



Private & Confidential

Valuation Report

QBIC PLAZA, RIYADH, KSA

SNB CAPITAL

REPORT ISSUED 14 FEBRUARY 2022

ValuStrat Consulting
703 Palace Towers
Dubai Silicon Oasis
Dubai
United Arab Emirates
Tel.: +971 4 326 2233
Fax: +971 4 326 2223
www.valustrat.com

خبير التقييم العقاري
6th floor, South tower
Al Faisaliah Complex
Riyadh
Saudi Arabia
Tel.: +966 11 2935127
Fax: +966 11 2933683

111, Jameel square
Tahlia Road
Jeddah
Saudi Arabia
Tel.: +966 12 2831455
Fax: +966 12 2831530

TABLE OF CONTENTS

1	Executive Summary	4
1.1	THE CLIENT	4
1.2	THE PURPOSE OF VALUATION	4
1.3	INTEREST TO BE VALUED	4
1.4	VALUATION APPROACH	4
1.5	DATE OF VALUATION	5
1.6	OPINION OF VALUE	5
1.7	SALIENT POINTS (General Comments)	5
2	Valuation Report	7
2.1	INTRODUCTION	7
2.2	VALUATION INSTRUCTIONS/INTEREST TO BE VALUED	6
2.3	PURPOSE OF VALUATION	7
2.4	VALUATION REPORTING COMPLIANCE	7
2.5	BASIS OF VALUATION	8
2.6	EXTENT OF INVESTIGATION	10
2.7	SOURCES OF INFORMATION	10
2.8	PRIVACY/LIMITATION ON DISCLOSURE OF VALUATION	11
2.9	DETAILS AND GENERAL DESCRIPTION	12
2.10	ENVIRONMENT MATTERS	16
2.11	TENURE/TITLE	17
2.12	VALUATION METHODOLOGY & RATIONALE	18
2.13	VALUATION	29
2.14	MARKET CONDITIONS & MARKET ANALYSIS	29
2.15	VALUATION UNCERTAINTY	36
2.16	DISCLAIMER	37
2.17	CONCLUSION	37

APPENDIX 1 – PHOTOGRAPHS

APPENDIX 2 – COPY OF BUILDING PERMIT

APPENDIX 3 – DISCOUNTED CASH FLOW (DCF) EXTRACT



1 EXECUTIVE SUMMARY

THE EXECUTIVE SUMMARY AND VALUATION SHOULD NOT BE CONSIDERED OTHER THAN AS PART OF THE ENTIRE REPORT.

1.1 THE CLIENT

Danial Mahfooz, CFA

Vice President
SNB Capital, KSA

1.2 THE PURPOSE OF VALUATION

The valuation is for the semi-annual REIT exercise and submission to the Capital Market Authority (CMA).

1.3 INTEREST TO BE VALUED

The below-mentioned property is the scope of this valuation exercise.

Description	Property Details
Property Name	QBIC Plaza
Land Area (sq. m.)	17,444.21
Built-Up Area (sq. m.)	37,588.33
Gross Leasable Area (sq. m.)	21,253
Owner	Sandouq Tamkeen (the SPV of AlAhli REIT Fund)
Location	Al Ghadeir District, Riyadh, KSA
GPS Coordinates	24°46'18.66"N, 46°39'58.70"E
Interest Valued	Assumed Freehold

Source: Client 2021

1.4 VALUATION APPROACH

We have undertaken the Discounted Cash Flow (DCF) approach to valuation.

1.5 DATE OF VALUATION

Unless stated to the contrary, our valuations have been assessed as at the date of our report based on our inspection of the subject property on 31 December 2021.

The valuation reflects our opinion of value as at this date. Property values are subject to fluctuation over time as market conditions may change.



1.6 OPINION OF VALUE

Property Name	Passing Income	Exit Yield	Discount Rate	Property Value [Rounded]
QBIC Plaza	21,613,000 p.a.	8.5%	11%	SAR 259,000,000

The executive summary and valuation should not be considered other than as part of the entire report. The client is advised that whilst all reasonable measures have been taken to supply an accurate valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's marketplace.

1.7 SALIENT POINTS (GENERAL COMMENTS)

It's been 18+ months since the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" back on 11 March 2020, had impacted global financial markets. Travel restrictions had been implemented by many countries across the globe and travel restrictions remain in force due to a new wave of infections / viruses.

The past year to 18 months, the world has undergone numerous transformations with businesses from all sectors disrupted. Businesses and industries remain working remotely and business leaders are focused on cost optimisation and digitisation. The roll-out of vaccinations offer hope for life and business to get back to near normal, and recovery of oil price appears to be stable in KSA with positive trends going forward into 2021 and beyond. The same trends have been apparent across other global markets suggesting back to regularity with the caution of implementing social distancing rules and wearing of masks, etc., though the threat remains as observed with many countries across the Asian sub-continent, Europe and South America suffering from a heavy bout of the new variant virus of COVID-19.

The KSA economy appears stable within a recovery mode on the back of higher oil demand and private consumption along with KSA's Vision 2030 looks to diversify the economy away from oil through focusing on direct foreign investment, tourism and the increase of locals in the workforce. Though the recent budget revealed, the budget deficit remains amounting to SR7.44 billion in the first quarter of this year, the ministry revealed that the total funding for the deficit amounted to SR29.55 billion. The cost of risk is also stay elevated in 2021 reflecting the volatile global health situation and international travel restrictions still weigh on the economies across continents and globally affecting Middle East and KSA.

The real estate traditional determinants of location and value for money continue to be a key success influencing property and accommodation preference though investors in KSA are also no less sensitive to asset classes and the location of property providing investor expectations and stable long-term income for portfolios and funds. Equally, strong investor appetite remains for 'best in class' / 'Institutional



Asset Class – Grade A' / good quality property providing long term income. With all positive activity and investment by the government creating opportunities through projects across the Kingdom and through the creation of the Giga projects and a previous stimulus package of SAR 120 billion plus has meant a stable KSA economy with positive outlook going forward throughout 2022.

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 ValuStrat International, and we have relied on the site areas provided by the Client. In the event that the areas 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.

We have assumed that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and good title can be shown. For the avoidance of doubt, these items should be ascertained by the client's legal representatives. ValuStrat draws your attention to any assumptions made within this report. We consider that the assumptions we have made accord with those that would be reasonable to expect a purchaser to make. We are unaware of any adverse conditions which may affect future marketability for the subject property. It is assumed that the subject property is freehold and is not subject to any rights, obligations, restrictions and covenants.

This report should be read in conjunction with all the information set out in this report, we would point out that we have made various assumptions as to tenure, town planning and associated valuation opinions. If any of the assumptions on which the valuation is based is subsequently found to be incorrect, then the figures presented in this report may also need revision and should be referred back to the valuer.

Note that property values are subject to fluctuation over time as market conditions may change. The client is advised that whilst all reasonable measures have been taken to supply an accurate valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's marketplace. Valuation considered full figure and may not be achievable in the event of an early re-sale.

The valuation assumes that the freehold title should confirm arrangements for future management of the building and maintenance provisions are adequate, and no onerous obligations affecting the valuation. This should be confirmed by your legal advisers.

This executive summary and valuation should not be considered other than as part of the entire report.

2 VALUATION REPORT

2.1 INTRODUCTION

Thank you for the instruction regarding the subject valuation services.

We ('ValuStrat', which implies our relevant legal entities) would be pleased to undertake this assignment for SNB Capital ('the client') of providing valuation services for the property mentioned in this report subject to valuation assumptions, reporting conditions and restrictions as stated hereunder.

2.2 VALUATION INSTRUCTIONS / PROPERTY INTEREST TO BE VALUED

Description	Property Details
Property Name	QBIC Plaza
Land Area (sq. m.)	17,444.21
Built-Up Area (sq. m.)	37,588.33
Gross Leasable Area (sq. m.)	21,253
Owners	Sandouq Tamkeen (the SPV of AlAhli REIT Fund)
Location	Al Ghadeir District, Riyadh, KSA
GPS Coordinates	24°46'18.66"N, 46°39'58.70"E
Interest Valued	Freehold

Source: Client 2021

2.3 PURPOSE OF VALUATION

The valuation is for the semi-annual REIT exercise and submission to the Capital Market Authority (CMA).

2.4 VALUATION REPORTING COMPLIANCE

The valuation has been conducted in accordance with Taaqem Regulations (Saudi Authority for Accredited Valuers) and the International Valuation Standards Council (IVSCs') incorporating International Valuations Standards (IVS) 2020.

It should be further noted that this valuation is undertaken in compliance with generally accepted valuation concepts, principles and definitions as promulgated in the IVSCs International Valuation Standards (IVS) as set out in the IVS General Standards, IVS Asset Standards, and IVS Valuation Applications.



