Valuation report

Al Andalus Mall and Hotel, Jeddah, Kingdom of Saudi Arabia

Prepared for **NCB Capital / NCB**

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Contact details

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Executive summary

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.

Address	Al Andalus Mall and Al Andalus Hotel, Old Airport, Al Fayhaa District, Jeddah, Kingdom of Saudi Arabia.
Location	The property is located in the Al Fayhaa district of Jeddah in the Western Province of the Kingdom of Saudi Arabia (KSA). The property is located at the junction of Prince Majid Road (Highway #70) and King Abdullah Road (Highway #45), just south of a large roundabout / interchange. The site is bounded by the districts of Al Worood and Al Naseem to the north of the subject and Jeddah Gate to the west. Prince Majid Road is one of the major north – south arterial highways linking the north of Jeddah and the international airport with the south of Jeddah. The King Abdulaziz International Airport is located some 18 km to the north west, with a driving time of 30-40 minutes depending on traffic conditions. Jeddah Islamic Port is located some 6 km to the west of the subject.
Description	The property comprises a large retail shopping mall known as Al Andalus Mall, together with Al Andalus Hotel, a deluxe serviced apartment. The hotel establishment was previously operated by InterContinental Hotels Group (IHG) under the Staybridge Suites brand with a 5-Star classification certificate, which opened to the public on the 23rd May 2017. The mall is a well-established super-regional mall which has over 3,000 car parking spaces and is anchored by Hyper Panda. Built over two principal shopping floors, the main anchor tenant is located on the First Floor level, underneath which is substantial covered parking below at ground level. The mall has a number of entrances from both sides of the mall allowing effective pedestrian circulation. The serviced apartment building consists of B+G+16 floors and extends to 164 guest rooms, also accommodating extensive parking at podium level. The unit inventory comprises studios, 1 bed and 2 bed suites, with the majority (90 keys) being 1 bed suites. The client has recently acquired a plot of land adjacent to the mall for an extension, and this land is now taken into account in this valuation report.
Tenure	Freehold
Tenancies and Occupancy	As at the valuation date, Al Andalus Mall is 97% occupied based on GLA. The lease terms generally range in length from 1 year to 12 years, with the majority of leases being 1-3 years in length. The exceptions to the above include the lease for the Hyper Panda supermarket which has a 20 year lease term and the cinema lease which is for 15 years.

Executive summary cont.

Valuation Key Assumptions - Al Andalus Mall

Item	Unit	Assumption
Passing Rent	SAR per annum	131,389,589
Operating Costs	SAR per annum	25,454,596
Stabilised Occupancy	%	95%
Yield	%	8.75%
Growth	%	2%
Discount Rate	%	10.75%

Valuation Key Assumptions - Hotel

Our projections are prepared in accordance with the Uniform System of Accounts for the Lodging Industry (USALI) as used by the hotel and leisure industry worldwide.

We have made a number of assumptions within our valuation which we have listed below:

- The valuation is based on the EBITDA of the serviced apartment, with an allowance for the terms and fees included in the hotel management agreement.
- The valuation given includes furniture, fittings, equipment and operational supplies that are necessary for the hotel as a going concern.
- We were not provided with the classification certificate for the operating hotel and therefore we have assumed that the hotel would continue to acquire an operating classification certificate as a 5-Star hotel.
- Unless otherwise stated, ADR (Average Daily Rate) in our calculations is inclusive of service charges, but exclusive of tax and municipality fees.
- Our cash flow is prepared on the basis of a calendar year. Year 1 of the cash flow starts from the date of valuation.
- The client has terminated the hotel management agreement with Holiday Inns Middle East under the Staybridge Suites brand and as per the client, is in an advanced discussion with another reputable international operator. Therefore, we have assumed that the operator / brand appointed would be similar to that of Staybridge Suites. We have assumed that this new operator would continue to manage the subject property effectively and efficiently under a 5-Star deluxe serviced apartment positioning.
- We were not provided with the revised commercial terms under the new management agreement and therefore have had to rely on industry standard fee structures that are typically offered by hotel operators for the Jeddah market. These terms are assumed to prevail over a 15-year term and come into effect in 2021.
- During the transition of operators, we have assumed that the property will continue to remain open for business and be owner operated. Furthermore, our projections take into

Executive summary cont.

account that the new operator would be appointed and running the operations of the hotel by Q1 2021. A delay in appointing the new operator would impact the projections.

- Typically, when a new hotel operator takes over an existing branded operational hotel, there are costs associated with re-branding, FF&E upgrades, etc. Typically, these costs are borne by the owner; however, we have been informed by the client that the costs related to re-branding and the costs related to any minor FF&E upgrades will be covered by the accrued FF&E reserve from the previous years.
- The subject hotel has all relevant documentation and permissions required from the relevant planning and trading authorities in Jeddah, KSA.
- We have assumed the rate of inflation to be 2 percent per annum.
- We have adopted a discount rate of 11.25 percent and a terminal capitalisation rate of 9.25 percent for the hotel cash flow.
- We have adopted the 9.25 percent capitalisation rate to show the subject property as a deluxe, internationally branded asset, located in the area of Al Fayha District, an emerging international leisure and corporate destination in the city of Jeddah.

Valuation considerations

Retailers across the board are generally finding the current trading conditions difficult as most non-essential retailers ceased operations during the majority of Q2 2020. The retail sector is beginning to regain traction as stores resume trading under restrictions set out by the government. Implications are expected to impact the retail market further due to the increase in VAT from 5% to 15%, which will impact tenants overall costs of occupation.

The mall is well positioned in the market, with a popular mid-market anchor in Hyper Panda. It has excellent parking facilities, a good tenant mix and the offering was enhanced with the opening of the hotel suites in 2017.

With poor economic cues from Europe and the current volatility in the global oil prices, the regional real estate investment market has shifted focus to high quality best-in-class assets, mostly, if not only, income producing. In summary, appetite for best-in-class products in the region is still strong for specific property types and locations. However, investors are being careful and very selective in choosing such assets and given the geopolitical and economic uncertainties, purchase of bare undeveloped land currently does not seem to be their preferred investment strategy, unless finance on good terms has been secured.

Few malls of this size openly transact and we feel this offers a good option, being well let, firmly anchored and with a diverse offering of F&B and leisure to attract families. Ongoing works are to enhance the food court and entertainment offering further.

Due to the large lot size of the asset, the able pool of buyers for an asset of this type and size is limited, typically to sovereigns, large funds or big development companies. The large lot size limits the buyer pool, when considered against smaller assets that have a wider

Executive summary cont.

	potential buyer base. Few malls of this size openly transact and we feel this offers a good option, being pitched at the mid income bracket, which is the demographic of the local area. Of the real estate asset classes globally, hospitality and retail have been the hardest hit globally due to the Covid 19 pandemic. Malls in the US and Europe where e-commerce was already impacting hugely have been devastated and owners are looking at repurposing or redevelopment in some circumstances. The mall landscape in Saudi is somewhat more positive as the mall serves as a gathering place and entertainment venue for families, therefore the direct impact of e-commerce has been less. KSA and other GCC countries have also fared much better than Europe, the UK and the US in dealing with Covid 19 to date, having their retailers re-open and having shorter and less sustained lock downs.
Valuation date	31 December 2020
Market Value (aggregate)	We are of the opinion that the (aggregate) Market Value of the properties subject to the caveats and assumptions detailed herein as at the valuation date is: **SAR 1,407,650,000** **(One Billion, Four Hundred and Seven Million, Six Hundred and Fifty Thousand Saudi Arabian Riyals)**
Market Value Analysis	Split on values between the two component parts is as follows: • Al Andalus Mall and Expansion Land– SAR 1,259,050,000 (One Billion, Two Hundred and Fifty Nine Million, Fifty Thousand Saudi Arabian Riyals) • Al Andalus Hotel - SAR 148,600,000 (One Hundred and Forty Eight Million and Six Hundred Thousand Saudi Arabian Riyals)
Property Risks	The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at returning

Executive summary cont.

to levels where an adequate quantum of market evidence exists upon which to base opinions of value.

In respect of the subject Properties, as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant / sufficient market evidence on which to base our judgements. Our valuation is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

For the avoidance of doubt this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the valuation cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

Contents

Executive summary 2

1 Instructions 10
Engagement of Knight Frank Spain Saudi Arabia Real Estate Valuation Company 10
Scope of enquiries & investigations 11
Valuation bases 11

2 The property 12
Location 12
Site 13
Description 14
Mall 19
Hotel 19
Services 20
Tenure - Hotel 20
Hotel Management Agreement 20
Condition 22
Hotel Competition 22
Business Commentary 23
Services 28
Legal title deed – Overall Property 28
Tenancies 29
Tenancy Schedules 30
Condition 30
Environmental considerations 30
Planning 31
Highways and access 31

3 Macro-economic analysis 32
Jeddah macro-economic analysis 44
Jeddah Retail Market 55
Comparables / Benchmarking 59
Jeddah Hospitality Overview 62
Jeddah Future Outlook 66
Jeddah – Existing Demand Generators 67
Jeddah– Upcoming Major Developments 70
Investment Overview – Retail 71
SWOT Analysis - Mall 73
Investment Overview – Hospitality 74
SWOT Analysis - Hotel 76

4 Valuation 77
Methodology 77
Valuation assumptions – Retail Mall and Land 77

	Andalus Mall Expansion Land	79
	Valuation assumptions – Hotel	81
	Valuation bases	82
	Valuation date	82
	Market Value	82
5	Risk analysis	85
	General comments	85
	Risks relating to the property	85
	Income risks	85
	Economic & property market risks	86
6	Signature	87

Appendices

Appendix 1 - Instruction documentation

Appendix 2 - Title Deed

Appendix 3 - Photographs

Appendix 4 - Floor plans

Appendix 5 - Building Permit

Appendix 6 - Profit & Loss - Hotel

Appendix 7 - Taqeem Certificates

1 Instructions

Engagement of Knight Frank Spain Saudi Arabia Real Estate Valuation Company

Instructions	1.1	We refer to your instructions and to our subsequent Terms of Engagement and General Terms of Business dated 05 December 2019, which was returned to us on the 30th December 2019, to provide a valuation report on Al Andalus Mall and Staybridge Suites, ("the property"). Copies of these documents are attached at Appendix 1.
	1.2	This valuation has been carried out in accordance with our General Terms of Business for Valuations ("General Terms of Business").
Client	1.3	Our client for this instruction is NCB Capital, acting as manager on behalf of Al-Ahli REIT Fund, a real estate investment traded fund on the Saudi Stock Exchange (Tadawul).
Valuation standards	1.4	This valuation has been undertaken in accordance with RICS Valuation – Global Standards 2020, incorporating the International Valuations Standards (IVS). The valuation also undertaken in accordance with the Saudi Authority for Accredited Valuers (Taqeem).
Purpose of valuation	1.5	You have confirmed that this valuation report is required for REIT reporting to the Saudi Capital Market Authority (CMA) for the semi-annual reporting of the market value (MV) in accordance with Taqeem regulations.
Conflict of interest	1.6	We have valued the property for the same client in 2017 for IPO purposes and in 2020 (June) for REIT reporting purposes. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.
	1.7	We are acting as External Valuers, as defined in the Red Book.
Responsibility to third parties	1.8	Our valuation report is only for the use of our Client and no liability is accepted to any third party for the whole or any part of its contents unless expressly agreed in writing.
Disclosure & publication	1.9	Neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
Limitations on liability	1.10	No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner or consultant of Knight Frank Spain Saudi Arabia Real Estate Valuation Company ("Knight Frank").Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Engagement of Knight Frank.
	1.11	Knight Frank's total liability for any direct loss or damage caused by negligence or breach of contract in relation to this instruction and valuation report is limited to the amount specified in the Terms of Engagement letter, a copy of which is attached. We do not accept liability for any indirect or consequential loss (such as loss of profits).

1.12 The above provisions shall not exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

Expertise 1.13 The valuer, on behalf of Knight Frank, with the responsibility for this report is Faissal Habassi MRICS, Manager, RICS Registered Valuer. We confirm that the valuer meets the requirements of the Red Book, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

Vetting 1.14 This report has been vetted as part of Knight Frank's quality assurance procedures.

Scope of enquiries & investigations

Inspection 1.15 We were instructed to carry out an inspection of the property. Our inspection of the property was undertaken on 08 December 2020 by Ibrahim Alrashed, Analyst.

Investigations 1.16 The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal / web based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.

Information provided 1.17 In this report we have been provided with information by NCB Capital (the Client), its advisors and other third parties. We have relied upon this information as being materially correct in all aspects.

1.18 In particular, we detail the following:

- Information relating to the extent of the property, produced by the client
- Information relating to the tenancy schedules, produced by the client
- Information relating to the operating costs / service management agreement costs as produced by the client.
- Copy of the title deed

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

Valuation bases

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

Market Value (MV) 1.21 The Market Value of the freehold interest in the property, in its current physical condition, subject to the existing leases and hotel management agreements.

Market Rent (MR) 1.22 The Market Rent of the property. Our letting assumptions are set out in the Valuation Section of this report.

Valuation date 1.23 The valuation date is 31 December 2020.

2 The property

Location

2.1 The property is located in the Al Fayhaa district of Jeddah in the Western Province of the Kingdom of Saudi Arabia (KSA). The property is located at the junction of Prince Majid Road (Highway #70) and King Abdullah Road (Highway #45), just south of a large roundabout / interchange. The site is bounded by the districts of Al Worood and Al Naseem to the north of the subject and Jeddah New City / Jeddah Gate to the west. Prince Majid Road is one of the major north – south arterial highways linking the north of Jeddah and the international airport with the south of Jeddah.

The King Abdulaziz International Airport is located some 18 km to the northwest, with a driving time of 30-40 minutes depending on traffic conditions. Jeddah Islamic Port is located some 6 km to the west of the property.

Source: Google Earth maps modified by Knight Frank

2.2 The plan below shows the micro location of the property.

Source: Google Earth maps modified by Knight Frank

Site

Site area 2.3 We have been provided with a copy of the title deed, from which we understand that the mall and hotel have been developed over 159,133.96 sq m of land. The expansion land (recently acquired) extends to 9,668.92 sq m.

Site plan 2.4 The property is identified on the Google Earth image below, showing our understanding of the boundary outlined in red:

2.5

Source: Google Earth maps modified by Knight Frank

Description

Al Andalus Mall 2.6 The property comprises a super regional retail shopping mall known as Al Andalus Mall, together with an attached serviced apartment tower which opened on 23rd May 2017 and was until recently branded and operated by Staybridge Suites (part of the Intercontinental Hotels Group) and is physically connected into the north west corner of the mall. The mall opened in July 2007 and is therefore over 12 years old at the date of this report. A small extension was added to the mall and completed in 2016.

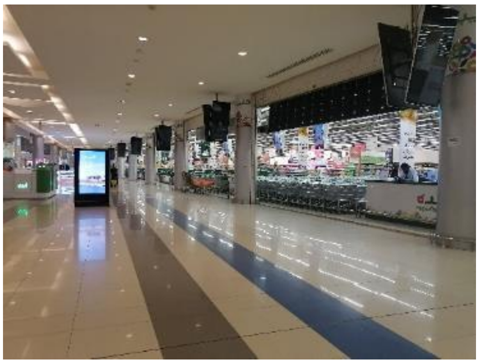
The mall is a well-established super-regional mall which has over 3,000 car parking spaces and is anchored by Hyper Panda supermarket. Built over two principal shopping floors, the main anchor tenant is located on the First Floor level, underneath which is substantial covered parking below at ground level. The mall has a number of entrances from both sides of the mall allowing effective pedestrian circulation.

2.7 The mall is built of traditional reinforced concrete construction, with the roof structure being of a series of steel framed sections with waterproof membrane over parts, with other parts (especially the roof of the Hyper Panda) being a flat concrete structure.

2.8 The mall is served by formal entrances to the front, rear and ends of the mall for pedestrians, with one gate being the focal point for entry of vehicles for display and larger attractions etc. Parking is provided to the rear, partly under the Hyper Panda and thus covered / shaded and to the front at grade.

Expansion Land 2.9 NCB have recently acquired a 9,668.92 sq m plot of land which is zoned for mixed use. The site benefits from access from all four roads that it is bound by. The site is surfaced with tarmac and arranged as a car park, although no cars were parked on site at the date of inspection.

2.10 A selection of photographs taken during our inspection are below:

Al Andalus Hotel

2.11 Al Andalus Hotel is a deluxe serviced apartment adjacent to Al Andalus Mall in Jeddah, KSA. The subject property opened its doors to the public on 23rd May 2017 and was previously (until recently) operated by InterContinental Hotel Group (IHG) under the Staybridge Suites brand. However, to date, InterContinental Hotel Group (IHG) are no longer managing the property, and the property continues to be owner-operated. The client has informed us that discussions are currently ongoing, which are at an advanced stage of negotiations to appoint a reputable international operator and brand similar to that of IHG's Staybridge Suites brand.

The total built up area for the subject property is 18,820 square metres, this is made up over B+G+16 floors, providing 164 guest rooms, 236 parking spaces, 7 meeting rooms, 2 F&B outlets, 2 male massage rooms, swimming pool, tennis court and gymnasium.

2.12 Guest Rooms

There are 164 guest rooms split into 3 room types; Studio, one bedroom and two bedroom.

The units are fitted to a deluxe serviced apartment specification. All guest rooms comprise a fitted kitchen with working white units, bedroom, living room and bathroom fixtures and fittings.

Exhibit 1: Room Breakdown

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

2.13 Food and Beverage Outlets

There are 2 food and beverage outlets in the subject property. These are highlighted below;

The all-day dining option accommodating 75 covers and offering breakfast, lunch and dinner.

The Lobby Café is a healthy option located on the ground floor, offering no covers, with a stronger focus on a 'grab and go' concept for passing trade from guests entering and exiting the building.

It should be noted there are numerous F&B options provided in Al Andalus Mall and as the property is positioned as a serviced apartment, the F&B offering is typically limited, as the concept of the accommodation offers kitchens and kitchenettes in the guest rooms.

Exhibit 2: F&B Breakdown by type and location

F&B Outlets	Type	Level
Lobby café	Grab and go	Ground Floor

All Day Dining	Breakfast, Lunch, Dinner	1st Floor

2.14 **Leisure Facilities:**

The leisure facilities comprise -

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

2.15 **Meeting and Conference Facilities**

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

Exhibit 3: Meeting Room breakdown

Meeting Room	Area	Level
Meeting Room 1	62 Sq m	1st Floor
Meeting Room 2	72 Sq m	1st Floor
Meeting Room 3	785 Sq m	2nd Floor

2.16 A selection of photographs taken during our inspection are below:

Hotel Exterior

Hotel entrance

Lobby reception


Lobby entrance


All Day Dining Restaurant


Outdoor swimming pool


Gymnasium


Guest floor corridor


Guest room – 1-bed suite


Guest room – living area

Guest room – kitchenette

Guest room – bathroom

Mall

Retail Mall 2.17 As agreed with the client, we have relied upon floor areas provided to us by the client. No further verification has been undertaken.

2.18 An extension was added to the mall in 2016, this is now fully let and income producing.

Ground Floor 2.19 The ground floor is accessed via 7 different "Gates" on each sides of the mall, strategically placed to access the mall from the car parks. There are numerous large kiosks arranged around the ground floor in the two main corridors running east / west along the length of the mall and also around the central atrium area as well as around the main gates to the mall. Gates 2 and 5 are the most centrally located gates to the mall, being located in the centre, from the front and rear respectively. We understand the mall management are trying to obtain consent to create two more entrances to the mall from the rear side.

2.20 The ground floor is effectively anchored with Centre Point at one end of the floor and other mini anchors including Riva, Kiabi, H&M, Mango and Paris Gallery arranged throughout the ground level.

First Floor 2.21 The first floor is anchored by Hyper Panda who take up a large proportion of the first floor GLA. The other major uses on the first floor include the Fun Zone and the Food Court.

2.22 Aside from Hyper Panda, the other anchors on the first floor level include Red Tag, Home Box and H&M. The Hyper Panda space extends out over the ground floor parking area, so the GLA of the first floor is much larger than that of the ground floor level.

Other 2.23 Other accommodation includes store rooms which are located to the rear perimeter of the car park and comprise a series of concrete storage rooms which are let to tenants for storage purposes.

Hotel

Measurement 2.24 The building has been purpose built as a serviced apartment by the master developer; it has been fitted and furnished to a deluxe serviced apartment specification.

2.25 As agreed with the client, we have relied upon the room facilities and details provided to us by NCB Capital. No further verification has been undertaken.

Services

2.26 In accordance with the General Terms of Business, no tests have been undertaken on any of the services.

2.27 We have assumed for the purposes of this valuation that mains gas, water, electricity, drainage and telecommunications are all available to the subject property.

Tenure - Hotel

Commercial Register

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

- Type: Limited Liability Company
- Main HQ: Riyadh, Kingdom of Saudi Arabia
- Date Established: 14 December 2017
- Trade Name: Alandalus Mall Staybridge Jeddah Hotel
- Address: Prince Majid Street, Al Fayha District, Jeddah
- Activity: 24th February 2016 gaining the tourist accommodation licence

Classification

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

Covenant

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

2.31 We reserve the right to amend our valuation accordingly in the event the above assumption is proven to be incorrect.

Hotel Management Agreement

2.32 The hotel started operating three years back under a 15 year management agreement under the Staybridge Suites brand, part of InterContinental Hotels Group (IHG). The agreement was dated 17th June 2013 and made between Alandalus Property Company (owner) and Holiday Inns Middle East Limited (Operator). However, the client has informed us that they have terminated the agreement with Holiday Inns Middle East Limited (Operator) and are in advanced discussions with another reputable international hotel operator, which will take over the subject property with the same positioning as a deluxe 5-Star serviced apartment. During this transition, the property remains open and is owner operated until the new international operator is appointed.

The client has not provided us with the commercial terms of the potential new international operator, and therefore we have assumed that the fees would not be inferior to the ones provided by Holiday Inns Middle East.

As a result, we have assumed the following key heads of terms for the new hotel management agreement for the subject property. These commercial terms broadly reflect the current terms that are currently being offered in the market by hotel operators.

2.33 We summarise the salient details of the hotel management agreement below as follows:

Exhibit 4: Hotel Management Agreement

Property:	164 key 5 star serviced apartments located adjacent to Al-Andalus Mall in Jeddah
Name:	To be determined; however, it is assumed to be an international operator and brand that is equivalent or more superior to that of Staybridge Suites.
Term:	15 years from HMA signature
License Fee:	• 1.5% of Gross Revenues in years 1-3. • 1.75% of Gross Revenues in year 4 and thereafter.
Incentive Management Fee:	7.0% of Adjusted Gross Operating Profit (AGOP) AGOP is defined as Gross Operating Profit minus License Fee.
Marketing Contribution:	2.0% of Gross Rooms Revenue
Reservation Contribution:	1.0% of Gross Rooms Revenue
FF&E Reserve:	• 2% of Gross Revenues – first year of operations under new management • 3% of Gross Revenues – second year of operations and thereafter

When a new hotel operator takes over an existing branded operational hotel, there are costs associated with re-branding, FF&E upgrades, etc. Typically, these costs are borne by the owner; however, we have been informed by the client that the costs related to re-branding and the costs related to any minor FF&E upgrades will be covered by the accrued FF&E reserve from the previous years.

