



Swindon
Property

Valuations

DESKTOP VALUATION REPORT

Erf 9293 Cape Town

Situated at

114 Bree Street, Cape Town



MARKET VALUE:	R	26,200,000
VALUATION DATE:		29-Feb-2016
VALUER:		J.M. Coetzee
REFERENCE:		Professional Valuer (MIVSA)
		SW150071-10



NORDIC LIGHT
PROPERTIES

DESKTOP VALUATION REPORT

STREET ADDRESS OF PROPERTY:

Building / Farm Name:	
Street:	Bree Street
Number:	114
Complex:	
Suburb:	Cape Town CBD
Town:	
City:	CAPE TOWN

PROPERTY DETAILS / TITLE DEED INFORMATION:

Title Deed Description:	Erf 9293 Cape Town at Cape Town
Registered Owner:	Nordic Light Properties (Pty) Ltd
Title Deed Number:	T70093/2011
Registered Erf Extent (m²):	320
Purchase Price:	R 12,100,000
Date of Purchase:	16-Sep-2011
Freehold/Leasehold/Sectional Title:	Freehold
Restrictive conditions/Servitudes:	Bond - B36854/2011 for R12,100,000 in favour of Investec Bank Limited. <u>Servitudes:</u> Right of way servitude on the eastern side of the property. This limits the development potential of the property, therefore impacting on the value of the property. Aquaduct servitude through the centre of the property (north-south direction) with a width of 2m.
Zoning:	General Commercial C5

Municipal Valuation:

	Dated: 01 July 2012	Dated: 01 July 2015
	R 9,130,000	R 10,956,000
Rates & Taxes	0.013759	0.014997
Per annum	R 125,620	R 164,311

RATES & TAXES FOR 01 MARCH 2016 TO 30 JUNE 2016: R 41,873

RATES & TAXES FOR 01 JULY 2016 TO 28 FEBRUARY 2017: R 109,540

ANNEXURE A

ANNUAL INCOME AND EXPENDITURE SCHEDULE FROM:

01-Mar-2016

TO

28-Feb-2017

ANNUAL INCOME:

Property Type	Name of Tenant	Rentable Area m ²	Rental per m ²	Ops-Costs per m ²	Escalation %		Esc. Month	Lease Details		Annual Income
					Rental	BOC		Start.Date	Exp. Date	
Offices	Unknown	1,683	R 121.58		8.0%		7	01-Oct-14	30-Sep-24	R 2,537,338
Parking	Unknown	3	R 1,200.00		8.0%		7	01-Oct-14	30-Sep-24	R 44,640
										R -
										R -
										R -
										R -
TOTAL GLA:		1,683								
					POTENTIAL ANNUAL INCOME:					R 2,581,978
					ADD RECOVERIES					R -
					PROVISION FOR VACANCIES @ 1.0%					R 25,820
					GROSS ANNUAL INCOME RECEIVABLE:					R 2,556,158

ESTIMATED ANNUAL EXPENDITURE:

TYPE OF EXPENDITURE				AMOUNT
Municipal Charges				
Assessment Rates & Taxes:				R 151,414
Electricity:				R -
Sewerage:				R -
Water:				R -
Refuse Removal:				R -
Management				
Insurance:	R 12,442,625	(Based on	0.12% of Replacement Value)	R 15,501
Rent Collection Fee:		(Based on	2.00% of Gross Income after provision for recoveries and vacancies)	R 51,123
Auditors:		(Based on	0.25% of Gross Annual Income	R 6,390
Salaries				
Caretaker:				R -
Cleaners:				R -
Contracts				
Cleaning:				
Security:				R -
Maintenance				
General maintenance:		(Based on	0.10% of Replacement Value)	R 12,443
Lift maintenance:				R -
Air conditioning:				R -
Garden maintenance:				R -
Other Expenditure				
Cleaning Materials:				
Levies:			R 7,815 R 17,037	R 24,853
CID Levies				R -
Alternative - overall operating expenses			<input type="text"/> %	R -
TOTAL ANNUAL EXPENDITURE:				R 261,723
Expenditure as a percentage of gross annual income:			10.24%	
Expenditure rate per m²:			R 12.96	
NET ANNUAL INCOME:				R 2,294,434
INCOME CAPITALISATION :				
Net rental capitalised at:	<input type="text"/> 8.75%			11.43
				R 26,222,108
Allowance for unutilised land/bulk:	<input type="text"/> m ² @	R <input type="text"/> /m ²		R -
Value as a rate per square metre of Total GLA.		R <input type="text"/> 15,581 /m ²		R 26,222,108
TOTAL VALUE :		Say		R 26,200,000

