



*Valuation Report Analysis*  
*Al-Lulul'aa Warehouses Property*  
*AL-Riyadh City - KSA - May 15, 2018*

Prepared for  
Al-Rajhi Capital



شركة أولات للتقييم العقاري  
Olaat Valuation Company



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# Real Estate Valuation Report Analysis

**Prepared for:**  
**Al-Rajhi Capital.**

## Al-Riyadh City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

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C.R:1010462536

Valuation License: 1210000397

Property's Type	Industrial Building – warehouses	
Location	Al-Riyadh city – Al-Masani District- Al-Haaer road	
Land Area	94,908.61 sq m	
Title deeds number	Based to deeds	
Title's date	Based to deeds	
Plots Number	Based to deeds	
Scheme Number	3085	
Land Topography	Flat	
Boarded streets & Neighbors	N	Based to deeds
	S	Based to deeds
	E	Based to deeds
	W	Based to deeds
Building Build- up area sq m	92,071.4 sq m plus Fence 386.56	
Building's Permit number	Based to Building Permit	
Building Permit's date	Based to Building Permit	
<b>Fair Market value for Property L&amp;B</b>	<b>189,849,257 (One hundred eighty-nine million, eight-hundred forty-nine thousand, two hundred fifty-seven- SR)</b>	

## Legal Documents (Deeds, Buildings Permits, and Lease agreements)

DEED 1



DEED 2



DEED 3



DEED 4



DEED 5



DEED 6



DEED 7



DEED 8



DEED 9



BUILDING'S PERMIT 1











Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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May 15, 2015

**Property Address: Al-Lu'lu'a warehouses – Al-Riyadh city - Valuation Report analysis**

**Tenure: Commercial Freehold property**

We are delighted to submit our Valuation report for – **Al-Lu'lu'a warehouses– Al-Riyadh city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** for Industrial logistic property is **189,849,257 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), capitalization approach** considering the location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

**Olaat Valuation Company**

## 1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for Al-Lu'lu'ah Warehouses Property.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation, as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Offices and Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 6th of May 2018 by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr.Kinaa Abdullatef 0531019124 (on behalf of Landlord's)
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

## 2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

## 3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't found any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

## 4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

## 5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

## 6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for Industrial and commercial lands and buildings, In addition, we consulted many of real estate experts in **Al-Riyadh city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

## 7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within Al-Masani district **close to Al-Haeer Road**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

## 8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value Method, depreciated replacement cost (DCR) to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD.**

## 9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co**, and have been a presumption of validity.

## 10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **industrial warehouses property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

## 11-Foundation of evaluation report and Contents

### Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, cap rate
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

### Attachments

1. Google earth pictures of sample taken from region
2. Evaluation Report

## 12-Property's Identification

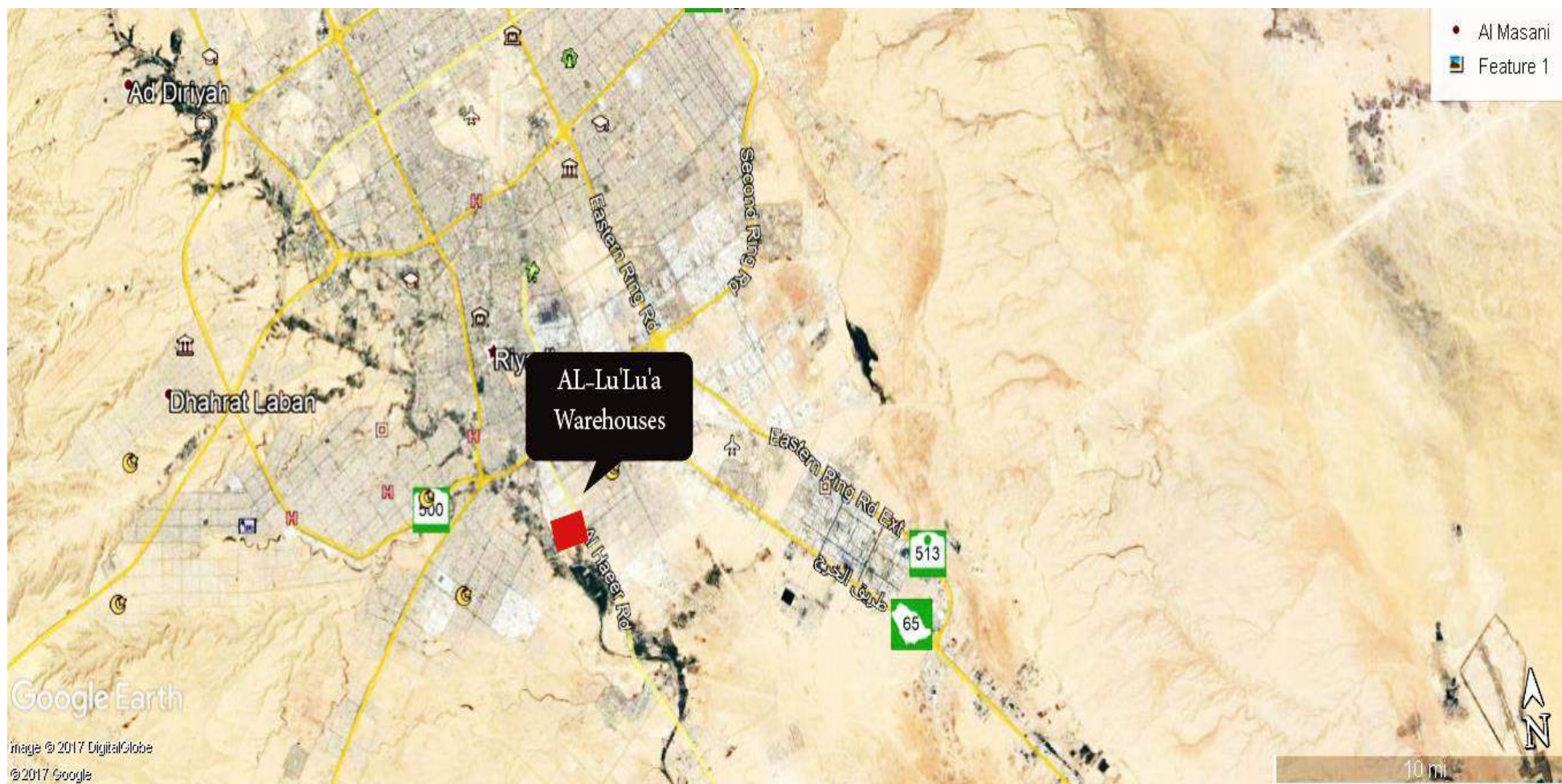
The subject property consists of commercial property (Land + building) located in **Al-Riyadh city** within Al-Masani district. Land area: **94,908.61 sq m** + Buildings GFA **92,071.4 sq m** plus Fence **386.56 sq m** based on official data has been received from **Al-Rajhi Capital Co.** **Geographic**

**Coordinates:** N: 24°33'43.45" - E: 46°45'07.72"



The Image below shows the Boundaries of the site:

*Ariel View - Micro Situation*





## 12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the buildings from 4 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (industrial and commercial)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to industrial and commercial environment (shops and Haraj) that would support the main function of the property and its proposed extension project.
- Offering for lands in site region offering for sale and the asking prices from 1,250-1,400 SAR / sq m
- Offering for new rival commercial projects in case of new supply from industrial warehouses

## 12.2- Main features of the project:

- Industrial warehouses Grade B
- Easy accessibility and prime visibility
- Matching with Civil Defense requirements
- Haraj located Nearby which added value to Property
- Surface Car Parking area, mosque

## 13-Land Valuation

### 13.1- Case 1 – Residual value approach (land)

#### Residual value approach evaluation – Land Evaluation fair market value (FMV) - RV methodology definition:

**The Land - Residual Approach** is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs". Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet - Industrial Warehouses		
Cost Type - Dev Type	Con Year 1	Con Year 2
<b>Development Work</b>		
Land Area - developed / year - sqm	94,909	
Development Cost S.R / SQM	140	
Total Development Cost / Year	13,287,205	
<b>Industrial warehouses Grade B</b>		
<b>Total BUA - sq m</b>	<b>90,163.2</b>	
industrial Units BUA construction / Year	45,082	45,082
Industrial units Construction Cost S.R / sqm	650	700
<b>Total Construction Cost / year</b>	<b>29,303,033</b>	<b>31,557,113</b>
<b>Total Construction Costs</b>	<b>29,303,033</b>	<b>31,557,113</b>
<b>Other Costs</b>		
<b>Professional Fees (Engineering Consultant) 2.5%</b>	732,576	788,928
<b>Statutory fees 2%</b>	586,061	315,571
<b>Marketing Fees (Media &amp; Advertising) 1.5%</b>	439,546	473,357
<b>Contingency costs 10%</b>	2,930,303	3,155,711
<b>Overhead cost 2.5%</b>	732,576	788,928
<b>Total Dev - Cost - SR</b>	<b>34,724,095</b>	<b>37,079,608</b>

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

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
<b>Category 1- Industrial warehouses Rev</b>							
Leasable area - sq m		90,163	90,163	90,163	90,163	90,163	90,163
Annual rental price - sq m		140	140	140	420	420	420
Occupancy Rate %		70%	80%	99%	99%	99%	99%
<b>Revenues Cat 1</b>		<b>8,835,992</b>	<b>10,098,276</b>	<b>12,496,617</b>	<b>37,489,850</b>	<b>37,489,850</b>	<b>37,489,850</b>
<b>Category 2- Commercial shops (Bakala concept)</b>							
Leasable area - sq m		2,500	2,500	2,500	2,500	2,500	2,500
Annual rental price - sq m		550	550	550	650	650	650
Occupancy Rate %		100%	100%	100%	100%	100%	100%
<b>Revenues Cat 2</b>		<b>1,375,000</b>	<b>1,375,000</b>	<b>1,375,000</b>	<b>1,625,000</b>	<b>1,625,000</b>	<b>1,625,000</b>
<b>Gross Revenues</b>		<b>10,210,992</b>	<b>11,473,276</b>	<b>13,871,617</b>	<b>39,114,850</b>	<b>39,114,850</b>	<b>39,114,850</b>

### Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Revenues	10,210,992	11,473,276	13,871,617	39,114,850	39,114,850	39,114,850
General & Administrative Expenses (5%)	510,550	573,664	693,581	1,955,743	1,955,743	1,955,743
Gross Profit - EBITDA	9,700,442	10,899,612	13,178,036	37,159,108	37,159,108	37,159,108
Depreciation	(694,482)	(694,482)	(694,482)	(694,482)	(694,482)	(694,482)
Earnings after depreciation	9,005,960	10,205,130	12,483,554	36,464,626	36,464,626	36,464,626
Interest Expense	(597,993)	(597,993)	(597,993)	0	0	0
Earning after interest expense	8,407,967	9,607,138	11,885,561	36,464,626	36,464,626	36,464,626
Zakat and VAT 7.5%	(630,598)	(720,535)	(891,417)	(2,734,847)	(2,734,847)	(2,734,847)
<b>Net Income</b>	<b>7,777,370</b>	<b>8,886,602</b>	<b>10,994,144</b>	<b>33,729,779</b>	<b>33,729,779</b>	<b>33,729,779</b>
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	7,777,370	8,886,602	10,994,144	33,729,779	33,729,779	33,729,779
<b>Cumulative Retained earnings</b>	<b>7,777,370</b>	<b>16,663,972</b>	<b>27,658,116</b>	<b>629,710,241</b>	<b>663,440,020</b>	<b>697,169,798</b>

## Cash Flow Statement

Cash flow Table	Construction Year 1	Construction Year 2	Operation Year 1	Operation Year 2	Operation Year 32	Operation Year 33
<b>IN - Flow</b>						
Capital Injection						
Net Revenues			7,777,370	8,886,602	33,729,779	33,729,779
Depreciation			694,482	694,482	694,482	694,482
<b>Total Inflow</b>			8,471,852	9,581,084	34,424,261	34,424,261
<b>OUT Flow</b>						
Total Construction Cost	34,724,095	37,079,608				
Professional Fees	732,576	788,928				
Statutory fees 2%	586,061	315,571				
Marketing Fees (Media & Advertising) 1.5%	439,546	473,357				
Contingency costs 10%	2,930,303	3,155,711				
Overhead cost 1%	732,576	788,928				
<b>Total Outflow</b>	<b>(40,145,156)</b>	<b>(42,602,102)</b>				
<b>Net Cash Flow</b>	<b>(40,145,156)</b>	<b>(42,602,102)</b>	<b>8,471,852</b>	<b>9,581,084</b>	<b>34,424,261</b>	<b>34,424,261</b>
<b>Cumulative Net Income</b>	<b>(40,145,156)</b>	<b>(82,747,258)</b>	<b>(74,275,406)</b>	<b>(64,694,322)</b>	<b>602,916,182</b>	<b>637,340,443</b>

## Residual Value - RV (Investment method)

NPV - IRR	construction / Year 1	construction/ Year 2	Operation / Year 1	Operation / Year 2	Operation / Year 3	Operation / Year 32	Operation / Year 33	Total
<b>IN - Flow</b>	<b>Period</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>32</b>	<b>33</b>	
<b>Revenues</b>			7,777,370	8,886,602	10,994,144	33,729,779	33,729,779	
<b>Total Inflow</b>			<b>8,471,852</b>	<b>9,581,084</b>	<b>11,688,626</b>	<b>34,424,261</b>	<b>34,424,261</b>	<b>651,239,180</b>
<b>Discount Rate:</b>	<b>7%</b>		0.935	0.873	0.816	0.115	0.107	
<b>Total Cash out</b>								
<b>Net Cash Flow</b> (Before Discount Rate)	<b>(71,803,702)</b>		8,471,852	9,581,084	11,688,626	34,424,261	34,424,261	439,039,791
								<b>Total Cash flow</b>
<b>Discounted Cash Flow DCF</b>	<b>(71,803,702)</b>		<b>7,917,618</b>	<b>8,368,490</b>	<b>9,541,401</b>	<b>3,949,878</b>	<b>3,691,475</b>	<b>147,724,911</b>
								<b>RV</b>
<b>DCF - RV before Deducting PM</b>		<b>147,724,911</b>						
<b>Profit margin</b>	20%	14,360,740						
<b>Fair Market Value - FMV</b>								
	Land - FMV	133,364,170						
	Land area - sq m	94,908.61						
<b>FMV - per sq m</b>		<b>1,405.19</b>						

Fair Market Value FMV	Land Area – sq m	Value / sq m. SAR	FMV SAR
Fair Market Value for land	94,908.61	1,405.19	133,364,170

### 13.2- Case 2-Depreciated Replacement cost method (DRC) for Building

Depreciated replacement cost (DRC) approach. The 'cost approach' and DRC are regarded as synonymous terms; both are in common use around the world to describe a method of valuation of all types of assets.

Also, the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

It is important to understand that the word depreciation is used in a different context for valuation than for financial reporting. In a DRC valuation, depreciation refers to the reduction, or writing down, of the cost of a modern equivalent asset to reflect the obsolescence and relative disabilities affecting the actual asset. In financial reporting, depreciation accounting refers to a charge made against an entity income to reflect the consumption of an asset over a particular accounting period. These are distinct usages of the word, and there is no direct correlation between the methods used to assess depreciation in each case.

Although the DRC method may be used for the valuation of different types of specialized asset, particular complications arise when applying the DRC method to specialized property.

Some buildings (or specialized plant and equipment assets) have a conventional basic design that is superficially similar to other buildings that are regularly bought and sold in the market, but on closer inspection have specialized features or extensive adaptations designed to meet the requirements of the actual occupier. Typical examples, which may be purpose built or adapted, include a residential complex, office, retail, medical, hotels, universities and or an *industrial buildings (labor camps) with structural alterations to accommodate a particular production process with enhanced security features such as thickened walls, toughened glazing, extra amenities and extra facilities areas.*

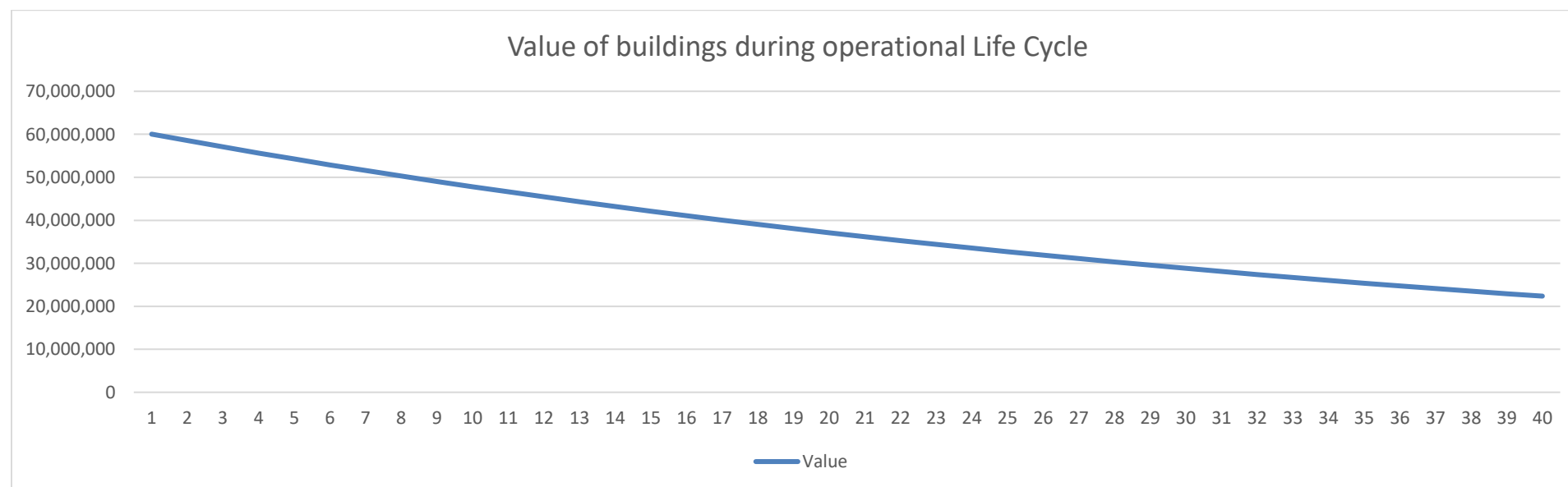
Replacement cost	BUA – built up area – sqm	Type of operation
BUA – Ground floor – Commercial shops	92,071.4	logistic warehouses
Fence	386.56	Services

### Depreciated Replacement cost (DRC)

Standards: Average useful life for industrial Warehouses buildings in <u>Al-Riyadh</u> city after taken into consideration climate (dry)	N ( number of years) =	40 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N ( number of years) =	10 years (starting Operation period @1428 Hijri)
Apportionment – Acc Depreciation	$10 \times 2\% =$	20 %

**(Fixtures & equipment work) F&E for building – All MEP installed**

Type of Construction	GFA / sq m	Replacement cost / SAR – sq m Q1-2018	Completion %	Fair Market value/ SR
BUA – Ground floor – Commercial shops	92,071.4	650	100%	<b>59,846,410</b>
Fence	386.56	500	100%	<b>193,280</b>
Replacement cost - SAR				<b>60,039,690</b>
- Apportionment Acc Deprecation	60,039,690 *20 %			<b>(12,077,938)</b>
Depreciated Replacement cost DRC				<b>48,031,752</b>



### Fair market value (property) Land + Building In the case of finishing up to date from fixtures & equipment work-Currency SAR

Fair Market Value (Land)	133,364,170 SAR
Plus	
Building Replacement cost	48,031,752 SAR
Profit margin (20%)	12,007,938 SAR
<b>Fair market value - Property</b>	193,403,860 S.R (Two hundred eight million, three hundred sixty-four thousand, one hundred and fifty-five Saudi riyal)

### (Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
183,000,000 S.R	193,403,860	203,000,000 S.R

**14- Valuation Based to Income approach- Capitalization rate** ratio of Net Operating Income (NOI) to property asset value @ **7.5% Average**  
**market Yield- Al-Riyadh city for Industrial warehouses Q1-2018**

Net Operating income NOI <u>Triple Net</u> – Currency SAR based to official legal contract/agreement between landlord and One tenant (Rawaj) for 5 obligatory year contractually period starting from the date of launching Al-Rajhi REIT Fund- SR	13,616,639
– Vacancy and rent collection loss	0
Additional income	0
Effective gross income	13,616,639
Operating Expenses	
Fixed	0
Variable	0
Reserves	0
– Total Operating expenses	0
Net operating income NOI	13,616,369
Fair Market Value @ 7.5% Capitalization rate - SAR	181,555,186

## 15-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + deprecation replacement cost - FMV	193,403,860	
Capitalization rate - FMV	181,555,186	
Weighted Average - Percentage	DRC	135,382,702
	70%	
	Cap rate	54,466,555
	30%	
Fair market value FMV	189,849,257 (One hundred eighty-nine million, eight-hundred forty-nine thousand, two hundred fifty-seven- SR)	

### (Sensitivity Analysis) (Risk matrix) for Weighted average - FMV

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
180,000,000 S.R	189,849,257	199,000,000 S.R

## 16- Real Estate Market Summary- Al-Riyadh Q1-2018

*Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. 11 new brands hotels are expected to enter the market over the next two years with totally 3900 hotels room.*

**17.1-Offices market:** Offices vacancies Decreased over the quarter due to new Demands from companies after public and private sectors start looking for new location; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents. Market also contributed to the decrease in vacancies in remaining of 2018

**17.2-Residential market:** Also, performance declined in residential sector. Villas selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices still stable in waiting for departure of large number of expatriates.

**17.3-Hospitality market:** Average daily rates falling 14%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017-Q1 2018.

**17.4-Retail market:** While occupancies decreased marginally in the retail sector over 2017, they are expected to soften of the rest of year of 2018 as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales. And Cinema presence will help Retail sector in increasing Occupancies.

**17.5- Industrial warehouses:** While occupancies increased marginally in the industrial warehouses sector over 2017, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salbouxh road) should affect the old warehouses negatively.

## 17-External and internal Pictures

### External view



## External view



## Internal view



## Internal view



## 18- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
<b>Abdulmalik Al-Darwsih</b>	Valuation Manger	1210000397	1440/4/14	Real estate
<b>Mustafa Al-Mardina</b>	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
<b>Fadi Naeem</b>	Site visit, inspection Catchment area	1220000119	1440/04/2	Real estate
<b>Ashraf Al-Shaeer</b>	Final Revision – Release	1220000021	1440/04/2	Real estate

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*Valuation Report Analysis*  
**Al-Fares International school Property**  
**AL-Riyadh City - KSA - May 15, 2018**

Prepared for  
Al-Rajhi Capital



شركة أولات للتقييم العقاري  
Olaat Valuation Company



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**Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397**

# Real Estate Valuation Report Analysis

**Prepared for:**  
**Al-Rajhi Capital.**

## **Riyadh City**

**May 15, 2018**

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

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

**Kingdom of Saudi Arabia**

**Person in charge:**

**- Mustafa Al-Mardina**

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**C.R:1010462536**

**Valuation License: 1210000397**

Property's Type	Educational Property –International school
Location	Riyadh city – Al-Tawwon District- closed to Imam Saud Rd
Land Area	16,500 sq m
Title deed number	510124024851
Title's date	09/01/1436 H
Plots Number	18- Educational facility
Scheme Number	1822/س
Land Topography	Flat
Boarded streets & Neighbors	<b>N:</b> Street Width 20 m length 150 m
	<b>S</b> Street width 20 m Length 150 m
	<b>E:</b> Street width 20 m Length 110 m
	<b>W:</b> Street width 20 m Length 110 m
Building (Gross floor area ) based to Permit	36,885 sq m plus Fence 508 m2
Building's Permit number	10552/1427
Building Permit's date	06/02/1428
Fair Market value SAR	<b>134,444,317 (One hundred thirty-four million, four hundred forty-four thousand, three hundred seventeen SR)</b>

## Legal Documents

TITLE DEED



## BUILDING'S PERMIT

[illegible]

#### Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital  
For the attention of:  
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alsabtaa@alrajhi-capital.com  
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2018

**Property Address: Al-Fares International School (FIS) - Riyadh city - Valuation Report analysis**

**Tenure: Educational Freehold property**

We are Pleased to submit our Valuation report for – **Al-Fares International School (FIS) - Riyadh city- for REITs Purposes (Real estate Investment Trust)** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, Income cap rate – Net income based to rental market value for **Educational facility** based to market and due to properties & facilities management works PM&FM beside periodically maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the **Educational property** is **134,444,317** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

**Olaat Valuation Company**

## 1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for <b>Al-Fares International School</b> Property.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation, as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olat Valuation Company
The subject of the valuation	Valuation for Educational property – (International school)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 6th of May 2018 by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr. Usama Bukhari (CEO) 0549994448
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

## 2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

## 3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any comparable lands offering either for sale or rent due to scarcity of educational lands.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council** (IVSC): The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

## 4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Values memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

## 5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

## 6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands, In addition, we consulted many of real estate experts in **Riyadh city** to reach the actual transaction of some land prices and for the building replacement cost, and income so we depend on Saudi construction cost in time of valuation and cap rate of market.

## 7- Purpose for preparation valuation and Content text

OPM was appointed **Al-Rajhi Capital** to evaluate fair market value for an Educational property due to Fair market value located within Al-Tawwon district close to Imam Saud Rd based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

## 8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value Method, depreciated replacement cost (DCR) and Capitalization rate method to get the more realistic value of the Asset (property) based to (Capital Market Authority) CMA in Saudi Arabia requirements, this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD.**

## 9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital** and have been a presumption of validity.

## 10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Educational property**, with checking and preview the real instruments if it's legal and owned by the landlord (Rajhi REIT Fund).

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## 11-Foundation of evaluation report and Contents

### Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

## 12-Property's Identification

The subject property consists of Educational property Asset (Land + building) located in **Riyadh city** within Al-Tawwon district. Land area: **16,500 sq m** + Building GFA **36,885 sq m** plus Fence **508 m2** based on data has been received from **Al-Rajhi Capital Geographic Coordinates:** **N:**

**24°46'04.79" - E: 46°42'14.77"**



The Image below shows the Boundaries of the site:

#### Aerial View



## 12.1- Property Characteristics

**The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:**

- Visibility: This refers to the general visibility of the frontage of the asset from 4 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to business environment that would support the main function of the property and its proposed extension project.
- No Any educational lands in site region offering either for rent or sale
- Lacking for any new rival Educational projects in case of new supply from schools

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

- Educational school (international)
- One underground floor - Basement: using for laboratories and classes
- HVAC system (Central system) more than 120 unit, its 7 Ton – (York Manufacturing)
- All building full covered with CCTV with more than 70 surveillance unit
- Automatic Fire system covering only a Basement floor and Theater, and the Ground, First and second floors (manual extinguisher fire – Hose fire) plus smoking detectors.
- Efficient mechanical design installed
- Technical room, electrical room

- Electrical design connecting to Sceco Room
- All MEP equipment installed
- 6 Elevators (Kone Manufacturing), Water Pump Room
- All maintenance ( weekly, monthly and quarterly reporting)
- 4 mini Football, Basketball playgrounds
- Public bathrooms and service room in every floor
- Mosque
- Library, Laboratory
- All Grounds flooring fine Porcelain, Management section grounds parquet flooring
- Theatre full capacity 450 person

## 13-Land Valuation

### 13.1- Case 1 – Residual value approach (land)

#### Residual value approach evaluation – Land Evaluation fair market value (FMV)

##### RV methodology definition:

**The Land - Residual Approach** is the sum of remaining from the value of the completed (depreciated) property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet - National School - Educational project			
Cost Type- Dev Type	Con Year 1	Con Year 2	Con Year 3
<b>Development Work</b>			
Land Area - developed / year - sqm	16,500		
Development Cost S.R / sq m	80		
Total Development Cost / Year	1,320,000		
<b>National School Grade B+</b>			
<b>Total BUA - sq m</b>	<b>38,775.0</b>		
Units BUA construction / Year	12,925	12,925	12,925
Units Construction F&E Cost S.R / sqm	2,800	2,800	2,800
Total Construction Cost / year	36,190,000	36,190,000	36,190,000
<b>Total Construction Costs</b>	<b>36,190,000</b>	<b>36,190,000</b>	<b>36,190,000</b>
<b>Other Costs</b>			
<b>Professional Fees (Engineering Consultant) 2.5%</b>	904,750	904,750	904,750
<b>Statutory fees 2%</b>	723,800	723,800	723,800
<b>Marketing Fees (Media &amp; Advertising) 1.5%</b>	542,850	542,850	542,850
<b>Contingency costs 10%</b>	3,619,000	3,619,000	3,619,000
<b>Overhead cost 2.5%</b>	904,750	904,750	904,750
<b>Total Dev - Cost - SR</b>	<b>42,885,150</b>	<b>42,885,150</b>	<b>42,885,150</b>

Gross Income & Revenues Sheet - Free Future Cash Flow (FFCF)							
	Dev- period 3 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
<b>Category 1- National school - Rev- Leasing to Operator</b>							
Leasable area - sq m		38,775	38,775	38,775	38,775	38,775	38,775
Annual rental price - sq m		300	300	300	800	800	800
Occupancy Rate %		100%	100%	100%	100%	100%	100%
<b>Revenues Cat 1</b>		<b>11,632,500</b>	<b>11,632,500</b>	<b>11,632,500</b>	<b>31,020,000</b>	<b>31,020,000</b>	<b>31,020,000</b>
<b>Gross Revenues</b>		<b>11,632,500</b>	<b>11,632,500</b>	<b>11,632,500</b>	<b>31,020,000</b>	<b>31,020,000</b>	<b>31,020,000</b>

## Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Revenues	11,632,500	11,632,500	11,632,500	31,020,000	31,020,000	31,020,000
General & Administrative Expenses (0%) all on Lessee Responsibility	0	0	0	0	0	0
Gross Profit - EBITDA	11,632,500	11,632,500	11,632,500	31,020,000	31,020,000	31,020,000
Depreciation	(857,703)	(857,703)	(857,703)	(857,703)	(857,703)	(857,703)
Earnings after depreciation	10,774,797	10,774,797	10,774,797	30,162,297	30,162,297	30,162,297
Interest Expense	(3,086,400)	(3,086,400)	(3,086,400)	0	0	0
Earning after interest expense	7,688,397	7,688,397	7,688,397	30,162,297	30,162,297	30,162,297
Zakat and VAT 7.5%	(576,630)	(576,630)	(576,630)	(2,262,172)	(2,262,172)	(2,262,172)
<b>Net Income</b>	<b>7,111,767</b>	<b>7,111,767</b>	<b>7,111,767</b>	<b>27,900,125</b>	<b>27,900,125</b>	<b>27,900,125</b>
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	7,111,767	7,111,767	7,111,767	27,900,125	27,900,125	27,900,125
<b>Cumulative Retained earnings</b>	<b>7,111,767</b>	<b>14,223,534</b>	<b>21,335,302</b>	<b>603,219,979</b>	<b>631,120,104</b>	<b>659,020,228</b>

	<b>Loan - Principle 40% - TDC</b>	
<b>PMT - IPMT</b>	<b>69,890,478</b>	
	<b>18,450,478</b>	<b>Interest exp</b>
	<b>88,340,955</b>	Total amount Paid - loan + r

## Cash Flow Statement

Cash flow Table	Construction Year 1	Construction Year 2	Construction Year 3	Operation Year 1	Operation Year 2	Operation Year 32	Operation Year 33
<b>IN - Flow</b>							
Capital Injection							
Net Revenues				7,111,767	7,111,767	27,900,125	27,900,125
Depreciation				857,703	857,703	857,703	857,703
<b>Total Inflow</b>				7,969,470	7,969,470	28,757,828	28,757,828
<b>OUT Flow</b>							
Total Construction Cost	42,885,150	42,885,150	42,885,150				
Professional Fees	904,750	904,750	904,750				
Statutory fees 2%	723,800	723,800	723,800				
Marketing Fees (Media & Advertising) 1.5%	542,850	542,850	542,850				
Contingency costs 10%	3,619,000	3,619,000	3,619,000				
Overhead cost 1%	904,750	904,750	904,750				
<b>Total Outflow</b>	<b>(49,580,300)</b>	<b>(49,580,300)</b>	<b>(49,580,300)</b>				
<b>Net Cash Flow</b>	<b>(49,580,300)</b>	<b>(49,580,300)</b>	<b>(49,580,300)</b>	<b>7,969,470</b>	<b>7,969,470</b>	<b>28,757,828</b>	<b>28,757,828</b>
<b>Cumulative Net Income</b>	<b>(49,580,300)</b>	<b>(99,160,600)</b>	<b>(148,740,900)</b>	<b>(140,771,430)</b>	<b>(132,801,960)</b>	<b>509,825,700</b>	<b>538,583,527</b>

## Residual Value - RV

RV	Construction / Year 1	Construction/ Year 2	Construction / Year 3	Operation / Year 1	Operation / Year 2	Operation / Year 32	Operation / Year 33	Total
<b>IN - Flow</b>	<b>Period</b>	0	0	1	2	32	33	
<b>Revenues</b>		0	0	7,111,767	7,111,767	27,900,125	27,900,125	
<b>Total Inflow</b>		<b>0</b>	<b>0</b>	<b>7,969,470</b>	<b>7,969,470</b>	<b>28,757,828</b>	<b>28,757,828</b>	<b>629,808,772</b>
<b>Discount Rate:</b>	<b>9%</b>	0.000	0.000	0.918	0.843	0.065	0.060	
<b>OUT Flow</b>								
<b>Total Outflow</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Cash out</b>								
<b>Net Cash Flow</b> (Before Discount Rate)	<b>(128,655,450)</b>	0	0	7,969,470	7,969,470	28,757,828	28,757,828	229,526,652
								<b>Total Cash flow</b>
<b>Discounted Cash Flow DCF</b>	<b>(128,655,450)</b>	<b>0</b>	<b>0</b>	<b>7,318,154</b>	<b>6,720,068</b>	<b>1,878,728</b>	<b>1,725,186</b>	<b>34,471,557</b>
								<b>Residual value</b>

	Land - FMV	34,471,557
	Land area - sq m	16,500.00
<b>FMV - per sq m - Residual value</b>		<b>2,089.19</b>

<b>Fair Market Value FMV</b>	<b>Land Area – sq m</b>	<b>Value / sq m. SAR</b>	<b>FMV SAR</b>
Fair Market Value for land	16,500	2,089.19	34,471,557

### 13.2- Case 2- Cost Approach Depreciated Replacement cost method (DRC) for Building

Depreciated replacement cost (DRC) approach. The 'cost approach' and DRC are regarded as synonymous terms; both are in common use around the world to describe a method of valuation of all types of assets.

