



KSA REITs

Overpromised,
Underdelivered?

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Why REITs Have Fallen Off Investors' Radar?

Income component remains intact

Investor interest in REITs has steadily declined. We explore contributing factors.

❑ Median return since listing -17%, almost all REITs in negative territory except:

- Jazira, Taleem and AlKhabeer
- Tadawul Real Estate Index is down -22% in 1-year

❑ Average Daily Turnover has dwindled to less than SR 6mn (30D post-listing) vs SR 55mn for pre-2018 listings

❑ Median market cap-to-property value ratio at 0.8x

❑ REITs have become more diversified in terms of asset locations and uses

❑ Gross expected yield still attractive – median 7.9%

TASI Code	REIT	Close Price	Mkt Cap (SR mn)	Chg Since Listing	NTM Div Yield *
4330	Riyad REIT	7.68	1,319	(23%)	5.9%
4331	Al Jazira REIT	13.38	158	34%	3.7%
4332	Jadwa AlHaramain	7.80	515	(22%)	7.2%
4333	Taleem	10.08	514	1%	6.1%
4334	Al Maather	7.45	457	(26%)	8.6%
4335	Musharaka	7.96	700	(20%)	7.9%
4336	Mulkia	8.35	501	(17%)	8.1%
4337	Mashaar	7.31	418	(27%)	7.1%
4338	Alahli REIT 1	7.81	1,074	(22%)	8.3%
4339	Derayah	8.45	908	(16%)	8.9%
4340	Al Rajhi REIT	8.38	1,024	(16%)	7.4%
4342	Jadwa Saudi REIT	8.61	1,360	(14%)	8.4%
4344	Sedco	7.73	464	(23%)	8.5%
4345	Swicorp	7.90	932	(21%)	9.3%
4346	MEFIC	9.30	681	(7%)	7.7%
4347	Bonyan	8.98	1,463	(10%)	7.9%
4348	AlKhabeer	10.10	671	1%	8.9%
Median			681	(17%)	7.9%

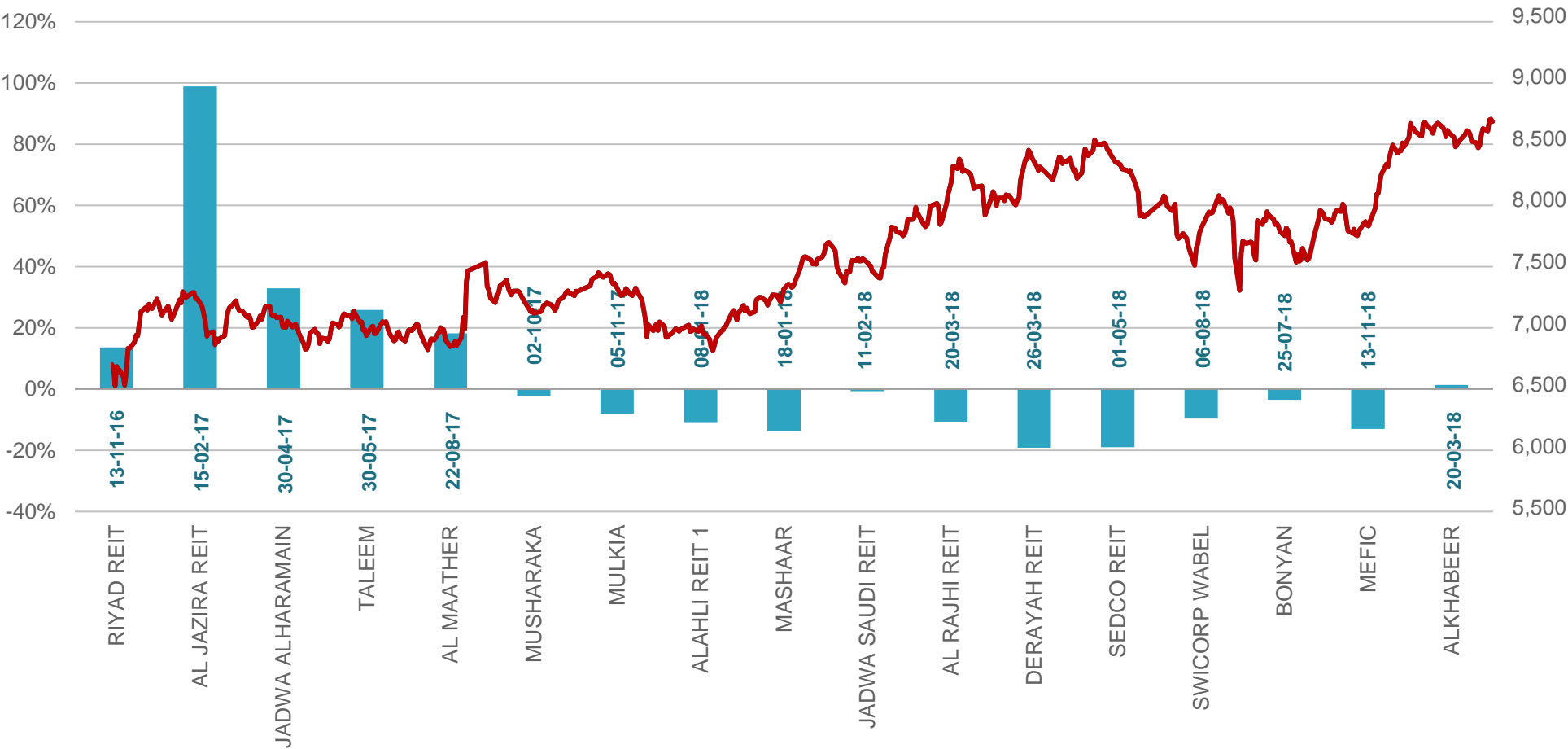
* Note: Expected next 12M dividend yield assuming current run-rate

Source: Tadawul, Company Reports, SFC



Why Some REITs Performed Better 30 Days Post-Listing?

Returns declined despite higher TASI movement (RHS)

