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IS THERE A UPSWING IN THE RENTAL MARKET LOOMING? At the time of the Democratic elections in 1994 the population of Bloemfontein was around 120,000 white folks. If we average home size at 4 people per household we would be looking around 40,000 homes (houses, flats, townhouses) in the traditional areas of Bloemfontein. Since then the economically activity and political change has allowed a similar number of non-white people to rise to the same economic level. According to our estimate there have however only been about 5000 homes period built in Bloemfontein in this 16 year period. While the economy is rather static at present, and finance is especially hard to come by, there is every indication that demand for residential property is rising and quite rapidly too. Platinum Global manage some 1200 rental properties on behalf of investor owners/landlords. What is most noticeable, compared to previous years, is that the vacancy factor had dropped dramatically! At times we are sitting without any properties to let in specific classes (one bedrooms especially) and very few places to let in others. The dramatic rise in electricity prices – closer to 40% plus in reality when one takes into account the standing charges and new peak demand charges – is keeping a lid on many rental increases but even so rentals are still rising because of the shortage. Creeping rental increases are coming into play by way of the wide scale introduction of separate water meters – as a means to control unfettered use and waste of now very expensive water. The tenant now has to pay extra for water but the rental has not been reduced by the same amount as the cost of the water.

Although there has been a spate of notices as a result of these effective increases many tenants are being forced to withdraw their notices because there is really little alternative. There is a serious risk that by the time the tenant realises the reality of the situation their unit has already been re-let and they are forced to move anyway!

Much of the problem has been caused by a lack of town planning which has recognised the need for the development of new rental flats. Most development over the past 16 years has been aimed at the townhouse market which is simply too expensive for most tenants. Hardly any flat development has taken place in Bloemfontein during this period and very few sites zoned for flats are available anywhere.

TAKING THE LAST CENT ON YOUR RENTAL CAN ACTUALLY COST YOU MONEY!

In line with the previous article we have noted discussion on international blogs relating to residential letting and on how to get the maximum return on your investment as opposed to maximum rental on the property you let. There seems to be two types of landlords. The first demands maximum rental whatever the cost. These landlords seldom take much interest in their properties but look for the highest possible rental for their units irrespective of their condition. Over a period of time the interiors tend to deteriorate and it is harder and harder to get good tenants. In fact these units are often problem places in otherwise well run schemes. Platinum Global simply refuses to rent out flats under these conditions as we, as the messenger, are the one that gets a bad reputation.

The second type of landlord is the one who wants the best return on his investment. He would rather have a long term, prompt paying, well behaved tenant who gives little or no problems but pays perhaps 95% of the maximum rental. This type of Landlord understands that most damage is caused by tenants moving in and out. Therefore long term tenants by their very nature are usually less demanding and costly than ones that move in and out frequently.

What is also understood by the second type of landlord is that the real value (taking into account inflation) of a badly maintained unit is far lower than a well maintained one in good condition. The first type of landlord will not only find it difficult to sell his unit but will have to accept a much lower price. On the other hand the hands-on landlord usually is able to sell his unit far more quickly and certainly at a good price.

This is not to say that the landlord must be responsible for damage caused by the tenant or upgrade the flat without increasing the rental. It rather means that when small things fail as the result of normal wear and tear – time, then the landlord should not begrudge fixing them. There is no doubt in my mind that a well managed and maintained flat or townhouse or even house will attract a much better class of tenant that will in the medium to long term prove to be a much better income producer.

Proper Bookkeeping Fundamental to a Well Run Body Corporate

Almost daily I have emails from owners and trustees of body corporate units around the country. More than 75% of them are unhappy about some aspect of the financial management of their schemes. The majority of them are unhappy because they cannot understand where their money is going or cannot get satisfactory answers about who owes what and why.

Good bookkeeping is the essence of good body corporate management – and it is actually very simple. At Platinum every morning we check the bank statement of every scheme that we manage and update our book keeping system. This allows us to know who has or has not paid into their body corporate account (each body corporate has their own bank account so all their money is in it even if it is wrongly referenced!). We then update the individual owner/tenants account. This allows us to do credit control as and when needed usually as early as the 3rd to 5th of the month and chase those who have not paid. It also allows us to know just how much money the body corporate has and after pre-allocated or pre-paid amounts what money they can spend.

It is important to receive and pay out approved invoices in the month in which they were ordered. Nothing is more frustrating but to find that an invoice for painting from four months ago suddenly reduces how much you have available. Payments to contractors must be prompt and shown on the building statement. This statement should be updated daily so that the managing agents are aware of the current situation from day to day. This allows Platinum to let trustees and owners know just how much they can spend on projects when these are discussed at Trustees or Annual meetings.

There is no prescribed booking system providing that the one that you use produces the goods. Small schemes may even prefer to use a manual system or work on Excel. As long as it works for you. What should not happen, and often does, is that neither the Trustees or Owners actually know how much money they have, who has or has not paid.

If your way of working is not working – change it today!

Take Care When Selling – Don't Plan to Move Out Until the Finance is Approved.

Believe it or not – there is actually a good demand for all types of property. Price is obviously a major factor but over and above this getting finance for the buyer is the biggest problem!

Something like 60% of all bonds are turned down! Very few are turned down because the property was too expensive. Most are turned down on affordability including being committed to more than 35% of your income on bonds and finance. This is a major problem with wealthier clients and private business people. A client may well have R200,000 a month income and be able to show that his household expenses are moderate. Nonetheless banks will only give that person total bonds up to a maximum payment equal to 35% of his income – that's it – even if he has 60% of the income with no claim on it!

