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Valuation Report

## Elegance Office Tower, Al Murooj District, Riyadh

Client / AlKhbeer Capital

11 August 2021

V210068

الخبير المالية  
Alkhabeer Capital



# Executive Summary

## Report Summary

- The Subject Property is an office tower located in the Riyadh City Center at Al Murooj District, at the intersection of Olaya Road and King Fahd Road. The area of the land is **5,695** square meters, with a built-up area of **58,163** square meters and a total leasable area of **24,322** square meters.
- The Property is comprised of **27** floors, **130** meters above sea level, with a direct view on King Abdullah Financial Center, the Tower has two separate entrances. It is a mixed-use tower, office, restaurant and health club. It includes five underground parking levels.
- The Property is located at Al Murooj District, North Central Riyadh, with a direct view on King Abdullah Financial district, and easy accessibility.
- Riyadh is the capital of the Kingdom of Saudi Arabia. It is the largest Saudi city and one of the largest cities in the region, with a population of **6.9** million in **1440/2018**.

Site Details	Information
District	Al Murooj
Use	Office
Ownership	Absolute Ownership
Number of Title Deed	<b>310104018345</b>
Date of Title Deed	<b>5,695 m<sup>2</sup></b>
Land Area (m2)	<b>58,163 m<sup>2</sup></b>
Total Built-Up Area (m2)	Arabian Real Estate Company Limited
Gross Leasable Area (m2)	Al Murooj
Owner	Office



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## Valuation Summary

Details	Information
Purpose of Valuation	Periodic Valuation of REIT Fund Assets
Date of Approval	<b>04 June 2021</b>
Date of Inspection	<b>06 June 2021</b>
Date of Valuation	<b>30 June 2021</b>
Basis of Value	Market Value
Valuation Method	Income Approach
Currency	Saudi Arabian Riyal (SAR)
Property's Market Value	<b>SAR 436,380,000</b>

# Executive Summary

## Terms and Conditions



- The Subject Property has been valuated according to the International Valuation Standards (IVS) issued by the Council of International Valuation Standards (IVSC) in 2020 and the rules and regulations of the Saudi Authority for Accredited Valuers in the Kingdom of Saudi Arabia (Taqeem).
- This report was relied upon and valuated according to the specific conditions and restrictions presented in this report.
- The report was issued without any conflict of interest or personal gain.
- This valuation report was prepared based on the instructions received from “The Client” to estimate its “basis of value” for the “purpose” as requested by “The Client”.
- Abaad and Partner Co. are confident that this report meets the client's requirements and instructions, and that the information contained in this report is completely confidential and that the report is issued to the client only.
- The responsibility of the Abaad and Partner Co. is limited to the report and the information contained in the report. Otherwise, the (client) is responsible for requesting the valuation of the Property and the legal consequences thereof.
- The estimated values in this report are for The Subject Property, and any distribution of (value - values) on the parts of the Property applies only according to the narration of the report and for its purpose, and these values should not be used for any other purposes, as it may be incorrect if the purpose has been changed from the valuation for which the report was created.
- This report has been prepared based on the information collected or received and analyzed according to best practices to reach the value, and any material observations that may impact the value are usually noted.
- Please be aware that our inspection was carried out on a visual basis only. No part of the structure was opened up for a detailed examination or testing. We have therefore, where appropriate, made assumptions based on experience of the Property type, construction and materials used. We cannot guarantee that defects do not exist in those parts of the structure, which are concealed, unexposed or not reasonably accessible.
- In the event that any information in the future that is mentioned in the report is found to be untrue and unintentional, the value in this report may change and the client will be notified in due course.
- This valuation report is valid only if approved by the company's seal, in addition to the signature of the accredited valuers.

# Valuation Terms



## Introduction

- In accordance with formal instructions from **Al Khbeer Capital** (or the “Client”), dated **22 May 2021**, Abaad take pleasure in enclosing our Report and Value of the Freehold interest for the Subject Property located in **Riyadh, KSA**.

## Interest

- Interested to be valued as of **Limited Ownership**.

## Purpose of Valuation

- Abaad has been requested to provide our opinion of value for the Subject Property for **For Periodic Valuation of REIT Fund Assets**.

## Basis of Value

Our valuation will be provided on the basis as mentioned below:

- **Market Value**

## Valuation Approach

We have adopted the following valuation approach:

- **Income Approach**

## Inspection Date

- We confirm that The Subject Property was inspected on **27 May 2021**.

## The Nature And Extent of The Inspection

- In accordance to the received instructions, we have carried out visual inspection of The Subject Property. Our inspection is made under the assumption that the ground conditions are suitable for the current or any future buildings and structures development/re-development.

## Valuation Date

- We confirm that The Subject Property was valued on **30 Jun 2021**.

## Sources of Information

- We have relied upon the information provided to us, which is identified below, as well as in the relevant sections of this report:

- 1) Title Deed.
- 2) Subject Subject Krokkie.
- 3) Leases Contracts.

# Disclaimers



## Liability and Publication

- This report is issued for your own use, and that of your professional advisers, for the specific purpose to which it refers. Abaad do not accept any responsibility to any third party for the whole or any part of its contents.
- Neither the whole nor any part of this valuation or any reference thereto, may be included in any published document, circular or statement or disclosed in any way without Abaad prior written consent to the form and context in which it may appear.

