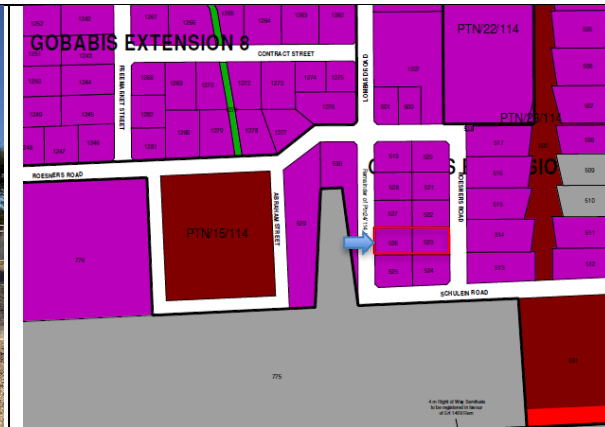


## VALUATION REPORT

### Erf 523+526, Gobabis: Schulein Roads



#### INSTRUCTION

Namib Mills instructed me to recommend the present market value of Erf 523 + Erf 526 in the industrial area of Gobabis, hereafter referred to as the subject property.

#### LOCATION OF PROPERTY

Schulein Road, Industrial Area, Gobabis.

#### AREA OF LAND

$2\,196 + 2\,197 = 4\,393\text{ m}^2$

#### ZONING

Industrial

#### DATE OF INSPECTION

16 June 2023

#### DATE OF VALUATION

19 November 2024

**RECOMMENDED MARKET VALUE**  
**RECOMMENDED INSURANCE VALUE**

**N\$ 4,505,000.00**  
**N\$ 13,725,000.00**

## TITLE DEED INFORMATION

Certain:	Erf 523+526 Gobabis, Namibia
Situated:	Municipality of Gobabis
Registration Division:	“L”, Omaheke Region
Measuring:	2196 + 2197 = 4393 m <sup>2</sup>
Title Deed:	T3100/2009
Purchase Date:	2009
Purchase Price:	TBC
Servitude:	TBC
Zoning:	Industrial

## CITY OF WINDHOEK INFORMATION

Zoning	Industrial			
Bulk	Allowed	TBC	Used	1889
Height	Allowed	TBC	Used	Double volume.
Coverage	Allowed	TBC	Used	43 % (1889 m <sup>2</sup> )
Parking	Required	TBC	Provided	10 covered.
Building line	5-meter street front and 0-meter sides.			
GPS Coordinate	S -22.4461864, E 18.9770412			

## ZONING COMMENTS

The property is believed to be within the allowed bulk, height, and coverage, but this needs to be confirmed with the Gobabis Town Council.

## PARKING COMMENTS

It seems as if the subject property provides adequate parking, as there are ten covered parking bays, and all undeveloped land is paved.

## ENCROACHMENTS AND BUILDING LINES COMMENTS

It is presumed the property is within the prescribed building lines.

## MUNICIPAL SERVICES

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

## DESCRIPTION OF LOCATION

The property is situated in the industrial area of Gobabis, with Schulein Road running on the western boundary of the property and an unnamed street along the eastern border. The property can be accessed from the west, as well as the east, with developed industrial properties situated

north and south of the subject property. Therefore, the subject property has good visibility and easy access. The subject property is situated close to most amenities.



## DESCRIPTION OF THE LAND

The large rectangular land is situated on street level, with no slope. The property is surrounded by other similar commercial buildings.

## SITE



The property is seen from above, with streets on the west and east.

## DESCRIPTION OF IMPROVEMENTS

The buildings are mostly double-volume brick buildings with plastered- and painted walls, iron roofing, steel window- and door frames, with concrete flooring in the warehouses and ceramic tile in the office.

## ACCOMMODATION

### 1. OFFICE: 88 m<sup>2</sup>

The office building is situated on the easter side of the property and consists of a large open office, two single offices, a storeroom, and a kitchenette.

### 2. WAREHOUSES: 366 + 854 = 1 220 m<sup>2</sup>

The smaller warehouse is attached to the office, with the larger warehouse situated on the western side of the land.

### 3. CANOPY: 580 m<sup>2</sup>

Attached to the southern side of the larger warehouse is a steel framed canopy, with IBR roof and IBR sheeting on the southern side, therefore open on the eastern- and western ends.

### 4. MINORS

Paving	600,000
Alarm & 11 CCTV	60,000
Air-conditioning (3)	45,000
Boundary walls (3 brick, 1 pre-cast)	550,000

## OVERALL IMPRESSION

The improvements are in good condition, with standard quality fittings and finishes.