A home is only sold once the bond is approved. Don't take your home off the market until it is, don't sign contracts to move before you get the confirmation, and make sure any offer to buy a new home you sign is conditional on the successful sale AND transfer of your existing home. Chain transactions are especially difficult as any one weak link will cause all the other transactions to fall through or be delayed. (A chain transaction is one in which a number of sales depend on the successful transfer of the previous linked one).

In the past banks would "pre-qualify" a client, that is to say do the necessary so that the client was approved for a loan amount before they went looking for a home. Banks will no longer do this as it involves them in considerable costs and they cannot pre-comply with the Bank Credit Act. This makes it very difficult for the owner to know whether his buyers will qualify or not. It may be a good idea where you are not sure to ask the agent to arrange a credit check on the buyer (with the buyers approval) so that you can be more sure of the buyer's financial situation. This can be done at little cost through SAPTG or similar organisations and can save time and trouble for both parties.

It is simply a fact of life that many sales fall through and buyers and sellers must do everything to avoid unnecessary cost and heart ache.

What size Flat is Best to Buy?

This is a question that every investor will eventually ask because every investor wants to buy the best property he or she can. Currently most asking prices for flats and townhouses are offering a net return in the region of 5 to 5.8%. (Monthly rental less the levy, less the rates and taxes, less the collection fee x 12 divided by the asking price x 100). It therefore gives a reasonable return (plus capital growth) when compared to what one can get in a bank account.

But what size to buy? There is no right or wrong answer. Much will depend on your personal likes and dislikes, how good the price is, what the current and potential rentals are, and what the finances of the building are, but here are a few comments that may help.

When times are good you can let just about anything. Everyone wants to have their own place and they will pay as much as they can afford. But when times are tough people look at sharing. Two single people can share a two bedroom flat, a boyfriend and girl friend may decide to share a one bedroom. If we think in Bloemfontein terms this makes a great deal of sense. Instead of paying R2600 for a one bedroom flat you can share a two bedroom flat for only R3,200 pm – thus reducing the cost per person.

Bachelor flats are difficult to share and these people tend to upgrade to a one or two bedroom unit in bad times. A typical bachelor would cost R1900 so it makes really good sense to share a one bedroom for only R2,600. A possible disadvantage of a one bedroom unit is that they usually have limited parking whereas two people sharing would often have two cars. Two bedroom units often have an extra parking available.

What of three bedroom units. I personally have found that people find it difficult to share three people in a flat and that parking is often a problem. Many three bedrooms only have one bathroom which can be a nuisance. Parking is frequently a practical problem with a 3 bedroom unit which are normally limited to 2 parkings.

It is all a matter of personal preference and what type of tenant that you are trying to attract. Many landlords actively discourage sharing at the best of times, but in hard times it may be a practical alternative. Whatever you do have a policy on the number of people who may stay in your units and keep it reasonable – two people per bedroom. Allowing overcrowding is often the cause of bad behaviour and problems tenants in any type of building.



LANGENHOVEN PARK – VILLA NAPOLI

A favourite with both owner occupiers and investors. Pretty and interesting architect design in open spacious layout with each unit having two garport/garages. Fully enclosed private garden for each property both back and front allows for small dogs to be kept. Langenhoven Park is a well liked suburb just minutes from most work places in Bloemfontein. It has lovely shopping facilities, nurseries, and places to eat on your door step. The entire area is modern and clean. The area is being developed rapidly and is an excellent investment. Call Mike Spencer 082 881 4711



CHOICE OF 3 LARGE FLATS FROM R350,000

Recommended for over 30 years Blaauwberg has a choice of three large spacious warm and sunny north facing flats. Both 1 & 2 bedroom flats are available. Favourites with tenants because of the size and winter warmth, large rooms and well kept exteriors. For the investor he will get a great easy let flat with low risk of vacancies. Tenants pay their own water and electricity. Blaauwberg is a well managed body corporate with excellent finances and reserves. Well worth looking at. Mike Spencer 082 881 4711



CONSTANTIA PARK R870,000 (LANGENHOVEN PARK)

Lovely 2 bedroom townhouse in well run sectional title townhouse scheme (Platinum Global managed Body Corporate). Each unit has a private garden. Not one but two swimming pools in the complex. High security development with day time manned entrance guard. A very helpful on-site owner acts as caretaker and often helps out with small internal repairs – as a favour! Well built sunny north facing units – a pleasure to stay in. Ideal for owner occupiers who like comfort, security and friendly neighbours. Contact Mike Spencer 082 881 4711



DAN PIENAAR R 1,100,000

Owner retiring to coast after living in this spacious typical Dan Pienaar home for many years. Big rooms and lots of them. Especially large piece of property allows for additions, alterations and upgrading. Easy walking distance so some of Bloemfontein's best schools and shops. Very much what you should be looking at and at the right price in what has been South Africa's most popular suburbs (SAPTG 2007). This property offers very good value for money when compared to the asking price for similar and not so good homes in this popular suburb. 3 bedroom house with 2 bathrooms. Big lounge, dining room and family room (or study or 4th bedroom. Easy secure parking. Big easy clean swimming pool. Yes definitely good value for money for a nice looking solid home. Talk to me today. Mike Spencer 082 881 4711

