

# Valuation Report Iskan Hotel 5

Client : **SICO Saudi REIT Fund**

## Statement

Dear : SICO Saudi REIT Fund      Greetings

### Subject : Valuation report for a hotel in the district of Prince Abdullah Al-Faisal scheme in the city of (Makkah Al-Mukarramah)

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 **Makkah Al-Mukarramah, Prince Abdullah Al-Faisal scheme** district, according to the assignment issued by you on 28/05/2023 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, a hotel and its current status on the date of the estimate 06/30/2023 AD located in the city of **Makkah Al-Mukarramah, with an amount of only (131,832,000) One hundred and thirty-one million eight hundred and thirty-two thousand Saudi riyals.**

With sincere gratitude...

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

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



## Executive Summary

### ■ Fair price estimate: 131,832,000 Saudi riyals

Valuer		
<ul style="list-style-type: none"> <li>Ismail Muhammad Al-Dubaikhi Membership No. 1210000052</li> <li>Shaeq bin Saleh Al Shaeq, Membership No. 1210001415</li> </ul>	<ul style="list-style-type: none"> <li>Salem Muhammad Al Fai` Membership No. 1210000013</li> <li>Hossam Hassan Ashi Membership No. 1210002501</li> </ul>	
Owner of real estate	Intended User	Client (report requester)
Mashaer Real Estate Company	SICO Saudi REIT Fund	SICO Saudi REIT Fund
Property location	Property under valuation	Purpose of the valuation
Makkah Al-Mukarramah - Prince Abdullah Al-Faisal scheme	Hotel	Periodic valuation of Al Mashaer REIT Fund
Inspection date	Valuation approach	Valuation standard
29/05/2023	Cost Approach + Income Approach	International Valuation Standards Accounting Valuation Standards (IFRS)
Valuation date	Value Basis	Ownership Type
30/06/2023	Fair value	Absolute ownership
Report issued date	Assumed value	Deed number and date
20/07/2023	Present value	(520121013431) on 1441/02/18

# قيام للvaluation

## QIAM VALUATION

### Content

- 01 ..... The specific assumptions and limitations of the report
- 02 ..... Scope of work
- 03 ..... An overview of the economy and the real estate sector in the Kingdom of Saudi Arabia
- 04 ..... Site studies
- 05 ..... Valuation
- 06 ..... Value Estimation
- 07 ..... Appendix



The specific assumptions  
and limitations of the report

## ■ **الفرضيات و القيود المحددة للتقرير**

## 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 method (**Profit method**).

Based on the purpose of the evaluation, which is (**Periodic valuation of Al Mashaer REIT Fund**), the valuation was based on the value (**fair value**).

The purpose of issuing this report is to know the fair value of the property for the purpose of (**periodic valuation**) for the report user (**Saudi SICO REIT Fund only**)

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.

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.

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.

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.

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 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.

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.

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.

The responsibility of the company with regard to the report and valuation is limited to the client, who is the entity that owns the evaluation. 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.



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



## ■ نطاق العمل

Scope of work

## Scope of work Standard No. 101

Other users	Client	Identity of the real estate valuer
SICO Saudi REIT Fund	SICO Saudi REIT Fund	Described in the executive summary
Value Basis	Purpose of the valuation	Property under valuation
Fair value	Periodic valuation of Al Mashaer REIT Fund	Hotel
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	2023\06\30	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 caution 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. .

## 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**



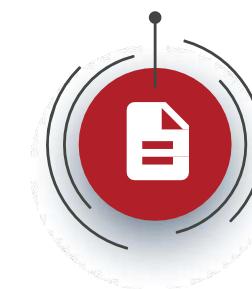
Collecting and analyzing office and field market data in order to gain knowledge of past and current market trends and market indicators that will be relied upon when applying valuation methods.

**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.

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..



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



■ الامتثال للمعايير و أعمال  
البحث و الاستقصاء

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 Al Mashaer 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 evaluation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all evaluation 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	Contracts	There are no contracts attached by the client	The deed sent by the client has been verified
	Rental data	There is no data attached by the customer about the rent	
	Deed + Excel statement	---	
Market	Residential and commercial meter prices	Trusted	Based on the market survey - direct interviews - accredited offices in the real estate area - internal company data
	Purpose of the valuation	Listing in the financial statements	---
	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

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

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

01

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

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

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?

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.

## 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.

### 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.

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

## 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



## ▪ نظرة عامة على الاقتصاد والقطاع العقاري بالمملكة العربية السعودية

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.



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



Site Studies

## ■ دراسات الموقع

## Real estate data and Services available in the real estate area

Real Estate Data			
City	Makkah Al-Mukarramah	Neighborhood	Prince Abdullah Al-Faisal scheme
Street	Al-Masjid Al-Haram Road	Property type	Hotel
No. land plan	/23/15/1 b	Plot number	166
Area	1382.73 square meters	Land use according to regulations	Commercial
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
Natural factors (environmental)	Importance of the area	The property is located in the city of Makkah Al-Mukarramah , in Prince Abdullah Al-Faisal scheme district
	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is in the city center of Makkah Al-Mukarramah
	Infrastructure	Completed
	Municipal equipment	Completed
Building Regulations	Land properties	Regular shape
	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.

## Description of interior and exterior finishes and construction

INTERIOR FINISHES			
Doors	Roofs	Wall Cladding	Floors
Wood	Gypsum decorations	Paint	Marble - Ceramic
Windows	Health kits	Stairs	Insulation type
Aluminum and ordinary glass	high quality	Marble	N.A.
EXTERIOR FINISHES			
Building fronts	Facilities	Doors	Floors
Stone - paint	N.A.	Iron	Tiles
Electromechanical and air conditioning systems			
Air Conditioning	Elevators	Electrical wiring and outlets	Lighting
Window + split	Good	Good	N.A.
Security and safety systems - other facilities			
Facilities	Fire Alarm and Extinguishing Systems		Security Systems
N.A.	N.A.		N.A.

## Property description

- The building area was determined based on the (**Permit**).
- The age of the property has been determined to be (**10 years** based on the (**building permit**)).
- The state of the property on the date of valuation (**30/6/2023**)

When examining the property, it became clear to us that it is a (**Hotel**). Detailed as below:

Building components			
S/N	Floor	Area (m2)	use
1	Basement	1382.73	Parking
2	Ground floor	1018.74	Reception + commercial
3	Mezzanine	758.78	Reception
4	One floor restaurants	1016.88	Restaurants
5	One floor Mosque	1016.88	Mosque
6	Repetitive floors	12780.6	Residential
7	Last floors	755.03	Residential
8	Staircase + elevators	44.19	Staircase + elevators
9	Tanks	1125.17	Tanks
10	Sewers	6	Sewers
Total	14 floors	19905	

## Property location

Property is located in: **Makkah Al-Mukarramah**

Neighborhood: **Prince Abdullah Al-Faisal scheme**

Street: **Al-Hajj**

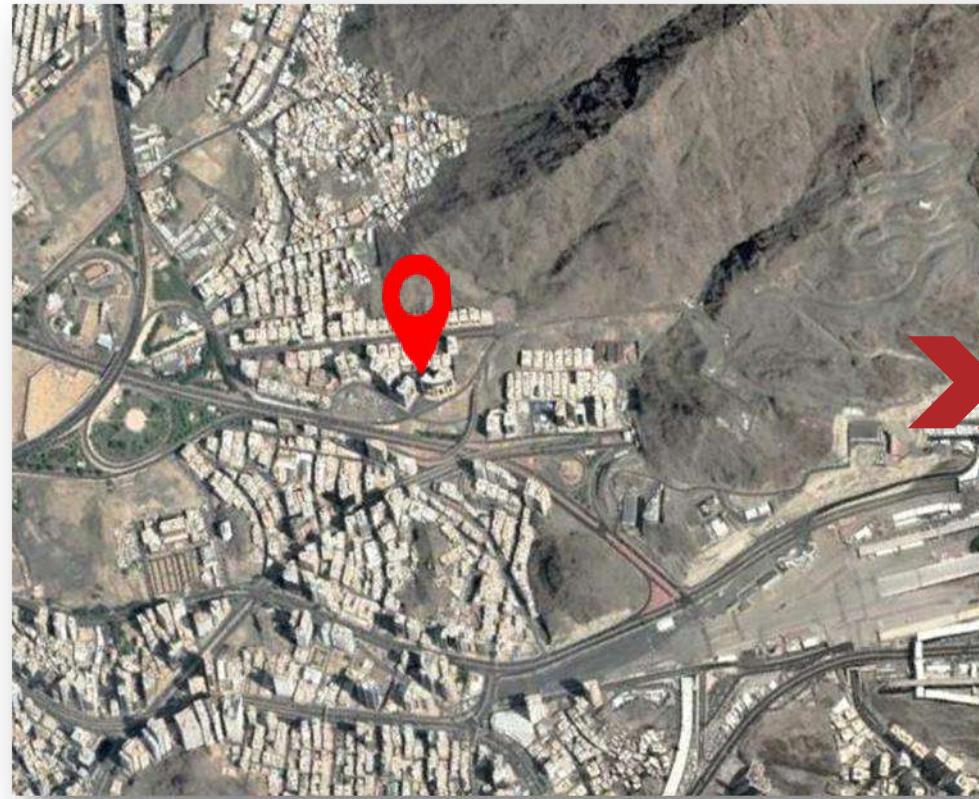
Location coordinates

N :

