

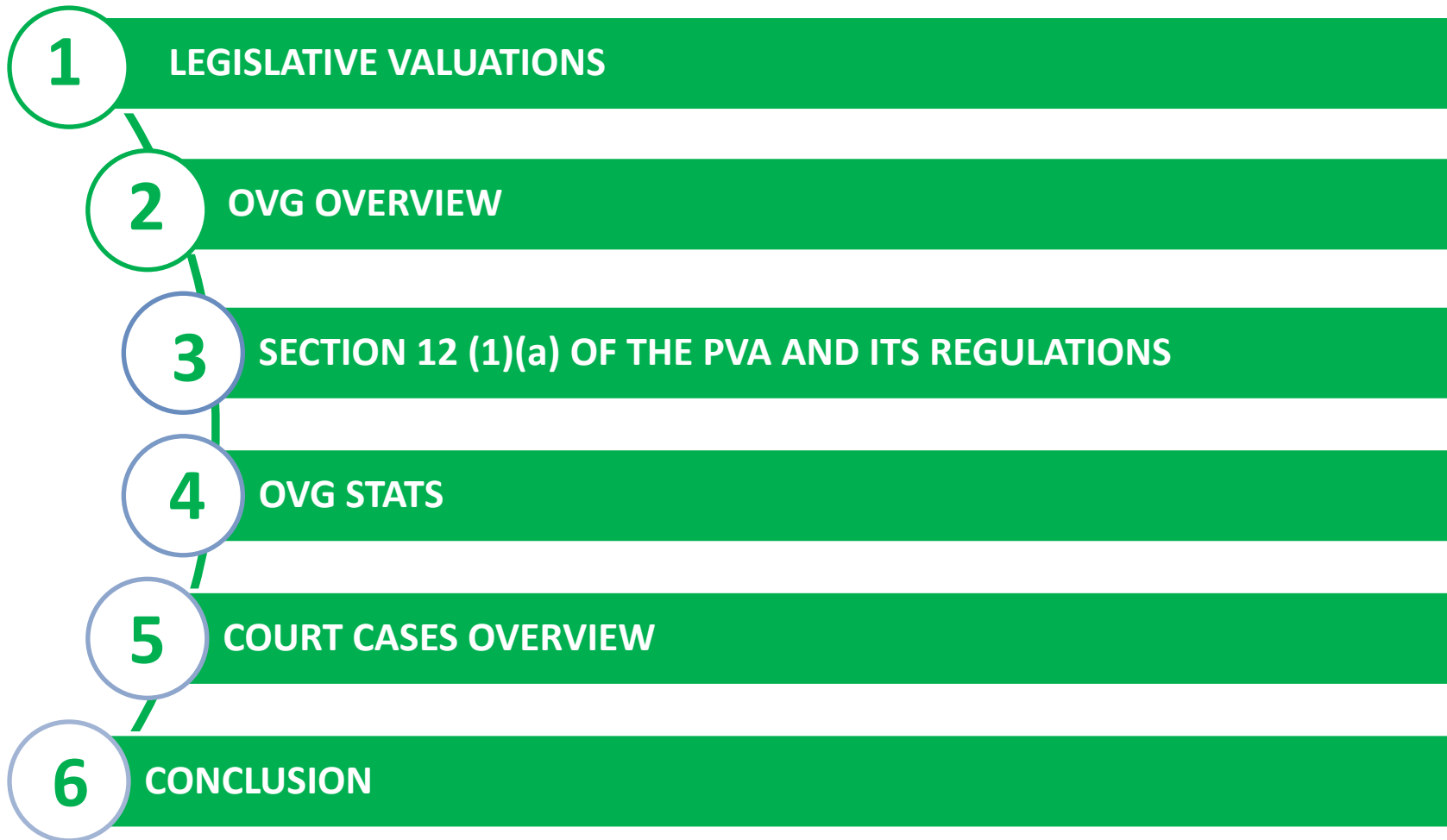
AFRICA VALUATION CONFERENCE

Valuation For Public Interest

29 MARCH 2023



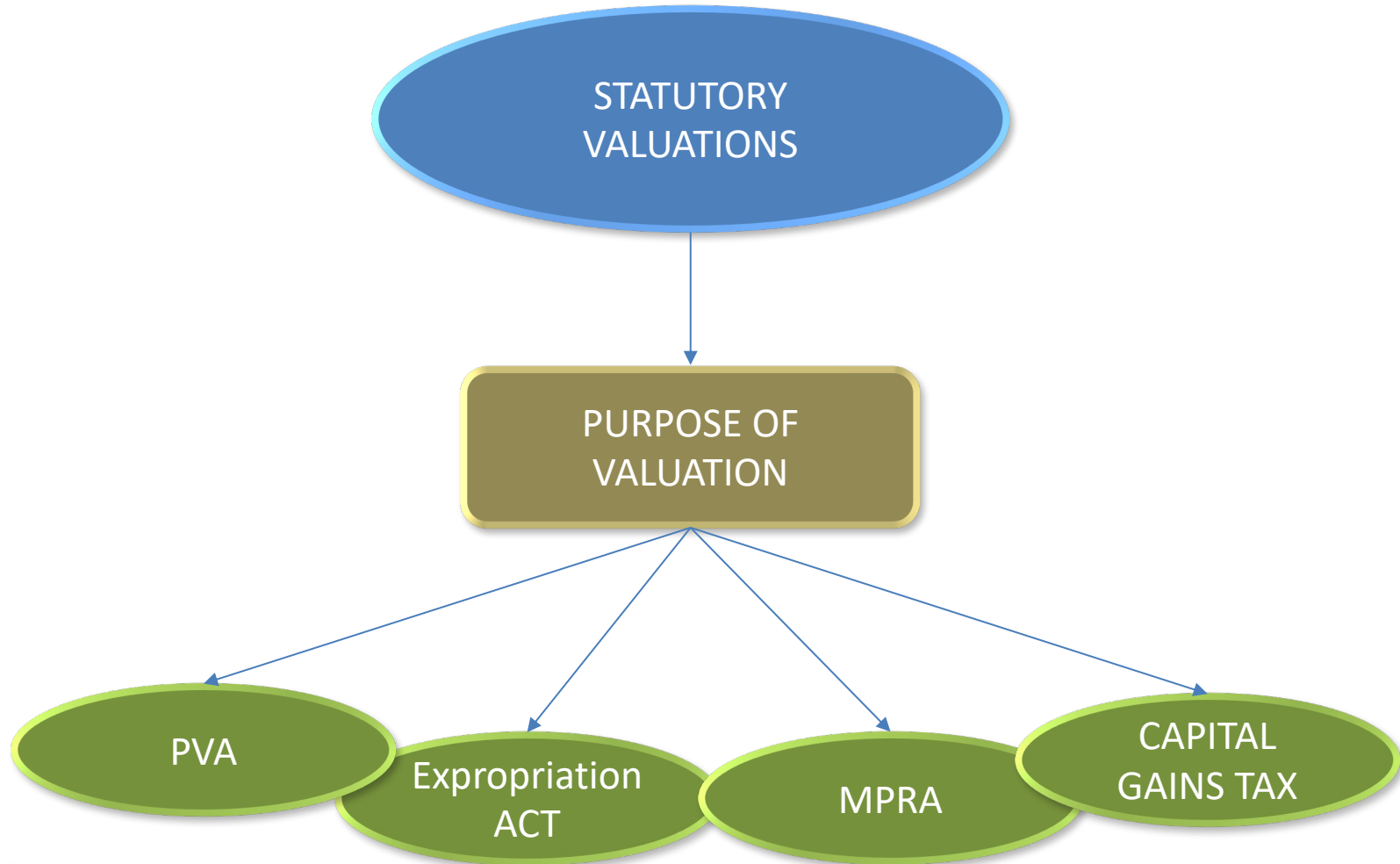
OFFICE OF THE
VALUER-GENERAL



LEGISLATIVE VALUATIONS



LEGISLATIVE VALUATIONS



CONSTITUTIONAL MANDATE: SECTION 25 (2)

Property may be expropriated only in terms of law of general application

for a public purpose or in the **public interest**



subject to compensation, the amount of which and the time and manner of payment of which have either been **agreed to by those affected or decided or approved by a court.**



