

# Valuation Report.

Qbic Building, Al Ghadeer District, Riyadh, 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

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Our ref: KfV377-2022

Date of issue: 16 February 2023

Dear Sirs

**Valuation Report – Qbic Building, Al Ghadeer District, Riyadh, 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**

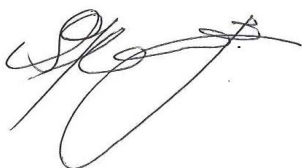
**Talal Raqaban, MRICS**

**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.*

<b>Address</b>	Qbic Building, King Abdulaziz Road, Al Ghadeer District, Riyadh, KSA																
<b>Location</b>	<p>The property is located just 170 meters north of the junction of King Abdulaziz Road with the Northern Ring Branch Road in Al Ghadeer District in Riyadh. More specifically, it is situated just across from Tala Mall and it is bounded by King Abdulaziz Road from the east, by Tanmar Road to the north, by Wadi Rikham Road to the west and Tanduf Road to the south. The King Abdullah Financial District (KAJD) is just 2 km to the west and the King Khalid International Airport is 20 km north.</p> <p>The wider area is mainly residential comprising local villas and apartment buildings while commercial uses prevail on King Abdulaziz Road and Northern Ring Branch Road.</p>																
<b>Description</b>	<p>The property comprises a high-end mixed-use commercial retail strip (showrooms, shops, office units and restaurants) accommodating three buildings – A, B and C – that are designed in a U shape. Building A includes a ground floor, a mezzanine level, first floor and second floor. Building B and C include a ground floor, first floor and second floor.</p> <p>The property is best suited for high-end fine dining restaurants and showrooms. Many of the restaurants have external terraces that give a high-end property feel. There is a vehicular ramp that leads from the ground floor to the two basements. A standalone building is located in the middle of the property just before the ramp that leads to the basements. The property has two basement floors with a total of c. 670 parking spaces. The basements have good air flow circulation. There are three accesses to the parking area on the first basement floor, including the ramp.</p>																
<b>Areas</b>	<p>The built up area (BUA) and the net leasable area (NLA) of the property are 42,145 sq m and 21,253 sq m, respectively, on a land plot of 17,444.21 square meters.</p> <table> <tr> <th>Level</th><th>Built Up Area (sq m)</th></tr> <tr> <td>Basement Parking</td><td>18,744</td></tr> <tr> <td>Ground Floor</td><td>7,560</td></tr> <tr> <td>Mezzanine Floor</td><td>1,584</td></tr> <tr> <td>First Floor</td><td>8,412</td></tr> <tr> <td>Roof Floor</td><td>5,678</td></tr> <tr> <td>Standalone Building</td><td>168</td></tr> <tr> <td><b>Total</b></td><td><b>42,145</b></td></tr> </table>	Level	Built Up Area (sq m)	Basement Parking	18,744	Ground Floor	7,560	Mezzanine Floor	1,584	First Floor	8,412	Roof Floor	5,678	Standalone Building	168	<b>Total</b>	<b>42,145</b>
Level	Built Up Area (sq m)																
Basement Parking	18,744																
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First Floor	8,412																
Roof Floor	5,678																
Standalone Building	168																
<b>Total</b>	<b>42,145</b>																



<b>Tenure</b>	Freehold
<b>Tenancies</b>	The property is leased in its entirety to the Ministry of Housing for a term of 3 years from 25 February 2020 for a rent of SAR 21,613,000 per annum with no escalations.
<b>Planning</b>	We have been provided with a Building Permit for the property which indicates that the property has approval to accommodate restaurants, showrooms and offices.
<b>Valuation considerations</b>	<ul style="list-style-type: none"> <li>• The main benefits the subject property has are the fact it is newly constructed, and thus should not require substantial repairs and maintenance for a few years, and the fact that it is leased to the Ministry of Housing, which is a blue chip covenant and very low credit risk.</li> <li>• The fact that the Ministry have spent substantial capital on fitting out the space suggests there will be a high probability of the initial 3 year term being extended for a further 3 years (6 years total) and thus we believe this is reasonable to reflect in our valuation analysis under the special assumption scenario.</li> <li>• The blend of retail and commercial office space in this type of development does not typically attract true blue chip covenants, as tenants such as large financial companies, banks, lawyers, and corporates typically are bound by a corporate identity and must take space in a prescribed central office tower. Therefore, we could expect to see second tier international occupiers, local companies looking for a good profile and able to pay a strong rent.</li> <li>• The property is well located, well designed and the format has proved popular with tenants, retailers, and customers.</li> <li>• We consider that the head lease underwritten by the Government entity provides security of income in difficult trading conditions. We have adopted an exit yield of 8% for the property.</li> <li>• We have assessed the market value of the property using a discounted cash flow approach, where we have reflected the contracted triple net rent for the initial lease term with a renewal of further 3 years, then modelled our assumption of the Market Rent of the property assuming the Ministry vacate and the property is then available to lease with vacant possession.</li> <li>• In this scenario, we have assumed a phased lease up period of 18 months on market terms and have allowed for 5% annual structural vacancy. We have also allowed for deduction of operating expenses. Our Estimated Rental Value is SAR 30,247,626 per annum.</li> <li>• We have assumed 2.50% annual inflation in our cash flows and adopted an 8% exit yield and 10.50% discount rate.</li> <li>• There is no historical evidence regarding service charges / costs for FM per annum, therefore we have reflected an OPEX provision of SAR 200 per sq m of net leasable area in our valuation analysis upon expiry of the head lease to the Ministry of Housing.</li> </ul>



	<ul style="list-style-type: none"> <li>Should the head lease of the building not be renewed, this valuation might be impacted due to allowing for void periods and structural vacancy.</li> </ul>
<b>Valuation date</b>	31 December 2022
<b>Market Rent</b>	SAR 30,247,626 per annum.
<b>Special Assumption</b>	The property is currently leased to the Ministry of Housing for a term of 3 years. We have also made a Special Assumption that this lease is renewed for a similar term.
<b>Market Value on Special Assumption</b>	<p>We are of the opinion that the Market Value of the freehold interest in the property, on the special assumption that the head lease is renewed for an additional 3-years at a rent of SAR 20,532,350 to the Ministry of Housing, at the valuation date, is:</p> <p style="text-align: center;"><b>SAR 266,180,000</b></p> <p style="text-align: center;"><b>(Two Hundred and Sixty Six Million, One Hundred and Eighty Thousand Saudi Arabian Riyals)</b></p>



# 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 date 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 Taaem 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 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.

### **Valuer and expertise**

- 1.5 The valuer, on behalf of Knight Frank Spain Saudi Arabia Real Estate Valuation Company with the responsibility for this report is Talal Raqaban MRICS, RICS Registered Valuer and Fellow member of Taaem. Parts of this valuation have been undertaken by additional valuers as listed on our file.
- 1.6 We confirm that the valuer and additional valuers meet the requirements of the Red Book / IVS and Taaem Regulations, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
- 1.7 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.
- 1.8 For the purposes of the Red Book / IVS, we are acting as External Valuer.
- 1.9 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

- 1.10 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 Taseem 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

- 1.11 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

- 1.12 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

- 1.13 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 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.
- 1.14 We confirm that we hold adequate and appropriate PII cover for this instruction.
- 1.15 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.
- 1.16 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

- 1.17 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.
- 1.18 In particular, we detail the following:
- Information relating to the extent of the property.



- Breakdown of units (in Excel).
- Floor plans (ground floor, mezzanine, first floor, second floor, roof).
- Project summary (PDF).
- Copy of the title deed.
- Copy of the Building Permit.
- Details of the rent provisions, structure and lease length.

1.19 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.



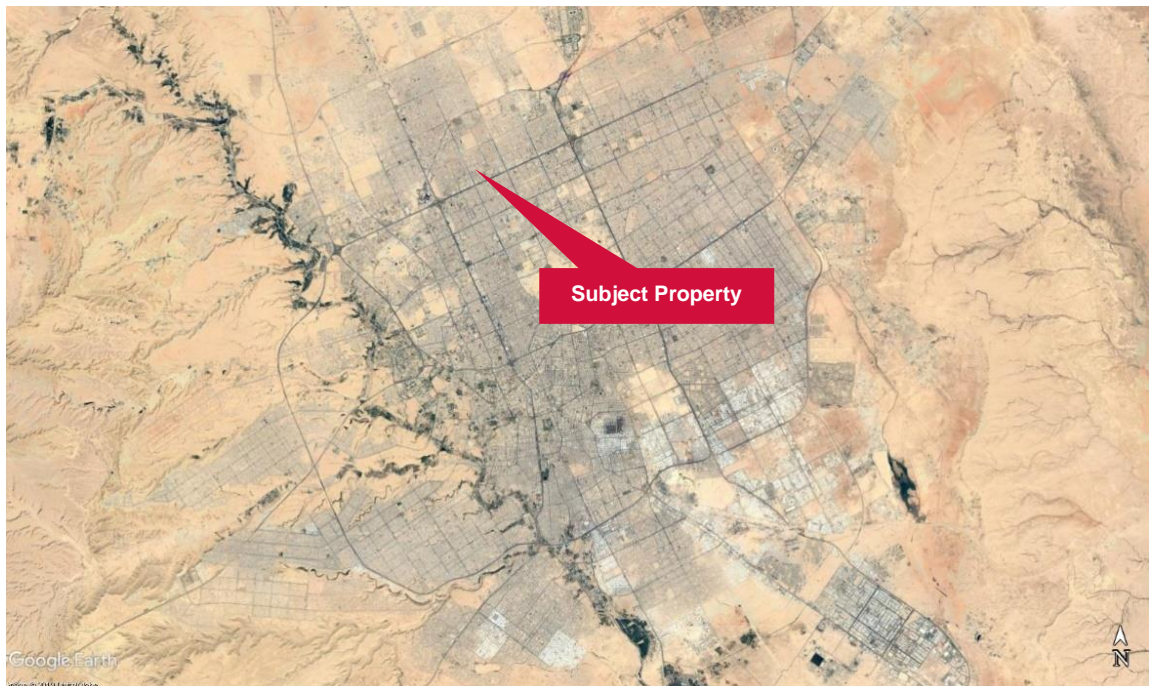
## 2. The Property

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

Property address	Inspected by	Inspection date
Qbic Building, King Abdulaziz Road, Al Ghadeer District, Riyadh, KSA	Ibrahim Alrashed	28 December 2022

### Location

- 2.2 As can be seen from the plan below, the property is located just 170 meters north of the junction of King Abdulaziz Road with Northern Ring Branch Road in Al Ghadeer District in Riyadh. More specifically, it is situated just across from Tala Mall and it is bounded by King Abdulaziz Road from the east, by Tanmar Road to the north, by Wadi Rikham Road to the west and Tanduf Road to the south. The King Abdullah Financial District (KAJD) is just 2 km to the west and the King Khalid International Airport is 20 km north.
- 2.3 The wider area is mainly residential comprising local villas and apartment buildings while commercial uses prevail on King Abdulaziz Road and Northern Ring Branch Road.



