

VAN ZYL VALUERS

Professional Associated Property Valuers
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VALUATION REPORT

CLIENT:

Civilab Prop (Pty) Ltd

Account Number: Private Client

Cost Centre: N/a

Erf 356 Booysen Reserve

75 1st Street Booysen Reserve, Johannesburg



Standard older type industrial factory warehouse.

PREPARED FOR: Lee-Ann (Civilab)
TELEPHONE NUMBER: (011) 835 3117

PREPARED BY: Hannes du Bruyn
TEL NUMBER: 082 492 3655
E-MAIL: Gert@VzValuations.co.za
DATE: 16 May 2016

VALUATION REPORT

Law Reference	N/a	Valuer	Hannes Du Bruyn	Telephone number	082 492 3655
Valuation No.	N/a	Date	16 May 2016	Valuer's reg number	4694/1

1 INSTRUCTION & PURPOSE.

An instruction was received from Lee-Ann (Civilab), to inspect and determine the Open Market Value of subject property, as described below.

Client name: Civilab Prop (Pty) Ltd

2 DATE OF INSPECTION.

The subject property was inspected on: 16 May 2016

3 DEFINITION OF MARKET VALUE.

For the purposes of this report Market Value is defined as: "The estimated amount for which a property should 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 have each acted knowledgeably, prudently and without compulsion".

4 TITLE DEED DESCRIPTION.

Registered description:	Erf 356 Booyesen Reserve
Registered owner:	Booyprop CC
Site extent:	496 m ²
Physical address:	75 1st Street Booyesen Reserve, Johannesburg
Purchase price:	R 250,000
Purchase date:	04 June 2006
Mortgage bond no.:	T45890/2006
Financial institution:	None as per deed enquiry
Amount:	N/a

Onerous endorsements noted (Y/N) The title deed was not inspected and the signatories cannot comment on whether the property is held subject to any terms or conditions that may impact, negatively or otherwise, on its value or saleability. The opinion of value must therefore be read accordingly. It would appear from an inspection of the property that it is not held subject to any onerous conditions.

If "Yes" please comment: Not Applicable

5 MUNICIPAL VALUE.

Municipal value (multiple stands total): R 540,000

Valuation date: 01 July 2013

Monthly rates burden: R 822

Normalised Municipal Value (if applicable): N/a

6 OUTSTANDING RATES.

Yes / No / Unknown: No

If "Yes" current amount outstanding: N/a

7 TOWN PLANNING RESTRICTIONS.

Local Authority	City of Johannesburg	
	Permitted	Actual
Zoning:	Industrial 1	Industrial warehouse
Coverage:	70.0% (374m ²)	77% (384m ²)
Height:	3 Storeys	1 Storey
Bulk/FAR:	2.1 (1 042m ²)	0.77 (384m ²)
Parking:	As per scheme	Remaining extent of land
Comments:	Property was built prior to 1979 and is therefore exempt from the town planning scheme of that year.	

8 ENVIRONMENTAL ISSUES.

Yes/No: No

Asbestos Roof: No

9 PREVIOUS VALUATION

Valuation: R 600,000
Date: 13 January 2012
Comments: Increase is mostly due to improved market rentals.

10 PROPERTY DESCRIPTION

Primary Use: Industrial
Property Grade: C-Grading
Property Type: Industrial facility
Property Sub-Type: Manufacturing Warehouse with associated offices and workshops
Property Category: Non-Specialised
Main Structure: Brick and mortar
Storeys: Single storey
Outbuildings: Ablutions
Main Structure Roof: Steel beams covered with IBR sheeting
Outbuildings Roof: Steel beams covered with IBR sheeting
Main Structure Floors: Ceramic Tile
Outbuildings Floors: Floated concrete
GBA: 384 m²
GLA: 384 m²
Other
Lifts: No
Airconditioning: No

11 LOCATION AND DEMOGRAPHICS

Location: Booyesen Reserve is an old light industrial area situated approximately 7km south-west of the Johannesburg CBD, alongside the Soweto Highway. The area is adjacent to the western edge of Booyesens and the northern edges of Framton and Ormonde. The various extensions of Theta adjoin the western edge of Booyesen Reserve. On the northern side of the Soweto Highway is the developing area of Crown. All surrounding areas are light industrial, except Ormonde, which is a mixture of light industrial, commercial and middle-income residential estates.

