

Valuation Report.

Al Andalus Mall, Jeddah, KSA

Prepared for **SNB Capital**.

Valuation date: 31 December 2022

Important Notice to all readers of this report

Unless you are the Client named within this report, or have been explicitly identified by us as a party to whom we owe a duty of care and who is entitled to rely on this report, Knight Frank Spain Saudi Arabia Real Estate Valuations Company does not owe or assume any duty of care to you in respect of the contents of this report and you are not entitled to rely upon it.

**Locally expert,
globally connected.**

SNB Capital

Riyadh, Kingdom of Saudi Arabia

For the attention of Danial Mahfooz, CFA
Email: d.mahfooz@alahlicapital.com
Tel: +966 12 690 7817/ M: +966 54 475 2329

Our ref: KfV377-2022

Date of issue: 16 February 2023

Dear Sirs

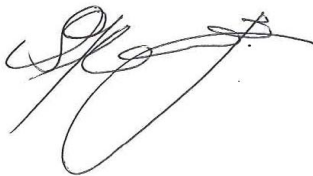
Valuation Report – Al Andalus Mall, Jeddah, KSA

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 - Taqem 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 - Taqem 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	<p>Al Andalus Mall, Old Airport, Al Fayha District, Jeddah, Kingdom of Saudi Arabia.</p> <p>GPS Coordinates: 21°30'25.7"N 39°13'04.7"E</p>
Location	<p>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.</p> <p>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.</p>
Description	<p>The property comprises a large retail shopping mall known as Al Andalus Mall, It 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.</p> <p>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.</p> <p>The mall expansion also comprise a 3-storey parking building with c. 1502 parking spaces which appeared to be completed during our inspection.</p>
Tenure	<p>Freehold.</p>
Tenancies and Occupancy	<p>As at the valuation date, Al Andalus Mall is 92% 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.</p>

Valuation Key Assumptions - AI Andalus Mall

Item	Unit	Assumption
Passing Rent	SAR per annum	125,681,200
Market Rent	SAR per annum	137,700,879
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	%	2.50%
Discount Rate	%	11.25%
Rounded	SAR	1,161,070,000

Valuation Key Assumptions

- 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 2.50% in our cash flow, in line with the long term standing average for the Kingdom.
- The current mall occupancy is 92%, 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 Assumptions	<p>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.</p> <table border="1"> <thead> <tr> <th></th> <th>Item</th> <th>Unit</th> <th>Assumption</th> </tr> </thead> <tbody> <tr> <td rowspan="7">Cost Assumptions</td> <td>GLA (sq m)</td> <td>Sq m</td> <td>15,822</td> </tr> <tr> <td>Construction period</td> <td>Months</td> <td>12</td> </tr> <tr> <td>Remaining Construction Period</td> <td>Months</td> <td>11</td> </tr> <tr> <td>Total Construction Costs</td> <td>SAR</td> <td>75,066,396</td> </tr> <tr> <td>Paid Construction Costs</td> <td>SAR</td> <td>3,002,656</td> </tr> <tr> <td>Remaining Construction Costs</td> <td>SAR</td> <td>72,063,740</td> </tr> <tr> <td rowspan="2">Revenue Assumptions</td> <td>Commencement of Leasing Activities</td> <td>Starts on Month</td> <td>11</td> </tr> <tr> <td>GDV</td> <td>SAR</td> <td>337,100,000</td> </tr> <tr> <td>Development Discount Rate</td> <td></td> <td></td> <td>13.25%</td> </tr> <tr> <td>NPV</td> <td></td> <td></td> <td>229,815,000</td> </tr> </tbody> </table> <p>Details on our valuation assumptions on the mall expansion are provided in later sections within the report.</p>		Item	Unit	Assumption	Cost Assumptions	GLA (sq m)	Sq m	15,822	Construction period	Months	12	Remaining Construction Period	Months	11	Total Construction Costs	SAR	75,066,396	Paid Construction Costs	SAR	3,002,656	Remaining Construction Costs	SAR	72,063,740	Revenue Assumptions	Commencement of Leasing Activities	Starts on Month	11	GDV	SAR	337,100,000	Development Discount Rate			13.25%	NPV			229,815,000
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Valuation date	31 December 2022																																						
Market Value (aggregate)	<p>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:</p> <p style="text-align: center;">SAR 1,390,885,000</p> <p style="text-align: center;">(One Billion, Three Hundred and Ninety Million, Eight Hundred and Eighty Five Thousand Saudi Arabian Riyals)</p>																																						
Market Value Analysis	<p>Split on values between the two component parts is as follows:</p> <ul style="list-style-type: none"> Al Andalus Mall – SAR 1,161,070,000 (One Billion, One Hundred and Sixty One Million, and Seventy Thousand Saudi Arabian Riyals) Al Andalus Mall Expansion – SAR 229,815,000 (Two Hundred and Twenty Nine Million, Eight Hundred and Fifteen 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 Taaqem 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 Taaqem. 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 Taaqem 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 Taaqem 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, produced by the client.

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.

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 31 December 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, Old Airport, Al Fayhaa District, Jeddah, KSA	Ibrahim Alrashed & Fears Aldossari	21 December 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. 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.

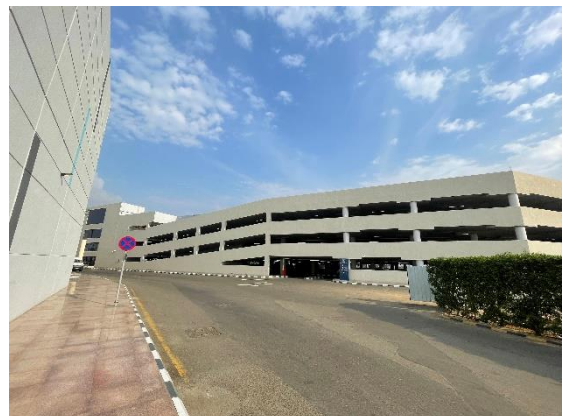
Other

- 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:



Accommodation

Retail Mall

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

Services

- 2.20 In accordance with the General Terms of Business, no tests have been undertaken on any of the services.
- 2.21 We have assumed for the purposes of this valuation that mains gas, water, electricity, drainage and telecommunications are all available to the subject property.

Legal Title Deed – Overall Property

Land ownership

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

Table 1: 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

- 2.23 A copy of the Title Deed can be found in Appendix 2.
- 2.24 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.
- 2.25 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

- 2.26 We have assumed that the property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.
- 2.27 We reserve the right to amend our valuation accordingly in the event the above assumption is proven to be incorrect.

Tenancies – Al Andalus Mall

Tenancy information

- 2.28 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.
- 2.29 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

- 2.30 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

- 2.31 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 2: Occupancy Summary – Al Andalus Mall

Status	Percentage of area	GLA (sq m)	Total Passing rent (SAR pa)
Occupied	92%	83,368	125,681,200
Vacant	8%	7,019	-
Total	100%	90,387	125,681,200

Source: Client

Summary

- 2.32 The current rent passing as at the date of valuation is SAR 125,681,200 per annum. The property is currently 92% occupied.
- 2.33 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

- 2.34 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

- 2.35 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

- 2.36 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

- 2.37 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

- 2.38 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

- 2.39 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).
- 2.40 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

- 2.41 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

- 2.42 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.

- 2.43 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

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

Fire safety

- 2.45 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 7.








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 – Retail

3.3 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

- 3.4 We consider that 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.
- 3.5 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.

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).

Benchmarking – Al Andalus Mall

4.9 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 3: 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

4.10 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

4.11 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

4.12 We have adopted a rental growth and expense inflation rate of 2.50% in our cash flow, in line with the long term standing average for the Kingdom.

Occupancy

4.13 The current mall occupancy is 92%, 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.

4.14 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 4: Al Andalus Mall Estimated Rental Values

Item	Ground Floor (SAR per sq m)	First Floor (SAR per sq m / unit)
0 to 49	3,670	2,735
50 to 100	2,440	2,275
101 to 150	2,310	2,020
151 to 250	1,960	1,910
251 to 500	1,540	1,565
501+	1,200	665
Food Court	-	2,640
GF Kiosk	152,190	-
FF Kiosk		96,810
Cinema	-	1,100
ATM	-	78,570
Supermarket	-	520
Warehouse	-	840
Advertisement	-	5,500,000

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

Operating Expenses

4.16 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.

