



# Namib Bou

a member of **Capricorn Group**

2<sup>nd</sup> Floor, ASHIRWAD BUILDING, Jan Jonker Road • P.O. Box 15, Windhoek, Namibia  
Tel: 061 299 0515 • Facsimile: 061 299 0595 • Email: Kapembep@cih.com.na

## PROPERTY VALUATION REPORT

**PROPERTY: ERF 9 BLOCK B, REHOBOTH**



MARKET VALUE:	N\$ 16 870 000.00
FORCED SALE VALUE:	N\$ 11 809 000.00
INSURANCE VALUE (15% VAT INCLUDED):	N\$16 870 000.00
DATE OF VALUATION:	10 March 2021

Prepared by: Petrus Kapembe  
Valuer

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## VALUATION REPORT

### 1. GENERAL INFORMATION

#### 1.1 INSTRUCTION

We have been instructed by Bank Windhoek Rehoboth Branch, represented by Bernadette Klukowski, to determine the most probable market value of the property as described in this report.

**CLIENT:** Rehoboth Medical Centre Pty Ltd  
**REPRESENTED BY:** Dr. H Van Wyk  
**ADDRESS:** Erf No 9, Block B, Rehoboth  
**TELEPHONE:** +264 81 127 1628/ 062 524 436  
**DATE OF INSPECTION:** 5 March 2020  
**DATE OF VALUATION:** 10 March 2020

#### 1.2 PURPOSE OF VALUATION

- The purpose of this valuation report is to determine the market value of the subject property for administration & borrowing purposes.
- Determine the insurance and forced sale value of the subject property

### 2. PROPERTY DETAILS

**CERTAIN** Erf No 9, Block B, Rehoboth  
**SITUATED** Rehoboth Town Council  
Registration Division "M"  
Hardap Region  
**MEASURING** 2 325m<sup>2</sup> (As per title deed 01 August 1978)  
**SERVITUDE** AS STIPULATED BY TITLE DEED

We did not view the title deed of the subject property and valuation will be done on the basis that there are no servitudes or conditions registered against the title deed that may adversely affect the content of this report.

### 3. LOCAL GOVERNMENT INFORMATION

**LOCAL AUTHORITY NAME:** Rehoboth Town Council  
**ZONING:** BUSINESS  
**COVERAGE:** Unlimited  
**HEIGHT:** As per Town planning scheme  
**BUILDING LINES:** As per Town planning scheme  
**PARKING REQUIRMENTS:** 1 per 50m<sup>2</sup> construction area