Because of the appointment of a new operator and anticipated new furnishings that will be included in the hotel, we have included an FF&E Reserve for the first year of our projections at 2 percent, and 3 percent from the second year and thereafter.

Condition

Scope of inspection

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

Comments

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

Ground Conditions

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

Hotel Competition

Hotels of Competitive Relevance

2.37 **Competition**

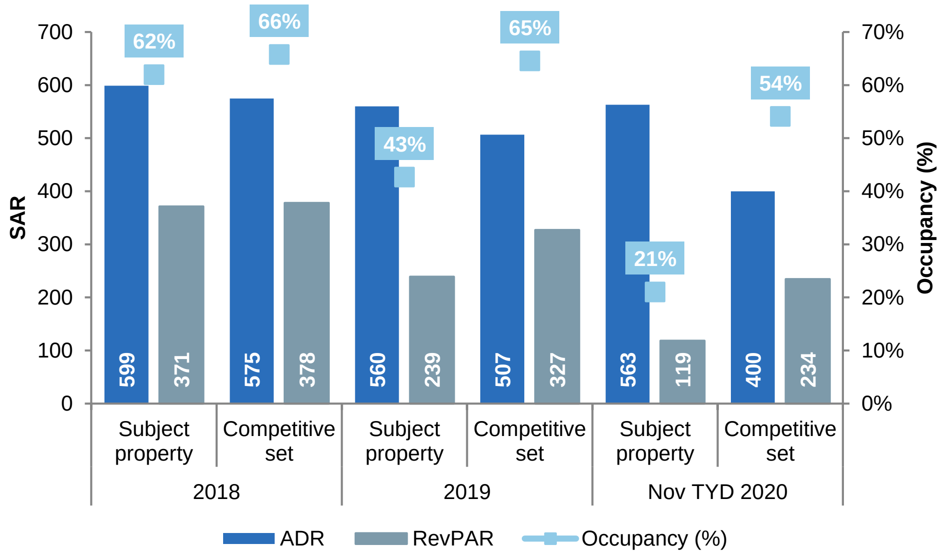
We have been provided with an analysis of the competitiveness of the subject property against a selection of similar serviced apartments, that the previous operator and owner feels most relevant to the subject property, Jeddah, in terms of location, facilities & rooms offered, guest profile etc. The chosen serviced apartments which have been included in the competitive set have been provided below:

Competitive set

- Amjad Hotel Royal Suite Jeddah (formerly known as Radisson Blue Royal Suite Hotel)
- Ascott Tahlia Jeddah
- Citadines Al Salamah Jeddah
- Radisson Blu Plaza Hotel Jeddah
- Novotel Jeddah Tahlia Street

2.38 The performance of the subject property versus the competitive set is showcased in the next exhibit.

Exhibit 5: Subject Property Vs. Competitive Set



2.39 Over the periods observed (full year 2018 and 2019, and Nov YTD 2020), the subject property recorded lower occupancy rates compared to the competitive set (especially in 2019 and Nov YTD 2020, which was primarily attributable to the impact of no longer being able to leverage from an international operator's GDS capabilities); however, the subject property pursued a rate driven strategy which exceeded the rates achieved across the competitive set. As a result, RevPAR rates were relatively in line for the full year in 2018; however, in 2019 RevPAR rates were 27 percent lower compared to the competitive set's average, while the declining trend continued into Nov YTD 2020, whereby RevPAR rates were 49 percent lower at SAR 119 compared to the competitive set, which achieved a RevPAR of SAR 234. This difference primarily stemmed from much lower occupancy levels, while the subject site achieved an ADR (SAR 563) that was 41 percent higher compared to the competitive set's SAR 400.

Nevertheless, given the market situation and uncertainty surrounding the impact of COVID-19, both the subject property and competitive set are expected to close the year (2020) with lower key performance indicators compared to 2019 figures.

Business Commentary

Projections

2.40 We have provided the subject property projections for the forthcoming years as follows:

Exhibit 6: Subject Property Forecast Performance Measurements

Performance measure	2021	2022	2023
No. of rooms	164	164	164
Occupancy	43%	62%	72%
Av. Room Rate (SAR)	574	653	686

Rev PAR (SAR)	245	405	494
Total Revenue (SAR '000s)	17,041	28,273	34,556
EBITDA (SAR '000s)	3,954	10,992	15,003
EBITDA as a % of Total Revenue	23.2%	38.9%	43.4%

We have made our own judgements and used our own professional opinion when providing projections of hotel performance in our 10 year cash flow.

The duration and recovery period of the COVID-19 outbreak remains uncertain; however, we have taken the opinion that COVID-19 is likely to impact trading performance over the short term, rather than the long-term of trading performance of the asset.

In addition, the client has informed us that the property would remain open during the transition of operators and that the property would be owner operated until the new international hotel operator is appointed. Furthermore, our assumptions take into account that the new operator would be appointed and running the hotel operations by the end of Q1 2021.

Average room occupancy (ARO)

2.41 Projections of occupancy are dependent on the current and future supply of new hotels of similar category and location, estimated room nights demanded, the historical performance of the property under management by Staybridge Suites and the existing situation surrounding the impacts of COVID-19.

As of November YTD 2020 the subject property achieved an occupancy of 21 percent, which is 22 percentage points lower compared to the same period in 2019. This was primarily attributable to the impact of COVID-19, which is anticipated to soften demand over the short term. In addition, as per our discussion with the client, the year 2019 also recorded abnormal performance indicators as there was an issue between the owner and the operator for 6 months of the year and as a result the property was not able to operate efficiently.

Given that a reputable international operator similar to that of IHG is anticipated to manage the property's operations, we have assumed that the property would have to re-stabilise operations, which we have assumed to be year 3 (2023) of operations. We have estimated the subject property to achieve an occupancy of 43 percent in the first year of operations, which aligns with the property's occupancy achieved in 2019. The presence of an international operator would likely drive occupancy levels higher (due to their global distribution system capabilities); however, the level of demand growth is somewhat offset by the impact of COVID-19, which is expected to persevere into 2021, especially given the recent mutation of COVID-19 as this new strain may potentially prolong the economic impact.

However, we remain optimistic that vaccines will be rolled out effectively, and therefore projected an occupancy of 62 percent in the second year of operations, which aligns with the historical occupancy performance under the Staybridge Suites brand for the full year 2018, which was its second year of operations during the stabilisation period.

Furthermore, we have estimated the subject property to recover and re-stabilise at an occupancy of 72 percent in year 3 of our projections.

Average daily room rate (ADR)

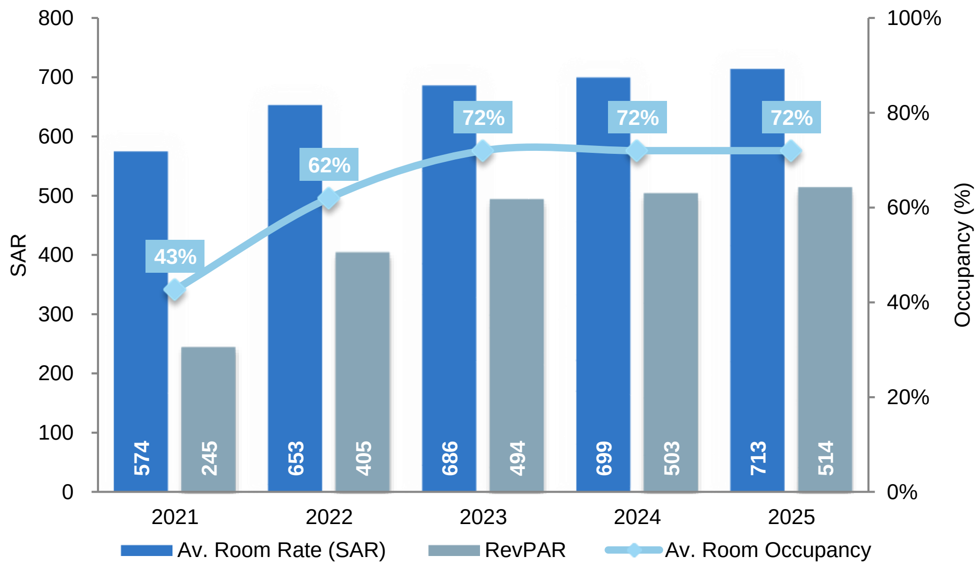
2.42 Forecasting the average daily room rate for the subject property, we would expect there to be an impact in the 1st year of projections as a result of COVID-19. We have assumed that the property would achieve an ADR of SAR 574, which accounts for a rate growth in line with inflation compared to YTD November 2020 ADR figures.

Upon re-stabilising operations in year 3 of operations (2023), we have estimated the subject property to achieve a stabilised ADR (current values) of SAR 659 i.e. a rate of SAR 686 in future values. This accounts for a rate premium of 10 percent over the best performing year under the Staybridge Suites brand in 2018, which recorded an ADR of SAR 599. This premium factors in the stabilisation ramp-up to year 3 as well as the fact that an international operator similar to that of IHG would be appointed to manage the property's operations. However, in the event that the owner appoints an operator that differs significantly from IHG, then it is unlikely that the property would achieve these rates. In year 2 of our projections, we have estimated the property achieve a rate of SAR 653 (future values).

Subsequent to year 3, we expect ADR to be in line with inflation at 2.0 percent,

2.43 Our forecast of room performance in our cash flows are provided below:

Exhibit 7: Hotel Forecast Room Performance

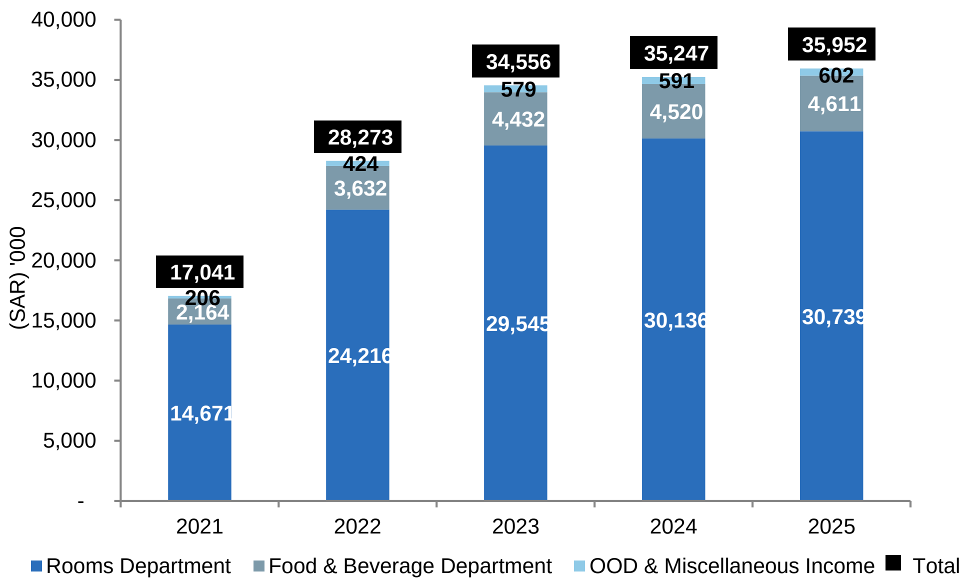


Total Revenue

2.44 As the property competes for market share during its ramp up period, we would expect revenues to grow above inflation. Once stabilised, we would expect the subject property revenues to grow in line with inflation.

Please note that we have not seen a business plan from the owner or operator and have relied upon our current market knowledge of the area to arrive at our market forecasts.

Exhibit 8: Hotel Forecast Split of Revenue



Gross Operating Income	2.45	Gross Operating Profit (GOP) relates to the properties' profits after subtracting the respective departmental operating expenses and undistributed operating costs. It defines the level of operational profitability of the subject property.
Undistributed Expenses	2.46	**Administration and General (referred to as Admin & General):** This comprises both operational and managerial expenses that does not fall under a specific operating department. Most of these expenses are moderately fixed, with exceptions such as cash overages and shortages or credit card commissions. It is usually compared on a per available room basis, supported by the percentage of total revenue.

IT Systems: This comprises of costs related to any information technology, telecommunication and software systems required to operate the property.

Sales & Marketing: It covers all the expenses related to the advertising, sales and promotion of a property to obtain new customers or retain existing ones. Unlike most expense categories, marketing is controlled almost completely by management. This expense is forecasted in the budget and target can be met if a detailed, tailored and specific marketing plan is followed. New hotels need to start marketing before the hotel even opens, while an existing hotel may wish to increase its marketing expenses to stabilize or increase revenue. It is commonly expressed as a percentage of total revenue.

Property Operation & Maintenance: This is an expense related to the maintenance or the property. They are controlled by management but some necessary maintenance issues cannot be postponed. The expenses are highly correlated with the hotel's age, quality of facilities and the approach followed in scheduling maintenance. Repairs can be pushed to subsequent years but will still accumulate if not tackled promptly.

Utilities: Covers expenses related to the running of utilities (electric, heating, water, etc.) to operate the hotel.

It is important to note that in 2019, the property switched from using a generator to connecting to the grid, which resulted in utilities savings. These have been taken into account in our projections.

A summary of our projected Undistributed Expenses is set out in the following table:

Exhibit 9: Undistributed expenses for the subject hotel (SAR Thousands)

(SAR) '000	Year 1 2021		Year 2 2022		Year 3 2023	
Administration & General	2,812	16.5%	3,322	11.8%	3,628	10.5%
IT Systems	724	4.3%	820	2.9%	864	2.5%
Sales and Marketing	937	5.5%	1,202	4.3%	1,382	4.0%
Property Operation and Maintenance	852	5.0%	990	3.5%	1,037	3.0%
Utilities	2,088	12.3%	2,262	8.0%	2,419	7.0%
Total Undistributed Operating Expenses	**7,413**	**43.5%**	**8,595**	**30.4%**	**9,330**	**27.0%**

Given the current situation surrounding COVID-19, hotels across the market including the subject property have implemented risk-mitigating strategies to reduce the financial burden of COVID-19.

In our 1st year Undistributed Operating Expenses projections, we have assumed that the property will continue to implement a number of critical measures to reduce costs (e.g. employees taking unpaid leave, limited task force team on property, closing down room floors to reduce utility expenses, etc.) compared to figures recorded in full year 2019. As a result, we have estimated Property Operation & Maintenance to be reduced by 20 percent and Utilities to be reduced by approximately 5 percent. Administration & General is estimated to be reduced by approximately 30 percent, while IT Systems are expected to drop by approximately 20 percent. These cost reductions are in line with the cost savings achieved across the property when comparing the periods of YTD November 2019 and 2020.

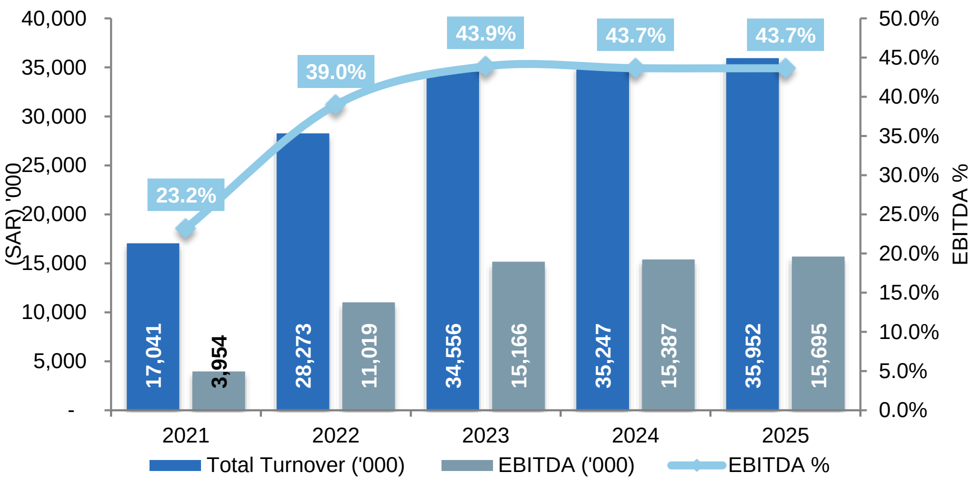
As an international operator is expected to be appointed before the end of Q1 2021, we have not reduced Sales & Marketing Costs in line with the historical savings rate of approximately 60 percent. We have only applied half of these savings at approximately 30 percent.

Subsequently, we expect these costs to ramp-up to year 3 of projections and subsequently grow in line with inflation.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)

2.47 We have run our projections based on a competent international operator assuming that the hotel is effectively managed, positioned and operated as well as strategies are being put in place to reduce costs given the impact on room night demand from COVID-19. The following exhibit highlights Knight Frank's projected total turnover and EBITDA.

Exhibit 10: Hotel Forecast Revenue and EBITDA



Services

2.48 In accordance with the General Terms of Business, no tests have been undertaken on any of the services.

2.49 We have assumed for the purposes of this valuation that mains water, electricity, drainage and telecommunications are all available to the subject property. In addition there are septic tanks for the property.

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

Legal title deed – Overall Property

Land ownership

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

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

Source: Client

A copy of the Title Deed can be found in Appendix 2.

2.52 These assumptions should be verified by your legal advisors. If they prove incorrect, any variation may have a material impact on value and should be referred back to us for further comment.

2.53 For the purposes of this valuation report we have assumed that the Property is held on a freehold basis and is free from any encumbrances and third party interests.

Covenants

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

2.55 We reserve the right to amend our valuation accordingly in the event the above assumption is proven to be incorrect.

Tenancies

Tenancy information

2.56 We have not been provided with a sample of occupational leases. However, in 2017 valuation, we were provided with a sample of occupational lease documentation in Arabic, which we translated to identify the key points but have not verified them further.

2.57 The leases are in Arabic but include institutional terms with provision for the following:

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

Covenant information

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

Tenancy Schedules

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

Status	Number of units	Percentage of area	GLA (sq m)	Total Passing rent (SAR pa)
Occupied	482	97%	87,117.58	131,389,589.47
Vacant	34	3.48%	2,855.50	-
Total	516	100.00%	89,973.08	131,389,589.47

Source: Client

Summary 2.60 The current rent passing as at the date of valuation is SAR 131,389,589.47 per annum. The property is currently 97% occupied.

The lease terms generally range in length from 1 year to 12 years, with the majority of leases being 1-3 years in length. The exceptions to the above include the lease for the Hyper Panda supermarket which has a 20 year lease term and the cinema lease which is for 15 years.

Condition

Scope of inspection 2.61 As stated in the General Terms of Business attached, we have not undertaken a building or site survey of the property.

2.62 During our inspection we did not inspect any inaccessible areas. We are unable to confirm whether the property is free from urgent or significant defects or items of disrepair. Apart from any matters specifically referred to below, we have assumed that it is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

Ground conditions 2.63 We have not been provided with a copy of a ground condition report for the site. We have assumed that there are no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the buildings constructed thereon.

Environmental considerations

Contamination 2.64 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Knight Frank is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

Planning

2.65 We have been provided with a one page document that sets out the permission to build on the site, which is dated 26/2/04 and provides for a commercial centre licensed to build 2 floors, including parking, commercial content, ground and first floors and 220 commercial units. This is in Arabic and has been translated to provide details. (This is included in the Appendix 4).

2.66 We are not qualified to advise you if this fully covers the actual property which stands today – i.e. mall and hotel, and therefore your legal advisors need to verify that this is the case. For the purposes of our valuation, we have assumed that all necessary consents and licences are in place for the property as built.

Highways and access

Highways

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

Access

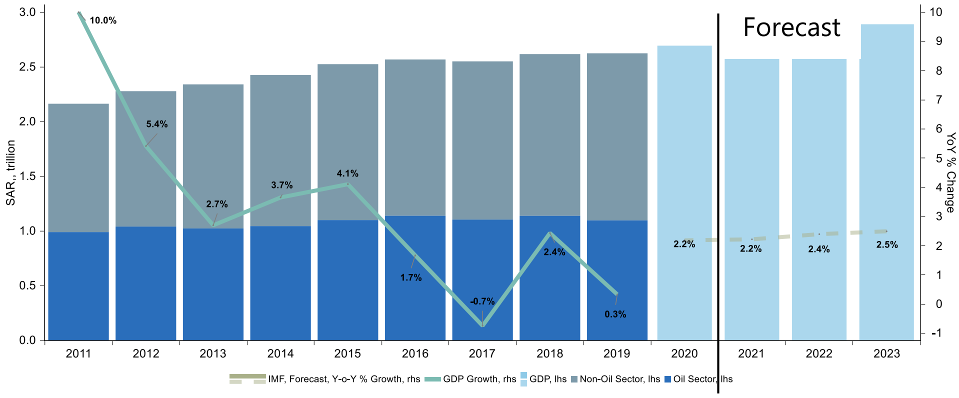
2.68 In reporting our opinion of value, we have assumed that there are no third party interests between the boundary of the subject property and the adopted highways and that accordingly the property has unfettered vehicular and pedestrian access.

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

3 Macro-economic analysis

3.1 Saudi Arabia GDP Growth, 2011 - 2023

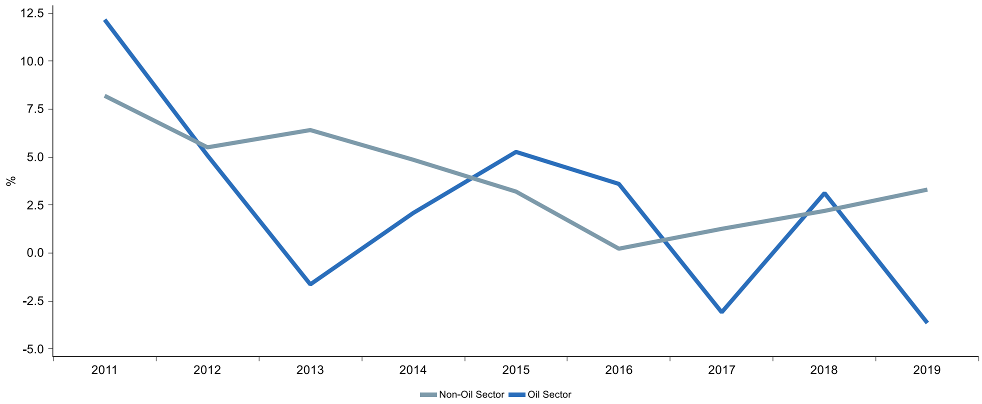
- According to provisional full year data published by General Authority for Statistics (GaStat), the Saudi Arabia's GDP grew by 0.3 percent in 2019 compared to growth of 2.4 percent year-on-year in 2018.
- As expected, GDP growth was lifted by non-oil sector. However, Saudi Arabia's lower yearly oil output as a result of the OPEC agreement, meant oil sector GDP declined in 2019, resulting in an overall contraction of GDP growth.
- According to the IMF estimates, Saudi Arabia's GDP growth is expected to remain on a positive trajectory, averaging 2.3 percent over the five years forecast period.
- With this rate of economic growth, Saudi Arabia will remain below the average growth rate of c. 5 percent which was recorded between 2011 and 2015. The most challenging aspect of the long term economic growth will be in bolstering the non-oil private sector as any significant decline in oil prices and oil production from current levels can be a drag on headline GDP growth.



