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Jadwa Investment, Riyadh, KSA – September 2021

Valuation Report

HITTIN BOULEVARD, RIYADH, KSA

JADWA INVESTMENT

REPORT ISSUE DATE 02 SEPTEMBER 2021

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1 EXECUTIVE SUMMARY

THE EXECUTIVE SUMMARY AND VALUATION SHOULD NOT BE CONSIDERED OTHER THAN AS PART OF THE ENTIRE REPORT.

1.1 THE CLIENT

Jadwa Investment

Sky Towers, 4th Floor South Tower
P.O. Box 60677, Riyadh 11555, KSA

1.2 THE PURPOSE OF VALUATION

The valuation is required for internal purpose and submission to the Capital Market Authority (CMA).

1.3 INTEREST TO BE VALUED

The below-mentioned property is the scope of this valuation exercise:

Description	Property Details
Property Name	Hittin Boulevard
Land Area (sq. m.)	18,854.35
Built-Up Area (sq. m.)	35,992
Net Leasable Area (sq. m.)	26,866
Owner	NMR Real Estate Company
Location	Hittin District, Riyadh, KSA
GPS Co-ordinates	24°45'1.73"N, 46°36'48.80"E
Interest Valued	Freehold

Source: Client 2021

1.4 VALUATION APPROACH

We have undertaken the Discounted Cash Flow (DCF) approach to valuation.

1.5 DATE OF VALUATION

Unless stated to the contrary, our valuation has been assessed as at the date of our report based on our inspection of the subject property on 30 August 2021.

The valuation reflects our opinion of value as at this date. Property values are subject to fluctuation over time as market conditions may change.



1.6 OPINION OF VALUE

Property Name	Gross Income (SAR)	OPEX	Exit Yield	Disc. Rate	Property Value (SAR) [Rounded]
Hittin Boulevard	32,846,714 p.a.	12%	8%	10.5%	354,000,000

The executive summary and valuation should not be considered other than as part of the entire report. The client is advised that whilst all reasonable measures have been taken to supply an accurate valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's marketplace.

1.7 SALIENT POINTS (GENERAL COMMENTS)

It's been over year since the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" back on 11 March 2020, had impacted global financial markets. Travel restrictions had been implemented by many countries across the globe and travel restrictions remain in force due to a new wave of infections / viruses. The past year to 18 months, the world has undergone numerous transformations with businesses from all sectors disrupted. Businesses and industries remain working remotely and business leaders are focused on cost optimisation and digitisation.

The roll-out of vaccinations offer hope for life and business to get back to near normal, and recovery of oil price appears to be stable in KSA with positive trends going forward into 2021 and beyond. The same trends have been apparent across other global markets suggesting back to regularity with the caution of implementing social distancing rules and wearing of masks, etc., though the threat remains as observed with many countries across the Asian sub-continent, Europe and South America suffering from a heavy bout of the new variant virus of COVID-19.

The KSA economy appears stable within a recovery mode on the back of higher oil demand and private consumption along with KSA's Vision 2030 looks to diversify the economy away from oil through focusing on direct foreign investment, tourism and the increase of locals in the workforce.

Though the recent budget revealed, the budget deficit remains amounting to SR7.44 billion in the first quarter of this year, the ministry revealed that the total funding for the deficit amounted to SR29.55 billion. The cost of risk is also likely to stay elevated in 2021 reflecting the volatile global health situation and international travel restrictions still weigh on the economies across continents and globally affecting Middle East and KSA.

The real estate traditional determinants of location and value for money continue to be a key success influencing property and accommodation preference though investors in KSA are also no less sensitive to asset classes and the location of property providing investor expectations and stable long-term income for portfolios and funds. Equally, strong investor appetite remains for 'best in class' / 'Institutional Asset Class – Grade A' / good quality property providing long term income.



With all positive activity and investment by the government creating opportunities through projects across the Kingdom and through the creation of the Giga projects and a previous stimulus package of SAR 120 billion plus has meant a stable KSA economy with positive outlook going forward throughout 2021 and beyond.

It appears there has been strong activity in the property management leasing of units. The subject property is in high-end of North Riyadh within Hittin District. We would expect the subject property to compete favourably within the local market, and the values achievable are likely to match those within the prime retailing pitches around Riyadh.

Though real estate market conditions in KSA are picking up after subdued market conditions and a disruptive 2020 pandemic COVID-19 lockdown period, etc, we understand there is currently reasonable to strong demand in North Riyadh for retail units within this location of Hittin District. Accordingly, we would expect a sufficient level of demand to be generated should vacant units be available in the short-term.

We are not aware of significant factors likely to have an adverse effect on the subject property for investment or security purposes in the foreseeable future, though all in all, market volatility remains currently, and prices are likely to witness further deterioration in the short term should a 3rd wave of the pandemic persist in KSA throughout the 2021-22. Since the issuing of this report the KSA lockdown for the COVID-19 health crisis was lifted back in June 2020 and the economy is now trying to get back to normalcy. A watching brief should be kept on the economy, although we expect the economy to gather some pace later in the year 2021.

In arriving at our opinion of the value, we adopted an exit yield of 8% with discount rate of 10.5% reflecting the strong value(s) in high-end areas of Riyadh with the professional consensus of opinion of the exit yield and discount rate of the nature referred is justifiable for solely investment purposes in current market conditions.

We are therefore of the opinion that the current market value of the subject property in its present condition with the income revenue information provided by the client is assumed to be correct and accurate and therefore is in the region of SAR 354 million.

We are unaware of planning or other proposals in the area or other matters which would be of detriment to the subject property, although your legal representative should make their usual searches and enquiries in this respect.

We confirm that on-site measurement exercise was not conducted by ValuStrat, and we have relied on the site areas provided by the Client. In the event that the areas of the property and site boundary prove erroneous, our opinion of Market Value may be materially affected, and we reserve the right to amend our valuation and report.

We have assumed that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and good title can be shown. For the avoidance of doubt, these items should be ascertained by the client's legal representatives.

ValuStrat draws your attention to any assumptions made within this report. We consider that the assumptions we have made accord with those that would be reasonable to expect a purchaser to make.

We are unaware of any adverse conditions which may affect future marketability for the subject property.

It is assumed that the subject property is freehold and is not subject to any rights, obligations, restrictions and covenants.

This report should be read in conjunction with all the information set out in this report, we would point out that we have made various assumptions as to tenure, town planning and associated valuation opinions. If any of the assumptions on which the valuation is based is subsequently found to be incorrect, then the figures presented in this report may also need revision and should be referred back to the valuer.

Note that property values are subject to fluctuation over time as market conditions may change.

The client is advised that whilst all reasonable measures have been taken to supply an accurate valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's marketplace.

Valuation considered full figure and may not be achievable in the event of an early re-sale.

The valuation assumes that the freehold title should confirm arrangements for future management of the building and maintenance provisions are adequate, and no onerous obligations affecting the valuation. This should be confirmed by your legal advisers.

This executive summary and valuation should not be considered other than as part of the entire report.

2 VALUATION REPORT

2.1 INTRODUCTION

Thank you for the instruction regarding the subject valuation services.

We ('ValuStrat', which implies our relevant legal entities) would be pleased to undertake this assignment for Jadwa Investment ('the client') of providing valuation services for the property mentioned in this report subject to valuation assumptions, reporting conditions and restrictions as stated hereunder.

2.2 VALUATION INSTRUCTIONS / PROPERTY INTEREST TO BE VALUED

Description	Property Details
Property Name	Hittin Boulevard
Land Area (sq. m.)	18,854.35
Built-Up Area (sq. m.)	35,992
Net Leasable Area (sq. m.)	26,866
Owner	NMR Real Estate Company
Location	Hittin District, Riyadh, KSA
GPS Coordinates	24°45'1.73"N, 46°36'48.80"E
Interest Valued	Freehold

Source: Client 2021

2.3 PURPOSE OF VALUATION

The valuation is required for internal purposes and submission to the Capital Market Authority (CMA).

2.4 VALUATION REPORTING COMPLIANCE

The valuation has been conducted in accordance with Taaqem Regulations (Saudi Authority for Accredited Valuers) and the International Valuation Standards Council (IVSCs') incorporating International Valuations Standards (January IVS).

