ValuStrat

Private & Confidential

Valuation Report

Al-Andalus Mall & Staybridge Suites Hotel, Jeddah, KSA

الأهلي كابيتال
NCB Capital

DATE OF REPORT ISSUANCE – 20 JANUARY 2019

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TABLE OF CONTENTS

1	**Executive Summary**	**4**
1.1	The Client	4
1.2	The Purpose of Valuation	4
1.3	Interest to be Valued	4
1.4	Valuation Approach	4
1.5	Date of Valuation	4
1.6	Summary of Value	5
1.7	Salient Points (General Comments)	5
2	**Valuation Report**	**6**
2.1	Introduction	6
2.2	Valuation Instructions / Property Interest to be Valued	6
2.3	Purpose of Valuation	6
2.4	Valuation Reporting Compliance	6
2.5	Basis of Valuation	7
2.6	Extent of Investigation	9
2.7	Sources of Information	10
2.8	Privacy/Limitation on Disclosure of Valuation	10
2.9	General Description & Condition	11
2.10	Location	14
2.11	Environment Matters	16
2.12	Tenure/Title	17
2.13	Methodology & Approach	20
2.14	Investor Expectation	29
2.15	Valuation	36
2.16	Principal Gains and Risk Assessment	36
2.17	Principal Gains and Risks (SWOT Analysis)	38
2.18	General Supply And Demand Factors	38
2.19	General Market Snapshot	39
2.20	Valuation Uncertainty	42
2.21	Disclaimer	43
2.22	Conclusion	43

APPENDIX 1 – PHOTOGRAPHS

APPENDIX 2 – TITLE DEED

APPENDIX 3 – TENANCY SCHEDULE (AS PROVIDED BY THE CLIENT)

APPENDIX 4 – DISCOUNTED CASH FLOW FOR THE MALL

APPENDIX 5 – DISCOUNTED CASH FLOW FOR THE HOTEL

1 EXECUTIVE SUMMARY

THE EXECUTIVE SUMMARY AND VALUATION SHOULD NOT BE CONSIDERED OTHER THAN AS PART OF THE ENTIRE REPORT.

1.1 THE CLIENT

AlAhli REIT Fund (1)
NCB Capital

1.2 THE PURPOSE OF VALUATION

The valuation is required for the year-end exercise of AlAhli REIT Fund (1).

1.3 INTEREST TO BE VALUED

The following property to be valued:

Property Details	Location
Owner Name.	Sandouq Tamkeen Real Estate Company
Property Type	Al Andalus Mall & Staybridge Suites Hotel
Use	Commercial Use
Location	Al- Fay'ha District, Jeddah, KSA
GPS Co-ordinates	21°30'24.0"N 39°13'05.0"E
Land Area (sq. m)	159,133.96 sq. m
Interest	Freehold
Title Deed No.	720205029257
Title Deed Date	07/04/1439 Hijri
Plot No.	2/ب/ -
Master Plan No.	س / ج / 444

Source: Client 2018

1.4 VALUATION APPROACH

The valuation has been undertaken using the Investment Approach - Discounted Cash Flow (DCF) [Al Andalus Mall], and the Trading Performance Approach – Profits Method for Staybridge Suites Hotel.

1.5 DATE OF VALUATION

Unless stated to the contrary, our valuation has been assessed of 31 December 2018.

The valuation reflects our opinion of value as at this date. Property values are subject to fluctuation over time as market conditions may change.

1.6 SUMMARY OF VALUE

Property Name	Exit Yield (%)	Discount Rate (%)	Value (SAR) [Rounded]
Al Andalus Mall, Jeddah	8.5%	10.5%	1,161,000,000
Staybridge Suites Hotel, Jeddah	9%	11.5%	179,100,000
Aggregate Value (SAR)			1,340,100,000

This executive summary and valuation should not be considered other than as part of the entire report.

1.7 SALIENT POINTS (GENERAL COMMENTS)

*We have relied upon observations in our previous report and assumed the subject property referred in this report was in good condition with no visible defects and that from 28th June 2018 to the current re-assessment date there have been no material changes to the properties affecting the valuation since our last inspection.

We are unaware of planning or other proposals in the area or other matters which would be of detriment to the subject land, although your legal representative should make their usual searches and enquiries in this respect.

We confirm that on-site measurement exercise was not conducted by ValuStrat International, and we have relied on the site areas specified by the Client. In the event that the areas of land and site boundary prove erroneous, our opinion of Market Value may be materially affected, and we reserve the right to amend our valuation and report.

We have assumed that the land is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and good title can be shown. For the avoidance of doubt, these items should be ascertained by the client's legal representatives.

ValuStrat draws your attention to any assumptions made within this report. We consider that the assumptions we have made accord with those that would be reasonable to expect a purchaser to make. We are unaware of any adverse conditions which may affect future marketability for the subject site.

This report should be read in conjunction with all the information set out in this report, we would point out that we have made various assumptions as to tenure, town planning and associated valuation opinions. If any of the assumptions on which the valuation is based is subsequently found to be incorrect then the figures presented in this report may also need revision and should be referred back to the valuer.

Please note property values are subject to fluctuation over time as market conditions may change.

This executive summary and valuation should not be considered other than as part of the entire report.

2 VALUATION REPORT

2.1 INTRODUCTION

Thank you for the instruction regarding the subject valuation service.

We ('ValuStrat', which implies our relevant legal entities) would be pleased to undertake this assignment for NCB Capital ('the client') of providing valuation services for the subject land mentioned in this report subject to valuation assumptions, reporting conditions and restrictions as stated hereunder.

2.2 VALUATION INSTRUCTIONS / PROPERTY INTEREST TO BE VALUED

Property Details	Details
Owner Name.	Sandouq Tamkeen Real Estate Company
Property Type	Al Andalus Mall & Staybridge Suites Hotel
Use	Commercial Use
Location	Al - Fay'ha District, Jeddah. KSA
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Title Deed No.	720205029257
Title Deed Date	07/04/1439 Hijri
Plot No.	2/ب/ -
Master Plan No.	س / ج / 444

Source: Client 2018

2.3 PURPOSE OF VALUATION

The valuation is required for the year-end exercise of AlAhli REIT Fund (1).

2.4 VALUATION REPORTING COMPLIANCE

The valuation has been conducted in accordance with Taqeem Regulations (Saudi Authority for Accredited Valuers) in conforming with the International Valuation Standards Council (IVSCs') and International Valuations Standards (Edition 2017).

It should be further noted that this valuation is undertaken in compliance with generally accepted valuation concepts, principles and definitions as promulgated in the IVSCs International Valuation Standards (IVS) as set out in the IVS General Standards, IVS Asset Standards, and IVS Valuation Applications.

2.5 BASIS OF VALUATION

2.5.1 MARKET VALUE

The valuation of the subject property, and for the above stated purpose, has been undertaken on the ***Market Value*** basis of valuation in compliance with the above-mentioned *Valuation Standards* as promulgated by the IVSC and adopted by the RICS. ***Market Value*** is defined as: -

The estimated amount for which an asset or liability 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 have each acted knowledgeably, prudently and without compulsion.

The definition of ***Market Value*** is applied in accordance with the following conceptual framework:

"***The estimated amount***" refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. *Market value* is the most probable price reasonably obtainable in the market on the *valuation date* in keeping with the *market value* definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of *special value*;

"***an asset should exchange***" refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the *valuation date*;

"***on the valuation date***" requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the *valuation date*, not those at any other date;

"***between a willing buyer***" refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute "the market";

"***and a willing seller***" is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;

"***in an arm's-length transaction***" is one between parties who do not have a particular or special relationship, e.g. parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of *special value*. The *market value* transaction is presumed to be between unrelated parties, each acting independently;

"***after proper marketing***" means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the *market value* definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the *valuation date*;

'***where the parties had each acted knowledgeably, prudently***' presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the *valuation date*. Each is further presumed to use that knowledge prudently to seek the price that is most favorable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the *valuation date*, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;

'***and without compulsion***' establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

Market value is the basis of value that is most commonly required, being an internationally recognized definition. It describes an exchange between parties that are unconnected (acting at arm's length) and are operating freely in the marketplace and represents the figure that would appear in a hypothetical contract of sale, or equivalent legal document, on the valuation date, reflecting all those factors that would be taken into account in framing their bids by market participants at large and reflecting the highest and best use of the asset. The highest and best use of an asset is the use of an asset that maximizes its productivity and that is possible, legally permissible and financially feasible.

Market value is the estimated exchange price of an asset without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

It should be further noted that the subject property (hotel component) is best described as a trade related property that is a property that is trading and is commonly sold in the market as an operating asset with trading potential, and for which ownership of such a property normally passes with the sale of the business as an operational entity.

2.5.2 VALUER(S):

The Valuer on behalf of ValuStrat, with responsibility is Mr. Ramez Al Medlaj (Taqeem Member) having sufficient and current knowledge of the Saudi market and the skills and understanding to undertake the valuation competently.

Also Mr. Ramez Al Medlaj (Taqeem Member) is a local Arabic specialist having knowledge, skills and understanding of the market and valuation. We further confirm that either the Valuer or ValuStrat have no previous material connection or involvement with the subject of the valuation assignment apart from this same assignment undertaken.

2.5.3 STATUS OF VALUER

Status of Valuer	***Survey Date***	***Valuation Date***
External Valuer	*28 June 2018	31 December 2018

**We have relied upon observations in our previous report and assumed the subject property referred in this report was in good condition with no visible defects and that from 28th June 2018 to the current re-assessment date there have been no material changes to the properties affecting the valuation since our last inspection.*

2.6 EXTENT OF INVESTIGATION

In accordance to instructions received we have carried out an external and internal inspection of the property. The subject of this valuation assignment is to produce a valuation report and not a structural / building or building services survey, and hence structural survey and detailed investigation of the services are outside the scope of this assignment. We have not carried out any structural survey, nor tested any services, checked fittings of any parts of the property. Our internal inspection was limited to common areas of the property including the ground floor areas, mezzanine floor area, other commercial areas, and a representative sample of areas. For the purpose of our report we have expressly assumed that the condition of any un-seen areas is commensurate with those which were seen. We reserve the right to amend our report should this prove not to be the case.

2.7 SOURCES OF INFORMATION

For the purpose of this report, it is assumed that written information provided to us by the Client is up to date, complete and correct in relation to title, planning consent and other relevant matters as set out in the report. Should this not be the case, we reserve the right to amend our valuation and report.

2.7.1 VALUATION ASSUMPTIONS / SPECIAL ASSUMPTIONS

This valuation assignment is undertaken on the following assumptions:

That no contaminative or potentially contaminative use has ever been carried out on the site; we assume no responsibility for matters legal in character, nor do we render any opinion as to the title of the property, which we assume to be good and free of any undisclosed onerous burdens, outgoings, restrictions or other encumbrances. Information regarding tenure and tenancy must be checked by your legal advisors;

This subject is a valuation report and not a structural/building survey, and hence a building and structural survey is outside the scope of the subject assignment. We have not carried out any structural survey, nor have we tested any services, checked fittings or any parts of the structures which are covered, exposed or inaccessible, and, therefore, such parts are assumed to be in good repair and condition and the services are assumed to be in full working order; we have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material have been used in the construction of the property, or have since been incorporated, and we are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation we have assumed that such investigations would not disclose the presence of any such material to any significant extent; that, unless we have been informed otherwise, the property complies with all relevant statutory requirements (including, but not limited to, those of Fire Regulations, Bye-Laws, Health and Safety at work); we have made no investigation, and are unable to give any assurances, on the combustibility risk of any cladding material that may have been used in construction of the subject building. We would recommend that the client makes their own enquiries in this regard, and the market value conclusion arrived at for the property reflect the full contract value and no account is taken of any liability to taxation on sale or of the costs involved in effecting the sale.

2.8 PRIVACY/LIMITATION ON DISCLOSURE OF VALUATION

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

2.9 GENERAL DESCRIPTION & CONDITION

The subject property comprises a retail shopping mall (Al Andalus Mall), with an inter-linked 164 key hotel rooms / suites tower which is operated by Staybridge Suites, part of the Intercontinental Hotels Group. The Andalus mall is a super-regional mall built circa. 11 years (opened July 2007) and is an enclosed 2 floor building anchored by Hyper Panda which is located on first floor level, underneath is a covered parking area at ground floor level. The first floor contains fun zone area with a sports facility on the 2nd floor with an artificial football pitches, basketball courts and trampolines. The mall benefits from over 3,000 parking spaces both external and covered parking. For ease of reference refer to layout plans below.

