



# APPRAISAL CORPORATION

Your Reference: Afine Valuations  
Our Reference: AC220055D  
Date: 04 May 2021

ATTENTION: MR. A. LOUBSER

Afine Investments (Pty) Ltd  
Unit 4602 Greenways  
8 Wentworth Close  
STRAND  
7140

**VALUE DETERMINATION:  
REMAINDER ERF 645 PARKDENE EXTENSION NO. 3, IR DIVISION, GAUTENG  
SITUATED ALONGSIDE RONDEBULT ROAD (R21), PARKDENE**



Prepared By:

R.E. Jackson  
Pr Val (MIVSA)

J.F. du Toit  
Pr Val (FIVSA)



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Your Reference: **Afine Valuations**Our Reference: **AC220055D**Date: **04 May 2021**

Dear Sir

**VALUE DETERMINATION:REMAINDER ERF 645 PARKDENE EXTENSION NO. 3, IR DIVISION, GAUTENG**

1. Further to your instruction received on 31 March 2021, a value determination on the above-mentioned property is enclosed herewith. For ease of reference, Remainder Erf 645 Parkdene Extension No.3, IR Division, Gauteng will be referred to as "**the Subject Property**" in the remainder of our report.
  
2. This report will be dealt with in two sections, i.e.:
  - 2.1 **Introductory Section** (pages 1-7): Includes a covering page, letter of transmittal, appraisal certificate, assumptions and limiting conditions, definitions and date of valuation.
  
  - 2.2 **General Report** (pages 8-21): A discussion of the Neighbourhood Area, market tendencies and research, the value calculations and conclusion.
  
3. We trust that this submission meets with your requirements. Please do not hesitate to contact us should you have any enquiries in this regard.

Yours sincerely,

**R.E. Jackson**  
**Pr Val (MIVSA)**

**J.F. du Toit**  
**Pr Val (FIVSA)**



## APPRAISAL CERTIFICATE

We the undersigned certify that,

1. This report has been prepared in conformity with recognized standards of appraisal procedure and ethics. To the best of our knowledge and belief the statements contained in this report are correct.
2. Opinions stated are based on a full and fair consideration of all the pertinent factors available. The statements are subject to the Assumptions and Limiting Conditions stated in this report.
3. 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.
4. 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 value.
5. There are **21** Pages, **4** Figures and **2** Tables, which all are essential to the report.
6. 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.
7. In our opinion, a willing buyer will pay a willing seller the following amount in the open market, for the particular property (**Remainder Erf 645 Parkdene Extension No. 3, IR Division, Gauteng**), at the date of our value determination (**30 April 2021**):  
  
**R 9,900,000** (Nine Million Nine Hundred Thousand Rand)
8. All mapping and photography was conducted by Appraisal Corporation.
9. The valuation excludes Value Added Tax (VAT).



10. This valuation does attempt to factor in the potential impact that the Covid-19 pandemic might have on property values. It is however at this point in time not possible to quantify such impact with certain accuracy. This will only become more measurable in forthcoming years as we progress through the recovery of this pandemic.

A handwritten signature in black ink, appearing to read "R.E. Jackson".

**R.E. Jackson**  
**Pr Val (MIVSA)**

A handwritten signature in black ink, appearing to read "J.F. du Toit".

**J.F. du Toit**  
**Pr Val (FIVSA)**

for

**Appraisal Corporation**

**Date: 04 May 2021**

**Place: Cape Town**



## **ASSUMPTIONS AND LIMITING CONDITIONS**

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

**Jacques Francois du Toit or Robyn Elizabeth Jackson of Appraisal Corporation.**

This particularly pertains to the value conclusion, the identity of the appraiser/s or any reference to the professional appraisal 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 reliable but its accuracy is not guaranteed. This value determination 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 value determination, 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 not carried out investigations on site in order to determine the suitability of ground conditions and services for any future proposed development. Our value determination is on the basis that these aspects are satisfactory.

We have assumed that there is no contamination, other than that associated with its existing usage, affecting the property or neighbouring property, which would affect our value determination. However, we reserve the right to review our value, should it be established subsequently that contamination, other than that associated with its existing usage, exists at the property or on any neighbouring land.