## Confidentiality

- This report is confidential to the Client, and their advisers, 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 authorized.

## Assumptions and Special Assumptions

- Assumptions are matters that are reasonable to accept as fact in the context of the valuation assignment without specific investigation or verification. They are matters that, once stated, are to be accepted in understanding the valuation or other advice provided.

- Special Assumption is an assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date. Special assumptions are often used to illustrate the effect of changed circumstances on value.
  - Only assumptions that are reasonable and relevant having regard to the purpose for which the valuation assignment is required shall be made.
- 1) No assumption or special assumption has been applied.

# Disclaimers

## Valuation Under COVID-19 Outbreak

- The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets.
- Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we\*\* consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value.
- Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.
- 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.

# Executive Summary

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# Site Location Analysis

## Infrastructure Projects - RCRC Projects & Programs



The Royal Commission for Riyadh City (RCRC) carries out several strategic, comprehensive, long-term and multi-phase development programs and projects that require massive efforts and resources.

### Historical Addir'iyah Development Program



Addir'iyah is the home of many historic sites and antiquities, as it hosts unique buildings, old quarters, oasis, palm gardens, farms and agricultural areas.

the program achieved integration between Addir'iyah and Riyadh by transforming Addir'iyah into a world-class cultural and tourist metropolitan suburb.

### Riyadh Art Project



Within the project, more than 1000 artworks and landmarks, created by local and international artists, will be installed across the city of Riyadh according to a 10-program plan that covers residential neighborhoods, gardens, parks, squares, metro/bus stations, bridges, city entrances and tourism destinations.

### Sports Boulevard



The Sports Boulevard extends for 135 kms, across the city of Riyadh, connecting Wadi Hanifah valley in the West with Wadi Al Sulai valley in the East through Prince Muhammad Bin Salman Bin Abdulaziz Road. The Sports Boulevard features green pedestrian pathways, special routes for professional and amateur cyclists (135 and 85 kms respectively), and horse riding routes (123 kms).

### Green Riyadh



The Green Riyadh Project includes planting 7.5 million trees across the capital in gardens, parks, mosques, schools, healthcare facilities, King Khaled International Airport and most of the city's roads, streets, car parking spaces, and valleys

### King Salman Park

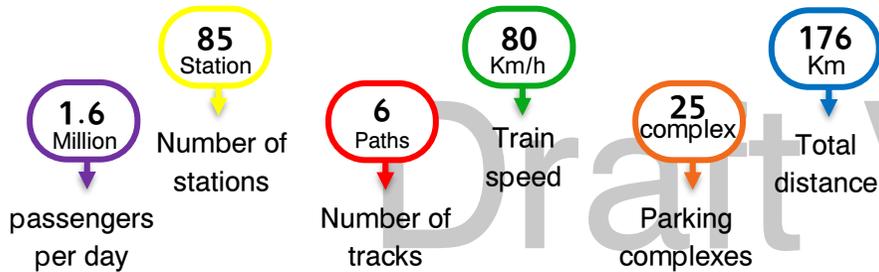


Covering over 13 square kilometers, King Salman Park will be among the biggest city parks worldwide. It will combine a wide variety of environmental, cultural, recreational and sports activities that will significantly enhance the life quality of all Riyadh residents. The project will also host many facilities including a royal art complex, a national theater, an opera house, art academies, museums, and galleries. Furthermore, the park will feature extensive green areas, plazas, sports compounds, and an 18-hole royal golf course. To complement these amenities, great incentives would be offered to the private-sector investors to build recreational.

# Site Location Analysis

## Infrastructure Projects - Al Riyadh Metro Project

- Riyadh Metro is a rapid transit system, currently bring under-construction and is as one of the largest infrastructure projects in the City.
- The metro is designed as a world-class transportation system, includes 756 metro cars, 85 stations, 6 metro lines, and a 176-km network.
- The construction of the metro system has led to a number of road closures that have affected traffic in different parts of the city.

