

Valuation Report.

Salama Building, Madinah Road, Salamah District, Jeddah, KSA

Prepared for SNB Capital

Valuation date: 30 June 2022

Important Notice to all readers of this report

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

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globally connected.**

SNB Capital

Riyadh, Kingdom of Saudi Arabia

For the attention of Danial Mahfooz, CFA
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Our ref: KfV377-2022

Date of issue: 27 July 2022

Dear Sirs

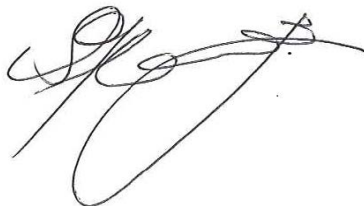
Valuation Report – Salama Building, Madinah Road, Salamah District, Jeddah, KSA

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

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

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

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



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



Contents

Report sign-off.....	2
Executive summary.....	5
1. Terms of engagement.....	8
Engagement of Knight Frank Spain Saudi Arabia Real Estate Valuations Company	8
Independence and expertise	8
Use of this Valuation.....	9
Limitations on liability.....	9
Scope of work.....	10
2. The Property.....	11
Location	11
Site	12
Description.....	12
Accommodation.....	13
Services.....	14
Legal title	14
Condition	15
Environmental considerations	16
Planning.....	16
Highways and access.....	16
Statutory licences & certificates	17
3. Market analysis	18
Saudi Arabia market commentary	18
4. Valuation.....	19
Methodology	19
Comparable Evidence – Benchmarking	19
Valuation Assumptions	22
Valuation Considerations	23
SWOT analysis.....	23
Valuation bases	24
Valuation date.....	24
Market Value	24

Appendices

- Appendix 1 Instruction documentation
- Appendix 2 Title Deed
- Appendix 3 Building Permit
- Appendix 4 Cash Flow
- Appendix 5 Market Research Report

Executive summary

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

Address	Salama Building, Madinah Road, Salamah District, Jeddah, KSA
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 area is in good condition.</p>
Areas	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.
Tenure	Assumed freehold.
Planning	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.

Valuation considerations

- We have valued the property subject to the head lease that is currently in place. The head lease is for a 5-year term starting on 05 August 2019 and ending on 05 August 2024, with a fixed rental income of SAR 23,100,000 per annum and 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.
- We have allowed for 12% structural vacancy on revenues, annually. This has been assumed in regards to our benchmarks and our professional experience of advising in the region.
- Our Estimated Rental Value for the property as at the valuation date is SAR 25,716,246 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 date

30 June 2022.

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 246,000,000

(Two Hundred and Forty Six Million Saudi Arabian Riyals)

**Valuation
Assumptions**

Item	Unit	Assumption
Head Lease	Entire building	Start Date: 05 August 2019 End Date: 05 August 2024
Passing rent	SAR per annum	23,100,000
ERV	SAR per annum	25,716,246
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	680 to 815
Estimated Retail Market Rent (after the Head Lease expiry)	SAR / sq m per annum	1,320
Service Charge	%	10%
Telecommunications Tower income	SAR per annum	32,375
Insurance	SAR per annum	156,135
Operating Costs (after expiry of the Head Lease)	SAR / sq m per annum	90
Property Management Fee and Marketing	Percent of Revenue	1.00%
Sinking Fund	Percent of Revenue	1.00%
Exit Yield	%	8.25%
Growth	%	2.00%
Discount Rate	%	10.25%

1. Terms of engagement

Engagement of Knight Frank Spain Saudi Arabia Real Estate Valuations Company

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

Client

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

Valuation standards

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

Independence and expertise

Disclosure of any conflicts of interest

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

Valuer and expertise

- 1.5 The valuer, on behalf of Knight Frank Spain Saudi Arabia Real Estate Valuation Company with the responsibility for this report is Talal Raqaban MRICS, RICS Registered Valuer and Fellow member of Taaqem. Parts of this valuation have been undertaken by additional valuers as listed on our file.
- 1.6 We confirm that the valuer and additional valuers meet the requirements of the Red Book / IVS and Taaqem Regulations, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
- 1.7 We are appointed as your valuation advisors; our role is limited to providing property valuation services in accordance with the Red Book and the terms of this Agreement.
- 1.8 For the purposes of the Red Book / IVS, we are acting as External Valuer.
- 1.9 This report has been vetted as part of Knight Frank Spain Saudi Arabia Real Estate Valuation Company quality assurance procedures.

Use of this Valuation

Purpose of valuation

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

Reliance

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

Disclosure & publication

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

Limitations on liability

- 1.13 Knight Frank Spain Saudi Arabia Real Estate Valuation Company’s total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this Valuation is limited to the amount specified in our Terms of Engagement, a copy of which is attached. Knight Frank Spain Saudi Arabia Real Estate Valuation Company accepts no liability for any indirect or consequential loss or for loss of profits.
- 1.14 We confirm that we hold adequate and appropriate PII cover for this instruction.
- 1.15 No claim arising out of or in connection with this Valuation may be brought against any employee, director, member, partner or consultant of Knight Frank Spain Saudi Arabia Real Estate Valuation Company. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank Spain Saudi Arabia Real Estate Valuation Company.
- 1.16 Nothing in this Valuation shall exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

Scope of work

- 1.17 In this report we have been provided with the following information by you, your advisors or other third parties and we have relied upon this information as being materially correct in all aspects.
- 1.18 In particular, we detail the following:
- Information relating to the extent of the property
 - Project summary
 - Copy of the title deed
 - Copy of the Building Permit
 - Head lease (in Arabic)
- 1.19 In the absence of any documents or information provided, we have had to rely solely upon our own enquiries as outlined in this report. Any assumptions resulting from the lack of information are also set out in the relevant section of this report.

2. The Property

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

Property address	Inspected by	Inspection date
Salama Building, Madinah Road, Salamah District, Jeddah, KSA	Faris Gari	14 June 2022

Location

- 2.2 As can be seen from the map below, 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.
- 2.3 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.
- 2.4 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.



Source: Google Earth / Knight Frank Research

Site

Site area

2.5 The property occupies a broadly rectangular site of approximately 7,682 sq m (areas taken from client).

Site plan

2.6 The property is identified on the Google Earth image below, showing our understanding of the boundaries outlined in red.



Source: Google Earth / Knight Frank Research

Description

2.7 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.

2.8 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.

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

2.10 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.

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



Accommodation

Measurement

2.12 As agreed with the client, we have relied upon the areas provided to us by them and have assumed that they have been prepared in accordance with local market practice and regulations. No further verification has been undertaken.

Areas

- 2.13 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
- 2.14 The rest of the floor space is comprised of common areas, storage space, telecommunications antennas, sign board, etc.

Services

- 2.15 No tests have been undertaken on any of the services.
- 2.16 For the purpose of this valuation, we have assumed that mains gas, water, electricity, drainage and telecommunications are all available to the subject property.
- 2.17 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

Sources of Information

- 2.18 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 details shown below:

Table 1: Title deed

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

Source: Client

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

Tenure

- 2.20 For the purposes of this valuation, we have assumed that the property is held freehold and is free from any encumbrances and third party interests.

