary, Middle & High School Section
- No underground floor -: assembly point for school's: – Fire exits
- HVAC System, Water Sprinkles Fire Hose & Other Building Safety Equipment's Installed.
- All building full covered with CCTV with more than 100 surveillance unit
- Automatic Fire system covering and the buildup floors (extinguisher fire – fire Hose) plus smoking detectors.
- Efficient mechanical design installed
- Technical room, electrical room
- Electrical design Separately.

- All MEP equipment installed
- Elevators, Water Pump Room
- All maintenance (weekly, monthly and quarterly reporting)
- mini-Football, Basketball playgrounds
- Public bathrooms and service room in every floor
- Mosque
- Library, Laboratory
- Grounds Porcelain
- Theatre full capacity 200 person
- Management section grounds fine granite

**(Disadvantages):**

- In general building need soft maintenance – Periodically

## 13-Land Valuation

### 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.

<b>Cost Type - Dev Type</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Development Work</b>			
Land Area - developed / year - sqm	15,222	15,222	15,222
Development Cost S.R / SQM	120	124	127
Total Development Cost / Year	1,826,678	1,881,478	1,937,922
<b>Offices Units</b>			
Offices Units BUA construction / Year	31,576	6,576	6,576
Offices units Construction Cost S.R / BUA	3,000	3,090	3,183
Total Construction Cost / year	94,728,118	20,319,962	20,929,560
<b>Retail units</b>			
TH. Units BUA construction / Year	16,850	6,850	6,850
TH. units Construction Cost S.R / BUA	2,100	2,163	2,228
Total Construction Cost / year	35,385,086	14,816,639	15,261,138
<b>Service area - Recreational, Amenities, pathways, landscaping</b>			
Area - sqm - construction / Year	6,089	6,089	6,089
Construction cost - S.R / sqm	750	750	750
Total Construction Cost / year	4,566,694	4,566,694	4,566,694
<b>Total Construction Costs</b>	136,506,576	41,584,772	42,695,315
<b>Other Costs</b>			
<b>Professional Fees (Engineering Consultant) 2.5%</b>	3,412,664	1,039,619	1,067,383
<b>Statutory fees 2%</b>	2,730,132	415,848	426,953
<b>Marketing Fees (Media &amp; Advertising) 1.5%</b>	2,047,599	623,772	640,430
<b>Contingency costs 1.5%</b>	2,047,599	623,772	640,430
<b>Overhead cost 2.5%</b>	3,412,664	1,039,619	1,067,383
<b>Total Dev - Cost - SR</b>	<b>150,157,233</b>	<b>45,327,402</b>	<b>46,537,893</b>

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

	Dev- period 3 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
<b>Category 1: Offices, Retail</b>							
<b>1.1 Offices Units Class B+</b>							
Developed Land / sqm		13,700	13,700	13,700	13,700	13,700	13,700
FAR ratio		1.8	1.8	1.8	1.8	1.8	1.8
Net leasable area NLA / sqm		19,728	19,728	19,728	19,728	19,728	19,728
Annual rental Price / sqm (BUA)		800	824	849	1942	2000	2060
<b>Revenues Cat 1.1</b>		15,782,494	16,255,969	16,743,648	38,308,257	39,457,504	40,641,229
<b>1.2 Education Units – National School</b>							
Developed Land / sqm		13,700	13,700	13,700	13,700	13,700	13,700
FAR ratio		1.5	1.5	1.5	1.5	1.5	1.5
Net leasable area NLA / sqm		18,495	18,495	18,495	18,495	18,495	18,495
Annual rental Price / sqm (BUA)		1430	1430	1430	2488	2488	2488
<b>Revenues Cat 1.2</b>		26,448,008	26,448,008	26,448,008	46,021,754	46,021,754	46,021,754
<b>Gross Income</b>		<b>42,230,503</b>	<b>42,703,978</b>	<b>43,191,657</b>	<b>84,330,010</b>	<b>85,479,258</b>	<b>86,662,983</b>

