

# Property Group

## OPEN MARKET VALUATION

SECTIONS 19 & 20 IN THE SECTIONAL SCHEME KNOWN AS SS  
BROOKEND CLOSE OFFICE PARK, SITUATED ON ERF 2317 LA LUCIA

*Rules* 30 BROOKEND CLOSE - SUNNINGDALE - UMHLANGA



Open Market Value	R	2 500 000.00
Forced Sale Value	R	1 800 000.00
Replacement Value	R	2 700 000.00
Usage	R	
Level of Contamination		LOW
Date of Valuation		26 June 2014

### CONDITIONS OF VALUATION

1 Standard Bank of South Africa Limited must be supplied with the following documentation: None

Prepared For	Genevieve Hendricks
Job Number	0884/14
Applicant Name	The Daniel Schmidhauser Property Trust
Valuation requested by	PBB - Western Cape Branch
Cost Centre Number	12412
Tel Number	021 401 2691
Contact Person	Daniel Schmidhauser
Contact Tel	072 627 6783
Valuer	Vickesh Ponnann
Registration Category	Professional Valuer
Registration Number	3786/5
Tel Number	031 374 1285
E-mail	<a href="mailto:vickesh.ponnann@standardbank.co.za">vickesh.ponnann@standardbank.co.za</a>
Date Inspected	26 June 2014

**1. INSTRUCTIONS**

We have been instructed by Genevieve Hendricks, of PBD - Western Cape Branch, to visit and inspect the subject unit known as SECTIONS 19 & 20 IN THE SECTIONAL SCHEME KNOWN AS SS BROOKEND CLOSE OFFICE PARK, SITUATED ON ERF 2317 LA LUCIA situated at 30 BROOKEND CLOSE - SUNNINGDALE - UMHLANGA, for the purpose of advising you of our opinion of the Open Market Value as at 26-June-2014.

**2. PURPOSE OF VALUATION**

To determine the market value of the subject unit for Secured Lending Purposes

**3. DEFINITION OF VALUE**

The definition of 'Market Value' as laid down by the International Valuation Standards Committee is:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

A summary of the features of the 'willing' buyer and seller are:

They should be in a position to enter into a contract (financially and legally);

They negotiate on equal terms;

They are both well informed about the property and all its potentialities, as well as about the market for such properties (i.e. they are as well informed as the person who has taken all reasonable steps to obtain this information.

They are not under pressure (i.e. they are not forced to buy or sell a property within a limited time); and

They negotiate the transaction rationally.

When we analyse these features, it becomes clear that a 'real' person could seldom comply with all of them. The Valuer must therefore distance himself from the personalities concerned and imagine a hypothetical transaction in which both the buyer and the seller have the understanding and motivations that are typical of the market for the property or interests being valued [Minister of Water Affairs v Mostert 1995 4 SA 690 (A) 722c]. This definition of value holds true in the case of the subject unit.

**4. PHOTOS AND ADDRESS**

Physical Address of Subject Property:

30 BROOKEND CLOSE - SUNNINGDALE - UMHLANGA


**5. DATE OF INSPECTION**

The subject unit was physically inspected on 26 June 2014

Effective date of valuation 26 June 2014

**6. VALUATION METHOD**

When valuing real estate, the Valuer must concern himself with placing a value on the rights attaching to the property and the benefits of occupation and/or ownership thereof. In the valuation process, cognisance must be taken of the purpose for which the property is capable of being used and the future income or amenities, which it is likely to produce. At the same time, however, the property must be compared with available substitutes and/or alternative investment opportunities. The object of the valuation process, therefore, is to arrive at a figure which will reflect the point of equilibrium between supply and effective demand at the time of valuing the property.

The valuation of land as if vacant, or of land and improvements to or on the land, is an economic concept. Whether vacant or improved, land is also referred to as real estate.

Real estate's utility or capacity to satisfy the needs and wants of humans creates value. Contributing to value are real estate's general uniqueness, durability, fixity of location, relatively limited supply, and the specific utility of a given site.

There are various methods commonly used for determining the market value of real estate. These methods of valuation comprise:

- Direct Comparable Sales Approach
- Cost Approach
- Income Approach

In order to determine which method or combination of methods applies to the subject unit, cognisance was taken of the fact that the subject unit is an income producing property / sectional title unit. Taking this into account, a combination of the Income Capitalisation Method of Valuation and the Direct Comparable Method of Valuations was considered to be most appropriate for the subject Unit. The Income Capitalisation method determines the net normalised annual income of the property, assuming the property is fully let at market related rentals, and market escalations, with an allowance made for vacancies (where applicable). Market related operating expenses are incurred, resulting in a net annual income which is then capitalised at a market related rate. The capitalisation rate is determined from the market (i.e. the rate at which similar assets have traded recently), and is influenced in general by: rates of return of similar properties, risk, obsolescence, inflation, market rental growth rates, rates of return on other investments, as well as mortgage rates.

