

THE VALUATION APPROACH IN RELATION TO THE MODEL OF PRIVATISATION FOR LAND DEVELOPMENT ADOPTED

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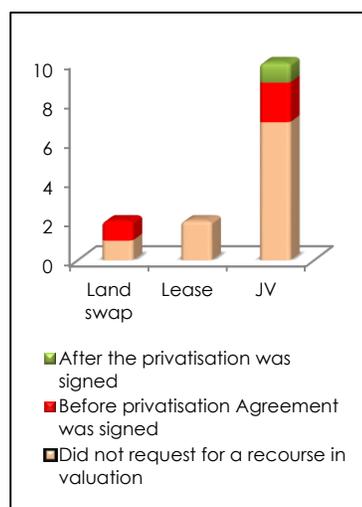
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Graphical abstract



Abstract

Privatisation of property development has been practiced in Malaysia since the 1980s where it not only involved the Federal Government but also the State Governments and the Local Governments. The government undertakes privatisation of property development for various benefits such as to reduce expenditure, to improve the quality of development and to ensure faster delivery of product. It was observed that valuation of lands involved in the privatisation is significant as the valuation determines the returns to the government and costs to the developer. Inevitably the valuation will determine whether the privatisation should proceed or not. This research investigates the relationship between the model of privatisation adopted (MOP) and the approach to valuation for privatisation of property development projects by a local authority in Kuala Lumpur, Malaysia. The models of privatisation studied are the land swap, land lease, and the joint venture developments. Altogether fifteen privatisation projects were studied. Data gathered from interviews with key personnel from the identified projects were analysed qualitatively. The findings of the research positively report that the model of privatisation not only determines the type of valuation to be carried out whether capital or lease valuation but also influences the parameters for determining the value.

Keywords: Valuation, models of privatization, land swap, land lease, joint venture

Abstrak

Penswastaan pembangunan hartanah telah diamalkan di Malaysia sejak tahun 1980-an di mana ia bukan sahaja melibatkan Kerajaan Persekutuan tetapi juga Kerajaan-kerajaan Negeri dan Kerajaan Tempatan. Kerajaan menjalankan penswastaan pembangunan harta tanah untuk pelbagai manfaat seperti mengurangkan perbelanjaan, untuk meningkatkan kualiti pembangunan dan memastikan penyampaian sesuatu produk dapat dilakukan dengan pantas. Adalah diperhatikan bahawa penilaian tanah-tanah yang terlibat dalam penswastaan adalah penting kerana penilaian tersebut akan menentukan pulangan terhadap pihak kerajaan dan kos kepada pemaju. Tidak dapat disangkal lagi bahawa penilaian yang akan menentukan sama ada penswastaan boleh diteruskan atau sebaliknya. Kajian ini mengkaji hubungan antara model penswastaan (MOP) yang digunapakai dan pendekatan penilaian bagi penswastaan projek-projek pembangunan harta tanah oleh pihak berkuasa tempatan di Kuala Lumpur, Malaysia. Model-model penswastaan dikaji ialah Penukaran tanah, Pajak tanah dan Pembangunan usahasama. Secara keseluruhan lima belas projek penswastaan telah dikaji. Data yang dikumpul daripada temu ramah bersama kakitangan utama dari projek yang dikenal pasti telah dianalisis secara kualitatif. Hasil kajian yang positif melaporkan bahawa model penswastaan bukan sahaja menentukan jenis penilaian yang akan dijalankan sama ada penilaian modal atau pajak tetapi juga mempengaruhi parameter untuk menentukan nilai.

Kata kunci: Penilaian, model penswastaan, penukaran tanah, pajak tanah, perkembangan usaha sama

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1.0 INTRODUCTION

The Malaysian government embraced both privatisation and private finance initiative (PFI), the Guidelines for Privatisation 1985 [1] the Privatisation Master Plan 1991 [2] and later Public Private Partnership 2000 [3]. It can be said that the Malaysian government drew lessons from the British privatisation programmes, which proved successful and widely respected and emulated [4] by focusing on an effective public-private sector partnership [5].

