Al Andalus Mall & Staybridge Suites

Valuation Report

Prepared by: Professional Experts for Real Estate Valuation trading as Colliers International
Prepared for: NCBC

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Executive Summary

Property Overview

- Al Andalus Mall comprises a fully enclosed shopping mall with national and international tenants. The Mall centre is arranged over ground, first and second floors and has a Gross Leasable Area of approximately 89,392 sqm. The Mall benefits from 7 entrance gates as well as approximately 3,000 car parking spaces. We have been advised that construction of the Mall concluded in 2006 and it was operational in 2007.
- Staybridge Suites is an upscale hotel that adjoins the Mall and benefits from 164 guestrooms, a restaurant, banquet hall with 2 additional meeting rooms as well as a fitness centre with wet leisure facilities. The hotel opened in 2017.
- The subject Properties are located on Prince Majid Road in the Al Fayhaa district of Jeddah. Jeddah is the largest city in Makkah Province and the second-largest city in Saudi Arabia after the capital city of Riyadh.

Exhibit: Photographs of the Subject Property




Exhibit: Property Details

Property Details	Information
Title Deed Number	720205029257
Title Deed Date	07/04/1439
Mall Site Area	152,910 sqm (as advised)
Mall Gross Lettable Area	89,393 sqm
Hotel Site Area	6,223 sqm (as advised)
Hotel Keys	164
Owner	Sandouq Tamkeen Real Estate Company
District	Al Fayhaa

Executive Summary

General Comments & Valuation

- Colliers International 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.
- Colliers has placed reliance on the information provided by the Client regarding revenues and expenses generated by the properties as well as its condition. Should it transpire that the information provided is incorrect, Colliers reserves the right to review and amend the report and the result of the assessment accordingly.
- 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 opinions. If any of the assumptions on which the assessment 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 us.
- **The provided tenancy schedule for the Al Andalus Mall suggests that certain lease agreements have expired on or before the valuation date. According to information received from the client, these agreements have in fact been extended under the previously effective terms however the tenancy schedule has not been duly updated due to operational peculiarities. We assume that the provided information is correct and refer a right to amend this valuation shall it prove to be the opposite.**
- Pease note property values are subject to fluctuation over time as market conditions change.

Exhibit: Property Details

Property Details	Information
Purpose of Valuation	Semi-annual valuation of the AlAhli REIT Fund (1)
Property Type	Hotel Property – Retail Property
Mall Site Area	152,910 sqm (as advised)
Hotel Site Area	6,223 sqm (as advised)
Interest Valued	Freehold
Instruction Date	July 7th, 2018
Valuation Date	June 30th, 2018
Valuation Approach	Investment Principle and Profits Principle
Currency Adopted	Saudi Arabian Riyals

Valuation Terms

- Introduction
- Applicable Standards
- Status of Valuer and Conflicts of Interest
- Purpose of Valuation
- Date of Valuation
- Date of Inspection
- Basis of Valuation
- Sources of Information

Valuation Terms

Introduction

- In accordance with formal instructions from NCBC (or the "Client"), dated June 7th, 2018, Professional Experts for Real Estate Valuation (trading as Colliers International take pleasure in enclosing our Report and Market Valuation of the freehold interest in Al Andalus Mall and Staybridge Suites, both of which are located in Jeddah, KSA.

Applicable Standards

- We confirm that this valuation report has been be prepared in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards (2017 Global Edition) and incorporating and complying with the International Valuation Standards (IVS) 2017.

Status of Valuer and Conflict of Interest

- We confirm that we are not aware of any existing or potential conflict of interest in acting on your behalf in this matter. Our General Assumptions and Definitions to which our valuation is subject, forms Appendix 2 to this report.

Purpose of Valuation

- Colliers has been requested to provide our opinion of value for the Subject Property for Semi-annual valuation of the AlAhli REIT Fund (1).

Date of Valuation

- We confirm that the date of valuation is June 30th, 2018.

Date of Inspection

We confirm that the Property was inspected on July 2nd, 2018. The property appears to be in good condition with signs of normal wear and tear. Please note that we have not inspected all the premises and assume all the areas which were not under inspection to be in good condition as well.

Basis of Valuation

- Our valuation is provided on the basis of Market Value:
  - "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 had each acted knowledgeably, prudently and without compulsion."

Sources of Information

We have relied upon the information provided to us, which is identified below, as well as in the relevant sections of this report:

- Al Andalus Mall Tenancy Schedule
- Al Andalus Mall Operational Expenses
- Staybridge Suites Financial Performance – YTD May 2018

Unless stated otherwise, we have assumed that the information provided is accurate and that we have been supplied with all the information that has a material effect upon the value of the Property. Please refer to page 10 for further details in relation to certain assumptions made within this valuation.

Disclaimers & Assumptions

- Assumptions and Special Assumptions
- Liability and Publication
- Valuation Uncertainty

Assumptions & Disclaimers

Disclaimers

Assumptions and Special Assumptions

- Assumptions are matters that are reasonable to accept as fact in the context of the valuation assignment without specific investigation or verification. They are matters that, once stated, are to be accepted in understanding the valuation.
- A special assumption is an assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date. Special assumptions are often used to illustrate the effect of changed circumstances on value.
- Only assumptions that are reasonable and relevant having regard to the purpose for which the valuation assignment is required shall be made.
- The provided tenancy schedule for the Al Andalus Mall suggests that certain lease agreements have expired on or before the valuation date. According to information received from the client, these agreements have in fact been extended under the previously effective terms however the tenancy schedule has not been duly updated due to operational peculiarities. We assume that the provided information is correct and refer a right to amend this valuation shall it prove to be the opposite.

Liability and Publication

- This report is issued for your own use, and that of your professional advisers, for the specific purpose to which it refers. Colliers do not accept any responsibility to any third party for the whole or any part of its contents.
- Neither the whole nor any part of this valuation or any reference thereto, may be included in any published document, circular or statement or disclosed in any way without Colliers' prior written consent to the form and context in which it may appear.

Valuation Uncertainty

- Market instability is one of the main causes of Valuation uncertainty (that is, the probability that the valuer's opinion would be the same as the price achieved by an actual sale at the valuation date) and it can arise when certain macroeconomic events cause a sudden and dramatic change on markets.
- 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. Due to this shortage it may be necessary at times for a Valuer to draw upon evidence which is of a historical nature.
- This evidence shortage, 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. 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.

