

What's the deal?

The original deal:

The Fund will acquire two new properties in exchange for an in-kind portion represented by the transfer of ownership of Al Makan Mall in Riyadh, and a cash portion that will be financed from credit facilities, according to the following:

1. The value of Al Makan Mall in Riyadh is 392 million Saudi riyals.
2. The value of the two new properties is 592 million Saudi riyals (8.64% yield).
3. The Fund will pay an amount of 200 million Saudi riyals, which constitutes the cash difference between the two previous items.

The parties agreed to cancel one of the new properties, thus the deal after the amendment will be as follows:

1. The value of Al Makan Mall in Riyadh is 392 million Saudi riyals.
2. The value of the new property is 368 million Saudi riyals (8.82% yield).
3. The Fund is entitled to an amount of 24 million Saudi riyals, which constitutes the cash difference between the two previous items.

The transfer of real estate ownership is expected to take place during the third quarter of the current year, and the fund will bear the brokerage fees and real estate transaction tax for the new property.

Why do we sell Al Makan Mall in Riyadh?

After analyzing the market and studying Al Makan Mall in Riyadh taking into account the current and expected competitors in the region and the changes in market requirements in terms of building quality and designs, which will be reflected in the expected rental prices.

Al Makan Mall in Riyadh was affected by the existence of long-term contracts that limit our ability to control leasing prices, and by the nature of the asset being a commercial complex (mall), the operational costs required led to net revenues of Al Makan Mall in Riyadh during the year 2023 AD being approximately 14 million Saudi riyals.

With the approval of the Fund's Board of Directors, the Fund Manager decided to sell Al Makan Mall in Riyadh for a value of 392 million Saudi Riyals, noting that the recent valuation of the asset amounted to 352.64 million Saudi Riyals.

The target of selling Al Makan Mall in Riyadh is to finance a new property that maximize the Fund's returns in a way that would reflect positively on the Fund's cash flows and expected distributions.

Why acquire the new property?

The new property is located in the north of Riyadh (the Capital of KSA) and near of the most important main roads, King Salman bin Abdulaziz Road and Abu Bakr Al-Siddiq Road. The property has been recently developed and rented to a single tenant with an annual rent exceeding 32.44 million Saudi riyals, which facilitates the collection process and reduces operational costs.

Impact:

- The rental return on the asset subject to the deal increased from 14 to 32.44 million Saudi riyals (an increase of 131%).
- The asset was sold for 392 million Saudi riyals, and the latest valuation is 352.64 million Saudi riyals.
- There is a cash difference that allows the fund to use it to cover the real estate transaction tax for the new asset.