

Valuation practices in South Africa

The four provinces of South Africa have their own rating or Valuation Ordinance.

In the Transvaal, only land is rated, all the other provinces rate land and improvements, and the introduction of a land value and improvement value (in proposed legislation) was at the instance of a large Local Authority who wish to rate on a total value.

I am totally land-value rating oriented, in fact, the development of Johannesburg is due to this site value rating principle. How many cities in the world have had buildings on a site replaced three times in a period of eighty years? Johannesburg has more modern high-rise buildings than San Francisco. Market value site rating requires the land to be put to its maximum use, and it is my opinion that large cities in the United States and the United Kingdom, London in particular, are being allowed to stagnate because of the "Total Value" concept which tends to promote retention of old unattractive buildings with impractical underdevelopment of good sites.

Site value rating requires the best use of the land to be utilized — when viability becomes low the buildings must be replaced.

Johannesburg, with an area of 200 square miles, has 487 townships plus large areas of farm and mining land and of the 487 townships there are 308 residential townships of which 270 are completely homogeneous.

The theme of the Transvaal Rating Ordinance is "Market Value" and I think possibly Johannesburg has achieved as near this as has ever been done before.

Basically land is valued as though vacant, the land residual method being used to arrive at land value in fully developed residential areas; obviously vacant land sales in semi-developed townships are considered. Improvements are valued at replacement cost less depreciation. For income-producing property the land is valued as though vacant, cognizance being taken of the rights the stand has. The gross income is obtained, a net income arrived at and capitalized at a rate in terms of prevailing conditions. The land value is deducted from this capitalized total leaving a building residual which in the case of rent-controlled premises is very much below replacement cost, a fact which causes numerous objections to valuations.

I must refer to the unique problems which Johannesburg has in the municipal valuation field. Johannesburg started as a result of the discovery of gold in 1886. It began as a tough mining camp with little future hope of permanency. This lack of permanency resulted in people not want-

ing to buy land but to lease it. There are still leasehold stands in Johannesburg.

The gold outcrop reached the surface at what is now the middle of the city. The outcrop travelled from east to west and the gold layer went from the surface at 45° downwards to the north. The result is that the city is virtually divided into two sections by this outcrop area which varies in width from a few hundred yards to a few miles.

The central city development stops dramatically on the south where development has been the cause of many problems. This land which comprises 12% of Johannesburg is in most cases proclaimed land held under mining title. In terms of the Ordinance land "held or used exclusively for purposes incidental to mining is exempt from rates. When the price of gold was pegged at \$35 per fine ounce and the type of ore was reaching a grade where it was no longer economical to mine, a new development commenced.

The mining industry then became aware that the protected land was more valuable than the gold ore underneath it and the mining companies started developing land, in other words, the timing of rating was in the hands of the mining companies. To develop mining land requires the permission of the Government Mining Engineer and the Mining Commissioner and with their approval a reservation for township purposes is given, which is not rateable.

However, with the increase in the price of gold, the mining industry became more interested in the gold extraction function and development of land became a secondary function.

Permission to use the surface of proclaimed land held under mining title can be obtained from the Mining Commissioner in various forms: a surface permit for agriculture or recreation; an industrial stand, or a commercial site.

As can be seen the mining situation is a difficult one particularly in view of the fact that most of this land is ripe for development and extremely valuable, and it is not often obvious that the surface is actively used for mining purposes, although there may be underground activity 12,000 feet below. It has been assessed that less than 50% of the gold ore has been extracted, so it might be true to say that there is more gold under Johannesburg than there is in Fort Knox.

(Extracted from an article by John McCulloch, City Valuer of Johannesburg, in "Land & Liberty" January-February 1975.)