



Valuation Report Analysis
Al-Lulul'aa Warehouses Property
AL-Riyadh City - KSA - May 15, 2018

Prepared for
Al-Rajhi Capital



شركة أولات للتقييم العقاري
Olaat Valuation Company



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Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi Capital.

Al-Riyadh City

May 15, 2018

Done by OPM (Olaat Valuation Company)

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Kingdom of Saudi Arabia

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Property's Type	Industrial Building – warehouses	
Location	Al-Riyadh city – Al-Masani District- Al-Haer road	
Land Area	94,908.61 sq m	
Title deeds number	Based to deeds	
Title's date	Based to deeds	
Plots Number	Based to deeds	
Scheme Number	3085	
Land Topography	Flat	
Boarded streets & Neighbors	N	Based to deeds
	S	Based to deeds
	E	Based to deeds
	W	Based to deeds
Building Build- up area sq m	92,071.4 sq m plus Fence 386.56	
Building's Permit number	Based to Building Permit	
Building Permit's date	Based to Building Permit	
Fair Market value for Property L&B	189,849,257 (One hundred eighty-nine million, eight-hundred forty-nine thousand, two hundred fifty-seven- SR)	

DEED 5

DEED 6



Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital
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May 15, 2015

Property Address: Al-Lu'lu'a warehouses – Al-Riyadh city - Valuation Report analysis

Tenure: Commercial Freehold property

We are delighted to submit our Valuation report for – **Al-Lu'lu'a warehouses– Al-Riyadh city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** for Industrial logistic property is **189,849,257 S.R** has been assessed by **Residual value, and DRC method (Depreciation replacement cost), capitalization approach** considering the location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for Al-Lu'lu'ah Warehouses Property.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation, as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Offices and Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 6th of May 2018 by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr.Kinaa Abdullatef 0531019124 (on behalf of Landlord's)
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset 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.

4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for Industrial and commercial lands and buildings, In addition, we consulted many of real estate experts in **Al-Riyadh city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within Al-Masani district **close to Al-Haeer Road**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value Method, depreciated replacement cost (DCR) to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD.**

9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co**, and have been a presumption of validity.

10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **industrial warehouses property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

11-Foundation of evaluation report and Contents

Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, cap rate
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

Attachments

1. Google earth pictures of sample taken from region
 2. Evaluation Report
-

12-Property's Identification

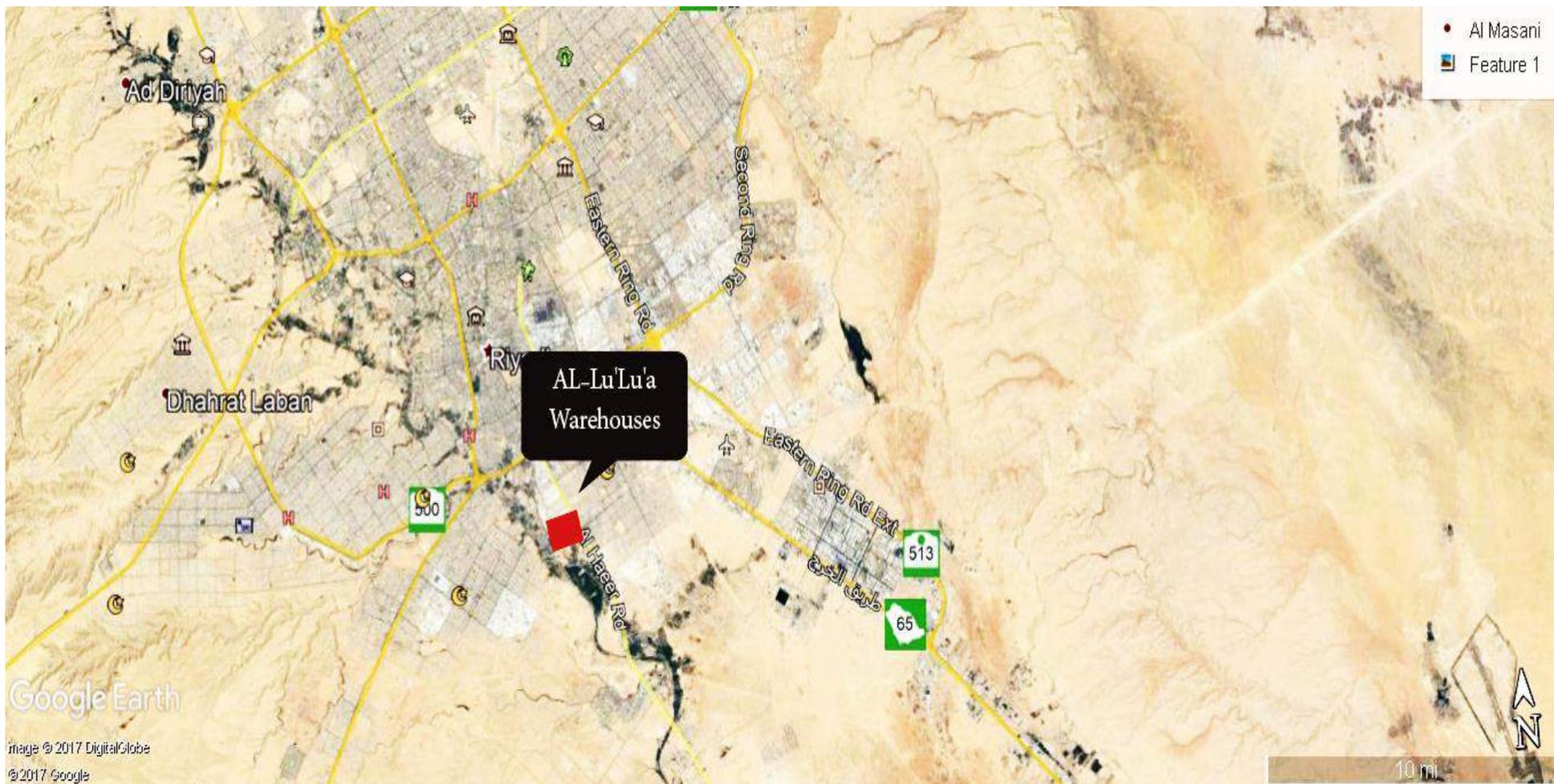
The subject property consists of commercial property (Land + building) located in **Al-Riyadh city** within Al-Masani district. Land area: **94,908.61 sq m** + Buildings GFA **92,071.4 sq m** plus Fence **386.56 sq m** based on official data has been received from **Al-Rajhi Capital Co.** **Geographic**

Coordinates: N: 24°33'43.45" - E: 46°45'07.72"



The Image below shows the Boundaries of the site:

Ariel View - Micro Situation





12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the buildings from 4 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (industrial and commercial)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to industrial and commercial environment (shops and Haraj) that would support the main function of the property and its proposed extension project.
- Offering for lands in site region offering for sale and the asking prices from 1,250-1,400 SAR / sq m
- Offering for new rival commercial projects in case of new supply from industrial warehouses

12.2- Main features of the project:

- Industrial warehouses Grade B
- Easy accessibility and prime visibility
- Matching with Civil Defense requirements
- Haraj located Nearby which added value to Property
- Surface Car Parking area, mosque

13-Land Valuation

13.1- Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation fair market value (FMV) - RV methodology definition:

The Land - Residual Approach is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs". Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet - Industrial Warehouses		
Cost Type - Dev Type	Con Year 1	Con Year 2
Development Work		
Land Area - developed / year - sqm	94,909	
Development Cost S.R / SQM	140	
Total Development Cost / Year	13,287,205	
Industrial warehouses Grade B		
Total BUA - sq m	90,163.2	
industrial Units BUA construction / Year	45,082	45,082
Industrial units Construction Cost S.R / sqm	650	700
Total Construction Cost / year	29,303,033	31,557,113
Total Construction Costs	29,303,033	31,557,113
Other Costs		
Professional Fees (Engineering Consultant) 2.5%	732,576	788,928
Statutory fees 2%	586,061	315,571
Marketing Fees (Media & Advertising) 1.5%	439,546	473,357
Contingency costs 10%	2,930,303	3,155,711
Overhead cost 2.5%	732,576	788,928
Total Dev - Cost - SR	34,724,095	37,079,608

Gross Income & Revenues Sheet - Free Future Cash Flow (FFCF)

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1- Industrial warehouses Rev							
Leasable area - sq m		90,163	90,163	90,163	90,163	90,163	90,163
Annual rental price - sq m		140	140	140	420	420	420
Occupancy Rate %		70%	80%	99%	99%	99%	99%
Revenues Cat 1		8,835,992	10,098,276	12,496,617	37,489,850	37,489,850	37,489,850
Category 2- Commercial shops (Bakala concept)							
Leasable area - sq m		2,500	2,500	2,500	2,500	2,500	2,500
Annual rental price - sq m		550	550	550	650	650	650
Occupancy Rate %		100%	100%	100%	100%	100%	100%
Revenues Cat 2		1,375,000	1,375,000	1,375,000	1,625,000	1,625,000	1,625,000
Gross Revenues		10,210,992	11,473,276	13,871,617	39,114,850	39,114,850	39,114,850

Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Revenues	10,210,992	11,473,276	13,871,617	39,114,850	39,114,850	39,114,850
General & Administrative Expenses (5%)	510,550	573,664	693,581	1,955,743	1,955,743	1,955,743
Gross Profit - EBITDA	9,700,442	10,899,612	13,178,036	37,159,108	37,159,108	37,159,108
Depreciation	(694,482)	(694,482)	(694,482)	(694,482)	(694,482)	(694,482)
Earnings after depreciation	9,005,960	10,205,130	12,483,554	36,464,626	36,464,626	36,464,626
Interest Expense	(597,993)	(597,993)	(597,993)	0	0	0
Earning after interest expense	8,407,967	9,607,138	11,885,561	36,464,626	36,464,626	36,464,626
Zakat and VAT 7.5%	(630,598)	(720,535)	(891,417)	(2,734,847)	(2,734,847)	(2,734,847)
Net Income	7,777,370	8,886,602	10,994,144	33,729,779	33,729,779	33,729,779
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	7,777,370	8,886,602	10,994,144	33,729,779	33,729,779	33,729,779
Cumulative Retained earnings	7,777,370	16,663,972	27,658,116	629,710,241	663,440,020	697,169,798

Cash Flow Statement

Cash flow Table	Construction Year 1	Construction Year 2	Operation Year 1	Operation Year 2	Operation Year 32	Operation Year 33
IN - Flow						
Capital Injection						
Net Revenues			7,777,370	8,886,602	33,729,779	33,729,779
Depreciation			694,482	694,482	694,482	694,482
Total Inflow			8,471,852	9,581,084	34,424,261	34,424,261
OUT Flow						
Total Construction Cost	34,724,095	37,079,608				
Professional Fees	732,576	788,928				
Statutory fees 2%	586,061	315,571				
Marketing Fees (Media & Advertising) 1.5%	439,546	473,357				
Contingency costs 10%	2,930,303	3,155,711				
Overhead cost 1%	732,576	788,928				
Total Outflow	(40,145,156)	(42,602,102)				
Net Cash Flow	(40,145,156)	(42,602,102)	8,471,852	9,581,084	34,424,261	34,424,261
Cumulative Net Income	(40,145,156)	(82,747,258)	(74,275,406)	(64,694,322)	602,916,182	637,340,443

Residual Value - RV (Investment method)

NPV - IRR	construction / Year 1	construction/ Year 2	Operation / Year 1	Operation / Year 2	Operation / Year 3	Operation / Year 32	Operation / Year 33	Total
IN - Flow	Period		1	2	3	32	33	
Revenues			7,777,370	8,886,602	10,994,144	33,729,779	33,729,779	
Total Inflow			8,471,852	9,581,084	11,688,626	34,424,261	34,424,261	651,239,180
Discount Rate:	7%		0.935	0.873	0.816	0.115	0.107	
Total Cash out								
Net Cash Flow (Before Discount Rate)	(71,803,702)		8,471,852	9,581,084	11,688,626	34,424,261	34,424,261	439,039,791
								Total Cash flow
Discounted Cash Flow DCF	(71,803,702)		7,917,618	8,368,490	9,541,401	3,949,878	3,691,475	147,724,911
								RV

DCF - RV before Deducting PM		147,724,911
Profit margin	20%	14,360,740

Fair Market Value - FMV		
	Land - FMV	133,364,170
	Land area - sq m	94,908.61
FMV - per sq m		1,405.19

Fair Market Value FMV	Land Area – sq m	Value / sq m. SAR	FMV SAR
Fair Market Value for land	94,908.61	1,405.19	133,364,170

13.2- Case 2-Depreciated Replacement cost method (DRC) for Building

Depreciated replacement cost (DRC) approach. The 'cost approach' and DRC are regarded as synonymous terms; both are in common use around the world to describe a method of valuation of all types of assets.

Also, the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

It is important to understand that the word depreciation is used in a different context for valuation than for financial reporting. In a DRC valuation, depreciation refers to the reduction, or writing down, of the cost of a modern equivalent asset to reflect the obsolescence and relative disabilities affecting the actual asset. In financial reporting, depreciation accounting refers to a charge made against an entity income to reflect the consumption of an asset over a particular accounting period. These are distinct usages of the word, and there is no direct correlation between the methods used to assess depreciation in each case.

Although the DRC method may be used for the valuation of different types of specialized asset, particular complications arise when applying the DRC method to specialized property.

Some buildings (or specialized plant and equipment assets) have a conventional basic design that is superficially similar to other buildings that are regularly bought and sold in the market, but on closer inspection have specialized features or extensive adaptations designed to meet the requirements of the actual occupier. Typical examples, which may be purpose built or adapted, include a residential complex, office, retail, medical, hotels, universities and or an *industrial buildings (labor camps) with structural alterations to accommodate a particular production process with enhanced security features such as thickened walls, toughened glazing, extra amenities and extra facilities areas.*

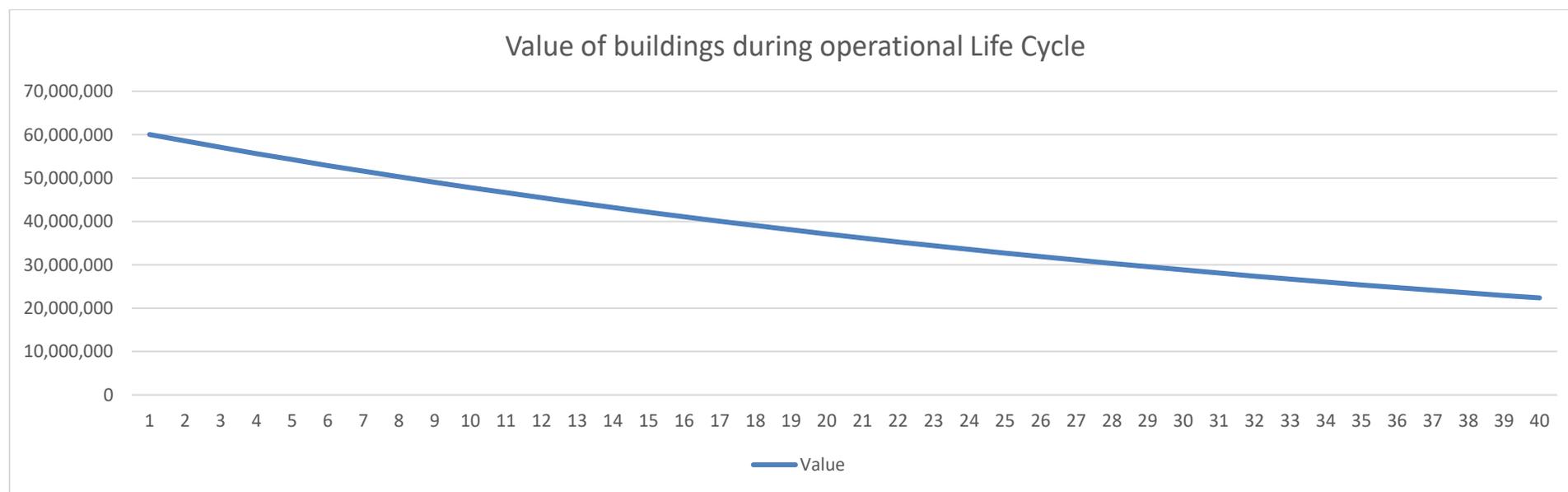
Replacement cost	BUA – built up area – sqm	Type of operation
BUA – Ground floor – Commercial shops	92,071.4	logistic warehouses
Fence	386.56	Services

Depreciated Replacement cost (DRC)

Standards: Average useful life for industrial Warehouses buildings in <u>Al-Riyadh</u> city after taken into consideration climate (dry)	N (number of years) =	40 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	10 years (starting Operation period @1428 Hijri)
Apportionment – Acc Depreciation	10*2%=	20 %

(Fixtures & equipment work) F&E for building – All MEP installed

Type of Construction	GFA / sq m	Replacement cost / SAR – sq m Q1-2018	Completion %	Fair Market value/ SR
BUA – Ground floor – Commercial shops	92,071.4	650	100%	59,846,410
Fence	386.56	500	100%	193,280
Replacement cost - SAR				60,039,690
- Apportionment Acc Deprecation		60,039,690 *20 %		(12,077,938)
Depreciated Replacement cost DRC				48,031,752



Fair market value (property) Land + Building In the case of finishing up to date from fixtures & equipment work-Currency SAR

Fair Market Value (Land)	133,364,170 SAR
Plus	
Building Replacement cost	48,031,752 SAR
Profit margin (20%)	12,007,938 SAR
Fair market value - Property	193,403,860 S.R (Two hundred eight million, three hundred sixty-four thousand, one hundred and fifty-five Saudi riyal

(Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
183,000,000 S.R	193,403,860	203,000,000 S.R

14- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ **7.5% Average market Yield- Al-Riyadh city for Industrial warehouses Q1-2018**

Net Operating income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Rawaj) for 5 obligatory year contractually period starting from the date of launching Al-Rajhi REIT Fund- SR			13,616,639
– Vacancy and rent collection loss			0
Additional income			0
Effective gross income			13,616,639
Operating Expenses			
Fixed	0		
Variable	0		
Reserves	0		
– Total Operating expenses			0
Net operating income NOI			13,616,369
Fair Market Value @ 7.5% Capitalization rate - SAR			181,555,186

15-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	193,403,860	
Capitalization rate - FMV	181,555,186	
Weighted Average - Percentage	DRC	135,382,702
	70%	
	Cap rate	54,466,555
30%		
Fair market value FMV	189,849,257 (One hundred eighty-nine million, eight-hundred forty-nine thousand, two hundred fifty-seven- SR)	

(Sensitivity Analysis) (Risk matrix) for Weighted average - FMV

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
180,000,000 S.R	189,849,257	199,000,000 S.R

16- Real Estate Market Summary- Al-Riyadh Q1-2018

Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. 11 new brands hotels are expected to enter the market over the next two years with totally 3900 hotels room.

17.1-Offices market: Offices vacancies Decreased over the quarter due to new Demands from companies after public and private sectors start looking for new location; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents. Market also contributed to the decrease in vacancies in remaining of 2018

17.2-Residential market: Also, performance declined in residential sector. Villas selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices still stable in waiting for departure of large number of expatriates.

17.3-Hospitality market: Average daily rates falling 14%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017-Q1 2018.

17.4-Retail market: While occupancies decreased marginally in the retail sector over 2017, they are expected to soften of the rest of year of 2018 as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales. And Cinema presence will help Retail sector in increasing Occupancies.

17.5- Industrial warehouses: While occupancies increased marginally in the industrial warehouses sector over 2017, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

17-External and internal Pictures

External view



External view



Internal view



Internal view



18- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
Fadi Naeem	Site visit, inspection Catchment area	1220000119	1440/04/2	Real estate
Ashraf Al-Shaeer	Final Revision – Release	1220000021	1440/04/2	Real estate

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Valuation Report Analysis
Al-Fares International school Property
AL-Riyadh City - KSA - May 15, 2018

Prepared for
Al-Rajhi Capital



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Olaat Valuation Company



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Prepared for:
Al-Rajhi Capital.

Riyadh City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

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C.R:1010462536

Valuation License: 1210000397

Property's Type	Educational Property –International school
Location	Riyadh city – Al-Tawwon District- closed to Imam Saud Rd
Land Area	16,500 sq m
Title deed number	510124024851
Title's date	09/01/1436 H
Plots Number	18- Educational facility
Scheme Number	1822/س
Land Topography	Flat
Boarded streets & Neighbors	N: Street Width 20 m length 150 m
	S Street width 20 m Length 150 m
	E: Street width 20 m Length 110 m
	W: Street width 20 m Length 110 m
Building (Gross floor area) based to Permit	36,885 sq m plus Fence 508 m2
Building's Permit number	10552/1427
Building Permit's date	06/02/1428
Fair Market value SAR	134,444,317 (One hundred thirty-four million, four hundred forty-four thousand, three hundred seventeen SR)

Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital
For the attention of:
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May 15, 2018

Property Address: Al-Fares International School (FIS) - Riyadh city - Valuation Report analysis

Tenure: Educational Freehold property

We are Pleased to submit our Valuation report for – **Al-Fares International School (FIS) - Riyadh city- for REITs Purposes (Real estate Investment Trust)** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, Income cap rate – Net income based to rental market value for **Educational facility** based to market and due to properties & facilities management works PM&FM beside periodically maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the **Educational property** is **134,444,317** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for Al-Fares International School Property.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation, as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for Educational property – (International school)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 6th of May 2018 by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr. Usama Bukhari (CEO) 0549994448
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any comparable lands offering either for sale or rent due to scarcity of educational lands.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset 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.

4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Values memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands, In addition, we consulted many of real estate experts in **Riyadh city** to reach the actual transaction of some land prices and for the building replacement cost, and income so we depend on Saudi construction cost in time of valuation and cap rate of market.

7- Purpose for preparation valuation and Content text

OPM was appointed **Al-Rajhi Capital** to evaluate fair market value for an Educational property due to Fair market value located within Al-Tawwon district close to Imam Saud Rd based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value Method, depreciated replacement cost (DCR) and Capitalization rate method to get the more realistic value of the Asset (property) based to (Capital Market Authority) CMA in Saudi Arabia requirements, this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD.**

9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital** and have been a presumption of validity.

10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Educational property**, with checking and preview the real instruments if it's legal and owned by the landlord (Rajhi REIT Fund).

11-Foundation of evaluation report and Contents

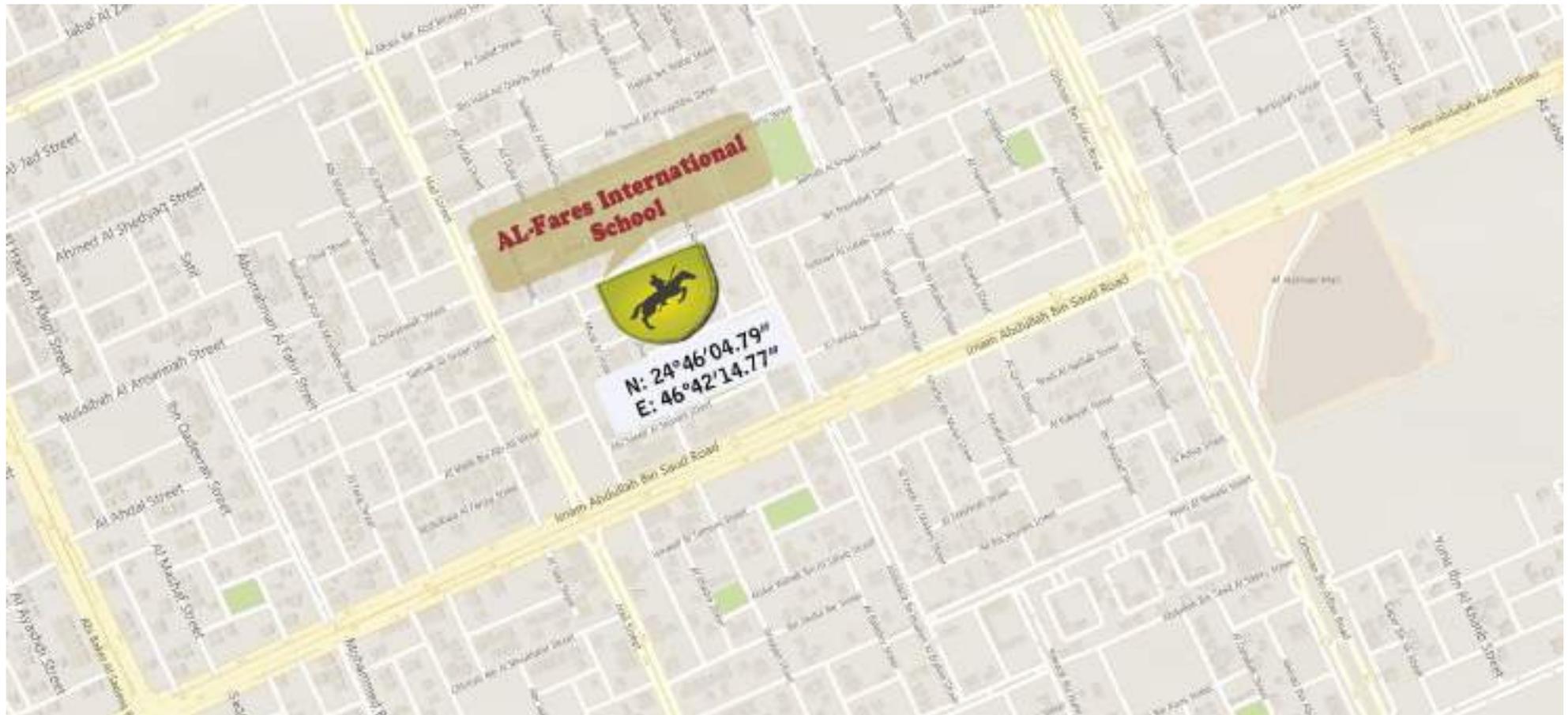
Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

12-Property's Identification

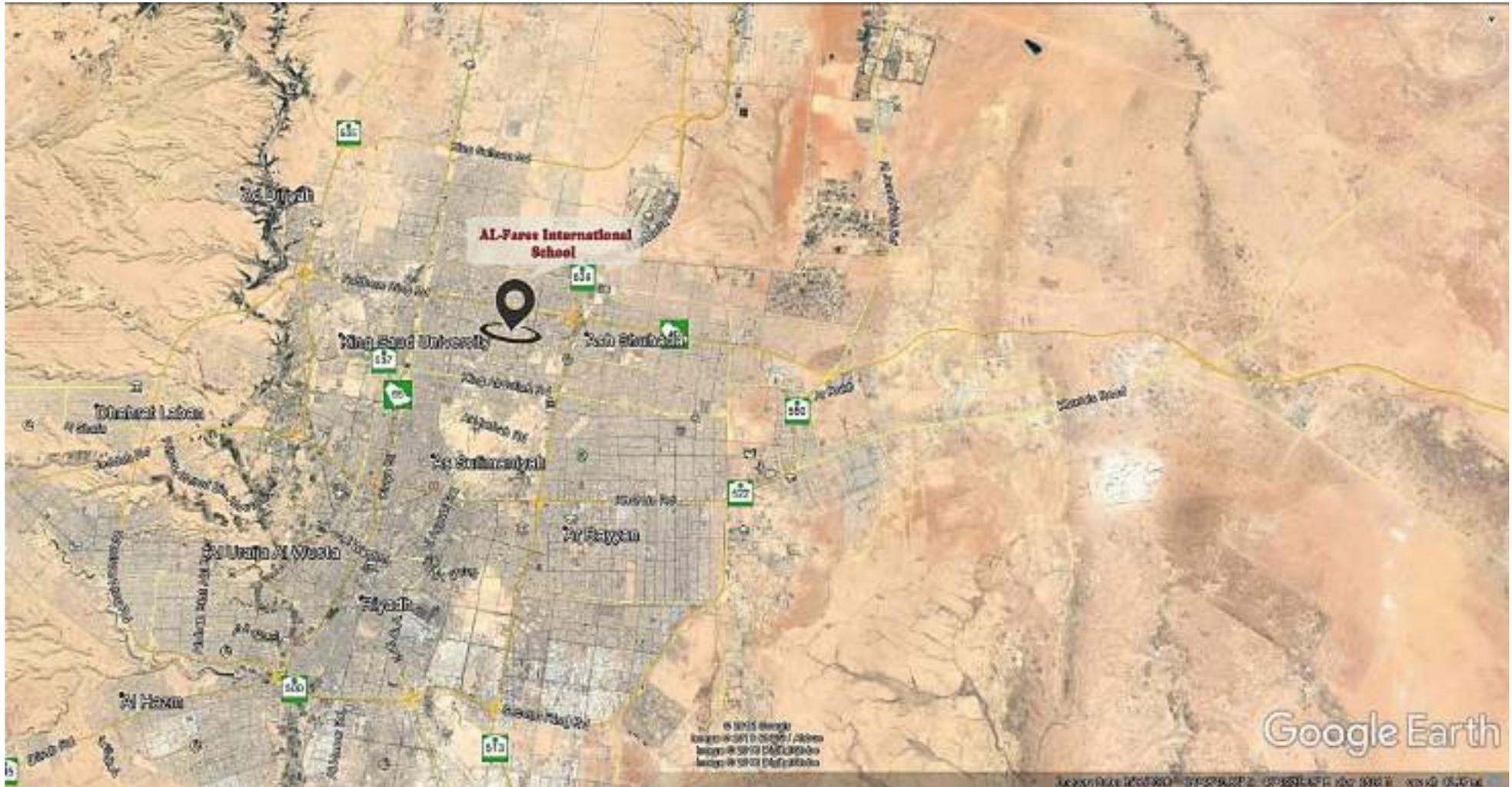
The subject property consists of Educational property Asset (Land + building) located in **Riyadh city** within Al-Tawwon district. Land area: **16,500 sq m** + **Building GFA 36,885 sq m plus Fence 508 m2 based** on data has been received from **Al-Rajhi Capital Geographic Coordinates:** **N:**

24°46'04.79" - E: 46°42'14.77"



The Image below shows the Boundaries of the site:

Aerial View



12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the asset from 4 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to business environment that would support the main function of the property and its proposed extension project.
- No Any educational lands in site region offering either for rent or sale
- Lacking for any new rival Educational projects in case of new supply from schools

Main features of the project (Advantages):

- Educational school (international)
- One underground floor - Basement: using for laboratories and classes
- HVAC system (Central system) more than 120 unit, its 7 Ton – (York Manufacturing)
- All building full covered with CCTV with more than 70 surveillance unit
- Automatic Fire system covering only a Basement floor and Theater, and the Ground, First and second floors (manual extinguisher fire – Hose fire) plus smoking detectors.
- Efficient mechanical design installed
- Technical room, electrical room

