THE HISTORY OF THE SOUTH AFRICAN VALUER

NATIONAL EVENTS 2017

Property Valuation Act, 17 of 2014: draft Regulations
UPCOMING EVENTS

NORTHERN BRANCH COUNTRY SEMINAR
15 & 16 SEPTEMBER
VENUE: FAIRCITY ROODEVALLEI

SOUTHERN BRANCH COUNTRY SEMINAR
27 OCTOBER
VENUE: TBC

NORTHERN BRANCH MPRA SEMINAR
3 NOVEMBER
VENUE: TBC

Register on www.saiv.org.za
Greetings fellow valuers.

As you read this, spring is upon us and another winter has passed – ‘Spring is sprung and the grass is riz’. Similarly, a new year has commenced in the world of the SAIV.

Our National AGM held in Durban this year was a resounding success. It was well attended by a number of esteemed Fellows, past Presidents and loyal members. Preceding the AGM, your National Executive met for two days on Institute business with dedicated time set aside for the review of our strategy and SWOT analysis. The analysis shows that we are progressing well in bringing the SAIV to our members and introducing value-adds to them.

The most recent initiative of which we are tremendously proud is the provision of an online pre-recorded webinar with Q&A sections afterwards. If this sounds strange to you, visit our website, www.saiv.org.za, to learn more. The reason that this is so important is that it affords you, the member, the opportunity to earn CET points from your office. This not only ticks the box from the SACPVP’s perspective, but for those of you who are RICS members, it ticks the additional box of Formal CPDs because there is a ‘test’ and outcome attached to it. I have every confidence that this will prove to be popular.

The next step is to look into live webinars with interactive audience participation – all from your office desk! The purpose of this is to make your CET life easier and more effective. The seminars and workshops will still be hosted so that we do not lose our networking opportunities.

Following the National AGM, your new National Executive is made up as follows:

Patrick O’Connell
Tracey Myers
Adrian Vallun
Derrick Griffiths
Thys Beukes
Mark Bakker
Rene Snyman
KZN Branch and President
Northern Branch and Vice President
Northern Branch
Northern Branch
Central Branch
Eastern Cape Branch
Southern Branch
Southern Branch

Congratulations to all of you and thank you for making yourselves available to serve the SAIV and its members.

A special word of thanks must go to Trevor Richardson who has elected to step down from Natex and his role as Treasurer in order to make way for new plates at the dinner table, so to speak. Trevor, thank you for steering the SAIV’s finances so well through some truly trying periods. You have fulfilled this role in an exemplary manner and the committee takes comfort in the fact that the finances have been handed over to Thys Beukes in superb condition. Thank you my friend, you have done well.

In closing, welcome to Penny van Dalen who has joined us as Financial Administration Clerk in the General Secretary’s Office, working closely with Anne-Marie Delport and our GS, Melanie Vallun.

Patrick O’Connell
The editor’s note

The editor’s message at the beginning of a publication enables the editor to draw the attention of readers to certain articles in the issue. This is, however, not the ‘usual’ issue of The South African Valuer because it is the last of its kind – after just over 40 years it will morph into a different publication.

In July 2005 when I first produced ‘the Valuer’ Saul du Toit was the president of the Institute. There have been many presidents since then, but Saul was the first of many helpful, willing people who stand out in my mind. I would like to mention in particular Melanie Vallun who, through thick and thin, guided me in her inimitable way, through the ways of the Institute; Derrick Griffiths for unfailingly contributing ‘Blast from the past’, the scholarly ‘Legal Beagle’ and other articles; Janet Channing for clear and well-written articles on mSCOA and, before that, CoGTA; Ben Espach for so many articles on the MPRA, amongst others, and especially for advice on some tricky situations; the specialist writers and, of course, the Fellows who shared invaluable wisdom gleaned from decades of professional practice.

During the twelve years in which I have been associated with the Institute of Valuers I have met and worked with many friendly, interesting and knowledgeable people. Although I am not a valuer, I have come to identify with the Institute and have learnt a lot about the valuation profession. In 2009 my husband and I attended the centenary celebrations of the Institute (the oldest in South Africa) in Cape Town. It was clear to see the high regard in which the Institute and its senior members are held. May this continue for another hundred years!

I have so enjoyed producing 48 issues of The South African Valuer. I trust that these, together with the earlier issues, will be kept and used for reference purposes.

So the only thing left is for me to say “totsiens, hamba kahle, ‘so long, farewell, auf Wiedersehen, goodbye…’”.

And, in the language of the Institute’s motto - SINE INCLINATIONE – the meaning of which is more relevant today than it ever was, AVE ATQUE VALE.

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The first known publication by the newly established South African Institute of Valuers was its ‘Official year book and Diary 1912-13’. The earliest available report, presented at the 2nd Annual General Meeting of members of the Institute on 12 October 1911 reads: “Tentative negotiations have, in the past, taken place with the S.A. Accountant and Auditor, of which it was suggested that one page in each issue should deal with Institute matters. No arrangement was, however, concluded although some members agreed to subscribe for the publication.

After resuscitation of the Institute in 1941 it was hoped to arrange for the issue of a regular periodical (monthly or quarterly) in collaboration with the Institute of Estate Agents & Auctioneers of South Africa. Paper shortage through war conditions, and uncertainty regarding the cost to members of such a periodical, resulted in postponement of the project as a joint venture. No record exists of any further publications until 1943 when a booklet containing the Presidential Address – subject Appraisers and Appraisement – delivered at the Annual General Meeting on 29 November 1943 by Mr CC Silberbauer, was printed. This was marked ‘For private circulation only’ and ran to eleven pages.

A tantalising small window on the past is contained in two letters found amongst Mr Henry Hermann’s papers. These are dated 5 April 1944 from Dr E Landsberg of Cape Town and 5 May 1944 from Mr HS Clark (as Secretary of the Institute), both addressed to Mr Hermann and relate to the proposed publication of a monthly magazine – apparently to be issued by the Institute of Estate Agents and Auctioneers of South Africa and the SAIv. Dr Landsberg quoted, for editing and producing 650–700 copies – to be sent, post free, to the members of both Institutes – the sum of twenty eight pounds per monthly edition. This worked out at a mere ten shillings and six pence for twelve copies and the magazine would (at the outset) consist of four foolscap pages, without advertisements. Regrettably, we have no record as to why it did not get off the ground.

Over the next 33 years, information was given to members by way of the Presidential and Branch Annual Reports, occasional newsletters from the same sources and at Branch and General meetings.

The 1947 Journal and Year Book (edited by the General Secretary, Mr HS Clark) was next on the list and consisted of 53 pages including advertisements. Item 6 of the Council’s published report for the year ended 31 March 1947 states: “In accordance with resolution (the) Annual General Meeting on 22/5/1946 states, this first issue is being made, which it is hoped will be the forerunner of regular annual publications, although it is probable that subsequent issues may be somewhat shorter.”

There were never regular annual publications and the next was a 24-page brochure simply entitled ‘The South African Institute of Valuers’ and containing basic Institute information – Council Members and Branch Executives 1949-50, Objects, President’s Report, Training Scheme, List of Members and Tariff. The membership was given as 366 at 31 March 1949, when the Institute celebrated its 40th anniversary.

A similar brochure was issued for 1951-2 and this one was semi-bilingual.

The 1957 Journal was completely bilingual, containing 15 pages of tables, measurements and formulae in addition to the tariff, a few articles on aspects of valuation and arbitration and court proceedings and the usual Institute information. This issue is distinguished by the use of the wrong crest – obviously not having been spotted by the proof reader! As a result it was in Institute of Estate Agents and Auctioneers of SA crest which appeared (four times).

In 1963 the Journal (fully bilingual and with the correct crest), apart from articles entitled ‘Leaseback’ and ‘The Valuer as an Expert Witness’ and some definitions of value, was more or less restricted to Institute affairs. Numerous papers were
obtained by the editor but these were circularised separately piecemeal over a period of about a year. They covered a wide range of valuation types and related subjects, most were prepared by members, but in the case of specialised, unusual subjects such as surface mines, plantations and even livestock, by non-members.

The 1963 issue was the last of that style of Brochure/ Journal and in 1968 an information booklet entitled ‘National Diploma in Valuations’ appeared. This contained the syllabus, general instructions and useful general information regarding ‘The Valuer, what he does and what he earns’. Copies of each Brochure/Journal were always sent to banks, trust and insurance companies, other financial institutions, as well as provincial and government departments – all potential client groups.

The Council was concerned about this general communications gap and, at its meeting in June 1970, ‘a standing committee, to deal with all publications, was formed. It was felt that this matter could take the form of papers to be sent to members for which they could be charged a fee, together with their subscription accounts each year’.

It was suggested that some of the best papers, submitted by applicants for membership should be considered for circularisation to all members and the matter was left for the new Publications Committee to consider. A year later, the council appointed a second standing committee ‘to examine court decisions and decide suitability thereof for distribution’. These had been distributed on odd occasions over the years but only on an irregular basis. This committee arranged for Prentice Hall Services to send regular monthly copies of their Local Government Legal Service to all members as from 1 January 1972, at a cost of R5 per annum per member – the Institute paid half and debited members with the balance. The service covered other subjects as well as property and valuation cases.

In pursuance of the Council’s decision to check members’ opinions as to whether (or not) this service should continue, all members were canvassed in June 1972. As a result, the service was reduced from 1 January 1973, to cases dealing with valuations and property matters only. This, of course, meant that cases were selected, were sometimes few and far between and that issues were thus not received regularly each month.

In 1973 the Papers and Publication Committee (a new name) advised the Council that it had not implemented the 1970 decision to use applicants papers since, after study of all those submitted, it felt they were not suitable for the purpose. At the request of the General Secretary, the American Institute of Real Estate Appraisers had sent some 200 pages of photocopies of articles on condominiums (sectional titles). These were being studied by the Committee chairman (Mr LJ Heller) and if thought worthwhile, a copy would be sent to each Branch Secretary.

In 1974, there was talk of issuing an Annual Journal but this did not come to anything. The Council was told that there was a possibility of getting free copies (for all members) of the Institute of Estate Agents magazine to which the then President of the Institute, Mr J Hermann, was invited to contribute an article on the aims and objects of the Institute to the Institute. The Institute of Estate Agents had also offered to publish regular articles about the Institute. The matter was pursued and the magazine (The Agent) was later sent, free of charge, to all members. In 1975, the Court Decisions and Papers and Publications Committees merged as the Publications and Service Committee. The Cape Branch reported that it had formed a Service Promotion Committee and appealed for a national effort to improve this essential avenue. Detailed and comprehensive proposals had been submitted by a Councillor from the Cape and a long and fruitful debate resulted in the proposals being adopted.

In 1976 the Cape appealed for the proposals to be implemented and it was decided to ‘utilise the publication, The Agent, as a service to members and that a newsletter by periodically prepared by the Publication and Service Committee and circulated (sic) amongst members’ – this was the seed from which the Institute’s quarterly journal grew.
SINE INCLINATIONE

In March 1977 Issue 1/77 of a ‘Quarterly Bulletin’, consisting of six pages was sent to all members of the SAIV. The name ‘Sine Inclinatione’ is the Institute’s heraldic motto (which means ‘without bias’ and refers to the fact that that is the manner in which members approach their valuation). The Editor Mr A.M. (Mike) Hyatt who was President for 1979-80, carried the burden singlehanded and the birth of this publication is somewhat nonchalantly reported in the 1977 Council Minutes, as the opening of the following extract shows:

“11.1 Sine Inclinatione (pic of page 83)

A report and ‘Sine Inclinatione’ for the current quarter were tabled. Mr Hyatt advised the meeting that quarterly Bulletins will be issued and he stressed that the success of the Bulletin could only be through contributions made by Councillors and Members. One Councillor spoke about the tremendous effort made by Mr Hyatt, but that was all. As Mr Redhill said in his 1977 Presidential report: ‘Members will only get out of it what they put in’.

Transvaal/...
In the first issue Mr Redhill’s presidential message read: “Everything has to start somewhere and a regular Bulletin from your Institute may well be the forerunner of a local magazine or journal which our profession so badly needs. The Institute has issued journals from time to time, but they have invariably been ‘one-man’ publications and such a person is always hard to find.

“I would like to congratulate the Publication and Service committee on this first Bulletin and to hope sincerely that it progresses to the stage where the mail is eagerly sifted at each quarter by members in anticipation of the next issue. In order to keep such a publication alive there must be interaction between the editors and members. It is essential that members continually contribute to it. It may be a gripe, or it may be an article on some aspect of valuing. It may even be a cry for help with a valuation problem which is causing difficulty, but only communication will keep it alive and you, the member, can do this.” [The current editor would like to echo this sentiment.]

Mike Hyatt continued to do a superb job until June 1981, when pressure of work forced him to look for a successor. The Cape Branch offered to assume responsibility for the bulletin from July 1981 and it appeared ‘under new management’ from Issue No.2/81 of August 1981. The editors were Messrs. RS Marten, JH Hermann and DA Heel. February 1982 (No.2/82) has an editorial (redaksioneel) indicating that the Council had decided that Sine Inclinatione was to be produced by a sub-committee of the Cape Branch. Mr AJ Jonker was the member of that committee who took the editorial ‘chair’. He remained there until he too found that pressure of work forced him to resign in June 1990, successors being Messrs CH Hablutzel (Jnr) and JH Hermann.

Under Mr Jonker’s guidance, the publication flourished and the last of what might be called ‘cyclostyled’ issues appeared in August 1983. Council authorised the editorial staff to use their discretion and the style, name and format were changed. The first issue of the newly named The South African Valuer appeared in January 1984 under the now familiar cover title, alongside the Institute’s crest and name. This was a printed publication and the title appeared in Afrikaans in alternate issues, Most of the material was in English as a result of the editor’s constant appeals for articles and material in Afrikaans having apparently fallen upon deaf ears. Advertisements have appeared, on occasions, but not regularly. The new editors had the National Executive’s authority to pursue a more active advertising policy. The South African Valuer became a respected publication. Mr Jonker’s views on some valuation matters were often controversial but he did a fine job and he can be proud of what he achieved. Initially articles were mainly sourced from overseas publications from bodies like the New Zealand Institute of Valuers, The Australian Institute of Valuers and Land Administrators, the American Institute of Real Estate Appraisers, etc.

In June 1990 Mr Jonker was succeeded by Messrs Henré Hablutzel and John Hermann as joint editors. The journal continued to grow, including more and more local articles as interest in the profession increased. Mr Hablutzel continued as editor until March 2005 when the volume of articles and the demand for the journal had grown to such an extent that it could no longer be managed ‘in house’.

Patricia Leitich took over as editor in July 2005. The journal was produced quarterly each year.

Although it was intended that the journal should be self-sustainable, advertisers who were loyal at first began to fall away because of the journal’s low circulation figures; in the later years the entries in the Professional Directory also declined as some members felt that there was little point in advertising to their own profession. The Institute therefore started to subsidise the production and distribution of the journal from mid-2008.

The number of pages increased gradually over the years from 28 in 2005 to 40 pages, 58 pages and once to 80 pages, but averaging at around 50.

In January 2006 a tribute to John Hermann, the oldest serving member of the Institute, who had passed away the previous month, written by Henré Hablutzel was published. Both these gentlemen were previous editors of the journal and both past presidents of the Institute. The passing of prominent members of the Institute was acknowledged over the years and tributes written: in 2007 Chris Smal, another past president of the Institute and contributor to the journal; Valmond Ghyoot, educator, in 2012; Steyn Rivett-Carnac in 2014, Courtney Redhill in 2016; and Emil Weichardt in 2017, amongst others.

In 2009, the centenary year of the Institute, The South African Valuer welcomed the Institute’s first lady president, Melanie Vallun. The October issue of that year sported the word ‘Valuer’ embossed in gold and the articles captured the festivities of
the centenary celebrations in Cape Town with photographs of the gala dinner and details of the other events.

The covers of the journal varied greatly over the years, depending on the cover story. This reflected what was taking place within the Institute, such as the biennial change of president, the many seminars and workshops; and sometimes matters of significance in the country, such as transformation and the sponsoring of students to enable them to attend the Institute’s seminars, workshops and the annual practical workschool; the building of windfarms, progress in agriculture or ‘green’ building. Regular articles kept members informed of new legislation and changes to existing legislation which affected them. Some regular contributions were written by members and others by attorneys or advocates, specialists in their fields. Articles on developments in the local property market appeared regularly.

In early 2011 the World Association of Valuation Organisations (WAVO) announced an initiative to focus on the importance of valuations. This was to be in the form of an International Valuation and Appraisal Week, from 1 to 6 November. The SAIV endorsed this initiative and various workshops and campaigns were held throughout South Africa. Both the Southern and Northern Branches of the Institute held one-day seminars during the first week of November; the presentations were written up in The South African Valuer. The Northern Branch has continued this initiative and what has become known as ‘the MPRA’ (Municipal Property Rates Act) Seminar takes place during the first week of November each year and is reported in the following issue of the journal.

In 2015 the Institute signed a Memorandum of Understanding with the Royal Institution of Chartered Surveyors; in 2016 MoUs were signed with the Real Estate Institute of Zimbabwe and the Green Building Council of South Africa.

The appointment of South Africa’s first Valuer-General in May 2015 was also recorded.

In 2015 the National Executive decided that, in order to save costs, the journal would no longer be printed. The increasing price of printing and paper and the unreliability of Post Office deliveries (which resulted in many journals never reaching the addressees, and the postage costs being wasted) were the main reasons for this. The last printed issue was No 120 of May 2015; all issues after that were distributed digitally. This method of distribution was found to have an unforeseen disadvantage because some members, in particular retired members who no longer check their emails daily, were inclined to forget to download and read the journal.

The South African Valuer, together with the minute books of Natex and the branches, and more recently the SAIV website and emailed newsletters, has recorded the activities of the Institute and its members. There is no doubt that many will be sorry to see it change.

As is stated earlier, “In the first issue Mr Redhill’s presidential message read: ‘Everything has to start somewhere and a regular Bulletin from your Institute may well be the forerunner of a local magazine or journal which our profession so badly needs.’” This The South African Valuer has certainly achieved.
On 25 May President Patrick O’Connell, delivered his report for the year ended 28 February 2017.

Members of the South African Institute of Valuers, it is with pleasure that I present to you my President’s report for the year under review.

1. NATIONAL EXECUTIVE
The National Executive of the Institute was ably represented across all regions by the following members:
From the Southern Branch: Ali Sue Smith, Tracy Kuyk and Farrell October
From the Northern Branch: Gerrie Minnaar, Tracey Myers (Vice President), Derrick Griffiths, Edwin Schoeman and Adrian Vallun
From the Central Branch: Thys Beukes
From the Eastern Cape Branch: Mark Bakker
From the KZN Branch: Patrick O’Connell (President) and Trevor Richardson (Co-opted Member of Natex to manage the Finance Portfolio).

To my Natex team, thank you for your selfless efforts throughout the year and for making yourselves available to serve our members. In addition to this, thanks must also be expressed to the KZN Branch for hosting this AGM, our Natex meetings and the seminar tomorrow.

I would in particular, on behalf of Natex and the members, personally like to thank Graham Allen, Trevor Richardson and Nicole Ellis of the KZN Branch who went to great lengths to put all of this together.

2. THE SAIV SECRETARIAT
The branches of our Institute were ably managed by our branch Secretaries:
Southern Branch – Denise Liebenberg
Northern Branch – Anne-Marie Delport
Central Branch – Thys Beukes
Eastern Cape Branch – Mark Bakker
KZN Branch – Nicole Ellis.

The Institute’s express thanks are extended to these folk for the role played at branch level in support of the objectives of the branches and the General Secretary.

