

Real Estate Valuation Report

Presented to: SICO Saudi REIT Fund

Office Building (i-OFFICES)



Statement

Dear : **SICO Saudi REIT Fund** Greetings

Subject: Office Building Valuation Report - Al-Rabee District, Riyadh.

We, Qaim and his partner real estate valuation company, extend our sincere thanks and appreciation to you for choosing us and giving you your precious trust to evaluate the property located in the city of **Riyadh, Al-Rabee** district, according to the assignment issued by you on **19/05/2024 AD** based on the license granted to us by the Saudi Authority for Accredited Valuers, following In that is the latest version of the International Valuation Standards 2022 AD, which are recognized as well as the rules and ethics of the profession in order to reach the final impartial valuation based on the actual inspection by the work team and the study of the market area surrounding the property. The fair value estimate was reached using various valuation methods, including what each report carries, and accordingly we are pleased to We present to you the real estate valuation statement listed below.

Based on the completed study, we are attaching to you the results of estimating the fair price of the real estate, an Office Building and its current status on the date of the estimate **30/06/2023 AD** located in the city of Riyadh, **with an amount of only (215,111,000) two hundred and fifteen million one hundred and eleven thousand.**

With sincere gratitude...

This report was approved by the Executive Director, Ismail Mohammed Al-Dubaikhi

Under License No. / 1210000052 dated 10-10-1443 AH




Valuation report filing code

At the Saudi Authority for Accredited Valuers

Executive Summary

■ Fair price estimate: **215,111,000** Saudi riyals

Valuer		
• Ismail Muhammad Al-Dubaikhi Membership No. 1210000052	• Salem Muhammad Al Fai` Membership No. 1210000013	
• Muath Aloraini Membership No. 1210002322	• Hossam Hassan Ashi Membership No. 1210002501	
Owner of real estate	Intended User	Client (report requester)
Mashaer Real Estate Company	SICO Saudi REIT Fund Investors	SICO Saudi REIT Fund
Property location	Property under valuation	Purpose of the valuation
Riyadh - Al-Rabee District	Office Building	Periodic valuation of SICO Saudi REIT Fund
Inspection date	Valuation approach	Valuation standard
20/05/2024	Cost Approach + Income Approach	International Valuation Standards Accounting Valuation Standards (IFRS)
Valuation date	Value Basis	Ownership Type
30/06/2024	Fair value	Absolute ownership
Report issued date	Assumed value	Deed number and date
29/07/2024	Present use	(393140003190, 393140003189)- 1442/09/02

قيـم للتقـيـم

QIAM VALUATION

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- **The specific assumptions and limitations of the report**

Specific Assumptions and Limitations

- Based on the type and characteristics of the property and the purpose of evaluation, the property was evaluated using the cost method (Replacement method) and the Income Approach (Discounted Cash Flow method).
- The property has been inspected outwardly and the property has not been structurally inspected, or this appraisal report is considered valid only if it bears the company's seal and the signature of the accredited residents.
- The property was evaluated in accordance with international standards 2022 AD, and the estimated value in this report is for the property under study, and in case of changing the purpose of the valuation, these values may be incorrect.
- Based on the purpose of the evaluation, which is (Periodic valuation of SICO Saudi REIT Fund), the valuation was based on the value (fair value).
- No legal document was verified for the property that was evaluated or for legal issues involving ownership or mortgage, and it was assumed that the information was according to the client's statement.
- Borders and lengths according to the client's statement, and the company is not responsible for the Borders and lengths, and therefore the total area of the land is taken according to the deed, and the company is not responsible for that.
- Qiam Valuation Company acknowledges that there is no conflict of interest with the fund managers, property owners and managers, property tenants, and all direct and indirect parties in everything related to the fund.
- The values estimated in this report are for the property under valuation, and any distribution of the value to parts of the property will not be correct, and this value should not be used for any other purposes, as it could be incorrect if used as well.
- This report may not be used in whole or in part, or have references to it made without mentioning Qiam and its partner real estate valuation company. It may also not be published in any way without the company's prior written consent, in the form and content in which it appears.
- Our company does not bear any responsibility for any information received from the customer, which is supposed to be safe and reliable, and our company does not acknowledge the accuracy or completeness of the available data and does not express its opinion and did not offer any kind of guarantee for the accuracy or completeness of the data except as indicated clearly in this report.
- Information provided by other parties, especially with regard to planning, land ownership, renting, etc., on which all or part of this report was based, was considered reliable, but not all of it was confirmed in all cases, and no guarantee was given regarding the validity of this information, if it appears that this information is incorrect. the value contained in this report may change.
- The responsibility of the company with regard to the report and valuation is limited to the client, who is the entity that owns the valuation. Some of the required data was not received from the client, and in the event that any hidden information is available that could affect the value of the property.



■ Scope of work

Scope of work Standard No. 101

Other users	Client	Identity of the real estate valuer
SICO Saudi REIT Fund - Investors	SICO Saudi REIT Fund	Described in the executive summary
Value Basis	Purpose of the valuation	Property under valuation
Fair value	Periodic valuation of SICO Saudi REIT Fund	Office Building
Report description	Measurement date	Property considerations for the customer
A report explaining the methodology and steps of the valuation and the results of the valuation, and includes illustrative pictures of the boundaries of the asset under valuation	30/06/2024	Investment or use, and in some cases the real estate is part used by the customer and part invested and has special considerations)

Scope of the Valuer search - Standard No. 102

Gathering sufficient information through a field visit, visible inspection, and conducting analyzes. A study was conducted from sites close to the real estate site and from approved real estate offices in the real estate area, and all information was investigated and studied accurately.