## **DEFINITIONS**

The value determination with our report is defined by the International Valuation Standards Council (2020) as:

### **Open Market Rent:**

*“Market Rent is the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

### **Open Market Value:**

*“Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

**Highest and Best Use:**

*"The highest and best use must be physically possible (where applicable), financially feasible, legally allowed and result in the highest value. If different from the current use, the costs to convert an asset to its highest and best use would impact the value."*

The Fair Value of an asset according to the IASB is defined as follows:

**Fair Value:**

*"The amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction" (IAS 16)".*

*"IFRS 13 defines Fair Value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."*

Value determination is made for the purpose as stated and should not be used for any other purpose.

**TERMS OF REFERENCE**

The purpose of this report is to determine the current Open Market Value of the Subject Property, which is required for the proposed listing of Afine Investments (Pty) Ltd on ZARX.

**DATE OF VALUATION**

30 April 2021



## GENERAL REPORT

### VALUE DETERMINATION:REMAINDER ERF 645 PARKDENE EXTENSION NO. 3, IR DIVISION, GAUTENG

#### 1. INSTRUCTION

1.1 We have been instructed by Mr Anton Loubser of Afine Investments (Pty) Ltd to undertake a current open market valuation of the Subject for the purpose as stated under the *Terms of Reference*.

1.2 Our market research was undertaken during the period of April 2021.

2. **DATE OF INSPECTION:** 23 April 2021

#### 3. TITLE DEED INFORMATION

The Title Deed indicates that the Subject Property is held as follows:

Description: Remainder Erf 654 Parkdene Extension No. 3, IR Division Gauteng.

Title Deeds: T88751/2003

Registered Owner: Investment Facility Company Three Three Six (Pty) Ltd.

Extent: 2,274m<sup>2</sup> (Remaining extent)

The title deed indicates an extent of 1.2267ha which is for the full property, with the deduction of Portion 2 in extent 9,993m<sup>2</sup>.

Date of Registration: 18 December 2003

Date of Purchase: 8 July 2003

Purchase Price: R102,600 (Incl. VAT)

Mortgage Bonds: B63742/2003 for the amount of R5,788,333 in favour of Nedbank Ltd.

B63743/2003 for the amount of R5,788,333 in favour of Sasol Oil (Pty) Ltd ("**Sasol**"). Within the Notarial lease it indicates that the Bank Bond will rank prior to this bond.

Servitudes Noted:

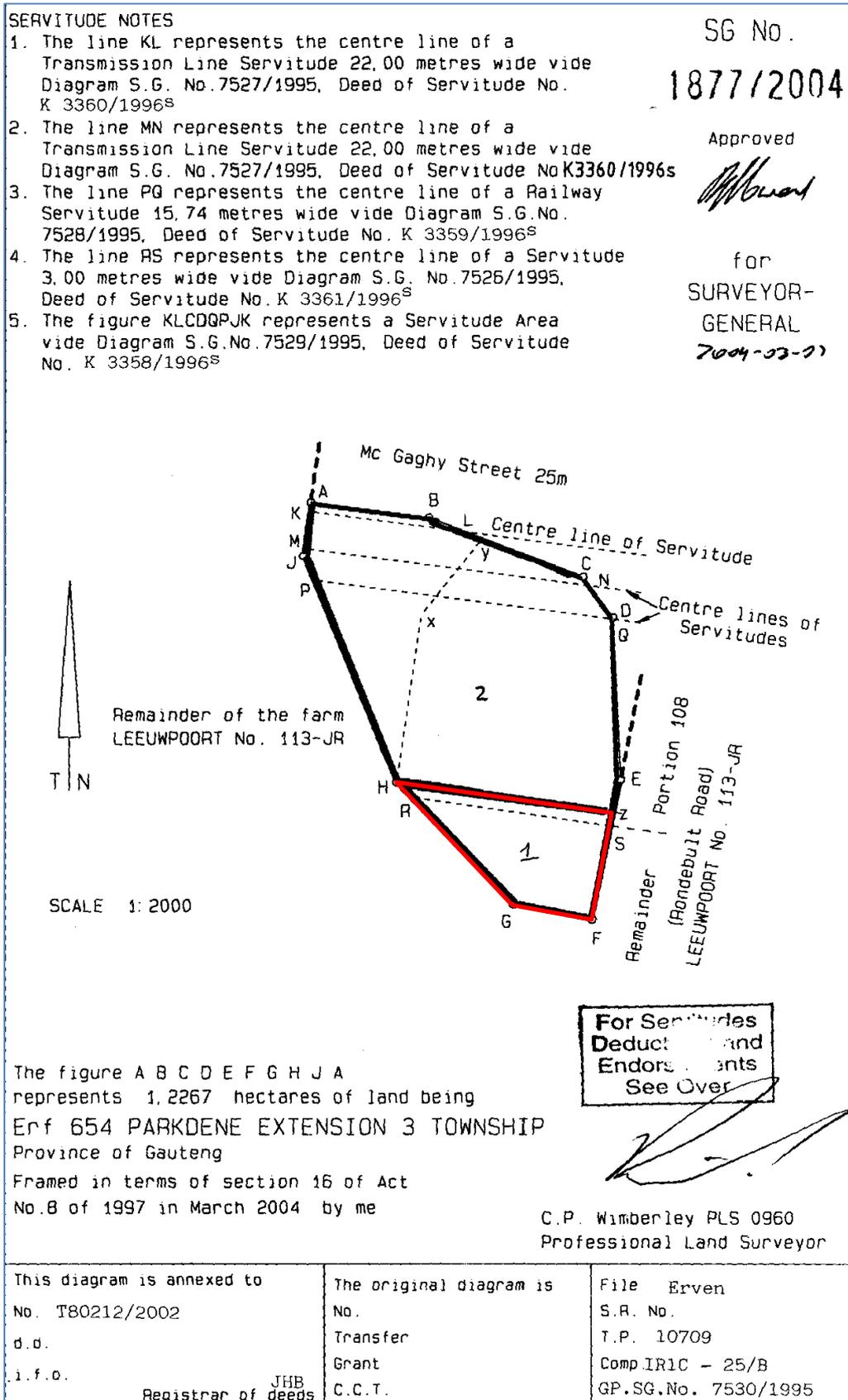
The following relevant conditions in current title deed:

(i) A note for an omitted condition. This refers to K2895/2004 a Notarial Lease in favour of Sasol. The lease will further be discussed in par. 9.

(ii) K4596/2004 is a pre-emptive right in favour of Sasol. This is a condition as part of the lease regarding Sasol's right to acquire the property. A note is indicated on the Title Deed releasing Portion 2 Erf 654 Parkdene of this condition.



Figure 1: SG-Diagram of Subject Property (red)





(iii) K4597/2004 is a servitude of restraint in favour of Sasol. This is in terms of the bank bond and Sasol bond on the property.

(iv) SG-Diagram No. 1877/2004 indicates a 3m wide servitude area (K3361/1996) parallel to the northern boundary of the property.

(v) Subject to a 2m wide servitude in favour of the local authority for municipal purposes. This needs to be along a boundary other than a street boundary. No buildings or large-rooted trees are permitted in this area.

(vi) As the property is/may be undermined. The owner is therefore liable for damage to any structure which may result from subsidence, settlement, shock or cracking.

#### 4. TOWN PLANNING CONDITIONS AND LOCAL AUTHORITY INFORMATION

4.1 **Local** City of Ekurhuleni

4.2 **Zoning:** "Special"- The erf shall be used for a filling station and with the special consent of the Town Council for such other uses as the Town Council may approve excluding noxious industries. The zoning certificate provided indicates this zoning for the full Erf 654. A condition restricts the any nature of vehicle/equipment repair may not be affected outside of the filling station building except in an area which is screened. It has a 2 storey height restriction, with a 40% coverage and a floor area ratio factor of 1.5. The development complies with these.

4.3 **Municipal Valuation:** The municipal valuation is based on the provisional valuation roll dated 01 July 2020. According to this, the Subject Property is valued at R9,700,000 and rated on a Business and Commercial tariff. The municipal value is considered to be an understatement of open market value.

#### 5. NEIGHBOURHOOD AREA

5.1 Parkdene is located on south-west periphery of the Boksburg Central Business District ("CBD"). It is bordered by Rondebult Road (R21) which forms the eastern and northern boundary, a river and residential suburb of Reiger Park to the far west, the Cinderella Hostel informal settlement area to south-west and the new Urbika residential security estate further south.

5.2 Rondebult Road is a main carriage way connecting the southern most suburbs of Boksburg (i.e. Dawn Park and Villa Liza) to the CBD further north. It is also a connector route to the N7 and N12 National Roads.

