

REPORT - MANINGI SUBSTATION

ERF 304 SANDOWN EXTENSION 24

1. BACKGROUND

Eskom acquired erf 304 Sandown Extension 24 during 2007 for purposes of erecting a substation in an effort to augment the supply of electricity in this and neighbouring townships. The demand for electricity has surpassed the supply and with the ever increasing densification of the area through subdivision of erven, the construction of a substation became imperative in order to meet this demand.

Erf 304 Sandown Ext 24 is a residential erf and would require rezoning to accommodate the proposed substation. It is understood that the consultants appointed have commenced with the rezoning process.

For purposes of this exercise it is assumed that the erf has been rezoned and that the necessary consents to construct the substation are in place.

2. INSTRUCTIONS

We were approached by Mr C Meintjies, Land Development Manager, Eskom Distribution- Central Region, to attend to:

1. "The evaluation of properties in Sandown Ext 24 indicating the value of properties prior to and after construction of the proposed MANINGI substation to quantify the impact on the value of properties in the area.
2. The evaluation results of x5 substations in the suburban areas indicating the value of properties prior to and after construction of the proposed the substation to quantify the impact on the value of the properties in the area."

It is our understanding, following a meeting with Mr Meintjies on 6 July 2009, that this report should express our opinion whether the erection of the proposed substation would impact negatively on property values in Sandown Ext 24; also to investigate if the substations mentioned in our brief have impacted negatively on property values at their different locations.

The substations are:

- Gull substation - photograph "A"
- Benmore substation - photograph "B"
- Hurlingham substation - photograph "C"
- Manor substation - photograph "D"
- Olivedale substation - photograph "E"

3. MARKET VALUE

A classic simplified definition of market value is:

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties each acted knowledgeably, prudently and without compulsion. (International Valuation Standards Committee).

3.1 "An appraisal is basically an opinion, but it should be an opinion that is supported by logical analysis of factual data. The appraisal process is the product of the experience of appraisers. As such, it represents the present day best known way of arriving at a conclusion as to the value of property". General Appraisal Manual, the California State Board of Equalization, page 32.

3.2 Sales of comparable properties are regarded as the most reliable indication of market value.

"Alhoewel grond nie 'n vaste markprys of verkoopswaarde het nie, en elke grond tot 'n mate van 'n ander sal verskil, selfs indien aangrensend, skyn die mees betroubare maatstaf vergelykbare grondtransaksies te wees, nieteenstaande wisselende faktore, faktore wat eie aan die grond is en vreemd aan ander is".

Minister van Waterwese vs Mostert 1966, 4 SA 690 (A) 723 F en
Minister van Waterwese vs Von During 1971, 1 SA 858 (A) 871 A.

The direct comparison method is regarded as a sound valuation method, also by our Courts:

Estate Marks vs Pretoria City Council 1969 3 SA 227 (A) 253 H 2254 B.

- 3.3 It is also necessary to take cognisance of the principles as set out in Pietermaritzburg Corporation vs S A Breweries Ltd 1911 AD 501 te 516.

“It may not always be possible to fix the market value by reference to concrete examples. There may be cases where, owing to the nature of the property, or to the absence of transactions suitable for comparison, the valuers’ difficulties are much increased. His duty then would be to take into consideration every circumstance likely to influence the mind of the purchasers, the present cost of erecting the property, the uses to which it is capable of being put, it’s business facilities as affording an opportunity for profits, it’s situation and surroundings, and so on. There being no concrete illustration ready to hand of the operation of all these considerations upon the mind of an actual buyer, he would have to employ his skill and experience in deciding what a purchaser, if one were to appear, would be likely to give. And in that way he would, to the best of his ability, be fixing the exchange value of the property”.

- 3.4 Where sales of comparable properties are used, the necessary adjustment should be made as regards time, size, physical attributes, locality and all other relevant aspects in order to obtain a value, which may be compared with the properties to be valued.

Characteristics of comparability are generally accepted to include, amongst others, the following:

- Character of properties that are compared.
- Area in which the properties are situated.
- General market conditions.
- Time factors – dates of sale, etc.
- The properties need not be identical, but should at least have a degree of congruence.

