



JJ NEETHLING

Professional Property Valuers

VALUATION REPORT OF VACANT LAND

**PORTION 1 & 2
OF
THE REMAINDER OF ERF 1
SWELLENDAM**

Prepared for

South African National Parks

Prepared by

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DECLARATION

I, the undersigned, Johannes Josua Neethling, hereby declare as follows:

- a) That, according to the requirements stipulated in Article 20(2)(a) of the Act on the Property Valuators Profession 2000 (Act no. 47 of 2000), I am registered with the South African Council for the Property Valuators Profession. Registration Number 6300/5.
- b) That I have the necessary knowledge and experience of valuation of fixed properties and that I can therefore, in accordance with the ethics of the valuator profession, value fixed properties as required by the law.
- c) That during the process of valuation I have considered the various factors impacting on the value.
- d) I have no current or future vested interest in the subject property.

VALUATION REPORT

1- GENERAL.

1.1. Instruction:

On the 22nd of February 2021, I received instruction from Mr. Giel de Kock, on behalf of Park Planning and Development, SANParks, to visit and inspect the subject property known as Portion 1 & 2 of the Remainder of Erf 1, Swellendam, in order to advise you of our opinion of the Market Value as on the **1st of April 2021.**

The present market value is required by Park Planning and Development for the possible acquisition thereof.

1.2. Purpose of Valuation:

The purpose of this valuation is to determine a reasonable and fair market value of the property as described in paragraph 2 at the effective date of valuation.

1.3. Definition of Market Value:

For the purposes of this valuation, I limit myself to unmovable property. It is necessary to make this distinction as unmovable property differs from other property in the sense that it is seldom that 2 unmovable properties would be identical.

Market Value is defined by the International Valuation Standards Committee as follows:

" The estimated amount for which an asset should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arms-length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion."

A further definition is given by Jonker, in "Property Valuation in South Africa, page 12":

" Market value is defined as 'The probable price that a willing and informed purchaser will pay a willing and informed seller in a normal open market transaction at the date of valuation when neither party is under any anxiety or compulsion to sell or purchase, other than their normal desire to transact.' "

1.4. Method of Valuation:

To determine the market value of the subject property, one could use one of two methods, being an industrial development approach and the method of direct comparison.

1.4.1 Industrial development approach:

In the case of a well-informed seller, it will be known that the land will be used for urban development. This will cause the seller to ask a higher price than for agricultural land, subject to approval subdivision. For these reasons, the industrial development approach is deemed to be an appropriate method of valuation.

This approach and method rests on the principles of the market and income capitalization as well as cash flow analyses. The point of departure is that a current land value can be obtained by determining the initial value of the difference between

what can be realised for the land by selling plots and the costs that need to be incurred in order to be able to do that. The developer will also include a margin for his own entrepreneurial risk and profit.

The time periods involved in selling and developing all the plots must be taken into consideration. The South African courts are not in favour of this method as there are many variables. The direct comparison method remains the preferred method. The challenge with this method is, as is the case in this instance, that of finding suitable comparable transactions.

1.4.2 ASSUMPTIONS:

Financing costs.

A financing cost of 8% is deemed to be market related.

Developers entrepreneurial profit.

The industry norm is between 30 and 35%. For this development 35% of the total sales value is used and applied as such.

Rate of sale.

Based on my conversations with property agents in the subject area, I consider a three-year selling period to be reasonable. A three-year period is applied.

Bulk services.

All services are available adjacent to the site at a cost of R200,000/erf.

Professional services

Professional services are estimated at 14% of the total sales value of the plots and is applied as such.

Marketing costs.

Marketing costs are calculated at 7% of the total sales value of the plots and is applied as such.

Size and number of plots.

The prescribed minimum size of the plots is 2,500m². Therefore it will be possible to have 4 plots per hectare.

Transfer costs.

Transfer costs are calculated at @ 5% of the price paid for purchasing agricultural land for urban development purposes.

1.4.3 The method of direct comparison:

Only one method of valuation can be used to evaluate vacant land. The method in question is named, the method of direct comparison.

