Valuation Report.

Al Andalus Mall and Hotel, Jeddah, KSA

Prepared for **SNB Capital.**
Valuation date: 30 June 2022

Locally expert, globally connected.

SNB Capital
Riyadh, Kingdom of Saudi Arabia

For the attention of Danial Mahfooz, CFA
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Our ref: KFV377-2022

Date of issue: 27 July 2022

Dear Sirs

Valuation Report – Al Andalus Mall and Hotel, Jeddah, KSA

Further to your instructions, we are pleased to provide our Valuation Report in respect of the above property. If you have any queries regarding this report, please let us know as soon as possible.

Signed for and on behalf of Knight Frank Spain Saudi Arabia Real Estate Valuations Company

Talal Raqaban, MRICS
RICS Registered Valuer - Taqeem No. 1210001810
Partner, Valuation & Advisory, KSA
For and on behalf of Knight Frank Spain Saudi Arabia Real Estate Valuations Company

This report has been reviewed, but not undertaken, by:

Stephen Flanagan, MRICS
RICS Registered Valuer - Taqeem No. 1220001936
Partner, Head of Valuation & Advisory, MENA
For and on behalf of Knight Frank Spain Saudi Arabia Real Estate Valuations Company

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Executive summary

This Executive summary is a brief overview of our Valuation Report and must not be relied upon in isolation. It is intended to be read in conjunction with the whole report and is subject to any assumptions, caveats and comments stated within the body of this report.

Address

Al Andalus Mall and Hotel, Old Airport, Al Fayha District, Jeddah, Kingdom of Saudi Arabia.

GPS Coordinates: 21°30'25.7"N 39°13'04.7"E

Location

The property is located in the Al Fayhaa district of Jeddah in the Western Province of the Kingdom of Saudi Arabia (KSA). The property is located at the junction of Prince Majid Road (Highway 70) and King Abdullah Road (Highway 45), just south of a large roundabout / interchange. The site is bounded by the districts of Al Worood and Al Naseem to the north of the subject and Jeddah Gate to the west. Prince Majid Road is one of the major north – south arterial highways linking the north of Jeddah and the international airport with the south of Jeddah.

The King Abdulaziz International Airport is located some 18 km to the north, with a driving time of 30-40 minutes depending on traffic conditions. Jeddah Islamic Port is located some 6 km to the west of the subject.

Description

The property comprises a large retail shopping mall known as Al Andalus Mall, together with Al Andalus Mall Hotel, a deluxe serviced apartment. The hotel establishment was previously operated by InterContinental Hotels Group (IHG) under the Staybridge Suites brand with a 5-Star classification certificate, which opened to the public on the 23rd May 2017.

The mall is a well-established super-regional mall which has over 3,000 car parking spaces and is anchored by Hyper Panda. Built over two principal shopping floors, the main anchor tenant is located on the First Floor level, underneath which is substantial covered parking below at ground level. The mall has a number of entrances on both sides of the mall allowing effective pedestrian circulation.

The serviced apartment building consists of B+G+16 floors and extends to 164 guest rooms, also accommodating extensive parking at podium level. The unit inventory comprises studios, 1 bed and 2 bed suites, with the majority (90 keys) being 1 bed suites.

The mall is currently undergoing an expansion project on the mall's front side, which will introduce lifestyle retail and provide additional parking spaces to the mall. We have been informed by the client, that the mall extension will be developed into F&B outlets and leased for an average size of 310 sq m per unit. The mall extension will be arranged over ground, first, and mezzanine floors. Upon completion, the expansion will provide additional 15,822 sq m of gross leasable area to the mall.

The mall expansion will also comprise a 3-storey parking building with c. 1502 parking spaces which appeared to be near completion during our inspection.

Tenure

Freehold.

Tenancies and Occupancy

As at the valuation date, Al Andalus Mall is 94% occupied based on GLA. The lease terms generally range in length from 1 year to 15 years, with the majority of leases being 1-3 years in length. The exceptions to the above include the lease for the Hyper Panda supermarket which has a 20-year lease term.

Valuation Key Assumptions - Al Andalus Mall

Item	Unit	Assumption
Passing Rent	SAR per annum	126,907,608
Market Rent	SAR per annum	137,408,183
Operating Costs	SAR per annum	25,690,796
Sinking Fund	% of Total Revenue	1.00%
Bad Debts	% of Total Revenue	1.00%
Structural Vacancy	%	5%
Stabilised Occupancy	%	95%
Exit Yield	%	8.75%
Growth	%	2.00%
Discount Rate	%	10.75%
Rounded	**SAR**	**1,167,770,000**

Valuation Key Assumptions - Mall

- We have assessed the Market Value of the Shopping Mall using a discounted cash flow approach, where we have had regards to the current and potential future income. Given that the leases are for various different terms, there is some income that is contracted well into the future and secure, and there are also a number of leases which are short and therefore less secure (i.e. terms of 1 year being common for certain units). Where income is contracted for the next few years, we have reflected that contracted income in our cash flow along with fixed rental increases. Upon lease expiry we have assumed they revert to Market Rent.
- We have adopted a rental growth and expense inflation rate of 2% in our cash flow, in line with the long term standing average for the Kingdom.
- The current mall occupancy is 94%, this is aligned with the occupancy of other malls in the competitive set as detailed in the report. Having regard to future supply and the age of the mall, we have assumed a structural occupancy level of 95% (stabilised).

- Few malls of this size openly transact and we feel this offers a good option, being well let, firmly anchored and with a diverse offering of F&B and leisure to attract families. Ongoing works are to enhance the food court and entertainment offering further.
- Due to the large lot size of the asset, the able pool of buyers for an asset of this type and size is limited, typically to sovereigns, large funds or big development companies. The large lot size limits the buyer pool, when considered against smaller assets that have a wider potential buyer base. Few malls of this size openly transact and we feel this offers a good option, being pitched at the mid income bracket, which is the demographic of the local area.

Valuation Key Assumptions - Hotel

Our projections are prepared in accordance with the Uniform System of Accounts for the Lodging Industry (USALI) as used by the hotel and leisure industry worldwide.

We have made a number of assumptions within our valuation which we have listed below:

- The valuation is based on the EBITDA of the serviced apartment, with an allowance for the terms and fees included in the hotel management agreement.
- The valuation given includes furniture, fittings, equipment and operational supplies that are necessary for the hotel as a going concern.
- We were not provided with the classification certificate for the operating hotel and therefore we have assumed that the hotel would continue to acquire an operating classification certificate as a 5-Star hotel.
- Unless otherwise stated, ADR (Average Daily Rate) in our calculations is inclusive of service charges, but exclusive of tax and municipality fees.
- Our cash flow is prepared on the basis of a calendar year. Year 1 of the cash flow starts from the date of valuation.
- The client has terminated the hotel management agreement with Holiday Inns Middle East under the Staybridge Suites brand and as per the client, is in an advanced discussion with another reputable international operator. Therefore, we have assumed that the operator / brand appointed would be similar to that of Staybridge Suites. We have assumed that this new operator would continue to manage the subject property effectively and efficiently under a 5-Star deluxe serviced apartment positioning.
- We were not provided with the revised commercial terms under the new management agreement and therefore have had to rely on industry standard fee structures that are typically offered by hotel operators for the Jeddah market. These terms are assumed to prevail over a 15-year term and come into effect by the end of 2022.
- During the transition of operators, we have assumed that the property will continue to remain open for business and be owner operated. Furthermore, our projections take into account that the new operator would be appointed and running the operations of the hotel by the end of 2022. A delay in appointing the new operator would impact the projections.

- Typically, when a new hotel operator takes over an existing branded operational hotel, there are costs associated with re-branding, FF&E upgrades, etc. Typically, these costs are borne by the owner; however, we have been informed by the client that the costs related to re-branding and the costs related to any minor FF&E upgrades will be covered by the accrued FF&E reserve from the previous years.
- The subject hotel has all relevant documentation and permissions required from the relevant planning and trading authorities in Jeddah, KSA.
- We have assumed the rate of inflation to be 2 percent per annum.
- We have adopted a discount rate of 11.25 percent and a terminal capitalisation rate of 9.25 percent for the hotel cash flow.
- We have adopted the 9.25 percent capitalisation rate to show the subject property as a deluxe, internationally branded asset, located in the area of Al Fayha District, an emerging international leisure and corporate destination in the city of Jeddah.

Valuation Assumptions – Mall Expansion

When valuing the mall expansion, we have incorporated the GDV of the mall expansion in our residual model, where we have modelled our assumption of the market rent on a 10-year discounted cash flow and have allowed for deductions for expenses and other allowances such as sinking fund and bad debt.

	Item	Unit	Assumption
Cost Assumptions	GLA (sq m)	Sq m	15,822
	Construction period	Months	21
	Remaining Construction Period	Months	14
	Total Construction Costs	SAR	131,123,158
	Paid Construction Costs	SAR	43,092,074
	Remaining Construction Costs	SAR	88,031,083
Revenue Assumptions	Commencement of Leasing Activities	Starts on Month	14
	GDV	SAR	335,400,000
Development Discount Rate			13.25%
NPV			**204,633,976**

Details on our valuation assumptions on the mall expansion are provided in later sections within the report.

Valuation date

30 June 2022

Market Value (aggregate)

We are of the opinion that the (aggregate) Market Value of the properties subject to the caveats and assumptions detailed herein as at the valuation date is:

SAR 1,513,905,000
(One Billion, Five Hundred and Thirteen Million, Nine Hundred and Five Thousand Saudi Arabian Riyals)

Market Value Analysis	Split on values between the two component parts is as follows: • Al Andalus Mall – SAR 1,167,770,000 (One Billion, One Hundred and Sixty Seven Million, Seven Hundred and Seventy Thousand Saudi Arabian Riyals) • Al Andalus Mall Expansion – SAR 204,635,000 (Two Hundred and Four Million, Six Hundred and Thirty Five Thousand Saudi Arabian Riyals) • Al Andalus Mall Hotel – SAR 141,500,000 (One Hundred and Forty One Million, Five Hundred Thousand Saudi Arabian Riyals)

1. Terms of engagement

Engagement of Knight Frank Spain Saudi Arabia Real Estate Valuations Company

1.1 This valuation report (the "Valuation") has been prepared in accordance with our Terms of Engagement letter and our General Terms of Business for Valuation Services (together the "Agreement"). A copy of this document is attached at Appendix 1 (along with your original instruction for reference purposes).

Client

1.2 We have been instructed to prepare the Valuation by SNB Capital (the "Client"), as manager on behalf of Al-Ahli REIT Fund, a real estate investment traded fund in the Saudi Stock Exchange (Tadawul).

Valuation standards

1.3 This valuation has been undertaken in accordance with the current editions of RICS Valuation - Global Standards, which incorporate the International Valuation Standards (the "Red Book") and Taqeem Standards**.** As required by the Red Book / IVS, some key matters relating to this instruction are set out below.

Independence and expertise

Disclosure of any conflicts of interest

1.4 We have valued the property for the same client in 2017, 2018, 2019, 2020 and 2021. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.

1.5 This has been disclosed to you and you have given your consent to us proceeding with this instruction. We confirm that we are not aware of any undisclosed matter giving rise to a potential conflict of interest and that we are providing an objective and unbiased valuation.

Valuer and expertise

1.6 The valuer, on behalf of Knight Frank Spain Saudi Arabia Real Estate Valuation Company with the responsibility for this report is Talal Raqaban MRICS, Partner, RICS Registered Valuer and Fellow member of Taqeem. Parts of this valuation have been undertaken by additional valuers as listed on our file.

1.7 We confirm that the valuer and additional valuers meet the requirements of the Red Book / IVS and Taqeem Regulations, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

1.8 We are appointed as your valuation advisors; our role is limited to providing property valuation services in accordance with the Red Book and the terms of this Agreement.

1.9 For the purposes of the Red Book / IVS, we are acting as External Valuers.

1.10 This report has been vetted as part of Knight Frank Spain Saudi Arabia Real Estate Valuation Company quality assurance procedures.

Use of this Valuation

Purpose of valuation

1.11 The client has confirmed that this valuation report is required for REIT reporting to the Saudi Capital Market Authority (CMA) for the semi-annual reporting of the market value (MV) in accordance with Taqeem regulations (the "Purpose"). This valuation has been prepared solely for the aforementioned purpose and may not be used for any other purpose without our express written consent.

Reliance

1.12 This Valuation has been prepared for the Client only. No other person is entitled to rely on the Valuation for any purpose. We accept no liability to anyone for any improper or unauthorised reliance on this Valuation.

Disclosure & publication

1.13 The Valuation has been prepared for the Client and in accordance with the Agreement which governs its purpose and use. As stated in the Agreement, this Valuation is confidential and must not be disclosed to any person other than the Client without our express written consent. Nor may the whole nor any part of this valuation nor any reference thereto may be included in any prospectus, listing particulars, published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.

Limitations on liability

1.14 Knight Frank Spain Saudi Arabia Real Estate Valuation Company's total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this Valuation is limited to the amount specified in our Terms of Engagement, a copy of which is attached. Knight Frank Spain Saudi Arabia Real Estate Valuation Company accepts no liability for any indirect or consequential loss or for loss of profits.

1.15 We confirm that we hold adequate and appropriate PII cover for this instruction.

1.16 No claim arising out of or in connection with this Valuation may be brought against any employee, director, member, partner or consultant of Knight Frank Spain Saudi Arabia Real Estate Valuation Company**.** Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank Spain Saudi Arabia Real Estate Valuation Company.

1.17 Nothing in this Valuation shall exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

Scope of work

1.18 In this report we have been provided with the following information by you, your advisors or other third parties and we have relied upon this information as being materially correct in all aspects.

1.19 In particular, we detail the following:

- Copy of the title deed
- Information relating to the extent of the property, produced by the client
- Information relating to the tenancy schedules, produced by the client
- Information relating to the operating costs / service management agreement costs as produced by the client.
- Hotel profit and loss statement

1.20 In the absence of any documents or information provided, we have had to rely solely upon our own enquiries as outlined in this report. Any assumptions resulting from the lack of information are also set out in the relevant section of this report.

Valuation Bases

1.21 In accordance with your instructions, we have provided our opinions of value on the following bases:

Market Value (MV)

1.22 The Market Value of the freehold interest in the property, in its current physical condition, subject to the existing leases and hotel management agreements.

Market Rent (MR)

1.23 The Market Rent of the property. Our letting assumptions are set out in the Valuation Section of this report.

Valuation Date

1.24 The valuation date is 30 June 2022.

2. The Property

2.1 The property we have valued, including the inspection details, is as follows:

Property address	Inspected by	Inspection date
Al Andalus Mall and Al Andalus Hotel, Old Airport, Al Fayhaa District, Jeddah, KSA	Faris Gari	14 June 2022

Location

2.2 As can be seen from the map below, the property is located in the Al Fayhaa district of Jeddah in the Western Province of the Kingdom of Saudi Arabia. The property is located at the junction of Prince Majid Road (Highway 70) and King Abdullah Road (Highway 45), just south of King Abdulaziz roundabout. The site is bounded by the districts of Al Worood and Al Naseem to the north of the subject property and Jeddah New City / Jeddah Gate to the west. Prince Majid Road is one of the major north – south arterial highways linking the north of Jeddah and the international airport with the south of Jeddah.

2.3 The King Abdulaziz International Airport is located some 20 km to the north of the property, with a driving time of 30 – 40 minutes depending on traffic conditions. Jeddah Islamic Port is located some 6 km to the west of the property.

Source: Google Earth / Knight Frank Research

Site

Site area

2.4 We have been provided with a copy of the title deed, from which we understand that the mall and hotel have been developed over 159,133.96 sq m of land. The additional land being developed into a parking structure extends to 9,668.92 sq m.

Site plan

2.5 The property is identified on the Google earth below, showing our understanding of the boundary outlined in red.

Source: Google Earth / Knight Frank Research

Description

Al Andalus Mall

2.6 The property comprises a super-regional retail shopping mall known as Al Andalus Mall, together with an attached serviced apartment tower which opened on 23rd May 2017 and was until recently branded and operated by Staybridge Suites (part of the Intercontinental Hotels Group), and is physically connected into the north west corner of the mall. The mall opened in July 2007 and is therefore around 15 years old at the date of this report. A small extension was added to the mall and completed in 2016.

2.7 The mall is a well-established super-regional mall which has over 3,000 car parking spaces and is anchored by Hyper Panda supermarket. Built over two principal shopping floors, the main anchor tenant is located on the First Floor level, underneath which is substantial covered parking below at ground level. The mall has a number of entrances on both sides of the mall allowing effective pedestrian circulation.

2.8 The mall is built of traditional reinforced concrete construction, with the roof structure being of a series of steel framed sections with waterproof membrane over parts, with other parts (especially the roof of the Hyper Panda) being a flat concrete structure.

2.9 The mall is served by formal entrances to the front, rear and ends of the mall for pedestrians, with one gate being the focal point for entry of vehicles for display and larger attractions. Parking is provided to the rear, partly under the Hyper Panda and thus covered / shaded and to the front at grade.

2.10 An extension was added to the mall in 2016, this is now fully let and income producing

Ground Floor

2.11 The ground floor is accessed via 7 different “Gates” on each sides of the mall, strategically placed to access the mall from the car parks. There are numerous large kiosks arranged around the ground floor in the two main corridors running east / west along the length of the mall and also around the central atrium area as well as around the main gates to the mall. Gates 2 and 5 are the most centrally located gates to the mall, being located in the centre, from the front and rear respectively. We understand the mall management are trying to obtain consent to create two more entrances to the mall from the rear side.

2.12 The ground floor is effectively anchored with Centre Point at one end of the floor and other mini anchors including Riva, Kiabi, H&M, Mango and Paris Gallery arranged throughout the ground level.

First Floor

2.13 The first floor is anchored by Hyper Panda who take up a large proportion of the first floor GLA. The other major uses on the first floor include the Fun Zone and the Food Court.

2.14 Aside from Hyper Panda, the other anchors on the first floor level include Red Tag, Home Box and H&M. The Hyper Panda space extends out over the ground floor parking area, so the GLA of the first floor is much larger than that of the ground floor level.

Other

2.15 Other accommodation includes store rooms which are located to the rear perimeter of the car park and comprise a series of concrete storage rooms which are let to tenants for storage purposes.

Al Andalus Mall Expansion

2.16 The mall is currently undergoing an expansion project on the mall’s front side, which will introduce lifestyle retail and provide additional parking spaces to the mall. We have been informed by the client, that the mall extension will be developed to F&B outlets and leased for an average size of 310 sq m per unit. The mall extension will be arranged over ground, first, and mezzanine floors. Upon completion, the expansion will provide additional 15,822 sq m of gross leasable area to the mall.

2.17 The mall expansion will also comprise a 3-storey parking building with c. 1502 parking spaces which appeared to be near completion during our inspection. A copy of the site plan for the mall expansion is attached at appendix 5.

2.18 A selection of photos taken during our inspection is provided below:

Al Andalus Mall Hotel

2.19 Al Andalus Mall Hotel is a deluxe serviced apartment adjacent to Al Andalus Mall in Jeddah, KSA. The subject property opened its doors to the public on 23rd May 2017 and was previously (until recently) operated by InterContinental Hotel Group (IHG) under the Staybridge Suites brand. However, to date, InterContinental Hotel Group (IHG) are no longer managing the property, and the property continues to be owner-operated. The client has informed us that discussions are currently ongoing, which are at an advanced stage of negotiations to appoint a reputable international operator and brand similar to that of IHG's Staybridge Suites brand.

