

ADDRESS BY PUBLIC WORKS AND INFRASTRUCTURE MINISTER SIHLE ZIKALALA DURING THE AFRICA VALUATION CONFERENCE, RADISSON BLUE HOTEL, SANDTON, 28 MARCH 2023

Acting Valuer-General South Africa, Ms Motlatso Maloka;
President of the South African Council for the Property Valuers Profession (SACPVP), Mr John Cloete;
CEO of the Property Sector Charter Council, Ms Portia Tau-Sekati
CEO of the South African Real Estate Investment Trusts (SAREITs), Ms Joanne Solomon,
Chairperson of Black Professional Valuers Association, Mr. Sello Mabuza;
Industry Professionals;
Captains of Industry;
Senior Government Officials;
Distinguished Guests;
Ladies and Gentlemen;

INTRODUCTION: RECOGNISING AFRICAN PARTICIPATION

Good Morning! Sanibonani! Goeie More! Habari!

It is an honour to address the Africa Valuations Conference held on our shores under the theme, ***“Shaping the Future of Africa Valuations in Africa.”***

Over two days, the conference will explore latest trends, standards and practices in the valuation field and share insights on financial markets and property investment industry on the African Continent.

On behalf of the Department of Public Works and Infrastructure (DPWI) and the people of South Africa, we take this opportunity to welcome all delegates from the length and breadth of our continent and across the seas who are attending the Africa Valuations Conference.

We applaud the Academy of Construction and Real Estate (ACRE) for diligently working as the coordinator and convener for and on behalf of the conference organising committee.

We also note with much delight that this event is being attended by guests, delegates and speakers from no less than 12 countries, the majority which are on the African continent. In our midst, are also 36 private and public companies, 14 industry associations and 9 Government institutions.

Among the dignitaries gracing this regional continental summit, we can mention the Chief Government Valuer from the Kenya Ministry of Lands and Housing, the Chief Valuation Officer from the Malawi Ministry of Lands, and the Chairperson of the Zambia Valuation Surveyors Registration Board.

We also extend a warm welcome to representatives of the Kenya Revenue Authority, the Malawi Institute of Surveyors, the Lesotho Institute of Valuers and the Department of Valuation and Property Management from Zambia.

REBUILDING AFRICA AFTER THE STORMS WITHIN THE VALUATIONS DISCIPLINE

As we meet, we wish to express our solidarity with the people of Malawi and Mozambique who have recently faced devastation, loss of life, and damage to property with the recent mudslides and strong winds emanating from Tropical Cyclone Freddy.

About 50 000 people are said to have been displaced in Mozambique and an estimated 88 000 were displaced in Malawi. As we gather here, His Excellency President Cyril Ramaphosa is in the OR Tambo District Municipality in the Eastern Cape which also experienced floods, damage to infrastructure, and loss of life. We express our deepest condolences to families who are mourning the passing away of their loved ones in these tragedies.

These inclement weather conditions are a sharp reminder of the climate change emergency and the need for greater collaboration across sectors and across national borders to make contributions towards reducing the carbon footprint and creating climate resilient societies.

In this regard, we are reminded of the support that South Africa and the province of KwaZulu-Natal received to manage the impact of the devastating April and May 2022 floods.

Once again, we wish to pay tribute to the efforts of the South African Built Environment professionals and Valuers under the umbrella of the South African Council for the Property Valuers Profession (SACPVP) who offered a helping hand in assessing the cost of the damage to infrastructure and guided our country and the province on plans to recovery and rebuilding of critical infrastructure.

We hope that this conference will also present an opportunity for collaborative efforts and sharing of knowledge and expertise to assist the people of Malawi and Mozambique in their economic recovery and rebuilding efforts.

DPWI, THE SOUTH AFRICAN COUNCIL FOR THE PROPERTY VALUERS PROFESSION (SACPVP), AND ETHICAL CONDUCT

Ladies and Gentlemen,

The South African government is a major player in the built environment and construction sector.

Known as the government landlord, our department boasts the largest property portfolio in South Africa. We view this property that we are managing on behalf of the South African people as a critical economic lever to drive social development, investments growth, and economic transformation.

Currently, our government accounts for approximately 40% of the country's total infrastructure budget. It is the Department of Public Works and Infrastructure (DPWI) which has been mandated by His Excellency President Cyril Ramaphosa to coordinate all public infrastructure development in the country.

We have since approved the National Infrastructure Plan 2050 (NIP 2050) to deliver critical infrastructure. This is a national policy to guide infrastructure investment and development in the short medium and long-term.