4. PROPERTY INFORMATION

4.1 Description

The property is described in Title Deed No T126799/2007 as:

A certain Erf 304 in the Township Sandown Extension 24, City of Johannesburg, Registration Division IR, province of Gauteng.
Extent: 4550 m².

4.2 Registered Owner

The registered owner is indicated in the above Title Deed as:

Eskom Holdings Ltd ID No 200201552706

4.3 Bonds Registered

No bonds registered

4.4 Improvements

Substation – approx 80m x 80m with perimeter wall.

5. MUNICIPAL VALUATION

The property falls within the area jurisdiction of the City of Johannesburg Metropolitan Municipality.

This local authority is responsible for the supply of all services such as water, electricity, etc.

The zoning of the property is to be changed to adhere to the requirements of the applicable Town Planning Scheme.

6. TITLE CONDITIONS

The title deed was not perused and it is assumed that the property is subject to standard conditions of title.

7. SOURCES OF INFORMATION

Discussions were held and information obtained for various sources such as consultants, estate agents, other valuers, officials and sources considered to be knowledgeable in respect of the area.

Further information was researched in the offices of the

- Registrar of Deeds in Pretoria,
- The Surveyor General,
- The City of Johannesburg.

8. DOCUMENTS AND PHOTOGRAPHS

During the course of this investigation a number of documents were collected (Plans, Title Deeds, Town Planning documents, etc). For practical purposes these documents are not submitted with the Valuation Report.

Photographs were taken of the proposed and existing substation sites. The purposes of the photographs are for identification purposes and also for future reference and discussion purposes.

9. VALUATION AND DISCUSSION

In an endeavour to determine whether the construction of substations have negatively or otherwise impacted on neighbouring property values, we were requested to investigate market evidence pertaining to the following substations:

- Olivedale commissioned 27 March 1974*
- Hurlingham commissioned 2 May 1985*
- Benmore commissioned 18 September 1987*
- Manor commissioned 22 January 1990*
- Gull commissioned 15 July 2008*

* Dates supplied by Eskom

Historical sales data were very difficult to come by and we were compelled to resort to more recent sales information. When comparing sales data pertaining to properties that are directly or in the immediate vicinity of the substations to that of comparable properties not affected by the substations, we were able to determine the degree of impact.

The five substations were constructed over a period of some 35 years and it is evident that during these earlier years little attention was given to the appearance of the substations.(Refer the Olivedale and Benmore substations)

However, high perimeter walls, high quality finishing and environmental awareness have become the norm for the latest substation developments.
(Gull substation)

We could not ascertain whether the substations were erected before the surrounding developments took place and from experience assume that the substations were erected on sites zoned for that specific use.

Experience further dictates that property investors are more willing to invest/buy property when public amenities are in place/visible and the probable impact, if any, can be assessed.

The Olivedale substation has very little or no impact on the surrounding properties because of its remote location. See photograph "E"

The Benmore substation impacts only on two residential properties, is low lying and surrounded by business properties. Because of its low lying and screened location this substation impacts very little, if any, on the neighbouring properties. See photograph "B"

The Hurlingham substation is located adjacent to a large Eskom installation on Erven 576 and 577 Hurlingham Ext 5 (See photograph "G"). To attempt to quantify what impact the substation has on neighbouring properties by discounting the impact of the large installations is not possible and should therefore be ignored for purposes of this valuation.

The Manor substation is located on the intersection of two main roads with business and office developments in the immediate vicinity. Sales of property in the area do not seem to support an argument for a decrease in property values attributable to the substation.

The Gull substation was erected during 2007/8 and apparently features the latest approach by Eskom in the construction of substations. As stated earlier in the report, the substation features a high(approximately 3.5metres) face brick perimeter wall to soften the visual impact of the substation.(See photograph "H"). The feeder lines to the substation are overhead power lines and masts.(See photograph "I")

Sales of property adjacent to the substation seem to indicate that the substation does not impact negatively on the value of property. Please refer to:

Erf 923 Beverly Ext 59 sold for R 2 185 000 on 28-02-2007 and resold for R 1 150 000 on 22-09-2008. The decrease in price may be attributable to the recessionary market conditions which started to affect the property market from the second semester of 2008 onwards.