2.5 BASIS OF VALUATION

2.5.1 MARKET VALUE

The valuation of the subject property, and for the above stated purpose, has been undertaken on the **Market Value** basis of valuation in compliance with the above-mentioned *Valuation Standards* as promulgated by the IVSC and adopted by the RICS. **Market Value** is defined as: -

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

The definition of **Market Value** is applied in accordance with the following conceptual framework:

"The estimated amount" refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. *Market value* is the most probable price reasonably obtainable in the market on the *valuation date* in keeping with the *market value* definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of *special value*;

"an asset should exchange" refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the *valuation date*;

"on the valuation date" requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the *valuation date*, not those at any other date;

"between a willing buyer" refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute "the market";

"and a willing seller" is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for

the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;

“in an arm’s-length transaction” is one between parties who do not have a particular or special relationship, e.g. parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of *special value*. The *market value* transaction is presumed to be between unrelated parties, each acting independently;

“after proper marketing” means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the *market value* definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the *valuation date*;

‘where the parties had each acted knowledgeably, prudently’ presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the *valuation date*. Each is further presumed to use that knowledge prudently to seek the price that is most favorable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the *valuation date*, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;

‘and without compulsion’ establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

Market value is the basis of value that is most commonly required, being an internationally recognized definition. It describes an exchange between parties that are unconnected (acting at arm’s length) and are operating freely in the marketplace and represents the figure that would appear in a hypothetical contract of sale, or equivalent legal document, on the valuation date, reflecting all those factors that would be taken into account in framing their bids by market participants at large and reflecting the highest and best use of the asset. The highest and best use of an asset is the use of an asset that maximizes its productivity and that is possible, legally permissible and financially feasible.

Market value is the estimated exchange price of an asset without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

2.5.2 VALUER(S)

The Valuer on behalf of ValuStrat, with responsibility of this report is Mr. Ramez Al Medlaj (Taqeem Member) who has sufficient and current knowledge of the Saudi market and the skills and understanding to undertake the valuation competently.

We further confirm that either the Valuer or ValuStrat have no previous material connection or involvement with the subject of the valuation assignment apart from this same assignment undertaken back in December 2020.

2.5.3 STATUS OF VALUER

Status of Valuer	Survey Date	Valuation Date
External Valuer	*24 June 2021	31 December 2021

**The inspection was external and visual in nature only.*

2.6 EXTENT OF INVESTIGATION

In accordance with instructions received we have carried out an external and internal inspection of the property. The subject of this valuation assignment is to produce a valuation report and not a structural / building or building services survey, and hence structural survey and detailed investigation of the services are outside the scope of this assignment. We have not carried out any structural survey, nor tested any services, checked fittings of any parts of the property.

Our inspection was limited to the external visual assessment of the subject property including its basement parking, ground floor retail/showrooms and upper floor offices. For the purpose of our report, we have expressly assumed that the condition of any un-seen areas is commensurate with those which were seen. We reserve the right to amend our report should this prove not to be the case.

2.7 SOURCES OF INFORMATION

For the purpose of this report, it is assumed that written information provided to us by the Client is up to date, complete and correct in relation to title, planning consent and other relevant matters as set out in the report. Should this not be the case, we reserve the right to amend our valuation and report.

2.7.1 VALUATION ASSUMPTIONS / SPECIAL ASSUMPTIONS

This valuation assignment is undertaken on the following assumptions:



The subject property is valued under the assumption of property held on a *Private interest* with the benefit of trading potential of existing operational entity in possession;

Written information provided to us by the Client is up to date, complete and correct in relation to issues such as title, tenure, details of the operating entity, and other relevant matters that are set out in the report;

That no contaminative or potentially contaminative use has ever been carried out on the site;

We assume no responsibility for matters legal in character, nor do we render any opinion as to the title of the property, which we assume to be good and free of any undisclosed onerous burdens, outgoings, restrictions or other encumbrances. Information regarding tenure and tenancy must be checked by your legal advisors;

This subject is a valuation report and not a structural/building survey, and hence a building and structural survey is outside the scope of the subject assignment. We have not carried out any structural survey, nor have we tested any services, checked fittings or any parts of the structures which are covered, exposed or inaccessible, and, therefore, such parts are assumed to be in good repair and condition and the services are assumed to be in full working order;

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material have been used in the construction of the property, or have since been incorporated, and we are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation, we have assumed that such investigations would not disclose the presence of any such material to any significant extent;

That, unless we have been informed otherwise, the property complies with all relevant statutory requirements (including, but not limited to, those of Fire Regulations, By-Laws, Health and Safety at work);

We have made no investigation, and are unable to give any assurances, on the combustibility risk of any cladding material that may have been used in construction of the subject building. We would recommend that the client makes their own enquiries in this regard; and,

The market value conclusion arrived at for the property reflect the full contract value and no account is taken of any liability to taxation on sale or of the costs involved in effecting the sale.

2.8 PRIVACY/LIMITATION ON DISCLOSURE OF VALUATION

This valuation is for the sole use of the named Client. This report is confidential to the Client, and that of their advisors, and we accept no responsibility whatsoever to any third party.



No responsibility is accepted to any third party who may use or rely upon the whole or any part of the contents of this report. It should be noted that any subsequent amendments or changes in any form thereto will only be notified to the Client to whom it is authorised.

2.9 DETAILS AND GENERAL DESCRIPTION

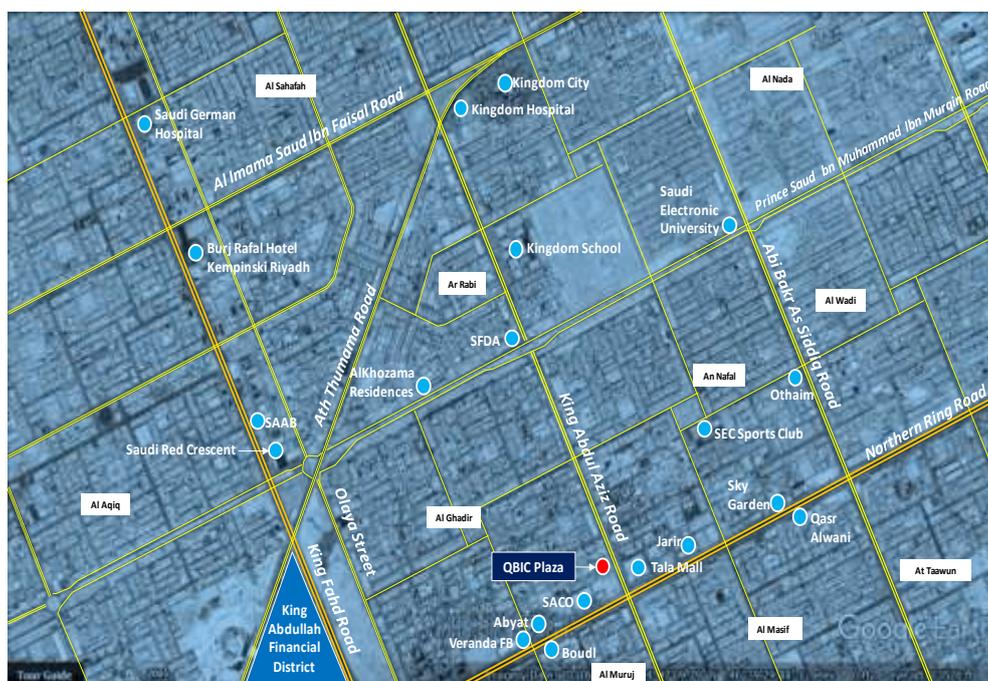
2.9.1 LOCATION AND DESCRIPTION OF THE PROPERTY

The subject property, identified as QBIC Plaza, is located along the southwest side of King Abdul Aziz Road, within Al Ghadeir District, Riyadh, Kingdom of Saudi Arabia.

It is situated about 200 meters & 250 meters northwest of Tala Mall & Northern Ring Road, respectively; and approximately 350 meters & 650 meters northeast of SACO World & Abyat, respectively.

Additionally, King Abdullah Financial District, the soon to be new central business district of Riyadh, is located about 2.5 kilometers southwest of the aforesaid property. QBIC Plaza's immediate neighborhood is mainly for commercial use. Some of the notable commercial establishments in the vicinity includes the Tala Mall, SACO World, Jarir Bookstore, Abyat, Veranda F&B, etc.

It is easily accessible thru the fronting King Abdul Aziz Road which directly links to the nearby Northern Ring Road, a major thoroughfare connecting to important destinations in the city. For ease of reference, refer to the illustration below.



Source: Google Extract 2021 - For Illustrative Purposes Only

The illustration below further shows the exact location of the subject property and the characteristics of its immediate neighbourhood and environs.



