

VALUATION REPORT

Erf 2539, Wess Street, Otjiwarongo. Namib Mills



INSTRUCTION

Namib Mills instructed me to recommend the present market value of the business property on Erf 2539, Otjiwarongo, hereafter referred to as the subject property.

LOCATION OF PROPERTY

Wess Street, Otjiwarongo

AREA OF LAND

2765 m²

ZONING

Business

DATE OF INSPECTION

15 June 2023

DATE OF VALUATION

19 November 2024

RECOMMENDED MARKET VALUE

N\$ 8,115,000.00

RECOMMENDED INSURANCE VALUE

N\$ 16,200,000.00

TITLE DEED INFO

Certain:	Erf 2539, Otjiwarongo
Consolidation:	Erf RE 977 & 1754 Otjiwarongo
Situated:	Otjiwarongo Municipality
Registration Division:	“D” Otjozondjupa Region
Measuring:	2,765 m ²
Title Deed:	To be confirmed.
Servitude:	To be confirmed
Zoning:	Industrial

CITY OF WINDHOEK INFO

Zoning	Industrial
Bulk Allowed (Bulk 1)	2,765m ²
Bulk Used:	1616 m ²
Coverage Allowed	80%
Coverage Used	53%
Parking Required	16
Parking Provided	20
Building line	8-meter street boundary

Zoning comments

It is assumed that the property complies with the zoning regulations.

Parking comments

Adequate parking is provided.

Encroachments and building lines comments.

It is presumed the improvements are within the prescribed building lines or exceeded with the necessary municipal approval.

MUNICIPAL SERVICES

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

LOCATION & ERF DESCRIPTION

The subject property is situated in the northern part of the CBD, on a busy street in Otjiwarongo with maximum visibility and access from the CBD. The subject property is surrounded by other business buildings. The property's largest boundary is situated on the street.



SITE



Boundary Lengths (Approximate)

North:	± 98 m
East:	± 34 m
South:	± 100 m
West:	± 37 m

Access from Wess Street

TYPE OF CONSTRUCTION, CONDITION AND FINISHES

The subject property comprises a large double-volume warehouse and a single-storey administrative block. The stand is well utilized and has paving and a boundary wall.

The building is a double-volume steel frame, with brick walls (plastered and painted brick walls), covered with IBR roofing, mounted on steel purlins, with aluminum window- and door frames, with no underlay, herculite ceiling in the offices, with concrete flooring in the warehouse, ceramic tile flooring in the offices. The offices are equipped with air-conditioning and the necessary security systems are in place.

The buildings are well maintained.

DESCRIPTION OF IMPROVEMENTS (Subject municipal compliance)

1. WAREHOUSE 1: 984 m²

The building consists of a double-volume warehouse with an office and two ablution facilities.

2. WAREHOUSE 2: 510 m²

This building is attached to the office building and consists of a double-volume warehouse with an office and one toilet.

3. OFFICE: 123 m²

This office consists of a reception area, four offices, a kitchenette, and two toilets.

4. LOFT-STORE: 56 m²

The storage is situated above the offices.

5. MINOR/OTHER IMPROVEMENTS:

Paving
Boundary wall
Air-cons
Lean-to

HIGHEST AND BEST USE

The highest and best use is a commercial building, utilizing the maximum zoning, for a business that is accessible to walk-in clients and provides all necessary parking, as per zoning requirements of the

municipality of Otjiwarongo. The highest and best use is achieved with the current structure and layout.

MACRO MARKET CONDITIONS

The Namibian economy is projected to slow down in 2024 before improving in 2025. Real GDP growth is estimated to slow down to 3.7 percent in 2024 before improving slightly to 4.1 percent in 2025. The projected slowdown in 2024 is largely on account of weaker global demand, and slower growth in the primary industry, particularly in the mining sector. Risks to domestic growth are predominantly in the form of water supply constraints, drought conditions, and high costs of key import items that are likely to persist for a long time. Domestic risks include water supply interruptions that could continue to affect mining production at the coast. Possible adverse weather shocks could cause spikes in food prices coupled with supply chain disruptions from global trade flows. The faltering growth in China could affect demand for Namibian commodities. The prospect of various energy developments in Namibia is creating a new demand for office space and residential accommodation, with good location. (*Bank of Namibia*)

MICRO MARKET CONDITIONS

There is currently hesitation in the market and the economy is under pressure, resulting in slower market activity in Otjiwarongo. Demand for shops/retail in this hub is still operative with an average vacancies factor at present. Mr D. van Resenburg of On Show Properties and Gert Haman Property Valuation in Otjiwarongo, specializing in commercial properties, were consulted and according to them, the rental market went down, but also confirmed that there is still a demand. It seems the current rental rate for similar warehouse space varies between **N\$35** and **N\$ 65** per m².