Source: Knight Frank Research, Macrobond

Saudi Arabia Oil & Non-Oil GDP and GDP Growth

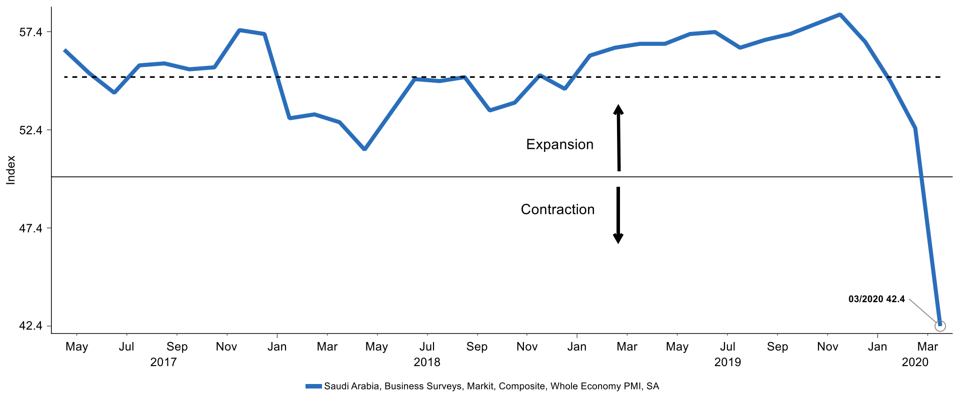
- Non-oil GDP growth has been gradually accelerating since 2016, reaching 3.3 percent in 2019, the highest level of growth since 2015. The non-oil economy is benefiting from the spillovers of oil price recovery and the ongoing reforms plan aimed at restructuring the economy and decreasing its reliance on the hydrocarbon sector.
- Both the Vision 2030 and the National Transformation Plan (NTP) are set to remain a central element of economic policy over the coming years and provide further support to the expansion of the non-oil sector.



Source: Knight Frank Research, Macrobond

3.2 Saudi Arabia, Purchasing Manager Index (PMI)

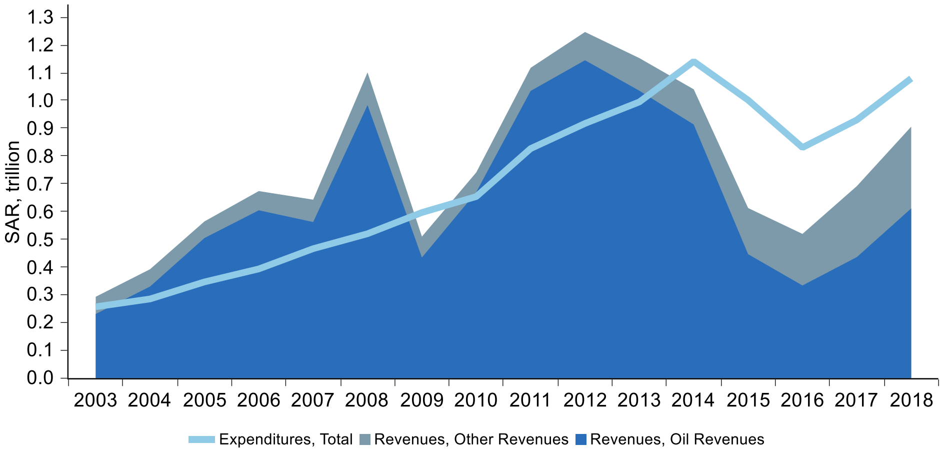
- The Purchasing Manager Index (PMI) – a non-oil tracker - The Saudi Arabia PMI plunged to a record low of 42.4 in March 2020 from 52.5 in February, since the survey began in August 2009 as travel and social restrictions aimed at stopping the spread of the virus affected business.
- Al fall in business activity, new orders and stocks of purchases were listed as the main factors weighing on the Saudi PMI. However, employment numbers dropped only slightly in March, which contrasted with the steep falls in output, new work and business confidence.



Source: Knight Frank Research, Macrobond

3.3 Saudi Arabia, Central Government Budget

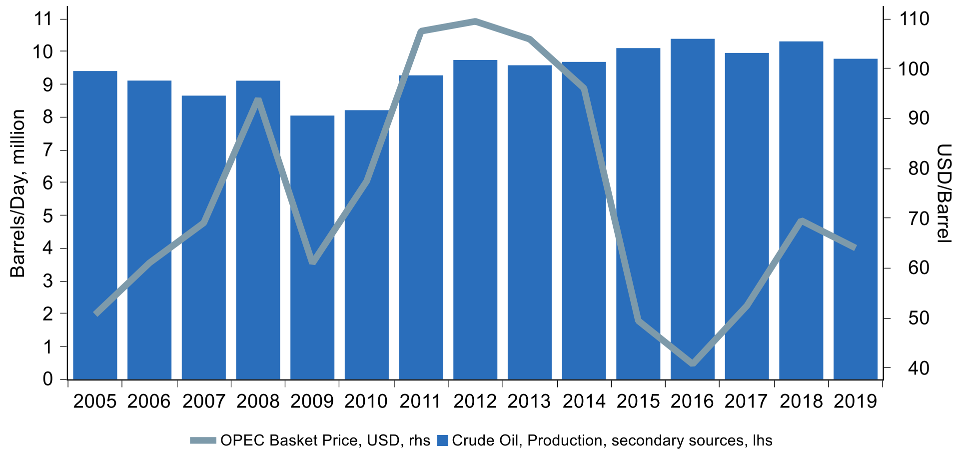
- In December 2016, Saudi Arabia has launched the Fiscal Balance Program 2017-2020, which represents a medium-term fiscal planning mechanism to sustain the status of public finances and achieve a balanced budget by maximising non-oil government revenues and improving government spending efficiency. This has helped the fiscal deficit to gradually narrow from a record level of 17.2 percent of GDP in 2016 to an estimated 1.9 percent of GDP according to the IMF. A fiscal balance is targeted to be achieved by 2023.
- Fiscal consolidation measures in view of strengthening non-oil revenues have so far included the introduction of VAT starting January 2018, the implementation of an expatriate levy in the form of a fee on dependents starting from July 2017, and the introduction of an excise tax on certain commodities such as soft drinks, energy drinks and tobacco products. In early 2019, Saudi Arabia has extended the scope of the excise tax to include additional types of beverages and smoking products.



Source: Knight Frank Research, Macrobond

3.4 Saudi Arabia Crude Oil Production and Price

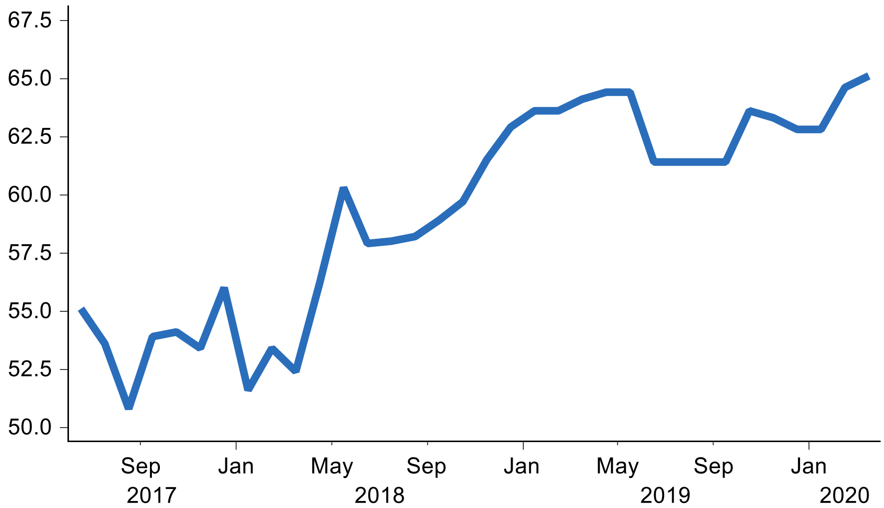
- The Kingdom's total oil production has increased to 10.31 mb/day in 2018 versus 9.96 mb/day in 2017. The OPEC's yearly basket price rebounded to an average of USD 69.5 in 2018 from its lowest point in a decade of USD 40.76 in 2016. In 2017 and 2018, there was a significant riecovery in oil prices partly explained by the agreements on production cuts in an attempt to steady the market.



Source: Knight Frank Research, Macrobond

Saudi Arabia Consumer Confidence Index by Thomson Reuters / IPSOS

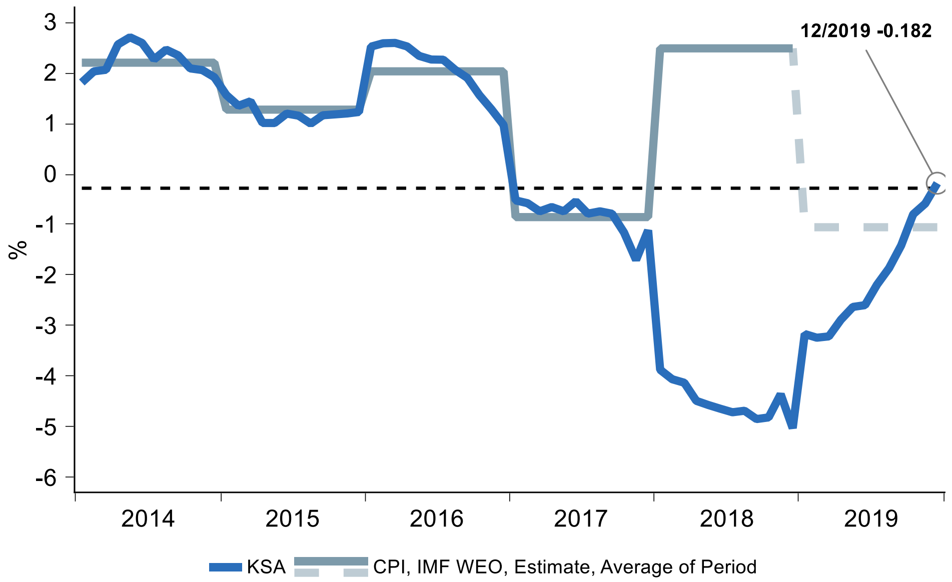
- The Thomson Reuters / IPSOS Consumer Confidence Index for Saudi Arabia significantly improved in 2019 and heading into 2020, hitting a level of 65.1 in March 2020, reaching its highest level ever. The index is driven by the aggregation of four weighted sub-indices namely: current conditions, perceived economic expectations, perceived investment climate and current job security.
- In parallel with the improvement in consumer confidence, we have seen private sector loan growth regaining momentum. The recovery in banks' lending to the private sector in 2018 and heading into 2020 is seen as crucial in driving consumer spending and demand for real estate in the short to medium term.



Source: Knight Frank Research, Macrobond

Saudi Arabia Consumer Price Index, YoY Change %

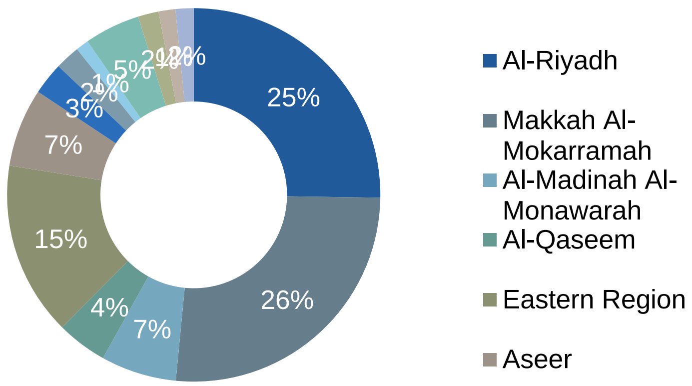
- Following a rise in inflation in 2018 as a result of the introduction of VAT, inflation rates have fallen into negative territory in 2019. The latest CPI reading was measured at -0.18 percent YoY in December 2019, compared to a rate of -0.58 percent in the previous month. The most important categories in the consumer price index for Saudi Arabia are food and beverage (22 percent of total weight); Housing, water, electricity, gas and other fuels (21 percent); Transport (10 percent); Furnishings, household equipment and routine household (9 percent); and Clothing and footwear, and Communication (8 percent each).
- Following the introduction of VAT and the revision of subsidies in 2018, inflationary pressures and weak consumer sentiment have impacted consumer spending. We see a change in the situation with the recent improvement in consumer confidence and the price deflation which will likely translate into higher consumer spending and a regain of appetite for real estate purchases.



Source: Knight Frank Research, Macrobond

3.5 **Saudi Arabia Population Segmentation by Province - 2017**

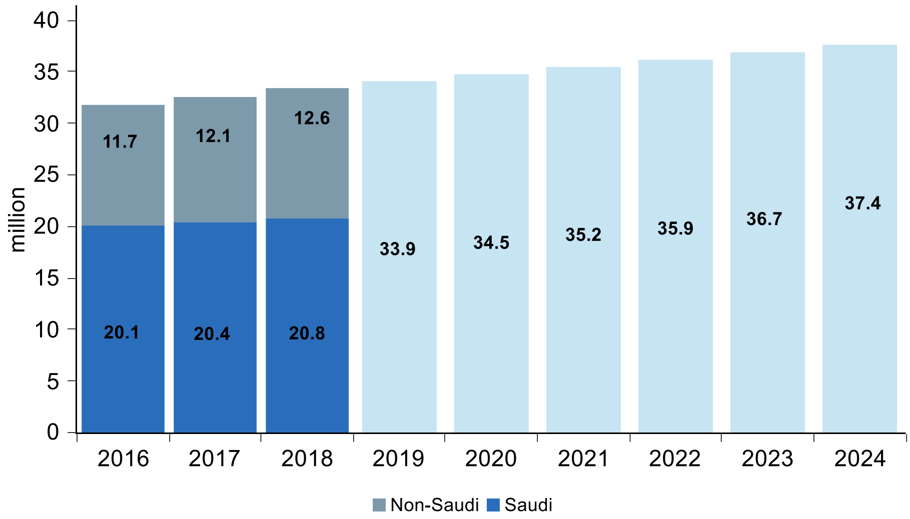
- Saudi Arabia accounts for over 50 percent of the total population of the GCC and is largely more populous than any other GCC country. According to official statistics, the population count was registered at 32.6 million in 2017.
- The population segmentation by regions for 2017 shows that nearly 65 percent of the population of the Kingdom is concentrated in three provinces namely Makkah Al Mokarramah, Riyadh, and the Eastern Province which account for 26 percent, 25 percent and 15 percent of the country's population respectively. Beyond the year 2017, the breakdown of the KSA population by region is not available.



Source: Knight Frank Research, GASTAT

Saudi Arabia Population Forecasts

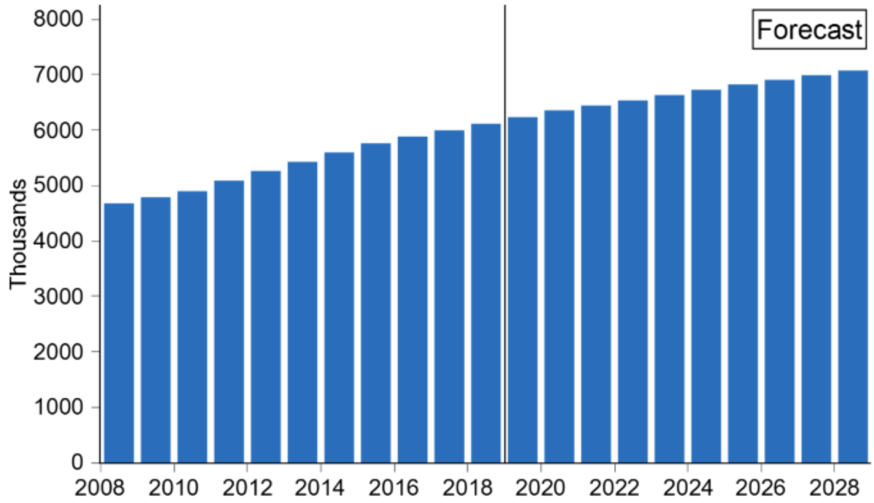
- According to official statistics, the population of Saudi Arabia is estimated to have reached 33.4 million in the first half of 2018 and 34.2 million in the first half of 2019. The Saudi/Non-Saudi breakdown of the population for 2018 stands at 20.8 million/12.6 million according to the same source.
- Based on the IMF forecasts, the population of Saudi Arabia is expected to grow at a constant 2 percent annual growth rate from 2019 onwards, reaching 36.7 million in 2023. A large and growing population, albeit at a slower pace than previous years, will continue to drive demand for goods and services in the short to medium term.
- Saudi Arabia's population is dominated by Saudi nationals, accounting for 63 percent of the population. This implies that aggregate demand for products and services does not primarily stem from the expatriate workforce.



Source: Knight Frank Research, IMF

3.6 Total Number of Households

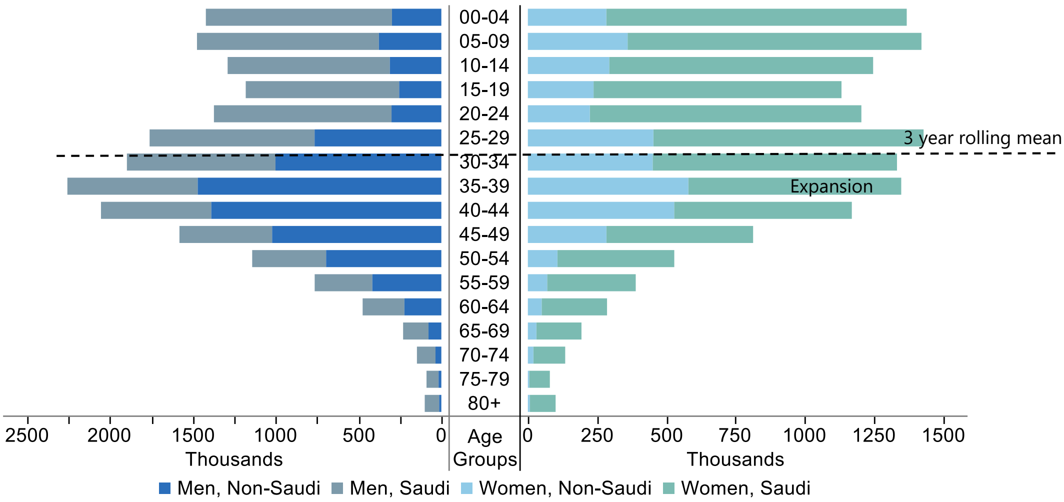
- Total number of households in Saudi Arabia is estimated at roughly 6.2 million in 2019 according to Oxford Economics. The yearly average growth in number of household is set to slow to 1.5 percent per annum between 2019 and 2028 according to Oxford Economics down from 2.7 percent between 2008 and 2019.
- The average household size in Saudi Arabia stood at 5.48 individuals in 2019 according to Oxford Economics. While the average household size for Saudi households stands just over 6.0, the average household size for non-Saudis is closer to 4 individuals. The overall average household size is set to slightly decrease over the next years reaching 5.45 in 2028.
- Regarding the local population, it was not unusual historically for generations of the same family to be living in a sizeable family home. The younger generation now exhibits a desire to move away from multi-generational household structure. Over the next decades, falling household sizes will underpin demand for higher density development which provides smaller and more efficient units.



Source: Knight Frank Research/ Macrobond, Oxford Economics

Population by Age, Nationality, and Gender - 2018

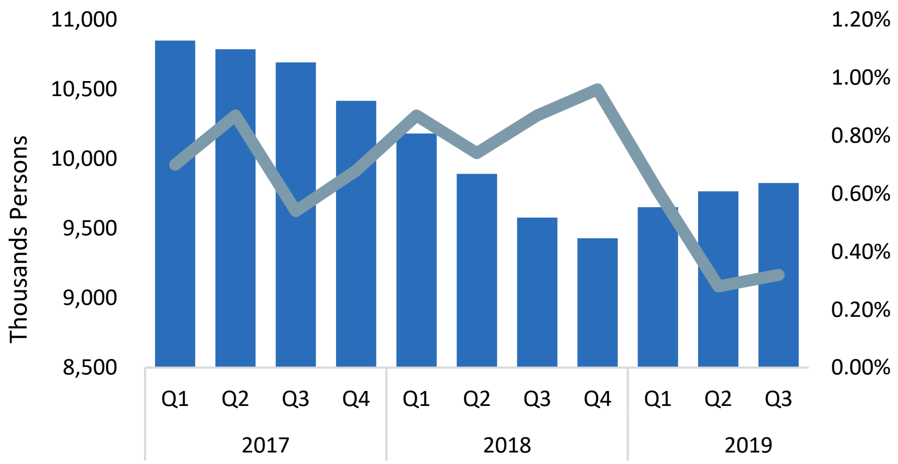
- The population pyramid of Saudi Arabia that depicts the age structure of the Saudi and Non-Saudi population based on the preliminary 2018 data, highlights the fact that approximately 39.2 percent of the population were aged between 0 and 25 years, about 57.5 percent were aged between 25 and 64 years and 3.2 percent were aged above 65 years.
- When looking at the age structure of the Saudi population, the share of the population aged between 0 and 25 years rises to 49 percent, highlighting the young demographic profile of the Saudi population, a key driver to consumer market growth.
- It is expected that population dynamics are expected to shift in Saudi Arabia over the next decades, which will entail a significant increase in the population over 40. The over 60s age cohorts are expected to increase by 3 times between 2018 and 2035. Despite these changing demographic profile, Saudi Arabia will remain amongst the youngest countries in the GCC in 2030.



Source: Knight Frank Research, Macrobond

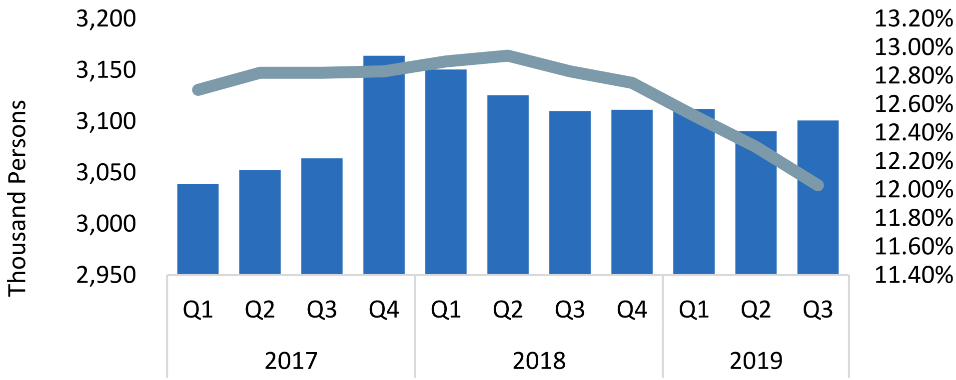
Labour Force and Unemployment Rate, Non Saudis

- The employment market has been at the forefront of the economic agenda particularly as Saudi Arabia rolls out the Saudization plan aimed at boosting national employment in the private sector, placing a special focus on youth and women participation in the workforce.
- So far, this has entailed the introduction of levies on expats in the form of fees on dependants and the implementation of a plan restricting employment in certain sectors to Saudi nationals.
- According to the latest Q3 2019 Labour Survey, total employed persons (excluding employees in the security and military sectors and non-registered in the records of GOSI and MCS) reached 12.9 million in Q3 19 as compared to 13.8 million in Q1 2017. This decline in total employment figures can be explained by the expat outflows from the workforce resulting from Saudization policies.