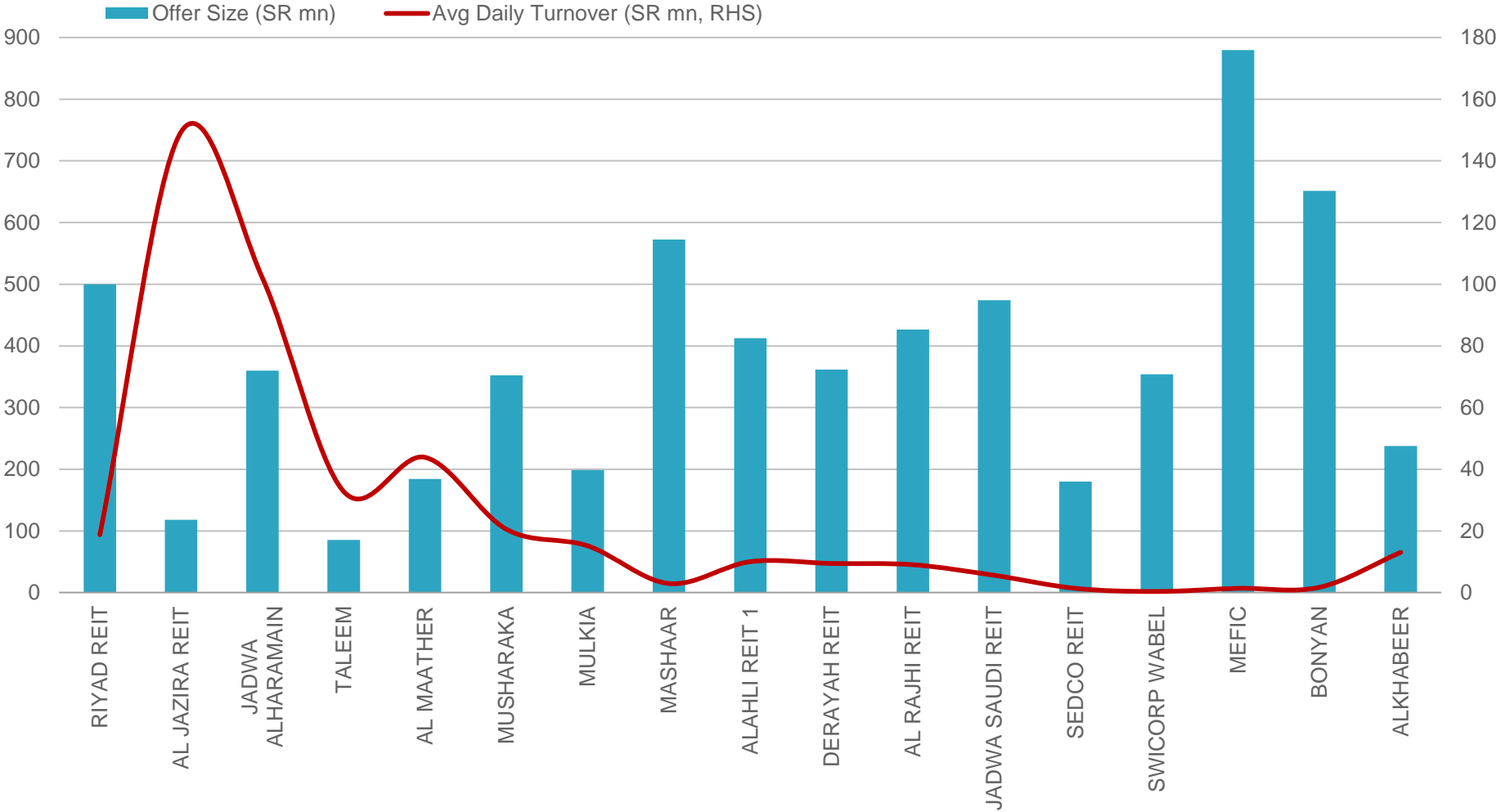


** Note: Riyadh REIT rights issue of SR 1.1bn closed 02-05-2018



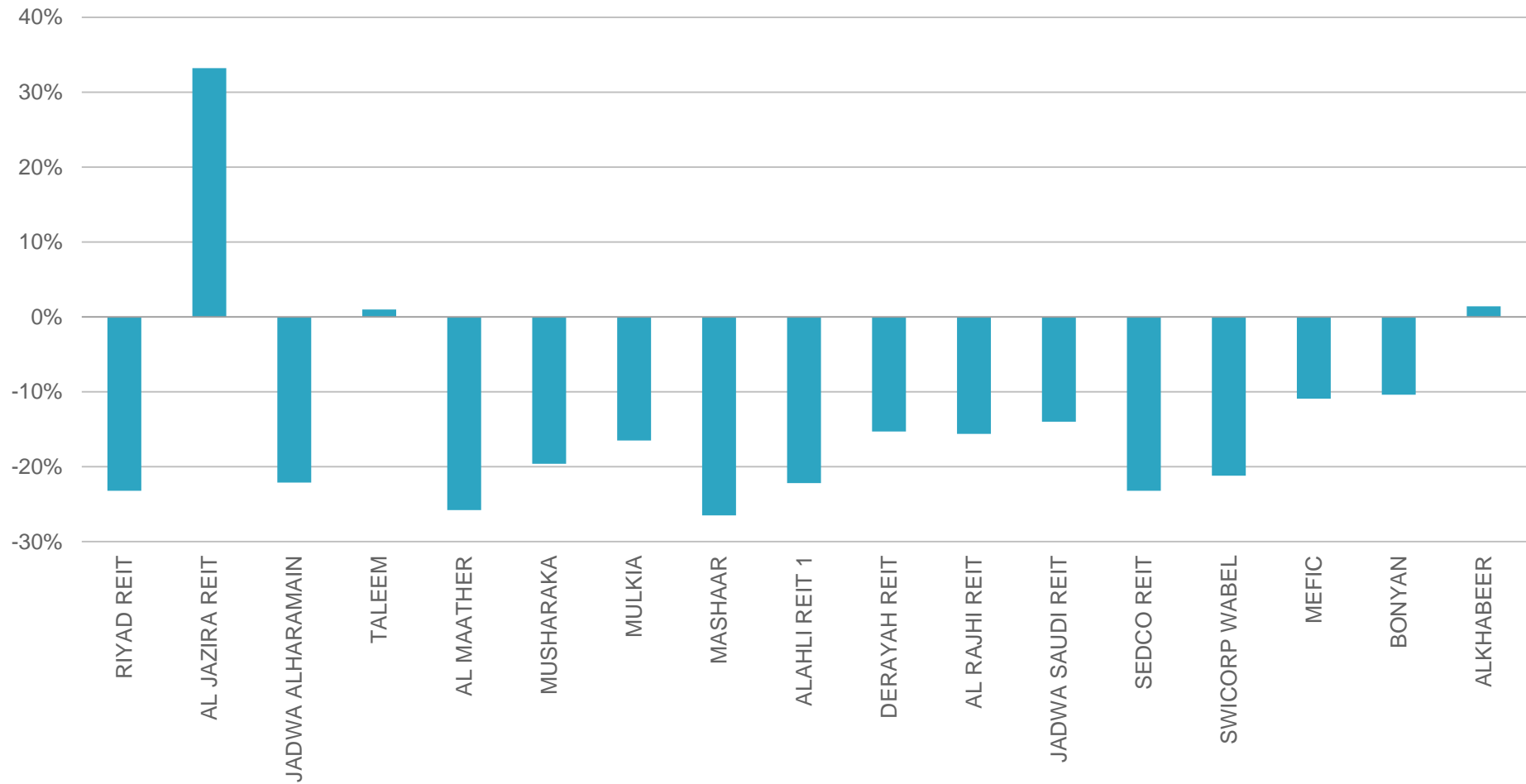
Dwindling Liquidity

Offer size getting larger but avg daily turnover (30D post-listing) thinning



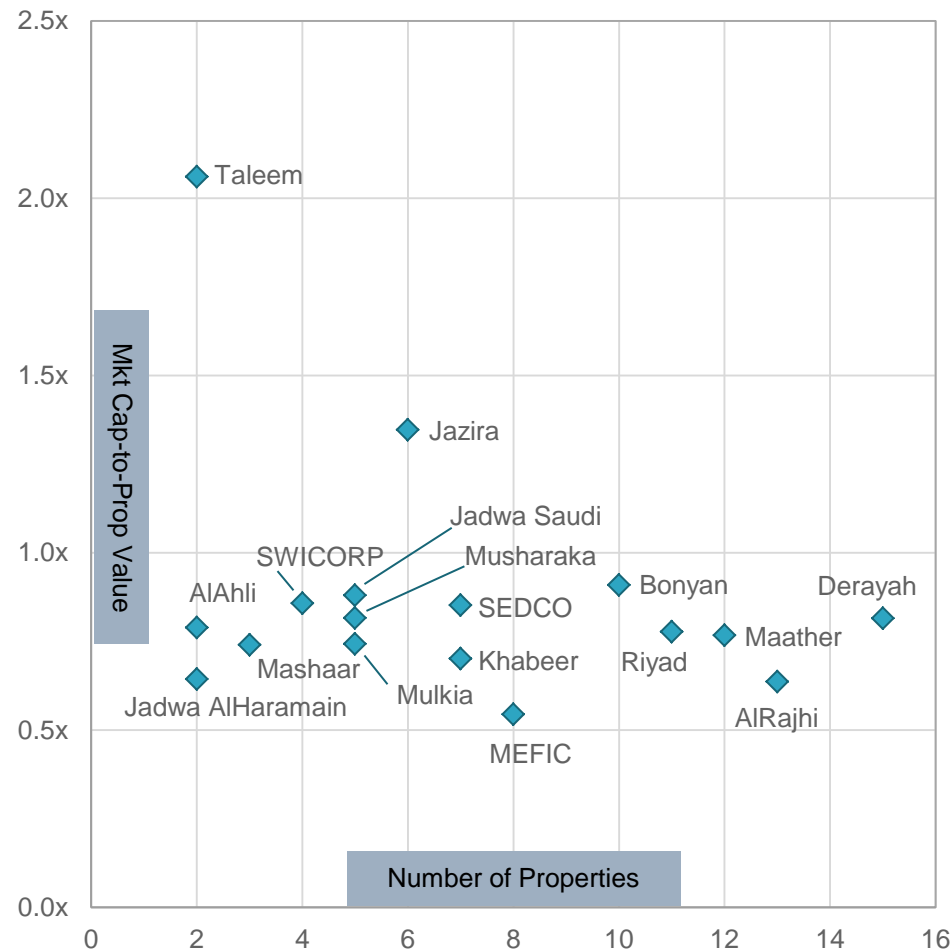
Only Jazira REIT Held Early Gains

