

Selling sectional title property - the devil's in the details

While sectional title homes can offer a more accessible step onto the property ladder for first-time homebuyers, the eventual sale transaction has its own unique set of requirements that can be complex, according to Cobus Odendaal, CEO of Lew Geffen Sotheby's International Realty in Johannesburg and Randburg.



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“Selling an apartment or townhouse differs from selling a freestanding house in that it’s part of a larger property with a community of owners and is overseen by a governing body, the body corporate (BC).

“Therefore, in addition to the standard of documentation required for a sale, you will also need a levy clearance certificate from the body corporate. The buyer’s bank also needs documentation from the body corporate to assess the financial status and management history of the sectional title scheme before they approve a bond.”

He cautions that if a seller waits too long to request these documents, the approval process and the sale could be delayed.

Rules and regulations

“And, although it’s not a legal requirement, it’s also a good idea to give prospective buyers a copy of the scheme's rules and regulations before signing the offer to purchase.

“Some schemes have strict rules regarding factors like the number of occupants allowed per unit, pet ownership and exclusive use areas and, if they are not brought to the buyer’s attention beforehand, it can cause problems down the line.”

Tania Fourie, sectional title specialist for the group in North Riding, Olivedale, Jukskei Park and Johannesburg North, says that there are also a number of other factors that both buyers and sellers should be aware of when buying or selling sectional title property as they can have significant consequences.

“If the body corporate has an 80% quorum vote, they can now prohibit units from being rented out on AirBnB, which many owners in sectional title complexes find invasive and a security risk.

“It’s also prudent to check the city plans to see if there is any planned construction in the surrounding area as a new development could obstruct your views and are also likely to be noisy and disruptive.

“Finally, it’s essential that the managing agents are an efficient company with an experienced body corporate team with a good track record in place.”



Here's a glossary of commonly used real estate jargon, legalese

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Transaction fees

Jenifa Manyukwi, a sectional title specialist of 11 years for the group, says that sellers who embark on this transaction for the first time can be in for a rude, and often costly, awakening if they aren’t aware of what is required or if they leave everything until the last minute when a number of fees becomes due.

“Property owners are required by law to ensure that the property is legally fit for sale and before the transfer can take place, the transfer attorney must be in possession of the relevant certificates of compliance.

“While these usually only take a few days to acquire, circumstances around newly discovered issues, which might require repairs, could not only delay the transfer, but also seriously dent the pocket at a time when you can least afford it.”

“The seller’s conveyancer should also apply for the municipal rates clearance certificate as soon as possible so as to avoid any unpleasant surprises as unanticipated outstanding amounts will have to be settled before the property can be transferred.”

Over and above these costs and agent’s commission, Manyukwi says that sellers must also budget for the following:

Bond cancellation – conveyancer’s fee: This is the conveyancer’s fees for the cancellation of an existing bond over the property. To avoid further costs in the form of penalties, the seller must give the bank at least 90 days written notice prior to the intended cancellation of the bond.

Body corporate and homeowner’s levy (if applicable): The body corporate or homeowner’s association might require payment from the seller of a portion of the body corporate levy figures until date of transfer.

Municipal provision for rates and taxes: This covers all rates and taxes that are payable in advance by the seller. It

varies from one local authority to another, in accordance with the valuation of the property but it is wise to budget an amount of around four times that of your average municipal account.

Capital gains tax: This tax could apply if you sell your property at a profit, although there is a R2m limit on “primary residence” sales.

“If sellers do their homework and take the time to familiarise themselves with the process and costs involved to ensure that they have covered all their bases, it will be a lot less stressful,” says Odendaal.

“Being prepared will also enable you to save money from the get-go rather and will minimise the possibility of ending up with a mountain of unforeseen debt.

“Finally, the best safeguard is to enlist the services of a knowledgeable and experienced estate agent who will guide you through the entire process to successfully and seamlessly navigate potential administrative and financial minefields. This could well make for a trouble free, transparent and an informed experience.”

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