



The Landlord

Newsletter for
Sectional Title
Trustees & Landlords

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July 2018

CSOS CONCILIATION MEETINGS CAN BE COSTLY & TIME CONSUMING

CSOS TRUSTEES MUST ATTEND.

On behalf of one of our Body Corporates we attended a CSOS conciliation meeting where one of the owners had laid a complaint against the Managing Agents and Trustees. Although there were a number of different complaints they boiled down to the fact that this particular owner was unhappy that one of the Trustees had sight of a quotation from a contractor and then gave a lower quote to do work. As it happens this Trustee is an owner and did the work at a special rate for the Body Corporate to save them money. However, the complainant was not happy that the managing agents would remind the trustees that they should preferably excuse themselves from discussions on quotations if they are likely to give a quotation. This matter will now be heard again at an arbitration meeting. The other complaint was that the managing agents chaired the meetings of the Body Corporate, mainly because they were able to keep the meeting running smoothly and give the Chairman an opportunity to participate in the meeting. This had been approved at the very first meeting of the Body Corporate and nobody, including the complainant, had ever queried this arrangement. Despite assurances that the Chairman could take over running of the meeting at any time and that this arrangement would be confirmed or not at the next Trustees and General meetings the complainant was still not happy, and this will also go to arbitration. These simple to resolve items took over three hours and will cost the body corporate about R9000 in additional time costs because the managing agents had to spend this time at the CSOS meeting and in preparation. This is over and above the normal work of a managing agent. More costs will be incurred for the arbitration meeting.

One of the interesting things that was raised at the CSOS meeting was that Trustees are expected to attend these meetings. Apparently, they don't really want to talk to the managing agents on their own, but trustees must also be there as oftentimes it is the Trustees decision that is being questioned. This can really cause a problem because many trustees are in business or the professions which makes it costly and inconvenient to attend. Working class trustees are not able to take time off work either. We have trustees that are major business people and brain surgeons! While they are most likely to make the best trustees in practice many of them simply resign rather than be inconvenienced. While small schemes are likely to have fewer problems big schemes could keep trustees employed full time!

In another case an owner was unhappy that they had been moved out of a marked carport into an open parking because when sorting out the parking in a very large building the developer/trustee confirmed that they had not sold or allocated the carport to anyone else. The body corporate now found itself in a situation where they were in an impossible situation of two owners claiming the same parking. It highlighted the importance of keeping good records and ensuring that what is sold was clearly shown in the initial sales documents. This owner was a second-hand buyer and the body corporate offered to contact the original buyer to find out whether they had paid for a covered parking or not (the shade port was an additional cost). While in our mind the developer/trustee could show that they had 48 carports in a row, CSOS took the view that the resale agent sold a carport with the flat and it was marked with the flat number at that stage. Not easy.

Talk Shop

By Platinum Global

BODY CORPORATES ARE NOT RESPONSIBLE FOR DEVELOPERS COSTS.

When a new developer purchases a right of extension they are required to build exactly what was put on the plan unless it was impossible to do so. They are must also ensure that all items required for approval of the plans and completion of their phase are in place.

What happens when the new developer finds that there are things that have not been done properly in the first phase which he is now forced to attend to. Who must cover these additional costs? Examples of the problem that the phase developer is likely to face could be items such as traffic impact studies, units in early phases that are not registered with the NHBRC, incomplete or missing drainage diagrams and the like. Who is responsible for paying the cost of rectifying the situation?

Certainly, it is not the body corporate. While phase developers may feel aggrieved they cannot hold the body corporate responsible. They must look to the person who sold them the right of extension. The Body Corporate has nothing to do with the development of the scheme. They only take over responsibility for maintenance when the phase is registered on the sectional title plans. Whatever conditions are put in the road of building the next phase the developer (or the purchaser of the right of extension) needs to sort it out. If there are costs involved, then the new developer must cover these costs even if it is late registration with NHBRC or lack of a drainage plan. The phase developer must take up any problems with the seller of the rights. The Body Corporate can be helpful to an extent providing it does not cost them money.