Site Location Analysis

- Macro Location
- Micro Location
- Site Accessibility
- Public Transportation
- Demand Generators
- Retail Generators

Site Location Analysis

Macro Location

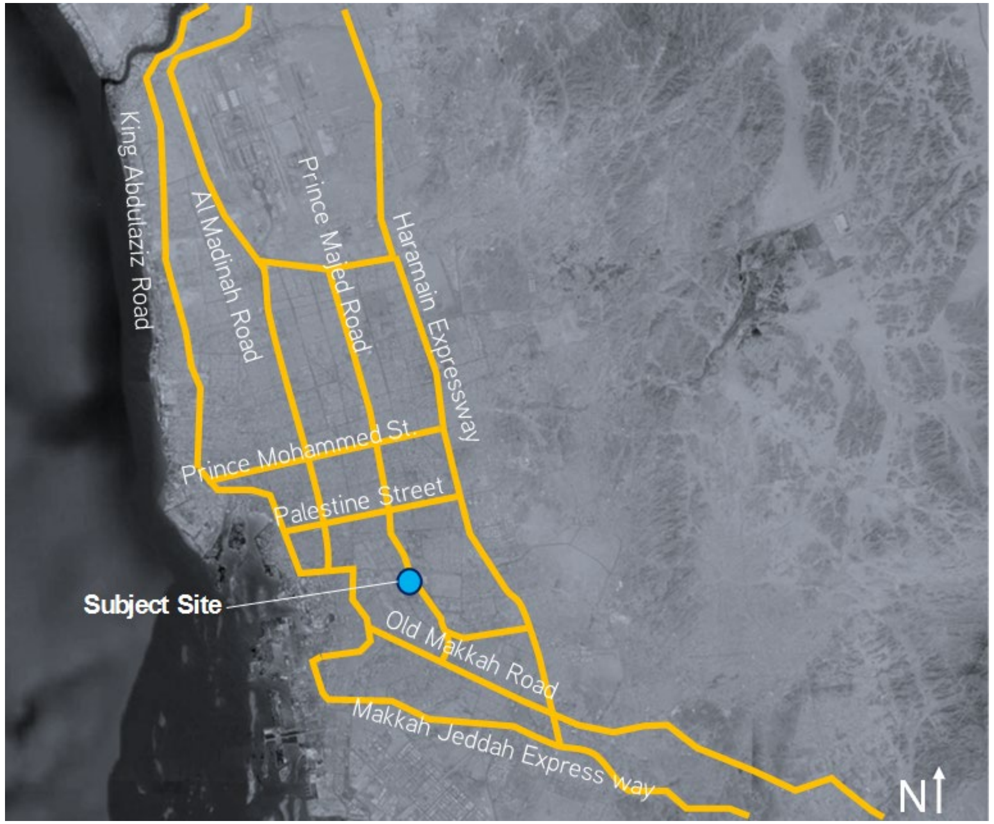
Introduction

This section of the report describes the nature, location and accessibility of the Subject Site.

Location

- Jeddah is the largest city in Makkah Province and the second-largest city in Saudi Arabia after the capital city of Riyadh.
- The Subject Site is located towards the middle of Jeddah in Al Fihaa District, approximately 12 km south of King Abdulaziz Airport.
- Al Fihaa District is perceived to be a middle to upper middle income area featuring high density residential apartment buildings.
- The Site is 80km away from Makkah.

Exhibit: Macro Location of the Subject Property



Source: Colliers International, 2018

Site Location Analysis

Micro Location

Subject Site Micro Location

- The subject Properties are located on Prince Majid Road in the Al Fayhaa district of Jeddah. The subject Properties benefits from frontage Prince Majid Road and King Abdullah Road.
- The Properties also have excellent accessibility and connectivity to major thoroughfares in Jeddah.
- The subject Properties are located in an area identified as a special development zone by Jeddah Municipality & JDURC, and the zone is to be an extension of Jeddah Downtown area.
- The area currently is occupied by two shopping malls (Al Salam Mall and Al Andalus Mall) and 'Jeddah Gate', which is a master planned community. The remaining areas are currently vacant with development planned for the coming years.
- Jeddah Gates a comprehensive masterplan community developed by Emaar Middle East. It spans over an area of 413,000 sqm and is proposed to feature a variety of components including residential (4,000 residences), office (75,000 sqm), commercial areas (30,000 sqm) and recreation facilities as well as landscaped gardens and water features. The project is underway and it's expected to be completed over several phases in the coming years. Phase (1) of the project (Abraj Al Hilal 1) was completed at the end of 2012, including three residential towers featuring a total of 273 high-rise apartment units and retail spaces. Phase (2) of the project (Abraj Al Hilal 2) is underway and it's expected to be completed by 2017 and it will offer three residential towers ranging between 17 and 21 floors, featuring a total of 326 high-rise apartment units.

Exhibit: Macro Location of the Subject Property

Source: Colliers International, 2018

Public Transportation

King Abdulaziz International Airport

Key Features of KAIA Expansion Plan:

- King Abdul Aziz Airport is the principal gateway to Makkah for international visitors. The airport is currently undergoing expansion, with development divided into three phases.

1. Phase 1 of the expansion project is expected to be delayed until 2018/2019, by which time, its handling capacity will increase from 13 million annual passengers (MAP) to 30 MAP. Due to delays in the expansion plans, the focus of the project is currently on phase 1 and uncertainty surrounds phase 2 and 3.
2. By the end of Phase 3, which is initially expected to be completed by 2035, the airport's capacity will rise to 80 MAP.
3. All foreign flights are expected to be directed to the new terminal currently under construction, while the south terminal (primarily in use by Saudi Airlines & Nas Air) is expected to be transformed into a cargo hub.
4. The new terminal area will have a total gross floor area of 670,000 sqm and include a hospitality component.
5. The project includes an expressway that is directly connected to Al-Haramain Expressway. The current main access from Madinah Road will be changed to Prince Majid Road as the main access road to the Airport.
6. The Airport will have a 4-way road tunnel for ground service equipment which will run underneath the Airport's central runway.