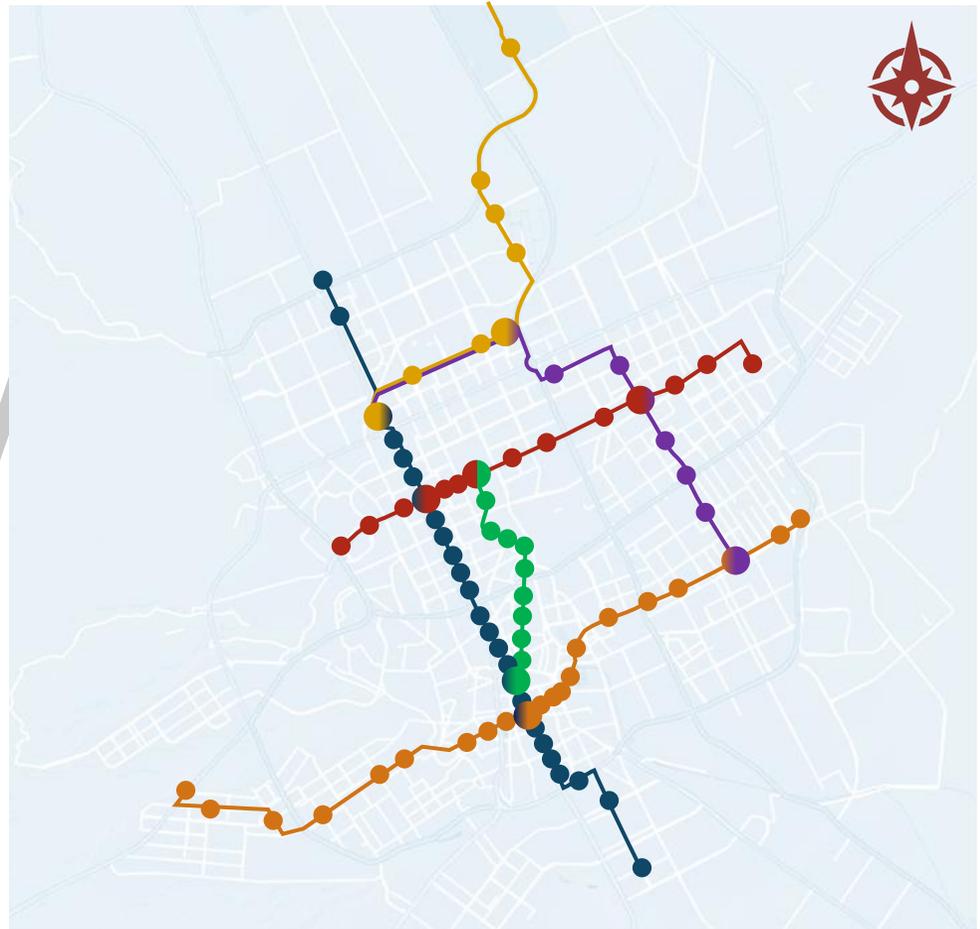


Length of Riyadh Metro Lines

Line	Length (km)
Line 1 (Blue)	38.0
Line 2 (Red)	25.3
Line 3 (Orange)	40.7
Line 4 (Yellow)	29.6
Line 5 (Green)	12.9
Line 6 (Purple)	29.5



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# Site Location Analysis

## Macro Location

### Location

- The Subject Property is located in Riyadh, Riyadh is the capital city of Kingdom of Saudi Arabia and its largest city, and it's the main location of Kingdom's banks, major economic companies and also the headquarters of one of the largest financial cities in the world (King Abdullah Financial Center).
- Riyadh is 600m above sea level with a total urban area of 1,913 km<sup>2</sup>, and a population reaching 6.5 million.
- The Subject Property is located 43.6 km from King Khalid International Airport.

### Demand Generators

- Demand generators in Riyadh are typically geared towards business and tourism, while recently announcing Al-Qidya project as one of the largest entertainment projects in the Kingdom.
- Being the capital city and administrative headquarters of the Kingdom, Riyadh has been at the forefront in attracting tourists in the past decades. With increased business and economic activities, it has emerged as a major commercial hub for the region.

### Macro Location of the Subject Property



# Site Location Analysis

## Property Description



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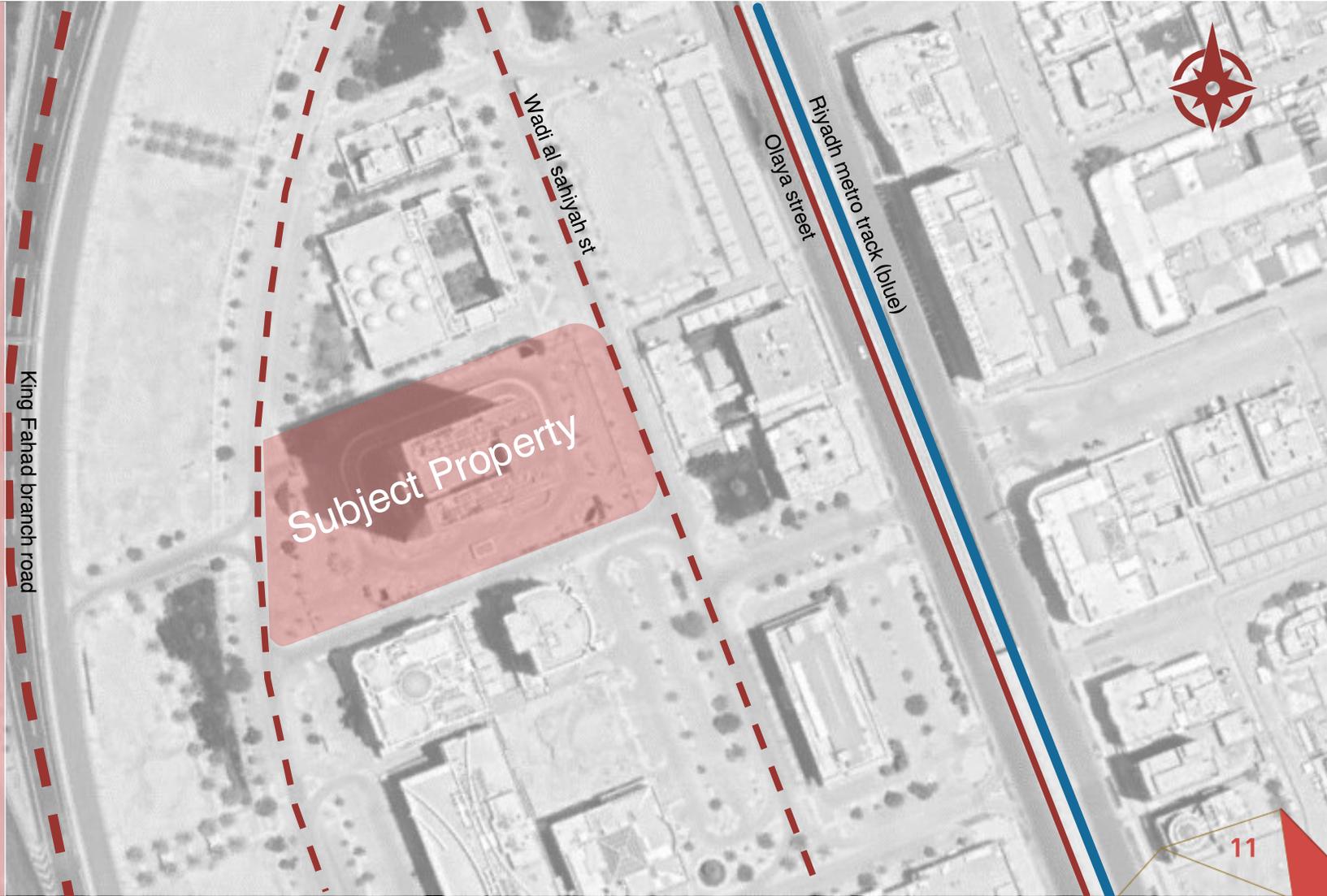
The Property under evaluation is an office tower, consisting of 27 floors and 5 floors underground, the land area is 5,695 square meters.

