



APPRAISAL CORPORATION

Your Reference: **Afine Valuations**
Our Reference: **AC220055B**
Date: **05 May 2021**

ATTENTION: MR. A. LOUBSER

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

VALUE DETERMINATION:
ERF 1 THANDEKILE, IT DIVISION, MPUMALANGA
SITUATED ALONGSIDE N2 NATIONAL ROAD, PIET RETIEF



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: **AC220055B**Date: **05 May 2021**

Dear Sir

VALUE DETERMINATION:ERF 1 THANDEKILE, IT DIVISION, MPUMALANGA

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, Erf 1 Thandekile, IT Division, Mpumalanga 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 8-23): 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
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 **24** Pages, **4** Figures and **3** 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 (**Erf 1 Thandekile, IT Division, Mpumalanga**), at the date of our value determination (**30 April 2021**):

R 46,400,000 (Forty Six Million Four 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: 05 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

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.

The valuation is based on the assumption that the new lease with Sasol, commencing 01 January 2020, is countersigned by Sasol .

DATE OF VALUATION

30 April 2021



GENERAL REPORT

VALUE DETERMINATION:ERF 1 THANDEKILE, IT DIVISION, MPUMALANGA

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 Property 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:** 24 April 2021

3. TITLE DEED INFORMATION

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

Subject Property Description:	Erf 1 Thandekile, IT Division Mpumalanga
Title Deeds:	T54108/2004
Registered Owner:	Clifton Dunes Investment 10 (Pty) Ltd
Extent:	12,334m ² or 1.2334ha
Date of Registration:	29 April 2004
Date of Purchase:	6 December 2003
Purchase Price:	R96,900
Mortgage Bonds	N.a.
Servitudes Noted:	The following relevant conditions in current title deed: (i) 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. It does not impact on value.



(ii) A servitude of Right of Way in favour of Erf 2 Thandekile. This area is located across the pan-handle section of the property which runs alongside the western boundary of Erf 2. This traverses the existing access point and does not impact on value.

(iii) Servitude ($\pm 24\text{m}^2$) for an electrical substation in favour of the municipality, as indicated on SG-Diagram No. 8332/2003 (**Figure 1**). Located along the N2 National Road boundary in the south-west corner and does not impact on value.

(iv) K3318/2004 is a Notarial Lease Agreement in favour of Sasol Oil (Pty) Ltd ("**Sasol**"). The lease was cancelled by an arbitration award on 26 October 2020 and the same would also apply to the below stated servitude conditions.

(v) K3319/2004 is a servitude of Restraint in favour of Sasol. This is a condition as listed in the lease agreement which limits the use of the property to only the storing, handling, selling and distributing of Sasol Petroleum products.

(vi) K3320/2004 is a servitude of Pre-emptive Rights in favour of Sasol indicating that the property may not be sold, leased, mortgaged or otherwise alienated without the written consent of Sasol.