4.17 A summary of our valuation assumptions is provided in the table below:

Table 5: Valuation Summary

Item	Unit	Assumption
Passing Rent	SAR per annum	125,681,200
Market Rent	SAR per annum	137,700,879

Item	Unit	Assumption
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	%	2.50%
Discount Rate	%	11.25%
Market Value	SAR	1,161,065,251
Rounded	SAR	1,161,070,000

Benchmarking – Mall Expansion

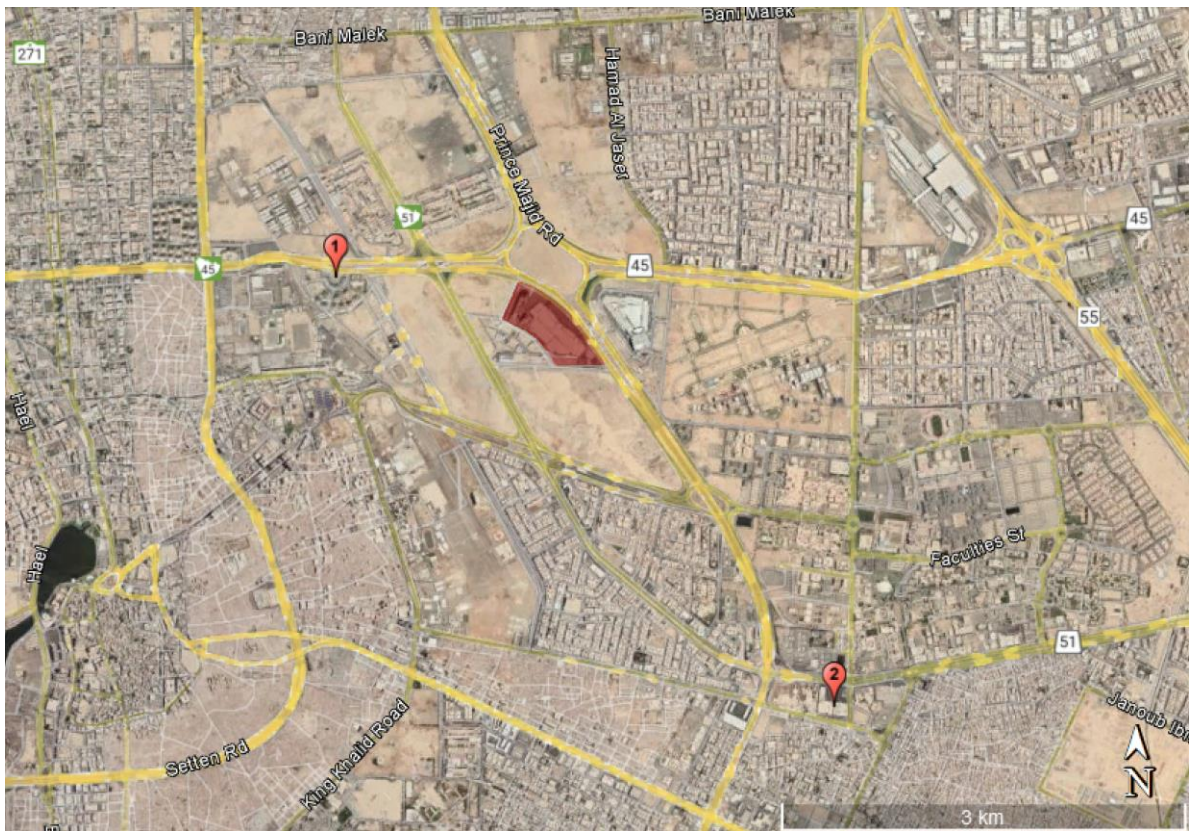
4.18 In order to form our opinion of the lease rates for the mall expansion, we have benchmarked the property against lifestyle centers within the surrounding area of the property. We have considered the asking lease rates per sq m per annum for F&B units within the benchmarks and have made the necessary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

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

Table 6: 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

- 4.20 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.
- 4.21 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.
- 4.22 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.
- 4.23 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.

4.24 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

- 4.25 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.
- 4.26 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.
- 4.27 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. Our estimated rental value for the mall expansion is SAR 37,332,009 per annum.
- 4.28 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.
- 4.29 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.
- 4.30 We have assumed a 2.50% annual inflation on revenues and costs in our cash flow, and have adopted 8.75% exit yield and 11.25% discount rate.
- 4.31 We provide a summary of our key valuation assumptions adopted in the investment method in the table below:

Table 7: 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 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	%	11.25%

Item	Unit	Assumption
Growth Rate	%	2.50%
GDV	SAR	337,100,000

Residual Method – Vertical Development

- 4.32 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.
- 4.33 As per information provided by the client, it is noted that the construction of the mall expansion has started in November 2022 and is expected to be completed by November 2023.
- 4.34 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 12 months from November 2022 until November 2023.
- 4.35 We have been provided with the gross leasable area of the mall expansion, which equates to 15,822 sq m.
- 4.36 In forming our opinion of value, we have relied on the total construction costs provided by the client, which is SAR 75,066,396 – 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.
- 4.37 We have only reflected the remaining construction costs of SAR 72,063,740 and the remaining construction period of 11 months, in our cash flows,
- 4.38 Leasing activities are assumed to commence after the development is completed on month 14.
- 4.39 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.
- 4.40 We provide a summary of our valuation in the table below:

Table 8: Mall Expansion Valuation Summary – Vertical Development

	Item	Unit	Assumption
Cost Assumptions	GLA	Sq m	15,822
	Construction period	Months	12
	Remaining Construction Period	Months	11
	Total Construction Costs	SAR	75,066,396
	Paid Construction Costs	SAR	3,002,656
	Remaining Construction Costs	SAR	72,063,740
	Commencement of Leasing Activities	Starts on Month	11
Revenue Assumptions	GDV	SAR	337,100,000
Development Discount Rate			13.25%
NPV			229,815,000

Valuation bases

Market Value

4.41 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

4.42 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

4.43 The valuation date is 31 December 2022.

Market Value

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 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)

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

SAR 1,390,885,000

(One Billion, Three Hundred and Ninety Million, Eight Hundred and Eighty Five Thousand Saudi Arabian Riyals)

4.47 The split between the components is as follows:

Market Value (Al Andalus Mall)

4.48 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 1,161,070,000

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

Market Value (Al Andalus Mall Expansion)

4.49 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 229,815,000

(Two Hundred and Twenty Nine Million, Eight Hundred and Fifteen Thousand Saudi Arabian Riyals)

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.

Economic & property market risks

Demand from occupiers

- 5.6 Based on the fact that the mall is at 92% 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

- 5.7 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

- 5.8 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

- 5.9 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



AIAhli 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 AIAhli 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 Taqem regulations of KSA.

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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, Taqeen 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 Taaqem 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) [REDACTED] excluding VAT for each re-valuation, and reasonable disbursements divided into two payment, set out below.

June 2022 revaluation:



December 2022 revaluation:



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

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



.....
Signed for and on behalf of AIAhli REIT Fund (1)

.....
Date

KF Ref: SNB Capital

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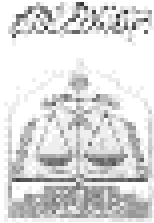
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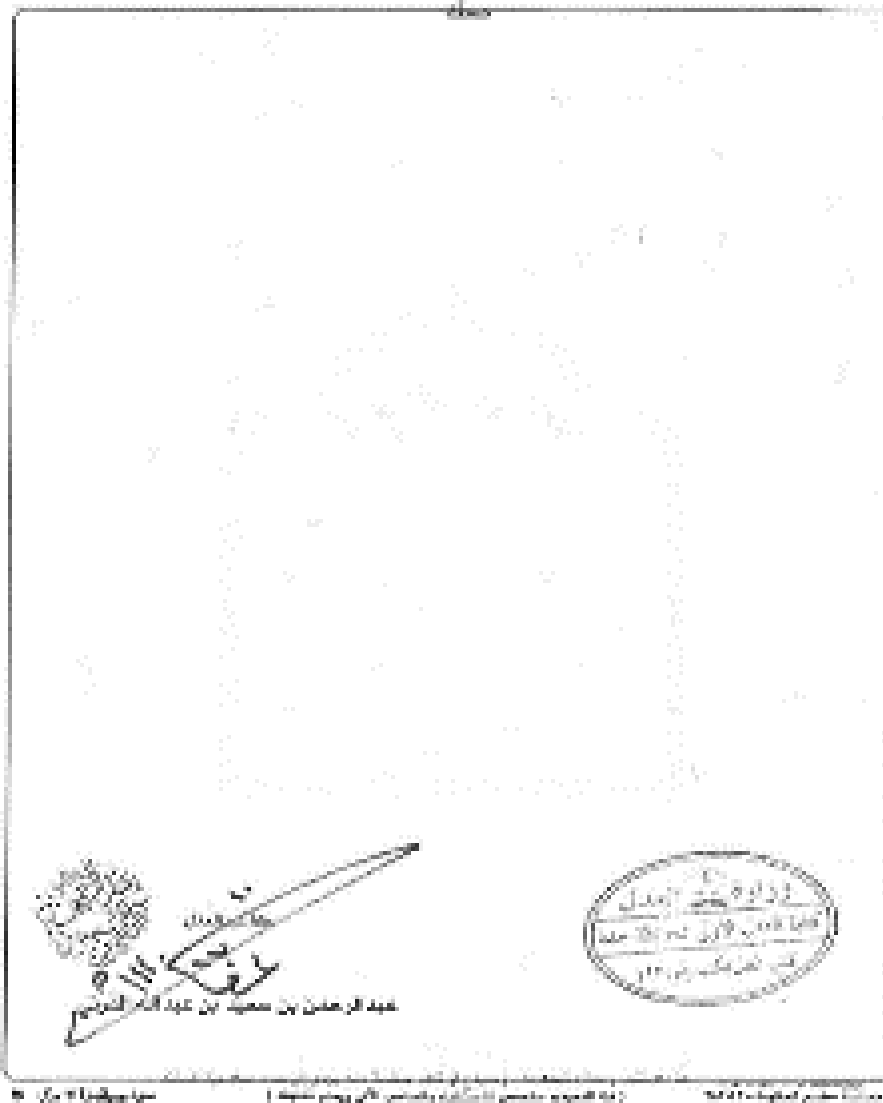


