Sectional title investor tips
By Rob Paddock

There are a number of different motivations for purchasing a sectional title unit as an investment. Are you investing for capital growth or rental returns? Perhaps you are investing for both? Are you interested in buying an old apartment, fixing it up and selling for a profit? Are you buying a vacation unit as a lifestyle investment? Are you buying a retirement unit to secure your retirement plan?

One cannot offer advice for all these variables in one article, but we can look at a few aspects of the physical building to look out for regardless of your objectives. We can also look at a few ways of adding capital value to your unit with very little effort.

First things first: finding out information about a unit from the estate agent alone is not enough. Ensure that you speak to the chairman of the body corporate or the scheme's managing agent to find out if the scheme has any of the following problems.

Spalling – Concrete reinforced structures use steel reinforcing bars to strengthen the structure. Spalling concrete is largely due to a natural deterioration process called carbonation, in which the reinforcing steel rods embedded in the concrete slab corrode, causing the concrete cover to crack and bulge. Spalling in advanced stages is very expensive to fix, and will require a substantial special levy.

Badly maintained water and sewerage piping – I have recently had the misfortune of dealing with a scheme with rusted and leaking stacking pipes. The damage it has caused to the scheme is horrific, and the special levy currently being raised to solve the problem and fix the damage is stretching all the owners' pockets to the limit.

Steel windows – Most schemes that I have seen with steel windows are either unhappy with them, or in the process of replacing them with aluminium or wood. It is a very expensive exercise and causes substantial disruption to the units' occupants.

Schemes in desperate need of new roofing – Depending on the roof, replacing or fixing a roof is relatively inexpensive, but the damage that is caused by a leaking roof can be very, very costly to fix. Unfortunately, many bodies corporate that let their roofing get very bad in the first place don't have the appropriate funds saved to fix the roofing problem timeously.

Foundation or structural repairs – Look out for substantial cracks in the buildings foundations or structural beams and pillars. I came across a scheme recently where a special levy of R100,000 per owner was being raised to fix the building's structural problems. Ouch!

On the other hand, here are a few features in a unit that you can take advantage of:

Old carpets – Think about the excitement that is associated with the smell of new carpets. Replacing old carpets is a relatively inexpensive improvement, but adds immensely to the "emotional" value of a home (and therefore the capital value). Sometimes, even a good steam clean is sufficient.

Badly maintained wooden floors – Sanding and sealing existing wooden floors is a great way of adding value to a home. However, there are a number of insects and fungi that can infest your roof trusses, floorboards and joists that cannot be expelled cheaply. Ensure that you obtain a valid beetle clearance certificate before taking transfer of any unit.

One bathroom – Gone are the days of entire families sharing one bathroom. If you can add a second bathroom in the existing floorspace of a unit, you can usually add twice its cost to the home's value.

Poorly maintained garden – If you spend money on a day labourer, a few new plants, and a bakkie-load of compost, you will add significant capital and emotional value to your investment.

Skylights – Provided you are in the top floor of the scheme and obtain body corporate permission, one of the least expensive and most profitable home improvements I know of is to install a skylight. I recently installed a skylight for R2,800 that has turned a dark and dingy study into a light and bright room.

Outdated paint jobs – Light pink bedrooms? Green and brown bathrooms? You should actually consider it a plus if you find a good property that just needs a modern paint job. A modern paint job can increase the value of a home substantially more than the cost of the paint.

Article reference: Paddocks Press: Volume 5, Issue 8, Page 5
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