Otherwise lackluster performance since listing

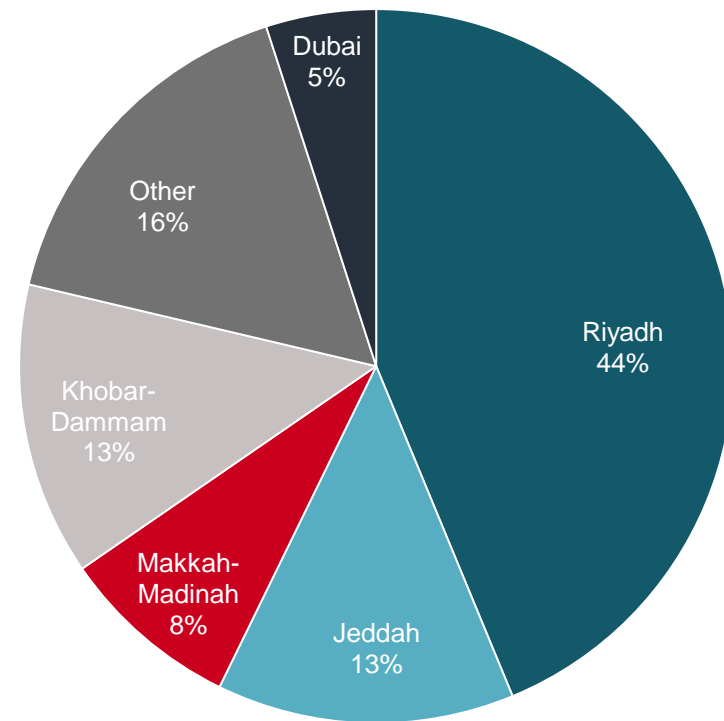


More Doesn't Mean Better

Diversification not commanding premium

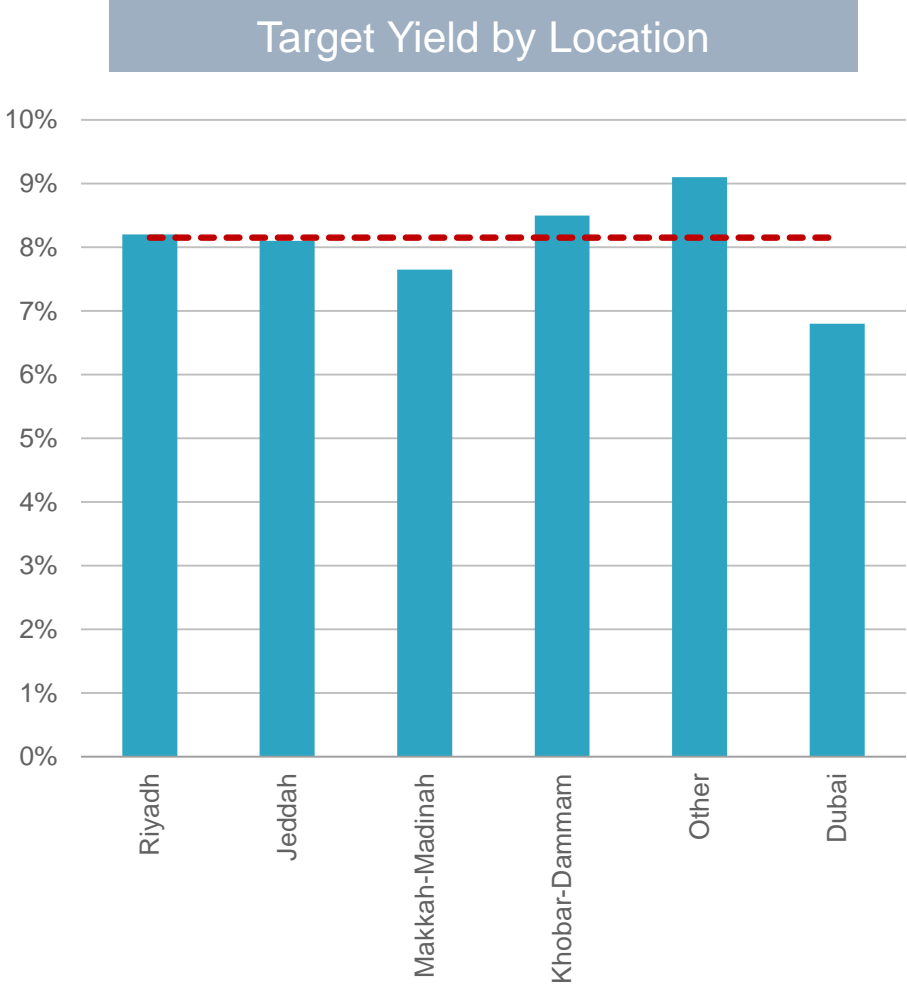


Distribution of Asset Value by Location



Median 8.1% Target Yield at Listing

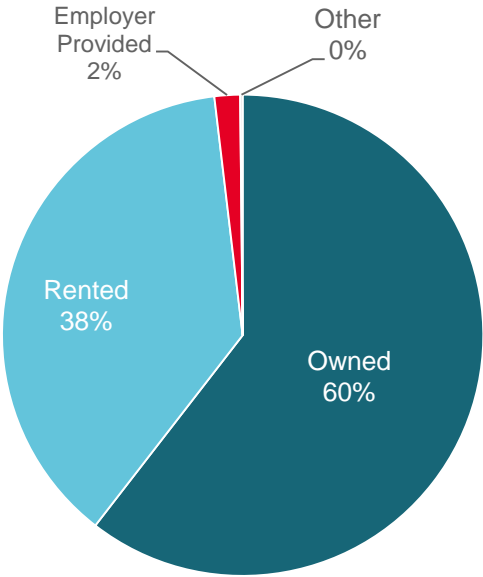
