



The Landlord

For the Landlord and Sectional Title Owners

When your tenant does a Duck!

Everyone who has let our property knows the feeling when you find out that your tenant has disappeared. Most time there are signs – unpaid or late paid rental. Some tenants plan to go without paying others just cannot pay.

What to do? Firstly check on any municipal accounts especially water and electricity accounts if these are to be paid by the tenant. If the tenant does not pay – the landlord will have to. Also check with the Body Corporate about their own accounts because your tenant may owe them for services or in some cases for body corporate fines. Don't forget to check the building for any damage that your tenant is responsible for.

Once you know how much is outstanding in total you are in a position to decide how to proceed. If the amounts outstanding are small it may cost more than you will recover. If the amounts are substantial it will be worthwhile proceeding, providing you are reasonably sure that your tenants have assets.

First find out how much deposit is available and deduct this off the outstanding amount. Next have a look at the tenants application form. You will often find all sorts of helpful information. Previous address, relatives address, work and home telephone numbers etc. These will all help you to find your tenant. If you or your letting agent has access to ITC you would be able to do a check there and this will give you further information.

It is possible to use tracing agents' your attorney will give you the details of the ones that they use.

Whether you find these tenants or not it is important to have your attorney sue them for the outstanding amounts. If they have vacated your property they are unlikely to defend the case. Once the amount owing has been confirmed by the courts you have 30 years to collect this money if and when you find them in the future. If you don't do this then the amounts lapse within 3 years.

As Platinum Global has previously said, it is important to know your tenant before you let to them. Do proper credit checks, take full deposits and never allow tenants to pay off deposits as this indicates that they are financially weak. Good credit control at the beginning of each month is important and tenants must understand that if rent is not received by the owner/agent by the first day of the month, not only will there be a late payment penalty in terms of the lease but that legal action will be taken immediately. Mostly as soon as tenants realize that there you are serious about them paying on time they will give you little trouble.



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While all attorneys are qualified 'debt collectors' some are better than others. Good collectors are worth their weight in gold, slow or inefficient ones can result in it taking years to recover your debts. When taking steps against tenants or non paying sectional title unit owners it is important to use good ones. They will cost you the same but the good ones will usually get your money back!

Never allow tenants to pay off deposits – it indicates that they are financially weak.

*Jill Spencer
Principal Platinum Global*

Saving money when buying Investment Property

SOUTH AFRICA GOING SOLAR

From 2010 South Africa will turn Solar, according to the Regulation Gazette No 8833 of 8 February 2008. (No 30755)

NO new dwellings with a **value** exceeding R750 000 or with **Size** exceeding 300 square meters, will be erected without a solar hot water system.

Sounds futuristic?

No way. New solar electric panels have been developed that are 100 times more effective. They will be available for sale in 2 years time.

Platinum Global are investigating thermal energy heat exchangers that extract heat energy from the ground and convert it in heat exchangers to 65 Deg C to supply domestic hot water and space heating for homes.

Watch this space!

Everyone wants to do everything as cheaply as possible but be careful. Sometimes penny wise is pound foolish. Going to the estate agency that offers the lowest commission will not necessarily mean that you will get the cheapest selling price. Are they able to assist the seller in putting their property into the market at the "right" price or will they simply take the price that the Seller asks for? Many estate agents do not look at recent sales when giving the seller advice on the likely selling price of their property but rather just add their fees to the Seller's asking price. A good estate agent will explain the selling process to Sellers including how buyers compare properties before buying the one that suits their needs best at the best price. This is vitally important for investment properties where buyers are looking for a financial return (net return on income after expenses (Rental less letting fees, less rates and taxes, less levies, less allowance for maintenance etc). After all they are buying an investment. Good estate agent may well have a better selection and more realistically priced stock. They will also have their favourite investor clients who will hear about the "good buys" before other possible buyers.

Where else can we save money? A funny place to save money is by the way that you structure the purchase of multiple units. Don't let your estate agent write one contract for more than one property at a time. For example if you buy a two flats for R500,000 each and purchase them together on one Deed of Sale (Offer to Purchase) you will then pay R37,641 transfer and attorney fees. However if you were to buy them on two separate contracts you would only pay R8,021 each (R16,042). The saving comes from not paying transfer duty below R500,000 and reduced attorney fees at the lower rate.

However when it comes to the bond application putting as many properties together as possible is the way to go. Two R500,000 bonds would cost you a total of R11,268 while a single R1 million rand bond would only cost R9114!

While we never suggest that you should negotiate the attorney's fees we often find that if you stick to one attorney and do a number of transactions with them that they are prepared to offer you a reduction in their fees because you are a good customer. So perhaps it does not pay to shop around but rather to stay with the same transferring attorney if the seller will allow you.

Now that we have saved you so much money you should have something left over to buy your next property through Platinum Global!



PELLISSIER

Buying or selling in Pellissier? Talk to Birthie Tyers. Birthie specialises in houses and town houses in your favourite suburb. Ask Birthie to find you the property of your dreams or about the best price that you can achieve on the home you want to sell. Birthie will bring details of recent sales in your area to help you decide on the best sellable price or right price to offer. Whether you are looking for a home for your family, an investment or have been transferred talk to Birthie before you make your first move. Call Birthie at 076 432 7843 and get great help in selling or buying.

LANDLORDS - HEED THE TALE OF THE FORFEITED FARM!

The penalty for turning a "blind eye" to what others use your property for could - if your tenants turn out to be criminals - be forfeiture to the State.

A recent High Court judgment highlights the need for you to take *positive* steps to ensure that your assets aren't used to commit crime. The law recruits you - as a property owner - into an *active* role as a guardian of your property against crime. You can't sit back and be "supine". You must "where reasonably possible, take steps to discourage criminal conduct" involving the use of your property.