The General Secretary’s office was manned by Anne-Marie Delport and Charleen Joubert under the direction of our General Secretary, Melanie Vallun. Thank you Melanie, to you and your team who aim to provide a professional secretarial and administrative service to our members, which I know has been somewhat trying at times over the year. Your efforts are appreciated by me, the Natex team and members of the Institute at large.

3. MEMBERSHIP
The membership of the SAIV still represents approximately 55% of all registered valuers in the country, and for the period under review ended at 1164 members, some 2.27% down on the previous year (which was 1191 members).

We believe that this decrease in membership still strongly tracks the reduction in registered persons at the SACPVP and is largely a result of financial implications of individuals and the perceived educational barriers to entry for new members to the profession. This is a matter which I am engaging the SACPVP on and remains a work in progress.

There was one nomination for elevation to Life Member of the SAIV, this being Mark Bakker, Chairman of the Eastern Cape Branch and immediate past President of the SAIV.

There were five of our members who passed away during the year under review.
1) Purdon Gilmore on 23 April 2016 from the Southern Branch;
2) Courtney Redhill on 13 June 2016 from the Northern Branch;
3) Danie Janse van Rensburg on August 2016 from the 2015 Central Branch and
4) Belinda van Rosenveldt on 20 November from the 2015 Central Branch and
5) Johan (JC) Fourie on 29 November 2016 from the Northern Branch.

In addition to the above, we were made aware of the most recent passing of two members, Emile Weichardt and Dylan Hayward. Whilst these do not fall within the reporting period, I have included them in my report because of their closeness to the SAIV.

4. FINANCES
The finances of the Institute are most professionally managed by our Treasurer, Trevor Richardson. The year under review was yet again quite challenging and developments in our country and economy certainly did not make things easier.

Trevor will elaborate more on this when he presents the Institute’s financial position later on in the meeting.

5. SUBSCRIPTIONS FOR 2017/2018
The increase in the annual subscription for the forthcoming year has been contained at 6%. This we have managed to do in the face of reduced membership and increasing annual costs. Please know well that every effort was made over the past three days of Natex meetings to keep these fees contained.

The new subscriptions for members will therefore now be R2 270 including VAT and for student members R570 including VAT. Invoices will be sent out shortly and in these trying times, if you consider that you may find difficulty in meeting this obligation, please make contact with our GS Office to make payment arrangements.

6. EDUCATION
Education is, in my view, the one pillar where the South African Institute of Valuers stands head and shoulders above its colleague voluntary associations. To this end, the branches of the Institute contributed significantly in the delivery of workshops and seminars over the year, which not only aids the broadening of one’s professional perspective, but also affords our professional community the opportunity to network with, or re-connect with, other like-minded professionals.

Unfortunately the Institute no longer hosts the annual Practical Workschool which has been taken in-house by the SACPVP which now runs it on their own. The concern in terms of general feedback from students is that there is more focus on the theory and not the practical elements of the profession. We will continue to engage with the SACPVP on this as an interested party.

7. SACPVP
The Institute continues to engage with the SACPVP through both our General Secretary at an operational level and myself with their President, Mr. Molefi Kubuzi. It is encouraging to see how our relationship with the SACPVP is growing back to the levels of the days of yore, where we almost acted as one. I have discussed with Mr. Kubuzie
1) Reservation of work
2) Diminishing numbers
3) Training and
4) Technology in valuations and the impact on the human element.

This was the first of many meetings to come which I have all confidence shall bode well for us as an organisation.

You should by now be well aware that the CET requirement of the SACPVP has increased to 50 hours from the previous 40 hours, both over a five-year period. Please familiarise yourselves with these CET requirements as the SAIV does not issue CET certification; we merely provide the platform to obtain CET hours/points and confirmation thereof, which it is your responsibility to submit to the Council.

8. THE SOUTH AFRICAN VALUER
The SA Valuer remains our flagship publication which we are indeed proud of. For the year under review we published four issues of this publication and, as you may have noticed, these have been in digital format. The reason for this is twofold: to free ourselves of the reliance on the unpredictable ‘snail mail’ system and secondly, to recognise that we have a young base of members who work off mobile devices in a paperless society. This radical move for the SAIV appears not to have met much resistance from our members for which we are thankful, as this is one of the areas where we can expect to see cost savings in time to come.

To Patricia Leitch, thank you for your efforts with this publication (and for your patience with me in submitting my letter for each issue) as well as to the editorial panel who set aside much of their personal time to ensure the correctness of the product being disseminated amongst our members.

To our members, thank you for your support of the publication and for the many articles which are submitted for insertion. Please don’t stop now, it just keeps getting better.
9. WEBSITE
Our website is gaining traction all the time and finally evolving into a valuable tool for our members, as envisaged in our strategy plan. The registration for events is working well as is the downloading of the CET confirmation letters which are ever important in the world of the SACPVP. Further exciting enhancements to the website include:

• Webinars – both pre-recorded and live
• We are investigating an online payment process for instances such as workshops and seminars, and to tie in with the webinars.
• We are furthermore investigating the introduction of the SAIV into the world of social media, which will bring the SAIV to your fingertips on your smartphones.

10. MEMORANDUMS OF UNDERSTANDING
During the year under review, we renewed our MoU’s with:
• The Royal Institution of Chartered Surveyors (RICS) and
• The PVA and BVA voluntary associations.

Furthermore, we entered into a new association by way of an MoU with the Real Estate Institute of Zimbabwe (REIZ), another of our strategies of engaging cross-border. Both their current President, Siza Masuku, and immediate past President, Mhlangu Mppofu, were guests at our function in May last year in Cape Town and I spent considerable time with Siza at the RICS Africa Summit in Sandton in February this year, to which I was graciously invited by RICS Africa General Manager TC Chetty. In addition to this, our General Secretary attended the REIZ Winter Workschool in my absence last July where she extended membership of our organisation to their members. This was met with gracious acceptance.

As a Natex, we are very proud of these associations and the fact that we are growing our name, aims and objectives in broader circles.

11. CLOSURE
Ladies and Gentlemen, in closure, it has been a good year for the SAIV and the best is yet to come. Thank you for your time and attendance here.

I move my report for adoption.
Mills Fitchet was represented at the dinner not only by their partners, but they also sponsored a number of colleagues who had recently passed their exams to attend the dinner. Diners were entertained by Cheryl Engel, and Myles Buxton who conducted the wine tasting.

The National Seminar was held the following day and was attended by 46 people, made up of members, student members and non-members. The theme of the seminar was ‘Life is like a box of chocolates – something for everyone’. The five speakers came from a wide range of environments, sectors and industries.

Representing the built environment, Trish Emmett of Emmett & Emmett Architects revealed the purpose and dedication that she has put into some of the firm’s key projects that have resulted in the preservation and enhancement of historical architecture in Durban. In her presentation Trish introduced the valuation aspect of restored buildings; this elicited comment and contributions from the floor. The firm focuses primarily on conservation and restoration projects to contemporary designs in the fields of education, commercial, residential, industrial and religious buildings; it has completed many award winning projects in the Greater Durban area.

Busisiwe Radebe, an economist with the Nedbank Group Economic sector, presented the possible scenarios for the SA economy.

Dr Justin Barnes, chairman of B&M Analysts, was the representative of the industrial sector. Justin explained the research which his company has conducted into the CTFL (clothing, textiles, footwear and leather) sector and the influences that are driving retail trends and economic models at an international and local level. B&M Analysts is a leader in industry policy development, benchmarking and clustering methodologies, and world-class manufacturing.

The agricultural sector was represented by Sandy la Marque, Chief Executive Officer of Kwanalu (KwaZulu-Natal Agricultural Union). Sandy represents Kwanalu on issue management and matters which the members have identified as key to the strategy of the union. She described several of the key issues including: transformation and rural development; safety and security; applications for fracking and food security.
AGRICULTURAL LAND REFORM
KwaZulu-Natal Agricultural Union or Kwanalu

The KwaZulu-Natal Agricultural Union represents all farmers in KZN. Kwanalu’s strategic focus is to provide leadership on all key agricultural issues to commercial farmers (of all sizes) and related agricultural organisations in KZN. The union was established in 1890 and amalgamated in 1997 with all farmers in KZN.

Its constitution gives guiding principles, with equal representation for its broad collective base of farmers’ associations and affiliates, commodities, agri business and educational institutions. The collective membership is over 47 000. It is a non-profit organisation with voluntary membership.

Kwanalu lobbies on behalf of its members in management issues such as natural resources, labour and social investment, commercial policy, transformation and rural development, rural safety and security, and communication and image building, as well as organisational and other general areas.

Kwanalu SAFETY AND SECURITY DESK

The desk represents Kwanalu on the provincial structures and the National Safety Committee on matters such as stock theft, non-ferrous metals, murders, attacks, etc. It gathers details and statistics of crime, submissions for proactive action and operational planning, advises and assists members with continuation of service and follow up; it liaises with media and stakeholders.

Kwanalu Guideline Documents cover land invasion, access protocol, amongst other matters. The Desk provides expert evidence in court cases and analysis of farm attacks and murders.

The outcome of the most recent cases of farm murders in KZN shows that of a total of 45 cases, 31 were found guilty and sentenced, 9 are awaiting trial, one case has been withdrawn, one accused is deceased, two cases remain undetected and two are under investigation. SAPS response and justice is noteworthy. Most court sentences were severe sentences ranging from 10 years, 15 years, life plus 15 years, 20 years, 25 years and in one case of two victims - 80 years.

**A positive attitude causes a chain of reaction of positive thoughts, events and outcomes. It is a catalyst and it sparks extraordinary results.**

Wade Boggs

Have we had success? **YES!** Collective action has resulted in: KZN Northern vs Rhino Oil and Gas / Pasa / Minister - judgment set aside numerous points with costs. KZN Midlands vs Minister / ROG / PASA - interdict granted.

Schoolchildren illustrated their opposition to fracking.
And now

Economic, political and social pressure is rising. Economic growth is slow. Poverty and inequality casts a shadow. The ruling party is under rising political pressure. Businesses are in decline – with farming particularly hard hit. The rural poor struggle to secure the necessities of life against severe drought, water shortages, etc.

Land reform promises more than it delivers. Expectations are rising on the back of government promises to accelerate and expand land reform. Much of the rural land that has been transferred is not benefiting the new owners. Failures in agriculture intensify, bringing worries about food security.

**LAND LEGISLATIVE AND POLICY ENVIRONMENT**

- Reopening of restitution (MP Bill)
- Expropriation Bill
- Expropriation without compensation
- Strengthening of relative rights (50/50)
- Redistribution and tenure issues
- Draft Valuation Regulations - Property Valuation Act
- Draft Regulations of Agricultural Land Holdings Bill

This has brought about insecurity of tenure/title deeds, etc leading to lack of investment, conflict, threat of food security, and safety and security issues.
RESTITUTION STATUS PRIOR TO REOPENING OF THE LAND CLAIMS

Between 1998 and 2017 (19 years) two presidential deadlines were not adhered to. By 2011 an estimated 13,000 farms were in the freezer box. Little or no progress has been made in the past seven years and land is not available for redistribution. The uncertainty of claims has led to losses in investment in the sector which has had a negative impact on production. The Land Claims Court track record is extremely poor; claims take years and are expensive, often unaffordable. The reopening of restitution has led to further court action.

OUTSTANDING AND STATUS
RESTITUTION OF LAND RIGHTS COMMISSION

Impact
According to K Nzimande of the Department of Rural Development and Land Reform, “only 25% of all land acquired by government within land redistribution and restitution in KZN is in production; 75% is lying fallow, unproductive and infrastructure is deteriorating. Of the 25% in production, only about 20% (5% of total) is at a level of production of around 60%, the rest is thus producing less than 60% of its potential”.

Compromise involves participating in the debate, being proactive, providing solutions or alternative models, negotiating and hard bargaining, having a legal mandate, respecting property rights, and being economic and social. It also involves a media campaign.

Radical economic transformation is about people. Land reform has made transferring land the only measure of success. We need initiatives which are designed to improve people’s lives, where land is but one of the components of rural transformation. We must build trust through social compacts, working tirelessly to improve our standing in the rural communities through pragmatic projects.

KWANALU RURAL DEVELOPMENT DESK
This desk deals with farmer engagement and facilitates linkages, training, capacity building and projects.

▲ Farmers attending information and training sessions

▲ Kwanalu Vice President, Phinias Gumede and farmers.
AS AT 19 JANUARY 2016, 123,571 LAND CLAIMS HAD BEEN LODGED

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Source: RLCC

The world will not be destroyed by those who do evil, but by those who watch them without doing anything.
Albert Einstein

PRACTICAL APPLICATION - FARMER AND COMMUNITY-LED INTERVENTIONS

Our goal is to produce top-quality commercial farmers to secure the future of agriculture in South Africa.

Kwanalu
The voice of Agriculture:
Die stem van Landbou:
Izve Lezokulima in KwaZulu-Natal
Kwanalu strives for “A united and prosperous agricultural sector”.

Sandy la Marque is the Chief Executive Officer of Kwanalu. She represents Kwanalu on issues of management and matters which the members have identified as key to the strategy of the union. Email: info@kwanalu.co.za
033-3429393

▲ Harry Gwala Agri, Umati, Weenen, Elandslaagte, Bothas Pass, individual farmers, and others
As part of our Government’s land reform process, the Department of Rural Development and Land Reform, under the auspices of the Property Valuation Act, 2014 (Act 17 of 2014), has established an entity identified as The Office of the Valuer General (OVG). The primary aim of the OVG is to determine just and equitable compensation through the valuation of property and movables as per instruction for the purposes of land reform.

The OVG has received public comments about its proposed methodology to calculate the value of land identified for land reform. The proposed tenets for the determination of value are contained in the Draft Regulations, Property Valuation Act 17 of 2014. The Act mandates the Valuer General to determine a value, based on the market value, in combination with the current use value, as stipulated in section 25(3) of the Constitution, when calculating just and equitable compensation.

The Valuer General conducted a series of workshops across the country to consult with industry professionals. The workshops were well attended with constructive engagements by the various stakeholders.

The proposed draft Regulations prescribe the determination of value for the purposes of section 12(1)(a) as the current use value + market value divided by 2 less historical acquisition benefits and state subsidies.

‘Current use value’ is defined as the net present value of cash inflows or other benefits that the property generates for the owner under lawful use. The ‘use value’ will largely be based on the difference between market value and the income the property generates for the owner. In this instance the Valuer General takes cognisance of the manner in which the property has been productively managed. Was the property used as a productive agricultural unit or was the registered owner an ‘absentee landlord’ who used the property for ‘lifestyle purposes’ rather than ‘livelihood’?

There are a number of serious questions which are being addressed through the draft regulation consultation process: Is the proposed approach of valuing the ‘jockey’ as well as the ‘horse’ fair to landowners who acquired their properties at market value? Has due consideration been taken of the interests of bondholders who extended loans on the basis of market value?

To date, land reform has been a lengthy process from the initial lodging of a claim to the successful registration and occupation by the beneficiaries. One of the challenges of the proposed ‘current use value’ is for a landowner to practise unsustainable agricultural practices towards the end of a land reform negotiation process to ‘inflate’ the current use value. The establishment of the Office of the Valuer General was originally triggered by alleged ‘golden parachutes’ or inflated land prices paid by the state to willing sellers at the inception of the land reform process, mid-1990s. The challenge of the use of ‘current use value’ is that farmers may be pressured to abandon sustainable agricultural practices to ensure they receive a fair valuation for their land.
In a country where we experienced a contraction of the agricultural sector last year owing to the drought in the 2015/2016 production season for summer grains and oil-seed crops, these are real and pressing considerations.

The net effect of any compromising agricultural practices would be inherited by the land reform beneficiaries. Due care should be taken to ensure that the emerging landowners are not burdened by receiving land that has been severely degraded or overgrazed by intensive use.

All of these are legitimate considerations and questions which deserve thorough investigation and debate. It is imperative that the nature of the land itself and what is required for sustainable agricultural processes is not overlooked by the political debate. The OVG has undertaken to continue to engage with the profession towards finalising and resolving the Regulations. These will provide a clear way forward for the valuation of properties for just and equitable compensation for the purposes of land reform.

All written comments were submitted to the OVG by 19th June 2017.
19 June 2017

Valuer General: Office of the Valuer General
Private Bag X812
Pretoria
0001

Electronic Submission: vg@ovg.org.za
Thapelo.motsoeneng@ovg.org.za

Sir/Madam

INVITATION TO COMMENT ON THE DRAFT REGULATIONS IN TERMS OF THE
PROPERTY VALUATION ACT 17 OF 2014.

PREAMBLE:

The South African Institute of Valuers (SAIV) categorically states that it cannot support any method or principle proposed in these Regulations that would result in value and/or compensation that is not just and equitable.

All definitions and principals contained in the Regulations must be aligned with the International Valuation Standards (IVS) as these Standards were adopted by the Statutory Body, The South African Council for the Property Valuers Profession and the SAIV.

1. DEFINITIONS

Acquisition Benefits

This definition should be removed as it does not reflect the principle of just and equitable.

The owner whose property is acquired will not be in the position to replace the subject property in the open market if he does not receive market value.
Current Use Value

The addition of the word “value” in the definition of “current use value” in the Regulations is a clear departure from the definitions of the Constitution and of the Property Valuation Act. The addition of the word “value” could have a fundamental adverse effect to the intention of the legislator.

Current literature e.g. Dr A Gildenhuys on page 172 in the second edition of his book “Onsieningsreg” with reference to other authors including Chaskaison, Lewis, Budlender and Southwood, when referring to “current use” in the Constitution, makes no reference to the “value” of the “current use”.

It appears that they view the current use as a “social value” that may play a role in the determination of compensation e.g. the illegal or speculative use of a property could have a punitive effect on compensation. Therefore the term in Section 25 (3)(a) of the Constitution speaks to “use” and not “value”.

The absurdity of the “current use value” concept is illustrated by the fact that if a property is not used, it will have a zero or negative value if highest and best use is disregarded.

In terms of Regulation 6 the owner of the subject property will receive only 50% of the market value which cannot be just and equitable.

To disregard the principle of highest and best use is not just and equitable.

Departure

Regulation 8(6) compels the authorised valuer to specify any “departures” (special circumstances where the mandatory application of valuation standards may be inappropriate or impractical) in his valuation report.

The Regulations do not contain any directives on and under which circumstances the authorised valuer may “depart” from the prescribed valuation process.

Special circumstances under which the authorised valuer may “depart” should be specified.

Net Present Value

The principle of determining Net Present Value (NPV) is normally applied in the valuation of Income Producing Properties i.e. shops, offices, etc. and is not applied in the agricultural market.

Valuation Basis

This definition should be aligned with the IVS104 that reads “Basis of Valuation”

“10.1. Bases of value (sometimes called standards of value) describe the fundamental premises on which the reported values will be based. It is critical that the basis (or bases) of value be appropriate to the terms and purpose of the valuation assignment, as a basis of value may influence or dictate a valuer’s selection of methods, inputs and assumptions, and the ultimate opinion of value.”
2. **Powers of the Valuer-General**

Information required could be private information and subject to various statutes including the POPI Act.

Regulation 2(1)(e) should have a timeframe within which the owner must supply the required information. We would suggest 30 days as being a more reasonable timeframe.

3. **Protection of Information**

No comments.

4. **Valuation Practices, Methods, Standards and Procedures**

The heading should be changed to read “Valuation Approaches, Methods, Standards and Procedures when Requesting Valuations”

“Practices” must be replaced with “Approaches” to be aligned with the IVS105 that reads:

“10.1 Consideration must be given to the relevant and appropriate valuation approaches. The three approaches described and defined below are the main approaches used in valuation. They are all based on the economic principles of price equilibrium, anticipation of benefits or substitution. The principal valuation approaches are:
(a) market approach,
(b) income approach, and
(c) cost approach.”

Each of the above approaches includes different detailed methods of application.

“Approach” and “method” is not synonym to each other and cannot be used interchangeable.

