

## Al-Urubah Commercial Complex

Umm Al-Hamam Al-Gharbi District

Riyadh City - Kingdom of Saudi Arabia



**Presented to :**  
**Musharaka Capital Company**

## Statement

**Dear: Musharaka Capital Company      Greetings**

**Subject: Valuation report for a commercial building in Umm Al-Hamam Al-Gharbi district - Riyadh**

We, Qaim and his partner real estate valuation company, extend our sincere thanks and appreciation to you for choosing us and giving you your precious trust to evaluate the property located in **the city of Riyadh, Umm Al-Hamam Al-Gharbi district**, according to the assignment issued by you on **09/11/2023 AD** based on the license granted to us by the Saudi Authority for Accredited Valuers, following In that is the latest version of the international valuation standards 2022 AD, which are recognized as well as the rules and ethics of the profession in order to reach the final impartial valuation based on the actual inspection by the work team and the study of the market area surrounding the property. The fair value estimate was reached using various valuation methods, including what each report carries, and accordingly we are pleased to We present to you the real estate valuation statement listed below.

**Based on the completed study, we attach to you the results of the price estimate on the measurement date of the property as a usufruct right (commercial building) and on its current status on the valuation date 31/12/2023 AD located in the city of (Riyadh) District (Umm Al-Hamam Al-Gharbi), with an amount of only (47,146,500) Forty-seven million one hundred forty-six thousand five hundred Saudi riyals**

**With sincere gratitude...**

This report was approved by the Executive Director, Ismail Mohammed Al-Dubaikhi

Under License No. / 1210000052 dated 10-10-1443 AH




# قيير للتقييم

## QIAM VALUATION

### Content

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## ■ نطاق العمل

Scope of work

## Executive Summary

**Price estimate on the date of measurement: 47,146,500 Saudi riyals**

Property address	Property subject to Valuation	the owner of real estate
Riyadh - Umm Al-Hamam Al-Gharbi	Commercial building - Al-Urubah Square	King Khalid Charitable Foundation
Report issued date	Valuation date	Inspection date
21/03/2024	13/12/2023	23/11/2023
Notary Public	Purpose of the valuation	Ownership Type
Riyadh	Estimating the fair value for the purpose of periodic valuation of the Musharaka REIT Fund	Absolute ownership
Assumed value	Deed date	Deed number
Present value	27/8/1436 AH	410113062475

## Scope of work Standard No. 101

Other users	Client	Valuation currency
Fund managers and investors only	Musharaka Capital Company	Saudi riyal
Report description	Value Basis	Valuation Approach
A report explaining the methodology and steps of the valuation and the results of the valuation, and includes illustrative pictures of the boundaries of the asset under valuation	Fair value	Income Approach

## Scope of the Valuer search - Standard No. 102

Gathering sufficient information through a field visit, visible inspection, and conducting analyzes. A study was conducted from sites close to the real estate site and from approved real estate offices in the real estate area, and all information was investigated and studied accurately.

## Value Basis

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (This definition is adapted from IFRS 13), paragraph 9. It is also defined in IVS 104 Basis of Value, paragraph 90, among other bases of value for valuation for purposes of inclusion in financial reports.

#### Valuation Standard followed

All work was carried out in accordance with the Accredited Valuers System and the implementing regulations related to real estate valuation issued by the Saudi Authority for Accredited Valuers (Taqeem), and the latest version of the International Valuation Standards (IVS) for the year 2022 published by the International Valuation Standards Board (IVSC)) and the professional rules recognized in the work of valuation of real estate assets, which is based on analysis, comparison and direct inspection of each property, and research as much as possible about the influences and characteristics of the property under valuation.

#### Nature and source of information

The information contained in the report was issued by official bodies, real estate offices in the targeted area, or offices specialized in research and studies, and with reference to the database of Qaim and its partner real estate valuation company.

#### Important assumptions and special assumptions

Important assumptions and special assumptions are explained on page 10.

#### Report usage restrictions

Valuation processes and reports are confidential to the directing party and to whomever they are referred to for a specific purpose, with no responsibility of any kind for any third party. This report may not be published in full or any part thereof or referred to in any document or statement or published periodically or in any medium. communicate with any third party without our prior written consent in the form and context in which they appear. It is a matter of caution and caution that the company and the valuer reserve the right to make any amendments and make any review of the valuation or support the valuation result under specific circumstances. .

## Work Stages

Meeting with the client and determining the scope of work, including the purpose of the valuation, the basis of value, the parties involved, the date of the valuation, and any special or important assumptions, including clarity of the assignment and the expected outputs from it.

Step 01



Collecting and analyzing office and field market data in order to gain knowledge of past and current market trends and market indicators that will be relied upon when applying valuation methods.

Step 03



Work on preparing the report in accordance with Standard 101 for Description of the Report and Standard 103 for Report Preparation.

Step 05



Step 02



Step 04



Previewing the property, identifying its characteristics and specifications, matching documents with reality, analyzing the location of the property and the uses surrounding the property, while defining the scope of the geographical search and the appropriate activities and projects.

Based on the scope of work and market analysis, appropriate valuation methods are determined and all assumptions and inputs are made to carry out financial calculations to reach the market value according to the chosen methods..





## ■ الفرضيات و القيود المحددة للتقرير

The specific assumptions  
and limitations of the report

## Important assumptions and special assumptions

Based on the type and characteristics of the property and the purpose of evaluation, the property was valued using the Income Approach (mainly discounted cash flow method) assuming that all market participants act in the best economic interest of the property as it achieves benefit for all market participants.

Valuation is based on the value (fair value) and that it was carried out in a major open market. Prices were inferred from field research work on plans close to the real estate site, and analysis, judgment and documentation were made.

The purpose of issuing this report is to know the fair value estimate for the purpose of (Estimating the fair value for the purpose of periodic valuation of the REIT Musharakah Fund) for the user of the report (the fund manager and investors).

Our company does not bear any responsibility for any information received from the customer, which is supposed to be safe and reliable, and our company does not acknowledge the accuracy or completeness of the available data and does not express its opinion and did not offer any kind of guarantee for the accuracy or completeness of the data except as indicated clearly in this report.

The property has been inspected outwardly and the property has not been structurally inspected, or this appraisal report is considered valid only if it bears the company's seal and the signature of the accredited residents.

No legal document was verified for the property that was evaluated or for legal issues involving ownership or mortgage, and it was assumed that the information was according to the client's statement.

The values estimated in this report are for the property under valuation, and any distribution of the value to parts of the property will not be correct, and this value should not be used for any other purposes, as it could be incorrect if used as well.

Information provided by other parties, especially with regard to planning, land ownership, renting, etc., on which all or part of this report was based, was considered reliable, but not all of it was confirmed in all cases, and no guarantee was given regarding the validity of this information, if it appears that this information is incorrect. the value contained in this report may change.

The property was evaluated in accordance with international standards 2022 AD, and the estimated value in this report is for the property under study, and in case of changing the purpose of the valuation, these values may be incorrect.

Borders and lengths according to the client's statement, and the company is not responsible for the Borders and lengths, and therefore the total area of the land is taken according to the deed, and the company is not responsible for that.

This report may not be used in whole or in part, or have references to it made without mentioning Qiam and its partner real estate valuation company. It may also not be published in any way without the company's prior written consent, in the form and content in which it appears.

The fund manager must provide accredited evaluators in an accurate, clear and non-misleading manner with any documents or information related to the real estate assets of the fund to be evaluated, including but not limited to: related contracts, engineering reports, construction commissions and any information that would enable the accredited evaluator to prepare his report in accordance with to the statutory provisions and approved standards.



■ الإمتثال للمعايير و أعمال  
البحث و الإستقصاء

Compliance with Standards ,Research and  
Inquiry

## Standard 102: Compliance with Standards and Research and Inquiry

This valuation work was carried out in accordance with the principle of Standard 102 of compliance with the standards, research and survey work, in the following items:

- The basis of the value (fair value) is commensurate with the purpose of evaluation (estimating the fair value for the purpose of periodic evaluation of the Musharaka REIT Fund).
- Gathering evidence through field visits at the time of inspecting the property with the inquiries raised at the time of the evaluation of some accredited offices in the area of the property.
- Evidence from field visits was collected and analysis and computational procedures performed to ensure that evaluation work was adequately supported.
- The data cited was judged to ensure the adequacy of all such information obtained to ensure that it is sufficient for the purpose of the evaluation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all evaluation inputs mentioned in the report.
- Reliability of the information provided by the real estate offices in the real estate area has been confirmed, and they are accredited and licensed offices in the real estate area.

## Judging the reliability of the information provided and taken into the report

Provider	Data and information	Verdict	Judgment reasons
Client	Deed	Trusted	Deed was validated from the spatial portal of the city of Riyadh
	Building permit	Trusted	The building permit has been validated in platform Balady.
	Lease contracts	Trusted	A sample of contracts was reviewed (not all contracts were viewed) - Valuation was made after studying the market
Market	Commercial meter prices	Trusted	Based on the market survey - direct interviews - accredited offices in the real estate area - internal company data
	Practical experience of real estate offices	Trusted	Certified by official records in the real estate area
	Source independence	Trusted	A source independent and external to the asset being valued

## Compliance with Standards and Research and Inquiry

03

In the event that there are restrictions on the research and investigation carried out by the evaluator that do not enable him to adequately value the inputs and assumptions, which are clarified in the special assumptions

02

Carry out calculations and perform analyzes by gathering sufficient evidence by the following means, such as: field visit, inspection, inquiries and ensuring that evaluation work is appropriately reinforced and professional judgment facility to ensure that the information obtained is sufficient and that it fulfills the purpose of the evaluation

01

The research and investigations undertaken in the context of the valuation mission are appropriate to the valuation purpose and value basis

06

Record the valuation purpose, basis of value, and scope And the limits of research and survey, and the sources of information that reliable in the scope of work, which must Communicating it to all parties to the evaluation task

05

Consider the credibility and reliability of the information provided  
The following matters were taken into consideration:  
The purpose of the valuation  
The relevance of the information to the outcome of the valuation  
The source practical experience in relation to the subject matter of the valuation  
Is the source independent of the asset being evaluated or the beneficiary of it?

04

Taking into account the reliability of the information so that the evaluation results do not appear, and the inputs provided to the valuer (and) from the client or his representative) were considered.

## Regulatory framework on the International Valuation Standards (IVS 2022)

General Standards - Criterion 101  
Scope of Work Paragraph 20:  
Emphasizing that the valuation will be prepared in accordance with international valuation standards and that the valuer will assess the appropriateness of all important inputs: Deviations from international evaluation standards and their nature must be mentioned

60.3 Some professional appraisal institutions or regulations allow procedures that deviate from the International Appraisal Standards and in such circumstances, except as described in paragraphs 60.1 and 60.2, the resulting valuation will not be in compliance with the Standards.

General framework: the generally accepted valuation principles and the concepts that should be followed when applying these standards with regard to objectivity, discretionary judgment, efficiency, and the possibility of deviating from the standards, Paragraph (60.1-60.2). requirements mentioned in the reports

### Note:

Real estate valuations performed in order to prepare financial reports are regarded as situations of systematic deviation from international valuation norms in order to satisfy certain criteria for the purpose of the relevant valuation.

## Real estate and investment properties in the preparation of financial reports

### Clarifying the difference between real estate and investment properties in the financial statements

#### Investment properties in the financial statements

IAS 40 defines investment property as any property (land or a building - or part of a building - or both) held (by the owner or by the lessee as a right-of-use asset) to earn rental income or To grow the capital or for both, and not:

- For use in producing, supplying goods, providing services, or for administrative or
- To sell it in the ordinary course of business

#### Real estates included in the term of real estate, machinery and equipment in the financial statements

The International Accounting Standard No. 16 "property, plant and equipment" IFRS16 defines as the tangible items that:

- It is kept for use in the production or supply of goods or services, or it is kept for rent to others (except for investment real estate) or for use in administrative purposes.
- It is expected to be used during more than one period





## ■ نظرة عامة على الإقتصاد والقطاع العقاري بالمملكة العربية السعودية

An overview of the economy and  
the real estate sector in the  
Kingdom of Saudi Arabia



## Executive Summary - Saudi Real Estate Market

**Performance of the Saudi real estate market:** The Saudi gross domestic product grew by 8.6% during the third quarter of 2022. It is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7% and 2.3% during the years 2023 and 2024, respectively. According to the World Bank, the main driver of the post-pandemic recovery was the increase in demand for tourism and the increase in government spending on infrastructure projects such as the expansion of Riyadh Airport, among others. It is expected that such projects will lead to an increase in demand for real estate with excellent locations, especially offices and logistical facilities from Category A. At the same time, changing customer choices in the hospitality, lodging and retail sectors have prompted developers to reimagine hotel, residence and leisure components within their master development plans.

**Residential real estate:** Sales prices of villas and apartments increased during the first nine months of 2022 compared to 2021, with the continued strong demand for apartments by the citizens of the Kingdom.

**Retail:** The Economist's Economic Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional commercial centers and major regional commercial centers decreased during the months the first nine of the year.

**Hospitality:** Both the average daily rate and the occupancy rate witnessed an improvement from last year due to the recovery witnessed in the market in general, driven by the lifting of restrictions that were imposed on travel and the speedy procedures for issuing tourism visas. The first three months of the year recorded the strongest performance in terms of occupancy rate in Riyadh Which reached 76% in March. As for Jeddah hotels, they recorded the highest occupancy rate in May, when occupancy reached 59%.

**Offices:** Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this has led to continued strong demand for Class A properties during 2022.

### Industrial and logistic real estate

Rents have remained relatively stable for Class A properties due to limited international grade warehouses and increased demand from logistics companies.

## Saudi Arabia Office Market

Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this led to continued strong demand for Class A properties during 2022 AD.

## 2022 Performance Review

Offered offices in the main markets such as Riyadh, Jeddah, and the metropolis of Dammam amounted to 5.2 million square meters, 1.3 million square meters, and 1.3 million square meters, respectively, as of September 2022 AD. Notable additions to the market during 2022 included the headquarters of the Saudi British Bank On King Fahd Street, King Abdulaziz City for Science and Technology, and the government departments complex in Riyadh, in addition to the offices of the Saudi Airlines cargo building in Jeddah. The Saudi gross domestic product grew by 8.6% during the third quarter of 2022, and it is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7 and 2.3% during the years 2023 and 2024, respectively, according to the World Bank, and it was the main driver. The recovery in the post-pandemic office sector is due to the increase in government spending on infrastructure projects, such as the expansion of Riyadh Airport, among others. The demand for Class A real estate in Riyadh also remained strong as a result of the government's focus on developing the city to be a regional hub for international companies. As for Jeddah and Metropolitan Dammam The offered of Class A properties mainly focuses on government offices and public sector entities, and owners are now offering incentives such as free periods and smaller, fully-equipped units to attract a wider range of tenants. Lease periods usually correspond to unit size, as larger units are rented for longer periods. Between six and nine years.

## Saudi Arabia retail market

Economist Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional and major commercial centers decreased during the first nine months of the year.

## 2022 performance review

It is expected that the bulk of the retail projects that will be completed will be in the category of major regional commercial centers, which indicates that the market is sufficient for this category of mega projects. Visitors in an increasingly competitive market.

Retail rents witnessed some decline during the past twelve months at the level of the Kingdom, as the average rent decreased in regional commercial centers and major regional commercial centers, and the distinctive shopping centers in the Kingdom were able to maintain occupancy rates during the year 2022 AD, as lifestyle stores specifically recorded an increase in The number of visitors after lifting the ban that was imposed during the pandemic.



## دراسات الموقع ■

Site Studies

## Real estate data and Services available in the real estate area

### Real Estate Data

City	Riyadh	Neighborhood	Umm Al-Hamam Al-Gharbi
Street	Road width 60 m	Property type	Commercial building
No. land plan	1184	Plot number	N.A.
Area	19,212.22 square meters	Land use according to regulations	Multi Use (Residential Commercial)

### Services and facilities available in the real estate area

Electricity network	Telephone network	Water network	Sewerage network
✓	✓	✓	✓
Water drainage network	Mosque	Dispensary	Garden
✓	✓	✓	✓
Public markets	Civil defense	Police station	Hospital
✓	✓	✓	✓
Hotels	Petrol station	Schools	Governmental services and centers
✓	✓	✓	✓

## Factors affecting the property

Impact element	Impact determinants	Description
Area overview	Importance of the area	The property is located in the city of Riyadh, in Umm Al-Hamam Al-Gharbi
Natural factors (environmental)	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is in the center of western Riyadh
	Infrastructure	Completed
	Municipal equipment	Completed
	Land properties	Regular shape
Building Regulations	Land use	Commercial
	Building ratio - number of floors	various
Economic factors	Supply and demand	High
	Land prices	High
Legal factors	Deficit and trespassing on the property	N.A.

## Property description

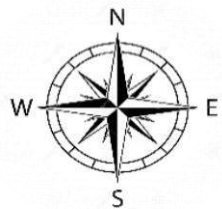
- The building area was determined based on the (**Permit**).
- The actual age of the property has been determined at (**6**) years, and the lifespan of the property is 40 years.
- The state of the property on the date of valuation (**31/12/2023**)

When examining the property, it became clear to us that it is a (**Commercial building**). Detailed as below:

Built-up area data from the permit		
Building components	Area m2	Use
Mezzanine	210	Showrooms
Commercial Ground	10,817	Showrooms
Electricity Room	235	Electricity Room
Fences	148	Services



## Property location



Property is located in: **Riyadh**

Neighborhood: **Umm Al-Hamam Al-Gharbi**

Street: **Al-Oruba Road**

Location coordinates

N :

24.702511

E :

46.651496



## Photographic survey of the building and its components (1/2)





## Photographic survey of the building and its components (2/2)



## Ownership documents

### Title deed information

Ownership Type	Deed date	Deed number	Owner name
Ownership 100%	17/8/1436 AH	410112062475	King Khalid Charitable Foundation

### Neighborhood name - plot number - plan number - land area:

Neighborhood name	Plot number	Plan number	Land area
Umm Al-Hamam Al-Gharbi	N.A	N.A	19,212.22 m2

### Borders and lengths:

Borders and lengths:							
Northern border	Border length	Southern border	Border length	Eastern border	Border length	Western border	Border length
Road width 60 m	188.44 m	Street width 60 m	206.65 m	Land	141.36 m	Street width 15 m	70.5 m



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



Valuation

التقييم ■

## Valuation Approaches



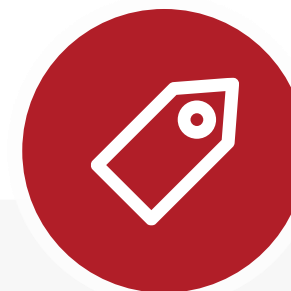
### Market Approach ❖

The market method provides an indication of value by comparing the asset with identical or comparable (similar) assets for which price information is available.



### Income Approach ❖

The income method provides an indication of value by converting future cash flows into one current value. According to this method, the value of the asset is determined by reference to the value of the revenue and cash flows generated by the asset or the costs it provides.



### Cost Approach ❖

The cost method provides an indication of value using the economic principle that states that the buyer will not pay an asset more than the cost of obtaining an asset of similar benefit, whether through purchase or construction unless there are time, disturbance, risk, or other related factors. The method provides an indication of value by calculating the current cost of transferring or reproducing the asset, and then discounting the physical wear and tear of all other obsolescence's.

## Market Approach-Standard No. 105

It is an approach of estimating the value of a real estate or real estate property based on the market comparison between the property being evaluated and similar properties in the same area that were recently sold. The value indicator of the property being valued is derived by applying appropriate comparison units and making adjustments and adjustments to the selling prices of similar properties based on the comparative elements.

### **The market approach should be applied and afforded significant weight under the following circumstances:**

- ❖ The subject asset has recently been sold in a transaction appropriate for consideration under the basis of value
- ❖ The subject asset or substantially similar assets are actively publicly traded.
- ❖ There are frequent and/or recent observable transactions in substantially similar assets.

### **The key steps in the comparable transactions method are:**

- ❖ Define the units of comparison used by relevant market participants.
- ❖ Determine the relevant comparative transactions and calculate the main evaluation criteria for these transactions.
- ❖ Conduct consistent comparative analysis of the qualitative and quantitative similarities and differences between the comparable assets and the subject asset.
- ❖ Make the necessary adjustments, if any, to the evaluation scales to reflect the differences between the subject of evaluation and the comparative assets.
- ❖ Applying the revised valuation criteria to the subject asset.
- ❖ Value indicators are reconciled if more than one evaluation scale is used.



## Cost Approach - Standard No. 105

It is a valuation method that calculates the capital or market value of a property by adding the value of the real estate's land with the value of the buildings erected on the site.

### Cost Approach should be applied and afforded significant weight under the following circumstances:

- ❖ Participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
- ❖ The asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or
- ❖ The basis of value being used is fundamentally based on replacement cost, such as replacement value

### Used methods of Cost Approach :

- a. **Replacement cost method:** A method of arriving at value by calculating the cost of a similar asset

### Method of estimating the value of buildings using the straight line method

- The straight-line method: the straight-line method is calculated by the formula (current age of the building / Lifespan) \* 100.

## Income Approach-Standard No. 105

Income Approach provides an indication of value by converting future cash flows into a single present value. Under this approach, the value of an asset is determined by reference to the value of the revenue and cash flows that the asset generates or the costs it provides.

### **Income Approach should be applied and given priority or significant weight in the following cases:**

- A. When the ability of the asset to generate income is the primary factor that affects the value from the point of view of market participants.
- B. Reasonable expectations are available for the amount and timing of future revenue for the assessed asset but few, if any, relevant market comparisons.

### **Income Approach Methods:**

Although there are many ways to apply the income method, the methods used under the income method depend largely on discounting the amounts of future cash flows to a present value, which are various applications in using the discounted cash flow (DCF) method and the concepts below apply in part or all of the methods of the income method.

#### **Discounted Cash Flow method (DCF)**

It is a financial method for estimating the value of a financial or real asset. The value index is derived by calculating the present value of future cash flows. The discounted cash flow method is applied to evaluate a property or real estate that generates income based on the expectation of future income for the property under valuation. The value index of the property is derived through Calculating the present value of net operating income or the expected net rental value of the property.

#### **Direct Capitalization Method:**

The direct capitalization method is applied in the event that the net rental value of the property under valuation is fixed and equal in perpetuity.

#### **Residual value method:**

The residual value method is a method of evaluating properties that can be valued by identifying the most appropriate development of the site and property and then predicting the value of such development after it is completed.

## Analyzing the used valuation approaches and methods - Fair value hierarchy

### Used valuation methods

Valuation Approaches	Market Approach	Cost Approach	Income Approach
Used approach	-----	-----	<b>Mainly used</b>
Used valuation methods	-----	-----	Discounted Cash Flow method
Reasons for use / not use	-----	-----	The fact that the property is income-generating

### Hierarchy:

The fair value hierarchy categorizes the inputs to the valuation techniques used to measure fair value at the measurement date into three levels, as follows:

Level	clarification	input statement	classification	Source	Judgment and documentation
<b>First</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be reached at the measurement date and are given priority.	---	---	---	---
<b>Second</b>	They are the inputs other than the published prices within the first level that can be monitored for the asset or liability, either directly or indirectly	Commercial and commercial residential offers in the real estate area	It is classified under the second level	Accredited real estate offices in the real estate area	Reliable based on similar market analysis, verification following market research and analysis, in-person interviews, and the company's own database of deals and transactions
<b>Third</b>	They are the inputs that cannot be monitored and are given the lowest priority	---	---	---	---





## تقدير القيمة ■

Value Estimation

## Analysis of valuation assumptions data - Discounted Cash Flow Methods

### Discounted Cash Flow method assumptions

#### Discounted Cash Flow method assumptions

Total income as per contract	12,524,771	Discount rate	10.10%
Operating and capital expenditure rate	4.37%	Capitalization rate	0%
Occupancy rate and credit risk	2%	Growth rate - every three years	5%
Cash flow period (Periods)	13	Land rent value according to the contract	6,270,000

#### Discount rate:

Discount rate was assumed at 10.10% according to the cumulative model method as follows:

#### Discount rate extraction (Cumulative Model method)

Government bond rate of return	4.6	Saudi Tadawul Fund
Inflation rate (current year average)	2.49	Saudi Central Bank
Market risk premium (recession and recovery)	1.5	According to the condition and circumstances of the market
Special risk premium (the resulting costs of the property)	1.5	According to the condition and circumstances of the property
Discount rate with all data above	10.10	%

#### Analysis of vacancy rate , operating and capital expenditures

S/N	Location	Property name	Property type	Coordinates	Annual income	Occupancy	Operating and Capital Expenditures
1	Riyadh	Lulu Hypermarket	Commercial building	24.752492 46.821337	16,344,252	0%	5%
2	Riyadh	Anwar Plaza	Commercial building	24.732394 46.784672	4,777,169	0%	5%
3	Riyadh	City Life Plaza Complex	Commercial building	24.813028 46.768251	7,372,613	10%	4%

#### Growth rate:

The growth rate was reviewed by referring to the market for similar real estate and taking into account the current lease contracts according to the client's statement to be compared with the market data, taking into account the assessment of the market research centers of the banks that the increase in rental prices and recent expansions is expected to be higher than the impact of the increase in interest rates on the investments of REIT funds and the future outlook. The property is optimistic due to the high demand for this type of similar properties in the area surrounding the property, as well as taking into account the growth of similar properties and the level of internal and external finishes of the property under valuation.

A growth rate of 5% was assumed every three years, according to the market situation, based on the interior and exterior finishes of the property, the location of the property, and supply and demand in the market.

#### Operating and capital expenditure rate:

Operating expenses are expenses related to renting and maintaining the property, and capital expenses are expenses incurred by the owner in order to maintain it in good condition to achieve appropriate annual income. The percentage of operating expenses represents 0% - 20% for similar projects in the surrounding area, according to the size and services provided, since most of them are in single contracts. Mostly, knowing that the summary of the maintenance contracts has not been seen from the client to know the percentage that represents the current income, and most often the lease contracts include the rental value and the value of the facilities maintenance services on it, and the rate of operating and capital expenditures was assumed at 4% for the average limit in the market.

#### Occupancy rate and credit risk:

The property is distinguished as one of the attractive properties for tenants due to its distinguished location in the city of Riyadh, Umm Al-Hamam Al-Gharbi district, and it directly overlooks Al-Urouba Road. The vacancy rate data from the market was analyzed to confirm the contract, as the market data shows that occupancy rates range from 0% to 10% in similar real estate that all properties are usually with one contract, and accordingly, the occupancy rate and credit risks were assumed at 4.561%, according to the appropriate contract limit.

## Calculating the value of the property - using the Income Approach - Discounted Cash Flow method

Cash flow - Inflows		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	Reversion value
		1	2	3	4	5	6	7	8	9	10	11	12	13	
Expected growth value		0%	0%	5%	0%	0%	5%	0%	0%	5%	0%	0%	5%	0%	
Total income according to the contract	12,524,771	12,524,771	12,524,771	13,151,010	13,151,010	13,151,010	13,808,560	13,808,560	13,808,560	14,498,988	14,498,988	14,498,988	15,223,937	15,223,937	
Minus occupancy rate and credit risk		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Annual vacancy value		0	0	0	0	0	0	0	0	0	0	0	0	0	
Actual total rental income		12,524,771	12,524,771	13,151,010	13,151,010	13,151,010	13,808,560	13,808,560	13,808,560	14,498,988	14,498,988	14,498,988	15,223,937	15,223,937	
Minus rate of operating and capital expenses	4.37%	547,540	547,540	574,917	574,917	574,917	603,663	603,663	603,663	633,846	633,846	633,846	665,538	665,538	
Net income after deducting expenses		11,977,231	11,977,231	12,576,093	12,576,093	12,576,093	13,204,897	13,204,897	13,204,897	13,865,142	13,865,142	13,865,142	14,558,399	14,558,399	
Land rent value according to the contract		6,270,000	6,270,000	6,270,000	6,270,000	6,270,000	6,270,000	6,270,000	6,270,000	6,270,000	6,270,000	6,270,000	6,270,000	6,270,000	
Building net operating income (NOI)		5,707,231	5,707,231	6,306,093	6,306,093	6,306,093	6,934,897	6,934,897	6,934,897	7,595,142	7,595,142	7,595,142	8,288,399	8,288,399	
Net cash flow		5,707,231	5,707,231	6,306,093	6,306,093	6,306,093	6,934,897	6,934,897	6,934,897	7,595,142	7,595,142	7,595,142	8,288,399	8,288,399	
Discount factor		0.9083	0.8249	0.7493	0.6805	0.6181	0.5614	0.5099	0.4631	0.4206	0.3821	0.3470	0.3152	0.2863	
Present value of cash flow		5,183,679	4,708,156	4,724,963	4,291,519	3,897,838	3,893,284	3,536,135	3,211,748	3,194,847	2,901,768	2,635,575	2,612,299	2,372,660	
<b>Net present value of the property</b>															<b>47,146,470</b>

## Final value of the property

Based on the purpose of evaluation and the nature and characteristics of the property as it is a commercial building and as a full usufruct right, Valuation of the property using the Income Approach (Discounted Cash Flow method) is considered the best method for estimating the price on the measurement date on 31/12/2023 AD, which was reached by the Income Approach as a basis for the fair value of the real estate under valuation as follows:

Price on the date of measurement in numbers (SR)	Price on the date of measurement in writing (SAR)
<b>47,146,500</b>	<b>Forty-seven million one hundred forty-six thousand five hundred</b>

**This report was approved by the Executive Director**

Ismail Muhammad al-Dubaikhi





ملاحق ■

**Appendix**

Documents received from the client



Building permit



Deed

Team



Ahmed Saleh Al-Attas  
Real estate - Associate  
Membership No 1220003236



Muath Abdul Rahman Al-Aoraini  
Real estate - Associate  
Membership No 1210002322



Salem Mohammed Al Fai'  
Real estate-Basic Follow  
Membership No 1210000013



Ismail Al-Dubaikhi  
Real estate-Basic Follow  
Membership No 1210000005



## General Administration

Riyadh 11666, Othman Bin Affan Road, Building No. 8484, Office No. 6

✉ [info@qiam.com.sa](mailto:info@qiam.com.sa)

🌐 [www.qiam.com.s](http://www.qiam.com.s)

☎ +966 92 002 5832



## Al Baraka Central Warehouses

Al-Selay district  
Riyadh City - Kingdom of Saudi Arabia



**Presented to :**  
**Musharaka Capital Company**

## Statement

**Dear: Musharaka Capital Company Greetings**

**Subject: Valuation report for Warehouses in Al-Selay district - Riyadh**

We, Qaim and his partner real estate valuation company, extend our sincere thanks and appreciation to you for choosing us and giving you your precious trust to evaluate the property located in **Riyadh, Al-Selay district**, according to the assignment issued by you on **09/11/2023 AD** based on the license granted to us by the Saudi Authority for Accredited Valuers, following In that is the latest version of the international valuation standards **2022 AD**, which are recognized as well as the rules and ethics of the profession in order to reach the final impartial valuation based on the actual inspection by the work team and the study of the market area surrounding the property. The fair value estimate was reached using various valuation approaches, including what each report carries, and accordingly we are pleased to We present to you the real estate valuation statement listed below.

**Based on the completed study, we attach to you the results of the price estimate on the measurement date of the property (Al Baraka Central Warehouses) and on its current status on the estimate date 31/12/2023 AD located in (Riyadh) in (Al-Selay) district, with an amount of only (92,583,500) Ninety-two million five hundred eighty-three thousand five hundred Saudi riyals.**

**With sincere gratitude...**

This report was approved by the Executive Director,

Ismail Mohammed Al-Dubaikhi

Under License No. / 1210000052 dated 10-10-1443 AH




# قيير للتقييم

## QIAM VALUATION

### Content

01	The specific assumptions and limitations of the report
02	Scope of work
03	An overview of the economy and the real estate sector in the Kingdom of Saudi Arabia
04	Site studies
05	Valuation
06	Value Estimation
07	Appendix



## ■ نطاق العمل

Scope of work

## Executive Summary

**Price estimate on the date of measurement: 92,583,500 Saudi riyals**

Property address	Property subject to Valuation	Owner of real estate
Riyadh - Al-Selay district	Al Baraka Central Warehouses- Al-Selay District	Hefdh Al-Musharaka Real Estate Company
Report issued date	Valuation date	Inspection date
21/03/2024	31/12/2023	28/11/2023
Notary Public	Purpose of the valuation	Ownership Type
Riyadh	Estimating the fair value for the purpose of periodic valuation of the Musharaka REIT Fund	Absolute ownership
Assumed value	Deed date	Deed number
Present value	27/8/1440 AH	814006003052

## Scope of work Standard No. 101

Other users	Client	Valuation currency
Fund managers and investors only	Musharaka Capital Company	Saudi riyal
Report description	Value Basis	Valuation Approach
A report explaining the methodology and steps of the valuation and the results of the valuation, and includes illustrative pictures of the boundaries of the asset under valuation	Fair value	Cost Approach + Income Approach

## Scope of the Valuer search - Standard No. 102

Gathering sufficient information through a field visit, visible inspection, and conducting analyzes. A study was conducted from sites close to the real estate site and from approved real estate offices in the real estate area, and all information was investigated and studied accurately.

## Value Basis

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (This definition is adapted from IFRS 13), paragraph 9. It is also defined in IVS 104 Basis of Value, paragraph 90, among other bases of value for valuation for purposes of inclusion in financial reports.

#### Valuation Standard followed

All work was carried out in accordance with the Accredited Valuers System and the implementing regulations related to real estate valuation issued by the Saudi Authority for Accredited Valuers (Taqeem), and the latest version of the International Valuation Standards (IVS) for the year 2022 published by the International Valuation Standards Board (IVSC)) and the professional rules recognized in the work of valuation of real estate assets, which is based on analysis, comparison and direct inspection of each property, and research as much as possible about the influences and characteristics of the property under valuation.

#### Nature and source of information

The information contained in the report was issued by official bodies, real estate offices in the targeted area, or offices specialized in research and studies, and with reference to the database of Qaim and its partner real estate valuation company.

#### Important assumptions and special assumptions

Important assumptions and special assumptions are explained on page 10.

#### Report usage restrictions

Valuation processes and reports are confidential to the directing party and to whomever they are referred to for a specific purpose, with no responsibility of any kind for any third party. This report may not be published in full or any part thereof or referred to in any document or statement or published periodically or in any medium. communicate with any third party without our prior written consent in the form and context in which they appear. It is a matter of caution and caution that the company and the valuer reserve the right to make any amendments and make any review of the valuation or support the valuation result under specific circumstances. .



## Work Stages

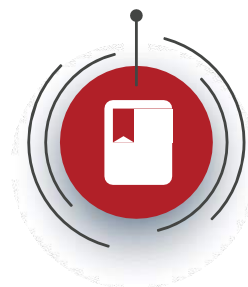
Meeting with the client and determining the scope of work, including the purpose of the valuation, the basis of value, the parties involved, the date of the valuation, and any special or important assumptions, including clarity of the assignment and the expected outputs from it.

Step 01



Collecting and analyzing office and field market data in order to gain knowledge of past and current market trends and market indicators that will be relied upon when applying valuation methods.

Step 03



Work on preparing the report in accordance with Standard 101 for Description of the Report and Standard 103 for Report Preparation.

Step 05



Step 02



Step 04



Previewing the property, identifying its characteristics and specifications, matching documents with reality, analyzing the location of the property and the uses surrounding the property, while defining the scope of the geographical search and the appropriate activities and projects.

Based on the scope of work and market analysis, appropriate valuation methods are determined and all assumptions and inputs are made to carry out financial calculations to reach the market value according to the chosen methods..

## ■ الفرضيات و القيود المحددة للتقرير

The specific assumptions  
and limitations of the report

## Important assumptions and special assumptions

Based on the type and characteristics of the property and the purpose of evaluation, the property was valued using the Income Approach (mainly discounted cash flow method) assuming that all market participants act in the best economic interest of the property as it achieves benefit for all market participants.

Valuation is based on the value (fair value) and that it was carried out in a major open market. Prices were inferred from field research work on plans close to the real estate site, and analysis, judgment and documentation were made.

The purpose of issuing this report is to know the fair value estimate for the purpose of (Estimating the fair value for the purpose of periodic valuation of the REIT Musharakah Fund) for the user of the report (the fund manager and investors).

Our company does not bear any responsibility for any information received from the customer, which is supposed to be safe and reliable, and our company does not acknowledge the accuracy or completeness of the available data and does not express its opinion and did not offer any kind of guarantee for the accuracy or completeness of the data except as indicated clearly in this report.

The property has been inspected outwardly and the property has not been structurally inspected, or this appraisal report is considered valid only if it bears the company's seal and the signature of the accredited residents.

No legal document was verified for the property that was evaluated or for legal issues involving ownership or mortgage, and it was assumed that the information was according to the client's statement.

The values estimated in this report are for the property under valuation, and any distribution of the value to parts of the property will not be correct, and this value should not be used for any other purposes, as it could be incorrect if used as well.

Information provided by other parties, especially with regard to planning, land ownership, renting, etc., on which all or part of this report was based, was considered reliable, but not all of it was confirmed in all cases, and no guarantee was given regarding the validity of this information, if it appears that this information is incorrect. the value contained in this report may change.

The property was evaluated in accordance with international standards 2022 AD, and the estimated value in this report is for the property under study, and in case of changing the purpose of the valuation, these values may be incorrect.

Borders and lengths according to the client's statement, and the company is not responsible for the Borders and lengths, and therefore the total area of the land is taken according to the deed, and the company is not responsible for that.

This report may not be used in whole or in part, or have references to it made without mentioning Qiam and its partner real estate valuation company. It may also not be published in any way without the company's prior written consent, in the form and content in which it appears.

The fund manager must provide accredited evaluators in an accurate, clear and non-misleading manner with any documents or information related to the real estate assets of the fund to be evaluated, including but not limited to: related contracts, engineering reports, construction commissions and any information that would enable the accredited evaluator to prepare his report in accordance with to the statutory provisions and approved standards.



■ الإمتثال للمعايير و أعمال  
البحث و الإستقصاء

Compliance with Standards ,Research and  
Inquiry

## Standard 102: Compliance with Standards and Research and Inquiry

This valuation work was carried out in accordance with the principle of Standard 102 of compliance with the standards, research and survey work, in the following items:

- The basis of the value (fair value) is commensurate with the purpose of evaluation (estimating the fair value for the purpose of periodic evaluation of the Musharaka REIT Fund).
- Gathering evidence through field visits at the time of inspecting the property with the inquiries raised at the time of the evaluation of some accredited offices in the area of the property.
- Evidence from field visits was collected and analysis and computational procedures performed to ensure that evaluation work was adequately supported.
- The data cited was judged to ensure the adequacy of all such information obtained to ensure that it is sufficient for the purpose of the evaluation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all evaluation inputs mentioned in the report.
- Reliability of the information provided by the real estate offices in the real estate area has been confirmed, and they are accredited and licensed offices in the real estate area.

## Judging the reliability of the information provided and taken into the report

Provider	Data and information	Verdict	Judgment reasons	
Client	Deed	Trusted	Deed has been verified - Real Estate Market	
	Building permit	Trusted	Construction Permit Validated - Balady platform.	
	Lease contracts	Trusted	The contracts were reviewed	
Market	Commercial meter prices	Trusted	Based on the market survey - direct interviews - accredited offices in the real estate area - internal company data	
	Practical experience of real estate offices	Trusted		Certified by official records in the real estate area
	Source independence	Trusted		A source independent and external to the asset being valued

## Compliance with Standards and Research and Inquiry

03

In the event that there are restrictions on the research and investigation carried out by the evaluator that do not enable him to adequately value the inputs and assumptions, which are clarified in the special assumptions

02

Carry out calculations and perform analyzes by gathering sufficient evidence by the following means, such as: field visit, inspection, inquiries and ensuring that evaluation work is appropriately reinforced and professional judgment facility to ensure that the information obtained is sufficient and that it fulfills the purpose of the evaluation

01

The research and investigations undertaken in the context of the valuation mission are appropriate to the valuation purpose and value basis

06

Record the valuation purpose, basis of value, and scope And the limits of research and survey, and the sources of information that reliable in the scope of work, which must Communicating it to all parties to the evaluation task

05

Consider the credibility and reliability of the information provided  
The following matters were taken into consideration:  
The purpose of the valuation  
The relevance of the information to the outcome of the valuation  
The source practical experience in relation to the subject matter of the valuation  
Is the source independent of the asset being evaluated or the beneficiary of it?

04

Taking into account the reliability of the information so that the evaluation results do not appear, and the inputs provided to the valuer (and) from the client or his representative) were considered.

## Regulatory framework on the International Valuation Standards (IVS 2022)

General Standards - Criterion 101  
Scope of Work Paragraph 20:  
Emphasizing that the valuation will be prepared in accordance with international valuation standards and that the valuer will assess the appropriateness of all important inputs: Deviations from international evaluation standards and their nature must be mentioned

60.3 Some professional appraisal institutions or regulations allow procedures that deviate from the International Appraisal Standards and in such circumstances, except as described in paragraphs 60.1 and 60.2, the resulting valuation will not be in compliance with the Standards.

General framework: the generally accepted valuation principles and the concepts that should be followed when applying these standards with regard to objectivity, discretionary judgment, efficiency, and the possibility of deviating from the standards, Paragraph (60.1-60.2). requirements mentioned in the reports

### Note:

Real estate valuations performed in order to prepare financial reports are regarded as situations of systematic deviation from international valuation norms in order to satisfy certain criteria for the purpose of the relevant valuation.



## Real estate and investment properties in the preparation of financial reports

### Clarifying the difference between real estate and investment properties in the financial statements

#### Investment properties in the financial statements

IAS 40 defines investment property as any property (land or a building - or part of a building - or both) held (by the owner or by the lessee as a right-of-use asset) to earn rental income or To grow the capital or for both, and not:

- For use in producing, supplying goods, providing services, or for administrative or
- To sell it in the ordinary course of business

#### Real estates included in the term of real estate, machinery and equipment in the financial statements

The International Accounting Standard No. 16 "property, plant and equipment" IFRS16 defines as the tangible items that:

- It is kept for use in the production or supply of goods or services, or it is kept for rent to others (except for investment real estate) or for use in administrative purposes.
- It is expected to be used during more than one period



## ■ نظرة عامة على الإقتصاد والقطاع العقاري بالمملكة العربية السعودية

An overview of the economy and  
the real estate sector in the  
Kingdom of Saudi Arabia

## Executive Summary - Saudi Real Estate Market

**Performance of the Saudi real estate market:** The Saudi gross domestic product grew by 8.6% during the third quarter of 2022. It is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7% and 2.3% during the years 2023 and 2024, respectively. According to the World Bank, the main driver of the post-pandemic recovery was the increase in demand for tourism and the increase in government spending on infrastructure projects such as the expansion of Riyadh Airport, among others. It is expected that such projects will lead to an increase in demand for real estate with excellent locations, especially offices and logistical facilities from Category A. At the same time, changing customer choices in the hospitality, lodging and retail sectors have prompted developers to reimagine hotel, residence and leisure components within their master development plans.

**Residential real estate:** Sales prices of villas and apartments increased during the first nine months of 2022 compared to 2021, with the continued strong demand for apartments by the citizens of the Kingdom.

**Retail:** The Economist's Economic Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional commercial centers and major regional commercial centers decreased during the months the first nine of the year.

**Hospitality:** Both the average daily rate and the occupancy rate witnessed an improvement from last year due to the recovery witnessed in the market in general, driven by the lifting of restrictions that were imposed on travel and the speedy procedures for issuing tourism visas. The first three months of the year recorded the strongest performance in terms of occupancy rate in Riyadh Which reached 76% in March. As for Jeddah hotels, they recorded the highest occupancy rate in May, when occupancy reached 59%.

**Offices:** Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this has led to continued strong demand for Class A properties during 2022.

### Industrial and logistic real estate

Rents have remained relatively stable for Class A properties due to limited international grade warehouses and increased demand from logistics companies.

## Saudi Arabia Office Market

Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this led to continued strong demand for Class A properties during 2022 AD.

## 2022 Performance Review

Offered offices in the main markets such as Riyadh, Jeddah, and the metropolis of Dammam amounted to 5.2 million square meters, 1.3 million square meters, and 1.3 million square meters, respectively, as of September 2022 AD. Notable additions to the market during 2022 included the headquarters of the Saudi British Bank On King Fahd Street, King Abdulaziz City for Science and Technology, and the government departments complex in Riyadh, in addition to the offices of the Saudi Airlines cargo building in Jeddah. The Saudi gross domestic product grew by 8.6% during the third quarter of 2022, and it is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7 and 2.3% during the years 2023 and 2024, respectively, according to the World Bank, and it was the main driver. The recovery in the post-pandemic office sector is due to the increase in government spending on infrastructure projects, such as the expansion of Riyadh Airport, among others. The demand for Class A real estate in Riyadh also remained strong as a result of the government's focus on developing the city to be a regional hub for international companies. As for Jeddah and Metropolitan Dammam The offered of Class A properties mainly focuses on government offices and public sector entities, and owners are now offering incentives such as free periods and smaller, fully-equipped units to attract a wider range of tenants. Lease periods usually correspond to unit size, as larger units are rented for longer periods. Between six and nine years.

## Saudi Arabia retail market

Economist Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional and major commercial centers decreased during the first nine months of the year.

## 2022 performance review

It is expected that the bulk of the retail projects that will be completed will be in the category of major regional commercial centers, which indicates that the market is sufficient for this category of mega projects. Visitors in an increasingly competitive market.

Retail rents witnessed some decline during the past twelve months at the level of the Kingdom, as the average rent decreased in regional commercial centers and major regional commercial centers, and the distinctive shopping centers in the Kingdom were able to maintain occupancy rates during the year 2022 AD, as lifestyle stores specifically recorded an increase in The number of visitors after lifting the ban that was imposed during the pandemic.



## دراسات الموقع ■

Site Studies

## Real estate data and Services available in the real estate area

### Real Estate Data

City	Riyadh	Neighborhood	Al-Selay
Street	King Fahd Road	Property type	Warehouses
No. land plan	3/1391	Plot number	3/2/45+2/4/45+1/4/45+2/2/45/3/4/45+1/2/45
Area	29,955.42 square meters	Land use according to regulations	Workshops and Warehouses

### Services and facilities available in the real estate area

Electricity network	Telephone network	Water network	Sewerage network
✓	✓	✓	✓
Water drainage network	Mosque	Dispensary	Garden
✓	✓	✓	✓
Public markets	Civil defense	Police station	Hospital
✓	✓	✓	✓
Hotels	Petrol station	Schools	Governmental services and centers
✗	✓	✓	✗



## Factors affecting the property

Impact element	Impact determinants	Description
Area overview	Importance of the area	located in the city of Riyadh, in Al-Selay district
Natural factors (environmental)	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is in the center Riyadh
	Infrastructure	Completed
	Municipal equipment	Completed
	Land properties	Regular shape
Building Regulations	Land use	Public services
	Building ratio - number of floors	various
Economic factors	Supply and demand	High
	Land prices	High
Legal factors	Deficit and trespassing on the property	N.A.

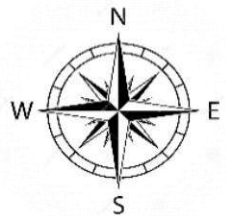


## Property description

- The building area was determined based on the (**Permit**).
- Actual property age has been determined to **be (7.5) years** based on (**Reality - The property has been renovated**).
- The state of the property on the date of valuation (**31/12/2023**)
- When examining the property, it became clear to us that it is a (**Warehouses**). Detailed as below:

Built-up area data from the permit		
Building components	Area m2	Use
Built-up area	27,905	Warehouses
Fences	300	Services

## Property location



Property is located in: **Riyadh**

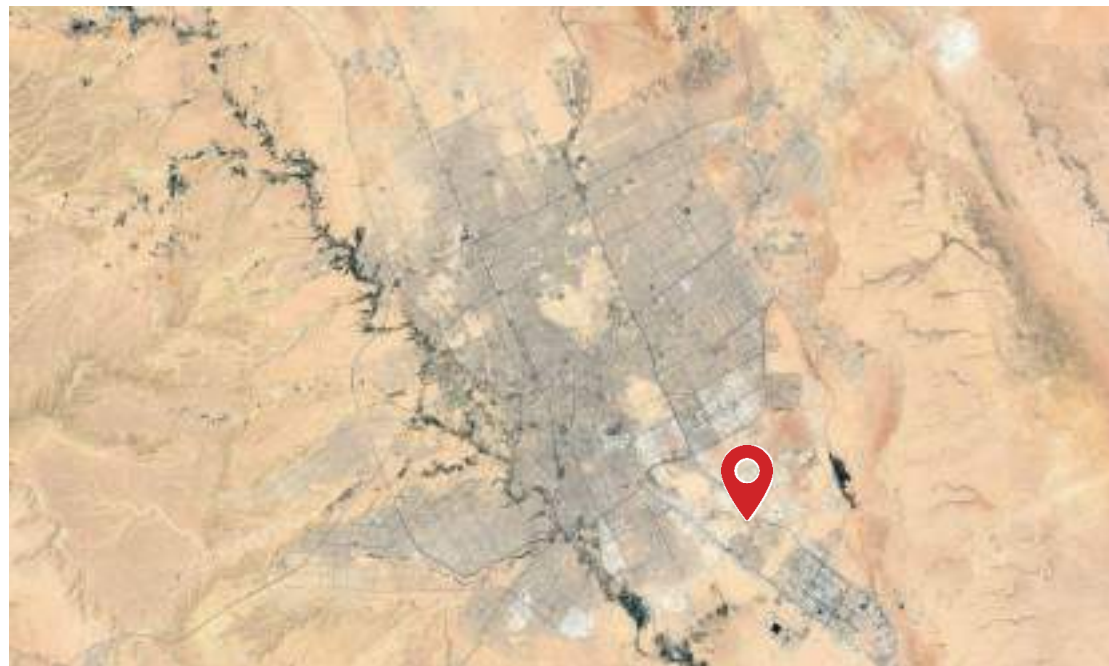
Neighborhood: **Al-Selay**

Street: **Prince Muhammad Abdul Rahman Abdul Aziz**

Location coordinates

N : 24.618130

E : 46.857899



Photographic survey of the building and its components (1/2)





## Photographic survey of the building and its components (2/2)



## Ownership documents

### Title deed information

Ownership Type	Deed date	Deed number	Owner name
Ownership 100%	27/8/1440 AH	814006003052	Hefdh Al-Musharaka Real Estate Company

### Neighborhood name - plot number - plan number - land area:

Neighborhood name	Plot number	Plan number	Land area
Al-Selay	+ 3/4/45 + 2/2/45 + 1/2/45 3/2/45 + 2/4/45 + 1/4/45	3/1391	29,955.42 m2

### Borders and lengths:

Borders and lengths:							
Northen border	Border length	Southern border	Border length	Eastern border	Border length	Western border	Border length
Street width 30 m	99.87 m	Street width 36 m	99.85 m	Plot No. 1/45 and No. 3/45	299.95 m	Plot No. 6/4/45, 45/4/5, 7/2/45, 6/2/45, 5/2/45 and 4/2/45	299.98 m



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



Valuation

التقييم ■

## Valuation Approaches



### Market Approach ❖

The market method provides an indication of value by comparing the asset with identical or comparable (similar) assets for which price information is available.



### Income Approach ❖

The income method provides an indication of value by converting future cash flows into one current value. According to this method, the value of the asset is determined by reference to the value of the revenue and cash flows generated by the asset or the costs it provides.



### Cost Approach ❖

The cost method provides an indication of value using the economic principle that states that the buyer will not pay an asset more than the cost of obtaining an asset of similar benefit, whether through purchase or construction unless there are time, disturbance, risk, or other related factors. The method provides an indication of value by calculating the current cost of transferring or reproducing the asset, and then discounting the physical wear and tear of all other obsolescence's.



## Market Approach-Standard No. 105

It is an approach of estimating the value of a real estate or real estate property based on the market comparison between the property being evaluated and similar properties in the same area that were recently sold. The value indicator of the property being valued is derived by applying appropriate comparison units and making adjustments and adjustments to the selling prices of similar properties based on the comparative elements.

**The market approach should be applied and afforded significant weight under the following circumstances:**

- ❖ The subject asset has recently been sold in a transaction appropriate for consideration under the basis of value
- ❖ The subject asset or substantially similar assets are actively publicly traded.
- ❖ There are frequent and/or recent observable transactions in substantially similar assets.

**The key steps in the comparable transactions method are:**

- ❖ Define the units of comparison used by relevant market participants.
- ❖ Determine the relevant comparative transactions and calculate the main evaluation criteria for these transactions.
- ❖ Conduct consistent comparative analysis of the qualitative and quantitative similarities and differences between the comparable assets and the subject asset.
- ❖ Make the necessary adjustments, if any, to the evaluation scales to reflect the differences between the subject of evaluation and the comparative assets.
- ❖ Applying the revised valuation criteria to the subject asset.
- ❖ Value indicators are reconciled if more than one evaluation scale is used.

## Cost Approach - Standard No. 105

It is a valuation method that calculates the capital or market value of a property by adding the value of the real estate's land with the value of the buildings erected on the site.

### Cost Approach should be applied and afforded significant weight under the following circumstances:

- ❖ Participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
- ❖ The asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or
- ❖ The basis of value being used is fundamentally based on replacement cost, such as replacement value

### Used methods of Cost Approach :

- a. **Replacement cost method:** A method of arriving at value by calculating the cost of a similar asset

### Method of estimating the value of buildings using the straight line method

- The straight-line method: the straight-line method is calculated by the formula (current age of the building / Lifespan) \* 100.

## Income Approach-Standard No. 105

Income Approach provides an indication of value by converting future cash flows into a single present value. Under this approach, the value of an asset is determined by reference to the value of the revenue and cash flows that the asset generates or the costs it provides.

### **Income Approach should be applied and given priority or significant weight in the following cases:**

- A. When the ability of the asset to generate income is the primary factor that affects the value from the point of view of market participants.
- B. Reasonable expectations are available for the amount and timing of future revenue for the assessed asset but few, if any, relevant market comparisons.

### **Income Approach Methods:**

Although there are many ways to apply the income method, the methods used under the income method depend largely on discounting the amounts of future cash flows to a present value, which are various applications in using the discounted cash flow (DCF) method and the concepts below apply in part or all of the methods of the income method.

#### **Discounted Cash Flow method (DCF)**

It is a financial method for estimating the value of a financial or real asset. The value index is derived by calculating the present value of future cash flows. The discounted cash flow method is applied to evaluate a property or real estate that generates income based on the expectation of future income for the property under valuation. The value index of the property is derived through Calculating the present value of net operating income or the expected net rental value of the property.

#### **Direct Capitalization Method:**

The direct capitalization method is applied in the event that the net rental value of the property under valuation is fixed and equal in perpetuity.

#### **Residual value method:**

The residual value method is a method of evaluating properties that can be valued by identifying the most appropriate development of the site and property and then predicting the value of such development after it is completed.

