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Windhoek  
Namibia

## VALUATION REPORT ERF 130 LAFRENZ

**LOCATION OF PROPERTY**

Eider Street, Lafrenz, Windhoek

**GPS COORDINATES**

22°30'24"S 17°04'13"E

**AREA OF LAND**

8,305m<sup>2</sup>

**ZONING**

Industrial (1.0)

**DATE OF INSPECTION**

9 February 2024

**MARKET VALUE**

N\$ 34,300,000.00

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## **1. HIGHEST & BEST USE**

Highest and Best Use is defined as “the most probable use of a property, which is physically possible, appropriately justified, legally permissible, financially feasible and results in the highest value of the property being valued”.

This requires a thorough investigation of the Title Deeds and local authority with due regard to all legal restrictions. To achieve this, property needs to be assessed against these criteria.

Taking into consideration the current market conditions, cost of rezoning and development cost, the highest and best use for the subject property currently is for industrial purposes.

## **2. LOCATION OF PROPERTY**

The subject property is situated in the Municipality of Windhoek in the Lafrenz Industrial area on the northern side of the city. It is on a large sized erf with good access in comparison to other industrial areas, along Eider Street. Access to the area is gained from Rendsburger Street that branches off Monte Christo Road.

The area accommodates Coca Cola Bottling Company, Welwitchia University, Motovac Namibia, Agra Hyper and Blaauw's Transport just to mention a few, is mainly zoned industrial and the properties are used as such. For the area, the property has average visibility as it is situated on a cul-de-sac and there is good accessibility for the workforce with public transport routes in the vicinity.

The property is currently being used for large scale printing and is well utilized for its current use

## **3. PROPERTY INFORMATION**

❖ Deeds Registry:	Windhoek
❖ Property Type:	Warehouse/Offices
❖ Erf Number:	130 Windhoek
❖ District:	Khomas -Windhoek Registration
❖ Division:	"K"
❖ Extent:	8,276 m <sup>2</sup> (title deed)
❖ Local Authority:	City of Windhoek
❖ Registered Owners:	Makalani Property Company (Pty) Ltd
❖ Bond Registration	As per title deed
❖ Free hereditary tenure:	Yes
❖	

The title deed was viewed, and no other than the ordinary standard restrictions are in place.

## **4. LOCAL, PROVINCIAL AND CENTRAL GOVERNMENT INFORMATION**

### **LOCAL AUTHORITY**

The subject property falls under the jurisdiction of the City of Windhoek (Municipal Council of Windhoek).

## **MUNICIPAL VALUATION**

Improvement Value	10,441,400
Land Value	3,724,000
Total Value	14,165,400
Date:	2015

This is merely for the purposes of rates and taxes determination.

## **TOWN PLANNING INFORMATION**

Detailed Town Planning Scheme information is available at the City of Windhoek, Town Planning Division, 2<sup>nd</sup> Floor (See Annexure).

DESCRIPTION	PERMITTED	ACTUAL
Zoning	Industrial	Industrial
Coverage	75 %	45.15%
Bulk	1.0	0.45
Parking requirements	1 per 66 m <sup>2</sup> of floor area	57 (sufficient)
Height restrictions	No Restrictions	2.00

ROAD WIDENING

According to the Town Planning Division of the City of Windhoek there are no indications for a road widening scheme.

## **5. AVAILABILITY OF SERVICES**

The municipal services are supplied by the City of Windhoek (water, sewerage, refuse removal, storm water drainage). Electricity in Namibia is supplied by NamPower and redistributed by the City of Windhoek as the public utility provider.

## **6. MARKET ANALYSIS**

### **WINDHOEK MARKET**

The property market in Windhoek has experienced significant growth over the years up until 2016 in most property segments i.e., residential, general residential and the commercial segments. There is a current hesitation in the market and the economy is under pressure which has resulted in slower activity in the real estate market since 2017.

All the industrial areas in and around Windhoek are fully developed with limited industrial properties available in Lafrenz and other more remote industrial areas to the north of Windhoek. Southern Industrial, Lafrenz and Northern Industrial area are preferred above the new developments.

In general, the current commercial property market is favoring buyers and tenants, as there is an oversupply of properties leading to negotiations for better prices. The prevailing market conditions have prompted most landlords to either reduce their rental rates or forego rental escalations. Vacancies have also been steadily increasing over the past three years and currently range between 3% and 5%. Typically, vacancies hover between 2% and 3%, contingent on factors such as space quality and property visibility. This trend signals a downward trajectory in the market, adversely impacting the overall market value of properties in the region.