In the case in question, the tenants of a farm were using it to manufacture mandrax. The owners weren't shown to have in any way participated in any illegal activity - but they nevertheless had their farm forfeited to the State in terms of the Prevention of Organised Crime Act. They were unable to convince the Court that they had acted with the degree of "vigilance and care" which the law requires of owners. The onus is very much on you there; so keep an eye on what your tenants are up to!

Suretyships Signed Blind

Yet another warning not to sign documents without fully reading (and understanding) them, comes from a recent High Court judgment in which the Trustee of a Trust was held to a suretyship agreement, which he had signed without reading it.

The law is that when you sign a contract, you are "taken to be bound by the ordinary meaning and effect of the words" therein. The only exception is if the signatory is "misled as to the purport of the words to which he signified his assent by appending his signature". It is clear from the judgement that, with banks habitually requiring suretyships for credit granted to trusts and the like, it is never going to be easy to convince a court that the bank has misled you.

Does it pay to fix your property?

You let out property to get the best return on your investment. If you are continually doing repairs your return will be less. Sometimes it is worth doing a complete refurbishment if there are inherent problems such as old wiring, poor plumbing and old cupboards. But make sure that it pays. If you are not going to get much more income it might not be worth doing it. Remember that an investment property does not have to be one that you would live in. It is one where your income exceeds your expenses by an acceptable amount. I always advocate using longer leases at slightly below maximum rentals. This makes it easier to let. Most damage is caused when tenants move in and out. If your tenants stay for many years and especially with elderly tenants you tend to have very few repairs – this improves your returns. The choice is yours.

Check Your Fire Extinguishers

Being seriously involved in Body Corporate management and the letting of commercial properties I am very aware of the importance of services for firefighting installations being up to date. It is therefore very concerning that I have recently noticed that the firefighting equipment of a couple sectional title schemes and a major shopping centre were out of date! It is important for owners and managers to understand that should there be a major fire at the property the insurance company might well not pay out the claim because of the unchecked equipment. Trustees are advised to check the expiry date of their own extinguishers and fire hose reels to make sure that the expiry date of the certificate has not passed. Good managing agents diarise at least once a year to check the expiry date at each of their buildings.

Not all buildings have fire hoses, these are most common in blocks of flats. Most townhouses have 4.5 or 9 kg fire extinguishers in each unit. Remember that fire hoses cannot be used on electrical fires and this is why there are always extinguishers close to fire hoses.

The equipment needs to be checked by a certified servicer every year; they then mark the equipment with its expiry date. Problems can arise when each unit or leased premises has their own equipment inside. It is not always so easy to get everyone to bring their extinguishers to a central point to be serviced. What happens if somebody forgets? It is important to make sure that each owner or tenant knows that should the insurance company not pay out because their equipment was not checked that they would be personally liable for any losses. I would suggest that each extinguisher be clearly marked with a black marker pen so that they can be returned to the right unit and any missing units can be noted. Missing units still need to be checked and the managers would need to follow up with owners/tenants of units that did not bring their extinguishers to be checked.

If any extinguishers go missing it is normally the responsibility of the owner to replace it. It is up to them to get the cost back from the tenant, not the body corporate's.

While talking about insurance I think that it is important for everyone to understand who has to pay the excess. Some people believe that the body corporate should pay this but this can lead to excessive claims which in turn results in higher premiums. I prefer changing the rules so that everyone is left in no doubt that whoever makes the claim pays the excess. This tends to ensure that people report problems in time to have them fixed and not to make petty claims.

Security – Getting the right Gates

Gates and the motor that opens and closes them are expensive. Developers do not always buy the right combination. Motors should be rated taking into account the number of people who live in the complex and therefore the expected number of times that the gates need to open and close each day. Too light a motor and you are likely to end up frustrated with it breaking down frequently. High use complexes need to have good quality motors and in many cases should consider having two separate gates and motors rather than one big one. Not only are there likely to be fewer problems but separate in and out gates allow for quicker opening and better security.

Many entrances have remote control and intercoms. This can lead to poor security as unwanted visitors can simply press buzzers until somebody lets them in. An alternative is a Cell-to-Gate. Here visitors have to phone the person they want to visit. That person then sends a free missed call to the gate to open it. Security is greatly increased.

Many break-ins are as a result of people getting over the outer walls and gates. While electric fences are a great help they must be properly maintained and monitored. What does it help if the fence is shorted out and nobody notices? Security companies will monitor your fence and send out mobile patrols when there is a problem. Trustees should check the entire length of the electric fence so see if plant and trees are touching it and prune offending plants back. This should be done at least twice a year and the space should be sufficient to allow for the plants swaying in strong wind.

Trustees should also check for weak points in the system; a tree branch or power box that could be used to stand on and allow intruders to step over the electric fence. These areas need to be strengthened. Every time there is a break-in it is necessary to find out how it happened and stop it from happening the same way again. A weak point in many schemes is where a vehicle that is driving out triggers the opening of the gate by running over a control cable. This means that if somebody is able to get into the scheme they are able to drive stolen vehicles out without hindrance.

Talking of getting into the scheme, the easiest way is simply to walk or drive in behind a genuine resident. I know - I do it all the time! It is unbelievably easy to get into most buildings. Security is only as good as the people who stay there. Make sure that nobody follows you in unless you know who they are. If the person you want to visit does not answer then you have no right to be in the building! While the Trustees should do their best to give good boundary security, individual owners/residents are responsible security of their own units. Don't forget that problems could be coming from the people that live or let in your building.

Says Mike "Make sure you understand why you are buying – for Capital Gains or Income. Knowing why you are buying will change what you buy. Buying right makes the difference between winning and losing!"



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