Covenants

- 2.21 We have assumed that the property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.
- 2.22 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

- 2.23 The property is subject to a head lease. The salient terms of the lease agreement are summarised below:

Table 2: Lease terms summary

Item	Description
Landlord	Al Ahli REIT Fund (1)
Tenant	Confidential
Term	5 years
Lease Start Date	04 August 2019
Lease End Date	04 August 2024
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

- 2.24 We have not undertaken a site survey of the property.
- 2.25 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

- 2.26 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.

2.27 During the course of our inspection, the buildings appeared to be in a generally reasonable state of repair commensurate with their age and use.

Ground conditions

2.28 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

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

Planning

Sources of planning information

2.30 The client has provided us with a copy of the property's planning permit from which we understand the following:

Table 3: Summary of Planning Permit

	Parking (sq m)	Commercial (sq m)
Basement	7,682	-
Services Floor	6,558	-
Ground Floor	-	4,487
Mezzanine	-	-
1 st	-	2,193
2 nd	-	3,484
3 rd	-	2,703
Recurring Floor	-	25,386
Total	14,240	37,622

Source: Client

Highways and access

2.31 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

2.32 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.

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

Statutory licences & certificates

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

Fire safety

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

3. Market analysis

Saudi Arabia market commentary

3.1 A copy of the KSA Macro Economic Overview, prepared by Knight Frank, is attached at Appendix 5.

Source of information

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

4. Valuation

Methodology

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

Investment Method

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.

Comparable Evidence – Benchmarking

4.4 In order to form our opinion of the market rent upon the expiry of the head lease, we have had regards to comparable Grade B offices and retail in close proximity to the property. We have considered the asking lease rates per annum, and have made the necessary adjustments for location, specification, and size. A summary of our comparable evidence is provided in the tables below and corresponding map:

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	85%	825	10%
2	Elite Al Shatea	2012	Fitted	B	75%	700	10%
3	Tahliya Centre	2010	Fitted	B	70%	700	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	Prince Sultan Road, Salamah District	Good	350	1,800
6	Al Batarji Street, Al Zahraa District	New	160	1,500
7	Madinah Road, Al Nuzha District	New	350	1,800
8	Prince Sultan Road, Nahdah District	Good	125	1,600

Source: Knight Frank Research

Map of Comparables



Source: Google Earth

Comparables Commentary – Offices

- 4.5 As shown above, rents in comparable offices range between SAR 700 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 Sumou Tower, which was completed in 2013 and offers grade B fitted space for SAR 825 per sq m per annum. Sumou Tower has two retail showrooms on the ground floor along King Abdulaziz Road and is subject to 10% service charge. The occupancy of Sumou Tower has increased from 75% to 85% over the past 6 months. We consider this benchmark superior in terms of location and specification, as such we have applied a discount to the property.
- 4.7 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 current asking rent of SAR 700 per sq m per annum. Rents at Elite Al Shatea are subject to a standard 10% service charge.
- 4.8 Rents at Tahliya Centre have slightly decreased over the past 6 months, while occupancy has decreased by c.19%. Headline rent is SAR 700 per sq m plus 10% service charge. The office space is considered as grade B space and the units are fitted out. This benchmark and the property have similar specifications, hence no adjustments were made. However, we applied a discount to the subject property for location since the location of Tahliya Center is better.

- 4.9 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 a rent of SAR 900 per sq m per annum plus service charge. Rents have remained stable over the past 6 months, while occupancy has decreased by 3%.
- 4.10 Although the property is located along a primary road in Jeddah and benefits from good accessibility and visibility, we consider the location of the benchmarks above to be more suitable for office spaces. We also consider the benchmarks to have slightly better specifications / quality. We have therefore assumed that the property would command lower lease rates than the benchmarks, at SAR 615 per sq m per annum.
- 4.11 We note that the above benchmarks charge 10% service charge on top of the annual lease rate, therefore, after deriving our opinion of the lease rate for the property we have included a 10% service charge to the adjusted lease rate to arrive at the adopted lease rate of SAR 680 per sq m per annum.
- 4.12 We have then divided the office units into four groups based on the floor level, and applied a premium to upper floors due to better views.

Comparables Commentary – Retail

- 4.13 The comparable set above, comprises retail shops located in close proximity to the property. Although the property has good location, with it being located on Madinah Road, it is deemed less desirable when compared to King Abdulaziz Road, Prince Sultan Road, and Al Batarji street. We have therefore applied a discount to the subject property against comparable five, six, and eight.
- 4.14 The comparables are of various sizes, ranging between between 125 sq m to 350 sq m. Given that the average size for retail units within the property is 1,428 sq m which is larger, we have applied discounts to the property against the comparables.
- 4.15 Based on the adjustments above, the adjusted lease rate for retail units is SAR 1,200 per sq m per annum. We have assumed a 10% service charge to be applied on top of the annual rent, which results in an adopted rate of SAR 1,320 per sq m per annum.

Estimated Rental Values

- 4.16 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	680
4th - 8th	Office	SAR per sq m / pa	725
9th - 11th	Office	SAR per sq m / pa	770
12th and 13th	Office	SAR per sq m / pa	815
-	Retail	SAR per sq m / pa	1,320
-	Storage	SAR per annum	7,400
-	Telecom Tower	SAR per annum	32,375

Valuation Assumptions

Operating Costs (after the Head Lease)

- 4.17 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

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

Market Rent

- 4.19 The estimated Market Rent for the property is SAR 25,716,246 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	680 to 815
Estimated Retail Market Rent	SAR / sq m per annum	1,320
Service Charge	%	10%
Telecommunications Tower income	SAR per annum	32,375
Passing Rent	SAR per annum	23,100,000
Market Rent (100% occupancy)	SAR per annum	25,716,246
Insurance	SAR per annum	156,135
Operating Costs	SAR / sq m per annum	90
Structural Vacancy	%	12%
Property Management and Marketing Fee	Percent of Revenue	1.00%
Sinking Fund	Percent of Revenue	1.00%
Exit Yield	%	8.25%
Growth	%	2.00%
Discount Rate	%	10.25%
Market Value (SAR)	SAR	246,000,000

Valuation Considerations

Subject property

- 4.20 We have valued the property subject to the head lease that is currently in place. The head lease is for a 5-year term starting on 05 August 2019 and ending on 05 August 2024, with a fixed rental income of SAR 23,100,000 per annum and 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.
- 4.21 The lot size is such that this asset would prove attractive in the market given the two distinct asset classes of retail and offices.
- 4.22 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.
- 4.23 We allowed for 12% structural vacancy of on revenues, annually. This has been assumed in regards to our benchmarks and our professional experience of advising in the region.
- 4.24 Our Estimated Rental Value for the property as at the valuation date is SAR 25,716,246 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.
- 4.25 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.
- 4.26 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.
- 4.27 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.

