



أبجد
للتقييم العقاري

Final Valuation Report

Alinma Retail REIT Fund, 5 Properties Across Saudi Arabia

Client: Alinma Investment
21 January 2024
V230291
P230387

الإنماء للاستثمار
alinma investment



Introduction



Dear Alinma Investment

RE: Real Estate Valuation Alinma Retail REIT Fund, 5 Properties Across Saudi Arabia

Further to your request, Abaad thank you for inviting us to complete and submit a valuation report with respect to the aforementioned properties.

We have prepared our valuation on the basis of Fair Value as of **30 June 2023** for financial Statement purposes.

We confirm that the valuation has been prepared in accordance with International Valuation Standards (IVS) **2022** and is compliant with the Saudi Authority of Accredited Valuers, also referred to as “Taqeem”.

We confirm that the valuation has been undertaken by us as external valuers and we possess the required knowledge, skills, and understanding to undertake the valuation competently.

We confirm that we are not aware of any existing or potential conflict of interest with respect to this engagement.

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Registration Certificate



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Property Overview

- The Subject Properties are five different Properties located in four different cities in Saudi Arabia.
- The first mall is located in Al Rayan District, Hafer Al Baten with a land area of **127,000** sqm, total built-up area of **84,720** sqm, and total leasable are of **62,150** sqm.
- The second mall is located in Al Malqa District, Riyadh with a land area of **37,293** sqm, total built-up area of **43,179** sqm, and total leasable are of **22,717** sqm.
- The third mall is located in Al Rayan District, Al Dawadmi with a land area of **72,678** sqm, total built-up area of **36,070** sqm, and total leasable are of **27,489** sqm.
- The fourth and final mall is located in Al Rajhi District, Tabuk with a land area of **21,428** sqm, total built-up area of **45,018** sqm, and total leasable area of **22,044** sqm.
- The fifth mall is located in Riyadh, with a land area of **4,875** sqm and a total built-up area of **10,954.62** sqm and total leasable area of **6,654** (according to client).
- The client fully owns all of the Properties except for Al Makan Mall Dawadmi, which its land is leased by the municipality for an annual payment of **650,000** SAR from for a period of twenty-five years starting **01/11/1433 (17/09/2012)** and ending in **01/11/1458 (19/12/20236)**.

Properties Details

Mall	Title Deed	Title Deed Date	Tenure	Land Area
Hafer Al Baten	532502002325	22/09/1439	Freehold	63,500
Riyadh	410123034700	20/09/1439	Freehold	37,293
Dawadmi	N/A	N/A	Leasehold	72,678
Tabuk	250109008541	30/04/1442	Freehold	21,428
Signature	811201000320	03/01/1444	Freehold	4,875

Subject Properties Pictures



Valuation Summary

Site Details	Information
Report Type	Detailed Report
Purpose of Valuation	Financial Statement Purposes
Valuation Approach	Cost Approach Income Approach
Basis of Value	Fair Value
Other Intended Users	Alinma Retail REIT Fund Stockholders - Report Auditors
Valuation Hypothesis	Current Use
Adopted Currency	Saudi Riyal
Aggregate Fair Value for 5 malls	920,500,000

Executive Summary

Valuation Comments

- Abaad draws your attention to any assumptions made within this report. We consider that the assumptions we have made accord with those that would be reasonable to expect a purchaser to make.
- Abaad has placed reliance on the information provided by the Client regarding the property details. Should it transpire that the information provided is incorrect, Abaad reserves the right to review and amend the report and the result of the valuation accordingly.
- This report should be read in conjunction with all of the information set out in this report. We would point out that we have made various assumptions as to tenure, planning and associated opinions. If any of the assumptions on which the valuation is based are subsequently found to be incorrect then the figures presented in this report may also need revision and should be referred back to us.
- Please note property values are subject to fluctuation over time as market conditions may change.

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Valuation Terms



Introduction

- Abaad was requested by Alinma Investment on **05 June 2023** to provide a valuation of the freehold interest of Al Makan Properties, Riyad, Hafer Al Baten, and Tabuk and Signature Building and the leasehold interest of Al Makan Mall, Al Dawadmi . We enclose this valuation within this Draft Valuation Report.

Applicable Standards

- We confirm that this valuation report has been prepared in accordance with International Valuation Standards (IVS) **2022** and is compliant with the Saudi Authority of Accredited Valuers, also referred to as “Taqeem”.

Status of Valuer

- This report has been compiled and verified by Ammar Qutub and Ammar Sindi, who have the necessary qualifications, ability and relevant experience to conduct a valuation of the Subject Property. They have also acted in the capacity of external valuers.

Conflict of Interest

- We confirm that we are not aware of any conflict of interest in acting on your behalf on this exercise.

Purpose of Valuation

- We have prepared our valuation for Financial Statement purposes.

Date of Inspection

- We confirm that the Properties was inspected by Abaad Team during June **2023**.

Date of Valuation

- We confirm that the date of valuation is 31 December **2023**.

Basis of Valuation

- We have prepared our valuation on the basis of Fair Value, which is defined in IVS **2022** as per the below:

International Accounting Standard No. (13) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Sources of Information

- We have relied upon the information provided to us by the Client with respect to the Subject Properties, which is outlined below:
 - Property Location.
 - Title Deeds.
 - Land Lease Agreement.
 - Building Permits.
 - Tenant Schedule.
 - Operating Expenses.

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Liability and Publication

- This report is issued for your use, and that of your professional advisers, for the specific purpose to which it refers. Abaad does not accept any responsibility to any third party for the whole or any part of its contents.
- Neither the whole nor any part of this valuation or any reference to it, may be included in any published document, circular, or statement or disclosed in any way without Abaad prior written consent to the form and context in which it may appear.

Confidentiality

- This report is confidential to the Client and their advisors, and we accept no responsibility to any third party. No responsibility is accepted to any third party who may use or rely upon the whole or any part of the contents of this report. It should be noted that any subsequent amendments or changes in any form to it will only be notified to the Client to whom it is authorized.

Assumptions and Special Assumptions

- Assumptions are matters that are reasonable to accept as a fact in the context of the valuation assignment without specific investigation or verification. They are matters that, once stated, are to be accepted in understanding the valuation or other advice provided.

- Special As reasonable and relevant assumptions regarding er from the facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date. Special assumptions are often used to illustrate the effect of changed circumstances on value.
- Only assumptions that are reasonable and relevant having regard to the purpose for which the valuation assignment is required shall be made.

The operating costs of Almadan Mall (Riyadh), Signature Building (Riyadh) and Almadan Mall (Hafr Al-Batin) were provided to us by the client. Units with expired contracts and from which tenants have not exited have been excluded for some of the properties under valuation in the first year.

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Title Information-Riyadh

ID	Description
Plot No.	5
Masterplan	3176
District	Al Malqa
Land Area	37,293
Coordinates	<u>24°47'27.01"N 46°36'43.95"E</u>
City	Riyadh
Ownership Type	Freehold
Title Deed Info	Deed No. 410123064700
	Deed Date 20/09/1439

Dimensions-Riyadh

Description	Length (m)	Type	Type	Street Width (m)
North	185.07	Street	Internal	15
South	185.07	Street	Internal	15
East	201.50	Street	Internal	20
West	201.50	Street	Main	60

- We have been provided with the details of the Title Deeds and Lease Agreement for the Subject Properties, and we assume the following details to be correct for the purposes of this report. However, should there be any inconsistencies, we reserve the right to amend our valuation.
- All aspects of tenure/title and lease agreement should be checked by the client's legal representative prior to any financial commitment. Should any assumptions made within the body of this report prove to be incorrect then the matter should be referred back to the valuer in order to ensure the valuation is not adversely affected.

Title Information-Hafer Al Baten

ID	Description
Plot No.	1
Masterplan	138/H
District	Al Rayyan
Land Area	63,500
Coordinates	<u>28°21'27.20"N 45°57'40.71"E</u>
City	Hafer Al Baten
Ownership Type	Freehold
Title Deed Info	Deed No. 532502002325
	Deed Date 22/09/1439

Dimensions-Hafer Al Baten

Description	Length (m)	Type	Type	Street Width (m)
North	254	Street	Internal	30
South	254	Street	Internal	-
East	250	Street	Internal	60
West	250	Street	Main	25

Tenure

Title Information

Title Information-Dawadmi

ID	Description
Plot No.	284
Masterplan	960
District	Al Rayyan
Land Area	72,678
Coordinates	<u>24°32'38.08"N 44°26'23.26"E</u>
City	Dawadmi
Ownership Type	Leasehold
Title Deed Info	Deed No. N/A
	Deed Date N/A

Dimensions-Dawadmi

Description	Length (m)	Type	Type	Street Width (m)
North	229.64	Street	Internal	20
South	219.85	Street	Main	-
East	364.3	Street	Internal	28
West	297.39	Street	Internal	20

Title Information-Tabuk

ID	Description
Plot No.	107 - 123
Masterplan	T/38/157
District	Al Rajhi
Land Area	21,428.13
Coordinates	<u>28°24'19.19"N 36°32'40.44"E</u>
City	Tabuk
Ownership Type	Freehold
Title Deed Info	Deed No. 250109008541
	Deed Date 30/04/1442 H

Dimensions-Tabuk

Description	Length (m)	Type	Type	Street Width (m)
North	24.5	Street	Internal	20
South	34	Street	Internal	20
East	250	Street	Main	100
West	17	Street	Internal	25

Tenure

Title Information

Title Information-Signature Building

ID	Description
Plot No.	1588+1587+1586+1580+1579+1578
Masterplan	284
District	1822
Land Area	Al Shuhada
Street Name	4,875
Coordinates	
City	<u>46°44'48.75"E 24°47'1.52"N</u>
Ownership Type	Riyadh
Title Deed Info	Freehold
	Deed No. 811201000320
	Deed Date 1444/01/03 H

Dimensions-Signature Building

Description	Length (m)	Type	Type	Street Width (m)
North	75	Street	Internal	15
South	75	Street	Main	60
East	65	-	Internal	15
West	65	Neighbor	Plot 1581 and 1589	-



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Site Location Analysis

Macro Location

- Hafer Al Batin is a Saudi Arabian City located in the Eastern Province in the Northeastern region. It is located **480 km** from the capital city, Riyadh.
- The city has major roads connecting it to Iraq, which is **70 km** from the country, and to Kuwait, which is **90 km** from the country.
- The city is served by Dammam airport known as King Fahed International Airport with a driving distance of **450 km**.
- The Subject property is located in Al Rayan District the South of Hafer Al Baten with a direct frontage on King Abdulaziz Road which links the Eastern Region together.

Subject Property Map



Site Location Analysis

Property Description

- The Subject Property is Al Makan Mall, Al Rayan District, Hafer Al Baten with a land area of 127,000 sqm, total built-up area of 84,720 sqm, and total leasable are of 62,258 sqm.
- It has commercial use, can be accessed primarily from King Abdulaziz Road of which has a direct frontage on.