Also, the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

It is important to understand that the word depreciation is used in a different context for valuation than for financial reporting. In a DRC valuation, depreciation refers to the reduction, or writing down, of the cost of a modern equivalent asset to reflect the obsolescence and relative disabilities affecting the actual asset. In financial reporting, depreciation accounting refers to a charge made against an entity income to reflect the consumption of an asset over a particular accounting period. These are distinct usages of the word, and there is no direct correlation between the methods used to assess depreciation in each case.

Although the DRC method may be used for the valuation of different types of specialized asset, particular complications arise when applying the DRC method to specialized property.

Some buildings (or specialized plant and equipment assets) have a conventional basic design that is superficially similar to other buildings that are regularly bought and sold in the market, but on closer inspection have specialized features or extensive adaptations designed to meet the requirements of the actual occupier. Typical examples, which may be purpose built or adapted, include a residential complex, office, retail, medical, hotels, universities and or an industrial buildings (labor camps) with structural alterations to accommodate a particular production process with enhanced security features such as thickened walls, toughened glazing, extra amenities and extra facilities areas.

Components	Gross Floor Area GFA – sq m	Type of operation
Basement floor	10,330	Facilities and Classes
Ground floor	8,731	Lobby, laboratories, Classes, management
First floor	8,887	Classes and laboratories
Second floor	8,887	Classes and laboratories
Electricity room	50	
Fence	508	Services
Total GFA – sq m	36,885 sq m plus Fence 508 sq m	
External Area – sq m	7,769 sq m	Car Parks, Playgrounds

### Depreciated Replacement cost (DRC)

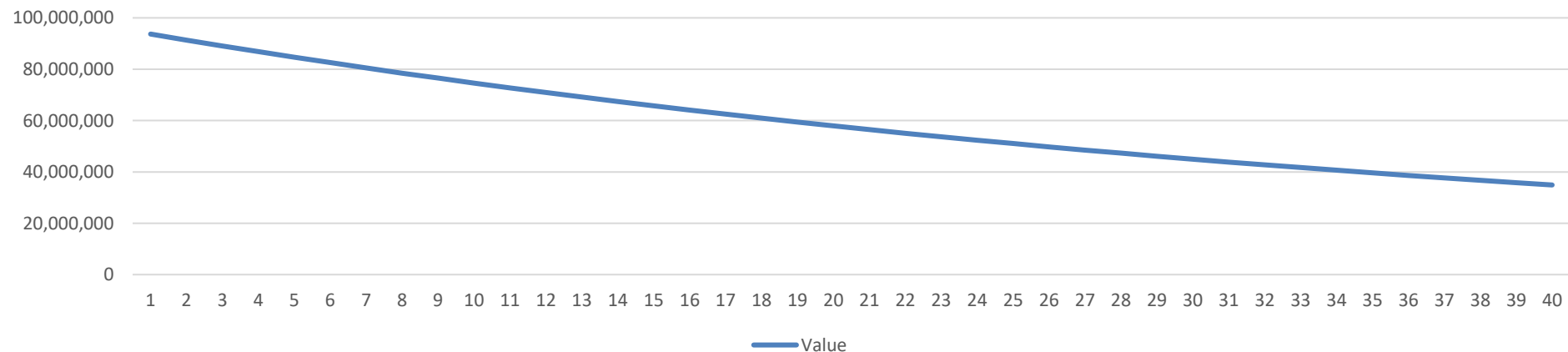
Standard: Average useful life for Schools building in Al-Riyadh city after taken into consideration climate (Dry)	N ( number of years) =	40 years
Deprecation ratio Per annum 2.5%	Appreciation (Maintenance, renovation) ratio Per annum based to schedule of maintenance work 0.5 % per annum	Apportionment after Calculating Depreciation and Appreciation 2%
Building (equipment) useful life	N ( number of years) =	7 years
Apportionment – Acc Depreciation	2%*7 Years	14%

**(Construction, Fixtures & all MEP equipment) F&E for building Excluding all furniture's and educational tools)**

**– All MEP installed**

Type of Construction	GFA / sq m	Replacement cost / SAR – sq m Q1-2018	Completion %	Fair Market value/ SR
Basement floor	10,330	2,800	100%	28,924,000
Ground floor	8,731	2,400	100%	20,954,400
First floor	8,887	2,400	100%	21,328,800
Second floor	8,887	2,400	100%	21,328,800
Electricity room	50	2,400	100%	120,000
Fence	508	500	100%	254,000
External Area – sq m	7,769 sq m	150	100%	776,900
<b>Replacement cost - SR</b>				<b>93,686,900</b>
- Apportionment Acc Deprecation	93,686,900 *14 %			(13,116,166)
<b>Depreciated Replacement cost DRC</b>				<b>80,570,734</b>

Value of building during operational Life Cycle



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

<b>Fair Market Value (Land)</b>	<b>34,471,557 SAR</b>
Plus	
<b>Building Value before adding Profit Margin - SAR</b>	80,570,734 SAR
+ Developer Profit Margin (25%) – only for Building Value - SAR	20,142,683 SAR
<b>Building Value - SAR</b>	<b>100,713,471 SAR</b>
<b>Fair market value - Property</b>	135,184,974 S.R (One hundred thirty-five million, one hundred eighty-four thousand, nine hundred seventy four Saudi riyal)

#### (Sensitivity Analysis) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

<b>-5%</b>	<b>Fair market value</b>	<b>+5%</b>
128,000,000 SR	135,184,974 SR	142,000,000 SR

**15-Valuation Based to Income approach- Capitalization rate** ratio of Net Operating Income (NOI) to property asset value **@ 7.5% Average market Yield for International Educational Properties) - Riyadh city Q1-2018- FFO (Funds from Operations)** to define the cash flow from their operations.

<b>Net Operating Income NOI Triple Net</b> – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Fowzan for construction and real estate For Real estate) for 10 obligatory year contractually period ( <b>Net Rent / annum 10,000,000 SAR</b> during 15 years Contract's period) – SR starting from 1 July 2011 till 1 July 2026 (Remaining 8.2 Years)	<b>10,000,000</b>	
<b>– Vacancy and collection loss</b>	<b>0</b>	
<b>Additional income</b>		
<b>Effective gross income</b>	<b>10,000,000</b>	
<b>Operating Expenses</b>		
<b>Fixed</b>	0	
<b>Variable</b>	0	
<b>Reserves</b>	0	
<b>– Total Operating expenses</b>	<b>0</b>	
<b>Net operating income NOI</b>	<b>10,000,000</b>	
<b>Fair Market Value @ 7.5% Capitalization rate</b>	<b>133,333,333</b>	

#### 16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	135,184,974	
Capitalization rate - FMV	133,333,333	
Weighted Average - Percentage	DRC	81,110,984
	60%	
	Cap rate	53,333,333
	40%	
Fair market value FMV	134,444,317 (One hundred thirty-four million, four hundred forty-four thousand, three hundred seventeen SR)	

#### (Sensitivity Analysis) for Asset Property FMV

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
127,700,000 SR	134,444,317	141,000,000 SR

## 17- Real Estate Market Summary- Al-Riyadh Q1-2018

*Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. 11 new brands hotels are expected to enter the market over the next two years with totally 3900 hotels room.*

**17.1-Offices market:** Offices vacancies Decreased over the quarter due to new Demands from companies after public and private sectors start looking for new location; offices rents have softened and are likely to stay stable and constant. Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents. Market also contributed to the decrease in vacancies in remaining of 2018

**17.2-Residential market:** Also, performance declined in residential sector. Villas selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices still stable in waiting for departure of large number of expatriates.

**17.3-Hospitality market:** Average daily rates falling 14%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017-Q1 2018.

**17.4-Retail market:** While occupancies decreased marginally in the retail sector over 2017, they are expected to soften of the rest of year of 2018 as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales. And Cinema presence will help Retail sector in increasing Occupancies.

**17.5- Industrial warehouses:** While occupancies increased marginally in the industrial warehouses sector over 2017, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

## 18-External and internal Pictures

### External view



## Internal view



## Internal view



## Internal view



## Internal view



Internal view



Internal view



## 19- Olaat valuation Company's team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
<b>Abdulmalik Al-Darwsih</b>	Valuation Manger	1210000397	1440/4/14	Real estate
<b>Mustafa Al-Mardina</b>	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
<b>Fadi Naeem</b>	Site visit, inspection Catchment area	1220000119	1440/04/2	Real estate
<b>Ashraf Al-Shaeer</b>	Final Revision – Release	1220000021	1440/04/2	Real estate

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*Valuation Report Analysis*  
*Anwar Plaza Property*  
*AL-Riyadh City - KSA - May 15, 2018*

Prepared for  
Al-Rajhi Capital



شركة أولات للتقييم العقاري  
Olaat Valuation Company



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**Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397**

# Real Estate Valuation Report Analysis

**Prepared for:**  
**Al-Rajhi Capital.**

## Riyadh City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: [m.mardena@olaat.com](mailto:m.mardena@olaat.com)

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C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center – Commercial shops
Location	Riyadh city – Al-Rawda District- Intersection point btw Khuris road & Khalid Ibn AlWaleed St
Land Area	9,981.76 sq m
Title deed number	710115041822
Title's date	06/09/1436 H
Plots Number	408
Scheme Number	391
Land Topography	Flat
Boarded streets & Neighbors	<b>N:</b> Street width 15 m length 100.41 m <b>S:</b> Street width 20 m length 100.41 m <b>E:</b> Street width 40 m length 99.6 m <b>W:</b> Neighbor length 99.6 m
Building Build- up area (Gross floor area) GFA	4,518 sq m plus 294.42 Fence
Building's Permit number	1430/9220
Building Permit's date	30/06/1430 H
<b>Fair Market value for Property SAR</b>	<b>63,467,909 (Sixty-three million, four hundred sixty-seven thousand, nine hundred nine SR)</b>

## Legal Documents

### TITLE DEED



### BUILDING's PERMIT



Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital  
For the attention of:  
Mr: **Abdul-Aziz Al-Sabt**  
T: +966 (11) 211 9417  
alsabtaa@alrajhi-capital.com  
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2015

**Property Address: AL-Anwar Commercial center- Riyadh city - Valuation Report analysis**

**Tenure: Commercial Freehold property**

We are delighted to submit our Valuation report for – **Al-Anwar Commercial Center - Riyadh city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for shops units based to market and based to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **63,467,909 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

**Olaat Valuation Company**

## 1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for Anwar Plaza Property.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation, as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – ( Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 6th of May 2018 by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr.Mohammad Bakri 056 220 8888 (on behalf of Al-Fowzan)
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

## 2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

## 3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

## 4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

## 5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

## 6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Riyadh city** to reach the actual transaction of some land prices and for building we used replacement cost value we depend on Saudi construction cost in time of valuation.

## 7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within Al-Rawda district **close to Khuris road intersection point with Khalid Ibn Al-Waleed Street**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

## 8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018, AD.**

## 9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

## 10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

## 11-Foundation of evaluation report and Contents

### Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

### Attachments

1. Google earth pictures of sample taken from region
2. Evaluation Report

## 12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Riyadh city** within Al-Rawda district **close to Khuris road intersection** point with Khalid Ibn Al-Waleed Street. Land area: **9,981.76 sq m + Building GFA 4,518 sq m plus 294.42 Fence** based on data has been received from Al-Rajhi Capital Co. **Geographic Coordinates:** **N: 24°43'55.18" - E: 46°47'04.48"**



The Image below shows the Boundaries of the site:

## Micro Situation



### 12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the buildings from 2 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential East of Riyadh)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- No any land in site region offering either for rent or sale
- Lacking of any commercial projects in case of new supply from offices and shops.

### Main features of the project:

- Commercial Center located beside Al-Riyadh mall and labor office.
- Outdoor parking: 80 car park unit
- Panda Supermarket plus 18 showrooms with valuable tenant mix – Occupied 99%



## 13-Land Valuation

### Case 1 – Residual value approach (land)

#### Residual value approach evaluation – Land Evaluation fair market value (FMV)

##### RV methodology definition:

**The Land - Residual Approach** is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet		
Cost Type - Dev Type		Year 1-2
Development Work		
Land Area - developed / year - sqm		9,982
Development Cost S.R / SQM		120
Total Development Cost / Year		1,197,811
Commercial Offices & Shops		
Sharing of land allocated for building		5,989
1- Building (Offices & Shops)		
1 basement floor - Gross area - sqm		2,500
GF-FF- Roof F		14,973
Replacement cost - sq m		
1 basement floors - Gross area - sqm		2,500
GF-FF- Roof F		1,900
		Built-Up area (GFA ) sqm
1 basement floors - Gross area - sqm		2,500
GF-FF- Roof F		14,973
Construction Cost - S.R for part 1		33,200,752
2- Landscaping and external car parks		
Landscaping, Green area		3,993
		Built-Up area (GFA ) sqm
Landscape, fences, outdoor car parks, fences		3,993
Construction Cost - S.R for part 2		2,595,258
Total Construction Cost - S. R		36,993,821
Other Costs		
Professional Fees (Engineering Consultant) 2.5%		924,846
Statutory fees 2%		739,876
Marketing Fees (Media & Advertising) 1.5%		554,907
Contingency costs 1.5%		554,907
Overhead cost 2.5%		924,846
Total Dev - Cost - SR		40,693,203

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

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
<b>Category 1: Commercial Offices</b>							
<b>Offices - Grade C+</b>							
Net Leasable area		8,984	8,984	8,984	8,984	8,984	8,984
Annual Rental price / sqm - S. R		550	550	550	550	550	550
Occupancy rate		80%	95%	95%	95%	95%	95%

<b>Revenues Cat 1</b>	<b>3,952,777</b>	<b>4,693,923</b>	<b>4,693,923</b>	<b>4,693,923</b>	<b>4,693,923</b>	<b>4,693,923</b>	<b>4,693,923</b>
-----------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------

<b>Category 2 : Commercial Shops</b>							
<b>Shops - Grade C+</b>							
Net Leasable area		4,791	4,791	4,791	4,791	4,791	4,791
Annual Rental price / sqm - S.R		1,300	1,300	1,300	1,300	1,300	1,300
Occupancy rate		80%	100%	100%	100%	100%	100%

<b>Revenues Cat 2</b>	<b>4,982,895</b>	<b>6,228,618</b>	<b>6,228,618</b>	<b>6,228,618</b>	<b>6,228,618</b>	<b>6,228,618</b>	<b>6,228,618</b>
-----------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------

<b>Gross Revenues</b>		<b>8,935,672</b>	<b>10,922,541</b>	<b>10,922,541</b>	<b>10,922,541</b>	<b>10,922,541</b>	<b>10,922,541</b>
-----------------------	--	------------------	-------------------	-------------------	-------------------	-------------------	-------------------

## Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	8,935,672	10,922,541	10,922,541	10,922,541	10,922,541	10,922,541
General & Administrative Expenses 10%	893,567	1,092,254	1,092,254	1,092,254	1,092,254	1,092,254
Gross Profit - EBITDA	8,042,104	9,830,287	9,830,287	9,830,287	9,830,287	9,830,287
Depreciation	1,220,796	1,220,796	1,220,796	1,220,796	1,220,796	1,220,796
Earnings after depreciation	6,821,308	8,609,491	8,609,491	8,609,491	8,609,491	8,609,491
Interest Expense	610,398	610,398	610,398	610,398	610,398	610,398
earning after interest expense	6,210,910	7,999,093	7,999,093	7,999,093	7,999,093	7,999,093
Other expenses	0	0	0	0	0	0
<b>Net Income</b>	<b>6,210,910</b>	<b>7,999,093</b>	<b>7,999,093</b>	<b>7,999,093</b>	<b>7,999,093</b>	<b>7,999,093</b>
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	6,210,910	7,999,093	7,999,093	7,999,093	7,999,093	7,999,093
<b>Cumulative Retained earnings</b>	<b>6,210,910</b>	<b>14,210,003</b>	<b>22,209,096</b>	<b>89,235,144</b>	<b>97,234,237</b>	<b>105,233,329</b>

## Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
<b>IN - Flow</b>						
Capital Injection						
Net Revenues		6,210,910	7,999,093	7,999,093	7,999,093	7,999,093
<b>Total Inflow</b>		6,210,910	7,999,093	7,999,093	7,999,093	7,999,093
<b>OUT Flow</b>						
Total Construction Cost	36,993,821					
Professional Fees	924,846					
Statutory fees 2%	739,876					
Marketing Fees (Media & Advertising) 1.5%	554,907					
Contingency costs 1%	554,907					
Overhead cost 1%	924,846					
<b>Total Outflow</b>	(40,693,203)					
Net Cash Flow	(40,693,203)	6,210,910	7,999,093	7,999,093	7,999,093	7,999,093
<b>Cumulative Net Income</b>	(40,693,203)	(34,482,293)	(26,483,200)	89,235,144	97,234,237	105,233,329

## Residual Value- Land Value

RV	Year 0	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33	Total
<b>IN - Flow</b>								
Revenues		6,210,910	7,999,093	7,999,093	7,999,093	7,999,093	7,999,093	
Total Inflow		6,210,910	7,999,093	7,999,093	7,999,093	7,999,093	7,999,093	161,217,545
<b>Discount Rate: 8%</b>		0.926	0.857	0.712	0.092	0.085	0.079	
<b>OUT Flow</b>								
Total Outflow		(40,693,203)						(40,693,203)
<b>Total Cash out</b>								
Net Cash Flow (Before Discount Rate)	(40,693,203)	6,210,910	7,999,093	7,999,093	7,999,093	7,999,093	7,999,093	61,077,399
<b>Total Cash flow</b>								
<b>Discounted Cash Flow DCF</b>		5,750,843	6,857,933	5,693,596	736,045	681,523	631,040	56,874,186
								Residual Value

<b>Value Per / sq m</b>	
	Land Value (PV)
	Square Meters
<b>Estimated sq m value (S.R)</b>	

Fair Market Value FMV	Land Area - sqm	Value / sq m . S.R	FMV S.R
Fair Market Value for land	9,981.76	5,698	56,874,186

**13.2- Depreciated Replacement cost method (DRC)** A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

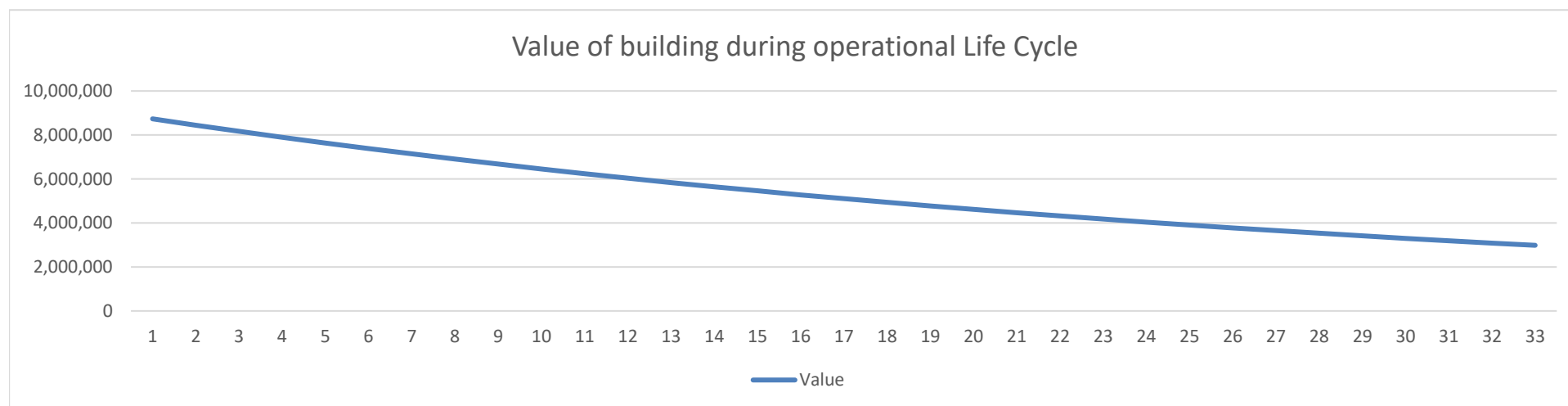
Replacement cost	BUA – built up area – sqm	Type of operation
GF, FF, and Roof floor	4,515	Supermarket & commercial shops
Outdoor area	5,168	Entrance, exit, car parks
Fence	294.42	Service

### Depreciated Replacement cost (DRC)

Standards: Average useful life for Showrooms building in <u>Riyadh</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 3.3%	Appreciation ratio Per annum based to schedule of maintenance work 0.3% per annum	3%
Building (equipment) useful life	N (number of years) =	5 years (starting Operation period @1432 Hijri)
Acc Deprecation	3%*6 =	18 %

## Finishing 100% (Fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
GF, FF, and roof floor	4,518	1,500	100%	6,777,000
Landscaping and outdoor car parks	5,168	350	100%	1,808,800
Fences	294.42	500	100%	147,210
Replacement cost				<b>8,733,010</b>
- Acc Deprecation		8,733,010*18 %		(1,571,941)
Depreciated Replacement cost DRC				<b>7,161,068</b>



#### 14-Fair market value (property) Land + Building In the case of finishing up to date from Finishing, fixtures & equipment work- Currency SAR

<b>Fair Market Value (Land)</b>	<b>56,874,186 S. R</b>
<b>+</b>	
<b>Building</b>	<b>7,161,068 S. R</b>
<b>+ (Profit Margin) 20%</b>	<b>1,432,213 S. R</b>
<b>Fair market value - Property</b>	<b>65,467,467 S.R (Sixty-Five million, Four Hundred sixty-seven thousand, four hundred and sixty seven Saudi riyal)</b>

#### (Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

<b>-5%</b>	<b>Fair market value</b>	<b>+5%</b>
62,200,000 S. R	65,467,467 S. R	68,500,000 S. R

## 15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Riyadh city Q1-2018

<b>Net Operating Income NOI Triple Net</b> – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Fowzan for construction and real estate For Real estate) for 10 obligatory year contractually period ( <b>Net Rent / annum 4,290,000 SAR</b> during first 5 years, and <b>Net Rent / annum 4,633,200</b> during the rest of Contract's period – 5 Years) – SR starting from 5 Ramadan Hijri 1436 till 4 Ramadan 1446 Hijri (Remaining 7 Hijri Years)		
Period 1 : : from 5 Ramdan 1436 till 5 Ramdan 1440 (Remaining 2 yrs) = (4,290,000 * 2)	8,580,000	4,535,143
Period 2: from 5 Ramdan 1440 till 5 Ramdan 1446 (Coming 5 Years) = (4,633,200 * 5)	23,166,000	
Sum	31,746,000	
n period	7	
Net Operating Income NOI- Triple Net	4,535,143	
– Vacancy and collection loss	0	
Additional income		
Effective gross income	4,535,143	
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses	0	
Net operating income NOI	4,535,143	
Fair Market Value SAR @ 7.5% Capitalization rate	60,468,571	

## 16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + deprecation replacement cost - FMV	65,467,467	
Capitalization rate - FMV	60,468,571	
Weighted Average - Percentage	DRC	39,280,480
	60%	
	Cap rate	24,187,428
	40%	
Fair market value FMV	63,467,909 (Sixty-three million, four hundred sixty-seven thousand, nine hundred nine SR)	

### (Sensitivity Analysis) for Asset Property FMV

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
60,000,000 SR	63,467,909 SR	66,600,000 SR

## 17- Real Estate Market Summary- Al-Riyadh Q1-2018

*Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. 11 new brands hotels are expected to enter the market over the next two years with totally 3900 hotels room.*

**17.1-Offices market:** Offices vacancies Decreased over the quarter due to new Demands from companies after public and private sectors start looking for new location; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents. Market also contributed to the decrease in vacancies in remaining of 2018

**17.2-Residential market:** Also, performance declined in residential sector. Villas selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices still stable in waiting for departure of large number of expatriates.

**17.3-Hospitality market:** Average daily rates falling 14%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017-Q1 2018.

**17.4-Retail market:** While occupancies decreased marginally in the retail sector over 2017, they are expected to soften of the rest of year of 2018 as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales. And Cinema presence will help Retail sector in increasing Occupancies.

**17.5- Industrial warehouses:** While occupancies increased marginally in the industrial warehouses sector over 2017, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salbouxh road) should affect the old warehouses negatively.

## 18-External and internal Pictures

### External view



## External view



## 19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
<b>Abdulmalik Al-Darwsih</b>	Valuation Manger	1210000397	1440/4/14	Real estate
<b>Mustafa Al-Mardina</b>	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
<b>Fadi Naeem</b>	Site visit, inspection Catchment area	1220000119	1440/04/2	Real estate
<b>Ashraf Al-Shaeer</b>	Final Revision – Release	1220000021	1440/04/2	Real estate

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*Valuation Report Analysis*  
*Blue Tower Property*  
*Al-Khobar City - KSA - May 15, 2018*

Prepared for  
Al-Rajhi Capital



شركة أولات للتقييم العقاري  
Olaat Valuation Company



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**Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397**

# Real Estate Valuation Report Analysis

**Prepared for:**  
**Al-Rajhi Capital.**

**Al-Khobar City**

**May 15, 2018**

**Done by OPM (Olaat Valuation Company)**

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

**Kingdom of Saudi Arabia**

**Person in charge:**

**- Mustafa Al-Mardina**

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**C.R:1010462536**

**Valuation License: 1210000397**

Property's Type	Commercial Building – Offices and Commercial Shops	
Location	Al-Khobar city – Al-Yarmouk District- Al-Andalus road	
Land Area	5,464 sq m	
Title deed number	730206009155	
Title's date	23/7/1436 H	
Plots Number	40-41-42	
Scheme Number	5/2	
Land Topography	Flat	
Boarded streets & Neighbors	N	Street Width 20 m length 55 m
	S	Street Width 20 m length 55 m
	E	Pathway Width 8 m and car parks length 100 m
	W	Al-Khobar-Dammam sea road (King Faisal road) Width 22 m length 100m
Building (Gross floor area) GFA	33,591.91	
Building's Permit number	428/10461	
Building Permit's date	8/8/1432	
Fair Market value for Property	<b>226,666,671</b> (Two hundred Twenty-six million, six-hundred sixty-six thousand, six hundred seventy-one-SR)	

## Legal Documents

### DEED



### Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

[illegible]

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May 15, 2018

**Property Address: Blue Tower – Al-Khobar city - Valuation Report analysis**

**Tenure: Commercial Freehold property**

We are delighted to submit our Valuation report for – **Blue Tower – Al-Khobar city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, pull area), catchment Area's classification, replacement cost and accumulated depreciation, based to market and due to Properties & Facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **Fair market value** of the commercial property is **226,666,671 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), Capitalization income approach**, considering the location of the property, current market conditions, market lease rate as at the date of valuation based upon the assumptions expressed.

**Olaat Valuation Company**

## 1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for Blue Tower.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation, as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Offices and Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 5th of May 2018 by Yaser Naser Saudi Authority for Accredited Values membership (Taqeem) 1220001225, all significant parts of the property were inspected after communicated with Mr. Arsad 0554847547 (on behalf of Landlord's)
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina (CVA) membership Holder, Saudi Authority for Accredited Valuers (Taqeem) memberships, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

## 2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

## 3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

## 4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

## 5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

## 6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Al-Khobar city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

## 7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within Al-Yarmouk district **on King Faisal Road**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

## 8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value RV Method, depreciated replacement cost (DCR) to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD**.