Source: Google Earth / Knight Frank Research

### Site

#### Site area

- 2.4 The property occupies a flat and rectangular site of approximately 17,444.21 sq m (areas taken from client).



## Site plan

- 2.5 The property is identified on the Google Earth map below, showing our understanding of the boundary outlined in red as per the building permit attached in appendix 2.



Source: Google Earth / Knight Frank Research

## Description

- 2.6 The property comprises a high-end mixed-use commercial retail strip (showrooms, shops, office units and restaurants) accommodating three buildings – A, B and C – that are designed in a U shape. Building A includes a ground floor, a mezzanine level, first floor and second floor. Building B and C include a ground floor, first floor and second floor.
- 2.7 The property is well suited for high-end fine dining restaurants and showrooms. Many of the restaurants have external terraces that give a high-end property feel. There is a vehicular ramp that leads from the ground floor to the two basements. A standalone building is located in the middle of the property just before the ramp that leads to the basements. The property has two basement floors with c. 670 parking spaces. The basements have good air flow circulation. There are three accesses to the parking area on the first basement floor, including the ramp.
- 2.8 A selection of photos taken during our inspection is provided below:





## Accommodation

### Measurement

- 2.9 As agreed with the client, we have relied upon floor areas provided to us by them. No further verification has been undertaken. This is as follows:

### Floor areas

Table 1: Built Up Area (BUA)

Description	BUA (sq m)
Basement Parking	18,744
Ground Floor	7,560
Mezzanine Floor	1,584
First Floor	8,412
Roof Floor	5,678
Standalone Building	168
<b>Total</b>	<b>42,145</b>



Table 2: Net Leasable Area (NLA)

QBIC Strip Mall - Floor Areas				
Shop No	Floor	Type	Building	Area (sq m)
Restaurant 001	Ground	Restaurant	C	448
Terrace (Restaurant 001)	Ground	Restaurant	C	528
Restaurant 002	Ground	Restaurant	C	146
Restaurant 003	Ground	Restaurant	C	223
Restaurant 004	Ground	Restaurant	C	66
Restaurant 005	Ground	Restaurant	C	66
Restaurant 006	Ground	Restaurant	C	75
Restaurant 007	Ground	Restaurant	C	222
Restaurant 008	First	Restaurant	C	414
Terrace (Restaurant 008)	First	Rest Terrace	C	495
Restaurant 009	First	Restaurant	C	455
Terrace (Restaurant 009)	First	Rest Terrace	C	204
Restaurant 10	First	Restaurant	C	455
Terrace (Restaurant 10)	First	Rest Terrace	C	161
Shop No. 01	Ground	Shop	C	148
Shop No. 02	Ground	Shop	C	148
Shop No. 03	Ground	Shop	C	224
Showroom 001	Ground	Showroom	A	355
Mezzanine 001	Ground	SR, Mezzanine	A	146
Show Rm 002	Ground	Showroom	A	226
Mezzanine 002	Ground	SR, Mezzanine	A	116
Show Rm 003	Ground	Showroom	A	226
Mezzanine 003	Ground	SR, Mezzanine	A	116
Show Rm 004	Ground	Showroom	A	226
Mezzanine 004	Ground	SR, Mezzanine	A	116
Show Rm 005	Ground	Showroom	A	199
Mezzanine 005	Ground	SR, Mezzanine	A	100
Show Rm 006	Ground	Showroom	A	283
Mezzanine 006	Ground	SR, Mezzanine	A	173
Show Rm 007	Ground	Showroom	A	281
Mezzanine 007	Ground	SR, Mezzanine	A	173
Show Rm 008	Ground	Showroom	A	199
Mezzanine 008	Ground	SR, Mezzanine	A	100



Show Rm 009	Ground	Showroom	A	226
Mezzanine 009	Ground	SR, Mezzanine	A	116
Show Rm 10	Ground	Showroom	A	224
Mezzanine 10	Ground	SR, Mezzanine	A	116
Show Rm 11	Ground	Showroom	A	586
Mezzanine 11	Ground	SR, Mezzanine	A	310
Shop No. 04	Ground	Shop	B	148
Shop No. 05	Ground	Shop	B	148
Shop No. 06	Ground	Shop	B	224
Restaurant 13	Ground	Rest	B	449
Restaurant 14	Ground	Rest	B	146
Restaurant 15	Ground	Rest	B	184
Restaurant 16	Ground	Rest	B	184
Restaurant 17	Ground	Rest	B	146
Restaurant 18	Ground	Rest	B	75
Restaurant 19	Ground	Rest	B	222
Restaurant 20	First	Rest	B	510
Terrace (Restaurant 20)	First	Rest Terrace	B	504
Restaurant 21	First	Restaurant	B	550
Terrace (Restaurant 21)	First	Rest Terrace	B	202
Restaurant 22	First	Restaurant	B	498
Terrace (Restaurant 22)	First	Rest Terrace	B	156
Stand Alone (1)	Ground	Stand Alone	SA	196
Restaurant 11	Second	Restaurant	C	307
Terrace (Restaurant 11)	Second	Rest Terrace	C	342
Restaurant 12	Second	Restaurant	C	225
Terrace (Restaurant 12)	Second	Rest Terrace	C	297
Restaurant 23	Second	Restaurant	B	396
Terrace (Restaurant 23)	Second	Rest Terrace	B	411
Restaurant 24	Second	Restaurant	B	297
Terrace (Restaurant 24)	Second	Rest Terrace	B	354
Office 001	First	Office	A	182
Office 002	First	Office	A	182
Office 003	First	Office	A	236
Terrace (Office 003)	First	Office, Terrace	A	75
Office 004	First	Office	A	160
Terrace (Office 004)	First	Office, Terrace	A	75
Office 005	First	Office	A	179
Office 006	First	Office	A	196



Office 007	First	Office	A	196
Office 008	First	Office	A	176
Office 009	First	Office	A	202
Office 010	First	Office	A	313
Office 011	First	Office	A	182
Office 012	First	Office	A	180
Office (13)	Second	Office	A	119
Terrace (Office 13)	Second	Office, Terrace	A	56
Office (14)	Second	Office	A	323
Terrace (Office 14)	Second	Office, Terrace	A	444
Office (15)	Second	Office	A	126
Terrace (Office 15)	Second	Office, Terrace	A	45
Office (16)	Second	Office	A	126
Terrace (Office 16)	Second	Office, Terrace	A	45
Office (17)	Second	Office	A	323
Terrace (Office 17)	Second	Office, Terrace	A	675
Office (18)	Second	Office	A	118
Terrace (Office 18)	Second	Office, Terrace	A	57
<b>Total</b>				<b>21,253</b>

Source: Client

- 2.10 The valuation given does not include any chattels or contents within the property.
- 2.11 Copies of floor plans provided are attached at Appendix 4 and for the sake of convenience we would list the accommodation as follows. There are three buildings – A, B and C – that are arranged in a U shape. Building A includes a ground floor, a mezzanine level, first and second floors. Building B and C include a ground floor, first and second floors. There is also a ground floor standalone building in the middle of the development.

## Services

- 2.12 No tests have been undertaken on any of the services.
- 2.13 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

### Sources of Information

- 2.14 We have been provided by the client with a copy of the title deed of the property, details as shown below:



Table 3: Title deed

Item	Description
Title Deed number	710120033331
Date	26/10/2014
Plot	24,25,26,27 scheme 2726
District	Al Ghadeer
Owner	Abdulaziz Bin Abdullah Bin Abdulaziz Almousa & Abdulaziz Bin Hamad Bin Ibrahim Almesheal
Area (sq m)	17,444.21

Source: Client

- 2.15 A copy of the title deed is attached in Appendix 3.

#### Tenure

- 2.16 As per information provided by the client, we understand that the property is held freehold by Abdulaziz Bin Abdullah Bin Abdulaziz Almousa & Abdulaziz Bin Hamad Bin Ibrahim Almesheal.

#### Covenants

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

#### Tenancies

- 2.18 The property is currently fully leased to the Ministry of Housing on a three-year lease. The salient terms of the lease agreement are summarised below:

Table 4: Lease agreement summary

Item	Description
Demise	Commercial building and two basement floors
Lease Date	25/02/2020 (1441/07/01 Hijri)
Tenant	Ministry of Housing
Term	3 years
Land Area (sq m)	17,444.21 sq m
Current Passing Rent	SAR 21,613,000 per annum
Rent Review	Fixed Rent
Use	Office



- 2.19 In the absence of a lease copy, we have assumed that normal covenants and liabilities devolve upon the lessee. It is further assumed that there are no onerous restrictions or outgoings contained within the lease that would impact on the valuation provided within this report.
- 2.20 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.

## Condition

### Scope of inspection

- 2.21 We have not undertaken a site survey of the property.
- 2.22 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

- 2.23 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. We have assumed that the building has been completed in accordance with its planning consent to a good standard.
- 2.24 During the course of our inspection, the buildings appeared to be in a generally reasonable state of repair commensurate with their age and use.