MARKET VALUE

Market value is defined as “the estimated amount for which a property would exchange on the date of valuation, between a willing buyer and a willing seller in an arm’s length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion”.

There are various methods available to arrive at a market value for a property but, for this type of development, the one most suitable is the “Income Capitalization Method”.

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 on 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.

CAPITALIZATION RATE

“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 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 SALES

Property Description	Building name	Selling price Date sold	Zoning	Lettable area	Income	Outgoings	Cap rate
Workshop/off	Ind	6,800,000.00 Market 2020	Ind	1,574	816,326	122,448	12,00%
Out of Africa T2524-5/2024	Gen Res	12,700,000 23/05/2024	Gen Res	1,739	1,471,932	295,000	11,56%
Industrial T1100/2023	Erf 1061	3,000,000.00 13-Mar-2023	Ind	520	319,200	47,880	10,64%

Erf Ind: Market at a rate of N\$ 4,406.00/sqm. The erf in the industrial area, with lower visibility.

Out of Africa: Sold at a rate of N\$ 7,303.00/sqm. The property has good visibility and access.

Erf 1616 + 1617: Sold at a rate of N\$ 5,770.00/sqm. This is an industrial erf at the back of the railway line, with low visibility.

After research undertaken, it is revealed that commercial properties in Otjiwarongo sold at rates between 10.64% and 12%, recently. Due to the location and good condition of the subject property a cap rate of **11%** applies for the report.

INCOME

Comparable rentals in Otjiwarongo.

Building	Rental N\$/m ²	Description	Size
Build-It CBD	N\$ 62.50	Large retail	780
FNB CBD	N\$ 60.00	Retail	350
Office	N\$ 85.00	Large	232
Workshop	N\$ 50.00	Large	535
Tusk CBD	N\$ 114.00	Small retail	34

VACANCY

A **5%** vacancy factor is used in this report because only one tenant is occupying the building.

EXPENSES

A **15%** for expenses is deducted from the gross income. This is an average used for all expenses on the buildings in the vicinity.

VALUATION

Description	Size m ²		Rate		Amount
Large Warehouse	984	m ² x	55	p.m ²	N\$ 54,120
Small Warehouse	510	m ² x	52	p.m ²	N\$ 26,520
Office & Retail	123	m ² x	65	p.m ²	N\$ 7,995
First floor store	56	m ² x	25	p.m ²	N\$ 1,400
Monthly Income					N\$ 90,035
Vacancy	2%				N\$ 1,801
Less Expenses	15%				N\$ 13,505
NET INCOME					N\$ 74,729
Annual Net Income					N\$ 896,749
Cap. Rate	11.0%	9.05			N\$ 8,115,575
Present Value					N\$ 8,115,575
Market Value				Say:	N\$ 8,115,000

RECOMMENDED MARKET VALUE

The valuation recommends a market value of **N\$ 8,115,000.00** (Eight Million One Hundred and Fifteen Thousand Namibian Dollars).

REPLACEMENT VALUE FOR INSURANCE PURPOSES

The property is valued as a 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 by the relevant experts regarding 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 12 months in advance).
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Having regarded all the above, the insurance value of the subject property may be as follows.

IMPROVEMENTS

Description	Size m ²			Rate		Amount
Warehouses	1,494	m ²	x	6,750	N\$	N\$ 10,084,500
Office	123	m ²	x	8,500	N\$	N\$ 1,045,500
First floor	56	m ²	x	2,500	N\$	N\$ 140,000
Lean-to	153	m ²	x	2,000	N\$	N\$ 306,000
Minors						N\$ 675,000
Total						N\$ 12,251,000
Plus Escalation	15%					N\$ 1,837,650
Sub Total						N\$ 14,088,650
Plus Prof Fee	12%					N\$ 1,690,638
Plus Demolition	3%					N\$ 422,660
Total						N\$ 16,201,948
Insurance/Replacement Value				Say:		N\$ 16,200,000

RECOMMENDED INSURANCE

The valuation determines an insurance value of **N\$ 16,200,000.00** (Sixteen Million Two Hundred Thousand Namibian Dollars).













GENERAL

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 require 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- or ant damage, or other defects. Reference to such only covers the obvious. This valuation assumes that the services are in satisfactory condition and that all building plans are updated 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 does not warrant compliance with the town-planning scheme concerning parking requirements, coverage, encroachment over building lines, etc., and assumes that fire safety and the building services are in a satisfactory condition. Mensuration of areas is subject to human error and open for correction when noticed. 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: 19 November 2024

		
Street View	Street View	Reception
		
Office	Office	Office
		
Kitchen	Toilet	Loft Store
		
Small Warehouse	Large Warehouse	Large Warehouse

		
Ablution block	Ablution block	Lean-to

Plan

