



The Landlord

For Landlords and Sectional Title Owners

To Trust or Not?

During a recent successful sale the question of whether or not to register the property in a trust arose. An interesting discussion took place. I make no pretence to be financial advisor but look more at what I perceive as the practical aspects of registering property in Trusts.

If you have a special reason for registering your property in a trust I would never attempt to dissuade you. For example if you lead a complicated financial lifestyle owning lots of different businesses, trading in properties, having a real need to provide a safe haven for disabled children. But most of us live fairly straight forwards lives and have no real need of this type of ownership.

The real purpose of a trust in most cases is safe guard your properties from creditors if you have financial problems. But how many people not having complicated financial lives do you know that have gone bankrupt? For me a real problem is that if you form a trust and want to bond a property then you still have to give personal surety – thus nullifying the supposed advantages of a trust.

For me two of the largest disadvantages of trusts and other forms of non-natural ownership are the additional transfer costs and Capital Gains Tax differences. For example a R500,000 property will cost R8,634 to transfer privately and R48,634 to transfer into a trust! Equivalent to R640,41 pm addition on your bond if your finance the difference!

The effective Capital Gain Tax rates for individuals lies between 0 & 10% depending on your total income package, while that for a CC will be 14%. Trusts are effectively 20% of your capital profit. If you live in a property registered in your own name you can claim a R1,500,000 allowance. I really believe that other options simply cost you too much more to be viable unless you have a special need.

Remember that you have to be very careful when changing trustee and beneficiaries as this can easily be construed as disposal of the property. You will be then be liable for transfer duty and payment of CGT if the receiver sees this as a change of ownership. Some people keep property in trust for their children but once they are over 21 it does not make sense to me to limit how they can deal in property that they effectively own. I have had experiences where outside and even family trustees can make life very difficult and unprofitable for the beneficiaries.

Trusts have their place but you must be very sure that a trust is the right vehicle for you.



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27% NETT RETURN OFFERED ON BUSY INVESTMENT PROPERTY

Unbelievable but true. We have just received a fabulous investment opportunity that we can offer for sale. A well run 70 roomed 3 star country hotel on the N1, petrol station, restaurant, quick shop and four flats. All situated on a 22 ha site for future expansion.

This is a popular over night half way Johannesburg/Cape Town destination. The restaurant and quick shop have been leased, while the petrol station has been leased for 6 years plus 10 year option to a national petroleum company. The hotel is run by an hotel manager who is willing to stay on. With a nett income of R8,700,000 pa annum and an asking price of R30 million this is an excellent investment for a wealthy individual or group of investors.

Mike says; "This really is an excellent buy. Because of its position it has been a popular half way stopping point for travellers in both directions. Almost everyone stops here. The seller is retiring to live with his children and is offering one of the best buys that I have seen for many years. This offers opportunity for a hands on investor to improve the property and provide more facilities, but at the same time is well managed in such a way that the property would also suit a distant investor owner who does not want to get involved in the day to day management of his property. Main road fuelling stops are always in demand as investments especially when they are so well placed.

For more details contact Mike at 082 881 4711 or mikehome@telkomsa.net

SECTIONAL TITLE SCHEMES - REGISTERED

The latest statistics on Sectional Title Schemes registered is as follows:

Countrywide - 57,892

Per Deeds Office

Pretoria	20,318
Pietermaritzburg	13,346
Cape Town	12,144
Johannesburg	6,426
Bloemfontein	3,864
Mpumalanga	1,231
King Williamstown	446
Kimberley	74
Umtata	43

It is interesting to note that the Free State has half the number of schemes as does Gauteng! Go Vrystaat!

At an average of say 30 units per scheme that is a total of 1,736,760 flats and townhouses!

SOMETHING FOR TRUSTEES AND OWNERS TO THINK ABOUT!

Platinum Global have taken over a number of new body corporates in the past month or so. During the takeover process a number of interesting items appeared. We are suggesting that Trustees should look at how their managing agents handle their affairs to make sure that their buildings are well managed.