### Ground conditions

- 2.25 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

- 2.26 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

- 2.27 We have been provided with the property's Building Permit, the details of which are detailed below:



Table 5: Summary of Building Permit

Item	Description
License number	1436/19453
Issue Date	12/10/2015
End Date	09/09/2018
Land Area (sq m)	17,426.21
Area (sq m)	38,002.60

Source: Client

## Highways and access

- 2.28 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

- 2.29 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.
- 2.30 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

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

### Fire safety

- 2.32 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 Overview, prepared by Knight Frank, is attached at Appendix 6.

#### **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.



## 4. Valuation

### Methodology

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

#### **Comparative method**

- 4.2 In undertaking our valuation of the property, we have made our assessment on the basis of a collation and analysis of appropriate comparable 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, aspect and other material factors.

#### **Investment Method**

- 4.3 Our valuation has been carried out using the comparative and investment methods. In undertaking our valuation of the 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.
- 4.4 We have undertaken the valuation of the property via a discounted cash flow approach, whereby we reflect current and potential future revenues and operational costs explicitly. We have applied rental growth, occupancy assumptions, sinking fund provision and operating expenses in our cash flow.

### Comparable Evidence – Benchmarking

- 4.5 For restaurants, offices, and retail rental evidence we have analysed appropriate comparable properties, together with evidence of demand within the market of the subject property.
- 4.6 For the retail component, Knight Frank has focused on properties that have similar layout, architecture, and consumer targeting to the subject property.
- 4.7 We provide a summary of our comparable evidence in the map and corresponding table below.





Source: Google Earth / Knight Frank Research

- 4.8 As shown in the map above, five properties are chosen as comparable set (retail / commercial) to the subject property as following:

#### Comparable Evidence

Ref.	Development Name	Opening	Service Charges	Occupancy%	Min (SAR per sq m)	Max (SAR per sq m)
1	Rubeen Plaza	Q4 2015	Inclusive	100%	1,500	2,800
2	The Zone	Q2 2019	15%	96%	2,500	3,000
3	Cordoba Boulevard	Q2 2019	10%	98%	1,500	3,000
4	Riyadh Front	Q3 2019	Inclusive	95%	1,200	3,000
5	The Boulevard	Q2 2017	Inclusive	95%	1,500	2,500

Source: Knight Frank Research

- 4.9 The retail benchmarks noted in the table and location map above have been assessed as the market of relevance for the subject property. These have been included as a result of their location, positioning, tenant mix, characteristics as well as best practices.
- 4.10 As a result, these benchmarks form the foundation of our analysis to ascertain the subject property's key performance indicators (lease rates, absorption, vacancy, etc.).



- 4.11 A lifestyle centre is considered to be F&B and entertainment led retail development featuring outdoor spaces and supporting retail elements. A number of these benchmarks have been included in our analysis as the positioning is deemed to be a suitable fit for the subject site given the characteristics of the site (leveraging from the King Abdulaziz branch Road).
- 4.12 We have used similar comparable sets around the city of Riyadh to arrive at the applied estimated rental values (ERVs). We have gathered information from high-quality retail strips, mixed-used projects and office developments.
- 4.13 We have divided the subject property into eight different categories of tenant / use. The categories include the restaurants on the ground floor, restaurants on the first floor, restaurants on the second floor, shops, showrooms, offices on the first floor, offices on the second floor, and the stand-alone building. Based on our understanding of the market and the subject property, we have applied a base rate to each of the eight categories.
- 4.14 We have then adjusted each unit compared to the base unit rate of each category. We have applied a base rate of SAR 2,025 per sq m for the ground floor retail spaces, SAR 1,823 per sq m for the first floor retail (10% discount compared to the ground floor) and SAR 1,721 per sq m for the retail on the second floor (15% discount compared to the ground floor).
- 4.15 For the office component, Knight Frank has focused on properties that include non-high rise good quality office buildings. A summary of our comparable evidence for the office component is provided in the map and corresponding table below:



Source: Google Earth / Knight Frank Research



## Comparable Evidence

Ref.	Development Name	Service Charges	Occupancy%	Rent SAR Per sq m
1	Raidah Digital City	15%	100%	1,500
2	Business Gate	10%	95%	1,700
3	Granada Business Park	10%	95%	1,600
4	Riyadh Business Front	10%	96%	1,650
5	The Boulevard	-	98%	1,300 – 1,500

Source: Knight Frank Research

- 4.16 The property is not located within the core office CBD of Riyadh, however it comprises more than 6,000 sq m of office space, which could be attractive to small to medium sized private companies or government entities. The parking area and the retail component is definitely an advantage and has historically been proved to be appealing to potential tenants.
- 4.17 Quoting rents at Raidah Digital City are SAR 1,500 per sq m per annum, and the space offered is prime grade A space. Raidah Digital City commands a premium to the property due to specification, being situated in an integrated masterplan, and that there is good provision for parking with exceptional security.
- 4.18 Business Gate is a low rise business park which tenanted mainly by mid to large sized businesses. Current asking rents at Business Gate are SAR 1,700 per sq m per annum. We consider that when comparing Business Gate to the property a discount for specification is applicable. Although the location of the property is a better, we consider that the overall adjustment would be negative due to grade of space, aspect, access, and that Qbic is not situated in a business park.
- 4.19 Granada Business Gate is a business park themed grade A office development, with headline rents standing at SAR 1,600 per sq m per annum. The development is situated beside Granada Mall and sits near the Eastern Ring Road. We consider that an premium for location would be applicable against the property, although a discount for facilities, specification, access, and grade of space is applicable.
- 4.20 Riyadh Business Front is situated along Airport Road, opposite Princess Noura University in a fairly undeveloped area. Riyadh Business Front benefits from great visibility and accessibility off Airport Road. The space offered is considered better than that offered in the property due to specification. Overall we consider that the property would lease at a discount to Riyadh Business Front.
- 4.21 At the lower end of the range is The Boulevard, with headline rents ranging at SAR 1,300 to SAR 1,500 per sq m per annum. The Boulevard sits on the west side of Prince Turki Ibn Abdulaziz Al Awwal Road and is known for its lifestyle retail offering. We consider that the office space would command a discount for location and accessibility.
- 4.22 Overall Knight Frank's research data shows that similar developments would lease at a discount to the benchmarks shown above due to specification, location, access, and positioning.



- 4.23 When forming our opinion of the base lease rates for the office space within the property, we have made the necessary adjustments for location, accessibility, specification, and we have also allowed for a negotiation element. We have then adjusted the base rate and have adopted a rate of SAR 1,110 per sq m for first floor offices, and SAR 1,235 per sq m for second floor offices. Further adjustments have been made to reflect the unique size of each unit.

## SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• New modern construction.</li> <li>• Very good visibility and access on King Abdulaziz Road.</li> <li>• Very good design/layout.</li> <li>• Adequate number of parking spaces.</li> <li>• No market risk, and very limited credit risk for the initial 3 year lease period.</li> </ul>	<ul style="list-style-type: none"> <li>• Property is located across from Tala Mall, a 22,711 sq m community mall on the north Ring Branch (exit 5) crossing King Abdulaziz Road.</li> <li>• Hayat Mall is located just 3.2km to the south on King Abdulaziz Road.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Tenant mix to compliment competitive schemes in the wider area, e.g. fine dining restaurants.</li> <li>• Subject to a head lease agreement there is an opportunity of steady rental income for a number of years.</li> </ul>	<ul style="list-style-type: none"> <li>• Similar developments on vacant / undeveloped plots in the wider area.</li> <li>• Retail sector performance / Saudi population spending power.</li> </ul>

## Valuation Considerations

- 4.24 The main benefits the subject property has are the fact it is newly constructed, and thus should not require substantial repairs and maintenance for a few years, and the fact that it is leased to the Ministry of Housing, which is a blue chip covenant and very low credit risk.
- 4.25 The fact that the Ministry are spending substantial capital on fitting out the space suggests there will be a high probability of the initial 3 year term being extended for a further 3 years (6 years total) and thus we believe this is reasonable to reflect in our valuation analysis under the special assumption scenario.
- 4.26 The blend of retail and commercial office space in this type of development does not typically attract true blue chip covenants, as tenants such as large financial companies, banks, lawyers, and corporates typically are bound by a corporate identity and must take space in a prescribed central office tower. Therefore, we could expect to see second tier international occupiers, local companies looking for a good profile and able to pay a strong rent.
- 4.27 The property is well located, well designed and the format has proved popular with tenants, retailers, and customers.



- 4.28 We consider that the head lease underwritten by the Government entity provides security of income in difficult trading conditions. We have adopted an exit yield of 8.00% for the property.
- 4.29 We have assessed the market value of the property using a discounted cash flow approach, where we have reflected the contracted triple net rent for the initial lease term with a renewal of further 3 years, then modelled our assumption of the Market Rent of the property assuming the Ministry vacate and the property is then available to lease with vacant possession.
- 4.30 In this scenario, we have assumed a phased lease up period of 18 months on market terms and have allowed for 5% annual structural vacancy. We have also allowed for deduction of operating expenses. Our Estimated Rental Value is SAR 30,247,626 per annum.
- 4.31 We have assumed 2.50% annual inflation in our cash flows and adopted an 8.00% exit yield and 10.50% discount rate.
- 4.32 There is no historical evidence regarding service charges / costs for FM per annum, therefore we have reflected an OPEX provision of SAR 200 per sq m of net leasable area in our valuation analysis upon expiry of the head lease to the Ministry of Housing.
- 4.33 Should the head lease of the building not be renewed, this valuation might be impacted due to allowing for void periods and structural vacancy.