Most models of privatisation (MOP) adopted will require some sort of asset valuation. The only difference is the degree of relevance. The valuation carried out should reflect the fair market value⁶. While agreeing to [6], [7] added that the government had a responsibility to its citizens to sell assets at or above their market value. In the advent of formalising the Guidelines for Privatisation 1985 [1] the Malaysian Government had already realised the significance of valuation and pricing of assets involved in any privatisation. The guidelines stressed on the absolute necessity to arrive at the current market value of the involved assets. Later in 2009, the government issued the Public Private Partnership (PPP) guidelines [3] to facilitate the introduction of Private Finance Initiative in 2006 through the 9th Malaysia plan. The PPP guideline while advocating performance and measurement of the PPP projects was silent on how to value such projects. Hence it is assumed that issues on valuation as mentioned in the prior Guidelines for Privatisation 1985 [1] still apply.

[1] pointed out that valuation was necessary as it formed the basis for estimating the value of assets and for putting a price on the shares of companies, which will take over the privatised assets. This view was echoed in the Privatisation Master Plan Malaysia (PMP) 1991 [2]. The valuation carried out should reflect the fair market value [1], [6], [8].

The [2] has recommended that in valuing the development site for privatisation there is a need to allow for encumbrances, which can mean physical encumbrances such as squatters, or title encumbrances such restrictions in interest or special conditions, or legal encumbrances such as the Heritage Act.

The literature has suggested that in sales of State Owned Entities (SOE), some undervaluation of the assets had occurred [9], [10]. Although property is normally only a small part in the overall value of a company or utility, unforeseen profits made on property transactions after privatisation have stressed the need to have property valuations carried out by professional valuers [9]. For example in the privatisation of Rover cars to British Aerospace in 1988, it was reported that British Aerospace later sold off parts of Rover for substantial profits mainly from property sales, raising queries regarding undervaluation of assets. A similar problem arose over the privatisation of Royal Ordnance factories in 1989 to British Aerospace, which again resulted in large profits from sale of property, hence again raising

questions of undervaluation of assets at the time of privatisation [10, 11]. While the literature is biased towards undervaluation of assets, cases of overvaluation of assets might have occurred as well. Only such situations have not been highlighted. However selling at above market could have adverse results, as explained by [7], buyers who overpay for an asset cannot meet their target from the acquisition.

Privatisation of property development is on case-by-case basis. [7] explained that in case-by-case privatisation as opposed to mass privatisation, value is of fundamental importance to both the host government and the developer. On one hand, the government has a moral responsibility to ensure the privatisation adheres to market value and the disposal should either be market value or above market value. Any value below market is not an option. On the other hand, the developer too has target returns to meet and any value above market could adversely affect their targeted returns.

This paper is based on a study of fifteen privatisation property development projects undertaken with Kuala Lumpur City Hall (DBKL). The MOPs involved were Land Swap (LS), Land Lease (LL) and Joint Venture (JV). The qualitative research methodology was adopted and purposive sampling was carried out.

2.0 PRIVATISATION MODELS

The definition of privatisation has set the pathway to the models of privatisation (MOP) that can be adopted. In the case of Malaysia, the PMP identified several modes of privatisation namely sale of assets, lease of assets, management contracts and the concession based build operate transfer (BOT) and build operate (BO). In the 7th Malaysia Plan several other MOPs were also mentioned such as the management buyout (MBO), land swap (LS) and build lease transfer (BLT). To quote the 7MP (1996-2000): "The introduction of the new modes arose from an expanded scope of privatisation as well as to accommodate the requirements of more innovative proposals submitted by the private sector". To further facilitate innovative land development, the 7MP (1996-2000) also allowed development rights over river reserves, air and subterranean space. Although not specifically mentioned other MOPs commonly adopted in Malaysia include the joint venture (JV), deregulation and liberalisation [12]. Efforts then were made to formulate appropriate legislature and policies for such provisions where necessary.

In this research three MOPs of privatisation were studied in detail, namely the Land Swap (LS), Land Lease (LL) and the Joint Venture (JV). The modus operandi of each MOP was researched in theory and practice especially in relation to the adaptations to suit DBKL which was the party allowing such privatisations.