The building area is 58,163 square meters, and the total leasable area is 24,322 square meters.

Finishing the external facades of glass, and the internal finishing of the entrances and common spaces of marble and porcelain, while the rest of the spaces are basic finishes (bone) and the units are finished according to the tenant's specifications.

The lower positions accommodate 720 positions.

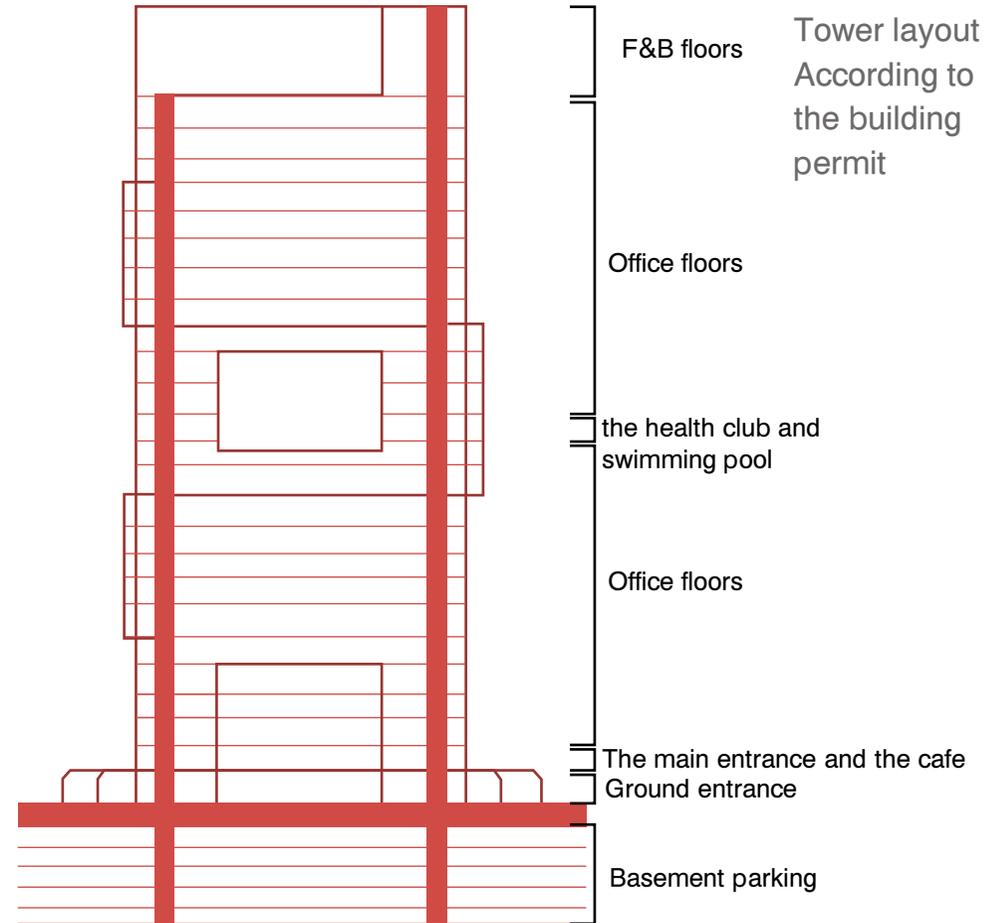
The life of the Property is 3 years (on construction works)