## Analyzing the used valuation approaches and methods - Fair value hierarchy

### Used valuation methods

Valuation Approaches	Market Approach	Cost Approach	Income Approach
Used approach	Market Approach was used as an <b>assist</b>	Cost approach was used as an <b>assist</b>	<b>Mainly used</b>
Used valuation methods	Field survey (comparisons - offered land prices)	Depreciated Replacement Cost method for buildings	Discounted Cash Flow method
Reasons for use / not use	Basic way to see similar properties in the market	A supportive method for guidance	The fact that the property is income-generating

### Hierarchy:

The fair value hierarchy categorizes the inputs to the valuation techniques used to measure fair value at the measurement date into three levels, as follows:

Level	clarification	input statement	classification	Source	Judgment and documentation
<b>First</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be reached at the measurement date and are given priority.	---	---	---	---
<b>Second</b>	They are the inputs other than the published prices within the first level that can be monitored for the asset or liability, either directly or indirectly	Commercial and commercial residential offers in the real estate area	It is classified under the second level	Accredited real estate offices in the real estate area	Reliable based on similar market analysis, verification following market research and analysis, in-person interviews, and the company's own database of deals and transactions
<b>Third</b>	They are the inputs that cannot be monitored and are given the lowest priority	---	---	---	---



## تقدير القيمة ■

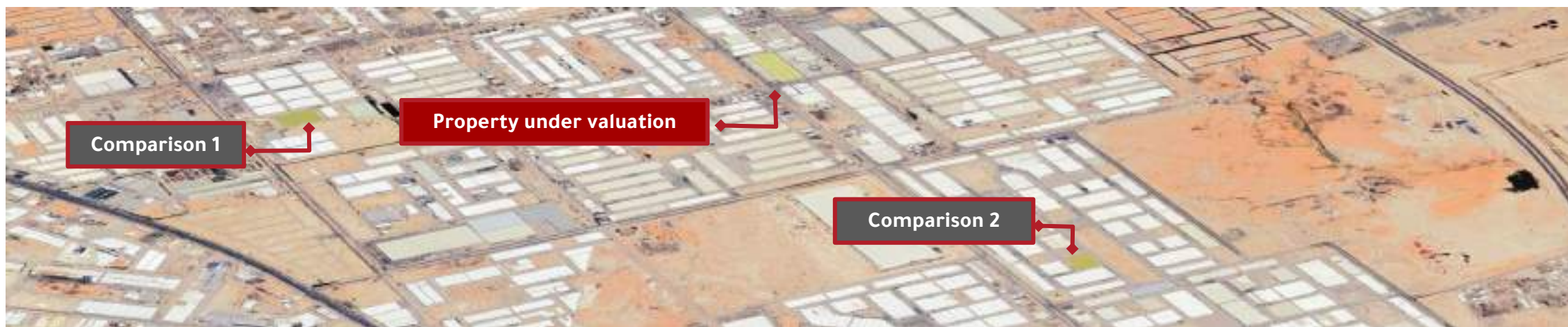
Value Estimation

## Similar Offers and Comparisons - Commercial prices in the area

Saudi market does not have transparency and it is difficult to collect accurate information. Therefore, we were able to collect data for a selected sample of comparisons that reflect the reality of the market in general, and we will work to present their data and performance indicators as an embodiment of the market.

Comparative Real Estate - Commercial Lands (Warehouses)		
Comparison factors	Comparison 1	Comparison 2
Area (m2)	21,275	10,024
Ease of access	High	High
Property location	High	High
Land shape	Regular	Regular
The length of the commercial front m	185	100
Use	Warehouses	Warehouses
Surrounding streets	3	4
Price per meter (SR)	1,450	1,650
Comparative condition	Available offer	Available offer
Date	2023	2023
Plan number	3026	3661
Plot number	22/15 Bulk No. 2	From 53 to 160

Comparison map



## Estimating the value of the commercial land for the warehouse- relative adjustment - Market Approach

Valuation of the land by Market Approach - Method of Comparison with Similar Sales - for commercial lands (warehouses)					
Clause		Comparative real estates			
Adjustments factors	Property under valuation	Comparison 1		Comparison 2	
		Value	Adjustment	Value	Adjustment
Price per square meter	***	1,450		1,650	
Condition	***	Available offer		Available offer	
Date of valuation/offer	2023	2023		2023	
Market Condition	***	-5%	-72.5	-5%	- 83
Financing terms	***	0%	0%	0%	0%
Market conditions value	***	(72.50)		(82.50)	
Value after initial settlements	***		1,378		1,568
Land area (m <sup>2</sup> )	29,955	21,275	-5%	10,024	-15%
Ease of access	High	High	0%	High	0%
Property location	High	High	0%	High	0%
Land shape	Regular	Regular	0%	Regular	0%
The length of the commercial front m	99.85	185	-10%	100	0%
Land use	Warehouses	Warehouses	0%	Warehouses	0%
Surrounding streets	4	3	5%	4	0%
Total			-10.00%		-15.00%
Adjustment value per square meter			138-		235-
Final meter value after Adjustments			1,240		1,332
Relative weight			60%		40%
Net average value per square meter (SR / m <sup>2</sup> )			1,277		
Net average square meter value after rounding (SR / m <sup>2</sup> )			1,280		
The market value of the land (SR / m <sup>2</sup> )			38,342,938		



## Similar Comparisons Method assumptions

**Based on the approach used in calculating the market value, which is Market Approach (Method of Similar Comparisons), some steps must be taken to obtain accurate Adjustments, as follows:**

- Determine the factors that affect the value of the property under valuation.
- Comparing the features and characteristics of each comparative property with the property being evaluated and determining the difference in each element of the comparison between the comparative property and the property under valuation.
- Make adjustments against each mismatched item.
- Reaching the net adjustment for each comparable property and applying it to the unit price to reach price range of the unit after adjustments for the property under valuation.
- On the basis of the price range, the valuer determines the most reasonable price for the unit in the real estate under valuation, and the unit price is chosen after adjustments from the best comparable real estate usually as it is better.
- A reasonable price for the unit in the property under valuation.

## Similar Comparisons Method Assumptions

**Based on the approach used in calculating the market value, which is Market Approach (Method of similar comparisons), the following was assumed:**

**Relative control of the area:** It is customary to promote a smaller area of the land that achieves a higher value compared to the land that is larger in area, and sometimes vice versa.

Here, it was assumed that a percentage of -5% would be allocated to comparator 1 and -15% to comparator 2, and the smaller the area, the less it takes a minus mark, as well as vice versa, compared to the property under valuation.

**Market condition:** Adjustments against the market condition conditions are often referred to as (time) Adjustment or in the case of negotiation over the offered value. Market conditions may change with the change of time, and the percentage is variable according to the market condition. Here, a percentage of -5% has been allocated, considering real estate. Comparisons are on offer and negotiable by owner.

**Ease of access:** The movement of access to the real estate subject to evaluation is easy, as well as the ease of access to the comparable properties (high, medium, low), and accordingly, a rate of 0% was assumed for each level, since all properties are at a high level.

**Location of the property:** The location is where the property is located, whether it is on a road front or second row, or has two roads or two entrances, and it has a direct and high impact on the value of the property, and half of it is (high, medium, low), and accordingly, a percentage of 0% was assumed for each level, since all properties are on a level high.

**Land shape:** One of the physical characteristics that affect the property is the shape of the land, whether it is regular or irregular, and accordingly, 0% was assumed for the comparable properties, as they are all on the same level.

**The length of the commercial front:** The length of the commercial front has a significant impact on the store, which greatly helps in benefiting from the shape of the store and the municipality's requirements for commercial areas in general. Accordingly, a rate of -10% was assumed for the comparative property 1, as it is longer than property under valuation And comparative property 2.

**Usage:** The real estate planning has been taken into consideration as it is (commercial) planning compared to the comparable real estate, as well as all of them are commercial. It is possible for the property to include more than one use, such as (residential, residential, commercial, or residential, commercial, office), and accordingly, 0% was assumed, since all real estate is commercial and residential.

**Surrounding streets:** The location affects the value of real estate directly if it is on one or two streets, as well as the views it provides and the provision of various advantages. Accordingly, a rate of 5% was assumed for each difference for one street.

## Cost Approach - Depreciated Replacement Cost method for buildings

First: Construction Costs (Direct Costs)			
Clause	Built up area m2	SR / m2	Value (SR)
Built up area	27,905.00	1,200	33,486,000
Fences	300.00	1,000	300,000
<b>Total (SR)</b>	<b>28,205.00</b>		<b>33,786,000</b>
Second: Other costs (indirect)			
Professional fees		3%	1,013,580
Utilities Network		5%	1,689,300
Administration costs		5%	1,689,300
Developer's profitability		30%	10,135,800
<b>Total (SR)</b>			<b>14,527,980</b>
<b>Total cost of buildings (SAR)</b>			<b>48,313,980</b>

Third: Depreciation cost		
Life span of the property (year)	Year	40
The current age of the property (year)	Year	7
Remaining life of the property (year)	Year	33
Depreciation rate	%	18%
Depreciation value	SR	8,454,947
<b>Final value of the building (SR)</b>		<b>39,859,034</b>

Fourth: Value of the property according to the Cost Approach	
Final value of the land (SR)	38,342,938
Final value of buildings (SR)	39,859,034
<b>Market value of the property according to the Cost Approach (SR)</b>	<b>78,201,971</b>
<b>Market value of the property according to the Cost Approach after rounding (SR)</b>	<b>78,200,000</b>

## Analysis of valuation assumptions data - Discounted Cash Flow Methods

### Operating and capital expenditure rate:

Operating expenses are expenses related to renting and maintaining the property, and capital expenses are expenses incurred by the owner in order to maintain it in good condition to achieve appropriate annual income. The percentage of operating expenses represents 5% - 20% for similar projects in the surrounding area, according to the size and services provided, since most of them are in single contracts. Mostly, knowing that the summary of the maintenance contracts has not been seen from the client to know the percentage that represents the current income, and most often the lease contracts include the rental value and the value of the facilities maintenance services on it, and the rate of operating and capital expenditures was assumed at 0 % according to (Client data) only, where we find that operating expenses are paid by the property tenant for maintenance and include the costs of common services expenses, cleaning and maintenance of the building, security management and control expenses, and are estimated from the actual rental income because the property is in use.

### Discount rate:

The discount rate was assumed at 9.6% according to the cumulative model method as follows:

Cumulative Model method		
Government bond rate of return	4.6	Saudi Tadawul Fund
Inflation rate (current year average)	2.49	Saudi Central Bank
Market risk premium (recession and recovery)	1.25	According to the condition and circumstances of the market
Special risk premium (the resulting costs of the property)	1.25	According to the condition and circumstances of the property
Discount rate with all data above	9.6%	%

### Discounted Cash Flow method assumptions:

Discounted Cash Flow method assumptions:			
Rental value (Client data)	6,000,000	Discount rate	9.6%
Operational expenses	0%	Capitalization rate	6.5%
Occupancy rate and credit risk	0%	Growth - After Year (3) Growth - After Year (5)	10% 5%
Cash flow period (Years)	5	Beginning - end of cash flows	2028 - 2024

### Occupancy rate and credit risk:

The property is characterized as one of the attractive properties for warehouse tenants in the city of Riyadh, Al-Sulay district. The vacancy rate data from the market was analyzed to confirm the contract, as the market data shows that the occupancy rates range from 0% to 5% in similar real estate, and accordingly, the vacancy rate and credit risk were assumed at 0 %.(Client data)

### Operational rate of return:

Analysis of the capitalization rate - the method of extracting from the market In view of the market activity and the reports of the Qaim Company for similar investments, as well as in view of the economic reports issued by some study centers and the information center of the Qaim Company for evaluation, it became clear to us that the return in the region ranges from 7% to 8%, and accordingly it was assumed The rate of return is 7%. There are many factors that affect the rate of return, represented in the location of the building, its age and condition, the status of the tenants, and the degree of risk associated with repayment. The capitalization rate is affected by the demand and supply rates for the same type of real estate.

### Growth rate:

- The growth rate was reviewed by referring to the market for similar real estate and taking into account the current lease contracts according to the client's statement to be compared with the market data, taking into account the assessment of the market research centers of the banks that the increase in rental prices and recent expansions is expected to be higher than the impact of the increase in interest rates on the investments of REIT funds and the future outlook The property is optimistic due to the high demand for this type of similar properties in the area surrounding the property, as well as taking into account the growth of similar properties and the level of internal and external finishes of the property under valuation.
- A growth rate of 10% was assumed in the third year and 5% in the fifth year, according to the status of the contract based on the interior and exterior finishes of the property, the location of the property, and supply and demand in the market.

### Analysis of vacancy rate, rate of return, operating and capital expenditures from the market

S/N	Location	Property name	Property type	Coordinates	Occupancy%	Return %	Operating and Capital Expenditures %
1	Al-Selay	Al-Selay	Warehouses	24.658001 46.851041	0%	8.50%	0%
2	Al Musfat District	Lulu Central Warehouses	Warehouses	24.507324 46.922858	0%	7.25%	0%

## Calculating the value of the property - using the Income Approach - Discounted Cash Flow method

Cash flow - Inflows		Years						
		2024	2025	2026	2027	2028		
		1	2	3	4	5		
Expected growth value		0%	0%	10%	0%	%5		
Real estate income according to the contract								
Total income	6,000,000	6,000,000	6,000,000	6,600,000	6,600,000	6,930,000		
Total income		6,000,000	6,000,000	6,600,000	6,600,000	6,930,000		
Minus occupancy rate and credit risk	0%	0%	0%	0%	0%	0%		
Annual vacancy value		0	0	0	0	0		
Actual total rental income		6,000,000	6,000,000	6,600,000	6,600,000	6,930,000		
Minus rate of operating and capital expenses	%0	0	0	0	0	0		
Building net operating income (NOI)		6,000,000	6,000,000	6,600,000	6,600,000	6,930,000		
Reversion value of the building							106,615,385	
Net cash flow		6,000,000	6,000,000	6,600,000	6,600,000	6,930,000	106,615,385	
Discount factor		0.912	0.832	0.760	0.693	0.632	0.632	
Present value of cash flow		5,474,453	5,494,432	5,013,168	4,802,761	4,382,082	67,416,641	
Net present value of the property								<b>92,583,537</b>

## Final value of the property

Based on the purpose of the valuation, the nature of the property and its characteristics, as it is a (Warehouse building), valuing the property using the Income Approach (Discounted Cash Flow method) is considered the best way to estimate the price on the measurement date of 31/12/2023 AD, which was arrived at with the Income Approach as a basis for the fair value of the property being valued (After rounding) , as follows:

Price on the date of measurement in numbers (SR)	Price on the date of measurement in writing (SAR)
92,583,500	Ninety-two million five hundred eighty-three thousand five hundred

**This report was approved by the Executive Director**

Ismail Muhammad al-Dubaikhi



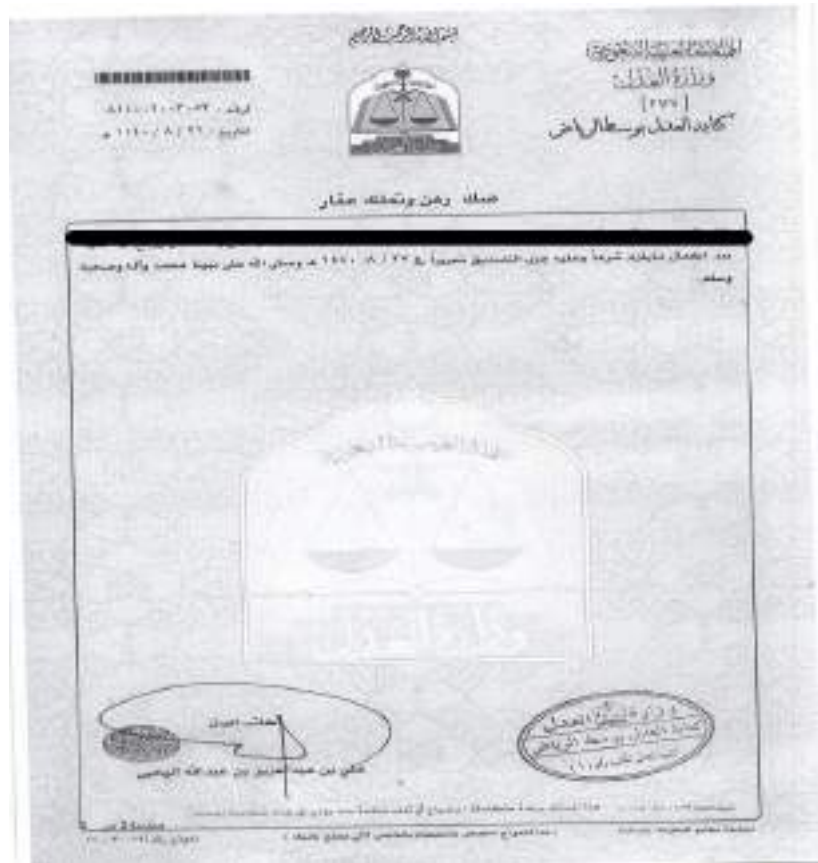


ملاحق ■

**Appendix**



Documents received from the client



Deed



Deed

Documents received from the client



Building permit



Building permit

Documents received from the client



Building permit



Building permit



Documents received from the client



Building permit



Building permit



Team



Ahmed Saleh Al-Attas  
Real estate - Associate  
Membership No 1220003236



Muath Abdul Rahman Al-Aoraini  
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**Al-Bazai showrooms for cars**

**Al-Naseem neighborhood**

**Riyadh City - Kingdom of Saudi Arabia**



**Presented to :**  
**Musharaka Capital Company**

## Statement

Dear: **Musharaka Capital Company** Greetings


**Subject: Valuation report for Al-Bazai showrooms for cars in Al-Naseem district - Riyadh**

We, Qaim and his partner real estate valuation company, extend our sincere thanks and appreciation to you for choosing us and giving you your precious trust to evaluate the property located in **Riyadh, Al-Naseem district**, according to the assignment issued by you on **09/11/2023 AD** based on the license granted to us by the Saudi Authority for Accredited Valuers, following In that is the latest version of the international valuation standards **2022 AD**, which are recognized as well as the rules and ethics of the profession in order to reach the final impartial valuation based on the actual inspection by the work team and the study of the market area surrounding the property. The fair value estimate was reached using various valuation approaches, including what each report carries, and accordingly we are pleased to We present to you the real estate valuation statement listed below.

**Based on the completed study, we attach to you the results of the price estimate on the measurement date of the property (Al-Bazai Showroom for Cars) and on its current status on the estimate date 31/12/2023 AD located in (Riyadh) neighborhood (Al-Naseem), with an amount of only (75,768,000) Seventy-five million seven hundred sixty-eight thousand Saudi riyals.**

This report was approved by the Executive Director, Ismail  
Mohammed Al-Dubaikhi

Under License No. / 1210000052 dated 10-10-1443 AH



With sincere gratitude...



# قيير للتقييم

## QIAM VALUATION

### Content

01	The specific assumptions and limitations of the report
02	Scope of work
03	An overview of the economy and the real estate sector in the Kingdom of Saudi Arabia
04	Site studies
05	Valuation
06	Value Estimation
07	Appendix



## ■ نطاق العمل

Scope of work

## Executive Summary

**Price estimate on the date of measurement: 75,768,000 Saudi riyals**

Property address	Property subject to Valuation	Owner of real estate
Riyadh - Al-Naseem District	Al-Bazai showrooms for cars	Hefdh Al-Musharaka Real Estate Company
Report issued date	Valuation date	Inspection date
21/03/2024	31/12/2023	21/11/2023
Notary Public	Purpose of the valuation	Ownership Type
Riyadh	Estimating the fair value for the purpose of periodic valuation of the Musharaka REIT Fund	Absolute ownership
Assumed value	Deed date	Deed number
Present value	1444/01/05 AH	710112059978

## Scope of work Standard No. 101

Other users	Client	Valuation currency
Fund managers and investors only	Musharaka Capital Company	Saudi riyal
Report description	Value Basis	Valuation Approach
A report explaining the methodology and steps of the valuation and the results of the valuation, and includes illustrative pictures of the boundaries of the asset under valuation	Fair value	Income Approach

## Scope of the Valuer search - Standard No. 102

Gathering sufficient information through a field visit, visible inspection, and conducting analyzes. A study was conducted from sites close to the real estate site and from approved real estate offices in the real estate area, and all information was investigated and studied accurately.

## Value Basis

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (This definition is adapted from IFRS 13), paragraph 9. It is also defined in IVS 104 Basis of Value, paragraph 90, among other bases of value for valuation for purposes of inclusion in financial reports.



#### Valuation Standard followed

All work was carried out in accordance with the Accredited Valuers System and the implementing regulations related to real estate valuation issued by the Saudi Authority for Accredited Valuers (Taqeem), and the latest version of the International Valuation Standards (IVS) for the year 2022 published by the International Valuation Standards Board (IVSC)) and the professional rules recognized in the work of valuation of real estate assets, which is based on analysis, comparison and direct inspection of each property, and research as much as possible about the influences and characteristics of the property under valuation.

#### Nature and source of information

The information contained in the report was issued by official bodies, real estate offices in the targeted area, or offices specialized in research and studies, and with reference to the database of Qaim and its partner real estate valuation company.

#### Important assumptions and special assumptions

Important assumptions and special assumptions are explained on page 10.

#### Report usage restrictions

Valuation processes and reports are confidential to the directing party and to whomever they are referred to for a specific purpose, with no responsibility of any kind for any third party. This report may not be published in full or any part thereof or referred to in any document or statement or published periodically or in any medium. communicate with any third party without our prior written consent in the form and context in which they appear. It is a matter of caution and caution that the company and the valuer reserve the right to make any amendments and make any review of the valuation or support the valuation result under specific circumstances. .

## Work Stages

Meeting with the client and determining the scope of work, including the purpose of the valuation, the basis of value, the parties involved, the date of the valuation, and any special or important assumptions, including clarity of the assignment and the expected outputs from it.

Step 01



Collecting and analyzing office and field market data in order to gain knowledge of past and current market trends and market indicators that will be relied upon when applying valuation methods.

Step 03



Work on preparing the report in accordance with Standard 101 for Description of the Report and Standard 103 for Report Preparation.

Step 05



Step 02



Step 04



Previewing the property, identifying its characteristics and specifications, matching documents with reality, analyzing the location of the property and the uses surrounding the property, while defining the scope of the geographical search and the appropriate activities and projects.

Based on the scope of work and market analysis, appropriate valuation methods are determined and all assumptions and inputs are made to carry out financial calculations to reach the market value according to the chosen methods..

## ■ الفرضيات و القيود المحددة للتقرير

The specific assumptions  
and limitations of the report

## Important assumptions and special assumptions

Based on the type and characteristics of the property and the purpose of valuation, the property was valued using the Income Approach (mainly Discounted Cash Flow method) assuming that all market participants act in the best economic interest of the property as it achieves benefit for all market participants.

Valuation is based on the value (fair value) and that it was carried out in a major open market. Prices were inferred from field research work on plans close to the real estate site, and analysis, judgment and documentation were made.

The purpose of issuing this report is to know the fair value estimate for the purpose of (Estimating the fair value for the purpose of periodic valuation of the REIT Musharakah Fund) for the user of the report (the fund manager and investors).

Our company does not bear any responsibility for any information received from the customer, which is supposed to be safe and reliable, and our company does not acknowledge the accuracy or completeness of the available data and does not express its opinion and did not offer any kind of guarantee for the accuracy or completeness of the data except as indicated clearly in this report.

The property has been inspected outwardly and the property has not been structurally inspected, or this appraisal report is considered valid only if it bears the company's seal and the signature of the accredited residents.

No legal document was verified for the property that was evaluated or for legal issues involving ownership or mortgage, and it was assumed that the information was according to the client's statement.

The values estimated in this report are for the property under valuation, and any distribution of the value to parts of the property will not be correct, and this value should not be used for any other purposes, as it could be incorrect if used as well.

Information provided by other parties, especially with regard to planning, land ownership, renting, etc., on which all or part of this report was based, was considered reliable, but not all of it was confirmed in all cases, and no guarantee was given regarding the validity of this information, if it appears that this information is incorrect. the value contained in this report may change.

The property was evaluated in accordance with international standards 2022 AD, and the estimated value in this report is for the property under study, and in case of changing the purpose of the valuation, these values may be incorrect.

Borders and lengths according to the client's statement, and the company is not responsible for the Borders and lengths, and therefore the total area of the land is taken according to the deed, and the company is not responsible for that.

This report may not be used in whole or in part, or have references to it made without mentioning Qiam and its partner real estate valuation company. It may also not be published in any way without the company's prior written consent, in the form and content in which it appears.

The fund manager must provide accredited evaluators in an accurate, clear and non-misleading manner with any documents or information related to the real estate assets of the fund to be evaluated, including but not limited to: related contracts, engineering reports, construction commissions and any information that would enable the accredited evaluator to prepare his report in accordance with to the statutory provisions and approved standards.



■ الإمتثال للمعايير و أعمال  
البحث و الإستقصاء

Compliance with Standards ,Research and  
Inquiry

## Standard 102: Compliance with Standards and Research and Inquiry

This valuation work was carried out in accordance with the principle of Standard 102 of compliance with the standards, research and survey work, in the following items:

- The basis of the value (fair value) is commensurate with the purpose of evaluation (estimating the fair value for the purpose of periodic evaluation of the Musharaka REIT Fund).
- Gathering evidence through field visits at the time of inspecting the property with the inquiries raised at the time of the evaluation of some accredited offices in the area of the property.
- Evidence from field visits was collected and analysis and computational procedures performed to ensure that evaluation work was adequately supported.
- The data cited was judged to ensure the adequacy of all such information obtained to ensure that it is sufficient for the purpose of the evaluation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all evaluation inputs mentioned in the report.
- Reliability of the information provided by the real estate offices in the real estate area has been confirmed, and they are accredited and licensed offices in the real estate area.

## Judging the reliability of the information provided and taken into the report

Provider	Data and information	Verdict	Judgment reasons	
Client	Deed	Trusted	Deed has been verified - Real Estate Market	
	Building permit	Trusted	Construction Permit Validated - Balady platform.	
	Lease contracts	Trusted	The contracts were reviewed	
Market	Commercial meter prices	Trusted	Based on the market survey - direct interviews - accredited offices in the real estate area - internal company data	
	Practical experience of real estate offices	Trusted		Certified by official records in the real estate area
	Source independence	Trusted		A source independent and external to the asset being valued



## Compliance with Standards and Research and Inquiry

03

In the event that there are restrictions on the research and investigation carried out by the evaluator that do not enable him to adequately value the inputs and assumptions, which are clarified in the special assumptions

02

Carry out calculations and perform analyzes by gathering sufficient evidence by the following means, such as: field visit, inspection, inquiries and ensuring that evaluation work is appropriately reinforced and professional judgment facility to ensure that the information obtained is sufficient and that it fulfills the purpose of the evaluation

01

The research and investigations undertaken in the context of the valuation mission are appropriate to the valuation purpose and value basis

06

Record the valuation purpose, basis of value, and scope And the limits of research and survey, and the sources of information that reliable in the scope of work, which must Communicating it to all parties to the evaluation task

05

Consider the credibility and reliability of the information provided  
The following matters were taken into consideration:  
The purpose of the valuation  
The relevance of the information to the outcome of the valuation  
The source practical experience in relation to the subject matter of the valuation  
Is the source independent of the asset being evaluated or the beneficiary of it?

04

Taking into account the reliability of the information so that the evaluation results do not appear, and the inputs provided to the valuer (and) from the client or his representative) were considered.

## Regulatory framework on the International Valuation Standards (IVS 2022)

General Standards - Criterion 101  
Scope of Work Paragraph 20:  
Emphasizing that the valuation will be prepared in accordance with international valuation standards and that the valuer will assess the appropriateness of all important inputs: Deviations from international evaluation standards and their nature must be mentioned

60.3 Some professional appraisal institutions or regulations allow procedures that deviate from the International Appraisal Standards and in such circumstances, except as described in paragraphs 60.1 and 60.2, the resulting valuation will not be in compliance with the Standards.

General framework: the generally accepted valuation principles and the concepts that should be followed when applying these standards with regard to objectivity, discretionary judgment, efficiency, and the possibility of deviating from the standards, Paragraph (60.1-60.2). requirements mentioned in the reports

### Note:

Real estate valuations performed in order to prepare financial reports are regarded as situations of systematic deviation from international valuation norms in order to satisfy certain criteria for the purpose of the relevant valuation.

## Real estate and investment properties in the preparation of financial reports

### Clarifying the difference between real estate and investment properties in the financial statements

#### Investment properties in the financial statements

IAS 40 defines investment property as any property (land or a building - or part of a building - or both) held (by the owner or by the lessee as a right-of-use asset) to earn rental income or To grow the capital or for both, and not:

- For use in producing, supplying goods, providing services, or for administrative or
- To sell it in the ordinary course of business

#### Real estates included in the term of real estate, machinery and equipment in the financial statements

The International Accounting Standard No. 16 "property, plant and equipment" IFRS16 defines as the tangible items that:

- It is kept for use in the production or supply of goods or services, or it is kept for rent to others (except for investment real estate) or for use in administrative purposes.
- It is expected to be used during more than one period



## ■ نظرة عامة على الإقتصاد والقطاع العقاري بالمملكة العربية السعودية

An overview of the economy and  
the real estate sector in the  
Kingdom of Saudi Arabia

## Executive Summary - Saudi Real Estate Market

**Performance of the Saudi real estate market:** The Saudi gross domestic product grew by 8.6% during the third quarter of 2022. It is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7% and 2.3% during the years 2023 and 2024, respectively. According to the World Bank, the main driver of the post-pandemic recovery was the increase in demand for tourism and the increase in government spending on infrastructure projects such as the expansion of Riyadh Airport, among others. It is expected that such projects will lead to an increase in demand for real estate with excellent locations, especially offices and logistical facilities from Category A. At the same time, changing customer choices in the hospitality, lodging and retail sectors have prompted developers to reimagine hotel, residence and leisure components within their master development plans.

**Residential real estate:** Sales prices of villas and apartments increased during the first nine months of 2022 compared to 2021, with the continued strong demand for apartments by the citizens of the Kingdom.

**Retail:** The Economist's Economic Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional commercial centers and major regional commercial centers decreased during the months the first nine of the year.

**Hospitality:** Both the average daily rate and the occupancy rate witnessed an improvement from last year due to the recovery witnessed in the market in general, driven by the lifting of restrictions that were imposed on travel and the speedy procedures for issuing tourism visas. The first three months of the year recorded the strongest performance in terms of occupancy rate in Riyadh Which reached 76% in March. As for Jeddah hotels, they recorded the highest occupancy rate in May, when occupancy reached 59%.

**Offices:** Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this has led to continued strong demand for Class A properties during 2022.

### Industrial and logistic real estate

Rents have remained relatively stable for Class A properties due to limited international grade warehouses and increased demand from logistics companies.

## Saudi Arabia Office Market

Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this led to continued strong demand for Class A properties during 2022 AD.

## 2022 Performance Review

Offered offices in the main markets such as Riyadh, Jeddah, and the metropolis of Dammam amounted to 5.2 million square meters, 1.3 million square meters, and 1.3 million square meters, respectively, as of September 2022 AD. Notable additions to the market during 2022 included the headquarters of the Saudi British Bank On King Fahd Street, King Abdulaziz City for Science and Technology, and the government departments complex in Riyadh, in addition to the offices of the Saudi Airlines cargo building in Jeddah. The Saudi gross domestic product grew by 8.6% during the third quarter of 2022, and it is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7 and 2.3% during the years 2023 and 2024, respectively, according to the World Bank, and it was the main driver. The recovery in the post-pandemic office sector is due to the increase in government spending on infrastructure projects, such as the expansion of Riyadh Airport, among others. The demand for Class A real estate in Riyadh also remained strong as a result of the government's focus on developing the city to be a regional hub for international companies. As for Jeddah and Metropolitan Dammam The offered of Class A properties mainly focuses on government offices and public sector entities, and owners are now offering incentives such as free periods and smaller, fully-equipped units to attract a wider range of tenants. Lease periods usually correspond to unit size, as larger units are rented for longer periods. Between six and nine years.

## Saudi Arabia retail market

Economist Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional and major commercial centers decreased during the first nine months of the year.

## 2022 performance review

It is expected that the bulk of the retail projects that will be completed will be in the category of major regional commercial centers, which indicates that the market is sufficient for this category of mega projects. Visitors in an increasingly competitive market.

Retail rents witnessed some decline during the past twelve months at the level of the Kingdom, as the average rent decreased in regional commercial centers and major regional commercial centers, and the distinctive shopping centers in the Kingdom were able to maintain occupancy rates during the year 2022 AD, as lifestyle stores specifically recorded an increase in The number of visitors after lifting the ban that was imposed during the pandemic.





## دراسات الموقع ■

Site Studies

## Real estate data and Services available in the real estate area

### Real Estate Data

City	Riyadh	Neighborhood	Alnaseem
Street	Khurais Road	Property type	Al-Bazai showrooms for cars
No. land plan	911	Plot number	101+102+103+104+131+132+133+134
Area	10000 square meters	Land use according to regulations	Commercial

### Services and facilities available in the real estate area

Electricity network	Telephone network	Water network	Sewerage network
✓	✓	✓	✓
Water drainage network	Mosque	Dispensary	Garden
✓	✓	✓	✓
Public markets	Civil defense	Police station	Hospital
✓	✓	✓	✓
Hotels	Petrol station	Schools	Governmental services and centers
✓	✓	✓	✓

## Factors affecting the property

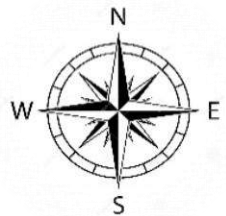
Impact element	Impact determinants	Description
Area overview	Importance of the area	located in the city of Riyadh, in Al-Naseem district
Natural factors (environmental)	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is in the center of Riyadh city
	Infrastructure	Completed
	Municipal equipment	Completed
	Land properties	Regular shape
Building Regulations	Land use	Public services
	Building ratio - number of floors	various
Economic factors	Supply and demand	High
	Land prices	High
Legal factors	Deficit and trespassing on the property	N.A.

## Property description

- The building area was determined based on the **(Permit)**.
- Determine the actual age of the property by **(5.5)** years based on (the reality)
- .The state of the property on the date of valuation **(31/12/2023)**.
- When examining the property, it became clear to us that it is a **(Car showroom)**. Detailed as below:

Built-up area data from the permit		
Building components	Area m2	Use
Basement	5,000.00	Services + parking
Mezzanine	1,281.00	Offices
Ground floor	5,787	Commercial - maintenance services
Fences	124	Services

## Property location



Property is located in: **Riyadh**

Neighborhood: **Al-Naseem**

Street: **Khurais Road**

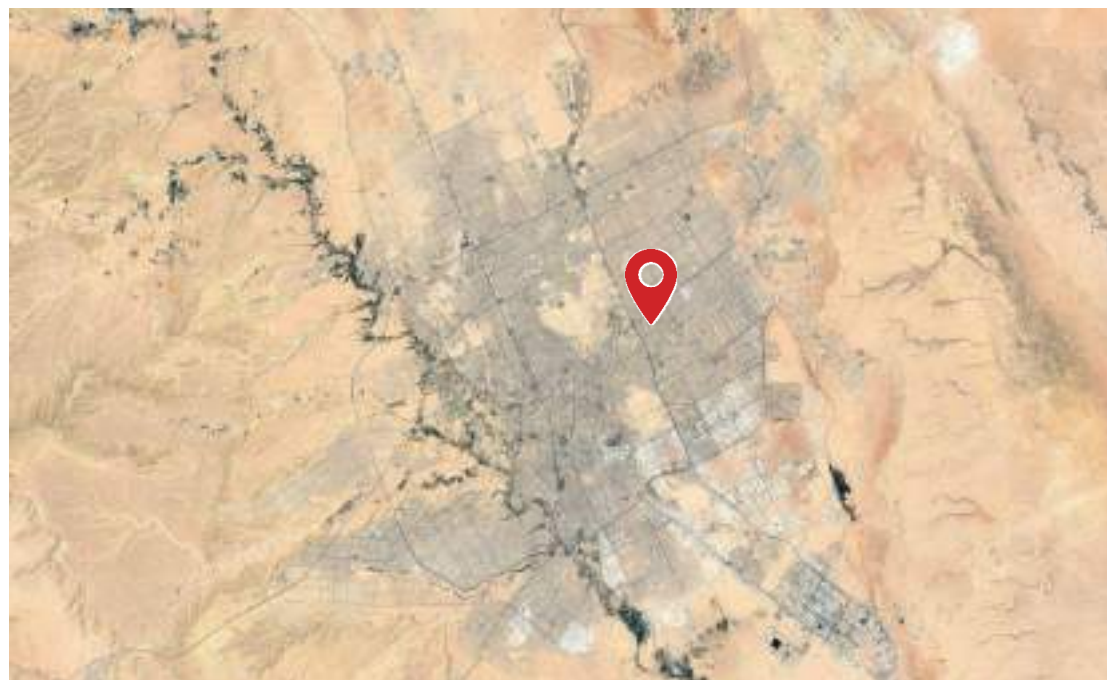
Location coordinates

N :

24.737930

E :

46.800941





Photographic survey of the building and its components (1/2)





## Photographic survey of the building and its components (2/2)



## Ownership documents

### Title deed information

Ownership Type	Deed date	Deed number	Owner name
Ownership 100%	1444/01/05 AH	710112059978	Hefdh Al-Musharaka Real Estate Company

### Neighborhood name - plot number - plan number - land area:

Neighborhood name	Plot number	Plan number	Land area
Al-Naseem	101+102+103+104+131+132+133+134	3/1391	10000 m2

### Borders and lengths:

Borders and lengths:							
Northen border	Border length	Southern border	Border length	Eastern border	Border length	Western border	Border length
Khurais asphalt road	Street width 60 m	Street width 15 m	100 m	Plot No. 105 and No. 130	100 m	Plot No. 114	100 m



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



Valuation

التقييم ■

## Valuation Approaches



### Market Approach ❖

The market method provides an indication of value by comparing the asset with identical or comparable (similar) assets for which price information is available.



### Income Approach ❖

The income method provides an indication of value by converting future cash flows into one current value. According to this method, the value of the asset is determined by reference to the value of the revenue and cash flows generated by the asset or the costs it provides.



### Cost Approach ❖

The cost method provides an indication of value using the economic principle that states that the buyer will not pay an asset more than the cost of obtaining an asset of similar benefit, whether through purchase or construction unless there are time, disturbance, risk, or other related factors. The method provides an indication of value by calculating the current cost of transferring or reproducing the asset, and then discounting the physical wear and tear of all other obsolescence's.

## Market Approach-Standard No. 105

It is an approach of estimating the value of a real estate or real estate property based on the market comparison between the property being evaluated and similar properties in the same area that were recently sold. The value indicator of the property being valued is derived by applying appropriate comparison units and making adjustments and adjustments to the selling prices of similar properties based on the comparative elements.

### **The market approach should be applied and afforded significant weight under the following circumstances:**

- ❖ The subject asset has recently been sold in a transaction appropriate for consideration under the basis of value
- ❖ The subject asset or substantially similar assets are actively publicly traded.
- ❖ There are frequent and/or recent observable transactions in substantially similar assets.

### **The key steps in the comparable transactions method are:**

- ❖ Define the units of comparison used by relevant market participants.
- ❖ Determine the relevant comparative transactions and calculate the main evaluation criteria for these transactions.
- ❖ Conduct consistent comparative analysis of the qualitative and quantitative similarities and differences between the comparable assets and the subject asset.
- ❖ Make the necessary adjustments, if any, to the evaluation scales to reflect the differences between the subject of evaluation and the comparative assets.
- ❖ Applying the revised valuation criteria to the subject asset.
- ❖ Value indicators are reconciled if more than one evaluation scale is used.

## Cost Approach - Standard No. 105

It is a valuation method that calculates the capital or market value of a property by adding the value of the real estate's land with the value of the buildings erected on the site.

### Cost Approach should be applied and afforded significant weight under the following circumstances:

- ❖ Participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
- ❖ The asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or
- ❖ The basis of value being used is fundamentally based on replacement cost, such as replacement value

### Used methods of Cost Approach :

- a. **Replacement cost method:** A method of arriving at value by calculating the cost of a similar asset

### Method of estimating the value of buildings using the straight line method

- The straight-line method: the straight-line method is calculated by the formula (current age of the building / Lifespan) \* 100.



## Income Approach-Standard No. 105

Income Approach provides an indication of value by converting future cash flows into a single present value. Under this approach, the value of an asset is determined by reference to the value of the revenue and cash flows that the asset generates or the costs it provides.

### **Income Approach should be applied and given priority or significant weight in the following cases:**

- A. When the ability of the asset to generate income is the primary factor that affects the value from the point of view of market participants.
- B. Reasonable expectations are available for the amount and timing of future revenue for the assessed asset but few, if any, relevant market comparisons.

### **Income Approach Methods:**

Although there are many ways to apply the income method, the methods used under the income method depend largely on discounting the amounts of future cash flows to a present value, which are various applications in using the discounted cash flow (DCF) method and the concepts below apply in part or all of the methods of the income method.

#### **Discounted Cash Flow method (DCF)**

It is a financial method for estimating the value of a financial or real asset. The value index is derived by calculating the present value of future cash flows. The discounted cash flow method is applied to evaluate a property or real estate that generates income based on the expectation of future income for the property under valuation. The value index of the property is derived through Calculating the present value of net operating income or the expected net rental value of the property.

#### **Direct Capitalization Method:**

The direct capitalization method is applied in the event that the net rental value of the property under valuation is fixed and equal in perpetuity.

#### **Residual value method:**

The residual value method is a method of evaluating properties that can be valued by identifying the most appropriate development of the site and property and then predicting the value of such development after it is completed.



## Analyzing the used valuation approaches and methods - Fair value hierarchy

### Used valuation methods

Valuation Approaches	Market Approach	Cost Approach	Income Approach
Used approach	-----	-----	<b>Mainly used</b>
Used valuation methods	-----	-----	Discounted Cash Flow method
Reasons for use / not use	-----	-----	The fact that the property is income-generating

### Hierarchy:

The fair value hierarchy categorizes the inputs to the valuation techniques used to measure fair value at the measurement date into three levels, as follows:

Level	clarification	input statement	classification	Source	Judgment and documentation
<b>First</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be reached at the measurement date and are given priority.	---	---	---	---
<b>Second</b>	They are the inputs other than the published prices within the first level that can be monitored for the asset or liability, either directly or indirectly	Commercial and commercial residential offers in the real estate area	It is classified under the second level	Accredited real estate offices in the real estate area	Reliable based on similar market analysis, verification following market research and analysis, in-person interviews, and the company's own database of deals and transactions
<b>Third</b>	They are the inputs that cannot be monitored and are given the lowest priority	---	---	---	---



## تقدير القيمة ■

Value Estimation

## Analysis of valuation assumptions data - Discounted Cash Flow Methods

### Operational rate of return:

Analysis of the capitalization rate - the method of extracting from the market In view of the market activity and the reports of the Qaim Company for similar investments, as well as in view of the economic reports issued by some study centers and the information center of the Qaim Company for valuation, we found that the return in the region ranges from 7.5% to 8.5% and accordingly, the rate of return was assumed at a rate of 8 % There are many factors that affect the rate of return, represented in the location of the building, its age and condition, the situation of the tenants, and the degree of risk associated with repayment. The capitalization rate is affected by the demand and supply rates for the same type of real estate.

### Growth rate:

- The growth rate was reviewed by referring to the market for similar real estate and taking into account the current lease contracts according to the client's statement to be compared with the market data, taking into account the assessment of the market research centers of the banks that the increase in rental prices and recent expansions is expected to be higher than the impact of the increase in interest rates on the investments of REIT funds and the future outlook The property is optimistic due to the high demand for this type of similar properties in the area surrounding the property, as well as taking into account the growth of similar properties and the level of internal and external finishes of the property under valuation.
- A growth rate of 10 % was assumed every three years, according to the market situation, based on the interior and exterior finishes of the property, the location of the property, and supply and demand in the market.

### Discounted Cash Flow method assumptions:

Discounted Cash Flow method assumptions			
Rental value (Client data)	6,000,000	Discount rate	10%
Growth 2nd year (Client data)	10%	Capitalization rate	8%
Occupancy rate and credit risk	0%	Beginning - end of cash flows	ρ2029 - 2024
Cash flow period (Years)	5	Operational expenses	0%

### Occupancy rate and credit risk:

The property is distinguished as one of the attractive properties for the tenants of the exhibitions, being on Khurais Road, and in the entire region it is considered a car showroom area in the city of Riyadh, Al-Nasim neighborhood. The vacancy rate data from the market was analyzed to confirm the contract, as the market data shows that occupancy rates range from 0% to 5% in real estate Accordingly, the occupancy rate and credit risk were assumed at 0%, as it is leased with one contract. (Client data)

### Operating and capital expenditure rate:

Operating expenses are expenses related to renting and maintaining the property, and capital expenses are expenses incurred by the owner in order to maintain it in good condition to achieve appropriate annual income. The percentage of operating expenses represents 5% - 20% for similar projects in the surrounding area, according to the size and services provided, since most of them are in single contracts. Mostly, knowing that the summary of the maintenance contracts has not been seen from the client to know the percentage that represents the current income, and most often the lease contracts include the rental value and the value of the facilities maintenance services on it, and the rate of operating and capital expenditures was assumed at 0% according to the contract only, where we find that operating expenses are paid by the real estate tenant for maintenance and include the costs of common services expenses, cleaning and maintenance of the building, security management and control expenses, and are estimated from the actual rental income because the property is in use.

### Discount rate:

The discount rate was assumed at 10 % according to the cumulative model method as follows:

Cumulative Model method		
Government bond rate of return	4.6	Saudi Tadawul Fund
Inflation rate (current year average)	2.49	Saudi Central Bank
Market risk premium (recession and recovery)	1.5	According to the condition and circumstances of the market
Special risk premium (the resulting costs of the property)	1.5	According to the condition and circumstances of the property
Discount rate with all data above	10%	%

## Calculating the value of the property - using the Income Approach - Discounted Cash Flow method

Cash flow - Inflows		Years						
		2024	2025	2026	2027	2028	2029	
		1	2	3	4	5	6	
Expected growth value		0%	10%	0%	0%	0%	0%	
Total income according to the contract								
Total income		6,000,000	6,600,000	6,600,000	6,600,000	6,600,000	6,600,000	
Total income	6,000,000	6,000,000	6,600,000	6,600,000	6,600,000	6,600,000	6,600,000	
Minus occupancy rate and credit risk	0%	0%	0%	0%	0%	0%	0%	
Annual vacancy value		0	0	0	0	0	0	
Actual total rental income		6,000,000	6,600,000	6,600,000	6,600,000	6,600,000	6,600,000	
Minus rate of operating and capital expenses	0%	0%	0%	0%	0%	0%	0%	
Building net operating income (NOI)		6,000,000	6,600,000	6,600,000	6,600,000	6,600,000	6,600,000	
Reversion value of the building								82,500,000
Net cash flow		6,000,000	6,600,000	6,600,000	6,600,000	6,600,000	6,600,000	82,500,000
Discount factor		0.909	0.826	0.751	0.683	0.621	0.564	0.564
Present value of cash flow		5,454,545	5,454,545	4,958,678	4,507,889	4,098,081	3,725,528	46,569,099
<b>Net present value of the property</b>								<b>75,768,365</b>


## Final value of the property

Based on the purpose of the valuation, the nature of the property and its characteristics, as it is a (a hall and a car showroom), valuing the property using the Income Approach (Discounted Cash Flow method) is considered the best way to estimate the price on the measurement date of 31/12/2023 AD, which was arrived at with the Income Approach as a basis for the fair value of the property being valued (After rounding) , as follows:

Price on the date of measurement in numbers (SR)	Price on the date of measurement in writing (SAR)
<b>75,768,000</b>	<b>Seventy-five million seven hundred sixty-eight thousand</b>

**This report was approved by the Executive Director**

Ismail Muhammad al-Dubaikhi






**ملاحق** ■

**Appendix**



Documents received from the client



Building permit



Deed

Team



Ahmed Saleh Al-Attas  
Real estate - Associate  
Membership No 1220003236



Muath Abdul Rahman Al-Aoraini  
Real estate - Associate  
Membership No 1210002322



Salem Mohammed Al Fai'  
Real estate-Basic Follow  
Membership No 1210000013



Ismail Al-Dubaikhi  
Real estate-Basic Follow  
Membership No 1210000005



## General Administration

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☎ +966 92 002 5832

## Al-Faisaliah Commercial Complex

Al-Faisaliah District

Dammam city - Kingdom of Saudi Arabia



**Presented to :**  
**Musharaka Capital Company**

## Statement

**Dear: Musharaka Capital Company      Greetings**

**Subject: Valuation report for a commercial building in Al-Faisaliah district - Dammam city**

We, Qaim and his partner real estate valuation company, extend our sincere thanks and appreciation to you for choosing us and giving you your precious trust to evaluate the property located in **the city of Dammam, Al-Faisaliah district**, according to the assignment issued by you on **09/11/2023 AD** based on the license granted to us by the Saudi Authority for Accredited Valuers, following In that is the latest version of the international valuation standards **2022 AD**, which are recognized as well as the rules and ethics of the profession in order to reach the final impartial valuation based on the actual inspection by the work team and the study of the market area surrounding the property. The fair value estimate was reached using various valuation methods, including what each report carries, and accordingly we are pleased to We present to you the real estate valuation statement listed below.

**Based on the completed study, we attach to you the results of the price estimate on the measurement date of the property as a usufruct right (Commercial building) and on its current status on the valuation date 31/12/2023 AD located in the city (Dammam) district (Faisaliah), with an amount of only (22,914,000) Twenty-two million nine hundred fourteen thousand Saudi riyals.**

This report was approved by the Executive Director,

Ismail Mohammed Al-Dubaikhi

Under License No. / 1210000052 dated 10-10-1443 AH



**With sincere gratitude...**



# قيير للتقييم

## QIAM VALUATION

### Content

01	The specific assumptions and limitations of the report
02	Scope of work
03	An overview of the economy and the real estate sector in the Kingdom of Saudi Arabia
04	Site studies
05	Valuation
06	Value Estimation
07	Appendix





## ■ نطاق العمل

Scope of work

## Executive Summary

**Price estimate on the date of measurement: 22,914,000 Saudi riyals**

Property address	Property subject to Valuation	Owner of real estate
Dammam - Al-Faisaliah	Commercial building - Al-Faisaliah Plaza	Badr Bin Nasser AL-Ateeq
Report issued date	Valuation date	Inspection date
21/03/2024	31/12/2023	20/11/2023
Notary Public	Purpose of the valuation	Ownership Type
Dammam	Estimating the fair value for the purpose of periodic valuation of the Musharaka REIT Fund	Absolute ownership
Assumed value	Deed date	Deed number
Present value	5/11/1427 AH	530101003931
	6/11/1427 AH	330101003932
		330102003013
		430101003930
		330105002281

## Scope of work Standard No. 101

Other users	Client	Valuation currency
Fund managers and investors only	Musharaka Capital Company	Saudi riyal
Report description	Value Basis	Valuation Approach
A report explaining the methodology and steps of the valuation and the results of the valuation, and includes illustrative pictures of the boundaries of the asset under valuation	Fair value	Income Approach

## Scope of the Valuer search - Standard No. 102

Gathering sufficient information through a field visit, visible inspection, and conducting analyzes. A study was conducted from sites close to the real estate site and from approved real estate offices in the real estate area, and all information was investigated and studied accurately.

## Value Basis

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (This definition is adapted from IFRS 13), paragraph 9. It is also defined in IVS 104 Basis of Value, paragraph 90, among other bases of value for valuation for purposes of inclusion in financial reports.

#### Valuation Standard followed

All work was carried out in accordance with the Accredited Valuers System and the implementing regulations related to real estate valuation issued by the Saudi Authority for Accredited Valuers (Taqeem), and the latest version of the International Valuation Standards (IVS) for the year 2022 published by the International Valuation Standards Board (IVSC)) and the professional rules recognized in the work of valuation of real estate assets, which is based on analysis, comparison and direct inspection of each property, and research as much as possible about the influences and characteristics of the property under valuation.

#### Nature and source of information

The information contained in the report was issued by official bodies, real estate offices in the targeted area, or offices specialized in research and studies, and with reference to the database of Qaim and its partner real estate valuation company.

#### Important assumptions and special assumptions

Important assumptions and special assumptions are explained on page 10.

#### Report usage restrictions

Valuation processes and reports are confidential to the directing party and to whomever they are referred to for a specific purpose, with no responsibility of any kind for any third party. This report may not be published in full or any part thereof or referred to in any document or statement or published periodically or in any medium. communicate with any third party without our prior written consent in the form and context in which they appear. It is a matter of caution and caution that the company and the valuer reserve the right to make any amendments and make any review of the valuation or support the valuation result under specific circumstances. .

## Work Stages

Meeting with the client and determining the scope of work, including the purpose of the valuation, the basis of value, the parties involved, the date of the valuation, and any special or important assumptions, including clarity of the assignment and the expected outputs from it.

Step 01



Collecting and analyzing office and field market data in order to gain knowledge of past and current market trends and market indicators that will be relied upon when applying valuation methods.

Step 03



Step 02



Previewing the property, identifying its characteristics and specifications, matching documents with reality, analyzing the location of the property and the uses surrounding the property, while defining the scope of the geographical search and the appropriate activities and projects.

Step 04



Based on the scope of work and market analysis, appropriate valuation methods are determined and all assumptions and inputs are made to carry out financial calculations to reach the market value according to the chosen methods..

Work on preparing the report in accordance with Standard 101 for Description of the Report and Standard 103 for Report Preparation.

Step 05



## ■ الفرضيات و القيود المحددة للتقرير

The specific assumptions  
and limitations of the report



## Important assumptions and special assumptions

Based on the type and characteristics of the property and the purpose of evaluation, the property was valued using the Income Approach (mainly discounted cash flow method) assuming that all market participants act in the best economic interest of the property as it achieves benefit for all market participants.

Valuation is based on the value (fair value) and that it was carried out in a major open market. Prices were inferred from field research work on plans close to the real estate site, and analysis, judgment and documentation were made.

The purpose of issuing this report is to know the fair value estimate for the purpose of (Estimating the fair value for the purpose of periodic valuation of the REIT Musharakah Fund) for the user of the report (the fund manager and investors).

Our company does not bear any responsibility for any information received from the customer, which is supposed to be safe and reliable, and our company does not acknowledge the accuracy or completeness of the available data and does not express its opinion and did not offer any kind of guarantee for the accuracy or completeness of the data except as indicated clearly in this report.

The property has been inspected outwardly and the property has not been structurally inspected, or this appraisal report is considered valid only if it bears the company's seal and the signature of the accredited residents.

No legal document was verified for the property that was evaluated or for legal issues involving ownership or mortgage, and it was assumed that the information was according to the client's statement.

The values estimated in this report are for the property under valuation, and any distribution of the value to parts of the property will not be correct, and this value should not be used for any other purposes, as it could be incorrect if used as well.