Ground Floor

First Floor

From the above layout plan as evidenced by the ground floor plan there are a number of entrances allowing for effective customer circulation and footfall. The mall consists of a total of 497 units, of which 463 units are occupied/lease out with the remainder 34 as vacant units as of the date of valuation. This is an occupancy of 93% approximately of the leased shop units GLA. It appears the GLA does not include non GLA revenue such as kiosks, ATM's, digital advertising, etc. The mall was extended in 2016 which is fully let and occupied along with the food court being refurbished in 2017. The below gross leasable area has been provided by the client:

Mall Floor Configuration & Gross Leasable Area (GLA)	
Total GLA (sq. m)	90,272

The mall is well represented with the following brands (amongst others):

Anchors & Sub-anchors		
Hyper Panda	Smart	Mango
Centre Point	Red Tag	New Look
City Max	Home Box	Riva
Paris Gallery	H&M	Kiabi

This is not an exhausted list of representative brands. For ease of reference refer to tenancy roll (schedule) at the appendices section.

The mall is built of traditional reinforced concrete frame with block infill with part glazing at entrances areas with steel frame sections with a concrete flat surface roof over Hyper Panda. Refer to a selection of photographs below and further photographs at the appendices section.

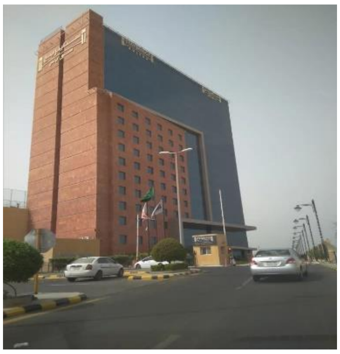


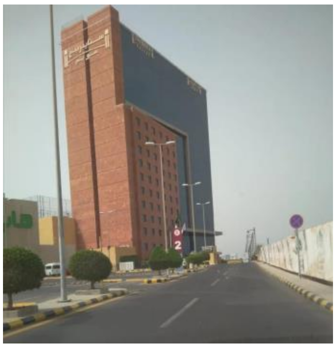



The hotel suite tower was completed and opened in May 2017 consists of 16 storeys 164 suite hotel tower with a basement level and has extensive parking at the podium level. Staybridge Suites is a 5-star deluxe suites / rooms adjacent and inter-linked to Al Andalus Mall. The subject is operated by International Hotel Group (Holiday Inn Middle East Ltd) with a built-up area of 28,255 sq. m providing 164 guest rooms with a breakdown referred below. The hotel benefits from 7 meeting rooms, 2 F&B outlets, swimming pool, tennis court and a gymnasium. The hotel suite configuration is as follows:

Room Configuration and breakdown		
Unit	Unit Quantity	Gross Internal Areas (GIA) sq. m
One Bedroom (type 1)	75	65-85
One Bedroom (type 2)	15	65-86
Two Bedroom (type 1)	15	110
Two Bedroom (type 2)	15	100
Studio (type 1)	14	55
Studio (type 2)	15	50
Studio (type 3)	15	60-69
Total Keys	164	

A selection of photographs and further photographs at the appendices section for Staybridge Suites:



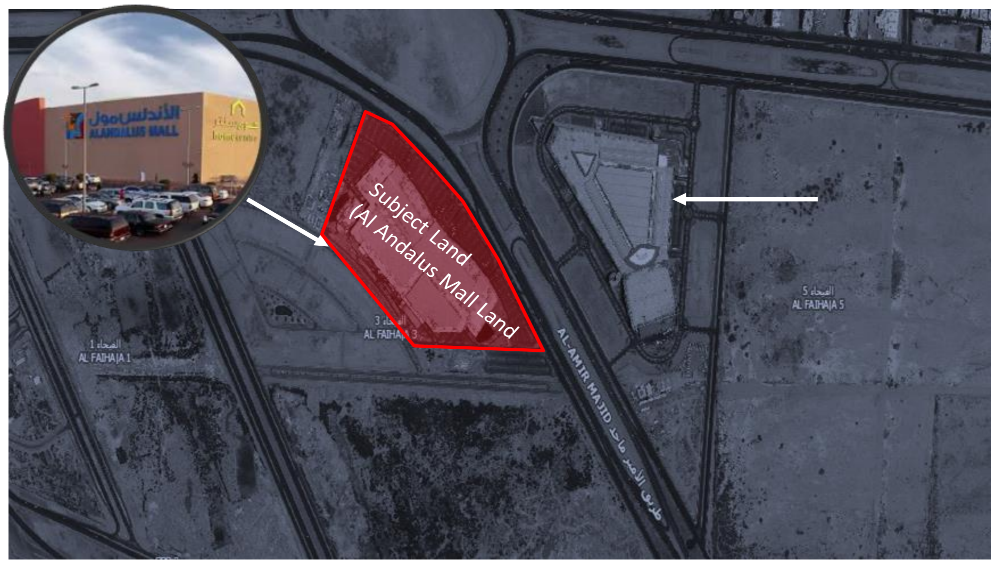
We are unaware of planning or other proposals in the area or other matters, which would be of detriment to the subject property, although NCB Capital's legal advisors should make the necessary searches and enquiries in this respect.

2.10 LOCATION

The subject land is situated at the junction and intersection of Prince Majid Rd and King Abdullah Road, within Al Fay'ha District of Jeddah, Kingdom of Saudi Arabia. (GPS Co-ordinates: 21°30'23.42"N 39°13'4.91"E). The subject land and buildings is strategically located in the heart of the city center area on King Abdullah Road intersection with Prince Majid Road. King Abdulaziz International Airport is approximately 25km from Al Andalus mall and King Abdulaziz University Hospital is approximately 4.7km. The subject land extends to a total area of approximately 159,133.96 sq. m. For ease of reference refer to the below illustrations.

Source: Google 2018; For illustration purposes only

We have physically inspected the boundary of the site and whilst there does not appear to be any encroachments; however, no warranty can be given without the provision of an identification survey. For ease of reference refer to the illustration below.



Source: Jeddah - Map 2018; For illustration purposes only

2.9.1.1 PROXIMITY TO MAJOR DEVELOPMENTS

The subject property is very accessible to important landmarks in Jeddah thru the Prince Mohammed Bin Abdul Aziz Road.

The table and illustration below further show the approximate distance of the subject property relative to some notable developments in the City.

Landmarks	*Distance from subject property (km.)*
Red Sea / Corniche Area	17.5
Al Haramain Expressway	6.9
Jeddah Islamic Port	5.5
King Abdul Aziz International Airport	18
South Obhur Area	25
Jeddah Economic City/Kingdom Tower	28

Source: Google Extract 2018 - For Illustrative Purposes Only.

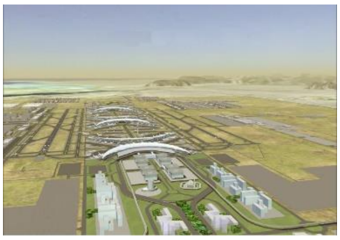
Jeddah City is the second largest city of Saudi Arabia, next to the capital city of Riyadh. It has the largest sea port along Red Sea and is considered an important commercial hub. Some of the major developments in the city and the Makkah region are as follows:

<u>Haramain High Speed Railway</u>

This is one of the on-going development at improving the infrastructure and accessibility within the three main cities of Makkah Region (Jeddah, Madinah & Makkah).

The Haramain High Speed Rail project also known as the "Western Railway" or "Makkah-Medina high speed railway", is 453 kilometers (281.5 miles) high-speed inter-city rail transport system under construction in Saudi Arabia. It will link the Muslim holy cities of Medina and Mecca via King Abdullah Economic City, Rabigh, Jeddah, and King Abdulaziz International Airport. It will connect with the national network at Jeddah.

The rail line is planned to provide a safe and comfortable transport in 300 kilometers per hour (190 mph) electric trains. The railway is expected to carry three million passengers a year, including many Hajj and Umrah pilgrims, helping to relieve traffic congestion on the roads. It will allow 9,000 passengers per hour and shortening the travel time from Madinah to Makkah to two hours. The main station is in Al Rusaifah District with arrival and departure halls, commercial stalls, prayer room, parking space, car rental offices, public sector services and offices, and restaurants. The train project opened earlier in October 2018.



Jeddah Economic City

Previously known as Kingdom City, this project covers 5.3 million square meters of land along the red sea. It will host both commercial and residential developments including villas, apartments, hotels and offices.

The centerpiece of this development is the Jeddah Kingdom Tower which is planned to be the tallest building in the world upon completion. The project is estimated to cost SAR 75 Billion and scheduled completion date is on year 2020.

King Abdulaziz International Airport expansion

The airport expansion is needed as Saudi Arabia seeks to meet demand from religious tourism to the holy city of Mecca. Approximately 2.5 million people visit Mecca during the Hajj period alone, and this is projected to rise to 4 million in the next few years. It is designed to increase the airport's yearly capacity from 13 million to 80 million passengers. Expansion includes a 670,000 square meters passenger terminal complex with a twin crescent footprint.

It will include 46 contact gates, 94 boarding bridges, lounges, an airside hotel, food and retail facilities. The terminal will be able to handle double-deck A380 and include a baggage handling system with nearly 60 kilometers of belts. Automated People Movers will link the new terminal with other facilities of the airport.

2.10.1 REPAIR AND CONDITION

The general condition of the subject mall (opened 2007) is commensurate with a well-maintained building of this age and type. The subject hotel suite is a new building (opened 2018).
We have not carried out a Building Survey nor tested services, nor have we inspected those parts of the property, which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition.
We cannot express an opinion about or advise upon the condition of the uninspected parts and this report should not be taken as making implied representation or statement about such parts.

2.11 ENVIRONMENT MATTERS

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination.

In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative use has ever been carried out on the property.

We have not carried out any investigation into past or present use, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the subject property from the use or site and have therefore assumed that none exists.

However, should it be established subsequently that contamination exists at the property or on any neighbouring land, or that the premises has been or is being put to any contaminative use, this might reduce the value now reported.

Details	
Topography	Generally, appears to be level and slightly irregular in shape.
Drainage	Assumed available and connected.
Flooding	ValuStrat's verbal inquiries with local authorities were unable to confirm whether flooding is a point of concern at the subject property. For the purposes of this valuation, ValuStrat has assumed that the subject property is not flood liable. A formal written submission will be required for any further investigation which is outside of this report's scope of work.
Landslip	ValuStrat's' verbal inquiries with local authorities were unable to confirm whether land slip is a point of concern at the subject property. For the purposes of this valuation, ValuStrat has assumed that the subject property is not within a landslip designated area. A formal written submission will be required for any further investigation which is outside of this report's scope of work.

2.11.1 TOWN PLANNING

Neither from our knowledge nor as a result of our inspection are, we aware of any planning proposals which are likely to directly adversely affect this property.

In the absence of any information to the contrary, it is assumed that the existing use is lawful, has valid planning consent and the planning consent is not personal to the existing occupiers and there are no particularly onerous or adverse conditions which would affect our valuation.

We are not aware of any potential development or change of use of the property or properties in the locality which would materially affect our valuation.

For the purpose of this valuation we have assumed that subject use of the property (mall and hotel) has all consents in place. Should this not be the case, we reserve the right to amend our valuation and report.

2.11.2 SERVICES

The properties referred to within this report are assumed to be connected to mains electricity, water, drainage, and other municipality services. Should this not be the case, we reserve the right to amend our valuation and report.

2.12 TENURE/TITLE

Unless otherwise stated <u>we have assumed freehold title is free from encumbrances</u> and that Solicitors' local searches and usual enquiries would not reveal the existence of statutory notices or other matters which would materially affect our valuation.

We are unaware of any rights of way, easements or restrictive covenants which affect the property; however, we would recommend that solicitors investigate both the titles in order to ensure everything is correct.

