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The “Majority” Rules

In Sectional Title Schemes everyone is a joint owner of the common property (exterior of the building and areas such as the land). This ownership is proportion in the same percentage as the PQ. While it is normal to vote by a show of hands with each unit having a single vote it is possible to ask for a “pole” where the value of each vote depends on the PQ (the size of the unit in almost every case). When decisions are made, except for unanimous decisions, they are made by the majority of people who attend a properly constituted meeting. So at a general or special general meeting (any meeting other than the AGM) the majority of people are able to vote on a wide range of items and make a decision for those who are not there. Well run meetings give simple to understand but comprehensive explanations of what the body corporate wants to do. It gives the people at the meeting an opportunity to ask questions and make suggestions, and then it takes a vote. If this is done it is very seldom that a vote needs to be taken as frequently decisions would be made by consensus. Real problems usually arise when people who have not bothered to attend are not happy with the decisions taken by those that did. What can they do. If more than 25% of owners, in writing, ask for another meeting to be held this will be done and the decision taken will be reviewed. The other problem is when too few people attend and the meeting is held over for the following week. Frequently only the same people arrive and decisions are taken by those that do attend – even one owner will count. The answer is to take an active interest.

Time of Use Meters – Is there a real choice to installing your own TOU meters?

TOU (Time of Use) meters are here to stay. While they are being extensively installed in Bloemfontein they are due to be installed in all towns and cities around South Africa. What is happening in Bloemfontein will happen elsewhere. From the suppliers side (ultimately ESKOM) the purpose is to help them manage peak demand for electricity – they simply don’t have sufficient production capacity to supply peak electricity demand. And it is these peaks of demand that are the real problem. From the suppliers side they have introduced different tariffs for summer and winter, and different periods during the week. The times when we all want to use the most electricity have become peak periods (early morning and early evening) while holidays and Sundays are low tariff periods with middle tariff periods in between. There are actually huge differences in these tariffs with peak winter tariffs being over R2.00 per Kwh while summer off peak periods could be less than 50 cents. In addition to these consumption charges residents have to pay basic standing charges (the old meter charge), availability charges (based on the amps that each unit could draw) and a peak demand charge (the biggest demand in any high demand half hour during the month). The effects of these various charges could actually result in a per unit charge in excess of R3.00 per unit! All these charges are metered by the TOU meter that supplies the complex and the body corporate or HOU is responsible for paying this account. The problem comes in how one recovers this from individual users of electricity. The old sub meters (disc meters) cannot tell when electricity is used or how much the charge for that period is. They certainly cannot know the different season, peak demand or charge for that particular time. The only real solution is to install a similar TOU meter which will meter each individuals usage and will report electronically (like a cell phone) to the managing agents internet connection. To do this the managing agents must install the required software costing around R35,000! This program allows them to read each individual meters usage, when it was used, what the cost of each period was, how much of the standing and other charges must be collected from that user. For example only those people who were using electricity during the half hour of the peak demand period should pay proportionally to this extra charge. Those who were not using electricity at that stage did not contribute to the peak. The standing charge should be charged on the other hand on a PQ basis while the availability charge should be charged based on the maximum supply per unit allowed ie a bachelor might only be able to draw 30 amps while a shop could be drawing 250 amps. So you can see it is not at all easy to do these calculations and these meters are almost impossible to read manually. What they do provide is a read out of each area of consumption per unit and provide a print out of when and how much electricity was used (in half hour segments). What it does mean is that the account is fairly allocated to each unit based on usages, when, peaks, standing charges, availability charges, standing charges etc. Those who insist on using space heaters during peak periods will pay the penalty of high use charges and high peak charges, which those who use electricity in low demand period will pay much smaller accounts. Having the print out or ability to draw it down from the internet means that you will be able to analyze your account and adjust your behaviour to reduce your account.

The question has been asked why not install pre-paid meters. So far we have been unable to find any TOU meters. The problem seems to be that it is very difficult and expensive to design a meter that can recognize all the different times and tariffs. We have had discussions about installing disc pre-paid meters but there are a number of problems here. Firstly these charges will be one time charges. You will be paying a standard rate but using it at a variable rate. Secondly it is virtually impossible to ensure that you receive the payments for the same period that you have been charged. So you will never be able to know whether or not your account is correct (these meter reading companies don’t check your municipal charge) the meter reading companies simply up or down their charges based on the last building account received. It will also not be possible to know whether anyone has bypassed the meter without careful monitoring of the individual buying practices. On top of that the meter reading companies are going to charge something like 13% for the privilege of collecting this money for you. It could also mean that you will be selling lots of electricity at the old tariff but usage will be after the price increase - the body corporate would then have to pick up the shortfall. No, in my mind there is little alternative to changing to your own in house TOU meters. At the end of the day the body corporate simply wants to recover the same amount as they are being charged by the local authority, charged out to the people for when they used it and to recover the correct standing fees from the right people. With water also becoming a major cost similar meters should also be installed for water – it is simply amazing how the water bill drops when tenants and owners are charged directly for the water they have used.

