

# VALUATION OF PORTION OF THE REMAINDER OF ERF 10000 MELMOTH





**1. INSTRUCTING PARTY:**

The Municipal Manager  
Mthonjaneni Municipality

**2. VALUATION INSTRUCTION:**

Determine the current market value of a proposed portion of the Remainder of Erf 10 000 of Melmoth, measuring approximately 13 542m<sup>2</sup>. This area has an electrical substation of 6m<sup>2</sup>, and a storage room of 20m<sup>2</sup>. For the purpose of this valuation, the buildings are disregarded and the property is valued as vacant land. The area valued is identified on the map above.

**2.1 DATE OF INSPECTION:**

The property was inspected on 3 March 2020.

**3. PROPERTY DESCRIPTION:**

The property valued is more fully described as a Portion of the Remainder of Erf 10000 Melmoth situated within the Mthonjaneni Municipal area, Administrative District and Province of KwaZulu Natal in extent approximately 13 542m<sup>2</sup>.

**3.1 TITLE DEED INFORMATION**

The property is un-registered in the Pietermaritzburg Deeds Office and forms part of the Remainder of Erf 10000 Melmoth (Mthonjaneni Municipality).

**4. MUNICIPAL INFORMATION:**

**4.1 Zoning:**

The Subject property is currently unzoned as it forms part of the Remainder of Erf 10000 Melmoth in terms of the Mthonjaneni Municipality Town Planning Scheme in the course of preparation.

**4.2 Municipal Valuation:**

The subject property, whilst held in the Remainder, is not valued for municipal purposes.

**4.3 Municipal Services:**

All municipal services are available.

**5. GENERAL INFORMATION:**

**5.1 General Type of Area:**

The property lies to the South of the town of Melmoth and is well located with access from both, the main route R66 and AF Leitch Drive. The land slopes gently below road level with good accessibility.



## 6. DESCRIPTION OF IMPROVEMENTS:

Improvements on the site comprise a small electrical substation of 6sqm and a storeroom of 20sqm. We have disregarded the buildings and valued the property as if vacant for purposes of this exercise.

## 7. VALUATION METHOD:

When valuing real estate, the Valuer must concern himself with placing a value on the rights attaching to the property and the benefits of occupation and/or ownership thereof. In the valuation process, cognisance must be taken of the purpose for which the property is capable of being used and the future income or amenities, which it is likely to produce. At the same time, however, the property must be compared with available substitutes and/or alternative investment opportunities. The object of the valuation process, therefore, is to arrive at a figure which will reflect the point of equilibrium between supply and effective demand at the time of valuing the property.

The valuation of land as if vacant, or of land and improvements to or on the land, is an economic concept. Whether vacant or improved, land is also referred to as real estate.

There are three methods commonly used for determining the market value of real estate. These methods of valuation comprise:

### **Comparable Sales Approach**

This method involves an analysis of recent sales of similar or comparable properties. It is based on the simple notion that if a property is sold in the open market at a certain price then an identical property would sell at the same price. Since no two properties are identical, (they can never have the same location) necessary comparisons and adjustments must be made to determine the actual value of the particular property.

### **Cost Approach**

This method comprises the assessment of the value of the land applying market value principles. Assess the replacement cost of the improvements and deduct allowances for physical, functional and economic depreciation.

### **Income Approach**

The income capitalisation method is commonly used for the valuation of investment properties which yield an on-going income stream, usually from rental income. This type of property is usually referred to as investment properties.

In order to determine which method/s applies to the subject property; cognisance was taken of the fact that the improvements to the subject properties were disregarded. We have therefore valued the property as though it were vacant and applied the comparable sales approach.

### **Highest and Best Use**

“Highest and best use (highest and most profitable use; optimum) is the reasonable and probable use which will support the highest present value as defined, at the date of valuation.” (W N Kinnard)

We believe that the highest and best use for the subject property to be business/commercial, and in particular retail shopping, given its good micro location.



**8. COMPARABLE SALES and CALCULATION of VALUE**

The following sales have been considered:

<p><b>Sale No. 1</b></p> <p>Property description: Erf 61 Melmoth          Purchase Price: R 100 000, 00          Purchase Date: 2017-04-26          Erf Size: 4047 sqm.          Erf Selling Rate: R 24,71          Building Size: N/A          Building Selling Rate: N/A</p> <p><b>Comments:</b>          Gently sloping to level site, below road level with good access. Off the Main R66 route. Smaller site in comparison, but with good potential.</p>	
<p><b>Sale No. 2</b></p> <p>Property description: Erf 134 Melmoth          Purchase Price: R 200 000, 00          Purchase Date: 2017-02-10          Erf Size: 4047 sqm.          Erf Selling Rate: R 49,41          Building Size: N/A          Building Selling Rate: N/A</p> <p><b>Comments:</b>          Gently sloping to level site, below road level with good access. Off the Main R66 route. Smaller site in comparison, but with good potential.</p>	
<p><b>Sale No. 3</b></p> <p>Property description: Erf 22 Gingindlovu          Purchase Price: R 250 000, 00          Purchase Date: 2018-06-09          Erf Size: 4047 sqm.          Erf Selling Rate: R 61,77          Building Size: N/A          Building Selling Rate: N/A</p> <p><b>Comments:</b>          A good, level site in Gingindlovu, with good access off Lamb Street. Smaller site in comparison, with restrictive access noted due to the shape of the site, but with good potential. Used as an indicator due to lack of sales close to the subject property.</p>	