Notwithstanding its good macro locality, many properties in the area have fallen into disrepair. Booyesen Reserve is one of Johannesburg's oldest industrial suburbs and the majority of properties reflect this. Although there are still a number of well maintained properties in the area, the majority of properties are in need of general maintenance and many are now reaching the end of their useful life span. The subject property is situated on 1st Street in the south-eastern part of the node.

12 LEASE ANALYSIS

Owner-Occupied? Yes

13 VALUATION MOTIVATION

Valuation Method:

Income Capitalisation Method

Comparable Sales:

Sale no.
Property Description
Type of Accommodation
Property Extent (m²)
Sale Date
Sale Price
GLA
Rate/m²
Op Costs
NAI
Yield

One	
Erf 447, Booyens Reserve	
Warehouse	
991 m ²	
2014/04/07	
R 1,940,000	
795 m ²	
R 2,440	
R 22,260	
R 213,775	
11.02%	



This comparable is situated in close proximity, on the corner of 3rd Avenue and 5th Street, and was recently sold at a sales rate of R2,440/m². The comparable consists of an older, single storey warehouse with small office component and several lean-to structures. The capitalisation rate is considered to be a good indication of recent sales of older buildings in the subject area. The subject has inferior quality accommodation and therefore a higher capitalisation rate is anticipated.

Sale no.
Property Description
Type of Accommodation
Property Extent (m²)
Sale Date
Sale Price
GLA
Rate/m²
Op Costs
NAI
Yield
Comments

Two	
Erf 203, 204 & 344 Ophirton	
Industrial	
1,500 m ²	
2013/11/13	
R 2,500,000	
1,148	
R 2,178	
R 5,740	
R 291,192	
11.6%	



This property comprises an older type, medium sized, double volume light industrial factory warehouse. The warehouse has high eaves and access is via a single roller shutter door. Housed within the main structure is a single storey office component with general offices together with a kitchen and ablution component. Offices afford very basic quality finishes. The subject property has a slightly inferior micro locality with regards to visual exposure as 1st Street has less vehicular traffic.

Sale no.
Property Description
Type of Accommodation
Property Extent (m²)
Sale Date
Sale Price
GLA
Rate/m²
Op Costs
NAI
Yield
Comments

Three	
Erf 11 & 12 Booyens Reserve	
Industrial	
990 m ²	
2015/07/25	
R 2,900,000	
1,140	
R 2,544	
R 5,928	
R 344,952	
11.9%	



Situated in Booyens Reserve. This property comprises much older industrial components and houses a double storey office section as well as workshops and a laboratory. The improvements of the comparative are similarly maintained. A similar capitalisation rate is anticipated.

Comparable Rentals:

Comparable Rental no.
 Property Description
 Type of Accommodation
 GLA (m²)
 Current Monthly Rental
 Rental rate/m²
 Escalation rate
 Lease start date
 Lease expiry date

One	
Erf 348 Ophirton	
warehouse	
650 m ²	
R 18,500	
R28/m ²	
9%	
Comments	This building is located in a similar industrial node as the subject property and a ground floor unit of 650m ² was recently let for R28.00/m ² by API Properties.

Comparable Rental no.
 Property Description
 Type of Accommodation
 GLA (m²)
 Current Monthly Rental
 Rental rate/m²
 Escalation rate
 Lease start date
 Lease expiry date

Two	
Panorama Office Estate	
ST Offices	
714 m ²	
N/a	
R100/m ²	
8%	
Annual basis	
Comments	Transaction is in process. The purchaser of this building is paying a rent of R33/m ² for the ground floor unit and R28/m ² for the upper floor warehouse unit. Both units are 357m ² in extent. Similar quality industrial space.

