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23% INCREASE IN ELECTRICITY TARIFF FROM THE BEGINNING OF JULY

That is an increase of over 4 times the current inflation rate. That is the figure that some users will be playing because Metro has been clever to change the groupings on user charges. People who used to fall in the lowest and cheapest groups will in many cases form part of a higher-level grouping which is paying their electricity tariff in the next group up, effectively a 23% escalation on their electricity tariff.

To make matters worse, despite numerous requests to Centlec they have not been prepared to negotiate with managing agents and body corporates to allow them to disconnect non payers in their building using Celtic's powers to disconnect non payers. Effectively this means that owners in a body corporate, who are forced to play the entire bill or be disconnected as a building by Centlec, have been forced to pay where their tenant or owner has not paid. Thus, the majority of owners are subsidising nonpayers. In theory you would be able to take the non paying tenant to the Rental Housing Tribunal or CSOS but as both of these organisations, like many government bodies, are on the brink of collapse, this is not a viable option. Taking a non paying tenant to court over an electricity account of a couple of hundred and even thousands Rand simply costs the landlord money, with all likelihood that magistrates, rather than applying the law, are likely to lean towards the non payer and have the case thrown out or postponed. The crazy situation is that a tenant has more rights than the landlord over the landlord's property and this situation needs to be changed. Just applying to court for a simple eviction of a non paying tenant will cost you R7,500 plus lost rental over the many monthly (up to a year of lost rent) before the tenant is given an eviction order.

Something needs to be done. We need to return to proper contracting where a tenant rents a property and pays rent and a landlord looks after the real maintenance of the property. But defaulting tenants must be got rid off without costing the Landlord an arm and a leg.

The Commercial Landlord

Newsletter for
Commercial &
Industrial Landlords



June 2021

ANOTHER BOYCOTT TOMORROW

The township organisations are again threatening mass action because of the quality and uncaring attitude of Metro. Personally, I don't think that this is the way to go as it just makes life difficult for everyone else but hardly touches Metro. Currently they seem to be working a part day policy with all offices closed by 12 midday.

What we really need to focus on are the unauthorised expenses that are paid out worth over R1 billion. Those who signed off these payments should be taken to task and fired. Only when there are consequences for your actions will anything happen. It is clear that many department heads have very little understanding of how business works. Rubbish removal being a good example where we are being told that we are the problem of the mess because we put our rubbish out on the right days – but Metro does not collect them until days later.

Talk Shop

by Platinum Global

Be Reasonable

More and more properties are standing vacant as people tend to work from home. Personally, I think that many people will not be returning to traditional office space because every system has been upgraded to allow easy home working. It does not mean that there are no tenants looking for premises, but it does mean that they are quality, quantity and price sensitive. If your rentals are too high, then your property will sit.

Those tenants that are looking want good sensible rentals and a clean building. It is amazing how many of the commercial tenants (office) are looking to rent with an option to buy. A surprisingly high number of new tenants have an eye on buying the property that they want to hire. In many cases they are looking to upgrade the rental property on their own cost if they have potential to buy the property at the end of their lease. The only problem is setting a fair lease end pricing perhaps current day value plus inflation could help.

THIRD WAVE NOT HERE TO STAY

Level four restrictions are not nice but maybe will help to sort out the high local infections. We all started to get a bit relaxed what with having one or two injections and reports of rather low infection rates until now. So many people started to take a very relaxed attitude and now we are suffering the consequences.

An increase in cases was reported with the outbreak of the Indian D version of the virus and this seems to be a particularly virulent version of the virus. It is not one to take lightly.

Luckily we don't have the super high restrictions that are being imposed in Gauteng, though if levels of infection continue they could come here too.

I would like to say that the winter weather could be part of the problem with more people in doors. We are now half way through winter and things will start to warm up in six weeks or so. By then the third wave should have passed.

Keep Safe.

WILL INTEREST RATES STAY LOW.

The Rand was on a wonderful strengthening phase over the past few weeks and was down at Rand Dollar rates that we had not seen for a long time. At one time as low as R13,50/\$1 which was great news for many. But now that it seems that the interest rates in the States will not be rising soon, the Rand value has reversed somewhat up to R14,29 as of today (a bit better than yesterday) perhaps due to our ex-President being invited to have a well-earned rest at one of our prisons.

Are rates likely to stay low? It would seem so. That is good news for property owners and bond costs are equally low. With such low rates it is not surprising that many commercial tenants are looking to buy their existing premises or move to other properties that they can buy, at the end of their leases.

It really does make sense when your bond payment plus rates and taxes etc cost very close what you are paying for rental alone. Buying my own property for my company to operate out of was one of my better decisions. Now running out of a bond free property means that my business risk is so much lower and more manageable. Talk to me to look at what is best for you.

NEW VALUATION ROLE WRONG VALUATION ROLL BEING USED.

Last month I let you know that this is the year for the revision of the valuation roll and that you had until the end of August to object. Looking at the information, it seems to me like they are going to look at the same roll as was published in 2017 and that they have not commissioned a new valuation of the city as they are supposed to do every four years. Looking at my own home on the valuation roll that I received in 2017 it is the same as the one that they are publishing now. In fact, the current roll that you are supposed to be commenting on is exactly the same as the one that was available in 2017, it is the same valuation roll. Very strange. They are supposed to have an up to date valuation roll with valuations done for 2021, but this does not seem to have been done. Perhaps they are working on the premise that values have not changed at all since 2017, though that does not make a lot of sense.

Seems very strange to me.



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