- Electrical design connecting to Sceco Room
- All MEP equipment installed
- 6 Elevators (Kone Manufacturing), Water Pump Room
- All maintenance (weekly, monthly and quarterly reporting)
- 4 mini Football, Basketball playgrounds
- Public bathrooms and service room in every floor
- Mosque
- Library, Laboratory
- All Grounds flooring fine Porcelain, Management section grounds parquet flooring
- Theatre full capacity 450 person

13-Land Valuation

13.1- Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation fair market value (FMV)

RV methodology definition:

The Land - Residual Approach is the sum of remaining from the value of the completed (depreciated) property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet - National School - Educational project			
Cost Type- Dev Type	Con Year 1	Con Year 2	Con Year 3
Development Work			
Land Area - developed / year - sqm	16,500		
Development Cost S.R / sq m	80		
Total Development Cost / Year	1,320,000		
National School Grade B+			
Total BUA - sq m	38,775.0		
Units BUA construction / Year	12,925	12,925	12,925
Units Construction F&E Cost S.R / sqm	2,800	2,800	2,800
Total Construction Cost / year	36,190,000	36,190,000	36,190,000
Total Construction Costs	36,190,000	36,190,000	36,190,000
Other Costs			
Professional Fees (Engineering Consultant) 2.5%	904,750	904,750	904,750
Statutory fees 2%	723,800	723,800	723,800
Marketing Fees (Media & Advertising) 1.5%	542,850	542,850	542,850
Contingency costs 10%	3,619,000	3,619,000	3,619,000
Overhead cost 2.5%	904,750	904,750	904,750
Total Dev - Cost - SR	42,885,150	42,885,150	42,885,150

Gross Income & Revenues Sheet - Free Future Cash Flow (FFCF)							
	Dev- period 3 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1- National school - Rev- Leasing to Operator							
Leasable area - sq m		38,775	38,775	38,775	38,775	38,775	38,775
Annual rental price - sq m		300	300	300	800	800	800
Occupancy Rate %		100%	100%	100%	100%	100%	100%
Revenues Cat 1		11,632,500	11,632,500	11,632,500	31,020,000	31,020,000	31,020,000
Gross Revenues		11,632,500	11,632,500	11,632,500	31,020,000	31,020,000	31,020,000

Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Revenues	11,632,500	11,632,500	11,632,500	31,020,000	31,020,000	31,020,000
General & Administrative Expenses (0%) all on Lessee Responsibility	0	0	0	0	0	0
Gross Profit - EBITDA	11,632,500	11,632,500	11,632,500	31,020,000	31,020,000	31,020,000
Depreciation	(857,703)	(857,703)	(857,703)	(857,703)	(857,703)	(857,703)
Earnings after depreciation	10,774,797	10,774,797	10,774,797	30,162,297	30,162,297	30,162,297
Interest Expense	(3,086,400)	(3,086,400)	(3,086,400)	0	0	0
Earning after interest expense	7,688,397	7,688,397	7,688,397	30,162,297	30,162,297	30,162,297
Zakat and VAT 7.5%	(576,630)	(576,630)	(576,630)	(2,262,172)	(2,262,172)	(2,262,172)
Net Income	7,111,767	7,111,767	7,111,767	27,900,125	27,900,125	27,900,125
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	7,111,767	7,111,767	7,111,767	27,900,125	27,900,125	27,900,125
Cumulative Retained earnings	7,111,767	14,223,534	21,335,302	603,219,979	631,120,104	659,020,228

	Loan - Principle 40% - TDC	
PMT - IPMT	69,890,478	
	18,450,478	Interest exp
	88,340,955	Total amount Paid - loan + r

Cash Flow Statement

Cash flow Table	Construction Year 1	Construction Year 2	Construction Year 3	Operation Year 1	Operation Year 2	Operation Year 32	Operation Year 33
IN - Flow							
Capital Injection							
Net Revenues				7,111,767	7,111,767	27,900,125	27,900,125
Depreciation				857,703	857,703	857,703	857,703
Total Inflow				7,969,470	7,969,470	28,757,828	28,757,828
OUT Flow							
Total Construction Cost	42,885,150	42,885,150	42,885,150				
Professional Fees	904,750	904,750	904,750				
Statutory fees 2%	723,800	723,800	723,800				
Marketing Fees (Media & Advertising) 1.5%	542,850	542,850	542,850				
Contingency costs 10%	3,619,000	3,619,000	3,619,000				
Overhead cost 1%	904,750	904,750	904,750				
Total Outflow	(49,580,300)	(49,580,300)	(49,580,300)				
Net Cash Flow	(49,580,300)	(49,580,300)	(49,580,300)	7,969,470	7,969,470	28,757,828	28,757,828
Cumulative Net Income	(49,580,300)	(99,160,600)	(148,740,900)	(140,771,430)	(132,801,960)	509,825,700	538,583,527

Residual Value - RV

RV	Construction / Year 1	Construction/ Year 2	Construction / Year 3	Operation / Year 1	Operation / Year 2	Operation / Year 32	Operation / Year 33	Total
IN - Flow	Period	0	0	1	2	32	33	
Revenues		0	0	7,111,767	7,111,767	27,900,125	27,900,125	
Total Inflow		0	0	7,969,470	7,969,470	28,757,828	28,757,828	629,808,772
Discount Rate:	9%	0.000	0.000	0.918	0.843	0.065	0.060	
OUT Flow								
Total Outflow		0	0	0	0	0	0	
Total Cash out								
Net Cash Flow (Before Discount Rate)	(128,655,450)	0	0	7,969,470	7,969,470	28,757,828	28,757,828	229,526,652
								Total Cash flow
Discounted Cash Flow DCF	(128,655,450)	0	0	7,318,154	6,720,068	1,878,728	1,725,186	34,471,557
								Residual value

	Land - FMV	34,471,557
	Land area - sq m	16,500.00
FMV - per sq m - Residual value		2,089.19

Fair Market Value FMV	Land Area – sq m	Value / sq m. SAR	FMV SAR
Fair Market Value for land	16,500	2,089.19	34,471,557

13.2- Case 2- Cost Approach Depreciated Replacement cost method (DRC) for Building

Depreciated replacement cost (DRC) approach. The 'cost approach' and DRC are regarded as synonymous terms; both are in common use around the world to describe a method of valuation of all types of assets.

Also, the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

It is important to understand that the word depreciation is used in a different context for valuation than for financial reporting. In a DRC valuation, depreciation refers to the reduction, or writing down, of the cost of a modern equivalent asset to reflect the obsolescence and relative disabilities affecting the actual asset. In financial reporting, depreciation accounting refers to a charge made against an entity income to reflect the consumption of an asset over a particular accounting period. These are distinct usages of the word, and there is no direct correlation between the methods used to assess depreciation in each case.

Although the DRC method may be used for the valuation of different types of specialized asset, particular complications arise when applying the DRC method to specialized property.

Some buildings (or specialized plant and equipment assets) have a conventional basic design that is superficially similar to other buildings that are regularly bought and sold in the market, but on closer inspection have specialized features or extensive adaptations designed to meet the requirements of the actual occupier. Typical examples, which may be purpose built or adapted, include a residential complex, office, retail, medical, hotels, universities and or an industrial buildings (labor camps) with structural alterations to accommodate a particular production process with enhanced security features such as thickened walls, toughened glazing, extra amenities and extra facilities areas.

Components	Gross Floor Area GFA – sq m	Type of operation
Basement floor	10,330	Facilities and Classes
Ground floor	8,731	Lobby, laboratories, Classes, management
First floor	8,887	Classes and laboratories
Second floor	8,887	Classes and laboratories
Electricity room	50	
Fence	508	Services
Total GFA – sq m	36,885 sq m plus Fence 508 sq m	
External Area – sq m	7,769 sq m	Car Parks, Playgrounds

Depreciated Replacement cost (DRC)

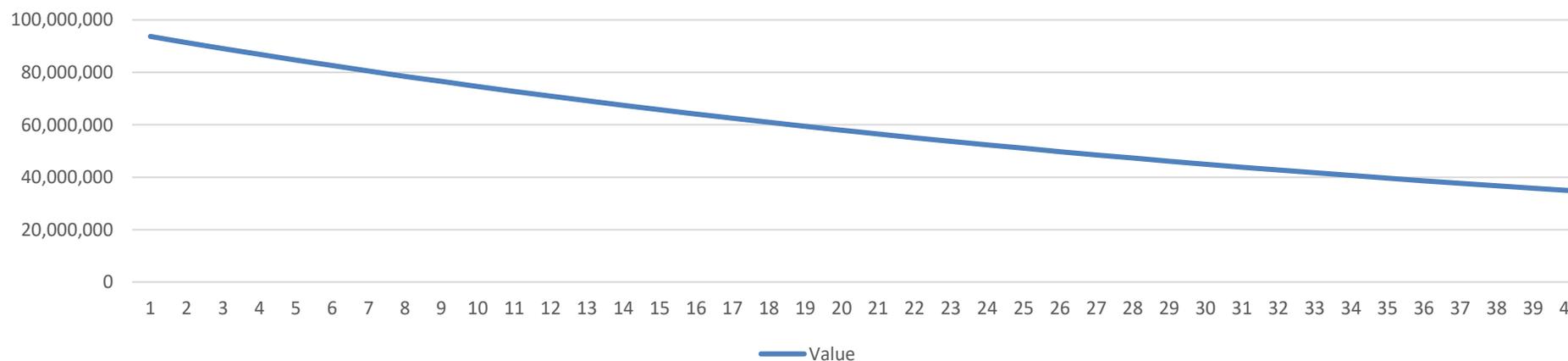
Standard: Average useful life for Schools building in Al-Riyadh city after taken into consideration climate (Dry)	N (number of years) =	40 years
Deprecation ratio Per annum 2.5%	Appreciation (Maintenance, renovation) ratio Per annum based to schedule of maintenance work 0.5 % per annum	Apportionment after Calculating Depreciation and Appreciation 2%
Building (equipment) useful life	N (number of years) =	7 years
Apportionment – Acc Depreciation	2%*7 Years	14%

(Construction, Fixtures & all MEP equipment) F&E for building Excluding all furniture's and educational tools)

– All MEP installed

Type of Construction	GFA / sq m	Replacement cost / SAR – sq m Q1-2018	Completion %	Fair Market value/ SR
Basement floor	10,330	2,800	100%	28,924,000
Ground floor	8,731	2,400	100%	20,954,400
First floor	8,887	2,400	100%	21,328,800
Second floor	8,887	2,400	100%	21,328,800
Electricity room	50	2,400	100%	120,000
Fence	508	500	100%	254,000
External Area – sq m	7,769 sq m	150	100%	776,900
Replacement cost - SR				93,686,900
- Apportionment Acc Depreciation		93,686,900 *14 %		(13,116,166)
Depreciated Replacement cost DRC				80,570,734

Value of building during operational Life Cycle



**14-Fair market value (property) Land + Building In the case of finishing up to date from Finishing, fixtures & equipment work-
Currency SR**

Fair Market Value (Land)	34,471,557 SAR
Plus	
Building Value before adding Profit Margin - SAR	80,570,734 SAR
+ Developer Profit Margin (25%) – only for Building Value - SAR	20,142,683 SAR
Building Value - SAR	100,713,471 SAR
Fair market value - Property	135,184,974 S.R (One hundred thirty-five million, one hundred eighty-four thousand, nine hundred seventy four Saudi riyal)

(Sensitivity Analysis) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
128,000,000 SR	135,184,974 SR	142,000,000 SR

15-Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value **@ 7.5% Average market Yield for International Educational Properties) - Riyadh city Q1-2018- FFO (Funds from Operations)** to define the cash flow from their operations.

Net Operating Income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Fowzan for construction and real estate For Real estate) for 10 obligatory year contractually period (Net Rent / annum 10,000,000 SAR during 15 years Contract’s period) – SR starting from 1 July 2011 till 1 July 2026 (Remaining 8.2 Years)	10,000,000	
– Vacancy and collection loss	0	
Additional income		
Effective gross income	10,000,000	
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses	0	
Net operating income NOI	10,000,000	
Fair Market Value @ 7.5% Capitalization rate	133,333,333	

16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	135,184,974	
Capitalization rate - FMV	133,333,333	
Weighted Average - Percentage	DRC	81,110,984
	60%	
	Cap rate	53,333,333
40%		
Fair market value FMV	134,444,317 (One hundred thirty-four million, four hundred forty-four thousand, three hundred seventeen SR)	

(Sensitivity Analysis) for Asset Property FMV

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
127,700,000 SR	134,444,317	141,000,000 SR

17- Real Estate Market Summary- Al-Riyadh Q1-2018

Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. 11 new brands hotels are expected to enter the market over the next two years with totally 3900 hotels room.

17.1-Offices market: Offices vacancies Decreased over the quarter due to new Demands from companies after public and private sectors start looking for new location; offices rents have softened and are likely to stay stable and constant. Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents. Market also contributed to the decrease in vacancies in remaining of 2018

17.2-Residential market: Also, performance declined in residential sector. Villas selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices still stable in waiting for departure of large number of expatriates.

17.3-Hospitality market: Average daily rates falling 14%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017-Q1 2018.

17.4-Retail market: While occupancies decreased marginally in the retail sector over 2017, they are expected to soften of the rest of year of 2018 as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales. And Cinema presence will help Retail sector in increasing Occupancies.

17.5- Industrial warehouses: While occupancies increased marginally in the industrial warehouses sector over 2017, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

18-External and internal Pictures

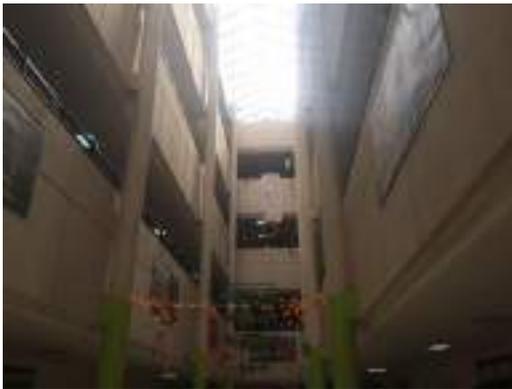
External view



Internal view



Internal view



Internal view



Internal view



Internal view



Internal view



19- Olaat valuation Company's team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
Fadi Naeem	Site visit, inspection Catchment area	1220000119	1440/04/2	Real estate
Ashraf Al-Shaeer	Final Revision – Release	1220000021	1440/04/2	Real estate

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Valuation Report Analysis
Anwar Plaza Property
AL-Riyadh City - KSA - May 15, 2018

Prepared for
Al-Rajhi Capital



شركة أولات للتقييم العقاري
Olaat Valuation Company



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Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi Capital.

Riyadh City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

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Valuation License: 1210000397

Property's Type	Commercial Center – Commercial shops
Location	Riyadh city – Al-Rawda District- Intersection point btw Khuris road & Khalid Ibn AlWaleed St
Land Area	9,981.76 sq m
Title deed number	710115041822
Title's date	06/09/1436 H
Plots Number	408
Scheme Number	391
Land Topography	Flat
Boarded streets & Neighbors	N: Street width 15 m length 100.41 m
	S: Street width 20 m length 100.41 m
	E: Street width 40 m length 99.6 m
	W: Neighbor length 99.6 m
Building Build- up area (Gross floor area) GFA	4,518 sq m plus 294.42 Fence
Building's Permit number	1430/9220
Building Permit's date	30/06/1430 H
Fair Market value for Property SAR	63,467,909 (Sixty-three million, four hundred sixty-seven thousand, nine hundred nine SR)

Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital
For the attention of:
Mr: **Abdul-Aziz Al-Sabt**
T: +966 (11) 211 9417
alsabtaa@alrajhi-capital.com
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2015

Property Address: AL-Anwar Commercial center- Riyadh city - Valuation Report analysis

Tenure: Commercial Freehold property

We are delighted to submit our Valuation report for – **Al-Anwar Commercial Center - Riyadh city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for shops units based to market and based to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **63,467,909 S.R** has been assessed by **Residual value, and DRC method (Depreciation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for Anwar Plaza Property.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation, as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 6th of May 2018 by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr.Mohammad Bakri 056 220 8888 (on behalf of Al-Fowzan)
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset 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.

4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Riyadh city** to reach the actual transaction of some land prices and for building we used replacement cost value we depend on Saudi construction cost in time of valuation.

7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within Al-Rawda district **close to Khuris road intersection point with Khalid Ibn Al-Waleed Street**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018, AD.**

9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

11-Foundation of evaluation report and Contents

Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

Attachments

1. Google earth pictures of sample taken from region
 2. Evaluation Report
-

12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Riyadh city** within Al-Rawda district **close to Khuris road intersection** point with **Khalid Ibn Al-Waleed Street**. Land area: **9,981.76 sq m + Building GFA 4,518 sq m plus 294.42 Fence** based on data has been received from **Al-Rajhi Capital Co. Geographic Coordinates: N: 24°43'55.18" - E: 46°47'04.48"**



The Image below shows the Boundaries of the site:

Micro Situation



12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the buildings from 2 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential East of Riyadh)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- No any land in site region offering either for rent or sale
- Lacking of any commercial projects in case of new supply from offices and shops.

Main features of the project:

- Commercial Center located beside Al-Riyadh mall and labor office.
- Outdoor parking: 80 car park unit
- Panda Supermarket plus 18 showrooms with valuable tenant mix – Occupied 99%



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation fair market value (FMV)

RV methodology definition:

The Land - Residual Approach is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet

Cost Type - Dev Type	Year 1-2	
Development Work		
Land Area - developed / year - sqm	9,982	
Development Cost S.R / SQM	120	
Total Development Cost / Year	1,197,811	
Commercial Offices & Shops		
Sharing of land allocated for building	5,989	
1- Building (Offices & Shops)		
1 basement floor - Gross area - sqm	2,500	
GF-FF- Roof F	14,973	
Replacement cost - sq m		
1 basement floors - Gross area - sqm	2,500	
GF-FF- Roof F	1,900	
	Built-Up area (GFA) sqm	Con cost - S. R /sqm
1 basement floors - Gross area - sqm	2,500	2,500
GF-FF- Roof F	14,973	1,800
Construction Cost - S.R for part 1	33,200,752	
2- Landscaping and external car parks		
Landscaping, Green area	3,993	
	Built-Up area (GFA) sqm	Con cost - S. R /sqm
Landscape, fences, outdoor car parks, fences	3,993	650
Construction Cost - S.R for part 2	2,595,258	
Total Construction Cost - S. R	36,993,821	
Other Costs		
Professional Fees (Engineering Consultant) 2.5%	924,846	
Statutory fees 2%	739,876	
Marketing Fees (Media & Advertising) 1.5%	554,907	
Contingency costs 1.5%	554,907	
Overhead cost 2.5%	924,846	
Total Dev - Cost - SR	40,693,203	

Annual Income & Revenues Sheet - Free Future Cash Flow (FFCF)

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1: Commercial Offices							
Offices - Grade C+							
Net Leasable area		8,984	8,984	8,984	8,984	8,984	8,984
Annual Rental price / sqm - S. R		550	550	550	550	550	550
Occupancy rate		80%	95%	95%	95%	95%	95%

Revenues Cat 1	3,952,777	4,693,923	4,693,923	4,693,923	4,693,923	4,693,923	4,693,923
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Category 2 : Commercial Shops							
Shops - Grade C+							
Net Leasable area		4,791	4,791	4,791	4,791	4,791	4,791
Annual Rental price / sqm - S.R		1,300	1,300	1,300	1,300	1,300	1,300
Occupancy rate		80%	100%	100%	100%	100%	100%

Revenues Cat 2	4,982,895	6,228,618	6,228,618	6,228,618	6,228,618	6,228,618	6,228,618
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Gross Revenues		8,935,672	10,922,541	10,922,541	10,922,541	10,922,541	10,922,541
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Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	8,935,672	10,922,541	10,922,541	10,922,541	10,922,541	10,922,541
General & Administrative Expenses 10%	893,567	1,092,254	1,092,254	1,092,254	1,092,254	1,092,254
Gross Profit - EBITDA	8,042,104	9,830,287	9,830,287	9,830,287	9,830,287	9,830,287
Depreciation	1,220,796	1,220,796	1,220,796	1,220,796	1,220,796	1,220,796
Earnings after depreciation	6,821,308	8,609,491	8,609,491	8,609,491	8,609,491	8,609,491
Interest Expense	610,398	610,398	610,398	610,398	610,398	610,398
earning after interest expense	6,210,910	7,999,093	7,999,093	7,999,093	7,999,093	7,999,093
Other expenses	0	0	0	0	0	0
Net Income	6,210,910	7,999,093	7,999,093	7,999,093	7,999,093	7,999,093
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	6,210,910	7,999,093	7,999,093	7,999,093	7,999,093	7,999,093
Cumulative Retained earnings	6,210,910	14,210,003	22,209,096	89,235,144	97,234,237	105,233,329

Cash Flow Statement

Cash Flow Statement						
Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
IN - Flow						
Capital Injection						
Net Revenues		6,210,910	7,999,093	7,999,093	7,999,093	7,999,093
Total Inflow		6,210,910	7,999,093	7,999,093	7,999,093	7,999,093
OUT Flow						
Total Construction Cost	36,993,821					
Professional Fees	924,846					
Statutory fees 2%	739,876					
Marketing Fees (Media & Advertising) 1.5%	554,907					
Contingency costs 1%	554,907					
Overhead cost 1%	924,846					
Total Outflow	(40,693,203)					
Net Cash Flow	(40,693,203)	6,210,910	7,999,093	7,999,093	7,999,093	7,999,093
Cumulative Net Income	(40,693,203)	(34,482,293)	(26,483,200)	89,235,144	97,234,237	105,233,329

Residual Value- Land Value

RV	Year 0	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33	Total
IN - Flow								
Revenues		6,210,910	7,999,093	7,999,093	7,999,093	7,999,093	7,999,093	
Total Inflow		6,210,910	7,999,093	7,999,093	7,999,093	7,999,093	7,999,093	161,217,545
Discount Rate: 8%		0.926	0.857	0.712	0.092	0.085	0.079	
OUT Flow								
Total Outflow		(40,693,203)						(40,693,203)
Total Cash out								
Net Cash Flow (Before Discount Rate)	(40,693,203)	6,210,910	7,999,093	7,999,093	7,999,093	7,999,093	7,999,093	61,077,399
								Total Cash flow
Discounted Cash Flow DCF		5,750,843	6,857,933	5,693,596	736,045	681,523	631,040	56,874,186
								Residual Value

Value Per / sq m		
	Land Value (PV)	56,874,186
	Square Meters	9,981.76
Estimated sq m value (S.R)		5,698

Fair Market Value FMV	Land Area - sqm	Value / sq m . S.R	FMV S.R
Fair Market Value for land	9,981.76	5,698	56,874,186

13.2- Depreciated Replacement cost method (DRC) A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

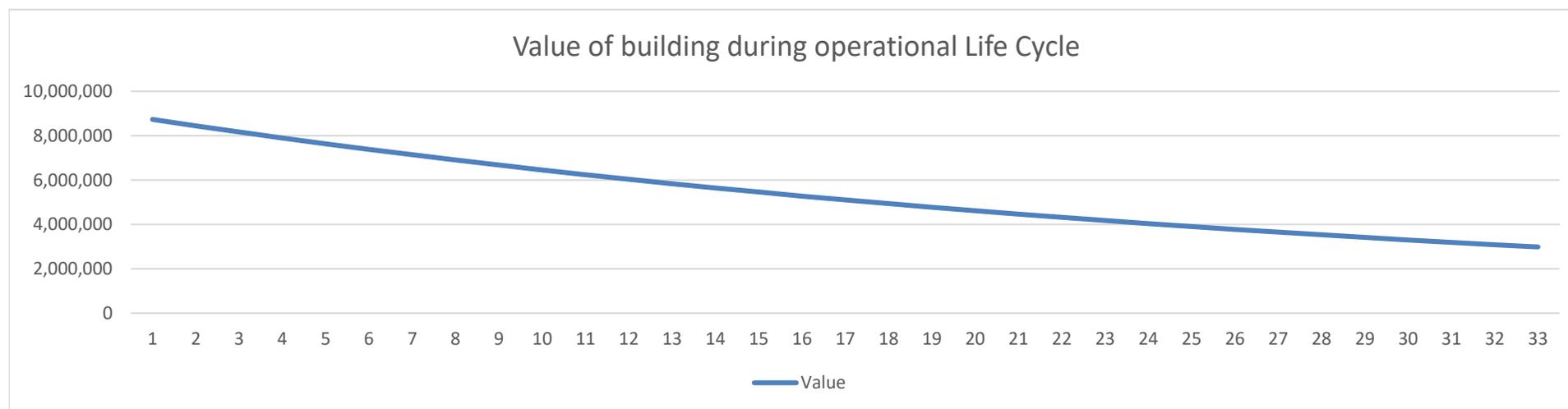
Replacement cost	BUA – built up area – sqm	Type of operation
GF, FF, and Roof floor	4,515	Supermarket & commercial shops
Outdoor area	5,168	Entrance, exit, car parks
Fence	294.42	Service

Depreciated Replacement cost (DRC)

Standards: Average useful life for Showrooms building in <u>Riyadh</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 3.3%	Appreciation ratio Per annum based to schedule of maintenance work 0.3% per annum	3%
Building (equipment) useful life	N (number of years) =	5 years (starting Operation period @1432 Hijri)
Acc Deprecation	3%*6 =	18 %

Finishing 100% (Fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
GF, FF, and roof floor	4,518	1,500	100%	6,777,000
Landscaping and outdoor car parks	5,168	350	100%	1,808,800
Fences	294.42	500	100%	147,210
Replacement cost				8,733,010
- Acc Depreciation		8,733,010*18 %		(1,571,941)
Depreciated Replacement cost DRC				7,161,068



14-Fair market value (property) Land + Building In the case of finishing up to date from Finishing, fixtures & equipment work- Currency SAR

Fair Market Value (Land)	56,874,186 S. R
+	
Building	7,161,068 S. R
+ (Profit Margin) 20%	1,432,213 S. R
Fair market value - Property	65,467,467 S.R (Sixty-Five million, Four Hundred sixty-seven thousand, four hundred and sixty seven Saudi riyal

(Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
62,200,000 S. R	65,467,467 S. R	68,500,000 S. R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Riyadh city Q1-2018

Net Operating Income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Fowzan for construction and real estate For Real estate) for 10 obligatory year contractually period (Net Rent / annum 4,290,000 SAR during first 5 years, and Net Rent / annum 4,633,200 during the rest of Contract's period – 5 Years) – SR starting from 5 Ramadan Hijri 1436 till 4 Ramadan 1446 Hijri (Remaining 7 Hijri Years)		
Period 1 : : from 5 Ramdan 1436 till 5 Ramdan 1440 (Remaining 2 years) = (4,290,000 * 2)	8,580,000	4,535,143
Period 2: from 5 Ramdan 1440 till 5 Ramdan 1446 (Coming 5 Years) = (4,633,200 * 5)	23,166,000	
Sum	31,746,000	
n period	7	
Net Operating Income NOI- Triple Net	4,535,143	
– Vacancy and collection loss		0
Additional income		
Effective gross income		4,535,143
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		0
Net operating income NOI		4,535,143
Fair Market Value SAR @ 7.5% Capitalization rate		60,468,571

16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	65,467,467	
Capitalization rate - FMV	60,468,571	
Weighted Average - Percentage	DRC	39,280,480
	60%	
	Cap rate	24,187,428
	40%	
Fair market value FMV	63,467,909 (Sixty-three million, four hundred sixty-seven thousand, nine hundred nine SR)	

(Sensitivity Analysis) for Asset Property FMV

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
60,000,000 SR	63,467,909 SR	66,600,000 SR

17- Real Estate Market Summary- Al-Riyadh Q1-2018

Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. 11 new brands hotels are expected to enter the market over the next two years with totally 3900 hotels room.

17.1-Offices market: Offices vacancies Decreased over the quarter due to new Demands from companies after public and private sectors start looking for new location; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents. Market also contributed to the decrease in vacancies in remaining of 2018

17.2-Residential market: Also, performance declined in residential sector. Villas selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices still stable in waiting for departure of large number of expatriates.

17.3-Hospitality market: Average daily rates falling 14%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017-Q1 2018.

17.4-Retail market: While occupancies decreased marginally in the retail sector over 2017, they are expected to soften of the rest of year of 2018 as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales. And Cinema presence will help Retail sector in increasing Occupancies.

17.5- Industrial warehouses: While occupancies increased marginally in the industrial warehouses sector over 2017, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

18-External and internal Pictures

External view



External view



19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
Fadi Naeem	Site visit, inspection Catchment area	1220000119	1440/04/2	Real estate
Ashraf Al-Shaeer	Final Revision – Release	1220000021	1440/04/2	Real estate

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Valuation Report Analysis
Blue Tower Property
Al-Khobar City - KSA - May 15, 2018

Prepared for
Al-Rajhi Capital



شركة أولات للتقييم العقاري
Olaat Valuation Company



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Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi Capital.

Al-Khobar City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

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Property's Type	Commercial Building – Offices and Commercial Shops	
Location	Al-Khobar city – Al-Yarmouk District- Al-Andalus road	
Land Area	5,464 sq m	
Title deed number	730206009155	
Title's date	23/7/1436 H	
Plots Number	40-41-42	
Scheme Number	5/2	
Land Topography	Flat	
Boarded streets & Neighbors	N	Street Width 20 m length 55 m
	S	Street Width 20 m length 55 m
	E	Pathway Width 8 m and car parks length 100 m
	W	Al-Khobar-Dammam sea road (King Faisal road) Width 22 m length 100m
Building (Gross floor area) GFA	33,591.91	
Building's Permit number	428/10461	
Building Permit's date	8/8/1432	
Fair Market value for Property	226,666,671 (Two hundred Twenty-six million, six-hundred sixty-six thousand, six hundred seventy-one-SR)	

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May 15, 2018

Property Address: Blue Tower – Al-Khobar city - Valuation Report analysis

Tenure: Commercial Freehold property

We are delighted to submit our Valuation report for – **Blue Tower – Al-Khobar city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, pull area), catchment Area's classification, replacement cost and accumulated depreciation, based to market and due to Properties & Facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **Fair market value** of the commercial property is **226,666,671 S.R** has been assessed by **Residual value, and DRC method (Depreciation replacement cost), Capitalization income approach**, considering the location of the property, current market conditions, market lease rate as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for Blue Tower.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation, as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Offices and Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 5th of May 2018 by Yaser Naser Saudi Authority for Accredited Values membership (Taqeem) 1220001225, all significant parts of the property were inspected after communicated with Mr. Arsad 0554847547 (on behalf of Landlord's)
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina (CVA) membership Holder, Saudi Authority for Accredited Valuers (Taqeem) memberships, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset 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.

4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Al-Khobar city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within Al-Yarmouk district **on King Faisal Road**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value RV Method, depreciated replacement cost (DCR) to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD**.

