



Valuation Report Analysis
Al-Fares International school Property
AL-Riyadh City - KSA
Valuation's Report Date August 10, 2020

Prepared for
Al-Rajhi Capital



شركة أولات للتقييم العقاري
Olaat Valuation Company



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

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi REIT.

Riyadh City

Date of Valuation: June 30, 2020

Date of Report: August 10, 2020

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

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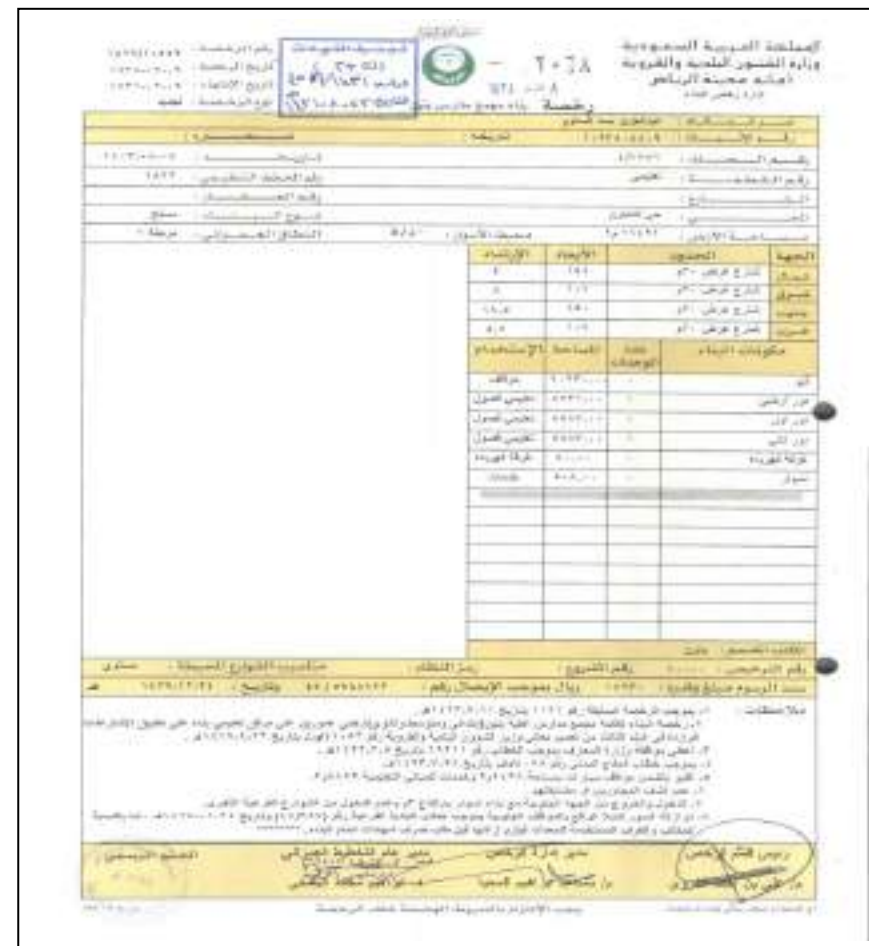
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Property's Type	Educational Property –International school
Location	Riyadh city – Al-Tawwon District- closed to Imam Saud Rd
Land Area	16,500 sq m
Title deed number	510124024851
Title's date	09/01/1436 H
Plots Number	18- Educational facility
Scheme Number	1822/س
Land Topography	Flat
Boarded streets & Neighbors	N: Street Width 20 m length 150 m
	S Street width 20 m Length 150 m
	E: Street width 20 m Length 110 m
	W: Street width 20 m Length 110 m
Building (Gross floor area) based to Permit	36,885 sq m plus Fence 508 m2
Building's Permit number	10552/1427
Building Permit's date	06/02/1428
Market value SAR	140,920,000 (One hundred forty million, Nine hundred twenty thousand, SR)

BUILDING'S PERMIT



Disclaimer

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

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Covid-19 Pandemic

With the spread of corona virus (COVID-19) In Kingdom of Saudi Arabia enacted to take step to control corona diseases. Initially due to spread it has a great impact on social mobility that lead to impact on kingdom economic growth. In order to control this pandemic and uplift the economic activity government taken a serious step to provide relief package to support corporate and resident and private sector.

Material Valuation Uncertainty under COVID-19 Pandemic

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Accordingly, many formal measures were taken locally and globally that would affect all business sector including Real Estate Sector.

During critical period, Market activity is clearly being impacted in many sectors especially real estate transaction. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purpose, to inform opinions of value. Indeed, the current response circumstance on which to base a judgement and current condition are under influence of epidemic COVID-19 and we are facing an exceptional situation in which it difficult to build an accurate judgement of market situation and value of real estate.

Accordingly, our valuation is therefor reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global and. Consequently, less certainty-and a higher degree of caution-should be taken to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that keep the valuation of Property under frequent review & property to be revalued when current condition change.

Al-Rajhi REIT
For the attention of:
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August 10, 2020

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

Tenure: Educational Freehold property

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

The **market value** of the **Educational property** is **140,920,000** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	AI-Rajhi REIT
Instruction	In accordance with RFP dated on May 11, 2020, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Al-Fares International School Property.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation, as at 30 June 2020 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for Educational property – (International school)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected June 2020 by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr. Usama Bukhari (CEO) 0549994448
Personnel	The Valuation analysis and financial models has been prepared by OPM
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

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

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

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

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

4- Standard and Premise of value

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

5- Scope of the Report

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

6- Source of information and data

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

7- Purpose for preparation valuation and Content text

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

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value Method, depreciated replacement cost (DCR) and Capitalization rate method to get the more realistic value of the Asset (property) based to (Capital Market Authority) CMA in Saudi Arabia requirements, this analysis report done by OPM valuation team to reach the estimated value of land property in time of evaluation **June 30, 2020 AD.**

9- Legal Description for Property Owner

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

10-Second partner's rights and ownership in property

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

11-Foundation of evaluation report and Contents

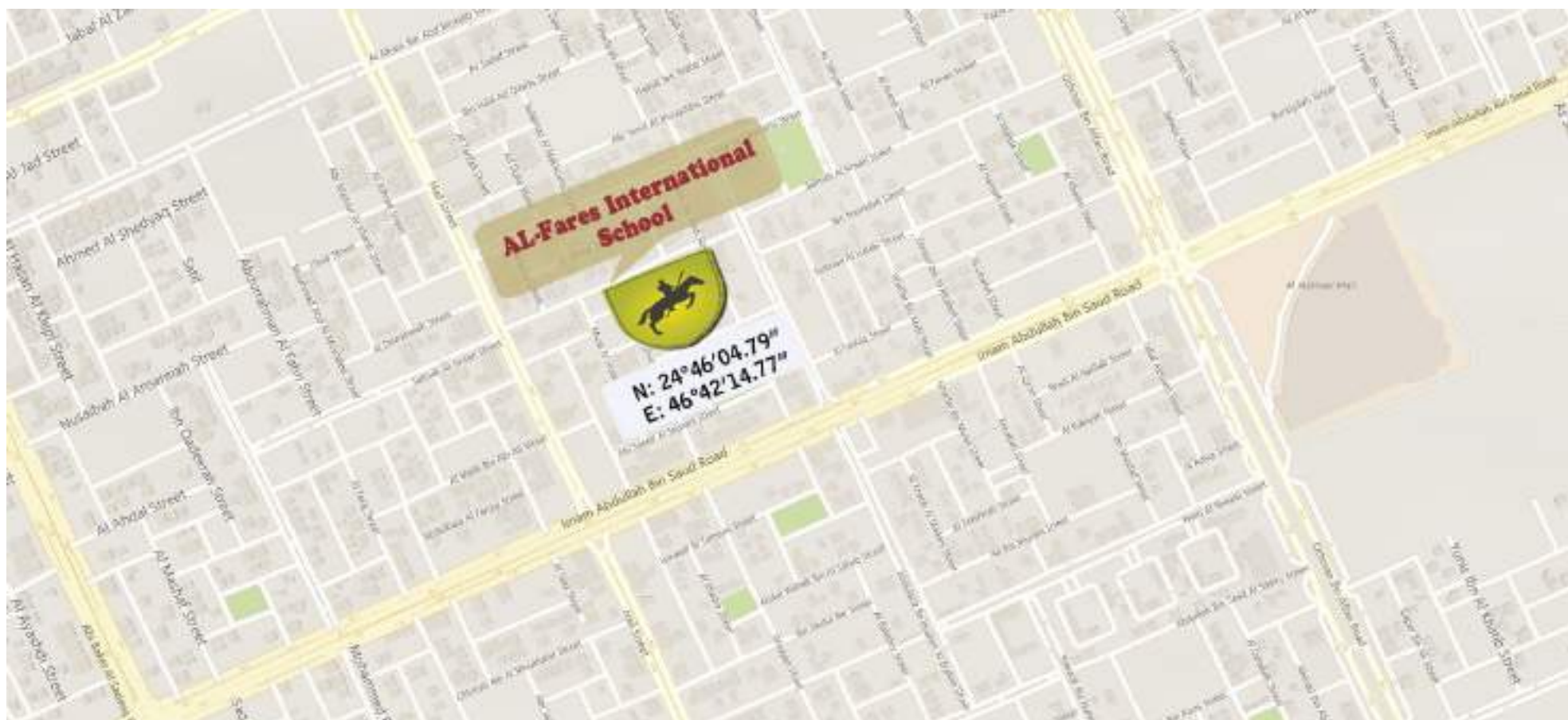
Assumptions

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

12-Property's Identification

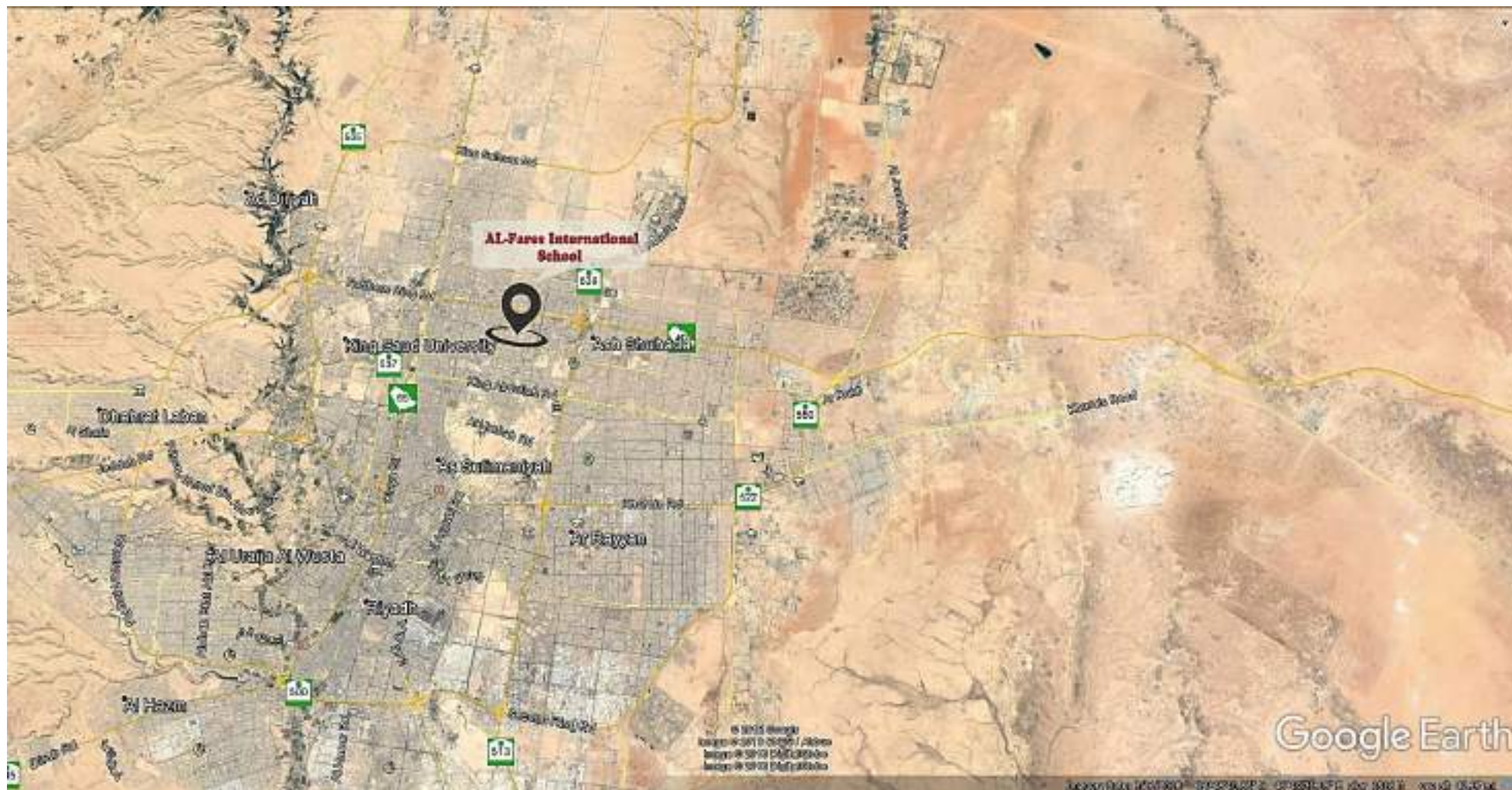
The subject property consists of Educational property Asset (Land + building) located in **Riyadh city** within Al-Tawwon district. Land area: **16,500 sq m** + Building GFA **36,885 sq m** plus Fence **508 m2** based on data has been received from Al-Rajhi REIT Geographic **Coordinates: N: 24°46'04.79"**

E: 46°42'14.77"



The Image below shows the Boundaries of the site:

Aerial View



12.1- Property Characteristics

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

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

Main features of the project (Advantages):

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

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

13-Land Valuation

13.1- Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation market value (MV)

RV methodology definition:

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

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

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

Dev - Cost Sheet - National School - Educational project

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

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

	Dev- period 3 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1- National school - Rev- Leasing to Operator							
Leasable area - sq. m		38,775	38,775	38,775	38,775	38,775	38,775
Annual rental price - sq. m		332	332	332	800	800	800
Occupancy Rate %		100%	100%	100%	100%	100%	100%
Revenues Cat 1		12,873,300	12,873,300	12,873,300	31,020,000	31,020,000	31,020,000
Gross Revenues		12,873,300	12,873,300	12,873,300	31,020,000	31,020,000	31,020,000

Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Revenues	12,873,300	12,873,300	12,873,300	31,020,000	31,020,000	31,020,000
General & Administrative Expenses (0%) all on Lessee Responsibility	0	0	0	0	0	0
Gross Profit - EBITDA	12,873,300	12,873,300	12,873,300	31,020,000	31,020,000	31,020,000
Depreciation	(857,703)	(857,703)	(857,703)	(857,703)	(857,703)	(857,703)
Earnings after depreciation	12,015,597	12,015,597	12,015,597	30,162,297	30,162,297	30,162,297
Interest Expense	(3,086,400)	(3,086,400)	(3,086,400)	0	0	0
Earning after interest expense	8,929,197	8,929,197	8,929,197	30,162,297	30,162,297	30,162,297
Zakat and VAT 7.5%	(669,690)	(669,690)	(669,690)	(2,262,172)	(2,262,172)	(2,262,172)
Net Income	8,259,507	8,259,507	8,259,507	27,900,125	27,900,125	27,900,125
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	8,259,507	8,259,507	8,259,507	27,900,125	27,900,125	27,900,125
Cumulative Retained earnings	8,259,507	16,519,014	24,778,522	608,241,341	636,141,466	664,041,591

Cash Flow Statement

Cash flow Table	Construction Year 1	Construction Year 2	Construction Year 3	Operation Year 1	Operation Year 2	Operation Year 32	Operation Year 33
IN - Flow							
Capital Injection							
Net Revenues				8,259,507	8,259,507	27,900,125	27,900,125
Depreciation				857,703	857,703	857,703	857,703
Total Inflow				9,117,210	9,117,210	28,757,828	28,757,828
OUT Flow							
Total Construction Cost	42,885,150	42,885,150	42,885,150				
Professional Fees	904,750	904,750	904,750				
Statutory fees 2%	723,800	723,800	723,800				
Marketing Fees (Media & Advertising) 1.5%	542,850	542,850	542,850				
Contingency costs 10%	3,619,000	3,619,000	3,619,000				
Overhead cost 1%	904,750	904,750	904,750				
Total Outflow	(49,580,300)	(49,580,300)	(49,580,300)				
Net Cash Flow	(49,580,300)	(49,580,300)	(49,580,300)	9,117,210	9,117,210	28,757,828	28,757,828
Cumulative Net Income	(49,580,300)	(99,160,600)	(148,740,900)	(139,623,690)	(130,506,480)	514,847,062	543,604,890

Residual Value - RV

RV	Construction / Year 1	Construction / Year 2	Construction / Year 3	Operation / Year 1	Operation / Year 2	Operation / Year 3	Operation / Year 31	Operation / Year 32	Operation / Year 33	Total
IN - Flow	Period	0	0	1	2	3	31	32	33	
Revenues		0	0	8,259,507	8,259,507	8,259,507	27,900,125	27,900,125	27,900,125	
Total Inflow		0	0	9,117,210	9,117,210	9,117,210	28,757,828	28,757,828	28,757,828	634,830,134
Discount Rate:	8.6%	0.000	0.000	0.921	0.848	0.781	0.077	0.071	0.066	
OUT Flow										
Total Outflow		0	0	0	0	0	0	0	0	
Total Cash out										
Net Cash Flow (Before Discount Rate)	(128,655,450)	0	0	9,117,210	9,117,210	9,117,210	28,757,828	28,757,828	28,757,828	229,526,652
										Total Cash flow
Discounted Cash Flow DCF	(128,655,450)	0	0	8,395,221	7,730,406	7,118,238	2,228,597	2,052,115	1,889,609	44,846,500
										Residual value

Market Value - MV		
	Land - MV	44,846,500
	Land area - sq. m	16,500.00
MV - per sq. m - Residual value		2,717.97

Market Value MV	Land Area – sq m	Value / sq m. SAR	MV SAR
Market Value for land	16,500	2,717.97	44,846,505

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

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

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

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

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

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

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

Depreciated Replacement cost (DRC)

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

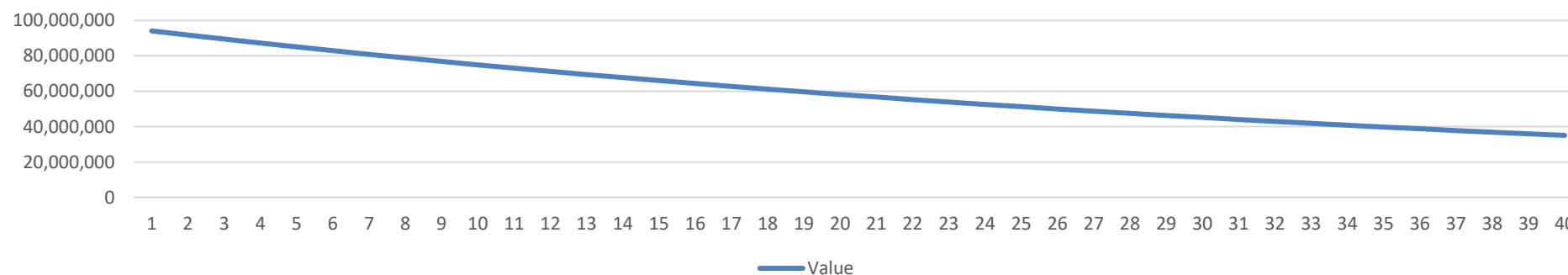
Note: Deprecation Charged on Annual Basis

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

– All MEP installed

Type of Construction	GFA / sq m	Replacement cost / SAR – sq m Q1-2020	Completion %	Market value/ SR
Basement floor	10,330	2,800	100%	28,924,000
Ground floor	8,731	2,400	100%	20,954,400
First floor	8,887	2,400	100%	21,328,800
Second floor	8,887	2,400	100%	21,328,800
Electricity room	50	2,400	100%	120,000
Fence	508	500	100%	254,000
External Area – sq m	7,769 sq m	150	100%	1,165,350
Replacement cost - SR				94,075,350
- Apportionment Acc Deprecation	94,075,350 *14 %			(13,170,549)
Depreciated Replacement cost DRC				80,904,801

Value of building during operational Life Cycle



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

Market Value (Land)	44,846,505 SAR
Plus	
Building Value before adding Profit Margin - SAR	80,904,801 SAR
+ Developer Profit Margin (25%) – only for Building Value - SAR	20,226,200 SAR
Building Value - SAR	101,131,001 SAR
market value - Property	145,978,000 S.R (One hundred forty-five million, nine hundred seventy eight thousand Saudi riyal)

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

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

-5%	market value	+5%
138,679,000 SR	145,978,000 SR	153,277,000 SR

15-Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value **@ 7.5% Average market Yield for International Educational Properties) - Riyadh city Q1-2020- FFO (Funds from Operations)** to define the cash flow from their operations.

Net Operating Income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Fowzan for construction and real estate For Real estate) for 12 obligatory year contractually period (Net Rent / annum 10,000,000 SAR during 12 years Contract's period) – SR starting from 1 oct 2014 till 27 June 2026. 15.1- OPM Applied a Direct Comparison approach between the Net income within Agreement, and a related affordable leasable sample from market and the results comes: annual market rental values per sq m starting from 350-500 SR/ sq m while equal to 384 SR/ sq m within property which means Net Income within average market.		10,000,000
– Vacancy and collection loss		0
Additional income		
Effective gross income		10,000,000
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		0
Net operating income NOI		10,000,000
Market Value @ 7.5% Capitalization rate		133,333,000

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

Residual value + depreciation replacement cost - MV	145,978,000	
Capitalization rate - MV	133,333,333	
Weighted Average - Percentage	DRC	87,587,000
	60%	
	Cap rate	53,333,000
	40%	
market value MV	140,920,000 (One hundred forty million, nine hundred twenty thousand,SR)	

(Sensitivity Analysis) for Asset Property MV

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

-5%	market value	+5%
133,874,000 SR	140,920,000	147,966,000 SR

17- Real Estate Market Summary- Al-Riyadh Q1-2020

Growth rate slightly Change, Government's decision to collaborate more closely with the development of mega project for the housing sector, The Government successfully conduct the Biggest entertainment event "Riyadh Season" So Commercial Shopping malls owners are hopeful that the proposed entertainment reforms will lead to the more licensing of movie theatres & Entertainment events in the Kingdom & New brands hotels are expected to enter the market over the next coming years with hotels room.



17.1-Offices market: Offices vacancies rate of Office Grade A & B Silently Decrease over the quarter due to (SAGIA) Saudi Arabia General Investment Authority Issue New License to Investor to operate business companies in private sectors. Corporate demand is more focus on Smart & elegant Co-working office space to get benefit for low rental rates. In COVID-19 Pandemic government announced the package to ensure business connectivity and mitigate risk for Business Growth and support to the Private sector.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. MOH Initiative 2030 related to NTP 2020 & Saudi vision 2030 Which will transform sector for achieving Government Operational Excellence.

17.2-Residential market: Residential Units & Villas Prices slightly increase due to government backend support to expand the mortgage scheme and government sakni program for Saudi Resident. According to Vision 2030 in respond to sakni program which helps to increase ownership rate in 2020. Secondly Real estate development fund and Saudi refinance company play vital role to boost homeownership and mortgage market. Due to Current Covid-19 pandemic we can expect in supply & Demand side on-going Residential project will slightly expected to delay to deliver it.

17.3-Hospitality market: The Public Investment fund introduced a tourism and hospitality project like Riyadh season that will help to boost the economic activity in capital city. In end of 2019 Government initiative to allow Developed Countries Like U.K, US & Schengen Visa holder to get visa on arrival facility that help to support tourism industry and enhance the economic activity in the kingdom. While Feb 2020 Hospitality Industry has Healthy performance but Due to COVID-19 Pandemic in Mid of March-2020 Hospitality industry had badly impact for suspension of International Travelling and Q1-2020 Performance of Hospitality Sector is very depressed.

17.4-Retail market: Retail market performance remain stable in Q-4 2019. While ADR is stable of super and super regional mall, and vacancy rate of Grade B Class is slightly increase at the end of 2019. While retail sector enjoys slightly upward trend in performance. Under 2030 Vision strategic goal to increase proportion of online payment. In COVID-19 Pandemic full time & partial lockdown in Riyadh, restriction of consumer mobility & socialize limitation that huge impact on retail and entertainment sector. Due to mobility restriction consumer behavior shifted to online trade that boost to E-Commerce sector that will help to support vision 2030.

17.5- Industrial warehouses: While occupancies increased marginally in the industrial warehouses sector over 2020, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

18-External and internal Pictures

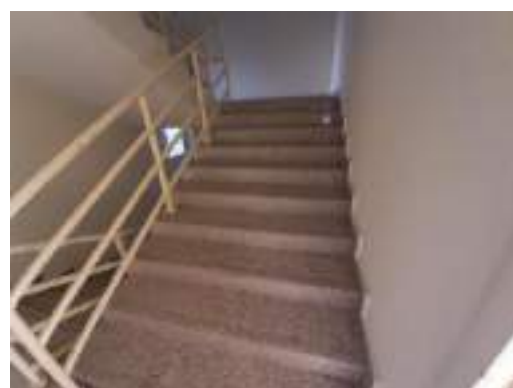
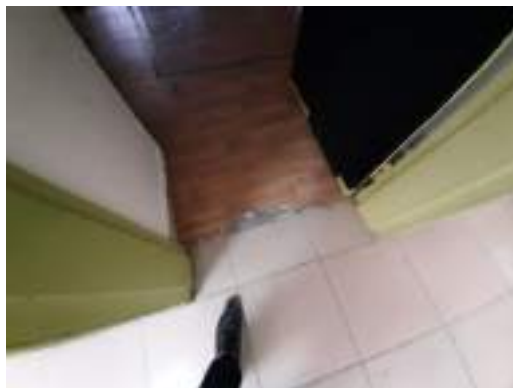
External view



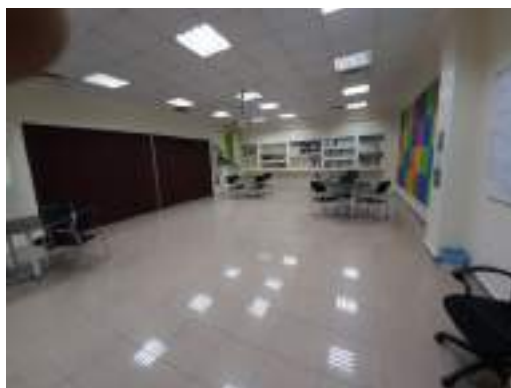
Internal view



Internal view



Internal view



Internal view



Internal view



19- Olaat valuation Company's team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manager	1210000397	1442/4/13	Real estate
Mustafa Mardina	Formatting and Analyzing report	1220000297	1442/04/13	Real estate
Salem Mafouz	Site visit, inspection Catchment area	1220000968	1442/02/27	Real estate

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19.1- OPM Valuation's team Taqueem's certificates





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Valuation Report Analysis
Anwar Plaza Property
AL-Riyadh City - KSA
Valuation's Report Date August 10, 2020

Prepared for
Al-Rajhi REIT



شركة أولات للتقييم العقاري
Olaat Valuation Company



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OPM does not accept any liability in negligence or otherwise for a loss of damage suffered by any party resulting from the dependence of this publication.

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

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi REIT.

Riyadh City

Date of Valuation June 30, 2020

Date of Report August 10, 2020

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: m.mardena@olaat.com

www.olaat.com

C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center – Commercial shops
Location	Riyadh city – Al-Rawda District- Intersection point btw Khuris road & Khalid Ibn AlWaleed St
Land Area	9,981.76 sq m
Title deed number	710115041822
Title's date	06/09/1436 H
Plots Number	408
Scheme Number	391
Land Topography	Flat
Boarded streets & Neighbors	N: Street width 15 m length 100.41 m S: Street width 20 m length 100.41 m E: Street width 40 m length 99.6 m W: Neighbor length 99.6 m
Building Build- up area (Gross floor area) GFA	4,518 sq m plus 294.42 Fence
Building's Permit number	1430/9220
Building Permit's date	30/06/1430 H
Market value for Property SAR	64,649,000 (Sixty-four million, Six hundred forty-Nine thousand, Saudi Riyal)

Legal Documents

TITLE DEED



BUILDING'S PERMIT



Disclaimer

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

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Covid-19 Pandemic

With the spread of corona virus (COVID-19) In Kingdom of Saudi Arabia enacted to take step to control corona diseases. Initially due to spread it has a great impact on social mobility that lead to impact on kingdom economic growth. In order to control this pandemic and uplift the economic activity government taken a serious step to provide relief package to support corporate and resident and private sector.

Material Valuation Uncertainty under COVID-19 Pandemic

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Accordingly, many formal measures were taken locally and globally that would affect all business sector including Real Estate Sector.

During critical period, Market activity is clearly being impacted in many sectors especially real estate transaction. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purpose, to inform opinions of value. Indeed, the current response circumstance on which to base a judgement and current condition are under influence of epidemic COVID-19 and we are facing an exceptional situation in which it difficult to build an accurate judgement of market situation and value of real estate.

Accordingly, our valuation is therefor reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global and. Consequently, less certainty-and a higher degree of caution-should be taken to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that keep the valuation of Property under frequent review & property to be revalued when current condition change.

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

August 10, 2020

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

Tenure: Commercial Freehold property

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

The **market value** of the commercial property is **64,649,000 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi REIT
Instruction	In accordance with RFP dated on May 11, 2020, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Anwar Plaza Property.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation, as at 30 June 2020 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr.Mohammad Bakri 056 220 8888 (on behalf of Al-Fowzan)
Personnel	The Valuation analysis and financial models has been prepared by OPM
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

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

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

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

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

4- Standard and Premise of value

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

5- Scope of the Report

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

6- Source of information and data

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

7- Purpose for preparation valuation and Content text

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

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated value of land property in time of evaluation **June 30, 2020 AD**.