Source: Google Extract 2021 - For Illustrative Purposes Only

As mentioned above, the subject property is a commercial development known as QBIC Plaza. The land is rectangular in shape and on level terrain. It is bounded by four streets namely – King Abdulaziz Road on the northeast, Tanduf Street on the southeast, Wadi Rikham on the southwest and Tanmar Street on the northwest. QBIC Plaza is an under-construction, grade-A strip mall built mainly of reinforced concrete structures. It consists of a 2-level basement parking, three floors for retail, F&B and office units with modern open terrace design.

As per building permit provided to us (refer to copy in the appendices section), it has a total built-up area of 37,588.33 square meters as detailed below.

Floor level	BUA (sq. m.)	Use
1 st Basement	5,167.79	Parking
2 nd Basement	14,492.98	Parking
Ground Floor	7,832.22	Retail Showroom
Mezzanine	1,553.37	Retail/Showroom
First Floor	2,651.40	F&B
First Floor	3,050.00	Office
Annex Floor	1,609.00	Office
Annex Floor	1,231.57	F&B
Total BUA (sq. m.)	37,588.33	

Source: Client 2021

2.9.1.1 PROXIMITY TO MAJOR DEVELOPMENTS



As mentioned above, the subject property known as QBIC Plaza is a grade-A commercial development situated in a prominent commercial district. It is close to the King Abdullah Financial District, an important development in the city which will be considered the new business center of Riyadh. It is well accessible thru the fronting King Abdul Aziz Road which directly connects to the Northern Ring Road, a major thoroughfare leading to important landmarks and common destinations in the City. The Kingdom Hospital, Kingdom School, Kingdom City, Tala Mall are other known establishment nearby the subject property. The table and illustration below provide an approximate distance of the subject property relative to major landmarks & developments in the city.

Landmarks	Distance from subject property (km.)
King Abdullah Financial District	2.5
King Saud University	6.5
Kingdom Tower	6.7
Faisaliyah Tower	9.2
Princess Noura University	9.8
King Khalid International Airport	21



Source: Google Extract 2021 - For Illustrative Purposes Only.

Moreover, one of the on-going important developments in the city is the Riyadh Metro System which consist of 6 interconnected routes plying across the city’s most common destinations. With the expected completion of this major infrastructure, mobility within the city will be greatly enhanced.



2.9.2.1 THE RIYADH METRO SYSTEM



The new City Metro of Riyadh is a rapid transit system under construction to be completed circa. 2022, which will be of benefit to Riyadh's population, business and future growth of Riyadh, etc. The Metro will help in many ways for the day to day life activities of the people such as traffic control, school journeys, shopping journey and business commuting, etc. The city metro project is one of the world's largest infrastructure projects currently under-construction. It consists of trains and buses, which includes 6 railway lines stretching 176 kilometers with 85 stations, penetrating the capital of Saudi Arabia, Riyadh, from all directions. It is expected that the capacity of the project is estimated at 1.16 million passengers daily in the beginning of the operation and will reach to as high as 3.6 million passengers after a decade. Other expected benefits from the project includes the reduction of the number of car trips by nearly 250 thousand trips a day and to provide the equivalent of 400 thousand liters of fuel per day and thus reduce air pollutant emissions. Three leading consortia, including the US Construction company Bechtel Group Inc., Spain's FCC and Italy's Ansaldo STS have been awarded contracts to build the project. The Metro Project comprises of the following six lines.



- Line 1** (Blue Line) runs in the north-south direction along Olaya and Batha streets, starting from slightly north of King Salman Bin Abdul Aziz Street and ending at in the south. The Metro will be mostly underground in a tunnel along Olaya and King Faisal Streets, and elevated on a viaduct along Batha Street and at the northern and southern ends. Line 1 extends over a length of approximately 38 km (24 mi) and features 22 stations, in addition to 4 transfer stations with Lines 2, 3, 5, and 4&6.
- Line 2** (Red Line) runs in the east-west direction along King Abdullah Road, between King Saud University and the eastern sub-center, mostly on a raised strip in the median of a planned freeway. This Line extends over a length of about 25.3 km (15.7 mi) and features 13 stations, in addition to 3 transfer stations with Lines 1, 5 and 6.
- Line 3** (Orange Line) runs in the east-west direction along Al-Madinah Al Munawwarah and Prince Saad Bin Abdulrahman Al Awal Roads, starting at the west near Jeddah Expressway and ending at the east near the National Guard camp of Khashm El Aan. The metro will be mostly elevated along the western part of Al-Madinah Al Munawwarah Road, then underground in tunnels in the central section of the line, and generally at grade along Prince Saad Ibn Abdulrahman Road. The length of the line is approximately 40.7 km (25.3 mi) and it features 20 stations, in addition to 2 transfer stations with Lines 1 and 6.
- Line 4** (Yellow Line) reaches to King Khalid International Airport from King Abdullah Financial District, mainly on a mix of elevated and at-grade alignment. The length of the line is around 29.6 km (18.4 mi) and it features 8 stations (3 common with Line 6), in addition to 1 transfer station with Lines 1 and 6.



- **Line 5** (Green Line) runs underground in a tunnel along King Abdulaziz Street, between King Abdul Aziz Historical Centre and the Riyadh Airbase, before connecting with King Abdullah Road. The length of the line is about 12.9 km (8.0 mi) and it features 10 stations, in addition to 2 transfer stations with Lines 1 and 2.
- **Line 6** (Purple Line) follows a half-ring starting at King Abdullah Financial District, passing by Imam Mohamed Bin Saud University and ending at Prince Saad Ibn Abdulrahman Al Awal Road. It runs mostly elevated except along Sheikh Hasan Bin Husein Bin Ali Street. The length of the line is approximately 29.9 km (18.6 mi) and it features 8 stations (3 common with Line 4), in addition to 3 transfer stations with Lines 1, 2 and 3.

The commencement date for the project was in early 2014, with projected completion date circa. 2022.

2.10 ENVIRONMENT MATTERS

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative use has ever been carried out on the property.

We have not carried out any investigation into past or present use, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the subject property from the use or site and have therefore assumed that none exists. However, should it be established subsequently that contamination exists at the property or on any neighbouring land, or that the premises has been or is being put to any contaminative use, this might reduce the value now reported.

Details	
Area	Based on the document supplied by the client, the total land area of the property is 17,444.21 sq. m. and the building's total built-up area (BUA) is 37,588.33 sq. m.
Topography	Generally, the property is rectangular in shape and on level terrain
Drainage	Assumed available and connected.
Flooding	ValuStrat's verbal inquiries with local authorities were unable to confirm whether flooding is a point of concern at the subject property. For the purposes of this valuation, ValuStrat has assumed that the subject property is not flood prone. A formal written submission will be required for any further investigation which is outside of this report's scope of work. Note: It is understood that there is no known flooding in this area.
Landslip	ValuStrat's verbal inquiries with local authorities were unable to confirm whether land slip is a point of concern at the subject property. For the purposes of this valuation, ValuStrat has assumed that the subject property is not within a landslip designated area. A formal written submission will be required for any further investigation which is outside of this report's scope of work.



2.10.1 TOWN PLANNING

Neither from our knowledge nor as a result of our inspection are, we aware of any planning proposals which are likely to directly adversely affect this property. In the absence of any information to the contrary, it is assumed that the existing use is lawful, has valid planning consent and the planning consent is not personal to the existing occupiers and there are no particular onerous or adverse conditions which would affect our valuation.

In arriving at our valuation, it has been assumed that each and every building enjoys permanent planning consent for their existing use or enjoys, or would be entitled to enjoy, the benefit of a “Lawful Development” Certificate under the Town & Country Planning Acts, or where it is reasonable to make such an assumption with continuing user rights for their existing use purposes, subject to specific comments.

We are not aware of any potential development or change of use of the property or properties in the locality which would materially affect our valuation.

For the purpose of this valuation, we have assumed that all necessary consents have been obtained for the subject property referred within this report. Should this not be the case, we reserve the right to amend our valuation and report.

2.10.2 SERVICES

We have assumed that the subject property referred within this report is connected to mains electricity, water, drainage, and other municipality services.

It should be borne in mind that electrical requirements and testing standards have become more stringent in recent years and that the system requires annual inspection, testing and upgrading according to Saudi Electrical Standards. We have not been provided a test certificate and a valid certificate from the owners and should be requested by the client or owners need to satisfy themselves they are complying with Saudi Electrical Standards.

According to Civil Defence regulations in Saudi Arabia known as the Civil Defence system released by Royal Decree No. M/10 on 05-10-1406, corresponding to 20-01-1986]; firefighting system(s) must be in place providing protection to both people, public and private properties.

For the purpose of this valuation exercise, we assume all necessary consents are in place for Civil Defence regulations.

2.11 TENURE/TITLE

Unless otherwise stated we have assumed the freehold title is free from encumbrances and that Solicitors’ local searches and usual enquiries would not reveal the existence of statutory notices or other matters which would materially affect our valuation.



We are unaware of any rights of way, easements or restrictive covenants which affect the property; however, we would recommend that the solicitors investigate the title in order to ensure this is correct.