Information provided by other parties, especially with regard to planning, land ownership, renting, etc., on which all or part of this report was based, was considered reliable, but not all of it was confirmed in all cases, and no guarantee was given regarding the validity of this information, if it appears that this information is incorrect. the value contained in this report may change.

The property was evaluated in accordance with international standards 2022 AD, and the estimated value in this report is for the property under study, and in case of changing the purpose of the valuation, these values may be incorrect.

Borders and lengths according to the client's statement, and the company is not responsible for the Borders and lengths, and therefore the total area of the land is taken according to the deed, and the company is not responsible for that.

This report may not be used in whole or in part, or have references to it made without mentioning Qiam and its partner real estate valuation company. It may also not be published in any way without the company's prior written consent, in the form and content in which it appears.

The fund manager must provide accredited evaluators in an accurate, clear and non-misleading manner with any documents or information related to the real estate assets of the fund to be evaluated, including but not limited to: related contracts, engineering reports, construction commissions and any information that would enable the accredited evaluator to prepare his report in accordance with to the statutory provisions and approved standards.



■ الإمتثال للمعايير و أعمال  
البحث و الإستقصاء

Compliance with Standards ,Research and  
Inquiry

## Standard 102: Compliance with Standards and Research and Inquiry

This valuation work was carried out in accordance with the principle of Standard 102 of compliance with the standards, research and survey work, in the following items:

- The basis of the value (fair value) is commensurate with the purpose of evaluation (estimating the fair value for the purpose of periodic evaluation of the Musharaka REIT Fund).
- Gathering evidence through field visits at the time of inspecting the property with the inquiries raised at the time of the evaluation of some accredited offices in the area of the property.
- Evidence from field visits was collected and analysis and computational procedures performed to ensure that evaluation work was adequately supported.
- The data cited was judged to ensure the adequacy of all such information obtained to ensure that it is sufficient for the purpose of the evaluation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all evaluation inputs mentioned in the report.
- Reliability of the information provided by the real estate offices in the real estate area has been confirmed, and they are accredited and licensed offices in the real estate area.

## Judging the reliability of the information provided and taken into the report

Provider	Data and information	Verdict	Judgment reasons
Client	Deed	Trusted	Deed was validated from the spatial portal of the city of Riyadh
	Building permit	Trusted	The building permit has been validated in platform Balady.
	Lease contracts	Trusted	A sample of contracts was reviewed (not all contracts were viewed) - Valuation was made after studying the market
Market	Commercial meter prices	Trusted	Based on the market survey - direct interviews - accredited offices in the real estate area - internal company data
	Practical experience of real estate offices	Trusted	Certified by official records in the real estate area
	Source independence	Trusted	A source independent and external to the asset being valued

## Compliance with Standards and Research and Inquiry

03

In the event that there are restrictions on the research and investigation carried out by the evaluator that do not enable him to adequately value the inputs and assumptions, which are clarified in the special assumptions

02

Carry out calculations and perform analyzes by gathering sufficient evidence by the following means, such as: field visit, inspection, inquiries and ensuring that evaluation work is appropriately reinforced and professional judgment facility to ensure that the information obtained is sufficient and that it fulfills the purpose of the evaluation

01

The research and investigations undertaken in the context of the valuation mission are appropriate to the valuation purpose and value basis

06

Record the valuation purpose, basis of value, and scope And the limits of research and survey, and the sources of information that reliable in the scope of work, which must Communicating it to all parties to the evaluation task

05

Consider the credibility and reliability of the information provided  
The following matters were taken into consideration:  
The purpose of the valuation  
The relevance of the information to the outcome of the valuation  
The source practical experience in relation to the subject matter of the valuation  
Is the source independent of the asset being evaluated or the beneficiary of it?

04

Taking into account the reliability of the information so that the evaluation results do not appear, and the inputs provided to the valuer (and) from the client or his representative) were considered.

## Regulatory framework on the International Valuation Standards (IVS 2022)

General Standards - Criterion 101  
Scope of Work Paragraph 20:  
Emphasizing that the valuation will be prepared in accordance with international valuation standards and that the valuer will assess the appropriateness of all important inputs: Deviations from international evaluation standards and their nature must be mentioned

60.3 Some professional appraisal institutions or regulations allow procedures that deviate from the International Appraisal Standards and in such circumstances, except as described in paragraphs 60.1 and 60.2, the resulting valuation will not be in compliance with the Standards.

General framework: the generally accepted valuation principles and the concepts that should be followed when applying these standards with regard to objectivity, discretionary judgment, efficiency, and the possibility of deviating from the standards, Paragraph (60.1-60.2). requirements mentioned in the reports

### Note:

Real estate valuations performed in order to prepare financial reports are regarded as situations of systematic deviation from international valuation norms in order to satisfy certain criteria for the purpose of the relevant valuation.

## Real estate and investment properties in the preparation of financial reports

### Clarifying the difference between real estate and investment properties in the financial statements

#### Investment properties in the financial statements

IAS 40 defines investment property as any property (land or a building - or part of a building - or both) held (by the owner or by the lessee as a right-of-use asset) to earn rental income or To grow the capital or for both, and not:

- For use in producing, supplying goods, providing services, or for administrative or
- To sell it in the ordinary course of business

#### Real estates included in the term of real estate, machinery and equipment in the financial statements

The International Accounting Standard No. 16 "property, plant and equipment" IFRS16 defines as the tangible items that:

- It is kept for use in the production or supply of goods or services, or it is kept for rent to others (except for investment real estate) or for use in administrative purposes.
- It is expected to be used during more than one period



## ■ نظرة عامة على الإقتصاد والقطاع العقاري بالمملكة العربية السعودية

An overview of the economy and  
the real estate sector in the  
Kingdom of Saudi Arabia



## Executive Summary - Saudi Real Estate Market

**Performance of the Saudi real estate market:** The Saudi gross domestic product grew by 8.6% during the third quarter of 2022. It is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7% and 2.3% during the years 2023 and 2024, respectively. According to the World Bank, the main driver of the post-pandemic recovery was the increase in demand for tourism and the increase in government spending on infrastructure projects such as the expansion of Riyadh Airport, among others. It is expected that such projects will lead to an increase in demand for real estate with excellent locations, especially offices and logistical facilities from Category A. At the same time, changing customer choices in the hospitality, lodging and retail sectors have prompted developers to reimagine hotel, residence and leisure components within their master development plans.

**Residential real estate:** Sales prices of villas and apartments increased during the first nine months of 2022 compared to 2021, with the continued strong demand for apartments by the citizens of the Kingdom.

**Retail:** The Economist's Economic Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional commercial centers and major regional commercial centers decreased during the months the first nine of the year.

**Hospitality:** Both the average daily rate and the occupancy rate witnessed an improvement from last year due to the recovery witnessed in the market in general, driven by the lifting of restrictions that were imposed on travel and the speedy procedures for issuing tourism visas. The first three months of the year recorded the strongest performance in terms of occupancy rate in Riyadh Which reached 76% in March. As for Jeddah hotels, they recorded the highest occupancy rate in May, when occupancy reached 59%.

**Offices:** Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this has led to continued strong demand for Class A properties during 2022.

### Industrial and logistic real estate

Rents have remained relatively stable for Class A properties due to limited international grade warehouses and increased demand from logistics companies.

### **Saudi Arabia Office Market**

Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this led to continued strong demand for Class A properties during 2022 AD.

#### **2022 Performance Review**

Offered offices in the main markets such as Riyadh, Jeddah, and the metropolis of Dammam amounted to 5.2 million square meters, 1.3 million square meters, and 1.3 million square meters, respectively, as of September 2022 AD. Notable additions to the market during 2022 included the headquarters of the Saudi British Bank On King Fahd Street, King Abdulaziz City for Science and Technology, and the government departments complex in Riyadh, in addition to the offices of the Saudi Airlines cargo building in Jeddah. The Saudi gross domestic product grew by 8.6% during the third quarter of 2022, and it is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7 and 2.3% during the years 2023 and 2024, respectively, according to the World Bank, and it was the main driver. The recovery in the post-pandemic office sector is due to the increase in government spending on infrastructure projects, such as the expansion of Riyadh Airport, among others. The demand for Class A real estate in Riyadh also remained strong as a result of the government's focus on developing the city to be a regional hub for international companies. As for Jeddah and Metropolitan Dammam The offered of Class A properties mainly focuses on government offices and public sector entities, and owners are now offering incentives such as free periods and smaller, fully-equipped units to attract a wider range of tenants. Lease periods usually correspond to unit size, as larger units are rented for longer periods. Between six and nine years.

### **Saudi Arabia retail market**

Economist Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional and major commercial centers decreased during the first nine months of the year.

#### **2022 performance review**

It is expected that the bulk of the retail projects that will be completed will be in the category of major regional commercial centers, which indicates that the market is sufficient for this category of mega projects. Visitors in an increasingly competitive market.

Retail rents witnessed some decline during the past twelve months at the level of the Kingdom, as the average rent decreased in regional commercial centers and major regional commercial centers, and the distinctive shopping centers in the Kingdom were able to maintain occupancy rates during the year 2022 AD, as lifestyle stores specifically recorded an increase in The number of visitors after lifting the ban that was imposed during the pandemic.



## دراسات الموقع ■

Site Studies

## Real estate data and Services available in the real estate area

### Real Estate Data

City	Dammam	Neighborhood	Al Faisaliah
Street	King Fahd Road	Property type	Commercial building
No. land plan	414/Modified/1	Plot number	5+4+3+2+1
Area	10,769.2 square meters	Land use according to regulations	Office Commercial Residential

### Services and facilities available in the real estate area

Electricity network	Telephone network	Water network	Sewerage network
✓	✓	✓	✓
Water drainage network	Mosque	Dispensary	Garden
✓	✓	✓	✓
Public markets	Civil defense	Police station	Hospital
✓	✓	✓	✓
Hotels	Petrol station	Schools	Governmental services and centers
✓	✓	✓	✓

## Factors affecting the property

Impact element	Impact determinants	Description
Area overview	Importance of the area	Located in the city of Dammam, in Al-Faisaliah district
Natural factors (environmental)	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is in the city center of Dammam
	Infrastructure	Completed
	Municipal equipment	Completed
	Land properties	Regular shape
Building Regulations	Land use	Commercial
	Building ratio - number of floors	various
Economic factors	Supply and demand	High
	Land prices	High
Legal factors	Deficit and trespassing on the property	N.A.

## Property description

## وصف العقار

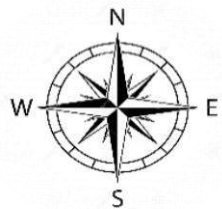
- The building area was determined based on the (reality).
- The actual age of the property has been determined at **(9)** years, and the lifespan of the property is 40 years.
- the state of the property on the date of valuation **(31/12/2023)**
- When examining the property, it became clear to us that it is a **(Commercial building)**. Detailed as below:

### Built-up area data from the permit

Building components	Area m2	Use
Ground floor	5,468	Commercial
Mezzanine	6,764	Commercial
First floor	313	Commercial
Fence with extenders	284	Fence with extenders
Total Built-up area	12,829	



## Property location



Property is located in: **Dammam**

Neighborhood: **Al Faisaliah**

Street: **King Fahd Road**

Location coordinates

N :

26.403694

E :

50.057278





Photographic survey of the building and its components



## Ownership documents

### Title deed information

Ownership Type	Deed date	Deed number		Owner name
Ownership 100%	5/11/1427 AH 6/11/1427 AH	530101003931 330101003932	330102003013 430101003930 330105002281	Badr Bin Nasser AL-Ateeq

### Neighborhood name - plot number - plan number - land area:

Neighborhood name	Plot number	Plan number	Land area
Al Faisaliah	5+4+3+2+1	414/Modified/1	10769.2 m2

### Borders and lengths:

Borders and lengths:							
Northern border	Border length	southern border	Border length	Eastern border	Border length	western border	Border length
As per the deeds	As per the deeds	As per the deeds	As per the deeds	As per the deeds	As per the deeds	As per the deeds	As per the deeds



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



Valuation

التقييم ■

## Valuation Approaches



### Market Approach ❖

The market method provides an indication of value by comparing the asset with identical or comparable (similar) assets for which price information is available.



### Income Approach ❖

The income method provides an indication of value by converting future cash flows into one current value. According to this method, the value of the asset is determined by reference to the value of the revenue and cash flows generated by the asset or the costs it provides.



### Cost Approach ❖

The cost method provides an indication of value using the economic principle that states that the buyer will not pay an asset more than the cost of obtaining an asset of similar benefit, whether through purchase or construction unless there are time, disturbance, risk, or other related factors. The method provides an indication of value by calculating the current cost of transferring or reproducing the asset, and then discounting the physical wear and tear of all other obsolescence's.

## Market Approach-Standard No. 105

It is an approach of estimating the value of a real estate or real estate property based on the market comparison between the property being evaluated and similar properties in the same area that were recently sold. The value indicator of the property being valued is derived by applying appropriate comparison units and making adjustments and adjustments to the selling prices of similar properties based on the comparative elements.

### **The market approach should be applied and afforded significant weight under the following circumstances:**

- ❖ The subject asset has recently been sold in a transaction appropriate for consideration under the basis of value
- ❖ The subject asset or substantially similar assets are actively publicly traded.
- ❖ There are frequent and/or recent observable transactions in substantially similar assets.

### **The key steps in the comparable transactions method are:**

- ❖ Define the units of comparison used by relevant market participants.
- ❖ Determine the relevant comparative transactions and calculate the main evaluation criteria for these transactions.
- ❖ Conduct consistent comparative analysis of the qualitative and quantitative similarities and differences between the comparable assets and the subject asset.
- ❖ Make the necessary adjustments, if any, to the evaluation scales to reflect the differences between the subject of evaluation and the comparative assets.
- ❖ Applying the revised valuation criteria to the subject asset.
- ❖ Value indicators are reconciled if more than one evaluation scale is used.

## Cost Approach - Standard No. 105

It is a valuation method that calculates the capital or market value of a property by adding the value of the real estate's land with the value of the buildings erected on the site.

### Cost Approach should be applied and afforded significant weight under the following circumstances:

- ❖ Participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
- ❖ The asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or
- ❖ The basis of value being used is fundamentally based on replacement cost, such as replacement value

### Used methods of Cost Approach :

- a. **Replacement cost method:** A method of arriving at value by calculating the cost of a similar asset

### Method of estimating the value of buildings using the straight line method

- The straight-line method: the straight-line method is calculated by the formula (current age of the building / Lifespan) \* 100.

## Income Approach-Standard No. 105

Income Approach provides an indication of value by converting future cash flows into a single present value. Under this approach, the value of an asset is determined by reference to the value of the revenue and cash flows that the asset generates or the costs it provides.

### **Income Approach should be applied and given priority or significant weight in the following cases:**

- A. When the ability of the asset to generate income is the primary factor that affects the value from the point of view of market participants.
- B. Reasonable expectations are available for the amount and timing of future revenue for the assessed asset but few, if any, relevant market comparisons.

### **Income Approach Methods:**

Although there are many ways to apply the income method, the methods used under the income method depend largely on discounting the amounts of future cash flows to a present value, which are various applications in using the discounted cash flow (DCF) method and the concepts below apply in part or all of the methods of the income method.

#### **Discounted Cash Flow method (DCF)**

It is a financial method for estimating the value of a financial or real asset. The value index is derived by calculating the present value of future cash flows. The discounted cash flow method is applied to evaluate a property or real estate that generates income based on the expectation of future income for the property under valuation. The value index of the property is derived through Calculating the present value of net operating income or the expected net rental value of the property.

#### **Direct Capitalization Method:**

The direct capitalization method is applied in the event that the net rental value of the property under valuation is fixed and equal in perpetuity.

#### **Residual value method:**

The residual value method is a method of evaluating properties that can be valued by identifying the most appropriate development of the site and property and then predicting the value of such development after it is completed.



## Analyzing the used valuation approaches and methods - Fair value hierarchy

### Used valuation methods

Valuation Approaches	Market Approach	Cost Approach	Income Approach
Used approach	-----	-----	<b>Mainly used</b>
Used valuation methods	-----	-----	Discounted Cash Flow method
Reasons for use / not use	-----	-----	The fact that the property is income-generating

### Hierarchy:

The fair value hierarchy categorizes the inputs to the valuation techniques used to measure fair value at the measurement date into three levels, as follows:

Level	clarification	input statement	classification	Source	Judgment and documentation
<b>First</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be reached at the measurement date and are given priority.	---	---	---	---
<b>Second</b>	They are the inputs other than the published prices within the first level that can be monitored for the asset or liability, either directly or indirectly	Commercial and commercial residential offers in the real estate area	It is classified under the second level	Accredited real estate offices in the real estate area	Reliable based on similar market analysis, verification following market research and analysis, in-person interviews, and the company's own database of deals and transactions
<b>Third</b>	They are the inputs that cannot be monitored and are given the lowest priority	---	---	---	---



## تقدير القيمة ■

Value Estimation

## Analysis of valuation assumptions data - Discounted Cash Flow Methods

### Analysis of vacancy rate , operating and capital expenditures

S/N	Location	Property name	Property type	Occupancy	Operating and Capital Expenditures
1	Dammam - Al-Nour District	Hyper Panda	Commercial building	5%	10%
2	Dammam - Al-Jawhara District	City Plaza	Commercial building	5%	5%

#### Discount rate:

Discount rate was assumed at 11% according to the cumulative model method as follows:

#### Cumulative Model method

Government bond rate of return	4.6	Saudi Tadawul Fund
Inflation rate (current year average)	2.49	Saudi Central Bank
Market risk premium (recession and recovery)	2	According to the condition and circumstances of the market
Special risk premium (the resulting costs of the property)	2	According to the condition and circumstances of the property
Discount rate with all data above	11	%

#### Discounted Cash Flow method assumptions

#### Discounted Cash Flow method assumptions

Rental value based on the data	6,506,994	Discount rate	11%
Operating and capital expenditure rate	10%	Land rent value	2,900,000
Occupancy rate and credit risk	2%	Growth - after year (3) every (3) years	5%
Cash flow period (Years)	11	Beginning - end of cash flows	2024 - 2034 AD

#### Occupancy rate and credit risk:

The property is one of the attractive properties for tenants due to its distinguished location in the city of Dammam, Al-Faisaliah district, and it directly overlooks King Fahd Road. The vacancy rate data from the market was analyzed to ensure (customer data), as the market data shows that vacancy rates range from 0% to 10% in similar properties. Since all properties are mostly under one contract, the vacancy rate and credit risk were assumed to be 2% (client data). The vacancies were deducted from (total income).

#### Operating and capital expenditure rate:

Operating expenses are expenses related to renting and maintaining the property, and capital expenses are expenses incurred by the owner in order to maintain it in good condition to achieve appropriate annual income. The percentage of operating expenses represents 5% - 20% for similar projects in the surrounding area, according to the size and services provided, since most of them are in single contracts. Mostly, knowing that the summary of the maintenance contracts has not been seen from the client to know the percentage that represents the current income, and most often the lease contracts include the rental value and the value of the facilities maintenance services on it, and the rate of operating and capital expenditures was assumed at 4.8% (client data). It includes the costs of common services expenses, cleaning and maintenance of the building, and management expenses. Security monitoring and estimates of the actual rental income due to the fact that the property is being used.

#### Growth rate:

The growth rate was reviewed by referring to the market for similar real estate and taking into account the current lease contracts according to the client's statement to be compared with the market data, taking into account the assessment of the market research centers of the banks that the increase in rental prices and recent expansions is expected to be higher than the impact of the increase in interest rates on the investments of REIT funds and the future outlook. The property is optimistic due to the high demand for this type of similar properties in the area surrounding the property, as well as taking into account the growth of similar properties and the level of internal and external finishes of the property under valuation.

A growth rate of 5% was assumed every three years, according to the market situation, based on the interior and exterior finishes of the property, the location of the property, and supply and demand in the market

## Calculating the value of the property - Using the Income Approach - Discounted Cash Flow method

Cash flow - Inflows		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Reversion value
		1	2	3	4	5	6	7	8	9	10	11	
Expected growth value		0%	0%	5%	0%	0%	5%	0%	0%	5%	0%	0%	
Total income according to the contract	6,506,994	6,506,994	6,506,994	6,832,344	6,832,344	6,832,344	7,173,961	7,173,961	7,173,961	7,532,659	7,532,659	7,532,659	
Minus occupancy rate and credit risk	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Annual vacancy value		0	0	0	0	0	0	0	0	0	0	0	
Actual total rental income		6,506,994	6,506,994	6,832,344	6,832,344	6,832,344	7,173,961	7,173,961	7,173,961	7,532,659	7,532,659	7,532,659	
Minus rate of operating and capital expenses	4.8%	313,400	313,400	329,070	329,070	329,070	345,523	345,523	345,523	362,799	362,799	362,799	
Net income after deducting expenses		6,193,594	6,193,594	6,503,274	6,503,274	6,503,274	6,828,438	6,828,438	6,828,438	7,169,860	7,169,860	7,169,860	
Land rent value according to the contract		2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	
Building net operating income (NOI)		3,293,594	3,293,594	3,603,274	3,603,274	3,603,274	3,928,438	3,928,438	3,928,438	4,269,860	4,269,860	4,269,860	
Reversion value of the building													
Net cash flow		3,293,594	3,293,594	3,603,274	3,603,274	3,603,274	3,928,438	3,928,438	3,928,438	4,269,860	4,269,860	4,269,860	0
Discount factor		0.9002	0.8103	0.7294	0.6566	0.5911	0.5320	0.4789	0.4311	0.3881	0.3493	0.3145	0
Present value of cash flow		2,964,798	2,668,826	2,628,285	2,365,906	2,129,720	2,090,115	1,881,461	1,693,636	1,657,063	1,491,640	1,342,731	0
<b>Net present value of the property</b>													<b>22,914,178</b>

## Final value of the property

Based on the purpose of the valuation, the nature of the property and its characteristics, being a Commercial building and a full usufruct, valuing the property using the Income Approach (Discounted Cash Flow method) is considered the best way to estimate the price on the measurement date of 31/12/2023 AD, which was arrived at with the Income Approach as a basis for the fair value of the subject property under valuation (after rounding) is as follows:

Price on the date of measurement in numbers (SR)	Price on the date of measurement in writing (SAR)
22,914,000	Twenty-two million nine hundred fourteen thousand

This report was approved by the Executive Director

Ismail Muhammad al-Dubaikhi






**ملاحق** ■

**Appendix**

Documents received from the client



Deed 1



Deed 2



Documents received from the client

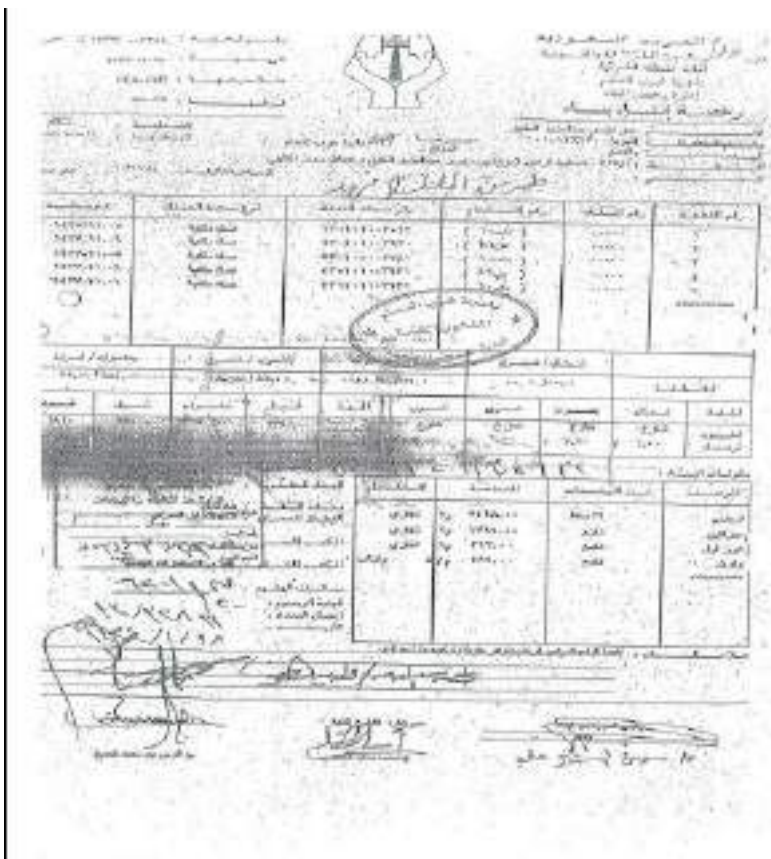


Deed 3



Deed 4

Documents received from the client



Building permit



Deed 5

Team



Ahmed Saleh Al-Attas  
Real estate - Associate  
Membership No 1220003236



Muath Abdul Rahman Al-Aoraini  
Real estate - Associate  
Membership No 1210002322



Salem Mohammed Al Fai'  
Real estate-Basic Follow  
Membership No 1210000013



Ismail Al-Dubaikhi  
Real estate-Basic Follow  
Membership No 121000005



## General Administration

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☎ +966 92 002 5832

## Al-Kharj Plaza Mall

Granada District  
Al-Kharj City - Kingdom of Saudi Arabia



**Presented to :**  
**Musharaka Capital Company**

## Statement

**Dear: Musharaka Capital Company Greetings**

**Subject: Valuation report for commercial building in Granada district - Al-Kharj city**

We, Qaim and his partner real estate valuation company, extend our sincere thanks and appreciation to you for choosing us and giving you your precious trust to evaluate the property located in **Al-Kharj** city, **Granada** district, according to the assignment issued by you on **09/11/2023 AD** based on the license granted to us by the Saudi Authority for Accredited Valuers, following In that is the latest version of the international valuation standards **2022 AD**, which are recognized as well as the rules and ethics of the profession in order to reach the final impartial valuation based on the actual inspection by the work team and the study of the market area surrounding the property. The fair value estimate was reached using various valuation approaches, including what each report carries, and accordingly we are pleased to We present to you the real estate valuation statement listed below.

**Based on the completed study, we attach to you the results of the price estimate on the measurement date of the property (Al-Kharj Plaza Building ) and on its current status on the estimate date 31/12/2023 AD located in (Al-Kharj) district (Granada), with an amount of only (63,352,000) Sixty-three million three hundred fifty-two thousand Saudi riyals.**

This report was approved by the Executive Director,

Ismail Mohammed Al-Dubaikhi

Under License No. / 1210000052 dated 10-10-1443 AH



**With sincere gratitude...**



# قيير للتقييم

## QIAM VALUATION

### Content

01	The specific assumptions and limitations of the report
02	Scope of work
03	An overview of the economy and the real estate sector in the Kingdom of Saudi Arabia
04	Site studies
05	Valuation
06	Value Estimation
07	Appendix





## ■ نطاق العمل

Scope of work

## Executive Summary

**Price estimate on the date of measurement: 63,352,000 Saudi riyals**

Property address	Property subject to Valuation	Owner of real estate
Al-Kharj - Granada district	Commercial building - Al-Kharj Plaza	Hefdh Al-Musharaka Real Estate Company
Report issued date	Valuation date	Inspection date
21/03/2024	31/12/2023	20/11/2023
Notary Public	Purpose of the valuation	Ownership Type
Al-Kharj	Estimating the fair value for the purpose of periodic valuation of the Musharaka REIT Fund	Absolute ownership
Assumed value	Deed date	Deed number
Present value	42/03/1441 AH	711508007003 - 511507006268

## Scope of work Standard No. 101

Other users	Client	Valuation currency
Fund managers and investors only	Musharaka Capital Company	Saudi riyal
Report description	Value Basis	Valuation Approach
A report explaining the methodology and steps of the valuation and the results of the valuation, and includes illustrative pictures of the boundaries of the asset under valuation	Fair value	Income Approach

## Scope of the Valuer search - Standard No. 102

Gathering sufficient information through a field visit, visible inspection, and conducting analyzes. A study was conducted from sites close to the real estate site and from approved real estate offices in the real estate area, and all information was investigated and studied accurately.

## Value Basis

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (This definition is adapted from IFRS 13), paragraph 9. It is also defined in IVS 104 Basis of Value, paragraph 90, among other bases of value for valuation for purposes of inclusion in financial reports.

#### Valuation Standard followed

All work was carried out in accordance with the Accredited Valuers System and the implementing regulations related to real estate valuation issued by the Saudi Authority for Accredited Valuers (Taqeem), and the latest version of the International Valuation Standards (IVS) for the year 2022 published by the International Valuation Standards Board (IVSC)) and the professional rules recognized in the work of valuation of real estate assets, which is based on analysis, comparison and direct inspection of each property, and research as much as possible about the influences and characteristics of the property under valuation.

#### Nature and source of information

The information contained in the report was issued by official bodies, real estate offices in the targeted area, or offices specialized in research and studies, and with reference to the database of Qaim and its partner real estate valuation company.

#### Important assumptions and special assumptions

Important assumptions and special assumptions are explained on page 10.

#### Report usage restrictions

Valuation processes and reports are confidential to the directing party and to whomever they are referred to for a specific purpose, with no responsibility of any kind for any third party. This report may not be published in full or any part thereof or referred to in any document or statement or published periodically or in any medium. communicate with any third party without our prior written consent in the form and context in which they appear. It is a matter of caution and caution that the company and the valuer reserve the right to make any amendments and make any review of the valuation or support the valuation result under specific circumstances. .

## Work Stages

Meeting with the client and determining the scope of work, including the purpose of the valuation, the basis of value, the parties involved, the date of the valuation, and any special or important assumptions, including clarity of the assignment and the expected outputs from it.

Step 01



Collecting and analyzing office and field market data in order to gain knowledge of past and current market trends and market indicators that will be relied upon when applying valuation methods.

Step 03



Work on preparing the report in accordance with Standard 101 for Description of the Report and Standard 103 for Report Preparation.

Step 05



Step 02



Step 04



Previewing the property, identifying its characteristics and specifications, matching documents with reality, analyzing the location of the property and the uses surrounding the property, while defining the scope of the geographical search and the appropriate activities and projects.

Based on the scope of work and market analysis, appropriate valuation methods are determined and all assumptions and inputs are made to carry out financial calculations to reach the market value according to the chosen methods..

## ■ الفرضيات و القيود المحددة للتقرير

The specific assumptions  
and limitations of the report

## Important assumptions and special assumptions

Based on the type and characteristics of the property and the purpose of evaluation, the property was valued using the Income Approach (mainly discounted cash flow method) assuming that all market participants act in the best economic interest of the property as it achieves benefit for all market participants.

Valuation is based on the value (fair value) and that it was carried out in a major open market. Prices were inferred from field research work on plans close to the real estate site, and analysis, judgment and documentation were made.

The purpose of issuing this report is to know the fair value estimate for the purpose of (Estimating the fair value for the purpose of periodic valuation of the REIT Musharakah Fund) for the user of the report (the fund manager and investors).

Our company does not bear any responsibility for any information received from the customer, which is supposed to be safe and reliable, and our company does not acknowledge the accuracy or completeness of the available data and does not express its opinion and did not offer any kind of guarantee for the accuracy or completeness of the data except as indicated clearly in this report.

The property has been inspected outwardly and the property has not been structurally inspected, or this appraisal report is considered valid only if it bears the company's seal and the signature of the accredited residents.

No legal document was verified for the property that was evaluated or for legal issues involving ownership or mortgage, and it was assumed that the information was according to the client's statement.

The values estimated in this report are for the property under valuation, and any distribution of the value to parts of the property will not be correct, and this value should not be used for any other purposes, as it could be incorrect if used as well.

Information provided by other parties, especially with regard to planning, land ownership, renting, etc., on which all or part of this report was based, was considered reliable, but not all of it was confirmed in all cases, and no guarantee was given regarding the validity of this information, if it appears that this information is incorrect. the value contained in this report may change.

The property was evaluated in accordance with international standards 2022 AD, and the estimated value in this report is for the property under study, and in case of changing the purpose of the valuation, these values may be incorrect.

Borders and lengths according to the client's statement, and the company is not responsible for the Borders and lengths, and therefore the total area of the land is taken according to the deed, and the company is not responsible for that.

This report may not be used in whole or in part, or have references to it made without mentioning Qiam and its partner real estate valuation company. It may also not be published in any way without the company's prior written consent, in the form and content in which it appears.

The fund manager must provide accredited evaluators in an accurate, clear and non-misleading manner with any documents or information related to the real estate assets of the fund to be evaluated, including but not limited to: related contracts, engineering reports, construction commissions and any information that would enable the accredited evaluator to prepare his report in accordance with to the statutory provisions and approved standards.





■ الإمتثال للمعايير و أعمال  
البحث و الإستقصاء

Compliance with Standards ,Research and  
Inquiry

## Standard 102: Compliance with Standards and Research and Inquiry

This valuation work was carried out in accordance with the principle of Standard 102 of compliance with the standards, research and survey work, in the following items:

- The basis of the value (fair value) is commensurate with the purpose of evaluation (estimating the fair value for the purpose of periodic evaluation of the Musharaka REIT Fund).
- Gathering evidence through field visits at the time of inspecting the property with the inquiries raised at the time of the evaluation of some accredited offices in the area of the property.
- Evidence from field visits was collected and analysis and computational procedures performed to ensure that evaluation work was adequately supported.
- The data cited was judged to ensure the adequacy of all such information obtained to ensure that it is sufficient for the purpose of the evaluation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all evaluation inputs mentioned in the report.
- Reliability of the information provided by the real estate offices in the real estate area has been confirmed, and they are accredited and licensed offices in the real estate area.

## Judging the reliability of the information provided and taken into the report

Provider	Data and information	Verdict	Judgment reasons
Client	Deed	Trusted	Deed has been verified - Real Estate Market
	Building permit	Trusted	Construction Permit Validated - Balady platform.
	Lease contracts	Trusted	A sample of contracts was reviewed (not all contracts were viewed) - the valuation was made after studying the market
Market	Commercial meter prices	Trusted	Based on the market survey - direct interviews - accredited offices in the real estate area - internal company data
	Practical experience of real estate offices	Trusted	Certified by official records in the real estate area
	Source independence	Trusted	A source independent and external to the asset being valued

## Compliance with Standards and Research and Inquiry

03

In the event that there are restrictions on the research and investigation carried out by the evaluator that do not enable him to adequately value the inputs and assumptions, which are clarified in the special assumptions

02

Carry out calculations and perform analyzes by gathering sufficient evidence by the following means, such as: field visit, inspection, inquiries and ensuring that evaluation work is appropriately reinforced and professional judgment facility to ensure that the information obtained is sufficient and that it fulfills the purpose of the evaluation

01

The research and investigations undertaken in the context of the valuation mission are appropriate to the valuation purpose and value basis

06

Record the valuation purpose, basis of value, and scope And the limits of research and survey, and the sources of information that reliable in the scope of work, which must Communicating it to all parties to the evaluation task

05

Consider the credibility and reliability of the information provided  
The following matters were taken into consideration:  
The purpose of the valuation  
The relevance of the information to the outcome of the valuation  
The source practical experience in relation to the subject matter of the valuation  
Is the source independent of the asset being evaluated or the beneficiary of it?

04

Taking into account the reliability of the information so that the evaluation results do not appear, and the inputs provided to the valuer (and) from the client or his representative) were considered.

## Regulatory framework on the International Valuation Standards (IVS 2022)

General Standards - Criterion 101  
Scope of Work Paragraph 20:  
Emphasizing that the valuation will be prepared in accordance with international valuation standards and that the valuer will assess the appropriateness of all important inputs: Deviations from international evaluation standards and their nature must be mentioned

60.3 Some professional appraisal institutions or regulations allow procedures that deviate from the International Appraisal Standards and in such circumstances, except as described in paragraphs 60.1 and 60.2, the resulting valuation will not be in compliance with the Standards.

General framework: the generally accepted valuation principles and the concepts that should be followed when applying these standards with regard to objectivity, discretionary judgment, efficiency, and the possibility of deviating from the standards, Paragraph (60.1-60.2). requirements mentioned in the reports

### Note:

Real estate valuations performed in order to prepare financial reports are regarded as situations of systematic deviation from international valuation norms in order to satisfy certain criteria for the purpose of the relevant valuation.

## Real estate and investment properties in the preparation of financial reports

### Clarifying the difference between real estate and investment properties in the financial statements

#### Investment properties in the financial statements

IAS 40 defines investment property as any property (land or a building - or part of a building - or both) held (by the owner or by the lessee as a right-of-use asset) to earn rental income or To grow the capital or for both, and not:

- For use in producing, supplying goods, providing services, or for administrative or
- To sell it in the ordinary course of business

#### Real estates included in the term of real estate, machinery and equipment in the financial statements

The International Accounting Standard No. 16 "property, plant and equipment" IFRS16 defines as the tangible items that:

- It is kept for use in the production or supply of goods or services, or it is kept for rent to others (except for investment real estate) or for use in administrative purposes.
- It is expected to be used during more than one period



## ■ نظرة عامة على الإقتصاد والقطاع العقاري بالمملكة العربية السعودية

An overview of the economy and  
the real estate sector in the  
Kingdom of Saudi Arabia

## Executive Summary - Saudi Real Estate Market

**Performance of the Saudi real estate market:** The Saudi gross domestic product grew by 8.6% during the third quarter of 2022. It is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7% and 2.3% during the years 2023 and 2024, respectively. According to the World Bank, the main driver of the post-pandemic recovery was the increase in demand for tourism and the increase in government spending on infrastructure projects such as the expansion of Riyadh Airport, among others. It is expected that such projects will lead to an increase in demand for real estate with excellent locations, especially offices and logistical facilities from Category A. At the same time, changing customer choices in the hospitality, lodging and retail sectors have prompted developers to reimagine hotel, residence and leisure components within their master development plans.

**Residential real estate:** Sales prices of villas and apartments increased during the first nine months of 2022 compared to 2021, with the continued strong demand for apartments by the citizens of the Kingdom.

**Retail:** The Economist's Economic Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional commercial centers and major regional commercial centers decreased during the months the first nine of the year.

**Hospitality:** Both the average daily rate and the occupancy rate witnessed an improvement from last year due to the recovery witnessed in the market in general, driven by the lifting of restrictions that were imposed on travel and the speedy procedures for issuing tourism visas. The first three months of the year recorded the strongest performance in terms of occupancy rate in Riyadh Which reached 76% in March. As for Jeddah hotels, they recorded the highest occupancy rate in May, when occupancy reached 59%.

**Offices:** Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this has led to continued strong demand for Class A properties during 2022.

### Industrial and logistic real estate

Rents have remained relatively stable for Class A properties due to limited international grade warehouses and increased demand from logistics companies.



## Saudi Arabia Office Market

Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this led to continued strong demand for Class A properties during 2022 AD.

## 2022 Performance Review

Offered offices in the main markets such as Riyadh, Jeddah, and the metropolis of Dammam amounted to 5.2 million square meters, 1.3 million square meters, and 1.3 million square meters, respectively, as of September 2022 AD. Notable additions to the market during 2022 included the headquarters of the Saudi British Bank On King Fahd Street, King Abdulaziz City for Science and Technology, and the government departments complex in Riyadh, in addition to the offices of the Saudi Airlines cargo building in Jeddah. The Saudi gross domestic product grew by 8.6% during the third quarter of 2022, and it is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7 and 2.3% during the years 2023 and 2024, respectively, according to the World Bank, and it was the main driver. The recovery in the post-pandemic office sector is due to the increase in government spending on infrastructure projects, such as the expansion of Riyadh Airport, among others. The demand for Class A real estate in Riyadh also remained strong as a result of the government's focus on developing the city to be a regional hub for international companies. As for Jeddah and Metropolitan Dammam The offered of Class A properties mainly focuses on government offices and public sector entities, and owners are now offering incentives such as free periods and smaller, fully-equipped units to attract a wider range of tenants. Lease periods usually correspond to unit size, as larger units are rented for longer periods. Between six and nine years.

## Saudi Arabia retail market

Economist Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional and major commercial centers decreased during the first nine months of the year.

## 2022 performance review

It is expected that the bulk of the retail projects that will be completed will be in the category of major regional commercial centers, which indicates that the market is sufficient for this category of mega projects. Visitors in an increasingly competitive market.

Retail rents witnessed some decline during the past twelve months at the level of the Kingdom, as the average rent decreased in regional commercial centers and major regional commercial centers, and the distinctive shopping centers in the Kingdom were able to maintain occupancy rates during the year 2022 AD, as lifestyle stores specifically recorded an increase in The number of visitors after lifting the ban that was imposed during the pandemic.



## دراسات الموقع ■

Site Studies

## Real estate data and Services available in the real estate area

### Real Estate Data

City	Al-Kharj	Neighborhood	Granada
Street	King Abdullah Road	Property type	Commercial
No. land plan	1456	Plot number	120+119
Area	16095.97 square meters	Land use according to regulations	Residential Commercial Office

### Services and facilities available in the real estate area

Electricity network	Telephone network	Water network	Sewerage network
✓	✓	✓	✓
Water drainage network	Mosque	Dispensary	Garden
✓	✓	✓	✓
Public markets	Civil defense	Police station	Hospital
✓	✓	✓	✓
Hotels	Petrol station	Schools	Governmental services and centers
✓	✓	✓	✗

## Factors affecting the property

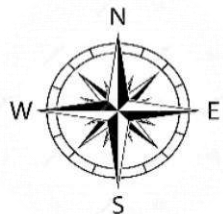
Impact element	Impact determinants	Description
Area overview	Importance of the area	located in Al-Kharj city, Granada district
Natural factors (environmental)	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is in the center of Al-Kharj
	Infrastructure	Completed
	Municipal equipment	Completed
	Land properties	Regular shape
Building Regulations	Land use	Public services
	Building ratio - number of floors	various
Economic factors	Supply and demand	High
	Land prices	High
Legal factors	Deficit and trespassing on the property	N.A.

## Property description

- The building area was determined based on the (**Permit**).
- Actual age of the property was determined by (**11.5**) years, according to (**Reality**).
- The state of the property on the date of valuation (**31/12/2023**)
- When examining the property, it became clear to us that it is a (**Commercial building**). Detailed as below:

Built-up area data from the permit		
Building components	Area m2	Use
Ground floor	9,090.65	Commercial
Mezzanine	1,700	Commercial
Repetitive floors	430.45	Commercial office

## Property location



Property is located in: **Al-Kharj**

Neighborhood: **Granada**

Street: **King Abdullah**

Location coordinates

N :

24.138889

E :

47.278805





## Photographic survey of the building and its components (1/2)





Photographic survey of the building and its components (2/2)



## Ownership documents

### Title deed information

Ownership Type	Deed date	Deed number	Owner name
Ownership 100%	24/03/1441 AH	711508007003 - 511507006268	Hefdh Al-Musharaka Real Estate Company

### Neighborhood name - plot number - plan number - land area:

Neighborhood name	Plot number	Plan number	Land area
Granada	23+22	1184	16095.97 m2

### Borders and lengths:

Borders and lengths:							
Northen border	Border length	Southern border	Border length	Eastern border	Border length	Western border	Border length
20m wide street and pedestrian walkway	200.19 m	King Abdullah Road, 60 m wide	82.88 m	Street width of 15 m and an electric room	82.88 m	Street width 40 m	140.31 m



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



Valuation

التقييم ■

## Valuation Approaches



### Market Approach ❖

The market method provides an indication of value by comparing the asset with identical or comparable (similar) assets for which price information is available.



### Income Approach ❖

The income method provides an indication of value by converting future cash flows into one current value. According to this method, the value of the asset is determined by reference to the value of the revenue and cash flows generated by the asset or the costs it provides.



### Cost Approach ❖

The cost method provides an indication of value using the economic principle that states that the buyer will not pay an asset more than the cost of obtaining an asset of similar benefit, whether through purchase or construction unless there are time, disturbance, risk, or other related factors. The method provides an indication of value by calculating the current cost of transferring or reproducing the asset, and then discounting the physical wear and tear of all other obsolescence's.

## Market Approach-Standard No. 105

It is an approach of estimating the value of a real estate or real estate property based on the market comparison between the property being evaluated and similar properties in the same area that were recently sold. The value indicator of the property being valued is derived by applying appropriate comparison units and making adjustments and adjustments to the selling prices of similar properties based on the comparative elements.

### **The market approach should be applied and afforded significant weight under the following circumstances:**

- ❖ The subject asset has recently been sold in a transaction appropriate for consideration under the basis of value
- ❖ The subject asset or substantially similar assets are actively publicly traded.
- ❖ There are frequent and/or recent observable transactions in substantially similar assets.

### **The key steps in the comparable transactions method are:**

- ❖ Define the units of comparison used by relevant market participants.
- ❖ Determine the relevant comparative transactions and calculate the main evaluation criteria for these transactions.
- ❖ Conduct consistent comparative analysis of the qualitative and quantitative similarities and differences between the comparable assets and the subject asset.
- ❖ Make the necessary adjustments, if any, to the evaluation scales to reflect the differences between the subject of evaluation and the comparative assets.
- ❖ Applying the revised valuation criteria to the subject asset.
- ❖ Value indicators are reconciled if more than one evaluation scale is used.

## Cost Approach - Standard No. 105

It is a valuation method that calculates the capital or market value of a property by adding the value of the real estate's land with the value of the buildings erected on the site.

### **Cost Approach should be applied and afforded significant weight under the following circumstances:**

- ❖ Participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
- ❖ The asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or
- ❖ The basis of value being used is fundamentally based on replacement cost, such as replacement value

### **Used methods of Cost Approach :**

- a. **Replacement cost method:** A method of arriving at value by calculating the cost of a similar asset

### **Method of estimating the value of buildings using the straight line method**

- The straight-line method: the straight-line method is calculated by the formula (current age of the building / Lifespan) \* 100.

## Income Approach-Standard No. 105

Income Approach provides an indication of value by converting future cash flows into a single present value. Under this approach, the value of an asset is determined by reference to the value of the revenue and cash flows that the asset generates or the costs it provides.

### **Income Approach should be applied and given priority or significant weight in the following cases:**

- A. When the ability of the asset to generate income is the primary factor that affects the value from the point of view of market participants.
- B. Reasonable expectations are available for the amount and timing of future revenue for the assessed asset but few, if any, relevant market comparisons.

### **Income Approach Methods:**

Although there are many ways to apply the income method, the methods used under the income method depend largely on discounting the amounts of future cash flows to a present value, which are various applications in using the discounted cash flow (DCF) method and the concepts below apply in part or all of the methods of the income method.

#### **Discounted Cash Flow method (DCF)**

It is a financial method for estimating the value of a financial or real asset. The value index is derived by calculating the present value of future cash flows. The discounted cash flow method is applied to evaluate a property or real estate that generates income based on the expectation of future income for the property under valuation. The value index of the property is derived through Calculating the present value of net operating income or the expected net rental value of the property.

#### **Direct Capitalization Method:**

The direct capitalization method is applied in the event that the net rental value of the property under valuation is fixed and equal in perpetuity.

#### **Residual value method:**

The residual value method is a method of evaluating properties that can be valued by identifying the most appropriate development of the site and property and then predicting the value of such development after it is completed.



## Analyzing the used valuation approaches and methods - Fair value hierarchy

### Used valuation methods

Valuation Approaches	Market Approach	Cost Approach	Income Approach
Used approach	Market Approach was used as an <b>assist</b>	Cost approach was used as an <b>assist</b>	<b>Mainly used</b>
Used valuation methods	Field survey (comparisons - offered land prices)	Depreciated Replacement Cost method for buildings	Discounted Cash Flow method
Reasons for use / not use	Basic way to see similar properties in the market	A supportive method for guidance	The fact that the property is income-generating

### Hierarchy:

The fair value hierarchy categorizes the inputs to the valuation techniques used to measure fair value at the measurement date into three levels, as follows:

Level	clarification	input statement	classification	Source	Judgment and documentation
<b>First</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be reached at the measurement date and are given priority.	---	---	---	---
<b>Second</b>	They are the inputs other than the published prices within the first level that can be monitored for the asset or liability, either directly or indirectly	Commercial and commercial residential offers in the real estate area	It is classified under the second level	Accredited real estate offices in the real estate area	Reliable based on similar market analysis, verification following market research and analysis, in-person interviews, and the company's own database of deals and transactions
<b>Third</b>	They are the inputs that cannot be monitored and are given the lowest priority	---	---	---	---



## تقدير القيمة ■

Value Estimation

## Similar Offers and Comparisons - Residential commercial prices in the area

Saudi market does not have transparency and it is difficult to collect accurate information. Therefore, we were able to collect data for a selected sample of comparisons that reflect the reality of the market in general, and we will work to present their data and performance indicators as an embodiment of the market.

Comparison factors	Comparison 1	Comparison 2
Area (m2)	6,000	6,678
Ease of access	High	High
Property location	High	High
Land shape	Regular	Regular
The length of the commercial front m	60	50
Use	Residential commercial	Residential commercial
surrounding streets	2	2
Price per meter (SR)	2,500	2,500
Comparative condition	Available offer	Available offer
Date	15/6/2023	15/6/2023
Plan No.	-	-
Plot No.	140	129
Coordinates	24.132735 47.270186	24.136070 47.2744321

### Comparison map



## Estimating the commercial land value - Relative adjustment - Market Approach

Clause		Comparative real estates			
Adjustments factors	Property under valuation	Comparison 1		Comparison 2	
		Value	Adjustment	Value	Adjustment
Price per square meter	***		2,500		2,500
Condition	***	Available offer		Available offer	
Date of valuation/offer	30/06/2023	15/6/2023		15/6/2023	
Market Condition	***	-5%	-125	-5%	- 125
Financing terms	***	0%	0%	0%	0%
Market conditions value	***		(125.00)		(125.00)
Value after initial settlements	***	2,375		2,375	
Land area (m <sup>2</sup> )	16,095.97	6,000	-10%	6,678	-10%
Ease of access	High	High	0%	High	0%
Property location	High	High	0%	High	0%
Land shape	Regular	Regular	0%	Regular	0%
The length of the commercial front m	140	60	5%	50	5%
Land use	Residential commercial	Residential commercial	0%	Residential commercial	0%
Surrounding streets	4	2	10%	2	10%
Total		5.00%		5.00%	
Adjustment value per square meter		119		119	
Final meter value after Adjustments		2,494		2,494	
Relative weight		50%		50%	
Net average value per square meter (SR / m <sup>2</sup> )		2,494			
Net average square meter value after rounding (SR / m <sup>2</sup> )		2,500			
The market value of the land (SR / m <sup>2</sup> )		40,239,925			

## Similar Comparisons Method assumptions

Based on the approach used in calculating the market value, which is Market Approach (Method of Similar Comparisons), some steps must be taken to obtain accurate Adjustments, as follows:

- Determine the factors that affect the value of the property under valuation.
- Comparing the features and characteristics of each comparative property with the property being evaluated and determining the difference in each element of the comparison between the comparative property and the property under valuation.
- Make adjustments against each mismatched item.
- Reaching the net adjustment for each comparable property and applying it to the unit price to reach price range of the unit after adjustments for the property under valuation.
- On the basis of the price range, the valuer determines the most reasonable price for the unit in the real estate under valuation, and the unit price is chosen after adjustments from the best comparable real estate usually as it is better.
- A reasonable price for the unit in the property under valuation.

## Similar Comparisons Method Assumptions - Land of Al-Kharj Plaza Mall

**Based on the approach used in calculating the market value, which is Market Approach (Method of similar comparisons), the following was assumed:**

**Relative control of the area:** It is customary to promote a smaller area of the land that achieves a higher value compared to the land that is larger in area, and sometimes vice versa.

Here, it was assumed that a percentage of -10% would be allocated to Comparator 1 and Comparator 2, and the smaller the area, the less it takes a minus mark, as well as vice versa, compared to the property under valuation.

**Market condition:** Adjustments against the market condition conditions are often referred to as (time) Adjustment or in the case of negotiation over the offered value. Market conditions may change with the change of time, and the percentage is variable according to the market condition. Here, a percentage of -5% has been allocated, considering real estate. Comparisons are on offer and negotiable by owner.

**Ease of access:** The movement of access to the real estate subject to evaluation is easy, as well as the ease of access to the comparable properties (high, medium, low), and accordingly, a rate of 0% was assumed for each level, since all properties are at a high level.

**Location of the property:** The location is where the property is located, whether it is on a road front or second row, or has two roads or two entrances, and it has a direct and high impact on the value of the property, and half of it is (high, medium, low), and accordingly, a percentage of 0% was assumed for each level, since all properties are on a level high.

**Land shape:** One of the physical characteristics that affect the property is the shape of the land, whether it is regular or irregular, and accordingly, 0% was assumed for the comparable properties, as they are all on the same level.

**The length of the commercial front:** The length of the commercial front has a significant impact on the store, which greatly helps in benefiting from the shape of the store and the municipality's requirements for commercial areas in general. Therefore, 5% was assumed for the comparable properties, as they are all of a length less than the length of the commercial front of the property under valuation.

**Usage:** The real estate planning has been taken into consideration as it is (commercial) planning compared to the comparable real estate, as well as all of them are commercial. It is possible for the property to include more than one use, such as (residential, residential, commercial, or residential, commercial, office), and accordingly, 0% was assumed, since all real estate is commercial and residential.

**Surrounding streets:** The location affects the value of real estate directly if it is on one or two streets, as well as the views it provides and the provision of various advantages. Accordingly, a rate of 5% was assumed for each difference for one street.

## Cost Approach - Depreciated Replacement Cost method for buildings

### First: Construction Costs (Direct Costs)

Clause	Built up area m2	SR / m2	Value (SR)
Ground floor	9,091	2,000	18,181,300
Mezzanine	1,700	1,700	2,890,000
Repetitive floors	430.45	1,700	731,765
<b>Total (SR)</b>	<b>11,221.10</b>		<b>21,803,065</b>

### Second: Other costs (indirect)

Professional fees	2%	436,061
Utilities Network	2%	436,061
Administration costs	2%	436,061
Developer's profitability	20%	4,360,613
<b>Total (SR)</b>		<b>5,668,797</b>
<b>Total cost of buildings (SAR)</b>		<b>27,471,862</b>

### Third: Depreciation cost

Life span of the property (year)	Year	40
The current age of the property (year)	Year	11
Remaining life of the property (year)	Year	29
Depreciation rate	%	28%
Depreciation value	SR	7,554,762

**Final value of the building (SR)**

**19,917,100**

### Fourth: Value of the property according to the Cost Approach

Final value of the land (SR)	40,239,925
Final value of buildings (SR)	19,917,100
<b>Market value of the property according to the Cost Approach (SR)</b>	<b>60,157,025</b>
<b>Market value of the property according to the Cost Approach after rounding (SR)</b>	<b>60,157,000</b>



## Analysis of valuation assumptions data - Discounted Cash Flow Methods

### Operating and capital expenditure rate:

Operating expenses are expenses related to renting and maintaining the property, and capital expenses are expenses incurred by the owner in order to maintain it in good condition to achieve appropriate annual income. The percentage of operating expenses represents 5% - 20% for similar projects in the surrounding area, according to the size and services provided, since most of them are in single contracts. Mostly, knowing that the summary of the maintenance contracts has not been seen from the client to know the percentage that represents the current income, and most often the lease contracts include the rental value and the value of the facilities maintenance services on it, and the rate of operating and capital expenditures was assumed at 5.91 % according to the contract only, where we find that operating expenses are paid by the property tenant for maintenance and include the costs of common services expenses, cleaning and maintenance of the building, security management and control expenses, and are estimated from the actual rental income because the property is in use.