Leasable Area

Description	Leasable Area	%
Total	62,258	100%
Occupied	24,268.66	53%
Vacant	37,989.31	47%

Subject Property Map

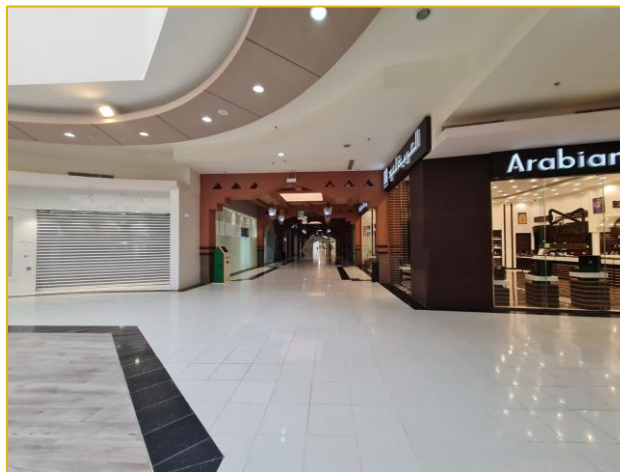


Site Location Analysis

Property Photographs



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Valuation

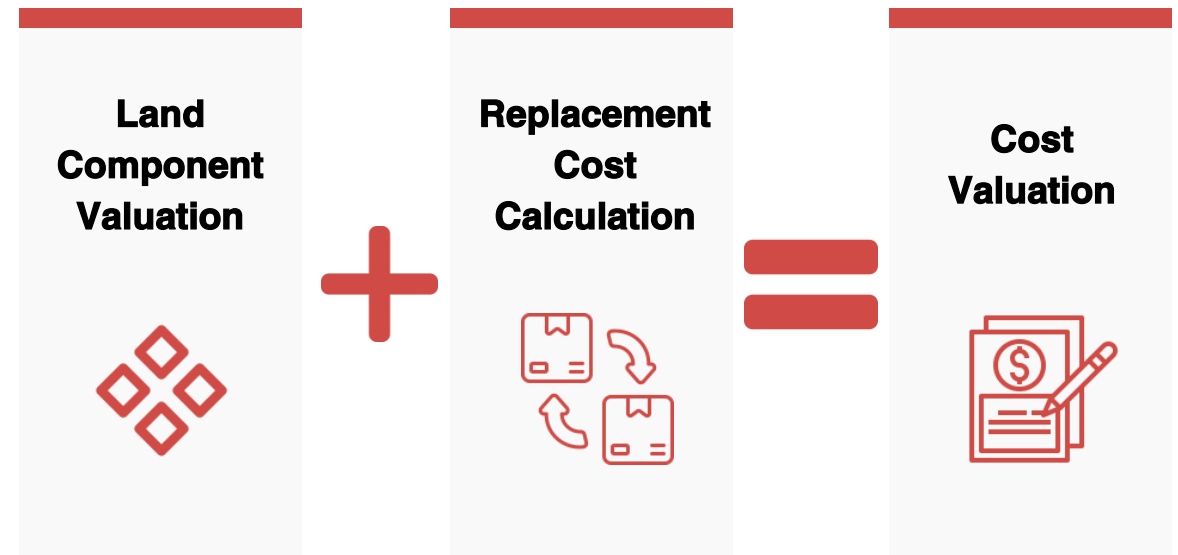
The Cost Approach

- The Cost Approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.
- The cost approach should be applied and afforded significant weight under the following circumstances:
 - a) participant would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
 - b) the asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible,
 - c) the basis of value being used is fundamentally based on replacement cost, such as replacement value.

Replacement Cost Method

- Generally, replacement cost is the cost that is relevant to determining the price that a participant would pay as it is based on replicating the utility of the asset, not the exact physical properties of the asset.
- Usually, replacement cost is adjusted for physical deterioration and all relevant forms of obsolescence. After such adjustments, this can be referred to as depreciated replacement cost.

Methodology Illustration



Income Valuation Methodology - DCF

Income Valuation Approach

- In determining our opinion of Market Value for the Subject Properties and based on the fact that they are all multi-tenanted income producing assets, we have utilized the Investment Approach of Valuation via the Discounted Cash Flow technique.
- Discounting Cash Flow (DCF) analysis is a financial modelling technique based on explicit assumptions regarding the prospective cashflow of a property. This analysis involves the projection of a series of periodic cash flows that a property is anticipated to generate. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with a property.
- With regard to the subject properties, the cashflow has been calculated on an annual basis. With respect to the growth rate applied throughout our cashflow, we have adopted the long-term average inflation rate for Saudi Arabia at 2.8%.
- The cashflow is discounted back to the date of valuation at an appropriate rate to reflect the time value of money, and in so doing thus determining the Market values. It is important to note that the cashflows reflect assumptions that market participants would use when pricing the asset (i.e., determining its value).
- The projected rents, as well as costs, are forecasts formed on the basis of information currently available to us and are not representations of what the values of the Properties will be as at a future date.
- Regarding the malls with leasehold tenure, we have forecasted the mall's projections until the expiry of land lease.
- The Market Value of the eight operating malls has been assessed using the Income Approach.

Valuation Steps Using Income Approach - DCF

01

Income Approach

The Investment Approach is a commonly used approach to value income-generated assets. The approach captures the revenues generated from the operation of the asset, using the Discounted Cashflow.

02

Inflation Rate

The Discounted Cashflow is calculated on annual basis, with a growth rate of 2.8 %/annum.

03

Property Income

The property income represents the revenue derived from the rent payments received during a year.

04

Property Costs

The property costs attribute to the costs generated from the operation of the asset, for instance, maintenance, and marketing costs. The costs are typically calculated on an annual basis.

Valuation Methodology - Income Approach

Exit Yield Commentary

- The Exit Yield is the yield applied to the Net Annual Income at the reversionary year of our DCF in our calculations and is typically derived from transactional evidence in the local market. However, we note that due to limited market activity as well as a lack of transparency with regard to real estate transactions for large assets of this nature, we have had to rely on anticipated market participants' expectations from typical property investments. The logic behind our cash flows is to forecast stabilization of the subject property's performance and assume market-level occupancy as well as rental rate levels. Upon stabilization, we forecast a reversionary year.

Discount Rates Commentary

- Theoretically the discount rate reflects the opportunity cost of capital as well as the return required to mitigate the risk associated with the particular investment type in question. Risk is typically related to market risk and property-specific risk, with the former relating to the state of the current property market whilst the latter relates to the specific characteristics of the asset. The associated risks assessment and the corresponding rates are based on the market participants' expectations for the risk associated with the cash flows due to variations in the amount or timing of the cash flows, the uncertainty inherent in the cash flows, and other specific risk factors.
- In general, if the properties exhibited secured revenue through strongly anchored leases with high average lease durations, there would be less risk associated with its revenue, which in turn would be accordingly reflected on the discount rate. Furthermore, properties under development and those with a high level of vacant units are subject to higher risk profiles and thus higher discount rates.

The Exit Yield refers to estimation of the capital value of the asset in the reversionary year. Our calculations of the Exit Yield are based on local market evidence.



The use of Discount Rate is mainly to reflect the risks associated with the operation of the asset, for instance and not exclusive to, drop-in occupancy rates, reduction on lease rates, asset depreciation, etc.





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Cost Approach Valuation

Valuation

Market Research Analysis

We summarize below our research findings regarding the selling prices for lands along King Abdulaziz.

Land Market Research

Site. #	Area	Price (SAR/sqm)	Total Price	Type
1	4,700	978	4,596,600	Asking 2022
2	800	1,000	800,000	Asking 2022

Market Commentary

- Al Rayan District has is a new district in the Southern part of Hafer Al Baten.
- Commercial land prices vary from 978 SAR/sqm and 1,000 SAR/sqm in the district depending on the location, frontage, and area.
- Regarding lease rates, there is Al Othaim Mall which is around 4.5 km South the subject Property. It has total GLA of 76,000 sqm and the rates are per the below table.

Rent Market Research

Type	Area Range	Price (SAR/sqm)
1	6,000 - 8,000	450 - 500
2	200 - 300	700 - 800
3	< 200	1,500 - 1,000

Comparable Evidence Map



Land Valuation Matrix

After completing the research and gathering information, adjustments are made in each factor in which the sale comparable differs from the Subject Property. The adjustments are made on a percentage and are applied to the price per sqm of the comparable to provide an adjusted value indication for the Subject Property.

Adjustments have been made to reflect factors including:

- Location: location or district profile.
- Size: the size of the land plot.
- Frontage: frontage refers to the area facing directly the street.
- Street: street refers to the the number of streets.
- Use: use is the permitted use of the property (commercial or residential)

and Valuation Matrix

Description	Comp 1	Comp 2
Size (Sqm)	4,700	800
Price (SAR / Sqm)	978	1,000
Location and Physical Adjustments:		
Location	0.00%	0.00%
Size	-20.00%	-25.00%
Frontage	2.50%	2.50%
Street	5.00%	0.00%
Use	0.00%	0.00%
Negotiation	-5.00%	-5.00%
Total Adjustments (%)	-17.50%	-27.50%
Adjusted Price (SAR/sqm)	807	725
Weights (%)	50.00%	50.00%
Price (SAR/sqm)	766	
Land Area	127,000	
Land Value	97,300,000	

Valuation

Depreciated Replacement Cost

Building Value

The costs of the building were estimated by the Abaad Real Estate Valuation team after conducting extensive research, referring to the best marker practices, and latest Taqueem data, and the estimated cost value of the building is as the following:

Buildings cost estimation

Description	Value
BUA (sqm)	127,594
Cost (SAR/sqm)	2,200
Cost (SAR)	280,706,800
Age	8
Economic Useful Life	40
Remaining Useful Life	32
Building's Value	224,565,440

Property Value

Description	Input
Land Value	97,300,000
Buildings Value	224,565,440
Fair Value (Rounded)	321,900,000



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Income Approach Valuation

SWOT Analysis

S

Strengths

- The mall is located with a frontage on one of the most known roads which link the Eastern Province.
- It has a strong brand name as there are several Makan Properties in Saudi Arabia.
- It is one of the well known Properties in Hafer Al Baten.

W

Weaknesses

- The mall is located in a rural city which many of its residence are reallocating to other major cities such as Riyadh and Dammam.

O

Opportunities

- There is a room for improvement as the occupancy is low.
- Thus lowering the lease rate and organizing entertainment activates would make it a premium destination when comparing with its competitors.

T

Threats

- Al Othaim Mall is within 4.5 km from the property and is directly competing with Al Makan Mall.

Valuation

Valuation

Based on the previous analysis, below are the main input of which the five years valuation model is built on:

Main Inputs

Description	Input
Tenant Revenue	15,500,899
Actual Operating Expenses	62,587
Current Vacancy	47%
Inflation	2.80%
Exit Yield	8.50%
Discount Rate	11.30%

The mall has poor performance which is reflected in the vacancy and the high OPEX (55%) which driven mainly by fixed expenses that the mall couldn't lower. In addition, the mall has electricity problems as its main supply comes from private distributors (around 6 million each year). Assuming, the electricity problem will be solved in the second year, electricity expenses will be cut in half.



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DCF Model

Period	1	2	3	4	5
Blended Lease Rate	550	565	581	597	614
Gross Income	34,228,364	35,186,758	36,171,988	37,184,803	38,225,978
Vacancy %	47%	37%	27%	17%	7%
Effective Income	18,106,570	22,132,230	26,369,131	30,825,947	35,511,672
OPEX (%)	55%	13%	12%	10%	9%
OPEX	9,971,600	2,958,995	3,041,847	3,127,019	3,214,575
Net Income	8,134,970	19,173,235	23,327,284	27,698,929	32,297,096
Terminal Value	0	0	0	0	379,965,841
Present Value	8,134,970	19,173,235	23,327,284	27,698,929	412,262,937
Fair Value	299,100,000				

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Site Location Analysis

Macro Location

The subject property is located in Riyadh, the capital of Saudi Arabia and the largest of its cities. It is the seat of the Riyadh Region.

Riyadh is the most prominent Saudi city with a total population of 10.5 million in 1443/2021.

Riyadh is one of the largest cities of the Arab World in terms of area. The developed area of the city is around 1,913 square kilometers.

Riyadh is witnessing significant development of infrastructure and public transport, with the Riyadh Metro Project and the Public Transport Project currently in progress.

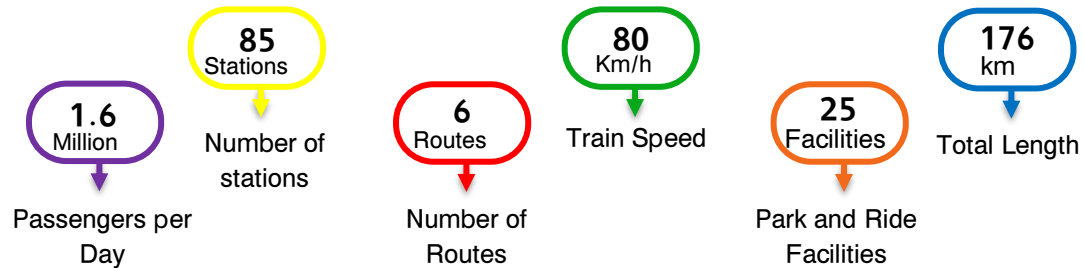
The subject property is located At Al Malqa District, Riyadh, approximately 12 kilometers from the City Center and about 13 kilometers from King Khalid International Airport.



