
Tenant problems in sectional title

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More people are renting nowadays and trustees of sectional title complexes need to ensure that appropriate rules are in place to avoid potential problems.



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All the factors boosting rental prices mentioned recently in a press statement by Rawson Properties' MD Tony Clarke have been particularly evident recently in the sectional title property sector, says Catherine Cockcroft, sales manager of Propell, the levy funding and collection company.

Clarke says that rents are being pushed up by the current shortage of new stock, the serious lack of mortgage finance since the passing of the National Credit Act and the return of buy-to-rent investors to the market.

"While the current situation will be welcomed by landlords it carries with it the danger that the proportion of tenants in sectional title schemes will rise exponentially," said Cockcroft.

She says that Propell's experience has been that in many schemes with a high percentage of tenants, the upkeep of the units and the general conduct all too often are compromised – "and it is noteworthy that when Propell is commissioned to assist projects in distress, serious financial problems often go hand in hand with equally serious tenant issues."

In South Africa, she adds, buy-to-rent investors are frequently lackadaisical about the control of their tenants.

“Often the perception is that this is the responsibility of the trustees, the managing agent or, possibly, their rental agent.”

In reality, says Cockcroft, the Sectional Title Act 95 of 1986, which is binding on the body corporate, owners of sections and any person occupying a section, and the Prescribed Management Rules obligate owners to ensure that conduct and behaviour guidelines are complied with.

The owners of the section are also responsible in terms of the Rental Housing Act for attaching a copy of the scheme’s rules to the lease agreement to ensure that the tenants are made aware of them, and, where tenants disregard these rules, the owner will ultimately be held responsible.

With a steady increase in the numbers of tenants in sectional title, says Cockcroft, responsible trustees should ensure that the rules deal with potential issues related to security and overcrowding. These problems crop up regularly in multi-tenant schemes where control has grown lax.

“Right now I would agree with Clarke that there are no better property investments than the sectional title sector: as the last ABSA survey has shown this sector is the one faring best pricewise.

“If, however, large scale renting takes over from owner-occupants, strict vigilance will be essential to ensure that standards are maintained,” says Cockcroft.