2.1 Land Swap

In the Malaysian context of privatisation, the land swap means transferring land to another party in return for benefits in kind. In other words it is the transferring of government land to a developer in return for benefits in the form of land development. In this mode there are two forms of development involved, one is the government facility and the other is the developer's development on the swap site. The returns to the developer are directly related to the development on the swap site. Here returns to the developer are then very dependent to economic and property market trends. Nevertheless being a privatisation the government has the prerogative to influence the type of development on the swap site.

Privatisation via land swap is normally private initiated. Swap sites targeted are normally within choice commercial areas but are underutilised with existing government facilities or vacant. It can be said that asset swap is location reliant [13]. Under this mode of privatisation, the land value of the swap site is of ultimate importance, since this value will determine the returns to the government. In other words cost of building the government facilities will be equivalent to the value of the swap site [14], [13]. Thus it is of utmost importance for the land valuations to be carried out professionally. This mode of privatisation has a tendency to limit the location for development as both returns to government and developer is dependent on the land value of the swap land.

With reference to the study area, the LS developers specified they had to build the Kuala Lumpur City Hall (DBKL) required facilities before they could access the swap land. The building of the DBKL facilities would be equivalent to the value of the swap site. The swap lands will only be transferred to the developers after completing the said DBKL facilities. A good example is the Mid-Valley Mega Mall, the developer had to develop several blocks of low cost housing apartments for DBKL in return for the land to develop the mall and related development.

2.2 Land Lease

The land lease is considered as a variant of the concession based MOP. Concessions have been explained as a means by which the government transfers operation and developing rights to the private sector for an agreed period of time. Under this mode the concessionaire takes responsibility for capital expenditure and investments [15]. During the concession period, the developer has the right to receive revenues or other benefits from the operation of the government facility. Upon expiry of the concession period, the facility reverts back to the government at no cost. The main difference being that in a land lease the land is leased to the developer for a certain period of time.

The Land Lease MOP involves the government leasing the site to the developer for a certain period. The developer is then allowed to develop the site and

collect rental or fees from the operations [14]. Land to be developed by the lessee is usually leased for a period of 15-30 years [16]. The period of lease is important as longer agreements encourage the private party to make more significant investments and to take other steps to build up the business [16].

A point of contention is the allowed use of the leased land. On one hand if land leased to the private sector is without restriction or constraint on its use, then its opportunity value is the price, which would be obtained from the highest bidder associated with the optimum use of the land and the revenue streams that they can generate. If the land is leased for providing a specific service or there are constraints attached, then the value to the bidder will be limited to its revenue potential for the designated use [16].

Based on the explanations by the LL developers, there are two approaches involved. Two of privatisations involved leasing lands from DBKL for periods of between 15 to 20 years. The developers under this approach explained that they were allowed to develop the sites and rent out the development during the concession period, but they were not allowed to charge the development land. The LL developers specified that they were allowed to rent out their development for a period not exceeding three years at a stretch. The second approach involved privatisation of the operation of DBKL facilities. Here the developer explained that they leased DBKL land and was allowed to build a DBKL facility which they could operate and collect fees. The land lease period is about 30 years and the developer was not allowed to charge the development site. The fees for the allowed operation were fixed in the privatisation agreement.

2.3 Joint Venture

Joint venture (JV) is another model of privatisation. The implication of JVs is that both the public sector and private sector wish to share the risks and benefits associated with a particular enterprise. In many instances JVs are attractive to both the public and the private sector for a number of reasons. For the public sector, JVs ensure a continued and sometimes controlling interest in management and operations as well as share of anticipated profits while getting desired managerial and investment inputs. For the private party, joint ventures can indicate a governmental commitment to assist a successful enterprise as well as reducing the level of investment and risk [16], [17], [18]. The returns to both parties will be negotiated [19]. Such negotiations are usually with regards to the percentage in profit sharing, risk management and equity.

[18] noted that through joint venture development schemes issues of risks could be addressed. The risks addressed would usually relate to funding facilities and skilled personnel and expertise [18]. The project involved has to have commercial value and the negotiated returns have to be sufficiently attractive to both parties. The parties share risks and rewards in

proportion to either their shareholding portion or some other agreed contractual arrangement [17].