9- Legal Description for Property Owner

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

10-Second partner's rights and ownership in property

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

11-Foundation of evaluation report and Contents

Assumptions

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

Attachments

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

12-Property's Identification

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



The Image below shows the Boundaries of the site:

Micro Situation



12.1- Property Characteristics

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

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

Main features of the project:

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



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation market value (MV)

RV methodology definition:

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

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

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

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

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

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

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1: Commercial Offices							
Offices - Grade C+							
Net Leasable area		8,984	8,984	8,984	8,984	8,984	8,984
Annual Rental price / sqm - S. R		536	536	536	536	536	536
Occupancy rate		80%	95%	95%	95%	95%	95%

Revenues Cat 1	3,852,161	4,574,441	4,574,441	4,574,441	4,574,441	4,574,441	4,574,441
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Category 2: Commercial Shops							
Shops - Grade C+							
Net Leasable area		4,791	4,791	4,791	4,791	4,791	4,791
Annual Rental price / sqm - S. R		1,268	1,268	1,268	1,268	1,268	1,268
Occupancy rate		80%	100%	100%	100%	100%	100%

Revenues Cat 2	4,860,239	6,075,298	6,075,298	6,075,298	6,075,298	6,075,298	6,075,298
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Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	8,712,400	10,649,739	10,649,739	10,649,739	10,649,739	10,649,739
General & Administrative Expenses 10%	871,240	1,064,974	1,064,974	1,064,974	1,064,974	1,064,974
Gross Profit - EBITDA	7,841,160	9,584,765	9,584,765	9,584,765	9,584,765	9,584,765
Depreciation	1,220,796	1,220,796	1,220,796	1,220,796	1,220,796	1,220,796
Earnings after depreciation	6,620,364	8,363,969	8,363,969	8,363,969	8,363,969	8,363,969
Interest Expense	610,398	610,398	610,398	610,398	610,398	610,398
earning after interest expense	6,009,965	7,753,571	7,753,571	7,753,571	7,753,571	7,753,571
Other expenses	0	0	0	0	0	0
Net Income	6,009,965	7,753,571	7,753,571	7,753,571	7,753,571	7,753,571
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	6,009,965	7,753,571	7,753,571	7,753,571	7,753,571	7,753,571
Cumulative Retained earnings	6,009,965	13,763,537	21,517,108	86,502,715	94,256,286	102,009,858

Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 3	year 31	year 32	year 33
IN - Flow							
Capital Injection							
Net Revenues		6,009,965	7,753,571	7,753,571	7,753,571	7,753,571	7,753,571
Total Inflow		6,009,965	7,753,571	7,753,571	7,753,571	7,753,571	7,753,571
OUT Flow							
Total Construction Cost	36,993,821						
Professional Fees	924,846						
Statutory fees 2%	739,876						
Marketing Fees (Media & Advertising) 1.5%	554,907						
Contingency costs 1%	554,907						
Overhead cost 1%	924,846						
Total Outflow	40,693,203						
Net Cash Flow	(40,693,203)	6,009,965	7,753,571	7,753,571	7,753,571	7,753,571	7,753,571
Cumulative Net Income	(40,693,203)	(34,683,237)	(26,929,666)	-19,176,095	86,502,715	94,256,286	102,009,858

Residual Value- Land Value							
RV	Year 0	Year 1	Year 2	Year 31	Year 32	Year 33	Total
IN - Flow							
Revenues		6,009,965	7,753,571	7,753,571	7,753,571	7,753,571	
Total Inflow		6,009,965	7,753,571	7,753,571	7,753,571	7,753,571	156,274,723
Discount Rate: 8%							
		0.926	0.857	0.092	0.085	0.079	
OUT Flow							
Total Outflow		40,693,203					40,693,203
Total Cash out							
Net Cash Flow (Before Discount Rate)	40,693,203	6,009,965	7,753,571	7,753,571	7,753,571	7,753,571	59,209,671
							Total Cash flow
Discounted Cash Flow DCF		5,564,783	6,647,438	713,453	660,605	611,671	57,449,532
							Residual Value
Value Per / sq m							
	Land Value (PV)	57,449,532					
	Square Meters	9,981.76					
Estimated sq m value (S.R)		5,755.45					

Market Value MV	Land Area - sqm	Value / sq. m . S.R	MV S.R
Market Value for land	9,981.76	5,755.45	57,449,530

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

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

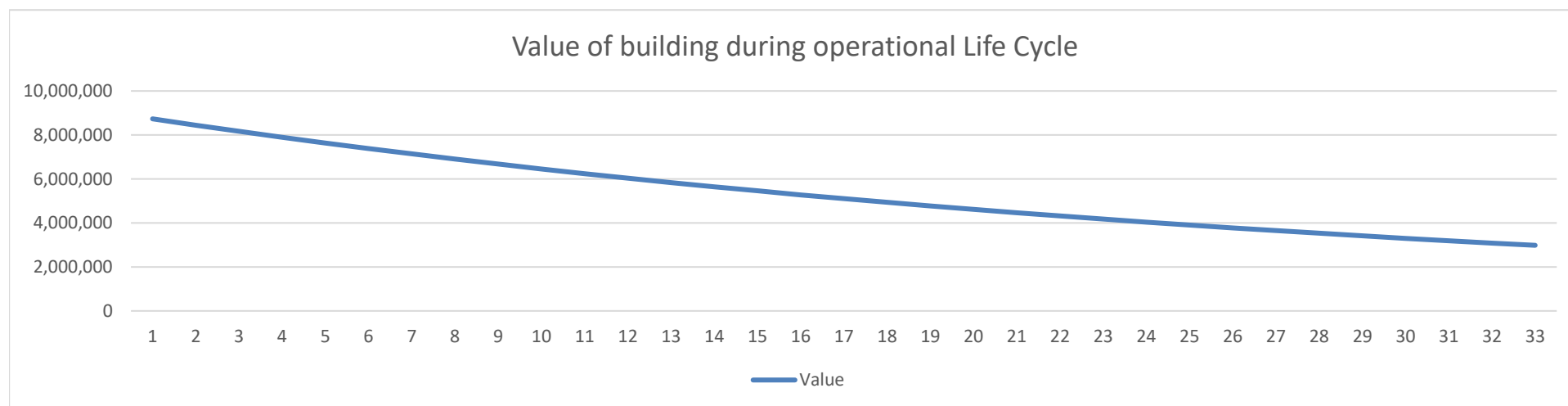
Depreciated Replacement cost (DRC)

Standards: Average useful life for Showrooms building in <u>Riyadh</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 3.3%	Appreciation ratio Per annum based to schedule of maintenance work 0.3% per annum	3%
Building (equipment) useful life	N (number of years) =	7 years (starting Operation period @1432 Hijri)
Acc Deprecation	3%*7=	21 %

Note: Depreciation Charged on Annual Basis

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

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2020	Completion %	Market value/ SR
GF, FF, and roof floor	4,518	1,500	100%	6,777,000
Landscaping and outdoor car parks	5,168	350	100%	1,808,800
Fences	294.42	500	100%	147,210
Replacement cost				8,733,010
- Acc Deprecation		8,733,010*21 %		(1,833,932)
Depreciated Replacement cost DRC				6,899,078



14-Market value (property) Land + Building construction, fixtures & equipment work-Currency SAR

Market Value (Land)	57,449,530 SAR
+	
Building	6,899,078 S. R
+ (Profit Margin) 20%	1,379,815 S. R
Building Value SAR	8,278,893 SAR
Market value - Property	65,729,000 S.R (Sixty-Five million, Seven Hundred Twenty-nine thousand, Saudi riyal)

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

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

-5%	market value	+5%
62,443,000 S. R	65,729,000 S. R	69,015,000 S. R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.6% Average market Yield- Riyadh city Q1-2020

Net Operating Income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Fowzan for construction and real estate For Real estate) for 10 obligatory year contractually period (Net Rent / annum 4,790,257 SAR during first 5 years, and next Net Rent / annum 5,173,477 during the rest of Contract's period – 5 Years)			
Current Annual Rent: for first 5 Year Contract Period = 4,790,257.63	4,790,257.63	4,790,257.63	
Sum	4,790,257.63		
Net Operating Income NOI- Triple Net	4,790,257.63		
15.1- OPM Applied a Direct Comparison approach between the Net income within Agreement, and an affordable leasable sample from market and the results comes: annual market rental values for Shop per sq m starting from 450-550 SR/ sq m while equal to 480 SR/ sq m within property which means Net Income within average market		0	
– Vacancy and collection loss			
Additional income			
Effective gross income		4,790,257.63	
Operating Expenses			
Fixed	0		
Variable	0		
Reserves	0		
– Total Operating expenses		0	
Net operating income NOI		4,790,257.63	
Market Value SAR @ 7.6% Capitalization rate		63,029,706 SAR	

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

Residual value + depreciation replacement cost - MV	65,729,000	
Capitalization rate - MV	63,029,706	
Weighted Average - Percentage	DRC	39,437,000
	60%	
	Cap rate	25,212,000
	40%	
market value MV	64,649,000 (Sixty-Four million, Six hundred forty-nine thousand, Saudi Riyal)	

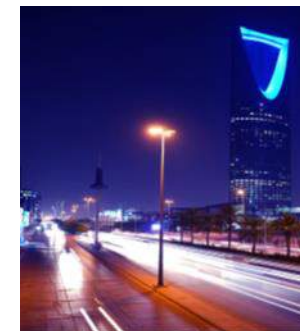
(Sensitivity Analysis) for Asset Property MV

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

-5%	market value	+5%
61,417,000 SR	64,649,000 SR	67,881,000 SR

17- Real Estate Market Summary- Al-Riyadh Q1-2020

Growth rate slightly Change, Government's decision to collaborate more closely with the development of mega project for the housing sector, The Government successfully conduct the Biggest entertainment event "Riyadh Season" So Commercial Shopping malls owners are hopeful that the proposed entertainment reforms will lead to the more licensing of movie theatres & Entertainment events in the Kingdom & New brands hotels are expected to enter the market over the next coming years with hotels room.



17.1-Offices market: Offices vacancies rate of Office Grade A & B Silently Decrease over the quarter due to (SAGIA) Saudi Arabia General Investment Authority Issue New License to Investor to operate business companies in private sectors. Corporate demand is more focus on Smart & elegant Co-working office space to get benefit for low rental rates. In COVID-19 Pandemic government announced the package to ensure business connectivity and mitigate risk for Business Growth and support to the Private sector.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. MOH Initiative 2030 related to NTP 2020 & Saudi vision 2030 Which will transform sector for achieving Government Operational Excellence.

17.2-Residential market: Residential Units & Villas Prices slightly increase due to government backend support to expand the mortgage scheme and government sakni program for Saudi Resident. According to Vision 2030 in respond to sakni program which helps to increase ownership rate in 2020. Secondly Real estate development fund and Saudi refinance company play vital role to boost homeownership and mortgage market. Due to Current Covid-19 pandemic we can expect in supply & Demand side on-going Residential project will slightly expected to delay to deliver it.

17.3-Hospitality market: The Public Investment fund introduced a tourism and hospitality project like Riyadh season that will help to boost the economic activity in capital city. In end of 2019 Government initiative to allow Developed Countries Like U.K, US & Schengen Visa holder to get visa on arrival facility that help to support tourism industry and enhance the economic activity in the kingdom. While Feb 2020 Hospitality Industry has Healthy performance but Due to COVID-19 Pandemic in Mid of March-2020 Hospitality industry had badly impact for suspension of International Travelling and Q1-2020 Performance of Hospitality Sector is very depressed.

17.4-Retail market: Retail market performance remain stable in Q-4 2019. While ADR is stable of super and super regional mall, and vacancy rate of Grade B Class is slightly increase at the end of 2019. While retail sector enjoys slightly upward trend in performance. Under 2030 Vision strategic goal to increase proportion of online payment. In COVID-19 Pandemic full time & partial lockdown in Riyadh, restriction of consumer mobility & socialize limitation that huge impact on retail and entertainment sector. Due to mobility restriction consumer behavior shifted to online trade that boost to E-Commerce sector that will help to support vision 2030.

17.5- Industrial warehouses: While occupancies increased marginally in the industrial warehouses sector over 2020, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

18-External and internal Pictures

External view



External view



19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Final Revision – Release	1210000397	1442/4/13	Real estate
Mustafa Mardina	Formatting and Analyzing report, Site visit Site visit,	1220000297	1442/4/13	Real estate
Salem Mafouz	Site visit Site visit, inspection Catchment area	1220000968	1442/2/27	Real estate

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19.1- OPM Valuation's team Taqueem's certificates





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Valuation Report Analysis
Blue Tower Property
Al-Khobar City - KSA
Valuation's Report Date August 10, 2020

Prepared for
Al-Rajhi REIT



شركة أولات للتقييم العقاري
Olaat Valuation Company



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OPM does not accept any liability in negligence or otherwise for a loss of damage suffered by any party resulting from the dependence of this publication.

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

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi REIT.

Al-Khobar City

Date of Valuation: June 30, 2020

Date of Report: August 10, 2020

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: m.mardena@olaat.com

www.olaat.com

C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Building – Offices and Commercial Shops	
Location	Al-Khobar city – Al-Yarmouk District- Al-Andalus road	
Land Area	5,464 sq m	
Title deed number	730206009155	
Title's date	23/7/1436 H	
Plots Number	40-41-42	
Scheme Number	5/2	
Land Topography	Flat	
Boarded streets & Neighbors	N	Street Width 20 m length 55 m
	S	Street Width 20 m length 55 m
	E	Pathway Width 8 m and car parks length 100 m
	W	Al-Khobar-Dammam sea road (King Faisal road) Width 22 m length 100m
Building (Gross floor area) GFA	33,591.91	
Building's Permit number	428/10461	
Building Permit's date	8/8/1432	
Market value for Property	231,470,000 (Two hundred Thirty-one million, Four-hundred seventy thousand,Saudi Riyal)	

Legal Documents

DEED



Disclaimer


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

رقم المراجعة

تاريخ المراجعة

محل المراجعة

إلى



المملكة العربية السعودية

وزارة الشؤون البلدية والقروية

إدارة المنطقة الشرقية

محافظة الأحساء

الجهة المستفيدة

الجهة المراجعة

ملاحظات

رقم المراجعة

تاريخ المراجعة

رقم المنطقة	رقم المخطط	رقم الاستمارة	رقم حصة المخطط	نوع حصة المخطط	تاريخها

المنطقة		الحي		الشارع		الحي		الشارع	
الحي	الشارع	الحي	الشارع	الحي	الشارع	الحي	الشارع	الحي	الشارع

الاسم المخطط

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ملاحظات المخطط

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Covid-19 Pandemic

With the spread of corona virus (COVID-19) In Kingdom of Saudi Arabia enacted to take step to control corona diseases. Initially due to spread it has a great impact on social mobility that lead to impact on kingdom economic growth. In order to control this pandemic and uplift the economic activity government taken a serious step to provide relief package to support corporate and resident and private sector.

Material Valuation Uncertainty under COVID-19 Pandemic

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Accordingly, many formal measures were taken locally and globally that would affect all business sector including Real Estate Sector.

During critical period, Market activity is clearly being impacted in many sectors especially real estate transaction. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purpose, to inform opinions of value. Indeed, the current response circumstance on which to base a judgement and current condition are under influence of epidemic COVID-19 and we are facing an exceptional situation in which it difficult to build an accurate judgement of market situation and value of real estate.

Accordingly, our valuation is therefor reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global and. Consequently, less certainty-and a higher degree of caution-should be taken to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that keep the valuation of Property under frequent review & property to be revalued when current condition change.

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

August 10, 2020

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

Tenure: Commercial Freehold property

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

The **market value** of the commercial property is **231,470,000 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), Capitalization income approach**, considering the location of the property, current market conditions, market lease rate as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi REIT.
Instruction	In accordance with RFP dated on May 11, 2020, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Blue Tower.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation, as at 30 June 2020 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Offices and Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected by by Yasir Al Nair Saudi Authority for Accredited Values membership (Taqeem) 12200001225, all significant parts of the property were inspected after communicated with Mr. Arsad 0554847547 (on behalf of Landlord's)
Personnel	The Valuation analysis and financial models has been prepared by OPM
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

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

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

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

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

4- Standard and Premise of value

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

5- Scope of the Report

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

6- Source of information and data

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

7- Purpose for preparation valuation and Content text

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

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value RV Method, depreciated replacement cost (DCR) to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated value of land property in time of evaluation **June 30, 2020 AD.**

9- Legal Description for Property Owner

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

10-Second partner's rights and ownership in property

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

11-Foundation of evaluation report and Contents

Assumptions

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

Attachments

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

12-Property's Identification

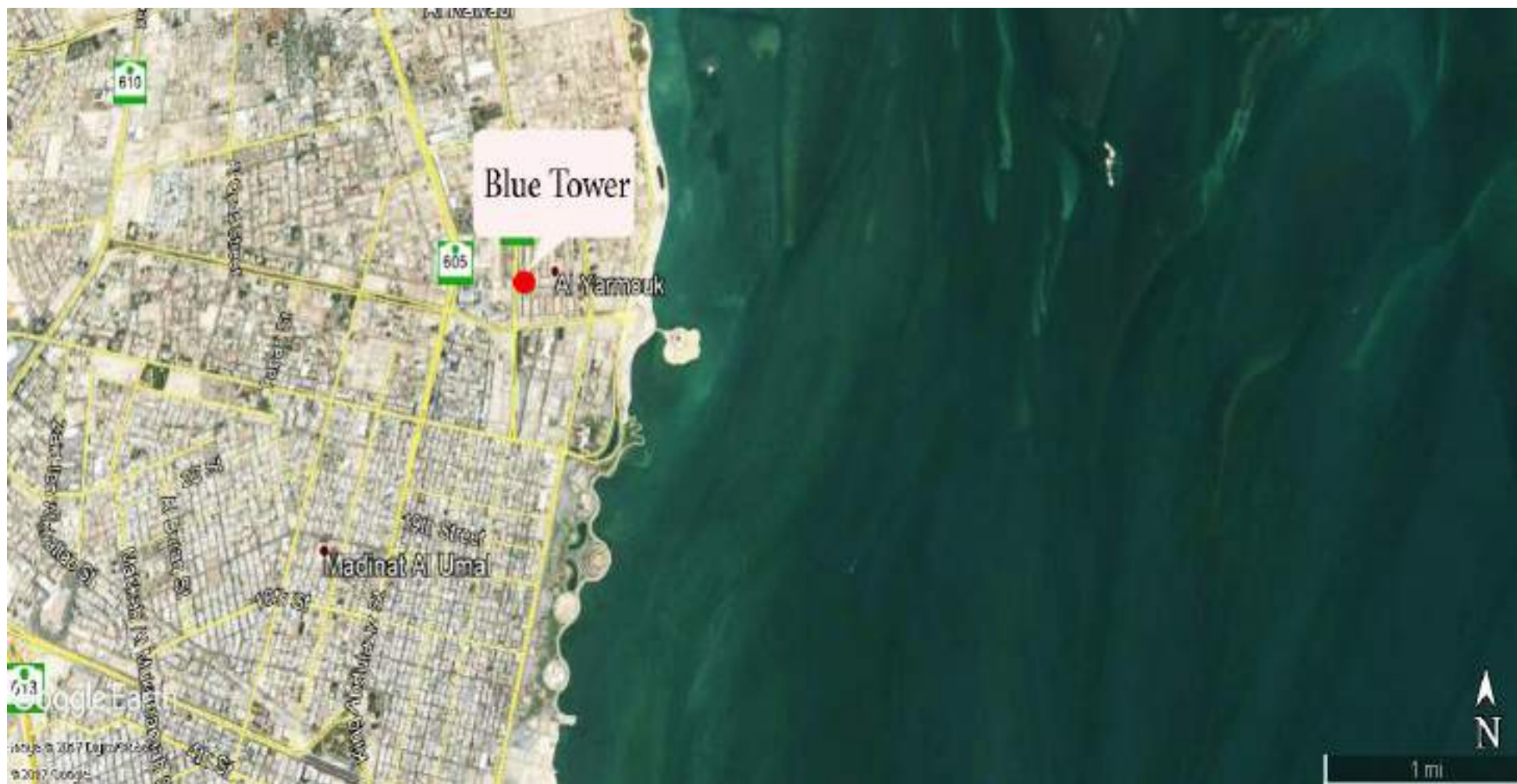
The subject property consists of commercial property (Land + building) located in **Al-Khobar city** within Al-Yarmouk district on King Faisal road. Land area: **5,464 sq m + Building GFA 33,591.91 sqm** based on data has been received from **Al-Rajhi REIT**. **Geographic Coordinates:** **N: 26°18'43.34"**

E: 50°13'03.04"



The Image below shows the Boundaries of the site:

Ariel View - Micro Situation



Macro View - Situation



12.1- Property Characteristics

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

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

12.2- Main features of the project:

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



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

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

Residual value approach evaluation – Land Evaluation market value (MV)

RV methodology definition:

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

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

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

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

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

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

Dev- period 3 Years		Year 1	Year 2	Year 3	Year 4	Year 5	Year 31	Year 32	Year 33
Category 1- Offices units Rev									
Leasable area - sq m		19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500
Annual rental price - sq m		980	980	980	980	980	1900	1900	1900
Occupancy Rate %		70%	80%	95%	95%	95%	95%	95%	95%
Revenues Cat 1		13,377,000	15,288,000	18,154,500	18,154,500	18,154,500	35,197,500	35,197,500	35,197,500
Category 2- Commercial shops									
Leasable area - sq m		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Annual rental price - sq m		1,450	1,450	1,450	1,450	1,450	2,300	2,300	2,300
Occupancy Rate %		70%	100%	100%	100%	100%	100%	100%	100%
Revenues Cat 2		4,060,000	5,800,000	5,800,000	5,800,000	5,800,000	9,200,000	9,200,000	9,200,000
Gross Revenues		17,437,000	21,088,000	23,954,500	23,954,500	23,954,500	44,397,500	44,397,500	44,397,500

Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Revenues	17,437,000	21,088,000	23,954,500	44,397,500	44,397,500	44,397,500
General & Administrative Expenses (11%)	1,918,070	2,319,680	2,634,995	4,883,725	4,883,725	4,883,725
Gross Profit - EBITDA	15,518,930	18,768,320	21,319,505	39,513,775	39,513,775	39,513,775
Depreciation	(1,008,429)	(1,008,429)	(1,008,429)	(1,008,429)	(1,008,429)	(1,008,429)
Earnings after depreciation	14,510,501	17,759,891	20,311,076	38,505,346	38,505,346	38,505,346
Interest Expense	(3,648,000)	(3,648,000)	(3,648,000)	0	0	0
Earning after interest expense	10,862,501	14,111,891	16,663,076	38,505,346	38,505,346	38,505,346
Zakat 2.5%	(271,563)	(352,797)	(416,577)	(962,634)	(962,634)	(962,634)
Net Income	10,590,938	13,759,094	16,246,499	37,542,712	37,542,712	37,542,712
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	10,590,938	13,759,094	16,246,499	37,542,712	37,542,712	37,542,712
Cumulative Retained earnings	10,590,938	24,350,032	40,596,531	824,446,825	861,989,537	899,532,249

Residual Value - RV (Investment method)

RV	Constrction / Year 1	Constrction/ Year 2	Constrction / Year 3	Operation / Year 1	Operation / Year 2	Operation / Year 3	Operation / Year 31	Operation / Year 32	Operation / Year 33	Total
IN - Flow	Period	1	2	3	4	5	33	34	35	
Revenues		0	0	10,590,938	13,759,094	16,246,499	37,542,712	37,542,712	37,542,712	
Total Inflow		0	0	11,599,367	14,767,523	17,254,928	38,551,141	38,551,141	38,551,141	855,708,128
Discount Rate:	9%	0.921	0.848	0.781	0.719	0.662	0.066	0.061	0.056	
OUT Flow										
Total Outflow		0	0	0	0	0	0	0	0	
Total Cash out										
Net Cash Flow (Before Discount Rate)	(152,386,900)	0	0	11,599,367	14,767,523	17,254,928	38,551,141	38,551,141	38,551,141	229,556,274
										Total Cash flow
Discounted Cash Flow DCF	(152,386,900)	0	0	9,056,176	10,616,671	11,422,575	2,533,104	2,332,508	2,147,798	55,042,702
										DCF

Market Value - MV		
	Land - MV	55,042,702
	Land area - sq m	5,464.00
MV - per sq m		10,073.70

Market Value MV	Land Area – sq m	Value / sq m . SAR	MV SAR
Market Value for land	5,464	10,073.70	55,042,697

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

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

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

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

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

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

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

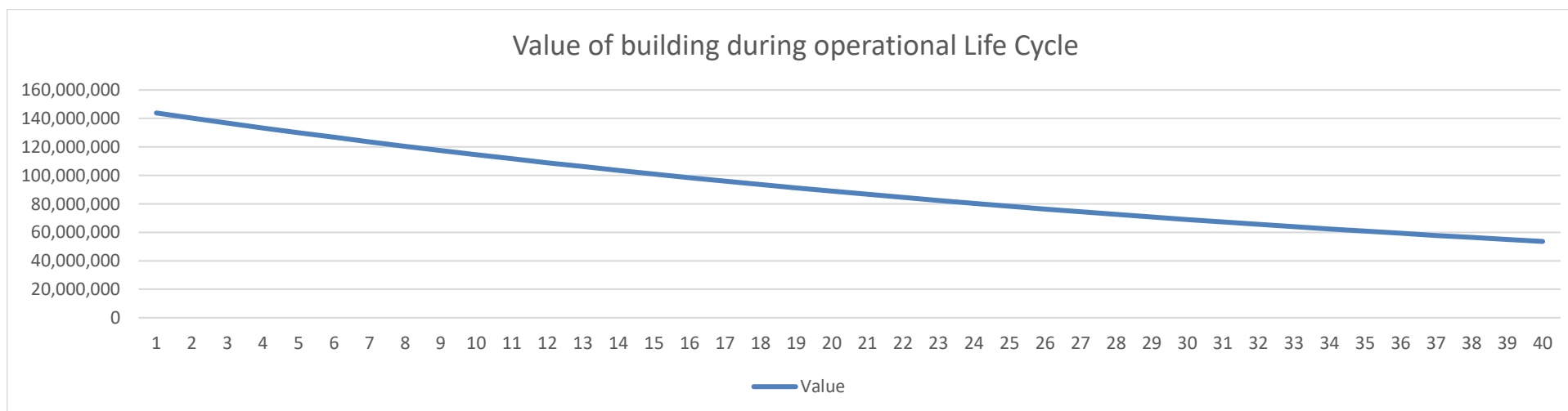
Depreciated Replacement cost (DRC)

Standards: Average useful life for Offices and showrooms buildings in <u>Al-Khobar city</u> after taken into consideration climate and moisture	N (number of years) =	40 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 1% per annum	1.5%
Building (equipment) useful life	N (number of years) =	7 years (starting Operation period @1433 Hijri)
Apportionment – Acc Depreciation	7*1.5%=	10.5 %

Note: Deprecation Charged on Annual Basis

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

Type of Construction	GFA / sq m	Replacement cost / SAR – sq m Q1-2020	Completion %	Market value/ SR
2 underground Floor basements	11,000	3,500	100%	38,500,000
GF, Mezzanine F, FF, SF, TF and 6 Typical floors	22,591.91	4,600	100%	103,922,786
Landscaping and external car parks	2,200	650	100%	1,430,000
Replacement cost				143,852,786
- Apportionment Acc Deprecation		143,852,786 *10.5 %		(15,104,543)
Depreciated Replacement cost DRC				128,748,243



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

Market Value (Land)	55,042,697 SAR
Plus	
Building	128,748,243 SAR
Profit Margin (25%)	32,187,060 SAR
Building Market Value SAR	160,935,303 SAR
market value - Property	215,978,000 S.R (Two hundred fifteen million, nine hundred seventy-eight thousand, SAR)

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

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

-5%	market value	+5%
205,179,000 S. R	215,978,000 S.R	226,777,000 S. R

14- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Al-Khobar city Q1-2020

Gross Operating income Triple Net – Currency SAR based to official legal contract between landlord and One tenant (Rawaj For Real estate) for 5 obligatory year contractually period – SR starting from the date of launching AL-Rajhi REIT fund)		18,310,958
14.1- OPM Applied a Direct Comparison approach between the Net income within Agreement, and an affordable leasable samples from market and the results comes: annual market rental values per sq m starting from 800-900 SR/ sq m (Class B+ Offices) while equal to 796 SR/ sq m within property which means Net Income Below average market by 7%.		
– Vacancy and rent collection loss		
Additional income		0
Effective gross income		18,310,958
Operating Expenses (based to Contract all expanses on Lessee's responsibility)		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		0
Net operating income NOI		18,310,958
Market Value @ 7.5% Capitalization rate - SAR		244,146,106

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

Residual value + deprecation replacement cost - MV	215,978,000	
Capitalization rate - MV	244,146,106	
Weighted Average - Percentage	DRC	97,190,100
	45%	
	Cap rate	134,280,358
	55%	
market value MV	231,470,000 (Two hundred Thirty-one million, four-hundred seventy thousand, SR)	

(Sensitivity Analysis) for Asset Property MV

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

-5%	market value	+5%
219,897,000 SR	231,470,000 SR	243,044,000 SR

16- Real Estate Market Summary-Dammam Q1-2020

Real estate market the secondary market after oil; it has been suffered from COVID-19 Pandemic & also impact to the significantly recent drop-in oil revenues that leads to subsequent slowdown in the Kingdom's economic growth in Q-1 2020 year. Government have ambitious plans to diversify the economy away from dependence on oil market so they take initiative to introduce the entertainment project & culture activities will help to boost the economy to implement and support the vision 2030 goals. All sectors of the real estate market appear to have peak over the past year and are now greatly affect in the early downturn stage of their market due to corona pandemic.