For the purposes of this valuation, I will briefly discuss the direct comparison method as this is the only suitable method of valuation applicable to this subject property in order to determine a market value.

Property prices are determined by the market. Prices arise as a result of an interaction between buyers and sellers where the buyer represents the demand and the seller the supply. In other words when the demand is high, prices rise and when the demand is low prices fall. The reverse holds true for supply.

The sale of comparable properties is generally considered the most reliable yardstick to determine market value.

In the case of Minister of Water Affairs vs. Mostert, 1966 4 SA 690 (A) 723 F, the judge made the following ruling:

"Despite the fact that land has not a fixed market price or sales value, and that each parcel of land would differ from the next, even if adjacent, it would still appear that the most reliable yardstick would be comparable transactions of properties sold even though there would be varying factors that are unique to each property."

The direct comparison method is also recognized in the court of law in SA as a true method of valuation. (Estate Marks vs Pretoria City Council 1969 3 SA 227A, 253H-254B).

1.5. Date of Inspection:
24 February 2021.

1.6. Effective Date of Valuation:
1 April 2021.

1.7. To the best of my knowledge all the information in this report is correct. Market transactions were obtained from Light Stone. All calculations and conclusions are based on this information.

2 – DESCRIPTION OF THE PROPERTY

Title Deed No. Not registered at the Deeds Office.

Proposed sub-division of the Remainder of Erf 1, Swellendam.

Portion 1 Swellendam
Extent 1,65 Ha

Portion 2 Swellendam
Extent 0,78 Ha

Municipality Swellendam
Province Western Cape

For the purposes of this valuation Portion 1 and 2 are jointly referred to as the subject property.

A map showing the proposed sub-division is attached.

8 – GENERAL DESCRIPTION

8.1 Location:

The subject property is situated on the eastern side of the N2 at Swellendam. The two portions border on an industrial area in the north. In the south the two portions border on the Bontebok National Park. The two portions are marked in red on the attached aerial photo.

The subject property is located within the Urban Edge of Swellendam in the Industrial area. The Spatial Development Plan is attached.



Aerial photo.



Spatial Development Plan Swellendam.

8.2 Topography:

Part of the land is level with an incline on the eastern side of the property. The soil is a red gravelly sandy loam type. It is a high-quality soil.



Red gravel soil.

8.3 – Highest and Best Use:

The subject property borders on the industrial area of Swellendam. The subject property has a Light Industrial zoning and can be sub-divided into smaller industrial plots. However this potential is not realizable as the bulk municipal services that are available on the adjacent land, does not currently have the capacity to service such a development. It is not economically viable to upgrade this bulk service to be able to service this proposed development. The subject property borders on the Bontebok National Park and I believe the highest and best use would be to have the subject property incorporated into the park.

9 – MUNICIPAL SERVICES.

Services such as sewerage, electricity and water are available from the adjacent area. As mentioned in paragraph 8.3 the bulk service does not currently have the capacity to service the subject property. Information was obtained from Mr. Gerrit Botha, Swellendam Municipality.

10 – IMPROVEMENTS.

Out Buildings.

The subject property is improved with a brick/plaster building that is in a very poor state of repair. The building has been vandalized and I do not believe that it would make any contribution to the market value of the subject property.



Vandalized building.

Vacant land.

The property is partly fenced in with an electrified game fence where it borders on the Bontebok Park. The rest of the boundary fences are in a poor state of repair. There is no fence where the subject property borders on the industrial area.

The veldt is typical renosterbos veld with different fynbos species and winter voluntary grasses. As far as I was able to ascertain, there are no endangered species of fynbos on the subject property.



Electrified game fence.



Entrance Bontebok Park.



Renosterbos veld Portion 2



Renosterbos veld Portion 2



Renosterbos veld Portion 1



Renosterbos veld Portion 1

11 – VALUATION

11.1 Method.

The industrial development approach and the direct comparison method is deemed to be the most suitable methods of valuation for the subject property. These reasons are more fully explained in paragraph 1.4.

11.2 Basis.

The basis of this valuation is market value.