## 9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

## 10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

## 11-Foundation of evaluation report and Contents

### Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization Income
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

### Attachments

1. Google earth pictures of sample taken from region
2. Evaluation Report

## 12-Property's Identification

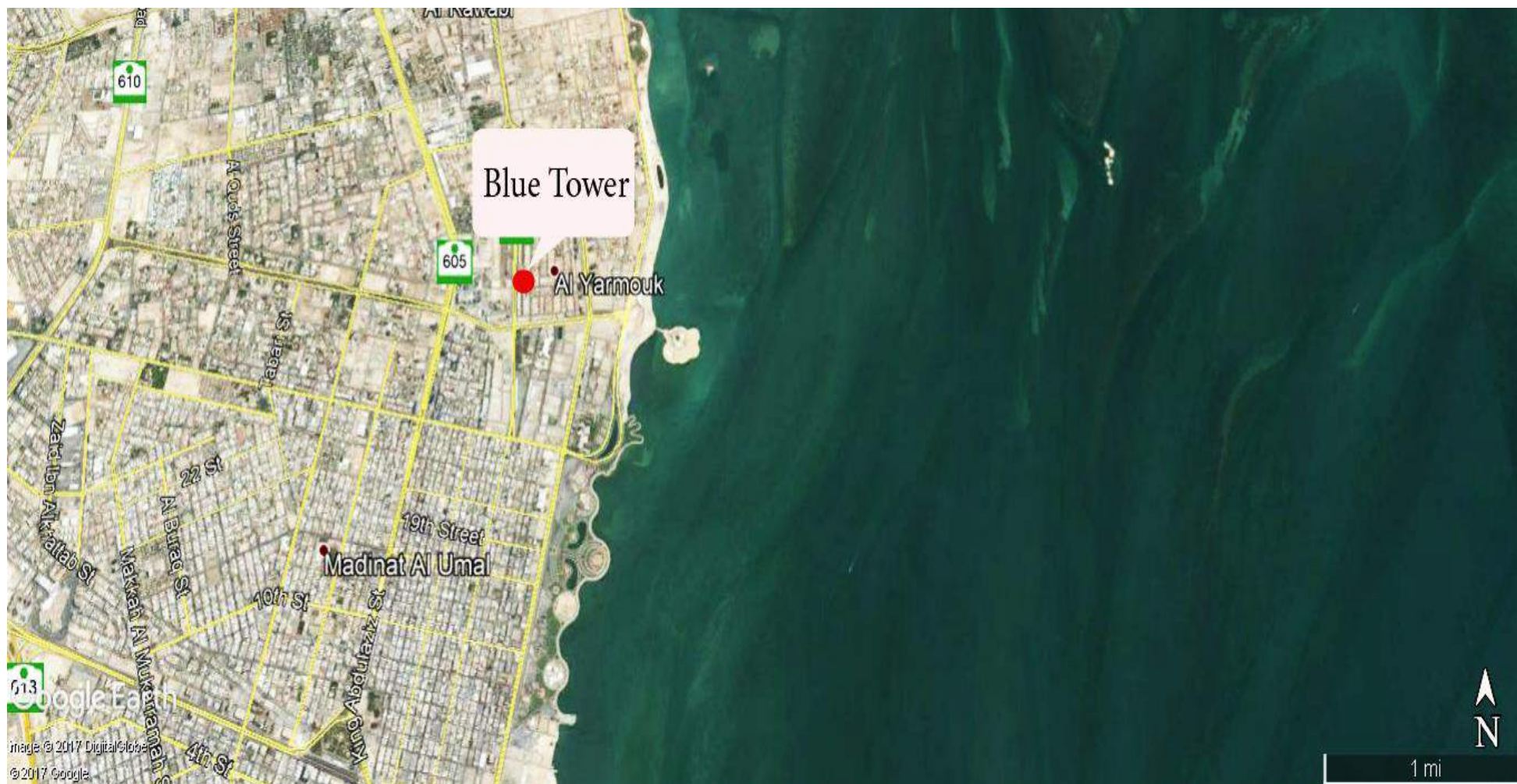
The subject property consists of commercial property (Land + building) located in **Al-Khobar city** within Al-Yarmouk district on King Faisal road. Land area: **5,464 sq m + Building GFA 33,591.91 sqm** based on data has been received from **Al-Rajhi Capital Co.** **Geographic Coordinates:** **N:**

**26°18'43.34" - E: 50°13'03.04"**



The Image below shows the Boundaries of the site:

*Ariel View - Micro Situation*



## Macro View - Situation



### 12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the buildings from 3 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to business and residential environment that would support the main function of the property and its proposed extension project.
- Lacking of lands in site region offering either for rent or sale and the asking prices from 8,000 - 9,000 SAR / sq m
- Lacking for new rival commercial projects in case of new supply from offices and shops.

## 12.2- Main features of the project:

- Commercial offices and showrooms building
- Two underground floors for car parking: 293 nos. car park + Outdoor 70 nos. car park, fire alarm system, water sprinkles, Exhaust air duct
- Central HVAC system for offices area – DAIKIN Manufacturing
- Number of elevators (4) – Mitsubishi Elevators connected to all floors
- All building full covered with CCTV
- All Common area covered by Automatic fire alarm system 3.6\*3.6 consists of (Sprinkles, Smoking detectors)
- Utility building like electrical & mechanical buildings
- Infrastructure facilities and utilities
- Exhaust Air Ducts Within Basement floors
- Efficient mechanical design
- Efficient electrical design
- All MEP equipment installed and BMS system
- All building entrance is protected by Access control
- Matching with All Civil Defense requirements



## 13-Valuation for land, RV (land) + Depreciated replacement cost (DRC) (equipment)

### 13.1- Case 1 – Residual value approach (land Valuation)

#### Residual value approach evaluation – Land Evaluation fair market value (FMV)

##### RV methodology definition:

**The Land - Residual Approach** is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet - Commercial Offices and retail Project			
Cost Type- Dev Type	Con Year 1	Con Year 2	Con Year 3
<b>Development Work</b>			
Land Area - developed / year - sqm	5,464		
Development Cost S.R / SQM	140		
Total Development Cost / Year	764,960		
<b>Commercial Offices Grade B+</b>			
<b>Total BUA - sq m</b>	<b>33,591.9</b>		
Offices Units BUA construction / Year	11,197	11,197	11,197
Offices and showrooms units Construction & FF&E Cost S.R / sqm	3,800	3,850	3,900
Total Construction Cost / year	42,549,753	43,109,618	43,669,483
<b>Total Construction Costs</b>	<b>42,549,753</b>	<b>43,109,618</b>	<b>43,669,483</b>
<b>Other Costs</b>			
<b>Professional Fees (Engineering Consultant) 2.5%</b>	1,063,744	1,077,740	1,091,737
<b>Statutory fees 2%</b>	850,995	431,096	436,695
<b>Marketing Fees (Media &amp; Advertising) 1.5%</b>	638,246	646,644	655,042
<b>Contingency costs 10%</b>	4,254,975	4,310,962	4,366,948
<b>Overhead cost 2.5%</b>	1,063,744	1,077,740	1,091,737
<b>Total Dev - Cost - SR</b>	<b>50,421,457</b>	<b>50,653,801</b>	<b>51,311,643</b>

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

	Dev- period 3 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
<b>Category 1- Offices units Rev</b>							
Leasable area - sq m		19,500	19,500	19,500	19,500	19,500	19,500
Annual rental price - sq m		1000	1000	1000	1900	1900	1900
Occupancy Rate %		70%	80%	95%	95%	95%	95%
<b>Revenues Cat 1</b>		<b>13,650,000</b>	<b>15,600,000</b>	<b>18,525,000</b>	<b>35,197,500</b>	<b>35,197,500</b>	<b>35,197,500</b>
<b>Category 2 - Commercial shops</b>							
Leasable area - sq m		4,000	4,000	4,000	4,000	4,000	4,000
Annual rental price - sq m		1,450	1,450	1,450	2,300	2,300	2,300
Occupancy Rate %		70%	100%	100%	100%	100%	100%
<b>Revenues Cat 2</b>		<b>4,060,000</b>	<b>5,800,000</b>	<b>5,800,000</b>	<b>9,200,000</b>	<b>9,200,000</b>	<b>9,200,000</b>
<b>Gross Revenues</b>		<b>17,710,000</b>	<b>21,400,000</b>	<b>24,325,000</b>	<b>44,397,500</b>	<b>44,397,500</b>	<b>44,397,500</b>

### Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Revenues	17,710,000	21,400,000	24,325,000	44,397,500	44,397,500	44,397,500
General & Administrative Expenses (11%)	1,948,100	2,354,000	2,675,750	4,883,725	4,883,725	4,883,725
Gross Profit - EBITDA	15,761,900	19,046,000	21,649,250	39,513,775	39,513,775	39,513,775
Depreciation	(1,008,429)	(1,008,429)	(1,008,429)	(1,008,429)	(1,008,429)	(1,008,429)
Earnings after depreciation	14,753,471	18,037,571	20,640,821	38,505,346	38,505,346	38,505,346
Interest Expense	(3,648,000)	(3,648,000)	(3,648,000)	0	0	0
Earning after interest expense	11,105,471	14,389,571	16,992,821	38,505,346	38,505,346	38,505,346
Zakat 2.5%	(277,637)	(359,739)	(424,821)	(962,634)	(962,634)	(962,634)
<b>Net Income</b>	<b>10,827,834</b>	<b>14,029,832</b>	<b>16,568,000</b>	<b>37,542,712</b>	<b>37,542,712</b>	<b>37,542,712</b>
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	10,827,834	14,029,832	16,568,000	37,542,712	37,542,712	37,542,712
<b>Cumulative Retained earnings</b>	<b>10,827,834</b>	<b>24,857,666</b>	<b>41,425,666</b>	<b>825,918,962</b>	<b>863,461,675</b>	<b>901,004,387</b>

PMT (Payments for a loan constant Payment) -	8,260,772	8,260,772	8,260,772
IPMT (Return for interest payment for n period)	3,648,000	3,371,234	3,077,861
<b>Total loan (principle) plus interest Payment based to instalments 10 Years</b>	<b>11,908,772</b>	<b>11,632,006</b>	<b>11,338,633</b>

## Cash Flow Statement

Cash flow Table	Construction Year 1	Construction Year 2	Construction Year 3	Operation Year 1	Operation Year 2	Operation Year 32	Operation Year 33
<b>IN - Flow</b>							
Capital Injection							
Net Revenues				10,827,834	14,029,832	37,542,712	37,542,712
Depreciation				1,008,429	1,008,429	1,008,429	1,008,429
<b>Total Inflow</b>				11,836,263	15,038,261	38,551,141	38,551,141
<b>OUT Flow</b>							
Total Construction Cost	50,421,457	50,653,801	51,311,643				
Professional Fees	1,063,744	1,077,740	1,091,737				
Statutory fees 2%	850,995	431,096	436,695				
Marketing Fees (Media & Advertising) 1.5%	638,246	646,644	655,042				
Contingency costs 10%	4,254,975	4,310,962	4,366,948				
Overhead cost 1%	1,063,744	1,077,740	1,091,737				
<b>Total Outflow</b>	<b>(58,293,161)</b>	<b>(58,197,984)</b>	<b>(58,953,802)</b>				
Net Cash Flow	(58,293,161)	(58,197,984)	(58,953,802)	11,836,263	15,038,261	38,551,141	38,551,141
<b>Cumulative Net Income</b>	<b>(58,293,161)</b>	<b>(116,491,145)</b>	<b>(175,444,947)</b>	<b>(163,608,684)</b>	<b>(148,570,423)</b>	<b>720,286,460</b>	<b>758,837,601</b>

### Residual Value - RV (Investment method)

NPV - IRR	Construction / Year 1	Construction/ Year 2	Construction / Year 3	Operation / Year 1	Operation / Year 31	Operation / Year 32	Operation / Year 33	Total
<b>IN - Flow</b>	<b>Period</b>	1	2	3	33	34	35	
Revenues		0	0	10,827,834	37,542,712	37,542,712	37,542,712	
<b>Total Inflow</b>		<b>0</b>	<b>0</b>	<b>11,836,263</b>	<b>38,551,141</b>	<b>38,551,141</b>	<b>38,551,141</b>	<b>857,180,266</b>
<b>Discount Rate:</b>	<b>8%</b>	0.927	0.859	0.796	0.081	0.075	0.070	
<b>OUT Flow</b>								
<b>Total Outflow</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Cash out</b>								
<b>Net Cash Flow</b> (Before Discount Rate)	<b>(152,386,900)</b>	0	0	11,836,263	38,551,141	38,551,141	38,551,141	229,556,274
								<b>Total Cash flow</b>
<b>Discounted Cash Flow DCF</b>	<b>(152,386,900)</b>	<b>0</b>	<b>0</b>	<b>9,422,156</b>	<b>3,135,664</b>	<b>2,906,084</b>	<b>2,693,312</b>	<b>77,412,837</b>
								<b>DCF</b>

<b>DCF - RV before Deducting PM</b>		<b>77,412,837</b>
<b>Profit margin</b>	20%	30,477,380

<b>Fair Market Value - FMV</b>		
	Land - FMV	46,935,457
	Land area - sq m	5,464.00
<b>FMV - per sq m</b>		<b>8,589.94</b>

<b>Fair Market Value FMV</b>	<b>Land Area – sq m</b>	<b>Value / sq m . SAR</b>	<b>FMV SAR</b>
Fair Market Value for land	5,464	8,589.94	46,935,457

### 13.2- Case 2-Depreciated Replacement cost method (DRC) for Building

Depreciated replacement cost (DRC) approach. The 'cost approach' and DRC are regarded as synonymous terms; both are in common use around the world to describe a method of valuation of all types of assets.

Also, the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

It is important to understand that the word depreciation is used in a different context for valuation than for financial reporting. In a DRC valuation, depreciation refers to the reduction, or writing down, of the cost of a modern equivalent asset to reflect the obsolescence and relative disabilities affecting the actual asset. In financial reporting, depreciation accounting refers to a charge made against an entity income to reflect the consumption of an asset over a particular accounting period. These are distinct usages of the word, and there is no direct correlation between the methods used to assess depreciation in each case.

Although the DRC method may be used for the valuation of different types of specialized asset, particular complications arise when applying the DRC method to specialized property.

Some buildings (or specialized plant and equipment assets) have a conventional basic design that is superficially similar to other buildings that are regularly bought and sold in the market, but on closer inspection have specialized features or extensive adaptations designed to meet the requirements of the actual occupier. Typical examples, which may be purpose built or adapted, include a residential complex, office, retail, medical, hotels, universities and or an industrial building (labor camps) with structural alterations to accommodate a particular production process with enhanced security features such as thickened walls, toughened glazing, extra amenities and extra facilities areas.

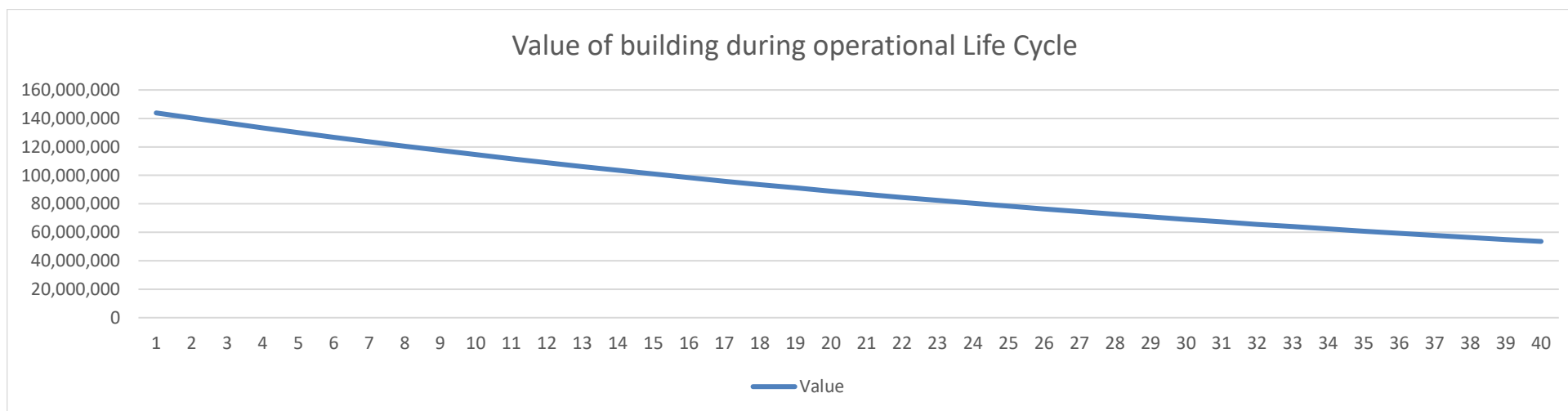
Replacement cost	BUA – built up area – sqm	Type of operation
2 Underground Floor Basement	11,000	Car parking
GF, Mezzanine F, FF, SF, TF and 6 Typical floors	22,591.91	Offices-shops-Service area

### Depreciated Replacement cost (DRC)

Standards: Average useful life for Offices and showrooms buildings in <u>Al-Khobar city</u> after taken into consideration climate and moisture	N (number of years) =	40 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 1% per annum	1.5%
Building (equipment) useful life	N (number of years) =	6 years (starting Operation period @1433 Hijri)
Apportionment – Acc Depreciation	6*1.5%=	8 %

(fixtures & equipment work) F&E for building – All MEP installed

Type of Construction	GFA / sq m	Replacement cost / SAR – sq m Q1-2018	Completion %	Fair Market value/ SR
2 underground Floor basements	11,000	3,500	100%	38,500,000
GF, Mezzanine F, FF, SF, TF and 6 Typical floors	22,591.91	4,600	100%	103,922,786
Landscaping and external car parks	2,200	650	100%	1,430,000
Replacement cost				<b>143,852,786</b>
- Apportionment Acc Deprecation		143,852,786 *8 %		(11,508,222)
Depreciated Replacement cost DRC				<b>132,344,563</b>



### 13.3- Fair market value (property) Land + Building In the case of finishing up to date from fixtures & equipment work-Currency SAR

Fair Market Value (Land)	46,935,457 SAR
Plus	
Building	132,344,563 SAR
Plus	
Profit Margin (25%)	33,086,140 SAR
Fair market value - Property	212,366,160 S.R (Two hundred twelve million, three hundred sixty six thousand, one hundred sixty SAR)

#### (Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
202,000,000 S. R	212,366,160 S.R	223,0,000 S. R

**14- Valuation Based to Income approach- Capitalization rate** ratio of Net Operating Income (NOI) to property asset value @ **7.5% Average**  
**market Yield- Al-Khobar city Q1-2018**

Gross Operating income Triple Net – Currency SAR based to official legal contract between landlord and One tenant (Rawaj For Real estate) for 5 obligatory year contractually period – SR starting from the date of launching AL-Rajhi REIT fund)	18,310,958
– Vacancy and rent collection loss	
Additional income	0
Effective gross income	18,310,958
Operating Expenses (based to Contract all expenses on Lessee's responsibility)	
Fixed	0
Variable	0
Reserves	0
– Total Operating expenses	0
Net operating income NOI	18,310,958
Fair Market Value @ 7.5% Capitalization rate - SAR	244,146,106

### 15-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	212,366,160	
Capitalization rate - FMV	244,146,106	
Weighted Average - Percentage	DRC	116,801,388
	55%	
	Cap rate	109,865,747
	45%	
Fair market value FMV	226,666,671 (Two hundred Twenty-six million, six-hundred sixty-six thousand, six hundred seventy-one- SR)	

### (Sensitivity Analysis) for Asset Property FMV

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
217,000,000 SR	226,666,571 SR	240,000,000 SR

## 16- Real Estate Market Summary- Big Dammam Q1-2018

*Real estate market the second market after oil; been suffered from the drop-in oil revenues and the subsequent slowdown in the Kingdom's economic growth over the past year. The ambitious plans to diversify the economy away from its current dependence on oil will have a less positive impact on the oil and gas giant Saudi Aramco. All sectors of the real estate market appear to have peaked. over the past year and are now poised in the early downturn stage of their market cycle, with rents and prices generally experiencing a small decrease.*

- **The Office sector** has experienced subdued demand and continued supply (with an additional 48,000 sq m completed over the first half of 2017). This has increased vacancies to 38%, the highest level of any major city in the Kingdom and has shifted the market in the favor of tenants. While rents have not fallen dramatical (down by only 3% Y-o-Y), tenants currently have the upper hand in lease negotiations.
- **The Residential sector** has also experienced a steady growth of supply and a small decline in performance. Average sale prices have fallen marginally (-13% for apartments and -20% for villas), while rentals have declined by slightly more (-12% and -15% respectively) over the past year and further small defines are expected over the next 12 months. Responding to the need to provide accommodation for those families unable to afford market housing, Samba Financial Group and the Ministry of Housing have signed an agreement to give free housing to around 400 beneficiaries. Samba has provided furnished residential units for the Ministry to allocate to those in the greatest need of housing.

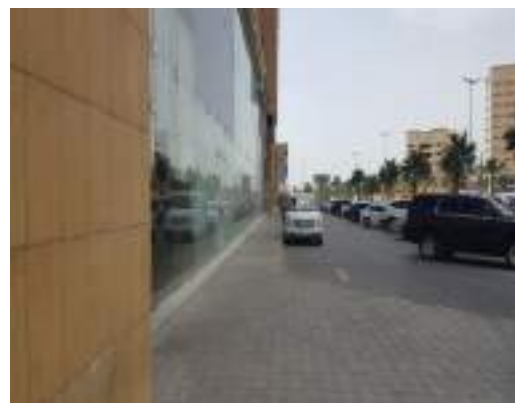
- The **Retail sector** has experienced significant new supply over the past 6 months, with a further 96,000 sq m of space completing, the first significant additions for three years. Rentals and vacancies in the retail sector have been relatively Decline over the past 6 months, with a marginal decreasing in rents for super regional centers (-2%), being offset by a small fall (-5%) in regional centers. With limited new supply scheduled to complete until 2019, retail rentals are expected to remain largely unchanged over the next 12 months.
- The performance of the **Hospitality sector** has been under pressure. Reduced demand from the corporate sector has seen a significant fall in occupancy levels (down by 10% to 52% in the year to May 2017). This has resulted in a fall in both room rates and RevPAR. No new hotels were opened over the past 6 months but the serviced apartment sector saw the completion of the Radisson Blu Residence Dhahran (adding 92 serviced apartments).

## 17- External and internal Pictures

### External view



## External view



## Internal view



## Internal view



## Internal view



Internal view



## 18- Olaat valuation Company's team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
<b>Abdulmalik Al-Darwsih</b>	Valuation Manger	1210000397	1440/4/14	Real estate
<b>Mustafa Al-Mardina</b>	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
<b>Yaser Ali Naser</b>	Site visit, inspection Catchment area	1220001225	1440/03/11	Real estate
<b>Ashraf Al-Shaeer</b>	Final Revision – Release	1220000021	1440/04/2	Real estate

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*Valuation Report Analysis*  
**Jarir Book Store - Al-Hasa St Property**  
**AL-Riyadh City - KSA - May 15, 2018**

Prepared for  
Al-Rajhi Capital



شركة أولات للتقييم العقاري  
Olaat Valuation Company



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

# Real Estate Valuation Report Analysis

**Prepared for:**  
**Al-Rajhi Capital.**

## Riyadh City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

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C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center (Bookstore and offices)
Location	Riyadh city – Al-Malaz District- Al-Hasa Street
Land Area	4,953 sq m
Title deed number	710117025095
Title's date	13/06/1435 H
Plots Number	From 1 until 4
Scheme Number	315
Land Topography	Flat
Boarded streets & Neighbors	<b>N:</b> Street with various width length 76.2 m <b>S:</b> Plot number 5&6 length 76.2 m <b>E:</b> Street width 20 m length 65 m <b>W:</b> Street width 40 m length 65 m
Building Build- up area (Gross floor area) GFA	9,162 sq m plus Fence 76 sq m
Building's Permit number	27/2/1/497
Building Permit's date	7/11/1413 H
Fair Market value for Property L&B	<b>70,345,113</b> (seventy million, three hundred forty-five thousand, one hundred thirteen)

## Legal Documents

TITLE DEED



## BUILDING'S PERMIT



Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's Tasks.

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Al-Rajhi Capital  
For the attention of:  
Mr: **Abdul-Aziz Al-Sabt**  
T: +966 (11) 211 9417  
alsabtaa@alrajhi-capital.com  
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2018

**Property Address: Jarir Bookstore (Al-Hasa St) - Riyadh city - Valuation Report analysis**

**Tenure: Commercial Freehold property**

**Dear Mr. Abdul-Aziz,**

We are delighted to submit our Valuation report for – **Jarir Bookstore (Al-Hasa St) - Riyadh city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for offices and mega stores units based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **70,345,113 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

**Sincerely Yours,**  
**Mustafa Al-Mardina**

## 1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for <b>Jarir Bookstore Al-Hasa St.</b>
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is <b>required for Real estate investment trust REITs Valuation</b> , as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Offices and Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 7th of May 2018 by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr. Ramich 011 465 6363 (on behalf of Al-Jarir investment)
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

## 2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

## 3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council** (IVSC): The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

## 4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

## 5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

## 6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, In addition, we consulted many of real estate experts in **Riyadh city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

## 7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located **within Al-Malaz district on Al-Hasa Street**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

## 8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD**.

## 9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

## 10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

## 11-Foundation of evaluation report and Contents

### Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

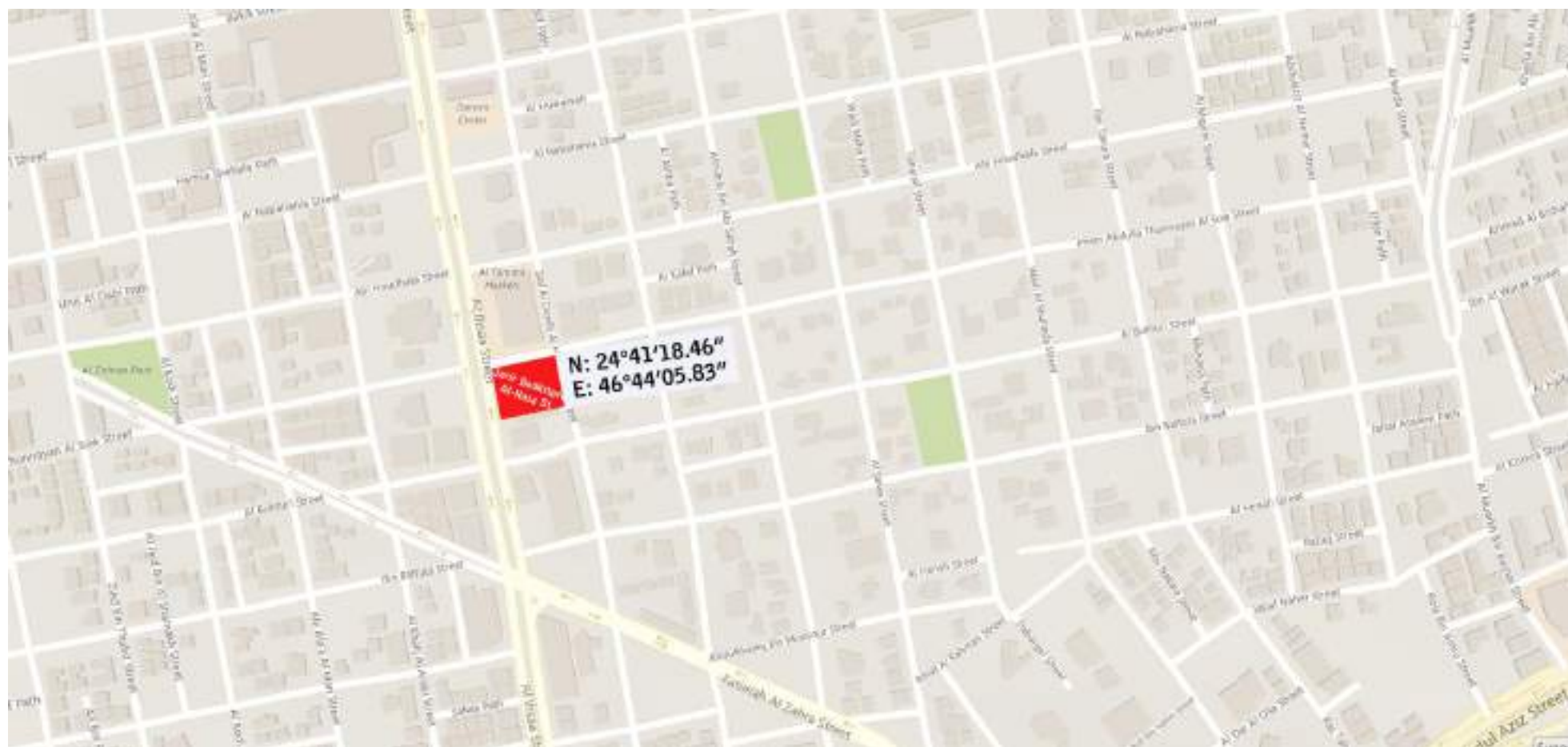
### Attachments

1. Google earth pictures of sample taken from region
2. Evaluation Report

## 12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Riyadh city** within Al-Malaz district on Al-Hasa St. Land area 4,953 sq m + Building GFA 9,162 sq m plus Fence 76 sq m based on data has been received from **Al-Rajhi Capital Co.** **Geographic Coordinates:** N:

**24°41'18.46" - E: 46°44'05.83"**



The Image below shows the Boundaries of the site:

## Micro Situation



### 12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

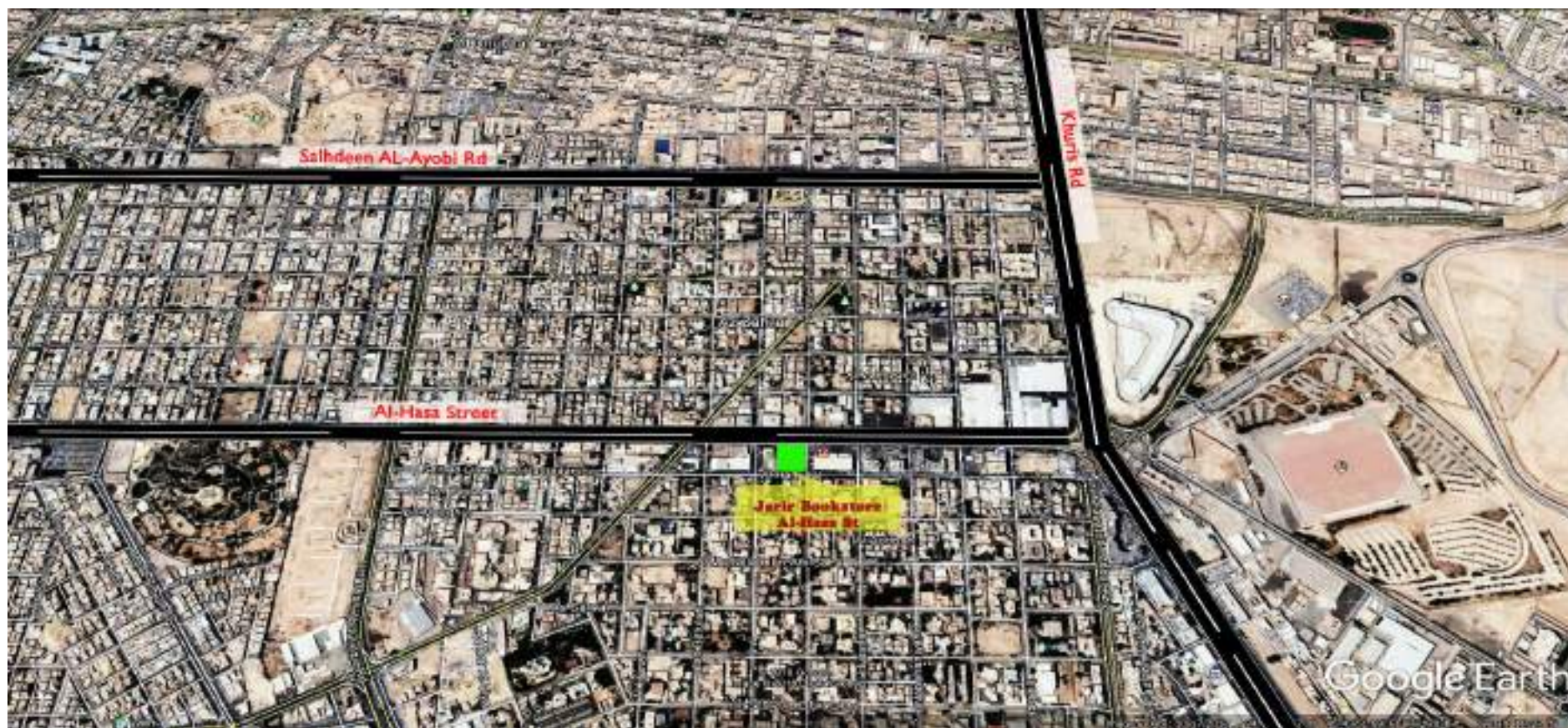
- Visibility: This refers to the general visibility of the frontage of the buildings from 3 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential Middle of Riyadh)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- No Any land in site region offering either for rent or sale
- Many of old - Existing commercial projects are offering Showrooms and offices.