Site Location Analysis

Public Transport – Riyadh Metro

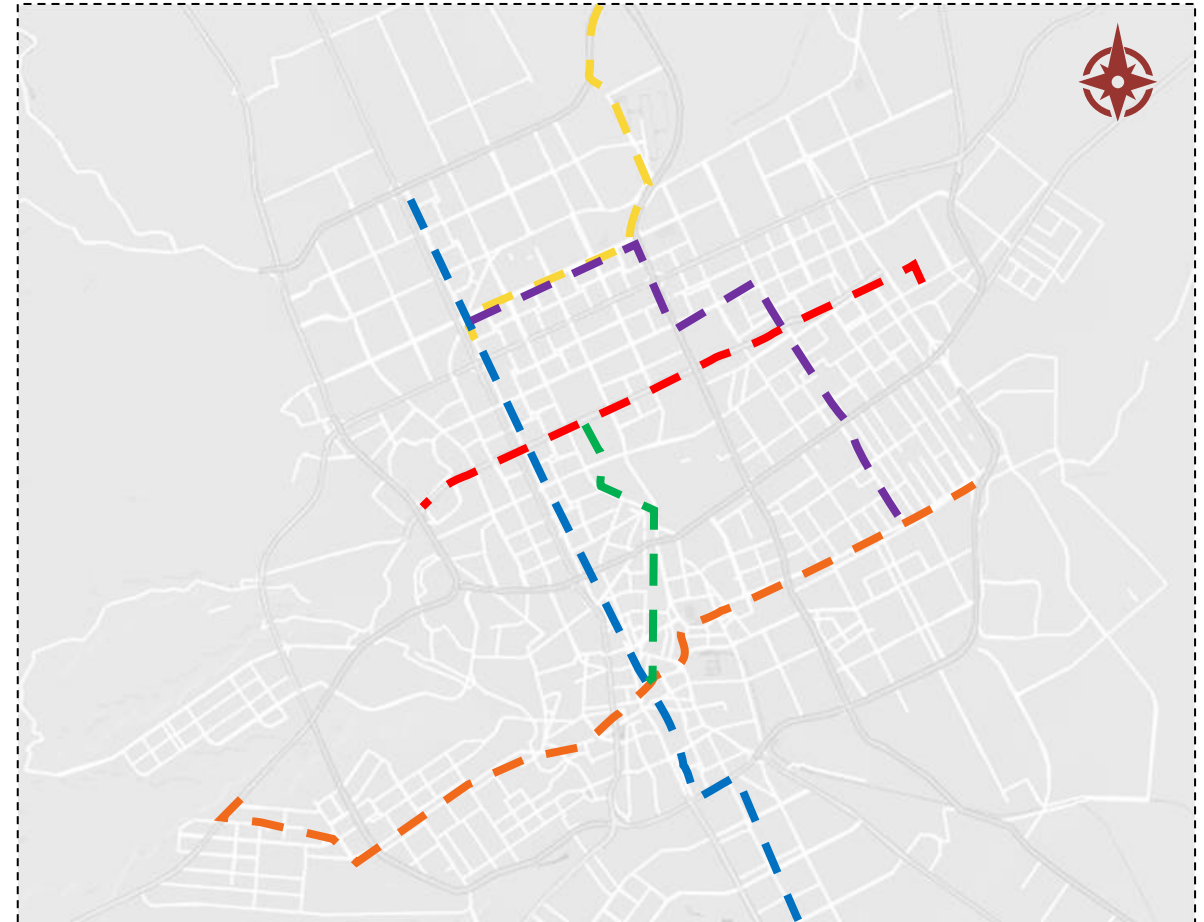
- Metro Riyadh is a high-speed transport system. It is currently under construction. It is one of the largest infrastructure projects in the City of Riyadh.
- The Metro is designed as a world-class transport system, including 756 metro cars, 85 stations, six metro lines, and a network spanning 176 kilometers.
- The construction of the metro system has resulted in several road closures which affected traffic in various parts of the city.



Length of Riyadh Metro Routes

Route	Route Length (Km)
First Route (Blue)	38.0
Second Route (Red)	25.3
Third Route (Orange)	40.7
Fourth Route (Yellow)	29.6
Fifth Route (Green)	12.9
Sixth Route (Purple)	29.5

Riyadh Metro Route Map:



Site Location Analysis

Development Projects at City Level



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The Royal Commission for the City of Riyadh carries out many programs and development projects which are strategic in nature with multiple objectives and dimensions and different requirements for execution over time.

هيئة تطوير
بوابة الدرعية



Between the architectural, cultural, economic and social features and the environmental development requirements of Wadi Hanifa, it provides a model for the development of the oasis.

The program adopted the principle of integration with the City of Riyadh, making Diriya a world class cultural, tourism and promotional suburb.

Riyadh Art Project



Includes the performance of over 1000 artworks by local and international artists in front of audiences in the various parts of the City of Riyadh, as part of 10 programs covering residential neighborhoods, public parks, natural promenades, public squares, public transport stations, bridges, pedestrian crossings, city entrances and all tourism destinations of the city.

Riyadh Boulevard

المسار الرياضي
Sports Boulevard



Extends 135 kilometers, penetrating the City of Riyadh to connect Wadi Hanifa in the west of the City with Wadi Al Sulay in its east. It includes sports, cultural, recreational and environmental activities, including bicycle tracks, horse tracks, pedestrian sidewalks, a number of gates, stations and rest areas for bikers and hikers. Along the Boulevard inside the City and at Wadi Hanifa and Wadi Al Sulay, recreational services are provided to bikers and hikers, including coffee shops and diverse retail outlets.

Green Riyadh

الرياض الخضراء
GREEN RIYADH

The program aims at planting over 7.5 million trees in all parts of the city, including public parks, community parks, promenades, mosques, schools, academic, health and public installations and facilities, green belts along the spans of public utility lines, in addition to King Khalid International Airport, a roads and streets network, in addition to public transport routes, car parking spaces, vacant lands, valleys and river tributaries.

King Salman Park

حديقة
الملك سلمان
King Salman Park

The largest city park in the World with an area exceeding 13 square kilometers. It is considered to be an environmental, cultural, sports and recreational project which contributes to the changing lifestyle in the city.

Site Location Analysis

Property Description

- The Subject Property is Al Makan Mall, Al Malqa District, Riyadh with a land area of 37,293 sqm, total built-up area of 43,179 sqm, and total leasable are of 22,472.21sqm.
- It has commercial use, can be accessed primarily from Mohammed bin Saad bin Abdulaziz Road of which has a direct frontage on.
- It contains a total of seventy-nine shops allocated through the ground and first floors.

BUA Breakdown

Buildings	Use	BUA (sqm)
Basement	Parking	11,448
ATM	Commercial	8
Ground Floor	Commercial	16,016
First floor	Commercial	14,914
Electricity Room	Services	20
Services	Services	773
Total	-	43,179

Leasable Area

Description	Leasable Area	%
Total	22,472	100%
Occupied	21,710	97%
Vacant	546	2%

Subject Property Map

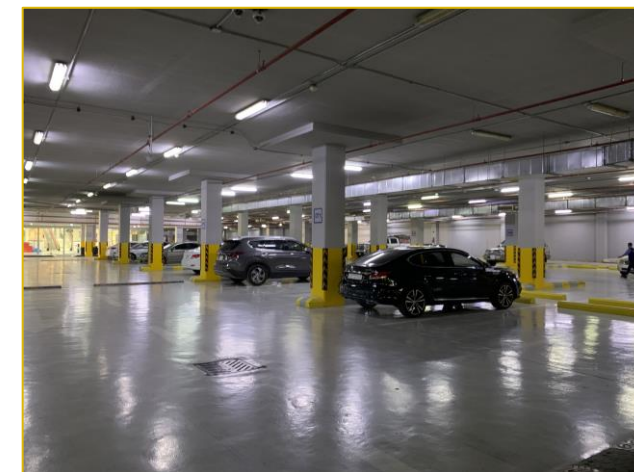


Site Location Analysis

Property Photographs



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للتقييم العقاري

Valuation

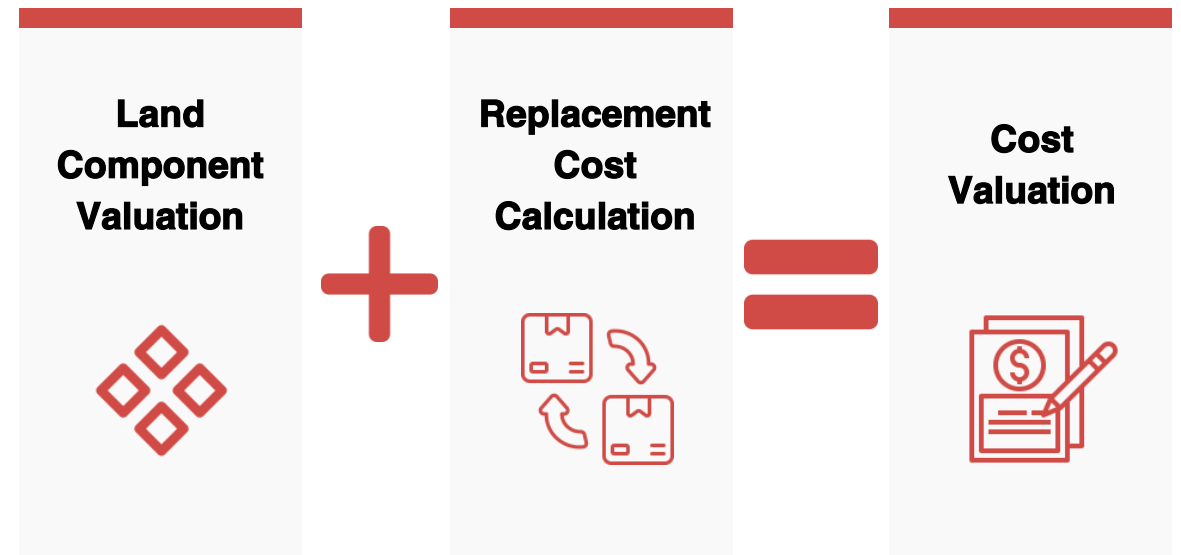
The Cost Approach

- The Cost Approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.
- The cost approach should be applied and afforded significant weight under the following circumstances:
 - a) participant would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
 - b) the asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible,
 - c) the basis of value being used is fundamentally based on replacement cost, such as replacement value.

Replacement Cost Method

- Generally, replacement cost is the cost that is relevant to determining the price that a participant would pay as it is based on replicating the utility of the asset, not the exact physical properties of the asset.
- Usually, replacement cost is adjusted for physical deterioration and all relevant forms of obsolescence. After such adjustments, this can be referred to as depreciated replacement cost.

Methodology Illustration



Income Valuation Methodology - DCF

Income Valuation Approach

- In determining our opinion of Market Value for the Subject Properties and based on the fact that they are all multi-tenanted income producing assets, we have utilized the Investment Approach of Valuation via the Discounted Cash Flow technique.
- Discounting Cash Flow (DCF) analysis is a financial modelling technique based on explicit assumptions regarding the prospective cashflow of a property. This analysis involves the projection of a series of periodic cash flows that a property is anticipated to generate. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with a property.
- With regard to the subject properties, the cashflow has been calculated on an annual basis. With respect to the growth rate applied throughout our cashflow, we have adopted the long-term average inflation rate for Saudi Arabia at 2.8%.
- The cashflow is discounted back to the date of valuation at an appropriate rate to reflect the time value of money, and in so doing thus determining the Market values. It is important to note that the cashflows reflect assumptions that market participants would use when pricing the asset (i.e., determining its value).
- The projected rents, as well as costs, are forecasts formed on the basis of information currently available to us and are not representations of what the values of the Properties will be as at a future date.
- Regarding the malls with leasehold tenure, we have forecasted the mall's projections until the expiry of land lease.
- The Market Value of the eight operating malls has been assessed using the Income Approach.

Valuation Steps Using Income Approach - DCF

01

Income Approach

The Investment Approach is a commonly used approach to value income-generated assets. The approach captures the revenues generated from the operation of the asset, using the Discounted Cashflow.

