Sectional title levies: cheaper is not always better

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Sectional title living is extremely popular in this country and developments of this nature come in all shapes and sizes. Some, incorporate golf courses, clubhouses, gymnasiums and swimming pools, while others stick to the bare minimum and only feature accommodation, with minimal common property.

In theory, the more luxurious facilities in a development the more the levies will be for maintenance and upkeep. Likewise, the more basic the development the lower the levies will be. However, things do not always work this way in the real world of sectional title developments.

For all intents and purposes, levies are monies that unit owners hand over to someone else to spend wisely – and therein lies the rub. Being too stingy and too extravagant are both areas that can adversely affect the day-to-day running of the body corporate. Potential owners who buy into a scheme simply because the levies are low might run into endless problems in the future when special levies have to be raised to cover the basic maintenance of the complex, something which speaks of bad budgeting and financial management. Special levies are a special problem: many owners do not have the fundable resources for these unexpected financial burdens.

In a similar vein, moving onto an estate that has all the bells and whistles, but comparatively low levies could put you in a similar trap when it comes to special levies. Like anything, the more goodies and gadgets the more that can go wrong and the more money that has to be spent. The truth of the matter is that low levies, whatever the nature of the development, are not necessarily a good thing.

Basing a buying decision on the affordability of monthly levies is not good practice. What you are really looking for is a well-run, well-versed body corporate that knows how to balance a budget. Like excessively low levies, excessively high levies are a bad thing – it is simply an invitation for a body corporate to spend unnecessarily. Striking the correct balance is key.

Potential buyers should always take a careful look at the complex's books. If you do not have the necessary skills, you can always ask an accountant or a friend for assistance. It is also a good idea to ask for copies of the minutes of meetings that have been held in the past few years. This will give you a clear indication as to any potential areas of dispute regarding maintenance and upkeep, as well as alert you why special levies, if any, have been raised in the past. Special levies that match up with special, unexpected events are not necessarily a bad thing. Acts of God – like flooding, lightning strikes and similar events cannot be predicted, but the damage has to be repaired and this is usually done by means of a special levy. What you are trying to avoid is special levies having to be raised as a consequence of bad planning.

It is also an idea to thoroughly inspect the physical condition of the complex in which you want to buy. Take a close look at things like swimming pools, the common areas and the overall appearance of the buildings. Low levies and poor maintenance should alert you to a potential problem, as should high levies and poor maintenance.