9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

11-Foundation of evaluation report and Contents

Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization Income
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

Attachments

1. Google earth pictures of sample taken from region
2. Evaluation Report

12-Property's Identification

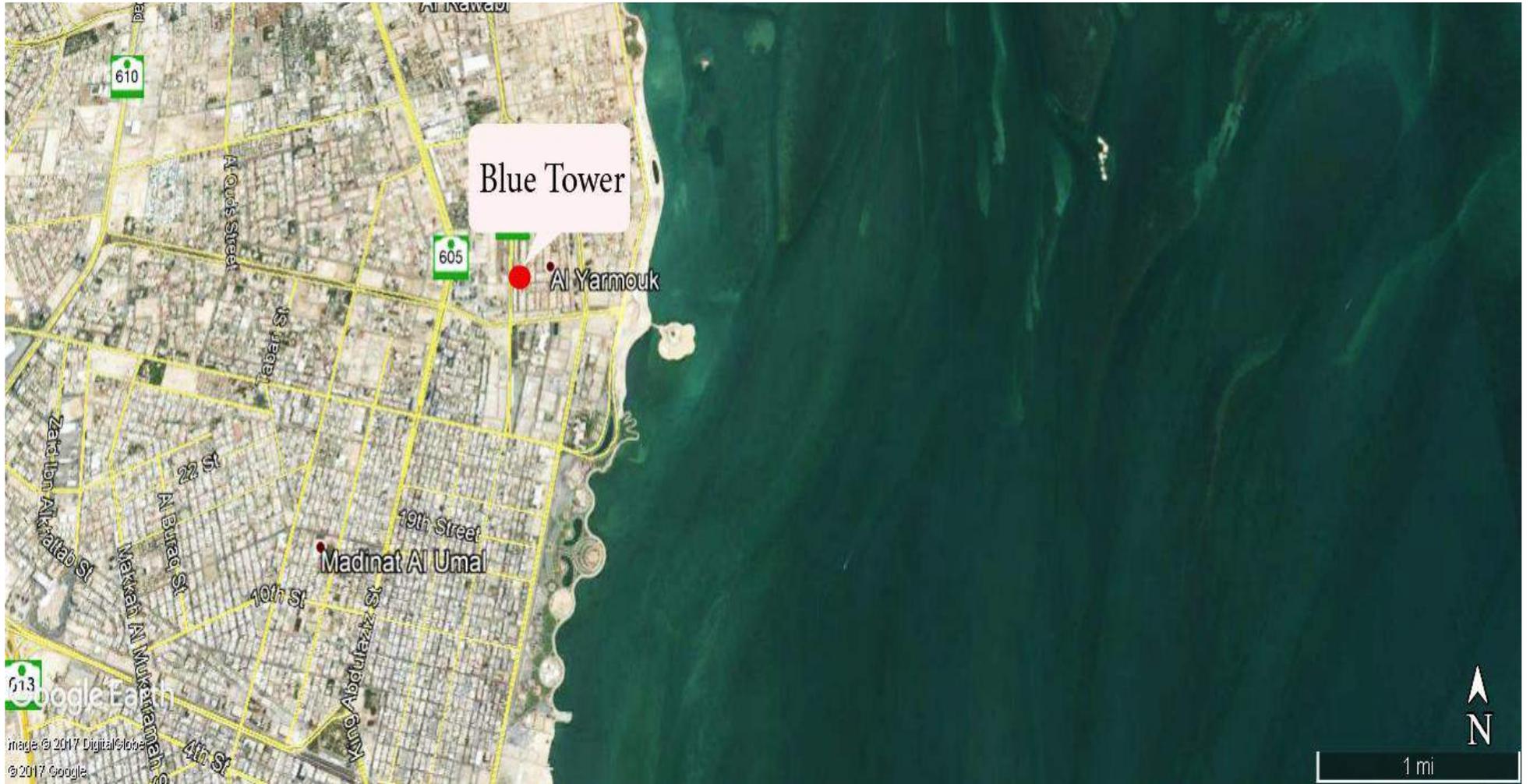
The subject property consists of commercial property (Land + building) located in **Al-Khobar city** within Al-Yarmouk district on King Faisal road. Land area: **5,464 sq m + Building GFA 33,591.91 sqm** based on data has been received from **Al-Rajhi Capital Co.** **Geographic Coordinates:** **N:**

26°18'43.34" - E: 50°13'03.04"



The Image below shows the Boundaries of the site:

Ariel View - Micro Situation



Macro View - Situation



12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the buildings from 3 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to business and residential environment that would support the main function of the property and its proposed extension project.
- Lacking of lands in site region offering either for rent or sale and the asking prices from 8,000 - 9,000 SAR / sq m
- Lacking for new rival commercial projects in case of new supply from offices and shops.

12.2- Main features of the project:

- Commercial offices and showrooms building
- Two underground floors for car parking: 293 nos. car park + Outdoor 70 nos. car park, fire alarm system, water sprinkles, Exhaust air duct
- Central HVAC system for offices area – DAIKIN Manufacturing
- Number of elevators (4) – Mitsubishi Elevators connected to all floors
- All building full covered with CCTV
- All Common area covered by Automatic fire alarm system 3.6*3.6 consists of (Sprinkles, Smoking detectors)
- Utility building like electrical & mechanical buildings
- Infrastructure facilities and utilities
- Exhaust Air Ducts Within Basement floors
- Efficient mechanical design
- Efficient electrical design
- All MEP equipment installed and BMS system
- All building entrance is protected by Access control
- Matching with All Civil Defense requirements



13-Valuation for land, RV (land) + Depreciated replacement cost (DRC) (equipment)

13.1- Case 1 – Residual value approach (land Valuation)

Residual value approach evaluation – Land Evaluation fair market value (FMV)

RV methodology definition:

The Land - Residual Approach is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet - Commercial Offices and retail Project

Cost Type- Dev Type	Con Year 1	Con Year 2	Con Year 3
Development Work			
Land Area - developed / year - sqm	5,464		
Development Cost S.R / SQM	140		
Total Development Cost / Year	764,960		
Commercial Offices Grade B+			
Total BUA - sq m	33,591.9		
Offices Units BUA construction / Year	11,197	11,197	11,197
Offices and showrooms units Construction & FF&E Cost S.R / sqm	3,800	3,850	3,900
Total Construction Cost / year	42,549,753	43,109,618	43,669,483
Total Construction Costs	42,549,753	43,109,618	43,669,483
Other Costs			
Professional Fees (Engineering Consultant) 2.5%	1,063,744	1,077,740	1,091,737
Statutory fees 2%	850,995	431,096	436,695
Marketing Fees (Media & Advertising) 1.5%	638,246	646,644	655,042
Contingency costs 10%	4,254,975	4,310,962	4,366,948
Overhead cost 2.5%	1,063,744	1,077,740	1,091,737
Total Dev - Cost - SR	50,421,457	50,653,801	51,311,643

Gross Income & Revenues Sheet - Free Future Cash Flow (FFCF)

	Dev- period 3 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1- Offices units Rev							
Leasable area - sq m		19,500	19,500	19,500	19,500	19,500	19,500
Annual rental price - sq m		1000	1000	1000	1900	1900	1900
Occupancy Rate %		70%	80%	95%	95%	95%	95%
Revenues Cat 1		13,650,000	15,600,000	18,525,000	35,197,500	35,197,500	35,197,500
Category 2 - Commercial shops							
Leasable area - sq m		4,000	4,000	4,000	4,000	4,000	4,000
Annual rental price - sq m		1,450	1,450	1,450	2,300	2,300	2,300
Occupancy Rate %		70%	100%	100%	100%	100%	100%
Revenues Cat 2		4,060,000	5,800,000	5,800,000	9,200,000	9,200,000	9,200,000
Gross Revenues		17,710,000	21,400,000	24,325,000	44,397,500	44,397,500	44,397,500

Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Revenues	17,710,000	21,400,000	24,325,000	44,397,500	44,397,500	44,397,500
General & Administrative Expenses (11%)	1,948,100	2,354,000	2,675,750	4,883,725	4,883,725	4,883,725
Gross Profit - EBITDA	15,761,900	19,046,000	21,649,250	39,513,775	39,513,775	39,513,775
Depreciation	(1,008,429)	(1,008,429)	(1,008,429)	(1,008,429)	(1,008,429)	(1,008,429)
Earnings after depreciation	14,753,471	18,037,571	20,640,821	38,505,346	38,505,346	38,505,346
Interest Expense	(3,648,000)	(3,648,000)	(3,648,000)	0	0	0
Earning after interest expense	11,105,471	14,389,571	16,992,821	38,505,346	38,505,346	38,505,346
Zakat 2.5%	(277,637)	(359,739)	(424,821)	(962,634)	(962,634)	(962,634)
Net Income	10,827,834	14,029,832	16,568,000	37,542,712	37,542,712	37,542,712
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	10,827,834	14,029,832	16,568,000	37,542,712	37,542,712	37,542,712
Cumulative Retained earnings	10,827,834	24,857,666	41,425,666	825,918,962	863,461,675	901,004,387

PMT (Payments for a loan constant Payment) -	8,260,772	8,260,772	8,260,772
IPMT (Return for interest payment for n period)	3,648,000	3,371,234	3,077,861
Total loan (principle) plus interest Payment based to instalments 10 Years	11,908,772	11,632,006	11,338,633

Cash Flow Statement

Cash flow Table	Construction Year 1	Construction Year 2	Construction Year 3	Operation Year 1	Operation Year 2	Operation Year 32	Operation Year 33
IN - Flow							
Capital Injection							
Net Revenues				10,827,834	14,029,832	37,542,712	37,542,712
Depreciation				1,008,429	1,008,429	1,008,429	1,008,429
Total Inflow				11,836,263	15,038,261	38,551,141	38,551,141
OUT Flow							
Total Construction Cost	50,421,457	50,653,801	51,311,643				
Professional Fees	1,063,744	1,077,740	1,091,737				
Statutory fees 2%	850,995	431,096	436,695				
Marketing Fees (Media & Advertising) 1.5%	638,246	646,644	655,042				
Contingency costs 10%	4,254,975	4,310,962	4,366,948				
Overhead cost 1%	1,063,744	1,077,740	1,091,737				
Total Outflow	(58,293,161)	(58,197,984)	(58,953,802)				
Net Cash Flow	(58,293,161)	(58,197,984)	(58,953,802)	11,836,263	15,038,261	38,551,141	38,551,141
Cumulative Net Income	(58,293,161)	(116,491,145)	(175,444,947)	(163,608,684)	(148,570,423)	720,286,460	758,837,601

Residual Value - RV (Investment method)

NPV - IRR	Construction / Year 1	Construction/ Year 2	Construction / Year 3	Operation / Year 1	Operation / Year 31	Operation / Year 32	Operation / Year 33	Total
IN - Flow	Period	1	2	3	33	34	35	
Revenues		0	0	10,827,834	37,542,712	37,542,712	37,542,712	
Total Inflow		0	0	11,836,263	38,551,141	38,551,141	38,551,141	857,180,266
Discount Rate:	8%	0.927	0.859	0.796	0.081	0.075	0.070	
OUT Flow								
Total Outflow		0	0	0	0	0	0	
Total Cash out								
Net Cash Flow (Before Discount Rate)	(152,386,900)	0	0	11,836,263	38,551,141	38,551,141	38,551,141	229,556,274
								Total Cash flow
Discounted Cash Flow DCF	(152,386,900)	0	0	9,422,156	3,135,664	2,906,084	2,693,312	77,412,837
								DCF

DCF - RV before Deducting PM		77,412,837
Profit margin	20%	30,477,380

Fair Market Value - FMV		
	Land - FMV	46,935,457
	Land area - sq m	5,464.00
FMV - per sq m		8,589.94

Fair Market Value FMV	Land Area – sq m	Value / sq m . SAR	FMV SAR
Fair Market Value for land	5,464	8,589.94	46,935,457

13.2- Case 2-Depreciated Replacement cost method (DRC) for Building

Depreciated replacement cost (DRC) approach. The 'cost approach' and DRC are regarded as synonymous terms; both are in common use around the world to describe a method of valuation of all types of assets.

Also, the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

It is important to understand that the word depreciation is used in a different context for valuation than for financial reporting. In a DRC valuation, depreciation refers to the reduction, or writing down, of the cost of a modern equivalent asset to reflect the obsolescence and relative disabilities affecting the actual asset. In financial reporting, depreciation accounting refers to a charge made against an entity income to reflect the consumption of an asset over a particular accounting period. These are distinct usages of the word, and there is no direct correlation between the methods used to assess depreciation in each case.

Although the DRC method may be used for the valuation of different types of specialized asset, particular complications arise when applying the DRC method to specialized property.

Some buildings (or specialized plant and equipment assets) have a conventional basic design that is superficially similar to other buildings that are regularly bought and sold in the market, but on closer inspection have specialized features or extensive adaptations designed to meet the requirements of the actual occupier. Typical examples, which may be purpose built or adapted, include a residential complex, office, retail, medical, hotels, universities and or an industrial building (labor camps) with structural alterations to accommodate a particular production process with enhanced security features such as thickened walls, toughened glazing, extra amenities and extra facilities areas.

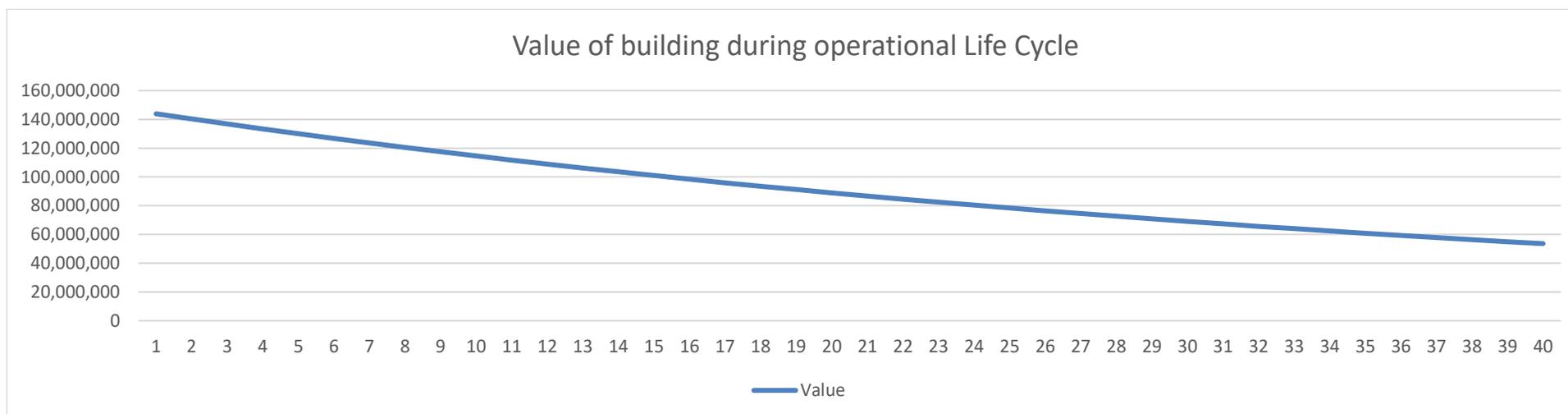
Replacement cost	BUA – built up area – sqm	Type of operation
2 Underground Floor Basement	11,000	Car parking
GF, Mezzanine F, FF, SF, TF and 6 Typical floors	22,591.91	Offices-shops-Service area

Depreciated Replacement cost (DRC)

Standards: Average useful life for Offices and showrooms buildings in <u>Al-Khobar city</u> after taken into consideration climate and moisture	N (number of years) =	40 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 1% per annum	1.5%
Building (equipment) useful life	N (number of years) =	6 years (starting Operation period @1433 Hijri)
Apportionment – Acc Depreciation	6*1.5%=	8 %

(fixtures & equipment work) F&E for building – All MEP installed

Type of Construction	GFA / sq m	Replacement cost / SAR – sq m Q1-2018	Completion %	Fair Market value/ SR
2 underground Floor basements	11,000	3,500	100%	38,500,000
GF, Mezzanine F, FF, SF, TF and 6 Typical floors	22,591.91	4,600	100%	103,922,786
Landscaping and external car parks	2,200	650	100%	1,430,000
Replacement cost				143,852,786
- Apportionment Acc Deprecation		143,852,786 *8 %		(11,508,222)
Depreciated Replacement cost DRC				132,344,563



13.3- Fair market value (property) Land + Building In the case of finishing up to date from fixtures & equipment work-Currency SAR

Fair Market Value (Land)	46,935,457 SAR
Plus	
Building	132,344,563 SAR
Plus	
Profit Margin (25%)	33,086,140 SAR
Fair market value - Property	212,366,160 S.R (Two hundred twelve million, three hundred sixty six thousand, one hundred sixty SAR

(Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
202,000,000 S. R	212,366,160 S.R	223,0,000 S. R

14- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ **7.5% Average** market Yield- Al-Khobar city Q1-2018

Gross Operating income Triple Net – Currency SAR based to official legal contract between landlord and One tenant (Rawaj For Real estate) for 5 obligatory year contractually period – SR starting from the date of launching AL-Rajhi REIT fund)		18,310,958
– Vacancy and rent collection loss		
Additional income		0
Effective gross income		18,310,958
Operating Expenses (based to Contract all expanses on Lessee’s responsibility)		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		0
Net operating income NOI		18,310,958
Fair Market Value @ 7.5% Capitalization rate - SAR		244,146,106

15-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV		212,366,160
Capitalization rate - FMV		244,146,106
Weighted Average - Percentage	DRC	116,801,388
	55%	
	Cap rate	109,865,747
45%		
Fair market value FMV	226,666,671 (Two hundred Twenty-six million, six-hundred sixty-six thousand, six hundred seventy-one- SR)	

(Sensitivity Analysis) for Asset Property FMV

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
217,000,000 SR	226,666,571 SR	240,000,000 SR

16- Real Estate Market Summary- Big Dammam Q1-2018

Real estate market the second market after oil; been suffered from the drop-in oil revenues and the subsequent slowdown in the Kingdom's economic growth over the past year. The ambitious plans to diversify the economy away from its current dependence on oil will have a less positive impact on the oil and gas giant Saudi Aramco. All sectors of the real estate market appear to have peaked. over the past year and are now poised in the early downturn stage of their market cycle, with rents and prices generally experiencing a small decrease.

- **The Office sector** has experienced subdued demand and continued supply (with an additional 48,000 sq m completed over the first half of 2017). This has increased vacancies to 38%, the highest level of any major city in the Kingdom and has shifted the market in the favor of tenants. While rents have not fallen dramatical (down by only 3% Y-o-Y), tenants currently have the upper hand in lease negotiations.
- **The Residential sector** has also experienced a steady growth of supply and a small decline in performance. Average sale prices have fallen marginally (-13% for apartments and -20% for villas), while rentals have declined by slightly more (-12% and -15% respectively) over the past year and further small defines are expected over the next 12 months. Responding to the need to provide accommodation for those families unable to afford market housing, Samba Financial Group and the Ministry of Housing have signed an agreement to give free housing to around 400 beneficiaries. Samba has provided furnished residential units for the Ministry to allocate to those in the greatest need of housing.

- The **Retail sector** has experienced significant new supply over the past 6 months, with a further 96,000 sq m of space completing, the first significant additions for three years. Rentals and vacancies in the retail sector have been relatively Decline over the past 6 months, with a marginal decreasing in rents for super regional centers (-2%), being offset by a small fall (-5%) in regional centers. With limited new supply scheduled to complete until 2019, retail rentals are expected to remain largely unchanged over the next 12 months.
- The performance of the **Hospitality sector** has been under pressure. Reduced demand from the corporate sector has seen a significant fall in occupancy levels (down by 10% to 52% in the year to May 2017). This has resulted in a fall in both room rates and RevPAR. No new hotels were opened over the past 6 months but the serviced apartment sector saw the completion of the Radisson Blu Residence Dhahran (adding 92 serviced apartments).

17- External and internal Pictures

External view



External view



Internal view



Internal view



Internal view



Internal view



18- Olaat valuation Company's team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
Yaser Ali Naser	Site visit, inspection Catchment area	1220001225	1440/03/11	Real estate
Ashraf Al-Shaeer	Final Revision – Release	1220000021	1440/04/2	Real estate

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Valuation Report Analysis
Jarir Book Store - Al-Hasa St Property
AL-Riyadh City - KSA - May 15, 2018

Prepared for
Al-Rajhi Capital



شركة أولات للتقييم العقاري
Olaat Valuation Company



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Olaat Valuation Company C.R:1010462536 Valuation License: 121000397

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi Capital.

Riyadh City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

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C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center (Bookstore and offices)
Location	Riyadh city – Al-Malaz District- Al-Hasa Street
Land Area	4,953 sq m
Title deed number	710117025095
Title's date	13/06/1435 H
Plots Number	From 1 until 4
Scheme Number	315
Land Topography	Flat
Boarded streets & Neighbors	N: Street with various width length 76.2 m S: Plot number 5&6 length 76.2 m E: Street width 20 m length 65 m W: Street width 40 m length 65 m
Building Build- up area (Gross floor area) GFA	9,162 sq m plus Fence 76 sq m
Building's Permit number	27/2/1/497
Building Permit's date	7/11/1413 H
Fair Market value for Property L&B	70,345,113 (seventy million, three hundred forty-five thousand, one hundred thirteen)

Legal Documents

TITLE DEED



BUILDING'S PERMIT



Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's Tasks.

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Al-Rajhi Capital
For the attention of:
Mr: **Abdul-Aziz Al-Sabt**
T: +966 (11) 211 9417
alsabtaa@alrajhi-capital.com
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2018

Property Address: Jarir Bookstore (Al-Hasa St) - Riyadh city - Valuation Report analysis

Tenure: Commercial Freehold property

Dear Mr. Abdul-Aziz,

We are delighted to submit our Valuation report for – **Jarir Bookstore (Al-Hasa St) - Riyadh city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for offices and mega stores units based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **70,345,113 S.R** has been assessed by **Residual value, and DRC method (Deprecation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Sincerely Yours,
Mustafa Al-Mardina

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for Jarir Bookstore Al-Hasa St.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation , as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Offices and Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 7th of May 2018 by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr. Ramich 011 465 6363 (on behalf of Al-Jarir investment)
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset 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.

4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, In addition, we consulted many of real estate experts in **Riyadh city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located **within Al-Malaz district on Al-Hasa Street**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD**.

9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

11-Foundation of evaluation report and Contents

Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

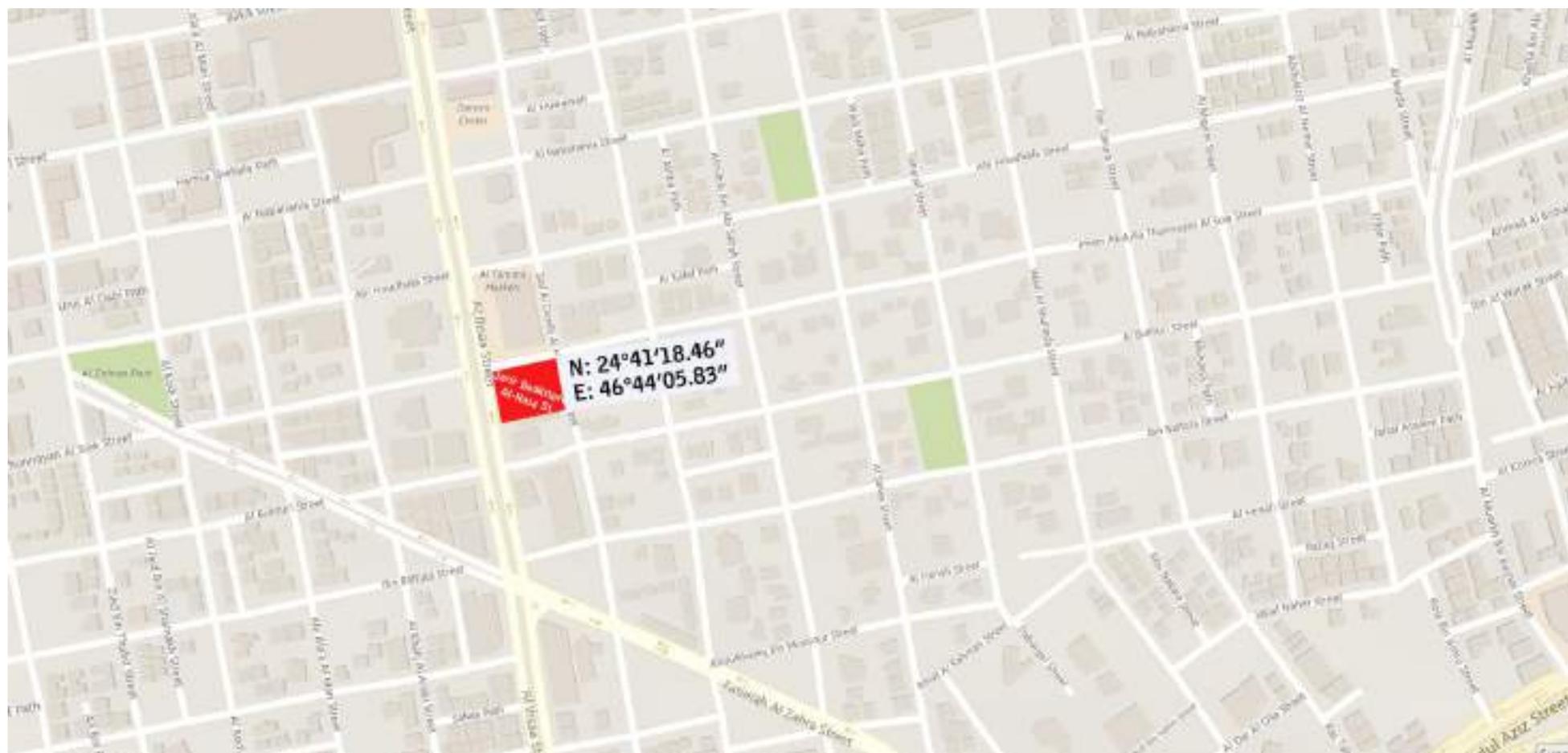
Attachments

1. Google earth pictures of sample taken from region
 2. Evaluation Report
-

12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Riyadh city** within Al-Malaz district on Al-Hasa St. Land area 4,953 sq m + Building GFA 9,162 sq m plus Fence 76 sq m based on data has been received from **Al-Rajhi Capital Co.** **Geographic Coordinates:** N: 24°41'18.46"

E: 46°44'05.83"



The Image below shows the Boundaries of the site:

Micro Situation



12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the buildings from 3 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential Middle of Riyadh)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- No Any land in site region offering either for rent or sale
- Many of old - Existing commercial projects are offering Showrooms and offices.

