



The Commercial Landlord

For Landlords , Owners , Investors and Tenants
In Commercial & Industrial Property

Recession affects rental - commercial and industrial collections

(Sharemax Investors Newsletter June 2009)

The impact of the worldwide economic recession is now also being felt even more in South Africa. The retail sector is also affected thereby and the retail tenants in the shopping centres are coming under bigger pressure. Last month, Statistics SA made known that the economy shrank by 6,4% points year on year and that was the second consecutive quarter where there was shrinkage. This means that South Africa is in a recession.

Market research, which was done by TPN Credit Bureau at the beginning of 2009, also indicated that only 60% of tenants in shopping centres and offices pay their full rental on time. The other 40% of tenants either pay their rental late, or they don't pay at all!

Liquidations in South Africa increased by 45,3% in the first four months of 2009. Property expenses are escalating continuously due to, amongst others, costlier assessment rates, and an extraordinary escalation in the cost of electricity that has been announced. Even though a portion of these costs are recovered from the tenants, those extra increases place the tenant's profit under further pressure. More tenants are therefore placing pressure on us to adjust their rental downwards.

The directors are of the opinion that, in these difficult times it is better to retain existing tenants in a shopping centre than to find a new tenant. The new tenant's rental will not necessarily be the same or higher than the existing tenant. New tenants also expect that they will be granted a rent-free period, while they also expect that the landlord must carry the installation costs of a new shop. In the current economic climate, it may also take a few months to find another suitable tenant for the premises.....

There is no doubt that many tenants are finding it difficult to meet their monthly rental commitments and it certainly makes sense to keep a good tenant on at a reduced rental for the remaining period of the lease. Each case should be looked at on its merits. Some tenants are just lazy payers who constantly pay late if they get half a chance. It is therefore necessary to investigate each individual case. Whatever the agreement is it must be kept to otherwise there is a chance of slippage – rentals getting further and further into arrears. Some support system must be in place to ensure that tenants pay the agreed rental – on time – every time! It may even be wise to renegotiate the renegotiated rental from time to time if it is obvious that the tenant is willing but unable to pay the fully or modified rental.

But let's be realistic about it. Not all businesses are affected in the same way. For example new cars sales are down a long way but spares dealers are having record sales as people keep their cars longer and repair rather than replace them. Good businesses still do well even in hard times. Not everyone is under pressure to the same extent and in the same way. A little bit of imagination on how to have a win win situation for both parties will go a long way."

While landlords that have a large diverse portfolio may be less affected, landlords with only a single tenant would find things very hard if their tenant were to leave. For those with spare money they might even find this an exceptionally good time to increase the number of properties that they have. For each property and tenant should be looked at separately and their merits and defaults should be weighed up carefully before taking drastic action. Remember not to shoot the messenger. Your estate agent is probably doing his best to keep you happy!



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PEDRO JADIM JOINS PLATINUM COMMERCIAL

Jill & Mike Spencer are delighted to announce that Pedro Jardim has joined Platinum Global.

Pedro who started with us at the beginning of the month will be involved in our commercial and industrial division. Already Pedro has been out and about meeting people and seeing the properties that we manage and have to let. He has quickly become one of our family and is very popular with our landlords and tenants alike.

Pedro has been finding new properties to let and sell and has enjoyed meeting people in the field.

Pedro can be contacted on 079 892 1133



GUEST HOUSE/OFFICE BLOCK

An interesting opportunity has come our way. A block of 14 fully furnished large bachelor flats within walking distance of the city centre and soccer stadiums make this a good prospect to look at. With enough rooms to make this a profitable guesthouse, it makes an ideal property to let out for the 2010. This buildings position modern design and good parking allows this building to be converted into a much-needed "small office" building. Interested? Contact Pedro Jardim 072 892 1133

DESPITE RECESSION DEMAND IS PICKING UP!

During a recent "meet and greet" visit to business areas around Bloemfontein it was noticeable that despite the depth of the current recession how positive people's attitudes were! While many business people confirmed how bad things had been for the past few month it was surprising that almost to a person everyone said that things had picked up.

This has been reflected in the fact that our commercial letting department has been rather busier than we would have expected. Almost every day we are having new people visiting our offices to look for offices, shops or warehouses. Today we were able to show commercial property to more than 5 different potential tenants.