Value Basis

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (This definition is adapted from IFRS 13), paragraph 9. It is also defined in IVS 104 Basis of Value, paragraph 90, among other bases of value for valuation for purposes of inclusion in financial reports. It is consistent with **the market value** and its definition, which is the estimated amount on the basis of which the property should be exchanged on the date of evaluation between a willing buyer and a willing seller within the framework of a transaction on a neutral basis after appropriate marketing, where each of the parties acts on the basis of knowledge and wisdom without coercion or coercion.

Valuation currency

Saudi riyal

Valuation Standard followed

All work was carried out in accordance with the Accredited Valuers System and the implementing regulations related to real estate valuation issued by the Saudi Authority for Accredited Valuers (Taqeem), and the latest version of the International Valuation Standards (IVS) for the year 2022 published by the International Valuation Standards Board (IVSC) and the professional rules recognized in the work of valuation of real estate assets, which is based on analysis, comparison and direct inspection of each property, and research as much as possible about the influences and characteristics of the property under valuation.

Nature and source of information

The information contained in the report was issued by official bodies, real estate offices in the targeted area, or offices specialized in research and studies, and with reference to the database of Qaim and its partner real estate valuation company.

Important assumptions and special assumptions

Our company does not assume any responsibility for any information received from the client, which is supposed to be safe and reliable. Also, our company does not endorse the accuracy or completeness of the available data and does not express its opinion, nor did it offer any kind of guarantee for the accuracy of the data or completeness except as indicated clearly in this report.

Report usage restrictions

Valuation processes and reports are confidential to the directing party and to whomever they are referred to for a specific purpose, with no responsibility of any kind for any third party. This report may not be published in full or any part thereof or referred to in any document or statement or published periodically or in any medium, communicate with any third party without our prior written consent in the form and context in which they appear. It is a matter of caution and that the company and the valuer reserve the right to make any amendments and make any review of the valuation or support the valuation result under specific circumstances. The company reserves the right, without any obligation, to review the evaluation calculations and amend and revise its results in light of information that existed at the valuation date but became clear to it later.

Work Stages

■ Meeting with the client and determining the scope of work, including the purpose of the valuation, the basis of value, the parties involved, the date of the valuation, and any special or important assumptions, including clarity of the assignment and the expected outputs from it.

Step 01



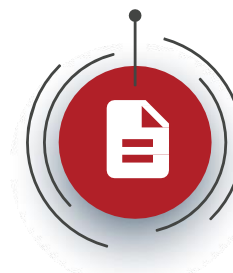
■ Collecting and analyzing office and field market data in order to gain knowledge of past and current market trends and market indicators that will be relied upon when applying valuation methods.

Step 03



■ Work on preparing the report in accordance with Standard 101 for Description of the Report and Standard 103 for Report Preparation.

Step 05



■ Previewing the property, identifying its characteristics and specifications, matching documents with reality, analyzing the location of the property and the uses surrounding the property, while defining the scope of the geographical search and the appropriate activities and projects.

Step 02



■ Based on the scope of work and market analysis, appropriate valuation methods are determined and all assumptions and inputs are made to carry out financial calculations to reach the market value according to the chosen methods..

Step 04





**■ Compliance with Standards
,Research and Inquiry**

Standard 102: Compliance with Standards and Research and Inquiry

This valuation work was carried out in accordance with the principle of Standard 102 of compliance with the standards, research and survey work, in the following items:

- The basis of the value (fair value) is commensurate with the purpose of valuation (Periodic valuation of SICO Saudi REIT Fund).
- Gathering evidence through field visits at the time of inspecting the property with the inquiries raised at the time of the evaluation of some accredited offices in the area of the property.
- Evidence from field visits was collected and analysis and computational procedures performed to ensure that evaluation work was adequately supported.
- The data cited was judged to ensure the adequacy of all such information obtained to ensure that it is sufficient for the purpose of the valuation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all valuation inputs mentioned in the report.
- Reliability of the information provided by the real estate offices in the real estate area has been confirmed, and they are accredited and licensed offices in the real estate area.

Judging the reliability of the information provided and taken into the report

Provider	Data and information	Verdict	Judgment reasons
Client	Title deed	Trusted	Title deed sent by the client has been verified
	Building permit	Trusted	The building permit has been validated in Baladi platform
	Rental data	Trusted	Paper contracts were reviewed
Market	Rental price per square meter	Trusted	Rental Rates for retails space, Pilgrims Accommodation, Land Plots Sale Prices, etc.
	Practical experience of real estate offices	Trusted	Certified by official records in the real estate area
	Source independence	Trusted	A source independent and external to the asset being valued

Compliance with Standards and Research and Inquiry

01

The research and investigations undertaken in the context of the valuation mission are appropriate to the valuation purpose and value basis

02

Carry out calculations and perform analyzes by gathering sufficient evidence by the following means, such as: field visit, inspection, inquiries and ensuring that evaluation work is appropriately reinforced and professional judgment facility to ensure that the information obtained is sufficient and that it fulfills the purpose of the evaluation

03

In the event that there are restrictions on the research and investigation carried out by the evaluator that do not enable him to adequately value the inputs and assumptions, which are clarified in the special assumptions

04

Taking into account the reliability of the information so that the evaluation results do not appear, and the inputs provided to the valuer (and) from the client or his representative) were considered.

05

Consider the credibility and reliability of the information provided
The following matters were taken into consideration:
The purpose of the valuation
The relevance of the information to the outcome of the valuation
The source practical experience in relation to the subject matter of the valuation
Is the source independent of the asset being evaluated or the beneficiary of it.