Main features of the project:

- Commercial - Retail offices building class B
- Outdoor parking: 50 nos. car park
- Fire Alarm system, Smoking Detectors, Fire hose, Extinguisher
- Central HVAC system (Trane and LG) – We tried to reach the HVAC equipment equipped on ceiling during our site inspection; but we faced obstacles and after connecting Jarir’s team they support us with the following description:

HVAC					
Sl.No	Site Location	Equipment	Make	Capacity	Model No / Type
59	RIYADH-AL AHSA S.ROOM	PAC	TRANE	20	TCH240F300BB
60	RIYADH-AL AHSA S.ROOM	PAC	TRANE	20	TCH240F300BB
61	RIYADH-AL AHSA S.ROOM	PAC	LG	20	LKC-C240BC00
62	RIYADH-AL AHSA S.ROOM	PAC	TRANE	20	TCH240F300BB
63	RIYADH-AL AHSA S.ROOM	PAC	LG	20	LKC-C240BC00
64	RIYADH-AL AHSA S.ROOM	PAC	LG	20	LKC-C240BC00
65	RIYADH-AL AHSA S.ROOM	PAC	LG	20	LKC-C240BC00
66	RIYADH-AL AHSA S.ROOM	PAC	TRANE	20	TCH240F300BB
67	RIYADH-AL AHSA S.ROOM	PAC	LG	20	LK-C240BC03
68	RIYADH-AL AHSA S.ROOM	PAC	LG	20	LK-C240BC03
69	RIYADH-AL AHSA-BUL	PAC	LG	25	LKC300BC03
70	RIYADH-AL AHSA-BUL	PAC	LG	25	LKC300BC00
71	RIYADH-AL AHSA-BUL	PAC	LG	20	LKC300BC03
72	RIYADH-AL AHSA-BUL	PAC	LG	20	LKC300BC03
73	RIYADH-AL AHSA-BUL	PAC	LG	20	LKC300BC03
74	RIYADH-AL AHSA-BUL	PAC	LG	20	LKC300BC03
75	RIYADH-AL AHSA-BUL	PAC	LG	20	LKC300BC03
76	RIYADH-AL AHSA-BUL	PAC	LG	20	LKC240BC03
77	RIYADH-AL AHSA-BUL	PAC	LG	10	LKC210BC00
78	RIYADH-AL AHSA-BUL	PAC	LG	10	LKC210BC00
79	RIYADH-AL AHSA-BUL	PAC	LG	10	LKC210BC00
80	RIYADH-AL AHSA-BUL	PAC	LG	10	LKC210BC01
81	RIYADH-AL AHSA-BUL	SPLIT	LG	1	W122GC
82	RIYADH-AL AHSA-BUL	SPLIT	LG	1	LSC122RGMO

- All building full covered with CCTV
- All offices area below standard system 3.6*3.6 consists of (Smoke detector)
- 2 Lifts (Kone manufacturing)
- Jarir bookstore plus mix tenants such as Schneider Electric- occupancy rate 100%



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation fair market value (FMV)

RV methodology definition:

The Land - Residual Approach is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet		
Cost Type - Dev Type	Year 1-2	
Development Work		
Land Area - developed / year - sqm	4,953	
Development Cost S.R / SQM	120	
Total Development Cost / Year	594,360	
Commercial Offices & Shops		
Sharing of land allocated for building		
	2,972	
1- Building (Offices & Shops)		
1 basement floor - Gross area - sqm	2,477	
GF-FF- Second floor and Roof F	10,401	
Replacement cost - sq m		
1 basement floors - Gross area - sqm	2,500	
GF-FF-2nd F, 3rd F	2,800	
	Built-Up area (GFA) sqm	Con cost - S.R /sqm
1 basement floors - Gross area - sqm	2,477	2,500
GF-FF-2nd F, 3rd F	10,401	2,800
Construction Cost - S.R for part 1		35,314,890
2- Landscaping and external car parks		
Landscaping, Green area	3,600	
	Built-Up area (GFA) sqm	Con cost - S.R /sqm
Landscape, fences, outdoor car parks, fences	3,600	650
Construction Cost - S.R for part 2		2,340,000
Total Construction Cost - S.R		38,249,250
Other Costs		
Professional Fees (Engineering Consultant) 2.5%	956,231	
Statutory fees 2%	764,985	
Marketing Fees (Media & Advertising) 1.5%	573,739	
Contingency costs 1.5%	573,739	
Overhead cost 2.5%	956,231	
Total Dev - Cost - SR		42,074,175

Annual Income & Revenues Sheet - Free Future Cash Flow (FFCF)

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1: Commercial Offices							
1.1 Offices - Grade C+							
Net Leasable area		6,419	6,419	6,419	6,419	6,419	6,419
Annual Rental price / sqm - S.R		550	550	550	500	500	500
Occupancy rate		80%	95%	95%	98%	98%	98%
Revenues Cat 1.1		2,824,399	3,353,973	3,353,973	3,145,353	3,145,353	3,145,353
Category 2 : Commercial Shops							
1.1 Shops - Grade B							
Net Leasable area		2,377	2,377	2,377	2,377	2,377	2,377
Annual Rental price / sqm - S.R		800	800	800	900	900	900
Occupancy rate		80%	100%	100%	100%	100%	100%
Revenues Cat 2		1,521,562	1,901,952	1,901,952	2,139,696	2,139,696	2,139,696
Total Sales Revenues		4,345,960	5,255,925	5,255,925	5,285,049	5,285,049	5,285,049

Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	4,345,960	5,255,925	5,255,925	5,285,049	5,285,049	5,285,049
General & Administrative Expenses 11%	478,056	578,152	578,152	581,355	581,355	581,355
Gross Profit - EBITDA	3,867,905	4,677,774	4,677,774	4,703,694	4,703,694	4,703,694
Depreciation	1,262,225	1,262,225	1,262,225	1,262,225	1,262,225	1,262,225
Earnings after depreciation	2,605,679	3,415,548	3,415,548	3,441,468	3,441,468	3,441,468
Interest Expense	420,742	420,742	420,742	420,742	420,742	420,742
earning after interest expense	2,184,938	2,994,807	2,994,807	3,020,727	3,020,727	3,020,727
Zakat and VAT (7.5%)	163,870	224,611	224,611	226,555	226,555	226,555
Net Income	2,021,067	2,770,196	2,770,196	2,794,172	2,794,172	2,794,172
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	2,021,067	2,770,196	2,770,196	2,794,172	2,794,172	2,794,172
Cumulative Retained earnings	2,021,067	4,791,264	7,561,460	44,079,293	46,873,465	49,667,637

Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
IN - Flow						
Capital Injection						
Net Revenues		2,021,067	2,770,196	2,794,172	2,794,172	2,794,172
Depreciation		1,262,225	1,262,225	1,262,225	1,262,225	1,262,225
OUT Flow						
Total Construction Cost	38,249,250					
Professional Fees	956,231					
Statutory fees 2%	764,985					
Marketing Fees (Media & Advertising) 1.5%	573,739					
Contingency costs 1%	573,739					
Overhead cost 1%	956,231					
Total Outflow	(42,074,175)					
Net Cash Flow	(42,074,175)	3,283,293	4,032,421	4,056,397	4,056,397	4,056,397
Cumulative Net Income	(42,074,175)	(38,790,882)	(34,758,461)	57,963,770	62,020,168	66,076,565

Net Present Value & Internal Rate of Return

NPV - IRR	Year 0	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33	Total
IN - Flow								
Revenues		3,283,293	4,032,421	4,032,421	4,056,397	4,056,397	4,056,397	
Total Inflow		3,283,293	4,032,421	4,032,421	4,056,397	4,056,397	4,056,397	96,582,805
Discount Rate: 10%								
		0.909	0.826	0.751	0.039	0.035	0.032	
OUT Flow								
Total Outflow		(42,074,175)						42,074,175
Total Cash out								
Net Cash Flow (Before Discount Rate)	(42,074,175)	3,283,293	4,032,421	4,032,421	4,056,397	4,056,397	4,056,397	42,219,691
								Total Cash flow
Discounted Cash Flow DCF								
		2,984,811	3,332,580	3,029,618	159,635	143,815	129,563	34,917,262
								Residual Value

Value Per / SQM		
	Land Value (PV)	34,917,262
	Square Meters	4,953
Estimated SQM value (S.R)		7,049.72

Fair Market Value FMV	Land Area – sq m	Value / sq m. S.R	FMV S.R
Fair Market Value for land	4,953	7,049.72	34,917,262

13.2- Depreciated Replacement cost method (DRC) A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

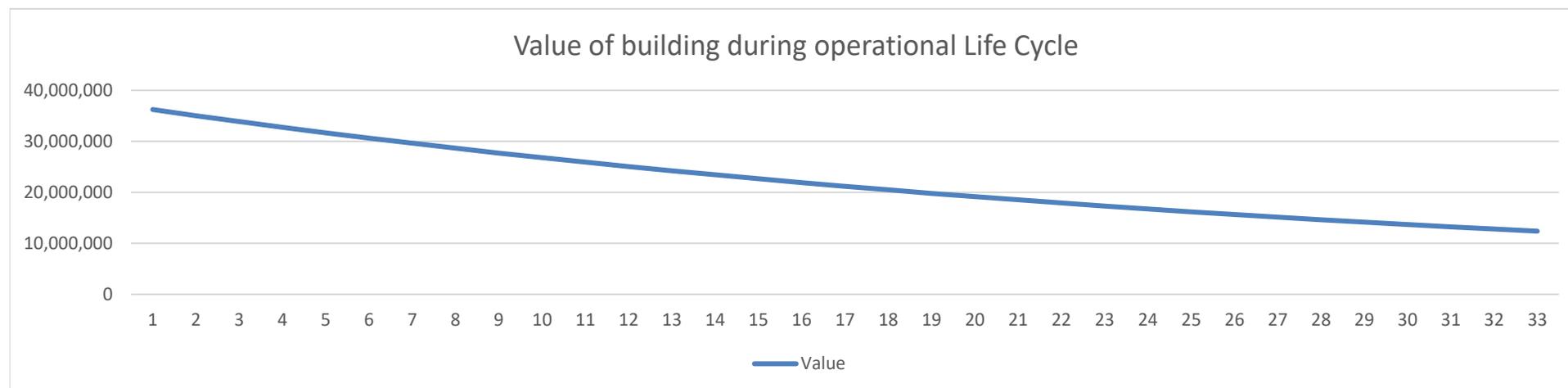
Replacement cost	BUA – built up area – sqm	Type of operation
Ground Floor	2,831	Jarir Book Store – Offices
First Floor	2,831	Jarir Book Store – Offices
Second Floor	1750	Offices
Annex Floor	1750	Offices
Fence	76	Service
Landscaping and outdoor car parks	2,122	Car Parks

Depreciated Replacement cost (DRC)

Standards: Average useful life for showrooms and Offices building in <u>Riyadh</u> city after taken into consideration climate and moisture	N (number of years) =	40 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 1% per annum	1.5%
Building (equipment) useful life	N (number of years) =	24 years (starting Operation period @1415 Hijri)
Acc Deprecation	1.5%*24=	48 %

(Fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
Ground Floor	2,831	3,500	100%	9,908,500
First Floor	2,831	4,000	100%	11,324,000
Second Floor	1750	4,000	100%	7,000,000
Annex Floor	1750	4,000	100%	7,000,000
Fence	76	500	100%	38,000
Landscaping and outdoor car parks	2,122	450	100%	954,900
Replacement cost - SR				36,225,400
- Acc Depreciation		36,225,400*36 %		(13,041,144)
Depreciated Replacement cost DRC				23,184,256



14-Fair market value (property) Land + Building F&E (fixtures & equipment)-Currency SAR

Fair Market Value (Land)	51,818,330 S.R
+	
Building	23,184,256 S.R
Profit Margin (20%)	4,636,851 S.R
Fair market value - Property	62,738,369 S.R (Sixty-two million, seven hundred thirty eight- thousand, three hundred sixty nine Saudi riyal)

(Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
60,000,000 S.R	62,738,369 S.R	66,000,000 S.R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7% Average market Yield- Riyadh city Q1-2018

<p>Net Operating income NOI Triple Net – Currency SAR - based to official & signed legal contract/agreement between three parties (Maceen logistics project company, Jarir marketing Company, and Al-Rajhi Capital) for 5 obligatory year contractually period for Jarir bookstore library leasable area ending at June 22, 2018</p> <p>Note: within the existing legal agreement there is term and clause about renewal contract for new 25 obligatory years starting from 22 June 2018. And after back to Al-Rajhi Capital they mentioned that the final settlement contract will take time and will provide us with the new signed contract for Jarir bookstore (Net Rent/ annum 2,026,753 SAR during the first 1 year and increase by 1.3 % yearly) based to legal agreement Average Net income during 25 years will be (2,407,718 SAR) – SR Period starting from 22 June 2018 agreement</p> <p>Annual Rental Value of other Tenants (3,048,912 SAR) based to leasing contract between the lessor (Jarir bookstore) and other tenants (Lessee)</p>	5,456,630
– Vacancy and collection loss	0
Additional income (additional space unrented)	
Effective gross income	
Operating Expenses	
Fixed	0
Variable	0
Reserves	0
– Total Operating expenses	5,456,630
Net operating income NOI	5,456,630
Fair Market Value @ 7% Capitalization rate	77,951,857

16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	62,738,369	
Capitalization rate - FMV	77,951,857	
Weighted Average - Percentage	DRC	31,369,184
	50%	
	Cap rate	38,975,929
50%		
Fair market value FMV	70,345,113 (seventy million, three hundred forty-five thousand, one hundred thirteen)	

(Sensitivity Analysis) (Risk matrix)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
67,000,000 S.R	70,345,113 S.R	74,000,000 S.R

17- Real Estate Market Summary- Riyadh Q1-2018

Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. 11 new brands hotels are expected to enter the market over the next two years with totally 3900 hotels room.

17.1-Offices market: Offices vacancies Decreased over the quarter due to new Demands from companies after public and private sectors start looking for new location; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents. Market also contributed to the decrease in vacancies in remaining of 2018

17.2-Residential market: Also, performance declined in residential sector. Villas selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices still stable in waiting for departure of large number of expatriates.

17.3-Hospitality market: Average daily rates falling 14%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017-Q1 2018.

17.4-Retail market: While occupancies decreased marginally in the retail sector over 2017, they are expected to soften of the rest of year of 2018 as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales. And Cinema presence will help Retail sector in increasing Occupancies.

17.5- Industrial warehouses: While occupancies increased marginally in the industrial warehouses sector over 2017, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

18-External and internal Pictures

External view



We derive the Accurate Value in a changing market

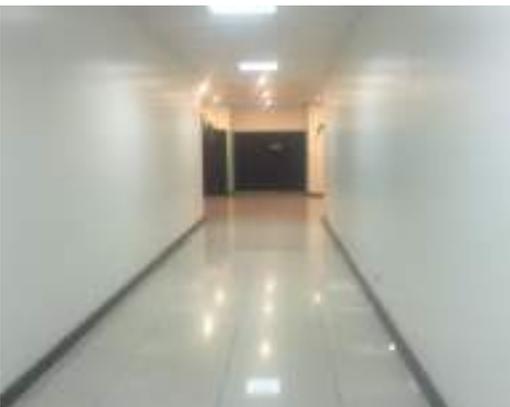
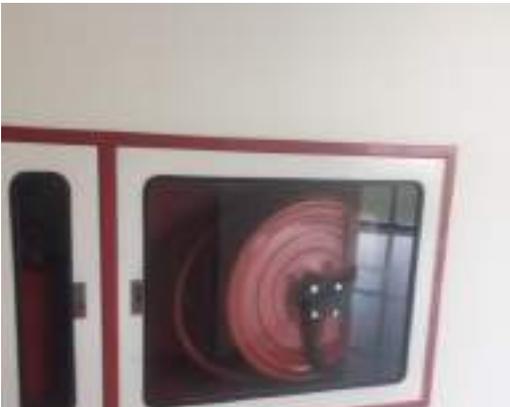
External view



Internal view



Internal view



We derive the Accurate Value in a changing market

Internal view



We derive the Accurate Value in a changing market

19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
Fadi Naeem	Site visit, inspection Catchment area	1220000119	1440/04/2	Real estate
Ashraf Al-Shaeer	Final Revision – Release	1220000021	1440/04/2	Real estate

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Valuation Report Analysis
Lulu'u Huper market (Khuris Rd) Property
AL-Riyadh City - KSA - May 15, 2018

Prepared for
Al-Rajhi Capital



شركة أولات للتقييم العقاري
Olaat Valuation Company



WWW.DLAAT.COM

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Olaat Valuation Company C.R:1010462536 Valuation License: 121000397

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi Capital.

Riyadh City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

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C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center – Commercial shops
Location	Riyadh city – Al-Nahda District- Intersection point btw Khuris road & Salman AL-Farsi St
Land Area	19,500 sq m
Title deed number	910106038725-210106038724
Title's date	24/02/1436 H
Plots Number	From 542 till 553
Block Number	2
Scheme Number	1335/1
Land Topography	Flat
Boarded streets & Neighbors	N: Street Width 14 m length 195 m
	S: Street Width 84 m length 195 m
	E: Plots Number 554,555 length 100 m
	W: Pathway width 8 length 100 m
Building Build- up area (Gross floor area) GFA	37,336.36 sq m plus 193 Fence
Building's Permit number	22798/1431
Building Permit's date	26/12/1432 H
Fair Market value for Property – SAR	221,566,967 (Two hundred twenty-one million, five hundred sixty-six thousand, nine hundred sixty- seven SAR)

TITLE DEED 1

TITLE DEED 2



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18	Property's Pictures	23
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Al-Rajhi Capital
For the attention of:
Mr: **Abdul-Aziz Al-Sabt**
T: +966 (11) 211 9417
alsabtaa@alrajhi-capital.com
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2015

Property Address: Lulu'u Hyper market - Commercial center- Riyadh city - Valuation Report analysis

Tenure: Commercial Freehold property

We are delighted to submit our Valuation report for – **Lulu'u Hyper market - Commercial Center - Riyadh city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for shops units based to market and based to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **221,566,967 S.R** has been assessed by **Residual value, and DRC method (Depreciation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for Lulu'u Hyper market Property.
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation, as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Hyper market - Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 6th of May 2018 by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr.Nael Jaddalh 059 382 5222 (on behalf of Al-Multaq)
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset 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.

4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Riyadh city** to reach the actual transaction of some land prices and for building we used replacement cost value we depend on Saudi construction cost in time of valuation.

7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within Al-Nahda district **close to Khuris road intersection point with Salman Al-Farsi Street**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018, AD.**

9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

11-Foundation of evaluation report and Contents

Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

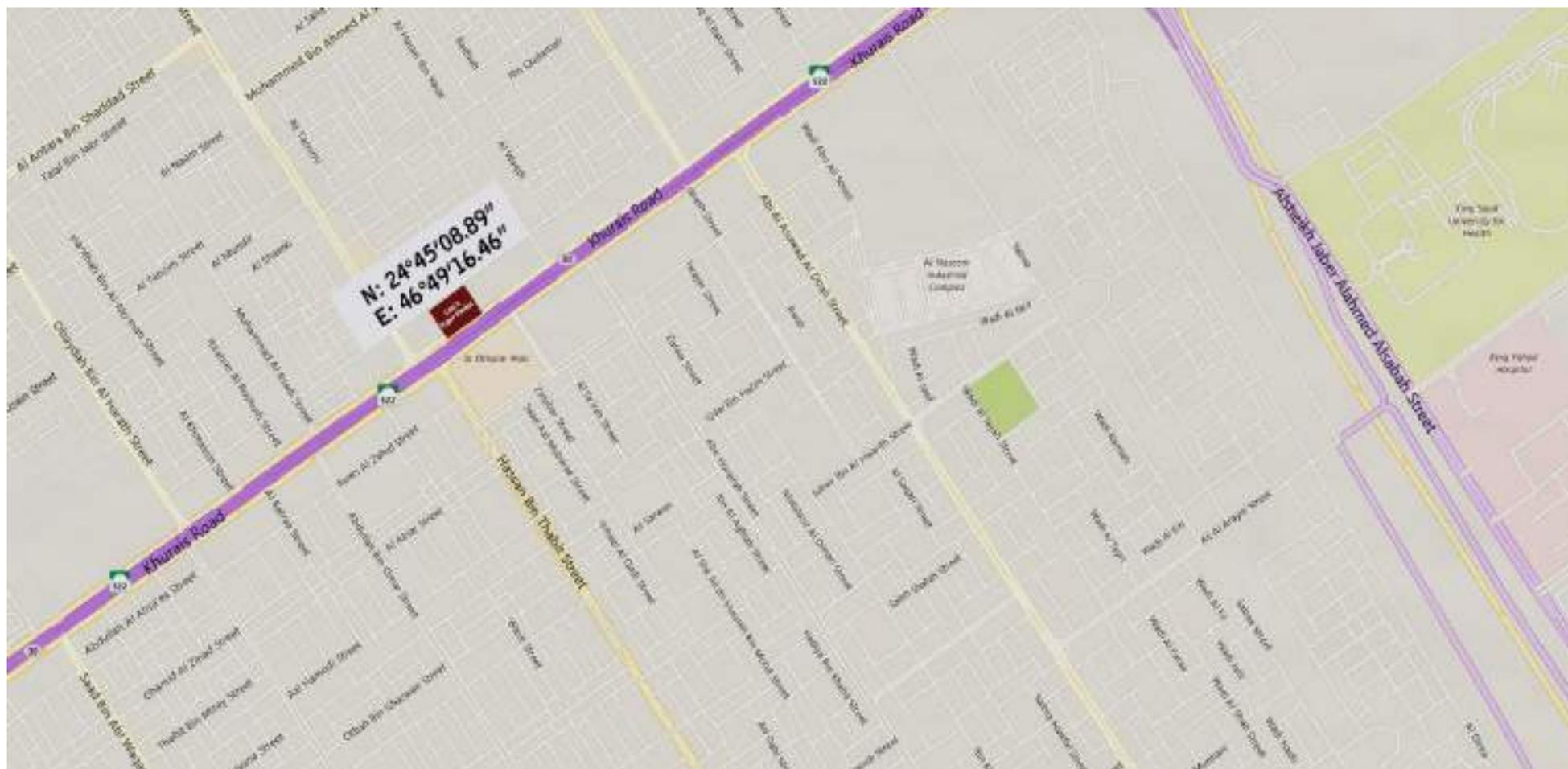
Attachments

1. Google earth pictures of sample taken from region
 2. Evaluation Report
-

12-

13-Property's Identification

The subject property consists of commercial property (Land + building) located in **Riyadh city** within Al-Nahda district **close to Khuris road intersection point with Salman Al-Farsi Rd.** Land area: **19,500 sq m + Building GFA 37,366.36 sq m plus 193 Fence** based on data has been received from **Al-Rajhi Capital Co.** **Geographic Coordinates:** **N: 24°45'08.89" - E: 46°49'16.46"**



The Image below shows the Boundaries of the site:

Micro Situation



12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the buildings from 2 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential East of Riyadh)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- Affordable of comparable lands within Southern side of Khuris Rd only, offering for sale; the prices starting from 3,750 – 5,000.
- Affordable of any commercial projects in case of new supply from offices and shops.

Main features of the Property:

- Commercial Center located in front of Al-Othiem mall.
- 1 Basement floor contain 333 car parks. Outdoor surface parking: 110 car park unit
- Lulu'u Hyper market plus Shops with mid- scale tenant mix – Occupied 100%
- Basement: Fire alarm system, fire sprinkles, Exhaust air ducts
- Electric doors, 2 escalators connected basement and ground floor, 2 electric stairs, 2 elevators and all are Kone Manufacturing
- Automatic fire system covers all the center, HVAC (enternal package units – York manufacturing)
- Ground Ceramic

Main Disadvantages of the Property:

- Metro infrastructure work on Salman Al-Farsi Rd Nearby which may hinder accessibility towards property
- Tenant Mix computable with Market within Site's area



14-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation fair market value (FMV)

RV methodology definition:

The Land - Residual Approach is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet - Commercial Center - retail Project

<i>Cost Type- Dev Type</i>	Con Year 1	Con Year 2	Con Year 3
Development Work			
Land Area - developed / year - sqm	19,500		
Development Cost S.R / SQM	80		
Total Development Cost / Year	1,560,000		
Commercial Retail Center Grade B			
Total BUA - sq m	41,925.0		
Retail Units BUA construction / Year	13,975	13,975	13,975
Construction & F&E Cost S.R / sqm	3,000	3,000	3,000
Total Construction Cost / year	41,925,000	41,925,000	41,925,000
Total Construction Costs	41,925,000	41,925,000	41,925,000
Other Costs			
Professional Fees (Engineering Consultant) 2.5%	1,048,125	1,048,125	1,048,125
Statutory fees 2%	838,500	419,250	419,250
Marketing Fees (Media & Advertising) 1.5%	628,875	628,875	628,875
Contingency costs 10%	4,192,500	4,192,500	4,192,500
Overhead cost 2.5%	1,048,125	1,048,125	1,048,125
Total Dev - Cost - SR	49,681,125	49,261,875	49,261,875

Gross Income & Revenues Sheet - Free Future Cash Flow (FFCF)

	Dev- period 3 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1- Commercial shops							
Leasable area - sq m		17,940	17,940	17,940	17,940	17,940	17,940
Annual rental price - sq m		1,300	1,300	1,300	2,100	2,100	2,100
Occupancy Rate %		70%	95%	95%	95%	95%	95%
Revenues Cat 1		16,325,400	22,155,900	22,155,900	35,790,300	35,790,300	35,790,300
Gross Revenues		16,325,400	22,155,900	22,155,900	35,790,300	35,790,300	35,790,300

Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Revenues	16,325,400	22,155,900	22,155,900	35,790,300	35,790,300	35,790,300
General & Administrative Expenses (15%)	2,448,810	3,323,385	3,323,385	5,368,545	5,368,545	5,368,545
Gross Profit - EBITDA	13,876,590	18,832,515	18,832,515	30,421,755	30,421,755	30,421,755
Depreciation	(993,623)	(993,623)	(993,623)	(993,623)	(993,623)	(993,623)
Earnings after depreciation	12,882,968	17,838,893	17,838,893	29,428,133	29,428,133	29,428,133
Interest Expense	(3,552,000)	(3,552,000)	(3,552,000)	0	0	0
Earning after interest expense	9,330,968	14,286,893	14,286,893	29,428,133	29,428,133	29,428,133
Zakat and VAT *(7.5%)	(699,823)	(1,071,517)	(1,071,517)	(2,207,110)	(2,207,110)	(2,207,110)
Net Income	8,631,145	13,215,376	13,215,376	27,221,023	27,221,023	27,221,023
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
	24					
Additions to Retained Earnings	8,631,145	13,215,376	13,215,376	27,221,023	27,221,023	27,221,023
Cumulative Retained earnings	8,631,145	21,846,521	35,061,896	766,211,293	793,432,315	820,653,338

Cash Flow Statement

Cash flow Table	Construction Year 1	Construction Year 2	Construction Year 3	Operation Year 1	Operation Year 2	Operation Year 3	Operation Year 33
IN - Flow							
Capital Injection							
Net Revenues				8,631,145	13,215,376	27,221,023	27,221,023
Depreciation				993,623	993,623	993,623	993,623
Total Inflow				9,624,767	14,208,998	28,214,645	28,214,645
OUT Flow							
Total Construction Cost	49,681,125	49,261,875	49,261,875				
Professional Fees	1,048,125	1,048,125	1,048,125				
Statutory fees 2%	838,500	419,250	419,250				
Marketing Fees (Media & Advertising) 1.5%	628,875	628,875	628,875				
Contingency costs 10%	4,192,500	4,192,500	4,192,500				
Overhead cost 1%	1,048,125	1,048,125	1,048,125				
Total Outflow	(57,437,250)	(56,598,750)	(56,598,750)				
Net Cash Flow	(57,437,250)	(56,598,750)	(56,598,750)	9,624,767	14,208,998	28,214,645	28,214,645
Cumulative Net Income	(57,437,250)	(114,036,000)	(170,634,750)	(161,009,983)	(146,800,985)	654,593,485	682,808,130

Residual Value - RV (Investment method)

RV	Construction / Year 1	Construction/ Year 2	Construction / Year 3	Operation / Year 1	Operation / Year 31	Operation / Year 32	Operation / Year 33	Total
IN - Flow	Period	1	2	3	33	34	35	
Revenues		0	0	8,631,145	27,221,023	27,221,023	27,221,023	
Total Inflow		0	0	9,624,767	28,214,645	28,214,645	28,214,645	797,013,590
Discount Rate:	7%	0.932	0.869	0.809	0.098	0.091	0.085	
OUT Flow								
Total Outflow		0	0	0	0	0	0	
Total Cash out								
Net Cash Flow (Before Discount Rate)	(148,204,875)	0	0	9,624,767	28,214,645	28,214,645	28,214,645	210,747,701
								Total Cash flow
Discounted Cash Flow DCF	(148,204,875)	0	0	7,790,962	2,758,568	2,570,893	2,395,986	78,823,495
								DCF

Fair Market Value - FMV	
	Land - FMV 78,823,495
	Land area - sq m 19,500.00
FMV - per sq m	4,042.23

Fair Market Value FMV	Land Area - sqm	Value / sq m . S.R	FMV S.R
Fair Market Value for land	19,500	4,042.23	78,823,495

13.2- Depreciated Replacement cost method (DRC) A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

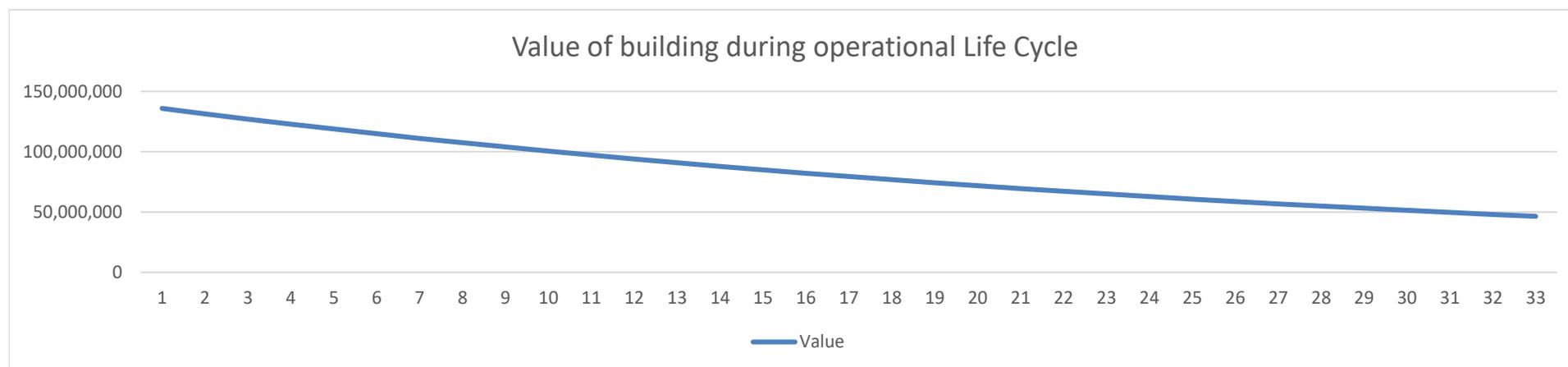
Replacement cost	BUA – built up area – sqm	Type of operation
Basement Floor	12,517.61	Car parks
Ground Floor	10,879.85	Hyper market and Shops
First Floor	11,061.90	Hyper market and Shops
Electricity Room	20	Services
Annex Floor	2,887	Offices
Outdoor area	8,621	Entrance, exit, car parks
Fence	193	Services

Depreciated Replacement cost (DRC)

Standards: Average useful life for Showrooms building in Riyadh city after taken into consideration climate	N (number of years) =	33 years
Depreciation ratio Per annum 3.3%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2.8%
Building (equipment) useful life	N (number of years) =	4 years (starting Operation period @1435 Hijri)
Acc Deprecation	2.8%*4 =	11.2 %

Finishing 100% (Fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
Basement Floor	12,517.61	3,000	100%	37,552,830
Ground Floor	10,879.85	3,500	100%	43,519,400
First Floor	11,061.90	3,500	100%	44,247,600
Electricity Room	20	2,000	100%	40,000
Annex Floor	2,887	2,800	100%	8,661,000
Outdoor area	8,621	200	100%	1,724,200
Fence	193	500	100%	96,500
Replacement cost				135,841,530
- Acc Depreciation		135,841,530*11.2%		(15,214,251)
Depreciated Replacement cost DRC SAR				120,627,279



15-Fair market value (property) Land + Building In the case of finishing up to date from Finishing, fixtures & equipment work- Currency SAR

Fair Market Value (Land)	78,823,495 S. R
+	
Building	120,627,279 S. R
+ (Profit Margin) 20%	24,125,456 S. R
Fair market value - Property	223,576,229 S.R (Two Hundred twenty three million, Five Hundred seventy - six thousand, Two hundred twenty two Saudi riyal

(Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
212,300,000 S. R	223,576,229 S. R	234,700,000 S. R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.8% Average market Yield-Riyadh city Q1-2018

Net Operating Income NOI <u>Triple Net</u> based to remaining rent period as per the following:		
<p>– Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Multaq real estate inv) for 15 obligatory year contractually period (Net Rent / annum 15,275,000 SAR during first 5 years, and Net Rent / annum 16,344,525 during the second five years, and Net Rent / annum 17,488,348 during the rest of Contract's period – 5 Years) – SR starting from 1 Dec 2014 till 25 April 2029 (Remaining 11 Years)</p>		
Period 1 : : from 1 Dec 2014 till 1 Dec 2019 (Remaining 7 month and 15 days) = (15,275,000 * 0.715)	10,921,625	17,047,140
Period 2: From 1 Dec 2019 till 1 Dec 2024 (Coming 5 Years) = (16,344,525 * 5)	81,722,625	
Period 3 : From 1 Dec 2024 till 25 April 2029 (Coming 5 years ,4 months, 25 days) = (17,488,348 * 5.425)	94,874,288	
Sum	187,518,538	
n period	11	
Net Operating Income NOI- Triple Net	17,047,140	
– Vacancy and collection loss		0
Effective gross income		17,047,140
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		0
Net operating income NOI – Triple Net		17,047,140
Fair Market Value @ 7.8% Capitalization rate		218,553,074

16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	223,576,229	
Capitalization rate - FMV	218,553,074	
Weighted Average - Percentage	DRC 60%	134,145,737
	Cap rate 40%	87,421,230
Fair market value FMV	221,566,967 (Two hundred twenty-one million, five hundred sixty-six thousand, nine hundred sixty-seven SR)	

(Sensitivity Analysis) for Asset Property FMV

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
210,400,000 SR	221,566,967 SR	232,600,000 SR

17- Real Estate Market Summary- Al-Riyadh Q1-2018

Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. 11 new brands hotels are expected to enter the market over the next two years with totally 3900 hotels room.