Rising rates compressing spread



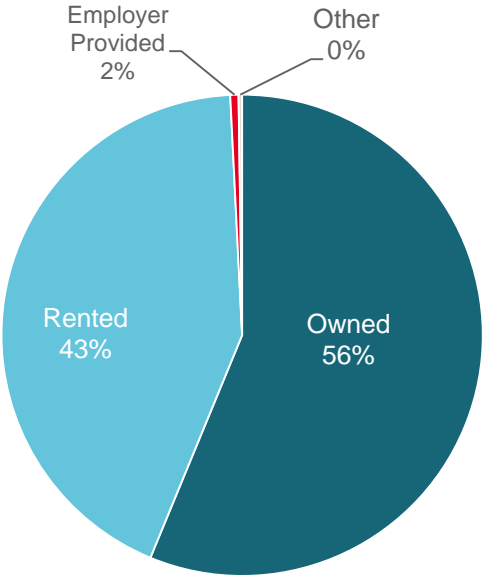
Affordable Housing Supply Pressuring Prices Lower

Residential apartments -12% since 1Q16

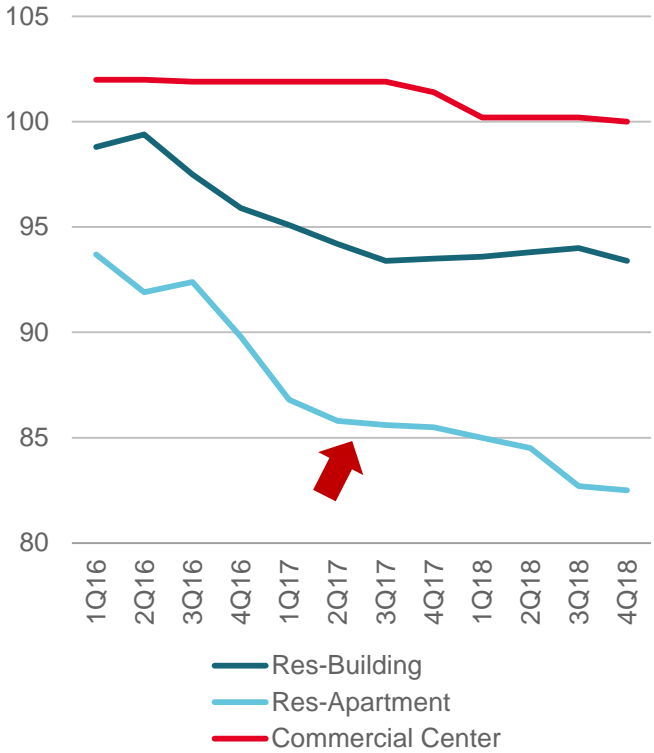
KSA Dwelling 1H18



Riyadh Dwelling 1H18



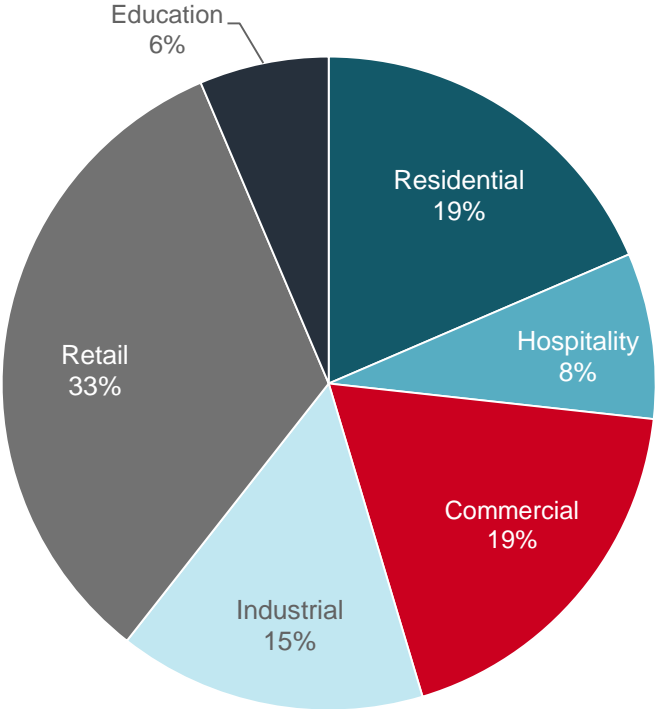
Real Estate Index (Base=2014)