Income Statement						
	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Rev	42,230,503	42,703,978	43,191,657	84,330,010	85,479,258	86,662,983
General & Administrative Expenses (- 12.5%)	5,278,813	5,337,997	5,398,957	10,541,251	10,684,907	10,832,873
Gross Profit - EBITDA	36,951,690	37,365,980	37,792,700	73,788,759	74,794,351	75,830,110
Depreciation	7,260,676	7,260,676	7,260,676	7,260,676	7,260,676	7,260,676
Earnings after depreciation	29,691,014	30,105,305	30,532,024	66,528,083	67,533,675	68,569,434
Interest Expense	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
earning after intrest expense	28,191,014	28,605,305	29,032,024	65,028,083	66,033,675	67,069,434
other expenses	0	0	0	0	0	0
<b>Net Income</b>	<b>28,191,014</b>	<b>28,605,305</b>	<b>29,032,024</b>	<b>65,028,083</b>	<b>66,033,675</b>	<b>67,069,434</b>
Additions to Retained Earnings	28,191,014	28,605,305	29,032,024	65,028,083	66,033,675	67,069,434
<b>Cumulative Retained earnings</b>	<b>28,191,014</b>	<b>56,796,319</b>	<b>85,828,342</b>	<b>1,560,373,876</b>	<b>1,626,407,551</b>	<b>1,693,476,986</b>

Cash Flow Statement								
Cash flow Table	year 0	year 1	year 2	year 3	year 30	year 31	year 32	year 33
<b>IN - Flow</b>								
Capital Injection								
Net Revenues		28,191,014	28,605,305	29,032,024	64,051,781	65,028,083	66,033,675	67,069,434
Deprecation		7,260,676	7,260,676	7,260,676	7,260,676	7,260,676	7,260,676	7,260,676
<b>Total Inflow</b>	0	35,451,690	35,865,980	36,292,700	71,312,456	72,288,759	73,294,351	74,330,110
<b>OUT Flow</b>								
Total Construction Cost	136,506,576	41,584,772	42,695,315					
Professional Fees	3,412,664	1,039,619	1,067,383					
Statutory fees 2%	2,730,132	415,848	426,953					
Marketing Fees (Media & Advertising) 1.5%	2,047,599	623,772	640,430					
Contingency costs 1%	2,047,599	623,772	640,430					
Overhead cost 1%	3,412,664	1,039,619	1,067,383					
<b>Total Outflow</b>	<b>150,157,233</b>	<b>45,327,402</b>	<b>46,537,893</b>					
<b>Net Cash Flow</b>	<b>(150,157,233)</b>	<b>(9,875,712)</b>	<b>(10,671,912)</b>	<b>36,292,700</b>	<b>71,312,456</b>	<b>72,288,759</b>	<b>73,294,351</b>	<b>74,330,110</b>
<b>Cumulative Net Income</b>	<b>(150,157,233)</b>	<b>(160,032,945)</b>	<b>(170,704,858)</b>	<b>(134,412,158)</b>	<b>1,471,143,540</b>	<b>1,543,432,299</b>	<b>1,616,726,650</b>	<b>1,691,056,760</b>



## Residual Value

RV	Year 0	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33	Total
IN - Flow								
Total Inflow		35,451,690	35,865,980	36,292,700	72,288,759	73,294,351	74,330,110	1,933,079,288
Discount Rate: 9%		0.926	0.857	0.794	0.080	0.073	0.068	
OUT Flow								
Total Outflow								
Total Cash out								
Net Cash Flow (Before Discount Rate)	-242,022,528	35,451,690	35,865,980	36,292,700	72,288,759	73,294,351	74,330,110	
								Total Cash flow
Discounted Cash Flow DCF	-242,022,528	32,825,639	30,749,297	28,810,315	5,764,331	5,386,652	5,034,814	274,487,477
								Residual Value

Value Per / SQM		
	Land Value (PV)	274,487,477
	Square Meters	45,667
Estimated SQM value (S.R)		6,010.63

Market Value MV	Land Area – sq m	Value / sq m. SAR	MV SAR
Market Value for land	45,667	6010.63	274,487,477

