

Valuation report

**Qbic Building, Al Ghadeer District,
Riyadh, Kingdom of Saudi Arabia**

Prepared on behalf of **NCB Capital / NCB**

Date of issue: **27 July 2021**

Danial Mahfooz, CFA, NCB Capital, Riyadh, KSA

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KF ref: KF/V/342-2021

Executive summary

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.

Address	Qbic Building, King Abdulaziz Road, Al Ghadeer District, Riyadh, KSA																
Location	<p>The property is located just 170 meters north of the junction of King Abdulaziz Road with Northern Ring Branch Road in Al Ghadeer District in Riyadh. More specifically, it is situated just across from Tala Mall and it is bounded by King Abdulaziz Road from the east, by Tanmar Road from north, by Wadi Rikham Road from west and Tanduf Road from the south. King Abdullah Financial District is just 2 km to the west and the King Khalid International Airport lies 20 km north of the property.</p>																
Description	<p>The property comprises a high-end mixed-use commercial retail strip (showrooms, shops, office units and restaurants) accommodating three buildings – A, B and C – that are designed in a U shape. Building A includes a ground floor, a mezzanine level, first floor and second floor. Building B and C include a ground floor, first floor and second floor.</p> <p>The property is best suited for high-end fine dining restaurants and showrooms. Many of the restaurants have external terraces that give a high-end property feel. There is a vehicular ramp that leads from the ground floor to the two basements. A standalone building is located in the middle of the property just before the ramp that leads to the basements. The property has two basement floors with a total of c. 670 parking spaces. The basements have good air flow circulation. There are three accesses to the parking area on the first basement floor, including the ramp.</p>																
Areas	<p>The built up area (BUA) and the net leasable area (NLA) of the property are 42,145.31 and 21,253.00 square meters respectively on a land plot of 17,444.21 square meters.</p> <table> <tr> <th>Level</th><th>Built Up Area (sq m)</th></tr> <tr> <td>Basement Parking</td><td>18,744.00</td></tr> <tr> <td>Ground Floor</td><td>7,559.85</td></tr> <tr> <td>Mezzanine Floor</td><td>1,583.77</td></tr> <tr> <td>First Floor</td><td>8,411.94</td></tr> <tr> <td>Roof Floor</td><td>5,678.25</td></tr> <tr> <td>Standalone Building</td><td>167.50</td></tr> <tr> <td>Total</td><td>42,145.31</td></tr> </table>	Level	Built Up Area (sq m)	Basement Parking	18,744.00	Ground Floor	7,559.85	Mezzanine Floor	1,583.77	First Floor	8,411.94	Roof Floor	5,678.25	Standalone Building	167.50	Total	42,145.31
Level	Built Up Area (sq m)																
Basement Parking	18,744.00																
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First Floor	8,411.94																
Roof Floor	5,678.25																
Standalone Building	167.50																
Total	42,145.31																

Tenure	Freehold
Tenancies	The property is leased in its entirety to the Ministry of Housing for a term of 3 years from 25 February 2020 for SAR 21,613,000.00 per annum with no escalations.
Planning	We have been provided with a Building Permit for the property which indicates that the property has approval to accommodate restaurants, showrooms and offices.
Valuation considerations	<ul style="list-style-type: none"> The property is centrally located and benefits from very good accessibility and visibility from both sides of King Abdulaziz Road. The layout and format of the property is of a high standard for a neighbourhood mixed use commercial strip development in Saudi Arabia. The traditional retail strip concept is still widely appreciated by the majority of the population in Riyadh and the performance of retail components has been heavily reliant on the retail strip location, tenant mix and other critical success factors. However, the entry of structured shopping centres has been shifting consumer preferences as the younger demographic of the Saudi population are becoming increasingly more brand-aware and oriented towards high-end products and experiences, e.g. cinemas, play areas. We have assessed the market value of the property using a discounted cash flow approach, where we have reflected the contracted triple net rent for the initial lease term, then modelled our assumption of the Market Rent of the property assuming the Ministry vacate and the property is then available to lease with vacant possession. In this scenario we have assumed a phased lease up on market terms and allowed for deduction of operating expenses. Our Estimated Rental Value is SAR 29.67 million per annum (assuming 100% occupancy). We have assumed 2.00% annual inflation in our cash flows and adopted an 8.00% exit yield and 10.00% discount rate. There is no historical evidence regarding service charges / costs for FM per annum, therefore we have reflected an Op Ex provision of SAR 200 per sq m on GLA in our valuation analysis on expiry of the head lease to the Ministry of Housing. In the event that the Ministry of Housing do not renew the lease, the Market Value of the property will differ as there would be letting void which would reduce the value of the property.
Valuation date	30 June 2021
Market Rent	SAR 29,668,000 per annum (at 100% occupancy at the valuation date)
Special Assumption	The property is currently leased to the Ministry of Housing for a term of 3 years. We have also made a Special Assumption that this lease is renewed for a similar term.
Market Value on Special Assumption	We are of the opinion that the Market Value of the freehold interest in the property, on the special assumption that the head lease is renewed for an additional 3-years (initial 3 year

term plus a renewal for 3 years at a rent of SAR 20,532,350 to the Ministry of Housing), at the valuation date, is:

SAR 250,766,000

(Two Hundred and Fifty Million, Seven Hundred and Sixty Six Thousand Saudi Arabian Riyals)

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1 Instructions

Engagement of Knight Frank Spain Saudi Arabia Real Estate Valuations Company

Instructions	1.1	We refer to our Terms of Engagement and General Terms of Business dated 24 th June 2021 to provide a valuation report on a mixed-use commercial property on King Abdulaziz Road, Ghadir district, Riyadh, KSA identified as “Qbic Building” (“the property”). Copies of these documents are attached at Appendix 1.
	1.2	This valuation has been carried out in accordance with our General Terms of Business for Valuations (“General Terms of Business”).
Client	1.3	Our client for this instruction is NCB Capital (“the Client”).
Valuation standards	1.4	This valuation has been undertaken in accordance with the Taaem regulations, RICS Valuation – Global Standards 2020, incorporating the International Valuations Standards, and latest RICS Professional Standards. References to “the Red Book” refer to either or both of these documents, as applicable.
Purpose of valuation	1.5	You have confirmed that this valuation report is required for REIT reporting to the Saudi Capital Market Authority (CMA) for the semi-annual reporting of the market value (MV) in accordance with Taaem regulations.
Conflict of interest	1.6	We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.
	1.7	We are acting as External Valuers, as defined in the Red Book.
Responsibility to third parties	1.8	Our valuation report is only for the use of our Client and no liability is accepted to any third party for the whole or any part of its contents.
Disclosure & publication	1.9	Neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
Limitations on liability	1.10	No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner or consultant of Knight Frank Spain Saudi Arabia Real Estate Valuations Company (“Knight Frank”). Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank.
	1.11	Knight Frank’s total liability for any direct loss or damage caused by negligence or breach of contract in relation to this instruction and valuation report is limited to the amount specified in the Terms of Engagement letter, a copy of which is attached. We do not accept liability for any indirect or consequential loss (such as loss of profits).
	1.12	The above provisions shall not exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

- Expertise** 1.13 In accordance with VPS3 of the Red Book, the valuer, on behalf of Knight Frank, with the responsibility for this report is Faissal Habassi MRICS, Tazeem and RICS Registered Valuer. We confirm that the valuer meets the requirements of the Red Book, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
- Vetting** 1.14 This report has been vetted as part of Knight Frank's quality assurance procedures.

Scope of enquiries & investigations

Inspection	1.15	We were instructed to carry out an external inspection of the property. Our inspection of the property was undertaken on 08 July 2021 by Faissal Habassi MRICS.
Investigations	1.16	The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal / web based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.
Information provided	1.17	In this report we have been provided with information by NCB Capital, its advisors and other third parties. We have relied upon this information as being materially correct in all aspects.
	1.18	In particular, we detail the following: <ul style="list-style-type: none"> • Information relating to the extent of the property • Breakdown of units (in Excel) • Floor plans (ground floor, mezzanine, first floor, second floor, roof) • Project summary (PDF) • Copy of the title deed • Copy of the Building Permit • Details of the rent provisions, structure and lease length
	1.19	In the absence of any documents or information provided, we have had to rely solely upon our own enquiries as outlined in this report. Any assumptions resulting from the lack of information are also set out in the relevant section of this report.

Valuation bases

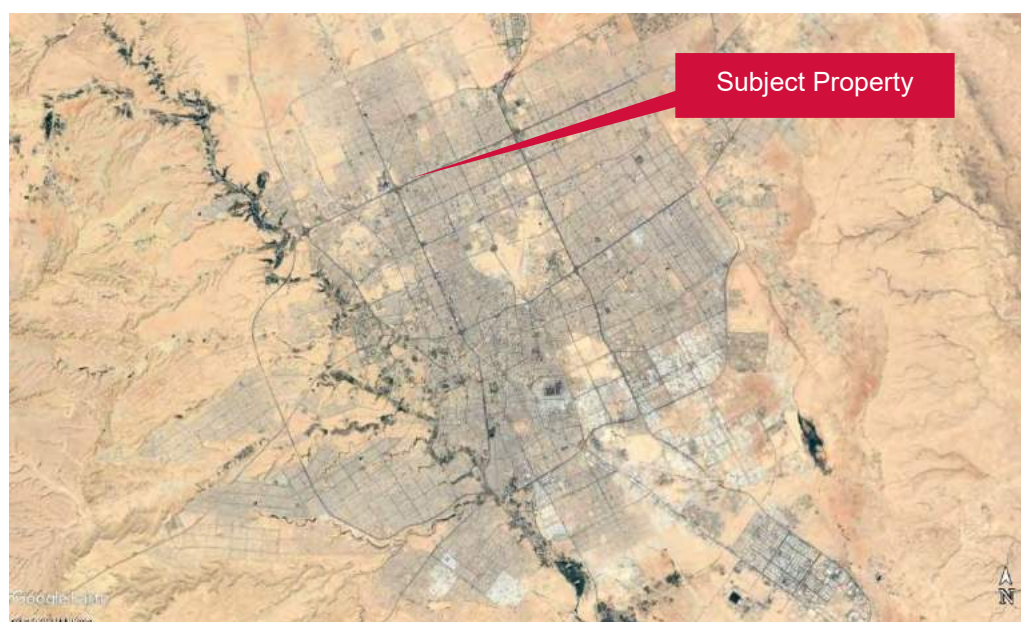
	1.20	In accordance with your instructions, we have provided opinions of value on the following bases:-
Market Value on Special Assumption	1.21	The Market Value of the freehold interest in the property on the special assumption the lease is completed with the Ministry of Housing for a term of 6 years (3+3) on a triple net basis. The initial 3 year term plus a renewal for 3 years at a rent of SAR 20,532,350 to the Ministry of Housing.
Market Rent (MR)	1.22	The Market Rent of the property. Our letting assumptions are set out in the Valuation Section of this report.
Valuation date	1.23	The valuation date is 30 June 2021.

2 The property

Location

- 2.1 As can be seen from the plan below, the property is located just 170 meters north from the junction of King Abdulaziz Road with Northern Ring Branch Road in Al Ghadeer District in Riyadh. More specifically, it is situated just across from Tala Mall and it is bounded by King Abdulaziz Road from the east, by Tanmar Road to the north, by Wadi Rikham Road to the west and Tanduf Road to the south. The King Abdullah Financial District (KAFD) is just 2 km to the west and the King Khalid International Airport is 20 km north.

The wider area is mainly residential comprising local villas and apartment buildings while commercial uses prevail on King Abdulaziz Road and Northern Ring Branch Road.



Source: Google Earth

2.2 The street plan below shows the micro location of the property.



Source: Google Earth

Site

- | | |
|------------------|--|
| Site area | 2.3 The property occupies a flat and rectangular site of approximately 17,444.21 sq m. |
| Site plan | 2.4 We have not been provided with an Affection plan (Krooki). The property is identified on the Building Permit below, showing our understanding of the boundary of the property. |



الحدود	الارتفاع	الاستخدام	ملاحظات البناء	الارتفاع	الاستخدام	ملاحظات البناء
شمال	10.0	تجزئة تجارية	ارتفاع 10.0 متر	شمال	10.0	تجزئة تجارية
جنوب	10.0	تجزئة تجارية	ارتفاع 10.0 متر	جنوب	10.0	تجزئة تجارية
شرق	10.0	تجزئة تجارية	ارتفاع 10.0 متر	شرق	10.0	تجزئة تجارية
غرب	10.0	تجزئة تجارية	ارتفاع 10.0 متر	غرب	10.0	تجزئة تجارية

Source: Client

Description

- 2.5 The property comprises a high-end mixed-use commercial retail strip (showrooms, shops, office units and restaurants) accommodating three buildings – A, B and C – that are designed in a U shape. Building A includes a ground floor, a mezzanine level, first floor and second floor. Building B and C include a ground floor, first floor and second floor.

The property is well suited for high-end fine dining restaurants and showrooms. Many of the restaurants have external terraces that give a high-end property feel. There is a vehicular ramp that leads from the ground floor to the two basements. A standalone building is located in the middle of the property just before the ramp that leads to the basements. The property has two basement floors with c. 670 parking spaces. The basements have good air flow circulation. There are three accesses to the parking area on the first basement floor, including the ramp.



2.6 Further photographs of the property are attached at Appendix 4.

Accommodation

Measurement 2.7 As agreed with the Client, we have relied upon floor areas provided to us by the Client. No further verification has been undertaken. These are as follows:

Floor areas

Table 1: Built Up Area (BUA)

Level	Built Up Area (sq m)
Basement Parking	18,744.00
Ground Floor	7,559.85
Mezzanine Floor	1,583.77
First Floor	8,411.94
Roof Floor	5,678.25
Standalone Building	167.50

Total	42,145.31
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Source: Client

Table 2: Unit Breakdown

2.9

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

Mezzanine 006	Ground	SR, Mezzanine	A	173
Show Rm 007	Ground	Showroom	A	281
Mezzanine 007	Ground	SR, Mezzanine	A	173
Show Rm 008	Ground	Showroom	A	199
Mezzanine 008	Ground	SR, Mezzanine	A	100
Show Rm 009	Ground	Showroom	A	226
Mezzanine 009	Ground	SR, Mezzanine	A	116
Show Rm 10	Ground	Showroom	A	224
Mezzanine 10	Ground	SR, Mezzanine	A	116
Show Rm 11	Ground	Showroom	A	586
Mezzanine 11	Ground	SR, Mezzanine	A	310
Shop No. 04	Ground	Shop	B	148
Shop No. 05	Ground	Shop	B	148
Shop No. 06	Ground	Shop	B	224
Restaurant 13	Ground	Rest	B	449
Restaurant 14	Ground	Rest	B	146
Restaurant 15	Ground	Rest	B	184
Restaurant 16	Ground	Rest	B	184
Restaurant 17	Ground	Rest	B	146
Restaurant 18	Ground	Rest	B	75
Restaurant 19	Ground	Rest	B	222
Restaurant 20	First	Rest	B	510
Terrace (Restaurant 20)	First	Rest Terrace	B	504
Restaurant 21	First	Restaurant	B	550
Terrace (Restaurant 21)	First	Rest Terrace	B	202
Restaurant 22	First	Restaurant	B	498
Terrace (Restaurant 22)	First	Rest Terrace	B	156
Stand Alone (1)	Ground	Stand Alone	SA	196
Restaurant 11	Second	Restaurant	C	307
Terrace (Restaurant 11)	Second	Rest Terrace	C	342
Restaurant 12	Second	Restaurant	C	225
Terrace (Restaurant 12)	Second	Rest Terrace	C	297
Restaurant 23	Second	Restaurant	B	396
Terrace (Restaurant 23)	Second	Rest Terrace	B	411
Restaurant 24	Second	Restaurant	B	297
Terrace (Restaurant 24)	Second	Rest Terrace	B	354
Office 001	First	Office	A	182
Office 002	First	Office	A	182

Office 003	First	Office	A	236
Terrace (Office 003)	First	Office, Terrace	A	75
Office 004	First	Office	A	160
Terrace (Office 004)	First	Office, Terrace	A	75
Office 005	First	Office	A	179
Office 006	First	Office	A	196
Office 007	First	Office	A	196
Office 008	First	Office	A	176
Office 009	First	Office	A	202
Office 010	First	Office	A	313
Office 011	First	Office	A	182
Office 012	First	Office	A	180
Office (13)	Second	Office	A	119
Terrace (Office 13)	Second	Office, Terrace	A	56
Office (14)	Second	Office	A	323
Terrace (Office 14)	Second	Office, Terrace	A	444
Office (15)	Second	Office	A	126
Terrace (Office 15)	Second	Office, Terrace	A	45
Office (16)	Second	Office	A	126
Terrace (Office 16)	Second	Office, Terrace	A	45
Office (17)	Second	Office	A	323
Terrace (Office 17)	Second	Office, Terrace	A	675
Office (18)	Second	Office	A	118
Terrace (Office 18)	Second	Office, Terrace	A	57
Total				21,253

Source: Client

- 2.10 The valuation given does not include any chattels or contents within the property.
- 2.11 Copies of floor plans provided are attached at Appendix 5 and for the sake of convenience we would list the accommodation as follows. There are three buildings – A, B and C – that are arranged in a U shape. Building A includes a ground floor, a mezzanine level, first and second floors. Building B and C include a ground floor, first and second floors. There is also a ground floor standalone building in the middle of the development.

Services

- 2.12 In accordance with the General Terms of Business enclosed at Appendix 1, no tests have been undertaken on any of the services.

- 2.13 We have assumed that the existing services have sufficient capacity to accommodate the development and that no works are required to upgrade their capacity.

Legal title

Tenure

- 2.14 We have been provided with the property's title deed's details as shown below:

Table 3: Title deed

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

Source: Client

A copy of the title deed is attached in Appendix 2.

- 2.15 In the absence of a copy lease, we have assumed that normal covenants and liabilities devolve upon the lessee. It is further assumed that there are no onerous restrictions or outgoing contained within the lease that would impact on the valuation provided within this report
- 2.16 These assumptions should be verified by your legal advisors. If they prove incorrect, any variation may have a material impact on value and should be referred back to us for further comment.

Covenants

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

Tenancies

- 2.18 The property is currently fully leased to the Ministry of Housing on a three-year lease. The salient terms of the lease agreement are summarised below:
- Demise: Commercial building and two basement floors
 - Lease date: 25/02/2020 (1441/07/01 Hijri)
 - Tenant: Ministry of Housing
 - Term: 3 Years
 - Total area: 17,444.21 sq m (land area)

- Current rent passing: SAR 21,613,000 per annum
- Rent review terms: fixed rent
- Use: Office

Condition

Scope of inspection	2.19	As stated in the General Terms of Business attached, we have not undertaken a building or site survey of the property.
	2.20	During our limited inspection we did not inspect any inaccessible areas. We are unable to confirm whether the property is free from urgent or significant defects or items of disrepair.
Comments	2.21	Apart from any matters specifically referred to below, we have assumed that it is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.
	2.22	During our inspection, no major defects or serious items of disrepair were noted which would be likely to give rise to a substantial capital expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme. We have assumed that the building has been completed in accordance with its planning consent to a good standard.
	2.23	At the date of inspection, the buildings appeared to be in a generally reasonable state of repair commensurate with their age and use. No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the near future or which fall outside the scope of the normal annual maintenance programme.
Ground conditions	2.24	We have not been provided with a copy of a ground condition report for the site. We have assumed that there are no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the buildings constructed thereon.

Environmental considerations

Contamination	2.25	As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Knight Frank is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.
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Planning

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

Table 4: Summary of Building Permit

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

Source: Client

A copy of the Building Permit is attached in Appendix 3.

- 2.27 We understand that the property has full planning consent. We have assumed this is the case for the purposes of this valuation.

Highways

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

Access

- 2.29 In reporting our opinion of value, we have assumed that there are no third party interests between the boundary of the subject property and the adopted highways and that accordingly the property has unfettered vehicular and pedestrian access.
- 2.30 We have assumed that there are no issues relating to visibility splays which may impact upon the use or proposed use of the property.

3 Market analysis

KSA Economic overview

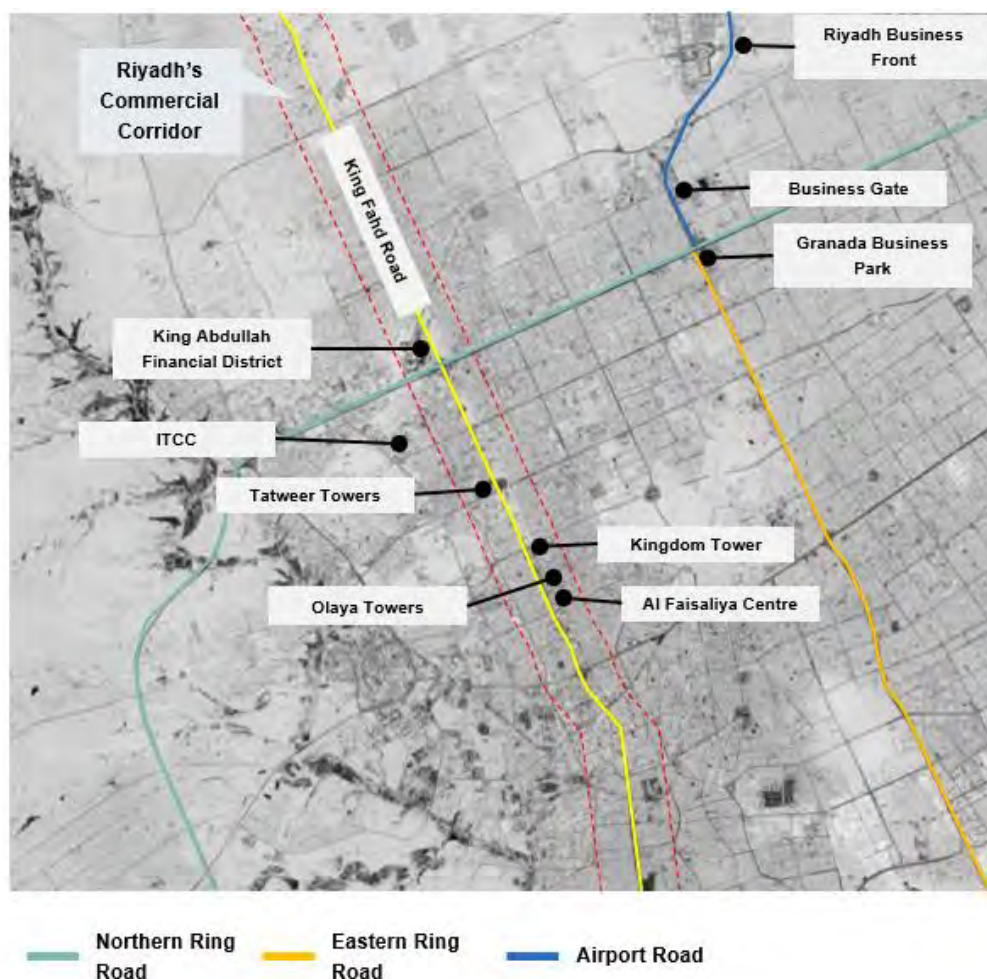
- 3.1 The KSA Economic overview is included in Appendix 6 of this valuation report.

Office Market Overview

- | | | |
|--------------------|-----|---|
| Demand | 3.2 | In the long term, demand for office space is expected to increase from current levels as economic reforms under the National Transformation Plan (NTP) and Vision 2030 start feeding through the wider economy, translating into an acceleration of growth in the non-oil private sector. Moreover, the implementation of various urban regeneration initiatives including mixed use communities and large scale infrastructure projects (such as the Riyadh Metro), is expected to act as a catalyst for the real estate market. |
| Supply | 3.3 | Between 2011 and 2020, Riyadh's office supply grew at a compounded annual growth rate of 8.7%. The supply of office space reached 4.2 million square metres of GLA by the end of 2020. Several major developments opened in 2020, which added approximately 218,000 square meters of GLA to the market. A total of 1,069,006 square metres is anticipated to be added into the market between 2021 to 2023, resulting in a total office supply of over 5.2 million square metres by the end of 2023. |
| Vacancy | 3.4 | Vacancy rates across the prime and Grade A office space decreased by two percentage points from 2019 to reach 7% in 2020, whilst the Grade B vacancy rate increased by two percentage points to reach 31% over the same period. |
| Performance | 3.5 | Over the past few years, average rental rates have been on a declining trajectory across all segments of the market. This trend is mainly the result of a rising stock of quality supply providing occupiers with a greater choice of office accommodation across the city amidst still soft occupier demand levels. |
| | 3.6 | Over the last few years, the nature of office developments has been evolving from traditional office spaces to mega mixed-use developments offering retail, F&B, residential and hospitality options along with quality office space. King Abdullah Financial District (KAFD) is a landmark mixed-use development currently under construction and is expected to hand over meaningful levels of office stock in phase 2. With a total built-up area of 1.6 million sqm, and an office GLA of circa 900,000 sq m the development will dramatically change the office market in Riyadh once completed, offering world-class prime office space along with residential and hospitality options. |
| | 3.7 | The market is expected to become increasingly occupier-friendly with landlords focusing on offering incentives such as flexible payment plans or extended grace periods. The emergence of a two-tiered market in which secondary assets with poor access and parking limitations will struggle to maintain performance, while buildings situated in better locations with attractive facilities will command premium rents. Superior specifications include good accessibility and parking arrangements, high-speed elevators, centralized air conditioning, larger floor plates and flexible office |

designs. Demand for Grade B stock is expected to weaken as occupiers look to upgrade their premises amid increasingly tenant friendly market dynamics.

3.8



The current inventory of office leasable area in Riyadh stands at approximately 4.2 million sqm of GLA, distributed between Grade A, B and C stock which hold a respective share of 31, 33 and 36% in the existing supply.

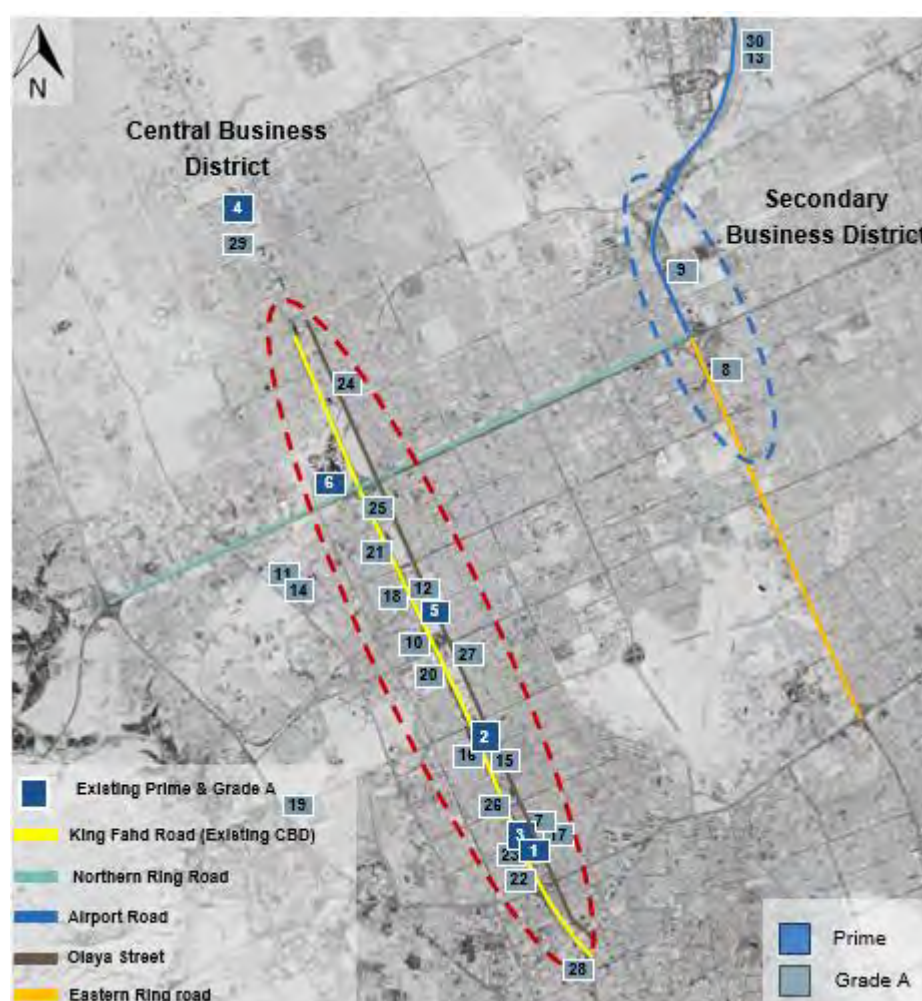
The majority of landmark buildings are located along the King Fahd business corridor including Kingdom Tower, Al Faisaliya Center and Olaya Towers. These landmark towers have traditionally hosted the offices of large multinational companies. Due to availability of land and proximity to the airport, future supply of office is predominantly focused on North Riyadh.

King Abdullah Financial District (KAJD) is a landmark prime office development located in North Riyadh and is the next central business district of Riyadh. With a total BUA of 1.6 million sqm, KAJD is expected to be home to the headquarters of prominent

corporates including Tadawul, Capital Market Authority and Commodity Market. KAFD has circa 900,000 sq m of office GLA, all grade A spec.

A large number of companies are looking to move into the new office developments which are located in North Riyadh. These developments are gaining traction and attracting strong interest from both public & private occupiers due to the availability of a sizeable and recent stock of good quality office space commanding more affordable rental rates. Riyadh Bank and Riyadh Capital have recently moved their headquarters to Granada Business Park while KPMG moved to Riyadh Business Front.

Riyadh existing prime & grade A office supply



Major Existing Prime & Grade A Office Developments			
	Name	GLA (sqm)	Opening Year
1	Al Faisaliah	35,400	2000
2	Kingdom Tower	42,750	2002
3	Olaya Towers	80,000	2012
4	Tamkeen Tower	57,120	2012
5	Majdool Tower	75,000	2020

6	King Abdullah Financial District	100,000	2020
7	Centria Centre	9,700	2006
8	Granada Business Park	133,600	2011
9	Riyadh Business Gate	48,000	2013
10	Tatweer Towers	20,050	2008
11	Raidah Digital City Phase 1	160,000	2017
12	Al Rajhi HQ Tower	30,000	2018
13	Riyadh Business Front Phase 1	31,875	2018
14	Raidah Digital City - Other Phases	70,000	2018
15	Akaria The Plaza	60,000	2009
16	Al Anoud Tower I	10,000	2008
17	Al Monajem Tower	18,000	2011
18	Grand Tower	11,680	2012
19	Home offices	45,000	2012
20	Moon Tower	17,000	2013
21	Nakheel Tower	8,000	2011
22	NCCI Towers North & South	28,000	1999
23	Hamad Tower	31,000	2016
24	Al Nakhlah Tower	25,000	2017
25	Elegance Tower	24,000	2017
26	Al Waseel Tower	33,000	2018
27	Time Centre	35,000	2019
28	Malathek 1	20,000	2019
29	CMC Tower	12,000	2019
30	Riyadh Business Front Phase 2	40,000	2020
Total Existing Supply (sqm of GLA)		1,311,175	

Source: Knight Frank Research

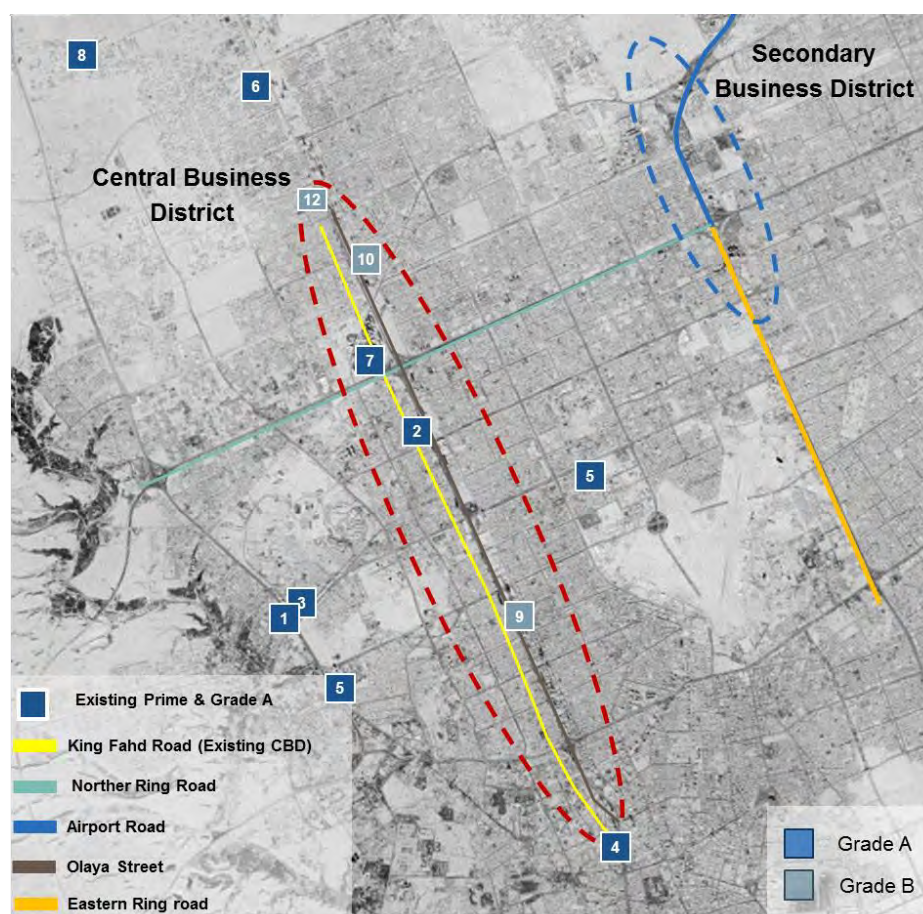
Prime and Grade A office space account for a total GLA of 1,311,175 square meters. 72% of this leasable space is located along King Fahd and Olaya Streets.

Within the last five years, Riyadh has witnessed a steady growth in Grade A office supply with 12 new openings comprising approximately 511,875 square metres of GLA. With the exception of Raidah Digital City and Business Front, all of the new Grade A office developments are located along King Fahd and Olaya Streets.

The latest Grade A office developments delivered to the market are the Majdool Tower and Riyadh Business Front Phase 2. The new developments has opened in the second half of 2020 and boasts over 115,000 square metres of GLA.

Riyadh Future Office Supply

3.10



Source: Google Earth, Knight Frank

Major Upcoming Office Developments				
	Name	Status	GLA (sqm)	Opening Year
1	King Saud University - University Office Tower (Building 09/10)	Under construction	15,000	2021
2	Rafal Sky Garden	Under construction	7,300	2021
3	KSU University Office Tower (013)	Under construction	15,082	2019
4	King Fahd Twin Tower (KFTT)	Under construction	28,800	2020
5	Medical Village (The Walk)	Under construction	110,000	2021
6	The Avenues Riyadh	Under construction	50,000	2023
7	King Abdullah Financial District	Under construction	700,000+	2020 - 2023

8	Boulevard 2030	Under construction	45,000	2023
9	Boss Office Tower	On Hold	49875	2021
10	Saleem Commercial Centre 2	Under construction	9,000	2020
11	ATAD Office Building	Under construction	20,000	2021
12	SMASCO Tower	Under construction	18,950	2022
Total Future Supply (sqm of GLA)			1,069,006	

ATAD office Building is not showcased on the adjacent map.

The current office pipeline comprises 1,069,006 square metres of GLA, which includes eight Grade A office developments and 4 Grade B office developments.

King Abdullah Financial District is a landmark prime office development currently under construction, KAFD has delivered around 100,000 square meter of GLA into the market during 2020 and is expected to deliver additional 700,000 square meters of GLA till 2024. This development will pose significant pressure on both rents and occupancies of Riyadh's Grade A office market.

This development will effectively increase the Grade A office in the capital by 65% from its current level of 1.3 million sqm.

Other notable developments, which have been announced and were under construction in the past, albeit have faced several delays, includes King Saud University Endowment project and The Avenues Riyadh. These developments will add circa 30,000 square metres and 50,000 square metres of GLA respectively in Riyadh's quality office space upon their completion.

Riyadh Office Supply Characteristics

3.11 Distribution of office supply by category (GLA)



Source: Knight Frank

As of 2020, the total GLA of office space in Riyadh stood at over 4.2 million square metres. Grade C stock accounted for the largest share (36%) while Grade B share in

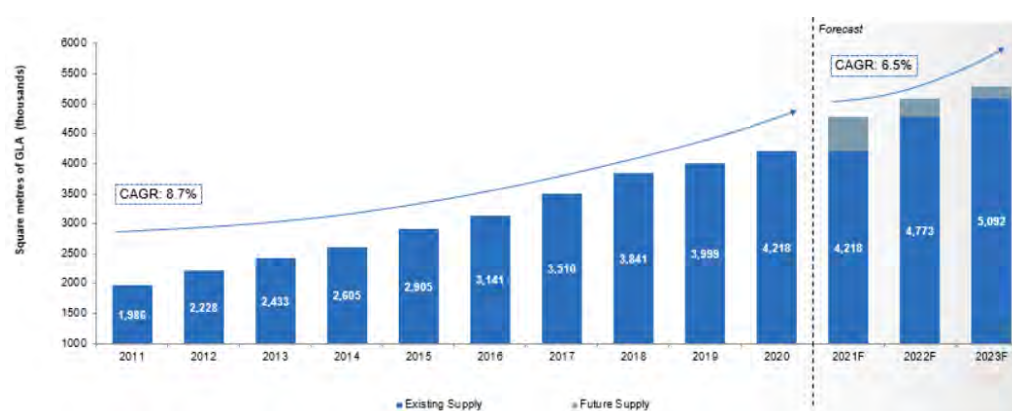
the total supply stood at 33%. Prime and Grade A office space accounted for 31% of the total stock.

The 1,069,006 sqm pipeline of office supply is primarily skewed towards Grade A, which account for 96% of our total pipeline. Grade B office space accounts for the remainder 4%.

Once the supply pipeline gets released on the market, the Grade A segment share is set to increase significantly to 44% of the total office supply by the end of 2023, while the share of the Grade B segment will remain same to 28% and the share of the Grade C segment in total supply will decrease, reaching 28%.

Evolution of Quality Organised Office Supply

3.12 Evolution of Riyadh office supply



Source: MECSC; Knight Frank

Between 2011 and 2020, the office supply in Riyadh grew at a compounded annual growth rate of 8.7%. The supply of office space reached 4.2 million square metres of GLA by the end of 2020. There were several major developments that opened in 2020, which added approximately 218,000 square meters of GLA to the market.

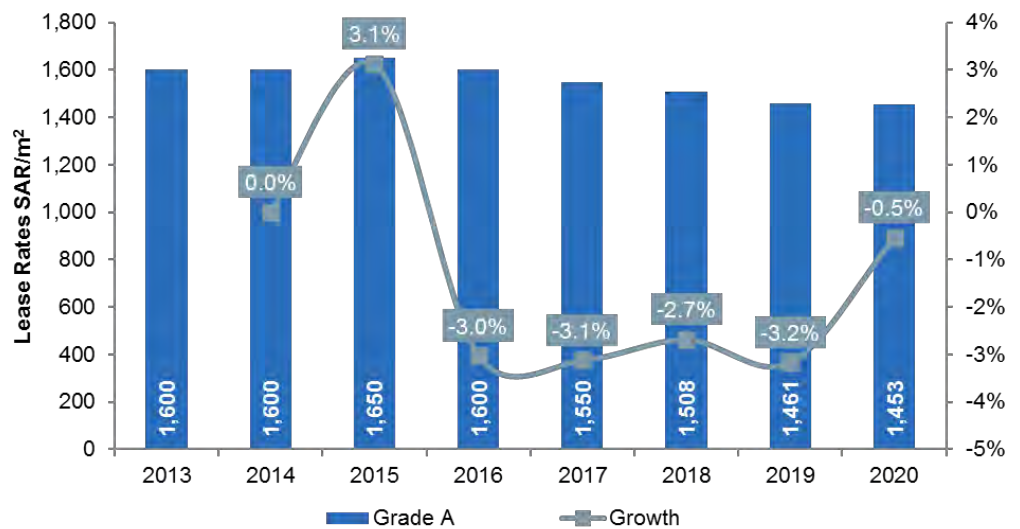
A total of 1,069,006 square metres of GLA is anticipated to be added into the market between 2021 to 2023 resulting in a total office supply of over 5.2 million square metres by the end of 2023, which equates to a compounded annual growth rate of 6.5% during our forecast period, slower than the historical CAGR.

However, given weaker market condition some projects may be delayed.

