

03 July 2019

THE SPEAKER

COUNCIL-ITEM

WRAP AROUND PROJECT:APPLICATION FOR A CONSENT TO EFFECT FURTHER IMPROVEMENTS, ADDITIONS OR ALTERATIONS TO THE LEASED PREMISES AS WELL THE AMENDMENT OF A CONTRACT SIGNED BETWEEN THE MANGAUNG METROPOLITAN MUNICIPALITY AND THE FREE STATE RUGBY UNION IN RESPECT OF PORTION 2 OF ERF 26408, WILLOWS BLOEMFONTEIN (FREE STATE TOYOTA RUGBY STADIUM)

1. PURPOSE

To request the Mangaung Metropolitan Municipal Council (Council) to consider and grant consent to the Free State Rugby Union (FSRU) to invoke clause 10 of the lease agreement entered between the Mangaung Metropolitan Municipality(MMM) and the FSRU on 1 December 2001 by effecting further improvements, additions or alterations to the leased premises and also approve that a public participation be conducted in terms of section 116(3) of the Municipal Finance Management Act 56 of 2003(MFMA) to amend clause 3.2 of the lease agreement in terms of which Portion 2 of erf 26408, Willows Bloemfontein will be leased to the FSRU for a further period of thirty(30) years from 1 December 2021, with an irrevocable option to renew for a further period of thirty(30) years and to further amend clause 6 of the lease agreement to include within the leased premises, a block of offices and a hotel with conference facilities.

2. BACKGROUND, DISCUSSION AND OTHER CONSIDERATIONS

As early as March 2018 the FSRU approached the municipality requesting consent from the municipality to allow them to invoke clause 10 of the current lease agreement to effect further improvements, additions or alterations to the leased premises. On further discussions it was discovered that the proposed development will call for the amendment of the lease agreement to accommodate the land uses that will inevitably come with the development. It also became an ostensible matter that for the return on investment of the money to be invested in the project the lease agreement be further extended. Several correspondences were received from the FSRU in pursuit of the matter and it was eventually suggested that a full proposal that clearly demonstrates the intended development must be submitted so the matter can be referred to Council for consideration.

On 19 March 2019, MMM received a more detailed proposal from the FSRU seeking a consent from Council to invoke clause 10 of the lease agreement entered into between the MMM and the FSRU by effecting further improvements, additions or alterations to the leased premises and the amendment of the lease

agreement to have the period of the lease extended for a further period of thirty(30) years after the expiry of the extended period of thirty(30) years and to further amend clause 6 of the said lease agreement to include within the lease premises, a block of offices and a hotel with conference facilities. The said proposal is hereto attached as **Annexure "A"**.

In terms of the proposal which is hereto attached, the proposed development will be known as the "Stadium Wrap-Around" which is aimed at the upgrading of areas surrounding the Free State Toyota Stadium, the Waterfront, the Old Grey land, the cricket, Swimming, Athletics and other sporting codes in order to assist the Rugby to improve their financial situation. The proposed development will entail a four (4) star hotel of 120 beds with conference facilities which can accommodate over 1500 delegates covering approximately 19064 m² as well as offices covering an area of approximately 7465 m².

In terms of the proposal, the proposed development has a potential to serve as a much-needed inter-nodal connection between commercial, residential and recreational. It is praised as a facility that will stimulate local economic development through a creation of many job opportunities during and after development. It is touted as a development that will also contribute immensely to the Mangaung and Free State tourism by drawing visitors and delegates to the City.

In terms of clause 10.1 of the lease agreement "*Rugby may effect improvements, additions or alterations to the leased premises only after obtaining the written consent of the Municipality thereto*". It is on the basis of the said clause that the FSRU is now exercising their option in terms thereof but in compliance of the built-in proviso, request a written consent to proceed with the proposed improvements, additions or alterations involving the development of a hotel with conference facilities and offices.

It is trite that ownership of the proposed development (a hotel with conference facilities and offices) will by *accession* become the property of the municipality, but the control will rest with the applicant for the duration of the lease period and all extensions, after which control will be handed to the municipality. During this period, the municipality will be entitled to a rental amount determined by the City Valuer and approved by Council or an amount equal to the rates, sanitation and refuse of the entire lease property, whichever is greater.

3. APPLICABLE LEGISLATION

Section 116(3) of the MFMA governs the amendment of agreements or contracts and in terms thereof, an agreement or contract may be amended only after:

- a) *the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and*
- (b) *the local community—*
 - (i) *has been given reasonable notice of the intention to amend the contract or agreement; and*
 - (ii) *has been invited to submit representations to the municipality or municipal entity".*

In terms of the above-cited section of the MFMA, it is indeed possible to amend an existing agreement or contract. The relevant section refers to contracts or agreements entered into in terms of the supply chain management policy of the municipality. Notwithstanding the fact that when the current agreement of contract was entered into there was no supply chain management policy in its current form, and that the current legislation and the provisions regulating the process to be undertaken to amend contracts or agreements was not in existence as the law, it remains prudent that MMM must still comply as the proposal has been lodged after the came into operation of the legislation and the policy referred to above. A copy of the contract or agreement that the applicant propose that it be amended is hereto attached as **Annexure "B"**.

It is also important to note that the proposal and the reasons for the proposed amendment must be tabled before Council and the local community must be given reasonable notice of the intention to amend the agreement with an invitation to submit representations. In this instance, sections 21 and 21A of the Local Government: Municipal Systems Act 32 of 2000(MSA, 2000) finds application in terms of the process to be followed in soliciting representations from the local community. The notice and invitation will be in the form of a public notice to be advertised through local media and all representations must be in writing.

The main reasons for the proposed amendment can be summarized as follows, namely:

- that the FSRU would like to invoke clause 10 of the lease agreement by effecting further improvements, additions or alterations to the leased premises;
- that the City must first grant them consent to effect the intended improvements, additions or alterations to the leased premises;
- that the proposed further improvements will be in a form of a block of offices and a four (4) stars hotel with conference facilities;
- that the estimated investment for this development is around R 300 000 000,00(Three Hundred Million Rand);
- that for the return on investment, there is a need to amend the lease period extension to thirty (30) years from the expiry date with an irrevocable option to renew for a further period of thirty (30) years;
- that the proposed development is intended to assist the Free State Rugby Union financially and ensure continued sustainability of the sport in the Province.
- that the development will contribute immensely to the economy of Mangaung
- that the development guarantees significant temporary and permanent jobs;
- that the development will enhance the value of the leased property to the advantage of MMM;
- that MMM will benefit from extra rental of the same leased property;
- that the leased property and the proposed development shall be the property of MMM and control thereof will be handed back to MMM at the expiry of the lease period and proposed extensions, free of charge;
- that other clauses and provisions in the lease agreement will remain unchanged as far as the rights and obligations of the parties and those of the third parties mentioned or implied in the lease agreement are concerned'

The City Valuer was requested to determine rental payable by the applicant to the municipality and the Valuer submitted a valuation report recommending an amount of R176 000,00 plus VAT per month be approved as rental for the area of the proposed development. This means that the rental for the premises without the proposed development will remain the same as in the current contract. The valuation report is hereto attached as **Annexure "C"**.

4. RECOMMENDATIONS

- A)** That the Mangaung Metropolitan Municipal Council consider the proposal submitted by the Free State Rugby Union to be granted a consent to invoke clause 10 of the lease agreement entered between the Mangaung Metropolitan Municipality and the Free State Rugby Union 1 December 2001 to effect further improvements, additions or alterations to the leased property and further accept the proposed amendment of clauses 3.2 and 6 of the lease agreement respectively in terms of which the Free State Rugby Union will be granted irrevocable option to extend the lease agreement for a further period of thirty(30) years after the expiry date with a further irrevocable option to renew for a further period thirty(30) years and include within the leased property a four(4) star hotel with conference facilities and office block, provided that a public participation is conducted in terms of section 116(3) of the Municipal Finance Management Act 56 of 2003;
- B)** That the rental be set at an amount of R 176 000.00(One hundred and seventy-six thousand) plus VAT per month for the first year from the date that appears on the certificate of occupation issued by the relevant authority;
- C)** That the said rental shall at least six months prior to its anniversary (a year from the date of the issuing of occupation certificate) be reviewed by considering the amount that could be levied for rates and taxes if the property was privately owned;
- D)** That the final rental payable be an amount of R 176 000.00(One hundred and seventy-six thousand) plus VAT per month or the amount that could be levied for rates and taxes, whichever is greater;
- E)** That the final rental amount shall escalate at a rate of 8% per annum on the anniversary date of the lease agreement;
- F)** That that the rental for the leased premises without the proposed development (The Rugby Stadium) shall remain at R500 000.00(Five Hundred Thousand Rand) the same as in the current contract;
- G)** That clause 3.2 of the lease agreement be amended in terms of which Free State Rugby Union shall be granted irrevocable option to renew the lease agreement for a further period of thirty (30) years;
- H)** That clause 6 of the lease agreement be amended to include within the leased property, a hotel with conference facilities and office block;
- I)** That sections 21 and 21A of the Local Government: Municipal Systems Act 32 of 2000 be applied when soliciting representations from the public on the intended amendment of the lease agreement;

- J) That notwithstanding the date of approval, the amendments be effective from the first day of the month following the respective signing dates of the addendum by the Lessee and the Lessor, the last date of signature being the signing date for this purpose;
- K) That the Lessee shall not cede, assign, delegate its rights or obligations under this lease without the consent of the Lessor represented by the accounting officer; a consent which shall not be unreasonably withheld;
- L) That the lease property shall at no pint serve as security for the Lessee's obligations and that the Lessee shall not have a right to mortgage or encumber the lease property or any part thereof;
- M) That a maintenance plan for all the improvements on the leased property shall be drafted and be agreed upon between the Lessor and the Lessee and that the Lessee shall adhere to maintenance requirements per the approved maintenance plan and that the consequences for failure to adhere thereto must be incorporated in the said plan;
- N) That the Lessee shall be responsible for taking out adequate insurance policy in favour of the leased property and be responsible for all the premiums;
- O) That the addendum be annexed to the existing lease agreement be registered against Portion 2 of erf 26408, Willows; Bloemfontein and that the notarial registration of the amended lease agreement be for the sole account of the Lessee;
- P) That all the improvements shall become the property of the Mangaung Metropolitan Municipality by means of *accession* and that control thereof shall pass to the Mangaung Metropolitan Municipality on termination of the lease agreement free of charge;

Submitted by:


Adv. N.N. MOFOKENG

GM: LAND DEVELOPMENT AND PROPERTY MANAGEMENT

Supported/Not Supported


Adv. MJN PHALADI

HOD: HUMAN SETTLEMENTS

Recommended/Not Recommended


Adv. TB/MEA

CITY MANAGER

Approved/Not Approved


Cllr SM MLAMLELI
EXECUTIVE MAYOR



Vrystaatse Rugby-Unie • Free State Rugby Union

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 Toyota-stadion • AH Horakloan 3 • Willows
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The City Manager
 Adv. TB. Mea
 Room 201, First Floor
 Bram Fischer Building
 BLOEMFONTEIN
 9301

19 March 2019

Dear Adv. Mea

WRAP AROUND PROJECT: FREE STATE RUGBY UNION

With this letter we request your assistance and support to give the Free State Rugby Union the rights to go ahead with the so-called "Wrap Around Project".