Labour Force and Unemployment Rate, Saudis

- Recent official statistics reveal that the unemployment rate among Saudis has slightly edged down. According to the Q3 2019 Labor Market Survey, the official rate of unemployment among Saudis fell to 12.03 percent. This was down from 12.3 percent in Q2 2019 and represents the lowest rate of unemployment since Q4 2016.



Source: Knight Frank Research, Macrobond

KSA Employment by Economic Activity (Saudis, 2018)

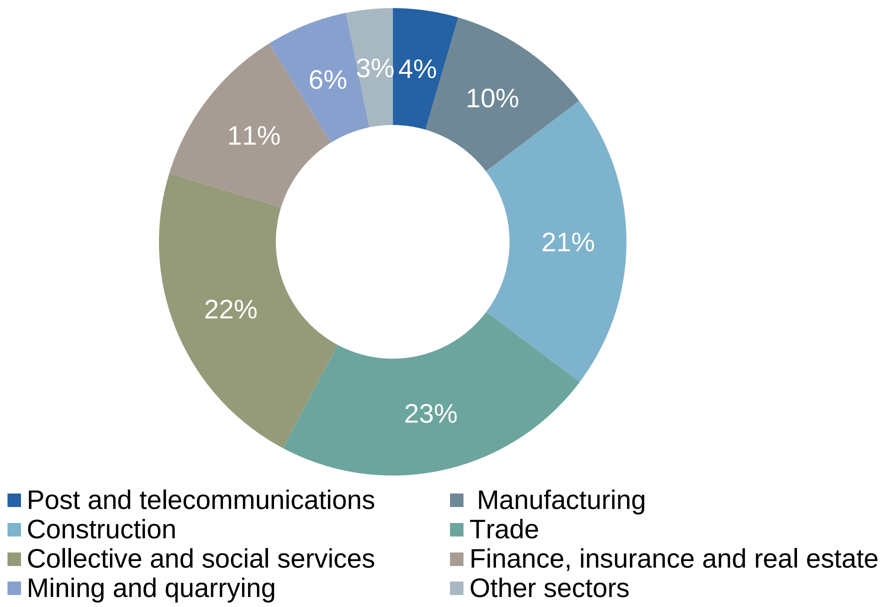
In 2018, the trade sector accounted for the largest share (23 percent) of employment among Saudis in Saudi Arabia. This is followed by collective and social services (22 percent) and by the construction sector (21 percent).

In 2018, a large share of the non-Saudi workforce was employed within the construction sector (41 percent). This is followed by the trade sector which employs 25 percent of the non-Saudi workforce.

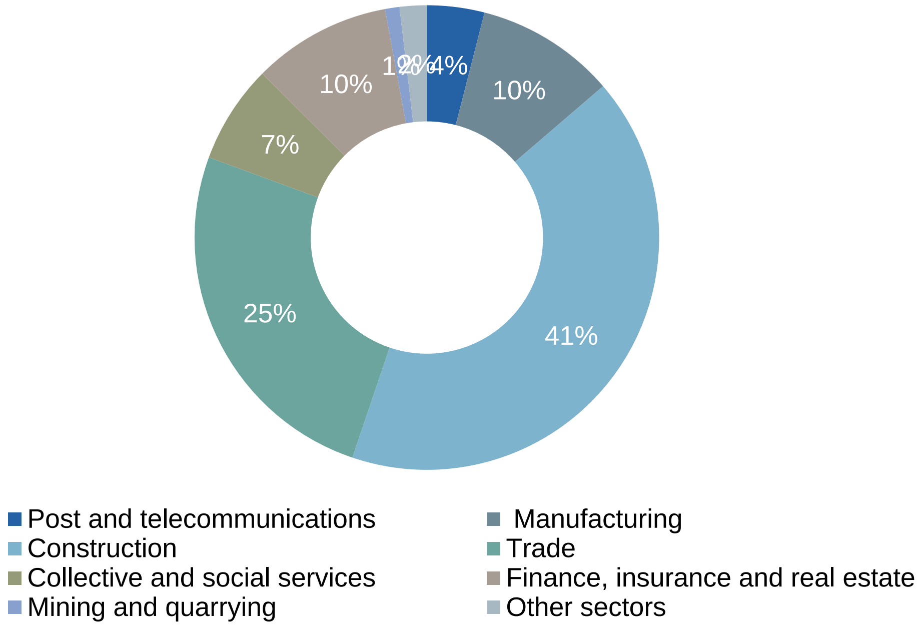
Given Saudi Arabia’s decision to gradually restrict certain retail jobs to nationals, we should expect to see an increase in the share of Saudis employed within the wholesale and retail trade sectors over the coming years. A total of 43 professions in the retail sector will be restricted to nationals.

In the shorter term, Saudization policies are resulting in higher costs for most businesses as the average wage for Saudis is significantly higher than the average wage for non-Saudis. Saudi wages have increased by c. 4 percent since the beginning of 2017, outpacing inflation, a reflection of how Saudization is affecting local economic conditions.

On the upside we have seen a very encouraging rise in the Saudi female labour force participation rate to 24.3 in the second quarter of 2019 compared to 22.4 percent a year earlier. The inclusion of women in the workforce, is incentivising employment, increasing household income and pushing toward greater productivity in the workforce.



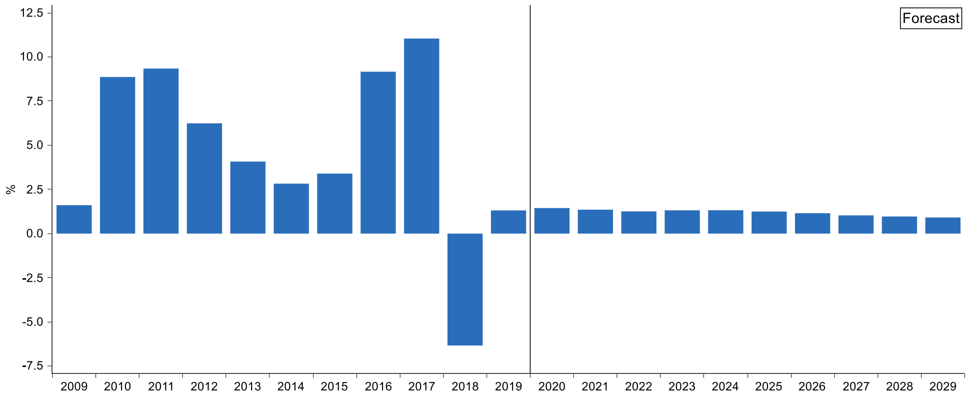
KSA Employment by Economic Activity (Non-Saudis, 2018)



Source: Knight Frank Research, Labour survey Q4 18

Employment YoY Change%

- Employment growth in Saudi Arabia is set to decelerate to 1.3 percent per annum between 2020 and 2023 down from 4.6 percent between 2008 and 2019 according to Oxford Economics estimates.
- Total employment declined by -6.34 percent in 2018 due to outflows of expatriates from the workforce. However, this trend has reversed in 2019 where total employment increased marginally by 1.31 percent.
- Employment growth is expected to remain supported by the various initiatives aimed at boosting youth, women and Saudi nationals' participation in the workforce, in the short to medium term this will be balanced by rising pressures on the expat labour market resulting from the impact of government fees and Saudization plans on non-Saudi employment figure.

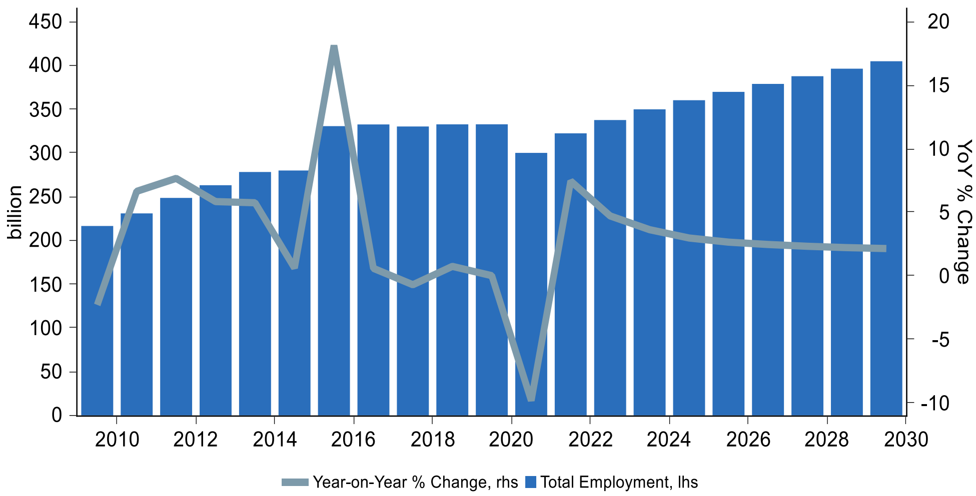


Source: Oxford Economics, Macrobond

Jeddah macro-economic analysis

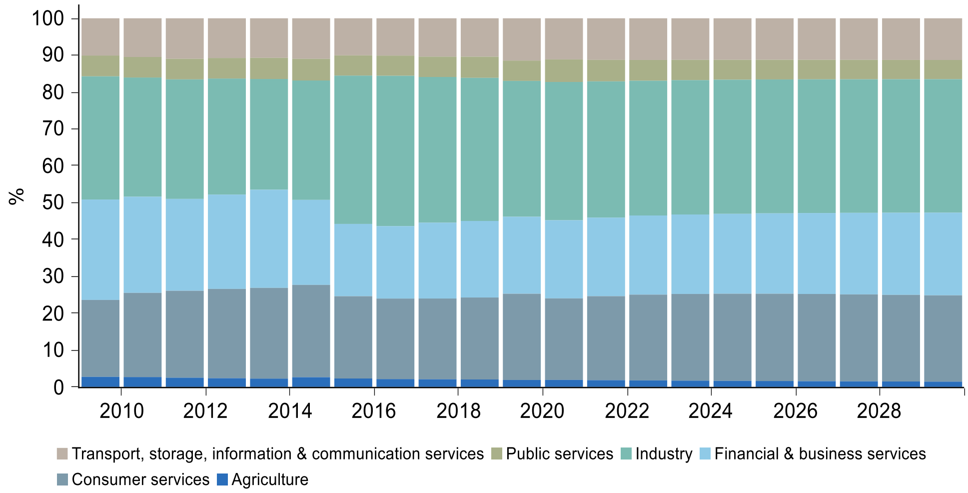
Jeddah economy 3.7

- Jeddah's GDP is forecast to decline from SAR 332 billion in 2019 to SAR 299 billion in 2020, a decline of 9.8%.
- Jeddah's economy recorded a historical CAGR of 4.4% between 2009 and 2019. From 2019 to 2029 this rate is expected to decrease to 2.0%.
- Looking ahead, Jeddah's economy is expected to be particularly impacted by the economic fallout resulting from the COVID-19 pandemic.
- Jeddah has a fairly diversified economy and does not rely on the Hydrocarbon sector. However, given its reliance on tourism, trade and industrial manufacturing sectors which are substantially impacted by lockdown measures to counteract COVID-19 Jeddah's GDP is likely to be materially impacted and demand in these sectors will only gradually return, not immediately.



Gross value added by sector - Jeddah (in SAR billion)

- The breakdown of the gross value added (GVA) by sector for Jeddah highlights that the industrial sectors share of total GVA has decreased over recent years, while other sectors such as consumer services, financial & business services as well as transport, storage, information & communication services have seen an increase in their contribution.
- As a result of the national economic diversification plan, industry and consumer services sectors are likely to gradually increase their contribution to Jeddah's GDP going forward. The contribution of financial and business services is expected to reach 22.4% in 2025 up from 20.9% in 2019. Over the longer term, this trend would, in turn, stimulate demand for office space.



Source: Macrobond, Oxford Economics

3.8 Gross Domestic Product - Jeddah

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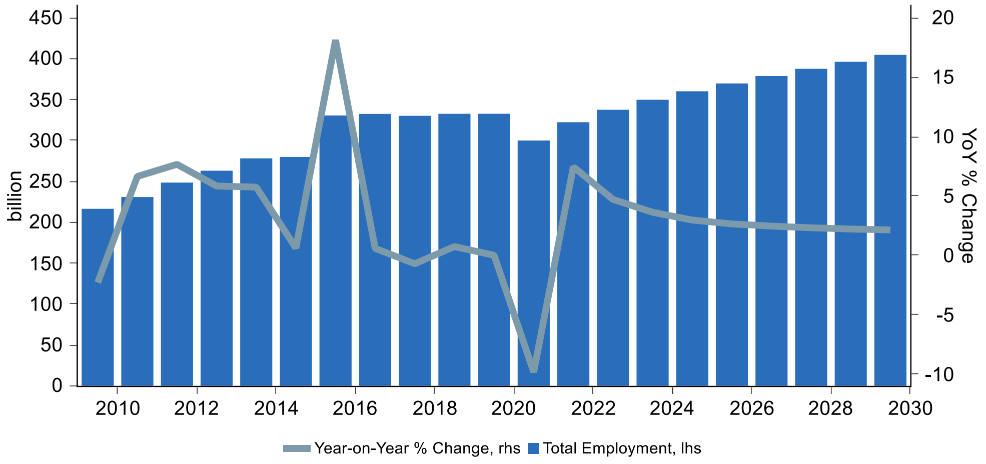

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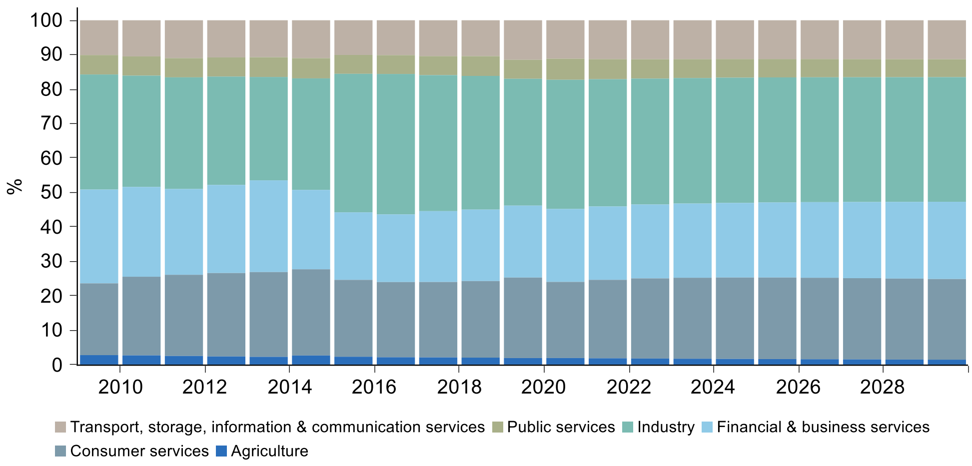
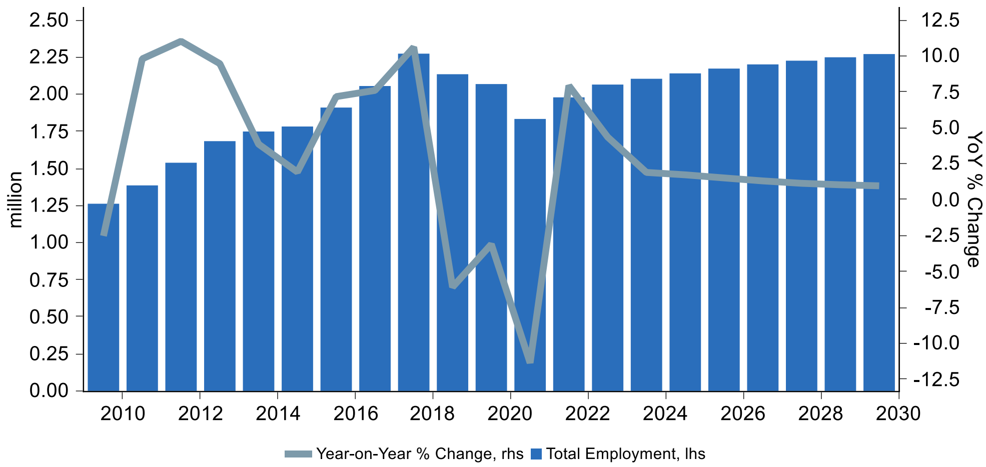


Source: Macrobond, Oxford Economics

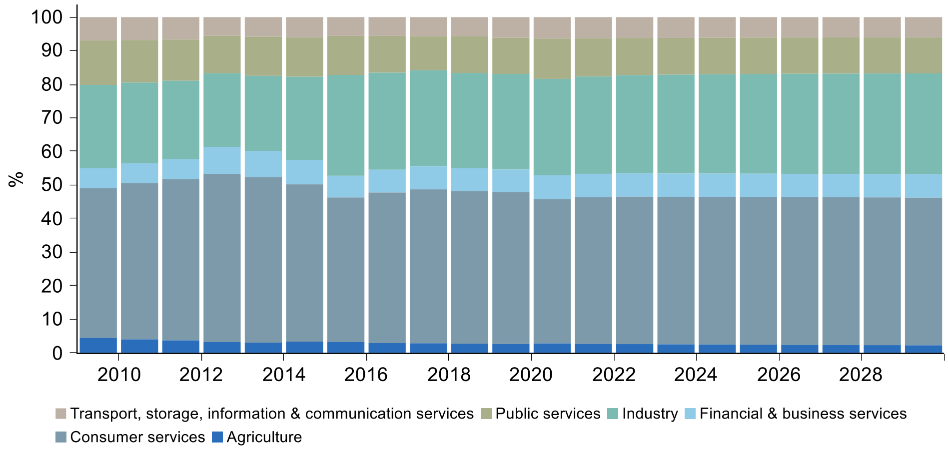
3.9 **Total employment - Jeddah**

- Jeddah is the main economic centre of the Makkah Province and employs a large majority of the region's workforce. According to Oxford Economics, Jeddah's employed population stood at 2.06 million in 2019 and is expected to reach 2.27 million in 2029, implying a CAGR of 0.9% between 2019 and 2029, lower than the ten years historical CAGR which was registered at 5.1%.
- Official Statistics from the GSTAT, indicate that the total employment in Makkah Province as at Q4 2019 stood at 2.09 million individuals down from 2.5 million individuals in the first quarter of 2017. This was the result of the departure of c. 450,000 expatriates from the workforce, a trend underpinned by the challenging economic backdrop and the Saudization program, these factors have led to an outflow of expatriates workers from the workforce
- Looking ahead, as a result of COVID-19, as GDP levels contract so will employment levels. In 2020, forecast by Oxford Economics shows that Jeddah's employment is expected to contract by 11.4%.
- These forecasts shows that this will be short to medium term decline rather than a long term decline, with employment levels reaching 2019 levels by 2022.



Breakdown of employment by economic sector - Jeddah

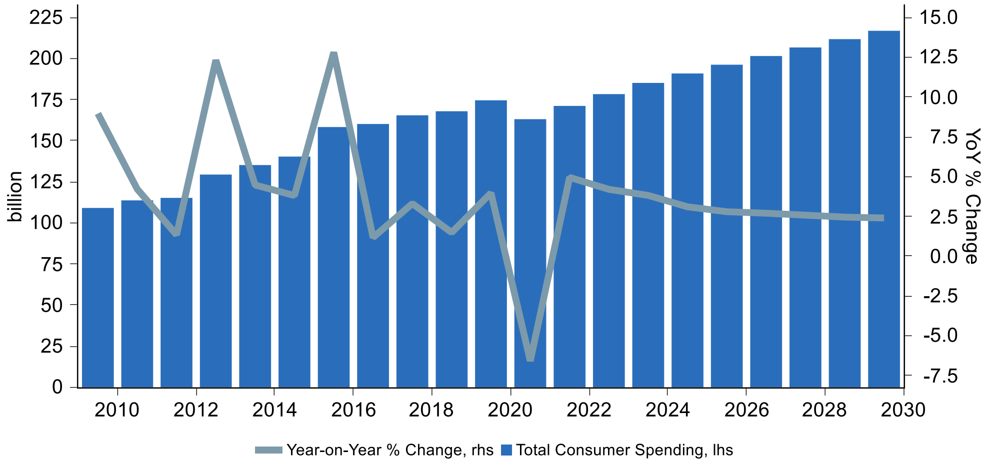
- Currently, the consumer services and industry sectors are the largest employment sectors in Jeddah, accounting for 45.3% and 28.5% of total employment in 2019. This is expected to remain roughly unchanged over next ten years.



Source: Knight Frank Research, Macrobond, Oxford Economics

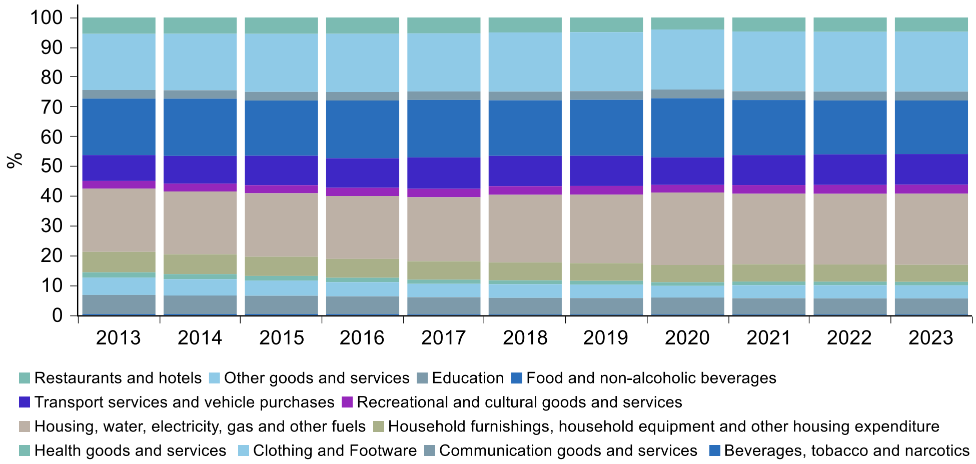
Total consumer spending - Jeddah (in SAR billion)

- Consumer spending in Jeddah totalled SAR 174 billion in 2019, compared to 168 billion in 2018.
- Consumer spending growth in Jeddah averaged 5.3% from 2009 to 2019, reaching an all-time high of 12.8% in 2015 and a record low of 1.2% in 2016.
- Consumer spending is expected to decrease by 6.6% in 2020, a trend underpinned by lockdown measures enacted to halt the spread of the pandemic which effectively caused a large portion of the retail sector to come to a halt, this trend has been driven by reduction in purchasing power as the cost of living allowances are rescinded and more recently due to the increase in VAT from 5% to 15%.
- However, forecasts shows that this will be short to medium term decline rather than a long term decline, with consumer spending levels returning 2019 levels by 2022.
- Jeddah's consumer spending CAGR is set to slow to 2.2% per annum between 2019 and 2029, according to Oxford Economics down from 4.8% between 2009 and 2019.