Figure 2: Google Imagery Indicating Location of Subject Property (red)



Figure 3: Aerial Imagery of Subject Property (red)



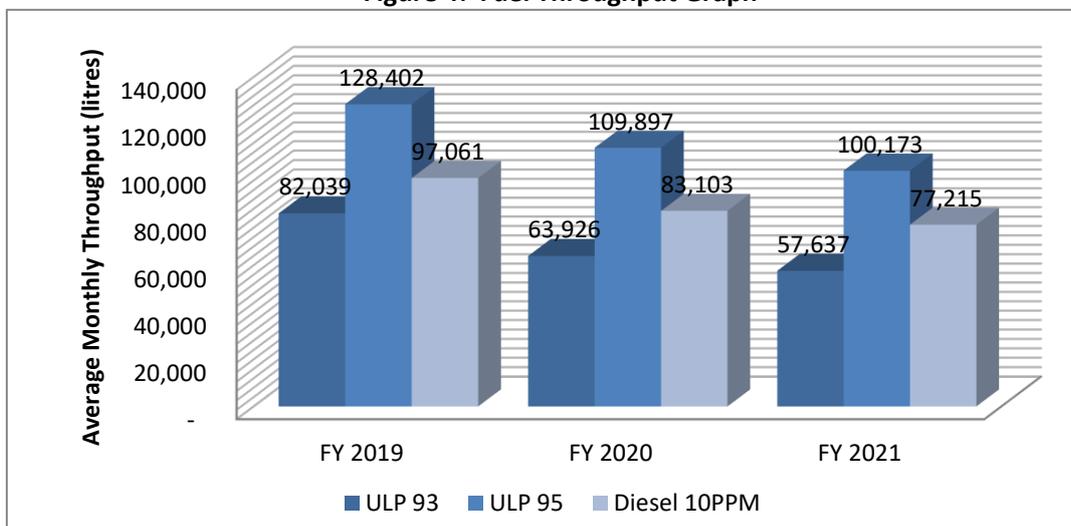


- 5.3 The Subject Property is located alongside Rondebult Road,  $\pm 150\text{m}$  from the intersection of Rondebult Road and Espri Lane. The latter extends eastward to connect to Trichardt Road, another north-south linkage route. The immediate vicinity is considered to be a developing area. The Checkers Hyper retail centre is part of a retail precinct which is to be known as Parkdene Junction. The three phase project will result in a  $\pm 44,000$  retail footprint, with completion of first phase expected to be open in September 2021. On the opposite side of Rondebult Road is the established residential suburb of Parkrand, although a number of the dwellings alongside Rondebult Road have been converted to home occupation businesses. Properties adjacent to the Subject Property is vacant land which forms part of the municipal housing project known as Leeuwoort north (Parkdene Extension 7 and Reiger Park Extension 19). In addition to the northern section, there is also a southern section of this development which is located alongside the R554 Arterial Route, further south. Combined, the  $\pm R2.9$  million housing project is envisioned as a seven year project to be completed in 2024, providing  $\pm 220,000$  housing opportunities. As of 2017, some roads and services have been laid out for the northern section of the development.
- 5.4 To the south of the Leeuwoort development land is the Urbika Lifestyle Estate. This is a three phased, residential security development. The first phase of sectional title units have been completed with the second phase of freehold property in the estate already underway. A Curro campus has also been established which is considered an accelerants to the developing estate
- 5.5 In assessing the location of a service station a visibility, accessibility, traffic and trade analysis ("VATT") was conducted. The property is developed to its highest and best use.
- 5.5.1 **Visibility: Good**  
The Subject Property is located alongside the R21 route, a double carriage route with high levels of vehicular traffic as it is a main thoroughfare in the area. It has a street frontage of  $\pm 42\text{m}$ . Adjacent properties are currently vacant and signage is visible from  $\pm 215\text{m}$  to traffic travelling northbound and visible to southbound traffic at a distance of  $350\text{m}$ . It is located within close proximity to the Rondebult/Espri intersection, a traffic light intersection providing access to the Checkers Hyper Shopping Centre.
- 5.5.2 **Accessibility: Average**  
There is a separate ingress and egress point from Rondebult Road, however due to the centre island access is restricted to northbound traffic. The forecourt has a good and modern configuration with easy access and parking available in front of the convenience store.
- 5.5.3 **Traffic: Good**  
No traffic count was supplied. Traffic past the property is generally high, due to the Rondebult Road being a major north-south link for the great Boksburg Area, providing access to the N7, N12 and the CBD. Traffic is mainly day-time commuters traveling to the shopping centre, work in CBD and home to surrounding residential nodes.
- 5.5.4 **Trade: Average to good**  
There is a BP filling station  $\pm 1\text{km}$  south of the property which services the southbound traffic on Rondebult Road and a Caltex  $\pm 1.8\text{km}$  which is however off Rondebult road, alongside Robinson Avenue.