## Valuation Assumptions

- 4.34 We provide our valuation assumptions in the table below:

Table 6: Valuation Assumptions

Item	Unit	Assumption
Net Leasable Area (sq m)	Sq m	21,253
Built Up Area (sq m)	Sq m	42,145
Service Charge	% of Rental Value	10%
Management Fee	% of Revenue	2%
Sinking Fund	% of Revenue	1%
Operating Costs	SAR per sq m of NLA per annum	200
Structural Vacancy	%	5%
Lease Up Period upon lease expiry	Months	18 Months
Passing Rent	SAR per annum	21,613,000
Head Lease Renewal Year 1 - 3	SAR per annum	20,532,350
Market Rent	SAR per annum	30,247,626
Market Rent Year 4+	SAR per sq m per annum	1,423



Item	Unit	Assumption
Terminal Yield	%	8.00%
Discount Rate	%	10.50%
Growth rate	%	2.50%
<b>Market Value (SAR)</b>	<b>SAR</b>	<b>266,180,000</b>

## Valuation bases

### Market Value

4.35 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

4.36 The basis of valuation for our opinion of rental value is Market Rent. This is defined in RICS Valuation - Global Standards / IVS as:

*“The estimated amount for which an interest in real property should 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

4.37 The valuation date is 31 December 2022.

## Market Value

### Assumptions

4.38 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our Terms of Engagement letter and within this report.

### Key Assumption

4.39 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to the following key assumption: We have not measured the property and our valuation calculations are based on the areas provided by the client.

### Special Assumption

4.40 The property is currently leased to the Ministry of Housing for a term of 3 years, we have upon discussion with the Client made the Special Assumption that this lease is renewed for a similar term. This is considered reasonable due to the high capex incurred in the fit out and the likelihood to need to amortise this fit out cost.



**Market Value on Special Assumption**

- 4.41 We are of the opinion that the Market Value of the freehold interest in the property, on the special assumption that the head lease is renewed for an additional 3-years at a rent of SAR 20,532,350 to the Ministry of Housing, at the valuation date, is:

**SAR 266,180,000**

**(Two Hundred and Sixty Six Million, One Hundred and Eighty Thousand Saudi Arabian Riyals)**



# 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 Taaqem 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, 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 Taqeen 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:**





Advance Payment	
Final payment	

December 2022 revaluation:

Advance Payment	
Final payment	

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

Our Ref: SNB Capital

4



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







## Appendix 3 Title Deed

وزارة العدل  
[٢٧٧]

الرقم: ٧١٠١٢٠٠٣٣٣٣١  
التاريخ: ١٤٣٦ / ١ / ٣ هـ

كتابة العدل الأولى بالرياض

صك

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

فإن قطعة الأرض ٢٤ و قطعة الأرض ٢٥ و قطعة الأرض ٢٦ و قطعة الأرض ٢٧ من المخطط رقم ٢٧٢٦ / الواقع في حي الغدير بمدينة الرياض .

وحدودها وأطوالها كالتالي:

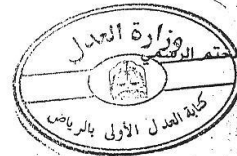
شمالاً: شارع عرض ٢٠ م	بطول: (١٤٩,٨) مائة وتسعة وأربعون متر و ثمانون سنتيمتر
جنوباً: شارع عرض ٢٠ م	بطول: (١٤٩,٨) مائة وتسعة وأربعون متر و ثمانون سنتيمتر
شرقاً: طريق عرض ٦٠ م	بطول: (١١٦,٤٥) مائة وستة عشر متر و خمسة وأربعون سنتيمتر
غرباً: شارع عرض ٢٠ م	بطول: (١١٦,٤٥) مائة وستة عشر متر و خمسة وأربعون سنتيمتر

ومساحتها: (١٧,٤٤٤,٢١) سبعة عشر ألفاً و أربعمئة و أربعة و أربعون متر مربعاً و واحد و عشرون سنتيمتر مربعاً فقط بناء على خطاب الأمانة ٥٤٦٣٤ في ٢١/١٢/١٤٣٥ هـ والمقيد في هذه الإدارة رقم ٤٥٣٤٨٠٤٣٧ وتاريخ ٢٢/١٢/١٤٣٥.

الملوكة بالصك الصادر من هذه الإدارة برقم ٩١٠١١٣٠٥٧٢٥٠ في ١٤ / ٦ / ١٤٣٥ هـ

هي في ملك عبد العزيز بن عبد الله بن عبد العزيز الموسى سعودي الجنسية بموجب سجل مدني رقم ١٠١٤٣٣٢٥٧٩ و عبد العزيز بن حمد بن ابراهيم المشعل سعودي الجنسية بموجب سجل مدني رقم ١٠١٠٦٢٥٩٧٦ ، وعليه جرى تحريره في ١ / ١ / ١٤٣٦ هـ لاعتماده ، وصلى الله على نبيينا محمد وآله وصحبه وسلم.

كاتب العدل  
مصعب بن محمد بن احمد الخنين



صفحة ١ من ١

نموذج رقم (١٠٠٣-٠١٢)

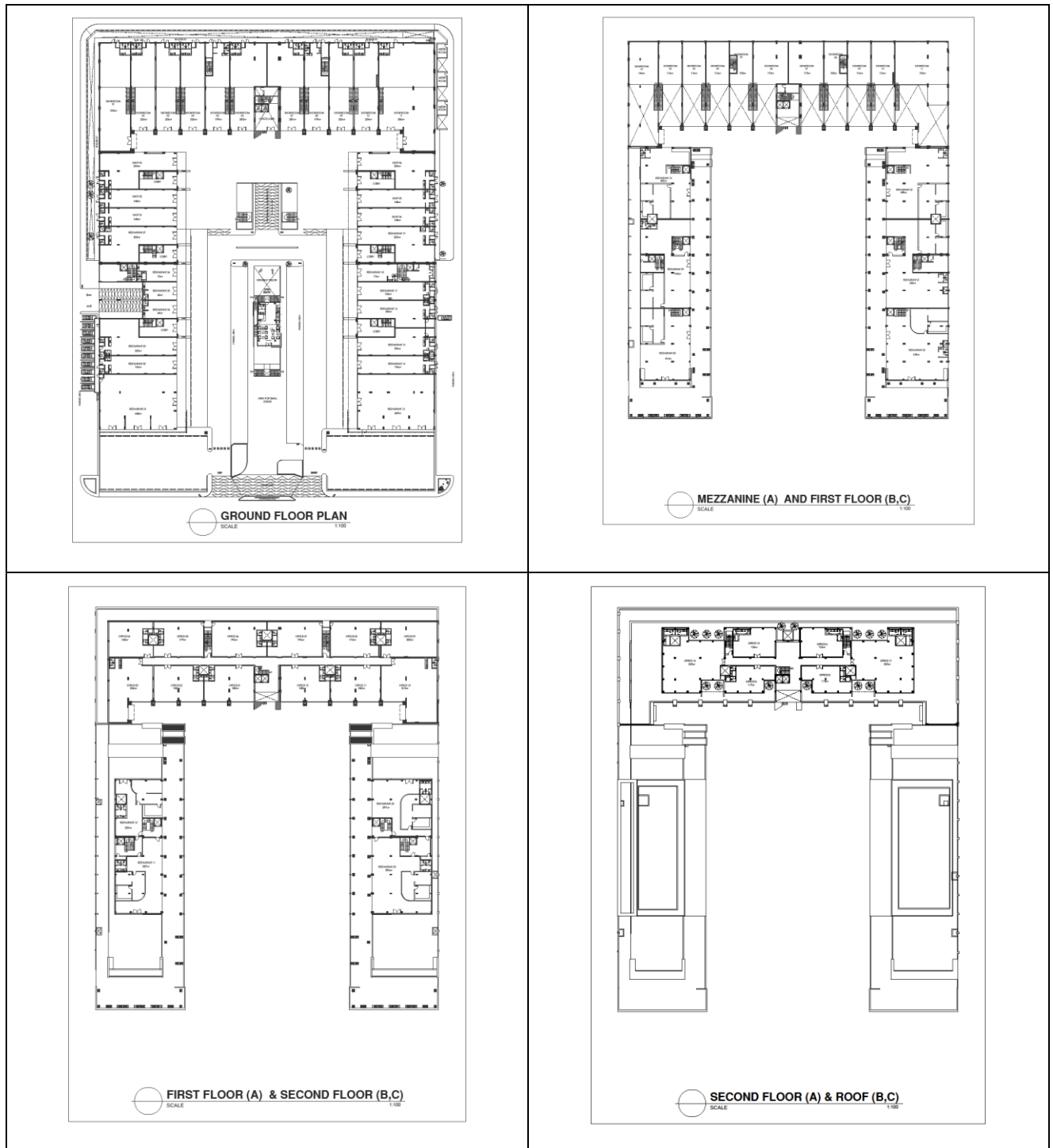
( هذا النموذج مخصص للاستخدام بالحاسب الآلي ويمنع تغليفه )

محافظة المنوفية - ٣٥٢٥١٨

هذا المستند وحده متكاملاً ، وشياع أو تلفت صفحة منه يؤدي إلى عدم صلاحية المستند .



