mirfin

VALUATION SERVICES

Sectional Title Valuations

What does the law prescribe?

A body corporate must obtain a replacement valuation of all buildings and improvements that it must insure at least every three years and present such replacement valuation to the annual general meeting.

(STMS Act No. 8 of 2011, rule no. 23.3)

A body corporate must prepare for each annual general meeting schedules showing estimates of -

a) the replacement value of the buildings and all improvements to the common property; and

b) the replacement value of each unit, excluding the member's interest in the land included in the scheme, the total of such values of all units being equal to the value referred to in sub-rule 4(a).

(Sectional Title Schemes Management Act No. 8 of 2011, rule no. 23.4)

How is the law enforced?

Trustees have a fiduciary duty to ensure that the body corporate is adequately insured as the insurer will average a claim in the event of under-insurance.

It is in their best interest to obtain a professional valuation as they can be held personally liable for any financial loss suffered in the absence of a replacement valuation. Liability cover for trustees offers no protection if they acted negligently by disregarding their legal obligations.

What is the cost of a valuation?

The cost depends on the location, use and size of a community scheme, measured by the number of registered sections. For an immediate quotation, visit www.mirfin.co.za.

Are our valuations compliant?

Our valuations are fully compliant with the Sectional Title Schemes Management (STSM) Act and Community Scheme Ombud Service (CSOS).

Every Mirfin valuation comes with an itemised replacement cost calculation as well as a detailed schedule of replacement values. This reflects the sections and their undivided share in the common property. It also provides trustees with the documentation required for their annual general meeting.

Standard valuation procedure

To determine the replacement cost of a sectional title scheme, the valuer must assess the common property and units as completed by the developer. While it is almost impossible to inspect all units internally, the valuer requires access to at least one exemplary unit. Any other necessary information will be obtained from the latest approved sectional title plans.

Valuation of unit upgrades

In the context of buildings insurance, an upgrade constitutes an extension, addition or improvement of a unit that increases its size or quality and as a result, its replacement value. It is the owner's responsibility to report any upgrades that they need to insure to the trustees (STSM rule no. 23.2.a).

Mirfin can assist owners to estimate the replacement value of their unit upgrades. This service can be requested together with the main valuation and access to the specified units must be guaranteed on the date of inspection.

IMPORTANT:

- Unit upgrades not reflected in the sectional title plans are considered illegal and therefore (possibly) uninsurable.
- A unit renovation does not represent an upgrade if no increase in replacement value has been achieved.

Annual insurance escalation

When an insurance policy is due for renewal, the sum insured is typically increased by 10-15% per annum. Initially, this may ensure that the body corporate is on the safe side but compounding these static escalation rates may cause over-insurance by up to 40% after three years and up to 100% after six years.

To guide trustees in adjusting the sum insured between valuation years, Mirfin offers an affordable **Building Cost Escalation Report.** It reflects the national average increase for the past two insurance periods as well as the forecast escalation for the current or next insurance period.

LOW COST GUARANTEE

For a free quotation, visit www.mirfin.co.za

If you find a lower price, we will match it and offer a further 5% discount.

Average clause

If a building is found to be under-insured the insurer will subject the claims to averaging – this is why sufficient cover is so important. Applying the average clause means that the insurer is exercising its right to reduce the claim pay-out in proportion to the amount of under-insurance.

Market price vs. insurance value

Insurance value refers to the actual cost to reinstate a structure to its pre-loss condition, including the cost of demolition, rubble removal, architectural services, land surveyors and additional building services.

Market value is defined as the price at which a property should exchange hands in an arms-length transaction between a willing seller and a willing buyer where the parties both acted knowledgeably, prudently and without compulsion.

Who is Mirfin

Mirfin Valuation Services (Pty) Ltd is an independent provider of property and asset valuations, operating nationwide since 2002.

Our valuations are backed by professional indemnity insurance and are reliable under scrutiny of the regulatory, judicial and taxing authorities.

Mirfin is recognised by all major insurers and underwriters in South Africa. Our experienced valuers hold a National Diploma in Real Estate or Property Valuation and are certified by the South African Council for the Property Valuers Profession (SACPVP). We are certified as a B-BBEE level 4 service provider.

Mirfin adheres to the highest ethical standards. All valuations are treated with the utmost discretion and confidentiality in accordance with our privacy policy.

How does Mirfin compare?

Cost: We guarantee the lowest price.

Reputation: Mirfin values properties in excess of R100 billion annually and is recognised by all major insurance carriers.

Schedule of replacement values: This is a legal requirement that Mirfin provides free of charge.

Turnaround time: Our valuation reports are normally completed within 4 - 7 working days from the date of inspection.

Transparency: Our valuations offer a detailed breakdown of the replacement cost.

Assurance: Mirfin holds professional indemnity cover worth R45 million.