### Main features of the project:

- Commercial - Retail offices building class B
- Outdoor parking: 50 nos. car park
- Fire Alarm system, Smoking Detectors, Fire hose, Extinguisher
- Central HVAC system (Trane and LG) – We tried to reach the HVAC equipment equipped on ceiling during our site inspection; but we faced obstacles and after connecting Jarir's team they support us with the following description:

HVAC					
Sl.No	Site Location	Equipment	Make	Capacity	Model No / Type
59	RIYADH-AL AHSA S.ROOM	PAC	TRANE	20	TCH240F300BB
60	RIYADH-AL AHSA S.ROOM	PAC	TRANE	20	TCH240F300BB
61	RIYADH-AL AHSA S.ROOM	PAC	LG	20	LKC-C240BC00
62	RIYADH-AL AHSA S.ROOM	PAC	TRANE	20	TCH240F300BB
63	RIYADH-AL AHSA S.ROOM	PAC	LG	20	LKC-C240BC00
64	RIYADH-AL AHSA S.ROOM	PAC	LG	20	LKC-C240BC00
65	RIYADH-AL AHSA S.ROOM	PAC	LG	20	LKC-C240BC00
66	RIYADH-AL AHSA S.ROOM	PAC	TRANE	20	TCH240F300BB
67	RIYADH-AL AHSA S.ROOM	PAC	LG	20	LK-C240BC03
68	RIYADH-AL AHSA S.ROOM	PAC	LG	20	LK-C240BC03
69	RIYADH-AL AHSA-BUL	PAC	LG	25	LKC300BC03
70	RIYADH-AL AHSA-BUL	PAC	LG	25	LKC300BC00
71	RIYADH-AL AHSA-BUL	PAC	LG	20	LKC300BC03
72	RIYADH-AL AHSA-BUL	PAC	LG	20	LKC300BC03
73	RIYADH-AL AHSA-BUL	PAC	LG	20	LKC300BC03
74	RIYADH-AL AHSA-BUL	PAC	LG	20	LKC300BC03
75	RIYADH-AL AHSA-BUL	PAC	LG	20	LKC300BC03
76	RIYADH-AL AHSA-BUL	PAC	LG	20	LKC240BC03
77	RIYADH-AL AHSA-BUL	PAC	LG	10	LKC210BC00
78	RIYADH-AL AHSA-BUL	PAC	LG	10	LKC210BC00
79	RIYADH-AL AHSA-BUL	PAC	LG	10	LKC210BC00
80	RIYADH-AL AHSA-BUL	PAC	LG	10	LKC210BC01
81	RIYADH-AL AHSA-BUL	SPLIT	LG	1	W122GC
82	RIYADH-AL AHSA-BUL	SPLIT	LG	1	LSC122RGMO

- All building full covered with CCTV
- All offices area below standard system 3.6\*3.6 consists of (Smoke detector)
- 2 Lifts (Kone manufacturing)
- Jarir bookstore plus mix tenants such as Schneider Electric- occupancy rate 100%



## 13-Land Valuation

### Case 1 – Residual value approach (land)

#### Residual value approach evaluation – Land Evaluation fair market value (FMV)

##### RV methodology definition:

**The Land - Residual Approach** is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet	
Cost Type - Dev Type	Year 1-2
Development Work	
Land Area - developed / year - sqm	4,953
Development Cost S.R / SQM	120
Total Development Cost / Year	594,360
Commercial Offices & Shops	
Sharing of land allocated for building	
	2,972
1- Building (Offices & Shops)	
1 basement floor - Gross area - sqm	2,477
GF-FF- Second floor and Roof F	10,401
Replacement cost - sq m	
1 basement floors - Gross area - sqm	2,500
GF-FF-2nd F, 3rd F	2,800
	Built-Up area (GFA ) sqm
1 basement floors - Gross area - sqm	2,477
GF-FF-2nd F, 3rd F	10,401
Construction Cost - S.R for part 1	
2- Landscaping and external car parks	
Landscaping, Green area	3,600
	Built-Up area (GFA ) sqm
Landscape, fences, outdoor car parks, fences	3,600
Construction Cost - S.R for part 2	
Total Construction Cost - S.R	
Other Costs	
Professional Fees (Engineering Consultant) 2.5%	956,231
Statutory fees 2%	764,985
Marketing Fees (Media & Advertising) 1.5%	573,739
Contingency costs 1.5%	573,739
Overhead cost 2.5%	956,231
Total Dev - Cost - SR	
42,074,175	

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

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
<b>Category 1: Commercial Offices</b>							
<b>1.1 Offices - Grade C+</b>							
Net Leasable area		6,419	6,419	6,419	6,419	6,419	6,419
Annual Rental price / sqm - S.R		550	550	550	500	500	500
Occupancy rate		80%	95%	95%	98%	98%	98%
<b>Revenues Cat 1.1</b>		<b>2,824,399</b>	<b>3,353,973</b>	<b>3,353,973</b>	<b>3,145,353</b>	<b>3,145,353</b>	<b>3,145,353</b>
<b>Category 2 : Commercial Shops</b>							
<b>1.1 Shops - Grade B</b>							
Net Leasable area		2,377	2,377	2,377	2,377	2,377	2,377
Annual Rental price / sqm - S.R		800	800	800	900	900	900
Occupancy rate		80%	100%	100%	100%	100%	100%
<b>Revenues Cat 2</b>		<b>1,521,562</b>	<b>1,901,952</b>	<b>1,901,952</b>	<b>2,139,696</b>	<b>2,139,696</b>	<b>2,139,696</b>
<b>Total Sales Revenues</b>		<b>4,345,960</b>	<b>5,255,925</b>	<b>5,255,925</b>	<b>5,285,049</b>	<b>5,285,049</b>	<b>5,285,049</b>

Income Statement						
	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	4,345,960	5,255,925	5,255,925	5,285,049	5,285,049	5,285,049
General & Administrative Expenses 11%	478,056	578,152	578,152	581,355	581,355	581,355
Gross Profit - EBITDA	3,867,905	4,677,774	4,677,774	4,703,694	4,703,694	4,703,694
Depreciation	1,262,225	1,262,225	1,262,225	1,262,225	1,262,225	1,262,225
Earnings after depreciation	2,605,679	3,415,548	3,415,548	3,441,468	3,441,468	3,441,468
Interest Expense	420,742	420,742	420,742	420,742	420,742	420,742
earning after interest expense	2,184,938	2,994,807	2,994,807	3,020,727	3,020,727	3,020,727
Zakat and VAT (7.5%)	163,870	224,611	224,611	226,555	226,555	226,555
<b>Net Income</b>	<b>2,021,067</b>	<b>2,770,196</b>	<b>2,770,196</b>	<b>2,794,172</b>	<b>2,794,172</b>	<b>2,794,172</b>
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	2,021,067	2,770,196	2,770,196	2,794,172	2,794,172	2,794,172
<b>Cumulative Retained earnings</b>	<b>2,021,067</b>	<b>4,791,264</b>	<b>7,561,460</b>	<b>44,079,293</b>	<b>46,873,465</b>	<b>49,667,637</b>

## Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
<b>IN - Flow</b>						
Capital Injection						
Net Revenues		2,021,067	2,770,196	2,794,172	2,794,172	2,794,172
Depreciation		1,262,225	1,262,225	1,262,225	1,262,225	1,262,225
<b>OUT Flow</b>						
Total Construction Cost	38,249,250					
Professional Fees	956,231					
Statutory fees 2%	764,985					
Marketing Fees (Media & Advertising) 1.5%	573,739					
Contingency costs 1%	573,739					
Overhead cost 1%	956,231					
<b>Total Outflow</b>	<b>(42,074,175)</b>					
<b>Net Cash Flow</b>	<b>(42,074,175)</b>	<b>3,283,293</b>	<b>4,032,421</b>	<b>4,056,397</b>	<b>4,056,397</b>	<b>4,056,397</b>
<b>Cumulative Net Income</b>	<b>(42,074,175)</b>	<b>(38,790,882)</b>	<b>(34,758,461)</b>	<b>57,963,770</b>	<b>62,020,168</b>	<b>66,076,565</b>

## Net Present Value & Internal Rate of Return

NPV - IRR	Year 0	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33	Total
<b>IN - Flow</b>								
Revenues		3,283,293	4,032,421	4,032,421	4,056,397	4,056,397	4,056,397	
Total Inflow		3,283,293	4,032,421	4,032,421	4,056,397	4,056,397	4,056,397	96,582,805
<b>Discount Rate: 10%</b>								
		0.909	0.826	0.751	0.039	0.035	0.032	
<b>OUT Flow</b>								
Total Outflow		(42,074,175)						42,074,175
<b>Total Cash out</b>								
Net Cash Flow (Before Discount Rate)	(42,074,175)	3,283,293	4,032,421	4,032,421	4,056,397	4,056,397	4,056,397	42,219,691
<b>Total Cash flow</b>								
<b>Discounted Cash Flow DCF</b>								
		2,984,811	3,332,580	3,029,618	159,635	143,815	129,563	34,917,262
<b>Residual Value</b>								

<b>Value Per / SQM</b>		
	Land Value (PV)	34,917,262
	Square Meters	4,953
<b>Estimated SQM value (S.R)</b>		<b>7,049.72</b>

Fair Market Value FMV	Land Area – sq m	Value / sq m. S.R	FMV S.R
Fair Market Value for land	4,953	7,049.72	34,917,262

**13.2- Depreciated Replacement cost method (DRC)** A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

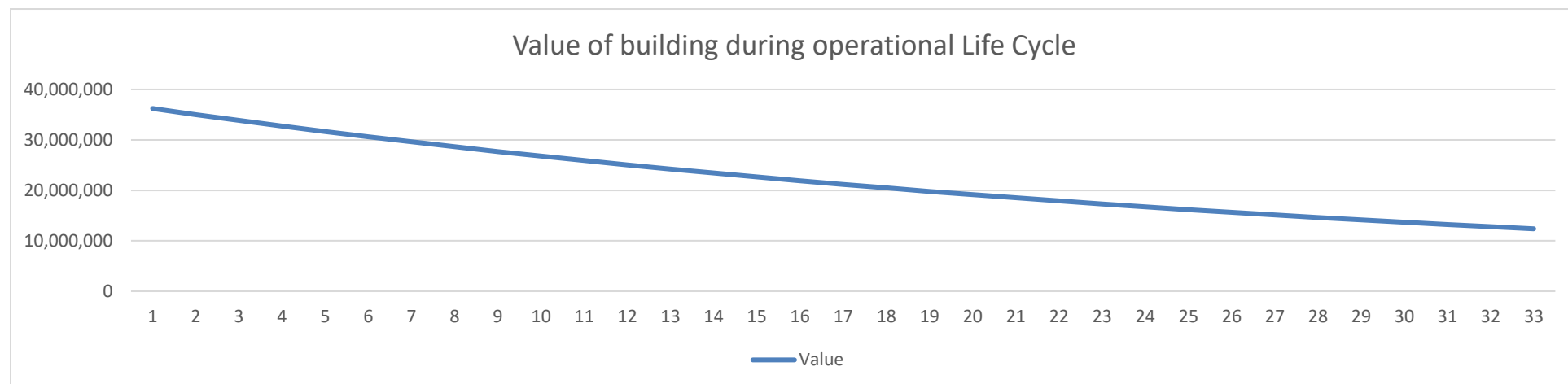
Replacement cost	BUA – built up area – sqm	Type of operation
Ground Floor	2,831	Jarir Book Store – Offices
First Floor	2,831	Jarir Book Store – Offices
Second Floor	1750	Offices
Annex Floor	1750	Offices
Fence	76	Service
Landscaping and outdoor car parks	2,122	Car Parks

### Depreciated Replacement cost (DRC)

<b>Standards:</b> Average useful life for showrooms and Offices building in <u>Riyadh</u> city after taken into consideration climate and moisture	<b>N (number of years) =</b>	<b>40 years</b>
<b>Deprecation ratio Per annum 2.5%</b>	Appreciation ratio Per annum based to schedule of maintenance work 1% per annum	1.5%
<b>Building (equipment) useful life</b>	<b>N (number of years) =</b>	24 years (starting Operation period @1415 Hijri)
<b>Acc Deprecation</b>	<b>1.5%*24=</b>	<b>48 %</b>

**(Fixtures & equipment work) F&E for building;**

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
Ground Floor	2,831	3,500	100%	<b>9,908,500</b>
First Floor	2,831	4,000	100%	<b>11,324,000</b>
Second Floor	1750	4,000	100%	<b>7,000,000</b>
Annex Floor	1750	4,000	100%	<b>7,000,000</b>
Fence	76	500	100%	<b>38,000</b>
Landscaping and outdoor car parks	2,122	450	100%	<b>954,900</b>
Replacement cost - SR				<b>36,225,400</b>
- Acc Deprecation		36,225,400*36 %		(13,041,144)
Depreciated Replacement cost DRC				<b>23,184,256</b>



#### 14-Fair market value (property) Land + Building F&E (fixtures & equipment)-Currency SAR

<b>Fair Market Value (Land)</b>	<b>51,818,330 S.R</b>
<b>+</b>	
<b>Building</b>	23,184,256 S.R
<b>Profit Margin (20%)</b>	4,636,851 S.R
<b>Fair market value - Property</b>	62,738,369 S.R (Sixty-two million, seven hundred thirty eight- thousand, three hundred sixty nine Saudi riyal)

#### (Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

<b>-5%</b>	<b>Fair market value</b>	<b>+5%</b>
<b>60,000,000 S.R</b>	<b>62,738,369 S.R</b>	<b>66,000,000 S.R</b>

## 15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7% Average market Yield- Riyadh city Q1-2018

<b>Net Operating income NOI Triple Net</b> – Currency SAR - based to official & signed legal contract/agreement between three parties (Maceen logistics project company, Jarir marketing Company, and Al-Rajhi Capital) for 5 obligatory year contractually period for Jarir bookstore library leasable area ending at June 22, 2018  Note: within the existing legal agreement there is term and clause about renewal contract for new 25 obligatory years starting from 22 June 2018. And after back to Al-Rajhi Capital they mentioned that the final settlement contract will take time and will provide us with the new signed contract for Jarir bookstore (Net Rent/ annum 2,026,753 SAR during the first 1 year and increase by 1.3 % yearly) based to legal agreement Average Net income during 25 years will be <b>(2,407,718 SAR)</b> – SR Period starting from 22 June 2018 agreement  Annual Rental Value of other <b>Tenants (3,048,912 SAR)</b> based to leasing contract between the lessor ( Jarir bookstore) and other tenants (Lessee)		5,456,630
<b>– Vacancy and collection loss</b>		0
<b>Additional income (additional space unrented)</b>		
<b>Effective gross income</b>		
<b>Operating Expenses</b>		
<b>Fixed</b>	0	
<b>Variable</b>	0	
<b>Reserves</b>	0	
<b>– Total Operating expenses</b>		5,456,630
<b>Net operating income NOI</b>		5,456,630
<b>Fair Market Value @ 7% Capitalization rate</b>		77,951,857

## 16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	62,738,369	
Capitalization rate - FMV	77,951,857	
Weighted Average - Percentage	DRC	31,369,184
	50%	
	Cap rate	38,975,929
	50%	
Fair market value FMV	70,345,113 (seventy million, three hundred forty-five thousand, one hundred thirteen)	

### (Sensitivity Analysis) (Risk matrix)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
67,000,000 S.R	70,345,113 S.R	74,000,000 S.R

## 17- Real Estate Market Summary- Riyadh Q1-2018

*Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. 11 new brands hotels are expected to enter the market over the next two years with totally 3900 hotels room.*

**17.1-Offices market:** Offices vacancies Decreased over the quarter due to new Demands from companies after public and private sectors start looking for new location; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents. Market also contributed to the decrease in vacancies in remaining of 2018

**17.2-Residential market:** Also, performance declined in residential sector. Villas selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices still stable in waiting for departure of large number of expatriates.

**17.3-Hospitality market:** Average daily rates falling 14%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017-Q1 2018.

**17.4-Retail market:** While occupancies decreased marginally in the retail sector over 2017, they are expected to soften of the rest of year of 2018 as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales. And Cinema presence will help Retail sector in increasing Occupancies.

**17.5- Industrial warehouses:** While occupancies increased marginally in the industrial warehouses sector over 2017, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salbouxh road) should affect the old warehouses negatively.

## 18-External and internal Pictures

### External view



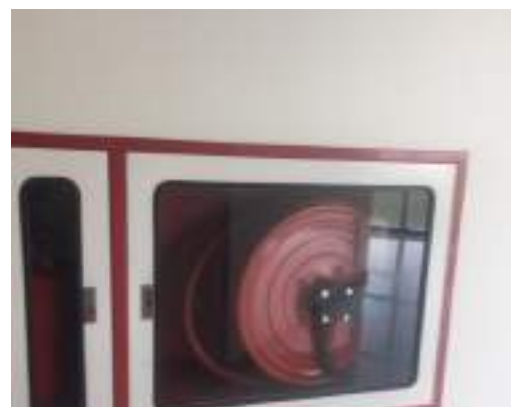
## External view



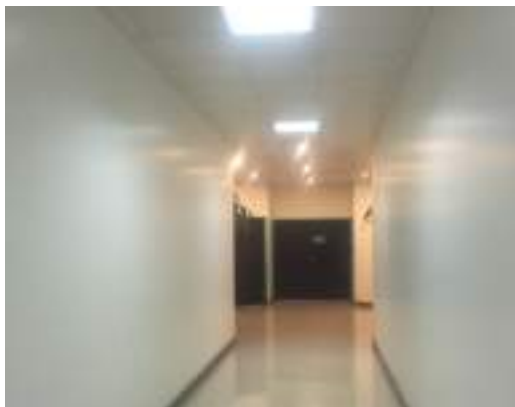
## Internal view



## Internal view



## Internal view



## 19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
<b>Abdulmalik Al-Darwsih</b>	Valuation Manger	1210000397	1440/4/14	Real estate
<b>Mustafa Al-Mardina</b>	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
<b>Fadi Naeem</b>	Site visit, inspection Catchment area	1220000119	1440/04/2	Real estate
<b>Ashraf Al-Shaeer</b>	Final Revision – Release	1220000021	1440/04/2	Real estate

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*Valuation Report Analysis*  
***Lulu'u Huper market*** (Khuris Rd) Property  
***AL-Riyadh City - KSA - May 15, 2018***

Prepared for  
**Al-Rajhi Capital**



شركة أولات للتقييم العقاري  
Olaat Valuation Company



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

# Real Estate Valuation Report Analysis

**Prepared for:**  
**Al-Rajhi Capital.**

## Riyadh City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: [m.mardena@olaat.com](mailto:m.mardena@olaat.com)

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C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center – Commercial shops
Location	Riyadh city – Al-Nahda District- Intersection point btw Khuris road & Salman AL-Farsi St
Land Area	19,500 sq m
Title deed number	910106038725-210106038724
Title's date	24/02/1436 H
Plots Number	From 542 till 553
Block Number	2
Scheme Number	1335/1
Land Topography	Flat
Boarded streets & Neighbors	<b>N:</b> Street Width 14 m length 195 m <b>S:</b> Street Width 84 m length 195 m <b>E:</b> Plots Number 554,555 length 100 m <b>W:</b> Pathway width 8 length 100 m
Building Build- up area (Gross floor area) GFA	37,336.36 sq m plus 193 Fence
Building's Permit number	22798/1431
Building Permit's date	26/12/1432 H
<b>Fair Market value for Property – SAR</b>	<b>221,566,967 (Two hundred twenty-one million, five hundred sixty-six thousand, nine hundred sixty- seven SAR)</b>

TITLE DEED 2





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Al-Rajhi Capital  
For the attention of:  
Mr: **Abdul-Aziz Al-Sabt**  
T: +966 (11) 211 9417  
alsabtaa@alrajhi-capital.com  
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2015

**Property Address: Lulu'u Hyper market - Commercial center- Riyadh city - Valuation Report analysis**

**Tenure: Commercial Freehold property**

We are delighted to submit our Valuation report for – **Lulu'u Hyper market - Commercial Center - Riyadh city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for shops units based to market and based to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **221,566,967 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

**Olaat Valuation Company**

## 1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for <b>Lulu'u Hyper market</b> Property.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation, as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Hyper market - Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 6th of May 2018 by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr.Nael Jaddalh 059 382 5222 (on behalf of Al-Multaq)
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

## 2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

## 3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

## 4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

## 5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

## 6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Riyadh city** to reach the actual transaction of some land prices and for building we used replacement cost value we depend on Saudi construction cost in time of valuation.

## 7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within Al-Nahda district **close to Khuris road intersection point with Salman Al-Farsi Street**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

## 8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018, AD.**

## 9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

## 10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

## 11-Foundation of evaluation report and Contents

### Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

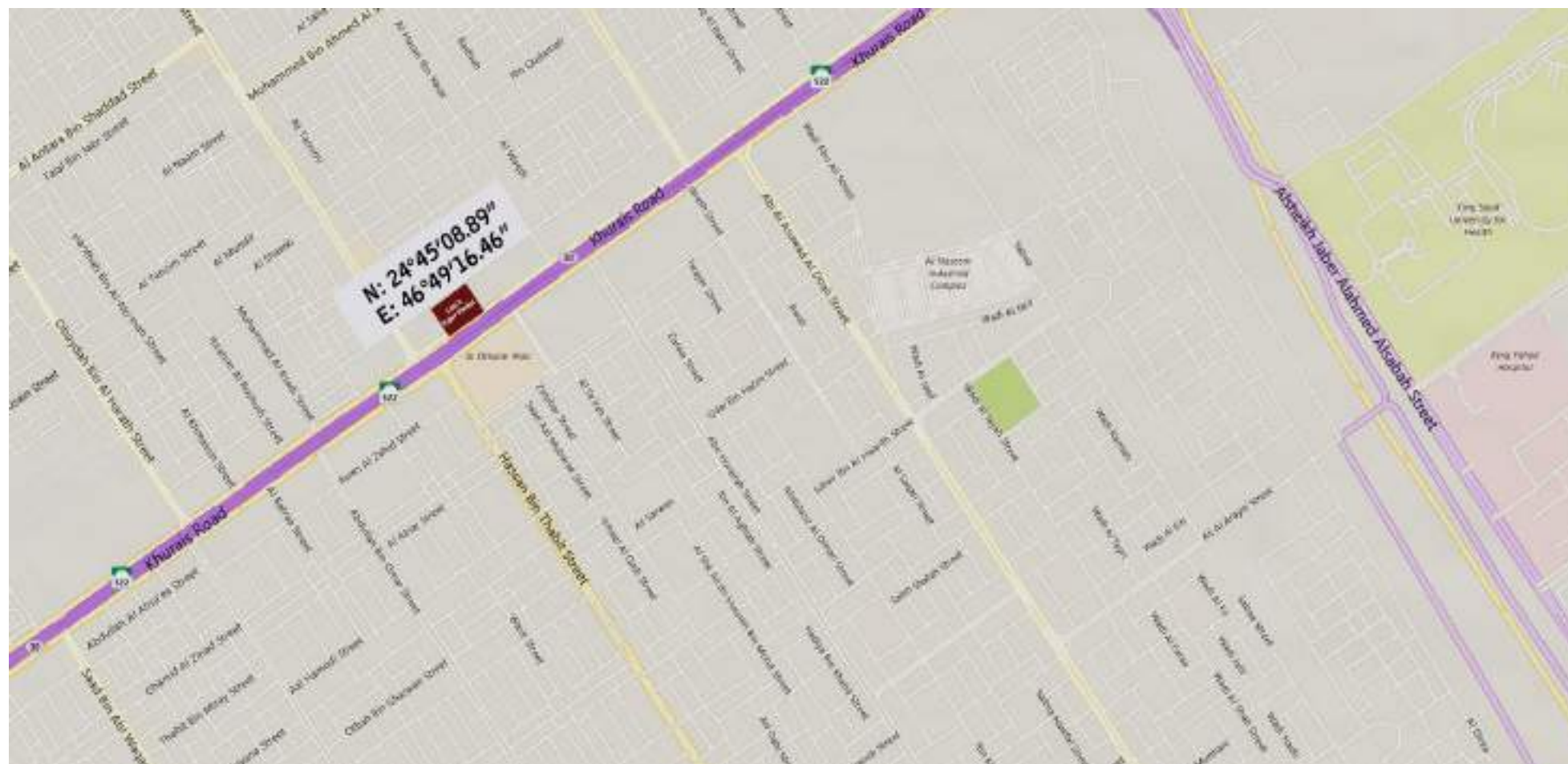
### Attachments

1. Google earth pictures of sample taken from region
2. Evaluation Report

12-

### 13-Property's Identification

The subject property consists of commercial property (Land + building) located in **Riyadh city** within Al-Nahda district **close to Khuris road intersection point with Salman Al-Farsi Rd.** Land area: **19,500 sq m + Building GFA 37,366.36 sq m plus 193 Fence** based on data has been received from **Al-Rajhi Capital Co.** **Geographic Coordinates:** **N: 24°45'08.89" - E: 46°49'16.46"**



**The Image below shows the Boundaries of the site:**

### **Micro Situation**



### **12.1- Property Characteristics**

**The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:**

- Visibility: This refers to the general visibility of the frontage of the buildings from 2 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential East of Riyadh)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- Affordable of comparable lands within Southern side of Khuri Rd only, offering for sale; the prices starting from 3,750 – 5,000.
- Affordable of any commercial projects in case of new supply from offices and shops.

### **Main features of the Property:**

- Commercial Center located in front of Al-Othiem mall.
- 1 Basement floor contain 333 car parks. Outdoor surface parking: 110 car park unit
- Lulu'u Hyper market plus Shops with mid- scale tenant mix – Occupied 100%
- Basement: Fire alarm system, fire sprinkles, Exhaust air ducts
- Electric doors, 2 escalators connected basement and ground floor, 2 electric stairs, 2 elevators and all are Kone Manufacturing
- Automatic fire system covers all the center, HVAC (enternal package units – York manufacturing)
- Ground Ceramic

### **Main Disadvantages of the Property:**

- Metro infrastructure work on Salman Al-Farsi Rd Nearby which may hinder accessibility towards property
- Tenant Mix computable with Market within Site's area



## 14-Land Valuation

### Case 1 – Residual value approach (land)

#### Residual value approach evaluation – Land Evaluation fair market value (FMV)

##### RV methodology definition:

**The Land - Residual Approach** is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet - Commercial Center - retail Project			
Cost Type- Dev Type	Con Year 1	Con Year 2	Con Year 3
<b>Development Work</b>			
Land Area - developed / year - sqm	19,500		
Development Cost S.R / SQM	80		
Total Development Cost / Year	1,560,000		
<b>Commercial Retail Center Grade B</b>			
<b>Total BUA - sq m</b>	<b>41,925.0</b>		
Retail Units BUA construction / Year	13,975	13,975	13,975
Construction & F&E Cost S.R / sqm	3,000	3,000	3,000
Total Construction Cost / year	41,925,000	41,925,000	41,925,000
<b>Total Construction Costs</b>	<b>41,925,000</b>	<b>41,925,000</b>	<b>41,925,000</b>
<b>Other Costs</b>			
<b>Professional Fees (Engineering Consultant) 2.5%</b>	1,048,125	1,048,125	1,048,125
<b>Statutory fees 2%</b>	838,500	419,250	419,250
<b>Marketing Fees (Media &amp; Advertising) 1.5%</b>	628,875	628,875	628,875
<b>Contingency costs 10%</b>	4,192,500	4,192,500	4,192,500
<b>Overhead cost 2.5%</b>	1,048,125	1,048,125	1,048,125
<b>Total Dev - Cost - SR</b>	<b>49,681,125</b>	<b>49,261,875</b>	<b>49,261,875</b>

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

	Dev- period 3 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
<b>Category 1- Commercial shops</b>							
Leasable area - sq m		17,940	17,940	17,940	17,940	17,940	17,940
Annual rental price - sq m		1,300	1,300	1,300	2,100	2,100	2,100
Occupancy Rate %		70%	95%	95%	95%	95%	95%
<b>Revenues Cat 1</b>		<b>16,325,400</b>	<b>22,155,900</b>	<b>22,155,900</b>	<b>35,790,300</b>	<b>35,790,300</b>	<b>35,790,300</b>
<b>Gross Revenues</b>		<b>16,325,400</b>	<b>22,155,900</b>	<b>22,155,900</b>	<b>35,790,300</b>	<b>35,790,300</b>	<b>35,790,300</b>

## Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Revenues	16,325,400	22,155,900	22,155,900	35,790,300	35,790,300	35,790,300
General & Administrative Expenses (15%)	2,448,810	3,323,385	3,323,385	5,368,545	5,368,545	5,368,545
Gross Profit - EBITDA	13,876,590	18,832,515	18,832,515	30,421,755	30,421,755	30,421,755
Depreciation	(993,623)	(993,623)	(993,623)	(993,623)	(993,623)	(993,623)
Earnings after depreciation	12,882,968	17,838,893	17,838,893	29,428,133	29,428,133	29,428,133
Interest Expense	(3,552,000)	(3,552,000)	(3,552,000)	0	0	0
Earning after interest expense	9,330,968	14,286,893	14,286,893	29,428,133	29,428,133	29,428,133
Zakat and VAT *(7.5%)	(699,823)	(1,071,517)	(1,071,517)	(2,207,110)	(2,207,110)	(2,207,110)
<b>Net Income</b>	<b>8,631,145</b>	<b>13,215,376</b>	<b>13,215,376</b>	<b>27,221,023</b>	<b>27,221,023</b>	<b>27,221,023</b>
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
	24					
Additions to Retained Earnings	8,631,145	13,215,376	13,215,376	27,221,023	27,221,023	27,221,023
<b>Cumulative Retained earnings</b>	<b>8,631,145</b>	<b>21,846,521</b>	<b>35,061,896</b>	<b>766,211,293</b>	<b>793,432,315</b>	<b>820,653,338</b>

## Cash Flow Statement

Cash flow Table	Construction Year 1	Construction Year 2	Construction Year 3	Operation Year 1	Operation Year 2	Operation Year 32	Operation Year 33
<b>IN - Flow</b>							
Capital Injection							
Net Revenues				8,631,145	13,215,376	27,221,023	27,221,023
Depreciation				993,623	993,623	993,623	993,623
<b>Total Inflow</b>				9,624,767	14,208,998	28,214,645	28,214,645
<b>OUT Flow</b>							
Total Construction Cost	49,681,125	49,261,875	49,261,875				
Professional Fees	1,048,125	1,048,125	1,048,125				
Statutory fees 2%	838,500	419,250	419,250				
Marketing Fees (Media & Advertising) 1.5%	628,875	628,875	628,875				
Contingency costs 10%	4,192,500	4,192,500	4,192,500				
Overhead cost 1%	1,048,125	1,048,125	1,048,125				
<b>Total Outflow</b>	<b>(57,437,250)</b>	<b>(56,598,750)</b>	<b>(56,598,750)</b>				
Net Cash Flow	(57,437,250)	(56,598,750)	(56,598,750)	9,624,767	14,208,998	28,214,645	28,214,645
<b>Cumulative Net Income</b>	<b>(57,437,250)</b>	<b>(114,036,000)</b>	<b>(170,634,750)</b>	<b>(161,009,983)</b>	<b>(146,800,985)</b>	<b>654,593,485</b>	<b>682,808,130</b>

## Residual Value - RV (Investment method)

RV	Construction / Year 1	Construction/ Year 2	Construction / Year 3	Operation / Year 1	Operation / Year 31	Operation / Year 32	Operation / Year 33	Total
<b>IN - Flow</b>	<b>Period</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>33</b>	<b>34</b>	<b>35</b>	
Revenues		0	0	8,631,145	27,221,023	27,221,023	27,221,023	
<b>Total Inflow</b>		<b>0</b>	<b>0</b>	<b>9,624,767</b>	<b>28,214,645</b>	<b>28,214,645</b>	<b>28,214,645</b>	<b>797,013,590</b>
<b>Discount Rate:</b>	<b>7%</b>	0.932	0.869	0.809	0.098	0.091	0.085	
<b>OUT Flow</b>								
<b>Total Outflow</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Cash out</b>								
<b>Net Cash Flow (Before Discount Rate)</b>	<b>(148,204,875)</b>	0	0	9,624,767	28,214,645	28,214,645	28,214,645	210,747,701
								<b>Total Cash flow</b>
<b>Discounted Cash Flow DCF</b>	<b>(148,204,875)</b>	<b>0</b>	<b>0</b>	<b>7,790,962</b>	<b>2,758,568</b>	<b>2,570,893</b>	<b>2,395,986</b>	<b>78,823,495</b>
								<b>DCF</b>