4(1)

This regulation to be changed to read as follows:

All valuations in terms of the Act and these regulations must be conducted in accordance with generally recognised valuation approaches and methods.

It is important to note that various regulations and/or requirements in the Draft Regulations do not conform to the principles laid down in Regulation 4(1).

4(2) and 4(3)

Regulations 4 (2) and 4 (3) can be combined as the information to be provided by the instructing authority is the same.

5. **Procedures for Valuations of Property Identified for Purposes of Land Reform**

Registered valuers are trained in the valuation of immovable property. Registration in terms of the Property Valuers Profession Act 47, 2000 is based
on the scope, nature and variety of the experience in the valuation of **immovable property** only.

In the case of Agricultural property registered valuers are not trained and are not qualified to scrutinise, analyse and/or interpret financial statements of the specific owner of the property for the determination of the NPV, as required in the definition of "current use value".

If the NPV is intended to reflect the productive value of Agricultural property registered valuers are not qualified to determine productive value as this function is normally performed by Agricultural Economists.

Comments on the specific proposed Regulations are as follows:

5 (1)(b):

Is there a reason why the extent of the direct state investment and subsidy in the acquisition and beneficial capital improvement of the property as defined in the definition of "value" in the Act, was omitted?

5 (1)(d)(f):

This regulation is in contradiction of the definition of value as contemplated in the Act and Section 25(3)(c) of the Constitution. The word "expropriation" should be replaced with "acquisition".

5 (1)(d)(i):

Second last word to be changed from "opening" to "open".

5 (1)(e)(ff):

The state **must** provide the authorised valuer with the appropriate information to comply with section 5(1)(e).

5 (1)(f):

This requirement contradicts the intention of Regulation 5(1)(e) that the authorised valuer may only under specific conditions make use of prices paid by the state.

5 (1)(g)(k):

Any historical direct state investment and subsidy and beneficial capital improvement should only be applicable if the subject property is still registered in the name of the person who received these benefits.

5 (1)(g)(d):

a. It is not clear what "sufficient information" refers to. Does it refer to sufficient information of the historical direct state investment and subsidy and beneficial capital improvement, or does it refer to sufficient information on the current cost of such improvement, etc.

b. The problem with these 2 proposals is that it equates cost to value. The cost of an improvement does not necessarily equate to the contributory value it has to the market. It could be more, it could be less. In addition these calculations are considered problematic and difficult.
We propose that a much simpler and equitable method would be to value the property at the current date on a “before-and-after method”. The property is valued in its current state taking into consideration the improvement as a result of direct state investment or subsidy as an “after value”. Thereafter it is valued by disregarding the same improvements. The value derived at will be the “before value”. The difference in the 2 values would therefore represent the contributory value of the direct state investment or subsidy.

c. The Regulations at this stage would require the use of other professionals in the determination of historic value. The proposed method referred to in paragraph b would be more cost efficient, less time consuming and will produce a more reliable result.

5(1)(b):

This regulation should be moved and incorporated under Regulation 8.

6. DETERMINATION OF THE VALUE OF THE SUBJECT PROPERTY

The SAIV cannot support this Regulation for reasons mentioned before.

In addition to previous comments provision 6(b) describes the valuation of an asset that can change on a daily basis.

The date of valuation and date of acquisition will never be the same and the value of the movable property (e.g. annual crops) will have changed.

6(a):

The word “dividing” should be replaced with “dividing”.

The overall inclusive requirement for compensation in terms of expropriation is that it should be “just and equitable reflecting an equitable balance between the public interest and the interests of those affected”.

This means that an individual who has to part from his property for a public purpose or public interest (to whose advantage the property is acquired for) needs to be compensated by means of tax money.

The 5 factors listed according to section 25(3) of the Constitution that need to be considered are subject to the eventual compensation amount to be “just and equitable”.

The individual cannot be expected to “pay” for the benefits the community will receive as a result of the expropriation by receiving or accepting less than what is just and equitable.

This principle is internationally known as the “equality principle” or the “sacrifice theory” which originated in France as “égalité devant les charges publiques”.

The determination of compensation in terms of Regulation 6 will in most cases not adhere to the “equality principle” as per the introduction to Article 25(3) of the Constitution and would therefore be unconstitutional.
7. **Directives for the Valuation of Subject Property**

No comments.

8. **Valuation Reports**

As discussed before, we cannot agree with the requirements of Regulation 8(p), 8(q) and 8(t).

9. **Representations by Owner of Persons in Charge of Property**

9(2)

30 days are considered an unreasonable period. We proposed a minimum of 60 days with an option to extend, with permission of the Valuer General as circumstances deem necessary, and which permission shall not be unreasonably withheld.

9(5)

This regulation should have a timeframe coupled to it.

**Closure:**

The SAIV was informed by the Valuer General (VG) that only persons, who have attended the course offered jointly by the University of Cape Town and the Office of the Valuer General, will be considered to serve on the VG's panel of valuers to perform valuations in terms of the Property Valuation Act and the new Expropriation Act.

We must express our concern with regards to the content of the course after some of our senior members have attended the course. Their experience was that the course was biased towards obtaining values that in their opinion cannot be regarded as "just and equitable".

This course has been offered as early as in 2016 whilst the invitation to comment on the Draft Regulations was only published on 21 April 2017. The advertisement of the course also refers to the new Expropriation Act whereas to date it is still a Bill.

Thank you for the opportunity to make a submission. We are also available to orally present our comments.

Please do not hesitate to contact me should you have any enquiries in the above respect.


**MELANIE VALLUN**  
**GENERAL SECRETARY**
THE EFFECT OF ELECTRIC VEHICLES ON FUEL FILLING STATIONS

We are at the beginning stage of electric vehicles (EVs) taking over the internal combustion engine car. Together with many other emerging technologies this will materially change the car landscape forever.

An EV can be charged at home, the office, a shopping centre, effectively any parking space with sufficient electricity supply, and will most of the time not need a fuel filling station any more. What effect will this have on fuel sales volumes, income, sustainability and value of existing fuel filling stations in South Africa? Should current 2017 valuations already take this disruptive future trend into account?

The adoption of electric vehicles in South Africa and most countries has been slow until now. The main reasons are affordability, battery distance range and battery charging speed. However this will change substantially in the next few years.

ACCELERATING EXPONENTIAL DISRUPTIVE CHANGE

Recently almost weekly announcements are made which will cumulatively materially change the car industry. The most important of these are the development of massive manufacturing plants for the production of batteries and the results of increasing competition between new and old car manufacturers.

New car companies include Tesla, Apple, Google and various US and Chinese companies. Old car companies include BMW, Nissan, GM, Audi, Volkswagen and many others who have various new or improved electric vehicles in the pipeline. From Nissan’s Leaf 2018 250-km range and GM’s Chevrolet Bolt 2017 350+km range, to Audi’s proposed e-tron series (often called Tesla killers in Germany), to Jaguar’s I PACE Concept ‘which will bring thrilling Jaguar performance’ to electric vehicles from mid-2018.

The fierce competition (in many cases for survival), government incentives and regulations in various countries, and the combination of new technologies will provide for substantial exponential improvements and change in the next ten years.

Below are some announcements and news article headlines from the past month showing the accelerating exponential trend.

- China Is About to Bury Elon Musk in Batteries. (Bloomberg. 28 June 2017). As Tesla’s Elon Musk races to finish building the world’s biggest battery factory in the Nevada desert, and will announce by the end of 2017 the locations for up to four additional factories, Chinese companies plan to complete the construction of a large number of battery factories by 2021. China plans to have five million electric vehicles in China by 2020.
- The first Tesla 3 has rolled out from Tesla’s full scale production plant in July 2017. The Tesla 3 is the more affordable brother of the Tesla S and Tesla X. The Tesla 3 sells at $35 000, achieves 350km of range on a charge and can accelerate 0-100km in 5.5 seconds. The Tesla S has a range of 500km and can accelerate 0-100km in a ludicrously fast 2.5 seconds
- Volvo (Swedish brand now Chinese owned) announced on 5 July that within 2 years their whole line will have electric engines and will no longer manufacture petrol-powered cars after 2019.
- Britain to ban new petrol and diesel cars from 2040. The mayors of Paris, Madrid, Mexico City and Athens have said they plan to ban diesel vehicles from city centres by 2025. The French government aims to end the sale of new gasoline and diesel vehicles in France by 2040. (Reuters. 26 July 2017)
- Electric cars will be as cheap as petrol models by 2025. Battery manufacturing capacity will triple in the next four years. (Bloomberg, 6 July 2017)
SOLAR POWER TO SUPPORT CHARGING
The question arises whether South Africa, with its Eskom supplier monopoly and obsolete electricity network, will be able to provide affordable and sufficient electricity capacity to charge a large number of electric vehicles. Till recently the answer would be negative. However with recent and continuing exponential improvement of battery technology, substantial increase in battery production and the continuing price reduction of solar photovoltaic and batteries, the solution for South Africa and many other sunny countries is the combination of solar photovoltaic roofs and battery packs in buildings which can be used to charge electric vehicles even at night.

Although currently still too expensive, battery technology will become increasingly affordable. In future solar PV roofs and battery systems will form part of the value of a house and will be financed by banks as part of the house mortgage. The electricity savings and fuel savings will make up for the additional bond payments.

AUTONOMOUS DRIVING AND RIDE SHARING
Another disrupting trend which will have a material influence on the car industry, but might also have an effect on property is self-driving vehicles combined with networked ride sharing technology and services. Think about Uber cars without drivers. Think about fleets of self-driving networked electric vehicles. The combination of these disruptive technologies might by 2030 further reduce the demand for filling stations but interestingly also reduce the demand for parking space in buildings and as a result reduce parking rental income in dense SA cities like Sandton and Cape Town.

Never underestimate the power of exponential technology change driven by strong worldwide competition. If ever in doubt, think back to Kodak, Blackberry and many other brands. The exponential improvement and combination of electric vehicles, cheaper and better batteries, mass-scale battery production, autonomous driving and ride sharing, affordable solar PV and many other emerging technologies have hit the knee of the S curve and major exponential changes lie ahead in the next ten years. One of them is how we will provide energy for our cars and its effect on existing fuel filling stations.

The energy nozzle of the future will be at home, the office, shopping centre, restaurant, hotel, airport - seldom at a local fuel filling station.
Most of the charging will be at home or work. But there will be times, ie weekends and holidays, when drivers won’t have access to their employer’s free charging. That’s where retail parking comes in. In the US, retailers like Target already offer free charging for customers. Customers get to top up their vehicles while shopping, and the lure of free charging gets people in the door - and in some cases, gets them to linger because they want to get as much free battery power as possible (thus, ironically end up spending more money in the store).

Eventually charging EVs at the good old fuel stations will mainly be limited to converted long distance fuel stations, located for example between Johannesburg and Durban. As electric charging (currently 30 minutes for a supercharge 250-km top-up) takes longer than filling with fuel, the customer will spend more time and money at the takeaway, restaurant or shop. Such stations will, however, have to provide more and larger parking bays for charging cars, larger shops and restaurants.

THE EFFECT ON FUEL FILLING STATIONS IN THE MIDDLE-HIGH INCOME SUBURBS

Predictions of EV adoption numbers in South Africa are difficult. Because of the huge demand in the US, Europe, China and elsewhere, and battery manufacturing constraints, the rollout in South Africa will be slower than the smartphone rollout (which was pretty much simultaneously with the rest of the world). To build large-scale capacity for the manufacturing of batteries for electric cars takes a lot longer than the small batteries for cell phones and devices. Predictions for EV rollout in South Africa have to be taken conservatively, especially for the first few years.

Below are my own non-scientific predictions for discussion purposes only and are based on overseas predictions adjusted for a slower SA rollout. The focus of this discussion is on the high LSM income groups who are able to purchase a car every five years and who would typically live and work in the middle to high income suburbs.

It is possible that already within the next eight years (2025) a lot of new cars sold in South Africa will be electric vehicles. Five years later (2030) most cars sold in the middle-high income suburbs might be electric vehicles.

Electric vehicles will not need local fuel stations any more, as they will be charged at home, office, shopping centre, etc. Hybrid vehicles, fuel efficiency improvements of petrol and diesel engines, and possibly even other future alternative technology, will further reduce fuel sales volumes at fuel stations.

For discussion purposes three hypothetical scenarios are used: slow, average and fast adoption of EV, hybrids and other fuel reducing technology; litres fuel (petrol and diesel) pumped per month at a fuel station in a middle-high income suburb in South Africa currently pumping 300,000 litres per month.

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</table>
Assuming the average adoption scenario, a 300 000-litre R12m-value station in 2017 could become a 200 000-litre R7m-value station within ten years (2027), and a sub- economical 100 000-litre R3m-value station or a dry site by 2040. (Value amounts are in current value and are illustrative only.)

The lower number of vehicles visiting the station will also dramatically affect turnover and income figures of the attached quick shops, food takeaway shops, sales of engine lubricants and other products and services. The situation will be even worse for those fuel stations which are already marginal now.

Where in the past we could generally assume that a fuel station in ten years’ time, after the necessary revamp, could continue pumping the same turnover, this might dramatically change with the increasing use of electric vehicles and hybrids.

If these are the possible volumes within ten and 23 years, how should this and its uncertainty be taken into account in the present value calculation in 2017?

As a fuel station valuation in South Africa generally assumes an increasing net income in perpetuity, should current 2017 valuations already take this disruptive trend into account?

**HOW SHOULD WE AMEND OUR VALUATION CALCULATIONS TO MAKE PROVISION FOR THIS?**

**SOME SUGGESTIONS AND THOUGHTS:**

- Top slice method, discounted cash flow or reversionary method to be used to take future reduction in volumes and income into account.
- Depending on the location, existing leases and other factors, three separate periods might be applicable for the valuation calculations.

**Period 1:**
Fuel stations with income based on volumes - status quo with a gradual reduction in volumes and income.
Fuel stations with a fixed monthly rental lease from a strong oil company - no reduction in income till expiry of lease.

**Period 2:**
Volumes, turnover, rental and income will start to drop substantially; operating expenses economies of scale and breakeven point also affected; substantial decrease in value. Many fuel stations might become marginal, operating at a loss or dry.

**Period 3:**
Fuel station not feasible anymore - to be demolished, used or converted for other uses.
Market value might be the vacant land value for other uses after making provision for demolition costs, rezoning costs, environmental rehabilitation costs, etc. When determining land value, take into consideration that many fuel stations sites might be too small, ‘landlocked’ or not suitable for other feasible uses.

- From a finance point, a lower residual value and quick payback period is suggested. Projected income figures should take future reductions in volumes and turnover into account.

**CONCLUSION**

The latest developments have changed the electric vehicle from a long-term futuristic trend, limited to a few pioneering BMW i3, i8 and hybrid drivers, to a medium-term disruptive trend which should start to be reflected in our current valuation calculations.

We will discuss this further and in more detail at the SAIV Northern Branch Annual Seminar on 15 September 2017.
TUHF PRESENTS TO THE INSTITUTE OF VALUERS AGM IN EASTERN CAPE

TUHF was invited to speak at the Eastern Cape Branch of the Institute’s Annual General Meeting at the Port Elizabeth Golf Club on 31 March 2017. TUHF presented a case for inner city lending in Port Elizabeth and East London. Khubulani Chikomo, the Eastern Cape Regional Manager and Thabang Moleko, a TUHF portfolio manager shared the story and business approach of TUHF with members of the Institute.

TUHF is an inner city property financier that has had a profound impact on the regeneration of inner cities across South Africa. TUHF has 14 years of experience as inner city commercial financiers in larger cities such as Johannesburg, Durban and Port Elizabeth, with recent branches being opened in Bloemfontein, Cape Town and East London. TUHF offers products that allow the property entrepreneur to provide affordable housing and accommodation to tenants. TUHF is committed to the empowerment of previously disadvantaged individuals by facilitating the acquisition of their own properties through mortgage finance. TUHF has already financed over 32 000 units in inner city areas and assisted over 350 property entrepreneurs.

What enables TUHF to operate effectively in the inner city is that it looks carefully at the potential that lies in both the property and the potential property owner. TUHF’s feasibility model takes into account the equity that can be provided, the character of the entrepreneur, and his/her construction, finance and property skills. The feasibility study done on the project includes an appraisal process, in which the borrower is asked to provide information such as operational costs, type of rental units to be provided and related construction and refurbishment costs on the property. The feasibility model then indicates the equity contribution required from the investor.

The feasibility model will generate the required debt service cover and a loan to value that is acceptable to TUHF for that project. The capacity and character of the borrower are important considerations, together with the credit history and the motivation of the borrower. Another unique feature is that TUHF works closely with all its entrepreneurs and offers training through the TUHF Programme for Property Entrepreneurs (TPPE) which focuses on the continuous development and mentoring of the borrower.

TUHF has a diverse client base and borrowers include starter, emerging and established clients. A starter client will be building their first building, an emerging client may have more than two buildings, while an established client would have a strong track record and a larger building portfolio.

TUHF specifically focuses on inner city areas suffering from urban decline, often characterised by run-down buildings that hold potential. The properties are in areas that have been
denied mortgages by other property financiers. The presence of either a municipal and/or other government spatial improvement programme will facilitate TUHF in providing finance in the area. TUHF expects its entrepreneurs to use these buildings for multi-unit residential rental purposes with related or ancillary commercial or retail spaces. The entrepreneur can provide the accommodation as a new build, conversion, renovation, extension or any combination of these. TUHF believes strongly in the active management of every portfolio, and it expects every project to meet all the applicable building regulations such as fire compliance, electrical compliance and to have approved municipal building plans.

TUHF’s unique philosophy is that the inner city is a place where people and property have potential that others don’t see, a place where different people connect and form relationships with places and communities. TUHF believes in having a team culture that encourages an attitude of street-smart wits, combined with an unparalleled specialist knowledge of the complexities of the inner cities. TUHF also believes in supporting and growing each of its individual clients. The TUHF focus on the inner city generates improved access to finance, urban regeneration, job creation, provision of affordable housing, green building outcomes, increased market activity, local economic development and fiscal impact.

In Nelson Mandela Bay TUHF operates in the inner city areas of Port Elizabeth Central, Richmond Hill, Korsten, North End, Sidwell, and Uitenhage CBD. TUHF will shortly be opening an office in East London, enabling it to operate in East London CBD, Quigney, Southernwood, and North End.

The services of qualified valuers are used to value properties in its portfolio of mortgaged properties independently. Internally, TUHF uses its network of loan officers to appraise its projects for credit decisions and also for cyclical portfolio management purposes. Where the project is specialised the services of qualified independent valuers are sought.

The Institute members at the presentation were taken through the feasibility and appraisal model that TUHF uses and discussed the various inputs and outputs of the model, combining income capitalisation, discounted cash flow analysis and leveraged analysis. The intention of the feasibility model is to look at some of the following assumptions and outputs for assessing the viability of each potential deal.

**TUHF Feasibility and Valuation Methodology**

- **Assumptions:**
  - Market Rentals
  - Vacancy levels
  - Escalation Rates
  - Operating Costs
  - Net Operating Income
  - Cap Rates
  - Purchase price
  - Construction Costs / Refurbishment Rates

- **Outputs:**
  - Market Valuation – Methods
    - Income Cap
    - Adjusted Income Cap
    - DCF
  - Equity v Debt
  - Loan Value
  - Debt Asset Ratio
  - Debt Cover Ratio
  - Return on Total Cost
  - Return on Equity

Every deal is assessed on whether all the variables presented in the feasibility model fall within the required parameters. Each of these assumptions and outputs must be reviewed by the TUHF loan officer based on his/her professional judgement and market knowledge. The client will be asked to provide information and supporting documentation to support all the assumptions and outputs. Once completed, the feasibility model is used in the appraisal of the loan and is taken to the credit committee for loan approval. The client must always match and fit with the project they want to participate in. There is a constant use of quality, comparable information from credible national databases and locally obtained information. This rigorous process has allowed TUHF to see potential that others don’t see in terms of projects in the inner city.