- Electricity and water accounts had been paid to the municipality without being checked. We found that owner's/tenant's accounts had been added to the body corporate account when owners/tenants did not pay their individual accounts. We suggest that Trustees create a list of meter numbers and the units that they belong to. Any incorrectly debited accounts should be brought to the supplier's attention for reversal.
- Our company runs two bank accounts for each body corporate – a cheque and a saving account. All money is paid into or out of the cheque account. So if wrong references are used we may not know who paid the money but it will be lying in the body corporate account. What we have found is that some managing agents have a single trust account into which all levies and rentals are paid for all the buildings they manage. From this bulk account the expenses of the body corporate are paid. This gives rise to a number of problems;
 - ❖ It is very difficult to trace incorrectly referenced payments
 - ❖ Anyone can pay into this account so that when the management changes some owners continue to pay into the old managing agents account.
 - ❖ Most importantly of all the auditors cannot check this bulk account as they do not have access to it.
 - ❖ Interest that is accrued during the 20 days or so that the money lies in the agents trust account and this accumulates to the agency not the body corporate! In many cases they then charge bank charges to the body corporate to move its own money to the body corporates own account!
 - ❖ Because of the bulk trust account system the management company will usually not be able to provide the auditors with a trial balance or individual accounts for the body corporate and the auditor will need to do additional booking work at the cost of the BC before they can do the audit.

Our biggest complaint about the bulk trust account system is that it is difficult if impossible to detect any problems as there is no access to the managing agents trust account in which most of the body corporates transactions take place. You need to simply take the agents word that that his transactions are correct. The two bank account system is far easier to check. Some accountant will not audit a body corporate where the managing agents runs a bulk trust account as they cannot verify the money received and paid by the Body Corporate.

Fichardt Park

Fichardt Park lies to the south west of Bloemfontein and contains one of the early Hypermarkets that was completed about 1978. While some sections close to Hospital Park are somewhat older most of the suburb was constructed from 1974 to 1980. It is mainly a residential house suburb with a few townhouses but also boast Rose Park Hospital that has grown into a large hospital from a modest private clinic.

Did you know that the Bloemfontein Race Course used to be here until it moved to its site on the north east of the city? Now surrounded by Pellissier, Gardenia Park, Fauna and Fleurdal, Fichardt Park used to be way out of town. The ground originally formed part of the Fichardt Family farm. They were the owners of Fichardt's in the centre of town (later Greaterman's) and Ewald Fichardt was a Mayor of Bloemfontein.

Make your rules enforceable!

Body Corporate rules are there to be enforced when needed. Make sure that yours are valid. Too many Trustees are working with rules that have never been properly approved and then registered at the Deeds Office. If they don't comply they aren't valid. Check if your rules were properly approved at a General Meeting of which proper notice was given and copies of the rules were sent to all owners with the notice.

Platinum Global highly recommends that conduct rules (the old house rules) that also need to be registered also contain any rules in the main rules that may be applicable to residents (owners or tenants) as these are the rules that are given out to people staying in a building. Don't worry about duplication in both sets of rules.

It is recommended that an item is included to update the rules at your next AGM. This gives owners an opportunity of looking at the rules and making changes and additions. Many registered rules are those set out in the Sectional Titles Act and are not adequate for many buildings. Adding late payment fines, fines for ongoing breach of rules (which include tenants), and clarifying rubbish removal, pool times, pets can make life easier and fairer for everyone.

Remember pets cannot be unreasonably refused but if all owners decide that no cats are allowed and that only one dog not bigger than 30 cms tall can be kept it makes the Trustees task must simpler.

Rules can contain almost anything but the simpler and more sensible that they are written in easy to understand language the better. Complicated or vague rules only lead to unhappiness.

Most important of all is to remember that rules must be applied equally and fairly to everyone. Trustees must comply to rules just as much as tenants. A copy of the conduct rules should be given to every new tenant while a full set of rules should be given to new owners.



