

A checklist for selecting someone to manage your sectional title

With the increased demand for sectional title properties in South Africa comes the need for more experienced and compliant property management companies to service this growing demand and further stimulate the growth of the local property sector.



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This is according to David Rebe, CEO of Sandak-Lewin Property Trust, who points to the recently released FNB Property Barometer which reveals that sectional title property prices in South Africa have increased by 8.2% year-on-year, and says that this highlights the steady upward trajectory of sectional title living in South Africa.

Rebe explains that the increase in sectional title buyers can also be attributed to the demand for secure properties and the increase in buy-to-let investors. "When selecting a property management company to run the day-to-day maintenance and management of a sectional title property such as an apartment or flat, it is vital to undergo the necessary research to ensure that both the property and owner's finances are protected and not at risk of collusion and the misappropriation of funds."

He offers the following tips when selecting a property management company:

1. Ensure that the company holds a valid fidelity fund certificate.

First and foremost, fidelity cover insures owners against theft or loss of funds. In South Africa, property management companies are legally obligated to hold Fidelity Fund certificates issued by the Estate Agents Affairs Board.

A good property management company ensures that all funds related to the sectional title property are deposited into a trust account which is strictly audited. However, in some cases owners choose to keep a separate bank account instead of going through the property management company, as they feel that they have more control over their money and that the capital is safer. The problem with this option is that their funds are not protected against collusion by other trustees and that there is no recourse should any fraudulent activities take place.

A property management company will have procedures in place which ensure that all transactions are authorised by at least two people, a requirement in terms of generally accepted accounting practice. In the case of self-managed properties with their own bank accounts, there will be more than one signatory but most times only one person is actually authorising payments.

2. Does the management company have a comprehensive understanding of building and home owners insurance?

This will offer property investors protection against potential incidents such as fires, floods and burst geysers. A good property management company will ensure that the body corporate has this cover in place and should an incident occur, the owners will be covered for all costs incurred, which could be significant should a fire break out or the building be severely damaged by a storm.

3. Review the company's track record.

Establish how long the property management company has been operating in the industry for, how many units they manage, whether the managers are qualified and what the conduct and management rules are. Most importantly, do not forget to ask for references. It is worth understanding the management company's ability to effectively manage the financials of the properties under management. Therefore before someone buys into a sectional title scheme it is important to ask for a copy of a buildings' annual financial statement to see if the scheme is financially sound. If the building is being managed correctly, levies will be collected on time, creditors will be paid timeously and the trustees have the funds available to maintain the common property as is required by the Sectional Title Act. This knowledge will help to establish whether the management company is capable of managing a property's funds effectively.

Rebe explains that understanding these tips will help to determine the extent of industry knowledge and experience a property management company possesses, which is key to establishing how well they can resolve issues that may arise. Issues that may arise include responsibilities around maintenance, utility bills, insurance and rates and taxes.

"The benefits of making use of experienced, efficient and competent property managers is that these specialists ensure that the property investment is managed correctly, and that the property is kept in good condition at minimal cost," Rebe concludes.

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