### Discount rate:

The discount rate was assumed at 9.5 % according to the Cumulative Model method as follows:

Cumulative Model method		
Government bond rate of return	4.6	Saudi Tadawul Fund
Inflation rate (current year average)	2.49	Saudi Central Bank
Market risk premium (recession and recovery)	1.5	According to the condition and circumstances of the market
Special risk premium (the resulting costs of the property)	1	According to the condition and circumstances of the property
Discount rate with all data above	%9.5	%

### Discounted Cash Flow method assumptions:

Expected rental value according to the contract	5,378,094	Discount rate	9.5%
Operating and capital expenditure rate	4%	Capitalization rate	8%
Occupancy rate and credit risk	3.5%	Growth rate - every three years	5%
Cash flow period (Years)	10	Beginning - end of cash flows	Every year

### Occupancy rate and credit risk:

The property is distinguished by being one of the attractive properties for tenants due to its distinguished location in the city of Al-Kharj, Granada neighborhood, and directly overlooking King Abdullah Road. The vacancy rate data from the market was analyzed to confirm, as the market data shows that vacancy rates range from 0% to 10% in similar properties, and accordingly, it was Calculating the vacancy rate and credit risk at 4% (according to client data) - calculated in total income (directly).

### Growth rate:

- The growth rate was reviewed by referring to the market for similar real estate and taking into account the current lease contracts according to the client's statement to be compared with the market data, taking into account the assessment of the market research centers of the banks that the increase in rental prices and recent expansions is expected to be higher than the impact of the increase in interest rates on the investments of REIT funds and the future outlook The property is optimistic due to the high demand for this type of similar properties in the area surrounding the property, as well as taking into account the growth of similar properties and the level of internal and external finishes of the property under valuation.
- A growth rate of 5% was assumed every three years, according to the market situation, based on the interior and exterior finishes of the property, the location of the property, and supply and demand in the market.

### Operational rate of return:

Analysis of the capitalization rate - the method of extracting from the market In view of the market activity and the reports of the Qaim Company for similar investments, as well as in view of the economic reports issued by some study centers and the information center of the Qaim Company for valuation, we found that the return in the region ranges from 7.5% to 8.5%, and accordingly, the rate of return was assumed at a rate of 8 % There are many factors that affect the rate of return, represented in the location of the building, its age and condition, the situation of the tenants, and the degree of risk associated with repayment. The capitalization rate is affected by the demand and supply rates for the same type of real estate.

### Analysis of the vacancy rate and the rate of return of operational and capital expenditures from the market

S/N	Location	Property name	Property type	Coordinates	Total annual income - SR	Occupancy	Return	Operating and Capital Expenditures
1	Al-Kharj	Al Waha Mall	Commercial building	24.129489 47.264708	8,320,000	10%	9%	5%
2	Riyadh	Al Hamra Plaza	Office commercial building	24.604408 46.732526	5,432,000	10%	8%	10%

## Calculating the value of the property - using the Income Approach - Discounted Cash Flow method

Cash flow - Inflows		Years										
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
		1	2	3	4	5	6	7	8	9	10	
Expected growth value		0%	0%	5%	0%	0%	5%	0%	0%	5%	0%	
Total income according to the contract	Value											
<b>Total income</b>	5,378,094	5,378,094	5,378,094	5,646,999	5,646,999	5,646,999	5,929,349	5,929,349	5,929,349	6,225,816	6,225,816	
<b>Total income</b>		5,378,094	5,378,094	5,646,999	5,646,999	5,646,999	5,929,349	5,929,349	5,929,349	6,225,816	6,225,816	
<b>Minus occupancy rate and credit risk</b>		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
<b>Annual vacancy value</b>		0	0	0	0	0	0	0	0	0	0	
<b>Actual total rental income</b>		5,378,094	5,378,094	5,646,999	5,646,999	5,646,999	5,929,349	5,929,349	5,929,349	6,225,816	6,225,816	
<b>Minus rate of operating and capital expenses</b>	5.91%	317,608	317,608	333,488	333,488	333,488	350,163	350,163	350,163	367,671	367,671	
<b>Building net operating income (NOI)</b>		5,060,486	5,060,486	5,313,510	5,313,510	5,313,510	5,579,186	5,579,186	5,579,186	5,858,145	5,858,145	
Reversion value												73,226,814
Net cash flow		5,060,486	5,060,486	5,313,510	5,313,510	5,313,510	5,579,186	5,579,186	5,579,186	5,858,145	5,858,145	73,226,814
Discount factor		0.913	0.834	0.762	0.696	0.635	0.580	0.530	0.484	0.442	0.404	0.404
Present value of cash flow		4,621,448	4,220,501	4,047,056	3,695,941	3,375,289	3,236,578	2,955,779	2,699,342	2,588,410	2,363,845	29,548,058
<b>Net present value of the property</b>												<b>63,352,247</b>

## Final value of the property

Based on the purpose of the valuation, the nature of the property and its characteristics, as it is a (Commercial building ), valuing the property using the Income Approach (Discounted Cash Flow method) is considered the best way to estimate the price on the measurement date of 31/12/2023 AD, which was arrived at with the Income Approach as a basis for the fair value of the property being valued (After rounding) , as follows:

Price on the date of measurement in numbers (SR)	Price on the date of measurement in writing (SAR)
63,352,000	Sixty-three million three hundred fifty-two thousand

This report was approved by the Executive Director

Ismail Muhammad al-Dubaikhi






**ملاحق** ■

**Appendix**

Documents received from the client



Building permit



Deeds

Team



Ahmed Saleh Al-Attas  
Real estate - Associate  
Membership No 1220003236



Muath Abdul Rahman Al-Aoraini  
Real estate - Associate  
Membership No 1210002322



Salem Mohammed Al Fai'  
Real estate-Basic Follow  
Membership No 1210000013



Ismail Al-Dubaikhi  
Real estate-Basic Follow  
Membership No 1210000005



## General Administration

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## Gardeno Hotel

Olaya District  
Riyadh City - Kingdom of Saudi Arabia



**Presented to :**  
**Musharaka Capital Company**

## Statement

Dear: **Musharaka Capital Company** Greetings

**Subject: Valuation report for Gardeno Hotel in Olaya district - Riyadh**

We, Qaim and his partner real estate valuation company, extend our sincere thanks and appreciation to you for choosing us and giving you your precious trust to evaluate the property located in **Riyadh, Olaya district**, according to the assignment issued by you on **09/11/2023 AD** based on the license granted to us by the Saudi Authority for Accredited Valuers, following In that is the latest version of the international valuation standards **2022 AD**, which are recognized as well as the rules and ethics of the profession in order to reach the final impartial valuation based on the actual inspection by the work team and the study of the market area surrounding the property. The fair value estimate was reached using various valuation approaches, including what each report carries, and accordingly we are pleased to We present to you the real estate valuation statement listed below.

**Based on the completed study, we attach to you the results of the price estimate on the measurement date of the property (Gardeno Hotel ) and on its current status on the estimate date 31/12/2023 AD located in (Riyadh) in (Al-Olaya) district, with an amount of only (93,230,500) Ninety-three million two hundred thirty thousand five hundred Saudi riyals.**

This report was approved by the Executive Director,

Ismail Mohammed Al-Dubaikhi

Under License No. / 1210000052 dated 10-10-1443 AH



With sincere gratitude...



# قيير للتقييم

## QIAM VALUATION

### Content

01	The specific assumptions and limitations of the report
02	Scope of work
03	An overview of the economy and the real estate sector in the Kingdom of Saudi Arabia
04	Site studies
05	Valuation
06	Value Estimation
07	Appendix



## ■ نطاق العمل

Scope of work

## Executive Summary

**Price estimate on the date of measurement: 93,230,500 Saudi riyals**

Property address	Property subject to Valuation	Owner of real estate
Riyadh - Olaya district	Gardeno Hotel - Olaya District	Hefdh Al-Musharaka Real Estate Company
Report issued date	Valuation date	Inspection date
21/03/2024	31/12/2023	21/11/2023
Notary Public	Purpose of the valuation	Ownership Type
Riyadh	Estimating the fair value for the purpose of periodic valuation of the Musharaka REIT Fund	Absolute ownership
Assumed value	Deed date	Deed number
Present value	2/15/1443 AH	918501000502

## Scope of work Standard No. 101

Other users	Client	Valuation currency
Fund managers and investors only	Musharaka Capital Company	Saudi riyal
Report description	Value Basis	Valuation Approach
A report explaining the methodology and steps of the valuation and the results of the valuation, and includes illustrative pictures of the boundaries of the asset under valuation	Fair value	Cost Approach + Income Approach

### Scope of the Valuer search - Standard No. 102

Gathering sufficient information through a field visit, visible inspection, and conducting analyzes. A study was conducted from sites close to the real estate site and from approved real estate offices in the real estate area, and all information was investigated and studied accurately.

### Value Basis

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (This definition is adapted from IFRS 13), paragraph 9. It is also defined in IVS 104 Basis of Value, paragraph 90, among other bases of value for valuation for purposes of inclusion in financial reports.

#### Valuation Standard followed

All work was carried out in accordance with the Accredited Valuers System and the implementing regulations related to real estate valuation issued by the Saudi Authority for Accredited Valuers (Taqeem), and the latest version of the International Valuation Standards (IVS) for the year 2022 published by the International Valuation Standards Board (IVSC)) and the professional rules recognized in the work of valuation of real estate assets, which is based on analysis, comparison and direct inspection of each property, and research as much as possible about the influences and characteristics of the property under valuation.

#### Nature and source of information

The information contained in the report was issued by official bodies, real estate offices in the targeted area, or offices specialized in research and studies, and with reference to the database of Qaim and its partner real estate valuation company.

#### Important assumptions and special assumptions

Important assumptions and special assumptions are explained on page 10.

#### Report usage restrictions

Valuation processes and reports are confidential to the directing party and to whomever they are referred to for a specific purpose, with no responsibility of any kind for any third party. This report may not be published in full or any part thereof or referred to in any document or statement or published periodically or in any medium. communicate with any third party without our prior written consent in the form and context in which they appear. It is a matter of caution and caution that the company and the valuer reserve the right to make any amendments and make any review of the valuation or support the valuation result under specific circumstances. .



## Work Stages

Meeting with the client and determining the scope of work, including the purpose of the valuation, the basis of value, the parties involved, the date of the valuation, and any special or important assumptions, including clarity of the assignment and the expected outputs from it.

Step 01



Collecting and analyzing office and field market data in order to gain knowledge of past and current market trends and market indicators that will be relied upon when applying valuation methods.

Step 03



Work on preparing the report in accordance with Standard 101 for Description of the Report and Standard 103 for Report Preparation.

Step 05



Step 02



Step 04



Previewing the property, identifying its characteristics and specifications, matching documents with reality, analyzing the location of the property and the uses surrounding the property, while defining the scope of the geographical search and the appropriate activities and projects.

Based on the scope of work and market analysis, appropriate valuation methods are determined and all assumptions and inputs are made to carry out financial calculations to reach the market value according to the chosen methods..

## ■ الفرضيات و القيود المحددة للتقرير

The specific assumptions  
and limitations of the report

## Important assumptions and special assumptions

Based on the type and characteristics of the property and the purpose of evaluation, the property was valued using the Income Approach (mainly discounted cash flow method) assuming that all market participants act in the best economic interest of the property as it achieves benefit for all market participants.

Valuation is based on the value (fair value) and that it was carried out in a major open market. Prices were inferred from field research work on plans close to the real estate site, and analysis, judgment and documentation were made.

The purpose of issuing this report is to know the fair value estimate for the purpose of (Estimating the fair value for the purpose of periodic valuation of the REIT Musharakah Fund) for the user of the report (the fund manager and investors).

Our company does not bear any responsibility for any information received from the customer, which is supposed to be safe and reliable, and our company does not acknowledge the accuracy or completeness of the available data and does not express its opinion and did not offer any kind of guarantee for the accuracy or completeness of the data except as indicated clearly in this report.

The property has been inspected outwardly and the property has not been structurally inspected, or this appraisal report is considered valid only if it bears the company's seal and the signature of the accredited residents.

No legal document was verified for the property that was evaluated or for legal issues involving ownership or mortgage, and it was assumed that the information was according to the client's statement.

The values estimated in this report are for the property under valuation, and any distribution of the value to parts of the property will not be correct, and this value should not be used for any other purposes, as it could be incorrect if used as well.

Information provided by other parties, especially with regard to planning, land ownership, renting, etc., on which all or part of this report was based, was considered reliable, but not all of it was confirmed in all cases, and no guarantee was given regarding the validity of this information, if it appears that this information is incorrect. the value contained in this report may change.

The property was evaluated in accordance with international standards 2022 AD, and the estimated value in this report is for the property under study, and in case of changing the purpose of the valuation, these values may be incorrect.

Borders and lengths according to the client's statement, and the company is not responsible for the Borders and lengths, and therefore the total area of the land is taken according to the deed, and the company is not responsible for that.

This report may not be used in whole or in part, or have references to it made without mentioning Qiam and its partner real estate valuation company. It may also not be published in any way without the company's prior written consent, in the form and content in which it appears.

The fund manager must provide accredited evaluators in an accurate, clear and non-misleading manner with any documents or information related to the real estate assets of the fund to be evaluated, including but not limited to: related contracts, engineering reports, construction commissions and any information that would enable the accredited evaluator to prepare his report in accordance with to the statutory provisions and approved standards.



■ الإمتثال للمعايير و أعمال  
البحث و الإستقصاء

Compliance with Standards ,Research and  
Inquiry

## Standard 102: Compliance with Standards and Research and Inquiry

This valuation work was carried out in accordance with the principle of Standard 102 of compliance with the standards, research and survey work, in the following items:

- The basis of the value (fair value) is commensurate with the purpose of evaluation (estimating the fair value for the purpose of periodic evaluation of the Musharaka REIT Fund).
- Gathering evidence through field visits at the time of inspecting the property with the inquiries raised at the time of the evaluation of some accredited offices in the area of the property.
- Evidence from field visits was collected and analysis and computational procedures performed to ensure that evaluation work was adequately supported.
- The data cited was judged to ensure the adequacy of all such information obtained to ensure that it is sufficient for the purpose of the evaluation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all evaluation inputs mentioned in the report.
- Reliability of the information provided by the real estate offices in the real estate area has been confirmed, and they are accredited and licensed offices in the real estate area.

## Judging the reliability of the information provided and taken into the report

Provider	Data and information	Verdict	Judgment reasons	
Client	Deed	Trusted	Deed has been verified - Real Estate Market	
	Building permit	Trusted	Construction Permit Validated - Balady platform.	
	Lease contracts	Trusted	The contracts were reviewed	
Market	Commercial meter prices	Trusted	Based on the market survey - direct interviews - accredited offices in the real estate area - internal company data	
	Practical experience of real estate offices	Trusted		Certified by official records in the real estate area
	Source independence	Trusted		A source independent and external to the asset being valued

## Compliance with Standards and Research and Inquiry

03

In the event that there are restrictions on the research and investigation carried out by the evaluator that do not enable him to adequately value the inputs and assumptions, which are clarified in the special assumptions

02

Carry out calculations and perform analyzes by gathering sufficient evidence by the following means, such as: field visit, inspection, inquiries and ensuring that evaluation work is appropriately reinforced and professional judgment facility to ensure that the information obtained is sufficient and that it fulfills the purpose of the evaluation

01

The research and investigations undertaken in the context of the valuation mission are appropriate to the valuation purpose and value basis

06

Record the valuation purpose, basis of value, and scope And the limits of research and survey, and the sources of information that reliable in the scope of work, which must Communicating it to all parties to the evaluation task

05

Consider the credibility and reliability of the information provided  
The following matters were taken into consideration:  
The purpose of the valuation  
The relevance of the information to the outcome of the valuation  
The source practical experience in relation to the subject matter of the valuation  
Is the source independent of the asset being evaluated or the beneficiary of it?

04

Taking into account the reliability of the information so that the evaluation results do not appear, and the inputs provided to the valuer (and) from the client or his representative) were considered.

## Regulatory framework on the International Valuation Standards (IVS 2022)

General Standards - Criterion 101  
Scope of Work Paragraph 20:  
Emphasizing that the valuation will be prepared in accordance with international valuation standards and that the valuer will assess the appropriateness of all important inputs: Deviations from international evaluation standards and their nature must be mentioned

60.3 Some professional appraisal institutions or regulations allow procedures that deviate from the International Appraisal Standards and in such circumstances, except as described in paragraphs 60.1 and 60.2, the resulting valuation will not be in compliance with the Standards.

General framework: the generally accepted valuation principles and the concepts that should be followed when applying these standards with regard to objectivity, discretionary judgment, efficiency, and the possibility of deviating from the standards, Paragraph (60.1-60.2). requirements mentioned in the reports

### Note:

Real estate valuations performed in order to prepare financial reports are regarded as situations of systematic deviation from international valuation norms in order to satisfy certain criteria for the purpose of the relevant valuation.



## Real estate and investment properties in the preparation of financial reports

### Clarifying the difference between real estate and investment properties in the financial statements

#### Investment properties in the financial statements

IAS 40 defines investment property as any property (land or a building - or part of a building - or both) held (by the owner or by the lessee as a right-of-use asset) to earn rental income or To grow the capital or for both, and not:

- For use in producing, supplying goods, providing services, or for administrative or
- To sell it in the ordinary course of business

#### Real estates included in the term of real estate, machinery and equipment in the financial statements

The International Accounting Standard No. 16 "property, plant and equipment" IFRS16 defines as the tangible items that:

- It is kept for use in the production or supply of goods or services, or it is kept for rent to others (except for investment real estate) or for use in administrative purposes.
- It is expected to be used during more than one period



## ■ نظرة عامة على الإقتصاد والقطاع العقاري بالمملكة العربية السعودية

An overview of the economy and  
the real estate sector in the  
Kingdom of Saudi Arabia

## Executive Summary - Saudi Real Estate Market

**Performance of the Saudi real estate market:** The Saudi gross domestic product grew by 8.6% during the third quarter of 2022. It is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7% and 2.3% during the years 2023 and 2024, respectively. According to the World Bank, the main driver of the post-pandemic recovery was the increase in demand for tourism and the increase in government spending on infrastructure projects such as the expansion of Riyadh Airport, among others. It is expected that such projects will lead to an increase in demand for real estate with excellent locations, especially offices and logistical facilities from Category A. At the same time, changing customer choices in the hospitality, lodging and retail sectors have prompted developers to reimagine hotel, residence and leisure components within their master development plans.

**Residential real estate:** Sales prices of villas and apartments increased during the first nine months of 2022 compared to 2021, with the continued strong demand for apartments by the citizens of the Kingdom.

**Retail:** The Economist's Economic Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional commercial centers and major regional commercial centers decreased during the months the first nine of the year.

**Hospitality:** Both the average daily rate and the occupancy rate witnessed an improvement from last year due to the recovery witnessed in the market in general, driven by the lifting of restrictions that were imposed on travel and the speedy procedures for issuing tourism visas. The first three months of the year recorded the strongest performance in terms of occupancy rate in Riyadh Which reached 76% in March. As for Jeddah hotels, they recorded the highest occupancy rate in May, when occupancy reached 59%.

**Offices:** Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this has led to continued strong demand for Class A properties during 2022.

### Industrial and logistic real estate

Rents have remained relatively stable for Class A properties due to limited international grade warehouses and increased demand from logistics companies.

## Saudi Arabia Office Market

Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this led to continued strong demand for Class A properties during 2022 AD.

## 2022 Performance Review

Offered offices in the main markets such as Riyadh, Jeddah, and the metropolis of Dammam amounted to 5.2 million square meters, 1.3 million square meters, and 1.3 million square meters, respectively, as of September 2022 AD. Notable additions to the market during 2022 included the headquarters of the Saudi British Bank On King Fahd Street, King Abdulaziz City for Science and Technology, and the government departments complex in Riyadh, in addition to the offices of the Saudi Airlines cargo building in Jeddah. The Saudi gross domestic product grew by 8.6% during the third quarter of 2022, and it is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7 and 2.3% during the years 2023 and 2024, respectively, according to the World Bank, and it was the main driver. The recovery in the post-pandemic office sector is due to the increase in government spending on infrastructure projects, such as the expansion of Riyadh Airport, among others. The demand for Class A real estate in Riyadh also remained strong as a result of the government's focus on developing the city to be a regional hub for international companies. As for Jeddah and Metropolitan Dammam The offered of Class A properties mainly focuses on government offices and public sector entities, and owners are now offering incentives such as free periods and smaller, fully-equipped units to attract a wider range of tenants. Lease periods usually correspond to unit size, as larger units are rented for longer periods. Between six and nine years.

## Saudi Arabia retail market

Economist Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional and major commercial centers decreased during the first nine months of the year.

## 2022 performance review

It is expected that the bulk of the retail projects that will be completed will be in the category of major regional commercial centers, which indicates that the market is sufficient for this category of mega projects. Visitors in an increasingly competitive market.

Retail rents witnessed some decline during the past twelve months at the level of the Kingdom, as the average rent decreased in regional commercial centers and major regional commercial centers, and the distinctive shopping centers in the Kingdom were able to maintain occupancy rates during the year 2022 AD, as lifestyle stores specifically recorded an increase in The number of visitors after lifting the ban that was imposed during the pandemic.



## دراسات الموقع ■

Site Studies

## Real estate data and Services available in the real estate area

### Real Estate Data

City	Riyadh	Neighborhood	Olaya
Street	King Fahd Street width 46 m	Property type	Gardeno Hotel
No. land plan	1324/a	Plot number	Bulk No. 14
Area	3495.35 square meters	Land use according to regulations	Commercial residential

### Services and facilities available in the real estate area

Electricity network	Telephone network	Water network	Sewerage network
✓	✓	✓	✓
Water drainage network	Mosque	Dispensary	Garden
✓	✓	✓	✓
Public markets	Civil defense	Police station	Hospital
✓	✓	✓	✓
Hotels	Petrol station	Schools	Governmental services and centers
✓	✓	✓	✓



## Factors affecting the property

Impact element	Impact determinants	Description
Area overview	Importance of the area	located in the city of Riyadh, in Muhammadiyah district
Natural factors (environmental)	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is in the center of northern Riyadh
	Infrastructure	Completed
	Municipal equipment	Completed
	Land properties	Regular shape
Building Regulations	Land use	Public services
	Building ratio - number of floors	various
Economic factors	Supply and demand	High
	Land prices	High
Legal factors	Deficit and trespassing on the property	N.A.



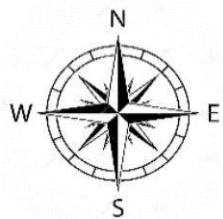
## Property description

- The building area was determined based on the (**Permit**).
- The actual property age has been determined by (**3.5**) years based on (**Reality**).
- The state of the property on the date of valuation (**31/12/2023**)
- When examining the property, it became clear to us that it is a (**Gardeno Hotel**). Detailed as below:

Building area data from the permit		
Building components	Area m2	Use
Mezzanine	531.20	Hotel + services
Ground floor	2,096	Hotel + reception
Second basement	3,305.10	Services + parking
First basement	3,305.10	Entertainment + parking
First floor	2,258.50	Hotel
Second commercial	1,200.60	Hotel
Electricity Room	20	Electricity Room
Upper extension	1,121.40	Hotel
Small swimming pool	60	Pool
Fences	238	Services

The property is a five-star hotel, the Gardeno, with an eastern facade on Al-Takhasosi Road and a northern and western facade on a street consisting of 2 basements, a ground floor with two mezzanines, a first and second floor, and an upper annex. There are 99 residential units in the hotel, parking, a reception, a coffee shop, a restaurant, a sports club, two swimming pools, a wedding hall, and 3 meeting halls. And a laundry, and there is a backup electricity generator, 2 central gas water pumps, 4 elevators, and a service elevator. The property is located in the Muhammadiyah neighborhood, not Olaya, as shown in the deed.

## Property location



Property is located in: **Riyadh**

Neighborhood: **Olaya**

Street: **Al-Takhasosi**

Location coordinates

N :

24.695011

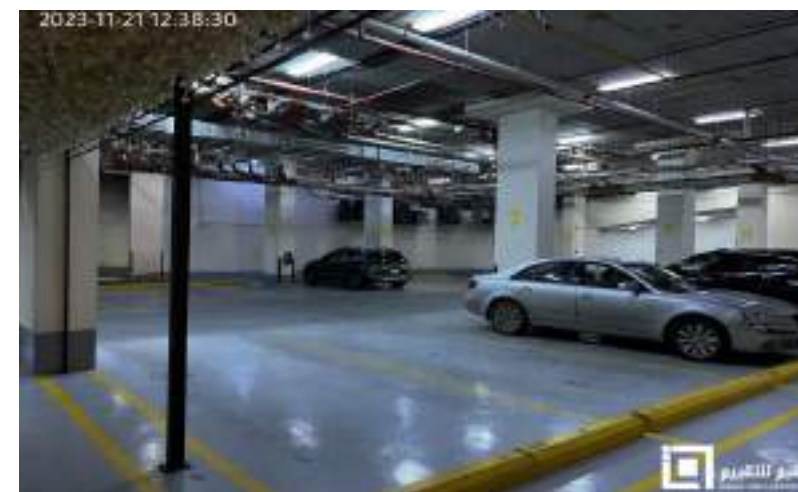
E :

46.681477





## Photographic survey of the building and its components (1/2)





## Photographic survey of the building and its components (2/2)



## Ownership documents

### Title deed information

Ownership Type	Deed date	Deed number	Owner name
Ownership 100%	2/15/1443 AH	918501000502	Hefdh Al-Musharaka Real Estate Company

### Neighborhood name - plot number - plan number - land area:

Neighborhood name	Plot number	Plan number	Land area
Olaya	132+131+130+129	1324/a	3495.35 m2

### Borders and lengths:

Borders and lengths:							
Northen border	Border length	Southern border	Border length	Eastern border	Border length	Western border	Border length
Street width 12 m	55 m	Plot No. 133 + 134	58 m	Street width 46 m	62.7 m	Street width 15 m	62 m



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



Valuation

التقييم ■

## Valuation Approaches



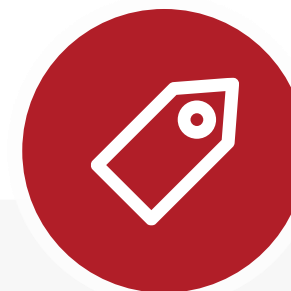
### Market Approach ❖

The market method provides an indication of value by comparing the asset with identical or comparable (similar) assets for which price information is available.



### Income Approach ❖

The income method provides an indication of value by converting future cash flows into one current value. According to this method, the value of the asset is determined by reference to the value of the revenue and cash flows generated by the asset or the costs it provides.



### Cost Approach ❖

The cost method provides an indication of value using the economic principle that states that the buyer will not pay an asset more than the cost of obtaining an asset of similar benefit, whether through purchase or construction unless there are time, disturbance, risk, or other related factors. The method provides an indication of value by calculating the current cost of transferring or reproducing the asset, and then discounting the physical wear and tear of all other obsolescence's.



## Market Approach-Standard No. 105

It is an approach of estimating the value of a real estate or real estate property based on the market comparison between the property being evaluated and similar properties in the same area that were recently sold. The value indicator of the property being valued is derived by applying appropriate comparison units and making adjustments and adjustments to the selling prices of similar properties based on the comparative elements.

**The market approach should be applied and afforded significant weight under the following circumstances:**

- ❖ The subject asset has recently been sold in a transaction appropriate for consideration under the basis of value
- ❖ The subject asset or substantially similar assets are actively publicly traded.
- ❖ There are frequent and/or recent observable transactions in substantially similar assets.

**The key steps in the comparable transactions method are:**

- ❖ Define the units of comparison used by relevant market participants.
- ❖ Determine the relevant comparative transactions and calculate the main evaluation criteria for these transactions.
- ❖ Conduct consistent comparative analysis of the qualitative and quantitative similarities and differences between the comparable assets and the subject asset.
- ❖ Make the necessary adjustments, if any, to the evaluation scales to reflect the differences between the subject of evaluation and the comparative assets.
- ❖ Applying the revised valuation criteria to the subject asset.
- ❖ Value indicators are reconciled if more than one evaluation scale is used.

## Cost Approach - Standard No. 105

It is a valuation method that calculates the capital or market value of a property by adding the value of the real estate's land with the value of the buildings erected on the site.

### Cost Approach should be applied and afforded significant weight under the following circumstances:

- ❖ Participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
- ❖ The asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or
- ❖ The basis of value being used is fundamentally based on replacement cost, such as replacement value

### Used methods of Cost Approach :

- a. **Replacement cost method:** A method of arriving at value by calculating the cost of a similar asset

### Method of estimating the value of buildings using the straight line method

- The straight-line method: the straight-line method is calculated by the formula (current age of the building / Lifespan) \* 100.

## Income Approach-Standard No. 105

Income Approach provides an indication of value by converting future cash flows into a single present value. Under this approach, the value of an asset is determined by reference to the value of the revenue and cash flows that the asset generates or the costs it provides.

### **Income Approach should be applied and given priority or significant weight in the following cases:**

- A. When the ability of the asset to generate income is the primary factor that affects the value from the point of view of market participants.
- B. Reasonable expectations are available for the amount and timing of future revenue for the assessed asset but few, if any, relevant market comparisons.

### **Income Approach Methods:**

Although there are many ways to apply the income method, the methods used under the income method depend largely on discounting the amounts of future cash flows to a present value, which are various applications in using the discounted cash flow (DCF) method and the concepts below apply in part or all of the methods of the income method.

#### **Discounted Cash Flow method (DCF)**

It is a financial method for estimating the value of a financial or real asset. The value index is derived by calculating the present value of future cash flows. The discounted cash flow method is applied to evaluate a property or real estate that generates income based on the expectation of future income for the property under valuation. The value index of the property is derived through Calculating the present value of net operating income or the expected net rental value of the property.

#### **Direct Capitalization Method:**

The direct capitalization method is applied in the event that the net rental value of the property under valuation is fixed and equal in perpetuity.

#### **Residual value method:**

The residual value method is a method of evaluating properties that can be valued by identifying the most appropriate development of the site and property and then predicting the value of such development after it is completed.

## Analyzing the used valuation approaches and methods - Fair value hierarchy

### Used valuation methods

Valuation Approaches	Market Approach	Cost Approach	Income Approach
Used approach	Market Approach was used as an <b>assist</b>	Cost approach was used as an <b>assist</b>	<b>Mainly used</b>
Used valuation methods	Field survey (comparisons - offered land prices)	Depreciated Replacement Cost method for buildings	Discounted Cash Flow method
Reasons for use / not use	Basic way to see similar properties in the market	A supportive method for guidance	The fact that the property is income-generating

### Hierarchy:

The fair value hierarchy categorizes the inputs to the valuation techniques used to measure fair value at the measurement date into three levels, as follows:

Level	clarification	input statement	classification	Source	Judgment and documentation
<b>First</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be reached at the measurement date and are given priority.	----	----	----	----
<b>Second</b>	They are the inputs other than the published prices within the first level that can be monitored for the asset or liability, either directly or indirectly	Commercial and commercial residential offers in the real estate area	It is classified under the second level	Accredited real estate offices in the real estate area	Reliable based on similar market analysis, verification following market research and analysis, in-person interviews, and the company's own database of deals and transactions
<b>Third</b>	They are the inputs that cannot be monitored and are given the lowest priority	----	----	----	----



## تقدير القيمة ■

Value Estimation

## Similar Offers and Comparisons - Residential commercial prices in the area

Saudi market does not have transparency and it is difficult to collect accurate information. Therefore, we were able to collect data for a selected sample of comparisons that reflect the reality of the market in general, and we will work to present their data and performance indicators as an embodiment of the market.

Comparative real estate - Commercial residential land		
Comparison factors	Comparison 1	Comparison 2
Area (m2)	6,600	7,000
Ease of access	High	Average
Property location	High	Average
Land shape	Regular	Regular
The length of the commercial front m	60	110
Use	Residential commercial	Residential commercial
Surrounding streets	4	3
Price per meter (SR)	9,400	9,000
Comparative condition	Available offer	Available offer
Date	30/6/2023	30/6/2023

### Comparison map



## Estimating the hotel's commercial land value - relative adjustment - Market Approach

valuing the land according to Market Approach - Method of Comparison with Similar Sales - for Residential commercial lands					
Clause		Comparative real estates			
Adjustments factors	Property under valuation	Comparison 1		Comparison 2	
		Value	Adjustment	Value	Adjustment
Price per square meter	***		9,400		9,000
Condition	***	Available offer		Available offer	
Date of valuation/offer	31/12/2023	2023		2023	
Market Condition	***	-5%	- 470	-5%	- 450
Financing terms	***	0%	0%	0%	0%
Market conditions value	***		(470.00)		(450.00)
Value after initial settlements	***		8,930		8,550
Land area (m <sup>2</sup> )	3,495.35	6,600	5%	7,000	5%
Ease of access	High	High	0%	Average	10%
Property location	High	High	0%	Average	10%
Land shape	Regular	Regular	0%	Regular	0%
The length of the commercial front m	62.50	60	0%	110	-5%
Land use	Residential commercial	Residential commercial	0%	Residential commercial	0%
Surrounding streets	3	4	-5%	3	0%
Total			0%		20%
Adjustment value per square meter			-		1,710
Final meter value after Adjustments			8,930		10,260
Relative weight			50%		50%
Net average value per square meter (SR / m <sup>2</sup> )					9,595
Net average square meter value after rounding (SR / m <sup>2</sup> )					9,600
The market value of the land (SR / m <sup>2</sup> )					<b>33,555,360</b>



## Similar Comparisons Method assumptions

**Based on the approach used in calculating the market value, which is Market Approach (Method of Similar Comparisons), some steps must be taken to obtain accurate Adjustments, as follows:**

- Determine the factors that affect the value of the property under valuation.
- Comparing the features and characteristics of each comparative property with the property being evaluated and determining the difference in each element of the comparison between the comparative property and the property under valuation.
- Make adjustments against each mismatched item.
- Reaching the net adjustment for each comparable property and applying it to the unit price to reach price range of the unit after adjustments for the property under valuation.
- On the basis of the price range, the valuer determines the most reasonable price for the unit in the real estate under valuation, and the unit price is chosen after adjustments from the best comparable real estate usually as it is better.
- A reasonable price for the unit in the property under valuation.

## Similar Comparisons Method Assumptions - Gardenio Hotel Land

**Based on the approach used in calculating the market value, which is Market Approach (Method of similar comparisons), the following was assumed:**

**Relative control of the area:** It is customary to promote a smaller area of the land that achieves a higher value compared to the land that is larger in area, and sometimes vice versa.

Here, it was assumed that a percentage of 5% would be allocated to Comparator 1 and Comparator 2, and the smaller the area, the less it takes a minus mark, as well as vice versa, compared to the property under valuation.

**Market condition:** Adjustments against the market condition conditions are often referred to as (time) Adjustment or in the case of negotiation over the offered value. Market conditions may change with the change of time, and the percentage is variable according to the market condition. Here, a percentage of -5% has been allocated, considering real estate. Comparisons are on offer and negotiable by owner.

**Ease of access:** The movement of access to the real estate subject to evaluation is easy, as well as the ease of access to the comparable properties (high, medium, low), and accordingly, a rate of 0% was assumed for each level, since all properties are at a high level.

**Location of the property:** The location is where the property is located, whether it is on a road front or second row, or has two roads or two entrances, and it has a direct and high impact on the value of the property, and half of it is (high, medium, low), and accordingly, a percentage of 0% was assumed for each level, since all properties are on a level high.

**Land shape:** One of the physical characteristics that affect the property is the shape of the land, whether it is regular or irregular, and accordingly, 0% was assumed for the comparable properties, as they are all on the same level.

**Usage:** The real estate planning has been taken into consideration as it is (commercial) planning compared to the comparable real estate, as well as all of them are commercial. It is possible for the property to include more than one use, such as (residential, residential, commercial, or residential, commercial, office), and accordingly, 0% was assumed, since all real estate is commercial and residential.

**Surrounding streets:** The location affects the value of real estate directly if it is on one or two streets, as well as the views it provides and the provision of various advantages. Accordingly, a rate of 5% was assumed for each difference for one street.

## Cost Approach - Depreciated Replacement Cost Method for buildings

First: Construction Costs (Direct Costs)			
Clause	Built up area m2	SR / m2	Value (SR)
Mezzanine	531.2	3,000	1,593,600
Ground floor	2,096	3,000	6,288,000
Second basement	3,305.1	2,500	8,262,750
First basement	3,305.1	2,500	8,262,750
First floor	2,258.5	3,000	6,775,500
Second floor	1,200.6	3,000	3,601,800
Electricity Room	20	700	14,000
Upper extension	1,121.4	2,800	3,139,920
Small swimming pool	60.0	1,000	60,000
Fences	237.7	700	166,390
<b>Total (SR)</b>	<b>14,135.60</b>		<b>38,164,710</b>
Second: Other costs (indirect)			
Professional fees		3%	1,144,941
Utilities Network		5%	1,908,236
Administration costs		5%	1,908,236
Developer's profitability		25%	9,541,178
<b>Total (SR)</b>			<b>14,502,590</b>
	<b>Total cost of buildings (SAR)</b>		<b>52,667,300</b>

Third: Depreciation cost		
Life span of the property (year)	Year	40
The current age of the property (year)	Year	3
Remaining life of the property (year)	Year	37
Depreciation rate	%	8%
Depreciation value	SR	3,950,047
<b>Final value of the building (SR)</b>		<b>48,717,252</b>
Fourth: Value of the property according to the Cost Approach		
Final value of the land (SR)		33,555,360
Final value of buildings (SR)		48,717,252
<b>Market value of the property according to the Cost Approach (SR)</b>		<b>82,272,612</b>
<b>Market value of the property according to the Cost Approach after rounding (SR)</b>		<b>82,300,000</b>

## Analysis of valuation assumptions data - Discounted Cash Flow Methods

### Growth rate:

- The growth rate was reviewed by referring to the market for similar real estate and taking into account the current lease contracts according to the client's statement to be compared with the market data, taking into account the assessment of the market research centers of the banks that the increase in rental prices and recent expansions is expected to be higher than the impact of the increase in interest rates on the investments of REIT funds and the future outlook. The property is optimistic due to the high demand for this type of similar properties in the area surrounding the property, as well as taking into account the growth of similar properties and the level of internal and external finishes of the property under valuation.
- A growth rate of 10 % was assumed in the fifth year, according to the market situation, based on the interior and exterior finishes of the property, the location of the property, and supply and demand in the market.

### Discount rate:

The discount rate was assumed at 10 % according to the cumulative model method as follows:

Cumulative Model method		
Government bond rate of return	4.6	Saudi Tadawul Fund
Inflation rate (current year average)	2.49	Saudi Central Bank
Market risk premium (recession and recovery)	1.5	According to the condition and circumstances of the market
Special risk premium (the resulting costs of the property)	1.5	According to the condition and circumstances of the property
Discount rate with all data above	10%	%

### Discounted Cash Flow method assumptions:

Discounted Cash Flow method assumptions			
Rental value (Client data)	7,570,000	Discount rate	10%
Operational expenses	5%	Capitalization rate	8%
Occupancy rate and credit risk	0%	Growth - after year (5) every (5) years	10%
Cash flow period (Years)	10	Beginning - end of cash flows	2033 - 2024

### Occupancy rate and credit risk:

The property is distinguished as one of the attractive properties for tenants due to its distinguished location in the city of Riyadh, Al-Muhammadiyah district, and It overlooks directly on Al-Takhasosi Road. The vacancy rate data from the market was analyzed to confirm the contract, as the market data shows that occupancy rates range from 30% to 42% in similar real estate that all properties are usually with one contract, and accordingly, the occupancy rate and credit risks were assumed at 0%, according to the appropriate contract limit.

### Operating and capital expenditure rate:

Operating expenses are expenses related to renting and maintaining the property, and capital expenses are expenses incurred by the owner in order to maintain it in good condition to achieve appropriate annual income. The percentage of operating expenses represents 5% - 20% for similar projects in the surrounding area, according to the size and services provided, since most of them are in single contracts. Mostly, knowing that the summary of the maintenance contracts has not been seen from the client to know the percentage that represents the current income, and most often the lease contracts include the rental value and the value of the facilities maintenance services on it, and the rate of operating and capital expenditures was assumed at 0 % (Client data), where we find that operating expenses are paid by the property tenant for maintenance and include the costs of common services expenses, cleaning and maintenance of the building, security management and control expenses, and are estimated from the actual rental income because the property is in use.

### Operational rate of return:

Analysis of the capitalization rate - the method of extracting from the market In view of the market activity and the reports of the Qaim Company for similar investments, as well as in view of the economic reports issued by some study centers and the information center of the Qaim Company for valuation, we found that the return in the region ranges from 7.6% to 8.5%, and accordingly, the rate of return was assumed at a rate of 8 % There are many factors that affect the rate of return, represented in the location of the building, its age and condition, the situation of the tenants, and the degree of risk associated with repayment. The capitalization rate is affected by the demand and supply rates for the same type of real estate.

## Calculating the value of the property - using the Income Approach - Discounted Cash Flow method

Cash flow - Inflows		Years										
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
		1	2	3	4	5	6	7	8	9	10	
Expected growth value		0%	0%	0%	0%	10%	0%	0%	0%	0%	10%	
Real estate income	Rental value											
7,570,000	-	7,570,000	7,570,000	7,570,000	7,570,000	8,327,000	8,327,000	8,327,000	8,327,000	8,327,000	9,159,700	
<b>Total income</b>		7,570,000	7,570,000	7,570,000	7,570,000	8,327,000	8,327,000	8,327,000	8,327,000	8,327,000	9,159,700	
Minus occupancy rate and credit risk	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Annual vacancy value		0	0	0	0	0	0	0	0	0	0	
Actual total rental income		7,570,000	7,570,000	7,570,000	7,570,000	8,327,000	8,327,000	8,327,000	8,327,000	8,327,000	9,159,700	
Minus rate of operating and capital expenses	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Building net operating income (NOI)		7,570,000	7,570,000	7,570,000	7,570,000	8,327,000	8,327,000	8,327,000	8,327,000	8,327,000	9,159,700	
Reversion value of the building												
Net cash flow		7,570,000	7,570,000	7,570,000	7,570,000	8,327,000	8,327,000	8,327,000	8,327,000	8,327,000	9,159,700	114,496,250
Discount factor		0.909	0.826	0.751	0.683	0.621	0.564	0.513	0.467	0.424	0.386	0.386
Present value of cash flow		6,881,818	6,256,198	5,687,453	5,170,412	5,170,412	4,700,374	4,273,068	3,884,607	3,531,461	3,531,461	44,143,261
<b>Net present value of the property</b>												<b>93,230,525</b>

## Final value of the property

Based on the purpose of the evaluation, the nature of the property and its characteristics as it is an entire hotel building, valuing the property using the Income Approach (Discounted Cash Flow method) is considered the best way to estimate the price on the measurement date of 31/12/2023 AD, which was arrived at with the Income Approach as a basis for the fair value of the property being valued ( After rounding) as follows:

Price on the date of measurement in numbers (SR)	Price on the date of measurement in writing (SR)
93,230,500	Ninety-three million two hundred thirty thousand five hundred

This report was approved by the Executive Director

Ismail Muhammad al-Dubaikhi






ملاحق ■

**Appendix**



Documents received from the client



Building permit



Deed

Team



Ahmed Saleh Al-Attas  
Real estate - Associate  
Membership No 1220003236



Muath Abdul Rahman Al-Aoraini  
Real estate - Associate  
Membership No 1210002322



Salem Mohammed Al Fai'  
Real estate-Basic Follow  
Membership No 1210000013



Ismail Al-Dubaikhi  
Real estate-Basic Follow  
Membership No 1210000005



## General Administration

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☎ +966 92 002 5832

## Jubail Commercial Complex

Gharb Al-Mazari'  
Jubail City - Kingdom of Saudi Arabia



**Presented to :**  
**Musharaka Capital Company**

## Statement

**Dear: Musharaka Capital Company Greetings**

**Subject: Valuation report A commercial building in Gharb Al-Mazari' district - Jubail City**

We, Qaim and his partner real estate valuation company, extend our sincere thanks and appreciation to you for choosing us and giving you your precious trust to evaluate the property located in **Jubail City, Gharb Al-Mazari' district**, according to the assignment issued by you on **09/11/2023 AD** based on the license granted to us by the Saudi Authority for Accredited Valuers, following In that is the latest version of the international valuation standards **2022 AD**, which are recognized as well as the rules and ethics of the profession in order to reach the final impartial valuation based on the actual inspection by the work team and the study of the market area surrounding the property. The fair value estimate was reached using various valuation approaches, including what each report carries, and accordingly we are pleased to We present to you the real estate valuation statement listed below.

**Based on the completed study, we attach to you the results of the price estimate on the measurement date of the property as a usufruct right (commercial building) and on its current status on the evaluation date 31/12/2023 AD located in the city (Jubail) district (Gharb Al-Mazari' ), with an amount of only (61,943,000) Sixty-one million nine hundred forty-three thousand Saudi riyals.**

This report was approved by the Executive Director,

Ismail Mohammed Al-Dubaikhi

Under License No. / 1210000052 dated 10-10-1443 AH

**With sincere gratitude...**



# قيير للتقييم

## QIAM VALUATION

### Content

01	The specific assumptions and limitations of the report
02	Scope of work
03	An overview of the economy and the real estate sector in the Kingdom of Saudi Arabia
04	Site studies
05	Valuation
06	Value Estimation
07	Appendix





## ■ نطاق العمل

Scope of work



## Executive Summary

**Price estimate on the date of measurement: 61,943,000 Saudi riyals**

Property address	Property subject to Valuation	Owner of real estate
Gharb Al-Mazari' district - Jubail	Commercial building - Jubail Plaza	Al-Khonaini International Company Limited
Report issued date	Valuation date	Inspection date
21/03/2024	31/12/2023	20/11/2023
Notary Public	Purpose of the valuation	Ownership Type
Jubail	Estimating the fair value for the purpose of periodic valuation of the Musharaka REIT Fund	Absolute ownership
Assumed value	Deed date	Deed number
Present value	5/2/1414 AH AH	765

## Scope of work Standard No. 101

Other users	Client	Valuation currency
Fund managers and investors only	Musharaka Capital Company	Saudi riyal
Report description	Value Basis	Valuation Approach
A report explaining the methodology and steps of the valuation and the results of the valuation, and includes illustrative pictures of the boundaries of the asset under valuation	Fair value	Income Approach

### Scope of the Valuer search - Standard No. 102

Gathering sufficient information through a field visit, visible inspection, and conducting analyzes. A study was conducted from sites close to the real estate site and from approved real estate offices in the real estate area, and all information was investigated and studied accurately.

### Value Basis

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (This definition is adapted from IFRS 13), paragraph 9. It is also defined in IVS 104 Basis of Value, paragraph 90, among other bases of value for valuation for purposes of inclusion in financial reports.

#### Valuation Standard followed

All work was carried out in accordance with the Accredited Valuers System and the implementing regulations related to real estate valuation issued by the Saudi Authority for Accredited Valuers (Taqeem), and the latest version of the International Valuation Standards (IVS) for the year 2022 published by the International Valuation Standards Board (IVSC)) and the professional rules recognized in the work of valuation of real estate assets, which is based on analysis, comparison and direct inspection of each property, and research as much as possible about the influences and characteristics of the property under valuation.

#### Nature and source of information

The information contained in the report was issued by official bodies, real estate offices in the targeted area, or offices specialized in research and studies, and with reference to the database of Qaim and its partner real estate valuation company.

#### Important assumptions and special assumptions

Important assumptions and special assumptions are explained on page 10.

#### Report usage restrictions

Valuation processes and reports are confidential to the directing party and to whomever they are referred to for a specific purpose, with no responsibility of any kind for any third party. This report may not be published in full or any part thereof or referred to in any document or statement or published periodically or in any medium. communicate with any third party without our prior written consent in the form and context in which they appear. It is a matter of caution and caution that the company and the valuer reserve the right to make any amendments and make any review of the valuation or support the valuation result under specific circumstances. .

## Work Stages

Meeting with the client and determining the scope of work, including the purpose of the valuation, the basis of value, the parties involved, the date of the valuation, and any special or important assumptions, including clarity of the assignment and the expected outputs from it.

Step 01



Collecting and analyzing office and field market data in order to gain knowledge of past and current market trends and market indicators that will be relied upon when applying valuation methods.

Step 03



Work on preparing the report in accordance with Standard 101 for Description of the Report and Standard 103 for Report Preparation.

Step 05



Step 02



Step 04



Previewing the property, identifying its characteristics and specifications, matching documents with reality, analyzing the location of the property and the uses surrounding the property, while defining the scope of the geographical search and the appropriate activities and projects.

Based on the scope of work and market analysis, appropriate valuation methods are determined and all assumptions and inputs are made to carry out financial calculations to reach the market value according to the chosen methods..

## ■ الفرضيات و القيود المحددة للتقرير

The specific assumptions  
and limitations of the report

## Important assumptions and special assumptions

Based on the type and characteristics of the property and the purpose of evaluation, the property was valued using the Income Approach (mainly discounted cash flow method) assuming that all market participants act in the best economic interest of the property as it achieves benefit for all market participants.

Valuation is based on the value (fair value) and that it was carried out in a major open market. Prices were inferred from field research work on plans close to the real estate site, and analysis, judgment and documentation were made.

The purpose of issuing this report is to know the fair value estimate for the purpose of (Estimating the fair value for the purpose of periodic valuation of the REIT Musharakah Fund) for the user of the report (the fund manager and investors).

Our company does not bear any responsibility for any information received from the customer, which is supposed to be safe and reliable, and our company does not acknowledge the accuracy or completeness of the available data and does not express its opinion and did not offer any kind of guarantee for the accuracy or completeness of the data except as indicated clearly in this report.

The property has been inspected outwardly and the property has not been structurally inspected, or this appraisal report is considered valid only if it bears the company's seal and the signature of the accredited residents.

No legal document was verified for the property that was evaluated or for legal issues involving ownership or mortgage, and it was assumed that the information was according to the client's statement.

The values estimated in this report are for the property under valuation, and any distribution of the value to parts of the property will not be correct, and this value should not be used for any other purposes, as it could be incorrect if used as well.

Information provided by other parties, especially with regard to planning, land ownership, renting, etc., on which all or part of this report was based, was considered reliable, but not all of it was confirmed in all cases, and no guarantee was given regarding the validity of this information, if it appears that this information is incorrect. the value contained in this report may change.

The property was evaluated in accordance with international standards 2022 AD, and the estimated value in this report is for the property under study, and in case of changing the purpose of the valuation, these values may be incorrect.

Borders and lengths according to the client's statement, and the company is not responsible for the Borders and lengths, and therefore the total area of the land is taken according to the deed, and the company is not responsible for that.

This report may not be used in whole or in part, or have references to it made without mentioning Qiam and its partner real estate valuation company. It may also not be published in any way without the company's prior written consent, in the form and content in which it appears.

The fund manager must provide accredited evaluators in an accurate, clear and non-misleading manner with any documents or information related to the real estate assets of the fund to be evaluated, including but not limited to: related contracts, engineering reports, construction commissions and any information that would enable the accredited evaluator to prepare his report in accordance with to the statutory provisions and approved standards.



■ الإمتثال للمعايير و أعمال  
البحث و الإستقصاء

Compliance with Standards ,Research and  
Inquiry



## Standard 102: Compliance with Standards and Research and Inquiry

This valuation work was carried out in accordance with the principle of Standard 102 of compliance with the standards, research and survey work, in the following items:

- The basis of the value (fair value) is commensurate with the purpose of evaluation (estimating the fair value for the purpose of periodic evaluation of the Musharaka REIT Fund).
- Gathering evidence through field visits at the time of inspecting the property with the inquiries raised at the time of the evaluation of some accredited offices in the area of the property.
- Evidence from field visits was collected and analysis and computational procedures performed to ensure that evaluation work was adequately supported.
- The data cited was judged to ensure the adequacy of all such information obtained to ensure that it is sufficient for the purpose of the evaluation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all evaluation inputs mentioned in the report.
- Reliability of the information provided by the real estate offices in the real estate area has been confirmed, and they are accredited and licensed offices in the real estate area.

## Judging the reliability of the information provided and taken into the report

Provider	Data and information	Verdict	Judgment reasons
Client	Deed	Trusted	Deed has been verified - Real Estate Market
	Building permit	Trusted	Construction Permit Validated - Balady platform.
	Lease contracts	Trusted	A sample of contracts was reviewed (not all contracts were viewed) - the valuation was made after studying the market
Market	Commercial meter prices	Trusted	Based on the market survey - direct interviews - accredited offices in the real estate area - internal company data
	Practical experience of real estate offices	Trusted	Certified by official records in the real estate area
	Source independence	Trusted	A source independent and external to the asset being valued

## Regulatory framework on the International Valuation Standards (IVS 2022)

General Standards - Criterion 101  
Scope of Work Paragraph 20:  
Emphasizing that the valuation will be prepared in accordance with international valuation standards and that the valuer will assess the appropriateness of all important inputs: Deviations from international evaluation standards and their nature must be mentioned

60.3 Some professional appraisal institutions or regulations allow procedures that deviate from the International Appraisal Standards and in such circumstances, except as described in paragraphs 60.1 and 60.2, the resulting valuation will not be in compliance with the Standards.

General framework: the generally accepted valuation principles and the concepts that should be followed when applying these standards with regard to objectivity, discretionary judgment, efficiency, and the possibility of deviating from the standards, Paragraph (60.1-60.2). requirements mentioned in the reports

### Note:

Real estate valuations performed in order to prepare financial reports are regarded as situations of systematic deviation from international valuation norms in order to satisfy certain criteria for the purpose of the relevant valuation.

## Real estate and investment properties in the preparation of financial reports

### Clarifying the difference between real estate and investment properties in the financial statements

#### Investment properties in the financial statements

IAS 40 defines investment property as any property (land or a building - or part of a building - or both) held (by the owner or by the lessee as a right-of-use asset) to earn rental income or To grow the capital or for both, and not:

- For use in producing, supplying goods, providing services, or for administrative or
- To sell it in the ordinary course of business

#### Real estates included in the term of real estate, machinery and equipment in the financial statements

The International Accounting Standard No. 16 "property, plant and equipment" IFRS16 defines as the tangible items that:

- It is kept for use in the production or supply of goods or services, or it is kept for rent to others (except for investment real estate) or for use in administrative purposes.
- It is expected to be used during more than one period

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## Executive Summary - Saudi Real Estate Market

**Performance of the Saudi real estate market:** The Saudi gross domestic product grew by 8.6% during the third quarter of 2022. It is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7% and 2.3% during the years 2023 and 2024, respectively. According to the World Bank, the main driver of the post-pandemic recovery was the increase in demand for tourism and the increase in government spending on infrastructure projects such as the expansion of Riyadh Airport, among others. It is expected that such projects will lead to an increase in demand for real estate with excellent locations, especially offices and logistical facilities from Category A. At the same time, changing customer choices in the hospitality, lodging and retail sectors have prompted developers to reimagine hotel, residence and leisure components within their master development plans.