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.

Valuation bases

Market Value

4.28 Market Value is defined within **RICS Valuation - Global Standards / IVS** as:

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

Valuation date

Valuation date

4.29 The valuation date is 30 June 2022.

Market Value

Assumptions

4.30 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

4.31 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 246,000,000

(Two Hundred and Forty Six Million Saudi Arabian Riyals)

Appendix 1 Instruction documentation



AIAhli REIT Fund (1)
Riyadh
Kingdom of Saudi Arabia

For the attention of Danial Mahfooz

Our Ref: SNB Capital

11 July 2022

Dear Sirs

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

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

1. Client

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

2. Properties to be valued

The Properties to be valued are as follows:

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

3. Valuation standards

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

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

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

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

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

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

5. Valuer and competence disclosure

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

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

6. Purpose of valuation

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

7. Limitation of liability and restrictions on use

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

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

Third party reliance

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

Disclosure

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

8. Basis of valuation

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

- Market Value.

9. Special assumptions and assumptions

Special assumptions

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

- You have not requested any valuations on special assumptions.

Assumptions

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

10. Valuation date

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

11. Currency to be adopted

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

12. Extent of inspection and investigations

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

Inspection

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

13. Information to be relied upon

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

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

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

14. Report format

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

15. Fees and expenses

Payment details

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

June 2022 revaluation:



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

December 2022 revaluation:

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

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

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

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

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

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

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

16. Acceptance

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



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

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

Yours faithfully



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



Attached - General Terms of Business for Valuation Services



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

.....
Date

KF Ref: SNB Capital

Our Ref: SNB Capital

6

Appendix 2 Title Deed

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الجمهورية العربية السورية
وزارة العدل

[٢٧٧]

كتابة العدل الأولى بجدة

الرقم: ٣٢٠٢١٢٠٢٤٠١٨
التاريخ: ١٢ / ٣ / ١٤٤٠ هـ

صك

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

فإن قطعة الأرض المرموز لها بحرف (ب) الواقع في حي السلامة بمدينة جدة .

وحدودها وأطوالها كالتالي:

شمالاً: شارع عرض ١٢ م بطول: (٤,٢٤) يبدأ من الجنوب الشرقي للشمال الغربي بطول ٤,٢٤ م ثم غرباً ٧١ م ثم شططة جنوب غرب بطول ٤,٢٤ م

جنوباً: شارع عرض ١٢ م بطول: (٤,٢٤) يبدأ بشططة من الشمال الشرقي للجنوب الغربي بطول أربعة متر و أربعة و عشرون سنتيمتر ثم غرباً بطول ٧١ م ثم شططة شمال غرب ٤,٢٤ م

شرقاً: طريق المدينة بعرض ٥٧ م بطول: (٩٤) أربعة و تسعون متر

غرباً: شارع عرض ١٢ م بطول: (٩٤) أربعة و تسعون متر

ومساحتها (٧٦٨٢) سبعة آلاف و ستمائة و إثنتين و ثمانون متر مربعاً فقط وبناءاً على قرار دائرة التنفيذ الأولى بجدة رقم ٢٤/٥/١٤٣٨ في ٣٨٣٦٦٠٩٩

والمستند في إفراغها على الصك الصادر من هذه الإدارة برقم ٥٢٠٢١٢٠٢٣٩٦٨ في ٢٩ / ١١ / ١٤٤٠ هـ

قد انتقلت ملكيتها ل: شركة صندوق تمكين العقارية بموجب سجل تجاري رقم ١٠١٠٩٢٨٨٩٠ وتنتهي في ٢٤ / ٣ / ١٤٤٢ هـ ،

بثمن وقدره ٢٥٥٠٠٠٠٠٠ مئتين و خمسة و خمسون مليون ريال وعليه جرى التصديق تحريراً في ٣ / ١٢ / ١٤٤٠ هـ لاعتماده ،

وصلى الله على نبيينا محمد وآله وصحبه وسلم.

وزارة العدل

2

كاتب العدل
بدر بن عايل بن بريك السلمي

وزارة العدل
كتابة العدل الأولى بمحافظة جدة
كاتب العدل بمكتب رقم (١٢)

هذا المستند وحدة متكاملة، ووضياع أو تلف صفحة منه يؤخذ إلى عدم صلاحية المستند
مصلحة مطابع الحكومة - ٢٨٢٠٢٢ (هذا النموذج مخصص للاستخدام بالحاسب الآلي ويمنع تغليفه)
نموذج رقم ١١ - ١٠٠١

Appendix 3 Building Permit



الإدارة المركزية لرخص البناء
رخصة بناء مفعلة
٢٠٠٠١٨٢٤٤
الرقم التسلسلي (٤١٧٩)

أمانة محافظة جدة

تجديد رخصة

رقم رخصة البناء	٢٧٩٨	تاريخها	١٤٣١/٠٧/٠٢
رخصة بناء :	اداري تجاري	صالحة إلى	١٤٣٤/٠٧/٠٢
اسم المالك :	احمد محمد عمر باسمعروف		
نوع هوية :	حفيظة نفوس	رقمها	١٠٠٠٤٨٨٣١٠
صك ملكية رقم :	٢٢٧٦	تاريخها	١٣٧٨/٠٥/٢٥
رقم المبنى :		مصدرها	جدة
رقم القطعة :		مصدر	جدة
رقم المخطط :		حي	السلامة

قد رخص المالك ببناء عدد ١٥ دور بموجب الحدود والأبعاد والارتدادات والبروزات

المحويات	مسكن	تجاري	مواقف سيارات	وحدات أخرى	مساحة الدور
اليدروم	.	.	٧٩٨٢	.	.
طابق خدمة	.	.	٦٥٥٨,١	.	.
الطابق الأرضي	.	٤٤٨٦,٥	.	.	٤٤٨٦,٥
طابق الميزانين
الطابق الأول	.	٢١٩٢,٥	.	.	٢١٩٢,٥
الطابق الثاني	.	٣٤٨٤	.	.	٣٤٨٤
الطابق الثالث	.	٢٧٠٣	.	.	٢٧٠٣
الطابق المتكرر	.	٢٥٣٨٥,٦٩	.	.	٢٥٣٨٥,٦٩



مروان بدر الدين عاشر
طريق المدينة المنورة عرف ٢٥٧

إجمالي طول الأسوار (م - ط)	
رقم رخصة المكتب الهندسي	مكتب المهندس مروان بدر الدين عاشر
الرسم	رقم الإرسال: ٣١٠١١٣٧٩١٧ تاريخ الإرسال: ١٤٣١/٠٦/٢٢
* تم إحضار العقود المطلوبة حسب النظام	
عدد الوحدات السكنية:	١.١.٦
رئيس القسم	أ. أنيسيو محي الدين السكيبي
مدير الإدارة المركزية لرخص البناء	م/ هيبه الرزاق عبد الرحمن شبيع
الرقم	الإدارة العامة
رمز التشغيل	إدارة المشاريع الخدمية والتجارية

يجب على صاحب الرخصة إلقاء مخلفات البناء/ الهدم/ الترميم في المردم المعتمد من الأمانة باستخدام البطاقات المغتطة الممنوحة له عند إصدار الرخصة. وأن أمانة محافظة جدة في حال تقاعس صاحب الرخصة في توريد الدمارات المقررة ستطبق الجزاءات والعقوبات اللازمة لضمان إزالة المخلفات.