The valuation assumes that the freehold title should confirm arrangements for future management of the building and maintenance provisions are adequate, and no onerous obligations affecting the valuation.

This should be confirmed by your legal advisers. The subject property is registered under the below-mentioned title deed (refer to copy in the appendices section) which we assumed on freehold basis.

Should this not be the case we reserve the right to amend our valuation and this report.

Description	Property Details
Property Name	QBIC Plaza
Title Deed No.	410116050972
Title Deed Date	1/11/1441 Hijri
Land Area (sq. m.)	17,444.21
Owners	Sandouq Tamkeen (the SPV of AlAhli REIT Fund)
Location	Al Ghadeir District, Riyadh, KSA
Interest Valued	Freehold

Source: Client 2021

We have been instructed by the client that the subject property is leased to the Ministry of Housing (MOH) for an initial term of 3 years renewable for a full term of 6 years on a triple net basis. We also understand that the lease has completed.

For the purposes of this valuation exercise, we assume that there are no onerous terms and conditions impacting this valuation. Should this be the case, we reserve the right to amend our valuation and report.

NB: All aspects of tenure/title should be checked by the client's legal representatives prior to exchange of contract/drawdown and insofar as any assumption made within the body of this report is proved to be incorrect then the matter should be referred back to the valuer in order to ensure the valuation is not adversely affected.

2.12 METHODOLOGY & APPROACH

In determining our opinion of Market Value for the freehold interest in the subject property, we have utilized the Discounted Cash Flow (DCF) based on the first 6 years occupied by the Ministry of Housing (MOH) and partial vacant possession.

With the phased occupation of operational tenants and so the 7th year market rent assumption is made as mentioned by the client.



2.12.1 DISCOUNTED CASH FLOW (DCF)

The subject property falls into a broad category of investment property with the prime value determinant being the property’s ability to generate rentals and rental growth through the ongoing letting and reasonable maintenance.

In determining our opinion of Market Value of the subject property referred in this report, we have utilized the Investment Approach in specific, adopting a Discounted Cash Flow (DCF) technique. The DCF approach involves the discounting of the net cash flow (future income receivable under lease agreements and forecast take-up of vacant units) on a yearly basis over, in this instance, an assumed 10-year cash flow horizon. This cash flow is discounted at an appropriate rate to reflect the associated risk premium, in order to determine a Net Present Value of the subject property at that particular Internal Rate of Return (IRR) and exit equivalent yield. The projected income stream reflects the anticipated rental growth inherent in a property investment based upon the physical, tenancy or market characteristics related to that property.

In addition to projected operating costs and allowances, future capital expenditure can also be reflected in the cash flow. Cash inflows comprise income from the property adjusted to reflect actual and assumed lease conditions and rental growth, whilst cash outflows comprise operating costs adjusted to reflect anticipated inflation.

The rental income being capitalised and discounted in the cash flow refers to net rental income, that is, the income stream after deductions for the associated operating expenses of the property as provided by the client.

2.12.2 MARKET RENTS, VALUATION ASSUMPTIONS & COMMENTARY

Sales or rental evidence for similar properties within Riyadh are not readily available or transparent due to the nature of the property market within the Kingdom of Saudi Arabia. Much if not all of the evidence is anecdotal, and this limitation may place on the non-reliability of such information and impact on values reported.

In forming our opinion of Market Rent for the subject property, we have looked at the following market rental rates of similar strip malls and retail plazas within Riyadh.

Details	Veranda F&B	Black Garden	Al Ezdihar Complex
Type	F&B Plaza	F&B Plaza	Retail Strip
Location	Northern Ring Road	Northern Ring Road	Northern Ring cor. Othman Bin Affan
Retail Space Area (m ²)	-	192 - 336	192 - 336
Retail Rental Rate per m ²	SAR 1,500	SAR 850	SAR 850
Office Space Area (m ²)	200 - 400	-	-
Office Rental Rate per m ²	SAR 1,000	-	-

Details	Sahafa Center	Tilal Center	Jarir Complex
Type	Strip Mall	Strip Mall	Retail Strip
Location	King Abdulaziz Road	Al Malga District	Othman Bin Affan cor. Al Thumama Rd.
Retail Space Area (m ²)	62 - 250	75 - 456	325 - 390
Retail Rental Rate per m ²	SAR 1,200 - SAR 1,800	SAR 1,000 - SAR 2,000	SAR 1,000
Office Space Area (m ²)	337 - 447	-	-
Office Rental Rate per m ²	SAR 400 - SAR 550	-	-
Details	Yarmouk Center	Tijan Plaza	Izdihar Center
Type	Strip Mall	Retail Strip	Strip Mall
Location	Dammam Rd., Al Yarmuk	King Khalid Road	Izdihar District
Retail Space Area (m ²)	74 - 320	114 - 280	200 - 1,200
Retail Rental Rate per m ²	SAR 1,300 - SAR 1,800	SAR 690 - SAR 950	SAR 925 - SAR 1,060
Office Space Area (m ²)	-	70 - 192	90 - 250
Office Rental Rate per m ²	-	SAR 400 - 550	SAR 650
Details	Al Tamayuz Center	Irqah Plaza	Rawana Plaza
Type	Strip Mall	Retail Strip	Retail Strip
Location	Ghimatah District	Irqah District	Uthman Bin Affan Road
Retail Space Area (m ²)	150 - 576	88 - 320	208 - 317
Retail Rental Rate per m ²	SAR 1,250 - SAR 1,680	SAR 1,200-SAR 2,000	SAR 1,000
Office Space Area (m ²)	95 - 130	-	88 - 148
Office Rental Rate per m ²	SAR 750 - SAR 1,020	-	SAR 550

Considering the above information, we have assumed the following rental rates for the subject property dependent upon the type, location, size and direction.

Type	Rent Rate Projection per m ² (SAR)	
	Minimum	Maximum
Office	850	1,100
Restaurant	1,350	1,900
Terrace (Office)	350	650
Terrace (Restaurant)	500	900
Mezzanine	800	850
Shops	1,500	1,600
Showrooms	1,200	1,700

The subject property's Full Rental Income is SAR 25.8 million per annum.

However, we reiterate that the said figure is an estimate of possible rent the property will generate based on current market rental rates, assuming the property is complete and operational. We understand from the client the property is now complete.

2.12.3 ASSUMPTIONS & COMMENTARY

As mentioned above, the client has requested to provide an alternative valuation assessment for the subject property taking into consideration on the following scenario and assumptions that the subject property is leased to the Ministry of Housing (MOH) for an initial term of 3 years with a renewable full term of 6 years on a triple net basis. We also understand that the lease has completed.

We have likewise made the following additional assumptions:

1. The Lease with Ministry of Housing inclusive of VAT occupied for 6 years on triple net renewable basis.
2. On the assumption operational cost will be borne by the lessee.
3. The rental agreed is as follows:
 - Years 1-3 – SAR 21,613,000 per annum
 - Years 4-6 – SAR 20,532,320 per annum
4. Thereafter the cash flow assumes the subject property will revert to market rent at (SAR 25.8 million) on the basis provided at section 2.12.2 above and have not shown growth thereafter. With occupancy rates in year 7 at 90% and years 8-10 at 85%.
5. Should the above terms be incorrect, we reserve the right to amend our valuation and this report.

In this instance, we have adopted the following rates:

*Operational Cost

Based on the sale & leaseback agreement, we have assumed the operational cost is the responsibility of the Lessee in the 6 years occupation. Once the rent reverts to market rent – vacant possession with have reflected an operational cost of 15%, although we do expect operational tenants to agree a service charge for the upkeep of common areas, etc. within the standard operational leases.

Discount Rate and Exit Yield

The discount rate reflects the return required to mitigate the risk associated with the particular investment type in question; therefore, echoes the opportunity cost of capital.



To this we have to add elements of market risk and property specific risk. The market risk comes in the form of; inter alia, potential competition from existing and latent supply.

Market risk will also reflect where we are in the property cycle and more importantly the valuation uncertainty and the current dip in the economy due to the current COVID-19 pandemic crisis. Hence, we have adopted a discount rate of 11%.

The exit yield is a resultant extracted from transactional evidence in the market; however, due to anecdotal evidence and limited market activity we have had to rely on anticipated investor expectations from typical property investments.

Based upon our experience and discussions in the market; we consider that investors would consider a yield between 8.0% to 9% to be an acceptable range of return given the subject property will be a new grade-A strip mall.

Furthermore, the said property is considered to be attractive to investors as it is strategically located near the soon to be new Central Business District of Riyadh with the anticipated completion of the King Abdullah Financial District.

Also, the property has an excellent accessibility thru the fronting King Abdul Aziz Road and the nearby Northern Ring Road, a major thoroughfare in the city. Also reflecting a strong covenant – Ministry of Housing (MOH) occupying for the 6-year term. For these criteria, we have adopted an 8.5% yield for this exercise.