**Residential real estate:** Sales prices of villas and apartments increased during the first nine months of 2022 compared to 2021, with the continued strong demand for apartments by the citizens of the Kingdom.

**Retail:** The Economist's Economic Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional commercial centers and major regional commercial centers decreased during the months the first nine of the year.

**Hospitality:** Both the average daily rate and the occupancy rate witnessed an improvement from last year due to the recovery witnessed in the market in general, driven by the lifting of restrictions that were imposed on travel and the speedy procedures for issuing tourism visas. The first three months of the year recorded the strongest performance in terms of occupancy rate in Riyadh Which reached 76% in March. As for Jeddah hotels, they recorded the highest occupancy rate in May, when occupancy reached 59%.

**Offices:** Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this has led to continued strong demand for Class A properties during 2022.

### Industrial and logistic real estate

Rents have remained relatively stable for Class A properties due to limited international grade warehouses and increased demand from logistics companies.

## Saudi Arabia Office Market

Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this led to continued strong demand for Class A properties during 2022 AD.

## 2022 Performance Review

Offered offices in the main markets such as Riyadh, Jeddah, and the metropolis of Dammam amounted to 5.2 million square meters, 1.3 million square meters, and 1.3 million square meters, respectively, as of September 2022 AD. Notable additions to the market during 2022 included the headquarters of the Saudi British Bank On King Fahd Street, King Abdulaziz City for Science and Technology, and the government departments complex in Riyadh, in addition to the offices of the Saudi Airlines cargo building in Jeddah. The Saudi gross domestic product grew by 8.6% during the third quarter of 2022, and it is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7 and 2.3% during the years 2023 and 2024, respectively, according to the World Bank, and it was the main driver. The recovery in the post-pandemic office sector is due to the increase in government spending on infrastructure projects, such as the expansion of Riyadh Airport, among others. The demand for Class A real estate in Riyadh also remained strong as a result of the government's focus on developing the city to be a regional hub for international companies. As for Jeddah and Metropolitan Dammam The offered of Class A properties mainly focuses on government offices and public sector entities, and owners are now offering incentives such as free periods and smaller, fully-equipped units to attract a wider range of tenants. Lease periods usually correspond to unit size, as larger units are rented for longer periods. Between six and nine years.

## Saudi Arabia retail market

Economist Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional and major commercial centers decreased during the first nine months of the year.

## 2022 performance review

It is expected that the bulk of the retail projects that will be completed will be in the category of major regional commercial centers, which indicates that the market is sufficient for this category of mega projects. Visitors in an increasingly competitive market.

Retail rents witnessed some decline during the past twelve months at the level of the Kingdom, as the average rent decreased in regional commercial centers and major regional commercial centers, and the distinctive shopping centers in the Kingdom were able to maintain occupancy rates during the year 2022 AD, as lifestyle stores specifically recorded an increase in The number of visitors after lifting the ban that was imposed during the pandemic.

## Eastern region market

The Eastern Province in the Kingdom of Saudi Arabia has witnessed a great growth in the residential complexes sector and the real estate sector in the past few years, as it includes many major cities such as Dammam, Khobar, Dhahran and Jubail. This sector is characterized by the availability of many large and luxurious residential projects that enjoy modern designs and modern facilities, making it a destination Ideal for investors and buyers looking for luxury properties.

The real estate sector in the Eastern Province is famous for its diversity and availability of residential, commercial and industrial projects, which in turn is characterized by the availability of many vital facilities such as hospitals, schools, commercial and entertainment centers, making it an ideal destination for living and working. The Eastern Province is also witnessing a great growth in real estate tourism, as many luxury hotel projects and hotel apartments are available, making it an ideal destination for tourists looking for comfort and distinction. The interest in luxury real estate and modern residential complexes is increasing in the Kingdom of Saudi Arabia. We also note that the prices of residential complexes in the eastern region have witnessed an increase in recent times. This increase is attributed to several factors, including:

1. High demand: The eastern region is witnessing an increase in demand for luxury residential compounds due to the economic growth and urban development in the region. This higher demand leads to an increase in prices.
2. Limited Supply: There is a limited supply of luxury residential compounds in the Eastern Province, which makes them less available and increases their value.
3. High costs: The construction of luxury residential complexes requires large investments in design, construction, equipment and services, which leads to an increase in costs and thus an increase in prices.
4. External factors: External factors such as rising prices of raw materials, technology and labor can affect the prices of residential complexes in the Eastern Province.

As for the average prices, it varies according to the location, size, specifications and available services. However, residential compounds in the Eastern Province can be divided into three categories, with prices ranging as follows:

1. Mid-range residential compounds: The prices of residential units in these groups range between 1.5 million Saudi riyals and 3.5 million Saudi riyals, and these groups include projects such as Bloom in Al-Khobar and The Harvest in Dhahran.
2. Luxury residential complexes: The prices of residential units in these groups range between 3.5 million Saudi riyals and 7 million Saudi riyals, and these groups include projects such as Rosewood in Al Khobar and Falcon in Dhahran.
3. Ultra-luxury residential complexes: The prices of residential units in these groups range between 7 million Saudi riyals and 10 million Saudi riyals, and these groups include projects such as The Ritz-Carlton in Al-Khobar and Fayrouz Al-Jazeera in Dhahran.





## دراسات الموقع ■

Site Studies

## Real estate data and Services available in the real estate area

### Real Estate Data

City	Jubail	Neighborhood	Gharb Al-Mazari'
Street	King Faisal Road with King Fahd Road	Property type	Commercial building
No. land plan	N.A.	Plot number	4
Area	39750 square meters	Land use according to regulations	Commercial

### Services and facilities available in the real estate area

Electricity network	Telephone network	Water network	Sewerage network
✓	✓	✓	✓
Water drainage network	Mosque	Dispensary	Garden
✓	✓	✓	✓
Public markets	Civil defense	Police station	Hospital
✓	✓	✓	✓
Hotels	Petrol station	Schools	Governmental services and centers
✓	✓	✓	✓

## Factors affecting the property

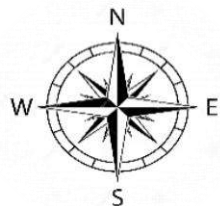
Impact element	Impact determinants	Description
Area overview	Importance of the area	located in the city of Jubail, in the district of Gharb Al-Mazari'
Natural factors (environmental)	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is in the center of Jubail
	Infrastructure	Completed
	Municipal equipment	Completed
	Land properties	Regular shape
Building Regulations	Land use	Commercial
	Building ratio - number of floors	various
Economic factors	Supply and demand	High
	Land prices	High
Legal factors	Deficit and trespassing on the property	N.A.

## Property description

- The building area was determined based on the **(Realty)**.
- The actual age of the property has been determined at **(9.5)** years, and the default age of the property is 40 years.
- The state of the property on the date of valuation **(31/12/2023)**.
- When examining the property, it became clear to us that it is a **(Commercial building)**. Detailed as below:

Built-up area data from the permit		
Building components	Area m2	Use
Ground floor	2,532	Commercial
Second floor	13,103	Commercial
Total Built-up area	15,636	

## Property location



Property is located in: **Jubail**

Neighborhood: **Gharb Al-Mazari'**

Street: **King Faisal Road**

Location coordinates

N :

27.012489

E :

49.642162





## Photographic survey of the building and its components (1/2)



## Photographic survey of the building and its components (2/2)





## Ownership documents

### Title deed information

Ownership Type	Deed date	Deed number	Owner name
Ownership 100%	5/2/1414 AH	765	Al-Khonaini International Company Limited

### Neighborhood name - plot number - plan number - land area:

Neighborhood name	Plot number	Plan number	Land area
Gharb Al-Mazari'	4	N.A.	39750 m2

### Borders and lengths:

Borders and lengths:							
Northen border	Border length	Southern border	Border length	Eastern border	Border length	Western border	Border length
Jeddah Road, 30 m wide	158 m	Land	183.12 m	King Faisal Road, 60 m wide	217 m	Aramco well	253.06 m



# Valuation

التقييم ■

## Valuation Approaches



### Market Approach ❖

The market method provides an indication of value by comparing the asset with identical or comparable (similar) assets for which price information is available.



### Income Approach ❖

The income method provides an indication of value by converting future cash flows into one current value. According to this method, the value of the asset is determined by reference to the value of the revenue and cash flows generated by the asset or the costs it provides.



### Cost Approach ❖

The cost method provides an indication of value using the economic principle that states that the buyer will not pay an asset more than the cost of obtaining an asset of similar benefit, whether through purchase or construction unless there are time, disturbance, risk, or other related factors. The method provides an indication of value by calculating the current cost of transferring or reproducing the asset, and then discounting the physical wear and tear of all other obsolescence's.

## Cost Approach - Standard No. 105

It is a valuation method that calculates the capital or market value of a property by adding the value of the real estate's land with the value of the buildings erected on the site.

### Cost Approach should be applied and afforded significant weight under the following circumstances:

- ❖ Participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
- ❖ The asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or
- ❖ The basis of value being used is fundamentally based on replacement cost, such as replacement value

### Used methods of Cost Approach :

- a. **Replacement cost method:** A method of arriving at value by calculating the cost of a similar asset

### Method of estimating the value of buildings using the straight line method

- The straight-line method: the straight-line method is calculated by the formula (current age of the building / Lifespan) \* 100.

## Income Approach-Standard No. 105

Income Approach provides an indication of value by converting future cash flows into a single present value. Under this approach, the value of an asset is determined by reference to the value of the revenue and cash flows that the asset generates or the costs it provides.

### **Income Approach should be applied and given priority or significant weight in the following cases:**

- A. When the ability of the asset to generate income is the primary factor that affects the value from the point of view of market participants.
- B. Reasonable expectations are available for the amount and timing of future revenue for the assessed asset but few, if any, relevant market comparisons.

### **Income Approach Methods:**

Although there are many ways to apply the income method, the methods used under the income method depend largely on discounting the amounts of future cash flows to a present value, which are various applications in using the discounted cash flow (DCF) method and the concepts below apply in part or all of the methods of the income method.

#### **Discounted Cash Flow method (DCF)**

It is a financial method for estimating the value of a financial or real asset. The value index is derived by calculating the present value of future cash flows. The discounted cash flow method is applied to evaluate a property or real estate that generates income based on the expectation of future income for the property under valuation. The value index of the property is derived through Calculating the present value of net operating income or the expected net rental value of the property.

#### **Direct Capitalization Method:**

The direct capitalization method is applied in the event that the net rental value of the property under valuation is fixed and equal in perpetuity.

#### **Residual value method:**

The residual value method is a method of evaluating properties that can be valued by identifying the most appropriate development of the site and property and then predicting the value of such development after it is completed.

## Analyzing the used valuation approaches and methods - Fair value hierarchy

### Used valuation methods

Valuation Approaches	Market Approach	Cost Approach	Income Approach
Used approach	-----	-----	<b>Mainly used</b>
Used valuation methods	-----	-----	Discounted Cash Flow method
Reasons for use / not use	-----	-----	The fact that the property is income-generating

### Hierarchy:

The fair value hierarchy categorizes the inputs to the valuation techniques used to measure fair value at the measurement date into three levels, as follows:

Level	clarification	input statement	classification	Source	Judgment and documentation
<b>First</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be reached at the measurement date and are given priority.	---	---	---	---
<b>Second</b>	They are the inputs other than the published prices within the first level that can be monitored for the asset or liability, either directly or indirectly	Commercial and commercial residential offers in the real estate area	It is classified under the second level	Accredited real estate offices in the real estate area	Reliable based on similar market analysis, verification following market research and analysis, in-person interviews, and the company's own database of deals and transactions
<b>Third</b>	They are the inputs that cannot be monitored and are given the lowest priority	---	---	---	---



## تقدير القيمة ■

Value Estimation



## Analysis of valuation assumptions data - Discounted Cash Flow Methods

### Operating and capital expenditure rate:

Operating expenses are the expenses related to renting and maintaining the property, and capital expenses are the expenses incurred by the owner in order to maintain it in good condition to achieve the appropriate annual income. The percentage of operating expenses is 5% - 25% for similar projects in the surrounding area according to the size and services provided, knowing that we have not seen On the summary of the maintenance contracts submitted by the client to find out the percentage that represents the current income, and most often the lease contracts include the rental value and the value of maintenance services for the facilities on it, and the rate of operating and capital expenditures was assumed at 4%. (Client data)

### Growth rate:

- The growth rate was reviewed by referring to the market for similar real estate and taking into account the current lease contracts according to the client's statement to be compared with the market data, taking into account the assessment of the market research centers of the banks that the increase in rental prices and recent expansions is expected to be higher than the impact of the increase in interest rates on the investments of REIT funds and the future outlook The property is optimistic due to the high demand for this type of similar properties in the area surrounding the property, as well as taking into account the growth of similar properties and the level of internal and external finishes of the property under valuation.
- A growth rate of 10% was assumed every three years, according to the market situation, based on the interior and exterior finishes of the property, the location of the property, and supply and demand in the market.

### Discounted Cash Flow method assumptions:

Discounted Cash Flow method assumptions			
Total income by contract	11,433,248	Discount rate	11%
Operational expenses	4%	Capitalization rate	0%
Occupancy rate and credit risk	1%	Growth - every (3) years	10%
Land rent value according to the contract	2,320,000	Cash flow period (Years)	10

### Occupancy rate and credit risk:

The property is distinguished as one of the attractive properties for tenants due to its distinguished location in the city of Jubail, Gharb Al-Mazari' district, and It overlooks directly on King Fahd Road and King Faisal West Road. The vacancy rate data from the market was analyzed to confirm the contract, as the market data shows that occupancy rates range from 0% to 5% in similar real estate that all properties are usually with one contract, and accordingly, the occupancy rate and credit risks were assumed at 1%, (Client data) attached by the client. Vacancies have been deducted from (total income).

### Analysis of vacancy rate , operating and capital expenditures

S/N	Location	Property name	Property type	Coordinates	Occupancy	Operating and Capital Expenditures
1	Jubail - Al Fanateer District	Galleria Mall	Commercial building	27.136993 49.568656	15%	25%
2	Dammam - Al-Jawhara District	City Plaza	Commercial building	24.459583 50.052306	5%	10%

### Discount rate:

Discount rate was assumed at 11% according to the cumulative model method as follows:

### Cumulative Model method

Government bond rate of return	4.6	Saudi Tadawul Fund
Inflation rate (current year average)	2.49	Saudi Central Bank
Market risk premium (recession and recovery)	2	According to the condition and circumstances of the market
Special risk premium (the resulting costs of the property)	2	According to the condition and circumstances of the property
Discount rate with all data above	%11	%

## Calculating the value of the property - Using the Income Approach - Discounted Cash Flow method

Cash flow - Inflows												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Reversion value	
	1	2	3	4	5	6	7	8	9	10		
Expected growth value	0%	0%	10%	0%	0%	10%	0%	0%	10%	0%		
Total income according to the contract	11,433,248	11,433,248	12,576,573	12,576,573	12,576,573	13,834,230	13,834,230	13,834,230	15,217,653	15,217,653		
Minus occupancy rate and credit risk	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%		
Actual total rental income	11,433,248	11,433,248	12,576,573	12,576,573	12,576,573	13,834,230	13,834,230	13,834,230	15,217,653	15,217,653		
Minus rate of operating and capital expenses	4%	457,330	457,330	503,063	503,063	503,063	553,369	553,369	553,369	608,706	608,706	
Net income after deducting expenses		10,975,918	10,975,918	12,073,510	12,073,510	12,073,510	13,280,861	13,280,861	13,280,861	14,608,947	14,608,947	
Land rent value according to the contract		2,320,000	2,320,000	2,320,000	2,320,000	2,320,000	2,320,000	2,320,000	2,320,000	2,320,000	2,320,000	
Building net operating income (NOI)		8,655,918	8,655,918	9,753,510	9,753,510	9,753,510	10,960,861	10,960,861	10,960,861	12,288,947	12,288,947	
Reversion value of the building												
Net cash flow		8,655,918	8,655,918	9,753,510	9,753,510	9,753,510	10,960,861	10,960,861	10,960,861	12,288,947	12,288,947	0
Discount factor		0.9091	0.8264	0.7513	0.6830	0.6209	0.5645	0.5132	0.4665	0.4241	0.3855	0
Present value of cash flow		7,869,016	7,153,651	7,327,956	6,661,778	6,056,162	6,187,120	5,624,655	5,113,322	5,211,713	4,737,921	0
Net present value of the property												61,943,296

## Final value of the property

Based on the purpose of the valuation, the nature of the property and its characteristics, as it is a (Commercial building ), valuing the property using the Income Approach (Discounted Cash Flow method) is considered the best way to estimate the price on the measurement date of 31/12/2023 AD, which was arrived at with the Income Approach as a basis for the fair value of the property being valued (After rounding) , as follows:

Price on the date of measurement in numbers (SR)	Price on the date of measurement in writing (SAR)
<b>61,943,000</b>	<b>Sixty-one million nine hundred forty-three thousand</b>

**This report was approved by the Executive Director**

Ismail Muhammad al-Dubaikhi





**ملاحق** ■

**Appendix**



Team



Ahmed Saleh Al-Attas  
Real estate - Associate  
Membership No 1220003236



Moath Abdul Rahman Al-Arini  
Real estate - Associate  
Membership No 1210002322



Salem Mohammed Al Fai'  
Real estate-Basic Follow  
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## General Administration

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## Ajzala Residential Compound

Qurtubah District  
Al-Khobar City - Kingdom of Saudi Arabia



**Presented to :**  
**Musharaka Capital Company**

## Statement

Dear: **Musharaka Capital Company** Greetings

**Subject: Valuation report for Ajzala Residential Compound in Qurtubah District - Al-Khobar City**

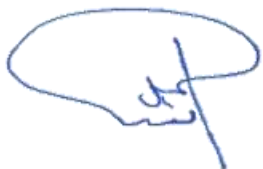
We, Qaim and his partner real estate valuation company, extend our sincere thanks and appreciation to you for choosing us and giving you your precious trust to evaluate the property located in **Al-Khobar city, Qurtubah district**, according to the assignment issued by you on **09/11/2023 AD** based on the license granted to us by the Saudi Authority for Accredited Valuers, following In that is the latest version of the international valuation standards **2022 AD**, which are recognized as well as the rules and ethics of the profession in order to reach the final impartial valuation based on the actual inspection by the work team and the study of the market area surrounding the property. The fair value estimate was reached using various valuation approaches, including what each report carries, and accordingly we are pleased to We present to you the real estate valuation statement listed below.

**Based on the completed study, we attach to you the results of the price estimate on the measurement date of the property (Ajzala Residential Compound ) and on its current status on the estimate date 31/12/2023 AD located in (Khobar) district (Qurtubah), with an amount of only (155,687,000) One hundred fifty-five million six hundred eighty-seven thousand Saudi riyals.**

This report was approved by the Executive Director, Ismail  
Mohammed Al-Dubaikhi

With sincere gratitude...

Under License No. / 1210000052 dated 10-10-1443 AH




# قيير للتقييم

## QIAM VALUATION

### Content

01	The specific assumptions and limitations of the report
02	Scope of work
03	An overview of the economy and the real estate sector in the Kingdom of Saudi Arabia
04	Site studies
05	Valuation
06	Value Estimation
07	Appendix



## ■ نطاق العمل

Scope of work

## Executive Summary

**Price estimate on the date of measurement: 155,687,000 Saudi riyals**

Property address	Property subject to Valuation	Owner of real estate
Khobar - Qurtobah district	Ajzala Residential Compound	Hefdh Al-Musharaka Real Estate Company
Report issued date	Valuation date	Inspection date
21/03/2024	31/12/2023	20/11/2023
Notary Public	Purpose of the valuation	Ownership Type
Khobar	Estimating the fair value for the purpose of periodic valuation of the Musharaka REIT Fund	Absolute ownership
Assumed value	Deed date	Deed number
Present value	11/24/1438 AH	330205013308 - 330205013307

## Scope of work Standard No. 101

Other users	Client	Valuation currency
Fund managers and investors only	Musharaka Capital Company	Saudi riyal
Report description	Value Basis	Valuation Approach
A report explaining the methodology and steps of the valuation and the results of the valuation, and includes illustrative pictures of the boundaries of the asset under valuation	Fair value	Income Approach

## Scope of the Valuer search - Standard No. 102

Gathering sufficient information through a field visit, visible inspection, and conducting analyzes. A study was conducted from sites close to the real estate site and from approved real estate offices in the real estate area, and all information was investigated and studied accurately.

## Value Basis

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (This definition is adapted from IFRS 13), paragraph 9. It is also defined in IVS 104 Basis of Value, paragraph 90, among other bases of value for valuation for purposes of inclusion in financial reports.

#### Valuation Standard followed

All work was carried out in accordance with the Accredited Valuers System and the implementing regulations related to real estate valuation issued by the Saudi Authority for Accredited Valuers (Taqeem), and the latest version of the International Valuation Standards (IVS) for the year 2022 published by the International Valuation Standards Board (IVSC)) and the professional rules recognized in the work of valuation of real estate assets, which is based on analysis, comparison and direct inspection of each property, and research as much as possible about the influences and characteristics of the property under valuation.

#### Nature and source of information

The information contained in the report was issued by official bodies, real estate offices in the targeted area, or offices specialized in research and studies, and with reference to the database of Qaim and its partner real estate valuation company.

#### Important assumptions and special assumptions

Important assumptions and special assumptions are explained on page 10.

#### Report usage restrictions

Valuation processes and reports are confidential to the directing party and to whomever they are referred to for a specific purpose, with no responsibility of any kind for any third party. This report may not be published in full or any part thereof or referred to in any document or statement or published periodically or in any medium. communicate with any third party without our prior written consent in the form and context in which they appear. It is a matter of caution and caution that the company and the valuer reserve the right to make any amendments and make any review of the valuation or support the valuation result under specific circumstances. .



## Work Stages

Meeting with the client and determining the scope of work, including the purpose of the valuation, the basis of value, the parties involved, the date of the valuation, and any special or important assumptions, including clarity of the assignment and the expected outputs from it.

Step 01



Collecting and analyzing office and field market data in order to gain knowledge of past and current market trends and market indicators that will be relied upon when applying valuation methods.

Step 03



Work on preparing the report in accordance with Standard 101 for Description of the Report and Standard 103 for Report Preparation.

Step 05



Step 02



Step 04



Previewing the property, identifying its characteristics and specifications, matching documents with reality, analyzing the location of the property and the uses surrounding the property, while defining the scope of the geographical search and the appropriate activities and projects.

Based on the scope of work and market analysis, appropriate valuation methods are determined and all assumptions and inputs are made to carry out financial calculations to reach the market value according to the chosen methods..

## ■ الفرضيات و القيود المحددة للتقرير

The specific assumptions  
and limitations of the report

## Important assumptions and special assumptions

Based on the type and characteristics of the property and the purpose of evaluation, the property was valued using the Income Approach (mainly discounted cash flow method) assuming that all market participants act in the best economic interest of the property as it achieves benefit for all market participants.

Valuation is based on the value (fair value) and that it was carried out in a major open market. Prices were inferred from field research work on plans close to the real estate site, and analysis, judgment and documentation were made.

The purpose of issuing this report is to know the fair value estimate for the purpose of (Estimating the fair value for the purpose of periodic valuation of the REIT Musharakah Fund) for the user of the report (the fund manager and investors).

Our company does not bear any responsibility for any information received from the customer, which is supposed to be safe and reliable, and our company does not acknowledge the accuracy or completeness of the available data and does not express its opinion and did not offer any kind of guarantee for the accuracy or completeness of the data except as indicated clearly in this report.

The property has been inspected outwardly and the property has not been structurally inspected, or this appraisal report is considered valid only if it bears the company's seal and the signature of the accredited residents.

No legal document was verified for the property that was evaluated or for legal issues involving ownership or mortgage, and it was assumed that the information was according to the client's statement.

The values estimated in this report are for the property under valuation, and any distribution of the value to parts of the property will not be correct, and this value should not be used for any other purposes, as it could be incorrect if used as well.

Information provided by other parties, especially with regard to planning, land ownership, renting, etc., on which all or part of this report was based, was considered reliable, but not all of it was confirmed in all cases, and no guarantee was given regarding the validity of this information, if it appears that this information is incorrect. the value contained in this report may change.

The property was evaluated in accordance with international standards 2022 AD, and the estimated value in this report is for the property under study, and in case of changing the purpose of the valuation, these values may be incorrect.

Borders and lengths according to the client's statement, and the company is not responsible for the Borders and lengths, and therefore the total area of the land is taken according to the deed, and the company is not responsible for that.

This report may not be used in whole or in part, or have references to it made without mentioning Qiam and its partner real estate valuation company. It may also not be published in any way without the company's prior written consent, in the form and content in which it appears.

The fund manager must provide accredited evaluators in an accurate, clear and non-misleading manner with any documents or information related to the real estate assets of the fund to be evaluated, including but not limited to: related contracts, engineering reports, construction commissions and any information that would enable the accredited evaluator to prepare his report in accordance with to the statutory provisions and approved standards.



■ الإمتثال للمعايير و أعمال  
البحث و الإستقصاء

Compliance with Standards ,Research and  
Inquiry

## Standard 102: Compliance with Standards and Research and Inquiry

This valuation work was carried out in accordance with the principle of Standard 102 of compliance with the standards, research and survey work, in the following items:

- The basis of the value (fair value) is commensurate with the purpose of evaluation (estimating the fair value for the purpose of periodic evaluation of the Musharaka REIT Fund).
- Gathering evidence through field visits at the time of inspecting the property with the inquiries raised at the time of the evaluation of some accredited offices in the area of the property.
- Evidence from field visits was collected and analysis and computational procedures performed to ensure that evaluation work was adequately supported.
- The data cited was judged to ensure the adequacy of all such information obtained to ensure that it is sufficient for the purpose of the evaluation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all evaluation inputs mentioned in the report.
- Reliability of the information provided by the real estate offices in the real estate area has been confirmed, and they are accredited and licensed offices in the real estate area.

## Judging the reliability of the information provided and taken into the report

Provider	Data and information	Verdict	Judgment reasons
Client	Deed	Trusted	Deed has been verified - Real Estate Market
	Building permit	Trusted	Construction Permit Validated - Balady platform.
	Lease contracts	Trusted	A sample of contracts was reviewed (not all contracts were viewed) - the valuation was made after studying the market
Market	Commercial meter prices	Trusted	Based on the market survey - direct interviews - accredited offices in the real estate area - internal company data
	Practical experience of real estate offices	Trusted	Certified by official records in the real estate area
	Source independence	Trusted	A source independent and external to the asset being valued

## Compliance with Standards and Research and Inquiry

03

In the event that there are restrictions on the research and investigation carried out by the evaluator that do not enable him to adequately value the inputs and assumptions, which are clarified in the special assumptions

02

Carry out calculations and perform analyzes by gathering sufficient evidence by the following means, such as: field visit, inspection, inquiries and ensuring that evaluation work is appropriately reinforced and professional judgment facility to ensure that the information obtained is sufficient and that it fulfills the purpose of the evaluation

01

The research and investigations undertaken in the context of the valuation mission are appropriate to the valuation purpose and value basis

06

Record the valuation purpose, basis of value, and scope And the limits of research and survey, and the sources of information that reliable in the scope of work, which must Communicating it to all parties to the evaluation task

05

Consider the credibility and reliability of the information provided  
The following matters were taken into consideration:  
The purpose of the valuation  
The relevance of the information to the outcome of the valuation  
The source practical experience in relation to the subject matter of the valuation  
Is the source independent of the asset being evaluated or the beneficiary of it?

04

Taking into account the reliability of the information so that the evaluation results do not appear, and the inputs provided to the valuer (and) from the client or his representative) were considered.

## Regulatory framework on the International Valuation Standards (IVS 2022)

General Standards - Criterion 101  
Scope of Work Paragraph 20:  
Emphasizing that the valuation will be prepared in accordance with international valuation standards and that the valuer will assess the appropriateness of all important inputs: Deviations from international evaluation standards and their nature must be mentioned

60.3 Some professional appraisal institutions or regulations allow procedures that deviate from the International Appraisal Standards and in such circumstances, except as described in paragraphs 60.1 and 60.2, the resulting valuation will not be in compliance with the Standards.

General framework: the generally accepted valuation principles and the concepts that should be followed when applying these standards with regard to objectivity, discretionary judgment, efficiency, and the possibility of deviating from the standards, Paragraph (60.1-60.2). requirements mentioned in the reports

### Note:

Real estate valuations performed in order to prepare financial reports are regarded as situations of systematic deviation from international valuation norms in order to satisfy certain criteria for the purpose of the relevant valuation.



## Real estate and investment properties in the preparation of financial reports

### Clarifying the difference between real estate and investment properties in the financial statements

#### Investment properties in the financial statements

IAS 40 defines investment property as any property (land or a building - or part of a building - or both) held (by the owner or by the lessee as a right-of-use asset) to earn rental income or To grow the capital or for both, and not:

- For use in producing, supplying goods, providing services, or for administrative or
- To sell it in the ordinary course of business

#### Real estates included in the term of real estate, machinery and equipment in the financial statements

The International Accounting Standard No. 16 "property, plant and equipment" IFRS16 defines as the tangible items that:

- It is kept for use in the production or supply of goods or services, or it is kept for rent to others (except for investment real estate) or for use in administrative purposes.
- It is expected to be used during more than one period



## ■ نظرة عامة على الإقتصاد والقطاع العقاري بالمملكة العربية السعودية

An overview of the economy and  
the real estate sector in the  
Kingdom of Saudi Arabia

## Executive Summary - Saudi Real Estate Market

**Performance of the Saudi real estate market:** The Saudi gross domestic product grew by 8.6% during the third quarter of 2022. It is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7% and 2.3% during the years 2023 and 2024, respectively. According to the World Bank, the main driver of the post-pandemic recovery was the increase in demand for tourism and the increase in government spending on infrastructure projects such as the expansion of Riyadh Airport, among others. It is expected that such projects will lead to an increase in demand for real estate with excellent locations, especially offices and logistical facilities from Category A. At the same time, changing customer choices in the hospitality, lodging and retail sectors have prompted developers to reimagine hotel, residence and leisure components within their master development plans.

**Residential real estate:** Sales prices of villas and apartments increased during the first nine months of 2022 compared to 2021, with the continued strong demand for apartments by the citizens of the Kingdom.

**Retail:** The Economist's Economic Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional commercial centers and major regional commercial centers decreased during the months the first nine of the year.

**Hospitality:** Both the average daily rate and the occupancy rate witnessed an improvement from last year due to the recovery witnessed in the market in general, driven by the lifting of restrictions that were imposed on travel and the speedy procedures for issuing tourism visas. The first three months of the year recorded the strongest performance in terms of occupancy rate in Riyadh Which reached 76% in March. As for Jeddah hotels, they recorded the highest occupancy rate in May, when occupancy reached 59%.

**Offices:** Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this has led to continued strong demand for Class A properties during 2022.

### Industrial and logistic real estate

Rents have remained relatively stable for Class A properties due to limited international grade warehouses and increased demand from logistics companies.

## Saudi Arabia Office Market

Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this led to continued strong demand for Class A properties during 2022 AD.

## 2022 Performance Review

Offered offices in the main markets such as Riyadh, Jeddah, and the metropolis of Dammam amounted to 5.2 million square meters, 1.3 million square meters, and 1.3 million square meters, respectively, as of September 2022 AD. Notable additions to the market during 2022 included the headquarters of the Saudi British Bank On King Fahd Street, King Abdulaziz City for Science and Technology, and the government departments complex in Riyadh, in addition to the offices of the Saudi Airlines cargo building in Jeddah. The Saudi gross domestic product grew by 8.6% during the third quarter of 2022, and it is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7 and 2.3% during the years 2023 and 2024, respectively, according to the World Bank, and it was the main driver. The recovery in the post-pandemic office sector is due to the increase in government spending on infrastructure projects, such as the expansion of Riyadh Airport, among others. The demand for Class A real estate in Riyadh also remained strong as a result of the government's focus on developing the city to be a regional hub for international companies. As for Jeddah and Metropolitan Dammam The offered of Class A properties mainly focuses on government offices and public sector entities, and owners are now offering incentives such as free periods and smaller, fully-equipped units to attract a wider range of tenants. Lease periods usually correspond to unit size, as larger units are rented for longer periods. Between six and nine years.

## Saudi Arabia retail market

Economist Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional and major commercial centers decreased during the first nine months of the year.

## 2022 performance review

It is expected that the bulk of the retail projects that will be completed will be in the category of major regional commercial centers, which indicates that the market is sufficient for this category of mega projects. Visitors in an increasingly competitive market.

Retail rents witnessed some decline during the past twelve months at the level of the Kingdom, as the average rent decreased in regional commercial centers and major regional commercial centers, and the distinctive shopping centers in the Kingdom were able to maintain occupancy rates during the year 2022 AD, as lifestyle stores specifically recorded an increase in The number of visitors after lifting the ban that was imposed during the pandemic.

## Eastern region market

The Eastern Province in the Kingdom of Saudi Arabia has witnessed a great growth in the residential complexes sector and the real estate sector in the past few years, as it includes many major cities such as Dammam, Khobar, Dhahran and Jubail. This sector is characterized by the availability of many large and luxurious residential projects that enjoy modern designs and modern facilities, making it a destination Ideal for investors and buyers looking for luxury properties.

The real estate sector in the Eastern Province is famous for its diversity and availability of residential, commercial and industrial projects, which in turn is characterized by the availability of many vital facilities such as hospitals, schools, commercial and entertainment centers, making it an ideal destination for living and working. The Eastern Province is also witnessing a great growth in real estate tourism, as many luxury hotel projects and hotel apartments are available, making it an ideal destination for tourists looking for comfort and distinction. The interest in luxury real estate and modern residential complexes is increasing in the Kingdom of Saudi Arabia. We also note that the prices of residential complexes in the eastern region have witnessed an increase in recent times. This increase is attributed to several factors, including:

1. High demand: The eastern region is witnessing an increase in demand for luxury residential compounds due to the economic growth and urban development in the region. This higher demand leads to an increase in prices.
2. Limited Supply: There is a limited supply of luxury residential compounds in the Eastern Province, which makes them less available and increases their value.
3. High costs: The construction of luxury residential complexes requires large investments in design, construction, equipment and services, which leads to an increase in costs and thus an increase in prices.
4. External factors: External factors such as rising prices of raw materials, technology and labor can affect the prices of residential complexes in the Eastern Province.

As for the average prices, it varies according to the location, size, specifications and available services. However, residential compounds in the Eastern Province can be divided into three categories, with prices ranging as follows:

1. Mid-range residential compounds: The prices of residential units in these groups range between 1.5 million Saudi riyals and 3.5 million Saudi riyals, and these groups include projects such as Bloom in Al-Khobar and The Harvest in Dhahran.
2. Luxury residential complexes: The prices of residential units in these groups range between 3.5 million Saudi riyals and 7 million Saudi riyals, and these groups include projects such as Rosewood in Al Khobar and Falcon in Dhahran.
3. Ultra-luxury residential complexes: The prices of residential units in these groups range between 7 million Saudi riyals and 10 million Saudi riyals, and these groups include projects such as The Ritz-Carlton in Al-Khobar and Fayrouz Al-Jazeera in Dhahran.





## دراسات الموقع ■

Site Studies

## Real estate data and Services available in the real estate area

### Real Estate Data

City	Khobar	Neighborhood	Qurtobah
Street	King Saud bin Abdulaziz Road	Property type	Commercial residential compound
No. land plan	2/41	Plot number	23+22
Area	29486.73 square meters	Land use according to regulations	Commercial

### Services and facilities available in the real estate area

Electricity network	Telephone network	Water network	Sewerage network
✓	✓	✓	✓
Water drainage network	Mosque	Dispensary	Garden
✓	✓	✓	✓
Public markets	Civil defense	Police station	Hospital
✓	✓	✓	✓
Hotels	Petrol station	Schools	Governmental services and centers
✓	✓	✓	✗



## Factors affecting the property

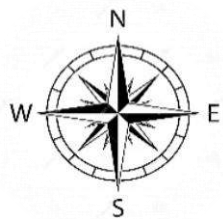
Impact element	Impact determinants	Description
Area overview	Importance of the area	located in the city of Khobar, in Qurtobah district
Natural factors (environmental)	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is in the center of Al-Khobar
	Infrastructure	Completed
	Municipal equipment	Completed
	Land properties	Regular shape
Building Regulations	Land use	Commercial Residential
	Building ratio - number of floors	various
Economic factors	Supply and demand	High
	Land prices	High
Legal factors	Deficit and trespassing on the property	N.A.

## Property description

- The building area was determined based on the **(Permit)**.
- The actual age of the property has been determined to be more than **(18.5)** years, and the lifespan of the property is 40 years.
- The state of the property on the date of valuation **(31/12/2023)**.
- When examining the property, it became clear to us that it is a **(Commercial residential compound)**. Detailed as below:

Building area data from the permit		
Building components	Area m2	Use
Ground	358.50	Parking
First floor	383.68	Residential
Ground	626.00	Residential
First floor	612.50	Residential
Ground	1,295.55	Electricity Room
Ground	5,998.55	Services
First floor	7,285.20	Residential
Second floor	1,524.29	Residential
Ground	641.25	Office
Ground	3,844.75	Services
First floor	3,844.75	Services

## Property location



Property is located in: **Khobar**

Neighborhood: **Qurtobah**

Street: **King Saud bin Abdulaziz**

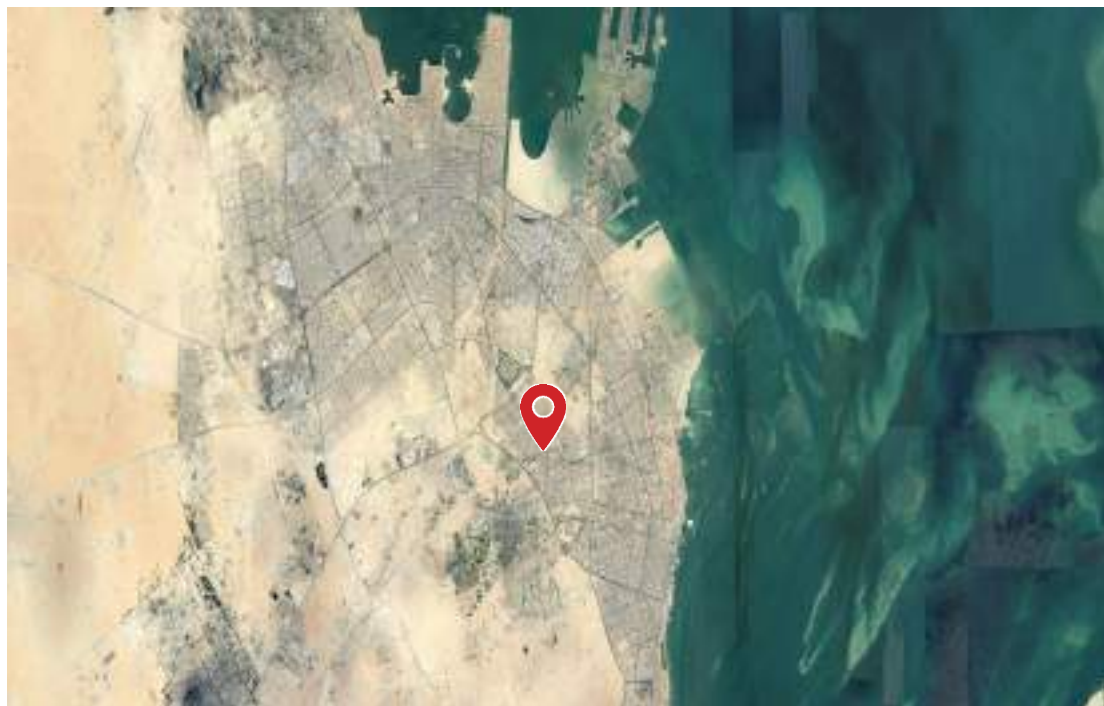
Location coordinates

N :

26.334921

E :

50.179783



## Photographic survey of the building and its components (1/2)





## Photographic survey of the building and its components (2/2)



## Ownership documents

### Title deed information

Ownership Type	Deed date	Deed number	Owner name
Ownership 100%	1438/11/24 AH	330205013308 330205013307	Hefdh Al-Musharaka Real Estate Company

### Neighborhood name - plot number - plan number - land area:

Land area	Plan number	Plot number	Neighborhood name
10,000 m2	3/1391	101+102+103+104+131+132+133+134	Al-Naseem

### Borders and lengths:

Borders and lengths:							
Northen border	Border length	Southern border	Border length	Eastern border	Border length	Western border	Border length
Khurais asphalt road	Street width 60 m	Street width 15 m	100 m	Plot No. 105 and No. 130	100 m	Plot No. 114	100 m



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



Valuation

التقييم ■



## Valuation Approaches



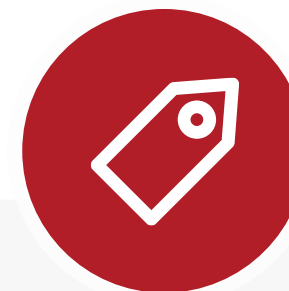
### Market Approach ❖

The market method provides an indication of value by comparing the asset with identical or comparable (similar) assets for which price information is available.



### Income Approach ❖

The income method provides an indication of value by converting future cash flows into one current value. According to this method, the value of the asset is determined by reference to the value of the revenue and cash flows generated by the asset or the costs it provides.



### Cost Approach ❖

The cost method provides an indication of value using the economic principle that states that the buyer will not pay an asset more than the cost of obtaining an asset of similar benefit, whether through purchase or construction unless there are time, disturbance, risk, or other related factors. The method provides an indication of value by calculating the current cost of transferring or reproducing the asset, and then discounting the physical wear and tear of all other obsolescence's.

## Cost Approach - Standard No. 105

It is a valuation method that calculates the capital or market value of a property by adding the value of the real estate's land with the value of the buildings erected on the site.

### Cost Approach should be applied and afforded significant weight under the following circumstances:

- ❖ Participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
- ❖ The asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or
- ❖ The basis of value being used is fundamentally based on replacement cost, such as replacement value

### Used methods of Cost Approach :

- a. **Replacement cost method:** A method of arriving at value by calculating the cost of a similar asset

### Method of estimating the value of buildings using the straight line method

- The straight-line method: the straight-line method is calculated by the formula (current age of the building / Lifespan) \* 100.

## Income Approach-Standard No. 105

Income Approach provides an indication of value by converting future cash flows into a single present value. Under this approach, the value of an asset is determined by reference to the value of the revenue and cash flows that the asset generates or the costs it provides.

### **Income Approach should be applied and given priority or significant weight in the following cases:**

- A. When the ability of the asset to generate income is the primary factor that affects the value from the point of view of market participants.
- B. Reasonable expectations are available for the amount and timing of future revenue for the assessed asset but few, if any, relevant market comparisons.

### **Income Approach Methods:**

Although there are many ways to apply the income method, the methods used under the income method depend largely on discounting the amounts of future cash flows to a present value, which are various applications in using the discounted cash flow (DCF) method and the concepts below apply in part or all of the methods of the income method.

#### **Discounted Cash Flow method (DCF)**

It is a financial method for estimating the value of a financial or real asset. The value index is derived by calculating the present value of future cash flows. The discounted cash flow method is applied to evaluate a property or real estate that generates income based on the expectation of future income for the property under valuation. The value index of the property is derived through Calculating the present value of net operating income or the expected net rental value of the property.

#### **Direct Capitalization Method:**

The direct capitalization method is applied in the event that the net rental value of the property under valuation is fixed and equal in perpetuity.

#### **Residual value method:**

The residual value method is a method of evaluating properties that can be valued by identifying the most appropriate development of the site and property and then predicting the value of such development after it is completed.

## Analyzing the used valuation approaches and methods - Fair value hierarchy

### Used valuation methods

Valuation Approaches	Market Approach	Cost Approach	Income Approach
Used approach	-----	-----	<b>Mainly used</b>
Used valuation methods	-----	-----	Discounted Cash Flow method
Reasons for use / not use	-----	-----	The fact that the property is income-generating

### Hierarchy:

The fair value hierarchy categorizes the inputs to the valuation techniques used to measure fair value at the measurement date into three levels, as follows:

Level	clarification	input statement	classification	Source	Judgment and documentation
<b>First</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be reached at the measurement date and are given priority.	---	---	---	---
<b>Second</b>	They are the inputs other than the published prices within the first level that can be monitored for the asset or liability, either directly or indirectly	Commercial and commercial residential offers in the real estate area	It is classified under the second level	Accredited real estate offices in the real estate area	Reliable based on similar market analysis, verification following market research and analysis, in-person interviews, and the company's own database of deals and transactions
<b>Third</b>	They are the inputs that cannot be monitored and are given the lowest priority	---	---	---	---



## تقدير القيمة ■

Value Estimation

## Price analysis from the market - Average rent for residential units in the area

City	District	Compound name	Property type	Components	Furnishing	Services	Area m2	Rental price - SR	Offer/Execute	Contact No	Coordinates
Khobar	Qurtobah	Canary Village	Villa	Three bedrooms + living + two bathrooms + hall + kitchen + room	Fully furnished and renovated	All inclusive	200	145000	Executed	138590895	26.349052 50.187452
Khobar	Qurtobah	Canary Village	Villa	Three bedrooms + living + two bathrooms + hall + kitchen + room	Not fully furnished	All inclusive	200	135000	Offered	138590895	26.348411 50.187373
Khobar	Qurtobah	Euro Village	Villa	3 bedrooms + living + 2 bathrooms + hall + kitchen + room	Fully furnished and renovated	All inclusive	240	220000	Offered	138579780	26.336926 50.185265
Khobar	Qurtobah	Euro Village	Villa	1 bedrooms + living + 2 bathrooms + hall + kitchen	Fully furnished and renovated	All inclusive	115	140000	Offered	138579780	26.337953 50.185315
Khobar	Al-Rawaby	Al Rawabi Pearl	apts	3 bedrooms + hall + 4 toilets + maid's room + kitchen + majlis	Furnished	All inclusive	180	85000	Offered	138579780	26.336926 50.185265
Khobar	Al-Rawaby	Al Rawabi Pearl	apts	3 bedrooms + hall + two bathrooms + maid's room + kitchen	Not furnished	All inclusive	140	80000	Offered	138579780	26.337953 50.185315
Khobar	Qurtobah	Canary Village	apts	2 bedrooms	Not furnished	All inclusive	110	120000	Offered	138590895	26.349569 50.187456
Khobar	Qurtobah	Canary Village	apts	1 bedrooms	Not furnished	All inclusive	70	85000	Offered	138590895	26.34584 50.187518
Khobar	Al-Jawhara	Al-Rashid Village	Villa	3 bedrooms + living room + 2 bathrooms + hall + kitchen + room	Furnished	All inclusive	200	230000	Offered	138873678	26.331632 50.191793
Khobar	Al-Jawhara	Al-Rashid Village	Villa	2 bedrooms + living room + 2 bathrooms + hall + kitchen + room	Furnished	All inclusive	200	180000	Offered	138873678	26.331516 50.191336

Comparative real estate		
Comparison factors	Comparative 1	Comparative 2
Unit area (m2)	200	200
Ease of access	High	High
Property location	High	High
Finishing level	High	High
Use	Residential villa	Residential villa
Apartment Components	3 bedrooms	3 bedrooms
Average Rent (SR)	230,000	145,000
Comparative condition	Offered	Offered
Location	26.331632 50.191793	26.349052 50.187452
Date	2023	2023

Comparative real estate		
Comparison factors	Comparative 1	Comparative 2
Unit area (m2)	110	200
Ease of access	High	High
Property location	High	High
Finishing level	High	High
Use	Residential unit	Residential villa
Apartment Components	2 bedrooms	2 bedrooms
Average Rent (SR)	120,000	180,000
Comparative condition	Offered	Offered
Location	26.349569 50.187456	26.331516 50.191336
Date	2023	2023

## Estimated average unit rent - 3 bedrooms - relative adjustment - Market Approach

### Valuation by Market Approach - Method of Comparison to Sales of Similar Units

Clause		Comparative real estate			
Adjustments factors	Property under valuation	Comparative 1		Comparative 2	
		Value	Adjustment	Value	Adjustment
Average unit rent	***		230,000		145,000
Condition	***	Offered		Offered	
Date of valuation/offer	4/5/2023	4/5/2023		4/5/2023	
Market conditions	***	-5%	- 11,500	-5%	- 7,250
Financing terms	***	0%	0%	0%	0%
Market conditions value	***		(11,500.00)		(7,250.00)
Value after initial adjustments	***		218,500		137,750
Unit area m 2, according to the region	200	200	0%	200	0%
Ease of access	High	High	0%	High	0%
Property location	High	High	0%	High	0%
Finishing level	High	High	0%	High	0%
Apartment Components	3 bedrooms	3 bedrooms	0%	3 bedrooms	0%
Use	Residential unit	Residential villa	-20%	Residential villa	-20%
Total			-20.00%		-20.00%
Adjustment value per square meter			43,700-		27,550-
Final meter value after Adjustment			174,800		110,200
Weighted average			50%		50%
Net Average Unit Rent Value (SAR/SQM)			142,500		
Net Average Unit Rent Value (SAR/SQM)			142,500		



## Estimating the average unit rent - 2 bedrooms - relative adjustment - Market Approach

### Valuation by Market Approach - Method of Comparison to Sales of Similar Units

Clause		Comparative real estate			
Adjustments factors	Property under valuation	Comparative 1		Comparative 2	
		Value	Adjustment	Value	Adjustment
Average unit rent	***		120,000		180,000
Condition	***	Offered		Offered	
Date of valuation/offer	2023	2023		2023	
Market conditions	***	-5%	-600000%	-5%	- 9,000
Financing terms	***	0%	0%	0%	0%
Market conditions value	***		(6,000.00)		(9,000.00)
Value after initial adjustments	***	114,000		171,000	
Unit area m 2, according to the region	120	110	0%	200	-5%
Ease of access	High	High	0%	High	0%
Property location	High	High	0%	High	0%
Finishing level	High	High	0%	High	0%
Apartment Components	2 bedrooms	2 bedrooms	0%	2 bedrooms	0%
Use	Residential unit	Residential villa	0%	Residential villa	-20%
Total			0.00%		-25.00%
Adjustment value per square meter			-		42,750-
Final meter value after Adjustment			114,000		128,250
Weighted average			50%		50%
Net Average Unit Rent Value (SAR/SQM)					121,125
Net Average Unit Rent Value (SAR/SQM)					121,125

## Market income analysis

Analysis of units (apartments) by market		
Clause	Value	Unit
Number of days in the year	365	Day
Annual occupancy rate	0%	Percentage
Number of days for the remainder of the year	365	Day
Number of units	101	Unit
Three bedroom units		
Average unit rent price	142,500	SR/Unit
Number of units	60	Unit
Total units revenue	8,550,000	SR
Total revenue income after operating expenses	8,550,000	SR
Two bedroom units		
Average unit rent price	121,125	SR/Unit
Number of units	40	Unit
Total units revenue	4,845,000	SR
Total revenue income after operating expenses	4,845,000	SR
Actual total annual income by market		
Actual total annual income	13,395,000	SR
Total annual effective income after deducting capital expenditures	13,395,000	SR
Actual total annual income after rounding	13,395,000	SR

## Analysis of valuation assumptions data - Discounted Cash Flow Methods

### Growth rate:

- The growth rate was reviewed by referring to the market for similar real estate and taking into account the current lease contracts according to the client's statement to be compared with the market data, taking into account the assessment of the market research centers of the banks that the increase in rental prices and recent expansions is expected to be higher than the impact of the increase in interest rates on the investments of REIT funds and the future outlook. The property is optimistic due to the high demand for this type of similar properties in the area surrounding the property, as well as taking into account the growth of similar properties and the level of internal and external finishes of the property under valuation.
- A growth rate of 10% was assumed every three years, according to the market situation, based on the interior and exterior finishes of the property, the location of the property, and supply and demand in the market.

### Discount rate:

The discount rate was assumed at 8.6 % according to the cumulative model method as follows:

Cumulative Model method		
Government bond rate of return	4.6	Saudi Tadawul Fund
Inflation rate (current year average)	2.49	Saudi Central Bank
Market risk premium (recession and recovery)	1	According to the condition and circumstances of the market
Special risk premium (the resulting costs of the property)	0.5	According to the condition and circumstances of the property
Discount rate with all data above	8.59	%
Discount rate after rounding	8.6%	%

### Discounted Cash Flow method assumptions:

Discounted Cash Flow method assumptions			
Rental value (Client data)	5,026,600	Discount rate	8.6%
Operational expenses	15%	Capitalization rate	7.5%
Occupancy rate and credit risk	10%	Growth - after year (3) every (3) years	10%
Cash flow period (Years)	10	Beginning - end of cash flows	2033 - 2024

### Occupancy rate and credit risk:

The property is distinguished as one of the attractive properties for tenants due to its distinguished location in the city of Al-Khobar, Qurtobah district, and it overlooks directly on King Saud Branch Road. The vacancy rate data from the market was analyzed to confirm the contract, as the market data shows that occupancy rates range from 0% to 15% in similar real estate that all properties are usually with one contract, and accordingly, the occupancy rate and credit risks were assumed at 13%, according to the appropriate contract limit.

### Operating and capital expenditure rate:

Operating expenses are the expenses related to renting and maintaining the property, and capital expenses are the expenses incurred by the owner in order to maintain it in good condition to achieve the appropriate annual income. The percentage of operating expenses is 5% - 20% for similar projects in the surrounding area according to the size and services provided, knowing that we have not seen on the summary of the maintenance contracts submitted by the client to find out the percentage that represents the current income, and most often the lease contracts include the rental value and the value of maintenance services for the facilities on it, and the rate of operating and capital expenditures was assumed at 15%.

### Operational rate of return:

Analysis of the capitalization rate - the method of extracting from the market in view of the market activity and the reports of the Qaim Company for similar investments, as well as in view of the economic reports issued by some study centers and the information center of the Qaim Company for valuation, we found that the return in the region ranges from 7.5% to 8.5% and accordingly, the rate of return was assumed at a rate of 7.5%. There are many factors that affect the rate of return, represented in the location of the building, its age and condition, the situation of the tenants, and the degree of risk associated with repayment. The capitalization rate is affected by the demand and supply rates for the same type of real estate.