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Khumbulani Chikomo, the Eastern Cape Regional Manager of TUHF

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THE IMPORTANCE OF SECTIONAL TITLE LEGISLATION FOR VALUERS

Sectional title ownership differs from conventional ownership in quite a few ways. Generally, for example, ownership of a unit in a sectional title scheme means that with some form of close proximity to neighbours, owners are bound to comply with certain conduct and management rules, and owners have joint responsibilities towards maintenance (including insurance) of the ‘brick and mortar’ of the scheme. Ownership may also include the right to have the exclusive use of certain areas of the common property.

For the valuer profession, it is important to appreciate fully the underpinnings of a sectional title scheme, both from its management and legal structure point of view. This is because, on the one hand, insurance and valuation of the buildings in the scheme are tasks that the legislature saddled the scheme’s trustees with, in the exercise of their scheme management duties. On the other hand, where it is necessary to determine the value of an owner’s rights in a scheme, the valuer must be able to distinguish between what are sections, the common property and exclusive use areas. This will enable the valuer to value accurately a sectional title unit and exclusive use area (created in the Sectional Titles Act), if applicable, on behalf of a bank that has been approached for financing a purchase; assist an owner that seeks to dispute a municipal valuation for rates purposes; or to support an owner’s demand that the scheme’s insurance be adapted because of renovations to his or her unit, amongst other things.

HOW DOES A SECTIONAL TITLE SCHEME WORK?

Owning a sectional title unit in a sectional title scheme means that the owner owns (i) a building or part thereof together with (ii) an undivided share in the common property. (The common property is all the land in the scheme on which no units were erected.) This means that both apartment buildings or complexes with free-standing houses (such as retirement villages and leisure establishments) can be owned by way of sectional title ownership. Sectional title developments can also be commercial, industrial developments or mixed-use developments.

An owner of a unit in a sectional title scheme may also have access to so-called ‘exclusive use areas’. These are parts of the common property that are allocated to owners for their private use. There are two types of exclusive use areas, and a differentiation is important because the consequences of each, legally, are far reaching.

A ‘formal’ exclusive use area is created in terms of the provisions of the Sectional Titles Act of 1986; it is surveyed and delineated on the sectional plan registered in the deeds office; and it is owned by the person who holds formal title thereto (Notarial Deed of Cession of Exclusive Use Areas). It forms part of the immovable property that a seller sells to a purchaser and part of the property put up as security for a mortgage loan and over which the bank will register a mortgage bond. Exclusive use areas are typically parking bays and garden areas.

A more ‘informal’ type of exclusive use right system exists parallel to the above ‘formal’ arrangement. Where parking areas and garden areas were not surveyed and delineated on a sectional plan (thereby becoming capable of ‘formal’ ownership), a body corporate may grant similar exclusive rights to parts of the common property to owners, by virtue of making rules to this effect. The power to make such rules is specifically granted to bodies corporate in the Sectional Titles Schemes Management Act of 2011. The entitlement to use a specific area, by virtue of a body corporate rule to that effect, does not grant ownership rights as are created in respect of the ‘formal’ exclusive use areas discussed above. The person who may exercise these rights with regard to a certain area cannot sell it to a purchaser – a purchaser will have to enter into an arrangement with the body corporate to enjoy such rights when he or she becomes owner of a section on the scheme. It also does not form part of the
unit owner’s immovable property that will be secured under a mortgage bond.

It is clear that although the physical appearance of the areas may be identical (ie, the garden area or parking bay), the underlying legal rights thereto may differ. A valuer needs to make sure to ascertain which rights pertain to a specific area before including them as part of the valuation of the property owner’s interest in a sectional title scheme.

**MUNICIPAL VALUATION**

With regard to determining market value for purposes of municipal valuations, the Local Government: Municipal Property Rates Act, 2004 determines in section 47 that, when valuing a property which is subject to a sectional title scheme, the valuer must determine the market value of each sectional title unit in the scheme in accordance with section 46. Section 46 lays down the general rules regarding valuation of properties for purposes of determining the rates that a municipality will impose on a property.

From a valuer’s point of view, it is important to appreciate how the common property in a sectional title scheme is valued, taking into account that an owner’s interest and ownership in the scheme comprises the unit and a share in the common property (and can, in addition, also involve exclusive use areas).

By definition, the term ‘a sectional title unit’ refers to the section (ie the building) together with its undivided share in the common property. Common property therefore does not have a separate value for these purposes. Its value is inherent in the value of the unit and the valuer will take this into account when valuing the property.

From a rates point of view, sectional title owners often query how account is taken of differences between the various units in a scheme, as they may look identical on the outside, but owners may have upgraded extensively on the inside thereby increasing the value of their units.

**VALUATION AND INSURANCE OF THE SCHEME’S BUILDINGS: TRUSTEES REQUIRE VALUATIONS**

Another area of practice in the life of a valuer where an understanding of sectional title legislation and law is relevant, is aligned with the duties of body corporate trustees to attend to the insurance of the buildings in the scheme.

The Sectional Titles Schemes Management Act (STSMA) lists as one of the functions of the body corporate that it must “insure the buildings in the scheme and keep them insured to the replacement value thereof against fire and such other prescribed risks”. The duty to do so falls on the elected nominees of the body corporate, ie the trustees, or where an executive managing agent is appointed, on the latter.

The Rules further determine that the schedules of insurance replacement values must be approved by the body corporate at its annual general meeting.

The requirement to specify the replacement values of buildings in a scheme is described in Rule 23(1)(b). It specifically states that “the insurance of the body corporate must specify a replacement value for each unit and exclusive use area, excluding the member’s interest in the land included in the scheme”. Such valuation must be prepared every three years, at least.

An owner, perhaps after doing extensive upgrades to his unit, may at any time by written notice to the body corporate require that the replacement value specified for his unit or exclusive use area be increased. (The owner will then be responsible for payment of any additional premium payable on account of an increase in the replacement value.)

**CONCLUSION**

Sectional title schemes and the law pertaining thereto have their own complex intricacies and in the same way that estate agents, conveyancers and banks equip themselves with an understanding of how such schemes fit together, it is necessary for property valuers to acquire this knowledge. Without it, an accurate valuation is not possible.

Maryna Botha BA LLB (Stell) LLM (UNISA) is an admitted attorney, notary and conveyancer practising in Cape Town. She is currently a senior associate with national law firm STBB Smith Tabata Buchanan Boyes and offers training courses in various areas of the law. Maryna has an established association with the Centre for Legal Compliance.
Having looked at the valuer as an ‘expert’ and ‘hearsay evidence’ in preceding articles we now take a look at some practical aspects of court appearance, i.e. in which courts do valuers appear, what type of action will valuers get involved with and what to do, where to go and how to act in court. We will also look at pleadings, court rules and valuation reports.

COURTS
There are various types of courts, boards, tribunals or similar institutions or forums where hearings take place. Valuers feature in only a few of them. We take a quick look at some of the more familiar ones.

LOWER COURTS
The likelihood of a valuer having to appear in either the Magistrate’s Court or the Regional Court or Divorce Court is slim, but not excluded. These courts preside in magisterial and/or regional areas. The Regional Court now has jurisdiction in disputes over immovable property to a value of R300 000. Disputes of this kind rarely call for the services of an expert valuer. Because the procedures in these courts follow closely those of the High Court we will deal with the procedures of the High Court only.

THE HIGH COURT
The High Court, previously known as the Supreme Court, is probably the only superior court in which a valuer will be called on to testify as expert. These courts operate at a provincial level.

Gauteng has two high courts, namely the South Gauteng High Court in Johannesburg and the North Gauteng High Court in Pretoria.

KwaZulu-Natal similarly has two high courts, seated in Durban and Pietermaritzburg.

The Eastern Cape has four high courts, seated in Bisho, Grahamstown, Mthatha and Port Elizabeth.

The other provinces have high courts seated in Bloemfontein (Free State), Thohoyandou (Limpopo), Mafikeng (North West), Kimberley (Northern Cape) and Cape Town (Western Cape).

These are the courts in which you as a valuer will most likely appear as an expert.

Appeals against decisions by these courts go to the Supreme Court of Appeals (Bloemfontein) and/or to the Constitutional Court (Johannesburg). The chances that you will appear in these courts are basically nil as testimony by experts is not required there.

There is one other High Court in which you are likely to appear, and that is the Land Claims Court (Randburg, Johannesburg) which is a special court implemented to hear cases on restitutional matters. Values of properties are often the focus of hearings in these courts for which the expertise of valuers is required.

OTHER INSTITUTIONS
VALUATION APPEAL BOARDS
These boards are established by the MEC for local government on district or metropolitan municipal level to hear and decide against decisions of municipal valuers in appeal or review matters. An appeal board determines its own procedures. The procedures are generally similar to ‘normal’ courts, though usually more informal.

ARBITRATION BOARDS
There are a number of arbitration boards that operate across the country. Litigants are not bound to use these boards and can appoint their own arbitrator.
Recently it has become quite common for parties in property cases to circumvent the high court by referring these cases to arbitration. This is unfortunately an indictment against our high court judges as there are not many judges considered experienced enough to hear property valuation cases. Advocates and their clients therefore choose to refer their cases to arbitration once pleadings have closed in the High Court. Arbitrators are usually chosen from the legal field, ie retired judges, advocates or attorneys with property valuation experience.

Chances are therefore good that you may be called on to testify before an arbitrator, usually once the High Court process has been followed. Arbitrators also determine their own procedures but they usually stick close to the High Court rules and procedures. Arbitration hearings are generally less formal.

**RULES OF COURT**
Both the Magistrates Court and the High Court proceed on rules in civil procedures.

The Supreme Court Act, incorporating the rules of the High Court and the Magistrates’ Courts Act and Rules are published by Juta and available for the more curious valuer. It is not necessary to have or know these rules. It is enough to know they exist and to know how they apply to you as expert.

As stated above, Valuation Appeal Boards and Arbitration Boards make their own rules.

You are usually called on to testify as expert as a result of one of the following actions:

- Summons in the Low or High Court; as stated above, you will then usually testify either in the Low Court, the High Court, the Land Claims Court or before an arbitrator.
- Application for judgment in the Low or High Court; applications are based on affidavits and you will usually not testify directly; a judge may require you to testify.
- Appearance in the Valuation Appeal Boards follows objections to decisions by municipal valuers.

All that is necessary here is to know the difference between an action and an application. We look only at civil procedure in the High Court. The procedures in the lower courts and in other boards are similar.

**APPLICATIONS**
Applications are dealt with in terms of Rule 6 of the Uniform Rules of the High Court. An application is instituted ‘on notice’ and comprises a notice of motion and a founding affidavit. If opposed, these will be followed by a ‘notice of intention to oppose’. The attorney who issued the application applies for a court date and depending on whether opposed or not, the case will land on the ‘unopposed’ or ‘opposed’ roll. If unopposed the advocate, or in cases where an attorney is allowed to appear, the attorney will state the case and the judge will make a ruling. If property is involved, a valuation and affidavit will be required.

If opposed, answering and replying affidavits may be exchanged. Evidence on which a party wishes to rely, including valuations, needs to be confirmed under oath. Applications are restricted to the information contained in the affidavits and a valuer, or other expert will not be called on to give ‘oral evidence’. Applications are argued by counsel (or an attorney) and after hearing both sides (audi alterem partem), the judge will make a finding.

Note that it may happen that a case brought on application may be referred to ‘oral evidence’.

**ACTIONS**
Actions commence with a summons (simple/ordinary or combined). The summons follows an unanswered Letter of Demand and is combined by particulars of claim. This is a document that will be of interest to a valuer as the claim and the manner in which the claim is made up, whether in terms of the Expropriation Act or other cause, is set out in the particulars of claim. This usually gives a pretty good idea of what the case is about and what will be required of the valuer.

Summary judgment is possible if the action is not opposed. If opposed, a defendant must file notice of his intention to defend. This is normally followed by a plea and a request for further particulars (for purpose of trial). The plea could also be combined with a counter claim. Replication and/or a reply to the request for further particulars and additional requests, amendments, etc may also follow. Pleadings contain conclusions of fact and law, but usually do not contain evidence. They are, however, also of importance to the valuer and he should request his client/attorney to provide him with copies.

These documents that are exchanged between parties are referred to as ‘pleadings’. A date for the hearing of the case, the hearing date, is applied for only once the pleadings have
closed, ie at the last exchange of documents. The attorney must usually state the number of days required for trial. Valuation cases usually result in long trials. This affects the allocation of trial dates and a short trial will probably get heard sooner than a long trial.

Note that it can take up to two years before a matter is heard. A lot can happen in these two years that may put your valuation in jeopardy, so keep this in mind.

In terms of Rule 36, notice must be given by parties if they intend calling experts. An expert summary has to be prepared. Parties must discover (ie disclose) all the documents, including expert summaries, photographs, diagrams, maps, etc that they will be relying on.

The leading attorney has to prepare a pleadings bundle or bundles for Court. Documents are paginated and indexed. Rule 35 (discovery) and Rule 36 (expert summaries) may be filed in separate bundles. These bundles will be available to the expert once he is called into the witness box. He therefore does not have to take any documents with him into the witness box. It is important to know that if you do take anything into the witness box with you, the opposing counsel is entitled to inspect your file or notes that you have in the box. This could embarrass or compromise you so be careful what you take into the box.

**AT COURT**

Your attorney would usually provide you with all the necessary information such as trial date, the forum or court that you have to be at, the time you need to be there, etc. High Courts normally start at 10h00 and if your attorney did not provide you with the number of the Court you are to appear in, you can find out from the assistant registrar/s in the General Office or look it up on the Court Rolls that are posted on a notice board. Finding out where this is, is sometimes a problem. Usually this won’t be necessary as your attorney would have this information and would convey it to you.

Dress smartly for Court, at the very least in jacket and tie, if you do not have a suit. Enter the court through the entrance designated for attorneys and the public. These doors usually lead onto the passages so using the right entrance should not be a problem. On entering a court that is in session, ie the judge is already presiding, you need to bow towards the bench when entering or leaving. If not in session you will be called on by the Clark of the Court to stand when the judge enters or leaves the court. Sit in the gallery unless your counsel asks you to join him/her in the front benches. Switch off your mobile and do not talk or gesture while the court is in session. If you have to pass a note to your counsel, do so only when the judge has stopped speaking.

You will be called by your counsel to enter the witness box when it is your turn to testify. Upon entering the witness box you will be sworn in by the Clerk of the Court. Stand in the box, unless given permission by the judge to sit down. Face the Court (ie the judge) when giving testimony. You will be led in evidence by your counsel who should preferably have consulted with you prior to the time, informing you what to expect. Beware of counsel who do not take the time to consult with you properly prior to your testimony. Make sure that you are not working with counsel who will feed you to the lions.

When you are cross-examined by the opposing counsel, follow the ABC rule, ie Listen, Think, Answer.

Address the judge as “My Lord” or “My Lady” when giving testimony. Magistrates are addressed as “Your Honour” or “Your Worship”. Judges take offence at being addressed as such.

**THE VALUATION REPORT AND EXPERT SUMMARY**

Instruction to conduct a valuation could come prior to instigation of litigation, or afterwards. Because you never know whether your valuation will end up in court or not, you should always conduct it as though it will.

Many an article has been written on what a valuation report should look like and what it should contain. Check out articles by Saul du Toit and others in previous editions of The SA Valuer.

**VALUATION CONDUCTED PRIOR TO ISSUING SUMMONS**

If your valuation was conducted prior to summons being issued, the report is discoverable. This means that the other side is entitled to a copy thereof. Therefore, if your report contains mistakes or is poor in any respect, the opposition will use it to grill you in the witness box. You will not be able to fix it unless you have covered yourself with qualifying statements. The point here is that you should never express an unqualified opinion in areas beyond your expertise. If you do, you will be discrediting yourself and your other evidence.
To give a few examples:
(i) You have to value a property with a specific zoning. You suspect, or your client alleges that it has the potential to be rezoned for another use but after inspection of the structure plans for the area, eg the Regional Spatial Development Framework (RSDF) and/or Urban Development Framework, etc. you cannot tell with certainty what the potential is. You might even have consulted the municipal town planner but have found, as is so often the case, that he/she is unwilling to give you a definite answer. At this stage you should realise that you are moving out of your field of expertise and that you need to call in the expertise of a town planner. If your client is amendable to the appointment of a town planner, you can stake your valuation on his/her opinion. Should they be proved wrong in Court it will not reflect negatively on you, but you would then have to concede the mistaken premise of your valuation. Should your client be unwilling to appoint a town planner, you would have to make a call, but to protect yourself your opinion should be qualified. Qualify your opinion by stating that it is subject to investigation and verification by a town planner. Therefore, if your assumption was wrong, you still have an out in Court. Again you would then have to concede the mistake and amend your valuation.

(ii) You conduct a valuation of a building which obviously suffers from structural defects. State the obvious in your report but leave expert opinion to the right expert, ie an architect or engineer.

(iii) You conduct a valuation of land with township potential. If you base your valuation on a DCF, you had better make sure that the inputs and assumptions, ie town planning, engineering, geological, environmental assumptions, are based on expertise, or are properly qualified. Note, however, that if your valuation is over-qualified, it will become useless. Only reasonable assumptions and qualifications will do.

(The point is that if you act like a sucker, you will be licked.)

If the case proceeds to Court, ie summons is issued, whether based on your valuation or that of the opposition, or any other basis, you get a second bite at the cherry. Or let me rather say, a second half-bite. If for instance you had based your valuation on your own qualified opinion on potential as in the example above, now would be the time to appoint a town planner to support your opinion, or to amend your report should the town planner's opinion differ from yours. This is done by way of an 'expert summary'. Where a valuation report has already been submitted prior to summons, the report would probably form part of the summary. (It is the practice of some counsel to attach the report as the 'expert summary'.)

Although it may be better to supplement the report with an expert summary, the decision as to how and what the summary contains is that of the counsel and the valuer has no say therein.

VALUATION AFTER ISSUING OF SUMMONS

Where instruction to conduct a valuation is received after summons has been issued it could be wise and/or practical not to conduct a valuation in the normal manner. This is because a ‘normal’ valuation contains information that is not crucial as evidence, for instance referencing to climate, infrastructure, etc. Note that sometimes, depending on the type of property being valued, such information may be crucial. The format of an expert summary is more logical and flowing.

It is therefore sometimes wise to conduct your valuation investigations and to record your findings in a logical manner which you present as ‘confidential notes to counsel’. Your counsel will then use these notes to draft your expert summary. Some advocates will require the valuer to draft his own summary.

EXPERT SUMMARY

The purpose of an expert summary is to take away the element of surprise. In civil cases each party has to notify the other that he will be calling an expert, and to provide a summary of the evidence that the expert will present.

Rule 36(9) of the Uniform Rules of Court reads as following:

(9) No person shall, save with the leave of the court or the consent of all parties to the suit, be entitled to call as a witness any person to give evidence as an expert upon any matter upon which the evidence of expert witnesses may be received unless he shall-

(a) not less than fifteen days before the hearing, have delivered notice of his intention so to do: and
(b) not less than ten days before the trial, have delivered a summary of such expert’s opinion and his reasons therefor.

This rule compromises a party’s common law right to call a witness and places the party at the disadvantage of having
to intimate in advance what his expert is going to say and should therefore be construed restrictively.\(^1\)

In Coopers (South Africa) (Pty) Ltd v Deutsche Gesellschaft für Schädlingsbekämpfung MBH\(^2\) the Appellate Division held that the context in which the phrase ‘reasons therefore’ is used in rule 36(9)(b) means, or at least includes, the facts or data on which the opinion is based.\(^3\) The test is whether it contains a summary of opinions and reasons which gives the other party such information about the witness’s evidence as will remove the element of surprise. It is therefore important to ensure that no facts which are going to be led in evidence, of which the omission thereof might lead to an objection by the other side that they are being taken by surprise, are omitted.