2.20 The total built up area for the subject property is 18,820 square metres, this is made up over B+G+16 floors, providing 164 guest rooms, 236 parking spaces, 7 meeting rooms, 2 F&B outlets, 2 male massage rooms, swimming pool, tennis court and gymnasium.

Guest Rooms

2.21 There are 164 guest rooms split into 3 room types; Studio, one bedroom and two bedroom.

2.22 The units are fitted to a deluxe serviced apartment specification. All guest rooms comprise a fitted kitchen with working white units, bedroom, living room and bathroom fixtures and fittings.

Table 1: Room Breakdown

Unit	Unit Breakdown	Gross Internal Area (sq m)	Gross Internal Area (sq ft)
Two Bedroom Type 1	15	110	1,650
Two Bedroom Type 2	15	100	1,500
Studio Type 1	14	55	825
Studio Type 2	15	50	750
Studio Type 3	15	60-69	894
One Bedroom Type 1	75	65-85	5,369
One Bedroom Type 2	15	65-85	1,155
Total Keys	**164**		**12,143**

Food and Beverage Outlets

2.23 There are 2 food and beverage outlets in the subject property. These are highlighted below:

- The all-day dining option accommodating 75 covers and offering breakfast, lunch and dinner.
- The Lobby Café is a healthy option located on the ground floor, offering no covers, with a stronger focus on a 'grab and go' concept for passing trade from guests entering and exiting the building.
- It should be noted there are numerous F&B options provided in Al Andalus Mall and as the property is positioned as a serviced apartment, the F&B offering is typically limited, as the concept of the accommodation offers kitchens and kitchenettes in the guest rooms.

Table 2: F&B Breakdown by type and location

F&B Outlets	Type	Level
Lobby café	Grab and go	Ground Floor
All Day Dining	Breakfast, Lunch, Dinner	1st Floor

Leisure Facilities

2.24 The leisure facilities comprise:

- An outdoor swimming pool
- Gymnasium
- 2 male massage rooms
- Male sauna and steam room
- 1 Tennis court

Meeting and Conference Facilities

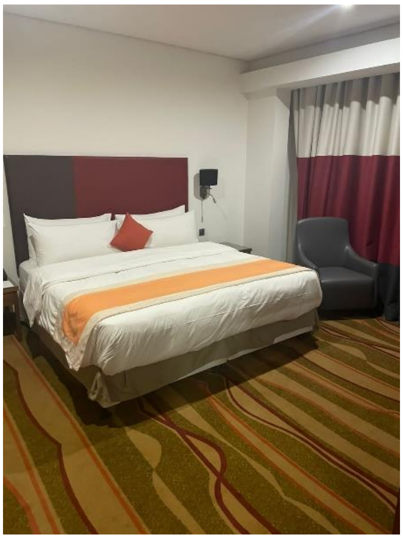
2.25 The meeting and business facilities are located on the first and second floors. There are 2 meeting rooms on the ground floor ranging in size from 62 sq m to 72 sq m Meeting room 3 measuring 785 sq m in total and is situated on the 2nd floor which can be used as a ballroom or split into 5 separate meeting rooms, catering to the MICE segmentation in Jeddah.

Table 3: Meeting Room breakdown

Meeting Room	Area	Level
Meeting Room 1	62 Sq m	1st Floor
Meeting Room 2	72 Sq m	1st Floor
Meeting Room 3	785 Sq m	2nd Floor

Source: Client

2.26 A selection of photos taken during our inspection is provided below:



Accommodation

Retail Mall

2.27 As agreed with the client, we have relied upon floor areas provided to us by the client. No further verification has been undertaken.

Hotel

2.28 The building has been purpose-built as a serviced apartment by the master developer. It has been fitted and furnished to the standards of a deluxe serviced apartment.

2.29 As agreed with the client, we have relied upon the room facilities and details provided to us by SNB Capital. No further verification has been undertaken.

Services

2.30 In accordance with the General Terms of Business, no tests have been undertaken on any of the services.

2.31 We have assumed for the purposes of this valuation that mains gas, water, electricity, drainage and telecommunications are all available to the subject property.

2.32 Main electricity is available to the hotel via the national grid (SCICO), in addition there are emergency diesel generators should mains power be interrupted.

Legal Title Deed – Overall Property

Land ownership

2.33 We have been provided with copy of the property's (land) title deed, the details of which is presented in the following table:

Table 4: Title Deed Summary

Item	Description
Title Deed Number	320211029670
Date	23/10/1440 – 27/06/2019
Size	159,133.96 sq m
Owner	Al Akaria Development Company for Ownership and Management

Source: Client

2.34 A copy of the Title Deed can be found in Appendix 2.

2.35 These assumptions should be verified by your legal advisors. If they prove incorrect, any variation may have a material impact on value and should be referred back to us for further comment.

2.36 For the purposes of this valuation report we have assumed that the property is held on a freehold basis and is free from any encumbrances and third party interests.

Covenants

2.37 We have assumed that the property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.

2.38 We reserve the right to amend our valuation accordingly in the event the above assumption is proven to be incorrect.

Tenure – Hotel

Commercial Register

2.39 We have been provided with a copy of the proof of Ownership Licence for the site dated, further details are as follows:

Table 5: Ownership Licence

Item	Description
Type	Limited Liability Company
Main HQ	Riyadh, Kingdom of Saudi Arabia
Date Established	14 December 2017
Trade Name	Al Andalus Mall Hotel
Address	Prince Majid Street, Al Fayha District, Jeddah
Activity	24th February 2016 gaining the tourist accommodation licence

Source: Client

Classification

2.40 We have not been provided with the hotel operating classification licence from the client for the subject property. However, in our valuation report, we have assumed that the subject property will be granted a 5-Star Operating License and continue to operate at a 5-Star standard, in line with the license acquired in the past under the management of Staybridge Suites.

Covenants

2.41 We have assumed that the property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.

2.42 We reserve the right to amend our valuation accordingly in the event the above assumption is proven to be incorrect

Hotel Management Agreement

2.43 The hotel started operating three years back under a 15 year management agreement under the Staybridge Suites brand, part of InterContinental Hotels Group (IHG). The agreement was dated 17th June 2013 and made between Alandalus Property Company (owner) and Holiday Inns Middle East Limited (Operator). However, the client has informed us that they have terminated the agreement with Holiday Inns Middle East Limited (Operator) and are in advanced discussions with another reputable international hotel operator, which will take over the subject property with the same positioning as a deluxe 5-Star serviced apartment. During this transition, the property remains open and is owner operated until the new international operator is appointed.

2.44 The client has not provided us with the commercial terms of the potential new international operator, and therefore we have assumed that the fees would not be inferior to the ones provided by Holiday Inns Middle East.

2.45 As a result, we have assumed the following key heads of terms for the new hotel management agreement for the subject property. These commercial terms broadly reflect the current terms that are currently being offered in the market by hotel operators.

2.46 We summarise the salient details of the hotel management agreement below as follows:

Table 6: Hotel Management Agreement

Property:	164 key 5 star serviced apartments located adjacent to Al-Andalus Mall in Jeddah
Name:	To be determined; however, it is assumed to be an international operator and brand that is equivalent or more superior to that of Staybridge Suites.
Term:	15 years from HMA signature
License Fee:	• 1.5% of Gross Revenues in years 1-3. • 1.75% of Gross Revenues in year 4 and thereafter.
Incentive Management Fee:	7.0% of Adjusted Gross Operating Profit (AGOP) AGOP is defined as Gross Operating Profit minus License Fee.
Marketing Contribution:	2.0% of Gross Rooms Revenue
Reservation Contribution:	1.0% of Gross Rooms Revenue
FF&E Reserve:	• 2% of Gross Revenues – first year of operations under new management • 3% of Gross Revenues – second year of operations and thereafter

Source: Client

2.47 When a new hotel operator takes over an existing branded operational hotel, there are costs associated with re-branding, FF&E upgrades, etc. Typically, these costs are borne by the owner; however, we have been informed by the client that the costs related to re-branding and the costs related to any minor FF&E upgrades will be covered by the accrued FF&E reserve from the previous years.

2.48 Because of the appointment of a new operator and anticipated new furnishings that will be included in the hotel, we have included an FF&E Reserve for the first year of our projections at 2 percent, and 3 percent from the second year and thereafter.

Hotel Competition

Hotels of Competitive Relevance

Competition

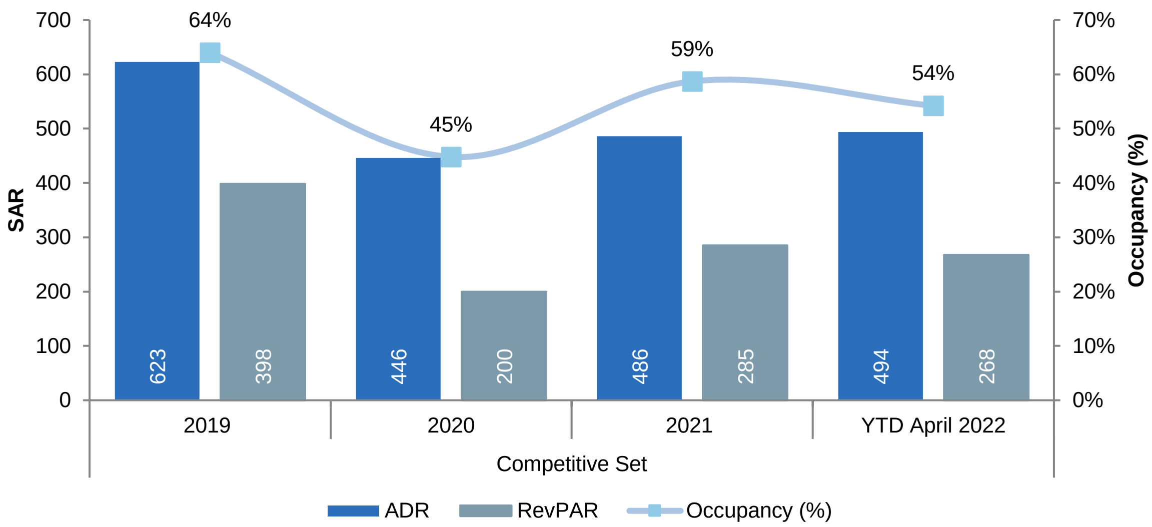
2.49 We have been provided with an analysis of the competitiveness of the subject property against a selection of similar serviced apartments, that the previous operator and owner feels most relevant to the subject property, Jeddah, in terms of location, facilities & rooms offered, guest profile etc. The chosen serviced apartments which have been included in the competitive set have been provided below:

Competitive set

- Citadines Al Salamah Jeddah
- Ascott Tahlia Jeddah
- Citadines Al Salamah Jeddah
- Radisson Blu Plaza Hotel Jeddah
- Novotel Jeddah Tahlia Street

2.50 The performance of the competitive set is showcased in the next exhibit.

Exhibit: Competitive Set Performance



2.51 Over the periods observed (full year 2019, 2020, 2021 and April YTD 2022), the competitive set performance saw a decline in occupancy and a pressure on ADR during COVID-19 outbroke in 2020. This can be seen in occupancy dropping by 19% and ADR dropping by SAR 176 which equates to c. 28% drop. In the following year (2021), occupancy has started to heal reaching a level of 59% while the ADR movement was rather minimal. This resulted in a slightly enhanced RevPAR.

2.52 We note that we have not been provided with the Key Performance Indicators for the property, however, we have been provided with the consolidated P&L which we have analysed thoroughly. It is evident that the subject property is preforming rather softly when compared to the competitive set, and this can be attributed to the delays in closing an HMA agreement with an international operator.

2.53 We however understand that discussions are currently on-going, and have therefore assumed the property performance to improve on the following years to become of great similarity to the competitive set.

Business Commentary

2.54 We have made our own judgements and used our own professional opinion when providing projections of hotel performance in our 10 year cash flow.

2.55 The duration and recovery period of the COVID-19 outbreak remains uncertain; however, we have taken the opinion that COVID-19 is likely to impact trading performance over the short term, rather than the long-term of trading performance of the asset.

2.56 In addition, the client has informed us that the property would remain open during the transition of operators and that the property would be owner operated until the new international hotel operator is appointed. Furthermore, our assumptions take into account that the new operator would be appointed and running the hotel operations by the end of 2022.

Average room occupancy (ARO)

2.57 Projections of occupancy are dependent on the current and future supply of new hotels of similar category and location, estimated room nights demanded, the historical performance of the property.

2.58 As of April YTD 2022 the competitive set achieved an occupancy of 54 percent, which is 3 percentage points lower compared to the same period in 2021.

2.59 Given that a reputable international operator similar to that of IHG is anticipated to manage the property's operations, we have assumed that the property would have to re-stabilise operations, which we have assumed to be year 3 (2025/2026) of operations. We have estimated the subject property to achieve an occupancy of 48 percent in the first year of operations, which is conservative when compared to the competitive set. The presence of an international operator would likely drive occupancy levels higher (due to their global distribution system capabilities).

2.60 We remain optimistic that vaccines will be rolled out effectively, and therefore projected an occupancy of 60 and 68 percent in the second and third years of operations, respectively.

2.61 Furthermore, we have estimated the subject property to recover and re-stabilise at an occupancy of 74 percent in year 4 of our projections.

Average daily room rate (ADR)

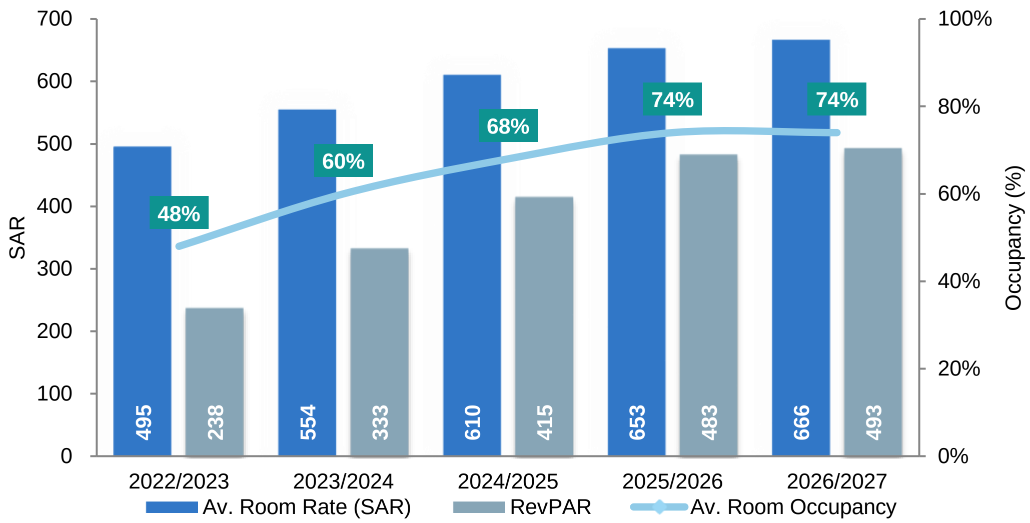
2.62 Forecasting the average daily room rate for the subject property, we have assumed that the property would achieve an ADR of SAR 495, which is in line with the competitive set of the property.

2.63 Upon re-stabilising operations in year 4 of operations (2025/2026), we have estimated the subject property to achieve a stabilised ADR of SAR 653. This accounts for a rate premium of 30 percent over the competitive set performance ADR in 2021. This premium factors in the stabilisation ramp-up to year 4 as well as the fact that an international operator similar to that of IHG would be appointed to manage the property's operations. Additionally, it reflects our views of the performance of the market to revert to pre-covid levels as time passes. However, in the event that the owner appoints an operator that differs significantly from IHG, then it is unlikely that the property would achieve these rates.

2.64 Subsequent to year 4, we expect ADR to be in line with inflation at 2.0 percent.

2.65 Our forecast of room performance in our cash flows are provided below:

Exhibit: Hotel Forecast Room Performance

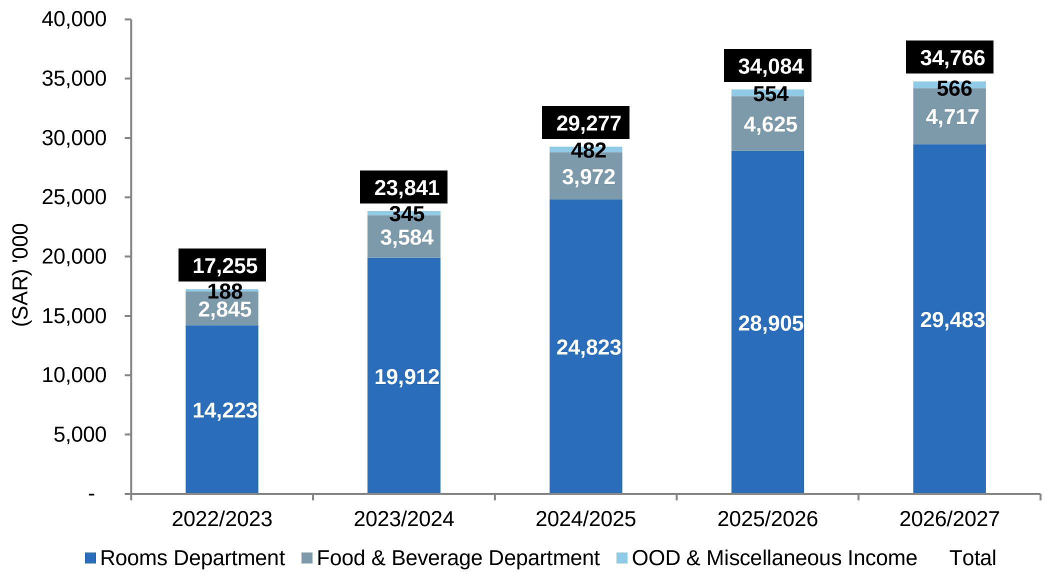


Total Revenue

2.66 As the property competes for market share during its ramp up period, we would expect revenues to grow above inflation. Once stabilised, we would expect the subject property revenues to grow in line with inflation.

2.67 Please note that we have not seen a business plan from the owner or operator and have relied upon our current market knowledge of the area to arrive at our market forecasts.

Exhibit: Hotel Forecast Split of Revenue



Gross Operating Income

2.68 Gross Operating Profit (GOP) relates to the properties' profits after subtracting the respective departmental operating expenses and undistributed operating costs. It defines the level of operational profitability of the subject property.

Undistributed Expenses

2.69 **Administration and General (referred to as Admin & General):** This comprises both operational and managerial expenses that does not fall under a specific operating department. Most of these expenses are moderately fixed, with exceptions such as cash overages and shortages or credit card commissions. It is usually compared on a per available room basis, supported by the percentage of total revenue.

2.70 **IT Systems:** This comprises of costs related to any information technology, telecommunication and software systems required to operate the property.

2.71 **Sales & Marketing:** It covers all the expenses related to the advertising, sales and promotion of a property to obtain new customers or retain existing ones. Unlike most expense categories, marketing is controlled almost completely by management. This expense is forecasted in the budget and target can be met if a detailed, tailored and specific marketing plan is followed. New hotels need to start marketing before the hotel even opens, while an existing hotel may wish to increase its marketing expenses to stabilize or increase revenue. It is commonly expressed as a percentage of total revenue.

2.72 **Property Operation & Maintenance:** This is an expense related to the maintenance or the property. They are controlled by management but some necessary maintenance issues cannot be postponed. The expenses are highly correlated with the hotel's age, quality of facilities and the approach followed in scheduling maintenance. Repairs can be pushed to subsequent years but will still accumulate if not tackled promptly.

2.73 **Utilities:** Covers expenses related to the running of utilities (electric, heating, water, etc.) to operate the hotel.