جدة أمانة
فنون الأمانة

002-01-F09; V 3.0

Appendix 4 Cash Flow

Cash Flow Report

Salamah Jeddah Head Lease - Semi Annual discounting (Amounts in SAR)

Jun, 2022 through May, 2033

02/07/2022 17:41:15

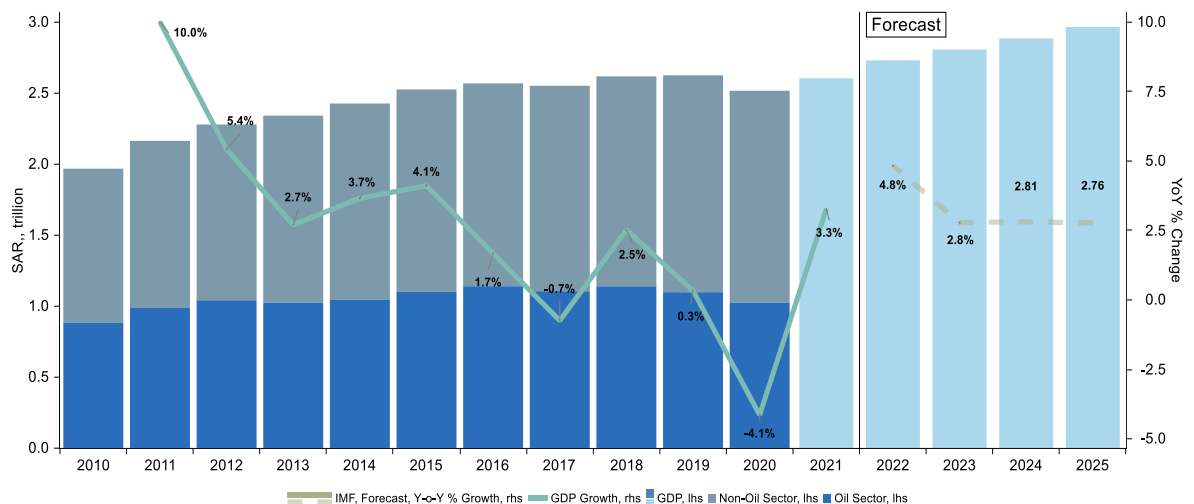
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	
For the Years Ending	May-2023	May-2024	May-2025	May-2026	May-2027	May-2028	May-2029	May-2030	May-2031	May-2032	May-2033	Total
Rental Revenue												
Headline Rent	48,816,247	49,330,572	30,124,361	27,290,287	27,836,093	28,392,815	28,960,671	29,539,884	30,130,682	30,733,296	31,347,962	362,502,868
Void Loss	-25,716,247	-26,230,572	-4,764,622	0	0	0	0	0	0	0	0	-56,711,440
Passing Rent	23,100,000	23,100,000	25,359,739	27,290,287	27,836,093	28,392,815	28,960,671	29,539,884	30,130,682	30,733,296	31,347,962	305,791,427
Total Rental Revenue	23,100,000	23,100,000	25,359,739	27,290,287	27,836,093	28,392,815	28,960,671	29,539,884	30,130,682	30,733,296	31,347,962	305,791,427
Total Tenant Revenue	23,100,000	23,100,000	25,359,739	27,290,287	27,836,093	28,392,815	28,960,671	29,539,884	30,130,682	30,733,296	31,347,962	305,791,427
Potential Gross Revenue	23,100,000	23,100,000	25,359,739	27,290,287	27,836,093	28,392,815	28,960,671	29,539,884	30,130,682	30,733,296	31,347,962	305,791,427
Vacancy & Credit Loss												
Vacancy Allowance	0	0	-2,282,377	-3,233,732	-3,328,711	-3,395,285	-3,463,191	-3,532,454	-3,603,104	-3,675,166	-3,748,669	-30,262,688
Total Vacancy & Credit Loss	0	0	-2,282,377	-3,233,732	-3,328,711	-3,395,285	-3,463,191	-3,532,454	-3,603,104	-3,675,166	-3,748,669	-30,262,688
Effective Gross Revenue	23,100,000	23,100,000	23,077,362	24,056,555	24,507,382	24,997,530	25,497,480	26,007,430	26,527,578	27,058,130	27,599,293	275,528,739
Revenue Costs												
Property Management	0	0	251,492	272,695	278,302	283,868	289,546	295,337	301,243	307,268	313,414	2,593,164
Sinking Fund	231,000	231,000	249,588	269,478	277,393	282,940	288,599	294,371	300,259	306,264	312,389	3,043,281
Op Ex	0	0	2,771,932	2,850,281	2,907,286	2,965,432	3,024,741	3,085,236	3,146,940	3,209,879	3,274,077	27,235,804
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
Total Revenue Costs	387,135	390,258	3,435,455	3,558,145	3,631,987	3,704,626	3,778,719	3,854,293	3,931,379	4,010,007	4,090,207	34,772,211
Net Operating Income	22,712,865	22,709,742	19,641,908	20,498,409	20,875,395	21,292,903	21,718,761	22,153,136	22,596,199	23,048,123	23,509,086	240,756,528
Cash Flow Before Debt Service	22,712,865	22,709,742	19,641,908	20,498,409	20,875,395	21,292,903	21,718,761	22,153,136	22,596,199	23,048,123	23,509,086	240,756,528
Cash Flow Available for Distribution	22,712,865	22,709,742	19,641,908	20,498,409	20,875,395	21,292,903	21,718,761	22,153,136	22,596,199	23,048,123	23,509,086	240,756,528