A further benefit of proper compliance with this sub-rule is that it may enable experts better to exchange views at a meeting of experts before giving evidence and to reach agreement on at least some of the issues, thereby saving costs and the time of the court.

An expert summary is a brief account of the evidence that the expert will present.

**PRE-TRIAL CONFERENCE**

A pre-trial conference is held between the parties in terms of Rule 37 of the Uniform Rules of Court once notice of the trial date has been received. This should take place not later than six weeks prior to the date of hearing but the date, time and place may be amended by agreement.

The purpose of this meeting is to curtail proceedings. The advocates for the respective parties meet and discuss the matter for the purpose of finding common ground, ie securing agreement on all matters likely to curtail the duration of the trial. Matters discussed at the meeting are recorded and the signed minutes have to be submitted prior to trial. The minutes should record all the matters discussed and agreed upon, as well as requests of one party and the replies of the other on matters where agreement could not be reached. It will generally be inferred that no proper conference was held if the minutes merely state that the parties have not agreed on any aspect of the case which may well influence the Court’s discretion in the award of trial costs.

**MEETING OF EXPERTS**

This is not to be confused with the pre-trial conference referred to above, but it serves the same purpose, ie curtailment of proceedings. Although not a rule, judges have discretion in giving direction which might promote the effective conclusion of the matter and in property matters it is almost certain that the judge will require that experts meet before the trial to see whether they can agree on any aspect of the case.

This meeting takes place between experts of the same profession, eg valuers, town planners, engineers, etc. Where various disciplines are involved as experts, a single meeting with all experts may be held, but in general the various experts meet separately. A problem that may arise is that several aspects of a valuer’s report often rely on the expertise of another expert, eg a town planner, engineer or environmentalist. The valuer cannot make concessions about aspects where he relies on these experts, nor will his valuation be affected by any concession made by such expert. This domino effect affects the order or sequence in which these meetings are held, and the reason why a joint or collective meeting of experts may often deliver better results.

This is an important meeting and valuers are advised to be well prepared for it. It is preferable that the experts meet on their own, or where attorneys or advocates insist on sitting in on the meeting, that they take no part in the discussions.

A joint minute should be drafted and signed by the experts. The purpose of the meeting is to find common ground and clarify the issues in dispute. Experts list those facts on which there is agreement, ie which are not in dispute, and discuss those that are in dispute to identify the reason for the dispute. Experts may ask each other questions and those questions and answers should be recorded. This is, however, not a licence to cross-examine your opponent. Be respectful of each other’s opinions. The Court will decide who is right.

**TRIAL, TESTIMONY AND CROSS-EXAMINATION**

In civil cases, the plaintiff (or applicant) is the first to call his evidence, usually after opening statements by either party. Once the plaintiff has closed his case, the defendant will call his evidence.

\(^1\) Herbstein and Van Winsen, 1979. *The Civil Practice of the Superior Courts in South Africa.* Juta & Co. Ltd. 422

\(^2\) 1976 (3) SA 352 (AD) at 371

When you are called to give evidence, your counsel will take you through your evidence. Counsel may not ask leading questions.

The normal procedure is for your counsel to take you step by step through your expert summary and/or valuation report. This is the process whereby you give evidence. Your expert summary and/or report are not evidence on their own.

Once your counsel has finished taking you through your evidence, the opposing counsel has the opportunity to cross-examine your evidence. He is allowed to ask leading questions.

Once cross-examination is closed, your counsel will have the opportunity to ask questions to clarify issues that came up during cross-examination. This is called ‘re-examination’.

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### RELIEF FOR OWNERS OF LANDLOCKED LAND

This article explains the different ways that landlocked owners can acquire rights to traverse the land of others, in order to reach their own land.

**LANDLOCKED**

It sometimes happens that property owners are unable to reach their own land from a public road without driving over the land of another person. It might also happen that the route to the land in question from a public road is so difficult and treacherous that it is almost impassable. This is what is meant by the term ‘landlocked’.

**RIGHTS TO TRaverse THE LAND OF OTHERS**

In such a case, the landlocked owner will have the right to traverse (drive over) someone else’s land to reach their own land. This right could come about in one of four different ways:

- the landlocked owner might have acquired a right to traverse another’s land in order to reach the landlocked property when he purchased the landlocked land. This right would most commonly have been registered as a servitude in favour of the landlocked land;
- the landlocked owner might have negotiated with the surrounding land owners in order to arrange for a right of way servitude to be registered over someone else’s land allowing the landlocked owner to reach his or her property from a public road (and this right would most commonly have been registered as a servitude in favour of the landlocked land);
- the landlocked owner might have acquired a servitudal right of way over another’s land by way of acquisitive prescription; or
in the situation where the landlocked owner does not have any servitudal right to traverse another’s land to reach his own, he will have a right in terms of common law to do so (known as a ‘right of way of necessity’) which arises automatically, by operation of law, when certain factual situations exist.

SERVITUDES BY AGREEMENT
Affected parties can agree to register a servitude giving the landlocked land (and/or its owners) the right to traverse the ‘servient’ land (the land affected or burdened by the right of way servitude). Because this article focuses on how a landlocked owner can acquire rights to traverse the land of another other than by way of agreement, the requirements for concluding such an agreement will not be dealt with any further herein.

PRESCRIPTION OF SERVITUDES
It is possible for a person to acquire ownership of land through acquisitive prescription (which is a legal process in terms of which an owner that uses someone else’s land openly as if he was the owner thereof for a period of 30 years or more becomes the owner of that land). It is also possible to acquire a right of way servitude over someone else’s land in the same manner. Once such a right has been acquired by the landlocked owner, he can force the owner of the affected land to recognise the servitude by approaching a court for an order authorising the registration of the servitude against the title deeds of the affected properties.

RIGHT OF WAY OF NECESSITY
Where a landlocked owner does not or cannot acquire a right of way over another’s land by agreement or prescription, he will automatically have a ‘right of way of necessity’ over another’s land in terms of common law. This arises by operation of law and the owner of the affected land does not need to consent.

THE SHORTEST AND LEAST DAMAGING ROUTE
However, it is not open for the landlocked owner to simply choose the most convenient path for him over his neighbour’s land. His right to traverse his neighbour’s land to reach his own is limited to the shortest route between the landlocked property and the nearest public road, and the route that causes the least damage/inconvenience to the land that is burdened by this route. A landlocked owner cannot, for example, demand the right to drive over a portion of his neighbour’s property in a manner that will negatively impact on the neighbour. The route that the landlocked owner must take is often the subject of dispute between the parties and there are several reported cases dealing with the principles that have evolved in our common law to determine where the shortest and least damaging route lies.

LIMITED REAL RIGHT
Although a right of way of necessity is a limited real right in another’s property, and it is a servitude (which is capable of being registered against the affected land in the Deeds Office), you will usually not find a right of way of necessity registered at the Deeds Office. This is because this right only comes into existence in situations where the landlocked owner cannot reach his own land from a public road and does not have any right to traverse another’s property to reach his own land. If the landowner in question already had a servitudal right to traverse another’s property to reach his own land, then he wouldn’t need the right of way of necessity and it would not come into existence in terms of the common law.

REGISTRATION OF THE RIGHT OF WAY OF NECESSITY
Once the right of way of necessity comes into existence, however, it can be registered against the title deeds of the affected property in the Deeds Office. If the owner of the affected land is not co-operating and refuses to recognise the right of the landlocked owner to traverse the affected land, a court order can be obtained forcing the affected owner to co-operate and respect the rights of the landlocked owner. After registration, the property will no longer be landlocked because the landlocked owner and his successors in title (ie people who buy or receive transfer of the property from the landlocked owner) will also be entitled to make use of the right of way of necessity servitude.

REASONABLE USE
All servitudes must be used reasonably. This requirement protects the owner of the land burdened by the servitude, to ensure that he is not unreasonably affected by the manner in which the servitude holder exercises his right in terms of that servitude. If a servitude holder is acting unreasonably and abusing the use of the servitude, the affected landowner can apply to court for relief.

STATE LAND
A right of way of necessity will operate over any land (including state-owned land). The principles set out in this article apply equally to the state as the owner of land affected by right of way of necessity servitudes.

By Chantelle Gladwin-Wood, partner and Gary Boruchowitz, associate, Schindlers Attorneys
PUBLIC PURPOSE AND PUBLIC INTEREST RE EXPROPRIATION OF PROPERTY

This article examines what is meant by the phrases ‘public purpose’ and ‘public interest’ in the context of the expropriation of property in terms of section 25(2) of the Constitution of the Republic of South Africa, 1996 (‘the Constitution’).

PUBLIC PURPOSE/PUBLIC INTEREST AS A REQUIREMENT

Section 25(2) of the Constitution sets out the requirements for a lawful expropriation of property, one of which is that the expropriation must be for a public purpose or in the public interest (section 25(2)(a)). Public purpose and public interest are not specifically defined in section 25. Some interpretative guidance is provided in section 25(4) which states that the public interest includes the nation’s commitment to land reform and to reforms aimed at bringing about equitable access to all of South Africa’s natural resources.

THE PRE-CONSTITUTIONAL ERA

The Supreme Court of Appeal distinguished between expropriation in the public interest and expropriation for a public purpose (Administrator, Transvaal v J van Streepen (Kempton Park) (Pty) Ltd at 660(661). The notion of public interest was viewed as a much wider category that could encompass expropriations for purposes other than actual state or public use. The notion of public purpose was regarded as a narrower concept that only allowed for expropriations for actual state or public use (AJ van der Walt Constitutional Property Law 3rd ed. p 461).

This approach was largely dictated by the wording of the statutory provision that authorised the expropriation. This statute was the Expropriation Act 63 of 1975. Interestingly, the Expropriation Act permitted expropriation for the public purpose, but not for the public interest. In some cases, however, depending on the wording of the particular authorising statute, courts were willing to follow a more lenient approach that corresponded with the wider notion of public interest rather than the approach that corresponded with the narrower notion of public purpose.

THE CONSTITUTIONAL ERA

The public purpose/public interest requirement serves a dual function in the constitutional era. The first function is to control the justification and authority for expropriations. Examples of accepted public purposes are the building of roads and hospitals. Expropriations of property for purely private purposes will not be allowed.

The second function is to ensure that the ordinary functioning of the property clause in protecting property does not frustrate or impede expropriations that are done for land or similar reforms that the Constitution has committed itself to.

Land reform was not a consideration that could justify expropriation before the promulgation of the Constitution (when expropriations took place in terms of the Expropriation Act and not in terms of the Constitution). Our government now has a broader authorisation to expropriate than it had in the pre-Constitutional era, but the same document that gives it this broader power, also limits it.

In the constitutional era, the approach to the interpretation of the public purpose/public interest requirement is a broader one that incorporates its dual function. This approach does not go as far as to be completely deferent to the legislature or executive decisions regarding what constitutes a public purpose or a purpose in the public interest that characterised the pre-constitutional era, nor does it frustrate land reform. This means that the purpose for an expropriation can be challenged in court and the expropriating authority will have to satisfy the court that the purpose meets the requirement of ‘public interest’ or ‘public purpose’.

By Chantelle Gladwin-Wood, partner and Jan-Harm Swanepoel, candidate, Schindlers attorneys
PRESCRIPTION OF E-TOLL DEBT

With an estimated 3 million drivers defaulting on E-toll payments and an alleged 6 286 summonses prepared by SANRAL, this article examines whether any of the E-toll debt owed by the defaulting drivers may have prescribed, and whether non-payment of that prescribed debt could result in criminal prosecution by SANRAL.

DOES E-TOLL DEBT PRESCRIBE?

E-toll debts are not considered levies or taxes and because SANRAL is merely a state-owned juristic entity as opposed to a fully-fledged state department, the debt is subject to the Prescription Act 68 of 1969. In terms of the Prescription Act, any debt which is not owed to the state itself, which does not arise from a dishonoured cheque, and is not secured by some other instrument (like a mortgage bond) shall be extinguished after three years from its due date, unless the debtor is summoned to settle the debt or the debt is acknowledged or paid by the debtor.

Therefore, as long as the debt is not acknowledged by the driver (by for instance paying the debt, or signing an acknowledgement of debt in relation to same) and the driver has not been summoned to court to settle the debt, any E-toll debt older than three years should be extinguished. Accordingly, E-toll debt not paid or acknowledged as of 31 May 2017, that was incurred during December 2013 to June 2014, will have prescribed by today.

IS IT A CRIMINAL OFFENCE NOT TO PAY?

SANRAL has, however, flatly denied that any E-toll debt has prescribed, and has even stated publically that in the event that some of the debt has possibly prescribed, it would rely on the Administrative Adjudication of Road Traffic Act 46 of 1998 (‘the AARTO Act’) (which criminalises certain traffic-related offences) to lay criminal charges against defaulting E-toll drivers. Criminal offences are prosecutable for a period of up to 20 years after the crime has been committed. This means that although a driver would not be liable for the debt older than three years, SANRAL would still be entitled to charge and prosecute the driver criminally for non-payment for up to 20 years from when the debt became due.

RISKY BUSINESS

Whether any competent court would be willing to criminalise the vast majority of Gauteng’s road users is debatable at best, especially in the light of the fact that in July 2014, the previous Minister of Transport, Dipou Peters, gave an undertaking that non-payment of E-tolls would not be criminalised.

SANRAL seems to recognise this apparent difficulty. It appears that, to date, all claims by SANRAL have been lodged in civil courts (for payment) and that no criminal charges have been laid against defaulting E-toll drivers as of yet.

SANRAL may decide, however, to institute criminal charges (large scale against all defaulting E-toll drivers, or only in a few test cases to set a precedent that might persuade the masses to pay) at any time in the next 20 years (unless the AARTO Act is amended to decriminalise non-payment of E-tolls).

CONCLUSION

Prescription may be a valid defence to SANRAL’s civil claim for payment. However, we must stress that this has not yet been tested in our courts. The defaulting E-toll driver must raise this defence. You cannot rely on the court to raise it for you. All drivers who receive a summons should accordingly seek legal advice before deciding on a course of action in relation to same.

By Anja van Wijk, associate and Chantelle Gladwin-Wood, partner, Schindlers Attorneys
As urban land scarcity has increased since the 1970s, urban densification has been the order of the day, average full-title stand sizes almost halving, building sizes decreasing and sectional-title homes becoming far more common. Various luxuries attached to homes are also becoming less common in newly built homes. We expect this longer-term trend towards ‘smaller and simpler’ to continue.

In the modern day urbanising South Africa with its general government fiscal constraints, low rates of economic infrastructure investment, much of this around cities, have led to a growing effective land constraint.

The result is that the supply-side response to rising demand for residential property is in part seen in higher average real home values, in part in the building of more residential units, but also in part in urban ‘densification’ and a major change in home building characteristics over the long term. This has happened in an attempt to address a mounting affordability challenge in an increasingly land-scarce urban environment.

We believe that South Africa’s urban land scarcity began to increase noticeably from a stage of the 1970s onward. A key change at that stage was the steady stagnation in general government fixed investment. This was the result of a general deterioration in the state of government finances as a worsening political situation caused major economic and government revenue stagnation.

One of the expenditure items to suffer was general government economic infrastructure investment. Rapid urbanisation further increased the pressures.

So, while theoretically SA has no great land scarcity, and we could expand the likes of Joburg and other major cities significantly, in reality this has become less practical in recent decades because of limited expansion in urban infrastructure, very importantly, (but not only) in the area of transport infrastructure. This has implied increasing urban congestion to, from, in and around key business nodes.

From our FNB valuations data, where valuers note the estimated building date of a property each time they value one, we can glean important information regarding the size and characteristics of homes built in certain periods.

**AVERAGE FULL-TITLE STAND SIZE DIMINISHES**

A long-term acceleration in government infrastructure investment through the 1950s and 1960s to early 70s (much of the urban infrastructure investment admittedly being in and around the highly traded former ‘white’ suburban areas) corresponded with an increase in the average size of full-title residential stands to an average peak size of 1063.4 square metres for homes built from 1970 to 1974. With the onset of steadily declining focus on infrastructure by general government, we went into a long-term declining trend in the average stand size of a house; 2.5 years into the current five-year period, ie 2015 to 2019, that average size of a full-title stand to date has measured 551.94 square metres, almost half the average stand size of full-title homes built in the early 70s.

We have long since said that the major region with the most acute land scarcity has been the City of Cape Town, with its sea on a few sides and a large mountainous nature reserve in the middle. Not surprisingly, therefore, we see the Western Cape Province having the lowest average full-title stand size of 487.2 square metres. Landlocked Gauteng has typically had less land scarcity, but has been narrowing the gap as it grows and becomes more congested, and its average full-title stand size is not far larger at 551.9 square metres. Less developed and less congested KZN, however, has an average full-title stand size of 802 square metres, significantly larger.

**BUILDING SIZE DIMINISHES**

But the adjustment to land scarcity in more recent times has gone further than merely a reduction in average size of full-title stands. Average building size has also declined significantly, from a 203.35-square metre peak for homes built from 1970 to 1974, to 161.89 square metres for buildings built from 2015 to 2017.

It seems, however, that households are far happier to dispense with outdoor space than indoor space in the quest for affordability. This is reflected in the decline in full-title building size not having kept pace with the decline in average stand size. The result has been an increase in the full-title land utilisation rate (building size/stand size) from a low of 20.4% for homes built from 1975 to 79, to 33.2% for the period 2015 to 17.
SECTIONAL TITLE GROWS
And the adaptation to growing effective land scarcity does not stop at smaller full-title stands. Since the 1985-89 period, where only 6.09% of homes built were sectional-title homes, there has been a shift to increased sectional title living, where land is far more highly utilised, with sectional-title homes built from 2015 to 2017 amounting to 27.06% of all homes built in the period.

HOUSEHOLDS REDUCE LUXURIES
A further noticeable way in which South African households are addressing the long-term rising trend in real urban property values (if one could measure them on a per square metre basis instead on the basis of average home value), is via the dramatic reduction of certain ‘luxuries’. Domestic workers’ quarters, an apartheid era institution, peaked in buildings built from 1955 to 1959, with 63.82% of homes built in those years possessing this characteristic. For homes built from 2015 to 2017, the percentage is a far lower 13.02%.

The late 70s/early 80s appears to have been the ‘golden era’ of the swimming pool, with 38.28% of homes built from 1975 to 1979 having pools (although admittedly some of the pools may have been built at a later stage). Thereafter, the long-term declining trend set in, and a mere 8.84% of homes built from 2015 to 2017 have such luxuries, according to the significant sample of homes valued by FNB.

Of homes built in 1980 to 84, a high of 68.55% of these homes had garages. In the 2015 to 2017 period this was a slightly lower 59.06%.

While there has not been that much ‘economising’ on garages, carports have diminished in popularity more significantly. Whereas 38% of the homes built in the 1975 to 79 period had carports, this declined to a far smaller 13% by the 2015 to 2017 period.

The demise of the study in the newly built home has partly to do with the need to economise on space, and partly to do with technological development and the fact that much information has moved from the bookshelf, the filing cabinet and desk, and on to the computer or laptop.

This has greatly reduced the need for such study space in the modern home.

It is thus not surprising that the percentage of homes with studies that were built in the 2015 to 2017 period, valued by FNB, was a mere 14.1%, well down from the 27% high reached in the 1980 to 1984 period. The dining room, too, is becoming gradually more ‘outdated’; 78.8% of the homes valued by FNB that were built in 1980 to 1984 had dining rooms. This was significantly lower at 55% for homes built in the 2015 to 2017 period.