LANGENHOVEN PARK

SERIOUS OVERSEAS SELLER

Our seller moved back to Switzerland some time ago. If you are serious about buying he is serious about selling. Current price R640,000 is a real buy. 2 large bedrooms with panoramic views onto your own private garden. Spacious open plan lounge cum dining room, open plan kitchen. Bathroom with shower and bath. Lock up garage. Everything that you can need at a price you can really afford. A lovely building in a lovely area.

Contact Anne Snyman 084 324 1055 or Mike Spencer 051 447 4711 to view this property.

Whatever type of sectional title unit you are looking for call us. If we don't have it we will find it for you.

Sectional Title Sales Specialist
Wanted Urgently

Contact 082 881 4711

Platinum Global has space for two additional sectional title specialist sales agents. Full and on going training will be given. All areas of Bloemfontein need to be covered.

Are you quick witted, have a cheerful personality, a sense of humour and positive outlook? Property marketing is a tough business for tough people in any market. It does however offer well deserved high income earning potential.

Always wanted to be in the property market?

Come to Platinum Global – the best people to work for!

Call 082 881 4711 for interview

Great news for property owners and new investors

You think that times are tough? Just wait until what you hear is around the corner – then you will change your mind.

Undertaking research with the Dept of Statistics it soon became apparent that a tidal wave of new buyers and tenants is just around the corner. On a national basis (ignoring the small coloured and Indian population) there are some 38,255,167 black people and only 4,626,733 whites (10.79%). In the Free State the situation is 266,554 to 2,417,509 (9.93%). Locally in Bloemfontein figures are 101,168 whites to 618,412 blacks (14.06) mainly due to statistics that cover the Mangaung area including Bloemfontein city.

The interesting point though is the age groups of the two population groups. Where almost 70% of the local black population is under 40. Bloemfontein itself consists of some 70,000 freehold and sectional title flats and townhouses with no properties standing vacant. With some 165,000 young black people in the age group 20 to 34, many with university degrees and comparable incomes, this is going to cause a huge upswing in the local demand for property both rental and to purchase. Local young people alone are likely to require 16,500 homes in the price range of R850,000 to R900,000 in the very near future (based on 20% earning in the region of R15,000 pm month as new graduates and buying together with their partner with similar earning power). This does not take into account the 449,076 other young people in this same age group living in the rest of the Free State. It is estimated that some 38,945 new homes to rent and buy in this price range will be required in the next 5 to 10 years. This represents an increase of 55.64% in the number of homes in the capital and does not take into account any other population groups.

Mike Spencer of Platinum Global in the city said. "It is quite clear that our major market in the middle and lower home buying market has rapidly become the emerging black university qualified buyer. It is however very difficult to find properties in the current price ranges that they can afford and from the figures that have been produced it seems that this is going to become ever more of a problem. Despite the current down turn this is the time for developers and the local authorities to prepare themselves for the next upswing. It is essential that services are now provided with new suburbs in mind so that building operations can take place at the start of the new upwards cycle. Developers and local authorities should be aware that the downswing may well be severe but the upswing could turn in the next 6 to 12 months and with the pressure of an educated young population it would seem that demand will be very strong for lower middle price range properties. Everything must be done to be ready to act as soon as conditions change."

Mike said "From previous experience over the past 30 odd years that I have been in property, it is always those that buy when interest rates start dropping that make the best investments. With an expected drop of 1% in February this is the right time to pick up the bargains." Mike personally felt that interest rates would drop as strongly as they had risen and would be down to around 10% by year's end. Mike went on to say that he was involved in putting together some innovative ways of buying property including a form of mutual property development and individual buying which would make it easier for young people to get their first home.

Mike said "It makes sense to buy now. Sellers are really serious about selling but once the slide in interest prices starts those sellers that have held on so far may well take the view that they should withdraw their properties. Investors looking for good buys should act now. The real profits will come when this tidal wave of new educated black buyers starts hitting the market. Their demand for property will severely stretch the ability of the markets to provide this sudden and large number of homes. This will result on strong upwards pressure on both rentals and prices in the next upswing. The ideal properties to buy are small one and two bedroom flats in ordinary buildings in ordinary areas – and hold on to them."