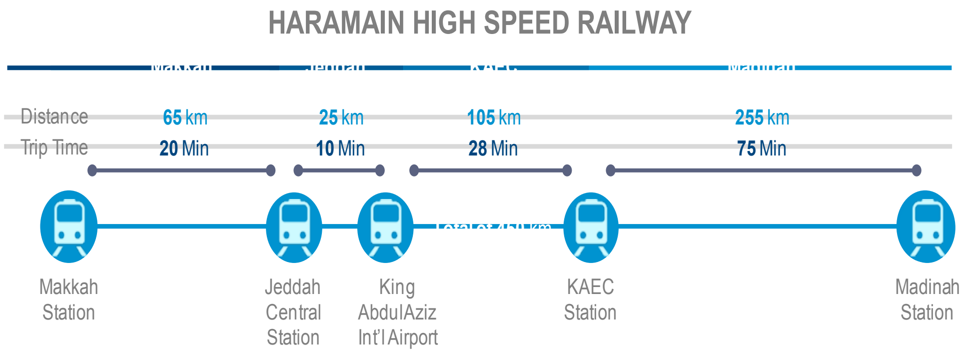
Exhibit: KAIA Expansion Renders

Source: Colliers international., 2017

Public Transportation

Planned HHRS & Intercity Transportation Network

The following provides a description brief on the Haramain High Speed Railway Station Project:






- **Quick Facts:**
- Length: 450 km
- Maximum Annual Capacity: 20 million passengers
- Maximum Speed: 300 km / hr
- Makkah-Madinah: 2.25 hours
- Makkah-Jeddah: 30 minutes
- Jeddah-KAEC: 30 minutes
- KAEC-Madinah: = 75 minutes

Haramain High Speed Railway Stations (HHRS)

- Haramain High Speed Rail: The proposed Haramain High Speed Railway link is a key, nation-wide transportation strategy that will connect the Holy Cities of Makkah, Madinah, and Jeddah, with a transit station located at Knowledge Economic City.
- The transportation system is expected to ease traffic during Hajj season, when religious tourism increases Madinah's population to an estimated 2 million residents, which is nearly double the resident population of the city.
- The Haramain High Speed Rail Station is located in Makkah. Moreover, it is one of five stations.
- Mass Transit System By 2021: A smart mass transit system has been announced by the Saudi Arabian Cabinet. It is expected for completion in 2021 and will introduce metro trains, fast bus services, parking facilities, fuel stations and maintenance centers; however, the project is currently put on hold.
- The metro will be linked to a rapid bus network, park-and-ride facilities, and the new Al-Haramain High-Speed Rail network. The transport project will be carried out in phases and is scheduled to complete over 8 years.
- Light Rail Transit System: A fully segregated light rail transit (LRT) is planned along King Abdul Aziz Road to providing connectivity between Al-Haramain High Speed Rail and Central Madinah.

Source: Colliers International, 2017

Site Location Analysis

Demand Generators

- A plethora of major demand generators and landmark developments are located in proximity to the subject Properties. The map below illustrates the distance between the subject Site and nearby landmarks, which include:
- Jeddah Islamic Port
- Corniche
- International Medical Centre
- Jeddah Gate
- King Abdulaziz University
- Al Salam Mall
- Jeddah Train Station

Exhibit: Major Developments

Source: Google Earth 2018, Colliers International 2018

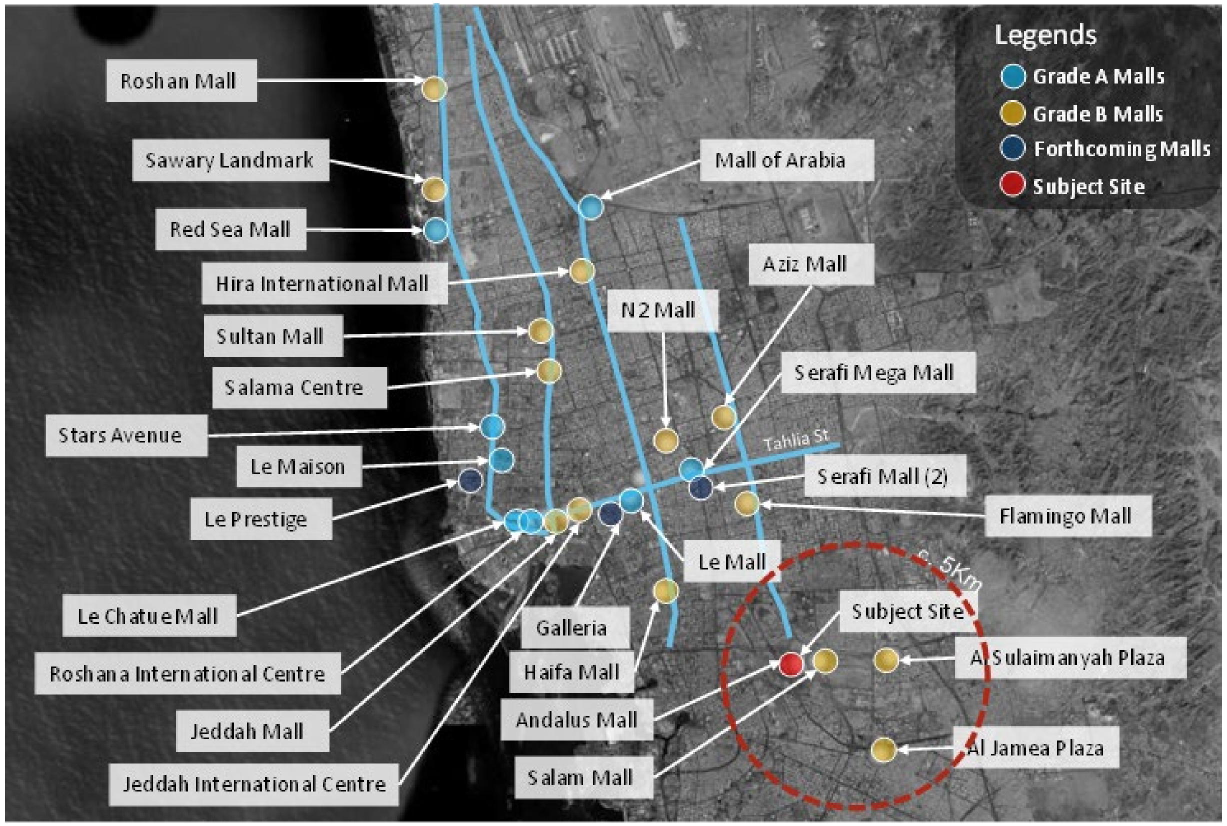
Macro Location

Retail Generators

- Jeddah benefits from a large supply of shopping malls which are mostly concentrated in west and north of the city along Tahlia Street and Kings Road.
- East Jeddah is expected to witness a significant wave of development activity in the coming years due to the inception of major developments such as Haramain High Speed Railway station and Jeddah New City Centre (Old Airport Area). These developments are expected to drive higher footfall to the areas with direct and secondary contact. It is hoped that this will also reposition the profile of these areas into upmarket districts.
- The following exhibit depicts the location of the Subject Property in relation to the majority of existing and forthcoming shopping malls in Jeddah:

Source: Colliers research, 2017

Exhibit: Retail Generators Map



Source: Colliers International, 2018

Property Details

- Property Description
- Tenure
- Risk Assessment

Property Description

Al Andalus Mall

- Al Andalus Mall comprises a fully enclosed shopping mall with national and international tenants. We have been advised that construction of the Mall concluded in 2006 and it was operational in 2007.
- The Mall is situated on an irregular shaped site extending to approximately 152,910 sqm. The Mall centre is arranged over ground, first and second floors and has a Gross Leasable Area of approximately 89,713 sqm as advised by the Client. The Mall benefits from 7 entrance gates as well as approximately 3,000 car parking spaces.