As land scarcity mounts and average stand size gets smaller, so the incidence of multi-storey homes increases. Whereas the average number of storeys on homes valued by FNB was 1.13 for homes built in the 1985-89 period, this increased to 1.39 storeys by the 2015 to 2017 period.

Declining fertility rates and a smaller average size of household has also contributed to the demand for a smaller-sized home with fewer bedrooms on average. Therefore, we have seen a noticeable long-term decline in the percentage of homes built with three and four bedrooms. For homes built in the 1970 to 1974 period, 10.9% had five bedrooms. By the 2015 to 2017 period only 1.39% of the homes built had five bedrooms. Of those homes built in the 1975 to 1979 period, 23.32% had four bedrooms. This percentage had declined to 5.64% by 2015-17. Even the previously most popular three-bedroom home category has seen some decline in significance. Of homes built in the 1985 to 1989 period, 55.04% had three bedrooms. This had declined to 39.25% by the 2015 to 2017 period. And in the 2005 to 2009 period, the two-bedroom home overtook the three-bedroom home as the most prevalent, with 41.46% of homes built in that period having two bedrooms, compared with 41.07% with three bedrooms. The two-bedroom percentage was 41.51% in 2015 to 2017. We have also seen a noticeable increase in the prominence of one-bedroom homes, from 1.84% of total homes built in 1985 to 1989, to 12.05% by 2015 to 2017.

Interestingly, though, despite smaller homes with fewer rooms on average, implying fewer people, there has not been a similar decline in the number of bathrooms per house. For homes valued by FNB, those built in the 2015 to 2017 period had 1.57 bathrooms per home on average. This is only marginally lower than the 1.64 high in homes built from 1980 to1984.

BIG URBAN CHALLENGES
The long-term home densification process is expected to continue as the long-term effective scarcity of urban land increases.

The key challenges resulting from this rising urban land scarcity and densification include:

- creating safe open public spaces to replace the private space and amenities that many had on their own properties;
- improving the health of the household sector in the face of declining physical activity partly as a result of less open space;
creating mass public transport systems to reduce the myriad costs associated with transport congestion;
- designing lifestyle cities so that highly skilled labour can be attracted or repelled by lifestyle aspects, implying that urban design is a key driver of a country’s competitive advantage (Cape Town winning this ‘war’ amongst the Big 4 cities at present);
- zoning for densification in certain areas, notably along transport corridors, and preventing densification in other areas;
- improving key infrastructure and facilities such as water/sewage, schools and hospitals in existing areas to keep up with growing demand per area as densification takes place.

**2017 SECOND CONSECUTIVE YEAR OF REAL HOUSE PRICE CORRECTION?**

Seven months into this year, it appears increasingly likely that 2017 will represent the third consecutive year of slowing average annual house price growth, and the second consecutive year of house price decline in consumer inflation-adjusted real terms. For the period January to July 2017, the average year-on-year growth rate in the FNB House Price Index was 2.8%. This is significantly slower than the 5% recorded for 2016, and well down on the post-2008/9 recession high of 7.2%.

In real terms (CPI inflation-adjusted) the average year-on-year rate of decline was -2.9% for the period January to June 2016, a weakening from the -1.2% average rate of decline for 2016 as a whole.

From our July FNB House Price Index, we saw some slowing in year-on-year house price growth. This doesn’t come as a surprise, as we had already been seeing slowing month-on-month growth in recent months. Certain leading indicators had also pointed to a near term return to weakening in sentiment and economic performance after initial promise of strengthening early in the year.

These economic indicators include a weakening in the SARB Leading Business Indicator in the most recent three months’ worth of data, and a significant dip in both business and consumer confidence after slight improvements in the first quarter.

In real terms, adjusted for CPI, the price correction continues, an event that we see as essential since having been an almost zero growth economy. We believe that high real house prices will have to decline significantly to reflect this longer term economic weakness that appears to have set in.

One possible stimulus is the onset of SARB interest rate cutting, a 25 basis point repo rate cut having taken place in July. We don’t believe that one lone cut is sufficient to move the housing market significantly, but should this be the start of a series of cuts, it is conceivable that house price growth in 2018 could be mildly stronger than the 2017 year-to-date average year-on-year price growth rate of 2.8%.

**MAJOR GAUTENG RESIDENTIAL REGIONS**

Major Gauteng residential regions still show general affordability improvements as real prices decline. Clear patterns, when comparing sub-regional performances, are difficult to

identify at present. Our second quarter 2017 Gauteng Sub-Regional House Price Indices continue to show rates of growth below general economy-wide consumer inflation, pointing to ongoing price decline in real terms (when adjusted for consumer price inflation), and likely improvement in housing affordability when considering house price inflation relative to income inflation.

**BROAD GAUTENG METRO**

Using Deeds Office Data, we construct a set of house price indices for key sub-regions within the province of Gauteng, the aim being to evaluate this regional housing market’s performance in more detail. We have then rolled up this set of sub-regions into overall house price indices for each major metropolitan council region as well as for each district municipal region in those areas outside of Gauteng’s three metros. All three of Gauteng’s major metros continue to show low single-digit house price growth.

The three Gauteng metros have been undergoing a gradual real house price correction for much of the time since the beginning of 2008. Since the first quarter of 2008, Tshwane’s cumulative real house price decline has been -22.7%, Joburg -23.6% and Ekurhuleni 25.9%. Ongoing real house price ‘correction’ in the Gauteng metros is contributing positively to a healthy balance between demand and supply of housing, and relative ease of entry for first-time buyers compared with certain other major regions.

Both the Tshwane and Joburg regions (‘Joburg’ in the FNB Estate Agent Survey referring to the City of Joburg as well as Ekurhuleni) continued to show estimated levels of first time home buying to be above the national
average first-time home buyers are on average more financially constrained than the more established repeat home buyers, and thus very sensitive to home affordability levels. For the first two quarters of 2017, Joburg and Tshwane also had the highest percentages of first time home buyers of the major metros. The recent years of real house price decline/improving affordability in the Gauteng Metros appears to have been a key positive for these first-time buyers.

An interesting aspect observed in certain of the Gauteng data is that the lowest income regions may no longer be the best performing. Over the past five years, the region within Joburg with the highest cumulative house price growth has been the Diepkloof-Soweto-Meadowlands-Pimville region. This is historically one of the country’s major apartheid-era black township regions, and is on average the cheapest of our City of Joburg sub-regions. But more recently, this region appears to have become an underperformer, showing slight average house price deflation. Also noteworthy is that the highest priced ‘Sandton and surrounds’, the highest average value sub-region, is also in the doldrums.

**TSHWANE**

In Tshwane, we see something similar to the City of Joburg in that over the past five years it has been the lowest income/priced Winterveldt-Mabopane-Soshanguve-Ga-Rankuwa-Hammanskraal region, a mix of former apartheid-era black townships and Bophutatswana Homeland areas, that have shown the highest price inflation in the Tshwane region. Admittedly, in such regions there may be some price inflation distortions with subsidised housing not always registered in deeds offices at market price.

As in the case of the Soweto region in Johannesburg, this region had the weakest estimated house price growth in the second quarter of 2017. The highest priced Pretoria East and Centurion sub-regions were also not superior performers. Pretoria North East and Pretoria West regions had the fastest house price growth in the quarter.

**EKURHULENI SUB-REGION**

Patterns are a little more difficult to identify in Ekurhuleni, but once again it is neither the highest nor the lowest priced sub-regions that were the top performers recently.

Here too we do find that the lowest priced sub-regions are some of the weakest in terms of house price growth. The major Tokoza-Vosloorus-Katlehong region showed low (and below the metro average) year-on-year price growth, while Nigel was the region with the second lowest average price. On the high-priced end within Ekurhuleni, we had Alberton, the highest priced sub-region, Kempton Park, the second most expensive region and Edenvale, the third most expensive region, recording a positive growth rate.

Best performers were certain of those priced somewhere in the middle, namely Brakpan and Germiston, some of the more affordable regions but not the cheapest in Ekurhuleni.

**VAAL: MOST DEPRESSED MARKET**

The Emfuleni District, which includes major towns of Vanderbijlpark and Vereeniging, is heavily manufacturing dependent, and the manufacturing sector in South Africa has been below par for some years. Vanderbijlpark sees 32.3% of its GDP (Gross Domestic Product) coming from manufacturing, according to IHS Markit estimates, the highest percentage of any major town in Gauteng.

Not surprisingly, Emfuleni Municipal Area has seen its five-year cumulative house price growth underperform the three Gauteng metros and the low-income Evaton-Sebokeng former townships deflating. Vereeniging, less manufacturing-heavy than Vanderbijl, still saw moderate price growth.

**MAIN CONCLUSION**

Although the trends and patterns emanating from Gauteng sub-regions are not strong ones at present, we believe that the message emanating from the three Gauteng Metros Sub-Region House Price Indices is that the most recent sweetspot is neither at the highest nor the lowest-priced end, but somewhere in the ‘relatively affordable’ middle where new middle-class entrants probably like to buy.

For the low-income groups, South Africa’s almost zero growth economy may be starting to bite in terms of a lack of new job creation and income growth. This may mean that the lowest priced regions, many of which would be former townships, have weakened more noticeably in terms of average price growth.

At the high priced end in each metro, on the other hand, confidence in the country’s economic future can be a reason for buyer caution amongst higher income groups. It is also arguably about the high running and transaction costs related to higher value homes that comes with municipal rates and tariffs rising at rates well-above general inflation in recent years, and higher transfer duty brackets at the high end.
TWO MOST EXPENSIVE MARKETS: ATLANTIC SEABoard AND CITY BOWL STILL STRONGEST

Our second quarter 2017 City of Cape Town Sub-Regional House Price Indices still show some of the most expensive regions to be the strongest. But as home affordability deteriorates, we may be starting to see some of the more affordable regions come to the fore growth-wise. Overall, though, our deeds data-driven City Of Cape Town House Price Index continued to show a gradually slowing price growth rate, albeit still very strong.

The FNB City of Cape Town Sub-Regional House Price Indices still show widespread strength across much of the metro. However, seven of our twelve defined sub-regions saw their year-on-year growth having slowed in the second quarter of 2017.

Interesting, too, is that certain of the major ‘affordable’ regions have shown recent house price growth accelerations, perhaps highlighting the City’s residential affordability challenges (and resultant search for more affordable homes) after a strong price inflation run in recent years. Our FNB Estate Agent Survey continues to point to first time buyers in Cape Town battling to buy homes far more than in other major cities of the country.

On the land-scarce Cape Peninsula, the two most expensive sub-regions in the City of Cape Town Metro, the Atlantic Seaboard and the City Bowl, continued to be the ‘hottest’ markets in the metro despite some mild price growth slowing. The Atlantic Seaboard average house price inflation rate moderated only very slightly, whereas the City Bowl has seen slightly more slowing, but it too remained ‘red hot’.

Slower, but still strong, are the Southern Suburbs and the ‘Near Eastern Suburbs’ (including amongst others Salt River, Woodstock and Pinelands); the latter region has seen a noticeable price growth.

We would expect a near term slowing in price growth in the City Bowl and Atlantic Seaboard, after major affordability deteriorations, and with some signs of foreign buyer interest in South Africa weakening mildly. But housing markets can gain a momentum of their own, with investors/buyers acquiring their enthusiasm for an area/region merely as a result of the recent rampant price growth in that region. Land shortages in these areas can play a key role, but can only go so far in boosting price levels before demand dwindles.

DOES WESTERN SEABOARD BENEFIT FROM LOCATION AND RELATIVE AFFORDABILITY

A key question is where does housing demand go next as the affordability of the regions on or near to the Cape Peninsula deteriorates. The northern regions of the City of Cape Town have generally been more affordable, but they have their own challenges in terms of being further removed from the key employment nodes in the Southern Suburbs and City Bowl, and with increasing congestion making commuting ever more challenging.

The northern region which is potentially an appealing alternative is the Western Seaboard. It is the nearest of our three major northern regions to the City Bowl, Claremont and other business nodes, is relatively affordable for higher income households compared with the Peninsula regions, but also has an appealing lifestyle, being located on the Atlantic coastline.

We asked whether the Western Seaboard region has started to outperform others in the northern areas as a result of its ‘competitive locational advantage’ highlighted above. The Western Seaboard (Blouberg-Milnerton-Melkbos) average house price growth rate was estimated to have accelerated to 14% year-on-year in the second quarter of 2017, from 13.4% in the final quarter of 2016. By comparison, the further removed Durbanville-Kraaifontein-Brackenfell region has slowed to a growth of 6.8% (from 14% in early-2016), while the Bellville-Parow and region has slowed to 8.3% growth (from 12.6% in late 2015).

In a relative boom period, one can often see the higher-priced sub-regions leading the cycle, but as their affordability becomes a mounting challenge, the search for relative affordability can turn a portion of housing demand in the direction of more affordable sub-regions. This can cause the more affordable regions to lag the cycle, with their house price growth accelerating at a slightly later stage. It is possible that this is what we have begun to see in Cape Town’s major ‘affordable’ regions, the Cape Flats and the Elsies River-Blue Downs-Macassar regions. The former region’s year-on-year house price growth has accelerated for five consecutive quarters and the latter has accelerated for seven consecutive quarters.

FIRST-TIME BUYING AND AFFORDABILITY DETERIORATES FURTHER

The evidence of mounting Cape Town affordability challenges continues to come from our FNB Estate Agent Survey which, for the first two quarters of 2017,
showed a very low estimate of first-time buyer levels in the City of Cape Town. Whereas the national average estimate is that first-time home buyers amounted to 21% of total home buyers in the first half of 2017, Cape Town’s estimate was a far lower 6.64%, having deteriorated steadily from an average of 18.4% in 2015.

We believe that this extremely low estimate is reflective of a significant deterioration in affordability in recent years in the City of Cape Town Metro. This affordability challenge could conceivably contribute to some strengthening in more affordable sub-regions with the metro.

**CONCLUSION**

Although the City of Cape Town has seen some mild slowing in average house price growth over the past five quarters, at 13.8% year on year, this market remains very strong.

Slowing growth in the second quarter of 2017 has taken place in seven of twelve regions of the city. In the second quarter of 2017, the top five growth regions are no longer all those on or nearest the Cape Peninsula. The two top performers, ie the Atlantic Seaboard and the City Bowl are on the Peninsula. But certain more affordable regions a little removed have started to move into the top five performers in terms of price growth, notably the Western Seaboard, a relatively affordable region for middle to higher income households looking for the next best thing from a lifestyle and commuter location. In addition, we have seen recent accelerations in the ‘affordable regions’ of the Cape Flats as well as the Elsies River-Blue-Downs-Macassar sub-region. Such affordable regions can lag the overall cycle.

**RESIDENTIAL PROPERTY BUYING BY FOREIGNERS**

Indications are that the level of foreign citizens’ buying of domestic residential properties may have declined recently. But it isn’t clear whether this is because of significant Rand recovery since a year ago or recent resurgence in negative sentiment following downgrades of certain of South Africa’s country ratings to ‘junk status’, and the negative hype that accompanied this.

In our FNB Estate Agent Survey we ask the sample of agents surveyed (predominantly in the six major metros of the country) to estimate the number of foreign citizens buying homes domestically as a percentage of total home buying. We don’t place too much significance on a quarterly move. On a less volatile four-quarter moving average basis, we have seen some mild decline in the estimated percentage of foreign buyers. While the percentage is not too different from a year ago, given that overall residential transaction volumes have declined, the change in the absolute number of foreign buyers of domestic homes may be a bit more significant.

The estimated percentage of foreign buying of domestic residential property has shown a marginal decline over the past year or so, and a greater portion of agents has recently pointed to a decline in absolute numbers of foreign home buyers since a year ago, and in a lower volume market this is believable.

**POTENTIAL REASONS FOR DECLINE**

Our first ‘port of call’ is to examine the cost for foreigners of domestic housing. The FNB House Price Index, when denominated in certain major foreign currencies, points to a sharp average increase in South African home values for certain aspirant foreign buyers recently. This is especially the case for UK Pound investors, with the Pound having suffered severely at the hands of last year’s Brexit vote (the referendum vote in favour of the UK leaving the European Union).

South African residential property has become more expensive for buyers from the UK, Eurozone and US, but particularly in the UK case. This Rand-driven increase in foreign-denominated values could conceivably have had something of a dampening impact on foreigner demand for domestic property. However, as we have mentioned from time to time, we believe that, normally, the key driver of foreigner housing demand to be more related to the popularity of property as an asset class globally.

So, we suspect that a sharp recent rise in domestic house prices in foreign currency denominated terms (after last year’s weakness following the late-2015 Rand slump on the back of ‘Nenegate’), may have been a partial cause in some decline in levels of foreigner buying of domestic housing. But a change in agent perceptions regarding foreigner buying in the second quarter may also suggest some dampening in sentiment of these would-be foreigner home buyers regarding South Africa, a potential consequence of widespread negative publicity surrounding the ratings downgrades to ‘junk status’. Coupled to this we had further negative publicity after South Africa was reported to be one of very few countries to have been in recession in recent times.
REGIONAL FOREIGNER BUYING
A decline in foreigner buying in a region can obviously have a dampening impact on that region’s residential market should it be significant. For South Africa as a whole, any decline in foreigner buying would not have too significant an impact, as the percentages of foreign buyers are generally quite low.

In neighbouring Namibia, however, the impact may have been more significant at the end of its housing market boom. From an estimated 16% of total home buying in that country as at the final two quarters of 2015 (when we started the Namibia survey), the percentage of home buyers believed to be foreigners has decline markedly to 7.58% by the first two quarters of 2017.

Within South Africa, Cape Town is the major metro region that usually has the highest foreigner home buying percentage. Here, we have seen a decline in the most recent estimated percentages, but this is not an extreme decline, and we would have to wait and see if further decline will be sustained or not. Despite some mild decline, Cape Town remains the major metro with the highest estimated foreigner buying percentage.

AFRICAN CONTINENT BUYING
Finally, 2017 started with a mildly lower estimate of foreign buyers from the rest of the African continent, expressed as a percentage of total foreign buyers of domestic housing. After starting last year at a 31% multi-year high, the two-quarter average for buyers from the African continent declined through last year, and the most recent two-quarter estimate for the first two quarters of 2017 is that buyers from the African continent made up 25.8% of total foreigner buyers of domestic property.

MINING TOWN PERFORMANCES
The FNB Mining Towns House Price Indices continued to underperform in recent times, but some improvement in mining output growth recently may have been behind some mild Mining Town House Price Index growth acceleration.

Many of these mining towns’ economies suffered at the hands of a global commodity price slump which started in 2011, and which contributed to mining output growth proving erratic ever since. From a February 2011 peak, the IMF Dollarised Global Metals Commodity Price Index fell by a massive -59.4% up to the beginning of 2016.

Thereafter, off a very low base these prices showed a recovery of +44.9% to early 2017. More recently, however, there has been some renewed weakening in the Metals Commodity Price Index to the tune of -10.9% from February to May 2017.

As at May 2017, the Metals Commodity Price Index remained -47.6% below its February 2011 boom time peak. However, any negative impact that the recent renewed price weakening may be set to have has not yet materialised, and the lagged impact of that metals price strengthening through 2016 appears to have helped mining production back into positive growth territory at least for the time being (having been in and out of negative territory since 2011). In May, mining production rose year on year by 3.6%, while on a six-month moving average basis (for smoothing purposes) the year-on-year growth for the six months to May was 3.7%.

GROWTH STILL WEAK
A recent return to some positive growth in mining production volumes may have been behind a slight strengthening in the FNB Mining Towns House Price Index growth rate in year-on-year terms. From a multi-year low of +1.7% year on year in the third quarter of 2016, the revised FNB Mining Towns House Price Index growth rate strengthened to 3% by the second quarter of 2017. While strengthening mildly, however, this remains in negative territory in real terms, given general inflation in South Africa (as measured by the CPI) being above 5%. The Gold Mining Towns House Price Index grew slightly faster at 3.2% in the second quarter, while the Non-Gold Mining Towns House Price Index grew by a slightly lesser 2.6%, but the differences are not significant.