**21.4344380**

E :

**39.859888**



## Photographic survey of the building and its components



## Photographic survey of the building and its components



## Ownership documents

### Title deed information

Ownership Type	Deed date	Deed number	Owner name
Ownership 100%	02/18/1441	520121013431	Al Mashaer Real Estate Fund

Neighborhood name - plot number - plan number - land area:

Land area	Plan number	Plot number	Neighborhood name
1382,73 m <sup>2</sup>	1/15/23 b	166	Prince Abdullah Al-Faisal scheme

Borders and lengths:

Borders and lengths:							
Northern border	Border length	Southern border	Border length	Eastern border	Border length	Western border	Border length
Plot No. 165	46 m	Plot No. 167	46 m	Plot No. 168	35 m	Street width 12	26 m

## Assumptions related to real estate ownership

For the purposes of this report, we assumed the existence of good and valid ownership, free from any obstacles, mortgages, fees, or interests of any third parties, etc., and in the event that this is not achieved, the opinion of the value of the property may be affected



# Valuation

■ التقييم

## Valuation Approaches



### Market Approach ❁

The market method 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 method 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 method 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

Valuation Approaches	Income Approach	Market Approach	Cost Approach
Used approach	Income Approach was used mainly	Market Approach has been used as an assist	Cost approach was used as an assist
Used valuation methods	Discounted Cash Flow method	Field survey (comparisons carried out in the real estate area and offered land prices)	Depreciated replacement cost method for buildings
Reasons for use	The fact that the property is income-generating	Basic method to find out similar real estate in the market and estimate the price per square meter of land	The nature of the property and the fact that the land is built on it and to estimate the construction cost of the property

## Fair value 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:

Hierarchy table					
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

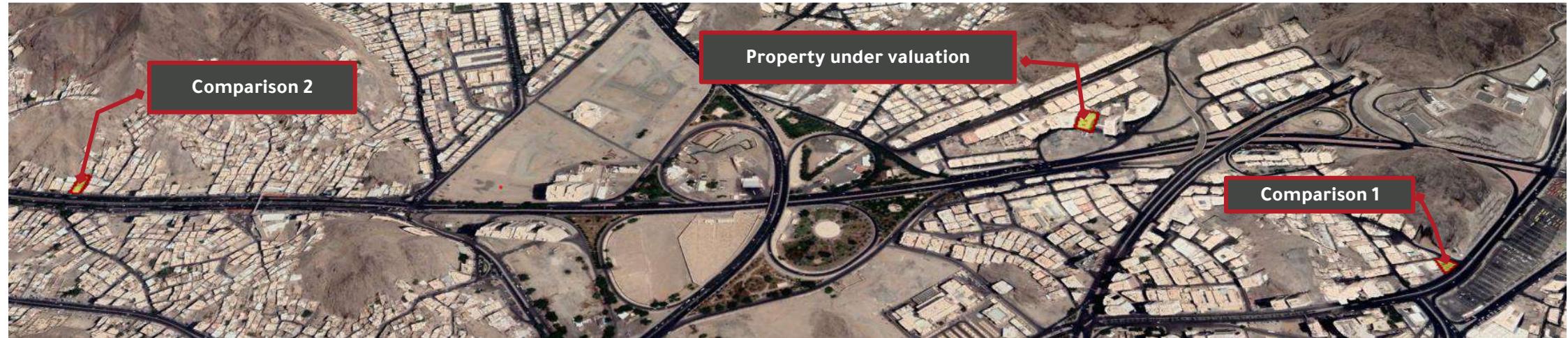
تقدير القيمة ■

## 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-Hajj road.

Comparative real estate		
Comparison factors	Comparison 1	Comparison 2
Area (m2)	1,120	561
Ease of access	High	High
Property location	High	High
Land shape	Flat	Flat
Land topography	Regular	Regular
Use	Residential commercial	Residential commercial
Surrounding streets	3	3
Price per meter (SR)	26785	21000
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	Property under valuation	Comparison 1		Comparative real estates		Comparison 2
		Value	Adjustment	Value	Adjustment	
Adjustments factors						
Price per square meter	***		26,785			21,000
Condition	***					
Date of valuation/offer	30/06/2023		Available offer 30/06/2023			Available offer 30/06/2023
Market Condition	***	-5.00%	- 1,339			- 1,050
Financing terms	***	0.00%	-			-
Market conditions value	***		(1,339.25)			(1,050.00)
Value after initial settlements	***		25,446			19,950
Land area (m <sup>2</sup> )	1,383	1,120	0%	561		-5%
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	Residential commercial	Residential commercial	0%	Residential commercial		0%
Surrounding streets	1	3	-10%	3		-10%
Total		-10.00%				
Adjustment value per square meter			2,545-			2,993-
Final meter value after Adjustments			22,901			16,958
Relative weight		65%		35%		
Net average value per square meter (SR / m <sup>2</sup> )			20,821			
The market value of the land (SR / m <sup>2</sup> )			28,789,459			

## 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	1,383	2,500	3,456,825
Total built up area	18,517	3,500	64,810,445
<b>Total (SR)</b>	-		<b>68,267,270</b>

### Second: Other costs (indirect)

Professional fees	5%	3,413,364
Utilities Network	3%	2,048,018
Administration costs	3%	2,048,018
Financing costs (0 years / 0%)	0%	-
Developer's profitability	0%	-
	<b>Total (SR)</b>	<b>7,509,400</b>
<b>Total cost of buildings (SAR)</b>		<b>75,776,670</b>

### Third: Depreciation cost

Life span of the property (year)	Year	40
The current age of the property (year)	Year	10
Remaining life of the property (year)	Year	30
Depreciation rate	%	25
Depreciation value	SR	<b>18,944,167</b>

### Final value of the building (SR)

**56,832,502**

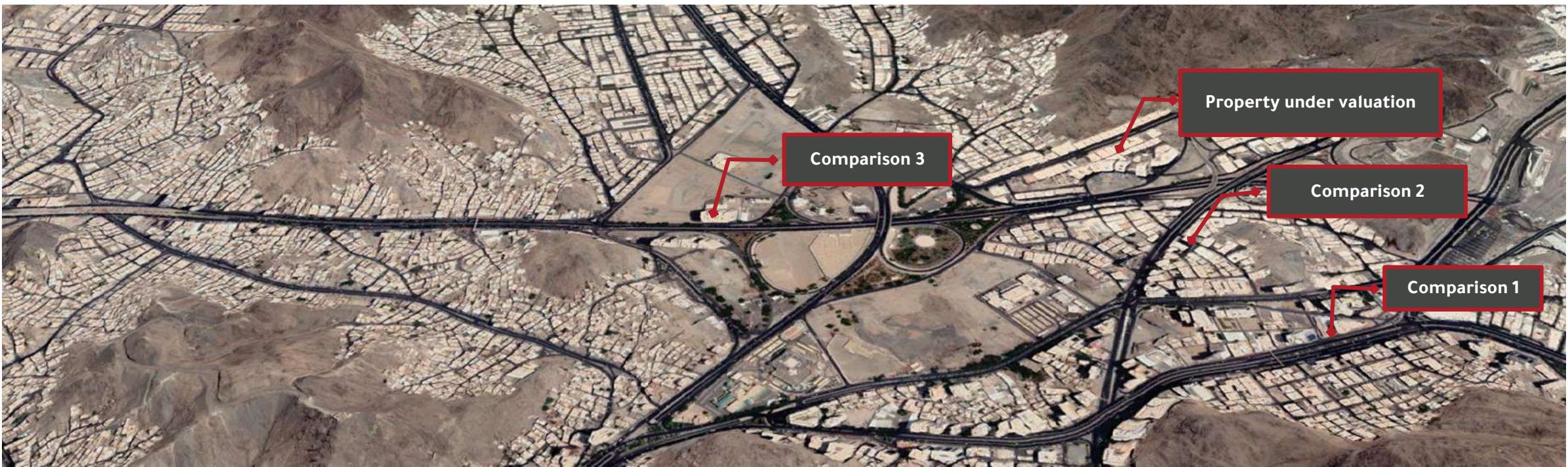
### Fourth: Value of the property according to the Cost Approach