Annual Lease Rates in Grade

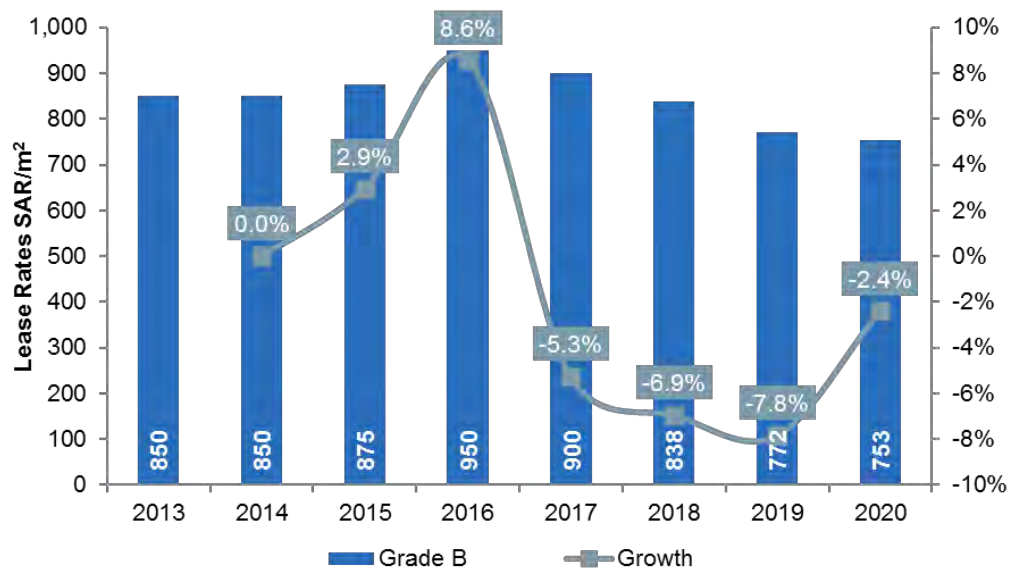
3.13 Riyadh grade A office lease rates (SAR/m²)

A and Grade B Segments



Source: Knight Frank

Riyadh grade B office lease rates (SAR/m²)



Source: Knight Frank

Average lease rates per square metre for Prime and Grade A office space marginally increased between 2013 and 2015 to reach SAR 1,650. Subsequently, lease rates per square metre began to decline; 2016 recorded a 3% decrease to SAR 1,600, while 2017, 2018 and 2019 lease rates experienced further declines of 3.1%, 2.7% and 3.2% respectively. The trend continued in 2020, where Grade A rents witnessed a marginal 0.5% decrease in average Prime and Grade A lease rates to SAR 1,453.

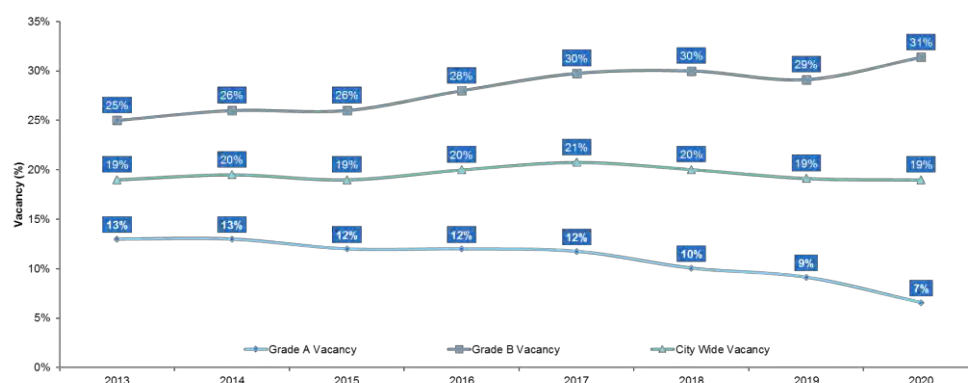
Average lease rates per square metre for Grade B office space increased between 2013 and 2016 from SAR 850 to SAR 950. This was followed by three consecutive years of declining lease rates with 2017, 2018 and 2019 recording drops of 5.3%, 6.9% and 7.9 % respectively. The year 2020 witnessed a further 2.4% decline in Grade B lease rates down to SAR 753. The faster rate of decline in lease rates across the Grade B space compared to the Grade A space has to be seen within the context of a lack of Grade A space which continues to underpin rents in this segment.

A number of factors have contributed to the softening of rental rates across the office market over the past few years including:

- Rising stock of quality supply providing occupiers with a greater choice of office accommodation across the city amidst a still soft occupier demand.
- Downsizing trend seen across the private sector to reduce capital expenditures and closure of many SMEs given challenging economic conditions.

Amid a rising level of competition, we expect the market to become increasingly occupier friendly with landlords focusing on offering incentives such as flexible payment plans or extended grace periods. We see a two tiered market developing where secondary assets with poor access and parking limitations will struggle to maintain their rental rates, while buildings situated in better locations with attractive facilities will command premium rents. Superior specifications include good accessibility and parking arrangements, high speed elevators, centralized air conditioning, larger floor plates and flexible office designs.

Vacancy Rates 3.14 Riyadh Grade A, Grade B and city wide vacancy rates



Source: Knight Frank

From 2013 to 2020, vacancy levels across the Prime and Grade A office segments witnessed a decline reaching 7% down from 13%. Occupancy in Prime and Grade A schemes has strengthened as the market is characterised by a limited stock of Prime and Grade A space with key assets benefiting from frictional vacancy. Average

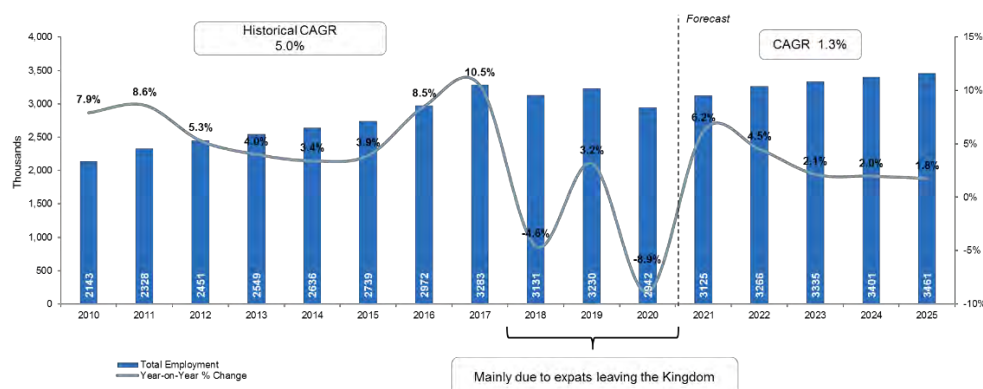
vacancy rates in Grade A stock decreased by two percentage points to reach 7% in 2020.

Between 2013 and 2020, vacancy levels across the Grade B office segment trended higher reaching 31% in 2020 as compared to 25% in 2013. This market dynamic has to be seen within the context of a subdued occupier demand and an increasingly competitive market where occupiers are given more choice as a result of an increased quality supply.

Looking ahead and as supply increases, we expect the market to become more occupier friendly. We see a two-tiered market developing where buildings situated in better locations with attractive facilities will command premium rents and healthy occupancy levels while secondary assets will struggle to drive rental and occupancy levels.

Demand Estimation

3.15 Employment Trend – Riyadh (2010 to 2025)



Source: Macrobond, Oxford Economics, Knight Frank

Riyadh's employed population stood at 3.23 million in 2019 and is expected to reach 3.46 million in 2025, representing a CAGR of 1.3% in the forecast period ranging between 2019 and 2029, which is lower than the historical ten years CAGR registered between 2009 and 2019 at 5.0%.

The employment growth is expected to remain supported by various initiatives aimed at boosting youth, women and Saudi nationals' participation in the workforce. However government levies on expats and Saudization plans have been putting pressures on non-Saudi employment numbers.

Investment Overview

- 3.16 The KSA listed REITS are still opportunistically looking to grow and add assets under management and we have worked on a number of buy side instructions which indicates there is still investor appetite. The impact of Covid 19 on investor sentiment and real estate risk / return requirements is somewhat hard to gauge to date in the Kingdom, as there have been few transactions since the onset of Covid as a pandemic. It is clear from the wider global markets that certain asset classes are being impacted more severely than others, and location, quality and whether it is prime or secondary in terms of positioning and location are important factors.
- 3.17 Whilst the KSA market has become more liquid and transparent since the advent of REITS, it still remains opaque when compared with the US, UK and Europe. It is important to look to these mature markets where there is a large amount of transactions to understand investor behaviour there and the trends observed and review in the context of the KSA market.
- 3.18 Set out below are some pre Covid 19 investment transactions acquired by the REITS in the retail and office sectors, which serve as a benchmark to determine an appropriate cap rate for the subject.

Name	Location	Type	Initial Yield	Notes	Comparison with Subject
Al Makan Mall	Tabuk	Retail	8.12%	Acquired by Wabel REIT for SAR 219 m in 2018 off a NOI of SAR 17.82 m p.a. Freehold title, 2 yrs old, 97% let.	Shorter leases, less attractive market. Tabuk viewed as higher risk. Subject in large city, waterfront, strong leases. Subject less risky - lower cap rate to be applied.
Al Makan Mall	Riyadh	Retail	8.57%	Acquired by Wabel REIT for SAR 232 m in 2018 off a NOI of SAR 19.92 m p.a. Freehold title, 2 yrs old, 93% occupancy.	Smaller lot size, not as prime, albeit Riyadh arguably more preferred than Khobar. Well let. Subject more prime – adjust cap rate down.
City Life Plaza	Riyadh	Retail	8.00%	Acquired by Dereyah REIT for SAR 106.25 m in 2018 off an NOI of SAR 8.5 m p.a. Freehold title, 1 year old, 100% occupancy.	Subject is better quality and better tenant mix than the subject. Adjust cap rate down for the subject.

Al Muhamma diyah	Riyadh	Office / Retail	8.24%	Acquired by Al Maathar REIT for SAR 99.58 m in 2018 off an NOI of SAR 8.2 m p.a., freehold title	Smaller lot size
Al Sahafa Building	Riyadh	Office / Retail	8.61%	Acquired by Al Maathar REIT for SAR 50.1 m in 2018 off an NOI of SAR 4.3 m p.a., freehold title	Less sought after location, smaller lot size
Smart Tower	Riyadh	Office / Retail	7.59%	Acquired by Dereyah REIT for SAR 263.5m in 2018 off an NOI of SAR 20 m p.a., freehold title, 12 yrs old.	Older asset, good parking.
Elite Mall	Riyadh	Retail	7.94%	Acquired by Mulkia REIT for SAR 201.5m in August 2019 off an NOI of SAR 16 million. 5 yr head lease in place.	Retail mall, 5 yr head leases (2) in favour of Al Masharia Al Oula and an individual at 12 m and 4 m SAR respectively. Similar type of scheme to the subject.
Al Nada Commercial Centre	Riyadh	Office / Retail	8.64%	Acquired by Shuaa REIT for SAR 70 million off an NOI of SAR 6.05 million p.a., freehold, 2-3 yrs old	Smaller lot size
Boulevard Riyadh	Riyadh	Office / Retail	9.16%	Acquired by Jadwa REIT Saudi for SAR 320 m in 2021 off a NOI of SAR 29.3 m p.a. With an occupancy rate of 97%.	Similar lot size, more prime and situated in a better location. Well let to individual tenants.

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • New modern construction • Very good visibility and access on King Abdulaziz Road • Very good design/layout • Adequate number of parking spaces 	<ul style="list-style-type: none"> • Property is located across from Tala Mall, a 22,711 sq m community mall on the north Ring Branch (exit 5) crossing King Abdulaziz Road • Hayat Mall is located just 3.2km to the south on King Abdulaziz Road

<ul style="list-style-type: none"> No market risk, and very limited credit risk for the initial 3 year lease period. 	
Opportunities	Threats
<ul style="list-style-type: none"> Tenant mix to compliment competitive schemes in the wider area, e.g. fine dining restaurants Subject to a head lease agreement there is an opportunity of steady rental income for a number of years 	<ul style="list-style-type: none"> Similar developments on vacant/undeveloped plots in the wider area Retail sector performance / Saudi population spending power

- 3.19 The main benefits the subject property has are the fact it is newly constructed, and thus should not require substantial repairs and maintenance for a few years, and the fact that it is leased to the Ministry of Housing, which is a blue chip covenant and very low credit risk.

The fact that the Ministry are spending substantial capital on fitting out the space suggests there will be a high probability of the initial 3 year term being extended for a further 3 years (6 years total) and thus we believe this is reasonable to reflect in our valuation analysis under the special assumption scenario.

- 3.20 The blend of retail and commercial office space in this type of development does not typically attract true blue chip covenants, as tenants such as large financial companies, banks, lawyers, corporates etc typically are bound by a corporate identity and must take space in a prescribed central office tower. Therefore, we could expect to see second tier international occupiers, local companies looking for a good profile and able to pay a strong rent.
- 3.21 The property is well located, well designed and the format has proved popular with tenants / retailers and clientele / customers.
- 3.22 We consider that the head lease underwritten by the Government entity provides security of income in difficult trading conditions. We have adopted an exit yield of 8.00% for the property.

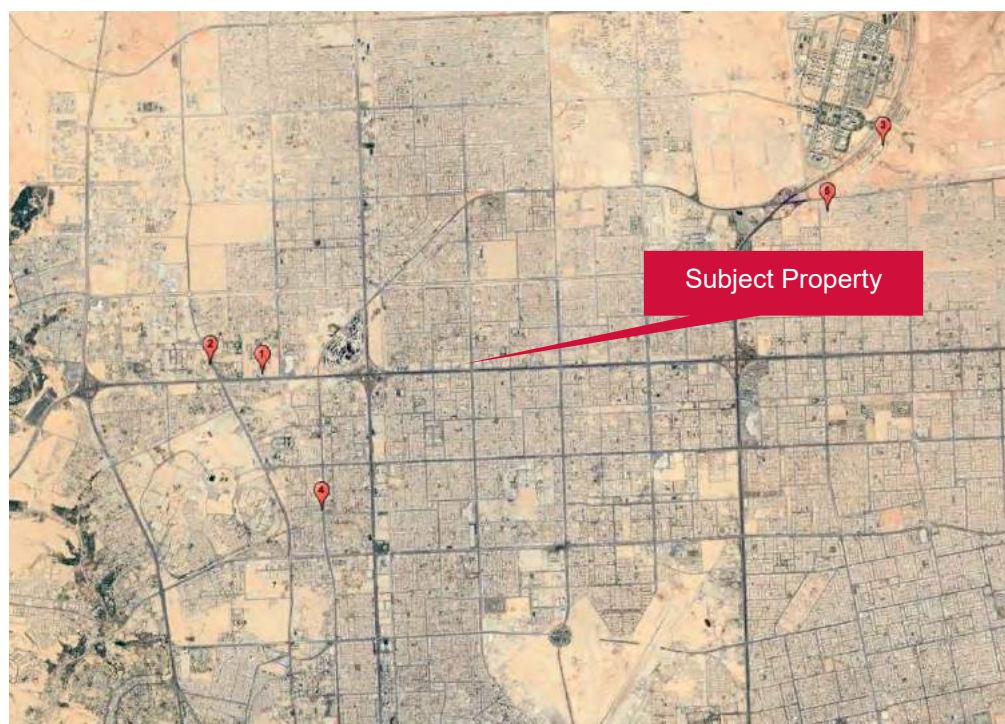
4 Valuation

Methodology

- | | | |
|---------------------------|-----|---|
| | 4.1 | Our valuation has been undertaken using appropriate valuation methodology and our professional judgement. |
| Comparative method | 4.2 | In undertaking our valuation of the property, we have made our assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, aspect and other material factors. |
| Investment method | 4.3 | Our valuation has been carried out using the comparative and investment methods. In undertaking our valuation of the property, we have made our assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, terms, covenant and other material factors. |
| | 4.4 | We have undertaken the valuation of the property via a discounted cash flow approach, whereby we reflect current and potential future revenues and operational costs explicitly. We have applied rental growth, occupancy assumptions, sinking fund provision and operating expenses in our cash flow. |

Comparable Evidence – Benchmarking

- | | | |
|--|-----|--|
| | 4.5 | For restaurants, offices, and retail rental evidence we have analysed appropriate comparable properties, together with evidence of demand within the market of the subject property. |
| | 4.6 | For the retail component, Knight Frank has focused on properties that have similar layout, architecture, and consumer targeting to the subject property. |



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

No.	Development Name	Opening	Service Charges	Min (SAR per sq m)	Max (SAR per sq m)
1	Rubeen Plaza	Q4 2015	Inclusive	2,500	3,500
2	The Boulevard	Q2 2017	Inclusive	1,400	2,400
3	Riyadh Front	Q3 2019	Inclusive	2,200	3,500
4	The Zone	Q2 2019	15%	2,500	3,000
5	Cordoba Boulevard	Q2 2019	10%	2,000	4,000

Source: Knight Frank Research

- 4.8 The retail benchmarks noted in the table and location map above have been assessed as the market of relevance for the subject property. These have been included as a result of their location, positioning, tenant mix, characteristics as well as best practices.

As a result, these benchmarks form the foundation of our analysis to ascertain the subject property's key performance indicators (lease rates, absorption, vacancy, etc.).

A lifestyle centre is considered to be a F&B and entertainment led retail development featuring outdoor spaces and supporting retail elements. A number of these benchmarks have been included in our analysis as the positioning is deemed to be a

suitable fit for the subject site given the characteristics of the site (leveraging from the King Abdullah branch Road).

We have used similar comparable sets around the city of Riyadh to arrive at the applied estimated rental values (ERVs). We have gathered information from high-quality retail strips, mixed-used projects and office developments.

We have divided the subject property into eight different categories of tenant / use. The categories include the restaurants on the ground floor, restaurants on the first floor, restaurants on the second floor, shops, showrooms, offices on the first floor, offices on the second floor, and the stand-alone building. Based on our understanding of the market and the subject property, we have applied a base rate to each of the eight categories.

We have then adjusted each unit compared to the base unit rate of each category. We have applied a base rate of SAR 1,850 per sq m for the ground floor retail spaces, SAR 1,665 per sq m for the first floor retail (10% discount compared to the ground floor) and SAR 1,570 per sq m for the retail on the second floor (15% discount compared to the ground floor).

- 4.9 For the office component, Knight Frank has focused on properties that include non-high rise good quality office buildings.



- 4.10 As shown in the map above, five properties are chosen as comparable set (office) to the subject property as following;

Ref.	Development Name	Rent Per sq m	Occupancy%
------	------------------	---------------	------------

1	Raidah Digital City	1,500	100%
2	Business Gate	1,500	91%
3	Granada Business Gate	1,500	95%
4	Riyadh Business Front	1,550	95%
5	The Boulevard	1,200	100%

- 4.11 The property is not located within the core office CBD of Riyadh, however it comprises more than 6,000 sq m of office space, which could be attractive to small to medium sized private companies or government entities. The parking area and the retail component is definitely an advantage and has historically been proved to be appealing to potential tenants.

Quoting rents at Raidah Digital City are SAR 1,500 per sq m per annum, and the space offered is prime grade A space. Raidah Digital City commands a premium to the property due to specification, being situated in an integrated masterplan, and that there is good provision for parking with exceptional security.

Business Gate is a low rise business park which tenanted mainly by mid to large sized businesses. Current asking rents at Business Gate are SAR 1,500 per sq m per annum which varies upon unit size, aspect and lease terms. We consider that when comparing Business Gate to the property a downward adjustment for specification is applicable. Although the location of the property is a better, we consider that the overall adjustment would be negative due to grade of space, aspect and that Qbic is not situated in a business park.

Granada Business Gate is a business park themed grade A office development, with headline rents standing at SAR 1,500 per sq m per annum. The development is situated beside Granada Mall and sits near the Eastern Ring Road. We consider that an upward adjustment for location would be applicable against the property, although a downward adjustment for facilities, specification and grade of space is applicable.

Riyadh Business Front is situated along Airport Road, opposite Princess Noura University in a fairly undeveloped area. Riyadh Business Front benefits from great visibility and accessibility off Airport Road. The space offered is considered better than that offered in the property due to specification. Overall we consider that the property would lease at a discount to Riyadh Business Front.

At the lower end of the range is The Boulevard, with headline rents standing at SAR 1,200 per sq m per annum. The Boulevard sits on the west side of Prince Turki Ibn Abdulaziz Al Awwal Road and is known for its lifestyle retail offering. We consider that the office space would command a premium for location and a discount for specification.

Overall Knight Frank's research data shows that similar developments would lease at a discount to the benchmarks shown above due to specification, location and positioning. We have applied a premium for the office space on the second floor and have made adjustments to reflect each unit's attributes and characteristics within the development according to the distance from the entry point, size, and accessibility.

Valuation bases

- Market Value** 4.12 Market Value is defined within RICS Valuation – Professional Standards as:
- “The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”
- Market Rent** 4.13 The basis of valuation for our opinion of rental value is Market Rent. This is defined in RICS Valuation – Professional Standards as:
- “The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Valuation date

- Valuation date** 4.14 The valuation date is 30 June 2021.

Market Value

- Assumptions** 4.15 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Terms of Engagement Letter and within this report.
- Key assumptions** 4.16 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to the following key assumption: We have not measured the property and our valuation calculations are based on the areas provided by the client.
- Special assumption(s)** 4.17 The property is currently leased to the Ministry of Housing for a term of 3 years, we have upon discussion with the Client made the Special Assumption that this lease is renewed for a similar term. This is considered reasonable due to the high capex incurred in the fitout and the likelihood to need to amortise this fitout cost.
- Market Value on Special Assumption** 4.18 We are of the opinion that the Market Value of the freehold interest in the property, on the special assumption that the head lease is renewed for an additional 3-years (initial 3 year term plus a renewal for 3 years at a rent of SAR 20,532,350 to the Ministry of Housing), at the valuation date, is:

SAR 250,766,000

(Two Hundred and Fifty Million, Seven Hundred and Sixty Six Thousand Saudi Arabian Riyals)

Valuation Assumptions

4.19 The table below sets out our valuation assumptions:

Table 5: Valuation Assumptions

Item	Assumptions (6-year head lease)
Net Leasable Area (sq m)	21,253
Built Up Area (sq m)	42,145
Service Charge	10% of rental value
Management Fee	2%
Sinking Fund	1%
Op Ex	SAR 200 per sq m on GLA
Inflation	2.00%
Exit Yield	8.00%
Discount Rate	10.00%

5 Signature

Reviewed (but not undertaken by):



Faissal Habassi, MRICS

RICS Registered Valuer

Taqeem No. 1220001311

**Associate Partner - Valuation & Advisory
KSA**

For and on behalf of

Knight Frank Spain Saudi Arabia Real

Estate Valuations Company



Stephen Flanagan, MRICS

Fellow Taqeeem

Taqeem No. 1220001318

**Partner, Head of Valuation & Advisory,
MENA**

For and on behalf of Knight Frank

Spain Saudi Arabia Real Estate

Valuations Company



Appendix 1 - Instruction documentation



AlAhli REIT Fund (1)
Riyadh
Kingdom of Saudi Arabia

For the attention of Danial Mahfooz

Our Ref: NCB Capital

24 June 2021

Dear Sirs

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

Thank you for your enquiry of 24 June 2021 requesting a valuation report in respect of the properties detailed below (the "Properties"). We are writing to set out our agreed terms of engagement for carrying out this instruction which comprise this Terms of Engagement letter (this "Letter") together with our General Terms of Business for Valuation Services (the "General Terms"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed by us in writing. To the extent that there is any inconsistency between this Letter and the General Terms, this Letter shall take precedence.

1. Client

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

2. Properties to be valued

The Properties to be valued are as follows:

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

3. Valuation standards

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

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T +966 5308 03297
knightfrank.com.sa



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

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

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

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

5. Valuer and competence disclosure

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

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

6. Purpose of valuation

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

7. Limitation of liability and restrictions on use

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

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

Third party reliance

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

Disclosure

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

8. Basis of valuation

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

- Market Value



9. Special assumptions and assumptions

Special assumptions

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

- You have not requested any valuations on special assumptions.

Assumptions

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

10. Valuation date

The valuation dates are 30 June 2021 and 31 December 2021

11. Currency to be adopted

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

12. Extent of inspection and investigations

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

Inspection

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

13. Information to be relied upon

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

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

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

14. Report format

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

15. Fees and expenses

Payment details

Our fee for undertaking this instruction will be [REDACTED] for each re-valuation, and reasonable disbursements divided into two payment, set out below.

June 2021 revaluation:



Advance Payment	
Final payment	

December 2021 re-valuation:

Advance Payment	
Final payment	

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

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

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

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

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

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

16. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and/or refrain from discussing it with you until this Letter has been

Our Ref: NCB Capital

4



countersigned and returned. Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and/or the terms of the Agreement between us please let us know before signing this Letter or otherwise giving us instructions to proceed.

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

Yours faithfully



Stephen Flanagan MRICS

Partner - Head of Valuation & Advisory, MENA,
Valuation & Advisory, MENA

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

stephen.flanagan@me.knightfrank.com

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M +971 50 8133 402



Attached - General Terms of Business for Valuation Services




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

.....
Date

KF Ref: NCB Capital

Appendix 2 - Title Deed



وَدَارَةُ الْعَدْلِ
[٢٧٧]

كاتب العدل الأمل بالرياض

الرقم: ٧١٠١٢٠٠٢٣٣٣١
التاريخ: ١٤٣٦ / ١ / ٣ هـ

صك

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

فإن قطعة الأرض ٢٠٤ و قطعة الأرض ٢٦ و قطعة الأرض ٢٧ من المخطط رقم ٢٧٢٦ / الواقع في حي الغدير بمدينة الرياض ،


وحدودها وأطوالها كالتالي:

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


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

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

هي في ملك عبد العزيز بن عبد الله بن عبد العزيز الموسى سعودي الجنسية بموجب سجل مدني رقم ١٠١٤٣٣٢٥٧٩ و عبد العزيز بن حمد بن ابراهيم المشعل سعودي الجنسية بموجب سجل مدني رقم ١٠١٠٦٢٥٩٧٦ ، وعليه جرى تحريره في ١٤٣٦ / ١ / ٣ هـ لاعتماده ، وصلى الله على نبينا محمد وآله وصحبه وسلم.



كاتب العدل
مصعب بن محمد بن احمد الخثين



صفحة ١ من ١

نموذج رقم (١٠٠٣-١١٦)

(هذا النموذج مخصص للاستخدام بالحاسب الآلي ويمنع تغليفه)

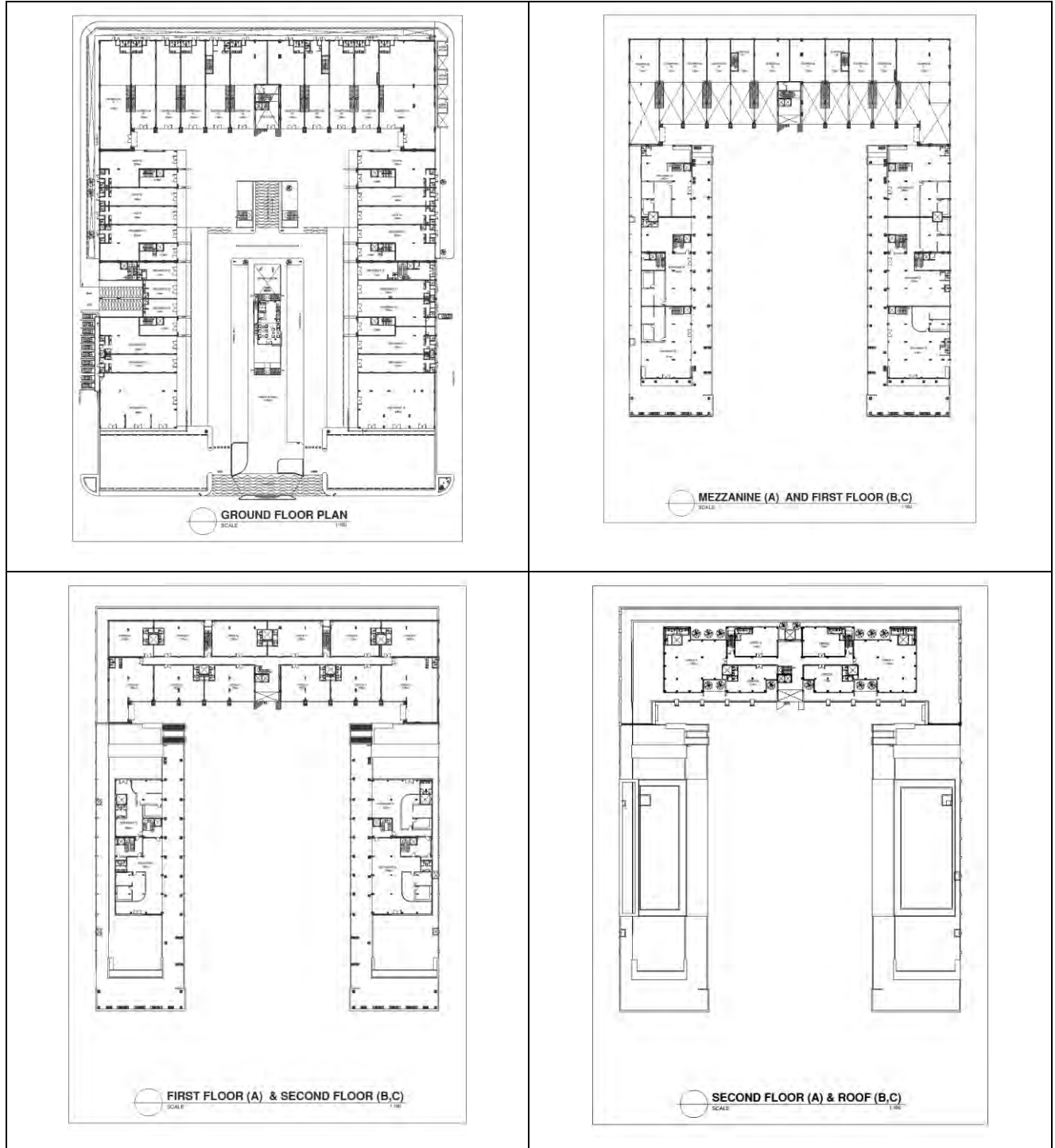
مطابقة مع الأصل الممسك به ٣٥٢٤١٨٢٠٠

هذا المستند وحده منسحقاً صالحاً ، وشياع أو ثلثه صفيحة منه يؤدي إلى شذو صلا حجة المستند .

Appendix 4 - Additional Photographs



Appendix 5 - Floor plans

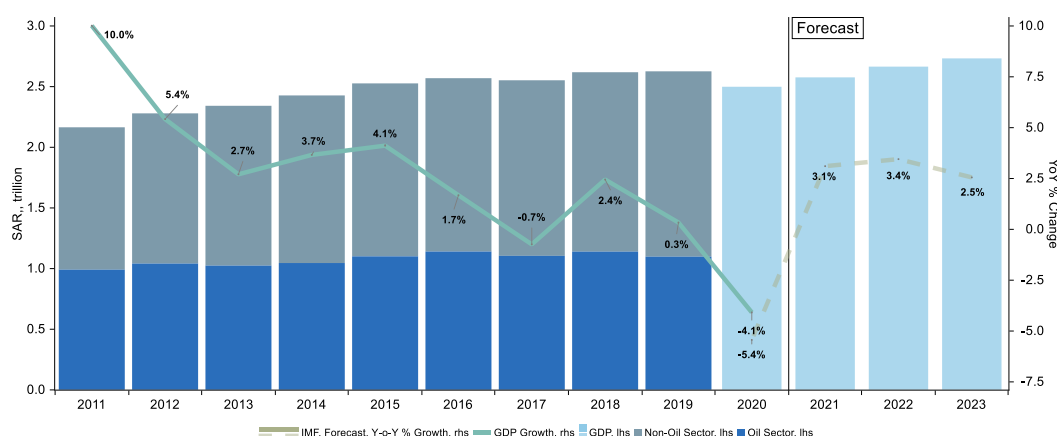


Appendix 6 - KSA Market Overview

Saudi Arabia GDP Growth, 2011 - 2023

- According to provisional full year data published by the General Authority for Statistics (GaStat), Saudi Arabia's real GDP contracted by 4.1 percent in 2020 compared to growth of 0.3 percent year-on-year in 2019.
- Saudi Arabia's non-oil sector performed remarkably well in December 2020, with the index hitting its highest reading since November 2019. This upturn in business activity has underpinned a stronger than expected GDP reading in Q4 2020, and as a result Saudi Arabia GDP in 2020 contracted less than the 5.4 percent rate forecast by the IMF.
- Whilst there are material downside risk that may still impact economic activity in Saudi Arabia, most are unlikely to come to fruition and few are exogenous in nature. This underpins Saudi Arabia's 2021 GDP growth forecast of 3.1 percent the strongest in the region.
- With this rate of economic growth, Saudi Arabia will remain below the average growth rate of c. 5 percent which was recorded between 2011 and 2015.

Saudi Arabia GDP, YoY % change



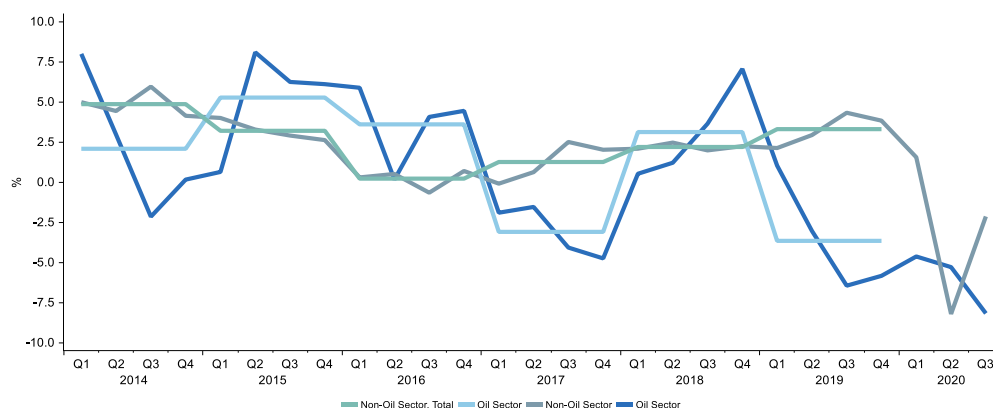
Source: Knight Frank Research, Macrobond

Saudi Arabia Oil & Non-Oil GDP and GDP Growth

- As a result of COVID-19, Saudi Arabia both oil and non-oil sectors contracted substantially.
- First, as the global economy came to a halt, demand in the hydrocarbon sector effectively stalled, causing a supply glut and oil prices to plummet. This has had a substantial impact on Saudi Arabia oil sector GDP which contracted by 8.1 percent in Q3 2020.

- Non-oil GDP growth has been gradually accelerating since 2016, reaching 3.3 percent in 2019, the highest level of growth since 2015. However, due to severe lockdown measures in place across Saudi Arabia, including the closure of international borders and tourism, has substantially impacted business activity, resulting in a contraction in non-oil sector GDP.

Saudi Arabia Oil & Non-Oil GDP Growth

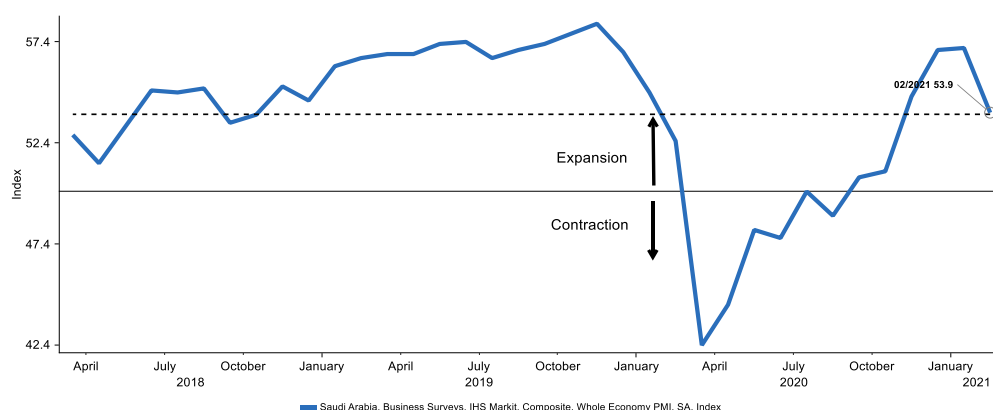


Source: Knight Frank Research, Macrobond

Saudi Arabia, Purchasing Manager Index (PMI)

- Saudi Arabia's Purchasing Managers' Index (PMI), which tracks the country's private non-oil economy, indicating that both economic activity and business conditions has improved in Q4 2020, where the index registered an average reading of 54, a marked increase from the Q2 and Q3 average readings of 46.7 and 49.8 respectively. The index shows that the private non-oil economy has firmly moved into expansion territory during the last quarter of 2020.
- Whilst the latest monthly reading January 2021's 57.1, is the highest since October 2019.

Saudi Arabia PMI



Source: Knight Frank Research, Macrobond

Saudi Arabia Primary Consumer Sentiment Index by Thomson Reuters / IPSOS

- ♦ The Thomson Reuters / IPSOS Consumer Confidence Index for Saudi Arabia significantly improved in 2019 and heading into 2020, hitting a level of 65.1 in March 2020, its highest level on record.
- ♦ However, due to the impact of COVID-19 the Consumer Confidence Index declined sharply by 5.1 points during the last three months to June 2020, where the current reading stands at 60.0. Despite this, Saudi Arabia still ranks first among all 24 markets surveyed when it comes to the current state of its economy.
- ♦ The index is driven by the aggregation of four weighted sub-indices namely: current conditions, perceived economic expectations, perceived investment climate and current job security.

PCSI, by Thomson Reuters / IPSOS



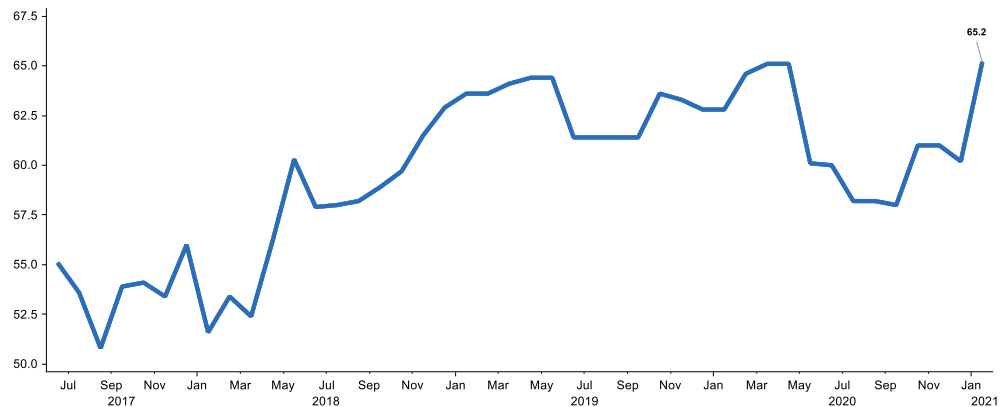
Source: Knight Frank Research, Macrobond

Saudi Arabia Consumer Confidence Index by Thomson Reuters / IPSOS

- ♦ Saudi Arabia's, Primary Consumer Sentiment Index (PCSI) is a national survey of consumer attitude on current and future state of local economy, personal finance situation, as well as confidence to make large investments and ability to save.
- ♦ The latest reading in January 2021 of Primary Consumer Sentiment Index (PCSI) in Saudi Arabia, released by IPSOS, reveals a 5-point surge from the previous month to 65.2, the highest since January 2020. This jump is the largest month-on-month increase seen in most recent years.
- ♦ In parallel with the improvement in consumer confidence, we have seen private sector loan growth regaining momentum. The recovery in banks' lending to the

private sector in 2018 and substantial growth in 2020 is seen as crucial in driving consumer spending and demand for real estate in short to medium term.

PCSI, by Thomson Reuters / IPSOS

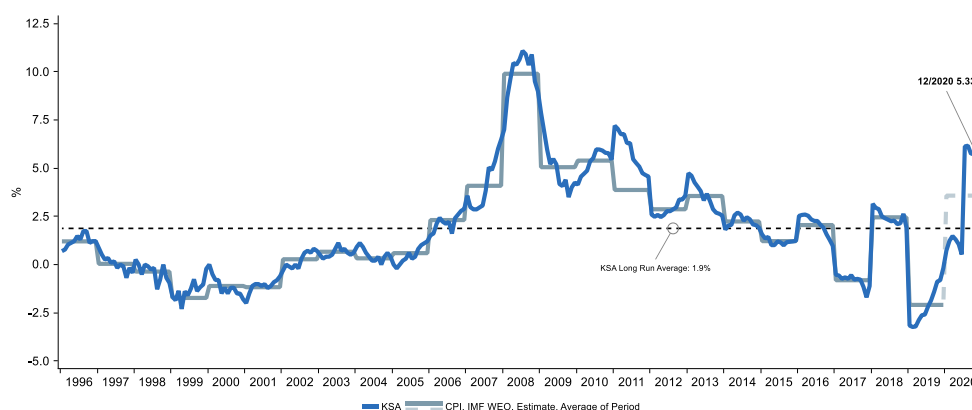


Source: Knight Frank Research, Macrobond, IPSOS

Saudi Arabia Consumer Price Index, YoY Change %

- ♦ The latest Consumer Price Index measured at 5.3 percent YoY in December 2020 compared to a rate of 5.8 percent in the previous month. This increase in inflation is attributed to the increase in Value Added Tax (VAT) from 5 percent to 15 percent in July 2020.
- ♦ The rise in consumer price index (CPI) was mainly driven by a surge of 12.7% year-on-year in the average prices of food and beverages, affected by 12.9% rise in food prices, in addition to a hike of 6.9% YoY in the average prices of transport, as vehicle prices grew by 9.6%.
- ♦ More so, the tobacco sector rose by 13.7%. Similarly, the telecommunication sector moved up by 11.4%.
- ♦ Following the tripling of VAT and the revision of subsidies in July 2020, inflationary pressures and weak consumer sentiment have impacted consumer spending. We see a change in the situation with the recent improvement in consumer confidence and the price deflation which will likely translate into higher consumer spending and a regain of appetite for real estate purchases.