The South African Council for the Property Valuers Profession (SACPV) is one of the Department's key built-environment entities. It is an important instrument forging Government's interest in regulating the profession, the professional practice and registration of valuers as well as spearheading objectives of transformation.

The SACPV carries the mandate to lead both Government and the private sector on all issues of valuation and will continue doing so.

The valuation industry is central to South Africa's developmental objectives as encapsulated in Vision 2030 of the National Development Plan (NDP).

We cannot overemphasise the importance of the profession in a country like South Africa where the black majority have for many years suffered land dispossession and asset poverty.

As we all know, it is the valuation process which establishes the value of property like a home loan which is a principal way for the poor to create wealth and assets.

As we meet here, let us all unite behind defending the integrity of the appraisal and valuations profession.

From a country with a history of racial exclusion, we are now building, brick by brick, a new society that is united, non-racial, non-sexist, equal, and prosperous.

To succeed, we must resist all efforts and practices that may seek to use valuations to discriminate against previously disadvantaged groups or individuals.

I speak advisedly about evidence in the United States where black people tell of experiences of having their properties undervalued. As we know, undervaluation can also result in municipalities collecting less tax revenue, thus affecting service delivery and investments in basic infrastructure.

The findings in discriminatory valuation practices in the USA has led to the establishment of the PAVE Task force by President Joe Biden. The Pave Task Force has since published its Action Plan to Advance Property Appraisals and Valuation Equity.

We also make an impassioned call on the South African Valuation Professionals to remain ethical and to uphold the integrity of their profession.

Working together, we must deepen national unity, fight racial prejudice and bias in the valuations profession.

Allegation of stories of South African financial institutions discriminating against black people and making it difficult for them to own property, including land and homes, must be fought by all patriots who seek to see the property sector growing, thriving, and attracting investments.

Let us also bear in mind that today consumers and clients are more informed about real estate and their rights than they were a few years ago.

In this vein, the industry has seen transformations and legislative amendments that have pushed for greater transparency and regulations to protect buyers, sellers, developers, and property professionals.

It is our collective duty to fight corruption in the property and valuation sector.

One is reminded, for instance, of the issue of unethical or non-professional conduct coming through the valuation of some Eskom servitudes at inflated valuations. This undermines the objectives of government and our developmental agenda. Through the Council's role and responsibility to manage professional conduct, this must not be tolerated.

We call on all of you to play your part in adhering to ethics in valuations, to root out historical bias, and to conduct yourselves in a manner that improves the overall image of the appraisal and valuations profession.

In all that we do, let us offer good customer service and ensure that we uphold the dignity of everyone as prescribed by the Constitution.

TRAINING AND THE VALUE ADD IN PROPERTY VALUATIONS

Ladies and Gentlemen,

DPWI as the custodian of state's immovable property, deeply appreciates the importance of the valuation profession.

It is Professional Valuers who commence with the project at its inception. They are there early to determine the value of the land identified. They proceed to advise on progress payments during the construction phase where mortgage bonds are involved. We find them hard at work at the completion of the construction project determining the value of the asset.

We are aware that the largest portion of the Municipal budget comes from payment of assessment rates which are calculated based on the value of the property determined by a Professional Valuer. Properties are also periodically valued for various purposes.

As DPWI, we fully recognize the value add from the Professional Valuers in promoting the growth of the country's economy. We are invested in their empowerment, continuing education and training to sharpen their skills. Equally, we want to see more mentorship opportunities for young professionals and candidate Valuers.

It is indeed through this kind of networking and robust engagements at this Africa Valuations Indaba that together we can achieve the set theme of this conference- ***“Shaping the Future of Property Valuations in Africa.”***

Ladies and Gentlemen,

The valuation profession is regarded as a scarce skill with less than 2000 registered professional Valuers nationally.

The biggest worrying factor is that this rewarding career is viewed by many as a sunset profession given that the majority of accredited, Professional Valuers are in the range of between 50-65 years of age.

In addition, it is a male dominated profession, with a greater representation of white males. Ons moet saam werk om ons diversiteit te weerspieël - we should work together to reflect our rich diversity. As we build the profession, our strength should be in our diversity, not in fragmentation or working in laagers.

DPWI has for years dating as far back as 2008 established a young professional programme through its Human Capital Investment Chief Directorate to capacitate the Built Environment professionals.

This programme seeks to grow the number of professionals who ultimately qualify and register in line with their professional categories. Professional Valuers coming out of the programme are being absorbed by various spheres of government as well as the private sector.

