

The Landlord

For Landlords and Sectional Title Owners



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Practical Sectional Title – Body Corporate Management

Mike Spencer has been involved in Sectional Title since 1980 and has different ideas on how sectional title body corporate management should work. Most training is given from a rather technical point of view while most owners and trustees want to know how it really works in practice. Having run our own Body Corporates for over 35 years Mike understands the practical side of making sure that body corporates are well run, well financed, and have open and accountable reporting. He is able to show Trustees how to overcome problems by sticking to the Rules but in a practical rather than theoretical way. How to deal with problem owners and tenants. How to make sure that your finances are in good condition and how to avoid almost all Special Levies. Most sessions are based on two way workshops around the problems that you are experiencing in your building. Mike is available to give consultations to individual Body Corporates or groups of people anywhere in South Africa. For more information contact mike@platinumglobal.co.za

IS NOW THE TIME TO BUY?

Electricity is an on/off product these days, the economy is said to be “soft”, interest rates are likely to rise, unemployment seems to be stubbornly high, the Rand is under pressure again. Many years ago a wise old bird told me that the best time to buy was when the market looked its worst – because the only way it could go was up. How true he was. Some of my best buys were those that I did when the market looked terrible. Some of us are old enough to remember when the gold price went up from around \$60 to \$800 dollars an ounce in the mid 1980’s and then came tumbling down about half way. At that time we were selling Naval View flats for just R32500 including carpets and painting! Within months the prices had doubled twice and then fell again to around R68,000. Those people who bought originally priced units and sold them at the peak made a fortune. Those that sold at the dropped price of R68,000 cried but still made a super profit but those that held on made the most. Within just over a year the prices had risen again to over R150,000.

What does it tell us? Firstly that buying property is a medium to long term investment with a five year horizon or longer. Secondly that timing IS important and that buying when the market appears bad is often the best time to buy. I still own a house that I bought for just R24,000 – I am sure that I can get a lot more than that. I also own property that has risen steadily above the average market because I bought the right property, in the right area, at the right time. There was no way that I could have saved that amount by putting my money into the bank.

Property is an excellent longer term investment and should be part of every person’s investment portfolio. Care needs to be taken to ensure that you are paying the right price and that you have a strong long term managing agent available to look after your investment. It is also important to know that there will be ups and downs and you need to be aware that there may be the occasional vacancy. The hardest property to buy is your first – it just gets easier from then onwards as your risk is more and more spread every time you buy another property. My last advice is to know what sort of investor are you. Are you ultra-cautious and risk adverse? Then look to high value areas but expect lower returns. Do you want maximum returns and can do some upgrading yourself? They look are buying multiple units in less affluent areas but ensure you pay their true value. These properties require more management but give trouble free income if good tenant selection is employed. But as I say – the best time to buy is when Sellers are most eager to sell.

Trustees Not Doing a Good Job?

I quite often get contacted by owners of Sectional Title buildings who complain that the Trustees are not doing a good job. Either they are bullies who just want to do what they want, when they want, and how they want or they have been in charge for so long that they think that they can do as they like.

I am usually asked what can be done to change the situation. The answer is actually quite simple – get off your butt and do something about it. One has to be careful that you are yourself not being unreasonable. In almost every building there is one owner who never agrees to decisions taken by any one and will harp on your months and months about what has been done. Remember a body corporate is run by the wishes of the majority – not individuals.

In buildings that have Trustee problems I will almost guarantee that meetings are poorly attended and that none of the other owners are prepared to become Trustees. If you are not prepared to stand up and take a stand then you have to accept that the majority rules – even if that majority is only the minimal quorum because so few owners bother to go to AGMs or send a proxy.

In really bad situations an unhappy owner can rally other unhappy owners and call a special general meeting to remove the current trustees and to appoint new ones. In extreme cases owners in a general meeting can tell Trustees that they are working unconstitutionally and that the body corporate is going to hold them personally liable for their actions. Remember Trustees work on behalf of Owners and not the other way around. They cannot make decisions for which they have not by implication or direct decision been authorised to do so by owners. So for example Trustees can appoint or fire a managing agent but cannot do so if in the general meeting they were simply instructed to obtain competitive quotations and report back to the next general meeting.