**7. SPECIAL ASSUMPTIONS**

Valuations for secured lending are often required on the special assumption that there has been a change in the state or the condition of the property. To comply with the requirement to state any assumption, any special assumptions that are necessary shall be included in the scope of work. Examples of special assumptions that are commonly made in secured lending valuation include:

- (a) that a proposed building had been completed at the valuation date
- (b) that a proposed lease of the property had been entered into / completed at the valuation date
- (c) that a specified occupancy level had been reached by the valuation date
- (d) that the seller had imposed a time limit for disposal that was inadequate for proper marketing

Were any special assumptions made in this valuation that can have an effect on the value of the unit:

YES	NO
X	

Special Assumptions : Standard Bank of South Africa Limited must be supplied with the following documentation: None

**8. TITLE DEED INFORMATION**

We have not had sight of the relevant Title Deed. The following information is as per the Deeds Office search pertaining to the Sectional Title unit.

Registrar	Pietermaritzburg
Province	KwaZulu Natal
Registration Division	FU
Local Authority	Ethekewini Municipality
Title Deed Number:	ST41444/2008
Registered Owner:	Siyaphemba Construction (Pty) Ltd
Purchase Price:	R 4 238 900,00
Purchase Date:	6 May 2008
Registration Date:	03 September 2008
Property Description	SECTIONS 19 & 20 IN THE SECTIONAL SCHEME KNOWN AS SS BROOKEND CLOSE OFFICE PARK, SITUATED ON ERF 2317 LA LUCIA
Section 19	112 m <sup>2</sup>
Section 20	117 m <sup>2</sup>
Total Extent	229 m <sup>2</sup> 0,0117 Hectares
Servitudes	As per Aftex the following servitudes/conditions are registered against the subject property.
Bonds	SB41136/2008 - Bond registered with Nedbank Ltd for an amount of R4 000 000
Comments	The subject unit forms part of a Sectional Title Scheme situated on the above mentioned Erf. This valuation is based on the assumption that there are no servitudes or conditions registered against the Erf that may adversely affect the unit or its value. We reserve the right to amend and alter the valuation should they prove otherwise.

## 9. PURCHASE PRICE

Purchaser: The Daniel Schmidhauser Property Trust  
 Purchase Date: 07 February 2014  
 Purchase Price: R 2 552 500 (Excluding Vat)  
 Unit Size/m<sup>3</sup>: 229 (Unit Size)  
 Rate/m<sup>2</sup>: R 11 146 (Based on Unit Size)

### Comments on Purchase Price:

Type of Buyer: Owner Occupier  
 Is Purchase Price Market Related: The price is considered within market parameters for offices in this node. Includes parking bays (6 open bays and 2 undercover)  
 Comments: Sale Agreement perused and no onerous conditions noted

## 10. MUNICIPAL INFORMATION

### 10.1 TOWN PLANNING CONDITIONS

Local Authority: Ethekwin Municipality

PERMITTED	
Zoning / Usage	Offices
Permitted Uses	Offices
Coverage:	20,00%
Height	3 storeys
FAR/Bulk:	0,30
Building Lines	N/A
Parking requirements	Parking as per Section 12 of Town Planning Scheme
Comments	Property conforms with the town planning zoning

### 10.2 MUNICIPAL VALUATION

Component	Value	Rate	Monthly Costs	Annual Costs
Section 19	R 1 220 000	0.020720	R 2 106.53	R 25 278.40
Section 20	R 1 270 000	0.020720	R 2 192.87	R 26 314.40
<b>Total</b>			<b>R 4 299.40</b>	<b>R 51 592.80</b>

