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Valuation Report

Gallery Mall, Al-Salihiyah District, Tabuk

Client / AlKhbeer Capital

11 August 2021

V210068

الخبير المالية
Alkhbeer Capital



Executive Summary

Report Summary

- The Subject Property is a closed commercial centre comprised of two floors and a basement, The area of the land is **41,630** square meters, with a gross leasable area of **35,868** square meters.
- The property is located at Al-Salihyah District on King Khalid Road, Tabuk.
- The Subject Property is located approximately four kilometres to the north of the City Centre, and approximately seven kilometres from Prince Sultan bin Abdulaziz International Airport at Al-Salihyah District, Tabuk.
- The Subject Property is located in the City of Tabuk, the headquarters of the Emirate of Tabuk Province and the largest city in the northern part of the Kingdom of Saudi Arabia. The City is surrounded by some of the most important archaeological sites in the Arabian Peninsula. It is one of the significant agricultural areas in the Kingdom, with a population of approximately **551,124**.

Property Information

Site Details	Information
District	Al-Salihyah
Use	Commercial Office Center
Ownership	Usufruct
Number of Title Deed	41,630
Date of Title Deed	43,625
Land Area (m2)	35,868
Total Built-Up Area (m2)	Sulaiman Al-Qudaibi & Sons Company
Gross Leasable Area (m2)	State Property Represented by Madinah Municipality
Owner	Al-Salihyah



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Valuation Summary

Details	Information
Purpose of Valuation	Periodic Valuation of REIT Fund Assets
Date of Approval	22 May 2021
Date of Inspection	24 May 2021
Date of Valuation	30 June 2021
Basis of Value	Market Value
Valuation Method	Income Method
Currency	Saudi Arabian Riyal (SAR)
Property's Market Value	SAR 164,740,000

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 **Tabuk, KSA**.

Interest

- Interested to be valued as of **Usufruct**.

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 June 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 Organization 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.

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Site Location Analysis

Property Description



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The property under evaluation is a closed commercial centre consisting of two floors and a basement, the land area is 41,630 square meters. The building area is 43,625 square meters, and the total leasable area is 35,868 square meters.

The property consists of 139 shops, 15 restaurants, 39 kiosks and 4 cafes, and there are outdoor and basement parking spaces that can accommodate more than 900 parking spaces. The property also contains 3 elevators, 6 escalators, service elevators, and an entertainment hall. Finishing the exterior facades of aluminum (cladding) and glass, and finishing the interior corridors with porcelain floors and aluminum marble columns. As for the shops, they are basically finished, and basic services are delivered to each shop.



Site Location Analysis

Subject Property Photos



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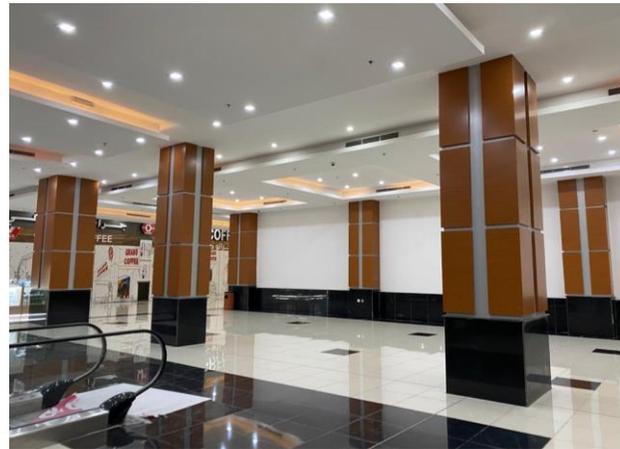


Site Location Analysis

Subject Property Photos



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Tenure

Property Information



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Property Details (Freehold Details)

ID	Description
Owner	Tabuk Municipality
Name of Subject Property	Gallery Mall
Lease Contract Number	143000123
Lease Contract Date	15/03/1434 H
Street Name	King Khalid
Coordinates	36° 33.638'E 28° 23.642'N
City	Tabuk
Ownership Type	Usufruct
Title Deed Info	Owner of the Right of Waiver Awwal Almalga Real Estate Company
	Date of Waiver 19/06/1440

Dimensions and street widths

Side	Dimension	Street Name	Type	Width (m)	Frontage
North	253	King Khalid	Main	30	1
South	253	Unnamed	Sub-Street	20	2
East	180	Unnamed	Sub-Street	18	4
West	180	Unnamed	Sub-Street	18	3

Lease Contract Summary:

ID	Description	Details
1	Lessee	Awwal Almalga Real Estate Company
2	Contract Term	20 Years
3	Contract Effective Date	15/03/1434
4	Land Lease Annual Costs	SAR 1,598,738
5	Operation and Maintenance	Sulaiman Al-Qudaibi & Sons Company shall bear all the construction, operation and maintenance costs of the Mall for a period of five mandatory years

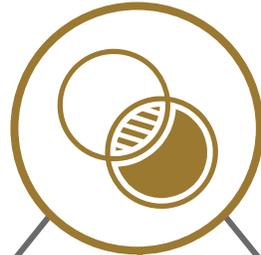
planning, ownership or foreclosure, and certain legal matters on which all or part of this report is based are deemed reliable. It was assumed that the Subject Property was valid. It was also assumed that the property was free of any legal obligations, mortgage rights or any impediments.