The Subject Property has a closer location to the CBD, but is further from the National Roads. We were provided with the fuel sales for the years July 2019 to February 2021. A year period is noted from July to June. Over the three year period under review, a declining trend is noted from 2019, this is most likely due to the impact of the Covid-19 Pandemic and subsequent lockdown regulations affecting the four months of 2020 as well as still having an effect within the 2021 period. Total average monthly fuel sales amounted to ±307,503l during 2019 (pre-Covid throughput), indicating an above-average performing site. In 2020, an average monthly throughput of ±256,926l was achieved, indicating a ±16% decrease. However over the nine month review of 2021, a lesser decrease of ±9% is noted, which indicates that throughput is recovering.

**Figure 4: Fuel Throughput Graph**



**6. SUBJECT PROPERTY**

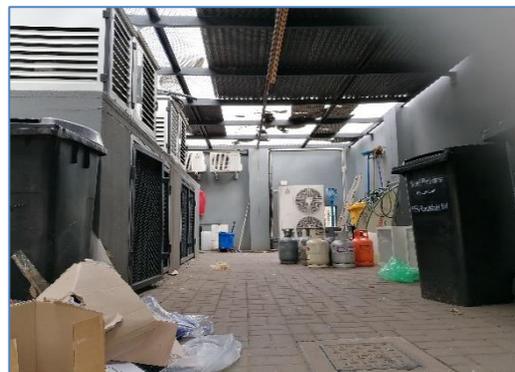
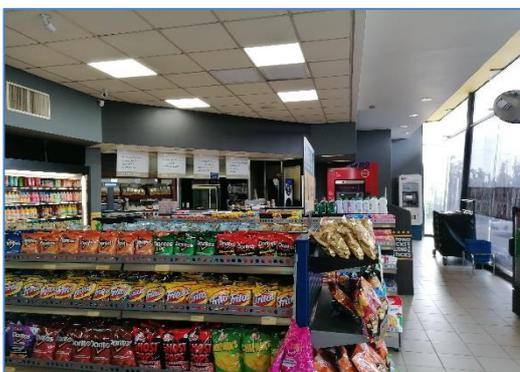
The site is improved with a Sasol-branded service station.

**6.1 Convenience Store**

External Walls:	Plastered brick with feature yellow tile cladding.
Internal Walls:	Plastered brick.
Roof:	Mono-pitched IBR.
Window Frames:	Aluminium.
Floors:	Concrete.
Floor Coverings:	Ceramic tiles and concrete.
Ceilings:	Suspended board.
Condition:	Average.

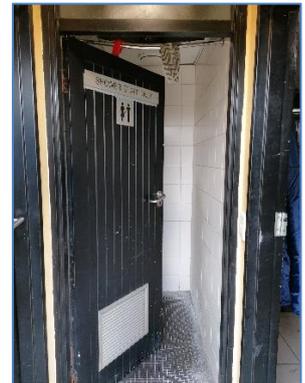
## Comments:

The convenience store is a single storey building with ceiling to floor shop front windows and a sliding door entrance. Accommodation comprises open retail area with fitted fridges, pay kiosk counter, an internal ATM (ABSA) as well as a portable Capitec ATM. The take-away area comprises a counter with back kitchen. The kitchen has tile cladded walls, a walk-in fridge and stainless steel counter with sink and built-in cupboards. Public ablution facilities are also located within the store comprising male, female and paraplegic bathrooms. These are coin-operated. The back-end yard is enclosed with plastered brick walls, a wire mesh roof partially covered with IBR sheeting and has a paved surface. Adjacent to the convenience centre a DVS delivery locker, as well as the on-site generator, which is fenced in with palisade fencing and a mono-pitched IBR roof.



## Comments:

To the rear of the pay kiosk is a cash office fronting onto the forecourt and a narrow administration office. With separate access is the attendees accommodation which comprises a rest kiosk fronting the forecourt, male and female ablution facilities which include locker, ablutions and shower facilities.



6.2

**Canopy and Forecourt**

External Frame: Aluminium.  
 Rust: None.  
 Roof: Mono-pitched IBR sheeting.  
 No. of Islands: 4  
 No. of Pumps: 4 pumps each with 6 nozzles each (four petrol, two diesel).  
 Surface: Brick and concrete paved.  
 CCTV Cameras: Yes.  
 Condition: Good.