Market value is defined as 'The probable price that a willing and informed purchaser will pay a willing and informed seller in a normal open market transaction at the date of valuation when neither party is under any anxiety or compulsion to sell or purchase, other than their normal desire to transact.'

12 – MARKET RESEARCH

12.1 In my market research I identified the following market transactions of vacant industrial land in the subject area.

No.	Suburb	Erf/Portion	Date of Sale	Extent	Purchase Price	R/m ²
1	Swellendam	2259, 2260 and 2261	31/08/2018	20,749m ²	R8,250,000	R398 (rounded)
2	Swellendam	8388	24/02/2020	2,706m ²	R1,100,000	R406 (rounded)
3	Swellendam	175	30/07/2020	6,611m ²	R430,000	R65 (rounded)
4	Swellendam	219	20/11/2018	3,394m ²	R480,000	R141 (rounded)

12.2 A further market research was done on the market value of life-style units in the subject property.

Transaction No.1.

Portion 21 of Farm No.156, Swellendam RD.

Extent 1,8323 ha
Sales price R1,900,000
Sales date 10/11/2020

Discussion:

This property is within a reasonable distance of the subject property. The property is improved with a residence, out buildings and ±1,0ha vines. It is a lifestyle unit with a rural atmosphere and character. This property is situated near Buffeljags River.

Analysis:

Build infrastructure	R 980,000
Establishment costs of vineyards	R 350,000
Water rights	R 120,000
Unimproved land 1,83ha @ R250,000/ha	R 460,000 (rounded)

Transaction No.2.

Portion 10 of Farm No.156, Swellendam RD.

Extent 2,9348 ha
Sales price R2,800,000
Sales date 19/06/2017

Discussion:

This property is situated within a reasonable distance of the subject property. The property is improved with a roomy residence, out buildings and ±2,0ha vines. It is a lifestyle unit with a rural atmosphere and character. This property is situated near Buffeljags River.

Analysis:

Build infrastructure	R 980,000
Establishment costs of vineyards	R 700,000
Water rights	R 240,000
Unimproved land 2,93ha @ R300,000/ha	R 880,000 (rounded)

Transaction No.3.

Portion 11 of Farm No.56, Swellendam RD.

Extent	2,5691 ha
Sales price	R2,000,000
Sales date	19/06/2019

Discussion:

This property is situated within a reasonable distance of the subject property. The property is improved with limited built infrastructure and $\pm 2,0$ ha citrus. It is a lifestyle unit with a rural atmosphere and character. This property is situated near Barrydale.

Analysis:

Build infrastructure	R 320,000
Establishment costs of citrus	R 700,000
Water rights	R 240,000
Unimproved land 2,57ha @ R250,000/ha	R 640,000 (rounded)

13 - DISCUSSION OF TRANSACTIONS

13.1 Transactions No.1 to 4 in Paragraph 12.1 is located within a 400m radius of the subject property. As far as has been possible to determine, these transactions reflect market values as per definition.

13.2 Transaction No.1 to 3 in Paragraph 12.1 is vacant industrial land with bulk services supplied by the local municipality.

13.3 Transaction No.4 in Paragraph 12.1 is vacant residential land with bulk services supplied by the local municipality.

13.4 The three transactions described in paragraph 12.2 are life-style units and are located within a radius of 40km of the subject property.

14 – MARKET CONDITIONS AND TENDENCIES IN SURROUNDS.

The property market, as a whole is generally affected by the current economic climate as well as the viewpoints and predictions of economists regarding the future economic climate. The current economic climate is influenced by factors such as statements made by politicians, the inflation rate, prime lending rate and the Covid19 Pandemic. Inquiries from estate agents as well as a review of transactions made and registered at the Deeds Office in Cape Town reveal that there is a moderate to poor demand for vacant industrial land in the subject area.

15 – CONCLUDING REMARKS.

15.1 To determine the market value of the subject property I will use two methods. Given that the property has an industrial zoning, I am obliged to use the industrial development approach. I will assume that bulk services are available. The assumptions listed in paragraph 1.4.2 are considered to be market related and are applied as such.

15.2 Transactions no.1 and 2 as described in paragraph 12.1 refer and is applied as such. I believe that a market value of R250/m² for industrial land is market related and is used as such in the calculations.