4. TOWN PLANNING CONDITIONS AND LOCAL AUTHORITY INFORMATION

4.1 Local Authority: Mkhondo Local Municipality.

4.2 Zoning: Industrial 1 zoning. Permitted uses include shops, place of refreshment and public garages.

4.3 Municipal Valuation

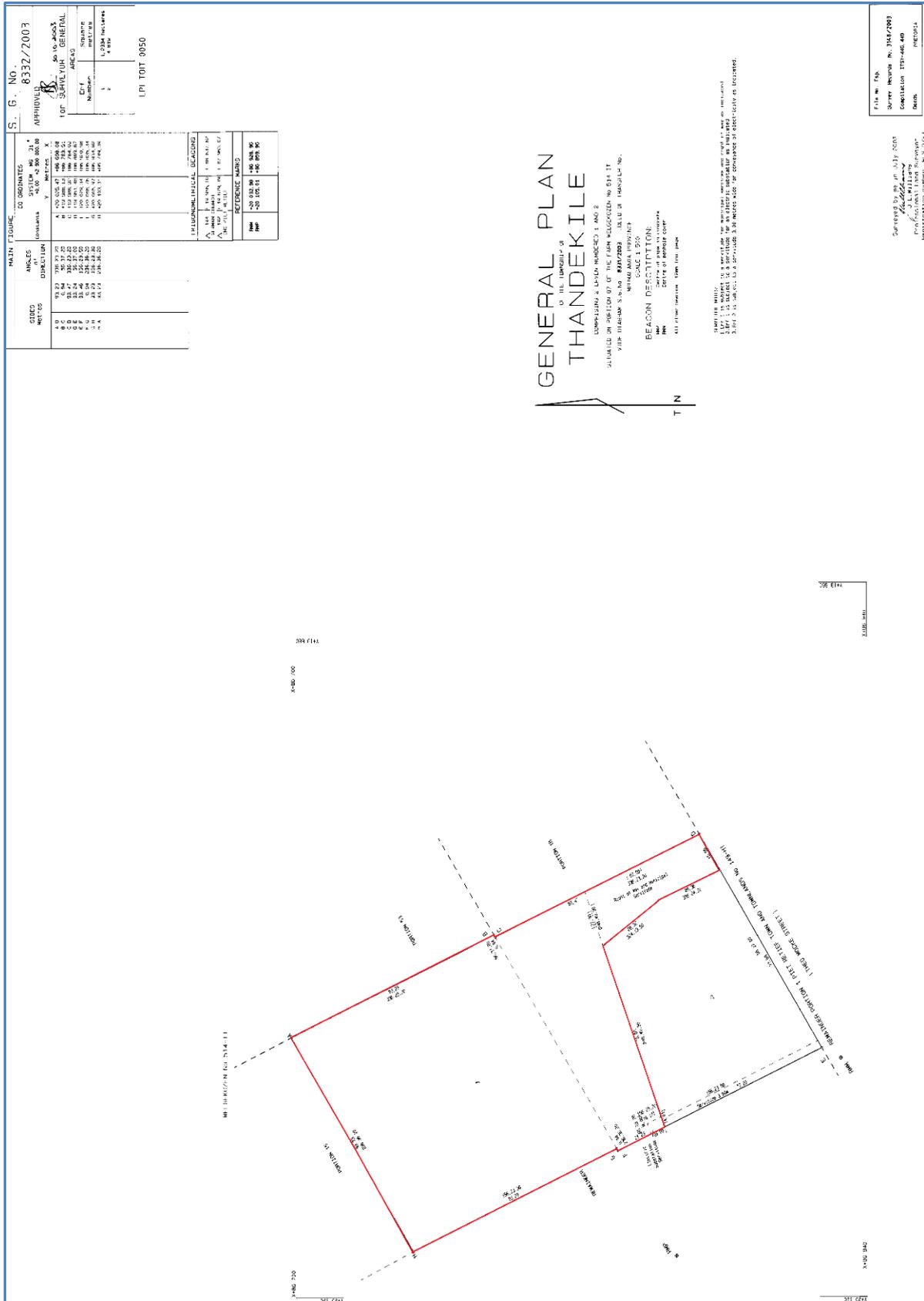
The municipal valuation is based on the valuation roll dating back to around 2013, which was extended on 01 July 2019. According to this, the Subject Property is valued at R14,890,000 and is rated on a Business and Commercial tariff. This dated valuation is well below the current open market value.

5. NEIGHBOURHOOD AREA

5.1 Piet Retief is small town located in the south-east corner of Mpumalanga, near the border of Swaziland. It is $\pm 82\text{km}$ south-west of Mbabane and $\pm 303\text{km}$ south-east of Johannesburg CBD and accessible via the N2 National Road. Piet Retief and Amsterdam form economic hubs under the Mkhondo Local Municipality. The main economic base is timber forestry.



Figure 1: SG-Diagram of Subject Property



- 5.2 The Subject Property is located alongside the N2 National Road at the northern end of the town. It is ± 1.3 km from the town centre where most of the commercial properties are clustered around the N2 National Road (Church Street). In the immediate vicinity of the Subject Property is The Woodhill community centre anchored by Pick 'n Pay, a prominent take-away franchise, a car wash, office premises and smallholdings improved with tourist accommodation as well the residential node of Piet Retief.

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



- 5.3 The Woodhill Centre is under construction to be extended with the first phase to be complete by September 2021 and the full project to be completed by April 2022. It will comprise $\pm 10,600$ m² of gross lettable area and have anchors such as Checkers, Pick 'n Pay and Dischem already secured. The old centre is to be converted for a large Foodlovers and the third phase will comprise a Builders warehouse adjacent to the Subject Property. Plans further indicate a proposed office park and a residential estate to the east of the mall. The main access will be gained from the traffic circle on the N2 National Road, ± 176 m north from the entrance of the Subject Property. This development positively impacts on the Subject Property and the capitalisation rate at which it will trade.
- 5.4 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.