06

Record the valuation purpose, basis of value, and scope And the limits of research and survey, and the sources of information that reliable in the scope of work, which must Communicating it to all parties to the evaluation task

Regulatory framework on the International Valuation Standards (IVS 2022)

General Standards - Criterion 101
Scope of Work Paragraph 20:
Emphasizing that the valuation will be prepared in accordance with international valuation standards and that the valuer will assess the appropriateness of all important inputs: Deviations from international evaluation standards and their nature must be mentioned

60.3 Some professional appraisal institutions or regulations allow procedures that deviate from the International Appraisal Standards and in such circumstances, except as described in paragraphs 60.1 and 60.2, the resulting valuation will not be in compliance with the Standards.

General framework: the generally accepted valuation principles and the concepts that should be followed when applying these standards with regard to objectivity, discretionary judgment, efficiency, and the possibility of deviating from the standards, Paragraph (60.1-60.2). requirements mentioned in the reports

Note:

Real estate valuations performed in order to prepare financial reports are regarded as situations of systematic deviation from international valuation norms in order to satisfy certain criteria for the purpose of the relevant valuation.

Real estate and investment properties in the preparation of financial reports

Clarifying the difference between real estate and investment properties in the financial statements

Investment properties in the financial statements

IAS 40 defines investment property as any property (land or a building - or part of a building - or both) held (by the owner or by the lessee as a right-of-use asset) to earn rental income or To grow the capital or for both, and not:

- For use in producing, supplying goods, providing services, or for administrative or
- To sell it in the ordinary course of business

Real estates included in the term of real estate, machinery and equipment in the financial statements

The International Accounting Standard No. 16 “property, plant and equipment” IFRS16 defines as the tangible items that:

- It is kept for use in the production or supply of goods or services, or it is kept for rent to others (except for investment real estate) or for use in administrative purposes.
- It is expected to be used during more than one period



■ An overview of the economy and the real estate sector in the Kingdom of Saudi Arabia

2030 Vision

His Royal Highness Prince **Mohammed bin Salman bin Abdulaziz Al Saud**, Crown Prince, Deputy Prime Minister and Chairman of the Council for Economic Affairs and Development.



Our ambition is to build a more prosperous country in which every citizen will find what he desires. For the future of our homeland, which we build together, we will accept nothing but to make it at the forefront of the world, with education and rehabilitation, with opportunities available to all, and advanced services, in employment, health care, housing entertainment and others.



Economic growth in Saudi Arabia

During its modern era, the Saudi economy has witnessed growth in a large number of sectors, taking advantage of the Kingdom's natural resources, and its geographical and cultural position among the three continents of the world. This growth resulted in building a solid economic base, as it became among the twenty largest global economies and an active member of the Group of Twenty, and one of the main players in the global economy and global oil markets, supported by a strong financial system and an effective banking sector, and giant government companies based on highly qualified Saudi cadres.

In the past years, the Kingdom has also witnessed structural reforms on the economic and financial side, which enhance the increase in economic growth rates while maintaining financial stability and sustainability.

In order to develop and diversify the economy and reduce dependence on oil, the Kingdom of Saudi Arabia launched the Saudi Vision 2030 based on many economic and financial reforms, which aimed at transforming the structure of the Saudi economy into a diversified and sustainable economy based on enhancing productivity, raising the contribution of the private sector, and enabling the third sector.

Since the launch of the vision, the Kingdom has succeeded in implementing many supportive initiatives and structural reforms to enable economic transformation.

This transformation consists of several major efforts centered on a sectoral dimension that includes the promotion of local content, national industry, and the launch of various sectors. Promising economy and its development, enabling dimension that aims to maximize the role of the private sector, small and medium enterprises, and enhance the sustainability of Public Finance. It is expected that the pace of this structural transformation towards sustainable economic growth will continue in the coming years, especially in light of the number of Giant investment initiatives, under the umbrella of the Public Investment Fund, and leading companies. It is also expected that the pace of settlement will accelerate Knowledge and innovative technologies.



Business Sectors Overview

Tourism Sector

- Within the framework of the Kingdom's Vision 2030, which aims to lay effective foundations and pillars for the future of the Kingdom of initiatives aimed at reducing the main dependence on oil, through many sectors to support the national economy, including the tourism sector, given what this sector represents from a value, social, civilized and economic dimension. The tourism sector and the hotel sector are closely linked to the Saudi Vision 2030, and it revolves around helping those involved in the hospitality sector, food and entertainment industries to plan for the future.

Office Sector

- The offices contribute to achieving the goals of the Saudi national transformation towards prosperity and sustainability by focusing on the goals of Vision 2030, which leads to raising the participation of the private sector in achieving the Kingdom's Vision 2030, working as a representative of the private sector within the national system of vision realization offices in government agencies. Including Riyadh's endeavor to transform into a regional center for international commercial entities, which made it issue a decision to refuse to contract with any company that does not have a regional headquarters in Saudi Arabia by 2024, especially those that have contracts with government agencies, whether they are bodies, institutions, investment funds or devices. Increases the demand for the office sector.

Retail Sector

- The vision of the Kingdom's national transformation for the post-oil stage 2030 paid great attention to the development of the commercial and industrial sector in the Kingdom, as the vision is based on focusing on the development and development of the local industry that will achieve great economic returns for the Saudi economy, and among the goals of the vision by 2030 is to raise the percentage of exports The Kingdom's rank in the Logistics Performance Index increased from 16% to 25 globally and first regionally, and the private sector's contribution to the GDP increased from 40% to 65%.

Housing Sector

- Vision 2030 has provided sustainable housing solutions that enable Saudi families to own suitable homes according to their needs and financial capabilities. To achieve this, the housing system, in terms of structuring, procedures, and policies for dealing with banks and the private sector, has developed a high percentage of Saudi families' ownership of homes, as the proportion of Saudi families' ownership of homes did not exceed 47% in 2016, and rose to 70% by the end of the first phase of the housing program in 2021.