It should be further noted that this valuation is undertaken in compliance with generally accepted valuation concepts, principles and definitions as promulgated in the IVSCs International Valuation Standards (IVS) as set out in the IVS General Standards, IVS Asset Standards, and IVS Valuation Applications.



2.5 BASIS OF VALUATION

2.5.1 MARKET VALUE

The valuation of the subject property, and for the above stated purpose, has been undertaken on the **Market Value** basis of valuation in compliance with the above-mentioned *Valuation Standards* as promulgated by the IVSC and adopted by the RICS. **Market Value** is defined 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 have each acted knowledgeably, prudently and without compulsion.

The definition of **Market Value** is applied in accordance with the following conceptual framework:

"The estimated amount" refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. *Market value* is the most probable price reasonably obtainable in the market on the *valuation date* in keeping with the *market value* definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of *special value*;

"an asset should exchange" refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the *valuation date*;

"on the valuation date" requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the *valuation date*, not those at any other date;

"between a willing buyer" refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute "the market";

"and a willing seller" is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for

the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;

“in an arm’s-length transaction” is one between parties who do not have a particular or special relationship, e.g. parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of *special value*. The *market value* transaction is presumed to be between unrelated parties, each acting independently;

“after proper marketing” means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the *market value* definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the *valuation date*;

‘where the parties had each acted knowledgeably, prudently’ presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the *valuation date*. Each is further presumed to use that knowledge prudently to seek the price that is most favorable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the *valuation date*, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;

‘and without compulsion’ establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

Market value is the basis of value that is most commonly required, being an internationally recognized definition. It describes an exchange between parties that are unconnected (acting at arm’s length) and are operating freely in the marketplace and represents the figure that would appear in a hypothetical contract of sale, or equivalent legal document, on the valuation date, reflecting all those factors that would be taken into account in framing their bids by market participants at large and reflecting the highest and best use of the asset. The highest and best use of an asset is the use of an asset that maximizes its productivity and that is possible, legally permissible and financially feasible.

Market value is the estimated exchange price of an asset without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

2.5.2 VALUER(S)

The Valuer on behalf of ValuStrat, with responsibility of this report is Mr. Ramez Al Medlaj (Taqeem Member) who has sufficient and current knowledge of the Saudi market and the skills and understanding to undertake the valuation competently.

We further confirm that either the Valuer or ValuStrat have no previous material connection or involvement with the subject of the valuation assignment apart from this same assignment undertaken.

2.5.3 STATUS OF VALUER

Status of Valuer	Survey Date	Valuation Date
External Valuer	30 August 2021	30 August 2021

2.6 EXTENT OF INVESTIGATION

In accordance with instructions received we have carried out an external and internal inspection of the property. The subject of this valuation assignment is to produce a valuation report and not a structural / building or building services survey, and hence structural survey and detailed investigation of the services are outside the scope of this assignment. We have not carried out any structural survey, nor tested any services, checked fittings of any parts of the property.

Our inspection was limited to the internal and external visual assessment of the subject property including its basement parking, ground floor retail/showrooms and upper floor hotel & offices. For the purpose of our report, we have expressly assumed that the condition of any un-seen areas is commensurate with those which were seen. We reserve the right to amend our report should this prove not to be the case.

2.7 SOURCES OF INFORMATION

For the purpose of this report, it is assumed that written information provided to us by the Client is up to date, complete and correct in relation to title, planning consent and other relevant matters as set out in the report. Should this not be the case, we reserve the right to amend our valuation and report.

2.7.1 VALUATION ASSUMPTIONS / SPECIAL ASSUMPTIONS

This valuation assignment is undertaken on the following assumptions:



The subject property is valued under the assumption of property held on a *Private interest* with the benefit of trading potential of existing operational entity in possession;

Written information provided to us by the Client is up to date, complete and correct in relation to issues such as title, tenure, details of the operating entity, and other relevant matters that are set out in the report;

That no contaminative or potentially contaminative use has ever been carried out on the site;

We assume no responsibility for matters legal in character, nor do we render any opinion as to the title of the property, which we assume to be good and free of any undisclosed onerous burdens, outgoings, restrictions or other encumbrances. Information regarding tenure and tenancy must be checked by your legal advisors;

This subject is a valuation report and not a structural/building survey, and hence a building and structural survey is outside the scope of the subject assignment. We have not carried out any structural survey, nor have we tested any services, checked fittings or any parts of the structures which are covered, exposed or inaccessible, and, therefore, such parts are assumed to be in good repair and condition and the services are assumed to be in full working order;

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material have been used in the construction of the property, or have since been incorporated, and we are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation, we have assumed that such investigations would not disclose the presence of any such material to any significant extent;

That, unless we have been informed otherwise, the property complies with all relevant statutory requirements (including, but not limited to, those of Fire Regulations, By-Laws, Health and Safety at work);

We have made no investigation, and are unable to give any assurances, on the combustibility risk of any cladding material that may have been used in construction of the subject building. We would recommend that the client makes their own enquiries in this regard; and the market value conclusion arrived at for the property reflect the full contract value and no account is taken of any liability to taxation on sale or of the costs involved in effecting the sale.

2.8 PRIVACY/LIMITATION ON DISCLOSURE OF VALUATION

This valuation is for the sole use of the named Client. This report is confidential to the Client, and that of their advisors, and we accept no responsibility whatsoever to any third party.

No responsibility is accepted to any third party who may use or rely upon the whole or any part of the contents of this report. It should be noted that any subsequent amendments or changes in any form thereto will only be notified to the Client to whom it is authorised.

2.9 DETAILS AND GENERAL DESCRIPTION

2.9.1 LOCATION OF THE PROPERTY

The subject property, identified as Hittin Boulevard, is located along the southwest side of Prince Turki Ibn Abdulaziz Al Awwal Road, within Hittin District, Riyadh, Kingdom of Saudi Arabia. It is situated about 350 meters northwest of Northern Ring Road, some 450 meters southeast of Hittin Square, and approximately 1.2 & 1.7 kilometers southwest of Rubeen Plaza & Riyadh Park Mall, respectively.

For ease of reference, refer to the illustration below.



Source: Google Extract 2021 - For Illustrative Purposes Only

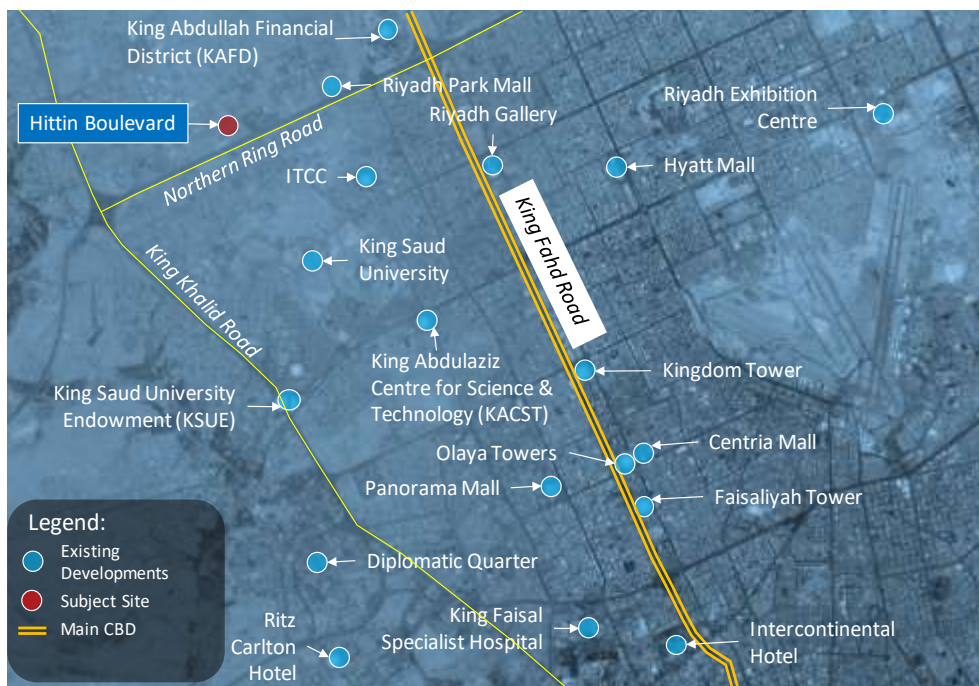
Additionally, Hittin Boulevard is also located about 2.5 kilometers northwest of King Saud University (KSU) and approximately 3 kilometers southwest of King Abdullah Financial District (KAFFD). It is situated in an area slowly developing into a preferred venue for high-end retail, food & beverage strip malls and commercial centers.

