

RETAIL AND ENTERTAINMENT DEVELOPMENT IN HAFR AL BATIN
INVESTMENT OPPORTUNITY SCORECARD
REAL ESTATE

FEBRUARY 2021



Retail And Entertainment Development In Hafr Al Batin

OPPORTUNITY'S DESCRIPTION: Opportunity for retail and entertainment development in Hafr Al Batin

DEMAND

KEY DEMAND DRIVERS

- Real GDP is expected to increase by a CAGR of 2.8% during the period 2020-2025, indicating a growing economy
- As of 2020, Hafr Al Batin's population has reached 353,000 and is expected to grow at a higher CAGR of 1.5% during the period 2021-2030 (compared to KSA's population CAGR of 1.2% during the same period)
- Demand for lifestyle concepts, or experienced based retail developments in KSA is rising, supported by a high population base, elevated disposable income and changing lifestyle
- Medium to high-quality residential projects that surround the land plot will contribute to the demand for retail and entertainment

INVESTMENT HIGHLIGHTS

- Expected Investment size of USD 6.8 Mn (development cost)
- Investment model options: leasing, shared revenue model or shared revenue model + fixed amount
- Location: Hafr Al Batin city
- Estimated Project IRR (25-year lease term): 13.71%

INVESTMENT OVERVIEW

VALUE PROPOSITION

- KSA's focus on developing the entertainment and tourism sectors and the aim of becoming a global economic powerhouse and an international business hub is transforming its cities into world-class retail destinations
- KSA's Vision 2030 aspires to grow household spending on entertainment to 6.0% which requires developing cutting-edge entertainment experiences, launching new entertainment attractions and hosting world-class events and festivals
- Opportunity to leverage the lack of entertainment destinations and high-quality retail developments in Hafr Al Batin
- The Ministry of Municipality and Rural Affairs' firm commitment to investors by creating supporting regulatory ecosystem and easy issuance of necessary permits coupled with the Ministry of Investment's rigorous efforts in creating investor friendly environment

MARKET OVERVIEW

- The project site is located along Mishaal Bin Abdulaziz street. The site is currently an empty plot of land and is located along the expansion corridor of the city. The developed infrastructure and parking spaces around the land plot optimize the construction costs and enhances the development opportunity
- Retail projects, food and beverage outlets and shopping centers are concentrated along the main roads in the city, such as King Khalid Road, Prince Sultan Bin Abdulaziz Road and King Abdulaziz Road, which are approximately 10 km away from the site
- Several amenities are located near the project site including:
 - An Nahdah Public Park – 0.5 km away
 - Makan Mall – 11 km away
 - Hafr Al Batin Technology College – 14 km away
 - Hafr Al Batin College of Science – 15 km away
 - Hafr Al Batin Central Hospital – 20 km away
 - Al Qaisumah Airport – 28 km away
 - University of Hafr Al Batin – 33 km away

