



### TIP TOP QUALITY OFFICES IN TRANQUIL ATMOSPHERE

Exceptional set of self contained - 6 offices with reception and secure parking. Just something special. Garden atmosphere with your own braai and patio. Standby generator available for use during dark times. 132 m<sup>2</sup> of pleasant working environment. Exceptional rental at only R16,000 pm plus VAT. You just could not ask for better . Call Jodi 081 315 4247 for this and other select properties.

### DARK DAY – WHAT TO DO TO PROTECT YOURSELF.

Don't think that it cannot happen here. There are rumours that it could also happen here again, like it did a few weeks ago. Hopefully not. But what should you do to prepare?

Most importantly make sure that your insurance is up to date. Nobody wants to find out afterwards that you have forgotten to pay and the insurance company does not pay out. Make sure that your insurance policy is paid up to date and paid out of an account that will not fall below the level required to pay the policy when it is due for payment. Sounds crazy but it can happen. Bank balances fluctuate during the month so you need to make sure that it is never too low to cover your insurance policy. A good idea would be to have a separate account into which you can put a float to cover the policy at any time.

Another important aspect is to make sure that you are fully covered. It is just too easy to find that you are under insured. Remember you don't need to cover the value of the ground because the ground cannot be destroyed. But make sure that you have not covered the replacement cost based on the main buildings only. What about outbuildings, paving of the yard and boundary walls and gates. A 2.1 metre double brick wall with security on top could easily cost you R2,000 a running metre, plus the entrance gate.

We have been talking about the buildings that form your business premises, but what about what is inside. Think stock, vehicles (including fork lifts), electronic equipment and furniture, machinery and plant, overhead cranes. Make sure that your valuations are replacement cost.

Lastly, whatever you do make sure that your fire fighting equipment is up to date. So often I find that the service period has run out, sometimes by years!

# The Commercial Landlord

Newsletter for Commercial & Industrial Landlords



July 2021

## BUDGETING IS ESSENTIAL

Budgeting is essential when looking after property but few landlords every do any budgeting at all. Platinum Global look after many body corporates and blocks of flats and for each one there is a month-by-month budget and budget to actual so that everyone is aware of where the financials are. Such budgets need to be itemised and accurate, allowing for changes during the year. Electricity for example is charged on a winter tariff from June to August and this can be double the normal rate until it comes down to the new normal rate in September. Budgeting must be done taking into account what was spent last year plus any anticipated increases.

Realism is essential. Budget indicate income and expenses, not the other way around. You cannot start with a preferred outcome and then alter the budget to align with your expectations.

# Talk Shop

by Platinum Global

## LEASING GOING WELL.

Platinum Global has done well recently with its industrial premises lettings. They have successfully negotiated leases on factory premises in Hamilton for an aluminium scrap yard for some 800 sq m plus offices and are busy finalising the long term lease on other premises in Hamilton for a light weight concrete company.

Negotiating such leases is not a quick and easy task and many tenants seem to think that they are in the pound seats. While rentals are soft for various reasons, tenants are prepared to take longer leases. Lower escalation rates are an important factor.

Many new tenants require changes to be made to the building being hired, though this is a normal negotiation, it can be a bit costly. If these changes enhance to the building for future tenants, then a landlord can accept the cost of the changes as he will let his unit easier to rent in future. If the changes are specific to a special business and don't enhance the property for future tenants then it should be paid for by the tenant perhaps by amortising the rent.

## EXTRA LOW INTEREST RATES – IT COULD BE TIME TO BUY

Platinum Global have two distinct departments to deal with residential and commercial sales. What was interesting was that yesterday we received bond approval on a residential bond at 5%! That means that everything being equal, we should be able to get bonds at 7 to 8 % for commercial properties!

Yes, these properties should be in good areas and in good condition and applied for by good clients, but 8%. That means that a R1 million bond could be had for as little as R12,000 per month over 10 years. Now that is seriously tempting. In effect it means that you would pay off your bond over 10 years and then have no bond or rent payment each month. It is the ideal situation to be in. Not only do you not have a rental payment each month, but you don't have the fear of being forced to relocate every few years. You can add to and change your premises without landlord's permission and don't have to walk away without the improvements you made. Whatever increase in value happens stays with you.

## LOW MAINTENANCE BUILDINGS

One of the biggest cost centres in owning property is maintenance. The others being management and finance.