## MACRO ECONOMY

The failure of Silicon Valley Bank and Signature Bank in the United States, caused by liquidity constraints, and the state-supported merger of Credit Suisse and UBS in Europe, has significantly impacted market confidence and triggered emergency responses by the respective authorities. These bank failures pose a threat to global financial stability as further contagion could have far-reaching implications, thus highlighting the importance of safeguarding the financial system. The International Monetary Fund (IMF) April 2023 *Global Financial Stability Report* indicates that risks to the financial system have increased on the back of rapid interest rate increases to contain inflation. In addition, further monetary policy tightening is projected to continue well into 2023. Although inflation is projected to slow down in 2023, inflation's return to target is unlikely before



2025, for most countries. Going forward, global growth is expected to shrink by 2.8 percent in 2023 amidst severe tightening of financial conditions in which corporate and sovereign spreads widen, stock prices fall, and a currency depreciation of most emerging market economies. Policymakers are therefore cautioned to act resolutely to maintain trust, while faced with heightened risks to financial stability.

Risks are centered around global and domestic output developments coupled with anticipated tighter financial conditions globally. Both the global and the Namibian economies are projected to slow down in 2023, mainly due to continued geopolitical tensions and rising central bank rates. Notwithstanding the decline in global output, domestic output improved in 2022, while the domestic financial system continued to function effectively and efficiently. Both corporate and household debt, however, increased during the reporting period. The banking sector remained adequately capitalized and profitable while maintaining liquidity levels well above the prudential requirement and managing credit risk accordingly. Similarly, the non-bank financial institutions (NBFIs) maintained stable, sound, and profitable operations during the period under review. The payment system infrastructure continued to reliably contribute toward the efficiency of the financial system. Overall, risks to the financial system mostly increased; however, the probability of this persisting is medium with medium impact.

Global growth slumped during 2022 from 6.3 percent registered in 2021 to 3.4 percent in 2022. This slowdown was primarily on the back of the war in Ukraine that further fueled inflationary pressures, coupled with the resurgence of COVID-19 in China. According to the International Monetary Fund (IMF) April 2023 *World Economic Outlook*, it is estimated that global growth will fall further, from 3.4 percent in 2022 to 2.8 percent in 2023, before improving slightly to 3.0 percent in 2024. Going forward, risks remain heavily skewed to the downside because of the military conflict in Eastern Europe, potential worsening of debt distress, tight monetary policy to fight inflation, China's slow recovery, recent further tightening of financial conditions, and looming geoeconomic fragmentation.

Domestic economic growth improved from 3.5 percent in 2021 to 4.6 percent in 2022. This improvement was mainly driven by the primary and secondary industries which recorded growth rates of 12.9 and 3.3 percent, respectively. Growth is projected to moderate to 3.0 percent in 2023 on the back of anticipated weaker global demand and reduced spending power, as inflationary pressures persist. Risks to domestic growth are predominantly in the form of a global tightening of monetary policy and high costs of key import items. Other domestic risks include water supply interruptions, potential spillovers to Namibia of electricity cuts in South Africa, and uncertainty about the effects of climate change going forward.

The annual growth in household debt slowed to 3.4 percent by the end of 2022, compared to a growth rate of 3.8 percent in 2021. The ratio of household debt to disposable income moderated from 79.4 percent in 2021, to 77.9 percent in 2022, following the recovery in economic activity and approval of salary increments for government employees in 2022. The total corporate debt stock rose somewhat in 2022 due to increases in both foreign and domestic debt. The corporate sector's debt-to-gross Domestic Product ratio increased to 72.0 percent by the end of 2022, up from the 69.2 percent recorded in 2021. The short-term risks to financial stability concerning

corporate debt appear to be moderate, although sharp interest rate increases in 2022 to curb inflation have put a strain on the cash flow of indebted corporates and households. Notwithstanding the current fluid economic environment, the probability of both household and corporate debt risks materializing is medium. (*Bank of Namibia*)

## **MICRO ECONOMY**

The subject property is situated in the main industrial area of the rural town of Gobabis. Gobabis supports a vast area of agricultural farms around it and is on the road that connects Namibia to Botswana and other African countries. Therefore, agriculture and transport are the main economic drivers in the town. The economy in Gobabis is stable, with no major shifts. Situated in the east of Namibia.

## **DETERMINATION OF THE VALUATION**

When valuing real estate, the valuer must concern himself with the rights pertaining to 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.