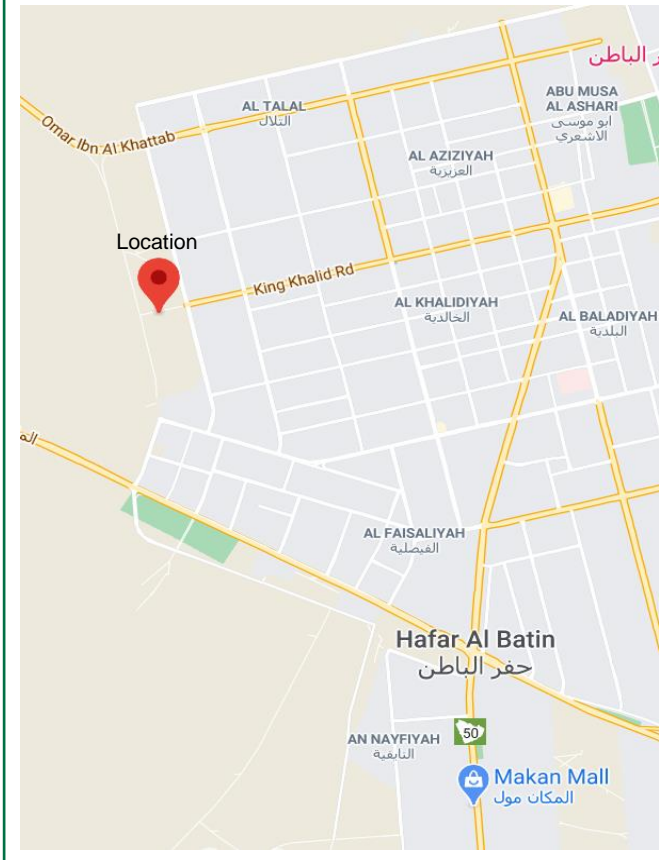
PROJECT OVERVIEW

| Land use | Area (sqm) | Gross leasable area (sqm) | % |
|---------------|---------------|---------------------------|---------------|
| Retail | 7,000 | 3,150 | 70.0% |
| Entertainment | 3,000 | 1,800 | 30.0% |
| Total | 10,000 | 4,950 | 100.0% |



RETAIL AND ENTERTAINMENT DEVELOPMENT IN HAFR AL BATIN

PROJECT LOCATION



INVESTOR/ DEVELOPER ROLE

Studies, design and permits

The developer will be responsible for conducting all the necessary studies to secure commercial aspects of the project, develop all the designs of the project, and obtain the necessary government permits

Financing

The developer will bear the burden of securing funding of the project, whether through private sources, financing entities, or mix of various financing instruments

Operations and maintenance

The developer will be responsible for the operations and maintenance either by himself or through another professional entity

Marketing and leasing

The developer will be responsible for marketing and leasing out the units in the project

Execution

The developer will be responsible for the execution of all aspects of the project

ENABLING FACTORS

ENABLERS

- Developed lands or raw lands based on the tendered project
- Expedite attainment of permits and approvals
- Long term leasing contract for up to 50 years

COST OF DOING BUSINESS IN KSA

| Factor | Ranking Amongst Regional Peers |
|---|--------------------------------|
| Macroeconomic risk (100=high) | 30 |
| Productivity adjusted wages | \$3.3 /hour |
| Ease of getting credit (0 – 100) | 50 |
| Contract enforcement (0-100) | 55 |
| Construction Costs (Indexed to US, % 0 is cheapest) | 74 |

KEY STAKEHOLDERS



DEFINITIONS

| # | SCORECARD SECTION | DEFINITION |
|----|-------------------------------|--|
| 1 | Market size | Size of market in value/volume in KSA and/or Region (MENA/GCC) covering future projections based on available estimates from published /government sources |
| 2 | Demand drivers | A select number of factors that will influence future demand for the related product/service |
| 3 | Investment highlights | An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size |
| 4 | Value proposition | Summary of key differentiators that position KSA as a strategic choice over other regional/global peers |
| 5 | Market readiness | An overview of KSA market structure, market maturity and level of participation by local and global players |
| 6 | Competitor analysis | List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share |
| 7 | Global trends | Latest business developments within the sector/product category |
| 8 | Scalability and localization | Ease of scaling the business across the value chain or into new adjacent products or geographies that would maximize the opportunity's investment returns and the ability and potential to locally manufacture the product and its components |
| 9 | Import dependency | An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports |
| 10 | Value chain analysis | The process or activities that would potentially need to be carried out to deliver the underlying product or service |
| 11 | Key stakeholders | Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service |
| 12 | Enablers | Factors that enable investment in the underlying opportunity |
| 13 | Cost of doing business in KSA | Key factors that position KSA as a competitive destination for investment in the region. Productivity adjusted wages do not include cost of \$1.23/hour towards annual recurring charges including work permit, resident identity (iqama) and health insurance |

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