- **The Office sector** has experienced overall performance soften demand and continued supply completed over coming year. This has increased vacancies rate for major city in the Kingdom however, we expect to delay in the handover of some project given market condition. Grade A feature high quality finishing with ample amenities with compare of grade B spaces. Looking over next quarter we expect office rent remain under pressure. In COVID-19 Pandemic government announced the monetary package to ensure business connectivity and mitigate risk for Business Growth and support to the Private sector.

- **The Residential sector** has also experienced a steady growth of supply and a small decline in performance. Due to COVID-19 Pandemic Average sale prices have fallen marginally while rentals have declined by slightly more and over the past year and further small defines are expected over the next months. Ministry of housing and partnership with private sector will deliver large number of Units into the market that is under construction and future supply to be deliver inform of small and affordable units to increase homeownership percentage rate through MOH (sakni & Shrakat program) which helps to increase ownership rate in 2020 under Vision 2030. But Due to Current Covid-19 pandemic we can expect in supply & Demand side on-going Residential project will slightly expected to delay to deliver it

- The **Retail sector** has experienced significant new supply in coming years with vacancies rate in the retail sector have been relatively decline last year, with a marginal decreasing in rents for super regional & regional centers. With limited new supply scheduled to complete until 2020, retail rentals are expected to constant over the next few months. The majority of upcoming stock consider new outlook lifestyle concept mall, including full range of services like retail, F&B & entertainment. The new development improves shopping experience. In COVID-19 Pandemic partial lockdown in Dammam, restriction of consumer mobility & socialize limitation that huge impact on retail and entertainment sector. Due to mobility restriction consumer behavior shifted to online trade that boost to E-Commerce sector that will help to support vision 2030.

- The performance of the **Hospitality sector** has been Increase demand from last year till Feb 2020, due to Public Investment fund introduced a tourism and hospitality project that will help to boost the economic activity in overall kingdom specially Dammam. In Jan 2020, Government initiative to allow Developed Countries Like U.K, US & Schengen Visa holder to get visa on arrival facility that help to support tourism industry and enhance the economic activity in the kingdom corporate sector has seen a significant fall in occupancy levels. In Dammam City Upcoming hotels completion are expected to deliver at end of 2021. While Feb 2020 Hospitality Industry has flourishing performance but Due to COVID-19 Pandemic in Mid of March-2020 for suspension of International Travelling so performance of Hospitality Sector in Dammam is very sluggish.

17- External and internal Pictures

External view



External view



Internal view



Internal view



Internal view



Internal view



18- Olaat valuation Company's team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manager	1210000397	1442/4/13	Real estate
Mustafa Mardina	Formatting and Analyzing report	1220000297	1442/4/13	Real estate
Yasir Ali Nair	Site visit, inspection Catchment area	12200001225	1442/3/12	Real estate

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19.1- OPM Valuation's team Taqueem's certificates





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Valuation Report Analysis
Lulu Central Logistics Warehouse Property
AL-Riyadh City - KSA
Valuation's Report Date August 10, 2020

Prepared for
Al-Rajhi REIT



شركة أولات للتقييم العقاري
Olaat Valuation Company



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OPM does not accept any liability in negligence or otherwise for a loss of damage suffered by any party resulting from the dependence of this publication.

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

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi REIT.

Al-Riyadh City

Date of Valuation: June 30, 2020

Date of Report: August 10, 2020

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: m.mardena@olaat.com

www.olaat.com

C.R:1010462536

Valuation License: 1210000397

Property's Type	Logistics Warehouses Property	
Location	Located within Al-Musfat District to the south of Riyadh, in the first phase of Riyadh Industrial Gate City	
Land Area	23,716.29 sq m	
Title deeds number (6 Deeds)	310114042122- 310114042139- 810114042141- 210114042142- 310114042143- 310114042144	
Title's date (6 Deeds)	24/10/1439	
Plots Number	687-691-689-688-690-686	
Scheme Number	3880/1	
Land Topography	Flat	
Boarded streets & Neighbors	N	Road length 55.01 m
	S	Neighbor length 79.92 m
	E	Neighbor length 49.92 m
	W	Road length 25 m
Building Build- up area sq m	16,500 sq m (Main Warehouse 13,500 sq m, cold Store 1,500 sq m, Repacking Room 1,500 sq m)	
Building's Permit number	Based to Building Permit	
Building Permit's date	Based to Building Permit	
Market value for Property L&B	48,622,000 (forty-eight million, six hundred twenty-two thousand, Saudi Riyal)	

DEED 1



DEED 2



DEED 4



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Covid-19 Pandemic

With the spread of corona virus (COVID-19) In Kingdom of Saudi Arabia enacted to take step to control corona diseases. Initially due to spread it has a great impact on social mobility that lead to impact on kingdom economic growth. In order to control this pandemic and uplift the economic activity government taken a serious step to provide relief package to support corporate and resident and private sector.

Material Valuation Uncertainty under COVID-19 Pandemic

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Accordingly, many formal measures were taken locally and globally that would affect all business sector including Real Estate Sector.

During critical period, Market activity is clearly being impacted in many sectors especially real estate transaction. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purpose, to inform opinions of value. Indeed, the current response circumstance on which to base a judgement and current condition are under influence of epidemic COVID-19 and we are facing an exceptional situation in which it difficult to build an accurate judgement of market situation and value of real estate.

Accordingly, our valuation is therefor reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global and. Consequently, less certainty-and a higher degree of caution-should be taken to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that keep the valuation of Property under frequent review & property to be revalued when current condition change.

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

August 10, 2020

Property Address: Lulu Central Logistics property – Al-Riyadh city - Valuation Report analysis

Tenure: Logistic – Warehouse - Freehold property

We are delighted to submit our Valuation report for – **Lulu central Logistics warehouse property**– within Al-Musfat District - close to 3rd Industrial city – South of Al-Riyadh enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the market value In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as external values, qualified for the purpose of valuation.

The **market value** for Industrial logistic property is **48,622,000 S.R** has been assessed by **Comparable Approach, and DRC method (Deprecation replacement cost), capitalization approach** considering the location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	AI-Rajhi REIT
Instruction	In accordance with RFP dated on May 11, 2020, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Lulu Central Logistics (Warehouses – Cold store - Repacking area) Property.
Purpose of valuation	We understand that this Valuation Report (“the Valuation Report”), is required for Real estate investment trust REITs Fund Valuation, as at 30 June, 2020 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a logistics warehouses property for REITs purposes
The extent of the value’s investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member’s</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr.Fuad Al-Alem 053832491 (Vendors agent)
Personnel	The Valuation analysis and financial models has been prepared by OPM
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

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

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

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

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

4- Standard and Premise of value

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

5- Scope of the Report

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

6- Source of information and data

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

7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi REIT** to evaluate market value for a Commercial property due to market value located within Al-Musfat District, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated market Value for the for evaluated property on time of evaluation.

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Comparable Method, depreciated replacement cost (DCR), Income approach to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated value of land property in time of evaluation **June 30, 2020 AD**.

9- Legal Description for Property Owner

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

10-Second partner's rights and ownership in property

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

11-Foundation of evaluation report and Contents

Assumptions

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

12-Property's Identification

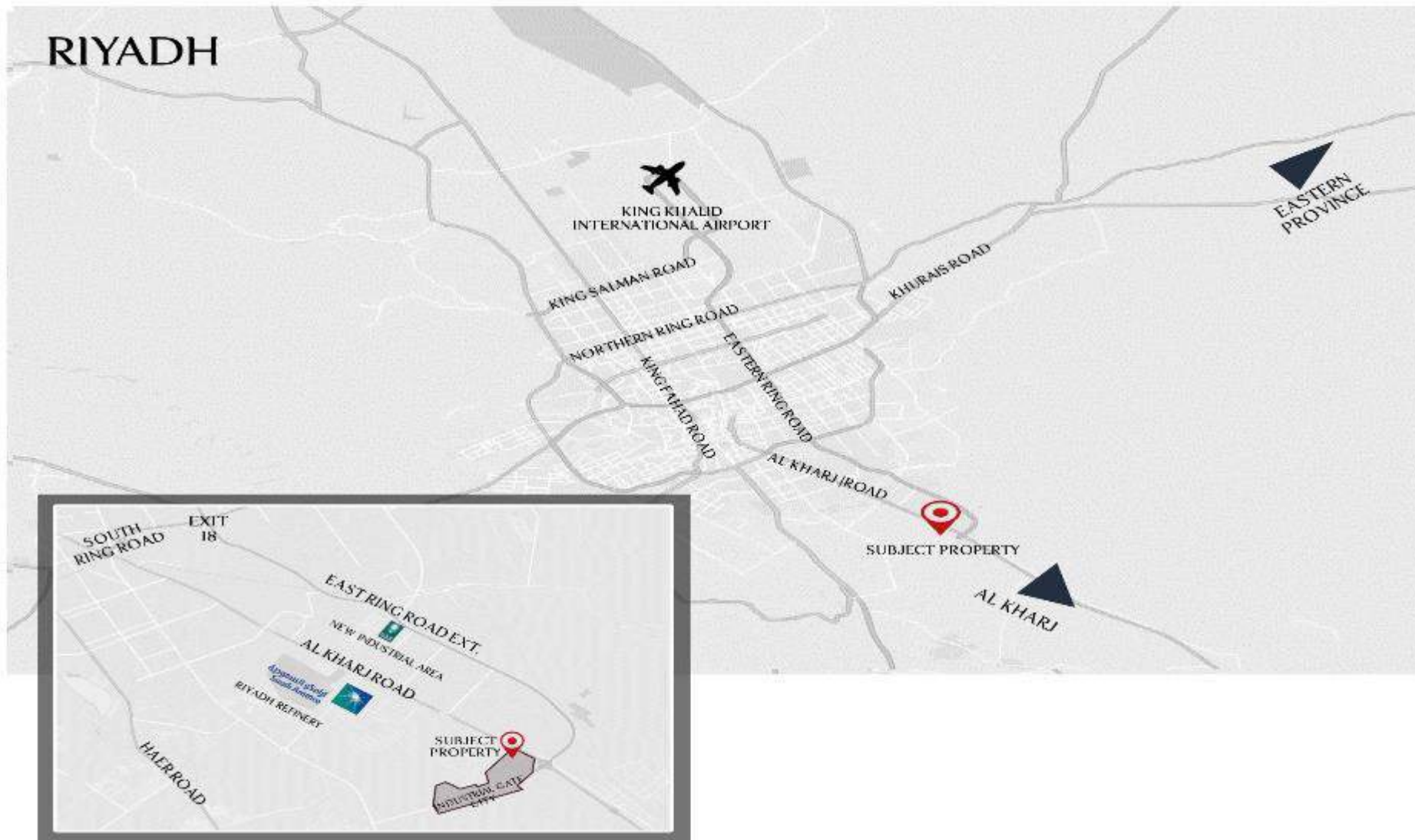
The subject property consists of commercial property (Land + building) located in **Al-Riyadh city** within Al-Musfat district. Land area: 23,716.29 sq m + Buildings GFA 16,500 sq m based on official data has been received from **Al-Rajhi REIT**. **Geographic Coordinates:** **N: 24°30'25.99"** - **E: 46°55'22.91"**



The Image below shows the Boundaries of the site:

Ariel View - Macro Situation





12.1- Property Characteristics

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

- Visibility: This refers to the general visibility of the frontage of the buildings from 4 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (industrial-Logistics)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to industrial I environment (that would support the main function of the property and its proposed extension project.
- Offering for lands in site region offering for sale and the asking prices from 600-850 SAR / sq m

12.2- Property Specifications:

- Located in Phase 1 of Riyadh Industrial Gate City is a 6.5 million sqm master planned industrial city which includes industrial, logistics, residential and commercial zones. The area is home to many regional and international factories as well as logistics providers, Surface Car Parking area, mosque
- 12 minutes to the Second Industrial area
- Easy accessibility
- 45 minutes to Riyadh City Centre
- 50 minutes to Al Kharj
- Matching with Civil Defense requirements
- Pre - engineered steel structure including single skin wall and roof panels with insulation

- Clear internal eaves heights of between 11 and 14 meters
- Finished floor elevation of +1.2 meters above surrounding site
- 22 loading docks with fully automatic doors and dock levelers and dock shelters
- Interior office, mezzanine areas, cold storage and repacking areas
- Full 3M epoxy floor finish
- HVAC covering all warehouse, Repacking Area – York Manufacturing
- 3 Backup Generators 342 KVA/ Unit
- 1-lifts- Kone
- Steel Shelves



13-Land Valuation

13.1- Case1- Comparable Approach – Direct Comparison

Comparable Market Approach evaluation – Land Evaluation market value (MV)

In this method, we will try to estimate the market values for Industrial logistic warehouses - land located within Al-Musfat District close to 3rd Industrial city- Riyadh city according to the market comparable approach. Through the market survey done by OPM team, similar land plots sizes founded in the catchment area and semi similar to targeted land.

However, within the same area, there is a shortage for similar land parcels offering either for sale or sale at date of valuation, and we just took many parcels similar in area and location and due to our survey and some of actual valuation for some projects in the region.

First, we will start defining the area of market survey done in this matter as per the following:



Relative Ratio Analysis:

A. Location (RRA):

Land plot size categories sq m	Location RRA	
	Zone 1	Zone 2
Ratio	0%	-10%

Note: The Property located in Zone 1 and that is why there is a differentiate in prices.

B. Area Space (RRA):

Land plot size categories sq m	1000 5,000	5,001 15,000	15,001 40,000	More than 40,001
RRA	+20%	+10%	0%	-5%

Example: the sample price for 5001 – 15,000 sq m should be greater than by +10% to be compared for the valued property.

C. Other RRA:

Permissible density (Site value may be higher or lower value)	(-,+) 5%
Common Services	(-,+) 5%
Occupation type and classification of the property	(-,+) 5%
Timing of Comparable transaction	(-,+) 5%
Approved Master Plan available	(-,+) 5%
Interest to be acquired (freehold)	(-,+) 5%
Development Regulation (type of development will affect land value)	(-,+) 5%

Comparable market Valuation Samples

Sample	Area Size sq m	Sample location According to Lulu central logistics	Offering Market value S.R / sq m
Sample 1	40,000	South	685
Sample 2	4,000	West	785
Sample 2	4,737	West	785



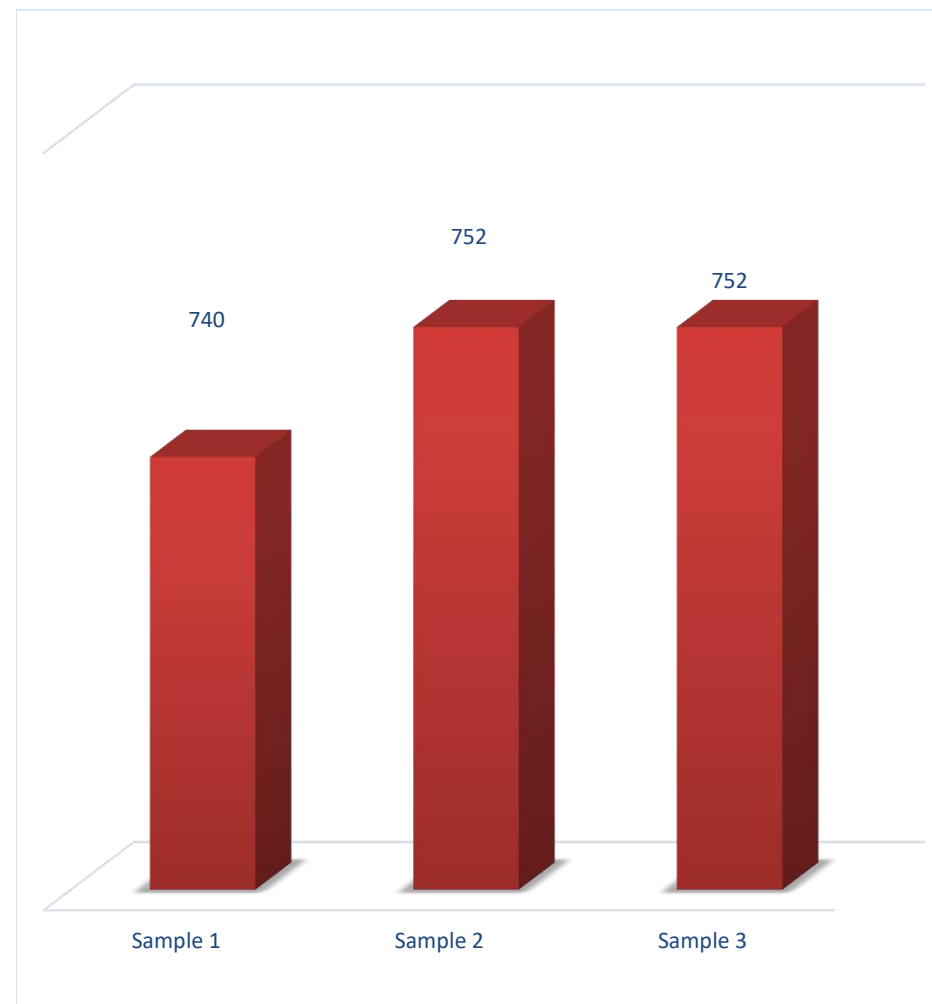
Note: some of industrial small plots samples collecting from same zone

Industrial logistic warehouses lands pricing index = 650-850 SR / sqm

Samples modifications to Land property

Sample 1	S.R/ sqm	Sample 2	S.R/ sqm
Location RRA:		Location RRA:	
Sample Price (Zone 2)	+685	Sample Price (Zone 1)	+785
Add - (10%)	-68.5	Same Zone	0
	+617		+780
Area Space RRA:		Area Space RRA:	
40,000 sq m	+617	4,500 sq m	+785
No Change (Close to area)	0	Subtract (-20%)	-157
	+617		+ 628
Other RRA:	+617	Other RRA:	+ 628
Permissible density (+5%)	+30.8	Permissible density (+5%)	+31.0
Common services (0%)	0	Common services (0%)	0
Occupation property (+5%)	+30.8	Occupation property (+5%)	+31.0
Timing of Comparable transaction (0%)	0	Timing of Comparable transaction (0%)	0
Approved Master Plan available (+5%)	+30.8	Approved Master Plan available (0%)	0
Interest to be acquired (0%)	0	Interest to be acquired (+5%)	+31.0
Development proposals (+5%)	+30.8	Development proposals (+5%)	+31.0
Modified Market Value	+740 SAR/sqm	Modified Market Value	+752 SAR/sqm

Sample 2	S.R/ sqm
Location RRA:	
Sample Price (Zone 1)	+785
Same Zone	0
	+785
Area Space RRA:	
4,737 sq m	+785
Subtract (-20%)	-157
	+ 628
Other RRA:	
Permissible density (+5%)	+ 628
Common services (0%)	+31.0
Occupation property (+5%)	0
Timing of Comparable transaction (0%)	+31.0
Approved Master Plan available (0%)	0
Interest to be acquired (+5%)	0
Development proposals (+5%)	+31.0
	+31.0
Modified Market Value	
	+752 SAR/sqm



The / Current market Value per sq. m for the land will be calculated as a weighted average of the market sample modified values as follows:

Sample 1		740
Sample 2		752
Sample 3		752
Number of samples	/	3
Average Market Value	=	748 S.R / sq m

land market Value *= Land Area * market value / sq m*

*= 23,716.29 sq m * 748 S.R*

= 17,739,785 S.R (Seventeen million, Seven hundred thirty-nine thousand, seven hundred eighty-five Saudi Riyal)

General Commentary

- market value per Square meter **is 748 S.R / sq m**
- The Market value is subjected to increase or decrease by **5% according to Sensitivity ratio**
- The weighted average Analysis based on OPM internal analysis and due to market Valuation comparable methodology.
- The property has been Examine and reviewed on site.
- No information known by OPM affecting the property market value has been hidden.
- OPM undertake not to present any exclusive project information in this report
- The Property was assessed Professionally and without bias to any party

Market Value MV	Land Area – sq m	Value / sq m. SAR	MV SAR
Market Value for land	23,716.29	748	17,739,785

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

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

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

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

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

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

Property Built up area

Total Built-Up area - 16,500 sq m (Main Warehouse 13,500 sq m, cold Store 1,500 sq m, Repacking Room 1,500 sq m)

Replacement cost	BUA – built up area – sqm	Type of operation
Warehouse	13,500	logistic warehouses
Cold Store	1,500	Cold store
Repacking area	1,500	

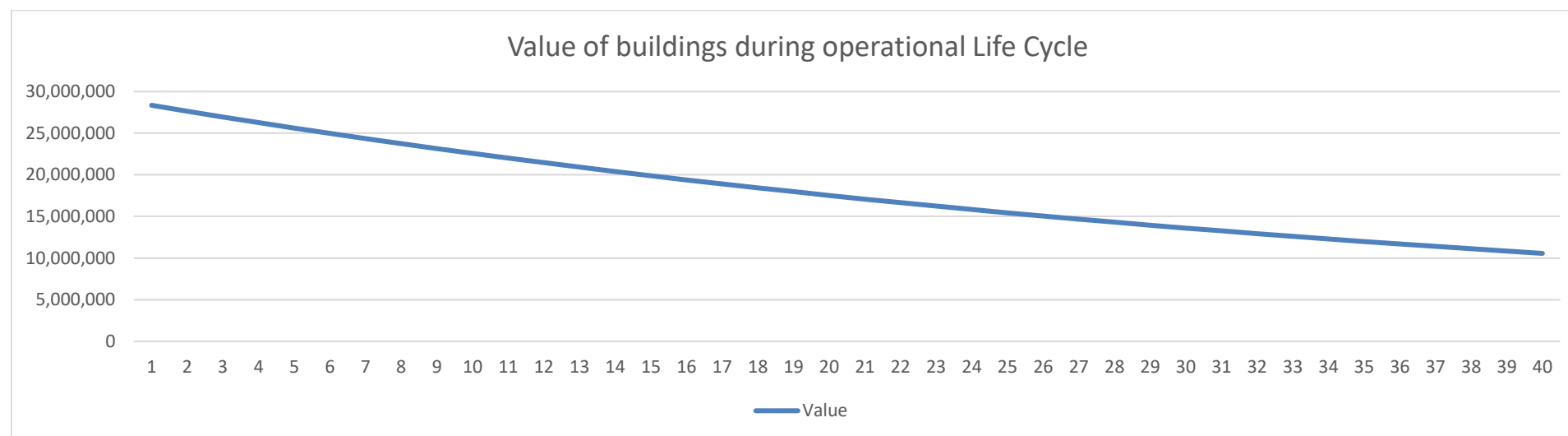
Depreciated Replacement cost (DRC)

Standards: Average useful life for industrial Warehouses buildings in <u>Al-Riyadh</u> city after taken into consideration climate (dry)	N (number of years) =	40 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	2 years (starting Operation period @1438 Hijri)
Apportionment – Acc Depreciation	2*2%=	4 %

Notes: Depreciation Charged on Annual Basis

Construction, Fixtures, equipment, finishing for warehouse, offices, and Repacking area (All MEP and Steel shelves installed)

Type of Construction	GFA / sq m	Replacement cost / SAR – sq m Q1-2020	Completion %	Market value/ SR
Warehouse including Shelves	13,500	1,500	100%	20,250,000
Cold Store	1,500	2,900	100%	4,350,000
Repacking area	1,500	2,500	100%	3,750,000
Replacement cost - SAR				28,350,000
- Apportionment Acc Deprecation		28,350,000 *4 %		(1,134,000)
Depreciated Replacement cost DRC				27,216,000



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

Market Value (Land)	17,739,785 SAR
Plus	
Building Replacement cost	27,216,000 SAR
Profit margin (20%)	5,443,200 SAR
Building Value	32,659,200 SAR
market value - Property	50,399,000 S.R (Fifty million, Three Hundred ninety nine thousand, Saudi Riyal)

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

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

-5%	market value	+5%
47,879,000 SAR	50,399,000 SAR	52,919,000 SAR

14- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) Triple Net to property asset value @ 8% Average market Yield- Al-Riyadh city for logistics warehouses Q1-2020

<p>The Property is leased to Lulu Saudi Hypermarkets. The occupational lease benefits from a parent company guarantee provided by EMKE Group. The asset is single let to LuLu Saudi Hypermarkets, guaranteed by EMKE Group, for 15 Obligatory years commencing Dec 2016 with two further extension options</p> <p>The current passing rent is SAR 3,795,000 per annum which reflects SAR 230 per sqm on the overall leasable area for running years. The lease has fixed escalations of 12% for years. The income profile therefore presents as follows:</p> <p>Current Annual Rent: 3,795,000 SR</p> <p>Under the terms of the lease the tenant is responsible for all operating expenses, utilities and outgoings, including minor maintenance. The landlord is responsible for major maintenance, denied as repairs or maintenance relating to foundations, steel structure, building envelope and roof. There are long term contractor warranties for all of these elements.</p> <p>14.1- OPM Applied a Direct Comparison approach between the Net income within Agreement, and a warehouses affordable leasable samples from market and the results comes: annual market rental values per sq m starting from 225-275 SR/ sq m while equal to 266 SR/ sq m within property which means Net Income > average market by 6%.</p>	<p>Triple net</p> <p>3,795,000</p>
<p>Effective gross income</p>	<p>3,795,000</p>
<p>Net operating income NOI</p>	<p>3,795,000</p>
<p>Market Value @ 8% Capitalization rate - SAR</p>	<p>47,437,500</p>

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

Comparable approach + Deprecation replacement cost - MV	50,399,000	
Capitalization rate - MV	47,437,500	
Weighted Average (WA) - Percentage	DRC	20,159,600
	40%	
	Cap rate	28,462,500
	60%	
<div>↓</div> <p>We just took 60% for Weighted Average (WA) as a ratio for Cap rate for a reason of long term secured and obligatory leasing period as per leasing agreement</p>		
market value MV	48,622,000 (Forty-Eight million, six hundred twenty-two thousand, Saudi Riyal)	

(Sensitivity Analysis) (Risk matrix) for Weighted average - MV

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

-5%	market value	+5%
46,191,000	48,622,000	51,053,000

16- Real Estate Market Summary- Al-Riyadh Q1-2020

Growth rate slightly Change, Government's decision to collaborate more closely with the development of mega project for the housing sector, The Government successfully conduct the Biggest entertainment event "Riyadh Season" So Commercial Shopping malls owners are hopeful that the proposed entertainment reforms will lead to the more licensing of movie theatres & Entertainment events in the Kingdom & New brands hotels are expected to enter the market over the next coming years with hotels room.

17.1-Offices market: Offices vacancies rate of Office Grade A & B Silently Decrease over the quarter due to (SAGIA) Saudi Arabia General Investment Authority Issue New License to Investor to operate business companies in private sectors. Corporate demand is more focus on Smart & elegant Co-working office space to get benefit for low rental rates. In COVID-19 Pandemic government announced the package to ensure business connectivity and mitigate risk for Business Growth and support to the Private sector.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. MOH Initiative 2030 related to NTP 2020 & Saudi vision 2030 Which will transform sector for achieving Government Operational Excellence.

17.2-Residential market: Residential Units & Villas Prices slightly increase due to government backend support to expand the mortgage scheme and government sakni program for Saudi Resident. According to Vision 2030 in respond to sakni program which helps to increase ownership rate in 2020. Secondly Real estate development fund and Saudi refinance company play vital role to boost homeownership and mortgage market. Due to Current Covid-19 pandemic we can expect in supply & Demand side on-going Residential project will slightly expected to delay to deliver it.

17.3-Hospitality market: The Public Investment fund introduced a tourism and hospitality project like Riyadh season that will help to boost the economic activity in capital city. In end of 2019 Government initiative to allow Developed Countries Like U.K, US & Schengen Visa holder to get visa on arrival facility that help to support tourism industry and enhance the economic activity in the kingdom. While Feb 2020 Hospitality Industry has Healthy performance but Due to COVID-19 Pandemic in Mid of March-2020 Hospitality industry had badly impact for suspension of International Travelling and Q1-2020 Performance of Hospitality Sector is very depressed.

17.4-Retail market: Retail market performance remain stable in Q-4 2019. While ADR is stable of super and super regional mall, and vacancy rate of Grade B Class is slightly increase at the end of 2019. While retail sector enjoys slightly upward trend in performance. Under 2030 Vision strategic goal to increase proportion of online payment. In COVID-19 Pandemic full time & partial lockdown in Riyadh, restriction of consumer mobility & socialize limitation that huge impact on retail and entertainment sector. Due to mobility restriction consumer behavior shifted to online trade that boost to E-Commerce sector that will help to support vision 2030.

17.5- Industrial warehouses: While occupancies increased marginally in the industrial warehouses sector over 2020, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

17-External and internal Pictures

External view



External view



Internal view



Internal view



Internal view



Internal view



18- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Final Revision – Release	1210000397	1442/4/13	Real estate
Mustafa Mardina	Formatting and Analyzing report	1220000297	1442/4/13	Real estate
Salem Mafouz	Site visit, inspection Catchment area	1220000968	1442/2/27	Real estate

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(Handwritten signatures)

18.1- OPM Valuation's team Taqueem's certificates





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Valuation Report Analysis
LULU Huper Market (Khuris Rd) Property
AL-Riyadh City - KSA
Valuation's Report Date August 10, 2020

Prepared for
Al-Rajhi REIT



شركة أولات للتقييم العقاري
Olaat Valuation Company



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Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi REIT.