رقم المرجع: 44444444444444444444
التاريخ: 31/12/2022



البنك السعودي
بنك الاستثمار
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كاتب التقييم: [محل]



Appendix 4 Floor Plans

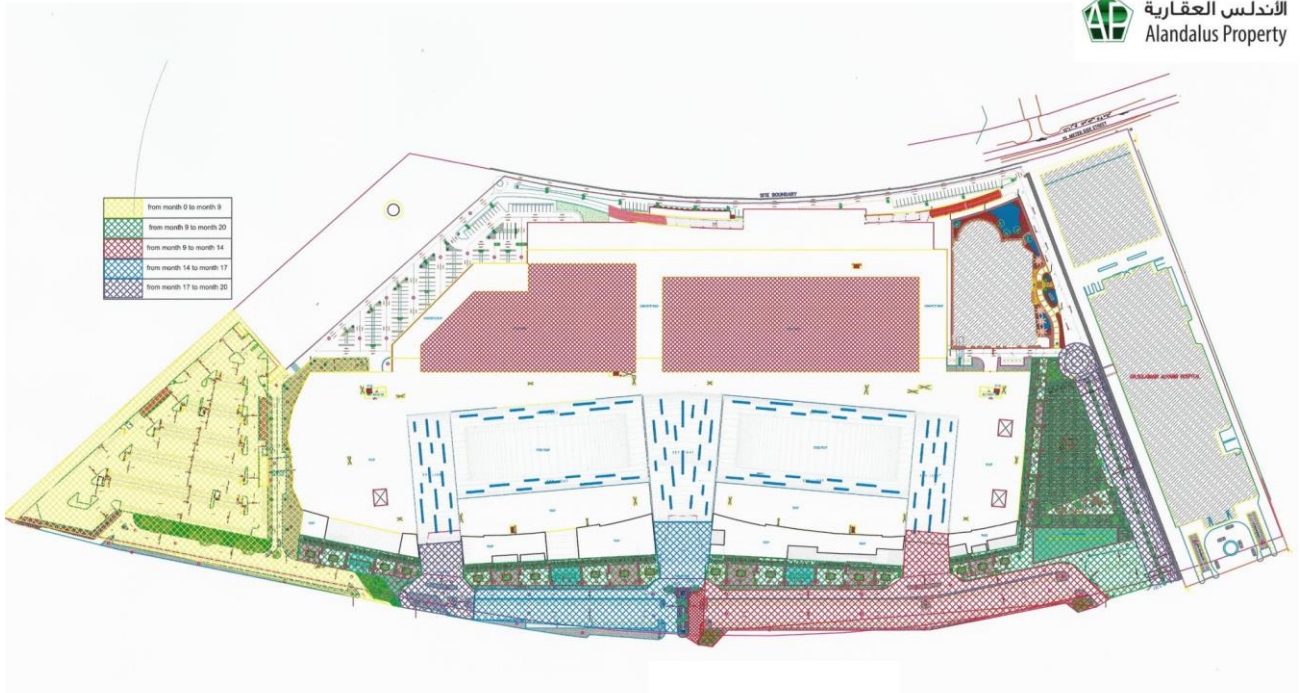


Ground Floor



First Floor

Appendix 5 Andalus Expansion Project



Appendix 6 Andalus Mall Cash Flow

Cash Flow Report

Al Andalus Mall (Amounts in SAR)
Dec, 2022 through Nov, 2033
27/12/2022 17:07:44

	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	Total
For the Years Ending	Nov-2023	Nov-2024	Nov-2025	Nov-2026	Nov-2027	Nov-2028	Nov-2029	Nov-2030	Nov-2031	Nov-2032	Nov-2033	
Rental Revenue												
Headline Rent	127,730,996	130,174,252	138,763,377	142,547,166	147,323,193	153,297,668	157,032,837	160,800,340	164,662,031	168,620,509	172,677,454	1,663,629,824
Void Loss	-435,630	0	0	0	0	0	0	0	0	0	0	-435,630
Passing Rent	127,295,366	130,174,252	138,763,377	142,547,166	147,323,193	153,297,668	157,032,837	160,800,340	164,662,031	168,620,509	172,677,454	1,663,194,193
Total Rental Revenue	127,295,366	130,174,252	138,763,377	142,547,166	147,323,193	153,297,668	157,032,837	160,800,340	164,662,031	168,620,509	172,677,454	1,663,194,193
Total Tenant Revenue	127,295,366	130,174,252	138,763,377	142,547,166	147,323,193	153,297,668	157,032,837	160,800,340	164,662,031	168,620,509	172,677,454	1,663,194,193
Other Revenue												
Advertisement	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	1,833,333	0	0	0	40,333,333
Total Other Revenue	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	1,833,333	0	0	0	40,333,333
Potential Gross Revenue	132,795,366	135,674,252	144,263,377	148,047,166	152,823,193	158,797,668	162,532,837	162,633,673	164,662,031	168,620,509	172,677,454	1,703,527,527
Vacancy & Credit Loss												
Vacancy Allowance	-6,212,469	-6,753,752	-7,196,356	-7,391,881	-7,616,878	-7,927,452	-8,114,543	-8,119,283	-8,220,390	-8,417,995	-8,620,518	-84,591,516
Total Vacancy & Credit Loss	-6,212,469	-6,753,752	-7,196,356	-7,391,881	-7,616,878	-7,927,452	-8,114,543	-8,119,283	-8,220,390	-8,417,995	-8,620,518	-84,591,516
Effective Gross Revenue	126,582,897	128,920,500	137,067,021	140,655,286	145,206,315	150,870,217	154,418,294	154,514,391	156,441,641	160,202,514	164,056,936	1,618,936,010
Revenue Costs												
Sinking fund	1,172,478	1,295,750	1,384,271	1,423,376	1,468,376	1,530,490	1,567,909	1,605,523	1,644,078	1,683,599	1,724,104	16,499,954
Bad debts	1,172,478	1,295,750	1,384,271	1,423,376	1,468,376	1,530,490	1,567,909	1,605,523	1,644,078	1,683,599	1,724,104	16,499,954
Opex	23,618,958	26,333,066	26,991,393	27,666,177	28,357,832	29,066,778	29,793,447	30,538,283	31,301,740	32,084,284	32,886,391	318,638,348
Total Revenue Costs	25,963,914	28,924,567	29,759,935	30,512,930	31,294,583	32,127,758	32,929,264	33,749,330	34,589,896	35,451,482	36,334,598	351,638,256
Net Operating Income	100,618,983	99,995,933	107,307,087	110,142,356	113,911,731	118,742,459	121,489,029	120,765,061	121,851,744	124,751,033	127,722,337	1,267,297,754
Cash Flow Before Debt Service	100,618,983	99,995,933	107,307,087	110,142,356	113,911,731	118,742,459	121,489,029	120,765,061	121,851,744	124,751,033	127,722,337	1,267,297,754
Cash Flow Available for Distribution	100,618,983	99,995,933	107,307,087	110,142,356	113,911,731	118,742,459	121,489,029	120,765,061	121,851,744	124,751,033	127,722,337	1,267,297,754

Appendix 7 Market research report

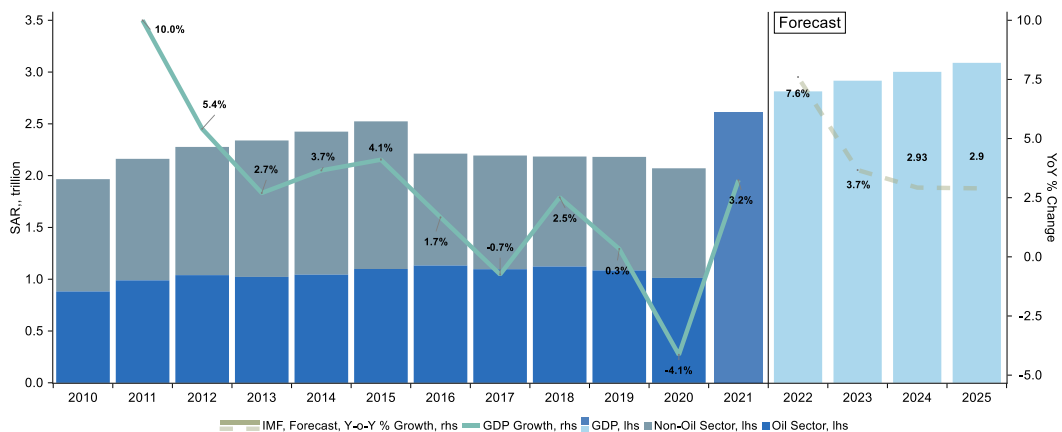
Saudi Arabia GDP Growth, 2011 - 2025

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 (GaSat), 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 economy is expanding in both the oil and non-oil sectors. In the third quarter of 2022, the Kingdom's real GDP increased by 8.6%. This expansion was primarily driven by a 14.5% increase in oil activity, while the non-oil sector rose by 5.6% over the same time.