## Appendix 4 Floor Plans





# Appendix 5 Cash Flow

## Cash Flow Report

Qbic Special Assumption (Amounts in SAR)  
Dec, 2022 through Nov, 2033  
27/12/2022 17:04:16

	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	
<b>Rental Revenue</b>												
Headline Rent	20,532,350	20,532,350	20,532,350	24,817,817	33,047,471	33,113,963	33,527,954	34,773,752	35,637,646	36,106,239	37,447,528	330,069,420
Void Loss	0	0	0	-19,433,657	-11,461,102	-292,178	0	0	0	0	0	-31,186,937
Passing Rent	20,532,350	20,532,350	20,532,350	5,384,160	21,586,369	32,821,784	33,527,954	34,773,752	35,637,646	36,106,239	37,447,528	298,882,482
<b>Total Rental Revenue</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>5,384,160</b>	<b>21,586,369</b>	<b>32,821,784</b>	<b>33,527,954</b>	<b>34,773,752</b>	<b>35,637,646</b>	<b>36,106,239</b>	<b>37,447,528</b>	<b>298,882,482</b>
<b>Total Tenant Revenue</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>5,384,160</b>	<b>21,586,369</b>	<b>32,821,784</b>	<b>33,527,954</b>	<b>34,773,752</b>	<b>35,637,646</b>	<b>36,106,239</b>	<b>37,447,528</b>	<b>298,882,482</b>
<b>Potential Gross Revenue</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>5,384,160</b>	<b>21,586,369</b>	<b>32,821,784</b>	<b>33,527,954</b>	<b>34,773,752</b>	<b>35,637,646</b>	<b>36,106,239</b>	<b>37,447,528</b>	<b>298,882,482</b>
<b>Vacancy &amp; Credit Loss</b>												
Vacancy Allowance	0	0	0	0	0	-1,427,271	-1,676,398	-1,738,688	-1,781,882	-1,805,312	-1,872,376	-10,301,927
<b>Total Vacancy &amp; Credit Loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,427,271</b>	<b>-1,676,398</b>	<b>-1,738,688</b>	<b>-1,781,882</b>	<b>-1,805,312</b>	<b>-1,872,376</b>	<b>-10,301,927</b>
<b>Effective Gross Revenue</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>5,384,160</b>	<b>21,586,369</b>	<b>31,394,514</b>	<b>31,851,556</b>	<b>33,035,064</b>	<b>33,855,764</b>	<b>34,300,927</b>	<b>35,575,151</b>	<b>288,580,556</b>
<b>Revenue Costs</b>												
Op Ex	0	0	0	1,108,485	3,490,080	4,828,999	4,949,932	5,073,680	5,200,522	5,330,535	5,463,799	35,446,033
Sinking Fund	0	0	0	78,314	243,674	331,125	337,161	349,876	356,600	363,089	376,778	2,436,617
Property Management	0	0	0	156,627	487,348	662,250	674,322	699,752	713,200	726,177	753,556	4,873,234
<b>Total Revenue Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,343,426</b>	<b>4,221,103</b>	<b>5,822,375</b>	<b>5,961,416</b>	<b>6,123,308</b>	<b>6,270,322</b>	<b>6,419,802</b>	<b>6,594,133</b>	<b>42,755,884</b>
<b>Net Operating Income</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>4,040,733</b>	<b>17,365,267</b>	<b>25,572,139</b>	<b>25,890,141</b>	<b>26,911,756</b>	<b>27,585,441</b>	<b>27,881,126</b>	<b>28,981,018</b>	<b>245,824,672</b>
<b>Cash Flow Before Debt Service</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>4,040,733</b>	<b>17,365,267</b>	<b>25,572,139</b>	<b>25,890,141</b>	<b>26,911,756</b>	<b>27,585,441</b>	<b>27,881,126</b>	<b>28,981,018</b>	<b>245,824,672</b>
<b>Cash Flow Available for Distribution</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>20,532,350</b>	<b>4,040,733</b>	<b>17,365,267</b>	<b>25,572,139</b>	<b>25,890,141</b>	<b>26,911,756</b>	<b>27,585,441</b>	<b>27,881,126</b>	<b>28,981,018</b>	<b>245,824,672</b>



## Appendix 6 Market Research Report

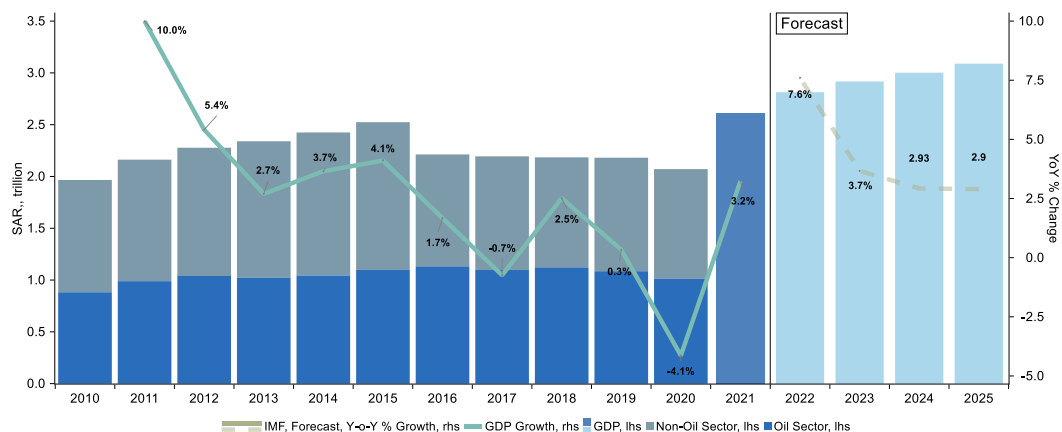
### Saudi Arabia GDP Growth, 2011 - 2025

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*

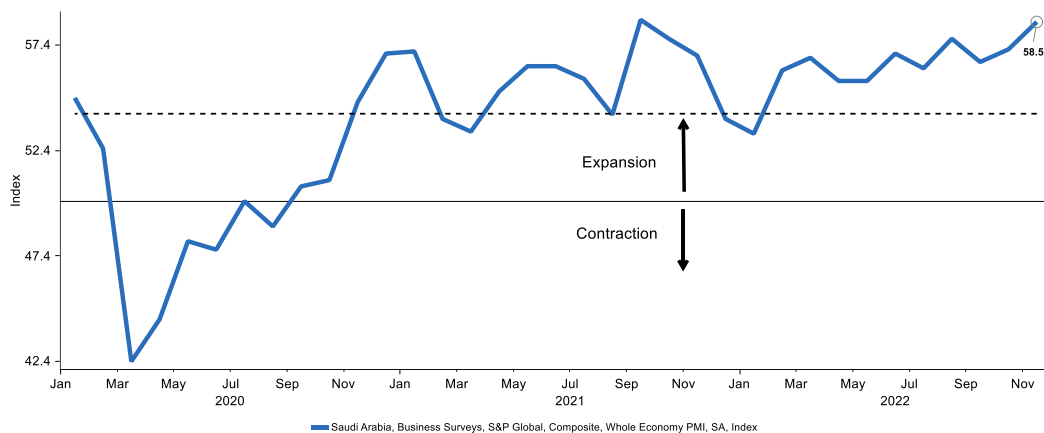


### Saudi Arabia, Purchasing Manager Index (PMI)

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

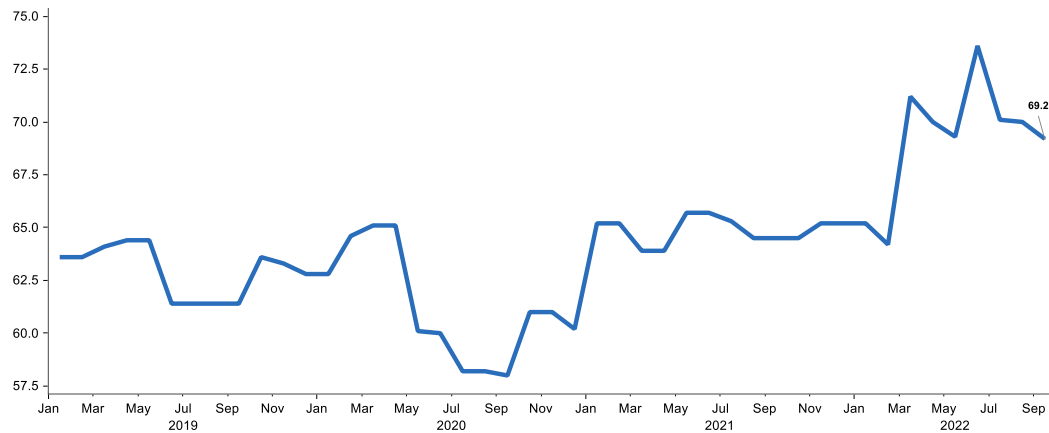
The Primary Consumer Sentiment Index (PCSI) of Saudi Arabia is a national survey of consumer opinions regarding the current and future status of the local economy, personal financial situation, as well as confidence in making big investments, and ability to save.

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





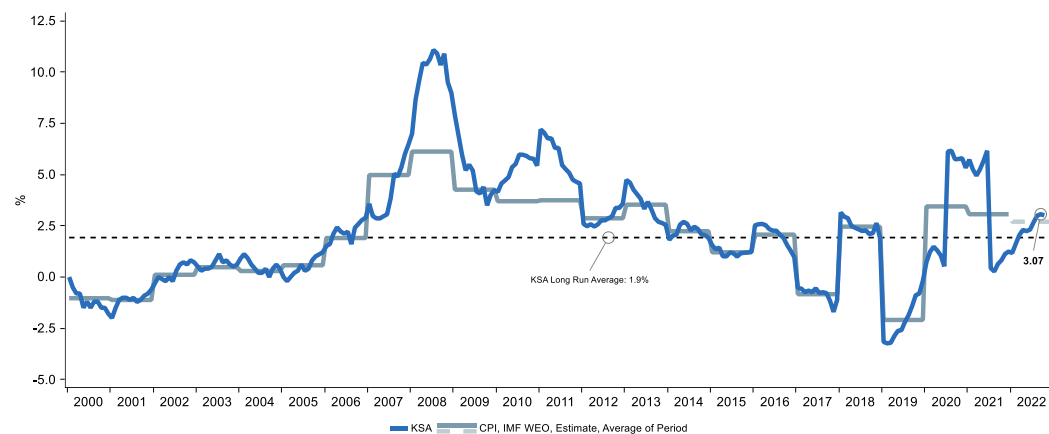
Source: Knight Frank, IPSOS

### 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



Knight Frank, GSTAT

Source:



### Saudi Arabia Population Forecasts

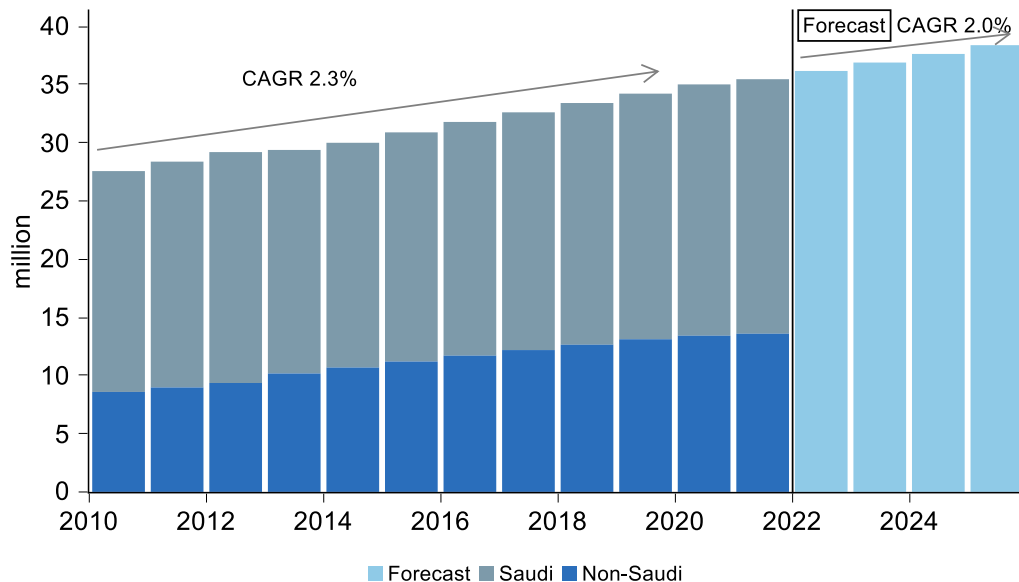
Saudi Arabia accounts for more than half of the GCC's total population and has a larger population than any other GCC country. According to official statistics, the population count was registered at 35.4 million in 2021.