# Site Location Analysis

## Property Description

- The Property is an office tower with **27 floors** above the ground and **5 floors** of underground parking with a total built up area of **58,163 square meters**.
- The tower includes an area designated for the use of a café and an entire floor dedicated to the health club and the swimming pool at a height of **50 meters**.
- The floor space varies between **827-1,665 square meters**
- Underground parking can accommodate up to **720 cars**.
- The front of the tower has four interactive screens.
- The main entrance contains a space designated for the reception in addition to a space designated for a café.
- The tower has **12 electric elevators** divided into **6 main elevators**, **4 external panoramic elevators**, a service elevator and a civil defense elevator.
- The tower contains a helipad.
- The tower is equipped with central communication systems, a fire fighting system and an integrated monitoring system.
- The tower is equipped with a central air conditioning system.
- The tower contains **4 interactive screens**.
- The building is currently being prepared by the contractor to meet the tenant's requirements.
- The first phase of finishing works for toilets and utilities has been completed, and the light current network and circuit breakers have been modified according to the tenant's specifications.
- The second phase is represented in electrical, mechanical and finishing works. **15%** of the work is done.
- The third stage includes site furniture, and communication systems. The bid has been submitted and is still under process.

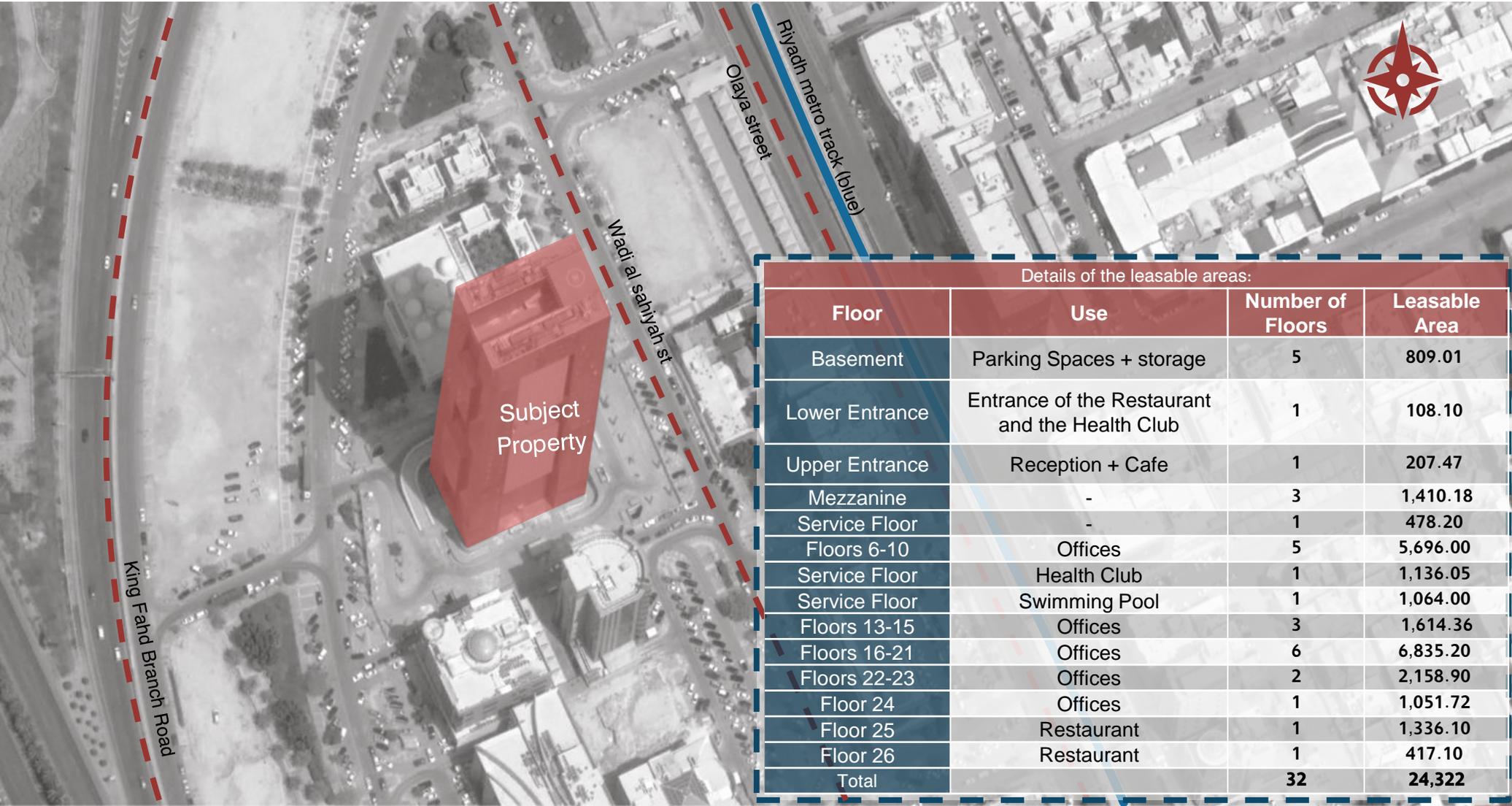


# Site Location Analysis

## Property Description



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Details of the leasable areas:

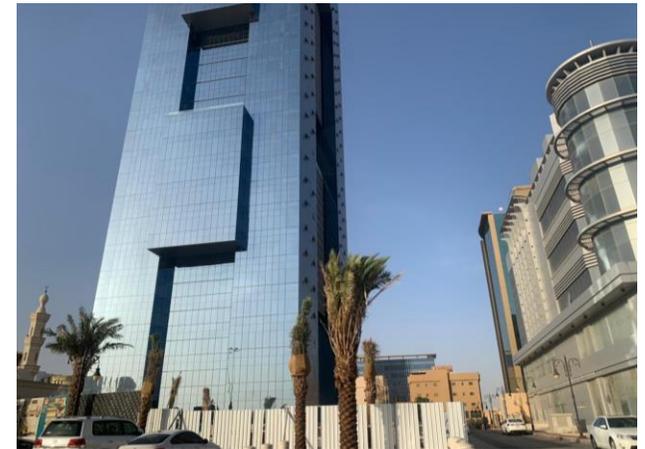
Floor	Use	Number of Floors	Leasable Area
Basement	Parking Spaces + storage	5	809.01
Lower Entrance	Entrance of the Restaurant and the Health Club	1	108.10
Upper Entrance	Reception + Cafe	1	207.47
Mezzanine	-	3	1,410.18
Service Floor	-	1	478.20
Floors 6-10	Offices	5	5,696.00
Service Floor	Health Club	1	1,136.05
Service Floor	Swimming Pool	1	1,064.00
Floors 13-15	Offices	3	1,614.36
Floors 16-21	Offices	6	6,835.20
Floors 22-23	Offices	2	2,158.90
Floor 24	Offices	1	1,051.72
Floor 25	Restaurant	1	1,336.10
Floor 26	Restaurant	1	417.10
Total		32	24,322

# Site Location Analysis

## Subject Property Photos



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# Tenure

## Property Information



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### Property Details (Freehold Details)

ID	Description
Owner	Arabian Real Estate Company Limited
Plot No.	25-26-27-28
Sub-Division	2593
District	Al Murooj
Area	5,695
Street Name	King Fahad Road
Coordinates	46°39.053'E 24°45.468'N
City	Riyadh
Ownership Type	Absolute Ownership
Title Deed Info	Deed No. 310104018345
	Deed Date 22/12/1431

No legal document has been verified for the Property under valuation, which includes planning, ownership or foreclosure, and certain legal matters on which all or part of this report is based are deemed reliable. It was assumed that the Subject Property was valid. It was also assumed that the Property was free of any legal obligations, mortgage rights or any impediments.

### Dimensions and street widths

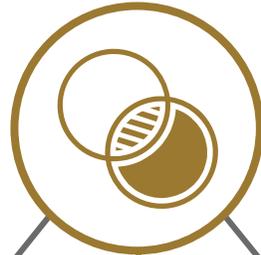
Side	Dimension	Street Name	Type	Width (m)	Frontage
North	85	-	Pedestrian Walkway	10	3
South	85	-	Sidewalk	-	4
East	67	-	Parking Spaces	20	1
West	67	-	Parking Spaces	20	2

- Sources: Title Deed

## Property risk analysis

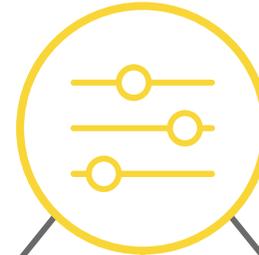
### Long-term contract risks

The lack or limitation of long-term contracts greatly affects the value of the Property, especially the properties listed under REITs. Where the existence of long-term contracts gives stability to the income and thus the value. While the absence of such contracts gives fluctuation in rental prices and income and thus affects the final value.



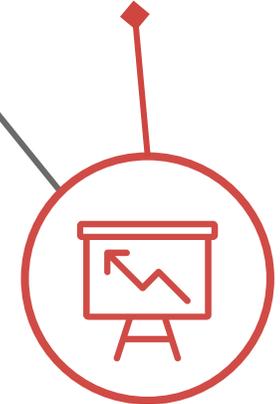
### Regulatory and legislative risks

The regulatory, legal or legislative environment may witness some changes that may affect the value of the Property, such as the emergence of municipal legislation allowing or prohibiting activities in specific areas, or reducing or increasing the number of floors in the surrounding area, which affects the final value of the Property.



### Economic risk

The state's macroeconomic conditions may affect the real estate market in general, such as inflation rates, liquidity, interest rates, financing costs, taxes, and the movement of local and global stock markets, as changing some or all of these influences affects the real estate market.



### Competition risk

The large supply of real estate goods leads to competition in prices offered to the consumer. We find this clear in the real estate market, as the increase in units and exhibitions offered in the market and the entry of new competitors with products will lead to a decrease in prices and services, and thus a decrease in the price of the final Property.



### Revenue security risk

Since the realization of revenues is the main factor in determining the value of the Property, any change in revenues as a result of different market conditions will affect the value of the Property.

# Valuation

## Valuation Approach

Cap Rate .

**A cap rate of 7.0% is applied.**

Discount Rate

**Based on our understanding of similar properties in the area of the Property, and taking into consideration the site features, area, uses, terrain and supply and demand, we have applied a discount rate of 7.50%.**

Inflation Rate.