CPI, YoY % Change

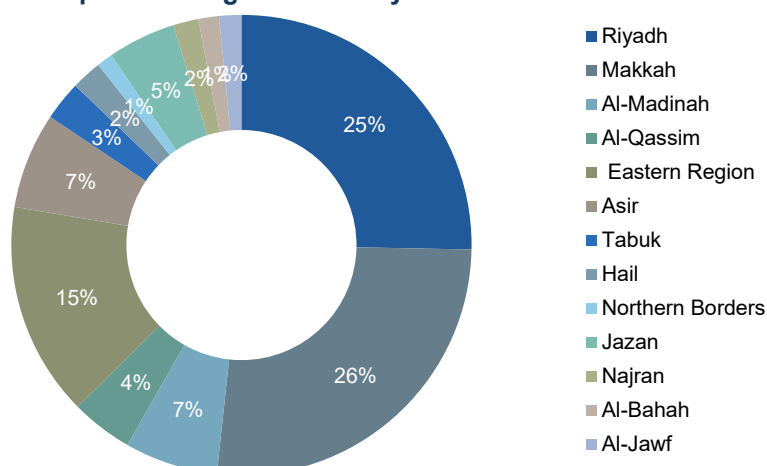


Source: Knight Frank Research, Macrobond

Saudi Arabia Population Segmentation by Province - 2019

- ♦ Saudi Arabia accounts for over 50 percent of the total population of the GCC and is largely more populous than any other GCC country. According to official statistics, the population count was registered at 34.2 million in 2019.
- ♦ The population segmentation by regions for 2019 shows that nearly 65 percent of the population of the Kingdom is concentrated in three provinces namely Makkah Al Mokarramah, Riyadh, and the Eastern Province which account for 26 percent, 25 percent and 15 percent of the country's population respectively. Beyond the year 2019, the breakdown of the KSA population by region is not available.

Saudi Arabia Population Segmentation by Province - 2019

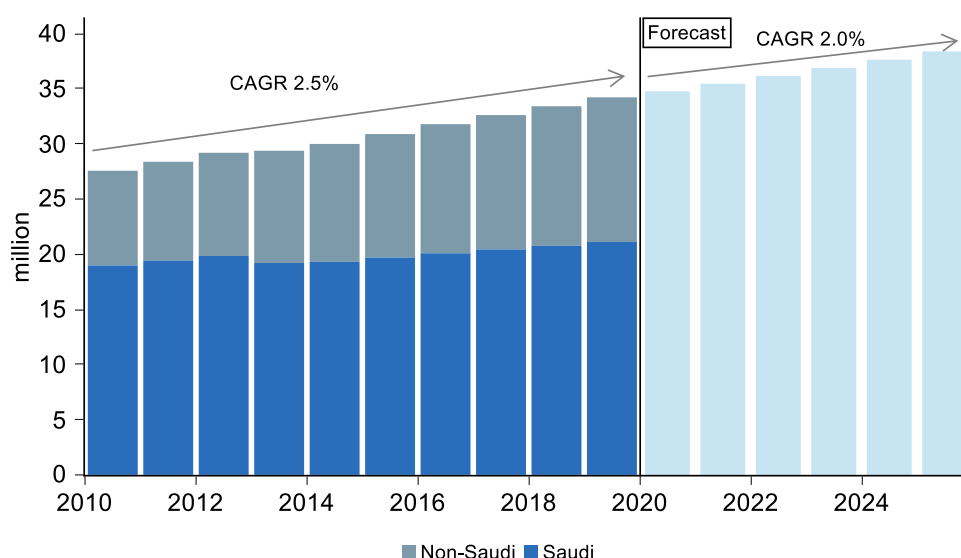


Source: Knight Frank Research, GASTAT

Saudi Arabia Population Forecasts

- ♦ According to official statistics, the population of Saudi Arabia is estimated to have reached 34.8 million in 2020. The Saudi/Non-Saudi breakdown of the population for 2019 stands at 21.1 million/13.1 million according to the same source.
- ♦ Based on the IMF forecasts, the population of Saudi Arabia is expected to grow at a constant 2 percent annual growth rate from 2019 onwards, reaching 38.3 million in 2025. A large and growing population, albeit at a slower pace than previous years, will continue to drive demand for goods and services in the short to medium term.
- ♦ Saudi Arabia's population is dominated by Saudi nationals, accounting for 63 percent of the population. This implies that aggregate demand for products and services does not primarily stem from the expatriate workforce.

Saudi Arabia Population Evolution



Source: Knight Frank Research, IMF

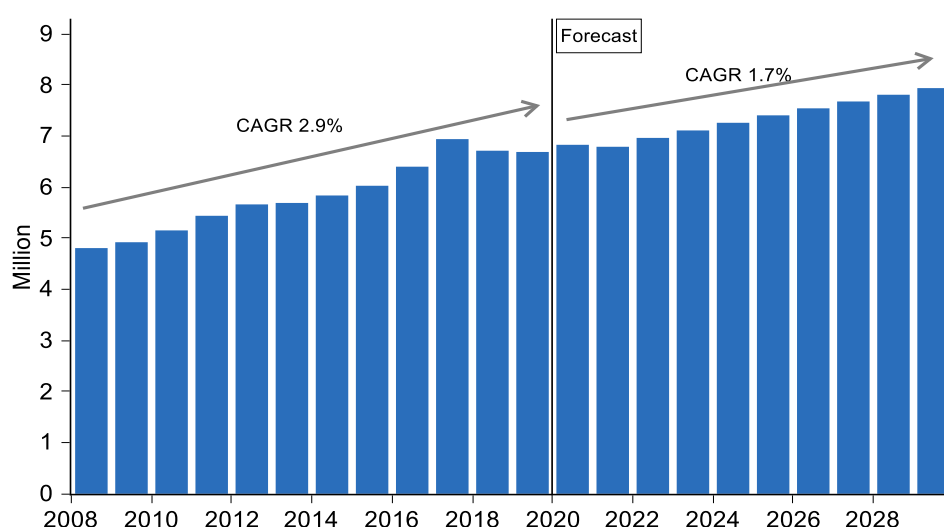
Total Number of Households

- ♦ Total number of households in Saudi Arabia is estimated at roughly 6.8 million in 2020 according to Oxford Economics. The yearly average growth in number of household is set to slow to 1.7 percent per annum between 2020 and 2030 according to Oxford Economics down from 2.9 percent between 2010 and 2020.
- ♦ The average household size in Saudi Arabia stood at 5.52 individuals in 2020 according to Oxford Economics. While the average household size for Saudi households stands just over 6.0, the average household size for non-Saudis is

closer to 4 individuals. The overall average household size is set to slightly decrease over the next years reaching 5.45 in 2030.

- ◆ Regarding the local population, it was not unusual historically for generations of the same family to be living in a sizeable family home. The younger generation now exhibits a desire to move away from multi-generational household structure. Over the next decades, falling household sizes will underpin demand for higher density development which provides smaller and more efficient units.

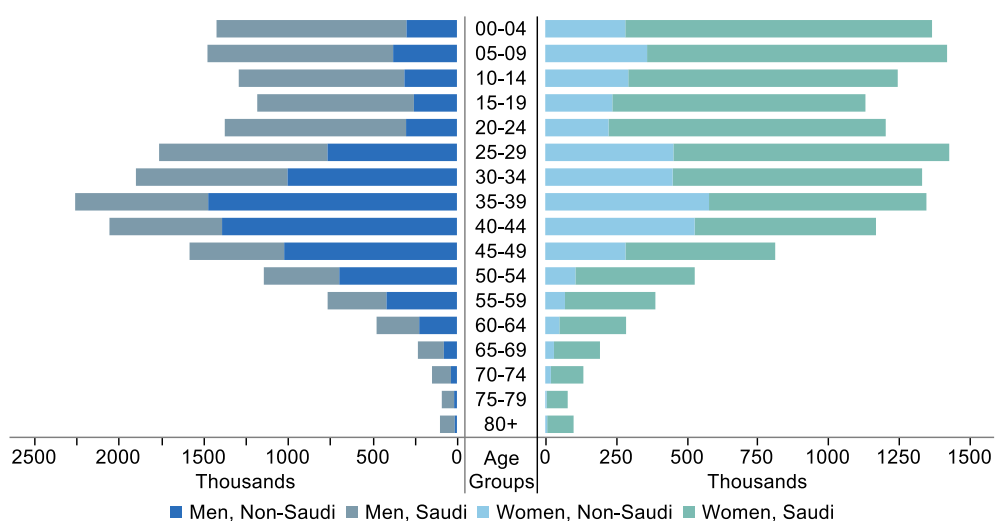
Number of Households



Source: Knight Frank Research/ Macrobond, Oxford Economics

Population by Age, Nationality, and Gender

- ◆ The population pyramid of Saudi Arabia that depicts the age structure of the Saudi and Non-Saudi population based on the preliminary 2018 data, highlights the fact that approximately 39.2 percent of the population were aged between 0 and 25 years, about 57.5 percent were aged between 25 and 64 years and 3.2 percent were aged above 65 years.
- ◆ When looking at the age structure of the Saudi population, the share of the population aged between 0 and 25 years rises to 49 percent, highlighting the young demographic profile of the Saudi population, a key driver to consumer market growth.
- ◆ It is expected that population dynamics are expected to shift in Saudi Arabia over the next decades, which will entail a significant increase in the population over 40. The over 60s age cohorts are expected to increase by 3 times between 2018 and 2035. Despite these changing demographic profile, Saudi Arabia will remain amongst the youngest countries in the GCC in 2030.

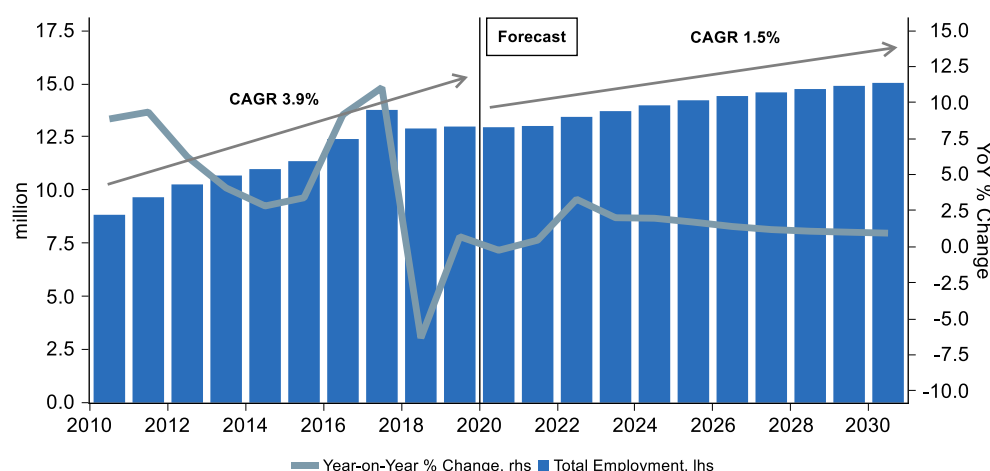


Source: Knight Frank Research, Macrobond

Total Employment - KSA

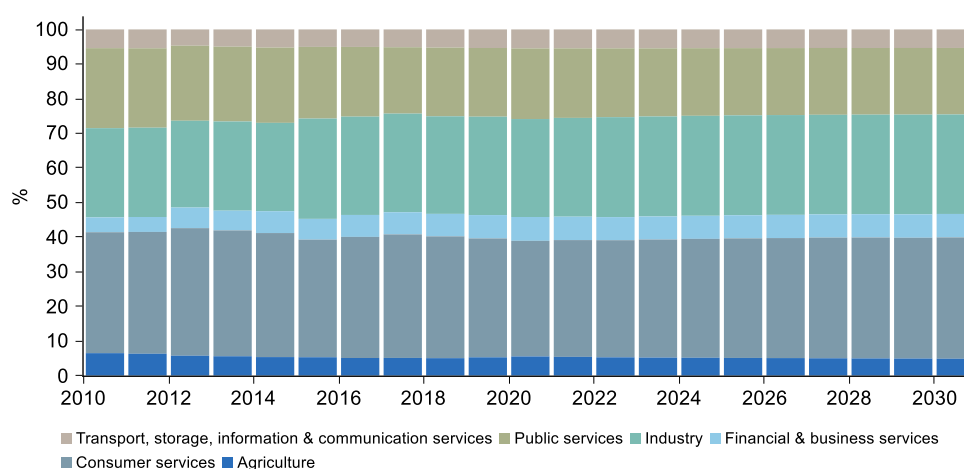
- ♦ Saudi Arabia's total workforce was estimated at 12.9-Million employees in 2020, down from 13.7-Million employees in 2017. The decrease is mostly as a result of the departure c. 800,000 expatriates from the workforce during this period.
- ♦ This outflow of expatriates from the workforce was triggered by a challenging macroeconomic environment, the introduction of levies on expats in the form of fees on dependents (set to increase every year on an incremental basis until 2020), and the implementation of a plan restricting employment in certain sectors to Saudi Nationals in order to promote and increase Saudization.
- ♦ Saudi Arabia's employment CAGR is set to slow to 1.5% per annum between 2020 and 2030 according to Oxford Economics, down from a CARG of 3.9% between 2010 and 2020.

KSA, Employment



Breakdown of Employment by Economic Sector – KSA

- Currently the consumer services, industrial sectors and public services are the largest employment sectors in Saudi Arabia, accounting for 33.4%, 28.3% and 20.4% of total employment in 2020 respectively. This is expected to remain roughly unchanged over the coming ten years.

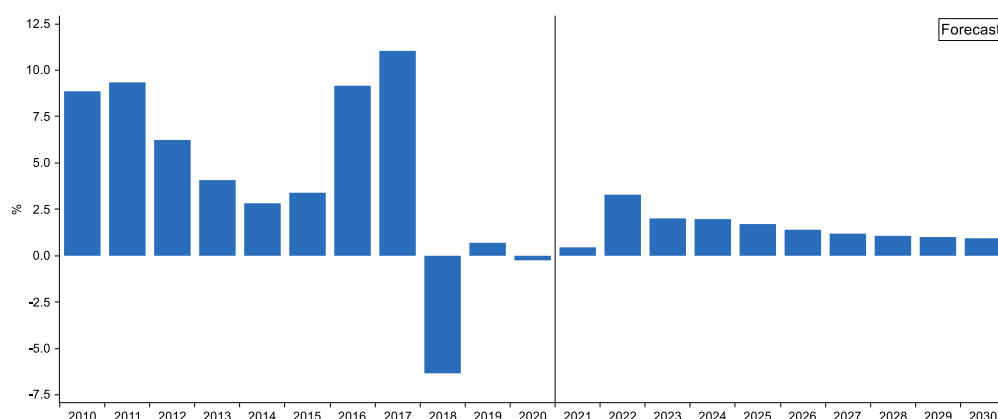


Source: Knight Frank Research, Macrobond

Employment YoY Change%

- ♦ Employment growth in Saudi Arabia is set to decelerate to 1.5 percent per annum between 2020 and 2030 down from 3.9 percent between 2010 and 2020 according to Oxford Economics estimates.
- ♦ Total employment declined by -6.34 percent in 2018 due to outflows of expatriates from the workforce. However, this trend has reversed in 2019 where total employment increased marginally by 1.31 percent.
- ♦ The exodus of expat workers from Saudi Arabia in 2020, due to the economic fallout from COVID-19 and oil price shock, has accelerated a shift in the labor market resulting 0.2% decline in employment growth in 2020.
- ♦ Looking forward the employment growth is expected to remain supported by the various initiatives aimed at boosting youth, women and Saudi nationals' participation in the workforce, in the short to medium term this will be balanced by rising pressures on the expat labour market resulting from the impact of government fees and Saudization plans on non-Saudi employment figure.

Employment, YoY % Change

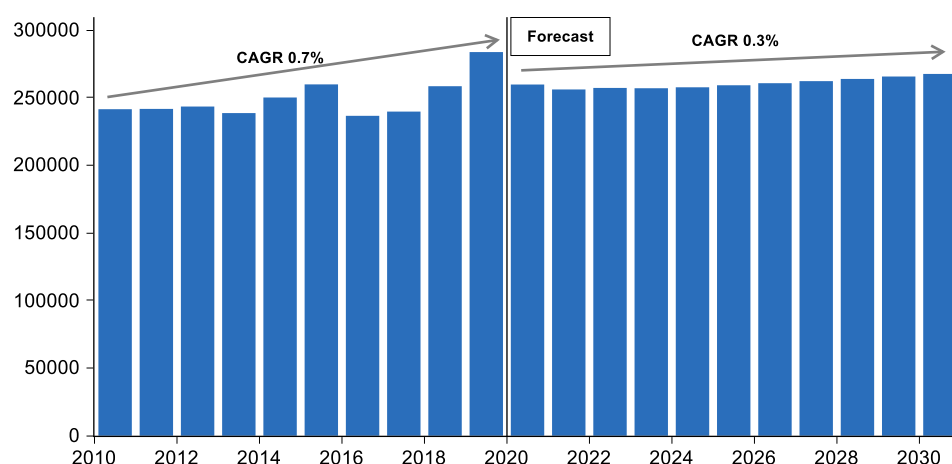


Source: Oxford Economics, Macrobond

KSA average household disposable Income in SAR

- ♦ Household income is a key determinant of affordability and consumer spending patterns.
- ♦ Average household personal disposable income in Saudi Arabia stood at c. SAR 259,687 in 2020. Between 2010 and 2020, the average household personal disposable income increased at a CAGR of 0.7%. It is expected that this growth momentum will slowdown to 0.3% between 2020 and 2030, as highlighted in the adjacent graph.

Household Disposable Income

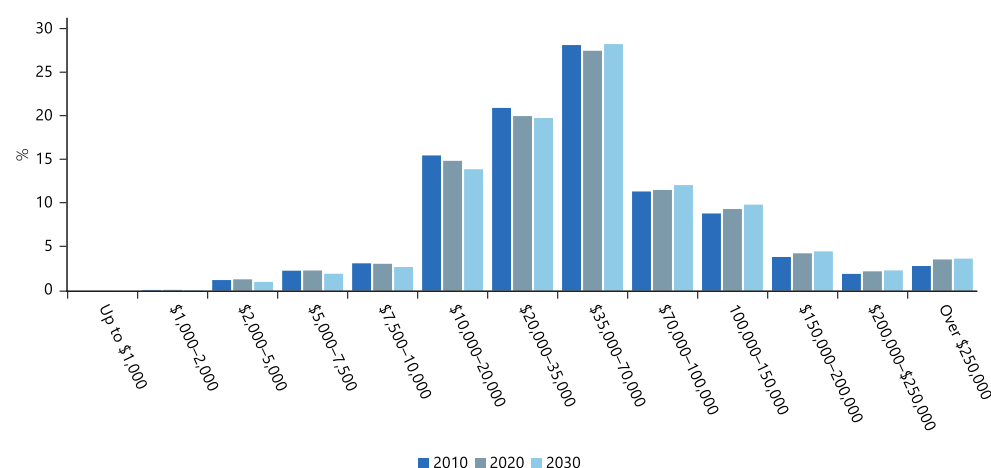


Source: Oxford Economics, Macrobond

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

- ♦ The number of households in Saudi Arabia currently (2020) stands at approximately 6.52 million and is expected to grow to 8.06 million by 2030.
- ♦ In 2020, 58.4% of households in Riyadh were within income bands above USD 35,000 and this share is expected to increase going forward, reaching 60.7% in 2030.
- ♦ 41.6% of households were in the lower income bands - below USD 35,000. This proportion of household income band is expected to witness a decrease between 2020 and 2030 reaching 39.3%. This is a positive trend, from the perspective of consumer spending and demand for real estate in the city.

Household, By Income Band



Source: Oxford Economics, Macrobond

Appendix 7 - Cash Flow

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
For the Years Ending	Year 1 May-2022	Year 2 May-2023	Year 3 May-2024	Year 4 May-2025	Year 5 May-2026	Year 6 May-2027	Year 7 May-2028	Year 8 May-2029	Year 9 May-2030	Year 10 May-2031	Year 11 May-2032	Total
Rental Revenue												
Headline Rent	21,613,000	20,532,350	20,532,350	20,532,350	7,483,771	29,350,948	29,416,535	29,472,108	30,382,275	31,194,603	31,276,314	271,786,605
Void Loss	0	0	0	0	-6,575,843	-13,572,956	-366,934	0	0	0	0	-20,515,733
Passing Rent	21,613,000	20,532,350	20,532,350	20,532,350	907,929	15,777,992	29,049,601	29,472,108	30,382,275	31,194,603	31,276,314	251,270,872
Total Rental Revenue	21,613,000	20,532,350	20,532,350	20,532,350	907,929	15,777,992	29,049,601	29,472,108	30,382,275	31,194,603	31,276,314	251,270,872
Total Tenant Revenue	21,613,000	20,532,350	20,532,350	20,532,350	907,929	15,777,992	29,049,601	29,472,108	30,382,275	31,194,603	31,276,314	251,270,872
Potential Gross Revenue	21,613,000	20,532,350	20,532,350	20,532,350	907,929	15,777,992	29,049,601	29,472,108	30,382,275	31,194,603	31,276,314	251,270,872
Effective Gross Revenue	21,613,000	20,532,350	20,532,350	20,532,350	907,929	15,777,992	29,049,601	29,472,108	30,382,275	31,194,603	31,276,314	251,270,872
Revenue Costs												
Op Ex	0	0	0	0	4,319,997	4,755,579	4,850,691	4,947,705	5,046,659	5,147,592	5,250,544	34,318,767
Sinking Fund	0	0	0	0	92,545	266,755	294,165	299,830	310,493	312,171	318,185	1,894,143
Property Management	0	0	0	0	185,090	533,510	588,331	599,660	620,986	624,341	636,369	3,788,287
Total Revenue Costs	0	0	0	0	4,597,632	5,555,845	5,733,187	5,847,194	5,978,137	6,084,104	6,205,098	40,001,197
Net Operating Income	21,613,000	20,532,350	20,532,350	20,532,350	-3,689,703	10,222,147	23,316,415	23,624,914	24,404,137	25,110,500	25,071,216	211,269,675
Cash Flow Before Debt Service	21,613,000	20,532,350	20,532,350	20,532,350	-3,689,703	10,222,147	23,316,415	23,624,914	24,404,137	25,110,500	25,071,216	211,269,675
Cash Flow Available for Distribution	21,613,000	20,532,350	20,532,350	20,532,350	-3,689,703	10,222,147	23,316,415	23,624,914	24,404,137	25,110,500	25,071,216	211,269,675

Valuation report

Al Andalus Mall and Hotel, Jeddah, Kingdom of Saudi Arabia

Prepared for **NCB Capital / NCB**

Date of issue: **27 July 2021**

Contact details

Danial Mahfooz, CFA, NCB Capital, Riyadh, KSA

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Riyadh, Kingdom of Saudi Arabia, Stephen Flanagan, +966 558866480,
stephen.flanagan@me.knightfrank.com
KF ref: KF/V/341-2021

Executive summary

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.

Address	Al Andalus Mall and Al Andalus Hotel, Old Airport, Al Fayhaa District, Jeddah, Kingdom of Saudi Arabia.
Location	<p>The property is located in the Al Fayhaa district of Jeddah in the Western Province of the Kingdom of Saudi Arabia (KSA). The property is located at the junction of Prince Majid Road (Highway #70) and King Abdullah Road (Highway #45), just south of a large roundabout / interchange. The site is bounded by the districts of Al Worood and Al Naseem to the north of the subject and Jeddah Gate to the west. Prince Majid Road is one of the major north – south arterial highways linking the north of Jeddah and the international airport with the south of Jeddah.</p> <p>The King Abdulaziz International Airport is located some 18 km to the north west, with a driving time of 30-40 minutes depending on traffic conditions. Jeddah Islamic Port is located some 6 km to the west of the subject.</p>
Description	<p>The property comprises a large retail shopping mall known as Al Andalus Mall, together with Al Andalus Hotel, a deluxe serviced apartment. The hotel establishment was previously operated by InterContinental Hotels Group (IHG) under the Staybridge Suites brand with a 5-Star classification certificate, which opened to the public on the 23rd May 2017.</p> <p>The mall is a well-established super-regional mall which has over 3,000 car parking spaces and is anchored by Hyper Panda. Built over two principal shopping floors, the main anchor tenant is located on the First Floor level, underneath which is substantial covered parking below at ground level. The mall has a number of entrances from both sides of the mall allowing effective pedestrian circulation.</p> <p>The serviced apartment building consists of B+G+16 floors and extends to 164 guest rooms, also accommodating extensive parking at podium level. The unit inventory comprises studios, 1 bed and 2 bed suites, with the majority (90 keys) being 1 bed suites.</p> <p>The client has recently acquired a plot of land adjacent to the mall for an extension, and this land is now taken into account in this valuation report.</p>
Tenure	Freehold
Tenancies and Occupancy	As at the valuation date, Al Andalus Mall is 97% occupied based on GLA. The lease terms generally range in length from 1 year to 12 years, with the majority of leases being 1-3 years in length. The exceptions to the above include the lease for the Hyper Panda supermarket which has a 20 year lease term and the cinema lease which is for 15 years.

Executive summary cont.

Valuation Key Assumptions - Al Andalus Mall

Item	Unit	Assumption
Passing Rent	SAR per annum	131,249,837
Operating Costs	SAR per annum	25,690,796
Stabilised Occupancy	%	95%
Yield	%	8.75%
Growth	%	2%
Discount Rate	%	10.75%

Valuation Key Assumptions - Hotel

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

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

- The valuation is based on the EBITDA of the serviced apartment, with an allowance for the terms and fees included in the hotel management agreement.
- The valuation given includes furniture, fittings, equipment and operational supplies that are necessary for the hotel as a going concern.
- We were not provided with the classification certificate for the operating hotel and therefore we have assumed that the hotel would continue to acquire an operating classification certificate as a 5-Star hotel.
- Unless otherwise stated, ADR (Average Daily Rate) in our calculations is inclusive of service charges, but exclusive of tax and municipality fees.
- Our cash flow is prepared on the basis of a calendar year. Year 1 of the cash flow starts from the date of valuation.
- The client has terminated the hotel management agreement with Holiday Inns Middle East under the Staybridge Suites brand and as per the client, is in an advanced discussion with another reputable international operator. Therefore, we have assumed that the operator / brand appointed would be similar to that of Staybridge Suites. We have assumed that this new operator would continue to manage the subject property effectively and efficiently under a 5-Star deluxe serviced apartment positioning.
- We were not provided with the revised commercial terms under the new management agreement and therefore have had to rely on industry standard fee structures that are typically offered by hotel operators for the Jeddah market. These terms are assumed to prevail over a 15-year term and come into effect by the end of 2021.
- During the transition of operators, we have assumed that the property will continue to remain open for business and be owner operated. Furthermore, our projections take into

Executive summary cont.

account that the new operator would be appointed and running the operations of the hotel by the end of 2021. A delay in appointing the new operator would impact the projections.

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

Valuation Key Assumptions - Mall

- We have valued the shopping mall having regard to current and potential future income, on a 10 year DCF basis. Given that the leases are for very different terms, there is some income that is contracted well into the future and secure, and there are also a number of leases which are short and therefore less secure (terms of 1 year being common for certain units). Where income is contracted for the next few years, we have reflected that contracted income in our cash flow along with fixed rental increases. Upon lease expiry we have assumed they revert to Market Rent.
- We have adopted a rental growth and expense inflation rate of 2% in our cash flow, in line with the long term standing average for the Kingdom.
- The current mall occupancy is 97%, this is superior to the other malls in the competitive set as detailed in the report. Having regard to future supply and the age of the mall, we have assumed a structural occupancy level of 95% (stabilised).
- Few malls of this size openly transact and we feel this offers a good option, being well let, firmly anchored and with a diverse offering of F&B and leisure to attract families. Ongoing works are to enhance the food court and entertainment offering further.
- Due to the large lot size of the asset, the able pool of buyers for an asset of this type and size is limited, typically to sovereigns, large funds or big development companies. The large lot size limits the buyer pool, when considered against smaller assets that have a wider potential buyer base. Few malls of this size openly transact and we feel this offers a good option, being pitched at the mid income bracket, which is the demographic of the local area.

Valuation date | 30 June 2021

Executive summary cont.

Market Value (aggregate)

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

SAR 1,389,590,000

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

Market Value Analysis

Split on values between the two component parts is as follows:

- Al Andalus Mall and Expansion Land – SAR 1,241,390,000 (One Billion, Two Hundred and Forty One Million, Three Hundred and Ninety Thousand Saudi Arabian Riyals)
- Al Andalus Hotel - SAR 148,200,000 (One Hundred and Forty Eight Million and Two Hundred Thousand Saudi Arabian Riyals)

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- Appendix 5 - Building Permit
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- Appendix 7 - Andalus Mall Cashflow
- Appendix 8 - Taqueem ID's

1 Instructions

Engagement of Knight Frank Spain Saudi Arabia Real Estate Valuation Company

Instructions	1.1	We refer to your instructions and to our subsequent Terms of Engagement and General Terms of Business dated 24 June 2021 to provide a valuation report on Al Andalus Mall and Staybridge Suites, ("the property"). Copies of these documents are attached at Appendix 1.
	1.2	This valuation has been carried out in accordance with our General Terms of Business for Valuations ("General Terms of Business").
Client	1.3	Our client for this instruction is NCB Capital, acting as manager on behalf of Al-Ahli REIT Fund, a real estate investment traded fund on the Saudi Stock Exchange (Tadawul).
Valuation standards	1.4	This valuation has been undertaken in accordance with RICS Valuation – Global Standards 2020, incorporating the International Valuations Standards (IVS). The valuation also undertaken in accordance with the Saudi Authority for Accredited Valuers (Taqeem).
Purpose of valuation	1.5	You have confirmed that this valuation report is required for REIT reporting to the Saudi Capital Market Authority (CMA) for the semi-annual reporting of the market value (MV) in accordance with Taqeeem regulations.
Conflict of interest	1.6	We have valued the property for the same client 2017, 2018, 2019 and 2020. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.
	1.7	We are acting as External Valuers, as defined in the Red Book.
Responsibility to third parties	1.8	Our valuation report is only for the use of our Client and no liability is accepted to any third party for the whole or any part of its contents unless expressly agreed in writing.
Disclosure & publication	1.9	Neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
Limitations on liability	1.10	No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner or consultant of Knight Frank Spain Saudi Arabia Real Estate Valuation Company ("Knight Frank"). Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Engagement of Knight Frank.
	1.11	Knight Frank's total liability for any direct loss or damage caused by negligence or breach of contract in relation to this instruction and valuation report is limited to the amount specified in the Terms of Engagement letter, a copy of which is attached. We do not accept liability for any indirect or consequential loss (such as loss of profits).

- 1.12 The above provisions shall not exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.
- Expertise** 1.13 The valuer, on behalf of Knight Frank, with the responsibility for this report is Faissal Habassi MRICS, Manager, RICS Registered Valuer. We confirm that the valuer meets the requirements of the Red Book, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
- Vetting** 1.14 This report has been vetted as part of Knight Frank's quality assurance procedures.

Scope of enquiries & investigations

- Inspection** 1.15 We were instructed to carry out an inspection of the property. Our inspection of the property was undertaken on 13 June 2021.
- Investigations** 1.16 The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal / web based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.
- Information provided** 1.17 In this report we have been provided with information by NCB Capital (the Client), its advisors and other third parties. We have relied upon this information as being materially correct in all aspects.
- 1.18 In particular, we detail the following:
- Information relating to the extent of the property, produced by the client
 - Information relating to the tenancy schedules, produced by the client
 - Information relating to the operating costs / service management agreement costs as produced by the client.
 - Copy of the title deed
- 1.19 In the absence of any documents or information provided, we have had to rely solely upon our own enquiries as outlined in this report. Any assumptions resulting from the lack of information are also set out in the relevant section of this report.

Valuation bases

- 1.20 In accordance with your instructions, we have provided our opinions of value on the following bases:-
- Market Value (MV)** 1.21 The Market Value of the freehold interest in the property, in its current physical condition, subject to the existing leases and hotel management agreements.
- Market Rent (MR)** 1.22 The Market Rent of the property. Our letting assumptions are set out in the Valuation Section of this report.
- Valuation date** 1.23 The valuation date is 30 June 2021.

2 The property

Location

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

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



Source: Google Earth maps modified by Knight Frank

2.2 The plan below shows the micro location of the property.



Source: Google Earth maps modified by Knight Frank

Site

- | | | |
|------------------|-----|--|
| Site area | 2.3 | We have been provided with a copy of the title deed, from which we understand that the mall and hotel have been developed over 159,133.96 sq m of land. The expansion land (recently acquired) extends to 9,668.92 sq m. |
| Site plan | 2.4 | The property is identified on the Google Earth image below, showing our understanding of the boundary outlined in red: |

2.5



Source: Google Earth maps modified by Knight Frank

Description

Al Andalus Mall 2.6

The property comprises a super regional retail shopping mall known as Al Andalus Mall, together with an attached serviced apartment tower which opened on 23rd May 2017 and was until recently branded and operated by Staybridge Suites (part of the Intercontinental Hotels Group) and is physically connected into the north west corner of the mall. The mall opened in July 2007 and is therefore over 12 years old at the date of this report. A small extension was added to the mall and completed in 2016.

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

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

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

Expansion Land

2.9 NCB have recently acquired a 9,668.92 sq m plot of land which is zoned for mixed use. The site benefits from access from all four roads that it is bound by. The site is surfaced with tarmac and arranged as a car park, although no cars were parked on site at the date of inspection.

Al Andalus Hotel

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

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

2.11 Guest Rooms

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

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

Exhibit 1: Room Breakdown

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

2.12 Food and Beverage Outlets

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

The all-day dining option accommodating 75 covers and offering breakfast, lunch and dinner.

The Lobby Café is a healthy option located on the ground floor, offering no covers, with a stronger focus on a 'grab and go' concept for passing trade from guests entering and exiting the building.

It should be noted there are numerous F&B options provided in Al Andalus Mall and as the property is positioned as a serviced apartment, the F&B offering is typically limited, as the concept of the accommodation offers kitchens and kitchenettes in the guest rooms.

Exhibit 2: F&B Breakdown by type and location

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

2.13 Leisure Facilities:

The leisure facilities comprise -

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

2.14 Meeting and Conference Facilities

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

Exhibit 3: Meeting Room breakdown

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

2.15 A selection of photographs taken during our inspection are below:



Hotel Exterior



Hotel Lobby



Dining Hall



Hallway



Hotel Room



Outdoor swimming pool



Gymnasium



Tennis Court

Mall

- | | |
|---------------------|--|
| Retail Mall | <p>2.16 As agreed with the client, we have relied upon floor areas provided to us by the client. No further verification has been undertaken.</p> <p>2.17 An extension was added to the mall in 2016, this is now fully let and income producing.</p> |
| Ground Floor | <p>2.18 The ground floor is accessed via 7 different “Gates” on each sides of the mall, strategically placed to access the mall from the car parks. There are numerous large kiosks arranged around the ground floor in the two main corridors running east / west along the length of the mall and also around the central atrium area as well as around the main gates to the mall. Gates 2 and 5 are the most centrally located gates to the mall, being located in the centre, from the front and rear respectively. We understand the mall management are trying to obtain consent to create two more entrances to the mall from the rear side.</p> <p>2.19 The ground floor is effectively anchored with Centre Point at one end of the floor and other mini anchors including Riva, Kiabi, H&M, Mango and Paris Gallery arranged throughout the ground level.</p> |
| First Floor | <p>2.20 The first floor is anchored by Hyper Panda who take up a large proportion of the first floor GLA. The other major uses on the first floor include the Fun Zone and the Food Court.</p> <p>2.21 Aside from Hyper Panda, the other anchors on the first floor level include Red Tag, Home Box and H&M. The Hyper Panda space extends out over the ground floor parking area, so the GLA of the first floor is much larger than that of the ground floor level.</p> |
| Other | <p>2.22 Other accommodation includes store rooms which are located to the rear perimeter of the car park and comprise a series of concrete storage rooms which are let to tenants for storage purposes.</p> <p>2.23 A selection of photos are provided in the table below.</p> |



Exterior



Internal view



Internal view



Tennis Court



Car park entrance



Parking area

Hotel

- Measurement**
- 2.24 The building has been purpose built as a serviced apartment by the master developer; it has been fitted and furnished to a deluxe serviced apartment specification.
 - 2.25 As agreed with the client, we have relied upon the room facilities and details provided to us by NCB Capital. No further verification has been undertaken.

Services

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

Tenure - Hotel

- Commercial Register** 2.28 We have been provided with a copy of the proof of Ownership Licence for the site dated, further details are as follows:
- Type: Limited Liability Company
 - Main HQ: Riyadh, Kingdom of Saudi Arabia
 - Date Established: 14 December 2017
 - Trade Name: Alandalus Mall Staybridge Jeddah Hotel
 - Address: Prince Majid Street, Al Fayha District, Jeddah
 - Activity: 24th February 2016 gaining the tourist accommodation licence
- Classification** 2.29 We have not been provided with the hotel operating classification licence from the client for the subject property. However, in our valuation report, we have assumed that the subject property will be granted a 5-Star Operating License and continue to operate at a 5-Star standard, in line with the license acquired in the past under the management of Staybridge Suites.
- Covenant** 2.30 We have assumed that the property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoing.
- 2.31 We reserve the right to amend our valuation accordingly in the event the above assumption is proven to be incorrect.

Hotel Management Agreement

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

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

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

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

Exhibit 4: Hotel Management Agreement

Property:	164 key 5 star serviced apartments located adjacent to Al-Andalus Mall in Jeddah
Name:	To be determined; however, it is assumed to be an international operator and brand that is equivalent or more superior to that of Staybridge Suites.
Term:	15 years from HMA signature
License Fee:	<ul style="list-style-type: none"> • 1.5% of Gross Revenues in years 1-3. • 1.75% of Gross Revenues in year 4 and thereafter.
Incentive Management Fee:	7.0% of Adjusted Gross Operating Profit (AGOP) AGOP is defined as Gross Operating Profit minus License Fee.
Marketing Contribution:	2.0% of Gross Rooms Revenue
Reservation Contribution:	1.0% of Gross Rooms Revenue
FF&E Reserve:	<ul style="list-style-type: none"> • 2% of Gross Revenues – first year of operations under new management • 3% of Gross Revenues – second year of operations and thereafter

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

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

Condition

Scope of inspection

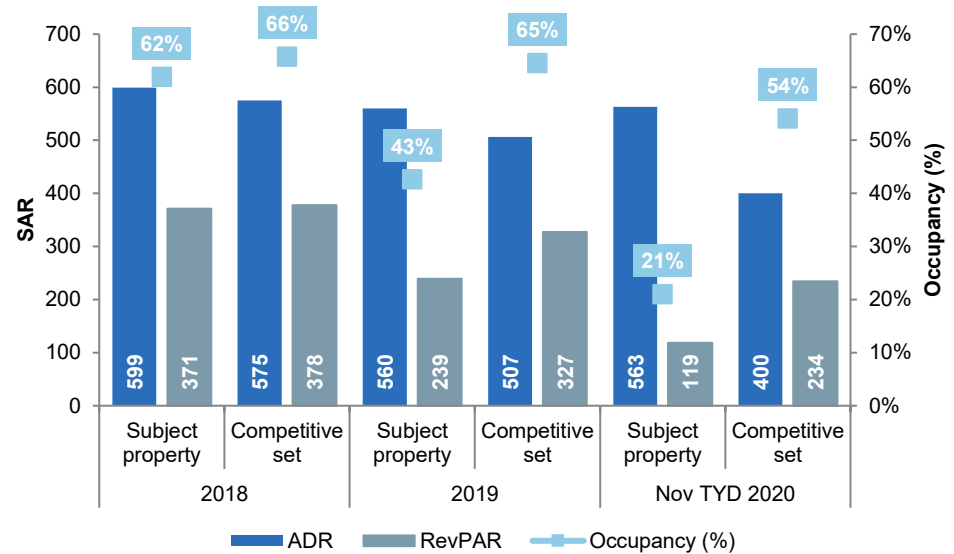
2.34 As stated in the General Terms of Business attached, we have inspected the property. However, we have not undertaken a building or site survey of the property.

Comments	2.35	At the date of inspection, the building appeared to be in a generally reasonable state of repair, commensurate with its age and use. No urgent or significant defects or items of disrepair were noted, which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme.
Ground Conditions	2.36	We have not been provided with a copy of a ground condition report for the site. We have assumed that there are no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building constructed thereon.