Riyadh City

Date of Valuation: June 30, 2020

Date of Report: August 10, 2020

Done by OPM (Olaat Valuation Company)

P.O. Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: m.mardena@olaat.com

www.olaat.com

C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center – Commercial shops
Location	Riyadh city – Al-Nahda District- Intersection point btw Khuris road & Salman AL-Farsi St
Land Area	19,500 sq m
Title deed number	910106038725-210106038724
Title's date	24/02/1436 H
Plots Number	From 542 till 553
Block Number	2
Scheme Number	1335/1
Land Topography	Flat
Boarded streets & Neighbors	N: Street Width 14 m length 195 m S: Street Width 84 m length 195 m E: Plots Number 554,555 length 100 m W: Pathway width 8 length 100 m
Building Build- up area (Gross floor area) GFA	37,336.36 sq m plus 193 Fence
Building's Permit number	22798/1431
Building Permit's date	26/12/1432 H
Market value for Property – SAR	217,851,000 (Two hundred seventeen million, Eight hundred fifty-one thousand, SR)

Legal Documents

TITLE DEED 1



TITLE DEED 2



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Covid-19 Pandemic

With the spread of corona virus (COVID-19) In Kingdom of Saudi Arabia enacted to take step to control corona diseases. Initially due to spread it has a great impact on social mobility that lead to impact on kingdom economic growth. In order to control this pandemic and uplift the economic activity government taken a serious step to provide relief package to support corporate and resident and private sector.

Material Valuation Uncertainty under COVID-19 Pandemic

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Accordingly, many formal measures were taken locally and globally that would affect all business sector including Real Estate Sector.

During critical period, Market activity is clearly being impacted in many sectors especially real estate transaction. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purpose, to inform opinions of value. Indeed, the current response circumstance on which to base a judgement and current condition are under influence of epidemic COVID-19 and we are facing an exceptional situation in which it difficult to build an accurate judgement of market situation and value of real estate.

Accordingly, our valuation is therefor reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global and. Consequently, less certainty-and a higher degree of caution-should be taken to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that keep the valuation of Property under frequent review & property to be revalued when current condition change.

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

August 10, 2020

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

Tenure: Commercial Freehold property

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

The **market value** of the commercial property is **217,851,000 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	AI-Rajhi REIT
Instruction	In accordance with RFP dated on May 11, 2020, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Lulu Hyper market Property.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation, as at 30 June 2020 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Hyper market - Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr.Nael Jaddalh 059 382 5222 (on behalf of Al-Multaq)
Personnel	The Valuation analysis and financial models has been prepared by OPM
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

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

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

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

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

4- Standard and Premise of value

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

5- Scope of the Report

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

6- Source of information and data

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

7- Purpose for preparation valuation and Content text

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

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated value of land property in time of evaluation **June 30, 2020 AD**.

9- Legal Description for Property Owner

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

10-Second partner's rights and ownership in property

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

11-Foundation of evaluation report and Contents

Assumptions

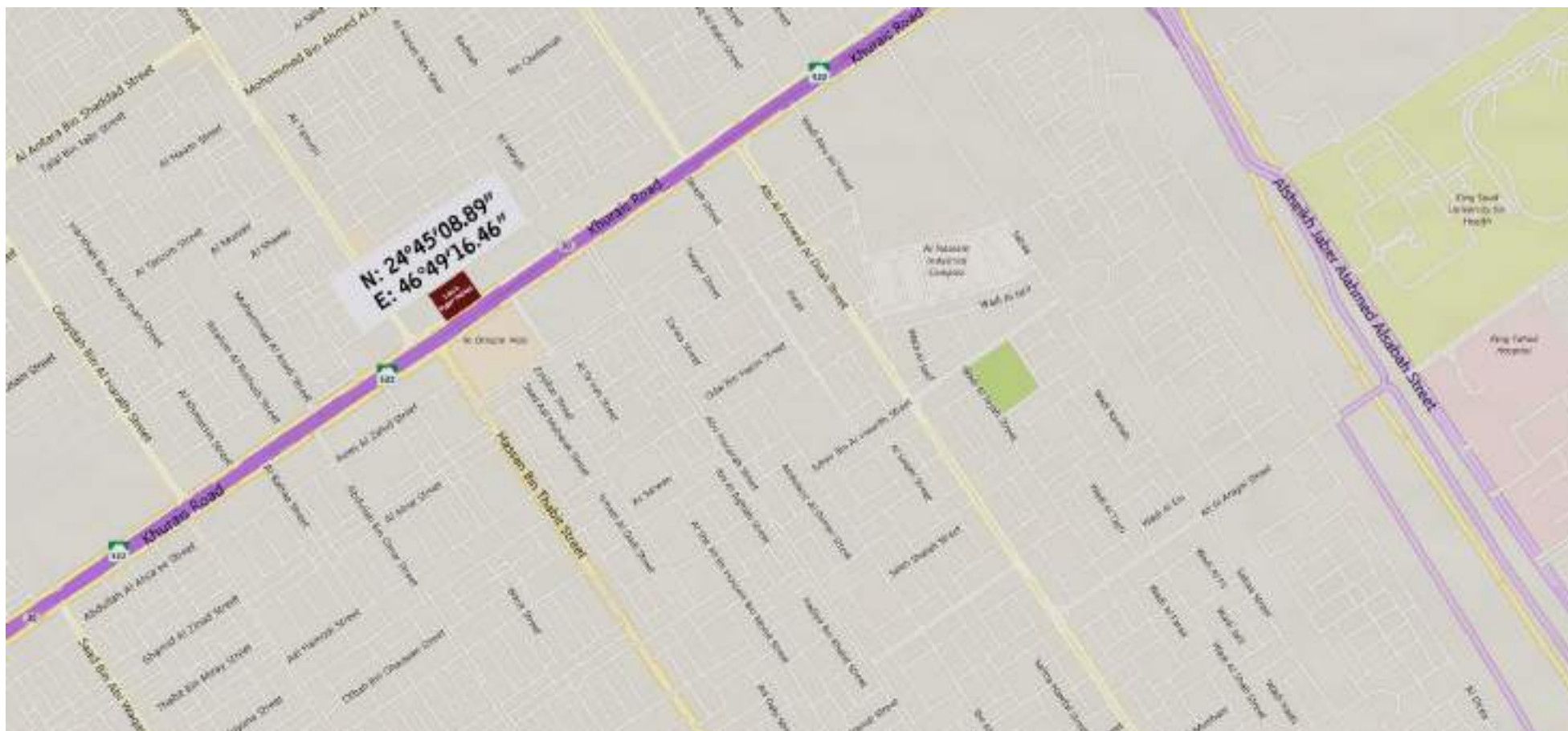
1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months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

Attachments

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

12-Property's Identification

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



The Image below shows the Boundaries of the site:

Micro Situation



12.1- Property Characteristics

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

- Visibility: This refers to the general visibility of the frontage of the buildings from 2 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential East of Riyadh)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- Affordable of comparable lands within Southern side of Khurais Rd only, offering for sale; the prices starting from 4,000 – 5,000.
- Affordable of any commercial projects in case of new supply from offices and shops.

Main features of the Property:

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

Main Disadvantages of the Property:

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



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation market value (MV)

RV methodology definition:

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

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

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

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

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

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

	Dev- period 3 Years	Year 1	Year 2	Year 3	Year 32	Year 33
Category 1- Commercial shops						
Leasable area - sq m		17,940	17,940	17,940	17,940	17,940
Annual rental price - sq m		1,310	1,310	1,310	3,553	3,677
Occupancy Rate %		70%	95%	95%	95%	95%
Revenues Cat 1		16,450,980	22,326,330	22,326,330	60,546,283	62,665,402
Gross Revenues		16,450,980	22,326,330	22,326,330	60,546,283	62,665,402

Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Revenues	16,450,980	22,326,330	22,326,330	58,498,824	60,546,283	62,665,402
General & Administrative Expenses (15%)	2,467,647	3,348,950	3,348,950	8,774,824	9,081,942	9,399,810
Gross Profit - EBITDA	13,983,333	18,977,381	18,977,381	49,724,000	51,464,340	53,265,592
Depreciation	(993,623)	(993,623)	(993,623)	(993,623)	(993,623)	(993,623)
Earnings after depreciation	12,989,711	17,983,758	17,983,758	48,730,378	50,470,718	52,271,970
Interest Expense	(3,552,000)	(3,552,000)	(3,552,000)	0	0	0
Earning after interest expense	9,437,711	14,431,758	14,431,758	48,730,378	50,470,718	52,271,970
Zakat and VAT *(7.5%)	(707,828)	(1,082,382)	(1,082,382)	(3,654,778)	(3,785,304)	(3,920,398)
Net Income	8,729,882	13,349,376	13,349,376	45,075,599	46,685,414	48,351,572
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
24						
Additions to Retained Earnings	8,729,882	13,349,376	13,349,376	45,075,599	46,685,414	48,351,572
Cumulative Retained earnings	8,729,882	22,079,258	35,428,635	827,724,470	874,409,884	922,761,456

Cash Flow Statement

Cash flow Table	Construction Year 1	Construction Year 2	Construction Year 3	Operation Year 1	Operation Year 2	Operation Year 3	Operation Year 33
IN - Flow							
Capital Injection							
Net Revenues				8,729,882	13,349,376	46,685,414	48,351,572
Depreciation				993,623	993,623	993,623	993,623
Total Inflow				9,723,505	14,342,999	47,679,036	49,345,194
OUT Flow							
Total Construction Cost	49,681,125	49,261,875	49,261,875				
Professional Fees	1,048,125	1,048,125	1,048,125				
Statutory fees 2%	838,500	419,250	419,250				
Marketing Fees (Media & Advertising) 1.5%	628,875	628,875	628,875				
Contingency costs 10%	4,192,500	4,192,500	4,192,500				
Overhead cost 1%	1,048,125	1,048,125	1,048,125				
Total Outflow	(57,437,250)	(56,598,750)	(56,598,750)				
Net Cash Flow	(57,437,250)	(56,598,750)	(56,598,750)	9,723,505	14,342,999	47,679,036	49,345,194
Cumulative Net Income	(57,437,250)	(114,036,000)	(170,634,750)	(160,911,245)	(146,568,247)	735,571,054	784,916,248

Residual Value - RV

RV	Construction / Year 1	Construction/ Year 2	Construction / Year 3	Operation / Year 1	Operation / Year 31	Operation / Year 32	Operation / Year 33	Total
IN - Flow	Period	1	2	3	33	34	35	
Revenues		0	0	8,729,882	45,075,599	46,685,414	48,351,572	
Total Inflow		0	0	9,723,505	46,069,222	47,679,036	49,345,194	858,526,768
Discount Rate:	8%	0.930	0.865	0.805	0.092	0.086	0.080	
OUT Flow								
Total Outflow		0	0	0	0	0	0	
Total Cash out								
Net Cash Flow (Before Discount Rate)	(148,204,875)	0	0	9,723,505	46,069,222	47,679,036	49,345,194	220,227,014
								Total Cash flow
Discounted Cash Flow DCF	(148,204,875)	0	0	7,827,038	4,235,762	4,077,929	3,925,985	83,797,806
								DCF
Market Value - MV								
	Land - MV	83,797,740						
	Land area - sq m	19,500.00						
MV - per sq m		4,297.32						

Market Value MV	Land Area - sqm	Value / sq. m . S.R	MV S.R
Market Value for land	19,500	4,297.32	83,797,740

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

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

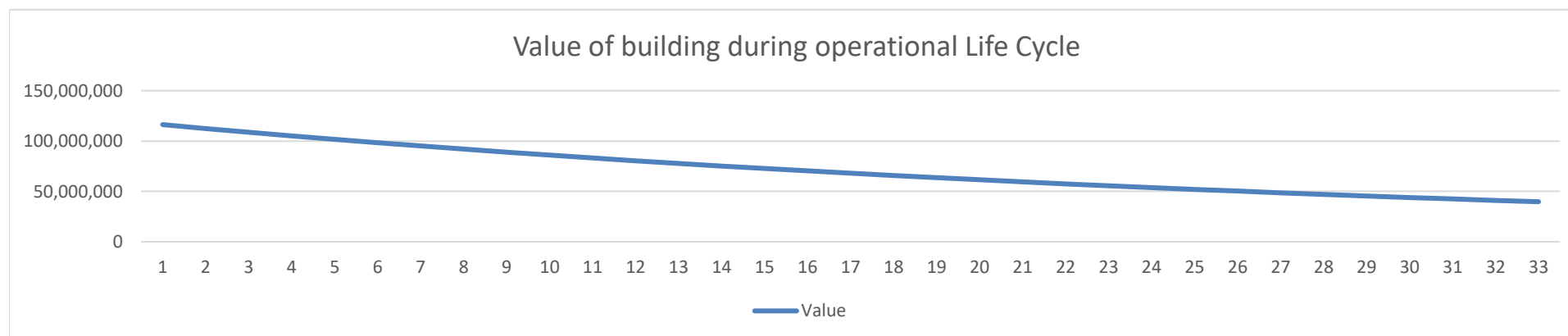
Depreciated Replacement cost (DRC)

Standards: Average useful life for Showrooms building in <u>Riyadh</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 3.3%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2.8%
Building (equipment) useful life	N (number of years) =	5 years (starting Operation period @1436 Hijri)
Acc Deprecation	2.8%*5 =	14 %

(Note: Depreciation Charged on Annual Basis)

Construction & Finishing 100% (Fixtures & equipment work) for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2020	Completion %	Market value/ SR
Basement Floor	12,517.61	3,000	100%	37,552,830
Ground Floor	10,879.85	4,000	100%	43,519,400
First Floor	11,061.90	4,000	100%	44,247,600
Electricity Room	20	2,000	100%	40,000
Annex Floor	2,887	2,800	100%	8,083,600
Outdoor area	8,621	200	100%	1,724,200
Fence	193	500	100%	96,500
Replacement cost				135,264,130
- Acc Deprecation		135,264,130*14%		(18,936,978)
Depreciated Replacement cost DRC SAR				116,327,152



14-Market value (property) Land + Construction, Finishing, fixtures & equipment work-Currency SAR

Market Value (Land)	83,797,740 SAR
+	
Building	116,327,152 SAR
+ (Profit Margin) 20%	23,265,430 SAR
Building market Value SAR	139,592,582 SAR
market value - Property	223,390,322 S.R (Two Hundred twenty-three million, Three hundred ninety thousand,Three Hundred Twenty Two Saudi riyal)

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

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

-5%	market value	+5%
212,221,000 S. R	223,390,322 S. R	234,560,000 S. R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.8% Average market Yield-Riyadh city Q1-2020

Net Operating Income NOI Triple Net based to remaining rent period as per the following:			
<p>– Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Multaq real estate inv) for 15 obligatory year contractually period (Net Rent / annum 15,275,000 SAR during first 5 years, and Net Rent / annum 16,344,525 during the second five years, and Net Rent / annum 17,488,348 during the rest of Contract's period – 5 Years) – SR starting from 1 Dec 2014 till 25 April 2029.</p>			
Current Annual Rent Income: Period from Dec 2019 till 1 Dec 2024 (Coming 5 Years) =16,344,525	16,344,252		16,344,252
Sum	16,344,252		
Net Operating Income NOI- Triple Net	16,344,252		
15.1- OPM Applied a Direct Comparison approach between the Net income within Agreement, and an affordable leasable samples from market and the results comes: annual market rental values for Small Shop per sq m starting from 300-400 SR/ sq m while equal to 354 SR/ sq m within property which means Net Income within average market.			
– Vacancy and collection loss			0
Effective gross income			16,344,252
Operating Expenses			
Fixed	0		
Variable	0		
Reserves	0		
– Total Operating expenses			0
Net operating income NOI – Triple Net			16,344,252
Market Value @ 7.8% Capitalization rate			209,541,692

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

Residual value + depreciation replacement cost - MV		223,390,322
Capitalization rate - MV		209,541,692
Weighted Average - Percentage	DRC	
	60%	134,034,193
	Cap rate	
	40%	83,816,677
market value MV		217,851,000 (Two hundred seventeen million, eight hundred fifty-one thousand SR)

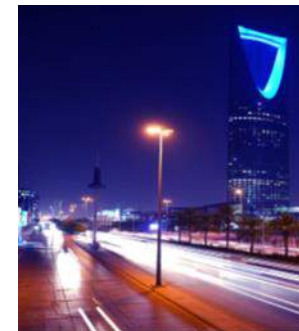
(Sensitivity Analysis) for Asset Property MV

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

-5%	market value	+5%
206,958,000 SR	217,851,000 SR	228,743,000 SR

17- Real Estate Market Summary- Al-Riyadh Q1-2020

Growth rate slightly Change, Government's decision to collaborate more closely with the development of mega project for the housing sector, The Government successfully conduct the Biggest entertainment event "Riyadh Season" So Commercial Shopping malls owners are hopeful that the proposed entertainment reforms will lead to the more licensing of movie theatres & Entertainment events in the Kingdom & New brands hotels are expected to enter the market over the next coming years with hotels room.



17.1-Offices market: Offices vacancies rate of Office Grade A & B Silently Decrease over the quarter due to (SAGIA) Saudi Arabia General Investment Authority Issue New License to Investor to operate business companies in private sectors. Corporate demand is more focus on Smart & elegant Co-working office space to get benefit for low rental rates. In COVID-19 Pandemic government announced the package to ensure business connectivity and mitigate risk for Business Growth and support to the Private sector.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. MOH Initiative 2030 related to NTP 2020 & Saudi vision 2030 Which will transform sector for achieving Government Operational Excellence.

17.2-Residential market: Residential Units & Villas Prices slightly increase due to government backend support to expand the mortgage scheme and government sakni program for Saudi Resident. According to Vision 2030 in respond to sakni program which helps to increase ownership rate in 2020. Secondly Real estate development fund and Saudi refinance company play vital role to boost homeownership and mortgage market. Due to Current Covid-19 pandemic we can expect in supply & Demand side on-going Residential project will slightly expected to delay to deliver it.

17.3-Hospitality market: The Public Investment fund introduced a tourism and hospitality project like Riyadh season that will help to boost the economic activity in capital city. In end of 2019 Government initiative to allow Developed Countries Like U.K, US & Schengen Visa holder to get visa on arrival facility that help to support tourism industry and enhance the economic activity in the kingdom. While Feb 2020 Hospitality Industry has Healthy performance but Due to COVID-19 Pandemic in Mid of March-2020 Hospitality industry had badly impact for suspension of International Travelling and Q1-2020 Performance of Hospitality Sector is very depressed.

17.4-Retail market: Retail market performance remain stable in Q-4 2019. While ADR is stable of super and super regional mall, and vacancy rate of Grade B Class is slightly increase at the end of 2019. While retail sector enjoys slightly upward trend in performance. Under 2030 Vision strategic goal to increase proportion of online payment. In COVID-19 Pandemic full time & partial lockdown in Riyadh, restriction of consumer mobility & socialize limitation that huge impact on retail and entertainment sector. Due to mobility restriction consumer behavior shifted to online trade that boost to E-Commerce sector that will help to support vision 2030.

17.5- Industrial warehouses: While occupancies increased marginally in the industrial warehouses sector over 2020, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

18-External and internal Pictures

External view



Internal view



Internal view



Internal view



19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manager	1210000397	1442/4/13	Real estate
Mustafa Mardina	Formatting and Analyzing report	1220000297	1442/4/13	Real estate
Salem Mafouz	Site visit, inspection Catchment area	1220000968	1442/2/27	Real estate

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[Signature]

[Signature]

OPM
BY OLAAT REAL ESTATE



19.1- OPM Valuation's team Taqueem's certificates





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



Valuation Report Analysis
Lulu'ah Warehouses Property
AL-Riyadh City - KSA
Valuation's Report Date August 10, 2020

Prepared for
Al-Rajhi REIT



شركة أولات للتقييم العقاري
Olaat Valuation Company



WWW.OLAAT.COM

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi REIT.

Al-Riyadh City

Date of Valuation: June 30, 2020

Date of Report: August 10, 2020

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: m.mardena@olaat.com

www.olaat.com

C.R:1010462536

Valuation License: 1210000397

Property's Type	Industrial Building – warehouses	
Location	Al-Riyadh city – Al-Masani District- Al-Haaer road	
Land Area	94,908.61 sq m	
Title deeds number	Based to deeds	
Title's date	Based to deeds	
Plots Number	Based to deeds	
Scheme Number	3085	
Land Topography	Flat	
Boarded streets & Neighbors	N	Based to deeds
	S	Based to deeds
	E	Based to deeds
	W	Based to deeds
Building Build- up area sq m	92,071.4 sq m plus Fence 386.56	
Building's Permit number	Based to Building Permit	
Building Permit's date	Based to Building Permit	
Market value for Property L&B	193,271,000 (One hundred ninety-three million, Two hundred seventy one thousands SR)	

DEED 2



DEED 3



DEED 4



DEED 5



DEED 6



BUILDING'S PERMIT 5

Al-Lu'lu'ah Warehouses Property – Al-Riyadh city at August 10, 2020

BUILDING'S PERMIT 7

[illegible]

Disclaimer

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

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Covid-19 Pandemic

With the spread of corona virus (COVID-19) In Kingdom of Saudi Arabia enacted to take step to control corona diseases. Initially due to spread it has a great impact on social mobility that lead to impact on kingdom economic growth. In order to control this pandemic and uplift the economic activity government taken a serious step to provide relief package to support corporate and resident and private sector.

Material Valuation Uncertainty under COVID-19 Pandemic

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Accordingly, many formal measures were taken locally and globally that would affect all business sector including Real Estate Sector.

During critical period, Market activity is clearly being impacted in many sectors especially real estate transaction. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purpose, to inform opinions of value. Indeed, the current response circumstance on which to base a judgement and current condition are under influence of epidemic COVID-19 and we are facing an exceptional situation in which it difficult to build an accurate judgement of market situation and value of real estate.

Accordingly, our valuation is therefor reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global and. Consequently, less certainty-and a higher degree of caution-should be taken to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that keep the valuation of Property under frequent review & property to be revalued when current condition change.

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

August 10, 2020

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

Tenure: Commercial Freehold property

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

The **market value** for Industrial logistic property is **193,271,000 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), capitalization approach** considering the location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	AI-Rajhi REIT
Instruction	In accordance with RFP dated on May 11, 2020, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Al-Lu'lu'ah Warehouses Property.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation, as at 30 June 2020 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Logistic property – (Warehouses)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr.Kinaa Abdullatef 0531019124 (on behalf of Landlord's)
Personnel	The Valuation analysis and financial models has been prepared by OPM
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

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

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

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

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

4- Standard and Premise of value

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

5- Scope of the Report

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

6- Source of information and data

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

7- Purpose for preparation valuation and Content text

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

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value Method, depreciated replacement cost (DCR) to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated value of land property in time of evaluation **June 30, 2020 AD**.

9- Legal Description for Property Owner

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

10-Second partner's rights and ownership in property

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

11-Foundation of evaluation report and Contents

Assumptions

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

Attachments

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

12-Property's Identification

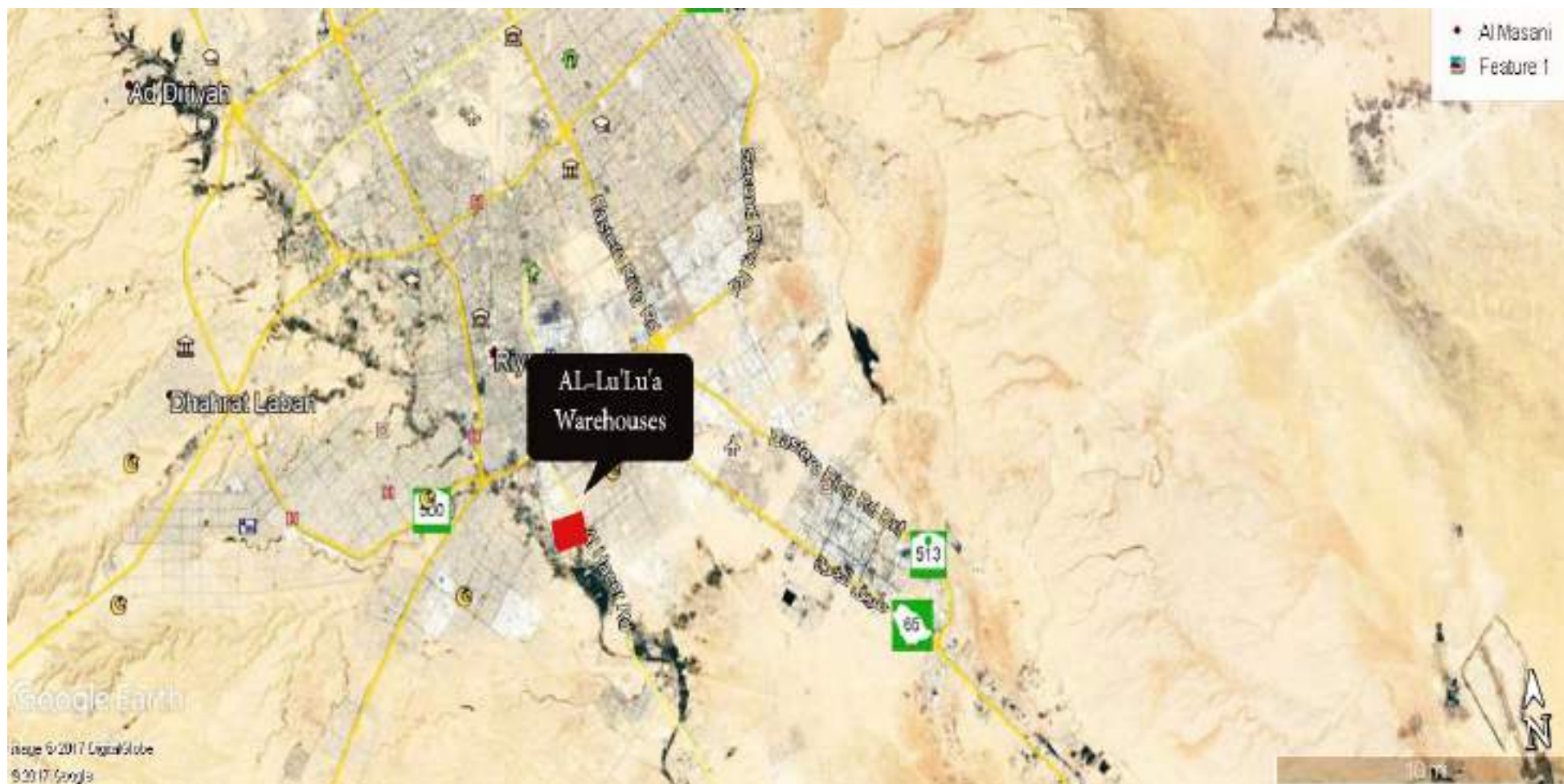
The subject property consists of commercial property (Land + building) located in **Al-Riyadh city** within Al-Masani district. Land area: **94,908.61 sq m** + **Buildings GFA 92,071.4 sq m plus Fence 386.56 sq m** based on official data has been received from **Al-Rajhi REIT**. **Geographic Coordinates:**

N: 24°33'43.45" - E: 46°45'07.72"



The Image below shows the Boundaries of the site:

Ariel View - Micro Situation





12.1- Property Characteristics

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

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

12.2- Main features of the project:

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

13-Land Valuation

13.1- Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation market value (MV) - RV methodology definition:

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

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

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

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

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

Dev- period 2 Years		Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1- Industrial warehouses Rev							
Leasable area - sq m		90,163	90,163	90,163	90,163	90,163	90,163
Annual rental price - sq m		144	144	144	457	475	494
Occupancy Rate %		70%	80%	95%	95%	95%	95%
Revenues Cat 1		9,088,448	10,386,798	12,334,323	39,120,839	40,685,673	42,313,100
Category 2- Commercial shops (Bakala concept)							
Leasable area - sq. m		2,500	2,500	2,500	2,500	2,500	2,500
Annual rental price - sq. m		528	528	528	650	650	650
Occupancy Rate %		100%	90%	90%	90%	90%	90%
Revenues Cat 2		1,320,000	1,188,000	1,188,000	1,462,500	1,462,500	1,462,500
Gross Revenues		10,408,448	11,574,798	13,522,323	40,583,339	42,148,173	43,775,600

Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Revenues	10,408,448	11,574,798	13,522,323	40,583,339	42,148,173	43,775,600
General & Administrative Expenses (5%)	520,422	578,740	676,116	2,029,167	2,107,409	2,188,780
Gross Profit - EBITDA	9,888,026	10,996,058	12,846,207	38,554,172	40,040,764	41,586,820
Depreciation	(694,482)	(694,482)	(694,482)	(694,482)	(694,482)	(694,482)
Earnings after depreciation	9,193,544	10,301,576	12,151,725	37,859,690	39,346,282	40,892,338
Interest Expense	(597,993)	(597,993)	(597,993)	0	0	0
Earning after interest expense	8,595,551	9,703,584	11,553,732	37,859,690	39,346,282	40,892,338
Zakat and VAT 7.5%	(644,666)	(727,769)	(866,530)	(2,839,477)	(2,950,971)	(3,066,925)
Net Income	7,950,885	8,975,815	10,687,202	35,020,214	36,395,311	37,825,412
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	7,950,885	8,975,815	10,687,202	35,020,214	36,395,311	37,825,412
Cumulative Retained earnings	7,950,885	16,926,700	27,613,902	637,090,942	673,486,253	711,311,666

Cash Flow Statement

Cash flow Table	Construction Year 1	Construction Year 2	Operation Year 1	Operation Year 2	Operation Year 32	Operation Year 33
IN - Flow						
Capital Injection						
Net Revenues			7,950,885	8,975,815	36,395,311	37,825,412
Depreciation			694,482	694,482	694,482	694,482
Total Inflow			8,645,367	9,670,297	37,089,793	38,519,894
OUT Flow						
Total Construction Cost	34,724,095	37,079,608				
Professional Fees	732,576	788,928				
Statutory fees 2%	586,061	315,571				
Marketing Fees (Media & Advertising) 1.5%	439,546	473,357				
Contingency costs 10%	2,930,303	3,155,711				
Overhead cost 1%	732,576	788,928				
Total Outflow	(40,145,156)	(42,602,102)				
Net Cash Flow	(40,145,156)	(42,602,102)	8,645,367	9,670,297	37,089,793	38,519,894
Cumulative Net Income	(40,145,156)	(82,747,258)	(74,101,891)	(64,431,594)	612,962,416	651,482,310