External

- The building is of reinforced concrete frame construction beneath a flat, split-level, concrete/profiled metal roof. The external envelope is finished with painted pre-cast concrete panels to all elevations incorporating full height glazed sections to the entrance gates.

Internal

- Finishes to the common areas include polished ceramic tiled concrete floors with granite borders and skirting's throughout and painted plasterboard suspended ceilings which incorporate recessed fluorescent spot lighting. Finishes to shop frontages vary with each tenant's specifications. Access from ground to first level is facilitated via 6 escalators, 14 escalators and 2 panoramic lifts which are located within the mall and provide good interconnectivity between each level.
- The children's entertainment area includes several removable rides and arcade games as well as an ice skating rink.
- Finishes to the service corridor are basic and functional comprising a combination of painted concrete and plaster walls, tiled floors and recessed down lighters.
- Al Andalus Mall management office is situated on the second floor, which is accessed via a service corridor.
- The office area has been divided by lightweight demountable partitioning. The internal finishes are of a good standard with ceramic tiled flooring, painted plaster walls and suspended ceiling incorporating recessed fluorescent lighting.
- HyperPanda is located at first floor level together with the entertainment zone. HyperPanda have their own independent loading bays and warehousing located to the rear of the mall. Access to the warehousing area is facilitated by a concrete access ramp to the first level.
- Access to the roof was facilitated from within the mall via staircase and service elevator. The main roof is flat and of concrete slab construction. However, there is raised section of roof over part of the structure covered with profiled metal sheet cladding. The roof houses plant and machinery associated with the Central air-conditioning system for the mall as well as the individual split system air-conditioning units installed by the tenants.
- A Building Management System is installed within the Centre in addition to a comprehensive security system featuring numerous CCTV cameras. Overhead fire sprinklers, fire alarms, hose reels, extinguishers and detectors are fitted throughout the entire property.

Property Description

Al Andalus Mall

Extension

- The Mall has been extended from its southern elevation by 8,000 sqm. We have not been provided with the development cost but we understand works were completed at the end of 2016. The expanded area has already been fully leased, with anchor tenants including Red Tag and City Max.
- Additionally, 5 new food court units have been developed as an extension to the existing area. These units is ranged from 52 sqm to 62 sqm each and was developed at a cost of SAR 11.38m.

Exhibit: Photographs of the Mall



Property Description

Staybridge Suites

- Staybridge Suites is an upscale hotel that adjoins the Mall and benefits from 164 guestrooms.
- In terms of the configuration of the Hotel, the reception is located on the ground floor, with 235 car parking spaces locating on the basement, ground and first floors.
- There is a restaurant on the first floor, which benefits from 70 covers and is identified as ‘The Hub’, as well as a club lounge.
- On the second floor there is a banquet hall that can be divided into 5 meeting rooms, as well as 2 individual meeting rooms with audio visual equipment. On this level there is also a fitness centre, sauna room and a 20 metre outdoor swimming pool.
- The Hotel also benefits from an outdoor tennis court, which is located on the fourth floor.
- With respect to the guestrooms, there are three separate categories of rooms; studio (45 sqm), one bedroom (65 sqm) and two bedroom (100 sqm), with each room similar in style and décor but varying in size.

Exhibit: Photographs of the Hotel

Tenure

Overview

- We have been provided with the detailed of Title Deed for the Property. We have assumed the following details to be correct for the purposes of this report. However, should there be any inconsistencies, we reserve the right to amend our valuation.
- All aspects of tenure/title should be checked by the client's legal representative prior to any financial commitment. Should any assumptions made within the body of this report prove to be incorrect then the matter should be referred back to the valuer in order to ensure the valuation is not adversely affected.

Exhibit: Tenure Overview

Description	*Detail*
City	Jeddah
District	Al Fayhaa
Total Area As the Title Deed	199,054 sqm
Plot size of the Mall	152,910 sqm (as advised)
Plot size of the Hotel	6,223 sqm (as advised)
Owner as per Title Deed	Sandouq Tamkeen Real Estate Company
Title	Freehold

Risk Assessment

Property Risk Assessment

- The Subject Site is located in the Al Fihaa district of Jeddah, ideally positioned to take advantage of the demand that exists for the retail segment. Accessibility, aspect, infrastructure, amenities and the surrounding profile are all key elements in mitigating risk.
- The subject property, like any other property investment, is exposed to certain risks as follows:
  - Interest Rate Risk
  - Economic Risk
  - Liquidity Risk
  - Location Risk
- The future uncertainties of rentals, occupancies, economic conditions all impact significantly when determining future cash flows and hence the inherent value of the Property. Market forces of supply and demand dictate the level of success of any property. In boom times demand is greater than supply thus putting upward pressure on prices and rentals therefore price increases resulting in increased values. During periods of recession the converse is true.

Andalus Mall Valuation

- Valuation Methodology
- Valuation

Valuation Methodology

Al Andalus Mall

Valuation Approach

- In determining our opinion of Market Value of the subject Property, we have utilized the Investment Approach via the Discounted Cash Flow technique.
- Discounting Cash Flow (DCF) analysis is defined in the International Valuation Standards as a financial modelling technique based on explicit assumptions regarding the prospective cash flow of a property. This analysis involves the projection of a series of periodic cash flows a property is anticipated to generate, with regard given to the frequency and timing of associated development costs, contingency allowances etc. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with a property.
- With regard to the subject Property, the cash flow has been calculated on an annual basis over a hold period of ten years. With respect to the growth rate applied throughout our cash flow, we have adopted the long term average inflation rate for Saudi Arabia at 2.0%. The cash flow is discounted back to the date of valuation at an appropriate rate to reflect risk in order to determine the Market Value. It is important to note that the cash flows reflect assumptions that market participants would use when pricing the asset (i.e. determining its value).
- The future values quoted for the exit value of the Property, the projected rents as well as costs are forecasts 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.