Hotel Competition

Hotels of Competitive Relevance	2.37	Competition We have been provided with an analysis of the competitiveness of the subject property against a selection of similar serviced apartments, that the previous operator and owner feels most relevant to the subject property, Jeddah, in terms of location, facilities & rooms offered, guest profile etc. The chosen serviced apartments which have been included in the competitive set have been provided below: Competitive set <ul style="list-style-type: none"> • Amjad Hotel Royal Suite Jeddah (formerly known as Radisson Blue Royal Suite Hotel) • Ascott Tahlia Jeddah • Citadines Al Salamah Jeddah • Radisson Blu Plaza Hotel Jeddah • Novotel Jeddah Tahlia Street
	2.38	The performance of the subject property versus the competitive set is showcased in the next exhibit.

Exhibit 5: Subject Property Vs. Competitive Set



2.39 Over the periods observed (full year 2018 and 2019, and Nov YTD 2020), the subject property recorded lower occupancy rates compared to the competitive set (especially in 2019 and Nov YTD 2020, which was primarily attributable to the impact of no longer being able to leverage from an international operator's GDS capabilities); however, the subject property pursued a rate driven strategy which exceeded the rates achieved across the competitive set. As a result, RevPAR rates were relatively in line for the full year in 2018; however, in 2019 RevPAR rates were 27 percent lower compared to the competitive set's average, while the declining trend continued into Nov YTD 2020, whereby RevPAR rates were 49 percent lower at SAR 119 compared to the competitive set, which achieved a RevPAR of SAR 234. This difference primarily stemmed from much lower occupancy levels, while the subject site achieved an ADR (SAR 563) that was 41 percent higher compared to the competitive set's SAR 400.

Business Commentary

Projections

2.40 We have provided the subject property projections for the forthcoming years as follows:

Exhibit 6: Subject Property Forecast Performance Measurements

Performance measure	2021/2022	2022/2023	2023/2024
No. of rooms	164	164	164
Occupancy	43%	62%	72%
Av. Room Rate (SAR)	567	653	686
Rev PAR (SAR)	242	405	494
Total Revenue (SAR '000s)	16,814	28,259	34,542
EBITDA (SAR '000s)	3,987	11,011	15,115

EBITDA as a % of Total Revenue	23.7%	39.0%	43.8%
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We have made our own judgements and used our own professional opinion when providing projections of hotel performance in our 10 year cash flow.

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

In addition, the client has informed us that the property would remain open during the transition of operators and that the property would be owner operated until the new international hotel operator is appointed. Furthermore, our assumptions take into account that the new operator would be appointed and running the hotel operations by the end of 2021.

Average room occupancy (ARO)

2.41 Projections of occupancy are dependent on the current and future supply of new hotels of similar category and location, estimated room nights demanded, the historical performance of the property under management by Staybridge Suites and the existing situation surrounding the impacts of COVID-19.

As of May YTD 2021 the subject property achieved an occupancy of 25 percent, which is 8 percentage points lower compared to the same period in 2020. This was primarily attributable to the impact of COVID-19, which is anticipated to soften demand over the short term. In addition, as per our discussion with the client, the year 2019 also recorded abnormal performance indicators as there was an issue between the owner and the operator for 6 months of the year and as a result the property was not able to operate efficiently.

Given that a reputable international operator similar to that of IHG is anticipated to manage the property's operations, we have assumed that the property would have to re-stabilise operations, which we have assumed to be year 3 (2023/2024) of operations. We have estimated the subject property to achieve an occupancy of 43 percent in the first year of operations, which aligns with the property's occupancy achieved in 2019. The presence of an international operator would likely drive occupancy levels higher (due to their global distribution system capabilities); however, the level of demand growth is somewhat offset by the impact of COVID-19, which is expected to persevere throughout 2021, especially given the recent mutation of COVID-19 as this new strain may potentially prolong the economic impact.

However, we remain optimistic that vaccines will be rolled out effectively, and therefore projected an occupancy of 62 percent in the second year of operations, which aligns with the historical occupancy performance under the Staybridge Suites brand for the full year 2018, which was its second year of operations during the stabilisation period.

Furthermore, we have estimated the subject property to recover and re-stabilise at an occupancy of 72 percent in year 3 of our projections.

Average daily room rate (ADR)

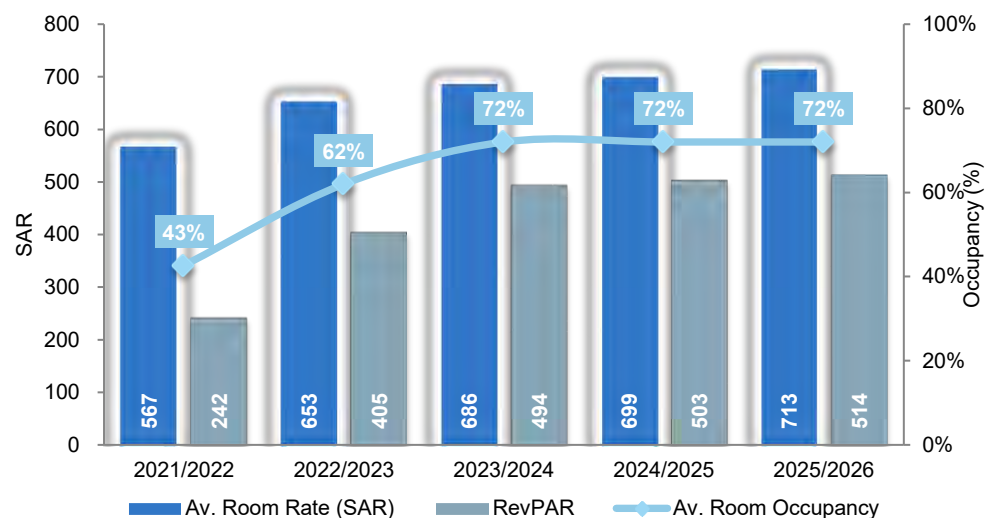
2.42 Forecasting the average daily room rate for the subject property, we would expect there to be an impact in the 1st year of projections as a result of COVID-19. We have assumed that the property would achieve an ADR of SAR 567, which accounts for a rate growth in line with inflation compared to 2020 ADR figures.

Upon re-stabilising operations in year 3 of operations (2023/2024), we have estimated the subject property to achieve a stabilised ADR (current values) of SAR 659 i.e. a rate of SAR 686 in future values. This accounts for a rate premium of 10 percent over the best performing year under the Staybridge Suites brand in 2018, which recorded an ADR of SAR 599. This premium factors in the stabilisation ramp-up to year 3 as well as the fact that an international operator similar to that of IHG would be appointed to manage the property's operations. However, in the event that the owner appoints an operator that differs significantly from IHG, then it is unlikely that the property would achieve these rates. In year 2 of our projections, we have estimated the property achieve a rate of SAR 653 (future values).

Subsequent to year 3, we expect ADR to be in line with inflation at 2.0 percent,

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

Exhibit 7: Hotel Forecast Room Performance

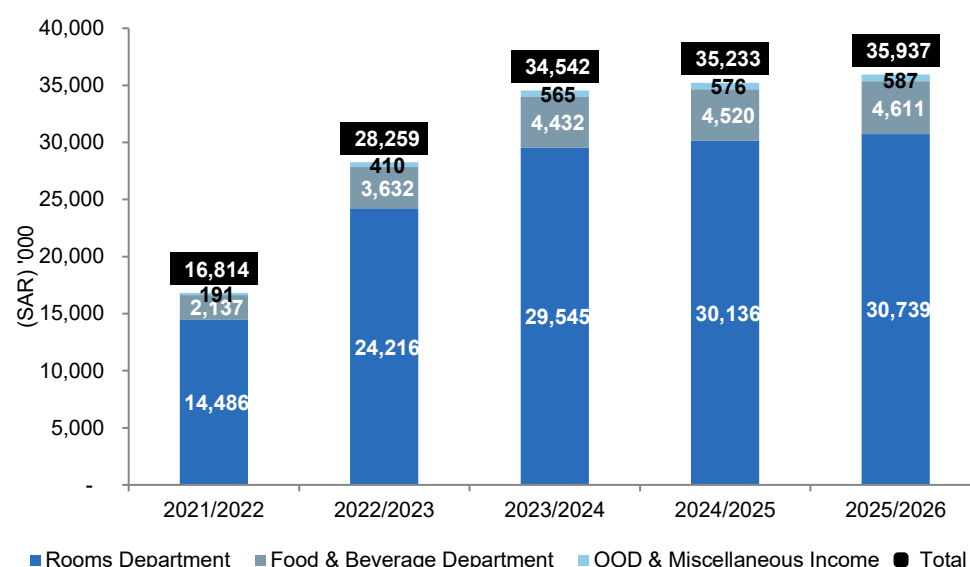


Total Revenue

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

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

Exhibit 8: Hotel Forecast Split of Revenue



Gross Operating Income 2.45 **Gross Operating Profit (GOP)** relates to the properties' profits after subtracting the respective departmental operating expenses and undistributed operating costs. It defines the level of operational profitability of the subject property.

Undistributed Expenses 2.46 **Administration and General (referred to as Admin & General):** This comprises both operational and managerial expenses that does not fall under a specific operating department. Most of these expenses are moderately fixed, with exceptions such as cash overages and shortages or credit card commissions. It is usually compared on a per available room basis, supported by the percentage of total revenue.

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

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

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

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

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

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

Exhibit 9: Undistributed expenses for the subject hotel (SAR Thousands)

(SAR) '000	Year 1 2021/2022		Year 2 2022/2023		Year 3 2023/2024	
Administration & General	2,774	16.5%	3,320	11.8%	3,627	10.5%
IT Systems	715	4.3%	820	2.9%	864	2.5%
Sales and Marketing	757	4.5%	1,187	4.2%	1,382	4.0%
Property Operation and Maintenance	841	5.0%	989	3.5%	1,036	3.0%
Utilities	2,186	13.0%	2,289	8.1%	2,418	7.0%
Total Undistributed Operating Expenses	7,272	43.3%	8,605	30.5%	9,326	27.0%

Given the current situation surrounding COVID-19, hotels across the market including the subject property have implemented risk-mitigating strategies to reduce the financial burden of COVID-19.

In our 1st year Undistributed Operating Expenses projections, we have assumed that the property will continue to implement a number of critical measures to reduce costs (e.g. employees taking unpaid leave, limited task force team on property, closing down room floors to reduce utility expenses, etc.) compared to figures recorded in full year 2019. As a result, we have estimated Property Operation & Maintenance to be reduced by 21 percent and Utilities to be reduced by approximately 2 percent. Administration & General is estimated to be reduced by approximately 31 percent, while IT Systems are expected to drop by approximately 22 percent. These cost reductions are in line with the cost savings achieved across the property when comparing the periods of 2019 and 2020.

As an international operator is expected to be appointed before the end of 2021, we have not reduced Sales & Marketing Costs in line with the historical savings rate of approximately 60 percent. We have only applied two thirds of these savings at approximately 40 percent.

Subsequently, we expect these costs to ramp-up to year 3 of projections and subsequently grow in line with inflation.

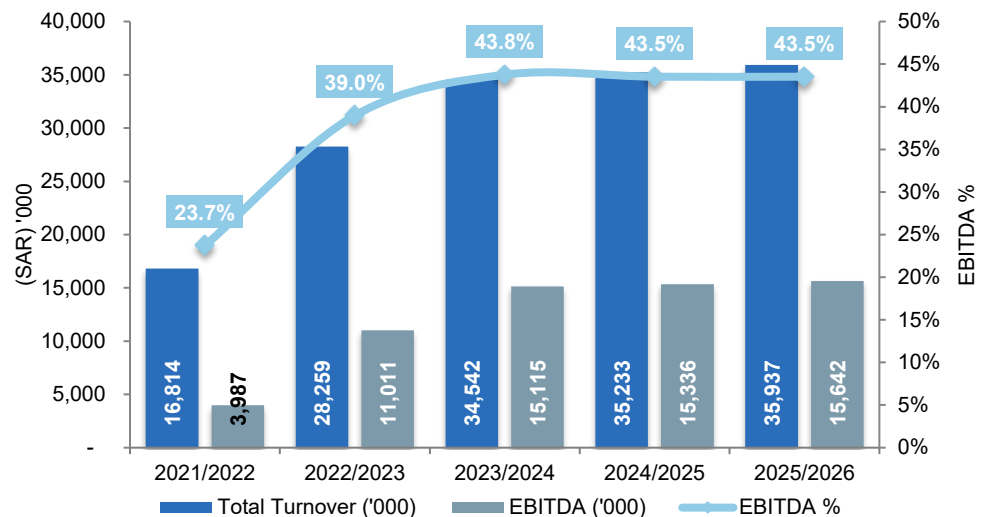
EBITDA (Earnings Before Interest, Tax,

2.47 We have run our projections based on a competent international operator assuming that the hotel is effectively managed, positioned and operated as well as strategies are being put in place to reduce costs given the impact on room night demand from

Depreciation and Amortisation)

COVID-19. The following exhibit highlights Knight Frank's projected total turnover and EBITDA.

Exhibit 10: Hotel Forecast Revenue and EBITDA



Services

- 2.48 In accordance with the General Terms of Business, no tests have been undertaken on any of the services.
- 2.49 We have assumed for the purposes of this valuation that mains water, electricity, drainage and telecommunications are all available to the subject property. In addition there are septic tanks for the property.
- 2.50 Main electricity is available via the national grid (SCICO), in addition there are emergency diesel generators should mains power be interrupted.

Legal title deed – Overall Property

Land ownership

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

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

Source: Client

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

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

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

Covenants

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

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

Tenancies

Tenancy information

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

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

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

Covenant information

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

Tenancy Schedules

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

Status	Percentage of area	GLA (sq m)	Total Passing rent (SAR pa)
Occupied	97%	87,337	131,249,837
Vacant	3%	2,792	-
Total	100%	90,128	131,249,837

Source: Client

- Summary** 2.60 The current rent passing as at the date of valuation is SAR 131,249,837 per annum. The property is currently 97% occupied.
- The lease terms generally range in length from 1 year to 12 years, with the majority of leases being 1-3 years in length. The exceptions to the above include the lease for the Hyper Panda supermarket which has a 20 year lease term and the cinema lease which is for 15 years.

Condition

- Scope of inspection** 2.61 As stated in the General Terms of Business attached, we have not undertaken a building or site survey of the property.
- 2.62 During our inspection we did not inspect any inaccessible areas. We are unable to confirm whether the property is free from urgent or significant defects or items of disrepair. Apart from any matters specifically referred to below, we have assumed that it is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.
- Ground conditions** 2.63 We have not been provided with a copy of a ground condition report for the site. We have assumed that there are no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the buildings constructed thereon.

Environmental considerations

- Contamination** 2.64 As stated in the General Terms of Business, investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Knight Frank is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

Planning

- 2.65 We have been provided with a one page document that sets out the permission to build on the site, which is dated 26/2/04 and provides for a commercial centre licensed to build 2 floors, including parking, commercial content, ground and first floors and 220 commercial units. This is in Arabic and has been translated to provide details. (This is included in the Appendix 4).
- 2.66 We are not qualified to advise you if this fully covers the actual property which stands today – i.e. mall and hotel, and therefore your legal advisors need to verify that this is the case. For the purposes of our valuation, we have assumed that all necessary consents and licences are in place for the property as built.

Highways and access

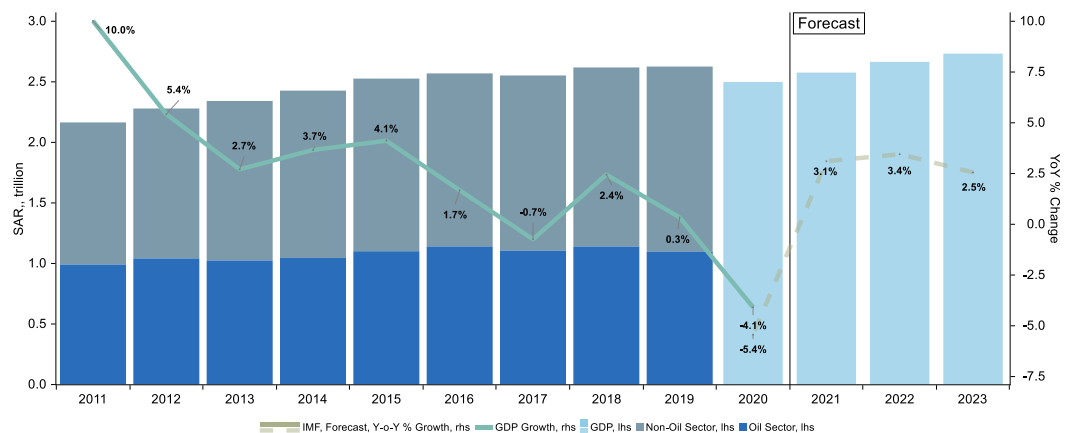
- Highways** 2.67 We have assumed that there are no current highway proposals in the immediate vicinity likely to have a detrimental effect upon the property within the foreseeable future.
- Access** 2.68 In reporting our opinion of value, we have assumed that there are no third party interests between the boundary of the subject property and the adopted highways and that accordingly the property has unfettered vehicular and pedestrian access.
- 2.69 We have assumed that there are no issues relating to visibility splays which may impact upon the use or proposed use of the property.

3 Macro-economic analysis

2.70 Saudi Arabia GDP Growth, 2011 - 2023

- According to provisional full year data published by the General Authority for Statistics (GaStat), Saudi Arabia's real GDP contracted by 4.1 percent in 2020 compared to growth of 0.3 percent year-on-year in 2019.
- Saudi Arabia's non-oil sector performed remarkably well in December 2020, with the index hitting its highest reading since November 2019. This upturn in business activity has underpinned a stronger than expected GDP reading in Q4 2020, and as a result Saudi Arabia GDP in 2020 contracted less than the 5.4 percent rate forecast by the IMF.
- Whilst there are material downside risk that may still impact economic activity in Saudi Arabia, most are unlikely to come to fruition and few are exogenous in nature. This underpins Saudi Arabia's 2021 GDP growth forecast of 3.1 percent the strongest in the region.
- With this rate of economic growth, Saudi Arabia will remain below the average growth rate of c. 5 percent which was recorded between 2011 and 2015.

Saudi Arabia GDP, YoY % change



Source: Knight Frank Research, Macrobond

Saudi Arabia Oil & Non-Oil GDP and GDP Growth

- As a result of COVID-19, Saudi Arabia both oil and non-oil sectors contracted substantially.
- First, as the global economy came to a halt, demand in the hydrocarbon sector effectively stalled, causing a supply glut and oil prices to plummet. This has had a substantial impact on Saudi Arabia oil sector GDP which contracted by 8.1 percent in Q3 2020.

- ♦ Non-oil GDP growth has been gradually accelerating since 2016, reaching 3.3 percent in 2019, the highest level of growth since 2015. However, due to severe lockdown measures in place across Saudi Arabia, including the closure of international borders and tourism, has substantially impacted business activity, resulting in a contraction in non-oil sector GDP.

Saudi Arabia Oil & Non-Oil GDP Growth

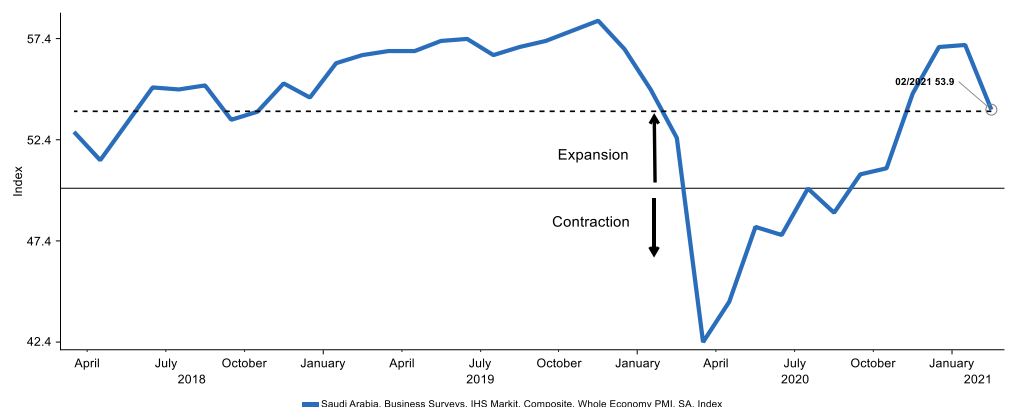


Source: Knight Frank Research, Macrobond

1.1 Saudi Arabia, Purchasing Manager Index (PMI)

- ♦ Saudi Arabia's Purchasing Managers' Index (PMI), which tracks the country's private non-oil economy, indicating that both economic activity and business conditions has improved in Q4 2020, where the index registered an average reading of 54, a marked increase from the Q2 and Q3 average readings of 46.7 and 49.8 respectively. The index shows that the private non-oil economy has firmly moved into expansion territory during the last quarter of 2020.
- ♦ Whilst the latest monthly reading January 2021's 57.1, is the highest since October 2019.

Saudi Arabia PMI



Source: Knight Frank Research, Macrobond

1.2 Saudi Arabia Primary Consumer Sentiment Index by Thomson Reuters / IPSOS

- ♦ The Thomson Reuters / IPSOS Consumer Confidence Index for Saudi Arabia significantly improved in 2019 and heading into 2020, hitting a level of 65.1 in March 2020, its highest level on record.
- ♦ However, due to the impact of COVID-19 the Consumer Confidence Index declined sharply by 5.1 points during the last three months to June 2020, where the current reading stands at 60.0. Despite this, Saudi Arabia still ranks first among all 24 markets surveyed when it comes to the current state of its economy.
- ♦ The index is driven by the aggregation of four weighted sub-indices namely: current conditions, perceived economic expectations, perceived investment climate and current job security.

PCSI, by Thomson Reuters / IPSOS

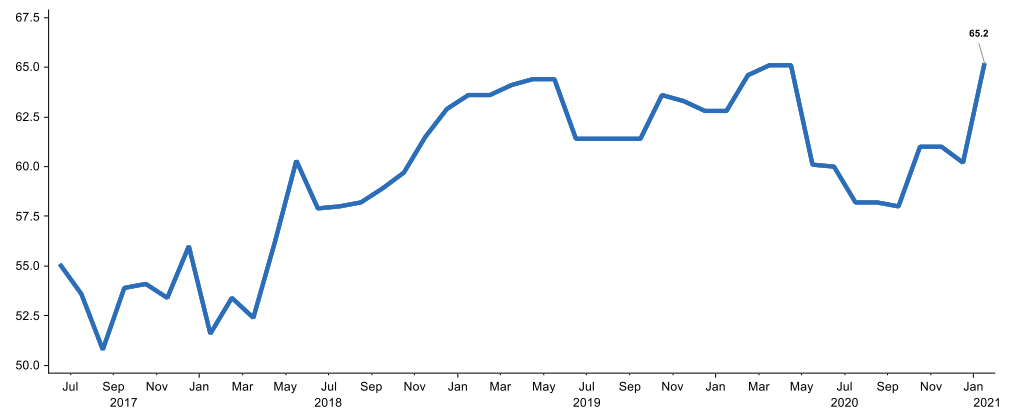


Source: Knight Frank Research, Macrobond

Saudi Arabia Consumer Confidence Index by Thomson Reuters / IPSOS

- ♦ Saudi Arabia's, Primary Consumer Sentiment Index (PCSI) is a national survey of consumer attitude on current and future state of local economy, personal finance situation, as well as confidence to make large investments and ability to save.
- ♦ The latest reading in January 2021 of Primary Consumer Sentiment Index (PCSI) in Saudi Arabia, released by IPSOS, reveals a 5-point surge from the previous month to 65.2, the highest since January 2020. This jump is the largest month-on-month increase seen in most recent years.
- ♦ In parallel with the improvement in consumer confidence, we have seen private sector loan growth regaining momentum. The recovery in banks' lending to the private sector in 2018 and substantial growth in 2020 is seen as crucial in driving consumer spending and demand for real estate in short to medium term.

PCSI, by Thomson Reuters / IPSOS

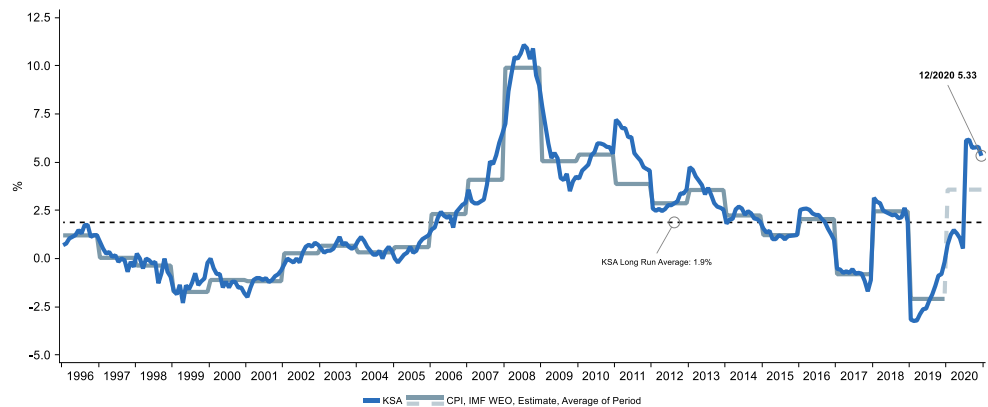


Source: Knight Frank Research, Macrobond, IPSOS

Saudi Arabia Consumer Price Index, YoY Change %

- ♦ The latest Consumer Price Index measured at 5.3 percent YoY in December 2020 compared to a rate of 5.8 percent in the previous month. This increase in inflation is attributed to the increase in Value Added Tax (VAT) from 5 percent to 15 percent in July 2020.
- ♦ The rise in consumer price index (CPI) was mainly driven by a surge of 12.7% year-on-year in the average prices of food and beverages, affected by 12.9% rise in food prices, in addition to a hike of 6.9% YoY in the average prices of transport, as vehicle prices grew by 9.6%.
- ♦ More so, the tobacco sector rose by 13.7%. Similarly, the telecommunication sector moved up by 11.4%.
- ♦ Following the tripling of VAT and the revision of subsidies in July 2020, inflationary pressures and weak consumer sentiment have impacted consumer spending. We see a change in the situation with the recent improvement in consumer confidence and the price deflation which will likely translate into higher consumer spending and a regain of appetite for real estate purchases.

CPI, YoY % Change

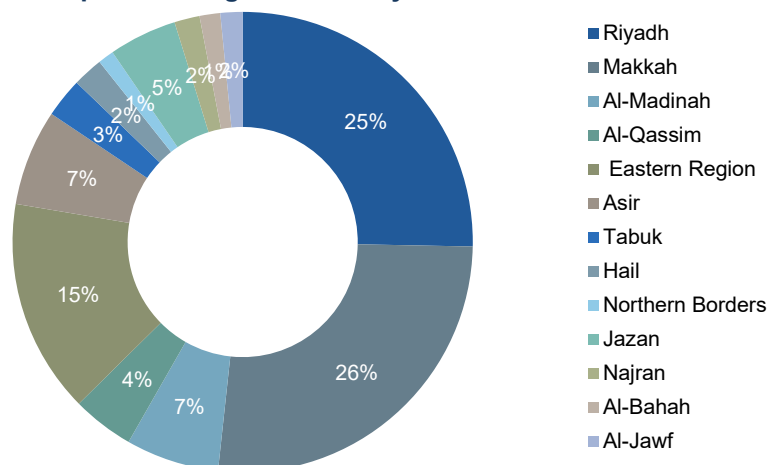


Source: Knight Frank Research, Macrobond

1.3 Saudi Arabia Population Segmentation by Province - 2019

- ♦ Saudi Arabia accounts for over 50 percent of the total population of the GCC and is largely more populous than any other GCC country. According to official statistics, the population count was registered at 34.2 million in 2019.
- ♦ The population segmentation by regions for 2019 shows that nearly 65 percent of the population of the Kingdom is concentrated in three provinces namely Makkah Al Mokarramah, Riyadh, and the Eastern Province which account for 26 percent, 25 percent and 15 percent of the country's population respectively. Beyond the year 2019, the breakdown of the KSA population by region is not available.

Saudi Arabia Population Segmentation by Province - 2019

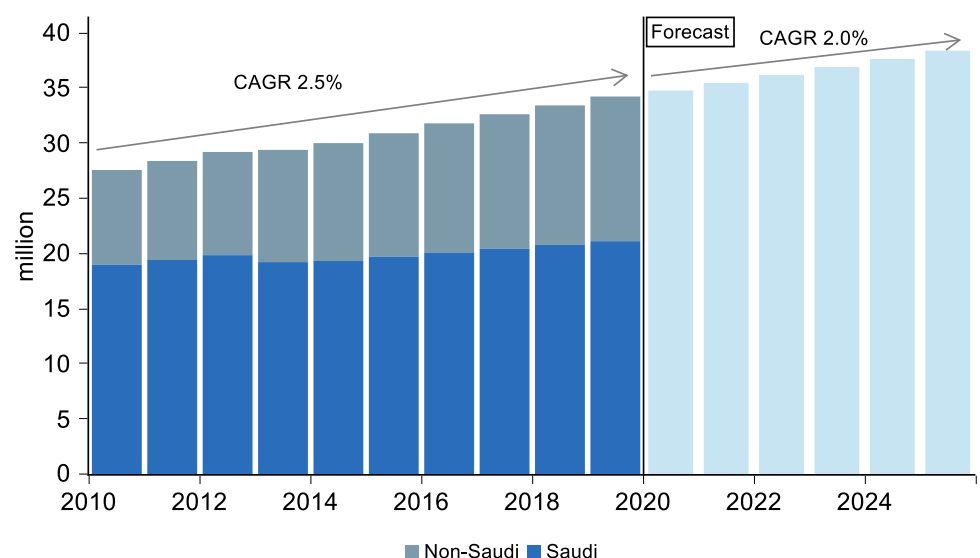


Source: Knight Frank Research, GASTAT

Saudi Arabia Population Forecasts

- ♦ According to official statistics, the population of Saudi Arabia is estimated to have reached 34.8 million in 2020. The Saudi/Non-Saudi breakdown of the population for 2019 stands at 21.1 million/13.1 million according to the same source.
- ♦ Based on the IMF forecasts, the population of Saudi Arabia is expected to grow at a constant 2 percent annual growth rate from 2019 onwards, reaching 38.3 million in 2025. A large and growing population, albeit at a slower pace than previous years, will continue to drive demand for goods and services in the short to medium term.
- ♦ Saudi Arabia's population is dominated by Saudi nationals, accounting for 63 percent of the population. This implies that aggregate demand for products and services does not primarily stem from the expatriate workforce.

Saudi Arabia Population Evolution



Source: Knight Frank Research, IMF

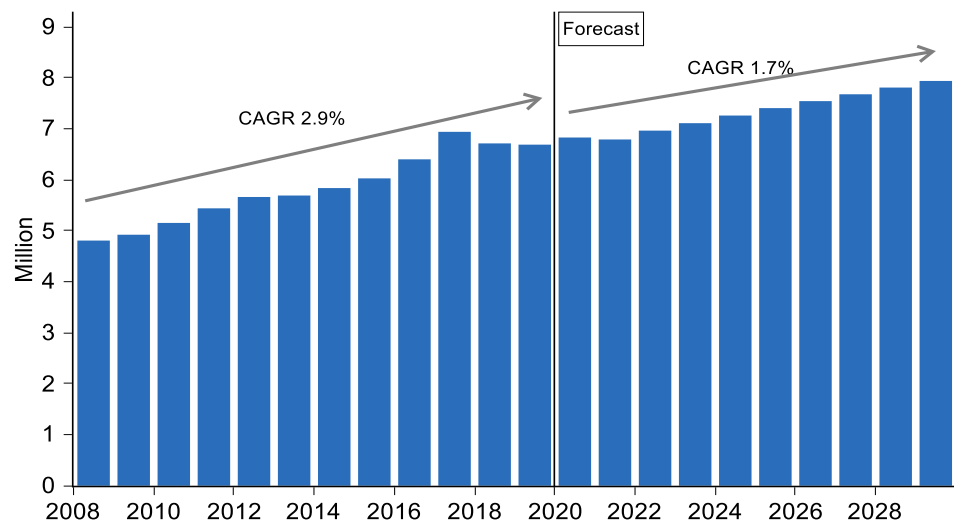
1.4 Total Number of Households

- ♦ Total number of households in Saudi Arabia is estimated at roughly 6.8 million in 2020 according to Oxford Economics. The yearly average growth in number of household is set to slow to 1.7 percent per annum between 2020 and 2030 according to Oxford Economics down from 2.9 percent between 2010 and 2020.
- ♦ The average household size in Saudi Arabia stood at 5.52 individuals in 2020 according to Oxford Economics. While the average household size for Saudi households stands just over 6.0, the average household size for non-Saudis is

closer to 4 individuals. The overall average household size is set to slightly decrease over the next years reaching 5.45 in 2030.

- ◆ Regarding the local population, it was not unusual historically for generations of the same family to be living in a sizeable family home. The younger generation now exhibits a desire to move away from multi-generational household structure. Over the next decades, falling household sizes will underpin demand for higher density development which provides smaller and more efficient units.

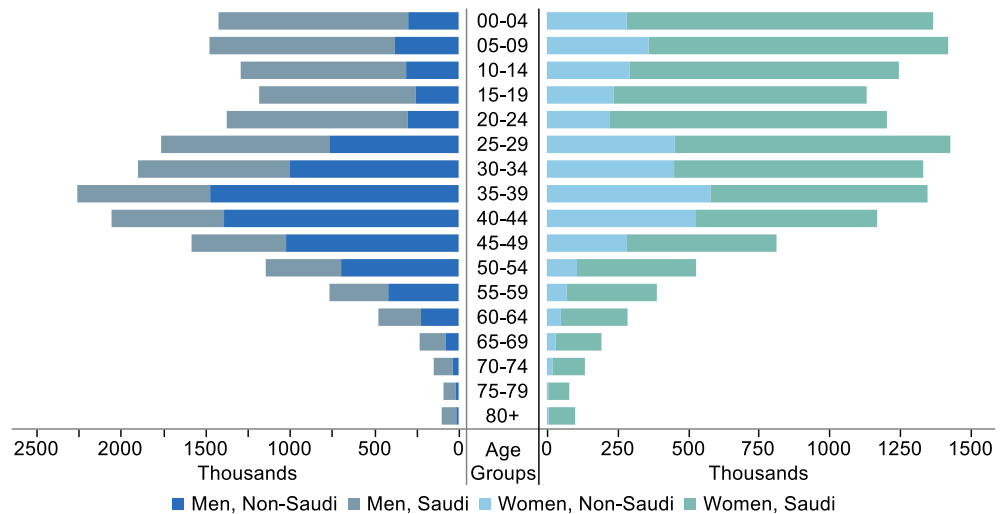
Number of Households



Source: Knight Frank Research/ Macrobond, Oxford Economics

Population by Age, Nationality, and Gender

- ◆ The population pyramid of Saudi Arabia that depicts the age structure of the Saudi and Non-Saudi population based on the preliminary 2018 data, highlights the fact that approximately 39.2 percent of the population were aged between 0 and 25 years, about 57.5 percent were aged between 25 and 64 years and 3.2 percent were aged above 65 years.
- ◆ When looking at the age structure of the Saudi population, the share of the population aged between 0 and 25 years rises to 49 percent, highlighting the young demographic profile of the Saudi population, a key driver to consumer market growth.
- ◆ It is expected that population dynamics are expected to shift in Saudi Arabia over the next decades, which will entail a significant increase in the population over 40. The over 60s age cohorts are expected to increase by 3 times between 2018 and 2035. Despite these changing demographic profile, Saudi Arabia will remain amongst the youngest countries in the GCC in 2030.

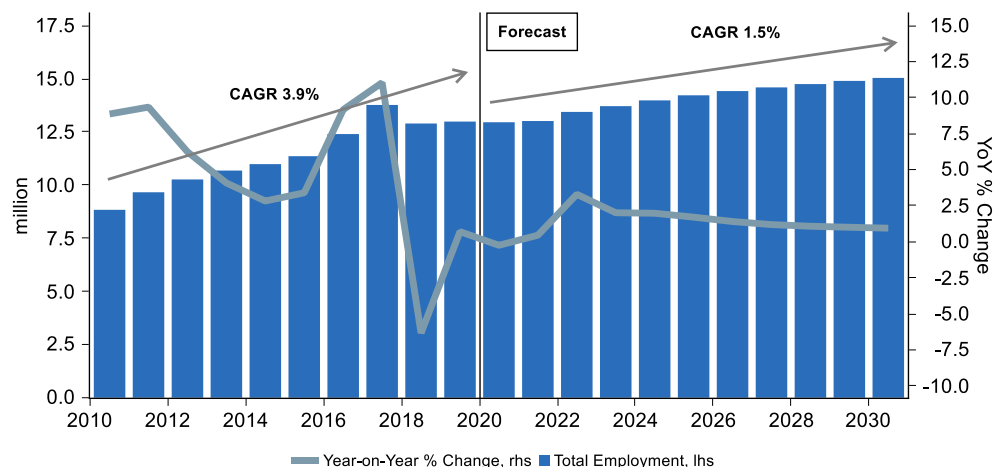


Source: Knight Frank Research, Macrobond

Total Employment - KSA

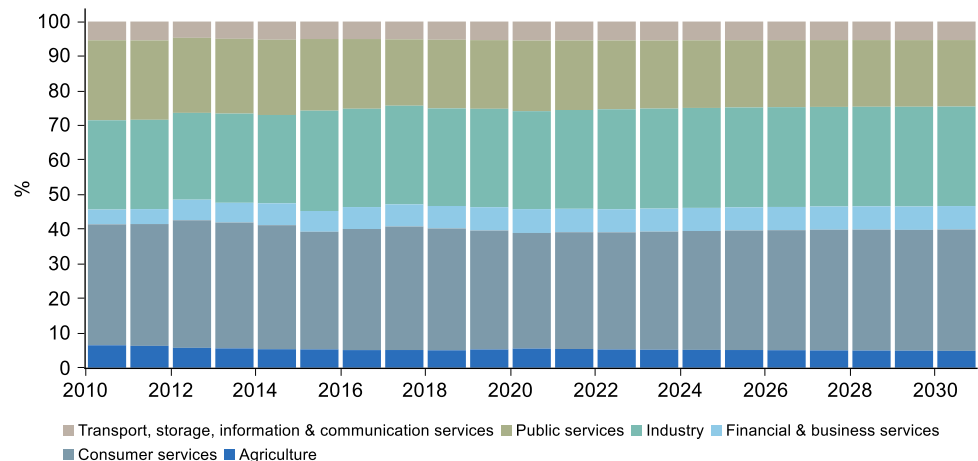
- ♦ Saudi Arabia's total workforce was estimated at 12.9-Million employees in 2020, down from 13.7-Million employees in 2017. The decrease is mostly as a result of the departure c. 800,000 expatriates from the workforce during this period.
- ♦ This outflow of expatriates from the workforce was triggered by a challenging macroeconomic environment, the introduction of levies on expats in the form of fees on dependents (set to increase every year on an incremental basis until 2020), and the implementation of a plan restricting employment in certain sectors to Saudi Nationals in order to promote and increase Saudization.
- ♦ Saudi Arabia's employment CAGR is set to slow to 1.5% per annum between 2020 and 2030 according to Oxford Economics, down from a CARG of 3.9% between 2010 and 2020.

KSA, Employment



Breakdown of Employment by Economic Sector – KSA

- Currently the consumer services, industrial sectors and public services are the largest employment sectors in Saudi Arabia, accounting for 33.4%, 28.3% and 20.4% of total employment in 2020 respectively. This is expected to remain roughly unchanged over the coming ten years.

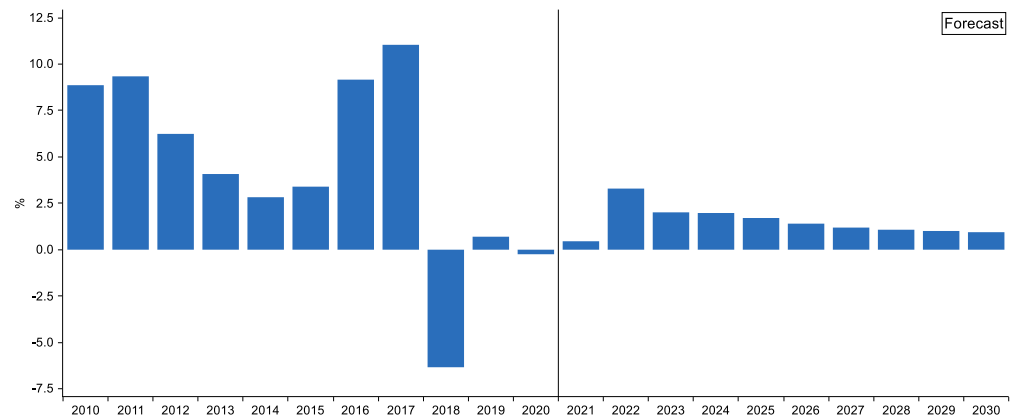


Source: Knight Frank Research, Macrobond

Employment YoY Change%

- Employment growth in Saudi Arabia is set to decelerate to 1.5 percent per annum between 2020 and 2030 down from 3.9 percent between 2010 and 2020 according to Oxford Economics estimates.
- Total employment declined by -6.34 percent in 2018 due to outflows of expatriates from the workforce. However, this trend has reversed in 2019 where total employment increased marginally by 1.31 percent.
- The exodus of expat workers from Saudi Arabia in 2020, due to the economic fallout from COVID-19 and oil price shock, has accelerated a shift in the labor market resulting 0.2% decline in employment growth in 2020.
- Looking forward the employment growth is expected to remain supported by the various initiatives aimed at boosting youth, women and Saudi nationals' participation in the workforce, in the short to medium term this will be balanced by rising pressures on the expat labour market resulting from the impact of government fees and Saudization plans on non-Saudi employment figure.