Final value of the land (SR)	28,789,459
Final value of buildings (SR)	56,832,502
<b>Market value of the property according to the Cost Approach (SR)</b>	<b>85,621,962</b>
<b>Market value of the property according to the Cost Approach after rounding (SR)</b>	<b>85,620,000</b>

## Market Approach - Comparison method - Hotel income analysis

Market Survey - Hotel Income Analysis

Comparison	Hotel name	Location	Rating	Number of rooms	Average rental price (Hajj season)	Average price per night (Ramadan season)	Average price per night (rest of the year)	Annual occupancy	Operational expenses
Comparison 1	Park in Mecca Aziziyah	Aziziyah	3 stars	272	2000	450	250	50%	30%
Comparison 2	Mecca 21	Aziziyah	3 stars	178	2200	400	190	55%	35%
Comparison 3	Al Kiram	Aziziyah	3 stars	188	2500	600	300	65%	40%



## 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.
- A reasonable price for the unit in the property under valuation.

## Similar Comparisons Method Assumptions

**Based on the approach used in calculating the market value, which is Market Approach (Method of similar comparisons), the following was assumed:**

**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.

## Income data

Annual occupancy rate for each season		
Clause	Value	Unit
Number of days in the year	365	Day
Annual occupancy rate	45%	Percentage
Number of operating days per year	164.25	Day
The number of days of the Hajj season	30	Day
The number of days of the Ramadan season	30	Day
Number of days for the remainder of the year	104.25	Day
Number of rooms	428	Room
Calculation of operating the Hajj season		
Number of pilgrims	1976	Pilgrim
Rental price for the pilgrim	2500	Pilgrim/SR
<b>Hajj season total income</b>	<b>4,940,000</b>	<b>SR</b>

Calculation of operating Ramadan season		
The number of operating days for the first twenty of Ramadan		
	20	Day
Average rental price for the day		
	250	SR
<b>The total rental value for the first 20 days of Ramadan</b>		
	<b>2,140,000</b>	<b>SR</b>
Number of working days for the last ten days of Ramadan		
	10	Day
Average rental price for the day		
	500	SR
<b>Total rent value for the last ten days of Ramadan</b>		
	<b>2,140,000</b>	<b>SR</b>
<b>Total income for the Ramadan season</b>		
	<b>4,280,000</b>	<b>SR</b>
Calculation of operating the rest of the days of the year		
Average rental price for the day		
	125	SR
Total income for the rest of the year		
	5,577,375	SR
Total room operating revenue income per annum		
	14,797,375	SR
Actual total annual income		
Actual total annual income		
	14,797,375	SR

## Estimating the value of the property - Income Approach

Discounted Cash Flow assumptions												
Total rental income	14,797,375	Discount rate			9%							
Operating and capital expenditure rate	37%	Capitalization rate			7%							
Cash flow period (years)	10	Growth rate - annually from the second year			2%							
Cash flow - Inflows		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Reversion value
		1	2	3	4	5	6	7	8	9	10	
Expected growth value		0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	159,158,096
Actual total rental income	14,797,375	14,797,375	15,093,323	15,395,189	15,703,093	16,017,155	16,337,498	16,664,248	16,997,533	17,337,483	17,684,233	
Minus rate of operating and capital expenses	37%	5,475,029	5,584,529	5,696,220	5,810,144	5,926,347	6,044,874	6,165,772	6,289,087	6,414,869	6,543,166	
Building net operating income (NOI)		9,322,346	9,508,793	9,698,969	9,892,948	10,090,807	10,292,624	10,498,476	10,708,446	10,922,614	11,141,067	
Reversion value of the building												159,158,096
Net cash flow		9,322,346	9,508,793	9,698,969	9,892,948	10,090,807	10,292,624	10,498,476	10,708,446	10,922,614	11,141,067	159,158,096
Discount factor		0.9174	0.8417	0.7722	0.7084	0.6499	0.5963	0.5470	0.5019	0.4604	0.4224	0.4224
Present value of cash flow		8,552,611	8,003,361	7,489,384	7,008,414	6,558,332	6,137,155	5,743,026	5,374,208	5,029,075	4,706,107	67,230,100
Net present value of the property												131,831,773
Final value of the property (SR)		131,831,773										
Final value of the property after rounding (SR)		131,832,000										

## Final value of the property

Based on the purpose of valuation and the nature of the property and its characteristics as a hotel property, valuing of the property by using Income Approach is considered better than Cost Approach, and therefore the value reached by Income Approach will be weighted as the basis for the fair value of the property under valuation on 06-30-2023 as follows:

Fair price estimate in writing	Fair price estimate in numbers
One hundred and thirty-one million eight hundred and thirty-two thousand Saudi riyals	131,832,000

This report was approved by the Executive Director

Ismail Muhammad al-Dubaikhi

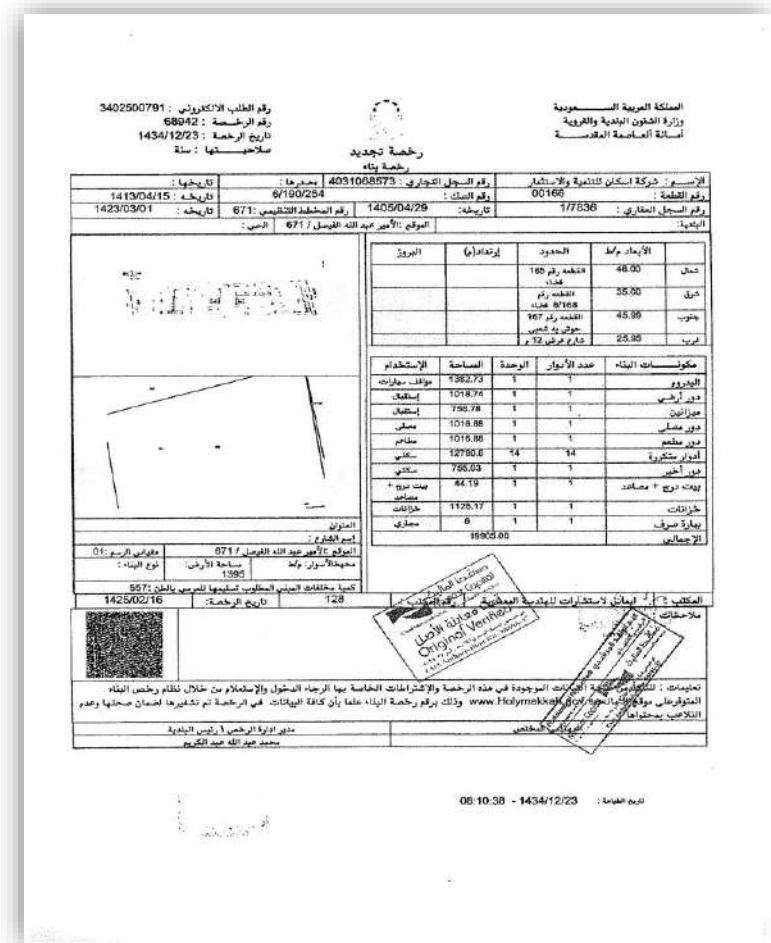


# Appendix



ملحق

## Documents received from the client



## Team



Hossam Hassan Ashi  
Real estate - Associate  
Membership No1210002501



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



Shaeq bin Saleh Al Shaeq  
Real estate-Basic Follow  
Membership No1210001415



Ismail Al-Dubaikhi  
Real estate-Basic Follow  
Membership No 121000005



## General Administration

Riyadh 11666, Othman Bin Affan Road, Building No. 8484, Office No. 6

✉ [info@qiam.com.sa](mailto:info@qiam.com.sa)