Site studies

Real estate data and Services available in the real estate area

Real Estate Data			
City	Riyadh	Neighborhood	Al-Rabee
Street	Al Thumama Road	Property type	Administrative building
No. land plan	3090	Plot number	2+3
Area	6155 square meters	Land use according to regulations	Administrative
Services and facilities available in the real estate area			
Electricity network	Water network	Sewerage network	Telephone network
✓	✓	✓	✓
Mosque	Public markets	Water drainage network	Garden
✓	✓	✓	✓
Shopping center	Medical services	Governmental services and centers	Hotels
✓	✓	✓	✓
Banks	Restaurants	Petrol station	Civil defense
✓	✓	✓	✓

Factors affecting the property

Impact element	Impact determinants	Description
Area overview	Importance of the area	The property is located in the city of Riyadh, in Al-Rabee district
Natural factors (environmental)	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is north of Riyadh
	Infrastructure	Completed
	Municipal equipment	Completed
	Land properties	Regular shape
Building Regulations	Land use	Commercial
	Building ratio - number of floors	65%
Economic factors	Supply and demand	High
	Land prices	High
Legal factors	Deficit and trespassing on the property	N.A.

Property description

- The building area was determined based on the (**Building permit**).
- The age of the property has been determined to be (**6**) years based on the (**Building permit**).
- The state of the property on the date of valuation (**30/06/2024**)
- When examining the property, it became clear to us that it is a (**Administrative building**). Detailed as below:

Building components			
#	Floor	Area (m2)	USE
1	First basement	6,146.80	Parking
2	Second basement	6,146.80	Parking
3	Ground floor	2,458.82	Offices
4	First floor	2,458.82	Offices
5	Second floor	2,458.82	Offices
6	Third floor	2,458.82	Offices
7	Upper extension	908	Offices

Property Description

INTERIOR FINISHES

Doors	Ceiling	Wall Cladding	Floors
Electric Securit Glass	Gypsum plasterboard suspended ceilings	Paint	Marble - Porcelain
Windows	Health kits	Stairs	Insulation type
Aluminum and double glazing	High quality	Marble	Thermal - Hydro

EXTERIOR FINISHES

Facades	Facilities	Doors	Floors
Glass - Marble - Anti-environmental paint	Cosmetic implants	Electric Securit Glass	Marble - Granite

Electromechanical and air conditioning systems

Air Conditioning	Elevators	Electrical wiring and outlets	lighting	Water Feeding System
Central	5 Elevators	High quality	High quality energy saving	Automatic electric pump system

Security and safety systems - other facilities

Facilities	Parking	Fire Alarm and Extinguishing Systems	Security Systems
N.A.	Basement + Outdoor	Fire Detection Systems - Fire Hose for All Hotel Parts	Indoor and outdoor surveillance cameras - inspection devices - control and monitoring room

Property location

Property is located in: **Riyadh**

Neighborhood: **Al-Rabee**

Street: **Al Thumama Road**

Location coordinates

N : **24.8087480**

E : **46.6669810**



Photographic survey of the building and its components (1/2)



Photographic survey of the building and its components (2/2)

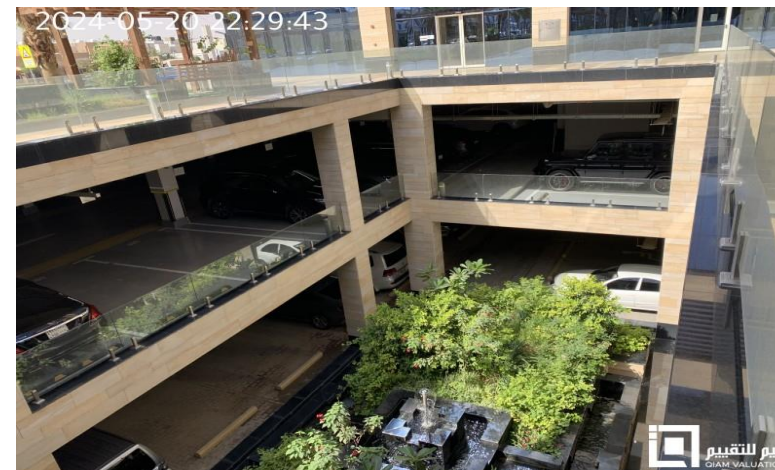
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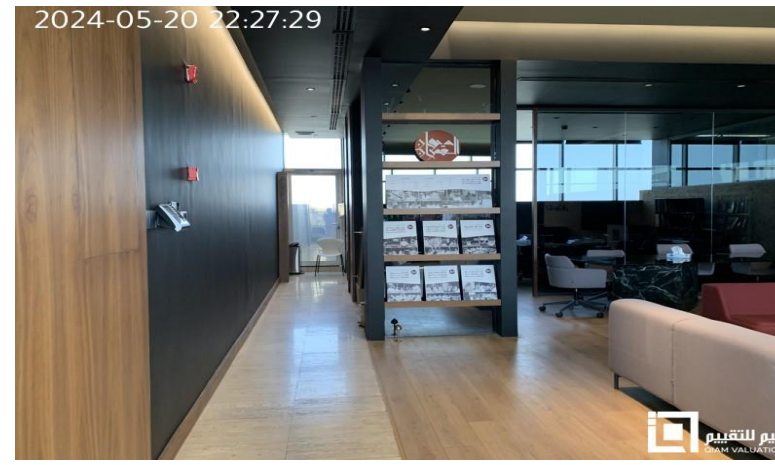
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Ownership Documents

Title deed information

Ownership Type	Deed date	Deed number	Owner name
Ownership 100%	1442\09\02	393140003190 , 393140003189	Al Mashaer Real Estate Company

Neighborhood name - Plot number - Plan number - Land area:

Neighborhood name	Plot number	Plan number	Land area
Al-Rabee	2+3	3090	6155 m2

Borders and lengths:

Borders and lengths:							
Northern border	Border length	Southern border	Border length	Eastern border	Border length	Western border	Border length
Al-Thumama Road, width 60	102 m	Street width 20 m	102 m	Plot No. 4	60.44	Street width 20 m	60 m

Assumptions related to real estate ownership

The property is mortgaged to Riyadh Bank and for the purposes of this report we have assumed that there is a valid ownership free of any obstacles. If this is not the case, the opinion of the property value may be affected.



