

VALUATION REPORT

Erf 1317, Klein-Windhoek: City Plaza - Unit 2, Windhoek.



INSTRUCTION

Mr Klaus Hermann instructed me recommend the present market value of Unit 2 in the City Plaza commercial building, hereafter referred to as the subject property.

LOCATION OF PROPERTY

320 Sam Nujoma Drive, Klein-Windhoek

AREA OF LAND

1 677m²

ZONING

Business (Bulk 1)

DATE OF INSPECTION

03 June 2024

RECOMMENDED MARKET VALUE RECOMMENDED INSURANCE VALUE

N\$ 5,370,000.00

N\$ 3,900,000.00

TITLE DEED INFORMATION

Certain:	Erf 1317, Klein-Windhoek
Situated:	Municipality of Windhoek
Registration Division:	“K” Khomas Region
Measuring:	1,677 m ²
Title Deed:	To be confirmed.
Purchase Date:	To be confirmed.
Purchase Price:	To be confirmed.
Servitude:	To be confirmed
Existing Bond:	To be confirmed.
Zoning:	Business

CITY OF WINDHOEK INFORMATION

Zoning	Business
Bulk 1 of 1,677m ²	To be confirmed, Permissible 1,677 m ² .
Height	Actual 4 floor, Permissible 4 floors
Coverage 85% of 1,428 m ²	Actual 84% (1,413 m ²), Permissible 85% (1,425 m ²)
Parking (1 per 25 m ² office)	To be confirmed.
Building line	5-meter street front and 3-meters sides
GPS Coordinate	22°34'18.01"S 17° 6'17. 44"E
Municipal value on improvements	N\$ 1,677,000
Municipal value on land	N\$ 6,154,800
Municipal value date	28/02/2015

Zoning comments

I presume the property is currently within the allowed bulk and below the allowed coverage. The height is within the set municipal limits.

Parking comments

I presume the erf provides enough parking, as per municipal requirements.

Encroachments and building lines comments.

The subject property is within the allowed requirements.

MUNICIPAL SERVICES

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

LOCATION

The property is on Sam Nujoma Drive, a main street, with good access and maximum visibility. The land is on street level with no significant slope. The property also has access from Joseph Wood Street. The subject unit is situated on the ground floor, on the south-western corner of the building, visible and accessed from Sam Nujoma Drive.

It is close to various prime business properties such as Hidas shopping center, the post office and opposite the Klein-Windhoek police station.

LOCATION MAP



DESCRIPTION OF THE ERF

The subject property is on a small business erf, on street level, with a downward slope to the north. The erf has a rectangular shape.

- The northern boundary, neighboring Joseph Wood Street.
- The southern boundary, facing Sam Nujoma Drive
- The western and east boundary, neighboring other business buildings.

SITE



Boundary Lengths (Approximate)

North:	± 29 m
East:	± 61 m
South:	± 30 m
West:	± 61m

The property is visible from Sam Nujoma Drive,
Access from the northern boundary Joseph Wood Street

DESIGN & LAYOUT

The building is split into a front office building and residential units at the back, with a basement parking area. The guest parking is on Sam Nujoma Drive, with a main entrance gate to the basement parking from Joseph Wood Street.

The four-storey building has plastered- and painted brick walls filled in with aluminium window- and doors frames, under iron roof and suspended ceilings. The floors of the offices are tiled. The building is equipped with air-conditioners. The building comprises the following:

1. UNIT 2: 235 m²

The unit consisted of an open-plan office with a kitchenette, two toilets and a storeroom that has been created with dry-wall partitioning.

2. BASEMENT PARKING:

Three basement parking bays are allocated to the subject unit.

3. MINORS:

PQ: Paving, security and boundary walls, central air-conditioning
Alarm

OVERALL IMPRESSION

The unit, with standard to good quality fittings and finishes are well maintained and modern, making a good impression.

MARKET CONDITIONS

Macro Economy

Risks to domestic growth are predominantly in the form of ongoing monetary policy tightening globally, high costs of key import items and water supply interruptions affecting the coastal towns. Major central banks around the globe continue to tighten monetary policies and that is anticipated to result in a global slowdown in 2023 and 2024, and hence reducing external demand for Namibia's exports. Furthermore, the war between Russia and Ukraine is likely to continue for longer and so is the high prices for affected commodities. Other key risks relevant to domestic growth include water supply interruptions that continue to affect mining production at the coast, potential spillover of electricity cuts in South Africa to Namibia, and expected El Nino, which is likely to have a negative impact on crop production in Southern Africa. (*Bank of Namibia*)

Micro Economy

The subject property is situated in an established-developing suburb in the capital of Namibia, Windhoek. There is currently an average demand for business space in Klein-Windhoek. The subject property is situated in a business hub with a high volume of human flow. The property enjoys good access and visibility and is surrounded by other commercial properties.

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.”