5.4.1 **Visibility: Good**

The Subject Property is located alongside the N2 National Road, a double carriage route with high levels of vehicular traffic. It has a street frontage of ± 114.46 m and is located at a major four-way intersection.



5.4.2

Accessibility: Good

It has an egress and access directly off the N2 National Road, with no centre island it is accessible to both directions of traffic. Secondary access is gained from its pan-handle off Theo Mocke Street. With no boundaries between the adjacent commercial properties the Subject Property enjoys spill over traffic from these other commercial facilities. The site is large and allows for ample parking for restaurant customers as well as the circulation and parking of large trucks.

5.4.3

Traffic: Good

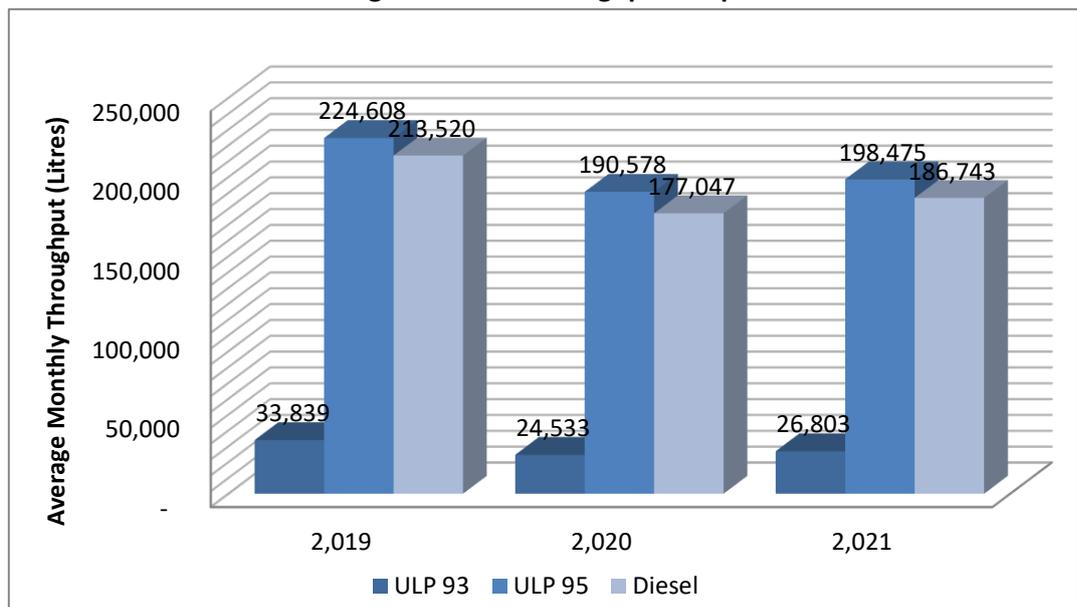
No traffic count was supplied. Traffic past the Subject Property is generally high. This not only includes traffic from local commuters travelling to the shopping centre, work and home, but also from passing tourist and truckers making use of the national road. A number of the truckers park in the town centre, whereas the manager of Sasol Piet Retief, advised they prefer to not have the truckers overnight at the Subject Property.

5.4.4

Trade: Good

It is the second filling station entering into Piet Retief from the north, with a Total filling station ±224m north of the site. There are however a number of filling stations alongside the same route further south within the town centre. We were provided with the fuel sales for the years July 2019 to February 2021. A year period is noted from July to June. As can be seen in **Figure 2**, throughput is driven by ULP 95 Petrol and Diesel. A drop of ±17% is noted year-on-year from 2019 to 2020. This is most likely due to the impact of the Covid-19 Pandemic and subsequent lockdown regulations affecting the four months of 2020. Total average monthly fuel sales amounted to ±471,967l during 2019 (pre-Covid throughput) indicating a good performing site. In 2020, an average monthly throughput of ±392,158l was achieved. However, over the 8-month review of 2021 period, a ±5% increase is noted, which indicates throughput to be recovering and may well reach pre-covid levels within the year.

