



**Bank Repossession** Top of the range 3 bedroom townhouse with double garage, private garden. Make an offer around R1.8 million. Immediate occupation

### **Bank Repossessions Can Be Bargains – But Do Your Homework**

Properties that have been taken back by the lending banks can be a bargain, but you need to tread with care. Firstly, you need to know your prices. It is only a bargain if you pay less than the generally accepted price in the market. Secondly, because you are buying indirectly from the bank you need to know what amounts are outstanding for rates and taxes, levy, electricity, water etc. The current buyer has stopped paying his bond (the reason that the property is available) and you could get caught up in the process. Previously units would be placed on auction and you bid at the Sheriff but had to pay all outstanding accounts plus VAT plus the Auctioneers fees. If you were not careful, in the excitement of the bidding you could easily have paid more than the property was worth when all the extras were added. Plus, you had no comeback against the Seller.

Banks have stopped taking back properties because they had to buy in the property if the price was too low for their liking. The problem for them was that they then became responsible for the outstanding accounts including the rates and levies. Body Corporates especially were in a strong position to claim the missing levies as the buyer of the property had to pay the outstanding and current levies as part of the terms of the auction sale. Something that the banks did not like.

Now what happens is that the banks don't take the property to auction except as a last resort but rather put pressure on the Owner to sell directly him/herself. That way they can approve or not the proposed selling price, but never become directly responsible for the outstanding accounts. The owner is unlikely to keep the levy up to date, but there is little that the Body Corporate can do until the unit is sold. Where the unit is let, they could attach the rental income which is a big help. Owners often abandon their properties and they stand vacant. If this is that case, try to get the Owner to agree to the unit being let. The proceeds are then used to pay the current, then arrear levy, any repairs that are needed to make the premises occupiable and then the balance can be used to collect the arrears. Some income is better than none. Sales would always be subject to Bank approval as there is a bond shortage.

# The Landlord

Newsletter for  
Sectional Title  
Trustees & Landlords



June 2019

## Small Schemes DIY

Over the past few days I have been asked by two 10 unit schemes to do their Body Corporate. In both cases I have declined. It is neither financially or time-wise possible for our company to do so. I did however meet with the Trustees and show them how they can comfortably run their own schemes. Small schemes (under 30 units) are usually better off being self-managed – if the management is properly done by Trustees that have some accounting and management knowledge. Importantly the trustees need to clearly understand that they act on behalf of all owners and need to take a neutral stance v owners and tenants.

Accounting should be simple and logical but using a program. Reading and following the STMA will help you run the building in a normal business-like manner. It is not so difficult.

# Talk Shop

By Platinum Global

## REPLACEMENT COST VALUATIONS

It is about 3 years since the STMA came into force and one of the conditions of the act is that every three years the BC must get a Valuation for Replacement Cost done. This valuation is one that estimates what the cost would be if the building had to be rebuilt ie after a catastrophic fire or earthquake. This is not the same as a normal valuation which is done to find out what the likely selling price of the property would be. Remember that Cost does not equal Value in that case. Cost replacement Valuations are done exactly to find out what the cost would be if the property had to be replaced in entirety.

When undertaking the valuation, it is sensible to make some assumptions, such as that an old building would not be built the same way as the original plan which was an obsolete design. Sometimes modern building methods could be less expensive than old style construction – think ornate 18<sup>th</sup> Century building design with marble tiles floors, wooden slash windows and figurine covered exteriors. The replacement building would have modern lifts, tiled floors, modern electrics and plain exteriors that should be far less expensive.

Make sure that you cover the full building not just the PQ area. Exterior walls, swimming pools, outbuildings, parking areas, paving should also be carefully calculated and included in the valuation.

Not all Valuers are able to do replacement cost valuations. It may well be better to talk to a QS whose job it is to calculate building costs. Look for a retired QS who might do this for you at a more reasonable cost, though with the slow building market, many QS's would be happy for the work.

## Do You Pay an Honorarium?

Being a Trustee is a position of love – unpaid work. They are entitled to be reimburse with actual costs to do their work, but care must be used when repaying what are claimed as actual costs. A few cents for phone calls would be justifiable but what if a holiday flat Trustee in Durban lived in Johannesburg – would their air fare be justifiable?

There are occasions that definitely do deserve being paid. An example would be an owner that permanently supervised painters who worked on the boundary painting and wood re-varnishing that was done on a full-time on-going basis. But care must be taken to distinguish between compensating a Trustee or Owner for costs that they have paid out of their pocket (cell phone time for costs for calls on behalf of the Body Corporate) compared to being paid for their time for supervising the painters. That would be a salary or wage. When that happens, their appointment would have to be approved at a general meeting and notice would have to be given about it. Because it was a salary it means that they are employed. They would need to be tax compliant and UIF would have to be deducted, leave pay needs to be paid and you would need to comply with all aspects of the labour act.

The same would apply if a caretaker gets a free rental of a flat in return for the work that he/she does as it is still considered to be a salary for work that they are doing. You would need to take into account everything that they received including free electricity, water, or parking. Remember if it goes on for more than a short time, they become permanent employees and cannot easily be given notice!

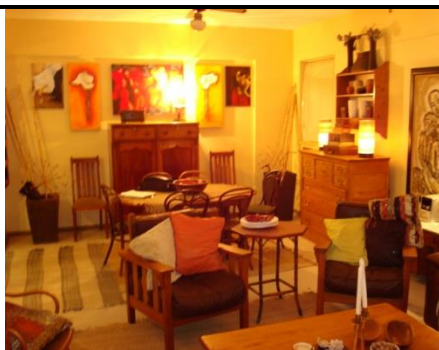
## HOA's – Owner's Rights

One of the reasons for Homeowner's Associations is often the high levels of security that they offer. A house in an HOA is a separate erf within the boundaries of the HOA and is individually owned. That owner must manage his own finances for the property and pay for his own maintenance, insurance and the like. He pays an additional fee for the common property maintenance for internal roads, water pipes, electricity cables and facilities that are offered by the HOA.