2.12.4 SUMMARY OF MARKET VALUE - DCF

The resultant value based upon the above variables/assumptions for the subject property is follows:

Property Name	Passing Income	Exit Yield	Discount Rate	Property Value [Rounded]
QBIC Plaza	21,613,000 p.a.	8.5%	11%	SAR 259,000,000



2.12.5 ALTERNATIVE VALUATION ASSESSMENT (LAND REFLECTING IMPROVEMENTS)

We have assessed the land plus cost approach given investors/purchasers will consider high land prices in KSA as an investment along with potential cost of physical asset for good quality build.

In determining our opinion, we have utilized the Comparative approach plus Cost Approach based upon the built-up area provided by the client.

2.12.6 COMPARATIVE APPROACH

This method requires the collection of comparative market transactions that have occurred within the location of the subject site. Upon analysis and subsequent subjective adjustments, such evidence has then been applied to the subject property.

Due to the nature of the property market within the Kingdom of Saudi Arabia, sales for similar properties are not readily available or transparent. Much if not all of the evidence is anecdotal and consequently in most circumstances this can place limitations on the veracity of such information and subsequently impact on values reported.

Accordingly, the valuation has been prepared in accordance with normal practice taking into account our usual research and enquiries and our discussions with leading local commercial agents.

We have analysed existing market commentaries and data in determining our opinion as to the applicable values. Information has also been sought from internal records and internet-based property intelligence sites.

We draw your attention to any assumptions made within this report. We consider that the assumptions we have made accord with those that it would be reasonable to expect a purchaser to make.

2.12.7 LAND VALUATION ANALYSIS

The process of land valuation will be done using a Market Comparison Matrix wherein all gathered comparable data are recorded and adjusted accordingly through various elements of comparison as explained below.

Adjustments of Comparable Data

The elements of comparison include property rights, legal encumbrances, financing terms, conditions of sale/offer (motivation), market conditions (sale/offer date), location, physical characteristics, available utilities, zoning, and highest and best use.



The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage/accessibility, topography, location, and availability of utilities.

The units of comparison applied may be acres/hectares, square feet/meters, front feet, lots or any other unit used in the market.

After the comparable data are collected, categorized, examined and described; the data can be assembled in an organized, logical manner.

Sales and/or offers are commonly arranged on a sales comparison matrix as shown on succeeding pages. Adjustments for dissimilarities between the subject property and the comparable properties are made to the prices of the comparable. Following is an explanation of the major categories of comparison.

Property Rights Conveyed

The particular rights or interests being valued on a site must be defined. This is especially important in valuations that involve a partial interest in a property, limited rights such as surface or mineral rights, a freehold estate subject to a long-term lease, or a leasehold interest.

Other encumbrances such as easements, mortgages, or special occupancy and use requirements, should also be identified if the comparable sales/offer property rights differ from the subject.

Financing/Conditions of Sale

Adjustments for conditions of sale reflect the motivations of the buyer and seller. The conditions under which a parcel of land may be sold could differ from property to property.

Adjustments must be applied on a property that was sold under typical financing conditions.

Market Conditions (Time of Sale/Offer)

The time of sale/offer is the date that the comparable parcel was originally purchased or offered in the market.

In order for the sale/offered property to be deemed comparable to the subject, it must be adjusted for inflation and deflation that has occurred from the date of sale/offer to the present.

Location

The analysis of a site's location focuses on the time-distance relationships between the site and common origins or destinations.

It is also concerned with the location of the parcel in relation to heavily traversed thoroughfares and/or intersections.



Size

The size of the comparable is adjusted for superiority or inferiority to the subject.

Generally, it is perceived that smaller parcels are worth more per square meter than larger parcels.

However, in some rare cases where transactions involved parcels of less than one acre/hectare, the valuers have observed that larger lots sell for a higher per square meter price than smaller lots.

We believe that this higher price is due to the additional space and utility that may be significant for the type of development calling for a larger land area.

Shape

The shape of a property defines what improvements may be constructed on a parcel of land. A rectangular or square property is ideal for most commercial construction.

A triangular or wedged property may inhibit construction of specific improvements. A percentage adjustment is usually applied to the comparable for their superiority or inferiority to the subject.

Topography

Adjustments for a parcel's topography are based on the land's contour, grades, natural drainage, soil conditions, view, and general usefulness.

Accessibility

Accessibility involves the manner by which vehicular traffic and utility easements enter onto the property. Some examples are curb cuts, medians, turn lanes, traffic signal turn arrows, shipping docks, airport runways and docks, water, and gas line taps.

Zoning/Land Use

Zoning or Land use refers to the approved and allowable use of the land as regulated by appropriate government agencies. This will also refer to the highest and best use of the subject property.

Utilities

This addresses the availability of basic utilities, such as, water, power, gas, sewer, and storm drains at/or near the site analysed.

These necessities cannot be deferred when the site is developed and any differences between the comparable and the subject represent an expense, which will materially affect the investment value of the property.



Summary of Adjustments

The succeeding page matrix contains a summary of previously described adjustments, which provides an indication as to the degree of adjustment made to the different elements in comparison.

A numeric indicator indicates the level of adjustments, in terms of percentage when compared with the subject property.

The use of (-) indicates a negative adjustment and a (+) indicates a positive adjustment. An adjustment (-) used is made to reflect superior characteristics of the comparable, while an upward adjustment (+) reflects inferior characteristics of the comparable.

Finally, a 0 is used to confirm similarity between the comparable and the subject or is used when market information is unavailable or does not support an adjustment for any particular element of comparison. The below matrix table on the succeeding page summarizes these adjustments below.

2.12.8 MARKET PRICES

We discussed the tone of the land values in the immediate vicinity of the property with local agents/sellers. As a result, the following limited comparable evidence was compiled and analysed:

<i>Land Use</i>	<i>Land Area (m²)</i>	<i>Price/m² (SAR)</i>	<i>Location</i>
Commercial	27,000	10,000	Northern Ring cor. King Abdul Aziz
Commercial	13,750	10,000	Northern Ring Road, Al Ghandir
Commercial	5,775	7,500	Olaya Street, Al Ghandir District
Commercial	3,250	7,500	Northern Ring Road An Nafal Dist.



We have also provided the analysis of matrix shown below.

MARKET COMPARISON MATRIX									
Location	Subject	Comp. No.1		Comp. No.2		Comp. No.3		Comp. No.4	
	King Abdulaziz Road, Al Ghandir, Riyadh	Northern Ring Road, Al Ghandir, Riyadh		Northern Ring Road, Al Ghandir, Riyadh		Olaya Street, Al Ghandir, Riyadh		Northern Ring Road, An Nafal, Riyadh	
Instrument (Sale/Offer)		Offer		Offer		Offer		Offer	
Date of Sale/Offer		current		current		current		current	
Sale/Offer Price		270,000,000		137,500,000		43,312,500		24,375,000	
Land Area (Square Meters)	17,444.21	27,000		13,750		5,775		3,250	
Price Per Sq. M. (Unadjusted)		SAR	10,000.00	SAR	10,000	SAR	7,500	SAR	7,500
ADJUSTMENTS									
Property Rights Conveyed	Freehold	Freehold		Freehold		Freehold		Freehold	
Comparison/Adjustment		Equal	0%	Equal	0%	Equal	0%	Equal	0%
Adjusted Price		10,000.00		10,000		7,500		7,500	
Condition of Sale/Offer	N/A	Offer		Offer		Offer		listing	
Comparison/Adjustment		Allowance	-10%	Allowance	-10%	Allowance	-10%	Allowance	-10%
Adjusted Price		9,000.00		9,000.00		6,750.00		6,750.00	
Change in Market Conditions	Jun-19	Jun-19		Jun-19		Jun-19		Jun-19	
Comparison/Adjustment		Allowance	0%	Allowance	0%	Allowance	0%	Allowance	0%
Adjusted Price		9,000.00		9,000.00		6,750.00		6,750.00	
PHYSICAL CHARACTERISTICS ADJUSTMENTS									
Location	good	better		better		good		better	
Comparison Adjustment		superior	-10%	superior	-10%	equal	0%	superior	-10%
Size (Land Area)	17,444	27,000		13,750		5,775		3,250	
Comparison Adjustment		equal	5%	equal	0%	superior	-30%	superior	-30%
Shape	regular	regular		regular		regular		regular	
Comparison Adjustment		equal	0%	equal	0%	equal	0%	equal	0%
Topography	level	level		level		level		level	
Comparison Adjustment		equal	0%	equal	0%	equal	0%	equal	0%
Utilities	available	available		available		available		available	
Comparison Adjustment		equal	0%	equal	0%	equal	0%	equal	0%
Accessibility	King Abdulaziz Rd.	Northern Ring Road Cor. King Abdulaziz Rd		Northern Ring Road		Olaya Street		Northern Ring Road	
Comparison Adjustment		superior	-20%	superior	-10%	equal	0%	superior	-10%
Zoning/Land Use	Commercial	Commercial		Commercial		Commercial		Commercial	
Comparison Adjustment		equal	0%	equal	0%	equal	0%	equal	0%
T Total Gross Adjustments		35.0%		20.0%		30.0%		50.0%	
T Total Net Adjustments		-25%		-20%		-30%		-50%	
Final Adjusted Sales Price (Net Adjustment Basis)		6,750.0		7,200.0		4,725.0		3,375.0	
% Weight		25%		25%		25%		25%	
Weight Equivalent		1,688		1,800		1,181		844	
Weighted Value Per Sq.m.		5,513							
	ROUNDED TO (SAR)	5,500							
	TOTAL VALUE (SAR)	96,000,000							



2.12.9 LAND VALUATION SUMMARY

Based upon the information above and as a result, taking the individual characteristics of the subject property into account such as location, size, shape, topography, utilities and land use; and cross referencing them with our findings, we are of the opinion that the subject land is reasonably priced at SAR 5,500 per square meter.