Section 25.4. (a) of The Constitution

public interest as defined includes the nation's commitment to land reform, and to reforms to bring about equitable access to all South Africa's natural resources

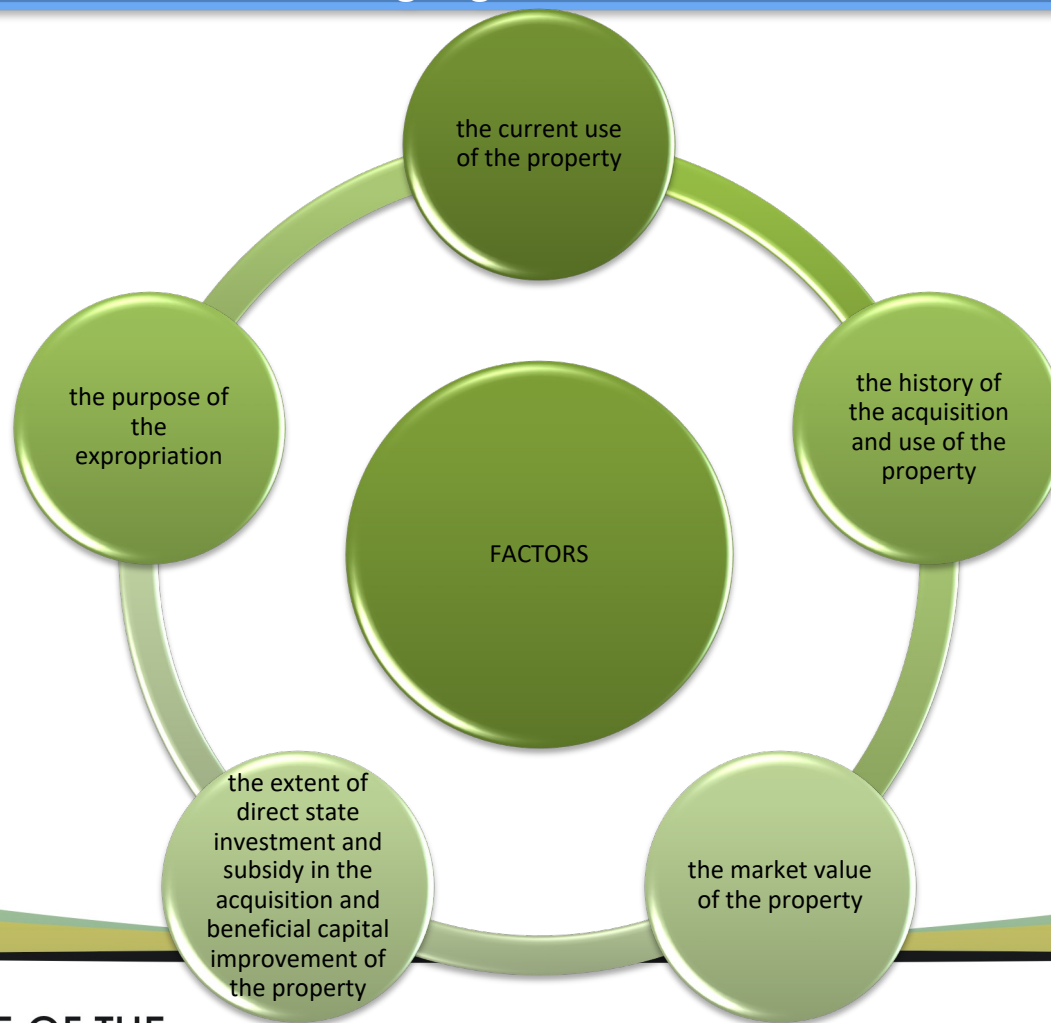


Public Interest or Land Reform had no law of general application and Property Valuation Act 17 of 2014 was enacted to include Land Reform



CONSTITUTIONAL MANDATE: SECTION 25 (3)

The amount of the compensation and the time and manner of payment must be just and equitable, reflecting an equitable balance between the public interest and the interests of those affected, having regard to all relevant circumstances, including



OFFICE OF THE
VALUER-GENERAL

OVG OVERVIEW



OFFICE OF THE
VALUER-GENERAL

OVG OVERVIEW: LEGISLATIVE MANDATE

The OVG derive its mandate from the Property Valuations Act, No. 17 of 2014.