🌐 [www.qiam.com.s](http://www.qiam.com.s)

📞 +966 92 002 5832

# Valuation Report Iskan Hotel 4

Client : **SICO Saudi REIT Fund**

## Statement

Dear : SICO Saudi REIT Fund      Greetings

**Subject : Valuation report for a hotel in Aziziyah district in the city of (Makkah Al-Mukarramah)**

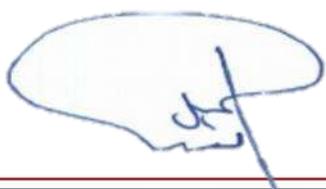
We, Qaim and his partner real estate valuation company, extend our sincere thanks and appreciation to you for choosing us and giving you your precious trust to evaluate the property located in the city of **Makkah Al-Mukarramah, Aziziyah** district, according to the assignment issued by you on 28/05/2023 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, a hotel and its current status on the date of the estimate 06/30/2023 AD located in the city of **Makkah Al-Mukarramah, with an amount of only (120,165,000) one hundred and twenty million, one hundred and sixty-five thousand Saudi riyals.**

**With sincere gratitude...**

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

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



## Executive Summary

### ■ Fair price estimate: 120,165,000 Saudi riyals

Valuer		
• Ismail Muhammad Al-Dubaikhi Membership No. 1210000052 • Shaeq bin Saleh Al Shaeq, Membership No. 1210001415	• Salem Muhammad Al Fai` Membership No. 1210000013 • Hossam Hassan Ashi Membership No. 1210002501	
Owner of real estate	Intended User	Client (report requester)
Mashaer Real Estate Company	SICO Saudi REIT Fund	SICO Saudi REIT Fund
Property location	Property under valuation	Purpose of the valuation
Makkah Al-Mukarramah - Al-Aziziyah District	Hotel	Periodic valuation of Al Mashaer REIT Fund
Inspection date	Valuation approach	Valuation standard
29/05/2023	Cost Approach + Income Approach	International Valuation Standards Accounting Valuation Standards (IFRS)
Valuation date	Value Basis	Ownership Type
30/06/2023	Fair value	Absolute ownership
Report issued date	Assumed value	Deed number and date
20/07/2023	Present use	(520121013430) on 18/02/1441

# قيام للvaluation

## QIAM VALUATION

### Content

- 01 ..... The specific assumptions and limitations of the report
- 02 ..... Scope of work
- 03 ..... An overview of the economy and the real estate sector in the Kingdom of Saudi Arabia
- 04 ..... Site studies
- 05 ..... Valuation
- 06 ..... Value Estimation
- 07 ..... Appendix



The specific assumptions  
and limitations of the report

## ■ الفرضيات و القيود المحددة للتقرير

## 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 method (**Profit method**).

■ Based on the purpose of the evaluation, which is (**Periodic valuation of Al Mashaer REIT Fund**), the valuation was based on the value (**fair value**).

The purpose of issuing this report is to know the fair value of the property for the purpose of (**periodic valuation**) for the report user (**Saudi SICO REIT Fund only**)

■ 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.

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.

■ 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.

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.

■ 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 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.

■ 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.

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.

■ The responsibility of the company with regard to the report and valuation is limited to the client, who is the entity that owns the evaluation. 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.



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



## ■ نطاق العمل

Scope of work

## Scope of work Standard No. 101

Other users	Client	Identity of the real estate valuer
SICO Saudi REIT Fund	SICO Saudi REIT Fund	Described in the executive summary
Value Basis	Purpose of the valuation	Property under valuation
Fair value	Periodic valuation of Al Mashaer REIT Fund	Hotel
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	2023\06\30	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 caution 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. .

## 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

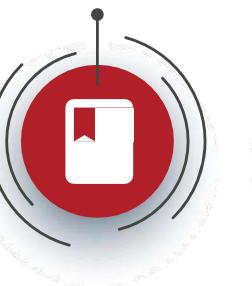


Step 02



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

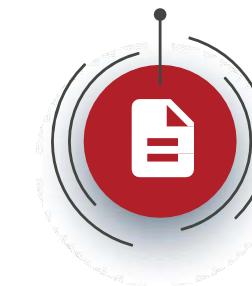


Step 04



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.

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..



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



■ الامتثال للمعايير و أعمال  
البحث و الاستقصاء

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 Al Mashaer 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 evaluation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all evaluation 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	Contracts	There are no contracts attached by the client	The deed sent by the client has been verified
	Rental data	There is no data attached by the customer about the rent	
	Deed + Excel statement	---	
Market	Residential and commercial meter prices	Trusted	Based on the market survey - direct interviews - accredited offices in the real estate area - internal company data
	Purpose of the valuation	Listing in the financial statements	---
	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

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

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

01

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

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

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?

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.

## 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.

### 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.

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

## 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



# ▪ نظرة عامة على الاقتصاد والقطاع العقاري بالمملكة العربية السعودية

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.



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



Site Studies

## ■ دراسات الموقع

## Real estate data and Services available in the real estate area

Real Estate Data			
City	Makkah Al-Mukarramah	Neighborhood	Aziziyah
Street	Al-Masjid Al-Haram Road	Property type	Hotel
No. land plan	7/21/1 g	Plot number	1\277
Area	1278,97 square meters	Land use according to regulations	Commercial
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
Natural factors (environmental)	Importance of the area	The property is located in the city of Makkah Al-Mukarramah , in Aziziyah district
	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is in the city center of Makkah Al-Mukarramah
	Infrastructure	Completed
	Municipal equipment	Completed
Building Regulations	Land properties	Regular shape
	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.

## Description of interior and exterior finishes and construction

INTERIOR FINISHES			
Doors	Roofs	Wall Cladding	Floors
Wood	Gypsum decorations	Paint	Marble - Ceramic
Windows	Health kits	Stairs	Insulation type
Aluminum and ordinary glass	high quality	Marble	N.A.
EXTERIOR FINISHES			
Building fronts	Facilities	Doors	Floors
Stone - paint	N.A.	Iron	Tiles
Electromechanical and air conditioning systems			
Air Conditioning	Elevators	Electrical wiring and outlets	Lighting
Window + split	Good	Good	N.A.
Security and safety systems - other facilities			
Facilities	Fire Alarm and Extinguishing Systems		Security Systems
N.A.	N.A.		N.A.

## Property description

- The building area was determined based on the (**Permit**).
- The age of the property has been determined to be (**11 years**) based on the (**building permit**).
- The state of the property on the date of valuation (**30/6/2023**)

When examining the property, it became clear to us that it is a (**Hotel**). Detailed as below:

Building components			
S/N	Floor	Area (m2)	use
1	Basement	1287.97	Parking
2	Ground floor	789.9	Reception + commercial
3	Mezzanine	587.86	Reception
4	Restaurants floor	824.91	Restaurants
5	Mosque floor	824.91	Mosque
6	Seventeen repetitive floors	12304.6	Residential
7	Last floor	261.2	Residential
8	Staircase + elevators	75.43	Staircase + elevators
9	Sewers	6	Sewers
10	Tanks	1089.97	Tanks
Total	23 floors	18053	

## Property location

Property is located in: **Makkah Al-Mukarramah**

Neighborhood: **Aziziyah**

Street: **Al-Masjid Al-Haram Road**

Location coordinates

N :

21.403004

E :

39.876740



## Photographic survey of the building and its components



## Photographic survey of the building and its components



## Ownership documents

### Title deed information

Ownership Type	Deed date	Deed number	Owner name
Ownership 100%	02/18/1441	520121013430	Al Mashaer Real Estate Fund

Neighborhood name - plot number - plan number - land area:

Land area	Plan number	Plot number	Neighborhood name
1278.97 m <sup>2</sup>	7/21/1 g	1/277	Aziziyah

Borders and lengths:

Borders and lengths:							
Northern border	Border length	Southern border	Border length	Eastern border	Border length	Western border	Border length
Plot No. 43/D	30 m	Plot No. 25/B	30 m	Street width 21 m	43 m	Street width 60 m	43 m

## Assumptions related to real estate ownership

For the purposes of this report, we assumed the existence of good and valid ownership, free from any obstacles, mortgages, fees, or interests of any third parties, etc., and in the event that this is not achieved, the opinion of the value of the property may be affected