2.74 It is important to note that in 2019, the property switched from using a generator to connecting to the grid, which resulted in utilities savings. These have been taken into account in our projections.

2.75 A summary of our projected Undistributed Expenses is set out in the following table:

Table 7: Undistributed expenses for the subject hotel (SAR Thousands)

(SAR) '000s	2022/2023		2023/2024		2024/2025		2025/2026	
Administration & General	2,847	16.5%	2,801	11.8%	3,074	10.5%	3,579	10.5%
IT Systems	733	4.3%	691	2.9%	732	2.5%	852	2.5%
Sales and Marketing	776	4.5%	1,001	4.2%	1,171	4.0%	1,363	4.0%
Property Operation and Maintenance	863	5.0%	834	3.5%	878	3.0%	1,023	3.0%
Utilities	2,243	13.0%	1,931	8.1%	2,049	7.0%	2,386	7.0%
Total Undistributed Expenses	**7,463**	**43.3%**	**7,260**	**30.5%**	**7,905**	**27.0%**	**9,203**	**27.0%**

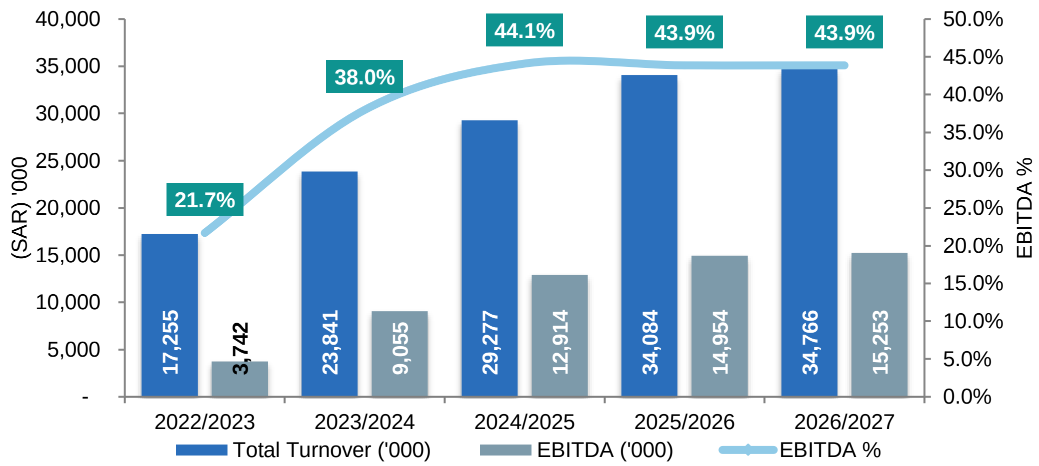
2.76 As an international operator is expected to be appointed by the end of 2022, we have not reduced Sales & Marketing Costs in line with the historical savings rate of approximately 60 percent. We have only applied two thirds of these savings at approximately 40 percent.

2.77 We expect once the new operator has stabilised the property, sales and marketing expenses are to be in line with the norm seen in the market, and we have therefore accounted for it to be at 4 percent.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)

2.78 We have run our projections based on a competent international operator assuming that the hotel is effectively managed, positioned and operated as well as strategies are being put in place to reduce costs. The following exhibit highlights Knight Frank's projected total turnover and EBITDA.

Exhibit: Hotel Forecast Revenue and EBITDA



Tenancies – Al Andalus Mall

Tenancy information

2.79 We have not been provided with a sample of occupational leases. However, in 2017 valuation, we were provided with a sample of occupational lease documentation in Arabic, which we translated to identify the key points but have not verified them further.

2.80 The leases are in Arabic but include institutional terms with provision for the following:

- Landlord and Tenant are stated
- Lease fully dated and operating as per the Gregorian calendar
- Units / Demise is identified
- User clause is incorporated
- Term is stated
- Rents and payment terms for the rents are stated (2 payment per year)
- Provision are made for vacation of the store
- Tenants and obligations are set out
- Approvals to be made by the owner are set out
- Provisions are set out for contract termination
- First and second party rights are provided for
- Provision is made for store design and approvals required
- Provisions are made for subletting / assignment
- Provision are made for payment of repairs / maintenance charges

Covenant information

2.81 Although we reflect our general understanding of the status of the tenants, we are not qualified to advise you on their financial standing.

Tenancy Schedules

2.82 The client has provided us with the tenancy schedule for the property, which shows the unit breakdown of Al Andalus Mall, along with lease start and end dates, rent amount and scheduled rent uplifts. We provide a summary of this below.

Table 8: Occupancy Summary – Al Andalus Mall

Status	Percentage of area	GLA (sq m)	Total Passing rent (SAR pa)
Occupied	94%	85,351	126,907,608
Vacant	6%	5,029	-
Total	100%	90,379	126,907,608

Source: Client

Summary

2.83 The current rent passing as at the date of valuation is SAR 126,907,608 per annum. The property is currently 94% occupied.

2.84 The lease terms generally range in length from 1 year to 15 years, with the majority of leases being 1-3 years in length. The exceptions to the above include the lease for the Hyper Panda Supermarket, which has a 20 year lease term.

Condition – Overall Property

Scope of inspection

2.85 As stated in the General Terms of Business attached, we have inspected the property. However, we have not undertaken a building or site survey of the property

2.86 During our limited inspection we did not inspect any inaccessible areas. We are unable to confirm whether the property is free from urgent or significant defects or items of disrepair.

Comments

2.87 At the date of inspection, the buildings appeared to be in a generally reasonable state of repair, commensurate with its age and use. No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme.

Ground conditions

2.88 We have not been provided with a copy of a ground condition report for the site. We have assumed that there are no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the buildings constructed thereon.

Environmental considerations

Contamination

2.89 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Knight Frank is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

Planning

Sources of planning information

2.90 We have been provided with a one page document that sets out the permission to build on the site, which is dated 26/2/04 and provides for a commercial centre licensed to build 2 floors, including parking, commercial content, ground and first floors and 220 commercial units. This is in Arabic and has been translated to provide details. (This is attached at Appendix 3).

2.91 We are not qualified to advise you if this fully covers the actual property which stands today – i.e. mall and hotel, and therefore your legal advisors need to verify that this is the case. For the purposes of our valuation, we have assumed that all necessary consents and licences are in place for the property as built.

Highways and access

2.92 We have assumed that there are no current highway proposals in the immediate vicinity likely to have a detrimental effect upon the property within the foreseeable future.

Access

2.93 In reporting our opinion of value, we have assumed that there are no third party interests between the boundary of the subject property and the adopted highways and that accordingly the property has unfettered vehicular and pedestrian access.

2.94 We have assumed that there are no issues relating to visibility splays which may impact upon the use or proposed use of the property.

Statutory licences & certificates

2.95 We have assumed in our valuation that all regulations, statutory licences & certificates have been complied with.

Fire safety

2.96 We have not viewed any documents relating to the fire safety within the property and have assumed for the purposes of our valuation that the relevant legal requirements have been fully complied with.

3. Market analysis

Saudi Arabia Market Commentary

3.1 A copy of the KSA Macro Economic and Retail Market Overview, prepared by Knight Frank, is attached at Appendix 8.

Source of information

3.2 Our market analysis has been undertaken using market knowledge within Knight Frank, enquiries of other agents, searches of property databases, as appropriate and any information provided to us.

Investment Overview - Hospitality

3.3 There have been more published residential investment transactions for real estate transactions in the Kingdom of Saudi Arabia recently with the transparency of the REITS when they acquire assets. The following relate to some compounds that have transacted in recent times:

Name	Location	Type	Initial Yield	Commentary
Burj Rafal	Riyadh	Hotel	7.28%	The tower comprises 2 floor of retail, 25 floor hotel of 349 keys, conference hall, and 21 meeting rooms. Acquired by Riyadh REIT for SAR 677,000,000 of an NOI of SAR 49,300,000, reflecting an initial yield of 7.28%.
Ascott Hotel - Altahliyah	Jeddah	Hotel	7.70%	Luxury serviced apartments located along Tahliyah Street in Jeddah. It comprises two floors of retail, the ground floor and mezzanine floor, and 17 floors for hotel. The hotel apartments come in various sizes, ranging from studios to three-bedroom penthouses that come fitted with a well-equipped kitchenette. Acquired by Riyadh REIT for SAR 135,000,000 and an NOI of SAR 10,400,000 pa reflecting an initial yield of 7.70%.
Ascott Tower	Khobar	Hotel	10.86%	Tower of 18 floors located on Prince Turki Street in Khobar. The NOI at the time of the transaction was SAR 18,900,000 pa. The Tower was acquired by Riyadh REIT at SAR 174,000,000, reflecting an initial yield of 10.86%
Radisson Blu hotel apts.	Khobar	Hotel	8.50%	Hotel apartments of 92 units, acquired by al Musharaka REIT for SAR 85,000,000 of a NOI of SAR 7,225,000 pa reflecting an initial yield of 8.50%.
Burj Alhayat for Serviced Apts	Riyadh	Hotel	7.76%	SEDCO REIT acquired the hotel for SAR 41,260,000 off an NOI of SAR 3.2 million which reflects an initial yield of 7.76%.

Tolan Hotel Suites	Khobar	Hotel	10.50%	In 2019, Al Maather REIT signed an agreement to acquire the hotel for SAR 22,000,000. Furthermore, the REIT has signed a 10-years leasing contract on Tolan Hotel Suites with an annual expected rent of SAR 2,310,000 reflecting a yield of 10.50%
Aber Al Yasmeen Hotel	Riyadh	Hotel	9.12%	The hotel is leased to Boudl Trading Company at SAR 2.2 million per year, with a 10.00% increase every six years. In addition, it comprises six retail showrooms with an expected lease of SAR 900,000 per year. Jadwa II REIT acquired the hotel at an initial acquisition yield of 9.12%

Investment Overview – Retail

3.4 Below we document some of the transactions that have taken place in the retail sector in the past few years. The REITS have been the most active acquirers of retail real estate in the Kingdom in terms of retail malls. In addition, Arabian Centres listed their malls business on the Tadawul in early 2019, which was oversubscribed at the time, showing the appetite for investors exposure to this asset class.

Asset	Location	Acquisition Price SAR	NOI	Cap rate	Notes
	Al Makan Mall, Tabuk	219,417,197	17,820,000	8.12%	Acquired by Wabel REIT in 2018. 3 yrs old mall, 75 tenants, 97% occupancy, freehold title. Anchored by HyperPanda and H&M.
	Al Makan Mall, Dawadmi	166,820,000	21,390,000	12.82%	Acquired by Wabel REIT in 2018. 4 yrs old mall. 114 tenants, 97% occupancy, leasehold title. Anchored by HyperPanda and Centrepoint.
	Al Makan Mall,Hafr Al Batin	470,206,000	42,800,000	9.10%	Acquired by Wabel REIT in 2018. 3 yr old mall, 171 tenants, 97.5% occupancy, freehold title. Anchored by Hyper Panda, Asateer, Home Centre.
	Al Makan Mall, Riyadh	232,560,000	19,920,000	8.57%	Acquired by Wabel REIT in 2018. 3 yr old mall, 63 tenants, 93% occupancy, freehold title. Anchored by Centrepoint, Panda, H&M, City Max.

	Ahlan Court Centre	70,000,000	7,000,000	10%	Acquired by AlKhabeer REIT in 2019. Head lease in place for the entire asset at an annual rent of SAR 7m, which appears over rented. 9 showrooms and an office.
	Al Rashid Mall, Jizan	206,000,000	15,646,293	7.60%	Built in 2010, 3 storeys,
	Al Rashid Mall, Abha	372,000,000	34,583,966	15.49%	Acquired by Bonyan REIT, initial SAR 233 m plus SAR 148 m payable upon 90% occupancy, total SAR 372m. 20 year leasehold title, newly built in 2017/2018.
	Al Rashid Mega Mall, Madinah	505,500,000	32,824,933	6.49%	Acquired by Bonyan REIT, built in 2009, freehold title, 4 storeys.
	Al Andalus Mall, Jeddah	1,147,279,000	92,396,115	8.05%	Acquired by Al Ahli REIT in 2017, 10 year old+ mall, central location, occupancy 95%, anchored by HyperPanda, freehold title. Connected to Staybridge Suites.
	Ajdan Walk, Khobar	345,000,000	25,000,000	7.25%	Acquired by Sedco REIT in 2018, newly constructed retail development on Khobar corniche, occupancy, anchored by Cheesecake Factory and other Al Shaya brands. Freehold title, headlease to Al Fozan / Al Oula for 5 years.
	Boulevard Riyadh	320,000,000	29,300,000	9.16%	Acquired by Jadwa REIT Saudi in 2021, well constructed retail development on Prince Turki Al Awal Road, 97% occupancy, anchored by Sultan's Steakhouse, Kyokusen sushi boutique, Papillon and Arena Fitness Innovation.

Yield Conclusions

3.5 The subject asset(s) i.e. mall and hotel in our opinion attract different risk profiles, with the hotel having no contracted income and being subject to the performance of the operator. The mall itself has certain long term incomes and many various different shorter terms incomes.

3.6 We consider that for the mall, the asset is a large lot size, with a relatively limited number of potential purchasers. The key positive factors associated with the asset include high occupancy, well established mall with excellent parking, a tenant mix that is very in line with the surrounding catchment income profile and a strong anchor supermarket in the form of Hyper Panda. It has a good mix of mini anchors and smaller line shops and some franchisees that underwrite large portions of the income.

3.7 We conclude that a terminal cap rate of 8.50 to 9.0% would be reasonable for the subject mall given its size, age and income profile.

3.8 We conclude that the hotel, being newly developed will take time to stabilise, but with an international brand in this location should perform well and derive synergies from the connectivity to the mall.

4. Valuation

Methodology

4.1 Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.

Investment Method – Al Andalus Mall

4.2 Our valuation has been carried out using the comparative and investment methods. In undertaking our valuation of the mall property, we have made our assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, terms, covenant and other material factors.

4.3 We have undertaken the valuation of the mall via a discounted cash flow approach, whereby we can reflect current and potential future revenues and costs explicitly. We have applied rental growth, occupancy percentages, and operating expenses in our cash flow based on our discussions with the client.

Residual Method – Al Andalus Mall Expansion

4.4 The subject to valuation asset is a project, which is currently under development. The adopted valuation approach is the residual approach, via a discounted cash flow methodology, where the output is a Net Present Value (NPV), which equates to the Market Value of the project as it stands at the date of the valuation.

4.5 Through the residual method of valuation we have assessed the Market Value of the project once various inputs such as the end product; construction costs and development phasing have been assumed. Firstly, we have calculated the GDV (often referred to as the "Gross Development Value") using the comparative and investment method (cash flow), which involves comparison of the subject scheme with sales and/or lease evidence from other comparable schemes and other sales/leases within the local market and making adjustments using our professional judgement.

4.6 Gross Development Value is the value of the scheme as if complete and operating at the valuation date. RICS Valuation – Professional Standards refer to a valuation on this basis as being the Market Value on the special assumption that "a building or other proposed development has been completed in accordance with a defined plan and specification". This is colloquially known as the Gross Development Value (GDV).

4.7 Gross Development Value (GDV) is defined by Knight Frank as the aggregate Market Value(s) for the proposed scheme at the property, on the special assumption that the proposed scheme has obtained all necessary permissions and been fully completed and operating.

4.8 The GDV of the development components upon completion have been assessed based on the Investment and Comparative methods (described above).

Profits Method (DCF) – Al Andalus Mall Hotel

4.9 We value operational property assets by reference to the earnings potential, as this is the basis on which such properties are commonly bought or sold.

4.10 The income capitalisation approach is based on the principle that the value is indicated by its net return, or present worth of future benefits, i.e. the future forecast income and expenditure along with the proceeds from a future sale. These benefits are converted into an indication of market value through capitalisation and DCF process.

4.11 Of the three valuation approaches available to a valuer, the income capitalisation approach provides the most persuasive and supportable conclusions when valuing a hotel facility. Using a 10 year forecast and an exit yield most accurately reflects the real actions of hotel buyers, who buy based on their leveraged discounted cash flow.

Benchmarking – Al Andalus Mall

4.12 In forming our opinion of the Market Rent for the Shopping Mall, we have sourced key performance metrics of super-regional and regional malls in Jeddah, to understand how the below malls perform in relation to the subject, and what they offer as competition.

Table 9: Mall Comparable Evidence

Benchmark	Total NLA (sq. m)	Opening	Grade*	Owner/agent	Lease Rate (SAR / sq m / annum)	Occupancy
Hera'a International Mall	52,000	1982	Regional Mall	SKAB Group	2,100	85%
Aziz Mall	70,954	2005	Regional Mall	Arabian Centers Real Estate	2,680	96%
Roshan Mall	36,305	2006	Regional Mall	Kinan International for Real Estate Development Co.	2,150	91%
Haifaa Mall	32,111	2013	Regional Mall	Arabian Centers Real Estate	2,487	79%
Mall of Arabia	102,097	2008	Super-Regional Mall	Arabian Centers Real Estate	3,600	96%
Red Sea Mall	144,707	2008	Super-Regional Mall	SEDCO Development	3,150	93%
Al Salaam Mall	111,914	2012	Super-Regional Mall	Arabian Centers Real Estate	2,300	88%
Yasmeen Mall	58,311	2016	Regional Mall	Arabian Centers Real Estate	2,680	93%

Source: Knight Frank Research

4.13 The comparable set of shopping malls above, show occupancy ranging between 79% to 96% and a total net leasable area ranging between 32,111 sq m to 144,707 sq m.

Valuation Assumptions – Al Andalus Mall

4.14 We have assessed the Market Value of the Shopping Mall using a discounted cash flow approach, where we have had regards to the current and potential future income. Given that the leases are for various different terms, there is some income that is contracted well into the future and secure, and there are also a number of leases which are short and therefore less secure (i.e. terms of 1 year being common for certain units). Where income is contracted for the next few years, we have reflected that contracted income in our cash flow along with fixed rental increases. Upon lease expiry we have assumed they revert to Market Rent.

Inflation

4.15 We have adopted a rental growth and expense inflation rate of 2% in our cash flow, in line with the long term standing average for the Kingdom.

Occupancy

4.16 The current mall occupancy is 94%, this is aligned with the occupancy of other malls in the competitive set above. Having regard to future supply and the age of the mall, we have assumed a stabilised occupancy level of 95%, allowing for a 5% structural vacancy.

4.17 Based on recent lettings and our analysis from benchmarking other malls, we have derived the following gross Estimated Rental Value for Al Andalus Mall components as follows:

Table 10: Al Andalus Mall Estimated Rental Values

Item	Ground Floor (SAR per sq m)	First Floor (SAR per sq m / unit)
0 to 49	3,050	2,500
50 to 100	2,250	2,000
101 to 150	2,350	1,950
151 to 250	2,125	1,500
251 to 500	1,700	1,500
501+	1,000	550
Food Court	-	3,000
GF Kiosk	-	172,500
FF Kiosk		117,800
Cinema	-	1,100
ATM	-	125,000
Supermarket	-	550
Warehouse	-	850
Advertisement	-	2,250,000

4.18 The above are the adopted market rents having regard to the recent deals achieved in the mall.

Operating Expenses

4.19 We have been provided with the breakdown of the operating costs for the property by the Client which amounts to SAR 25,690,796 per annum. This have been adopted in our valuation.