In terms of the current Notarial Lease Agreement between the Free State Rugby Union and the Mangaung Metro Municipality, the Free State Rugby Union may effect improvements additions or alterations to the lease premisses, but only after obtaining the written consent of the Municipality thereto (see paragraph 10 of the attached lease agreement).

The main objective of the development of the "Wrap-Around" project is to upgrade the areas around the Free State Stadium, the Waterfront, Old-Greys properties, Cricket, Swimming, Athletics and the other sporting codes and to assist Free State Rugby to remain a sustainable entity.

The Mangaung Metro Municipality already gave the go-ahead for the Old-Greys development and have considered the "Wrap-Around" project, but we need final approval from the Municipality in this regard.

It is important to give a brief history relating to the Stadium and the rights of Mangaung Metro Municipality as well as those of the Free State Rugby Union.

Please find the attached brief history referring to the developments in and around the stadium over years (Attachment "A").

Free State Rugby is comparatively a small entity compared to the big entities like the Lions, Bulls, Sharks and Western Province and therefore need to seek extra income and sources to sustain Free State Rugby going into the future. The so-called "Wrap-Around" project is one of those projects that can help sustain Rugby into the future that will benefit not only the Free State Rugby Union, but the surrounding areas as well as the broader Free State and Bloemfontein communities.

We would sincerely appreciate your support and help to grant Free State Rugby the rights to develop the so-called "Wrap-Around" project.

President: J. Sagwobo
 Adjunk President | Deputy President: C. May • C. Kloppe
 Uitvoerende Bestuur | Executive Committee:
 H. Verster • F. Retief • J. Ackerman
 T. Sibizo • F. van Rooyen

www.fscheetahs.co.za

CheetahsRugby

@CheetahsRugby

CheetahsRugby



SPORT, ART, CULTURE & RECREATION
Mangaung Metro Municipality

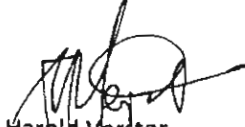


NB 1 : It is important that we need to build into any developments the so-called "stepping rights", attached a document hereto as well as the so-called "ariel rights" – attached a document hereto.

NB 2 : The ground level areas in the stadium will not be affected as the "Wrap-Around" will be allocated to the first floor level as not to effect the flow of supporters and activities on the ground in and around the stadium.

We look forward to look forward your approval on this project.

Your sincerely



Harold Verster
Managing Director
Free State Cheetahs (Pty.) Ltd.

Copies to : **Adv. Nelson Mofokeng**
 Mr. Jerry Segwaba

HISTORY

Free State Rugby was founded on 27 March 1895 and played all their games at Ramblers Rugby Club. On 13 November 1936 a new Rugby pitch was developed at the so-called Springbok Park area on which the current medical facility, Hydromed (Medi-Clinic) is situated.

On 14 September 1955, the Province of the Free State developed the Free State Stadium with a small grand stand and open stands – including a cycle track, athletic track and a rugby pitch.

On 30 June 1990, after intense negotiations between the Free State Rugby Union and the Municipality, the stadium was bought by the Free State Rugby Union from the Mangaung Local Municipality and owned the property in and around the stadium.

With the view on the Rugby World Cup of 1995, the Free State Stadium was upgraded to a very modern and world class stadium with the capacity of 38 000 seats. This was done with the support of the Municipality.

With the transition of Government in South-Africa, after 1995, discussions were held between the Mangaung Metro Municipality, the Province and the Free State Rugby Union to transfer the stadium back to the Municipality for the view was that it was a national asset and that it belonged to the communities of the province and the municipality.

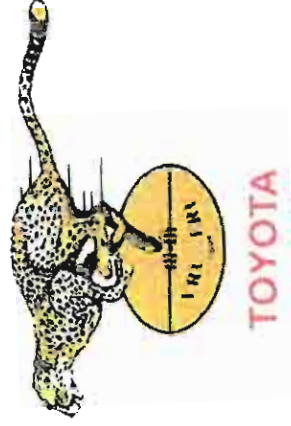
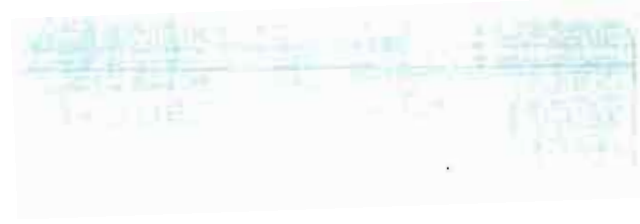
The then Premier, Mr. Mosua Lekota and the Mayor, Mr. Papi Mokoena negotiated with Mr. Harold Verster, the President and Mr. Bert Sorour, Deputy-President over many weeks to transfer the ownership of the Stadium for Free State Rugby Union back to the Municipality.

A very specific notarial lease agreement was agreed upon on 1 December 2001 with specific references to the further development of the Free State Rugby Union in and around the Stadium. For this, please see paragraph 10 of the Lease Agreement.

With the view on Soccer 2010, the Free State Rugby Union and the Mangaung Metro Municipality, with the assistance of the Soccer entities, redeveloped the stadium and added 8000 (eight thousand) seats to upgrade it to a stadium with more than 46 000 (forty six thousand) seats for Soccer 2010 and Rugby thereafter.

The economic pressure on the Free State Rugby Union and the Municipality makes it difficult to maintain this very high level stadium and therefore a new development like the "Wrap-Around" project is of the utmost importance to sustain not only Rugby, but all the entities in and around the stadium.

Free State Stadium Wrap Around Proposal



Introduction

- The latest design of international Stadiums is to link a commercial component to the Stadium. This mix supports the feasibility of the total project, and our presentation is the ideal spot for such a development.
- This development will be the "First" of its kind in South Africa, and will boast a 120 room Hotel, with world class conference facilities in the heart of Bloemfontein. The restaurant of the Hotel will overlook the field of the stadium that will make this a very sought after venue and will create the opportunity to host many functions and conferences.
- This is a one of a kind development that will modernise the area with fresh new public friendly buildings that will be aesthetically pleasing to Bloemfontein, and will make this area a hub of activity
- Due to the scale of the project the entire Wrap around project to be completed over a 20 year period.
- Phase 1 to be completed within 2 years from start date.

Development Benefits

- This development will serve as a much needed inter-nodal connection between commercial, residential and recreational.
- The development will create much needed conference facilities for Bloemfontein, and will be capable of accommodating upwards of 1500 delegates. It will be ideal for events like the Macufe Festival, Government functions and much more.
- The development will stimulate the local marketplace by creating many job opportunities during and after the development.
- The FRU and MMM will be able to generate additional income streams throughout the life span of the development
- The Development will draw visitors and delegates to Bloemfontein from all over South Africa, and worldwide.
- The development will make provision for accommodation for visitors and delegates with a 120 bed Hotel and a lot of other amenities
- This development will serve as a model for future projects in and around Bloemfontein.

The Development

- The Development will include a 120 Room 4 star Hotel with world class Conference facilities
- 7 465 m² Premium Grade Offices.
- The Development will entirely be on the land of the Stadium
- Erf: Erf no 26408 Bloemfontein Free State Stadium
- Size of land: 90 325 m²
- Footprint: As the entire Development is one story up (*Nothing on Ground Level*) there will be 0% impact on the footprint except for columns as per the Engineer.
- GLA – 26 529 m²
- Bulk – 0.3
- Coverage one floor up – 29.37%

The Development

- Total Squares to be built one level up (*Nothing on Ground Level*):

- Offices – 7465 m²

- Hotel – 19 064m² This includes:

- All the Rooms
- Restaurant
- Kitchen
- Ablutions
- Balconies
- Entrance and Reception
- Spa
- Lounge
- Conference

Opportunities and Risks

Opportunities

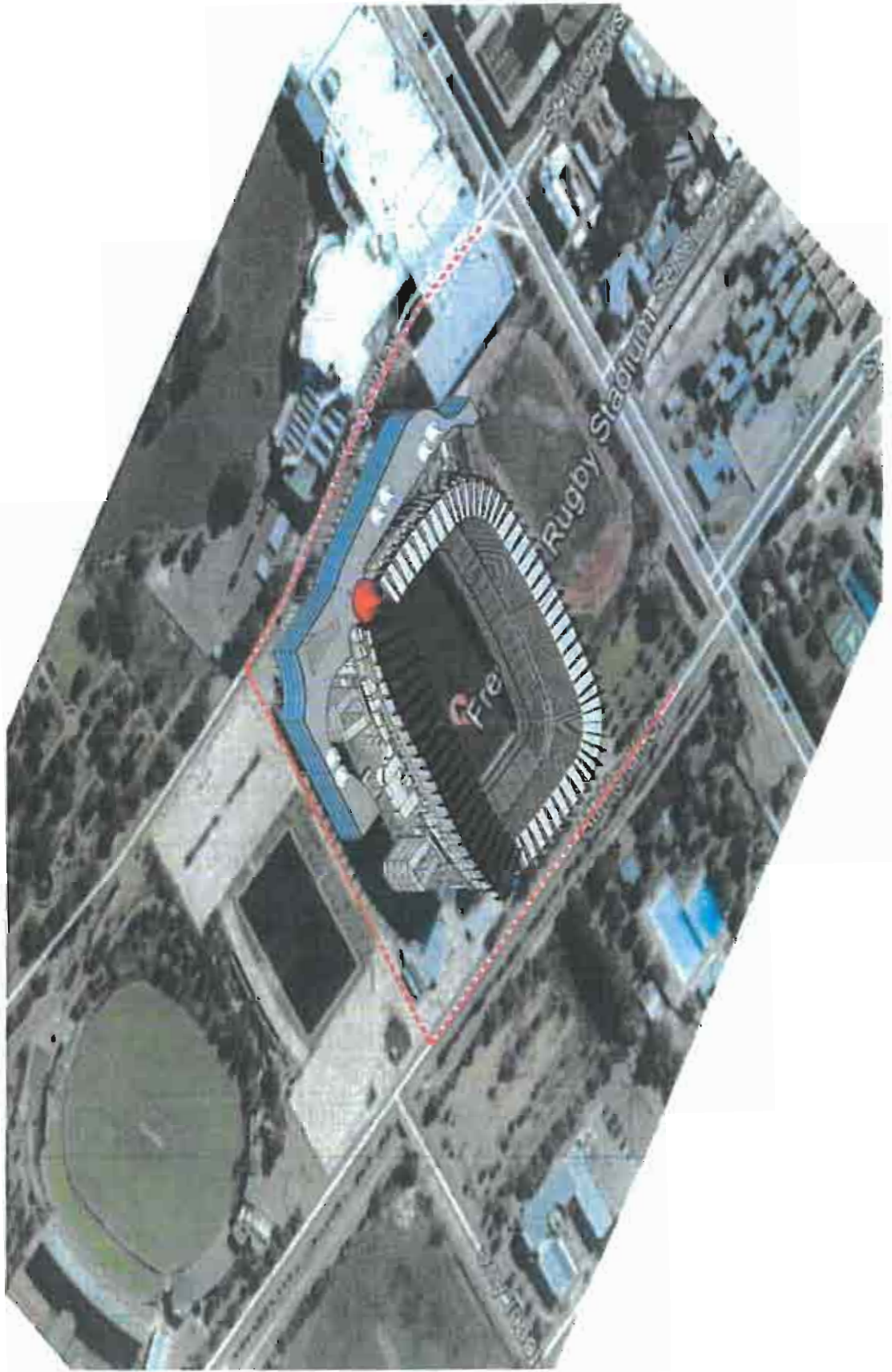
Mangaung Metro Municipality

- No Risk
- Income on rates and taxes
- World class upgrade of the entire area
- New Hotel with Conference facilities in Central Bloemfontein
- Developer funding the development at no risk
- WI-FI freely available
- New offices
- Local Contractor and Professional team
- New upmarket development

