VDH 5 February 2026

VALUATION DISCUSSION HOUR™



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VALUATION DISCUSSION HOUR

Purpose

The Valuation Discussion Hour is a collaborative professional forum advancing learning, critical thinking, and excellence in the real estate industry across Africa and beyond.

We bring together valuers, asset managers, financiers, attorneys, academics, students, and others involved in the real estate value chain — to share knowledge, debate perspectives, build capability, and strengthen the larger real estate profession.

Aim - To add value

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General Rules

- Every question is valuable
- Respect the diversity of the audience
- Please be sure to engage with openness, curiosity, and professionalism.
- This is an open, interactive session - please write your remarks / questions in the chat box, we will discuss those after the 20 min presentation.

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General Format

- 10 min - Introduction
- 20 min – Presentation
- 15 min – Discussion on topic
- 15 min – Open discussion on any other relevant topic

Questions & Answers & Thoughts can be posted in the Chat box.

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Introduction



- Professional Valuer
  - SACPVP
  - AssocRICS
- Studies
  - B Art et Scientiae Town Planning
  - MSc Real Estate
- Professional Experience
  - Town Planning United Kingdom (8 years)
  - Property Valuation (13 years)
  - Lecturer at the University of Pretoria
- Valuation Experience
  - Commercial Property (Retail / Offices / Industrial)
  - Residential Property
  - Specialised Property (Hospitals / Hotels / Filling Stations)
  - Servitudes (Air-rights / Pipelines / Rentals)
  - Municipal Valuer
  - Expert Witness

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The Big Five of Commercial Property Valuations

#5 Highest and Best Use

Questions to be answered in this session:

1. Define Highest & Best Use Principle
2. Where does it “fit” in the Big 5
3. The 4 HBU Tests
4. Two Perspectives
5. Example



Define Highest & Best Use Principle

International Valuation Standards, define the Highest and Best Use as the **use**, from a **participant's perspective**, that would produce the **highest value** for an asset.

The **SA Valuers Manual** expresses HBU as the “**most probable use**” that is p**hysically possible**, **appropriately justified**, **legally permissible**, **financially feasible**, and results in the **highest value** of the property being valued.



Highest and Best Use is NOT “what the owner wants” – it is what the market would pay for, based on what is reasonably achievable.

“Feats of the Imagination”