Likewise, rental yields have been experiencing a decline, and some rental escalations have remained stagnant in recent years. Presently, listings for warehouses and workshops in the northern industrial areas are priced between N\$60.00 and N\$85.00 per square meter. Given the scarcity of land in both the Northern and Lafrenz industrial areas, owners of larger underutilized plots have opted to lease them as yards, fetching rates ranging from N\$15.00/m<sup>2</sup> to N\$25.00/m<sup>2</sup>. Consequently, the remaining land holds promising potential for uses like parking and container storage. Larger corporations have relocated to areas like Lafrenz, Brakwater, and the Dobra Industrial zones due to the scarcity of available stands in other industrial areas.

## **7. RISK ANALYSIS**

The immediate vicinity consists of neighboring industrial, commercial, and business properties. The overall demand for industrial space is experiencing a downturn, with increasing vacancy rates attributed to the prevailing economic conditions. Throughout the last couple of years, the need for warehouse space has diminished. Medium-sized units, ranging from 500m<sup>2</sup> to 550m<sup>2</sup>, have maintained a static demand, while larger units exceeding 550m<sup>2</sup> have seen a decline in demand. Conversely, smaller units, measuring 250m<sup>2</sup> and below, have encountered an increase in demand. The owner currently occupies a substantial portion of the property, while the remaining section is leased to tenants.

### **DESCRIPTION OF IMPROVEMENTS**

The subject property is situated on a large erf in an established industrial area, near all necessary amenities. The erf is slightly below street level.

The subject property comprises of a two-story construction with offices, multi-functional warehouse and a mezzanine floor.

The improvements consist of plastered- and painted brick walls, with aluminum-steel window- and door frames, ceilings, iron roofing, with ceramic tile and concrete flooring. The erf is paved and has a boundary wall. The property has sufficient parking bays and sufficient space for additional parking.

The buildings are well maintained with standard fittings and finishes. The necessary fire and security precaution measurements are in place.

Summary sizes:

Area	Size m <sup>2</sup>
Offices	385
Paper Packing Area	1327
1 <sup>st</sup> Print Room	970
2 <sup>nd</sup> Print Room	464
Workshop	135
Guard Room	16
Generator Storage Room	40
Mezzanine	62
Lean-to	315
Porch	40
Total	3754

- Offices consists of:
  - Nine offices
  - Reception
  - Boardroom
  - Kitchen
  - Safe
  - Ablution Facilities
  - Server Room
- The warehouse comprises a large multifunctional warehouse serving as print rooms, workshop, packing areas offices and storage.

#### **MINORS:**

- Paving
- Boundary walls
- Air-conditioners
- CCTV
- Covered Porch
- Carports

#### **CONDITION OF IMPROVEMENTS**

The property is in average to good condition with standard finishes and fittings. Some ceiling stains in the offices have been noted from roof leakages.

#### **8. 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”.

## 9. VALUATION METHOD

The **Income Capitalization Approach** assumes that a purchaser will not pay more for a property with a certain income flow than the amount for which he can obtain a similar income flow with a similar risk elsewhere. The conversion of the net income stream into a present value is known as capitalization and the rate of conversion is known as the capitalization rate. The rate of capitalization is the initial yield obtained from the investment, i.e., the ratio between the net income and the present worth (value) or purchase price, expressed as a percentage on an annual basis.

### CAPITALIZATION RATE SALES IN WINDHOEK

Property	Building	Date	Price	Zoning	Lett. Area	Income	Outgoings	Cap Rate
237 PROS	Dresma	01/09/2022	5,250,000	Ind	551	465,585	38,790	8.87
6996 W	New Castle Street	26/04/2021	16,280,000	Ind	992	1,754,640	263,196	9.16
7748 W	Brahman NI	28/03/2023	13,000,000	Ind	2001	126,895	228,408	9.36
64 Lafrenz	Mega Shade	12/11/2020	6,000,000	Ind	988	617,550	80,550	8.95

237 PROS: Located in a different industrial area with the same zoning. Compares inferior in terms of lettable space. Gives a good indication.

6996 W: Located in adjacent industrial area with the same zoning. Compares inferior to subject property in terms of lettable area. Gives a good indication.