Risks

Mangaung Metro Municipality

- No risk to the Mangaung Municipality





Free State Rugby Union

Proposed Development for a Hotel and Office space



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Introduction:

The main reasons for the proposed amendments to the current Stadium Lease Agreement can be summarized as follows:

- That the FSRU would like to invoke clause 10 of the lease agreement by effecting further improvements, additions or alterations to the leased premises
- That the City must first grant FSRU the consent to affect the intended improvements, additions or alterations to the leased premises
- That the proposed further improvements will be in the form of a block of offices a four-star (4) Hotel with Conference facilities and an air-link to the Loch Logan Waterfront.
- That the estimated investment for this Development is approximately R 300 000 000.00 (Three Hundred Million Rand)
- That for the return on investment, there is a need to amend the lease period extension to thirty (30) years from the expiry date with an irrevocable option to renew for a further period of thirty (30) years
- That the proposed development is intended to assist the Free-State Rugby Union financially and ensure continued sustainability of the Sport in the Province.
- That the Development will contribute immensely to the economy of Mangaung.
- That the Development guarantees significant temporary jobs. (*Up to 1 000*)
- That the development guarantees significant permanent jobs (*Up to 300*)
- That the Development guarantees significant business for local suppliers and Service Providers.
- That the Development will enhance the value of the leased property to the advantage of MMM



- That MMM will benefit from extra rental of the same leased property.
- That the leased property and the proposed Development shall be the property of MMM, and control thereof will be handed back to MMM at the expiry of the lease period and proposed extensions, free of charge
- That other clauses and provisions in the lease agreement will remain unchanged as far as the rights and obligations of the parties and those of the third parties mentioned or implied in the lease agreement are concerned

The Development:

The Free State Rugby Union has identified the opportunity for the development of a Hotel overlooking the pitch as well as office space right on the grounds of the Free State Stadium

- The development will modernize the area with fresh new buildings that will be aesthetically pleasing to the Bloemfontein Skyline and will and will boast a 120 room Hotel, with world class conference facilities in the heart of the Mangaung Metro Municipality district. The restaurant of the Hotel will overlook the field of the stadium that will make this a very sought-after venue and will create the opportunity to host many functions and conferences.
- The Hotel and Office space to be constructed entirely on the Free State Stadium Grounds
- The Development will stimulate the local marketplace by creating many job opportunities during and after the development.
- The FRU and MMM will be able to generate additional income streams throughout the life span of the development



- The Development will draw visitors and delegates to the Mangaung Metro Municipality district from all over South Africa, and worldwide.
- This development will serve as a model for future projects in and around the Mangaung Metro Municipality District
- The Developer will make use of only local contractors, subcontractors, and professionals, as we believe that we must do all that is possible to support Bloemfontein and the Free State.
- The Developer has readily available pre-approved funding for the entire development, and the funds become available upon registration and commencement of the development.
- The Developer will engage with both Mangaung Metro Municipality and the Free State Cheetahs in regard to the design if the parties wishes it so.
- The Developer will avail their architect to meet and liaise with the Mangaung Metro Municipality and Free State Cheetahs to ensure that all parties are satisfied with the Design and specifications.
- All design, perimeter walls, access, security and maintenance of the building to be managed by the Developer.
- The Developer has vast knowledge in the development, construction and maintenance of properties, and because they always put their tenants first, they welcome any input from The Free State Cheetahs and Mangaung Metro Municipality in this regard.



Management after construction:

Security:

The Developer will handle all aspects of security during and after construction.

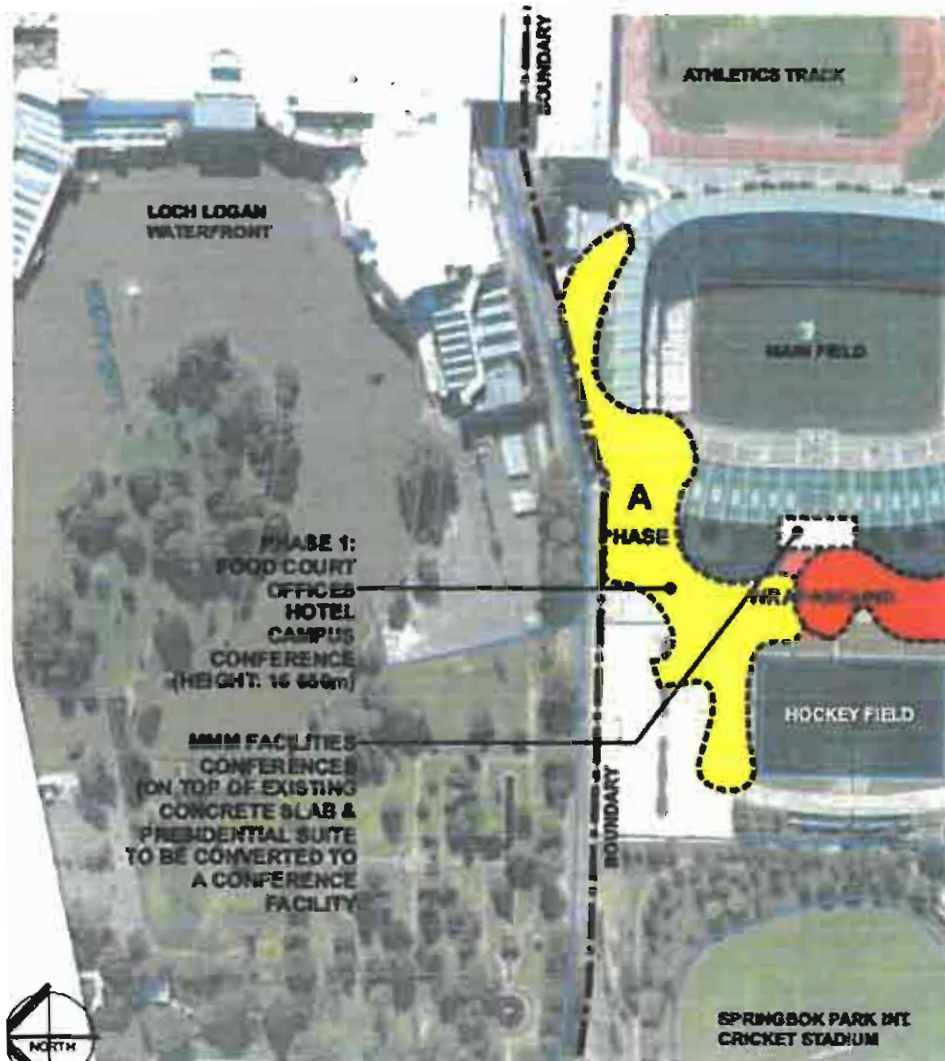
Security will include, 24-hour guarding, CCTV Cameras and armed response.

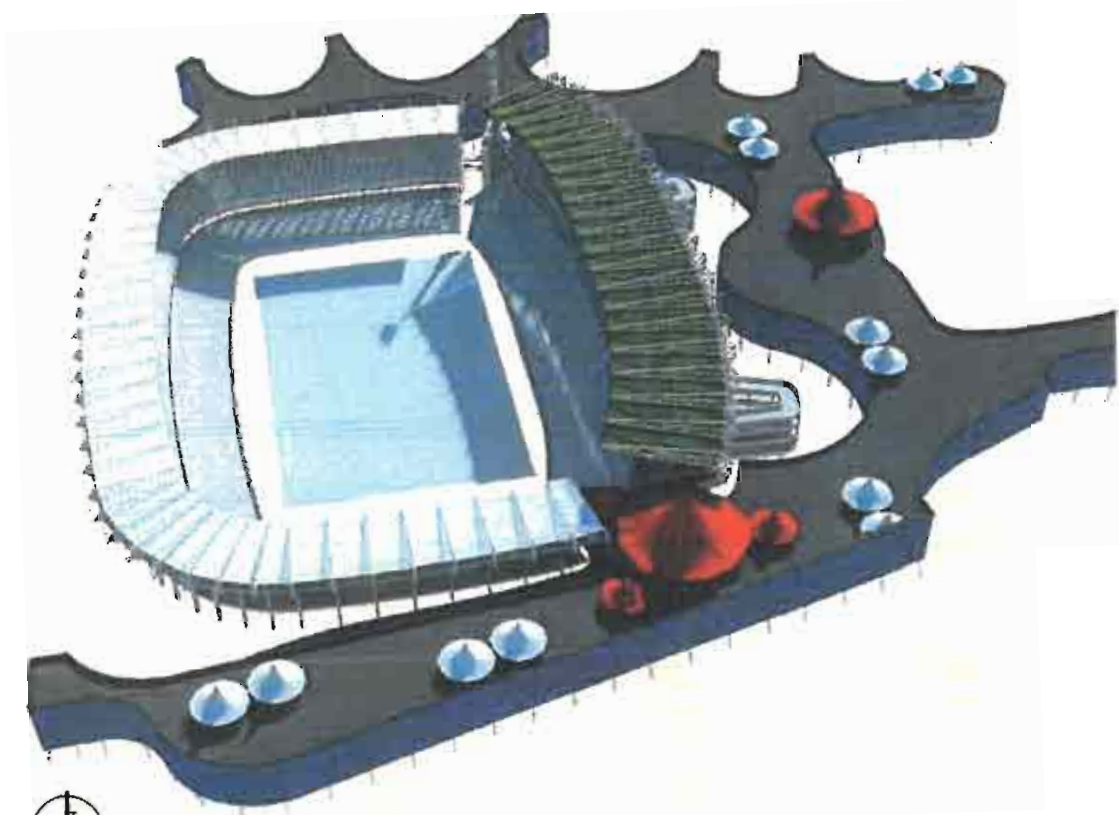
Maintenance:

The Developer will handle all aspects of maintenance including cleaning on the development to ensure the development remain in pristine condition. The Developer has an in-house maintenance department consisting of 12 teams including electricians, plumbers, gardening and general maintenance personnel.



Rendering:





Free State Stadium - Proposed Perspective

NOTARIAL LEASE AGREEMENT

BE IT HEREBY MADE KNOWN THAT on this seventh day of December in the year Two Thousand and One, before me,

DONOVAN THEODORE MASIEDT

Notary Public, duly sworn and admitted and practising as such in Bloemfontein in the Free State Province and in the presence of the undersigned witnesses, personally came and appeared JOHN JULIAN EAGAR in the capacity of acting Municipal Manager on behalf of

The block contains three handwritten signatures. The top signature is a large, stylized 'J' with a long horizontal stroke, likely belonging to John Julian Eagar. Below it are two smaller, more compact signatures, likely belonging to the notary and a witness.