Residual Value - RV (Investment method)

RV	Constrction / Year 1	Constrction/ Year 2	Operation / Year 1	Operation / Year 2	Operation / Year 3	Operation / Year 32	Operation / Year 33	Total
IN - Flow	Period		1	2	3	32	33	
Revenues			7,950,885	8,975,815	10,687,202	36,395,311	37,825,412	
Total Inflow			8,645,367	9,670,297	11,381,684	37,089,793	38,519,894	658,619,881
Discount Rate:	7%		0.935	0.875	0.819	0.118	0.111	
Total Cash out								
Net Cash Flow (Before Discount Rate)	(71,803,702)		8,645,367	9,670,297	11,381,684	37,089,793	38,519,894	491,274,643
								Total Cash flow
Discounted Cash Flow DCF	(71,803,702)		8,087,340	8,462,222	9,316,942	4,384,982	4,260,110	154,114,045
								RV

DCF - RV before Deducting PM		154,114,045
Profit margin	20%	14,360,740

Market Value - MV		
	Land - MV	139,753,304
	Land area - sq m	94,908.61
MV - per sq m		1,472.50

Market Value MV	Land Area – sq m	Value / sq m. SAR	MV SAR
Market Value for land	94,908.61	1,472.50	139,752,928

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

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

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

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

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

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

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

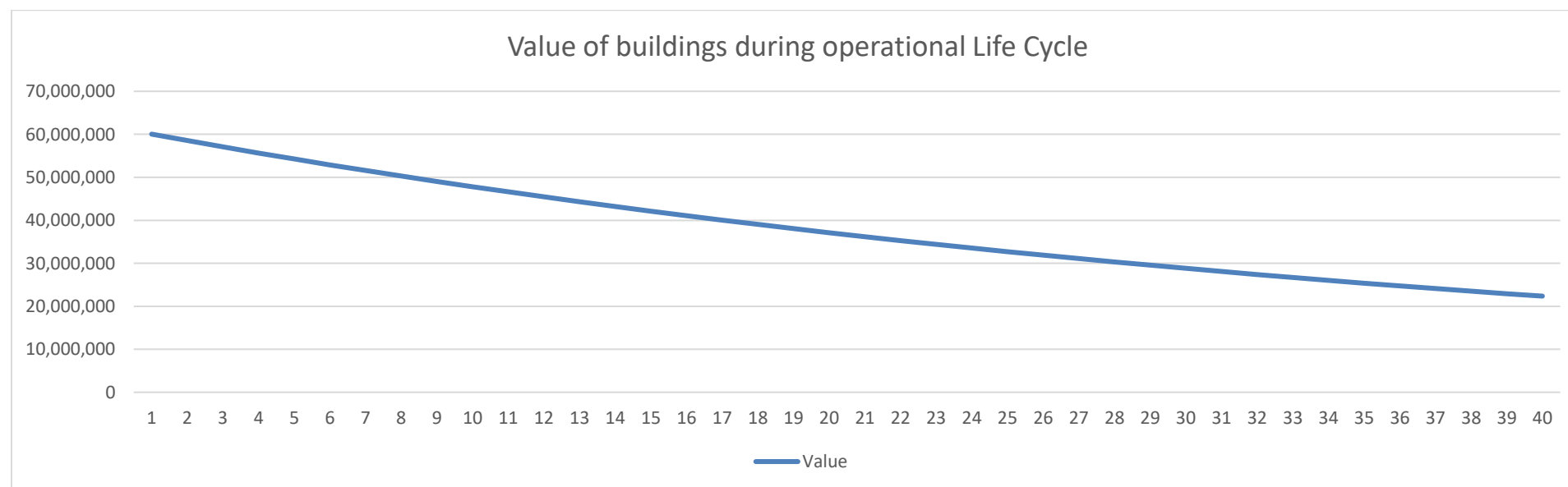
Depreciated Replacement cost (DRC)

Standards: Average useful life for industrial Warehouses buildings in <u>Al-Riyadh</u> city after taken into consideration climate (dry)	N (number of years) =	40 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	11 years (starting Operation period @1428 Hijri)
Apportionment – Acc Depreciation	11*2%=	22 %

Note: Deprecation Charged on Annual Basis

Construction (Fixtures & equipment work) C,F&E for building – All MEP installed

Type of Construction	GFA / sq m	Replacement cost / SAR – sq m Q1-2020	Completion %	Market value/ SR
BUA – Ground floor – Commercial shops	92,071.4	650	100%	59,846,410
Fence	386.56	500	100%	193,280
Replacement cost - SAR				60,039,690
- Apportionment Acc Deprecation	60,039,690 *22 %			(13,208,731)
Depreciated Replacement cost DRC				46,830,959



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

Market Value (Land)	139,752,928 SAR
Plus	
Building Replacement cost	46,830,959 SAR
Profit margin (25%)	11,707,739 SAR
Building market value- SAR	58,538,698 SAR
market value - Property	198,292,000 S.R (One hundred Ninety Eight million, Two hundred ninety one thousand ,Saudi riyal)

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

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

-5%	market value	+5%
188,377,000 S.R	198,292,000	208,207,000 S.R

14- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Al-Riyadh city for Industrial warehouses Q1-2020

Net Operating income NOI <u>Triple Net</u> – Currency SAR based to official legal contract/agreement between landlord and One tenant (Rawaj) for 5 obligatory year contractually period starting from the date of launching Al-Rajhi REIT Fund- SR		
14.1- OPM Applied a Direct Comparison approach between the Net income within Agreement, and a warehouses affordable leasable samples from market and the results comes: annual market rental values per sq m starting from 130 -160 SR/ sq m while equal to 147 SR/ sq m within property which means Net Income within average market.		13,616,639
– Vacancy and rent collection loss		0
Additional income		0
Effective gross income		13,616,639
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		0
Net operating income NOI		13,616,369
Market Value @ 7.5% Capitalization rate - SAR		181,555,186

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

Residual value + depreciation replacement cost - MV	198,291,626	
Capitalization rate - MV	181,555,186	
Weighted Average - Percentage	DRC	138,804,138
	70%	
	Cap rate	54,466,555
	30%	
market value MV	193,271,000 (One hundred ninety-Three million, Two hundred seventy thousand, SR)	

(Sensitivity Analysis) (Risk matrix) for Weighted average - MV

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

-5%	market value	+5%
183,607,000 S. R	193,271,000	202,935,000 S.R

16- Real Estate Market Summary- Al-Riyadh Q1-2020

Growth rate slightly Change, Government's decision to collaborate more closely with the development of mega project for the housing sector, The Government successfully conduct the Biggest entertainment event "Riyadh Season" So Commercial Shopping malls owners are hopeful that the proposed entertainment reforms will lead to the more licensing of movie theatres & Entertainment events in the Kingdom & New brands hotels are expected to enter the market over the next coming years with hotels room.



16.1-Offices market: Offices vacancies rate of Office Grade A & B Silently Decrease over the quarter due to (SAGIA) Saudi Arabia General Investment Authority Issue New License to Investor to operate business companies in private sectors. Corporate demand is more focus on Smart & elegant Co-working office space to get benefit for low rental rates. In COVID-19 Pandemic government announced the package to ensure business connectivity and mitigate risk for Business Growth and support to the Private sector.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. MOH Initiative 2030 related to NTP 2020 & Saudi vision 2030 Which will transform sector for achieving Government Operational Excellence.

16.2-Residential market: Residential Units & Villas Prices slightly increase due to government backend support to expand the mortgage scheme and government sakni program for Saudi Resident. According to Vision 2030 in respond to sakni program which helps to increase ownership rate in 2020. Secondly Real estate development fund and Saudi refinance company play vital role to boost homeownership and mortgage market. Due to Current Covid-19 pandemic we can expect in supply & Demand side on-going Residential project will slightly expected to delay to deliver it.

16.3-Hospitality market: The Public Investment fund introduced a tourism and hospitality project like Riyadh season that will help to boost the economic activity in capital city. In end of 2019 Government initiative to allow Developed Countries Like U.K, US & Schengen Visa holder to get visa on arrival facility that help to support tourism industry and enhance the economic activity in the kingdom. While Feb 2020 Hospitality Industry has Healthy performance but Due to COVID-19 Pandemic in Mid of March-2020 Hospitality industry had badly impact for suspension of International Travelling and Q1-2020 Performance of Hospitality Sector is very depressed.

16.4-Retail market: Retail market performance remain stable in Q-4 2019. While ADR is stable of super and super regional mall, and vacancy rate of Grade B Class is slightly increase at the end of 2019. While retail sector enjoys slightly upward trend in performance. Under 2030 Vision strategic goal to increase proportion of online payment. In COVID-19 Pandemic full time & partial lockdown in Riyadh, restriction of consumer mobility & socialize limitation that huge impact on retail and entertainment sector. Due to mobility restriction consumer behavior shifted to online trade that boost to E-Commerce sector that will help to support vision 2030.

16.5- Industrial warehouses: While occupancies increased marginally in the industrial warehouses sector over 2020, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

17-External and internal Pictures

External view



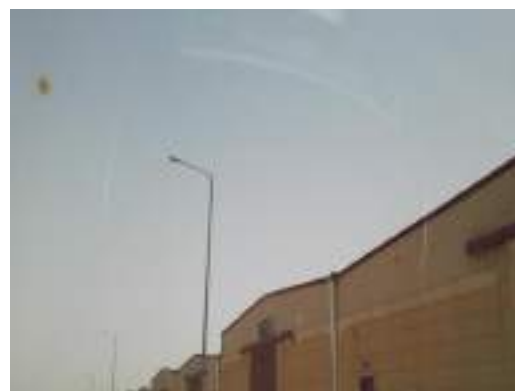
External view



Internal view



Internal view



18- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manager	1210000397	1442/2/13	Real estate
Mustafa Mardina	Formatting and Analyzing report	1220000297	1442/4/13	Real estate
Salem Mafouz	Site visit, inspection Catchment area	1220000968	1442/2/127	Real estate

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18.1- OPM Valuation's team Taqueem's certificates





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Valuation Report Analysis
Narjes Plaza Property
AL-Riyadh City - KSA
Valuation's Report Date August 10, 2020

Prepared for
Al-Rajhi REIT



شركة أولات للتقييم العقاري
Olaat Valuation Company



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OPM does not accept any liability in negligence or otherwise for a loss of damage suffered by any party resulting from the dependence of this publication.

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

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi REIT.

Riyadh City

Date of Valuation: June 30, 2020

Date of Report: August 10, 2020

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: m.mardena@olaat.com

www.olaat.com

C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center – Commercial shops & offices
Location	Riyadh city – Al-Narjess District- Intersection point btw Othman bin Affan & Al-Thumama road
Land Area	9,000 sq m
Title deed number	210115041823
Title's date	6/09/1436 H
Plots Number	From 69 until 80
Scheme Number	2737
Land Topography	Flat
Boarded streets & Neighbors	N: Pathway width 8 m length 60 m S: Street width 15 m length 60 m E: Street width 80 m length 150 m W: Street width 15 m length 150 m
Building Build- up area (Gross floor area) GFA	5,473.6 sq m plus Fence 224 sq m
Building's Permit number	1431/671
Building Permit's date	18/01/1431 H
Market value for Property SAR	62,902,000 (Sixty-two million, nine hundred Two thousand SR)

TITLE DEED



BUILDING'S PERMIT



Disclaimer

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

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Covid-19 Pandemic

With the spread of corona virus (COVID-19) In Kingdom of Saudi Arabia enacted to take step to control corona diseases. Initially due to spread it has a great impact on social mobility that lead to impact on kingdom economic growth. In order to control this pandemic and uplift the economic activity government taken a serious step to provide relief package to support corporate and resident and private sector.

Material Valuation Uncertainty under COVID-19 Pandemic

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Accordingly, many formal measures were taken locally and globally that would affect all business sector including Real Estate Sector.

During critical period, Market activity is clearly being impacted in many sectors especially real estate transaction. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purpose, to inform opinions of value. Indeed, the current response circumstance on which to base a judgement and current condition are under influence of epidemic COVID-19 and we are facing an exceptional situation in which it difficult to build an accurate judgement of market situation and value of real estate.

Accordingly, our valuation is therefor reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global and. Consequently, less certainty-and a higher degree of caution-should be taken to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that keep the valuation of Property under frequent review & property to be revalued when current condition change.

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

August 10, 2020

Property Address: Narjess Plaza- Riyadh city - Valuation Report analysis

Tenure: Commercial Freehold property

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

The **market value** of the commercial property is **62,902,000 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi REIT
Instruction	In accordance with RFP dated on May 11, 2020, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Narjes PLaza Property .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation , as at 30 June 2020 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Offices and Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr.Mohammad Bakri 056 220 8888 (on behalf of Al-Fowzan)
Personnel	The Valuation analysis and financial models has been prepared by OPM.
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

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

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

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

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

4- Standard and Premise of value

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

5- Scope of the Report

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

6- Source of information and data

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

7- Purpose for preparation valuation and Content text

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

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated value of land property in time of evaluation **June 30, 2020 AD.**

9- Legal Description for Property Owner

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

10-Second partner's rights and ownership in property

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

11-Foundation of evaluation report and Contents

Assumptions

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

Attachments

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

12-Property's Identification

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

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



The Image below shows the Boundaries of the site:

Micro Situation



12.1- Property Characteristics

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

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

- Many of new commercial projects are under development in case of new supply from offices and shops north side.

Main features of the project:

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



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation market value (MV)

RV methodology definition:

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

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

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

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

Dev - Cost Sheet	
Cost Type- Dev Type	Year 1-3
Development Work	
Land Area - developed / year - sqm	9,000
Development Cost S.R / SQM	120
Total Development Cost / Year	1,080,000
Commercial Offices & Shops	
Sharing of land allocated for building	5,400
1- Building (Offices & Shops)	
1 basement floor - Groos area - sqm	2,500
GF-FF- Roof F	13,500
Replacement cost - sq m	
1 basement floors - Gross area - sqm	2,500
GF-FF- Roof F	1,700
	Built-Up area (GFA) sqm
1 basement floors - Gross area - sqm	2,500
GF-FF- Roof F	13,500
Construction Cost - S.R for part 1	29,200,000
2- Landscaping and external car parks	
Landscaping, Green area	3,600
	Built-Up area (GFA) sq m
Landscape, fences, outdoor car parks, fences	3,600
Construction Cost - S.R for part 2	2,340,000
Total Construction Cost - S.R	32,620,000
Other Costs	
Professional Fees (Engineering Consultant) 2.5%	815,500
Statutory fees 2%	652,400
Marketing Fees (Media & Advertising) 1.5%	489,300
Contingency costs 1.5%	489,300
Overhead cost 2.5%	815,500
Total Dev - Cost - SR	35,882,000

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

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1 : Commercial Offices							
1.1 Offices - Grade C+							
Net Leasable area		8,100	8,100	8,100	8,100	8,100	8,100
Annual Rental price / sqm - S.R		576	576	576	600	600	600
Occupancy rate		80%	95%	95%	98%	98%	98%
Revenues Cat 1.1		3,732,480	4,432,320	4,432,320	4,762,800	4,762,800	4,762,800
Category 2 : Commercial Shops							
1.1 Shops - Grade B							
Net Leasable area		4,320	4,320	4,320	4,320	4,320	4,320
Annual Rental price / sqm - S.R		912	912	912	1,150	1,150	1,150
Occupancy rate		80%	100%	100%	100%	100%	100%
Revenues Cat 2		3,151,872	3,939,840	3,939,840	4,968,000	4,968,000	4,968,000
Total Sales Revenues		6,884,352	8,372,160	8,372,160	9,730,800	9,730,800	9,730,800

Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	6,884,352	8,372,160	8,372,160	9,730,800	9,730,800	9,730,800
General & Administrative Expenses 10%	688,435	837,216	837,216	973,080	973,080	973,080
Gross Profit - EBITDA	6,195,917	7,534,944	7,534,944	8,757,720	8,757,720	8,757,720
Depreciation	1,076,460	1,076,460	1,076,460	1,076,460	1,076,460	1,076,460
Earnings after depreciation	5,119,457	6,458,484	6,458,484	7,681,260	7,681,260	7,681,260
Interest Expense	358,820	358,820	358,820	358,820	358,820	358,820
earning after interest expense	4,760,637	6,099,664	6,099,664	7,322,440	7,322,440	7,322,440
Other expenses	0	0	0	0	0	0
Net Income	4,760,637	6,099,664	6,099,664	7,322,440	7,322,440	7,322,440
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	4,760,637	6,099,664	6,099,664	7,322,440	7,322,440	7,322,440
Cumulative Retained earnings	4,760,637	10,860,301	16,959,965	80,984,240	88,306,680	95,629,120

Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
IN - Flow						
Capital Injection						
Net Revenues		4,760,637	6,099,664	7,322,440	7,322,440	7,322,440
Total Inflow		4,760,637	6,099,664	7,322,440	7,322,440	7,322,440
OUT Flow						
Total Construction Cost	32,620,000					
Professional Fees	815,500					
Statutory fees 2%	652,400					
Marketing Fees (Media & Advertising) 1.5%	489,300					
Contingency costs 1%	489,300					
Overhead cost 1%	815,500					
Total Outflow	35,882,000					
Net Cash Flow	(35,882,000)	4,760,637	6,099,664	7,322,440	7,322,440	7,322,440
Cumulative Net Income	(35,882,000)	(31,121,363)	(25,021,699)	80,984,240	88,306,680	95,629,120

Residual Value

RV	Year 0	Year 1	Year 2	Year 3	Year 32	Year 33	Total
IN - Flow							
Revenues		4,760,637	6,099,664	6,099,664	7,322,440	7,322,440	
Total Inflow		4,760,637	6,099,664	6,099,664	7,322,440	7,322,440	137,713,825
Discount Rate: 9.5%							
		0.913	0.834	0.762	0.035	0.032	
OUT Flow							
Total Outflow							
Total Cash out							
Net Cash Flow (Before Discount Rate)	35,882,000	4,760,637	6,099,664	6,099,664	7,322,440	7,322,440	55,021,266
							Total Cash flow
Discounted Cash Flow DCF							
		4,347,614	5,087,187	4,645,833	259,609	233,882	52,586,225
							Residual Value

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

Market Value MV	Land Area – sq. m	Value / sq. m. S.R	MV S.R
Market Value for land	9,000	5,842.91	52,586,190

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

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

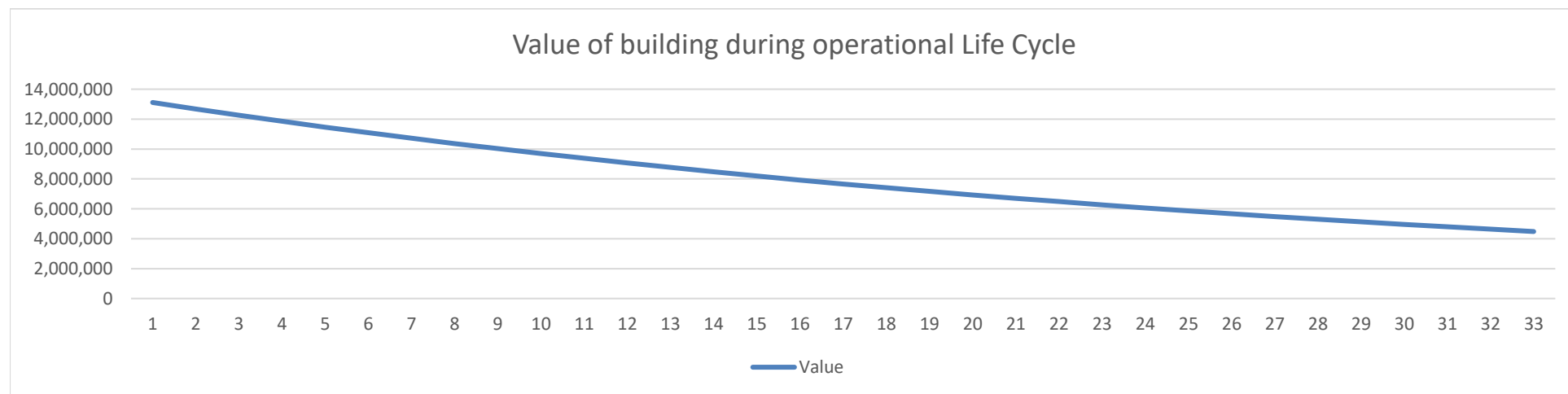
Depreciated Replacement cost (DRC)

Standards: Average useful life for showrooms and Offices building in <u>Riyadh</u> city after taken into consideration climate and moisture	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	6.5 years (starting Operation period @1433 Hijri)
Acc Deprecation	2%*6.5=	13 %

Note: Depreciation Charged on Annual Basis

(Construction, Fixtures & equipment work) C, F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2020	Completion %	Market value/ SR
GF, FF, and Roof floor	5,473.6	1,900	100%	10,399,840
Landscaping and outdoor car parks	4,000	650	100%	2,600,000
Fence	224	500	100%	112,000
Replacement cost				13,111,840
- Acc Deprecation		13,111,840*13 %		(1,704,539)
Depreciated Replacement cost DRC				11,407,301



14-Market value (property) Land + Building Construction, fixtures & equipment work-Currency SAR

Market Value (Land)	52,586,190 S. R
+	
Building	11,407,301 S. R
Profit Margin (10%)	1,140,730 SAR
Building Value SAR	12,548,031 SAR
market value - Property	65,134,000 S.R (Sixty-Five million, one hundred thirty-four thousand, Saudi riyal)

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

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

-5%	market value	+5%
61,878,000 S.R	65,134,000 S.R	68,391,000 S.R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.8% Average market Yield- Riyadh city Q1-2020

Net Operating income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Fowzan for construction and real estate For Real estate) for 10 obligatory year contractually period (Net Rent/ annum 4,645,098 SAR during the current year of Contract's period) –		
Current Annual Rent Income:	4,645,098.31	
Total Sum	4,645,098.31	
Net Operating Income NOI- Triple Net	4,645,098.31	4,645,098.31
15.1- OPM Applied a Direct Comparison approach between the Net income within Agreement, and an affordable leasable sample from market and the results comes: annual market rental values per sq m for Shops starting from 425-525 SR/ sq m while equal to 478 SR/ sq m within property which means Net Income within average market		
– Vacancy and collection loss		
Additional income (additional space unrented)		
Effective gross income		
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		4,645,098.31
Net operating income NOI		4,645,098.31
Market Value @ 7.8% Capitalization rate		59,553,000

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

Residual value + depreciation replacement cost - MV	65,134,000	
Capitalization rate - MV	59,553,000	
Weighted Average - Percentage	DRC	39,080,400
	60%	
	Cap rate	23,821,200
	40%	
market value MV	62,902,000 (Sixty-two million, nine hundred two thousand SAR)	

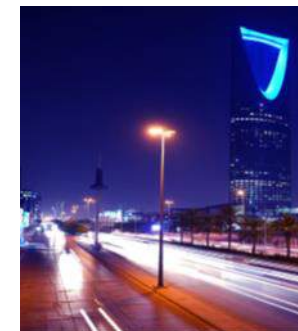
(Sensitivity Analysis) (Risk matrix)

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

-5%	market value	+5%
59,757,000 S.R	62,902,000 S.R	66,047,000 S.R

17- Real Estate Market Summary- Riyadh Q1-2020

Growth rate slightly Change, Government's decision to collaborate more closely with the development of mega project for the housing sector, The Government successfully conduct the Biggest entertainment event "Riyadh Season" So Commercial Shopping malls owners are hopeful that the proposed entertainment reforms will lead to the more licensing of movie theatres & Entertainment events in the Kingdom & New brands hotels are expected to enter the market over the next coming years with hotels room.



17.1-Offices market: Offices vacancies rate of Office Grade A & B Silently Decrease over the quarter due to (SAGIA) Saudi Arabia General Investment Authority Issue New License to Investor to operate business companies in private sectors. Corporate demand is more focus on Smart & elegant Co-working office space to get benefit for low rental rates. In COVID-19 Pandemic government announced the package to ensure business connectivity and mitigate risk for Business Growth and support to the Private sector.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. MOH Initiative 2030 related to NTP 2020 & Saudi vision 2030 Which will transform sector for achieving Government Operational Excellence.

17.2-Residential market: Residential Units & Villas Prices slightly increase due to government backend support to expand the mortgage scheme and government sakni program for Saudi Resident. According to Vision 2030 in respond to sakni program which helps to increase ownership rate in 2020. Secondly Real estate development fund and Saudi refinance company play vital role to boost homeownership and mortgage market. Due to Current Covid-19 pandemic we can expect in supply & Demand side on-going Residential project will slightly expected to delay to deliver it.

17.3-Hospitality market: The Public Investment fund introduced a tourism and hospitality project like Riyadh season that will help to boost the economic activity in capital city. In end of 2019 Government initiative to allow Developed Countries Like U.K, US & Schengen Visa holder to get visa on arrival facility that help to support tourism industry and enhance the economic activity in the kingdom. While Feb 2020 Hospitality Industry has Healthy performance but Due to COVID-19 Pandemic in Mid of March-2020 Hospitality industry had badly impact for suspension of International Travelling and Q1-2020 Performance of Hospitality Sector is very depressed.

17.4-Retail market: Retail market performance remain stable in Q-4 2019. While ADR is stable of super and super regional mall, and vacancy rate of Grade B Class is slightly increase at the end of 2019. While retail sector enjoys slightly upward trend in performance. Under 2030 Vision strategic goal to increase proportion of online payment. In COVID-19 Pandemic full time & partial lockdown in Riyadh, restriction of consumer mobility & socialize limitation that huge impact on retail and entertainment sector. Due to mobility restriction consumer behavior shifted to online trade that boost to E-Commerce sector that will help to support vision 2030.

17.5- Industrial warehouses: While occupancies increased marginally in the industrial warehouses sector over 2020, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

18-External and internal Pictures

External view



External view



Internal view



19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Final Revision – Release	1210000397	1442/4/13	Real estate
Mustafa Mardina	Formatting and Analyzing report, Site visit	1220000297	1442/4/13	Real estate
Salem Mafouz	Site visit, inspection Catchment area	1220000968	1442/2/27	Real estate

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19.1- OPM Valuation's team Taqeeem's certificates





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Valuation Report Analysis
Panda Al-Marwa Property
Jeddah City - KSA
Valuation's Report Date August 10, 2020

Prepared for
Al-Rajhi REIT



شركة أولات للتقييم العقاري
Olaat Valuation Company



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

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi REIT.

Jeddah City

Date of Valuation: June 30, 2020

Date of Report: August 10, 2020

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: m.mardena@olaat.com

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C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center – Commercial shops
Location	Jeddah city – Al-Marwa District- Prince Miteb Road
Land Area	38,641 sq m
Title deed number	420205025490
Title's date	13/3/1437 H
Plots Number	1
Scheme Number	432/ج/س
Land Topography	Flat
Boarded streets & Neighbors	<p>N: Street width 26.5 m length 162 m and then length 7.07 m</p> <p>S: street width 12 m length 162 m and then length 4.24 m</p> <p>E: Prince Miteb width 80 m length 217.5 m and then 7.07 m</p> <p>W: Street width 16 m length 221.5 m and then 4.24 m</p>
Building Build- up area (Gross floor area) GFA	15,247.72 sq m
Building's Permit number	23508
Building Permit's date	23/05/1429 H
Market value for Property SAR	198,509,000 (One hundred ninety eight million, five hundred nine thousand SR)

Legal Documents

TITLE DEED



BUILDING's PERMIT



Disclaimer

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

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Covid-19 Pandemic

With the spread of corona virus (COVID-19) In Kingdom of Saudi Arabia enacted to take step to control corona diseases. Initially due to spread it has a great impact on social mobility that lead to impact on kingdom economic growth. In order to control this pandemic and uplift the economic activity government taken a serious step to provide relief package to support corporate and resident and private sector.

Material Valuation Uncertainty under COVID-19 Pandemic

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Accordingly, many formal measures were taken locally and globally that would affect all business sector including Real Estate Sector.

During critical period, Market activity is clearly being impacted in many sectors especially real estate transaction. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purpose, to inform opinions of value. Indeed, the current response circumstance on which to base a judgement and current condition are under influence of epidemic COVID-19 and we are facing an exceptional situation in which it difficult to build an accurate judgement of market situation and value of real estate.

Accordingly, our valuation is therefor reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global and. Consequently, less certainty-and a higher degree of caution-should be taken to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that keep the valuation of Property under frequent review & property to be revalued when current condition change.

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

August 10, 2020

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

Tenure: Commercial Freehold property

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

The **market value** of the commercial property is **198,509,000 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	AI-Rajhi REIT
Instruction	In accordance with RFP dated on May 11, 2020, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Panda Al-Marwah Property .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation , as at 30 June 2020 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Super market)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected by Abdul Ghani Saudi Authority for Accredited Values membership (Taqeem) 1210000800, all significant parts of the property were inspected.
Personnel	The Valuation analysis and financial models has been prepared by OPM
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

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

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

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

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

4- Standard and Premise of value

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

5- Scope of the Report

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

6- Source of information and data

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

7- Purpose for preparation valuation and Content text

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

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated value of land property in time of evaluation **June 30, 2020 AD**.