Employment, YoY % Change

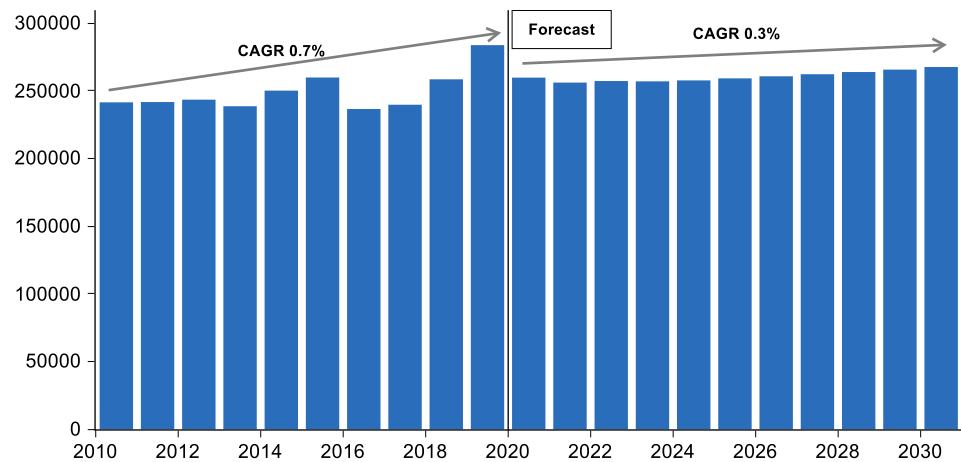


Source: Oxford Economics, Macrobond

KSA average household disposable Income in SAR

- Household income is a key determinant of affordability and consumer spending patterns.
- Average household personal disposable income in Saudi Arabia stood at c. SAR 259,687 in 2020. Between 2010 and 2020, the average household personal disposable income increased at a CAGR of 0.7%. It is expected that this growth momentum will slowdown to 0.3% between 2020 and 2030, as highlighted in the adjacent graph.

Household Disposable Income

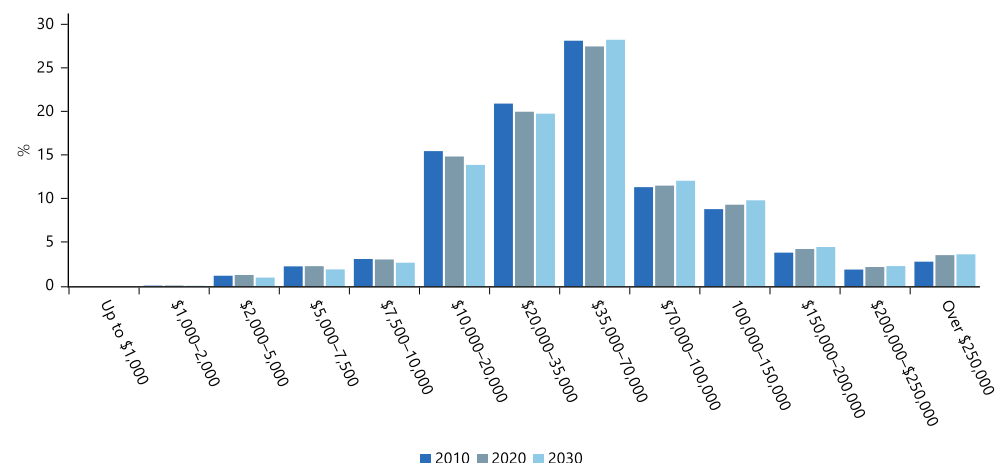


Source: Oxford Economics, Macrobond

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

- ♦ The number of households in Saudi Arabia currently (2020) stands at approximately 6.52 million and is expected to grow to 8.06 million by 2030.
- ♦ In 2020, 58.4% of households in Riyadh were within income bands above USD 35,000 and this share is expected to increase going forward, reaching 60.7% in 2030.
- ♦ 41.6% of households were in the lower income bands - below USD 35,000. This proportion of household income band is expected to witness a decrease between 2020 and 2030 reaching 39.3%. This is a positive trend, from the perspective of consumer spending and demand for real estate in the city.

Household, By Income Band



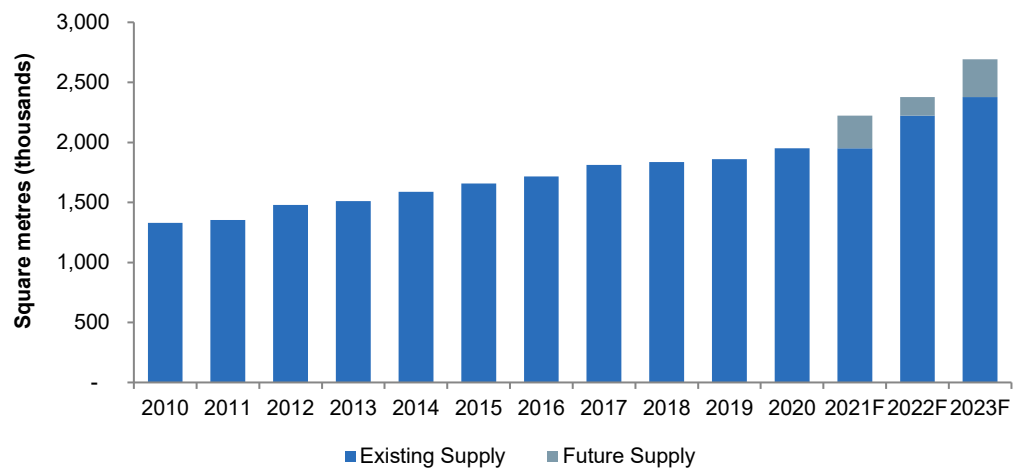
Source: Oxford Economics, Macrobond

Jeddah Retail Market

3.1 Evolution of quality Organised Retail SUPPLY

- ♦ Retail supply in Jeddah between 2010 and 2020 grew at a compounded annual growth rate of 4.1%. The supply of quality organised retail reached 1.95 million square metres of GLA by the end of 2020. There were four developments that opened in 2020, which added approximately 90,000 square meters of retail GLA to the market.
- ♦ A total of 8 other developments are anticipated to reach completion in 2021, this includes one super-regional mall, namely Serafi Mega City (Jeddah Park), two regional malls, four community centres and one neighbourhood centre bringing the total GLA to 2.22 million square metres by the end of 2021.
- ♦ A total of 740,302 square metres of retail space is anticipated to be added into the market between 2021 and the end of 2023, resulting in a total retail supply of 2.69 million square metres, which equates to a compounded annual growth rate of 11.3%, faster than historical growth rates.

Evolution of Jeddah retail supply (GLA)

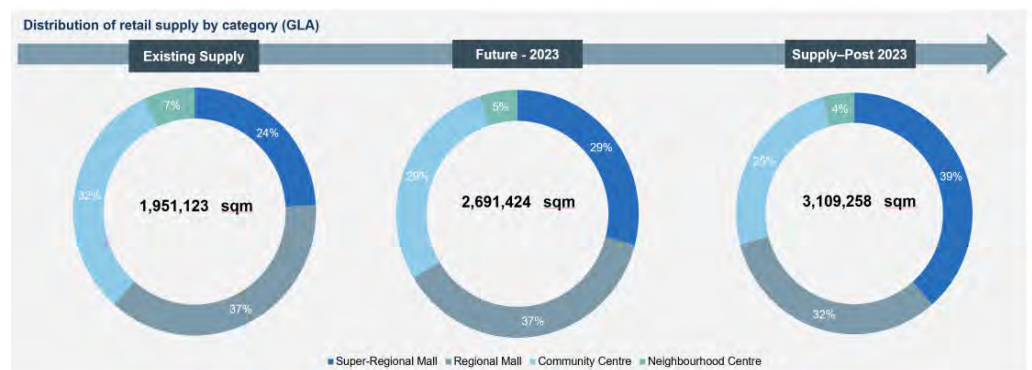


Source: MECSC; Knight Frank

Quality Organised RETAIL supply Characteristics

- ♦ As at the end of 2020, the total GLA of quality organised retail stands at over 1,95 million square metres. Regional malls comprise the largest share, accounting for 37%, while community centres equate to 32% of the total supply. Super-regional and Neighbourhood centres account for 24% and 7%, respectively.
- ♦ The quality existing retail supply is distributed over 73 organised retail developments, 4 of which are super-regional malls and 15 are regional malls. In addition, there are 35 community centres and 19 neighbourhood centres.

- ◆ Taking into account the retail pipeline, the supply composition of super-regional malls is set to increase to 29% of the total retail supply by the end of 2023. In contrast, the share of the other three categories including neighbourhood centres, community centres and regional malls is expected to decrease to 5, 29 and 37% of the total supply respectively.
- ◆ Some super-regional and regional malls have been announced, but these malls have not yet broken the ground. If we take these malls into account and analyse the post-2023 supply composition, super-regional malls share is set to increase to 39%, while regional malls, community centres and neighbourhood centres share is expected to decrease to 32%, 25% and 4% respectively.
- ◆ As the retail market continues to evolve, developers are seeking to provide more experience based concepts looking to increase shoppers time spent at the malls to combat an ever growing e-commerce threat. Entertainment and F&B led destinations have therefore become essential components for all future developments.

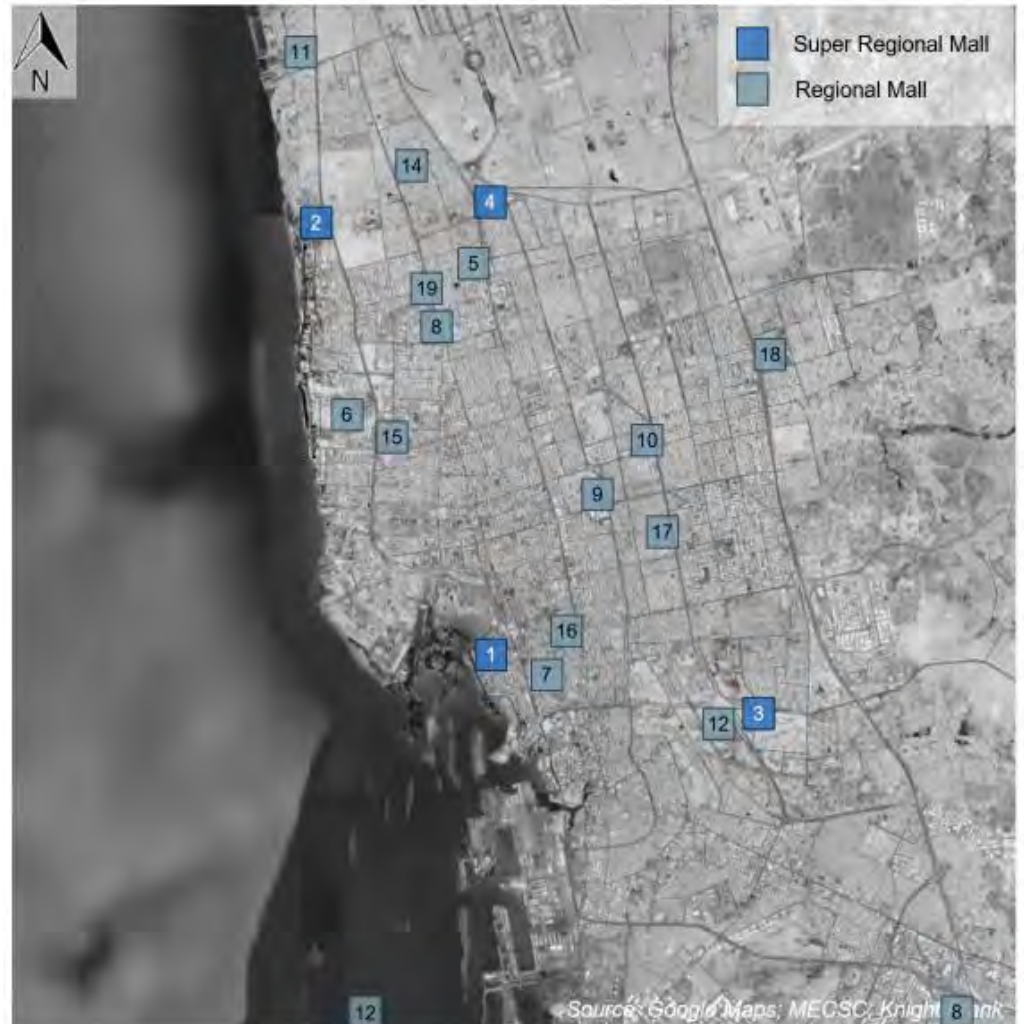


Source: Knight Frank

Jeddah existing quality organised retail supply 1/2

- ◆ Jeddah city comprises four super-regional and fifteen regional malls totalling over 1.26 million square metres of GLA. Red Sea Mall has emerged to be the largest Mall after the new expansion, which features a total GLA of approximately 144,707 square metres and is located on King Abdul Aziz Road, north of Jeddah.
- ◆ Mall of Arabia and Al Salaam Mall are the other two super-regional malls developed and operated by Arabian centres, Mall of Arabia is located on Madinah Road, south west of King Abdul Aziz International Airport, whereas Salam Mall is located in the South along King Abdullah Road. Jamjoom center used to be another super-regional mall but it was closed in 2018.
- ◆ Regional malls account for a total of 728,895 square meters. Within the last five years, Jeddah has witnessed the opening of three new regional malls comprising approximately 150 thousand square metres of GLA.

- ◆ Nas Town is the latest regional mall, having opened in the fourth quarter of 2017 and boasts over 30,000 square metres of GLA.

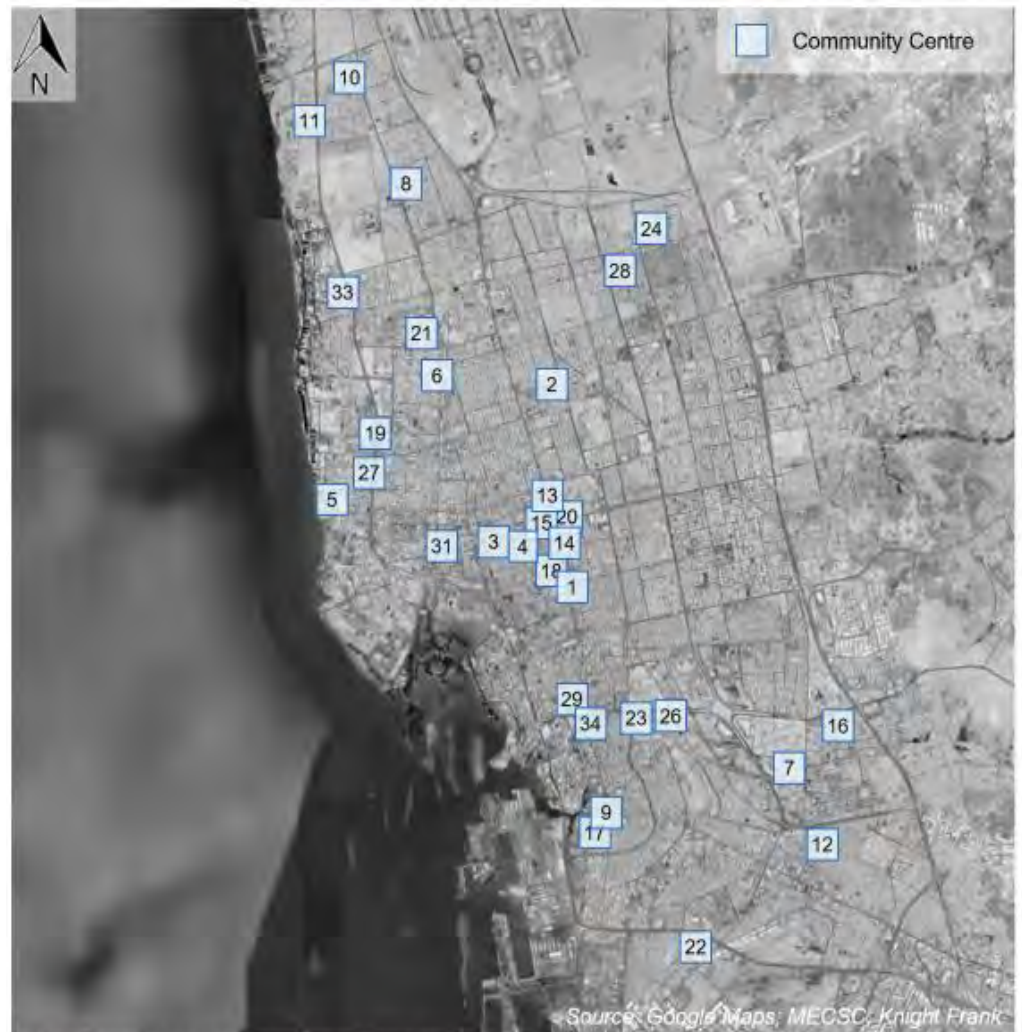


Major Super Regional and Regional Malls							
	Name	GLA (sqm)	Opening Year		Name	GLA (sqm)	Opening Year
1	Jamjoom Center	112,765	1998	2	Red Sea Mall & Extension	144,707	2008
3	Mall of Arabia	102,097	2008	4	Al Salaam Mall	111,914	2012
5	Hera'a International Mall	52000	1982	13	Al Andalus Mall	86355	2007
6	Al Shate'a Mall	61293	1985	14	Jarir Mall Prince Sultan Street	35000	2008
7	Al Baroom Commercial Center	30000	2002	15	Stars Avenue Mall	36000	2010
8	Event Mall	40089	2003	16	Haifaa Mall	32111	2013
9	Serafi Mega Mall	60000	2005	17	Flamingo Mall-Jeddah	62000	2014
10	Aziz Mall	70954	2005	18	Al Yasmin Mall	58311	2016
11	Roshan Mall	36305	2006	19	Nas Town	30000	2017
12	Sultan Centre Mall	38477	2007				
Total Existing Supply GLA						1,260,378	

Source: Google Maps; MECSC; Knight Frank

Jeddah existing quality organised retail supply 2/2

- ♦ As at the end of 2020, there are 34 quality community centres in Jeddah totalling 619,328 square metres of GLA.
- ♦ Within the community centre segment, there were four new developments that opened in 2020, which added approximately 90,000 square meters of retail GLA into the market.
- ♦ Community centres can be found across Jeddah as they are not concentrated around any specific location. The majority of new community centres are located along existing and upcoming business corridors.



Al Moj Plaza, Oasis Mall Hamdaniya and Obhour Shopping Mall are not showcased on the adjacent map.

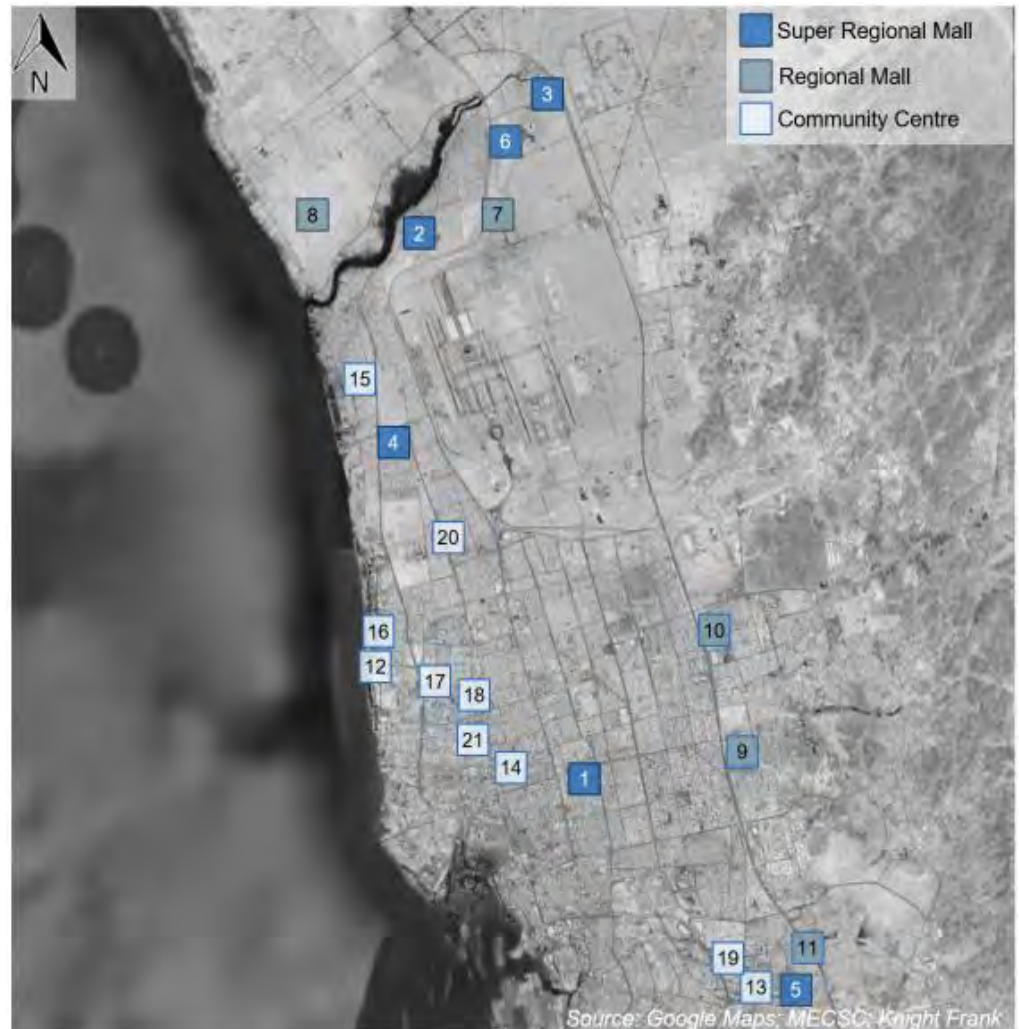
Major Community Centres							
	Name	GLA (sqm)	Opening Year		Name	GLA (sqm)	Opening Year
1	Mosadia Center	24,000	1981	18	Le Chateau	12,588	2008
2	Hijaz Plaza	12,000	1985	19	Etoile Center	13,817	2008
3	Al Basateen Centre	13,010	1998	20	New Town Center	20,000	2008
4	Tahlia Shopping Center	18,000	1998	21	Space Mall-Jeddah	19,928	2009
5	Al Nakheel Center	15,437	2000	22	South Mall	28,926	2009
6	Salamah Center	16,078	2000	23	Oasis Mall	17,000	2011
7	Al Sawary Mall	20,000	2001	24	Mandarine Avenue	15,000	2014
8	Jarir Mall Tahliya	11,000	2002	25	Al Moj Plaza	18,909	2015
9	Al Mahmal Center	15,000	2003	26	Jeddah Gate Crescent Plaza	29,709	2017
10	Aya Mall	29,160	2004	27	Le Prestige Mall	17,000	2017
11	Sawari Landmark	14,813	2005	28	Al Marwah Plaza	10,456	2018
12	Al Jamea Plaza	20,968	2005	29	Manuel Square	11,729	2019
13	Jeddah Int'l Shopping Center	29,172	2005	30	Oasis Mall Hamdaniya	12,362	2019
14	Al Shola Commercial Center	13,200	2006	31	Fayfa Complex	22,000	2020
15	Nojoud Center	11,903	2006	32	Obhour shopping Mall	26,434	2020
16	Al-Sulaymaniyah Plaza	26,000	2006	33	Atelier LaVie Mall	30,000	2020
17	Corniche Commercial Centre	12,000	2007	34	Al Sariah Square	11,729	2020
Total Existing Supply GLA						619,328	

Source: Google Maps; MECSC; Knight Frank

Jeddah future quality organised retail supply

- The current retail pipeline comprises 1,158,136 square metres of GLA, which includes six super-regional malls, five regional malls and ten community/neighbourhood centres.
- Around 740,000 square meters of GLA is anticipated to be delivered before 2023, and 420,000 square meters of GLA is expected to be released in the market post-2023. Al Jawharat Jeddah, AWJ Group – Souq 7 and Avenue Mall Obhur have been announced with an expected 105,566, 186,750 and 125,518 square meters of GLA respectively, these malls have not yet broken ground and

are not anticipated to open before 2023, they have therefore been added in the post-2023 analysis.



Major Super Regional Malls, Regional Malls and Community Centres				
	Name	Status	GLA (sqm)	Opening Year
1	Serafi Mega City (Jeddah Park)	Construction	125,000	2021
2	Avenue Mall Abhor	Construction	125,518	2024
3	Al Jawhara Mall	Planned	95,000	2023
4	Jawharat Jeddah	Planned	105,566	2024
5	AWJ Group - Souq7	Construction	186,750	2024
6	Prince Sultan Oasis	On Hold	90,000	2023
7	Zahra Mall	Planned	52,370	2021
8	Jeddah Tower	Construction	64,369	2022
9	Tahliyah Gate: Mega Mall	Planned	75,000	2023
10	Al Haramain City Center	Planned	39,500	2021
11	Al Qalam Mall	On Hold	43,666	2022
12	The Lamar Mall	Construction	21,836	2021
13	Al Jameah Center	Planned	18,300	2021
14	Al-Rawdah Commercial Center	Planned	26,000	2022
15	Sunset Avenue	Construction	NA	2021
16	Al Nawras Center	Main Contract Bid	15,000	2023
17	King's Walk Mall	Design	28,314	2023
18	Sultan Galleria	Design	11,192	2023
19	Town Square	Construction	19,500	2022
20	Al Masrrah Square	Construction	10,684	2021
21	Botique 45	Construction	4,571	2021
Total Future Supply GLA			1,158,136	

Source: Google Maps; MECSC; Knight Frank

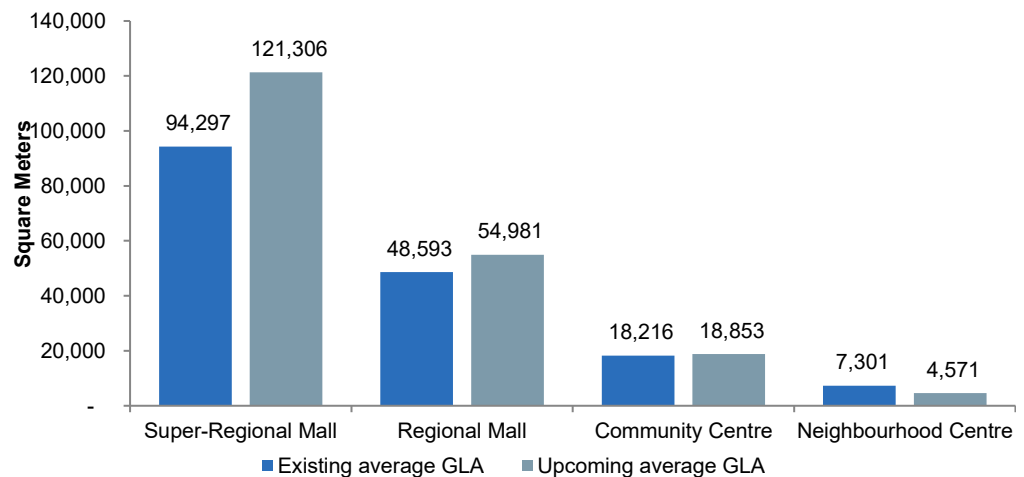
Quality organised retail supply characteristics

- ♦ In Jeddah, larger malls have historically performed better than smaller malls, as their attractiveness goes beyond the presence of retail line stores coupled with an anchor. These malls feature activated spaces that offer social spaces and include a key entertainment attractor aimed at families to drive footfall and allowing shoppers to spend the entire day at the mall. By contrast, smaller malls typically only serve a single purpose, as shoppers usually go to these centres to shop at a specific store.
- ♦ As a result, this has stimulated a marginal shift, whereby super regional and regional malls are getting larger to account for more entertainment and leisure based activities. Upcoming super regional and regional average sizes are expected to be considerably larger than existing ones. By contrast, upcoming

community and neighbourhood centres average sizes are in line with existing ones.

- ◆ Nevertheless, it is evident that there is a market trend throughout the GCC (e.g. Ajdan Walk in Al Khobar, City Walk in Dubai, etc.) leaning towards lifestyle and entertainment-led community centres or strip retail featuring outdoor landscaped spaces. These developments typically feature a higher proportion of F&B and entertainment spaces with limited retail line stores.

Average Mall Size by Type of Mall (GLA)

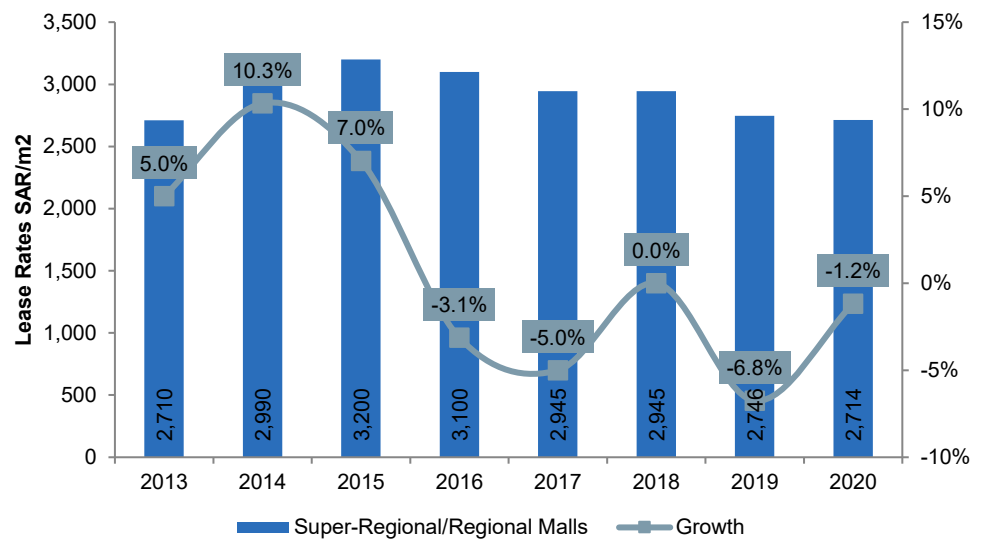


Source: Knight Frank

Quality organised retail: average annual lease rates

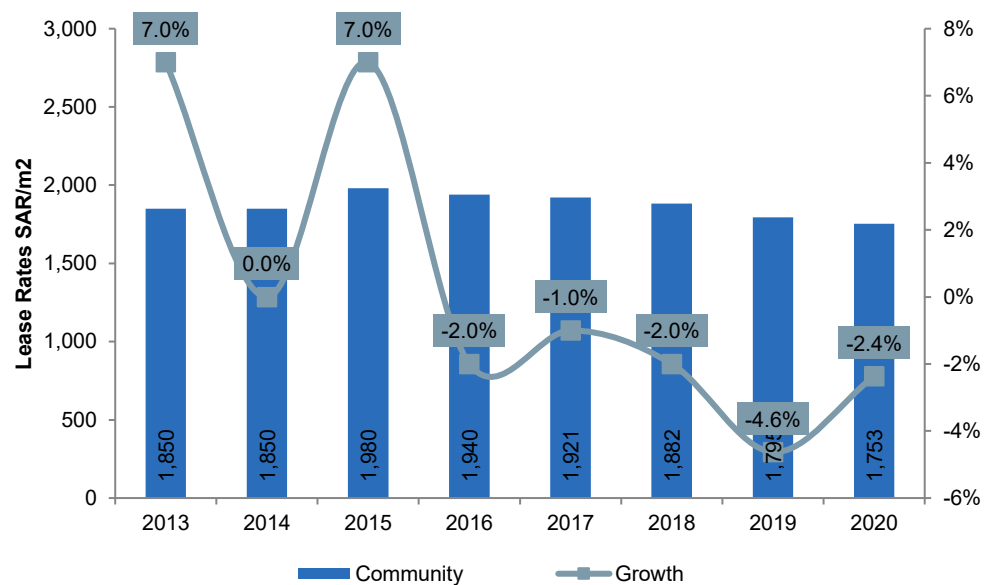
- ◆ Average lease rates per square metre for super-regional and regional malls increased from 2013 to 2015 from SAR 2,710 to SAR 3,200. Subsequently, lease rates per square metre began to decline; 2016 recorded a 3.1% decrease to SAR 3,100, and 2017 recorded a 5% decrease to SAR 2,945. 2018 lease rates experienced no change, while 2019 and 2020 lease rates have further recorded a 6.8% and 1.2% decrease respectively
- ◆ A number of factors have contributed to this including:
 - Stricter Saudisation policies meaning that spending from expatriates has declined due to the exodus. In addition, retailers are having to employ a larger share of Saudi nationals and as a result payroll figures have increased squeezing retailers margins;
 - Saudi national social benefits – in particular within the public sector – have been reduced and therefore impacting disposable income levels;
 - E-commerce is progressively gaining a larger market share as the years go by.

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



- Community centres also witnessed a similar pattern with average lease rates per square metre, recording a marginal increase between 2013 and 2015 from SAR 1,850 to SAR 1,980. This was followed by four consecutive years of declining lease rates; 2016, 2017, 2018 and 2019 recorded a 2%, 1%, 2% and 4.6% decrease respectively. Likewise, 2020 have witnessed a further decline of 2.4% in the lease rates. Average lease rates across community centres stood at SAR 1,753 in 2020.

Jeddah community malls lease rates (SAR/m²)

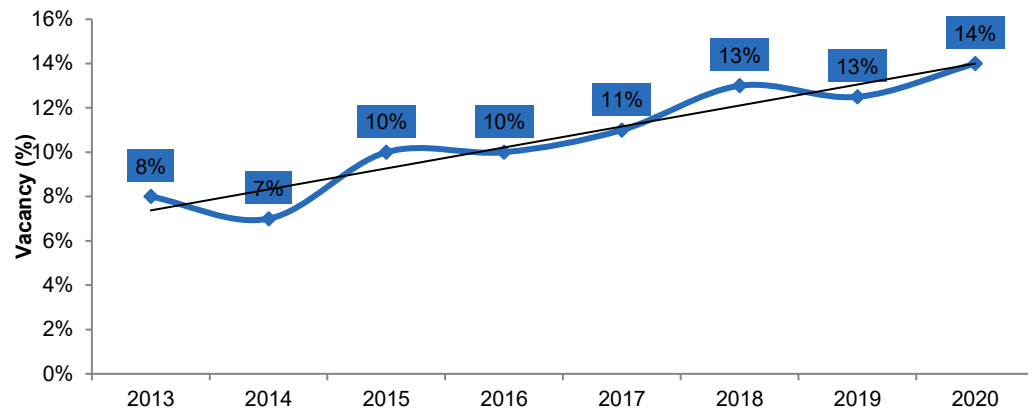


Source: Knight Frank

Super regional and regional malls vacancy

- ♦ From 2013 to 2020, market-wide vacancy levels for super-regional and regional malls witnessed an increase from 8% to 14%.
- ♦ 2018 witnessed the addition of a few retail developments, namely Canana Mall, Rovana Plaza Al Marwah Plaza and Red Sea Mall extension, which marked a turning point as vacancy rates edged up higher to 13%.
- ♦ Between 2013 and 2020, the average vacancy rate across Jeddah super-regional and regional malls stood at 11%.
- ♦ Taking into account the supply pipeline coupled with a slowdown in economic conditions, vacancy rates are expected to increase marginally over the short-term. However, this can be mitigated in the event of developing a well-designed lifestyle retail development.

Jeddah super regional & regional mall vacancy rates



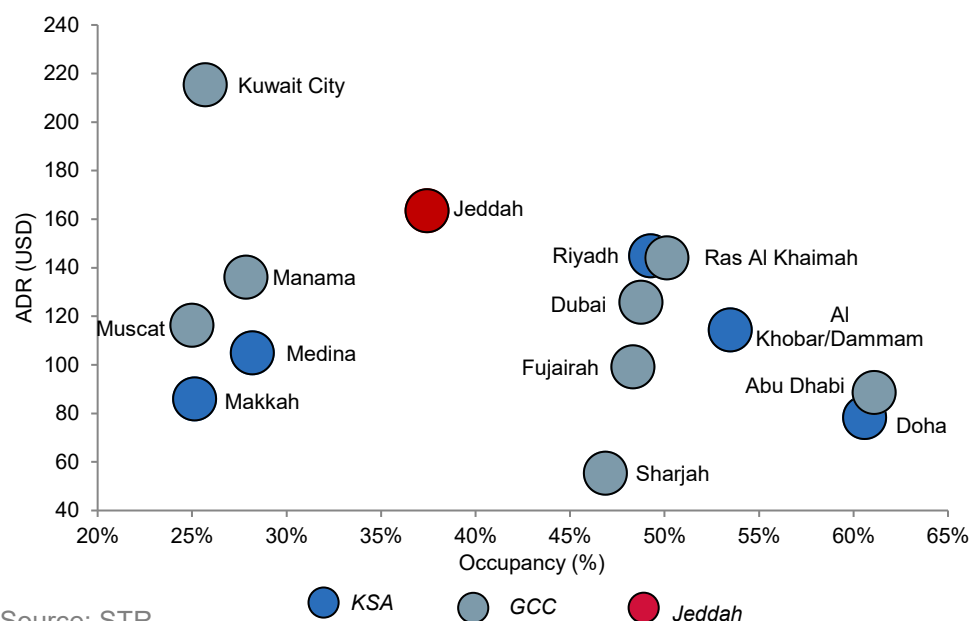
Source: Knight Frank

Jeddah Hospitality Overview

Jeddah Hotel Performance

- The exhibit below depicts the hotel market performance of major cities in the Middle East, in relation to Jeddah as per STR Global data 2020.
- On a regional basis, every major cities experienced RevPAR declines in 2020 compared to the previous year as a result of COVID-19. The most significant declines were felt in Makkah followed by Muscat, Medina, Jeddah and Manama.

Exhibit 11: Regional Performance of the GCC Hotel Market 2020



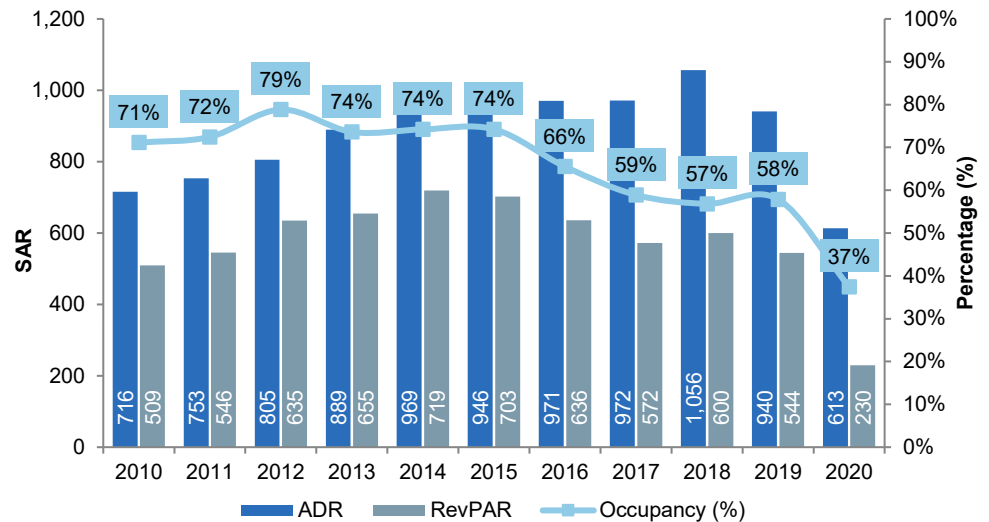
- In 2020, Jeddah recorded a decrease in occupancy by 20 percentage point to 37 percent with ADRs decreasing by nearly 35 percent from USD 251 (SAR 940) to USD 163 (SAR 613) resulting in a RevPAR decline of 58 percent from USD 144 (SAR 541) to USD 61 (SAR 230). Nevertheless, Jeddah remains one of the best performing market in terms of RevPAR compared to other key cities observed across the GCC.
- Despite the fact that RevPAR faced downward pressure stemming from weaker oil prices coupled with the outbreak of COVID-19, we expect the hospitality sector to recover over the medium term as Jeddah remains a focal point for tourism and business growth, supported by governmental infrastructure and tourism investments in line with Vision 2030.

Historic Market Performance 3.3

- Between 2010 and 2019, occupancy declined 13 percentage points, while ADR grew by a compounded annual growth rate of 3.1 percent from SAR 716 to SAR 940. As a result, RevPAR increased by a compounded annual growth rate of 0.7 percent from SAR 509 to SAR 544.
- Subsequent to the financial crisis (2008/2009), the hospitality market in Jeddah showed signs of recovery until 2014. However, post 2014, the market softened as a result of a rise in regional conflicts and a decline in oil prices, which led governments to cut back on spending. This was further exacerbated from the supply that was introduced to the market in 2015 (in particular its impact on occupancy).
- Much of the decrease in performance is attributable to the state of the wider global economy rather than specific factors. However, hotels in Jeddah have historically relied on business from the King and Crown Prince's Affairs and in

recent years, these lucrative groups have tightened expenditures (in particular the Crown Prince's Affair), which has likely exacerbated rate performance.