MANGAUNG LOCAL MUNICIPALITY

(Hereinafter referred to as "the Lessor")

he being duly authorised thereto in terms of a resolution dated at Bloemfontein
the 29th day of March 2001

and

ALBERT ABRAHAM SOROUR

on behalf of

THE FREE STATE RUGBY UNION

(Hereinafter referred to as "the Lessee")

he being authorized thereto by resolution of the Union Committee passed at
Bloemfontein on the 3rd day of December 2001

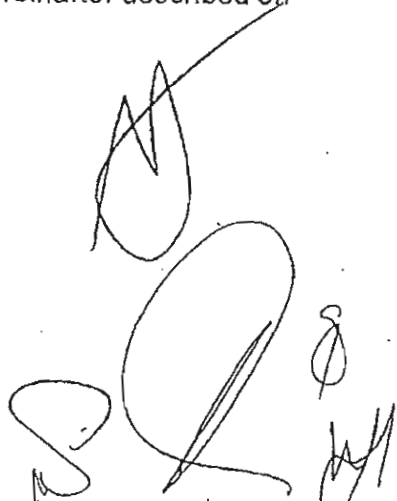
certified copies of which resolutions are now filed in my Protocol.

AND THE APPEARERS DECLARED THAT:

The Lessor hereby lets to the Lessee certain premises hereinafter described on
the following terms and conditions.

1. PARTIES

- 1.1. Mangaung Local Municipality - The Lessor
(hereinafter referred to as "the Municipality")



1.2 Free State Rugby Union - The Lessee

(hereinafter referred to as "Rugby")

2. LEASE

The Municipality as owner hereby leases to Rugby as Lessee:

A portion of

Subdivision 2 of Erf no. 26408 situate in the city of Bloemfontein,

Measuring 11,4156 hectares

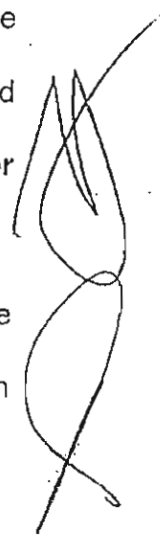
Held by Deed of Transfer no. T13803/1998

And further described in a diagram to be approved by the Surveyor General and to be filed in the office of the Registrar of Deeds, known as the Free State Rugby Stadium and the adjacent remainder to the west bordering the fence of the hockey field, as indicated more fully on the plans attached hereto as Annexure A1 - 5 and outlined in blue on annexure A1 (hereafter "the leased premises"). Those areas marked in yellow on Annexure A2 - 5 shall not form part of the leased premises.

3. LEASE PERIOD

3.1 This lease shall commence on 1 December 2001 (hereafter "the commencement date") notwithstanding the date of signature hereof, and shall endure for a period of twenty years until 30 November 2021 (hereafter "the expiry date").

3.2 The Municipality hereby grants an irrevocable option to renew the lease for a further period of 20 (twenty) years on the terms and conditions in force at the time of the exercising of the option.



3.3 Rugby shall exercise the option to renew the lease by means of written notice to the Municipality not less than 12 (twelve) months prior to the expiry date of the initial lease period.

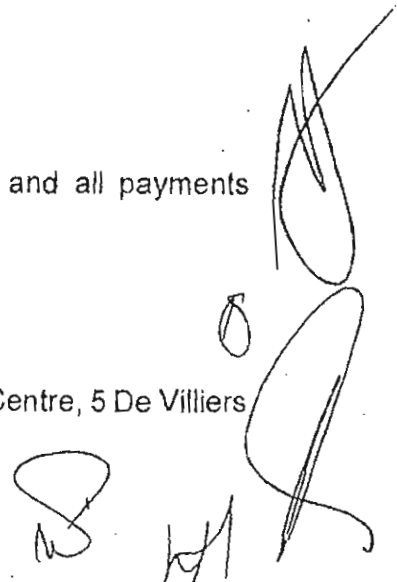
3.4 Rugby shall return the leased premises to the Municipality on the expiry date or sooner termination of this lease in the same order and condition, structural defects and fair wear and tear excluded, as at the commencement date, and it is agreed that the leased premises are in good working order and condition on the commencement date.

4. RENTAL

4.1 The annual rental in respect of the leased premises shall be an amount of R500 000 (five hundred thousand rand), excluding Value Added Tax if and when applicable, payable by Rugby, fixed for the first 5 (five) years and thereafter at a negotiated increase, taking into account the Consumer Price Index and the financial position of Rugby with the basic amount of the rental remaining at R500 000 (five hundred thousand rand) annually. If an increase is not agreed upon, the rental remains unaltered.

4.2 The first payment shall be made on 1 July 2002 and all payments thereafter on 1 July of each following year.

4.3 Payments shall be made to the City Treasurer, Civic Centre, 5 De Villiers Street, Bloemfontein.



- 4.4 Rugby shall pay interest on any amounts overdue at the prime bank overdraft rate from time to time as levied by Absa Bank Bloemfontein, from the due date to the date of payment.

5. MANAGEMENT AND CONTROL

Rugby at its own expense will be responsible for the management and control of the leased premises, as well as for the full maintenance thereof, provided that the Municipality will be liable for the restoration or rectification of any structural defect.

6. USE OF THE LEASED PREMISES

- 6.1 Rugby may use the leased premises for the purpose of rugby and for related activities which may include pop festivals, etc.
- 6.2 The Municipality shall have the right of use of the leased premises free of charge for purposes which it may deem necessary, subject to the programs of Rugby and shall be liable for payment of any damages of the leased premises that may occur as a result thereof.
- 6.3 Rugby shall provide comprehensive insurance for the leased premises, to the satisfaction of the Municipality.
- 6.4 Although the AK Volsteedt building will form part of the leased premises for the purposes of the lease, Rugby will have the exclusive right of the use of the building due to the fact that it was built by Rugby. Rugby will furthermore have the right at any time during the duration of the lease, to

obtain transfer into its name and at its cost, of the building and the land on which it is situate as well as a right of access thereto.

6.5 Save as provided in this agreement, the following portions of the leased premises shall be for the exclusive use of Rugby :

6.5.1 All offices used by Rugby,

6.5.2 All storage rooms,

6.5.3 The Steve Strydom room,

6.5.4 The train suites,

6.5.5 The Castle deck,

6.5.6 The Cheetah Pub building,

6.5.7 The S.P. Barkhuizen building,

6.5.8 The suite used by the VIP Cheetahs,

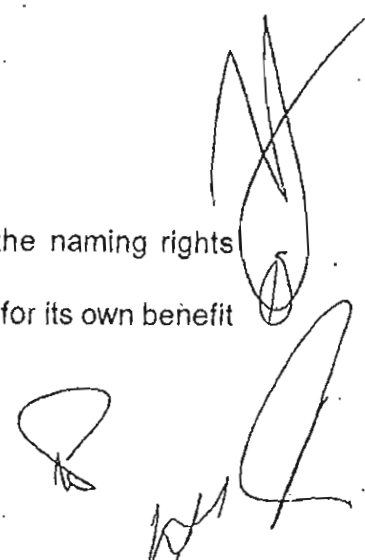
6.5.9 The Gymnasium.

7. ADVERTISEMENTS

Rugby shall be entitled to obtain advertisements at the leased premises for its own benefit and account.

8. NAMING RIGHTS

Rugby shall have the exclusive right to the use of the naming rights pertaining to the leased premises to obtain an income for its own benefit and account, subject to the following:



8.1 In the event of the annual amount (after provision for payment of commission) paid to Rugby exceeding **R2 million**, 50% of any such excess shall be paid to the Municipality for the sole purpose of funding a sporting fund to facilitate the maintenance and improvements of the entire Free State Stadium, including the hockey field and athletics track.

8.2 The aforesaid amount of **R2 million** will be adjusted annually in accordance with the Consumer Price Index.

9. SUITES

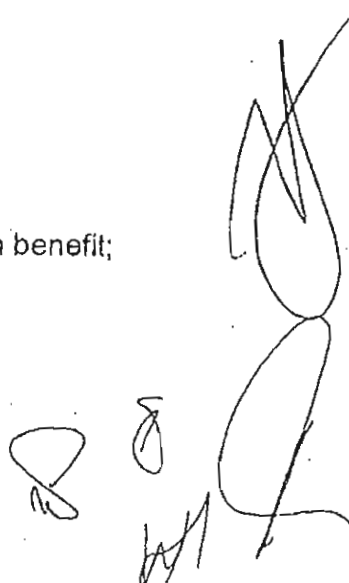
Rugby shall remain entitled to the income derived from the suites in terms of existing and future lease agreements.

10. IMPROVEMENTS

10.1 Rugby may effect improvements, additions or alterations to the leased premises only after obtaining the written consent of the Municipality thereto. Should any improvement, addition or alteration be effected, then unless the parties otherwise agree in writing :

10.1.1 the costs thereof shall be for the party concerned;

10.1.2 the party concerned may not remove same for its own benefit;



10.1.3 the party concerned shall be obliged to remove same within a reasonable time after the expiry of this agreement, if so required in writing by the Municipality to do so;

10.1.4 the leased premises shall not be damaged by the removal as contemplated in clause 12.1.3, and the party concerned shall repair the leased premises, if damaged, to the satisfaction of the Municipality;

10.1.5 the Municipality shall not be obliged to pay compensation for same, unless the parties agree otherwise in writing;

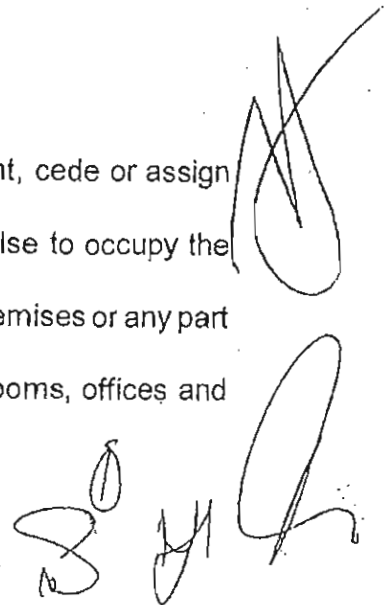
10.1.6 no buildings, structures or facilities on the leased premises may be altered, shifted or removed without the prior consent of the Municipality.

11. GENERAL RIGHTS AND OBLIGATIONS OF RUGBY

11.1 Rugby :

11.1.1 shall comply with all conditions of title, the applicable town planning scheme, as well as municipal and other legislation applicable to the leased premises;

11.1.2 may not without the Municipality's prior written consent, cede or assign any of their rights in terms hereof or permit anyone else to occupy the leased premises or part thereof, or sublet the leased premises or any part thereof, save in respect of casual letting of function rooms, offices and existing leases,

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11.1.3 shall not bring or store any article on the leased premises which may have the effect of vitiating or in any way prejudicing any insurance policy on the leased premises;

11.1.4 shall not without the prior written consent of the Municipality allow any of their employees or any other person to reside or stay on the leased premises;

11.1.5 may not conduct a bar for the sale of alcohol on the leased premises except in terms of a valid liquor licence. Under no circumstances shall a person under the age of 18 (eighteen) years be supplied with alcohol;

11.2 Rugby shall be responsible for payment of the water, electricity and other Municipal services accounts in respect of the leased premises.