## 4. LOCAL AUTHORITY VALUATION

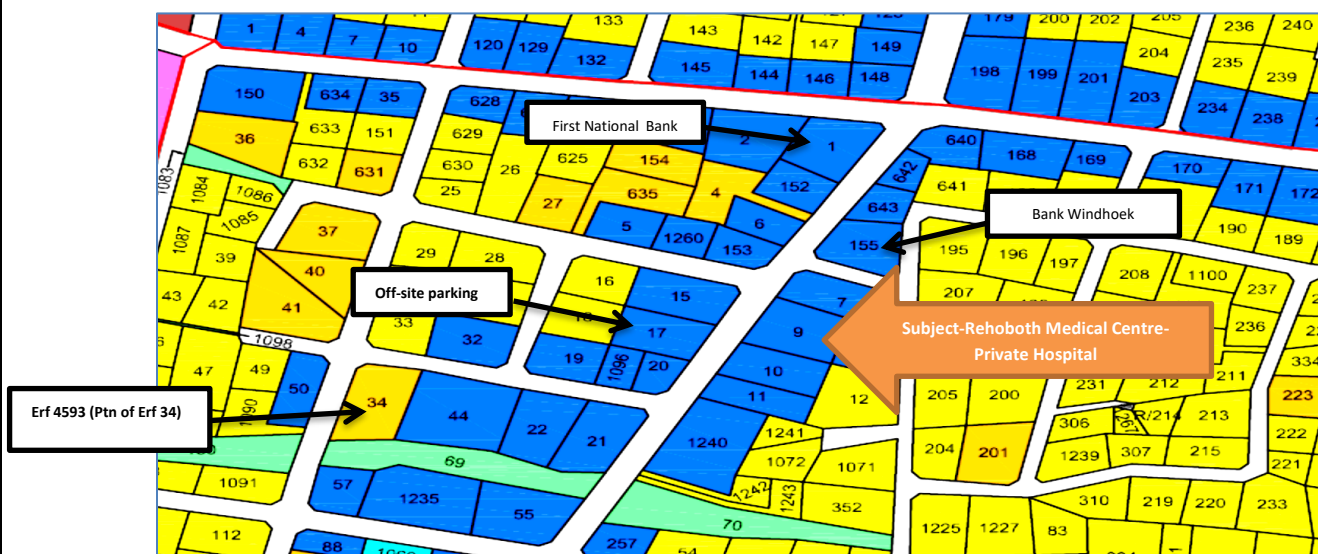
Township Name:	REHOBOTH
Calculated Area:	2107m <sup>2</sup>
Property Number:	9 Block B
Zoning:	Business
Municipal Land Value	N\$ 421,000.00
Municipal Improvement Value	N\$ 2,350,000.00
Total Municipal Value	N\$ 2,771,000.00
Registered Owner:	Rehoboth Medical Centre (Pty) Ltd

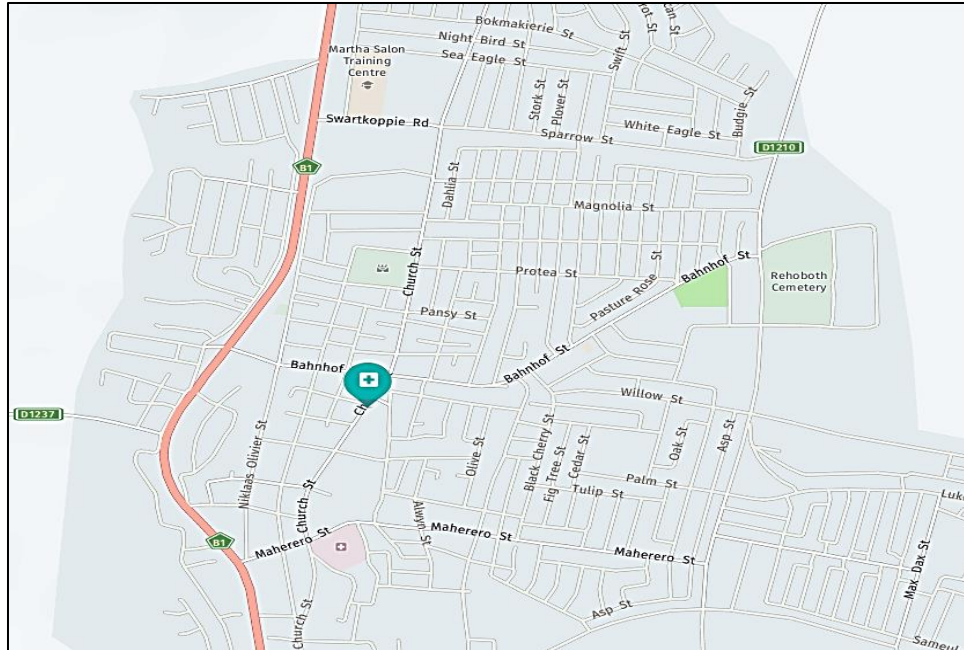
The general valuation roll of 2013 reflects the erf size as 2107m<sup>2</sup> for Erf 9, Block B, however, discussions conducted with Rehoboth Town Council officers, indicated that we must rather rely on the information as per applicable title deed.

## 5. LOCATION AND SITUATION

### 5.1 LOCATION AND AMMENITIES

The subject property is located in the heart of the CBD area, along Church Street. The immediate area comprises of other business properties, residential dwellings and retail shops. Amenities include Woerman & Brock Supermarket, U Save Shoprite, First National Bank, Bank Windhoek, Pep stores etc.