We can accurately reflect the Market Value of the subject land as follows:

Land Use	Land Area (m ²)	Price/m ² (SAR)	Market Value (SAR)
Commercial	17,444.21	5,500	96,000,000

2.12.10 COST APPROACH

In determining the value for the Built-Up Area (BUA) for the subject property, we have conducted the Cost Approach assuming the building is fully completed.

2.12.11 ASSUMPTIONS

Based upon our research and inquiries with private building contractors and developers, taking into consideration the prevailing 2020-21 prices of construction materials in Saudi Arabia, our assumptions used in the Cost Assessment is as follows:

Building Name	BUA (m ²)	Cost per m ² - new (SAR)
QBIC Plaza	37,588.33	3,700

Source: ValuStrat Research and Local Building Contractors & Developers

ValuStrat would stress that we are not Quantity Surveyors and the reported construction cost is only an estimate and is based upon reported costs of other similar construction in the market area of the subject and/or by recognized costing services.

2.12.12 BUILDING AGE/DEPRECIATION

Given that the subject property is still under-construction and although we had assumed it to be fully complete, hence, building depreciation is 0%.

2.12.13 BUILDING COST ASSESSMENT SUMMARY

The table below provides the summary of building cost assessment of the subject property based upon our aforementioned assumptions.

Building Name	BUA (m ²)	Cost per m ² (SAR)	% Depreciation	Depreciated Value (SAR)
QBIC Plaza	37,588.33	3,700	0%	139,000,000



2.12.14 VALUATION SUMMARY BY LAND PLUS COST APPROACH

Property Component	Market Value (SAR)
Land (Area = 17,444.21 m ² @ SAR 5,500/m ²)	96,000,000
*QBIC Plaza building	139,000,000
Total Value - Rounded (SAR)	235,000,000

**We would stress that we are not Quantity Surveyors and the reported construction cost is only an estimate and is based upon reported costs of other similar construction in the market area of the subject and/or by recognized costing services.*

2.13 VALUATION

2.13.1 MARKET VALUE

ValuStrat is of the opinion that the Market Value of the freehold interest in the subject property referred within this report, as of the date of valuation, based upon the Discounted Cash Flow (DCF) Approach and assumptions expressed within this report, may be fairly stated as follows;

Market Value (rounded and subject to details in the full report):

SAR 259,000,000 (Two Hundred Fifty-Nine Million, Saudi Arabian Riyals).

The client is advised that whilst all reasonable measures have been taken to supply an accurate valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's marketplace.

We are currently experiencing a very uncertain property market and due to the reduced level of transactions, there is an acute shortage of comparable evidence upon which to base valuations. Due to this shortage, it may be necessary at times for a Valuer to draw upon evidence which is of a historical nature.'

The valuation assumes that the freehold title should confirm arrangements for future management of the building and maintenance provisions are adequate, and no onerous obligations affecting the valuation. This should be confirmed by your legal advisers.

The value provided in this report is at the top end of the range for properties of this location and character and will necessitate that the property be maintained to a good standard to maintain its value.

2.14 MARKET CONDITIONS SNAPSHOT

2.14.1 MARKET ASSESSMENT, TIMES OF UNCERTAINTY (COVID-19 PANDEMIC) & VALUATION COMMENTARY OVERVIEW

It appears a positive outlook for the economy and real estate in 2022, despite uncertainty over potential impacts of COVID-19 Omicron variant and other risks. Volatility will remain from the effects of economic slowdown in China and rising oil prices; however, the disruption in 2021 was notable due to travel restrictions, labour shortages, supply chain disruptions inflation and threat of other pandemic variants are likely to ease going forward in 2022.



Equally, the discovery of the new Coronavirus mutation variant referred to as Omicron has triggered global alarm as countries rushed to suspend travel from South Africa along with stock markets suffered quickly across the globe in more than 12 months.

The outbreak of the pandemic COVID-19, 18+ months on remains a material factor in daily life and uncertain economic trends globally and in the middle east, though KSA has remained fairly resilient with PIF – sovereign wealth fund going from strength to strength. Through the unprecedented trial over the Coronavirus COVID-19 and the global spread of the virus, it has meant a significant impact on global financial markets as geographies experience continued spread and increase of pandemic cases. This has meant a global shutdown/lockdown of economies with most sectors affected.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization (WHO) as a “Global Pandemic” back on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries across the globe and continues to be restricted travel throughout 2021. Market activity is being impacted in many sectors. Prior to the global rapid spread of the virus and the announcement by the KSA authorities of an initial indefinite lockdown, the KSA real estate market was in a healthy position with many analysts predicting a strong 2020 for real estate (vision 2020) with the positive activity and investment by the government unveiling a number of reforms, including recent facilitation of the tourism visa, where citizens of 49 countries are now able to apply e-visas and holders of Schengen, UK or US visas are eligible for visas on arrival.

Also, the government has now allowed the full foreign ownership of retail and wholesale operations along with previously opening up of the Tadawul Stock Market to foreign investment supported by current energy reforms, cutting subsidies, creating jobs, privatising state-controlled assets and increasing private sector contribution to the country’s economy, etc. With all the opportunities throughout the Kingdom and the creation of the Giga projects, there was an ambitious resilience which was suddenly shutdown overnight due to the initial lockdown period. With all the current uncertainty, market stagnation and short-term challenges whereby force majeure (as a result of the pandemic’s cause beyond anyone’s reasonable control) had created inactivity. As mentioned above the KSA market’s ambitions and resilience, we understand investor sentiment remains strong as it was prior to the pandemic and the KSA was on an upward course showing growth in the last quarter of 2019 after a period of subdued market conditions.

The current global crushing of liquidity in economies will have impact on markets and real estate market and this maybe the case with many economies across the globe; however, the KSA market has shown resilience in previous years through a period of downward trend (2016-18), a correction allowing for the market to bottom out with 2019 experiencing growth in the first quarter and subdued market conditions throughout 2019. The latter part of Q4 – 2019 saw positive growth with strong

investor appetite, though the market lacking good quality stock. Now with the Saudi government confirming a stimulus package of SAR 120 billion plus, we understand the market will bounce back with investors underlying strong appetite. This will delay any evidence in the short term of declining prices and with the government stimulus will assist any short-term losses on transactions, private and public funds, although will need to be sustained in the short-term.

The KSA real estate sector generally follows the fortunes of the greater economy and while the oil reserves were left off prior to the pandemic fairly strong, although currently a price war between major producers is adding to a growing supply glut, though this will help KSA once markets start normalizing again. The KSA economy remains stable and backed-by strong fundamentals of the KSA market (i.e. young growing population) and also the economic transformation plan transforming the Kingdom towards a service economy post-oil era.

In short, the pandemic is expected to be a short-term shock wave with an eventual surge of business activity leading to a rapid recovery either in the form of a “V-shape” or a more gradual recovery in the form of a “U-shape” bounce back. Accordingly, we expect the KSA market to surge in business over the course of 2021 allowing for markets to start flourishing towards long term sustainability in social trends and patterns along with socio-economic distancing in a growing cycle. On the other hand, should the global economic impact of the Coronavirus pandemic (COVID-19) outbreak persist and will be dependent on how long the virus lasts, how far it spreads and how much lock-down, public organizations quarantines disrupt the market. Indeed, the current response to COVID-19 means that we are faced with unprecedented set of circumstances on which to base judgement(s). There is strong evidence that real estate markets have sprung back to strong activity and growth fairly quickly as we are experiencing in the Kingdom of Saudi Arabia.

Equally, the short-term generally speaking we do not expect the current real estate market to show any small adjustment in prices/rates. The KSA real estate market is a developing market with much invested by the government in infrastructure projects, so we expect the government's latest stimulus to preserve liquidity and for demand to hold having limited / no bearing on prices / rates. However, should the pandemic persist throughout 2021, we do expect adjustment later on in the year.