## Calculating the value of the property - using the Income Approach - Discounted Cash Flow method

Cash flow - Inflows			Years										
			2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
			1	2	3	4	5	6	7	8	9	10	
Expected growth value			0%	0%	10%	0%	0%	10%	0%	0%	10%	0%	
Income of the property according to the market	Rental property area	Rental price											
13,395,000			13,395,000	13,395,000	14,734,500	14,734,500	14,734,500	16,207,950	16,207,950	16,207,950	17,828,745	17,828,745	
Total income			13,395,000	13,395,000	14,734,500	14,734,500	14,734,500	16,207,950	16,207,950	16,207,950	17,828,745	17,828,745	
Minus occupancy rate and credit risk	10%		10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	
Annual vacancy value			1,339,500	1,339,500	1,473,450	1,473,450	1,473,450	1,620,795	1,620,795	1,620,795	1,782,875	1,782,875	
Actual total rental income			12,055,500	12,055,500	13,261,050	13,261,050	13,261,050	14,587,155	14,587,155	14,587,155	16,045,871	16,045,871	
Minus rate of operating and capital expenses	15%		1,808,325	1,808,325	1,989,158	1,989,158	1,989,158	2,188,073	2,188,073	2,188,073	2,406,881	2,406,881	
Building net operating income (NOI)			10,247,175	10,247,175	11,271,893	11,271,893	11,271,893	12,399,082	12,399,082	12,399,082	13,638,990	13,638,990	
Reversion value of the building													
Net cash flow			10,247,175	10,247,175	11,271,893	11,271,893	11,271,893	12,399,082	12,399,082	12,399,082	13,638,990	13,638,990	181,853,199
Discount factor			0.921	0.848	0.781	0.719	0.662	0.610	0.562	0.517	0.476	0.439	0.439
Present value of cash flow			9,436,573	8,690,094	8,802,932	8,106,577	7,465,307	7,562,241	6,964,031	6,413,142	6,496,414	5,982,516	79,766,882
Net present value of the property												155,686,709	

## Final value of the property

Based on the purpose of the valuation, the nature of the property and its characteristics, as it is a (Residential Compound ), valuing the property using the Income Approach (Discounted Cash Flow method) is considered the best way to estimate the price on the measurement date of 31/12/2023 AD, which was arrived at with the Income Approach as a basis for the fair value of the property being valued (After rounding) , as follows:

Price on the date of measurement in numbers (SR)	Price on the date of measurement in writing (SAR)
155,687,000	One hundred fifty-five million six hundred eighty-seven thousand

**This report was approved by the Executive Director**

Ismail Muhammad al-Dubaikhi





**ملاحق** ■

**Appendix**

Documents received from the client



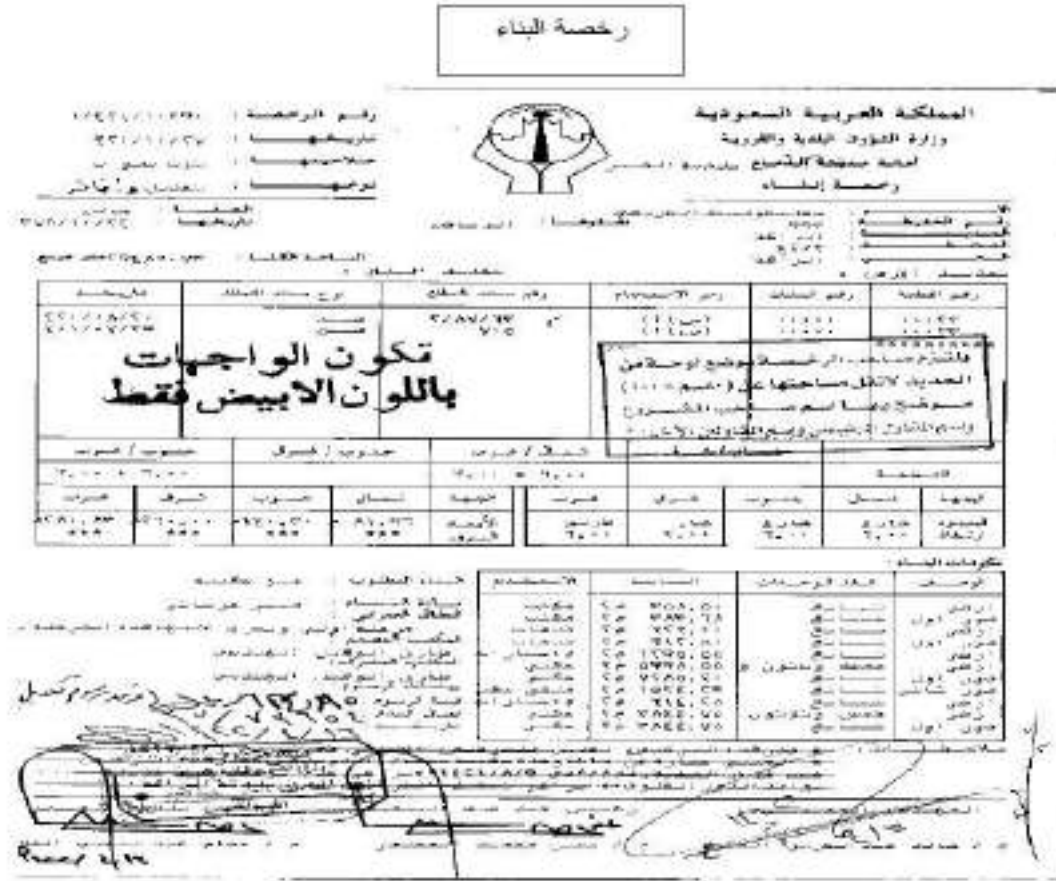
Deed



Deed



Documents received from the client



Building permit

Team



Ahmed Saleh Al-Attas  
Real estate - Associate  
Membership No 1220003236



Muath Abdul Rahman Al-Aoraini  
Real estate - Associate  
Membership No 1210002322



Salem Mohammed Al Fai'  
Real estate-Basic Follow  
Membership No 1210000013



Ismail Al-Dubaikhi  
Real estate-Basic Follow  
Membership No 1210000005



## General Administration

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☎ +966 92 002 5832

**Radisson Blu Hotel Apartments  
Olaya District**

**Al-Khobar City - Kingdom of Saudi Arabia**



**Presented to :  
Musharaka Capital Company**

## Statement

**Dear: Musharaka Capital Company      Greetings**

**Subject: Valuation report for Radisson Blu Hotel Apartments in the Olaya District - Al Khobar City**

We, Qaim and his partner real estate valuation company, extend our sincere thanks and appreciation to you for choosing us and giving you your precious trust to evaluate the property located in **Al-Khobar city, Olaya district**, according to the assignment issued by you on **09/11/2023 AD** based on the license granted to us by the Saudi Authority for Accredited Valuers, following In that is the latest version of the international valuation standards **2022 AD**, which are recognized as well as the rules and ethics of the profession in order to reach the final impartial valuation based on the actual inspection by the work team and the study of the market area surrounding the property. The fair value estimate was reached using various valuation approaches, including what each report carries, and accordingly we are pleased to We present to you the real estate valuation statement listed below.

**Based on the completed study, we attach to you the results of the price estimate on the measurement date of the property (Radisson Blu Hotel Apartments) and on its current status on the estimate date 31/12/2023 AD located in (Khobar) district (Olaya), with an amount of only (89,898,000) Eighty-nine million eight hundred ninety-eight thousand Saudi riyals.**

This report was approved by the Executive Director,

Ismail Mohammed Al-Dubaikhi

Under License No. / 1210000052 dated 10-10-1443 AH



**With sincere gratitude...**



# قيير للتقييم

## QIAM VALUATION

### Content

01	The specific assumptions and limitations of the report
02	Scope of work
03	An overview of the economy and the real estate sector in the Kingdom of Saudi Arabia
04	Site studies
05	Valuation
06	Value Estimation
07	Appendix





## ■ نطاق العمل

Scope of work



## Executive Summary

**Price estimate on the date of measurement: 89,898,000 Saudi riyals**

Property address	Property subject to Valuation	Owner of real estate
Khobar - Olaya district	Radisson Blu Hotel Apartments	Hefdh Al-Musharaka Real Estate Company
Report issued date	Valuation date	Inspection date
21/03/2024	31/12/2023	05/12/2023
Notary Public	Purpose of the valuation	Ownership Type
Khobar	Estimating the fair value for the purpose of periodic valuation of the Musharaka REIT Fund	Absolute ownership
Assumed value	Deed date	Deed number
Present value	29/11/1438 AH	330207005613+930207005612+330207005611

## Scope of work Standard No. 101

Other users	Client	Valuation currency
Fund managers and investors only	Musharaka Capital Company	Saudi riyal
Report description	Value Basis	Valuation Approach
A report explaining the methodology and steps of the valuation and the results of the valuation, and includes illustrative pictures of the boundaries of the asset under valuation	Fair value	Income Approach

## Scope of the Valuer search - Standard No. 102

Gathering sufficient information through a field visit, visible inspection, and conducting analyzes. A study was conducted from sites close to the real estate site and from approved real estate offices in the real estate area, and all information was investigated and studied accurately.

## Value Basis

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (This definition is adapted from IFRS 13), paragraph 9. It is also defined in IVS 104 Basis of Value, paragraph 90, among other bases of value for valuation for purposes of inclusion in financial reports.

#### Valuation Standard followed

All work was carried out in accordance with the Accredited Valuers System and the implementing regulations related to real estate valuation issued by the Saudi Authority for Accredited Valuers (Taqeem), and the latest version of the International Valuation Standards (IVS) for the year 2022 published by the International Valuation Standards Board (IVSC)) and the professional rules recognized in the work of valuation of real estate assets, which is based on analysis, comparison and direct inspection of each property, and research as much as possible about the influences and characteristics of the property under valuation.

#### Nature and source of information

The information contained in the report was issued by official bodies, real estate offices in the targeted area, or offices specialized in research and studies, and with reference to the database of Qaim and its partner real estate valuation company.

#### Important assumptions and special assumptions

Important assumptions and special assumptions are explained on page 10.

#### Report usage restrictions

Valuation processes and reports are confidential to the directing party and to whomever they are referred to for a specific purpose, with no responsibility of any kind for any third party. This report may not be published in full or any part thereof or referred to in any document or statement or published periodically or in any medium. communicate with any third party without our prior written consent in the form and context in which they appear. It is a matter of caution and caution that the company and the valuer reserve the right to make any amendments and make any review of the valuation or support the valuation result under specific circumstances. .

## Work Stages

Meeting with the client and determining the scope of work, including the purpose of the valuation, the basis of value, the parties involved, the date of the valuation, and any special or important assumptions, including clarity of the assignment and the expected outputs from it.

Step 01



Collecting and analyzing office and field market data in order to gain knowledge of past and current market trends and market indicators that will be relied upon when applying valuation methods.

Step 03



Work on preparing the report in accordance with Standard 101 for Description of the Report and Standard 103 for Report Preparation.

Step 05



Step 02



Step 04



Previewing the property, identifying its characteristics and specifications, matching documents with reality, analyzing the location of the property and the uses surrounding the property, while defining the scope of the geographical search and the appropriate activities and projects.

Based on the scope of work and market analysis, appropriate valuation methods are determined and all assumptions and inputs are made to carry out financial calculations to reach the market value according to the chosen methods..

## ■ الفرضيات و القيود المحددة للتقرير

The specific assumptions  
and limitations of the report

## Important assumptions and special assumptions

Based on the type and characteristics of the property and the purpose of evaluation, the property was valued using the Income Approach (mainly discounted cash flow method) assuming that all market participants act in the best economic interest of the property as it achieves benefit for all market participants.

Valuation is based on the value (fair value) and that it was carried out in a major open market. Prices were inferred from field research work on plans close to the real estate site, and analysis, judgment and documentation were made.

The purpose of issuing this report is to know the fair value estimate for the purpose of (Estimating the fair value for the purpose of periodic valuation of the REIT Musharakah Fund) for the user of the report (the fund manager and investors).

Our company does not bear any responsibility for any information received from the customer, which is supposed to be safe and reliable, and our company does not acknowledge the accuracy or completeness of the available data and does not express its opinion and did not offer any kind of guarantee for the accuracy or completeness of the data except as indicated clearly in this report.

The property has been inspected outwardly and the property has not been structurally inspected, or this appraisal report is considered valid only if it bears the company's seal and the signature of the accredited residents.

No legal document was verified for the property that was evaluated or for legal issues involving ownership or mortgage, and it was assumed that the information was according to the client's statement.

The values estimated in this report are for the property under valuation, and any distribution of the value to parts of the property will not be correct, and this value should not be used for any other purposes, as it could be incorrect if used as well.

Information provided by other parties, especially with regard to planning, land ownership, renting, etc., on which all or part of this report was based, was considered reliable, but not all of it was confirmed in all cases, and no guarantee was given regarding the validity of this information, if it appears that this information is incorrect. the value contained in this report may change.

The property was evaluated in accordance with international standards 2022 AD, and the estimated value in this report is for the property under study, and in case of changing the purpose of the valuation, these values may be incorrect.

Borders and lengths according to the client's statement, and the company is not responsible for the Borders and lengths, and therefore the total area of the land is taken according to the deed, and the company is not responsible for that.

This report may not be used in whole or in part, or have references to it made without mentioning Qiam and its partner real estate valuation company. It may also not be published in any way without the company's prior written consent, in the form and content in which it appears.

The fund manager must provide accredited evaluators in an accurate, clear and non-misleading manner with any documents or information related to the real estate assets of the fund to be evaluated, including but not limited to: related contracts, engineering reports, construction commissions and any information that would enable the accredited evaluator to prepare his report in accordance with to the statutory provisions and approved standards.



■ الإمتثال للمعايير و أعمال  
البحث و الإستقصاء

Compliance with Standards ,Research and  
Inquiry



## Standard 102: Compliance with Standards and Research and Inquiry

This valuation work was carried out in accordance with the principle of Standard 102 of compliance with the standards, research and survey work, in the following items:

- The basis of the value (fair value) is commensurate with the purpose of evaluation (estimating the fair value for the purpose of periodic evaluation of the Musharaka REIT Fund).
- Gathering evidence through field visits at the time of inspecting the property with the inquiries raised at the time of the evaluation of some accredited offices in the area of the property.
- Evidence from field visits was collected and analysis and computational procedures performed to ensure that evaluation work was adequately supported.
- The data cited was judged to ensure the adequacy of all such information obtained to ensure that it is sufficient for the purpose of the evaluation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all evaluation inputs mentioned in the report.
- Reliability of the information provided by the real estate offices in the real estate area has been confirmed, and they are accredited and licensed offices in the real estate area.

## Judging the reliability of the information provided and taken into the report

Provider	Data and information	Verdict	Judgment reasons
Client	Deed	Trusted	Deed has been verified - Real Estate Market
	Building permit	Trusted	Construction Permit Validated - Balady platform.
	Lease contracts	Trusted	Income data (client data) was reviewed - Valuation was made after studying the market
Market	Commercial meter prices	Trusted	Based on the market survey - direct interviews - accredited offices in the real estate area - internal company data
	Practical experience of real estate offices	Trusted	Certified by official records in the real estate area
	Source independence	Trusted	A source independent and external to the asset being valued

## Compliance with Standards and Research and Inquiry

03

In the event that there are restrictions on the research and investigation carried out by the evaluator that do not enable him to adequately value the inputs and assumptions, which are clarified in the special assumptions

02

Carry out calculations and perform analyzes by gathering sufficient evidence by the following means, such as: field visit, inspection, inquiries and ensuring that evaluation work is appropriately reinforced and professional judgment facility to ensure that the information obtained is sufficient and that it fulfills the purpose of the evaluation

01

The research and investigations undertaken in the context of the valuation mission are appropriate to the valuation purpose and value basis

06

Record the valuation purpose, basis of value, and scope And the limits of research and survey, and the sources of information that reliable in the scope of work, which must Communicating it to all parties to the evaluation task

05

Consider the credibility and reliability of the information provided  
The following matters were taken into consideration:  
The purpose of the valuation  
The relevance of the information to the outcome of the valuation  
The source practical experience in relation to the subject matter of the valuation  
Is the source independent of the asset being evaluated or the beneficiary of it?

04

Taking into account the reliability of the information so that the evaluation results do not appear, and the inputs provided to the valuer (and) from the client or his representative) were considered.

## Regulatory framework on the International Valuation Standards (IVS 2022)

General Standards - Criterion 101  
Scope of Work Paragraph 20:  
Emphasizing that the valuation will be prepared in accordance with international valuation standards and that the valuer will assess the appropriateness of all important inputs: Deviations from international evaluation standards and their nature must be mentioned

60.3 Some professional appraisal institutions or regulations allow procedures that deviate from the International Appraisal Standards and in such circumstances, except as described in paragraphs 60.1 and 60.2, the resulting valuation will not be in compliance with the Standards.

General framework: the generally accepted valuation principles and the concepts that should be followed when applying these standards with regard to objectivity, discretionary judgment, efficiency, and the possibility of deviating from the standards, Paragraph (60.1-60.2). requirements mentioned in the reports

### Note:

Real estate valuations performed in order to prepare financial reports are regarded as situations of systematic deviation from international valuation norms in order to satisfy certain criteria for the purpose of the relevant valuation.

## Real estate and investment properties in the preparation of financial reports

### Clarifying the difference between real estate and investment properties in the financial statements

#### Investment properties in the financial statements

IAS 40 defines investment property as any property (land or a building - or part of a building - or both) held (by the owner or by the lessee as a right-of-use asset) to earn rental income or To grow the capital or for both, and not:

- For use in producing, supplying goods, providing services, or for administrative or
- To sell it in the ordinary course of business

#### Real estates included in the term of real estate, machinery and equipment in the financial statements

The International Accounting Standard No. 16 "property, plant and equipment" IFRS16 defines as the tangible items that:

- It is kept for use in the production or supply of goods or services, or it is kept for rent to others (except for investment real estate) or for use in administrative purposes.
- It is expected to be used during more than one period



## ■ نظرة عامة على الإقتصاد والقطاع العقاري بالمملكة العربية السعودية

An overview of the economy and  
the real estate sector in the  
Kingdom of Saudi Arabia

## Executive Summary - Saudi Real Estate Market

**Performance of the Saudi real estate market:** The Saudi gross domestic product grew by 8.6% during the third quarter of 2022. It is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7% and 2.3% during the years 2023 and 2024, respectively. According to the World Bank, the main driver of the post-pandemic recovery was the increase in demand for tourism and the increase in government spending on infrastructure projects such as the expansion of Riyadh Airport, among others. It is expected that such projects will lead to an increase in demand for real estate with excellent locations, especially offices and logistical facilities from Category A. At the same time, changing customer choices in the hospitality, lodging and retail sectors have prompted developers to reimagine hotel, residence and leisure components within their master development plans.

**Residential real estate:** Sales prices of villas and apartments increased during the first nine months of 2022 compared to 2021, with the continued strong demand for apartments by the citizens of the Kingdom.

**Retail:** The Economist's Economic Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional commercial centers and major regional commercial centers decreased during the months the first nine of the year.

**Hospitality:** Both the average daily rate and the occupancy rate witnessed an improvement from last year due to the recovery witnessed in the market in general, driven by the lifting of restrictions that were imposed on travel and the speedy procedures for issuing tourism visas. The first three months of the year recorded the strongest performance in terms of occupancy rate in Riyadh Which reached 76% in March. As for Jeddah hotels, they recorded the highest occupancy rate in May, when occupancy reached 59%.

**Offices:** Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this has led to continued strong demand for Class A properties during 2022.

### Industrial and logistic real estate

Rents have remained relatively stable for Class A properties due to limited international grade warehouses and increased demand from logistics companies.

## Saudi Arabia Office Market

Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this led to continued strong demand for Class A properties during 2022 AD.

## 2022 Performance Review

Offered offices in the main markets such as Riyadh, Jeddah, and the metropolis of Dammam amounted to 5.2 million square meters, 1.3 million square meters, and 1.3 million square meters, respectively, as of September 2022 AD. Notable additions to the market during 2022 included the headquarters of the Saudi British Bank On King Fahd Street, King Abdulaziz City for Science and Technology, and the government departments complex in Riyadh, in addition to the offices of the Saudi Airlines cargo building in Jeddah. The Saudi gross domestic product grew by 8.6% during the third quarter of 2022, and it is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7 and 2.3% during the years 2023 and 2024, respectively, according to the World Bank, and it was the main driver. The recovery in the post-pandemic office sector is due to the increase in government spending on infrastructure projects, such as the expansion of Riyadh Airport, among others. The demand for Class A real estate in Riyadh also remained strong as a result of the government's focus on developing the city to be a regional hub for international companies. As for Jeddah and Metropolitan Dammam The offered of Class A properties mainly focuses on government offices and public sector entities, and owners are now offering incentives such as free periods and smaller, fully-equipped units to attract a wider range of tenants. Lease periods usually correspond to unit size, as larger units are rented for longer periods. Between six and nine years.

## Saudi Arabia retail market

Economist Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional and major commercial centers decreased during the first nine months of the year.

## 2022 performance review

It is expected that the bulk of the retail projects that will be completed will be in the category of major regional commercial centers, which indicates that the market is sufficient for this category of mega projects. Visitors in an increasingly competitive market.

Retail rents witnessed some decline during the past twelve months at the level of the Kingdom, as the average rent decreased in regional commercial centers and major regional commercial centers, and the distinctive shopping centers in the Kingdom were able to maintain occupancy rates during the year 2022 AD, as lifestyle stores specifically recorded an increase in The number of visitors after lifting the ban that was imposed during the pandemic.



## Eastern region market

The Eastern Province in the Kingdom of Saudi Arabia has witnessed a great growth in the residential complexes sector and the real estate sector in the past few years, as it includes many major cities such as Dammam, Khobar, Dhahran and Jubail. This sector is characterized by the availability of many large and luxurious residential projects that enjoy modern designs and modern facilities, making it a destination Ideal for investors and buyers looking for luxury properties.

The real estate sector in the Eastern Province is famous for its diversity and availability of residential, commercial and industrial projects, which in turn is characterized by the availability of many vital facilities such as hospitals, schools, commercial and entertainment centers, making it an ideal destination for living and working. The Eastern Province is also witnessing a great growth in real estate tourism, as many luxury hotel projects and hotel apartments are available, making it an ideal destination for tourists looking for comfort and distinction. The interest in luxury real estate and modern residential complexes is increasing in the Kingdom of Saudi Arabia. We also note that the prices of residential complexes in the eastern region have witnessed an increase in recent times. This increase is attributed to several factors, including:

1. High demand: The eastern region is witnessing an increase in demand for luxury residential compounds due to the economic growth and urban development in the region. This higher demand leads to an increase in prices.
2. Limited Supply: There is a limited supply of luxury residential compounds in the Eastern Province, which makes them less available and increases their value.
3. High costs: The construction of luxury residential complexes requires large investments in design, construction, equipment and services, which leads to an increase in costs and thus an increase in prices.
4. External factors: External factors such as rising prices of raw materials, technology and labor can affect the prices of residential complexes in the Eastern Province.

As for the average prices, it varies according to the location, size, specifications and available services. However, residential compounds in the Eastern Province can be divided into three categories, with prices ranging as follows:

1. Mid-range residential compounds: The prices of residential units in these groups range between 1.5 million Saudi riyals and 3.5 million Saudi riyals, and these groups include projects such as Bloom in Al-Khobar and The Harvest in Dhahran.
2. Luxury residential complexes: The prices of residential units in these groups range between 3.5 million Saudi riyals and 7 million Saudi riyals, and these groups include projects such as Rosewood in Al Khobar and Falcon in Dhahran.
3. Ultra-luxury residential complexes: The prices of residential units in these groups range between 7 million Saudi riyals and 10 million Saudi riyals, and these groups include projects such as The Ritz-Carlton in Al-Khobar and Fayrouz Al-Jazeera in Dhahran.



## دراسات الموقع ■

Site Studies

## Real estate data and Services available in the real estate area

### Real Estate Data

City	Khobar	Neighborhood	Olaya
Street	Street width 20 m	Property type	Hotel Apartments
No. land plan	2/345	Plot number	114+116+112
Area	3798.08 square meters	Land use according to regulations	Commercial

### Services and facilities available in the real estate area

Electricity network	Telephone network	Water network	Sewerage network
✓	✓	✓	✓
Water drainage network	Mosque	Dispensary	Garden
✓	✓	✓	✓
Public markets	Civil defense	Police station	Hospital
✓	✓	✓	✓
Hotels	Petrol station	Schools	Governmental services and centers
✓	✓	✓	✓

## Factors affecting the property

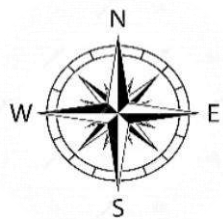
Impact element	Impact determinants	Description
Area overview	Importance of the area	located in the city of Khobar, in Olaya district
Natural factors (environmental)	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is in the center of Al-Khobar
	Infrastructure	Completed
	Municipal equipment	Completed
	Land properties	Regular shape
Building Regulations	Land use	Commercial Residential
	Building ratio - number of floors	various
Economic factors	Supply and demand	High
	Land prices	High
Legal factors	Deficit and trespassing on the property	N.A.

## Property description

- The building area was determined based on the **(Permit)**.
- Determine the actual age of the property by **(6.5)** years, and the default age of the property is 40 years.
- The state of the property on the date of valuation **(31/12/2023)**.
- When examining the property, it became clear to us that it is a **(Hotel Apartments)**. Detailed as below:

Built-up area data from the permit		
Building components	Area m2	Use
Ground floor parking	1,982.10	Parking
Ground floor electrical room	27.50	Residential
Ground floor	2,009.60	Residential
First floor	2,009.60	Residential
Second floor	2,009.60	Residential
Third floor	925.60	Residential
Fences	781.80	Services

## Property location



Property is located in: **Khobar**

Neighborhood: **Olaya**

Street: **Jamal al-Din al-Afqani**

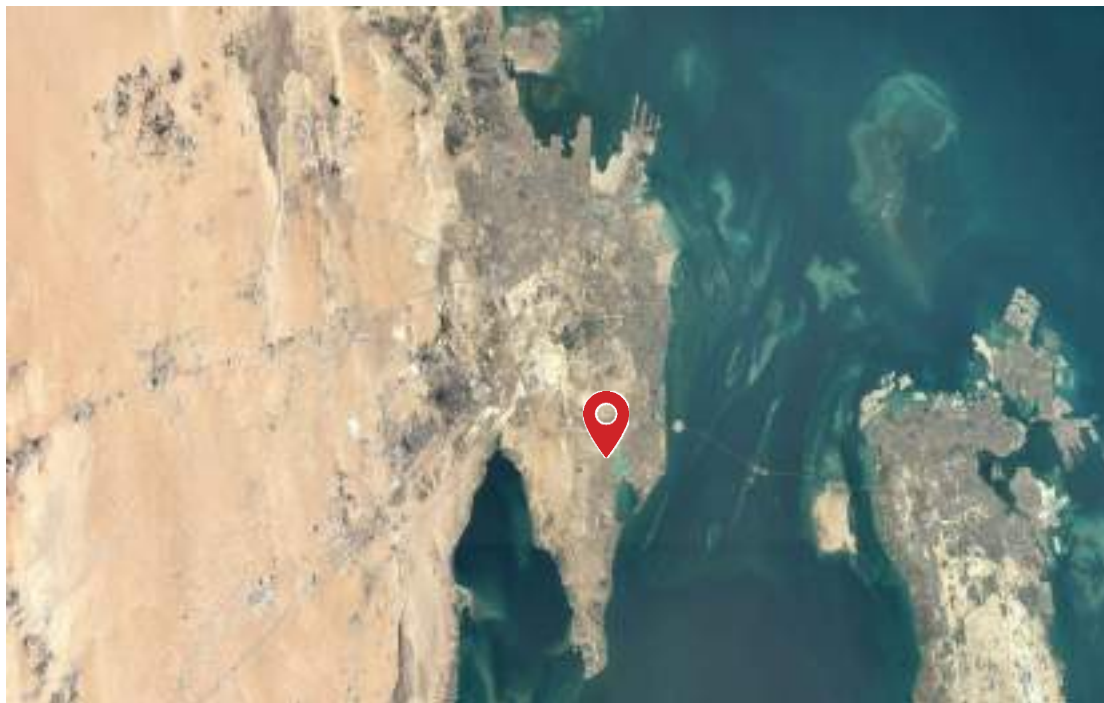
Location coordinates

N :

26.303146

E :

50.174164





Photographic survey of the building and its components (1/2)





## Photographic survey of the building and its components (2/2)



## Ownership documents

### Title deed information

Ownership Type	Deed date	Deed number	Owner name
Ownership 100%	29/11/1438 AH	330207005611 930207005612 330207005613	Hefdh Al-Musharaka Real Estate Company

### Neighborhood name - plot number - plan number - land area:

Neighborhood name	Plot number	Plan number	Land area
Olaya	114+116+112	2/345	3798.08 m2

### Borders and lengths:

Borders and lengths:							
Northen border	Border length	Southern border	Border length	Eastern border	Border length	Western border	Border length
Plot No. 117	30 m	Street width 16 m	30 m	Plot No. 118	40 m	Plot No. 114	40 m



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



Valuation

التقييم ■

## Valuation Approaches



### Market Approach ❖

The market method provides an indication of value by comparing the asset with identical or comparable (similar) assets for which price information is available.



### Income Approach ❖

The income method provides an indication of value by converting future cash flows into one current value. According to this method, the value of the asset is determined by reference to the value of the revenue and cash flows generated by the asset or the costs it provides.



### Cost Approach ❖

The cost method provides an indication of value using the economic principle that states that the buyer will not pay an asset more than the cost of obtaining an asset of similar benefit, whether through purchase or construction unless there are time, disturbance, risk, or other related factors. The method provides an indication of value by calculating the current cost of transferring or reproducing the asset, and then discounting the physical wear and tear of all other obsolescence's.

## Market Approach-Standard No. 105

It is an approach of estimating the value of a real estate or real estate property based on the market comparison between the property being evaluated and similar properties in the same area that were recently sold. The value indicator of the property being valued is derived by applying appropriate comparison units and making adjustments and adjustments to the selling prices of similar properties based on the comparative elements.

### **The market approach should be applied and afforded significant weight under the following circumstances:**

- ❖ The subject asset has recently been sold in a transaction appropriate for consideration under the basis of value
- ❖ The subject asset or substantially similar assets are actively publicly traded.
- ❖ There are frequent and/or recent observable transactions in substantially similar assets.

### **The key steps in the comparable transactions method are:**

- ❖ Define the units of comparison used by relevant market participants.
- ❖ Determine the relevant comparative transactions and calculate the main evaluation criteria for these transactions.
- ❖ Conduct consistent comparative analysis of the qualitative and quantitative similarities and differences between the comparable assets and the subject asset.
- ❖ Make the necessary adjustments, if any, to the evaluation scales to reflect the differences between the subject of evaluation and the comparative assets.
- ❖ Applying the revised valuation criteria to the subject asset.
- ❖ Value indicators are reconciled if more than one evaluation scale is used.

## Cost Approach - Standard No. 105

It is a valuation method that calculates the capital or market value of a property by adding the value of the real estate's land with the value of the buildings erected on the site.

### Cost Approach should be applied and afforded significant weight under the following circumstances:

- ❖ Participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
- ❖ The asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or
- ❖ The basis of value being used is fundamentally based on replacement cost, such as replacement value

### Used methods of Cost Approach :

- a. **Replacement cost method:** A method of arriving at value by calculating the cost of a similar asset

### Method of estimating the value of buildings using the straight line method

- The straight-line method: the straight-line method is calculated by the formula (current age of the building / Lifespan) \* 100.



## Income Approach-Standard No. 105

Income Approach provides an indication of value by converting future cash flows into a single present value. Under this approach, the value of an asset is determined by reference to the value of the revenue and cash flows that the asset generates or the costs it provides.

### **Income Approach should be applied and given priority or significant weight in the following cases:**

- A. When the ability of the asset to generate income is the primary factor that affects the value from the point of view of market participants.
- B. Reasonable expectations are available for the amount and timing of future revenue for the assessed asset but few, if any, relevant market comparisons.

### **Income Approach Methods:**

Although there are many ways to apply the income method, the methods used under the income method depend largely on discounting the amounts of future cash flows to a present value, which are various applications in using the discounted cash flow (DCF) method and the concepts below apply in part or all of the methods of the income method.

#### **Discounted Cash Flow method (DCF)**

It is a financial method for estimating the value of a financial or real asset. The value index is derived by calculating the present value of future cash flows. The discounted cash flow method is applied to evaluate a property or real estate that generates income based on the expectation of future income for the property under valuation. The value index of the property is derived through Calculating the present value of net operating income or the expected net rental value of the property.

#### **Direct Capitalization Method:**

The direct capitalization method is applied in the event that the net rental value of the property under valuation is fixed and equal in perpetuity.

#### **Residual value method:**

The residual value method is a method of evaluating properties that can be valued by identifying the most appropriate development of the site and property and then predicting the value of such development after it is completed.



## Analyzing the used valuation approaches and methods - Fair value hierarchy

### Used valuation methods

Valuation Approaches	Market Approach	Cost Approach	Income Approach
Used approach	-----	-----	<b>Mainly used</b>
Used valuation methods	-----	-----	Discounted Cash Flow method
Reasons for use / not use	-----	-----	The fact that the property is income-generating

### Hierarchy:

The fair value hierarchy categorizes the inputs to the valuation techniques used to measure fair value at the measurement date into three levels, as follows:

Level	clarification	input statement	classification	Source	Judgment and documentation
<b>First</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be reached at the measurement date and are given priority.	---	---	---	---
<b>Second</b>	They are the inputs other than the published prices within the first level that can be monitored for the asset or liability, either directly or indirectly	Commercial and commercial residential offers in the real estate area	It is classified under the second level	Accredited real estate offices in the real estate area	Reliable based on similar market analysis, verification following market research and analysis, in-person interviews, and the company's own database of deals and transactions
<b>Third</b>	They are the inputs that cannot be monitored and are given the lowest priority	---	---	---	---



## تقدير القيمة ■

Value Estimation

## Analysis of valuation assumptions data - Discounted Cash Flow Methods

### Determine the rental areas:

The rental areas of the real estate subject of the valuation were determined through the attached client data (according to the permit), and it is an area of 9745 square meters. (Client data)

### Operating and capital expenditure rate:

Operating expenses are expenses related to renting and maintaining the property, and capital expenses are expenses incurred by the owner in order to maintain it in good condition to achieve appropriate annual income. The percentage of operating expenses represents 15% - 50% for similar projects in the surrounding area, according to the size and services provided, since most of them are in single contracts. Mostly, knowing that the summary of the maintenance contracts has not been seen from the client to know the percentage that represents the current income, and most often the lease contracts include the rental value and the value of the facilities maintenance services on it, and the rate of operating and capital expenditures was assumed at 50% depending on the market, the costs include expenses for common services, cleaning and maintenance of the building, expenses for managing and monitoring security, and are estimated from the actual rental income for the fact that the property is in use.

### Discounted Cash Flow method assumptions

#### Discounted Cash Flow method assumptions

Discounted Cash Flow method assumptions			
Rental value (Client data)	11,086,455	Discount rate	11.6%
Operating and capital expenditure rate	50%	Capitalization rate	8%
Occupancy rate and credit risk	7%	Growth - after year (5) every (5) years	5%
Cash flow period (Years)	10	Beginning - end of cash flows	2033 - 2024

### Occupancy rate and credit risk:

The property is distinguished as one of the attractive properties for tenants due to its distinguished location in the city of Al-Khobar, Olaya district, and It overlooks directly on Jamal Al-Din Al-Afghani Road. The vacancy rate data from the market was analyzed to confirm the contract, as the market data shows that occupancy rates range from 5% to 25% in similar real estate that all properties are usually with one contract, and accordingly, the occupancy rate and credit risks were assumed at 20%, (Market data) vacancy rate and credit risk were deducted from (total income).

### Operational rate of return:

Analysis of the capitalization rate - the method of extracting from the market In view of the market activity and the reports of the Qaim Company for similar investments, as well as in view of the economic reports issued by some study centers and the information center of the Qaim Company for valuation, we found that the return in the region ranges from 8% to 9% and accordingly, the rate of return was assumed at a rate of 8 % There are many factors that affect the rate of return, represented in the location of the building, its age and condition, the situation of the tenants, and the degree of risk associated with repayment. The capitalization rate is affected by the demand and supply rates for the same type of real estate.

### Discount rate:

The discount rate was assumed at 11.6 % according to the cumulative model method as follows:

Cumulative Model method		
Government bond rate of return	4.6	Saudi Tadawul Fund
Inflation rate (current year average)	2.49	Saudi Central Bank
Market risk premium (recession and recovery)	2.5	According to the condition and circumstances of the market
Special risk premium (the resulting costs of the property)	2	According to the condition and circumstances of the property
Discount rate with all data above	11.60	%

### Analysis of vacancy rate , operating and capital expenditures

S/N	Location	Property type	Coordinates	Rate of Return %	Operating and Capital Expenditures %
1	Khobar	Hospitality	26°22'38.2"N 50°00'39.8"E	%8	%45
2	Dammam	Hospitality	26°28'13.1"N 50°07'28.2"E	%8	%55

## Analysis of valuation assumptions data - Discounted Cash Flow Methods

### Growth rate:

- The growth rate was reviewed by referring to the market for similar real estate and taking into account the current lease contracts according to the client's statement to be compared with the market data, taking into account the assessment of the market research centers of the banks that the increase in rental prices and recent expansions is expected to be higher than the impact of the increase in interest rates on the investments of REIT funds and the future outlook. The property is optimistic due to the high demand for this type of similar properties in the area surrounding the property, as well as taking into account the growth of similar properties and the level of internal and external finishes of the property under valuation.
- A growth rate of 5% was assumed every three years, according to the market situation, based on the interior and exterior finishes of the property, the location of the property, and supply and demand in the market.

### Growth rate depends on the below indicators:

- Property location.
- Level of internal and external finishes of the property.
- Services available in the real estate area.
- Inflation
- Supply and demand.
- Contracts similar to the real estate being evaluated.
- Lease contracts.

Hotel income analysis (based on market survey)	
<b>Total revenue</b>	
Description	
Hotel revenue distribution	Value
Rooms rent	15,366,208
Income from food and beverage sales	1,536,621
Income from other facilities	537,817
<b>Gross income</b>	<b>17,440,646</b>

Analysis of hotel revenue and operating income		
Clause	Value	Unit
Number of days in the year	365	Day
annual occupancy rate	80%	Percentage
Number of operating days per year	292	Day
Number of days for the remainder of the year	73	Day
Number of rooms and suites	92	Room
Average rental day	572	SR / guest
Rooms total income	15,366,208	SR
<b>Total annual rooms operating revenue</b>	<b>15,366,208</b>	<b>SR</b>

Room offers						
City	District	Property type	Star Rating	Area of the room - square meters	Average price of the day - SR	Coordinates
Khobar	Corniche	Hotel	4	32	560	26.315936 50.223494
Khobar	Yarmouk	Hotel	5	40	650	26.322045 50.216549
Khobar	Bandariya	Hotel	5	40	504	26.303720 50.210995
Average prices					571.33	
Average prices					572	

## Calculating the value of the property - using the Income Approach - Discounted Cash Flow method

Cash flow - Inflows		Years											
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033		
		1	2	3	4	5	6	7	8	9	10		
		0%	0%	2%	0%	0%	2%	0%	0%	2%	0%		
Income of the property according to the market													
Total income		17,440,646	17,440,646	17,789,459	17,789,459	17,789,459	18,145,248	18,145,248	18,145,248	18,508,153	18,508,153		
Total income		17,440,646	17,440,646	17,789,459	17,789,459	17,789,459	18,145,248	18,145,248	18,145,248	18,508,153	18,508,153		
Minus occupancy rate and credit risk	0%	Calculated	0%	0%	0%	0%	0%	0%	0%	0%	0%		
Annual vacancy value		0	0	0	0	0	0	0	0	0	0		
Actual total rental income		17,440,646	17,440,646	17,789,459	17,789,459	17,789,459	18,145,248	18,145,248	18,145,248	18,508,153	18,508,153		
Minus rate of operating and capital expenses	50%		8,720,323	8,720,323	8,894,729	8,894,729	8,894,729	9,072,624	9,072,624	9,072,624	9,254,077	9,254,077	
Building net operating income (NOI)			8,720,323	8,720,323	8,894,729	8,894,729	8,894,729	9,072,624	9,072,624	9,072,624	9,254,077	9,254,077	
Reversion value of the building												9,254,077	
Net cash flow			8,720,323	8,720,323	8,894,729	8,894,729	8,894,729	9,072,624	9,072,624	9,072,624	9,254,077	9,254,077	115,675,957
Discount factor			0.896	0.803	0.719	0.645	0.578	0.518	0.464	0.416	0.372	0.334	0.334
Present value of cash flow			7,813,909	7,001,711	6,399,413	5,734,241	5,138,209	4,696,213	4,208,076	3,770,677	3,446,318	3,088,098	38,601,231
<b>Net present value of the property</b>												<b>89,898,097</b>	

## Final value of the property

Based on the purpose of the valuation, the nature of the property and its characteristics, as it is a (Hotel Apartments ), valuing the property using the Income Approach (Discounted Cash Flow method) is considered the best way to estimate the price on the measurement date of 31/12/2023 AD, which was arrived at with the Income Approach as a basis for the fair value of the property being valued (After rounding) , as follows:

Price on the date of measurement in numbers (SR)	Price on the date of measurement in writing (SAR)
<b>89,898,000</b>	<b>Eighty-nine million eight hundred ninety-eight thousand</b>

**This report was approved by the Executive Director**

Ismail Muhammad al-Dubaikhi





**ملاحق** ■

**Appendix**



Documents received from the client



Deed



Deed

Documents received from the client



Building permit



Deed

Team



Ahmed Saleh Al-Attas  
Real estate - Associate  
Membership No 1220003236



Muath Abdul Rahman Al-Aoraini  
Real estate - Associate  
Membership No 1210002322



Salem Mohammed Al Fai'  
Real estate-Basic Follow  
Membership No 1210000013



Ismail Al-Dubaikhi  
Real estate-Basic Follow  
Membership No 1210000005



## General Administration

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## Sea Shore Residential Compound

Tahlia District

Al-Khobar City - Kingdom of Saudi Arabia



**Presented to :**  
**Musharaka Capital Company**

## Statement

Dear: **Musharaka Capital Company** Greetings

**Subject: Valuation report for Sea Shore Residential Compound in Al-Tahlia District - Al-Khobar City**

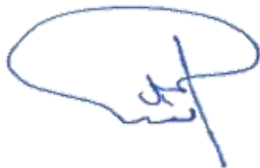
We, Qaim and his partner real estate valuation company, extend our sincere thanks and appreciation to you for choosing us and giving you your precious trust to evaluate the property located in **Al-Khobar city, Tahlia district**, according to the assignment issued by you on **09/11/2023 AD** based on the license granted to us by the Saudi Authority for Accredited Valuers, following In that is the latest version of the international valuation standards **2022 AD**, which are recognized as well as the rules and ethics of the profession in order to reach the final impartial valuation based on the actual inspection by the work team and the study of the market area surrounding the property. The fair value estimate was reached using various valuation approaches, including what each report carries, and accordingly we are pleased to We present to you the real estate valuation statement listed below.

**Based on the completed study, we attach to you the results of the price estimate on the measurement date of the property (Sea Shore Residential Compound ) and on its current status on the estimate date 31/12/2023 AD located in (Khobar) district (Tahlia), with an amount of only (136,244,000) One hundred thirty-six million two hundred forty-four thousand Saudi riyals.**

This report was approved by the Executive Director,

Ismail Mohammed Al-Dubaikhi

Under License No. / 1210000052 dated 10-10-1443 AH



With sincere gratitude...





# قيير للتقييم

## QIAM VALUATION

### Content

01	The specific assumptions and limitations of the report
02	Scope of work
03	An overview of the economy and the real estate sector in the Kingdom of Saudi Arabia
04	Site studies
05	Valuation
06	Value Estimation
07	Appendix





## ■ نطاق العمل

Scope of work

## Executive Summary

**Price estimate on the date of measurement: 136,244,000 Saudi riyals**

Property address	Property subject to Valuation	Owner of real estate
Khobar - Al-Tahlia district	Sea Shore Residential Compound	Hefdh Al-Musharaka Real Estate Company
Report issued date	Valuation date	Inspection date
21/03/2024	31/12/2023	21/11/2023
Notary Public	Purpose of the valuation	Ownership Type
Khobar	Estimating the fair value for the purpose of periodic valuation of the Musharaka REIT Fund	Absolute ownership
Assumed value	Deed date	Deed number
Present value	11/24/1438 AH	930205013309

## Scope of work Standard No. 101

Other users	Client	Valuation currency
Fund managers and investors only	Musharaka Capital Company	Saudi riyal
Report description	Value Basis	Valuation Approach
A report explaining the methodology and steps of the valuation and the results of the valuation, and includes illustrative pictures of the boundaries of the asset under valuation	Fair value	Income Approach

### Scope of the Valuer search - Standard No. 102

Gathering sufficient information through a field visit, visible inspection, and conducting analyzes. A study was conducted from sites close to the real estate site and from approved real estate offices in the real estate area, and all information was investigated and studied accurately.

### Value Basis

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (This definition is adapted from IFRS 13), paragraph 9. It is also defined in IVS 104 Basis of Value, paragraph 90, among other bases of value for valuation for purposes of inclusion in financial reports.

#### Valuation Standard followed

All work was carried out in accordance with the Accredited Valuers System and the implementing regulations related to real estate valuation issued by the Saudi Authority for Accredited Valuers (Taqeem), and the latest version of the International Valuation Standards (IVS) for the year 2022 published by the International Valuation Standards Board (IVSC)) and the professional rules recognized in the work of valuation of real estate assets, which is based on analysis, comparison and direct inspection of each property, and research as much as possible about the influences and characteristics of the property under valuation.

#### Nature and source of information

The information contained in the report was issued by official bodies, real estate offices in the targeted area, or offices specialized in research and studies, and with reference to the database of Qaim and its partner real estate valuation company.

#### Important assumptions and special assumptions

Important assumptions and special assumptions are explained on page 10.

#### Report usage restrictions

Valuation processes and reports are confidential to the directing party and to whomever they are referred to for a specific purpose, with no responsibility of any kind for any third party. This report may not be published in full or any part thereof or referred to in any document or statement or published periodically or in any medium. communicate with any third party without our prior written consent in the form and context in which they appear. It is a matter of caution and caution that the company and the valuer reserve the right to make any amendments and make any review of the valuation or support the valuation result under specific circumstances. .

## Work Stages

Meeting with the client and determining the scope of work, including the purpose of the valuation, the basis of value, the parties involved, the date of the valuation, and any special or important assumptions, including clarity of the assignment and the expected outputs from it.

Step 01



Collecting and analyzing office and field market data in order to gain knowledge of past and current market trends and market indicators that will be relied upon when applying valuation methods.

Step 03



Work on preparing the report in accordance with Standard 101 for Description of the Report and Standard 103 for Report Preparation.

Step 05



Step 02



Step 04



Previewing the property, identifying its characteristics and specifications, matching documents with reality, analyzing the location of the property and the uses surrounding the property, while defining the scope of the geographical search and the appropriate activities and projects.

Based on the scope of work and market analysis, appropriate valuation methods are determined and all assumptions and inputs are made to carry out financial calculations to reach the market value according to the chosen methods..

## ■ الفرضيات و القيود المحددة للتقرير

The specific assumptions  
and limitations of the report

## Important assumptions and special assumptions

Based on the type and characteristics of the property and the purpose of evaluation, the property was valued using the Income Approach (mainly discounted cash flow method) assuming that all market participants act in the best economic interest of the property as it achieves benefit for all market participants.

Valuation is based on the value (fair value) and that it was carried out in a major open market. Prices were inferred from field research work on plans close to the real estate site, and analysis, judgment and documentation were made.

The purpose of issuing this report is to know the fair value estimate for the purpose of (Estimating the fair value for the purpose of periodic valuation of the REIT Musharakah Fund) for the user of the report (the fund manager and investors).

Our company does not bear any responsibility for any information received from the customer, which is supposed to be safe and reliable, and our company does not acknowledge the accuracy or completeness of the available data and does not express its opinion and did not offer any kind of guarantee for the accuracy or completeness of the data except as indicated clearly in this report.

The property has been inspected outwardly and the property has not been structurally inspected, or this appraisal report is considered valid only if it bears the company's seal and the signature of the accredited residents.

No legal document was verified for the property that was evaluated or for legal issues involving ownership or mortgage, and it was assumed that the information was according to the client's statement.

The values estimated in this report are for the property under valuation, and any distribution of the value to parts of the property will not be correct, and this value should not be used for any other purposes, as it could be incorrect if used as well.

Information provided by other parties, especially with regard to planning, land ownership, renting, etc., on which all or part of this report was based, was considered reliable, but not all of it was confirmed in all cases, and no guarantee was given regarding the validity of this information, if it appears that this information is incorrect. the value contained in this report may change.

The property was evaluated in accordance with international standards 2022 AD, and the estimated value in this report is for the property under study, and in case of changing the purpose of the valuation, these values may be incorrect.

Borders and lengths according to the client's statement, and the company is not responsible for the Borders and lengths, and therefore the total area of the land is taken according to the deed, and the company is not responsible for that.

This report may not be used in whole or in part, or have references to it made without mentioning Qiam and its partner real estate valuation company. It may also not be published in any way without the company's prior written consent, in the form and content in which it appears.

The fund manager must provide accredited evaluators in an accurate, clear and non-misleading manner with any documents or information related to the real estate assets of the fund to be evaluated, including but not limited to: related contracts, engineering reports, construction commissions and any information that would enable the accredited evaluator to prepare his report in accordance with to the statutory provisions and approved standards.





QIAM VALUATION  
REAL ESTATE VALUATION REPORT

## ■ الإمتثال للمعايير و أعمال البحث و الإستقصاء

Compliance with Standards ,Research and  
Inquiry

## Standard 102: Compliance with Standards and Research and Inquiry

This valuation work was carried out in accordance with the principle of Standard 102 of compliance with the standards, research and survey work, in the following items:

- The basis of the value (fair value) is commensurate with the purpose of evaluation (estimating the fair value for the purpose of periodic evaluation of the Musharaka REIT Fund).
- Gathering evidence through field visits at the time of inspecting the property with the inquiries raised at the time of the evaluation of some accredited offices in the area of the property.
- Evidence from field visits was collected and analysis and computational procedures performed to ensure that evaluation work was adequately supported.
- The data cited was judged to ensure the adequacy of all such information obtained to ensure that it is sufficient for the purpose of the evaluation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all evaluation inputs mentioned in the report.
- Reliability of the information provided by the real estate offices in the real estate area has been confirmed, and they are accredited and licensed offices in the real estate area.

## Judging the reliability of the information provided and taken into the report

Provider	Data and information	Verdict	Judgment reasons
Client	Deed	Trusted	Deed has been verified - Real Estate Market
	Building permit	Trusted	Construction Permit Validated - Balady platform.
	Lease contracts	Trusted	A sample of contracts was reviewed (not all contracts were viewed) - the valuation was made after studying the market
Market	Commercial meter prices	Trusted	Based on the market survey - direct interviews - accredited offices in the real estate area - internal company data
	Practical experience of real estate offices	Trusted	Certified by official records in the real estate area
	Source independence	Trusted	A source independent and external to the asset being valued

## Compliance with Standards and Research and Inquiry

03

In the event that there are restrictions on the research and investigation carried out by the evaluator that do not enable him to adequately value the inputs and assumptions, which are clarified in the special assumptions

02

Carry out calculations and perform analyzes by gathering sufficient evidence by the following means, such as: field visit, inspection, inquiries and ensuring that evaluation work is appropriately reinforced and professional judgment facility to ensure that the information obtained is sufficient and that it fulfills the purpose of the evaluation

01

The research and investigations undertaken in the context of the valuation mission are appropriate to the valuation purpose and value basis

06

Record the valuation purpose, basis of value, and scope And the limits of research and survey, and the sources of information that reliable in the scope of work, which must Communicating it to all parties to the evaluation task

05

Consider the credibility and reliability of the information provided  
The following matters were taken into consideration:  
The purpose of the valuation  
The relevance of the information to the outcome of the valuation  
The source practical experience in relation to the subject matter of the valuation  
Is the source independent of the asset being evaluated or the beneficiary of it?

04

Taking into account the reliability of the information so that the evaluation results do not appear, and the inputs provided to the valuer (and) from the client or his representative) were considered.

## Regulatory framework on the International Valuation Standards (IVS 2022)

General Standards - Criterion 101  
Scope of Work Paragraph 20:  
Emphasizing that the valuation will be prepared in accordance with international valuation standards and that the valuer will assess the appropriateness of all important inputs: Deviations from international evaluation standards and their nature must be mentioned

60.3 Some professional appraisal institutions or regulations allow procedures that deviate from the International Appraisal Standards and in such circumstances, except as described in paragraphs 60.1 and 60.2, the resulting valuation will not be in compliance with the Standards.

General framework: the generally accepted valuation principles and the concepts that should be followed when applying these standards with regard to objectivity, discretionary judgment, efficiency, and the possibility of deviating from the standards, Paragraph (60.1-60.2). requirements mentioned in the reports

### Note:

Real estate valuations performed in order to prepare financial reports are regarded as situations of systematic deviation from international valuation norms in order to satisfy certain criteria for the purpose of the relevant valuation.

## Real estate and investment properties in the preparation of financial reports

### Clarifying the difference between real estate and investment properties in the financial statements

#### Investment properties in the financial statements

IAS 40 defines investment property as any property (land or a building - or part of a building - or both) held (by the owner or by the lessee as a right-of-use asset) to earn rental income or To grow the capital or for both, and not:

- For use in producing, supplying goods, providing services, or for administrative or
- To sell it in the ordinary course of business

#### Real estates included in the term of real estate, machinery and equipment in the financial statements

The International Accounting Standard No. 16 “property, plant and equipment” IFRS16 defines as the tangible items that:

- It is kept for use in the production or supply of goods or services, or it is kept for rent to others (except for investment real estate) or for use in administrative purposes.
- It is expected to be used during more than one period



## ■ نظرة عامة على الإقتصاد والقطاع العقاري بالمملكة العربية السعودية

An overview of the economy and  
the real estate sector in the  
Kingdom of Saudi Arabia

## Executive Summary - Saudi Real Estate Market

**Performance of the Saudi real estate market:** The Saudi gross domestic product grew by 8.6% during the third quarter of 2022. It is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7% and 2.3% during the years 2023 and 2024, respectively. According to the World Bank, the main driver of the post-pandemic recovery was the increase in demand for tourism and the increase in government spending on infrastructure projects such as the expansion of Riyadh Airport, among others. It is expected that such projects will lead to an increase in demand for real estate with excellent locations, especially offices and logistical facilities from Category A. At the same time, changing customer choices in the hospitality, lodging and retail sectors have prompted developers to reimagine hotel, residence and leisure components within their master development plans.

**Residential real estate:** Sales prices of villas and apartments increased during the first nine months of 2022 compared to 2021, with the continued strong demand for apartments by the citizens of the Kingdom.

**Retail:** The Economist's Economic Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional commercial centers and major regional commercial centers decreased during the months the first nine of the year.

**Hospitality:** Both the average daily rate and the occupancy rate witnessed an improvement from last year due to the recovery witnessed in the market in general, driven by the lifting of restrictions that were imposed on travel and the speedy procedures for issuing tourism visas. The first three months of the year recorded the strongest performance in terms of occupancy rate in Riyadh Which reached 76% in March. As for Jeddah hotels, they recorded the highest occupancy rate in May, when occupancy reached 59%.