The Saudi economy benefited from higher oil prices and higher outputs during the first nine months of 2022. Looking ahead, growth in oil prices and non-oil sector activities appears to be supporting an increase in government revenue, which underpins Saudi Arabia's 7.6% GDP growth forecast for 2022, the highest in the region. (Oxford Economics)

Saudi Arabia GDP, YoY % change



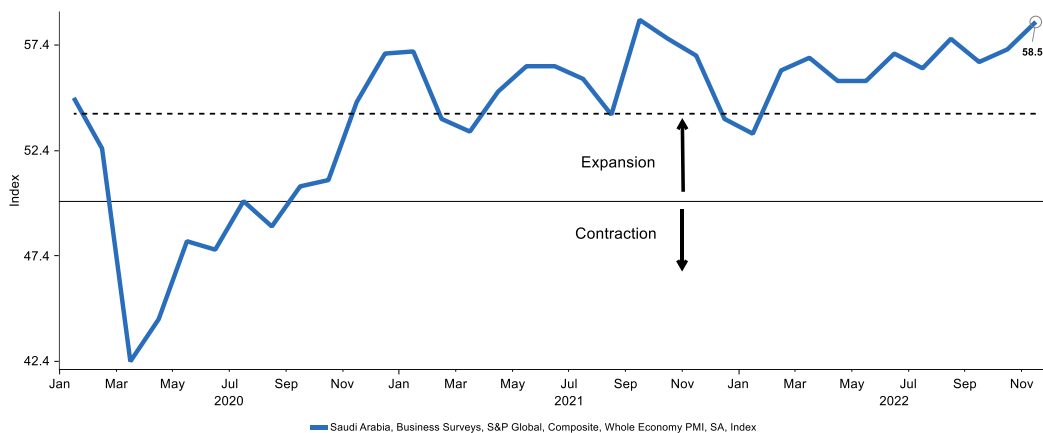
Source: Knight Frank, Oxford Economics

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 58.5% in November 2022, which is above the long-run series average of 56.8% and represents the 27th month of expansion and business growth in the country’s non-oil sector activity.

This was also the highest reading since September 2021, as output hit a seven-year high, new order growth accelerated to a 14-month high, and export sales rose the most in seven years.

Saudi Arabia PMI



Source: Knight Frank, Oxford Economics

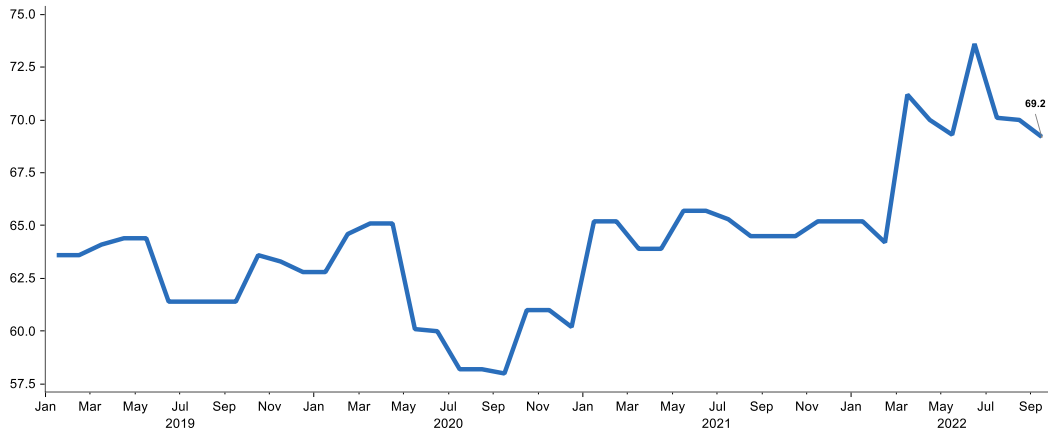
Saudi Arabia Primary Consumer Sentiment Index by Thomson Reuters / IPSOS

The Primary Consumer Sentiment Index (PCSI) of Saudi Arabia is a national survey of consumer opinions regarding the current and future status of the local economy, personal financial situation, as well as confidence in making big investments, and ability to save.

The latest reading in October 2022 of the Primary Consumer Sentiment Index (PCSI) in Saudi Arabia, released by IPSOS, reveals the state of Saudi Arabia remain positive with a slight drop in the index since September 2022, leaving it at 69.2 versus 70.

Saudi Arabia ranked second in terms of the present status of its economy, with 58% believing it is robust. The Kingdom is also ranked second in the world, with the great majority of consumers (93%) saying the country is on the right track.

PCSI, by Thomson Reuters / IPSOS



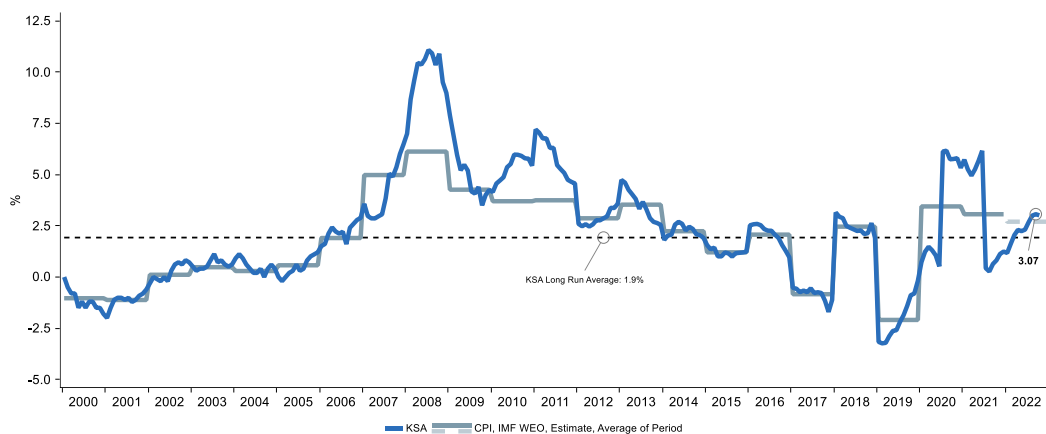
Source: Knight Frank, IPSOS

Saudi Arabia Consumer Price Index, YoY Change %

The Consumer Price Index (CPI) increased by 3.01% in October 2022, compared to October 2021. The increase in the CPI was mostly due to higher prices food and beverages by (4.4%) and housing, water, electricity, gas and other fuels by (3.3%).

Transport prices climbed by 4.4%, mostly owing to increasing in purchase of motor cars prices, which increased by 5.8%. Because of their significant relative importance in the Saudi consumer basket (22%), food and beverage expenses were the major driver of the inflation rate in October 2022.

CPI, YoY % Change



Source:

Knight Frank, GSTAT

Saudi Arabia Population Forecasts

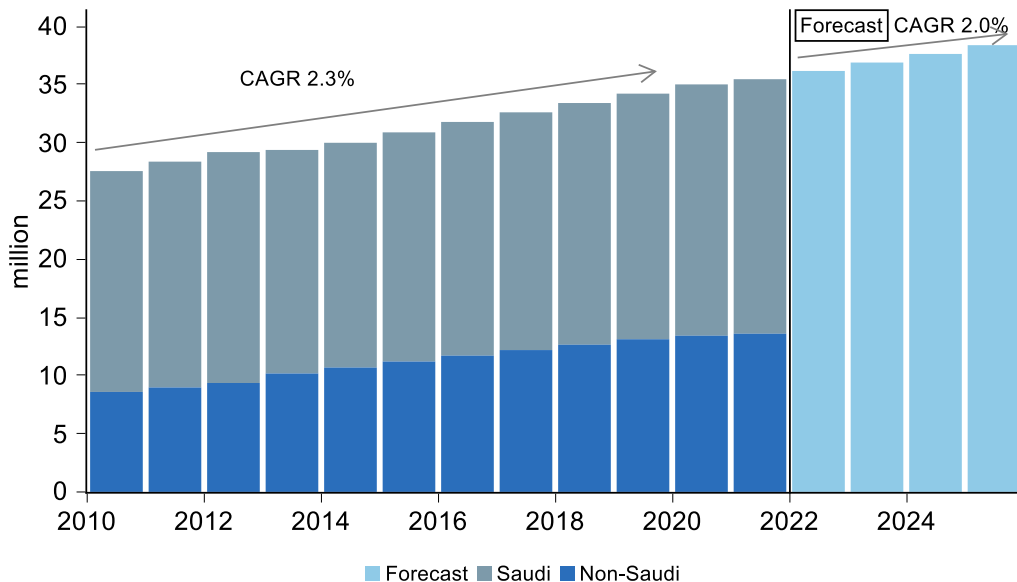
Saudi Arabia accounts for more than half of the GCC's total population and has a larger population than any other GCC country. According to official statistics, the population count was registered at 35.4 million in 2021.