Shortage of Quality Rentals Continues

With over 35 years in estate agency I have never seen the shortage of quality rental units like it is now. At times, in the mid 1975's so many flats were staying open that we would take people to show them flats to let. But today is a different story. Virtually nothing is available – even at the cheapest most basic end of the market. Anything half decent is snapped up as soon as it comes on to the list. The middle of the range one and two bedroom flat is especially scarce no matter where it is situated. Houses, townhouses and large flats are almost unheard of unless they are being offered at monstrous rentals. With virtually no sites zoned for flats being available. With developments in the new suburbs and small holding areas being designed almost exclusively for townhouses this shortage is likely to remain.

What is very interesting is that some areas and buildings that were designed or where occupied mainly by students has shown a surprising shift to being occupied by working people especially your newly qualified professional people. Willow Glen in Willows a 288 unit complex built for students is finding more and more non-students including retired people moving in.

Announcements for major increases in student numbers at local universities is doing nothing to ease this situation. At the UFS alone it seems that there is a shortage of some 4000 places for students. While the university intends to build about 1000 hostel units, at 3 students to a two bedroom flat this would require 1000 additional flats or 20 x 50 flat buildings. Apart from this being a huge building project, where would one find large enough ground close to the varsity to build?

The new Unilofts, a truly massive building is going to add just 370 2 people units. Although Cape Town based developers are looking to add to this number the lack of suitable sites is a major hurdle to be overcome. Then we need to talk about the extra student numbers that are coming to the CUT!

It is interesting to note that the number of investor buyers has remained at a very acceptable level – providing that the price reflects a realistic return to the investor buyer. The buyer in the market at the moment is a long term one who is looking for a long term letting investment property rather than a short term capital gain opportunity. I would not be surprised if we don't start to see flat owners doing major upgrading and revamping of the flats and townhouses in order to get the best return possible.

Trustees are Responsible for Setting the Levy

Many Body Corporates still do not understand that it is the Trustees that are responsible for setting the levy. If you look at the duties of trustees one of them is to ensure that they collect a levy that will realistically cover the normal running expenses of the body corporate AND will build up a reserve fund that can be expected to reasonably cover future long term expenses. That is their job.

How can this be done in practice? The first thing to understand is that the levy should be properly budgeted for. Each item should be looked at individually, month by month during the year and with anomalies allowed for - leave pay for example. Make allowances for annual increase in insurance, water and electricity. In addition to the annual total an allowance for a reserve fund must be added. How much must be built up for painting, waterproofing, lift up grading etc?

The annual total is then divided by 12 to get the amount that must be collected each month. This monthly total will further be allocated to each unit by the PQ to give the individual monthly levy that needs to be collected from each owner.

The budget must run concurrently with the financial year of the scheme. It does not help to set the levy at the AGM but not collect the increase for the first two or three months. The most pragmatic way of setting the levy is to hold a budget meeting in the month BEFORE the end of the financial year end. Where the increase is going to be less than 10% this can be a Trustees meeting to which all owners are invited. Where the increase is going to be larger than 10% then this needs to be a special general meeting with proper notice (Trustees can only increase the current levy by a maximum of 10%). The levy then comes into force at the start of the financial year.

Setting of the new levy is something that should involve all owners. While the Trustees are able to set the levy within the bounds set, it is far better if all owners are involved in making that decision. In practice if the levy is discussed in this way and the managing agents are able to justify each change to the proposed levy even quite large increases in levies are accepted without too much disagreement. For those who did not attend the meeting it is important to send out a newsletter explaining the need for changes. At the AGM the new levy would have to be reconfirmed by the owners at this meeting – they seldom change the levy in place at the time of the AGM.

Large Expansion for Vista Park

Overseas investors have targeted Bloemfontein for a 450 home expansion of Vista Park. Aiming to set a new standard for quality of design and finishes the developers based in India and the Czech Republic aim at offering unbelievable quality and value for money to the affordable market. Preliminary designs have already been completed and are quite stunning. Using the latest techniques from Europe and India they will be providing energy efficient homes with pre-approved plans for extensions and improvements.

Intended as the first development of a number they intend to undertake in the Free State and other provinces, they are looking for further development sites to undertake more projects.