Evaluation

Valuation

Valuation Approaches



❖ Market Approach

The market approach provides an indication of value by comparing the asset with identical or comparable (similar) assets for which price information is available.



❖ Income Approach

The income approach provides an indication of value by converting future cash flows into one current value. According to this method, the value of the asset is determined by reference to the value of the revenue and cash flows generated by the asset or the costs it provides.



❖ Cost Approach

The cost approach provides an indication of value using the economic principle that states that the buyer will not pay an asset more than the cost of obtaining an asset of similar benefit, whether through purchase or construction unless there are time, disturbance, risk, or other related factors. The method provides an indication of value by calculating the current cost of transferring or reproducing the asset, and then discounting the physical wear and tear of all other obsolescence's.

Market Approach-Standard No. 105

It is an approach of estimating the value of a real estate or real estate property based on the market comparison between the property being evaluated and similar properties in the same area that were recently sold. The value indicator of the property being valued is derived by applying appropriate comparison units and making adjustments and adjustments to the selling prices of similar properties based on the comparative elements.

The market approach should be applied and afforded significant weight under the following circumstances:

- ❖ The subject asset has recently been sold in a transaction appropriate for consideration under the basis of value
- ❖ The subject asset or substantially similar assets are actively publicly traded.
- ❖ There are frequent and/or recent observable transactions in substantially similar assets.

The key steps in the comparable transactions method are:

- ❖ Define the units of comparison used by relevant market participants.
- ❖ Determine the relevant comparative transactions and calculate the main evaluation criteria for these transactions.
- ❖ Conduct consistent comparative analysis of the qualitative and quantitative similarities and differences between the comparable assets and the subject asset.
- ❖ Make the necessary adjustments, if any, to the evaluation scales to reflect the differences between the subject of evaluation and the comparative assets.
- ❖ Applying the revised valuation criteria to the subject asset.
- ❖ Value indicators are reconciled if more than one evaluation scale is used.

Cost Approach - Standard No. 105

It is a valuation method that calculates the capital or market value of a property by adding the value of the real estate's land with the value of the buildings erected on the site.

Cost Approach should be applied and afforded significant weight under the following circumstances:

- ❖ Participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a participant would not be willing to pay a significant premium for the ability to use the subject asset immediately,
- ❖ The asset is not directly income-generating and the unique nature of the asset makes using an income approach or market approach unfeasible, and/or
- ❖ The basis of value being used is fundamentally based on replacement cost, such as replacement value

Used methods of Cost Approach :

- a. **Replacement cost method:** A method of arriving at value by calculating the cost of a similar asset

Method of estimating the value of buildings using the straight line method

- The straight-line method: the straight-line method is calculated by the formula (current age of the building / Lifespan) * 100.

Income Approach-Standard No. 105

Income Approach provides an indication of value by converting future cash flows into a single present value. Under this approach, the value of an asset is determined by reference to the value of the revenue and cash flows that the asset generates or the costs it provides.

Income Approach should be applied and given priority or significant weight in the following cases:

- A. When the ability of the asset to generate income is the primary factor that affects the value from the point of view of market participants.
- B. Reasonable expectations are available for the amount and timing of future revenue for the assessed asset but few, if any, relevant market comparisons.

Income Approach Methods:

Although there are many ways to apply the income method, the methods used under the income method depend largely on discounting the amounts of future cash flows to a present value, which are various applications in using the discounted cash flow (DCF) method and the concepts below apply in part or all of the methods of the income method.

Discounted Cash Flow method (DCF)

It is a financial method for estimating the value of a financial or real asset. The value index is derived by calculating the present value of future cash flows. The discounted cash flow method is applied to evaluate a property or real estate that generates income based on the expectation of future income for the property under valuation. The value index of the property is derived through Calculating the present value of net operating income or the expected net rental value of the property.

Direct Capitalization Method:

The direct capitalization method is applied in the event that the net rental value of the property under valuation is fixed and equal in perpetuity.

Residual value method:

The residual value method is a method of evaluating properties that can be valued by identifying the most appropriate development of the site and property and then predicting the value of such development after it is completed.

Used valuation approaches and methods - Fair value hierarchy

Used valuation methods

Valuation Approaches	Market Approach	Cost Approach	Income Approach
Used approach	Used as an assist	Used as an assist	Mainly used
Used valuation methods	Field survey (comparisons - offered land prices)	Replacement cost	Discounted Cash Flow method
Reasons for use / not use	To know similar properties on the market	The fact that the property is a building	The fact that the property is income-generating

Hierarchy:

The fair value hierarchy categorizes the inputs to the valuation techniques used to measure fair value at the measurement date into three levels, as follows:

Level	Clarification	Input statement	Classification	Source	Judgment and documentation
First	Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be reached at the measurement date and are given priority.	----	----	----	----
Second	They are the inputs other than the published prices within the first level that can be monitored for the asset or liability, either directly or indirectly	Commercial and commercial residential offers in the real estate area	It is classified under the second level	Accredited real estate offices in the real estate area	reliable based on similar market analysis, verification following market research and analysis, in-person interviews, and the company's own database of deals and transactions
Third	They are the inputs that cannot be monitored and are given the lowest priority	----	----	----	----



Value Estimation

Estimating the value of the land - Market Approach - Comparisons method

Saudi market does not have transparency and it is difficult to collect accurate information. Therefore, we were able to collect data for a selected sample of comparisons that reflect the reality of the market in general, and we will work to present their data and performance indicators as an embodiment of the market.