Consumer spending breakdown by goods/services - Jeddah

- Housing related spending is the largest segment of consumer spending and has seen its contribution gradually increase over time. The contribution to total spending rose from 20.0% in 2009 to 23.0% in 2019 and is expected to reach 24.5% by 2029, according to Oxford Economics.
- Other goods and services is the second recipient of consumer spending with a share of 19.8% of total spending and is expected to reach 20.2% by 2029.

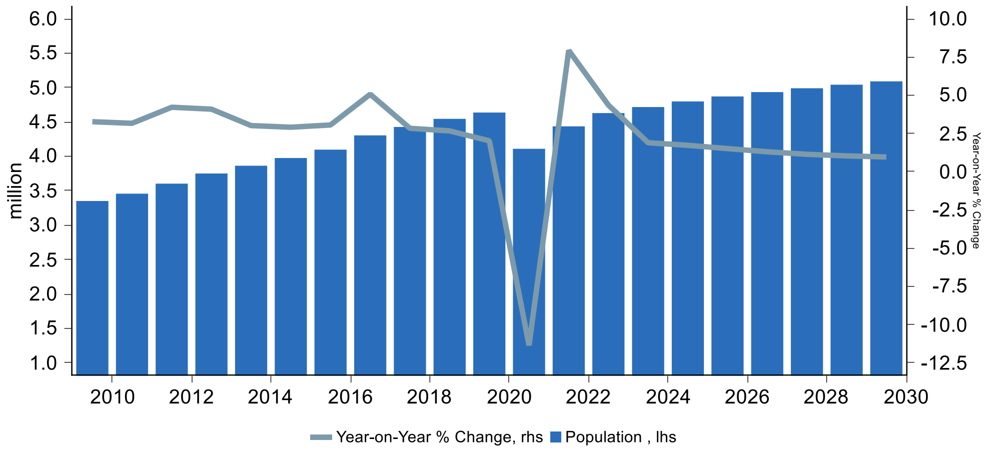


Source: Knight Frank Research, Macrobond, Oxford Economics

3.10 Jeddah's population 2010 - 2030f

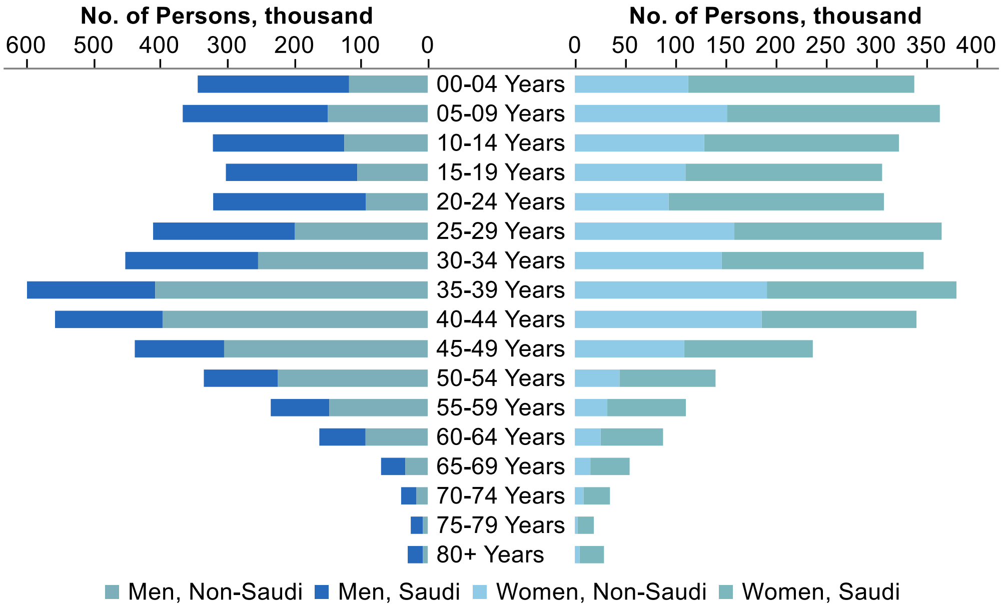
- The population segmentation of Saudi Arabia shows that c. 68% of the population is concentrated in three provinces, namely Makkah Al Mokarramah, Riyadh and the Eastern Province accounting for 27%, 26% and 15% of the country's population respectively.

- Jeddah is the most populous city in the Western Province, with population standing at 4.6 million as at 2019 according to Oxford Economics, equating to 51% and 14% of the population in Makkah Province and Saudi Arabia respectively.
- With employment falling as a result of the COVID-19 pandemic, the population of Jeddah is expected to decrease to 4.1 million in 2020. However, as employment growth returns, Jeddah's population is expected to return and surpass 2019 levels by 2023.
- Jeddah's population grew at a CAGR of 3.3% between 2009 and 2019. However, the growth is expected to moderate to a CAGR of 1.1% between 2019 and 2029, according to Oxford Economics.



Jeddah's population by age, nationality, and gender- 2018

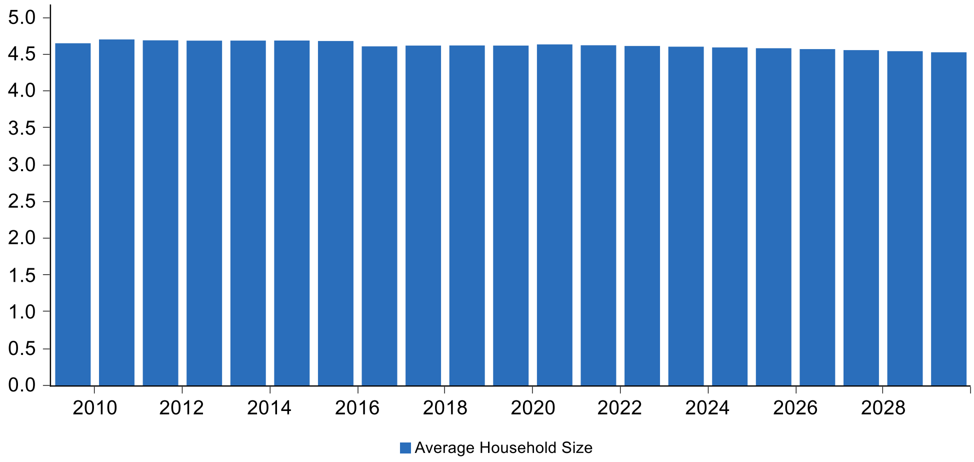
- The population pyramid of Makkah region depicts the age structure of the population in Jeddah which is characterised by a significantly higher share of the population aged below 25 years old (45.8% for Makkah Province in 2018) highlighting the young demographic profile of the Saudi local population, a key driver to consumer market growth in the future.



Source: Knight Frank Research, Macrobond, Oxford Economics

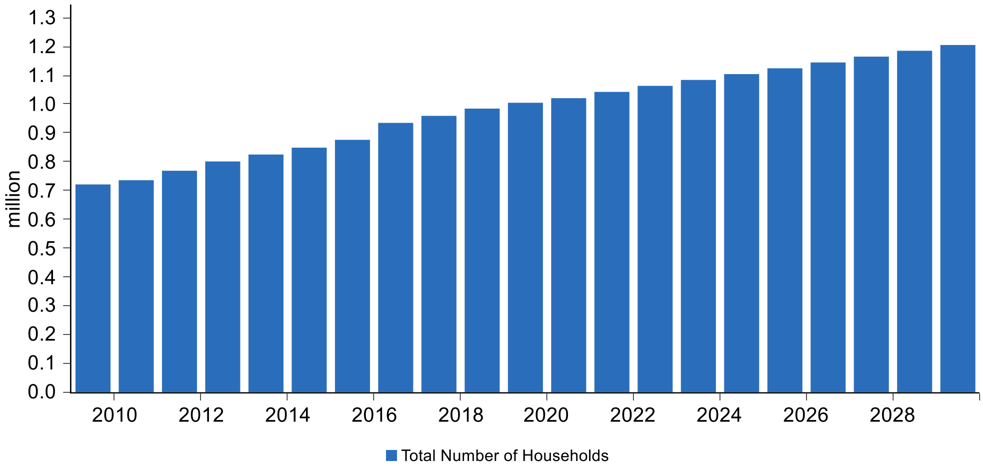
3.11 Average household size - Jeddah

- Large average household sizes – over five people – is a trend that is observed across much of the Middle East and Africa region.
- The average household size in Saudi Arabia stood at 5.49 individuals in 2019, although the figure is lower for Jeddah at an average of 4.61 people per household. This can be explained by a higher share of expats in Jeddah compared to the national average.
- Usually, changes within average household sizes tend to be gradual, therefore the average household size for Jeddah combing Saudi and non-Saudi households is expected to reach to 4.52 individuals by 2029.
- Going forward, we expect falling household size among Saudis will underpin demand for higher density development providing smaller and more efficient units that are affordable due to a reduction in size rather than a reduction in build quality.



Total number of households - Jeddah

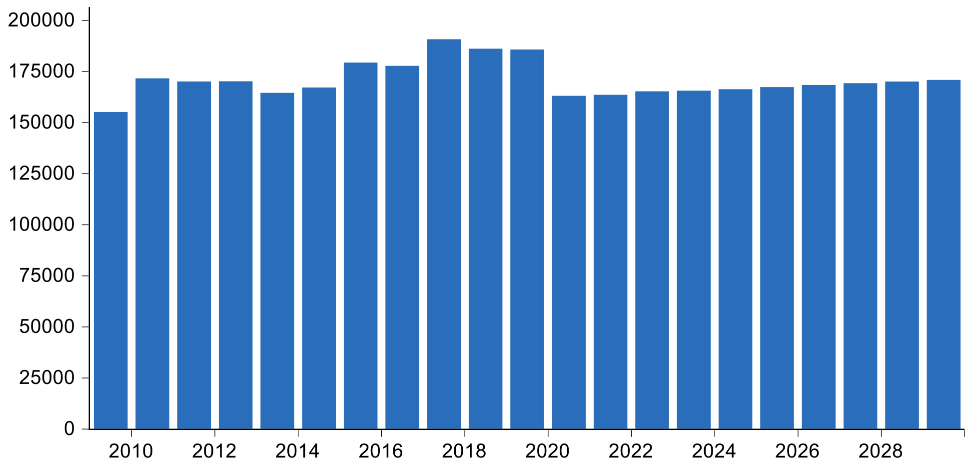
- Total number of households in Jeddah stood at 1,004,548 in 2019. Between 2009 and 2019, the number of households increased at a CAGR of 3.4%. This growth momentum is expected to moderate to 1.8% between 2019 and 2029, where the total number of households is forecast to reach 1,205,048 by 2029.
- Based on these forecasts, it is estimated that an estimated 200,500 additional households will be formed in Jeddah between 2019 and 2029.



Source: Knight Frank Research, Macrobond, Oxford Economics

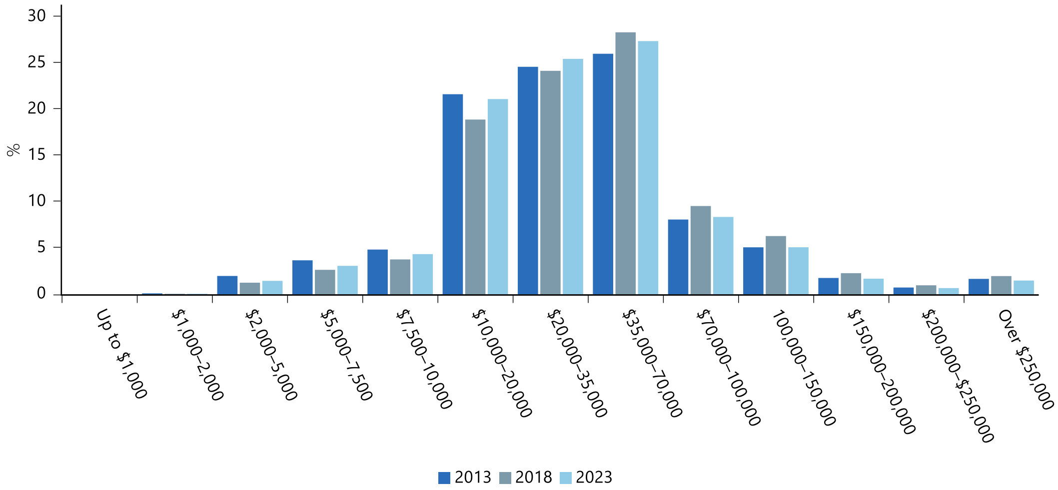
3.12 **Jeddah average household disposable income in SAR**

- Household income is a key determinant of affordability and consumer spending patterns.
- Average household personal disposable income grew at CAGR of 1.8% between 2009 and 2019 According to Oxford Economics, reaching SAR 185,554. Based on the forecast It is expected that the average household disposable income will decline by -0.8% to reach SAR 170,672 between 2019 and 2029, as highlighted in the adjacent graph.
- The growth in average household personal disposable income has generally been unimpressive over the past few fears and has exacerbated the rising housing affordability challenge in the city.



Jeddah number of household by income bands (as a & of total households)

- In 2019, 49.6% of households in Jeddah were within income bands above USD 35,000, this share is expected to decrease, reaching 46.8% in 2029.
- 50.4% of households were in the lower income bands - below USD 35,000. This proportion of household income bands is expected to witness an increase between 2019 and 2029 reaching 53.2%. This reflect a negative trend, from the perspective of consumer spending and demand for real estate in the city.

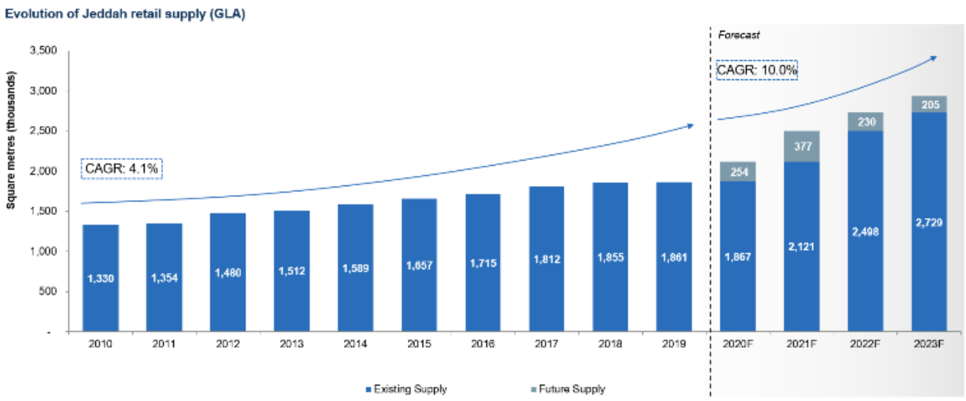


Source: Knight Frank Research, Macrobond, Oxford Economics

Jeddah Retail Market

3.13 Evolution of quality organised retail supply

- Retail supply in Jeddah between 2010 and 2019 grew at a compounded annual growth rate of 4.1%. The supply of quality organised retail reached 1.86 million square metres of GLA by the end of 2019. There was only 1 small development that opened in the first half of 2020 leaving the total retail supply relatively unchanged to 1.86 million square metres of GLA.
- A total of 7 other developments are anticipated to reach completion in the second half of 2020, this includes 1 super regional mall, namely Serafi Mega City (Jeddah Park), and 6 community centres bringing the total GLA to 2,121,463 square metres by the end of 2020.
- A total of 1.06 million square metres is anticipated to be added into the market between 2020 and the end of 2023 (excluding the developments that have opened in H1 2020) resulting in a total retail supply of 2.93 million square metres, which equates to a compounded annual growth rate of 10.0%, faster than historical growth rates.

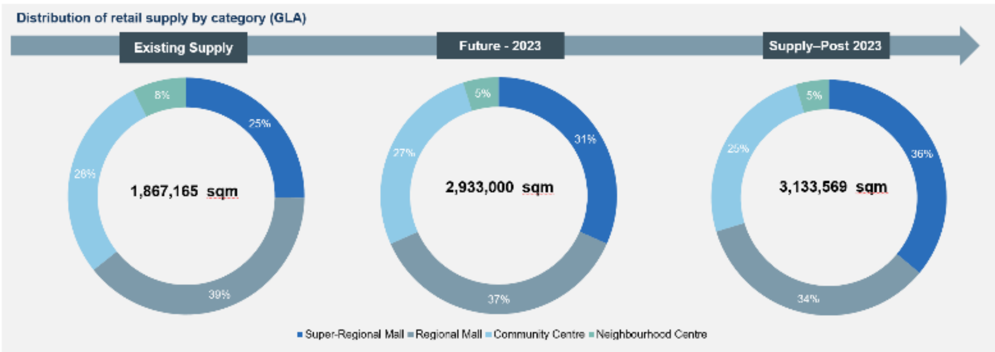


Source: Knight Frank Research

Quality organised retail supply characteristics

- As of the second quarter of 2019, the total GLA of quality organised retail stands at over 1,86 million square metres. Regional malls comprise the largest share accounting for 39%, while community centres equate to 25% of the total supply. Super-regional and Neighbourhood centres account for 28% and 8%, respectively.
- The quality existing retail supply is distributed over 69 organised retail developments, 4 of which are super-regional malls and 15 are regional malls. In addition, there are 30 community centres and 19 neighbourhood centres.

- Taking into account the retail pipeline, the supply composition of super regional malls is set to increase to 31% of the total retail supply by the end of 2023, while the share of the other three categories including neighbourhood centres, community centres and regional malls is expected to decrease to 5, 27 and 37% of the total supply respectively.
- Some super-regional and regional malls have been announced but these malls have not yet broken the ground, if we take these malls into account and analyse the post-2023 supply composition, super regional mall is set to increase to 36%, regional malls and community centres share is expected to decrease to 34 and 25% respectively, while neighbourhood centre share will remain same to 5%.
- As the retail market continues to evolve, developers are seeking to provide more experience based concepts looking to increase shoppers time spent at the malls to combat an ever growing e-commerce threat. Entertainment and F&B led destinations have therefore become essential components for all future developments.

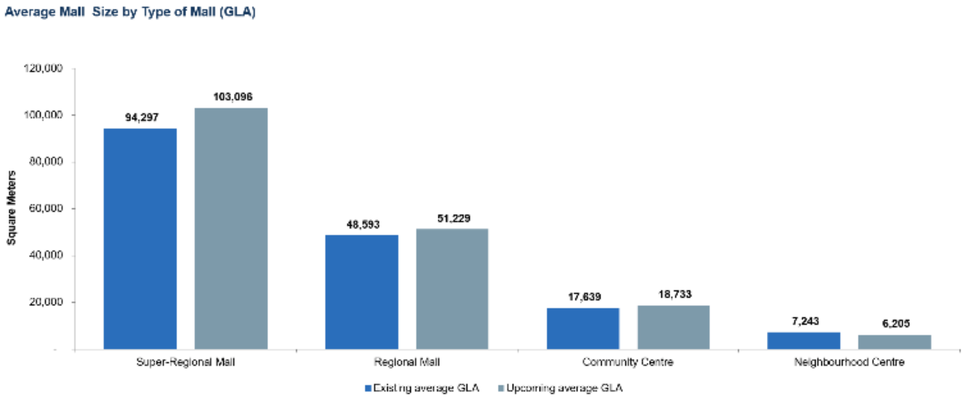


Source: Knight Frank Research

Quality organised retail supply characteristics

- In Jeddah, larger malls have historically performed better than smaller malls, as their attractiveness goes beyond the presence of retail line stores coupled with an anchor. These malls feature activated spaces that offer social spaces and include a key entertainment attractor aimed at families to drive footfall and allowing shoppers to spend the entire day at the mall. By contrast, smaller malls typically only serve a single purpose, as shoppers usually go to these centres to shop at a specific store.
- As a result, this has stimulated a marginal shift, whereby super regional and regional malls are getting larger to account for more entertainment and leisure based activities. Upcoming super regional and regional average sizes are expected to be considerably larger than existing ones. By contrast, upcoming community and neighbourhood centres average sizes are in line with existing ones.

- Nevertheless, its is evident that there is a market trend throughout the GCC (e.g. Ajdan Walk in Al Khobar, City Walk in Dubai, etc.) leaning towards lifestyle and entertainment-led community centres or strip retail featuring outdoor landscaped spaces. These developments typically feature a higher proportion of F&B and entertainment spaces with limited retail line stores.



Source: Knight Frank Research

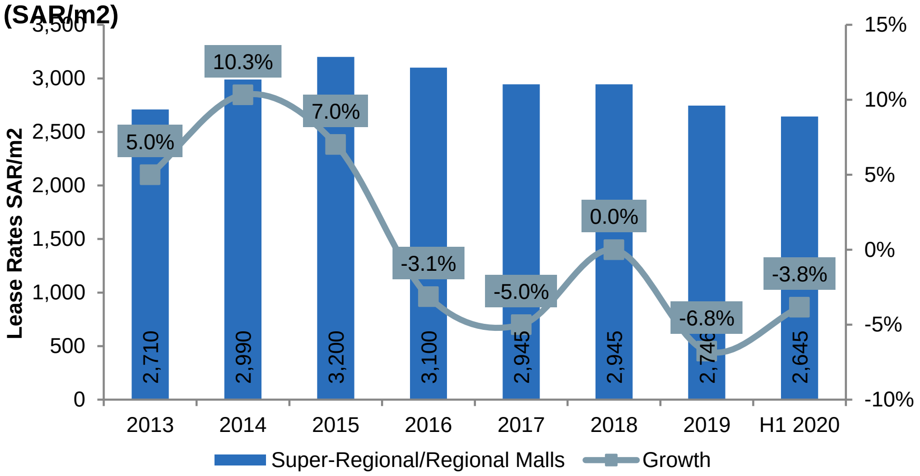
Quality organised retail: average annual lease rates

- Average lease rates per square metre for super-regional and regional malls increased from 2013 to 2015 from SAR 2,710 to SAR 3,200. Subsequently, lease rates per square metre began to decline; 2016 recorded a 3.1% decrease to SAR 3,100, and 2017 recorded 5% decrease to SAR 2,945. 2018 lease rates experienced no change, while 2019 lease rates have further recorded a 6.8% decrease to SAR 2746. likewise the first half of 2020 have witnessed a 3.8% decrease in the lease rates to SAR 2645. A number of factors have contributed to this including:
  - Stricter Saudisation policies meaning that spending from expatriates has declined due to the exodus. In addition, retailers are having to employ a larger share of Saudi nationals and as a result payroll figures have increased squeezing retailers margins;
  - Saudi national social benefits – in particular within the public sector – have been reduced and therefore impacting disposable income levels;
  - E-commerce is progressively gaining a larger market share as the years go by.
  - Community centres also witnessed a similar pattern with average lease rates per square metre recording a marginal increase between 2013 and 2015 from SAR 1,850 to SAR 1,980. This was followed by four consecutive years of declining lease rates; 2016, 2017, 2018 and 2019 recorded a 2%, 1%, 2% and 4.6% decrease respectively. The first half of 2020 have witnessed a further decline of 5.2% in the lease rates.