Letting commercial takes time. Few new tenants can make a decision to let on the turn and frequently take weeks to make a decisions or have decisions confirmed by head offices. Nonetheless, it does look like there is something of a turn round in the commercial and industrial market. What was very interesting was that when we were on the point of letting a large warehouse on a long lease we were told by the potential tenant that the head office in Germany had decided to buy! We are waiting for them to come out in October to make their choice.

As discussed in our first article what is necessary to make a property lettable would include

- Realistic and competitive rental
- Clean and tidy condition
- Visibility
- Good parking ratio

Let us know if you have property that we can help let for you.

WE ARE LOOKING FOR

- Warehouses. Modern 400 to 800 sq. Ooseinde preferred. Serious international company buyers from Europe for this one.
- Small warehouse for chocolate factory. Must be modern, small office section, good delivery access.
- Mini Office. For reps office. Single or two offices up to 35 sq m.
- Tenants. New arcade in centre city. Wide variety of shops from 25 to 140 sq m available. Rentals around R200 sq m plus VAT. Occupation April 2010.
- Flat development site. Serious buyer looking for site to erect his own block of flats. Space for 30 flats plus. Must be in good area.
- Hotel site wanted. National hotel group looking for hotel site in Langenhoven Park area. Will consider small holding in approved area.

Contact Mike Spencer at 051 447 4711 / 082 881 4711 mikehome@telkomsa.net

STAMP DUTY DISAPPEARS.

Some people are not yet aware that stamp duty is no longer applicable to leases. This is a huge saving especially on commercial leases. Previously it was necessary to stick stamps to the value of 25c per R100 of the total value over the entire period of the lease including escalation on the lease document. This could amount to R 000s on long or high rental leases. It is no longer necessary to place revenue stamps on any leases.

Check if you are hording spare revenue stamps. These can be returned to the Receiver of Revenue and a full refund can be obtained. Platinum Global managed to scratch together of R1 200 worth of unused stamps between our various letting departments!

DID YOU KNOW?

During a recent building inspection, I spotted dustbin bags full of 2 litre and smaller cool drink bottles. My cleaners tell me that they are paid something like R5,00 per bag. Encourage your staff to recycle plastic cool drink bottles while making a few bob at the same time.



The Courtyard

The Courtyard. An exciting new development in the centre of Bloemfontein on the corner of Charles and Westburger Streets. Building starts in two months time. Already shops are filling up rapidly. This high pedestrian traffic site is offering a wide variety of shop sizes from as little as 25 sq m to 200 sq m. Already over 60% full it offers opportunities for a wide range of businesses from national chains to individual local businesses. Rental around R200 sq m per month dependant on size of unit. The Courtyard has open central walkways with space for outdoors eating and relaxation. Contact Pedro Jardim or Mike Spencer for more information. Don't miss out on this exciting new offering. 051 447 4711 mikehome@telkomsa.net

COMPETITION TIME

Bergen's
Appliance
Repairs & Spares
"We keep them working"



Just e-mail mikehome@telkomsa.net and let me know what the contact telephone numbers are for the Bloemfontein branch of Bergens



Motor Show Room / Shop

640 sq m showroom or shop on prominent main road. Falls with approved area for tax incentives on upgrading or rebuilt. High visibility large display windows. On-site parking for 8 to 10 cars. Highly visible site suitable for a wide variety of businesses. Letting R28,000 pm plus VAT. Could also be available for sale. Make an offer to let or buy. Contact Mike Spencer 082 881 4711 or mikehome@telkomsa.net



OFFICES TO LET

Ground floor offices with good parking ratio. Easy find for your clients. Choice of two 80 sq m for R5000 plus VAT pm. Ideal for a wide range of uses.

Ooseinde Factory/Warehouse



650 sq m modern factory neat modern design with open clean workshop/warehouse. Excellent access through not one but two roller doors. 3 phase electric. Overhead mobile crane 5 ton included in rental. High visibility position will suite a wide range of businesses. Good provision for offices. Rental R20,000 pm plus VAT make this an very sensible rental prospect.

Tell us if you are looking to rental warehouse space. 082 881 4711 mikehome@telkomsa.net

Platinum Global are one of the few estate agencies in Bloemfontein that has a separate commercial and industrial letting and sales department. This department concentrates on bringing property owners & tenants and sellers & buyers together to conclude mutual advantageous leases and sales. They are happy to give advice on rentals and selling prices and include a Professional Associated Valuer who is able to give you certified valuations of your commercial & industrial property.