<b>Fair Market Value - FMV</b>		
	Land - FMV	78,823,495
	Land area - sq m	19,500.00
<b>FMV - per sq m</b>		<b>4,042.23</b>

Fair Market Value FMV	Land Area - sqm	Value / sq m . S.R	FMV S.R
Fair Market Value for land	19,500	4,042.23	78,823,495

**13.2- Depreciated Replacement cost method (DRC)** A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

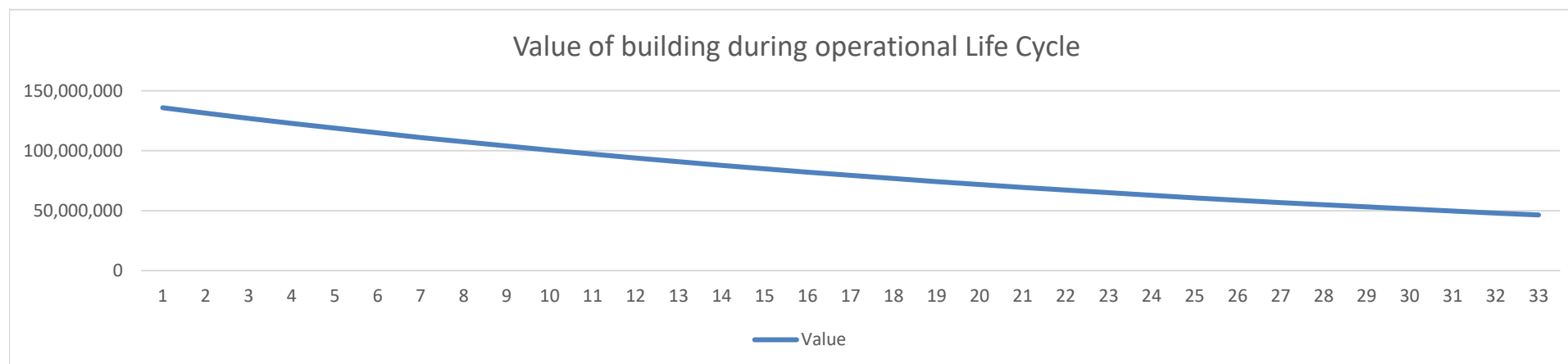
Replacement cost	BUA – built up area – sqm	Type of operation
Basement Floor	12,517.61	Car parks
Ground Floor	10,879.85	Hyper market and Shops
First Floor	11,061.90	Hyper market and Shops
Electricity Room	20	Services
Annex Floor	2,887	Offices
Outdoor area	8,621	Entrance, exit, car parks
Fence	193	Services

### Depreciated Replacement cost (DRC)

<b>Standards:</b> Average useful life for Showrooms building in <u>Riyadh</u> city after taken into consideration climate	<b>N (number of years) =</b>	<b>33 years</b>
Deprecation ratio Per annum 3.3%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2.8%
<b>Building (equipment) useful life</b>	<b>N (number of years) =</b>	4 years (starting Operation period @1435 Hijri)
<b>Acc Deprecation</b>	<b>2.8%*4 =</b>	<b>11.2 %</b>

## Finishing 100% (Fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
Basement Floor	12,517.61	3,000	100%	37,552,830
Ground Floor	10,879.85	3,500	100%	43,519,400
First Floor	11,061.90	3,500	100%	44,247,600
Electricity Room	20	2,000	100%	40,000
Annex Floor	2,887	2,800	100%	8,661,000
Outdoor area	8,621	200	100%	1,724,200
Fence	193	500	100%	96,500
Replacement cost				135,841,530
- Acc Deprecation		135,841,530*11.2%		(15,214,251)
Depreciated Replacement cost DRC SAR				120,627,279



## 15-Fair market value (property) Land + Building In the case of finishing up to date from Finishing, fixtures & equipment work- Currency SAR

<b>Fair Market Value (Land)</b>	<b>78,823,495 S. R</b>
<b>+</b>	
<b>Building</b>	120,627,279 S. R
<b>+ (Profit Margin) 20%</b>	24,125,456 S. R
<b>Fair market value - Property</b>	223,576,229 S.R (Two Hundred twenty three million, Five Hundred seventy - six thousand, Two hundred twenty two Saudi riyal

### (Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

<b>-5%</b>	<b>Fair market value</b>	<b>+5%</b>
212,300,000 S. R	223,576,229 S. R	234,700,000 S. R

## 15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.8% Average market Yield-Riyadh city Q1-2018

<b>Net Operating Income NOI Triple Net based to remaining rent period as per the following:</b>		
<p>– Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Multaq real estate inv) for 15 obligatory year contractually period (<b>Net Rent / annum 15,275,000 SAR</b> during first 5 years, and <b>Net Rent / annum 16,344,525</b> during the second five years, and <b>Net Rent / annum 17,488,348</b> during the rest of Contract's period – 5 Years) – SR starting from 1 Dec 2014 till 25 April 2029 (Remaining 11 Years)</p>		
Period 1 : : from 1 Dec 2014 till 1 Dec 2019 (Remaining 7 month and 15 days) = (15,275,000 * 0.715)	10,921,625	<b>17,047,140</b>
Period 2: From 1 Dec 2019 till 1 Dec 2024 (Coming 5 Years) = (16,344,525 * 5)	81,722,625	
Period 3 : From 1 Dec 2024 till 25 April 2029 (Coming 5 years ,4 months, 25 days) = (17,488,348 * 5.425)	94,874,288	
Sum	187,518,538	
n period	11	
Net Operating Income NOI- Triple Net	<b>17,047,140</b>	
<b>– Vacancy and collection loss</b>	<b>0</b>	
<b>Effective gross income</b>	<b>17,047,140</b>	
<b>Operating Expenses</b>		
Fixed	0	
Variable	0	
Reserves	0	
<b>– Total Operating expenses</b>	<b>0</b>	
<b>Net operating income NOI – Triple Net</b>	<b>17,047,140</b>	
<b>Fair Market Value @ 7.8% Capitalization rate</b>	<b>218,553,074</b>	

## 16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	223,576,229	
Capitalization rate - FMV	218,553,074	
Weighted Average - Percentage	DRC	134,145,737
	60%	
	Cap rate	87,421,230
	40%	
Fair market value FMV	221,566,967 (Two hundred twenty-one million, five hundred sixty-six thousand, nine hundred sixty-seven SR)	

### (Sensitivity Analysis) for Asset Property FMV

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
210,400,000 SR	221,566,967 SR	232,600,000 SR

## 17- Real Estate Market Summary- Al-Riyadh Q1-2018

*Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. 11 new brands hotels are expected to enter the market over the next two years with totally 3900 hotels room.*

**17.1-Offices market:** Offices vacancies Decreased over the quarter due to new Demands from companies after public and private sectors start looking for new location; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents. Market also contributed to the decrease in vacancies in remaining of 2018

**17.2-Residential market:** Also, performance declined in residential sector. Villas selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices still stable in waiting for departure of large number of expatriates.

**17.3-Hospitality market:** Average daily rates falling 14%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017-Q1 2018.

**17.4-Retail market:** While occupancies decreased marginally in the retail sector over 2017, they are expected to soften of the rest of year of 2018 as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales. And Cinema presence will help Retail sector in increasing Occupancies.

**17.5- Industrial warehouses:** While occupancies increased marginally in the industrial warehouses sector over 2017, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

## 18- External and internal Pictures

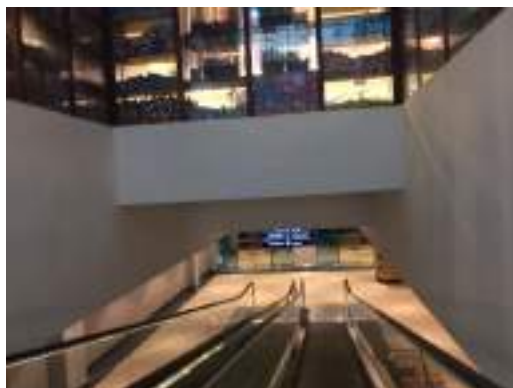
### External view



## Internal view



## Internal view



## Internal view



## 19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
<b>Abdulmalik Al-Darwsih</b>	Valuation Manger	1210000397	1440/4/14	Real estate
<b>Mustafa Al-Mardina</b>	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
<b>Fadi Naeem</b>	Site visit, inspection Catchment area	1220000119	1440/04/2	Real estate
<b>Ashraf Al-Shaeer</b>	Final Revision – Release	1220000021	1440/04/2	Real estate

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*Valuation Report Analysis*  
*Narjes Plaza Property*  
*AL-Riyadh City - KSA - May 15, 2018*

Prepared for  
Al-Rajhi Capital



شركة أولات للتقييم العقاري  
Olaat Valuation Company



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**Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397**

# Real Estate Valuation Report Analysis

**Prepared for:**  
**Al-Rajhi Capital.**

## Riyadh City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: [m.mardena@olaat.com](mailto:m.mardena@olaat.com)

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C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center –Commercial shops & offices
Location	Riyadh city – Al-Narjess District- Intersection point btw Othman bin Affan & Al-Thumama road
Land Area	9,000 sq m
Title deed number	210115041823
Title's date	6/09/1436 H
Plots Number	From 69 until 80
Scheme Number	2737
Land Topography	Flat
Boarded streets & Neighbors	<b>N:</b> Pathway width 8 m length 60 m <b>S:</b> Street width 15 m length 60 m <b>E:</b> Street width 80 m length 150 m <b>W:</b> Street width 15 m length 150 m
Building Build- up area (Gross floor area) GFA	5,473.6 sq m plus Fence 224 sq m
Building's Permit number	1431/671
Building Permit's date	18/01/1431 H
Fair Market value for Property SAR	<b>61,547,196 (Sixty-one million, five hundred forty-seven thousand, one hundred ninety-six SR)</b>

## Legal Documents

TITLE DEED



## BUILDING'S PERMIT



Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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May 15, 2018

**Property Address: Al-Narjess Commercial center- Riyadh city - Valuation Report analysis**

**Tenure: Commercial Freehold property**

We are delighted to submit our Valuation report for – **Al-Narjess Commercial Center - Riyadh city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for offices and shops units based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **61,547,196 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

**Olaat Valuation Company**

## 1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for <b>Narjes PLaza Property</b> .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is <b>required for Real estate investment trust REITs Valuation</b> , as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Offices and Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 7th of May 2018 by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr.Mohammad Bakri 056 220 8888 (on behalf of Al-Fowzan)
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

## 2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

## 3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

## 4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

## 5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

## 6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, In addition, we consulted many of real estate experts in **Riyadh city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

## 7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within Al-Narjess district **on Othman Bin Affan road intersection point with Al-Thumama road**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

## 8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD**.

## 9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

## 10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

## 11-Foundation of evaluation report and Contents

### Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

### Attachments

1. Google earth pictures of sample taken from region
2. Evaluation Report

## 12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Riyadh city** within Al-Narjess district Othman Bin Affan road. Land area: **9,000 sq m + Building GFA 5,473.6 sq m plus Fence 224 sq m** based on data has been received from **Al-Rajhi Capital Co.** **Geographic**

**Coordinates:** **N: 24°49'09.03"** - **E: 46°41'11.46"**



The Image below shows the Boundaries of the site:

## Micro Situation



### 12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the buildings from 3 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential North of Riyadh)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- No Any land in site region offering either for rent or sale
- Many of new commercial projects are under development in case of new supply from offices and shops north side.

### Main features of the project:

- Commercial offices building class C+
- Outdoor parking: 120 nos. car park
- Split units for offices HVAC system
- All building full covered with CCTV
- All offices area below standard system 3.6\*3.6 consists of (Smoke detector)
- Al-Tamimi Supermarket plus 15 showrooms with valuable tenant mix and 5 office- occupancy rate 90%



## 13-Land Valuation

### Case 1 – Residual value approach (land)

#### Residual value approach evaluation – Land Evaluation fair market value (FMV)

##### RV methodology definition:

**The Land - Residual Approach** is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet	
Cost Type- Dev Type	Year 1-3
Development Work	
Land Area - developed / year - sqm	9,000
Development Cost S.R / SQM	120
Total Development Cost / Year	1,080,000
Commercial Offices & Shops	
Sharing of land allocated for building	5,400
1- Building (Offices & Shops)	
1 basement floor - Groos area - sqm	2,500
GF-FF- Roof F	13,500
Replacement cost - sq m	
1 basement floors - Gross area - sqm	2,500
GF-FF- Roof F	1,700
	Built-Up area (GFA ) sqm
1 basement floors - Gross area - sqm	2,500
GF-FF- Roof F	13,500
Construction Cost - S.R for part 1	29,200,000
2- Landscaping and external car parks	
Landscaping, Green area	3,600
	Built-Up area (GFA ) sq m
Landscape, fences, outdoor car parks, fences	3,600
Construction Cost - S.R for part 2	2,340,000
Total Construction Cost - S.R	33,840,000
Other Costs	
Professional Fees (Engineering Consultant) 2.5%	815,500
Statutory fees 2%	652,400
Marketing Fees (Media & Advertising) 1.5%	489,300
Contingency costs 1.5%	489,300
Overhead cost 2.5%	815,500
Total Dev - Cost - SR	35,882,000

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

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 30	Year 31	Year 32	Year 33
<b>Category 1: Commercial Offices</b>								
<b>Offices - Grade C+</b>								
Net Leasable area		8,100	8,100	8,100	8,100	8,100	8,100	8,100
Annual Rental price / sq m - S.R		600	600	600	600	600	600	600
Occupancy rate		80%	95%	95%	99%	98%	98%	98%
<b>Revenues Cat 1.1</b>		<b>3,888,000</b>	<b>4,617,000</b>	<b>4,617,000</b>	<b>4,811,400</b>	<b>4,762,800</b>	<b>4,762,800</b>	<b>4,762,800</b>
<b>Category 2: Commercial Shops</b>								
<b>Shops - Grade B</b>								
Net Leasable area		4,320	4,320	4,320	4,320	4,320	4,320	4,320
Annual Rental price / sq m - S.R		950	950	950	1,150	1,150	1,150	1,150
Occupancy rate		80%	100%	100%	100%	100%	100%	100%
<b>Revenues Cat 2</b>		<b>3,283,200</b>	<b>4,104,000</b>	<b>4,104,000</b>	<b>4,968,000</b>	<b>4,968,000</b>	<b>4,968,000</b>	<b>4,968,000</b>
<b>Total Sales Revenues</b>		<b>7,171,200</b>	<b>8,721,000</b>	<b>8,721,000</b>	<b>9,779,400</b>	<b>9,730,800</b>	<b>9,730,800</b>	<b>9,730,800</b>

## Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	7,171,200	8,721,000	8,721,000	9,730,800	9,730,800	9,730,800
General & Administrative Expenses 10%	717,120	872,100	872,100	973,080	973,080	973,080
Gross Profit - EBITDA	6,454,080	7,848,900	7,848,900	8,757,720	8,757,720	8,757,720
Depreciation	1,076,460	1,076,460	1,076,460	1,076,460	1,076,460	1,076,460
Earnings after depreciation	5,377,620	6,772,440	6,772,440	7,681,260	7,681,260	7,681,260
Interest Expense	358,820	358,820	358,820	358,820	358,820	358,820
earning after interest expense	5,018,800	6,413,620	6,413,620	7,322,440	7,322,440	7,322,440
Other expenses	0	0	0	0	0	0
<b>Net Income</b>	<b>5,018,800</b>	<b>6,413,620</b>	<b>6,413,620</b>	<b>7,322,440</b>	<b>7,322,440</b>	<b>7,322,440</b>
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	5,018,800	6,413,620	6,413,620	7,322,440	7,322,440	7,322,440
<b>Cumulative Retained earnings</b>	<b>5,018,800</b>	<b>11,432,420</b>	<b>17,846,040</b>	<b>80,984,240</b>	<b>88,306,680</b>	<b>95,629,120</b>

## Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
<b>IN - Flow</b>						
Capital Injection						
Net Revenues		5,018,800	6,413,620	7,322,440	7,322,440	7,322,440
<b>Total Inflow</b>		5,018,800	6,413,620	7,322,440	7,322,440	7,322,440
<b>OUT Flow</b>						
Total Construction Cost	32,620,000					
Professional Fees	815,500					
Statutory fees 2%	652,400					
Marketing Fees (Media & Advertising) 1.5%	489,300					
Contingency costs 1%	489,300					
Overhead cost 1%	815,500					
<b>Total Outflow</b>	(35,882,000)					
Net Cash Flow	(35,882,000)	5,018,800	6,413,620	7,322,440	7,322,440	7,322,440
<b>Cumulative Net Income</b>	(35,882,000)	(30,863,200)	(24,449,580)	80,984,240	88,306,680	95,629,120

## Net Present Value & Internal Rate of Return

NPV - IRR	Year 0	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33	Total		
IN - Flow										
Revenues		5,018,800	6,413,620	6,413,620	7,322,440	7,322,440	7,322,440			
Total Inflow		5,018,800	6,413,620	6,413,620	7,322,440	7,322,440	7,322,440		138,599,900	
Discount Rate: 10%			0.909	0.826	0.751	0.039	0.035	0.032		
OUT Flow										
Total Outflow			(35,882,000)							
Total Cash out										
Net Cash Flow (Before Discount Rate)	(35,882,000)	5,018,800	6,413,620	6,413,620	7,322,440	7,322,440	7,322,440	55,021,266		
								Total Cash flow		
Discounted Cash Flow DCF			4,562,545	5,300,512	4,818,648	288,166	259,609	233,882	51,818,380	
								Residual Value		
Value Per / SQM										
									Land Value (PV)	51,818,380
									Square Meters	9,000
Estimated SQM value (S.R)									5,757.60	
Fair Market Value FMV		Land Area – sq m		Value / sq m. S.R			FMV S.R			
Fair Market Value for land		9,000		5,575.60			51,818,380			

**13.2- Depreciated Replacement cost method (DRC)** A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

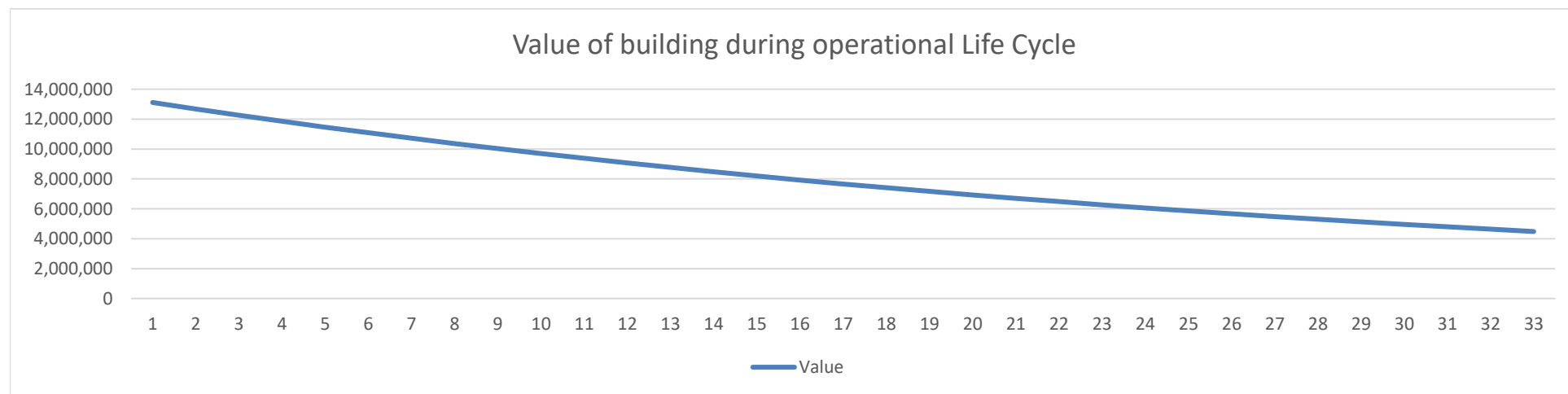
Replacement cost	BUA – built up area – sqm	Type of operation
GF, FF, and Roof floor	5,473.6	Offices-shops-Service area
Outdoor area	4,000	Entrance, exit, car parks
Fence	224	Service

### Depreciated Replacement cost (DRC)

Standards: Average useful life for showrooms and Offices building in <u>Riyadh</u> city after taken into consideration climate and moisture	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	5.5 years (starting Operation period @1433 Hijri)
Acc Deprecation	2%*5.5=	11 %

(Fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
GF, FF, and Roof floor	5,473.6	1,900	100%	10,399,840
Landscaping and outdoor car parks	4,000	650	100%	2,600,000
Fence	224	500	100%	112,000
Replacement cost				13,111,840
- Acc Deprecation		13,111,840*11 %		(1,442,302)
Depreciated Replacement cost DRC				11,669,537



#### 14-Fair market value (property) Land + Building In the case of finishing up to date from Finishing, fixtures & equipment work- Currency SAR

Fair Market Value (Land)	51,818,330 S.R
+	
Building	11,669,537 S.R
Fair market value - Property	63,487,867 S.R (Sixty three million, four hundred eighty seven thousand, eight hundred sixty seven Saudi riyal)

#### (Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
60,000,000 S.R	63,487,867 S.R	66,200,000 S.R

## 15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Riyadh city Q1-2018

<b>Net Operating income NOI Triple Net</b> – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Fowzan for construction and real estate For Real estate) for 10 obligatory year contractually period (Net Rent/ annum 4,160,000 SAR during the first 5 years and Net Rent/ annum 4,492,800 during the rest of Contract's period) – SR starting from 5 Ramadan Hijri 1436 till 4 Ramadan 1446 Hijri (Remaining 7 Hijri Years)			
Period 1: : from 5 Ramdan 1436 till 5 Ramdan 1440 (Remaining 2 yrs) = (4,160,000 * 2)	8,580,000		
Period 2: from 5 Ramdan 1440 till 5 Ramdan 1446 (Coming 5 Years) = (4,492,200 * 5)	23,166,000		
Sum	31,746,000		
n period	7		
Net Operating Income NOI- Triple Net	4,326,400		
<b>– Vacancy and collection loss</b>			
<b>Additional income (additional space unrented)</b>			
<b>Effective gross income</b>			
<b>Operating Expenses</b>			
Fixed	0		
Variable	0		
Reserves	0		
<b>– Total Operating expenses</b>		4,326,400	
<b>Net operating income NOI</b>		4,326,400	
<b>Fair Market Value @ 7.5% Capitalization rate</b>		58,636,190	

## 16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	63,487,867	
Capitalization rate - FMV	58,636,190	
Weighted Average - Percentage	DRC	38,092,720
	60%	
	Cap rate	23,454,476
	40%	
Fair market value FMV	61,547,196 (Sixty-one million, five hundred forty-seven thousand, one hundred ninety-six SR)	

### (Sensitivity Analysis) (Risk matrix)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
58,500,000 S.R	61,547,196 S.R	64,500,000 S.R

## 17- Real Estate Market Summary- Riyadh Q1-2018

*Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. 11 new brands hotels are expected to enter the market over the next two years with totally 3900 hotels room.*

**17.1-Offices market:** Offices vacancies Decreased over the quarter due to new Demands from companies after public and private sectors start looking for new location; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents. Market also contributed to the decrease in vacancies in remaining of 2018

**17.2-Residential market:** Also, performance declined in residential sector. Villas selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices still stable in waiting for departure of large number of expatriates.

**17.3-Hospitality market:** Average daily rates falling 14%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017-Q1 2018.

**17.4-Retail market:** While occupancies decreased marginally in the retail sector over 2017, they are expected to soften of the rest of year of 2018 as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales. And Cinema presence will help Retail sector in increasing Occupancies.

**17.5- Industrial warehouses:** While occupancies increased marginally in the industrial warehouses sector over 2017, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salbouxh road) should affect the old warehouses negatively.

## 18-External and internal Pictures

### External view



## External view



## Internal view



## 19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
<b>Abdulmalik Al-Darwsih</b>	Valuation Manger	1210000397	1440/4/14	Real estate
<b>Mustafa Al-Mardina</b>	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
<b>Fadi Naeem</b>	Site visit, inspection Catchment area	1220000119	1440/04/2	Real estate
<b>Ashraf Al-Shaeer</b>	Final Revision – Release	1220000021	1440/04/2	Real estate

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*Valuation Report Analysis*  
*Panda Al-Marwa Property*  
*Jeddah City - KSA - May 15, 2018*

Prepared for  
Al-Rajhi Capital



شركة أولات للتقييم العقاري  
Olaat Valuation Company



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**Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397**

# Real Estate Valuation Report Analysis

**Prepared for:**  
**Al-Rajhi Capital.**

## Jeddah City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

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C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center – Commercial shops
Location	Jeddah city – Al-Marwa District- Prince Miteb Road
Land Area	38,641 sq m
Title deed number	420205025490
Title's date	13/3/1437 H
Plots Number	1
Scheme Number	432/ج/س
Land Topography	Flat
Boarded streets & Neighbors	<p><b>N:</b> Street width 26.5 m length 162 m and then length 7.07 m</p> <p><b>S:</b> street width 12 m length 162 m and then length 4.24 m</p> <p><b>E:</b> Prince Miteb width 80 m length 217.5 m and then 7.07 m</p> <p><b>W:</b> Street width 16 m length 221.5 m and then 4.24 m</p>
Building Build- up area (Gross floor area) GFA	15,247.72 sq m
Building's Permit number	23508
Building Permit's date	23/05/1429 H
<b>Fair Market value for Property SAR</b>	<b>187,870,865 (One hundred eighty-seven million, eight hundred seventy thousand, eight hundred sixty-five SR)</b>

## BUILDING'S PERMIT



Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital  
For the attention of:  
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alsabtaa@alrajhi-capital.com  
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2018

**Property Address: Panda AL-Marwa - Jeddah city - Valuation Report analysis**

**Tenure: Commercial Freehold property**

We are delighted to submit our Valuation report for – **Panda Al-Marwa - Jeddah city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for Offices and shops units based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **187,870,865 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

**Olaat Valuation Company**

## 1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for <b>Panda Al-Marwa Property</b> .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is <b>required for Real estate investment trust REITs Valuation</b> , as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Hyper market)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 9th of May 2018 by Mohammad Saleh Saudi Authority for Accredited Values membership (Taqeem) 1220000372, all significant parts of the property were inspected.
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

## 2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

## 3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

## 4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

## 5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

## 6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Jeddah city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

## 7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within Al-Marwa district **on Prince Miteb Rd**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

## 8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD**.

## 9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

## 10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

## 11-Foundation of evaluation report and Contents

### Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

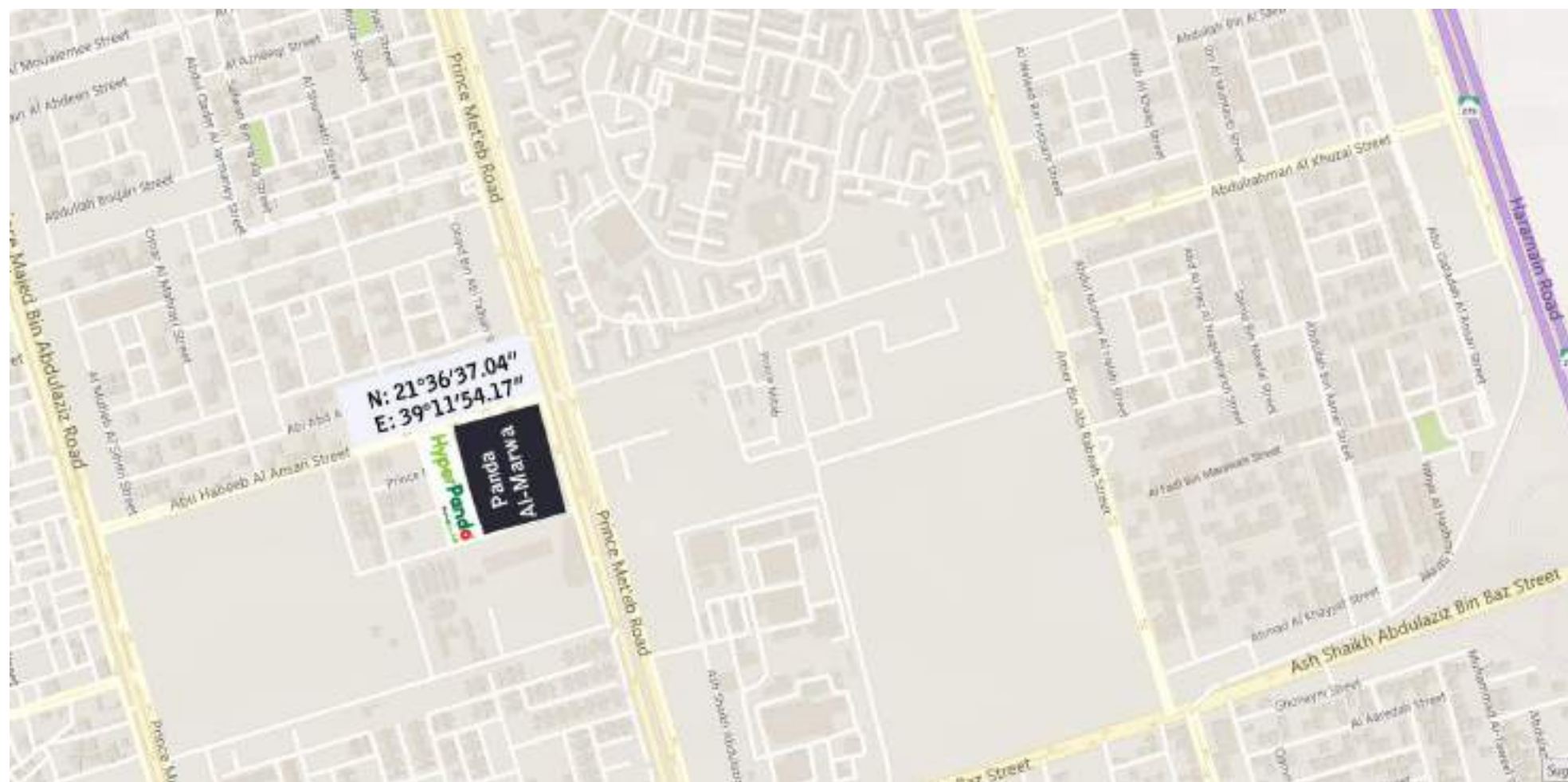
### Attachments

1. Google earth pictures of sample taken from region
2. Evaluation Report

## 12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Jeddah city** within Al-Marwa district on **Prince Miteb Rd Street**. Land area: **38,641 sq m + Building GFA 15,247.72 sq m** based on data has been received from **Al-Rajhi Capital Co.** **Geographic Coordinates:** **N:**

**21°36'37.04" - E: 39°11'54.17"**



**The Image below shows the Boundaries of the site:**

### Micro Situation



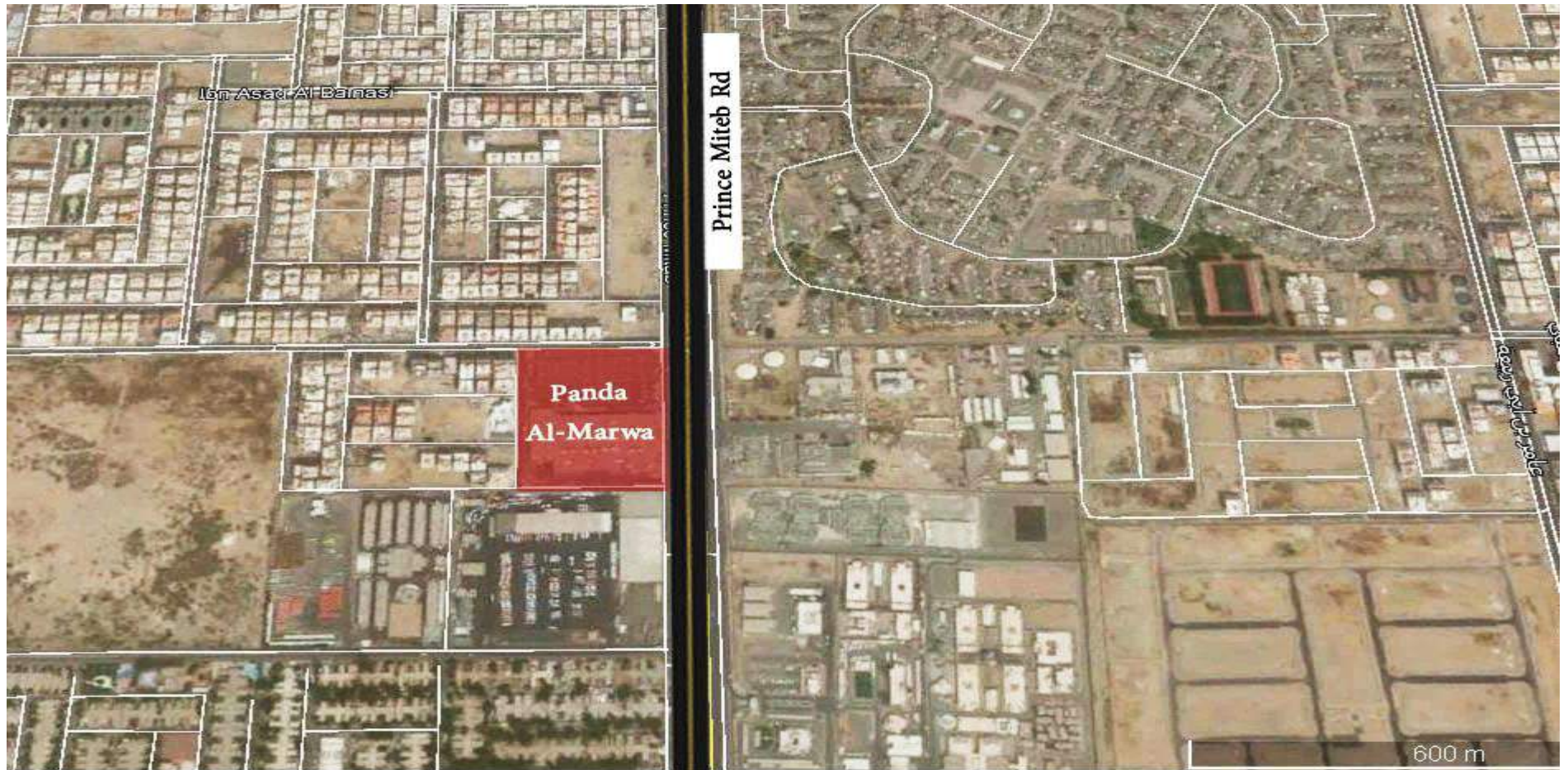
### 12.1- Property Characteristics

**The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:**

- Visibility: This refers to the general visibility of the frontage of the buildings from 4 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- Lacking of lands in site region offering either for rent or sale
- Affordable mix projects commercial- Residential in case of new supply from offices and shops such as Manazel Al-Safwa Project (residential and Commercial).