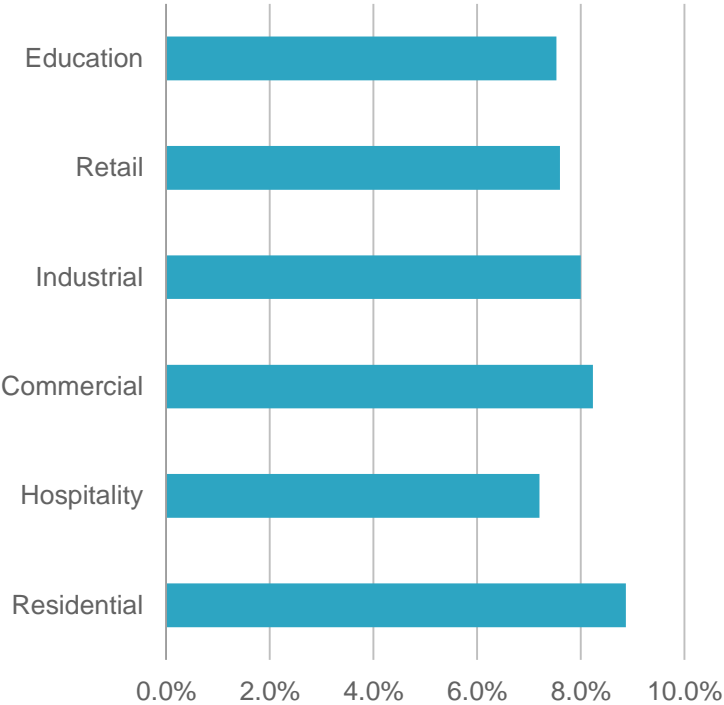
Target Residential Yield at High End

Strong focus on Retail in recent listings

Aggregate REIT Assets by Use



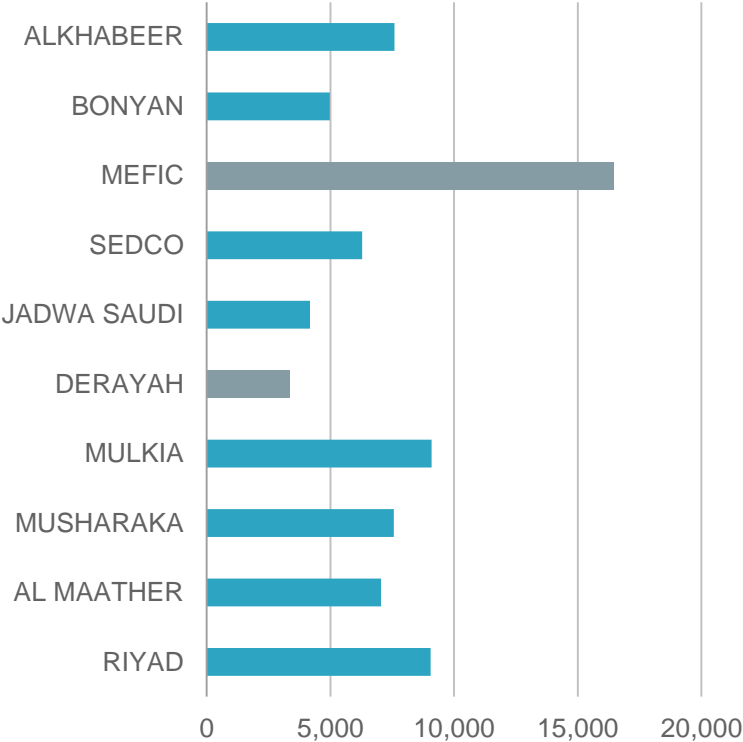
Median Target Yield by Use



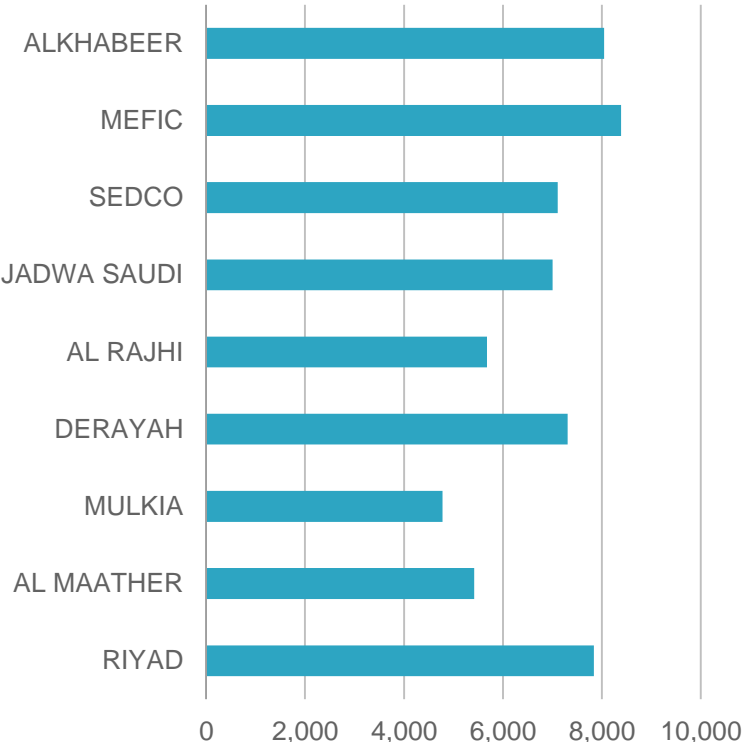
Residential and Commercial Acquisition Prices

Derayah geographically diversified into Tier 2 cities, MEFIC includes property in Dubai

Residential: Avg Acquisition Price/m²



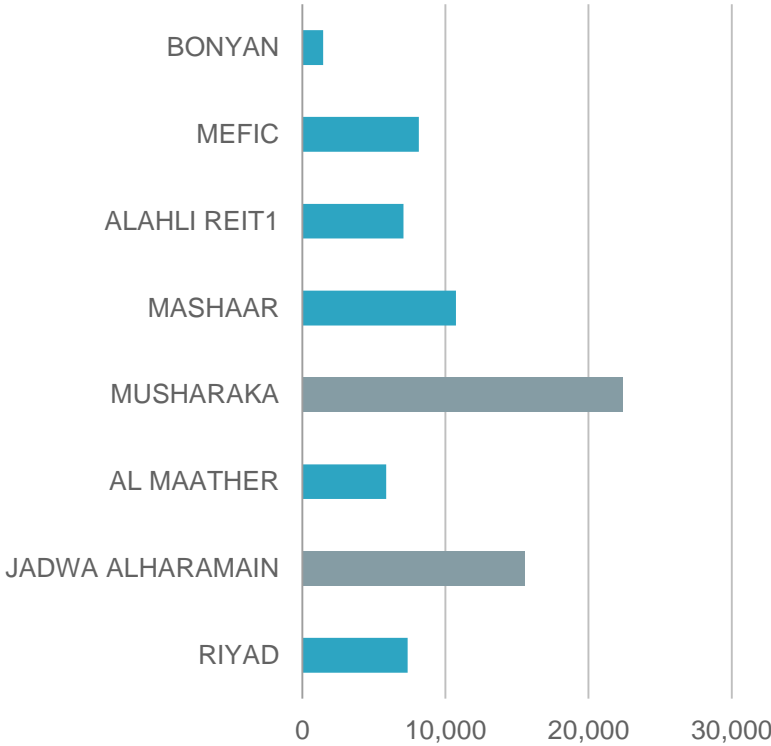
Commercial: Avg Acquisition Price/m²



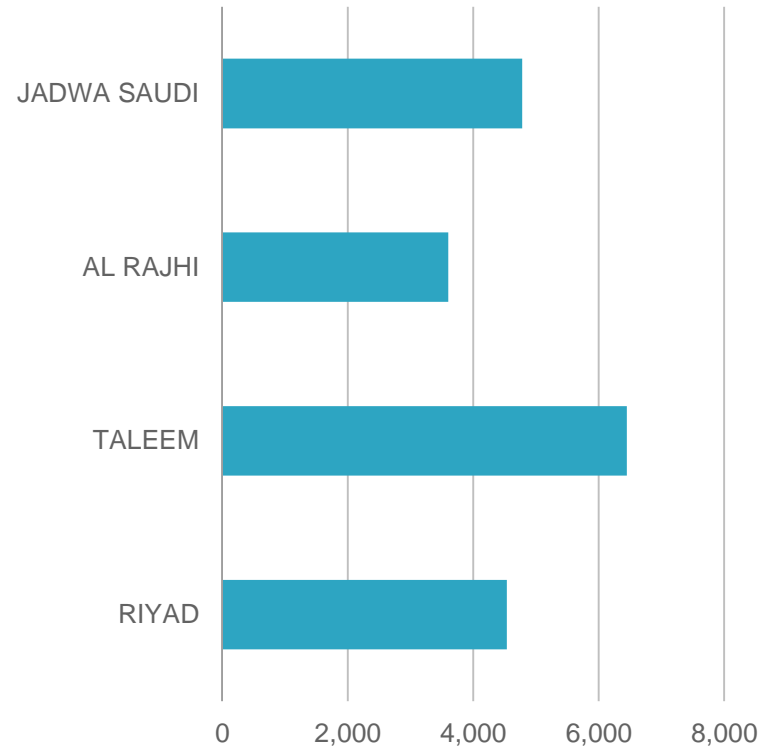
Hospitality and Education Acquisition Prices