**In respect of the cash flow of the project, an inflation rate of 2.50% is applied.**

## Valuation Methods Used

When selecting the best approach to assess the value of the Subject Property, we have taken into consideration the information provided by the Client, the current condition of the Property and our own analysis of the local market conditions. When determining the market value of the Subject Property, we have used the following methods and approaches:

### Income Approach (Discounted Cash Flows)

The income method provides an indicator of the value by converting the future cash flows into a single present value. According to this method, the value of the asset is determined using the value of revenues or cash flows or cost savings from the asset. The discount rate is usually reached by analyzing the suitable market and development transactions. We are also in communication with real estate agents and local investors to gauge the sensitivity of the figures.

### Key Assumptions in the Discounted Cash Flow Method:

#### Revenues

According to the information provided by the Client, the annual gross income of the tower is SAR 30,000,000, for a period of five years, starting as of the date of completion of the acquisition. Rental rates were assumed based on market rates as follows:

	Office	Health Club	Warehouses
Rental Rate	1,332	850	250
Leasable Area	21,259	2,254	809
Income	28,317,361	1,915,985	202,253
Gross Income			30,435,598



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# Valuation

## Valuation Using the Income Method

As a result of the aforementioned information, cash flows were calculated to reach the value of the Subject Property. The contract between Alkhabeer Capital and Al Saedan Company was taken into consideration, and it was assumed that rental rates for the remaining period are in accordance with market rates.

### Summary of Cash Flow Calculations:

Period (Semi-Annual)	1	2	3	4	5	6	7	8	9	10
Annual Occupancy Rate (%)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross Projected Income (SAR)	30,000,000	30,000,000	30,000,000	30,000,000	33,174,802	33,783,514	34,392,226	35,000,938	35,609,650	36,218,362
%Credit and Vacancy Costs (	0.0%	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Credit and Vacancy Costs (SAR)	0	0	0	0	3,317,480	3,378,351	3,439,223	3,500,094	3,560,965	3,621,836
Additional Income Percentage (%)	0%	0%	0%	0%	15%	15%	15%	15%	15%	15%
Gross Additional Income (SAR)	0	0	0	0	4,478,598	4,560,774	4,642,951	4,725,127	4,807,303	4,889,479
Gross Effective Income (SAR)	30,000,000	30,000,000	30,000,000	30,000,000	34,335,920	34,965,937	35,595,954	36,225,971	36,855,988	37,486,005
Operating Expenses Percentage (%)	0.0%	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Operating Expenses (SAR)	0	0	0	0	3,433,592	3,496,594	3,559,595	3,622,597	3,685,599	3,748,600
Net Operating Income (SAR)	30,000,000	30,000,000	30,000,000	30,000,000	30,902,328	31,469,344	32,036,359	32,603,374	33,170,389	33,737,404
Exit										481,962,919
Present Value to Net Income (SAR)	28,934,569	26,915,878	25,038,026	23,291,187	21,407,077	20,092,044	18,851,671	17,682,331	16,580,506	237,582,743
Property Value (SAR) (Rounded)	436,380,000									

# Valuation

## Opinion of Value

Abaad is of the opinion that the Value of the Subject Property as of the date of valuation, based upon assumptions and detail within this report, may be fairly stated as follows:

The market value of the Property using the income Approach as at **30 June 2021** is: **SAR 436,380,000** (Four Hundred Thirty Six Million Eight Three Hundred Eighty Thousand Saudi Riyals Only).