02

Inflation Rate

The Discounted Cashflow is calculated on annual basis, with a growth rate of 2.8 %/annum.

03

Property Income

The property income represents the revenue derived from the rent payments received during a year.

04

Property Costs

The property costs attribute to the costs generated from the operation of the asset, for instance, maintenance, and marketing costs. The costs are typically calculated on an annual basis.

Valuation Methodology - Income Approach

Exit Yield Commentary

- The Exit Yield is the yield applied to the Net Annual Income at the reversionary year of our DCF in our calculations and is typically derived from transactional evidence in the local market. However, we note that due to limited market activity as well as a lack of transparency with regard to real estate transactions for large assets of this nature, we have had to rely on anticipated market participants' expectations from typical property investments. The logic behind our cash flows is to forecast stabilization of the subject property's performance and assume market-level occupancy as well as rental rate levels. Upon stabilization, we forecast a reversionary year.

Discount Rates Commentary

- Theoretically the discount rate reflects the opportunity cost of capital as well as the return required to mitigate the risk associated with the particular investment type in question. Risk is typically related to market risk and property-specific risk, with the former relating to the state of the current property market whilst the latter relates to the specific characteristics of the asset. The associated risks assessment and the corresponding rates are based on the market participants' expectations for the risk associated with the cash flows due to variations in the amount or timing of the cash flows, the uncertainty inherent in the cash flows, and other specific risk factors.
- In general, if the properties exhibited secured revenue through strongly anchored leases with high average lease durations, there would be less risk associated with its revenue, which in turn would be accordingly reflected on the discount rate. Furthermore, properties under development and those with a high level of vacant units are subject to higher risk profiles and thus higher discount rates.

The Exit Yield refers to estimation of the capital value of the asset in the reversionary year. Our calculations of the Exit Yield are based on local market evidence.



The use of Discount Rate is mainly to reflect the risks associated with the operation of the asset, for instance and not exclusive to, drop-in occupancy rates, reduction on lease rates, asset depreciation, etc.





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Cost Approach Valuation

Valuation

Market Research Analysis

We summarize below our research findings regarding the selling prices for lands along Mohammed bin Saad bin Abdulaziz Road and Al Imam Saud Ibn Faisal Road.

Market Research

Site. #	Area	Price (SAR/sqm)	Total Price	Type
1	37,293	8,000	298,344,000	Land Asking 2023
2	2,000	7,800	15,600,000	Land Asking 2023

Market Commentary

- Al Malqa District has is a new district in the Northern part of Riyadh.
- Over the past years it became a top destination for Saudis as it is considered one of the most high end districts to live in in Riyadh. Thus, the residential price went up dramatically.
- However, for the commercial sector facing interior roads, the premium is around 15% when comparing to the residential.
- Commercial land prices range from SAR 7,800/sqm to SAR 8,000/sqm in the area depending on location, facade and area.

Comparable Evidence Map



Land Valuation Matrix

- We adjust the ratios in the valuation matrix according to the features and characteristics of each property, taking into account some adjustments including, location, area, number of streets, negotiation etc. to reach the fair value of the land.
- Then through the appraisal matrix, we arrive at the estimated selling price of the property under evaluation, taking into account some adjustments.
- The area has a great impact on the evaluation of the property, the less the area of the land under evaluation than the area of the land comparison, it has a positive impact on the evaluation and vice versa.
- The number of facades of the property under evaluation was taken into account with the number of comparison facades used.
- The width of the streets of the property under evaluation was taken into account with the number of comparison widths used.
- The use of the drug under evaluation was taken into account with the use of the comparisons used.
- Negotiation is the value gap between the ask price and the sell price, which is negotiated between a willing buyer and a willing seller.
- As can be seen from the information mentioned, we present the fair value of the property in the valuation matrix table.

Land Valuation Matrix

Description	Comp 1	Comp 2
Size (Sqm)	37,293	2,000
Price (SAR / Sqm)	8,000	7,800
Location and Physical Adjustments:		
Location	0.00٪	0.00٪
Size	0.00٪	-20.00٪
Frontage	0.00٪	12.50٪
Street	0.00٪	7.50٪
Use	0.00٪	0.00٪
Negotiation	-15.00٪	-10.00٪
Total Adjustments (٪)	-15.00٪	-10.00٪
Adjusted Price (SAR/sqm)	6,825	6,750
Weights (٪)	33.33٪	33.33٪
Price (SAR/sqm)	6,910	
Land Area	37,293	
Land Value	257,690,000	

Valuation



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Depreciated Replacement Cost

Building Value

The costs of the building were estimated by the Abaad Real Estate Valuation team after conducting extensive research, referring to the best marker practices, and latest Taqueem data, and the estimated cost value of the building is as the following:

Buildings cost estimation

Buildings	Type	BUA (sqm)	Cost (Sar/sqm)	Cost (SAR)	Age	Economic Useful Life	Remaining Useful Life	Buildings Value
Basement	Parking	11,448	1,500	17,171,850	8.0	40	32	13,952,128
ATM	Commercial	8	1,500	12,000	8.0	40	32	9,750
Ground Floor	Commercial	16,016	2,500	40,039,750	8.0	40	32	32,532,297
First floor	Commercial	14,914	2,500	37,285,250	8.0	40	32	30,294,266
Electricity Room	Services	20	1,500	30,000	8.0	40	32	24,375
Services	Services	773	1,500	1,159,500	8.0	40	32	942,094
Total	-	43,179	-	95,698,350				76,560,000

Property Value

Description	Input
Land Value	257,690,000
Buildings Value	76,560,000
Fair Value (Rounded)	334,250,000



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Income Approach Valuation

SWOT Analysis

S

Strengths

- The strategic location in Al Malqa district.
- The only mall in the district.
- The prime location of which the majority of the population has a high purchasing power.

W

Weaknesses

- The mall relies heavily on Families shopping and is not a destination where individuals prefer to go.

O

Opportunities

- As Al Malqa district is becoming more populated with high income families, considering offering luxurious lifestyle and shifting from relying on families shopping will impact the footfall greatly.

T

Threats

- Riyadh boulevard is one of the major threats as costumers are looking for a luxurious lifestyle and entertainments.
- The adjacent land is vacant on the time being, but if there are plans to develop a commercial project in, it which will be a direct threat to the mall.

Valuation

Valuation

Based on the previous analysis, below are the main input of which the eight years valuation model is built on:

Main Inputs

Description	Input
Tenant Revenue	21,083,671
Actual Operating Expenses	1,389,429
Current Vacancy	2%
Inflation	2.80%
Exit Yield	7.50%
Discount Rate	10.30%

The mall has a good percentage of vacancies (2%) compared to the percentage of operating expenses (15%). Thus, we can say that the property is in its period of stability.



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DCF Model

Period	1	2	3	4	5
Leased Area	22,472	22,472	22,472	22,472	22,472
Blended Lease Rate	995	1,244	1,492	1,492	1,492
Gross Income	22,356,692	27,945,864	33,535,037	33,535,037	33,535,037
Vacancy %	94%	96%	96%	96%	96%
Effective Income	21,083,671	26,828,030	32,193,636	32,193,636	32,193,636
OPEX (%)	15%	12%	10%	10%	11%
OPEX	3,084,000	3,170,352	3,259,122	3,350,377	3,444,188
Net Income	17,999,671	23,657,678	28,934,514	28,843,258	28,749,448
Terminal Value					383,325,972
Present Value	17,999,671	23,657,678	28,934,514	28,843,258	412,075,420
Fair Value	329,200,000				

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Al Makan Mall Hafer, Al Baten

Sites Location Analysis
Valuation

Al Makan Mall, Riyadh

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Property Valuation

Al Makan Mall, Dawadmi

Valuation Methodology
Property Valuation

Al Makan Mall, Tabuk

Valuation Methodology
Property Valuation

Signature Building, Riyadh

Valuation Methodology
Property Valuation

Appendices

Appendix 1: Valuation Glossary

Site Location Analysis

Macro Location

- Dawadmi is a Saudi Arabian Town located in the Riyadh Province. It is located 320 km west from the capital city, Riyadh.
- The town is connected to major cities by major roads such as King Khalid Road, King Saud Road and King Abdulaziz Road.
- The Subject property is located in Al Rayan District North of the city with a direct frontage on King Abdulaziz Road which links it to the Riyadh.

Subject Property Map



Site Location Analysis

Property Description

- The third mall is located in Al Rayan District, Al Dawadmi with a land area of 72,678 sqm, total built-up area of 36,070 sqm, and total leasable are of 27,377.74 sqm.
- It has commercial use, can be accessed primarily from King Abdulaziz Road of which has a direct frontage on.
- Currently there are 60 leased shops with an overall occupancy of 78%.
- The land is leased for a period of twenty-five years, starting 01/11/1433 (17/09/2012) and ending in 01/11/1458 (19/12/2036), by Dawadmi Municipality with an annual rent of 650,000 SAR.

Leasable Area

Description	Leasable Area	%
Total	27,378	100%
Occupied	21,464	78%
Vacant	5,913	22%

Subject Property Map

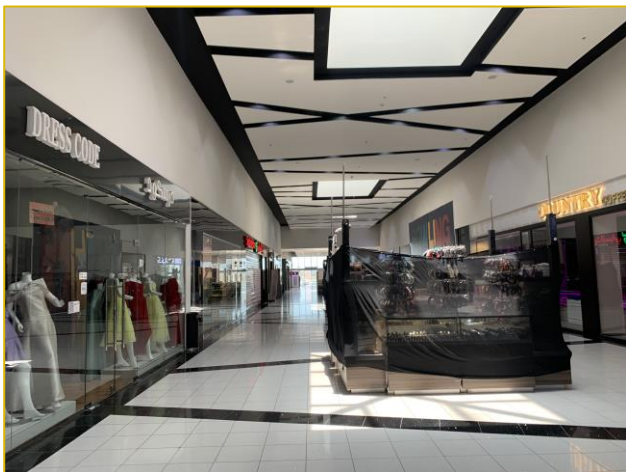


Site Location Analysis

Property Photographs



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Valuation

Income Valuation Methodology - DCF

Income Valuation Approach

- In determining our opinion of Market Value for the Subject Properties and based on the fact that they are all multi-tenanted income producing assets, we have utilized the Investment Approach of Valuation via the Discounted Cash Flow technique.
- Discounting Cash Flow (DCF) analysis is a financial modelling technique based on explicit assumptions regarding the prospective cashflow of a property. This analysis involves the projection of a series of periodic cash flows that a property is anticipated to generate. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with a property.
- With regard to the subject properties, the cashflow has been calculated on an annual basis. With respect to the growth rate applied throughout our cashflow, we have adopted the long-term average inflation rate for Saudi Arabia at 2.8%.
- The cashflow is discounted back to the date of valuation at an appropriate rate to reflect the time value of money, and in so doing thus determining the Market values. It is important to note that the cashflows reflect assumptions that market participants would use when pricing the asset (i.e., determining its value).
- The projected rents, as well as costs, are forecasts formed on the basis of information currently available to us and are not representations of what the values of the Properties will be as at a future date.
- Regarding the malls with leasehold tenure, we have forecasted the mall's projections until the expiry of land lease.
- The Market Value of the eight operating malls has been assessed using the Income Approach.

Valuation Steps Using Income Approach - DCF

01

Income Approach

The Investment Approach is a commonly used approach to value income-generated assets. The approach captures the revenues generated from the operation of the asset, using the Discounted Cashflow.

02

Inflation Rate

The Discounted Cashflow is calculated on annual basis, with a growth rate of 2.8 %/annum.

03

Property Income

The property income represents the revenue derived from the rent payments received during a year.

04

Property Costs

The property costs attribute to the costs generated from the operation of the asset, for instance, maintenance, and marketing costs. The costs are typically calculated on an annual basis.

Valuation Methodology - Income Approach

Exit Yield Commentary

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Discount Rates Commentary

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The Exit Yield refers to estimation of the capital value of the asset in the reversionary year. Our calculations of the Exit Yield are based on local market evidence.



The use of Discount Rate is mainly to reflect the risks associated with the operation of the asset, for instance and not exclusive to, drop-in occupancy rates, reduction on lease rates, asset depreciation, etc.