2.12.1 TITLE DEED SUMMARY

Property Details	Location
Owner Name.	Sandouq Tamkeen Real Estate Company
Property Type	Al Andalus Mall & Staybridge Suites Hotel
Use	Commercial Use
Location	Al- Fay'ha District, Jeddah, KSA
GPS Co-ordinates	21°30'24.0"N 39°13'05.0"E
Land Area (sq. m)	159,133.96 sq. m
Interest	Freehold
Title Deed No.	720205029257
Title Deed Date	07/04/1439 Hijri
Plot No.	2/ب/ -
Master Plan No.	س / ج / 444

For ease of reference we have attached a copy of the title deed at the appendices section.

All aspects of tenure/title should be checked by the client's legal representatives prior to any form of transaction and insofar as any assumption made within the body of this report to be incorrect then the matter should be referred back to the valuer to ensure the valuation is not adversely affected.

2.12.2 MALL TENANCY SCHEDULES & OCCUPATIONAL INTERESTS

We have been provided with tenancy schedule for the mall by the client (referred at appendices section within this report), indicating unit types, tenants, lease duration and annual rentals.

We have not been provided with leases of the individual lease documentation in respect of the occupational interests within the subject mall. We strongly advise that NCB Capital's legal representatives to check and advise. We have assumed that no onerous terms and conditions are contained within the contracts. Should any onerous terms exist, we reserve the right to amend our valuation and report. It is also advised that legal binding contracts, lease(s) or individual tenancy agreements are examined by interested purchasers/investors/parties to verify the covenants and terms.

We have assumed that all lessees are in a position to renew on their forthcoming renewals process considering the strong demand currently in the retail industry in KSA.

For the purpose of this valuation, we have explicitly assumed that the tenancy schedule provided is accurate and actual. Should this not be the case, we reserve the right to amend our valuation and report.

2.12.3 MANAGEMENT AGREEMENT

We understand that the subject property is managed by the Clients and their associated professional management company. We have made assumptions as to the costs and incorporated these into the total operational costs for the different elements, on the basis that any external investor would incur the same.

We understand that all operational expenses are taken directly from income revenue of the mall.

The hotel will be operated by Staybridge Suites under a 15-year management agreement. The management agreement dated 17th June 2013 is made between Al Andalus Property Company (previous owner) and Al Ahli REIT is the current owner along with Holiday Inns Middle East Limited as the (Operator). Copy of management agreement is not attached we assume no onerous conditions exist. We strongly advise that NCB Capital's legal representatives to check and advise.

2.12.4 OPERATIONAL MANAGEMENT & SERVICE CHARGE(S)

From our experience, a grade A mall of the nature of the subject mall should be managed on the basis of a base rent + service charge amount from each tenant. The service charge should be built into each tenancy (occupational lease).

Accordingly, the normal procedures are that the service charge proceeds are used to pay for the up-keep and maintain of malls. The service charge collectable is calculated as being a percentage of the base rent received from tenants.

The assumption would be also for the management company to have a suitable sinking fund/depreciation allowance to take care of any future capital expenditure with regards to the refurbishment and maintenance of the existing buildings/structures.

In the case of Al Andalus Mall, we have been provided limited or no information and have assumed all is in order. Refer to the section 2.13.5 below the assumptions made reflecting operational costs and market benchmarks.

Both the regular, preventative maintenance and planned (capital) works programme should be in place to preserve and maintain the high standards of condition and make-up of the mall for category grade A mall. At the time of inspection, the subject mall was in good condition with high standards in makeup and presentation of the mall; however, it is necessary to keep up its good condition and standards to maintain its value.
For the avoidance of doubt, these items should be ascertained by the client's legal representatives. ValuStrat draws your attention to any assumptions made within this

report. We consider that the assumptions we have made accord with those that would be reasonable to expect a purchaser to make.

If any of the assumptions or facts provided by the client on which the valuation is based are subsequently found to be incorrect then the figures presented in this report may also need revision and should be referred back to the valuer.

We have also assumed that a reasonably efficient operator / owner will run and manage, maintain and the like into perpetuity.

Any interested party are advised to make their own independent enquires as to this element.

2.13 METHODOLOGY & APPROACH

2.13.1 AL ANDALUS MALL, JEDDAH

The subject properties fall into a broad category of investment property with the prime value determinant being the properties ability to generate rentals and rental growth through the ongoing letting and reasonable maintenance.

We have initially attempted to adopt the Comparative Method of Valuation to determine rentals. This method requires the collection of comparable market rents that have occurred within properties of a similar location, specification, configuration etc, in addition to anecdotal evidence collated from research.

Upon analysis, and subsequent appropriate subjective adjustments if any, such evidence has then been applied to the subject premises to present our opinion of Market Rent. In the absence of suitable comparable evidence, our professional opinion of Market Rent has been interpreted and applied to the subject property.

Thereafter, we have determined our opinion of Market Value of the subject property referred in this report, we have utilized the Investment Approach in specific, adopting a Discounted Cash Flow (DCF) technique.

The DCF approach involves the discounting of the net cash flow (future income receivable under lease agreements and forecast take-up of vacant units) on a yearly basis over, in this instance, an assumed 10-year cash flow horizon. This cash flow is discounted at an appropriate rate to reflect the associated risk premium, in order to determine a Net Present Value of the subject property at that particular Internal Rate of Return (IRR) and exit equivalent yield.

The projected income stream reflects the anticipated rental growth inherent in a property investment based upon the physical, tenancy or market characteristics related to that property. In addition to projected operating costs and allowances, future capital expenditure can also be reflected in the cash flow.

Cash inflows comprise income from the property adjusted to reflect actual and assumed lease conditions and rental growth, whilst cash outflows comprise operating costs adjusted to reflect anticipated inflation.

The rental income being capitalised and discounted in the cash flow refers to net rental income, that is, the income stream after deductions for the associated operating expenses of the property as provided by the Client.

In the event of any vacant units, we have applied 1-2-month void period estimated as appropriate to secure potential occupiers before assuming units are leased on renewable 1-3-year lease contracts at our opinion of Market Rent.

In order to accurately reflect the future occupancy within the mall, and therefore the future net income stream, we have made an allowance for permanent vacancy within the shopping mall, calculated at 2.5% of gross rental income, which will account for the loss of revenue due to void periods throughout the lifespan of the property. This is especially pertinent given the current economic climate and property market instability. The terminal value is determined by the capitalisation of the inputted net income in the year after the cash flow period. From that point forward, the cash flow associated with the investment is growth implicit, and as such, is subject to capitalisation at an equivalent yield. It should be noted that the equivalent yield adopted in this instance is a True Equivalent Yield (TEY), expressed in advance, in attempt to accurately reflect the frequency and timing of income receipts. The Terminal Yield applied to standard rentals is 8.5%.

The future values quoted for property, rents and costs are projections only formed on the basis of information currently available to us and are not representations of what the value of the property will be as at a future date.

2.13.2 MARKET RENTAL ANALYSIS

We have analysed the tenancy schedule and the market rents for the subject mall provided. Accordingly, we have benchmarked these against with market rentals achieved in other comparable retail malls / centres. Refer to the subject malls tenancy schedule at the appendices section. Although the analysis of current passing rental shows a wide rental range; however; it appears the passing rents are generally in line with market conditions.

Evidently, the hierarchy of comparable evidence suggests that the strongest regard should be given to transactions that have occurred integrally within the subject premises.

Equally, we have independently researched into market rents of other similar grade A mall rent. We have analysed existing market commentaries and data in determining our experience with investors and developers of similar property/schemes and accordingly our opinion as to the applicable market rents. Information has also been sought from internal records and internal intelligence databases of credible due diligence over years of experience. As mentioned above, we have benchmarked with competing malls and provide concealed information due to the information being confidential. However, we have provided a range of values for each retail type as follows:

Retail Type	Average Range (SAR per sq. m)
Anchor & Stores	600 – 1,000
*Line Retail & sub-anchors	2,000 – 2,200
^Kiosks	80,000 – 175,000 (fixed price range)
ATM	72,000 – 150,000 (fixed price range)
F&B and Food Court	2,925 – 3,200
Entertainment	350 - 370

Source: Client & ValuStrat Research 2018

Also, we are aware that super-regional and regional malls average rent range is as follows:

Mall	Type	Occupancy (%)	GLA (sq. m)	Average Lease Rates per sq. m
Al Salaam Mall	Super-Regional Mall	93%	101,600	2,000 - 3,500
Star Avenue Mall	Regional Mall	85%	35,000	2,500 - 4,000
Mall of Arabia	Super-Regional Mall	95%	106,000	3,000 - 7,000
Red Sea Mall	Super-Regional Mall	93%	140,000	3,000 - 3,500
Aziz Mall	Regional Mall	90%	72,000	2,500 - 3,500

2.13.3 TENANCY SCHEDULE COMMENTARY

We have referred to the tenancy schedule at the appendices section of this report as provided by the client. We have analysed the tenancy schedule and have assumed this to actual and correct. Should this not be the case, we reserve the right to amend our valuation and report.

We understand that the larger units or anchor/sub-anchors tenants are let at rents of approximately SAR 600 to SAR 1,000 per sq. m. The range of rent for the line shops is approximately SAR 2,000 to SAR 2,300 per sq. m. The smaller units and kiosks within the subject mall are let at higher rates per sq. m due to the quantum element in comparison to other retail units.

Also, there are miscellaneous units such, store rooms, advertising, media, additional entertainment. We have assumed to be all correct and accurate.

In summary, we arrived at the market rental in line with the tenancy schedule as provided by the client (refer to tenancy schedule at the appendices section) with recent lettings in the subject mall and with the above locations which are situated within the Jeddah area enjoying significant footfall throughout the day which are comparative to Al Andalus Mall. Again, we reiterate, we assumed that the subject mall is running efficiently and that there are no disputes between owners or occupiers and all rents in line with tenancy schedule provided by the client are being paid promptly and on time. We assume that the mall consists of good/best practice estate/property management. Should this not be the case, we reserve the right to amend our valuation and report.

We are of the opinion the average rents considered above and the passing rents at the subject mall is in line with market benchmarks, effectively making the subject mall rack rented demise in line with market conditions.

2.13.4 ASSUMPSTIONS & COMMENTARY

The shopping mall has been assessed as an investment property subject to the tenancy schedule provided by the client and any assumptions made by ValuStrat within market benchmarks.

ValuStrat has made certain assumptions and adjustments based on their experience in valuing typical shopping malls in Jeddah and KSA taking cognisance of the surrounding developments within the property which will ultimately form part of. This was done in an attempt to forecast our interpretation of performance of the shopping mall over the 10-year explicit cash flow period.

In this instance, we have adopted the assumptions and facts:

2.13.5 OPERATING COSTS

In terms of the Operating Costs for Al Andalus Mall as no breakdown was provided by the client, we have independently analysed the operational cost and it would appear to reasonable in the range of SAR 21,651,327.16 (rounded) to in excess of SAR 24,325,858.07. This is approximately 17-17.5% of the gross rental year on year which is in line with market benchmarks. This will exclude depreciation and contingency.

2.13.6 TYPICAL MARKET BENCHMARK EXPENSES

Grade	Minimum % of Total Revenue	Maximum % of Total Revenue
Primary Grade	15%	20%
Secondary Grade	10%	15%

Based on ValuStrat's research, operating expenses of the subject mall appeared to be within market benchmarks.

2.13.7 GROWTH RATE

We have adjusted the rate with no growth this year given the market conditions and have applied an average growth rate of 2.5% per annum in 2019 and thereafter for the cash flow input in line with other tenancies with competing malls and the consumer retail index inflation growth in KSA.

Despite the current subdued market conditions, it appears the retail sector is considered to be attractive to investors in the current market conditions considering the retail sector is generally stable in KSA.

The historic strength of retail and significant growth in the past few years has meant fairly attractive yields and with the continuance of current stable retail demand but slower growth, it has meant in the short-term mild hardening of yields with a medium-term period of slightly softening of yields; hence providing a stable investor expectation.

Accordingly, in the foreseeable future the subject appears to provide a stable investment subject to ongoing maintenance, upkeep of the property and to provide yield stability with the real estate sector generally follows the fortunes of the greater economy.

2.13.8 DISCOUNT RATE, EXIT YIELD & VALUATION COMMENTARY

DISCOUNT RATE - Due to limited market transactions for large malls we have had to rely on the information available and make reasonable adjustments one would expect a purchaser to make.

Given the ongoing subdued markets in KSA, we have adjusted the discount rate as per our previous exercise back in June 2018.