**Offices:** Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this has led to continued strong demand for Class A properties during 2022.

### Industrial and logistic real estate

Rents have remained relatively stable for Class A properties due to limited international grade warehouses and increased demand from logistics companies.



## Saudi Arabia Office Market

Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this led to continued strong demand for Class A properties during 2022 AD.

## 2022 Performance Review

Offered offices in the main markets such as Riyadh, Jeddah, and the metropolis of Dammam amounted to 5.2 million square meters, 1.3 million square meters, and 1.3 million square meters, respectively, as of September 2022 AD. Notable additions to the market during 2022 included the headquarters of the Saudi British Bank On King Fahd Street, King Abdulaziz City for Science and Technology, and the government departments complex in Riyadh, in addition to the offices of the Saudi Airlines cargo building in Jeddah. The Saudi gross domestic product grew by 8.6% during the third quarter of 2022, and it is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7 and 2.3% during the years 2023 and 2024, respectively, according to the World Bank, and it was the main driver. The recovery in the post-pandemic office sector is due to the increase in government spending on infrastructure projects, such as the expansion of Riyadh Airport, among others. The demand for Class A real estate in Riyadh also remained strong as a result of the government's focus on developing the city to be a regional hub for international companies. As for Jeddah and Metropolitan Dammam The offered of Class A properties mainly focuses on government offices and public sector entities, and owners are now offering incentives such as free periods and smaller, fully-equipped units to attract a wider range of tenants. Lease periods usually correspond to unit size, as larger units are rented for longer periods. Between six and nine years.

## Saudi Arabia retail market

Economist Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional and major commercial centers decreased during the first nine months of the year.

## 2022 performance review

It is expected that the bulk of the retail projects that will be completed will be in the category of major regional commercial centers, which indicates that the market is sufficient for this category of mega projects. Visitors in an increasingly competitive market.

Retail rents witnessed some decline during the past twelve months at the level of the Kingdom, as the average rent decreased in regional commercial centers and major regional commercial centers, and the distinctive shopping centers in the Kingdom were able to maintain occupancy rates during the year 2022 AD, as lifestyle stores specifically recorded an increase in The number of visitors after lifting the ban that was imposed during the pandemic.

## Eastern region market

The Eastern Province in the Kingdom of Saudi Arabia has witnessed a great growth in the residential complexes sector and the real estate sector in the past few years, as it includes many major cities such as Dammam, Khobar, Dhahran and Jubail. This sector is characterized by the availability of many large and luxurious residential projects that enjoy modern designs and modern facilities, making it a destination Ideal for investors and buyers looking for luxury properties.

The real estate sector in the Eastern Province is famous for its diversity and availability of residential, commercial and industrial projects, which in turn is characterized by the availability of many vital facilities such as hospitals, schools, commercial and entertainment centers, making it an ideal destination for living and working. The Eastern Province is also witnessing a great growth in real estate tourism, as many luxury hotel projects and hotel apartments are available, making it an ideal destination for tourists looking for comfort and distinction. The interest in luxury real estate and modern residential complexes is increasing in the Kingdom of Saudi Arabia. We also note that the prices of residential complexes in the eastern region have witnessed an increase in recent times. This increase is attributed to several factors, including:

1. High demand: The eastern region is witnessing an increase in demand for luxury residential compounds due to the economic growth and urban development in the region. This higher demand leads to an increase in prices.
2. Limited Supply: There is a limited supply of luxury residential compounds in the Eastern Province, which makes them less available and increases their value.
3. High costs: The construction of luxury residential complexes requires large investments in design, construction, equipment and services, which leads to an increase in costs and thus an increase in prices.
4. External factors: External factors such as rising prices of raw materials, technology and labor can affect the prices of residential complexes in the Eastern Province.

As for the average prices, it varies according to the location, size, specifications and available services. However, residential compounds in the Eastern Province can be divided into three categories, with prices ranging as follows:

1. Mid-range residential compounds: The prices of residential units in these groups range between 1.5 million Saudi riyals and 3.5 million Saudi riyals, and these groups include projects such as Bloom in Al-Khobar and The Harvest in Dhahran.
2. Luxury residential complexes: The prices of residential units in these groups range between 3.5 million Saudi riyals and 7 million Saudi riyals, and these groups include projects such as Rosewood in Al Khobar and Falcon in Dhahran.
3. Ultra-luxury residential complexes: The prices of residential units in these groups range between 7 million Saudi riyals and 10 million Saudi riyals, and these groups include projects such as The Ritz-Carlton in Al-Khobar and Fayrouz Al-Jazeera in Dhahran.



## دراسات الموقع ■

Site Studies

## Real estate data and Services available in the real estate area

### Real Estate Data

City	Khobar	Neighborhood	Al-Tahlia
Street	Street width 20 m	Property type	Commercial residential compound
No. land plan	2/338	Plot number	N.A.
Area	38103 square meters	Land use according to regulations	Commercial

### Services and facilities available in the real estate area

Electricity network	Telephone network	Water network	Sewerage network
✓	✓	✓	✓
Water drainage network	Mosque	Dispensary	Garden
✓	✓	✓	✓
Public markets	Civil defense	Police station	Hospital
✓	✓	✓	✓
Hotels	Petrol station	Schools	Governmental services and centers
✓	✓	✓	✗

## Factors affecting the property

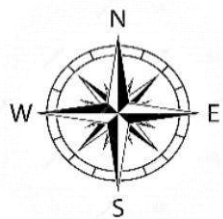
Impact element	Impact determinants	Description
Area overview	Importance of the area	located in the city of Khobar, in Al-Tahlia district
Natural factors (environmental)	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is in the center of Al-Khobar
	Infrastructure	Completed
	Municipal equipment	Completed
	Land properties	Regular shape
Building Regulations	Land use	Commercial Residential
	Building ratio - number of floors	various
Economic factors	Supply and demand	High
	Land prices	High
Legal factors	Deficit and trespassing on the property	N.A.

## Property description

- The building area was determined based on the **(Permit)**.
- The actual age of the property has been determined at **(6.5) years**, and the default age of the property is **40 years**.
- The state of the property on the date of valuation **(31/12/2023)**.
- When examining the property, it became clear to us that it is a **(Commercial residential compound)**. Detailed as below:

Built-up area data from the permit		
Building components	Area m2	Use
Ground	8,278.16	Parking
First floor	10,179.08	Residential
Ground	1,160.27	Residential
First floor	1,160.27	Residential
Ground	103.30	Electricity Room
Ground	531.00	Services
Ground	148.50	Residential
Ground	47.85	Residential
Ground	378.70	Office
Ground	125.00	Services
First floor	125.00	Services
Basement	892.60	Basement
Ground	926.90	Residential
Basement	216.50	Basement
Fence with extenders	556.64	Services

## Property location



Property is located in: **Khobar**

Neighborhood: **Al-Tahlia**

Street: **Street width 20 m**

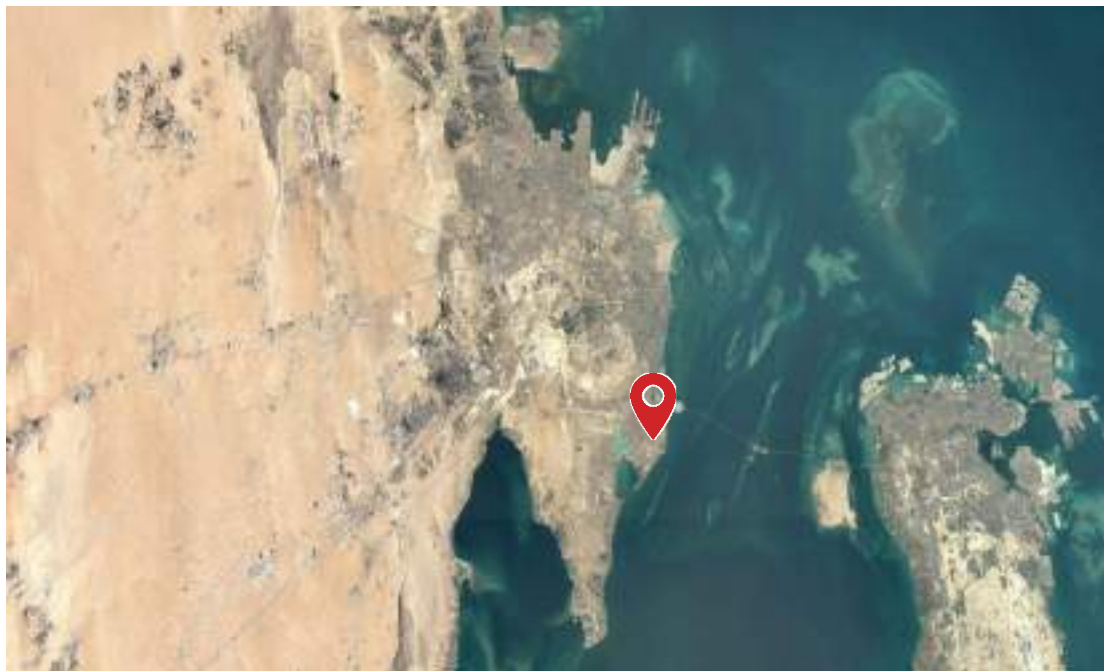
Location coordinates

N :

26.166721

E :

50.196220

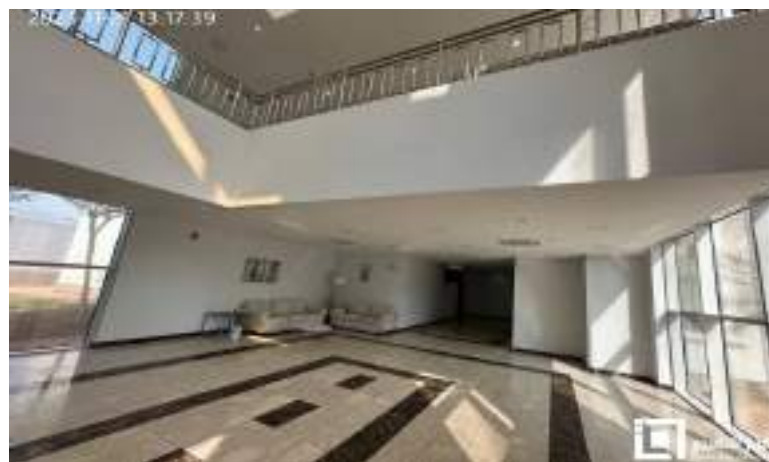




Photographic survey of the building and its components (1/2)



## Photographic survey of the building and its components (2/2)



## Ownership documents

### Title deed information

Ownership Type	Deed date	Deed number	Owner name
Ownership 100%	11/24/1438 AH	930205013309	Hefdh Al-Musharaka Real Estate Company

### Neighborhood name - plot number - plan number - land area:

Neighborhood name	Plot number	Plan number	Land area
Al-Tahlia	23+22	2/41	38103 m2

### Borders and lengths:

Borders and lengths:							
Northen border	Border length	Southern border	Border length	Eastern border	Border length	Western border	Border length
Street width 20 m	197.43 m	Unplanned owned land	192.43 m	Street width 15 m	200 m	Street width 15 m	200 m





QIAM VALUATION  
REAL ESTATE VALUATION REPORT



Valuation

التقييم ■

## Valuation Approaches



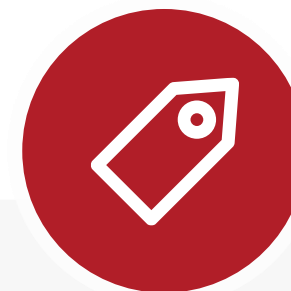
### Market Approach ❖

The market method provides an indication of value by comparing the asset with identical or comparable (similar) assets for which price information is available.



### Income Approach ❖

The income method provides an indication of value by converting future cash flows into one current value. According to this method, the value of the asset is determined by reference to the value of the revenue and cash flows generated by the asset or the costs it provides.



### Cost Approach ❖

The cost method provides an indication of value using the economic principle that states that the buyer will not pay an asset more than the cost of obtaining an asset of similar benefit, whether through purchase or construction unless there are time, disturbance, risk, or other related factors. The method provides an indication of value by calculating the current cost of transferring or reproducing the asset, and then discounting the physical wear and tear of all other obsolescence's.

## Market Approach-Standard No. 105

It is an approach of estimating the value of a real estate or real estate property based on the market comparison between the property being evaluated and similar properties in the same area that were recently sold. The value indicator of the property being valued is derived by applying appropriate comparison units and making adjustments and adjustments to the selling prices of similar properties based on the comparative elements.

### The market approach should be applied and afforded significant weight under the following circumstances:

- ❖ The subject asset has recently been sold in a transaction appropriate for consideration under the basis of value
- ❖ The subject asset or substantially similar assets are actively publicly traded.
- ❖ There are frequent and/or recent observable transactions in substantially similar assets.

### The key steps in the comparable transactions method are:

- ❖ Define the units of comparison used by relevant market participants.
- ❖ Determine the relevant comparative transactions and calculate the main evaluation criteria for these transactions.
- ❖ Conduct consistent comparative analysis of the qualitative and quantitative similarities and differences between the comparable assets and the subject asset.
- ❖ Make the necessary adjustments, if any, to the evaluation scales to reflect the differences between the subject of evaluation and the comparative assets.
- ❖ Applying the revised valuation criteria to the subject asset.
- ❖ Value indicators are reconciled if more than one evaluation scale is used.

## Cost Approach - Standard No. 105

It is a valuation method that calculates the capital or market value of a property by adding the value of the real estate's land with the value of the buildings erected on the site.

### Cost Approach should be applied and afforded significant weight under the following circumstances:

- ❖ Participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
- ❖ The asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or
- ❖ The basis of value being used is fundamentally based on replacement cost, such as replacement value

### Used methods of Cost Approach :

- a. **Replacement cost method:** A method of arriving at value by calculating the cost of a similar asset

### Method of estimating the value of buildings using the straight line method

- The straight-line method: the straight-line method is calculated by the formula (current age of the building / Lifespan) \* 100.



## Income Approach-Standard No. 105

Income Approach provides an indication of value by converting future cash flows into a single present value. Under this approach, the value of an asset is determined by reference to the value of the revenue and cash flows that the asset generates or the costs it provides.

### **Income Approach should be applied and given priority or significant weight in the following cases:**

- A. When the ability of the asset to generate income is the primary factor that affects the value from the point of view of market participants.
- B. Reasonable expectations are available for the amount and timing of future revenue for the assessed asset but few, if any, relevant market comparisons.

### **Income Approach Methods:**

Although there are many ways to apply the income method, the methods used under the income method depend largely on discounting the amounts of future cash flows to a present value, which are various applications in using the discounted cash flow (DCF) method and the concepts below apply in part or all of the methods of the income method.

#### **Discounted Cash Flow method (DCF)**

It is a financial method for estimating the value of a financial or real asset. The value index is derived by calculating the present value of future cash flows. The discounted cash flow method is applied to evaluate a property or real estate that generates income based on the expectation of future income for the property under valuation. The value index of the property is derived through Calculating the present value of net operating income or the expected net rental value of the property.

#### **Direct Capitalization Method:**

The direct capitalization method is applied in the event that the net rental value of the property under valuation is fixed and equal in perpetuity.

#### **Residual value method:**

The residual value method is a method of evaluating properties that can be valued by identifying the most appropriate development of the site and property and then predicting the value of such development after it is completed.

## Analyzing the used valuation approaches and methods - Fair value hierarchy

### Used valuation methods

Valuation Approaches	Market Approach	Cost Approach	Income Approach
Used approach	-----	-----	<b>Mainly used</b>
Used valuation methods	-----	-----	Discounted Cash Flow method
Reasons for use / not use	-----	-----	The fact that the property is income-generating

### Hierarchy:

The fair value hierarchy categorizes the inputs to the valuation techniques used to measure fair value at the measurement date into three levels, as follows:

Level	clarification	input statement	classification	Source	Judgment and documentation
<b>First</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be reached at the measurement date and are given priority.	---	---	---	---
<b>Second</b>	They are the inputs other than the published prices within the first level that can be monitored for the asset or liability, either directly or indirectly	Commercial and commercial residential offers in the real estate area	It is classified under the second level	Accredited real estate offices in the real estate area	Reliable based on similar market analysis, verification following market research and analysis, in-person interviews, and the company's own database of deals and transactions
<b>Third</b>	They are the inputs that cannot be monitored and are given the lowest priority	---	---	---	---



تقدير القيمة ■

Value Estimation

## Analysis of valuation assumptions data - Discounted Cash Flow Methods

### Determine the rental areas:

The rental areas of the real estate subject of the valuation were determined through the attached customer data (according to the permit), and it is an area of 24829.77 square meters.

### Operating and capital expenditure rate:

Operating expenses are the expenses related to renting and maintaining the property, and capital expenses are the expenses incurred by the owner in order to maintain it in good condition to achieve the appropriate annual income. The percentage of operating expenses is 5% - 20% for similar projects in the surrounding area according to the size and services provided, knowing that we have not seen On the summary of the maintenance contracts submitted by the client to find out the percentage that represents the current income, and most often the lease contracts include the rental value and the value of maintenance services for the facilities on it, and the rate of operating and capital expenditures was assumed at 15% according to the market only, as we find that operating expenses are paid by the owner of the property for maintenance and include costs Expenses for common services, cleaning and maintenance of the building, and expenses for managing and monitoring security, and are estimated from the actual rental income because the property is in use.

### Discounted Cash Flow method assumptions

Discounted Cash Flow method assumptions			
Rental value (Client data)	4,758,463	Discount rate	10%
Operating and capital expenditure rate	15%	Capitalization rate	8%
Occupancy rate and credit risk	63%	Growth - every (3) years	5%
Cash flow period (Years)	10	Beginning - end of cash flows	2033 - 2024

### Occupancy rate and credit risk:

The property is distinguished as one of the attractive properties for tenants due to its distinguished location in the city of Al-Khobar, Tahlia district, which is directly overlooking the road of a 20 m wide street. The vacancy rate data from the market was analyzed to confirm the contract, as the market data shows that occupancy rates range from 0% to 15% in similar real estate that all properties are usually with one contract, and accordingly, the occupancy rate and credit risks were assumed at 10%, according to the market.

### Operational rate of return:

Analysis of the capitalization rate - the method of extracting from the market In view of the market activity and the reports of the Qaim Company for similar investments, as well as in view of the economic reports issued by some study centers and the information center of the Qaim Company for valuation, we found that the return in the region ranges from 7% to 8% and accordingly, the rate of return was assumed at a rate of 8 % There are many factors that affect the rate of return, represented in the location of the building, its age and condition, the situation of the tenants, and the degree of risk associated with repayment. The capitalization rate is affected by the demand and supply rates for the same type of real estate.

### Discount rate:

The discount rate was assumed at 10% according to the Cumulative Model method as follows:

Cumulative Model method		
Government bond rate of return	4.6	Saudi Tadawul Fund
Inflation rate (current year average)	2.49	Saudi Central Bank
Market risk premium (recession and recovery)	1.25	According to the condition and circumstances of the market
Special risk premium (the resulting costs of the property)	1.25	According to the condition and circumstances of the property
Discount rate with all data above	10%	%

## Price analysis from the market - Average rent for residential units in the area

City	District	Compound name	Property type	Components	Furnishing	Services	Area m2	Rental price - SR	Offer/Execute	Contact No	Coordinates
Khobar	Qurtobah	Canary Village	Villa	Three bedrooms + living + two bathrooms + hall + kitchen + room	Fully furnished and renovated	All inclusive	200	145000	Executed	138590895	26.349052 50.187452
Khobar	Qurtobah	Canary Village	Villa	Three bedrooms + living + two bathrooms + hall + kitchen + room	Not fully furnished	All inclusive	200	135000	Offered	138590895	26.348411 50.187373
Khobar	Qurtobah	Euro Village	Villa	3 bedrooms + living + 2 bathrooms + hall + kitchen + room	Fully furnished and renovated	All inclusive	240	220000	Offered	138579780	26.336926 50.185265
Khobar	Qurtobah	Euro Village	Villa	1 bedrooms + living + 2 bathrooms + hall + kitchen	Fully furnished and renovated	All inclusive	115	140000	Offered	138579780	26.337953 50.185315
Khobar	Al-Rawaby	Al Rawabi Pearl	apts	3 bedrooms + hall + 4 toilets + maid's room + kitchen + majlis	Furnished	All inclusive	180	85000	Offered	138579780	26.336926 50.185265
Khobar	Al-Rawaby	Al Rawabi Pearl	apts	3 bedrooms + hall + two bathrooms + maid's room + kitchen	Not furnished	All inclusive	140	80000	Offered	138579780	26.337953 50.185315
Khobar	Qurtobah	Canary Village	apts	2 bedrooms	Not furnished	All inclusive	110	120000	Offered	138590895	26.349569 50.187456
Khobar	Qurtobah	Canary Village	apts	1 bedrooms	Not furnished	All inclusive	70	85000	Offered	138590895	26.34584 50.187518
Khobar	Al-Jawhara	Al-Rashid Village	Villa	3 bedrooms + living room + 2 bathrooms + hall + kitchen + room	Furnished	All inclusive	200	230000	Offered	138873678	26.331632 50.191793
Khobar	Al-Jawhara	Al-Rashid Village	Villa	2 bedrooms + living room + 2 bathrooms + hall + kitchen + room	Furnished	All inclusive	200	180000	Offered	138873678	26.331516 50.191336

Comparative real estate - 3 bedrooms - Residential villas		
Comparison factors	Comparative 1	Comparative 2
Unit area (m2)	200	200
Ease of access	High	High
Property location	High	High
Finishing level	High	High
Use	Residential villa	Residential villa
Apartment Components	3 bedrooms	3 bedrooms
Average Rent (SR)	230,000	145,000
Comparative condition	Offered	Offered
Location	26.331632 50.191793	26.349052 50.187452
Date	2023	2023

Comparative real estate - 2 bedrooms - Residential units		
Comparison factors	Comparative 1	Comparative 2
Unit area (m2)	110	200
Ease of access	High	High
Property location	High	High
Finishing level	High	High
Use	Residential unit	Residential villa
Apartment Components	2 bedrooms	2 bedrooms
Average Rent (SR)	120,000	180,000
Comparative condition	Offered	Offered
Location	26.349569 50.187456	26.331516 50.191336
Date	2023	2023

## Estimated average villa rent - relative control - Market Approach

Valuation by Market Approach - Method of Comparison to Sales of Similar Units					
Clause		Comparative real estate			
Adjustments factors	Property under valuation	Comparative 1		Comparative 2	
		Value	Adjustment	Value	Adjustment
Average unit rent	***		230,000		145,000
Condition	***	Offered		Offered	
Date of valuation/offer	2023	2023		2023	
Market conditions	***	-20%	- 46,000	-20%	- 29,000
Financing terms	***	0%	0%	0%	0%
Market conditions value	***		(46,000.00)		(29,000.00)
Value after initial adjustments	***		184,000		116,000
Unit area m 2, according to the region	150	200	-10%	200	-10%
Ease of access	High	High	0%	High	0%
Property location	High	High	0%	High	0%
Finishing level	High	High	0%	High	0%
Apartment Components	3 bedrooms	3 bedrooms	0%	3 bedrooms	0%
Use	Residential villa	Residential villa	0%	Residential villa	0%
Total			-10.00%		-10.00%
Adjustment value per square meter			18,400-		11,600-
Final meter value after Adjustment			165,600		104,400
Weighted average			50%		50%
Net Average Unit Rent Value (SAR/SQM)					135,000
Net Average Unit Rent Value (SAR/SQM)					135,000

## Estimated average apartment rent - relative control - Market Approach

### Valuation by Market Approach - Method of Comparison to Sales of Similar Units

Clause		Comparative real estate			
Adjustments factors	Property under valuation	Comparative 1		Comparative 2	
		Value	Adjustment	Value	Adjustment
Average unit rent	***		120,000		180,000
Condition	***	Offered		Offered	
Date of valuation/offer	4/5/2023		4/5/2023		4/5/2023
Market conditions	***	-20%	-2400000%	-20%	- 36,000
Financing terms	***	0%	0%	0%	0%
Market conditions value	***		(24,000.00)		(36,000.00)
Value after initial adjustments	***		96,000		144,000
Unit area m 2, according to the region	100	110	0%	200	-10%
Ease of access	High	High	0%	High	0%
Property location	High	High	0%	High	0%
Finishing level	High	High	0%	High	0%
Apartment Components	2 bedrooms	2 bedrooms	0%	2 bedrooms	0%
Use	Apartment	Apartment	0%	Apartment	0%
Total			0.00%		-10.00%
Adjustment value per square meter			-		14,400-
Final meter value after Adjustment			96,000		129,600
Weighted average			50%		50%
Net Average Unit Rent Value (SAR/SQM)					112,800
Net Average Unit Rent Value (SAR/SQM)					112,800



## Annual income of the property

Analysis of units (apartments) by market		
Clause	Value	Unit
Number of days in the year	365	Day
Number of units	112	Unit
<b>Residential Villas</b>		
Average villa price	135,000	SR/Unit
Number of units	76	Unit
Total units revenue	10,260,000	SR
<b>Apartments</b>		
Average unit rent price	112,800	SR/Unit
Number of units	36	Unit
Total units revenue	4,060,800	SR
Total revenue income after operating expenses	4,060,800	SR
<b>Actual total annual income by market</b>		
Actual total annual income	14,320,800	SR
Total annual effective income after deducting capital expenditures	14,320,800	SR
Actual total annual income after rounding	14,320,800	SR

## Calculating the value of the property - Using the Income Approach - Discounted Cash Flow method

Cash flow - Inflows		Years										
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
		1	2	3	4	5	6	7	8	9	10	
Expected growth value		0%	0%	5%	0%	0%	5%	0%	0%	5%	0%	
Income of the property according to the market												
<b>14,320,800</b>		14,320,800	14,320,800	15,036,840	15,036,840	15,036,840	15,788,682	15,788,682	15,788,682	16,578,116	16,578,116	
		14,320,800	14,320,800	15,036,840	15,036,840	15,036,840	15,788,682	15,788,682	15,788,682	16,578,116	16,578,116	
<b>Minus occupancy rate and credit risk</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	
<b>Annual vacancy value</b>		1,432,080	1,432,080	1,503,684	1,503,684	1,503,684	1,578,868	1,578,868	1,578,868	1,657,812	1,657,812	
<b>Actual total rental income</b>		12,888,720	12,888,720	13,533,156	13,533,156	13,533,156	14,209,814	14,209,814	14,209,814	14,920,304	14,920,304	
<b>Minus rate of operating and capital expenses</b>	<b>15%</b>	<b>1,933,308</b>	<b>1,933,308</b>	<b>2,029,973</b>	<b>2,029,973</b>	<b>2,029,973</b>	<b>2,131,472</b>	<b>2,131,472</b>	<b>2,131,472</b>	<b>2,238,046</b>	<b>2,238,046</b>	
<b>Building net operating income (NOI)</b>		10,955,412	10,955,412	11,503,183	11,503,183	11,503,183	12,078,342	12,078,342	12,078,342	12,682,259	12,682,259	
Reversion value of the building												
<b>Net cash flow</b>		10,955,412	10,955,412	11,503,183	11,503,183	11,503,183	12,078,342	12,078,342	12,078,342	12,682,259	12,682,259	158,528,235
<b>Discount factor</b>		0.912	0.832	0.760	0.693	0.632	0.577	0.526	0.480	0.438	0.400	0.400
<b>Present value of cash flow</b>		9,995,814	9,120,268	8,737,483	7,972,156	7,273,865	6,968,575	6,358,189	5,801,267	5,557,783	5,070,970	63,387,129
<b>Net present value of the property</b>												<b>136,243,501</b>

## Final value of the property

Based on the purpose of the valuation, the nature of the property and its characteristics, as it is a (Residential Compound), valuing the property using the Income Approach (Discounted Cash Flow method) is considered the best way to estimate the price on the measurement date of 31/12/2023 AD, which was arrived at with the Income Approach as a basis for the fair value of the property being valued (After rounding) , as follows:

Price on the date of measurement in numbers (SR)	Price on the date of measurement in writing (SAR)
136,244,000	One hundred thirty-six million two hundred forty-four thousand

**This report was approved by the Executive Director**

Ismail Muhammad al-Dubaikhi





ملاحق ■

**Appendix**

Documents received from the client



Deed

Documents received from the client



Building permit



Building permit

Team



Ahmed Saleh Al-Attas  
Real estate - Associate  
Membership No 1220003236



Muath Abdul Rahman Al-Aoraini  
Real estate - Associate  
Membership No 1210002322



Salem Mohammed Al Fai'  
Real estate-Basic Follow  
Membership No 1210000013



Ismail Al-Dubaikhi  
Real estate-Basic Follow  
Membership No 1210000005





## General Administration

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## The Pearl Residential Compound

Al-Rakah District  
Al-Khobar City - Kingdom of Saudi Arabia



**Presented to :**  
**Musharaka Capital Company**

## Statement

**Dear: Musharaka Capital Company      Greetings**

**Subject: Valuation report for Pearl Residential Compound in Al-Rakah district - Al-Khobar city**

We, Qaim and his partner real estate valuation company, extend our sincere thanks and appreciation to you for choosing us and giving you your precious trust to evaluate the property located in **Al-Khobar city, Al-Rakah district**, according to the assignment issued by you on **09/11/2023 AD** based on the license granted to us by the Saudi Authority for Accredited Valuers, following In that is the latest version of the international valuation standards **2022 AD**, which are recognized as well as the rules and ethics of the profession in order to reach the final impartial valuation based on the actual inspection by the work team and the study of the market area surrounding the property. The fair value estimate was reached using various valuation approaches, including what each report carries, and accordingly we are pleased to We present to you the real estate valuation statement listed below.

**Based on the completed study, we attach to you the results of the price estimate on the measurement date of the property (Pearl Residential Compound) and on its current status on the estimate date 31/12/2023 AD located in (Khobar) district (Al-Rakah), with an amount of only (343,335,000) Three hundred forty-three million three hundred thirty-five thousand Saudi riyals.**

This report was approved by the Executive Director,

Ismail Mohammed Al-Dubaikhi

Under License No. / 1210000052 dated 10-10-1443 AH



**With sincere gratitude...**



# قيير للتقييم

## QIAM VALUATION

### Content

01	The specific assumptions and limitations of the report
02	Scope of work
03	An overview of the economy and the real estate sector in the Kingdom of Saudi Arabia
04	Site studies
05	Valuation
06	Value Estimation
07	Appendix



## ■ نطاق العمل

Scope of work

## Executive Summary

**Price estimate on the date of measurement: 343,335,000 Saudi riyals**

Property address	Property subject to Valuation	Owner of real estate
Khobar - Al-Rakah district	Pearl Residential Compound	Hefdh Al-Musharaka Real Estate Company
Report issued date	Valuation date	Inspection date
21/03/2024	31/12/2023	20/11/2023
Notary Public	Purpose of the valuation	Ownership Type
Khobar	Estimating the fair value for the purpose of periodic valuation of the Musharaka REIT Fund	Absolute ownership
Assumed value	Deed date	Deed number
Present value	11/24/1438 AH	430205013306

## Scope of work Standard No. 101

Other users	Client	Valuation currency
Fund managers and investors only	Musharaka Capital Company	Saudi riyal
Report description	Value Basis	Valuation Approach
A report explaining the methodology and steps of the valuation and the results of the valuation, and includes illustrative pictures of the boundaries of the asset under valuation	Fair value	Income Approach

## Scope of the Valuer search - Standard No. 102

Gathering sufficient information through a field visit, visible inspection, and conducting analyzes. A study was conducted from sites close to the real estate site and from approved real estate offices in the real estate area, and all information was investigated and studied accurately.

## Value Basis

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (This definition is adapted from IFRS 13), paragraph 9. It is also defined in IVS 104 Basis of Value, paragraph 90, among other bases of value for valuation for purposes of inclusion in financial reports.



#### Valuation Standard followed

All work was carried out in accordance with the Accredited Valuers System and the implementing regulations related to real estate valuation issued by the Saudi Authority for Accredited Valuers (Taqeem), and the latest version of the International Valuation Standards (IVS) for the year 2022 published by the International Valuation Standards Board (IVSC)) and the professional rules recognized in the work of valuation of real estate assets, which is based on analysis, comparison and direct inspection of each property, and research as much as possible about the influences and characteristics of the property under valuation.

#### Nature and source of information

The information contained in the report was issued by official bodies, real estate offices in the targeted area, or offices specialized in research and studies, and with reference to the database of Qaim and its partner real estate valuation company.

#### Important assumptions and special assumptions

Important assumptions and special assumptions are explained on page 10.

#### Report usage restrictions

Valuation processes and reports are confidential to the directing party and to whomever they are referred to for a specific purpose, with no responsibility of any kind for any third party. This report may not be published in full or any part thereof or referred to in any document or statement or published periodically or in any medium. communicate with any third party without our prior written consent in the form and context in which they appear. It is a matter of caution and caution that the company and the valuer reserve the right to make any amendments and make any review of the valuation or support the valuation result under specific circumstances. .

## Work Stages

Meeting with the client and determining the scope of work, including the purpose of the valuation, the basis of value, the parties involved, the date of the valuation, and any special or important assumptions, including clarity of the assignment and the expected outputs from it.

Step 01



Collecting and analyzing office and field market data in order to gain knowledge of past and current market trends and market indicators that will be relied upon when applying valuation methods.

Step 03



Work on preparing the report in accordance with Standard 101 for Description of the Report and Standard 103 for Report Preparation.

Step 05



Step 02



Step 04



Previewing the property, identifying its characteristics and specifications, matching documents with reality, analyzing the location of the property and the uses surrounding the property, while defining the scope of the geographical search and the appropriate activities and projects.

Based on the scope of work and market analysis, appropriate valuation methods are determined and all assumptions and inputs are made to carry out financial calculations to reach the market value according to the chosen methods..

## ■ الفرضيات و القيود المحددة للتقرير

The specific assumptions  
and limitations of the report

## Important assumptions and special assumptions

Based on the type and characteristics of the property and the purpose of evaluation, the property was valued using the Income Approach (mainly discounted cash flow method) assuming that all market participants act in the best economic interest of the property as it achieves benefit for all market participants.

■ Valuation is based on the value (fair value) and that it was carried out in a major open market. Prices were inferred from field research work on plans close to the real estate site, and analysis, judgment and documentation were made.

■ The purpose of issuing this report is to know the fair value estimate for the purpose of (Estimating the fair value for the purpose of periodic valuation of the REIT Musharakah Fund) for the user of the report (the fund manager and investors).

■ Our company does not bear any responsibility for any information received from the customer, which is supposed to be safe and reliable, and our company does not acknowledge the accuracy or completeness of the available data and does not express its opinion and did not offer any kind of guarantee for the accuracy or completeness of the data except as indicated clearly in this report.

The property has been inspected outwardly and the property has not been structurally inspected, or this appraisal report is considered valid only if it bears the company's seal and the signature of the accredited residents.

■ No legal document was verified for the property that was evaluated or for legal issues involving ownership or mortgage, and it was assumed that the information was according to the client's statement.

■ The values estimated in this report are for the property under valuation, and any distribution of the value to parts of the property will not be correct, and this value should not be used for any other purposes, as it could be incorrect if used as well.

■ Information provided by other parties, especially with regard to planning, land ownership, renting, etc., on which all or part of this report was based, was considered reliable, but not all of it was confirmed in all cases, and no guarantee was given regarding the validity of this information, if it appears that this information is incorrect. the value contained in this report may change.

The property was evaluated in accordance with international standards 2022 AD, and the estimated value in this report is for the property under study, and in case of changing the purpose of the valuation, these values may be incorrect.

■ Borders and lengths according to the client's statement, and the company is not responsible for the Borders and lengths, and therefore the total area of the land is taken according to the deed, and the company is not responsible for that.

■ This report may not be used in whole or in part, or have references to it made without mentioning Qiam and its partner real estate valuation company. It may also not be published in any way without the company's prior written consent, in the form and content in which it appears.

■ The fund manager must provide accredited evaluators in an accurate, clear and non-misleading manner with any documents or information related to the real estate assets of the fund to be evaluated, including but not limited to: related contracts, engineering reports, construction commissions and any information that would enable the accredited evaluator to prepare his report in accordance with to the statutory provisions and approved standards.



■ الإمتثال للمعايير و أعمال  
البحث و الإستقصاء

Compliance with Standards ,Research and  
Inquiry

## Standard 102: Compliance with Standards and Research and Inquiry

This valuation work was carried out in accordance with the principle of Standard 102 of compliance with the standards, research and survey work, in the following items:

- The basis of the value (fair value) is commensurate with the purpose of evaluation (estimating the fair value for the purpose of periodic evaluation of the Musharaka REIT Fund).
- Gathering evidence through field visits at the time of inspecting the property with the inquiries raised at the time of the evaluation of some accredited offices in the area of the property.
- Evidence from field visits was collected and analysis and computational procedures performed to ensure that evaluation work was adequately supported.
- The data cited was judged to ensure the adequacy of all such information obtained to ensure that it is sufficient for the purpose of the evaluation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all evaluation inputs mentioned in the report.
- Reliability of the information provided by the real estate offices in the real estate area has been confirmed, and they are accredited and licensed offices in the real estate area.

## Judging the reliability of the information provided and taken into the report

Provider	Data and information	Verdict	Judgment reasons
Client	Deed	Trusted	Deed has been verified - Real Estate Market
	Building permit	Trusted	Construction Permit Validated - Balady platform.
	Lease contracts	Trusted	A sample of contracts was reviewed (not all contracts were viewed) - Valuation was made after studying the market
Market	Commercial meter prices	Trusted	Based on the market survey - direct interviews - accredited offices in the real estate area - internal company data
	Practical experience of real estate offices	Trusted	Certified by official records in the real estate area
	Source independence	Trusted	A source independent and external to the asset being valued

## Compliance with Standards and Research and Inquiry

03

In the event that there are restrictions on the research and investigation carried out by the evaluator that do not enable him to adequately value the inputs and assumptions, which are clarified in the special assumptions

02

Carry out calculations and perform analyzes by gathering sufficient evidence by the following means, such as: field visit, inspection, inquiries and ensuring that evaluation work is appropriately reinforced and professional judgment facility to ensure that the information obtained is sufficient and that it fulfills the purpose of the evaluation

01

The research and investigations undertaken in the context of the valuation mission are appropriate to the valuation purpose and value basis

06

Record the valuation purpose, basis of value, and scope And the limits of research and survey, and the sources of information that reliable in the scope of work, which must Communicating it to all parties to the evaluation task

05

Consider the credibility and reliability of the information provided  
The following matters were taken into consideration:  
The purpose of the valuation  
The relevance of the information to the outcome of the valuation  
The source practical experience in relation to the subject matter of the valuation  
Is the source independent of the asset being evaluated or the beneficiary of it?

04

Taking into account the reliability of the information so that the evaluation results do not appear, and the inputs provided to the valuer (and) from the client or his representative) were considered.



## Regulatory framework on the International Valuation Standards (IVS 2022)

General Standards - Criterion 101  
Scope of Work Paragraph 20:  
Emphasizing that the valuation will be prepared in accordance with international valuation standards and that the valuer will assess the appropriateness of all important inputs: Deviations from international evaluation standards and their nature must be mentioned

60.3 Some professional appraisal institutions or regulations allow procedures that deviate from the International Appraisal Standards and in such circumstances, except as described in paragraphs 60.1 and 60.2, the resulting valuation will not be in compliance with the Standards.

General framework: the generally accepted valuation principles and the concepts that should be followed when applying these standards with regard to objectivity, discretionary judgment, efficiency, and the possibility of deviating from the standards, Paragraph (60.1-60.2). requirements mentioned in the reports

### Note:

Real estate valuations performed in order to prepare financial reports are regarded as situations of systematic deviation from international valuation norms in order to satisfy certain criteria for the purpose of the relevant valuation.

## Real estate and investment properties in the preparation of financial reports

### Clarifying the difference between real estate and investment properties in the financial statements

#### Investment properties in the financial statements

IAS 40 defines investment property as any property (land or a building - or part of a building - or both) held (by the owner or by the lessee as a right-of-use asset) to earn rental income or To grow the capital or for both, and not:

- For use in producing, supplying goods, providing services, or for administrative or
- To sell it in the ordinary course of business

#### Real estates included in the term of real estate, machinery and equipment in the financial statements

The International Accounting Standard No. 16 "property, plant and equipment" IFRS16 defines as the tangible items that:

- It is kept for use in the production or supply of goods or services, or it is kept for rent to others (except for investment real estate) or for use in administrative purposes.
- It is expected to be used during more than one period



## ■ نظرة عامة على الإقتصاد والقطاع العقاري بالمملكة العربية السعودية

An overview of the economy and  
the real estate sector in the  
Kingdom of Saudi Arabia

## Executive Summary - Saudi Real Estate Market

**Performance of the Saudi real estate market:** The Saudi gross domestic product grew by 8.6% during the third quarter of 2022. It is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7% and 2.3% during the years 2023 and 2024, respectively. According to the World Bank, the main driver of the post-pandemic recovery was the increase in demand for tourism and the increase in government spending on infrastructure projects such as the expansion of Riyadh Airport, among others. It is expected that such projects will lead to an increase in demand for real estate with excellent locations, especially offices and logistical facilities from Category A. At the same time, changing customer choices in the hospitality, lodging and retail sectors have prompted developers to reimagine hotel, residence and leisure components within their master development plans.

**Residential real estate:** Sales prices of villas and apartments increased during the first nine months of 2022 compared to 2021, with the continued strong demand for apartments by the citizens of the Kingdom.

**Retail:** The Economist's Economic Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional commercial centers and major regional commercial centers decreased during the months the first nine of the year.

**Hospitality:** Both the average daily rate and the occupancy rate witnessed an improvement from last year due to the recovery witnessed in the market in general, driven by the lifting of restrictions that were imposed on travel and the speedy procedures for issuing tourism visas. The first three months of the year recorded the strongest performance in terms of occupancy rate in Riyadh Which reached 76% in March. As for Jeddah hotels, they recorded the highest occupancy rate in May, when occupancy reached 59%.

**Offices:** Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this has led to continued strong demand for Class A properties during 2022.

### Industrial and logistic real estate

Rents have remained relatively stable for Class A properties due to limited international grade warehouses and increased demand from logistics companies.

## Saudi Arabia Office Market

Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this led to continued strong demand for Class A properties during 2022 AD.

## 2022 Performance Review

Offered offices in the main markets such as Riyadh, Jeddah, and the metropolis of Dammam amounted to 5.2 million square meters, 1.3 million square meters, and 1.3 million square meters, respectively, as of September 2022 AD. Notable additions to the market during 2022 included the headquarters of the Saudi British Bank On King Fahd Street, King Abdulaziz City for Science and Technology, and the government departments complex in Riyadh, in addition to the offices of the Saudi Airlines cargo building in Jeddah. The Saudi gross domestic product grew by 8.6% during the third quarter of 2022, and it is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7 and 2.3% during the years 2023 and 2024, respectively, according to the World Bank, and it was the main driver. The recovery in the post-pandemic office sector is due to the increase in government spending on infrastructure projects, such as the expansion of Riyadh Airport, among others. The demand for Class A real estate in Riyadh also remained strong as a result of the government's focus on developing the city to be a regional hub for international companies. As for Jeddah and Metropolitan Dammam The offered of Class A properties mainly focuses on government offices and public sector entities, and owners are now offering incentives such as free periods and smaller, fully-equipped units to attract a wider range of tenants. Lease periods usually correspond to unit size, as larger units are rented for longer periods. Between six and nine years.

## Saudi Arabia retail market

Economist Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional and major commercial centers decreased during the first nine months of the year.

## 2022 performance review

It is expected that the bulk of the retail projects that will be completed will be in the category of major regional commercial centers, which indicates that the market is sufficient for this category of mega projects. Visitors in an increasingly competitive market.

Retail rents witnessed some decline during the past twelve months at the level of the Kingdom, as the average rent decreased in regional commercial centers and major regional commercial centers, and the distinctive shopping centers in the Kingdom were able to maintain occupancy rates during the year 2022 AD, as lifestyle stores specifically recorded an increase in The number of visitors after lifting the ban that was imposed during the pandemic.

## Eastern region market

The Eastern Province in the Kingdom of Saudi Arabia has witnessed a great growth in the residential complexes sector and the real estate sector in the past few years, as it includes many major cities such as Dammam, Khobar, Dhahran and Jubail. This sector is characterized by the availability of many large and luxurious residential projects that enjoy modern designs and modern facilities, making it a destination Ideal for investors and buyers looking for luxury properties.

The real estate sector in the Eastern Province is famous for its diversity and availability of residential, commercial and industrial projects, which in turn is characterized by the availability of many vital facilities such as hospitals, schools, commercial and entertainment centers, making it an ideal destination for living and working. The Eastern Province is also witnessing a great growth in real estate tourism, as many luxury hotel projects and hotel apartments are available, making it an ideal destination for tourists looking for comfort and distinction. The interest in luxury real estate and modern residential complexes is increasing in the Kingdom of Saudi Arabia. We also note that the prices of residential complexes in the eastern region have witnessed an increase in recent times. This increase is attributed to several factors, including:

1. High demand: The eastern region is witnessing an increase in demand for luxury residential compounds due to the economic growth and urban development in the region. This higher demand leads to an increase in prices.
2. Limited Supply: There is a limited supply of luxury residential compounds in the Eastern Province, which makes them less available and increases their value.
3. High costs: The construction of luxury residential complexes requires large investments in design, construction, equipment and services, which leads to an increase in costs and thus an increase in prices.
4. External factors: External factors such as rising prices of raw materials, technology and labor can affect the prices of residential complexes in the Eastern Province.

As for the average prices, it varies according to the location, size, specifications and available services. However, residential compounds in the Eastern Province can be divided into three categories, with prices ranging as follows:

1. Mid-range residential compounds: The prices of residential units in these groups range between 1.5 million Saudi riyals and 3.5 million Saudi riyals, and these groups include projects such as Bloom in Al-Khobar and The Harvest in Dhahran.
2. Luxury residential complexes: The prices of residential units in these groups range between 3.5 million Saudi riyals and 7 million Saudi riyals, and these groups include projects such as Rosewood in Al Khobar and Falcon in Dhahran.
3. Ultra-luxury residential complexes: The prices of residential units in these groups range between 7 million Saudi riyals and 10 million Saudi riyals, and these groups include projects such as The Ritz-Carlton in Al-Khobar and Fayrouz Al-Jazeera in Dhahran.





## دراسات الموقع ■

Site Studies



## Real estate data and Services available in the real estate area

### Real Estate Data

City	Khobar	Neighborhood	Al-Rakah
Street	Street width 30 m	Property type	Commercial residential compound
No. land plan	2/38	Plot number	The western part of the letter O
Area	22,500 square meters	Land use according to regulations	Commercial

### Services and facilities available in the real estate area

Electricity network	Telephone network	Water network	Sewerage network
✓	✓	✓	✓
Water drainage network	Mosque	Dispensary	Garden
✓	✓	✓	✓
Public markets	Civil defense	Police station	Hospital
✓	✓	✓	✓
Hotels	Petrol station	Schools	Governmental services and centers
✓	✓	✓	✗

## Factors affecting the property

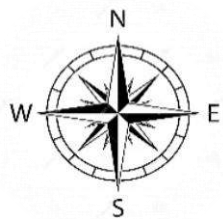
Impact element	Impact determinants	Description
Area overview	Importance of the area	located in the city of Khobar, in Al-Rakah district
Natural factors (environmental)	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is in the center of Al-Khobar
	Infrastructure	Completed
	Municipal equipment	Completed
	Land properties	Regular shape
Building Regulations	Land use	Commercial Residential
	Building ratio - number of floors	various
Economic factors	Supply and demand	High
	Land prices	High
Legal factors	Deficit and trespassing on the property	N.A.

## Property description

- The building area was determined based on the (**Permit**).
- The actual age of the property has been determined at (**9.5 years**), and the lifespan of the property is **40 years**.
- The state of the property on the date of valuation (**31/12/2023**)
- When examining the property, it became clear to us that it is a (**Commercial Residential compound**). Detailed as below:

Built-up area data from the permit		
Building components	Area m2	Use
Ground floor parking	3,322	Services
Ground floor	10,517	Residential
First floor	10,450	Residential
Second floor	10,450	Residential
Third floor	5,170	Residential
Fences and ramparts	926	Services

## Property location



Property is located in: **Khobar**

Neighborhood: **Al-Rakah**

Street: **Prince Sultan Bin Fahd**

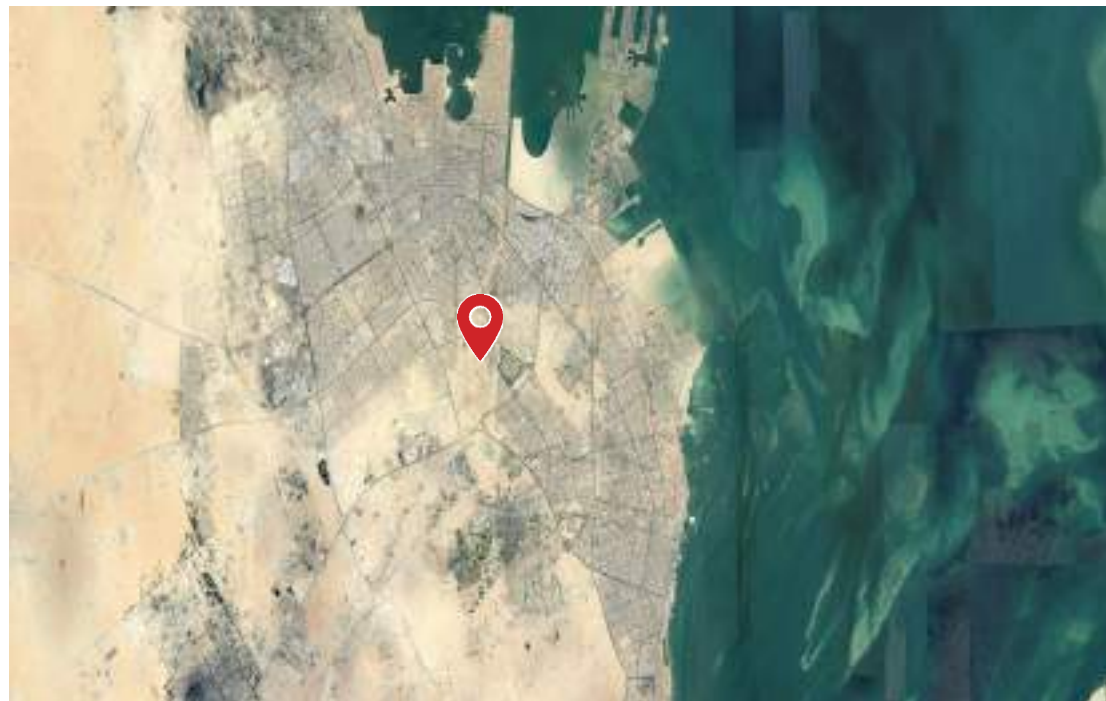
Location coordinates

N :

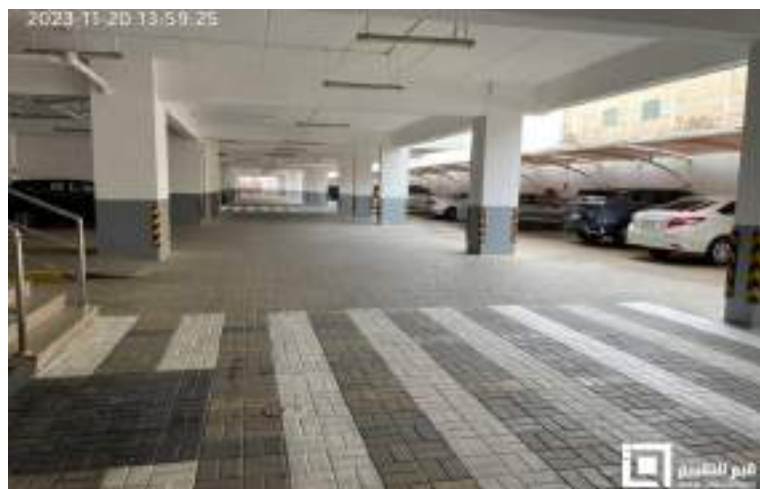
26.346749

E :

50.189678



## Photographic survey of the building and its components (1/2)





## Photographic survey of the building and its components (2/2)



## Ownership documents

### Title deed information

Ownership Type	Deed date	Deed number	Owner name
Ownership 100%	11/24/1438 AH	430205013306	Hefdh Al-Musharaka Real Estate Company

### Neighborhood name - plot number - plan number - land area:

Neighborhood name	Plot number	Plan number	Land area
Al-Rakah	The western part of the letter O	2/38	22,500 m2

### Borders and lengths:

Borders and lengths:							
Northen border	Border length	Southern border	Border length	Eastern border	Border length	Western border	Border length
Street width 40 m	150 m	Street width 40 m	150 m	Street width 10 m extracted from the deed	150 m	Street width of 8 m, followed by a public garden	150 m

## Assumptions about real estate ownership

For the purposes of this report, we assumed the existence of good and valid ownership, free from any obstacles, mortgages, fees, or interests of any third parties, etc., and in the event that this is not achieved, the opinion of the value of the property may be affected





QIAM VALUATION  
REAL ESTATE VALUATION REPORT



Valuation

التقييم ■

## Valuation Approaches



### Market Approach ❖

The market method provides an indication of value by comparing the asset with identical or comparable (similar) assets for which price information is available.



### Income Approach ❖

The income method provides an indication of value by converting future cash flows into one current value. According to this method, the value of the asset is determined by reference to the value of the revenue and cash flows generated by the asset or the costs it provides.



### Cost Approach ❖

The cost method provides an indication of value using the economic principle that states that the buyer will not pay an asset more than the cost of obtaining an asset of similar benefit, whether through purchase or construction unless there are time, disturbance, risk, or other related factors. The method provides an indication of value by calculating the current cost of transferring or reproducing the asset, and then discounting the physical wear and tear of all other obsolescence's.

## Market Approach-Standard No. 105

It is an approach of estimating the value of a real estate or real estate property based on the market comparison between the property being evaluated and similar properties in the same area that were recently sold. The value indicator of the property being valued is derived by applying appropriate comparison units and making adjustments and adjustments to the selling prices of similar properties based on the comparative elements.

**The market approach should be applied and afforded significant weight under the following circumstances:**

- ❖ The subject asset has recently been sold in a transaction appropriate for consideration under the basis of value
- ❖ The subject asset or substantially similar assets are actively publicly traded.
- ❖ There are frequent and/or recent observable transactions in substantially similar assets.

**The key steps in the comparable transactions method are:**

- ❖ Define the units of comparison used by relevant market participants.
- ❖ Determine the relevant comparative transactions and calculate the main evaluation criteria for these transactions.
- ❖ Conduct consistent comparative analysis of the qualitative and quantitative similarities and differences between the comparable assets and the subject asset.
- ❖ Make the necessary adjustments, if any, to the evaluation scales to reflect the differences between the subject of evaluation and the comparative assets.
- ❖ Applying the revised valuation criteria to the subject asset.
- ❖ Value indicators are reconciled if more than one evaluation scale is used.