Assumptions:

- Escalated and adjusted rates and taxes applied as current municipal valuation considered to be below market. New GV 2015 has been undertaken with the discloser of values shortly.
- Landlord is responsible for the rates and taxes, CID levies, external maintenance and insurance. It is assumed the tenant is responsible the maintenance to the lifts, air conditioners, etc.
- We assume the rentable extent and number of parking bays remain the same as with our previous valuation dated 19 February 2045.
- The improvements are in a good state of repair with only routine maintenance required. No general maintenance or capital provisions have been provided for.

PROPERTY DESCRIPTION:

CONDITION OF IMPROVEMENTS

As with our previous valuation the improvements appear to be in an average state of repair, with mostly routine maintenance required.

SUBURB DEMAND: (Macro location of the Suburb)

There is a good demand for similar space within the Cape Town Central Business District ("CBD") with especially good demand of space alongside Loop and Bree Streets. Freestanding buildings are in better demand than sectional title due to limited restrictions when redeveloping the space. There is potential to redevelop as office or residential purposes, with a number of buildings which have been partially converted into residential accommodation. Inner city living is popular due to the high costs to commute.

LOCATION: (Micro location of the Property within the Suburb)

The Subject Property is situated on the corner of Bree and Church Streets. The location on a corner site impacts positively on its front/depth ratio, natural light achieved and exposure to passing traffic. This location is on the eastern side of the City, with Bree Street being one of the main routes through this node. The erf has a rectangular shape and even surface. There is vehicular and pedestrian access from Bree Street and only pedestrian access from Church Street. There is a large parking lot adjacent to the property, which should assist with parking requirements. Parking can be rented on a daily or monthly basis.

LETTABILITY:

There is a good demand for similar accommodation in the CBD, but limited growth noted in the rentals achieved.

SALEABILITY:

There is a good demand for freestanding buildings in the CBD. The location is central, with public parking directly opposite to the property. This has a favourable impact on the appeal of the property, as there are only three on-site parking bays provided by the property. This property would appeal to both the developer and the investor. There is an increased demand for properties situated alongside Loop and Bree Streets, which should bode well for the demand for this property.

COMMENTS:

The property is improved with a single building. The improvements have been completely upgraded and renovated to convert the space from college premises into A-grade office accommodation.

We assume good quality finishes and a high standard of workmanship.

Research

Rodes Report (2015:3) indicates the following:

A-grade offices $\pm R116.67$ per m^2 with a standard deviation of $R7.64$ per m^2 .

Reserved parking rental is $\pm R1150$, per single parking bay per month.

Capitalisation rates for A-grade office space is 8.4% with a standard deviation of 0.4%, i.e. between $\pm 8\%$ and $\pm 8.8\%$.

Annual escalations is indicated at 9% for new leases.

Annual escalations is indicated at 9% for operating costs.

Rentals:

Manhattan Place offers B-grade office accommodation and is commanding rentals of around $R120$ per m^2 . These areas have industrial style space with open areas, which is in demand at present. This space would compare well with the office space offered by the Subject Property.

Restaurant space is a lot more scarce, hence higher rentals achieved for this.

A lease on one of the cottages situated in Bree Street has recently been signed at $R320$ per m^2 . This is a character property with a trendy location. The improvements are also smaller than that of the restaurant area of the Subject Property.

A retail space on the ground floor of the Abland building (No. 22 Bree Street) with an extent of $\pm 140m^2$ was recently rented at $R213$ per m^2 .