Douglas Lund, the groups development controller, has been in charge of a number of major city revamps in Europe, USA and the Middle East. His passion is for the best quality and latest designs possible and for him that means installing as much energy saving design as possible. On his recent return from Europe he brought with him samples of extensively used modern bricks that have exceptional sound, heat and moisture insulation properties. The fact that they can be produced for 2/3rd of the cost of conventional bricks is also a huge advantage in reducing the cost of building. Douglas said " It is our intention to produce this brick locally in different parts of South Africa and this will help us to offer stunning homes and amazingly low prices. Assuming that our Vista Park project is the success that we expect to be we will not only be looking for other opportunities but will be inviting other businesses men from Asia and Europe to come to South Africa to see what opportunities are available."

Platinum Global are being appointed as exclusive marketing agents for the project and will be working with selected specialist agencies to sell properties in the development.

Said Mike Spencer of Platinum Global, "We are delighted to work with Douglas and Sunil as part of their professional team. It has been a learning experience to work with developers of this international standing".

Price range for these homes is likely to be between R300,000 and R700,00 each depending on design, size and optional extras that are chosen by buyers. Marketing is expected to start by the end of September this year.

Said Mike, " This is the first of a number of projects both in Bloemfontein and other areas in South Africa. We are expecting that more investors will be introduced to South Africa. They will be looking at a wide variety of potential investment projects.



TOWNHOUSE WANTED

Serious buyer for 3 bedroom townhouse with double garage in Southern Suburbs.

We have an urgent and serious buyer for a **Universitas or Langenhoven Park** 3 bedroom townhouse with 2 bathrooms and two garages in a well run block. The buyers are looking to buy in the region of R1 to R1.2 million and would like to buy as soon as the right place is offered to them.

Also currently on our books are buyers for affordable one bedroom rental properties around the R350,000 mark. Good return 2 bedroom flats will also be in demand by our bank of investor and own use buyers.

Other great buys

Duo Villa; Two, one bedroom flats with carports at R350,000 each. One bedroom flats make good investment units as the rentals that are received frequently give better returns than larger units. Duo Villa is a financially sound body corporate managed by Platinum Global.

Centre city 10 bachelor flats at R195,000 each – fully let (no students). Upgraded units within walking distance of wide variety of work opportunities.

Willow Glen bachelor flats at prices between R180,000 and R200,000. Prices in this building have risen lately. No longer a totally student building with numbers of more mature tenants taking up residence in the building.

Andries Pretorius 2 x 1 bedroom flats for R310,000. Basic units but offer good rental potential.

Bainsvlei R1,300,000. 4.28 ha small holding with 3 bedroom houses. Nice little place on one half of the ground. The remaining ground is available for a duet building.

Brandwag R899,000. Large house needing full renovation. Ideal for the home builder/small builder at a price that makes sense.

PENTAGON PARK – Exceptional Value

A 169 sq m 3 bedroom, 2 bathroom, 2 garage townhouse in secure complex. First class building quality and design in low, almost no, maintenance complex in sort after suburb. Currently rented to exceptional tenant, this property is neat as a pin. Current tenant is more than willing to stay on with long term lease. At R1,360,000 this is far below what has been paid for less neat units in the same complex. Call Mike Spencer 082 881 4711 to view.

NEW ON THE MARKET DROOMWERELD R475,000

Owner has moved to retirement village, son from overseas is here to settle his estate. Big 103 sq m two bedroom flat with separate toilet, closed balcony and lock up garage with storeroom. At the asking price this is an excellent buy and very well priced compared to anything else on the market at present. Fully north facing with nice views. Certainly one to look at buying.

Contact Mike Spencer 082 881 4711 or Mimie 079 552 3450

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International buyer looking for northern suburbs home in Bloemfontein. This buyer is ideally looking for a 5 bedroom home with five bathrooms and proper office space to allow him to work from home. The property should be modern, north facing and in first class condition. Low maintenance finishes would be an advantage but are not essential. This client is looking at a big roomed well designed spacious house. Price range should be around R2 to 2.8 million.

Additional homes will shortly be required for staff housing.

Platinum Global always has buyers looking for homes in all areas of the city. We will help you by suggesting ways of making your home as attractive as possible to potential buyers. Platinum Global is also able to assist with buyer financing and finding you another home if you are moving out of town.

We are looking for new property marketing agents.



Talk to Platinum Global about all your property questions. From Body Corporate Management to Industrial Letting Platinum Global are able to give you practical user friendly advice. We are able to help you with letting, property management, practical management aspects of your new developments, property sales, property design. Contact Mike Spencer 082 881 4711