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

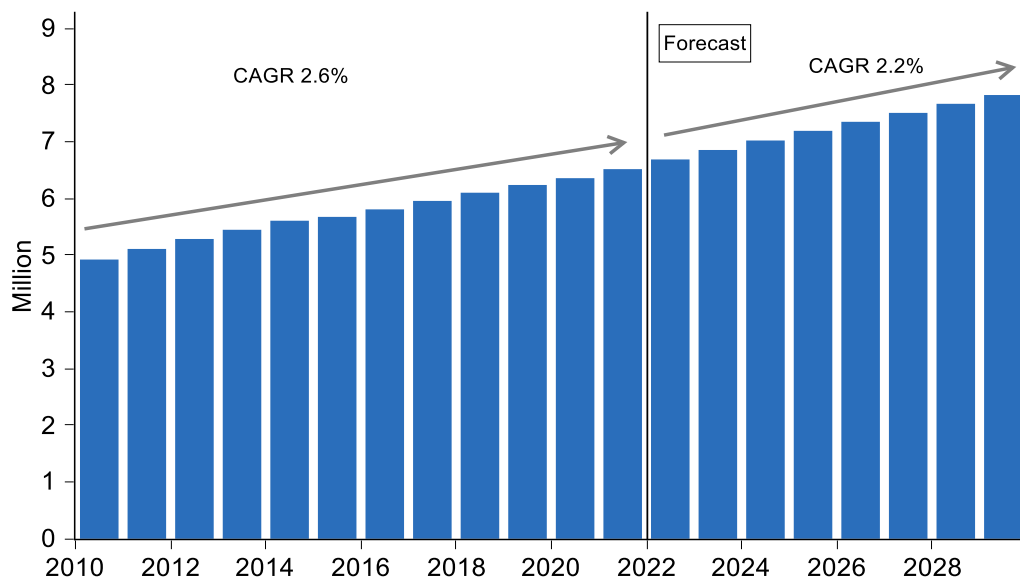


in the number of households will slow to 2.2% between 2021 and 2030, down from 2.6% between 2010 and 2021.

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*

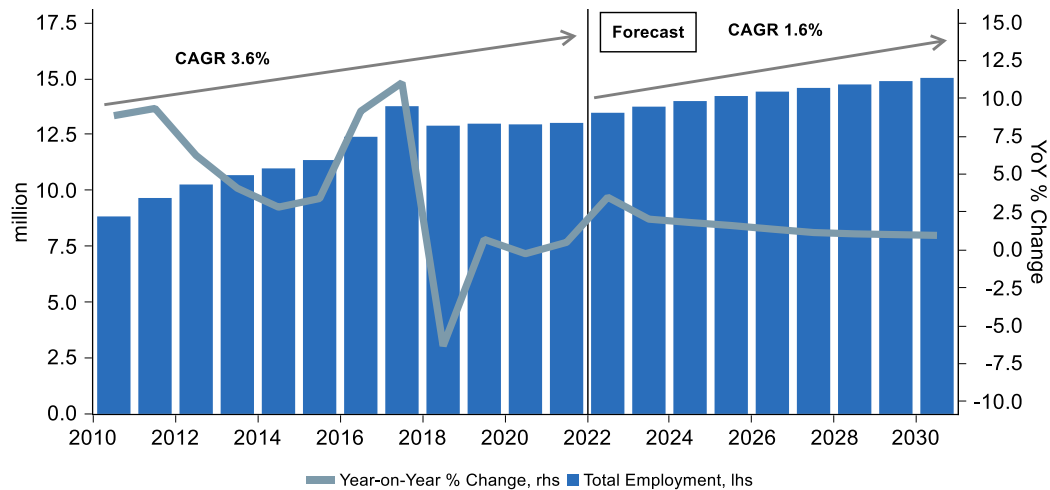
### Total Employment - KSA

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.

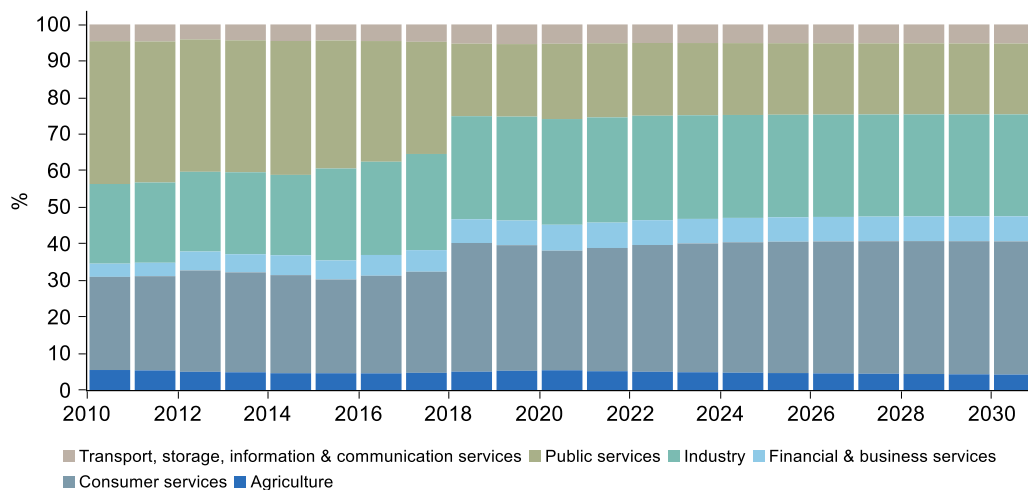


## KSA, Employment



## 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%.

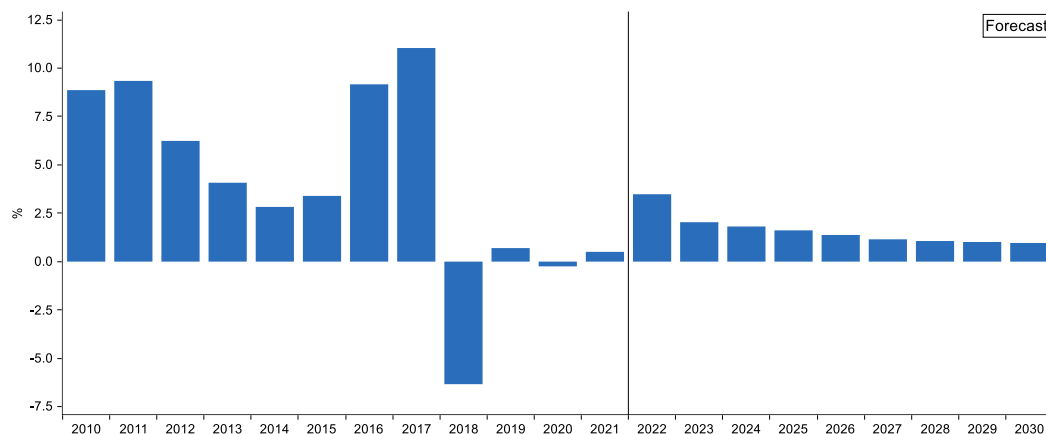
Looking forward, employment growth is expected to remain supported by the various initiatives aimed at boosting youth, women and Saudi nationals' participation in the workforce. In the short to medium term, this will be balanced by rising pressures on the expat labour market resulting from the impact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

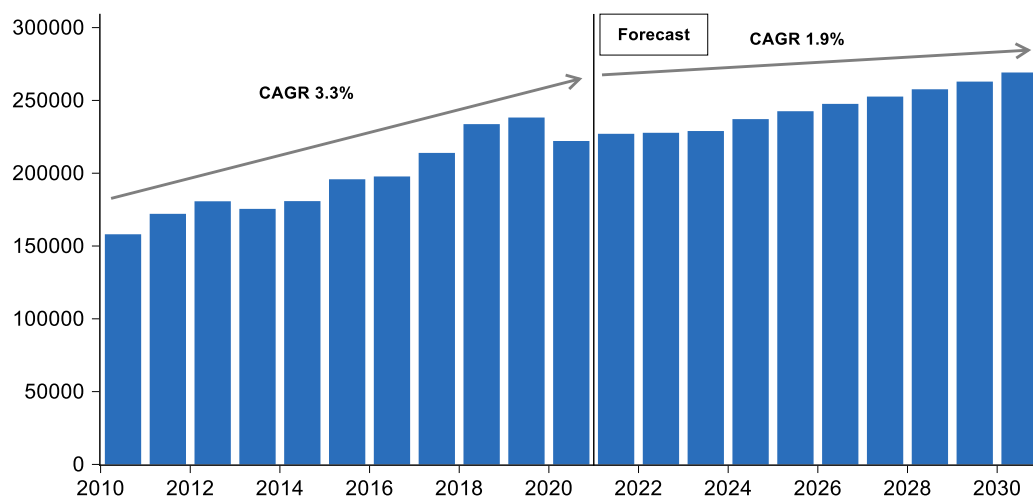
### KSA average household disposable Income in SAR