Exhibit 12: Historical Performance of Jeddah's Hotel Market



Source: STR

Seasonality

3.4

- Given the impact of COVID-19 on hotel's trading performance in 2020, we have analysed seasonality demand in 2019.
- The exhibits depict the monthly deviation from the key performance indicators annual average for the hospitality market in Jeddah.
- In 2019, seasonality in Jeddah differed from the typical seasonality pattern recorded across other GCC cities. The high season in Jeddah is considered to be during the summer period. This is primarily attributed to the demand generated by the King and Crown Prince's Affair, which will often travel to Jeddah during the Ramadan and Hajj periods.
- Occupancy and ADRs are volatile throughout the year, with occupancy characterized by seasonality highs from May to September and lows from October to April. The lowest occupancy level in 2019 was observed in February, while the highest occupancy was noted in July.
- Rate follows a similar pattern to that of occupancy with highs from May to September. However, the low season is considered to be from November and March, while the month of April and October are shown as the shoulder months.
- In general, citywide ADRs are more volatile than occupancy levels, with higher peaks and lower troughs. Hotel operators capitalise on high rates and occupancy during the summer months as a result of the King and Crown Prince's Affairs.
- Seasonality is extremely pronounced when analyzing RevPAR, which recorded peaks between May and September and lows from November to March. July

noted the highest RevPAR in 2019, while November recorded the lowest RevPAR. April and October are considered to the shoulder months.

Exhibit 13: Occupancy Variation from the Mean Jeddah 2019

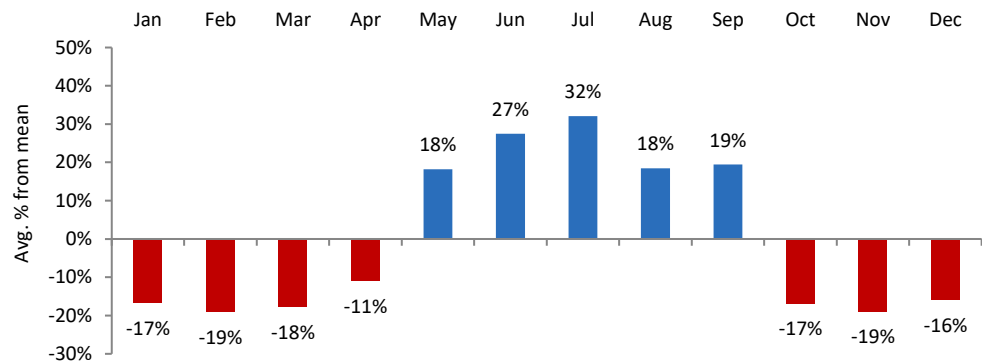


Exhibit 14: ADR Variation from the Mean Jeddah 2019

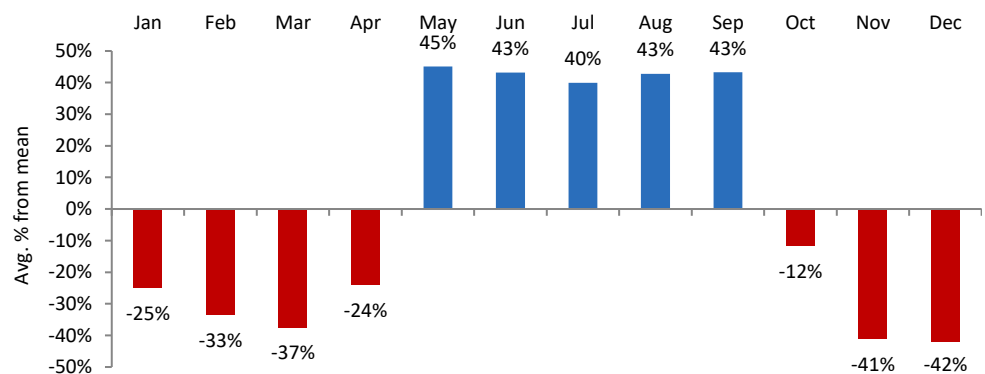
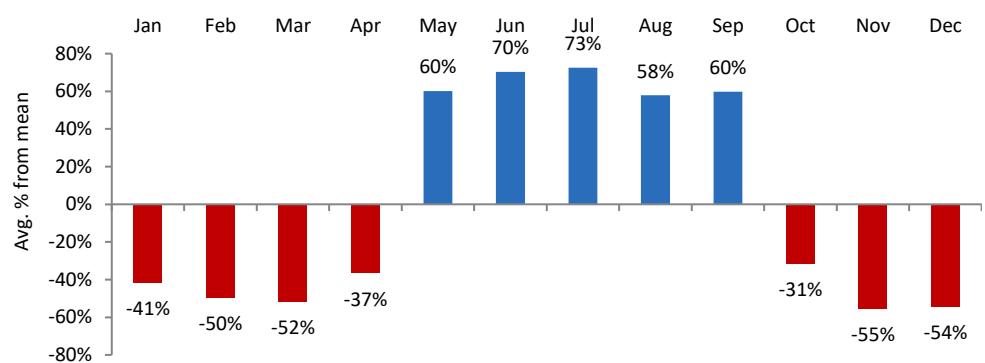


Exhibit 15: RevPAR Variation from the Mean Jeddah 2019



Source: STR

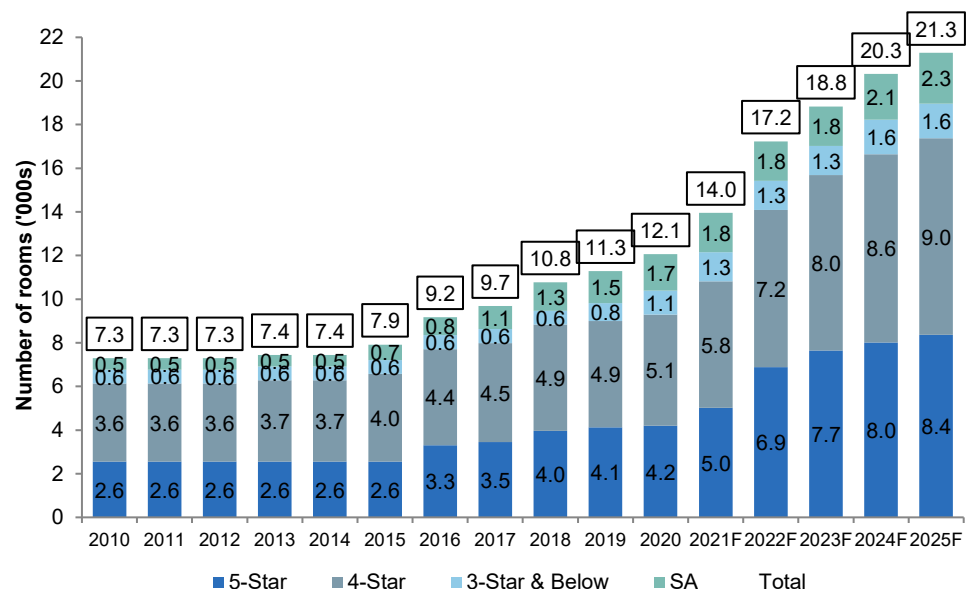
Supply evolution

3.5

- At the end of 2020, the total quality room supply in Jeddah stood at 12,058 keys, of which 58 percent (7,004 keys) of the total quality key count comprised internationally branded rooms.

- The quality hotel market in Jeddah recorded an annual growth rate of 5.1 percent over the last 11 years (2010 to 2020) and 8.8 percent over the last 5 years (2016-2020) indicating continued growth despite an economic slowdown. Between 2010 and 2020, the serviced apartment segment recorded the highest annual growth rate of 12.2 percent; however, it is important to note that the segment started with a small base of 526 rooms in 2010. The 3-Star & below segment recorded the second highest annual growth rate of 5.7 percent, while the 5-Star and 4-Star segments recorded annual growth rates of 5.1 percent and 3.6 percent respectively.
- Given the supply pipeline until the end of 2025, the market is expected to expand at a faster pace compared to historical figures with a compounded annual growth rate of 12.0 percent (2021-2025). The quality room supply is estimated to increase by nearly double (10,605 quality rooms); however, it should be noted that the annual historical materialisation rate stood between 40 and 60 percent and therefore a number of these projects would likely be delayed resulting in growth rates contracting.
- The majority of the segments are estimated to record a faster growth rate between 2021 and 2025 compared to growth rates noted between 2010 and 2020. The 5-Star and 4-Star segments are anticipated to grow at an annual compound rate of 14.8 percent and 12.1 percent respectively. The serviced apartment segment is the only segment that is anticipated to registered a slower growth rate at 7.0 percent in the next five years.

Exhibit 16: Jeddah evolution of room supply



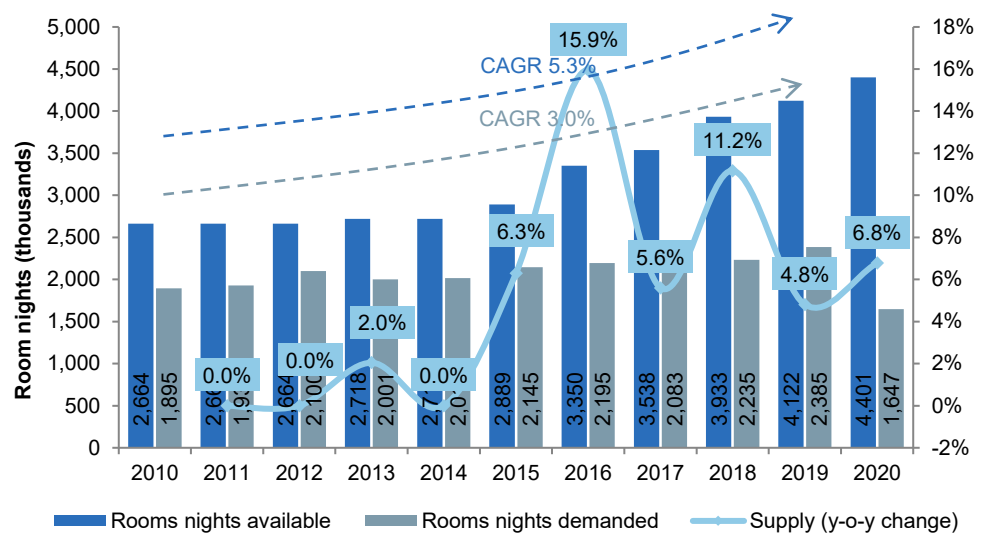
Source: STR

Demand Supply

& 3.6 The following exhibit showcases the evolution of supply and demand dynamics between 2015 and 2019 in Jeddah.

- In the first half of the 10 year period – there was a limited supply of rooms introduced the market, with 2011, 2012 and 2014 noting no increase in supply. However in the second half of the period observed, every year noted an increase in supply, with 2016 noting the highest supply increase.
- Supply and demand dynamics remained challenged between 2010 and 2019 given that supply outpaced demand, representing a compounded annual growth rate of 5.3 percent and 3.0 percent, respectively.
- In the short-term, performance is likely to be muted on the back of the outbreak of COVID-19 as well as the anticipated supply pipeline (albeit some properties will likely be delayed) coupled with tightening expenditure plans being implemented by the Crown Prince's Affair.

Exhibit 17: Jeddah quality hotel market supply Vs. demand dynamics



Source: STR

Jeddah Future Outlook

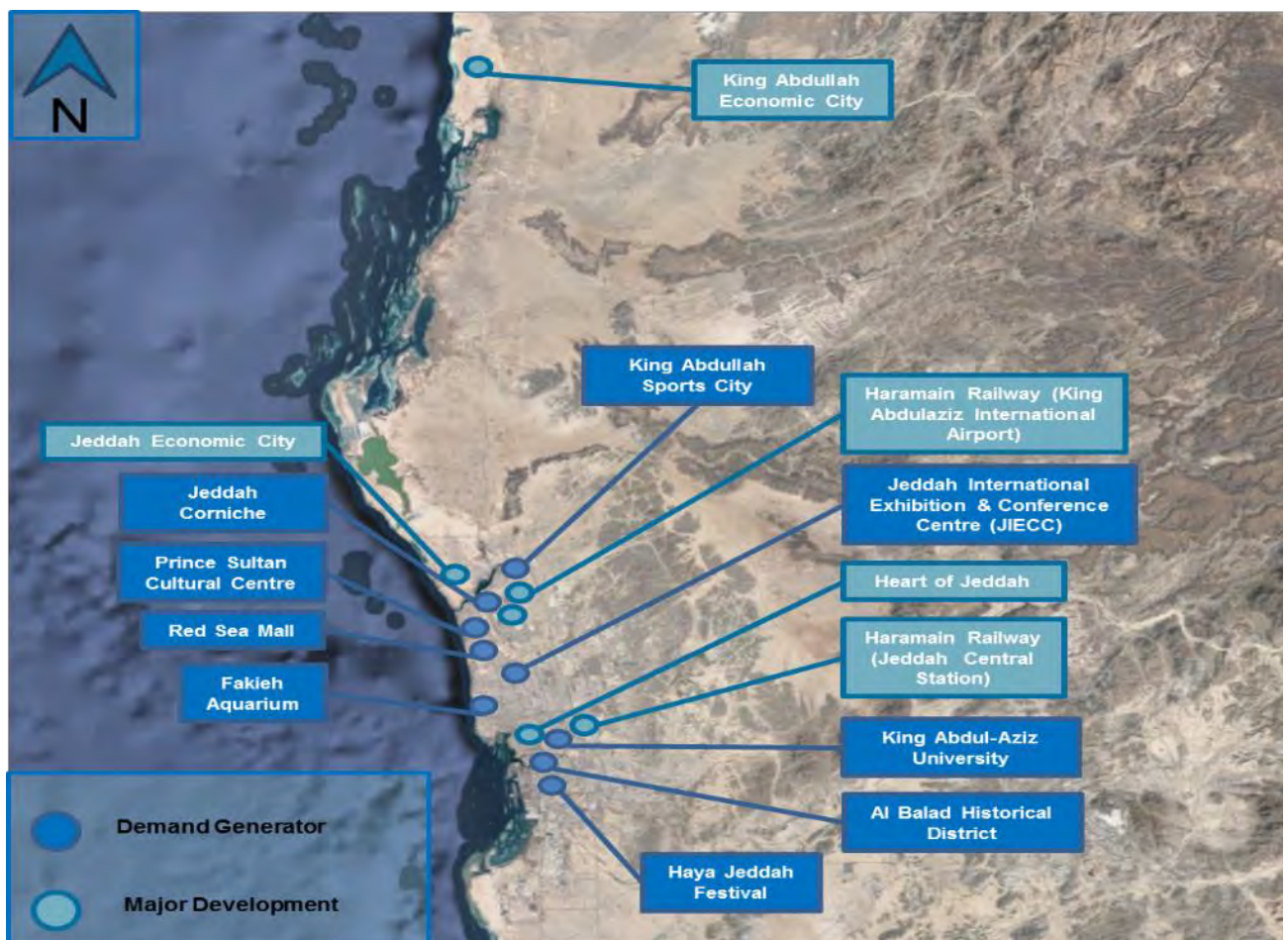
3.7 There are several key tourism related projects that have recently been completed, these include:

- Jeddah Season
- King Abdullah Sports City
- Prince Sultan Cultural Centre
- King Abdul-Aziz University
- Al Balad Historical District

- Jeddah Waterfront
- Jeddah International Exhibition & Conference Centre (JIECC)
- King Abdulaziz International Airport (new terminal)

3.8 In addition, there are number of projects under construction, these include:

- Haramain Railway
- Jeddah Economic City
- Heart of Jeddah
- King Abdullah Economic City



Jeddah – Existing Demand Generators

Red Sea Mall



- It covers approximately 242,200 square meters of built area with the "Elaf Jeddah" hotel attached to the mall.
- The mall has the "biggest indoor water fountain" and the largest glass covered area in Saudi Arabia.

King Abdullah Sports City



- The stadium lies approximately 15 kilometres inland from the Corniche, 20 kilometres from the Red Sea Mall, 35 kilometres from the King Fahd Fountain, and 40 kilometres from Al-Balad old town.
- In addition to the main 60,000-seat soccer stadium, the complex includes a 10,000-seat multi-sports hall, an outdoor 1,000-seat athletic stadium, additional indoor training fields, and parking for 45,000 vehicles

King Abdul-Aziz University



- King AbdulAziz University includes two separate campuses (one for females and one for males) as per the requirements of the Islamic Shar'ia Law.
- Each of the campuses is equipped with academic, cultural, sports and recreational facilities, as well as a large library, which is supplied with the most advanced technologies to serve students and the teaching staff.

Al Balad Historical District



- Al Balad was founded in the 7th century and historically served as the center of Jeddah.
- Al Balad was nominated by Saudi Commission for Tourism and Antiquities to be listed in UNESCO's World Heritage site, which was accepted in 2014.

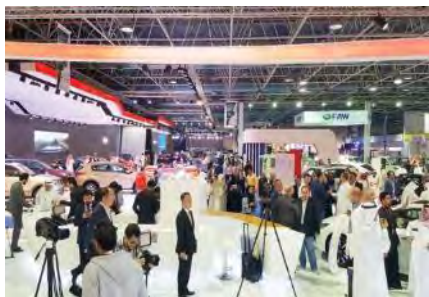
Jeddah Corniche



- The corniche features a coastal road, recreation area, pavilions and large-scale civic sculptures - as well as King Fahd's Fountain, the highest fountain in the world.

The established area is well equipped, with many facilities including restaurants, retail outlets, hotels, aquarium, cultural center, water dancing fountain, blossoming gardens and fountains.

Jeddah International Exhibition & Conference Centre (JIECC)



- Jeddah International Exhibition and Convention Center (also known as Jeddah Center for Forums & Events) is a multi-purpose venue, located in one of the leading commercial hubs of Saudi Arabia.
- The venue covers 40,000 square metres and provides 10,000 square metres of indoor event area, a large exhibition hall, a business centre and dining options.

Haya Jeddah Festival



- Haya Jeddah, considered the largest shopping festival in Saudi Arabia, promotes the city's position as a welcoming and accessible family destination.

Fakieh Aquarium



- The only aquarium for the public in Saudi Arabia and offers education and entertainment by presenting the wonders of the underwater environment of the Red Sea and marvels brought from other seas and oceans around the world.
- With more than 200 species including Sharks, Groupers, Sting-Rays, Napoleon Wrasse, Sea Horses and Moray Eels amongst others, the Fakieh Aquarium aims to continue expanding the aquarium, offering a unique dolphin swimming experience, which was started in 2019.

Haramain High Speed Railway



- The 450km high speed rail link connects the cities of Makkah, Jeddah and Madinah.
- The project has been running tests since Q3 2016 and opened to the public officially in October 2018.
- The line is projected to carry around 165,000 passengers per day at full operational capacity.

Jeddah– Upcoming Major Developments

Prince Sultan Cultural Centre



- The Cultural Centre will be the focal point of the Cultural City, providing a range of cultural and artistic activities and programmes.
- The Centre will be designed to include a 2,000 seat Auditorium for performing arts, conventions, exhibitions, interactive experiences and gallery space.

Jeddah Economic City



- Jeddah Economic City, previously known as Kingdom City, is a 5,202,570 square metre (56,000,000 square feet) (2 square mile) project approved for construction in Jeddah, Saudi Arabia.
- The centerpiece of the development will be Jeddah Tower, planned to be the tallest building in the world upon its completion. Jeddah Economic City is a three-phase project. We understand that Jeddah Tower is included in phase 1 of construction.

Heart of Jeddah



- Heart of Jeddah is a new community in central Jeddah, Saudi Arabia. The site is a redevelopment of an abandoned air field and is surrounded by newly developed residential communities and retail establishments. Immediately adjacent to the site is King Abdelaziz University.
- Derived from the historical development patterns of Jeddah, the Souk features a number of small, low-rise mixed-use buildings.





King Abdullah Economic City



- King Abdullah Economic City (KAEC) has defined its credentials in the past few years as a major social and economic growth driver in the Kingdom.
- The Economic City, the 168 million square metres development on the Red Sea coast, energises the economy through diverse components including a port, industrial zone, and residential projects.
- KAEC will have a station on the Haramain high-speed railway connecting Makkah and Medina.

Investment Overview – Retail

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

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

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

Yield conclusions

- 3.10 The subject asset(s) i.e. mall and hotel in our opinion attract different risk profiles, with the hotel having no contracted income and being subject to performance of the operator. The mall itself has certain long term incomes and many various different shorter terms incomes.
- 3.11 We consider that for the mall, the asset is a large lot size, with a relatively limited number of potential purchasers. The key positive factors associated with the asset include high occupancy, well established mall with excellent parking, a tenant mix that is very in line with the surrounding catchment income profile and a strong anchor supermarket in the form of Hyper Panda. It has a good mix of mini anchors and smaller line shops and some franchisees that underwrite large portions of the income.
- 3.12 We conclude that a terminal cap rate of 8.50 to 9.0% would be reasonable for the subject mall given its size, age and income profile.
- 3.13 We conclude that the hotel, being newly developed will take time to stabilise, but with an international brand in this location should perform well and derive synergies from the connectivity to the mall.

SWOT Analysis - Mall

Strengths	Weaknesses
<ul style="list-style-type: none"> Well established mall with a very high occupancy (97%) Good long income in the form of the anchor Hyper Panda and cinema Some other good long term anchors such as CityMax, Home Box, CentrePoint Excellent parking facilities sets it apart from other malls Food Court has recently been overhauled and renovated to improve performance The tone of the mall, being mid income brands suits the tone of the catchment Kids Fun Zone acts as demand driver to bring families in 	<ul style="list-style-type: none"> Lot size is large – relatively small market of purchasers able to afford this price point Salaam Mall opposite, within 500m – so competition Older property, will start to require increasing OpEx and cap ex going forward in order to maintain market share and rental levels
Opportunities	Threats

<ul style="list-style-type: none"> • New gates in the rear elevation of mall to increase foot fall to certain areas • Development of hospital adjacent should help footfall to the mall and visitation to the hotel apartments • The eastern expansion will increase the F&B offering at the property. 	<ul style="list-style-type: none"> • New supply of malls generally across Jeddah • Market sentiment falling further
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3.14 Investors would typically formulate their bids for this type of asset on an initial yield approach from our experience of advising on the buy side of and also taking to market a number of commercial investments across the Kingdom of Saudi Arabia in the last 18-24 months.

3.15 In formulating our capitalisation rate / yield we have had regard to the points in the SWOT analysis above but also to the following:

- The mall is 97% let.
- Strong anchor tenants on long term leases.
- The amenities provided are good, with a nice mix of leisure, F&B and entertainment.
- The parking facilities are market leading.
- The major anchor is strong and well suited to the catchment in terms of spend levels.

The medium term outlook is positive, and although short term retailers are under pressure and there is a lot of supply in the form of super-regional malls coming to the market in Jeddah, most of these are located to the north, around or north of, the airport.

Investment Overview – Hospitality

GCC Hospitality Investment Market Overview 3.16 In benchmarking our hotel yield / terminal yield, we have had regard to the following anecdotal sales transactions in the MENA region, which have occurred over previous years, providing good indicators of where the market lies.

Exhibit 18: list of transactions that have been carried out in MENA

Location	Country of Origin	Transaction Date	Star Rating	Sales Price (USD) (Rounded)	Keys	Value per Key (USD)
Ritz Carlton DIFC	UAE	2011	5 Star	300,000,000	300	600,000
Ocean View Residence	UAE	2011	4 Star	98,000,000	342	354,223
Marina View Hotel	UAE	2013	4 Star	60,000,000	224	272,480
Business Bay Hotel	UAE	2014	5 Star	79,000,000	296	266,892
Moevenpick Bur Dubai	UAE	2014	5 Star	95,000,000	312	299,728
Yasat Gloria	UAE	2014	4 Star – Serviced Apartment	259,000,000	1,019	245,232
Moevenpick JBR	UAE	2014	5 Star	130,000,000	294	435,967
Business Bay Hotel	UAE	2015	4 Star	140,000,000	367	381,471
Kenzi Hotel	KSA	2015	5 Star	400,000,000	759	527,009
Bahrain Tourism Co.	Bahrain	2015	-	92,000,000	246	373,984
Bakkah ARAC Hotel	KSA	-	4 Star	88,000,000	426	206,573
Moevenpick City Star Jeddah Hotel	KSA	2016	4 Star	69,000,000	228	302,632
Al Falaj Hotel	Oman	2016	4 Star	36,000,000	150	240,000
Warwick Hotel	UAE	2017	4 Star	136,000,000	357	381,624
Emaar Portfolio	UAE	2018	5/4 Star portfolio	600,000,000	993	604,230.
Shangri La	UAE	2019	5 Star	700,200,000	428	445,771*
Address Sky View	UAE	2020	5 Star	204,400,000	169	1,209,229
Westin Abu Dhabi Golf Resort & Spa	UAE	2020	5 Star	49,000,000	172	285,153

Source: Knight Frank

*Note that there was an office component also located within the property which we understand was part of the sale so the actual rate per key would be lower than has been stated above.

Hotel Discount Rate / Exit Yield 3.40 The fact that there is typically no confirmed / contracted income to the owner, as the majority of hotels are run under management agreements rather than leases in KSA suggests that the yield sought by investors should be slightly higher than other real estate asset classes, with long term contracted income. Market sentiment in the area over recent years, coupled with the upcycle of tourism growth, particularly in the leisure sector, which is a key focus of Vision 2030 diversifying the economy away from oil revenue, has led to proactive discussions with potential investors, however, this is yet to come to fruition with an open market transaction.

We are not aware of any direct comparable sales transactions, however, we are aware of the Movenpick Jeddah Star transaction, positioned at an upscale 5-Star level, comprising 228 keys. We are unaware as to what level the transaction achieved as an initial yield against 1st year NOI, due to opaque data. However, we are aware the transaction achieved a value per key of circa USD 302,600. Although the transaction is not directly comparable, as the sale was carried out in 2016 and competes in a different category to the subject property. This allows us to understand buyer sentiment, in the current market. When taking this into consideration, we have assumed a higher capitalisation rate and a lower cost per key for the subject property, due to the location, quantum of keys offered and positioning.

3.41 Based on the above information and taking into consideration the outlook for the specific hospitality sector in Jeddah as well as the current impact of the recent outbreak of Covid-19, we would expect an internationally branded serviced apartment, operating in its ramp up phase, at the date of valuation, to reflect an exit yield of circa 9.25 percent for an investor, looking to purchase on the open market, equating to approximately USD 247,000 per key.

SWOT Analysis - Hotel

Strengths	Weaknesses
<ul style="list-style-type: none"> • Located within the Al Woroud district – prime location on the cross roads of Prince Majid Road and King Abdullah Road. • Immediately adjacent to Al Andalus Mall, a prestigious mall in Jeddah. • Large room sizes, which are well maintained to a high specification; • Diversity of room inventory providing guests with more choice. • Variety of meeting space capitalising on exposure towards MICE segmentation 	<ul style="list-style-type: none"> • Traffic congestion area • Poor vehicular accessibility • Limited F&B facilities • Trajectory of growth in the city of Jeddah is shifting north, with developments such as Jeddah Economic City (JEC) and the development surrounding the Jeddah Creek.
Opportunities	Threats
<ul style="list-style-type: none"> • Large masterplan development in place where Al Andalus Mall and Staybridge Suites are one of the first phases of development to be constructed – potential to leverage on corporate guest and VFR market share from proposed hospital currently under construction. • Lack of internationally branded serviced apartments in the Jeddah market. 	<ul style="list-style-type: none"> • Future supply pipeline will heavily influence the market share of the serviced apartments. • Several vacant land plots which may be developed into competing properties.

4 Valuation

Methodology

	4.1	Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.
Investment method – Al Andalus Mall	4.2	Our valuation has been carried out using the comparative and investment methods. In undertaking our valuation of the mall property, we have made our assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, terms, covenant and other material factors.
Investment method – Al Andalus Mall	4.3	We have undertaken the valuation of the mall via a discounted cash flow approach, whereby we can reflect current and potential future revenues and costs explicitly. We have applied rental growth, occupancy percentages, and operating expenses in our cash flow based on our discussions with the client. Cap Ex items have also been reflected based on their probably timing as we deem reasonable.
Profits Method (DCF) – Hotel Suites	4.4	<p>We value operational property assets by reference to the earnings potential, as this is the basis on which such properties are commonly bought or sold.</p> <p>The income capitalisation approach is based on the principle that the value is indicated by its net return, or present worth of future benefits, i.e. the future forecast income and expenditure along with the proceeds from a future sale. These benefits are converted into an indication of market value through capitalisation and DCF process.</p> <p>Of the three valuation approaches available to a valuer, the income capitalisation approach provides the most persuasive and supportable conclusions when valuing a hotel facility. Using a 10 year forecast and an exit yield most accurately reflects the real actions of hotel buyers, who buy based on their leveraged discounted cash flow.</p>

Valuation assumptions – Retail Mall and Land

	4.5	We have valued the shopping mall having regard to current and potential future income, on a 10 year DCF basis. Given that the leases are for very different terms, there is some income that is contracted well into the future and secure, and there are also a number of leases which are short and therefore less secure (terms of 1 year being common for certain units). Where income is contracted for the next few years, we have reflected that contracted income in our cash flow along with fixed rental increases. Upon lease expiry we have assumed they revert to Market Rent.
Inflation	4.6	We have adopted a rental growth and expense inflation rate of 2% in our cash flow, in line with the long term standing average for the Kingdom.

Occupancy

- 4.7 The current mall occupancy is 97%, this is superior to the other malls in the competitive set as detailed in the report. Having regard to future supply and the age of the mall, we have assumed a structural occupancy level of 95% (stabilised).
- 4.8 Based on recent lettings and our analysis from benchmarking other malls, we have derived the following gross Estimated Rental Value for Al Andalus Mall components as follows:

Item	Ground Floor (ERV SAR psm)	First Floor (ERV SAR psm / unit)
0 to 49	3,125	2,875
50 to 100	2,525	2,375
101 to 150	2,350	2,050
151 to 250	2,125	1,900
251 to 500	2,000	1,450
501+	1,000	550
Food court		2,500
GF Kiosk	-	171,100
FF Kiosk	-	111,600
Cinema	-	1,100
ATM	-	99,100
Other	-	575
Supermarket	-	550
Warehouse	-	650

- 4.9 The above are adopted market rents having regard to the recent deals achieved in the mall and having regard to the current market sentiment.

Operating Expenses

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

Item	Unit	Assumption
Passing Rent	SAR per annum	131,249,837

Operating Costs	SAR per annum	25,690,796
Sinking Fund	% of Total Revenue	1%
Bad Debts	% of Total Revenue	1.25%
Stabilised Occupancy	%	95%
Exit Yield	%	8.75%
Growth	%	2%
Discount Rate	%	10.75%
Market Value	SAR	1,191,840,000

Andalus Mall Expansion Land

4.11 When coming to our opinion of value for the expansion land we have considered both transactions and asking prices for land in close proximity to the property.

4.12 In the table below and corresponding map, we show our comparable evidence:

Comp no.	Location	Price (SAR)	Size (sq m)	Price per sq m (SAR)	Status	Year
1	Abdullah Suliman Street, Al Fayha district	47,215,000	9,443	5,000	Listing	2021
2	Ahmed Mohammed Ali Street, Al Fayha district	12,410,000	4,964	2,500	Listing	2021
3	King Abdullah Road, Al Fayha district	47,000,000	9,400	5,000	Listing	2021
4	King Khalid Road, Al Fayha district	3,152,800	1,126	2,800	Listing	2021

Source: Knight Frank Research



Source: Google Earth

4.13 As shown in the table of comparables above, land owners are currently seeking between SAR 2,500 per sq m to SAR 5,000 per sq m for land located in close proximity to the property. Land pricing in the local vicinity varies upon location, planning, accessibility, size and aspect.

In determining our opinion of value we have placed most reliance on comparable one, since it is the most comparable in terms of size and location. Comparable one is currently listed for sale for SAR 47,215,000 and extends to 9,443 sqm, reflecting a rate of SAR 5,000 per sq m. Since this rate reflects a quoting price, an element of negotiation would need to be factored into our valuation. In terms of location, we consider that the property would command a premium due to its frontage on along Prince Majid Road, which is one of the most highly commuted and vibrant roads in Jeddah. We have therefore applied an upward adjustment to reflect this in our valuation. Since the size of comparable one and the property are similar, no adjustments were made.

Based on the aforementioned adjustments, we consider that the property would command a capital value of SAR 5,125 per sq m.

We provide a summary of our valuation below:

Description	Unit	Item
Adopted sales rate	SAR per sq m	5,125

Site area	Sq m	9,669
Capital Value	SAR	49,553,215
Market Value (rounded)	SAR	49,550,000

Valuation assumptions – Hotel

Assumptions 4.14 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Terms of Engagement Letter and within this report.

Key Assumptions 4.15 Our projections are prepared in accordance with the Uniform System of Accounts for the Lodging Industry (USALI) as used by the hotel and leisure industry worldwide.

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

- The valuation is based on the EBITDA of the serviced apartment, with an allowance for the terms and fees included in the hotel management agreement.
- The valuation given includes furniture, fittings, equipment and operational supplies that are necessary for the hotel as a going concern.
- We were not provided with the classification certificate for the operating hotel and therefore we have assumed that the hotel would continue to acquire an operating classification certificate as a 5-Star hotel.
- Unless otherwise stated, ADR (Average Daily Rate) in our calculations is inclusive of service charges, but exclusive of tax and municipality fees.
- Our cash flow is prepared on the basis of a calendar year. Year 1 of the cash flow starts from the date of valuation.
- The client has terminated the hotel management agreement with Holiday Inns Middle East under the Staybridge Suites brand and as per the client, is in an advanced discussion with another reputable international operator. Therefore, we have assumed that the operator / brand appointed would be similar to that of Staybridge Suites. We have assumed that this new operator would continue to manage the subject property effectively and efficiently under a 5-Star deluxe serviced apartment positioning.
- We were not provided with the revised commercial terms under the new management agreement and therefore have had to rely on industry standard fee structures that are typically offered by hotel operators for the Jeddah market. These terms are assumed to prevail over a 15-year term and come into effect by the end of 2021.
- During the transition of operators, we have assumed that the property will continue to remain open for business and be owner operated. Furthermore, our projections take into account that the new operator would be appointed and running the operations of the hotel by the end of 2021. A delay in appointing the new operator would impact the projections.

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

Valuation bases

- Market Value** 4.16 Market Value is defined within RICS Valuation – Professional Standards as:
- “The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”
- Market Rent** 4.17 The basis of valuation for our opinion of rental value is Market Rent. This is defined in RICS Valuation – Professional Standards as:
- “The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Valuation date

- Valuation date** 4.18 The valuation date is 30 June 2021

Market Value

- Assumptions** 4.19 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Terms of Engagement Letter and within this report.
- Key assumptions** 4.20 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to the following assumptions which are particularly important / relevant:
- Knight Frank have not measured the property and have relied upon the client provided areas for all elements

**Market Value
(Aggregate)**

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

SAR 1,389,590,000

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

4.22 The split between the two main components is as follows:

Market Value (Al Andalus Mall and Expansion Land)

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

SAR 1,241,390,000

(One Billion, Two Hundred and Forty One Million, Three Hundred and Ninety Thousand Saudi Arabian Riyals)

**Market Value
(Hotel)**

4.24 We are of the opinion that the Market Value of the freehold interest in the Hotel Suites, subject to the existing management agreement and assumptions within this report, as at the valuation date is:

SAR 148,200,000

(One Hundred and Forty Eight Million and Two Hundred Thousand Saudi Arabian Riyals)

4.25 Our opinion of Market Value (Hotel) above equates to a capital value of approximately USD 241,000 per key.

5 Risk analysis

General comments

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

Risks relating to the property

- Location** 5.2 This location is very central and is at the intersection of two major highways, by a large interchange, therefore is very accessible from all directions generally. The only downside is the fact that there is another super regional mall located across the interchange from this one – Al Salaam Mall.
- The property is located within an area which we expect to be subject to further growth and development in the short to medium term, as there is substantial vacant land around both this and Salaam Mall, some of which is already master planned for residential development, and long terms this will enhance the immediate catchment and potential customers for the mall.
- Condition** 5.3 The mall is relatively dated and older than many of its competition. Although it is well maintained, there does need to be an effective planned preventative maintenance programme in place in order to uphold the value of the asset over the long term. The mall is at the stage where certain items such as A/C plant need to be gradually replaced on phased basis, and whilst this would be the case for any mall, the age of the subject means that these expenses are arriving more quickly than a newer property.

Income risks

- Leases** 5.4 The major anchor Hyper Panda has a lease that has 7 years unexpired, and some of the mini anchors are on 5-8 year leases, however the majority of the leases in the mall range in length from 1 to 3 years, therefore the income is relatively short. As new supply enters the market, there is a risk that if the mall is not well maintained and managed to the standard required by tenants, they may see better opportunities in newer facilities going forward, which could impact occupancy.
- Hotel** 5.5 Income from a hotel is not contracted and is performance based, with revenues being generated based on operator performance and how well the operator manages the asset. Therefore the revenue could be relatively volatile based on the market conditions, with new supply entering the market, and will take some time to reach stabilisation, usually between 3-4 years for a property of this type and positioning.

Economic & property market risks

Demand from occupiers	5.6	Based on the fact that the mall is at 97% occupancy and this is better than its peers, this suggests there is still a good level of demand from the type of tenant that would be attracted to this mall and it's positioning in the retail market.
Supply of similar properties	5.7	One of the key malls to note is Al Salam Mall, located opposite the property. Like the property this is a super regional mall, but is it slightly larger as it extends to 121,113 sq m. The risk of tenants moving to Salam Mall may be a possibility, however it is worth mentioning that Salam Mall has occupancy above 93% therefore the space available would be limited. Nonetheless the property was built in 2007 and has shown strong performance in terms of retaining tenants, rental growth and has high occupancy.
Investor	5.8	Malls in the GCC are generally owned by the large family groups, e.g. Al Hokair, Majid Al Futtaim, Al Futtaim Group etc. Investors often have difficulty obtaining good exposure to the retail sector due to the barriers to entry – for example, Emaar Malls IPO gave investors this opportunity, but if malls are held in private company, this does not allow investors much exposure. We consider there is suitable appetite and strong investor demand for a well-managed, well-let mall in a good location in a major city given the demographics and young population.
Liquidity of the property type / Time to sell	5.9	The lot size of the subject is considerable. This means that there are only a limited number of investors that would be able to / have the capacity to acquire such as asset. Many funds would find that its size would not fit in with portfolio weightings and asset allocations, therefore the potential buyers would tend to be sovereign or government related entities, other REITS which means the number of potential purchasers could be slightly limited.

6 Signature

Reviewed (but not undertaken by):



Faissal Habassi, MRICS

Taqeem Fellow Member

Taqeem No. 1220001311

**Associate Partner - Valuation & Advisory
KSA**

For and on behalf of

**Knight Frank Spain Saudi Arabia Real
Estate Valuations Company**



Stephen Flanagan, MRICS

Taqeem Fellow Member

Taqeem No. 1220001318

**Partner, Head of Valuation & Advisory,
MENA**

For and on behalf of Knight Frank

**Spain Saudi Arabia Real Estate
Valuations Company**



Appendix 1 - Instruction documentation



AlAhli REIT Fund (1)
Riyadh
Kingdom of Saudi Arabia

For the attention of Danial Mahfooz

Our Ref: NCB Capital

24 June 2021

Dear Sirs

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

Thank you for your enquiry of 24 June 2021 requesting a valuation report in respect of the properties detailed below (the "Properties"). We are writing to set out our agreed terms of engagement for carrying out this instruction which comprise this Terms of Engagement letter (this "Letter") together with our General Terms of Business for Valuation Services (the "General Terms"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed by us in writing. To the extent that there is any inconsistency between this Letter and the General Terms, this Letter shall take precedence.

1. Client

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

2. Properties to be valued

The Properties to be valued are as follows:

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

3. Valuation standards

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

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

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

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

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

5. Valuer and competence disclosure

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

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

6. Purpose of valuation

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

7. Limitation of liability and restrictions on use

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

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

Third party reliance

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

Disclosure

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

8. Basis of valuation

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

- Market Value



9. Special assumptions and assumptions

Special assumptions

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

- You have not requested any valuations on special assumptions.

Assumptions

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

10. Valuation date

The valuation dates are 30 June 2021 and 31 December 2021

11. Currency to be adopted

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

12. Extent of inspection and investigations

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

Inspection

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

13. Information to be relied upon

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

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

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

14. Report format

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

15. Fees and expenses

Payment details

Our fee for undertaking this instruction will be [REDACTED] for each re-valuation, and reasonable disbursements divided into two payment, set out below.

June 2021 revaluation:



Advance Payment	
Final payment	

December 2021 re-valuation:

Advance Payment	
Final payment	

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

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

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

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

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

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

16. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and/or refrain from discussing it with you until this Letter has been

Our Ref: NCB Capital

4



countersigned and returned. Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and/or the terms of the Agreement between us please let us know before signing this Letter or otherwise giving us instructions to proceed.