15.3 The subject property can be considered as a lifestyle unit. It compares well in many respects with the three transactions listed in 12.2. However, the subject property does not have a rural atmosphere and character. This will have a negative impact on the price/hectare. Taking all the value forming factors into account, I believe that a value of R220,000/ha is market related. It is applied as such.

15.4 Value forming factors that have been taken into consideration:

- ▲ Location.
- ▲ Size of plot.
- ▲ Factors as mentioned in paragraph 13.
- ▲ Moderate to poor demand for vacant industrial land.
- ▲ Time lapse between date of transactions and effective date of valuation.
- ▲ The high cost to install municipal bulk services.

16 – EXPLANATION OF MARKET NORMS.

After careful consideration of all factors that may impact on the market value of the subject property, I estimate the market value as follows.

Calculation of the market value of 1Ha vacant land being used for industrial purposes.

2,500m ² x R250 x 4 plots		R2,500,000
Developer's profit @ 35%	R 875,000	
Marketing @ 7%	R 175,000	
Professional services @14%	R 350,000	
Bulk service for 4 plots @ R200,000/plot	<u>R 800,000</u>	<u>-R2,200,000</u>
Total cost	R2,200,000	
Market value of 1Ha agricultural land		R 300,000
Discounted @ 8% for 3 years		R 233,606
Less transfer costs @ 5%	R 11,680	R 221,925
Say		R 220,000

After careful consideration of all factors that may impact on the market value of the subject property, I estimate the market value as follows. Paragraph 12.2 transaction 1 to 3 has relevance.

Proposed Portion 1 & 2	2,43 Ha
2,43 Ha @ R220,000/ha =	R534,600
Say	R530,000

The market value is exclusive of Valued Added Tax.

CERTIFICATE

I, J.J. Neethling, declare that I have inspected the above property, that I have verified the particulars set out in this valuation, and that I value the herein described property for the purposes of this valuation to the best of my knowledge and skill, as on the 1st of April 2021, at **R530,000 (Five Hundred and Thirty Thousand Rand Only)**.

Signed at Wolseley on this 8th day of March 2021.



JJ Neethling

JJ Neethling Property Valuers
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Registered with the SA Council for the Property Valuers Profession.
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To develop, expand, manage and promote a system of sustainable national parks that represent biodiversity and heritage assets, through innovation and best practice for the just and equitable benefit of current and future generations.



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Swellendam Municipality
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3 June 2024

Dear Ms. Vorster

Purchase price for erven 8486, 8485 [Portion 1&2 of Erf 1(8480)] consolidating the entrance to Bontebok National Park

SANParks want to thank the Swellendam Municipal Council for approving the sale of erven 8486, 8485 in principle at the 24 February 2022 meeting and confirmed again at the 31 October 2023 meeting. We note that Council's intention to alienate Portion 1 (Erf 8486) and Portion 2 (Erf 8485) to SANParks, and for the use as proposed, be advertised for public comment prior to a final decision being taken.

In the Council meeting of 31 October 2023, it is mentioned that a reserve price for each erf based on the findings of 2 independent valuation reports be determined and that the cost of the valuation reports be for the applicant's account. SANParks did its own independent valuation report which was submitted to the Swellendam mayoral committee on 16 February 2022 (valuation attached), and later also submitted detailed plans for the two erven, which is for a tourism development on one portion and to rehabilitate the rest as veldt, which council noted.

SANParks takes note of the valuation done by the municipality using the general industrial site values as appose to the veldt value as confirmed by the property management office.

SANParks would like to request the municipality that veldt value be used and that our offer of R530,000 still stands, as per 16 February 2022 submission.

Yours sincerely

Kristal Maze
General Manager: Park Planning & Development
cc. Bulelwa Msengi (Park Manager BNP)

addo elephant
agulhas
augrabies
bontebok
camdeboo
golden gate highlands
karoo
kgalagadi transfrontier
knysna lake area
kruger
mapungubwe
marakele
mokala
mountain zebra
namaqua
table mountain
tankwa karoo
tsitsikamma
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west coast
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