According to the statistics, the population of Saudi Arabia is estimated to have reached 36.61 million in 2022. The Saudi/Non-Saudi breakdown of the population for 2021 stands at 21.8 million/13.6 million.

Based on the Oxford Economics forecasts, the population of Saudi Arabia is expected to grow at a constant 2% annual growth rate from 2021 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

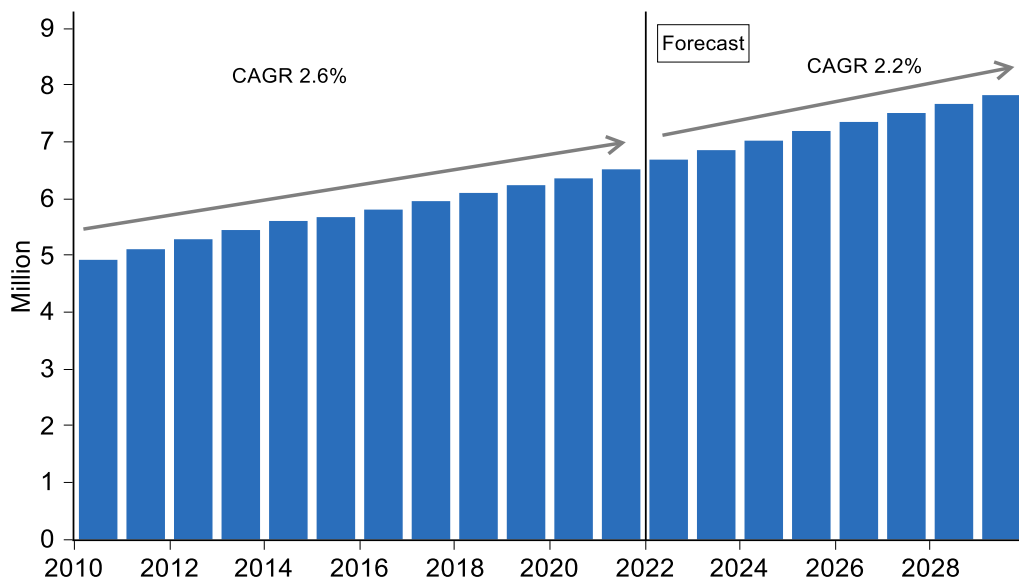
The total number of households in Saudi Arabia is currently estimated at roughly 6.5 million in 2021 and is expected to increase to 6.7 million in 2022. According to Oxford Economics, annual average growth

in the number of households will slow to 2.2% between 2021 and 2030, 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



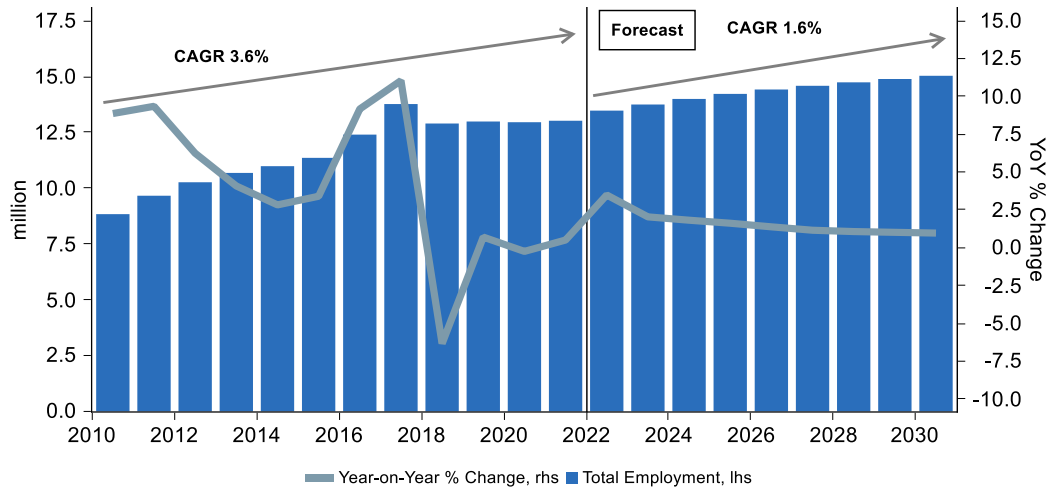
Source: Knight Frank Research/ Macrobond, Oxford Economics

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. Looking ahead, given the positive momentum created by the government’s extraordinary response to COVID-19 and several economic reforms that have supported employment growth in a variety of industries. The Saudi labour force is expected to increase to 13.6 million by the end of 2022.

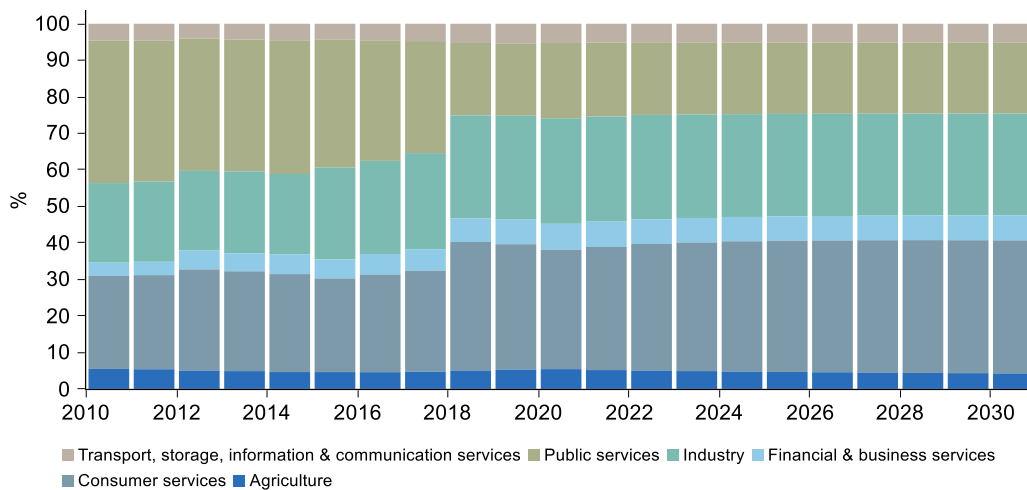
Saudi Arabia’s employment CAGR is set to slow to 1.6% per annum between 2021 and 2030, according to Oxford Economics, down from a CARG of 3.6% between 2010 and 2021.

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%.

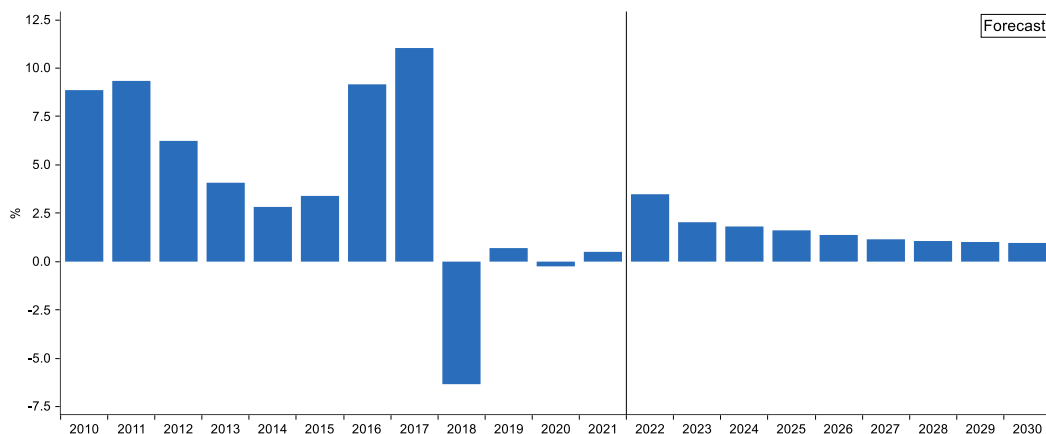
Looking forward, employment growth is expected to remain supported by the various initiatives aimed at boosting youth, women and Saudi nationals' participation in the workforce. In the short to medium term, this will be balanced by rising pressures on the expat labour market resulting from the impact of government fees and Saudization plans on non-Saudi employment figure.

In fact, the Saudi unemployment rate reached 9.7% in Q2 2022, a 0.4 percentage point (pp) drop over Q1/2022. (GSTAT).

Furthermore, among Saudi males, the unemployment rate fell to 4.7%, a decline of 1.4 percentage points from the previous year's Q2/2021.