Enquires made to the JV developers in the study area revealed that, DBKL is the landowner and they were the developers. The developers had to pay DBKL the market value of the development land as well as share profits with DBKL in return for the right to develop the site. Under this model the developers were also not allowed to charge the development site to secure loan financing. They were to secure loan financing on their own using their financial strength and credibility. Based on the study, the developers had at least five to eight years experience in land development. Furthermore based on their project size, they were committed to the JV and had sufficient financing facilities to complete the privatisation.

The developers also clarified that they need not pay the total land value immediately. They were allowed to pay the land value to the Local Authority according to the phase of development. Nonetheless the payment had to be paid before the developers were allowed to begin development of the each phase. The JV developers had to secure financing to pay for

the land value and also to develop the site. What helped was that the proceeds from the sales of the earlier development phases went to the developer and were used to offset the next phase of development.

3.0 RESEARCH METHODOLOGY

This research is qualitative and adopted comparative case study approach. The privatisation projects studied involved three models of privatisation, which were Land Swap, Land Lease and Joint Venture. The privatisation projects were grouped within each model and comparatively studied within the model. Next comparison was made between the three models. Although nineteen projects were identified, only fifteen agreed to be interviewed and participate. The breakdown of the projects according to the model is graphically illustrated below in Figure 1. The projects researched were also grouped and organised in terms of ownership and returns and a synthesis is presented in Table 1.

Table 1 Synthesis of projects according to privatisation model

Project	Development Site Ownership			Returns to DBKL				Returns to Developers	MOP	
	Number of sites	DBKL	Developer	Land value (cash)	Land value (cash and kind)	Land value (in kind)	Lease rental (cash)	Sales of development	Rental income from development	Operation fees from development
LS1	2	√	√			√		√		
LS2	2	√	√			√		√		
LL1	1	√					√	√	√	
LL2	1	√					√	√	√	
LL3	1	√					√	√		√
JV1	1	√			√			√		
JV2	1	√			√			√		
JV3	1	√		√				√		
JV4	1	√		√				√		
JV5	1	√		√				√		
JV6	1	√		√				√		
JV7	1	√		√				√		
JV8	1	√		√				√		
JV9	1	√			√			√		

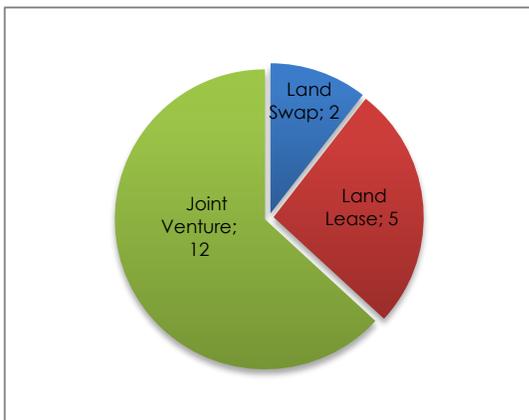


Figure 1 Privatisation of property development projects

Data collected was both secondary and primary. Secondary data referred to published data such as extracted from published articles, economic reports, economic budgets, property market reports, and house price indexes. Such data showed and substantiated the rising and falling trends of economic factors in accordance with economic fluctuations, such as interest rates, inflation, property values, and loan value.

Primary data was collected through interviews conducted and on site observations of identified projects. The instrumentation adopted was a semi structured interview schedule. A purposive sampling was carried out and relevant respondents were identified. The respondents were top personnel

identified in each privatisation project. In deciding on the respondents from each company, discussions had been conducted with the officers from the DBKL Privatisation Unit, followed by recommendations from the privatisation company itself. Based on the above then only was the choice made on the respondents to be interviewed from each privatisation company. This then followed that the respondents interviewed were either the Chief Executive Officers (CEOs) or a person in the top management of the various development companies, it can be concluded these personnel knew the project well and could be trusted to be the mouthpiece and represent the company. Being the CEOs or part of the top management, the respondents were aware of all the details related to the privatisation project and hence made choice respondents.