Figure 3: Fuel Throughput Graph

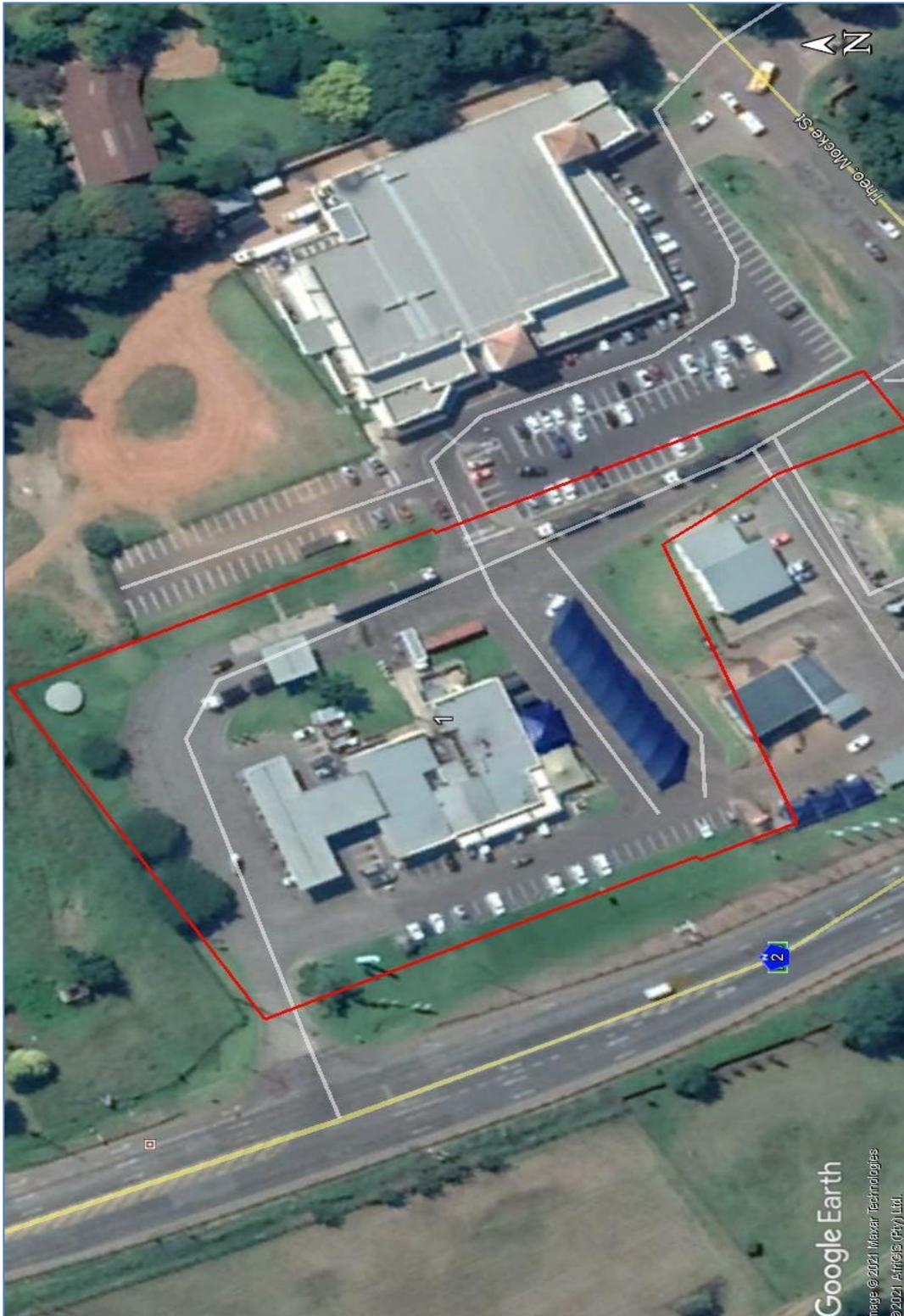




6. SUBJECT PROPERTY

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

Figure 4: Aerial Imagery of Subject Property





6.1 Convenience Store

<p>External Walls:</p> <p>Internal Walls:</p> <p>Roof:</p> <p>Window Frames:</p> <p>Floors:</p> <p>Floor Coverings:</p> <p>Ceilings:</p> <p>Condition:</p> <p>Comments:</p>	<p>Plastered brick with feature yellow tile cladding.</p> <p>Plastered brick.</p> <p>Mono-pitched IBR.</p> <p>Aluminium.</p> <p>Concrete.</p> <p>Ceramic tiles and concrete.</p> <p>Suspended board.</p> <p>Good.</p> <p>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, a pay kiosk counter, coffee-counter and take away counter with small prep-kitchen. The kitchen has tile cladded walls, a walk-in fridge and stainless steel countertops. Public ablution facilities are located within the store comprising male, female and handicapped fitted bathrooms. The back-end yard is enclosed with plastered brick walls, a wire mesh gate and roof partially covered with IBR sheeting and has a paved surface. In addition is another yard for the compressors and generator on-site. Adjacent to the convenience store are three portable ATMS, namely FNB, ABSA and Standard Bank.</p>
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Comments:

Behind the pay kiosk is a narrow administration office and cash office which fronts onto the forecourt. With separate access is the attendees accommodation which comprises a rest canteen fronting the forecourt and male and female ablutions and locker rooms, located to the rear of the building.