17.1-Offices market: Offices vacancies Decreased over the quarter due to new Demands from companies after public and private sectors start looking for new location; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents. Market also contributed to the decrease in vacancies in remaining of 2018

17.2-Residential market: Also, performance declined in residential sector. Villas selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices still stable in waiting for departure of large number of expatriates.

17.3-Hospitality market: Average daily rates falling 14%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017-Q1 2018.

17.4-Retail market: While occupancies decreased marginally in the retail sector over 2017, they are expected to soften of the rest of year of 2018 as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales. And Cinema presence will help Retail sector in increasing Occupancies.

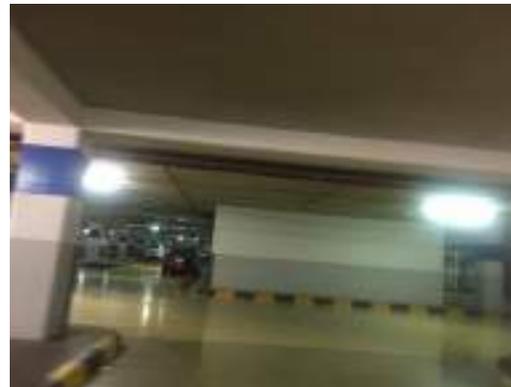
17.5- Industrial warehouses: While occupancies increased marginally in the industrial warehouses sector over 2017, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

18- External and internal Pictures

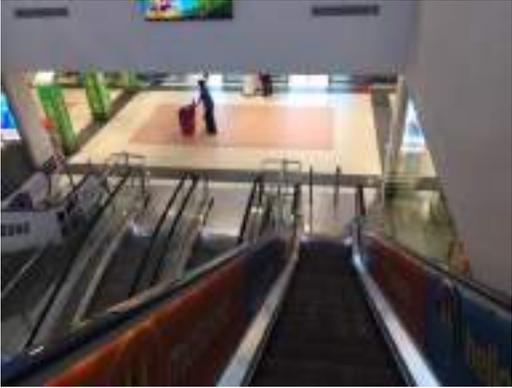
External view



Internal view



Internal view



Internal view



19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
Fadi Naeem	Site visit, inspection Catchment area	1220000119	1440/04/2	Real estate
Ashraf Al-Shaeer	Final Revision – Release	1220000021	1440/04/2	Real estate

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Valuation Report Analysis
Narjes Plaza Property
AL-Riyadh City - KSA - May 15, 2018

Prepared for
Al-Rajhi Capital



شركة أولات للتقييم العقاري
Olaat Valuation Company



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OPM does not accept any liability in negligence or otherwise for a loss of damage suffered by any party resulting from the dependence of this publication.

Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi Capital.

Riyadh City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

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C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center –Commercial shops & offices
Location	Riyadh city – Al-Narjess District- Intersection point btw Othman bin Affan & Al-Thumama road
Land Area	9,000 sq m
Title deed number	210115041823
Title's date	6/09/1436 H
Plots Number	From 69 until 80
Scheme Number	2737
Land Topography	Flat
Boarded streets & Neighbors	N: Pathway width 8 m length 60 m
	S: Street width 15 m length 60 m
	E: Street width 80 m length 150 m
	W: Street width 15 m length 150 m
Building Build- up area (Gross floor area) GFA	5,473.6 sq m plus Fence 224 sq m
Building's Permit number	1431/671
Building Permit's date	18/01/1431 H
Fair Market value for Property SAR	61,547,196 (Sixty-one million, five hundred forty-seven thousand, one hundred ninety-six SR)

Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital
For the attention of:
Mr: **Abdul-Aziz Al-Sabt**
T: +966 (11) 211 9417
alsabtaa@alrajhi-capital.com
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2018

Property Address: Al-Narjess Commercial center- Riyadh city - Valuation Report analysis

Tenure: Commercial Freehold property

We are delighted to submit our Valuation report for – **Al-Narjess Commercial Center - Riyadh city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for offices and shops units based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **61,547,196 S.R** has been assessed by **Residual value, and DRC method (Depreciation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	AI-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for Narjes PLaza Property .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation , as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Offices and Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 7th of May 2018 by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr.Mohammad Bakri 056 220 8888 (on behalf of Al-Fowzan)
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset 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.

4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, In addition, we consulted many of real estate experts in **Riyadh city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within Al-Narjess district **on Othman Bin Affan road intersection point with Al-Thumama road**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD.**

9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

11-Foundation of evaluation report and Contents

Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

Attachments

1. Google earth pictures of sample taken from region
 2. Evaluation Report
-

12-Property's Identification

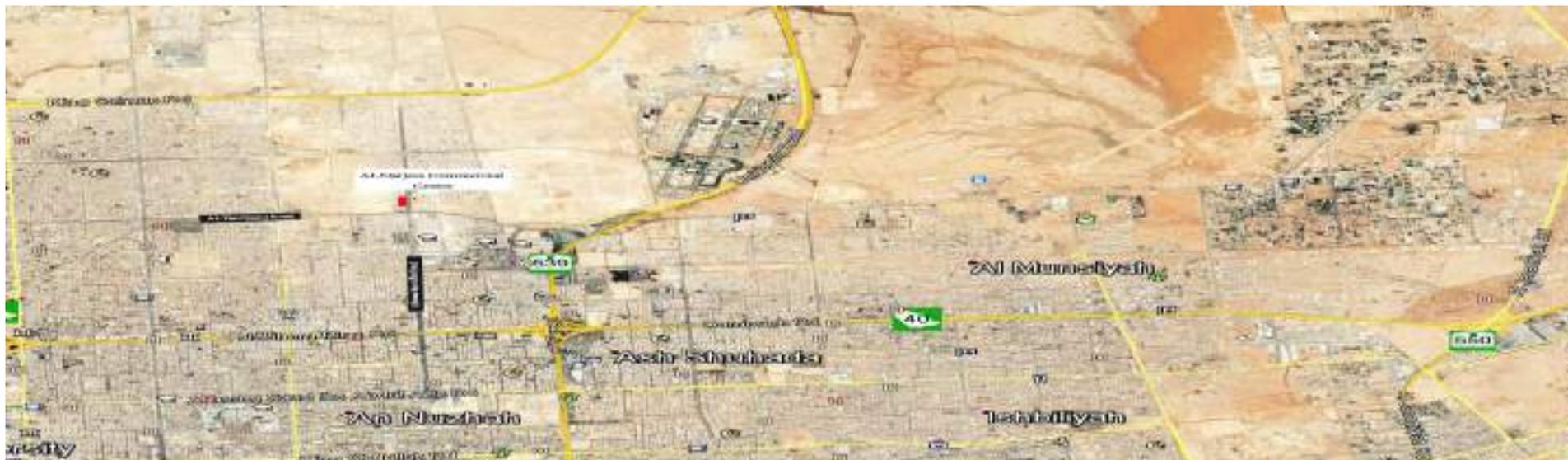
The subject property consists of commercial property (Land + building) located in **Riyadh city** within Al-Narjess district Othman Bin Affan road. Land area: **9,000 sq m + Building GFA 5,473.6 sq m plus Fence 224 sq m** based on data has been received from **Al-Rajhi Capital Co.** **Geographic**

Coordinates: **N: 24°49'09.03"** - **E: 46°41'11.46"**



The Image below shows the Boundaries of the site:

Micro Situation



12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the buildings from 3 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential North of Riyadh)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- No Any land in site region offering either for rent or sale
- Many of new commercial projects are under development in case of new supply from offices and shops north side.

Main features of the project:

- Commercial offices building class C+
- Outdoor parking: 120 nos. car park
- Split units for offices HVAC system
- All building full covered with CCTV
- All offices area below standard system 3.6*3.6 consists of (Smoke detector)
- Al-Tamimi Supermarket plus 15 showrooms with valuable tenant mix and 5 office- occupancy rate 90%



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation fair market value (FMV)

RV methodology definition:

The Land - Residual Approach is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet		
Cost Type- Dev Type	Year 1-3	
Development Work		
Land Area - developed / year - sqm	9,000	
Development Cost S.R / SQM	120	
Total Development Cost / Year	1,080,000	
Commercial Offices & Shops		
Sharing of land allocated for building	5,400	
1- Building (Offices & Shops)		
1 basement floor - Gross area - sqm	2,500	
GF-FF- Roof F	13,500	
Replacement cost - sq m		
1 basement floors - Gross area - sqm	2,500	
GF-FF- Roof F	1,700	
	Built-Up area (GFA) sqm	Con cost - S.R /sqm
1 basement floors - Gross area - sqm	2,500	2,500
GF-FF- Roof F	13,500	1,700
Construction Cost - S.R for part 1	29,200,000	
2- Landscaping and external car parks		
Landscaping, Green area	3,600	
	Built-Up area (GFA) sq m	Con cost - S.R /sq m
Landscape, fences, outdoor car parks, fences	3,600	650
Construction Cost - S.R for part 2	2,340,000	
Total Construction Cost - S.R	32,620,000	
Other Costs		
Professional Fees (Engineering Consultant) 2.5%	815,500	
Statutory fees 2%	652,400	
Marketing Fees (Media & Advertising) 1.5%	489,300	
Contingency costs 1.5%	489,300	
Overhead cost 2.5%	815,500	
Total Dev - Cost - SR	35,882,000	

Annual Income & Revenues Sheet - Free Future Cash Flow (FFCF)

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 30	Year 31	Year 32	Year 33
Category 1: Commercial Offices								
Offices - Grade C+								
Net Leasable area		8,100	8,100	8,100	8,100	8,100	8,100	8,100
Annual Rental price / sq m - S.R		600	600	600	600	600	600	600
Occupancy rate		80%	95%	95%	99%	98%	98%	98%
Revenues Cat 1.1		3,888,000	4,617,000	4,617,000	4,811,400	4,762,800	4,762,800	4,762,800
Category 2: Commercial Shops								
Shops - Grade B								
Net Leasable area		4,320	4,320	4,320	4,320	4,320	4,320	4,320
Annual Rental price / sq m - S.R		950	950	950	1,150	1,150	1,150	1,150
Occupancy rate		80%	100%	100%	100%	100%	100%	100%
Revenues Cat 2		3,283,200	4,104,000	4,104,000	4,968,000	4,968,000	4,968,000	4,968,000
Total Sales Revenues		7,171,200	8,721,000	8,721,000	9,779,400	9,730,800	9,730,800	9,730,800

Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	7,171,200	8,721,000	8,721,000	9,730,800	9,730,800	9,730,800
General & Administrative Expenses 10%	717,120	872,100	872,100	973,080	973,080	973,080
Gross Profit - EBITDA	6,454,080	7,848,900	7,848,900	8,757,720	8,757,720	8,757,720
Depreciation	1,076,460	1,076,460	1,076,460	1,076,460	1,076,460	1,076,460
Earnings after depreciation	5,377,620	6,772,440	6,772,440	7,681,260	7,681,260	7,681,260
Interest Expense	358,820	358,820	358,820	358,820	358,820	358,820
earning after interest expense	5,018,800	6,413,620	6,413,620	7,322,440	7,322,440	7,322,440
Other expenses	0	0	0	0	0	0
Net Income	5,018,800	6,413,620	6,413,620	7,322,440	7,322,440	7,322,440
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	5,018,800	6,413,620	6,413,620	7,322,440	7,322,440	7,322,440
Cumulative Retained earnings	5,018,800	11,432,420	17,846,040	80,984,240	88,306,680	95,629,120

Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
IN - Flow						
Capital Injection						
Net Revenues		5,018,800	6,413,620	7,322,440	7,322,440	7,322,440
Total Inflow		5,018,800	6,413,620	7,322,440	7,322,440	7,322,440
OUT Flow						
Total Construction Cost	32,620,000					
Professional Fees	815,500					
Statutory fees 2%	652,400					
Marketing Fees (Media & Advertising) 1.5%	489,300					
Contingency costs 1%	489,300					
Overhead cost 1%	815,500					
Total Outflow	(35,882,000)					
Net Cash Flow	(35,882,000)	5,018,800	6,413,620	7,322,440	7,322,440	7,322,440
Cumulative Net Income	(35,882,000)	(30,863,200)	(24,449,580)	80,984,240	88,306,680	95,629,120

Net Present Value & Internal Rate of Return

NPV - IRR	Year 0	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33	Total
IN - Flow								
Revenues		5,018,800	6,413,620	6,413,620	7,322,440	7,322,440	7,322,440	
Total Inflow		5,018,800	6,413,620	6,413,620	7,322,440	7,322,440	7,322,440	138,599,900
Discount Rate: 10%								
		0.909	0.826	0.751	0.039	0.035	0.032	
OUT Flow								
Total Outflow		(35,882,000)						
Total Cash out								
Net Cash Flow (Before Discount Rate)	(35,882,000)	5,018,800	6,413,620	6,413,620	7,322,440	7,322,440	7,322,440	55,021,266
								Total Cash flow
Discounted Cash Flow DCF								
		4,562,545	5,300,512	4,818,648	288,166	259,609	233,882	51,818,380
								Residual Value
Value Per / SQM								
	Land Value (PV)	51,818,380						
	Square Meters	9,000						
Estimated SQM value (S.R)		5,757.60						
Fair Market Value FMV		Land Area – sq m		Value / sq m. S.R			FMV S.R	
Fair Market Value for land		9,000		5,575.60			51,818,380	

13.2- Depreciated Replacement cost method (DRC) A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

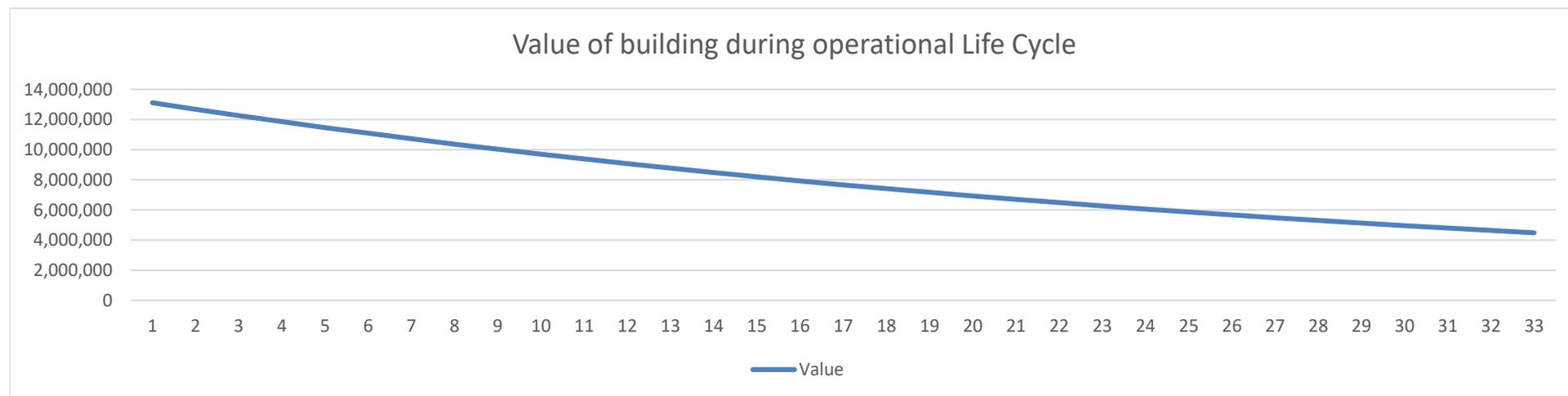
Replacement cost	BUA – built up area – sqm	Type of operation
GF, FF, and Roof floor	5,473.6	Offices-shops-Service area
Outdoor area	4,000	Entrance, exit, car parks
Fence	224	Service

Depreciated Replacement cost (DRC)

Standards: Average useful life for showrooms and Offices building in <u>Riyadh</u> city after taken into consideration climate and moisture	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	5.5 years (starting Operation period @1433 Hijri)
Acc Deprecation	2%*5.5=	11 %

(Fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
GF, FF, and Roof floor	5,473.6	1,900	100%	10,399,840
Landscaping and outdoor car parks	4,000	650	100%	2,600,000
Fence	224	500	100%	112,000
Replacement cost				13,111,840
- Acc Depreciation		13,111,840*11 %		(1,442,302)
Depreciated Replacement cost DRC				11,669,537



14-Fair market value (property) Land + Building In the case of finishing up to date from Finishing, fixtures & equipment work- Currency SAR

Fair Market Value (Land)	51,818,330 S.R
+	
Building	11,669,537 S.R
Fair market value - Property	63,487,867 S.R (Sixty three million, four hundred eighty seven thousand, eight hundred sixty seven Saudi riyal)

(Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
60,000,000 S.R	63,487,867 S.R	66,200,000 S.R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Riyadh city Q1-2018

Net Operating income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Fowzan for construction and real estate For Real estate) for 10 obligatory year contractually period (Net Rent/ annum 4,160,000 SAR during the first 5 years and Net Rent/ annum 4,492,800 during the rest of Contract's period) – SR starting from 5 Ramadan Hijri 1436 till 4 Ramadan 1446 Hijri (Remaining 7 Hijri Years)		
Period 1: : from 5 Ramdan 1436 till 5 Ramdan 1440 (Remaining 2 yrs) = (4,160,000 * 2)	8,580,000	4,326,400
Period 2: from 5 Ramdan 1440 till 5 Ramdan 1446 (Coming 5 Years) = (4,492,200 * 5)	23,166,000	
Sum	31,746,000	
n period	7	
Net Operating Income NOI- Triple Net	4,326,400	
– Vacancy and collection loss		
Additional income (additional space unrented)		
Effective gross income		
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		4,326,400
Net operating income NOI		4,326,400
Fair Market Value @ 7.5% Capitalization rate		58,636,190

16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	63,487,867	
Capitalization rate - FMV	58,636,190	
Weighted Average - Percentage	DRC	38,092,720
	60%	
	Cap rate	23,454,476
40%		
Fair market value FMV	61,547,196 (Sixty-one million, five hundred forty-seven thousand, one hundred ninety-six SR)	

(Sensitivity Analysis) (Risk matrix)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
58,500,000 S.R	61,547,196 S.R	64,500,000 S.R

17- Real Estate Market Summary- Riyadh Q1-2018

Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. 11 new brands hotels are expected to enter the market over the next two years with totally 3900 hotels room.

17.1-Offices market: Offices vacancies Decreased over the quarter due to new Demands from companies after public and private sectors start looking for new location; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents. Market also contributed to the decrease in vacancies in remaining of 2018

17.2-Residential market: Also, performance declined in residential sector. Villas selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices still stable in waiting for departure of large number of expatriates.

17.3-Hospitality market: Average daily rates falling 14%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017-Q1 2018.

17.4-Retail market: While occupancies decreased marginally in the retail sector over 2017, they are expected to soften of the rest of year of 2018 as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales. And Cinema presence will help Retail sector in increasing Occupancies.

17.5- Industrial warehouses: While occupancies increased marginally in the industrial warehouses sector over 2017, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

18-External and internal Pictures

External view



External view



Internal view



19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
Fadi Naeem	Site visit, inspection Catchment area	1220000119	1440/04/2	Real estate
Ashraf Al-Shaer	Final Revision – Release	1220000021	1440/04/2	Real estate

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Valuation Report Analysis
Panda Al-Marwa Property
Jeddah City - KSA - May 15, 2018

Prepared for
Al-Rajhi Capital



شركة أولات للتقييم العقاري
Olaat Valuation Company



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Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi Capital.

Jeddah City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: m.mardena@olaat.com

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C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center – Commercial shops
Location	Jeddah city – Al-Marwa District- Prince Miteb Road
Land Area	38,641 sq m
Title deed number	420205025490
Title's date	13/3/1437 H
Plots Number	1
Scheme Number	432/ج/س
Land Topography	Flat
Boarded streets & Neighbors	<p>N: Street width 26.5 m length 162 m and then length 7.07 m</p> <p>S: street width 12 m length 162 m and then length 4.24 m</p> <p>E: Prince Miteb width 80 m length 217.5 m and then 7.07 m</p> <p>W: Street width 16 m length 221.5 m and then 4.24 m</p>
Building Build- up area (Gross floor area) GFA	15,247.72 sq m
Building's Permit number	23508
Building Permit's date	23/05/1429 H
Fair Market value for Property SAR	187,870,865 (One hundred eighty-seven million, eight hundred seventy thousand, eight hundred sixty-five SR)

Legal Documents

TITLE DEED



BUILDING'S PERMIT



Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital
For the attention of:
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alsabtaa@alrajhi-capital.com
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2018

Property Address: Panda AL-Marwa - Jeddah city - Valuation Report analysis

Tenure: Commercial Freehold property

We are delighted to submit our Valuation report for – **Panda Al-Marwa - Jeddah city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for Offices and shops units based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **187,870,865 S.R** has been assessed by **Residual value, and DRC method (Depreciation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for Panda Al-Marwa Property .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation , as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Hyper market)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 9th of May 2018 by Mohammad Saleh Saudi Authority for Accredited Values membership (Taqeem) 1220000372, all significant parts of the property were inspected.
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council** (IVSC): The estimated amount for which an asset 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.

4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Jeddah city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within Al-Marwa district on **Prince Miteb Rd**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD**.

9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

11-Foundation of evaluation report and Contents

Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

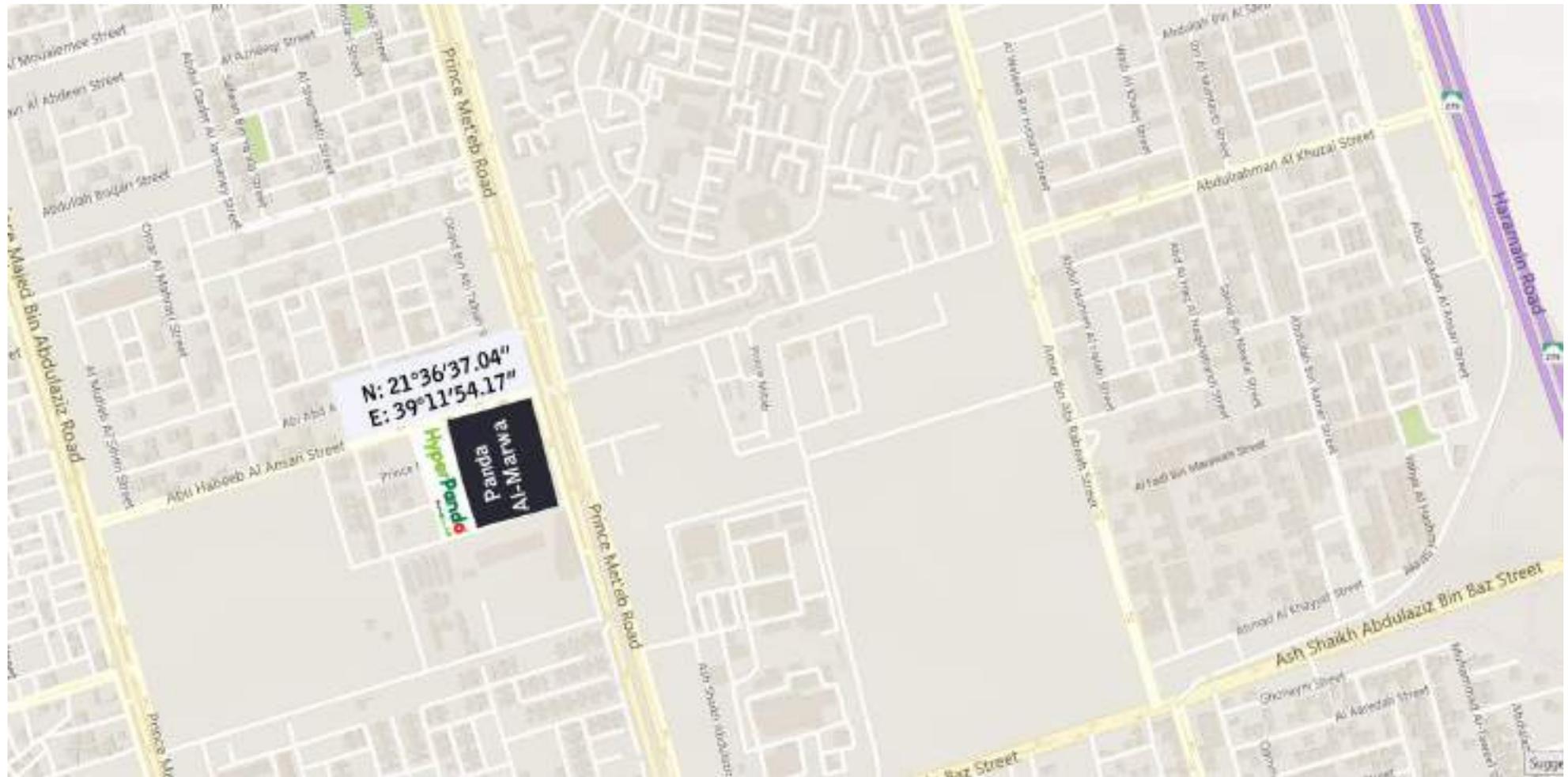
Attachments

1. Google earth pictures of sample taken from region
 2. Evaluation Report
-

12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Jeddah city** within Al-Marwa district on **Prince Miteb Rd Street**. Land area: **38,641 sq m + Building GFA 15,247.72 sq m** based on data has been received from **Al-Rajhi Capital Co.** **Geographic Coordinates:** **N:**

21°36'37.04" - E: 39°11'54.17"



The Image below shows the Boundaries of the site:

Micro Situation



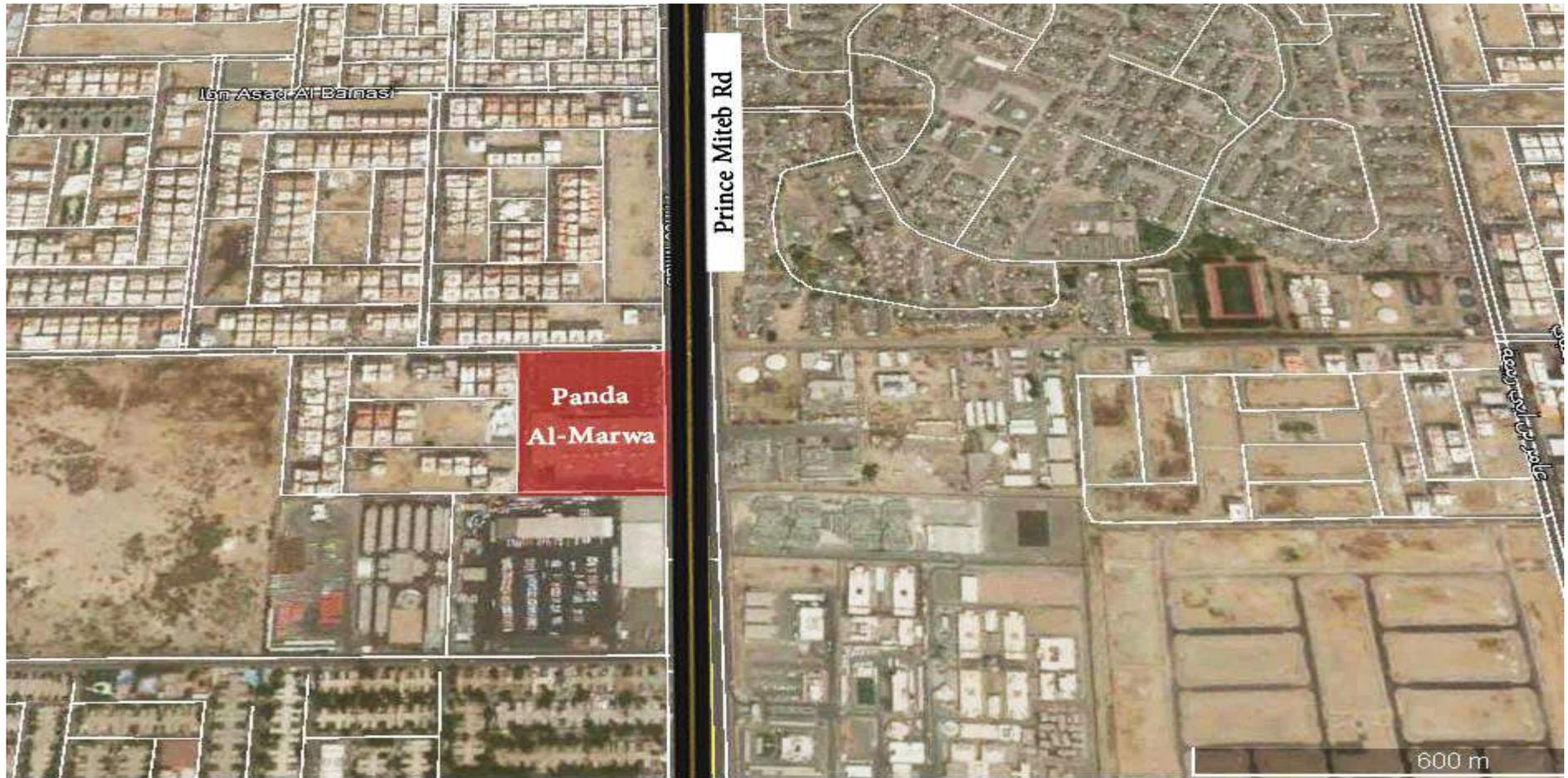
12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the buildings from 4 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- Lacking of lands in site region offering either for rent or sale
- Affordable mix projects commercial- Residential in case of new supply from offices and shops such as Manazel Al-Safwa Project (residential and Commercial).