Valuation Inputs

- We have assumed that the rents included within the tenancy schedule provided are inclusive of a service charge contribution for the maintenance and management of the common areas.
- The terms of sample lease agreements reviewed for the purposes of this valuation appear to be in line with market norms and standards.
- The level of rental income achievable by the property is in line with the figures achievable by similar properties within the local market.
- According to the information provided by the Client some of the tenants operate under discounted rents on the basis of lower-than-expected sales revenue. Consequently, the revenue projected for the first year of operations reflects the discounts provided to the tenants.
- The provided tenancy schedule for the Al Andalus Mall suggests that certain lease agreements have expired on or before the valuation date. According to information received from the client, these agreements have in fact been extended under the previously effective terms however the tenancy schedule has not been duly updated due to operational peculiarities. We assume that the provided information is correct and refer a right to amend this valuation shall it prove to be the opposite.
- Based on information and further clarifications provided by the client, we have assumed Operational Expenditure at 21.0% of gross rental revenue. This amount is in line with OPEX expected from a property of type and condition similar to the subject asset.

Valuation

Al Andalus Mall

Rental Income

- Based on the information provided by the client, the Mall has a current gross rental income of SAR 130,492,579.
- A significant number of the tenants have agreed fixed rental increases and this has been explicitly modelled within our cashflow.

Exit Yield

- Typically, the Exit Yield is derived from transactional evidence in the local market. However, we note that due to limited market activity as well as a lack of transparency with regard to real estate transactions, we have had to rely on anticipated market participants expectations from typical property investments. These typically vary between 8% and 12% in the Jeddah retail market, with the determining factors including the specification and condition of the property, covenant strength and location.
- Based on the above criteria, we are of the opinion that an Exit yield of 9. 75% should be applied to the subject Property.

Discount Rate

Theoretically the discount rate reflects the opportunity cost of capital as well as the return required to mitigate the risk associated with the particular investment type in question. Risk is typically related to market risk and property specific risk, with the former related to the state of the current property market whilst the latter related to the specific characteristics of the asset.

The associated risks assessment and corresponding rate is based on the market participants' expectations for the risk associated with the cash flows due to variations in the amount or timing of the cash flows, the uncertainty inherent in the cash flows and other specific risk factors.

When assessing the discount rate for the valuation for the Mall we had regard to the fact there has been positive progress at the Mall over the past months, including:

- Completed extension of the property.
- Leased new units and renewed existing leases.
- Opened the hotel which creates a synergetic effects and benefits the property.

Additionally, we took account of the following externalities:

- The purchasing power has decreased on the back of reduced salaries/lower job security/more uncertainty
- As the result the retail segment is not performing as well as it had 12-18 months ago.
- The cost of borrowing money has increased over this period of time.
- The lack of liquidity in the market negatively influences disposal of high-value assets similar to the subject property (both in terms of likelihood of sale and time/effort required for a transaction).
- As a result, for the purpose of our valuation calculations we have adopted a discount rate of 11.25%.

Value Summary

- We summarise the key details of the DCF in the table below:

Description	*Details*
Gross Rental Income (SAR)	130,492,579
Operational Expenditure	21.0%
Exit Yield	9.75%
Discount Rate	11.25%
Market Value (Rounded) SAR	**1,117,000,000**

Staybridge Suites

Valuation

- Valuation Methodology
- Opinion of Valuation

Valuation Methodology

Staybridge Suites Hotel

- With regard to the valuation of trading assets such as hotels, we typically adopt the Discounted Cash Flow approach under Profits Principle, which involves projecting the overall EBITDA levels achievable at the subject Property over a 10 year hold period. The income in the 10th year is capitalised at an Exit Yield, with the overall cash flow then discounted at an appropriate rate to determine Market Value. When valuing leasehold assets the approach slightly changes with the hold period representing the unexpired term of the lease, and the exclusion of an Exit Value.

- With regard to the projections of EBITDA, this is achieved by analysing the key characteristics of the subject property, taking into account factors such as location, brand of hotel, condition and specification, operating structure and the local and national economy. Projections are then made with regard to Occupancy and Average Daily Rate, Total Revenue, Departmental Expenses, Operating Expenses, Management Fees, Fixed Charges and Reserve for Furniture, Fixtures and Equipment.

- The future values quoted in the cash flow are projections only formed on the basis of information currently available to us and are not representations of what the income/expenses/value of the Property will be as at a future date.

- With respect to the projections for the subject Property, we have applied inflationary growth at 2.5%, which represents the long term view of the Saudi Arabian economy as projected by Trading Economics.

Valuation

Staybridge Suites Hotel – Projected Trading

Key Performance Indicators

- When assessing the future Occupancy level and Average Daily Rate (ADR) achievable at the Hotel we have taken various factors into account, such as key performance indicators in the local market, the characteristics of the Property, the supply pipeline, and management's strategy for room sales going forward.
- In terms of Occupancy, we expect the Hotel to reach a level of 60.0% in Year 1. However, as the Hotel becomes more established in the market we expect Occupancy at the Hotel to grow year on year and stabilise in Year 4 at 66.0%. We consider this attainable given the demand for accommodation in this location, the expected quality of the Hotel and the demand divers in the local area.
- Regarding the Average Daily Rate (ADR), we have projected rate to equate to SAR 697 in Year 1 in real terms, which we consider realistic given that upon completion of the Hotel it will have to establish itself in the local market. Thereafter, as the Hotel becomes more renowned in the local market, we have projected ADR to grow year on year in real terms to SAR 828 stabilisation in Year 4.
- As a result of the above, we project RevPAR to grow from SAR 418.0 in Year 1 to SAR 546.0 in real terms at stabilisation in Year 4.
- We provide a summary of the Key Performance Indicators for the Hotel in the table below:

- Key Performance Indicators

Year	1	2	3	4
Occupancy	60.0%	62.0%	64.0%	66.0%
ADR	697	746	786	828
RevPAR	418	462	503	546

Source: Colliers International, 2018

Departmental Revenue

- **Rooms Revenue:** Given that Rooms Revenue is directly linked to the ADR and Occupancy levels, we have projected sales from this department to equate to SAR 25.0m in Year 1 and grow to SAR 32.7m in Year 4, and have stabilised at this level.

