

26<sup>th</sup> August 2016

The Directors  
Rebosis Property Fund Limited  
3<sup>rd</sup> Floor, Palazzo Towers West  
Montecasino Boulevard  
Fourways, 2191

Dear Sirs

**RE: INDEPENDENT PROPERTY VALUERS' REPORT OF THE PROPERTY PORTFOLIO TO BE ACQUIRED BY REBOSIS PROPERTY FUND LIMITED ("REBOSIS")**

In accordance with your instruction of 24<sup>th</sup> May 2016, I confirm that we have visited and inspected the two properties listed in the attached schedule ("**the properties**") during May and June 2016 (Section 13.23 (a) (iii)) and have received all necessary details required to perform a valuation in order to provide you with my opinion of the properties' market values as at 31<sup>st</sup> August 2016 (Section 13.23 (c)).

[13.23 (a) (iii)]

[13.23 (c)]

## 1. INTRODUCTION

The valuation of the properties has been carried out by the valuer who has carefully considered all aspects of all the properties. These properties each have a detailed valuation report which has been given to the management of Rebosis. The detailed reports include commentary on the current economy, nature of the properties, locality, tenancy, risk profile, forward rent and earning capability and exposure to future expenses and property risk. All these aspects have been considered in the individual valuation reports of the properties. The detailed reports have further addressed the tenancy income capability and expenditure for each property and tenant. Historic expenditure profile as well as future expenditure increases have been considered. The value thus indicates the fair market value for each property which is detailed in the detailed report and which has been summarised on a summary schedule, attached hereto, for each property. There are two properties and the important aspects of the detailed valuation report including the property market value for all of the properties have been summarised in the attached schedule.

**Directors:**

M R B Gibbons Nat.Dip.Prop.Val., MIV(SA), MRICS, Professional Valuer  
A R Gibbons AEI (Zim), FIV(SA), Professional Valuer

**Assisted by:**  
K J Keefer Candidate Valuer

**Associates:**  
S A Wolffs Nat.Dip.Prop.Val., MIV(SA), Professional Associated Valuer  
S A Aldridge Nat.Dip.Prop.Val., CEA, MIV(SA)  
T R L Bate Msc. Bsc, Land Econ. (UK), MRICS, MIV(SA)  
S B G de Klerk BSC (Bldg), MSc (Bldg), NDPV, MCIQB  
W J Hewitt NDPV, CIEA, FIV(SA)  
P G Mitchell NDPV, CIEA MIV(SA)  
A R Stephenson B Agric Mgt, AFM (UK) , LLB (Natal), FIV(SA)

**T/A Magnus Penny Associates CC**  
CK2000/020267/23

Suite SG110, Ground floor,  
Great Westerford,  
240 Main Road, Rondebosch, 7725  
PO Box 4442, Cape Town, 8000  
E-mail: info@mfmp.co.za  
Tel: +27 (0)21 424-1540  
+27 (0)21 201-4456

Website: [www.millsfitchet.com](http://www.millsfitchet.com)

Offices in:  
Cape - Gauteng - KwaZulu-Natal

## 2. BASIS OF VALUATION

The valuation is based on market value.

Market value means the best price, at which the sale of an interest in a property may reasonably be expected to have been completed, unconditionally for a cash consideration on the date of valuation, assuming:

- 2.1. a willing seller and a willing buyer in a market;
- 2.2. that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the property, for the agreement of price and terms and for the completion of the sale; and
- 2.3. that the state of the market, level of values and other circumstances are, on any earlier assumed date of exchange of contracts, the same as on the date of the valuation.

## 3. VALUE CALCULATION

The calculation of the market value of these properties has been based on income capitalisation. This is the fundamental basis on which commercial income producing properties are traded on the market in South Africa. This is also due to there being strong supporting evidence of open market rental rates and capitalisation rates which are evidenced by sales in the market. (Section 13.23 (d)).

[13.23 (d)]

Properties traded in the current market reflect a yield rate relationship between revenue and capital value. This rate is an accurate determinant of the capitalisation rate.

The discounted cash flow value has, however, also been calculated for each property as a check to ensure that the capitalised value calculated is consistent with market norms and expectations.