Some of the notable commercial establishments close to the subject property includes the Hittin Square, The Canopy, Rubeen Plaza, Riyadh Park Mall, Panda, etc. It is easily accessible thru the fronting Prince Turki Ibn Abdulaziz Al Awwal Road and the nearby Northern Ring Road. The latter links directly southeast to King Saud University while the former is one of the major thoroughfares in Riyadh connecting the district northeast to King Abdullah Financial District (KAFFD) and the city's central

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commercial area. The illustration below further shows the exact location of the subject property in relation to the Central Business District of Riyadh.



Source: Google Extract 2021 - For Illustrative Purposes Only

2.9.2 DESCRIPTION OF THE PROPERTY

Hittin Boulevard is an upscale commercial development consisting of retail, food & beverage, offices and furnished apartment. It is evolving as a place for fine-dining and hang-out setting in the city. Amongst its prominent tenants includes Alsultan’s Turkish Steak House, 12 Cups, Five Guys, 6th District, Starbucks, Circle Lounge, etc.



The subject property is a three storey with mezzanine and basement parking. It was built of mainly reinforced concrete structure with glass panel and aluminium cladding façade, painted interior wall, porcelain and granite tiles flooring, epoxy painted flooring at basement parking, glass doors and concrete interlock paver driveways. It is equipped with centralized air-conditioning system, elevator and firefighting system. It has a total built-up area of 35,992 square meters as detailed below.

Floor level	BUA (sq. m.)	Use
Basement	11,819	Services & Parking
Mezzanine	3,585	Commercial
Ground Floor	8,008	Commercial
First Floor	6,342	Furnished Apartment
First Floor	2,032	Office
Electrical Room	20	Electrical room
Annex Floor	305	Office
Annex Floor	3,881	Furnished Apartment
Total BUA (sq. m.)	35,992	



2.9.1.1 PROXIMITY TO MAJOR DEVELOPMENTS



As mentioned above, Hittin Boulevard is an upscale and high-end commercial development strategically situated near the central commercial district of Riyadh. It is close to the King Abdullah Financial District and the King Saud University; the latter is anticipated to become the new central business district of Riyadh once fully completed and operational. It is well accessible thru the fronting Prince Turki Ibn Abdulaziz Al Awwal road and the nearby Northern Ring Road, one of the major roads in the city. Other known establishment close to the subject property includes the Riyadh Park Mall, International Technology & Communications Complex (ITCC), Rubeen Plaza, etc.

The table and illustration below provide an approximate distance of the subject property relative to major landmarks & developments in the city.

Landmarks	Distance from subject property (km.)
King Saud University	2.5
King Abdullah Financial District	3.0
Kingdom Tower	7.5
Faisaliyah Tower	9.8
Princess Noura University	15.5
King Khalid International Airport	24.5



Source: Google Extract 2021 - For Illustrative Purposes Only.

Moreover, one of the on-going important developments in the city is the Riyadh Metro System which consist of 6 interconnected routes plying across the city’s most common destinations. With the expected completion of this major infrastructure, mobility within the city will be greatly enhanced.



2.9.2.1 THE RIYADH METRO SYSTEM



The new City Metro of Riyadh is a rapid transit system under construction to be completed circa. 2021/22, which will be of benefit to Riyadh's population, business and future growth of Riyadh, etc. The Metro will help in many ways for the day to day life activities of the people such as traffic control, school journeys, shopping journey and business commuting, etc.

The city metro project is one of the world's largest infrastructure projects currently under-construction. It consists of trains and buses, which includes 6 railway lines stretching 176 kilometers with 85 stations, penetrating the capital of Saudi Arabia, Riyadh, from all directions. It is expected that the capacity of the project is estimated at 1.16 million passengers daily in the beginning of the operation and will reach to as high as 3.6 million passengers after a decade. Other expected benefits from the project includes the reduction of the number of car trips by nearly 250 thousand trips a day and to provide the equivalent of 400 thousand liters of fuel per day and thus reduce air pollutant emissions. Three leading consortia, including the US Construction company Bechtel Group Inc., Spain's FCC and Italy's Ansaldo STS have been awarded contracts to build the project. The Metro Project comprises of the following six lines.



- **Line 1** (Blue Line) runs in the north-south direction along Olaya and Batha streets, starting from slightly north of King Salman Bin Abdul Aziz Street and ending at in the south. The Metro will be mostly underground in a tunnel along Olaya and King Faisal Streets, and elevated on a viaduct along Batha Street and at the northern and southern ends. Line 1 extends over a length of approximately 38 km (24 mi) and features 22 stations, in addition to 4 transfer stations with Lines 2, 3, 5, and 4&6.



- **Line 2** (Red Line) runs in the east-west direction along King Abdullah Road, between King Saud University and the eastern sub-center, mostly on a raised strip in the median of a planned freeway. This Line extends over a length of about 25.3 km (15.7 mi) and features 13 stations, in addition to 3 transfer stations with Lines 1, 5 and 6.



- **Line 3** (Orange Line) runs in the east-west direction along Al-Madinah Al Munawwarah and Prince Saad Bin Abdulrahman Al Awal Roads, starting at the west near Jeddah Expressway and ending at the east near the National Guard camp of Khashm El Aan. The metro will be mostly elevated along the western part of Al-Madinah Al Munawwarah Road, then underground in tunnels in the central section of the line, and generally at grade along Prince Saad Ibn Abdulrahman Road. The length of the line is approximately 40.7 km (25.3 mi) and it features 20 stations, in addition to 2 transfer stations with Lines 1 and 6.

- **Line 4** (Yellow Line) reaches to King Khalid International Airport from King Abdullah Financial District, mainly on a mix of elevated and at-grade alignment. The length of the line is around 29.6 km (18.4 mi) and it features 8 stations (3 common with Line 6), in addition to 1 transfer station with Lines 1 and 6.



- **Line 5** (Green Line) runs underground in a tunnel along King Abdulaziz Street, between King Abdul Aziz Historical Centre and the Riyadh Airbase, before connecting with King Abdullah Road. The length of the line is about 12.9 km (8.0 mi) and it features 10 stations, in addition to 2 transfer stations with Lines 1 and 2.
- **Line 6** (Purple Line) follows a half-ring starting at King Abdullah Financial District, passing by Imam Mohamed Bin Saud University and ending at Prince Saad Ibn Abdulrahman Al Awal Road. It runs mostly elevated except along Sheikh Hasan Bin Husein Bin Ali Street. The length of the line is approximately 29.9 km (18.6 mi) and it features 8 stations (3 common with Line 4), in addition to 3 transfer stations with Lines 1, 2 and 3.

The commencement date for the project was in early 2014, with projected completion date in 2021/2022.

2.10 ENVIRONMENT MATTERS

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative use has ever been carried out on the property.

We have not carried out any investigation into past or present use, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the subject property from the use or site and have therefore assumed that none exists. However, should it be established subsequently that contamination exists at the property or on any neighbouring land, or that the premises has been or is being put to any contaminative use, this might reduce the value now reported.

Details	
Area	Based on the document supplied by the client, the total land area of the property is 18,854.35 square meters and the building's total built-up area (BUA) is 35,992 square meters.
Topography	Generally, the property is trapezoidal in shape and on level terrain
Drainage	Assumed available and connected.
Flooding	ValuStrat's verbal inquiries with local authorities were unable to confirm whether flooding is a point of concern at the subject property. For the purposes of this valuation, ValuStrat has assumed that the subject property is not flood prone. A formal written submission will be required for any further investigation which is outside of this report's scope of work. Note: It is understood that there is no known flooding in this area.
Landslip	ValuStrat's verbal inquiries with local authorities were unable to confirm whether land slip is a point of concern at the subject property. For the purposes of this valuation, ValuStrat has assumed that the subject property is not within a landslip designated area. A formal written submission will be required for any further investigation which is outside of this report's scope of work.