## 5.2 TOPOGRAPHY AND SERVICES

The improvements are situated on a level, well sized rectangular shape site completely serviced by the Rehoboth Town Council.

## 6. DESCRIPTION OF IMPROVEMENTS

The subject property is a Medical Centre which comprises doctors' consultation rooms, reception areas, ablution facilities, offices, a boardroom, pharmacy with storeroom & retail area, x-ray area, kiosk, laundry room, waiting areas, open office administration areas, archive, storerooms, backyard courtyard, a terrace and a front entrance canopy.

The subject building measures 1131m<sup>2</sup>. The property also has a roofed terrace measuring about 73m<sup>2</sup> and an entrance canopy measuring about 100m<sup>2</sup>.

The various sections in the clinic are rented by various specialists such as medical doctors, dentists, surgeons and eye specialists; and the building also has a laboratory, radiology facilities and physios.

The building is fitted with an alarm system and an active ventilation system.

The building is constructed with cement bricks, and is plastered and painted.

### Overall

Interior finishes throughout the building are in moderate to good condition. The finishes in the clinic include ceramic floor tiles, suspended ceilings, fluorescent lights, average to above average sanitary fittings and kitchen units, fixed sitting benches; and plastered and painted walls throughout the building.



## Parking

There are ample on-site, paved parking bays for staff as well as customers. The parkings are shaded and accessible from Church Street.

## Site Improvements

Site improvements on the property currently include large paved areas and landscape feature (water ponds & garden).



**Recent & on-going alterations:**

- A new laboratory has been constructed over the previously existing rear stoep. The laboratory is typically one open enclosure with stone floors, rhino board ceilings, a shower, and 1 air-conditioning unit. The size is in the region of 32m<sup>2</sup>.
- The use of the pre-existing boardroom has changed to suite the needs of a CT scanner room. The windows have been replaced and built-up; and floor covering has been removed and currently the room has granolithic floors only to make way for novilon flooring. The room has one air-conditioning unit and central cooling system.
- One consultation room is now used for dentistry equipment.
- The open section where the fishponds were, has been altered and the fishponds have been removed. This section will be used as a dialysis area and about six beds will be added to this section to serve the needs of the kidney unit.



## 7. OPEN MARKET ANALYSIS - HIGHEST AND BEST USE

(A Term meaning the reasonable, probable and permissible use that will support the highest present value, as of the effective date of the valuation).

The erf is zoned “Business” and as such, the Highest and Best use would be any manner of shops, business building, residential buildings, institutions, consulting rooms, places of public worship, hotels and restaurant etc.

The allocated use of a Clinic, developed in terms of the town planning conditions is within the range of the designated uses and therefore renders it a convincing ‘Highest and Best Use’ for the property.

## 8. ANALYZING

Rating out of 5 (1: low, 3: medium, 5 high)

Quality Finishes:	Rating: 4
Suburb Demand:	Rating: 4
Location	Rating: 4
Let-ability: Average	Rating: 3.5
Sale-ability: Average	Rating: 3.5

## 9. METHODS OF VALUATION AND CONSIDERATIONS

A medical centre/private hospital possesses unique characteristics that a non-medical business does not possess, consequently, certain methods of valuation are not appropriate and should not be used to value medical practice/private hospital. For example, since few medical practices are comparable, the comparable sales method and Depreciated Replacement Cost Method has severe limitations and should only be used in conjunction with another appraisal method due to limited market evidence.

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 of 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 objective 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.

Cognisance was taken of the fact that the subject property is a Clinic, and that the Income Capitalization Method is considered to be the most appropriate to determine the value of the subject property. It is essential to use the **Comparable sales Method** in conjunction with the **Income Capitalization Method** to determine the value.