4.20 A summary of out valuation assumptions is provided in the table below:

Table 11: Valuation Summary

Item	Unit	Assumption
Passing Rent	SAR per annum	126,907,608
Market Rent	SAR per annum	137,408,183
Operating Costs	SAR per annum	25,690,796
Sinking Fund	% of Total Revenue	1.00%
Bad Debts	% of Total Revenue	1.00%
Structural Vacancy	%	5%
Stabilised Occupancy	%	95%
Exit Yield	%	8.75%
Growth	%	2.00%
Discount Rate	%	10.75%
Market Value	SAR	1,167,773,286
Rounded	**SAR**	**1,167,770,000**

Benchmarking – Mall Expansion

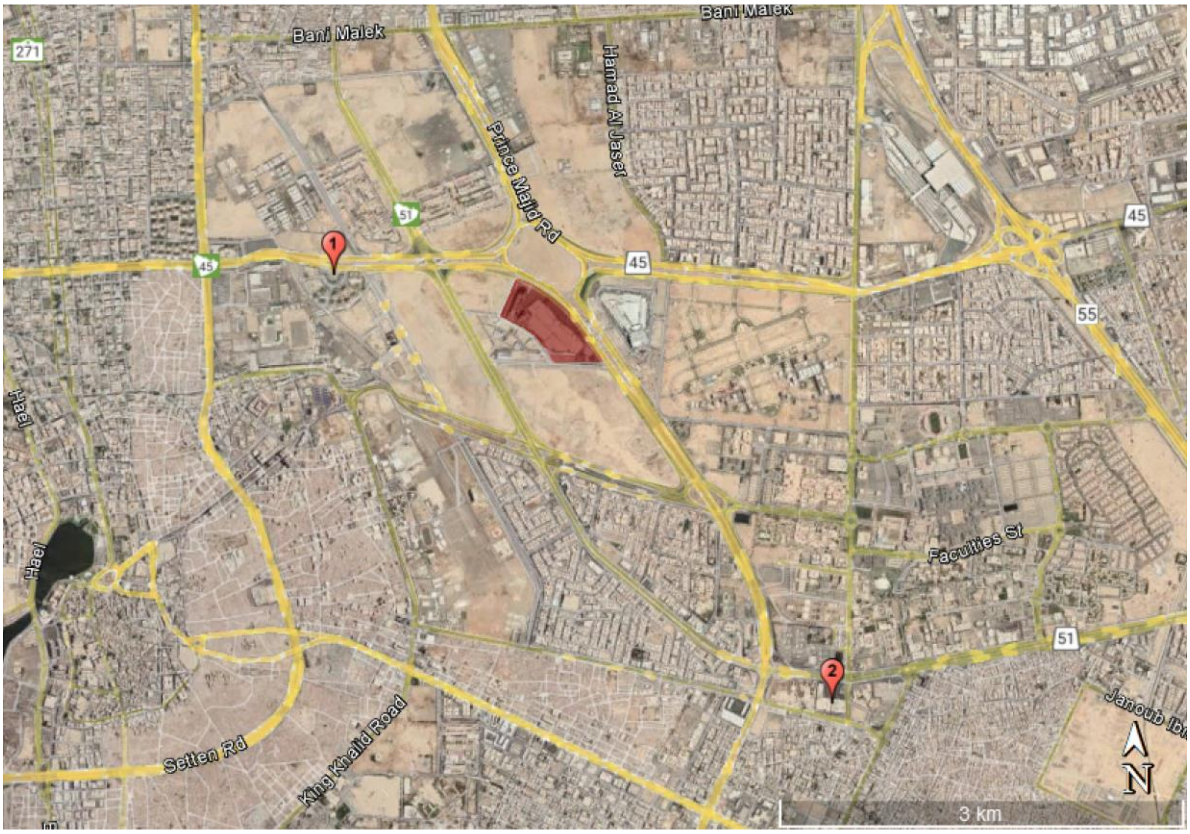
4.21 In order to form our opinion of the lease rates for the mall expansion, we have benchmarked the property against lifestyle centers within the surrounding area of the property. We have considered the asking lease rates per sq m per annum for F&B units within the benchmarks and have made the necessary adjustments for location, access, specification, and quality.

4.22 We provide a summary of our comparable evidence in the table and corresponding map below:

Table 12: Comparable Evidence – Lifestyle Centers

Ref.	Benchmark	Opening	Unit Size (sq m)	Total GLA (sq m)	Occupancy	Lease rate (SAR per sq m pa)	Service Charge
1	Town Square	2020	150 – 200	27,197	99%	2,000	10%
2	Jeddah Gate	2019	150 – 200	3,589	92%	1,800 – 2,200	10%

Source: Knight Frank Research



Source: Google Earth

Comparables Commentary

4.23 The benchmarks noted above have been included as a result of their location, quality, and positioning. These benchmarks form the foundation of our analysis of the mall expansion expected performance in terms of lease rates, absorption, and occupancy.

4.24 In forming our opinion of lease rates for the mall expansion, we have had regards to the lease rates of the F&B units within the benchmarks. As shown in the table above, F&B units are currently being leased at quoted rents of SAR 1,800 to SAR 2,200 per sq m per annum.

4.25 Town Square is a newly developed outdoor lifestyle center located west of the intersection of Abdullah Sulayman Street and Haramain Road. Town Square offers various type of units to let to cater to different tenant requirements, such as anchor stores, retail, and F&B. Units in Town Square vary in size between 150 sq m to 200 sq m. We consider the subjecto command a premium against Town Square due to better location and accessibility, with it being located on prince Majid Road. We have assumed that the subject will be developed in similar standards to town square, hence we have not made any adjustments for specification.

4.26 Jeddah Gate is located on King Abdullah Road in Al Fayha district, it comprises of three office buildings, residential buildings, and a ground level retail plaza with a wide range of F&B units. We consider the subject property to command a premium against Jeddah Gate for location, accessibility, and specification.

4.27 Our professional judgement, derived from the above benchmarks, and subject to adjustments for premiums and discounts we have arrived at an adopted lease rate of SAR 2,145 per sq m per annum. We have assumed a 10% service charge to be applied on top of the annual rent, in line with the benchmarks.

Valuation Assumptions – Mall Expansion

Investment Method

4.28 We understand that the mall is currently undergoing an expansion project which will introduce lifestyle retail and additional parking spaces. The lifestyle component is to be developed to F&B standards and leased for an average size of 310 sq m per unit, which have been taken into consideration when valuing the property.

4.29 In forming our opinion of Market Rent for the mall expansion, we have had regard to the quoted lease rates of lifestyle retail located in close proximity to the subject property. We have been informed by the client, that units of the mall expansion are to be developed and leased for F&B tenants. Therefore, we have relied on lease rates of F&B within the benchmarks and reflected the necessary adjustments.

4.30 When valuing the mall expansion, we have incorporated the GDV of the mall expansion in our residual model, where we have modelled our assumption of the market rent on a 10 year discounted cash flow and have allowed for deductions for expenses and other allowences such as sinking fund and bad debt. Out estimated rental value for the mall expansion is SAR 38,985,408 per annum.

4.31 We have not been provided by the operating costs budget for the project. We have therefore assumed that the operating cost for the project is SAR 150 per sq m of gross leasable area. We have also allowed for deductions for sinking fund provision and bad debt on the total effective revenue.

4.32 Based on our professional experience and previous engagements, we have allowed for a lease up period of three years, followed by stabilised occupancy of 85% on the fourth year.

4.33 We have assumed a 2% annual inflation on revenues and costs in our cash flow, and have adopted 8.75% exit yield and 10.00% discount rate.

4.34 We provide a summary of our key valuation assumptions adopted in the investment method in the table below:

Table 13: Valuation Summary – Investment Method

Item	Unit	Assumption
Gross Leasable Area (GLA)	Sq m	15,822
Market Rent (at 100% occupancy)	SAR per annum	37,332,009
Market Rent (inclusive of service charge)	SAR per sq m per per annum	2,360
Operating Cost	SAR per sq m	150
Stabilised Occupancy	%	85%
Service Charge	%	10%
Bad Debt	%	1%
Sinking Fund	%	1%
Capitalization Rate	%	8.75%
Operational Discount Rate	%	10.75%

Item	Unit	Assumption
Growth Rate	%	2%
GDV	**SAR**	**335,400,000**

Residual Method – Vertical Development

4.35 In forming our opinion of value, we have relied on information provided to us by the client. If any of the assumptions upon which the valuation is based on have subsequently changed, then the figures presented in this report may also need revision and should be referred back to the valuer.

4.36 As per information provided by the client, it is noted that the construction of the mall expansion has started in December 2021 and is expected to be completed by August 2023, implemented in phases.

4.37 We note that valuation of the mall extension on the vertical development utilises the residual method of valuation, which is sensitive to multiple inputs, including the phasing strategy. We have been provided with a generic phasing strategy of the subject, where information provided on the total area to be developed and construction costs for each phase are insufficient. Therefore, we have assumed that the entire site is developed in one go over a period of 21 months from December 2021 until August 2023.

4.38 We have been provided with the gross leasable area of the mall expansion, which equates to 15,822 sq m.

4.39 In forming our opinion of value, we have relied on the total construction costs provided by the client, which is SAR 131,123,158 – this is inclusive of consultancy and utilities fees, as well as 15% contingency. We have not accounted for inflation on construction costs and have only relied upon costs provided by the client.

4.40 We highlight that the project is currently under construction and actual payments have been made by the client. Therefore, we have only reflected the remaining construction costs of SAR 88,031,083 and the remaining construction period of 14 months, in our cash flows,

4.41 Leasing activities are assumed to commence after the development is completed on month 14.

4.42 A development discount rate of 13.25% has been adopted. Our discount rate takes into account the capex required as well as the perceived risk profile of the property.

4.43 We provide a summary of our valuation in the table below:

Table 14: Mall Expansion Valuation Summary – Vertical Development

	Item	Unit	Assumption
Cost Assumptions	GLA	Sq m	15,822
	Construction period	Months	21
	Remaining Construction Period	Months	14
	Total Construction Costs	SAR	131,123,158
	Paid Construction Costs	SAR	43,092,074
	Remaining Construction Costs	SAR	88,031,083
Revenue Assumptions	Commencement of Leasing Activities	Starts on Month	14
	GDV	SAR	335,400,000
Development Discount Rate			13.25%
NPV			**204,633,976**

Valuation Assumptions – Al Andalus Mall Hotel

Assumptions

4.44 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Terms of Engagement Letter and within this report.

Key Assumptions

4.45 Our projections are prepared in accordance with the Uniform System of Accounts for the Lodging Industry (USALI) as used by the hotel and leisure industry worldwide. We have made a number of assumptions within our valuation which we have listed below:

4.46 The valuation is based on the EBITDA of the serviced apartment, with an allowance for the terms and fees included in the hotel management agreement.

4.47 The valuation given includes furniture, fittings, equipment and operational supplies that are necessary for the hotel as a going concern.

4.48 We were not provided with the classification certificate for the operating hotel and therefore we have assumed that the hotel would continue to acquire an operating classification certificate as a 5-Star hotel.

4.49 Unless otherwise stated, ADR (Average Daily Rate) in our calculations is inclusive of service charges, but exclusive of tax and municipality fees.

4.50 Our cash flow is prepared on the basis of a calendar year. Year 1 of the cash flow starts from the date of valuation.

4.51 The client has terminated the hotel management agreement with Holiday Inns Middle East under the Staybridge Suites brand and as per the client, is in an advanced discussion with another reputable international operator. Therefore, we have assumed that the operator / brand appointed would be similar to that of Staybridge Suites. We have assumed that this new operator would continue to manage the subject property effectively and efficiently under a 5-Star deluxe serviced apartment positioning.

4.52 We were not provided with the revised commercial terms under the new management agreement and therefore have had to rely on industry standard fee structures that are typically offered by hotel operators for the Jeddah market. These terms are assumed to prevail over a 15-year term and come into effect by the end of 2022.

4.53 During the transition of operators, we have assumed that the property will continue to remain open for business and be owner operated. Furthermore, our projections take into account that the new operator would be appointed and running the operations of the hotel by the end of 2022. A delay in appointing the new operator would impact the projections.

4.54 Typically, when a new hotel operator takes over an existing branded operational hotel, there are costs associated with re-branding, FF&E upgrades, etc. Typically, these costs are borne by the owner; however, we have been informed by the client that the costs related to re-branding and the costs related to any minor FF&E upgrades will be covered by the accrued FF&E reserve from the previous years.

4.55 The subject hotel has all relevant documentation and permissions required from the relevant planning and trading authorities in Jeddah, KSA.

4.56 We have assumed the rate of inflation to be 2 percent per annum.

4.57 We have adopted a discount rate of 11.25 percent and a terminal capitalisation rate of 9.25 percent for the hotel cash flow.

4.58 We have adopted the 9.25 percent capitalisation rate to show the subject property as a deluxe, internationally branded asset, located in the area of Al Fayha District, an emerging international leisure and corporate destination in the city of Jeddah.

SWOT analysis

Strengths	Weaknesses
• Located within the Al Woroud district – prime location on the cross roads of Prince Majid Road and King Abdullah Road. • Immediately adjacent to Al Andalus Mall, a prestigious mall in Jeddah. • Large room sizes, which are well maintained to a high specification; • Diversity of room inventory providing guests with more choice. • Variety of meeting space capitalising on exposure towards MICE segmentation.	• Traffic congestion area • Poor vehicular accessibility • Limited F&B facilities • Trajectory of growth in the city of Jeddah is shifting north, with developments such as Jeddah Economic City (JEC) and the development surrounding the Jeddah Creek.
Opportunities	**Threats**
• Large masterplan development in place where Al Andalus Mall and Hotel are one of the first phases of development to be constructed – potential to leverage on corporate guest and VFR market share from proposed hospital currently under construction. • Lack of internationally branded serviced apartments in the Jeddah market.	• Future supply pipeline will heavily influence the market share of the serviced apartments. • Several vacant land plots which may be developed into competing properties.

Valuation bases

Market Value

4.59 Market Value is defined within **RICS Valuation - Global Standards / IVS** 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 had each acted knowledgeably, prudently and without compulsion*."

Market Rent

4.60 Market Rent is defined in **RICS Valuation – Professional Standards as:**

"The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Valuation date

Valuation date

4.61 The valuation date is 30 June 2022.

Market Value

Assumptions

4.62 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Terms of Engagement Letter and within this report.

Key Assumptions

4.63 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to the following assumptions which are particularly important / relevant:

- Knight Frank have not measured the property and have relied upon the client provided areas for all elements.

Market Value (Aggregate)

4.64 We are of the opinion that the Market Value of the freehold interest in the entire properties, subject to the existing leases, and hotel management agreement at the valuation date is:

SAR 1,513,905,000

(One Billion, Five Hundred and Thirteen Million, Nine Hundred and Five Thousand Saudi Arabian Riyals)

4.65 The split between the components is as follows:

Market Value (Al Andalus Mall)

4.66 We are of the opinion that the Market Value of the freehold interest in the mall, subject to the existing leases, at the valuation date is:

SAR 1,167,770,000

(One Billion, One Hundred and Sixty Seven Million, Seven Hundred and Seventy Thousand Saudi Arabian Riyals)

Market Value (Al Andalus Mall Expansion)

4.67 We are of the opinion that the Market Value of the freehold interest in the mall expansion, subject to the assumptions and caveats detailed herein, at the valuation date is:

SAR 204,635,000

(Two Hundred and Four Million, Six Hundred and Thirty Five Thousand Saudi Arabian Riyals)

Market Value (Al Andalus Mall Hotel)

4.68 We are of the opinion that the Market Value of the freehold interest in the Hotel, subject to the assumptions and caveats detailed herein, as at the valuation date is:

SAR 141,500,000
(One Hundred and Forty One Million, Five Hundred Thousand Saudi Arabian Riyals)

4.69 Our opinion of Market Value (Hotel) above equates to a capital value of approximately USD 230,000 per key.

5. Risk analysis

General comments

5.1 In this section of our report we summarise the property related risks which we have identified as part of our valuation report and which we consider should be drawn to your attention. This summary should not be taken to be exhaustive and must be considered in conjunction with the remainder of the report. Nothing in this section should be construed as being a recommendation of taking any particular course of action.

Risks relating to the property

Location

5.2 This location is very central and is at the intersection of two major highways, by a large interchange, therefore is very accessible from all directions generally. The only downside is the fact that there is another super regional mall located across the interchange from this one – Al Salaam Mall.

5.3 The property is located within an area which we expect to be subject to further growth and development in the short to medium term, as there is substantial vacant land around both this and Salaam Mall, some of which is already master planned for residential development, and long terms this will enhance the immediate catchment and potential customers for the mall.

Condition

5.4 The mall is relatively dated and older than many of its competition. Although it is well maintained, there does need to be an effective planned preventative maintenance programme in place in order to uphold the value of the asset over the long term. The mall is at the stage where certain items such as A/C plant need to be gradually replaced on phased basis, and whilst this would be the case for any mall, the age of the subject means that these expenses are arriving more quickly than a newer property.

Income Risks

Leases

5.5 The major anchor Hyper Panda has a lease that has 5 years unexpired, and some of the mini anchors are on 5-8 year leases, however the majority of the leases in the mall range in length from 1 to 3 years, therefore the income is relatively short. As new supply enters the market, there is a risk that if the mall is not well maintained and managed to the standard required by tenants, they may see better opportunities in newer facilities going forward, which could impact occupancy.

Hotels

5.6 Income from a hotel is not contracted and is performance based, with revenues being generated based on operator performance and how well the operator manages the asset. Therefore the revenue could be relatively volatile based on the market conditions, with new supply entering the market, and will take some time to reach stabilisation, usually between 3-4 years for a property of this type and positioning.

Economic & property market risks

Demand from occupiers

5.7 Based on the fact that the mall is at 94% occupancy which is aligned with its peers, this suggests there is still a good level of demand from the type of tenant that would be attracted to this mall and it's positioning in the retail market.

Supply of similar properties

5.8 One of the key malls to note is Al Salam Mall, located opposite the property. Like the property this is a super-regional mall, but is it slightly larger as it extends to 121,113 sq m. The risk of tenants moving to Salam Mall may be a possibility, however it is worth mentioning that Al Salam Mall has occupancy above 88% therefore the space available would be limited. Nonetheless the property was built in 2007 and has shown strong performance in terms of retaining tenants, rental growth and has high occupancy.

Investor

5.9 Malls in the GCC are generally owned by the large family groups, e.g. Al Hokair, Majid Al Futtaim, Al Futtaim Group etc. Investors often have difficulty obtaining good exposure to the retail sector due to the barriers to entry – for example, Emaar Malls IPO gave investors this opportunity, but if malls are held in private company, this does not allow investors much exposure. We consider there is suitable appetite and strong investor demand for a well-managed, well-let mall in a good location in a major city given the demographics and young population.

Liquidity of the property type / Time to sell

5.10 The lot size of the subject is considerable. This means that there are only a limited number of investors that would be able to / have the capacity to acquire such as asset. Many funds would find that its size would not fit in with portfolio weightings and asset allocations, therefore the potential buyers would tend to be sovereign or government related entities, other REITS which means the number of potential purchasers could be slightly limited.

Appendix 1 Instruction documentation

AlAhli REIT Fund (1)
Riyadh
Kingdom of Saudi Arabia

For the attention of Danial Mahfooz

Our Ref: SNB Capital

11 July 2022

Dear Sirs

Terms of Engagement for Valuation Services for the properties listed in section 2

Thank you for your enquiry of 07 June 2022 requesting a valuation report in respect of the properties detailed below (the "Properties"). We are writing to set out our agreed terms of engagement for carrying out this instruction which comprise this Terms of Engagement letter (this "Letter") together with our General Terms of Business for Valuation Services (the "General Terms"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed by us in writing. To the extent that there is any inconsistency between this Letter and the General Terms, this Letter shall take precedence.