- Sources: Title Deed

Property risk analysis

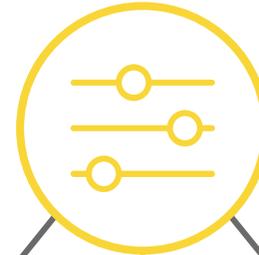
Long-term contract risks

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.



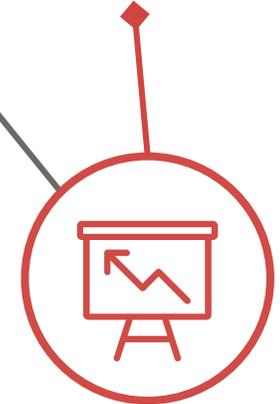
Regulatory and legislative risks

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 .

Whereas the ownership of the property is a (usufruct), we did not apply a cap rate .

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 11.25%.

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

The annual gross income of the Subject Property is assessed at SAR 32,721,029, based on the market rental rates. The percentage of additional income was also assessed at 5% of the total income of the property.

Valuation

Comparable

Map Showing the Location of the mall



Al Makaan Mall

	Type of Units	Average Area (m ²)	Average Rental Rate (SAR)	Average Rental Rate (SAR/m ²)
Al Makaan Mall	Kiosk	9	84,000	9,333
	Showroom	151	209,250	1,386
	Restaurant	100	250,000	2,500

The project is a commercial, entertainment and touristic compound, which is considered one of the best markets in Tabuk and a significant tourism landmark in the Kingdom. It is located on King Khalid Road, and was built on an area of **35,200 m²**. It includes many brands, and is comprised of a basement and two huge floors. It is one of the best touristic places in Tabuk, with a group of domestic and global brand stores. Al Makaan Mall has a leasable area of approximately **22,000 m²**.

Services and Facilities

Entertainment Area	Security Services	Restaurants Area	Large Showrooms	Parking Spaces
✓	✓	✓	✓	✓
Global Brands	Escalators	Elevators	Cinema	Hypermarket
✓	✓	✓	✓	✓

Mall Photographs



Valuation

Comparable

Map Showing the Location of the mall



Tabuk Park

	Type of Units	Average Area (m ²)	Average Rental Rate (SAR)	Average Rental Rate (SAR/m ²)
Tabuk Park	Kiosk	9	82,400	9,155
	Showroom	150	257,526	1,763
	Restaurant	227	627,882	2,766

The project is a commercial entertainment compound, which is considered one of the largest markets in Tabuk and a significant tourism landmark in the region. It is located on King Faisal Road alongside Prince Fahad bin Sultan Park, and was built on an area of 180,000 m². It includes many brands, and is comprised of two huge floors, in addition to an outdoor garden area designed to enrich the users' shopping experience. It is one of the best touristic places in Tabuk, with a group of domestic and global brand stores. Tabuk Park has a leasable area of 80,000 m².

Services and Facilities

Entertainment Area	Security Services	Restaurants Area	Large Showrooms	Parking Spaces
✓	✓	✓	✓	✓
Global Brands	Escalators	Elevators	Cinema	Hypermarket
✓	✓	✓	✓	✓

Mall Photographs



Valuation

Assessment of Revenues

The following table summarizes the basic rental rates of units after the expiration of the operation contract based on the uses:

Use	Change in Area Factor	Basic Rental Rate
Showroom	0.00%	1,357
Kiosk	0.00%	11,100
Secondary Large Showroom	0.00%	537
Main Large Showroom	-25.00%	402

Based on the foregoing, the average rental rate was applied to assess the revenues of units after the expiration of their contracts:

	From year 1 to 4	From year 5 to 19
Income After Contract Expiration	-	33,064,904
Operating Costs	-	25% of gross income
Land Lease		1,579,000

Valuation

Income Approach Valuation



Given the foregoing parameters, cash flows were calculated to reach a value of the Subject Property. The cash flows covered a period of 16.5 years, with an income of SAR 33,064,904 based on the market for the remaining term of the land lease contract. The cash flow schedule is made for every six months:

Summary of Cash Flow Calculations:

Period (Semi-annual)	1	2	3	4	5	30	31	32	33	34
Occupancy Rate (%)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Income (SAR)	16,945,763	17,156,278	17,369,407	17,585,185	17,803,643	23,943,920	24,241,371	24,542,518	24,847,406	25,156,081
Vacancy Rate (%)	60.0%	40.0%	40.0%	25.0%	25.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Vacancy Costs (SAR)	10,167,458	6,862,511	6,947,763	4,396,296	4,450,911	3,591,588	3,636,206	3,681,378	3,727,111	3,773,412
Additional Income (SAR)	847,288	857,814	868,470	879,259	890,182	1,197,196	1,212,069	1,227,126	1,242,370	1,257,804
Net Income (SAR)	7,625,593	11,151,581	11,290,115	14,068,148	14,242,914	21,549,528	21,817,234	22,088,266	22,362,665	22,640,473
Operation and Maintenance Costs (SAR)	1,906,398	2,787,895	2,822,529	3,517,037	3,560,729	5,387,382	5,454,309	5,522,067	5,590,666	5,660,118
Property Insurance Costs (SAR)	30,020	30,020	30,020	30,020	30,020	30,020	30,020	30,020	30,020	30,020
Land Lease Costs	789,500	789,500	789,500	789,500	789,500	789,500	789,500	789,500	789,500	789,500
Total Costs (SAR)	2,725,918	3,607,415	3,642,049	4,336,557	4,380,249	6,206,902	6,273,829	6,341,587	6,410,186	6,479,638
Net Income	4,899,675	7,544,165	7,648,066	9,731,591	9,862,666	15,342,626	15,543,406	15,746,680	15,952,479	16,160,835
Present Value to Net Income (SAR)	4,404,202	6,429,263	6,179,475	7,454,762	7,162,988	3,100,269	2,977,802	2,860,149	2,747,121	2,638,539
Property Value (Rounded)	164,740,000									

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 164,740,000 (One Hundred Sixty-four Million Seven Hundred Forty 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

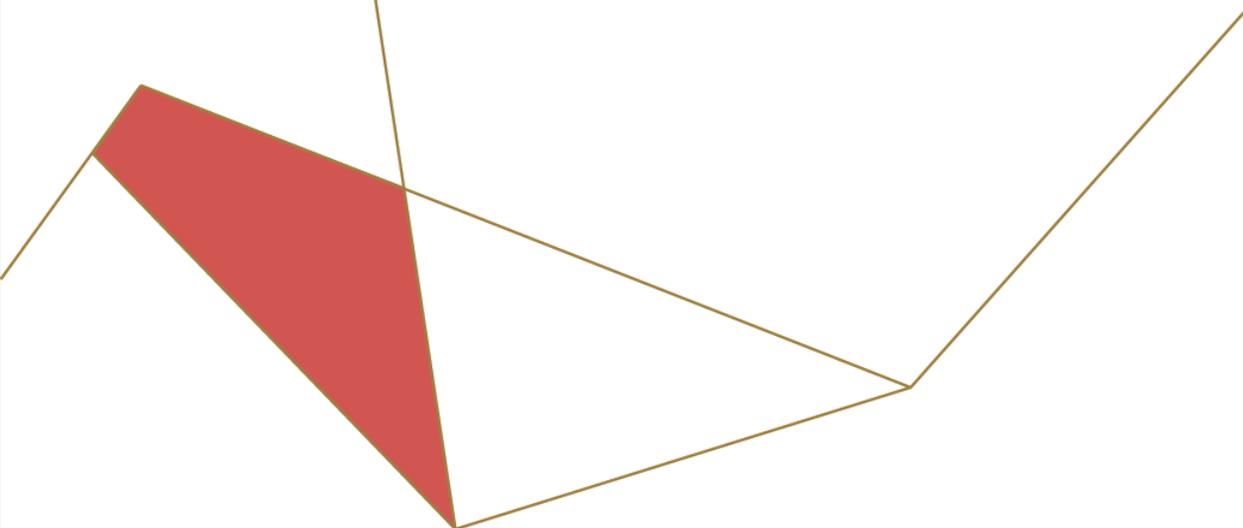
CR No: 4030297686

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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شركة أبعاد المتطورة وشريكه للتقييم العقاري

الإدارة الرئيسية بمدينة جدة.
شارع محمد إبراهيم مسعود ، حي السلامة
مبنى الزاهد ، الطابق الخامس ، مكتب 22
المملكة العربية السعودية

فرع مدينة الرياض.
طريق الإمام سعود بن فيصل ، حي الصحافة
مبنى الدفاع ، الطابق الثاني ، مكتب 106
المملكة العربية السعودية

لمزيد من المعلومات يرجى التواصل معنا على العنوان الآتي:
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