

# Riyadh Avenue Mall

Investment Memorandum

June 2021



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# The Offering

*A retail mall single-let to the regions largest retail chain on an **unbreakable NNN lease** with a 20-year unexpired term*

### **Strong Tenant Covenant**

LuLu Hypermarket is one of the largest retail chains in Asia and is the largest in the Middle East. It occupies more than 1.1 million sq. m. of retail space across 207 stores and hypermarkets across the region. Lulu thus provides an exceptionally strong tenant covenant, further supported by the fact that they have never defaulted on a lease, nor vacated an existing facility in the GCC.

### **Master Lease**

The asset is single let to Lulu Hypermarket on a long-term unbreakable lease. The lease benefits from contractually fixed rental escalations of 5% every 4 years, providing a prospective investor with a stable, secure, long-term cashflow.

### **Defensive Sub-Sector**

The property is positioned with Lulu Hypermarket as the anchor store; malls anchored by grocery stores have proved highly resilient, acting as a defensive sub-sector within the retail asset class. In addition to this, the property is also home to Lulu's national head office, further strengthening the defensive nature of the property.

### **Freehold Ownership**

The asset benefits from freehold land ownership.



# Investment **Highlights**

*The asset is single-let to the regions largest retail chain on an unbreakable lease with a 20-year unexpired term*

## General

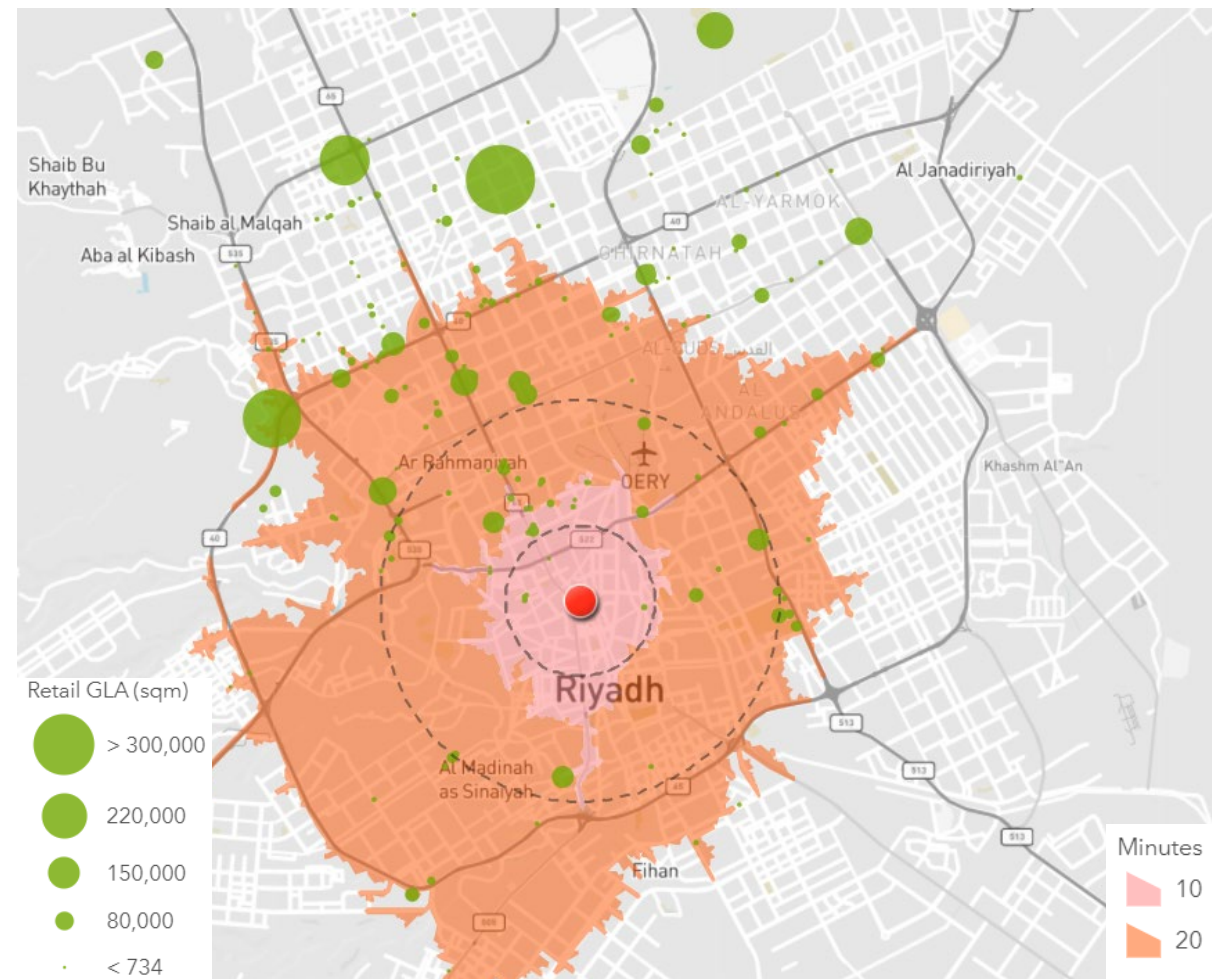
- ✓ The development is located in the heart of Riyadh in the Al Murabba district in close proximity to King Fahd Road
- ✓ In addition to this, the asset benefits from superb frontage onto both King Faisal Road and Prince Faisal Bin Turki Bin Abdulaziz Street