Generally, the mall (retail) element is considered to be attractive to investors in the current market conditions considering the retail sector in KSA. The subject mall is a grade A mall with strong brand representation catering for a diverse range of consumers within the Jeddah area.

Theoretically the discount rate reflects the opportunity cost of capital. It reflects the return required to mitigate the risk associated with the particular investment type in question.

To this we have to add elements of market risk and property specific risk. The market risk comes in the form of, *inter alia*, potential competition from existing and latent supply. Market risk will also reflect where we are in the property cycle. We are currently experiencing a depressed market situation due to wider economic uncertainty.

The property specific risk reflects the illiquidity of the market for large assets, the additional costs in maintaining and operating a centre, and the risk of damage to or loss of the centre.

For the purpose of our valuation calculations we have adopted a discount rate of 10.5%.

Exit Yield - The exit yield is a resultant extracted from transactional evidence in the market; however, due to anecdotal evidence and limited market activity we have had to rely on anticipated investor expectations from typical property investments.

These typically vary between 8% to 9%, depending on the quality, type of property and the location. Also, investors across the region are less indefinable and sensitive to real estate classification types and locations in general. The investor appetite for real estate is for long term cash flow, secured by strong covenant(s) and tenants.

Based on the above measures, we are of the opinion that a fair exit yield for the subject property is 8.5%.

2.13.9 VALUATION COMMENTARY

For the purpose of this valuation exercise, we have determined the tenancy schedule provided by the client as referred within this report at the appendices section. Accordingly, the gross combined rental as at date of valuation is SAR 127,021,476.44 per annum before reflecting the tenants service charges but excluding operational expenses. We have assumed all tenancies will be renewed successfully in successive years.

Gross Combined Rental (inclusive of service charges) – SAR 133,034,268.25 p.a.

Gross Combined Rental (exclusive of service charges) – SAR 123,721,869.47 p.a.

All other assumptions refer above and have determined any tenancy agreements not all agreements were provided. It appears the contracted rents are broadly in line with the prevailing market conditions.

Both discount rate and exit yield in this case show a marginal difference between each other due to the low risk even in time of uncertainty in KSA. The subject mall dominates a strong status in Jeddah securing a high percentage of the market share due to its brand names in the mall and good tenant mix and within a densely populated area. We no doubt this status will continue and as well owners / management company will maintain the whole professional image of the mall.

Many International markets around the globe rely on good strong covenant strength which has a significant impact on value. The local market does not rely or analyse records to the same extent as per International practices on company financial records. The company structures in KSA are backed by Corporate / high net worth individuals who could be liable in the case of default. Given the circumstances, we would anticipate that investors would accept the current covenant strength of the present tenants and reflect any level of risk into an appropriate bid. The subject mall is considered to be attractive to investors in the current market conditions considering the retail sector is generally stable currently and historically shown in the past few years quick growth. Whilst in KSA currently market conditions showing uncertainties and limited/no growth and generally plummeting market conditions in other sectors. The subject mall is a premier grade A mall with apparently as relayed by the client that there is waiting list to occupy the retail pitches which may result in rental in growth; hence allowing for investors to bid more aggressively on the initial yield.

The historic strength of the mall and the current strong demand, we consider that investors would offer in the region of 7.75% to 8.75% net initial yield for the mall. From the analysis and market due diligence, it appears and is assumed that exit yields will be the same as the current initial yields. We anticipate this is a reasonable assumption to adopt as the market is a normal state (depressed) and would be expected to be considerably stronger at the point of exit.

Moreover, transactions of large shopping malls rarely are exposed to the market and are usually determined via private treaty negotiations. Equally, we are aware of some smaller transactions of retail centres/malls but cannot disclose details due to privacy and confidentiality reasons. We understand a number of small retails centres/malls have achieved net initial yields between 7.75% to 8.5%.

Factors such as occupational demand, liquidity, lot size and covenant strength are important verdicts for potential investors who consider purchasing Al Andalus Mall. Investors are often attracted to retail due to the high yields offered. This is great for investors wanting an income-stream based investment over a long period. Global retail trends show investors in retail property accept the lowest yields.

The report is based upon the information provided by the client and we have assumed that the information with which we have been provided is substantially true, accurate and complete. We have not independently verified the accuracy of the information supplied to us, although we have analysed the locations, tenancy schedule and limited management data.

We have concluded that, within the limits of our investigations, the information proved by the client is within reasonable expectations of retail property at the subject property location referred within this report.

We have undertaken inspections of the subject property and location in connection with this valuation and we have had regard to the property, location, trading style, performance and the local demographic and competitive environment plus key performance indices compared with other mal in the area and region.

The subject mall referred within this report is subject to individual compliance requirements based on KSA regulations and we have assumed its compliance with current government legislation and all other local municipality registration requirements.

In reaching our opinion of the value, we have assumed that the subject property referred within this report will be professionally operated in perpetuity.

In particular, we have assumed the owner will be able to professionally manage, repair and upgrade in heightened market competition.

We have also assumed that the trading position, financial and market conditions will not vary significantly in the immediate / foreseeable future. In the event of future change, in the trading potential or actual level of trade from that indicated, the values reported can vary.

Accordingly, we provide our valuation referred in the below section(s):

2.13.10 SUMMARY OF MARKET VALUE – AL ANDALUS MALL

The resultant value based upon the above variables/assumptions for the subject mall is as follows:

	Passing Rent (SAR) [per annum]	Net Income (first year)
Al Andalus Mall	123,721,869.47	*101,837,732

*Source: Client & ValuStrat 2018; *before discounting*

Valuation Input Summary	
Gross Rental Income (SAR)	123,721,869.47
Annual Growth Rate	No increase in 2019 (Yr.1) and then stablised at 2.5% for the remainder of the cash flow
Operational Cost	17% increase on OPEX year on year
Discount Rate	10.5%
Exit Yield	8.5%
Value [SAR] (Rounded)	1,161,000,000

2.13.11 RETAIL SUMMARY

Over the last decade, malls have heralded a retail revolution in the Kingdom of Saudi Arabia and the proof of the matter lies in the rate at which malls have been springing up. But the lack of true understanding of the mall typology and the resulting quality leave a lot to be desired. This needs thorough understanding and the planning itself. Mall development comprise the process of conceptualizing, positioning, zoning and deciding the tenant mix, promotional activities and marketing of the mall as well as the facility and finance management. All these put together ensure that the mall targets the right audience. We have also considered the general design and primarily, a mall can be divided various zones, the prominent one being shopping, entertainment, food court and the promotion areas. It appears the design has been well thought through will minor revisions perhaps imminent as the construction go through to completion, although appear to be satisfactory with good entrance areas scattered around the complex, good circulation space, good retail areas, good parking and large entertainment areas. A well planned and successful mall will have the best food court tenant mix and again the subject appears to large food court with good seating.

The retail sector has been performing robustly in recent years, despite the considerable increase in available retail GLA. The volume of retail that remains under construction is much lower than that in the planning process.

Jeddah has been able to absorb high amounts of retail GLA historically in 2008-2012 when a number of large malls (Al Salaam Mall, Star Avenue Mall, Mall of Arabia, Red Sea Mall and Aziz Mall) were delivered with a combined approximate GLA of 454,600 sq. m.

This is driven by retail's stature as one of the few available recreational activities in Saudi Arabia, suggesting that the market may support a higher GLA per capita and higher average spend.

Clearly retail groups are rapidly investing and expanding in Saudi Arabia due to the country's size and recent boost in infrastructure. The decline in oil price has seen the government trying to attract foreign investment in other ways, creating many retail opportunities. The KSA has strong retailing groups such as Al Futtaim, Al Shaya, Al Hokair Group Entertainment who have a strong bargaining position and they hold onto strong branded-owners in KSA and in order for a mall to operate successfully, it is generally accepted that they must be located within good retailing areas/locations. Many International markets around the globe rely on good strong covenant strength which has a significant impact on value. The local market does not rely or analyse records to the same extent as per International practices on company financial records. The company structures in KSA are backed by Corporate / high net worth individuals who could be liable in the case of default. Given the circumstances, we would anticipate that investors would accept the current covenant strength of the present tenants and reflect any level of risk into an appropriate bid.

2.14 INVESTOR EXPECTATION

In contrast, Saudi Arabia has experienced strong performance in retailing over the past few years and is expected to be stable over the next few years too. The strong performance is due to a number of factors:

- The country benefits from a high degree of affluence and saw good economic performance, avoiding recession during the global economic downturn in 2009 and even due to the current oil price decline volatility, the retail performance is very strong.
- Retailing also benefited from the country's young population, with majority of indigenous Saudis being aged below 30-35 years old.
- Due to the conservative nature of Saudi society there are few entertainment options, with many consumers thus opting to socialise in shopping areas and regard shopping as a leisure pursuit.

A major factor driving growth for retailing was the strong development of shopping areas, with air-conditioned outlets housing a wide range of grocery and non-grocery items and offering comfortable shopping environments. The strong expansion of modern retailing formats meant that hypermarkets, convenience stores and supermarkets continue to expand. In rural areas/open areas, there was a strong demand for chained forecourt retailers. These channels offer air conditioning, parking and a wide range of products alongside frequent price promotions. There continues to be a marked shift from traditional to modern grocery retailing. Retailers will continue to focus on their market share and will be highly selective when opening new stores and it appears the successful developments will continue their lofty status and it may be fair to say there will continue to be a large gap between prime retail and secondary retail locations.

In summary, the retail sector in Saudi Arabia is strong with sales and turnover expected to steadily rise as the range of product lines is increased and consumers benefit from modern shopping retail outlets. Accordingly, as mentioned earlier, the retail sector looks set to continue its strong performance. It appears that there is undoubtedly a significant appetite for commercial retail property investment which provides a relatively secure, stable and good yielding asset for investors. In the current time, as we are aware the entertainment industry has been encouraged on a large scale by the government with permission to open cinemas. Most retailers are considering on expansion programmes for larger entertainment areas. Refer to the section 2.16 – General Market Snapshot.

2.14.1 STAYBRIDGE SUITES HOTEL

The subject property (Staybridge Suites Hotel) is a property that is known / classified as a 'trade related property'. A 'trade related property' is defined as:

"Any type of real property designed for a specific type of business where the property value reflects the trading potential for that business" (RICS Red Book Edition 2014 – VPGA 4: Valuation of individual trade related properties).

The essential characteristic of such a type of property is that it has been designed or adapted for a specific use, and the resulting lack of flexibility usually means that the value of the property interest is intrinsically linked to the returns that an owner can generate from that use. The value therefore reflects the trading potential of the property, and in the market such properties are normally bought and sold on the basis of their trading potential. Taking into consideration the above-mentioned nature and characteristics of the subject property, our opinion of the Market Value for the subject property has been arrived at by using the Income approach (or also known as the trade 'profits' method), which is a market-based valuation approach taking into account the expectations of market participants. The valuation and all key assumptions used in the valuation reflect market conditions as at the valuation date. This valuation approach is also the preferred method of valuation by which private and institutional investors are analysing trade related properties. In the use of the Income Valuation approach we have adopted a Discounted Cash Flow (DCF) method explained below.

In the valuation, we have also taken into consideration that this is an operating trade entity and our valuation takes into account the valuation principle of a reasonably efficient operator. Reasonably efficient operator is the market-based concept whereby a potential purchaser, and thus the valuer, estimates the maintainable level of trade and future profitability that can be achieved by a competent operator of the business conducted on the premises, acting in an efficient manner. The concept involves the trading potential rather than the actual level of trade under the existing ownership, so it excludes personal goodwill. In forming our opinion of the maintainable level of trade and future profitability that can be achieved we have had regard and analysis of the previous past performance of the existing trade entity.

2.14.2 VALUATION ANALYSIS

We were not provided with a document showing the subject property is being managed by Staybridge Suites Hotel and operated by Holiday Inns Middle East Ltd. Although, we understand, it has a total 164 keys with details such as room type, and floor area shown below:

Room Configuration and breakdown		
Unit	Unit Quantity	Gross Internal Areas (GIA) sq. m
One Bedroom (type 1)	75	65-85
One Bedroom (type 2)	15	65-86
Two Bedroom (type 1)	15	110
Two Bedroom (type 2)	15	100
Studio (type 1)	14	55
Studio (type 2)	15	50
Studio (type 3)	15	60-69
Total Keys	164	

Source: Client 2018

2.14.3 MARKET BENCHMARKS

The table below shows the competitive set for Staybridge hotels, given that we have not been provided by the client a direct competitive set for the subject hotel. Accordingly, we have used a best selection of competitive set and used STR data benchmark for upper scale hospitality property in Jeddah which are currently trading.

