

THE SOUTH AFRICAN VALUER



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THE HISTORY OF *THE SOUTH AFRICAN VALUER*



NATIONAL EVENTS 2017

Property Valuation Act, 17 of 2014:
draft Regulations

DRAFT REGULATIONS, PROPERTY VALUATION ACT 17 OF 2014

The land is everything.” With the current property ownership patterns tied to the previous injustices of apartheid, Government is under pressure to deliver an effective and meaningful land reform programme.

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.

TOWN/PROVINCE	DATE
Durban (KZN)	19 June 2017
East London (EC)	21 June 2017
Cape Town (WC)	23 June 2017
Pretoria (Gauteng)	6 June 2017

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. ■



Janet Channing (BA MPhil NDPV) is the managing director of MetGovis (Pty) Ltd and a professional valuer. She brings a wealth of experience in local government support and is always at the forefront on commentary regarding new legislation. Janet is a specialist in municipal valuation and rating issues.
www.metgovis.co.za
Tel: 033 – 343 2868 or
email: janet@metgovis.co.za