# Valuation

■ التقييم

## Valuation Approaches



### Market Approach ❁

The market method 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 method 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 method 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

Valuation Approaches	Income Approach	Market Approach	Cost Approach
Used approach	Income Approach was used mainly	Market Approach has been used as an assist	Cost approach was used as an assist
Used valuation methods	Discounted Cash Flow method	Field survey (comparisons carried out in the real estate area and offered land prices)	Depreciated replacement cost method for buildings
Reasons for use	The fact that the property is income-generating	Basic method to find out similar real estate in the market and estimate the price per square meter of land	The nature of the property and the fact that the land is built on it and to estimate the construction cost of the property

## Fair value 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:

Hierarchy table					
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

تقدير القيمة ■

## 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-Azizia neighborhood, Al-Azizia road.

Comparative real estate		
Comparison factors	Comparison 1	Comparison 2
Area (m <sup>2</sup> )	1,500	1,200
Ease of access	High	High
Property location	High	Average
Land shape	Flat	Flat
Land topography	Regular	Regular
Use	Commercial	Commercial
Surrounding streets	2	2
Price per meter (SR)	40000	30000
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 real estates				
Adjustments factors	Property under valuation	Comparison 1	Comparison 2			
		Value	Adjustment	Value	Adjustment	
Price per square meter	***		40,000			30,000
Condition	***	Available offer		Available offer		
Date of valuation/offer	30/06/2023	30/06/2023		30/06/2023		
Market Condition	***	-5.00%	-	2,000	-5.00%	1,500
Financing terms	***	0.00%	-	-	0.00%	-
Market conditions value	***		(2,000.00)			(1,500.00)
Value after initial settlements	***	38,000			28,500	
Land area (m <sup>2</sup> )	1,288	1,500	0%	1,200	0%	
Ease of access	High	High	0%	High	0%	
Property location	High	High	0%	Average	10%	
Land shape	Flat	Flat	0%	Flat	0%	
Land topography	Regular	Regular	0%	Regular	0%	
Land use	Commercial	Commercial	0%	Commercial	0%	
Surrounding streets	2	2	0%	2	0%	
Total		0.00%			10.00%	
Adjustment value per square meter		-			2,850	
Final meter value after Adjustments		38,000			31,350	
Relative weight		65%			35%	
Net average value per square meter (SR / m <sup>2</sup> )			35,673			
The market value of the land (SR / m <sup>2</sup> )			45,945,110			

## 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	1,288	2,500	3,219,925
Total built up area	16,765	3,500	58,676,730
Other	-	-	-
Other	-	-	-
<b>Total (SR)</b>		<b>61,896,655</b>	

### Third: Depreciation cost

Life span of the property (year)	Year	40
The current age of the property (year)	Year	11
Remaining life of the property (year)	Year	29
Depreciation rate	%	28
Depreciation value	SR	18,893,954
<b>Final value of the building (SR)</b>		<b>49,811,333</b>

### Second: Other costs (indirect)

Professional fees	5%	3,094,833
Utilities Network	3%	1,856,900
Administration costs	3%	1,856,900
Financing costs (0 years / 0%)	0%	-
Developer's profitability	0%	-
<b>Total (SR)</b>		<b>6,808,632</b>
<b>Total cost of buildings (SAR)</b>		<b>68,705,287</b>

### Fourth: Value of the property according to the Cost Approach

Final value of the land (SR)	45,945,110
Final value of buildings (SR)	49,811,333
<b>Market value of the property according to the Cost Approach (SR)</b>	<b>95,756,443</b>
<b>Market value of the property according to the Cost Approach after rounding (SR)</b>	<b>95,800,000</b>

## Market Approach - Comparison method - Hotel income analysis

Market Survey - Hotel Income Analysis									
Comparison	Hotel name	Location	Rating	Number of rooms	Average rental price (Hajj season)	Average price per night (Ramadan season)	Average price per night (rest of the year)	Annual occupancy	Operational expenses
Comparison 1	Park in Mecca Aziziyah	Aziziyah	3 stars	272	2000	450	250	50%	30%
Comparison 2	Mecca 21	Aziziyah	3 stars	178	2200	400	190	55%	35%
Comparison 3	Al Kiram	Aziziyah	3 stars	188	2500	600	300	65%	40%



## 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.
- A reasonable price for the unit in the property under valuation.

## Similar Comparisons Method Assumptions

**Based on the approach used in calculating the market value, which is Market Approach (Method of similar comparisons), the following was assumed:**

**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.

## Income data

Annual occupancy rate for each season		
Clause	Value	Unit
Number of days in the year	365	Day
Annual occupancy rate	40%	Percentage
Number of operating days per year	146	Day
The number of days of the Hajj season	30	Day
The number of days of the Ramadan season	30	Day
Number of days for the remainder of the year	86	Day
Number of rooms	450	Room
Calculation of operating the Hajj season		
Number of pilgrims	1350	Pilgrim
Rental price for the pilgrim	2200	Pilgrim/SR
<b>Hajj season total income</b>	<b>2,970,000</b>	<b>SR</b>
Calculation of operating Ramadan season		
The number of operating days for the first twenty of Ramadan	20	Day
Average rental price for the day	250	SR
<b>The total rental value for the first 20 days of Ramadan</b>	<b>2,250,000</b>	<b>SR</b>
Number of working days for the last ten days of Ramadan	10	Day
Average rental price for the day	500	SR
<b>Total rent value for the last ten days of Ramadan</b>	<b>2,250,000</b>	<b>SR</b>
<b>Total income for the Ramadan season</b>	<b>4,500,000</b>	<b>SR</b>

Calculation of operating the rest of the days of the year		
Description	Value	Unit
Average rental price for the day	150	SR
Total income for the rest of the year	5,805,000	SR
Total room operating revenue income per annum	13,275,000	SR
Shops income analysis		
Description	Value	Unit
Total annual rental income of shops	224,000	SR
Less occupancy rate and credit risk for shops	11,200	5%
<b>Actual total rental income of commercial shops</b>	<b>212,800</b>	<b>SR</b>
Actual total annual income		
<b>Actual total annual income</b>	<b>13,487,800</b>	<b>SR</b>

## Estimating the value of the property - Income Approach

### Discounted Cash Flow assumptions

Total rental income	13,487,800	Discount rate	9%
Operating and capital expenditure rate	37%	Capitalization rate	7%
Cash flow period (years)	10	Growth rate - annually from the second year	2%

Cash flow - Inflows	Investment years										Reversion value
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
	1	2	3	4	5	6	7	8	9	10	
Expected growth value	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Actual total rental income	13,487,800	13,487,800	13,757,556	14,032,707	14,313,361	14,599,628	14,891,621	15,189,453	15,493,243	15,803,107	16,119,170
Minus rate of operating and capital expenses	37%	4,990,486	5,090,296	5,192,102	5,295,944	5,401,863	5,509,900	5,620,098	5,732,500	5,847,150	5,964,093
Building net operating income (NOI)		8,497,314	8,667,260	8,840,605	9,017,418	9,197,766	9,381,721	9,569,356	9,760,743	9,955,958	10,155,077
Reversion value of the building											145,072,526
Net cash flow		8,497,314	8,667,260	8,840,605	9,017,418	9,197,766	9,381,721	9,569,356	9,760,743	9,955,958	10,155,077
Discount factor		0.9174	0.8417	0.7722	0.7084	0.6499	0.5963	0.5470	0.5019	0.4604	0.4224
Present value of cash flow		7,795,701	7,295,060	6,826,570	6,388,166	5,977,917	5,594,014	5,234,765	4,898,588	4,583,999	4,289,614
Net present value of the property											120,164,596
Final value of the property (SR)	120,164,596										
Final value of the property after rounding (SR)	120,165,000										

## Final value of the property

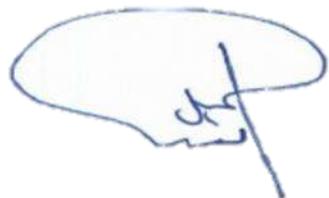
Based on the purpose of valuation and the nature of the property and its characteristics as a hotel property, valuing of the property by using Income Approach is considered better than Cost Approach, and therefore the value reached by Income Approach will be weighted as the basis for the fair value of the property under valuation on 30-06-2023