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)

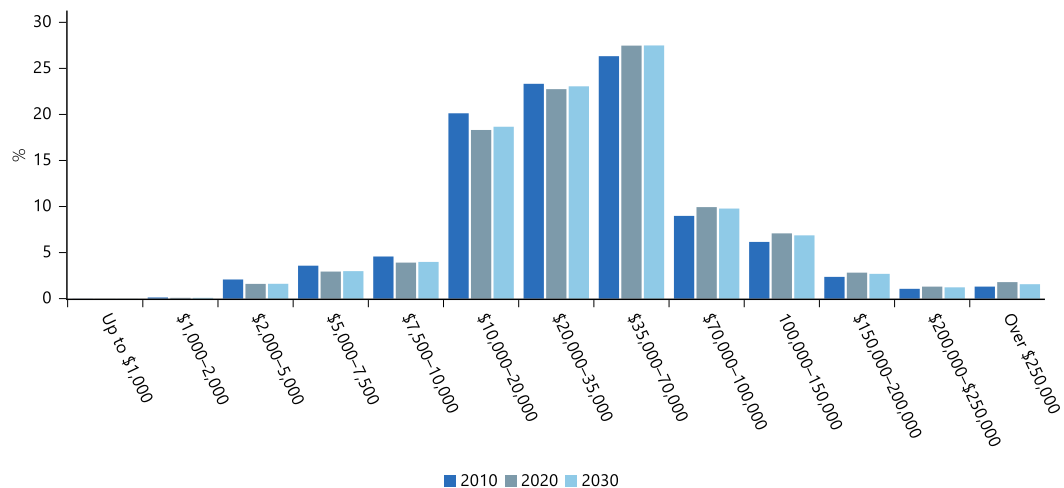
The number of households in Saudi Arabia currently (2021) stands at approximately 6.5 million and is expected to grow to 8 million by 2030.

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

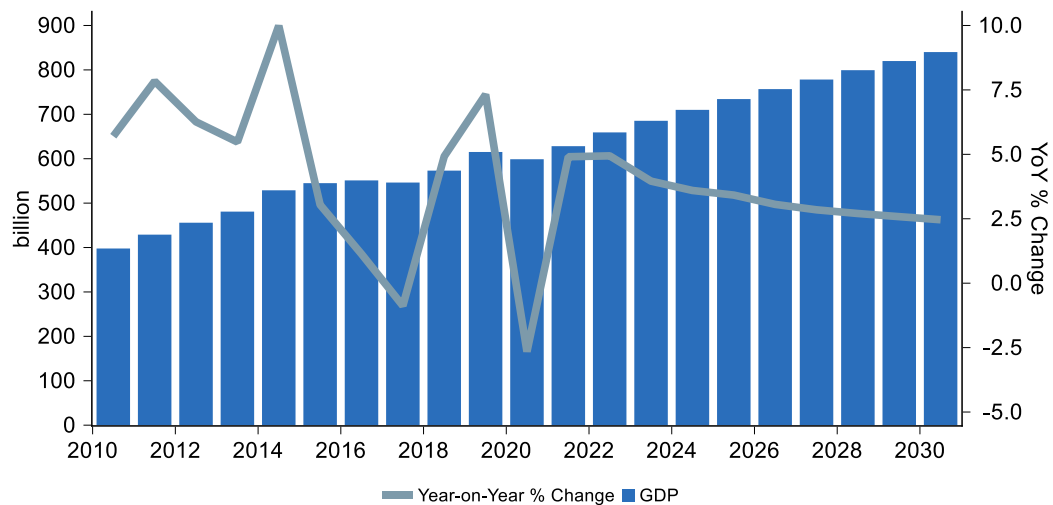
Riyadh's GDP came back to growth in 2021, after a year of contraction due to the pandemic. The Riyadh's real GDO grew by 4.9% year-on-year to 628 billion in 2021, up from 598 billion in 2020.

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

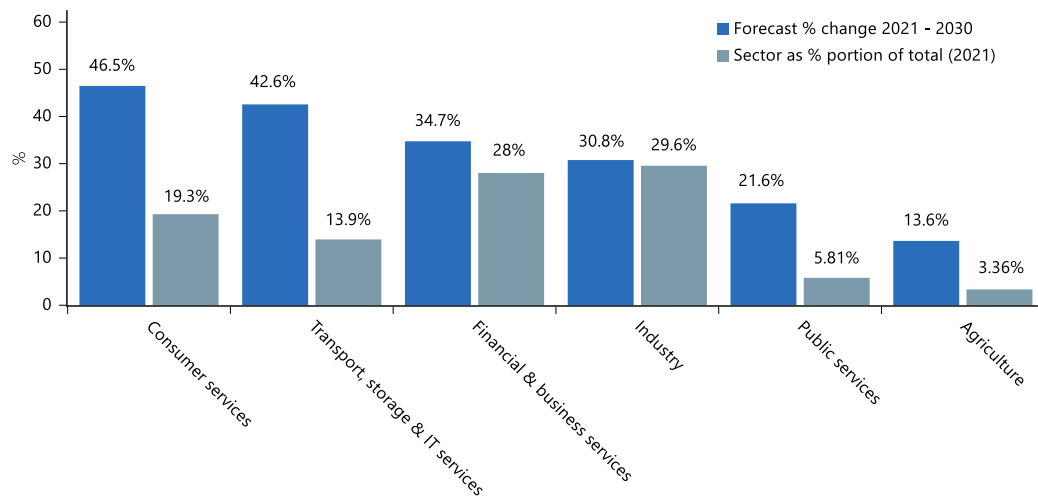
The breakdown of the gross value added (GVA) by sector for Riyadh highlights that from 2021 to 2030, all sectors are forecast to register growth.

The industrial sector is the largest contributor to Riyadh's GVA 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

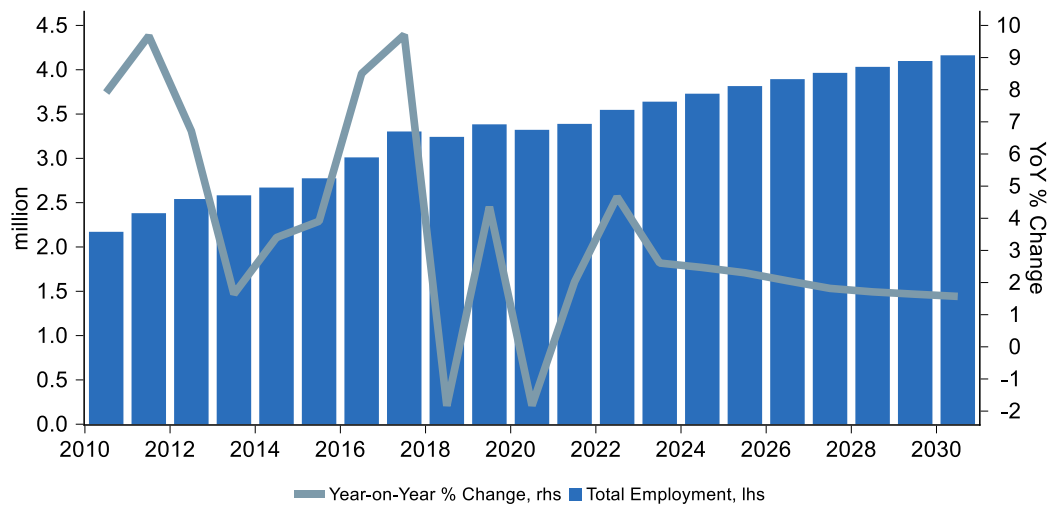
Riyadh's employed population stood at 3.38 million in 2021, representing c. 85% of the total employed population in Riyadh Province.

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.



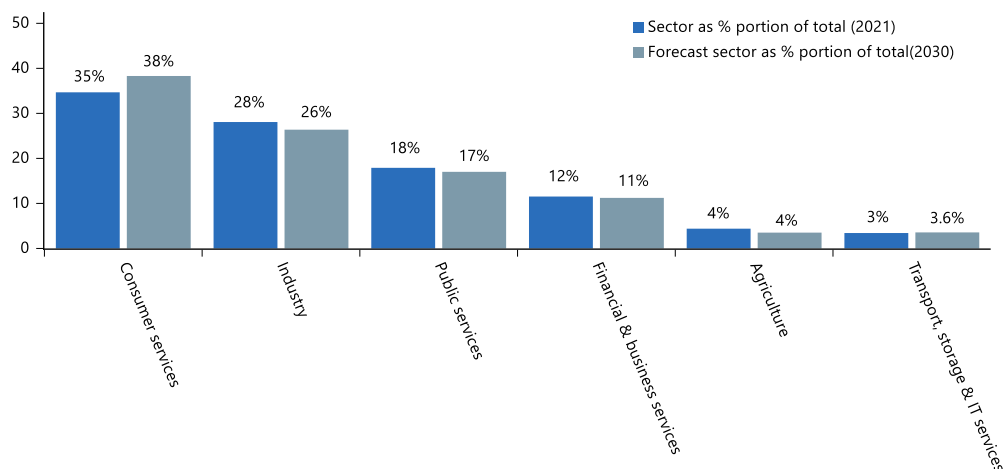


Source: Macrobond, Oxford Economics

### 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)

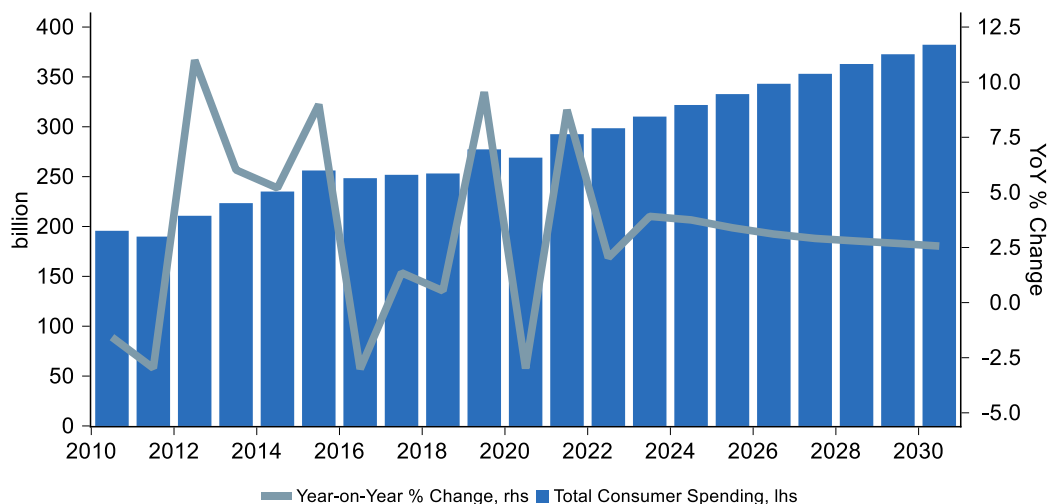
According to Oxford Economics, consumer spending in Riyadh increased by 8.7%, to around SAR 292 billion in 2021, compared to SAR 269 billion last year. The food & beverages sectors were the main drivers of this growth. More so, this relative outperformance is linked in part to the slight easing of lockdown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