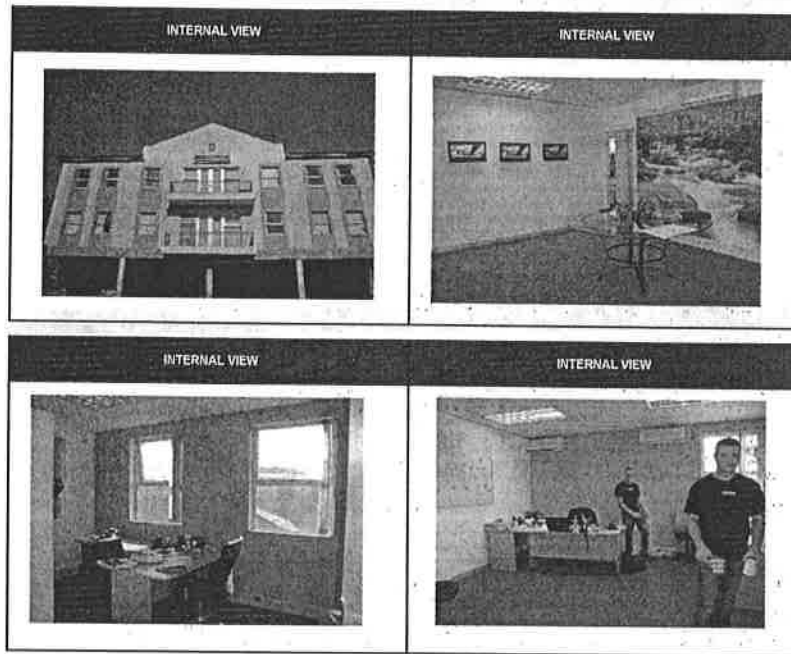
Rates and Taxes up to date?	Yes	No
	X	

Comments: Rateable values estimated as per the 2012 General Valuation

## 11. PROPERTY DESCRIPTION

### 11.1 IMPROVEMENTS

Sectional Title Offices	
Structure	Concrete Frame
Storeys	2 Storey
Roof	Concrete roof tiles
External Walls	Plastered and Painted brick
Internal Walls	Plastered and Painted Brick
Floors	Carpets and ceramic tiles
Lighting	Boxed Fluorescent Lights
Glazing	Aluminium framed Windows
Air conditioners	Split units
Condition	Excellent
Accommodation	The development comprise of offices with subject offices located at first floor level with parking at lower level
Surrounding Works	
Under cover parking and open bays are included. Balance of yard areas have been paved and the site is fully fenced	



11.2 GRADING

Office building grades defined by quality of finishes and facilities:

OFFICE GRADES		
GRADE	DEFINITION	SUBJECT PROPERTY
Grade P	Top quality, modern space which is generally a pace-setter in establishing rentals, and which includes the latest or a recent generation of building services, ample parking, a prestige lobby finish and good views, or a good environment.	
Grade A	Generally not older than fifteen years or which has had a major renovation, high quality modern finishes; air conditioning, adequate on-site parking, market rental near the top of the range in the metropolitan area in which the building is located. (The following should also be taken into account in determining whether the building is A-grade or not: Consider whether the building has a good quality lobby finish, quality access to/from an attractive street environment and other similar factors, such as safety and security.)	X
Grade B	Generally older buildings, but accommodation and finishes close to modern standards as a result of refurbishments and renovation from time to time, air-conditioned, on-site parking, unless special circumstance pertain.	
Grade C	Buildings with older style finishes, services and building systems. It may or may not be air-conditioned or have on-site parking.	
Other	Residential properties which have been converted to offices.	

### 11.3 ACCOMMODATION AND AREAS

Accommodation & areas	Approximate Lettable Area/Bays	Approximate Gross Building Area
Section 19	112 m <sup>2</sup>	118 m <sup>2</sup>
Section 20	117 m <sup>2</sup>	123 m <sup>2</sup>
<b>Total</b>	<b>229 m<sup>2</sup></b>	<b>240 m<sup>2</sup></b>

We have not had sight of the approved building plans. The areas stated above were obtained from the Deeds Office. This valuation is based on the assumption that the improvements were constructed according to approved building plans. We reserve the right to alter or amend this valuation if the approved building plans materially differ from the areas stated above.

All areas referred to in this report are rentable areas in conformity with the definition of rentable areas as set out in the SAPOA Method of Measuring Floor Areas in Commercial and Industrial Buildings. Essentially this covers the entire floor, excluding major vertical penetrations of the floor such as stairs, lift shaft, flues, pipe shafts and vertical ducts which serve more than one floor of the building. It includes additional services such as stairs, dumb waiters and lifts which exclusively serve a tenant occupying offices on more than one floor.

### 11.4 STRUCTURAL DEFECTS

#### Structural

Structural defect means any defect in a structural element of a building that is attributable to defective or faulty design, workmanship and materials or adverse soil conditions (or any combination of these) and that:

- (a) results in, or is likely to result in, the building or any part of the building being required to be closed or prohibited from being used, or
- (b) prevents, or is likely to prevent, the continued practical use of the building or any part of the building, or
- (c) results in, or is likely to result in:
  - (i) the destruction of the building or any part of the building, or
  - (ii) physical damage to the building or any part of the building, or
  - (d) results in, or is likely to result in, a threat of imminent collapse that may reasonably be considered to cause destruction of the building or physical damage to the building or any part of the building.

	YES	NO	NOT SURE
Is the subject property located in an area where adverse soil conditions exists?		X	
Are any structural cracks visible?		X	
Would you recommend a Structural Engineer to inspect the property and provide the Bank with a report?		X	

### 11.5 CONTAMINATED LAND

The contaminated land provisions, Part 8 of Chapter 4 of the National Environmental Management, Waste Act 59 of 2008 (the Waste Act) came into operation on 2 May 2014.

The contaminated land provisions create a number of concerns for land owners as they require an owner of land that is considered significantly contaminated, or a person who undertakes an activity that caused the land to be significantly contaminated, to notify the relevant authority of the contamination as soon as the owner or the person conducting the activity becomes aware of that contamination.

These provisions will also have an effect on the alienation of land, as no person may transfer contaminated land without informing the transferee that the land is contaminated.