## Catchment Zone

- ✓ The typical catchment zone for a regional mall is between 3km and 8km
- ✓ There is no direct competition falling within the 3km zone, with the only retail offerings present being smaller community and neighborhood malls
- ✓ Within the 8km radius lie 3 other regional malls, however this area boasts many of the most populated districts in Riyadh, including Al Malaz and Al Wizarat, thus providing more than sufficient demand to meet the available supply

## Drivetime

- ✓ Due to the mall's proximity to the city's arteries, the 20-minute drivetime enables a large, city-wide radius to be covered
- ✓ In addition to the densely populated districts to the North, the 20-minute drivetime provides excellent coverage over the South of Riyadh, for which the mall has limited competition



# Location Highlights

*Expertly positioned in the heart of Riyadh City Center*

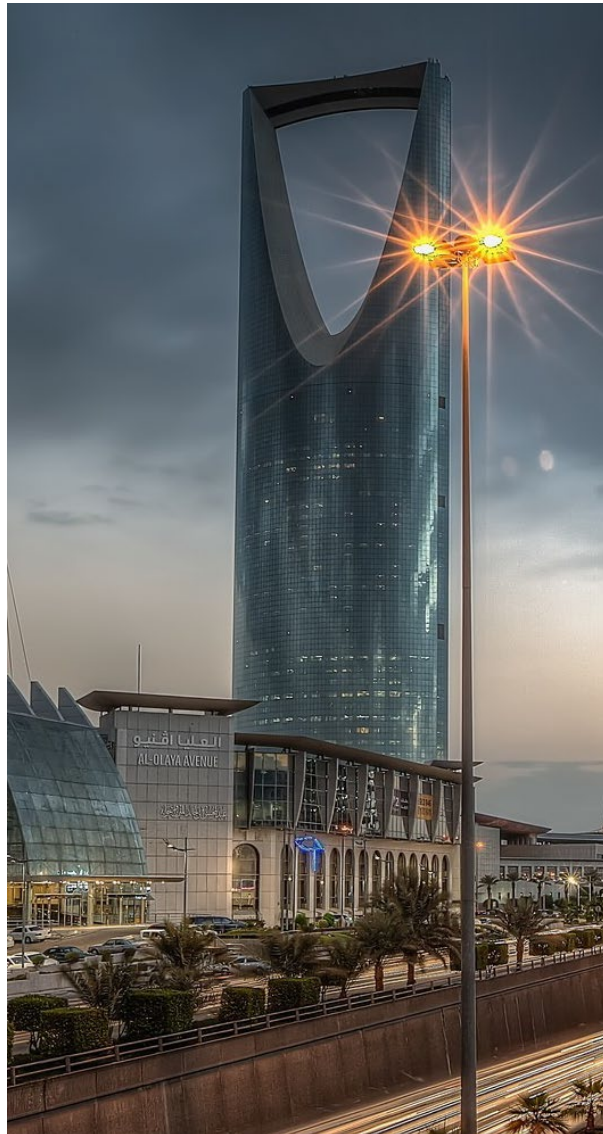
An aerial night view of a city, likely New York City, showing the Hudson River and the city lights. The image is used as a background for the slide.