2.10.1 TOWN PLANNING

Neither from our knowledge nor as a result of our inspection are, we aware of any planning proposals which are likely to directly adversely affect this property.

In the absence of any information to the contrary, it is assumed that the existing use is lawful, has valid planning consent and the planning consent is not personal to the existing occupiers and there are no particular onerous or adverse conditions which would affect our valuation.

In arriving at our valuation, it has been assumed that each and every building enjoys permanent planning consent for their existing use or enjoys, or would be entitled to enjoy, the benefit of a “Lawful Development” Certificate under the Town & Country Planning Acts, or where it is reasonable to make such an assumption with continuing user rights for their existing use purposes, subject to specific comments. We are not aware of any potential development or change of use of the property or properties in the locality which would materially affect our valuation. For the purpose of this valuation, we have assumed that all necessary consents have been obtained for the subject property referred within this report. Should this not be the case, we reserve the right to amend our valuation and report.

2.10.2 SERVICES

We have assumed that the subject property referred within this report is connected to mains electricity, water, drainage, and other municipality services.

2.11 TENURE/TITLE

Unless otherwise stated we have assumed the freehold title is free from encumbrances and that Solicitors’ local searches and usual enquiries would not reveal the existence of statutory notices or other matters which would materially affect our valuation. We are unaware of any rights of way, easements or restrictive covenants which affect the property; however, we would recommend that the solicitors investigate the title in order to ensure this is correct.

The valuation assumes that the freehold title should confirm arrangements for future management of the building and maintenance provisions are adequate, and no onerous obligations affecting the valuation. This should be confirmed by your legal advisers. The subject property is registered under the below-mentioned title deed (refer to copy in the appendices section) which we assumed on freehold basis. Should this not be the case, we reserve the right to amend our valuation and this report.

<i>Description</i>	<i>Property Details</i>
Property Name	Hittin Boulevard
Title Deed No.	310105044744
Title Deed Date	14/10/1437



Land Area (sq. m.)	18,854.35
Owner	NMR Real Estate Company
Location	Hittin District, Riyadh, KSA
Interest Valued	Freehold

Source: Client 2020

NB: All aspects of tenure/title should be checked by the client's legal representatives prior to exchange of contract/drawdown and insofar as any assumption made within the body of this report is proved to be incorrect then the matter should be referred back to the valuer in order to ensure the valuation is not adversely affected.

2.11.1 OCCUPANCY LEASES & TENANCY DETAILS

The client has provided us below the details of the property's tenancy schedule showing the tenant's name, lease duration, start of lease, end of lease, gross rent and net leasable area. The Total Annual Gross Rent is SAR 32,846,714 per annum with a total net leasable area of 26,866 sq. m and an average rent of SAR 1,223 per square meter.

A	Revenues	Space m2	2020	2021	2022
1	Outlets- @ 1822SAR/m2 appendix #1	12,376	22,188,800	22,236,050	22,336,050
2	Offices / @ 1220 SAR/m2 appendix #1	1,946	2,372,400	2,372,400	2,372,400
3	Gym/Men / @ 624 SAR/m2 appendix #1	2,242	1,400,000	1,400,000	1,550,000
4					
5	Hotel / Lease @ 639 SAR m2	10,302	6,388,264	6,388,264	6,388,264
6					
7					
8					
A	Total Revenue		32,549,464	32,596,714	32,846,714
B	Expenses				
1	Electricity & water		227,846	228,177	229,927
2	Maintenance/Service		1,301,979	1,303,869	1,313,869
3	Marketing		488,242	488,951	492,701
4	Others		260,396	260,774	262,774
5	Management Fees		813,737	814,918	821,168
B	Total Expenses		3,092,199	3,096,688	3,120,438
	Profit/(Loss)		29,457,265	29,500,026	29,726,276
	Zakat 2.5%		736,432	737,501	743,157
	NET Profit		28,720,833	28,762,526	28,983,119

Source: Client 2021

We were informed that the above tenancy schedule is covered by individual lease contract agreements (refer to a typical copy in the appendices section). For the purpose of this valuation, we have assumed the above information complete,



accurate and updated. Should this not be the case, we reserve the right to amend our valuation and this report.

2.11.2 MALL TENANCY SCHEDULES & OCCUPATIONAL INTERESTS

We have been provided with above tenancy schedule for the mall by the client, indicating unit types, tenants, lease duration and annual rentals.

We were not provided with leases of the individual lease documentation in respect of the occupational interests within the subject property. We have assumed that all lessees are in a position to renew on their forthcoming renewals process considering the strong demand currently in the retail industry in KSA.

For the purpose of this valuation, we have explicitly assumed that the tenancy schedule provided is correct, accurate and actual. Should this not be the case, we reserve the right to amend our valuation and report.

2.11.3 MANAGEMENT AGREEMENT

We understand that the subject property is managed by an external legal entity however a related party of a shareholder. For the purpose of this valuation assignment, we assume that no onerous terms exist in the agreement.

We have also made assumptions as to the staff costs and incorporated these into the total operational costs for the different elements, on the basis that any external investor would incur the same. We understand that all operational expenses are taken directly from income revenue of the mall.

2.12 METHODOLOGY & APPROACH

In determining our opinion of Market Value for the freehold interest in the subject property, we have utilized the Discounted Cash Flow (DCF) approach to valuation taking into consideration the tenancy schedule and other information provided by the client.

2.12.1 DISCOUNTED CASH FLOW APPROACH

The subject property falls into a broad category of investment property with the prime value determinant being the property's ability to generate rentals and rental growth through the ongoing letting and reasonable maintenance.

In determining our opinion of Market Value of the subject property, we have utilized the Investment Approach utilizing a Discounted Cash Flow technique.

Discounting Cash Flow analysis is defined in the International Valuation Standards as a financial modelling technique based on explicit assumptions regarding the prospective cash flow of the property. This analysis involves the projection of a series of periodic cash flows a property is anticipated to generate, additionally giving regard to the frequency and timing of associated development costs, contingency

allowances etc. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the property. The DCF approach involves the discounting of the projected net cash flow on a yearly basis over the explicit cash flow period. In the case of the subject property the cash flow has been projected over a 10-year period reflecting a market practice for cash flows reflecting the property. The cash flow is discounted back to the date of valuation at an appropriate rate to reflect risk in order to determine the Market Value of the property. The rental income being capitalised and discounted in the cash flow refers to net rental income, that is, the income stream. A contractual agreed growth rate of a fixed rental income per annum has been agreed for the lease and has reflected with a growth rate within the DCF calculations. The future values quoted for property, rents and costs are projections only formed on the basis of information currently available to us and are not representations of what the value of the property will be as at a future date.

2.12.2 MARKET RENTS

Sales or rental evidence for similar property within Riyadh are not readily available or transparent due to the nature of the property market within the Kingdom of Saudi Arabia. Much if not all of the evidence is anecdotal, and this limitation may place on the non-reliability of such information and impact on values reported.