- **Food and Beverage (F&B) Revenue:** The Uniform System of Accounts for Hotels defines food revenue as revenue derived from the sale of food, including coffee, milk, tea and soft drinks. Food revenue also includes cover charges, service charges and miscellaneous banqueting revenue, whilst beverage revenue is generated from the sale of drinks in restaurants and banqueting rooms. We have projected F&B Revenue to equate to SAR 2.1m in Year 1, which represents 8.0% of Total Revenue. Thereafter, given the increases in Occupancy and the potential for passing external trade once the Hotel becomes established in the market, we have grown F&B Revenue to stabilize in Year 4 at SAR 4.0m (11.0% of Total Revenue).

- **Minor Operating Departments:** For the subject Hotel we expect income from this department to derive from auxiliary facilities and services, including telephone, laundry and dry cleaning. This typically accounts for a relatively small portion of revenue at a hotel and thus we have projected a total contribution of 0.5% of Total Revenue throughout our cashflow.

- **Total Revenue:** As a result, we project Total Revenue to stabilise in Year 4 at SAR 36.9m.

Valuation

Staybridge Suites Hotel – Projected Trading

Departmental Expense

- **Rooms Expenses:** These expenses consist of the cost of servicing the rooms and providing laundry and supplies. We have projected Rooms Expenses to account for 18.0% of Rooms Revenue in Year 1. As Rooms Revenue grows we expect costs in monetary terms to remain relatively stable, thus Rooms Expenses as a proportion of sales are projected to decline year on year and stabilise in Year 4 at 15.0%.

- **Food and Beverage (F&B) Expenses:** Food and beverage Expenses include all items of expenditure necessary to operate the Hotel's outlets. The most expensive costs within this expense category are usually salaries as well as the cost of all supplies. F&B Expenses are projected to account for 70.0% of F&B Revenue in Year 1 and decrease year on year to 64% at stabilisation in Year 4. We expect this increase in efficiency as with a higher number of customers, management will be able to benefit from economies of scale with respect to acquiring supplies. Additionally, the staffing costs will generally be fixed for the F&B outlets and thus the department will become more profitable as revenues grow.

- **Minor Operating Departments:** We have projected costs related to Minor Operating Departments at 50% of revenue generated from this department.

Undistributed Operating Expenses

- Administrative and General (A&G) Expenses: We have deducted A&G costs at 7.0% of Total Revenue in Year 1 and stabilised in Year 4 at 6.0% of Total Revenue.
- Sales and Marketing (S&M) Expenses: We have deducted S&M costs at 4.0% of Total Revenue in Year 1 and stabilised at this level.
- Maintenance: We have made an allowance for Maintenance costs of 4.0% of Total Revenue in Year One and stabilised at this level.
- Utilities: We have made an allowance for Utilities expenses of 4.0% of Total Revenue in Year One and stabilised at this level.

Management Fees

Consistent with the agreement provided by the client, we have deducted management fees at the following:

- License Fee of 1.5% of Gross Revenue in Years 1-3
- License Fee of 1.75% of Gross Revenue thereafter
- Incentive Fee of 4.3% of Adjusted Gross Operating Profit in Years 4
- Marketing Fee of 4% of Gross Rooms Revenue

Valuation

Staybridge Suites Hotel – Projected Trading

Fixed Charges

- In terms of Fixed Charges, we have made an allowance for building insurance at 0.1% of Total Revenue.

Reserve for Renewals/Furniture, Fixtures and Equipment Allowance

- As per the management agreement, we have deducted an allowance for FF&E at the following
- 1.0% of Total Revenue in Year 1
- 2.0% of Total Revenue in Year 2
- 3.0% of Total Revenue in Year 3
- 4.0% of Total Revenue in Year 4

Earnings Before Interest, Tax, Depreciation and Amortization

- As a result of the above, we project EBITDA to equate to SAR 13.80m in Year 1 (profit conversion of 50.5%) and to grow to SAR 18.30m at stabilization in Year 4 (profit conversion of 49.5%).
- We provide a financial summary of our trading projections in the table below in both real values and future values, with the latter inclusive of inflationary growth:

Valuation

Staybridge Suites Hotel – Projected Trading

Projected Trading Performance in Real Values

Staybridge Suites					
Period	1	2	3	4	5
Year	2019	2020	2021	2022	2023
Rooms	164	164	164	164	164
Occupancy	60.0%	62.0%	64.0%	66.0%	66.0%
ADR (SAR)	680	710	730	750	750
RevPAR (SAR)	**408**	**440**	**467**	**495**	**495**
Total Revenue (SAR 000s)	**26,692**	**29,116**	**31,248**	**33,481**	**33,481**
Departmental Expenses (SAR 000s)	5,958	6,334	6,615	6,885	6,885
Departmental Profit (SAR 000s)	20,734	22,782	24,632	26,596	26,596
Undistributed Expenses (SAR 000s)	5,071	5,459	5,781	6,027	6,027
Gross Operating Profit (SAR 000s)	**15,663**	**17,323**	**18,852**	**20,569**	**20,569**
Management Fees (SAR 000s)	1,897	2,086	2,257	2,612	2,612
Fixed Charges (SAR 000s)	27	29	31	33	33
FF&E Reserve (SAR 000s)	267	582	937	1,339	1,339
EBITDA (SAR 000s)	**13,472**	**14,625**	**15,626**	**16,585**	**16,585**
Net Profit %	50.5%	50.2%	50.0%	49.5%	49.5%

Source: Colliers International, 2018

Projected Trading Performance in Future Values

Staybridge Suites					
Period	1	2	3	4	5
Year	2019	2020	2021	2022	2023
Rooms	164	164	164	164	164
Occupancy	60.0%	62.0%	64.0%	66.0%	66.0%
ADR (SAR)	697	746	786	828	849
RevPAR (SAR)	**418**	**462**	**503**	**546**	**560**
Total Revenue (SAR 000s)	**27,359**	**30,590**	**33,650**	**36,957**	**37,881**
Departmental Expenses (SAR 000s)	**6,107**	**6,655**	**7,124**	**7,600**	**7,790**
Departmental Profit (SAR 000s)	21,252	23,935	26,526	29,357	30,091
Undistributed Expenses (SAR 000s)	5,198	5,736	6,225	6,652	6,819
Gross Operating Profit (SAR 000s)	**16,054**	**18,200**	**20,301**	**22,704**	**23,272**
Management Fees (SAR 000s)	1,945	2,192	2,431	2,883	2,955
Fixed Charges (SAR 000s)	27	31	34	37	38
FF&E Reserve (SAR 000s)	274	612	1,010	1,478	1,515
EBITDA (SAR 000s)	13,809	15,366	16,827	18,306	18,764
Net Profit %	50.5%	50.2%	50.0%	49.5%	49.5%

Source: Colliers International, 2018

Valuation

Staybridge Suites Hotel – Valuation

Exit Yield

- The Yield is a capitalisation rate, usually referred to as an All Risks Yield, which takes into account all of the risks associated with realising the projected income.
- Due to the dearth of transitions, and the lack of transparency when they are carried out, the usual approach we adopt to arrive at the capitalization rate is to discuss with fund managers, developers, investors and banks the yields they are seeing in the market for similar properties. We also have an extensive database of hotel valuations carried out in KSA and we also speak to brokers to discuss their expectations. The allowance for the discount rate (section below) is typically the growth rate (inflation in this instance), with any additional premiums for any additional property or market risk. Taking in to account the Hotel's location, specification and projected performance, we have arrived at an Exit Yield of 9.5% for the subject Property.