'Contaminated' means the presence in or under any land, the buildings or structures of a substance or microorganism above the concentration which is normally present in or under that land, and which substances directly or indirectly affect or may affect the quality of soil or the environment adversely.

Contaminated land is regarded any form of negative impact on the natural or built environment that may have legal or financial consequences caused by the release of hazardous substances as products or wastes. This may include adverse impacts on soils, groundwater, surface water and air quality associated with the present or past activities on the site or adjacent properties.

There are three broad ways in which land may be affected by contaminants:

- Contaminants attached to or contained within the ground itself
- Contaminated water which may be static or migrating on to, or off the site, as groundwater or surface water
- Airborne contamination as particles or gases emanating from the ground or groundwater
- Or a combination of the above.

Commercial office properties tend to be simpler to assess and the risk of soil contamination tends to be lower than industrial properties.

Properties where water resources form part of the assets of the property or are reliant on boreholes or surface water as a sole source of water supply are sensitive to contamination issues.

Activity or Industry	OFFICES			
	HIGH / YES	MEDIUM	LOW / NO	NOT SURE NOT APPLICABLE
Environmental Impact of Activity			Low	
Is contamination of the land visible			No	
Is contamination of the air visible			No	
Is contamination of the water sources visible			No	
Level of Contamination				Not Applicable
	SUBJECT PROPERTY Y ADJACENT TO	LESS THAN 100 METERS	FURTHER THAN 100 METERS	NOT SURE NOT APPLICABLE
Proximity to closest Filling Station / Fuel Depot / Chemical			X	
In your opinion can the source of contamination be successfully, economically and entirely eliminated				Not Applicable
Is the costs to cure the contamination known? State amount or estimated amount				Not Applicable
Should a appropriately skilled remediation consultant be appointed to establish the level of contamination?			No	

R 0

## 11.6 PRESENCE OF ASBESTOS

As of 26 July 2008, South Africa banned the use of asbestos. However, asbestos products, including attic insulation, roof sheeting and floor and ceiling tiles, may still be found in residences and commercial buildings nationwide. If these products are damaged or disturbed, or if they begin to corrode as a result of the natural aging process, asbestos fibers may be released into the air, putting individuals at risk of inhalation.

Under section 43 of the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993),

"asbestos" means any of the following minerals:

- (a) Amosite
- (b) Chrysotile
- (c) Crocidolite
- (d) Fibrous actinolite
- (e) Fibrous anthophyllite; and
- (f) Fibrous tremolite, or any mixture containing any of these minerals;

"asbestos dust" means airborne or settled dust, which contains or is likely to contain regulated asbestos fibres;

Where asbestos forms part of the structure of a workplace, building, plant or premises, the employer or self-employed person shall—

(a) take reasonable steps to ensure that he or she determines the location of asbestos in such workplace, buildings, plant or premises, where that asbestos is likely to release asbestos dust that could impact on health or pollute the environment;

(b) make and maintain a written inventory of the location of asbestos in such workplace, buildings, plant or premises.

The employer or self-employed person shall assess the risk of exposure to such asbestos as contemplated in sub regulation (1) and document the action necessary to ensure that—

- information about the location and condition of material containing asbestos is given to anyone likely to disturb it;
- any material containing asbestos is maintained in a good state of repair and that, where necessary, a planned maintenance program is implemented;
- any material containing asbestos and which may create a risk of exposure because of its state and location, is repaired or, if necessary, removed;

Provided that, if the removal constitutes demolition work, the asbestos shall be removed in accordance with regulation 21.

	YES	NO	NOT APPLICABLE
Are there any visible signs of the presence of asbestos on the subject property?		NO	
Please state what types of asbestos products are present e.g. asbestos roof sheeting, ceiling boards etc.	NOT APPLICABLE		
Is the asbestos well maintained and in a good state of repair?			NOT APPLICABLE
Would you recommend an appropriately qualified person to inspect the property and provide the Bank with a report?			NOT APPLICABLE

## 12. RATINGS

HISTORIC DEMAND				
SCALE	RATING	LETTABILITY	SALEABILITY	LOCALITY
9	Excellent			
8	Very Good			
7	Good	x	x	x
6	Above average			
5	Average			
4	Below average			
3	Poor			
2	Very poor			
1	Unlettable			

CURRENT DEMAND				
SCALE	RATING	LETTABILITY	SALEABILITY	LOCALITY
9	Excellent			
8	Very Good			
7	Good	x	x	x
6	Above average			
5	Average			
4	Below average			
3	Poor			
2	Very poor			
1	Unlettable			

ANTICIPATED FUTURE DEMAND				
SCALE	RATING	LETTABILITY	SALEABILITY	LOCALITY
9	Excellent			
8	Very Good			
7	Good	x	x	x
6	Above average			
5	Average			
4	Below average			
3	Poor			
2	Very poor			
1	Unlettable			

### 13. LEASE SUMMARY

We have NOT been provided with a lease agreement but understand that the property will be group occupied. We have thus reverted to open market rental levels.