In forming our opinion of Market Rent for the subject property, we have looked at the following market rental rates for F&B, retail and office spaces of some strip malls, F&B plazas and commercial centres within Riyadh, as follows:

Some Strip Malls, F&B Plazas and Commercial Centers in Riyadh			
Details	Veranda F&B	Black Garden	Qetaf Plaza
Type	F&B Plaza	F&B Plaza	Strip Mall
Location	Northern Ring Road	Northern Ring Road	Ath Thumama Rd., Qurtubah Dist.
F&B Space Area (m ²)	-	145 - 1,150	375 - 700
F&B Rental Rate per m ²	SAR 1,500	SAR 1,380 - SAR 2,300	SAR 1,000 - SAR 1,600
Retail Space Area (m ²)	-	-	100 - 14,740
Retail Rental Rate per m ²	-	-	SAR 609 - SAR 2,500
Office Space Area (m ²)	200 - 400	136.6 - 137.54	5,000
Office Rental Rate per m ²	SAR 1,000	SAR 360 - SAR 375	SAR 400

Some Strip Malls, F&B Plazas and Commercial Centers in Riyadh			
Details	Sahafa Center	Tital Center	Jarir Complex
Type	Strip Mall	Strip Mall	Retail Strip
Location	King Abdulaziz Road	Al Malga District	Othman Bin Affan cor. Al Thumama Rd.
F&B Space Area (m ²)	67 - 205	76 - 240	-
F&B Rental Rate per m ²	SAR 1,225 - SAR 1,800	SAR 917 - SAR 2,100	-
Retail Space Area (m ²)	66 - 250	75 - 456	325 - 390
Retail Rental Rate per m ²	SAR 1,200 - SAR 1,700	SAR 1,400 - SAR 1,900	SAR 1,000
Office Space Area (m ²)	337 - 447	-	-
Office Rental Rate per m ²	SAR 400 - SAR 550	-	-



Some Strip Malls, F&B Plazas and Commercial Centers in Riyadh			
Details	Yarmouk Center	Tijan Plaza	Izdihar Center
Type	Strip Mall	Strip Mall	Strip Mall
Location	Dammam Rd., Al Yarmuk	King Khalid Road	Izdihar District
F&B Space Area (m ²)	74 - 500	140 - 600	-
F&B Rental Rate per m ²	SAR 1,300 - SAR 1,800	SAR 500 - SAR 890	-
Retail Space Area (m ²)	74 - 320	114 - 144	200 - 1,200
Retail Rental Rate per m ²	SAR 1,300 - SAR 1,800	SAR 690 - SAR 950	SAR 925 - SAR 1,060
Office Space Area (m ²)	-	70 - 192	90 - 250
Office Rental Rate per m ²	-	SAR 231 - SAR 550	SAR 650

Some Strip Malls, F&B Plazas and Commercial Centers in Riyadh			
Details	Al Tamayuz Center	Irqah Plaza	Sawary Commercial Center
Type	Strip Mall	Retail Strip	Retail Strip
Location	Ghirnatah District	Irqah District	Al Janadiyah District
F&B Space Area (m ²)	-	118 - 235	53 - 565
F&B Rental Rate per m ²	-	SAR 1,500 - SAR 1,840	SAR 1,070 - SAR 1,650
Retail Space Area (m ²)	150 - 576	88 - 396	51 - 2,982
Retail Rental Rate per m ²	SAR 1,250 - SAR 1,680	SAR 1,208-SAR 2,022	SAR 425 - SAR 1,650
Office Space Area (m ²)	95 - 130	-	-
Office Rental Rate per m ²	SAR 750 - SAR 1,020	-	-

Source: ValuStrat Research 2020-21

2.12.3 SUPPLEMENTARY EVIDENCE

Several community malls, F&B and Retail strips have been witnessed especially in the North of Riyadh. In addition to small scale retail projects, “Riyadh Park”, “University Boulevard”, “The Avenues” and “Cordoba Boulevard” etc. are some of the major ongoing retail developments that are expected to hit the market in coming years.

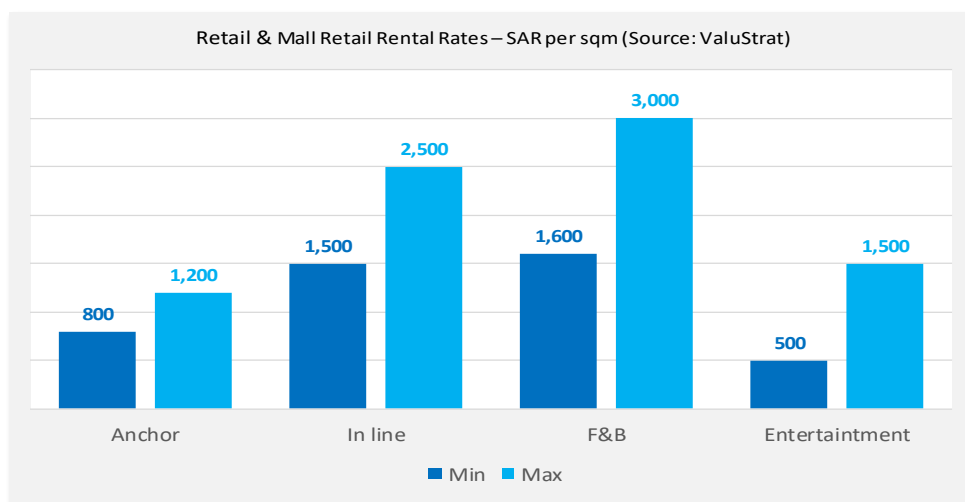
Project name	GLA (sqm)	Completion year
Riyadh Park	92,000	2019
Al Ma’ather Square	9,072	2018
Chandelier	13,400	2018
Mercato	6,212	2018
Souq Hittin	4,400	2018
Reef Commercial Center	15,000	2018
University Boulevard	63,538	2018
Najd Mall	36,286	2018-2019
Al Malaz Mall	50,566	2018-2019
Mall of Arabia	112,583	2020
Cordoba Boulevard	72,000	2018-2019
Aura Center	14,050	2018-2019
Mall of Saudi	300,000	2022



Retail Rental Rates by Category

Rental rate for anchor stores ranges from SAR 800 to SAR 1,300 per sq. m. Anchor stores are given discounted rates as they occupy a larger area with a long-term contract.

F&B rental ranges from SAR 1,600 to SAR 3,000 per sq. m depending on the area and the location of the outlet. In-line stores rental rates vary depending on their location in the shopping mall and the type of outlet.



Likewise, we have summarized the actual rental rates of the subject property based on the tenancy schedule provided above, as follows:

Type	NLA (sqm)	Rent/sqm (SAR)
Retail	359 - 967	1,345 – 1,819
F&B	288 – 1,863	1,348 – 1,948
Office	120 - 450	1,136 – 1,300
Hotel	7,412	912
Fitness Gym	2,242	624
ATM	-	125,000
Services (Digital Screen)	-	160,000 – 200,000

Thus, we can conclude that the subject property’s rental rates are reasonable given that it is fairly new, well accessible, having enough parking slots, with branded and recognised tenants and strategically located in an emerging area for commercial development.

Moreover, the above rates are within the prevailing rates of similarly high-end and upscale F&B Plazas such as the Veranda and Black Garden Plaza, both situated along Northern Ring Road.



2.12.4 ASSUMPTIONS & COMMENTARY

Hittin Boulevard has been assessed as an investment property subject to the tenancy schedule provided by the client and any assumptions made by ValuStrat within market benchmarks.

ValuStrat has made certain assumptions and adjustments based on their experience in valuing similar commercial property in Riyadh, KSA, taking cognisance of the surrounding developments within the property which will ultimately form part of. This was done in an attempt to forecast our interpretation of performance of the subject property over the 10-year explicit cash flow period.

In this instance, we have adopted the following rates:

Components	Comments/Assumptions
Gross Rent (SAR)	32,846,714 per annum
Net Leasable Area (sq. m.)	26,866
Average Rent (SAR)	1,223 per sq. m
Operational Cost	12%
Growth Rate (yearly)	2.5%
Void Cost	10%
Occupancy Rate	97% (Yr.1), 95% (Yrs. 2-4) and 90% (Yrs. 5 – 10)

Operational Cost

As per information from the client, the actual operational cost for the subject property is about 12%, though no details were provided. We assume this is correct and accurate. Nevertheless, we have adopted the same with the reservation to amend our valuation and this report should the said information is found to be inaccurate.

Growth Rate

Growth Rate is assumed at 2.5% annually.

Discount Rate and Exit Yield

The discount rate reflects the return required to mitigate the risk associated with the particular investment type in question; therefore, echoes the opportunity cost of capital. To this we have to add elements of market risk and property specific risk. The market risk comes in the form of; inter alia, potential competition from existing and latent supply. Market risk will also reflect where we are in the property cycle and more importantly the location. The subject property is a high-end/upscale F&B Plaza. Hence, we have adopted a discount rate of 10.5%.

The exit yield is a resultant extracted from transactional evidence in the market; however, due to anecdotal evidence and limited market activity we have had to rely on anticipated investor expectations from typical property investments.