LONGER RUN EXPECTATIONS
In the longer run, we would expect mining town housing markets to underperform the national average, given that mining is a part of the economy which is very much in longer term stagnation. This is especially true in the case of gold mining. Since early 2000, the size of the economy has grown cumulatively by around 61%. By comparison, mining production in 2017 to date is cumulatively up by a far lesser 1% on the year 2000 production average, with non-gold mining being up by 28.2%, and gold mining down by -67.9%.

Much of the mining sector growth that actually took place from early last decade took place up until 2010/11 during the commodity price boom period, and took place in non-gold mining sectors. As a result, from the beginning of 2001 to the second quarter of 2017 we see that the FNB Mining Towns House Price Index rose cumulatively by 445% to slightly
outperform the FNB National House Price Index’s (the FNB Long-term House Price Index version) 437%. The FNB Gold Mining Towns Index, while doing relatively well over this period, underperformed the national average slightly, rising cumulatively by 396%.

However, isolating the period since the metals commodity price boom ended in 2011, mining town housing markets have fared less well. Whereas the FNB National Average House Price Index showed 45.1% cumulative growth from the first quarter of 2011 to the second quarter of 2017, the FNB Mining Towns House Price Index rose by a lesser 29.55% and the Gold Mining Towns Index by an almost identical 29.65%

We would expect mining town housing markets to continue to underperform in the near term, given not only that mining, especially gold mining, is a longer term underperforming sector, but also because it is questionable as to how far the recent mining output growth resurgence can go given that metals prices remain at moderate levels compared with pre-2011 boom period standards.

HOLIDAY TOWN HOUSE PRICES

The FNB Holiday Town House Price Index continues its recent slowing growth trend, and the emergence of a more concerned and cautious consumer in weak economic times could exert additional pressure on strongly holiday home-driven markets. The Index, comprising towns (both coastal and inland) whose housing markets are deemed to be strongly driven by holiday home demand, has had a reasonably good run since around 2013. But signs of softening have emerged.

In recent quarters the Index has seen its growth starting to lose momentum, from a relative revised high of 6.4% year on year as at the third quarter of 2016 to 4.8% by the second quarter of 2017. Although a 4.8% year-on-year price growth remains a reasonable rate in a weak economy, this does translate into a shift into negative real growth, given that it is now below consumer price inflation which remains above 5%.

It is realistic to expect slower holiday town markets, possibly underperforming the more primary residence-driven major metro regions, given that a tighter economy will probably drive the emergence of more conservative households, increasingly concerned about their financial future. In such an environment, non-essential home buying such as holiday homes becomes less of a priority.

ESTATE AGENTS AND VALUERS ON HOLIDAY TOWNS

Along with mild slowing in holiday town house price growth, we have seen the second quarter FNB Estate Agent Survey returning a lower estimate of holiday home buying expressed as a percentage of total home buying. After some prior quarters of increase, the percentage of home buyers believed to be purchasing holiday homes declined from 3.77% in the first quarter of 2017 to 2.55% in the second quarter. One quarter’s decline is admittedly too early to draw hard and fast conclusions.

FNB’s valuers have perceived some market weakening in the coastal holiday town markets. The FNB Valuers Market Strength Index (MSI) for coastal holiday towns has underperformed that of major metros noticeably since 2008, having outperformed significantly in the pre-2008 boom years. The valuers did, however, perceive a relatively good improvement in holiday town markets from 2012 to 2015.

Since a 46.92 post-2008 high in the FNB Holiday Town MSI, however, the valuers have perceived a weakening in the holiday town markets to where the Holiday Town MSI reached 38.79 in the second quarter of 2017. By comparison, the FNB Major Metro Valuers MSI remained significantly higher at 51.75 as at the second quarter of 2017.

Do the valuers’ perceptions of the holiday town markets’ strength levels being below the metros tie in with relative house price performance of recent years? The answer is “yes” by and large.

LONGER TERM RELATIVE PERFORMANCE OF MARKETS

The FNB Holiday Town House Price Index continues its recent slowing growth trend, and the emergence of a more concerned and cautious consumer in weak economic times could exert additional pressure on strongly holiday home-driven markets.

Around the 2003-2006 period, the Holiday Town House Price Index far outperformed our FNB Deeds Data version of the National House Price Index, which is dominated by the major city markets.

That period meant that, from the start of 2001 to the end of 2007 (when the property boom ended), the Holiday Town House Price Index grew cumulatively by 420.3%, far outperforming the 291.7% cumulative growth in the National House Price Index. For most of that time, the FNB Valuers’ MSI was stronger than the FNB Metro MSI, which ties in with the stronger holiday town house price growth pre-2008.
From the start of 2008 to the second quarter of 2017, however, the relative pictures have been reversed: holiday home buying since the boom years has been more on the backburner, and the holiday town prices deflated more significantly than the major cities during the 2008/9 recession period and for a while thereafter, having ‘overheated’ more significantly than the cities during the boom period.

The net result is that, whereas the national average cumulative house price growth rate is estimated at 51.18% from the first quarter of 2008 to the second quarter of 2017, the FNB Holiday Towns House Price Index has only managed cumulative price growth of 14.49% over the same period. This also largely ties in with the FNB Valuers Holiday Town MSI underperforming that of the metros.

Putting it all together, i.e. the outperformance of holiday towns pre-2008 and the underperformance since, and we see a cumulative holiday town house price growth rate of 447% from the start of 2001 to the second quarter of 2017. This is virtually the same as the cumulative growth of 437% in the National House Price Index.

**CONCLUSION**

Over the past year or so, the FNB Holiday Town Repeat Sales House Price Index has shown very similar rates of year-on-year growth to the FNB National Repeat Sales House Price Index (the longer term Deeds Office version). However, a look back over the past 17 years shows the Holiday Town House Price Index to be more cyclical than the National Index, the latter being dominated more by the more stable urban primary residential demand in the major cities.

In the pre-2008 boom, it was the Holiday Town House Price Index which far outperformed the National Index, and vice versa from 2008 to the present time. This has translated into cumulative house price growth in both indices from the beginning of 2001 to mid-2017 being almost identical.

Where to from here? The signs are that the FNB Holiday Towns House Price Index year-on-year growth rate is slowing, and with FNB’s valuers perceiving holiday towns’ market strength to have weakened more noticeably of late than the major cities, we believe that the holiday towns may revert to underperforming the larger cities in terms of house price growth.

This expectation is based on the expectation that the stagnant economic conditions in South Africa will persist, that consumer confidence will remain weak, and that a more cautious household focused more on essentials and less on luxuries will emerge. That militates relatively in favour of more primary residence-driven major urban markets.

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THE FUTURE IS NEAR

Bill Gates once said: “We are changing the world with technology”. In the past ten years, we have experienced some of the most defining life-changing evolutions the human race has ever experienced. Imagine the next ten years? What can we expect?

According to acclaimed futurist, strategist, best-selling author and academic Graeme Codrington, individuals, brands and corporates need to evolve to keep up with this change. Graeme recently presented a thought-provoking talk on ‘Leading in a changing world’ at the South African Council of Shopping Centre’s (SACSC) Western Cape Chapter Networking Breakfast in Granger Bay, Cape Town.

Attended by many Cape-based industry professionals, the event offered deep insights into the not-too-distant-future. According to Graeme, technology and associated infrastructural advancements are progressing faster than we think. “In just ten years, many life-changing things have happened. A simple example would be smart phones. Ten years ago, smart phones were things seen only in movies; nowadays most people have access to smart mobile devices and this is definitely life-changing. All the forces of change come together at the same time to create a pivotal moment in history. I believe that we are living in this pivotal period right now,” he said.

Graeme spoke about what he considers to be one of the most defining disrupters that is fast approaching the changing world - autonomous vehicles. “I urge everyone to look beyond their horizons. Back in the day, men and women used horses as transportation. Then motor cars were invented and people were mind blown. Now, we have taken it even further - cars that drive themselves. It is seriously not restricted to our imaginations only. It's already being implemented in parts of the world where automated cars transport people from airports to transport hubs. By late 2030, early 2040, autonomous vehicles will be a part of our lives. This will change many industries.

“Autonomous vehicles reduce road risks by up to 90 per cent which means that insurance companies will be impacted because if there are fewer accidents on our roads, how will they make profits? Shopping and retail will change because this takes online shopping to a whole new level. Autonomous vehicles will be used for instant deliveries; people order online and then an autonomous car will be dispatched with orders. Furthermore, autonomous cars won't need to park, in the traditional sense. Shopping centres can reclaim parking bays which make up to 15 per cent of the property. Now retail can expand or use the space for entertainment. We need to be more proactive and less reactive. The world is changing and we need to be ahead of this,” he said.

Five points Graeme considers valuable in order to stay ahead of this changing world:

1. Switch on your ‘radar’ – Read, research and keep yourself informed about what aspects of the world are changing. Be informed about new technology, new forms of energy and new ways of streamlining ways of doing things. Also change your sources of information; surround yourself with forward thinkers. Stay away from ‘fake news’.  
2. Be curious – Ask better questions and don’t be afraid to ask these questions.  
3. Experiment more – If you are in a position to make key decisions then experiment a little. Try new ways of attracting new business – trial and error. You have nothing to lose.  
4. Embrace difference – The world is changing. Do not be afraid to change – it forms part of our evolution.  

Graeme added that retailers and shopping centres are likely to witness some of the most significant disruptive changes of almost any industry. “Retail automation is fostering faster than any other industry at the moment. What retailers should be doing is firstly, ‘switching on their radars’. You have got to be ‘eyes open’ in this world. You have to know what trends are coming. To get yourself ahead of the change, you have to understand it no matter which industry you are in. You must ask better questions. Retailers can also experiment
more. To have an experimental mindset is the most valuable thing you can have and this is not only for the CEO, it’s for everyone. On the other hand, consumers too, need to ‘switch on their radars’. They need to be careful not to be ‘taken for a ride’. Don’t run for every new toy that comes up. The latest gadget, the latest version of your phone and you stand in line for three days to make sure you get it. I see it as a trap there. Consumers need to become more purposeful and more deliberate in how we live our lives,” he concluded.

Graeme Codrington is an expert on the future of work and the disruptive forces that are shaping it. As an author and researcher, his insights and analyses are sought after by business schools and CEOs around the world. He holds five degrees, four best-selling books and has a full-time research team at his company, TomorrowToday.

SAIBPP CONVENTION

The South African Institute of Black Property Practitioners (SAIBPP) held their 2017 annual Convention and Property Indaba in Johannesburg. The focus of the convention was on addressing the current economic growth challenges, and the role that the industry can play in stimulating and driving development.

On 2 August a full-day development site tour of Johannesburg commenced at Kgoro Central. The second day was held at the Houghton Golf Club and featured the Minister of Public Works, Nkosinathi Nhleko as the guest speaker, as well as key role players representing both the private and public sectors.

Duma Gqubule, founder of KIO Advisory Services, analyst and economist, unpacked research on ‘Defining Radical economic transformation in the property sector’. The Minister of Rural Development and Land Affairs, Gugile Nkwinti, spoke on ‘Rural development and land reform’; real estate practitioner Mashilo Pitjeng presented an ‘Analysis of the state of transformation and the new codes’, while Badisa Matshego, group executive: Infrastructure Asset Management of Airports Company of South Africa (ACSA) exposed delegates to the SOE’s various development opportunities. Research findings on ‘What is next in the SA commercial property market’ was presented by the University of Cape Town’s Professor Viruly, as well as the ‘Land strategy’ plan for Johannesburg by Helen Botes, chief executive officer of the City of Joburg Property Company.

There were also two robust panel discussions – the first moderated by Dineo Molomo on ‘Enterprise and skills development: Impact of the new codes, key shifts and impact on the industry’, followed by ‘Real estate as a catalyst of inclusive economic growth’ with Iman Rappetti as moderator.

According to SAIBPP CEO Vuyiswa Mutshekwane, “SAIBPP is taking a more forwardthinking role in interrogating existing and developing policies that have not been working in both the private and public sectors, to find solutions and collaborative efforts that will work towards actively transforming the current dynamics of the property industry in South Africa.”

The proceedings closed with a gala dinner award ceremony to honour industry players that are leading transformation in the property sector.
AI NEWS: More than 600 attend International Valuation Conference in Ottawa

More than 600 attendees of the International Valuation Conference heard from keynote speakers, attended networking events, earned continuing education credit, received awards and saw sponsors’ exhibits from June 8 to 11 in Ottawa, Ontario. The event was hosted by the Appraisal Institute and the Appraisal Institute of Canada.

Valuation professionals from 15 countries gathered at the downtown Shaw Centre for one of the real estate valuation profession’s biggest events of the year. The conference – with the theme “Valuation Beyond Borders” – marked the first time in 13 years that AI and AIC had co-hosted such an event.

Keynote speaker Dr Joe MacInnis – a physician, scientist, author and deep-sea explorer – spoke to IVC attendees about how team genius was used to inform his work on deep-sea dives, Special Forces operation teams and walks on the International Space Station. He outlined the ways in which deep empathy, deep eloquence and deep endurance can be used by valuation professionals.

IVC participants also heard a discussion led by North American valuation professionals. They discussed regulatory challenges, the impact of technology on the valuation profession and real estate valuation trends. Sir David Tweedie, chairman of the International Valuation Standards’ Board of Trustees, discussed his perspective of the volatility within the global economy and its impact on real estate markets. At a networking luncheon, he outlined the role of international standards and how valuation professionals are a critical component of mitigating financial risk.

Closing luncheon speaker Ed Parsons, a London-based geospatial technologist at Google, discussed Google’s mission to organise the world’s information using geography. Parsons maintains links with governments, universities, and research and standards organisations involved in the development of geospatial technology.

IVC attendees also attended many other functions including a President’s Gala reception and dinner at which the Appraisal Institute and the Appraisal Institute of Canada honoured some of their top professionals with awards. IVC participants attended 35 breakout sessions on US, Canadian and international valuation topics and visited the exhibit hall to learn about cutting-edge valuation products and services.

Ottawa offered attendees opportunities to experience Canada’s history and culture as the country celebrates its 150th year of independence. IVC participants had the chance to visit Parliament Hill, which houses Canada’s national government; Rideau Canal, with views of the city; and the National Gallery of Canada, which houses the largest display of Canadian art in the world. All are within walking distance of the conference site.

The 2018 Appraisal Institute Annual Conference will take place from 30 July to 1 August at the JW Marriott Nashville hotel in downtown Nashville, Tennessee.
Kenneth William Kahts (Ken)

F Fellows in Focus

From humble beginnings, born in Springs on the East Rand and attending St Dunstan’s Prep in Benoni for my primary schooling and then Christian Brothers College in Kimberley for high school, I was immediately enrolled to carry out my National Service. After that I entered the real world without much direction about where my life would eventually take me...

I found my first real employment as a clerk in a Barclays Bank branch in Bethlehem and thereafter became a rep selling products such as Wespoint fridges, Blaupunkt and Sony radios for Tedex. I never felt passionate about what I was doing but it was a means to pay the bills every month.

In 1972 after much deliberation and consideration, I took a leap of faith with my then friend, Wammy Ellenberger, and together we opened a small estate agency in Bloemfontein, focusing on residential sales. My very first sale was concluded in the first month of operating at a selling price of R31 000.00 (of which R1000.00 was my commission, giving me the misconstrued perception that I was going to retire at a very young age!). Hard work kept the business afloat, and the slow but steady revenue streams that began to accumulate fueled the passion to introduce new service offerings which included bond origination for various building societies and valuations for the Southern Building Society.

As our valuation work increased, I engaged with Wammy’s father, Louis Ellenberger (then retired and a member of the Institute), who agreed to mentor me in my training to become a professional valuer. At the same time the business, namely Ellenberger & Kahts, had expanded considerably and its service offerings could now be grouped into three major divisions: Residential and Commercial Property Sales, Auctioneering, and Valuations. Services offered in these three divisions were multifaceted and there was never a job too big or too small which we were not prepared to undertake. Our property sales and the disposal of movable and immovable assets through auctions, complemented each other and symbiotically assisted us to acquire invaluable market and comparable knowledge of the value of things.

Knowledge gained in conducting valuations effectively and accurately also assisted us when we decided to enter property development. This included
the construction of numerous residential complexes, industrial warehousing and commercial properties such as shopping complexes and showrooms.

Because Ellenberger & Kahts is based in Bloemfontein, we have received many requests to conduct auctions, property sales and valuations in some of the most far-flung reaches of our country, to determine values of or dispose of anything and everything imaginable. From auctioning Tigers Eye in the mountains around Niekerkshoop which is approximately 40km from Prieska to houses in Port Nolloth, from earth-moving equipment used to build the Lesotho Highlands Water Scheme to massive textile factories in Botshabelo and Vineyards in the Upington, Keimoes and Kakamas areas. Auctioneering, in my opinion, goes hand in hand with the valuation profession as it teaches you so much about the value of things across a broad spectrum and almost forces you to do your homework about values prior to going to auction so that you can have a successful sale. I have enjoyed travelling all over our beautiful country and the countless interactions with so many different clients over the years!

In my opinion it was Louis Ellenberger who formulated the backbone of the curriculum in use today for training student valuers in his book titled *The Valuer and the Basic Principles of Property Valuation in South Africa*, originally published in 1983. He had a brilliant mind and I consider myself most fortunate to have benefited from his mentorship and problem-solving qualities.

I became a member of the South African Institute of Valuers in 1986 and was elevated to fellow in 1997. My affiliation with the Institute has proved to be invaluable over the years. It has certainly kept me abreast of industry trends and changes in the profession from a holistic perspective. I feel proud to be associated with the Institute and am completely committed to its longevity as well as ensuring its role as a representative body of the profession.

My career in this game has spanned over 45 years and yet I am still able to learn new things – I think that is what makes valuation so exciting. Advances in technologies and improvements in methodologies have taken place during my time, more so in the past decade than in all the others put together. The importance of the human element still remains, however, because a worthy valuer needs to possess the necessary skills set in order to be completely objective in determining an accurate outcome. It gives me a level of comfort to think that our role as professional valuers will have to adapt but will never cease to exist.

Apart from performing countless valuations all over the country on
both movable and immovable assets, our company compiled the Municipal Valuation Roll for the Greater Bloemfontein area for the Mangaung Municipality from 1996 for three seasons up to and including 2012. Initially these valuations were based on a simple equation whereby a property’s value was determined by estimating the value of the land on which it resided as vacant, then adding the value of the replacement cost of the improvements on the land with due allowance being made for depreciation. Since 2003 the market value has been used. This has considerably increased the rates and taxes which the property owner must pay every month.

The recent amendment made by the Cape Peninsula University of Technology to remove Block Release Contact Sessions for the National Diploma Real Estate (Property Valuation) will encourage students, especially in the outlying areas, to pursue a career in valuation. This eliminates unnecessary costs for travel and accommodation previously incurred by students who were required to attend contact sessions. I believe this is a positive step in the right direction to increase the number of student valuers in remote areas of the country. Having said this, however, I feel very strongly that the way in which the course is conducted online and the approaches employed in the evaluation of assessment submissions thereafter should ensure that the quality of the graduate is upheld.

In addition, the introduction of the Continuing Education and Training (CET) point system is vitally important, not only to ensure ongoing training of qualified valuers in South Africa, but also to open up additional avenues for valuers seeking introductions to areas of specialisation within the profession. It is vitally important, however, that these contact sessions held to earn CET points are designed to enrich attendees and not merely conducted for the purpose of earning the required CET points.