11.3 The parties hereby record that Rugby is at present the majority shareholder in a company known as Free State Cheetahs (Pty) Ltd; it is agreed that Rugby may permit usage of the leased premises by the said company for as long as Rugby remains the majority shareholder in such company.

12. GENERAL RIGHTS AND OBLIGATIONS OF MUNICIPALITY

12.1 The Municipality :

12.1.1 may at any time carry out any of Rugby's obligations in terms of this agreement which they have failed to carry out, within 30 (THIRTY) days

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after being required in writing by the Municipality to do so, and the Municipality may, in its sole discretion, exercise such right in addition to or instead of (but without prejudice to) any other right which it may have in terms hereof and Rugby shall pay to the Municipality on demand all costs and expenses incurred by the Municipality in carrying out the said obligations;

12.1.2 shall at all times through its officials, contractors and agents have access to the leased premises for the purpose of inspection or such other purposes as it may deem necessary for the exercising of the provisions of this agreement, and for the construction, erection, maintenance and restoring of existing or future municipal services or works.

13. DAMAGES, INJURIES OR DESTRUCTION

13.1 Rugby shall be liable for and shall bear the cost of any damages to the leased property which may occur during the period of lease.

13.2 The Municipality accepts no liability whatsoever for damages or injuries suffered by any person whether a lawful occupier of or temporary visitor to the leased premises, as a result of any cause whatever, except during usage of the leased premises by the Municipality itself.

13.3 Should the leased premises be damaged by any cause whatsoever to such an extent that Rugby is prevented from enjoying beneficial occupation of the whole or a portion of the leased premises, then :

13.3.1 the leased agreement is not terminated as a result thereof unless the parties agree in writing to the contrary;

13.3.2 Rugby shall have no claim whatsoever against the Municipality as a result thereof.

14. BREACH

14.1 Should Rugby :

14.1 fail to pay any amount owing by them in terms of this agreement within 30 (THIRTY) days of written demand by the Municipality thereof; or

14.2 breach contract by non-compliance of any of the other obligations towards the Municipality;

then the Municipality shall be entitled to cancel this agreement after 30 (THIRTY) days' notice to Rugby to remedy the breach and the failure by Rugby to do so, whereupon the Municipality shall resume possession and control of the leased premises, without prejudice to any other rights that the Municipality may have against Rugby as a result of such breach of contract and Rugby shall have no claim whatsoever against the Municipality.

15. INTERPRETATION

In this agreement and the Annexures hereto, unless the context otherwise indicates, words and expressions denoting the singular shall

A large, stylized handwritten signature is written over the bottom right portion of the page, partially overlapping the text of section 15. Below the signature, there are some handwritten initials or marks.

include the plural and vice versa, words and expressions denoting the male sex shall include the female sex and vice versa and words and expressions denoting a natural person shall include a legal person and *vice versa*.

16. ENTIRE AGREEMENT

This lease agreement contains all the terms and conditions of the agreement between the Municipality and Rugby concerning the leasing of the leased premises, and no terms, conditions, warranties or representations whatsoever apart from those contained in this lease have been made or agreed upon.

17. NO VARIATION

No variation of this lease agreement or mutually agreed cancellation thereof shall be of any force or effect unless in writing and signed by or on behalf of the parties.

18. DOMICILIUM

The parties choose as *domicilia citandi et executandi* for all purposes, the following addresses :

18.1 The Municipality : Civic Centre, 5 De Villiers Street, Bloemfontein 9300

18.2 Rugby : AK Volstedt Building, Free State Stadium At Horak Street, Bloemfontein.

Handwritten signature and initials, likely representing the Rugby party, located at the bottom right of the page.

20.2 This Indemnity is of no force and effect during or in respect of the usage of the leased premises by the Municipality.

21. NO INDULGENCE

No indulgence which the Municipality may grant to Rugby with regard to the compliance of any of their obligations in terms of this agreement, shall prejudice or constitute a waiver of any of the Municipality's rights in terms of this agreement or otherwise.

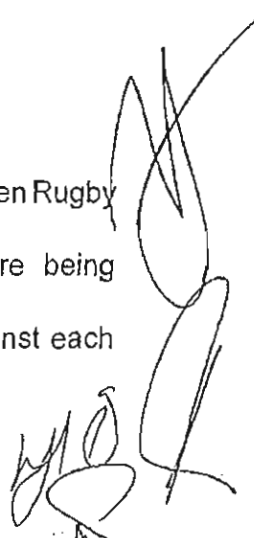
22. COSTS

22.1 Rugby shall pay all attorney and client costs whatsoever which the Municipality may incur in connection with any steps that the Municipality may take against Rugby respectively in respect of or resulting from this agreement, including collection charges at the then ruling rate on the capital amount irrespective whether the capital amount with costs are paid before or after judgement;

22.2 The Municipality shall pay the stamp duty on this agreement.

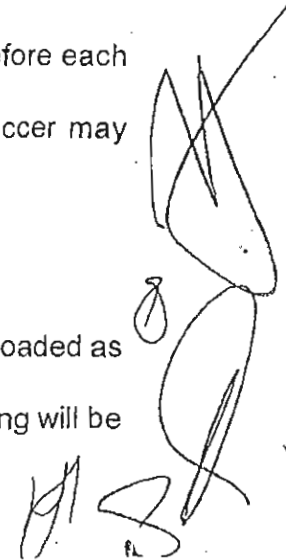
23. TERMINATION OF EXISTING AGREEMENTS:

As from the commencement date all existing agreements between Rugby and the Municipality pertaining to the leased premises are being terminated and the said parties shall not have any claim against each other as a consequence of such cancellation.

Handwritten signature and initials in black ink, located at the bottom right of the page. The signature appears to be 'M. S. L.' and the initials below it are 'M. S. L.'.

24. SOCCER

The Municipality shall be entitled to nominate or assign with written notice to Rugby a soccer body or entity (hereinafter "Soccer") for the purpose of conducting soccer matches on the leased premises. Upon written acceptance of such nomination or assignment, to which Rugby is bound, the following provisions shall apply during the duration of the period of nomination or assignment:

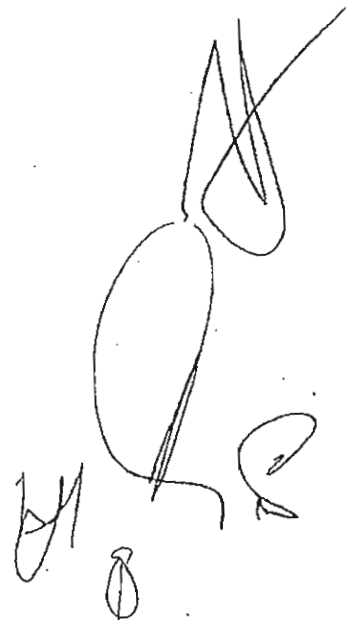
- 24.1 Soccer shall be so nominated or assigned only for such specified period as the Municipality may decide with written notification thereof to Rugby.
- 24.2 Soccer may use the leased premises for official soccer matches and with the prior written consent of Rugby, for any other purpose, which consent will not be unreasonably withheld.
- 24.3 Rugby will have the first right of use of the leased premises on Fridays and Saturdays and soccer shall have the first right of use of the leased premises on Sundays.
- 24.4 Soccer will be entitled to one practice session of two hours before each home match played at the leased premises. Rugby and soccer may agree on any other time of use of the leased premises.
- 24.5 Should the insurance policy referred to in clause 6.3 above be loaded as a result of the usage by Soccer or soccer activities, such loading will be borne by Soccer.
- 

24.11 Rugby undertakes to rent its so-called add-scroll to Soccer for soccer matches at a fee of 10 per centum of the monies paid to Soccer for such advertisements. In such event Soccer will at its own cost and expense remove all rugby advertisements and replace same with those of Soccer and after the soccer match restore same to the status *ante quo*. Soccer will ensure that such work is done under supervision of qualified persons.

24.12 Rugby and Soccer shall endeavour to also generate income in respect of the use of suites for soccer matches and activities, *inter alia* by means of the marketing to suite holders of dual packages for rugby and soccer.

24.13 The following abovementioned clauses shall apply *mutatis mutandis* to Soccer; namely 11.1, 12, 13.2, 13.3, 14, 15, 16, 17, 19, 20, 21 and 22.

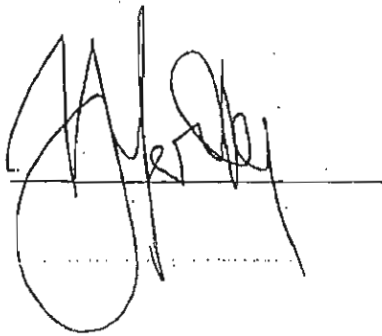
24.14 Soccer shall be obliged to supply to Rugby and the Municipality its *domicilium citandi et executandi* in writing within seven (7) days after acceptance of its nomination or assignment.

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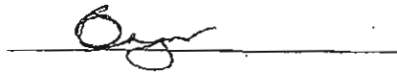
Thus done and signed at Bloemfontein on the day, month and year,
hereinbefore written and in the presence of the subscribing witnesses.

AS WITNESSES:

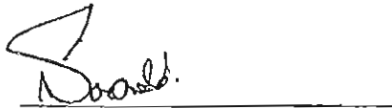
1.