## Main features of the project:

- Commercial class B
- Outdoor parking: more than 800 car park units
- Central HVAC system
- Panda Supermarket



## 13-Land Valuation

### Case 1 – Residual value approach (land)

#### Residual value approach evaluation – Land Evaluation fair market value (FMV)

##### RV methodology definition:

**The Land - Residual Approach** is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

## Dev - Cost Sheet

Cost Type - Dev Type		Year 1-2	
Development Work			
Land Area - developed / year - sqm		38,641	
Development Cost S.R / SQM		120	
Total Development Cost / Year		4,636,920	
Commercial Offices & Shops			
Sharing of land allocated for building		23,185	
1- Building (Offices & Shops)			
1 basement floor - gross area - sqm (100% land area)		38,641	
GF-FF- Roof F		57,962	
Replacement cost - sq m			
1 basement floors - gross area - sqm		2,500	
GF-FF- Roof F		2,200	
		Built-Up area (GFA ) sqm	Con cost - S.R /sqm
1 basement floors - gross area - sqm		38,641	2,500
GF-FF- Roof F		57,962	2,200
Construction Cost - S.R for part 1		224,117,800	
2- Landscaping and external car parks			
Landscaping, Green area		15,456	
		Built-Up area (GFA ) sqm	Con cost - S.R /sqm
Landscape, fences, outdoor car parks, fences		15,456	450
Construction Cost - S.R for part 2		6,955,380	
Total Construction Cost - S.R		235,710,100	
Other Costs			
Professional Fees (Engineering Consultant) 2.5%		5,892,753	
Statutory fees 2%		4,714,202	
Marketing Fees (Media & Advertising) 1.5%		3,535,652	
Contingency costs 1.5%		3,535,652	
Overhead cost 2.5%		5,892,753	
Total Dev - Cost - SR		259,281,110	

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

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
<b>Category 1: Commercial Offices</b>							
<b>Offices - Grade C+</b>							
Net Leasable area		34,777	34,777	34,777	34,777	34,777	34,777
Annual Rental price / sqm - S.R		600	600	600	550	550	550
Occupancy rate		80%	95%	95%	95%	95%	95%

<b>Revenues Cat 1</b>		<b>16,692,912</b>	<b>19,822,833</b>	<b>19,822,833</b>	<b>18,170,930</b>	<b>18,170,930</b>	<b>18,170,930</b>
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<b>Category 2: Commercial Shops</b>							
<b>Shops - Grade B</b>							
Net Leasable area		13,911	13,911	13,911	13,911	13,911	13,911
Annual Rental price / sqm - S.R		900	900	900	1,000	1,000	1,000
Occupancy rate		80%	100%	100%	100%	100%	100%

<b>Revenues Cat 2</b>		<b>10,015,747</b>	<b>12,519,684</b>	<b>12,519,684</b>	<b>13,910,760</b>	<b>13,910,760</b>	<b>13,910,760</b>
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<b>Gross Revenues</b>		<b>26,708,659</b>	<b>32,342,517</b>	<b>32,342,517</b>	<b>32,081,690</b>	<b>32,081,690</b>	<b>32,081,690</b>
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## Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
<b>Gross Revenues</b>	<b>26,708,659</b>	<b>32,342,517</b>	<b>32,342,517</b>	<b>32,081,690</b>	<b>32,081,690</b>	<b>32,081,690</b>
General & Administrative Expenses 10%	2,670,866	3,234,252	3,234,252	3,208,169	3,208,169	3,208,169
Gross Profit - EBITDA	24,037,793	29,108,265	29,108,265	28,873,521	28,873,521	28,873,521
Depreciation	7,778,433	7,778,433	7,778,433	7,778,433	7,778,433	7,778,433
Earnings after depreciation	16,259,360	21,329,832	21,329,832	21,095,088	21,095,088	21,095,088
Interest Expense	3,889,217	3,889,217	3,889,217	3,889,217	3,889,217	3,889,217
earning after interest expense	12,370,143	17,440,615	17,440,615	17,205,871	17,205,871	17,205,871
Zakat and VAT (7.5%)	927,761	1,308,046	1,308,046	1,290,440	1,290,440	1,290,440
<b>Net Income</b>	<b>11,442,383</b>	<b>16,132,569</b>	<b>16,132,569</b>	<b>15,915,431</b>	<b>15,915,431</b>	<b>15,915,431</b>
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	11,442,383	16,132,569	16,132,569	15,915,431	15,915,431	15,915,431
<b>Cumulative Retained earnings</b>	<b>11,442,383</b>	<b>27,574,952</b>	<b>43,707,521</b>	<b>187,446,622</b>	<b>203,362,053</b>	<b>219,277,483</b>

## Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
<b>IN - Flow</b>						
Capital Injection						
Net Revenues		11,442,383	16,132,569	15,915,431	15,915,431	15,915,431
<b>Total Inflow</b>		11,442,383	16,132,569	15,915,431	15,915,431	15,915,431
<b>OUT Flow</b>						
Total Construction Cost	235,710,100					
Professional Fees	5,892,753					
Statutory fees 2%	4,714,202					
Marketing Fees (Media & Advertising) 1.5%	3,535,652					
Contingency costs 1%	3,535,652					
Overhead cost 1%	5,892,753					
<b>Total Outflow</b>	<b>(259,281,110)</b>					
<b>Net Cash Flow</b>	<b>(259,281,110)</b>	<b>11,442,383</b>	<b>16,132,569</b>	<b>15,915,431</b>	<b>15,915,431</b>	<b>15,915,431</b>
<b>Cumulative Net Income</b>	<b>(259,281,110)</b>	<b>(247,838,727)</b>	<b>(231,706,158)</b>	<b>187,446,622</b>	<b>203,362,053</b>	<b>219,277,483</b>

## Residual Value- Land Value

RV	Year 0	Year 1	Year 2	Year 3	Year 32	Year 33	Total
<b>IN - Flow</b>							
Revenues		11,442,383	16,132,569	16,132,569	15,915,431	15,915,431	
<b>Total Inflow</b>		<b>11,442,383</b>	<b>16,132,569</b>	<b>16,132,569</b>	<b>15,915,431</b>	<b>15,915,431</b>	<b>349,084,349</b>
<b>Discount Rate: 8%</b>		0.926	0.857	0.794	0.085	0.079	
<b>OUT Flow</b>							
<b>Total Outflow</b>		<b>(259,281,110)</b>					<b>(259,281,110)</b>
<b>Total Cash out</b>							
<b>Net Cash Flow</b> (Before Discount Rate)	<b>(259,281,110)</b>	11,442,383	16,132,569	16,132,569	15,915,431	15,915,431	<b>129,151,460</b>
							<b>Total Cash flow</b>
<b>Discounted Cash Flow DCF</b>		<b>10,594,799</b>	<b>13,831,078</b>	<b>12,806,554</b>	<b>1,355,995</b>	<b>1,255,551</b>	<b>168,228,837</b>
							<b>Residual Value</b>

<b>Value Per / sq m</b>		
	Land Value (PV)	168,228,837
	Square Meters	38,641.00
<b>Estimated sq m value (S.R)</b>		<b>4,354</b>

Fair Market Value FMV	Land Area - sqm	Value / sq m . S.R	FMV S.R
Fair Market Value for land	38,641	4,354	168,228,837

**13.2- Depreciated Replacement cost method (DRC)** A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

Replacement cost	BUA – built up area – sqm	Type of operation
GF	12,273	Commercial Shops
First Floor	2,974.72	Offices
Outdoor area	15,456.4	Entrance, exit, surface car parks

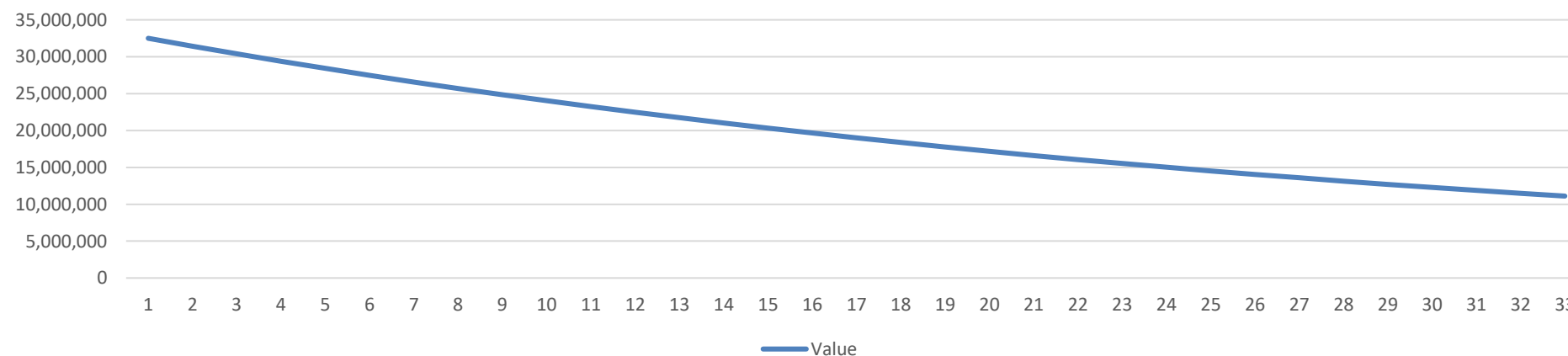
### Depreciated Replacement cost (DRC)

Standards: Average useful life for Showrooms and Office building in <u>Jeddah</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	8 years (starting Operation period @1431 Hijri)
Acc Deprecation	2%*8=	16 %

(fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
GF	12,273	1,800	100%	22,091,400
First Floor	2,974.72	2,200	100%	6,544,384
Outdoor area	15,456.4	250	100%	3,864,100
Replacement cost				32,499,884
- Acc Deprecation		32,499,884*16 %		(5,199,981)
Depreciated Replacement cost DRC				27,299,903

Value of building during operational Life Cycle



#### 14-Fair market value (property) Land + Building In the case fixtures & equipment F&E work-Currency SAR

<b>Fair Market Value (Land)</b>	<b>168,228,837 S.R</b>
<b>+</b>	
Building	27,299,903 S.R
Profit Margin 20%	5,459,981 S.R
<b>Building Value</b>	<b>32,759,883 S.R</b>
<b>Fair market value - Property</b>	200,988,720 S.R (Two Hundred million, nine hundred eighty-eight thousand, seven hundred twenty Saudi riyal)

#### (Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

<b>-5%</b>	<b>Fair market value</b>	<b>+5%</b>
<b>191,000,000 S.R</b>	200,988,720 S.R	211,000,000 S.R

## 15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7% Average market Yield- Jeddah city Q1-2018

<b>Net Operating income NOI Triple Net</b> – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Aziziya Panda) for 15 obligatory year contractually period ( <b>Net Rent/ annum 9,809,608 SAR during the first 5 years and Net Rent/ annum 11,262,883 during the next five years, and Net Rent/ annum 12,716,158 during the rest of Contract's period</b> ) – SR starting from 12 Nov 2013 till 11 Nov 2028 (Remaining 10.6 Years)		
Period 1 : : from 12 Nov 2013 till 11 Nov 2018 (Remaining 6 months) = (9,809,608 * 0.5)	8,580,000	11,773,586
Period 2: from 12 Nov 2018 till 11 Nov 2023 (Coming 5 Years) = (11,262,883 * 5)	23,166,000	
Period 2: from 11 Nov 2023 till 11 Nov 2028 (Coming 5 Years) = (12,716,158 * 5)		
Sum	31,746,000	
n period	7	
Net Operating Income NOI- Triple Net	11,773,586	
<b>– Vacancy and collection loss</b>		0
<b>Additional income (additional area unrented)</b>		0
<b>Effective gross income</b>		11,773,586
<b>Operating Expenses</b>		
Fixed	0	
Variable	0	
Reserves	0	
<b>– Total Operating expenses</b>		0
<b>Net operating income NOI</b>		11,773,586
<b>Fair Market Value @ 7% Capitalization rate SAR</b>		168,194,082

## 16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	200,988,720	
Capitalization rate - FMV	168,194,082	
Weighted Average - Percentage	DRC	120,593,232
	60%	
	Cap rate	67,277,633
	40%	
Fair market value FMV	187,870,865 (One hundred eighty-seven million, eight hundred seventy thousand, eight hundred sixty-five SR)	

### (Sensitivity Analysis) (Risk matrix)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
177,000,000 S.R	187,870,865 S.R	196,000,000 S.R

## 17- Real Estate Market Summary- Jeddah Q1-2018

*Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. Two new brands hotels are expected to enter the market over the next two years.*

**17.1-Offices market:** Offices vacancies increased over the quarter due to new additions from offices spaces based to decreasing in demand level after public and private sectors delayed all new expansions and new movements; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Jeddah are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents.

The entry of over 145,000 sq m into the market since Q3-2017 has resulted the supply outpacing demand, and the release of shadow vacancies into the market also contributed to the increase in vacancies in Q4-2017.

**17.2-Residential market:** Also, performance declined in residential sector. Apartments selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices also falling down due to the departure of large number of expatriates last year.

**17.3-Hospitality market:** Average daily rates falling 18%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017.

**17.4-Retail market:** While occupancies increased marginally in the retail sector over Q1-2018, they are expected to soften of the rest of year as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales.

## 18-External and internal Pictures

### External view



## External view



## Internal view



## Internal view



## Internal view



## 19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report	1220000297	31/12/2018	Real estate
Mohammad Saleh	Site visit, inspection Catchment area	1220000372	1440/04/2	Real estate
Ashraf Al-Shaeer	Final Revision – Release	1220000021	1440/04/2	Real estate

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*Valuation Report Analysis*  
*Panda Al-Rawdah Property*  
*Jeddah City - KSA - May 15, 2018*

Prepared for  
Al-Rajhi Capital



شركة أولات للتقييم العقاري  
Olaat Valuation Company



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**Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397**

# Real Estate Valuation Report Analysis

**Prepared for:**  
**Al-Rajhi Capital.**

## Jeddah City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: [m.mardena@olaat.com](mailto:m.mardena@olaat.com)

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

C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center – Commercial shops
Location	Jeddah city – Al-Rawdah District- on Qasim Zayni St - close to Al-Madinah Road
Land Area	9,929.79 sq m
Title deed number	220205025489
Title's date	13/3/1437 H
Plots Number	23/24
Scheme Number	Al-Rawdah 3
Land Topography	Flat
Boarded streets & Neighbors	<p><b>N:</b> Street width 12 m length 94 m and then length 4.24 m</p> <p><b>S:</b> Street width 25 m length 90 m and then length 7.07 m</p> <p><b>E:</b> Street width 12 m length 91.72 m and then 7.07 m</p> <p><b>W:</b> Street width 12 m length 91.56 m and then 4.25 m</p>
Building Build- up area (Gross floor area) GFA	3,250.47 sq m
Building's Permit number	4221
Building Permit's date	10/11/1425 H
<b>Fair Market value for Property SAR</b>	<b>61,395,917 (Sixty-one million, three hundred ninety-five thousand, nine hundred seventeen SR)</b>

TITLE DEED



BUILDING'S PERMIT



Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital  
For the attention of:  
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alsabtaa@alrajhi-capital.com  
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2018

**Property Address: Panda AL-Rawdah - Jeddah city - Valuation Report analysis**

**Tenure: Commercial Freehold property**

We are delighted to submit our Valuation report for – **Panda AL-Rawdah - Jeddah city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for shops units based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **61,395,917 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

**Olaat Valuation Company**

## 1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for <b>Panda Al-Rawdah Property</b> .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is <b>required for Real estate investment trust REITs Valuation</b> , as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Super market)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 9th of May 2018 by Mohammad Saleh Saudi Authority for Accredited Values membership (Taqeem) 1220000372, all significant parts of the property were inspected.
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

## 2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

## 3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

## 4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

## 5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

## 6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Jeddah city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

## 7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within **Al-Rawdah district close to Al-Madinah Road**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

## 8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD**.

## 9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

## 10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

## 11-Foundation of evaluation report and Contents

### Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

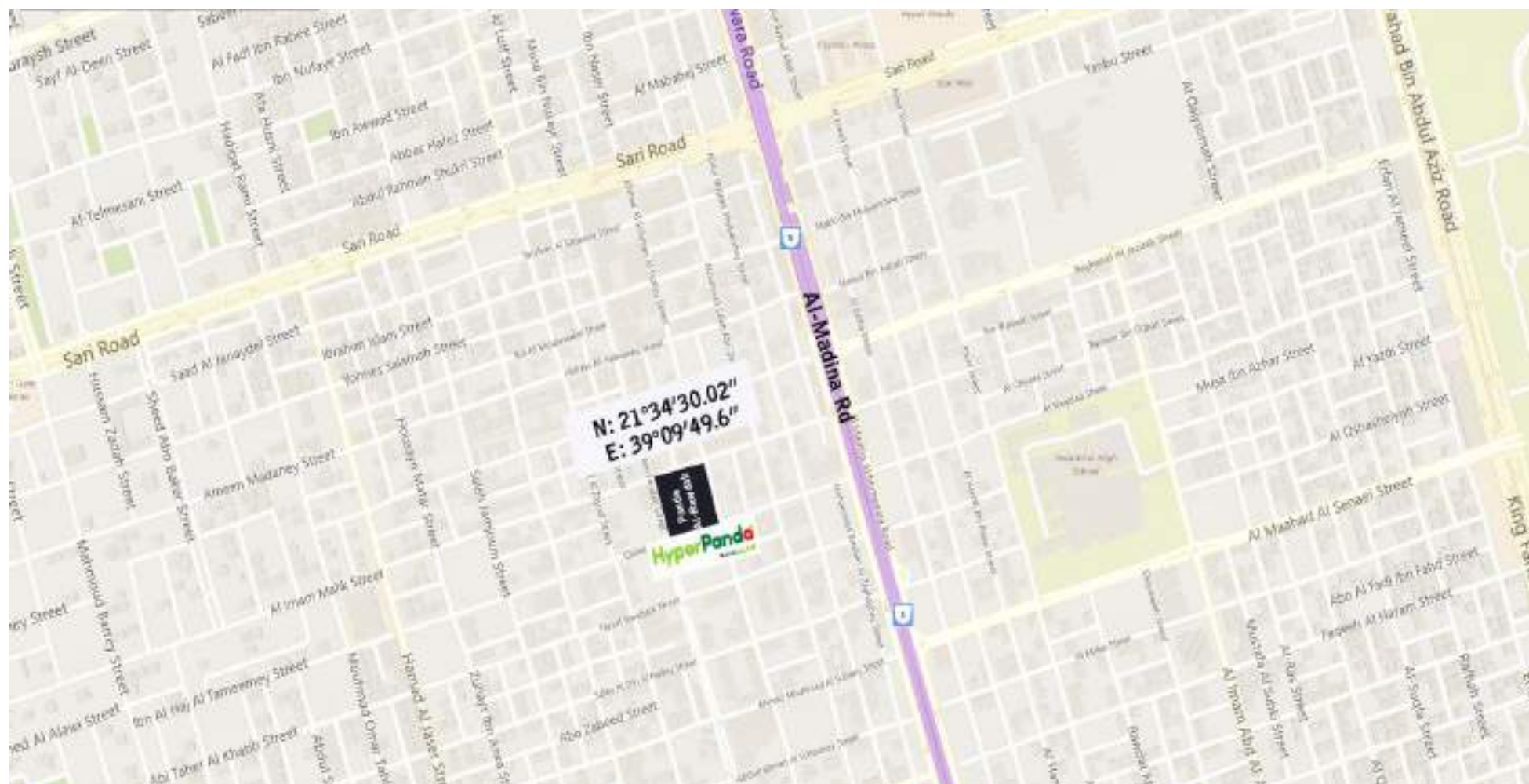
### Attachments

1. Google earth pictures of sample taken from region
2. Evaluation Report

## 12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Jeddah city** within Al-Rawdah district on **Qasim Zayni St** and close to **Al-Madinah Rd**. Land area: **9,929.79 sq m** + **Building GFA 3,250.4 sq m** based on data has been received from **Al-Rajhi Capital Co**. **Geographic**

**Coordinates:** **N: 21°34'30.02"** - **E: 39°09'49.06"**



**The Image below shows the Boundaries of the site:**

### **Micro Situation**



### **12.1- Property Characteristics**

**The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:**

- Visibility: This refers to the general visibility of the frontage of the buildings from 2 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- Lacking of lands in site region offering either for rent or sale
- Affordable Commercial projects in case of new supply from shops

### Main features of the Property:

- Commercial class B-
- Outdoor parking: more than 120 car park units
- Central HVAC system
- Panda Supermarket
- This property has a prime location but doesn't developed as best land use, so we recommend landlord to add more additional leasable space if possible to reach higher lease rate compatible to market, because as per the recent situation Market value for property (land and building) based to DRC approach doesn't match or near to match the value based to Capitalization rate



## 13-Land Valuation

### Case 1 – Residual value approach (land)

#### Residual value approach evaluation – Land Evaluation fair market value (FMV)

##### RV methodology definition:

**The Land - Residual Approach** is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

## Dev - Cost Sheet

Dev - Cost Sheet		
Cost Type - Dev Type	Year 1-2	
Development Work		
Land Area - developed / year - sqm	9,930	
Development Cost S.R / SQM	120	
Total Development Cost / Year	1,191,575	
Commercial Offices & Shops		
Sharing of land allocated for building	5,958	
1 basement floor - Gross area - sqm	5,000	
GF-FF- Roof F	14,895	
Replacement cost - sq m		
1 basement floor - Gross area - sqm	2,500	
GF-FF- Roof F	1,800	
	Built-Up area (GFA ) sqm	Con cost - S.R /sqm
1 basement floor - Gross area - sqm	5,000	2,500
GF-FF- Roof F	14,895	1,800
Construction Cost - S.R for part 1	39,310,433	
2- Landscaping and external car parks		
Landscaping, Green area, Shaded Parking	3,993	
	Built-Up area (GFA ) sqm	Con cost - S.R /sqm
Landscape, fences, outdoor car parks, fences	3,993	450
Construction Cost - S.R for part 2	1,796,717	
Total Construction Cost - S.R	42,298,725	
Other Costs		
Professional Fees (Engineering Consultant) 2.5%	1,057,468	
Statutory fees 2%	845,974	
Marketing Fees (Media & Advertising) 1.5%	634,481	
Contingency costs 1.5%	634,481	
Overhead cost 2.5%	1,057,468	
Total Dev - Cost - SR	46,528,597	

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

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 30	Year 31	Year 32	Year 33
<b>Category 1: Commercial Offices</b>								
<b>Offices - Grade C+</b>								
Net Leasable area		8,937	8,937	8,937	8,937	8,937	8,937	8,937
Annual Rental price / sqm - S.R		650	650	650	1,050	550	550	550
Occupancy rate		80%	95%	95%	95%	95%	95%	95%

<b>Revenues Cat 1</b>	<b>4,647,142</b>	<b>5,518,481</b>	<b>5,518,481</b>	<b>8,914,469</b>	<b>4,669,484</b>	<b>4,669,484</b>	<b>4,669,484</b>
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<b>Category 2: Commercial Shops</b>								
<b>Shops - Grade C+</b>								
Net Leasable area		4,766	4,766	4,766	4,766	4,766	4,766	4,766
Annual Rental price / sqm - S.R		950	950	950	1,300	1,300	1,300	1,300
Occupancy rate		80%	100%	100%	100%	100%	100%	100%

<b>Revenues Cat 2</b>	<b>3,622,387</b>	<b>4,527,984</b>	<b>4,527,984</b>	<b>6,196,189</b>	<b>6,196,189</b>	<b>6,196,189</b>	<b>6,196,189</b>
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<b>Gross Revenues</b>		<b>8,269,529</b>	<b>10,046,465</b>	<b>10,046,465</b>	<b>15,110,658</b>	<b>10,865,673</b>	<b>10,865,673</b>	<b>10,865,673</b>
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## Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	8,269,529	10,046,465	10,046,465	10,865,673	10,865,673	10,865,673
General & Administrative Expenses 10%	826,953	1,004,647	1,004,647	1,086,567	1,086,567	1,086,567
Gross Profit - EBITDA	7,442,576	9,041,819	9,041,819	9,779,105	9,779,105	9,779,105
Depreciation	1,395,858	1,395,858	1,395,858	1,395,858	1,395,858	1,395,858
Earnings after depreciation	6,046,718	7,645,961	7,645,961	8,383,248	8,383,248	8,383,248
Interest Expense	697,929	697,929	697,929	697,929	697,929	697,929
earning after interest expense	5,348,789	6,948,032	6,948,032	7,685,319	7,685,319	7,685,319
Zakat and VAT (7.5%)	401,159	521,102	521,102	576,399	576,399	576,399
<b>Net Income</b>	<b>4,947,630</b>	<b>6,426,929</b>	<b>6,426,929</b>	<b>7,108,920</b>	<b>7,108,920</b>	<b>7,108,920</b>
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	4,947,630	6,426,929	6,426,929	7,108,920	7,108,920	7,108,920
<b>Cumulative Retained earnings</b>	<b>4,947,630</b>	<b>11,374,559</b>	<b>17,801,489</b>	<b>134,771,079</b>	<b>141,879,999</b>	<b>148,988,919</b>

## Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
<b>IN - Flow</b>						
Capital Injection						
Net Revenues		4,947,630	6,426,929	7,108,920	7,108,920	7,108,920
<b>Total Inflow</b>		4,947,630	6,426,929	7,108,920	7,108,920	7,108,920
<b>OUT Flow</b>						
Total Construction Cost	42,298,725					
Professional Fees	1,057,468					
Statutory fees 2%	845,974					
Marketing Fees (Media & Advertising) 1.5%	634,481					
Contingency costs 1%	634,481					
Overhead cost 1%	1,057,468					
<b>Total Outflow</b>	(46,528,597)					
<b>Net Cash Flow</b>	(46,528,597)	4,947,630	6,426,929	7,108,920	7,108,920	7,108,920
<b>Cumulative Net Income</b>	(46,528,597)	(41,580,967)	(35,154,038)	134,771,079	141,879,999	148,988,919

## Residual Value- Land Value

RV	Year 0	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33	Total
<b>IN - Flow</b>								
Revenues		4,947,630	6,426,929	6,426,929	7,108,920	7,108,920	7,108,920	
<b>Total Inflow</b>		<b>4,947,630</b>	<b>6,426,929</b>	<b>6,426,929</b>	<b>7,108,920</b>	<b>7,108,920</b>	<b>7,108,920</b>	<b>185,179,748</b>
<b>Discount Rate: 8%</b>		0.926	0.857	0.794	0.092	0.085	0.079	
<b>OUT Flow</b>								
<b>Total Outflow</b>		<b>(46,528,597)</b>						<b>(46,528,597)</b>
<b>Total Cash out</b>								
<b>Net Cash Flow</b> (Before Discount Rate)	<b>(46,528,597)</b>	4,947,630	6,426,929	6,426,929	7,108,920	7,108,920	7,108,920	88,184,053
								<b>Total Cash flow</b>
<b>Discounted Cash Flow DCF</b>		<b>4,581,139</b>	<b>5,510,056</b>	<b>5,101,904</b>	<b>654,135</b>	<b>605,680</b>	<b>560,815</b>	65,400,353
								<b>Residual Value</b>
<b>Value Per / sq m</b>								
	Land Value (PV)	65,400,353						
	Square Meters	9,929.79						
<b>Estimated sq m value (S.R)</b>		<b>6,586</b>						

Fair Market Value FMV	Land Area - sqm	Value / sq m . S.R	FMV S.R
Fair Market Value for land	9,929.79	6,586	65,400,353

**13.2- Depreciated Replacement cost method (DRC)** A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

Replacement cost	BUA – built up area – sqm	Type of operation
Ground Floor	3,110.90	Commercial Shops
First Floor	139.50	Offices
Outdoor area	6,818.89	Entrance, exit, surface car parks

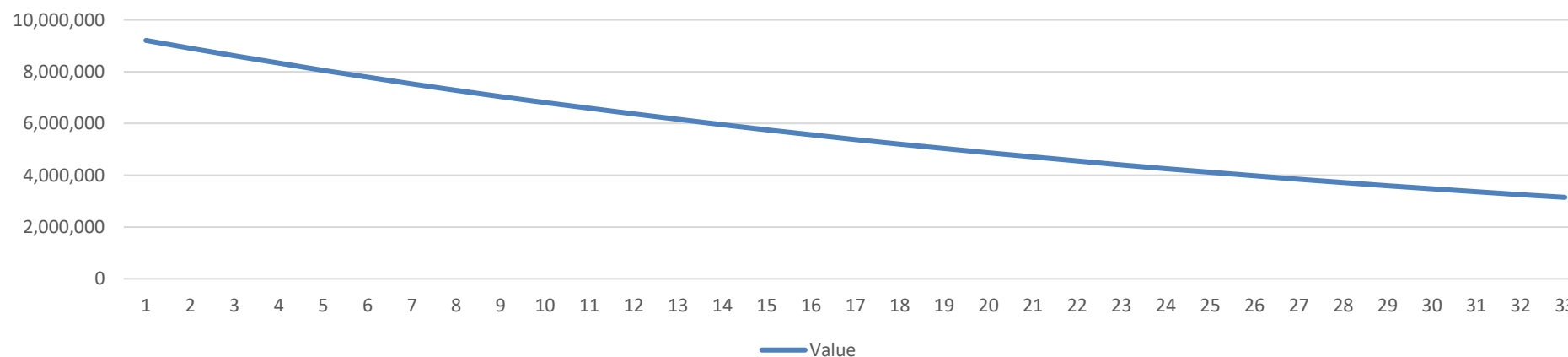
### Depreciated Replacement cost (DRC)

Standards: Average useful life for Showrooms and Office building in <u>Jeddah</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	12 years (starting Operation period @1427 Hijri)
Acc Deprecation	2%*12=	24 %

(fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
Ground Floor	3,110.90	2,300	100%	7,155,070
First Floor	139.50	2,500	100%	348,750
Outdoor area	6,818.89	250	100%	1,704,723
Replacement cost				<b>9,208,543</b>
- Acc Deprecation		9,208,543*24 %		(2,210,050)
Depreciated Replacement cost DRC				<b>6,998,492</b>

Value of building during operational Life Cycle



#### 14-Fair market value (property) Land + Building In the case fixtures & equipment work-Currency SAR

<b>Fair Market Value (Land)</b>	<b>65,400,353 S.R</b>
<b>+</b>	
Building	6,998,492 S.R
Profit Margin 20%	1,399,689 S.R
<b>Building Value</b>	<b>8,398,191 S.R</b>
<b>Fair market value - Property</b>	<b>73,798,544 S.R (Seventy-three million, seven hundred ninety-eight thousand, five hundred forty four Saudi riyal)</b>

#### (Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

<b>-5%</b>	<b>Fair market value</b>	<b>+5%</b>
<b>70,000,000 S.R</b>	<b>73,798,544 S.R</b>	<b>77,400,000 S.R</b>

## 15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Jeddah city Q1-2018

<b>Net Operating income NOI Triple Net</b> – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Aziziya Panda) for 15 obligatory year contractually period ( <b>Net Rent/ annum 2,417,575 SAR during the first 5 years and Net Rent/ annum 2,775,734 during the next five years, and Net Rent/ annum 3,133,893 during the rest of Contract's period</b> ) – SR starting from 27 Feb 2014 till 26 Feb 2029 (Remaining 10.9 Years)			
Period 1: : from 27 Feb 2014 till 27 Feb 2019 (Remaining 9 month) = (2,417,575 * 0.75)	2,281,530		
Period 2: From 27 Feb 2019 till 27 Feb 2024 (Coming 5 Years) = (2,775,734 * 5)	15,780,325		
Period 3: From 27 Feb 2024 till 26 Feb 2029 (Coming 5 years) = (3,133,893 * 5)	17,816,495		
Sum	35,878,350		
n period	10.9		
Net Operating Income NOI- Triple Net	2,877,185		
<b>– Vacancy and collection loss</b>		<b>0</b>	
<b>Additional income (additional area unrented)</b>		<b>0</b>	
<b>Effective gross income</b>		<b>2,877,185</b>	
<b>Operating Expenses</b>			
Fixed	0		
Variable	0		
Reserves	0		
<b>– Total Operating expenses</b>		<b>0</b>	
<b>Net operating income NOI</b>		<b>2,877,185</b>	
<b>Fair Market Value @ 7% Capitalization rate SAR</b>		<b>38,362,466</b>	

## 16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	73,798,544	
Capitalization rate - FMV	38,362,466	
Weighted Average - Percentage	DRC	47,969,054
	65%	
	Cap rate	13,426,863
	35%	
Fair market value FMV	61,395,917 (Sixty-one million, three hundred ninety-five thousand, nine hundred seventeen SR)	

### (Sensitivity Analysis) (Risk matrix)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
58,000,000 S.R	61,395,917 S.R	64,400,000 S.R

## 17- Real Estate Market Summary- Jeddah Q1-2018

*Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. Two new brands hotels are expected to enter the market over the next two years.*

**17.1-Offices market:** Offices vacancies increased over the quarter due to new additions from offices spaces based to decreasing in demand level after public and private sectors delayed all new expansions and new movements; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Jeddah are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents.