9- Legal Description for Property Owner

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

10-Second partner's rights and ownership in property

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

11-Foundation of evaluation report and Contents

Assumptions

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

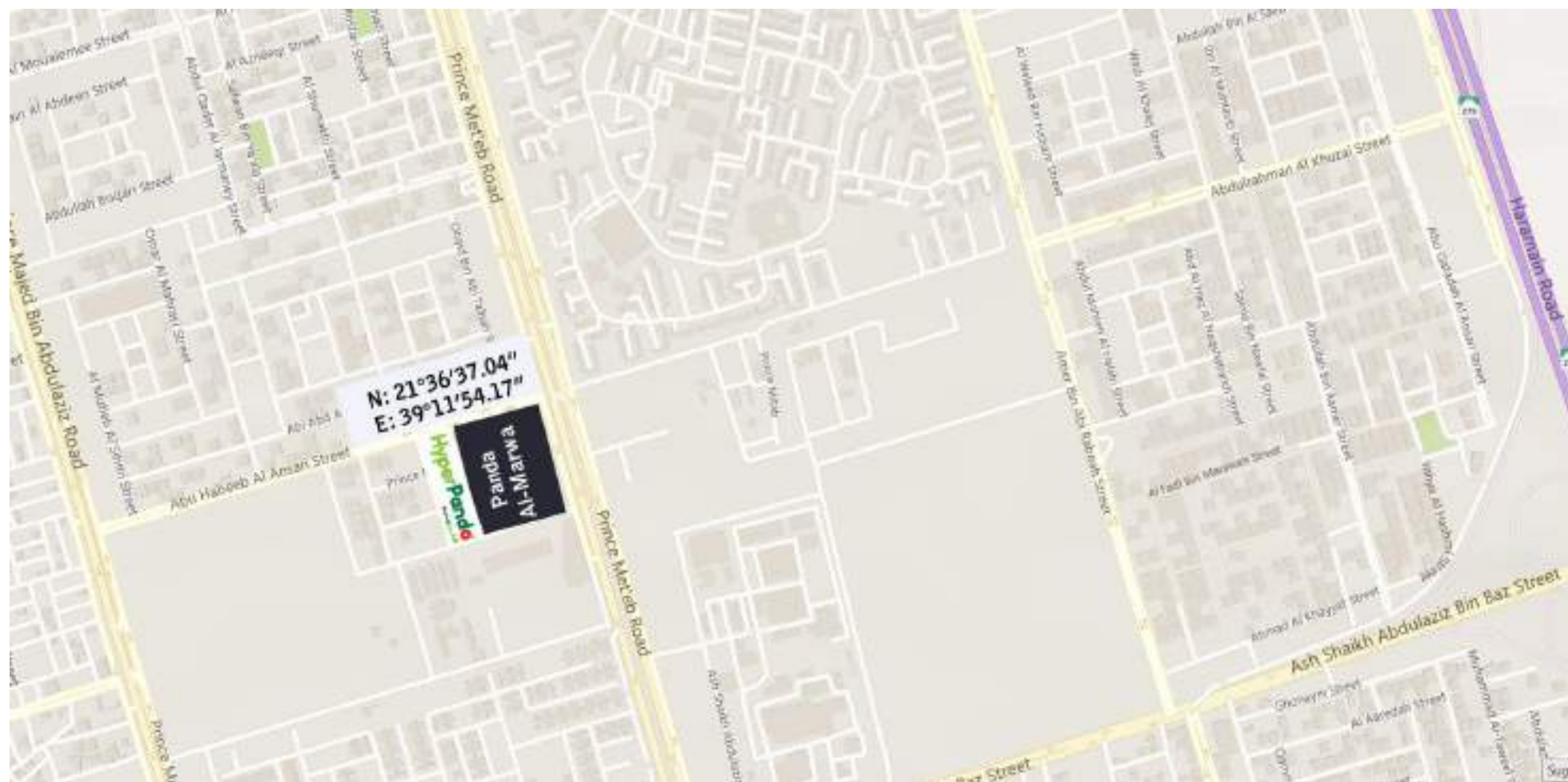
Attachments

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

12-Property's Identification

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

21°36'37.04" - E: 39°11'54.17"



The Image below shows the Boundaries of the site:

Micro Situation



12.1- Property Characteristics

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

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

Main features of the project:

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



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation market value (MV)

RV methodology definition:

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

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

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

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

Dev - Cost Sheet

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

Annual Income & Revenues Sheet - Free Future Cash Flow (FFCF)							
	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1 : Commercial Offices							
Offices - Grade C+							
Net Leasable area		34,777	34,777	34,777	34,777	34,777	34,777
Annual Rental price / sqm - S.R		600	600	600	550	550	550
Occupancy rate		80%	95%	95%	95%	95%	95%
Revenues Cat 1		16,692,912	19,822,833	19,822,833	18,170,930	18,170,930	18,170,930
Category 2 : Commercial Shops							
Shops - Grade B							
Net Leasable area		13,911	13,911	13,911	13,911	13,911	13,911
Annual Rental price / sqm - S.R		800	800	800	1,000	1,000	1,000
Occupancy rate		80%	90%	90%	90%	90%	90%
Revenues Cat 2		8,902,886	10,015,747	10,015,747	12,519,684	12,519,684	12,519,684
Gross Revenues		25,595,798	29,838,580	29,838,580	30,690,614	30,690,614	30,690,614

Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Revenues	25,595,798	29,838,580	29,838,580	30,690,614	30,690,614	30,690,614
General & Administrative Expenses 10%	2,559,580	2,983,858	2,983,858	3,069,061	3,069,061	3,069,061
Gross Profit - EBITDA	23,036,219	26,854,722	26,854,722	27,621,553	27,621,553	27,621,553
Depreciation	7,778,433	7,778,433	7,778,433	7,778,433	7,778,433	7,778,433
Earnings after depreciation	15,257,785	19,076,289	19,076,289	19,843,120	19,843,120	19,843,120
Interest Expense	3,889,217	3,889,217	3,889,217	3,889,217	3,889,217	3,889,217
earning after intrest expense	11,368,569	15,187,072	15,187,072	15,953,903	15,953,903	15,953,903
Zakat and VAT (7.5%)	852,643	1,139,030	1,139,030	1,196,543	1,196,543	1,196,543
Net Income	10,515,926	14,048,042	14,048,042	14,757,360	14,757,360	14,757,360
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	10,515,926	14,048,042	14,048,042	14,757,360	14,757,360	14,757,360
Cumulative Retained earnings	10,515,926	24,563,968	38,612,010	209,377,587	224,134,947	238,892,307

Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
IN - Flow						
Capital Injection						
Net Revenues		10,515,926	14,048,042	14,757,360	14,757,360	14,757,360
Total Inflow		10,515,926	14,048,042	14,757,360	14,757,360	14,757,360
OUT Flow						
Total Construction Cost	235,710,100					
Professional Fees	5,892,753					
Statutory fees 2%	4,714,202					
Marketing Fees (Media & Advertising) 1.5%	3,535,652					
Contingency costs 1%	3,535,652					
Overhead cost 1%	5,892,753					
Total Outflow	259,281,110					
Net Cash Flow	(259,281,110)	10,515,926	14,048,042	14,757,360	14,757,360	14,757,360
Cumulative Net Income	(259,281,110)	(248,765,184)	(234,717,142)	209,377,587	224,134,947	238,892,307

Residual Value- Land Value

RV	Year 0	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33	Total		
IN - Flow										
Revenues		10,515,926	14,048,042	14,048,042	14,757,360	14,757,360	14,757,360			
Total Inflow		10,515,926	14,048,042	14,048,042	14,757,360	14,757,360	14,757,360	380,596,546		
Discount Rate: 8.5%		0.922	0.849	0.783	0.080	0.073	0.068			
OUT Flow										
Total Outflow		259,281,110								
Total Cash out										
Net Cash Flow (Before Discount Rate)	259,281,110	10,515,926	14,048,042	14,048,042	14,757,360	14,757,360	14,757,360	166,634,266		
								Total Cash flow		
Discounted Cash Flow DCF		9,692,098	11,933,183	10,998,326	1,176,757	1,084,569	999,602			
								Residual Value		
Value Per / sq m										
									Land Value (PV)	189,188,020
									Square Meters	38,641.00
Estimated sq m value (S.R)										4,896

4571

4571

Market Value MV	Land Area - sqm	Value / sq m . S.R	MV S.R
Market Value for land	38,641	4896.04	189,187,882

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

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

Depreciated Replacement cost (DRC)

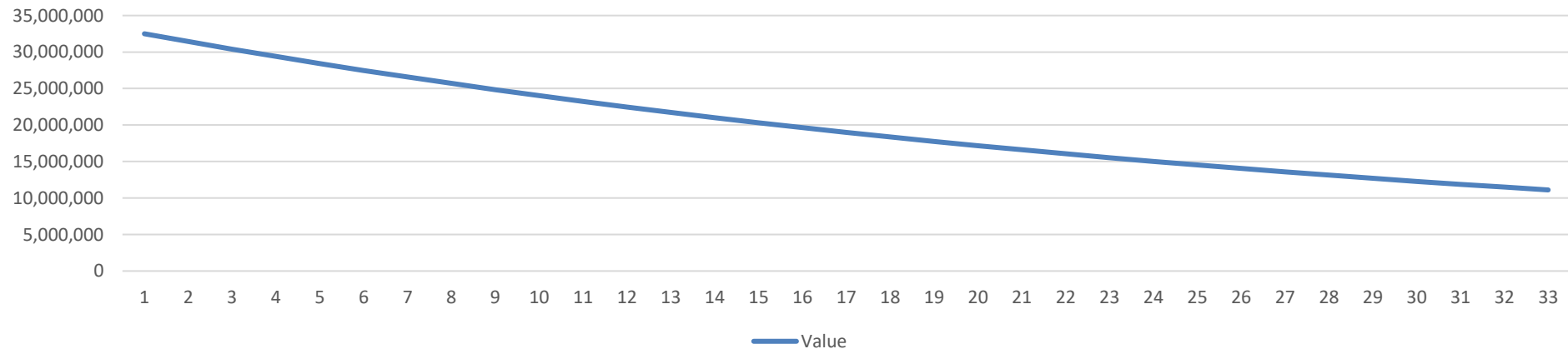
Standards: Average useful life for Showrooms and Office building in <u>Jeddah</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.7% per annum	1.8%
Building (equipment) useful life	N (number of years) =	10 years (starting Operation period @1431 Hijri)
Acc Deprecation	1.8%*10=	18 %

Notes: Deprecation Charged on Annual Basis

(Construction, Fixtures, & equipment works) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2020	Completion %	Market value/ SR
GF	12,273	1,800	100%	22,091,400
First Floor	2,974.72	2,200	100%	6,544,384
Outdoor area	15,456.4	250	100%	3,864,100
Replacement cost				32,499,884
- Acc Deprecation		32,499,884*18 %		(5,849,979)
Depreciated Replacement cost DRC				26,649,905

Value of building during operational Life Cycle



14-Market value (property) Land + Building In the case fixtures & equipment F&E Work-Currency SAR

Market Value (Land)	189,187,882 S.R
+	
Building	26,649,905 S.R
Profit Margin 20%	5,329,981 S.R
Building Value	31,979,886 S.R
market value - Property	221,168,000 S.R (Two Hundred Twenty-one million, one hundred sixty-Eight thousand, Saudi riyal)

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

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

-5%	market value	+5%
210,110,000 S.R	221,168,000 S.R	232,226,000 S.R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.2% Average market Yield- Jeddah city Q1-2020

Net Operating income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Aziziya Panda) for 13 obligatory year contractually period (Net Rent/ annum 9,809,608 SAR during the first 5 years and Net Rent/ annum 11,262,883 during the next five years, and Net Rent/ annum 12,716,158 during the rest of Contract's period) – SR starting from 20 Dec 2015 till 11 Nov 2028.		
Current Annual Rent Period: from Nov 2018 till Nov 2023 (On-going 5 Years) =11,262,883	11,262,883	
Sum	11,262,883	11,262,883
Net Operating Income NOI- Triple Net	11,262,883	
15.1- OPM Applied a Direct Comparison approach between the Net income within Agreement, and an affordable leasable samples from market and the results comes: annual market rental values per sq m starting from 300-400 SR/ sq m For Shop Excluding Major Tenant like Supermarket, Offices plus external area for car parking while equal to 366 SR/ sq m within property which means Net Income within average market		
– Vacancy and collection loss		0
Additional income (additional area unrented)		0
Effective gross income		11,262,883
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		0
Net operating income NOI		11,262,883
Market Value @ 7.2% Capitalization rate SAR		156,428,930

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

Residual value + depreciation replacement cost - MV	221,167,768	
Capitalization rate - MV	156,428,930	
Weighted Average - Percentage	DRC	143,759,049
	65%	
	Cap rate	54,750,126
	35%	
market value MV	198,509,000 (One hundred ninety-eight million, five hundred nine thousand, SR)	

(Sensitivity Analysis) (Risk matrix)

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

-5%	market value	+5%
188,584,000 S.R	198,509,000 S.R	208,434,000 S.R

17- Real Estate Market Summary- Jeddah Q1-2020

Growth rate slightly Change, Government's decision to collaborate more closely with the development of mega project in the housing sector specially (Government Ministry of Housing and shrakat Project). The Government are working on the Biggest entertainment sites "Neom City" So that are hopeful that the proposed entertainment reforms will lead to the more Entertainment events in the Jeddah & New brands hotels are expected to enter the market in coming years.



17.1-Offices market: In Jeddah office market vacancies rate of Office Grade A & B Significantly Decrease over the quarter. In 2020 Saudi Arabia General Investment Authority (SAGIA) Issue New License to Investor to operate business companies in private sectors beyond the kingdom for support and encourage the development growth of private sector. According to Vision 2030 Kingdom want to increase Foreign Direct Investment (FDI) from 3.8% to for International level 5.7% of GDP. Corporate demand is more focus on Smart & elegant Co-working office space to get benefit for low rental rates and require minimum capital. In COVID-19 Pandemic government announced the package to ensure business connectivity and mitigate risk for Business Growth and support to the Private sector.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Jeddah are leasing space to clinics, Hospitals or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. MOH Initiative 2030 related to NTP 2020 & Saudi vision 2030 Which will transform sector for achieving Government Operational Excellence.

17.2-Residential market: In Jeddah City residential units & villas prices slightly increase due to government backend support to expand the mortgage scheme and government sakni program for Saudi Resident. According to Vision 2030 in respond to sakni program which helps to increase ownership rate in 2020. Secondly Real estate development fund and Saudi refinance company play vital role to boost homeownership and mortgage market. Upcoming supply in Jeddah mostly push up middle income increase the development activity. Due to Current Covid-19 pandemic we can expect in supply & Demand side on-going Residential project will slightly expected to delay to deliver it.

17.3-Hospitality market: The Public Investment fund introduced a tourism and hospitality project that will help to boost the economic activity in Jeddah city. In Jan 2020, Government initiative to allow Developed Countries Like U.K, US & Schengen Visa holder to get visa on arrival facility that help to support tourism industry and enhance the economic activity in the kingdom. While Feb 2020 Hospitality Industry has flourishing performance but Due to COVID-19 Pandemic in Mid of March-2020 Hospitality industry had badly impact in Jeddah city for suspension of International Travelling and Q1-2020 Performance of Hospitality Sector is very depressed. Specially suspension of Umrah Season and uncertain situation about upcoming Hajj pilgrimage performance of Hospitality sector in Jeddah still stagnant.

17.4-Retail market: Retail market performance remain stable in Q-12020. While ADR is stable of super and super regional mall, and Vacancy rate of Grade B Class is slightly increase at the end of 2019. While retail sector enjoys slightly upward trend in performance. Under 2030 Vision strategic goal to increase proportion of online payment. According to National Transformation program 2020 for Strategic objective of Retail Market is Develop and transform the retail sector through applying modern solutions, enhancing e-commerce, qualifying the national workforce to occupy various operational and administrative vacancies within the sector, in addition to opening new retail markets. This will help increase retail sector contribution to GDP and job creation in coming year. In COVID-19 Pandemic partial lockdown in Jeddah, restriction of consumer mobility & socialize limitation that huge impact on retail and entertainment sector. Due to mobility restriction consumer behavior shifted to online trade that boost to E-Commerce sector that will help to support vision 2030.

18-External and internal Pictures

External view



External view



Internal view



Internal view



19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manager	1210000397	1442/4/13	Real estate
Mustafa Mardina	Formatting and Analyzing report, Site visit	1220000297	1442/04/13	Real estate
Salah Abdullah	Site visit, inspection Catchment area	1220000911	1441/12/26	Real estate

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[Signature]

[Signature]

OPM
BY OLAAT REAL ESTATE



19.1- OPM Valuation's team Taqueem's certificates





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Valuation Report Analysis
Panda Al-Rawdah Property
Jeddah City - KSA
Valuation's Report Date August 10, 2020

Prepared for
Al-Rajhi REIT



شركة أولات للتقييم العقاري
Olaat Valuation Company



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

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi Capital.

Jeddah City

Date of Valuation: June 30, 2020

Date of Report: August 10, 2020

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: m.mardena@olaat.com

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C.R:1010462536

Valuation License: 1210000397

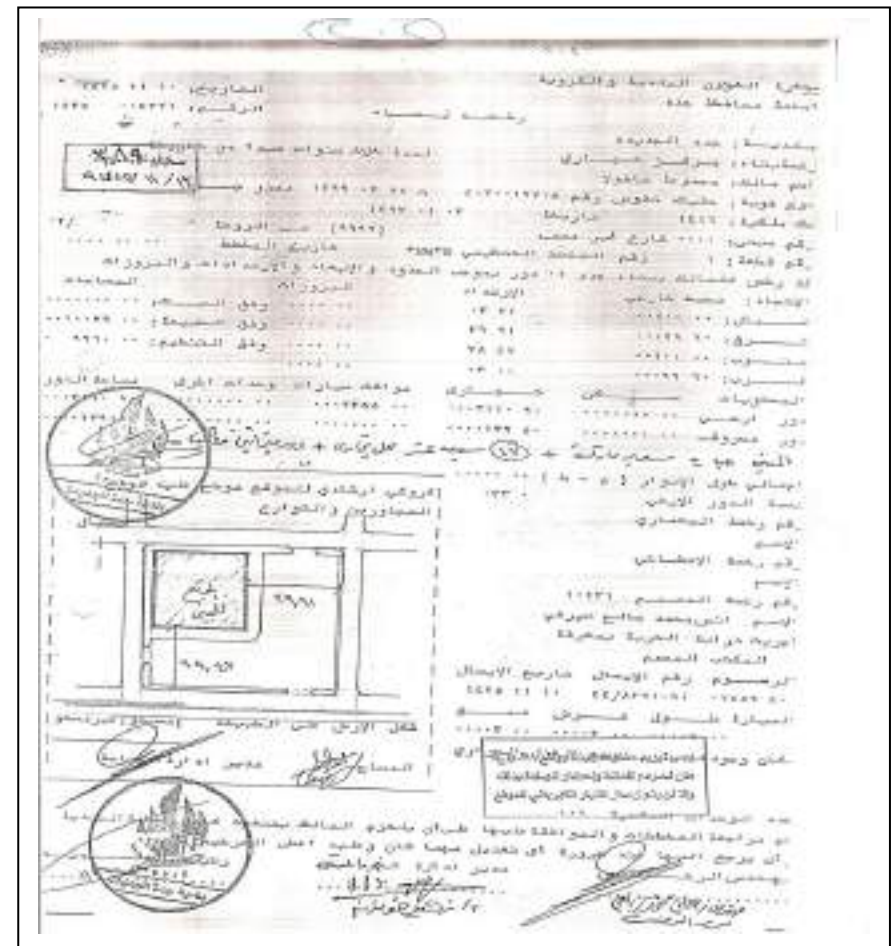
Property's Type	Commercial Center – Commercial shops
Location	Jeddah city – Al-Rawdah District- on Qasim Zayni St - close to Al-Madinah Road
Land Area	9,929.79 sq m
Title deed number	220205025489
Title's date	13/3/1437 H
Plots Number	23/24
Scheme Number	Al-Rawdah 3
Land Topography	Flat
Boarded streets & Neighbors	N: Street width 12 m length 94 m then length 4.24 m S: Street width 25 m length 90 m and then length 7.07 m E: Street width 12 m length 91.72 m and then 7.07 m W: Street width 12 m length 91.56 m and then 4.25 m
Building Build- up area (Gross floor area) GFA	3,250.47 sq m
Building's Permit number	4221
Building Permit's date	10/11/1425 H
Market value for Property SAR	65,027,000 (Sixty-Five million, Twenty-Seven thousand, SR)

Legal Documents

TITLE DEED



BUILDING's PERMIT



Disclaimer

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

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Covid-19 Pandemic

With the spread of corona virus (COVID-19) In Kingdom of Saudi Arabia enacted to take step to control corona diseases. Initially due to spread it has a great impact on social mobility that lead to impact on kingdom economic growth. In order to control this pandemic and uplift the economic activity government taken a serious step to provide relief package to support corporate and resident and private sector.

Material Valuation Uncertainty under COVID-19 Pandemic

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Accordingly, many formal measures were taken locally and globally that would affect all business sector including Real Estate Sector.

During critical period, Market activity is clearly being impacted in many sectors especially real estate transaction. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purpose, to inform opinions of value. Indeed, the current response circumstance on which to base a judgement and current condition are under influence of epidemic COVID-19 and we are facing an exceptional situation in which it difficult to build an accurate judgement of market situation and value of real estate.

Accordingly, our valuation is therefor reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global and. Consequently, less certainty-and a higher degree of caution-should be taken to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that keep the valuation of Property under frequent review & property to be revalued when current condition change.

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

August 10, 2020

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

Tenure: Commercial Freehold property

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

The **market value** of the commercial property is **65,027,000 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 11, 2020, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Panda Al-Rawdah Property .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation , as at 30 June 2020 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Super market)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected by Abdul Ghani Saudi Authority for Accredited Values membership (Taqeem) 1210000800, all significant parts of the property were inspected.
Personnel	The Valuation analysis and financial models has been prepared by OPM
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

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

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

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

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

4- Standard and Premise of value

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

5- Scope of the Report

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

6- Source of information and data

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

7- Purpose for preparation valuation and Content text

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

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated value of land property in time of evaluation **June 30, 2020 AD**.

9- Legal Description for Property Owner

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

10-Second partner's rights and ownership in property

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

11-Foundation of evaluation report and Contents

Assumptions

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

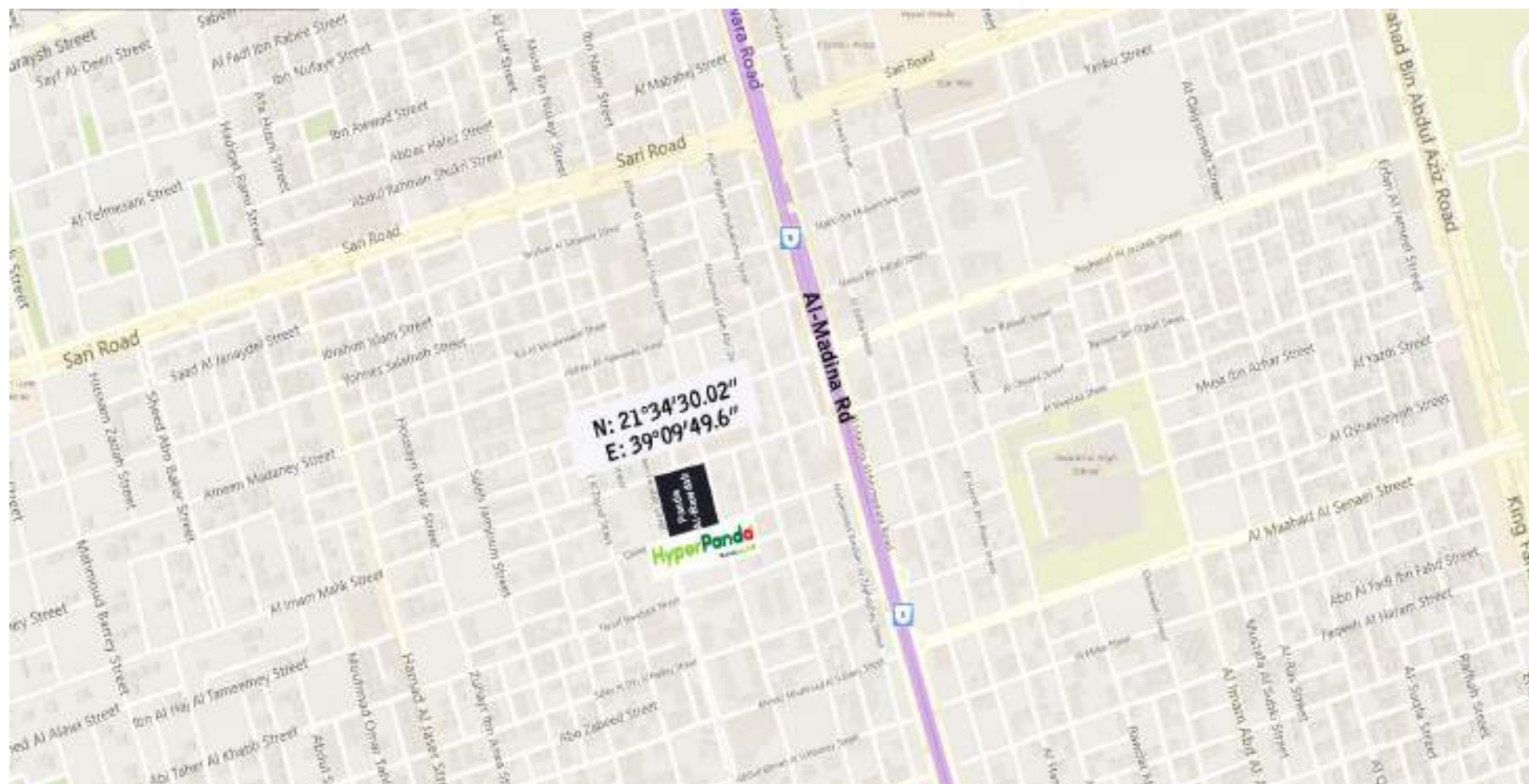
Attachments

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

12-Property's Identification

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

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



The Image below shows the Boundaries of the site:

Micro Situation



12.1- Property Characteristics

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

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

Main features of the Property:

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



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation market value (MV)

RV methodology definition:

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

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

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

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

Dev - Cost Sheet

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

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

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1 : Commercial Offices							
Offices - Grade C+							
Net Leasable area		8,937	8,937	8,937	8,937	8,937	8,937
Annual Rental price / sqm - S.R		637	637	637	1,196	1,220	1,244
Occupancy rate		80%	90%	90%	90%	90%	90%

Revenues Cat 1	4,554,199	5,123,474	5,123,474	9,619,707	9,812,101	10,008,343
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Category 2 : Commercial Shops							
Shops - Grade C+							
Net Leasable area		4,766	4,766	4,766	4,766	4,766	4,766
Annual Rental price / sqm - S.R		931	931	931	1,748	1,783	1,819
Occupancy rate		80%	90%	90%	90%	90%	90%

Revenues Cat 2	3,549,940	3,993,682	3,993,682	7,498,438	7,648,407	7,801,375
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Gross Revenues		8,104,139	9,117,156	9,117,156	17,118,145	17,460,508	17,809,718
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Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	8,104,139	9,117,156	9,117,156	17,118,145	17,460,508	17,809,718
General & Administrative Expenses 10%	810,414	911,716	911,716	1,711,815	1,746,051	1,780,972
Gross Profit - EBITDA	7,293,725	8,205,440	8,205,440	15,406,331	15,714,457	16,028,746
Depreciation	1,395,858	1,395,858	1,395,858	1,395,858	1,395,858	1,395,858
Earnings after depreciation	5,897,867	6,809,582	6,809,582	14,010,473	14,318,599	14,632,888
Interest Expense	697,929	697,929	697,929	697,929	697,929	697,929
Earnings after interest expense	5,199,938	6,111,653	6,111,653	13,312,544	13,620,670	13,934,959
Zakat and VAT (7.5%)	389,995	458,374	458,374	998,441	1,021,550	1,045,122
Net Income	4,809,942	5,653,279	5,653,279	12,314,103	12,599,120	12,889,837
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	4,809,942	5,653,279	5,653,279	12,314,103	12,599,120	12,889,837
Cumulative Retained earnings	4,809,942	10,463,222	16,116,501	120,956,097	133,555,217	146,445,055

Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 3	year 31	year 32	year 33
IN - Flow							
Net Income							
Net Revenues		4,809,942	5,653,279	5,653,279	12,314,103	12,599,120	12,889,837
Depreciation		1,395,858	1,395,858	1,395,858	1,395,858	1,395,858	1,395,858
OUT Flow							
Total Construction Cost	42,298,725						
Professional Fees	1,057,468						
Statutory fees 2%	845,974						
Marketing Fees (Media & Advertising) 1.5%	634,481						
Contingency costs 1%	634,481						
Overhead cost 1%	1,057,468						
Total Outflow	46,528,597						
Net Cash Flow	(46,528,597)	6,205,800	7,049,137	7,049,137	13,709,961	13,994,978	14,285,695
Cumulative Net Income	(46,528,597)	(40,322,797)	(33,273,659)	-26,224,522	136,310,534	150,305,512	164,591,208

Residual Value- Land Value

RV	Year 0	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33	Total
IN - Flow								
Revenues		6,205,800	7,049,137	7,049,137	13,709,961	13,994,978	14,285,695	
Total Inflow		6,205,800	7,049,137	7,049,137	13,709,961	13,994,978	14,285,695	178,190,351
Discount Rate: 9.6%								
		0.912	0.832	0.760	0.058	0.053	0.049	
OUT Flow								
Total Outflow		46,528,597						46,528,597
Total Cash out								
Net Cash Flow (Before Discount Rate)	46,528,597	6,205,800	7,049,137	7,049,137	13,709,961	13,994,978	14,285,695	81,570,370
Total Cash flow								
Discounted Cash Flow DCF								
		5,662,227	5,868,335	5,354,320	799,667	744,791	693,670	68,857,228
Residual Value								