7748 W: Located in adjacent industrial area with the same zoning. Compares inferior to subject property in terms of size and lettable area but gives a good indication of rate in the area.

64 Lafrenz: Located in the Lafrenz Industrial area near the area of the subject property. Compares inferior to subject property in terms of lettable area and gives a good indication.

The above market research gives a good indication of similar properties in the area. After investigation, a capitalization rate of 9.5 % applies to the report, due to the location and nature of the business. Adjustments have been made accordingly.

## 10. INCOME

Comparable rentals in the area close to the subject property.

Area	Rental N\$/m <sup>2</sup>	Description	m <sup>2</sup>
24/480 Laf	N\$ 78	Office & Warehouse	1,100
107 Laf	N\$ 68.5	Warehouse	4,208
209 Laf	N\$ 67	Office & Warehouse	1,750
205 Laf	N\$ 54.82	Office & Warehouse	1,997
100 Pros	N\$ 81	Office & Warehouse	1,088

The above research indicates a rate range of between N\$ 55 and N\$ 80/m<sup>2</sup> for warehouse / office space in the area, with the higher rates relating to larger office spaces and the lower rates relating to more warehouse space. The size and age, location of the subject property compared to the above rentals will be taken into consideration. It needs to be considered that the warehouse area has higher than your standard roofs with heavy duty flooring which results in a higher rate. A through rate of N\$ 73/m<sup>2</sup> for the improvements which is market related and realistic in our opinion.

## **YARD RENTALS**

<b>Building</b>	<b>Type</b>	<b>Rent</b>	<b>Comments</b>
African Marketing	Paved Yard	1,200m <sup>2</sup> @ N\$ 17/m <sup>2</sup>	Large, paved storage area
8050 W Transworld Cargo	Paved Yard	N\$ 25/m <sup>2</sup>	Northern Industrial Area
3514 W	Paved Yard	1,000m <sup>2</sup> @ N\$ 21.32/m <sup>2</sup>	Northern Industrial Area

The above rentals are standard industrial spaces. The subject property is specialized with concrete bins and heavy duty paving therefore a higher rate as above will be applied.

## **11. COMMENT ON LEASE**

<b>Tenant</b>	<b>Rent (N\$) excl. VAT</b>	<b>Size (sqm)</b>	<b>Rate (N\$/m<sup>2</sup>)</b>	<b>Start</b>	<b>End</b>	<b>Escalation</b>
Newsprint Namibia	N\$ 215,893	3,485	N\$ 61.95	01-April-23	31-Mar-24	7%

The property is leased out to one tenant for three years with yearly reviews applicable. The escalation is 7% and applicable annually. The total rental of the premises excluding VAT is N\$ 215,893.00.

## **12. VACANCY**

For the purpose of this report a market-related rate of 4% will be used.

## **13. EXPENSES**

Expenses of 15% of gross income have been applied in the calculations. This is an average used for similar properties in the area.

## MARKET VALUATION

Description	Size (m <sup>2</sup> )	Rate N\$/m <sup>2</sup>	Amount N\$
Offices	385	120.00	46,200.00
Paper Packing Area	1327	75.00	99,525.00
Mezzanine	62	35.00	2,170.00
1st Print Room	970	75.00	72,750.00
2nd Print Room	464	75.00	34,800.00
Workshop	135	60.00	8,100.00
Guard Room	16	60.00	960.00
Generator Storage Room	40	60.00	2,400.00
Lean-to	315	20.00	6,300.00
Yardage	2475	25.00	61,875.00
<b>Total Gross Monthly Income</b>			<b>335,080.00</b>
			<b>4,020,960.00</b>
Less: Vacancy		4%	13,403.20
Less: Outgoings		15%	50,262.00
<b>Total Net Monthly Income</b>			<b>271,414.80</b>
<b>Total Net Annual Income</b>			<b>3,256,977.60</b>
Capitalization rate			9.50%
<b>Market Value</b>			<b>34,300,000.00</b>

## 14. RECOMMENDED MARKET VALUE

The valuation determines a market value of N\$ 34,300,000 (Thirty-Four Million Three Hundred Thousand Namibian Dollars), and it is recommended as such.