Our valuation(s) is / are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached 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 you keep the valuation of this property under frequent review.

2.14.2 MARKET CONDITIONS PRIOR TO THE PANDEMIC & THE KSA LOCKDOWN

Despite a new wave of infections (Variant Viruses) this year (2021), the roll out of vaccinations offers hope in controlling this disease and provide a path of recovery in sight along with recovery in oil price provides further impetus.

The Kingdom of Saudi Arabia (KSA) - world's largest exporter of crude oil, embarked four years (2016) ago on an ambitious economic transformation plan, "Saudi Arabia Vision 2030". In a hope to reduce its reliance on revenue from hydrocarbons, given the plummeting oil price revenues from 2014.

Through the current vision 2030 and in a post oil economy, KSA is adapting to times of both austerity measures and a grand ambitious strategy. With an overdue diversification plan Saudi Arabia's economic remodelling is about fiscal sustainability to become a non-dependent nation of oil. This is supported by current energy reforms, cutting subsidies, creating jobs, privatising state-controlled assets and increasing private sector contribution to the country's economy.

Despite economic headwinds, across the region, KSA has shown resilience through a period of subdued real estate market activity. The real estate sector generally follows the fortunes of the greater economy and whilst Saudi Arabia is undergoing structural reforms politically, economically and socially will transform the Kingdom towards a service economy post-oil era.

These changes along with significant amounts of investment - estimated to soon be over 1 trillion US dollars will create vast amounts of opportunities for the public and private sectors across all businesses segments.

The KSA economy in the first quarter of 2019 has relied on the current oil price rise to pull it out of recession; however, the previous 18-24 months, KSA faced a protracted spell of economic stress, much of which can be attributed to the falling oil prices coupled with regional political issues.

Oil prices starting to surge again around 65 dollars a barrel currently from under 30 dollars a barrel in early in 2016 which resulted in a crash in prices and the economy dipped into negative territory in 2017 for the first time since 2009, a year after the global financial crisis.

General consensus anticipates a piercing improvement in the Saudi economy in the period ahead (2021-2022), supported by both the oil and non-oil sector. So ultimately it appears the economy will still need to rely on oil revenues to bridge the gap in the short term with a budget deficit over the past 3 years and the Kingdom borrowing from domestic and international markets along with hiking fuel and energy prices to finance the shortfall. The economy slipped into recession in 2018 but returned to growth in 2019, albeit at the fairly modest level of 1.7%, according to estimates from the International Monetary Fund (IMF). However, the return to growth is mainly due to a return to increase in oil prices again and output which, in turn, is enabling an increase in government spending.



Accordingly, in the short term needs to rely on the oil revenue and this reliance is being channelled into public spending. The reforms that have been pushed through to date have led to important changes aiding the economy.

The opening up of the entertainment industry will create jobs for young locals and women driving makes it easier for millions more people to enter the workforce. Reforms to the financial markets have led indexing firms to bring the Saudi Stock Market (Tadawul) into the mainstream of the emerging markets universe which now assists to draw in many billions of investment dollars.

A due enactment of law will encourage public-private partnerships to herald more foreign investment.

The economic transformation that the KSA has embarked upon is complex and multidimensional and will certainly take time to turn around a non-oil serviced economy, although there have been recent positive signs, but it will remain in the short term with the support of oil revenues.

On the other hand, the KSA was resilient in the previous recession in 2007/2008 on strong oil reserves and not only can the Saudi government be relied upon to step in to rescue troubled lenders, reliable institutions for procedural reasons but crucially, it can also afford to do so, although has suffered due to previous oil price declines and it has meant increased spending.

Vision 2030 to diversify the economy from reliance on oil, has only just commenced in previous years and with a young and increasingly well-educated population, together with its own sovereign wealth fund, the Kingdom has many favourable factors to become a leading service sector economy in the region. Reform efforts include a reduction of subsidies on fuel and electricity and the implementation of a 5 per cent VAT back on 01 January 2018 which increased to 15 per cent VAT as of 01 July 2020.

The government is also striving to get women to play a greater role in the economy including recently allowing them to drive back in 2019. Wider reforms have been initiated by the government allowing for the entertainment industry to flourish with the opening of the first cinema in King Abdullah Financial District (KAFFD) along with 4 VOX screens opening at Riyadh Park Mall.

The cinema entertainment is spurred on by Public Investment Fund (PIF) in collaboration with AMC Cinemas and led by the Development and Investment Entertainment Company (DIEC), a wholly owned subsidiary of PIF.

With an objective of 30 to 40 cinemas in approximately 15 cities in Saudi Arabia over the next five years, and 50 to 100 cinemas in about 25 Saudi cities by 2030.

As part of wider reforms to overhaul the economy and to allow for deep rooted diversification, the Public Investment Fund (PIF) have initiated plans to bolster the tourism / entertainment industry by forming ambitious plans such as the following:

Red Sea Tourism Project

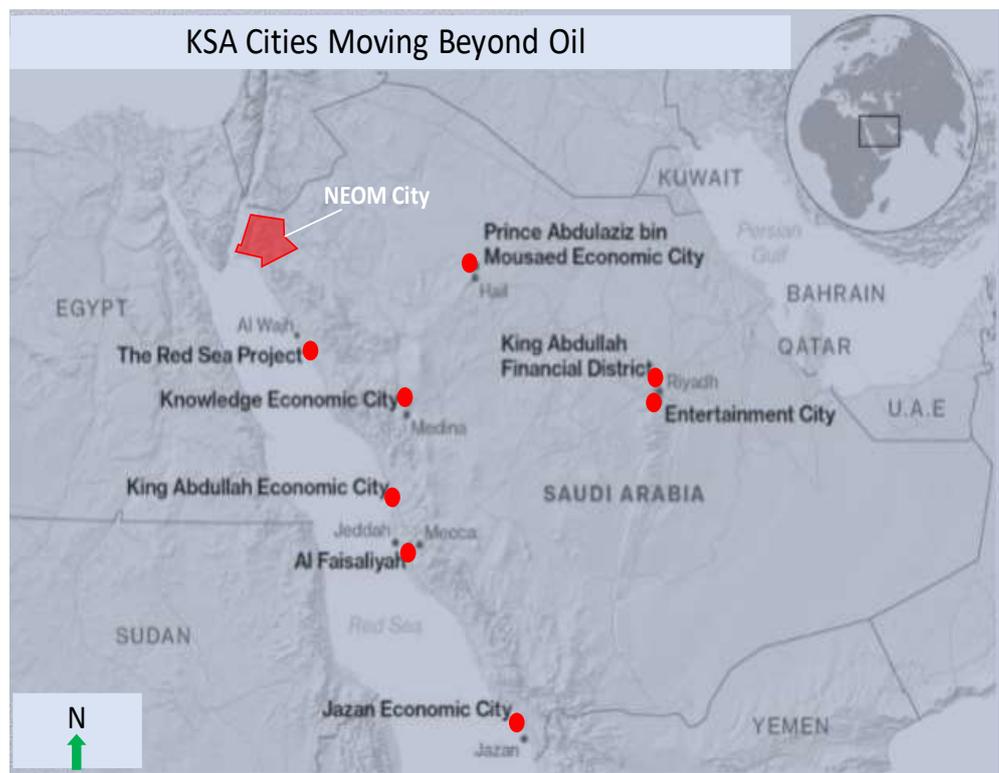
To transform 50 islands consisting of 28,000 square kilometres along the Red Sea coastline into a global tourism destination. For ease of reference to illustration below showing the location in relation to the Kingdom of Saudi Arabia.

Al Faisaliyah Project

The project will consist of 2,450 square kilometres of residential units, entertainment facilities, an airport and a seaport. Refer to the below illustration for the location.

Qiddiya Entertainment City

Qiddiya Entertainment City will be a key project within the Kingdom's entertainment sector located 40 kilometres away from the center of Riyadh. Currently alleged for "The First Six Flags-branded theme park". The 334 square kilometre entertainment city will include a Safari Park too. The project will be mixed use facility with parks, adventure, sports, events and wild-life activities in addition to shopping malls, restaurants and hotels. The project will also consist around 4,000 vacation houses to be built by 2025 and up to 11,000 units by 2030. Again, for ease of reference refer to the below illustration for the location.

Neom City

The NEOM city project will operate independently from the "existing governmental framework" backed by Saudi government along with local and international investors.

The project will be part of a ‘new generation of cities’ powered by clean energy. The ambitious plan includes a bridge spanning the Red Sea, connecting the proposed city to Egypt and stretch into Jordan too.

Economic Cities

The overall progress with the Economic Cities has been slow and projects on hold over the past 7-10 years, although KAFD has recently given the go ahead to complete by 2020. Within the Saudi Vision 2030 the governed referenced that they will work to “salvage” and “revamp”.