1. Client

Our client for this instruction is AlAhli REIT Fund (1) (the "Client", "you", "your").

2. Properties to be valued

The Properties to be valued are as follows:

Property Address	Tenure	Occupancy
Asset 1: Al Andalus Mall (including extension land) and Staybridge Suites Hotel Apartments, Jeddah, Kingdom of Saudi Arabia	Freehold	Tenanted - subject to more than one lease or tenancy
Asset 2: Qbic Building, King Abdulaziz Road Al Ghadeer District, Riyadh, Kingdom of Saudi Arabia	Freehold	Tenanted - subject to more than one lease or tenancy
Asset 3: Salama Building, Madinah Road Salamah District, Jeddah, Kingdom of Saudi Arabia	Freehold	Tenanted - subject to more than one lease or tenancy

3. Valuation standards

The Valuation will be undertaken in accordance with the current editions of RICS Valuation - Global Standards, incorporating the International Valuation Standards, and the Taqeem regulations of KSA.

Building WH01-04 1St Floor Al Raidah Digital City
T +966 5308 03297
knightfrank.com.sa

4. Status of valuer and disclosure of any conflicts of interest

For the purposes of the Red Book, we are acting as External Valuers, as defined therein.

We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are in a position to provide an objective and unbiased valuation.

We draw to your attention that if you subsequently request and we agree to the Valuation being re-addressed to a lender (for which we shall make an additional charge), the Valuation may not meet their requirements, having originally been requested by you. We will only readdress the Valuation once we have received a signed reliance letter in our standard format from the new addressee. Please note also that no update or alterations will be made to the Valuation prior to its release to any new addressee.

5. Valuer and competence disclosure

The valuer, on our behalf, with responsibility for the Valuation will be Stephen Flanagan MRICS, RICS Registered Valuer, Taqeem Fellow Valuer with Membership Number 1220001318 (the "Lead Valuer"). Parts of the Valuation may be undertaken by additional valuers within the firm.

We confirm that we meet the requirements of the Red Book in having sufficient current knowledge of the particular market and the skills and understanding to undertake the Valuation competently.

6. Purpose of valuation

The Valuation is provided solely for the purpose of REIT Year-end reporting (the "Purpose") and in accordance with clause 4.1 of our General Terms may not be used for any other purpose without our express written consent.

7. Limitation of liability and restrictions on use

Clause 3.1 of the General Terms limits our liability to SAR 1 million under this instruction.

Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

Third party reliance

Clause 4.2 of the General Terms states that no liability is accepted to any third party for the whole or any part of the Valuation.

Disclosure

Clauses 4.3 to 4.6 of the General Terms limits disclosure and generally prohibits publication of the Valuation. As stated therein, the Valuation is confidential to the Client and neither the whole, nor any part, of the Valuation nor any reference thereto may be included in any published document, circular or statement, nor published in any way, without our prior written consent and written approval of the form or context in which it may appear.

8. Basis of valuation

The Valuation will be undertaken on the following basis, as defined in the Red Book:

- Market Value.

9. Special assumptions and assumptions

Special assumptions

In addition to section 8 above, the Valuation will be undertaken on the following special assumptions:

- You have not requested any valuations on special assumptions.

Assumptions

The Valuation will necessarily be based upon a number of assumptions, as set out in the General Terms, this Letter and within the Valuation.

10. Valuation date

The valuation dates are 30 June 2022 and 31 December 2022.

11. Currency to be adopted

The valuation figures will be reported in Saudi Riyals (SAR).

12. Extent of inspection and investigations

We have agreed the following specific requirements in relation to the Valuation:

Inspection

You have instructed us to inspect the Properties internally / by going onto the site, as well as externally.

13. Information to be relied upon

We will rely on information provided to us by you or a third party and will assume it to be correct. This information will be relied upon by us in the Valuation, subject only to any verification that we have agreed to undertake.

Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.

Please inform us as to whether there has been a purchase price recently agreed or transacted in respect of the Properties. Please note that the Valuation will comment as to whether any such information has been revealed and if not, will contain a further request that this information must be provided to us before the Valuation is relied upon.

14. Report format

The Valuation will be prepared in our standard format which will be compliant with the Red Book and Taqeem and will take into account any reasonable requests made by you at the relevant time.

15. Fees and expenses

Payment details

Our fee for undertaking this instruction will be Saudi Riyals (SAR) 80,000 (Eighty Thousand) excluding VAT for each re-valuation, and reasonable disbursements divided into two payment, set out below.

June 2022 revaluation:

Advance Payment	Saudi Riyals (SAR) 40,000.00 (50%)
Final payment	Saudi Riyals (SAR) 40,000.00 (50%)

December 2022 revaluation:

Advance Payment	Saudi Riyals (SAR) 40,000.00 (50%)
Final payment	Saudi Riyals (SAR) 40,000.00 (50%)

Our timeframe for completion of draft reports shall be by 15 working days from receipt of the initial invoice payment and receipt of all information contained within Appendix 4. Where any additional work is undertaken by Knight Frank Spain Saudi Arabia Real Estate Valuations Company or the time period of the assignment is extended due to reasons outside our control, we reserve the right to seek additional fees charged on an as-incurred basis in agreement with the client.

Where we are unable to complete the report as a result on information not being made available by the Client we reserve the right to proceed with the billing of any outstanding fees.

In accordance with clause 10.4 of the General Terms, if you end this instruction at any stage, we will charge abortive fees on the basis of reasonable time and expenses incurred, with a minimum charge of 50% of the above fee if the Properties have been inspected.

Payment of our fee is required in advance. Before the Valuation is discussed or issued the invoice must have been settled.

The scope of our work is set out in the Agreement. In accordance with clause 10.5 of the General Terms, if we are instructed to carry out additional work that we consider either to be beyond the scope of providing the Valuation or to have been requested after we have finalised the Valuation (including, but not limited to, commenting on reports on title) we will charge additional fees for such work. We will endeavour to agree any additional fees with you prior to commencing the work, however, where this is not possible our hourly rates will apply.

Where additional work is requested after we have issued the Valuation, please note that we cannot guarantee the availability of the Lead Valuer or any additional valuers that may have been involved in the preparation of the Valuation (especially where such requests are received on short notice). Please note also that we will require sufficient time for completion of such additional work.

16. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and/or refrain from discussing it with you until this Letter has been countersigned and returned. Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and/or the terms of the Agreement between us please let us know before signing this Letter or otherwise giving us instructions to proceed.

Thank you for instructing Knight Frank Spain Saudi Arabia Real Estate Valuations Company.

Yours faithfully

Stephen Flanagan MRICS
Partner - Head of Valuation & Advisory, MENA,
Valuation & Advisory, MENA
For and on behalf of Knight Frank Spain Saudi Arabia
Real Estate Valuations Company
stephen.flanagan@me.knightfrank.com
T +971 4 4267 617
M +971 50 8133 402

Attached - General Terms of Business for Valuation Services

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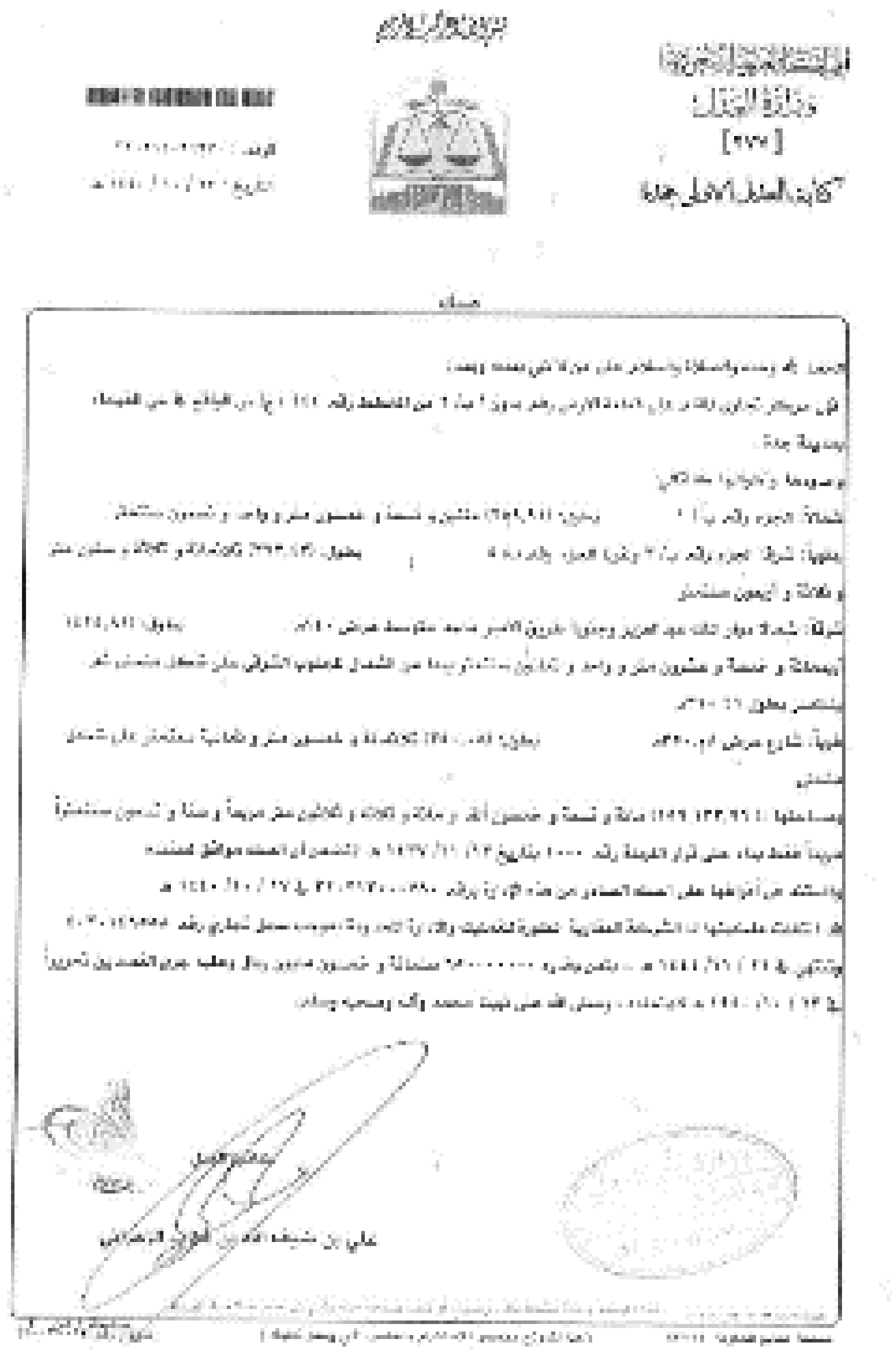
Signed for and on behalf of AlAhli REIT Fund (1) Date

KF Ref: SNB Capital

Appendix 2 Title Deed

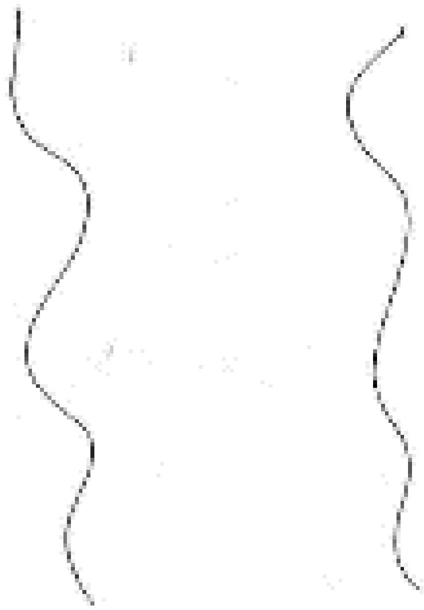


بسم الله الرحمن الرحيم

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

الرقم:
التاريخ:

صك



بسم الله الرحمن الرحيم

المملكة العربية السعودية
وزارة العدل
[illegible]

كتابة العدل الأولى بجدة

الرقم: [illegible]
التاريخ: [illegible]

Appendix 3 Building Permit

المملكة العربية السعودية
وزارة الشؤون البلدية والقروية
أمانة محافظة جده

التاريخ : ٢٦ ٠٢ ٠٤
الرقم : ٠٠٠١٠٣

رخصة بناء

بلدية : الجامعة
رخصة بناء : مركز تجاري لمدة ثلاث سنوات تبدأ من تاريخه
اسم مالك : محمد بن عبدالعزيز الحبيب وشركاه
نوع هوية : حفيظة نفوس رقم ١٠ ت ١٤٢٥ ٠١ ٠١ مصدر جده
صك ملكية : ٤٦٧ تاريخه ٣٠ ٠٤ ١٤٢٤
رقم مبنى : ٠٠٠٠ شارع غير مسمى (٩٩٩٩) حي الشفر
رقم قطعة : ٠٠٠ رقم المخطط التنظيمي تاريخ المخطط ٠٠ ٠٠٠٠
قد رخص للمالك ببناء عدد ٠٢ دور بموجب الحدود والابعاد والارتدادات والبروزات

الاتجاه : محيط خارجي	الارتداد	البروزات	المسـ
شمال : ١٤ ٠٠٢٩١	٩٠ ٧١	٠٠ ٠٠٠٠	وفق الصك : ١٠ ٠٠
شرق : ٣٧ ٠٠٧٩٣	٤٠ ٧١	٠٠ ٠٠٠٠	وفق الطبيعة : ١٠ ٠٠
جنوبه : ٠٤ ٠٠٣٦٨	٠٠ ١٣٢	٠٠ ٠٠٠٠	وفق التنظيم : ١٠ ٠٠
غربه : ١٠ ٠٠٤٨٧	٨٢ ١٠٦	٠٠ ٠٠٠٠	

المحتويات	سكن	تجاري	مواقف سيارات	وحدات اخرى	مساحة
دور ارضي	٠٠ ٠٠٠٠٠٠٠	٠٠ ٠٠٤١٤٧٧	٠٠ ٠٠٣٨٠٠٠	٠٠ ٠٠٠٠٠٠٠	٠٠ ١٧
دور اول	٠٠ ٠٠٠٠٠٠٠	٠٠ ٠٠٧٥٢٩١	٠٠ ٠٠٠٠٠٠٠	٠٠ ٠٠٠٠٠٠٠	٠٠ ١١

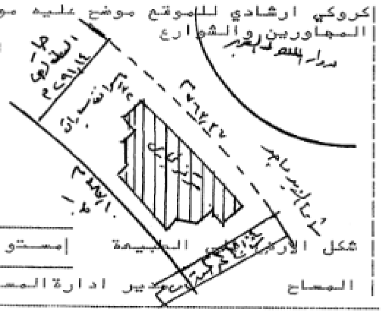
اجمالي طول الاسوار (م - ط) : ٠٠ ٠٠٠٠٠
نسبة الدور الارضي ٠ ٠٦٠٠
رقم رخصة المعماري
الاسم
رقم رخصة الانشائي
الاسم
رقم رخصة المصمم ١٠٠٧٢
الاسم مروان بدرالدين عاشور
أجريت دراسة التربة بمعرفة
المكتب المصمم

الرسوم	رقم الايصال	تاريخ الايصال
٤٠ ٢٦٦٦٦	٨/٦٧٣٨٢٤	٠٣ ٠٢ ١٤٢٦

البيارة طول	عرض	عمق
٠٠ ٠٠٠٠٠	٠٠ ٠٠٠٠٠	٠٠ ٠٠٠٠٠

مكان وجودها

كروكي ارشادي للموقع موضح عليه موقع المجاورين والشوارع



شكل الارض | الطبيعة | مستو | غير
المساح | مدير ادارة المساحة

عدد الوحدات ~~السكنية~~ تجارية ٢٢٠
تم مراجعة المخططات والموافقة عليها على أن يلتزم المالك بتنفيذ كامل أنظمة البلـ
وأن يرجع اليها عند ضرورة أى تعديل مهما كان وعليه أعطى الترخيص ...

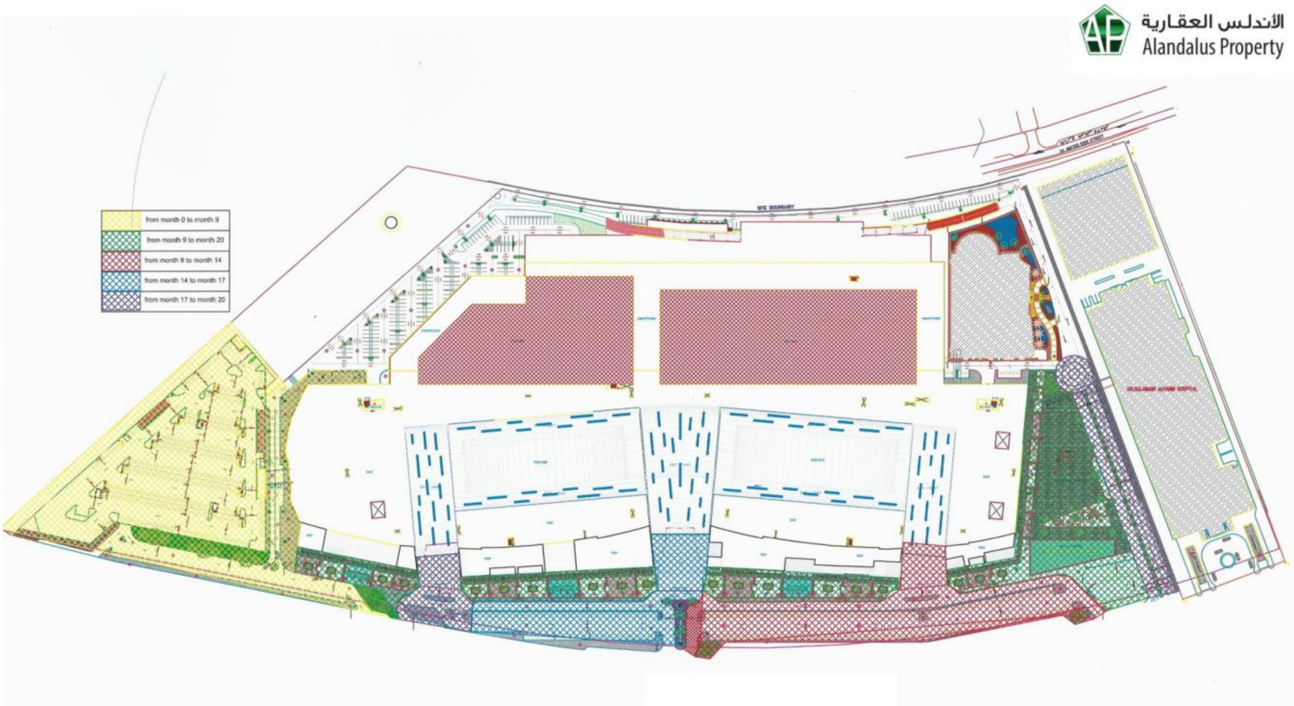
مهندس الرخص .... | مدير ادارة التراخيص .... | رئيس البلـ ....