14 CONCLUSIONS AND COMMENTS

Rental	<p>A recent report by Broll Properties indicates that SA's industrial property market, underpinned by manufacturing, is increasingly being affected by the downturn in GDP growth, a slowdown in manufacturing output and the continued weakening of the Rand. While a weaker currency gives local manufacturers an opportunity to compete with imports, the sector's poor performance in recent years combined with softer demand from the Eurozone means they often do not have the capacity to take advantage of it. According to the latest Rode Report, industrial rentals in all of the country's major industrial regions again contracted in real terms. Nominal rentals in the Central Witwatersrand only mustered a growth of 5%.</p> <p>Booyesen Reserve, despite its age, remains a relatively popular secondary industrial node due to its central location and good macro access, as well as the affordability of property prices and rentals. Recent years have seen several refurbishments of older properties; recent sales also indicate that purchasers tend to buy more than one adjacent stand in order to enable re-development.</p> <table border="1" data-bbox="387 497 1423 577"> <thead> <tr> <th></th> <th>Average rate</th> <th>Low</th> <th>High</th> </tr> </thead> <tbody> <tr> <td>Rental rates - Primary Lettable area</td> <td>R 32.00</td> <td>R 30.00</td> <td>R 38.00</td> </tr> <tr> <td>Rental rates - Secondary area</td> <td>R 28.00</td> <td>R 28.00</td> <td>R 30.00</td> </tr> </tbody> </table>		Average rate	Low	High	Rental rates - Primary Lettable area	R 32.00	R 30.00	R 38.00	Rental rates - Secondary area	R 28.00	R 28.00	R 30.00
	Average rate	Low	High										
Rental rates - Primary Lettable area	R 32.00	R 30.00	R 38.00										
Rental rates - Secondary area	R 28.00	R 28.00	R 30.00										
Op Costs	<p>The expenses have been calculated using actual expenditure such as rates and taxes and estimates where necessary, e.g. insurance and maintenance.</p> <p>The projections for the subject property, based on total letting area per month are as follows: Ratio of expenditure to Gross income is 21.5% Rate of expenditure to Gross income is R6.01/m² Both these equations are within current market norms for similar type and quality accommodation.</p>												
Vacancies	<p>It appears that industrial vacancies are on the increase on a macro level, however, a visual inspection of the area found very few vacancies. This is confirmed by the Rode Report who also indicates the vacancy rate in Booyesen Reserve as low. The subject property has been owner occupied since date of purchase, we therefore allowed a 3% vacancy factor for the unforeseen loss of income.</p>												
Cap Rate	<p>Quoted sales indicate that capitalisation rates should range from 11.02% to 13.2% with an average of 11.80%. Considering market influencing factors, we applied a capitalisation rate of 12% which is regarded as appropriate.</p>												
Sales rate	<p>Comparables indicate a sales rate/m² of between R2 178/m² and R 2 544/m². The market value of R 800 000 equates to a sales rate of R 2 100/m², regarded as realistic for similar accommodation that is situated in the Booyesen Reserve node and surrounds.</p>												
Overall	<p>An older industrial building, structurally sound and reasonably maintained. The exterior of the buildings requires some maintenance related repairs while internal finishes are very basic and fairly maintained. Booyesen Reserve, despite its age, remains a relatively popular secondary industrial node due to its central location and good macro access, as well as the affordability of property prices and rentals.</p>												
Top-Slice/	-												
Additional Comments	-												

15 VALUATION CALCULATION

Income Capitalisation method

Type	Tenant	GLA	Rate/m ²	Monthly	Annual
Warehouse	Owner	340	R 28	R 9,520	R 114,240
Ablutions	Owner	44	R 28	R 1,232	R 14,784
Through-Rental		384	R 28	R 10,752	
Gross Income					R 129,024
Less: Vacancy Factor		3.0%			R 3,871
Normalised Income					R 125,153
Less: Expenses					R 27,702
Item			Monthly	Annualised	
Rates	0.018287		R 822	R 9,864.00	
Net electricity					
Net water					
Net Sewerage					
Net refuse					
Insurance	% of replacement cost 0.20%		R368.00	R 4,416.00	
Repairs and Maintenanar	% of replacement cost 0.30%		R629.28	R 7,551.36	
Management fee	% of gross income 3.00%		R322.56	R 3,870.72	
Auditing fee	Minimal 0.10%		R166.66	R 1,999.92	
Security					
Levies					
Net Income					R 97,451
Capitalisation Rate		12.0%			
Market Value		R2,114.83	/m ²		R 812,094
Top or Bottom Slice					
Unutilised land					
Rounded					R 800,000
Rate/m ²					R 2,100
Expenses information (R/m ² and ratio)		R6.01			21.5%

Conclusion

The indicated market value relates to a sale rate of R2 115m² which is regarded realistic for this type and quality of accommodation.

16 PROPERTY RATING AS PER ABSA VALUATION POLICY

Scale	Rating	Lettability	Saleability	Building Condition
9	Excellent			
8	Very Good			
7	Good			
6	Above average			
5	Average	X	X	X
4	Below average			
3	Poor			
2	Very Poor			
1	Derelict			

17 EXECUTIVE SUMMARY

The property offers good security for lending purposes as the demand for this type of accommodation is considered to be reasonable in the specific micro locality.