### Comparable Sales Method

The comparable sales method has been established by the courts in actions involving market value disputes that comparable transactions afford a sound basis for arriving at a satisfactory guide in determining market value and that the comparison method has been readily accepted as a sound valuation principle.

The object of this method is to enable us to arrive at a norm which will serve as a guide in estimating the comparable market rentals to be used in the Income Capitalization Method.

**Table 1: Comparable rentals**

<b>Area &amp; type</b>	<b>Rent Exc VAT</b>	<b>Size/m<sup>2</sup></b>	<b>Rent/m<sup>2</sup></b>
<b>Khomas Medical Mondesa Centre-SWK</b>			
Khomas Medical Centre	N\$157,543.19	942.32	N\$167.19
Consulting rooms	N\$47,622.9	317.49	N\$150.00
Clinic	N\$36,887.54	245.92	N\$150.00
Loyalty card	N\$25,193.68	59.98	N\$420.03
Sub-acute	N\$47,839.08	318.93	N\$150.00
Diagnostic Imaging	N\$27,751.24	126.14	N\$220.00
Pharmacy	N\$35,034.51	143	N\$245.00
Letshego	N\$25,266.25	101.07	N\$249.99
<b>Erf 427, Block A- REHOBOTH</b>			
Pharmacy	N\$19,130.43	184	N\$103.97
Laboratory	N\$4,347.83	29	N\$149.93
Physiotherapy	N\$4,347.83	41	N\$106.04
Optics- Eye specialist	N\$5,217.39	76	N\$68.65
Biogenetics	N\$5,217.39	67	N\$77.87
<b>Khomas Medical Centre-KHOMASDAL</b>			
Consulting room	N\$6,951.36	16	N\$434.46
Dietician	N\$5,457.06	14	N\$389.79
Pharmacy	N\$48,626.55	129	N\$376.95
Sub-acute	N\$46,296.00	120	N\$385.80
Office area- finance	N\$31,565.06	61	N\$517.46
Main/loyalty card/incentive trust	N\$186,210.99	483	N\$385.53
Optics	N\$27,960.38	49	N\$570.62
Biokenetics	N\$37,614.06	157	N\$239.58



Consulting room	N\$4,583.20	16	N\$286.45
Dentist	N\$4,226.00	25	N\$169.04
Physiotherapy	N\$6,956.55	15	N\$463.77
Diagnostic Imaging	N\$15,000.30	63	N\$238.10
<b>Katutura B1 Pharmacy</b>	N\$43,400.00	140	N\$310.00
<b>LPPH West Medical Suite</b>	N\$30,626.20	139.21	N\$220.00

Table 1 indicates a list of the comparable rentals of difference areas in medical centres, although not all the comparable rentals are in Rehoboth, they provide a guideline in determining an appropriate rate for the difference sections of a hospital. Due to the unique characteristic of a hospital/medical centre higher rates are chargeable for specialized areas such as the theatre, high care wards and medical imaging areas as indicated in the table above.

**Table 2: Actual Rentals of Erf 9 (existing Medical Centre)**

No.	Tenant mix	Rent Inc VAT	Rent Exc VAT	Size	Rent/m <sup>2</sup>	Escalation	Date
1	Rehoboth Pharmacy	N\$ 39,326.00	N\$ 34,196.52	115	N\$ 297.36	6%	10/07/2020
2	Optometrist (pty) Ltd W. Meyer	N\$ 8,539.36	N\$ 7,425.53	51	N\$ 145.60	6%	14/07/2020
3	NAMPATH Laboratories (PTY)Ltd	N\$ 15,274.65	N\$ 13,282.30	32	N\$ 415.07	8%	17/01/2020
4	Dr. H Van Wyk	N\$ 5,300.00	N\$ 4,608.70	32.52	N\$ 141.72	6%	09/07/2020
5	Twin Peaks Family Practice	N\$ 8,000.00	N\$ 6,956.52			8%	26/06/2020
6	Dr. M.T Tune	N\$ 11,294.76	N\$ 9,821.53			6%	14/07/2020
7	Dr. Edward Fynn	N\$ 25,445.47	N\$ 22,126.50	82.03	N\$ 269.74	6%	01/07/2020
8	Dr. Wesley Mouton Dental Practice cc	N\$ 13,113.02	N\$ 11,402.63	43	N\$ 265.18	6%	10/07/2020
	Average	N\$ 15,786.66	N\$ 13,727.53		N\$ 255.78		