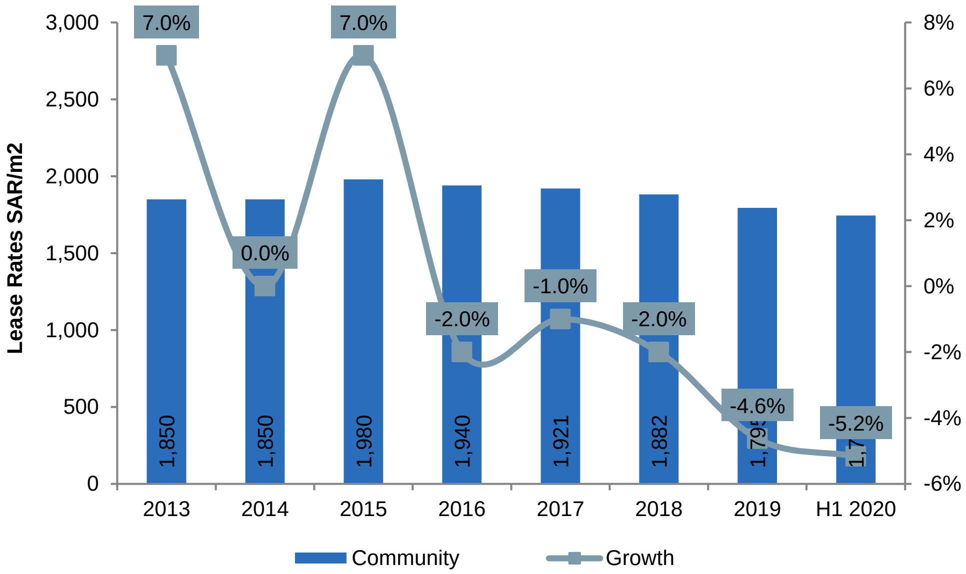
Average lease rates across community centres stood at SAR 1,745 in H1 2020.

- As the Jeddah retail market matures and new supply is delivered, lease rates are expected to be pushed downwards marginally in the short term as retailers will continue to demand better lease rates reflecting diminished consumer spending.

Jeddah super regional & regional malls lease rates (SAR/m2)



Jeddah community malls lease rates (SAR/m2)

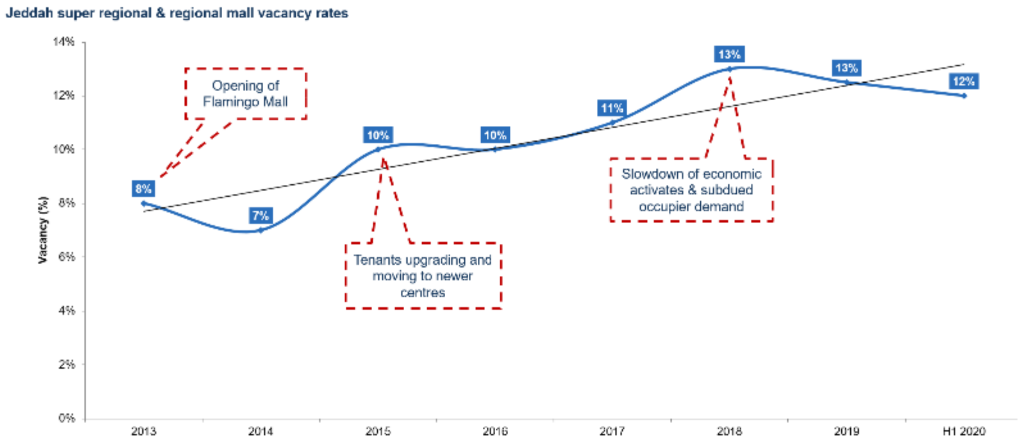


Source: Knight Frank Research

Super Regional and Regional Malls Vacancy

- From 2013 to 2019, market-wide vacancy levels for super-regional and regional malls witnessed an increase from 8% to 13%. However market-wide vacancy rate in Jeddah decreased marginally by one percentage point in the first half of 2020 to reach 12%.

- 2018 witnessed the addition of a few retail developments, namely Canana Mall, Rovan Plaza Al Marwah Plaza and Red Sea Mall extension, which marked a turning point as vacancy rates edged up higher to 13%.
- Between 2013 and 2019, the average vacancy rate across Jeddah super-regional and regional malls stood at 10%.
- Taking into account the supply pipeline coupled with a slowdown in economic conditions, vacancy rates are expected to increase marginally over the short-term. However, this can be mitigated in the event of developing a well-designed lifestyle retail development.



Source: Knight Frank Research

Comparables / Benchmarking

Mall

3.14 The key competition / comparables in relation to the subject mall we consider to be the following large / super regional malls:

- Al Salaam Mall
- Aziz Mall
- Haifa Mall
- Mall of Arabia

3.15 We have reviewed key performance metrics to understand how these malls perform in relation to the subject, and what they offer as competition.

Item	Aziz Mall	Haifaa Mall	Mall of Arabia	Salaam Mall
GLA sq m	72,153	32,946	109,185	121,113

Non GLA units	71	44	60	72
Parking spaces	1,422	914	2,053	1,825
Parking ratio 1 space per X sq m	51	36	53	66
Vacancy %	5.0%	16.4%	3.5%	7.1%
Occupancy (approx.)	95.0%	83.6%	96.5%	92.9%
Footfall 2019	6,797,062	4,580,595	7,916,204	10,972,869
Opex SAR psm average	250	250	350	251
Additional income as % of total income	8.1%	8.1%	8.1%	8.0%
S/C recovery per sq m	224	260	294	177
Rents 0-50 sq m	4,000	3,200	6,100	3,400
Rents 51-200 sq m	3,500	2,700	4,000	2,600
Rents 201 - 500 sq m	2,600	1,800	3,100	1,900
Rents 500 - 1,500 sq m	1,800	1,200	2,400	1,400
Over 1,500 sq m	700	1,000	1,100	500
Year built	2005	2011	2008	2012

Source: Arabian Centres IPO prospectus

3.16 The competitive set of shopping malls all show occupancy above 85% which is positive. In our visits to the competing malls, it was apparent there were generally very few vacant units, typically less than 20 in all, which translates to occupancy rates of 85 – 95% typically. The subject benefits from having a very popular anchor store in Hyper Panda, which is popular with the income bracket in this part of Jeddah, being positioned differently from Danube which is in Salaam Mall just across Prince Majid Road.

Occupancy

3.17 Considering the competitive set of malls above, we note that Mall of Arabia has the highest occupancy, although 5 of the comparable set have occupancy rates above 90%.

Rank	Occupancy	Mall
1	97%	Al Andalus

2	96.5%	Mall of Arabia
3	95%	Red Sea Mall
4	92.9%	Al Salaam Mall
5	83.6%	Haifaa Mall
6	95%	Aziz Mall
7	85%	Stars Avenue

Source: Knight Frank

Parking 3.18 The subject property provides a best in class parking ratio, with over 3,000 parking bays, much more than its competitors.

Rank	Parking Ratio	Mall
1	1:26	Al Andalus
2	1:36	Haifaa Mall
3	1:51	Aziz Mall
4	1:53	Mall of Arabia
5	1:66	Al Salaam Mall
6	TBC	Red Sea Mall
7	TBC	Stars Avenue

Source: Knight Frank

Gross Leasable Area (GLA) 3.19 We provide a summary of the GLA for each mall in our comparable set below.

Rank	GLA sq m	Mall
1	140,000	Red Sea Mall
2	105,994	Mall of Arabia
3	101,560	Al Salaam Mall
4	89,697	*Al Andalus Mall*
5	71,944	Aziz Mall
6	35,150	Stars Avenue
7	32,594	Haifaa Mall

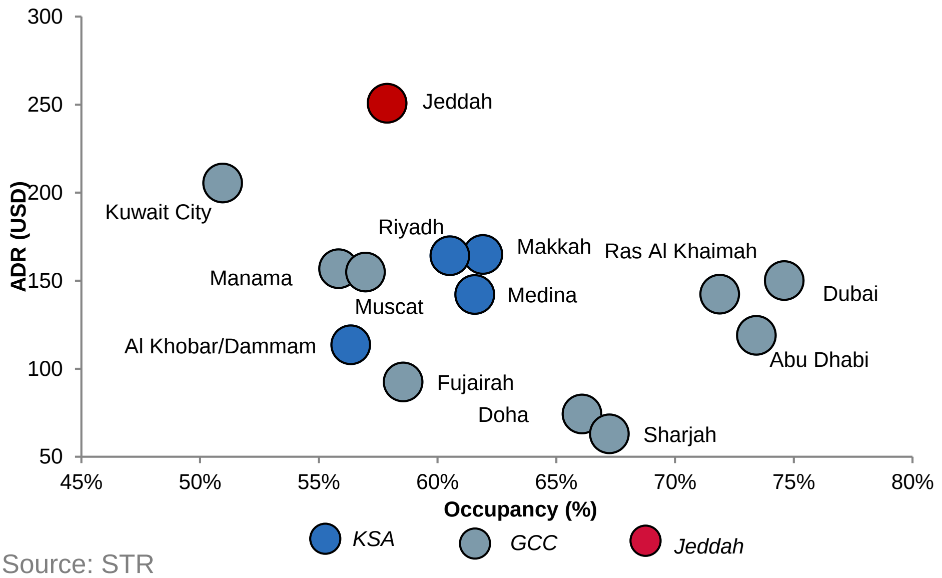
Source: Knight Frank

Jeddah Hospitality Overview

Jeddah Hotel Performance 3.20

- The following exhibit depicts the hotel market performance of major cities in the Middle East, in relation to Jeddah as per STR Global data 2019.
- Over the last year (2018-2019), the hotel sector across the majority of key cities in the GCC witnessed declining RevPAR performance.

Exhibit 11: Regional Performance of the GCC Hotel Market 2019

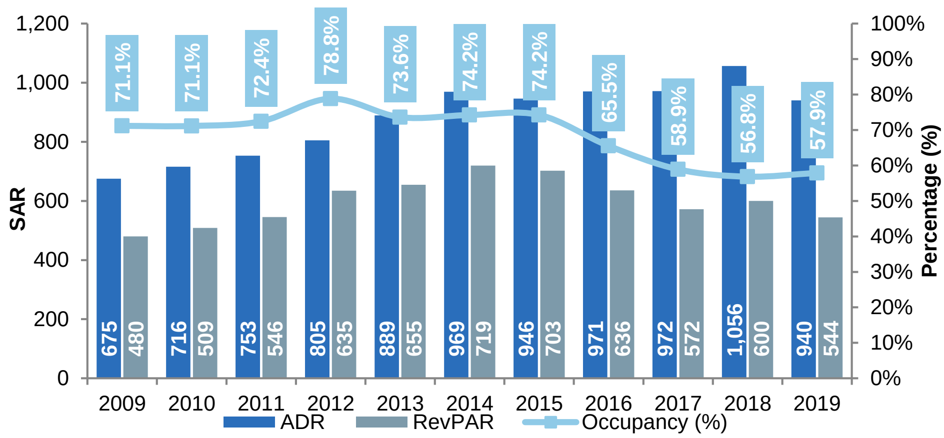


Source: STR

- Despite the fact that occupancy in Jeddah increased by 1 percentage point to 58 percent, ADRs declined by 11 percent from USD 282 (SAR 1,056) to USD 251 (SAR 940) resulting in a RevPAR decline of 9.3 percent from USD 160 (SAR 600) to USD 145 (SAR 544).
- Nevertheless, Jeddah remains the best performing market in terms of RevPAR compared to other key cities observed across the GCC.

Historic Market Performance 3.21

Exhibit 12: Historical Performance of Jeddah's Hotel Market (2012 – 2019)



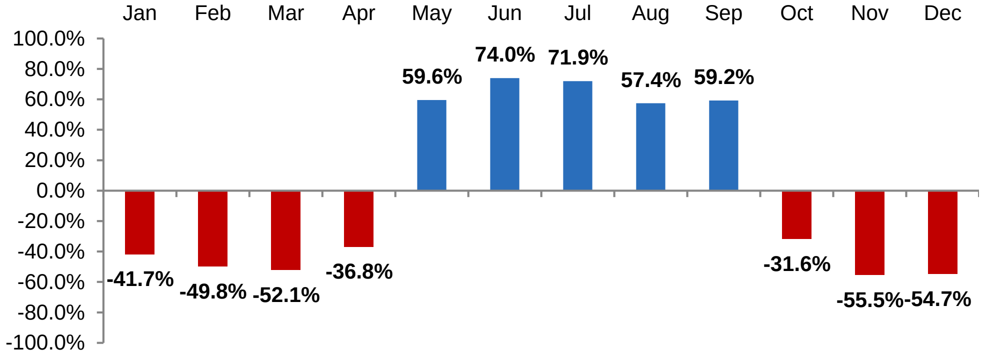
Source: STR

- Between 2009 and 2019, occupancy declined 13 percentage points, while ADR grew by a compounded annual growth rate of 3.4 percent from SAR 675 to SAR 940. As a result, RevPAR increased by a compounded annual growth rate of 1.3 percent from SAR 480 to SAR 544.
- Subsequent to the financial crisis (2008/2009), the hospitality market in Jeddah showed signs of recovery until 2014. However, post 2014, the market softened as a result of a rise in regional conflicts and a decline in oil prices, which led governments to cut back on spending. This was further exacerbated from the supply that was introduced to the market in 2016 (in particular occupancy).
- Looking forward, we anticipate the market to decline in the short term due to the recent global uncertainties surrounding the outbreak of Covid-19. As global governments impose restriction on travel and major events are being cancelled, we expect RevPAR to decline. This trend is expected to reverse in the medium term as governments will ease travel restrictions.

Seasonality 3.22

- The following exhibit depicts the monthly deviation from the annual average RevPAR in Jeddah for the full year 2019. The seasonality of Jeddah is very pronounced, with average RevPAR levels increasing by up to 74 percent in the month of June and decreasing to a low of 55.5 percent in the month of November.
- The comparatively low occupancy levels combined with high average rate are symptoms of a heavily seasonal market in Jeddah with demand peaks during Ramadan and Hajj season and troughs during winter and spring months.

Exhibit 13: RevPAR Variation from the Mean Jeddah 2019

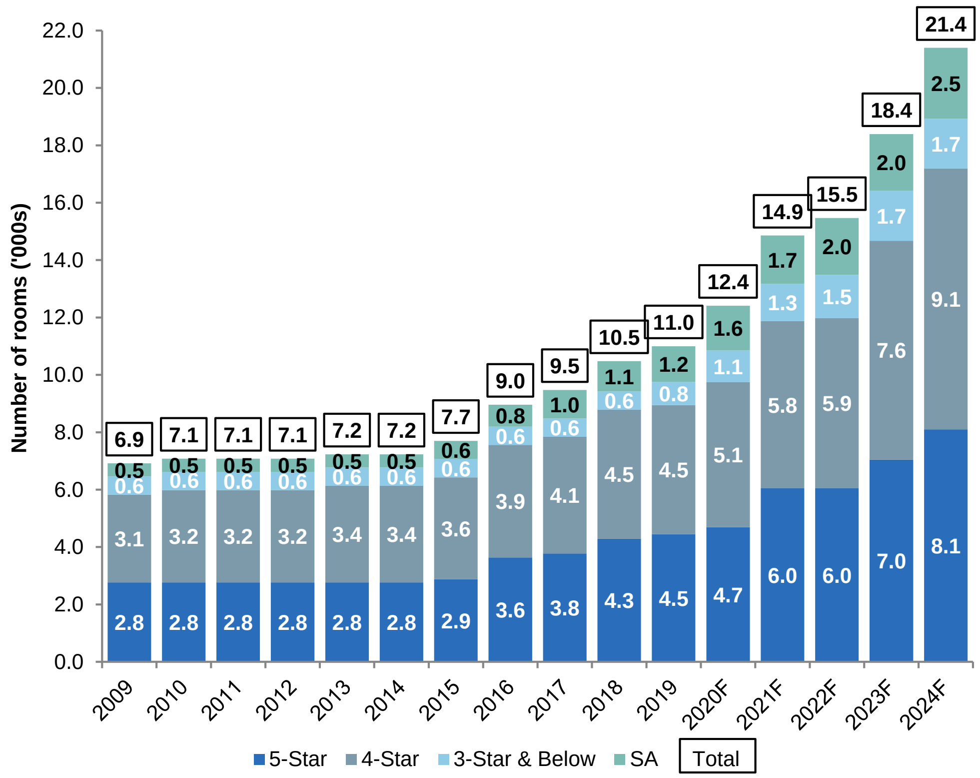


Source: STR

Supply 3.23

- The following exhibit depicts the evolution of supply between 2009 and 2024

Exhibit 14: Jeddah evolution of room supply (2009-2024)



Source: Knight Frank

- At the end of 2019, the total quality room supply in Jeddah stood at 10,997 keys, of which 59 percent (6,540 keys) of the total quality key count comprised internationally branded rooms.
- The quality hotel market in Jeddah recorded an annual growth rate of 4.7 percent over the last 10 years (2009 to 2019) and 8.7 percent over the last 5 years (2014-2019) indicating continued growth despite an economic slowdown. Between

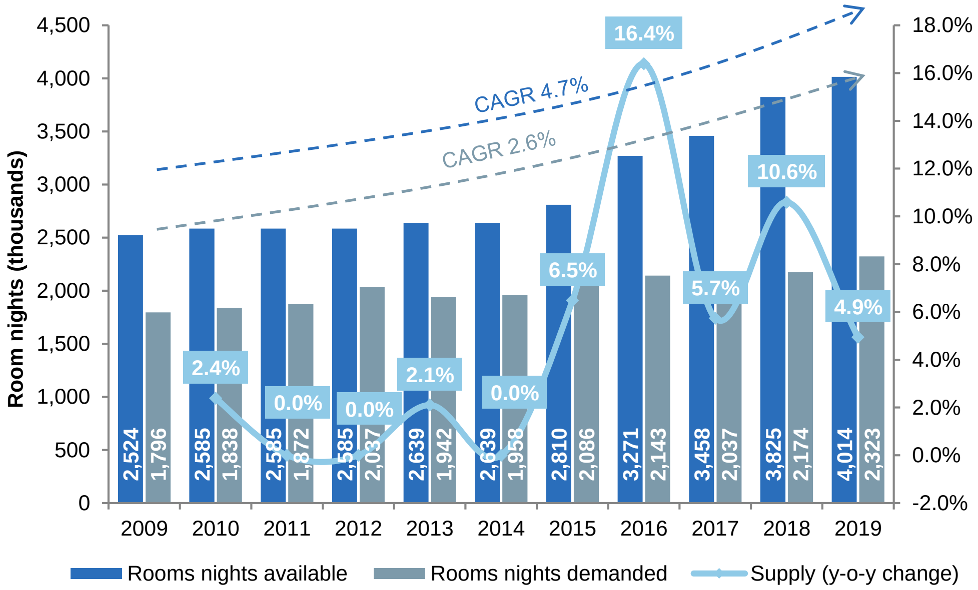
2009 and 2019, the serviced apartment segment recorded the highest annual growth rate of 10.4 percent; however, it is important to note that the segment started with a small base of 458 rooms in 2009. The 5-Star segment recorded the second highest annual growth rate of 4.9 percent, while the 4-Star and 3-Star & below segments recorded annual growth rates of 3.9 percent and 2.5 percent respectively.

- Given the supply pipeline until the end of 2024, the market is expected to expand at a faster pace compared to historical figures with a compounded annual growth rate of 14.2 percent (2019-2024). The quality room supply is estimated to increase by nearly double (10,401 quality rooms); however, it should be noted that the annual historical materialisation rate stood between 40 and 60 percent and therefore a number of these projects would likely be delayed resulting in growth rates contracting.
- All segments are estimated to record a faster growth rate between 2019 and 2024 compared to growth rates noted between 2009 and 2019. The serviced apartment and 3-Star & below segments are anticipated to grow at an annual compound rate of 14.8 percent and 16.4 percent respectively. As mentioned, this is mainly attributed to the fact that these segments currently feature a low supply base.
- The 5-Star and 4-Star segments are expected to note annual growth rates of 12.7 percent and 15.1 percent respectively.

Demand 3.24

- The following exhibit showcases the evolution of supply and demand dynamics between 2009 and 201 9 in Jeddah.

Exhibit 15: Jeddah quality hotel market supply Vs. demand dynamics



Source: STR

- In the first half of the 10 year period – there was a limited supply of rooms introduced to the market, with 2010 and 2013 noting an increase in supply. However in the second half of the period observed, every year noted an increase in supply, with 2016 noting the highest supply increase.
- Supply and demand dynamics remained challenged between 2009 and 2019 given that supply outpaced demand, representing a compounded annual growth rate of 4.7 percent and 2.6 percent respectively.