Appendix 5 Market Research Report

Saudi Arabia GDP Growth, 2011 - 2023

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

Saudi Arabia GDP, YoY % change



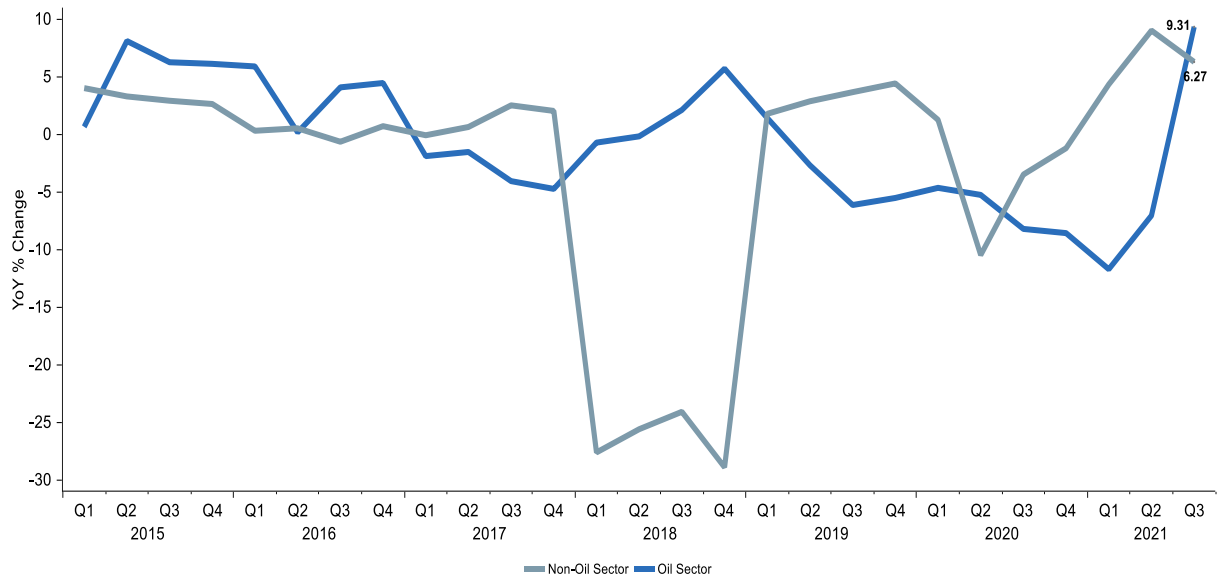
Source: Knight Frank Research, Macrobond

Saudi Arabia Oil & Non-Oil GDP and GDP Growth

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

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

Saudi Arabia Oil & Non-Oil GDP Growth

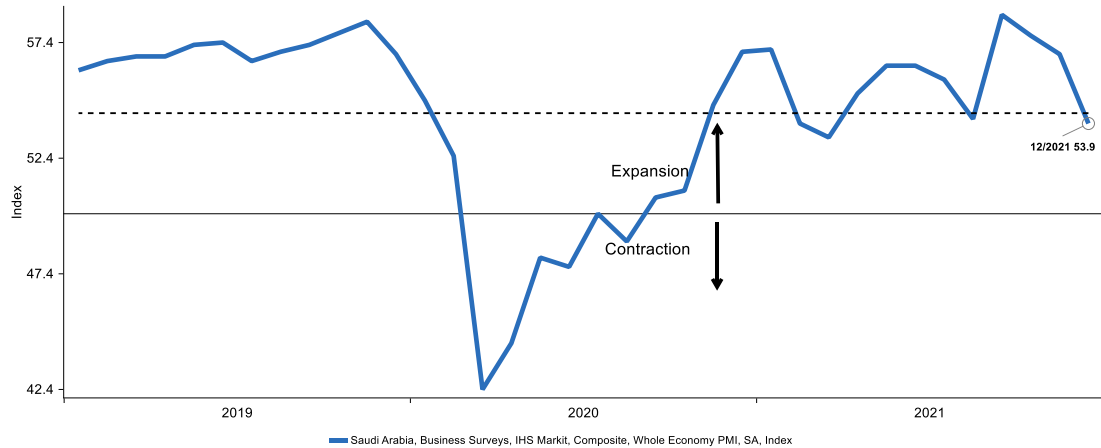


Source: Knight Frank Research, Macrobond

Saudi Arabia, Purchasing Manager Index (PMI)

- The non-oil private sectors are at the centre of Saudi Arabia's Vision 2030, and the reforms launched to bolster these sectors are already being felt widely across the economy. Indeed, Saudi Arabia's Purchasing Manager Index (PMI), which tracks the country's private non-oil economy, registered a reading of 53.9% in December 2021, representing the 16th month of expansion and business growth.
- However, Saudi Arabia's PMI fell on a monthly basis to 53.9 in December 2021 from 56.9 in November, the lowest figure since March. A trend underpinned by a decline in business activity amid concerns about the spread of the new Omicron strain that has impacted customer spending.