Our investigations seem to indicate that objection to having substations erected in one's neighbourhood and the probable impact thereof can be placed in mainly three categories:

- Risk concerns
- Noise levels
- Visual concerns.

It is clear that these concerns, coupled with personal choices, form the basis of the investment decision by the notional buyer and the vaguer any of the concerns appear to be, the more resistance to invest will be experienced by the investor.

We were assured by the Eskom representatives that the risk and noise concerns are being addressed by the appointed consultants and that Eskom would endeavour to apply their recommendations to nullify any negative impact that may be in the offing.

We were further advised that the feeder lines serving the proposed substation would be underground to soften the visual impact of over head power lines and masts.

No building plans, scale models or sketches of the proposed substation, its position on the erf or dimensions thereof were available for perusal to enable the Valuer to visualise the substation in its final form and evaluate the possible visual impact on neighbouring properties.

It is our understanding that the property is to be fenced with a high brick perimeter wall similar to that used at the Gull substation. Perimeter walls of a wide variety of materials seem to be the norm in the suburb and the proposed wall should blend in quite well and not solicit negative comment.(See photograph "K")

During an investigation in loco it was noted that the site slopes from south to north with a fall of several metres. Large trees on the northern fence as well as trees on the property itself also assist in screening any structure or building

on the erf. The visual impact will be considerably softened if the bulk of this vegetation can be retained in the proposed development.(See photograph “L”)

It was further noted that where the suburb earlier boasted a rustic, tranquil character, increasing subdivision and densification of erven may threaten maintaining this attribute offered by the suburb.(See photograph “F”)

The ongoing building activities also result in increased traffic levels and unsightly properties where building operations have ceased for some reason or another. See Erf 328 Sandown Ext 24 situated south of Erf 304 that has been in its current state for at least the last three years. (See photograph “J”)

These excavated vacant erven not only impact negatively on the neighbourhood but also poses an element of danger.

10. CONCLUSIONS

Taking cognisance of all the information gathered from sources considered to reliable and having regard for the attributes offered by the properties affected by the existing and proposed substations, we have concluded that:

- It would appear that in the case of existing substations that the market has discounted the existence of substations in its midst and that little impact on property values are experienced.
- It further seems that in the instance where Eskom has of late made an effort to address the concerns of the community and applied measures to soften or nullified the impact by substations, for example the Gull substation, Eskom has succeeded in its endeavour.
- We believe that the Maningi substation would have very little, if any, impact on the property values in Sandown Ext 24 provided that the concerns pertaining to risk, noise and view are properly addressed in good taste and with concern for the environment.

Please note that the formal rezoning of Erf 304 Sandown Ext 24 has not been finalised and the matter may be referred to the Townships Board for approval. The possibility for claims for compensation may be consequent upon such approval.

11. QUALIFYING AND LIMITING CONDITIONS

This valuation is subject to the following underlying assumptions and qualifying and limiting conditions.

This valuation covers the property as described in this report and the areas and dimensions as shown herein, are assumed to be correct.

Any sketch or identified survey of the property included in this reports is only for the purpose of assisting the reader to visualize the property.

No responsibility is assumed for matters involving legal or title considerations.

The information identified in this report as being furnished by others, is believed to be reliable, but no responsibility for its accuracy is assumed.

We have had regard to the current state and condition of the property, but have not carried out a structural survey, nor inspected those areas that were covered, unexposed or inaccessible, neither have we arranged for the testing of electrical, heating or other services, where applicable.

The valuation further assumes that the improvements, if any, have been constructed in accordance with the relevant Building and Town Planning Regulations.

We have not carried out any soil or substratum test on the property and we have assumed that the property is suitable for the purpose for which it is used.

The value assigned for the land and improvements, where it is applicable to do so, is the value in relation to each other and should not be used separately, except as stated.

Possession of this report, or a copy thereof, does not carry with it the right of publication, nor may it be used for any purpose by any but the client for whom it was made, without the written consent of the Valuer or the client. The Valuer is not required to give testimony or attendance in court of this valuation, unless arrangements have been previously made.

SIGNED THIS 16th DAY OF JULY 2009, AT HORISON PARK.

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