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Income Approach Valuation

SWOT Analysis

S

Strengths

- The mall is located with a frontage on one of the most known roads which link Riyadh to the twon.
- It has a strong brand name as there are several Makan Properties in Saudi Arabia.
- It is the biggest mall is Dawadmi.

W

Weaknesses

- The mall is located in a rural town which many of its residence are reallocating to other major cities especially Riyadh.
- Not fully owned by the client.

O

Opportunities

- lowering the lease rate and organizing entertainment activates would make it a premium destination when comparing with its competitors.

T

Threats

- Many strip retail projects are operating within meters of the mall which decreasing the footfall of the mall.
- Not renewing the lease which will lead to lose the mall entirely.

Valuation

Valuation

Based on the previous analysis, below are the main input of which the six years valuation model is built on:

Main Inputs

Description	Input
Tenant Revenue	9,703,450
Actual Operating Expenses	2,045,690
Land Lease	650,000
Current Vacancy	22%
Inflation	2.80%
Exit Yield	8.50%
Discount Rate	11.30%

Below a cash flow model showing the expected income if the mall operated according to the highest and best use for the 6 years. Shown in the table below.

DCF Model

Period	1	2	3	4	5
Blended Lease Rate	646	664	683	702	722
Gross Income	17,690,903	18,186,248	18,695,463	19,218,936	19,757,066
Vacancy %	22%	20%	20%	20%	20%
Effective Income	13,869,766	14,548,998	14,956,370	15,375,149	15,805,653
OPEX (%)	19%	19%	19%	19%	19%
OPEX	2,635,255	2,764,310	2,841,710	2,921,278	3,003,074
Land Rent	650,000	650,000	650,000	650,000	650,000
Net Income	10,584,510	11,134,689	11,464,660	11,803,870	12,152,579
Terminal Value					142,971,515
Present Value	10,584,510	11,134,689	11,464,660	11,803,870	155,124,094
Fair Value	125,300,000				

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Al Makan Mall Hafer, Al Baten

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Al Makan Mall, Riyadh

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Al Makan Mall, Dawadmi

Valuation Methodology
Property Valuation

Al Makan Mall, Tabuk

Valuation Methodology
Property Valuation

Signature Building, Riyadh

Valuation Methodology
Property Valuation

Appendices

Appendix 1: Valuation Glossary

Site Location Analysis

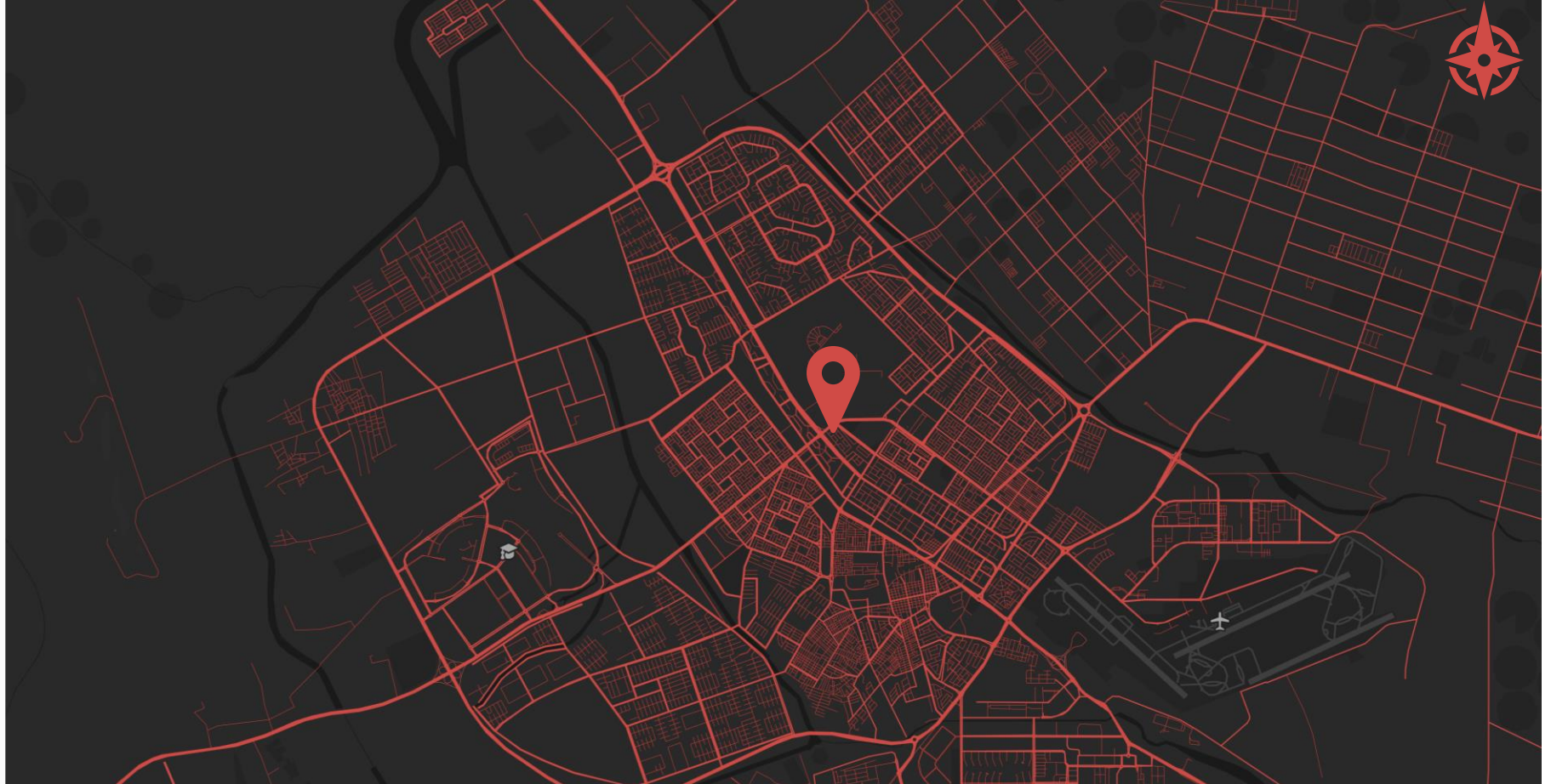
Macro Location

The property is under evaluation in Tabuk, the seat of the Emirate of Tabuk Province and the largest city in northern Saudi Arabia, and around it some of the most important monuments in the Arabian Peninsula.

The Tabuk region is the northern gateway to the Arabian Peninsula, and a vital route for trade, pilgrims and Umrah performers from outside the Arabian Peninsula. It is one of the important agricultural areas in the Kingdom. According to the **2017** census, its population is approximately **551,124**.

The history of Tabuk dates back to five hundred years BC, as evidenced by the antiquities that were found in it and it was called (Tabu) or (Tabwa), and the antiquities indicate that the Tabuk region was home to many nations before Islam, such as the defunct Arabs such as Thamud, and the Nabateans. Historians state that Tabuk was home to a leprosy tribe.

The property is approximately **320** kilometers from downtown and approximately **9.3** kilometers from Prince Sultan bin Abdulaziz International Airport in Tabuk.



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Site Location Analysis

Macro Location

- Tabuk is the capital city of Tabuk Region located northwest of Saudi Arabia.
- It houses the largest air force base in Saudi Arabia and is close to the Jordanian Borders.
- Tabuk is well known for its natural sites and is the main residence for people who are working in NEOM.
- The city is served by an independent airport.
- The Subject property is located in Rajhi District in the middle of Tabuk with a direct frontage on King Khaled Road.

Subject Property Map



Site Location Analysis

Property Description

- The fourth and final mall is located in Al Rajhi District, Tabuk with a land area of 21,428 sqm, total built-up area of 45,018 sqm, and total leasable area of 20,685 sqm.
- It has commercial use, can be accessed primarily from King Abdullah Road of which has a direct frontage on.
- The mall is located in one of the prime areas in Tabuk with a strategic location in the center.
- Currently there are two leased shops with an overall occupancy of 2% due to maintenance work according to the client.

Subject Property Map



Site Location Analysis

Property Photographs



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Valuation

Cost Valuation Methodology

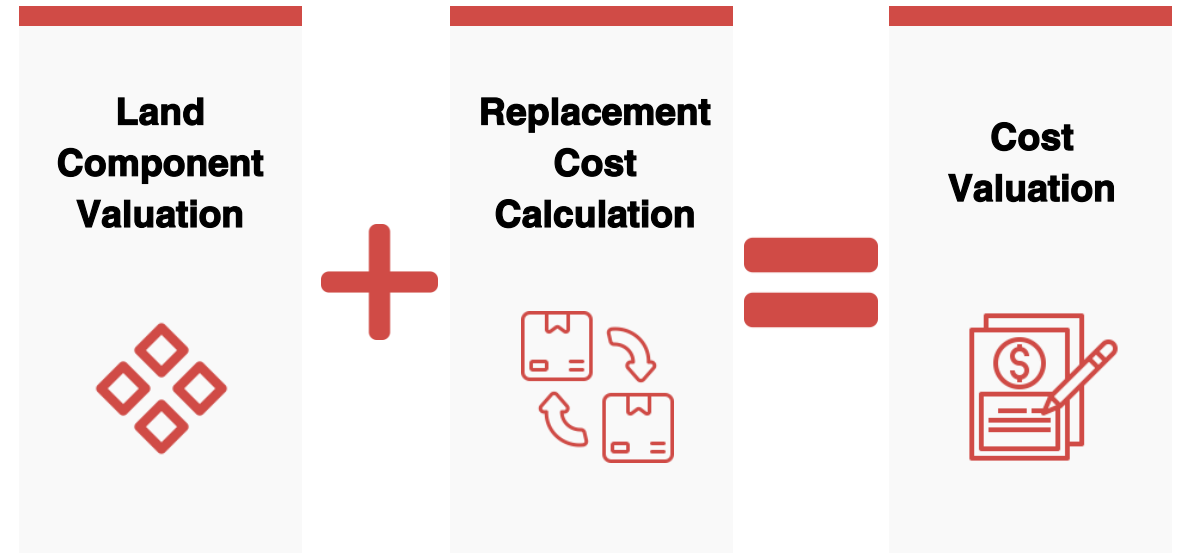
The Cost Approach

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 - a) participant would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
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 - c) the basis of value being used is fundamentally based on replacement cost, such as replacement value.

Replacement Cost Method

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Methodology Illustration



Income Valuation Methodology - DCF

Income Valuation Approach

- In determining our opinion of Market Value for the Subject Properties and based on the fact that they are all multi-tenanted income producing assets, we have utilized the Investment Approach of Valuation via the Discounted Cash Flow technique.
- Discounting Cash Flow (DCF) analysis is a financial modelling technique based on explicit assumptions regarding the prospective cashflow of a property. This analysis involves the projection of a series of periodic cash flows that a property is anticipated to generate. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with a property.
- With regard to the subject properties, the cashflow has been calculated on an annual basis. With respect to the growth rate applied throughout our cashflow, we have adopted the long-term average inflation rate for Saudi Arabia at 2.8%.
- The cashflow is discounted back to the date of valuation at an appropriate rate to reflect the time value of money, and in so doing thus determining the Market values. It is important to note that the cashflows reflect assumptions that market participants would use when pricing the asset (i.e., determining its value).
- The projected rents, as well as costs, are forecasts formed on the basis of information currently available to us and are not representations of what the values of the Properties will be as at a future date.
- Regarding the malls with leasehold tenure, we have forecasted the mall's projections until the expiry of land lease.
- The Market Value of the eight operating malls has been assessed using the Income Approach.

Valuation Steps Using Income Approach - DCF

01

Income Approach

The Investment Approach is a commonly used approach to value income-generated assets. The approach captures the revenues generated from the operation of the asset, using the Discounted Cashflow.

02

Inflation Rate

The Discounted Cashflow is calculated on annual basis, with a growth rate of 2.8 %/annum.

03

Property Income

The property income represents the revenue derived from the rent payments received during a year.

04

Property Costs

The property costs attribute to the costs generated from the operation of the asset, for instance, maintenance, and marketing costs. The costs are typically calculated on an annual basis.