The entry of over 145,000 sq m into the market since Q3-2017 has resulted the supply outpacing demand, and the release of shadow vacancies into the market also contributed to the increase in vacancies in Q4-2017.

**17.2-Residential market:** Also, performance declined in residential sector. Apartments selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices also falling down due to the departure of large number of expatriates last year.

**17.3-Hospitality market:** Average daily rates falling 18%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017.

**17.4-Retail market:** While occupancies increased marginally in the retail sector over Q1-2018, they are expected to soften of the rest of year as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales.

## 18-External and internal Pictures

### External view



## External view



## Internal view



## 19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report	1220000297	31/12/2018	Real estate
Mohammad Saleh	Site visit, inspection Catchment area	1220000372	1440/04/2	Real estate
Ashraf Al-Shaeer	Final Revision – Release	1220000021	1440/04/2	Real estate

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*Valuation Report Analysis*  
*Panda Khamis Mushiet Property*  
*Khamis Mushiet City - KSA - May 15, 2018*

Prepared for  
Al-Rajhi Capital



شركة أولات للتقييم العقاري  
Olaat Valuation Company



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**Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397**

# Real Estate Valuation Report Analysis

**Prepared for:**  
**Al-Rajhi Capital.**

**Khamis Mushiet**

**May 15, 2018**

**Done by OPM (Olaat Valuation Company)**

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

**Kingdom of Saudi Arabia**

**Person in charge:**

**- Mustafa Al-Mardina**

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**C.R:1010462536**

**Valuation License: 1210000397**

Property's Type	Commercial Center – Commercial shops
Location	Jeddah city – Al-Nasim District- on Prince Sultan Rd
Land Area	19,000 sq m
Title deed number	471708002889
Title's date	12/3/1437 H
Plots Number	Without Number
Scheme Number	1424/715/ع/2
Land Topography	Flat
Boarded streets & Neighbors	<b>N:</b> Alkhamis – Tandaha Rd Width 84 m length 200 m <b>S:</b> Street width 20 m length 200 m <b>E:</b> Street width 20 m length 100 m <b>W:</b> Street width 27 m length 90 m
Building Build- up area (Gross floor area) GFA	5,456.27 sq m
Building's Permit number	8/108/320/1429
Building Permit's date	27/1/1429 H
<b>Fair Market value for Property SAR</b>	<b>47,573,656 (Forty-seven million, five hundred seventy-three thousand, six hundred fifty-six SR)</b>

TITLE DEED



## BUILDING'S PERMIT



RENT PAYMNET

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital  
For the attention of:  
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T: +966 (11) 211 9417  
alsabtaa@alrajhi-capital.com  
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2018

**Property Address: Panda Khamis Mushiet - Jeddah city - Valuation Report analysis**

**Tenure: Commercial Freehold property**

We are delighted to submit our Valuation report for – **Panda Khamis Mushiet** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for shops units based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **47,573,656 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

**Olaat Valuation Company**

## 1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for <b>Panda Khamis Mushiet Property</b> .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is <b>required for Real estate investment trust REITs Valuation</b> , as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Hyper market)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected from outside and inside on 9 <sup>th</sup> -10 <sup>th</sup> of May 2018 by Mohannad Al-Majrashi Saudi Authority for Accredited Values membership (Taqeem) 1210001165; after connected with Panda's representative Mr. Mohammad Garnish 0505670123 but he prevented photography from inside.
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

## 2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

## 3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

## 4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

## 5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

## 6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Khamis Mushiet city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

## 7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within **Al-Nasim district on Prince Sultan Road**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

## 8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD**.

## 9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

## 10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

## 11-Foundation of evaluation report and Contents

### Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

### Attachments

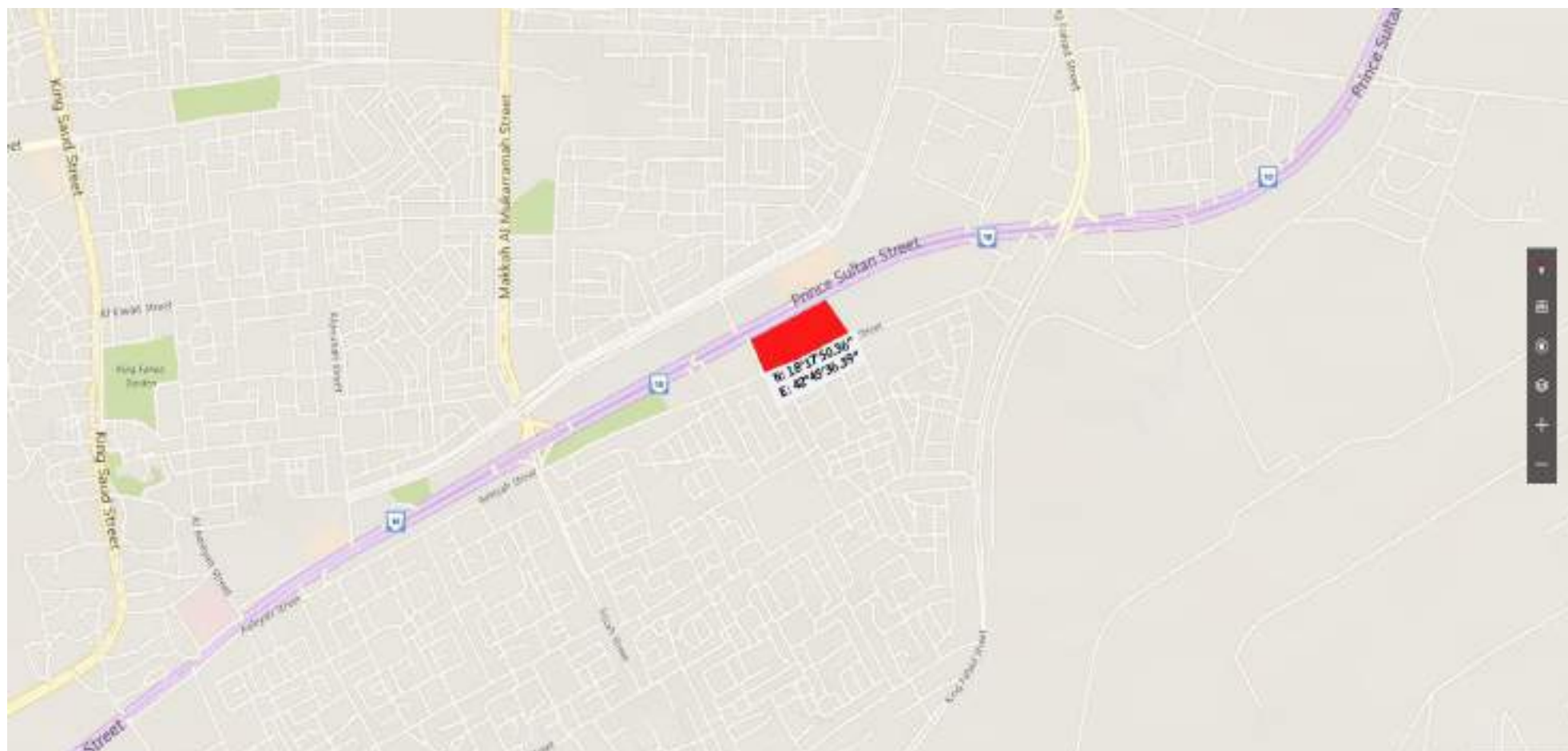
1. Google earth pictures of sample taken from region
2. Evaluation Report

## 12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Khamis Mushiet city** within Al-Nasim district on **Prince Sultan Rd.**

Land area: **19,000 sq m + Building GFA 5,456.27 sq m** based on data has been received from **Al-Rajhi Capital Co.** **Geographic Coordinates:** N:

**18°17'50.39" - E: 42°45'36.88"**



**The Image below shows the Boundaries of the site:**

### **Micro Situation**



### **12.1- Property Characteristics**

**The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:**

- Visibility: This refers to the general visibility of the frontage of the buildings from 2 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- Lacking of lands in site region offering either for rent or sale – only one offer nearby site by 250 m (land area 2,500 sq m offering for sale by 2,200 SR- sq m)
- Affordable Commercial projects in case of new retail supply

**Main features of the Property:**

- Commercial class B
- Outdoor parking: more than 300-350 car park units
- Central HVAC system
- Panda Supermarket
- Land building code – (Number of Stories) = 6 Stories height based to regulations



## 13-Land Valuation

### Case 1 – Residual value approach (land)

#### Residual value approach evaluation – Land Evaluation fair market value (FMV)

##### RV methodology definition:

**The Land - Residual Approach** is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

In this case we didn't took the maximum profitability for using building code 6 floors; based to market indicators the best land use option at time of valuation 3 floor levels (mix use) for commercial shops, offices, clinics, Gym, etc.

## Best Land use - Dev - Cost Sheet

Cost Type - Dev Type		Year 1-2	
Development Work (Commercial aspects – Shops, offices, clinics, Gym, etc.)			
Land Area - developed / year - sqm		19,000	
Development Cost S.R / sq m		80	
Total Development Cost / Year		1,520,000	
Commercial Shops, Offices, clinics, Gym, etc.			
Sharing of land allocated for building LAC (50%)		9,500	
1- Building (Offices & Shops)			
Basement Floor		11,400	
GF-FF- Roof F		23,750	
Replacement cost - sq m			
Basement Floor		2,500	
GF- FF- Second floor		2,200	
		Built-Up area (GFA ) sqm	Con cost - S.R /sqm
Basement Floor		11,400	2,500
GF-FF- Roof F		23,750	2,200
Construction Cost - S.R for part 1		80,750,000	
2- Landscaping, fences, outdoor car parks			
Landscaping, fences, outdoor car parks		9,500	
		Built-Up area (GFA ) sqm	Con cost - S.R /sqm
Landscaping, fences, outdoor car parks		9,500	200
Construction Cost - S.R for part 2		1,900,000	
Total Construction Cost - S.R		84,170,000	
Other Costs			
Professional Fees (Engineering Consultant) 2.5%		2,104,250	
Statutory fees 2%		1,683,400	
Marketing Fees (Media & Advertising) 1.5%		1,262,550	
Contingency costs 1.5%		1,262,550	
Overhead cost 2.5%		2,104,250	
Total Dev - Cost - SR		92,587,000	

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

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 30	Year 31	Year 32	Year 33
<b>Category 1 : Commercial Offices</b>								
<b>Offices - Grade C+</b>								
Net Leasable area		14,250	14,250	14,250	14,250	14,250	14,250	14,250
Annual Rental price / sqm - S.R		270	270	270	300	300	300	300
Occupancy rate		80%	95%	95%	95%	95%	95%	95%

<b>Revenues Cat 1</b>	<b>3,078,000</b>	<b>3,655,125</b>	<b>3,655,125</b>	<b>4,061,250</b>	<b>4,061,250</b>	<b>4,061,250</b>	<b>4,061,250</b>
-----------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------

<b>Category 2 : Commercial Shops</b>								
<b>Shops - Grade C+</b>								
Net Leasable area		7,600	7,600	7,600	7,600	7,600	7,600	7,600
Annual Rental price / sqm - S.R		400	400	400	600	600	600	600
Occupancy rate		80%	100%	100%	100%	100%	100%	100%

<b>Revenues Cat 2</b>	<b>2,432,000</b>	<b>3,040,000</b>	<b>3,040,000</b>	<b>4,560,000</b>	<b>4,560,000</b>	<b>4,560,000</b>	<b>4,560,000</b>
-----------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------

<b>Gross Revenues</b>		<b>5,510,000</b>	<b>6,695,125</b>	<b>6,695,125</b>	<b>8,621,250</b>	<b>8,621,250</b>	<b>8,621,250</b>	<b>8,621,250</b>
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## Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	5,510,000	6,695,125	6,695,125	8,621,250	8,621,250	8,621,250
General & Administrative Expenses 10%	551,000	669,513	669,513	862,125	862,125	862,125
Gross Profit - EBITDA	4,959,000	6,025,613	6,025,613	7,759,125	7,759,125	7,759,125
Depreciation	2,314,675	2,314,675	2,314,675	2,314,675	2,314,675	2,314,675
Earnings after depreciation	2,644,325	3,710,938	3,710,938	5,444,450	5,444,450	5,444,450
Interest Expense	1,388,805	1,388,805	1,388,805	1,388,805	1,388,805	1,388,805
earning after interest expense	1,255,520	2,322,133	2,322,133	4,055,645	4,055,645	4,055,645
Zakat and VAT (7.5%)	94,164	174,160	174,160	304,173	304,173	304,173
<b>Net Income</b>	<b>1,161,356</b>	<b>2,147,973</b>	<b>2,147,973</b>	<b>3,751,472</b>	<b>3,751,472</b>	<b>3,751,472</b>
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	1,161,356	2,147,973	2,147,973	3,751,472	3,751,472	3,751,472
<b>Cumulative Retained earnings</b>	<b>1,161,356</b>	<b>3,309,329</b>	<b>5,457,301</b>	<b>41,266,188</b>	<b>45,017,660</b>	<b>48,769,131</b>

## Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
<b>IN - Flow</b>						
Capital Injection						
Net Revenues		1,161,356	2,147,973	3,751,472	3,751,472	3,751,472
Depreciation		2,314,675	2,314,675	2,314,675	2,314,675	2,314,675
<b>OUT Flow</b>						
Total Construction Cost	84,170,000					
Professional Fees	2,104,250					
Statutory fees 2%	1,683,400					
Marketing Fees (Media & Advertising) 1.5%	1,262,550					
Contingency costs 1%	1,262,550					
Overhead cost 1%	2,104,250					
<b>Total Outflow</b>	(92,587,000)					
<b>Net Cash Flow</b>	(92,587,000)	3,476,031	4,462,648	6,066,147	6,066,147	6,066,147
<b>Cumulative Net Income</b>	(92,587,000)	(89,110,969)	(84,648,321)	66,727,613	72,793,760	78,859,906

## Residual Value- Land Value

RV	Year 0	Year 1	Year 2	Year 31	Year 32	Year 33	Total
<b>IN - Flow</b>							
Revenues		3,476,031	4,462,648	6,066,147	6,066,147	6,066,147	
Total Inflow		3,476,031	4,462,648	6,066,147	6,066,147	6,066,147	99,872,425
<b>Discount Rate</b>							
		0.912	0.832	0.058	0.053	0.049	
9.60%							
<b>OUT Flow</b>							
Total Outflow		(92,587,000)					(92,587,000)
<b>Total Cash out</b>							
Net Cash Flow (Before Discount Rate)	(92,587,000)	3,476,031	4,462,648	6,066,147	6,066,147	6,066,147	42,947,782
<b>Total Cash flow</b>							
<b>Discounted Cash Flow DCF</b>							
		3,171,561	3,715,108	353,823	322,831	294,554	35,348,348
<b>Residual Value</b>							
<b>Value Per / sq m</b>							
	Land Value (PV)	35,348,348					
	Square Meters	19,000.00					
Estimated sq m value (S.R)		1,860					

Fair Market Value FMV	Land Area - sqm	Value / sq m . S.R	FMV S.R
Fair Market Value for land	19,000	1,860	35,348,348

**13.2- Depreciated Replacement cost method (DRC)** A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

Replacement cost	BUA – built up area – sqm	Type of operation
Ground Floor	5,456.27	Super market plus Shops
Outdoor area	13,543	Entrance, exit, surface car parks (300-400 car park)

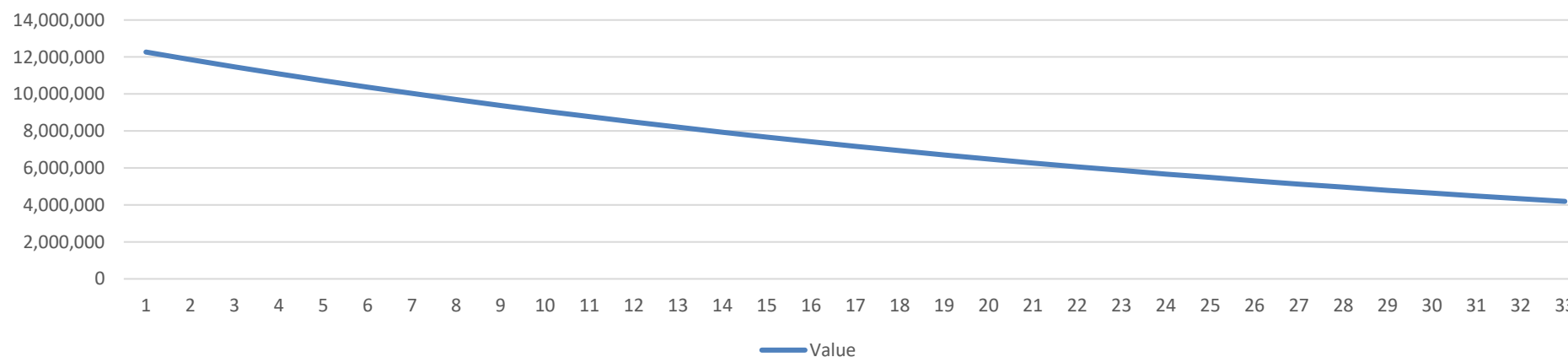
### Depreciated Replacement cost (DRC)

Standards: Average useful life for Showrooms and Office building in <u>Khamis Mushiet</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	8 years (starting Operation period @1431 Hijri)
Acc Deprecation	2%*8=	16 %

(fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
Ground Floor	5,456.27	2,000	100%	10,912,540
Outdoor area	13,543	100	100%	1,354,300
Replacement cost				<b>12,266,840</b>
- Acc Deprecation		12,266,840*16 %		(1,962,694)
Depreciated Replacement cost DRC				<b>10,304,146</b>

Value of building during operational Life Cycle



#### 14-Fair market value DRC method - (property) Land + Building In the case fixtures & equipment work-Currency SAR

<b>Fair Market Value (Land)</b>	<b>35,348,348 S.R</b>
<b>+</b>	
Building	10,304,146 S.R
Profit Margin 20%	2,060,829 S.R
<b>Fair market value - Property</b>	<b>47,713,322 S.R (Forty-Seven million, seven hundred thirteen thousand, three hundred twenty two Saudi riyal)</b>

#### (Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

<b>-5%</b>	<b>Fair market value</b>	<b>+5%</b>
<b>45,000,000 S.R</b>	<b>47,713,322 S.R</b>	<b>50,000,000 S.R</b>

## 15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Jeddah city Q1-2018

<b>Net Operating income NOI Triple Net</b> – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Aziziya Panda) for 15 obligatory year contractually period (Net Rent/ annum 2,748,831 SAR during the first 5 years and Net Rent/ annum 3,156,065 during the next five years, and Net Rent/ annum 3,563,299 during the rest of Contract's period) – SR starting from 24 Mar 2014 till 23 Mar 2029 (Remaining 10.10 Years)			
Period 1: : from 24 Mar 2014 till 24 Mar 2019 (Remaining 10 month) = (2,748,831 * 0.83)	2,281,530		
Period 2: From 24 Mar 2019 till 24 Mar 2024 (Coming 5 Years) = (3,156,065 * 5)	15,780,325		
Period 3: From 24 Mar 2024 till 23 Mar 2029 (Coming 5 years) = (3,563,299 * 5)	17,816,495		
Sum	35,878,350		
n period	10.10		
Net Operating Income NOI- Triple Net	3,552,312		
<b>– Vacancy and collection loss</b>		<b>0</b>	
<b>Additional income (additional area unrented)</b>		<b>0</b>	
<b>Effective gross income</b>		<b>3,552,312</b>	
<b>Operating Expenses</b>			
Fixed	0		
Variable	0		
Reserves	0		
<b>– Total Operating expenses</b>		<b>0</b>	
<b>Net operating income NOI</b>		<b>3,552,312</b>	
<b>Fair Market Value @ 7.5% Capitalization rate SAR</b>		<b>47,364,158</b>	

## 16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + deprecation replacement cost - FMV	47,713,322	
Capitalization rate - FMV	47,364,158	
Weighted Average - Percentage	DRC	28,627,993
	60%	
	Cap rate	18,945,663
	40%	
Fair market value FMV	47,573,656 (Forty-seven million, five hundred seventy-three thousand, six hundred fifty-six SR)	

### (Sensitivity Analysis) (Risk matrix)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
45,000,000 S.R	47,573,656 S.R	50,000,000 S.R

## 17-External and internal Pictures

### External view



## External view



## 18- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report	1220000297	31/12/2018	Real estate
Mohannad Al-Majrshi	Site visit, inspection Catchment area	1210001165	1439/11/24	Real estate
Ashraf Al-Shaeer	Final Revision – Release	1220000021	1440/04/2	Real estate

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*Valuation Report Analysis*  
*Panda Mada'en AL-Fahd Property*  
*AL-Riyadh City - KSA - May 15, 2018*

Prepared for  
Al-Rajhi Capital



شركة أولات للتقييم العقاري  
Olaat Valuation Company



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**Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397**

# Real Estate Valuation Report Analysis

**Prepared for:**  
**Al-Rajhi Capital.**

## Jeddah City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- **Mustafa Al-Mardina**

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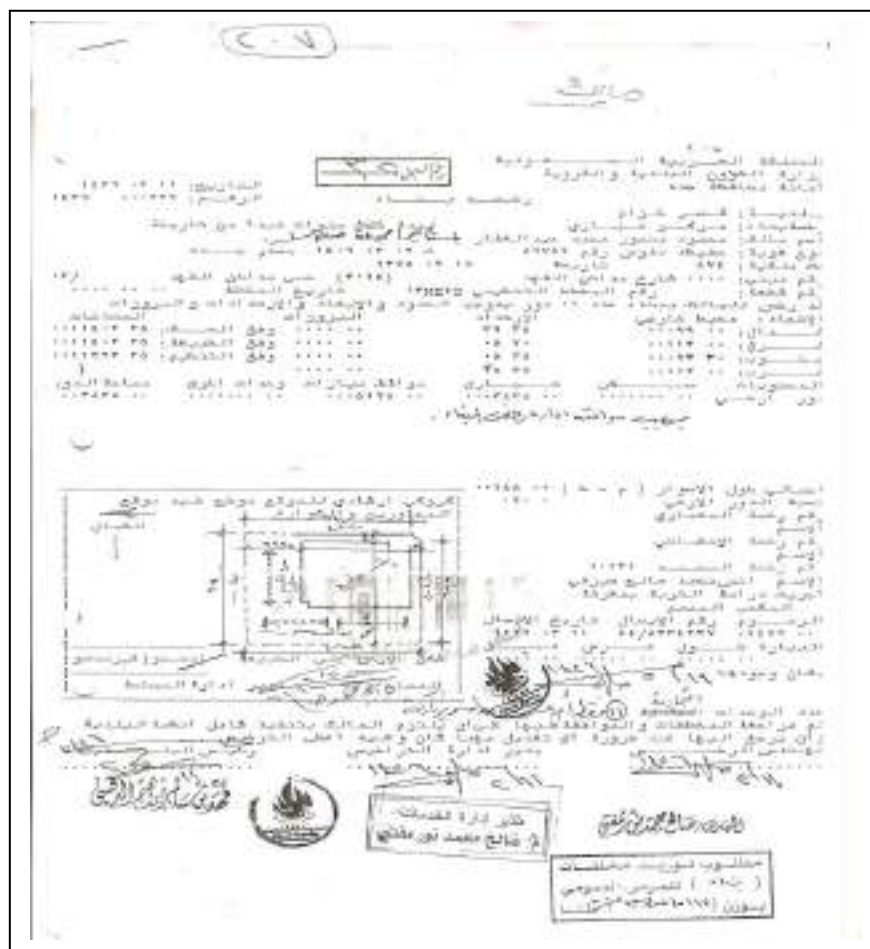
Property's Type	Commercial Center – Commercial shops
Location	Jeddah city – Mada'en Al-Fahd District- on Mada'en Al-Fahd Rd
Land Area	(9,000+2,873.92) <b>11,873.92 sq m</b>
Title deed number (1-2)	320224003715-920224003713
Title's date	24/3/1437 H
Plots Number	No Number
Scheme Number	No Number
Land Topography	Flat
Boarded streets & Neighbors	<b>N:</b> Based to Deed Title
	<b>S:</b> Based to Deed Title
	<b>E:</b> Based to Deed Title
	<b>W:</b> Based to Deed Title
Building Build- up area (Gross floor area) GFA	3,838 sq m plus Fence 185 sq m
Building's Permit number	226
Building Permit's date	11/02/1426 H
<b>Fair Market value for Property SAR</b>	<b>48,205,127 (Forty-eight million, two hundred five thousand, one hundred twenty-seven SR)</b>

TITLE DEED 2



# BUILDING's PERMIT

# Disclaimer



We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital  
For the attention of:  
Mr: **Abdul-Aziz Al-Sabt**  
T: +966 (11) 211 9417  
alsabtaa@alrajhi-capital.com  
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2018

**Property Address: Panda Mada'en AL-Fahd - Jeddah city - Valuation Report analysis**

**Tenure: Commercial Freehold property**

We are delighted to submit our Valuation report for – **Panda Madan'en Al-Fahd - Jeddah city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for shops units based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **48,205,127 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

**Olaat Valuation Company**

## 1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for <b>Panda Mada'en Al-Fahd Property</b> .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is <b>required for Real estate investment trust REITs Valuation</b> , as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Super market)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 9th of May 2018 by Mohammad Saleh Saudi Authority for Accredited Values membership (Taqeem) 1220000372, all significant parts of the property were inspected.
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

## 2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

## 3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

## 4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

## 5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

## 6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Jeddah city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

## 7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within **Mada'en Al-Fahd district on Mada'en AL-Fahd St**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

## 8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD**.

## 9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

## 10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

## 11-Foundation of evaluation report and Contents

### Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

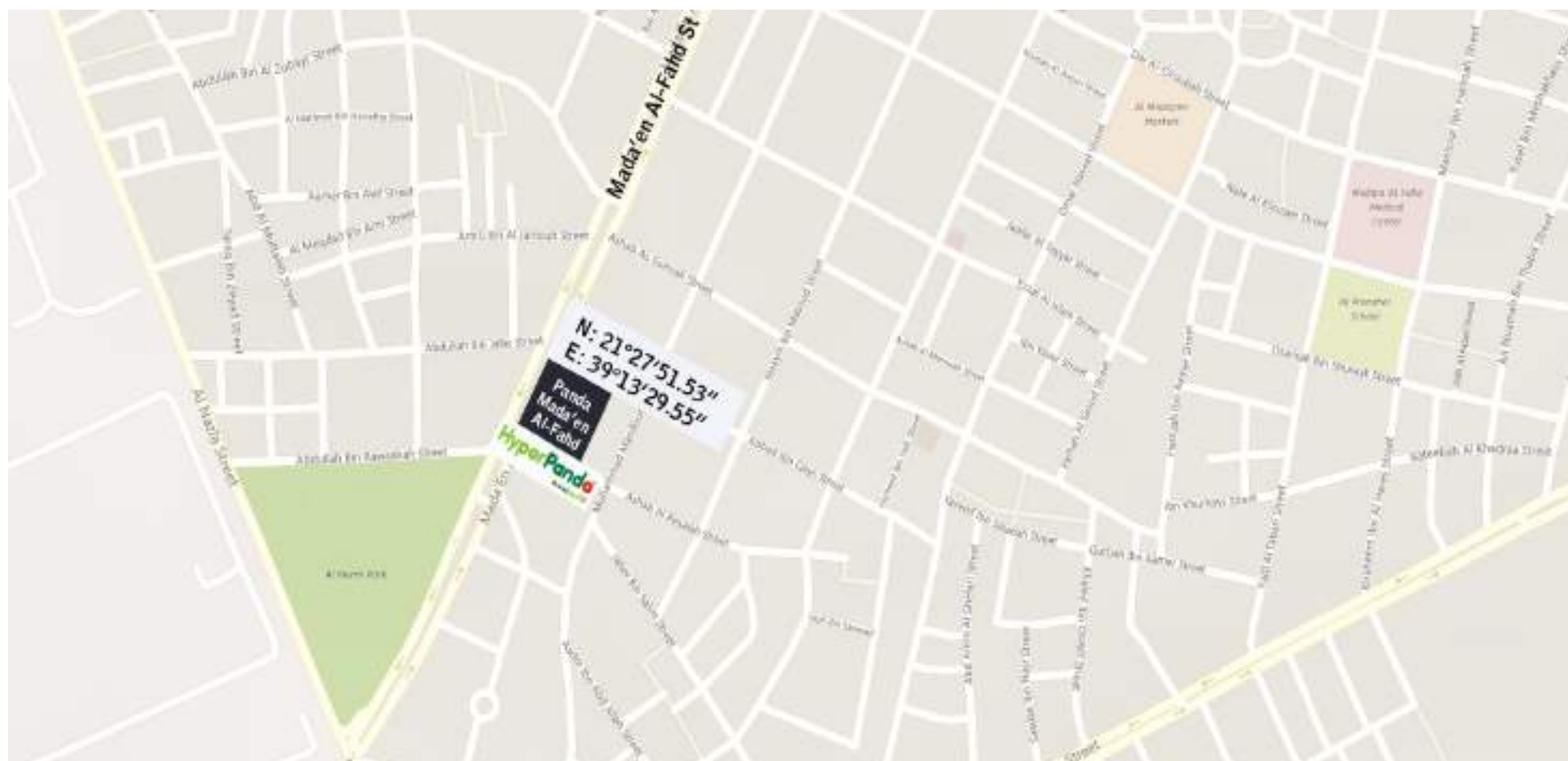
### Attachments

1. Google earth pictures of sample taken from region
2. Evaluation Report

## 12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Jeddah city** within Mada'en Al-Fahd district on **Mada'en Al-Fahd St.**  
 Land area: **11,873.92.79 sq m + Building GFA 3,838 sq m plus Fence 185 sqm** based on data has been received from **Al-Rajhi Capital Co.**