# Market Outlook

*The **strength** of the **tenant covenant** protects the investment from the market risk associated with multi-let assets*

# Market Outlook

*Government initiatives are expected to drive increased demand in the medium-long term*



## **Retail Market**

Although the pandemic has resulted in downward pressure across the retail market, malls anchored by grocery stores have performed comparatively well during this period, acting as a defensive subsector within the retail asset class.

## **Commercial Office Market**

To accelerate economic recovery and attempt to create more opportunities, the Royal Commission for Riyadh has set a target to attract up to 500 multinational companies to set up their regional headquarters in Riyadh over the next 10 years. This is in addition to the new sponsorship system's announcement, as part of the master plan to increase foreign talent.

The new, relaxed regulations are expected to encourage and attract foreign investment and ownership, in addition to the set-up of businesses. Both initiatives are likely to positively impact demand for commercial office spaces in the medium-to-long term.



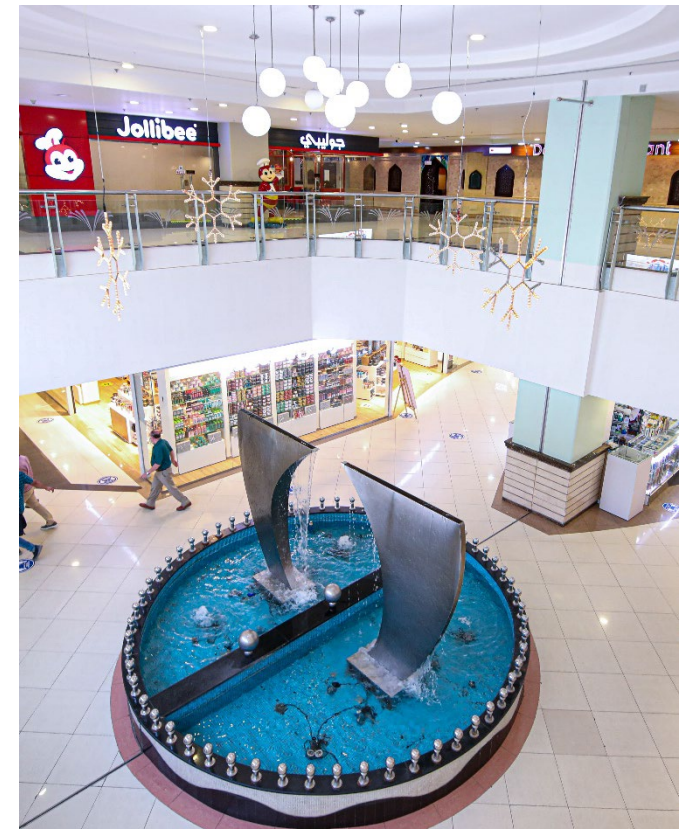


# Relevance to Riyadh Avenue Mall



Being single-let, an asset owner for Riyadh Avenue Mall does not experience the market risk associated with short term, multi-let assets. Instead, this is reflected in the tenant covenant risk of that single tenant.

The single tenant being Lulu Hypermarket, who have continued to expand operations, even during the pandemic, mitigates this risk and presents a defensive asset, secured by long-term cashflows.



# The Asset

*The purpose-built, mixed-use development houses multiple national and international brands*





The mixed-use property consists of both a retail and a commercial office component. The mall offers 2 levels of shopping, anchored by Lulu Hypermarket and an entertainment center. Above the shopping center are two 6-storey office towers housing both Lulu's commercial office requirements for Riyadh, as well as multiple banking and ministerial offices.

The mall was developed by Lulu themselves, to their exact specifications, before being transacted under a sale and leaseback structure. The strategic layout of the mall is thus perfectly positioned to maximize performance of both Lulu and the supporting retail units.