Valuation Methodology - Income Approach

Exit Yield Commentary

- The Exit Yield is the yield applied to the Net Annual Income at the reversionary year of our DCF in our calculations and is typically derived from transactional evidence in the local market. However, we note that due to limited market activity as well as a lack of transparency with regard to real estate transactions for large assets of this nature, we have had to rely on anticipated market participants' expectations from typical property investments. The logic behind our cash flows is to forecast stabilization of the subject property's performance and assume market-level occupancy as well as rental rate levels. Upon stabilization, we forecast a reversionary year.

Discount Rates Commentary

- Theoretically the discount rate reflects the opportunity cost of capital as well as the return required to mitigate the risk associated with the particular investment type in question. Risk is typically related to market risk and property-specific risk, with the former relating to the state of the current property market whilst the latter relates to the specific characteristics of the asset. The associated risks assessment and the corresponding rates are based on the market participants' expectations for the risk associated with the cash flows due to variations in the amount or timing of the cash flows, the uncertainty inherent in the cash flows, and other specific risk factors.
- In general, if the properties exhibited secured revenue through strongly anchored leases with high average lease durations, there would be less risk associated with its revenue, which in turn would be accordingly reflected on the discount rate. Furthermore, properties under development and those with a high level of vacant units are subject to higher risk profiles and thus higher discount rates.

The Exit Yield refers to estimation of the capital value of the asset in the reversionary year. Our calculations of the Exit Yield are based on local market evidence.



The use of Discount Rate is mainly to reflect the risks associated with the operation of the asset, for instance and not exclusive to, drop-in occupancy rates, reduction on lease rates, asset depreciation, etc.





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Cost Approach Valuation

Valuation

Market Research Analysis

We summarize below our research findings regarding the selling prices for lands along King Abdullah.

Land Market Research

Site. #	Area	Price (SAR/sqm)	Total Price	Type
1	2,260	4,867	11,001,367	Asking 2023
2	1,200	4,000	4,800,000	Asking 2022

Market Commentary

- The prices of commercial lands on King Khalid Road and King Abdullah Road range from 1,200 SAR/m2 to 2,260 SAR/m2 depending on location, façade and area.

Comparable Evidence Map



Land Valuation Matrix

After completing the research and gathering information, adjustments are made in each factor in which the sale comparable differs from the Subject Property. The adjustments are made on a percentage and are applied to the price per sqm of the comparable to provide an adjusted value indication for the Subject Property.

Adjustments have been made to reflect factors including:

- Location: location or district profile.
- Size: the size of the land plot.
- Frontage: frontage refers to the area facing directly the street.
- Street: street refers to the the number of streets.
- Use: use is the permitted use of the property (commercial or residential)

Land Valuation Matrix

Description	Comp 1	Comp 2
Size (Sqm)	2,260	1,200
Price (SAR / Sqm)	4,867	4,000
Location and Physical Adjustments:		
Location	0.00%	0.00%
Size	-25.00%	-27.50%
Frontage	0.00%	0.00%
Street	0.00%	0.00%
Use	0.00%	0.00%
Negotiation	-15.00%	-5.00%
Total Adjustments (%)	-40.00%	-32.50%
Adjusted Price (SAR/sqm)	2,920	2,700
Weights (%)	50.00%	50.00%
Price (SAR/sqm)	2,810	
Land Area	21,428	
Land Value	60,220,000	

Valuation

Depreciated Replacement Cost

Building Value

The costs of the building were estimated by the Abaad Real Estate Valuation team after conducting extensive research, referring to the best marker practices, and latest Taqueem data, and the estimated cost value of the building is as the following:

Buildings cost estimation

Description	Value
BUA (sqm)	25,570
Cost (SAR/sqm)	2,200
Cost (SAR)	56,254,000
Age	8
Economic Useful Life	40
Remaining Useful Life	32
Building's Value	45,000,000

Property Value

Description	Input
Land Value	60,220,000
Buildings Value	45,000,000
Fair Value (Rounded)	105,220,000



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Income Approach Valuation

SWOT Analysis

S

Strengths

- The mall is located in the middle of Tabuk with a frontage on one of the most known roads in the city
- It has a strong brand name as there are several Makan Properties in Saudi Arabia.
- It is one of the well known Properties in Tabuk.

W

Weaknesses

- The mall is not operating due to maintenance which might lead to losing its footfall.

O

Opportunities

- As Tabuk is becoming a prime destination for tourism and the closest major city to NEOM, it is expected to flourish more. Thus, more customers.

T

Threats

- The strip retail projects and Properties that are underdevelopment on the same road.



Valuation

Based on the previous analysis, below are the main input of which the ten years valuation model is built on:

As the mall is not operational and based on the similar operating Properties, the rates inside the mall are typically 20-30% higher than those in the same area. Thus, a blended lease rate of 900 SAR/sqm would be a reasonable assumption.

Major Inputs

Description	Input
First Year Vacancy	98%
Inflation	2.80%
Exit Yield	8.75%
Discount Rate	11.55%

98% of the mall is vacant and not operating, which is unfavorable and explains the following fair value.

DCF Model

Period	1	2	3	4	5	6	7	8	9	10
Blended Lease Rate	900	925	951	978	1,005	1,033	1,062	1,092	1,123	1,154
Gross Income	18,616,446	19,137,706	19,673,562	20,224,422	20,790,706	21,372,846	21,971,285	22,586,481	23,218,903	23,869,032
Vacancy %	98%	90%	80%	70%	50%	30%	20%	15%	15%	15%
Effective Income	410,400	1,913,771	3,934,712	6,067,327	10,395,353	14,960,992	17,577,028	19,198,509	19,736,067	20,288,677
OPEX (%)	100%	23%	23%	23%	23%	23%	23%	23%	23%	23%
OPEX	410,400	440,167	904,984	1,395,485	2,390,931	3,441,028	4,042,716	4,415,657	4,539,295	4,666,396
Net Income	0	1,473,603	3,029,729	4,671,841	8,004,422	11,519,964	13,534,312	14,782,852	15,196,772	15,622,281
Terminal Value										178,540,359
Present Value	0	1,473,603	3,029,729	4,671,841	8,004,422	11,519,964	13,534,312	14,782,852	15,196,772	194,162,641
Fair Value	100,200,000									

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Property Valuation

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Valuation Methodology
Property Valuation

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Appendix 1: Valuation Glossary

Site Location Analysis

Macro Location

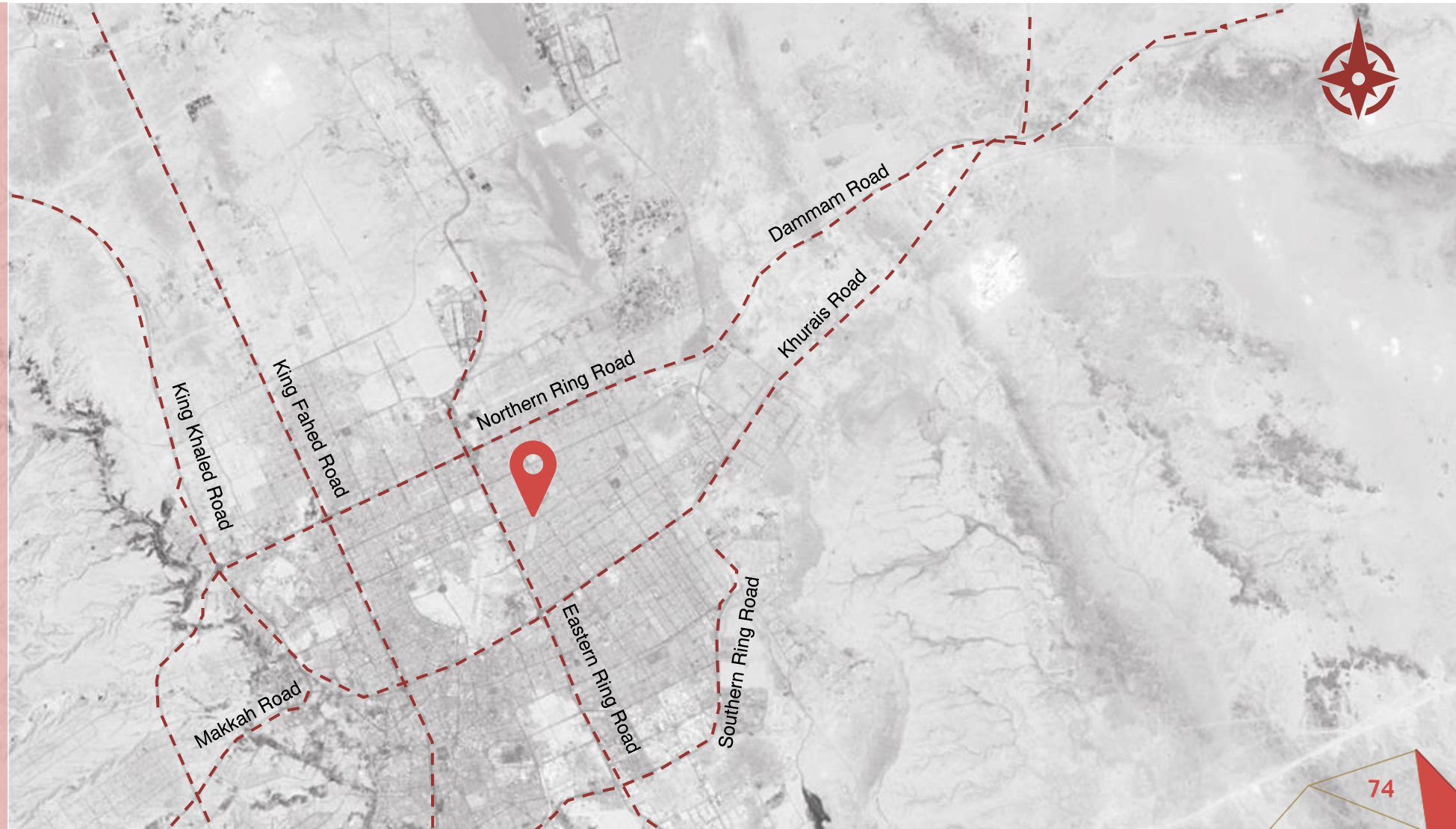
The subject property is located in Riyadh, the capital of Saudi Arabia and the largest of its cities. It is the seat of the Riyadh Region.

Riyadh is the most prominent Saudi city with a total population of 10.5 million in 1443/2021.

Riyadh is one of the largest cities of the Arab World in terms of area. The developed area of the city is around 1,913 square kilometers.

Riyadh is witnessing significant development of infrastructure and public transport, with the Riyadh Metro Project and the Public Transport Project currently in progress.

The subject property is located At AlShuhada District, Riyadh, approximately about 24.9 kilometers from King Khalid International Airport.