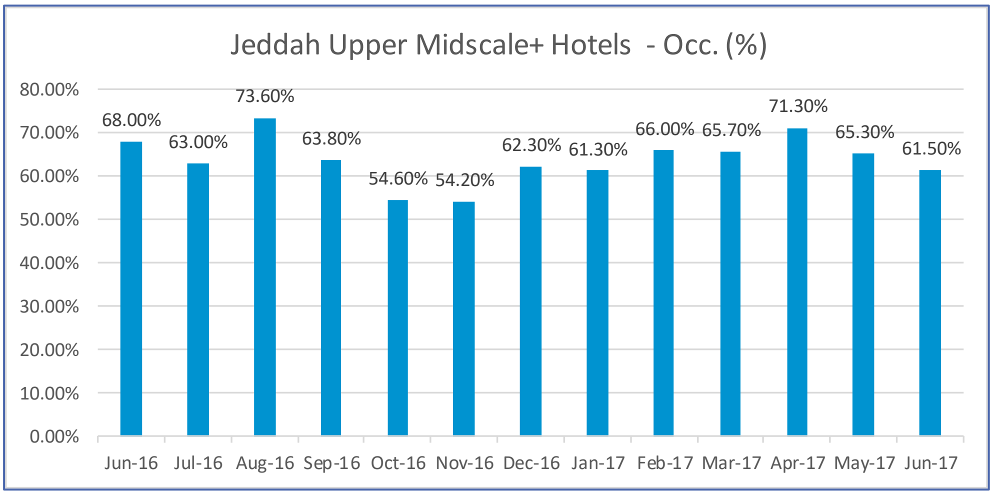
Hotel Name
Radison Blu Plaza Hotel, Jeddah
Hilton Jeddah
Sheraton Hotel Jeddah
Acott Sari Jeddah
Ascott Tahlia Jeddah
Pullman Al Hamra Hotel Jeddah
Le Meridien Jeddah

Likewise, the tables and graphs below show the ADR & Occupancy Rates of Upper Midscale + hotels in Jeddah extracted from STR Global research data June 2016-June 2017 along with immediate below the historic trend.

Year	2014	2015	2016
Occupancy – Comp Set 1	73.22%	73.81%	65.69%
ADR (SAR) – Comp Set 1	855.59	889.97	879.86
RevPAR (SAR) – Comp Set 1	626.58	659.57	577.66

Jeddah Upper Scale STR Data	
Date	ADR
1/1/2017	794.37
2/1/2017	808.36
3/1/2017	749.97
4/1/2017	800.89
5/1/2017	928.46
6/1/2017	947.24
Average	838.22

Average Occupancy (%)



Source: STR Global

2.14.4 ACTUAL CURRENT DATA AND PROFIT & LOSS FINANCIALS

We can provide STR average data for typical performance of hotels within the same category as the subject hotel (Jeddah Upper Upscale).

	July 2018 vs July 2017					
	Occ %		ADR		RevPAR	
	2018	2017	2018	2017	2018	2017
Jeddah Upper Upscale & Upscale+	75.8	68.0	979.24	907.46	742.53	616.92

	August 2018 vs August 2017					
Jeddah Upper Upscale & Upscale+	72.4	64.3	1,011.20	941.23	731.92	605.49

	September 2018 vs September 2017					
Jeddah Upper Upscale & Upscale+	66.1	67.9	909.62	950.25	601.30	645.09

	October 2018 vs October 2017					
Jeddah Upper Upscale & Upscale+	44.5	53.7	608.68	724.24	270.66	388.70

	November 2018 vs November 2017					
Jeddah Upper Upscale & Upscale+	46.0	49.5	606.43	636.10	279.16	314.70

It appears the average ADR from July 2018 to November 2018 is around SAR 823.03 per night.

Accordingly, we have further analysed the P&L provided by the client as follows:

Content Page | Hotel Menu

STAYBRIDGE SUITES JEDDAH AL ANDALUS MALL
CONSOLIDATED PROFIT & LOSS STATEMENT
PERIOD OCTOBER 2018

A 2017010 2017010				B 2018010 2018010		A 2018010 2018010			A 2018001 2018010		B 2018001 2018010				A 2017001 2017010	
MONTH TO DATE									YEAR TO DATE							
Last Year	%	Variance Act vs Bgt	%	Budget	%	This Month	%		Actual	%	Budget	%	Variance Act vs Bgt	%	Last Year	%
1,602,685.28	100.00	(8,052.93)	(0.38)	2,123,359.00	100.00	2,115,306.07	100.00	**TOTAL OPERATING REVENUE**	19,833,384.27	100.00	27,942,822.00	100.00	(8,109,437.73)	(29.02)	3,939,835.14	100.00
								Room Department								
1,281,005.03	100.00	(5,157.71)	(0.26)	2,002,000.00	100.00	1,996,842.29	100.00	Total Revenue	18,329,529.94	100.00	26,648,000.00	100.00	(8,318,470.06)	(31.22)	3,378,766.44	100.00
137,560.22	10.74	(7,291.34)	(5.26)	138,566.00	6.92	131,274.66	6.57	Payroll and Related Expenses	1,431,372.79	7.81	1,385,661.00	5.20	45,711.79	3.30	664,002.88	19.65
100,787.44	7.87	88,107.09	76.03	115,889.00	5.79	203,996.09	10.22	Other Expenses	1,551,019.45	8.46	1,395,561.00	5.24	155,458.45	11.14	322,048.60	9.53
238,347.66	18.61	80,815.75	31.76	254,455.00	12.71	335,270.75	16.79	Total Expenses	2,982,392.24	16.27	2,781,222.00	10.44	201,170.24	7.23	986,051.48	29.18
1,042,657.37	81.39	(85,973.46)	(4.92)	1,747,545.00	87.29	1,661,571.54	83.21	Departmental Profit	15,347,137.70	83.73	23,866,778.00	89.56	(8,519,640.30)	(35.70)	2,392,714.96	70.82
								Food and Beverage Department								
(62,313.92)	145.43	91,339.95	0.00	0.00	0.00	91,339.95	80.87	Food Revenue	1,034,705.40	77.06	0.00	0.00	1,034,705.40	0.00	498,458.85	92.50
17,416.00	(40.65)	2,192.60	0.00	0.00	0.00	2,192.60	1.94	Beverage Revenue	196,912.16	14.67	0.00	0.00	196,912.16	0.00	35,393.00	6.57
2,050.00	(4.78)	19,412.50	0.00	0.00	0.00	19,412.50	17.19	Other Income	111,023.80	8.27	0.00	0.00	111,023.80	0.00	5,050.00	0.94
(42,847.92)	100.00	112,945.05	0.00	0.00	0.00	112,945.05	100.00	Total Revenue	1,342,641.36	100.00	0.00	0.00	1,342,641.36	0.00	538,901.85	100.00
0.00	0.00	30,287.15	0.00	0.00	0.00	30,287.15	33.16	Food Cost	439,053.42	42.43	0.00	0.00	439,053.42	0.00	132,326.51	26.55
0.00	0.00	412.52	0.00	0.00	0.00	412.52	18.81	Beverage Cost	39,679.89	20.15	0.00	0.00	39,679.89	0.00	7,905.96	22.34
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Other Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	30,699.67	27.18	0.00	0.00	30,699.67	27.18	Total Cost	478,733.31	35.66	0.00	0.00	478,733.31	35.66	140,232.47	26.02
74,507.52	(173.89)	65,339.93	0.00	0.00	0.00	65,339.93	57.85	Payroll and Related Expenses	855,302.61	63.70	0.00	0.00	855,302.61	0.00	391,138.61	72.58
13,584.43	(31.70)	10,449.91	0.00	0.00	0.00	10,449.91	9.25	Other Expenses	186,784.88	13.91	0.00	0.00	186,784.88	0.00	50,649.50	9.40
88,091.95	(205.59)	75,789.84	0.00	0.00	0.00	75,789.84	67.10	Total Expenses	1,042,087.49	77.61	0.00	0.00	1,042,087.49	0.00	441,788.11	81.98
(130,939.87)	305.59	6,455.51	0.00	0.00	0.00	6,455.54	5.72	Departmental Profit	(178,179.44)	(13.27)	0.00	0.00	(178,179.44)	0.00	(43,118.73)	(8.00)
								O O D Depts / MOD								
6,919.40	100.00	(114,009.56)	(95.28)	119,659.00	100.00	5,649.44	100.00	Total Revenue	115,276.22	100.00	1,277,922.00	100.00	(1,162,645.78)	(90.98)	19,261.30	100.00
0.00	0.00	(19,896.06)	(86.50)	23,000.00	19.22	3,103.94	54.94	Cost of Sales	29,848.87	(16.75)	246,000.00	0.00	(216,151.13)	(87.87)	3,815.30	(8.85)
0.00	0.00	(87,013.00)	(100.00)	87,013.00	72.72	0.00	0.00	Payroll and Related Expenses	0.00	0.00	870,134.00	68.09	(870,134.00)	(100.00)	0.00	0.00
257.90	3.73	(10,666.00)	(100.00)	10,666.00	8.91	0.00	0.00	Other Expenses	3,814.28	3.31	106,660.00	8.35	(102,845.72)	(96.42)	507.90	2.64
6,661.50	96.27	3,565.50	(349.56)	(1,020.00)	(0.85)	2,545.50	45.06	Profit / (Loss)	81,613.07	70.80	55,128.00	4.31	26,485.07	48.04	14,938.10	77.55
								MISC INCOME								
810.00	0.05	(1,830.71)	(107.69)	1,700.00	0.08	(130.71)	(0.01)	Miscellaneous Income	45,936.75	0.23	16,900.00	0.06	29,036.75	171.82	2,905.55	0.07
810.00	100.00	(1,830.71)	(107.69)	1,700.00	100.00	(130.71)	100.00	Profit / (Loss)	45,936.75	100.00	16,900.00	100.00	29,036.75	171.82	2,905.55	100.00
919,189.00	**57.35**	**(77,783.13)**	**(4.45)**	**1,748,225.00**	**82.33**	**1,670,441.87**	**78.97**	**Gross Operating Income**	**15,296,508.08**	**77.13**	**23,938,806.00**	**85.67**	**(8,642,297.92)**	**(36.10)**	**2,367,439.88**	**60.09**
230,213.65	14.36	79,688.60	38.70	205,920.00	9.70	285,608.60	13.50	A&G Payroll and Related Expenses	2,462,819.40	12.42	2,059,202.00	7.37	403,617.40	19.60	1,193,322.18	30.29
32,135.30	2.01	(31,628.02)	(33.34)	94,863.00	4.47	63,234.98	2.99	Other Expenses	680,008.26	3.43	1,040,144.00	3.72	(360,135.74)	(34.62)	145,611.93	3.70
262,348.95	16.37	48,060.58	15.98	300,783.00	14.17	348,843.58	16.49	**Total A&G Expenses**	3,142,827.66	15.85	3,099,346.00	11.09	43,481.66	1.40	1,338,934.11	33.98
22,049.83	1.38	4,728.52	28.33	16,689.00	0.79	21,417.52	1.01	Information & Telecommunication System	209,429.97	1.06	166,886.00	0.60	42,543.97	25.49	123,435.02	3.13
46,533.43	2.90	12,430.85	25.93	47,931.00	2.26	60,361.85	2.85	Other Expenses	514,306.36	2.59	479,310.00	1.72	34,996.36	7.30	189,319.88	4.81
68,583.26	4.28	17,159.37	26.55	64,620.00	3.04	81,779.37	3.87	**Total I.T & Telecom Expenses**	723,736.33	3.65	646,196.00	2.31	77,540.33	12.00	312,754.90	7.94
48,100.94	3.00	(13,938.94)	(21.98)	63,427.00	2.99	49,488.06	2.34	S&M Payroll & Related Expenses	433,931.55	2.19	621,766.00	2.23	(187,834.45)	(30.21)	219,547.52	5.57
50,378.80	3.14	(10,523.17)	(10.98)	95,863.00	4.51	85,339.83	4.03	Other Expenses	844,844.18	4.26	1,083,174.00	3.88	(238,329.82)	(22.00)	122,202.86	3.10
98,479.74	6.14	(24,462.11)	(15.36)	159,290.00	7.50	134,827.89	6.37	**Total Marketing Expenses**	1,278,775.73	6.45	1,704,940.00	6.10	(426,164.27)	(25.00)	341,750.38	8.67
40,046.19	2.50	(2,990.88)	(5.62)	53,224.00	2.51	50,233.12	2.37	POM Payroll & Related Expenses	443,120.47	2.23	532,240.00	1.90	(89,119.53)	(16.74)	197,669.26	5.02
34,452.42	2.15	(38,644.70)	(50.42)	76,648.00	3.61	38,003.30	1.80	Other Expenses	450,944.38	2.27	766,480.00	2.74	(315,535.62)	(41.17)	134,938.52	3.42
74,498.61	**4.65**	**(41,635.58)**	**(32.06)**	**129,872.00**	**6.12**	**88,236.42**	**4.17**	**Total POM Expenses**	**894,064.85**	**4.51**	**1,298,720.00**	**4.65**	**(404,655.15)**	**(31.16)**	**332,607.78**	**8.44**
222,212.50	**13.87**	**(103,817.50)**	**(30.58)**	**339,527.00**	**15.99**	**235,709.50**	**11.14**	**Utilities Costs**	**2,261,523.13**	**11.40**	**3,507,973.00**	**12.55**	**(1,246,449.87)**	**(35.53)**	**1,156,547.50**	**29.36**
296,711.11	**18.51**	**(145,453.08)**	**(30.99)**	**469,399.00**	**22.11**	**323,945.92**	**15.31**	**Total POM & Utilities**	**3,155,587.98**	**15.91**	**4,806,693.00**	**17.20**	**(1,651,105.02)**	**(34.35)**	**1,489,155.28**	**37.80**
193,065.94	**12.05**	**26,912.11**	**3.57**	**754,133.00**	**35.52**	**781,045.11**	**36.92**	**Gross Operating Profit (GOP)**	**6,995,580.38**	**35.27**	**13,681,631.00**	**48.96**	**(6,686,050.62)**	**(48.87)**	**(1,115,154.79)**	**(28.30)**
24,040.00	1.50	(120.00)	(0.38)	31,850.00	1.50	31,730.00	1.50	Base Management Fees	297,503.00	1.50	419,142.00	1.50	(121,639.00)	(29.02)	59,097.00	1.50
0.00	0.00	1,892.09	3.74	50,560.00	2.38	52,452.09	2.48	Incentive Management Fees	476,811.98	2.40	928,375.00	3.32	(451,563.02)	(48.64)	0.00	0.00
24,040.00	**1.50**	**1,772.09**	**2.15**	**82,410.00**	**3.88**	**84,182.09**	**3.98**	**Total Management Fees**	**774,314.98**	**3.90**	**1,347,517.00**	**4.82**	**(573,202.02)**	**(42.54)**	**59,097.00**	**1.50**
169,025.94	10.55	25,140.02	3.74	671,723.00	31.63	696,863.02	32.94	Income Before Non Operating Income & Expenses	6,221,265.40	31.37	12,334,114.00	44.14	(6,112,848.60)	(49.56)	(1,174,251.79)	(29.80)
0.00	0.00	(629,255.00)	(100.00)	629,255.00	29.63	0.00	0.00	Total Non-Operating Expenses / (Income)	0.00	0.00	11,915,474.00	42.61	(11,915,474.00)	(100.00)	0.00	0.00
169,025.94		654,395.02		42,468.00		696,863.02	32.94	**EBITA**	6,221,265.40		418,640.00		5,802,625.40		(1,174,251.79)	
16,027.00	1.00	(162.00)		42,468.00		42,306.00	0.00	Replacement Reserve	396,666.00	2.00	418,640.00	1.50	(21,974.00)	(5.25)	39,399.00	1.00
152,998.94		(629,255.00)		629,255.00		654,557.02	32.94	**EBITA less Replacement Reserve**	5,824,599.40		11,915,474.00		(11,915,474.00)		(1,213,650.79)	
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Total Interest, Depreciation & Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
152,998.94	9.55	25,302.02	4.02	629,255.00	29.63	654,557.02	30.94	**Hotel Operating Profit**	5,824,599.40	29.37	11,915,474.00	42.61	(6,090,874.60)	(51.12)	(1,213,650.79)	(30.80)
152,998.94	9.55	25,302.02	4.02	629,255.00	29.63	654,557.02	30.94	**Retained Earnings - Current**	5,824,599.40	29.37	11,915,474.00	42.64	(6,090,874.60)	(51.12)	(1,213,650.79)	(30.80)