As follows:

Fair price estimate in writing	Fair price estimate in numbers
One hundred and twenty million, one hundred and sixty-five thousand Saudi riyals	120,165,000

This report was approved by the Executive Director

Ismail Muhammad al-Dubaikhi



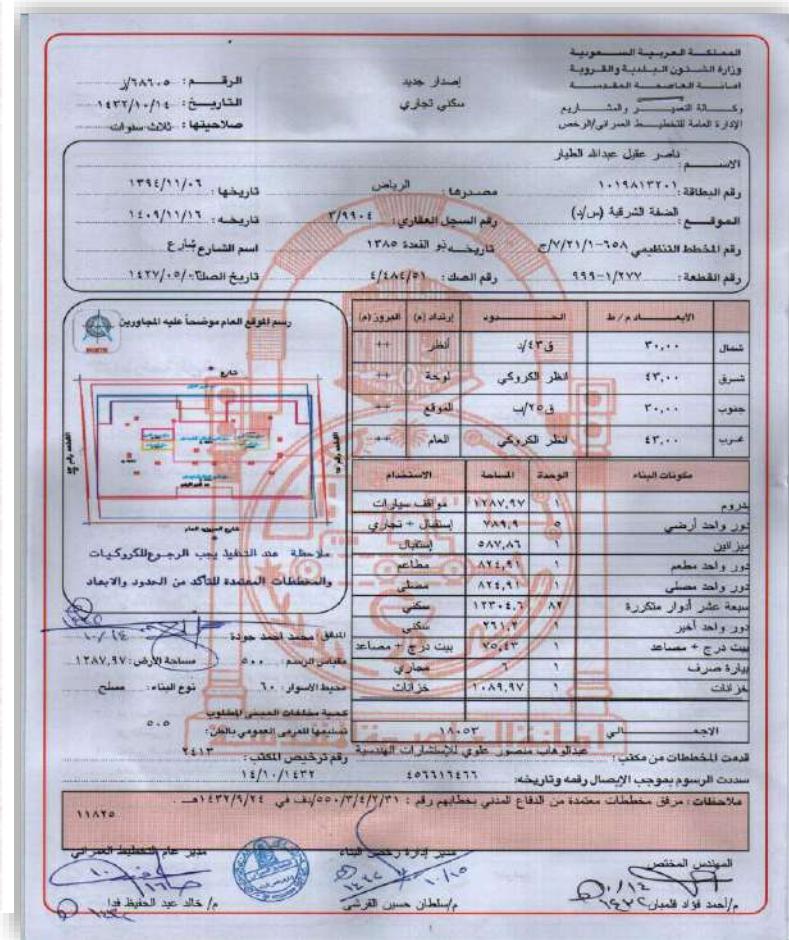
# Appendix



ملحق

## **Documents received from the client**

— 8-53 2023/2/5



## Team



Hossam Hassan Ashi  
Real estate - Associate  
Membership No1210002501



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



Shaeq bin Saleh Al Shaeq  
Real estate-Basic Follow  
Membership No1210001415



Ismail Al-Dubaikhi  
Real estate-Basic Follow  
Membership No 121000005



## General Administration

Riyadh 11666, Othman Bin Affan Road, Building No. 8484, Office No. 6

✉ [info@qiam.com.sa](mailto:info@qiam.com.sa)

🌐 [www.qiam.com.s](http://www.qiam.com.s)

📞 +966 92 002 5832

# Valuation Report Administrative building

Client : SICO Saudi REIT Fund

## Statement

Dear : SICO Saudi REIT Fund      Greetings

### Subject : Valuation report for Administrative building in Al-Rabea district in (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-Rabea** district, according to the assignment issued by you on 28/05/2023 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 administrative building and its current status on the date of the estimate 06/30/2023 AD located in the city of **Riyadh, with an amount of only (147,320,000) One hundred and forty-seven million three hundred and twenty thousand Saudi riyals.**

With sincere gratitude...

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

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



## Executive Summary

### ■ Fair price estimate: 147,320,000 Saudi riyals

Valuer		
<ul style="list-style-type: none"> <li>Ismail Muhammad Al-Dubaikhi Membership No. 1210000052</li> <li>Shaeq bin Saleh Al Shaeq, Membership No. 1210001415</li> </ul>	<ul style="list-style-type: none"> <li>Salem Muhammad Al Fai` Membership No. 1210000013</li> <li>Hossam Hassan Ashi Membership No. 1210002501</li> </ul>	
Owner of real estate	Intended User	Client (report requester)
Mashaer Real Estate Company	SICO Saudi REIT Fund	SICO Saudi REIT Fund
Property location	Property under valuation	Purpose of the valuation
Riyadh - Al-Rabee District	Administrative building	Periodic valuation of Al Mashaer REIT Fund
Inspection date	Valuation approach	Valuation standard
29/05/2023	Cost Approach + Income Approach	International Valuation Standards Accounting Valuation Standards (IFRS)
Valuation date	Value Basis	Ownership Type
30/06/2023	Fair value	Absolute ownership
Report issued date	Assumed value	Deed number and date
20/07/2023	Present use	(393140003190 , 393140003189 ) on 02/09/1442

# قيام للvaluation

## QIAM VALUATION

### Content

- 01 ..... The specific assumptions and limitations of the report
- 02 ..... Scope of work
- 03 ..... An overview of the economy and the real estate sector in the Kingdom of Saudi Arabia
- 04 ..... Site studies
- 05 ..... Valuation
- 06 ..... Value Estimation
- 07 ..... Appendix



The specific assumptions  
and limitations of the report

## ■ الفرضيات و القيود المحددة للتقرير

## 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 method (**Profit method**).

Based on the purpose of the evaluation, which is (**Periodic valuation of Al Mashaer REIT Fund**), the valuation was based on the value (**fair value**).

The purpose of issuing this report is to know the fair value of the property for the purpose of (**periodic valuation**) for the report user (**Saudi SICO REIT Fund only**)

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.

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.

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.

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.

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 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.

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.

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.

The responsibility of the company with regard to the report and valuation is limited to the client, who is the entity that owns the evaluation. 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.



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



## ■ نطاق العمل

Scope of work

## Scope of work Standard No. 101

Other users	Client	Identity of the real estate valuer
SICO Saudi REIT Fund	SICO Saudi REIT Fund	Described in the executive summary
Value Basis	Purpose of the valuation	Property under valuation
Fair value	Periodic valuation of Al Mashaer REIT Fund	Administrative 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	2023\06\30	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 caution 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. .

## 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**



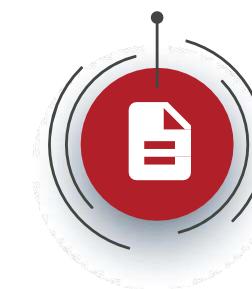
Collecting and analyzing office and field market data in order to gain knowledge of past and current market trends and market indicators that will be relied upon when applying valuation methods.

**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.

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..



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



■ الامتثال للمعايير و أعمال  
البحث و الاستقصاء

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 Al Mashaer 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 evaluation.
- Limitations of the research and survey that were carried out indicate the limitations in the scope of work with the analysis of all evaluation 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	Contracts	There are no contracts attached by the client	The deed sent by the client has been verified
	Rental data	There is no data attached by the customer about the rent	
	Deed + Excel statement	---	
Market	Residential and commercial meter prices	Trusted	Based on the market survey - direct interviews - accredited offices in the real estate area - internal company data
	Purpose of the valuation	Listing in the financial statements	---
	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

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

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

01

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

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

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?

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.

## 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.

### 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.

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

## 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



# ▪ نظرة عامة على الاقتصاد والقطاع العقاري بالمملكة العربية السعودية

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.



QIAM VALUATION  
REAL ESTATE VALUATION REPORT



Site Studies

## ■ دراسات الموقع

## 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
Natural factors (environmental)	Importance of the area	The property is located in the city of Riyadh, in Al-Rabee district
	Lands topography	Flat
	Pollution	There are no sources of pollution in the area
Planning factors (urban)	Location from the city	The location is <b>north</b> of <b>Riyadh</b>
	Infrastructure	Completed
	Municipal equipment	Completed
Building Regulations	Land properties	Regular shape
	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.