18 CONDITION OF VALUATION

N/a

19 VALUATION CERTIFICATE

The signatories are of the opinion that the Market Value of the subject property, as described herein is:

R 800,000 Excluding Vat



Hannes Du Bruyn
Candidate Valuer
Registration no 4694

2016/05/16
Dated

DECLARATION:

I, Gert van Zyl, in my capacity as Professional Associated Valuer, consider the above valuation to be a true and fair assessment of the subject property's market value.



Gerhardus Jacobus Van Zyl
Professional Associated Valuer
Registration no. 3509

2016/05/16
Dated

BREAKDOWN OF REPLACEMENT COST

Property Description: Erf 356 Booyesen Reserve

Property Address: 75 1st Street Booyesen Reserve, Johannesburg

Description	Walls	Roof	Flooring	Condition	GBA	Rate/m ²	Total replacement cost
Warehouse & ablutions	Brick	IBR	Concrete	Reasonable	384	R 5,000	R 1,920,000
							R -
							R -
							R -
							R -
							R -
Other					1	R 50,000	R 50,000
Sub Total							R 1,920,000
			Add Demolition cost and Debris removal @			3%	R 57,600
			Add Professional Fees @			12%	R 230,400
Sub Total							R 2,208,000
			Add: Vat @			14.00%	R 309,120
Total replacement costs							R 2,517,120
Say							R 2,600,000

PQ (if required) R 0

Remarks:

Standard older type industrial factory warehouse.