Changing Rules Write Right!

Every lease must have the rules of the body corporate attached. Not a generic copy but the actual registered rules of the complex in which the unit is being let. Letting over 1500 properties we see lots of rules and the quality sometimes leaves a lot unsaid.

Rules should be easy to understand, and care should be taken when translating from English to Afrikaans. The rule should be well worded, make sense and mean the same in English and Afrikaans (and an African language if required). Ask somebody who is a native speaker to read through them to make sure ensure that they really mean the same things in both languages.

Make sure the rules are realistic. You cannot have unreasonable rules (a 5kph speed limit is undrivable). Make sure they really mean the same thing in all languages. Make sure that they mean what they say "Tenants may not, not clean dustbins and are not allowed not to use unclosed open plastic bags to throw their rubbish into the dustbins". "Dogs may only be allowed to roam on the common property on a leash".

When a Balcony is Part of a Unit.

Occasionally, a balcony is considered to be part of a unit even though it is outside. This means that the balcony must be maintained by the unit owner. Is the owner allowed to paint the ceiling, walls and floors of the balcony? Can they use it for storage? The simple answer is that it is part of the outside of the building and the owner may not make changes to the outside of the building. While they could for example paint it, they would need to do so in same colour.

Can they enclose their balcony? No not unless they go through the process of getting proper permission from the body corporate. – it is still the outside of the building. They would also not be able to make it into a bedroom because it would be used for a purpose that was clearly a balcony not a bedroom. Just to enclose what is already their property would still need a Special General Meeting resolution to approve the enclosure. While very difficult to do changes need to have approval from all the body corporate banks bondholders. It also requires proper approved building plans. Trustees have a duty to see that this done properly.

Value verses Cost – They are NOT the Same

Value is what somebody would likely pay for a home. Cost is what amount of money would need to be spent to replace what is there. A good example would be putting an entirely new kitchen into a house. The cost would be the Rand value of all the work that had to be done. The value would be the additional amount that a buyer would pay for the property as a result. The different may not be as much as the cost of the upgrade. The house had a reasonable but old kitchen that is fitted with a totally new one. The value of the property without the new kitchen might be say R1,000,000. The cost of the kitchen say R150,000 but the new value of the house is only R1,050,000. Cost is what you insure for. Value is what you sell for. While it is worthwhile upgrading a home for your own use, it is seldom worthwhile doing so simply to sell. Upgrades are usually for your own use but it is always wise to consider what property prices in your area can bear.

		
<p>SOMETHING DIFFERENT Ideal for retired couples or single ladies. 3 bedroomed apartment with lock up garage. Ground floor or top floor units available. Well managed building with great finances. Sunny disposition in secure complex.</p> <p>Christine Kabere 081 474 2357</p>	<p>Modern UFS Accommodation Safe and secure and only two minutes' walk from UFS this is the ideal place for your sons and daughters while they are at varsity. A young peoples sunny light winter warm apartment. Just right for you. Close to amenities.</p> <p>Andrew Smith 081 541 8085</p>	<p>LANGENHOVEN PARK R1,250,000 Super nice townhouse in super nice area. Semi-double storey. Own garden, 3 bedrooms, 2 bathrooms, 2 garages. "A Know it when you see it" property just right for you. Low density building in quiet area of a quiet suburb.</p> <p>Christine Kabere 081 474 2357</p>
		
<p>Heuwelsig R2,800,000 neg. The cheapest price that will find for this property, five bedrooms, 3 bathrooms, Just oozes space. Fully northfacing on sloped site. Large double garage plus space for many more cars. Serious sell moving out of town.</p> <p>Mike Spencer 082 881 4711</p>	<p>DAN PIENAAR Townhouse R1,500,000 Fully 24-hour security Just a stunning home. Room to swing a cat, great views over nature reserve. Auto double garage and three bedrooms. Massive living area and house sized kitchen. Just right.</p> <p>Mike Spencer 082 881 4711</p>	<p>INVESTMENT PROPERTY Steady income investment property. Always an easy one to let this spacious 1 bedroom flat is in constant demand. Well managed building by Platinum. Easy let north facing sunny warm flat. Lots of space for kits to play</p> <p>Mike Spencer 082 881 4711</p>