2.14.5 ASSUMPTIONS AND COMMENTARY

The hotel has been assessed as a "going concern" subject to the forecast and inputs provided by the client and any assumptions made by ValuStrat within market benchmarks. ValuStrat has made certain assumptions and adjustments based on their experience in valuing typical hotel properties in the Jeddah, KSA taking cognizance of the surrounding developments within which the property will ultimately form part of. This was done in an attempt to forecast our interpretation of performance of the hotel over the 10-year explicit cash flow period. For the purpose of this valuation we have included the retail (F&B) and the meeting rooms/function halls within the hotel component. In this instance, we have adopted the following rates:

Components	*Comments*
Average Daily Rate	*SAR 680
Occupancy	*60%, 62%, 63% to 65% in stabilized year 4
Average Growth	Average growth rate of 2.5%

**We have estimated hotel projections with an occupancy and average room rates of 60% and SAR 680 in the first year respectively and then year on year occupancy increases to 62%, 63% & 65% (stabilized in 4th year) and an increased average room rate of SAR 695, SAR 710, SAR 725, SAR 740, SAR 755, SAR 770, SAR 785, SAR 800 and SAR 815 on the 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, year, respectively with an average growth rate of 2%. The subject hotel is new with no historic trading performance record and also a number of the competitive set referred above, the subject properties are dated and reduced their Average Daily rate (ADR) to keep abreast of the competition in the market. Therefore, we have adjusted the ADR below the average STR data and reflecting the current slowdown in the hospitality industry across Jeddah.*

2.14.6 EXIT YIELD, DISCOUNT RATE AND COMMENTARY

Exit Yield	9%
Discount Rate	11.5%
Finance Cost	Excluded from our calculations, although we have allowed 2.5% Tax fees.

Finance Cost & Debt

If debt is unavailable, then both the liquidity and value of the property would be affected. We have reflected a 2.5% tax fees.

Growth Rates

Given the current state of market conditions we applied an average growth rate of 2.5%.

Discount Rate and Exit Yield

Research conducted collated from developers and investors indicate that the discount rate is dependent on the scale of the development and the inherent risk associated. This risk takes into account the extent of the proposed development, location, economic conditions and investor sentiment.

ValuStrat is of the opinion that as the development nears completion the inherent risk is reduced, and we have adopted 9% yield and the discount rate at 11.5%.

2.14.7 TRADING SUMMARY

We have projected the subject hotel's performance over the 10-year cash flow period. Below is trading projections showing the 5-year period. Refer to the cash flow at the appendices section.

Staybridge Hotel					
Trading Projections					
	1	**2**	**3**	**4**	**5**
Year	2018	2019	2020	2021	2022
	Projected	Projected	Projected	Projected	Projected
Rooms	164	164	164	164	164
Occupancy	60.0%	62.0%	63.0%	65.0%	65.0%
ADR	680.00	695.00	710.00	725.00	740.00
RevPAR	408.00	430.90	447.30	471.25	481.00
Total Revenue	29,784	31,649	33,056	34,826	35,546
Departmental Expenses	6,797	7,284	7,573	7,979	8,144
Departmental Profit	22,987	24,365	25,483	26,847	27,403
Undistributed Expenses	5,808	6,171	6,446	6,791	6,932
Gross Operating Profit	17,179	18,193	19,037	20,056	20,471
Management Fees	1,970	2,088	2,184	2,301	2,349
Fixed Charges	149	158	165	174	178
FF&E Reserve	298	633	661	1,045	1,066
EBITDA	14,763	15,314	16,026	16,536	16,878
Net Profit % (EBITDA of Total Revenue)	49.6%	48.4%	48.5%	47.5%	47.5%
Capital Expenditure					
Net Cashflow	14,763	15,314	16,026	16,536	16,878

The trading summary reflected for the subject is branded serviced apartments competing with a deluxe upscale market with a shortage of international branded competition in the market.

2.14.8 VALUATION SUMMARY – STAYBRIDE SUITES HOTEL

The resultant value based upon the above variables for the subject property is as follows:

Property Name	*Room Count*	*Property Value (SAR) [Rounded]*	*Value per key (SAR)*
Staybridge Suites Hotel, Jeddah	164	179,100,000	1,092,073

2.14.9 KSA HOSPITALITY PERFORMANCE

Since late 2016 the trend of softening RevPAR has continued right through 2017 and the 1st quarter of 2018, although there was some stability through the holy month of Ramadan in the second quarter of 2018.

Forthcoming Hajj season in the month of August 2018, hospitality performance will witness an improvement in occupancy levels and ADR's in Jeddah, Makkah and Madinah. However, since Hajj tourist numbers were lower YoY, the sector's performance remained depressed when compared to previous years.

Previously a new visa fee structure had been implemented requiring visitors on Hajj/Umrah and business travel to pay SAR 2,000 for a single-entry visa. This will not affect those who are travelling for Hajj & Umrah for the first time. For other travellers, entry visa costs are higher. A multiple-entry visa now costs SR 3,000 for six-months, SR 5,000 for 1 year and SR 8,000 for 2 years. These changes in visa policy are yet to be understood and their full impact on the Western Province hospitality industry which potentially could slow down tourism; however, its effects are yet to materialize. Although we may have a better understanding towards the end of the year post hajj season 2018.

The KSA hospitality sector leads the hotel construction pipeline in the MENA region with 35,611 rooms expected in 79 hotels. Should projects complete on time, additional supply is likely to put downward pressure on occupancy rates and ADR's in 2018 due to the added economic uncertainty. Jeddah's hospitality sector is currently supplied with an approximate 21,000 hotel and serviced apartment keys.

- Saudi Arabia's tourism industry is unique in that despite the limitations of strict entrance visa regulations, the industry has strong growth potential. That said, uncertainty across the region as its political landscape changes may heighten security risks and place downward pressure on Saudi Arabia's tourism arrivals.
- Saudi Arabia is the Arab world's biggest economy, with signed contracts worth 334 million riyals ($89 million) to develop tourism projects, figure which is set to increase year on year according to the official Saudi Press Agency.
- Saudi Arabia Male demographic profile constitutes 55% of the total population, majority which is overtaken in the 30-34 years of age category. This category is in between Generation X (1965-1980) and Generation Y (1981 and thereafter). These two generations represent the transition from economic to technological innovation. In the last few months in the Arab world, social media has played a key role in the ideology paradigm shift and the initiation of social turbulence. The population below the age of 34 accounts for almost 60%, and this may constitute a social and economic innovation for the Kingdom
- The rapidly growing population and growing levels of disposable income and the high proportion of young people and changing position of women in Saudi Arabian society will further grow the spending.

2.14.10 OVERALL VALUATION SUMMARY

Property Name	*Exit Yield (%)*	*Discount Rate (%)*	*Value (SAR) [Rounded]*
Al Andalus Mall, Jeddah	8.5%	10.5%	1,161,000,000
Staybridge Suites Hotel, Jeddah	9%	11.5%	179,100,000
Aggregate Value (SAR)			1,340,100,000

2.15 VALUATION

2.15.1 MARKET VALUE

ValuStrat is of the opinion that the Market Value of the freehold interest in the subject property (mall and hotel components) referred within this report, as of the date of valuation, based upon the assumptions expressed within this report, may be fairly stated as follows;

Market Value (rounded and subject to details in the full report):

Aggregate Value: SAR 1,340,100,000 (One Billion Three Hundred Forty Million One Hundred Thousand Saudi Arabian Riyals.

2.16 PRINCIPAL GAINS AND RISK ASSESSMENT

The continued volatility in the Middle East and Global markets along with regional political qualms can affect land and property market(s) locally and nationally. Recent research coverage shows that slowdown in many sectors of the KSA real estate market is about to implode.