# The Property

*The mixed-use development is single let to the region's largest supermarket retailer*

## Property Highlights

Plot size	27,842 sqm
GLA	34,816 sqm
Operational Commencement	2011
# Retail Units	103
# Kiosks & ATM's	16
# Offices	20
# Parking Spaces	553
Ownership	Freehold
Lease Structure	Single-Let (NNN)
Unexpired Master Lease	December 2041

## Rent Schedule

Year	Rent
2021	SAR 35,700,000
2022	SAR 35,700,000
2023	SAR 37,485,000

# Tenancy Profile

*LuLu Hypermarket have never vacated a regional premises to date*

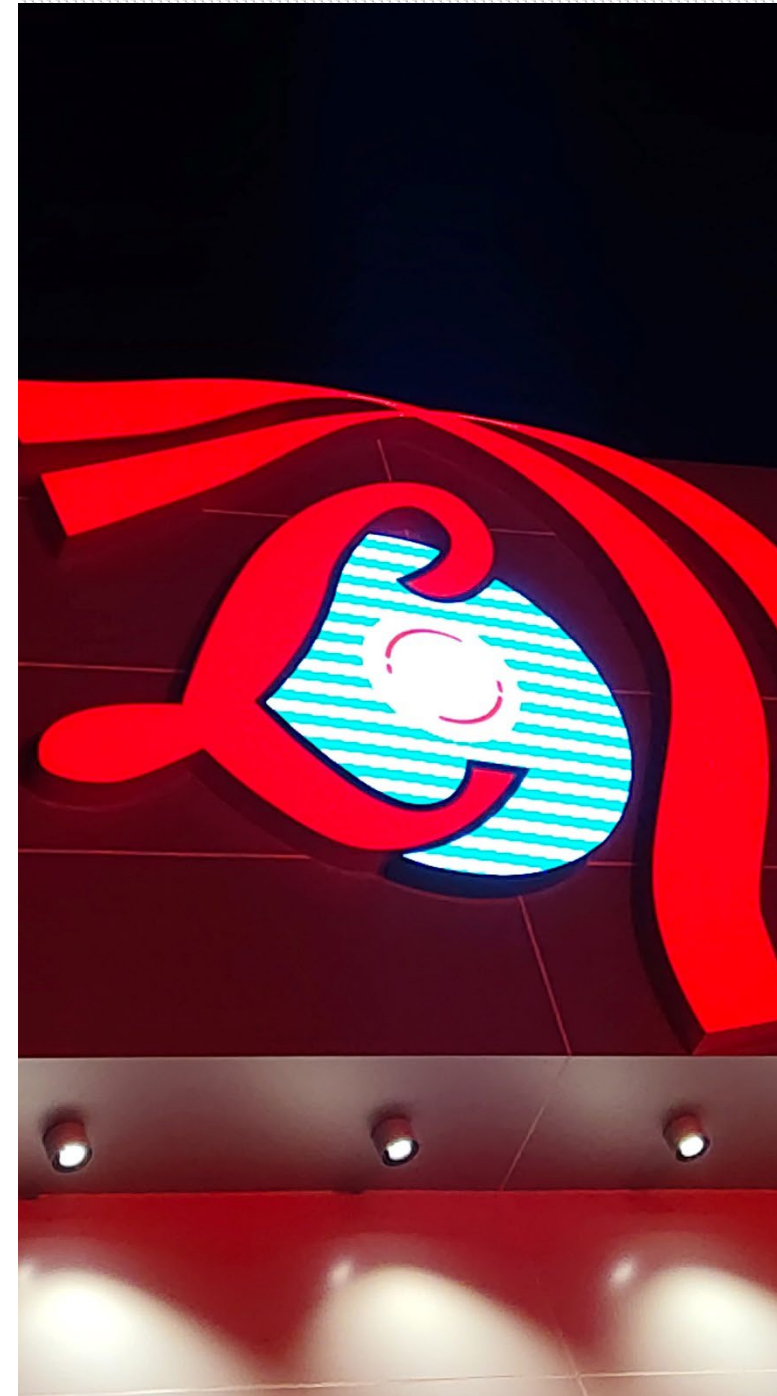
## **LuLu Group International**

Established in 1995, LuLu Group International is a leading international conglomerate with activities spanning retail, trading, shipping, information technology, travel, tourism and education. With an annual turnover in excess of US\$7.4 billion, LuLu Group has more than 50,000 employees in 22 countries. Lulu is headquartered regionally out of Abu Dhabi, UAE.