## Cost Approach - Standard No. 105

It is a valuation method that calculates the capital or market value of a property by adding the value of the real estate's land with the value of the buildings erected on the site.

### Cost Approach should be applied and afforded significant weight under the following circumstances:

- ❖ Participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
- ❖ The asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or
- ❖ The basis of value being used is fundamentally based on replacement cost, such as replacement value

### Used methods of Cost Approach :

- a. **Replacement cost method:** A method of arriving at value by calculating the cost of a similar asset

### Method of estimating the value of buildings using the straight line method

- The straight-line method: the straight-line method is calculated by the formula (current age of the building / Lifespan) \* 100.

## Income Approach-Standard No. 105

Income Approach provides an indication of value by converting future cash flows into a single present value. Under this approach, the value of an asset is determined by reference to the value of the revenue and cash flows that the asset generates or the costs it provides.

### **Income Approach should be applied and given priority or significant weight in the following cases:**

- A. When the ability of the asset to generate income is the primary factor that affects the value from the point of view of market participants.
- B. Reasonable expectations are available for the amount and timing of future revenue for the assessed asset but few, if any, relevant market comparisons.

### **Income Approach Methods:**

Although there are many ways to apply the income method, the methods used under the income method depend largely on discounting the amounts of future cash flows to a present value, which are various applications in using the discounted cash flow (DCF) method and the concepts below apply in part or all of the methods of the income method.

#### **Discounted Cash Flow method (DCF)**

It is a financial method for estimating the value of a financial or real asset. The value index is derived by calculating the present value of future cash flows. The discounted cash flow method is applied to evaluate a property or real estate that generates income based on the expectation of future income for the property under valuation. The value index of the property is derived through Calculating the present value of net operating income or the expected net rental value of the property.

#### **Direct Capitalization Method:**

The direct capitalization method is applied in the event that the net rental value of the property under valuation is fixed and equal in perpetuity.

#### **Residual value method:**

The residual value method is a method of evaluating properties that can be valued by identifying the most appropriate development of the site and property and then predicting the value of such development after it is completed.

## Analyzing the used valuation approaches and methods - Fair value hierarchy

### Used valuation methods

Valuation Approaches	Market Approach	Cost Approach	Income Approach
Used approach	-----	-----	<b>Mainly used</b>
Used valuation methods	-----	-----	Discounted Cash Flow method
Reasons for use / not use	-----	-----	The fact that the property is income-generating

### Hierarchy:

The fair value hierarchy categorizes the inputs to the valuation techniques used to measure fair value at the measurement date into three levels, as follows:

Level	clarification	input statement	classification	Source	Judgment and documentation
<b>First</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be reached at the measurement date and are given priority.	---	---	---	---
<b>Second</b>	They are the inputs other than the published prices within the first level that can be monitored for the asset or liability, either directly or indirectly	Commercial and commercial residential offers in the real estate area	It is classified under the second level	Accredited real estate offices in the real estate area	Reliable based on similar market analysis, verification following market research and analysis, in-person interviews, and the company's own database of deals and transactions
<b>Third</b>	They are the inputs that cannot be monitored and are given the lowest priority	---	---	---	---



## تقدير القيمة ■

Value Estimation



## Analysis of valuation assumptions data - Discounted Cash Flow Methods

### Operating and capital expenditure rate:

Operating expenses are the expenses related to renting and maintaining the property, and capital expenses are the expenses incurred by the owner in order to maintain it in good condition to achieve the appropriate annual income. The percentage of operating expenses is 5% - 20% for similar projects in the surrounding area according to the size and services provided, knowing that we have not seen On the summary of the maintenance contracts submitted by the client to find out the percentage that represents the current income, and most often the lease contracts include the rental value and the value of maintenance services for the facilities on it, and the rate of operating and capital expenditures was assumed at 10% according to the market only, as we find that operating expenses are paid by the owner of the property for maintenance and include costs Expenses for common services, cleaning and maintenance of the building, and expenses for managing and monitoring security, and are estimated from the actual rental income because the property is in use.

### Discount rate:

The discount rate was assumed at 8.59% according to the Cumulative Model method as follows:

Cumulative Model method		
Government bond rate of return	4.6	Saudi Tadawul Fund
Inflation rate (current year average)	2.49	Saudi Central Bank
Market risk premium (recession and recovery)	1	According to the condition and circumstances of the market
Special risk premium (the resulting costs of the property)	0.5	According to the condition and circumstances of the property
Discount rate with all data above	8.59	%

### Discounted Cash Flow method assumptions

Discounted Cash Flow method assumptions			
Rental value (Client data)	26,747,250	Discount rate	8.59%
Operating and capital expenditure rate	10%	Capitalization rate	7.5%
Occupancy rate and credit risk	10%	Growth - after year (3) every (3) years	10%
Cash flow period (Years)	10	Beginning - end of cash flows	2033 - 2024

### Occupancy rate and credit risk:

The property is distinguished as one of the attractive properties for tenants due to its distinguished location in the city of Al-Khobar city, Al-Rakah district, which is directly overlooking Prince Sultan bin Fahd Road. The vacancy rate data from the market was analyzed to confirm the contract, as the market data shows that occupancy rates range from 0% to 15% in similar real estate that all properties are usually with one contract, and accordingly, the occupancy rate and credit risks were assumed at 10%.

### Operational rate of return:

Analysis of the capitalization rate - the method of extracting from the market In view of the market activity and the reports of the Qaim Company for similar investments, as well as in view of the economic reports issued by some study centers and the information center of the Qaim Company for valuation, we found that the return in the region ranges from 7% to 8% and accordingly, the rate of return was assumed at a rate of 7.5 % There are many factors that affect the rate of return, represented in the location of the building, its age and condition, the situation of the tenants, and the degree of risk associated with repayment. The capitalization rate is affected by the demand and supply rates for the same type of real estate.

### Analysis of the vacancy rate and the rate of return of operational and capital expenditures from the market

S/N	Location	Property name	Property type	Occupancy	Return	Operating and Capital Expenditures
1	Dammam	The Grand Compound	Residential Compound	%10	%8	%10
2	Khobar	Canary Village	Residential Compound	%10	%7	%10

### Growth rate:

- The growth rate was reviewed by referring to the market for similar real estate and taking into account the current lease contracts according to the client's statement to be compared with the market data, taking into account the assessment of the market research centers of the banks that the increase in rental prices and recent expansions is expected to be higher than the impact of the increase in interest rates on the investments of REIT funds and the future outlook The property is optimistic due to the high demand for this type of similar properties in the area surrounding the property, as well as taking into account the growth of similar properties and the level of internal and external finishes of the property under valuation.
- A growth rate of 10% was assumed every three years, according to the market situation, based on the interior and exterior finishes of the property, the location of the property, and supply and demand in the market.

## Price analysis from the market - Average rent for residential units in the area

City	District	Compound name	Property type	Components	Furnishing	Services	Area m2	Rental price - SR	Offer/Execute	Contact No	Coordinates
Khobar	Qurtobah	Canary Village	Villa	Three bedrooms + living + two bathrooms + hall + kitchen + room	Fully furnished and renovated	All inclusive	200	145000	Executed	138590895	26.349052 50.187452
Khobar	Qurtobah	Canary Village	Villa	Three bedrooms + living + two bathrooms + hall + kitchen + room	Not fully furnished	All inclusive	200	135000	Offered	138590895	26.348411 50.187373
Khobar	Qurtobah	Euro Village	Villa	3 bedrooms + living + 2 bathrooms + hall + kitchen + room	Fully furnished and renovated	All inclusive	240	220000	Offered	138579780	26.336926 50.185265
Khobar	Qurtobah	Euro Village	Villa	1 bedrooms + living + 2 bathrooms + hall + kitchen	Fully furnished and renovated	All inclusive	115	140000	Offered	138579780	26.337953 50.185315
Khobar	Al-Rawaby	Al Rawabi Pearl	apts	3 bedrooms + hall + 4 toilets + maid's room + kitchen + majlis	Furnished	All inclusive	180	85000	Offered	138579780	26.336926 50.185265
Khobar	Al-Rawaby	Al Rawabi Pearl	apts	3 bedrooms + hall + two bathrooms + maid's room + kitchen	Not furnished	All inclusive	140	80000	Offered	138579780	26.337953 50.185315
Khobar	Qurtobah	Canary Village	apts	2 bedrooms	Not furnished	All inclusive	110	120000	Offered	138590895	26.349569 50.187456
Khobar	Qurtobah	Canary Village	apts	1 bedrooms	Not furnished	All inclusive	70	85000	Offered	138590895	26.34584 50.187518
Khobar	Al-Jawhara	Al-Rashid Village	Villa	3 bedrooms + living room + 2 bathrooms + hall + kitchen + room	Furnished	All inclusive	200	230000	Offered	138873678	26.331632 50.191793
Khobar	Al-Jawhara	Al-Rashid Village	Villa	2 bedrooms + living room + 2 bathrooms + hall + kitchen + room	Furnished	All inclusive	200	180000	Offered	138873678	26.331516 50.191336

Comparative real estate – 3 bedrooms		
Comparison factors	Comparative 1	Comparative 2
Unit area (m2)	200	200
Ease of access	High	High
Property location	High	High
Finishing level	High	High
Use	Residential villa	Residential villa
Apartment Components	3 bedrooms	3 bedrooms
Average Rent (SR)	230,000	145,000
Comparative condition	Offered	Offered
Location	26.331632 50.191793	26.349052 50.187452
Date	2023	2023

Comparative real estate- 2 bedrooms		
Comparison factors	Comparative 1	Comparative 2
Unit area (m2)	110	200
Ease of access	High	High
Property location	High	High
Finishing level	High	High
Use	Residential unit	Residential villa
Apartment Components	2 bedrooms	2 bedrooms
Average Rent (SR)	120,000	180,000
Comparative condition	Offered	Offered
Location	26.349569 50.187456	26.331516 50.191336
Date	2023	2023

Comparative real estate-1 bedroom		
Comparison factors	Comparative 1	Comparative 2
Unit area (m2)	115	70
Ease of access	High	High
Property location	High	High
Finishing level	High	High
Use	Residential villa	Residential unit
Apartment Components	1 bedrooms	1 bedrooms
Average Rent (SR)	140,000	85,000
Comparative condition	Offered	Offered
Location	26.337953 50.185315	26.34584 50.187518
Date	2023	2023

## Estimated average unit rent - 1 bedrooms - relative adjustment - Market Approach

### Valuation by Market Approach - Method of Comparison to Sales of Similar Units

Clause		Comparative real estate			
Adjustments factors	Property under valuation	Comparative 1		Comparative 2	
		Value	Adjustment	Value	Adjustment
Average unit rent	***		140,000		85,000
Condition	***	Offered		Offered	
Date of valuation/offer	2023	2023		2023	
Market conditions	***	-5%	-700000%	-5%	- 4,250
Financing terms	***	0%	0%	0%	0%
Market conditions value	***	(7,000.00)		(4,250.00)	
Value after initial adjustments	***	133,000		80,750	
Unit area m 2, according to the region	70	115	-5%	70	0%
Ease of access	High	High	0%	High	0%
Property location	High	High	0%	High	0%
Finishing level	High	High	0%	High	0%
Apartment Components	1 bedrooms	1 bedrooms	0%	1 bedrooms	0%
Use	Residential unit	Residential villa	-20%	Residential unit	0%
Total			-25.00%		0.00%
Adjustment value per square meter			33,250-		-
Final meter value after Adjustment			99,750		80,750
Weighted average			40%		60%
Net Average Unit Rent Value (SAR/SQM)					88,350
Net Average Unit Rent Value (SAR/SQM)					88,350

## Estimated average unit rent - 2 bedrooms - relative adjustment - Market Approach

### Valuation by Market Approach - Method of Comparison to Sales of Similar Units

Clause		Comparative real estate			
Adjustments factors	Property under valuation	Comparative 1		Comparative 2	
		Value	Adjustment	Value	Adjustment
Average unit rent	***		120,000		180,000
Condition	***	Offered		Offered	
Date of valuation/offer	2023	2023		2023	
Market conditions	***	-5%	-600000%	-5%	- 9,000
Financing terms	***	0%	0%	0%	0%
Market conditions value	***	(6,000.00)		(9,000.00)	
Value after initial adjustments	***	114,000		171,000	
Unit area m 2, according to the region	120	110	0%	200	-5%
Ease of access	High	High	0%	High	0%
Property location	High	High	0%	High	0%
Finishing level	High	High	0%	High	0%
Apartment Components	2 bedrooms	2 bedrooms	0%	2 bedrooms	0%
Use	Residential unit	Residential unit	0%	Residential villa	-20%
Total		0.00%		-25.00%	
Adjustment value per square meter		-		42,750-	
Final meter value after Adjustment		114,000		128,250	
Weighted average		50%		50%	
Net Average Unit Rent Value (SAR/SQM)		121,125			
Net Average Unit Rent Value (SAR/SQM)		121,125			

## Estimated average unit rent - 3 bedrooms - relative adjustment - Market Approach

Valuation by Market Approach - Method of Comparison to Sales of Similar Units					
Clause		Comparative real estate			
Adjustments factors	Property under valuation	Comparative 1		Comparative 2	
		Value	Adjustment	Value	Adjustment
Average unit rent	***		230,000		145,000
Condition	***	Offered		Offered	
Date of valuation/offer	2023	2023		2023	
Market conditions	***	-5%	- 11,500	-5%	- 7,250
Financing terms	***	0%	0%	0%	0%
Market conditions value	***		(11,500.00)		(7,250.00)
Value after initial adjustments	***		218,500		137,750
Unit area m 2, according to the region	200	200	0%	200	0%
Ease of access	High	High	0%	High	0%
Property location	High	High	0%	High	0%
Finishing level	High	High	0%	High	0%
Apartment Components	3 bedrooms	3 bedrooms	0%	3 bedrooms	0%
Use	Residential unit	Residential villa	-20%	Residential villa	-20%
<b>Total</b>			-20.00%		-20.00%
Adjustment value per square meter			43,700-		27,550-
Final meter value after Adjustment			174,800		110,200
Weighted average			50%		50%
Net Average Unit Rent Value (SAR/SQM)					142,500
Net Average Unit Rent Value (SAR/SQM)					142,500

## Annual income of the property

Analysis of units (apartments) by market		
Clause	Value	Unit
Number of days in the year	365	Day
Number of days for the remainder of the year	365	Day
Number of units	233	Unit
Three bedroom units		
Average unit rent price	142,500	SR/Unit
Number of units	101	Unit
Total units revenue	14,392,500	SR
Total revenue income after operating expenses	14,392,500	SR
Two bedroom units		
Average unit rent price	121,125	SR/Unit
Number of units	102	Unit
Total units revenue	12,354,750	SR
Total revenue income after operating expenses	12,354,750	SR
One bedroom units		
Average unit rent price	88,350	SR/Unit
Number of units	30	Unit
Total units revenue	2,650,500	SR
Actual total annual income by market		
Actual total annual income	26,747,250	SR
Total annual effective income after deducting capital expenditures	26,747,250	SR
Actual total annual income after rounding	26,747,250	SR

## Calculating the value of the property - using the Income Approach - Discounted Cash Flow method

Cash flow - Inflows			Years										
			2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
			1	2	3	4	5	6	7	8	9	10	
Expected growth value			0%	0%	10%	0%	0%	10%	0%	0%	10%	0%	
Income of the property according to the market	Real estate rental area (full area)	Rental price											
	40,835	655	26,747,250	26,747,250	29,421,975	29,421,975	29,421,975	32,364,173	32,364,173	32,364,173	35,600,590	35,600,590	
<b>Total income</b>			26,747,250	26,747,250	29,421,975	29,421,975	29,421,975	32,364,173	32,364,173	32,364,173	35,600,590	35,600,590	
<b>Minus occupancy rate and credit risk</b>	10%		10%	10%	10%	10%	5%	5%	5%	5%	5%	5%	
<b>Annual vacancy value</b>			2,674,725	2,674,725	2,942,198	2,942,198	1,471,099	1,618,209	1,618,209	1,618,209	1,780,029	1,780,029	
<b>Actual total rental income</b>			24,072,525	24,072,525	26,479,778	26,479,778	27,950,876	30,745,964	30,745,964	30,745,964	33,820,560	33,820,560	
<b>Minus rate of operating and capital expenses</b>	10%		2,407,253	2,407,253	2,647,978	2,647,978	2,795,088	3,074,596	3,074,596	3,074,596	3,382,056	3,382,056	
<b>Building net operating income (NOI)</b>			21,665,273	21,665,273	23,831,800	23,831,800	25,155,789	27,671,367	27,671,367	27,671,367	30,438,504	30,438,504	
		Reversion value of the building										405,846,723	
Net cash flow			21,665,273	21,665,273	23,831,800	23,831,800	25,155,789	27,671,367	27,671,367	27,671,367	30,438,504	30,438,504	405,846,723
Discount factor			0.921	0.848	0.781	0.719	0.662	0.610	0.562	0.517	0.476	0.439	0.439
Present value of cash flow			19,951,444	18,373,187	18,611,756	17,139,475	16,660,528	16,876,859	15,541,817	14,312,383	14,498,224	13,351,344	178,017,916
<b>Net present value of the property</b>													<b>343,334,932</b>



## Final value of the property

Based on the purpose of the valuation, the nature of the property and its characteristics, as it is a (Residential Compound ), valuing the property using the Income Approach (Discounted Cash Flow method) is considered the best way to estimate the price on the measurement date of 31/12/2023 AD, which was arrived at with the Income Approach as a basis for the fair value of the property being valued (After rounding) , as follows:

Price on the date of measurement in numbers (SR)	Price on the date of measurement in writing (SAR)
<b>343,335,000</b>	<b>Three hundred forty-three million three hundred thirty-five thousand</b>

**This report was approved by the Executive Director**

Ismail Muhammad al-Dubaikhi





**ملاحق** ■

**Appendix**

Documents received from the client



Building permit



Deed

Team



Ahmed Saleh Al-Attas  
Real estate - Associate  
Membership No 1220003236



Muath Abdul Rahman Al-Aoraini  
Real estate - Associate  
Membership No 1210002322



Salem Mohammed Al Fai'  
Real estate-Basic Follow  
Membership No 1210000013



Ismail Al-Dubaikhi  
Real estate-Basic Follow  
Membership No 1210000005



## General Administration

Riyadh 11666, Othman Bin Affan Road, Building No. 8484, Office No. 6

✉ [info@qiam.com.sa](mailto:info@qiam.com.sa)

🌐 [www.qiam.com.s](http://www.qiam.com.s)

☎ +966 92 002 5832

## Verdin Tower - Olaya District

Riyadh City - Kingdom of Saudi Arabia



**Presented to :**  
**Musharaka Capital Company**

## Statement

Dear: **Musharaka Capital Company** Greetings

**Subject: Valuation report for an office commercial building in the Olaya district - Riyadh**

We, Qaim and his partner real estate valuation company, extend our sincere thanks and appreciation to you for choosing us and giving you your precious trust to evaluate the property located in **Riyadh, Olaya district**, according to the assignment issued by you on **09/11/2023 AD** based on the license granted to us by the Saudi Authority for Accredited Valuers, following In that is the latest version of the international valuation standards **2022 AD**, which are recognized as well as the rules and ethics of the profession in order to reach the final impartial valuation based on the actual inspection by the work team and the study of the market area surrounding the property. The fair value estimate was reached using various valuation approaches, including what each report carries, and accordingly we are pleased to We present to you the real estate valuation statement listed below.

**Based on the completed study, we attach to you the results of the price estimate on the measurement date of the property (Office commercial building) and on its current status on the estimate date 31/12/2023 AD located in (Riyadh) in (Al-Olaya) district, with an amount of only (255,993,000) Two hundred fifty-five million nine hundred ninety-three thousand Saudi riyals**

This report was approved by the Executive Director,

Ismail Mohammed Al-Dubaikhi

Under License No. / 1210000052 dated 10-10-1443 AH



With sincere gratitude...





# قيير للتقييم

## QIAM VALUATION

### Content

01	The specific assumptions and limitations of the report
02	Scope of work
03	An overview of the economy and the real estate sector in the Kingdom of Saudi Arabia
04	Site studies
05	Valuation
06	Value Estimation
07	Appendix



## ■ نطاق العمل

Scope of work

## Executive Summary

**Price estimate on the date of measurement: 255,933,000 Saudi riyals**

Property address	Property subject to Valuation	Owner of real estate
Riyadh - Olaya district	Office commercial building - Verdin Building - Olaya District	Hefdh Al-Musharaka Real Estate Company
Report issued date	Valuation date	Inspection date
21/03/2024	31/12/2023	09/11/2023
Notary Public	Purpose of the valuation	Ownership Type
Riyadh	Estimating the fair value for the purpose of periodic valuation of the Musharaka REIT Fund	Absolute ownership
Assumed value	Deed date	Deed number
Present value	5/1/1444 AH	910112059979

## Scope of work Standard No. 101

Other users	Client	Valuation currency
Fund managers and investors only	Musharaka Capital Company	Saudi riyal
Report description	Value Basis	Valuation Approach
A report explaining the methodology and steps of the valuation and the results of the valuation, and includes illustrative pictures of the boundaries of the asset under valuation	Fair value	Income Approach

## Scope of the Valuer search - Standard No. 102

Gathering sufficient information through a field visit, visible inspection, and conducting analyzes. A study was conducted from sites close to the real estate site and from approved real estate offices in the real estate area, and all information was investigated and studied accurately.

## Value Basis

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (This definition is adapted from IFRS 13), paragraph 9. It is also defined in IVS 104 Basis of Value, paragraph 90, among other bases of value for valuation for purposes of inclusion in financial reports.

#### Valuation Standard followed

All work was carried out in accordance with the Accredited Valuers System and the implementing regulations related to real estate valuation issued by the Saudi Authority for Accredited Valuers (Taqeem), and the latest version of the International Valuation Standards (IVS) for the year 2022 published by the International Valuation Standards Board (IVSC)) and the professional rules recognized in the work of valuation of real estate assets, which is based on analysis, comparison and direct inspection of each property, and research as much as possible about the influences and characteristics of the property under valuation.

#### Nature and source of information

The information contained in the report was issued by official bodies, real estate offices in the targeted area, or offices specialized in research and studies, and with reference to the database of Qaim and its partner real estate valuation company.

#### Important assumptions and special assumptions

Important assumptions and special assumptions are explained on page 10.

#### Report usage restrictions

Valuation processes and reports are confidential to the directing party and to whomever they are referred to for a specific purpose, with no responsibility of any kind for any third party. This report may not be published in full or any part thereof or referred to in any document or statement or published periodically or in any medium. communicate with any third party without our prior written consent in the form and context in which they appear. It is a matter of caution and caution that the company and the valuer reserve the right to make any amendments and make any review of the valuation or support the valuation result under specific circumstances. .

## Work Stages

Meeting with the client and determining the scope of work, including the purpose of the valuation, the basis of value, the parties involved, the date of the valuation, and any special or important assumptions, including clarity of the assignment and the expected outputs from it.

Step 01



Collecting and analyzing office and field market data in order to gain knowledge of past and current market trends and market indicators that will be relied upon when applying valuation methods.

Step 03



Work on preparing the report in accordance with Standard 101 for Description of the Report and Standard 103 for Report Preparation.

Step 05



Step 02



Step 04



Previewing the property, identifying its characteristics and specifications, matching documents with reality, analyzing the location of the property and the uses surrounding the property, while defining the scope of the geographical search and the appropriate activities and projects.

Based on the scope of work and market analysis, appropriate valuation methods are determined and all assumptions and inputs are made to carry out financial calculations to reach the market value according to the chosen methods..

## ■ الفرضيات و القيود المحددة للتقرير

The specific assumptions  
and limitations of the report



## Important assumptions and special assumptions

Based on the type and characteristics of the property and the purpose of evaluation, the property was valued using the Income Approach (mainly discounted cash flow method) assuming that all market participants act in the best economic interest of the property as it achieves benefit for all market participants.

■ Valuation is based on the value (fair value) and that it was carried out in a major open market. Prices were inferred from field research work on plans close to the real estate site, and analysis, judgment and documentation were made.

■ The purpose of issuing this report is to know the fair value estimate for the purpose of (Estimating the fair value for the purpose of periodic valuation of the REIT Musharakah Fund) for the user of the report (the fund manager and investors).

■ Our company does not bear any responsibility for any information received from the customer, which is supposed to be safe and reliable, and our company does not acknowledge the accuracy or completeness of the available data and does not express its opinion and did not offer any kind of guarantee for the accuracy or completeness of the data except as indicated clearly in this report.

The property has been inspected outwardly and the property has not been structurally inspected, or this appraisal report is considered valid only if it bears the company's seal and the signature of the accredited residents.

■ No legal document was verified for the property that was evaluated or for legal issues involving ownership or mortgage, and it was assumed that the information was according to the client's statement.

■ The values estimated in this report are for the property under valuation, and any distribution of the value to parts of the property will not be correct, and this value should not be used for any other purposes, as it could be incorrect if used as well.

■ Information provided by other parties, especially with regard to planning, land ownership, renting, etc., on which all or part of this report was based, was considered reliable, but not all of it was confirmed in all cases, and no guarantee was given regarding the validity of this information, if it appears that this information is incorrect. the value contained in this report may change.

The property was evaluated in accordance with international standards 2022 AD, and the estimated value in this report is for the property under study, and in case of changing the purpose of the valuation, these values may be incorrect.

■ Borders and lengths according to the client's statement, and the company is not responsible for the Borders and lengths, and therefore the total area of the land is taken according to the deed, and the company is not responsible for that.

■ This report may not be used in whole or in part, or have references to it made without mentioning Qiam and its partner real estate valuation company. It may also not be published in any way without the company's prior written consent, in the form and content in which it appears.

■ The fund manager must provide accredited evaluators in an accurate, clear and non-misleading manner with any documents or information related to the real estate assets of the fund to be evaluated, including but not limited to: related contracts, engineering reports, construction commissions and any information that would enable the accredited evaluator to prepare his report in accordance with to the statutory provisions and approved standards.



■ الإمتثال للمعايير و أعمال  
البحث و الإستقصاء

Compliance with Standards ,Research and  
Inquiry

## Standard 102: Compliance with Standards and Research and Inquiry

This valuation work was carried out in accordance with the principle of Standard 102 of compliance with the standards, research and survey work, in the following items:

- The basis of the value (fair value) is commensurate with the purpose of evaluation (estimating the fair value for the purpose of periodic evaluation of the Musharaka REIT Fund).
- Gathering evidence through field visits at the time of inspecting the property with the inquiries raised at the time of the evaluation of some accredited offices in the area of the property.
- Evidence from field visits was collected and analysis and computational procedures performed to ensure that evaluation work was adequately supported.
- The data cited was judged to ensure the adequacy of all such information obtained to ensure that it is sufficient for the purpose of the evaluation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all evaluation inputs mentioned in the report.
- Reliability of the information provided by the real estate offices in the real estate area has been confirmed, and they are accredited and licensed offices in the real estate area.

## Judging the reliability of the information provided and taken into the report

Provider	Data and information	Verdict	Judgment reasons
Client	Deed	Trusted	Deed has been verified - Real Estate Market
	Building permit	Trusted	Construction Permit Validated - Balady platform.
	Lease contracts	Trusted	A sample of contracts was reviewed (not all contracts were viewed) - Valuation was made after studying the market
Market	Commercial meter prices	Trusted	Based on the market survey - direct interviews - accredited offices in the real estate area - internal company data
	Practical experience of real estate offices	Trusted	Certified by official records in the real estate area
	Source independence	Trusted	A source independent and external to the asset being valued

## Compliance with Standards and Research and Inquiry

03

In the event that there are restrictions on the research and investigation carried out by the evaluator that do not enable him to adequately value the inputs and assumptions, which are clarified in the special assumptions

02

Carry out calculations and perform analyzes by gathering sufficient evidence by the following means, such as: field visit, inspection, inquiries and ensuring that evaluation work is appropriately reinforced and professional judgment facility to ensure that the information obtained is sufficient and that it fulfills the purpose of the evaluation

01

The research and investigations undertaken in the context of the valuation mission are appropriate to the valuation purpose and value basis

06

Record the valuation purpose, basis of value, and scope And the limits of research and survey, and the sources of information that reliable in the scope of work, which must Communicating it to all parties to the evaluation task

05

Consider the credibility and reliability of the information provided  
The following matters were taken into consideration:  
The purpose of the valuation  
The relevance of the information to the outcome of the valuation  
The source practical experience in relation to the subject matter of the valuation  
Is the source independent of the asset being evaluated or the beneficiary of it?

04

Taking into account the reliability of the information so that the evaluation results do not appear, and the inputs provided to the valuer (and) from the client or his representative) were considered.

## Regulatory framework on the International Valuation Standards (IVS 2022)

General Standards - Criterion 101  
Scope of Work Paragraph 20:  
Emphasizing that the valuation will be prepared in accordance with international valuation standards and that the valuer will assess the appropriateness of all important inputs: Deviations from international evaluation standards and their nature must be mentioned

60.3 Some professional appraisal institutions or regulations allow procedures that deviate from the International Appraisal Standards and in such circumstances, except as described in paragraphs 60.1 and 60.2, the resulting valuation will not be in compliance with the Standards.

General framework: the generally accepted valuation principles and the concepts that should be followed when applying these standards with regard to objectivity, discretionary judgment, efficiency, and the possibility of deviating from the standards, Paragraph (60.1-60.2). requirements mentioned in the reports

### Note:

Real estate valuations performed in order to prepare financial reports are regarded as situations of systematic deviation from international valuation norms in order to satisfy certain criteria for the purpose of the relevant valuation.

## Real estate and investment properties in the preparation of financial reports

### Clarifying the difference between real estate and investment properties in the financial statements

#### Investment properties in the financial statements

IAS 40 defines investment property as any property (land or a building - or part of a building - or both) held (by the owner or by the lessee as a right-of-use asset) to earn rental income or To grow the capital or for both, and not:

- For use in producing, supplying goods, providing services, or for administrative or
- To sell it in the ordinary course of business

#### Real estates included in the term of real estate, machinery and equipment in the financial statements

The International Accounting Standard No. 16 "property, plant and equipment" IFRS16 defines as the tangible items that:

- It is kept for use in the production or supply of goods or services, or it is kept for rent to others (except for investment real estate) or for use in administrative purposes.
- It is expected to be used during more than one period



## ■ نظرة عامة على الإقتصاد والقطاع العقاري بالمملكة العربية السعودية

An overview of the economy and  
the real estate sector in the  
Kingdom of Saudi Arabia



## Executive Summary - Saudi Real Estate Market

**Performance of the Saudi real estate market:** The Saudi gross domestic product grew by 8.6% during the third quarter of 2022. It is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7% and 2.3% during the years 2023 and 2024, respectively. According to the World Bank, the main driver of the post-pandemic recovery was the increase in demand for tourism and the increase in government spending on infrastructure projects such as the expansion of Riyadh Airport, among others. It is expected that such projects will lead to an increase in demand for real estate with excellent locations, especially offices and logistical facilities from Category A. At the same time, changing customer choices in the hospitality, lodging and retail sectors have prompted developers to reimagine hotel, residence and leisure components within their master development plans.

**Residential real estate:** Sales prices of villas and apartments increased during the first nine months of 2022 compared to 2021, with the continued strong demand for apartments by the citizens of the Kingdom.

**Retail:** The Economist's Economic Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional commercial centers and major regional commercial centers decreased during the months the first nine of the year.

**Hospitality:** Both the average daily rate and the occupancy rate witnessed an improvement from last year due to the recovery witnessed in the market in general, driven by the lifting of restrictions that were imposed on travel and the speedy procedures for issuing tourism visas. The first three months of the year recorded the strongest performance in terms of occupancy rate in Riyadh Which reached 76% in March. As for Jeddah hotels, they recorded the highest occupancy rate in May, when occupancy reached 59%.

**Offices:** Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this has led to continued strong demand for Class A properties during 2022.

### Industrial and logistic real estate

Rents have remained relatively stable for Class A properties due to limited international grade warehouses and increased demand from logistics companies.

## Saudi Arabia Office Market

Employment rates from Oxford Economics indicate that the financial services and business services sector recorded a year-on-year growth of 12% in the Kingdom, and this led to continued strong demand for Class A properties during 2022 AD.

## 2022 Performance Review

Offered offices in the main markets such as Riyadh, Jeddah, and the metropolis of Dammam amounted to 5.2 million square meters, 1.3 million square meters, and 1.3 million square meters, respectively, as of September 2022 AD. Notable additions to the market during 2022 included the headquarters of the Saudi British Bank On King Fahd Street, King Abdulaziz City for Science and Technology, and the government departments complex in Riyadh, in addition to the offices of the Saudi Airlines cargo building in Jeddah. The Saudi gross domestic product grew by 8.6% during the third quarter of 2022, and it is expected that the growth rate will reach 8.3% by the end of the year, before it moderates to reach 3.7 and 2.3% during the years 2023 and 2024, respectively, according to the World Bank, and it was the main driver. The recovery in the post-pandemic office sector is due to the increase in government spending on infrastructure projects, such as the expansion of Riyadh Airport, among others. The demand for Class A real estate in Riyadh also remained strong as a result of the government's focus on developing the city to be a regional hub for international companies. As for Jeddah and Metropolitan Dammam The offered of Class A properties mainly focuses on government offices and public sector entities, and owners are now offering incentives such as free periods and smaller, fully-equipped units to attract a wider range of tenants. Lease periods usually correspond to unit size, as larger units are rented for longer periods. Between six and nine years.

## Saudi Arabia retail market

Economist Intelligence Unit estimates that the total volume of retail sales in the Kingdom will increase by about 4% in 2022, with sales expected to increase by an average of 2% per year between 2023 and 2026. In addition, rents for regional and major commercial centers decreased during the first nine months of the year.

## 2022 performance review

It is expected that the bulk of the retail projects that will be completed will be in the category of major regional commercial centers, which indicates that the market is sufficient for this category of mega projects. Visitors in an increasingly competitive market.

Retail rents witnessed some decline during the past twelve months at the level of the Kingdom, as the average rent decreased in regional commercial centers and major regional commercial centers, and the distinctive shopping centers in the Kingdom were able to maintain occupancy rates during the year 2022 AD, as lifestyle stores specifically recorded an increase in The number of visitors after lifting the ban that was imposed during the pandemic.



## دراسات الموقع ■

Site Studies

## Real estate data and Services available in the real estate area

### Real Estate Data

City	Riyadh	Neighborhood	Olaya
Street	King Fahd Road	Property type	Commercial Tower (Administrative)
No. land plan	1184	Plot number	Bulk No. 14
Area	3212 square meters	Land use according to regulations	Multi Use (Office Residential Commercial)

### Services and facilities available in the real estate area

Electricity network	Telephone network	Water network	Sewerage network
✓	✓	✓	✓
Water drainage network	Mosque	Dispensary	Garden
✓	✓	✓	✓
Public markets	Civil defense	Police station	Hospital
✓	✓	✓	✓
Hotels	Petrol station	Schools	Governmental services and centers
✓	✓	✓	✓

## Factors affecting the property

Impact element	Impact determinants	Description
Area overview	Importance of the area	located in the city of Riyadh, in Olaya district
Natural factors (environmental)	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is in the center of northern Riyadh
	Infrastructure	Completed
	Municipal equipment	Completed
	Land properties	Regular shape
Building Regulations	Land use	Public services
	Building ratio - number of floors	various
Economic factors	Supply and demand	High
	Land prices	High
Legal factors	Deficit and trespassing on the property	N.A.

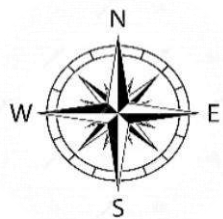
## Property description

- The building area was determined based on the (**Permit**).
- The actual age of the property was determined to be (**5**) years, and the current age of the property is more than 20 years based on (Reality), knowing that the property is renovated.
- The state of the property on the date of valuation (**31/12/2023**).
- When examining the property, it became clear to us that it is a (**Office commercial tower**). Detailed as below:

Built-up area data from the permit		
Building components	Area m2	Use
Second basement	3,199.32	Parking
First basement	3,199.32	Parking
Ground floor	2,311	Showrooms
Mezzanine	2,311	Showrooms
First commercial	3,199	offices
second commercial	1,606	offices
Third office	1,606	offices
Fourth floor	1,606	offices
Fifth floor	1,606	offices
Sixth floor	1,606	offices
Seventh floor	1,606	offices
Eighth floor	1,606	offices
Electricity Room	129.40	Services



## Property location



Property is located in: **Riyadh**

Neighborhood: **Olaya**

Street: **King Fahd Road**

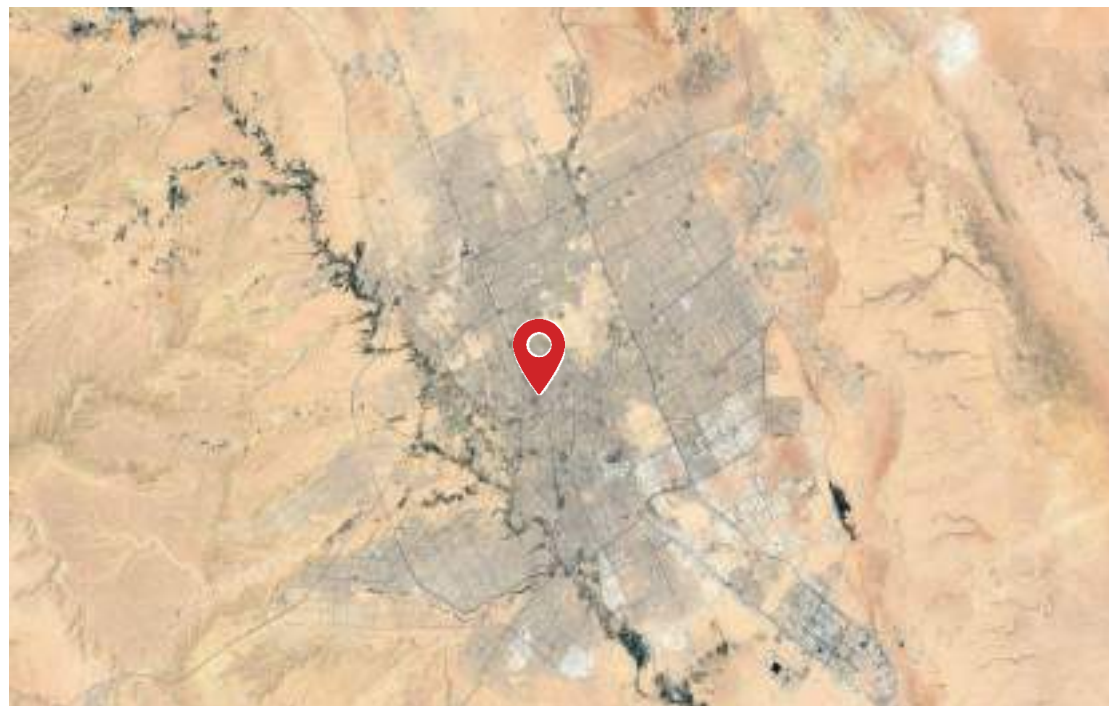
Location coordinates

N :

24.695011

E :

46.681477

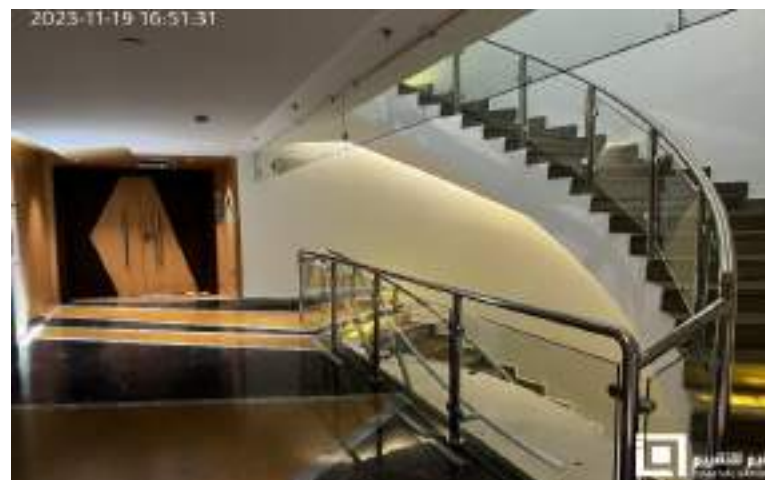
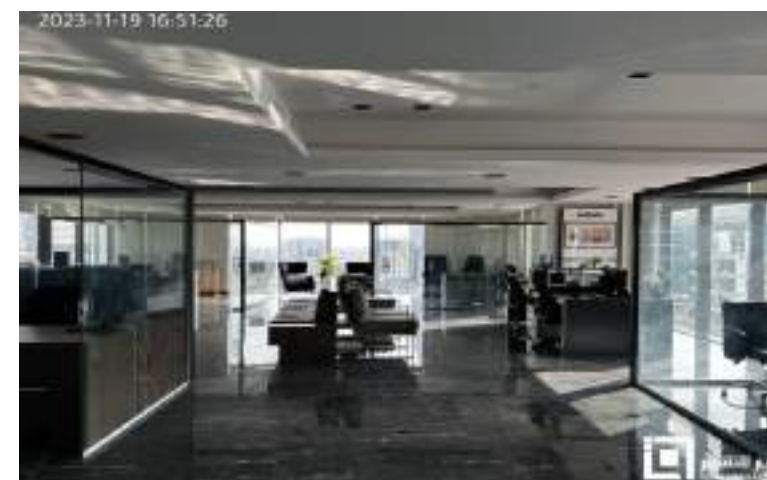
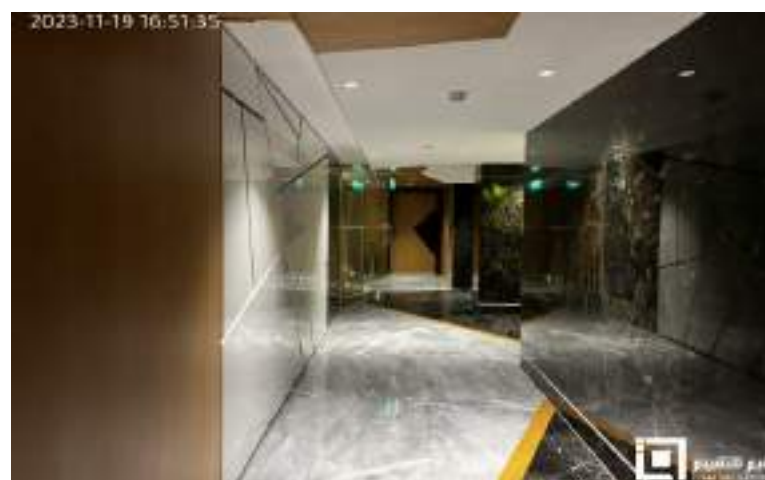




## Photographic survey of the building and its components (1/2)



## Photographic survey of the building and its components (2/2)



## Ownership documents

### Title deed information

Ownership Type	Deed date	Deed number	Owner name
Ownership 100%	5/1/1444 AH	910112059979	Hefdh Al-Musharaka Real Estate Company

### Neighborhood name - plot number - plan number - land area:

Neighborhood name	Plot number	Plan number	Land area
Olaya	Bulk No. 14	1184	3212 m2

### Borders and lengths:

Borders and lengths:							
Northern border	Border length	southern border	Border length	Eastern border	Border length	western border	Border length
Street width 60 m	65.51 m	Street width 15 m	70 m	Street width 20 m	55 m	Street width 80 m	40.08 m





QIAM VALUATION  
REAL ESTATE VALUATION REPORT



Valuation

التقييم ■

## Valuation Approaches



### Market Approach ❖

The market method provides an indication of value by comparing the asset with identical or comparable (similar) assets for which price information is available.



### Income Approach ❖

The income method provides an indication of value by converting future cash flows into one current value. According to this method, the value of the asset is determined by reference to the value of the revenue and cash flows generated by the asset or the costs it provides.



### Cost Approach ❖

The cost method provides an indication of value using the economic principle that states that the buyer will not pay an asset more than the cost of obtaining an asset of similar benefit, whether through purchase or construction unless there are time, disturbance, risk, or other related factors. The method provides an indication of value by calculating the current cost of transferring or reproducing the asset, and then discounting the physical wear and tear of all other obsolescence's.

## Market Approach-Standard No. 105

It is an approach of estimating the value of a real estate or real estate property based on the market comparison between the property being evaluated and similar properties in the same area that were recently sold. The value indicator of the property being valued is derived by applying appropriate comparison units and making adjustments and adjustments to the selling prices of similar properties based on the comparative elements.

**The market approach should be applied and afforded significant weight under the following circumstances:**

- ❖ The subject asset has recently been sold in a transaction appropriate for consideration under the basis of value
- ❖ The subject asset or substantially similar assets are actively publicly traded.
- ❖ There are frequent and/or recent observable transactions in substantially similar assets.

**The key steps in the comparable transactions method are:**

- ❖ Define the units of comparison used by relevant market participants.
- ❖ Determine the relevant comparative transactions and calculate the main evaluation criteria for these transactions.
- ❖ Conduct consistent comparative analysis of the qualitative and quantitative similarities and differences between the comparable assets and the subject asset.
- ❖ Make the necessary adjustments, if any, to the evaluation scales to reflect the differences between the subject of evaluation and the comparative assets.
- ❖ Applying the revised valuation criteria to the subject asset.
- ❖ Value indicators are reconciled if more than one evaluation scale is used.

## Cost Approach - Standard No. 105

It is a valuation method that calculates the capital or market value of a property by adding the value of the real estate's land with the value of the buildings erected on the site.

### **Cost Approach should be applied and afforded significant weight under the following circumstances:**

- ❖ Participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
- ❖ The asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or
- ❖ The basis of value being used is fundamentally based on replacement cost, such as replacement value

### **Used methods of Cost Approach :**

- a. **Replacement cost method:** A method of arriving at value by calculating the cost of a similar asset

### **Method of estimating the value of buildings using the straight line method**

- The straight-line method: the straight-line method is calculated by the formula (current age of the building / Lifespan) \* 100.



## Income Approach-Standard No. 105

Income Approach provides an indication of value by converting future cash flows into a single present value. Under this approach, the value of an asset is determined by reference to the value of the revenue and cash flows that the asset generates or the costs it provides.

### **Income Approach should be applied and given priority or significant weight in the following cases:**

- A. When the ability of the asset to generate income is the primary factor that affects the value from the point of view of market participants.
- B. Reasonable expectations are available for the amount and timing of future revenue for the assessed asset but few, if any, relevant market comparisons.

### **Income Approach Methods:**

Although there are many ways to apply the income method, the methods used under the income method depend largely on discounting the amounts of future cash flows to a present value, which are various applications in using the discounted cash flow (DCF) method and the concepts below apply in part or all of the methods of the income method.

#### **Discounted Cash Flow method (DCF)**

It is a financial method for estimating the value of a financial or real asset. The value index is derived by calculating the present value of future cash flows. The discounted cash flow method is applied to evaluate a property or real estate that generates income based on the expectation of future income for the property under valuation. The value index of the property is derived through Calculating the present value of net operating income or the expected net rental value of the property.

#### **Direct Capitalization Method:**

The direct capitalization method is applied in the event that the net rental value of the property under valuation is fixed and equal in perpetuity.

#### **Residual value method:**

The residual value method is a method of evaluating properties that can be valued by identifying the most appropriate development of the site and property and then predicting the value of such development after it is completed.

## Analyzing the used valuation approaches and methods - Fair value hierarchy

### Used valuation methods

Valuation Approaches	Market Approach	Cost Approach	Income Approach
Used approach	-----	-----	<b>Mainly used</b>
Used valuation methods	-----	-----	Discounted Cash Flow method
Reasons for use / not use	-----	-----	The fact that the property is income-generating

### Hierarchy:

The fair value hierarchy categorizes the inputs to the valuation techniques used to measure fair value at the measurement date into three levels, as follows:

Level	clarification	input statement	classification	Source	Judgment and documentation
<b>First</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be reached at the measurement date and are given priority.	---	---	---	---
<b>Second</b>	They are the inputs other than the published prices within the first level that can be monitored for the asset or liability, either directly or indirectly	Commercial and commercial residential offers in the real estate area	It is classified under the second level	Accredited real estate offices in the real estate area	Reliable based on similar market analysis, verification following market research and analysis, in-person interviews, and the company's own database of deals and transactions
<b>Third</b>	They are the inputs that cannot be monitored and are given the lowest priority	---	---	---	---



## تقدير القيمة ■

Value Estimation

## Analysis of valuation assumptions data - Discounted Cash Flow Methods

### Operating and capital expenditure rate:

Operating expenses are expenses related to renting and maintaining the property, and capital expenses are expenses incurred by the owner in order to maintain it in good condition to achieve appropriate annual income. The percentage of operating expenses represents 0% - 20% for similar projects in the surrounding area, according to the size and services provided, since most of them are in single contracts. Mostly, knowing that the summary of the maintenance contracts has not been seen from the client to know the percentage that represents the current income, and most often the lease contracts include the rental value and the value of the facilities maintenance services on it, and the rate of operating and capital expenditures was assumed at 12.895 % according to the contract only, the costs of maintenance expenses include common services, cleaning and maintenance of the building, security management and control expenses, and are estimated from the actual rental income because the property is in use.

### Analysis of vacancy rate , operating and capital expenditures

S/N	Location	Property name	Property type	Coordinates	Annual income	Occupancy	Return	Operating and Capital Expenditures
1	Olaya	Smart Tower	Office commercial building	24.694164 46.680426	19,349,845.6	10%	8%	10%
2	Al-Sahafa	Olaya Tower	Office commercial building	24.705910 46.67586	6,720,000	5%	8%	3%

### Discount rate:

Discount rate was assumed at 9.5% according to the cumulative model method as follows:

### Cumulative Model method

Government bond rate of return	4.6	Saudi Tadawul Fund
Inflation rate (current year average)	2.49	Saudi Central Bank
Market risk premium (recession and recovery)	1.5	According to the condition and circumstances of the market
Special risk premium (the resulting costs of the property)	1	According to the condition and circumstances of the property
Discount rate with all data above	9.5%	%

### Occupancy rate and credit risk:

The property is distinguished by being one of the attractive properties for tenants due to its distinguished location in the city of Riyadh, Olaya District, and directly overlooking King Fahd Road. The vacancy rate data from the market was analyzed to ensure that the market data shows that vacancy rates range from 0% to 10% in similar properties, and accordingly the vacancy rate was calculated. And credit risk at 3% (Client data). Vacancies were deducted from (total income).

### Operational rate of return:

The method of extracting from the market In view of the market activity and the reports of the Qaim Company for similar investments, as well as in view of the economic reports issued by some study centers and the information center of the Qaim Company for valuation, we found that the return in the region ranges from 8%, and accordingly, the rate of return was assumed at a rate of 8 % There are many factors that affect the rate of return, represented in the location of the building, its age and condition, the situation of the tenants, and the degree of risk associated with repayment. The capitalization rate is affected by the demand and supply rates for the same type of real estate.

### Growth rate:

The growth rate was reviewed by referring to the market for similar real estate and taking into account the current lease contracts according to the client's statement to be compared with the market data, taking into account the assessment of the market research centers of the banks that the increase in rental prices and recent expansions is expected to be higher than the impact of the increase in interest rates on the investments of REIT funds and the future outlook The property is optimistic due to the high demand for this type of similar properties in the area surrounding the property, as well as taking into account the growth of similar properties and the level of internal and external finishes of the property under valuation.

A growth rate of 5% was assumed every three years, according to the market situation, based on the interior and exterior finishes of the property, the location of the property, and supply and demand in the market

### Discounted Cash Flow method assumptions

Discounted Cash Flow method assumptions			
Rental value based on the data	23,616,168	Discount rate	9.5%
Operating and capital expenditure rate	12.895%	Capitalization rate	8%
Occupancy rate and credit risk	3%	Growth - after year (5) every (5) years	5%
Cash flow period (Years)	10	Beginning - end of cash flows	2033 - 2024

## Calculating the value of the property - using the Income Approach - Discounted Cash Flow method

Cash flow - Inflows		Years										
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
		1	2	3	4	5	6	7	8	9	10	
Expected growth value		0%	0%	5%	0%	0%	5%	0%	0%	5%	0%	
Real estate income (client data)	Rental area m2											
23,616,168	16,486.73	23,616,168	23,616,168	24,796,976	24,796,976	24,796,976	26,036,825	26,036,825	26,036,825	27,338,666	27,338,666	
Total income		23,616,168	23,616,168	24,796,976	24,796,976	24,796,976	26,036,825	26,036,825	26,036,825	27,338,666	27,338,666	
Minus occupancy rate and credit risk	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Annual vacancy value		0	0	0	0	0	0	0	0	0	0	
Actual total rental income		23,616,168	23,616,168	24,796,976	24,796,976	24,796,976	26,036,825	26,036,825	26,036,825	27,338,666	27,338,666	
Minus rate of operating and capital expenses	12.895%	3,045,305	3,045,305	3,197,570	3,197,570	3,197,570	3,357,449	3,357,449	3,357,449	3,525,321	3,525,321	
Building net operating income (NOI)		20,570,863	20,570,863	21,599,406	21,599,406	21,599,406	22,679,377	22,679,377	22,679,377	23,813,345	23,813,345	
Reversion value of the building											297,666,818	
Net cash flow		20,570,863	20,570,863	21,599,406	21,599,406	21,599,406	22,679,377	22,679,377	22,679,377	23,813,345	23,813,345	297,666,818
Discount factor		0.912	0.833	0.760	0.693	0.633	0.577	0.527	0.481	0.439	0.400	0.400
Present value of cash flow		18,770,748	17,128,158	16,410,773	14,974,699	13,664,293	13,091,987	11,946,333	10,900,934	10,444,366	9,530,400	119,130,004
<b>Net present value of the property</b>												<b>255,992,695</b>

## Final value of the property

Based on the purpose of the valuation, the nature of the property and its characteristics, as it is a completely commercial office building, valuing the property using the Income Approach (Discounted Cash Flow method) is considered the best way to estimate the price on the measurement date of 31/12/2023 AD, which was arrived at with the Income Approach as a basis for the fair value of the property being valued (After rounding) , as follows:

Price on the date of measurement in numbers (SR)	Price on the date of measurement in writing (SAR)
255,993,000	Two hundred fifty-five million nine hundred ninety-three thousand

**This report was approved by the Executive Director**

Ismail Muhammad al-Dubaikhi






ملاحق ■

**Appendix**



Documents received from the client



Building permit



Deed

Team



Ahmed Saleh Al-Attas  
Real estate - Associate  
Membership No 1220003236



Moath Abdul Rahman Al-Arini  
Real estate - Associate  
Membership No 1210002322



Salem Mohammed Al Fai'  
Real estate-Basic Follow  
Membership No 1210000013



Ismail Al-Dubaikhi  
Real estate-Basic Follow  
Membership No 1210000005



## General Administration

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