Despite the subdued conditions of the investment sector and the previous low levels of liquidity in the market, it appears transaction levels have improved marginally, although are well below previous levels in 2008-2012.

Equally, with all the steady but reduced development across all sectors of current and future supply results in uncertainty as to future pricing levels and market drivers.

Nevertheless, we expect to see occupiers, purchasers and investors review their positions as they attempt to assess where KSA is in the property rotation.

It is essential to draw attention to foreseen valuation uncertainties that could have a material effect on valuations, and further advises to indicate the cause of the uncertainty and the degree to which this is reflected in reported valuations. We have undertaken all reasonable efforts to understand the prevailing real estate market conditions and analysis. We bring to attention the following principal gains and risks:

- Away from the city centre and traffic congestion;
- Growing infrastructure in surrounding areas;

- Good visibility of the subject site provides good exposure for any potential development;
- The subject property's surrounding infrastructure, and future plans will allow for easy connectivity with other parts of Jeddah city and upcoming surrounding areas.
- Continued investment in the economy by the government will help maintain growth and business;
- Perceptions of high security risks deter some investors and the possibility of change in governmental procedures causing an effect on investment value and general business activity;
- the current low liquidity levels in real estate markets combined with low levels of transparency and the consequent difficulty of verifying reported transactions;
- the evolving real estate laws, regulations and planning controls relating to property and property transactions;
- the volatility of real estate investment and development markets;
- the subject hotel is part of a new development which will take time to discover a stabilise point; however, an international brand will provide a good leverage with good synergy along with the connecting mall;
- Both the mall and the hotel contain different risk profiles whereby the mall has some long-term incomes with various short-term incomes. On the other hand, the hotel has no contracted income and so being subject to performance, although relying on an international brand and operator.
- the restricted investor mass together with the significant influence of state sponsored developers and operators, in relatively small markets;
- Threat of further KSA market decline and recession in 2019; and
- The client is advised that whilst all reasonable measures have been taken to supply as accurate a valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's market place.

2.17 PRINCIPAL GAINS AND RISKS (SWOT ANALYSIS)

Strengths	Weaknesses
• The subject property referred in this report are in a good location for their respective type and use; • Good infrastructure and amenities in surrounding areas; • Good visibility of the subject properties provides good exposure for any potential development; • The subject property referred with their surrounding infrastructure, and future plans will allow for easy connectivity with the rest of Jeddah City, Airport, North Jeddah (Obhur) and Train Railway Station;	• The private sector is dependent on expat labour, reflecting a shortage of marketable skills among nationals and a fairly high unemployment rate among locals; • Continued subdued market conditions and hardening of rental(s) and yields; • Future supply pipeline will heavily influence market share of sectors such as retail, and hotel sectors.
Opportunities	**Threats**
• The subject property referred in this report contains a strong tenant mix (mall) and strong management agreement for the hotel making them a strong 'institutional asset class'; • Due to the great number of upcoming developments in the area, the subject property location can be developed to benefit from an uplift and establishment in the market; • Continued investment in the economy by the government will help maintain growth and business; • Planned extension to enhance the mall's entertainment facilities, cinema, etc. • Lack of international hotel brands supply creating strong opportunity currently.	• New supply and upcoming property can always be a threat; • Value added Tax (VAT) can impact tenant OPEX leading to rent being negotiation downwards; • Competition from under construction projects close-by in around the subject location(s) and adjacent districts; • Perceptions of high security risks deter some investors and the possibility of change in governmental procedures causing an effect on investment value and general business activity; • Threat of further KSA market decline and recession in 2019.

2.18 GENERAL SUPPLY AND DEMAND FACTORS

The increased supply across all sectors will always affect markets at a local level. Equally sectors such as retail malls and hotels show individual resilience due to type of business models in the sector class.

Also, on the other hand, the lack of good supply of good quality stock(s) is not available and buyers hold on to stock due to stable income generating property. Investors have also chosen to consider the Real Estate Investment Trust (REIT) route as a way to divest and obtain liquidity.

The subject property(s) referred in this report is part of a strong sector assets which currently are secure long-term incomes based upon their age, type and locations.

In summary, the Al Ahli REIT assets hold a distinct market position with a low/moderate risk profile due to the strong sector market dynamics. We appreciate general market risks; however, in this case (Al Ahli REIT), the risks are mitigated by strong covenant (leases) and with above commentary referred, although since our last exercise in June 2018, the subdued market conditions have continued in particular the hotel performance has been reflected in the forthcoming exercise.

2.19 GENERAL MARKET SNAPSHOT

The Kingdom of Saudi Arabia (KSA) - world's largest exporter of crude oil, embarked two years ago on an ambitious economic transformation plan, “Saudi Arabia Vision 2030”. In a hope to reduce its reliance on revenue from hydrocarbons, given the plummeting oil price revenues from 2014.

Through the current vision and in a post oil economy, KSA is adapting to times of both austerity measures and a grand ambitious strategy. With an overdue diversification plan Saudi Arabia’s economic remodelling is about fiscal sustainability to become a non-dependent nation of oil. This is supported by current energy reforms, cutting subsidies, creating jobs, privatising state-controlled assets and increasing private sector contribution to the country’s economy.

Despite economic headwinds, across the region, KSA has shown resilience through a period of subdued real estate market activity. The real estate sector generally follows the fortunes of the greater economy and whilst Saudi Arabia is undergoing structural reforms politically, economically and socially will transform the Kingdom towards a service economy post-oil era. These changes along with significant amounts of investment - estimated to soon be over 1 trillion US dollars will create vast amounts of opportunities for the public and private sectors across all businesses segments.

The KSA economy in the first and second quarter of 2018 has relied on the current oil price rise to pull it out of recession; however, for the past 18-24 months, KSA has been facing a protracted spell of economic stress, much of which can be attributed to the falling oil prices coupled with regional political issues. Oil prices are starting to surge again around 80 dollars a barrel currently from under 30 dollars a barrel in early in 2016 which resulted in a crash in prices and the economy dipped into negative territory in 2017 for the first time since 2009, a year after the global financial crisis.

General consensus anticipates a piercing improvement in the Saudi economy in the period ahead (2019-2020), supported by both the oil and non-oil sector. So ultimately it appears the economy will still need to rely on oil revenues to bridge the gap in the short term with a budget deficit over the past 3 years and the Kingdom borrowing from domestic and international markets along with hiking fuel and energy prices to finance the shortfall. Vision 2030 to diversify the economy from reliance on oil, has only just commenced and with a young and increasingly well-educated population, together with its own sovereign wealth fund, the Kingdom has many favourable factors to become a leading service sector economy in the region.

Reform efforts include a reduction of subsidies on fuel and electricity and the implementation of a 5 per cent VAT from 1st January 2018. The government is also striving to get women to play a greater role in the economy including recently allowing them to drive. Wider reforms have been initiated by the government allowing for the entertainment industry to flourish with the opening of the first cinema in King Abdullah Financial District (KAFD) along with 4 VOX screens opening at Riyadh Park Mall. The cinema entertainment is spurred on by Public Investment Fund (PIF) in collaboration with AMC Cinemas and led by the Development and Investment Entertainment Company (DIEC), a wholly owned subsidiary of PIF. With an objective of 30 to 40 cinemas in approximately 15 cities in Saudi Arabia over the next five years, and 50 to 100 cinemas in about 25 Saudi cities by 2030. As part of wider reforms to overhaul the economy and to allow for deep rooted diversification, the PIF have initiated plans to bolster the entertainment industry by forming ambitious plans such as the following:

<u>Red Sea Tourism Project</u>

To transform 50 islands consisting of 34,000 square kilometres along the Red Sea coastline into a global tourism destination. For ease of reference to illustration below showing the location in relation to the Kingdom of Saudi Arabia.

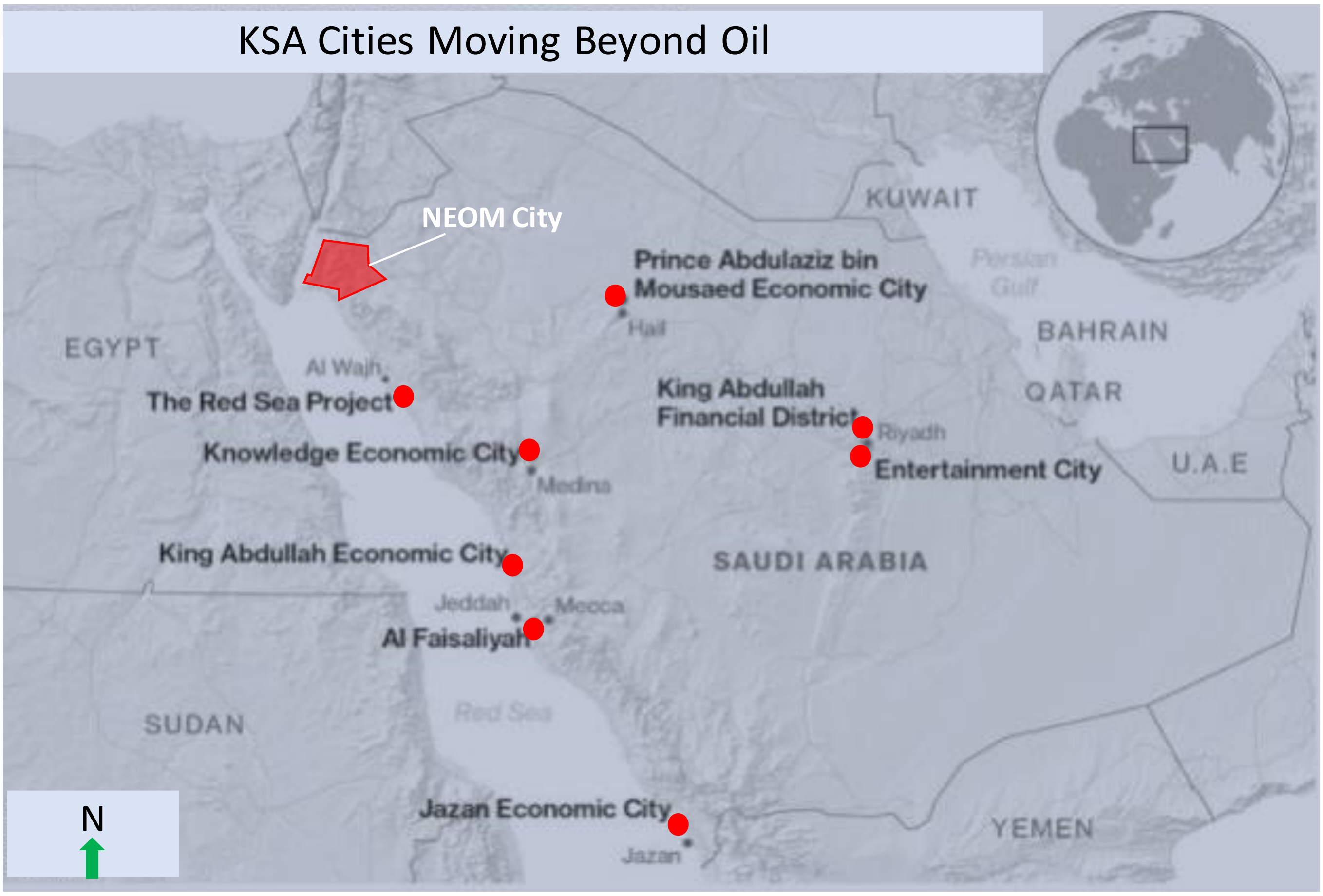
<u>Al Faisaliyah Project</u>

The project will consist of 2,450 square kilometres of residential units, entertainment facilities, an airport and a sea port. Refer to the below illustration for the location.

<u>Qiddiya Entertainment City</u>

Qiddiya Entertainment City will be a key project within the Kingdom's entertainment sector located 40 kilometres away from the center of Riyadh. Currently alleged for "The First Six Flags-branded theme park". The 334 square kilometre entertainment city will include a Safari park too.

The project will be mixed use facility with parks, adventure, sports, events and wild-life activities in addition to shopping malls, restaurants and hotels. The project will also consist around 4,000 vacation houses to be built by 2025 and up to 11,000 units by 2030. Again, for ease of reference refer to the below illustration for the location.



