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THE UPS AND DOWNS OF THE RENTAL MARKET IN 2021

2020 was not an easy year for landlords for obvious reasons. 2021 looks to be a better year.

What is important is that the different segments of the market reacted differently. The student accommodation had huge ups and downs, and these are likely to continue until some sort of settled pattern is established for when and how students are going back to class. The difficulties encountered can be seen by the number of vacancies, which is currently at a highish level and from the number of “10 bedroomed” houses that are coming onto the market in the Universitas and Brandwag areas. (They really mean 10 student). With the announcement of results there have been a few notices from those who have passed and don’t need to return but the demand for student accommodation has been high with steady lettings.

In the normal market, there is little to let available for family accommodation. While rentals are not rising much, if at all, they are not dropping. This is likely to be due to the fact that the population is still expanding but without the corresponding development of new residential letting units. This could, in my mind, result in pent up demand over the next year or two with a burst in rental increases as the economy gets out of COVID-19 and improves. We could be looking at higher inflation on residential letting rentals not too far into the future.

Quality rental accommodation is difficult to find. In some parts of the country rentals have increased as people have been forced to rent rather than buy. In Bloemfontein it is more a shortage of stock rather than a massive demand that is keeping these rentals scarce and expensive. Bloemfontein is not known for the building of rental accommodation at the middle upper market level and this is possibly an opportunity for local developers.

The Commercial Landlord

Newsletter for
Commercial &
Industrial Landlords



Mar 2021

Why Rent When You CAN Buy

Demand for residential units to buy is caused by the fact that it can be the same cost to buy as to rent. The same applies to the commercial industrial market. Now is a time to think about being the owner rather than a tenant. With such low rates buying becomes a very attractive alternative, especially as many landlords would consider selling at this stage. The current repo rate is 7% and businesses should be able to get finance at around 8%. Do the maths. A rental of R30,000 pm would be equivalent to a loan payment on a bond of R2,473,000. Bear in mind the cost of transfer, rates etc. but you would be free of annual rent increases and the risk that your rental lease would not be renewed.

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Talk Shop

by Platinum Global

When is a Commercial Property Not a Commercial Property?

In every business there are dishonest and unknowledgeable people, and our industry is no different. The commercial and industrial market is far more sophisticated than the residential market and requires a quite different skill set. It seems that residential agents, are dabbling in a market that they may not understand, and their clients may not be getting the best advice. Consistently properties are being advertised as "Commercial" when clearly this is not the case. You cannot just run a business from a property just because it is convenient and cheap to do so. Zoning is there to limit where businesses can be run. What is currently happening is that many people are buying residential property and using them as commercial properties. While Metro is not taking the steps that they should many private citizens are taking misuse of zoning to court. And they will win. The magistrate has one simple question to ask. Is the property correctly zoned? If not out you go and you will be asked to pay all the complainants costs too!

TOO MUCH INDUSTRIAL GROUND IN BLOEMFONTEIN?

Old Industrial, Ooseinde, Hamilton, N8, Hilton, Estoire (Lessing Ave), Witherow Dam. Is there too much industrial ground in Bloemfontein? While Ooseinde is popular there is a good percentage still unused. Bloemfontein is not an industrial city and at best is a storage and redistribution centre, though modern distribution systems are negating even that role. My question is whether it is not time to look at new uses for many of these areas.

Hamilton, for instance could be used as an extension area for residential development as an overflow for Phahameng and Rocklands. After all much of the infrastructure would already be available as there are main roads and high-level services already laid. Surely rezoning of an under-utilized area would be beneficial and allow the development of modern mass residential properties.

Perhaps the city fathers should investigate the feasibility of such a move and encourage redevelopment of these under-utilized areas. Industrial and commercial concentration into the remaining industrial areas could result in better more effective use of these areas.

TACKLING SLOW PAYERS – A LANDLORD TENANT PARTNERSHIP?

There is a big difference between a tenant who won't pay and cannot pay. But both are a problem. After investigation, won't payers should be tackled quickly to stop the problem. Immediate cancellation of the lease, make them move out, and keep the 1 months rental deposit. You may not get rent next month but at least you have an opportunity of a new tenant. They would not have paid anyway!

Those who try to pay need more care. Are they basket case or will they recover? If they will, then perhaps taking part payment would help. When it times comes for an escalation, perhaps that can be forgiven for the time being. Those that try to pay usually feel obliged to pay off arrears as soon as they can and are the best tenants to have. It cannot go on indefinitely and a time comes when a decision must be made. But you will know when the time comes.

COMMERCIAL SECTIONAL TITLE – A LITTLE MORE DIFFICULT TO MANAGE

The development of commercial and industrial sectional title schemes is becoming more popular each year. But managing such schemes is far more difficult than the normal residential scheme. While residential schemes need to be kept smart, an industrial scheme is an animal of a vastly different nature. It is a working building intended to make money. Depending on the building, does the paintwork need to be kept immaculate? In an office block maybe yes but in an industrial estate? Insurance in an office building is not such a major challenge but with industrial schemes it certainly is. Firstly, building design may vary considerably (call centres, workshops) and what must be insured? A warehouse is a bare building with minimal structure and facilities, but the property next door may have been converted to a call centre with offices, air conditioners, storerooms, cool rooms, refrigerators. What should the body corporate insure? The same structure for each building leaving the owner to self-insure the rest. Then there is the problem of compliance. Insurers require confirmation that each unit is compliant from a fire fighting, building regulation and electricity point of view. Reality is that industrial units seldom are up to date with compliance and if they are today, they are likely not to be tomorrow. Body Corporate management of industrial estates is not for the lighthearted.



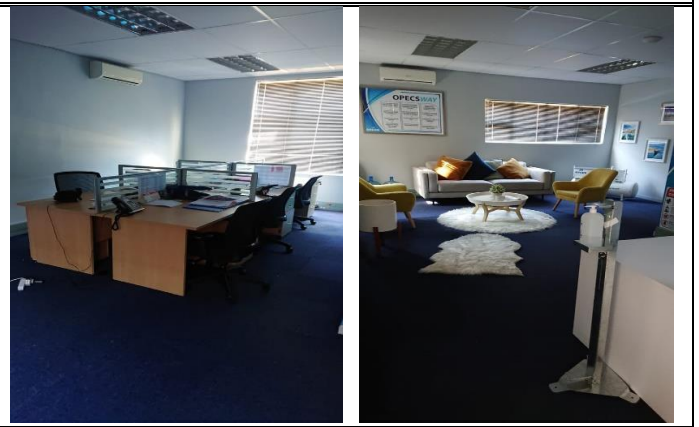
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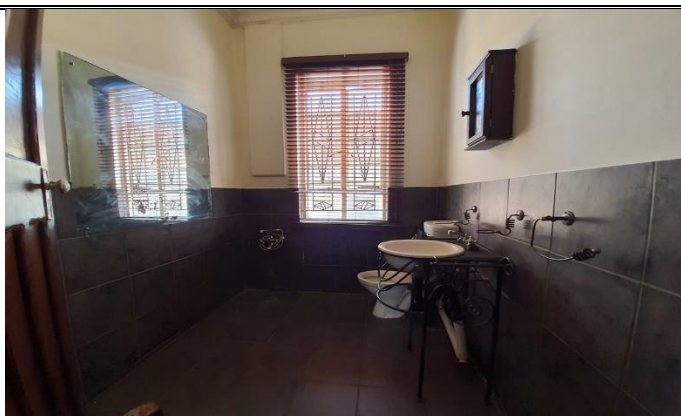
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