Main features of the project:

- Commercial class B
- Outdoor parking: more than 800 car park units
- Central HVAC system
- Panda Supermarket



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation fair market value (FMV)

RV methodology definition:

The Land - Residual Approach is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet

Cost Type - Dev Type	Year 1-2	
Development Work		
Land Area - developed / year - sqm	38,641	
Development Cost S.R / SQM	120	
Total Development Cost / Year	4,636,920	
Commercial Offices & Shops		
Sharing of land allocated for building	23,185	
1- Building (Offices & Shops)		
1 basement floor - gross area - sqm (100% land area)	38,641	
GF-FF- Roof F	57,962	
Replacement cost - sq m		
1 basement floors - gross area - sqm	2,500	
GF-FF- Roof F	2,200	
	Built-Up area (GFA) sqm	Con cost - S.R /sqm
1 basement floors - gross area - sqm	38,641	2,500
GF-FF- Roof F	57,962	2,200
Construction Cost - S.R for part 1	224,117,800	
2- Landscaping and external car parks		
Landscaping, Green area	15,456	
	Built-Up area (GFA) sqm	Con cost - S.R /sqm
Landscape, fences, outdoor car parks, fences	15,456	450
Construction Cost - S.R for part 2	6,955,380	
Total Construction Cost - S.R	235,710,100	
Other Costs		
Professional Fees (Engineering Consultant) 2.5%	5,892,753	
Statutory fees 2%	4,714,202	
Marketing Fees (Media & Advertising) 1.5%	3,535,652	
Contingency costs 1.5%	3,535,652	
Overhead cost 2.5%	5,892,753	
Total Dev - Cost - SR	259,281,110	

Annual Income & Revenues Sheet - Free Future Cash Flow (FFCF)

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1: Commercial Offices							
Offices - Grade C+							
Net Leasable area		34,777	34,777	34,777	34,777	34,777	34,777
Annual Rental price / sqm - S.R		600	600	600	550	550	550
Occupancy rate		80%	95%	95%	95%	95%	95%

Revenues Cat 1		16,692,912	19,822,833	19,822,833	18,170,930	18,170,930	18,170,930
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Category 2: Commercial Shops							
Shops - Grade B							
Net Leasable area		13,911	13,911	13,911	13,911	13,911	13,911
Annual Rental price / sqm - S.R		900	900	900	1,000	1,000	1,000
Occupancy rate		80%	100%	100%	100%	100%	100%

Revenues Cat 2		10,015,747	12,519,684	12,519,684	13,910,760	13,910,760	13,910,760
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Gross Revenues		26,708,659	32,342,517	32,342,517	32,081,690	32,081,690	32,081,690
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Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Gross Revenues	26,708,659	32,342,517	32,342,517	32,081,690	32,081,690	32,081,690
General & Administrative Expenses 10%	2,670,866	3,234,252	3,234,252	3,208,169	3,208,169	3,208,169
Gross Profit - EBITDA	24,037,793	29,108,265	29,108,265	28,873,521	28,873,521	28,873,521
Depreciation	7,778,433	7,778,433	7,778,433	7,778,433	7,778,433	7,778,433
Earnings after depreciation	16,259,360	21,329,832	21,329,832	21,095,088	21,095,088	21,095,088
Interest Expense	3,889,217	3,889,217	3,889,217	3,889,217	3,889,217	3,889,217
Earnings after interest expense	12,370,143	17,440,615	17,440,615	17,205,871	17,205,871	17,205,871
Zakat and VAT (7.5%)	927,761	1,308,046	1,308,046	1,290,440	1,290,440	1,290,440
Net Income	11,442,383	16,132,569	16,132,569	15,915,431	15,915,431	15,915,431
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	11,442,383	16,132,569	16,132,569	15,915,431	15,915,431	15,915,431
Cumulative Retained earnings	11,442,383	27,574,952	43,707,521	187,446,622	203,362,053	219,277,483

Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
IN - Flow						
Capital Injection						
Net Revenues		11,442,383	16,132,569	15,915,431	15,915,431	15,915,431
Total Inflow		11,442,383	16,132,569	15,915,431	15,915,431	15,915,431
OUT Flow						
Total Construction Cost	235,710,100					
Professional Fees	5,892,753					
Statutory fees 2%	4,714,202					
Marketing Fees (Media & Advertising) 1.5%	3,535,652					
Contingency costs 1%	3,535,652					
Overhead cost 1%	5,892,753					
Total Outflow	(259,281,110)					
Net Cash Flow	(259,281,110)	11,442,383	16,132,569	15,915,431	15,915,431	15,915,431
Cumulative Net Income	(259,281,110)	(247,838,727)	(231,706,158)	187,446,622	203,362,053	219,277,483

Residual Value- Land Value

RV	Year 0	Year 1	Year 2	Year 3	Year 32	Year 33	Total
IN - Flow							
Revenues		11,442,383	16,132,569	16,132,569	15,915,431	15,915,431	
Total Inflow		11,442,383	16,132,569	16,132,569	15,915,431	15,915,431	349,084,349
Discount Rate: 8%							
		0.926	0.857	0.794	0.085	0.079	
OUT Flow							
Total Outflow		(259,281,110)					(259,281,110)
Total Cash out							
Net Cash Flow (Before Discount Rate)	(259,281,110)	11,442,383	16,132,569	16,132,569	15,915,431	15,915,431	129,151,460
							Total Cash flow
Discounted Cash Flow DCF		10,594,799	13,831,078	12,806,554	1,355,995	1,255,551	168,228,837
							Residual Value

Value Per / sq m		
	Land Value (PV)	168,228,837
	Square Meters	38,641.00
Estimated sq m value (S.R)		4,354

Fair Market Value FMV	Land Area - sqm	Value / sq m . S.R	FMV S.R
Fair Market Value for land	38,641	4,354	168,228,837

13.2- Depreciated Replacement cost method (DRC) A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

Replacement cost	BUA – built up area – sqm	Type of operation
GF	12,273	Commercial Shops
First Floor	2,974.72	Offices
Outdoor area	15,456.4	Entrance, exit, surface car parks

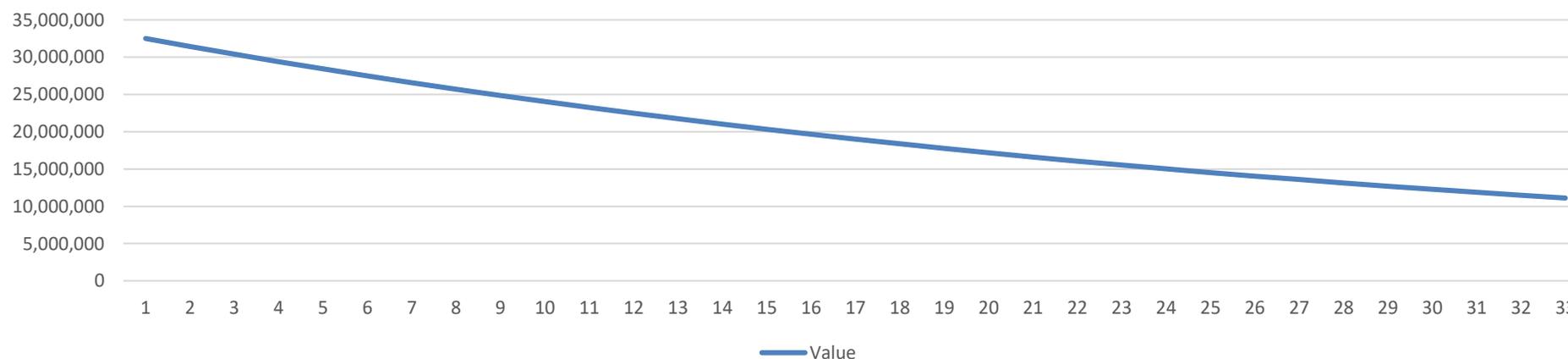
Depreciated Replacement cost (DRC)

Standards: Average useful life for Showrooms and Office building in <u>Jeddah</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	8 years (starting Operation period @1431 Hijri)
Acc Deprecation	2%*8=	16 %

(fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
GF	12,273	1,800	100%	22,091,400
First Floor	2,974.72	2,200	100%	6,544,384
Outdoor area	15,456.4	250	100%	3,864,100
Replacement cost				32,499,884
- Acc Deprecation		32,499,884*16 %		(5,199,981)
Depreciated Replacement cost DRC				27,299,903

Value of building during operational Life Cycle



14-Fair market value (property) Land + Building In the case fixtures & equipment F&E work-Currency SAR

Fair Market Value (Land)	168,228,837 S.R
+	
Building	27,299,903 S.R
Profit Margin 20%	5,459,981 S.R
Building Value	32,759,883 S.R
Fair market value - Property	200,988,720 S.R (Two Hundred million, nine hundred eighty-eight thousand, seven hundred twenty Saudi riyal)

(Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
191,000,000 S.R	200,988,720 S.R	211,000,000 S.R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7% Average market Yield- Jeddah city Q1-2018

Net Operating income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Aziziya Panda) for 15 obligatory year contractually period (Net Rent/ annum 9,809,608 SAR during the first 5 years and Net Rent/ annum 11,262,883 during the next five years, and Net Rent/ annum 12,716,158 during the rest of Contract's period) – SR starting from 12 Nov 2013 till 11 Nov 2028 (Remaining 10.6 Years)		
Period 1 : : from 12 Nov 2013 till 11 Nov 2018 (Remaining 6 months) = (9,809,608 * 0.5)	8,580,000	
Period 2: from 12 Nov 2018 till 11 Nov 2023 (Coming 5 Years) = (11,262,883 * 5)	23,166,000	11,773,586
Period 2: from 11 Nov 2023 till 11 Nov 2028 (Coming 5 Years) = (12,716,158 * 5)		
Sum	31,746,000	
n period	7	
Net Operating Income NOI- Triple Net	11,773,586	
– Vacancy and collection loss		0
Additional income (additional area unrented)		0
Effective gross income		11,773,586
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		0
Net operating income NOI		11,773,586
Fair Market Value @ 7% Capitalization rate SAR		168,194,082

16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	200,988,720	
Capitalization rate - FMV	168,194,082	
Weighted Average - Percentage	DRC	120,593,232
	60%	
	Cap rate	67,277,633
40%		
Fair market value FMV	187,870,865 (One hundred eighty-seven million, eight hundred seventy thousand, eight hundred sixty-five SR)	

(Sensitivity Analysis) (Risk matrix)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
177,000,000 S.R	187,870,865 S.R	196,000,000 S.R

17- Real Estate Market Summary- Jeddah Q1-2018

Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. Two new brands hotels are expected to enter the market over the next two years.

17.1-Offices market: Offices vacancies increased over the quarter due to new additions from offices spaces based to decreasing in demand level after public and private sectors delayed all new expansions and new movements; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Jeddah are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents.

The entry of over 145,000 sq m into the market since Q3-2017 has resulted the supply outpacing demand, and the release of shadow vacancies into the market also contributed to the increase in vacancies in Q4-2017.

17.2-Residential market: Also, performance declined in residential sector. Apartments selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices also falling down due to the departure of large number of expatriates last year.

17.3-Hospitality market: Average daily rates falling 18%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017.

17.4-Retail market: While occupancies increased marginally in the retail sector over Q1-2018, they are expected to soften of the rest of year as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales.

18-External and internal Pictures

External view



External view



Internal view



Internal view



Internal view



19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report	1220000297	31/12/2018	Real estate
Mohammad Saleh	Site visit, inspection Catchment area	1220000372	1440/04/2	Real estate
Ashraf Al-Shaeer	Final Revision – Release	1220000021	1440/04/2	Real estate

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Valuation Report Analysis
Panda Al-Rawdah Property
Jeddah City - KSA - May 15, 2018

Prepared for
Al-Rajhi Capital



شركة أولات للتقييم العقاري
Olaat Valuation Company



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Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi Capital.

Jeddah City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

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Valuation License: 1210000397

Property's Type	Commercial Center – Commercial shops
Location	Jeddah city – Al-Rawdah District- on Qasim Zayni St - close to Al-Madinah Road
Land Area	9,929.79 sq m
Title deed number	220205025489
Title's date	13/3/1437 H
Plots Number	23/24
Scheme Number	Al-Rawdah 3
Land Topography	Flat
Boarded streets & Neighbors	N: Street width 12 m length 94 m and then length 4.24 m
	S: Street width 25 m length 90 m and then length 7.07 m
	E: Street width 12 m length 91.72 m and then 7.07 m
	W: Street width 12 m length 91.56 m and then 4.25 m
Building Build- up area (Gross floor area) GFA	3,250.47 sq m
Building's Permit number	4221
Building Permit's date	10/11/1425 H
Fair Market value for Property SAR	61,395,917 (Sixty-one million, three hundred ninety-five thousand, nine hundred seventeen SR)

Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital
For the attention of:
Mr: **Abdul-Aziz Al-Sabt**
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alsabtaa@alrajhi-capital.com
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2018

Property Address: Panda AL-Rawdah - Jeddah city - Valuation Report analysis

Tenure: Commercial Freehold property

We are delighted to submit our Valuation report for – **Panda AL-Rawdah - Jeddah city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for shops units based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **61,395,917 S.R** has been assessed by **Residual value, and DRC method (Depreciation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for Panda Al-Rawdah Property .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation , as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Super market)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 9th of May 2018 by Mohammad Saleh Saudi Authority for Accredited Values membership (Taqeem) 1220000372, all significant parts of the property were inspected.
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset 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.

4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Jeddah city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within **Al-Rawdah district close to Al-Madinah Road**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD**.

9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

11-Foundation of evaluation report and Contents

Assumptions

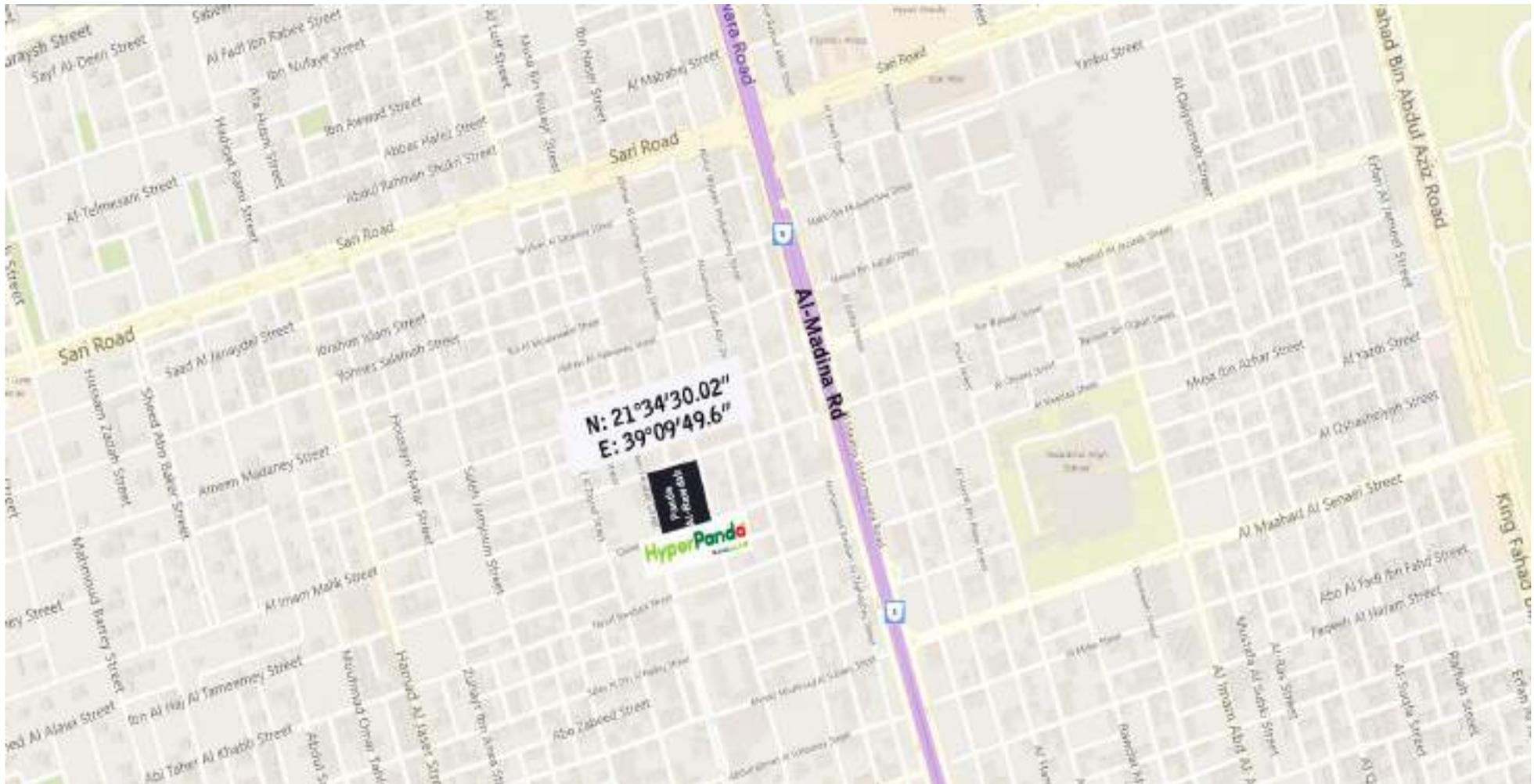
1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

Attachments

1. Google earth pictures of sample taken from region
 2. Evaluation Report
-

12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Jeddah city** within Al-Rawdah district on **Qasim Zayni St** and close to **Al-Madinah Rd**. Land area: **9,929.79 sq m** + **Building GFA 3,250.4 sq m** based on data has been received from **Al-Rajhi Capital Co**. **Geographic Coordinates: N: 21°34'30.02" - E: 39°09'49.06"**



The Image below shows the Boundaries of the site:

Micro Situation



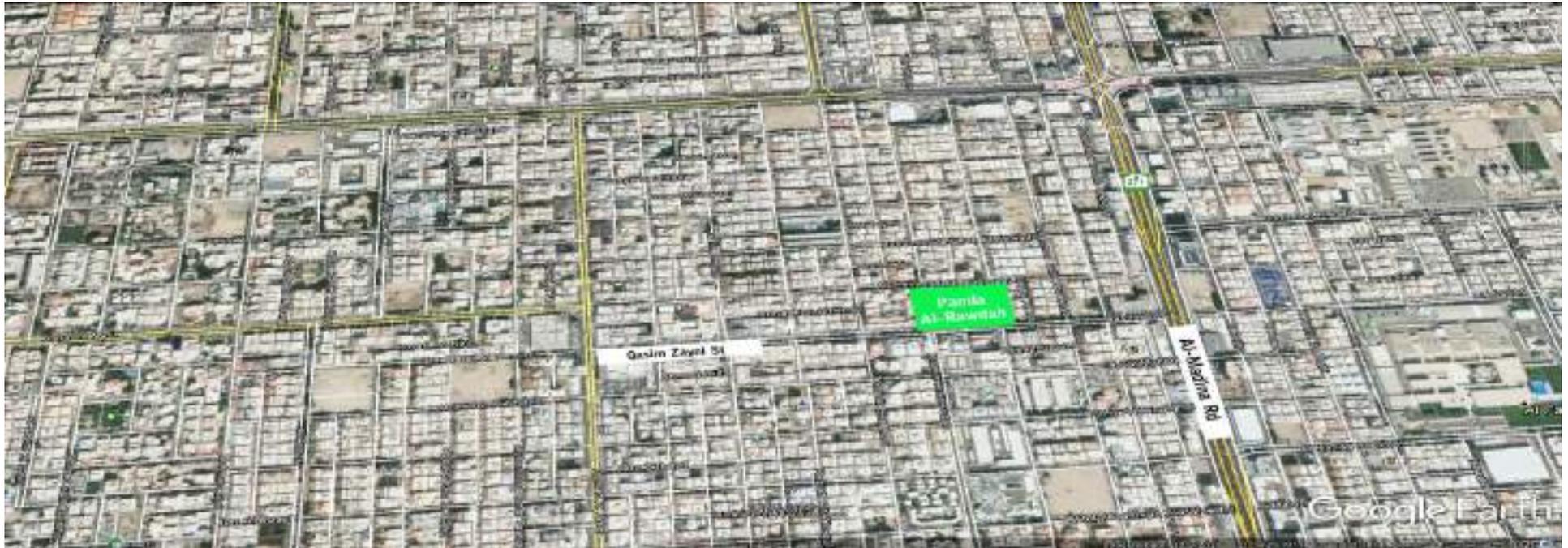
12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the buildings from 2 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- Lacking of lands in site region offering either for rent or sale
- Affordable Commercial projects in case of new supply from shops

Main features of the Property:

- Commercial class B-
- Outdoor parking: more than 120 car park units
- Central HVAC system
- Panda Supermarket
- This property has a prime location but doesn't developed as best land use, so we recommend landlord to add more additional leasable space if possible to reach higher lease rate compatible to market, because as per the recent situation Market value for property (land and building) based to DRC approach doesn't match or near to match the value based to Capitalization rate



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation fair market value (FMV)

RV methodology definition:

The Land - Residual Approach is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet

Cost Type - Dev Type	Year 1-2	
Development Work		
Land Area - developed / year - sqm	9,930	
Development Cost S.R / SQM	120	
Total Development Cost / Year	1,191,575	
Commercial Offices & Shops		
Sharing of land allocated for building	5,958	
1 basement floor - Gross area - sqm	5,000	
GF-FF- Roof F	14,895	
Replacement cost - sq m		
1 basement floor - Gross area - sqm	2,500	
GF-FF- Roof F	1,800	
	Built-Up area (GFA) sqm	Con cost - S.R /sqm
1 basement floor - Gross area - sqm	5,000	2,500
GF-FF- Roof F	14,895	1,800
Construction Cost - S.R for part 1	39,310,433	
2- Landscaping and external car parks		
Landscaping, Green area, Shaded Parking	3,993	
	Built-Up area (GFA) sqm	Con cost - S.R /sqm
Landscape, fences, outdoor car parks, fences	3,993	450
Construction Cost - S.R for part 2	1,796,717	
Total Construction Cost - S.R	42,298,725	
Other Costs		
Professional Fees (Engineering Consultant) 2.5%	1,057,468	
Statutory fees 2%	845,974	
Marketing Fees (Media & Advertising) 1.5%	634,481	
Contingency costs 1.5%	634,481	
Overhead cost 2.5%	1,057,468	
Total Dev - Cost - SR	46,528,597	

Annual Income & Revenues Sheet - Free Future Cash Flow (FFCF)

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 30	Year 31	Year 32	Year 33
Category 1: Commercial Offices								
Offices - Grade C+								
Net Leasable area		8,937	8,937	8,937	8,937	8,937	8,937	8,937
Annual Rental price / sqm - S.R		650	650	650	1,050	550	550	550
Occupancy rate		80%	95%	95%	95%	95%	95%	95%

Revenues Cat 1		4,647,142	5,518,481	5,518,481	8,914,469	4,669,484	4,669,484	4,669,484
-----------------------	--	------------------	------------------	------------------	------------------	------------------	------------------	------------------

Category 2: Commercial Shops								
Shops - Grade C+								
Net Leasable area		4,766	4,766	4,766	4,766	4,766	4,766	4,766
Annual Rental price / sqm - S.R		950	950	950	1,300	1,300	1,300	1,300
Occupancy rate		80%	100%	100%	100%	100%	100%	100%

Revenues Cat 2		3,622,387	4,527,984	4,527,984	6,196,189	6,196,189	6,196,189	6,196,189
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Gross Revenues		8,269,529	10,046,465	10,046,465	15,110,658	10,865,673	10,865,673	10,865,673
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Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	8,269,529	10,046,465	10,046,465	10,865,673	10,865,673	10,865,673
General & Administrative Expenses 10%	826,953	1,004,647	1,004,647	1,086,567	1,086,567	1,086,567
Gross Profit - EBITDA	7,442,576	9,041,819	9,041,819	9,779,105	9,779,105	9,779,105
Depreciation	1,395,858	1,395,858	1,395,858	1,395,858	1,395,858	1,395,858
Earnings after depreciation	6,046,718	7,645,961	7,645,961	8,383,248	8,383,248	8,383,248
Interest Expense	697,929	697,929	697,929	697,929	697,929	697,929
earning after interest expense	5,348,789	6,948,032	6,948,032	7,685,319	7,685,319	7,685,319
Zakat and VAT (7.5%)	401,159	521,102	521,102	576,399	576,399	576,399
Net Income	4,947,630	6,426,929	6,426,929	7,108,920	7,108,920	7,108,920
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	4,947,630	6,426,929	6,426,929	7,108,920	7,108,920	7,108,920
Cumulative Retained earnings	4,947,630	11,374,559	17,801,489	134,771,079	141,879,999	148,988,919

Cash Flow Statement

Cash Flow Statement						
Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
IN - Flow						
Capital Injection						
Net Revenues		4,947,630	6,426,929	7,108,920	7,108,920	7,108,920
Total Inflow		4,947,630	6,426,929	7,108,920	7,108,920	7,108,920
OUT Flow						
Total Construction Cost	42,298,725					
Professional Fees	1,057,468					
Statutory fees 2%	845,974					
Marketing Fees (Media & Advertising) 1.5%	634,481					
Contingency costs 1%	634,481					
Overhead cost 1%	1,057,468					
Total Outflow	(46,528,597)					
Net Cash Flow	(46,528,597)	4,947,630	6,426,929	7,108,920	7,108,920	7,108,920
Cumulative Net Income	(46,528,597)	(41,580,967)	(35,154,038)	134,771,079	141,879,999	148,988,919

Residual Value- Land Value

RV	Year 0	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33	Total
IN - Flow								
Revenues		4,947,630	6,426,929	6,426,929	7,108,920	7,108,920	7,108,920	
Total Inflow		4,947,630	6,426,929	6,426,929	7,108,920	7,108,920	7,108,920	185,179,748
Discount Rate: 8%		0.926	0.857	0.794	0.092	0.085	0.079	
OUT Flow								
Total Outflow		(46,528,597)						(46,528,597)
Total Cash out								
Net Cash Flow (Before Discount Rate)	(46,528,597)	4,947,630	6,426,929	6,426,929	7,108,920	7,108,920	7,108,920	88,184,053
								Total Cash flow
Discounted Cash Flow DCF		4,581,139	5,510,056	5,101,904	654,135	605,680	560,815	65,400,353
								Residual Value

Value Per / sq m		
	Land Value (PV)	65,400,353
	Square Meters	9,929.79
Estimated sq m value (S.R)		6,586

Fair Market Value FMV	Land Area - sqm	Value / sq m . S.R	FMV S.R
Fair Market Value for land	9,929.79	6,586	65,400,353

13.2- Depreciated Replacement cost method (DRC) A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

Replacement cost	BUA – built up area – sqm	Type of operation
Ground Floor	3,110.90	Commercial Shops
First Floor	139.50	Offices
Outdoor area	6,818.89	Entrance, exit, surface car parks

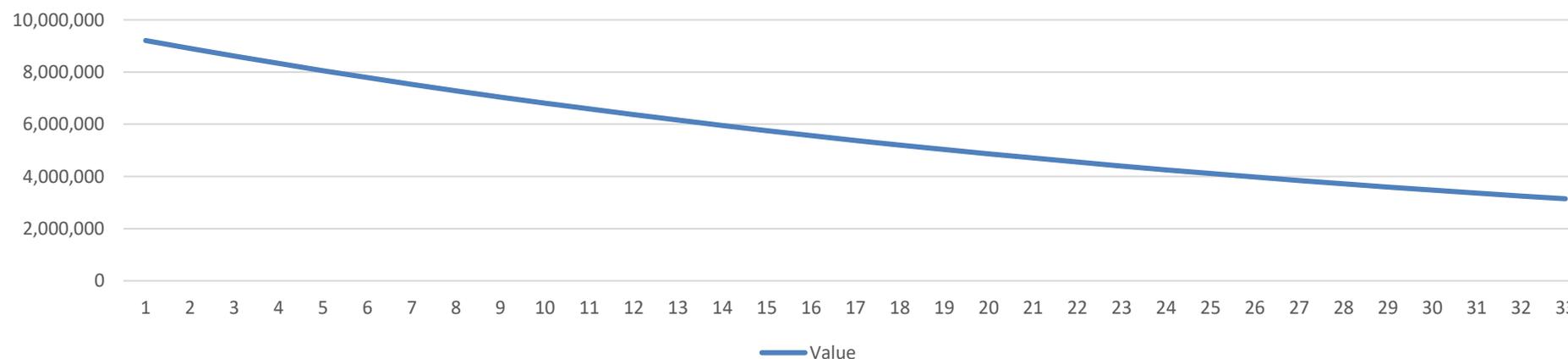
Depreciated Replacement cost (DRC)

Standards: Average useful life for Showrooms and Office building in <u>Jeddah</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	12 years (starting Operation period @1427 Hijri)
Acc Deprecation	2%*12=	24 %

(fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
Ground Floor	3,110.90	2,300	100%	7,155,070
First Floor	139.50	2,500	100%	348,750
Outdoor area	6,818.89	250	100%	1,704,723
Replacement cost				9,208,543
- Acc Deprecation		9,208,543*24 %		(2,210,050)
Depreciated Replacement cost DRC				6,998,492

Value of building during operational Life Cycle



14-Fair market value (property) Land + Building In the case fixtures & equipment work-Currency SAR

Fair Market Value (Land)	65,400,353 S.R
+	
Building	6,998,492 S.R
Profit Margin 20%	1,399,689 S.R
Building Value	8,398,191 S.R
Fair market value - Property	73,798,544 S.R (Seventy-three million, seven hundred ninety-eight thousand, five hundred forty four Saudi riyal)

(Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
70,000,000 S.R	73,798,544 S.R	77,400,000 S.R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Jeddah city Q1-2018

Net Operating income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Aziziya Panda) for 15 obligatory year contractually period (Net Rent/ annum 2,417,575 SAR during the first 5 years and Net Rent/ annum 2,775,734 during the next five years, and Net Rent/ annum 3,133,893 during the rest of Contract's period) – SR starting from 27 Feb 2014 till 26 Feb 2029 (Remaining 10.9 Years)		
Period 1: : from 27 Feb 2014 till 27 Feb 2019 (Remaining 9 month) = (2,417,575 * 0.75)	2,281,530	2,877,185
Period 2: From 27 Feb 2019 till 27 Feb 2024 (Coming 5 Years) = (2,775,734 * 5)	15,780,325	
Period 3: From 27 Feb 2024 till 26 Feb 2029 (Coming 5 years) = (3,133,893 * 5)	17,816,495	
Sum	35,878,350	
n period	10.9	
Net Operating Income NOI- Triple Net	2,877,185	
– Vacancy and collection loss		0
Additional income (additional area unrented)		0
Effective gross income		2,877,185
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		0
Net operating income NOI		2,877,185
Fair Market Value @ 7% Capitalization rate SAR		38,362,466

16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	73,798,544	
Capitalization rate - FMV	38,362,466	
Weighted Average - Percentage	DRC	47,969,054
	65%	
	Cap rate	13,426,863
35%		
Fair market value FMV	61,395,917 (Sixty-one million, three hundred ninety-five thousand, nine hundred seventeen SR)	

(Sensitivity Analysis) (Risk matrix)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
58,000,000 S.R	61,395,917 S.R	64,400,000 S.R

17- Real Estate Market Summary- Jeddah Q1-2018

Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. Two new brands hotels are expected to enter the market over the next two years.

17.1-Offices market: Offices vacancies increased over the quarter due to new additions from offices spaces based to decreasing in demand level after public and private sectors delayed all new expansions and new movements; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Jeddah are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents.

The entry of over 145,000 sq m into the market since Q3-2017 has resulted the supply outpacing demand, and the release of shadow vacancies into the market also contributed to the increase in vacancies in Q4-2017.

17.2-Residential market: Also, performance declined in residential sector. Apartments selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices also falling down due to the departure of large number of expatriates last year.

17.3-Hospitality market: Average daily rates falling 18%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017.

17.4-Retail market: While occupancies increased marginally in the retail sector over Q1-2018, they are expected to soften of the rest of year as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales.