A building by the name of The Arcade, situated on the corner of Pepper and Bree Streets has an extent of $\pm 280m^2$. A lease for approximately $R50,000$ was signed for this space. This indicates a rental of $\pm R179$ per m^2 .

Erven 1691, 1696 and 1697 Cape Town situated at 19A Loop Street Cape Town sold for $R13,550,000$ dated 06 February 2014. Property is improved with a five storey building with a total extent of $\pm 1,645m^2$, consisting of a basement level which accommodates about 16 bays, and ground to fourth floors offering office accommodation. There is additional permissible bulk available on this of $\pm 1,974m^2$. This transaction indicates a rate of $\pm R8,237$ per m^2 and a yield of $\pm 6.49\%$. The rate should be seen as fair indication and the yield a minimum due to the low risk as tenants are paying much lower rentals than what is paid at the Subject Property.

Erf 2547 Cape Town situated at No. 161 Longmarket Street, Cape Town sold for $R7,200,000$ dated 30 November 2013. The property is improved with a three storey character building, with a total rentable extent of $638m^2$. Approximately $203m^2$ or $\pm 32\%$ of the property is used as retail and the remaining areas are occupied by a nightclub. All areas had signed leases in place, all expiring during the 2016/2017. The transaction indicates an initial yield of $\pm 9.63\%$ and a rate per m^2 of $\pm R11,285$ per m^2 .

Minimum indication, inferior quality space and short leases in place, hence additional risk.



Remainder Erf 1571 and Erf 1769 Fresnaye, situated on the corners of Kloof and Irwinton Roads, Sea Point sold for $R44,500,000$ on 10 April 2014. Remainder Erf 1571 Fresnaye is improved with a total retail component of $\pm 1,550m^2$ and Erf 1769 Fresnaye is a vacant site zoned for General Residential, but currently used for parking for the retail areas. This property was purchased by the sellers of the Subject Property, with it being their intention to redevelop this property. There is about $2,488m^2$ of secondary commercial bulk available on Remainder Erf 1571 and about $1,908m^2$ of primary bulk available on Erf 1769 Fresnaye. With an allowance of $R3,750$ per m^2 for the secondary bulk and $R5,500$ per m^2 for the primary bulk, a value in the order of $R24,700,000$ is indicated for the improved portion of the site. This value shows a rate of $\pm R15,935$ per m^2 and a yield of $\pm 8.36\%$. Maximum indication due to superior location and similar extent.



Sections 1 (Room) and Sections 3-7 (offices) SS St Georges Street Chambers were sold for $R12,400,000$ dated 05 June 2015. The extent of the room is $28m^2$ and the total extent of the office areas is $1,863m^2$. With a provision of around $R5,000$ per m^2 for the room ($R140,000$), the rate indicated for the offices is in the order of $R6,600$ per m^2 .

Minimum indication, due to sectional title status and larger extent. A premium would be paid for a freehold property, such as the Subject Property. There is no on-site parking.



Conclusion

Contract rental (R121.58 per m²) applied as this is deemed market related, with market parameters indicated at between ±R109.03 per m² and ±R124.31 per m²). A vacancy allowance of 1% has been provided for as the tenant occupies the entire building with a 10 year lease in place.

Rates and taxes as well as CID Levies have been escalated for the coming financial year. No provisions made for lift and air conditioning maintenance as this is assumed to be for the account of the tenant.

Expenditure/income ratio of ±10.24% and expenditure/m²/month of ±R12.96 per m² are indicated. These are deemed fair for a property of this nature and considering that the tenant is assumed to be responsible for lift and air conditioning maintenance, as well as cleaning and security.


Transactions indicate yields of between ±6.49% (additional bulk with 16 parking bays in a ±1,645m² building) and ±8.36% (superior location but all retail off main retail strip). Rode indicates yields of between ±8% and ±8.8% for a typical A-grade building in the Cape Town CBD.

Taking cognizance of the aforementioned, coupled by the long lease and increased interest rates, a capitalisation rate of 8.75% has been applied. This indicates a value of R26,222,108, say **R26,200,000** and a rate per m² of ±R15,581. The derived rate falls within the parameters indicated by the listed transactions of between ±R8,237 per m² and ±R15,935 per m².