Saudi Arabia PMI

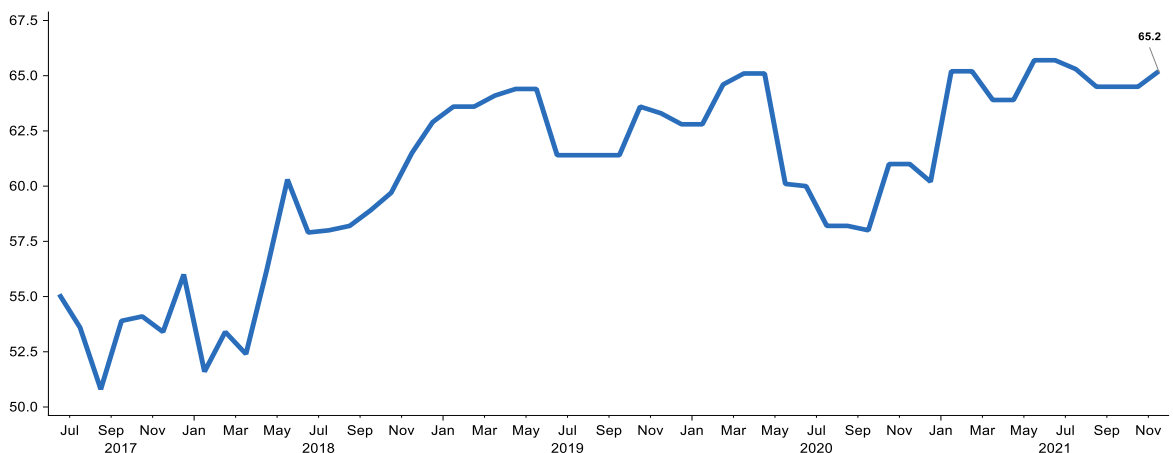


Source: Knight Frank Research, Macrobond

Saudi Arabia Primary Consumer Sentiment Index by Thomson Reuters / IPSOS

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

PCSI, by Thomson Reuters / IPSOS

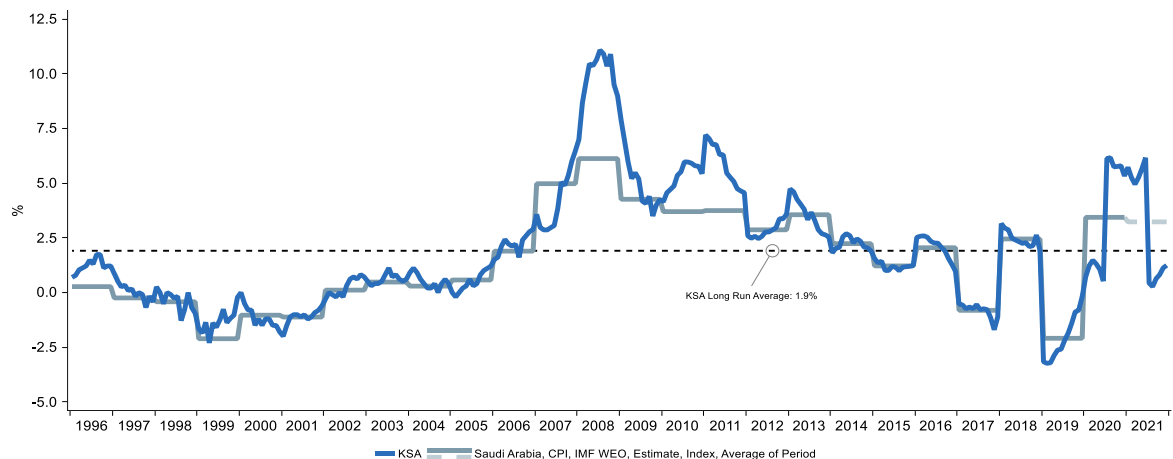


Source: Knight Frank Research, Macrobond

Saudi Arabia Consumer Price Index, YoY Change %

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

CPI, YoY % Change

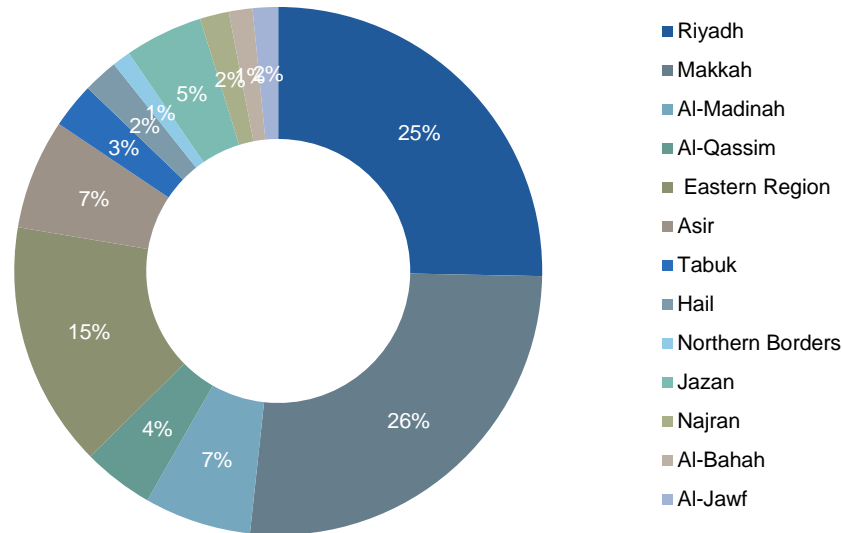


Source: Knight Frank Research, Macrobond

Saudi Arabia Population Segmentation by Province - 2019

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

Saudi Arabia Population Segmentation by Province - 2019

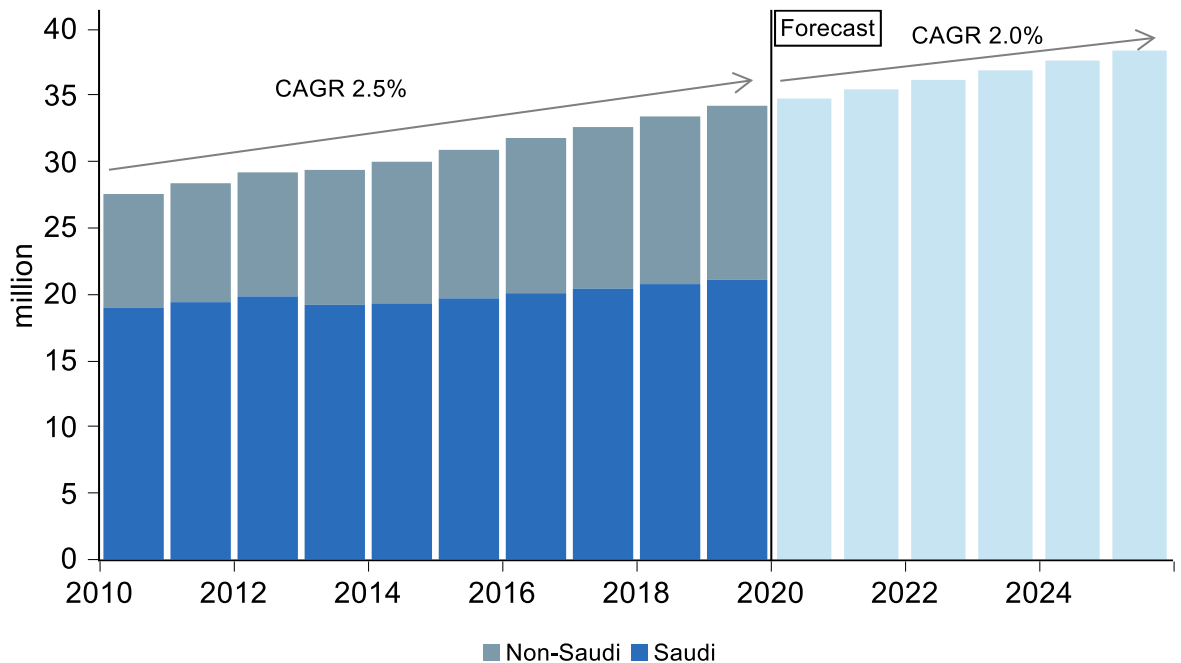


Source: Knight Frank Research, GASTAT

Saudi Arabia Population Forecasts

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