These typically vary between 7.75% to 8.25%, depending on the quality of the property, length and condition of the leases, the lessee's reputation and the location of the property. Based on the above criteria, we are of the opinion that a fair exit yield for the subject property is 8%.

2.12.5 VALUATION COMMENTARY & CONSIDERATIONS

It appears there has been strong activity in the property management leasing of units. The subject property is in high-end of North Riyadh within Hittin District. We would expect the subject property to compete favourably within the local market, and the values achievable are likely to match those within the prime retailing pitches around Riyadh. Though real estate market conditions in KSA are picking up after subdued market conditions and a disruptive 2020 pandemic COVID-19 lockdown period, etc, we understand there is currently reasonable to strong demand in North Riyadh for retail units within this location of Hittin District. Accordingly, we would expect a sufficient level of demand to be generated should vacant units be available in the short-term.

We are not aware of significant factors likely to have an adverse effect on the subject property for investment or security purposes in the foreseeable future, though all in all, market volatility remains currently, and prices are likely to witness further deterioration in the short term should a 3rd wave of the pandemic persist in KSA throughout the 2021-22. Since the issuing of this report the KSA lockdown for the COVID-19 health crisis was lifted back in June 2020 and the economy is now trying to get back to normalcy. A watching brief should be kept on the economy, although we expect the economy to gather some pace later in the year 2021.

In arriving at our opinion of the value, we adopted an exit yield of 8% with discount rate of 10.5% reflecting the strong value(s) in high-end areas of Riyadh with the professional consensus of opinion of the exit yield and discount rate of the nature referred is justifiable for solely investment purposes in current market conditions.

We are therefore of the opinion that the current market value of the subject property in its present condition with the income revenue information provided by the client is assumed to be correct and accurate and therefore is in the region of SAR 354 million.

2.12.6 SUMMARY OF MARKET VALUE

The resultant value based upon the above variables/assumptions for the subject property is as follows:

Property Name	Gross Rent (SAR)	OPEX	Exit Yield	Disc. Rate	Property Value (SAR)
Hittin Boulevard	32,549,464 p.a.	12%	8%	10.5%	354,000,000



2.12.7 SUPPLEMENTARY ASSUMPTIONS

1. The COVID-19 pandemic 2020 and ongoing disruption in 2021, with many businesses affected resulting in closure; we assume all rentals, lease(s) and landlord & tenant information provided by the client is correct and accurate. Should this not be the case, we reserve the right to amend our valuation and report.
2. We have been made aware there is no rent arrears (debt), and all tenants are up to date with rental obligations. Should this not be the case, we reserve the right to amend our valuation and report.
3. Occupancy rates and rents at newly completed property or new acquisitions may fluctuate depending on a number of factors, including market and economic conditions resulting in the investment not being profitable.
4. KSA's oil production and business is a major contributor to Saudi income and strong economic conditions. Therefore, any major fluctuations in oil prices can have a similar effect on the local economy impacting commercial investments and the overall long-term development of the economy in volatile and uncertain times.
5. The growth of the economy is also subject to numerous other external factors, including continuing population growth, increased direct and foreign investment in the local economy and Government and private sector investment in infrastructure, all of which could have a significant impact on the economy and business profitability.
6. It should be noted that the valuation provided is of the property (excluding any element of value attributable to furnishings, removable fittings and sales incentives) as new. It is possible that the valuation figure may not be subsequently attainable on a resale as a second-hand villa especially if comparable new property is on offer at the same time.
7. As regards properties, which are retained, or to retain an ownership interest in, such competition may affect the Funds ability to attract and retain tenants and reduce the rents impacting the property/investment.
8. Any retained or owned property by fund will face competing properties leading to high vacancy rates resulting in lower rental rates. It is imperative for leasing obligations to preserve and keep-up high standard of landlord & tenant (property management) and so it will necessitate that the property be maintained to a good standard to maintain its value.
9. The subject portfolio referred in this report is considered as full figure(s) and may not be easily achievable in the event of an early re-sale in the short term due to volatile and uncertain times. Refer to our market conditions section below.

10. Property values are subject to fluctuation over time as market conditions may change.
11. We have assumed that the land is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and good title can be shown. For the avoidance of doubt, these items should be ascertained by the client's legal representatives.

2.13 VALUATION

2.13.1 MARKET VALUE

ValuStrat is of the opinion that the Market Value of the freehold interest in the subject property referred within this report, as of the date of valuation, based upon the Discounted Cash Flow (DCF) Approach and assumptions expressed within this report, may be fairly stated as follows;

Market Value (rounded and subject to details in the full report):

SAR 354,000,000 (Three Hundred Fifty-Four Million, Saudi Arabian Riyals).

The client is advised that whilst all reasonable measures have been taken to supply an accurate valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's marketplace.

We are currently experiencing a very uncertain property market and due to the reduced level of transactions, there is an acute shortage of comparable evidence upon which to base valuations. Due to this shortage, it may be necessary at times for a Valuer to draw upon evidence which is of a historical nature.'

The valuation assumes that the freehold title should confirm arrangements for future management of the building and maintenance provisions are adequate, and no onerous obligations affecting the valuation. This should be confirmed by your legal advisers.

The value provided in this report is at the top end of the range for properties of this location and character and will necessitate that the property be maintained to a good standard to maintain its value.

2.13.2 PRINCIPAL GAINS AND RISK ASSESSMENT (SWOT ANALYSIS)

Strengths	Weaknesses
<ul style="list-style-type: none"> • Subject located in a good high-end district. • Good infrastructure and amenities in surrounding areas. • Good visibility of the subject site provides good exposure for any potential development; • The site's surrounding infrastructure, and future plans will allow for easy connectivity with the rest of Riyadh 	<ul style="list-style-type: none"> • The private sector is dependent on expat labour, reflecting a shortage of marketable skills among nationals and a fairly high unemployment rate among locals. • No room for expansion due and parking can present a problem in the area, although subject does have underground parking.



Opportunities	Threats
<ul style="list-style-type: none"> • Due to the great number of upcoming developments in the area, the subject development can be developed to benefit from this uplift and establishment in the market. • Continued investment in the economy by the government will help maintain growth and business. • The retail market currently presents opportunities for the development of high-end retail strip malls/plazas in good areas. 	<ul style="list-style-type: none"> • There are numerous lands in the Riyadh region looking to be developed in the forthcoming years. • Competition from under construction projects close-by in around the subject area and adjacent districts. • Perceptions of high security risks deter some investors and the possibility of change in governmental procedures causing an effect on investment value and general business activity. • Threat of further decline in KSA or even recession later in 2021-22.

2.14 MARKET CONDITIONS SNAPSHOT

2.14.1 MARKET ASSESSMENT, TIMES OF UNCERTAINTY (COVID-19 PANDEMIC) & VALUATION COMMENTARY OVERVIEW

The outbreak of the pandemic COVID-19 a year on remains a material factor in daily life and uncertain economic trends globally and in the middle east, though KSA has remained fairly resilient with PIF – sovereign wealth fund going from strength to strength. Through the unprecedented trial over the Coronavirus COVID-19 and the global spread of the virus, it has meant a significant impact on global financial markets as geographies experience continued spread and increase of pandemic cases. This has meant a global shutdown/lockdown of economies with most sectors affected. The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization (WHO) as a “Global Pandemic” back on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries across the globe and continues to be restricted travel throughout 2021. Market activity is being impacted in many sectors. Prior to the global rapid spread of the virus and the announcement by the KSA authorities of an initial indefinite lockdown, the KSA real estate market was in a healthy position with many analysts predicting a strong 2020 for real estate (vision 2020) with the positive activity and investment by the government unveiling a number of reforms, including



recent facilitation of the tourism visa, where citizens of 49 countries are now able to apply e-visas and holders of Schengen, UK or US visas are eligible for visas on arrival.

Also, the government has now allowed the full foreign ownership of retail and wholesale operations along with previously opening up of the Tadawul Stock Market to foreign investment supported by current energy reforms, cutting subsidies, creating jobs, privatising state-controlled assets and increasing private sector contribution to the country's economy, etc. With all the opportunities throughout the Kingdom and the creation of the Giga projects, there was an ambitious resilience which was suddenly shutdown overnight due to the initial lockdown period. With all the current uncertainty, market stagnation and short-term challenges whereby force majeure (as a result of the pandemic's cause beyond anyone's reasonable control) had created inactivity. As mentioned above the KSA market's ambitions and resilience, we understand investor sentiment remains strong as it was prior to the pandemic and the KSA was on an upward course showing growth in the last quarter of 2019 after a period of subdued market conditions.