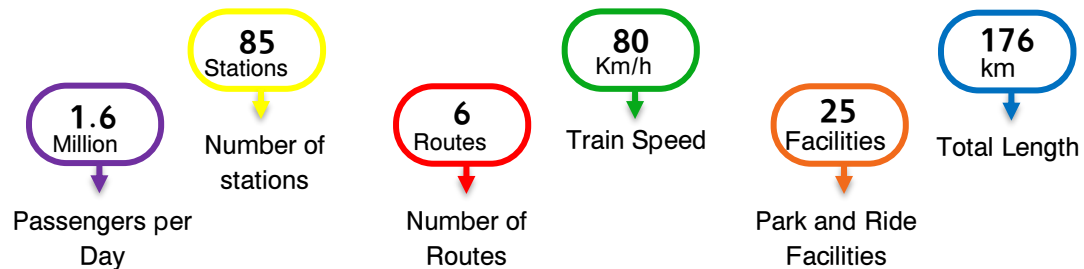
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Site Location Analysis

Public Transport – Riyadh Metro

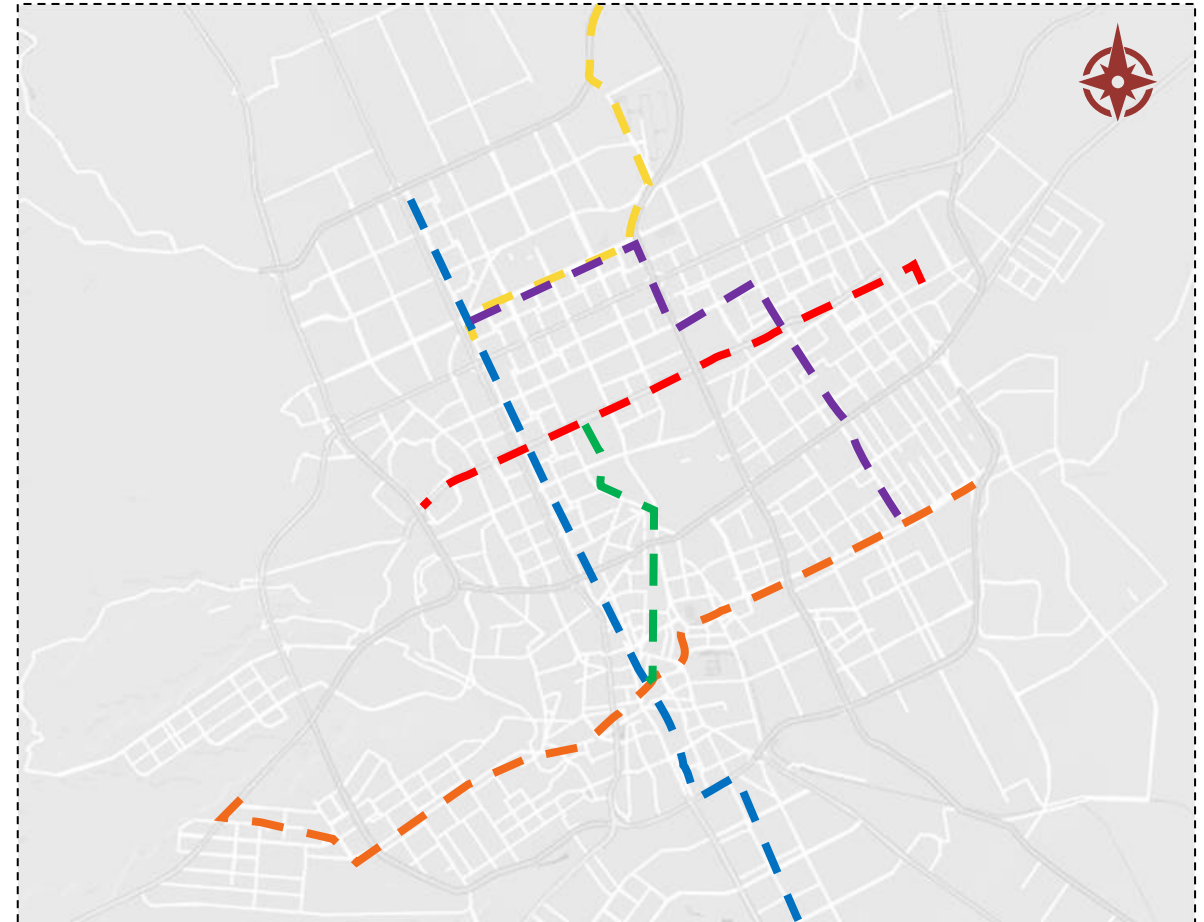
- Metro Riyadh is a high-speed transport system. It is currently under construction. It is one of the largest infrastructure projects in the City of Riyadh.
- The Metro is designed as a world-class transport system, including 756 metro cars, 85 stations, six metro lines, and a network spanning 176 kilometers.
- The construction of the metro system has resulted in several road closures which affected traffic in various parts of the city.



Length of Riyadh Metro Routes

Route	Route Length (Km)
First Route (Blue)	38.0
Second Route (Red)	25.3
Third Route (Orange)	40.7
Fourth Route (Yellow)	29.6
Fifth Route (Green)	12.9
Sixth Route (Purple)	29.5

Riyadh Metro Route Map:



Site Location Analysis

Development Projects at City Level



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The Royal Commission for the City of Riyadh carries out many programs and development projects which are strategic in nature with multiple objectives and dimensions and different requirements for execution over time.

هيئة تطوير
بوابة الدرعية



Between the architectural, cultural, economic and social features and the environmental development requirements of Wadi Hanifa, it provides a model for the development of the oasis.

The program adopted the principle of integration with the City of Riyadh, making Diriya a world class cultural, tourism and promotional suburb.

Riyadh Art Project



Includes the performance of over 1000 artworks by local and international artists in front of audiences in the various parts of the City of Riyadh, as part of 10 programs covering residential neighborhoods, public parks, natural promenades, public squares, public transport stations, bridges, pedestrian crossings, city entrances and all tourism destinations of the city.

Riyadh Boulevard

المسار الرياضي
Sports Boulevard



Extends 135 kilometers, penetrating the City of Riyadh to connect Wadi Hanifa in the west of the City with Wadi Al Sulay in its east. It includes sports, cultural, recreational and environmental activities, including bicycle tracks, horse tracks, pedestrian sidewalks, a number of gates, stations and rest areas for bikers and hikers. Along the Boulevard inside the City and at Wadi Hanifa and Wadi Al Sulay, recreational services are provided to bikers and hikers, including coffee shops and diverse retail outlets.

Green Riyadh

الرياض الخضراء
GREEN RIYADH

The program aims at planting over 7.5 million trees in all parts of the city, including public parks, community parks, promenades, mosques, schools, academic, health and public installations and facilities, green belts along the spans of public utility lines, in addition to King Khalid International Airport, a roads and streets network, in addition to public transport routes, car parking spaces, vacant lands, valleys and river tributaries.

King Salman Park

حديقة
الملك سلمان
King Salman Park

The largest city park in the World with an area exceeding 13 square kilometers. It is considered to be an environmental, cultural, sports and recreational project which contributes to the changing lifestyle in the city.

Site Location Analysis

Property Description

- The property under evaluation is a commercial/office building (Signature Commercial Center) Located in Al-Shuhada district in Riyadh.
- The land area is **4,875 Sqm** (according to the tile deed), the building area is **10,954.62 Sqm** (according to the building permit) and the leasable area is **6,730.57 Sqm** (according to the customer's statement).
- The building consists of a basement floor, ground floor, mezzanine, first floor and upper annex.
- Retail showrooms consist of **8** commercial showrooms, with areas ranging from **120 Sqm** to **627 Sqm**. The administrative offices consist of **40** administrative offices, ranging in size from **42 Sqm** to **528 Sqm**.
- The property is located on Imam Saud bin Abdulaziz bin Mohammed Road, which is one of the most important commercial streets in Riyadh with a frontage of **75 meters** and two internal streets.

Subject Property Map



Site Location Analysis

Property Photographs



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Valuation

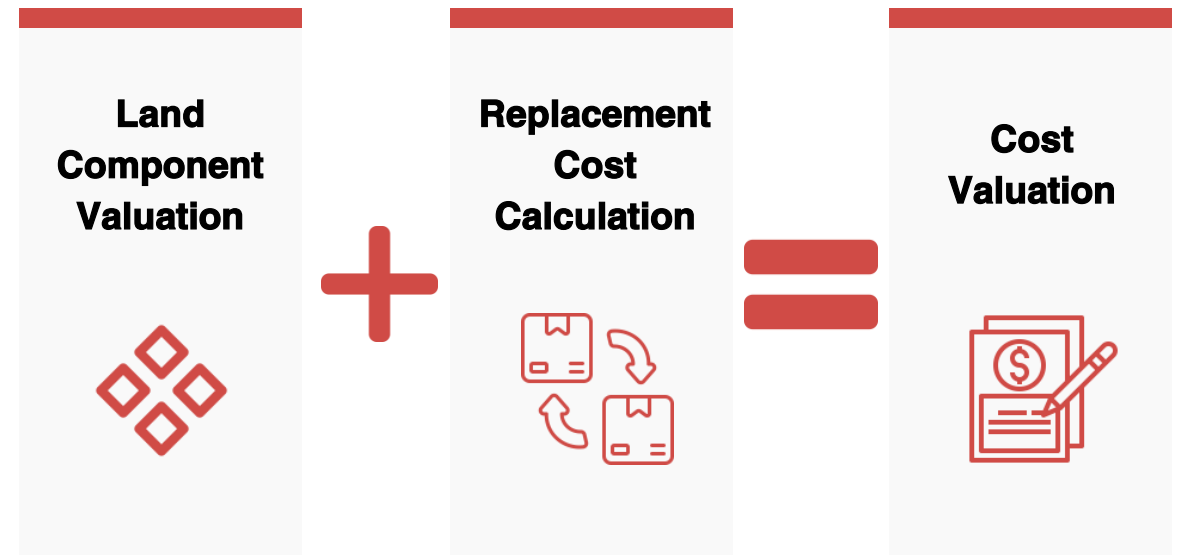
The Cost Approach

- The Cost Approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.
- The cost approach should be applied and afforded significant weight under the following circumstances:
 - a) participant would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
 - b) the asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible,
 - c) the basis of value being used is fundamentally based on replacement cost, such as replacement value.

Replacement Cost Method

- Generally, replacement cost is the cost that is relevant to determining the price that a participant would pay as it is based on replicating the utility of the asset, not the exact physical properties of the asset.
- Usually, replacement cost is adjusted for physical deterioration and all relevant forms of obsolescence. After such adjustments, this can be referred to as depreciated replacement cost.

Methodology Illustration



Income Valuation Methodology - DCF

Income Valuation Approach

- In determining our opinion of Market Value for the Subject Properties and based on the fact that they are all multi-tenanted income producing assets, we have utilized the Investment Approach of Valuation via the Discounted Cash Flow technique.
- Discounting Cash Flow (DCF) analysis is a financial modelling technique based on explicit assumptions regarding the prospective cashflow of a property. This analysis involves the projection of a series of periodic cash flows that a property is anticipated to generate. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with a property.
- With regard to the subject properties, the cashflow has been calculated on an annual basis. With respect to the growth rate applied throughout our cashflow, we have adopted the long-term average inflation rate for Saudi Arabia at 2.8%.
- The cashflow is discounted back to the date of valuation at an appropriate rate to reflect the time value of money, and in so doing thus determining the Market values. It is important to note that the cashflows reflect assumptions that market participants would use when pricing the asset (i.e., determining its value).
- The projected rents, as well as costs, are forecasts formed on the basis of information currently available to us and are not representations of what the values of the Properties will be as at a future date.
- Regarding the malls with leasehold tenure, we have forecasted the mall's projections until the expiry of land lease.
- The Market Value of the eight operating malls has been assessed using the Income Approach.

Valuation Steps Using Income Approach - DCF

01

Income Approach

The Investment Approach is a commonly used approach to value income-generated assets. The approach captures the revenues generated from the operation of the asset, using the Discounted Cashflow.

02

Inflation Rate

The Discounted Cashflow is calculated on annual basis, with a growth rate of 2.8 %/annum.

03

Property Income

The property income represents the revenue derived from the rent payments received during a year.

04

Property Costs

The property costs attribute to the costs generated from the operation of the asset, for instance, maintenance, and marketing costs. The costs are typically calculated on an annual basis.

Valuation Methodology - Income Approach

Exit Yield Commentary

- The Exit Yield is the yield applied to the Net Annual Income at the reversionary year of our DCF in our calculations and is typically derived from transactional evidence in the local market. However, we note that due to limited market activity as well as a lack of transparency with regard to real estate transactions for large assets of this nature, we have had to rely on anticipated market participants' expectations from typical property investments. The logic behind our cash flows is to forecast stabilization of the subject property's performance and assume market-level occupancy as well as rental rate levels. Upon stabilization, we forecast a reversionary year.

Discount Rates Commentary

- Theoretically the discount rate reflects the opportunity cost of capital as well as the return required to mitigate the risk associated with the particular investment type in question. Risk is typically related to market risk and property-specific risk, with the former relating to the state of the current property market whilst the latter relates to the specific characteristics of the asset. The associated risks assessment and the corresponding rates are based on the market participants' expectations for the risk associated with the cash flows due to variations in the amount or timing of the cash flows, the uncertainty inherent in the cash flows, and other specific risk factors.
- In general, if the properties exhibited secured revenue through strongly anchored leases with high average lease durations, there would be less risk associated with its revenue, which in turn would be accordingly reflected on the discount rate. Furthermore, properties under development and those with a high level of vacant units are subject to higher risk profiles and thus higher discount rates.