<p><b>Sale No. 4</b></p> <p>Property description: Erf 987 Ulundi B Purchase Price: R 2 875 000, 00 Purchase Date: 2019-03-08 Erf Size: 35363 sqm. Erf Selling Rate: R 81,29 Building Size: N/A Building Selling Rate: N/A</p> <p><b>Comments:</b> A large level site with good development potential, situated alongside the main route R66, King Dinizulu Highway. Closer comparison.</p>	
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<p><b>Sale No. 5</b></p> <p>Property description: Remainder of Erf 126 Ulundi BA Purchase Price: R 5 536 432, 00 Purchase Date: 2016-11-30 Erf Size: 43198 sqm. Erf Selling Rate: R 128,16 Building Size: N/A Building Selling Rate: N/A</p> <p><b>Comments:</b> A large level site with very good development potential, situated within the business district. Compares superior for size but similar for development potential. Used as an indicator.</p>	
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The comparable guideline sale properties 1 and 2 are taken from Melmoth whilst sales 3, 4 and 5 are taken from towns nearby. This is due to the lack of larger vacant land sales within the Melmoth area. An analysis of the comparable sales indicates that the smaller sites realise a sale rate of between R 24, 71/m<sup>2</sup> and R 61, 77/m<sup>2</sup>. It is with note that due to the shape and layout of the smaller sites, they would have restricted access when compared to the subject site. Sales 5 and 6 being larger sites are considered closer comparable to the subject property and have realised selling rates of between R81, 29/m<sup>2</sup> and R128, 16/m<sup>2</sup>. We have considered the subject property's location and stand size within the subject node compared to the above guideline properties. Appropriate upward and downward adjustments were considered and applied to the subject property to arrive at a realistic open market value for the subject property.

After having reviewed the sales, we are of the opinion that a fair rate per unit for the subject property would be R 125, 00/m<sup>2</sup> allowing for size and time adjustment.



The value is calculated as follows:

**Proposed Area:**

13 542m<sup>2</sup> x 125, 00 = R 1 692 750, Say R 1 700 000, 00

**9. VALUATION CERTIFICATE:**

We, Faiaz Shaik and Moosa Ebrahim, registered as a Professional Valuer and a Professional Associated Valuer respectively, in terms of Section 20(2)a of the Property Valuers Profession Act 2000, and Member of the South African Institute of Valuer's, do hereby certify that we consider, to the best of our skills and knowledge, that the fair and true valuation of the property is the sum of:

**R 1,700,000**  
**(ONE MILLION SEVEN HUNDRED THOUSAND RANDS)**

Dated at Durban this 24<sup>th</sup> day of April 2020

Faiaz Shaik  
Professional Valuer  
Registration No 3576

Moosa Ebrahim  
Professional Associated Valuer  
Registration No 6472



Subject Property – North View



Subject Property – South View



## STATEMENT OF LIMITING CONDITIONS

1. This valuation has been prepared on the basis that full disclosure of all information and factors which may affect the valuation have been made to us and we cannot accept any liability or responsibility whatsoever for the valuation, unless such full disclosure has been made.
2. We have endeavoured to inspect the relevant Title Deed documents and where necessary, provided comment thereon. Where we have not had sight of the Title Deed documents, we have assumed that there are no onerous conditions contained therein.
3. The property has been valued as if wholly owned with no account being taken of any outstanding monies due in respect of mortgage bonds, loans or other charges. No deductions have been made in our valuation for the cost of acquisition or disposal of the asset.
4. Any plans and/or diagrams included within the Valuation Report are supplied for the purpose of identification only and are not necessarily to scale.
5. Our valuation assumes that a formal environmental assessment is required and further that the property is not environmentally impaired or contaminated
6. We have assumed that the property and its value are unaffected by any statutory notice, and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.
7. This valuation is produced exclusively for Our Client and for the specific purposes to which it refers. It may be disclosed to other professional advisers assisting you in respect of that purpose. We accept no responsibility whatsoever to any parties other than yourselves who make use of this valuation.
8. Neither the whole nor any part of this valuation, nor any reference thereto may be included in any published document, circular or statement, nor published in any way without the written approval of Evaluations Enhanced Property Appraisal.
9. The Valuer has no present or contemplated interest in this or any other properties or any other interests, which would affect the statements or values contained in this valuation report. The valuation enclosed herewith was therefore undertaken on a completely independent basis by Evaluations Enhanced Property Appraisal.