Discount Rate

- Theoretically the discount rate reflects the opportunity cost of capital and the return required to mitigate the risk associated with a particular investment type. Although benchmark data is preferable, the availability of this evidence is scarce. As a result, the prudent approach is to look at capitalisation rate evidence and make adjustments for inflation.
- In addition, when reviewing the Discount Rate it is important to consider Market risk and Property Specific risk. Market Risk comes in the form of potential competition from existing as well as future supply and also considers the state of the property market. Property Specific Risk reflects the liquidity of the market for large assets as well as the additional costs in maintaining and operating the property.
- As a result of the above, we have arrived at a Discount Rate of 12.0% for the subject Property.

Trading Valuation

- As a result of the above, we have arrived at a Market Value for the subject Hotel of SAR 178,000,000. We summaries the key details of the valuation below:

Valuation Summary

Room Count	Exit Yield	Discount Rate	Valuation (SAR)	Value Per Key (SAR)
164	9.5%	12.0%	178,000,000	1,100,000

- In order to ascertain whether this valuation accurately reflects the Market Value of the subject Property, we also carried out a sense check by analysing the price per key. Based on our understanding of the local market, as well as various hospitality projects that we have been involved in, we are of the opinion that a price per key of 1,100,000 SAR per key is an accurate reflection of the Hotel's Market Value.

Opinion of Value

- Andalus Mall & Staybridge Suites Opinion of Value

Opinion of Value

Unless stated otherwise, we have assumed that the information provided by the Client in relation to the revenues and expenses associated with the property is accurate and that we have been supplied with all the information that has a material effect upon the value of the Property. Consequently, our opinion of the Market Value (Rounded and Subject to Details in the Report) of the subject property as at June 30, 2018 is the following:

Al Andalus Mall – 1,117,000,000 (One Billion One Hundred Seventeen Million Saudi Riyals)

Staybridge Suites - 178,000,000 (One Hundred Seventy Eight Million Saudi Riyals)

Yours sincerely,

مكتب خبراء المهنة للتقييم العقاري
س.ت: ١٠١٠٩٠١٤٦٤
الغرفة التجارية: ٤٢٩٨٠٠

Mansour Al Mubarak
Taqeem Member-Ship No. 1210000085
For and on behalf of Professional Experts for Real Estate Valuation Company trading as
Colliers International in the Kingdom of Saudi Arabia

Appendices

- Appendix 1: Property Photographs
- Appendix 2: Assumptions & Definitions
- Appendix 3: Certificates

Appendix 1: Property Photographs

Appendix 1

Al Andalus Mall Photographs

Staybridge Suits Hotel Photographs

Appendix 2: Assumptions & Definitions

Assumptions & Definitions

The valuation has been prepared by a suitably qualified valuer, as defined by the Valuation - Professional Standards 2014, on the basis set out below unless any variations have been specifically referred to under the heading "Special Remarks":

1. **Market Value**

Where we have been instructed to value the property on the basis of Market Value, we have done so in accordance with the Valuation - Professional Standards issued by The Royal Institution of Chartered Surveyors, which is defined as follows:

'The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'

The interpretative commentary on Market Value, as published in International Valuation Standards 1, has been applied.

2. **Depreciated Replacement Cost (DRC)**

If we have provided a valuation based on Depreciated Replacement Cost, as set out in the Valuation Standards, this has been arrived at in accordance with the definition settled by the International Valuation Standards Committee as follows:

'DRC is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.'

International Accounting Standards stipulate that DRC may be used as a basis for reporting the value of Specialised Property in Financial Statements. DRC is recognised as a basis only for this purpose. For other purposes DRC may be used as a method to support a valuation reported on another basis.

3. **Worth and Investment Value**

Where we have been instructed provide valuations based on worth, or investment value, we have done so in accordance with the Valuation Standards issued by the Royal Institution of Chartered Surveyors, which is defined as follows:

The value of property to a particular owner, investor or class of investors for identified investment or operational objectives'.

Although under some circumstances worth may be the same as the amount that could be realised from the sale of the asset, this value is specific to a particular party and essentially reflects the benefits received by holding the asset and therefore does not necessarily involve hypothetical exchange. It may differ from market value. Statements. DRC is recognised as a basis only for this purpose. For other purposes DRC may be used as a method to support a valuation reported on another basis.

4. **Fair Value**

Where we have been instructed to value the property on the basis of Fair Value, we have done so in accordance with the Valuation Standards issued by the Royal Institution of Chartered Surveyors which is defined as follows:

'The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties, in an arms length transaction'

The above definition has been settled by the International Valuation Standards Committee.

Fair Value represents the price that would be reasonably agreed between two specific parties for the exchange of an asset. Although the parties may be unconnected and negotiating at arm's length, the asset is not necessarily exposed in the wider market and the price agreed may be one that reflects specific advantages (or disadvantages) of ownership to the parties involved rather than the market at large.

5. **Existing Use Value (EUV)**

If we have provided an opinion of Existing Use Value this has been arrived at in accordance with the Valuation Standards, which is defined as follows:

'The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.'

This basis ignores any element of hope value for an alternative use, any value attributable to goodwill and any possible increase in value due to special investment or financial transactions (such as sale and leaseback) which would leave the owner with a different interest from the one which is valued. However, it includes any value attributable to any possibilities of extensions or further buildings on undeveloped land or redevelopment of existing buildings (all for the existing planning use) providing such construction can be undertaken without major interruption to the continuing business.

Assumptions & Definitions

6. **Market Rent (MR)**

Valuations based on Market Rent (MR), as set out in the Valuation Standards, adopt the definition as settled by the International Valuation Standards Committee which is as follows:

'The estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.'