To ease identifying and analysing data all the projects studied were coded. The coding LS were for land swap MOP and numbered LS1 and LS2, LL was for the land lease MOP and numbered LL1 to LL3 whilst JV for the joint venture MOP and numbered JV1 to JV10.

4.0 RESULTS AND DISCUSSIONS

The interviews carried out revealed much information on the relevance of the valuation to the privatisation projects. The responses revealed that MOP decided on the approach of valuation to be carried out whether capital or lease rental valuation. The capital value referred to is the value of the development site. Usually the development site is valued when the privatisation involved is a land swap or a JV. In the case of the land swap model of privatisation the swap site is valued. For the JV MOP the joint development site is valued. The lease rental refers to the lease rental of the development site that the developer had to pay to DBKL. In a land lease privatisation the lease rentals determined were based on ground leases of the development site.

Across the MOPs all the developers agreed that the valuations carried out had dual purpose. One purpose was to determine the viability of the privatisation to DBKL and as mentioned by LL3, the valuations carried out were "Just to determine the returns to DBKL in cash." Here viability to DBKL meant that the returns to DBKL whether in terms of cash or kind was sufficient for DBKL to proceed with the privatisation in question. LS2 quoted, "The land value of the swap site determined the returns in kind TO DBKL. The issue here is whether the swap land value is sufficient to build all the DBKL required returns."

The other purpose was to determine whether it was viable for the developer to proceed with the privatisation since the land value becomes part of project cost. Developer LL2 quoted, "The lease rental is reasonable for the developer to proceed." The quote reflects that on the reverse should the valuation was too high then the developer might not be able to proceed with the privatisation because their returns

might not suffice.

4.1 Models of privatisation

As contended the MOP had influence on the value of sites involved in the privatisation. The results from the interviews confirmed such debate.

i. Land Swap

The advantage of land swap is that the DBKL obligations would usually be taken care of in the return development, which is in kind to DBKL. Obligations usually refer to social housing and amenities. Since the swap site would be transferred to the developer upon completion of DBKL facilities and development, the development on the swap site would be subject to normal planning requirements. Hence from this it can be concurred that the development proposal on the swap site would reflect the highest and best use on the site which translates to market value. This could explain why the land swap model has the highest project cost among the three models.

ii. Land Lease

Two situations arise here. One involved a privatised operational facility and other two involved commercial development. In the case of the privatised facility, the valuation was based on the income generated from operating the facility. As for the other two privatisations, the valuations were based on the income to be generated through lease rental of the completed development proposal. In such privatisations, DBKL had set certain conditions for the commercial development such as the buildings had to be low rise and could be dismantled easily upon expiry of the concession. This indicates that the valuation cannot be based on the highest and best use. In the case of the privatised DBKL facility, the valuation was based on the income generated from the privatised facility. Again this would not reflect the highest and best use allowed for the site but rather what is required by DBKL. Furthermore DBKL fixed the rates for the developer to collect from the clients of the privatised facility. It can be concluded that the valuation for both situations is lower than the market value of the site. This point was brought up by LL3, who depicted that although the lease rental was below market, the fixed rates for facility use were also below market rates.

iii. Joint Venture

The difference with the land swap is that for the JV, all of DBKL obligations would have to be included in the development proposal, such as low cost housing, low medium cost housing and medium cost housing, together with all the required amenities. Again here while the development proposal can still reflect the highest and best use, the possibility of more than

normal social housing and increased Bumiputra quota can be included. With reference to planning issues, the JV developers did stress that the Bumiputra quota for sales was increased to 50 percent from the normal 30 percent imposed. The JV developers responded that the increase in Bumiputra quota tended to slow sales, which affected their cash flow. Since this situation is not normal it can affect projected income to the project and arrive at a land value, which is less than market. Furthermore as claimed by some of the JV developers DBKL tended to request for more public facilities since it was a privatisation. Clearly, since DBKL is the landowner, this is a good opportunity for DBKL to more than just fulfil its social obligations to residents, especially for those in the lower income group.

Therefore, we can observe that the market value is achieved from the land swap model of privatisation. As for the land lease model, the valuation would be below the market value. Finally for the JV model of privatisation it is very likely for the valuation to be below the market value as well.