[13.23 (f) (i) and (ii)]

The considerations for the capitalised valuations are as follows:

- 3.1. calculating the forward cash flow of all contractual and other income from the properties;
- 3.2. calculating the forward contractual and other expenditure as well as provisions for various expenses in order to provide for void or future capital expenditure to which the property may be exposed;
- 3.3. the current area vacancy as a percentage of the properties is approximately 0%. In order to apply a conservative approach, I have deducted approximately 1.5% of the net income as a provision for rental that may not be collected as a consequence of vacancy, tenant failure or tenant refitting during the course of the coming year. The current vacancy is market related. The void provision used in the valuation is therefore adequate. (Section 13.23 (f) (i));
- 3.4. there is no loss of rental due to renovations or refurbishments currently being carried out on the buildings. There is, however, ongoing external maintenance work and some tenant installation fitting that is currently in progress. There is no loss of rental as a result of these activities. (Section 13.23 (f) (ii));
- 3.5. generally the rentals are market related. This has been determined by comparing similar buildings in comparable areas to the properties valued, in terms of rental per square metre. The rental rate has also been checked against various published indices including the *South African Property Owners Association (SAPOA) index*. There are no properties that are over-rented, or that cannot be re-rented at the same or higher rental rate should such property become vacant. There is therefore minimal potential for rental flow reversion. There is however, a positive upside potential for real growth in rental, given the low base off which the average rentals flow. This is provided that the economy remains in a slow recovery pattern as currently being experienced as that there are no major economic fluctuations which may upset the economy. (Section 13.23 (f) (iii));
- 3.6. capitalising the net contractual income derived from the properties for a period of 1 year in advance, calculated from 1 September 2016;

3.7. the valuation has considered published market statistics regarding rental rates and expenditure for the different types of properties. It is also considered numerous other portfolios of similar properties in order to determine if any properties are over rented or have excessive expenditure; and

3.8. various provisions for capital contingencies were deducted from the capitalised value.

#### 4. SPARE LAND

Bay West, Port Elizabeth has 10,000m<sup>2</sup> of undeveloped bulk, valued at R50,000,000.00.

[13.26]

Forest Hill, Centurion has 10,000m<sup>2</sup> of undeveloped bulk, valued at R50,000,000.00.

These has been valued on a comparative basis compared to similar properties of a like nature in the area. Value has been attributed to this capability; however, some very minor adjustments have been made to the open market value to provide for this value. (Section 13.26)

(a) *planning permission has not been applied for the development of this bulk;*

(b) *this bulk is located within the properties being valued;*

[13.23 (f) (ii)]

(c) *it is our contention that it will only be developed in five years from the valuation date;*

(d) *at this stage we have not been advised as to how long the development of this bulk would take;*

(e) *as with our previous comment, no costings have been provided.*

#### 5. BRIEF DESCRIPTION

The two properties comprise recently completed regional shopping centres, one of which are located in Gauteng and the other in the Eastern Cape.

The properties have been very well constructed, have good architectural merit, aesthetic appeal, sufficient parking facilities and are well tenanted. The leases tend to be of a general contractual rental nature with provision for the recovery of services consumed by the lessee's and turnover rental from various retail outlets. Escalations are market related but are high enough to ensure a more than positive growth rate is ensured without creating an over rent potential in the medium term. The properties are generally highly visible and dominate their environment.

In respect of the properties, the current net annual rental and the estimated future net annual rentals at specified dates and for specified periods are included in each individual detailed property valuation report.

#### 6. VALUATION QUALIFICATIONS

[13.23 (e)]

Qualifications are usually detailed as a consequence of: leases under negotiation that have not yet been formalised; leases of a large nature where the premises are difficult to re-let; specialised properties; large exposure to a single tenant; potential tenant failure due to over-rent; expenses required for major repairs; maintenance or other exposure to maintain the lettability of the building; contingent expropriations or servitudes that may be enforced; poor lease recordals whereby the lease may be disputed or rendered invalid.

I have, to the best of my knowledge, considered all of these aspects in the valuation of all the properties. There are no properties that are prejudiced in value by the influence of the above factors.

The valuer is however not responsible for the competent daily management of these properties that will ensure that this status is maintained, or for the change of any laws, services by local authority or economic circumstances that may adversely impact on the integrity of the buildings or the tenant profile.

**7. OPTIONS OR BENEFIT / DETRIMENT OF CONTRACTUAL ARRANGEMENTS**

**The Following Notarial Tie is registered over the Forest Hill property:**

**BY NOTARIAL DEED OF SERVITUDE NO. K14 03530S**

Dated 3 June 2014 the within mentioned property is notarial tied together with the Remaining Extent of Portion 93 (Portion of Portion 20) of the Farm Olievenhoutbosch 389 measuring – 29,433 ha and will in all respect be regarded as one property and the properties may not be sold or transferred other than to the same transferer within the written consent of the municipality.