Selected comparisons are: From the properties offered in **Al Thumama Road**.

Comparative real estates		
Comparison factors	Comparison 1	Comparison 2
Area (m2)	3,500	17,202
Ease of access	High	High
Property location	High	High
Land shape	Flat	Flat
Land topography	Regular	Regular
Use	Commercial	Commercial
Surrounding streets	2	3
Price per meter (SR)	9500	8750
Comparative condition	Available offer	Available offer



Estimating the value of the land - Market Approach - Comparisons method

Valuating the land according to Market Approach - Method of comparison with similar sales					
Clause		Comparative Properties			
Adjustments factors	Property under valuation	Comparative 1		Comparative 2	
		Value	Adjustment	Value	Adjustment
Price per square meter	***	9,500		8,750	
Condition	***	Available offer		Available offer	
Date of valuation/offer	30/06/2024	25/05/2024		27/05/2024	
Market Condition	***	0.00%	-	0.00%	-
Financing terms	***	0.00%	-	0.00%	-
Market conditions value	***		-		-
Value after initial settlements	***	9,500		8,750	
Land area (m ²)	6155.80	3,500	5%	17,202	10%
Ease of access	High	High	0%	High	0%
Property location	High	High	0%	High	0%
Land shape	Flat	Flat	0%	Flat	0%
Land topography	Regular	Regular	0%	Regular	0%
Land use	Commercial	Commercial	0%	Commercial	0%
Surrounding streets	3	2	-5%	3	0%
Total		0.00%		10.00%	
Adjustment value per square meter		-		875	
Final meter value after Adjustments		9,500		9,625	
Relative weight				9,563	
Net average value per square meter (SR / m ²)				58,864,838	

Estimating the value of the property - Cost Approach - Replacement method

First: Construction Costs (Direct Costs)			
Clause	Built up area m2	SR / m2	Value (SR)
Basement	12,293.60	2,500	30,734,000
Built - up area	9,933.28	3,000	29,799,840
Upper Annexes	908.00	2,800	2,542,400
Fence	60	1,000	60,440
Total (SAR)	23,195		63,136,680
Second: Other costs (indirect)			
Professional fees		2%	1,262,734
Utilities Network		2%	1,262,734
Administration costs		2%	1,262,734
Financing costs		6%	3,788,201
Developer's profitability		15%	9,470,502
	Total (SR)		17,046,904
	Total cost of buildings (SAR)		80,183,584

Third: Depreciation cost		
Property useful life (years)	Year	40
The current age of the property (year)	Year	6
Remaining life of the property (year)	Year	34
Depreciation rate	%	5
Depreciation value	SR	4,009,179
Final value of the building (SR)		76,174,404

Fourth: Value of the property according to the Cost Approach	
Final value of the land (SR)	58,864,838
Final value of buildings (SR)	76,174,404
Market value of the property according to the Cost Approach (SR)	135,039,242
Market value of the property according to the Cost Approach after rounding (SR)	135,040,000

- Maintenance contracts were reviewed and accordingly, 5% depreciation was approved due to the good condition of the property on the valuation date.

Similar Comparisons Method assumptions

Based on the approach used in calculating the market value, which is Market Approach (Method of Similar Comparisons), some steps must be taken to obtain accurate Adjustments, as follows:

- Determine the factors that affect the value of the property under valuation.
 - Comparing the features and characteristics of each comparative property with the property being evaluated and determining the difference in each element of the comparison between the comparative property and the property under valuation.
 - Make adjustments against each mismatched item.
 - Reaching the net adjustment for each comparable property and applying it to the unit price to reach price range of the unit after adjustments for the property under valuation.
 - On the basis of the price range, the valuer determines the most reasonable price for the unit in the real estate under valuation, and the unit price is chosen after adjustments from the best comparable real estate usually as it is better.
- **Relative control of the area:** It is customary to promote a smaller area of the land that achieves a higher value compared to the land that is larger in area, and sometimes vice versa. Here, it was assumed that 5% would be allocated for each multiplier, and the percentage may vary according to the estimate and experience of the real estate valuer, depending on the state of the real estate market and the valuer's experience.
 - **Market condition:** Adjustments against the market condition conditions are often referred to as (time) Adjustment or in the case of negotiation over the offered value. Market conditions may change with the change of time, and the percentage is variable according to the market condition.
 - **Ease of access:** The movement of access to the real estate subject to evaluation is easy, as well as the ease of access to the comparable properties (high, medium, low), Accordingly, a rate of 5% was assumed for each level.
 - **Location of the property:** The location is where the property is located, whether it is on a road front or second row, or has two roads or two entrances, and it has a direct and high impact on the value of the property, and half of it is (high, medium, low), accordingly, a rate of 5% was assumed for each level.
 - **Land shape:** One of the physical characteristics that affect the property is the shape of the land, whether it is regular or irregular, Accordingly, a rate of 5% was assumed.
 - **Usage:** The real estate planning has been taken into consideration as it is (commercial) planning compared to the comparable real estate, as well as all of them are commercial. It is possible for the property to include more than one use, such as (residential, residential, commercial, or residential, commercial, office), and accordingly, a rate of 5% was assumed according to the classification of use.
 - **Surrounding streets:** The location affects the value of real estate directly if it is on one or two streets, as well as the views it provides and the provision of various advantages. Accordingly, a rate of 5% was assumed for each difference for one street.