## **LuLu Hypermarket**

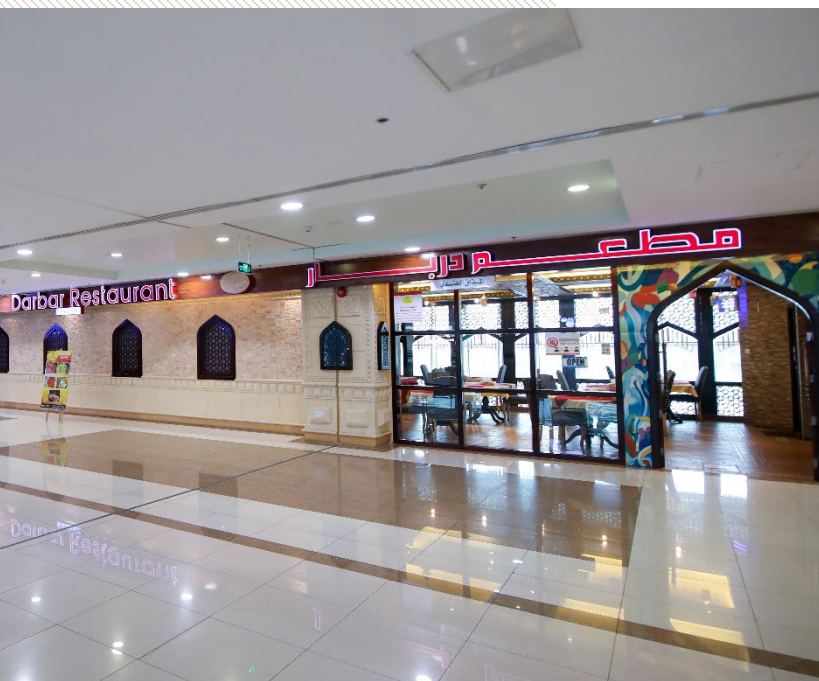
LuLu Hypermarket, the group's retail distribution arm, is one of the largest retail chains in Asia and is the largest in the Middle East. It occupies more than 1.1 million sq. m. of retail space across 207 stores and hypermarkets in the UAE, Oman, Qatar, Kuwait, Bahrain, Egypt, Saudi Arabia, India, Indonesia and Malaysia serving more than 1,100,000 shoppers daily.

Lulu has continued to perform exceptionally well during the pandemic and has continued its expansion spree with 10 new hypermarkets opened in Q1 2021.



# Tenancy Profile

*The asset is sub-leased to an array of retail and commercial tenants*



## Retail Sub-Tenants

The mall is subleased to multiple local and international tenants, such as:

Tenant Name	Tenant Name
Body Shop	Dominos
Giordano	Burger King
The Perfume Shop	KFC

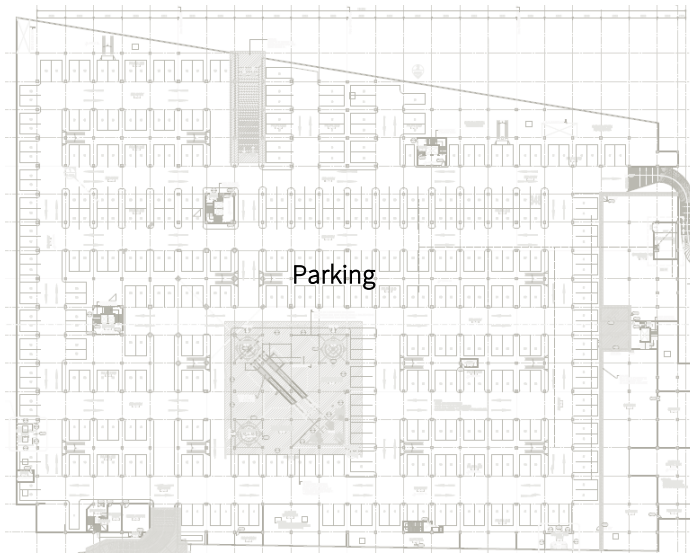
## Commercial Sub-Tenants

The commercial office towers house Lulu's regional office as well as numerous other tenants, including financial institutions and ministerial offices, including:

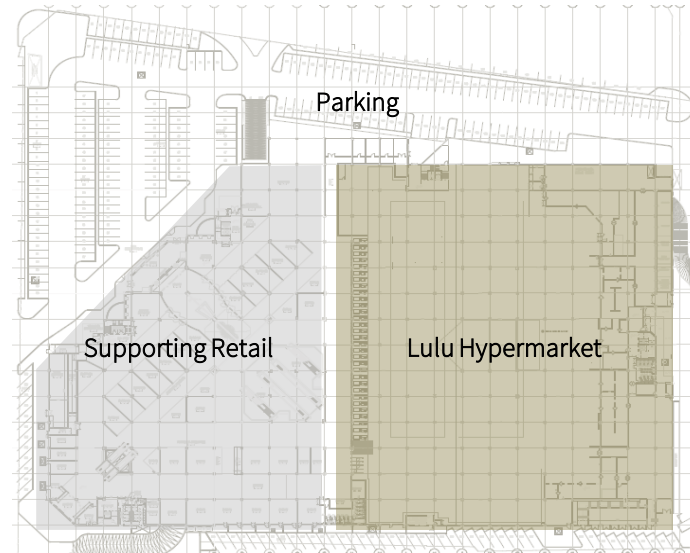
Lulu Offices	Other Tenants
Lulu Regional Office	Arab National Bank
Lulu National HR Office	Ministry of Commerce
Lulu Properties	Saja Contracting



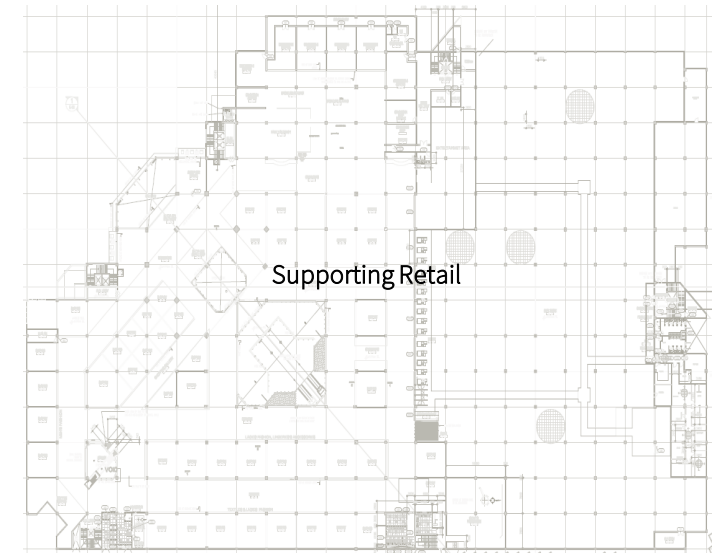
**Basement Floor**



**Ground Floor**



**First Floor**



Item	Description
Primary Use	Designated parking floor
# Supporting Retail Units	-
# Parking	348
Other Offerings	BOH Space

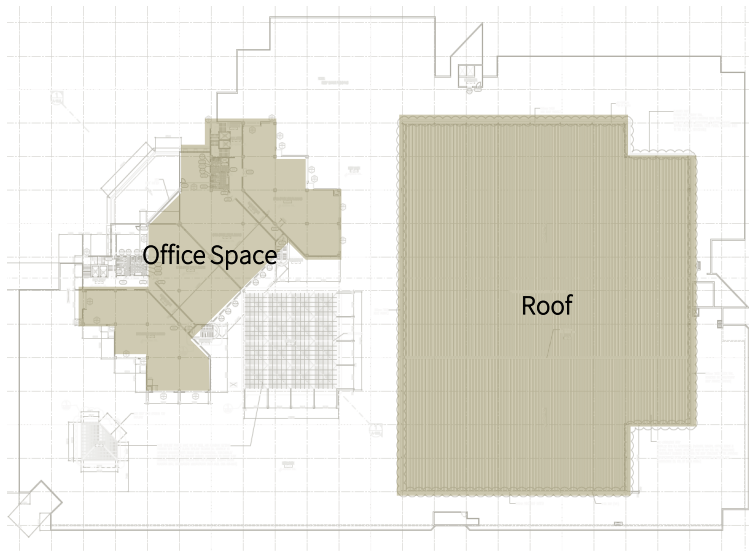
*Note: Breakdown above is as per floorplans included in VDR*

Item	Description
Primary Use	Lulu anchored retail
# Supporting Retail Units / Kiosks	46
# Parking	205
Other Offerings	Main Entrance + Atrium

Item	Description
Primary Use	Supporting Retail
# Supporting Retail Units	57
# Parking	-
Other Offerings	Entertainment Area