Appendix 4 Floor Plans

Ground Floor

First Floor

Appendix 5 Andalus Expansion Project



Appendix 6 Profit & Loss – Hotel

Currency (SAR) '000	Forecast									
	Year 1 2022/2023	%	Year 2 2023/2024	%	Year 3 2024/2025	%	Year 4 2025/2026	%	Year 5 2026/2027	%
Av. Room Occupancy	48%		60%		68%		74%		74%	
Av. Room Rate (SAR)	495		554		610		653		666	
RevPAR	238		333		415		483		493	
Operations Revenue										
Rooms Department	14,223	82.4%	19,912	83.5%	24,823	84.8%	28,905	84.8%	29,483	84.8%
Food & Beverage Department	2,845	16.5%	3,584	15.0%	3,972	13.6%	4,625	13.6%	4,717	13.6%
Other Operating Department	142	0.8%	299	1.3%	434	1.5%	506	1.5%	516	1.5%
Miscellaneous Income	46	0.3%	47	0.2%	48	0.2%	49	0.1%	50	0.1%
Total Sales / Operation Revenue ('000)	**17,255**	**100%**	**23,841**	**100%**	**29,277**	**100%**	**34,084**	**100%**	**34,766**	**100%**
Departmental Expenses ('000)										
Rooms Department	2,845	20.0%	3,186	16.0%	3,475	14.0%	4,047	14.0%	4,128	14.0%
Food & Beverage Department	2,162	76.0%	2,330	65.0%	2,383	60.0%	2,775	60.0%	2,830	60.0%
Other Operating Department	39	27.5%	75	25.0%	87	20.0%	101	20.0%	103	20.0%
Miscellaneous Income	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total Departmental Expenses	5,046	29.2%	5,590	23.4%	5,945	20.3%	6,923	20.3%	7,061	20.3%
Gross Operating Income ('000)	**12,210**	**71%**	**18,251**	**77%**	**23,332**	**80%**	**27,161**	**80%**	**27,704**	**80%**
Undistributed Operating Expenses										
Administration & General	2,847	16.5%	2,801	11.8%	3,074	10.5%	3,579	10.5%	3,650	10.5%
IT Systems	733	4.3%	691	2.9%	732	2.5%	852	2.5%	869	2.5%
Sales and Marketing	776	4.5%	1,001	4.2%	1,171	4.0%	1,363	4.0%	1,391	4.0%
Property Operation and Maintenance	863	5.0%	834	3.5%	878	3.0%	1,023	3.0%	1,043	3.0%
Utilities	2,243	13.0%	1,931	8.1%	2,049	7.0%	2,386	7.0%	2,434	7.0%
Total Undistributed Expenses ('000)	7,463	43.3%	7,260	30.5%	7,905	27.0%	9,203	27.0%	9,387	27.0%
Gross Operating Profit ('000)	**4,747**	**28%**	**10,991**	**46%**	**15,427**	**53%**	**17,959**	**53%**	**18,318**	**53%**
Management Fee	259	1.5%	358	1.5%	439	1.5%	596	1.8%	608	1.8%
Adjusted Gross Operating Profit ('000)	**4,488**	**26%**	**10,634**	**45%**	**14,988**	**51%**	**17,362**	**51%**	**17,709**	**51%**
Incentive Fee	314	1.8%	744	3.1%	1,049	3.6%	1,215	3.6%	1,240	3.6%
Non-Operating Income and Expenses	86	0.5%	119	0.5%	146	0.5%	170	0.5%	174	0.5%
Replacement Reserve	345	2.0%	715	3.0%	878	3.0%	1,023	3.0%	1,043	3.0%
EBITDA - Net Cash Flow ('000)	**3,742**	**21.7%**	**9,055**	**38.0%**	**12,914**	**44.1%**	**14,954**	**43.9%**	**15,253**	**43.9%**
% Profit Ratio	21.7%		38.0%		44.1%		43.9%		43.9%	

Currency (SAR) '000	Forecast									
	Year 6 2027/2028	%	Year 7 2028/2029	%	Year 8 2029/2030	%	Year 9 2030/2031	%	Year 10 2031/2032	%
Av. Room Occupancy	74%		74%		74%		74%		74%	
Av. Room Rate (SAR)	679		692		706		720		735	
RevPAR	502		512		523		533		544	
Operations Revenue										
Rooms Department	30,072	84.8%	30,674	84.8%	31,287	84.8%	31,913	84.8%	32,551	84.8%
Food & Beverage Department	4,812	13.6%	4,908	13.6%	5,006	13.6%	5,106	13.6%	5,208	13.6%
Other Operating Department	526	1.5%	537	1.5%	548	1.5%	558	1.5%	570	1.5%
Miscellaneous Income	51	0.1%	52	0.1%	53	0.1%	54	0.1%	55	0.1%
Total Sales / Operation Revenue ('000)	**35,461**	**100%**	**36,170**	**100%**	**36,893**	**100%**	**37,631**	**100%**	**38,384**	**100%**
Departmental Expenses ('000)										
Rooms Department	4,210	14.0%	4,294	14.0%	4,380	14.0%	4,468	14.0%	4,557	14.0%
Food & Beverage Department	2,887	60.0%	2,945	60.0%	3,004	60.0%	3,064	60.0%	3,125	60.0%
Other Operating Department	105	20.0%	107	20.0%	110	20.0%	112	20.0%	114	20.0%
Miscellaneous Income	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total Departmental Expenses	7,202	20.3%	7,346	20.3%	7,493	20.3%	7,643	20.3%	7,796	20.3%
Gross Operating Income ('000)	**28,258**	**80%**	**28,824**	**80%**	**29,400**	**80%**	**29,988**	**80%**	**30,588**	**80%**
Undistributed Operating Expenses										
Administration & General	3,723	10.5%	3,798	10.5%	3,874	10.5%	3,951	10.5%	4,030	10.5%
IT Systems	887	2.5%	904	2.5%	922	2.5%	941	2.5%	960	2.5%
Sales and Marketing	1,418	4.0%	1,447	4.0%	1,476	4.0%	1,505	4.0%	1,535	4.0%
Property Operation and Maintenance	1,064	3.0%	1,085	3.0%	1,107	3.0%	1,129	3.0%	1,152	3.0%
Utilities	2,482	7.0%	2,532	7.0%	2,583	7.0%	2,634	7.0%	2,687	7.0%
Total Undistributed Expenses ('000)	9,574	27.0%	9,766	27.0%	9,961	27.0%	10,160	27.0%	10,364	27.0%
Gross Operating Profit ('000)	**18,684**	**53%**	**19,058**	**53%**	**19,439**	**53%**	**19,828**	**53%**	**20,224**	**53%**
Management Fee	621	1.8%	633	1.8%	646	1.8%	659	1.8%	672	1.8%
Adjusted Gross Operating Profit ('000)	**18,063**	**51%**	**18,425**	**51%**	**18,793**	**51%**	**19,169**	**51%**	**19,553**	**51%**
Incentive Fee	1,264	3.6%	1,290	3.6%	1,316	3.6%	1,342	3.6%	1,369	3.6%
Non-Operating Income and Expenses	177	0.5%	181	0.5%	184	0.5%	188	0.5%	192	0.5%
Replacement Reserve	1,064	3.0%	1,085	3.0%	1,107	3.0%	1,129	3.0%	1,152	3.0%
EBITDA - Net Cash Flow ('000)	**15,558**	**43.9%**	**15,869**	**43.9%**	**16,186**	**43.9%**	**16,510**	**43.9%**	**16,840**	**43.9%**
% Profit Ratio	43.9%		43.9%		43.9%		43.9%		43.9%	

Appendix 7 Andalus Mall Cash Flow

Cash Flow Report

Al Andalus Mall (Amounts in SAR)

Jun, 2022 through May, 2033

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	
For the Years Ending	May-2023	May-2024	May-2025	May-2026	May-2027	May-2028	May-2029	May-2030	May-2031	May-2032	May-2033	Total
Rental Revenue												
Headline Rent	136,782,062	137,049,205	141,073,705	145,158,253	147,787,925	152,668,736	155,547,436	158,421,731	159,977,312	161,505,756	164,608,954	1,660,581,074
Void Loss	-239,046	0	0	0	0	0	0	0	0	0	0	-239,046
Passing Rent	136,543,016	137,049,205	141,073,705	145,158,253	147,787,925	152,668,736	155,547,436	158,421,731	159,977,312	161,505,756	164,608,954	1,660,342,029
Total Rental Revenue	136,543,016	137,049,205	141,073,705	145,158,253	147,787,925	152,668,736	155,547,436	158,421,731	159,977,312	161,505,756	164,608,954	1,660,342,029
Total Tenant Revenue	136,543,016	137,049,205	141,073,705	145,158,253	147,787,925	152,668,736	155,547,436	158,421,731	159,977,312	161,505,756	164,608,954	1,660,342,029
Potential Gross Revenue	136,543,016	137,049,205	141,073,705	145,158,253	147,787,925	152,668,736	155,547,436	158,421,731	159,977,312	161,505,756	164,608,954	1,660,342,029
Vacancy & Credit Loss												
Vacancy Allowance	-6,589,359	-6,844,068	-7,044,280	-7,249,976	-7,381,475	-7,620,830	-7,768,389	-7,911,924	-7,998,668	-8,065,583	-8,220,552	-82,695,103
Total Vacancy & Credit Loss	-6,589,359	-6,844,068	-7,044,280	-7,249,976	-7,381,475	-7,620,830	-7,768,389	-7,911,924	-7,998,668	-8,065,583	-8,220,552	-82,695,103
Effective Gross Revenue	129,953,657	130,205,137	134,029,424	137,908,277	140,406,450	145,047,906	147,779,047	150,509,807	151,978,645	153,440,173	156,388,402	1,577,646,925
Revenue Costs												
Sinking fund	1,367,058	1,368,814	1,408,856	1,449,995	1,476,295	1,524,166	1,553,678	1,582,385	1,599,734	1,613,117	1,644,110	16,588,207
Bad debts	1,367,058	1,368,814	1,408,856	1,449,995	1,476,295	1,524,166	1,553,678	1,582,385	1,599,734	1,613,117	1,644,110	16,588,207
Opex	25,690,796	26,204,612	26,728,704	27,263,278	27,808,544	28,364,715	28,932,009	29,510,649	30,100,862	30,702,879	31,316,937	312,623,985
Total Revenue Costs	28,424,912	28,942,239	29,546,416	30,163,269	30,761,134	31,413,047	32,039,364	32,675,419	33,300,329	33,929,113	34,605,158	345,800,400
Net Operating Income	101,528,745	101,262,898	104,483,008	107,745,009	109,645,317	113,634,859	115,739,683	117,834,388	118,678,315	119,511,060	121,783,244	1,231,846,526
Cash Flow Before Debt Service	101,528,745	101,262,898	104,483,008	107,745,009	109,645,317	113,634,859	115,739,683	117,834,388	118,678,315	119,511,060	121,783,244	1,231,846,526
Cash Flow Available for Distribution	101,528,745	101,262,898	104,483,008	107,745,009	109,645,317	113,634,859	115,739,683	117,834,388	118,678,315	119,511,060	121,783,244	1,231,846,526

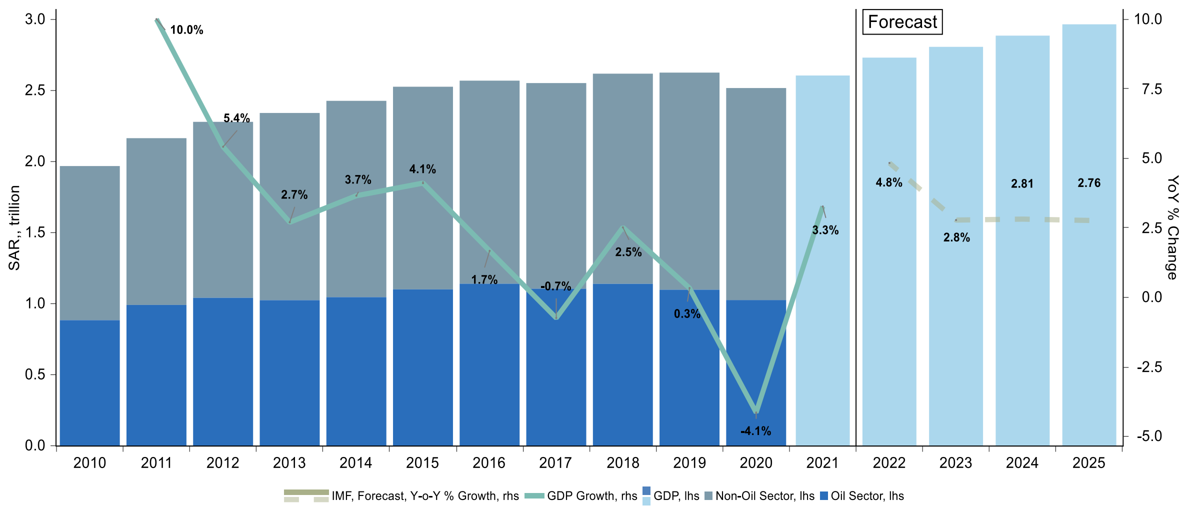
Appendix 8 Market research report

KSA Macroeconomic Overview

Saudi Arabia GDP Growth, 2011 - 2023

- After a year of contraction due to the pandemic, Saudi Arabia's economy resumed growth in 2021. According to preliminary full-year data from the General Authority for Statistics (GaStat), Saudi Arabia's real GDP grew by 3.3% in 2021, compared to a 4.2% drop in 2020, when the pandemic slowed down most economic activities.
- Saudi Arabia's real GDP increased by 6.8% year-on-year in the fourth quarter, owing to strong growth in non-oil activities which registered a growth of 6.6% over the same period.
- Looking ahead, the rise in oil prices appears to be supporting an increase in government oil-related revenue, which underpins Saudi Arabia's 4.8% GDP growth forecast for 2022, the highest in the region.

Saudi Arabia GDP, YoY % change



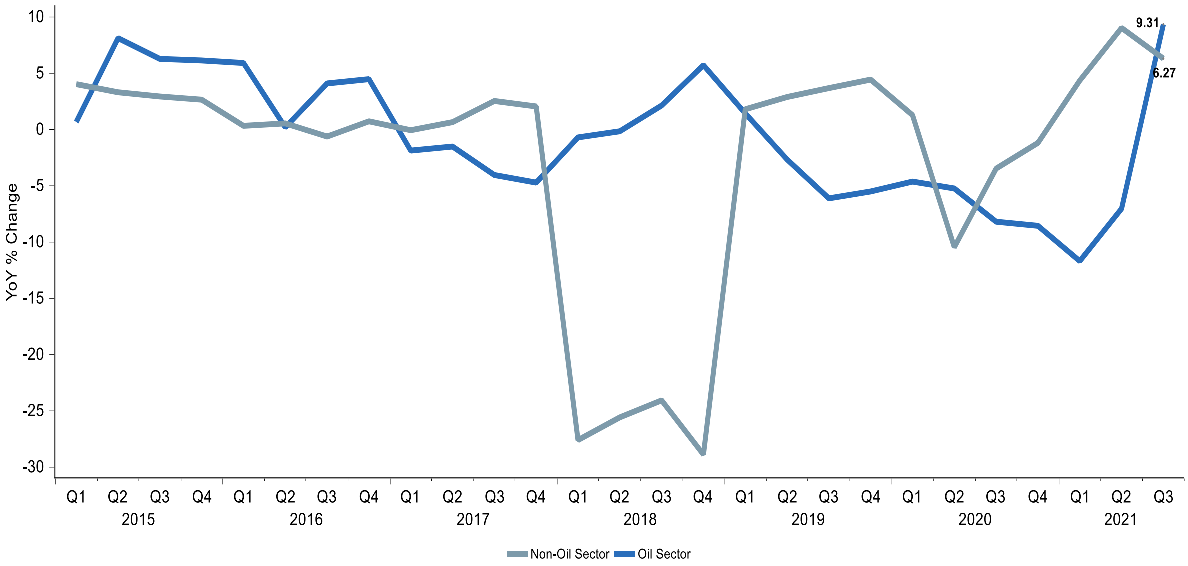
Source: Knight Frank Research, Macrobond

Saudi Arabia Oil & Non-Oil GDP and GDP Growth

- Even with this rate of economic growth, Saudi Arabia will remain below the average growth rate of c. 5% which was recorded between 2011 and 2015.
- While due to concerns around the new variants of COVID-19, there are material downside risks that may still impact economic activity in Saudi Arabia, most are unlikely to come to fruition and few are exogenous in nature.

- According to quarterly figures issued by the General Department of Statistics, Saudi Arabia's GDP climbed 7% year-on-year in Q3 2021, This expansion was mostly fuelled by the oil sector, which climbed by 9.3% year-on-year, while the non-oil sector expanded by 6.2% over the same period.

Saudi Arabia Oil & Non-Oil GDP Growth



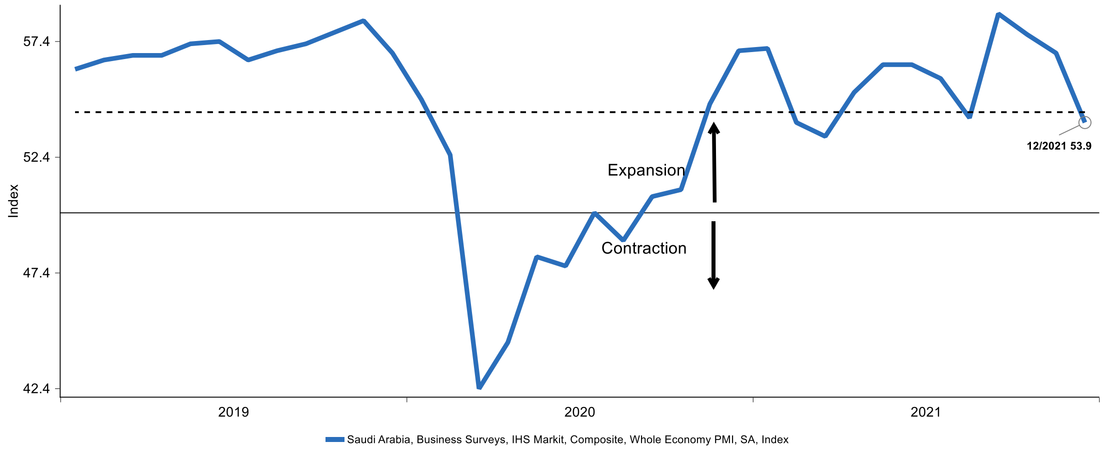
Source: Knight Frank Research, Macrobond

Saudi Arabia, Purchasing Manager Index (PMI)

- The non-oil private sectors are at the centre of Saudi Arabia’s Vision 2030, and the reforms launched to bolster these sectors are already being felt widely across the economy. Indeed, Saudi Arabia’s Purchasing Manager Index (PMI), which tracks the country’s private non-oil economy, registered a reading of 53.9% in December 2021, representing the 16th month of expansion and business growth.

- However, Saudi Arabia's PMI fell on a monthly basis to 53.9 in December 2021 from 56.9 in November, the lowest figure since March. A trend underpinned by a decline in business activity amid concerns about the spread of the new Omicron strain that has impacted customer spending.