	STRONG	AVERAGE	POOR
Tenant's Rating	X		

### 14. MACRO AND MICRO LOCALITY

Umhlanga /Sunningdale is positioned on the upper ridge of Umhlanga Rocks, approximately 22 kilometres north of Durban adjacent to the industrial node of Glen Airl and the residential nodes of Sunningdale/Glen Airl. This has been a focus of a rapid residential development of the recent past. Interposed within the Sunningdale node is the subject development. The property straddles the N2 arterial on its western boundary whilst residential development surrounds its other boundaries. The location does afford excellent access to the greater Durban area and surrounds via the major arterial routes, which includes Umhlanga Rocks Drive and the N2. The subject unit forms part of the Sectional scheme known as Brookend Close Office Park.

### 15. MARKET RESEARCH AND APPLICATION

2014 has started off slightly slower than previous years with rentals expected to remain close to 2013 levels. Considering the global economic downturn, the property sector outlook is relatively bleak due to economic uncertainties and vacancy pressure still being a major concern for landlords. The SA Reserve has just increased the repo rate at its most recent MPC meeting held in January 2014, the first such increase in over 5 years. Market sentiment is that South Africa will see further rate cuts during the course of the year.

According to SAPOA Market Trends for 2013, compiled by IPD, the property industry, as with other industries, has been playing out on a very somber and uncertain stage in recent times. Economically speaking, 2012 was the most uncertain year following the GC as the real effects of the crisis and the subsequent mass bail-out programs, on a scale never before seen. The SA office and industrial property markets continue to demonstrate resilience. Though globally the commercial rentals and property values were in alarming decline in 2008/2009, the local markets were spared. The softening of the local environment was more gradual, though eventual effects mirror international trends. National office vacancies have increased steadily over the past three years and are at around 10% compared with the global average of 13.6%. This suggests that SA is performing fairly well.

For most economies, the initial predictions of a two to three year recovery now seem very wrong. The global economy is grappling with a debt crisis that history will find difficult to match. It is becoming evident that government and banks are unsure of how to deal with the contagion with which they are battling, and a "dead decade" is becoming more and more likely.

As a result property owners are under pressure to retain current tenants and protect income streams, all the while battling defaulting tenants and, at a domestic level at least, rising operating and administrative costs. Development opportunities are rare and limited to prime nodes where land is limited. As a result it is not an easy time to be in commercial property.

Notwithstanding the above sentiments, the Umhlanga Precinct has retained interest from major property developers due to its unique attributes of excellence in development. Since property is a long term asset, developers are confident of a complete market recovery in the short term. Developers are thus poised and ready to take advantage of opportunities well before the economy starts to improve.



16. Comparable Sales

16.1


The following are sales of comparable properties which have sold / are for sale in the vicinity of the subject property:

**Comparable 1**

**Property description**  
Section 11 SS 7/8  
Holwood Crescent

**Type of accommodation**  
Offices

GLA (m <sup>2</sup> )	133 m <sup>2</sup>
Estimated Gross Monthly Income	R 17 959
Operating Expenses per Month	R 6 397
Estimated Net annualised income	R 164 851
Purchase / Asking Price	R 1 900 000
Purchase Date	29 April 2014
Yield	8.66%
Nett Rental (R/m <sup>2</sup> )	R 69 R/m <sup>2</sup>
Gross Rental (R/m <sup>2</sup> )	R 125 R/m <sup>2</sup>
Purchase Price / Asking based on GLA (R/m <sup>2</sup> )	R 14 286 R/m <sup>2</sup>




Comments  
Improvements comprise A+ grade sectional title office space located within the popular La Lucia Office Park

**Comparable 2**

**Property description**  
Rem of Portion 98 of  
Office Park 16740

**Type of accommodation**  
Offices

GLA (m <sup>2</sup> )	1054 m <sup>2</sup>
Estimated Gross Monthly Income	R 147 560
Operating Expense per Month	R 29 512
Estimated Net annualised income	R 1 416 576
Purchase / Asking Price	R 19 500 000
Purchase Date	24 May 2012
Yield	7.26%
Nett Rental (R/m <sup>2</sup> )	R 112 R/m <sup>2</sup>
Gross Rental (R/m <sup>2</sup> )	R 140 R/m <sup>2</sup>
Purchase Price / Asking based on GLA (R/m <sup>2</sup> )	R 18 501 R/m <sup>2</sup>




Comments  
The improvements is located within the La Lucia Ridge Office Park with excellent sea views.