## Description of interior and exterior finishes and construction

INTERIOR FINISHES			
Doors	Roofs	Wall Cladding	Floors
Wood	Gypsum decorations	Paint	Marble - Ceramic
Windows	Health kits	Stairs	Insulation type
Aluminum and ordinary glass	high quality	Marble	N.A.
EXTERIOR FINISHES			
Building fronts	Facilities	Doors	Floors
Stone - paint	N.A.	Iron	Tiles
Electromechanical and air conditioning systems			
Air Conditioning	Elevators	Electrical wiring and outlets	Lighting
Window + split	Good	Good	N.A.
Security and safety systems - other facilities			
Facilities	Fire Alarm and Extinguishing Systems		Security Systems
N.A.	N.A.		N.A.

## Property description

- The building area was determined based on the (**Permit**).
- The age of the property has been determined to be (**5 years**) based on the (**building permit**).
- The state of the property on the date of valuation (**30/6/2023**)

When examining the property, it became clear to us that it is a (**Administrative building**). Detailed as below:

Building components			
S/N	Floor	Area (m2)	use
1	First basement	6146.80	Parking
2	Second basement	6146.80	Parking
3	Ground floor	2458.82	Offices
4	First floor	2458.82	Offices
5	Second floor	2458.82	Offices
6	Third floor	2458.82	Offices
7	Upper extension	908	Offices
<b>Total</b>	<b>4 floors + 2 basement parking</b>	<b>23,036.88</b>	

## 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



## Ownership documents

### Title deed information

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

Neighborhood name - plot number - plan number - land area:

Land area	Plan number	Plot number	Neighborhood name
6155 m <sup>2</sup>	3090	2+3	Al-Rabee

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

For the purposes of this report, we assumed the existence of good and valid ownership, free from any obstacles, mortgages, fees, or interests of any third parties, etc., and in the event that this is not achieved, the opinion of the value of the property may be affected



# Valuation

التقييم ■

## Valuation Approaches



### Market Approach ❁

The market method 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 method 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 method 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 valuation 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

Valuation Approaches	Income Approach	Market Approach	Cost Approach
Used approach	Income Approach was used mainly	Market Approach has been used as an assist	Cost approach was used as an assist
Used valuation methods	Discounted Cash Flow method	Field survey (comparisons carried out in the real estate area and offered land prices)	Depreciated replacement cost method for buildings
Reasons for use	The fact that the property is income-generating	Basic method to find out similar real estate in the market and estimate the price per square meter of land	The nature of the property and the fact that the land is built on it and to estimate the construction cost of the property

## Fair value 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:

Hierarchy table					
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

تقدير القيمة ■

## 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 estate		
Comparison factors	Comparison 1	Comparison 2
Area (m <sup>2</sup> )	7,930	2,287
Ease of access	High	High
Property location	High	High
Land shape	Flat	Flat
Land topography	Regular	Regular
Use	Commercial	Commercial
Surrounding streets	4	2
Price per meter (SR)	6900	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	Property under valuation	Comparative real estates				
		Comparison 1	Comparison 2			
Adjustments factors						
Price per square meter	***		6,900		8,750	
Condition	***	Available offer		Available offer		
Date of valuation/offer	30/06/2023	30/06/2023		30/06/2023		
Market Condition	***	-5.00%	345	-5.00%	438	
Financing terms	***	0.00%	-	0.00%	-	
Market conditions value	***		(345.00)		(437.50)	
Value after initial settlements	***		6,555		8,313	
Land area (m <sup>2</sup> )	6155.80	7,930	5%	2,287	-5%	
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	4	-5%	2	10%	
Total		0.00%		5.00%		
Adjustment value per square meter			-		416	
Final meter value after Adjustments			6,555		8,728	
Net average value per square meter (SR / m <sup>2</sup> )			7,642			
The market value of the land (SR / m <sup>2</sup> )			47,039,930			

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

First: Construction Costs (Direct Costs)			
Clause	Built up area m <sup>2</sup>	SR / m <sup>2</sup>	Value (SR)
Basement	12,293.60	2,500	30,734,000
Total built up area	9,933.28	3,000	29,799,840
Upper extension	908.00	2,800	2,542,400
Others	-	-	-
Fence	60	-	-
<b>Total (SR)</b>	<b>23,195</b>		<b>63,076,240</b>

Third: Depreciation cost			
Life span of the property (year)	Year	40	
The current age of the property (year)	Year	3	
Remaining life of the property (year)	Year	37	
Depreciation rate	%	8	
Depreciation value	SR	5,487,633	
<b>Final value of the building (SR)</b>		<b>67,680,806</b>	

Second: Other costs (indirect)		
Professional fees	2%	1,261,525
Utilities Network	2%	1,261,525
Administration costs	2%	1,261,525
Financing costs (0 years / 0%)	0%	-
Developer's profitability	10%	6,307,624
<b>Total (SR)</b>		<b>10,092,198</b>
<b>Total cost of buildings (SR)</b>		<b>73,168,438</b>

Fourth: Value of the property according to Cost Approach		
Final value of the land (SR)	Final value of buildings (SR)	
47,039,930	67,680,806	
<b>Market value of the property according to the Cost Approach (SR)</b>		<b>114,720,736</b>
<b>Market value of the property according to the Cost Approach after rounding (SR)</b>		<b>114,720,000</b>

## 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.
- A reasonable price for the unit in the property under valuation.

## Similar Comparisons Method Assumptions

**Based on the approach used in calculating the market value, which is Market Approach (Method of similar comparisons), the following was assumed:**

**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.

## Income data

Real estate annual income statement				
Unit No	Unit type	Area (m2)	Rental value per meter (SR/meter)	Rental value (SR)
1	Administrative Offices	2910	859	2,750,000
2	Administrative Offices	2500	1100	2,750,000
3	Administrative Offices	5300	934	4,950,000
<b>Total annual income of the property (SR)</b>				<b>10,450,000</b>

## Estimating the value of the property - Income Approach

### Discounted Cash Flow assumptions

Total rental income	10,450,000	Discount rate	9%
Operating and capital expenditure rate	0%	Capitalization rate	7%
Occupancy rate and credit risk	0%	Growth rate - annually from the second year	2%

Cash flow - Inflows	Expected growth value	Investment years						Reversion value
		2024 1	2025 2	2026 3	2027 4	2028 5	2029 6	
Total rental income	10,912,500	10,450,000	10,659,000	10,872,180	11,089,624	11,311,416	11,537,644	
Minus occupancy rate and credit risk	0%	0%	0%	0%	0%	0%	0%	
Annual vacancy value		0	0	0	0	0	0	
Actual total rental income		10,450,000	10,659,000	10,872,180	11,089,624	11,311,416	11,537,644	
Minus rate of operating and capital expenses	0%	0	0	0	0	0	0	
Building net operating income (NOI)		10,450,000	10,659,000	10,872,180	11,089,624	11,311,416	11,537,644	
Reversion value of the building								164,823,491
Net cash flow		10,450,000	10,659,000	10,872,180	11,089,624	11,311,416	11,537,644	164,823,491
Discount factor		0.9174	0.8417	0.7722	0.7084	0.6499	0.5963	0.5963
Present value of cash flow		9,587,156	8,971,467	8,395,318	7,856,169	7,351,644	6,879,520	98,278,863
Net present value of the property								147,320,137
Final value of the property (SR)	147,320,137							
Final value of the property after rounding (SR)	147,320,000							

## Final value of the property

Based on the purpose of valuation and the nature of the property and its characteristics as an administrative building property, valuing of the property by using Income Approach is considered better than Cost Approach, and therefore the value reached by Income Approach will be weighted as the basis for the fair value of the property under valuation on 30-06-2023

As follows:

Fair price estimate in writing	Fair price estimate in numbers
One hundred and forty-seven million three hundred and twenty thousand Saudi riyals	147,320,000