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

## **INCOME CAPITALISATION 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	Lettable Area	Income	Expenses	Cap Rate
511 Gobabis	Dr Knobel St	1,500,000 15/02/2022	322	200,928	30,139	13.3%
512 Gobabis	Dr Knobel St	2,000,000 01/03/2022	982	286.116	42,917	14.3%
1171 Gobabis	Church St	3,600,000 15/02/2022	738	449,885	67,482	12.5%

The first two sales mentioned above are situated close to the subject property in the industrial area, developed for industrial purposes, but these properties are smaller, and their buildings have inferior finishes and inferior maintenance. These properties also have large residual land areas, but it is not paved, as is the case with the subject property.

The last sale is situated on the main street of Gobabis and has superior zoning, with similar finishes and maintenance to the subject property. As this property compares very well with the subject property, this cap rate is seen as a good indication for the subject property.

Most of the commercial properties in the area were financed through the banks at a capitalization rate of 12.5% - 14.5%. After comparing the subject property with these recent sales, a rate of **12,4%** seems fair for the subject property and will be used in this report.

## INCOME

### Market Income

Comparable rentals of industrial buildings in the Gobabis, excluding VAT:

Erf	Description and extent	Rate/m <sup>2</sup>	Lease Date
Erf 521 Gobabis	82 m <sup>2</sup> : Office 522 m <sup>2</sup> : Open canopy	604 m <sup>2</sup> @ N\$24.83/m <sup>2</sup>	June 2023
Erf 524 Gobabis	285 m <sup>2</sup> : Warehouse	285 m <sup>2</sup> @ N\$28/m <sup>2</sup>	June 2023
Erf 524 Gobabis	51 m <sup>2</sup> : Office 92 m <sup>2</sup> : Paved yard	143 m <sup>2</sup> @ N\$27.97/m <sup>2</sup>	June 2023

Research in the Gobabis industrial area revealed a rate of N\$ 24 to N\$ 28/m<sup>2</sup> is paid for warehouses, workshops, and storage, but the subject property provides better accommodation with superior maintenance compared with the above-mentioned properties.

### Current income of the subject property.

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

## VACANCY

Due to the uncertain economic climate, a **5%** vacancy factor is used in this report.

## EXPENSES

As in the above, expenses vary between 3% and 18% of the gross income. Since the tenants are in general liable for most of the expenses, a 15% rate for expenses has been deducted (municipal taxes and insurance) from the gross income.

## VALUATION

<u>Description</u>	<u>Size m²</u>		<u>Rate</u>		<u>2160</u>
Office	88	m² x	45	p.m²	N\$ 3,960
Warehouse	1220	m² x	35	p.m²	N\$ 42,700
Canopy	580	m² x	20	p.m²	N\$ 11,600
Monthly Income					N\$ 58,260
Vacancy	5%				N\$ 2,913
Less Expenses	15%				N\$ 8,739
Annual Net Income					N\$ 559,296
Cap. Rate	12.4%	8.06			N\$ 4,507,926
<b>Market Value</b>				<b>Say:</b>	<b>N\$ 4,505,000</b>
<b>Forced Sale Value</b>					<b>N\$ 3,604,000</b>

## RECOMMENDED MARKET VALUE

The valuation recommends a market value of **N\$ 4,505,000.00** (Four Million Five Hundred and Five 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 conducted with 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 over 12 months in advance).
- Provision must also be made for additional 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.



## IMPROVEMENTS

Description	Size m <sup>2</sup>			Rate		Amount
Office	88	m <sup>2</sup>	x	9,250	N\$	N\$ 814,000
Warehouses	1220	m <sup>2</sup>	x	5,550	N\$	N\$ 6,771,000
Canopy	580	m <sup>2</sup>	x	4,525	N\$	N\$ 2,624,500
Minors						N\$ 1,255,000
Total						N\$ 11,464,500
Plus Escalation	15%					N\$ 220,000
Sub Total						N\$ 11,684,500
Plus Prof Fee	12%					N\$ 1,402,140
Plus Demolition	3%					N\$ 350,535
Total						N\$ 13,437,175
Rent (8 months)						N\$ 286,336
Value						N\$ 13,723,511
Insurance/Replacement Value				Say:		<b>N\$ 13,725,000</b>

## RECOMMENDED INSURANCE VALUE

The valuation recommends an insurance value of **N\$ 13,725,000.00** (Thirteen Million Seven Hundred and Twenty-Five 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 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. My reference to such only covers the obvious. My valuation assumes that the services are in 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 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: 19 November 2024**

		
South-eastern elevation	Office	Kitchenette
		
Ablution	Northern elevation	Eastern warehouse inside
		
Canopy inside	Western warehouse inside	