This quarter's decline in Saudi male unemployment coincided with both an expansion of labour market participation and employment growth, with the participation rate rising by 1.5 percentage points to 67.5%.

Employment, YoY % Change



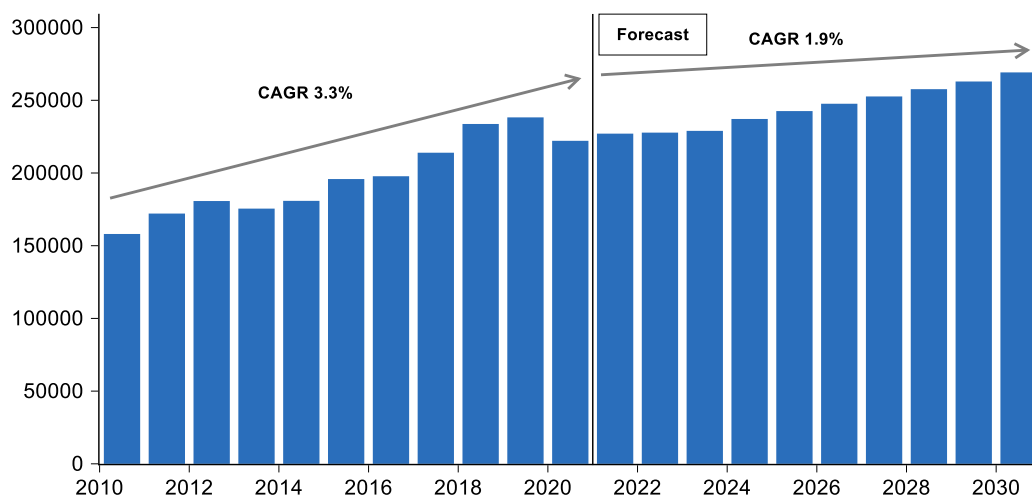
Source: Oxford Economics, Macrobond

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

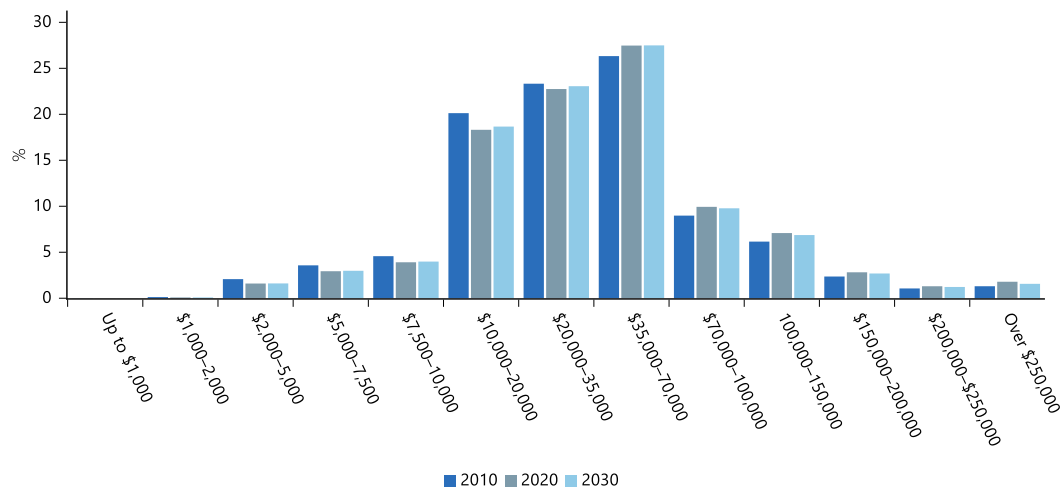
KSA number of household by income bands (as a % of total households)

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 Riyadh 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

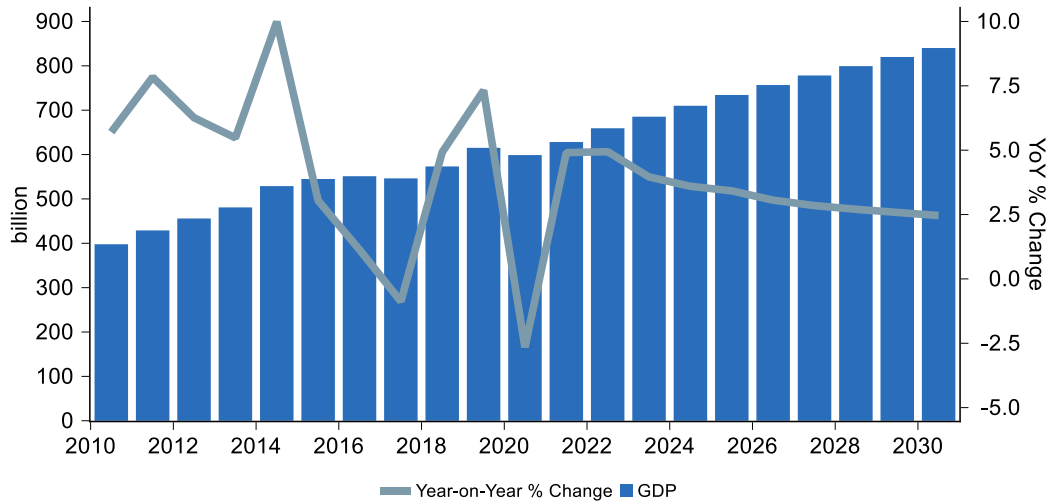
Gross Domestic Product – Riyadh city

Riyadh’s GDP came back to growth in 2021, after a year of contraction due to the pandemic. The Riyadh’s real GDO grew by 4.9% year-on-year to 628 billion in 2021, up from 598 billion in 2020.

Riyadh’s economy recorded a historical CAGR of 3.9% between 2011 and 2021. From 2021 to 2031, this rate is forecast to decrease to 3.2%.

Riyadh’s economy is fairly diversified and does not rely on the hydrocarbon sector directly. However, indirectly growth in hydrocarbon sector in Saudi Arabia and regionally will impact investment volumes into Riyadh.

Looking ahead, Riyadh’s economy is expected to record a growth rate of 4.9% in 2022 and 4.0% in 2023 (Oxford Economics).



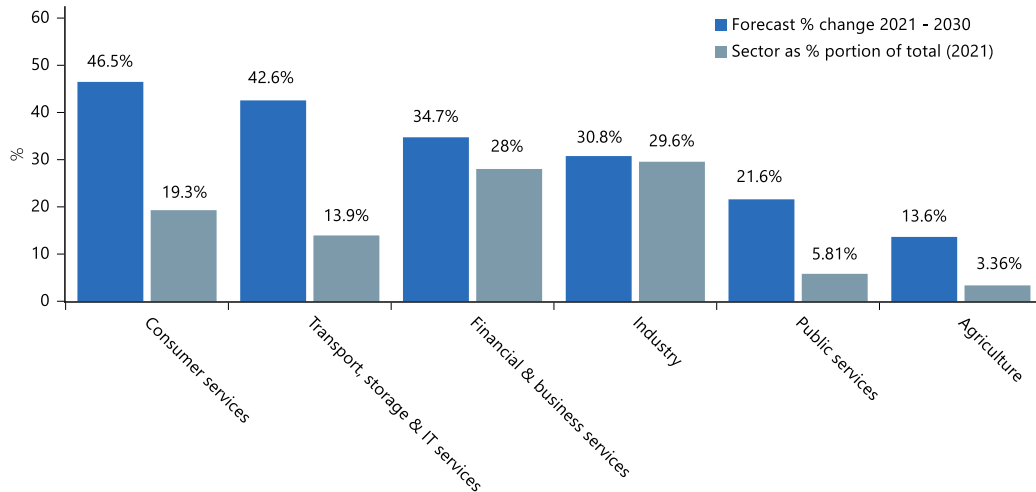
Gross value Added by Sector – Riyadh city

The breakdown of the gross value added (GVA) by sector for Riyadh highlights that from 2021 to 2030, all sectors are forecast to register growth.

The industrial sector is the largest contributor to Riyadh’s GDA in 2021 (29.6%) and is forecast to grow by 30.8% in the nine years to 2030.

The contribution of the consumer services industry is expected to rise the quickest in the decade to 2030, at 46.5%.

Transport, storage, and information technology, as well as financial and business services, are expected to grow by 42.6% and 34.7%, respectively, over the next nine years.