Value Per / sq m		
	Land Value (PV)	68,857,228
	Square Meters	9,929.79
Estimated sq m value (S.R)		6,934

Market Value MV	Land Area - sqm	Value / sq m . S.R	MV S.R
Market Value for land	9,929.79	6,934.40	68,857,136

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

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

Depreciated Replacement cost (DRC)

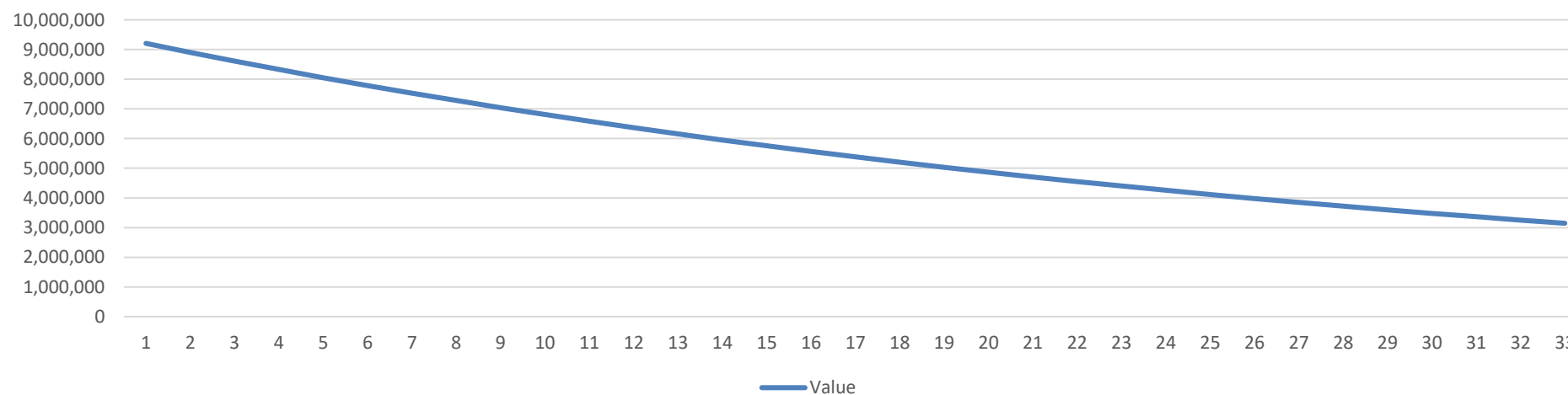
Standards: Average useful life for Showrooms and Office building in <u>Jeddah</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	12 years (starting Operation period @1427 Hijri)
Acc Deprecation	2%*13=	26 %

Note: Deprecation Charged on Annual Basis

Construction (fixtures & equipment work) C, F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2020	Completion %	Market value/ SR
Ground Floor	3,110.90	2,300	100%	7,155,070
First Floor	139.50	2,500	100%	348,750
Outdoor area	6,818.89	250	100%	1,704,723
Replacement cost				9,208,543
- Acc Deprecation		9,208,543*26 %		(2,394,221)
Depreciated Replacement cost DRC				6,814,322

Value of building during operational Life Cycle



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

Market Value (Land)	68,857,136 S. R
+	
Building	6,814,322 S. R
Profit Margin 20%	1,362,864 S. R
Building Value	8,177,186 S. R
market value - Property	77,034,000 S.R (Seventy-Seven million, Thirty-Four Thousand Saudi riyal)

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

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

-5%	market value	+5%
73,182,000 S. R	77,034,000 S. R	80,886,000 S. R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Jeddah city Q1-2020

Net Operating income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Aziziya Panda) for 15 obligatory year contractually period (Net Rent/ annum 2,417,575 SAR during the first 5 years and Net Rent/ annum 2,775,734 during the next five years, and Net Rent/ annum 3,133,893 during the rest of Contract’s period) – SR starting from 15 Dec 2015 till 26 Feb 2029.			
Current Annual Rent: Second Period from Feb 2019 till Feb 2024 (ongoing 5 Years) = (2,775,734)	2,775,734		
Sum	2,775,734	2,775,734	
Net Operating Income NOI- Triple Net	2,775,734		
15.1- OPM Applied a Direct Comparison approach between the Net income within Agreement, and a affordable leasable samples from market and the results comes: annual market rental values per sq m starting from 225-325 SR/ sq m for small Shops excluding major anchor while equal to 275 SR/ sq m within property which means Net Income within average market			
– Vacancy and collection loss		0	
Additional income (additional area unrented)		0	
Effective gross income		2,775,734	
Operating Expenses			
Fixed	0		
Variable	0		
Reserves	0		
– Total Operating expenses		0	
Net operating income NOI		2,775,734	
Market Value @ 7.5% Capitalization rate SAR		37,009,787	

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

Residual value + depreciation replacement cost - MV	77,034,322	
Capitalization rate - MV	37,009,787	
Weighted Average - Percentage	DRC	53,924,025
	70%	
	Cap rate	11,102,936
	30%	
market value MV	65,027,000 (Sixty-Five million, Twenty-seven thousand, SR)	

(Sensitivity Analysis) (Risk matrix)

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

-5%	market value	+5%
61,776,000 S.R	65,027,000 S. R	68,278,000 S.R

17-Real Estate Market Summary- Jeddah Q1-2020

Growth rate slightly Change, Government's decision to collaborate more closely with the development of mega project in the housing sector specially (Government Ministry of Housing and shrakat Project).The Government are working on the Biggest entertainment sites "Neom City" So that are hopeful that the proposed entertainment reforms will lead to the more Entertainment events in the Jeddah & New brands hotels are expected to enter the market in coming years.



17.1-Offices market: In Jeddah office market vacancies rate of Office Grade A & B Significantly Decrease over the quarter. In 2020 Saudi Arabia General Investment Authority (SAGIA) Issue New License to Investor to operate business companies in private sectors beyond the kingdom for support and encourage the development growth of private sector. According to Vision 2030 Kingdom want to increase Foreign Direct Investment (FDI) from 3.8% to for International level 5.7% of GDP. Corporate demand is more focus on Smart & elegant Co-working office space to get benefit for low rental rates and require minimum capital. In COVID-19 Pandemic government announced the package to ensure business connectivity and mitigate risk for Business Growth and support to the Private sector.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Jeddah are leasing space to clinics, Hospitals or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. MOH Initiative 2030 related to NTP 2020 & Saudi vision 2030 Which will transform sector for achieving Government Operational Excellence.

17.2-Residential market: In Jeddah City residential units & villas prices slightly increase due to government backend support to expand the mortgage scheme and government sakni program for Saudi Resident. According to Vision 2030 in respond to sakni program which helps to increase ownership rate in 2020.Secondly Real estate development fund and Saudi refinance company play vital role to boost homeownership and mortgage market. Upcoming supply in Jeddah mostly push up middle income increase the development activity. Due to Current Covid-19 pandemic we can expect in supply & Demand side on-going Residential project will slightly expected to delay to deliver it.

17.3-Hospitality market: The Public Investment fund introduced a tourism and hospitality project that will help to boost the economic activity in Jeddah city. In Jan 2020, Government initiative to allow Developed Countries Like U.K, US & Schengen Visa holder to get visa on arrival facility that help to support tourism industry and enhance the economic activity in the kingdom. While Feb 2020 Hospitality Industry has flourishing performance but Due to COVID-19 Pandemic in Mid of March-2020 Hospitality industry had badly impact in Jeddah city for suspension of International Travelling and Q1-2020 Performance of Hospitality Sector is very depressed. Specially suspension of Umrah Season and uncertain situation about upcoming Hajj pilgrimage performance of Hospitality sector in Jeddah still stagnant.

17.4-Retail market: Retail market performance remain stable in Q-12020. While ADR is stable of super and super regional mall, and Vacancy rate of Grade B Class is slightly increase at the end of 2019. While retail sector enjoys slightly upward trend in performance. Under 2030 Vision strategic goal to increase proportion of online payment. According to National Transformation program 2020 for Strategic objective of Retail Market is Develop and transform the retail sector through applying modern solutions, enhancing e-commerce, qualifying the national workforce to occupy various operational and administrative vacancies within the sector, in addition to opening new retail markets. This will help increase retail sector contribution to GDP and job creation in coming year. In COVID-19 Pandemic partial lockdown in Jeddah, restriction of consumer mobility & socialize limitation that huge impact on retail and entertainment sector. Due to mobility restriction consumer behavior shifted to online trade that boost to E-Commerce sector that will help to support vision 2030.

18-External and internal Pictures

External view



External view



19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Final Revision – Release	1210000397	1442/4/13	Real estate
Mustafa Mardina	Formatting and Analyzing report	1220000297	1442/4/13	Real estate
Salah Abdullah	Site visit, inspection Catchment area	1220000911	1441/12/26	Real estate

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19.1- OPM Valuation's team Taqueem's certificates





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Valuation Report Analysis
Panda Khamis Mushiet Property
Khamis Mushiet City - KSA
Valuation's Report Date August 10, 2020

Prepared for
Al-Rajhi Capital



شركة أولات للتقييم العقاري
Olaat Valuation Company



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

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi REIT.

Khamis Mushiet

Date of Valuation: June 30, 2020

Date of Report: August 10, 2020

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: m.mardena@olaat.com

www.olaat.com

C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center – Commercial shops
Location	Jeddah city – Al-Nasim District- on Prince Sultan Rd
Land Area	19,000 sq m
Title deed number	471708002889
Title's date	12/3/1437 H
Plots Number	Without Number
Scheme Number	1424/715/ع/2
Land Topography	Flat
Boarded streets & Neighbors	N: Alkhamis – Tandaha Rd Width 84 m length 200 m S: Street width 20 m length 200 m E: Street width 20 m length 100 m W: Street width 27 m length 90 m
Building Build- up area (Gross floor area) GFA	5,456.27 sq m
Building's Permit number	8/108/320/1429
Building Permit's date	27/1/1429 H
Market value for Property SAR	45,804,000 (Forty-Five million, Eight hundred Four thousand,SR)

Legal Documents

TITLE DEED

[illegible]

BUILDING'S PERMIT

[illegible]

RENT PAYMNET

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

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Covid-19 Pandemic

With the spread of corona virus (COVID-19) In Kingdom of Saudi Arabia enacted to take step to control corona diseases. Initially due to spread it has a great impact on social mobility that lead to impact on kingdom economic growth. In order to control this pandemic and uplift the economic activity government taken a serious step to provide relief package to support corporate and resident and private sector.

Material Valuation Uncertainty under COVID-19 Pandemic

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Accordingly, many formal measures were taken locally and globally that would affect all business sector including Real Estate Sector.

During critical period, Market activity is clearly being impacted in many sectors especially real estate transaction. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purpose, to inform opinions of value. Indeed, the current response circumstance on which to base a judgement and current condition are under influence of epidemic COVID-19 and we are facing an exceptional situation in which it difficult to build an accurate judgement of market situation and value of real estate.

Accordingly, our valuation is therefor reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global and. Consequently, less certainty-and a higher degree of caution-should be taken to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that keep the valuation of Property under frequent review & property to be revalued when current condition change.

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

August 10, 2020

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

Tenure: Commercial Freehold property

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

The **market value** of the commercial property is **45,804,000 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi REIT.
Instruction	In accordance with RFP dated on May 11, 2020, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Panda Khamis Mushiet Property .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation , as at 30 June 2020 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Hyper market)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected from outside and inside on 12 th of Dec 2019 by Mohannad Al-Majrashi Saudi Authority for Accredited Values membership (Taqeem) 1210001165; after connected with Panda's representative Mr. Mohammad Garnish 0505670123 but he prevented photography from inside.
Personnel	The Valuation analysis and financial models has been prepared by OPM
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

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

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

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

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

4- Standard and Premise of value

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

5- Scope of the Report

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

6- Source of information and data

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

7- Purpose for preparation valuation and Content text

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

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated value of land property in time of evaluation **June 30, 2020 AD**.

9- Legal Description for Property Owner

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

10-Second partner's rights and ownership in property

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

11-Foundation of evaluation report and Contents

Assumptions

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

Attachments

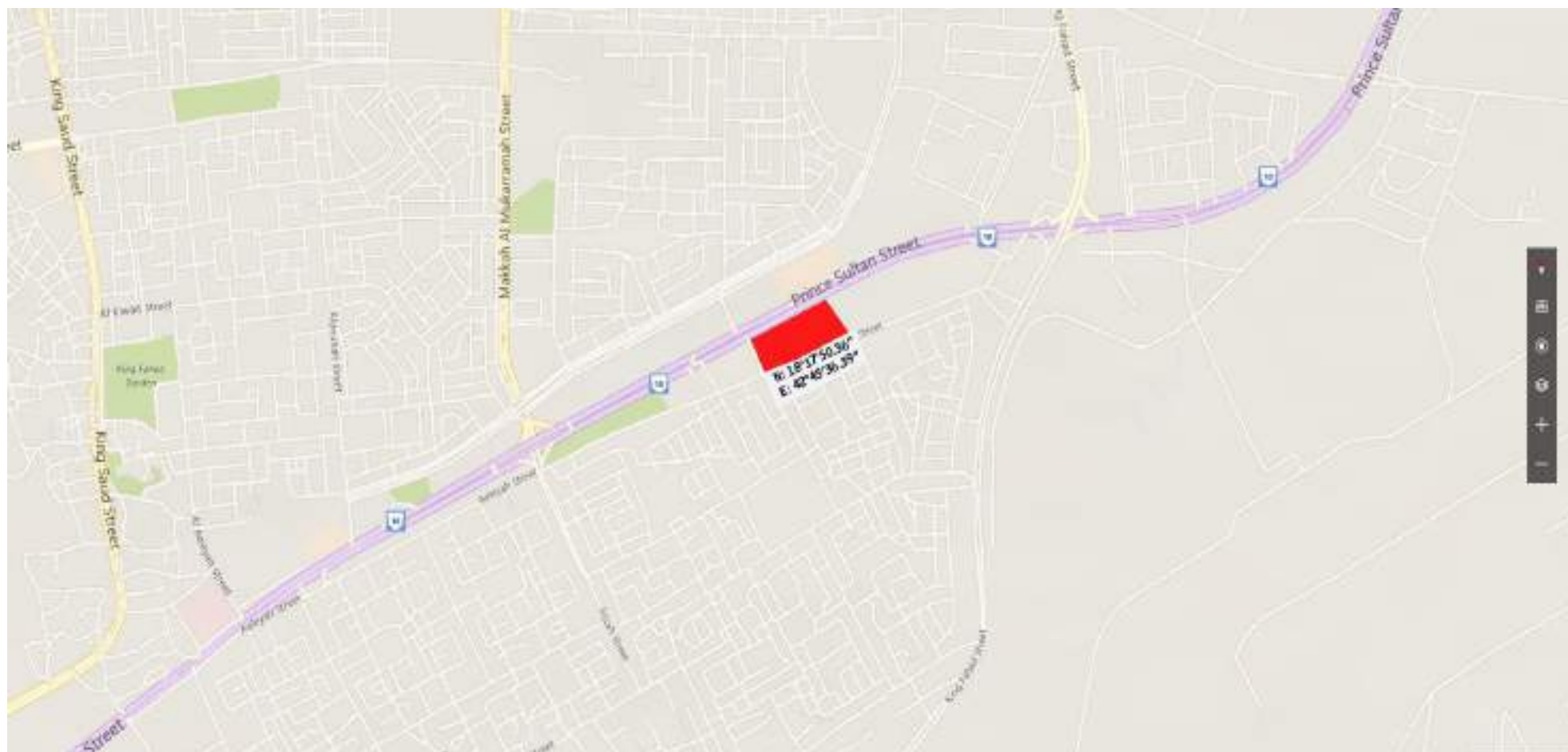
1. Google earth pictures of sample taken from region
2. Evaluation Report

12-Property's Identification

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

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

18°17'50.39" - E: 42°45'36.88"



The Image below shows the Boundaries of the site:

Micro Situation



12.1- Property Characteristics

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

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

Main features of the Property:

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



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation market value (MV)

RV methodology definition:

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

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

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

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

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

Best Land use - Dev - Cost Sheet

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

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

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1 : Commercial Offices							
Offices - Grade C+							
Net Leasable area		14,250	14,250	14,250	14,250	14,250	14,250
Annual Rental price / sqm - S.R		264	264	264	290	290	290
Occupancy rate		80%	95%	95%	95%	95%	95%

Revenues Cat 1	3,009,600	3,573,900	3,573,900	3,925,875	3,925,875	3,925,875
-----------------------	------------------	------------------	------------------	------------------	------------------	------------------

Category 2 : Commercial Shops							
Shops - Grade C+							
Net Leasable area		7,600	7,600	7,600	7,600	7,600	7,600
Annual Rental price / sqm - S.R		392	392	392	600	600	600
Occupancy rate		80%	100%	100%	100%	100%	100%

Revenues Cat 2	2,383,360	2,979,200	2,979,200	4,560,000	4,560,000	4,560,000
-----------------------	------------------	------------------	------------------	------------------	------------------	------------------

Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	5,392,960	6,553,100	6,553,100	8,485,875	8,485,875	8,485,875
General & Administrative Expenses 10%	539,296	655,310	655,310	848,588	848,588	848,588
Gross Profit - EBITDA	4,853,664	5,897,790	5,897,790	7,637,288	7,637,288	7,637,288
Depreciation	2,314,675	2,314,675	2,314,675	2,314,675	2,314,675	2,314,675
Earnings after depreciation	2,538,989	3,583,115	3,583,115	5,322,613	5,322,613	5,322,613
Interest Expense	1,388,805	1,388,805	1,388,805	1,388,805	1,388,805	1,388,805
Earnings after interest expense	1,150,184	2,194,310	2,194,310	3,933,808	3,933,808	3,933,808
Zakat and VAT (7.5%)	86,264	164,573	164,573	295,036	295,036	295,036
Net Income	1,063,920	2,029,737	2,029,737	3,638,772	3,638,772	3,638,772
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	1,063,920	2,029,737	2,029,737	3,638,772	3,638,772	3,638,772
Cumulative Retained earnings	1,063,920	3,093,657	5,123,394	40,026,491	43,665,263	47,304,035

Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
-----------------	--------	--------	--------	---------	---------	---------

IN - Flow						
Capital Injection						
Net Revenues		1,063,920	2,029,737	3,638,772	3,638,772	3,638,772
Depreciation		2,314,675	2,314,675	2,314,675	2,314,675	2,314,675

OUT Flow						
Total Construction Cost	84,170,000					
Professional Fees	2,104,250					
Statutory fees 2%	1,683,400					
Marketing Fees (Media & Advertising) 1.5%	1,262,550					
Contingency costs 1%	1,262,550					
Overhead cost 1%	2,104,250					

Total Outflow	92,587,000					
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Net Cash Flow	(92,587,000)	3,378,595	4,344,412	5,953,447	5,953,447	5,953,447
Cumulative Net Income	(92,587,000)	(89,208,405)	(84,863,993)	65,487,916	71,441,363	77,394,810

Residual Value- Land Value								
RV	Year 0	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33	Total
IN - Flow								
Revenues		3,378,595	4,344,412	4,344,412	5,953,447	5,953,447	5,953,447	
Total Inflow		3,378,595	4,344,412	4,344,412	5,953,447	5,953,447	5,953,447	97,836,950
Discount Rate		0.922	0.849	0.783	0.080	0.073	0.068	
8.50%								
OUT Flow								
Total Outflow		92,587,000						92,587,000
Total Cash out								
Net Cash Flow (Before Discount Rate)	92,587,000	3,378,595	4,344,412	4,344,412	5,953,447	5,953,447	5,953,447	42,105,978
								Total Cash flow
Discounted Cash Flow DCF		3,113,913	3,690,384	3,401,275	474,730	437,539	403,262	36,216,310
								Residual Value

Value Per / sq. m		
	Land Value (PV)	36,216,310
	Square Meters	19,000.00
Estimated sq. m value (S.R)		1,906.12

Market Value MV	Land Area - sqm	Value / sq. m . S.R	MV S.R
Market Value for land	19,000	1,906.12	36,216,280

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

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

Depreciated Replacement cost (DRC)

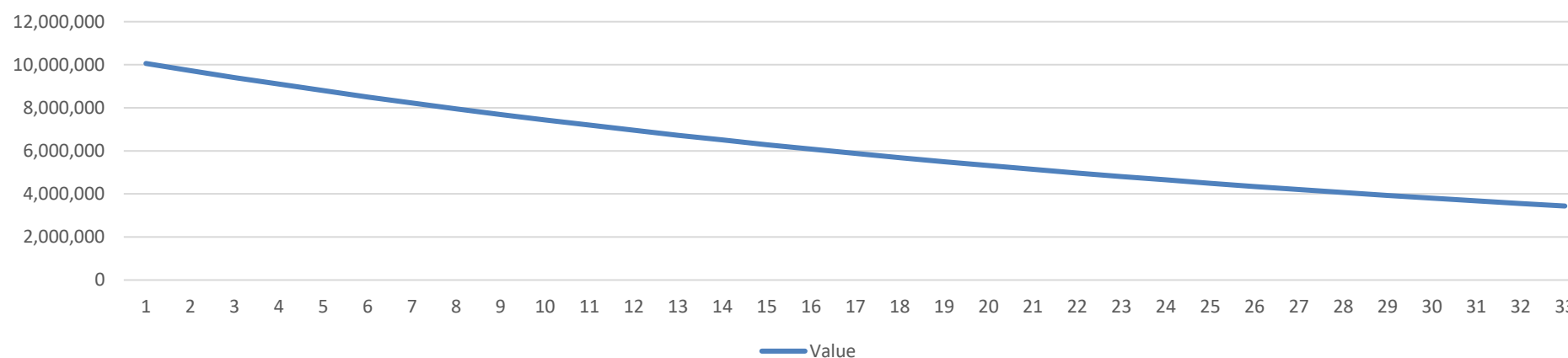
Standards: Average useful life for Showrooms and Office building in <u>Khamis Mushiet</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	8 years (starting Operation period @1431 Hijri)
Acc Deprecation	2%*9=	18 %

Note: Deprecation Charged on Annual Basis

Construction (fixtures & equipment work) C, F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2020	Completion %	Market value/ SR
Ground Floor	5,456.27	2,000	100%	10,912,540
Outdoor area	13,543	100	100%	1,354,300
Replacement cost				12,266,840
- Acc Deprecation		12,266,840*18 %		(2,208,031)
Depreciated Replacement cost DRC				10,058,809

Value of building during operational Life Cycle



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

Market Value (Land)	36,216,280 S. R
+	
Building	10,058,809 S. R
Profit Margin 20%	2,011,762 S. R
market value - Property	48,286,850 S.R (Forty-Eight million, Two hundred Eighty six thousand, Eight hundred fifty Saudi riyal)

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

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

-5%	market value	+5%
45,873,000 S.R	48,286,850 S. R	50,701,000 S.R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Jeddah city Q1-2020

Net Operating income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Aziziya Panda) for 15 obligatory year contractually period (Net Rent/ annum 2,748,831 SAR during the first 5 years and Net Rent/ annum 3,156,065 during the ongoing five years, and Net Rent/ annum 3,563,299 during the rest of Contract's period) – SR starting from 20 Dec 2015 till 23 Mar 2029.		
Current Annual Rent Period from Mar 2019 till Mar 2024 (Ongoing 5 Years) = 3,156,065	3,156,065	3,156,065
Total Sum	3,156,065	
Net Operating Income NOI- Triple Net	3,156,065	
15.1- OPM Applied a Direct Comparison approach between the Net income within Agreement, and an affordable leasable samples from market and the results comes: annual market rental values per sq m starting from 150-250 SR/ sq m for Small Shop Except (Supermarket, Offices plus external area for car parking) while equal to 166 SR/ sq m within property which means Net Income within average market.		
– Vacancy and collection loss		0
Additional income (additional area unrented)		0
Effective gross income		3,156,065
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		0
Net operating income NOI		3,156,065
Market Value @ 7.5% Capitalization rate SAR		42,080,867

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

Residual value + depreciation replacement cost - MV	48,286,850	
Capitalization rate - MV	42,080,867	
Weighted Average - Percentage	DRC	28,972,110
	60%	
	Cap rate	16,832,347
	40%	
market value MV	45,804,000 (Forty-Five million, eight hundred four thousand, SR)	

(Sensitivity Analysis) (Risk matrix)

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

-5%	market value	+5%
43,514,000 S.R	45,804,000 S. R	48,094,000 S.R

17-External and internal Pictures

External view



External view



18- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manager	1210000397	1442/4/13	Real estate
Mustafa Mardina	Formatting and Analyzing report	1220000297	1442/4/13	Real estate
Mohannad Al-Majrshi	Site visit, inspection Catchment area	1210001165	1441/11/23	Real estate

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18.1- OPM Valuation's team Taqueem's certificates





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Valuation Report Analysis
Panda Mada'en AL-Fahd Property
Jeddah City - KSA
Valuation's Report Date August 10, 2020

Prepared for
Al-Rajhi REIT



شركة أولات للتقييم العقاري
Olaat Valuation Company



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OPM does not accept any liability in negligence or otherwise for a loss of damage suffered by any party resulting from the dependence of this publication.

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

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi Capital.

Jeddah City

Date of Valuation: June 30, 2020

Date of Report: August, 10, 2020

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: m.mardena@olaat.com

www.olaat.com

C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center – Commercial shops
Location	Jeddah city – Mada'en Al-Fahd District- on Mada'en Al-Fahd Rd
Land Area	(9,000+2,873.92) 11,873.92 sq m
Title deed number (1-2)	320224003715-920224003713
Title's date	24/3/1437 H
Plots Number	No Number
Scheme Number	No Number
Land Topography	Flat
Boarded streets & Neighbors	N: Based to Deed Title
	S: Based to Deed Title
	E: Based to Deed Title
	W: Based to Deed Title
Building Build- up area (Gross floor area) GFA	3,838 sq. m plus Fence 185 sq m
Building's Permit number	226
Building Permit's date	11/02/1426 H
Market value for Property SAR	48,446,000 (Forty-eight million, four hundred forty six thousand,SR)

Legal Documents

TITLE DEED 1

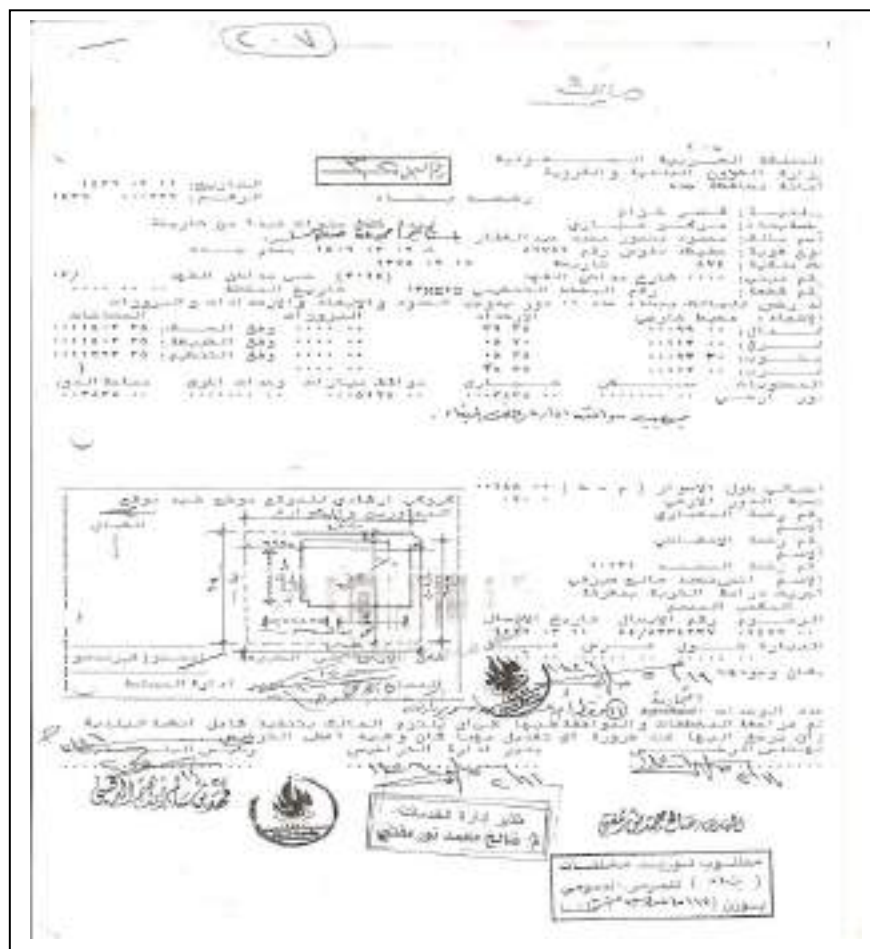


TITLE DEED 2



BUILDING's PERMIT

Disclaimer



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

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Covid-19 Pandemic

With the spread of corona virus (COVID-19) In Kingdom of Saudi Arabia enacted to take step to control corona diseases. Initially due to spread it has a great impact on social mobility that lead to impact on kingdom economic growth. In order to control this pandemic and uplift the economic activity government taken a serious step to provide relief package to support corporate and resident and private sector.

Material Valuation Uncertainty under COVID-19 Pandemic

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Accordingly, many formal measures were taken locally and globally that would affect all business sector including Real Estate Sector.

During critical period, Market activity is clearly being impacted in many sectors especially real estate transaction. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purpose, to inform opinions of value. Indeed, the current response circumstance on which to base a judgement and current condition are under influence of epidemic COVID-19 and we are facing an exceptional situation in which it difficult to build an accurate judgement of market situation and value of real estate.

Accordingly, our valuation is therefor reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global and. Consequently, less certainty-and a higher degree of caution-should be taken to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that keep the valuation of Property under frequent review & property to be revalued when current condition change.