MR will vary significantly according to the terms of the assumed lease contract. The appropriate lease terms will normally reflect current practice in the market in which the property is situated, although for certain purposes unusual terms may need to be stipulated. Matters such as the duration of the lease, the frequency of rent reviews, and the responsibilities of the parties for maintenance and outgoings, will all impact on MR. In certain States, statutory factors may either restrict the terms that may be agreed, or influence the impact of terms in the contract. These need to be taken into account where appropriate. The principal lease terms that are assumed when providing MR will be clearly stated in the report. Rental values are provided for the purpose described in this report and are not to be relied upon by any third party for any other purpose.

7. **Rental Assessment**

Unless stated otherwise within the report, our valuation has been based upon the assumption that the rent is to be assessed upon the premises as existing at the date of our inspection.

8. **Reinstatement Valuation**

If we have prepared a Reinstatement Valuation we will not have carried out a detailed cost appraisal and the figure should therefore be considered for guidance purposes only.

Assumptions & Definitions

9. **Purchase and Sale Cost**

No allowance has been made for legal fees or any other costs or expenses which would be incurred on the sale of the property. We have, however, made deductions to reflect purchasers' acquisition costs. These are based on appropriate tax rates. It should be noted, however, that for properties of an unusually large lot size it is common market practice that a purchaser would not expect to pay the standard agents and solicitors costs. Accordingly, we may consider in these instances that it is appropriate to adopt a reduced rate.

10. **Measurements**

We have not undertaken measurement surveys during the course of our valuation and have relied upon information provided by the client. We reserve the right to review our valuation should the areas prove to be other than provided to Colliers.

11. **Condition**

Unless otherwise stated within the report, we have not carried out a building survey, nor have we inspected the woodwork or other parts of the structure which are covered, unexposed or inaccessible and we are, therefore, unable to report that such parts of the property are free from rot, beetle or other defects. Where we have noticed items of disrepair during the course of our inspections, they have been reflected in our valuations, unless otherwise stated. We have assumed that none of the materials commonly considered deleterious are included within the properties. These include, inter alia, the following:

- High aluminium cement concrete
- Asbestos
- Calcium chloride as a drying agent
- Wood wool slabs on permanent shuttering
- Polystyrene and polyurethane used as insulation in cladding

None of the services, drainage or service installations was tested and we are, therefore, unable to report upon their condition.

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12. **Environmental Matters**

Unless otherwise stated within the report, we have not carried out soil, geological or other tests or surveys in order to ascertain the site conditions or other environmental conditions of the property. Unless stated to the contrary within the report, our valuation assumes that there are no unusual ground conditions, contamination, pollutants or any other substances that may be environmentally harmful.

13. **Fixtures and Fittings**

In arriving at our opinions of value we have disregarded the value of all process related plant, machinery, fixtures and fittings and those items which are in the nature of tenants' trade fittings and equipment. We have had regard to landlords' fixtures such as lifts, escalators, central heating and air conditioning forming an integral part of the buildings. Where the property is valued as an operational entity and includes the fixtures and fittings, it is assumed that these are not subject to any hire purchase or lease agreements or any other claim on title. No equipment or fixtures and fittings have been tested in respect of Electrical Equipment Regulations and Gas Safety Regulations and we assume that where appropriate all such equipment meets the necessary legislation. Unless otherwise specifically mentioned the valuation excludes any value attributable to plant and machinery.

14. **Tenure, Lettings and Reports on Title and/or Tenancies**

Unless otherwise stated, we have not inspected the title deeds, leases and related legal documents and, unless otherwise disclosed to us, we have assumed that there are no onerous or restrictive covenants in the titles or leases which would affect the value. Where we have not been supplied with leases, unless we have been advised to the contrary, we have assumed that all the leases are on a full repairing and insuring basis and that all rents are reviewed in an upwards direction only, at the intervals notified to us, to the full open market value. We have assumed that no questions of doubt arise as to the interpretation of the provisions within the leases giving effect to the rent reviews. We have disregarded any inter-company lettings and have arrived at our valuations of such accommodation on the basis of vacant possession. If a solicitors' Report on Title and/or Tenancies has been provided to us, our valuation will have regard to the matters therein. In the event that a Report on Title and/or Tenancies is to be prepared, we recommend that a copy is provided to us in order that we may consider whether any of the matters therein have an effect upon our opinion of value.

Assumptions & Definitions

15. **Taxation**

Whilst we have had regard to the general effects of taxation on market value, we have not taken into account any liability for tax which may arise on a disposal, whether actual or notional, and neither have we made any deduction for Capital Gains Tax, Valued Added Tax or any other tax.

16. **Mortgages**

We have disregarded the existence of any mortgages, debentures or other charges to which the property may be subject.

17. **Operational Entities**

Where the property is valued as an operational entity and reference has been made to the trading history or trading potential of the property, reliance has been placed on information supplied to us. Should this information subsequently prove to be inaccurate or unreliable, the valuation reported could be adversely affected. Our valuation does not make any allowance for goodwill.

18. **Local Authorities, Statutory Undertakers and Legal Searches**

We have not made any formal searches or enquiries in respect of the property and are therefore unable to accept any responsibility in this connection. We have, however, made informal enquiries of the local planning authority in whose areas the property is situated as to whether or not they are affected by planning proposals. We have not received a written reply and, accordingly, have had to rely upon information obtained verbally. We have assumed that all consents, licences and permissions including, inter alia, fire certificates, enabling the property to be put to the uses ascertained at the date of our inspection have been obtained and that there are no outstanding works or conditions required by lessors or statutory, local or other competent authorities.

Assumptions & Definitions

19. **Energy Performance Certificates**

We have assumed that where Energy Performance Certificates are required they will be provided without undue delay and at reasonable cost. Ratings will not simply reflect a building's age, and some modern air-conditioned buildings may receive a low rating. We are not currently aware of any market evidence to suggest that a building's energy efficiency rating will impact upon its market value but this could be the case in future.

20. **Arrears**

We have assumed that all rents and other payments payable by virtue of the leases have been paid to date. If there is rent or other arrears, we recommend that we should be informed in order that we may consider whether our valuation should be revised.

21. **Defective Premises Act, Health & Safety at Work**

Unless advised to the contrary, we have assumed that the properties comply with, and will continue to comply with, the current Health & Safety and Disability legislation.

22. **Insurance**

In arriving at our valuation we have assumed that the building is capable of being insured by reputable insurers at reasonable market rates. If, for any reason, insurance would be difficult to obtain or would be subject to an abnormally high premium, it may have an effect on value.

23. **Standard Terms of Business**

We confirm that this valuation report has been provided in accordance with our Standard Terms of Business.