The current global crushing of liquidity in economies will have impact on markets and real estate market and this maybe the case with many economies across the globe; however, the KSA market has shown resilience in previous years through a period of downward trend (2016-18), a correction allowing for the market to bottom out with 2019 experiencing growth in the first quarter and subdued market conditions throughout 2019. The latter part of Q4 – 2019 saw positive growth with strong investor appetite, though the market lacking good quality stock. Now with the Saudi government confirming a stimulus package of SAR 120 billion plus, we understand the market will bounce back with investors underlying strong appetite. This will delay any evidence in the short term of declining prices and with the government stimulus will assist any short-term losses on transactions, private and public funds, although will need to be sustained in the short-term.

The KSA real estate sector generally follows the fortunes of the greater economy and while the oil reserves were left off prior to the pandemic fairly strong, although currently a price war between major producers is adding to a growing supply glut, though this will help KSA once markets start normalizing again. The KSA economy remains stable and backed-by strong fundamentals of the KSA market (i.e. young growing population) and also the economic transformation plan transforming the Kingdom towards a service economy post-oil era.

In short, the pandemic is expected to be a short-term shock wave with an eventual surge of business activity leading to a rapid recovery either in the form of a "V-shape" or a more gradual recovery in the form of a "U-shape" bounce back. Accordingly, we expect the KSA market to surge in business over the course of 2021 allowing for markets to start flourishing towards long term sustainability in social trends and patterns along with socio-economic distancing in a growing cycle. On the other hand, should the global economic impact of the Coronavirus pandemic (COVID-19)

outbreak persist and will be dependent on how long the virus lasts, how far it spreads and how much lock-down, public organizations quarantines disrupt the market. Indeed, the current response to COVID-19 means that we are faced with unprecedented set of circumstances on which to base judgement(s). There is strong evidence that real estate markets have sprung back to strong activity and growth fairly quickly as we are experiencing in the Kingdom of Saudi Arabia.

Equally, the short-term generally speaking we do not expect the current real estate market to show any small adjustment in prices/rates. The KSA real estate market is a developing market with much invested by the government in infrastructure projects, so we expect the government's latest stimulus to preserve liquidity and for demand to hold having limited / no bearing on prices / rates. However, should the pandemic persist throughout 2021, we do expect adjustment later on in the year.

Our valuation(s) is / are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.

2.14.2 MARKET CONDITIONS PRIOR TO THE PANDEMIC & THE KSA LOCKDOWN

Despite a new wave of infections (Variant Viruses) this year (2021), the roll out of vaccinations offers hope in controlling this disease and provide a path of recovery in sight along with recovery in oil price provides further impetus.

The Kingdom of Saudi Arabia (KSA) - world's largest exporter of crude oil, embarked four years (2016) ago on an ambitious economic transformation plan, "Saudi Arabia Vision 2030". In a hope to reduce its reliance on revenue from hydrocarbons, given the plummeting oil price revenues from 2014.

Through the current vision 2030 and in a post oil economy, KSA is adapting to times of both austerity measures and a grand ambitious strategy. With an overdue diversification plan Saudi Arabia's economic remodelling is about fiscal sustainability to become a non-dependent nation of oil. This is supported by current energy reforms, cutting subsidies, creating jobs, privatising state-controlled assets and increasing private sector contribution to the country's economy.

Despite economic headwinds, across the region, KSA has shown resilience through a period of subdued real estate market activity. The real estate sector generally follows the fortunes of the greater economy and whilst Saudi Arabia is undergoing structural reforms politically, economically and socially will transform the Kingdom towards a service economy post-oil era.

These changes along with significant amounts of investment - estimated to soon be over 1 trillion US dollars will create vast amounts of opportunities for the public and private sectors across all businesses segments.

The KSA economy in the first quarter of 2019 has relied on the current oil price rise to pull it out of recession; however, the previous 18-24 months, KSA faced a protracted spell of economic stress, much of which can be attributed to the falling oil prices coupled with regional political issues.

Oil prices starting to surge again around 65 dollars a barrel currently from under 30 dollars a barrel in early in 2016 which resulted in a crash in prices and the economy dipped into negative territory in 2017 for the first time since 2009, a year after the global financial crisis.

General consensus anticipates a piercing improvement in the Saudi economy in the period ahead (2021-2022), supported by both the oil and non-oil sector. So ultimately it appears the economy will still need to rely on oil revenues to bridge the gap in the short term with a budget deficit over the past 3 years and the Kingdom borrowing from domestic and international markets along with hiking fuel and energy prices to finance the shortfall. The economy slipped into recession in 2018 but returned to growth in 2019, albeit at the fairly modest level of 1.7%, according to estimates from the International Monetary Fund (IMF). However, the return to growth is mainly due to a return to increase in oil prices again and output which, in turn, is enabling an increase in government spending.

Accordingly, in the short term needs to rely on the oil revenue and this reliance is being channelled into public spending. The reforms that have been pushed through to date have led to important changes aiding the economy.

The opening up of the entertainment industry will create jobs for young locals and women driving makes it easier for millions more people to enter the workforce. Reforms to the financial markets have led indexing firms to bring the Saudi Stock Market (Tadawul) into the mainstream of the emerging markets universe which now assists to draw in many billions of investment dollars.

A due enactment of law will encourage public-private partnerships to herald more foreign investment.

The economic transformation that the KSA has embarked upon is complex and multidimensional and will certainly take time to turn around a non-oil serviced economy, although there have been recent positive signs, but it will remain in the short term with the support of oil revenues.

On the other hand, the KSA was resilient in the previous recession in 2007/2008 on strong oil reserves and not only can the Saudi government be relied upon to step in to rescue troubled lenders, reliable institutions for procedural reasons but crucially, it can also afford to do so, although has suffered due to previous oil price declines and it has meant increased spending.



Vision 2030 to diversify the economy from reliance on oil, has only just commenced in previous years and with a young and increasingly well-educated population, together with its own sovereign wealth fund, the Kingdom has many favourable factors to become a leading service sector economy in the region.

Reform efforts include a reduction of subsidies on fuel and electricity and the implementation of a 5 per cent VAT back on 01 January 2018 which increased to 15 per cent VAT as of 01 July 2020.

The government is also striving to get women to play a greater role in the economy including recently allowing them to drive back in 2019. Wider reforms have been initiated by the government allowing for the entertainment industry to flourish with the opening of the first cinema in King Abdullah Financial District (KAFD) along with 4 VOX screens opening at Riyadh Park Mall.

The cinema entertainment is spurred on by Public Investment Fund (PIF) in collaboration with AMC Cinemas and led by the Development and Investment Entertainment Company (DIEC), a wholly owned subsidiary of PIF.

With an objective of 30 to 40 cinemas in approximately 15 cities in Saudi Arabia over the next five years, and 50 to 100 cinemas in about 25 Saudi cities by 2030.

As part of wider reforms to overhaul the economy and to allow for deep rooted diversification, the Public Investment Fund (PIF) have initiated plans to bolster the tourism / entertainment industry by forming ambitious plans such as the following:

Red Sea Tourism Project

To transform 50 islands consisting of 28,000 square kilometres along the Red Sea coastline into a global tourism destination. For ease of reference to illustration below showing the location in relation to the Kingdom of Saudi Arabia.