Saudi Arabia PMI

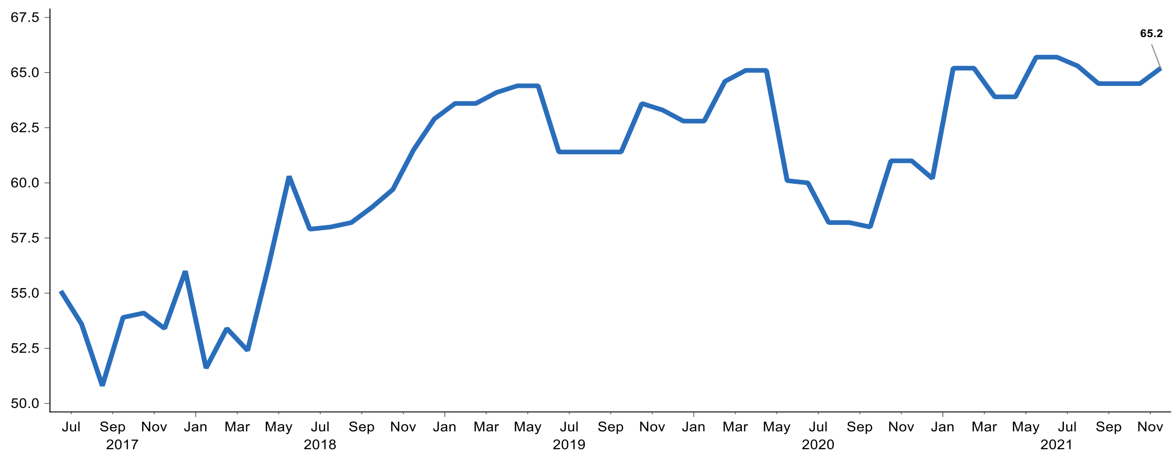


Source: Knight Frank Research, Macrobond

Saudi Arabia Primary Consumer Sentiment Index by Thomson Reuters / IPSOS

- Saudi Arabia's Primary Consumer Sentiment Index (PCSI) is a national survey of consumer attitudes toward the current and future state of the local economy, personal financial situation, as well as confidence in making large investments and ability to save.
- The latest reading in November 2021 of the Primary Consumer Sentiment Index (PCSI) in Saudi Arabia, released by IPSOS, reveals a stagnant performance from the previous month, leaving it at 65.2.
- Saudi Arabia came in first, ahead of China, in terms of the present status of its economy, with 56% believing it is robust. The Kingdom also ranks second internationally, with consumers (86%) saying the country is on the right track, a 4% decrease since October 2021.

PCSI, by Thomson Reuters / IPSOS

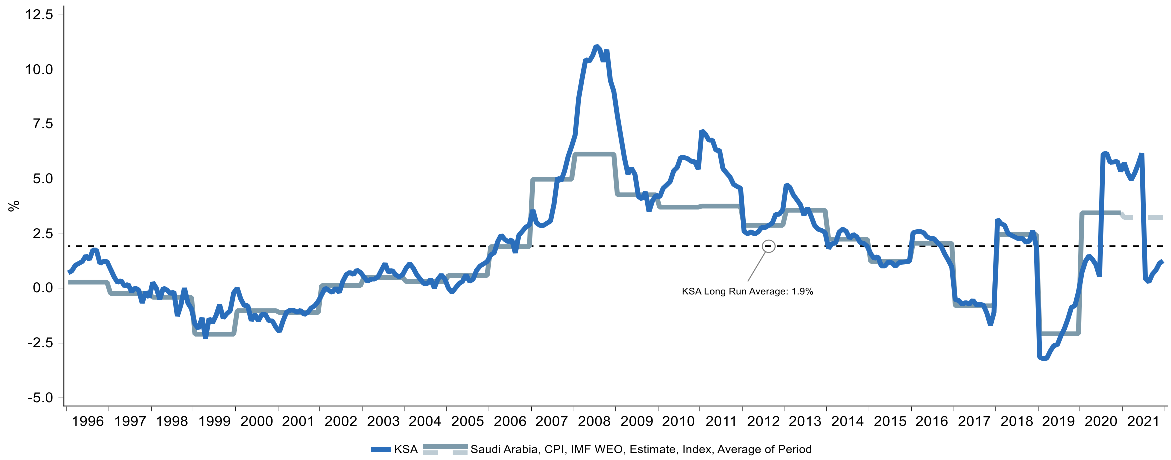


Source: Knight Frank Research, Macrobond

Saudi Arabia Consumer Price Index, YoY Change %

- The Consumer Price Index (CPI) increased by 1.24% in December 2021, compared to December 2020, higher than November 2021 (1.1%). The increase in the CPI was mostly due to higher prices for transportation (7.2%) and food and beverages (1.1%).
- Transport prices climbed by 7.2%, mostly owing to increasing fuel prices, which increased by 50%. Because of their significant relative importance in the Saudi consumer basket (13.0%), transportation expenses were the major driver of the inflation rate in December 2021. Food and beverage costs climbed by 1.1%, owing mostly due to rise in vegetable prices (6.3%).

CPI, YoY % Change

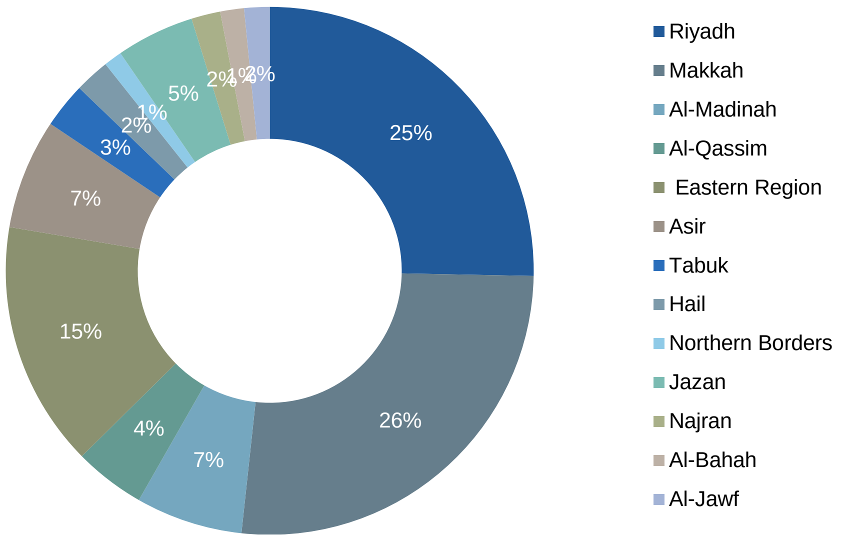


Source: Knight Frank Research, Macrobond

Saudi Arabia Population Segmentation by Province - 2019

- Saudi Arabia accounts for more than half of the GCC's total population and has a larger population than any other GCC country. According to official statistics, the population count was registered at 35 million in 2020.
- The population segmentation by regions for 2019 shows that nearly 65% of the population of the Kingdom is concentrated in three provinces, namely Makkah Al Mokarramah, Riyadh, and the Eastern Province, which account for 26%, 25% and 15% of the country's population respectively. Beyond the year 2019, the breakdown of the KSA population by region is not available.

Saudi Arabia Population Segmentation by Province - 2019

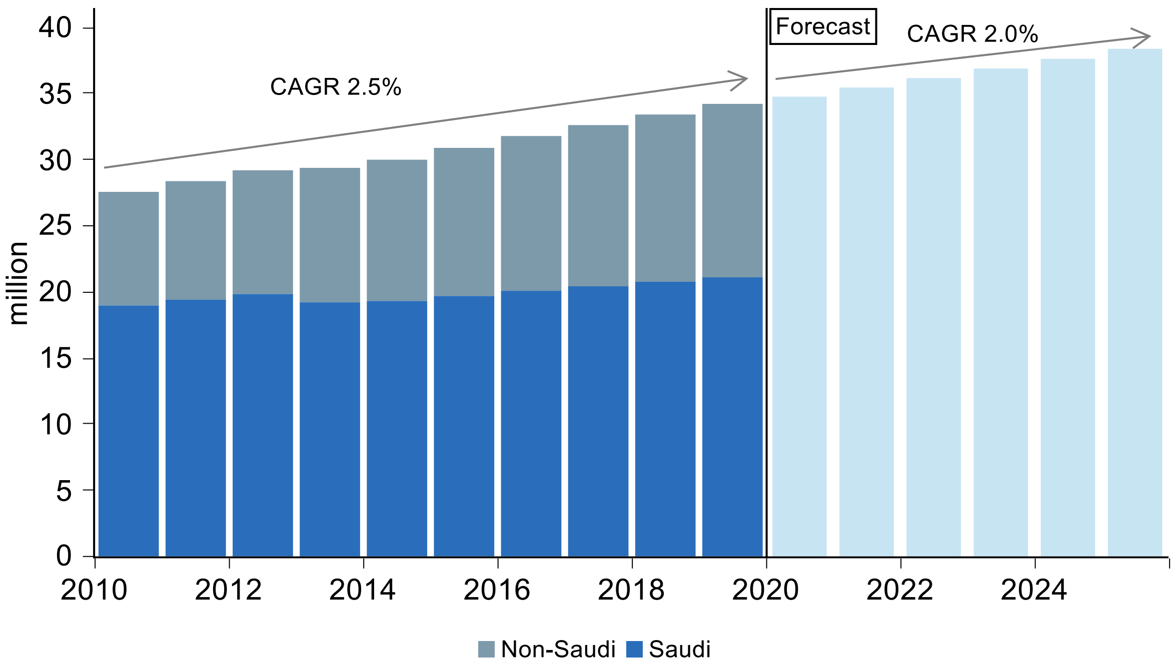


Source: Knight Frank Research, GASTAT

Saudi Arabia Population Forecasts

- According to official statistics, the population of Saudi Arabia is estimated to have reached 35.4 million in 2021. The Saudi/Non-Saudi breakdown of the population for 2020 stands at 21.6 million/13.4 million according to the same source.
- Based on the IMF forecasts, the population of Saudi Arabia is expected to grow at a constant 2% annual growth rate from 2020 onwards, reaching 38.3 million in 2025. A large and growing population, albeit at a slower pace than previous years, will continue to drive demand for goods and services in the short to medium term.
- Saudi Arabia's population is dominated by Saudi nationals, accounting for 62% of the population. This implies that aggregate demand for products and services does not primarily stem from the expatriate workforce.

Saudi Arabia Population Evolution

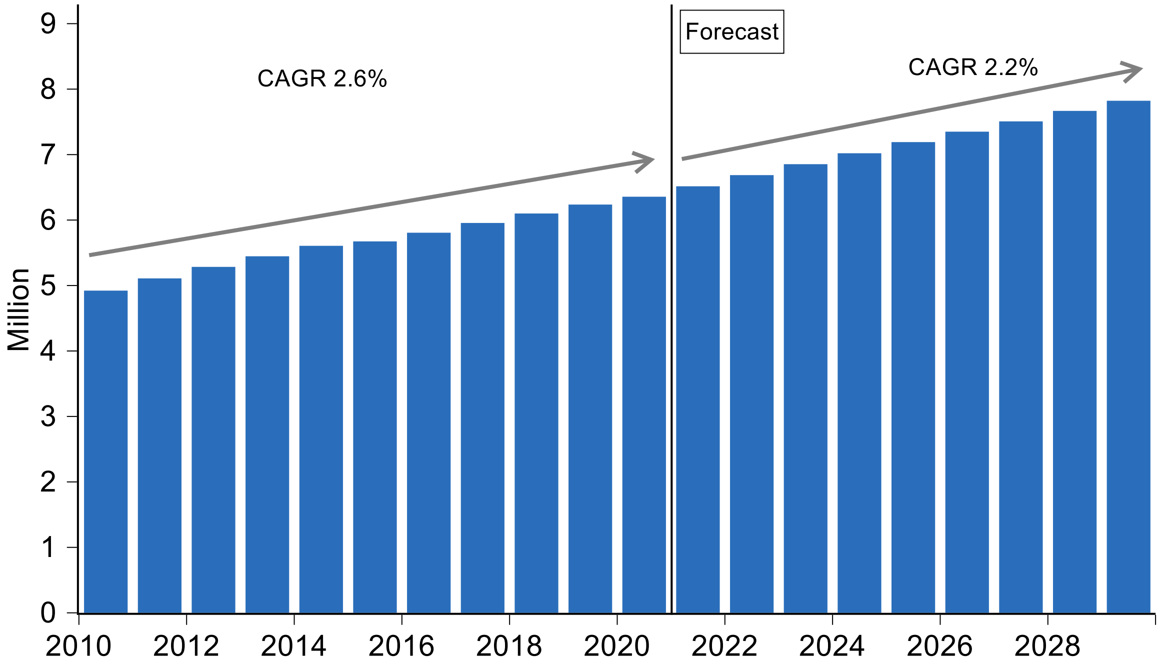


Source: Knight Frank Research, IMF

Total Number of Households

- Total number of households in Saudi Arabia is estimated at roughly 6.5 million in 2021, according to Oxford Economics. The yearly average growth in the number of households is set to slow to 2.2% per annum between 2021 and 2030, according to Oxford Economics, down from 2.6% between 2010 and 2021.
- The average household size in Saudi Arabia stood at 5.51 individuals in 2021, according to Oxford Economics. While the average household size for Saudi households stands at just over 6.0, the average household size for non-Saudis is closer to 4 individuals. The overall average household size is set to slightly decrease over the next years reaching 5.46 in 2030.
- Regarding the local population, it was not unusual historically for generations of the same family to be living in a sizeable family home. The younger generation now exhibits a desire to move away from multi-generational household structure. Over the next decades, falling household sizes will underpin demand for higher density development which provides smaller and more efficient units.

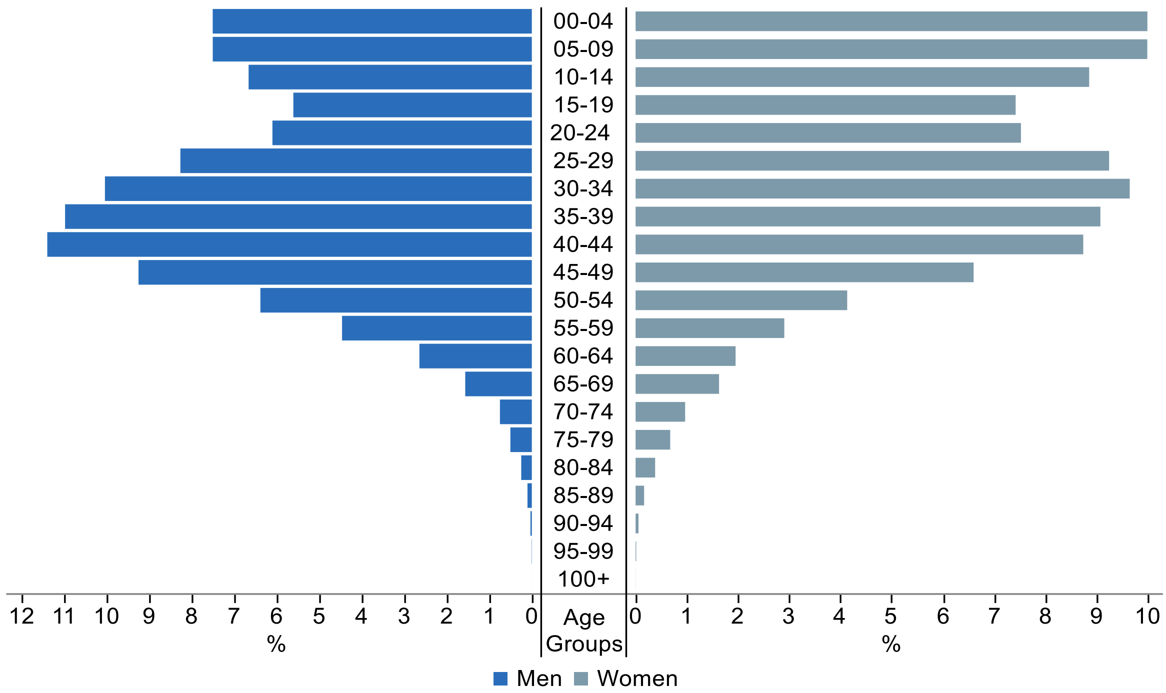
Number of Households



Source: Knight Frank Research/ Macrobond, Oxford Economics

Population by Age, Nationality, and Gender

- The population pyramid of Saudi Arabia that depicts the age structure of the Saudi population based on the preliminary 2021 data, highlights the fact that approximately 37.6% of the population were aged between 0 and 24 years, about 58.8% were aged between 25 and 64 years and 3.6% were aged above 65 years.
- It is expected that population dynamics are expected to shift in Saudi Arabia over the next decades, which will entail a significant increase in the population over 40. The over 60s age cohorts are expected to increase by 3 times between 2021 and 2035. Despite these changing demographic profile, Saudi Arabia will remain amongst the youngest countries in the GCC in 2030.

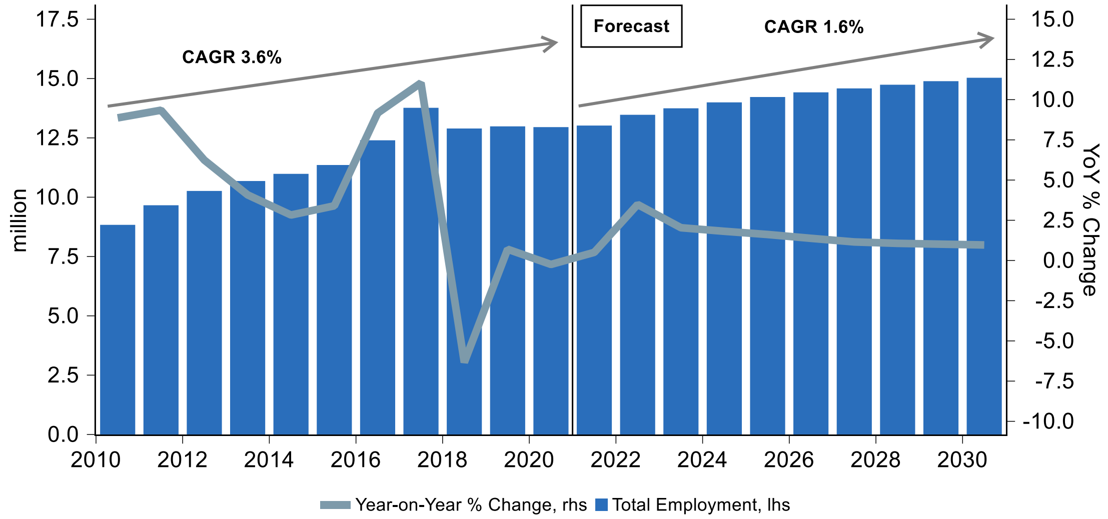


Source: Knight Frank Research, Macrobond

Total Employment - KSA

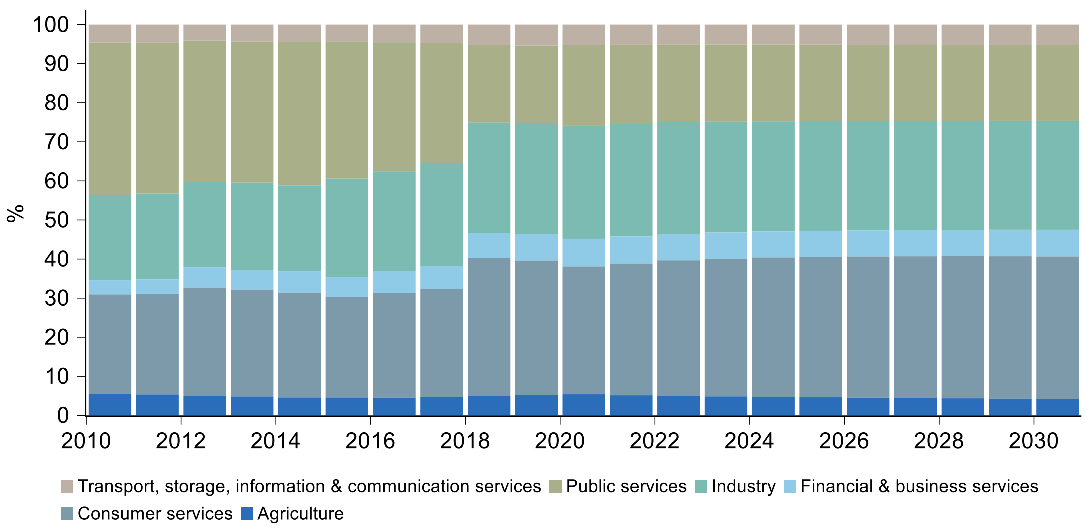
- Saudi Arabia's total workforce was estimated at 13-Million employees in 2021, down from 13.8-Million employees in 2017. The decrease is mostly as a result of the departure c. 750,000 expatriates from the workforce during this period.
- This outflow of expatriates from the workforce was triggered by a challenging macroeconomic environment, the introduction of levies on expats in the form of fees on dependents (set to increase every year on an incremental basis until 2020), and the implementation of a plan restricting employment in certain sectors to Saudi Nationals in order to promote and increase Saudization.
- Saudi Arabia's employment CAGR is set to slow to 1.6% per annum between 2021 and 2030, according to Oxford Economics, down from a CARG of 3.6% between 2010 and 2021.