Musharaka's Radisson Blu property commanded premium

Hospitality: Avg Acquisition Price/m²



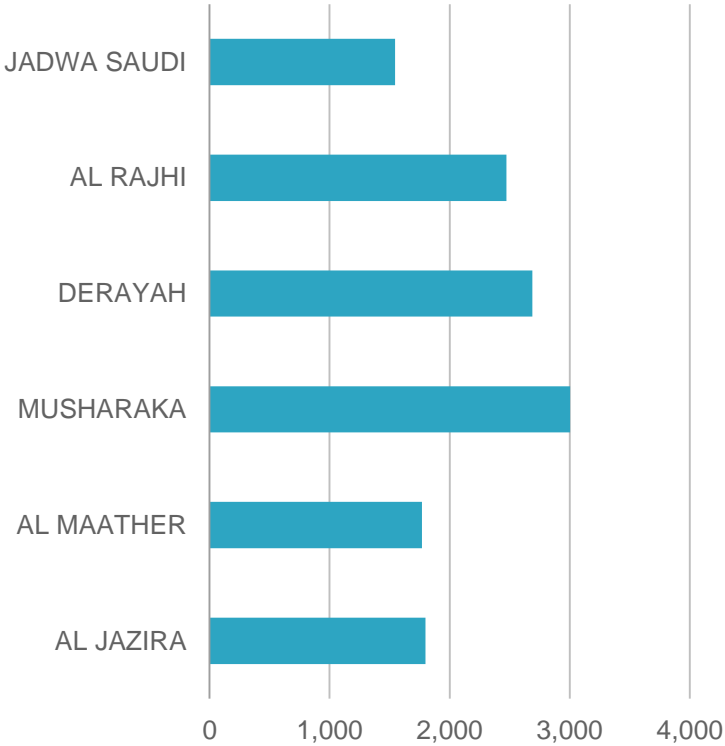
Education: Avg Acquisition Price/m²



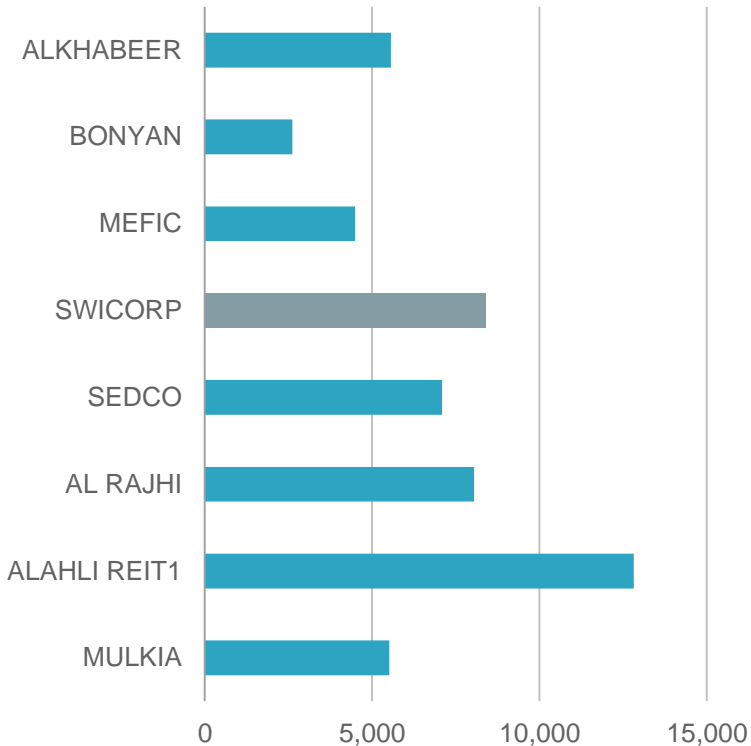
Industrial and Retail Acquisition Prices

SWICORP includes only malls (Riyadh commands 40% premium to Tier 2 cities)

Industrial: Avg Acquisition Price/m²



Retail: Avg Acquisition Price/m²



Conclusion

Perception keeping investors on sidelines

- ❑ Initial listings were well-received by the market, possibly due to **scarcity value** – with greater choice, investors should be more selective
- ❑ **Subscription fees** may have capped listing euphoria, raising buying appeal in secondary market
- ❑ Investor mix – possibly low participation from **domestic mutual funds** since almost all have their own REITs
- ❑ Timing – both Taleem and Bonyan listed around **Eid holidays**, suggesting timing is not a contributing factor
- ❑ Market conditions - investor attention focused on **index inclusion** which may have diverted attention from REITs, however target investor base is income seeking, valuation unaffected
- ❑ Despite **rising rates**, REITs offer attractive dividend spread – most pay on semi-annual or quarterly basis
- ❑ Market is discounting property value, suggesting initial **over-valuation of underlying assets**, hence REITs prices corrected lower by c. 20% to reflect investor perception
- ❑ Greater home ownership, departing expats and business closures suggest rent pressure – yields correcting lower, raising **risk of distribution cuts** but so far this has not happened
- ❑ Real Estate index shows price pressure, particularly on residential segment, leading to general perception of further correction
- ❑ Quick **exit by property owners** – focus should be on dividend payment capacity and quality of leases
- ❑ **Diversification** (location, assets) not rewarded by investors – all REITs painted with same brush – some exposure recommended to generate income in portfolios



LISTED REITS

Riyad REIT

TASI Code | 4330

Riyad Capital	
Fund Capital (SR mn)	1,633
Rights Offer Price (SR)	9.31
Fee Ratio	1.25%
Target Return	7.6%
Dividend Frequency	Semi-annual
Total Leasable Area (m ²)	238,712
Acquisition Value (SR mn)	1,742
Office, residential, hospitality & warehouses	
Comment Initial fund capital of SR 500m was raised to SR 1,633m following rights issue in May 2018.	