Saudi Arabia Population Evolution

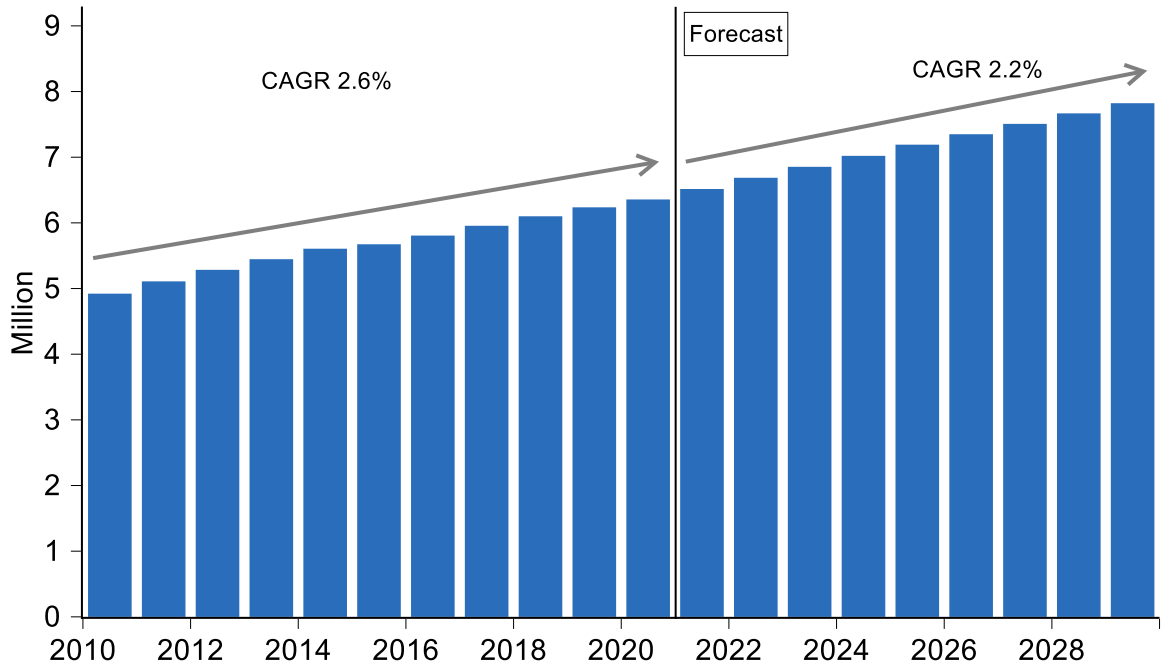


Source: Knight Frank Research, IMF

Total Number of Households

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

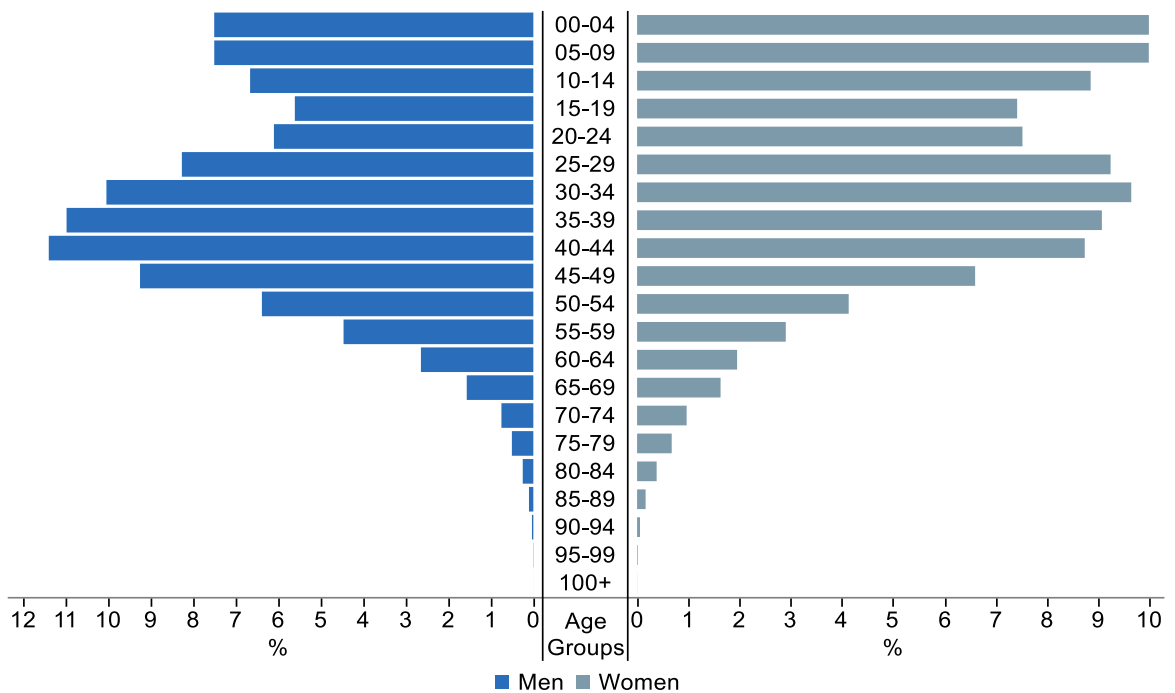
Number of Households



Source: Knight Frank Research/ Macrobond, Oxford Economics

Population by Age, Nationality, and Gender

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

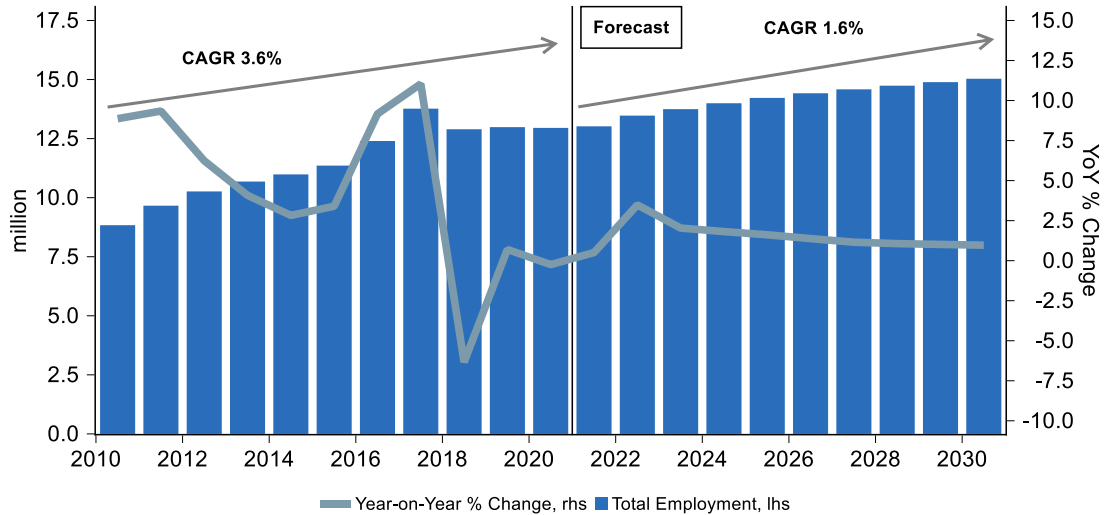


Source: Knight Frank Research, Macrobond

Total Employment - KSA

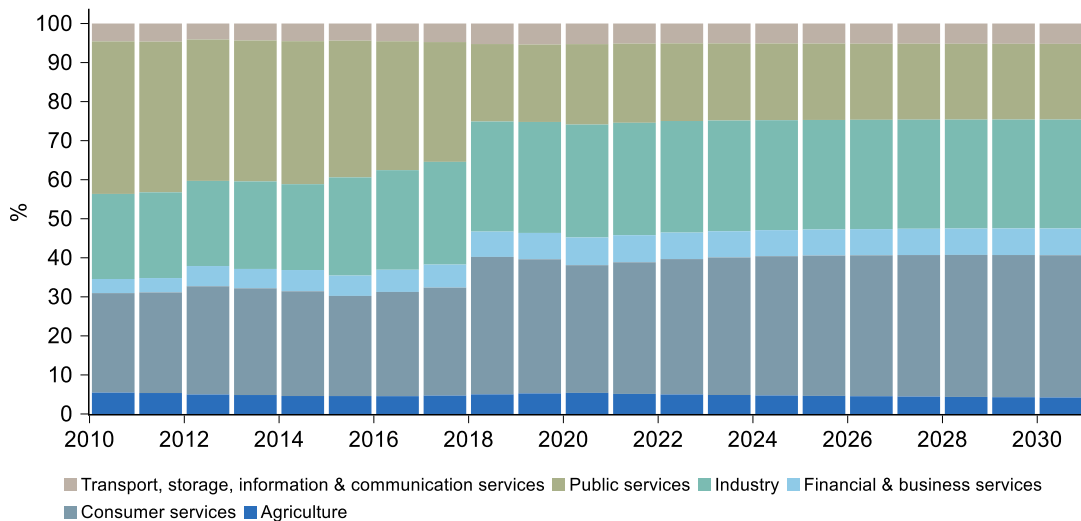
- Saudi Arabia’s total workforce was estimated at 13-Million employees in 2021, down from 13.8-Million employees in 2017. The decrease is mostly as a result of the departure c. 750,000 expatriates from the workforce during this period.
- This outflow of expatriates from the workforce was triggered by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