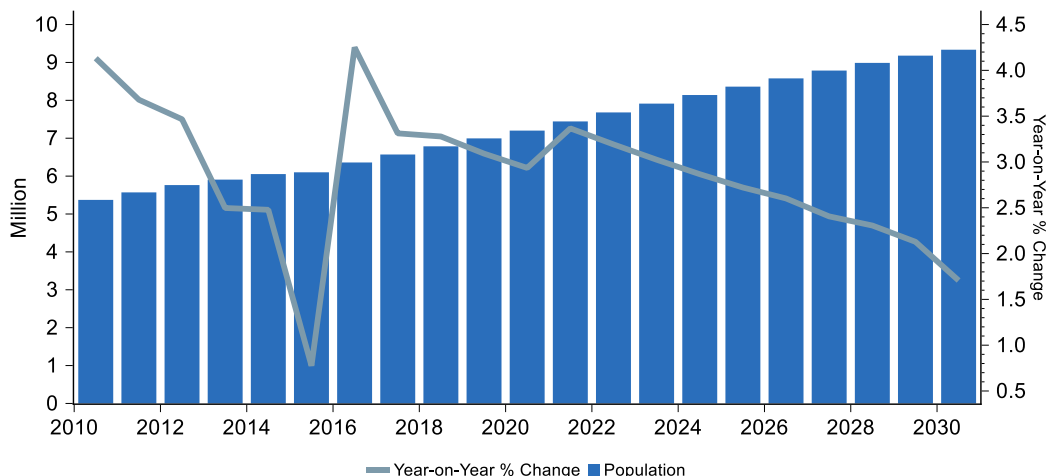
Source: Macrobond, Oxford Economics

### 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

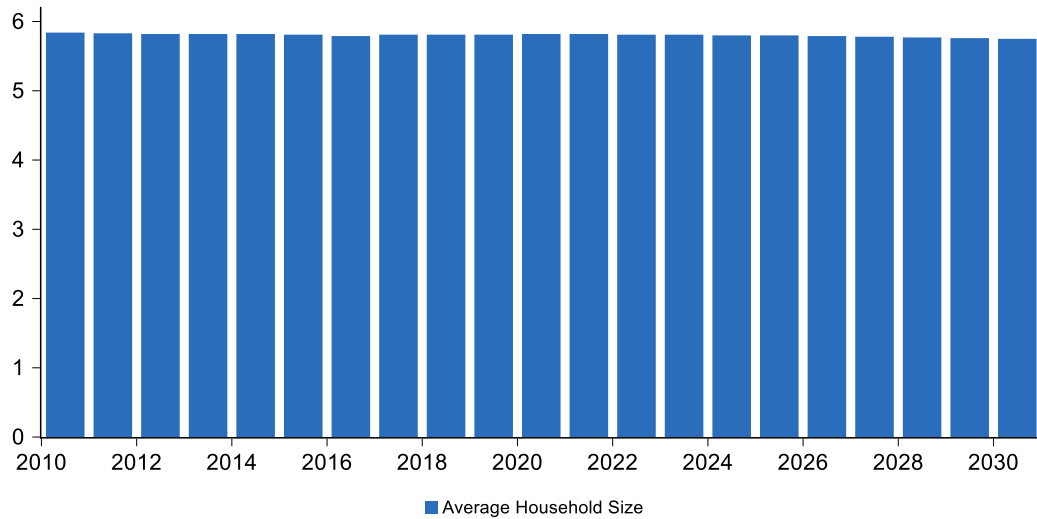
### Average household size – Riyadh

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.

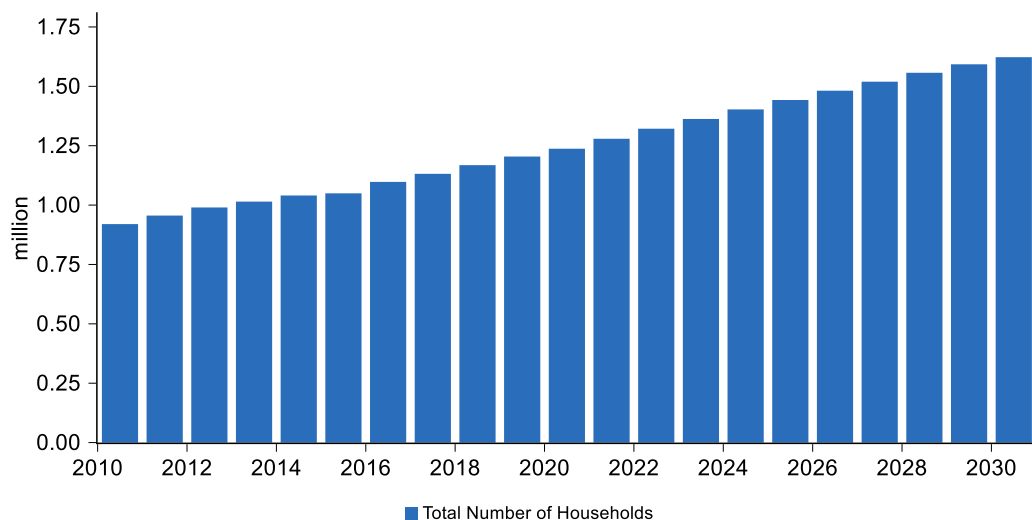




#### Total number of households - Riyadh

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.



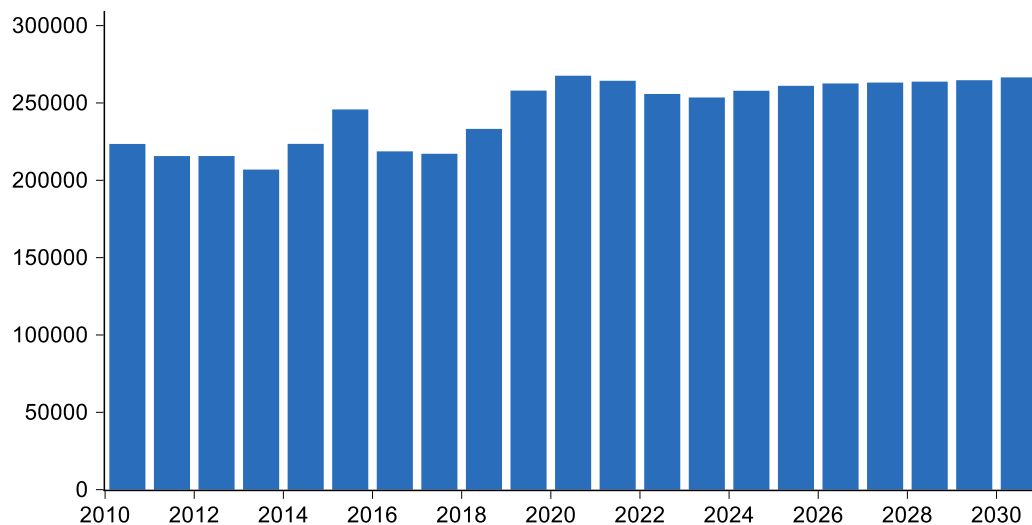
Source: Macrobond, Oxford Economics

#### 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)

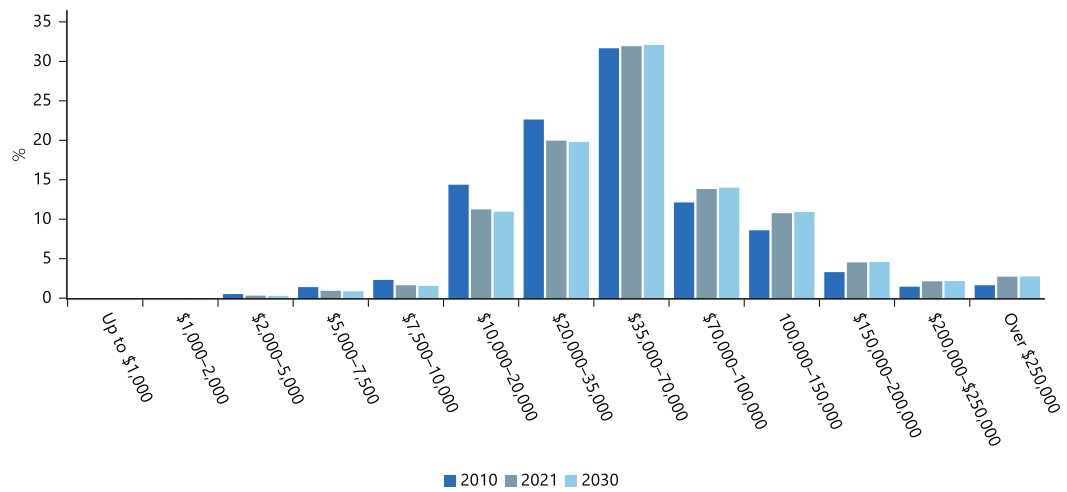
The number of households in Riyadh currently (2021) stands at approximately 1.28 million and is expected to grow to 1.62 million by 2030.

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