In retrospect, the LS developers would be accorded the highest land value for them to secure the privatisation. Such a situation in reality does not assist, as their returns in kind to DBKL will cost more. The LL developers would generally be accorded a land value below market. Topped up with periodical regular payments, the LL developers tend to gain. Finally the JV developers could enjoy a slightly below than market land value. Coupled with payments to DBKL, which are phase based, the JV developers would be better off than the LS developers.

4.2 Planning Issues

Results from the interviews revealed that the MOP could cause certain constraints to the development proposals, while some MOPs imposed additional requirements to the developer.

i. Development Constraints

From the response of the land lease developers, which is concession based it was observed that the MOP laid constraints on the development potential of the site. For example, this MOP only allowed low-rise developments that used lightweight construction material, which allows for easy dismantle and removal. The inference here is that a situation may arise which requires DBKL to demolish or dismantle the development for another user. Hence in this situation, the MOP does not allow for the site to be developed to its highest and best potential.

It was observed that the LL privatisations had small land areas comparatively to the LS and JV privatisations of between 1 to 2 acres. It was also observed that LL1 and LL2 were niche sites, which were reserves for road and drain. In other words the LL MOP allows for creative and innovative development.

The JV developers had issues with the MOP. Due to changing economic climate the final density of the

development could differ from the original plan submitted with the privatisation agreement. The point of contention here is that if the final density is higher than the submitted original, the returns to DBKL would be taken care of through profit sharing, but if the final density is less than the original submitted, the developer still had to maintain the original minimum gross profit (MGP) agreed to the local authority.

Land development is a long process and in the JV privatisation, the low cost housing is usually built over several phases. Not all low cost housing were built in phase one. Such development strategy has sometimes caused the JV developers to get caught in new policies and guidelines required for low cost housing development. The changing policies normally involved increase in the number of rooms and minimum built up area. New policies while good for the purchasers meant extra costs for the JV developers.

Interestingly, the LS developers were not substantially affected by change in development policies or requirements much because the LS developers had to build the DBKL return facilities first before they could develop the swap site. Hence the LS developers were less susceptible to inclusion of newer development policies and guidelines than the JV developers.

ii. Bumiputra Quota

Several JV developers also mentioned that for the JV privatisations, the Bumiputra quota was increased to 50 percent from the usual 30 percent. This does have bearing especially in the Non - Bumiputra dominated areas as sales would be affected. The JV developers aired these grouses only and it was analysed that in a JV, DBKL as the JV partner has other agendas such as urban renewal, relocation of people and improving social conditions. Although these developers clarified that DBKL allowed them to reduce the Bumiputra quota for certain phases, they had to make up for in the other phases. This is because on the overall the development scheme had to have a 50 percent Bumiputra quota. DBKL explained that the imposition of 50 percent Bumiputra quota was to meet their objectives set and the best way to achieve this was through the JV privatisation since they were the landowners. DBKL explained they also assist in marketing the Bumiputra unit.

Therefore it was observed that when the JV partner is the Local Authority as well, there was a tendency for the LA to impose extra conditions to meet their target social objectives. While this is good for the LA and the public at large it can be detrimental for the developer involved.

4.3 Documentation

i. Sales and Purchase Agreements

Since under the JV MOP, the landowner is DBKL therefore all Sales and Purchase Agreements (SPA)

involved will be tripartite between, DBKL as the landowner, the developer and the purchaser. There were complains from the JV developers that DBKL was not timely in signing the SPA and this resulted in the developers getting the 10 % down payment late. This is a weakness attached with the joint venture model of privatisation. DBKL admits this problem arises but reiterates that it is an administrative problem, which can be remedied through cooperation between both DBKL and the developer. This problem does not arise with the LS developers, as they are the owners of the swap site, thus all SPAs only involved themselves and the purchaser. Similarly the LL developers too were not affected as only they and the tenants were parties to the rental agreement.

ii. Conditions in Privatisation Agreement

A majority of the JV developers agreed that the model of privatisation had bearing on the valuation carried out. Their thoughts are summarised as follows:

- 1 This is because the valuation was based on the development proposal of low cost and low medium cost housing.
- 2 The valuation was based on the decided selling price following DBKL requirements and agreement.