KSA, Employment



Breakdown of Employment by Economic Sector – KSA

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

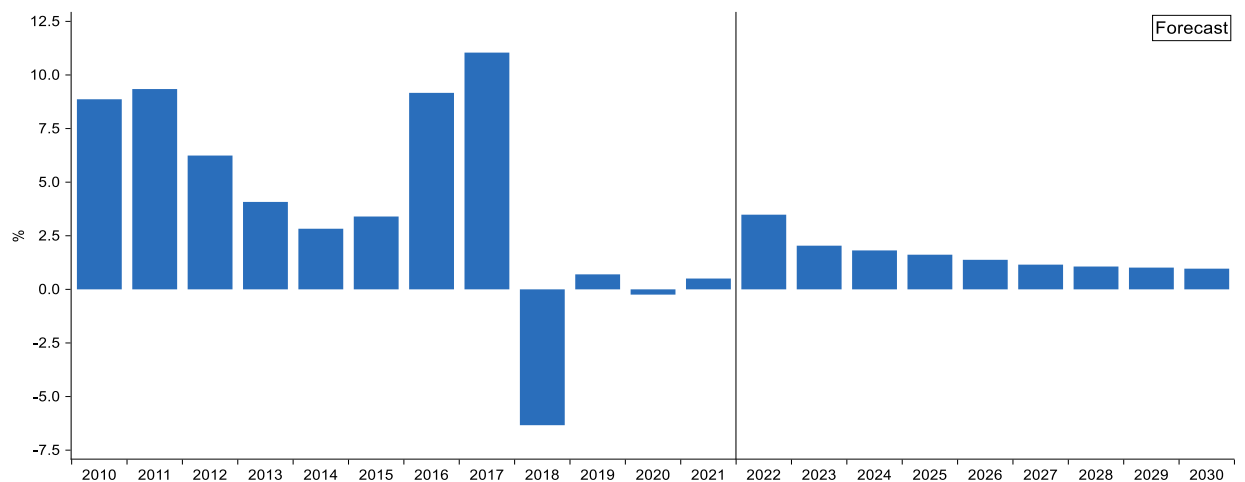


Source: Knight Frank Research, Macrobond

Employment YoY Change%

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

Employment, YoY % Change

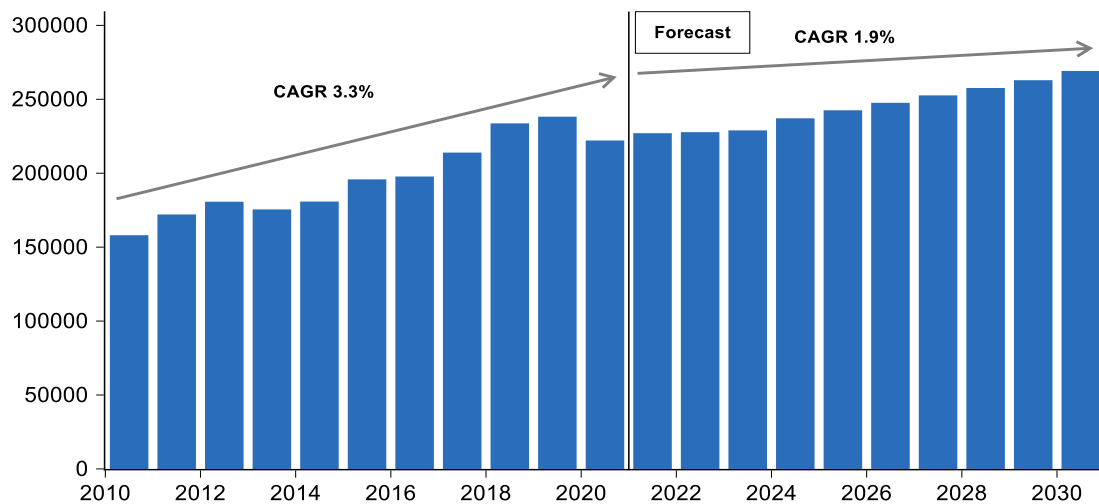


Source: Oxford Economics, Macrobond

KSA average household disposable income in SAR

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

Household Disposable Income

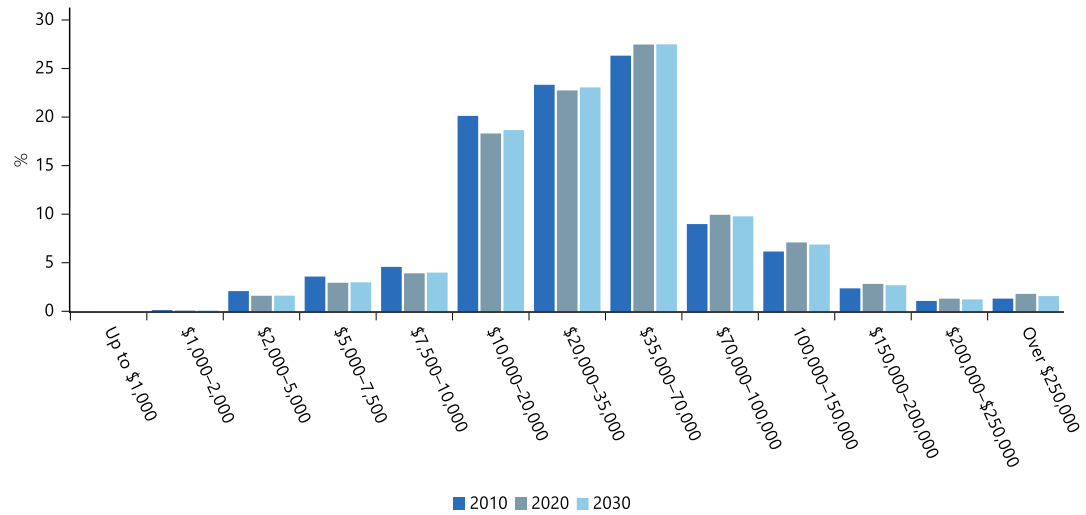


Source: Oxford Economics, Macrobond

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

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

Household, By Income Band



Source: Oxford Economics, Macrobond