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VALUATION REPORT

Erf 73, Lafrenz Industrial Area: Holstein Street, Windhoek



INSTRUCTION

Mrs Martens instructed me to determine the present market value of the above-mentioned industrial property.

LOCATION OF PROPERTY

Holstein Street, Lafrenz Industrial Area

AREA OF LAND

2997 m²

ZONING

Industrial (Bulk: 1.0)

INSPECTION DATE

6 July 2020

MARKET VALUE
INSURANCE VALUE

N\$ 12,700,000.00
N\$ 18,100,000.00

TITLE DEED INFO

Certain: Erf 73, Lafrenz
Situated: Municipality of Windhoek
Registration Division: "K" Khomas Region
Measuring: 2,997 m²
Title Deed: To be confirmed
Servitude: To be confirmed
Zoning: Industrial bulk of 1.0

CITY OF WINDHOEK INFO

Zoning	Industrial bulk of 1.0		
Bulk	Allowed 2,997 m ²	Used: 2,221 m ²	
Coverage	Allowed 75%	Used 71%	
Parking (1 per 66.6m ² built area)	Required 33 ± 25 cars	Provided	Street and yard parking
Building line	5-meter street front and 3 meters sides		

City of Windhoek Value

Land	N\$ 1,499,000
Improvements	N\$ 4,120,000
Date	28/02/2015

Zoning comments

The property is within the prescribed zoning conditions.

Parking comments

The recommended parking is provided on site.

Encroachments and building lines comments

The valuation presume that the subject property is within the prescribed building lines as per City of Windhoek.

MUNICIPAL SERVICES

The property enjoys all required municipal services, such as electricity, water, sewerage, etc.

LOCATION

The subject property is situated in the municipality of Windhoek. The property is furthermore situated in the Lafrenz Industrial area. Access is gained to this area from Rensburger-, and Monte Cristo street, which leads to the Western Bypass. The subject property has a low visibility as it is situated at the back of the industrial area. The accessible to the subject property is good as the subject erf is a corner stand, with sufficient- and wide roads.

LOCATION MAP



DESCRIPTION OF LAND AND ERF BOUNDARIES

The erf is on street level and lopes from west to east.

	<p style="text-align: center;">Erf boundaries</p> <p>Northern boundary: ± 63 m Easter boundary: ± 30 m Southern boundary: ± 77 m Western boundary: ± 53 m</p>
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DESCRIPTION OF IMPROVEMENTS

The subject property comprises of a large double-volume warehouse and double-storey administrative block. The triangular shaped erf with a rectangular building is situated in the north-western side of the erf, with entrance and parking on the north-eastern side.

The building is a steel structure with brick and IBR steel cladding walls, under saw tooth IBR roof sheeting, mounted on steel purlins. The walls are filled in with steel windows and large steel doors. The ceilings in the offices are herculite. The floors are concrete (industrial floor) in the warehouse and tiled in the offices.

The buildings have dated fittings and finishes, but well maintained.

1. **WAREHOUSE:** 1670 m²

The double-volume building comprises of a large open warehouse, a locker room, a storeroom, and ablution facilities.

2. **OFFICES:** 2 x 95.5 = 191 m²

This double-storey office block comprises of a reception, a boardroom, several offices, ablution facilities and a kitchen.

3. **STORE:** 360 m²

The single-storey building is situated left of the main building with a small office, and ablution facilities.

4. **MINORS**

Boundary walls with electric fence.

Paving

Economy Overview

The Namibian economy was already under severe pressure, having been in a recession for two years prior to the COVID-19 pandemic, with mining and agriculture performing below expectations, primarily as a result of the continued drop in commodity prices and the severe draught experienced in the country. With the closing of borders and nationwide lockdown, tourism, the main contributor to Namibia's GDP growth, has been devastatingly affected. The tertiary industry has also been severely impacted by the lockdown as 'stay home restrictions' limit any movements throughout the

nation. However, on a positive note, interest rates have decrease by approximately 2%, providing necessary relief to consumers and business that may need to borrow money to sustain themselves.

Retail Overview

Restrictions on trade due to the lockdown have severely affected the retail industry with only essential service providers being permitted to trade. With the uncertainty in the economy and the possible loss of income, consumers are being more cautious, lessening their spending resulting in reduced turnover for those essential retailers still trading.

Industrial Overview

The COVID-19 lockdown appears to have had a minimal impact on the industrial sector with no requests for rental reductions or deferments, despite closure.

Office Overview

The Office market appears stable in Namibia amidst the Coronavirus lockdown. However, the risk of business closures and the change in work patterns, (i.e. more people who could be starting to work from home), could aggravate vacancy rates in the future. A significant amount of request for rental reduction, even prior to the crises, have also been received.

Market research - Elaine Wilson, Divisional Director Research - Cushman & Wakefield

INCOME CAPITALIZATION METHOD

The subject property will be valued as a commercial property by using the income capitalization method. The Income Approach consists of first estimating the probable annual gross income, based upon actual leases or market rentals. From this amount is deducted an allowance for vacancy and rent loss, based upon the property's historical operating experience and/or future projections. Next, all expenses attributable to the real estate are deducted. Also, deducted, when appropriate, is a Reserve for Replacement of short-lived components that would normally be replaced during the investment-holding period. The resulting net income is then converted into value by capitalization.