### 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.

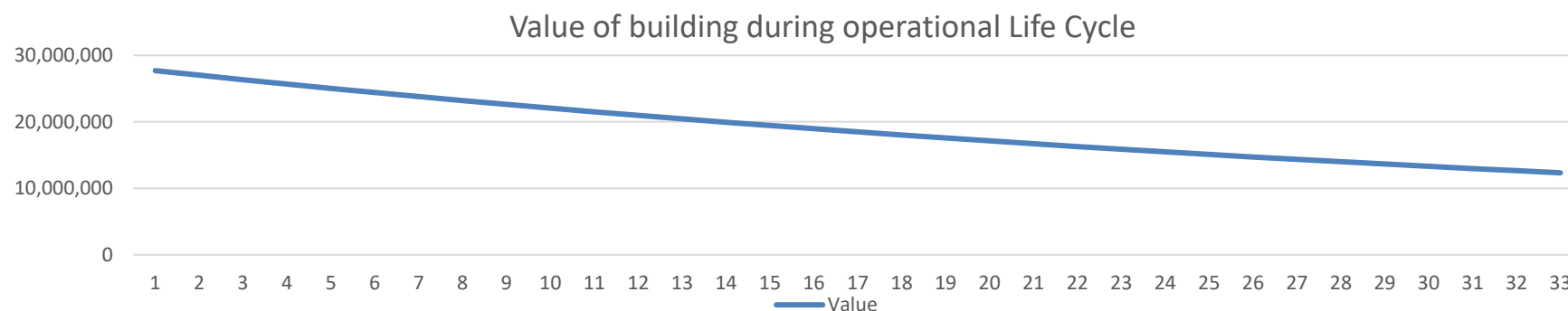
It is important to understand that the word depreciation is used in a different context for valuation than for financial reporting. In a DRC valuation, depreciation refers to the reduction, or writing down, of the cost of a modern equivalent asset to reflect the obsolescence and relative disabilities 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 45,667 sq m from Taleem REIT.

Market value of the building, including the price of finishing and installing electrical and mechanical equipment (MEP)	
<b>Building surfaces - m<sup>2</sup> - The construction surfaces were estimated due to the unavailability of the permit</b>	<b>30,122. Sqm</b>
<b>Development Cost:</b> Cost of development, construction and finishing according to the distribution of roles and according to specialization and use SR / m <sup>2</sup> and Total renovation cost estimated at 4 million Saudi riyals, where an amount of 132 riyals will be added to the previous development cost of Become of 2,150 SAR.	<b>2,282 SAR</b>
<b>Costs of building, finishing &amp; installing electrical and mechanical equipment, security monitoring and alarm devices, SR / m2</b>	<b>68,738,404 SAR</b>
<b>Plus</b>	
Cost of developing and equipping outdoor entertainment areas and green spaces (18,266 square meters) at a cost of 450 riyals per meter	<b>8,219,700 SAR</b>
<b>Market value before deducting the accumulated depreciation SAR</b>	<b>76,958,104 SAR</b>
<b>Accumulated depreciation:</b> Deduction of 70% life of the property 28 years at a depreciation rate of 2.5% annually after inspecting the maintenance work and its method of work	<b>53,870,673 SAR</b>
<b>Market value of the building before developer's profit</b>	<b>23,087,000 SAR</b>
<b>Add:</b>	
<b>Developer profits (20%)</b>	<b>4,617,400 SAR</b>
<b>Market value of the building</b>	<b>27,704,400 SAR</b>



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

<b>Market Value (Land)</b>	<b>274,487,477 SAR</b>
Plus	
<b>Building Value - SAR</b>	<b>27,704,400 SAR</b>
<b>Total Property (Land &amp; Building Value) - SAR</b>	<b>302,191,877 SAR</b>
<b>Total market value - Property</b>	302,191,877 S.R (Three hundred Two Million, One Hundred Ninety-one thousand, Eight Hundred Seventy-Seven Saudi riyals)

**15-Valuation Based to Income approach- Capitalization rate** ratio of Net Operating Income (NOI) to property asset value - Riyadh city - 2021- 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.