TIPS FOR TRUSTESS!

- **Have you remembered that you must have your AGM within 4 months of your year end? No excuses! Make sure that your financial reports are ready to go out with the notice of the AGM.**
- **When did you last read your water and electricity accounts and check whether the municipality are putting owners accounts on to the body corporate account. If they have write to the municipality and give them the owners contact details. Tip make a record of all the meter numbers and the units that they belong to. This makes life easier.**
- **Do you have a day night switch or timer on your lights? Both have advantages and disadvantage. Have your timers been reset for the longer nights?**
- **Water bill seems high? How about the trustees going around and asking each occupant if they have dripping taps or geysers? If geysers are leaking directly into the drain pipes then you will never know all the water you are wasting. Solution is to agree at a general meeting that all geyser overflows must lead into the flat they serve (sink, bath etc). That way when they overflow the occupant will sort out the problem.**
- **How about recovering the water used from occupiers? This would have to be done on a pro-rata participation basis though it is worth looking at the practicality of installing separate water meters in the passages. It is amazing how people use less water when they need to pay for it!**
- **Neat pavements make a building look good – what does yours look like.**
- **Did you know that for a small fee you can have rubbish collected 3 times a week instead of once? This is a real benefit for larger buildings where rubbish bags are a problem. Ask the municipal rubbish department about it.**
- **Have some people who don't pay their levies? Early action usually is the best, but it is never too late. Except for new problems building that we have just taken over almost all our owners are actually in advance! It can be done.**

Help understanding your Body Corporate

Platinum Global have found that there are a number of smaller Body Corporates that cannot afford or do not need managing agents. However from time to time when help is needed it is hard to find.

Mike Spencer with over 30 years' knowledge of sectional title is available on an hourly or daily basis to assist these trustees.

He is able to help in budget creation, problem solving, management systems, dealing with individual problems and overall advice.

If you feel your body corporate would benefit from this service contact mike at 082 881 4711 or mikehome@telkomsa.net



Recommended Small Buy

Neat 1 bedroom flat with carport and extra parking. Easy let unit is well maintained financially sound complex. Ideal for small and first time owner/investor. R330,000 to R380,000 all in excellent condition. We can do the renting for you. All fully let. Great buy -will sell quickly.

Call Mike Spencer 082 881 4711



BARGAIN OF THE MONTH

Now only R480,000 fully let huge 2 bedroom flat with garage in well loved building in Westdene. Ideal for single people and retired couples or as viable rental investment. Owner selling to simplify estate. Fully north facing and winter warm with large stoep and store. I would be proud to own this flat.

This one **WILL** sell quickly even in today's market!

WILLOWS STUDENT FLAT

R160,000 ONE ONLY! -SOLD-



DROOMWERELD R550,000 negotiable FOR QUICK SALE

Huge two bedroom north facing flat with balcony and garage in Platinum Global managed building. Wonderful large garden with braai area for entertainment. Always in demand for living in or letting. I personally own a flat in this building. Situated in 4th Street Arboretum. Recommended property.

Modern ground floor flat with garden in Westdene. Owner overseas. 2 bedrooms 1 bathroom carport offers on R499,000 contact Mike 082 881 4711 or Anne



Arboretum – R978,000 could be a negotiable. Owner moving to Pretoria. Large strong house 4 bedrooms, 2 bathroom, 2 living rooms. Huge garden. Ideal for the growing family. Quiet side road but easy ride to schools, shops and much more. Nice strong property for affordable price. You can afford to make the changes that you want to make. Safe area – I know I live close by and have never had a break in since 1975! Call Mike at 082 881 4711

Small investment opportunity from as little as R10,000 or more

New listing by Sharemax - **The Villa Retail Park (Pretoria)**

Offering 11.5% projected returns or 9% guaranteed. Full public offering with complete prospectus now available. This is a nice investment for the small investor from R10,000 upwards. Contact Mike for a prospectus call 082 881 4711 or mikehome@telkomsa.net. Previous mail out received interest from Australia!