Table 2 indicate a list of actual rental rates currently obtained for the different types of areas within the existing Medical Centre, this gives a good indication of rates/income obtainable by the subject property. A rate of N\$ 230.00/m<sup>2</sup> will be used in market value determination in this report, due to the current economic downturn.

## 10. MARKET COMMENTARY & VALUATION CONSIDERATION

The business property market in Rehoboth is somewhat insignificant in the view that there is a large number of owner-occupied business properties. Furthermore rentals of commercial properties are seldom governed by standard rentals, as owners of these properties tend to determine rentals by negotiations and as a result there are vast arrays in some cases.

The small to medium income sector has been very active with house prices increasing coupled with the fact that the town has seen an influx of people especially from Windhoek now entering the housing market due to the scarcity and unaffordability of houses in Windhoek, with Rehoboth a more feasible option due to lower building costs and more affordable land prices. In addition new residential developments are currently active that will offer luxury homes at an affordable price, private school located within residential area, Hilltop views of the surrounding mountains and close access to downtown shopping centre. The demand for medical facilities will be of importance due to the significant increase in demand for occupation in Rehoboth.

In determining the market value of the subject property, a number of factors will be considered. These factors include physical attributes, location, market conditions and demand.

The following aspects will be considered in determining the value of the property:

- The subject property is located within the CBD area of Rehoboth, hence allowing for easy access.
- The main use of the property is a medical practice/private hospital, but the different offerings at the same premises such as Physiotherapy, Radiology, Pharmaceutical, Dentistry and Optometric facilities makes it more attractive, taking into account that there are some level of competition in the Town of Rehoboth. (One stop service).
- Experience of a professional team.
- High quality of permanent structures and improvements.
- Competition – possible existence of other private medical practices (small community).
- Ability to recruit physicians to practice.
- Contraction in property values/rental yields/ capitalization rates due to the economic slowdown.

#### **Capitalization rate:**

The Capitalization rate is best determined by referring to market transactions of comparable properties as it is based on information derived from market analysis. The Capitalization rate must take the prevailing interest rate into consideration. The higher the interest rate, the better the return an investor will require. Similar risk is another factor that will influence the Capitalization rate. The higher the risk factor, the better the return investor will require. The risk inherent to income producing properties is the degree of certainty that the income stream will be realized despite the uncertainty of the future. As a result of the fact that private hospitals/medical facilities are subsidized by the medical aid schemes, the said facilities are usually extended to accommodate the demand. An example of this is Lady Pohamba Private Hospital which is currently undergoing extending. In view of the latter as well as the fact that the national capitalization rates in South Africa were 10,3% for grade-A multi-tenanted decentralized office properties, 9,8% for prime industrial leasebacks and 8,5% for regional shopping centers in the first quarter of 2020, we recommend a capitalization rate of 11% to be regarded the norm for the subject property, cognizance taken of the value adding aspects noted above and type of space to be offered, in an average lending area with good exposure. This in turn is equivalent to a price earning index of 9.0909 which is in line with what the market should offer for a property of this nature under current market conditions.

#### **Vacancy:**

A 5% vacancy factor would have been the ideal because of the high dependency on professional tenants but a 3% factor was applied because of the evidence of consistency in the vacancy/tenancy potential of the property.

#### **Expenses:**

Operating expenses are divided in three categories:

- Fixed expenses – Taxes and building insurances
- Variable expenses - Management, maintenance, security, leasing commissions etc.
- Replacement allowance - Allowances for the replacement of building components that wear out and needs to be replaced during the building's economic life.