السعودية الفرنسية كابيتال  
Saudi Fransi Capital



رقم	القيمة الإيجارية الإجمالية السنوية	الفترة الإيجارية السنوية	الدفعة الإيجارية الربيع سنوية	تاريخ استحقاق الدفعة 1	تاريخ استحقاق الدفعة 2	تاريخ استحقاق الدفعة 3	تاريخ استحقاق الدفعة 4
1	10.500.000.00	2017/6/1 إلى 2017/12/31	4.500.000	1/ يناير	1/ أبريل	1/ يوليو	1/ أكتوبر
2	21.000.000.00	2018/1/1 إلى 2018/12/31	5.250.000				
3	21.000.000.00	2019/1/1 إلى 2019/12/31	5.250.000				
4	21.000.000.00	2020/1/1 إلى 2020/12/31	5.250.000				
5	22.050.000.00	2021/1/1 إلى 2021/12/31	5.512.500				
6	22.050.000.00	2022/1/1 إلى 2022/12/31	5.512.500				
7	22.050.000.00	2023/1/1 إلى 2023/12/31	5.512.500				
8	23.152.500.00	2024/1/1 إلى 2024/12/31	5.788.125				
9	23.152.500.00	2025/1/1 إلى 2025/12/31	5.788.125				
10	23.152.500.00	2026/1/1 إلى 2026/12/31	5.788.125				
11	24.310.125.00	2027/1/1 إلى 2027/12/31	6.077.532				
12	24.310.125.00	2028/1/1 إلى 2028/12/31	6.077.532				
13	24.310.125.00	2029/1/1 إلى 2029/12/31	6.077.532				
14	25.525.632.00	2030/1/1 إلى 2030/12/31	6.381.409				
15	25.525.632.00	2031/1/1 إلى 2031/12/31	6.381.409				
16	25.525.632.00	2032/1/1 إلى 2032/12/31	6.381.409				
17	26.801.914.00	2033/1/1 إلى 2033/12/31	6.700.488				
18	26.801.914.00	2034/1/1 إلى 2034/12/31	6.700.488				
19	26.801.914.00	2035/1/1 إلى 2035/12/31	6.700.488				
20	28.142.010.00	2036/1/1 إلى 2036/12/31	7.035.504				
21	28.142.010.00	2037/1/1 إلى 2037/12/31	7.035.504				
22	28.142.010.00	2038/1/1 إلى 2038/12/31	7.035.504				
23	29.549.111.00	2039/1/1 إلى 2039/12/31	7.387.280				
24	29.549.111.00	2040/1/1 إلى 2040/12/31	7.387.280				
25	29.549.111.00	2041/1/1 إلى 2041/12/31	7.387.280				
26	29.549.111.00	2042/1/1 إلى 2042/12/31	7.387.280				
27	29.549.111.00*	2043/1/1 إلى 2043/08/31	7.387.280				

\*الدفعة الإيجارية لعام 2043 تدفع على أساس تناسبي لثمانية أشهر.

(10-3)

**Note:** The net income of the property was calculated based on taking the average between the years from 1/6/2017 to 1/1/2043 AD

## Update for Taleem REIT June 2021 valuation services in COVID-19 Situation

### As per Client Email Update

➤ All lease contracts remain in place, with following changes to 2021 rental payment only

A) 2021 Rent Escalation was suspended for Tarbiyat Al Islamiyah School (to mitigate COVID19 lockdown impact on School).

B) This escalation will resume automatically starting 1 Jan 2022.

\*So we keep rental income same as per Client intimation

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

After previewed and analyzed property's tenancy renting period, and running rents for Tarbiyah Al Islamiya 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 600-850 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.

The results of the analysis were positive in terms of Verification of the net income of the property, as the rental value per square meter / property ranges from 700-850 riyals / m<sup>2</sup>, so the rental value is 21,000,000 Saudi riyals / year.

The Property's Av rent for 24 years is 25,720,280 SAR per annum, which equating to around SAR 850 per sq. m

<b>Gross Operating Income GOI – Currency SAR- Average</b> for a 24 Years Contractual period based to official agreement.	<b>25,720,208</b>	
<b>– Vacancy and collection loss</b>	<b>0</b>	
<b>Additional income</b>	<b>0</b>	
<b>Effective gross income</b>	25,720,208	
<b>Operating Expenses</b> (all expenses on Operator's responsibility) – Triple net wise		
<b>Fixed</b>	0	
<b>Variable</b>	0	
<b>Reserves</b>	0	
<b>Total Operating expenses</b>	<b>0</b>	
<b>Net operating income NOI</b>	<b>25,720,208</b>	
<b>Cap rate 8.6%</b>		
<b>Market Value @ 8.6% Capitalization rate</b>	<b>299,072,186 SAR</b>	



**16-Note: In case of Taleem REIT desire to reach market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method**

Property Value Calculation	Amount (SAR)	Weighted Average	Property Market Value
Residual value + DRC depreciation replacement cost - MV	302,191,877	65%	196,424,720
Capitalization rate - MV	299,072,186	35%	104,675,265
Weighted Average (65% for DRC, 35% Cap rate)			
Sum of Values			301,099,985
Property market value MV Rounding Figure		301,100,000 (Two hundred Ninety-Nine million, Five hundred Eighteen thousand Saudi Riyal)	