Market Approach inputs - similar comparison method - administrative offices

The Saudi market is not transparent and it is difficult to collect accurate information. Therefore, we were able to collect data for a selected sample of comparisons that embody the reality of the market in general. We will work to present their data and performance indicators as an embodiment of the market. **The selected comparisons are: from the implemented and displayed properties in the city of Riyadh**

Comparative Properties for Offices		
Comparison factors	Comparison 1	Comparison 2
Project Name	THE BUSINESS GATE	Plaza 46
Average Area (m2)	1	1
Accessibility	High	Average
Property Location	High	Average
Parking Availability	High	High
Finishings	High	High
Use	Office	Office
Supporting Services Facilities	High	متوسط
Price per meter (SR/meter)	2,000	1600
Comparison Status	Available offer	Available offer

Real Estate Comparison Map (Administrative)



Estimating the value of a rental meter for administrative offices

Rental value valuation of offices according to the Market Approach - Similar Comparison method					
Clause	Comparative Properties				
Adjustments factors	Property under valuation	Comparison 1		Comparison 2	
		Value	Adjustment	Value	Adjustment
Price per square meter	***	2,000		1,600	
Condition	***	Available offer		Available offer	
Date of valuation/offer	30/06/2024	25/06/2024		10/6/2024	
Market Condition	***	-5.00%	- 100	-5.00%	- 80
Financing terms	***	0.00%	-	0.00%	-
Market conditions value	***	(100.00)		(80.00)	
Value after initial settlements	***	1,900		1,520	
Average Area (m2)	1.00	1	0%	1	0%
Accessibility	Average	High	-5%	Average	0%
Property Location	Average	High	-5%	Average	0%
Parking Availability	High	High	0%	High	0%
Finishings	High	High	0%	High	0%
Use	Office	Office	0%	Office	0%
Supporting Services Facilities	Average	High	-10%	Average	0%
Total		-20.00%		0.00%	
Adjustment value per square meter		-380.00		-	
Final meter value after Adjustments		1,520		1,520	
Net average rental value per square meter (SR/m2)			1,520		
Net average rental value per square meter after rounding (SR/m2)			1,500		

Income analysis based on contract data and market survey

Annual property income statement according to contracts				
Unit No.	Unit Type	Area (m2)	Rental value (SR)	Beginning - end of the contract
1	Administration offices	2910	2,750,000	2018-2027
2	Administration offices	2500	2,750,000	2021-2026
3	Administration offices	5300	4,950,000	2024-2022
4	Warehouse	37	20,000	2025-2024

Annual property income statement based on market survey data				
Unit No.	Unit Type	Area (m2)	Rental value (SR)	Total rental value (SR)
1	Administration offices	2910	1,500	4,365,000
2	Administration offices	2500	1,500	3,750,000
3	Administration offices	5300	1,500	7,950,000
4	Warehouse	37	20,000	20,000

Annual property income statement according to contracts				
Unit No.	Unit Type	Area (m2)	Rental value (SR)	Beginning - end of the contract
3	Administration offices	5300	5,500,000	2030-2025

Analysis of vacancy rate, return rate, operating and capital expenditures of the market					
#	Location	Property Type	Vacant %	Return %	Operating and capital expenditures %
1	Olaya	Office building	10%	8%	10%
2	Al-Sahafa	Office building	5%	7%	5%

Analysis of valuation assumptions data - Discounted Cash Flow Methods

Rental income:

The property income was analyzed by reviewing the contracts of the property being evaluated and comparing it to the market. Based on the duration of each contract, the income was assumed for each year until the end of each contract separately. Then the income value was assumed based on the market survey data for the remaining years as shown in the cash flow table. The growth rate was also assumed based on the annual contract growth indicators for the same activity in the region, which range between 2% and 3% annually. Accordingly, a growth rate of 3% annually was calculated starting from the end of each contract separately.

Operating and capital expenditure rate:

Operating expenses are the expenses related to renting and maintaining the property, and capital expenses are the expenses incurred by the owner in order to keep it in good condition to achieve an appropriate annual income. The percentage of operating expenses is 15% -15% for similar projects in the surrounding area, depending on the size and services provided. The property is rented with contracts that include a clause that (the tenant bears the services of electricity and water), and other contracts that the tenant pays a lump sum for the operational services provided. - There is a maintenance contract that has been reviewed, which reflects the calculated percentage. Accordingly, the operating expenses rate was assumed at 10% starting from the end of each contract separately.

Operating return rate:

Capitalization Rate Analysis - Market Extraction Method By looking at market activity and similar reports from Qiam Investments, as well as economic reports issued by some research centers and the Qiam Valuation Information Center, it has become clear to us that the return in the region ranges from 8% to 7%. Accordingly, the return rate was assumed to be 7%. There are many factors that affect the return rate, including the location of the building, its age and condition, the status of the tenants, and the degree of risk associated with repayment. The capitalization rate is affected by the rates of demand and supply for the same type of real estate.

Occupancy rate:

Considering the market activity and similar reports from Qiam Investments Company, as well as considering the economic reports issued by some research centers and the Qiam Valuation Company Information Center, it became clear to us that the vacancy rate in the area ranges from 5% to 10%. Accordingly, the return rate was assumed to be 0% due to the entire property being rented, and a vacancy rate of 5% was assumed starting from the end of each contract period separately.