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

Our Ref: NCB Capital

5

Yours faithfully



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



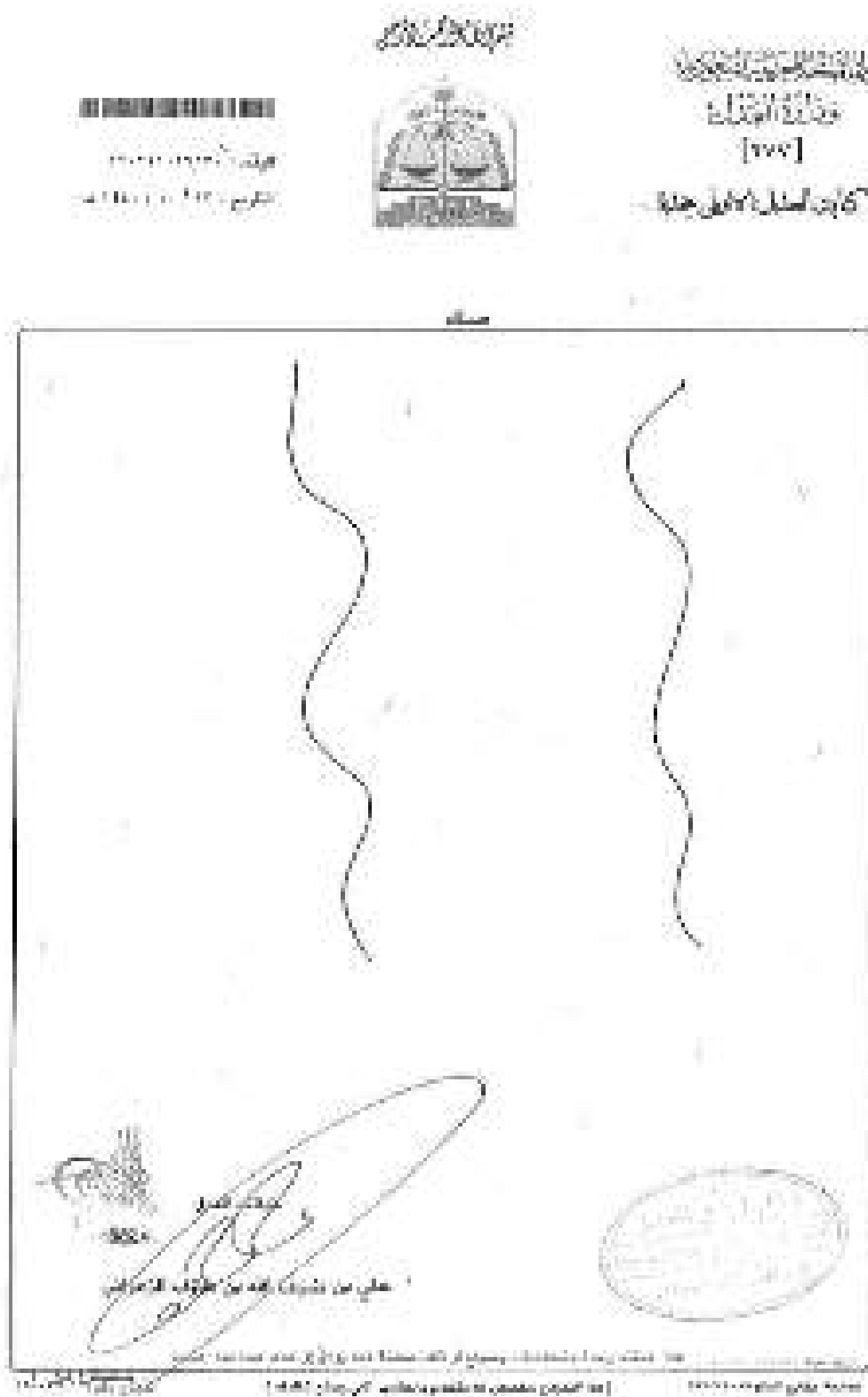
Attached - General Terms of Business for Valuation Services

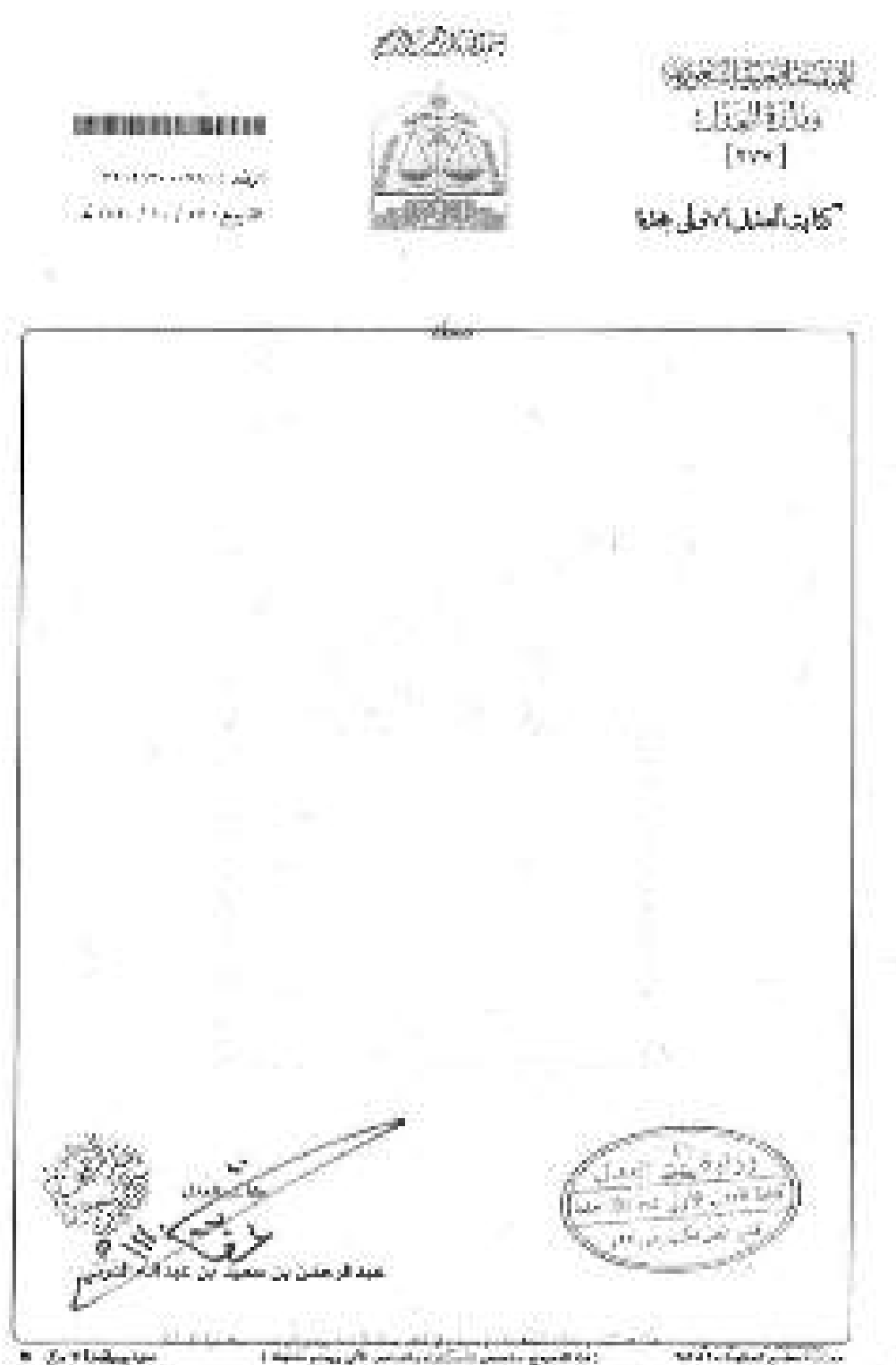


Signed for and on behalf of AlAhl REIT Fund (1)

Date

KF Ref: NCB Capital





Appendix 3 - Photographs







Appendix 4 - Floor plans



Appendix 6 - Profit & Loss - Hotel

Currency (SAR) '000	Forecast									
	Year 1 2021/2022	Year 2 2022/2023	Year 3 2023/2024	Year 4 2024/2025	Year 5 2025/2026	Year 6 2026/2027	Year 7 2027/2028	Year 8 2028/2029	Year 9 2029/2030	Year 10 2030/2031
Av. Room Occupancy	43%	62%	72%	72%	72%	72%	72%	72%	72%	72%
Av. Room Rate (SAR)	567	653	686	699	713	727	742	757	772	787
RevPAR	242	405	494	503	514	524	534	545	556	567
Operations Revenue										
Rooms Department	14,486	24,216	29,545	30,136	30,739	31,354	31,981	32,620	33,273	33,938
Food & Beverage Department	2,137	3,632	4,432	4,520	4,611	4,703	4,797	4,893	4,991	5,091
Other Operating Department	145	363	517	527	538	549	560	571	582	594
Miscellaneous Income	46	47	48	49	50	51	52	53	54	55
Total Sales / Operation Revenue ('000)	16,814	28,259	34,542	35,233	35,937	36,656	37,389	38,137	38,900	39,678
Total Departmental Expenses	4,550	6,327	7,144	7,287	7,433	7,582	7,733	7,888	8,046	8,207
Gross Operating Income ('000)	12,264	21,932	27,397	27,945	28,504	29,074	29,656	30,249	30,854	31,471
Total Undistributed Expenses ('000)	7,272	8,605	9,326	9,513	9,703	9,897	10,095	10,297	10,503	10,713
Gross Operating Profit ('000)	4,992	13,328	18,071	18,433	18,801	19,177	19,561	19,952	20,351	20,758
Management Fee	252	424	518	617	629	641	654	667	681	694
Adjusted Gross Operating Profit ('000)	4,739	12,904	17,553	17,816	18,172	18,536	18,906	19,285	19,670	20,064
Incentive Fee	332	903	1,229	1,247	1,272	1,297	1,323	1,350	1,377	1,404
Non-Operating Income and Expenses	84	141	173	176	180	183	187	191	194	198
Replacement Reserve	336	848	1,036	1,057	1,078	1,100	1,122	1,144	1,167	1,190
EBITDA - Net Cash Flow ('000)	3,987	11,011	15,115	15,336	15,642	15,955	16,274	16,600	16,932	17,270
% Profit Ratio	23.7%	39.0%	43.8%	43.5%	43.5%	43.5%	43.5%	43.5%	43.5%	43.5%

Appendix 7 - Andalus Mall Cashflow

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
For the Years Ending	Year 1 May-2022	Year 2 May-2023	Year 3 May-2024	Year 4 May-2025	Year 5 May-2026	Year 6 May-2027	Year 7 May-2028	Year 8 May-2029	Year 9 May-2030	Year 10 May-2031	Year 11 May-2032	Total
Rental Revenue	136,032,975	136,672,381	138,893,212	141,632,279	144,905,543	147,481,158	151,827,846	154,705,816	157,781,154	161,451,759	164,554,352	1,635,938,475
Headline Rent	136,032,975	136,672,381	138,893,212	141,632,279	144,905,543	147,481,158	151,827,846	154,705,816	157,781,154	161,451,759	164,554,352	1,635,938,475
Passing Rent	136,032,975	136,672,381	138,893,212	141,632,279	144,905,543	147,481,158	151,827,846	154,705,816	157,781,154	161,451,759	164,554,352	1,635,938,475
Total Rental Revenue	136,032,975	136,672,381	138,893,212	141,632,279	144,905,543	147,481,158	151,827,846	154,705,816	157,781,154	161,451,759	164,554,352	1,635,938,475
Total Tenant Revenue	136,032,975	136,672,381	138,893,212	141,632,279	144,905,543	147,481,158	151,827,846	154,705,816	157,781,154	161,451,759	164,554,352	1,635,938,475
Potential Gross Revenue	136,032,975	136,672,381	138,893,212	141,632,279	144,905,543	147,481,158	151,827,846	154,705,816	157,781,154	161,451,759	164,554,352	1,635,938,475
Effective Gross Revenue	136,032,975	136,672,381	138,893,212	141,632,279	144,905,543	147,481,158	151,827,846	154,705,816	157,781,154	161,451,759	164,554,352	1,635,938,475
Revenue Costs												
Sinking Fund	1,251,822	1,365,837	1,387,039	1,415,128	1,447,099	1,473,224	1,515,392	1,545,257	1,575,369	1,612,561	1,643,548	16,232,277
Running Void	5,361,656	5,052,154	5,691,066	6,036,613	6,232,701	6,362,697	7,005,837	7,191,418	7,631,342	7,810,065	7,966,276	72,341,826
Bad debts	1,564,778	1,707,296	1,733,799	1,768,910	1,808,873	1,841,530	1,894,240	1,931,572	1,969,212	2,015,702	2,054,435	20,280,346
Opex	23,621,260	25,690,796	25,690,796	25,690,796	25,690,796	25,690,796	25,690,796	25,690,796	25,690,796	25,690,796	25,690,796	280,523,220
Total Revenue Costs	31,799,516	33,816,083	34,502,701	34,911,447	35,179,469	35,368,247	36,106,265	36,359,043	36,866,719	37,129,124	37,355,054	389,393,668
Net Operating Income	104,233,459	102,856,299	104,390,511	106,720,832	109,726,074	112,112,911	115,721,580	118,346,773	120,914,435	124,322,635	127,199,297	1,246,544,807
Cash Flow Before Debt Service	104,233,459	102,856,299	104,390,511	106,720,832	109,726,074	112,112,911	115,721,580	118,346,773	120,914,435	124,322,635	127,199,297	1,246,544,807
Cash Flow Available for Distribution	104,233,459	102,856,299	104,390,511	106,720,832	109,726,074	112,112,911	115,721,580	118,346,773	120,914,435	124,322,635	127,199,297	1,246,544,807

Appendix 8 - Taaem ID's



Valuation report

**Salama Building, Madinah Road, Salamah
District, Jeddah, Kingdom of Saudi Arabia**

Prepared on behalf of **NCB Capital / NCB**

Date of issue: **27 July 2021**

Contact details

Danial Mahfooz, CFA, NCB Capital, Riyadh, KSA

Knight Frank Spain Saudi Arabia Real Estate Valuations Company, 1st Floor, WH14, Raidah Digital City,
Riyadh, Kingdom of Saudi Arabia, Stephen Flanagan, +966 558866480
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KF ref: KF/V/342-2021

Knight Frank Spain Saudi Arabia Real Estate Valuations Company is a company registered with license number 1010564516.

Executive summary

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.

Location	<p>The property is located on Madinah Road within the Salamah district of Jeddah, which is perceived to be a good location in central Jeddah. The property has a frontage of approximately 100 meters on Madinah Road to the east along with a frontage to the north, west and south onto secondary roads. It lies within a high-density populated area where the prevailing land use comprises mainly of residential apartment buildings.</p> <p>The King Abdulaziz International Airport is located some 6 km to the north of the property. The coast of the Red Sea is situated some 5 km to the west.</p>
Description	<p>The property comprises a good quality office building with ancillary retail. It was built in 2013 and contains 8 retail units on the ground floor and 116 office units situated across the upper 13 floors.</p> <p>The property's construction takes the form of a reinforced concrete frame with grey and blue exterior cladding. There are approximately 400 car parking spaces situated across the basement and mezzanine floors.</p> <p>The retail units on the ground floor benefit from good road frontage, all of which have double ceiling heights that allow for mezzanine accommodation.</p> <p>The office floors are accessed from the rear of the property through a dedicated lobby with six passenger lifts and one service lift. Internally the common areas have been well maintained to a good condition.</p>
Areas	<p>The property has a total net leasable area (NLA) of 29,921 sq m, of which 5,710 sq m is zoned for retail use and 24,002 sq m is zoned for office use. The rest of the NLA comprises storage space, telecommunication antennas, sign board, etc. The land plot, which the property is built on, extends to 7,682 sq m according to the copy of the land title deed that was provided to us.</p>
Tenure	<p>Assumed freehold</p>
Planning	<p>The client has provided us with the property's building permit, which indicates that the site has permission for a commercial development. We would advise your legal advisors to verify this.</p>
Valuation considerations	<ul style="list-style-type: none"> We have valued the property subject to the head lease that is currently in place. The head lease is for a 5-year term with a fixed rental income of SAR 23,100,000 per annum with no escalations. After expiry of the head lease, we have assumed that the head lease is

Executive summary cont.

not renewed and the building then becomes available to let on a multi tenanted basis, and is leased to third parties on market based lease terms.

- The lot size is such that this asset would prove attractive in the market given the two distinct asset classes of retail and offices.
- We have assessed the market value of the property using a discounted cash flow approach, where we have modelled the cash flows generated under the head lease for the contracted lease term and upon expiration, we have assumed the building would be leased based on our assumptions of Market Rent, with allowances being made for deduction of operating expenses, leasing fees and property management fees. Our Estimated Rental Value for the property as at the valuation date is SAR 25,359,738 per annum (assuming 100% occupancy). We have assumed 2% annual inflation in our cash flows and adopted an 8.25% exit yield reflecting a 10.25% discount rate.
- The property benefits from good road frontage along Madinah Road and provides flexible, well laid out retail accommodation on the ground floor. The common area is in good and serviceable condition. Additionally, there may be opportunities to rentalise part of this space in the future.
- We understand that the municipality requires a parking ratio of 1 parking bay per 70 sq m of office space and 1 parking bay per 55 sq m of retail space which equates to a total requirement of 443 bays. The existing car parking ratio for the office space is relatively poor with c. 400 spots available, which is c 43 spaces short of the municipality standard.
- Visitors currently use a vacant land opposite to the subject site for parking. This may cause inconvenience to tenants should the land be developed in the future. It may also appear to be less attractive to a number of potential buyers / investors, as lettability of the building could be adversely impacted – parking is one of the key factors that tenants look for when considering taking space in an office building.
- Although the physical workplace is still crucial, the nature of office work is changing. The Pandemic impacted the office industry substantially. The COVID-19 Pandemic has reshaped the office real estate market where some business are adopting long term work from home protocols and others downsizing. This has contributed towards the oversupply situation in the office sector in Jeddah, although good quality office space has been impacted to a less extent.

Valuation date	30 June 2021
-----------------------	--------------

Market Value	We are of the opinion that the Market Value of the freehold interest in the Property which is identified as Salama Building on Madinah Road in Jeddah, KSA, subject to the signed Head Lease and the assumptions and the caveats detailed herein, as at the valuation date is:
---------------------	--

SAR 243,100,000

Executive summary cont.

(Two Hundred and Forty Three Million, One Hundred Thousand Saudi Arabian Riyals)

Valuation Analysis

Item	Unit	Assumption
Head Lease	Entire building	5 years
Passing rent	SAR per annum	23,100,000
ERV	SAR per annum	25,359,738
Office NLA	sq m	24,002
Retail NLA	sq m	5,710
Estimated Office Market Rent (after the Head Lease expiry)	SAR / sq m per annum	650 to 790
Estimated Retail Market Rent (after the Head Lease expiry)	SAR / sq m per annum	1,388
Service Charge	%	10%
Telecommunications Tower income	SAR per annum	35,000
Insurance	SAR per annum	156,135
Operating Costs (after expiry of the Head Lease)	SAR / sq m per annum	90
Yield	%	8.25%
Growth	%	2.00%
Discount Rate	%	10.25%

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Appendices

Appendix 1 - Instruction documentation (signed TOE)

Appendix 2 - KSA Economic Overview

Appendix 3 - Cash Flows

1 Instructions

Engagement of Knight Frank Spain Saudi Arabia Real Estate Valuations Company

Instructions	1.1	We refer to our Terms of Engagement and General Terms of Business dated 24 June 2021 to provide a valuation report on a mixed-use commercial property on Madinah Road, Jeddah identified as “Salama Building” (“the property”). Copies of these documents are attached at Appendix 1.
	1.2	This valuation has been carried out in accordance with our General Terms of Business for Valuations (“General Terms of Business”).
Client	1.3	Our client for this instruction is NCB Capital, acting as manager on behalf of Al-Ahli REIT Fund, a real estate investment traded fund in the Saudi Stock Exchange (Tadawul).
Valuation standards	1.4	This valuation has been undertaken in accordance with RICS Valuation – Global Standards 2020, incorporating the International Valuations Standards (IVS). References to “the Red Book” refer to either or both of these documents, as applicable. The valuation also undertaken in accordance with the Saudi Authority for Accredited Valuers (Taqeem).
Purpose of valuation	1.5	You have confirmed that this valuation report is required for REIT reporting to the Saudi Capital Market Authority (CMA) for the semi-annual reporting of the market value (MV) in accordance with Taqeem regulations.
Conflict of interest	1.6	We confirm that we do not have any material connection or involvement, giving rise to a conflict of interest and are providing an objective and unbiased valuation. We disclose, however, that we have valued the same asset for the Fund prior to its acquisition.
	1.7	We are acting as External Valuers, as defined in the Red Book.
Responsibility to third parties	1.8	Our valuation report is only for the use of our Client and no liability is accepted to any third party for the whole or any part of its contents.
Disclosure & publication	1.9	Neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
Limitations on liability	1.10	No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner or consultant of Knight Frank Spain Saudi Arabia Real Estate Valuations Company (“Knight Frank”). Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank.
	1.11	Knight Frank’s total liability for any direct loss or damage caused by negligence or breach of contract in relation to this instruction and valuation report is limited to the amount specified in the Terms of Engagement letter, a copy of which is attached. We do not accept liability for any indirect or consequential loss (such as loss of profits).

1.12 The above provisions shall not exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

Expertise

1.13 The valuer, on behalf of Knight Frank, with the responsibility for this report is Faissal Habassi, MRICS. We confirm that the valuer meets the requirements of the Red Book, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently. We also confirm that the valuer is a Fellow of the Saudi Authority of Accredited Valuers (TAQEEM).

Vetting

1.14 This report has been vetted as part of Knight Frank's quality assurance procedures.

Scope of enquiries & investigations

- | | |
|-----------------------------|--|
| Inspection | 1.15 We were instructed to carry out an internal inspection of the property. Our inspection of the property was undertaken on 13 June 2021 by Faisal Alsuhaibani. |
| Investigations | 1.16 The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal / web based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete. |
| Information provided | <p>1.17 In this report we have been provided with information the Client. We have relied upon this information as being materially correct in all aspects.</p> <p>1.18 In particular, we detail the following:</p> <ul style="list-style-type: none"> • Information relating to the extent of the property • Project summary • Copy of the title deed • Copy of the Building Permit • Head lease (in Arabic) <p>1.19 In the absence of any documents or information provided, we have had to rely solely upon our own enquiries as outlined in this report. Any assumptions resulting from the lack of information are also set out in the relevant section of this report.</p> |

Valuation bases

- | | |
|--------------------------|--|
| | 1.20 In accordance with your instructions, we have provided opinions of value on the following bases:- |
| Market Value (MV) | 1.21 The Market Value of the freehold interest in the property in its current physical condition, subject to the head lease. |
| Valuation date | 1.22 The valuation date is 30 June 2021. |

2 The property

Location

- 2.1 The property is located on Madinah Road within the Salamah district, which is perceived to be a good location in central Jeddah. The property has a frontage of approximately 100 meters on Madinah Road to the east along with a frontage to the north, west and south onto secondary roads. It lies within an area that is dominated by high-density population where the prevailing use is comprised predominantly of residential apartment buildings.

Access to the city centre is achieved via Madinah Road which is an arterial route running north south while Hira Street is situated a short distance to the north which affords access to the city in an east west direction.

The King Abdulaziz International Airport is located some 6 km to the north from the property. The coast of the Red Sea is situated some 5 km to the west.

- 2.2 The Google Earth image below shows the macro location of the property.



Source: Google Earth

- 2.3 The Google Earth image below shows the micro location of the property.



Source: Google Earth

Site

- Site area**
- 2.4 We have not been provided with the property's affection plan (krooki). However, we understand that the property occupies a broadly rectangular site of approximately 7,682 sq m.

Description

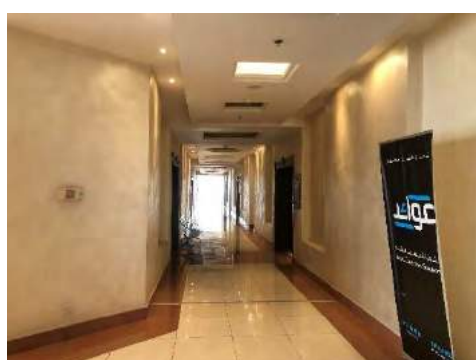
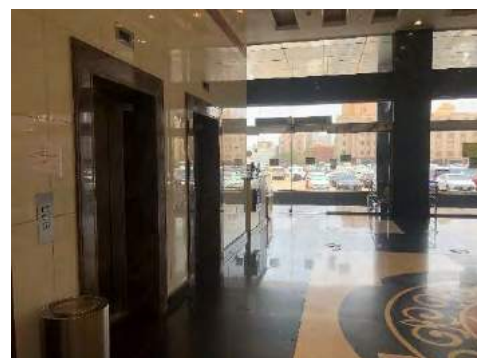
- General**
- 2.5 The property comprises a good quality office building with ancillary retail. It was built in 2013 and contains 8 retail units on the ground floor and 116 office units situated across the upper 13 floors.

The property's construction takes the form of a reinforced concrete frame with grey and blue exterior cladding. There are approximately 400 car parking spaces situated across the basement and mezzanine floors.

The retail units on the ground floor benefit from good road frontage, all of which have double ceiling heights that allow for mezzanine accommodation.

The office floors are accessed from the rear of the property through a dedicated lobby with six passenger lifts and one service lift. Internally the common area is in good condition.

- 2.6 Below is a selection of photos of the property:



Areas

2.7 The Client has provided us with the breakdown of the Net Leasable Areas (NLA) of the property, a summary of which is provided below.

- The NLA of the retail units is 5,710 sq m
- The NLA of the office units is 24,002 sq m
- The rest of the floor space is comprised of common areas, storage space, telecommunications antennas, sign board, etc.

Measurement

2.8 As agreed with the client, we have relied upon the areas provided to us by NCB Capital and have assumed that they have been prepared in accordance with local market practice and regulations. No further verification has been undertaken. We have not undertaken a measurement survey of the property.

Services

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

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

2.11 We have not tested the services and utilities available to the property; however, for the purpose of this report we assume that they have sufficient capacity to service its current use. We have not accounted for any costs in improving such services and

utilities within our valuation. Should this prove not to be the case, we reserve the right to amend our valuation.

Legal title deed

- 2.12 We have been advised that Al Ahli REIT Fund (1) owns the property and were provided with a copy of the updated title deed with the following details:

Item	Description
Number	320212024018
Date	4 August 2019
Area	7,682 sq m
Note	Ownership transferred to Sundoq Tamkeen Real Estate Company which is the SPV of the Fund
Price	SAR 255,000,000

Source: Client

- 2.13 For the purposes of this valuation report we have assumed that the property is held 100% on a freehold basis free from any encumbrances and third party interests.

Covenants

- 2.14 We have assumed that the property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.
- 2.15 These assumptions should be verified by your legal advisors. If they prove incorrect, any variation may have a material impact on value and should be referred back to us for further comment.

Tenancies

- 2.16 The property is subject to a head lease. We set out the salient terms below:

Item	Description
Lease Start Date	04 August 2019
Landlord	Al Ahli REIT Fund (1)
Tenant	Confidential
Term	5 years from 04 August 2019
Break option	None
Rent	Fixed rent of SAR 23,100,000 per annum paid semi-annually in arrears
Repair	The tenant covenants to keep the premises in good and substantial repair and condition.
Alienation	Subject to the lessor's prior written approval, the lessee shall be entitled to sublease the property.

Source: Client

Condition

- Scope of inspection**
- 2.17 As stated in the General Terms of Business attached, we have not undertaken a building or site survey of the property.
- 2.18 At the date of inspection, the building appeared to be in a generally reasonable state of repair commensurate with its age and use. No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme.
- Ground conditions**
- 2.19 We have not been provided with a copy of a ground condition report for the site. We have assumed that there are no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building constructed thereon.

Environmental considerations

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

Planning

- Planning Permit**
- 2.21 The client has provided us with a copy of the property's planning consent from which we understand the following:

	Parking (sq m)	Commercial (sq m)
Basement	7,682	
Services Floor	6,558.1	
Ground Floor	0	4,486.5
Mezzanine		
1 st	0	2,192.5
2 nd	0	3,484
3 rd	0	2,703
Recurring Floor	0	25,385.69
Total	14,240.1	37,621.69

Source: Client

Highways and access

- Highways** 2.22 We have assumed that there are no current highway proposals in the immediate vicinity likely to have a detrimental effect upon the property within the foreseeable future.
- Access** 2.23 In reporting our opinion of value, we have assumed that there are no third party interests between the boundary of the property and the adopted highways and that accordingly the property has unfettered vehicular and pedestrian access.
- 2.24 We have assumed that there are no issues relating to visibility displays, which may impact upon the use of the property.

3 Market Analysis

Investment Overview

Property Investment Transaction Overview

- 3.1 There have been a higher frequency of published commercial investment transactions in the Kingdom of Saudi Arabia recently due to the publication of acquisitions on Tadawul of the assets acquired by listed REITS. Other than the REITS, the market is still rather opaque, meaning it is difficult to fully analyse reported transactions. The table below sets out some transactions from commercial buildings that have transacted over recent times across the Kingdom - these thus allow us to understand the investment parameters that investors considering commercial real estate investment in the KSA market are willing to pay.

Property Transaction Overview

Asset	Location	Use	BUA (sq m)	Initial Yield
Dinar Commercial Building	Jeddah	Offices	14,900	8.00%
Public Prosecution Building	Jeddah	Offices	14,575	8.73%
Alrawdah Business Centre	Jeddah	Mixed Use / Offices	13,335	8.50%
Khaldiyyah Business Centre	Jeddah	Mixed Use / Offices	19,671	8.30%
Office Building	Jeddah	Mixed Use / Offices	7,343	9.00%
Bn Two Centre	Jeddah	Mixed Use / Offices	21,305	9.94%
Alnokhba Centre	Jeddah	Mixed Use / Offices	15,712	9.94%
Zahrn Business Centre	Jeddah	Office	106,687	8.00%

- 3.2 Last year saw the overall real estate market become more uncertain as the Kingdom grappled with its budget deficit and continued low oil prices. Other macro factors such as the ongoing Brexit issue and Fed hikes led certain parties to take a “wait and see” approach. As a result, many have been observing the performance of REITS as a barometer for market sentiment regarding the real estate sector.
- 3.3 In formulating our capitalisation yield we have had regard to the points in the SWOT analysis above but also to the following:
- The quality of construction and obsolescence

- The amenities provided are market standard
- Demand and supply dynamics of that asset class in Jeddah
- Accessibility and visibility as the property is located on Madinah Road
- Opportunities for income growth
- Location – both macro (by city) and micro (by road / frontage=100 meters on Madinah Road)

The capitalisation yield is determined by the rate which recently traded property have sold, which is then adjusted to allow for differences between the comparable evidence and subject property. We have applied a capitalisation rate of 8.25% and a discount rate of 10.25% in order to reflect the remaining WAULT of 3 years, location, specification, age and letting risk of the property.

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Head Lease – secure short-term income. • Very good visibility and access on Madinah Road. • Additional income received from telecom towers. 	<ul style="list-style-type: none"> • Lack of parking spaces for visitors where they currently park on a vacant land plot next to the subject property. • General signs of the building appearing to age.
Opportunities	Threats
<ul style="list-style-type: none"> • Tenant renegotiating leases to be long-term, with rental uplifts thus enhancing Head Lease attractiveness. 	<ul style="list-style-type: none"> • The vacant land opposite the subject property is being used as parking for visitors, if this plot is developed, there will be a parking issue at the property. • General movement of Government entities and business to Riyadh could cause demand for offices in Jeddah to slow down further.

4 Valuation

Methodology

Investment method

- 4.1 Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.
- 4.2 Our calculation of the Market Value of the Property has been carried out using the comparative and investment methods. In undertaking our valuation of the property, we have made our assessment on the basis of a collation and analysis of rental and sales transactions for similar properties. With the benefit of such transactions we have then applied these to the property, taking into account size, location, terms, covenant and other material factors and adopting an appropriate capitalisation yield.
- 4.3 We have capitalised the head lease rent for the contracted term and have reverted to a multi tenanted lease up of the building upon expiry of the head lease.
- 4.4 For the estimation of the market rent after the expiry of the head lease, we have had regard to comparable offices in close proximity to the property. In the table and corresponding map below, we show our comparable evidence.

Table of Comparable Office Rents:

Ref.	Building	Construction Year	Condition	Grade	Occupancy	Asking Rent (SAR psm pa)	Service Charge
1	Sumou Tower Jeddah	2013	Fitted	B	75%	700	10%
2	Elite Al Shatea	2012	Fitted	B	75%	600	10%
3	Tahliya Centre	2010	Fitted	B	80%	850	10%
4	Al Mukmal Tower	2010	Fitted	B	95%	900	10%

Source: Knight Frank Research

Table of Comparable Retail Rents:

Ref.	Location	Condition	Area (sq m)	Asking Rent (SAR psm pa)
5	Madinah Road, Rawdah district	Good	200	1,750
6	Madinah Road, Rawdah district	New	113	2,035
7	Madinah Road, Al Naeem district	Good	500	2,000
8	Prince Sultan Road, Salamah district	New	600	1,083

Source: Knight Frank Research

Map of Comparables



Source: Google Earth

- 4.5 As shown above, rents in comparable offices range between SAR 600 to SAR 900 per sq m per annum varying upon location, specification and quality. The rents stated in the table above are subject to a service charge.
- 4.6 At the lower end of the range is space in Sumou Tower, which completed in 2013 and offers grade B fitted space for SAR 700 per sq m per annum. Sumou Tower has two retail showrooms on the ground floor along King Abdul-Aziz Road and is subject to 10% service charge. Rents at Sumou Tower remained stable over the past two quarters.

Elite Al Shatea features a mix of retail and office space. Completed in 2012, the building offers fitted out grade B office space with rents currently standing at SAR 600 per sq m per annum. Rents at Elite Al Shatea are subject to a standard 10% service charge.

Rents and occupancy at Tahliya Centre remained stable over the past 6 months. Headline rents currently stand at SAR 850 per sq m plus 10% service charge. The office space is considered as grade B space and the units are fitted out.

At 95% occupancy, comparable four (Al Mukmal Tower) has the highest occupancy in our table of comparables. Al Mukmal Tower completed construction in 2010 and commands SAR 900 per sq m per annum plus service charge. Rents have increased by 5% over the past 6 months, while occupancy has fallen by 5%.

Estimated Rental Values

4.7 We set out our Estimated Rental Values (ERV), which are inclusive of service charge below:

Estimated Rental Values

Floor	Type	Unit	ERV (SAR psm)
1st - 3rd	Office	SAR per sq m / pa	648
4th - 8th	Office	SAR per sq m / pa	694
9th - 11th	Office	SAR per sq m / pa	740
12th and 13th	Office	SAR per sq m / pa	786
-	Retail	SAR per sq m / pa	1,388
-	Storage	SAR per annum	7,400
-	Telecom Tower	SAR per annum	32,375

Valuation Assumptions

Operating Costs (after the Head Lease) 4.8 Upon expiry of the head lease we have allowed for operating costs of SAR 90 per sq m pa for general maintenance, lift service, security, cleaning and insurance, water and electricity power for the common areas.

Service Charges 4.9 Our opinion of Market Rent assumes a 10% service charge, which has been factored in our estimated rental value.

Market Rent 4.10 The estimated Market Rent for the property is SAR 25,359,738 per annum as at the valuation date. This amount is reflected with market growth at 2% in our valuation model after the expiry of the Head Lease.

Valuation Summary

Item	Unit	Assumption
Office NLA	sq m	24,002
Retail NLA	sq m	5,710
Estimated Office Market Rent	SAR / sq m per annum	650 to 790
Service Charge	%	10%
Estimated Retail Market Rent	SAR / sq m per annum	1,388
Telecommunications Tower income	SAR per annum	35,000
Rent Passing	SAR per annum	23,100,000
Market Rent (100% occupancy)	SAR per annum	25,359,738
Operating Costs	SAR / sq m per annum	90
Property Management Fee and Marketing	Percent of Revenue	1.00%
Sinking Fund	Percent of Revenue	1.00%
Yield	%	8.25%
Growth	%	2.00%
Discount Rate	%	10.25%

Valuation Considerations

Subject Property

- 4.11
- We have valued the property subject to the head lease that is currently in place. The head lease is for a 5-year term with a fixed rental income of SAR 23,100,000 per annum with no escalations. After expiry of the head lease, we have assumed that the head lease is not renewed and the building then becomes available to let on a multi tenanted basis, and is leased to third parties on market based lease terms.
 - The lot size is such that this asset would prove attractive in the market given the two distinct asset classes of retail and offices.
 - We have assessed the market value of the property using a discounted cash flow approach, where we have modelled the cash flows generated under the head lease for the contracted lease term and upon expiration, we have assumed the building would be leased based on our assumptions of Market Rent, with allowances being made for deduction of operating expenses, leasing fees and property management

fees. Our Estimated Rental Value for the property as at the valuation date is SAR 25,359,738 per annum (assuming 100% occupancy). We have assumed 2% annual inflation in our cash flows and adopted an 8.25% exit yield reflecting a 10.25% discount rate.

- The property benefits from good road frontage along Madinah Road and provides flexible, well laid out retail accommodation on the ground floor. The common area is in good and serviceable condition. Additionally, there may be opportunities to rentalise part of this space in the future.
- We understand that the municipality requires a parking ratio of 1 parking bay per 70 sq m of office space and 1 parking bay per 55 sq m of retail space which equates to a total requirement of 443 bays. The existing car parking ratio for the office space is relatively poor with c. 400 spots available, which is c 43 spaces short of the municipality standard.
- Visitors currently use a vacant land opposite to the subject site for parking. This may cause inconvenience to tenants should the land be developed in the future. It may also appear to be less attractive to a number of potential buyers / investors, as lettability of the building could be adversely impacted – parking is one of the key factors that tenants look for when considering taking space in an office building.

Valuation Bases

Market Value 4.12 Market Value is defined within RICS Valuation – Professional Standards as:

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

Valuation date

Valuation date 4.13 The valuation date is 30 June 2021.

Market Value

Assumptions 4.14 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business, Terms of Engagement Letter and within this report.

Market Value 4.15 We are of the opinion that the Market Value of the freehold interest in the Property which is identified as Salama Building on Madinah Road in Jeddah, KSA, subject to the signed Head Lease and the assumptions and the caveats detailed herein, as at the valuation date is:

SAR 243,100,000

(Two Hundred and Forty Three Million, One Hundred Thousand Saudi Arabian Riyals)

5 Signature

Reviewed (but not undertaken by):



Faissal Habassi, MRICS

RICS Registered Valuer

Taqeem No. 1220001311

**Associate Partner – Valuation & Advisory,
KSA**

For and on behalf of Knight Frank

Spain Saudi Arabia Real Estate

Valuations Company



Stephen Flanagan, MRICS

RICS Registered Valuer

Taqeem No. 1220001318

Head of Valuation & Advisory MENA

For and on behalf of

Knight Frank Spain Saudi Arabia Real

Estate Valuations Company



Appendix 1 - Instruction documentation (signed TOE)



AlAhli REIT Fund (1)
Riyadh
Kingdom of Saudi Arabia

For the attention of Danial Mahfooz

Our Ref: NCB Capital

24 June 2021

Dear Sirs

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

Thank you for your enquiry of 24 June 2021 requesting a valuation report in respect of the properties detailed below (the "Properties"). We are writing to set out our agreed terms of engagement for carrying out this instruction which comprise this Terms of Engagement letter (this "Letter") together with our General Terms of Business for Valuation Services (the "General Terms"). This Letter and the General Terms (together, the "Agreement") exclude any other terms which are not specifically agreed by us in writing. To the extent that there is any inconsistency between this Letter and the General Terms, this Letter shall take precedence.

1. Client

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

2. Properties to be valued

The Properties to be valued are as follows:

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

3. Valuation standards

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

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T +966 5308 03297
knightfrank.com.sa



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

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

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

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

5. Valuer and competence disclosure

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

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

6. Purpose of valuation

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

7. Limitation of liability and restrictions on use

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

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

Third party reliance

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

Disclosure

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

8. Basis of valuation

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

- Market Value



9. Special assumptions and assumptions

Special assumptions

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

- You have not requested any valuations on special assumptions.

Assumptions

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

10. Valuation date

The valuation dates are 30 June 2021 and 31 December 2021

11. Currency to be adopted

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

12. Extent of inspection and investigations

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

Inspection

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

13. Information to be relied upon

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

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

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

14. Report format

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

15. Fees and expenses

Payment details

Our fee for undertaking this instruction will be [REDACTED] for each re-valuation, and reasonable disbursements divided into two payment, set out below.

June 2021 revaluation:



Advance Payment	
Final payment	

December 2021 re-valuation:

Advance Payment	
Final payment	

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

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

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

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

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

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

16. Acceptance

Please sign and return a copy of this Letter signifying your acceptance of the terms of the Agreement. We reserve the right to withhold any Valuation and/or refrain from discussing it with you until this Letter has been

Our Ref: NCB Capital

4



countersigned and returned. Your attention is drawn to the "Important Notice" in the General Terms. If you have any questions regarding this Letter and/or the terms of the Agreement between us please let us know before signing this Letter or otherwise giving us instructions to proceed.