18-External and internal Pictures

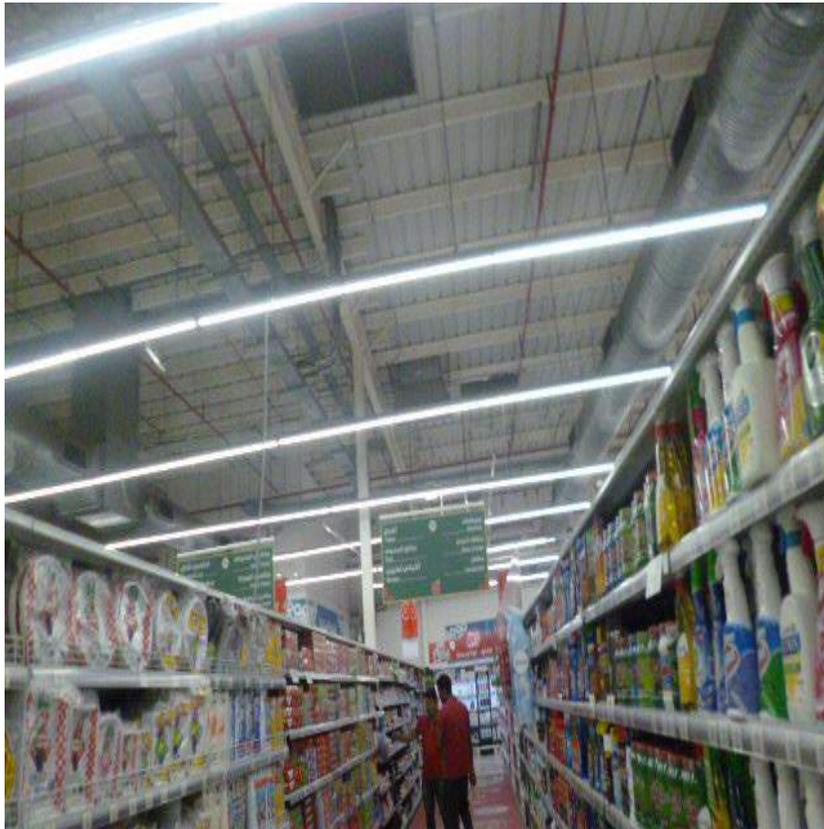
External view



External view



Internal view



19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report	1220000297	31/12/2018	Real estate
Mohammad Saleh	Site visit, inspection Catchment area	1220000372	1440/04/2	Real estate
Ashraf Al-Shaeer	Final Revision – Release	1220000021	1440/04/2	Real estate

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Valuation Report Analysis
Panda Khamis Mushiet Property
Khamis Mushiet City - KSA - May 15, 2018

Prepared for
Al-Rajhi Capital



شركة أولات للتقييم العقاري
Olaat Valuation Company



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Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi Capital.

Khamis Mushiet

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

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Property's Type	Commercial Center – Commercial shops
Location	Jeddah city – Al-Nasim District- on Prince Sultan Rd
Land Area	19,000 sq m
Title deed number	471708002889
Title's date	12/3/1437 H
Plots Number	Without Number
Scheme Number	1424/715/ع/2
Land Topography	Flat
Boarded streets & Neighbors	<p>N: Alkhamis – Tandaha Rd Width 84 m length 200 m</p> <p>S: Street width 20 m length 200 m</p> <p>E: Street width 20 m length 100 m</p> <p>W: Street width 27 m length 90 m</p>
Building Build- up area (Gross floor area) GFA	5,456.27 sq m
Building's Permit number	8/108/320/1429
Building Permit's date	27/1/1429 H
Fair Market value for Property SAR	47,573,656 (Forty-seven million, five hundred seventy-three thousand, six hundred fifty-six SR)

RENT PAYMNET

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital
For the attention of:
Mr: **Abdul-Aziz Al-Sabt**
T: +966 (11) 211 9417
alsabtaa@alrajhi-capital.com
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2018

Property Address: Panda Khamis Mushiet - Jeddah city - Valuation Report analysis

Tenure: Commercial Freehold property

We are delighted to submit our Valuation report for – **Panda Khamis Mushiet** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for shops units based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **47,573,656 S.R** has been assessed by **Residual value, and DRC method (Depreciation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for Panda Khamis Mushiet Property .
Purpose of valuation	We understand that this Valuation Report (“the Valuation Report”), is required for Real estate investment trust REITs Valuation , as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Hyper market)
The extent of the value’s investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member’s</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected from outside and inside on 9 th -10 th of May 2018 by Mohannad Al-Majrashi Saudi Authority for Accredited Values membership (Taqeem) 1210001165; after connected with Panda’s representative Mr. Mohammad Garnish 0505670123 but he prevented photography from inside.
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset 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.

4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Khamis Mushiet city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within **Al-Nasim district on Prince Sultan Road**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD**.

9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

11-Foundation of evaluation report and Contents

Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

Attachments

1. Google earth pictures of sample taken from region
 2. Evaluation Report
-

12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Khamis Mushiet city** within Al-Nasim district on **Prince Sultan Rd.** Land area: **19,000 sq m + Building GFA 5,456.27 sq m** based on data has been received from **Al-Rajhi Capital Co.** **Geographic Coordinates:** N:

18°17'50.39" - E: 42°45'36.88"



The Image below shows the Boundaries of the site:

Micro Situation



12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the buildings from 2 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- Lacking of lands in site region offering either for rent or sale – only one offer nearby site by 250 m (land area 2,500 sq m offering for sale by 2,200 SR- sq m)
- Affordable Commercial projects in case of new retail supply

Main features of the Property:

- Commercial class B
- Outdoor parking: more than 300-350 car park units
- Central HVAC system
- Panda Supermarket
- Land building code – (Number of Stories) = 6 Stories height based to regulations



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation fair market value (FMV)

RV methodology definition:

The Land - Residual Approach is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

In this case we didn't took the maximum profitability for using building code 6 floors; based to market indicators the best land use option at time of valuation 3 floor levels (mix use) for commercial shops, offices, clinics, Gym, etc.

Best Land use - Dev - Cost Sheet

Cost Type - Dev Type	Year 1-2	
Development Work (Commercial aspects – Shops, offices, clinics, Gym, etc.)		
Land Area - developed / year - sqm	19,000	
Development Cost S.R / sq m	80	
Total Development Cost / Year	1,520,000	
Commercial Shops, Offices, clinics, Gym, etc.		
Sharing of land allocated for building LAC (50%)	9,500	
1- Building (Offices & Shops)		
Basement Floor	11,400	
GF-FF- Roof F	23,750	
Replacement cost - sq m		
Basement Floor	2,500	
GF- FF- Second floor	2,200	
	Built-Up area (GFA) sqm	Con cost - S.R /sqm
Basement Floor	11,400	2,500
GF-FF- Roof F	23,750	2,200
Construction Cost - S.R for part 1	80,750,000	
2- Landscaping, fences, outdoor car parks		
Landscaping, fences, outdoor car parks	9,500	
	Built-Up area (GFA) sqm	Con cost - S.R /sqm
Landscaping, fences, outdoor car parks	9,500	200
Construction Cost - S.R for part 2	1,900,000	
Total Construction Cost - S.R	84,170,000	
Other Costs		
Professional Fees (Engineering Consultant) 2.5%	2,104,250	
Statutory fees 2%	1,683,400	
Marketing Fees (Media & Advertising) 1.5%	1,262,550	
Contingency costs 1.5%	1,262,550	
Overhead cost 2.5%	2,104,250	
Total Dev - Cost - SR	92,587,000	

Annual Income & Revenues Sheet - Free Future Cash Flow (FFCF)

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 30	Year 31	Year 32	Year 33
Category 1 : Commercial Offices								
Offices - Grade C+								
Net Leasable area		14,250	14,250	14,250	14,250	14,250	14,250	14,250
Annual Rental price / sqm - S.R		270	270	270	300	300	300	300
Occupancy rate		80%	95%	95%	95%	95%	95%	95%

Revenues Cat 1	3,078,000	3,655,125	3,655,125	4,061,250	4,061,250	4,061,250	4,061,250
-----------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------

Category 2 : Commercial Shops								
Shops - Grade C+								
Net Leasable area		7,600	7,600	7,600	7,600	7,600	7,600	7,600
Annual Rental price / sqm - S.R		400	400	400	600	600	600	600
Occupancy rate		80%	100%	100%	100%	100%	100%	100%

Revenues Cat 2	2,432,000	3,040,000	3,040,000	4,560,000	4,560,000	4,560,000	4,560,000
-----------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------

Gross Revenues		5,510,000	6,695,125	6,695,125	8,621,250	8,621,250	8,621,250	8,621,250
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Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	5,510,000	6,695,125	6,695,125	8,621,250	8,621,250	8,621,250
General & Administrative Expenses 10%	551,000	669,513	669,513	862,125	862,125	862,125
Gross Profit - EBITDA	4,959,000	6,025,613	6,025,613	7,759,125	7,759,125	7,759,125
Depreciation	2,314,675	2,314,675	2,314,675	2,314,675	2,314,675	2,314,675
Earnings after depreciation	2,644,325	3,710,938	3,710,938	5,444,450	5,444,450	5,444,450
Interest Expense	1,388,805	1,388,805	1,388,805	1,388,805	1,388,805	1,388,805
earning after interest expense	1,255,520	2,322,133	2,322,133	4,055,645	4,055,645	4,055,645
Zakat and VAT (7.5%)	94,164	174,160	174,160	304,173	304,173	304,173
Net Income	1,161,356	2,147,973	2,147,973	3,751,472	3,751,472	3,751,472
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	1,161,356	2,147,973	2,147,973	3,751,472	3,751,472	3,751,472
Cumulative Retained earnings	1,161,356	3,309,329	5,457,301	41,266,188	45,017,660	48,769,131

Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
IN - Flow						
Capital Injection						
Net Revenues		1,161,356	2,147,973	3,751,472	3,751,472	3,751,472
Depreciation		2,314,675	2,314,675	2,314,675	2,314,675	2,314,675
OUT Flow						
Total Construction Cost	84,170,000					
Professional Fees	2,104,250					
Statutory fees 2%	1,683,400					
Marketing Fees (Media & Advertising) 1.5%	1,262,550					
Contingency costs 1%	1,262,550					
Overhead cost 1%	2,104,250					
Total Outflow	(92,587,000)					
Net Cash Flow	(92,587,000)	3,476,031	4,462,648	6,066,147	6,066,147	6,066,147
Cumulative Net Income	(92,587,000)	(89,110,969)	(84,648,321)	66,727,613	72,793,760	78,859,906

Residual Value- Land Value

RV	Year 0	Year 1	Year 2	Year 31	Year 32	Year 33	Total
IN - Flow							
Revenues		3,476,031	4,462,648	6,066,147	6,066,147	6,066,147	
Total Inflow		3,476,031	4,462,648	6,066,147	6,066,147	6,066,147	99,872,425
Discount Rate		0.912	0.832	0.058	0.053	0.049	
9.60%							
OUT Flow							
Total Outflow		(92,587,000)					(92,587,000)
Total Cash out							
Net Cash Flow (Before Discount Rate)	(92,587,000)	3,476,031	4,462,648	6,066,147	6,066,147	6,066,147	42,947,782
							Total Cash flow
Discounted Cash Flow DCF		3,171,561	3,715,108	353,823	322,831	294,554	35,348,348
							Residual Value
Value Per / sq m							
	Land Value (PV)	35,348,348					
	Square Meters	19,000.00					
Estimated sq m value (S.R)		1,860					

Fair Market Value FMV	Land Area - sqm	Value / sq m . S.R	FMV S.R
Fair Market Value for land	19,000	1,860	35,348,348

13.2- Depreciated Replacement cost method (DRC) A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

Replacement cost	BUA – built up area – sqm	Type of operation
Ground Floor	5,456.27	Super market plus Shops
Outdoor area	13,543	Entrance, exit, surface car parks (300-400 car park)

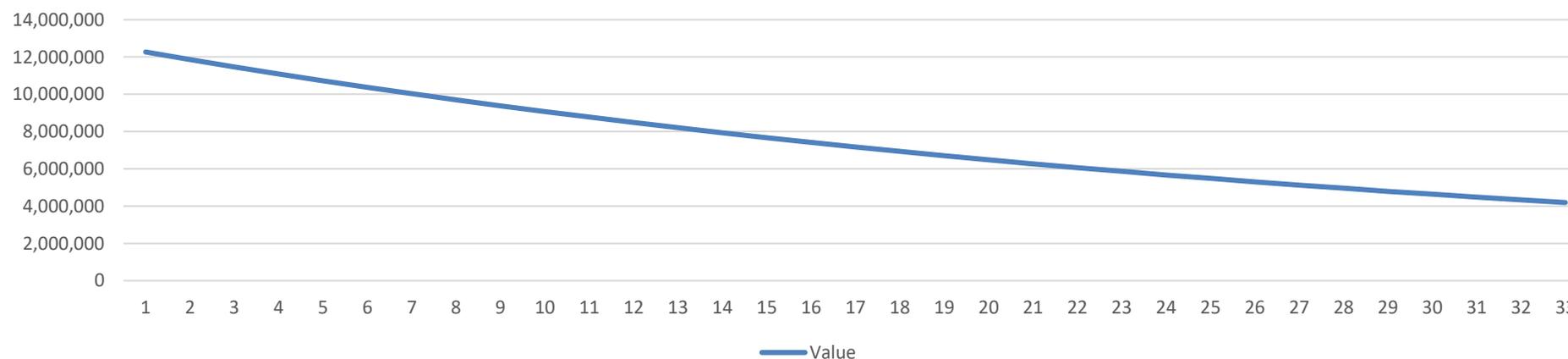
Depreciated Replacement cost (DRC)

Standards: Average useful life for Showrooms and Office building in <u>Khamis Mushiet</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	8 years (starting Operation period @1431 Hijri)
Acc Deprecation	2%*8=	16 %

(fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
Ground Floor	5,456.27	2,000	100%	10,912,540
Outdoor area	13,543	100	100%	1,354,300
Replacement cost				12,266,840
- Acc Deprecation		12,266,840*16 %		(1,962,694)
Depreciated Replacement cost DRC				10,304,146

Value of building during operational Life Cycle



14-Fair market value DRC method - (property) Land + Building In the case fixtures & equipment work-Currency SAR

Fair Market Value (Land)	35,348,348 S.R
+	
Building	10,304,146 S.R
Profit Margin 20%	2,060,829 S.R
Fair market value - Property	47,713,322 S.R (Forty-Seven million, seven hundred thirteen thousand, three hundred twenty two Saudi riyal)

(Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
45,000,000 S.R	47,713,322 S.R	50,000,000 S.R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Jeddah city Q1-2018

Net Operating income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Aziziya Panda) for 15 obligatory year contractually period (Net Rent/ annum 2,748,831 SAR during the first 5 years and Net Rent/ annum 3,156,065 during the next five years, and Net Rent/ annum 3,563,299 during the rest of Contract's period) – SR starting from 24 Mar 2014 till 23 Mar 2029 (Remaining 10.10 Years)		
Period 1: : from 24 Mar 2014 till 24 Mar 2019 (Remaining 10 month) = (2,748,831 * 0.83)	2,281,530	3,552,312
Period 2: From 24 Mar 2019 till 24 Mar 2024 (Coming 5 Years) = (3,156,065 * 5)	15,780,325	
Period 3: From 24 Mar 2024 till 23 Mar 2029 (Coming 5 years) = (3,563,299 * 5)	17,816,495	
Sum	35,878,350	
n period	10.10	
Net Operating Income NOI- Triple Net	3,552,312	
– Vacancy and collection loss		0
Additional income (additional area unrented)		0
Effective gross income		3,552,312
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		0
Net operating income NOI		3,552,312
Fair Market Value @ 7.5% Capitalization rate SAR		47,364,158

16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	47,713,322	
Capitalization rate - FMV	47,364,158	
Weighted Average - Percentage	DRC	28,627,993
	60%	
	Cap rate	18,945,663
40%		
Fair market value FMV	47,573,656 (Forty-seven million, five hundred seventy-three thousand, six hundred fifty-six SR)	

(Sensitivity Analysis) (Risk matrix)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
45,000,000 S.R	47,573,656 S.R	50,000,000 S.R

17-External and internal Pictures

External view



External view



18- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report	1220000297	31/12/2018	Real estate
Mohannad Al-Majrshi	Site visit, inspection Catchment area	1210001165	1439/11/24	Real estate
Ashraf Al-Shaeer	Final Revision – Release	1220000021	1440/04/2	Real estate

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Valuation Report Analysis
Panda Mada'en AL-Fahd Property
AL-Riyadh City - KSA - May 15, 2018

Prepared for
Al-Rajhi Capital



شركة أولات للتقييم العقاري
Olaat Valuation Company



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Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi Capital.

Jeddah City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

Email: m.mardena@olaat.com

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C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center – Commercial shops
Location	Jeddah city – Mada'en Al-Fahd District- on Mada'en Al-Fahd Rd
Land Area	(9,000+2,873.92) 11,873.92 sq m
Title deed number (1-2)	320224003715-920224003713
Title's date	24/3/1437 H
Plots Number	No Number
Scheme Number	No Number
Land Topography	Flat
Boarded streets & Neighbors	N: Based to Deed Title
	S: Based to Deed Title
	E: Based to Deed Title
	W: Based to Deed Title
Building Build- up area (Gross floor area) GFA	3,838 sq m plus Fence 185 sq m
Building's Permit number	226
Building Permit's date	11/02/1426 H
Fair Market value for Property SAR	48,205,127 (Forty-eight million, two hundred five thousand, one hundred twenty-seven SR)

BUILDING's PERMIT

Disclaimer



We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital
For the attention of:
Mr: **Abdul-Aziz Al-Sabt**
T: +966 (11) 211 9417
alsabtaa@alrajhi-capital.com
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2018

Property Address: Panda Mada'en AL-Fahd - Jeddah city - Valuation Report analysis

Tenure: Commercial Freehold property

We are delighted to submit our Valuation report for – **Panda Madan'en Al-Fahd - Jeddah city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for shops units based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **48,205,127 S.R** has been assessed by **Residual value, and DRC method (Depreciation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for Panda Mada'en Al-Fahd Property .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation , as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Super market)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 9th of May 2018 by Mohammad Saleh Saudi Authority for Accredited Values membership (Taqeem) 1220000372, all significant parts of the property were inspected.
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset 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.

4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Valuers memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Jeddah city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within **Mada'en Al-Fahd district on Mada'en AL-Fahd St**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD**.

9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

11-Foundation of evaluation report and Contents

Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

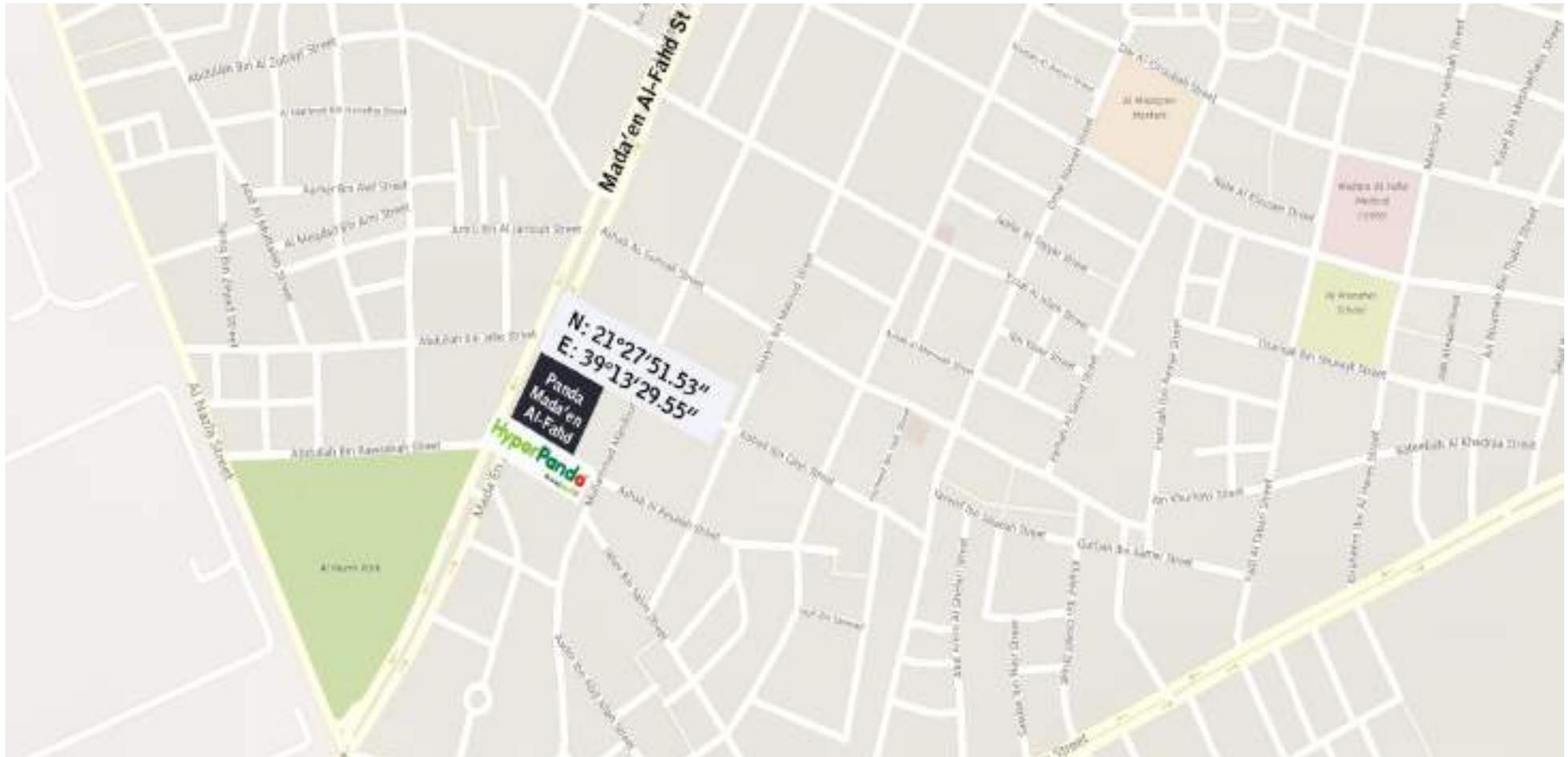
Attachments

1. Google earth pictures of sample taken from region
 2. Evaluation Report
-

12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Jeddah city** within Mada'en Al-Fahd district on **Mada'en Al-Fahd St.**
Land area: **11,873.92.79 sq m + Building GFA 3,838 sq m plus Fence 185 sqm** based on data has been received from **Al-Rajhi Capital Co.**

Geographic Coordinates: **N: 21°27'51.53"** - **E: 39°13'29.55"**



The Image below shows the Boundaries of the site:

Micro Situation



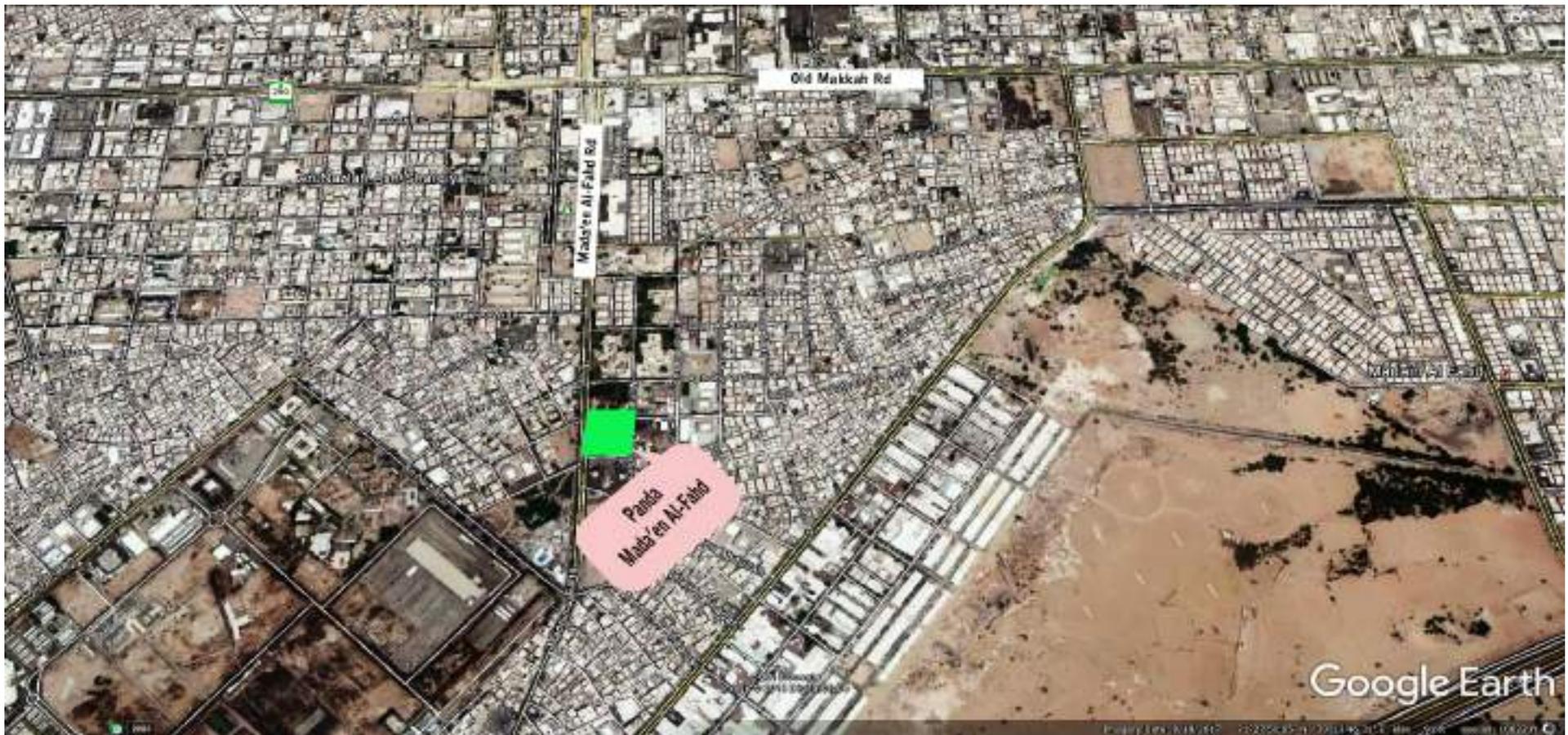
12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the buildings from 3 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- Lacking of lands in site region offering either for rent or sale
- Affordable Commercial projects in case of new supply from shops

Main features of the project:

- Commercial class B-
- Outdoor parking: more than 90 car park units
- Central HVAC system
- Panda Supermarket



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation fair market value (FMV)

RV methodology definition:

The Land - Residual Approach is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet

Dev - Cost Sheet		
Development Work		
Land Area - developed / year - sqm	11,873.92	
Development Cost S.R / SQM	120	
Total Development Cost / Year	1,424,870	
Commercial Offices & Shops		
Sharing of land allocated for building		
	7,124	
1- Building (Offices & Shops)		
1 basement floor - Gross area - sqm	5,000	
GF-FF- Roof F	17,811	
Replacement cost - sq m		
1 basement floor - gross area - sqm	2,500	
GF-FF- Roof F	1,800	
	Built-Up area (GFA) sqm	Con cost - S.R /sqm
1 basement floors - Gross area - sqm	5,000	2,500
GF-FF- Roof F	17,811	1,800
Construction Cost - S.R for part 1		44,559,584
2- Landscaping and external car parks		
Landscaping, Green area- Surface Car parking	4,750	
	Built-Up area (GFA) sqm	Con cost - S.R /sqm
Landscape, fences, Surface car parks, fences	4,750	450
Construction Cost - S.R for part 2		2,137,306
Total Construction Cost - S.R		48,121,760
Other Costs		
Professional Fees (Engineering Consultant) 2.5%	1,203,044	
Statutory fees 2%	962,435	
Marketing Fees (Media & Advertising) 1.5%	721,826	
Contingency costs 1.5%	721,826	
Overhead cost 2.5%	1,203,044	
Total Dev - Cost - SR		52,933,936

Annual Income & Revenues Sheet - Free Future Cash Flow (FFCF)

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 30	Year 31	Year 32	Year 33
Category 1 : Commercial Offices								
Offices - Grade C+								
Net Leasable area		9,262	9,262	9,262	9,262	9,262	9,262	9,262
Annual Rental price / sqm - S.R		450	450	450	650	650	650	650
Occupancy rate		80%	95%	95%	95%	95%	95%	95%

Revenues Cat 1		3,334,197	3,959,359	3,959,359	5,719,074	5,719,074	5,719,074	5,719,074
-----------------------	--	------------------	------------------	------------------	------------------	------------------	------------------	------------------

Category 2 : Commercial Shops								
Shops - Grade C+								
Net Leasable area		4,275	4,275	4,275	4,275	4,275	4,275	4,275
Annual Rental price / sqm - S.R		750	750	750	950	950	950	950
Occupancy rate		80%	95%	95%	95%	95%	95%	95%

Revenues Cat 2		2,564,767	3,045,660	3,045,660	3,857,837	3,857,837	3,857,837	3,857,837
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Gross Revenues		5,898,963	7,005,019	7,005,019	9,576,910	9,576,910	9,576,910	9,576,910
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Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	5,898,963	7,005,019	7,005,019	9,576,910	9,576,910	9,576,910
General & Administrative Expenses 10%	589,896	700,502	700,502	957,691	957,691	957,691
Gross Profit - EBITDA	5,309,067	6,304,517	6,304,517	8,619,219	8,619,219	8,619,219
Depreciation	1,588,018	1,588,018	1,588,018	1,588,018	1,588,018	1,588,018
Earnings after depreciation	3,721,049	4,716,499	4,716,499	7,031,201	7,031,201	7,031,201
Interest Expense	794,009	794,009	794,009	794,009	794,009	794,009
earning after interest expense	2,927,040	3,922,490	3,922,490	6,237,192	6,237,192	6,237,192
Zakat and VAT (7.5%)	219,528	294,187	294,187	467,789	467,789	467,789
Net Income	2,707,512	3,628,303	3,628,303	5,769,403	5,769,403	5,769,403
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	2,707,512	3,628,303	3,628,303	5,769,403	5,769,403	5,769,403
Cumulative Retained earnings	2,707,512	6,335,815	9,964,119	63,463,429	69,232,832	75,002,234

Cash Flow Statement

Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
IN - Flow						
Capital Injection						
Net Revenues		2,707,512	3,628,303	5,769,403	5,769,403	5,769,403
Total Inflow		2,707,512	3,628,303	5,769,403	5,769,403	5,769,403
OUT Flow						
Total Construction Cost	48,121,760					
Professional Fees	1,203,044					
Statutory fees 2%	962,435					
Marketing Fees (Media & Advertising) 1.5%	721,826					
Contingency costs 1%	721,826					
Overhead cost 1%	1,203,044					
Total Outflow	(52,933,936)					
Net Cash Flow	(52,933,936)	2,707,512	3,628,303	5,769,403	5,769,403	5,769,403
Cumulative Net Income	(52,933,936)	(50,226,424)	(46,598,121)	63,463,429	69,232,832	75,002,234