SPECIAL CONDITIONS OF VALUATION:

1. This valuation is based on the assumption that the buildings are in a good state of repair with mostly routine maintenance required.
2. Assumptions considered with this report are as listed above.
3. Should these not be the case, we reserve the right to review our valuation report.

After being requested to value the property and after taking due consideration of all relevant factors available to me, I, **Jillian Mary Coetzee**, in my capacity as a Professional Valuer, consider the above valuation to be a true and fair assessment of it's current market value.



Jillian Mary Coetzee

PROFESSIONAL VALUER (MIVSA)

29-Feb-2016

REPORT DATE

Photographs



Ground Floor:

The kitchen has ceramic tiles on the floors, ceiling high wall tiles and concrete ceiling. All equipment is removable.

There is extraction fitted here and lighting is by means of fluorescent fittings.

Other accommodation offered here is a pantry, wash area, security surveillance room, and a store.



Restaurant area is wooden flooring, bagged brick walls and concrete ceiling.

Lights are hanging.

There are folding aluminum doors to the cobblestone paved.

The restaurant seats about 140 people in total, with about 78 seating inside. The remainder in on the pavement and deck area.



Built-in bar, constructed of concrete with a wooden and glass counter. The flooring in this part of the restaurant is ceramic mosaic tiles.

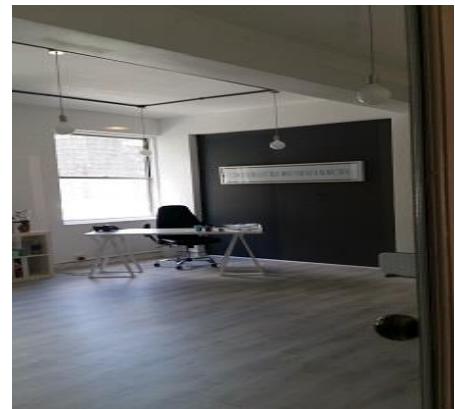


Offices have mostly earthcote type floors, with some having laminated flooring.