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

Yours faithfully



Stephen Flanagan MRICS

Partner - Head of Valuation & Advisory, MENA,
Valuation & Advisory, MENA

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

stephen.flanagan@me.knightfrank.com

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M +971 50 8133 402



Attached - General Terms of Business for Valuation Services



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

Date

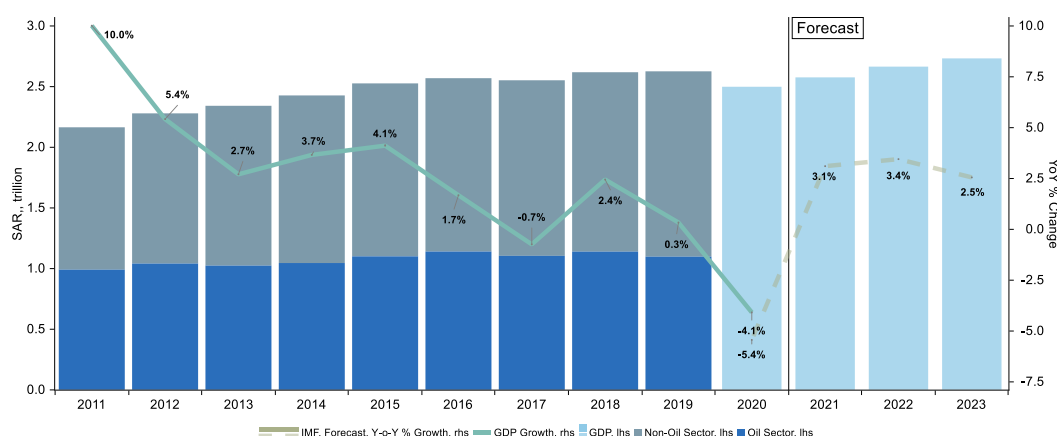
KF Ref: NCB Capital

Appendix 2 - KSA Economic Overview

Saudi Arabia GDP Growth, 2011 - 2023

- According to provisional full year data published by the General Authority for Statistics (GaStat), Saudi Arabia's real GDP contracted by 4.1 percent in 2020 compared to growth of 0.3 percent year-on-year in 2019.
- Saudi Arabia's non-oil sector performed remarkably well in December 2020, with the index hitting its highest reading since November 2019. This upturn in business activity has underpinned a stronger than expected GDP reading in Q4 2020, and as a result Saudi Arabia GDP in 2020 contracted less than the 5.4 percent rate forecast by the IMF.
- Whilst there are material downside risk that may still impact economic activity in Saudi Arabia, most are unlikely to come to fruition and few are exogenous in nature. This underpins Saudi Arabia's 2021 GDP growth forecast of 3.1 percent the strongest in the region.
- With this rate of economic growth, Saudi Arabia will remain below the average growth rate of c. 5 percent which was recorded between 2011 and 2015.

Saudi Arabia GDP, YoY % change



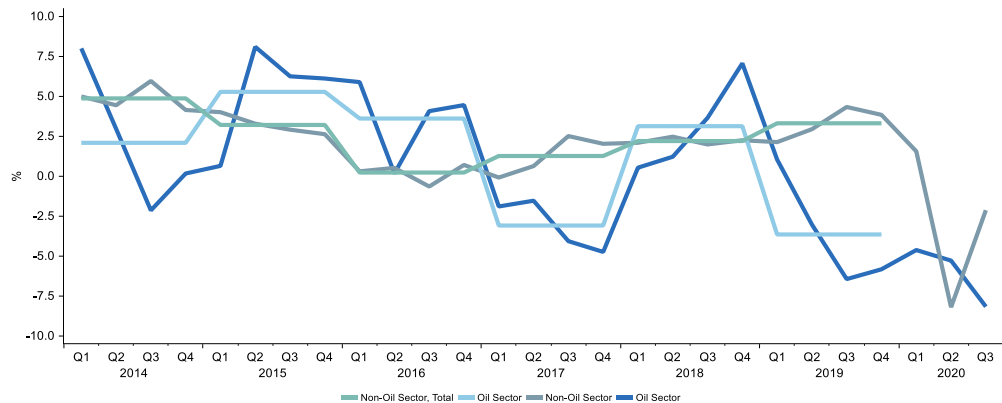
Source: Knight Frank Research, Macrobond

Saudi Arabia Oil & Non-Oil GDP and GDP Growth

- As a result of COVID-19, Saudi Arabia both oil and non-oil sectors contracted substantially.
- First, as the global economy came to a halt, demand in the hydrocarbon sector effectively stalled, causing a supply glut and oil prices to plummet. This has had a substantial impact on Saudi Arabia oil sector GDP which contracted by 8.1 percent in Q3 2020.

- Non-oil GDP growth has been gradually accelerating since 2016, reaching 3.3 percent in 2019, the highest level of growth since 2015. However, due to severe lockdown measures in place across Saudi Arabia, including the closure of international borders and tourism, has substantially impacted business activity, resulting in a contraction in non-oil sector GDP.

Saudi Arabia Oil & Non-Oil GDP Growth

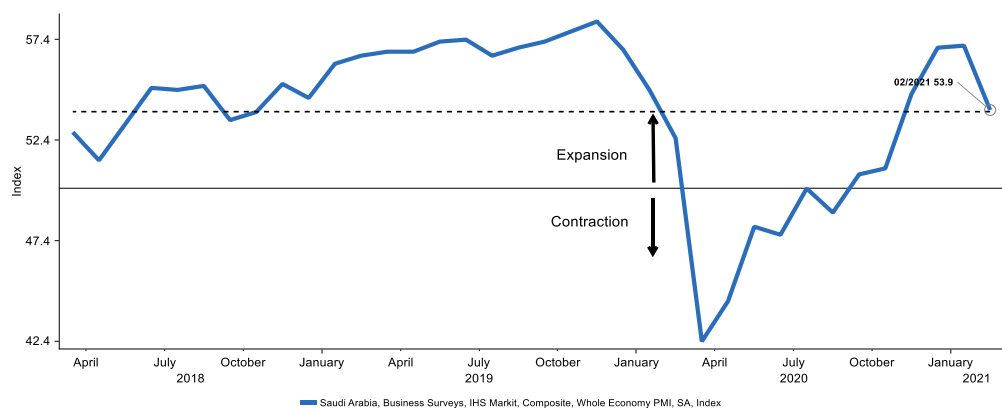


Source: Knight Frank Research, Macrobond

Saudi Arabia, Purchasing Manager Index (PMI)

- Saudi Arabia's Purchasing Managers' Index (PMI), which tracks the country's private non-oil economy, indicating that both economic activity and business conditions has improved in Q4 2020, where the index registered an average reading of 54, a marked increase from the Q2 and Q3 average readings of 46.7 and 49.8 respectively. The index shows that the private non-oil economy has firmly moved into expansion territory during the last quarter of 2020.
- Whilst the latest monthly reading January 2021's 57.1, is the highest since October 2019.

Saudi Arabia PMI

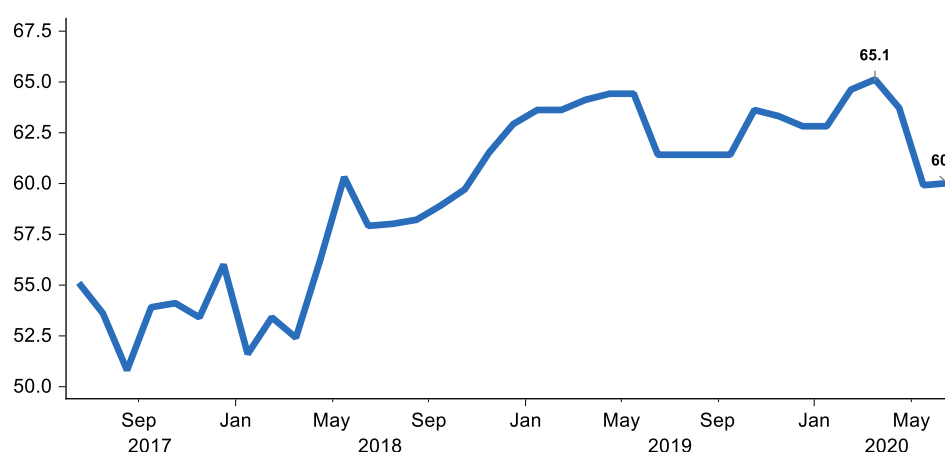


Source: Knight Frank Research, Macrobond

Saudi Arabia Primary Consumer Sentiment Index by Thomson Reuters / IPSOS

- ♦ The Thomson Reuters / IPSOS Consumer Confidence Index for Saudi Arabia significantly improved in 2019 and heading into 2020, hitting a level of 65.1 in March 2020, its highest level on record.
- ♦ However, due to the impact of COVID-19 the Consumer Confidence Index declined sharply by 5.1 points during the last three months to June 2020, where the current reading stands at 60.0. Despite this, Saudi Arabia still ranks first among all 24 markets surveyed when it comes to the current state of its economy.
- ♦ The index is driven by the aggregation of four weighted sub-indices namely: current conditions, perceived economic expectations, perceived investment climate and current job security.

PCSI, by Thomson Reuters / IPSOS



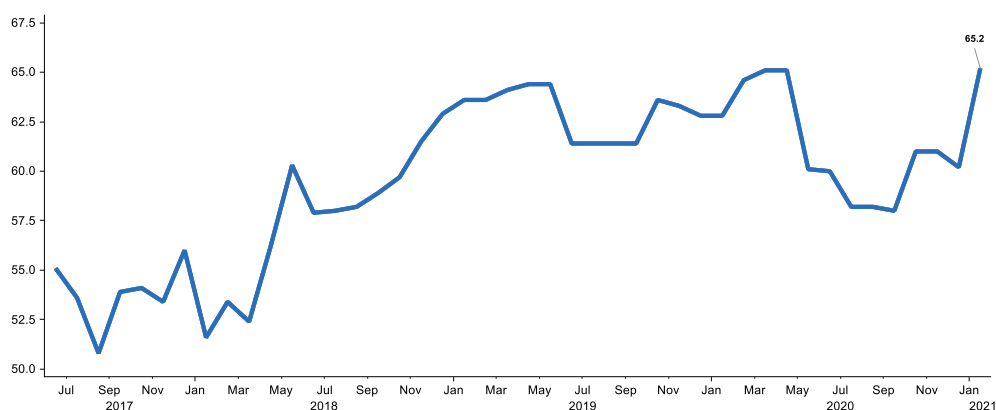
Source: Knight Frank Research, Macrobond

Saudi Arabia Consumer Confidence Index by Thomson Reuters / IPSOS

- ♦ Saudi Arabia's, Primary Consumer Sentiment Index (PCSI) is a national survey of consumer attitude on current and future state of local economy, personal finance situation, as well as confidence to make large investments and ability to save.
- ♦ The latest reading in January 2021 of Primary Consumer Sentiment Index (PCSI) in Saudi Arabia, released by IPSOS, reveals a 5-point surge from the previous month to 65.2, the highest since January 2020. This jump is the largest month-on-month increase seen in most recent years.
- ♦ In parallel with the improvement in consumer confidence, we have seen private sector loan growth regaining momentum. The recovery in banks' lending to the

private sector in 2018 and substantial growth in 2020 is seen as crucial in driving consumer spending and demand for real estate in short to medium term.

PCSI, by Thomson Reuters / IPSOS

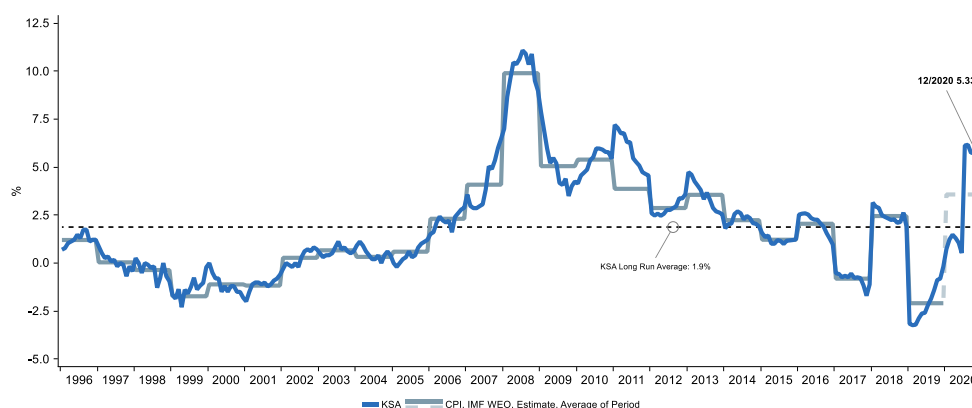


Source: Knight Frank Research, Macrobond, IPSOS

Saudi Arabia Consumer Price Index, YoY Change %

- ♦ The latest Consumer Price Index measured at 5.3 percent YoY in December 2020 compared to a rate of 5.8 percent in the previous month. This increase in inflation is attributed to the increase in Value Added Tax (VAT) from 5 percent to 15 percent in July 2020.
- ♦ The rise in consumer price index (CPI) was mainly driven by a surge of 12.7% year-on-year in the average prices of food and beverages, affected by 12.9% rise in food prices, in addition to a hike of 6.9% YoY in the average prices of transport, as vehicle prices grew by 9.6%.
- ♦ More so, the tobacco sector rose by 13.7%. Similarly, the telecommunication sector moved up by 11.4%.
- ♦ Following the tripling of VAT and the revision of subsidies in July 2020, inflationary pressures and weak consumer sentiment have impacted consumer spending. We see a change in the situation with the recent improvement in consumer confidence and the price deflation which will likely translate into higher consumer spending and a regain of appetite for real estate purchases.

CPI, YoY % Change

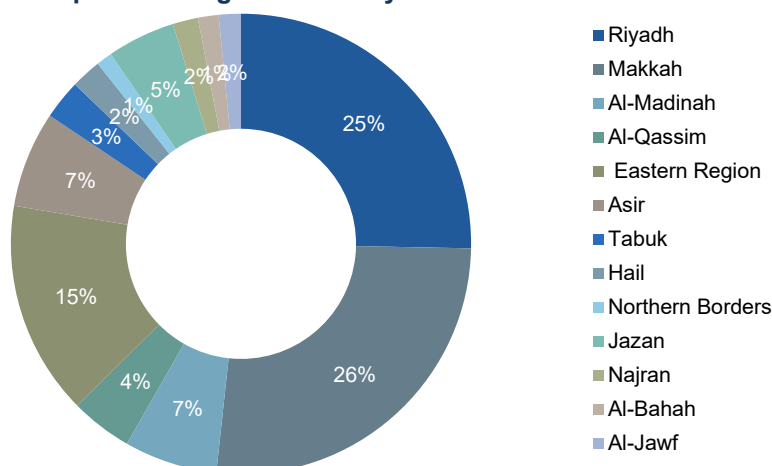


Source: Knight Frank Research, Macrobond

Saudi Arabia Population Segmentation by Province - 2019

- ♦ Saudi Arabia accounts for over 50 percent of the total population of the GCC and is largely more populous than any other GCC country. According to official statistics, the population count was registered at 34.2 million in 2019.
- ♦ The population segmentation by regions for 2019 shows that nearly 65 percent of the population of the Kingdom is concentrated in three provinces namely Makkah Al Mokarramah, Riyadh, and the Eastern Province which account for 26 percent, 25 percent and 15 percent of the country's population respectively. Beyond the year 2019, the breakdown of the KSA population by region is not available.

Saudi Arabia Population Segmentation by Province - 2019

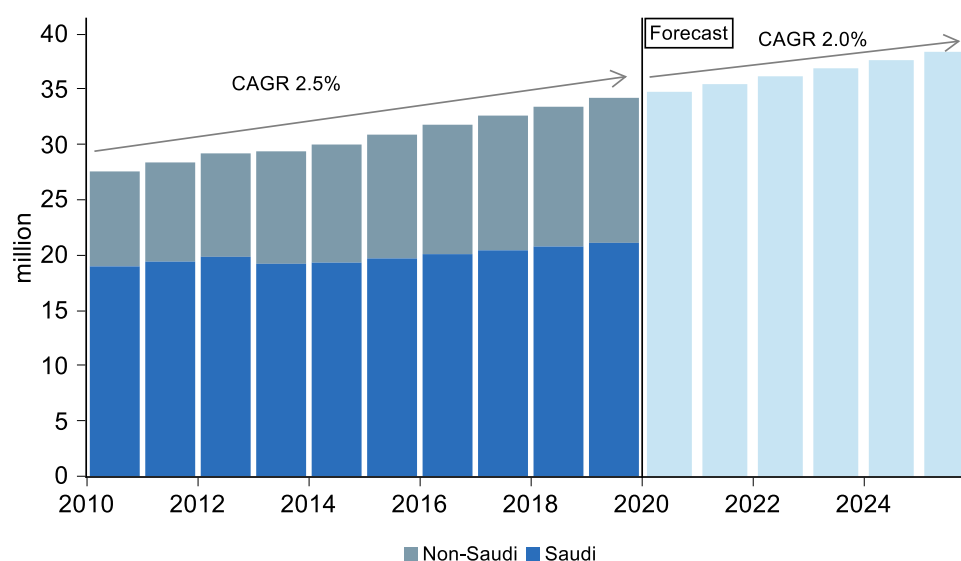


Source: Knight Frank Research, GASTAT

Saudi Arabia Population Forecasts

- ♦ According to official statistics, the population of Saudi Arabia is estimated to have reached 34.8 million in 2020. The Saudi/Non-Saudi breakdown of the population for 2019 stands at 21.1 million/13.1 million according to the same source.
- ♦ Based on the IMF forecasts, the population of Saudi Arabia is expected to grow at a constant 2 percent annual growth rate from 2019 onwards, reaching 38.3 million in 2025. A large and growing population, albeit at a slower pace than previous years, will continue to drive demand for goods and services in the short to medium term.
- ♦ Saudi Arabia's population is dominated by Saudi nationals, accounting for 63 percent of the population. This implies that aggregate demand for products and services does not primarily stem from the expatriate workforce.

Saudi Arabia Population Evolution



Source: Knight Frank Research, IMF

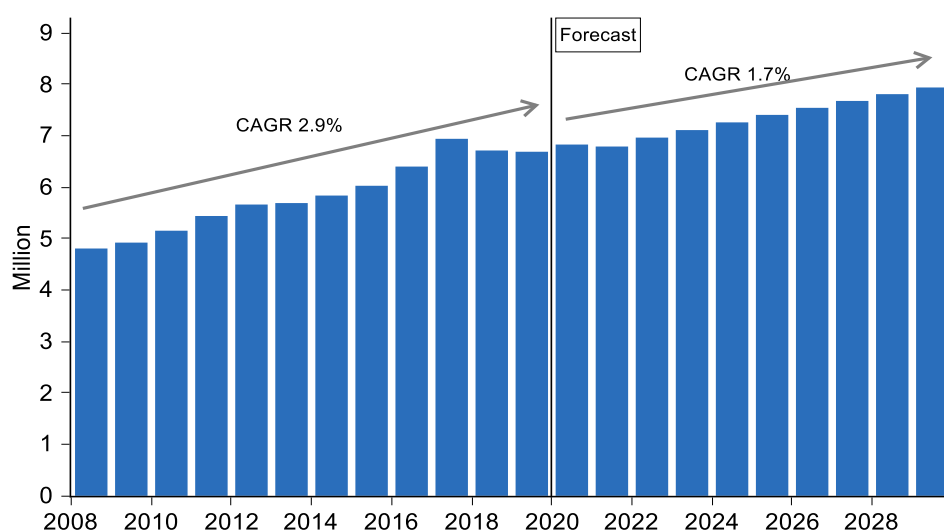
Total Number of Households

- ♦ Total number of households in Saudi Arabia is estimated at roughly 6.8 million in 2020 according to Oxford Economics. The yearly average growth in number of household is set to slow to 1.7 percent per annum between 2020 and 2030 according to Oxford Economics down from 2.9 percent between 2010 and 2020.
- ♦ The average household size in Saudi Arabia stood at 5.52 individuals in 2020 according to Oxford Economics. While the average household size for Saudi households stands just over 6.0, the average household size for non-Saudis is

closer to 4 individuals. The overall average household size is set to slightly decrease over the next years reaching 5.45 in 2030.

- ◆ Regarding the local population, it was not unusual historically for generations of the same family to be living in a sizeable family home. The younger generation now exhibits a desire to move away from multi-generational household structure. Over the next decades, falling household sizes will underpin demand for higher density development which provides smaller and more efficient units.

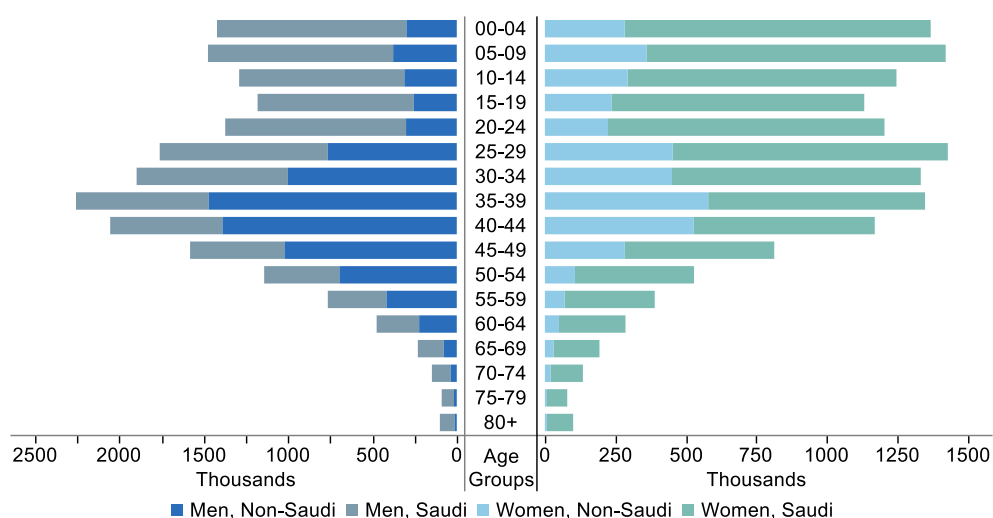
Number of Households



Source: Knight Frank Research/ Macrobond, Oxford Economics

Population by Age, Nationality, and Gender

- ◆ The population pyramid of Saudi Arabia that depicts the age structure of the Saudi and Non-Saudi population based on the preliminary 2018 data, highlights the fact that approximately 39.2 percent of the population were aged between 0 and 25 years, about 57.5 percent were aged between 25 and 64 years and 3.2 percent were aged above 65 years.
- ◆ When looking at the age structure of the Saudi population, the share of the population aged between 0 and 25 years rises to 49 percent, highlighting the young demographic profile of the Saudi population, a key driver to consumer market growth.
- ◆ It is expected that population dynamics are expected to shift in Saudi Arabia over the next decades, which will entail a significant increase in the population over 40. The over 60s age cohorts are expected to increase by 3 times between 2018 and 2035. Despite these changing demographic profile, Saudi Arabia will remain amongst the youngest countries in the GCC in 2030.

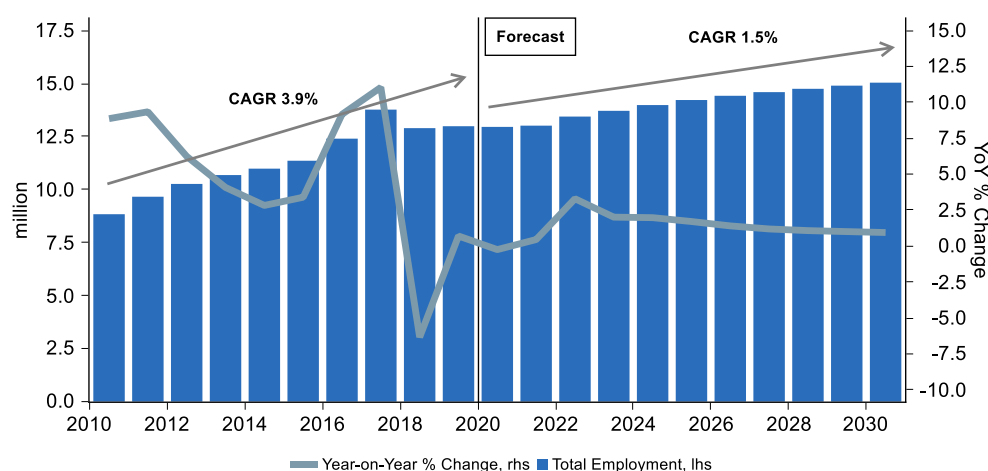


Source: Knight Frank Research, Macrobond

Total Employment - KSA

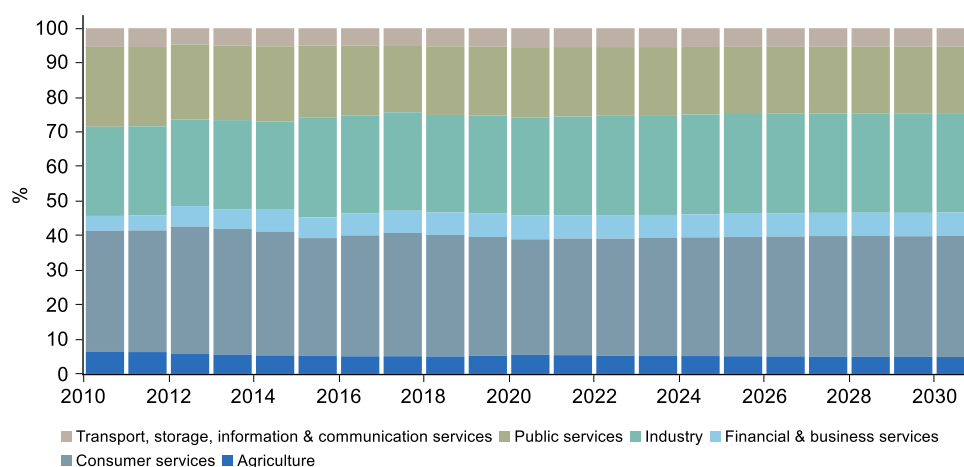
- ♦ Saudi Arabia's total workforce was estimated at 12.9-Million employees in 2020, down from 13.7-Million employees in 2017. The decrease is mostly as a result of the departure c. 800,000 expatriates from the workforce during this period.
- ♦ This outflow of expatriates from the workforce was triggered by a challenging macroeconomic environment, the introduction of levies on expats in the form of fees on dependents (set to increase every year on an incremental basis until 2020), and the implementation of a plan restricting employment in certain sectors to Saudi Nationals in order to promote and increase Saudization.
- ♦ Saudi Arabia's employment CAGR is set to slow to 1.5% per annum between 2020 and 2030 according to Oxford Economics, down from a CARG of 3.9% between 2010 and 2020.

KSA, Employment



Breakdown of Employment by Economic Sector – KSA

- Currently the consumer services, industrial sectors and public services are the largest employment sectors in Saudi Arabia, accounting for 33.4%, 28.3% and 20.4% of total employment in 2020 respectively. This is expected to remain roughly unchanged over the coming ten years.

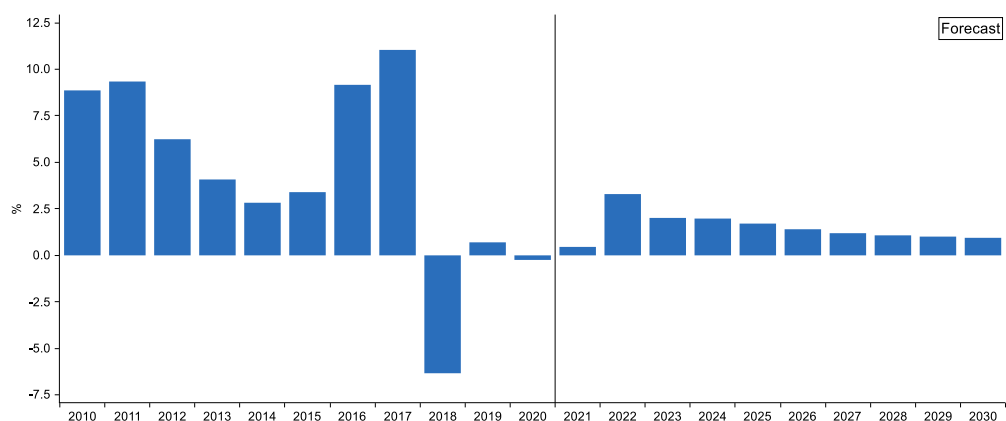


Source: Knight Frank Research, Macrobond

Employment YoY Change%

- ♦ Employment growth in Saudi Arabia is set to decelerate to 1.5 percent per annum between 2020 and 2030 down from 3.9 percent between 2010 and 2020 according to Oxford Economics estimates.
- ♦ Total employment declined by -6.34 percent in 2018 due to outflows of expatriates from the workforce. However, this trend has reversed in 2019 where total employment increased marginally by 1.31 percent.
- ♦ The exodus of expat workers from Saudi Arabia in 2020, due to the economic fallout from COVID-19 and oil price shock, has accelerated a shift in the labor market resulting 0.2% decline in employment growth in 2020.
- ♦ Looking forward the employment growth is expected to remain supported by the various initiatives aimed at boosting youth, women and Saudi nationals' participation in the workforce, in the short to medium term this will be balanced by rising pressures on the expat labour market resulting from the impact of government fees and Saudization plans on non-Saudi employment figure.

Employment, YoY % Change

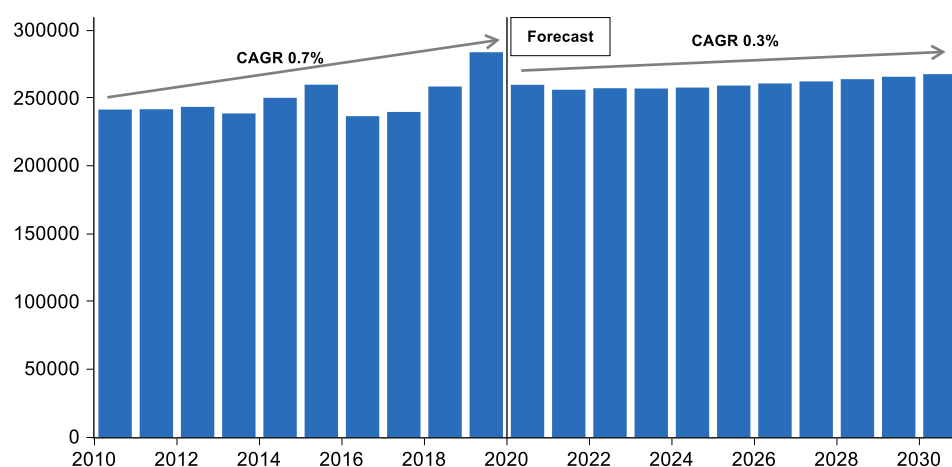


Source: Oxford Economics, Macrobond

KSA average household disposable Income in SAR

- ♦ Household income is a key determinant of affordability and consumer spending patterns.
- ♦ Average household personal disposable income in Saudi Arabia stood at c. SAR 259,687 in 2020. Between 2010 and 2020, the average household personal disposable income increased at a CAGR of 0.7%. It is expected that this growth momentum will slowdown to 0.3% between 2020 and 2030, as highlighted in the adjacent graph.

Household Disposable Income

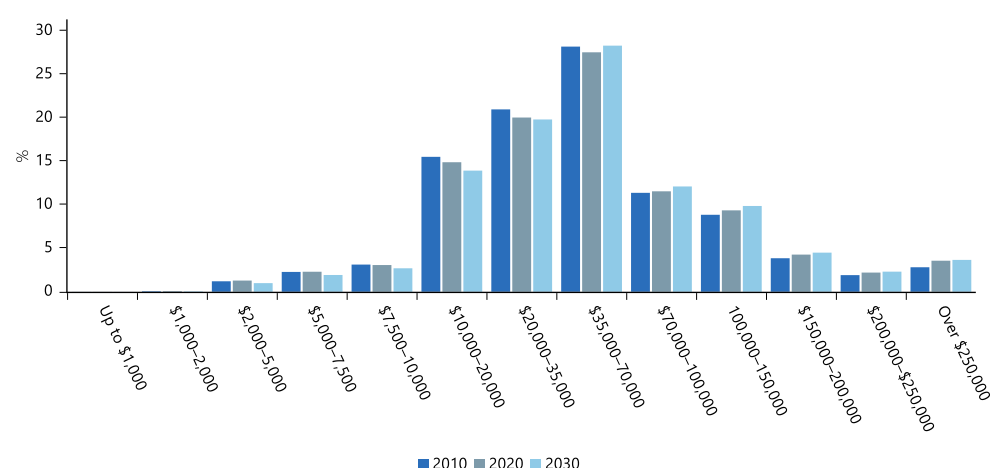


Source: Oxford Economics, Macrobond

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

- ♦ The number of households in Saudi Arabia currently (2020) stands at approximately 6.52 million and is expected to grow to 8.06 million by 2030.
- ♦ In 2020, 58.4% of households in Riyadh were within income bands above USD 35,000 and this share is expected to increase going forward, reaching 60.7% in 2030.
- ♦ 41.6% of households were in the lower income bands - below USD 35,000. This proportion of household income band is expected to witness a decrease between 2020 and 2030 reaching 39.3%. This is a positive trend, from the perspective of consumer spending and demand for real estate in the city.

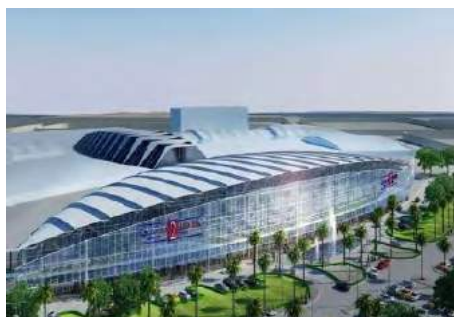
Household, By Income Band



Source: Oxford Economics, Macrobond

Jeddah – Existing Demand Generators

Red Sea Mall



- It covers approximately 242,200 square meters of built area with the "Elaf Jeddah" hotel attached to the mall.
- The mall has the "biggest indoor water fountain" and the largest glass covered area in Saudi Arabia.

King Abdullah Sports City



- The stadium lies approximately 15 kilometres inland from the Corniche, 20 kilometres from the Red Sea Mall, 35 kilometres from the King Fahd Fountain, and 40 kilometres from Al-Balad old town.
- In addition to the main 60,000-seat soccer stadium, the complex includes a 10,000-seat multi-sports hall, an outdoor 1,000-seat athletic stadium, additional indoor training fields, and parking for 45,000 vehicles

King Abdul-Aziz University



- King AbdulAziz University includes two separate campuses (one for females and one for males) as per the requirements of the Islamic Shar'ia Law.
- Each of the campuses is equipped with academic, cultural, sports and recreational facilities, as well as a large library, which is supplied with the most advanced technologies to serve students and the teaching staff.

Al Balad Historical District



- Al Balad was founded in the 7th century and historically served as the center of Jeddah.
- Al Balad was nominated by Saudi Commission for Toursim and Antiquites to be listed in UNESCO's World Heritage site, which was accepted on 2014.

Jeddah Corniche



- The corniche features a coastal road, recreation area, pavilions and large-scale civic sculptures - as well as King Fahd's Fountain, the highest fountain in the world.
- The established area is well equipped, with many facilities including restaurants, retail outlets, hotels, aquarium, cultural center, water dancing fountain, blossoming gardens and fountains.

Jeddah International Exhibition & Conference Centre (JIECC)



- Jeddah International Exhibition and Convention Center (also known as Jeddah Center for Forums & Events) is a multi-purpose venue, located in one of the leading commercial hubs of Saudi Arabia.
- The venue covers 40,000 square metres and provides 10,000 square metres of indoor event area, a large exhibition hall, a business centre and dining options.

Haya Jeddah Festival



- Haya Jeddah, considered the largest shopping festival in Saudi Arabia, promotes the city's position as a welcoming and accessible family destination.

Fakieh Aquarium



- The only aquarium for the public in Saudi Arabia and offers education and entertainment by presenting the wonders of the underwater environment of the Red Sea and marvels brought from other seas and oceans around the world.
- With more than 200 species including Sharks, Groupers, Sting-Rays, Napoleon Wrasse, Sea Horses and Moray Eels amongst others, the Fakieh Aquarium aims to continue expanding the aquarium, offering a unique dolphin swimming experience, which was started in 2019.

Haramain High Speed Railway



- The 450km high speed rail link connects the cities of Makkah, Jeddah and Madinah.
- The project has been running tests since Q3 2016 and opened to the public officially in October 2018.
- The line is projected to carry around 165,000 passengers per day at full operational capacity.

Jeddah– Upcoming Major Developments

Prince Sultan Cultural Centre



- The Cultural Centre will be the focal point of the Cultural City, providing a range of cultural and artistic activities and programmes.
- The Centre will be designed to include a 2,000 seat Auditorium for performing arts, conventions, exhibitions, interactive experiences and gallery space.

Jeddah Economic City



- Jeddah Economic City, previously known as Kingdom City, is a 5,202,570 square metre (56,000,000 square feet) (2 square mile) project approved for construction in Jeddah, Saudi Arabia.
- The centerpiece of the development will be Jeddah Tower, planned to be the tallest building in the world upon its completion. Jeddah Economic City is a three-phase project. We understand that Jeddah Tower is included in phase 1 of construction, earmarked for completion by 2021.

Heart of Jeddah



- Heart of Jeddah is a new community in central Jeddah, Saudi Arabia. The site is a redevelopment of an abandoned air field and is surrounded by newly developed residential communities and retail establishments. Immediately adjacent to the site is King Abdelaziz University.
- Derived from the historical development patterns of Jeddah, the Souk features a number of small, low-rise mixed-use buildings.

King Abdullah Economic City



- King Abdullah Economic City (KAEC) has defined its credentials in the past few years as a major social and economic growth driver in the Kingdom.
- The Economic City, the 168 million square metres development on the Red Sea coast, energises the economy through diverse components including a port, industrial zone, and residential projects.
- KAEC will have a station on the Haramain high-speed railway connecting Makkah and Medina.

Appendix 3 - Cash Flows

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
For the Years Ending	Year 1 May-2022	Year 2 May-2023	Year 3 May-2024	Year 4 May-2025	Year 5 May-2026	Year 6 May-2027	Year 7 May-2028	Year 8 May-2029	Year 9 May-2030	Year 10 May-2031	Year 11 May-2032	Total
Rental Revenue												
Headline Rent	48,459,739	48,966,934	49,484,272	30,078,548	27,450,197	27,999,201	28,559,185	29,130,369	29,712,976	30,307,236	30,913,380	381,062,037
Void Loss	-25,359,739	-25,866,934	-26,384,272	-4,718,809	0	0	0	0	0	0	0	-82,329,754
Passing Rent	23,100,000	23,100,000	23,100,000	25,359,739	27,450,197	27,999,201	28,559,185	29,130,369	29,712,976	30,307,236	30,913,380	298,732,283
Total Rental Revenue	23,100,000	23,100,000	23,100,000	25,359,739	27,450,197	27,999,201	28,559,185	29,130,369	29,712,976	30,307,236	30,913,380	298,732,283
Total Tenant Revenue	23,100,000	23,100,000	23,100,000	25,359,739	27,450,197	27,999,201	28,559,185	29,130,369	29,712,976	30,307,236	30,913,380	298,732,283
Potential Gross Revenue	23,100,000	23,100,000	23,100,000	25,359,739	27,450,197	27,999,201	28,559,185	29,130,369	29,712,976	30,307,236	30,913,380	298,732,283
Effective Gross Revenue	23,100,000	23,100,000	23,100,000	25,359,739	27,450,197	27,999,201	28,559,185	29,130,369	29,712,976	30,307,236	30,913,380	298,732,283
Revenue Costs												
Property Management	0	0	0	251,552	274,333	279,948	285,547	291,258	297,083	303,024	309,085	2,291,830
Sinking Fund	231,000	231,000	231,000	249,649	270,849	279,033	284,613	290,306	296,112	302,034	308,075	2,973,670
Op Ex	0	0	0	2,827,371	2,907,286	2,965,432	3,024,741	3,085,236	3,146,940	3,209,879	3,274,077	24,440,962
Insurance	156,135	159,258	162,443	165,692	169,006	172,386	175,833	179,350	182,937	186,596	190,328	1,899,962
Structural Vacancy - Year 5	0	0	0	3,043,169	0	0	0	0	0	0	0	3,043,169
Structural Vacancy - Year 6	0	0	0	0	3,267,459	3,359,373	3,426,560	3,495,091	3,564,993	3,636,293	3,709,019	24,458,789
Total Revenue Costs	387,135	390,258	393,443	6,537,433	6,888,934	7,056,171	7,197,294	7,341,240	7,488,065	7,637,826	7,790,583	59,108,382
Net Operating Income	22,712,865	22,709,742	22,706,557	18,822,306	20,561,264	20,943,030	21,361,891	21,789,128	22,224,911	22,669,409	23,122,797	239,623,901
Cash Flow Before Debt Service	22,712,865	22,709,742	22,706,557	18,822,306	20,561,264	20,943,030	21,361,891	21,789,128	22,224,911	22,669,409	23,122,797	239,623,901
Cash Flow Available for Distribution	22,712,865	22,709,742	22,706,557	18,822,306	20,561,264	20,943,030	21,361,891	21,789,128	22,224,911	22,669,409	23,122,797	239,623,901