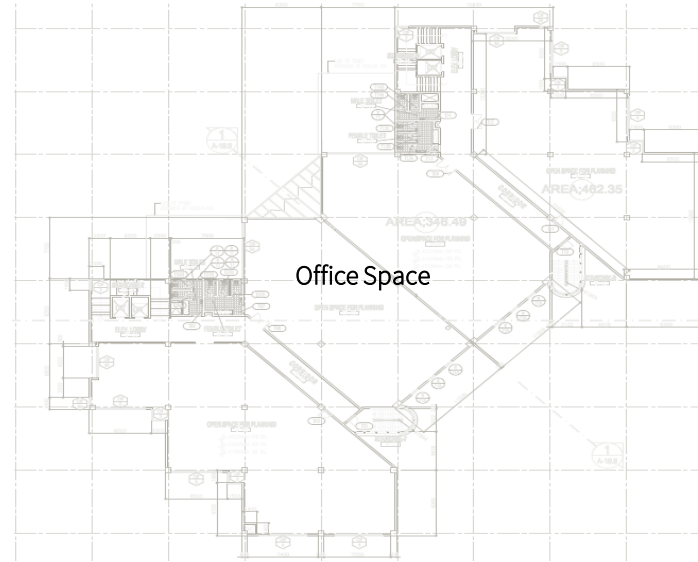
# Development Cross-Section

### Second Floor



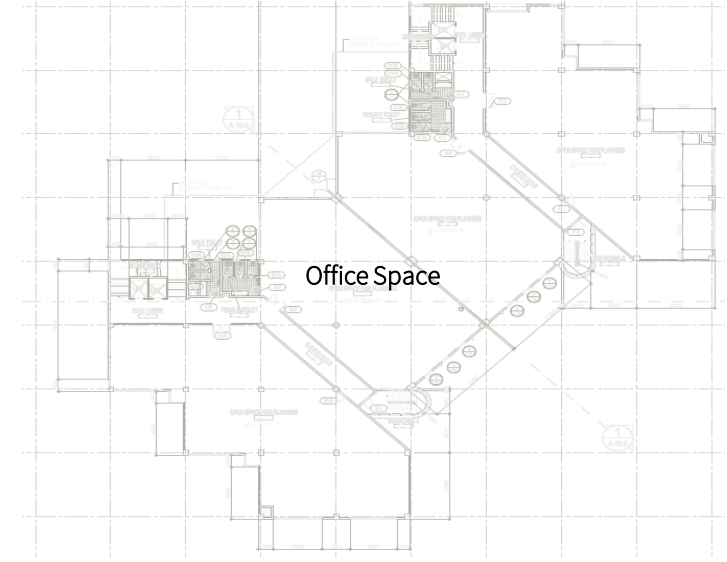
Item	Description
Primary Use	Commercial office

### Third to Fifth Floor



Item	Description
Primary Use	Commercial office

### Sixth Floor



Item	Description
Primary Use	Commercial office

# Development Cross-Section



# Financial Performance

*Single stream NOI  
complete with **built-in**  
**escalations***



# Master Lease

## Terms



### Single Let, NNN Revenue Stream

As the mall is single let under a NNN lease structure, the assets financials, from an investor's perspective, are simply the rental revenue received from Lulu Hypermarket. Rental payments are made quarterly in advance, with the amounts paid in line with the annual rent schedule below

Rent Schedule	
Year	Rent
2021 – 2022	SAR 35,700,000
2023 – 2026	SAR 37,485,000
2027 – 2030	SAR 39,359,250
2031 – 2034	SAR 41,327,213
2035 – 2038	SAR 43,393,573
2039 – 2041	SAR 45,563,252

# Transaction Guidelines

*JLL are **exclusively**  
**appointed** to invite  
interest from prospective  
investors*

# Transaction Guidelines

The offering of Riyadh Avenue Mall is being distributed exclusively by JLL to a list of pre-qualified investors. The prospective investor will be selected by the vendor in its sole and absolute discretion based on a variety of factors including, but not limited to:

- Offer price
- Financial Strength
- Ability to close in a timely fashion
- Experience in closing similar transactions
- Absence of contingencies
- Level of property due diligence completed

All offers must be presented in writing.



*Thank You*

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