In well managed buildings the Trustees would never consider doing anything that they should feel that owners needed to have input into – without getting that input and taking directions from owners. So Trustees should not for example decide to repaint the building without discussing the cost with the owners. The same should apply to the appointment or firing of managing agents etc. As I said at the beginning of this article – you get the Trustees that you vote (or don't) for. Take an interest in your building and hold your Trustees Accountable.

Think About Xmas Security

Security is one of the main reason why people buy and live in sectional title schemes and there has been a trend to increased security problems over the past couple of years with more units being broken into.

I have always said that security is only as good as the people who live in the property but over the Xmas holidays there are likely to be large numbers of people who are simply not there with the result of an increase in risk of burglary.

While each building has a different resident profiles we have found that it pays to employ security over the Xmas holiday period to reduce the likelihood of break-ins. Some buildings are virtually deserted over this period which makes it very easy for thieves to get into the complex and go about their business.

As Xmas security now happens year after year we have tended to add this in as an extra item in the budget and in reality the cost spread over a year is just an extra Rand or two per month. Owners and Residents alike welcome their appointment over this period and are happy to pay for the extra security.

It is not always necessary to have 24 hour a day security but certainly from 6pm to 6am is the minimum. Ensure that you get security from reputable service providers and that they have sufficient back up staff to help their guard sort out any undesirable elements in the building. It is also a good idea to install a temporary check system that confirms that the security guard is doing his rounds. It is vital that your security company has fast reaction back up in case of problems.

Your security guard must patrol around your building and not only be responsible for security but also nuisances in the building such as late night parties. Make sure that they have a good reliable means of communication, fully understands what he is being asked to do and knows who to get hold of if there is a problem. Make sure that they have the proper equipment including a big heavy touch, cell phone or two way radio and knows the contact details of the Chairman and Trustees. A good night stick for too.

What Should You Expect From Your Managing Agent

I am often asked “What should we be expecting from our Managing Agents?” There are a number of factors that come into play. Firstly what were the Managing Agent asked to do? Every managing agent has their own style, some proactive while others only do what they are asked to do. But did you ask for a specific quote ie only to do the collections and payments or did you ask for the full service – most Trustees never specify what service they expect. Secondly the adage “You get what you pay for” is very true. Far too many Trustees are looking at the cheapest quote but don't understand that many of these agencies are giving an all-inclusive service rather than asking the body corporate to pay extra for everything that they do. The most expensive quote could actually be the cheapest.

Is your Managing Agent available all the time or only during business hours? If you want help during the night, over weekends and during holidays it will be more expensive.

Then there is the quality of the service that you receive. There are managers and managers. The good ones will be able to tell you exactly how much money you have, how this is allocated (advance payments on levies etc) how much you have that is actually useable. They will have a separate bank account for your body corporate so that all your money is always in your account and not in their own bulk account. They will be able to hold AGMs on time because they do their accounts every day and will give the final annual accounts to the accountants in a form that requires minimal work. To do this takes time and high levels of skills. This does not make them necessarily the cheapest.

The difference between the cost of a good managing agent and a poor one may seem a lot when you compare the monthly fees for the whole building but may result in quite a small per unit difference. I am convinced that R30 pm is well worth paying for peace of mind – or do you want to run the risk of losing your money? Yes it does happen. In Bloemfontein at least three body corporates are missing up to R700,000 by using a cheap managing agency that cannot account for money that they handled.

At the end of the day the company's reputation is the most important thing to look at. If you are told that people don't feel comfortable with the way one manager is working while other body corporates talk about being very happy even though they pay more – well I know which is more important in the properties that I own.



VISTA PARK PRIZE

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Contact Thabo Ramaboulu 083 593 6185 mike@platinumglobal.co.za



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The Letting market is not currently at its strongest point and landlords must look carefully at the rental required and the condition of their property. Good condition properties let quickly at better prices while dirty places stay vacant. Always use the best Letting Agents that you can.

Platinum Global – Recommended by many.