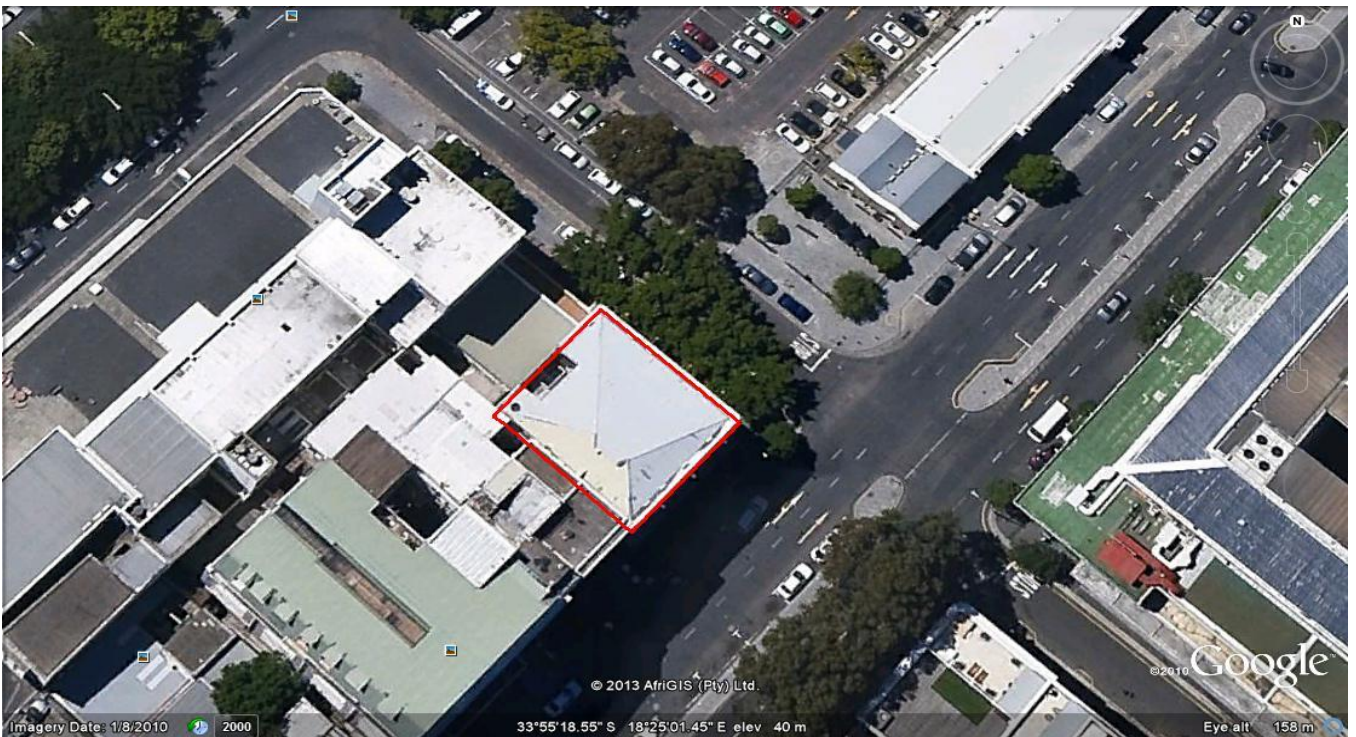
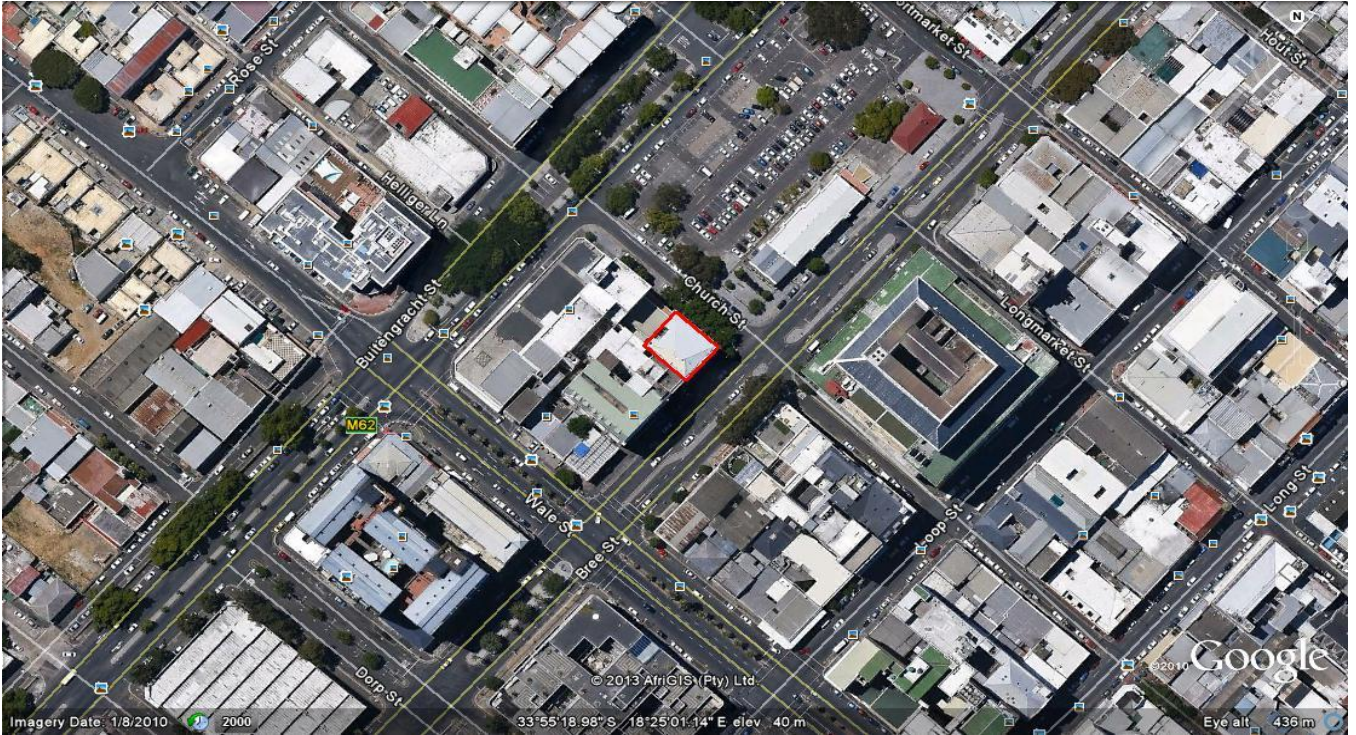
The ablutions are situated between the floors in the internal stairwell.