**Comparable 3**

**Property description**  
Portion 103 of Office  
Park 16740

**Type of accommodation**  
Offices

GLA (m <sup>2</sup> )	613 m <sup>2</sup>
Estimated Gross Monthly Income	R 68 885
Operating Expenses per Month	R 17 777
Estimated Net annualised income	R 853 296
Purchase / Asking Price	R 10 114 500
Purchase Date	8 November 2011
Yield	8.44%
Nett Rental (R/m <sup>2</sup> )	R 118 R/m <sup>2</sup>
Gross Rental (R/m <sup>2</sup> )	R 145 R/m <sup>2</sup>
Purchase Price / Asking based on GLA (R/m <sup>2</sup> )	R 16 500 R/m <sup>2</sup>



Comments  
The improvements is located within the La Lucia Ridge Office Park with excellent sea views.

Below is a summary of some of the sales that have taken place within the Umhlanga/La Lucia node.

Description	Unit Size	Selling Price	Date Sold	Rate/m <sup>2</sup>
Section 1 of SS Royal Palm	357	R 6 500 000.00	21 September 2011	R 18 207
Sections 4-9 SS Ridge 5	870	R 14 537 700.00	21 January 2011	R 16 710
Section 5 & 6 of SS Corporate Park	308	R 6 000 000.00	7 March 2011	R 19 481
Section 6 SS Ridge 8	470	R 9 988 412.00	2011/12/09	R 21 252
Section 7 SS Ridge 8	342	R 7 578 658.00	2012/06/25	R 22 160
Section 5 SS Ridge 8	215	R 4 917 793.00	2012/06/20	R 22 873
Section 7 SS Ridge 4	133	R 2 462 060.00	1 March 2012	R 18 512
Section 11 SS 7/8 Holwood Crescent	182	R 3 000 000.00	18 April 2013	R 16 484
Section 20 SS Corporate Park	115	R 1 482 000.00	14 May 2012	R 12 887
Section 417 SS Royal Palm	274	R 4 521 000.00	Last Week (May 2014)	R 16 500
Section 2 SS 9 Rydalvale	255	R 3 850 000.00	5 February 2013	R 15 098
Section 11 SS Rydall Views	151	R 2 265 000.00	23 September 2013	R 15 000
Section 10 SS Rydall Views	164	R 2 560 000.00	13 September 2013	R 15 610
Section 2 SS 11 Cranbrook Place	132	R 2 200 000.00	30 January 2013	R 16 667
Sections 7 SS Brookend Close Office Park	142	R 1 300 000.00	31 January 2013	R 9 155
Sections 8 SS Brookend Close Office Park	147	R 1 300 000.00	32 January 2013	R 8 844
Section 16 SS Strauss Daly	298	R 6 450 000.00	11 June 2013	R 21 644

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## 17. VALUATION MOTIVATION

### 17.1 INCOME

Gross Asking Rental is defined as being the full rental being asked including operating costs and municipal costs excluding parking, VAT, electricity/water consumption and internal cleaning. In terms of a gross lease, the tenant in a stand-alone building typically pays only for his refuse removal, water and electricity, as well as internal maintenance and increases in rates and taxes. He provides and pays for his own security. All other expenses are for the account of the landlord. In a park the tenant pays, in addition to his gross rental, his pro rata share of security costs, security lighting and landscaping.

Moderate economic activity is keeping the demand for office space down. Vacancy rates have seen a marginal drop and that growth might be distorted by base effects, a moderation in growth remains a possibility. Rental growth in the premier office node of La Lucia/Jimthlanga showed the strongest growth of 8%, whilst Westway and Berea reflected a growth rate of 2%.

In assessing the value of the subject property we have used rental levels as researched in the open market. The above rentals are considered in line with rental indicators obtained in the local market place.

The Rode Report 2014:Q1 indicate gross market rentals for office buildings as follows:

	Grade A+	Grade A	Grade B	Grade C
Durban CBD	-	R 72.50	R 52.50	R 43.33
Durban Berea	-	R 117.50	R 100.00	R 75.00
Essex Terrace	R 115.00	R 98.33	R 86.00	R 70.00
Westway	R 135.00	R 116.67	R 102.50	-
La Lucia Ridge	R 165.00	R 132.50	R 117.50	R 90.00

Property brokers/agents were consulted for comparative market research. The following were evident in our market research:

Description	Gross Market Rentals (Lowest)	Gross Market Rentals (Highest)	Gross Rental/m <sup>2</sup> applied to subject property	Capitalisation Rates
Office	R 75.00	R 95.00	R 90.00	9-11%

In assessing the value of the subject property we have used rentals as stated above in our calculations. The above rentals are considered in line with rental indicators obtained in the local market place.