It is often very difficult for visitors to get into the scheme because of the high levels of security. Visitors have approved entry often by receiving a one-time pin from the owner or have to be booked with the entrance security so that they are expecting them. This makes life very difficult for estate agents that are not allowed through the security to canvas sellers or find properties for buyers.

However, Owners should understand that it is unconstitutional for the HOA to appoint "approved" Estate Agents and for only these estate agents to be allowed to sell homes in the HOA. It is also illegal for them to demand money or a portion of the agent's fees for allowing them to do so. Every owner is allowed to appoint the estate agent of their choice to sell their home.

It is important that estate agents working in an HOA know about the rules of the HOA and can explain this to their buyer. The HOA cannot set up an "Exam" that must be passed before an agent is allowed to sell in the HOA. If there are special rules that must be attached to the sales documents this is the responsibility of the Seller to ensure that they are brought to the attention of the buyer.



**New on the Market**  
**R447,000**  
 North facing 2<sup>nd</sup> floor flat with balcony. Two bedrooms, bathroom and spacious lounge. Enclosed carport. Easy distance from Westdene and town. Well run building with sound finances. Is this one for you?  
 Mike 082 881 4711

**Ground Floor 3 Bedroom Apartment**  
 Neat well looked after ground floor flat that is ideal for retired couples. Safe and secure building with good finances. Really nice people stay in this building. Large lounge leading onto stoep. This is a really nice place.  
 Retha 073 660 4494

**Vista Park New Home R1,225,000**  
 A Wow House – brand new – no transfer duty payable. Simply a lovely home. Everything is just right – very high quality. 3 bedrooms, 2 bathrooms, parking for three vehicles. Fully walled and garden laid out. Very nice place  
 Retha 073 660 4494



**Neat as a Pin – Totally Renovated!**  
 Lovely down on the ground 1 bedroom flat – like new. Super sized almost 2 bedroom size. With parking and 2<sup>nd</sup> place available. A really lovely flat with large rooms. Great body corporate finances.  
 Mike 082 881 4711

**Close to Waterfront Bachelor**  
 Brilliant Bachelor flat with carport just 2 minutes' walk from Waterfront. Large sunny north facing unit in well managed building. Exceptional price of R300,000. Serious seller.  
 Retha 073 660 4494

**NEXT TO UFS 1 OR 2 BEDROOM FLATS**  
 Don't lose out – look now. Seldom on the market Gaudeamus 1 & 2 bedrooms currently available. Super modern flats for students at UFS. Low maintenance, well managed building.  
 Mike 082 881 4711

Did You Know?

# 4 Northern Suburbs House Sales Agents Wanted

**We train you to be super effective Estate Agents  
 Only work with Serious Sellers and Qualified Buyers**

**E-mail your CV to [mike@platinumglobal.co.za](mailto:mike@platinumglobal.co.za)**

**WE HAVE A PLACE FOR YOU!**

**SPACE FOR 1 LARGER BODY CORPORATES**

Not your normal body corporate management – very much better. Pro-active management that helps owners and Trustees alike ensure that their building age is better than anyone would believe. Monthly accounts available each and every month and on time. Easy to read and understand reports that clearly show your financials, who is in arrears and who is in arrears. We are able to take the worst run body corporate and change it a body in months. After the initial getting up to date period all arrear owners will have action taken to recover arrear levies and services.

Why would you want anything else?

Contact us at [mike@platinumglobal.co.za](mailto:mike@platinumglobal.co.za) and we will come for tea with the Trustees and show you what a well run body corporate looks like.

## **Landlord Still Have to Pay Fees if He Sells to His Tenant Directly!**

While the main agreement between a Landlord and his letting agent is the letting and management of his rental property it often happens that the Tenant becomes interested in buying the property that he is living in. After all it is better to be paying off a bond rather than paying somebody else rental.

The mere act of letting a property to a Tenant is often sufficient to initiate the sale and often a Tenant will try to make contact with a Landlord when they want to buy. It also happens the other way around where the Landlord would directly approach the Tenant.

Landlords need to be aware that it has always been the case that in almost all rental agreements, that there is a clause dealing with effective cause of sale and that should the Tenant buy from the Landlord then the Landlord as Seller would be entitled to pay the Letting Agent the normal selling fee for that agency. This has always been the case since I started as an estate agent in 1975.

I would strongly suggest that every Landlord check his lease agreement as it is quite common in the modern World for the lease agreement to be signed by the Letting Agent as it is impractical to send documents backwards and forwards to Landlords for signature – post does not work and small Landlords may not have facilities to download and print, then sign, scan and return the Lease Agreement. Sales to the Tenant are not that frequent and may occur many years after the tenant has moved in. It is just better that Landlords are aware of the situation.

If a Landlord is thinking of selling his property, the norm would be to contact his letting agent and ask them to assist with the selling. The Letting Agent would normally approach the Tenant first asking them if they would like to buy the property before offering it into the general market. This is perhaps where this clause originated from. In reality the Tenant has been introduced to the Landlord via the Letting Agent and it is not uncommon for a tenant wanting to buy to phone the Letting Agent to get the Landlords contact details in order to be able to negotiate directly. Either way all Landlords should take into account the Effective Cause condition before negotiating directly with their Tenants.