Eng. Ammar Abdulaziz  
Sindi

Taqeem ID: 1210000219

Fellow Member

Eng. Ammar Mohamed  
Qutub

Taqeem ID: 1210000392

Accredited Member

Eng. Yusuf Abdullah  
Khan

Membership Number:  
1220001989

Member Valuer

Company Stamp

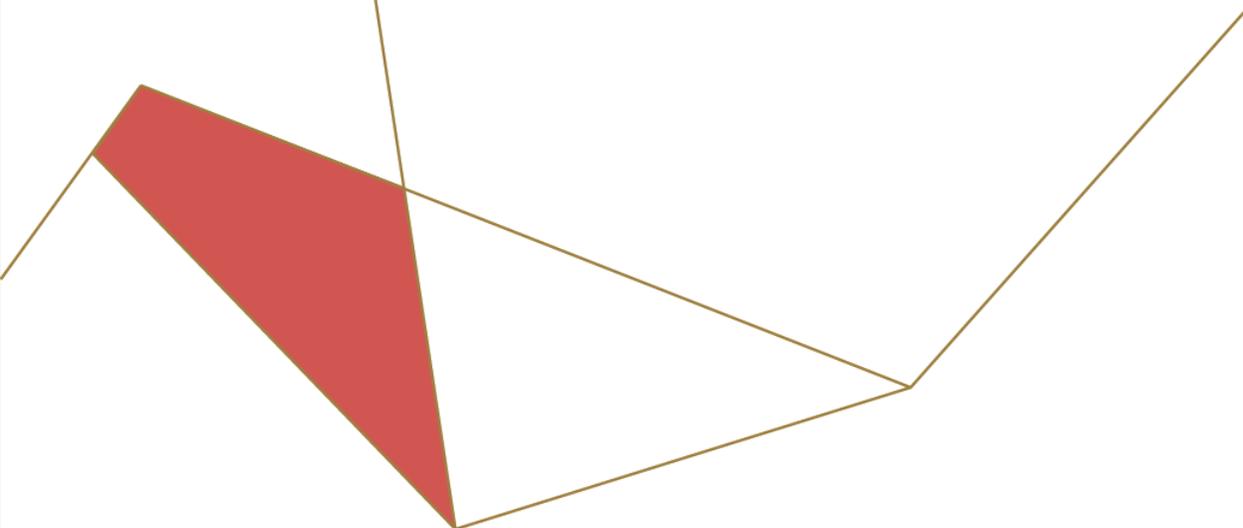
CR No: 4030297686

CL No: 323/18/781



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## Appendix

- Valuation Glossary
- Subject Property Documents
- Building Regulation

### Saudi Authority:

- The Saudi Authority for Accredited Valuers (TAQEEM) was established pursuant to the royal decree no.(m/43), dated (09/07/1433H) as a body of an independent, non-profit and judicial personality. TAQEEM is working under the Ministry of Commerce and Investment with an independent budget and its board of directors is chaired by His Excellency the Minister of Commerce and Investment.

### Asset or Assets:

- To assist in the readability of the standards and to avoid repetition, the words “asset” and “assets” refer generally to items that might be subject to a valuation engagement. Unless otherwise specified in the standard, these terms can be considered to mean “asset, group of assets, liability, group of liabilities, or group of assets and liabilities”.

### Client:

- The word “client” refers to the person, persons, or entity for whom the valuation is performed. This may include external clients (ie, when a valuer is engaged by a third-party client) as well as internal clients (ie, valuations performed for an employer).

### Intended Use:

- The use(s) of a valuer’s reported valuation or valuation review results, as identified by the valuer based on communication with the client.

### Intended User:

- The client and any other party as identified, by name or type, as users of the valuation or valuation review report by the valuer, based on communication with the client.

### Jurisdiction:

- The word “jurisdiction” refers to the legal and regulatory environment in which a valuation engagement is performed. This generally includes laws and regulations set by governments (eg, country, state and municipal) and, depending on the purpose, rules set by certain regulators (eg, banking authorities and securities regulators).

### May:

- The word “may” describes actions and procedures that valuers have a responsibility to consider. Matters described in this fashion require the valuer’s attention and understanding. How and whether the valuer implements these matters in the valuation engagement will depend on the exercise of professional judgement in the circumstances consistent with the objectives of the standards.

### Must:

- The word “must” indicates an unconditional responsibility. The valuer must fulfill responsibilities of this type in all cases in which the circumstances exist to which the requirement applies.

### Participant:

- The word “participant” refers to the relevant participants pursuant to the basis (or bases) of value used in a valuation engagement (see IVS 104 Bases of Value). Different bases of value require valuers to consider different perspectives, such as those of “market participants” (eg, Market Value, IFRS Fair Value) or a particular owner or prospective buyer (eg, Investment Value).

### Purpose:

- The word “purpose” refers to the reason(s) a valuation is performed. Common purposes include (but are not limited to) financial reporting, tax reporting, litigation support, transaction support, and to support secured lending decisions.

### Should:

- The word “should” indicates responsibilities that are presumptively mandatory. The valuer must comply with requirements of this type unless the valuer demonstrates that alternative actions which were followed under the circumstances were sufficient to achieve the objectives of the standards.
- In the rare circumstances in which the valuer believes the objectives of the standard can be met by alternative means, the valuer must document why the indicated action was not deemed to be necessary and/or appropriate.
- If a standard provides that the valuer “should” consider an action or procedure, consideration of the action or procedure is presumptively mandatory, while the action or procedure is not.

### Significant and/or Material:

- Assessing significance and materiality require professional judgement. However, that judgement should be made in the following context:
- Aspects of a valuation (including inputs, assumptions, special assumptions, and methods and approaches applied) are considered to be significant/material if their application and/or impact on the valuation could reasonably be expected to influence the economic or other decisions of users of the valuation; and judgments about materiality are made in light of the overall valuation engagement and are affected by the size or nature of the subject asset.
- As used in these standards, “material/materiality” refers to materiality to the valuation engagement, which may be different from materiality considerations for other purposes, such as financial statements and their audits.
- Subject or Subject Asset:
- These terms refer to the asset(s) valued in a particular valuation engagement.

- Valuation:
- A “valuation” refers to the act or process of determining an estimate of value of an asset or liability by applying IVS.
- Valuation Purpose or Purpose of Valuation:
- See “Purpose”.

### Valuation Reviewer:

- A “valuation reviewer” is a professional valuer engaged to review the work of another valuer. As part of a valuation review, that professional may perform certain valuation procedures and/or provide an opinion of value.

### Value (n):

- The word “value” refers to the judgement of the valuer of the estimated amount consistent with one of the bases of value set out in IVS 104 Bases of Value.

### Valuer:

- A “valuer” is an individual, group of individuals or a firm who possesses the necessary qualifications, ability and experience to execute a valuation in an objective, unbiased and competent manner. In some jurisdictions, licensing is required before one can act as a valuer.

# Appendix

## Valuation Glossary

### Weight:

- The word “weight” refers to the amount of reliance placed on a particular indication of value in reaching a conclusion of value (eg, when a single method is used, it is afforded 100% weight).

### Weighting:

- The word “weighting” refers to the process of analysing and reconciling differing indications of values, typically from different methods and/or approaches. This process does not include the averaging of valuations, which is not acceptable.



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