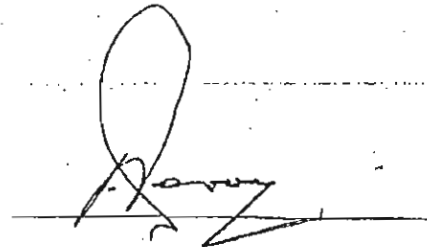
q.q. MANGAUNG LOCAL MUNICIPALITY



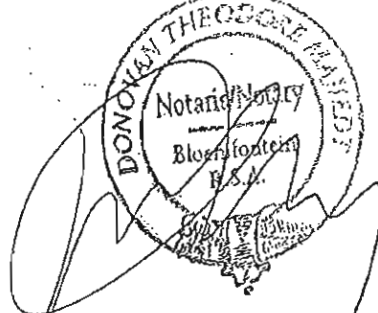
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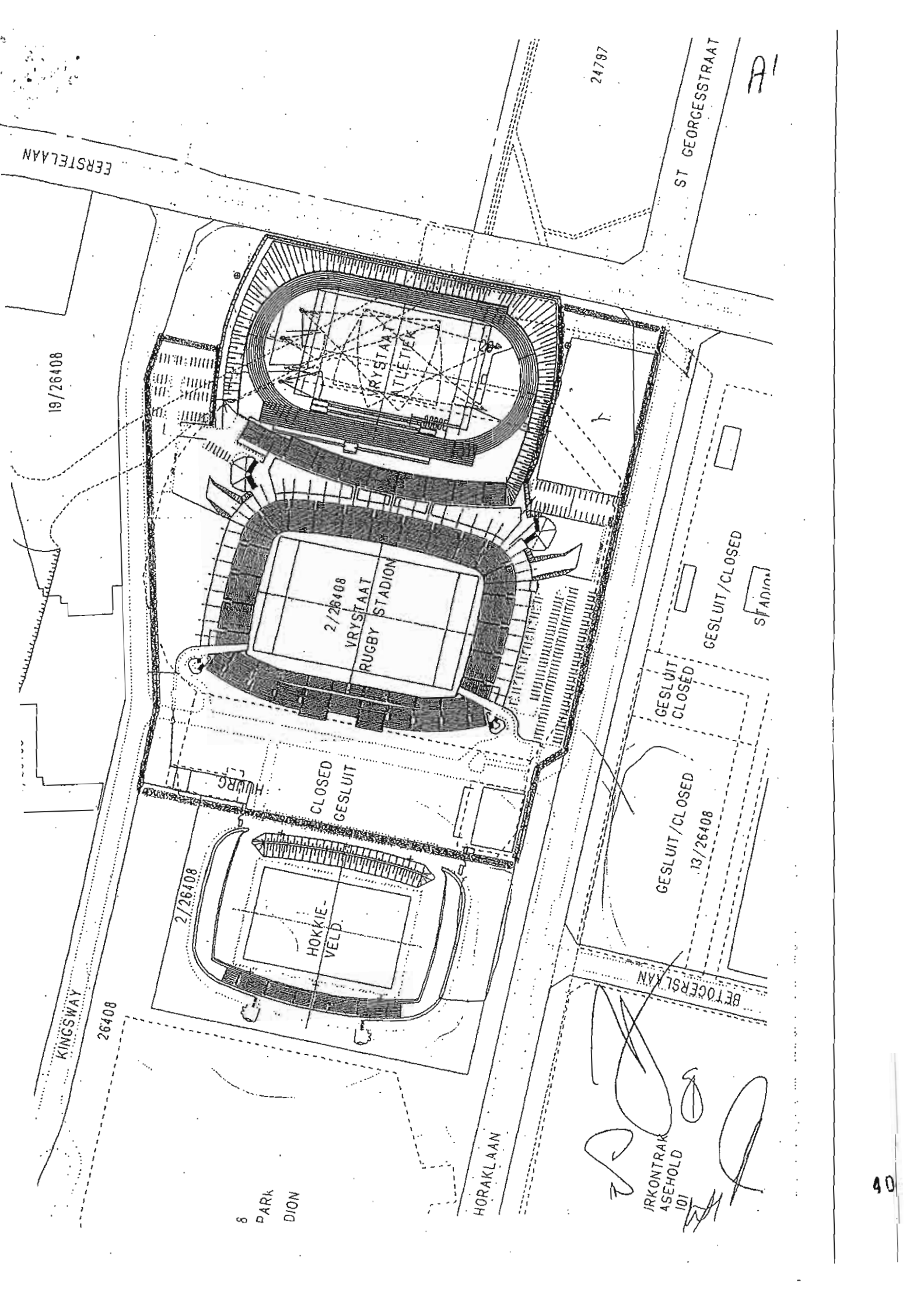
q.q. FREE STATE RUGBY UNION



QUOD ATTESTOR



NOTARY PUBLIC



EERSTELAAN

19/26408

24797

ST GEORGESSTRAAT

A'

KINGSWAY

26408

8
PARK
DION

2/26408

CLOSED
GESLUIT

HOKKIE-
VELD

2/26408
VRYSTAAT
RUGBY STADION

VRYSTAAT
ATLETIEK

HORAKLAAN

BETOGERSLAAN

GESLUIT / CLOSED
13/26408

GESLUIT
CLOSED

GESLUIT / CLOSED

STADIUM

IRKONTRAK
ASEHOLD
101

ANNEXURE "C"

Valuation Report

PROPOSED PORTION OF PORTION 2 OF
ERF 26408,
BLOEMFONTEIN,
MANGAUNG
MANGAUNG METROPOLITAN
MUNICIPALITY,
FREE STATE.

Reference number:
DDP_BFT_3370/DDPMUN1850

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1. CONTACT DETAILS

Client / Instructing Party	Mangaung Municipality
Name	Adv. Nelson Mofokeng
Title	General Manager: Land Development & Property Management
Organisation	Mangaung Municipality
Address	Bram Fischer Building Corner of Nelson Mandela & Markgraaf Streets Bloemfontein 9300
Phone	+27(51) 405 8449
Fax	+27(51) 405 8738
Mobile	Not available
Email	Nelson.mofokeng@mangaung.co.za
Website	www.mangaung.co.za

Valuer / Company	DDP Valuations & Advisory Services (Pty) Ltd
Name	Banie du Toit
Title	Professional Valuer
Organisation	DDP Valuers (Pty) Ltd
Address	Hydro Park Suite 16 135 President Reitz Avenue Westdene, Bloemfontein 9324
Phone	+27 (10) 786 0291
Fax	Not available
Mobile	+27 (84) 554 0902
Email	banie.dutoit@ddp.co.za
Website	www.ddp.co.za

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2. SUMMARY OF KEY FACTS

Subject Property	Proposed Portion of Portion 2 of Erf 26408, Bloemfontein, Mangaung
Physical Address	Free State Rugby Stadium
Registered Owner	Mangaung Metropolitan Municipality
Date of Inspection	17 May 2019
Effective Date of Valuation	2 July 2019
Method of Valuation	Comparable sales approach
Zoning	Existing Private Open Space
Property Type	Stadium
Gross Leasable Area	Not applicable
Net Rentable Area	Proposed 26 529m ²
Quality of Accommodation Offered	Not applicable
Net Operating Income (NOI)	Not applicable
Capitalisation Rate	Not applicable
Income Capitalisation Value	Not applicable
Rental Value	R176 900.00 per month

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3. INTRODUCTION

3.1. INSTRUCTION

Mangaung Metropolitan Municipality represented by Adv. Nelson Mofokeng, instructed DDP Valuation and Advisory Services (Pty) Ltd to determine the fair market rental value of the proposed portion of land as described in this report.

3.2. PURPOSE OF VALUATION

The purpose of this valuation report is to determine the market rental of the subject property as at the date of valuation.

3.3. METHOD OF VALUATION

Comparable Sales Approach

By using the *Comparable Sales Approach*, the value indicated is established by comparing the subject properties with similar properties, called comparable sales. Comparable sales are recent property transactions of property that sold in accordance with the definition of market value. These comparable sales are judged as being the most comparable to the subject property to indicate a range of value in which the subject property's value could be determined. The subject properties are then measured against the comparable sales, in various elements of comparison that might influence and ultimately determine the value of the subject property.

And;

Ground Rental Determination Method

Traditionally, in most countries, Valuers assess ground rentals by applying a "ground rental rate" or percentage per annum to the property's land value at the beginning of the review or renewal term.

3.4. DEFINITION OF OPEN MARKET VALUE

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.

3.5. DATE OF INSPECTION

17 May 2019

3.6. EFFECTIVE DATE OF VALUATION

02 July 2019

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3.7. INFORMATION SOURCES

- Mangaung Metropolitan Municipality;
- Deeds Office;
- Surveyor General;
- www.Lightstone.co.za;
- Own Records; and
- Various property professional active in the area.

4. TITLE DEED INFORMATION

4.1. DEED DESCRIPTION OF SUBJECT PROPERTY

Proposed Portion of Portion 2 of Erf 26408, Bloemfontein, Mangaung, Mangaung, Mangaung Metropolitan Municipality, Free State Province.

4.2. LPI CODE

F00300030002640800002

4.3. REGISTERED OWNER

Bloemfontein Plaaslike Oorgangsraad

4.4. EXTENT OF SUBJECT PROPERTY

11.4156ha

4.5. HISTORICAL PURCHASE PRICE

Not recorded in Deed Registry

4.6. DATE OF PURCHASE

Not recorded in Deed Registry

4.7. TITLE DEED NUMBER

T13803/1998

4.8. DATE OF TRANSFER

Not recorded in Deed Registry

4.9. ENDORSEMENTS

Not recorded in Deed Registry

4.10. SERVITUDES

A Title Deed is a legal instrument as documentary proof of ownership in terms of the Deeds Registries Act 47 of 1937. Each property has its own separate Title

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Deed. It is a document containing all the details pertaining to a particular property and includes, amongst others, conditions applicable to the zoning, use, and sale of the land as well as all real rights registered in respect of the property.

We have requested a copy of the Title Deed either directly from the owner or from the relevant Deeds Office, unfortunately as on the date of valuation the Title Deed was not yet made available for our perusal and DDP reserves the right to review this valuation in the existence of any restrictive or onerous conditions that may have an adverse effect on this valuation.

Refer to APPENDIX B, for a copy of the Deeds Office Enquiry

The Surveyor General Diagram is the fundamental registerable document prepared by the land surveyor. The essential information shown on a diagram is, amongst others, a) The unique designation of the property, b) An illustration depicting the property, c) The boundary description listing the corner beacons and the details of any curvilinear boundary, d) Descriptions of the corner beacons, e) A table listing the numerical data of the boundaries and f) The area of the property

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5. ZONING INFORMATION

5.1. NAME OF LOCAL AUTHORITY

Mangaung Metropolitan Municipality

5.2. ZONING

PERMISSIBLE	ACTUAL
Existing Private Open Space	Existing Private Open Space

5.3. COVERAGE

PERMISSIBLE	ACTUAL
Not applicable	Not applicable

5.4. HEIGHT

PERMISSIBLE	ACTUAL
Not applicable	Not applicable

5.5. FAR, BULK, FSR

PERMISSIBLE	ACTUAL
Not applicable	Not applicable

5.6. SETBACK

PERMISSIBLE	ACTUAL
Not applicable	Not applicable

5.7. BUILDING LINE

PERMISSIBLE	ACTUAL
Not applicable	Not applicable

5.8. PARKING RATIO

PERMISSIBLE	ACTUAL
Not applicable	Not applicable

5.9. COMMENTS

We were instructed to determine the rental value of a proposed portion of the subject property. The zoning was verbally confirmed by Adv. NN Mofokeng. DDP reserves the right to amend the report if the above-assumed information is proven to be incorrect.

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6. LOCAL AUTHORITY VALUATION

TOTAL VALUE	R1 091 416 000.00
VALUATION DATE	01 October 2016
COMMENT	None.

7. LOCATION AND SITUATION

7.1. LOCATION

The subject property is centrally located, in the Central Business District (CBD) of Bloemfontein. The subject property is located next to the famous Waterfront Mall in Bloemfontein. The wider surrounding area predominantly consists of office buildings and business properties located around Nelson Mandela road, a main traffic artery through the suburb. The location is considered to be good when comparing with other suburbs in Bloemfontein.