**Geographic Coordinates:** **N: 21°27'51.53" - E: 39°13'29.55"**



**The Image below shows the Boundaries of the site:**

### **Micro Situation**



### **12.1- Property Characteristics**

**The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:**

- Visibility: This refers to the general visibility of the frontage of the buildings from 3 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- Lacking of lands in site region offering either for rent or sale
- Affordable Commercial projects in case of new supply from shops

### Main features of the project:

- Commercial class B-
- Outdoor parking: more than 90 car park units
- Central HVAC system
- Panda Supermarket



## 13-Land Valuation

### Case 1 – Residual value approach (land)

#### Residual value approach evaluation – Land Evaluation fair market value (FMV)

##### RV methodology definition:

**The Land - Residual Approach** is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

## Dev - Cost Sheet

Development Work		
Land Area - developed / year - sqm	11,873.92	
Development Cost S.R / SQM	120	
Total Development Cost / Year	1,424,870	
Commercial Offices & Shops		
Sharing of land allocated for building	7,124	
1- Building (Offices & Shops)		
1 basement floor - Gross area - sqm	5,000	
GF-FF- Roof F	17,811	
Replacement cost - sq m		
1 basement floor - gross area - sqm	2,500	
GF-FF- Roof F	1,800	
	Built-Up area (GFA ) sqm	Con cost - S.R /sqm
1 basement floors - Gross area - sqm	5,000	2,500
GF-FF- Roof F	17,811	1,800
Construction Cost - S.R for part 1		44,559,584
2- Landscaping and external car parks		
Landscaping, Green area- Surface Car parking	4,750	
	Built-Up area (GFA ) sqm	Con cost - S.R /sqm
Landscape, fences, Surface car parks, fences	4,750	450
Construction Cost - S.R for part 2		2,137,306
Total Construction Cost - S.R		48,121,760
Other Costs		
Professional Fees (Engineering Consultant) 2.5%	1,203,044	
Statutory fees 2%	962,435	
Marketing Fees (Media & Advertising) 1.5%	721,826	
Contingency costs 1.5%	721,826	
Overhead cost 2.5%	1,203,044	
Total Dev - Cost - SR	52,933,936	

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

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 30	Year 31	Year 32	Year 33
<b>Category 1 : Commercial Offices</b>								
<b>Offices - Grade C+</b>								
Net Leasable area		9,262	9,262	9,262	9,262	9,262	9,262	9,262
Annual Rental price / sqm - S.R		450	450	450	650	650	650	650
Occupancy rate		80%	95%	95%	95%	95%	95%	95%

<b>Revenues Cat 1</b>	<b>3,334,197</b>	<b>3,959,359</b>	<b>3,959,359</b>	<b>5,719,074</b>	<b>5,719,074</b>	<b>5,719,074</b>	<b>5,719,074</b>
-----------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------

<b>Category 2 : Commercial Shops</b>								
<b>Shops - Grade C+</b>								
Net Leasable area		4,275	4,275	4,275	4,275	4,275	4,275	4,275
Annual Rental price / sqm - S.R		750	750	750	950	950	950	950
Occupancy rate		80%	95%	95%	95%	95%	95%	95%

<b>Revenues Cat 2</b>	<b>2,564,767</b>	<b>3,045,660</b>	<b>3,045,660</b>	<b>3,857,837</b>	<b>3,857,837</b>	<b>3,857,837</b>	<b>3,857,837</b>
-----------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------

<b>Gross Revenues</b>		<b>5,898,963</b>	<b>7,005,019</b>	<b>7,005,019</b>	<b>9,576,910</b>	<b>9,576,910</b>	<b>9,576,910</b>	<b>9,576,910</b>
-----------------------	--	------------------	------------------	------------------	------------------	------------------	------------------	------------------

## Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	5,898,963	7,005,019	7,005,019	9,576,910	9,576,910	9,576,910
General & Administrative Expenses 10%	589,896	700,502	700,502	957,691	957,691	957,691
Gross Profit - EBITDA	5,309,067	6,304,517	6,304,517	8,619,219	8,619,219	8,619,219
Depreciation	1,588,018	1,588,018	1,588,018	1,588,018	1,588,018	1,588,018
Earnings after depreciation	3,721,049	4,716,499	4,716,499	7,031,201	7,031,201	7,031,201
Interest Expense	794,009	794,009	794,009	794,009	794,009	794,009
earning after interest expense	2,927,040	3,922,490	3,922,490	6,237,192	6,237,192	6,237,192
Zakat and VAT (7.5%)	219,528	294,187	294,187	467,789	467,789	467,789
<b>Net Income</b>	<b>2,707,512</b>	<b>3,628,303</b>	<b>3,628,303</b>	<b>5,769,403</b>	<b>5,769,403</b>	<b>5,769,403</b>
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	2,707,512	3,628,303	3,628,303	5,769,403	5,769,403	5,769,403
<b>Cumulative Retained earnings</b>	<b>2,707,512</b>	<b>6,335,815</b>	<b>9,964,119</b>	<b>63,463,429</b>	<b>69,232,832</b>	<b>75,002,234</b>

## Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
<b>IN - Flow</b>						
Capital Injection						
Net Revenues		2,707,512	3,628,303	5,769,403	5,769,403	5,769,403
<b>Total Inflow</b>		2,707,512	3,628,303	5,769,403	5,769,403	5,769,403
<b>OUT Flow</b>						
Total Construction Cost	48,121,760					
Professional Fees	1,203,044					
Statutory fees 2%	962,435					
Marketing Fees (Media & Advertising) 1.5%	721,826					
Contingency costs 1%	721,826					
Overhead cost 1%	1,203,044					
<b>Total Outflow</b>	(52,933,936)					
<b>Net Cash Flow</b>	(52,933,936)	2,707,512	3,628,303	5,769,403	5,769,403	5,769,403
<b>Cumulative Net Income</b>	(52,933,936)	(50,226,424)	(46,598,121)	63,463,429	69,232,832	75,002,234

## Residual Value- Land Value

NPV - IRR	Year 0	Year 1	Year 2	Year 3	Year 32	Year 33	Total
<b>IN - Flow</b>							
Revenues		2,707,512	3,628,303	3,628,303	5,769,403	5,769,403	
<b>Total Inflow</b>		<b>2,707,512</b>	<b>3,628,303</b>	<b>3,628,303</b>	<b>5,769,403</b>	<b>5,769,403</b>	<b>105,001,349</b>
<b>Discount Rate: 8%</b>		0.926	0.857	0.712	0.085	0.079	
<b>OUT Flow</b>							
Total Outflow		(52,933,936)					(52,933,936)
<b>Total Cash out</b>							
<b>Net Cash Flow</b> (Before Discount Rate)	(52,933,936)	2,707,512	3,628,303	3,628,303	5,769,403	5,769,403	43,094,228
<b>Total Cash flow</b>							
<b>Discounted Cash Flow DCF</b>		<b>2,506,956</b>	<b>3,110,685</b>	<b>2,582,555</b>	<b>491,553</b>	<b>455,142</b>	43,678,197
							<b>Residual Value</b>

<b>Value Per / sq m</b>		
	Land Value (PV)	43,678,197
	Square Meters	11,873.92
<b>Estimated sq m value (S.R)</b>		<b>3,678</b>

Fair Market Value FMV	Land Area - sqm	Value / sq m . S.R	FMV S.R
Fair Market Value for land	11,873.92	3,678	43,678,197

**13.2- Depreciated Replacement cost method (DRC)** A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

Replacement cost	BUA – built up area – sqm	Type of operation
Ground Floor	3,838	Commercial Shops
Fence	185	Services
Outdoor area	8,000	Surface car Parking – Entrance/Exit

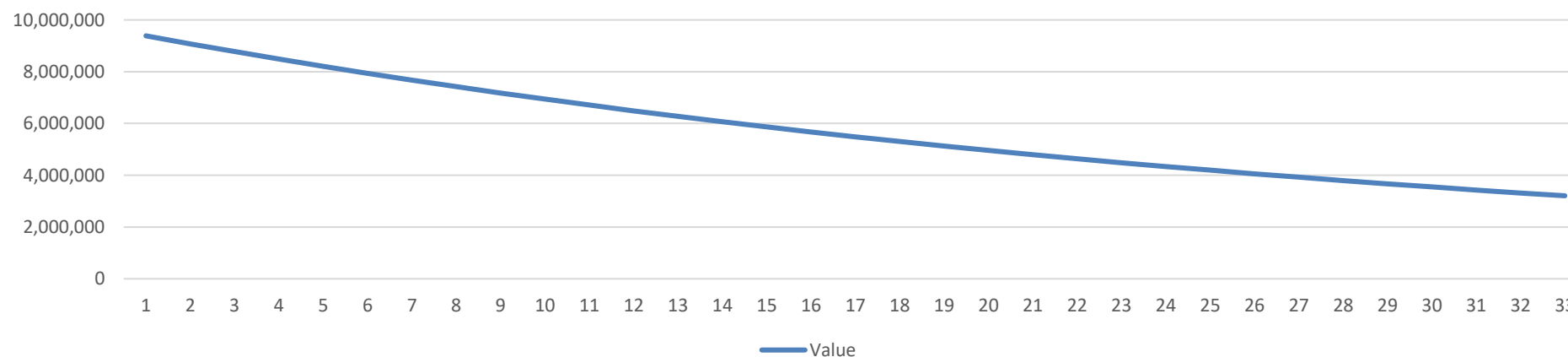
### Depreciated Replacement cost (DRC)

Standards: Average useful life for Showrooms and Office building in <u>Jeddah</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	11 years (starting Operation period @1428 Hijri)
Acc Deprecation	2%*11=	22 %

(fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
Ground Floor	3,838	1,900	100%	7,292,200
Fence	185	500	100%	92,500
Outdoor area	8,000	250	100%	2,000,000
Replacement cost				9,384,700
- Acc Deprecation		9,384,700*22 %		(2,064,634)
Depreciated Replacement cost DRC				7,320,066

Value of building during operational Life Cycle



#### 14-Fair market value (property) Land + Building In the case fixtures & equipment work-Currency SAR

<b>Fair Market Value (Land)</b>	<b>43,678,197 S.R</b>
<b>+</b>	
Building	7,320,066 S.R
Profit Margin 20%	1,464,013 S.R
<b>Building Value</b>	<b>8,784,079 S.R</b>
<b>Fair market value - Property</b>	52,462,277 S.R (Fifty- Two million, Four hundred sixty-two thousand, two hundred seventy seven Saudi riyal)

#### (Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

<b>-5%</b>	<b>Fair market value</b>	<b>+5%</b>
<b>50,000,000 S.R</b>	52,462,277 S.R	55,000,000 S.R

## 15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Jeddah city Q1-2018

<b>Net Operating income NOI Triple Net</b> – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Aziziya Panda) for 15 obligatory year contractually period ( <b>Net Rent/ annum 2,529,370 SAR during the first 5 years and Net Rent/ annum 2,904,091 during the next five years, and Net Rent/ annum 3,278,813 during the rest of Contract's period</b> ) – SR starting from 4 Sep 2014 till 3 Sep 2029 (Remaining 11.4 Years)			
Period 1: : from 4 Sep 2014 till 4 Sep 2019 (Remaining 1.4 years) = (2,529,370 * 1.4)	3,541,118		
Period 2: From 4 Sep 2019 till 4 Sep 2024 (Coming 5 Years) = (2,904,091 * 5)	14,520,455		
Period 3: From 4 Sep 2024 till 3 Sep 2019 (Coming 5 years) = (3,278,813 * 5)	16,394,065		
Sum	34,455,638		
n period	11.4		
Net Operating Income NOI- Triple Net	3,022,424		
<b>– Vacancy and collection loss</b>		<b>0</b>	
<b>Additional income (additional area unrented)</b>		<b>0</b>	
<b>Effective gross income</b>		<b>3,022,424</b>	
<b>Operating Expenses</b>			
Fixed	0		
Variable	0		
Reserves	0		
<b>– Total Operating expenses</b>		<b>0</b>	
<b>Net operating income NOI</b>		<b>3,022,424</b>	
<b>Fair Market Value @ 7.5% Capitalization rate SAR</b>		<b>40,298,991</b>	

## 16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	52,462,277	
Capitalization rate - FMV	40,298,991	
Weighted Average - Percentage	DRC	34,100,480
	65%	
	Cap rate	14,104,647
	35%	
Fair market value FMV	48,205,127 (Forty-eight million, two hundred five thousand, one hundred twenty-seven SR)	

### (Sensitivity Analysis) (Risk matrix)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
46,000,000 S.R	48,205,127 S.R	50,600,000 S.R

## 17- Real Estate Market Summary- Jeddah Q1-2018

*Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. Two new brands hotels are expected to enter the market over the next two years.*

**17.1-Offices market:** Offices vacancies increased over the quarter due to new additions from offices spaces based to decreasing in demand level after public and private sectors delayed all new expansions and new movements; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Jeddah are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents.

The entry of over 145,000 sq m into the market since Q3-2017 has resulted the supply outpacing demand, and the release of shadow vacancies into the market also contributed to the increase in vacancies in Q4-2017.

**17.2-Residential market:** Also, performance declined in residential sector. Apartments selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices also falling down due to the departure of large number of expatriates last year.

**17.3-Hospitality market:** Average daily rates falling 18%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017.

**17.4-Retail market:** While occupancies increased marginally in the retail sector over Q1-2018, they are expected to soften of the rest of year as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales.

## 18-External and internal Pictures

### External view



## External view



## 19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report	1220000297	31/12/2018	Real estate
Mohammad Saleh	Site visit, inspection Catchment area	1220000372	1440/04/2	Real estate
Ashraf Al-Shaeer	Final Revision – Release	1220000021	1440/04/2	Real estate

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*Valuation Report Analysis*  
*Rama Plaza Property*  
*AL-Riyadh City - KSA - May 15, 2018*

Prepared for  
Al-Rajhi Capital



شركة أولات للتقييم العقاري  
Olaat Valuation Company



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**Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397**

# Real Estate Valuation Report Analysis

**Prepared for:**  
**Al-Rajhi Capital.**

## Riyadh City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

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C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center –Commercial shops & Offices
Location	Riyadh city – Al-Nahda District- Intersection point btw Prince Bandar Bin Abdul-Aziz & Abdurrahman Al-Nasr road
Land Area	15,600 sq m
Title deed number	610115041821
Title's date	6/9/1436 H
Plots Number	From 2057 till 2076
Scheme Number	1661
Land Topography	Flat
Boarded streets & Neighbors	N: Street width 40 m length 60 m
	S: Street width 20 m length 60 m
	E: Street width 15 m length 260 m
	W: Street width 30 m length 260 m
Building Build- up area (Gross floor area) GFA	9,514.42 sq m plus Fence 308 sq m
Building's Permit number	1432/961
Building Permit's date	09/01/1432 H
<b>Fair Market value for Property SAR</b>	<b>69,235,706 (Sixty-nine million, two hundred thirty-five-thousand, seven hundred six SR)</b>

## Legal Documents

### TITLE DEED



### BUILDING's PERMIT



Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital  
For the attention of:  
Mr: **Abdul-Aziz Al-Sabt**  
T: +966 (11) 211 9417  
alsabtaa@alrajhi-capital.com  
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2018

**Property Address: Rama Plaza- Riyadh city - Valuation Report analysis**

**Tenure: Commercial Freehold property**

We are delighted to submit our Valuation report for – **Rama Plaza - Riyadh city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for Offices and shops units based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **69,235,706 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

**Olaat Valuation Company**

## 1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for <b>Rama PLaza Property</b> .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is <b>required for Real estate investment trust REITs Valuation</b> , as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Offices and Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 8th of May 2018 by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr. Mohammad Bakri 056 220 8888 (on behalf of Al-Fowzan)
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

## 2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

## 3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council** (IVSC): The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

## 4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Values memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

## 5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

## 6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Riyadh city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

## 7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within Al-Nahda district **on Prince Bandar bin Abdul-Aziz Street intersection point with Abdurrahman AL-Naser Street**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

## 8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD.**

## 9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

## 10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

## 11-Foundation of evaluation report and Contents

### Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

### Attachments

1. Google earth pictures of sample taken from region
2. Evaluation Report

## 12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Riyadh city** within Al-Nahda district on **Prince Bandar bin Abdul-Aziz Street** intersection point with **Abdurrahman AL-Naser Street**. Land area: **15,600 sq m + Building GFA 9,822.42 sq m** based on data has been received from **Al-Rajhi Capital Co.** **Geographic Coordinates:** **N: 24°45'21.82" - E: 46°47'29.84"**



**The Image below shows the Boundaries of the site:**

### Micro Situation



### 12.1- Property Characteristics

**The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:**

- Visibility: This refers to the general visibility of the frontage of the buildings from 2 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential east Of Riyadh)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- No Any land in site region offering either for rent or sale
- Lacking of any commercial projects in case of new supply from offices and shops.

### Main features of the project:

- Commercial offices building and showrooms class C+
- Outdoor parking: 150 nos. car park
- Split units for offices HVAC system
- All offices area below standard system 3.6\*3.6 consists of (Smoking detector)
- Panda Supermarket plus 34 showrooms with valuable tenant mix and 32 offices- occupancy rate 93%



## 13-Land Valuation

### Case 1 – Residual value approach (land)

#### Residual value approach evaluation – Land Evaluation fair market value (FMV)

##### RV methodology definition:

**The Land - Residual Approach** is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet		
Cost Type - Dev Type	Year 1-2	
Development Work		
Land Area - developed / year - sqm	15,600	
Development Cost S.R / SQM	120	
Total Development Cost / Year	1,872,000	
Commercial Offices & Shops		
Sharing of land allocated for building	9,360	
1- Building (Offices & Shops)		
1 basement floor - Gross area - sqm	2,500	
GF-FF- Roof F	23,400	
Replacement cost - sq m		
1 basement floors - Gross area - sqm	2,500	
GF-FF- Roof F	1,900	
	Built-Up area (GFA ) sqm	Con cost - S.R /sqm
1 basement floors - Gross area - sqm	2,500	2,500
GF-FF- Roof F	23,400	1,900
Construction Cost - S.R for part 1		50,710,000
2- Landscaping and external car parks		
Landscaping, Green area	3,600	
	Built-Up area (GFA ) sqm	Con cost - S.R /sqm
Landscape, fences, outdoor car parks, fences	3,600	650
Construction Cost - S.R for part 2		2,340,000
Total Construction Cost - S.R		54,922,000
Other Costs		
Professional Fees (Engineering Consultant) 2.5%	1,373,050	
Statutory fees 2%	1,098,440	
Marketing Fees (Media & Advertising) 1.5%	823,830	
Contingency costs 1.5%	823,830	
Overhead cost 2.5%	1,373,050	
Total Dev - Cost - SR	60,414,200	

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

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
<b>Category 1: Commercial Offices</b>							
<b>Offices - Grade C+</b>							
Net Leasable area		14,040	14,040	14,040	14,040	14,040	14,040
Annual Rental price / sqm - S.R		400	400	400	400	400	400
Occupancy rate		80%	95%	95%	98%	98%	98%

<b>Revenues Cat 1</b>	<b>4,492,800</b>	<b>5,335,200</b>	<b>5,335,200</b>	<b>5,503,680</b>	<b>5,503,680</b>	<b>5,503,680</b>
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<b>Category 2 : Commercial Shops</b>							
<b>Shops - Grade C+</b>							
Net Leasable area		7,488	7,488	7,488	7,488	7,488	7,488
Annual Rental price / sqm - S.R		940	940	940	950	950	950
Occupancy rate		80%	100%	100%	100%	100%	100%

<b>Revenues Cat 2</b>	<b>5,630,976</b>	<b>7,038,720</b>	<b>7,038,720</b>	<b>7,113,600</b>	<b>7,113,600</b>	<b>7,113,600</b>
-----------------------	------------------	------------------	------------------	------------------	------------------	------------------

<b>Gross Revenues</b>		<b>10,123,776</b>	<b>12,373,920</b>	<b>12,373,920</b>	<b>12,617,280</b>	<b>12,617,280</b>	<b>12,617,280</b>
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## Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	10,123,776	12,373,920	12,373,920	12,617,280	12,617,280	12,617,280
General & Administrative Expenses 10%	1,012,378	1,237,392	1,237,392	1,261,728	1,261,728	1,261,728
Gross Profit - EBITDA	9,111,398	11,136,528	11,136,528	11,355,552	11,355,552	11,355,552
Depreciation	1,812,426	1,812,426	1,812,426	1,812,426	1,812,426	1,812,426
Earnings after depreciation	7,298,972	9,324,102	9,324,102	9,543,126	9,543,126	9,543,126
Interest Expense	1,208,284	1,208,284	1,208,284	1,208,284	1,208,284	1,208,284
earning after interest expense	6,090,688	8,115,818	8,115,818	8,334,842	8,334,842	8,334,842
Other expenses	0	0	0	0	0	0
<b>Net Income</b>	<b>6,090,688</b>	<b>8,115,818</b>	<b>8,115,818</b>	<b>8,334,842</b>	<b>8,334,842</b>	<b>8,334,842</b>
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	6,090,688	8,115,818	8,115,818	8,334,842	8,334,842	8,334,842
<b>Cumulative Retained earnings</b>	<b>6,090,688</b>	<b>14,206,506</b>	<b>22,322,324</b>	<b>88,819,102</b>	<b>97,153,944</b>	<b>105,488,786</b>

## Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
<b>IN - Flow</b>						
Capital Injection						
Net Revenues		6,090,688	8,115,818	8,334,842	8,334,842	8,334,842
<b>Total Inflow</b>		6,090,688	8,115,818	8,334,842	8,334,842	8,334,842
<b>OUT Flow</b>						
Total Construction Cost	54,922,000					
Professional Fees	1,373,050					
Statutory fees 2%	1,098,440					
Marketing Fees (Media & Advertising) 1.5%	823,830					
Contingency costs 1%	823,830					
Overhead cost 1%	1,373,050					
<b>Total Outflow</b>	(60,414,200)					
<b>Net Cash Flow</b>	<b>(60,414,200)</b>	<b>6,090,688</b>	<b>8,115,818</b>	<b>8,334,842</b>	<b>8,334,842</b>	<b>8,334,842</b>
<b>Cumulative Net Income</b>	<b>(60,414,200)</b>	<b>(54,323,512)</b>	<b>(46,207,694)</b>	<b>88,819,102</b>	<b>97,153,944</b>	<b>105,488,786</b>

## Residual Value- Land Value

RV	Year 0	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33	Total
<b>IN - Flow</b>								
Revenues		6,090,688	8,115,818	8,115,818	8,334,842	8,334,842	8,334,842	
Total Inflow		6,090,688	8,115,818	8,115,818	8,334,842	8,334,842	8,334,842	159,145,566
<b>Discount Rate: 10%</b>								
		0.909	0.826	0.751	0.052	0.047	0.043	
<b>OUT Flow</b>								
Total Outflow		(60,414,200)						60,414,200
<b>Total Cash out</b>								
Net Cash Flow (Before Discount Rate)	(60,414,200)	6,090,688	8,115,818	8,115,818	8,334,842	8,334,842	8,334,842	60,117,264
								Total Cash flow
<b>Discounted Cash Flow DCF</b>								
		5,536,989	6,707,288	6,097,534	434,234	394,758	358,871	54,453,928
								Residual Value

<b>Value Per / SQM</b>		
	Land Value (PV)	54,453,928
	Square Meters	15,600
<b>Estimated SQM value (S.R)</b>		<b>3,491</b>

Fair Market Value FMV	Land Area - sqm	Value / sq m . S.R	FMV S.R
Fair Market Value for land	15,600	3,491	54,453,928

**13.2- Depreciated Replacement cost method (DRC)** A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

Replacement cost	BUA – built up area – sqm	Type of operation
GF, FF, and Roof floor	9,822.42	Offices-shops-Service area
Outdoor area	9,897	Entrance, exit, car parks

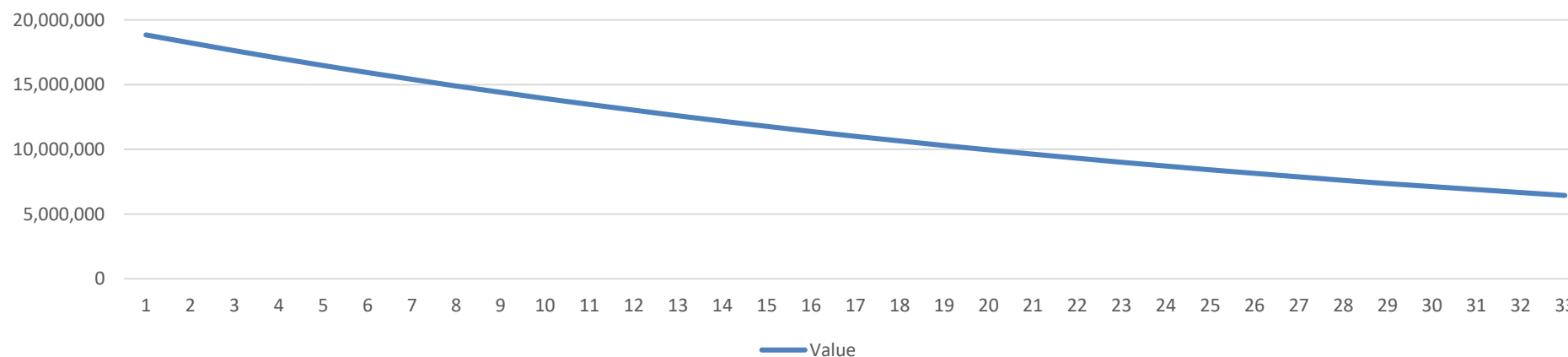
### Depreciated Replacement cost (DRC)

Standards: Average useful life for showrooms and Offices building in <u>Riyadh</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	5.5 years (starting Operation period @1434 Hijri)
Acc Deprecation	2%*5.5=	11 %

(fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
GF, FF, and roof floor	9,514.42	1,600	100%	15,223,072
Landscaping and outdoor car parks	9,897	350	100%	3,463,950
Fences	308	500	100%	154,000
Replacement cost				18,841,022
- Acc Deprecation		18,841,022*11 %		(2,072,512)
Depreciated Replacement cost DRC				16,768,509

Value of building during operational Life Cycle



#### 14-Fair market value (property) Land + Building In the case fixtures & equipment work-Currency SAR

Fair Market Value (Land)	54,453,928 S.R
+	
Building	16,768,509 S.R
<b>Fair market value - Property</b>	71,222,437 S.R (Seventy one million, two hundred twenty-two thousand, four hundred thirty seven Saudi riyal)

#### (Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
67,000,000 S.R	71,222,437 S.R	74,000,000 S.R

## 15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Riyadh city Q1-2018

<b>Net Operating income NOI Triple Net</b> – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Fowzan for construction and real estate For Real estate) for 10 obligatory year contractually period ( <b>Net Rent/ annum 4,550,000 SAR</b> during the first 5 years and <b>Net Rent/ annum 4,914,000</b> during the rest of Contract's period) – SR starting from 5 Ramadan Hijri 1436 till 4 Ramadan 1446 Hijri (Remaining 7 Hijri Years)			
Period 1: : from 5 Ramdan 1436 till 5 Ramdan 1440 (Remaining 2 yrs) = (4,550,000 * 2)	9,100,000		
Period 2: from 5 Ramdan 1440 till 5 Ramdan 1446 (Coming 5 Years) = (4,914,000 * 5)	24,570,000		
Sum	33,670,000		
n period	7		
Net Operating Income NOI- Triple Net	4,810,000		
<b>– Vacancy and collection loss</b>		<b>0</b>	
<b>Additional income (additional area unrented)</b>		<b>0</b>	
<b>Effective gross income</b>		<b>4,810,000</b>	
<b>Operating Expenses</b>			
Fixed	0		
Variable	0		
Reserves	0		
<b>– Total Operating expenses</b>		<b>0</b>	
<b>Net operating income NOI</b>		<b>4,810,000</b>	
<b>Fair Market Value @ 7.5% Capitalization rate</b>		<b>64,600,000</b>	

## 16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + deprecation replacement cost - FMV	71,222,437	
Capitalization rate - FMV	64,600,000	
Weighted Average - Percentage	DRC	49,855,706
	70%	
	Cap rate	19,380,000
	30%	
Fair market value FMV	69,235,706 (Sixty-nine million, two hundred thirty-five-thousand, seven hundred six SR)	

### (Sensitivity Analysis) (Risk matrix)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
66,000,000 S.R	69,235,706 S.R	73,000,000 S.R

## 17- Real Estate Market Summary- Riyadh Q1-2018

*Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. 11 new brands hotels are expected to enter the market over the next two years with totally 3900 hotels room.*

**17.1-Offices market:** Offices vacancies Decreased over the quarter due to new Demands from companies after public and private sectors start looking for new location; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents. Market also contributed to the decrease in vacancies in remaining of 2018

**17.2-Residential market:** Also, performance declined in residential sector. Villas selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices still stable in waiting for departure of large number of expatriates.

**17.3-Hospitality market:** Average daily rates falling 14%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017-Q1 2018.

**17.4-Retail market:** While occupancies decreased marginally in the retail sector over 2017, they are expected to soften of the rest of year of 2018 as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales. And Cinema presence will help Retail sector in increasing Occupancies.

**17.5- Industrial warehouses:** While occupancies increased marginally in the industrial warehouses sector over 2017, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salbouxh road) should affect the old warehouses negatively.

## 18-External and internal Pictures

### External view



## External view



## Internal view



## 19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
<b>Abdulmalik Al-Darwsih</b>	Valuation Manger	1210000397	1440/4/14	Real estate
<b>Mustafa Al-Mardina</b>	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
<b>Fadi Naeem</b>	Site visit, inspection Catchment area	1220000119	1440/04/2	Real estate
<b>Ashraf Al-Shaeer</b>	Final Revision – Release	1220000021	1440/04/2	Real estate

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