Where does it “fit” in the Big 5

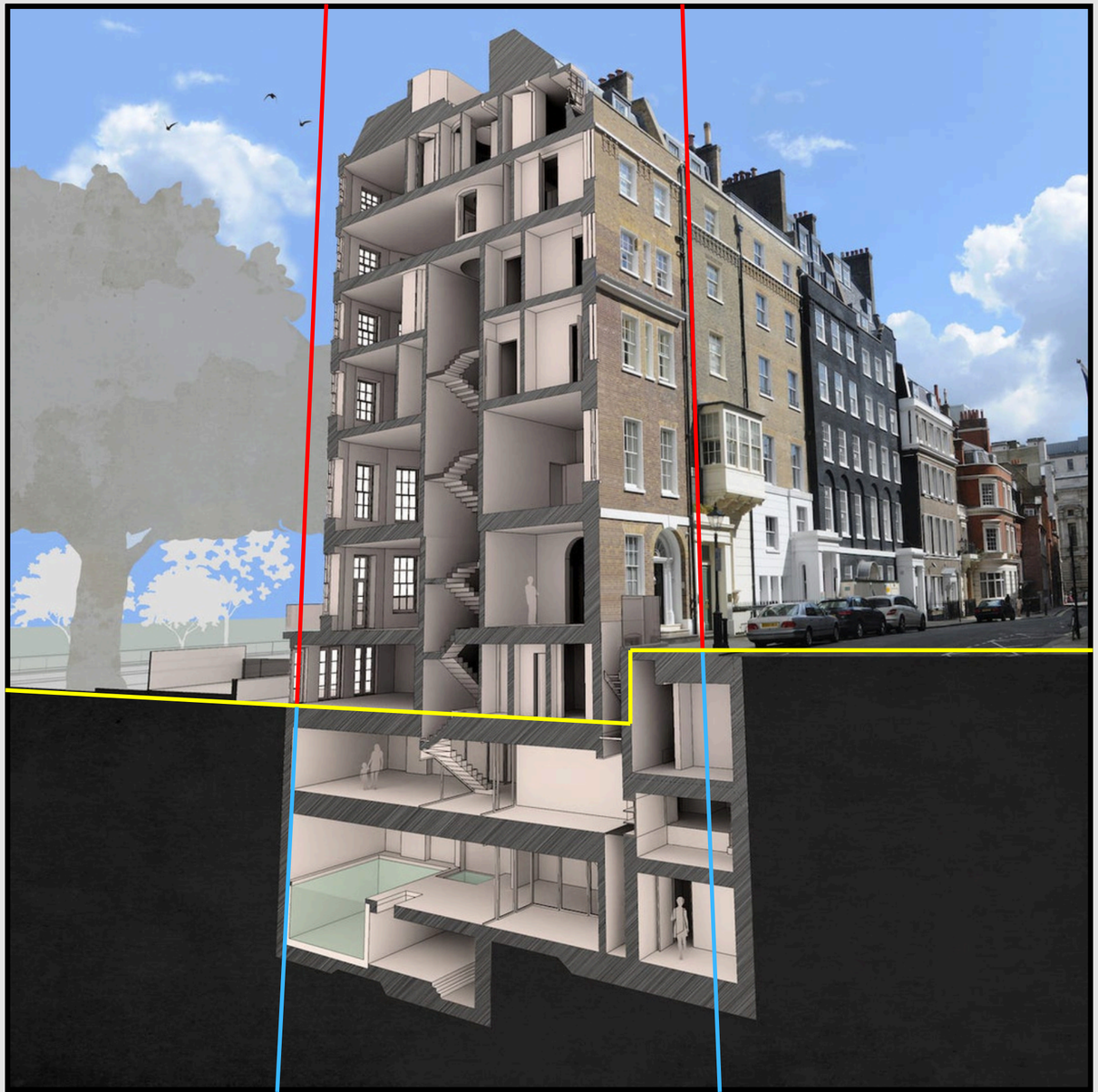
IGU

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EXP

CAP



Test 1: Legally Permissible



Are you allowed to do it?

Test 2: Physically Possible



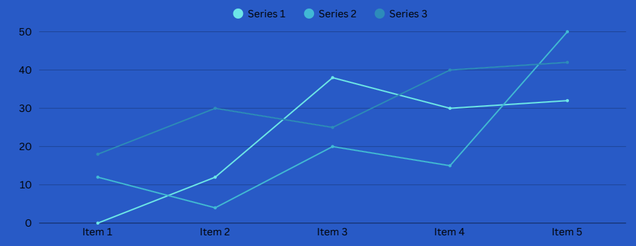
Is it Physically possible?

Test 3: Financially Feasible



Does it must still make economic sense?

Test 4: Maximally Productive



Does it produce the Highest Value?

Test 1: Legally Permissible



Are you allowed to do it?

Zoning and Planning

e.g. Land Use Rights

Title Deed Restrictions

e.g. Restricts use

Servitudes

e.g. Restricts access

Environmental Regulations

e.g. ESG regulations

Test 2: Physically Possible



Site Characteristics

e.g. shape

Existing Structures

e.g. can buildings be incorporated

Infrastructure

e.g. bulk services

Is it Physically possible?

