

What to consider when investing in sectional title schemes

According to Pearl Scheltema, CEO of Fitzanne Estates, many potential property investors aren't aware of the distinctions between a freehold and a sectional title home. As a freehold property owner, you have total flexibility to make changes, subject to the bylaws of the municipality in which it is located. When you purchase a sectional title property, you will become the owner of a specific unit inside a multi-unit complex. You will also be a co-owner of any communal areas in the complex and will be subject to the complex's rules and regulations, she explains.



Pearl Scheltema, CEO of Fitzanne Estates

“Before signing an agreement to purchase, first-time investors should learn everything there is to know about sectional title ownership and sectional title administration,” says Scheltema. “This covers the laws and regulations governing sectional title scheme management, as well as those governing resident behaviour and unit owner responsibilities, attending body corporate meetings and voting on critical matters, are among them.”

The Sectional Titles Schemes Management Act (ST SMA)

Conduct rules

As part of sectional title administration, you need to know about the Sectional Titles Schemes Management Act (ST SMA). “The ST SMA has a set of management and conduct guidelines that must be followed,” says Scheltema. “When purchasing a property in a sectional title scheme, you automatically become a member of the body corporate and it is essential that you’re aware

of the conduct rules.”

The conduct rules cover issues such as:

- Use of common and exclusive use areas,
- Vehicle parking,
- Refuse removals,
- Pet ownership, and
- Management rules.

“The management rules outline how sectional title administrative responsibilities should be handled,” explains Scheltema. “This section covers a variety of topics such as how to conduct body corporate and trustee meetings, including quorum requirements, voting, nominating, and appointing trustees, duties of trustees, budgets, financial planning, and management, the use of sections.”

While being aware of the management rules is not a necessity when you purchase a property in a sectional title scheme, you may become more interested in this at a later stage should you consider becoming a trustee of the scheme.

Ongoing costs

Levies, a monthly contribution toward the operation and maintenance of the complex or building, as well as municipal rates and taxes, are examples of ongoing shared expenditures. In addition, there are incidental shared costs that contribute to

monies needed for sporadic maintenance, such as renovations and security installations or repairs.

“Although you will own your sectional title unit in the scheme, all common property areas will be shared by all unit owners,” says Scheltema. “You will be responsible for some of the maintenance and repairs in these areas. These expenditures are usually covered by the monthly levy, but there may be additional levies from time to time if major repairs are required. When determining whether to invest in a sectional title scheme, keep this in mind.”

Questions to ask before buying

Understand the financials. The financial health of the sectional title scheme must be examined and completely understood. You may be held liable for existing debt if your financials are not in good standing. You have every right to ask the body corporate or managing agent for this information. You should be able to examine the scheme's history and financial health based on the minutes of the most recent annual general meeting (AGM).

What insurance does the body corporate insurance cover? Fire, lightning, explosion damage, and damage to permanent fixtures like geysers and walls are frequently covered by insurance.

Conduct rules. Make sure that the rules governing the behaviour of residents in the complex don't clash with your lifestyle. For example, if you are a pet lover, be sure that you are permitted to keep pets on your property.



Online community scheme meetings both legal and viable

26 Oct 2021



Sectional title administration

While most people are aware that the body corporate is made up of all the scheme's owners and that the trustees are responsible for carrying out the body corporate's statutory functions and decisions, the role of the managing agent and their sectional title administration services is less well understood.

“It's important to understand that the managing agent does not assume the responsibilities of the body corporate or trustees, nor does it make decisions on their behalf regarding financial management, property administration, governance, payroll, or statutory reporting obligations of their sectional title schemes,” emphasises Scheltema. “Their role is to provide expert support and guidance, as well as to assist in the implementation of the trustees' orders.”

“The best advice we can provide a property investor considering sectional title scheme ownership is to ensure the scheme has a qualified managing agent to assist with all the necessary sectional title administration,” concludes Scheltema. “In a nutshell, the above-mentioned factors are highlighted as what you should pay attention to while considering buying in a sectional title scheme.”

For more, visit: <https://www.bizcommunity.com>