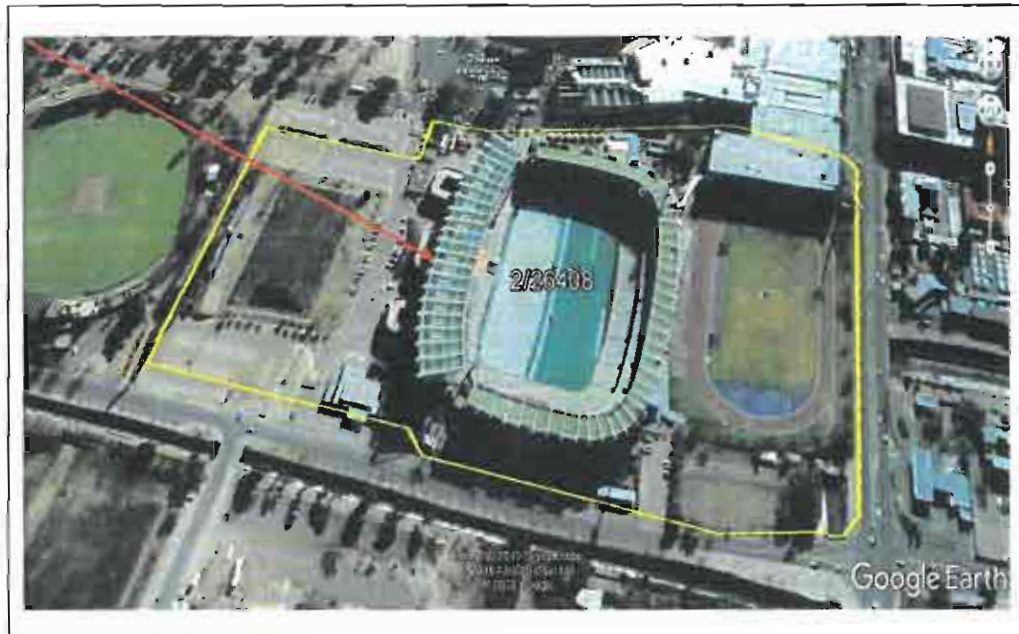


Figure 1 - Location of the subject property in relation to other important nodes.

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7.2. SITUATION

As per our instruction, we were instructed to value a proposed development of a 120 Room 4 Star Hotel and a premium grade office block of 7 465m², which is proposed to be constructed on the northern elevation of the Free State Rugby Stadium. According to the information received from Mangaung Municipality, the total extent (Bulk m² utilised) of the proposed development will be around 26 529m². The whole development will be located from the first (1st) storey upward, in an effort not to restrict foot traffic to the Rugby Stadium. The entire development will be located on the land of the stadium.

We did not receive any plans of the proposed development and therefore cannot comment on parking availability, exact location of development, finishes of the building, layout of the development and other information relating to the development.

Valuers note: DDP reserves the right to amend the details of the development if detailed plans are made available for our perusal.



Figure 2 - Aerial view of the subject property.

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Figure 3 – Illustration of the proposed development.

8. HIGHEST AND BEST USE¹

(¹A term meaning the reasonable, probable and permissible use that will support the highest present value, as of the effective date of valuation).

The highest and best use of the subject property is as Sport stadium because:

- Current zoning over the property, and;
- The current use of the property.

¹ A term meaning the reasonable, probable and permissible use that will support the highest present value, as of the effective date of valuation

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9. MARKET COMMENTARY

9.1. MACRO

Property owners across South Africa will be pleased to hear that industry experts are predicting a strong chance of a post-election market upswing. This could signal the end of the multi-year market contraction that has seen property price growth averages stagnating nationwide.

The current market has been strongly influenced by factors like economic and political uncertainty, compounded by high unemployment rates and concern over things like land policy. This kind of unstable environment makes long-term investments like property purchases less desirable, and often less accessible to the general public. This has an understandably negative effect on market activity.

We're now at a point where the market is strongly in favour of buyers, with an abundance of eager sellers competing heavily to secure a sale. This situation is unlikely to change in the lead-up to elections, but could begin to see a reversal once the post-election dust has settled.

What we're really hoping for, post-elections, is some kind of clarity on economic policy. There has been so much talk and posturing, particularly during pre-election campaigning, that nobody really knows what the plan is going to be moving forward. Once we have the results from 8 May, we're hoping that the focus will return to road-mapping our country's future, and that those plans will be communicated in a way that is clear, authoritative, and lays investor uncertainty to rest.

While clarity on economic policy will certainly stimulate property market activity and boost buyer confidence, the road to complete market recovery is nonetheless a long one.

Rising inflation, fuel prices, municipal rates and tariffs and taxes are taking a bite out of disposable income across the board. That's going to make finances very tight for consumers, and means taking on new debt still needs to be handled conservatively. We're certainly not going to see an overnight flood of qualified buyers hitting the market, but we are expecting slow and steady improvement in activity and demand.

This doesn't offer much immediate relief to sellers, but price growth will return to stronger levels in time. In the meanwhile, buyers should take advantage of current opportunities before interest rates and property prices begin to climb.

The next six to twelve months could be a very favourable time for buyers to get a foot in the market. Price stabilization means there are plenty of well-priced properties available, and lenders are coming to the table with some very competitive mortgage rates. I definitely wouldn't recommend buyers overextend themselves in these liminal moments, but using this time to buy low and pay off as much debt as possible could put them in a much stronger position for the future – whatever that future holds.

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(Adapted from: Markets & Investment News 30 April 2019)

9.2. MICRO

The immediate area surrounding the subject property is a general commercial area. Sales transactions noted in the area, indicate a stable property market.

10. COMPARABLE SALES APPROACH (VACANT LAND SALES)

It must be noted for the purpose of this valuation report there is a limited amount of market information available relative to vacant developable site within the greater area. This limited market information is exacerbated by a general scarcity of suitable developable vacant land across the residential and commercial spectrum throughout the Bloemfontein area.

After analysing various sales, it was established that the majority of registered sales, in the Bloemfontein area, are dated and furthermore located in superior or inferior areas.

Research has been undertaken to establish what developers are prepared to pay for comparable vacant sites. The comparison was made on the basis of proximity to amenities, facilities, accessibility and other relevant factors.

For this valuation, the following comparable transactions of vacant land were identified and compared with the vacant land of the subject property. Some of the transactions are only included to illustrate market trends in terms of value escalation and location.

Other factors considered important in determining the value of vacant land:

- Shape/form of land parcel;
- Servitudes restricting use of property;
- Onerous soil conditions;
- The presence of hard rock formations; and
- Availability of municipal services.

For this valuation, the following comparable transactions of vacant land were identified and compared with the vacant land of the subject property. Some of the transactions are only included to illustrate market trends in terms of value escalation and location.

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Comparable Sale One


Deed Description	Erf 2322, Rocklands, Mangaung
Address	Moshoeshoe Street
Purchase Price	R1 750 000.00
Date of Sale	10 April 2015
Extent	3 065.00m ²
Zoning	Business
Selling Rate	R570.96/m ²
Rate per Bulk/m²	R827.95/m ²
Additional Comments	
This comparable offers a smaller in extent vacant business erf, located in Rocklands to the south east of Bloemfontein. This comparable is considered to be located inferior in terms of exposure and passing trade. We are of the opinion that the subject property should yield a higher rate per bulk m ² compared to this comparable sale, due to its superior location, extent and zoning. A positive adjustment can be made to account for the date of sale, as the purchase date is considered to be slightly dated.	

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Comparable Sale Two



Deed Description	Portion 25 of Erf 26408, Bloemfontein, Mangaung
Address	Parfitt Street
Purchase Price	R12 654 000.00
Date of Sale	30 April 2015
Extent	14 000.00m ²
Zoning	Restricted Business 1
Selling Rate	R903.86/m ²
Rate per Bulk/m²	R677.96/m ²

Additional Comments

This comparable offers a large business zoned vacant land in Park West. This comparable sale offers a very similar location to the subject property and is located in close proximity. We are of the opinion the subject property should yield a much higher rate per m² compared to this comparable sale, as it is located next to the Waterfront Mall, which provides conglomeration advantages. A positive adjustment can be made to account for the date of sale, as the purchase date is considered to be slightly dated.

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Comparable Sale Three



Deed Description	Erf 30374, Wild Olive Estate, Bloemfontein
Date of Sale	16 April 2014
Purchase Price	R9 918 000.00
Zoning	Restricted Business 3
Erf Extent	11 979m ² (1.1979Ha)
Selling Rate	R827.95/m ²
Rate per Bulk/m²	R1101.63/m ²

Additional Comments

Erf 30374, is located within a new residential area (Wild Olive) in the north of Bloemfontein. This comparable offers a Restricted Business 3 zoning. This transaction provides a good indication of the bulk rates applicable on serviced, vacant business land in Bloemfontein. The subject property should yield a very similar to higher rate per bulk m² when compared to this comparable. A nominal positive adjustment can be made to account for date of sale, as this transaction took place in 2014.

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Comparable Sale Four



Deed Description	Erf 30346, Wild Olive Estate, Bloemfontein
Date of Sale	14 April 2016
Purchase Price	R6 555 000.00
Zoning	General Residential 3
Erf Extent	9367m ² (0.9367Ha)
Selling Rate	R699.79/m ²
Rate per Bulk/m²	R1 749.49/m ²
Additional Comments	
Erf 30346, is located within a new residential area (Wild Olive) in the north of Bloemfontein. This comparable offers a General Residential 3 zoning permitting Retirement Resorts, Town Houses and Maisonettes. This transaction provides a good indication of the bulk rates applicable on serviced, vacant residential land in Bloemfontein. This transaction is included only to illustrate the drastic increase in bulk rates of small erven in the wider Bloemfontein.	

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Comparable Sale Five


Deed Description	Erf 30375, Wild Olive Estate, Bloemfontein
Date of Sale	17 August 2016
Purchase Price	R12 198 000.00
Land use	Restricted Business 3
Extent	11 924m ² (1.1924Ha)
Selling Rate	R1 022.98/m ²
Rate per Bulk/m²	R1 709.36/m ²
Additional Comments	
Erf 30375, is located within a new residential area (Wild Olive) in the north of Bloemfontein. This comparable offers a Restricted Business 3 zoning. This transaction provides a good indication of the bulk rates applicable on serviced, vacant business land in Bloemfontein. This transaction is included only to illustrate the rates applicable on vacant business zoned land in the wider Bloemfontein area. The subject property should yield a lower rate when compared to this comparable, as it offers a less desirable zoning and is much smaller in overall extent.	

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Comparable Sale Six



Deed Description	Erf 30376, Wild Olive Estate, Bloemfontein
Date of Sale	19 October 2018
Purchase Price	R15 050 000.00
Land use	Restricted Business 3
Extent	16 313m ² (1.6313Ha)
Selling Rate	R922.57/m ²
Rate per Bulk/m²	R1 538.85/m ²
Additional Comments	
Erf 30376, is located within a new residential area in the north of Bloemfontein. This comparable offers a Restricted Business 3 zoning. This transaction provides a good indication of the bulk rates applicable on serviced, vacant business land in Bloemfontein. This transaction is included only to illustrate the rates applicable on vacant business zoned land in the wider Bloemfontein area. The subject property should yield a similar to lower rate when compared to this comparable, as it offers a very similar location to a existing Mall with conglomeration advantages.	

