IPTI Xtracts

Property Tax and Assessment News from Around the World

SOUTH AFRICA – April 2019

Evaluating the 2018 Cape Town valuation roll

According to the 2018 general valuation roll released by the City of Cape Town recently, homes in Cape Town are worth 34% more than they were three years ago. The city's five modelling categories are based on market data and sales, which are used by the city's valuation office.

However, this figure has certainly been met with a lot of concerns within the industry both from agents and real estate experts. At Harcourts we've undoubtedly experienced some regions in Cape Town showing impressive growth compared to the 2015 roll yet overall, property values have declined in the past 12 to 18 months. Indicative of these concerns is that some of our offices are finding municipal valuations are much higher than the actual market value.

Both internal and external factors have influenced the Cape Town property market; economic pressures on consumers impacting demand, the water crisis in the province and factors such as volatile economic market conditions. These factors play a major part in how buyers and sellers perceive the state of the market and this has an immediate influence on market value.

It is always difficult to analyse and summarize an entire property market across a wide region due to the intricacies of the local landscape. It has to be understood that the wide variety of properties across the city present different opportunities, therefore activities vary greatly. However, from a holistic perspective, the market has undoubtedly declined since mid-2017 with prices remaining relatively unchanged during this period.

It is imperative to note that going forward the market will change. We've seen stabilisation in previously unpredictable areas and with the water crisis stabilising also investment confidence will return. However, Eskom's woes need to be rectified as a matter of urgency as foreign investor confidence is being dramatically reduced due to our national electricity crisis. This factor could play a major part in the value of property in the near future.

NOTE:
The 2018 valuation roll was released last month and homeowners were notified in February so they could inspect the roll and raise objections. Objections can be submitted until 30 April 2019.

'We are not to blame'

MSUNDUZI rates department says it is not to blame for the delay of outstanding rate clearance certificates.

While the delays and non-issuing of rate clearance certificates has left many attorneys and conveyancers in the city frustrated, the department is blaming the bottleneck on other departments within Msunduzi Municipality.

Those caught up in the fiasco say the impact has been catastrophic with sales being cancelled, businesses unable to move into properties, and law firms and property agents left pulling their hair out in frustration.

Speaking at a meeting with the conveyancers and the Pietermaritzburg Chamber of Business yesterday, Moges Pillay, Msunduzi rates department acting manager, said all the applications they received have been processed.

"I've only got 33 applications as of March 14," he said.

"As and when they come through, we are processing applications immediately, running the assessment and circulating them to the different departments."

The applications have to be signed by five different sections prior to the assessment being issued and that is where the challenge lies, Pillay said.

"Applications are still being circulated to the various departments before they are issued, as and when they come through we do the assessments and send them out."

Pillay said the hold-up in the other departments was primarily due to the recent municipal strike.

"The strike has set us back almost three weeks with our work," he said.

Pillay indicated that another cause of the backlog was due to the rates assessments and clearances being issued manually and human resources challenges that included staff shortages.

"The process is manual from the start to finish.

"It all depends on someone physically being there to check an application and it goes through to five departments before it comes back. If there are staff shortages or queries in those sections, it will delay the application," he said.

Other delays were reportedly due to the migration of property valuations into the City's new general valuation roll.

He said if the application comes through without any queries, it is normally processed within 14 working days.

A conveyancer at the meeting blamed the delays on political infighting and incompetent staff.

"Quite often you get a certificate or even an assessment that hasn't been signed off. While print-outs are done timeously, the signing of the certificates is done 14 days later."

Bruce Campbell of Natal Property Consultants said although they have noted a slight improvement recently, there were still lot of underlying issues.

"My main concern is that even when the conveyancer pays the rates assessment, it still takes up to two months for them to issue the certificate although they have been paid."

He said various companies that had processed payments for rates assessment at the beginning of February were still waiting to be issued rates clearance certificates.

Campbell said the delays had impacted the property sector significantly.

"Nobody is getting paid; the sellers of houses have been left in limbo. You have property owners who have sold properties and moved, and they haven't got a rates assessment from the city to get their money to pay for property elsewhere.

"In other cities like Durban and Cape Town, the maximum amount of time it takes for the transfer is two weeks," said Campbell.

Pillay also said yesterday that Msunduzi Municipality was looking at the possibility of migrating to a digital application system.

"The system is designed to electronically track the application internally. It will also reduce the amount of interruptions at the rates department and the queries we get."

He did not say when the electronic system would be introduced.

Capetonians believe property valuations system is unfair – Cape Chamber

61% of respondents said their business properties were overvalued, 73% said same of their residential properties

Majority of Cape Town property owners believe current property valuations system is unfair

The vast majority of Cape Town business and residential property owners believe that their properties have been significantly overvalued by the City and that the present system of determining valuations is unfair.

In a survey of its membership by the Cape Chamber of Commerce and Industry, 63.2% of respondents saw the rating system as a wealth tax while only 36.8% said it was a reasonable way to raise revenue for local government.

"What surprised us most was the number of properties which our respondents said were overvalued by 100% or more," said Mr Geoff Jacobs, President of the Chamber. "One would expect variations of perhaps 20 % but when the 100 % figures appear then it is clear that something is very wrong."

Nearly 61% of respondents said their business properties were overvalued while 73% said their residential properties were overvalued.

In response to the question "Leaving sentiment aside, if you were offered the equivalent of municipal valuation for your property would you accept or reject the offer" 57% said they would accept the offer and sell their properties.

Mr Jacobs said this was a very significant comment as it revealed the real extent of dissatisfaction with the valuations and that people had no confidence in the system. This was confirmed when more than 82% of respondents said they did not believe the computerised mass appraisal system of valuation was fair.

Mr Jacobs said the main problem was that suburbs in Cape Town were so different that it was difficult to understand how one computerised system could be fair to all. In addition, commuting problems, congestion and local nuisance problems like noise from busy roads or danger to pedestrians could affect values.

Other comments received were that the city's operating costs were too high and that this was the reason that valuations were so high and that the city should use a zero-based budgeting system.

Several respondents said rates should be based on the actual purchase price of the property increased every year by the inflation rate. This would eliminate the unfair way in which those who improved their properties (and their neighbourhoods) were "punished" with higher rates accounts. Properties where valuations increased by more than 15% should be individually valued.