Section 12. 1. (a) of the Property Valuations Act

Whenever a property has been identified for — (a) purposes of land reform that property must be valued by the Office of the Valuer-General for purposes of determining the value of the property having regard to the prescribed criteria procedures and guidelines

Section 12. 1. (b) of the Property Valuations Act

Whenever a property has been identified for acquisition or disposal by a department, for any reason other than that mentioned in paragraph (a), the market value of such property may, at the request of a department, be determined by the Office of the Valuer-General.



OVG OVERVIEW: FOOTPRINT

The OVG operates across South Africa, covering all 9 provinces.

The OVG currently has one office which is located in Pretoria

The OVG has been doing Valuations for clients across South Africa

The OVG started conducting land reform valuations since 2016



OFFICE OF THE
VALUER-GENERAL

Section 12. 1. (a) of the Property Valuations Act And Regulations



COMPENSATION

compensation is an amount agreed upon by those affected and the Minister or approved or decided by a court

See Emakhasaneni par 34-35 (CASE NO: LCC 03/2009 p20- 22)

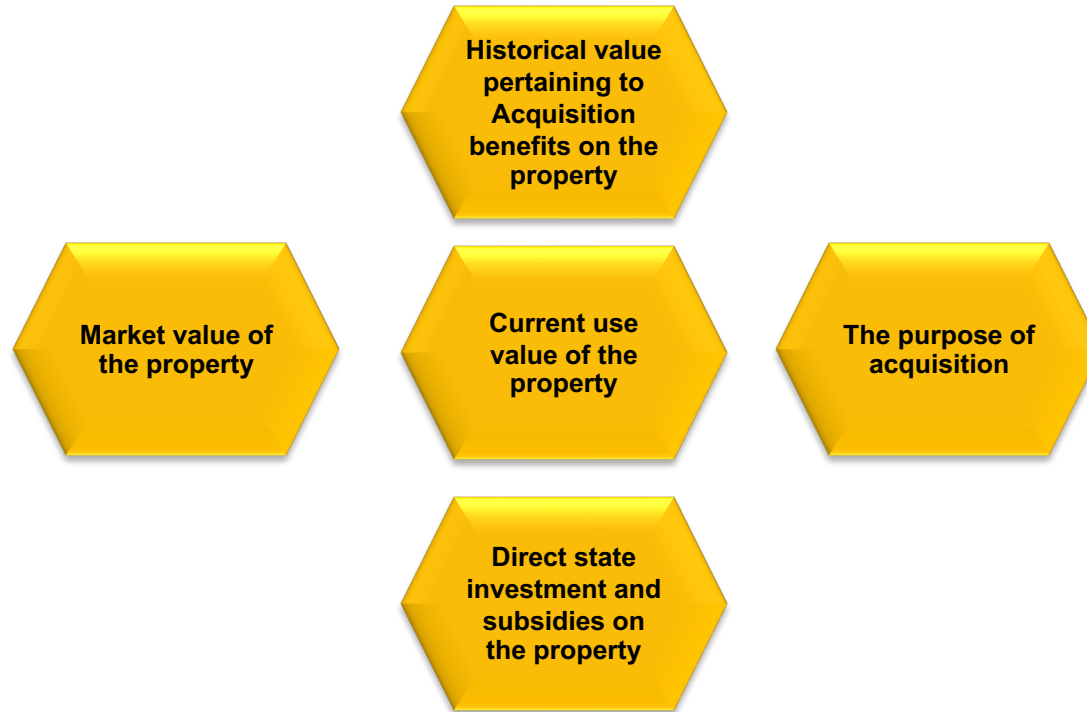
VALUE

“value”, for purposes of section 12(1)(a) of PVA, means the value of property identified for purposes of land reform, which must reflect an equitable balance between the public interest and the interests of those affected by the acquisition, having regard to all the relevant circumstances



VALUE IN TERMS OF THE PVA - 5 FACTORS

An authorised valuer shall in terms of Regulation 5(1), value the subject property for land reform purposes in terms of section 12(1)(a) of the PVA and quantify and/or consider the following factors:



The above factors are prescribed by Section 25 (3) of the South African Constitution. The OVG applies all the above factors to determine just and equitable value of the property



OFFICE OF THE
VALUER-GENERAL

SECTION 12 (1) (a) PROPERTY VALUATIONS ACT AND REGULATIONS

PVA VALUE FORMULA

$$\text{PVA VALUE} = (\text{CUV} + \text{MV})/2 - (\text{ACB} + \text{SI} + \text{SUB})$$

WHERE

CUV = CURRENT USE VALUE

ACB = ACQUISITION BENEFITS

MV = MARKET VALUE

SI = STATE INVESTMENT

SUB = SUBSIDY IN ACQUISITION



SECTION 12 (1) (a) PROPERTY VALUATIONS ACT AND REGULATIONS

CUV:

Is the net present value, as at the date of valuation, of cash inflows and outflows, or other benefits and costs that the subject property generates for the specific owner in perpetuity or, in the case of a lease, to lease expiry, under lawful use, and without regard to its highest and best use, or the monetary amount that might be realised upon its sale.

MV:

Is the estimated amount for which the property 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.

ACB:

Are any benefits that accrued to the owner of, and the subject property, because of the manner of acquisition, including that they did not acquire the property at market value and from a willing owner, and where such acquisition and benefit was due to, aided by, or a consequence of past discriminatory laws and practices, or unlawful conduct.

SI:

Is the extent of direct state investment and subsidy in the acquisition and beneficial capital improvement of the property'. This subsection refers to circumstances where the acquisition by the owner of the subject property, and the capital improvement made to such property, was made with the assistance of the previous state. The underlying rationale is that the current state should not compensate an owner for improvements that they made with previous state subsidies, as it will not be just and equitable to do so (Du Plessis, 2009).

SUB:

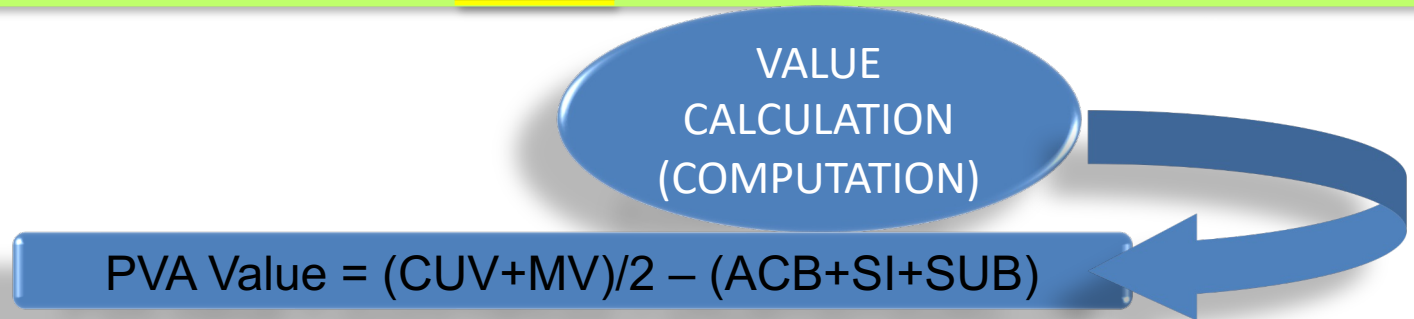
The apartheid state made three specific kinds of investment and subsidies, namely; acquisition subsidies, in terms of which property was purchased from the state at below its true market value, interest rate subsidies arising from reduced interest loans that were made available for the acquisition of land, and infrastructure subsidies (mainly fencing subsidies) (DLA, 2000).

$$\text{PVA VALUE} = (\text{CUV} + \text{MV}) / 2 - (\text{ACB} + \text{SI} + \text{SUB})$$



SECTION 12 (1) (a) PROPERTY VALUATIONS ACT AND REGULATIONS

The amount of the value and the time and manner of payment must be just and equitable, reflecting an equitable balance between the public interest and the interests of those affected



The division by two of the two values (**CUV** and **MV**) is due to the fact that the two are both capital sums that come from the four quantifiable factors and can distinctively stand on their own separately. Furthermore, the division by two is a result of the fact that both capital sums can on their own be used to acquire a property, if need be.