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

August 10, 2020

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

Tenure: Commercial Freehold property

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

The **market value** of the commercial property is **48,446,000 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 11, 2020, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Panda Mada'en Al-Fahd Property .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation , as at 30 June 2020 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Super market)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected by Abdul Ghani Saudi Authority for Accredited Values membership (Taqeem) 1210000800, all significant parts of the property were inspected.
Personnel	The Valuation analysis and financial models has been prepared by OPM
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

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

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

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

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

4- Standard and Premise of value

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

5- Scope of the Report

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

6- Source of information and data

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

7- Purpose for preparation valuation and Content text

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

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated value of land property in time of evaluation **June 30, 2020 AD**.

9- Legal Description for Property Owner

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

10-Second partner's rights and ownership in property

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

11-Foundation of evaluation report and Contents

Assumptions

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

Attachments

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

The Image below shows the Boundaries of the site:

Micro Situation



12.1- Property Characteristics

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

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

Main features of the project:

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



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation market value (MV)

RV methodology definition:

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

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

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

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

Dev - Cost Sheet

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

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

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 30	Year 31	Year 32	Year 33
Category 1: Commercial Offices								
Offices - Grade C+								
Net Leasable area		9,262	9,262	9,262	9,262	9,262	9,262	9,262
Annual Rental price / sqm - S. R		441	441	441	650	650	650	650
Occupancy rate		80%	95%	95%	95%	95%	95%	95%
Revenues Cat 1		3,267,513	3,880,171	3,880,171	5,719,074	5,719,074	5,719,074	5,719,074
Category 2 : Commercial Shops								
Shops - Grade C+								
Net Leasable area		4,275	4,275	4,275	4,275	4,275	4,275	4,275
Annual Rental price / sqm - S.R		735	735	735	950	950	950	950
Occupancy rate		80%	95%	95%	95%	95%	95%	95%
Revenues Cat 2		2,513,471	2,984,747	2,984,747	3,857,837	3,857,837	3,857,837	3,857,837
Gross Revenues		5,780,984	6,864,919	6,864,919	9,576,910	9,576,910	9,576,910	9,576,910

Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	5,780,984	6,864,919	6,864,919	9,576,910	9,576,910	9,576,910
General & Administrative Expenses 10%	578,098	686,492	686,492	957,691	957,691	957,691
Gross Profit - EBITDA	5,202,886	6,178,427	6,178,427	8,619,219	8,619,219	8,619,219
Depreciation	1,588,018	1,588,018	1,588,018	1,588,018	1,588,018	1,588,018
Earnings after depreciation	3,614,868	4,590,409	4,590,409	7,031,201	7,031,201	7,031,201
Interest Expense	794,009	794,009	794,009	794,009	794,009	794,009
Earnings after interest expense	2,820,859	3,796,400	3,796,400	6,237,192	6,237,192	6,237,192
Zakat And VAT (7.5%)	211,564	284,730	284,730	467,789	467,789	467,789
Net Income	2,609,294	3,511,670	3,511,670	5,769,403	5,769,403	5,769,403
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	2,609,294	3,511,670	3,511,670	5,769,403	5,769,403	5,769,403
Cumulative Retained earnings	2,609,294	6,120,964	9,632,634	63,463,429	69,232,832	75,002,234

Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
IN - Flow						
Capital Injection						
Net Revenues		2,609,294	3,511,670	5,769,403	5,769,403	5,769,403
Total Inflow		2,609,294	3,511,670	5,769,403	5,769,403	5,769,403
OUT Flow						
Total Construction Cost	48,121,760					
Professional Fees	1,203,044					
Statutory fees 2%	962,435					
Marketing Fees (Media & Advertising) 1.5%	721,826					
Contingency costs 1%	721,826					
Overhead cost 1%	1,203,044					
Total Outflow	52,933,936					
Net Cash Flow	(52,933,936)	2,609,294	3,511,670	5,769,403	5,769,403	5,769,403
Cumulative Net Income	(52,933,936)	(50,324,642)	(46,812,972)	63,463,429	69,232,832	75,002,234

Residual Value- Land Value

RV	Year 0	Year 1	Year 2	Year 3	Year 32	Year 33	Total
IN - Flow							
Revenues		2,609,294	3,511,670	3,511,670	5,769,403	5,769,403	
Total Inflow		2,609,294	3,511,670	3,511,670	5,769,403	5,769,403	104,568,443
Discount Rate: 8%		0.926	0.857	0.794	0.085	0.079	
OUT Flow							
Total Outflow		52,933,936					52,933,936
Total Cash out							
Net Cash Flow (Before Discount Rate)	52,933,936	2,609,294	3,511,670	3,511,670	5,769,403	5,769,403	43,094,228
Total Cash flow							
Discounted Cash Flow DCF		2,416,013	3,010,691	2,787,677	491,553	455,142	45,124,338
Residual Value							

Value Per / sq m		
	Land Value (PV)	45,124,338
	Square Meters	11,873.92
Estimated sq m value (S.R)		3,800.28

Market Value MV	Land Area - sqm	Value / sq m . S.R	MV S.R
Market Value for land	11,873.92	3,800.28	45,124,221

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

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

Depreciated Replacement cost (DRC)

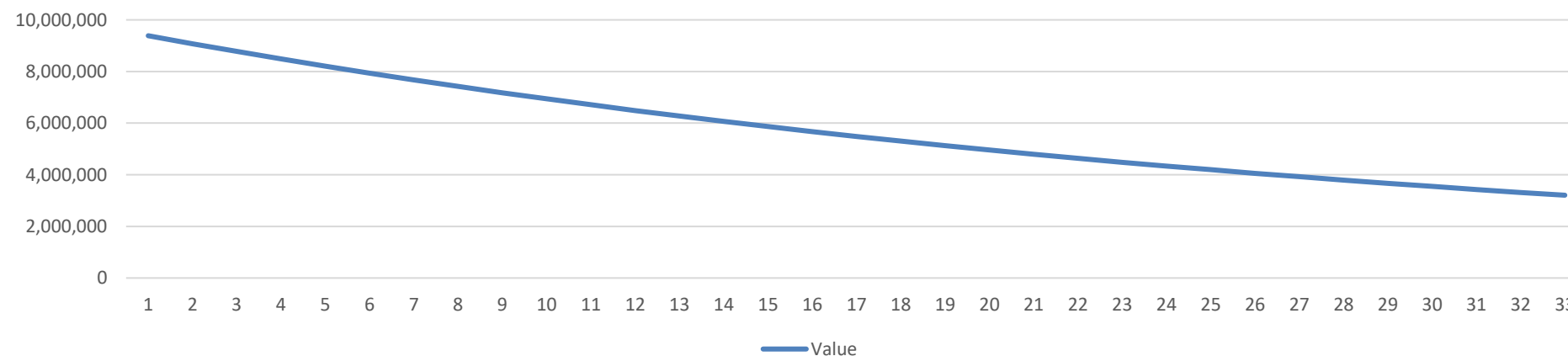
Standards: Average useful life for Showrooms and Office building in <u>Jeddah</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	12 years (starting Operation period @1428 Hijri)
Acc Deprecation	2%*12=	24 %

Notes: Depreciation Charged on Annual Basis

Construction (fixtures & equipment work) C,F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2020	Completion %	Market value/ SR
Ground Floor	3,838	1,900	100%	7,292,200
Fence	185	500	100%	92,500
Outdoor area	8,000	250	100%	2,000,000
Replacement cost				9,384,700
- Acc Deprecation		9,384,700*24 %		(2,252,328)
Depreciated Replacement cost DRC				7,132,372

Value of building during operational Life Cycle



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

Market Value (Land)	45,124,221 S.R
+	
Building	7,132,372 S.R
Profit Margin 20%	1,426,474 S.R
Building Value	85,58,846 S.R
market value - Property	53,683,000 S.R (Fifty-Three million, Six hundred Eighty Three thousand Saudi riyal)

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

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

-5%	market value	+5%
50,999,000 S.R	53,683,000 S.R	56,367,000 S.R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Jeddah city Q1-2020

Net Operating income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Aziziya Panda) for 15 obligatory year contractually period (Net Rent/ annum 2,529,370 SAR during the first 5 years and Net Rent/ annum 2,904,091 on-ging five years, and Net Rent/ annum 3,278,813 during the rest of Contract's period) – SR starting from 1 Jan 2016 till 2 Sep 2029.		
Current Annual Rent is going SAR 2,904,091	2,904,091	
Sum	2,904,091	2,904,091
Net Operating Income NOI- Triple Net	2,904,091	
15.1- OPM Applied a Direct Comparison approach between the Net income within Agreement, and an affordable leasable samples from market and the results comes: annual market rental values per sq m starting from 225-275 SR/ sq m (Supermarket, Offices plus external area for car parking) while equal to 242 SR/ sq m within property which means Net Income within average market		
– Vacancy and collection loss		0
Additional income (additional area unrented)		0
Effective gross income		2,904,091
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		0
Net operating income NOI		2,904,091
Market Value @ 7.5% Capitalization rate SAR		38,721,213

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

Residual value + depreciation replacement cost - MV	53,683,000	
Capitalization rate - MV	38,721,213	
Weighted Average - Percentage	DRC	34,893,950
	65%	
	Cap rate	13,552,425
	35%	
market value MV	48,446,000 (Forty-eight million, four hundred forty-six thousand, SR)	

(Sensitivity Analysis) (Risk matrix)

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

-5%	market value	+5%
46,024,000 S.R	48,446,000 S.R	50,868,000 S.R

17- Real Estate Market Summary- Jeddah Q1-2020

Growth rate slightly Change, Government's decision to collaborate more closely with the development of mega project in the housing sector specially (Government Ministry of Housing and shrakat Project).The Government are working on the Biggest entertainment sites "Neom City" So that are hopeful that the proposed entertainment reforms will lead to the more Entertainment events in the Jeddah & New brands hotels are expected to enter the market in coming years.



17.1-Offices market: In Jeddah office market vacancies rate of Office Grade A & B Significantly Decrease over the quarter. In 2020 Saudi Arabia General Investment Authority (SAGIA) Issue New License to Investor to operate business companies in private sectors beyond the kingdom for support and encourage the development growth of private sector. According to Vision 2030 Kingdom want to increase Foreign Direct Investment (FDI) from 3.8% to for International level 5.7% of GDP. Corporate demand is more focus on Smart & elegant Co-working office space to get benefit for low rental rates and require minimum capital. In COVID-19 Pandemic government announced the package to ensure business connectivity and mitigate risk for Business Growth and support to the Private sector.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Jeddah are leasing space to clinics, Hospitals or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. MOH Initiative 2030 related to NTP 2020 & Saudi vision 2030 Which will transform sector for achieving Government Operational Excellence.

17.2-Residential market: In Jeddah City residential units & villas prices slightly increase due to government backend support to expand the mortgage scheme and government sakni program for Saudi Resident. According to Vision 2030 in respond to sakni program which helps to increase ownership rate in 2020.Secondly Real estate development fund and Saudi refinance company play vital role to boost homeownership and mortgage market.

Upcoming supply in Jeddah mostly push up middle income increase the development activity. Due to Current Covid-19 pandemic we can expect in supply & Demand side on-going Residential project will slightly expected to delay to deliver it.

17.3-Hospitality market: The Public Investment fund introduced a tourism and hospitality project that will help to boost the economic activity in Jeddah city. In Jan 2020, Government initiative to allow Developed Countries Like U.K, US & Schengen Visa holder to get visa on arrival facility that help to support tourism industry and enhance the economic activity in the kingdom. While Feb 2020 Hospitality Industry has flourishing performance but Due to COVID-19 Pandemic in Mid of March-2020 Hospitality industry had badly impact in Jeddah city for suspension of International Travelling and Q1-2020 Performance of Hospitality Sector is very depressed. Specially suspension of Umrah Season and uncertain situation about upcoming Hajj pilgrimage performance of Hospitality sector in Jeddah still stagnant.

17.4-Retail market: Retail market performance remain stable in Q-12020. While ADR is stable of super and super regional mall, and vannacy rate of Grade B Class is slightly increase at the end of 2019. While retail sector enjoys slightly upward trend in performance. Under 2030 Vision strategic goal to increase proportion of online payment. According to National Transformation program 2020 for Strategic objective of Retail Market is Develop and transform the retail sector through applying modern solutions, enhancing e-commerce, qualifying the national workforce to occupy various operational and administrative vacancies within the sector, in addition to opening new retail markets. This will help increase retail sector contribution to GDP and job creation in coming year.

In COVID-19 Pandemic partial lockdown in Jeddah, restriction of consumer mobility & socialize limitation that huge impact on retail and entertainment sector. Due to mobility restriction consumer behavior swiftd to online trade that boost to E-Commerce sector that will help to support vision 2030.

18-External and internal Pictures

External view



External view



19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manager	1210000397	1442/4/13	Real estate
Mustafa Mardina	Formatting and Analyzing report	1220000297	1442/4/13	Real estate
Salah Abdullah	Site visit, inspection Catchment area	1220000911	1441/12/26	Real estate

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19.1- OPM Valuation's team Taqueem's certificates





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Valuation Report Analysis
Rama Plaza Property
AL-Riyadh City - KSA
Valuation's Report Date August 10, 2020

Prepared for
Al-Rajhi REIT



شركة أولات للتقييم العقاري
Olaat Valuation Company



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

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi REIT.

Riyadh City

Date of Valuation June 30, 2020

Date of Report August 10, 2020

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: m.mardena@olaat.com

www.olaat.com

C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center –Commercial shops & Offices
Location	Riyadh city – Al-Nahda District- Intersection point btw Prince Bandar Bin Abdul-Aziz & Abdurrahman Al-Nasr road
Land Area	15,600 sq m
Title deed number	610115041821
Title's date	6/9/1436 H
Plots Number	From 2057 till 2076
Scheme Number	1661
Land Topography	Flat
Boarded streets & Neighbors	N: Street width 40 m length 60 m
	S: Street width 20 m length 60 m
	E: Street width 15 m length 260 m
	W: Street width 30 m length 260 m
Building Build- up area (Gross floor area) GFA	9,514.42 sq m plus Fence 308 sq m
Building's Permit number	1432/961
Building Permit's date	09/01/1432 H
Market value for Property SAR	69,659,000 (Sixty-nine million, six hundred fifty- nine thousand SR)

Legal Documents

TITLE DEED



BUILDING's PERMIT



Disclaimer

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

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Covid-19 Pandemic

With the spread of corona virus (COVID-19) In Kingdom of Saudi Arabia enacted to take step to control corona diseases. Initially due to spread it has a great impact on social mobility that lead to impact on kingdom economic growth. In order to control this pandemic and uplift the economic activity government taken a serious step to provide relief package to support corporate and resident and private sector.

Material Valuation Uncertainty under COVID-19 Pandemic

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Accordingly, many formal measures were taken locally and globally that would affect all business sector including Real Estate Sector.

During critical period, Market activity is clearly being impacted in many sectors especially real estate transaction. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purpose, to inform opinions of value. Indeed, the current response circumstance on which to base a judgement and current condition are under influence of epidemic COVID-19 and we are facing an exceptional situation in which it difficult to build an accurate judgement of market situation and value of real estate.

Accordingly, our valuation is therefor reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global and. Consequently, less certainty-and a higher degree of caution-should be taken to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that keep the valuation of Property under frequent review & property to be revalued when current condition change.

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

August 10, 2020

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

Tenure: Commercial Freehold property

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

The **market value** of the commercial property is **69,659,000 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi REIT.
Instruction	In accordance with RFP dated on May 11, 2020, we are instructed to provide a Valuation report are required to estimate the Market IN-SITU value for Rama PLaza Property .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation , as at 30 June 2020 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Offices and Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr. Mohammad Bakri 056 220 8888 (on behalf of Al-Fowzan)
Personnel	The Valuation analysis and financial models has been prepared by OPM
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

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

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

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

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

4- Standard and Premise of value

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

5- Scope of the Report

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

6- Source of information and data

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

7- Purpose for preparation valuation and Content text

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

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated value of land property in time of evaluation **June 30, 2020 AD**.

9- Legal Description for Property Owner

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

10-Second partner's rights and ownership in property

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

11-Foundation of evaluation report and Contents

Assumptions

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

Attachments

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

12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Riyadh city** within Al-Nahda district on **Prince Bandar bin Abdul-Aziz Street** intersection point with **Abdurrahman AL-Naser Street**. Land area: **15,600 sq m + Building GFA 9,822.42 sq m** based on data has been received from **Al-Rajhi REIT**. **Geographic Coordinates:** **N: 24°45'21.82"** - **E: 46°47'29.84"**



The Image below shows the Boundaries of the site:

Micro Situation



12.1- Property Characteristics

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

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

Main features of the project:

- Commercial offices building and showrooms class C+
- Outdoor parking: 150 nos. car park
- Split units for offices HVAC system
- All offices area below standard system 3.6*3.6 consists of (Smoking detector)
- Panda Supermarket plus 34 showrooms with valuable tenant mix and 32 offices- occupancy rate 93%



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation market value (MV)

RV methodology definition:

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

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

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

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

Dev - Cost Sheet		
Cost Type - Dev Type	Year 1-2	
Development Work		
Land Area - developed / year - sqm	15,600	
Development Cost S.R / SQM	120	
Total Development Cost / Year	1,872,000	
Commercial Offices & Shops		
Sharing of land allocated for building	9,360	
1- Building (Offices & Shops)		
1 basement floor - Gross area - sqm	2,500	
GF-FF- Roof F	23,400	
Replacement cost - sq m		
1 basement floors - Gross area - sqm	2,500	
GF-FF- Roof F	1,900	
	Built-Up area (GFA) sqm	Con cost - S.R /sqm
1 basement floors - Gross area - sqm	2,500	2,500
GF-FF- Roof F	23,400	1,900
Construction Cost - S.R for part 1		50,710,000
2- Landscaping and external car parks		
Landscaping, Green area	3,600	
	Built-Up area (GFA) sqm	Con cost - S.R /sqm
Landscape, fences, outdoor car parks, fences	3,600	650
Construction Cost - S.R for part 2		2,340,000
Total Construction Cost - S.R		54,922,000
Other Costs		
Professional Fees (Engineering Consultant) 2.5%	1,373,050	
Statutory fees 2%	1,098,440	
Marketing Fees (Media & Advertising) 1.5%	823,830	
Contingency costs 1.5%	823,830	
Overhead cost 2.5%	1,373,050	
Total Dev - Cost - SR	60,414,200	

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

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1 : Commercial Offices							
Offices - Grade C+							
Net Leasable area		14,040	14,040	14,040	14,040	14,040	14,040
Annual Rental price / sqm - S.R		388	388	388	400	400	400
Occupancy rate		80%	95%	95%	98%	98%	98%

Revenues Cat 1		4,358,016	5,175,144	5,175,144	5,503,680	5,503,680	5,503,680
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Category 2 : Commercial Shops							
Shops - Grade C+							
Net Leasable area		7,488	7,488	7,488	7,488	7,488	7,488
Annual Rental price / sqm - S.R		912	912	912	950	950	950
Occupancy rate		80%	100%	100%	100%	100%	100%

Revenues Cat 2		5,463,245	6,829,056	6,829,056	7,113,600	7,113,600	7,113,600
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Gross Revenues			9,821,261	12,004,200	12,004,200	12,617,280	12,617,280	12,617,280
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Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	9,821,261	12,004,200	12,004,200	12,617,280	12,617,280	12,617,280
General & Administrative Expenses 10%	982,126	1,200,420	1,200,420	1,261,728	1,261,728	1,261,728
Gross Profit - EBITDA	8,839,135	10,803,780	10,803,780	11,355,552	11,355,552	11,355,552
Depreciation	1,812,426	1,812,426	1,812,426	1,812,426	1,812,426	1,812,426
Earnings after depreciation	7,026,709	8,991,354	8,991,354	9,543,126	9,543,126	9,543,126
Interest Expense	1,208,284	1,208,284	1,208,284	1,208,284	1,208,284	1,208,284
earning after intrest expense	5,818,425	7,783,070	7,783,070	8,334,842	8,334,842	8,334,842
Other expenses	0	0	0	0	0	0
Net Income	5,818,425	7,783,070	7,783,070	8,334,842	8,334,842	8,334,842
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	5,818,425	7,783,070	7,783,070	8,334,842	8,334,842	8,334,842
Cumulative Retained earnings	5,818,425	13,601,495	21,384,565	88,819,102	97,153,944	105,488,786

Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
IN - Flow						
Capital Injection						
Net Revenues		5,818,425	7,783,070	8,334,842	8,334,842	8,334,842
Total Inflow		5,818,425	7,783,070	8,334,842	8,334,842	8,334,842
OUT Flow						
Total Construction Cost	54,922,000					
Professional Fees	1,373,050					
Statutory fees 2%	1,098,440					
Marketing Fees (Media & Advertising) 1.5%	823,830					
Contingency costs 1%	823,830					
Overhead cost 1%	1,373,050					
Total Outflow	60,414,200					
Net Cash Flow	(60,414,200)	5,818,425	7,783,070	8,334,842	8,334,842	8,334,842
Cumulative Net Income	(60,414,200)	(54,595,775)	(46,812,705)	88,819,102	97,153,944	105,488,786

Residual Value- Land Value

RV	Year 0	Year 1	Year 2	Year 3	Year 32	Year 33	Total
IN - Flow							
Revenues		5,818,425	7,783,070	7,783,070	8,334,842	8,334,842	
Total Inflow		5,818,425	7,783,070	7,783,070	8,334,842	8,334,842	157,907,575
Discount Rate: 9%							
		0.916	0.839	0.772	0.063	0.058	
OUT Flow							
Total Outflow							
Total Cash out							
Net Cash Flow (Before Discount Rate)	60,414,200	5,818,425	7,783,070	7,783,070	8,334,842	8,334,842	60,117,264
							Total Cash flow
Discounted Cash Flow DCF							
		5,328,228	6,526,880	6,009,958	528,749	485,091	54,842,750
							Residual Value

Value Per / SQM	
	Land Value (PV)
	Square Meters
Estimated SQM value (S.R)	

Market Value MV	Land Area - sqm	Value / sq m . S.R	MV S.R
Market Value for land	15,600	3,515.56	54,842,736

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

Replacement cost	BUA – built up area – sqm	Type of operation
GF, FF, and Roof floor	9,822.42	Offices-shops-Service area
Outdoor area	9,897	Entrance, exit, car parks

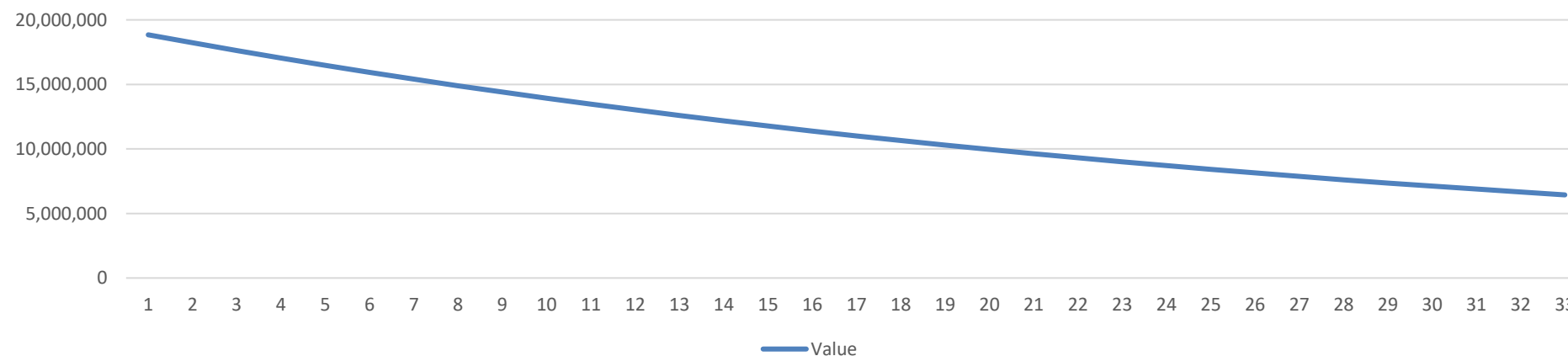
Depreciated Replacement cost (DRC)

Standards: Average useful life for showrooms and Offices building in <u>Riyadh</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	6.5 years (starting Operation period @1434 Hijri)
Acc Deprecation	2%*6.5=	13 %

Construction (fixtures & equipment work) C, F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2020	Completion %	Market value/ SR
GF, FF, and roof floor	9,514.42	1,600	100%	15,223,072
Landscaping and outdoor car parks	9,897	350	100%	3,463,950
Fences	308	500	100%	154,000
Replacement cost				18,841,022
- Acc Deprecation		18,841,022*13 %		(2,449,332)
Depreciated Replacement cost DRC				16,391,690

Value of building during operational Life Cycle



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

Market Value (Land)	54,842,736 S.R
+	
Building	16,391,690 S.R
market value - Property	71,234,000 S.R (Seventy-one million, two hundred thirty-four thousand, Saudi riyal)

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

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

-5%	market value	+5%
67,672,000S.R	71,234,000 S.R	74,796,000 S.R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.7% Average market Yield- Riyadh city Q1-2020

Net Operating income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Fowzan for construction and real estate For Real estate) for 10 obligatory year contractually period (Net Rent/ annum 5,080,576 SAR during the current year.			
Current Annual Rent (SAR)	5,080,576		
Sum	5,080,576	5,080,576	
Net Operating Income NOI- Triple Net	5,080,576		
15.1- OPM Applied a Direct Comparison approach between the Net income within Agreement, and an affordable leasable sample from market and the results comes: annual market rental values per sq m starting from 200-300 SR/ sq m for shops while equal to 258 SR/ sq m within property which means Net Income within average market			
– Vacancy and collection loss		0	
Additional income (additional area unrented)		0	
Effective gross income		5,080,576	
Operating Expenses			
Fixed	0		
Variable	0		
Reserves	0		
– Total Operating expenses		0	
Net operating income NOI		5,080,576	
Market Value @ 7.7% Capitalization rate		65,982,000	

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

Residual value + depreciation replacement cost - MV	71,234,000	
Capitalization rate - MV	65,982,000	
Weighted Average - Percentage	DRC	49,864,000
	70%	
	Cap rate	19,795,000
	30%	
market value MV	69,659,000 (Sixty-nine million, six hundred fifty-nine thousand, SR)	

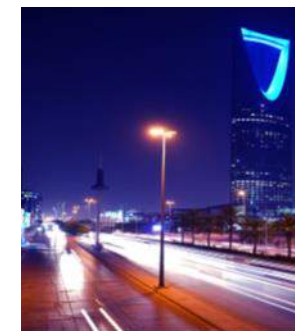
(Sensitivity Analysis) (Risk matrix)

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

-5%	market value	+5%
66,176,000 S.R	69,659,000 S.R	73,142,000 S.R

17- Real Estate Market Summary- Riyadh Q1-2020

Growth rate slightly Change, Government's decision to collaborate more closely with the development of mega project for the housing sector, The Government successfully conduct the Biggest entertainment event "Riyadh Season" So Commercial Shopping malls owners are hopeful that the proposed entertainment reforms will lead to the more licensing of movie theatres & Entertainment events in the Kingdom & New brands hotels are expected to enter the market over the next coming years with hotels room.



17.1-Offices market: Offices vacancies rate of Office Grade A & B Silently Decrease over the quarter due to (SAGIA) Saudi Arabia General Investment Authority Issue New License to Investor to operate business companies in private sectors. Corporate demand is more focus on Smart & elegant Co-working office space to get benefit for low rental rates. In COVID-19 Pandemic government announced the package to ensure business connectivity and mitigate risk for Business Growth and support to the Private sector.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. MOH Initiative 2030 related to NTP 2020 & Saudi vision 2030 Which will transform sector for achieving Government Operational Excellence.

17.2-Residential market: Residential Units & Villas Prices slightly increase due to government backend support to expand the mortgage scheme and government sakni program for Saudi Resident. According to Vision 2030 in respond to sakni program which helps to increase ownership rate in 2020. Secondly Real estate development fund and Saudi refinance company play vital role to boost homeownership and mortgage market. Due to Current Covid-19 pandemic we can expect in supply & Demand side on-going Residential project will slightly expected to delay to deliver it.

17.3-Hospitality market: The Public Investment fund introduced a tourism and hospitality project like Riyadh season that will help to boost the economic activity in capital city. In end of 2019 Government initiative to allow Developed Countries Like U.K, US & Schengen Visa holder to get visa on arrival facility that help to support tourism industry and enhance the economic activity in the kingdom. While Feb 2020 Hospitality Industry has Healthy performance but Due to COVID-19 Pandemic in Mid of March-2020 Hospitality industry had badly impact for suspension of International Travelling and Q1-2020 Performance of Hospitality Sector is very depressed.

17.4-Retail market: Retail market performance remain stable in Q-4 2019. While ADR is stable of super and super regional mall, and vacancy rate of Grade B Class is slightly increase at the end of 2019. While retail sector enjoys slightly upward trend in performance. Under 2030 Vision strategic goal to increase proportion of online payment. In COVID-19 Pandemic full time & partial lockdown in Riyadh, restriction of consumer mobility & socialize limitation that huge impact on retail and entertainment sector. Due to mobility restriction consumer behavior shifted to online trade that boost to E-Commerce sector that will help to support vision 2030.

17.5- Industrial warehouses: While occupancies increased marginally in the industrial warehouses sector over 2020, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

18-External and internal Pictures

External view



External view



Internal view



19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1442/4/13	Real estate
Mustafa Mardina	Formatting and Analyzing report	1220000297	1442/4/13	Real estate
Salem Mafouz	Site visit, inspection Catchment area	1220000968	1442/2/27	Real estate

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19.1- OPM Valuation's team Taqueem's certificates





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