We are aware of the successes achieved through mentorship of Candidate Valuers by our professionals who are now leaders in both public and private institutions. If put to good use, Professional Valuers will not only be able to determine the distribution of the country's wealth, but will also be able to determine market related rentals that government should pay for leased accommodation and what rentals are to be levied where government is the landlord .

It is important that the property sector as a whole works together to support redress, advance social cohesion, and uphold the Constitutional imperative of equality.

In this regard, debates around the return of land and on compensations for land must be seen not to be unique to South Africa alone. They remain at the heart of national discourses and the developmental trajectories of many countries on the continent

In South Africa, the establishment of the Office of Valuer-General came into effect in 2014 with its legislative mandate derived from the Property Valuation Act (Act 17 of 2014). This development restored hope to the nation that it will expedite the land reform program to address land hunger and asset poverty faced by the majority without compromising economic development and food security.

There is no doubt that the profession of valuations will continue to play a critical role in the application of the Act in line with section 25 (3) of the Constitution.

DPWI through its Policy Branch has also spearheaded the drafting of Expropriation Bill which looks into amending some sections of the Expropriation Act (Act 63 of 1975) to make it easier for government to expropriate land.

The Expropriation Bill is before the Portfolio Committee on Public Works and Infrastructure. The Portfolio Committee has considered the report that has been produced from public hearings conducted across the country in November 2021.

We are also aware as DPWI of the impact of aspects of the Property Practitioners Bill on the Property Valuers Act, (Act 47 of 2000) particularly in relation to the definition of a property practitioner.

The intention of Parliament to legislate the Valuers' profession through the Property Valuers Act was to ensure that only qualified registered Valuers should undertake valuation work and that the Council for Valuers should ensure that it registers competent Valuers to perform such valuation work.

SOUTH AFRICA LISTED PROPERTY SECTOR AND DEVELOPING A LOCAL VALUATION STANDARD

Ladies and Gentlemen,

We are keenly aware that drivers of investment in the property sector include availability and integrity of public data.

Although in South Africa the bulk of property data for valuations is publicly and freely available, this cannot be said to be the same on the continent. Our continent still faces struggles with attracting investments due to lack of market data.

This makes valuation to struggle with credibility of data resulting in listed markets developing at much slower pace.

The weakness in the South African, African valuation practices, and the profession at large is the lack of locally developed valuation standard and rules that speak to assets and land transactions that are unique to the continent.

Some of the African countries are former British, French, and Portuguese colonies with probably different inherited manner of valuations.

This conference will hopefully begin to examine efforts to shed those disparate, inherited colonial practices and moving to a more uniform and consistent African approach to valuations.

In this regard, we wish to encourage the listed sector in South Africa to engage in collaborative efforts with the valuation profession to develop standards unique to the locally the listed sector.

COVID19, LOAD SHEDDING AND CHANGES IN THE PROPERTY AND VALUATION INDUSTRY

Ladies and Gentlemen,

The South African property sector and valuation industry did not escape the impact of COVID-19.

Thanks to your stellar leadership, the sector demonstrated its resilience and adaptability.

It answered the national call to serve and exemplified patriotism.

Working with government, the sector collaborated to save lives and livelihoods.

We applaud your hard work and commitment to improving the business environment while we faced the COVID-19 storm.

According to the CEO of the South African Real Estate Investment Trusts (SAREITs), Ms Joanne Solomon, at the height of the pandemic, *“between April 2020 and June 2021, REITs issued a total of R3.5 billion in rental discounts and deferrals to enable business sustainability.”*

Rent reductions and deferments by landlords also helped a number of SA retailers to stay afloat.

The “new normal” also saw growth in e-commerce. We saw more people working remotely from their homes. This affected the office sector severely, making it the hardest-hit asset class in our country.

All indications point to the reality that the office sector has continued to struggle even in the aftermath of the pandemic with supply exceeding demand. Research shows that office vacancy rates stood at 16.4% in the third quarter of 2022, much higher when compared to pre-COVID levels where office vacancy rates were under 11%.

The pandemic has demonstrated that the future of the sector will depend on leadership, collaboration, innovation, and planning for the unknown.

Slow economic growth will undoubtedly continue to have an impact on the overall performance of the property sector in our country. There is no doubt that load shedding has a negative impact on the South African economy in general and the property sector in particular. Some people have come to characterise load shedding as the second pandemic after COVID-19.

We can assure the sector that our government is implementing a variety of measures to resolve the energy challenge and to boost economic growth and investor confidence.