It is usually not easy to find all the information for all the factors especially for **ACB+SI+SUB**.

CUV also has its own challenges, i.e. Financials

MV is sometimes overstated.

There is plenty of research to be undertaken.



SECTION 12 (1) (a) PROPERTY VALUATIONS ACT AND REGULATIONS

The amount of the value and the time and manner of payment must be just and equitable, reflecting an equitable balance between the public interest and the interests of those affected

VALUE
CALCULATION
(COMPUTATION)

$$\text{PVA Value} = (\text{CUV} + \text{MV}) / 2 - (\text{ACB} + \text{SI} + \text{SUB})$$

In establishing the CUV:

The valuer must use actual benefits and costs accruing to, or sustained by the owner of the subject property.

The use of financial statements indicate the true reflection of the value in use. profit and loss account or the cash flow statement could be used to determine the current use value

Potential and highest and best use are not to be assumed when determining CUV.

The valuer must select a capitalization rate or discount rate appropriate to the circumstances of the owner and of the subject property



OFFICE OF THE
VALUER-GENERAL

SECTION 12 (1) (a) PROPERTY VALUATIONS ACT AND REGULATIONS

The amount of the value and the time and manner of payment must be just and equitable, reflecting an equitable balance between the public interest and the interests of those affected

VALUE
CALCULATION
(COMPUTATION)

$$\text{PVA Value} = (\text{CUV} + \text{MV}) / 2 - (\text{ACB} + \text{SI} + \text{SUB})$$

Establishing the (ACB+SI+SUB)

are calculated on the basis of the replacement cost of those improvements, less the total accumulated depreciation as at the valuation date

And

by determining the historical cost of **SI** and **SUB** and escalate the said cost to the date of valuation using an appropriate cost or price index

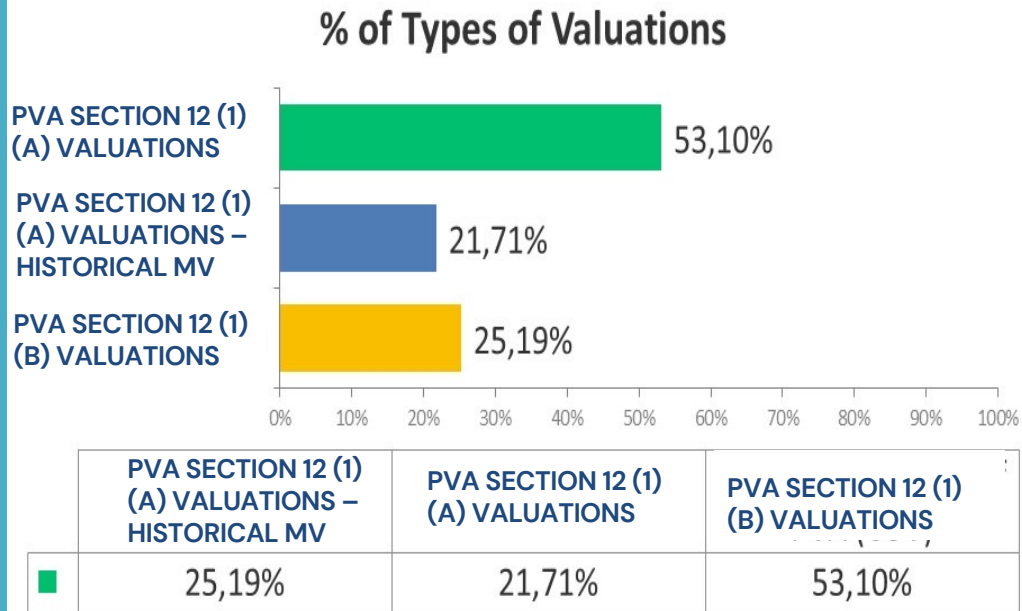


OVG STATS



% IN TERMS OF TYPES OF VALUATIONS

The below figures represents data for valuations that were concluded between January 2021 and January 2022



■ PVA SECTION 12 (1) (A) VALUATIONS

The majority of reports that the OVG processed in this period were values for land restitution purposes

■ PVA SECTION 12 (1) (A) VALUATIONS (HISTORICAL MARKET VALUE)