Residual Value- Land Value

NPV - IRR	Year 0	Year 1	Year 2	Year 3	Year 32	Year 33	Total
IN - Flow							
Revenues		2,707,512	3,628,303	3,628,303	5,769,403	5,769,403	
Total Inflow		2,707,512	3,628,303	3,628,303	5,769,403	5,769,403	105,001,349
Discount Rate: 8%							
		0.926	0.857	0.712	0.085	0.079	
OUT Flow							
Total Outflow		(52,933,936)					(52,933,936)
Total Cash out							
Net Cash Flow (Before Discount Rate)	(52,933,936)	2,707,512	3,628,303	3,628,303	5,769,403	5,769,403	43,094,228
							Total Cash flow
Discounted Cash Flow DCF							
		2,506,956	3,110,685	2,582,555	491,553	455,142	43,678,197
							Residual Value

Value Per / sq m		
	Land Value (PV)	43,678,197
	Square Meters	11,873.92
Estimated sq m value (S.R)		3,678

Fair Market Value FMV	Land Area - sqm	Value / sq m . S.R	FMV S.R
Fair Market Value for land	11,873.92	3,678	43,678,197

13.2- Depreciated Replacement cost method (DRC) A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

Replacement cost	BUA – built up area – sqm	Type of operation
Ground Floor	3,838	Commercial Shops
Fence	185	Services
Outdoor area	8,000	Surface car Parking – Entrance/Exit

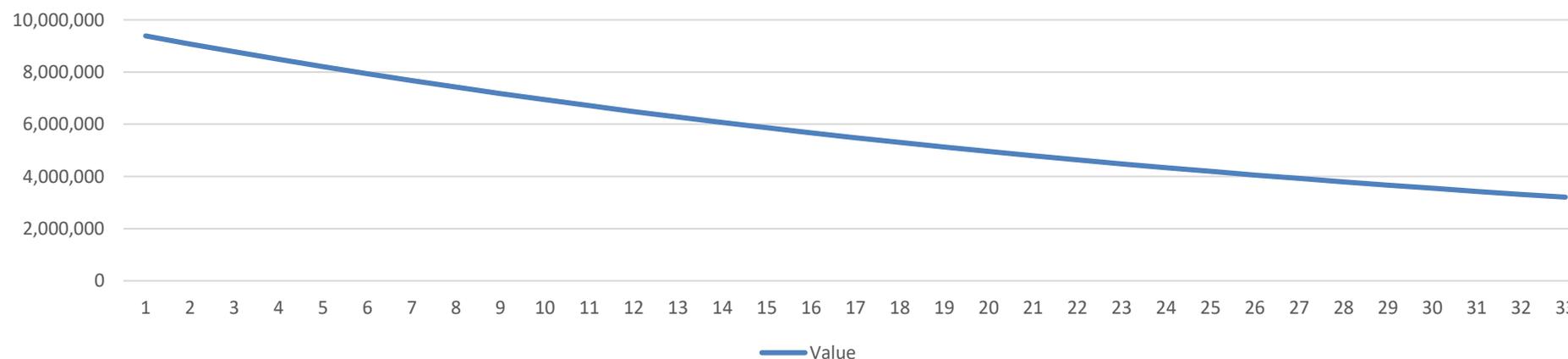
Depreciated Replacement cost (DRC)

Standards: Average useful life for Showrooms and Office building in <u>Jeddah</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	11 years (starting Operation period @1428 Hijri)
Acc Deprecation	2%*11=	22 %

(fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
Ground Floor	3,838	1,900	100%	7,292,200
Fence	185	500	100%	92,500
Outdoor area	8,000	250	100%	2,000,000
Replacement cost				9,384,700
- Acc Deprecation		9,384,700*22 %		(2,064,634)
Depreciated Replacement cost DRC				7,320,066

Value of building during operational Life Cycle



14-Fair market value (property) Land + Building In the case fixtures & equipment work-Currency SAR

Fair Market Value (Land)	43,678,197 S.R
+	
Building	7,320,066 S.R
Profit Margin 20%	1,464,013 S.R
Building Value	8,784,079 S.R
Fair market value - Property	52,462,277 S.R (Fifty- Two million, Four hundred sixty-two thousand, two hundred seventy seven Saudi riyal)

(Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
50,000,000 S.R	52,462,277 S.R	55,000,000 S.R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Jeddah city Q1-2018

Net Operating income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Aziziya Panda) for 15 obligatory year contractually period (Net Rent/ annum 2,529,370 SAR during the first 5 years and Net Rent/ annum 2,904,091 during the next five years, and Net Rent/ annum 3,278,813 during the rest of Contract's period) – SR starting from 4 Sep 2014 till 3 Sep 2029 (Remaining 11.4 Years)		
Period 1: : from 4 Sep 2014 till 4 Sep 2019 (Remaining 1.4 years) = (2,529,370 * 1.4)	3,541,118	
Period 2: From 4 Sep 2019 till 4 Sep 2024 (Coming 5 Years) = (2,904,091 * 5)	14,520,455	3,022,424
Period 3: From 4 Sep 2024 till 3 Sep 2019 (Coming 5 years) = (3,278,813 * 5)	16,394,065	
Sum	34,455,638	
n period	11.4	
Net Operating Income NOI- Triple Net	3,022,424	
– Vacancy and collection loss		0
Additional income (additional area unrented)		0
Effective gross income		3,022,424
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		0
Net operating income NOI		3,022,424
Fair Market Value @ 7.5% Capitalization rate SAR		40,298,991

16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	52,462,277	
Capitalization rate - FMV	40,298,991	
Weighted Average - Percentage	DRC	34,100,480
	65%	
	Cap rate	14,104,647
35%		
Fair market value FMV	48,205,127 (Forty-eight million, two hundred five thousand, one hundred twenty-seven SR)	

(Sensitivity Analysis) (Risk matrix)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
46,000,000 S.R	48,205,127 S.R	50,600,000 S.R

17- Real Estate Market Summary- Jeddah Q1-2018

Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. Two new brands hotels are expected to enter the market over the next two years.

17.1-Offices market: Offices vacancies increased over the quarter due to new additions from offices spaces based to decreasing in demand level after public and private sectors delayed all new expansions and new movements; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Jeddah are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents.

The entry of over 145,000 sq m into the market since Q3-2017 has resulted the supply outpacing demand, and the release of shadow vacancies into the market also contributed to the increase in vacancies in Q4-2017.

17.2-Residential market: Also, performance declined in residential sector. Apartments selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices also falling down due to the departure of large number of expatriates last year.

17.3-Hospitality market: Average daily rates falling 18%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017.

17.4-Retail market: While occupancies increased marginally in the retail sector over Q1-2018, they are expected to soften of the rest of year as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales.

18-External and internal Pictures

External view



External view



19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report	1220000297	31/12/2018	Real estate
Mohammad Saleh	Site visit, inspection Catchment area	1220000372	1440/04/2	Real estate
Ashraf Al-Shaer	Final Revision – Release	1220000021	1440/04/2	Real estate

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Valuation Report Analysis
Rama Plaza Property
AL-Riyadh City - KSA - May 15, 2018

Prepared for
Al-Rajhi Capital



شركة أولات للتقييم العقاري
Olaat Valuation Company



WWW.DLAAT.COM

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Olaat Valuation Company C.R:1010462536 Valuation License: 1210000397

Real Estate Valuation Report Analysis

Prepared for:
Al-Rajhi Capital.

Riyadh City

May 15, 2018

Done by OPM (Olaat Valuation Company)

P.O.Box 62244 Riyadh 11585

Kingdom of Saudi Arabia

Person in charge:

- Mustafa Al-Mardina

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C.R:1010462536

Valuation License: 1210000397

Property's Type	Commercial Center –Commercial shops & Offices
Location	Riyadh city – Al-Nahda District- Intersection point btw Prince Bandar Bin Abdul-Aziz & Abdurrahman Al-Nasr road
Land Area	15,600 sq m
Title deed number	610115041821
Title's date	6/9/1436 H
Plots Number	From 2057 till 2076
Scheme Number	1661
Land Topography	Flat
Boarded streets & Neighbors	N: Street width 40 m length 60 m
	S: Street width 20 m length 60 m
	E: Street width 15 m length 260 m
	W: Street width 30 m length 260 m
Building Build- up area (Gross floor area) GFA	9,514.42 sq m plus Fence 308 sq m
Building's Permit number	1432/961
Building Permit's date	09/01/1432 H
Fair Market value for Property SAR	69,235,706 (Sixty-nine million, two hundred thirty-five-thousand, seven hundred six SR)

Disclaimer

We only previewed the RENT PAYMENT AND Period terms within Legal agreement, without previewing the other terms, because this not from OPM's main Tasks.

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Al-Rajhi Capital
For the attention of:
Mr: **Abdul-Aziz Al-Sabt**
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alsabtaa@alrajhi-capital.com
P.O.Box 5561 Riyadh 11432, KSA

May 15, 2018

Property Address: Rama Plaza- Riyadh city - Valuation Report analysis

Tenure: Commercial Freehold property

We are delighted to submit our Valuation report for – **Rama Plaza - Riyadh city** enclosing with market valuation In Accordance with your instructions. The objective of this report is to estimate **the fair market In-SITU value at time of valuation, for property**, based upon the existing condition and in the presence of the property preview on site with taken into account the fair market value of Land, trade area (catchment area capture, Pull area), catchment Area's classification, replacement cost and accumulated depreciation, annual rental market value for Offices and shops units based to market and due to properties & facilities management works PM&FM beside maintenance works, etc. We confirm that OPM complies with requirements of independence and objectivity and that we have no conflict of interest in acting on your behalf of this matter. We confirm that we undertake the valuation acting as externals values, qualified for the purpose of valuation.

The **fair market value** of the commercial property is **69,235,706 S.R** has been assessed by **Residual value, and DRC method (Depreciation replacement cost), And capitalization income method considering the** location of the property, current market conditions, market rents and classifications as at the date of valuation based upon the assumptions expressed.

Olaat Valuation Company

1- Settling the terms of engagement

Identification of the client and any other intended users	Al-Rajhi Capital co.
Instruction	In accordance with RFP dated on May 3, 2018, we are instructed to provide a Valuation report are required to estimate the fair Market IN-SITU value for Rama PLaza Property .
Purpose of valuation	We understand that this Valuation Report ("the Valuation Report"), is required for Real estate investment trust REITs Valuation , as at 15 May 2018 of the Property and for inclusion in a prospectus which is to be published by the Olaat Valuation Company
The subject of the valuation	Valuation for a Commercial property – (Offices and Shops)
The extent of the value's investigations	To avoid misunderstandings. it is good practice to agree with, which defines the extent of the <i>member's</i> duty to obtain or verify information that may be material
Inspection	The Property was inspected on 8th of May 2018 by Fadi Naeem Saudi Authority for Accredited Values membership (Taqeem) 1220000119, all significant parts of the property were inspected after communicated with Mr. Mohammad Bakri 056 220 8888 (on behalf of Al-Fowzan)
Personnel	The Valuation analysis and financial models has been prepared by Mustafa Al-Mardina Saudi Authority for Accredited Valuers (Taqeem) membership (CVA) membership Holder, we confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the (IACVA) (IVS).
The nature and source of the information to be relied on	Market Survey – Inspection - and OPM data center

2- Basing assumptions and limiting conditions

All analysis and conclusions in this valuation report are based on the following assumptions and limiting conditions, definitions and concepts, and identification of the subject property. Recognizing the premises of value is vital to this valuation assignment and to the analysis and conclusions that grow out of these premises.

3- The valuation is made subject to the following conditions and assumptions:

Any legal description or plats reported here are assumed accurate. Any sketches, plats or drawings included in this report are included to assist the reader in visualizing the property. We have made a full survey of the property boundaries and region and looking for some comparable land parcels and we didn't find any lands offering either for sale or rent.

Valuations based on *market value* shall adopt the definition and the conceptual framework settled by the **International Valuation Standards Council (IVSC)**: The estimated amount for which an asset 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.

4- Standard and Premise of value

- This valuation report relies upon the use of fair market value as the standard of value. For the purposes of this Valuation, fair market value is defined as the expected price at which the property would change hands between a willing hypothetical buyer and a willing hypothetical seller, neither being under a compulsion to conclude the transaction and both having full knowledge of all the relevant facts.
- This is essentially identical to the market value basis as it is defined under the **Saudi Authority for Accredited Values memberships (Taqeem)**, International Valuation Standards (IACVA), Valuation – Professional standard (Royal institution of chartered surveyors) RICS.
- The evaluation was performed under the premise of value in continued use as a going concern valuation analysis. In our opinion, this premise of value represents the Fair market value.

5- Scope of the Report

The valuation report is performed on a limited scope basis; the report is not a self-contained comprehensive valuation report to estimate the fair market value of the Property in Time of valuation.

6- Source of information and data

All data and information were deducted due to our market survey to collect some of the market samples either for lands and commercial, in addition, we consulted many of real estate experts in **Riyadh city** to reach the actual transaction of some land prices and for the building replacement cost value we depend on Saudi construction cost in time of valuation.

7- Purpose for preparation valuation and Content text

OPM was appointed by **Al-Rajhi Capital** to evaluate fair market value for a Commercial property due to Fair market value located within Al-Nahda district **on Prince Bandar bin Abdul-Aziz Street intersection point with Abdurrahman AL-Naser Street**, based on that, OPM valuation's team surveyed a property's surrounding area for site inspection + preview the location that was analyzed by OPM valuation's team to reach the estimated fair market price for the for evaluated property on time of evaluation.

8- Valuation Report Brief

It is a comprehensive valuation report for the property specification according to the Residual value method, depreciated replacement cost (DCR), Cap rate method to get the more realistic value of the Asset (property), this analysis report done by OPM valuation team to reach the estimated fair value of land property in time of evaluation **May 15, 2018 AD.**

9- Legal Description for Property Owner

Documents validity: the property targeted has viewed through available data and documents received from **Al-Rajhi Capital Co** and have been a presumption of validity.

10-Second partner's rights and ownership in property

We assumed that targeted property out and free of any personal legal rights and there is no mortgage, loan, royals, monopoly, utilization rights for land and instrument. If indicate otherwise, OPM company & evaluation team are free of any responsibility and our actual task only evaluates **Commercial property**, with checking and preview the real instruments if it's legal and owned by the landlord (Al-Rajhi REIT Fund).

11-Foundation of evaluation report and Contents

Assumptions

1. Purpose of evaluation is to estimate the real current market value in a competitive market (non-monopoly based on speculation)
2. Estimated current market value depending on Residual value approach. And depreciated replacement cost DRC, Capitalization rate.
3. The valuation is valid for Six months period from the date of preparation.
4. OPM has no conflict of interest in the time of evaluation.

Attachments

1. Google earth pictures of sample taken from region
 2. Evaluation Report
-

12-Property's Identification

The subject property consists of commercial property (Land + building) located in **Riyadh city** within Al-Nahda district on **Prince Bandar bin Abdul-Aziz Street** intersection point with **Abdurrahman AL-Naser Street**. Land area: **15,600 sq m + Building GFA 9,822.42 sq m** based on data has been received from **Al-Rajhi Capital Co.** **Geographic Coordinates:** **N: 24°45'21.82"** - **E: 46°47'29.84"**



The Image below shows the Boundaries of the site:

Micro Situation



12.1- Property Characteristics

The following are the site/building attributes that OPM has analyzed that affect the overall (Fair Market Value) of the Property in relation to its current use:

- Visibility: This refers to the general visibility of the frontage of the buildings from 2 sides
- Ease of Access: No any impediments to the building access via the existing roads
- General surroundings: This describes the area in terms of the surroundings and its uses (commercial and residential east Of Riyadh)
- Competitive environment: This describes the location in terms of whether the competition and rival situation is high or low
- Proximity to demand generators: These would refer to proximity to commercial and residential environment that would support the main function of the property and its proposed extension project.
- No Any land in site region offering either for rent or sale
- Lacking of any commercial projects in case of new supply from offices and shops.

Main features of the project:

- Commercial offices building and showrooms class C+
- Outdoor parking: 150 nos. car park
- Split units for offices HVAC system
- All offices area below standard system 3.6*3.6 consists of (Smoking detector)
- Panda Supermarket plus 34 showrooms with valuable tenant mix and 32 offices- occupancy rate 93%



13-Land Valuation

Case 1 – Residual value approach (land)

Residual value approach evaluation – Land Evaluation fair market value (FMV)

RV methodology definition:

The Land - Residual Approach is the sum of remaining from the value of the completed property (Assume generating income). First of all, subtracts the value of buildings from this overall value, designating the remainder as the value of land.

Building values may be estimated in terms of their replacement cost (which usually produces a very high estimate, leaving little land value) or their depreciated value (which gives an unrealistically low building estimate, inasmuch as maintenance and repairs save most buildings from deteriorating through wear and tear). Using the depreciated value method leaves a higher residual land value.

The Federal Reserve Board recently has experimented with a hybrid intermediate method that values buildings on the basis of their "historical costs".

Simply put, the residual land value is a method used to determine the value and potential profitability of a piece of property minus any expenses related to the land, according to the real estate website Real Estate Agent. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Dev - Cost Sheet

Cost Type - Dev Type	Year 1-2
Development Work	
Land Area - developed / year - sqm	15,600
Development Cost S.R / SQM	120
Total Development Cost / Year	1,872,000
Commercial Offices & Shops	
Sharing of land allocated for building	
	9,360
1- Building (Offices & Shops)	
1 basement floor - Gross area - sqm	2,500
GF-FF- Roof F	23,400
Replacement cost - sq m	
1 basement floors - Gross area - sqm	2,500
GF-FF- Roof F	1,900
	Built-Up area (GFA) sqm
1 basement floors - Gross area - sqm	2,500
GF-FF- Roof F	23,400
	Con cost - S.R /sqm
	2,500
	1,900
Construction Cost - S.R for part 1	50,710,000
2- Landscaping and external car parks	
Landscaping, Green area	3,600
	Built-Up area (GFA) sqm
Landscape, fences, outdoor car parks, fences	3,600
	Con cost - S.R /sqm
	650
Construction Cost - S.R for part 2	2,340,000
Total Construction Cost - S.R	54,922,000
Other Costs	
Professional Fees (Engineering Consultant) 2.5%	1,373,050
Statutory fees 2%	1,098,440
Marketing Fees (Media & Advertising) 1.5%	823,830
Contingency costs 1.5%	823,830
Overhead cost 2.5%	1,373,050
Total Dev - Cost - SR	60,414,200

Annual Income & Revenues Sheet - Free Future Cash Flow (FFCF)

	Dev- period 2 Years	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Category 1: Commercial Offices							
Offices - Grade C+							
Net Leasable area		14,040	14,040	14,040	14,040	14,040	14,040
Annual Rental price / sqm - S.R		400	400	400	400	400	400
Occupancy rate		80%	95%	95%	98%	98%	98%
Revenues Cat 1		4,492,800	5,335,200	5,335,200	5,503,680	5,503,680	5,503,680
Category 2 : Commercial Shops							
Shops - Grade C+							
Net Leasable area		7,488	7,488	7,488	7,488	7,488	7,488
Annual Rental price / sqm - S.R		940	940	940	950	950	950
Occupancy rate		80%	100%	100%	100%	100%	100%
Revenues Cat 2		5,630,976	7,038,720	7,038,720	7,113,600	7,113,600	7,113,600
Gross Revenues		10,123,776	12,373,920	12,373,920	12,617,280	12,617,280	12,617,280

Income Statement

	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33
Revenues	10,123,776	12,373,920	12,373,920	12,617,280	12,617,280	12,617,280
General & Administrative Expenses 10%	1,012,378	1,237,392	1,237,392	1,261,728	1,261,728	1,261,728
Gross Profit - EBITDA	9,111,398	11,136,528	11,136,528	11,355,552	11,355,552	11,355,552
Depreciation	1,812,426	1,812,426	1,812,426	1,812,426	1,812,426	1,812,426
Earnings after depreciation	7,298,972	9,324,102	9,324,102	9,543,126	9,543,126	9,543,126
Interest Expense	1,208,284	1,208,284	1,208,284	1,208,284	1,208,284	1,208,284
earning after interest expense	6,090,688	8,115,818	8,115,818	8,334,842	8,334,842	8,334,842
Other expenses	0	0	0	0	0	0
Net Income	6,090,688	8,115,818	8,115,818	8,334,842	8,334,842	8,334,842
Dividends Rate	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Additions to Retained Earnings	6,090,688	8,115,818	8,115,818	8,334,842	8,334,842	8,334,842
Cumulative Retained earnings	6,090,688	14,206,506	22,322,324	88,819,102	97,153,944	105,488,786

Cash Flow Statement

Cash Flow Statement						
Cash flow Table	year 0	year 1	year 2	year 31	year 32	year 33
IN - Flow						
Capital Injection						
Net Revenues		6,090,688	8,115,818	8,334,842	8,334,842	8,334,842
Total Inflow		6,090,688	8,115,818	8,334,842	8,334,842	8,334,842
OUT Flow						
Total Construction Cost	54,922,000					
Professional Fees	1,373,050					
Statutory fees 2%	1,098,440					
Marketing Fees (Media & Advertising) 1.5%	823,830					
Contingency costs 1%	823,830					
Overhead cost 1%	1,373,050					
Total Outflow	(60,414,200)					
Net Cash Flow	(60,414,200)	6,090,688	8,115,818	8,334,842	8,334,842	8,334,842
Cumulative Net Income	(60,414,200)	(54,323,512)	(46,207,694)	88,819,102	97,153,944	105,488,786

Residual Value- Land Value

RV	Year 0	Year 1	Year 2	Year 3	Year 31	Year 32	Year 33	Total
IN - Flow								
Revenues		6,090,688	8,115,818	8,115,818	8,334,842	8,334,842	8,334,842	
Total Inflow		6,090,688	8,115,818	8,115,818	8,334,842	8,334,842	8,334,842	159,145,566
Discount Rate: 10%		0.909	0.826	0.751	0.052	0.047	0.043	
OUT Flow								
Total Outflow		(60,414,200)						60,414,200
Total Cash out								
Net Cash Flow (Before Discount Rate)	(60,414,200)	6,090,688	8,115,818	8,115,818	8,334,842	8,334,842	8,334,842	60,117,264
								Total Cash flow
Discounted Cash Flow DCF		5,536,989	6,707,288	6,097,534	434,234	394,758	358,871	54,453,928
								Residual Value

Value Per / SQM		
	Land Value (PV)	54,453,928
	Square Meters	15,600
Estimated SQM value (S.R)		3,491

Fair Market Value FMV	Land Area - sqm	Value / sq m . S.R	FMV S.R
Fair Market Value for land	15,600	3,491	54,453,928

13.2- Depreciated Replacement cost method (DRC) A valuation of a property using a *depreciated replacement cost* method should be accompanied by a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed.

Replacement cost	BUA – built up area – sqm	Type of operation
GF, FF, and Roof floor	9,822.42	Offices-shops-Service area
Outdoor area	9,897	Entrance, exit, car parks

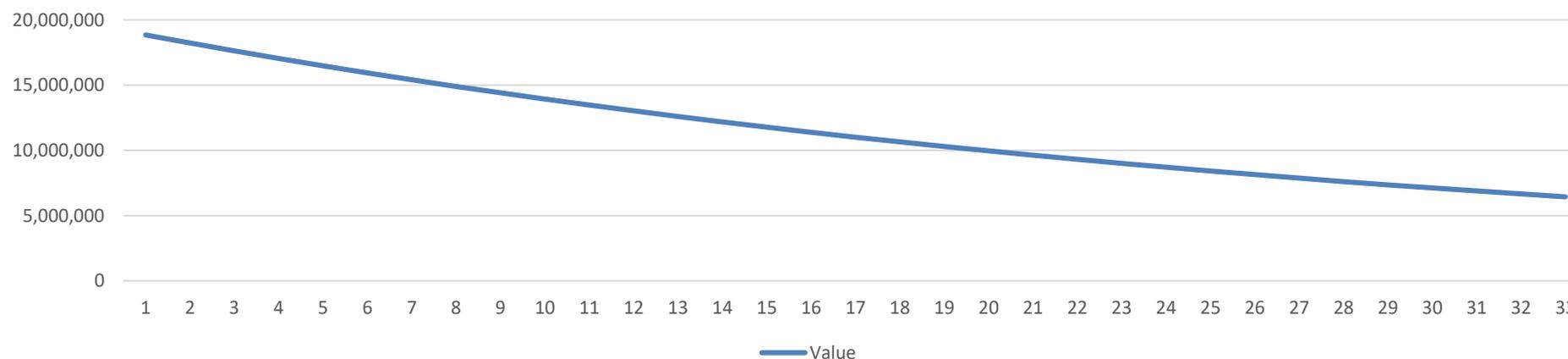
Depreciated Replacement cost (DRC)

Standards: Average useful life for showrooms and Offices building in <u>Riyadh</u> city after taken into consideration climate	N (number of years) =	33 years
Deprecation ratio Per annum 2.5%	Appreciation ratio Per annum based to schedule of maintenance work 0.5% per annum	2%
Building (equipment) useful life	N (number of years) =	5.5 years (starting Operation period @1434 Hijri)
Acc Deprecation	2%*5.5=	11 %

(fixtures & equipment work) F&E for building;

Type of Construction	GFA / sqm	Replacement cost / SAR – sqm Q1-2018	Completion %	Fair Market value/ SR
GF, FF, and roof floor	9,514.42	1,600	100%	15,223,072
Landscaping and outdoor car parks	9,897	350	100%	3,463,950
Fences	308	500	100%	154,000
Replacement cost				18,841,022
- Acc Deprecation		18,841,022*11 %		(2,072,512)
Depreciated Replacement cost DRC				16,768,509

Value of building during operational Life Cycle



14-Fair market value (property) Land + Building In the case fixtures & equipment work-Currency SAR

Fair Market Value (Land)	54,453,928 S.R
+	
Building	16,768,509 S.R
Fair market value - Property	71,222,437 S.R (Seventy one million, two hundred twenty-two thousand, four hundred thirty seven Saudi riyal)

(Sensitivity Analysis) (Risk matrix) for Weighted average value based on (RV and DRC)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
67,000,000 S.R	71,222,437 S.R	74,000,000 S.R

15- Valuation Based to Income approach- Capitalization rate ratio of Net Operating Income (NOI) to property asset value @ 7.5% Average market Yield- Riyadh city Q1-2018

Net Operating income NOI Triple Net – Currency SAR based to official legal contract/agreement between landlord and One tenant (Al-Fowzan for construction and real estate For Real estate) for 10 obligatory year contractually period (Net Rent/ annum 4,550,000 SAR during the first 5 years and Net Rent/ annum 4,914,000 during the rest of Contract's period) – SR starting from 5 Ramadan Hijri 1436 till 4 Ramadan 1446 Hijri (Remaining 7 Hijri Years)		
Period 1: : from 5 Ramdan 1436 till 5 Ramdan 1440 (Remaining 2 years) = (4,550,000 * 2)	9,100,000	4,810,000
Period 2: from 5 Ramdan 1440 till 5 Ramdan 1446 (Coming 5 Years) = (4,914,000 * 5)	24,570,000	
Sum	33,670,000	
n period	7	
Net Operating Income NOI- Triple Net	4,810,000	
– Vacancy and collection loss		0
Additional income (additional area unrented)		0
Effective gross income		4,810,000
Operating Expenses		
Fixed	0	
Variable	0	
Reserves	0	
– Total Operating expenses		0
Net operating income NOI		4,810,000
Fair Market Value @ 7.5% Capitalization rate		64,600,000

16-FMV-Fair market value for Property based to Weighted average between (RV+DRC) and Capitalization rate method

Residual value + depreciation replacement cost - FMV	71,222,437	
Capitalization rate - FMV	64,600,000	
Weighted Average - Percentage	DRC	49,855,706
	70%	
	Cap rate	19,380,000
30%		
Fair market value FMV	69,235,706 (Sixty-nine million, two hundred thirty-five-thousand, seven hundred six SR)	

(Sensitivity Analysis) (Risk matrix)

The Sensitivity ratio for the Land evaluation is 5% as identified in the below table and it will also the sensitivity rate which can also measure the risk factor. a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

-5%	Fair market value	+5%
66,000,000 S.R	69,235,706 S.R	73,000,000 S.R

17- Real Estate Market Summary- Riyadh Q1-2018

Growth rate constant, Government's decision to collaborate more closely with the private news for the housing sector, Shopping center owners are hopeful that the proposed entertainment reforms will lead to the licensing of movie theatres in the Kingdom. 11 new brands hotels are expected to enter the market over the next two years with totally 3900 hotels room.

17.1-Offices market: Offices vacancies Decreased over the quarter due to new Demands from companies after public and private sectors start looking for new location; offices rents have softened and are likely to stay stable and constant.

Healthcare sector continues to attract demand level and growing number of commercial buildings in Riyadh are leasing space to clinics or other healthcare providers. Additionally, some buildings are remarketing their properties to target this sector in response to the current market conditions. While this will increase occupancies, it will also result in lower average rents. Market also contributed to the decrease in vacancies in remaining of 2018

17.2-Residential market: Also, performance declined in residential sector. Villas selling have been a particularly sharp downturn, due to falling and waning demand. Renting prices still stable in waiting for departure of large number of expatriates.

17.3-Hospitality market: Average daily rates falling 14%, the opening of a number of hotels over the past year has placed downward pressure on occupancies and ADRs, both of which fell from the corresponding period of 2017-Q1 2018.

17.4-Retail market: While occupancies decreased marginally in the retail sector over 2017, they are expected to soften of the rest of year of 2018 as new supply projects enters the market. Most malls and commercial centers managed to hold on their rents, despite soften sales. And Cinema presence will help Retail sector in increasing Occupancies.

17.5- Industrial warehouses: While occupancies increased marginally in the industrial warehouses sector over 2017, they are expected to soften of the rest of year as new supply projects enters the market. Most projects are located within South and north of Riyadh (new development plans near Salboukh road) should affect the old warehouses negatively.

18-External and internal Pictures

External view



External view



Internal view



19- OPM valuation team

Title	Job Description	Saudi Authority for Accredited Valuers member ship	Validity of Member ship	Section
Abdulmalik Al-Darwsih	Valuation Manger	1210000397	1440/4/14	Real estate
Mustafa Al-Mardina	Formatting and Analyzing report, Site visit	1220000297	31/12/2018	Real estate
Fadi Naeem	Site visit, inspection Catchment area	1220000119	1440/04/2	Real estate
Ashraf Al-Shaeer	Final Revision – Release	1220000021	1440/04/2	Real estate

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