### 17.2 EXPENSES

On average, the rent:cost growth differential across all sectors/segments remained relatively flat at 2.75% down from 2.82% in the previous period as per the SAPOA, May 2012 report. There has been a slight easing of the operating costs which is good news for both tenants and more importantly landlords. The ratio of operating costs to gross rent paid has steadied and even dropped slightly. Not too much can be read into this small movement, however, as the corresponding fall in vacancies will have aided this ratio. That is to say since some costs are still incurred on a vacant building, the landlord must absorb this cost as it cannot be passed on to a tenant. Therefore as vacancies are filled there are more tenants paying cost recoveries, so the impact on an individual tenant cannot be deduced from the change in total costs as a proportion of rent receivable. Looking forward, costs will remain a concern although some indicators show that this is being handled well in the market overall. The expenditure growth slowed slightly by 10

The SAPOA CAP and Data Survey, November 2013 indicate expenditure growth as follows:

Property Type	MIN	MAX	MED	AVE
Office				
Durban CBD Office	6.50%	8.50%	7.25%	7.47%
Non CBD Prime Office	7.00%	9.00%	7.50%	7.80%
Non CBD Secondary Office	7.00%	8.25%	7.25%	7.44%

The expenses have been estimated where necessary such as insurance, maintenance and sundries.

The assessed expenditure at **35.5%** or **R 35.79** is considered market related for the subject property.

### 17.3 VACANCIES

Despite the recent uplift in sales and general outlook, the operating environment for retailers remains difficult. Cost of occupation ratios currently stand at or above historic highs, and increases in electricity, rates and taxes in particular will exert further pressure on tenants' operating profits.

A slowdown in development activity has helped to attenuate the rising vacancy situation. The reassessment and deferment of projects has avoided intensifying the problems of an already somewhat over supplied property market. The tight availability of capital will also curtail new projects, which will assist in mung the supply pipeline coming online over the next few years.

	HIGH	AVERAGE	LOW
Vacancies in Area		X	

The vacancy we have applied to the subject property is

1.00%

### 17.4 CAPITALISATION RATES

The capitalisation rate is best determined by referring to market transactions of comparable properties as it is based on information derived from market analysis. The risk inherent in income producing properties is the degree of certainty that the income stream will be realised despite the uncertainty of the future, and therefore the higher the risk factor, the better return the investor will require.

In the Durban decentralized office nodes prime office capitalization rates also continued their downhill slant, whilst the rates in the CBD are now heading sideways.

The Rode Report 2014:Q1 indicate capitalisation rates for office buildings as follows:

	Grade A Tenant	Multi Leaseback	Grade B Multi Tenant	Grade C Multi Tenant
La Lucia/Umhlanga Ridge	8.40%	8.30%	9.70%	11.20%
Durban CBD	10.30%	10.40%	11.80%	13.80%
Westway	6.50%	8.90%	9.80%	12.00%
Essex Terrace	9.20%	8.80%	10.80%	12.00%
Berea	10.50%	10.10%	11.30%	12.60%

The SAPOA CAP and Data Survey, November 2013 indicate capitalisation rates as follows:

Property Type		MIN	MAX	MED	AVE
Office	Durban CBD Office	10.30%	12.00%	10.85%	11.00%
	Non CBD Prime Office	8.00%	10.50%	8.50%	9.00%
	Non CBD Secondary Office	10.60%	11.00%	10.50%	10.45%

Based on the above market research we have applied a capitalisation rate to the subject property of:

9.00%

### 17.5 SALES RATES

We have also consulted with estate agents and brokers to establish a market related sales rate/m<sup>2</sup> for sectional title units located in the vicinity of the subject unit. The following was evident:

	HIGH	LOW
Selling Rate / m <sup>2</sup>	R 14 000.00	R 10 000.00

Rate applied to subject unit

R 10 750.00

### 19. SOURCE OF INFORMATION

Where applicable, Property brokers/agents, Own Data Base, Local Municipality, South African Property Transfer Guide - Sales in area, Title Deed Office - Deeds web and the Surveyor Generals Offices.

## 20. VALUATION CALCULATION

### 20.1 INCOME CAPITALISATION METHOD

Accommodation	Tenant	Lease Expiry	Lettable area in m <sup>2</sup> / unit	Rate/m <sup>2</sup>	Monthly Gross Rental (including Operating Costs Recoveries)	Annual Rental	
Sectional title offices	Group	N/A	229	R 90.00	R 20 610	R 247 320	
Parking - Covered	Group	N/A	2	R 450.00	R 900	R 10 800	
Parking Open	Group	N/A	6	R 300.00	R 1 800	R 21 600	
					R -	R 21 600	
<b>Through Rental - Offices</b>			<b>229</b>	<b>R 90.00</b>	<b>R 20 610</b>		
<b>Sub Total</b>						<b>R 279 720</b>	
Less Vacancy						1.00%	R 2 797
<b>Gross Annual Income</b>						<b>R 276 923</b>	
<b>Less: Expenditure</b>						<b>R 98 342</b>	
Property Rates & Taxes						R 4 299.40	
Levies - estimated						R 3 303.00	
Sewerage						R -	
Alcon Maintenance						R -	
Lift / Escalator Maintenance						R -	
Advertising / Marketing						R -	
Sundries						R 250.00	
Management fee						1.0% of gross rental income R 2 769.23	
Repairs and maintenance						0.35% of replacement value R 2 694.949 Body Corporate	
Insurance						0.200% of gross replacement value R 2 694.949 Body Corporate	
Audit Fee						0.250% of gross rental income R 692.31	
<b>Income/Expenditure Ratio</b>						<b>35.5%</b>	
<b>Net Annual Income</b>						<b>R 178 581</b>	
Capitalisation Rate Applied						9.00%	
<b>Value</b>						<b>R 1 984 236</b>	
<b>OPEN MARKET VALUE ROUNDED</b>						<b>R 2 000 000</b>	