7. APPROXIMATE BUILDING EXTENTS

	Description	Bldg. Extent	Rentable	
7.1	Shop	250m <sup>2</sup>	203m <sup>2</sup>	(Rentable extend excludes attendees accommodation and offices)
7.2	Enclosed yard	48m <sup>2</sup>	48m <sup>2</sup>	
7.3	Generator enclosure	12m <sup>2</sup>	12m <sup>2</sup>	
	<b>Sub-total</b>	<b>310m<sup>2</sup></b>	<b>263m<sup>2</sup></b>	
7.4	Forecourt Canopy	385m <sup>2</sup>	385m <sup>2</sup>	
	<b>Total (Excl. Canopy)</b>	<b>695m<sup>2</sup></b>	<b>648m<sup>2</sup></b>	



## 8. MARKET TENDENCIES

The Covid-19 lockdown and weak economy have had a negative impact on the property sector, specifically for commercial and industrial markets. Brokers are reporting that many prospective tenants are not committing to leases or are signing leases with a shorter duration. They also report that rentals have declined on the back of higher vacancies and that the investment market is subdued. The current economic crisis has caused a slight upwards shift in yields that investors expect from their property investments. This is however mitigated by a more favourable interest rate regime. This resulted in a marginal decrease in capitalisation rates for commercial property, averaging  $\pm 8.5\%$  to  $\pm 9.5\%$ . Properties in prime and central locations are still trading at lower yields, with properties in secondary nodes trade at higher yields. Specialised trading properties generally trade at a slight risk margin above this.

## 9. LEASE DETAILS

- 9.1 We received a headlease in place with Sasol ("**tenant**") for the entire premises. Such notarial lease has been registered against the deed of the property (K4595/2003).
- 9.2 The lease entitles the tenant to the exclusive use and occupation of the development as of the first streaming (fuel sale) day. The owner has developed the site for its current use and in accordance with tenant specifications. Fuel and retail equipment as well as signage is provided by the tenant and remains under the tenant's ownership. A condition of restraint is in place in favour of Sasol for the duration of the lease, prohibiting non-service station uses and the prohibition of dealing of any other petroleum products other than those supplied by Sasol. There is also a pre-emptive right in favour of the tenant if the property is to be disposed of and first right of refuse to be re-let to Sasol on termination of the lease.
- 9.3 In terms of this agreement, the lease is for a 25-year period which commenced on 01 March 2004 and expires 30 February 2029. The initial ten years rental was a repayment of the of a capital amount spent, plus interest. As of the 11th anniversary, a fixed rental of R10,000 (excl. VAT) per month is indicated for the remaining 15 years, with no escalation. Around 7.8 years of this lease is remaining before it will revert to market rentals. Due to this peppercorn rental the bulk of value of the property vest in its value at reversion to market rental, as at lease expiry.
- 9.4 This is a fully-repairing lease with the tenant responsible for municipal consumption costs, rates and taxes, insurance and maintenance.

## 10. VALUATION METHODOLOGY

- 10.1 The main focus of a valuation exercise is to interpret how the market will view and react to a property. This pertains to its value attributes (i.e. marketability), as well as factors such as affordability, who the most likely buyer would be and how this buyer would determine value.



- 10.2 With a business property as an investment, the income such a property can generate (rental) is usually the main feature. In such a case the most apt method to determine value would be the *Market Data Approach of Indirect Comparison* (also known as the Income Method). This 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 deducted, 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 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.
- 10.3 The long-term lease in place, at well below market rentals, impact negatively on value. We compared the contract rentals to market rentals, with market rentals based on the premise of the RAS Model (par. 12). With 7.8-years remaining on the lease, a Discount Cashflow Analysis ("DCF" was applied to account for this income stream. The utilisation of the DCF valuation method comprises the determination of the net rental income for the remaining lease period, discounted to the date of valuation, before liberation of the income stream at market proxies. A capitalised exit value is furthermore calculated on the estimated market rental reversion at the end of the lease period, discounted to the date of valuation.
- 10.4 With our value determination of a service station, the Regulatory Accounting System ("RAS") for the petroleum sector must be considered, which was implemented on 4 December 2013. A window period for all existing agreements was also allowed for, to have all agreements reviewed according to the Act. The Act, which has now been approved, provides details to determine appropriate margins for the following items:
- Wholesale
  - Coastal storage
  - Handling
  - Secondary storage
  - Distribution
  - Return on assets for the benchmark service station ("BSS")

## 11. MARKET RESEARCH

- 11.1 Service stations are considered specialised properties, which do not frequently trade or in the case of a transaction, is difficult to compare due to the heterogeneity of ownership-types and agreements in place. Our market research therefore included dated transactions and those with different geographical locations. These indicate service stations transact on average within a capitalisation rate range of between  $\pm 8.75\%$  and  $\pm 10.5\%$ .