Neom City - The NEOM city project will operate independently from the "existing governmental framework" backed by Saudi government along with local and international investors. The project will be part of a 'new generation of cities' powered by clean energy. The ambitious plan includes a bridge spanning the Red Sea, connecting the proposed city to Egypt and stretch into Jordan too.

Economic Cities

The overall progress with the Economic Cities has been slow and projects on hold over the past 7-10 years, although KAFD has recently given the go ahead to complete by 2020. Within the Saudi Vision 2030 the governed referenced that they will work to "salvage" and "revamp".

Real Estate Growth

Overall ValuStrat research reveals that real estate sectors have continued to decline in both sales and rental values. We expect demand to remain stable due to fundamentals of a growing young population, reducing family size, increasing middle-class and a sizeable affluent population – all of which keeps the long-term growth potential intact. Despite short term challenges, both investors and buyers remaining cautious, the Saudi economy has shown signs of ambition with the government unveiling a number of reforms, including full foreign ownership of retail and wholesale operations along with opening up of the Tadawul Stock Market to foreign investment as well as the reforms mentioned in the previous section referred above. As mentioned earlier, KSA experienced positive growth by oil price rise in the first quarter of 2018; hence the main driver of the recovery remains oil. Over 2018 we envisage the Kingdom's consumer outlook to be more favourable in economic conditions.

Moreover, tax on development land implemented in 2017 has kept the construction sector afloat, encouraging real estate developers. Adapting to a new KSA economic reality has been inevitable, although the Kingdom's oil dynamics remain pivotal for future development within the KSA 2030 economic vision plan.

In latter part of 2017, the Public Investment Fund (PIF), Saudi Arabia's sovereign wealth fund set up a real estate refinancing company aimed at advancing home ownership in the Kingdom, which suffers from a shortage of affordable housing. This initiative will create stability and growth in the Kingdom's housing sector by injecting liquidity and capital into the market. Another plan to help kick start the real estate market by boosting the contribution of real estate finance to the non-oil GDP part. All in all, market volatility remains currently, and prices are likely to witness further deterioration in the short term. A watching brief should be kept on the economy, although we expect the economy to gather some pace later in 2019.

Property values are subject to fluctuation over time as market conditions may change. Valuation considered full figure and may not be easily achievable in the event of an early re-sale.

2.20 VALUATION UNCERTAINTY

It should be noted. However, that if credit conditions substantially worsen or any other change were to occur to the investment market then the liquidity of the investment and the value, may change. We do not consider there to be a special prospective purchaser in the market for the subject property who would pay in excess of our opinion of Market Value.

It is essential to draw to foreseen valuation uncertainties that could have a material effect on valuations, and further advises to indicate the cause of the uncertainty and the degree to which this is reflected in reported valuations.

We are currently experiencing a very uncertain property market and due to the reduced level of transactions, there is an acute shortage of comparable evidence upon which to base valuations. Given the current uncertainties it may be necessary at times for a Valuer to draw upon evidence which is of a historical nature. The current shortage of transaction, combined with a rapidly changing market only serves to highlight the unpredictability of the current market, which is subject to change on a day by day basis.

It is essential to draw attention to foreseen valuation uncertainties that could have a material effect on valuations, and further advises to indicate the cause of the uncertainty and the degree to which this is reflected in reported valuations.

We further state that given the valuation uncertainty stated above our valuation represents our impartial calculated opinion / judgement of the properties, based on relevant market data and perceptions as at the date of valuation.

The client is advised that whilst all reasonable measures have been taken to supply as accurate a valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's market place

The client is also recommended to consider the benefits in such a market, of having more frequent valuations to monitor the value of the subject property.

2.21 DISCLAIMER

In undertaking and executing this assignment, an extreme care and precaution has been exercised. This report is based on information provided by the Client. Values will differ or vary periodically due to various unforeseen factors beyond our control such as supply and demand, inflation, local policies and tariffs, poor maintenance, variation in costs of various inputs, etc.

It is beyond the scope of our services to ensure the consistency in values due to changing scenarios.

2.22 CONCLUSION

This report is compiled based on the information received to the best of our belief, knowledge and understanding. The information revealed in this report is strictly confidential and issued for the consideration of the Client.

No part of this report may be reproduced either electronically or otherwise for further distribution without our prior and written consent. We trust that this report and valuation fulfils the requirement of your instruction.

This report is issued without any prejudice and personal liability.

For and on Behalf of, ***ValuStrat***

مكتب خبير التثمين العقاري
س.ت : ٤٠٣٠١٧٩٤٢٩

Ramez Al Medlaj (Taqeem Member No. 1210000320) Senior Associate – Real Estate KSA	Yousuf Siddiki (Taqeem Member No. 1210001039) Director - Real Estate, KSA

APPENDIX 1 - PHOTOGRAPHS OF THE PROPERTY

APPENDIX 2 - TITLE DEED

بسم الله الرحمن الرحيم

المملكة العربية السعودية
وزارة العدل
[٢٧٧]
كتابة العدل الاولى بجدة

الرقم : ٧٢٠٢٠٥٠٢٩٢٥٧
التاريخ : ٧ / ٤ / ١٤٣٩ هـ

صك

الحمد لله وحده والصلاة والسلام على من لا نبي بعده، وبعد :

فإن مركز تجارى المقام على قطعة الارض رقم بدون / ب/ ٢ من المخطط رقم ٤٤٤ / ج/ س الواقع في حي الفيحاء بمدينة جدة .

وحدودها وأطوالها كالتالي:

شمالاً: الجزء رقم ب / ١ بطول: (٢٥٩,٩١) متتين و تسعة و خمسون متر و واحد و تسعون سنتمتر

جنوباً: شرقا الجزء رقم ب/ ٣ وغربا الجزء رقم ب/ ٤ بطول: (٣٦٣,٤٣) ثلاثمائة و ثلاثة و ستون متر و ثلاثة و أربعون سنتمتر

شرقاً: شمالا دوار الملك عبدالعزيز وجنوبا طريق الامير ماجد متوسط عرض ١٤٠م بطول: (٤٢٥,٨١) أربعمائة و خمسة و عشرون متر و واحد و ثمانون سنتمتر يبدا من الشمال للجنوب الشرقى على شكل منحنى ثم ينكسر بطول ٣١٠,٤١م

غرباً: شارع عرض ٣٥٠,٠٨م بطول: (٣٥٠,٠٨) ثلاثمائة و خمسون متر و ثمانية سنتمتر على شكل منحنى

ومساحتها :(١٥٩,١٣٣,٩٦) مائة و تسعة و خمسون ألفا و مائة و ثلاثة و ثلاثون متر مربعاً و ستة و تسعون سنتمتراً مربعاً فقط بناء على محضر اللجنة الفنية رقم ٣٧٠٠٠٢٧٤٦٩ في ٢٦ / ٧/ ١٤٣٧ هـ ومصدره أمانة محافظة جدة والمقيد في هذه الإدارة برقم ٣٧٢٨١٥١٦٥ في ٢ / ٨/ ١٤٣٧ هـ

والمستند فى افراغها على الصك الصادر من هذه الإدارة برقم ٨٢٠٢٢٦٠٠٩٨٢٩ في ٨ / ٢/ ١٤٣٨ هـ

قد انتقلت ملكيتها لـ: شركة صندوق تمكين العقارية (شركة شخص واحد) بموجب سجل تجاري رقم ٧٠٠١٩٨٠٥٨٥ وتنتهي في ٢٤ / ٣/ ١٤٤٠ هـ ،. بثمن وقدره ٤٠٥٠٠٠٠٠٠ أربعمائة و خمسة مليون ريال وعليه جرى التصديق تحريراً في ٧ / ٤/ ١٤٣٩ هـ لاعتماده ، وصلى الله على نبينا محمد وآله وصحبه وسلم.

الختم الرسمي

وزارة العدل
كتابة العدل الأولى بمحافظة جدة
كاتب العدل بمكتب رقم (٥)

كاتب العدل

رشيد بن شديد بن جابر الحربي

هذا المستند وحدة متكاملة ، وضياع أو تلف صفحة منه يؤدي إلى عدم صلاحية المستند

صفحة ١ من ١

مصلحة مطابع الحكومة – ٢٨٣٠٣٣ (هذا النموذج مخصص للاستخدام بالحاسب الآلي ويمنع تغليفه) نموذج رقم (١٢-٠٣-١)

APPENDIX 3 - TENANCY SCHEDULE (AS PROVIDED BY THE CLIENT)

Privileged Information – Contact Fund Manager

APPENDIX 4 – DISCOUNTED CASH FLOW (Al ANDALUS MALL, JEDDAH)

Al Andalus Mall Jeddah							Valuation Date:	31/12/2018				
Tenure:	Freehold											
Growth Rate	2.5%											
Void Costs	2.5%											
Operational Cost	17.0%	Rent Passing Yrs 1-5										
Operational Cost	17.0%	of Rent Passing										
Year		1	2	3	4	5	6	7	8	9	10	Exit Value
Gross Revenue (Rental)												
Ground Floor		133,034,268.25	130,492,579.04	133,754,893.52	137,098,765.85	140,526,235.00	144,039,390.88	147,640,375.65	151,331,385.04	155,114,669.66	158,992,536.41	
1st Floor		-	-	-	-	-	-	-	-	-	-	
Food Court		-	-	-	-	-	-	-	-	-	-	
Remainder		-	-	-	-	-	-	-	-	-	-	
Total Revenue		133,034,268.25	130,492,579.04	133,754,893.52	137,098,765.85	140,526,235.00	144,039,390.88	147,640,375.65	151,331,385.04	155,114,669.66	158,992,536.41	
Total Rent (Full Rental Value)		133,034,268	130,492,579	133,754,894	137,098,766	140,526,235	144,039,391	147,640,376	151,331,385	155,114,670	158,992,536	
Occupancy		93%	95%	95%	95%	94%	90%	90%	90%	90%	90%	
Gross Current Rent		123,721,869.47	123,967,950.09	127,067,148.84	130,243,827.56	132,094,660.90	129,635,451.79	132,876,338.08	136,198,246.53	139,603,202.70	143,093,282.77	
Operational Costs		21,651,327.16	21,074,551.51	21,601,415.30	22,141,450.69	22,456,092.35	22,038,026.80	22,588,977.47	23,153,701.91	23,732,544.46	24,325,858.07	
Void Costs		232,809.97	163,115.72	167,193.62	171,373.46	210,789.35	360,098.48	369,100.94	378,328.46	387,786.67	397,481.34	
Net Current Rent		101,837,732	102,730,283	105,298,540	107,931,003	109,427,779	107,237,327	109,918,260	112,666,216	115,482,872	118,369,943	1,392,587,569
Present Value Formula		0.904977376	0.81898405	0.741162036	0.670734875	0.606999887	0.549321164	0.497123226	0.449885272	0.407135993	0.368448862	0.368448862
Present Value of Net Rent		92,160,844	84,134,463.13	78,043,280.28	72,393,088	66,422,650	58,907,733	54,642,919.80	50,686,871.31	47,017,234	43,613,271	513,097,305
Exit Yield		8.50%										
Discount Rate		10.50%										
NPV (Gross value)	SAR	1,161,119,659										
Rounded Net Value	SAR	1,161,000,000										

APPENDIX 5 – DISCOUNTED CASH FLOW (STAYBRIDGE SUITES HOTEL, JEDDAH)

Staybridge Hotel | **Draft Valuation** | **Valuation Date: 31-Dec-18**

Prince Majid Street

Jeddah

Freehold Valuation with Management Contract

Period	1	2	3	4	5	6	7	8	9	10	
Year Ending December	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	
Total Revenue	30,529	32,178	33,903	35,484	37,124	38,823	40,585	42,410	44,300	46,259	
Adjusted NOI	15,132	15,570	16,437	16,849	17,627	18,434	19,271	20,137	21,035	21,965	
Cashflow Post-Capex	15,132	15,570	16,437	16,849	17,627	18,434	19,271	20,137	21,035	21,965	244,058

Valuation

Exit Yield	9.00%
Discount Rate	11.50%
NPV Gross Value	183,568,441
Tax Fees	2.50%
Draft Net Value	**179,091,162**
Rounded Net Value (SAR)	179,100,000

Analysis

Net Value	179,100,000
Keys	164
Net Value Per Key	1,092,073
Net Initial Yield	8.24%

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