KSA, Employment



Breakdown of Employment by Economic Sector – KSA

- Currently, the consumer services, industrial sectors and public services are the largest employment sectors in Saudi Arabia, accounting for 33.7%, 28.8% and 20.3% of total employment in 2021, respectively. This is expected to remain roughly unchanged over the coming ten years.

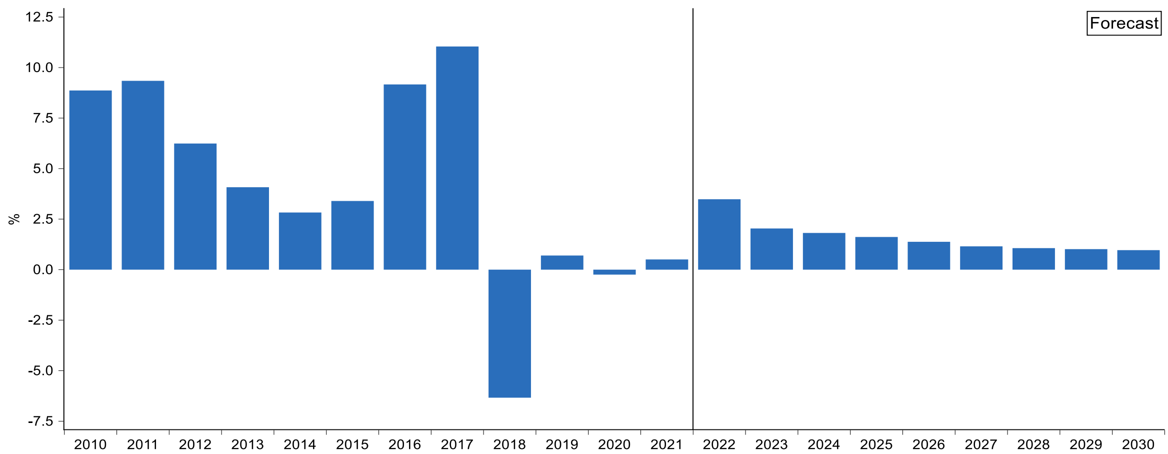


Source: Knight Frank Research, Macrobond

Employment YoY Change%

- Employment growth in Saudi Arabia is set to decelerate to 1.6% per annum between 2021 and 2030 down from 3.6% between 2010 and 2021 according to Oxford Economics estimates.
- Total employment declined by -6.34% in 2018 due to outflows of expatriates from the workforce. However, this trend has reversed in 2019 where total employment increased marginally by 1.31%.
- The exodus of expat workers from Saudi Arabia in 2020, due to the economic fallout from COVID-19 and the oil price shock, has accelerated a shift in the labour market, resulting in a 0.2% decline in employment growth in 2020. However, this trend has reversed again in 2021 where total employment increased marginally by 0.5%.
- Looking forward, employment growth is expected to remain supported by the various initiatives aimed at boosting youth, women and Saudi nationals' participation in the workforce. In the short to medium term, this will be balanced by rising pressures on the expat labour market resulting from the impact of government fees and Saudization plans on non-Saudi employment figure.

Employment, YoY % Change

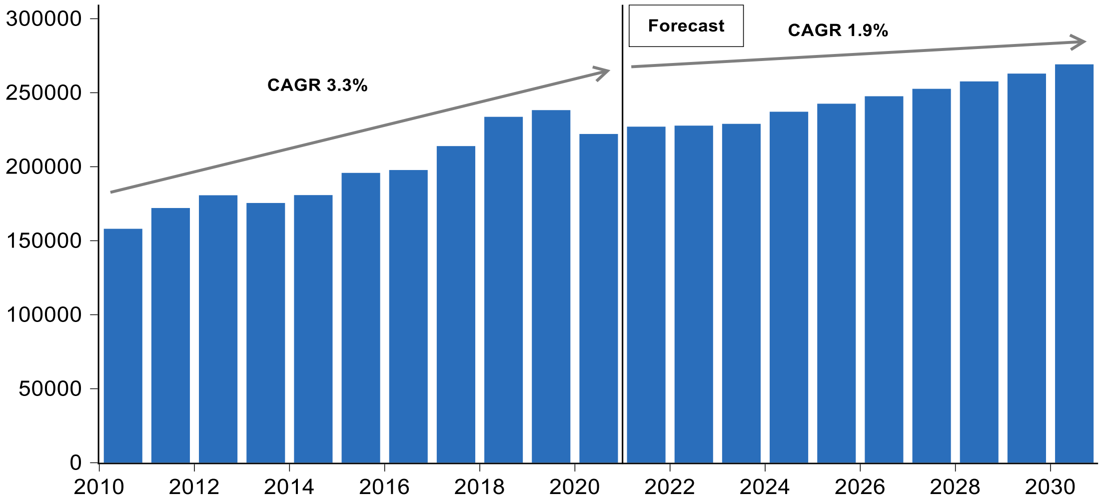


Source: Oxford Economics, Macrobond

KSA average household disposable Income in SAR

- Household income is a key determinant of affordability and consumer spending patterns.
- Average household personal disposable income in Saudi Arabia stood at c. SAR 227,000 in 2021. Between 2010 and 2021, the average household personal disposable income increased at a CAGR of 3.3%. It is expected that this growth momentum will slowdown to 1.9% between 2021 and 2030, as highlighted in the adjacent graph.

Household Disposable Income

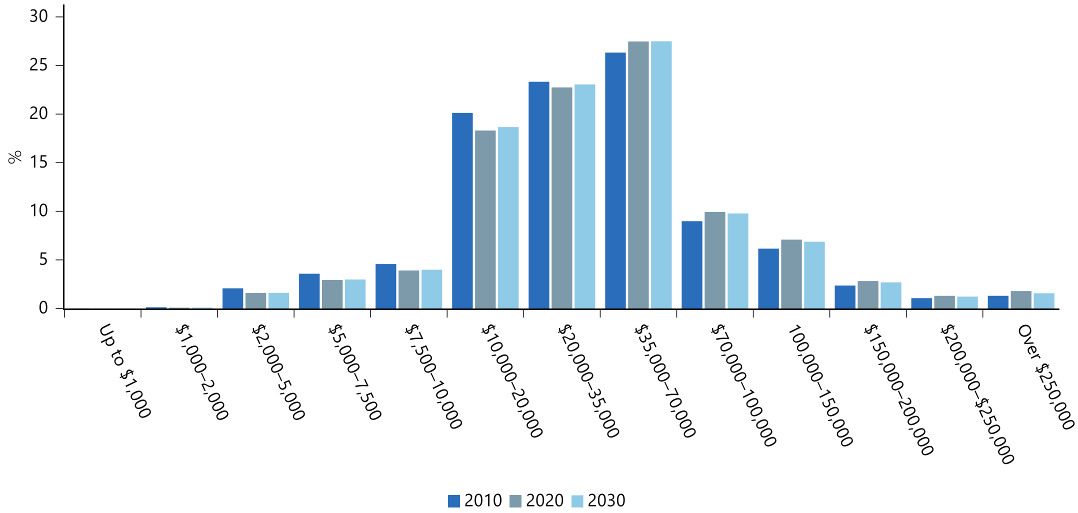


Source: Oxford Economics, Macrobond

KSA number of household by income bands (as a & of total households)

- The number of households in Saudi Arabia currently (2021) stands at approximately 6.5 million and is expected to grow to 8 million by 2030.
- In 2021, 49.6% of households in KSA were within income bands above USD 35,000 and this share is expected to marginally decrease going forward, reaching 49.4% in 2030.
- 50.6% of households had incomes less than USD 35,000, and this share is likely to stay largely stable over the next decade.

Household, By Income Band

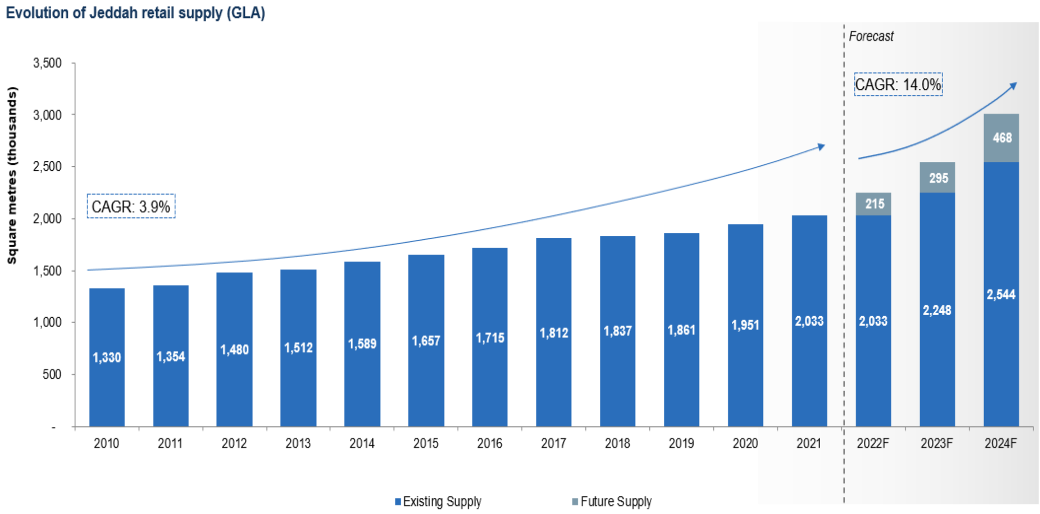


Source: Oxford Economics, Macrobond

Jeddah Retail market

Evolution of quality Organised Retail Supply

- Retail supply in Jeddah between 2010 and 2021 grew at a compounded annual growth rate of 3.9%. The supply of quality organised retail reached 2.03 million square metres of GLA by the end of 2021. There were six new developments that opened in 2021, which added approximately 58,000 square meters of retail GLA to the market.
- A total of eleven other developments are anticipated to reach completion in 2022, this includes two regional malls, five community centres and four neighbourhood centres, bringing the total GLA to 2.24 million square metres by the end of 2022.
- A total of 978,716 square metres of retail space is anticipated to be added into the market between 2022 and 2024, resulting in a total retail supply of 3.01 million square metres, which equates to a compounded annual growth rate of 14.0%, substantially higher than historical growth rates.



Source: MECSC; Knight Frank

Quality Organised Retail supply Characteristics

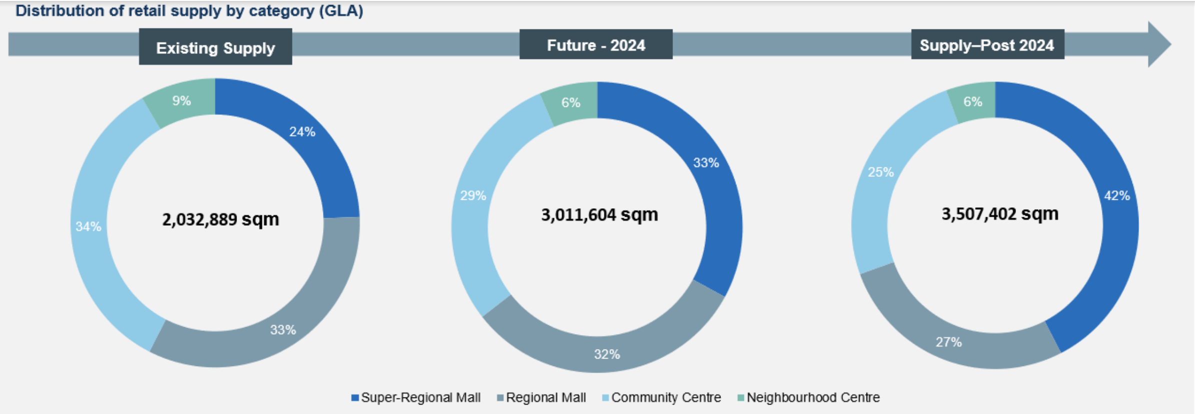
- As at the end of 2021, the total GLA of quality organised retail stands at over 2.03 million square metres. Community centres comprised the largest share, accounting for 34%, while regional malls accounted for 33% of the total supply. Super-regional and neighbourhood centres account for 24% and 9%, respectively.

- The quality existing retail supply is distributed over 84 organised retail developments, 4 of which are super-regional malls and 15 are regional malls. In addition, there are 41 community centres and 24 neighbourhood centres.

- Taking into account the retail pipeline, the supply composition of super-regional malls is set to increase to 33% of the total retail supply by the end of 2024. In contrast, the share of the other three categories including neighbourhood centres, community centres and regional malls is expected to decrease to 6, 29 and 32% of the total supply respectively.

- Some super-regional and regional malls have been announced, but these malls have not yet broken the ground. If we take these malls into account and analyse the post-2024 supply composition, super-regional malls share is set to increase to 42%, while regional malls, community centres and neighbourhood centres share is expected to decrease to 27%, 25% and 6% respectively.

- As the retail market continues to evolve, developers are seeking to provide more experience based concepts looking to increase shoppers' time spent at the malls to combat an ever growing e-commerce threat. Entertainment and F & B-led destinations have therefore become essential components for all future developments.

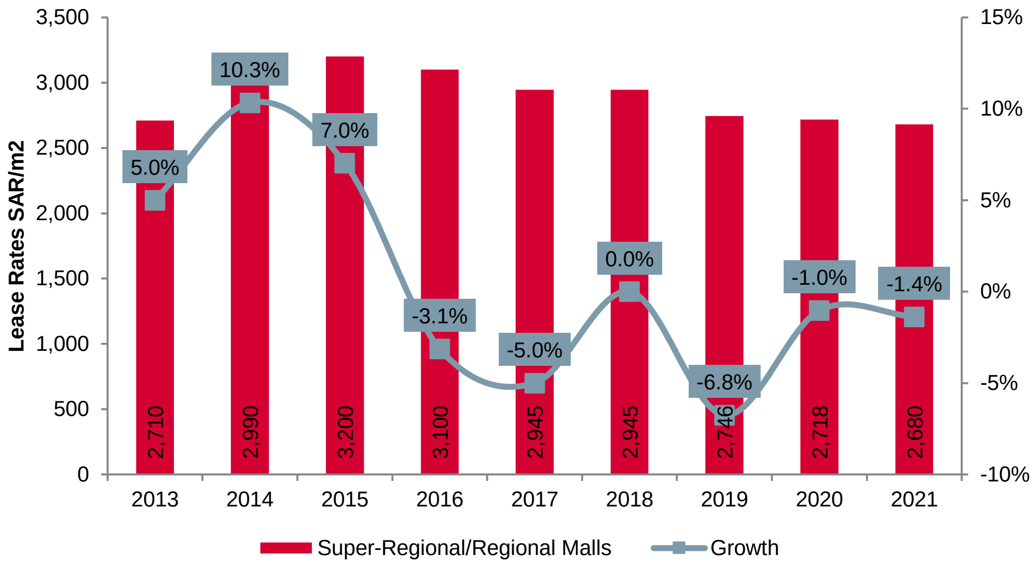


Source: Knight Frank

Quality organised retail: average annual lease rates

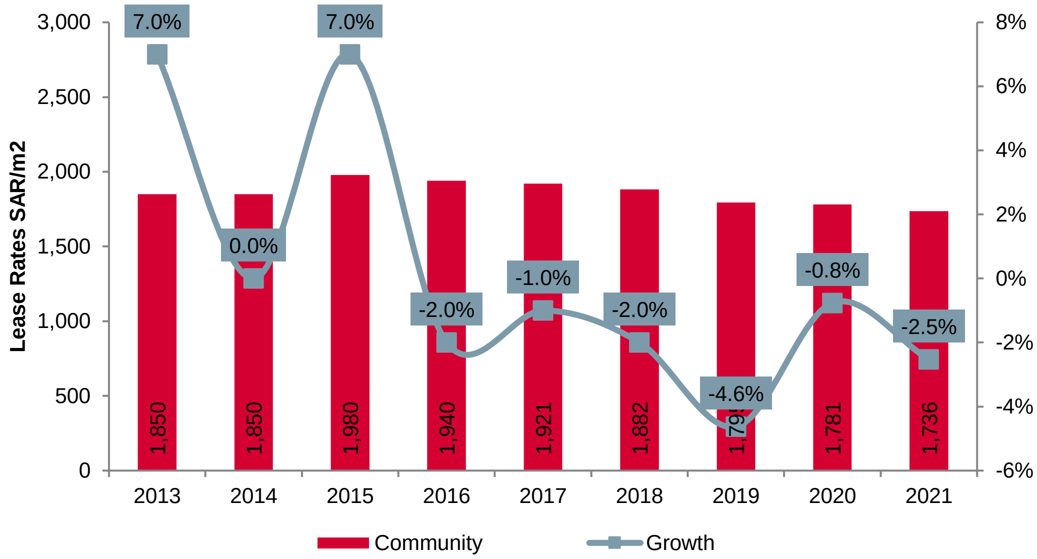
- Average lease rates per square metre for super-regional and regional malls increased from 2013 to 2015 from SAR 2,710 to SAR 3,200. Subsequently, lease rates per square metre began to decline; 2016 recorded a 3.1% decrease to SAR 3,100, and 2017 recorded a 5% decrease to SAR 2,945. 2018 lease rates experienced no change, while 2019, 2020 and 2021 lease rates have further recorded a 6.8%, 1.0% and 1.4% decrease respectively. A number of factors have contributed to this including:
- Stricter Saudisation policies meaning that spending from expatriates has declined due to the exodus. In addition, retailers are having to employ a larger share of Saudi nationals and as a result payroll figures have increased squeezing retailers margins;
- Saudi national social benefits – in particular within the public sector – have been reduced and therefore impacting disposable income levels;
- E-commerce is progressively gaining a larger market share as the years go by.

Jeddah super regional & regional malls lease rates (SAR/m2)



- Community centres also witnessed a similar pattern with average lease rates per square metre, recording a marginal increase between 2013 and 2015 from SAR 1,850 to SAR 1,980. This was followed by six consecutive years of declining lease rates. Community malls lease rates registered an average 9.8% over the last six year from SAR 1940 to SAR 1750 per square meter in 2021.
- As the Jeddah retail market matures and new supply is delivered, lease rates are expected to be pushed downwards marginally in the short term as retailers will continue to demand better lease rates reflecting diminished consumer spending.

Jeddah community malls lease rates (SAR/m2)



Source: Knight Frank

Super regional and regional malls vacancy

- From 2013 to 2021, market-wide vacancy levels for super-regional and regional malls witnessed an increase from 8% to 15%.
- 2018 witnessed the addition of a few retail developments, namely Canana Mall, Rovan Plaza Al Marwah Plaza and Red Sea Mall extension, which marked a turning point as vacancy rates edged up higher to 13%.
- Between 2013 and 2021, the average vacancy rate across Jeddah super-regional and regional malls stood at 11%.
- Taking into account the supply pipeline coupled with a slowdown in economic conditions, vacancy rates are expected to increase marginally over the short-term. However, this can be mitigated in the event of developing a well-designed lifestyle retail development.

Jeddah super regional & regional mall vacancy rates