11.2 Extracts from the SAPOA Capitalisation and Discount Rate Report: November 2020:

Market Cap Rate					
Property Type	MIN	MAX	MED	AVE	
Retail	Super Regional Shopping Centre >100,000m2	6.50%	8.00%	7.25%	7.28%
	Regional Shopping Centre: 50-100,000m2	7.25%	8.50%	7.50%	7.75%
	Small Regional Centre: 25-50,000m2	7.25%	9.75%	8.12%	8.15%
	Community Shopping Centre: 12-25,000m2	7.00%	10.00%	8.20%	8.31%
	Neighbourhood Shopping Centre: 5-12,000m2	7.75%	11.00%	9.00%	9.00%
	Retail Warehouse	8.00%	11.00%	9.63%	9.63%
	Stand-alone Retail unit	8.25%	11.05%	10.00%	9.74%
	Other	9.00%	12.00%	10.50%	10.69%

Exit Cap Rate					
Property Type	MIN	MAX	MED	AVE	
Retail	Super Regional Shopping Centre >100,000m2	6.50%	8.50%	7.50%	7.56%
	Regional Shopping Centre: 50-100,000m2	7.50%	9.00%	8.13%	8.21%
	Small Regional Centre: 25-50,000m2	7.75%	10.25%	8.50%	8.57%
	Community Shopping Centre: 12-25,000m2	7.50%	10.50%	8.50%	8.80%
	Neighbourhood Shopping Centre: 5-12,000m2	8.00%	11.50%	9.00%	9.41%
	Retail Warehouse	7.25%	11.50%	10.50%	10.23%
	Stand-alone Retail unit	8.50%	11.55%	10.50%	10.34%
	Other	9.50%	13.00%	12.38%	11.63%

Market Discount Rate					
Property Type	MIN	MAX	MED	AVE	
Retail	Super Regional Shopping Centre >100,000m2	11.50%	13.50%	13.25%	12.95%
	Regional Shopping Centre: 50-100,000m2	12.14%	14.00%	13.13%	12.90%
	Small Regional Centre: 25-50,000m2	12.10%	15.50%	13.55%	13.29%
	Community Shopping Centre: 12-25,000m2	12.00%	15.28%	14.00%	13.64%
	Neighbourhood Shopping Centre: 5-12,000m2	12.50%	15.35%	14.50%	14.11%
	Retail Warehouse	12.50%	15.50%	14.00%	14.19%
	Stand-alone Retail unit	12.75%	15.75%	14.00%	14.29%
	Other	11.33%	17.50%	15.00%	14.66%



- 11.3 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 the return the investor will require, i.e., the capitalisation rate. The Subject Property has a long-term lease in place with a blue-chip tenant, Sasol, who has a vested interest in the site and at a rental threshold well below an open market rental. This significantly mitigates the risk to lease revenue and security of tenancy. In addition, the location of the Subject Property in an area with short-medium term development potential in view of the surrounding developments, would positively influence the future income-generating potential of the site. For this reason, a capitalisation rate towards the lower end of the market parameters and SAPOA capitalisation benchmarks for property type "other" (non-conventional commercial property), would apply to the Subject Property.
- 11.4 Our terminal or exit capitalisation rate is based on a 1% increase on the current capitalisation rate, due to the inherent risk of the uncertainty placed around a future date of disposal.
- 11.5 SAPOA records a range of between  $\pm 11.33\%$  and  $\pm 17.5\%$  for discount rates for non-conventional property. Considering the lease covenant we believe the Subject Property should trade at a discount rate towards the lower end of these margins.

## 12. MARKET RENTAL & VALUE DETERMINATION

- 12.1 To determine the rental for the petrol station component, the retail margin derived from fuel sales is calculated as per the RAS model for petrol. In terms hereof, the current regulated petrol margin is **221.6c per litre**. With consideration of this, the retail fuel margin is divided between the operator, oil company and landlord according to categories of investment into the operational and capital expenditure, as well as an entrepreneurial cost. The model is based on the "Benchmark Service Station" Matrix which is dated December 2020. With this, a rental percentage of  **$\pm 32.2\%$**  is indicated (inclusive of 100% of Entrepreneurial Cost) and will be applied to the fuel sales. The diesel margin is unregulated and the retailer charges an average of **175c per litre**. Based on this RAS model and current fuel sales, the following rental can be applied to the forecourt portion of the Subject Property:

Table 1: RAS Calculation of Forecourt Rental		
Description	Petrol	Diesel
Present Dealer Margin	R 2.2160	R 1.6498
Average Monthly Throughput (litres)	180,000	85,000
Monthly Revenue	R 398,880	R 140,233
Percentage of Retail Margin	32.17%	32.17%
Rental per litre (Rental Factor)	R 0.7128	R 0.5307
Sub-Totals of Rental Payable	R 128,304	R 45,107
<b>Total Monthly Forecourt Rental</b>	<b>R 173,411</b>	
<b>Total Monthly Rental Per Litre</b>	<b>R 0.6544</b>	



- 12.2 For a market rental of the Forecourt on the Subject Property, we considered an average monthly throughput of  $\pm 180,000$ l for petrol and  $\pm 85,000$ l for diesel, based on the throughput trends over the previous three years. With this, a monthly rental of R173,411 is determined for the forecourt, inclusive of attendees offices, ablutions and rest kiosk.
- 12.3 In addition, a market rental for the remaining retail component on the Property is to be determined. Retail market evidence indicates rental rates of between  $\pm R89$  to  $\pm R296$  per  $m^2$ , location, extent and quality of accommodation dependent. The lower parameter is for a small retail space, with deep front depth ratio located alongside Market Street in the town centre. The upper parameter is for retail space in the East Point shopping centre and therefore considered a maximum indication for the Subject Property. With consideration of the extent, exposure, finishes and condition of the retail unit on the Subject Property, we deem a rental in the order of  **$\pm R90$  per  $m^2$**  market related. This translates into a rental of R18,257 per month. We were provided with the turnover for the C-store, which indicated an average turnover over the three year reviewed period of  $\pm R353,544$  per month. The rental of R18,257 per month amounts to approximately 5.2% of monthly turnover, an acceptable ratio.
- 12.4 Based on the before-mentioned market evidence and analysis, the following value current market rental is computed for the Subject Property, had it not been encumbered by a lease:

Description	Lettable $m^2$ or litres	Rental per $m^2$ or per litre	Monthly Rental	Total Annual Rental
Forecourt: (Petrol)	180,000l		R 128,304	R 1,539,648
Forecourt: (Diesel)	85,000l		R 45,107	R 541,289
Retail	203 $m^2$	R 90.00	R 18,257	R 219,089
Enclosed Yard	48 $m^2$		R -	R -
ATMS	2.00		R 3,000	R 6,000
<b>Potential Monthly Income</b>			<b>R 194,669</b>	<b>R 2,306,026</b>

- 12.5 Our estimate of market rental is in the order of R194,669. Considering the effective period commencing 1 May 2021, an annual market rental in the order of  $\pm R2,306,026$  is derived, which is well above the current contract rental of R120,000 (R10,000 per month).
- 12.6 As the lease has a remaining period of  $\pm 7.83$  years, we have used a DCF calculation to account for this, with a reversion to market at the end of the lease period. The net present value of the contract rental is computed at R644,585. A reversion value of R27,737,895 is calculated at market rental as at the end of the lease, with a net present value of R9,281,263. These total R9,925,848, say **R9,900,000**.



### 13. CONCLUSIONS

- 13.1 The Subject Property is improved with a Sasol branded service station located in Parkdene, Gauteng. It has a good location in a developing node and with good visibility on a main connector route (R21 Arterial route). It pumps both ULP Petrol and Diesel with a current average throughput of around ±265,000l per month.
- 13.2 It has a long term, fully repairing headlease in place, which expires 28 February 2029. The contract rental is considered well below market and a DCF to market reversion calculation has been applied. The bulk of value vest in the future reversionary value.
- 13.3 The RAS model has been applied to determine the market rental for the forcourt in addition to the retail rental applied to the convenience store on the property. A terminal value of R27,737,895 is envisioned with an applied exist capitalisation rate of 10.25%. This takes into account the above-average throughput, development potential of the Neighbourhood Area and well maintained improvements.
- 13.4 The net present value of the remaining contract lease and reversion to market rental at the end of the lease period indicates a value in the order of **R9,900,000**.

**CURRENT MARKET VALUATION:**

<b>R</b>	<b>9,900,000</b>
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**04 May 21**  
Date

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**R.E. Jackson**  
Pr Val (MIVSA)

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**J.F. du Toit**  
Pr Val (FIVSA)