The OVG continues to process a reasonable number of historical market value reports for Land Restitution purposes

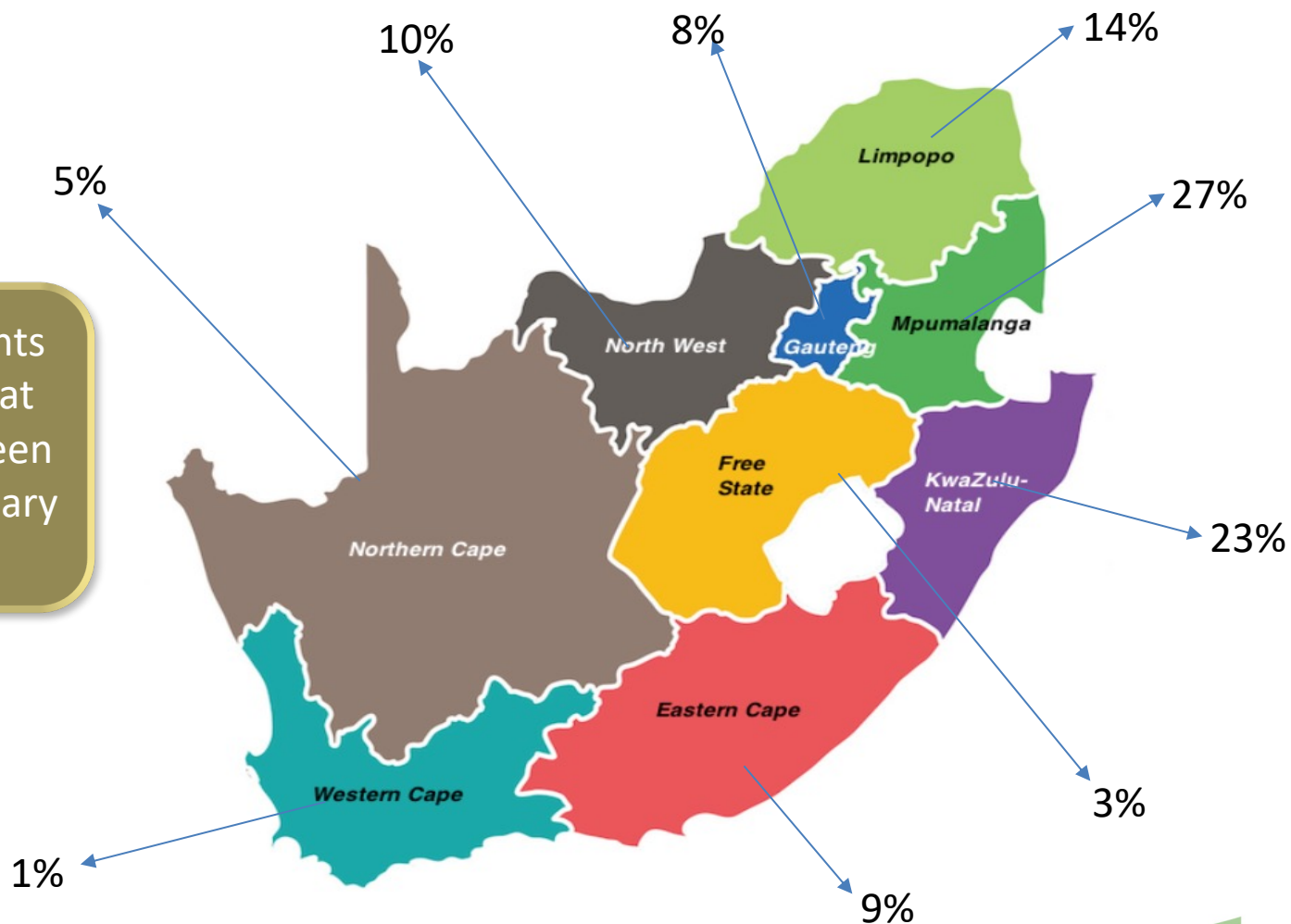
■ PVA SECTION 12 (1) (B) VALUATIONS

The number of section 12 (1) (b) valuations was lower compared to the other valuations types. These are market valuations that the OVG does for Property Management for property lease purposes