DETERMINATION OF THE VALUATION

When valuing real estate, the valuer must concern himself with the rights about a property and the benefits and usage associated with it. In this valuation it is assumed that the usage of the property is in keeping with the requirements of the local authority, that it would be fully utilized, and the building is functional for the purposes for which it would be put to.

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.

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 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.” When calculating the capitalization rate of the subject property, it will be compared to the capitalization rate to which comparable properties sold recently.

Comparable Sales of Commercial Buildings to determine a Capitalization Rate:

Title Deed	Erf Nr	Township	Date	Sale Price N\$	Zoning	TBA	Income N\$	Expenses N\$	Cap rate	Sales Rate N\$/m ²
T1958/2023	888	Klein Whk	15/02/2023	4,935,000	Office	250	444,150	66,623	9.00%	19,740
CC/2022	7961	Windhoek	01/08/2022	8,200,000	Industrial	361	696,774	104,516	8.50%	22,715
T3462/2023	2211	Windhoek	30/06/2023	3,150,000	Office	384	294,912	44,237	9.36%	8,203
T318/2023	535	Windhoek	10/01/2023	3,200,000	Office	187	278,265	41,740	8.70%	17,112
T1481/2023	6440	Windhoek	30/03/2023	6,420,000	Office	404	580,320	87,048	9.04%	15,891
T702/2023	8284	Windhoek	08/07/2023	5,100,000	Office	405	463,104	69,466	9.08%	12,593

After investigation, a capitalization rate of **8.76%** applies for the report, due to the location, condition, and exposure of the complex.

MARKET RENTALS FOR OFFICE SPACE (To determine a rental rate)

Area	Building	Rental N\$/m ²	Sizes m ²	Type
7501 W	PWC	N\$199	141	Office
R/C/88 KW	United Nations	N\$200	6,506	Office
2790 KW	Mandela	N\$202	109	Office
3937 KW	Ardeco	N\$215	186	Office
1317 KW (3rd floor)	City Plaza	N\$190	189	Office
1317 KW (2nd floor)	City Plaza	N\$190	198	Office
3256 KW (1st floor)	Hidas	N\$149	113	Office

CURRENT INCOME

The subject property is owner occupied and therefore, a current income is not applicable.

Analysis of rental rates in the market compared to the subject property.

Comparable market rentals vary between N\$ 149/m² and N\$ 215/m² for comparable spaces in the vicinity of the subject property.

Comparing the subject property with rental rates currently achieved in office space in Klein-Windhoek, a rate of N\$195/m² for the subject property seems fair and will be used in this report. It is the norm, the smaller the unit, the higher the rate per m² paid.

VACANCY

The subject property is in a high demand building in a good area, but the economic pressure is reflected in the rent of offices, therefore a **2%** vacancy factor is applied in this report.

EXPENSES

A **15%** for expenses is deducted from the gross income for maintenance, rates and taxes, water and electricity, as well as security.

VALUATION

<u>Description</u>	<u>Size m²</u>		<u>Rate</u>		<u>Amount</u>
Office	235	m ² x	195	p.m ²	N\$ 45,825
Parking basement	3	x	450	p.u.	N\$ 1,350
Monthly Income					N\$ 47,175
Vacancy	2%				N\$ 944
Less Expenses	15%				N\$ 7,076
NET INCOME					N\$ 39,155
Annual Net Income					N\$ 469,863
Cap. Rate	8.76%	11.43			N\$ 5,370,534
Market Value				Say:	<u>N\$ 5,370,000</u>
Forced sale value					N\$ 4,296,000

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\$ 5,370,000.00** (Five Million Three Hundred and Seventy Thousand Namibian Dollars).

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 conducted with the relevant experts regarding the construction costs of similar buildings. It is however and 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 additional cost, viz. demolition cost, professional fees, and a lease amount, (- 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.

INSURANCE

<u>Description</u>	<u>Size m²</u>			<u>Rate</u>		<u>Amount</u>
Main building	235	m ²	x	9,500	N\$	N\$ 2,232,500
Basement parking	54	m ²	x	4,500	N\$	N\$ 243,000
Minors						N\$ 250,000
Total						N\$ 2,725,500
Plus Escalation	15%					N\$ 408,825
Sub Total						N\$ 3,134,325
Plus Prof Fee	12%					N\$ 376,119
Plus Demolition	3%					N\$ 94,030
Total						N\$ 3,604,474
Rent (8 months)						N\$ 294,400
Value						N\$ 3,898,874
Insurance/Replacement Value					Say:	N\$ 3,900,000

REPLACEMENT 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\$3,900,000.00** (Three Million Nine 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. My reference to such only covers the obvious. My valuation does not affirm compliance with the town-planning scheme in relation to parking requirement, coverage, encroachment over building lines, etc., and assumes that fire safety and the building services are in a satisfactory condition and that the building plans are up to date at the municipality. This valuation does not corroborate adherence to restrictions set by statute 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: 04 June 2024



Front view from the street



Unit inside



Unit inside



Kitchenette with storage space



Ablution



Basement parking areas