'Source: Knight Frank Research/ Macrobond/ Oxford Economics'

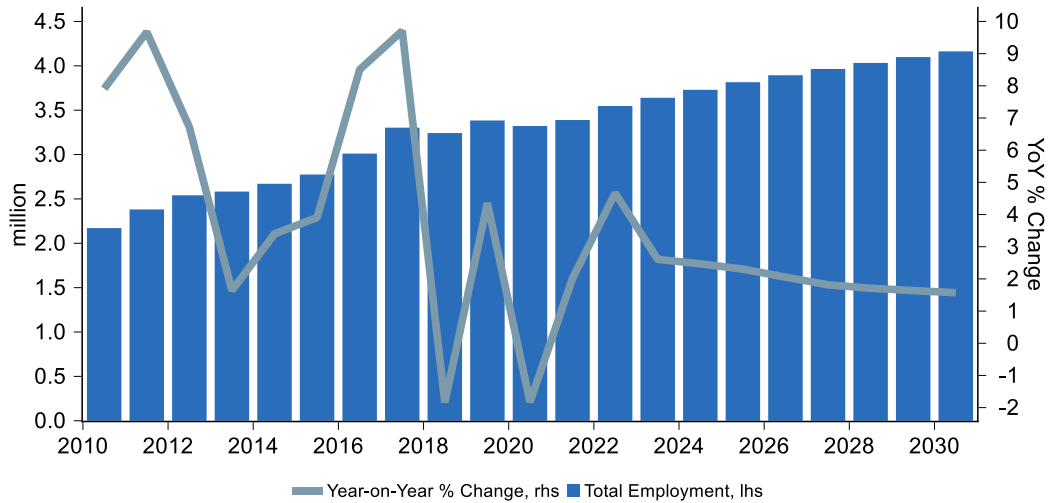
Total Employment - Riyadh city

Riyadh's employed population stood at 3.38 million in 2021, representing c. 85% of the total employed population in Riyadh Province.

Employment growth in Riyadh averaged 4.1% from 2010 until 2021, reaching an all-time high of 9.7% in 2011 and a record low of -1.8% in 2018. Total employment declined by 1.8% in 2018, was a trend underpinned by the challenging economic backdrop, which led to an outflow of expatriates workers from the workforce. However, this trend reversed in 2019, where total employment increased by 4.36% year-on-year.

According to Oxford Economics, Riyadh's employment is estimated to grow from 3.38 million in 2021 to 3.54 million in 2022, at a growth rate of 4.7%.

Riyadh's employment CAGR is set to slow to 2.3% per annum between 2021 and 2030, down from 4.1% between 2010 and 2021.

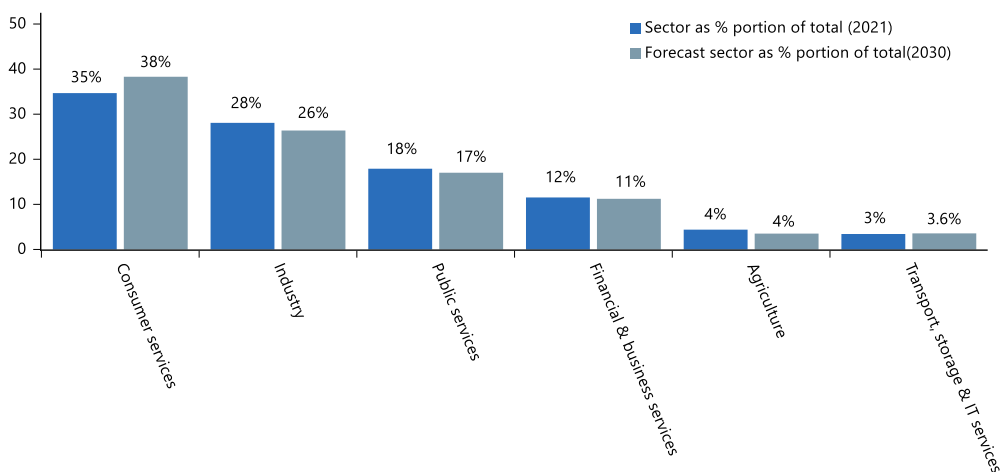


Source: Macrobond, Oxford Economics

Breakdown of Employment by Economic Sector – Riyadh city

The consumer services, Industry and public services sectors are the largest employment markets in Riyadh, accounting for 35%, 28% and 18% of total employment in 2021.

The share of consumer services in total employment has been gradually increasing over time and is expected to follow the same trend going forward. The contribution rose from 24.7 in 2010 to 34.7 in 2021 and is expected to reach 38% in 2030 according to Oxford Economics.



Source: Macrobond, Oxford Economics

Total consumer spending - Riyadh (in SAR billion)

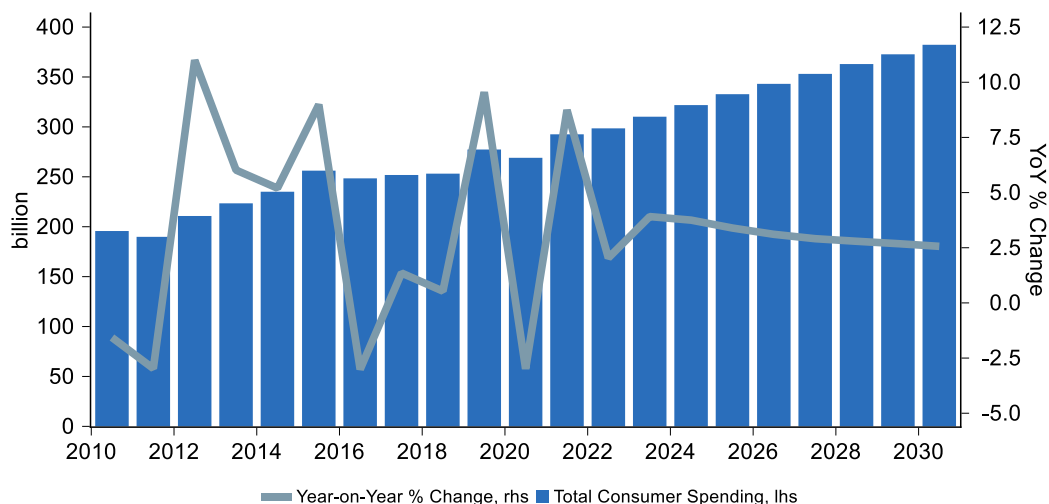
According to Oxford Economics, consumer spending in Riyadh increased by 8.7%, to around SAR 292 billion in 2021, compared to SAR 269 billion last year. The food & beverages sectors were the main drivers of this growth. More so, this relative outperformance is linked in part to the slight easing of lockdown restrictions, which boosted footfall across the Kingdom’s food and beverage outlets.

Consumer spending in Riyadh is expected to remain on an upward trajectory over the coming years, reaching SAR 310 billion in 2023. The compound annual growth rate is expected to decelerate to 3.0% between 2021 and 2030 versus 3.7% between 2010 to 2021 (Oxford Economics).

Housing is the biggest area of consumer spending and has seen its contribution gradually increase over time.

Recreational and cultural goods and services accounted for 2.8% of total consumer spending as of 2021 and is predicted to increase in the short to medium term.

Consumer spending on restaurants and hotels amounts to 4.1% of total spending in 2021, and is expected to remain relatively unchanged by 2030.

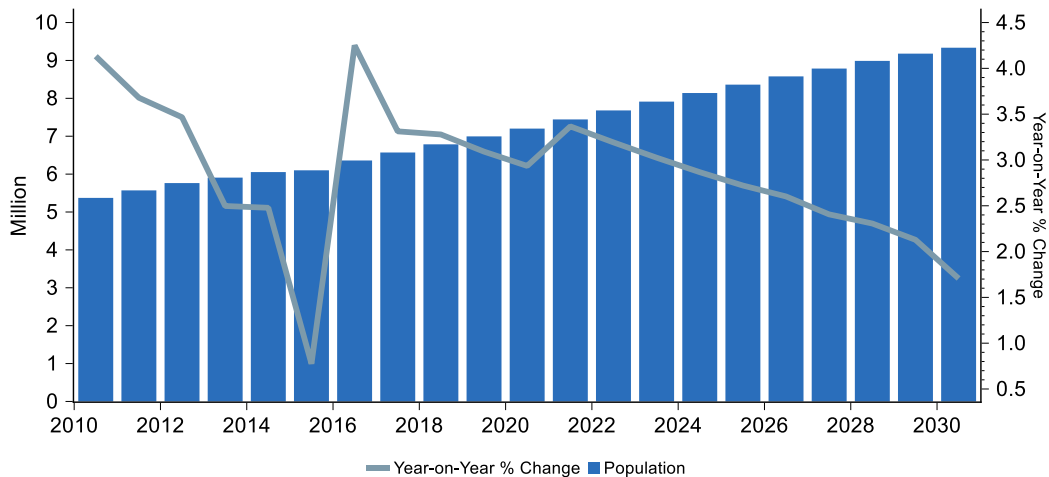


Source: Macrobond, Oxford Economics

Riyadh population 2010- 2030

According to Oxford Economics, the population of Riyadh have reached 7.4 million in 2021. representing c. 81% of the total population of the Riyadh Region.

Riyadh's population is expected to grow at CAGR of 2.5% from 2021 to 2030, reaching 9.3 million by 2030. A large and growing population, albeit at a slower pace than previous years, will continue to drive demand for goods and services in the medium to long term.