Property	Location	Area (m ²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
Ascot Tahlia Hotel	Jeddah	14,500	2	11.4	135
Omnia Center	Jeddah	19,715	82	14.3	168
Ansam AlShatea Tower	Dammam	14,900	29	7.98	97
AlKhobar Project	Khobar	24,450	1	22.7	174
AlMotamayez	Riyadh	7,150	16	6.8	85
Vivienda	Riyadh	4,250	1	3.5	41
Izdihar Trade Center	Riyadh	6,400	17	3.3	38
The Residence	Riyadh	15,351	6	13.6	136
AlFursan Towers	Riyadh	5,900	15	4.6	53
Saudi Electronic University	Riyadh	30,346	1	12.0	138
Kempinski Hotel	Riyadh	95,750	1	58.0	677



Al Jazira REIT

TASI Code | 4331

Al Jazira Capital	
Fund Capital (SR mn)	118
Public Offering (SR mn)	118
Fee Ratio	1.25%
Target Return	8.4%
Dividend Frequency	Annual
Total Leasable Area (m²)	65,405
Acquisition Value (SR mn)	118
Warehouses	

Property	Location	Area (m²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
1 st Complex	Jeddah	10,584	6	9.9	117.7
2 nd Complex	Jeddah	10,000			
3 rd Complex	Jeddah	11,229			
4 th Complex	Jeddah	10,671			
5 th Complex	Jeddah	12,507			
6 th Complex	Jeddah	10,414			

Jadwa Al Haramain

TASI Code | 4332

Jadwa Investment	
Fund Capital (SR mn)	660
Public Offering (SR mn)	360
Fee Ratio	1.05%
Target Return	6.5%
Dividend Frequency	Semi
Total Leasable Area (m²)	40,475
Acquisition Value (SR mn)	629
Subscribers in IPO	5,800
IPO Coverage	12.6x
Hospitality	

Property	Location	Area (m²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
Tharawat Al Andalusia Hotel	Makkah	7,573	1	24.5	379
Tharawat Al Taqwa Hotel	Makkah	32,902	1	16.5	250



Taleem REIT

TASI Code | 4333

Saudi Fransi Capital	
Fund Capital (SR mn)	510
Public Offering (SR mn)	86
Fee Ratio	0.80%
Target Return	7.0%
Dividend Frequency	Quarterly
Total Leasable Area (m²)	79,089
Acquisition Value (SR mn)	510
Education	
Comment Initial fund capital of SR 285m was raised to SR 510m in Sept 2018.	

Property	Location	Area (m²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
Islamic Education Schools	Riyadh	30,122	1	21	285
Ruwwad International Schools	Riyadh	48,967	1	14.5	225

Al Maather REIT

TASI Code | 4334

Osool & Bakheet Investment	
Fund Capital (SR mn)	614
Public Offering (SR mn)	184
Fee Ratio	0.60%
Target Return	8.7%
Dividend Frequency	Annual
Total Leasable Area (m ²)	141,215
Acquisition Value (SR mn)	604
Residential, commercial & hospitality	

Property	Location	Area (m ²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
Al Maathar	Riyadh	22,707	134	17.65	192.64
Al Rabii Hotel Units	Riyadh	8,590	1	3.41	50.28
Al Muhamadiya	Riyadh	15,583	2	8.21	99.58
Al Takhasousi	Riyadh	6,611	1	3.34	43.68
1 st Sahafa Bldg	Riyadh	11,340	1	4.31	50.10
2 nd Sahafa Bldg	Riyadh	10,880	1	4.67	53.54
Haer Warehouses	Riyadh	11,970	28	1.75	27.28
Al Soulay Warehouses	Riyadh	46,158	27	5.52	75.50
Manfat Al Rabii	Riyadh	1,413	6	1.10	1.48
Manfaa Al Kuds	Riyadh	1,258	5	0.64	2.24
Manfaa Wadi Laban	Riyadh	1,645	4	0.57	1.38
Manfaa Al Dabab	Riyadh	3,060	1	1.05	5.93



Musharaka REIT

TASI Code | 4335

Musharaka Capital	
Fund Capital (SR mn)	880
Public Offering (SR mn)	352
Fee Ratio	1.20%
Target Return	8.8%
Dividend Frequency	Semi-annual
Total Leasable Area (m ²)	123,865
Acquisition Value (SR mn)	857
Residential, industrial & hospitality	

Property	Location	Area (m ²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
Ejzala Compound	Khobar	29,487	1	14.4	160
Al-Baraka Warehouses	Riyadh	29,955	1	9.0	90
Radisson Blu Hotel Apts	Khobar	3,798	1	7.2	85
Seashore Residential Compound	Khobar	38,122	1	13.1	145
Pearl Residential Compound	Khobar	22,500	1	32.0	377



Mulkia REIT

TASI Code | 4336

Mulkia Investment	
Fund Capital (SR mn)	600
Public Offering (SR mn)	199
Fee Ratio	1.04%
Target Return	7.9%
Dividend Frequency	Quarterly
Total Leasable Area (m ²)	119,957
Acquisition Value (SR mn)	669
Residential, retail, offices & industrial	

Property	Location	Area (m ²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
West Avenue Mall	Dammam	56,000	1	24.7	309.0
Takniya Comm & Industrial Complex	Riyadh	36,554	3	10.0	121.5
Dinar Commercial Bldg	Jeddah	14,900	1	10.0	124.5
Yasmin Residential Bldg	Riyadh	5,303	1	1.5	18.7
Vivienda Villas	Riyadh	7,200	1	8.3	95.0



Mashaar REIT

TASI Code | 4337

Muscat Capital	
Fund Capital (SR mn)	572
Public Offering (SR mn)	572
Fee Ratio	1.03%
Target Return	6.8%
Dividend Frequency	Semi-annual
Total Leasable Area (m²)	53,272
Acquisition Value (SR mn)	572
Hospitality	

Property	Location	Area (m²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
Iskan Tower 4	Makkah	18,053	n.a.	12.8	190
Iskan Tower 5	Makkah	19,905	1	12.3	182
Iskan Tower 6	Makkah	15,314	n.a.	13.5	200

Al Ahli REIT 1

TASI Code | 4338

Al Ahli Capital	
Fund Capital (SR mn)	1,375
Public Offering (SR mn)	413
Fee Ratio	1.03%
Target Return	11.5%
Dividend Frequency	Semi-annual
Total Leasable Area (m²)	117,968
Acquisition Value (SR mn)	1,350
Retail & hospitality	

Property	Location	Area (m²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
Al Andalus Mall	Jeddah	89,713	303	128.4	1,150
Staybridge Suites	Jeddah	28,255	1	26.4	200



Derayah REIT

TASI Code | 4339

Derayah Financial	
Fund Capital (SR mn)	1,075
Public Offering (SR mn)	362
Fee Ratio	0.85%
Target Return	8.5%
Dividend Frequency	Quarterly
Total Leasable Area (m ²)	235,444
Acquisition Value (SR mn)	1,086
Retail, industrial, commercial & residential	

Property	Location	Area (m ²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
Smart Tower	Riyadh	28,414	1	20.0	263.5
Jubail Views Res	Jubail	26,643	1	13.6	145.5
Meena WH	Dammam	44,547	1	10.4	130.0
City Life Plaza	Riyadh	8,350	1	8.5	106.3
Motoon Towers	Riyadh	11,579	3	6.7	98.0
Al Fanar Complex	Khobar	12,395	15	5.1	60.0
Grand A Res	Dammam	31,536	1	5.0	58.8
Wadee WH	Jeddah	25,345	1	4.6	58.0
Siteen Complex	Riyadh	9,310	20	3.5	52.1
The Valley	Ihsaa	9,708	9	5.3	39.5
Grand B Res	Dammam	8,108	1	2.5	31.3
Res-Labor	Jubail	8,516	1	2.3	24.3
City Walk	Riyadh	6,433	1	3.4	10.5
Res-Labor	Dammam	2,912	5	0.6	5.1
Res-Labor	Khobar	1,648	8	3.0	3.0