## 15. REPLACEMENT VALUE FOR INSURANCE PURPOSES

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 regarding the construction costs of similar buildings. It is however assumption based on averages and includes the following:

- 5% building cost escalation (insurance values are calculated on a 12-month period in advance)
- Provision must also be made for additional cost, viz. Demolition cost, professional fees and a lease amount, (12 months) if another property must be leased for the period that it takes to reconstruct the subject property).

## 16. INSURANCE VALUATION

<b>Description</b>	<b>Size m<sup>2</sup></b>	<b>Rate N\$</b>	<b>Amount</b>
Offices	385	m <sup>2</sup> x 16,500	= N\$ 6,352,500
Paper Packing Area	1327	m <sup>2</sup> x 9,000	= N\$ 11,943,000
1st Print Room	970	m <sup>2</sup> x 9,750	= N\$ 9,457,500
2nd Print Room	464	m <sup>2</sup> x 9,750	= N\$ 4,524,000
Workshop	135	m <sup>2</sup> x 8,000	= N\$ 1,080,000
Guard Room	16	m <sup>2</sup> x 8,000	= N\$ 128,000
Generator Storage Room	37	m <sup>2</sup> x 6,500	= N\$ 240,500
Mezzanine	62	m <sup>2</sup> x 3,500	= N\$ 217,000
Lean-to	315	m <sup>2</sup> x 1,500	= N\$ 472,500
Porch	40	m <sup>2</sup> x 3,500	= N\$ 140,000
Minors			N\$ 2,090,000
<b>Sub Total</b>			<b>N\$ 36,645,000</b>
Plus: Escalation	10%		N\$ 3,664,500
<b>Sub Total</b>			<b>N\$ 40,309,500</b>
Plus: Professional Fee	12%		N\$ 4,837,140
Plus: Demolition Cost	3%		N\$ 1,209,285
<b>Total</b>			<b>N\$ 46,355,925</b>
Lease (12 months)			N\$ 2,850,000
<b>Value</b>			<b>N\$ 49,205,925</b>
VAT inclusive			N\$ 56,586,814
<b>Insurance Value</b>		<b>Say:</b>	<b>N\$ 56,590,000</b>

## 17. RECOMMENDED INSURANCE VALUE

The valuation determines an insurance value of N\$ 56,590,000.00 (Fifty-Six Million Five Hundred and Ninety Thousand Namibian Dollars), and it is recommended as such.

## 18. GENERAL COMMENTS

I valued the property in its existing state. I have not undertaken any structural surveys nor have I arranged for tests or inspections to be carried out on any service installation. My valuation assumes that the services are in a satisfactory condition and up to date at the municipality. This valuation may not be used for litigation purposes without my written permission. The valuation is based on the data supplied to me and / or which I have obtained from official records. I shall not be liable for any loss or damage of any nature, which any party may suffer as a result of the application of this valuation any purpose whatsoever. The valuation is open for queries for seven working days only.

## **19. DECLARATION OF INDEPENDENCE AND COMPLIANCE WITH IVS STANDARDS**

I, the undersigned hereby declare that I have undertaken this appraisal in compliance with all relevant standards issued by The International Valuations Standards Council (IVSC) and affirm that this valuation complies with all the requirements contained within the IVS.

In undertaking this appraisal, I hereby affirm that I have complied with the fundamental ethical principles of integrity, objectivity, competence, confidentiality, independent and professional behaviour in fulfilment of the requirements contained in the Code of Ethical Principles for Professional Valuers of the IVSC.

I further affirm that no departure or deviation from some of the requirements within the IVS were followed in preparation of this valuation pursuant to any legislative, regulatory or other authoritative requirements that are not permitted in valuations performed in accordance with IVS.

I valued the property in its existing state. I have not undertaken any structural surveys nor have I arranged for tests or inspections to be carried out on any service installation.

My valuation assumes that the services are in a satisfactory condition and up to date at the municipality.

This valuation may not be used for litigation purposes without my written permission.

The property has been valued as if wholly owned, with no account being taken of any outstanding monies due in respect of mortgage bonds, loans or other charges.

No deductions have been made in my valuation for the costs of acquisition or disposal of the premises.

The valuation is based on the data supplied to me and / or which I have obtained from official records. I shall not be liable for any loss or damage of any nature, which any party may suffer as a result of the application of this valuation any purpose whatsoever.



**F.A. Frank-Schultz**

**Property Valuer / Sworn Appraiser**

**9 February 2024**