Conclusion

The above comparables sales illustrate the value of large vacant business zoned erven in the wider Bloemfontein area. Rates per m² of between R570.96 – R1022.98 per m² is achievable for vacant business zoned erven.

A bulk rate per m² of between R827.95 – R 1749.49 is considered to be achievable under current market conditions.

It is a known fact that land is becoming scarcer and land near established nodes is more popular for reasons such as easier access to municipal services and established infrastructures.

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Cognizance of the current economy under pressure and onerous rezoning processes must also be taken into consideration. In addition to the above, we have taken the following into account in determining the rate applied:

- Physical form;
- Topography & slope;
- Location next to the Waterfront Mall.

It must be mentioned that very few vacant land portions similarly located and similar in size are available in the market. Taking into consideration, the extent of the proposed development (26 529m² of bulk), we are of opinion that a bulk rate in line with the bottom end of the transactions noted above should be applicable. Therefore, we are of opinion that land with a similar location, shape, topography, potential and extent should yield a bulk rate of between R900.00 – R1 000.00 per m² depending on the extent, size, physical attributes and location.

Therefore, for purpose of this valuation report, a rate of R1 000.00/bulk m² will be applied to the bulk m² the proposed development will utilise.

Value of utilised bulk on subject property= R1 000.00 x 26 529m² = R26 529 000.00 say **R26 529 000.00.**

After due consideration of all relevant factors mentioned in this report, a market value of **R26 529 000.00 (Twenty Six Million Five Hundred and Twenty Nine Thousand Rand)** is considered a fair market value as on the date of valuation. Excluding 15% Value Added Tax.

CURRENT MARKET VALUE OF SUBJECT PROPERTY:
**R26 529 000.00 (Twenty Six Million Five Hundred and Twenty Nine
Thousand Rand)**
Excluding 15% Value Added Tax

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11. GROUND RENTAL DETERMINATION

In order to determine a fair market rental of the subject property, the comparable rental approach would be utilised. This approach entails the identification of similar properties that are currently leased on the open market with analogous characteristics. Unfortunately, no comparable rentals could be found in the market.

We have therefore, adopted the comparable sales approach whereby comparable sales are identified and by applying a "ground rental rate" or percentage per annum to the properties' land value at the beginning of the review or renewal term. Once the appropriate land value (LV) and annual ground rental rate (GR%) is determined the ground rental (GR) can be calculated as:

Ground Rental (per annum) = Land Value × Ground Rental Rate
or abbreviated to $GR = LV \times GR\%$

The ground rental rate for the subject property is generally determined by the following factors considered within the wider economic environment/market:

- Based on lessee's required investment returns;
- Based on what rental amount a prudent lessee can afford in the market; and
- Based on the interest rates of R186 government bond, which was 8.17% at 19 June 2019.

Rental calculation

GV	=	LV	X	GR%
		R26,529,000.00	X	0.08
		R2,122,320.00	÷	12
		R176,860.00	per month	

Therefore, taking into account the above mentioned variables, as well as the proposed development of the subject property, we are of opinion that a rental of R176 860.00 per month is achievable under current market conditions.

Open market rental

Property Description	Extent in bulk (m²)	Rental Rate per bulk m²	Rental Value	Rounded Rental Value
Portion 2 of Erf 26408, Bloemfontein	26 529	R6.66	R176 860.00	R176 900.00

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After due consideration of all relevant factors mentioned in this report, a rental of **R176 900.00 (One Hundred Seventy Six Thousand Nine Hundred rand)** per month is considered a fair market-related rental as on the date of valuation.
Excluding 15% Value Added Tax.

CURRENT MARKET RENTAL OF SUBJECT PROPERTY:
R176 900.00 (One Hundred Seventy Six Thousand Nine Hundred rand)
per month
Excluding 15% Value Added Tax

12. RECOMMENDATION

After due consideration of the information presented, a market related rental of **R176 900.00 (One Hundred Seventy Six Thousand Nine Hundred rand)** per month, is considered a fair market rental of the proposed development as described in the report.

13. CONDITIONS AND RECOMMENDATIONS

This valuation is subject to the following conditions and recommendations

1. This valuation is based on the assumed Business zoning. A different zoning could constitute a different market value.
2. This valuation is based on the information as provided by Mangaung Municipality. If any information provided is proven to be invalid, we reserve the right to amend the report accordingly.
3. It is recommended that the Municipal valuation and the rating category of the subject property be reviewed upon completion of the proposed development and that the lessee be responsible for the rates and taxes payable on the proposed development.

DECLARATION

Having inspected the above-mentioned subject property and after taking due consideration of all the relevant factors, I, **Banie du Toit** in my capacity as a Professional Valuer, consider the above valuation to be a true reflection and a fair assessment of the subject property's market rental value, as at the date of valuation.

BANIE DU TOIT
PROFESSIONAL VALUER
(B.L.P.M, M.L.P.M (M. PROP) UOFS)
SACPVP Reg. No: 7419/1

DATE: 02 July 2019

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APPENDIX B: TITLE DEED SUMMARY

Deeds registry	BLOEMFONTEIN
Property type	ERF
Township	BLOEMFONTEIN
Erf number	26408
Portion	2
Province	FREESTATE
Registration division/Administrative district	BLOEMFONTEIN RD
Local authority	MANGAUNG METROPOLITAN MUNICIPALITY
Previous description	-
Diagram deed number	T13803/1998
Extent	11.4156 H
LPI Code	F00300030002640800002

Title Deeds detail:

Document	Registration date	Purchase date	Amount	Image Scanned reference	Document copy?
T13803/1998	19980623	-	-	20080909 09:02:44	Yes

Owners detail:

Document	Full name	Identity Number	Share	Person Enquiry?
T13803/1998	MANGAUNG LOCAL MUNICIPALITY	-	-	Yes

Endorsements / Encumbrances:

Endorsement / Encumbrance	Holder	Amount	Microfilm reference	Document copy?
I-2188/1998LG-980318	-	-	-	Not available
I-7303/1997C-971104	SLUITING VAN26408/2	-	-	Not available
K864/2008S	-	-	20080909 08:56:33	Yes
VA1651/2008	MANGAUNG LOCAL MUNICIPALITY	-	20080909 09:02:18	Yes

History:

No data found for this query!

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APPENDIX C: PROPOSED DEVELOPMENT



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CAVEATS

1. FULL DISCLOSURE

This valuation has been prepared on the basis that full disclosure of all information and factors that could affect the valuation ('all relevant factors') have been made to us. We accept no liability or responsibility whatsoever for the valuation if it should transpire that a full disclosure of all relevant factors was not made.

2. THIRD PARTY INVOLVEMENT

Where reliance was placed on information supplied by third parties in undertaking the evaluation, we have assumed such information to be substantially correct. We accept no liability or responsibility whatsoever for the valuation if it should transpire that the information supplied was substantially incorrect.

3. VALUATION STANDARD

This valuation has been prepared in accordance with the International Valuation Standards Committee requirements as adopted by the South African Council for the Property Valuers Profession and the South African Institute of Valuers.

4. FREEHOLD PROPERTY

In the case of freehold properties we have inspected the relevant Title Deed documents when available. Whenever perusal of the Title Deed caused concern, we made specific reference to this in the Valuation Report. Where the Title Deeds were not available we have assumed that good title can be shown and that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing.

5. MORTGAGE BONDS, LOANS OR OTHER CHARGES

The property has been valued as if wholly owned with no allowance made for any outstanding monies due in respect of mortgage bonds, loans or other charges. No deductions have been made in our valuation for the cost of acquisition, such as legal or transfer fees, or the costs involved in the disposal of the assets.

6. CALCULATION OF AREAS

Where the client (or his/her representative) has provided all surface areas quoted within the Valuation Report, we assume such surface areas have been calculated in accordance with the SAPOA standard method of measurement. Where a valuer on site measures the surface areas, the SAPOA standard method of measurement shall be employed.

7. PLANS

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

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8. PROPERTY BOUNDARIES

The farm or property boundaries, as indicated to the Valuer by the instructing client or his appointed agent, or the boundaries as indicated by plans supplied by the client, are assumed to be the legal extent of the property. Any variation of these boundaries by extension or omission, and the resultant inclusion or omission of any improvements because of this or these variations, cannot therefore be regarded as the responsibility of the Valuer. We accept no liability or responsibility whatsoever for the valuation should it transpire that any boundaries were incorrectly pointed out.

9. OUTGOINGS

It is assumed, except where otherwise stated, that the property is subject to the normal property owner's outgoings and that there are no onerous restrictions or unusual covenants of which we have no knowledge. In preparing our valuation, we have formed our opinion of outgoings, having had reference to the various schedules of outgoings supplied by the client or a representative thereof.

10. STRUCTURAL CONDITION

The property has been valued in its existing state. In the event of its ownership or use changing in such a manner that the local authority will require the upgrading of the premises to comply with fire protection and other regulations, it may be necessary to reduce the valuation by the amount covering the cost of such compliance. We have had regard to the apparent state and condition of the property but have not carried out a structural survey, nor inspected those areas, which were covered, unexposed or inaccessible, neither have we arranged for the testing of electrical, heating or other services. The valuation assumes that the services and structures are in a satisfactory state of repair and condition, unless otherwise stated in our report. The valuation further assumes that the improvements have been erected in accordance with the relevant Building and Town Planning Regulations as well as the Local Authority by-laws. We have not inspected woodwork or other parts of the structure, and we are therefore unable to report that such parts of the property are free from rot, beetle or other defects. We have assumed that no deleterious or hazardous materials or techniques were used in the construction of the property nor have since been incorporated.

11. CONTAMINATION

Our valuation assumes that a formal environmental assessment is not provided and further that the property is not environmentally impaired nor contaminated, unless otherwise stated in our report.

12. VACANT LAND

No soil or substratum tests on the property have been undertaken and it is assumed that the property is suitable for the intended purpose, without having to provide excessive reinforcement to any structure built thereon.

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13. STATUTORY NOTICE AND UNLAWFUL USE

We have assumed that the property and its value are unaffected by any statutory notice, and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.

14. INDIVIDUAL PROPERTIES

The values reported are for the individual properties. No allowance is made for any premium, which may be applicable for an assembled portfolio of properties, nor is a discount allowed for any flooding of the market, which might exist if all, or a majority of the properties were offered for sale simultaneously.

15. CONFIDENTIALITY

This valuation is produced exclusively for the client and for the specific purposes to which it refers. It may be disclosed to other professional advisers assisting you in respect of that purpose. We accept no responsibility whatsoever to any parties other than yourselves who make use of this valuation.

16. NON-PUBLICATION

Neither the whole nor any part of this valuation report or certificate, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way without the written approval of the Valuer, as to the form or context in which it may appear and acknowledgement that the Valuer are professional valuers.

17. INDEPENDENT VALUERS CLAUSE

Neither the Valuer, nor any employee, have any present or contemplated interest in this or any other properties or any other interests, which could affect the statements or values, contained in this valuation report. The valuation enclosed herewith was therefore undertaken on a completely independent basis by a valuer employed the Valuer, a company which specializes in valuation and which does not trade in these assets.

18. VALUE ADDED TAX

All figures quoted are exclusive of Value Added Tax.

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