A JV developer also commented that the valuer involved had to be aware of the bullish and bearish runs in terms of the property cycle since property development is usually carried out for a number of years. Overall it was observed that the JV developers were more sensitive to the effect of the privatisation model in relation to the land valuation.

4.4 Site Issues

From Figure 2, it was observed that the JV developers had more physical land problems. It appeared that their sites were initially either landfills, or had mining pools and fishponds. All the JV developers interviewed unanimously agreed they had to settle the site problems on their own. Many JV developers remarked that DBKL should play a bigger role in solving the problems, as it is a JV between them and DBKL.

They opined that the model did not assist, since DBKL was lacking in its role as a JV partner. DBKL explained that in the privatisation they are the landowner and the right to develop had been given to the developer. Therefore the developer had to correct the entire physical problem on their own as with any private developers. However DBKL did clarify they would assist if it were within their capacity.

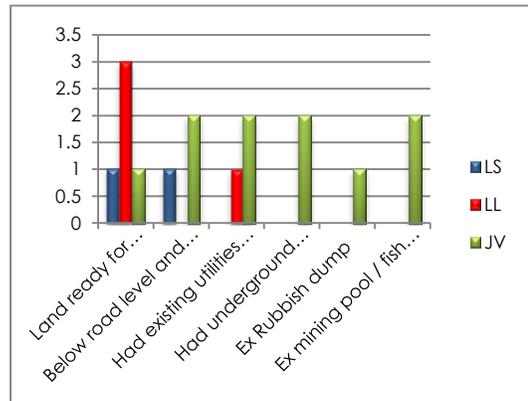


Figure 2 Site physical and geographical conditions

4.5 Request for Revaluation

Across the three models, only some developers adopting the JV (3) and Land swap (1) requested for a revaluation. Figure 3 below reflects the above:

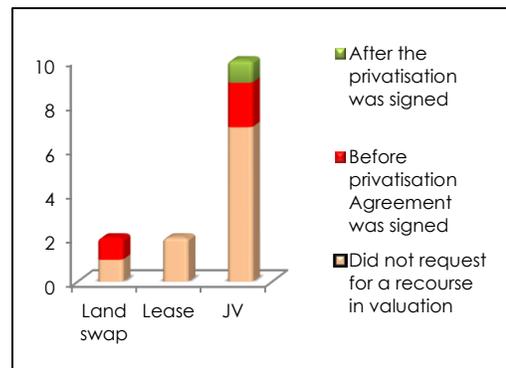


Figure 3 Request for revaluation

It was noted that developers who requested for revaluation before the agreement was signed were entertained as quoted by JV2 "The land use was changed after the valuation was fixed but before the signing of the agreement. Hence, a revaluation was allowed."

Those who applied for revaluation after the agreement was signed were not entertained. Here it can be inferred that changing certain elements in the agreement after it was signed was not allowed. It was also deduced that since for the LS the value reflected the market and for the JV the value arrived at was near market value, the request for revaluation is understandable as the value is high. For the LL since the value can be inferred as below market value, there was no request for revaluation.

5.0 CONCLUSION

In terms of valuation, the MOP not only determined the type of valuation to be carried out that is whether capital or lease valuation but also influenced the value arrived at.

All the three MOPs researched had influences on the valuation approach. Parameters that affected the valuation were planning issues such development constraints and Bumiputra quota. Documentations such as the SPA, and the conditions in the privatisation agreement also played a role in impacting the valuation. Of the three MOPs studied, it was observed that the LL and JV were most susceptible to the MOP.

On one hand although the site for the privatisation project was not determined by the MOP, there was a tendency for the LS privatisations to be better placed with less physical issues. On the other hand the JV privatisations tended to locate in areas, which had physical issues. Site conditions tended to affect its value.

In light of the above findings, it is recommended that the valuer involved adopt a method of valuation, which can cover all the factors and parameters highlighted. It is suggested that the discounted cash flow technique be utilised.

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