“The capitalization rate (or “Cap Rate”) is a real estate valuation measure to indicate the ratio between the net operating income produced by an asset and the original capital cost or alternatively its current market value. Rates and price/earnings multiples are inversely related. In other words, as the cap rate goes up, the valuation multiple goes down. One component for utilizing the cap rate methodology is to assess certain risk factors such as creditworthiness- and diversity of the tenant, quality of the location, length of the lease, age of the property and local market factors of demand and supply in the asset class.”

CAPITALIZATION RATE:

Property Description	Building Name	Selling Price Date Sold	Lettable Area	Cap Rate
7244 W	Sam	13,500,000.00	1,401	8.50%
		15/02/2018		
81 LAF	Eider Street	12,000,000.00	540	9.00%
		18/09/2019		
4730 W	Kalie Roodt	5,000,000	732	10%
		20/03/2019		

7244 W: Situated in the northern industrial, has a slightly larger erf, with larger improvements and same zoning, with warehouse and office. Fittings and finishes are like the subject property. This property has a superior location. This property sold at a rate of N\$9,775 per m².

81 LAF: Situated on a large erf, with B-grade and smaller accommodation. This property has a similar location and sold at a rate of N\$ 22,222 per m² **but** it has 4,300-m² residual land.

4730 W: Situated on a slightly smaller erf, with C-grade and smaller accommodation. This property sold at a rate of N\$6,830 per m² as it has a better location.

The first comparable sale compares the best with the subject property, in terms of access, visibility and accommodation.

Based on our investigation, it was revealed that equivalent properties in the industrial areas in Windhoek were sold or financed in the last six months at a rate between **8.5%** and **10%**. An **9%** cap rate will be used for the calculations below.

INCOME

Comparable rentals in the Northern and Lafrenz Industrial Areas close to the subject property.

Erf No	Accommodation	Rent & recoveries	Comments
6981+7241+ Re 6976 W	Office & Warehouse	5,659 m ² @ N\$52/m ²	Larger size, with superior location
Unit 5 Strumica	Office & Warehouse	122 m ² @ N\$ 55/m ²	Smaller size, with superior location
Unit 6 Strumica	Office & Warehouse	220 m ² @ N\$ 60.10/m ²	Smaller size, with superior location
Unit on Erf 196 LF	Office & Warehouse	228 m ² @ N\$ 54.82/m ²	Smaller size, with similar location

After research undertaken (see above rentals) in the area, it is revealed that the current rental rates vary between N\$ 52.00 and N\$ 60.10 for buildings with superior offices and warehousing. Considering the above and considering the size of the subject property and the fact that it is relatively old and on the edge of town, a fair through rate between N\$ 50 will apply for the report.

As indicated in the rentals, the larger companies moved to Lafrenz and Döbra, due to sufficient land space available as there are no available bigger erwen in the other industrial areas.

COMMENT ON EXISTING LEASE

The current lease agreement is unknown.

VALUATION



RECOMMENDED MARKET VALUE

I have verified the particulars in this valuation, and I value the herein described property for the purposes of this valuation to the best of my knowledge and skill at today's date to be **N\$ 12,700,000.00** (Twelve Million Seven Hundred Thousand Namibian Dollars).

REPLACEMENT VALUE

The property is valued as at market related reconstruction cost of all fixed property and the minor improvements i.e. walling, paving, parking bays etc. This valuation excludes insurance for the going concern value of the property. These replacement figures are based on research concluded with the relevant experts about the construction costs of similar buildings. It is, however, an assumption based on averages and includes the following:

- 15% building cost escalation (insurance values are calculated on a 12-month period in advance).
- Provision must also be made for added cost, viz. demolition cost, professional fees, and a lease amount, (8-months) if another property should be leased for the period that it takes to reconstruct the subject property.

Having regarded all the above, the insurance value of the subject property may be as follows.

REPLACEMENT VALUE

<u>Description</u>	<u>Size m²</u>			<u>Rate</u>	<u>Amount</u>
Warehouses	1670	m ²	x	5,750	N\$ 9,602,500
Office	191	m ²	x	7,000	N\$ 1,337,000
Store	360	m ²	x	4,750	N\$ 1,710,000
Sub Total					N\$ 12,649,500
Plus Escalation	15%				N\$1,897,425
Sub Total					N\$ 14,546,925
Plus Prof Fee	12%				N\$1,745,631
Plus Demolition	3%				N\$436,408
Total					N\$ 16,728,964
Minors					N\$ 475,000
8 Months rental					N\$ 896,920
Value					N\$ 18,100,884
Insurance/Replacement Value				Say:	N\$ 18,100,000

I have verified the particulars, and I value the herein described property for an insurance valuation to the best of my knowledge and skill at today's date to be **N\$ 18,100,000.00** (Eighteen Million One Hundred Thousand Namibian Dollars).

GENERAL COMMENTS

I valued the property in its existing state. I have not undertaken any structural surveys of the buildings, nor have I arranged for tests or inspections to be conducted on any service installation or systems or any components that requires maintenance or renovations. We have not inspected woodwork or other parts of the structure that are covered, unexposed or inaccessible and we are therefore unable to report that such parts of the property are free of rot, beetle-, ant damage, or other defects. My reference to such only covers the obvious. My valuation assumes that the services are in a satisfactory condition

and that all building plans are up to date and approved by the municipality. This valuation does not corroborate adherence to restrictions set by stature or deed or contract in respect of surveyed boundary lines, building line setbacks from the curb, boundary line set offs, or compliance to flood lines within flood hazard areas. This valuation may not be used for litigation purposes without my written permission. You are invited to examine the numerical - and factual data and respond with remarks and queries within 7 days.



P.J.J. Wilders

Date:6 July 2020