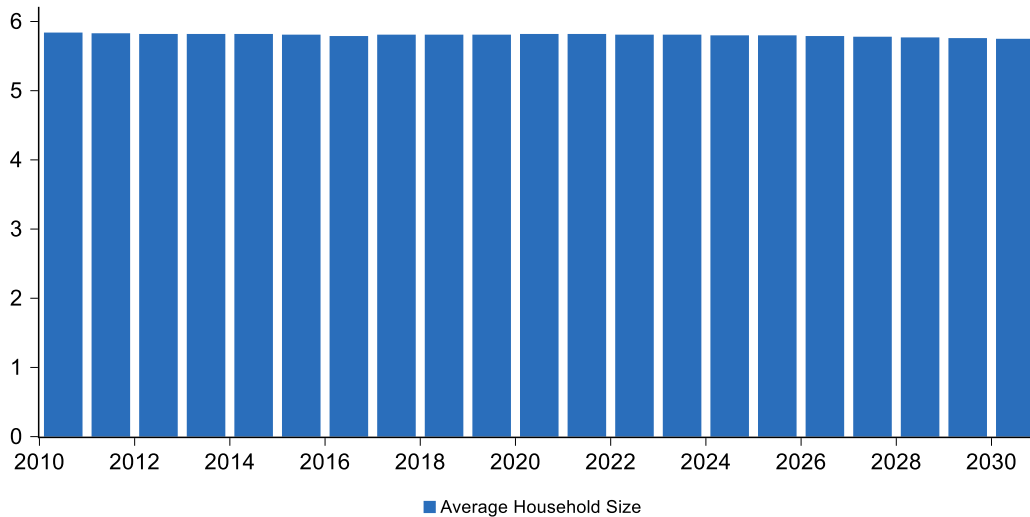
Source: GASTAT, Oxford Economics, Knight Frank Research

Average household size – Riyadh

Large average household sizes – over five people – is a trend that is observed across much of the Middle East and Africa region.

The average household size in Saudi Arabia stood at 5.5 individuals in 2021, although the figure is higher for Riyadh at an average of 5.8 people per household.

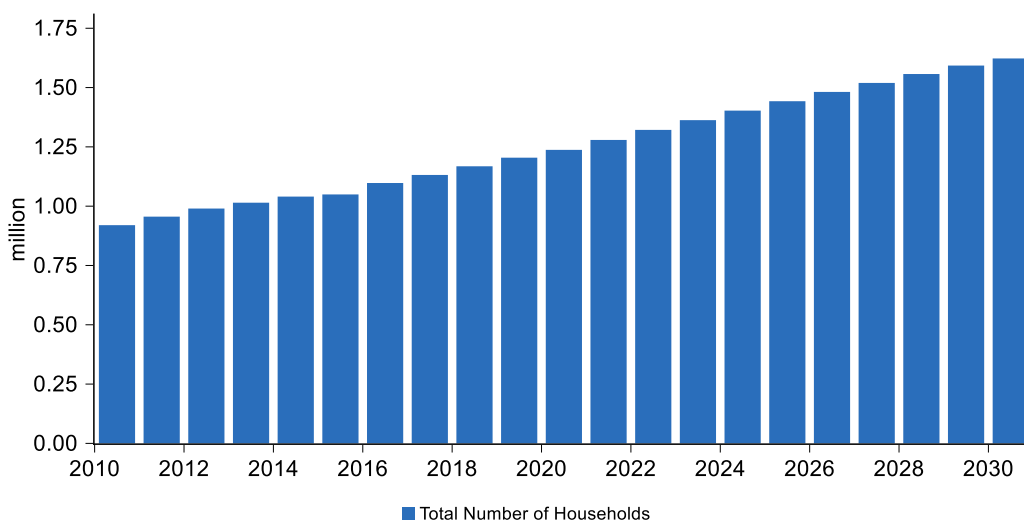
Usually, changes within average household sizes tend to be gradual, therefore the average household size for Riyadh combining Saudi and non-Saudi households is expected to reach to 5.7 individuals by 2030.



Total number of households - Riyadh

Total number of households in Riyadh stood at c. 1.28 million in 2021. Between 2010 and 2021, the number of households increased at a CAGR of 3.0%. This growth momentum is expected to slow to 2.7% between 2021 and 2030, driving the total number of households to reach an estimated 1.62 million by 2030.

Based on these forecasts, it is estimated that 344,000 additional households will be formed in Riyadh between 2021 and 2030.

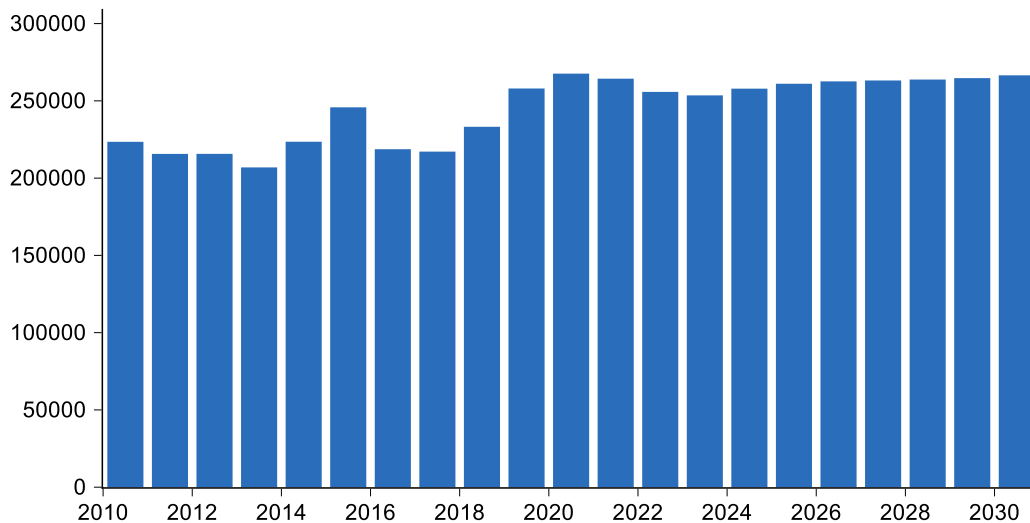


Source: Macrobond, Oxford Economics

Riyadh average household disposable income in SAR

Household income is a key determinant of affordability and consumer spending patterns.

Average household personal disposable income in Riyadh stood at c. SAR 264,348 in 2021. Between 2010 and 2021, the average household personal disposable income increased at a CAGR of 1.5%. It is expected that the Riyadh's average household disposable income will remain relatively same between 2021 and 2030, as highlighted in the adjacent graph.



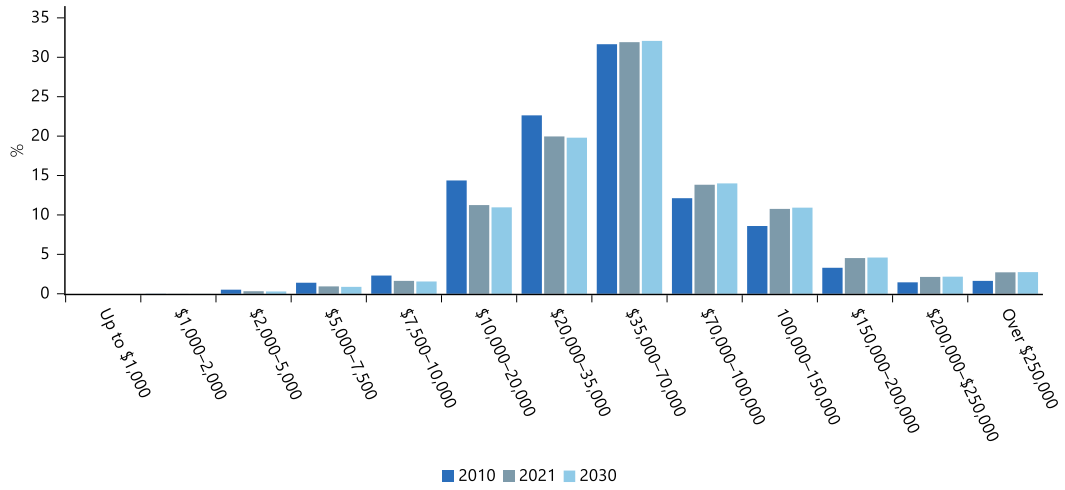
Riyadh number of household by income bands (as a % of total households)

The number of households in Riyadh currently (2021) stands at approximately 1.28 million and is expected to grow to 1.62 million by 2030.

As at **2021**, the households in the income band of \$35,000 - \$70,000 accounted for the largest portion of households at **31.9%**, marginally up from 31.9% a decade earlier.

More so, as at **2021**, the number of households in the income brackets above \$35,000 accounted for **65.9%** of total households, up from 57.1% in 2010. This trend has primarily been driven by an decrease in the number of households in the \$5,000 to \$35,000 income band.

The share of households earning over \$100,000 has increased from **14%** of households to **20.1%** of households from **2010** to **2021** respectively. By **2030**, this number is expected to remain relatively same.



Source: Macrobond, Oxford Economics