### 20.2 DIRECT COMPARABLE METHOD

Based on the above market research and taking into account time elapsed, we are of the opinion that market related rate/m<sup>2</sup> for the subject unit/section is:

Direct Comparable Method:	Unit (m <sup>2</sup> )/bays	R/m <sup>2</sup>	Total Value
	229	R 10 750.00	R 2 461 750.00
	2 Bays	R 50 000.00	R 100 000.00
			<b>R 2 561 750.00</b>
			<b>Rounded Value</b>
			<b>R 2 560 000.00</b>

The Income Capitalisation Method of Valuation produced a value of:

R 2 000 000

The Direct Comparable Method of Valuation produced a value of:

R 2 560 000

Sectional Title units are generally sold in the open market on a rate per square metre basis, we are thus of the opinion that the Direct Comparable Method of Valuation represent a fair Open Market Value of the subject unit/section.

### 21. SUMMARY

Valuer		Vickesh Ponnar	
Valuation Date		28 June 2014	
Erif Description	SECTIONS 19 & 20 IN THE SECTIONAL SCHEME KNOWN AS SS BROOKEND CLOSE OFFICE PARK, SITUATED ON ERF 2317 LA LUCIA		
Unit Size m <sup>2</sup>	229		
Physical Address	30 BROOKEND CLOSE - SUNNINGDALE - UMLANGA		
Zoning	Offices		
Usage	0		
GLA m <sup>2</sup>	229		
GBA m <sup>2</sup>	240		
Gross Annual Income	R		279 720
Net Annual Income	R		178 581
Annual Expenditure	R		98 342
Operating Costs / Month (R/m <sup>2</sup> )	R		35.79
Annual Expenditure as a %		35.5%	
Capitalisation Rate		9.00%	
Vacancy Rate		1.00%	
Purchase Price	R		2 652 500
Rate/m <sup>2</sup> based on OMV (GLA)	R		11 146
Open Market Value	R		2 560 000
Rate/m <sup>2</sup> based on OMV (GLA)	R		11 179
Forced Sale Value	R		1 600 000
Rate/m <sup>2</sup> based on OMV (GLA)	R		7 860
Total Replacement Value	R		2 700 000
Rate/m <sup>2</sup> based on Replacement Cost (GBA)	R		11 220

## 22. VALUATION

I, Vicknesh Ponnann, declare that I have inspected the above property, that I have verified the particulars set out in this valuation, and that I value the herein described property for the purposes of this valuation to the best of my knowledge and skills as at 26-June-2014 at

**R 2 560 000**

**Two Million Five Hundred and Sixty Thousand Rand only**

The signatories to this document hereby confirms that they have no present or contemplated interest in this or any other properties or any other interests, which would affect the statements or values contained in this valuation report. The valuation enclosed herewith was therefore undertaken on a completely independent basis.

ADDRESS: STANDARD BANK: CORPORATE AND INVESTMENT  
BANKING

Commercial Valuation Centre: Gauteng

#REF!

30 Baker Street

Rosebank

2199.0

Tel: (011) - 344 5030

Fax: 086 584 5003

**Vicknesh Ponnann**

**Professional Valuer**

**37866**

**Date of Signature: 26 June 2014**

### **Caveats**

This valuation report has been compiled for the exclusive use of Standard Bank and shall not be divulged to any other party, as it is confidential.

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 held responsible for possible defects.

Where actual income and expenditure data has been made available to us, such data has been adjusted for anomalies and used on the understanding that it is correct as a basis for assessing capitalised values; in the absence of such data, we have made what we consider to be plausible assumptions.

All plans included within the Valuation Report are supplied for the purpose of identification only and are not necessarily to scale.

The Insurance Value is a MINIMUM recommended value, subject to the qualifications set out above, and should be verified by Standard Bank to avoid the average clause being applied in the event of a claim. The Valuer should be advised of all alterations and additions to the property, subsequent to the date hereof.

We have assumed that the property and its value are unaffected by any statutory notice or condition of Title where Title Deeds have not been inspected, and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.

This valuation has been prepared on the understanding that no onerous easements, rights of way or encroachments exist by or on the subject property, other than those in favor of statutory bodies, applicable to all such properties, or which could be regarded as customary.

The market value and any other values referred to in this report exclude Value Added Tax (VAT) and transfer costs.

Kindly note that neither the whole nor any part of this report, nor any reference thereto may be included in any published document, circular or statement, nor published in any way without our prior written approval of the Valuer as to the form or context in which it may appear.