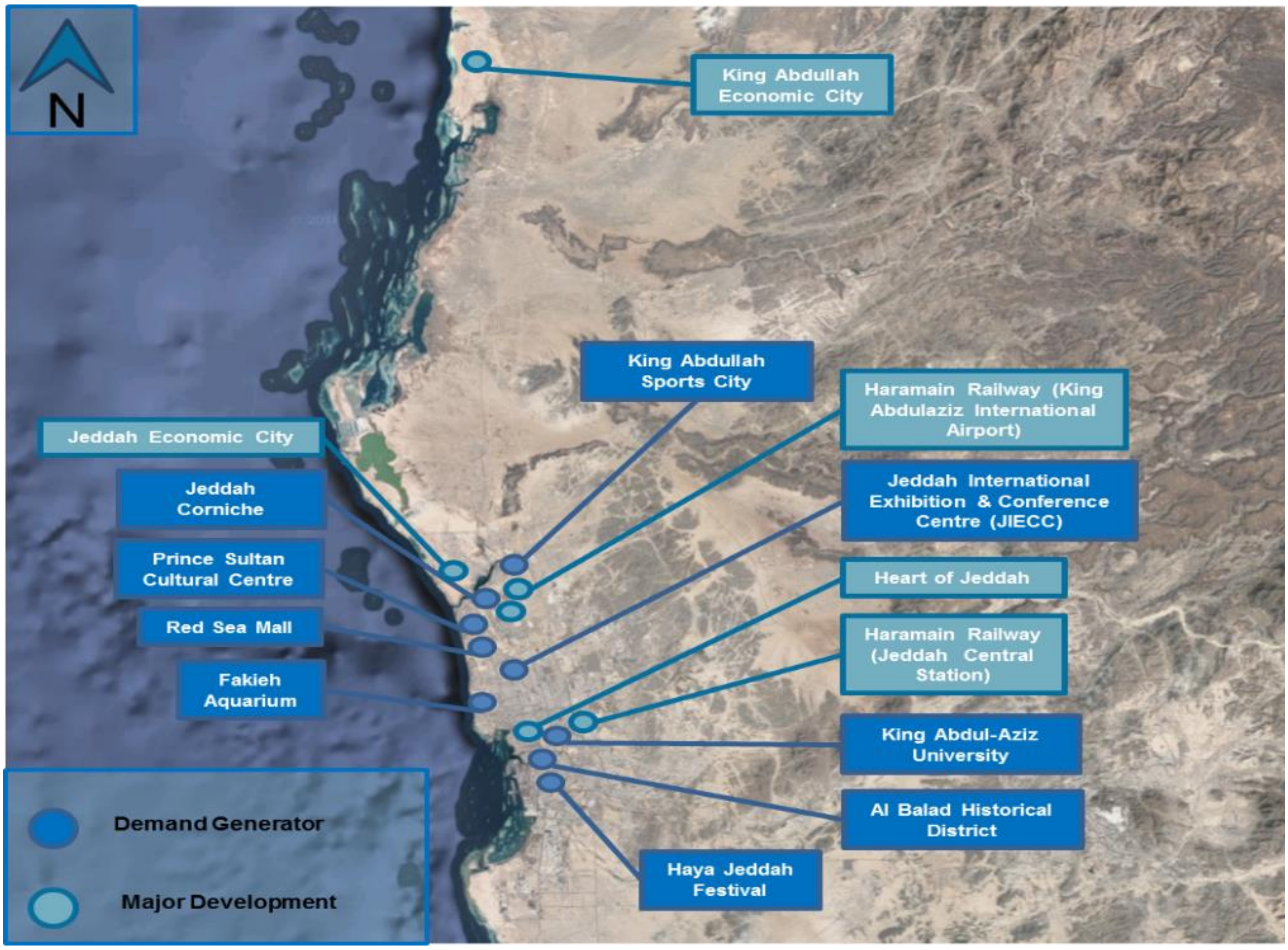
Jeddah Future Outlook

3.25 There are several key tourism related projects that have recently been completed, these include:

- Jeddah Season
- King Abdullah Sports City
- Prince Sultan Cultural Centre
- King Abdul-Aziz University
- Al Balad Historical District
- Jeddah Waterfront
- Jeddah International Exhibition & Conference Centre (JIECC)
- King Abdulaziz International Airport (new terminal)

3.26 In addition, there are number of projects under construction, these include:

- Haramain Railway
- Jeddah Economic City
- Heart of Jeddah
- King Abdullah Economic City



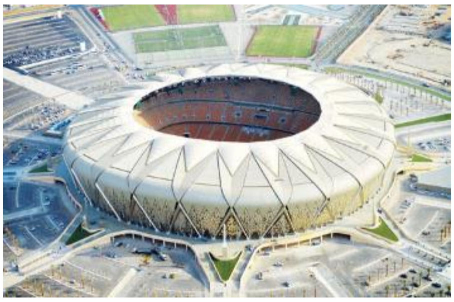
Jeddah – Existing Demand Generators

Red Sea Mall

- It covers approximately 242,200 square meters of built area with the "Elaf Jeddah" hotel attached to the mall.
- The mall has the "biggest indoor water fountain" and the largest glass covered area in Saudi Arabia.

King Abdullah Sports City

- The stadium lies approximately 15 kilometres inland from the Corniche, 20 kilometres from the Red Sea Mall, 35 kilometres from the King Fahd Fountain, and 40 kilometres from Al-Balad old town.
- In addition to the main 60,000-seat soccer stadium, the complex includes a 10,000-seat multi-sports hall, an outdoor 1,000-seat athletic stadium, additional indoor training fields, and parking for 45,000 vehicles



King Abdul-Aziz University

- King AbdulAziz University includes two separate campuses (one for females and one for males) as per the requirements of the Islamic Shar'ia Law.
- Each of the campuses is equipped with academic, cultural, sports and recreational facilities, as well as a large library, which is supplied with the most advanced technologies to serve students and the teaching staff.

Al Balad Historical District

- Al Balad was founded in the 7th century and historically served as the center of Jeddah.
- Al Balad was nominated by Saudi Commission for Tourism and Antiquities to be listed in UNESCO's World Heritage site, which was accepted in 2014.

Jeddah Corniche

- The corniche features a coastal road, recreation area, pavilions and large-scale civic sculptures - as well as King Fahd's Fountain, the highest fountain in the world.

The established area is well equipped, with many facilities including restaurants, retail outlets, hotels, aquarium, cultural center, water dancing fountain, blossoming gardens and fountains.

Jeddah International Exhibition & Conference Centre (JIECC)

- Jeddah International Exhibition and Convention Center (also known as Jeddah Center for Forums & Events) is a multi-purpose venue, located in one of the leading commercial hubs of Saudi Arabia.
- The venue covers 40,000 square metres and provides 10,000 square metres of indoor event area, a large exhibition hall, a business centre and dining options.

Haya Jeddah Festival

- Haya Jeddah, considered the largest shopping festival in Saudi Arabia, promotes the city's position as a welcoming and accessible family destination.

Fakieh Aquarium

- The only aquarium for the public in Saudi Arabia and offers education and entertainment by presenting the wonders of the underwater environment of the Red Sea and marvels brought from other seas and oceans around the world.
- With more than 200 species including Sharks, Groupas, Sting-Rays, Napoleon Wrasse, Sea Horses and Moray Eels amongst others, the Fakieh Aquarium aims to continue expanding the aquarium, offering a unique dolphin swimming experience, which was started in 2019.

Haramain High Speed Railway

- The 450km high speed rail link connects the cities of Makkah, Jeddah and Madinah.
- The project has been running tests since Q3 2016 and opened to the public officially in October 2018.
- The line is projected to carry around 165,000 passengers per day at full operational capacity.

Jeddah– Upcoming Major Developments

Prince Sultan Cultural Centre

- The Cultural Centre will be the focal point of the Cultural City, providing a range of cultural and artistic activities and programmes.
- The Centre will be designed to include a 2,000 seat Auditorium for performing arts, conventions, exhibitions, interactive experiences and gallery space.

Jeddah Economic City

- Jeddah Economic City, previously known as Kingdom City, is a 5,202,570 square metre (56,000,000 square feet) (2 square mile) project approved for construction in Jeddah, Saudi Arabia.
- The centerpiece of the development will be Jeddah Tower, planned to be the tallest building in the world upon its completion. Jeddah Economic City is a three-phase project. We understand that Jeddah Tower is included in phase 1 of construction.

Heart of Jeddah

- Heart of Jeddah is a new community in central Jeddah, Saudi Arabia. The site is a redevelopment of an abandoned air field and is surrounded by newly developed residential communities and retail establishments. Immediately adjacent to the site is King Abdelaziz University.
- Derived from the historical development patterns of Jeddah, the Souk features a number of small, low-rise mixed-use buildings.

King Abdullah Economic City

- King Abdullah Economic City (KAEC) has defined its credentials in the past few years as a major social and economic growth driver in the Kingdom.
- The Economic City, the 168 million square metres development on the Red Sea coast, energises the economy through diverse components including a port, industrial zone, and residential projects.
- KAEC will have a station on the Haramain high-speed railway connecting Makkah and Medina.

Investment Overview – Retail

3.27 Below we document some of the transactions that have taken place in the retail sector in the last 24 months. The REITS have been the most active acquirers of retail real estate in the Kingdom in terms of retail malls. In addition, Arabian Centres listed their malls business on the Tadawul in early 2019, which was over subscribed at the time, showing the appetite for investors exposure to this asset class..

Asset	Location	Acquisition Price SAR	NOI	Cap rate	Notes
	Al Makan Mall, Tabuk	219,417,197	17,820,000	8.12%	Acquired by Wabel REIT in 2018. 3 yrs old mall, 75 tenants, 97% occupancy, freehold title. Anchored by HyperPanda and H&M.
	Al Makan Mall, Dawadmi	166,820,000	21,390,000	12.82%	Acquired by Wabel REIT in 2018. 4 yrs old mall. 114 tenants, 97% occupancy, leasehold title. Anchored by HyperPanda and Centrepoint.
	Al Makan Mall,Hafr Al Batin	470,206,000	42,800,000	9.10%	Acquired by Wabel REIT in 2018. 3 yr old mall, 171 tenants, 97.5% occupancy, freehold title. Anchored by Hyper Panda, Asateer, Home Centre.
	Al Makan Mall, Riyadh	232,560,000	19,920,000	8.57%	Acquired by Wabel REIT in 2018. 3 yr old mall, 63 tenants, 93% occupancy, freehold title. Anchored by Centrepoint, Panda, H&M, City Max.
	Ahlan Court Centre	70,000,000	7,000,000	10%	Acquired by AlKhabeer REIT in 2019. Head lease in place for the entire asset at an annual rent of SAR 7m, which appears over rented. 9 showrooms and an office.
	Al Rashid Mall, Jizan	206,000,000	15,646,293	7.60%	Built in 2010, 3 storeys,

	Al Rashid Mall, Abha	372,000,000	34,583,966	15.49%	Acquired by Bonyan REIT, initial SAR 233 m plus SAR 148 m payable upon 90% occupancy, total SAR 372m. 20 year leasehold title, newly built in 2017/2018.
	Al Rashid Mega Mall, Madinah	505,500,000	32,824,933	6.49%	Acquired by Bonyan REIT, built in 2009, freehold title, 4 storeys.
	Al Andalus Mall, Jeddah	1,147,279,000	92,396,115	8.05%	Acquired by Al Ahli REIT in 2017, 10 year old+ mall, central location, occupancy 95%, anchored by HyperPanda, freehold title. Connected to Staybridge Suites.
	Ajdan Walk, Khobar	345,000,000	25,000,000	7.25%	Acquired by Sedco REIT in 2018, newly constructed retail development on Khobar corniche, occupancy, anchored by Cheesecake Factory and other Al Shaya brands. Freehold title, headlease to Al Fozan / Al Oula for 5 years.

Yield conclusions

3.28 The subject asset(s) i.e. mall and hotel in our opinion attract different risk profiles, with the hotel having no contracted income and being subject to performance of the operator. The mall itself has certain long term incomes and many various different shorter terms incomes.

3.29 We consider that for the mall, the asset is a large lot size, with a relatively limited number of potential purchasers. The key positive factors associated with the asset include high occupancy, well established mall with excellent parking, a tenant mix that is very in line with the surrounding catchment income profile and a strong anchor supermarket in the form of Hyper Panda. It has a good mix of mini anchors and smaller line shops and some franchisees that underwrite large portions of the income.

3.30 We conclude that a terminal cap rate of 8.50 to 9.0% would be reasonable for the subject mall given its size, age and income profile.

3.31 We conclude that the hotel, being newly developed will take time to stabilise, but with an international brand in this location should perform well and derive synergies from the connectivity to the mall.

SWOT Analysis - Mall

Strengths	Weaknesses
• Well established mall with a very high occupancy (97%) • Good long income in the form of the anchor Hyper Panda and cinema • Some other good long term anchors such as CityMax, Home Box, CentrePoint • Excellent parking facilities sets it apart from other malls • Food Court has recently been overhauled and renovated to improve performance • The tone of the mall, being mid income brands suits the tone of the catchment • Kids Fun Zone acts as demand driver to bring families in	• Lot size is large – relatively small market of purchasers able to afford this price point • Salaam Mall opposite, within 500m – so competition • Older property, will start to require increasing OpEx and cap ex going forward in order to maintain market share and rental levels
Opportunities	**Threats**
• New gates in the rear elevation of mall to increase foot fall to certain areas • Development of hospital adjacent should help footfall toe the mall and visitation to the hotel apartments • The eastern expansion will increase the F&B offering at the property.	• New supply of malls generally across Jeddah • Market sentiment falling further

3.32 Investors would typically formulate their bids for this type of asset on an initial yield approach from our experience of advising on the buy side of and also taking to market a number of commercial investments across the Kingdom of Saudi Arabia in the last 18-24 months.

3.33 In formulating our capitalisation rate / yield we have had regard to the points in the SWOT analysis above but also to the following:

- The mall is 97% let.
- There is an upcoming cinema which is a footfall generator.
- The amenities provided are good, with a nice mix of leisure, F&B and entertainment.
- The parking facilities are market leading.
- The major anchor is strong and well suited to the catchment in terms of spend levels.

The medium term outlook is positive, and although short term retailers are under pressure and there is a lot of supply in the form of super-regional malls coming to the market in Jeddah, most of these are located to the north, around or north of, the airport.

Investment Overview – Hospitality

GCC Hospitality Investment Market Overview

3.34 In benchmarking our hotel yield / terminal yield, we have had regard to the following anecdotal sales transactions in the MENA region, which have occurred over previous years, providing good indicators of where the market lies.

Exhibit 16: list of transactions that have been carried out in MENA

Location	Country of Origin	Transaction Date	Star Rating	Sales Price (USD) (Rounded)	Keys	Value per Key (USD)
Ritz Carlton DIFC	UAE	2011	5 Star	300,000,000	300	600,000
Ocean View Residence	UAE	2011	4 Star	98,000,000	342	354,223
Marina View Hotel	UAE	2013	4 Star	60,000,000	224	272,480
Business Bay Hotel	UAE	2014	5 Star	79,000,000	296	266,892
Moevenpick Bur Dubai	UAE	2014	5 Star	95,000,000	312	299,728
Yasat Gloria	UAE	2014	4 Star – Serviced Apartment	259,000,000	1,019	245,232
Moevenpick JBR	UAE	2014	5 Star	130,000,000	294	435,967
Business Bay Hotel	UAE	2015	4 Star	140,000,000	367	381,471
Kenzi Hotel	KSA	2015	5 Star	400,000,000	759	527,009

Bahrain Tourism Co.	Bahrain	2015	-	92,000,000	246	373,984
Bakkah ARAC Hotel	KSA	-	4 Star	88,000,000	426	206,573
Moevenpick City Star Jeddah Hotel	KSA	2016	4 Star	69,000,000	228	302,632
Al Falaj Hotel	Oman	2016	4 Star	36,000,000	150	240,000
Warwick Hotel	UAE	2017	4 Star	136,000,000	357	381,624
Emaar Portfolio	UAE	2018	5/4 Star portfolio	600,000,000	993	604,230.

Source: Knight Frank

Hotel Discount Rate / Exit Yield

3.40 The fact that there is typically no confirmed / contracted income to the owner, as the majority of hotels are run under management agreements rather than leases in KSA suggests that the yield sought by investors should be slightly higher than other real estate asset classes, with long term contracted income. Market sentiment in the area over recent years, coupled with the upcycle of tourism growth, particularly in the leisure sector, which is a key focus of Vision 2030 diversifying the economy away from oil revenue, has led to proactive discussions with potential investors, however, this is yet to come to fruition with an open market transaction.

We are not aware of any direct comparable sales transactions, however, we are aware of the Movenpick Jeddah Star transaction, positioned at an upscale 5-Star level, comprising 228 keys. We are unaware as to what level the transaction achieved as an initial yield against 1st year NOI, due to opaque data. However, we are aware the transaction achieved a value per key of circa USD 302,600. Although the transaction is not directly comparable, as the sale was carried out in 2016 and competes in a different category to the subject property. This allows us to understand buyer sentiment, in the current market. When taking this into consideration, we have assumed a higher capitalisation rate and a lower cost per key for the subject property, due to the location, quantum of keys offered and positioning.

3.41 Based on the above information and taking into consideration the outlook for the specific hospitality sector in Jeddah as well as the current impact of the recent outbreak of Covid-19, we would expect an internationally branded serviced apartment, operating in its ramp up phase, at the date of valuation, to reflect an exit yield of circa 9.25 percent for an investor, looking to purchase on the open market, equating to approximately USD 247,000 per key.

SWOT Analysis - Hotel

Strengths	Weaknesses
• Located within the Al Woroud district – prime location on the cross roads of Prince Majid Road and King Abdullah Road. • Immediately adjacent to Al Andalus Mall, a prestigious mall in Jeddah. • Large room sizes, which are well maintained to a high specification; • Diversity of room inventory providing guests with more choice. • Variety of meeting space capitalising on exposure towards MICE segmentation	• Traffic congestion area • Poor vehicular accessibility • Limited F&B facilities • Trajectory of growth in the city of Jeddah is shifting north, with developments such as Jeddah Economic City (JEC) and the development surrounding the Jeddah Creek.
Opportunities	**Threats**
• Large masterplan development in place where Al Andalus Mall and Staybridge Suites are one of the first phases of development to be constructed – potential to leverage on corporate guest and VFR market share from proposed hospital currently under construction. • Lack of internationally branded serviced apartments in the Jeddah market.	• Future supply pipeline will heavily influence the market share of the serviced apartments. • Several vacant land plots which may be developed into competing properties.

4 Valuation

Methodology

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

Investment method – Al Andalus Mall

4.2 Our valuation has been carried out using the comparative and investment methods. In undertaking our valuation of the mall property, we have made our assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, terms, covenant and other material factors.

Investment method – Al Andalus Mall

4.3 We have undertaken the valuation of the mall via a discounted cash flow approach, whereby we can reflect current and potential future revenues and costs explicitly. We have applied rental growth, occupancy percentages, and operating expenses in our cash flow based on our discussions with the client. Cap Ex items have also been reflected based on their probably timing as we deem reasonable.

Profits Method (DCF) – Hotel Suites

4.4 We value operational property assets by reference to the earnings potential, as this is the basis on which such properties are commonly bought or sold.

The income capitalisation approach is based on the principle that the value is indicated by its net return, or present worth of future benefits, i.e. the future forecast income and expenditure along with the proceeds from a future sale. These benefits are converted into an indication of market value through capitalisation and DCF process.

Of the three valuation approaches available to a valuer, the income capitalisation approach provides the most persuasive and supportable conclusions when valuing a hotel facility. Using a 10 year forecast and an exit yield most accurately reflects the real actions of hotel buyers, who buy based on their leveraged discounted cash flow.

Valuation assumptions – Retail Mall and Land

4.5 We have valued the shopping mall having regard to current and potential future income, on a 10 year DCF basis. Given that the leases are for very different terms, there is some income that is contracted well into the future and secure, and there are also a number of leases which are short and therefore less secure (terms of 1 year being common for certain units). Where income is contracted for the next few years, we have reflected that contracted income in our cash flow along with fixed rental increases. Upon lease expiry we have assumed they revert to Market Rent.

Inflation

4.6 We have adopted a rental growth and expense inflation rate of 2% in our cash flow, in line with the long term standing average for the Kingdom.

Occupancy

4.7 The current mall occupancy is 97%, this is superior to the other malls in the competitive set as detailed in the report. Having regard to future supply and the age of the mall, we have assumed a structural occupancy level of 95% (stabilised).

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

Item	Ground Floor (ERV SAR psm)	First Floor (ERV SAR psm / unit)
0 to 49	3,125	2,875
50 to 100	2,525	2,375
101 to 150	2,350	2,050
151 to 250	2,125	1,900
251 to 500	2,000	1,450
501+	1,000	550
GF Kiosk	-	171,100
FF Kiosk	-	111,600
Cinema	-	1,100
ATM	-	99,100
Other	-	575
Supermarket	-	550
Warehouse	-	650

4.9 The above are adopted market rents having regard to the recent deals achieved in the mall and having regard to the current market sentiment.

Operating Expenses

4.10 We have been provided with the breakdown of the operating costs for the property by the Client which amounts to SAR 25,454,596.00 per annum. This have been adopted in our valuation.

Item	Unit	Assumption
Passing Rent	SAR per annum	131,389,589
Operating Costs	SAR per annum	25,454,596

Sinking Fund	% of Total Revenue	1%
Bad Debts	% of Total Revenue	1.25%
Stabilised Occupancy	%	95%
Exit Yield	%	8.75%
Growth	%	2%
Discount Rate	%	10.75%
Market Value	SAR	1,209,500,000

Andalus Mall Expansion Land

4.11 When coming to our opinion of value for the expansion land we have considered both transactions and asking prices for land in close proximity to the property.

4.12 In the table below and corresponding map, we show our comparable evidence

Comp no.	Price (SAR)	Size (sq m)	Price per sq m (SAR)	Location	Status	Year
1	2,500,000	640	3,906	Prince Majid Rd. / Abdullah Sulayman St.	Listing	2020
2	3,300,000	638	5,172	Prince Majid Rd. / Abdullah Sulayman St.	Listing	2020
3	90,000,000	18,000	5,000	Prince Majid Rd. / Abdullah Sulayman St.	Listing	2020
4	5,962,500	750	7,950	Abdullah Sulayman St.	Listing	2020
5	33,447,600	8,802	3,800	Zayd Ibn Amr	Listing	2020

Source: Knight Frank Research

Source: Google Earth

4.13 In undertaking the valuation, we have placed most reliance on comparable three as it is considered good in terms of size and location, where a base rate of SAR 5,000 sq m was adopted. From this base rate adjustments for location, accessibility, visibility and size were made.

In terms of location, we consider that purchasers would be willing to pay a premium, as the property benefits from frontage along Prince Majid Road, which is one of the most vibrant streets in Jeddah. We have therefore applied a premium to reflect this.

The property is half the size of comparable three, therefore a premium for reverse quantum has been applied against the property.

Based on the aforementioned adjustments, we consider that the property would command a capital value of SAR 5,125 per sq m.

We provide a summary of our valuation below:

Description	Unit	Item
Adopted sales rate	SAR per sq m	5,125
Site area	Sq m	9,669
Capital Value	SAR	49,553,215
Market Value (rounded)	SAR	49,550,000

Valuation assumptions – Hotel

Assumptions 4.14 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Terms of Engagement Letter and within this report.

Key Assumptions 4.15 Our projections are prepared in accordance with the Uniform System of Accounts for the Lodging Industry (USALI) as used by the hotel and leisure industry worldwide.