**(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%
286,045,000 SR	301,100,000	316,155,000 SR

## 17- Real Estate Market Summary- Al-Riyadh -2021

*Rapidly changing Saudi Arabia economy 2021 brings a challenging economic climate & importance of monetary fiscal & structural policies aimed at the expansion of non-oil sector, Whilst gradually recovery related to covid pandemic will persist, the overall business environment is progressively improve in the coming quarter with this recovery more strongly in end of 2021. In coming month Saudi Arabia economy expected to return growth in term of GDP and see more rebounding economic activities and higher demand in country economic activities.*



**17.1-Office's market:** Office's vacancies rate of office grade A Silently increase and Grade B also slightly Increase over this quarter and in year 2020 (SAGIA) Saudi Arabia General Investment Authority Issue more than 400 plus new License to Investor to operate business companies in private sectors. and last quarter 2020 show a very positive response for investment prospective in kingdom of Saudi Arabia. According to stats the unemployment rate is reduce for Saudi citizen so it shows the improvement in business sector for overall Saudi Arabia. Increase in business improvement condition play a vital role to increase the office demand & to accelerate economic recovery and attempt to create more opportunity in market. But covid pandemic is still affecting the demand of Office Space and Concept of Co-working Space may suffer due to the result of Behavioral changes and although the provision of Services Spaces may increase as a default to reduce the firm capital expenditure.

Healthcare sector continues rapidly growing and developing advance health care sector in kingdom. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. The Government health care services increase Public, Private Participation (PPP) health care delivery model, to boost and major advancement of healthcare sector in this region. 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 strong government backend support to expand the mortgage scheme and government sakni program for Saudi Resident. mortgage loan raised for construction sector. According to Vision 2030 in respond to sakni program which helps to increase ownership rate in 2021. Secondly Real estate development fund and Saudi refinance company play vital role to boost homeownership and mortgage market. Government initiate to make riyadh city is the business hub of the regions are expected to be an increase demand in residential sector.

**17.3-Hospitality market:** Despite the current on-going challenges the hospitality sector faces a result of pandemic, but the ministry of tourism announced the regulation to boost the tourism Government Push up Hospitality activities with development of tourism development strategy. They may serve as opportunity for investor and new market entrant to consider the hospitality sector significant potential in Kingdom. The continuous level of Commitment and investment will help to support tourism industry and enhance the economic activity in the kingdom. While Due to Pandemic situation in hospitality industry however international travel restriction set to be lifted from 17<sup>th</sup> may 2021, we expect market performance will begin a process of gradual recovery over the coming quarter.

**17.4-Retail market:** Saudi Arabia's e-commerce industry, whilst developing, is rapidly growing and to support and regulate growth in the Saudi Arabia.Despicte the economic condition caused by pandemic the landlord adopted the digital transformation strategies to redefine consumer experience and introduce more innovative omni-channel retail experiences to attract demand. In addition to strengthening their wider omnichannel platform, retailers have adopted store pickup services more broadly, including fully-automated stores, to allow for a quick collection of purchased goods. although well-capitalized retail operators and new market entrants are selectively looking for expansion opportunities. While retail sector enjoys slightly upward trend in performance. Significant retail development is likely to continue offering incentive to maintenance and attract new retailers to add diversity & increase footfall.

**17.5- Industrial warehouses:** While occupancies increased marginally in the industrial warehouses sector over 2021, the warehouse industry is exhibiting healthy growth. Despite the reopening of many physical stores, e-commerce continues to be a strong driver of demand for logistics space globally, leading to near-record absorption levels in several major markets. The rise of automation and value-added services to attain competitive differentiation is changing the way to operate, leading a dynamic future. The rapid growth of e-commerce across the globe, the ongoing realignment of supply chains and increasing requirement for last mile warehouses is likely to continue to support strong demand over the longer term.

## 18-External and internal Pictures

### External view



Internal view





Internal view



Internal view





Internal view



## 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	1445/07/18	Real estate
Almoatsem Al Darwish	Deputy Valuation Manger	1210001148	1444/12/27	Real estate
Fadi Naeem	Site visit, inspection Catchment area	1220000119	1443/7/17	Real estate

[www.olaat.com](http://www.olaat.com)



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





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