Maintenance accounts for 50 to 70% of the cost of running a building. It may not seem like it but major maintenance will skew the average over time. Maintenance includes, waterproofing (5 years), painting 8 to 10 years if you are lucky, lifts, piping, driveway paving, flooring etc. If you can do away with one or more of these items, it is a huge boost to net income. Non painting exterior (concrete), no maintenance roofs (Harvey Tile) dramatically reduce maintenance cost.

When designing new buildings in the commercial sector the lowest possible maintenance should be the aim, either by conventional means or by using innovative building materials. The cost of these alternative material is not necessarily more expensive.

In developments that I am involved in we are looking at Harvey Tile roofs, artificial marble clad exteriors and floors, Upvc or aluminium windows. Not only do we save maintenance but dramatically reduce energy costs at the same time.

## SECURITY – IS IT WORTH THE COST?

Building a new development requires some sort of security. This can range from a simple sliding gate controlled by your cell phone to 24 hour a day manned and roaming security staff. The size of the development, its purpose and security requirements will amend your security plan for each building. A retirement home is likely to require manned security at the gate to keep an eye on who comes and goes but the same security at a high security office will have to be of a totally different form.

Many townhouses and flat complexes demand high levels of security but are not prepared to pay the cost. 24-hour security with a roaming patrol should cost around R40,000 per month or an extra R400 pm on the levy of a 100-unit scheme. Increasing the size of schemes reduces the cost per unit. Owners must decide what they want security to do. Do they want to let visitors in (can be done from a cell phone), chase noisy neighbours (armed patrols can do this for less), stop people moving out without a permit? You pay for the service that you want.



### WANTED TO BUY - FACTORY

Serious buyer for expanding business looking for brick walled warehouse/factory 1500 sq m plus yard. Must be good security available/potential. Early occupation  
 Contact Mike 082 881 4711

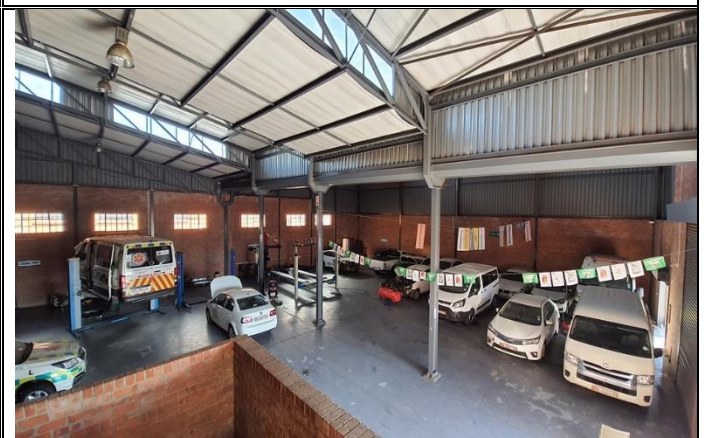


**MODERNISED OFFICE SUITE CLOSE TO WATERFRONT**  
 Just R22,000 VAT gets you a superb set of 3 to 4 offices and reception, a full 300 sq m. Secure parking available. So well situated and ideal set up for medical practise.  
 Contact Jodi 082 315 4274



**R25,000 VAT OR BUY R2,750,000**

I know which I would choose. Full aircon with 7 offices to high standards. All LAN/Server room infrastructure remain. Multi entrances for small lets. Full 230 m<sup>2</sup>. Super nice property and exceptional value.  
 Contact Jodi 082 315 4274



**OOSTEINDE TYRE SERVICE CENTRE 700 M<sup>2</sup>**

Franchise type service centre. Tyres, batteries, Servicing would suite this site well. Make your customers proud of your business. 3 offices and 3 roller security doors. 10 parkings. Definitely one to view.  
 Contact Getrude 084 590 3235



**TWO INTO ONE WILL GO!**

Two house offices on special sale. Live in one work in the other. Lots of staff parking. Elderly couple retiring. Well positioned for high visibility should attract passing traffic. Suits separate letting of the two sets of offices. Nice buy – come and talk to us about your needs.  
 Contact Jodi 081 315 4274



**WILLOWS – R2,800,000 VAT**

Affordable office set up, 4 offices, large reception. Well located in busy street. Good rental income. 10 plus secure parking is great for your workers and clients. 300 m<sup>2</sup> currently used as a medical centre. Outside storage area. It is always better to be the owner rather than the tenant.  
 Contact Getrude 084 590 3235