This report was approved by the Executive Director

Ismail Muhammad al-Dubaikhi



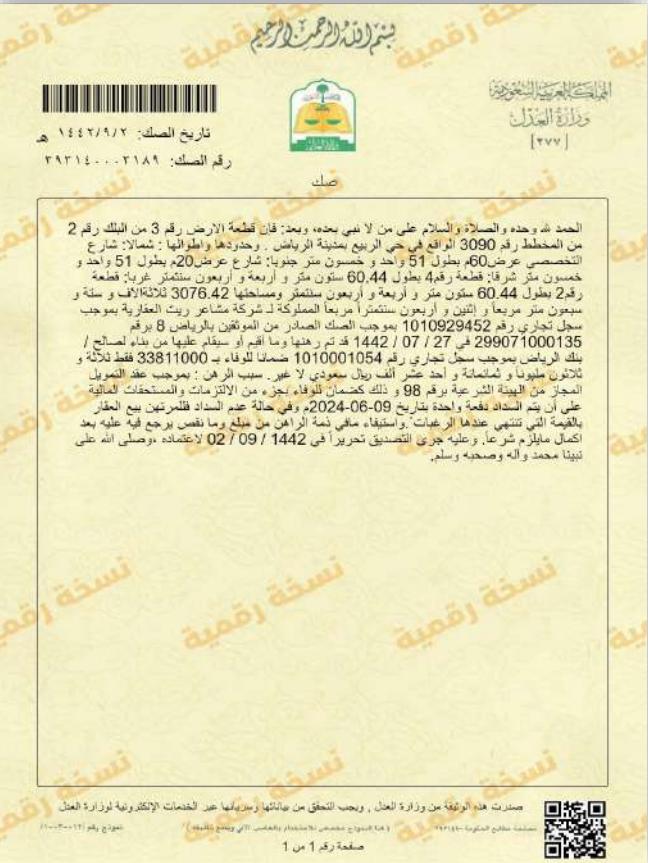
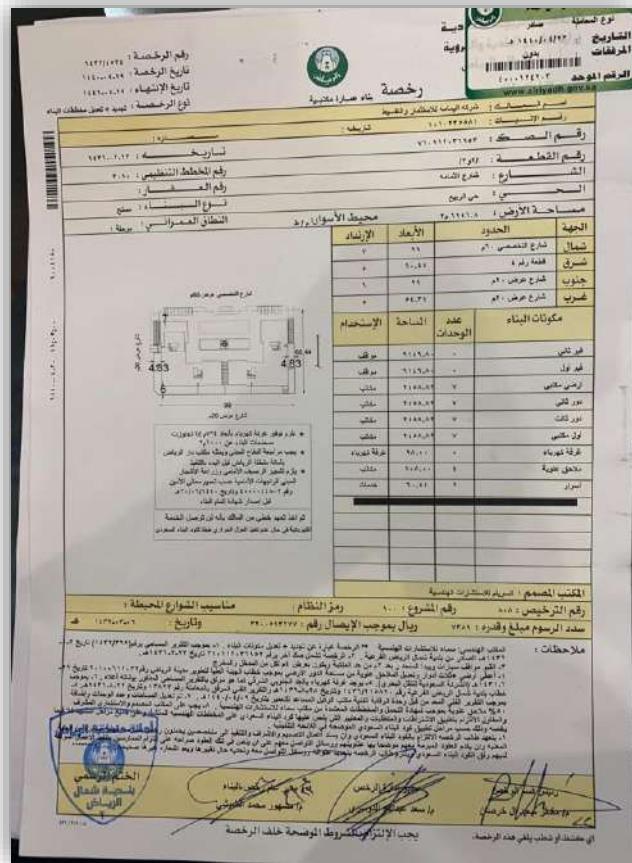
# Appendix



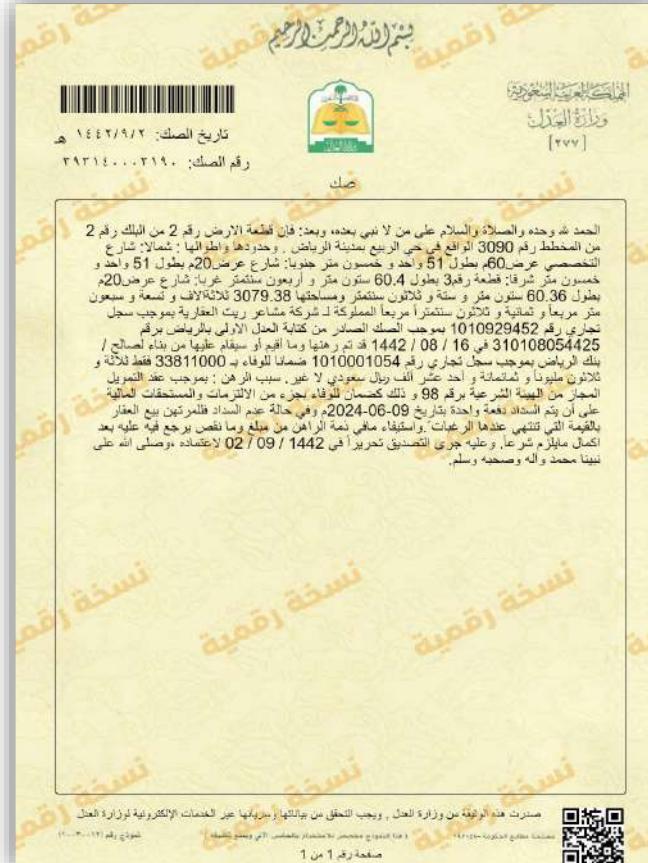
ملحق

## Documents received from the client

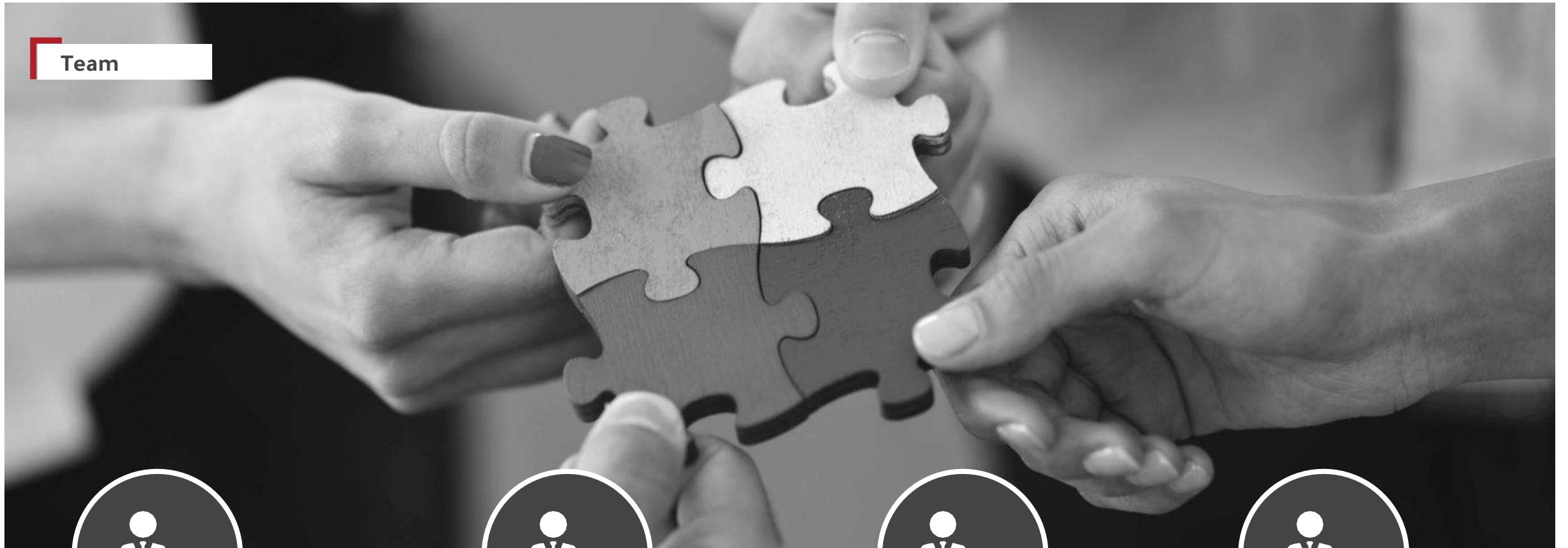
### Building permit



### Deed



## Team



Hossam Hassan Ashi  
Real estate - Associate  
Membership No1210002501



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



Shaeq bin Saleh Al Shaeq  
Real estate-Basic Follow  
Membership No1210001415



Ismail Al-Dubaikhi  
Real estate-Basic Follow  
Membership No 121000005



## General Administration

Riyadh 11666, Othman Bin Affan Road, Building No. 8484, Office No. 6

✉ [info@qiam.com.sa](mailto:info@qiam.com.sa)

🌐 [www.qiam.com.s](http://www.qiam.com.s)

📞 +966 92 002 5832