Al Rajhi REIT

TASI Code | 4340

Rajhi Capital	
Fund Capital (SR mn)	1,222
Public Offering (SR mn)	427
Fee Ratio	0.80%
Target Return	6.7%
Dividend Frequency	Semi-annual
Total Leasable Area (m ²)	299,089
Acquisition Value (SR mn)	1,621
Retail, commercial, education & industrial	

Property	Location	Area (m ²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
Lulu Hypermarket	Riyadh	37,539	1	15.3	225.6
Anwar Plaza	Riyadh	24,812	1	4.3	62.2
Narjas Plaza	Riyadh	5,698	1	4.2	61.3
Rama Plaza	Riyadh	9,822	1	4.6	69.4
Jarir Bookstore	Riyadh	9,162	1	5.3	72.2
Faris Intl School	Riyadh	36,835	1	10.0	132.8
Panda	Kh Msheit	5,456	1	2.7	48.0
Hyper Panda	Jeddah	15,248	1	11.3	217.6
Panda	Jeddah	3,300	1	2.4	67.4
Panda	Jeddah	3,838	1	2.5	48.6
Al Andalus Center	Jeddah	33,426	n.a.	13.7	190.0
Blue Tower	Khobar	33,592	1	18.3	227.0
Louloua WH	Riyadh	80,359	1	13.6	198.7



Jadwa Saudi REIT

TASI Code | 4342

Jadwa Investment	
Fund Capital (SR mn)	1,580
Public Offering (SR mn)	474
Fee Ratio	0.78%
Target Return	8.4%
Dividend Frequency	Quarterly
Total Leasable Area (m ²)	428,200
Acquisition Value (SR mn)	1,547
Subscribers in IPO	57,600
IPO Coverage	1.2x
Residential, education, industrial & comm	

Property	Location	Area (m ²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
Marvela Residential Compound	Riyadh	158,739	1	50.0	606
Almareefa College	Riyadh	41,830	1	16.0	200
Al-Sulay WH	Riyadh	143,400	1	20.0	222
Alyaum Newspaper Tower	Dammam	39,242	1	23.8	275
AlFanar Res & Comm Tower	Khobar	44,989	1	20.1	244



Sedco REIT

TASI Code | 4344

SEDCO Capital	
Fund Capital (SR mn)	600
Public Offering (SR mn)	180
Fee Ratio	1.09%
Target Return	7.0%
Dividend Frequency	Quarterly
Total Leasable Area (m ²)	81,527
Acquisition Value (SR mn)	565
Retail, residential, office & hospitality	

Property	Location	Area (m ²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
Burj Al Hayat Suites	Riyadh	6,574	1	2.9	41.3
Hyper Panda	Jeddah	5,858	1	2.3	39.3
Hyper Panda	Riyadh	10,784	1	4.8	78.8
Public Prosecution Bldg	Jeddah	14,575	1	4.0	63.0
Al Jazeera Compound	Riyadh	10,730	52	4.6	67.5
Al Rawdah Bus Center	Jeddah	13,335	16	7.4	126.5
Al Khalidiyah Bus Center	Jeddah	19,671	20	8.4	148.6



Swicorp Wabel REIT

TASI Code | 4345

SWICORP	
Fund Capital (SR mn)	1,180
Public Offering (SR mn)	354
Fee Ratio	0.90%
Target Return	8.6%
Dividend Frequency	Semi-annual
Total Leasable Area (m²)	229,853
Acquisition Value (SR mn)	1,180
Malls	

Property	Location	Area (m²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
Al Makan Mall	Hafr Albatin	60,325	171	42.8	470.2
Al Makan Mall	Riyadh	30,041	63	19.9	323.6
Al Makan Mall	Tabuk	21,297	75	17.8	219.4
Al Makan Mall	Dawadmi	28,655	114	21.3	166.8



MEFIC REIT

TASI Code | 4346

MEFIC Capital	
Fund Capital (SR mn)	1,015
Public Offering (SR mn)	880
Fee Ratio	0.88%
Target Return	7.5%
Dividend Frequency	Semi-annual
Total Leasable Area (m ²)	155,208
Acquisition Value (SR mn)	1,199
Commercial, residential & hospitality	
Comment Fund capital is currently SR 733m plus SR 275m in long-term loans.	

Property	Location	Area (m ²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
Commercial Complex	Riyadh	77,299	171	40.8	665
Executive Center	Jeddah	7,343	25	4.1	45
Plaza 1	Riyadh	16,436	43	12.6	66
Plaza 2	Riyadh	16,530	Under Development	9.0	82
Hospitality Bldg	Riyadh	17,074	Under Development	9.9	93
Durnuf Aiyad Hotel	Makkah	10,401	214	10.0	123
Durnuf Kadi Hotel	Makkah	6,016	86	5.0	57
The Pad	Dubai	4,110	Under Development	6.6	68



Bonyan REIT

TASI Code | 4347

Saudi Fransi Capital	
Fund Capital (SR mn)	1,629
Public Offering (SR mn)	652
Fee Ratio	0.53%
Target Return	7.8%
Dividend Frequency	Semi-annual
Total Leasable Area (m ²)	615,116
Acquisition Value (SR mn)	1,629
Commercial, retail, residential & hospitality	

Property	Location	Area (m ²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
Al Rashid Mall	Jizan	50,000	207	15.6	206.0
Al Rashid Mega Mall	Madinah	115,795	240	32.8	505.5
Al Rashid Mall	Abha	147,967	193	34.6	223.2
Al Rashid Strip Mall	Riyadh	4,398	Under Development	1.6	13.4
Rafia Compound	Riyadh	20,572	1	14.9	190.0
Maather Compound	Riyadh	1,906	4	0.5	5.5
Courtyard Marriott	Jizan	50,000	1	6.3	90.0
Marriott Residence Inn	Jizan	50,000	1	4.0	55.5
Al Rashid Residences	Madinah	25,316	1	7.1	42.6
City Walk	Dubai	149,162	44	10.2	273.0



AlKhabeer REIT

TASI Code | 4348

Alkhabeer Capital	
Fund Capital (SR mn)	664
Public Offering (SR mn)	238
Fee Ratio	0.75%
Target Return	9.0%
Dividend Frequency	Quarterly
Total Leasable Area (m ²)	139,761
Acquisition Value (SR mn)	960
Subscribers in IPO	25,124
IPO Coverage	1.0x
Malls, retail & commercial	

Property	Location	Area (m ²)	Tenants	Target Rent (SR mn)	Acquisition Value (SR mn)
Homeworks	Riyadh	9,181	1	6.0	78
Plazo Center	Riyadh	5,819	12	8.1	93
Housing Complex	Riyadh	41,361	1	20.2	314
Gallery Mall	Tabuk	43,625	1	23.0	155
Elite Center	Jeddah	15,712	1	16.0	160
Welcome Court	Jeddah	2,758	1	7.0	70
Commercial Center	Jeddah	21,305	1	9.0	90



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