We have made a number of assumptions within our valuation which we have listed below:

- The valuation is based on the EBITDA of the serviced apartment, with an allowance for the terms and fees included in the hotel management agreement.
- The valuation given includes furniture, fittings, equipment and operational supplies that are necessary for the hotel as a going concern.
- We were not provided with the classification certificate for the operating hotel and therefore we have assumed that the hotel would continue to acquire an operating classification certificate as a 5-Star hotel.
- Unless otherwise stated, ADR (Average Daily Rate) in our calculations is inclusive of service charges, but exclusive of tax and municipality fees.
- Our cash flow is prepared on the basis of a calendar year. Year 1 of the cash flow starts from the date of valuation.
- The client has terminated the hotel management agreement with Holiday Inns Middle East under the Staybridge Suites brand and as per the client, is in an advanced discussion with another reputable international operator. Therefore, we have assumed that the operator / brand appointed would be similar to that of Staybridge Suites. We have assumed that this new operator would continue to manage the subject property effectively and efficiently under a 5-Star deluxe serviced apartment positioning.
- We were not provided with the revised commercial terms under the new management agreement and therefore have had to rely on industry standard fee structures that are typically offered by hotel operators for the Jeddah market. These terms are assumed to prevail over a 15-year term and come into effect in 2021.
- During the transition of operators, we have assumed that the property will continue to remain open for business and be owner operated. Furthermore, our projections take into account that the new operator would be appointed and running the operations of the hotel by Q1 2021. A delay in appointing the new operator would impact the projections.
- Typically, when a new hotel operator takes over an existing branded operational hotel, there are costs associated with re-branding, FF&E upgrades, etc. Typically, these costs are borne by the owner; however, we have been informed by the client that the costs related to re-branding and the costs related to any minor

FF&E upgrades will be covered by the accrued FF&E reserve from the previous years.

- The subject hotel has all relevant documentation and permissions required from the relevant planning and trading authorities in Jeddah, KSA.
- We have assumed the rate of inflation to be 2 percent per annum.
- We have adopted a discount rate of 11.25 percent and a terminal capitalisation rate of 9.25 percent for the hotel cash flow.
- We have adopted the 9.25 percent capitalisation rate to show the subject property as a deluxe, internationally branded asset, located in the area of Al Fayha District, an emerging international leisure and corporate destination in the city of Jeddah.

Valuation bases

Market Value 4.16 Market Value is defined within RICS Valuation – Professional Standards as:

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

Market Rent 4.17 The basis of valuation for our opinion of rental value is Market Rent. This is defined in RICS Valuation – Professional Standards as:

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

Valuation date

Valuation date 4.18 The valuation date is 31 December 2020

Market Value

Assumptions 4.19 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Terms of Engagement Letter and within this report.

Key assumptions 4.20 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to the following assumptions which are particularly important / relevant:

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

Market Value (Aggregate) 4.21 We are of the opinion that the Market Value of the freehold interest in the entire properties, subject to the existing leases, and hotel management agreement at the valuation date is:

SAR 1,407,650,000

(One Billion, Four Hundred and Seven Million, Six Hundred and Fifty Thousand Saudi Arabian Riyals)

4.22 The split between the two main components is as follows:

Market Value (Al Andalus Mall and Expansion Land)

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

SAR 1,259,050,000

(One Billion, Two Hundred and Fifty Nine Million, Fifty Thousand Saudi Arabian Riyals)

Market Value (Hotel)

4.24 We are of the opinion that the Market Value of the freehold interest in the Hotel Suites, subject to the existing management agreement and assumptions within this report, as at the valuation date is:

SAR 148,600,000

(One Hundred and Forty Eight Million and Six Hundred Thousand Saudi Arabian Riyals)

4.25 Our opinion of Market Value (Hotel) above equates to a capital value of approximately USD 239,000 per key.

Material Uncertainty

4.26 The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value.

In respect of the subject Property / Properties, as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant / sufficient market evidence on which to base our judgements. Our valuation is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

For the avoidance of doubt this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the valuation cannot be relied upon.

Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

5 Risk analysis

General comments

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

Risks relating to the property

Location 5.2 This location is very central and is at the intersection of two major highways, by a large interchange, therefore is very accessible from all directions generally. The only downside is the fact that there is another super regional mall located across the interchange from this one – Al Salaam Mall.

The property is located within an area which we expect to be subject to further growth and development in the short to medium term, as there is substantial vacant land around both this and Salaam Mall, some of which is already master planned for residential development, and long terms this will enhance the immediate catchment and potential customers for the mall.

Condition 5.3 The mall is relatively dated and older than many of its competition. Although it is well maintained, there does need to be an effective planned preventative maintenance programme in place in order to uphold the value of the asset over the long term. The mall is at the stage where certain items such as A/C plant need to be gradually replaced on phased basis, and whilst this would be the case for any mall, the age of the subject means that these expenses are arriving more quickly than a newer property.

Income risks

Leases 5.4 The major anchor Hyper Panda has a lease that has 8 years unexpired, and some of the mini anchors are on 5-8 year leases, however the majority of the leases in the mall range in length from 1 to 3 years, therefore the income is relatively short. As new supply enters the market, there is a risk that if the mall is not well maintained and managed to the standard required by tenants, they may see better opportunities in newer facilities going forward, which could impact occupancy.

Hotel 5.5 Income from a hotel is not contracted and is performance based, with revenues being generated based on operator performance and how well the operator manage the asset. Therefore the revenue could be relatively volatile based on the market conditions, with new supply entering the market, and will take some time to reach stabilisation, usually between 3-4 years for a property of this type and positioning.

Economic & property market risks

	5.6	Fewer negotiations are resulting in transactions as many investors wait to see how market pricing will ultimately adjust to changing economic and restrictive credit conditions. Since the listing of the first REIT on the Tadawul in late 2016, we have seen the number of REITs listed on the stock exchange reach 17, with a total market capitalisation of USD 3.7 billion as at early November 2019. This is a substantial increase compared to Q1 2018, where the market consisted of 12 REITs with a USD 2.3 billion market capitalisation. However, as expected we are seeing a slowdown in listings, with the vast majority of activity taking place in 2018 and not 2019. In 2018 nine new REITs were listed compared to just one listing to date in 2019. In consequence, there are a limited number of comparable transactions. You should note that our opinion of Market Value is provided in light of these conditions. Accordingly, given the current economic and property market volatility, we recommend that the valuation is kept under regular review. Our opinion of value represents our professional view based upon any available market evidence and our professional judgement.
Demand from occupiers	5.7	Based on the fact that the mall is at 97% occupancy and this is better than its peers, this suggests there is still a good level of demand from the type of tenant that would be attracted to this mall and it's positioning in the retail market.
Supply of similar properties	5.8	One of the key malls to note is Al Salam Mall, located opposite the property. Like the property this is a super regional mall, but is it slightly larger as it extends to 121,113 sq m. The risk of tenants moving to Salam Mall may be a possibility, however it is worth mentioning that Salam Mall has occupancy above 93% therefore the space available would be limited. Nonetheless the property was built in 2007 and has shown strong performance in terms of retaining tenants, rental growth and has high occupancy.
Investor	5.9	Malls in the GCC are generally owned by the large family groups, e.g. Al Hokair, Majid Al Futtaim, Al Futtaim Group etc. Investors often have difficulty obtaining good exposure to the retail sector due to the barriers to entry – for example, Emaar Malls IPO gave investors this opportunity, but if malls are held in private company, this does not allow investors much exposure. We consider there is suitable appetite and strong investor demand for a well-managed, well-let mall in a good location in a major city given the demographics and young population.
Liquidity of the property type / Time to sell	5.10	The lot size of the subject is considerable. This means that there are only a limited number of investors that would be able to / have the capacity to acquire such as asset. Many funds would find that its size would not fit in with portfolio weightings and asset allocations, therefore the potential buyers would tend to be sovereign or government related entities, other REITS which means the number of potential purchasers could be slightly limited.

6 Signature

Reviewed (but not undertaken by):

Faissal Habassi, MRICS

RICS Registered Valuer

Taqeem No. 1220001311

Manager - Valuation & Advisory KSA

For and on behalf of

Knight Frank Spain Saudi Arabia Real

Estate Valuations Company

Stephen Flanagan, MRICS

Taqeem Certified Valuer

Taqeem No. 1220001318

Partner, Head of Valuation & Advisory, MENA

For and on behalf of Knight Frank

Spain Saudi Arabia Real Estate

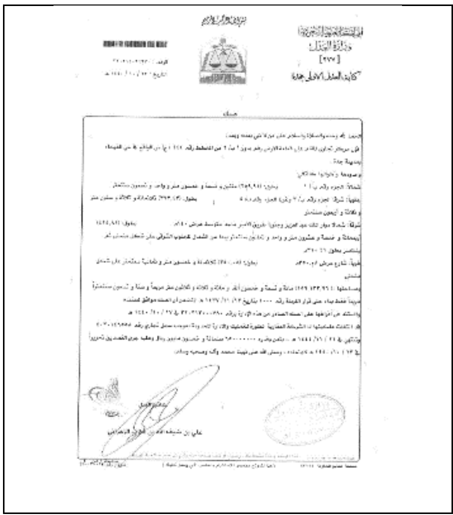
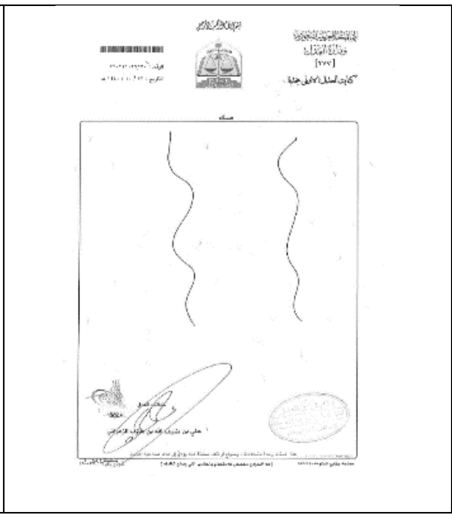
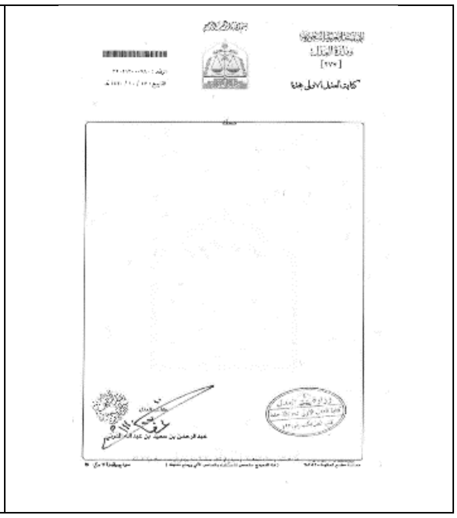
Valuations Company

Appendix 1 - Instruction documentation

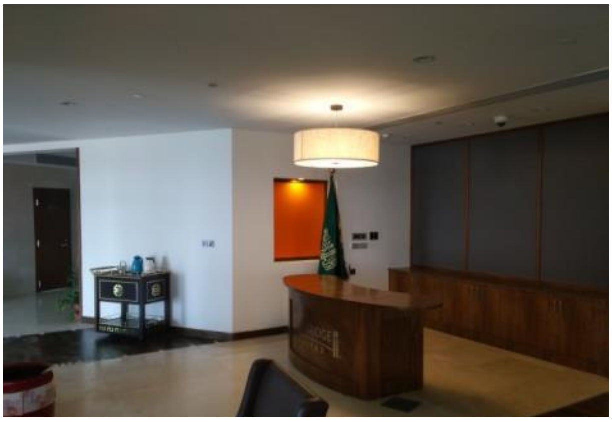
Terms of Engagement

Client:		**Alahli REIT Fund (1)**
Contact Person:		**Danial Mahfooz, CFA**
Contact Email:		**d.mahfooz@alahlicapital.com**
1.	*Our Client and any other intended users*	**Alahli REIT Fund (1)**
2.	*Purpose of valuation*	Semi-annual Valuation Exercise for REIT Reporting.
3.	*Asset or Liability to be valued*	Al Ahli REIT Fund (1) consisting of Al Andalus Mall, Staybridge Suites and Salama Building.
4.	*Interest to be valued*	Freehold.
5.	*Type of Asset or Liability & use*	Commercial (Retail Mall and Office Tower) and Hospitality.
6.	*Delivery of draft report*	10 Working Days.
7.	*Basis of valuation*	Market Value in accordance with the RICS Valuation - Professional Standards 2017 – including the International Valuation Standards.
8.	*Valuation Date*	31st December 2019.
9.	*Conflicts of interest*	We have no current fee earning involvement with the properties.
10.	*Status of Valuer*	External Valuers.
11.	*Valuer and Competence Disclosure*	The Valuers with responsibility for this report will include Stephen Flanagan, MRICS, Alexandros Arvalis, MRICS, and Saud Sulaymani. We confirm that the Valuers meet the requirements of the RICS Valuation Standards PS 2 having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
12.	*Currency to be adopted*	SAR
13.	*Key assumptions, special assumptions, reservations, special instructions or departures*	To be advised.
14.	*Extent of inspection and investigations*	Our General Terms of Business for Middle East Professional Assignments and Valuations sets out the scope of our on site investigation.

Appendix 2 - Title Deed

Appendix 3 - Photographs



Appendix 4 - Floor plans

Ground Floor

First Floor

Appendix 5 - Building Permit

المملكة العربية السعودية
وزارة الشؤون البلدية والقروية
أمانة محافظة جده

التاريخ : ٢٦ ٠٢ ٠٤
الرقم : ٠٠٠١٠٣

رخصة بناء

بلدية : الجامعة
رخصة بناء : مركز تجاري لمدة ثلاث سنوات تبدأ من تاريخه
اسم مالك : محمد بن عبدالعزيز الحبيب وشركاه
نوع هوية : حفيظة نفوس رقم ١٠ ٠١ ١٤٢٥ مصدر جده
صك ملكية : ٤٦٧ تاريخه ٣٠ ٠٤ ١٤٢٤
رقم مبنى : ٠٠٠٠ شارع غير مسمى (٩٩٩٩) حى الثغر
رقم قطعة : ٠٠٠ رقم المخطط التنظيمي تاريخ المخطط ٠٠ ٠٠٠٠
قد رخص للمالك ببناء عدد ٢٠ دور بموجب الحدود والابعاد والارتدادات والبروزات

الاتجاه : محيط خارجي	الارتداد	البروزات	المس
شمال : ١٤ ٠٠٢٩١	٩٠ ٧١	٠٠ ٠٠٠٠	وفق الصك : ٠٠ ١٠
شرق : ٣٧ ٠٠٧٦٣	٤٠ ٧١	٠٠ ٠٠٠٠	وفق الطبيعة : ٠٠ ١٠
جنوب : ٠٤ ٠٠٣٦٨	٠٠ ١٣٢	٠٠ ٠٠٠٠	وفق التنظيم : ٠٠ ١٠
غرب : ١٠ ٠٠٤٨٧	٨٢ ١٠٦	٠٠ ٠٠٠٠	

المستويات	سكن	تجاري	مواقف سيارات	وحدات اخرى	مساحة
دور ارضي	٠٠ ٠٠٠٠٠٠٠	٠٠ ٠٠٤١٤٧٧	٠٠ ٠٠٣٨٠٠٠	٠٠ ٠٠٠٠٠٠٠	٠٠ ٧/
دور اول	٠٠ ٠٠٠٠٠٠٠	٠٠ ٠٠٧٥٢٩١	٠٠ ٠٠٠٠٠٠٠	٠٠ ٠٠٠٠٠٠٠	٠٠ ١١

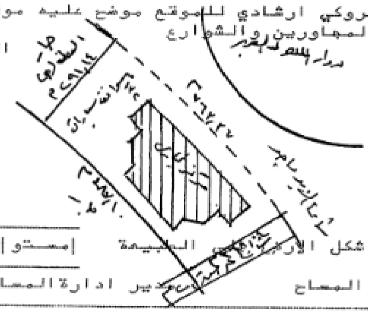
اجمالي طول الاسوار (م - ط) ٠٠ ٠٠٠٠٠
نسبة الدور الارضي ٠٦٠٠
رقم رخصة المعماري
الاسم
رقم رخصة الانشائي
الاسم
رقم رخصة المصمم ١٠٠٧٢
الاسم مروان بدرالدين عاشور
أجريت دراسة التربة بمعرفة
المكتب المصمم

الرسوم	رقم الايصال	تاريخ الايصال
٢٦٦٦٦ ٤٠	٨/٦٧٣٨٢٤	١٤٢٦ ٠٢ ٠٣

البيارة طول عرض عمق
٠٠ ٠٠٠٠٠ ٠٠ ٠٠٠٠٠ ٠٠ ٠٠٠٠٠

مكان وجودها

كروكي ارشادي للموقع موضح عليه موقع المجاورين والشوارع



الشم

شكل الارض الطبيعة | مستو | غير

المساح مدير ادارة المساحة

عدد الوحدات ~~السكنية~~ تجارية ٢٢٠
تم مراجعة المخططات والموافقة عليها على أن يلتزم المالك بتنفيذ كامل أنظمة البلد
وأن يرجع اليها عند ضرورة أى تعديل مهما كان وعليه أعطى الترخيص ...

مهندس الرخص .... مدير ادارة التراخيص .... رئيس البلد ....

Appendix 6 - Profit & Loss - Hotel

Al Andalus Hotel
Valuation Date 31 Dec 2020
P&L - Uniformed Account System

Currency (SAR) '000	Forecast Year 1 2021		Year 2 2022		Year 3 2023		Year 4 2024		Year 5 2025		Year 6 2026		Year 7 2027		Year 8 2028		Year 9 2029		Year 10 2030	
Av. Room Occupancy	43%		62%		72%		72%		72%		72%		72%		72%		72%		72%	
Av. Room Rate (SAR)	574		653		686		699		713		727		742		757		772		787	
RevPAR	245		405		494		503		514		524		534		545		556		567	
Operations Revenue																				
Rooms Department	14,671	86.1%	24,216	85.7%	29,545	85.5%	30,136	85.5%	30,739	85.5%	31,354	85.5%	31,981	85.5%	32,620	85.5%	33,273	85.5%	33,938	85.5%
Food & Beverage Department	2,164	12.7%	3,632	12.8%	4,432	12.8%	4,520	12.8%	4,611	12.8%	4,703	12.8%	4,797	12.8%	4,893	12.8%	4,991	12.8%	5,091	12.8%
Other Operating Department	147	0.9%	363	1.3%	517	1.5%	527	1.5%	538	1.5%	549	1.5%	560	1.5%	571	1.5%	582	1.5%	594	1.5%
Miscellaneous Income	60	0.3%	61	0.2%	62	0.2%	63	0.2%	64	0.2%	66	0.2%	67	0.2%	68	0.2%	70	0.2%	71	0.2%
Total Sales / Operation Revenue ('000)	**17,041**	**100%**	**28,273**	**100%**	**34,556**	**100%**	**35,247**	**100%**	**35,952**	**100%**	**36,671**	**100%**	**37,405**	**100%**	**38,153**	**100%**	**38,916**	**100%**	**39,694**	**100%**
Departmental Expenses ('000)																				
Rooms Department	2,934	20.0%	3,875	16.0%	4,343	14.7%	4,430	14.7%	4,519	14.7%	4,609	14.7%	4,701	14.7%	4,795	14.7%	4,891	14.7%	4,989	14.7%
Food & Beverage Department	1,645	76.0%	2,361	65.0%	2,615	59.0%	2,667	59.0%	2,720	59.0%	2,775	59.0%	2,830	59.0%	2,887	59.0%	2,945	59.0%	3,004	59.0%
Other Operating Department	29	20.0%	91	25.0%	142	27.5%	145	27.5%	148	27.5%	151	27.5%	154	27.5%	157	27.5%	160	27.5%	163	27.5%
Miscellaneous Income	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total Departmental Expenses	4,608	27.0%	6,327	22.4%	7,100	20.5%	7,242	20.5%	7,387	20.5%	7,535	20.5%	7,685	20.5%	7,839	20.5%	7,996	20.5%	8,156	20.5%
Gross Operating Income ('000)	**12,433**	**73%**	**21,946**	**78%**	**27,456**	**79%**	**28,005**	**79%**	**28,565**	**79%**	**29,137**	**79%**	**29,719**	**79%**	**30,314**	**79%**	**30,920**	**79%**	**31,538**	**79%**
Undistributed Operating Expenses																				
Administration & General	2,812	16.5%	3,322	11.8%	3,628	10.5%	3,701	10.5%	3,775	10.5%	3,850	10.5%	3,927	10.5%	4,006	10.5%	4,086	10.5%	4,168	10.5%
IT Systems	724	4.3%	820	2.9%	864	2.5%	881	2.5%	899	2.5%	917	2.5%	935	2.5%	954	2.5%	973	2.5%	992	2.5%
Sales and Marketing	937	5.5%	1,202	4.3%	1,382	4.0%	1,410	4.0%	1,438	4.0%	1,467	4.0%	1,496	4.0%	1,526	4.0%	1,557	4.0%	1,588	4.0%
Property Operation and Maintenance	852	5.0%	990	3.5%	1,037	3.0%	1,057	3.0%	1,079	3.0%	1,100	3.0%	1,122	3.0%	1,145	3.0%	1,167	3.0%	1,191	3.0%
Utilities	2,088	12.3%	2,262	8.0%	2,419	7.0%	2,467	7.0%	2,517	7.0%	2,567	7.0%	2,618	7.0%	2,671	7.0%	2,724	7.0%	2,779	7.0%
Total Undistributed Expenses ('000)	7,413	43.5%	8,595	30.4%	9,330	27.0%	9,517	27.0%	9,707	27.0%	9,901	27.0%	10,099	27.0%	10,301	27.0%	10,507	27.0%	10,717	27.0%
Gross Operating Profit ('000)	**5,020**	**29%**	**13,351**	**47%**	**18,126**	**52%**	**18,488**	**52%**	**18,858**	**52%**	**19,235**	**52%**	**19,620**	**52%**	**20,012**	**52%**	**20,413**	**52%**	**20,821**	**52%**
Management Fee	256	1.5%	424	1.5%	518	1.5%	617	1.8%	629	1.8%	642	1.8%	655	1.8%	668	1.8%	681	1.8%	695	1.8%
Adjusted Gross Operating Profit ('000)	**4,764**	**28%**	**12,927**	**46%**	**17,608**	**51%**	**17,872**	**51%**	**18,229**	**51%**	**18,594**	**51%**	**18,965**	**51%**	**19,345**	**51%**	**19,732**	**51%**	**20,126**	**51%**
Incentive Fee	334	2.0%	905	3.2%	1,233	3.6%	1,251	3.5%	1,276	3.5%	1,302	3.5%	1,328	3.5%	1,354	3.5%	1,381	3.5%	1,409	3.5%
Non-Operating Income and Expenses	136	0.8%	156	0.6%	173	0.5%	176	0.5%	180	0.5%	183	0.5%	187	0.5%	191	0.5%	195	0.5%	198	0.5%
Replacement Reserve	341	2.0%	848	3.0%	1,037	3.0%	1,057	3.0%	1,079	3.0%	1,100	3.0%	1,122	3.0%	1,145	3.0%	1,167	3.0%	1,191	3.0%
EBITDA - Net Cash Flow ('000)	**3,954**	**23.2%**	**11,019**	**39.0%**	**15,166**	**43.9%**	**15,387**	**43.7%**	**15,695**	**43.7%**	**16,009**	**43.7%**	**16,329**	**43.7%**	**16,655**	**43.7%**	**16,988**	**43.7%**	**17,328**	**43.7%**

Appendix 7 - Taqeem Certificates