In the State of the Nation Address, His Excellency President Cyril Ramaphosa announced a number of measures, including the appointment of the Minister of Electricity, to focus on ending load shedding.

To reduce dependence on the national grid and to use cleaner sources of energy, our own department is implementing the Green Building Policy.

This policy seeks to inform the development and implementation of two Green Building Rating Tools for all new and selected existing buildings. This will also be supported by the implementation of the clean, renewable solar energy solutions in all government buildings.

DPWI has also gazetted no less than 6 Green Hydrogen Projects as Strategic Integrated Projects (SIPs).

Last week in Greberha, Eastern Cape, Malusi Mthuli, the President of the South African Institute of Valuers (SAIV) made an interesting observation. Addressing their AGM on the changing landscape of valuations profession, he insisted that green buildings have introduced new dimensions to valuations.

Malusi Mthuli is cited to have said: *"In the past, my mentor told me utilities cannot form part of the valuation, but guess what? The Eskom crisis happened, and as a Valuer, you will be doing an injustice in this market if you don't identify the relevance of the building's ability to generate its own energy and recognize the savings that come with that because they do enhance the net income and value."*

Time will tell if his predictions are correct and whether we will see changes in the valuations framework that valuers have relied upon for many years.

There is no doubt, however, that we are increasingly witnessing an increase in the development of smart homes and smart buildings with the implementation of smart technology. We can anticipate home automation to continue to flourish and this may have a bearing on the practice and science of valuations.

The sector must continue to innovate and to embrace the technological revolution brought by the Fourth Industrial Revolution (4IR).

Today we live in an era where Smart Cities are no longer an idea or concept.

They are not only being implemented in the Global North, but South Africa is itself implementing a new post-apartheid Smart City through the District Development Model (DDM) involving KwaZulu-Natal and the Eastern Cape in what is known as the Eastern Seaboard Smart Coastal City development.

EMPOWERMENT AND TRANSFORMATION

Ladies and Gentlemen,

Our umbrella body, The Council for Built Environment (CBE), is composed of six built environment councils. At the core of the CBE's mandate, is the crucial and urgent task to transform the built environment. Such transformation must not only be reflected in change in demographics, but also in quality and the ethos of a new society that we seek to build on the foundation and values of our Constitution.

In a country that was built on land alienation and the denial of property rights for the majority of its citizens, we must all work within the law to correct these injustice of the past.

Despite the adoption of the Property Sector Transformation Charter and the commitment by the industry to strive for transformed property relations in our country, the sector still has more to do to achieve its targets.

There is no doubt that equitable ownership of land and property by black people, in particular the youth, women, and people living with disabilities remains significantly low.

Still, we recognise and applaud the significant growth in women ownership of private homes.

The efforts of the Property Charter Council to the collective effort of the property industry to grow black participation will continue to be supported by the DPWI and the Ministry.

The work done by the Black Valuers Association (BPVA) to increase the participation of black owned valuation companies and increasing access to market for women and youth in the field of valuation is encouraging and we call on everyone to support it.

CONCLUSION: AGENDA 2063

Ladies and Gentlemen,

Leaders on the African continent have outlined the vision of the Africa we want through the African Union's Agenda 2063.

The Africa of our dreams is one that is prosperous and based on inclusive growth and sustainable development.

The Africa that we envisage and that we are creating through the African Continental Free Trade Area (AfCTA) is one that is integrated, politically united and anchored on the ideals of Pan-Africanism and the vision of the African Renaissance.

To achieve this, the AU has identified the goal of constructing world class infrastructure which will criss-cross Africa from Cape to Cairo, and from Morocco to Madagascar.

We call upon all African patriots and experts in the valuation field to play their part in building this Africa of our aspirations. We must work together, not only to deliver new infrastructure, but also to protect existing one since it is the inheritance of future generations.

Please employ your skills and expertise to construct an Africa that leaves no one behind, an Africa founded on the values of Ubuntu and human solidarity, an Africa where everyone prospers and feels at home.

We look forward to learning from your collective wisdom so that we can catapult Africa's growth and prosperity through the construction sector.

We call on the private sector to join the people of Africa in the regeneration of Africa through the property sector and infrastructure-led development.

As I sit down, please allow me to recite the following words from the AU's anthem:

*O Sons and Daughters of Africa
Flesh of the Sun and Flesh of the Sky
Let us make Africa the Tree of Life*

*Let us all unite and toil together
To give the best we have to Africa
The cradle of mankind and fount of culture
Our pride and hope at break of dawn.*

I thank you!