% OF VALUATIONS CONDUCTED PER PROVINCE

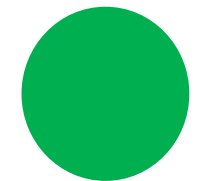
These figures represents data for valuations that were concluded between January 2021 and January 2022



OFFICE OF THE
VALUER-GENERAL

% IN TERMS OF LAND USE FOR VALUED PROPERTIES

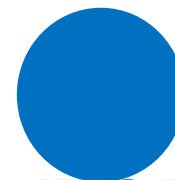
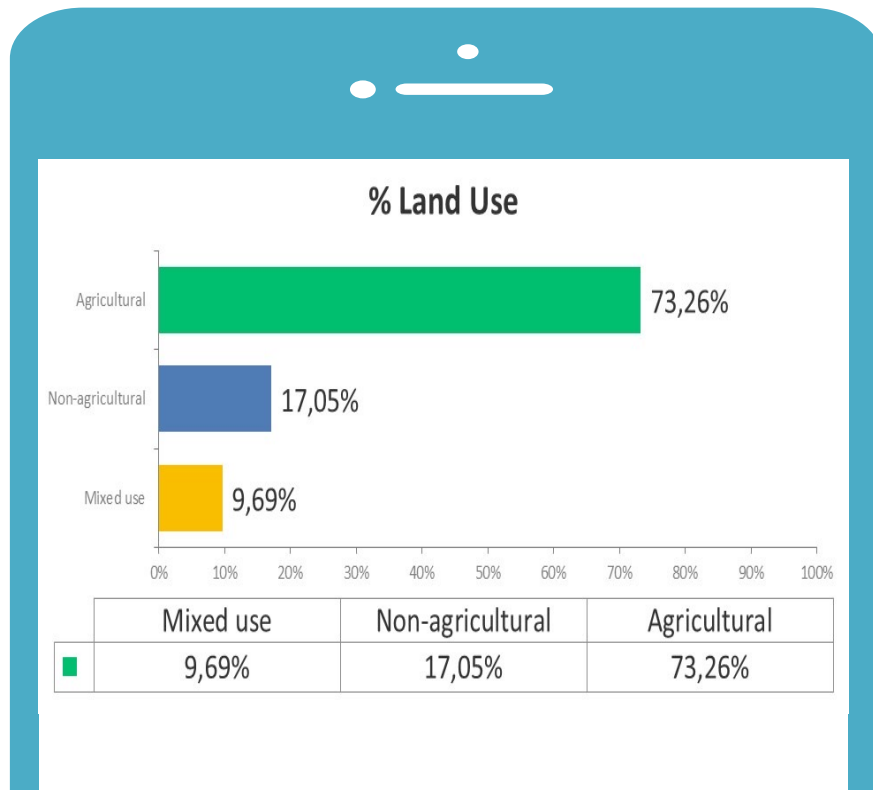
These figures represents data for valuations that were concluded between January 2021 and January 2022



73%

Agricultural

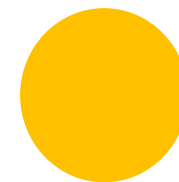
Agricultural properties are the highest valued properties. This indicates that majority of land reform transactions are agricultural properties



17%

Non-Agricultural

The non-agricultural properties are predominantly state rental properties



10%

Mixed Use

The percentage of mixed use properties representation is lower compared to Agricultural and Non-Agricultural.



OFFICE OF THE VALUER-GENERAL

COURT CASES OVERVIEW



CONCLUSION



Conclusion

The framework/ formula the Office of the Valuer-General (OVG) currently uses in determining valuations, is not the only method that exists, however it is accepted to be the appropriate tool for the current use in determining the values that contribute to the determination of just and equitable compensation.

The formula in its current form does not consider certain aspects that are qualitative (non-quantitative) in nature (cultural loss) however relates to the formulation of compensation as a result the OVG will further investigate the enhancement of the formula to include and cater for such elements

It is necessary to continue to use this formula and subject it to further scrutiny through processes such as litigation and allow for jurisprudence on it to develop



RE YA LEBOHA
THANK YOU
DANKIE
VG@OVG.ORG.ZA



OFFICE OF THE
VALUER-GENERAL