To my knowledge there are no other contractual arrangements on the properties other than the leases as detailed in the report that have a major benefit or are detrimental to the fundamental value base of the properties. (Section 13.23 (g)).

[13.23 (g)]

To the best of my knowledge, there are no options in favour of any parties for any purchase of any of the properties. (Section 13.23 (h)).

[13.23 (h)]

**8. INTRA-GROUP OR RELATED PARTY LEASES (Section 13.23 (a) (xi))**

[13.23 (a) (xi)]

In terms of the current vacancies, the Sellers have signed a rental guarantee within which the following are the pertinent terms and conditions.

The details on the warranty are the following:

Baywest

- Rental warrantee covering all vacancies for the next two years
- Guarantee on irrecoverable bad debts for a two year period
- All shortfalls on budgeted parking income for the next two years
- All shortfalls on budgeted advertising and promotional income for the next two years
- The warranty is at a total maximum of R 50 million for the two years, we currently revising this to R60 million

Forest Hill

- Rental warrantee covering all vacancies for the next two years
- Guarantee on irrecoverable bad debts for a two year period
- All shortfalls on budgeted parking income for the next two years
- All shortfalls on budgeted advertising and promotional income for the next two years
- The warranty is at a total maximum of R 30 million for the two years]

[13.24(a)]

[13.24(b)]

[13.24(c)]

[13.24(d)]

[13.24(e)]

[13.25]

[13.26(a)]

[13.26(b)]

[13.26(c)]

[13.26(d)]

[13.29]

**9. CURRENT STATE OF DEVELOPMENT**

There are no properties which are currently being developed. Note, however, that there is undeveloped bulk on all the centres. (Section 13.24 and 13.25).

**10. RENTALS USED IN VALUATIONS**

Note that all these properties are all generally rented out. The current annual rental and future annual rentals have been calculated in a separate discounted cash flow check schedule. It is noted that there are no material rental reversions and that the rentals for all the properties increase on average by approximately 7% compounding per annum.

**11. EXTERNAL PROPERTY**

None of the properties are situated outside the Republic of South Africa. (Section 13.28).

[13.28]

**12. OTHER GENERAL MATTERS AND VALUATION SUMMARY (Sections 13.30 and 13.31)**

A full valuation report is available on a property by property basis detailing tenancy, town planning, valuer's commentary, expenditure and other details. This has been given to the directors of Rebois.

[13.30 and  
13.31]

**13. ALTERNATIVE USE FOR A PROPERTY (13.27)**

[13.27]

The properties have been valued in accordance with their existing use which represents their market value. No alternative use for the properties have been considered in determining their value.

**14. OTHER COMMENTS**

Our valuation excludes any amounts of Value-added Tax, transfer duty, or securities transfer duty.

**15. CAVEATS**

15.1. Source of information and verification (Section 13.23 (a) (xiii))

[13.23 (a) (xiii)]

Information on the properties regarding rental income, recoveries, turnovers and other income detail has been provided to me by the current owners and their managing agents.

I have not yet received copies of all of the leases of the existing properties. Where there are such leases with major tenants comprising anything higher than 10% occupancy of the property; the leases have been read to check against management detail, in order to ensure that management has correctly captured tenant information as per contractual agreement. This has been done to test management information against the underlying agreements.

I have further compared certain expenditures given to me, to the market norms of similar properties. Where possible, this has also been compared to historic expenditure levels of the properties themselves. Historical contractual expenditures and municipal utility services were compared to the past performance of the properties in order to assess potential expenditure going forward. The municipal values on the properties are very low. At the current transaction values there is some potential for the municipal value to increase by a considerable amount, should the municipality revalue these properties, in which event the rates could increase to 3 or 4 times their current amount.

15.2. Full disclosure

This valuation has been prepared on the basis that full disclosures of all information and factors that may affect the valuation have been made to myself.

I have to the best of my ability researched the market as well as taken the steps detailed in paragraph 15.3 below.

15.3. Leases (Section 13.23 (a) (ix))

[13.23 (a) (ix)]

Our valuation will be based on a review of actual tenants' leases (which includes material terms such as repairing obligations, escalations, break options) and other pertinent details supplied to us by the managing agents and by Billion.

All recovery details in respect of the existing leases e.g. utility cost and other recoveries as provided for in the leases have been disclosed by way of the monthly tenant invoices and summary schedule supplied to us. Option terms and other lease information have been supplied to us by the owners and managing agents and we are familiar with such documents.