Real Estate Growth

Overall ValuStrat research reveals that real estate sectors have continued to decline in both sales and rental values.

We expect demand to remain stable due to fundamentals of a growing young population, reducing family size, increasing middle-class and a sizeable affluent population – all of which keeps the long-term growth potential intact. Despite short term challenges, both investors and buyers remaining cautious, the Saudi economy has shown signs of ambition with the government unveiling a number of reforms, including full foreign ownership of retail and wholesale operations along with opening up of the Tadawul Stock Market to foreign investment as well as the reforms mentioned in the previous section referred above.

As mentioned earlier, KSA experienced positive growth by oil price rise in the first quarter of 2021; hence the main driver of the recovery remains oil. Over 2021 we envisage the Kingdom’s consumer outlook to be more favourable in economic conditions. Moreover, tax on development land implemented in 2017/18 has kept the construction sector afloat, encouraging real estate developers. Adapting to a new KSA economic reality has been inevitable, although the Kingdom’s oil dynamics remain pivotal for future development within the KSA 2030 economic vision plan. In latter part of 2017, the Public Investment Fund (PIF), Saudi Arabia’s sovereign wealth fund set up a real estate refinancing company aimed at advancing home ownership in the Kingdom, which suffers from a shortage of affordable housing. This initiative will create stability and growth in the Kingdom’s housing sector by injecting liquidity and capital into the market. Another plan to help kick start the real estate market by boosting the contribution of real estate finance to the non-oil GDP part.

The real estate sector has played an increasingly important role in the Saudi Arabian economy. Growing demand across all sectors combined with a generally limited supply has forced real estate prices to accelerate over the past (2008-2016). The close ties with the construction, financing institutions and many others have provided crucial resources that contributed to the development of the Saudi economy. The real estate market performance in 2019/20 and the general trend in KSA for most sectors have remained subdued given lower activity levels, while prices have been under pressure across most asset classes leading to a gradual softening of rental and sale prices.



The real estate sector remains subdued, and prices may have bottomed out across sectors, and we expect in the medium to long term for the market to pick-up further growth given the reforms and transformation in KSA, although we expect the growth to be slow and steady subject to a stable political environment in KSA and across the region.

The outlook remains optimistic for the longer term due to the various KSA initiatives aimed at stimulating the real estate market whilst encouraging the private sector to play a key role in the transformation.

All in all, market volatility remains currently, and prices are likely to witness further deterioration in the short term. Since the issuing of this report the KSA lockdown for the COVID-19 health crisis was lifted back on 21 June 2020 and the economy is now trying to get back to normalcy.

A watching brief should be kept on the economy, although we expect the economy to gather some pace later in 2022.

Property values are subject to fluctuation over time as market conditions may change. Valuation considered full figure and may not be easily achievable in the event of an early re-sale. It must be borne in mind that both rental and capital values can fall as well as rise.

2.15 VALUATION UNCERTAINTY

This valuation has been undertaken against a background of significant levels of Market volatility is one of the main reasons of Valuation uncertainty in the real estate market in the Kingdom and within the GCC region given the dramatic changes in markets in current oil price slump and other factors too. We are currently experiencing a very uncertain property market and due to the reduced level of transactions, there is an acute shortage of comparable evidence upon which to base valuations.

Given the current uncertainties it may be necessary at times for a Valuer to draw upon evidence which is of a historical nature. The current shortage of transaction, combined with a rapidly changing market only serves to highlight the unpredictability of the current market, which is subject to change on a day by day basis.

The RICS valuation standards consider it essential to draw attention to foreseen valuation uncertainties that could have a material effect on valuations, and further advises to indicate the cause of the uncertainty and the degree to which this is reflected in reported valuations.

We further state that given the valuation uncertainty stated above our valuation represents our impartial calculated opinion / judgement of the properties, based on relevant market data and perceptions as at the date of valuation.

The client is advised that whilst all reasonable measures have been taken to supply as accurate a valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's marketplace.

The client is also recommended to consider the benefits in such a market, of having more frequent valuations to monitor the value of the subject property.

2.16 DISCLAIMER

In undertaking and executing this assignment, an extreme care and precaution has been exercised.

This report is based on information provided by the Client. Values will differ or vary periodically due to various unforeseen factors beyond our control such as supply and demand, inflation, local policies and tariffs, poor maintenance, variation in costs of various inputs, etc.

It is beyond the scope of our services to ensure the consistency in values due to changing scenarios.

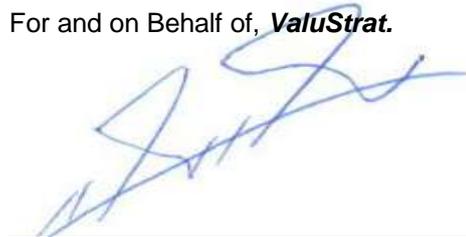
2.17 CONCLUSION

This report is compiled based on the information received to the best of our belief, knowledge and understanding. The information revealed in this report is strictly confidential and issued for the consideration of the Client.

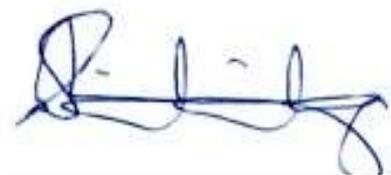
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This report is issued without any prejudice and personal liability.

For and on Behalf of, **ValuStrat**.



Mr. Ramez Al Medlaj (Taqeem
Member No. 1210000320
Valuation Manager, Real Estate



Mr. Yousuf Siddiki (Taqeem Member
No. 1210001039)
Director - Real Estate, KSA



Private & Confidential

SNB Capital, Riyadh, KSA – Dec 2021

APPENDIX 1 - PHOTOGRAPHS



APPENDIX 2 – DISCOUNTED CASH FLOW (DCF) EXTRACT

DISCOUNTED CASH FLOW (DCF) EXTRACT												
QBIC Plaza												
Riyadh, KSA												
Tenure:	Freehold											
Growth Rate	0.00%											
Void Costs	2.50% of All Voids											
Year	1	2	3	4	5	6	7	8	9	10	Exit Value	
Gross Revenue (Rental)												
QBIC Plaza	21,613,000	21,613,000	21,613,000	20,532,320	20,532,320	20,532,320	25,800,000	25,800,000	25,800,000	25,800,000		
Total Rent (Full Rental Value)	21,613,000	21,613,000	21,613,000	20,532,320	20,532,320	20,532,320	25,800,000	25,800,000	25,800,000	25,800,000		
Average Occupancy Rate	100%	100%	100%	100%	100%	100%	85%	85%	85%	85%		
Gross Current Rent	21,613,000	21,613,000	21,613,000	20,532,320	20,532,320	20,532,320	21,930,000	21,930,000	21,930,000	21,930,000		
Operational Expenses												
General Maintenance	3.0%	-	-	-	-	-	657,900	677,637	697,966	718,905		
Ins Exp Buildings	2.0%	-	-	-	-	-	438,600	447,372	456,319	465,446		
Electricity Expense	2.0%	-	-	-	-	-	438,600	447,372	456,319	465,446		
Marketing	3.0%	-	-	-	-	-	657,900	677,637	697,966	718,905		
Total Operational Expenses		-	-	-	-	-	2,193,000	2,250,018	2,308,571	2,368,702		
Void Costs		-	-	-	-	-	96,750.00	96,750.00	96,750.00	96,750.00		
Net Current Rent		21,613,000	21,613,000	21,613,000	20,532,320	20,532,320	20,532,320	19,640,250	19,583,232	19,524,679	19,464,548	241,556,706
Present Value of Net Rent		19,471,171	17,541,596	15,803,239	13,525,275	12,184,933	10,977,417	9,459,892	8,497,683	7,632,681	6,855,112	143,352,148





Dubai, United Arab Emirates

Office 702, Palace Towers,
DSO, Dubai, UAE

Phone +971 4 326 2233
Email Dubai@valustrat.com

London, United Kingdom

Roxburghe House, 273-287 Regent St.
London W1B 2HA, United Kingdom

Phone +44 796 338 2486
Email London@valustrat.com

Riyadh, Saudi Arabia

6th Floor, South Tower,
King Faisal Foundation Building,
Al Fasiliah Complex, Riyadh, KSA

Phone +966 11 293 5127
Email Riyadh@valustrat.com

Doha, Qatar

Office 503, QFC Tower 2,
West Bay, Doha, Qatar

Phone +974 4 496 8119
Email Doha@valustrat.com

Jeddah, Saudi Arabia

111 Jameel Square,
Tahlia Road, Jeddah, KSA

Phone +966 12 283 1455
Email Jeddah@valustrat.com

Karachi, Pakistan

H. No. 50/II, Khayaban-e-Shamsheer,
Phase V, DHA, Karachi, Pakistan

Phone +92 213 520 2904
Email Karachi@valustrat.com