The Exit Yield refers to estimation of the capital value of the asset in the reversionary year. Our calculations of the Exit Yield are based on local market evidence.



The use of Discount Rate is mainly to reflect the risks associated with the operation of the asset, for instance and not exclusive to, drop-in occupancy rates, reduction on lease rates, asset depreciation, etc.





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Cost Approach Valuation

Valuation

Market Research Analysis

We summarize below our research findings regarding the selling prices for the subject property.

Land Market Research

Site. #	Area	Price (SAR/sqm)	Total Price	Type
1	1,365	6,500	8,872,500	Asking 2023
2	7,704	7,500	57,780,000	Asking 2023
3	625	7,000	4,375,000	Asking 2023
4	15,000	6,000	90,000,000	Bidding 2022

- Comparisons of similar lands adjacent to the property under evaluation were taken into consideration through field and office research with similar areas in the real estate area, where the land areas range from **625** square meters to **15,000** square meters with prices ranging from **6,500** riyals / square meter to **7,500** riyals / square meter.

Comparable Evidence Map



Land Valuation Matrix

After completing the research and gathering information, adjustments are made in each factor in which the sale comparable differs from the Subject Property. The adjustments are made on a percentage and are applied to the price per sqm of the comparable to provide an adjusted value indication for the Subject Property.

Adjustments have been made to reflect factors including:

- Location: location or district profile.
- Size: the size of the land plot.
- Frontage: frontage refers to the area facing directly the street.
- Street: street refers to the the number of streets.
- Use: use is the permitted use of the property (commercial or residential)

Land Valuation Matrix

Description	Comp 1	Comp 2	Comp 3	Comp 4
Size (Sqm)	1,365	7,704	625	15,000
Price (SAR / Sqm)	6,500	7,500	7,000	6,000
Location and Physical Adjustments:				
Location	0.00%	0.00%	0.00%	0.00%
Size	-2.50%	5.00%	-5.00%	10.00%
Street	2.50%	-2.50%	5.00%	-2.50%
Frontages	5.00%	-5.00%	5.00%	-7.50%
Accessibility	0.00%	0.00%	0.00%	0.00%
Negotiation	-5.00%	-10.00%	-10.00%	5.00%
Total Adjustments (%)	0.00%	-12.50%	-5.00%	5.00%
Adjusted Price (SAR/sqm)	6,500	6,563	6,650	6,300
Weights (%)	50.00%	20.00%	20.00%	10.00%
Price (SAR/sqm)	6,523			
Land Area	4,875			
Land Value	31,800,000			



Depreciated Replacement Cost

Building Value

The costs of the building were estimated by the Abaad Real Estate Valuation team after conducting extensive research, referring to the best marker practices, and latest Taqeeem data, and the estimated cost value of the building is as the following:

Replacement Cost New

Description	Value
BUA (sqm)	10,954.62
Cost (SAR/sqm)	2,696
Cost (SAR)	29,538,330
Age	10
Economic Useful Life	40
Remaining Useful Life	30
Building's Value	22,050,000

Depreciated Replacement Cost

Description	Input
Land Value	31,800,000
Buildings Value	22,050,000
Fair Value (Rounded)	53,850,000

Income Approach Valuation

SWOT Analysis

S

Strengths

- The strategic location in Riyadh city which is currently expanding and growing in terms of business.
- The prime location of which the majority of the population has a high purchasing power.

W

Weaknesses

- The mall relies heavily on Families shopping and is not a destination where individuals prefer to go.

O

Opportunities

- Riyadh City is becoming more populated with high income families, considering offering luxurious lifestyle and shifting from relying on families shopping will impact the footfall greatly.

T

Threats

- Grandia Mall is one of the major threats as it's a bigger mall and has more buying options for the customers.
- Another commercial building located next to the subject property with a bigger frontage and access and much more options for the customers like (gym, clinic cafes and restaurants)

Valuation

Valuation

Based on the previous analysis, below are the main input of which the five years valuation model is built on:.

Major Inputs

Description	Input
OPEX %	7%
First Year Vacancy	8%
Inflation	2.80%
Exit Yield	7.75%
Discount Rate	10.55%



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DCF Model

Period	1	2	3	4	5
Blended Lease Rate	834	925	951	978	1,005
Gross Income	5,613,009	6,228,325	6,402,719	6,581,995	6,766,291
Vacancy %	18%	10%	7%	7%	7%
Effective Income	4,596,590	5,605,493	5,954,528	6,121,255	6,292,650
OPEX (%)	6%	5%	5%	5%	5%
OPEX	277,560	285,332	293,321	301,534	309,977
Net Income	4,319,030	5,320,161	5,661,207	5,819,721	5,982,673
Terminal Value	0	0	0	0	77,195,785
Present Value	4,319,030	5,320,161	5,661,207	5,819,721	83,178,458
Fair Value	66,700,000				



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Valuation Summary

Valuation

Valuation Summary



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Valuation Summary

Property	Fair Value	Used Approach
Hafer al baten	299,100,000	Income
Riyadh	329,200,000	Income
Dawadmi	125,300,000	Income
Tabuk	100,200,000	Income
Signature Building	66,700,000	Income
Total	920,500,000	

Valuation Summary

Opinion of Value

Abaad is of the opinion that the Fair Value of the Subject Properties, which comprises the 5 Properties located in Hafer Al Baten, Riyadh, Dawadmi, Tabuk as of 31 December 2023, based upon assumptions and detail within this report, may be stated as follows:

- Al Mekan Mall, Hafer Al Baten
 - 299,100,000 SAR (Two Hundred Ninety-Nine Million One Hundred Thousand Saudi Riyal)
- Al Mekan Mall, Riyadh
 - 329,200,000 SAR (Three Hundred Twenty-Nine Million Two Hundred Thousand Saudi Riyal)
- Al Mekan Mall, Dawadmi
 - 125,300,000 SAR (One Hundred Twenty-Five Million Three Hundred Thousand Saudi Riyal)
- Al Mekan Mall, Tabuk
 - 100,200,000 SAR (One Hundred Million Two Hundred Thousand Saudi Riyal)
- Signature Building, Riyadh
 - 66,700,000 SAR (Sixty-Six Million Seven Hundred Thousand Saudi Riyal)

Signatures & Authorizations

Amina Ogal

Taqeem ID: 1220003356
Membership Type: Provisional Member
Sector: Real Estate Sector
Membership Date: 07/08/2023
Contribution: Inspector, Valuer and Report Creator



Eng. Ammar Mohamed Qutub

Taqeem ID: 1210000392
Membership Type: Fellow Member
Sector: Real Estate Sector
Membership Date: 24/01/2016
Contribution: Report Reviewer & Authorizer



Eng. Yousuf Abdullah Khan

Taqeem ID: 1220001989
Membership Type: Provisional Member
Sector: Real Estate Sector
Membership Date: 17/09/2020
Contribution: Valuation & Report Reviewer



Eng. Ammar Abdulaziz Sindi

Taqeem ID: 1210000219
Membership Type: Fellow Member
Sector: Real Estate Sector
Membership Date: 22/12/2015
Contribution: Report Reviewer & Authorizer



Company Stamp
Company Name:
**Abaad & Partner for
Real Estate Valuation**
Company No.
11000111

CR No: 4030297686
CL No: 323/18/781



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Al Makan Mall, Tabuk

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Property Valuation

Signature Building, Riyadh

Valuation Methodology
Property Valuation

Appendices

Appendix 1: Valuation Glossary

Appendix 1: Valuation Glossary

Saudi Authority

- The Saudi Authority for Accredited Valuers (TAQEEM) was established pursuant to the royal decree no.(m/43), dated (09/07/1433H) as a body of an independent, non-profit and judicial personality. TAQEEM is working under the Ministry of Commerce and Investment with an independent budget and its board of directors is chaired by His Excellency the Minister of Commerce and Investment.

Asset or Assets

- To assist in the readability of the standards and to avoid repetition, the words “asset” and “assets” refer generally to items that might be subject to a valuation engagement. Unless otherwise specified in the standard, these terms can be considered to mean “asset, group of assets, liability, group of liabilities, or group of assets and liabilities”.

Client

- The word “client” refers to the person, persons, or entity for whom the valuation is performed. This may include external clients (ie, when a valuer is engaged by a third-party client) as well as internal clients (ie, valuations performed for an employer).

Intended Use

- The use(s) of a valuer’s reported valuation or valuation review results, as identified by the valuer based on communication with the client.

Intended User

- The client and any other party as identified, by name or type, as users of the valuation or valuation review report by the valuer, based on communication with the client.

Jurisdiction

- The word “jurisdiction” refers to the legal and regulatory environment in which a valuation engagement is performed. This generally includes laws and regulations set by governments (eg, country, state and municipal) and, depending on the purpose, rules set by certain regulators (eg, banking authorities and securities regulators).

May

- The word “may” describes actions and procedures that valuers have a responsibility to consider. Matters described in this fashion require the valuer’s attention and understanding. How and whether the valuer implements these matters in the valuation engagement will depend on the exercise of professional judgement in the circumstances consistent with the objectives of the standards.

Appendix 1: Valuation Glossary

Must

- The word “must” indicates an unconditional responsibility. The valuer must fulfill responsibilities of this type in all cases in which the circumstances exist to which the requirement applies.

Participant

- The word “participant” refers to the relevant participants pursuant to the basis (or bases) of value used in a valuation engagement (see IVS 104 Bases of Value). Different bases of value require valuers to consider different perspectives, such as those of “market participants” (eg, Fair Value, IFRS Fair Value) or a particular owner or prospective buyer (eg, Investment Value).

Purpose

- The word “purpose” refers to the reason(s) a valuation is performed. Common purposes include (but are not limited to) financial reporting, tax reporting, litigation support, transaction support, and to support secured lending decisions.

Should

- The word “should” indicates responsibilities that are presumptively mandatory. The valuer must comply with requirements of this type unless the valuer demonstrates that alternative actions which were followed under the circumstances were sufficient to achieve the objectives of the standards.
- In the rare circumstances in which the valuer believes the objectives of the standard can be met by alternative means, the valuer must document why the indicated action was not deemed to be necessary and/or appropriate.
- If a standard provides that the valuer “should” consider an action or procedure, consideration of the action or procedure is presumptively mandatory, while the action or procedure is not.

Appendix 1: Valuation Glossary

Significant and/or Material

- Assessing significance and materiality require professional judgement. However, that judgement should be made in the following context:
- Aspects of a valuation (including inputs, assumptions, special assumptions, and methods and approaches applied) are considered to be significant/material if their application and/or impact on the valuation could reasonably be expected to influence the economic or other decisions of users of the valuation; and judgments about materiality are made in light of the overall valuation engagement and are affected by the size or nature of the subject asset.
- As used in these standards, “material/materiality” refers to materiality to the valuation engagement, which may be different from materiality considerations for other purposes, such as financial statements and their audits.

Subject or Subject Asset:

- These terms refer to the asset(s) valued in a particular valuation engagement.

Valuation

- A “valuation” refers to the act or process of determining an estimate of value of an asset or liability by applying IVS.

- Valuation Purpose or Purpose of Valuation:
- See “Purpose”.

Valuation Reviewer

- A “valuation reviewer” is a professional valuer engaged to review the work of another valuer. As part of a valuation review, that professional may perform certain valuation procedures and/or provide an opinion of value.

Value (n)

- The word “value” refers to the judgement of the valuer of the estimated amount consistent with one of the bases of value set out in IVS 104 Bases of Value.

Valuer

- A “valuer” is an individual, group of individuals or a firm who possesses the necessary qualifications, ability and experience to execute a valuation in an objective, unbiased and competent manner. In some jurisdictions, licensing is required before one can act as a valuer.

Appendices

Appendix 1: Valuation Glossary

Weight

- The word “weight” refers to the amount of reliance placed on a particular indication of value in reaching a conclusion of value (eg, when a single method is used, it is afforded 100% weight).

Weighting

- The word “weighting” refers to the process of analysing and reconciling differing indications of values, typically from different methods and/or approaches. This process does not include the averaging of valuations, which is not acceptable.



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