Al Faisaliyah Project

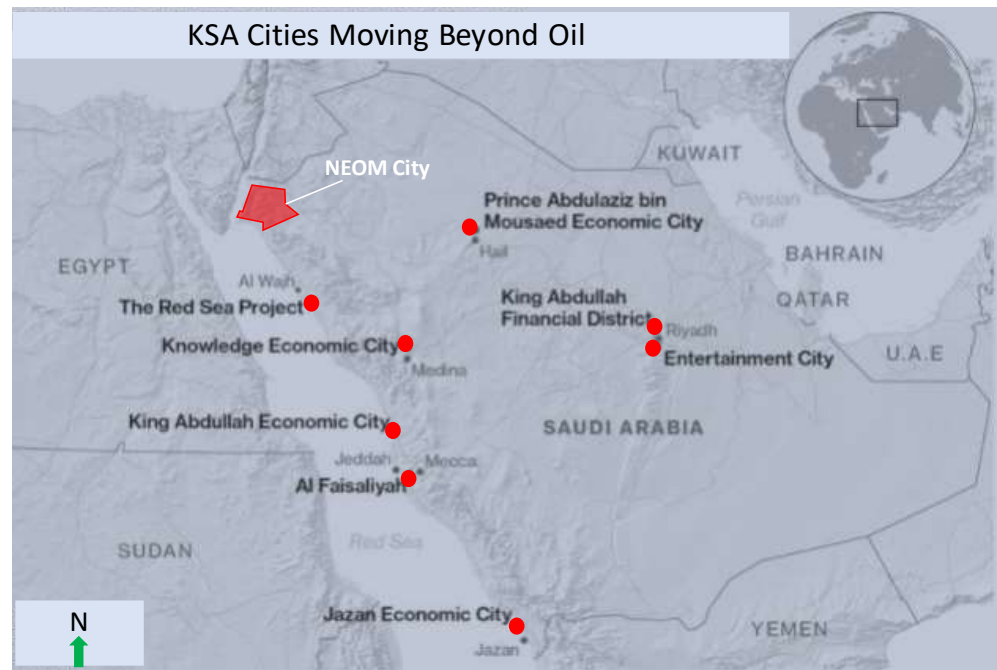
The project will consist of 2,450 square kilometres of residential units, entertainment facilities, an airport and a seaport. Refer to the below illustration for the location.

Qiddiya Entertainment City

Qiddiya Entertainment City will be a key project within the Kingdom's entertainment sector located 40 kilometres away from the center of Riyadh. Currently alleged for "The First Six Flags-branded theme park". The 334 square kilometre entertainment city will include a Safari Park too.

The project will be mixed use facility with parks, adventure, sports, events and wild-life activities in addition to shopping malls, restaurants and hotels.

The project will also consist around 4,000 vacation houses to be built by 2025 and up to 11,000 units by 2030. Again, for ease of reference refer to the below illustration for the location.



Neom City

The NEOM city project will operate independently from the “existing governmental framework” backed by Saudi government along with local and international investors. The project will be part of a ‘new generation of cities’ powered by clean energy. The ambitious plan includes a bridge spanning the Red Sea, connecting the proposed city to Egypt and stretch into Jordan too.

Economic Cities

The overall progress with the Economic Cities has been slow and projects on hold over the past 7-10 years, although KAFD has recently given the go ahead to complete by 2020. Within the Saudi Vision 2030 the government referenced that they will work to “salvage” and “revamp”.

Real Estate Growth

Overall ValuStrat research reveals that real estate sectors have continued to decline in both sales and rental values. We expect demand to remain stable due to fundamentals of a growing young population, reducing family size, increasing middle-class and a sizeable affluent population – all of which keeps the long-term growth potential intact.

Despite short term challenges, both investors and buyers remaining cautious, the Saudi economy has shown signs of ambition with the government unveiling a number of reforms, including full foreign ownership of retail and wholesale operations along with opening up of the Tadawul Stock Market to foreign investment as well as the reforms mentioned in the previous section referred above. As mentioned earlier, KSA experienced positive growth by oil price rise in the first quarter of 2021; hence

the main driver of the recovery remains oil. Over 2021 we envisage the Kingdom's consumer outlook to be more favourable in economic conditions.

Moreover, tax on development land implemented in 2017/18 has kept the construction sector afloat, encouraging real estate developers. Adapting to a new KSA economic reality has been inevitable, although the Kingdom's oil dynamics remain pivotal for future development within the KSA 2030 economic vision plan. In latter part of 2017, the Public Investment Fund (PIF), Saudi Arabia's sovereign wealth fund set up a real estate refinancing company aimed at advancing home ownership in the Kingdom, which suffers from a shortage of affordable housing. This initiative will create stability and growth in the Kingdom's housing sector by injecting liquidity and capital into the market. Another plan to help kick start the real estate market by boosting the contribution of real estate finance to the non-oil GDP part.

The real estate sector has played an increasingly important role in the Saudi Arabian economy. Growing demand across all sectors combined with a generally limited supply has forced real estate prices to accelerate over the past (2008-2016). The close ties with the construction, financing institutions and many others have provided crucial resources that contributed to the development of the Saudi economy. The real estate market performance in 2019/20 and the general trend in KSA for most sectors have remained subdued given lower activity levels, while prices have been under pressure across most asset classes leading to a gradual softening of rental and sale prices.

The real estate sector remains subdued, and prices may have bottomed out across sectors, and we expect in the medium to long term for the market to pick-up further growth given the reforms and transformation in KSA, although we expect the growth to be slow and steady subject to a stable political environment in KSA and across the region.

The outlook remains optimistic for the longer term due to the various KSA initiatives aimed at stimulating the real estate market whilst encouraging the private sector to play a key role in the transformation.

All in all, market volatility remains currently, and prices are likely to witness further deterioration in the short term. Since the issuing of this report the KSA lockdown for the COVID-19 health crisis was lifted back on 21 June 2020 and the economy is now trying to get back to normalcy.

A watching brief should be kept on the economy, although we expect the economy to gather some pace later in 2021-22.

Property values are subject to fluctuation over time as market conditions may change. Valuation considered full figure and may not be easily achievable in the event of an early re-sale. It must be borne in mind that both rental and capital values can fall as well as rise.

2.15 VALUATION UNCERTAINTY

This valuation has been undertaken against a background of significant levels of Market volatility is one of the main reasons of Valuation uncertainty in the real estate market in the Kingdom and within the GCC region given the dramatic changes in markets in current oil price slump and other factors too. We are currently experiencing a very uncertain property market and due to the reduced level of transactions, there is an acute shortage of comparable evidence upon which to base valuations.

Given the current uncertainties it may be necessary at times for a Valuer to draw upon evidence which is of a historical nature. The current shortage of transaction, combined with a rapidly changing market only serves to highlight the unpredictability of the current market, which is subject to change on a day by day basis.

The RICS valuation standards consider it essential to draw attention to foreseen valuation uncertainties that could have a material effect on valuations, and further advises to indicate the cause of the uncertainty and the degree to which this is reflected in reported valuations.

We further state that given the valuation uncertainty stated above our valuation represents our impartial calculated opinion / judgement of the properties, based on relevant market data and perceptions as at the date of valuation.

The client is advised that whilst all reasonable measures have been taken to supply as accurate a valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's market place

[The client is also recommended to consider the benefits in such a market, of having more frequent valuations to monitor the value of the subject property.](#)

2.16 DISCLAIMER

In undertaking and executing this assignment, an extreme care and precaution has been exercised.

This report is based on information provided by the Client. Values will differ or vary periodically due to various unforeseen factors beyond our control such as supply and demand, inflation, local policies and tariffs, poor maintenance, variation in costs of various inputs, etc.

It is beyond the scope of our services to ensure the consistency in values due to changing scenarios.

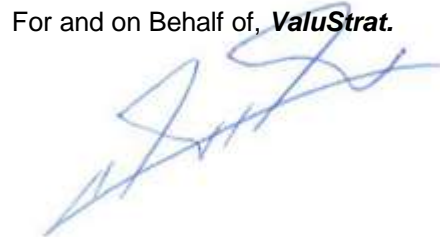
2.17 CONCLUSION

This report is compiled based on the information received to the best of our belief, knowledge and understanding. The information revealed in this report is strictly confidential and issued for the consideration of the Client.

No part of this report may be reproduced either electronically or otherwise for further distribution without our prior and written consent. We trust that this report and valuation fulfils the requirement of your instruction.

This report is issued without any prejudice and personal liability.

For and on Behalf of, **ValuStrat**.



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Jadwa Investment, Riyadh, KSA – September 2021

APPENDIX 1 – PHOTOGRAPHS



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Jadwa Investment, Riyadh, KSA – September 2021





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