

A Guide to Buying Your First Sectional Title Home

17 Feb 2016

If you're considering buying a sectional title unit for the first time, there are many things to consider and investigate before choosing the scheme in which to buy into.

Hanekom says you should carefully inspect the condition of the features and structures on the common property to ensure that they are in good repair.

This is according to Mandi Hanekom, operations manager of Propell, who says there are often cases where, on the surface, the scheme looks fine and seems ideal for the buyer - but after he has signed the offer to purchase he starts asking pertinent questions and discovers that there are various problems or rules he may disagree with.

Hanekom says it is better to get all the information upfront and not have to change one's plans because of something that was not considered when buying.

She says buyers should consider the following:

1. Get a copy of the sectional title plans

The first thing to do would be to get a copy of the sectional title plans. Read and understand the description of the unit, the extent, the section number and the participation quota on which the levy amount payable each month will be based. Ask for the exact amount of the levy for the unit and the exclusive use area.

“Be wary if the levy seems low in comparison to other schemes as this could be a sign that the budget is inaccurate. Check the budget yourself to be sure that the trustees have set the right amount and that all the operating expenses of the scheme will be covered each month,” says Hanekom.

She says there might be an exclusive use area attached to the section, and it should be listed on the section plan. The question to ask here is whether it is registered to the unit properly.

If the unit has had any changes made to it, for example an extension or a balcony enclosure, check if the sectional plan has been amended to show the alteration and that the right procedures were followed.

All changes to units must be approved by the trustees, and if the alteration is not on the plan, it is illegal.

2. Inspect the condition of the features and structures

Ask for a copy of the financial statements, the levy roll, budget and recent AGM minutes. The bank will ask for the financial documents in order to approve a home loan, so it is best to check these beforehand so time is not wasted applying for a bond which is not likely to be approved due to financial mismanagement of the scheme, says Hanekom.

Hanekom says you should carefully inspect the condition of the features and structures on the common property to ensure that they are in good repair.

The things to check here would be the lift, security gates, the perimeter fence and gates of the complex. When buying into a sectional title scheme you become a member of the body corporate, and will be jointly responsible for all of these.

“Ask if there are any rights reserved by the developer to extend the development further, and if this is likely to affect you, ask to see what the plans might be for these extensions.”

Read and understand the management and conduct rules of the scheme, and be sure that they are a current and updated version. “Be wary of house rules as they may have no legal standing,” she says.

3. Ask for a copy of the financial statements

Ask for a copy of the financial statements, the levy roll, budget and recent AGM minutes. The bank will ask for the financial documents in order to approve a home loan, so it is best to check these beforehand so time is not wasted applying for a bond which is not likely to be approved due to financial mismanagement of the scheme.

“You would not want to buy into a sectional title scheme that is in financial trouble or shows signs of not being managed properly as this will affect the value of your investment,” she says.

Ask about the amounts in arrears and how many of the owners are in arrears. Ask what is being done to collect the amounts outstanding.

Hanekom says if there is any question about the financial records' accuracy, ask for the municipal account payments, just to be sure that they are up to date.

Another thing to check is whether there is any chance of a special levy being raised in the near future - or if one is already in place - and check the terms of these special levies.

“You do not want to end up in a situation where you have just bought a unit and are told that there is a large special levy amount that is due by you.”

Hanekom says these are just steps towards owning a sectional title unit, which, if followed, could eliminate future problems or issues.

“If you encounter any problem in getting the necessary information before you buy, it is a sign that there is something amiss in the running or financial health of the scheme and you might have to investigate further. All the investigative work must be done before signing an offer to purchase: do not start asking questions when it is too late,” she says.