Expenses related to the property include rates and taxes, insurance, cleaning and repairs and maintenance etc.

Expenses for this type of property, depending on the condition and size, normally range between 15% – 40% of the gross income. We are of the opinion that a 31% expense rate can be applied to the gross income for this valuation.

## 11. DETERMINING OF VALUE

### 11.1 INCOME CAPITALIZATION METHOD

Description	Size(m <sup>2</sup> )	N\$/m <sup>2</sup>	Total N\$
Total Improvements (Consulting rooms, Pharmacy, Physio, radiology, Eye Specialist, Laboratory, dentist, surgery etc.) - Rentable area	1010	N\$ 230.00	N\$ 232,300.00
Covered parking bays (No of bays)	13	N\$ 120.00	N\$ 1,560.00
Open parking bays (No of Bays)	4	N\$ 100.00	N\$ 400.00
Subtotal			N\$ 234,260.00
<b>Annualized</b>			12
<b>Effective Gross Income (EGI)</b>			N\$ 2,811,120.00
<b>Less: Vacancy Determined at 3% of gross income</b>		3%	N\$ 84,333.60
<b>Less: Outgoings Determined at 31% of gross income</b>		31%	N\$ 871,447.20
<b>Net Operating Income (NOI)</b>			\$1,855,339.20
<b>Capitalized in perpetuity at 11%</b>	100	11.00	9.09091
<b>Total</b>			N\$ 16,866,720.00
<b>MARKET VALUE (ROUNDED)</b>	<b>SAY</b>	<b>-</b>	<b>N\$ 16,870,000.00</b>
<b>FORCED SALE VALUE</b>	<b>70%</b>	<b>-</b>	<b>N\$ 11,809,000.00</b>

### 11.2 INSURANCE VALUE

Description of Improvements	Size(m <sup>2</sup> ) ±	N\$/m <sup>2</sup>	Total (N\$)
Medical practice	1195	N\$7,750.00	N\$ 9,261,250.00
Other Improvements (walling, aircons, alarm, paving, CCTV, IBR Stoeps, Shade nets)			N\$ 1,377,150.00
<b>Sub Total</b>			<b>N\$ 10,638,400.00</b>
Professional Fees @	10%		N\$ 1,063,840.00
Demolition Fees @	3%		N\$ 319,152.00
<b>Total (Excluding 15% VAT)</b>			<b>N\$ 12,021,392.00</b>
<b>ADD 15% VAT</b>	15%		<b>N\$ 1,803,208.80</b>
<b>Grand Total</b>			<b>N\$ 13,824,600.80</b>
<b>INSURANCE VALUE (ROUNDED)</b>			<b>N\$ 13,820,000.00</b>

## 12. OPINION OF VALUE

After due consideration of the information presented, an “As Is” **Valuation Amount of N\$ 16 870 000.00 (Sixteen Million Eight Hundred and Seventy Thousand Namibian Dollars)** is considered a realistic **Market Value**, for the subject property with a recommended “As Is” **Insurance Value of N\$ 13 820 000.00 (Thirteen Million Eight Hundred And Twenty Thousand Namibian Dollars)** and a recommended **Forced Sale Value of N\$ 11 809 000.00 (Eleven Million Eight Hundred And Nine Thousand Namibian Dollars)**.

## 13. CONDITIONS & RECOMMENDATIONS

Our valuation assumes that the services will be in a satisfactory condition as is. This valuation of the subject property offered as security is done solely for the internal administrative purposes of Bank Windhoek Limited. No warranties whatsoever are given or implied in respect of the property, its condition or market value. Furthermore Namib Bou (Pty) Ltd does not accept any responsibility should this information be used by any other party for whatever reason.

## 14. CERTIFICATE

After taking due consideration of all the relevant factors, I and Petrus Kapembe in my capacity as a Valuer, consider the above valuation to be a true reflection and a fair assessment of the subject property’s market value, as at the date of valuation.



**PETRUS M KAPEMBE**  
**VALUER**

DATE: 10 March 2021