NEW KIDS ON THE BLOCK – Our Super Agents

	<p style="color: red; font-weight: bold; font-size: 1.2em;">CHRISTINE KABERE & ANDREW SMITH</p>	
	<p>Working under the guidance of Mike Spencer Christine and Andrew are offering to assist you to find just the right place for you whether you are buying for yourself or as an investment. They can save you money by advising on the best way to finance your property and will guide you on the right properties to buy to suit your needs. If you are looking for young, enthusiastic people to sell your home or find you a new place to stay, you could not do better</p> <p>Tel 082 434 6961 081 541 8085</p>	

Consortiums Get Positive Response

You will have noted that The Landlord has included a number of articles on residential Consortium projects that are underway. The response to these articles has been very encouraging with a lot of interest in this cost effective form of individual investment. We are building up a healthy database of investors who are interested in participating in our first development in this new format.

What was particularly interesting was that we were asked to give a presentation to a group of high income professionals who invited their junior staff to listen to the presentation. The presentation explained the concept of this new form of consortium aimed at the individual investor market, the way in which the blocks of flats would be especially designed to give the maximum return to investors by involving minimum maintenance and management in their design. The investors listened with interest to the concept of using new green building materials which would result in an ability to supply self generated electricity for use for lighting of the common property and for internal lighting and light appliance usage in individual units. Combined with solar geysers would result in a considerable reduction in electricity usage and only oven and plates would be supplied by Centlec. This substantial saving would result in a better quality of longer term tenant which would aid in internal maintenance and a probable better net rental for the Landlord. While the initial buildings are likely to be smaller scale 40 unit blocks of flats there was already discussion of doing larger scale residential and commercial projects on this basis.

It is likely that green building materials will be imported to further enhance the quality of these new buildings until local manufacturing takes place. If this type of investments interest you email mike@platinumglobal.co.za.

Saving Money on Your Bond

While inflation is at very manageable low levels and interest rates have stayed low, the economy is such that it is always possible that interest rates will rise again at some time – and they will. A bond is the biggest loan that we are likely to make and few of us realise just how much it costs us. While bonds are repayable over very long periods of time, in Rand terms you are likely to pay back between 2 and 3 times what you initially paid for your home. If you are in advance with your bond you pay less and get a better credit rating. How can I save money on my bond?

Firstly, don't take more than an 80% bond. When you do you pay a far higher bond rate. Not the normal 10.5% but up to 14.5%. That means that you are paying 40% more for your bond! Rather borrow from your family and friends. They will be happy to get 10.5% so they gain and so do you – just organise it legally. If you must take a high percentage bond, make a point of re-negotiating the bond to the right rate when you finally get your bond down to the 80% level.

Pay more than you need. Interest is calculated for the bond to be paid back over 20 years. Interest is charged on the balance of your bond. By making extra payments you reduce the amount of interest that you are charged and shorten your repayment period. You significantly reduce what the total cost of buying is. Pay extra each month. Increase your monthly payments every time you get a pay rise. Pay a portion of your bonus on your bond. Very important is to pay any amounts that are added to your bond – monthly service fees, insurance. These are added to your capital which increases the interest that you pay. Don't let that happen to you. On a 20-year bond by paying just 10% off lumpsum and R500 extra per month would allow you to pay back your bond in only 13.4 year and reduce the interest that you paid by over R600,000! What is really interesting is that you rapidly get far in advance of on your bond so that if you keep paying the normal rate when interest rate rises you will have a buffer of many years. Paying your bond up as quickly as possible is the best investment that you can do. Seeing that you pay your bond with taxed money it means that you just have so much more money to spend each month if you don't have to pay a house bond.