



The Commercial Landlord

Newsletter for
Commercial &
Industrial Landlords



Ground Floor Offices off central Westdene. Multipurpose offices – sub-divisible units. Executive design quality offices. Would suit medical and insurance business

New Sectional Title Management in Force from 1st Oct!

Developers probably know that the Sectional Titles Management Act will come into force from the 1st October 2016. Is it likely to affect how developers construct new sectional title buildings? Firstly, they will need to realise that an extra reserve fund has to be in place for future maintenance – the Ten Year Maintenance Plan! Design a building with high maintenance – say a painted building and buyers could be put off by the higher levies?

Serious careful consideration will have to go into writing the rules to ensure that they are realistic and enforceable. They will need to incorporate all the changes that are brought into effect by the new sectional titles act and developers could well look carefully at the managing agents that they are appointing to make sure that they can comply with the new act.

The new act will cause a lot more clerical work in that there are numerous reports that have to be supplied to the Ombudsman and this will make management of sectional title schemes a bit more difficult and expensive. There is no clarity yet as to whether the new levies that need to be paid to the Ombudsman will be paid by the body corporate or individual owners. If the former, then it will be an extra burden on the managing agents.

The biggest change is likely to be the new community Schemes Ombud Service (CSOS) which will be used as a dispute resolution and to control sectional title governance. If developers don't set up the body corporate properly it will be used against them. Developers will for instance, deviate from the original plans at their peril and will not be able to impose unreasonable actions in meetings. Low levies to attract buyers will be prohibited. Adding additions without getting full and proper approval of the body corporate by developers will be a thing of the past as they will be responsible for the cost of rectifying the plans. They will not be able to over-rule the rules of the Body Corporate.

October 2016

Demand for offices in Bloemfontein is still strong but tenants are having to be careful that they choose the correct properties and pay an affordable rental. Landlords with unduly high rentals are beginning to suffer vacant premises.

Rather than have long term vacancies it would help if landlords looked carefully at the rental required compared to what is available in the market and made adjustments. Less than ideal tenants can be considered if they are prepared to pay three months up front on the clear understanding that should they not pay on time any one month that notice to vacate will be given.

Not an ideal situation but landlords need to understand that it can take years to recover lost rental.

Talk Shop

by Platinum Global

Platinum Global takes on Bains Game Lodge

With effect from first November Platinum Global will be the managing agents for Bains Game Lodge in Langenhoven Park. This is the city's largest sectional title complex with 614 registered units and another 100 due to be registered. As a mixed use complex, hotel, bars, conference centres and plenty of blocks of flats, it is important to remember that it runs as a single body corporate. Despite the very different type of properties to be found in the complex the site must be run as a single unit. Insurance and fire-fighting services must be done for the whole building at one time.

Adding complexity to this body corporate is that there are a number of servitudes across the property running into Oakleaves on one side and into future development ground on the other. This adds to the complexity of security for the complex as it is less easy to close off the entire complex as others have a right to ride over it. It will take a few months to get a real feel for such a large building but things are going well already. Well done team.

Blocks of Flats Wanted

The demand for whole blocks of flats continues with good demand both in Bloemfontein and other areas. Mike was recently in the Vaal Triangle looking for blocks with his clients. Quality and good records is always an important factor. It was sad to see that buildings in Vanderbijlpark and Vereeniging are really not in a good condition and despite being well built 1970s type building the management and maintenance is really poor.

Part of the problem seems to be that the local authorities are not being well managed and accounts that are being sent out are unbelievably high. Calculations on a 57-unit building showed that just the water, refuse, and sanitation fees were double what we are charging for typical equivalent unit in Bloemfontein – ie excluding building electricity, insurance, management and maintenance. This totally kills any possibility of making any profit as rentals are much the same as they are in Bloemfontein. A rather sad story as these buildings are forced into decay. Some of them have extensive vacancies and that does not help the situation.

Bloemfontein buildings are far better maintained and managed and municipal charges are still reasonable. If you are thinking of selling, please let us know as we have serious qualified buyers on hand.

Landlords Need to have Strong Leases

We do not necessarily agree with much of the legislation that has come into force - many of these laws are very biased towards consumers. But we do need to comply as far as possible. Landlord leases should be fair to consumers and it is important that units are inspected with tenants on take on and leaving. In practice this is not always possible in which case the landlord/agent should take good notes of why not, i.e. a note that the tenant was not available for an inspection or did not turn up for one.

The payment date for rental should be totally clear -1st day of the month – and proper notices of non-payment must be sent immediately rent is not received on time otherwise bad tenants will over run the next month. No rent – give immediate notice. Tenants don't like to be forced out and the word will soon get out that you are serious.

Leases must be FULLY completed with NO blanks and properly signed. Proper completion avoids problems.

TIMES ARE NOT EASY – BE NICE TO YOUR GOOD TENANTS!

The property market is not that bad, but it is certainly not easy. Good tenants are a blessing – bad ones can be a pain in the butt. We are quick of the mark to chase poor tenants, especially those that are late or poor payers, but do we ever say thank you to the good tenants that pay on time every time for the whole of their leases? I am suggesting that a thank you letter for being a good tenant would do no harm and could do a lot of good. Getting a good tenant to recommend your building to other good tenants can be a godsend. Landlords would do well to remember that a tenant that stays for years and years, seldom asks for much, does no damage, costs the Landlord next to nothing over the years. When did you last send a note of thanks to your best tenants.

It is a pleasure to have such tenants and I would be delighted to have more of them.

Perhaps sending a "Thank You" letter from time to time might make getting more good tenants easier.



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