Test 3: Financially Feasible



Cost vs. Return

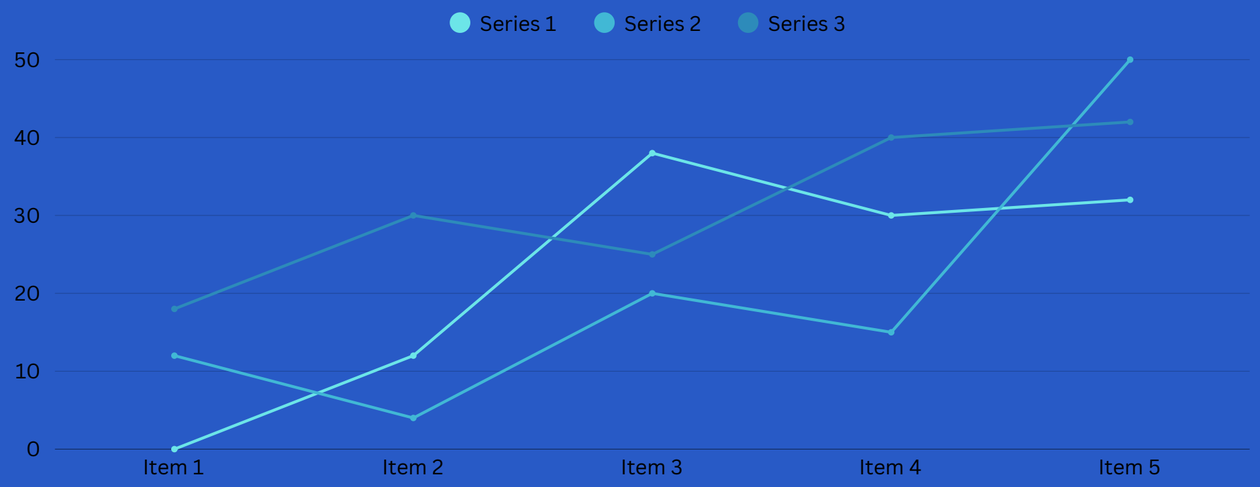
e.g. expected return

Market Demand

e.g. supply and demand

Does it must still make economic sense?

Test 4: Maximally Productive



Comparative Analysis

e.g. alternative uses

Timing

e.g. future use

Does it produce the Highest Value?

Two Perspectives

Key Question: If this land were empty today, what would we build to maximize its value?

“As Though Vacant”

This analysis identifies the "ideal improvement" for the land and establishes the baseline land value

“As Improved”

The value of the property with its current structures to determine if they still contribute value

Example



Zoning: Residential 3
Density: 150du/ha
Height: 5 storeys
Demand for residential: Strong
Sales rate in area: R28,500/sqm
Servitudes: 2m on north-eastern boundry
Title Deed Condition: No development due to dolomite





Questions

A client wants to build a shopping centre on a site. The site is physically large enough and the project is financially profitable. However, the Title Deed contains a restriction limiting the land to "Residential Use Only." Is the shopping centre the Highest and Best Use? Explain why or why not.

What are the four specific tests an appraiser must apply to determine Highest and Best Use

The Highest and Best Use of a property is always its current use?

Once a potential use has passed the legal, physical, and financial tests, how does the valuer determine which one is "Maximally Productive"?

End of the VDH **pilot period**



Value vs Price vs Cost

Valuation Approaches

Comparable Sales Method

Income Capitalisation Method

Discounted Cash Flow Method

Profit Method

Depreciated Replacement Cost Method

Municipal Valuations

Vacant Land Values

Agricultural Valuations

Specialised Valuations

Servitude Valuations

Title Deeds / Servitudes / SG Diagrams

Town Planning / Zoning Regulations

Highest and Best Use

Lease Agreements

Site Inspections and Measurements

Ethics and Valuation

SACPVP RICS SAIV SAIV BPVA SACSC SARWA ...

Market Trends - Residential

Market Trends - Commercial

Paths to the Valuation Profession

Expropriation

Plant and Machenery Valuations

Next Topic - to be confirmed on WhatsApp and Skool

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Thank you for joining today's Valuation Discussion Hour

I'd love to hear your ideas for future topics — please email me at info@meto.co.za with your suggestions.

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For more information or independent valuation services, please contact me on 067 816 5908 or info@meto.co.za or www.meto.co.za

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