6.2

Spur Restaurant

- 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.
- Ceilings: Suspended board.
- Condition: Good.
- Comments:

The restaurant is attached to the Convenience centre and shares a delivery yard. It is occupied by a Spur and has internal finishes to Spur specifications. The entrance is along the side of the building which fronts onto the parking area alongside the N2 National Road boundary. Accommodation includes seating area, smoking area, inside play area, kitchen and ablution facilities as well as a large outdoor play area and seating deck under shade net canopies. As mentioned the deliver yard is shared with the convenience store and is enclosed with wire fencing. Adjacent to the Spur is a large parking area. Included in the parking area are ±26 tandem parking bays under shade net canopies. The canopies are in need of repair.



6.3

Canopy & Forecourt

- External Frame: Aluminium.
- Rust: None.
- Roof: Mono-pitched IBR sheeting.
- No. of Islands: 4 and 1 at the truck stop.
- No. of Pumps: 4 pumps each with 8 nozzles (four petrol, four diesel).
1 pump at the Truck Stop with 2 nozzles (diesel).
- Surface: Brick and concrete paved.
- CCTV Cameras: Yes.
- Condition: Good. At the time of the inspection, some surface concrete repairs were underway at the truck stop forecourt.





7. APPROXIMATE BUILDING EXTENTS

	Description	Bldg. Extent	Rentable
7.1	Shop	324m ²	292m ²
7.2	Enclosed yard	40m ²	40m ²
7.3	Toilets & Change	69m ²	69m ²
7.4	Restaurant	426m ²	383m ²
7.5	Outside play area	170m ²	170m ²
7.6	Restaurant yard	25m ²	25m ²
7.7	Covered walkway	50m ²	0m ²
	Sub-Total	1,104m²	979m²
7.8	Forecourt yard	40m ²	40m ²
7.9	Forecourt Canopy (incl. truck canopy)	446m ²	446m ²
	Total	1,590m²	1,465m²

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 The notarial lease K3318/2004 had a term of 25 years from 2004. The lease required a payback of capital cost plus interest for the first 10 years. Thereafter, a fixed monthly rental of R20,000 is indicated. Further to the arbitration award of 26 October 2020, this notarial lease with Sasol was cancelled and has since been replaced with a new 10-year lease.
- 9.2 The new lease is in place with Sasol ("**tenant**") for the Subject Property. The lease is for a 10-year period which commenced on 01 January 2020 and expires on 31 December 2029.
- 9.3 The lease entitles the tenant to the exclusive use and occupation of the property as an automotive fuel station and retail store. The landlord is allowed to enter into direct lease agreements for ATM's, but only for this use and no other business.



- 9.4 The owner has developed the site for its current use and in accordance with tenant specification. 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 refusal to be re-let to Sasol on termination of the lease.
- 9.5 Rental has been set at R307,758 per month at an escalation of 6% per annum. The rental commencement date is at 01 November 2020. Prior to this a condition stipulates that back rental for the period from 01 January 2020 to 31 October 2020 should be added for a 5-year duration at a monthly amount of R47,960 per month in addition to the rental.
- 9.6 This is a fully-repairing lease with the tenant responsible for its pro-rata share of the municipal consumption costs, rates and taxes, insurance and maintenance.
- 9.7 In addition, there are three short term leases in place for portable ATM's at the premises. All have a 3-year term. The ABSA and Standard Bank leases require the tenant to pay municipal consumption costs as well as rates and taxes, but not the FNB lease. In addition, Standard Bank has a renewal option for an additional three years.

Tenant Name	Expiry	Extent	Esc.	Rental
ABSA	31 Oct 23	6m ²	0%	R 3,000
FNB	31 Oct 23	9m ²	6%	R 3,500
Standard Bank	01 Nov 23	10m ²	6%	R 3,500

10. VALUATION METHODOLOGY

- 10.1 When valuing property, 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, cognizance 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. As this is a property delivering an income stream for any potential investor, the apposite valuation methodology will be the *Income Approach*.