Tenants include: Owner

Hazardous material: None



Hannes Du Bruyn
Candidate Valuer
Registration no 4694

16 May 2016
Date

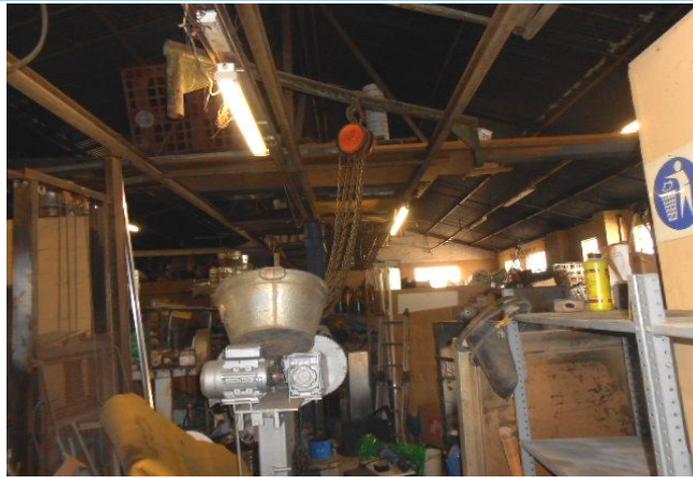
PROPERTY PHOTOGRAPHS



Office



Office



Warehouse



Ablutions

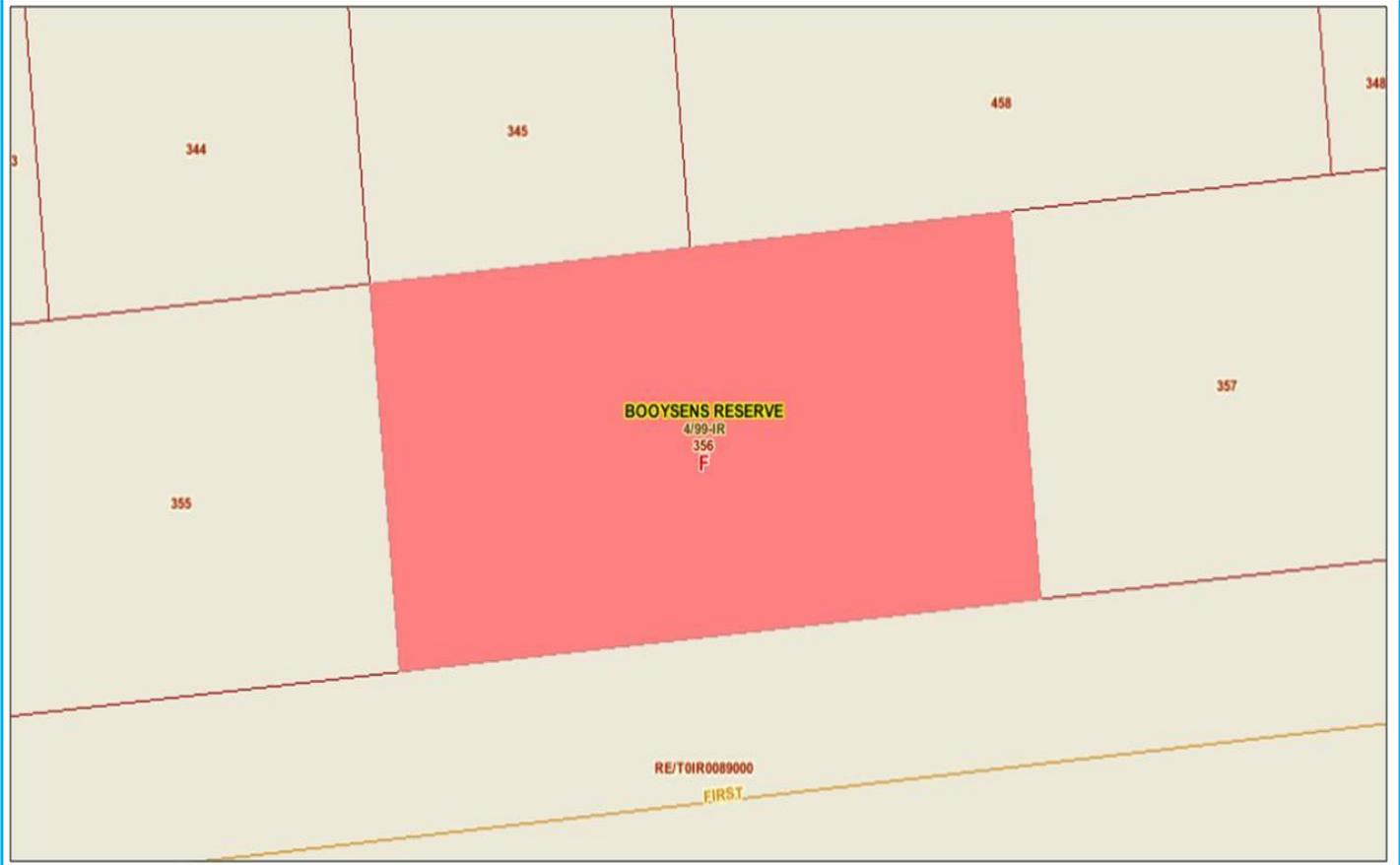


Office



Outbuilding

LOCALITY MAP



SUPPORTING INFORMATION

Property detail:

Deeds registry	JOHANNESBURG
Property type	ERF
Township	BOOYSEN RESERVE
Erf number	356
Portion	0
Province	GAUTENG
Registration division/Administrative district	IR
Local authority	CITY OF JOHANNESBURG
Previous description	-
Diagram deed number	T625/950
Extent	496.0000 SQM
LPI Code	T0IR00890000035600000

Title Deeds detail:

Document	Registration date	Purchase date	Amount	Image Scanned reference	Document copy?
T45890/2006	20060807	20060426	R250000.00	20061121 18:02:08	Yes

Owners detail:

Document	Full name	Identity Number	Share	Person Enquiry?
T45890/2006	BOOYPROP CC	200601906923	-	Yes

Endorsements / Encumbrances:

Endorsement / Encumbrance	Holder	Amount	Microfilm reference	Document copy?
K40/1954	-	-	-	Not available

History:

Document	Holder	Amount	Image Scanned reference	Document copy?
T9725/1960	PATWILL PTY LTD	-	20061121 18:03:21	Yes

ASSUMPTIONS AND LIMITING CONDITIONS

Neither all nor any part of this report shall be conveyed to the public or anybody or person other than the addressee or his principals through advertising, public relations, news sales or any other media, without written consent.

This particularly pertains to the valuation conclusion, the identity of the valuer or any reference to the professional organisation to which I/we belong. No responsibility is assumed for matters legal in nature. Information provided by property owners, parties to sales and others are assumed to be reliable but its accuracy is not guaranteed. This valuation has been prepared on the basis that full disclosure of all information and factors, which may affect the valuation, has been made to ourselves, and we cannot accept any liability or responsibility whatsoever for the valuation, unless such full disclosure has been made. We emphasise that we have not carried out a structural survey of the improvements, nor have we examined them for signs of timber infestation, and accordingly, cannot be responsible for possible defects.