The formulation of the National Diploma in Real Estate has most definitely enhanced the esteem the general public places on the valuer. The qualification has ensured that the person pursuing this career is equipped with the required knowledge to conduct valuations effectively. The caliber of the valuer, in my opinion, is much higher today than it was back in the 70s and 80s, and this is directly linked to the formalising of a suitable education curriculum.

Despite this, the valuation profession is still somewhat tainted because there is a perception that our work is not based on any proven theory and that the purchase of a valuation report is sometimes a forced sale to the client. I feel strongly that one of the most important roles of the regulatory body of the industry is to ensure the protection of the human element: that the valuer is not overshadowed by techniques such as computer assisted valuations; that unqualified opinions by estate agents do not take preference over a valuation report compiled by a valuer. This will ensure longevity of our profession!

The representation made by the Institute on behalf of the valuation profession, certainly since the formulation of a curriculum to quantify a qualification for this career, has proven positive. I believe that the emergence of any new profession or trend ultimately needs representation in order to protect its philosophies, entrenching its significance in society. Our profession is not necessarily new; the need for valuation has been around since the dawn of time but the profession remains unfamiliar to many. The use of suitably qualified valuers has become more mainstream today than ever before and this is extremely exciting!
These words could aptly be used to describe my early days of involvement with the Institute, and in particular the National Executive.

My first full Natex meeting began with the then president glaring at everyone around the table and opening proceedings with: “There are three of you improperly dressed for this meeting.” Everyone looked at one another in alarm, and as we were all attired in suits and ties in those days, no one dared ask the question as to who the three were. (In those days you only spoke at these meetings when directly addressed by the chair – never otherwise.) The three were duly pointed out – they had failed to wear the Institute’s tie to the meeting, a serious blunder in the view of the Chairman. They were duly dispatched to change!

I was probably the youngest member of Natex in those days - the days of Chris Smal, Gordon Adkins, Jorrie Jordaan, Wim van Heerden, Courtney Redhill, John Hermann, et al – all who indelibly left their mark on the development of this proud Institute into the powerful and successful body it is today. Indeed, the foundation of the profession and the evolution of the Valuers Act and its successors in title can be laid at the feet of these esteemed persons, to whom we all owe a great deal of thanks. Our profession wouldn’t be where it is today without their untiring efforts in the past. Sadly most of them are no longer with us.

Thinking back on those dark days in the mid 90s and that ‘wonderful’ place that hosted the Natex meeting in Pretoria (yes, Premos will never be forgotten!), it was a meeting which introduced two of our current Life Members to the workings of Natex, namely Ben Espach and Jerry Margolius. Will they ever forget Premos? I am sure they had nightmares after that meeting! Yet when we look back at what these two have done for the Institute. One can only wonder at their commitment to the profession in that they remained and evolved as valuers and at what they have done to advance the cause of our Institute. I salute both of them for their dedication and enthusiasm in their chosen careers.

Things were as bad as they could get at that time, but I still doff my hat to Niel de Klerk, then president, for the way he handled everything from the old provincialism issue to the financial drama and the subsequent termination of the then general secretariat, who were probably more responsible than anything or anyone for the poor financial position of the Institute at the time. Large international financial firms were obviously not suitable for a relatively small professional body like the Institute and the correct decision was made to terminate their contract.

The tide turned, the dark days became lighter. I accepted the direction of Natex to take over the control of the general secretariat whilst being president, a position I vacated after only one year, to enable me to give my full attention to steering the Institute back on the road to sustainability and growth. Here I must thank Natex for their continued support over this period and for backing me in whatever decision was taken to get things going properly. Jerry Margolius was a great help in those days with his sage advice and tightfisted financial control. Together we did it!

After about seven years as general secretary, I was happy to hand over the reins to Celia van Staden, knowing that I had achieved my objective of getting a wobbly ship up and running at full steam again. It is very satisfying today to see where the Institute is, with a fully operational secretariat, a knowledgeable and hardworking general secretary (who funnily enough is also an ex-president!) and to see what our profession has and is achieving in South Africa today.

I believe that this is the last issue in the present format of The SA Valuer, something that has been very close to my heart. In 1990 John Hermann and I stuck our necks out and offered to produce the journal after the previous editor had stood down. Most members thought we were nuts to take on such a task, but with stubbornness John and I did it. We sourced overseas articles initially, copied, cut and pasted and then found a printer who was prepared to rearrange things properly and get it printed. At John’s insistence we managed to make it a quarterly journal and even increased its size from a four-page journal in 1990 to a full 20-page issue by the time I handed control over to Patricia Leitich in 2005. This shift was needed to move the journal into the professional era, something which I could no longer do efficiently.
SAIV at home

As I look back on my career with the Institute, I can honestly say that I thoroughly enjoyed every moment of my involvement - the 15 years as editor of The SA Valuer, the 21 years as Southern Branch Secretary, the years spent as General Secretary, as President, and as a Life Member, Fellow and Member of this great Institute, for the past 30+ years.

I have met so many of you, our members, through the various positions I was privileged to have had, and the memories of all of you I will cherish forever. No longer are the days dark and friends few – in fact the exact opposite is now true!

I wish each and every one of you the very best for the future and may this great Institute continue to go from strength to strength. ■

Henré Hablutzel

Celia’s SAIV memoirs

Where do I begin? My journey with the SAIV began way back in 1981. I was a mere 26 years old ...it seems like another lifetime. Here are a few memories that I have placed into my ‘memory bank’ to unpack when I am in my senior years to recall and enjoy again.

My friend Rhona Greeff was working with Bill Lamont for SAIV/IEA and as her workload had increased Rhona introduced me to Bill and he employed me. That was the start of a 30-year working relationship with the SAIV. Soon after that Bill Lamont retired and Ian Moffitt took over as IEA Secretary with Jack Henwood as SAIV Secretary. We worked well together and became like a family. Over the years other staff were employed but they came and went. Ten years later Jack Henwood retired and I took over as Branch Secretary and later General Secretary of the SAIV. In this time I worked with the most amazing people, professionals of note. To mention a few – the late Kevin Meyer, Kirsten Louter, Martin White, John Waldeck, Ken Davies, Mike Howard, Ken Patterson, Phillip de Sylva, Patrick O’Connell, Martin Fitchet, Blackie Zwart, Don Shaw, Trevor Richardson, Terry Labuscagne, Clive Munroe, Darran Kuppan, Zenzele Gina, Don Shaw, Roshinee Naidoo, Trevor Pearman, and the late Edna Lock. Forgive me if I have left out a name or two.

The KZN Branch Committee was dedicated to serving the members and sourced good speakers and topics for the workshops and seminars. There were the monthly workshops, annual Midlands Seminars in Pietermaritzburg when valuers from all over the country made the effort to attend.

An interesting excursion I recall was when Phillip de Sylva arranged a tour through the Gateway Shopping Centre which had not yet been completed. We had to put on white hard hats and were taken through the building. Then there was the bus trip to Richards Bay. We were taken to the Alusaf Hillside Smelter for a tour and a talk. It was fun and the road trip gave us the chance to get to know each other. There was never a dull moment.

Another highlight of the year was the annual Golf Day - big excitement for everyone taking part. Of course Kirsten Louter was a great help in sourcing prizes and setting up. Phillip de Sylva was a master at organising the day flawlessly - proud of you, Phil! I remember Roshinee Naidoo and I were teamed
up with two experienced players. We knew nothing of golf etiquette; we talked and laughed and had to be warned not to make a noise when the other two were putting, so soon learned to keep quiet. We enjoyed the golf cart ride and a lot of fun was had. Thanks Roshinee, I will always remember how you nearly took my leg off through the narrow gate at the Greyville Race Course and of course receiving a prize for worst player of the day!

Rodney Irvine and I both decided to carve the SAIV crest out of wood. Our techniques were very different, as you can see from the photographs. Rodney carved his piece out of tamboti which is a hard wood, lustrous and with a pleasant scent. Well done Rodney, it is a work of art. My carving was made from Jelutong which is a softer wood, uniform in its appearance and emanates from South East Asia. It is popular with carvers, sculptors and pattern makers.

NATEX
Working with the National Executive was a new challenge which was enriching, and though we worked hard we also got to know each other as we socialised after the meetings and seminars. I remember an incident in Bloemfontein when the hotel was flooded and half of us had to be moved to another hotel. Kit was quick to get everyone accommodated comfortably. Thanks Kit. In Cape Town we were treated like royalty by Henré and his team. In Port Elizabeth, the ‘friendly city’, Mark Bakker was the perfect host. Thanks Mark. We were received well in Gauteng by Melanie and her team. I recall the evening we ate giraffe and other exotic meats at one restaurant. Thanks Melanie, you always provided great entertainment. And of course, in KZN Natex was treated to a crayfish braai one year. Kevin Meyer got his student valuers to go diving for crayfish. I wonder how many of you can remember that occasion.

I am grateful to have worked with some of the most respected valuers like Ben Espach, Jerry Margolius, Melanie Vallun, Mark Bakker, Saul du Toit, Kit Carson, Henre Hablutzal, George Nel and Phillip de Sylva, to name but a few.

Then there were the student valuers, especially from the KZN Branch who were like my adopted children…One student who stands out in my mind is Zenzele Gina. He was the most determined and dedicated student of all time and has become a professional valuer who has earned my respect and that of many others. Well done Zenzele. I will always remember your determination and good nature. Never lose it.

I remember with sadness the following valuers who passed away during my term.
Kevin Meyer – I remember Kevin as a gentleman, who loved life and always encouraged me to do the same. His enthusiasm for life was contagious. He was an icon in my book.
Dave Bristow – A soft spoken man who will be remembered by all as a good valuer and friend. At his service Martin White and a friend sang ‘Oh Danny Boy’. There was not a dry eye in the audience. Thank you Martin, it was an unforgettable moment.
Edna Locke – Edna was loved by all and the friendliest valuer I have ever met. She was the life of a party and of course the workshops. She will be fondly remembered by the KZN Committee.

Oh I can ramble on and on … the valuers became like my family. There are no words to describe how those 30 years shaped me into the person I am today. Although I no longer work for the SAIV, I still consider myself as part of it and its history, and I will carry these memories with me, always.

In 2009 I left the SAIV to move to Pretoria to work in the medical field. What a change but a very rewarding one. I now work for Bergh & Cilliers Physiotherapists in Midstream Centurion and love it. My bosses and colleagues are young and enthusiastic individuals. I enjoy the patients with all their stories and have empathy in abundance for them.

Two years ago my Mom and husband Tienie passed away within a week of each other. I was devastated. The support of my family, colleagues and the patients in the practice carried me through. I have two children and five grandchildren who are my pride and joy - Tristan, Savannah, Jasmine, Charlize and Tinus. They fill my cup and keep me young. In my spare time I still carve wood, sew, walk when I can and have started to play the guitar …or try to.

Life is like a book … Some chapters are sad, some are happy and some exciting. But if you never turn the page, you will never know what the next chapter has in store for you.

All the best
Celia
SAIV at home

Midlands Seminar held in Pietermaritzburg – Blackie Zwart, a delegate, Celia and Philip de Sylva.

Road trip to Richardsbay

Celia with her carving of the SAIV crest
What is this on my table???

"Valuers get down to earth and see your knowledge GROW!"... has travelled with me from Hennie Uys Ouditeure to the new SAIV offices in the Rynlal Building, to Tiaan Smuts Attorneys in Hatfield and finally to Tiaan Smuts Attorneys in Brooklyn!

This slogan was pasted onto plant pegs and stuck into succulents, which formed part of the decorations at our SAIV Misty Hills seminar in 2006. Since then a peg has been in my African Daisy pot plant, travelling with me from desk to desk!

How often I think back to all those memorable years with the SAIV and the wonderful, interesting and fun times I enjoyed...

...to my very first branch meeting when I told the committee I would only take notes and not make use of the recorder. I realised after about ten minutes that the table was conversing in a language from out of space and that I was going to have a big problem trying to type up the minutes. Needless to say, the one and only Mr Derrick Griffiths had a field day attacking my minutes at the next branch meeting!

Planning the various seminars, workshops and country seminars with the different committee members through the years was always great fun, but hard work - trying to think of something different with which to entertain our members, to find suitable topics and speakers and, most of all, to secure suitable venues that would offer value for money and also put smiles on our members’ faces. The seminars were a special time for me as I was able to meet up with the members again and catch up on their news.

Moving into our new offices in Lynnwood was also an exciting time, although I was sad to leave Hennie Uys. The GS and I had some good fun trying to get the new offices furnished and up and running. I also had to be on my best behaviour and look as though I was working really hard just in case she stuck her head into my office to check up on me!

I particularly remember one year when Niel de Klerk kindly arranged for the committee to hold their final branch meeting of the year and year-end function at the Vaal River.

After going on a ‘booze cruise’ which he organised, he made his motor boat available for skiing and tubing. Nardus Janse van Rensburg and I were going flat out on an inflatable chair with Niel at the helm; the next minute I was flying through the air and then somersaulted on the water until I came to a halt. Much to everyone’s amusement I spent ten minutes in the water trying to get my bearings and trying to find my bikini which had come off with the impact and which was stuck in and around my life jacket.

I often wonder how ‘my’ members are doing and trust that they are all well and that the economy has not affected them negatively in any way.

Working for Liesl, my daughter, at Tiaan Smuts Attorneys and without any prior legal knowledge, started off as extremely challenging, hard work, stressful at times and with long hours. Liesl has, however, been an amazing, encouraging and supportive ‘boss’ and I am now pleased that after more than two years the work is going much better, although the admin in a legal firm is quite frightful, to say the least.

On the home front I joined the proud ranks of grandparenthood in May, and have the most adorable grandson named Jack Douglas. I have been trying to hold the fort at work while Liesl has been on maternity leave, and try to find an excuse to visit her and Jack whenever work allows.

The SAIV has, and always will, have a special corner in my heart and I continue to wish all the members much joy, health and success in the years to come.

Lynne Brookshaw
ANY MORE BILLS FORTHCOMING?
It is amazing how things happen in clusters. This is exactly what is happening in the legislative environment and specifically legislation that impacts on the valuation profession.

RULES FOR THE PROPERTY VALUERS PROFESSION, 2008, SIXTH AMENDMENT was published on 30 September 2016 under Board Notice 162 of 2016. The sixth amendment catered for the inclusion of minimum requirements for motivated valuation reports extracted from the IVS 2017 and some small changes to the matrix weights and property types for the purpose of assessment of experience.

Please take note of the changes to the abbreviations. Although it is not compulsory to use them, the abbreviations have been changed to keep them in line with other professions in the built environment, as follows:

- Professional valuer: Pr Val
- Professional associated valuer: Pr AVal
- Candidate valuer: Ca Val
- Single residential property assessor: SRPA
- Candidate single residential property assessor: CSRPA

Changes to the CET policy have been communicated to all members. The new CET policy with guidelines is available on the Institute’s website.

DRAFT REGULATIONS IN TERMS OF THE PROPERTY VALUATION ACT 17 OF 2014
Serious thought was put into the comments submitted by the Institute (see letter on page 18 of this issue).

The Institute’s starting point was the principle of ‘Just and Equitable’.

The overall inclusive requirement for compensation in terms of expropriation is that it should be “just and equitable reflecting an equitable balance between the public interest and the interests of those affected”. This means that an individual who has to part with his property for a public purpose or public interest (for whose advantage the property is acquired) needs to be compensated by government. The individual cannot be expected to ‘pay’ for the benefits the community will receive as a result of the acquisition, by receiving or accepting less than what is just and equitable.

In terms of Regulation 6, as it currently stands, the owner of the subject property will potentially receive only 50% of the market value which is not just and equitable.

Another main objection by the SAIV was to the addition of the word ‘value’ in the definition of ‘current use value’ in the Regulations which is a clear departure from the wording in the Constitution and the definition of ‘value’ in the Property Valuation Act. The intention of the legislator is questionable by inserting the word ‘value’ and by adding that the highest and best use of a property must be disregarded.

The absurdity of the ‘current use value’ concept is illustrated by the fact that if a property is not used, it will have a zero or negative value because ‘highest and best use’ must be disregarded.

BUILT ENVIRONMENT PROFESSIONS (BEPS) LAWS AMENDMENT BILL, 2017
During May 2014 a policy document on the proposed amendments of the statutory regulatory framework of the BEPs was published for comment. Three options to address regulatory and organisational challenges were given for consideration. These were:

1. Option 1 – A single CBE with six Professional Boards
2. Option 2 – The CBE and six Professional Councils (this would mean amending legislation)
3. Option 3 – Relocate the function of the CBE to the Department of Public Works (DPW)

The SAIV supported Option 3 to improve synergy between DPW and the Professional Councils. The Minister, however, decided to go with Option 2 which meant that legislation had to be amended; thus the publishing of this Bill. The main issue is that the terms of office of the councillors will be reduced from four to three years.

PROPERTY PRACTITIONERS BILL, 2016
Have you ever thought that a property valuer is seen as a property practitioner? Yes, the public would probably identify a property valuer as a property practitioner.
The functions of a property practitioner (generally known as an estate agent) as described in this Bill would seem to overlap into the field of valuations and assessors. The inclusion of the word ‘assesses’ as a function might lead to people referring to and including property assessors under the definition of a property practitioner as contemplated in the Bill. And this is where we should be careful. The Property Valuers Profession Act 47 of 2000 includes registration of a Single Residential Property Assessor. One should also not forget about the forthcoming new category of Municipal Property Assessor. Lastly, one cannot include a profession that has its own Act in another Act.

The SAIV is actively working together with the South African Council for the Property Valuers Profession (SACPVP) and the Estate Agency Affairs Board (EAAB) to ensure that the Bill correctly defines the functions of a property practitioner and that persons registered as per the provisions of the Property Valuers Profession Act 47 of 2000 are duly excluded from the Property Practitioners Bill.

**PRACTICAL WORKSCHOOL**

The 2017 Practical Workschool was presented by the South African Council for the Property Valuers Profession (SACPVP) at the Edcon Training Centre in Ormonde, Johannesburg from 22 to 26 May.

Voluntary Associations were invited by the SACPVP to market their associations to the learners who attended the Workschool. I spoke to the learners about the benefits of belonging to the SAIV, especially all the ‘Adding Value’ promotions and highlighted the Institute’s student drive.

**HAVE A QUERY? CONTACT US**

**Membership:** membership@saiv.org.za  
**Accounts:** accountsdesk@saiv.org.za  
**Other queries:** info@saiv.org.za | 086 100 SAIV

**2017 AT A GLANCE**

<table>
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**PLEASE NOTE**

- **SEMINAR/WORKSHOP/LUNCHEON/TALKSHOP DETAILS** (venues, topics, CET hours and costs) WILL ONLY BE AVAILABLE CLOSER TO THE DATE OF THE ACTIVITY  
- **ACTIVITIES ARE SUBJECT TO CHANGE**

**PLEASE CONTACT THE RELEVANT BRANCH SECRETARY FOR FURTHER INFORMATION**
SAIV at home

**IN MEMORIAM**

It is with great sadness and a heavy heart that we say goodbye to our dear friends and colleagues who passed away recently.

- Dylan Haward of the Northern Branch on 13 May
- Shane Janse van Rensburg of the Northern Branch on 26 May
- Gabriel Pankhurst also of the Northern Branch on 23 June
- Derek Smith of the Eastern Cape Branch on 7 July
- Roland Pardey, Fellow member of the KZN Branch, passed away on 9 July.

The KZN Branch Executive: “It is with regret that we announce the untimely death of Roland Pardey. As a long-standing member and a Fellow of the South African Institute of Valuers, his contribution to our profession will be missed. Our thoughts and prayers are with his family at this sad time.”

We grieve with those they leave behind and hold their families and friends in our thoughts and prayers as they process the shock of their deaths.

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**SAIV membership statistics as at 1 August 2017**

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Clive Massel: CEO  •  Kokkie Herman: Director, Rates  •  Ben Espach: Director, Valuations

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