15.4. Lessee's credibility

In arriving at our valuation, cognizance has been taken of the lessee's security and rating. In some cases this has influenced the capitalisation rate by way of a risk consideration.

15.5. Mortgage bonds, loans, etc.

The properties have been valued as if wholly-owned with no account being taken of any outstanding monies due in respect of mortgage bonds, loans and other charges. No deductions have been made in our valuation for costs of acquisition.

The valuation is detailed in a completed state and no deductions have been made for retention or any other set-off or deduction for any purposes which may be made at the discretion of the purchaser when purchasing the properties.

#### 15.6. Calculation of areas

All areas quoted within the detailed valuation reports are those stated in the information furnished and verified where plans were available. To the extent that plans were not available, reliance was placed on the information submitted by the managing agents.

Updated plans were not available for all the properties in respect of internal configuration. The properties generally appear to have the stated square meterage which could only be more accurately determined if remeasured by a professional. The reported square meterage is therefore considered as correct as possible without full a remeasurement exercise being undertaken.

#### 15.7. Structural condition

The properties have been valued in their existing state. I have not carried out any structural surveys, nor inspected those areas that are unexposed or inaccessible, neither have I arranged for the testing of any electrical or other services.

#### 15.8. Contamination

The valuation assumes that a formal environmental assessment is not required and further that none of the properties are environmentally impaired or contaminated, unless otherwise stated in our report.

#### 15.9. Town planning (Section 13.23 (a) (vi) and (vii))

Full town planning details have been requested and an audit of these is being prepared. Furthermore all title deeds have been supplied in the detailed valuation reports including conditions and restrictions and the properties have been checked against such conditions. This is to ensure that they comply with town planning regulations and title deeds. There do not appear to be any infringements of local authority regulations or deeds by any of the property.

[13.23 (a) (vi)  
and (vii)]

The valuation has further assumed that the improvements have been erected in accordance with the relevant Building and Town Planning Regulations and on inspection it would appear that the improvements are in accordance with the relevant town planning regulations for these properties.

There is no contravention of any statutory regulation, or town planning local authority regulation or contravention of title deed relating to any of the properties which infringement could decrease the value of the properties as stated.

### 16. MARKET VALUE

I am of the opinion that the aggregate market value of the properties as at 31<sup>st</sup> August 2016 is R4,526,063,000(excluding VAT). A summary of the individual valuations and details of each of the properties is attached.

To the best of our knowledge and belief there will be no material changes in circumstances between the date of this report and the date of the valuation which would affect the valuation.

I have more than 25 years' experience in the valuation of all nature of property and I am qualified to express an opinion on the fair market value of the properties.

I trust that I have carried out all instructions to your satisfaction and thank you for the opportunity of undertaking this valuation on your behalf.

Yours faithfully,

[13.23(b)]

for **MILLS FITCHET MAGNUS PENNY**

A handwritten signature in black ink, appearing to read 'M. R. B. Gibbons', with a long horizontal flourish extending to the right.

**M. R. B. Gibbons**

**Nat. Dip. Prop. Val. MIV(SA) MRICS**

**Professional Valuer**

(Registration No. 4127)

(Registered without restriction in terms of The Properties Valuers Act No. 47 of 2000)

Suite SG110, Ground Floor, Great Westerford, 240 Main Road, Rondebosch, Cape Town, 7725  
(**section 13.23 (b)**)

## SCHEDULE OF PROPERTIES

No	Property name	Physical address	Registered legal description (Erf number)	Property description and use	Valuer's inspection date	Freehold / Leasehold	Rentable area (GLA) (m <sup>2</sup> )	Approximate age of building	Building grade	Zoning, town planning and statutory contravention (if any)	Assumed perpetual void/vacancy	Net Income projection (R) for the period Sept 2016 to Aug 2017	Valuation (R) as at Sept 2016
1	Bay West	100 Bay West Boulevard, Bay West, Port Elizabeth	Erf 2 Bay West, Nelson Mandela Bay Metropolitan Municipality, Port Elizabeth RD, Eastern Cape	Retail / Shopping Centre	June 2016	Freehold	89,430.40	1 year	Prime	None	1.50%	R159,521,100	R2,334,000,000
2	Forest Hill	Cnr R55 & N14 Highway & Marais Avenue, Monavoni Extension 58, Centurion, Gauteng	Erf 1123 Monavoni Extension 58, City of Tshwane Metropolitan Municipality, J.R. Registration Division, Gauteng Province	Retail / Shopping Centre	May 2016	Freehold	71,571.00	2 years	Prime	None	1.50%	R145,939,463	R2,192,063,000