We have assumed that there is no contamination, affecting the property or neighbouring property, which would affect our valuation. However, we reserve the right to review our valuation, should it be established subsequently that contamination exists at the property or on any neighbouring land, or that the premises have been or are being put to any contaminative use

The valuation report was prepared for the purpose as stated in the appraisal and should not be used for any other purpose.

This valuation excludes Value Added Tax (VAT)

This report has been prepared in conformity with recognised standards of valuation procedure and ethics. To the best of our knowledge and belief the statements contained in this report are correct. The opinions stated are based on a full and fair consideration of all the pertinent factors available

We have no present or contemplated interest in this or any other property or any other interests, which would affect the statements or values contained herein. Neither the employment nor compensation are contingent upon reporting predetermined or specified amounts of value. A personal inspection of the Neighbourhood Area and the Subject Property was done. An investigation was also done of other comparable market data to assist us with the valuation

Words importing any one gender in this report shall also include the other, words importing the singular shall include the plural and vice versa and words importing persons shall include partnerships, bodies corporate and companies they represent.

DEFINITIONS

Open market valuation, highest and best use and liquidation or forced sale value, are defined by the 2007 Standards of the International Valuation Standards Committee (8th Edition) as follows:

Market Value

"The estimated amount for which a property should 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."

Highest and Best Use

"The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued."

Liquidation or Forced Sale Value

"The amount that may reasonably be received from the sale of a property within a timeframe too short to meet the marketing timeframe required by the Market Value definition"

PROFESSIONAL INDEMNITY INSURANCE



A C and E PI & Liability Underwriting Managers (Pty) Ltd

7th Floor Office Tower, Bedford Centre, Smith Street, Bedfordview
P O Box 752189, Gardenview, 2047, Republic of South Africa

Company Registration Number: 2013/145835/07
VAT Registration Number: 4090268018

Tel: 011 815 7529 Fax: 011 815 9380 Website: www.engineeringace.co.za

Licensed Financial Service Provider 45553

CERTIFICATE OF INSURANCE

This Certificate is merely evidence that insurance cover is in force at the time of issuance and does not replace the policy with all the terms and conditions, warranties, limitations and exclusions

8 March 2016

TO WHOM IT MAY CONCERN

This is to certify that Van Zyl Valuers cc have an Professional Indemnity policy effected through New National Assurance Limited covering the classes of insurance listed hereunder.

INSURED

Van Zyl Valuers cc

Policy Number: ACE23102PL

SCHEDULE OF LIMITS OF INDEMNITY

<u>CLASS</u>	<u>LIMIT OF INDEMNITY exd VAT</u>	<u>PERIOD</u>
Professional Indemnity	R10 000 000 on each and every loss	Annual

Extensions:

- Defamation : Limit of indemnity R10 000 000
- Joint Venture Agreement : Limit of Indemnity R10 000 000
- Liability following Employee Dishonesty : Limit of Indemnity R10 000 000
- Sub-Contractors : Limit of Indemnity R10 000 000
- Statutory Defense Costs : Limit of Indemnity R500 000
- Wrongful Arrest : Limit on Indemnity R500 000
- Fee Recovery : Limit of Indemnity R250 000

PERIOD OF INSURANCE

01 April 2016 to 31 March 2017.

Thereafter annually renewable.

Managing Director: Anne-Marie Fourie



The following Valuers are covered under this policy:

- | | |
|------------------|----------------------------------|
| 1. G J Van Zyl | - Professional Associated Valuer |
| 2. J D Griesel | - Professional Associated Valuer |
| 3. D J R Jooste | - Professional Associated Valuer |
| 4. C A Smit | - Candidate Valuer |
| 5. J J Du Bruyn | - Candidate Valuer |
| 6. H H Dahn | - Candidate Valuer |
| 7. G C Dames | - Candidate Valuer |
| 8. L V Klam | - Candidate Valuer |
| 9. C Groeneveld | - Candidate Valuer |
| 10. P J Ferreira | - Candidate Valuer |

Subject always to the Terms, Conditions, Limitations and Exclusions of the policy issued or to be issued.

Many thanks.



JAREEN HAMDAN

Representative of AC&E PI & Liability Underwriting Managers

Managing Director: Anne-Marie Fourie

