

# Evidence Supporting Municipal Valuation Objections

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## INTRODUCTION

When submitting an objection and/or an appeal, citizens may ask themselves, “what kind of valuation report/evidence must I attach to my valuation objection?”. This note attempts to address this issue within the context of the law relating to municipal property valuations in South Africa.

## WHAT SHOULD THE MUNICIPAL VALUATION BE?

It should be ‘market value’ – which is ordinarily the value that you could sell your property for on the open market between an unrelated buyer and seller. There are, however, a number of accepted valuation methods that can be utilized to arrive at what market value is (for example, comparative sales method, cost depreciation method, and the income yield method).

## VALUATION DATE

The Municipality must determine the date of valuation, which may not be more than 12 months prior to the commencement of the financial year in which the valuation roll is to be first implemented. For example, prior to the implementation of the 2023 General Valuation Roll in the 2023/2024 financial year, the Municipality determined that the date of valuation for all properties that appeared on the 2023 General Valuation Roll was the 1st of July 2022. In most cases in South Africa, the valuation date for each roll is one year before its commencement date.

A useful method of determining the market value of the average residential home as at the valuation date is by doing a Comparative Sales Analysis. Using this method, a property owner can determine the market value of their property by comparing the property to comparable properties in the area that have either been recently sold close to valuation date on an open market or re-valued by the Municipality. The property owner would use comparable properties of-

- the same or similar size in square meters or hectares
- can use the average price per square meter;

- in the same area/ location;
- with same or similar features or physical attributes such as number and size of bedrooms, bathrooms, garages etc;
- in the same or similar age or condition

and compare these properties to their property by examining the abovementioned factors and calculating the final estimated market value of the subject property.

Most property valuations are based comparative sales analysis, and although a property owner may conduct their own comparative sales analysis, it may not be accurate enough to be considered sufficient evidence in a valuation dispute and that is why professional property valuers and their expertise are essential.

## DIFFERENT TYPES OF VALUATIONS

There is no law that says that a valuation must be done by a professional property valuer, but usually when they are done by people with qualifications in the field of property valuations and relevant experience, they tend to be much more accurate than when done by lay persons.

- Sworn or professional valuation – this is done by a person with an appropriate academic qualification who is registered as a sworn valuer with the appropriate body, and who uses one or more of the acceptable valuation approaches and applies certain scientific calculations to data relating to your property to arrive at its valuation. Sworn valuers usually charge per valuation and commercial properties tend to cost more than residential properties. The “average” charge appears to be around R 3,500 – R5,500 per residential property (although this will vary from one area to the next and from one valuer to the next). This valuation normally (but does not always) involves a physical inspection of the property.
- Estate agent’s valuations – this is done by a registered estate agent, who uses his or her experience in property sales in the area concerned to estimate how much the property would sell for.

The estate agent may or may not use data collected from recent sales in the area to support their valuation. Most estate agents do not charge for their valuations (in fact, there is a law that prohibits them from doing so). This valuation often (but does not always) involves a physical inspection of the property.

- Automated valuations – these are done by computer systems without human interaction. They usually pull information from various sources and apply the comparative sales method to arrive at a property value. This method does not involve any physical inspection of the property and is in many cases based on an “area average” – an average price per square meter for property of a similar nature in the same area. There is usually a charge for these types of valuations, but the charge can vary from a few rand to a few hundred rand, depending on who the supplier of the automated valuation is.

### WHICH TYPE OF VALUATION IS BEST?

This is very difficult to answer. There are a number of factors that each and every property owner must weigh up when making this decision for themselves.

- The cost – the cost of each type of valuation varies. Some property owners won't be able to afford to pay a sworn valuer for a valuation, whilst commercial property owners might be able to afford this service more readily.
- The benefit – the more your municipal valuation is inflated, the greater your reduction in your property rates will be at the end of the objection/appeal process. A property owner should do a calculation to work out how much money he or she or it would save, if its objection/appeal is upheld and the property valuation is decreased and compare this to the cost of getting a valuation that comes with a charge. Of course, sometimes property owners won't know what they expect their property valuation to be reduced to and so will have difficulty doing this calculation, but in most instances property owners are able to come up with a figure that sits comfortably with them that they can use for this calculation.
- The time it takes – a sworn valuation can take days to weeks, and can require a lot of documentation to exchange hands. It is therefore advisable to arrange these in advance if you can, because sometimes when the deadline for a general valuation roll or supplementary roll looms and many professional valuers are under pressure to assist all of their clients, it can be difficult to find someone available on short notice. An automated valuation is instantaneous. An estate agent's valuation can also take days to weeks

(depending on the availability of that agent). The same comments apply here as in relation to sworn valuations.

- The physical inspection – valuations can be inaccurate if they did not take place after a physical inspection of the property occurred. This is because there might be special or unique features of the property that should be taken into account, which are overlooked, if no physical inspection is carried out.
- The expertise – an expert will know how the different kinds of valuation methods work and which would be most appropriate for your property. They will know what information to use and how to do the complex calculations. These are things that lay persons might (but also might not) get right. Sworn valuations are thus more likely to be more accurate than automated or even estate agent's valuations.
- The 'human' element – a valuer or estate agent might be persuaded to make the valuation on the low side, but a computer cannot be persuaded to do this.

### WARNING – ANY TYPE OF VALUATION COULD NOT BE 100% ACCURATE

All things considered, an automated valuation may turn out to be just as accurate as a sworn valuation. Conversely, a sworn valuation could be less accurate than an automated valuation or an estate agent's valuation.

### BEST OR MOST EVIDENCE RULE

By and large, the best way to approach this problem is to acquire as much evidence as to what your market value is as is possible, evaluate it and then decide at what value to object, attaching your evidence. Each property owner will have to make his or her own evaluation of what type of evidence to acquire, and utilize, in each case, because every property objection must be evaluated on its own facts.



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