Assumptions

Discounted Cash Flow assumptions			
%8	Discount rate		Total rental income
%7	Capitalization rate	%10	Operating and capital expenditure ratio
	Growth rate - 3% annual after contracts end	%5	Vacancy rate and credit risk

Discount rate:

Cumulative Model method		
Government bond rate of return	4.6	Saudi Tadawul Fund
Inflation rate (average of the current year)	2.49	Saudi Central Bank
Market risk premium (recession and recovery)	0.5	Depending on the market situation and conditions
Special risk premium (the resulting costs of the property)	0.5	Depending on the property situation and conditions
Discount rate after collecting the above data	8%	%

Property Valuation - Income Approach

Cash flow - Inflows	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
	1	2	3	4	5	6	7	8	9	10	
Unit 1											
Expected growth value	0%	0%	0%	0%	3%	3%	3%	3%	3%	3%	
Total rental value	2,750,000	2,750,000	2,750,000	2,750,000	4,365,000	5,060,231	5,212,038	5,368,399	5,529,451	5,695,335	5,866,195
Minus vacancy rate and credit risk	0%	0%	0%	0%	5%	5%	5%	5%	5%	5%	5%
Annual vacancy value	0	0	0	218,250	253,012	260,602	268,420	276,473	284,767	293,310	
Total actual rental income	2,750,000	2,750,000	2,750,000	4,146,750	4,807,220	4,951,436	5,099,979	5,252,979	5,410,568	5,572,885	
Minus operating and capital expenditures	10%	-	-	-	-	-	-	525,298	541,057	557,289	
Building net operating income (NOI)	2,750,000	2,750,000	2,750,000	4,146,750	4,807,220	4,951,436	5,099,979	4,727,681	4,869,511	5,015,597	
Unit 2											
Expected growth value	0%	0%	0%	3%	3%	3%	3%	3%	3%	3%	
Total rental value	2,750,000	2,750,000	2,750,000	3,750,000	4,220,658.038	4,347,278	4,477,696	4,612,027	4,750,388	4,892,899	5,039,686
Minus vacancy rate and credit risk	0%	0%	0%	5%	5%	5%	5%	5%	5%	5%	5%
Annual vacancy value	-	-	187,500	211,033	217,364	223,885	230,601	237,519	244,645	251,984	
Total actual rental income	2,750,000	2,750,000	3,562,500	4,009,625	4,129,914	4,253,811	4,381,426	4,512,868	4,648,254	4,787,702	
Minus operating and capital expenditures	10%	-	-	356,250	400,963	412,991	425,381	438,143	451,287	464,825	478,770
Building net operating income (NOI)	2,750,000	2,750,000	3,206,250	3,608,663	3,716,923	3,828,430	3,943,283	4,061,582	4,183,429	4,308,932	
Unit 3											
Expected growth value	0%	0%	0%	0%	0%	0%	0%	3%	3%	3%	
Total rental value	4,950,000	4,950,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	7,950,000	10,070,822	10,372,947	10,684,135
Minus vacancy rate and credit risk	0%	0%	0%	0%	0%	0%	0%	5%	5%	5%	5%
Annual vacancy value	-	-	-	-	-	-	-	397,500	503,541	518,647	534,207
Total actual rental income	4,950,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	7,552,500	9,567,281	9,854,299	10,149,928
Minus operating and capital expenditures	10%	-	-	-	-	-	-	755,250	956,728	985,430	1,014,993
Building net operating income (NOI)	4,950,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	6,797,250	8,610,553	8,868,870	9,134,936

Property Valuation - Income Approach

		Unit 4									
Expected growth value		0.00%	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Total rental value	20,000	20,000	20,000	21,855	22,510	23,185	23,881	24,597	25,335	26,095	26,878
Minus vacancy rate and credit risk	0%	0%	0%	5%	5%	5%	5%	5%	5%	5%	5%
Annual vacancy value		0	0	1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344
Total actual rental income		20,000	20,000	20,762	21,385	22,026	22,687	23,368	24,069	24,791	25,534
Minus operating and capital expenditures	0%	0	0	0	0	0	0	0	0	0	0
Building net operating income (NOI)		20,000	20,000	20,762	21,385	22,026	22,687	23,368	24,069	24,791	25,534
		Reversion value of the property									
Net Cash Flow		10,470,000	11,020,000	11,477,012	13,276,797	14,046,168	14,302,554	15,863,880	17,423,884	17,946,601	18,484,999
Discount Factor		0.9259	0.8573	0.7938	0.7350	0.6806	0.6302	0.5835	0.5403	0.5002	0.4632
Present Value of Cash Flows		9,694,444	9,447,874	9,110,822	9,758,842	9,559,586	9,013,035	9,256,422	9,413,582	8,977,768	8,562,131
Net present value of the property											

Final value of the property (SR) 215,110,664
Final value of the property after rounding (SR) 215,111,000

Final value of the property

Based on the purpose of the valuation, the nature of the property, and its characteristics as a fully office building, valuing the property using Income Approach (Discounted Cash Flow Method) is considered the best way to estimate the price on the measurement date of **30/06/2024**, which was arrived at with Income Approach as a basis for the fair value of the property being valued (after rounding). As follows:

Price on the date of measurement in numbers (SR)	Price on the measurement date written (SR)
215,111,000	Two hundred and fifteen million, one hundred and eleven thousand riyals.

This report was approved by the Executive Director

Ismail Muhammad al-Dubaikhi

A black and white photograph of a stack of papers and a pen, with a blurred background. The papers are stacked in a way that shows the edges of many sheets. A pen is lying across the top of the stack. The background is out of focus, showing what appears to be a window or a wall with some texture.

■ Appendix

Team



Hossam Hassan Ashi
Real estate - Associate
Membership No1210002501



Muath Aloraini
Real estate - Associate
Membership No1210002322



Salem Mohammed Al Fai'
Real estate-Basic Follow
Membership No 1210000013



Ismail Al-Dubaikhi
Real estate-Basic Follow
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قيـم للتقـيـم

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