There is a set of ablutions at each level.

Some of the units have their own kitchenettes.



LOCATION



SURVEYOR GENERAL DIAGRAM:

*Stems & Abnormals,
Land Surveyors,
Cape Town.*

61-206 CUM
MANTOQUE ABNORM
S.G. No.

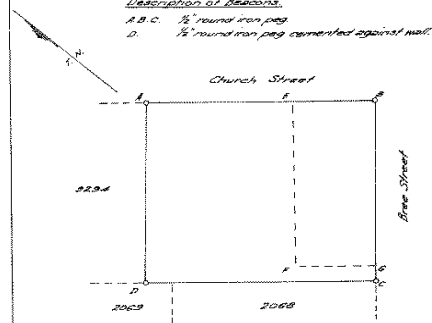
344664
Approved.

SIDES	Cape Post	DIRECTIONS	CO-ORDINATES		OFF. DESIG.
			x	y	
Constants					
			170000.00	71820000.00	
AB	62.00	S11.20.30	1027.11	5579.66	
BC	52.37	S2.03.20	390.80	5619.67	
CD	47.44	S31.32.30	1016.58	5658.56	
DA	52.16	S21.20.30	1061.56	5617.82	

M. F. Bekman
Surveyor-General.
28-7-1964

Description of Beacons.

A.B.C. 1/2" round iron peg
D. 1/2" round iron peg cemented against wall.



Scale 1:250

The figure A.B.C.D.

represents 3227 square feet, margin of land, being

part of 3293 Cape Town comprising:
1. Figure A.B.C.D. being remainder of Lot 2068 Cape Town
Vide Diagram No. 197250, of 1220 sq. ft.
2. Figure E.A.D.C. being Lot 2067 Cape Town.
Vide Diagram No. 137483, of 1821 sq. ft.
situate in the Cape Town in the City of Cape Town.

Administrative District of Cape Province of Cape of Good Hope

Surveyed in Aug. 1962 - Aug. 1964 by me M. F. Bekman
Land Surveyor.

This diagram is annexed to
L.C.T. No.
dated 10.05.64/1960
i.e.
Registrar of Deeds.

The original diagrams are
No. 10058/1960
Transfer/Grant
No.
S.A. Ref. 2328

File No. 97370/35K
S.R. No. E 964/64
Comp. BY 728/Y241
Gen. Plan
N. 1196

C

REPLACEMENT COSTS FOR INSURANCE PURPOSES:

A Grade Offices	1,178	m ² @ R	8,500	/m ²	R 10,013,000
		m ² @ R		/m ²	R -
		m ² @ R		/m ²	R -
		m ² @ R		/m ²	R -
		m ² @ R		/m ²	R -

SUB-TOTAL: 1,178 R 10,013,000

OTHER IMPROVEMENTS (ESTIMATED):

Concrete paved areas		m ² @ R		/m ²	R -
Fencing		m @ R		/m	R -
Palisade Steel Fencing		m @ R		/m	R -
Other: Surrounding works		m ² @ R		each	R 500,650

Add for professional fees / plan scrutiny fees: 12.50% R 1,251,625

Add for legal fees 5.00% R 500,650

Add for demolition and removal costs 1,178 m² @ R 150.00/m² R 176,700

Total Replacement Cost for insurance purposes (VAT exclusive) R 12,442,625

Plus VAT @ 14% R 1,741,968

Total Replacement Cost for insurance purposes (VAT inclusive) R 14,184,593

INSURANCE VALUE ROUNDED (Based on R 12,054/m²) R 14,200,000