10.2 The long-term lease in place, has a significant attribute of value. We compared the contract rentals to market rentals, with market rentals based on the premise of the RAS Model (par. 12). With 8.6-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. 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.

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 ±8.75% and ±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. 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 terms of the shopping centre expansion and the greater establishment of a commercial hub, would positively influence the 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 ±11.33% and ±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 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")



- 12.2 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 **±32.2%** of the retail fuel margin 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 **±199.9c 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 2: RAS Calculation of Forecourt Rental		
Description	Petrol	Diesel (10ppm)
Present Dealer Margin	R 2.2160	R 1.9998
Average Monthly Throughput (litres)	230,000	190,000
Monthly Revenue	R 509,680	R 379,962
Percentage of Retail Margin	32.17%	32.17%
Rental per litre (Rental Factor)	R 0.7128	R 0.6433
Sub-Totals of Rental Payable	R 163,944	R 122,219
Total Monthly Forecourt Rental	R 286,163	
Total Monthly Rental Per Litre	R 0.6813	

- 12.3 Market evidence regarding retail rentals indicate rates of between ±R57 to ±R130 per m². The lower parameter is for a dwelling with business rights and used for consultation rooms/offices. The higher parameter is the through rental for the N2 Woodhill extension. The leasing manager advised rentals range from ±R110 to R250 per m². Rentals for shops are often based on turnover, with ratios of between ±2.5% and 10%. The convenience centre has an average monthly turnover of around ±R1,071,787 per month. Based on a ±5% ratio this would indicate a market related rental of R53,589 per month. This equates to a rate of ±R184 per m², inclusive of other supplementary space and within the retail market parameters indicated.
- 12.4 A rental of R80 per m² is considered for the larger restaurant space, inclusive of other supplementary space as reflected in **Table 3**.



- 12.5 Based on the before-mentioned market evidence and analysis, the following value is deemed fair for the Subject Property:

Table 3: Market Rental Calculation					
Description	Lettable m ² or litres	Rental Rate	Monthly Rental	Total Annual Rental	
Forecourt: (Petrol)	230,000l	R 0.71280	R 163,944	R	1,967,328
Forecourt: (Diesel 10ppm)	190,000l	R 0.64326	R 122,219	R	1,466,626
Shop	292m ²	R184	R 53,589	R	643,072
Enclosed yard	40m ²	R0	R -	R	-
Toilets & Change	55m ²	R0	R -	R	-
Restaurant	383m ²	R80	R 30,672	R	368,064
Outside play area	170m ²	R0	R -	R	-
Restaurant yard	25m ²	R0	R -	R	-
ABSA	6m ²		R 3,000.00	R	36,000
FNB	9m ²		R 3,605.00	R	43,260
Standard Bank	10m ²		R 3,605.00	R	43,260
Potential Monthly Income			R 380,634	R	4,567,610

- 12.6 Our estimate of market rental is in the order of R380,634. Considering the effective period commencing 1 May 2021, an annual market rental in the order of ±R4,567,610 is derived, which is in line with the current contract rental of ±R4,501,929.
- 12.7 As the lease has a remaining period of ±8.6 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 R27,429,459. A reversion value of R55,216,702 is calculated at market rental as at the end of the lease, with a net present value of R18,911,255. These total R46,340,714, say **R46,300,000**.

13. CONCLUSIONS

- 13.1 The Subject Property is improved with a Sasol-branded service station located in Piet Retief, Mpumalanga. It has a good location within a developing commercial node and exposure to high levels of vehicular traffic from the N2 National Road. It pumps both ULP Petrol and Diesel with a current average throughput of around ±425,000l per month and is improved with a separate truck canopy, branded convenience store as well as a national franchise restaurant.



- 13.2 It has a long term, fully repairing lease in place, which expires 31 December 2029. The contract rental is considered to be market related.
- 13.3 The RAS model has been applied to determine the market rental for the forecourt in addition to the retail rental applied to the convenience store and restaurant on the property. A terminal value of R55,216,702 is envisioned with an applied exist capitalisation rate of 10.5%. This takes into account the good throughput levels, location in a growing commercial node 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 **R46,400,000**.

CURRENT MARKET VALUATION:

R	46,400,000
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05 May 21
DATE

R.E. Jackson
Pr Val (MIVSA)

J.F. du Toit
Pr Val (FIVSA)