

# It's a renter's World

FOR RENT

[ Owning your own house may be your dream, but with interest rates so high, and property prices still at exorbitant levels, the dream may need to be put on hold. Renting could be the solution. ]

A few years ago, landlords could achieve rentals greater than their bond instalments on an 80% home loan. Today, only a few inner city areas like the Joburg CBD are able to command rentals this high. Most landlords are only getting between 0.5-0.75% of the total value of the house or apartment, so renters are getting great value for money.

Just do the maths. If you bought a R400 000 flat, and put down 20% as a deposit, your monthly repayments would be R4 332 (assuming an interest rate of 15.5%) – that's almost R52 000 per year.

For the first 14-odd years, you would merely be paying off the interest, and not even making a dent in the capital amount. (Over a 20 year bond, you would pay almost R720 000 in interest alone, paying over R1m for your loan of R320 000.)

Worse still are the hefty chunks of change you'll need to cough up for transfer duty and attorney's fees. That's why people who buy and then move in a year or two end up worse off, because their house hasn't appreciated enough to absorb these initial costs.

Choosing to rent on the other hand, could make sound financial sense. You could probably rent the same flat for R3 000 a month, inclusive of levies – that's R36 000 a year for shelter.

On top of this obvious saving, you could also add substantial savings in travel costs. Many people live far from work, as they can't afford to buy close to work. Developer Richard Rubin of Aengus Property Holdings, says it is a growing trend for people to move into rental developments in the CBDs.

These new developments have high levels of security, and thanks to their close proximity to major employers, they're saving tenants thousands in travel costs. "The inner cities are being rejuvenated, and we're seeing a flood of young professionals moving into the CBDs, creating a very vibrant rental market," says Rubin. Here, luxury bachelor flats can be snapped up for as little as R2 000 a month.

## Getting started

Ask for a written contract. It should contain at least the following:

- *The deposit required*
- *The monthly rent and its due date*
- *Terms of escalation*

- *Period of the lease*
- *What services are included*
- *Any house rules*
- *Existing defects*
- *What maintenance will be covered by the landlord and what by the tenant.*
- *How will disputes be handled (will the Rental Housing Tribunal have final authority, or do you prefer the courts?)*



It may seem overly cautious to go into so much detail, but when things get ugly – and they can – a written agreement is invaluable. Before signing anything, do a thorough inspection of the property. If you're not happy with something, ask if it can be remedied first.

Expect to pay a deposit to cover unpaid rent and damages – usually between one and two months' worth of rent. This money must be kept in an interest-bearing account by the landlord, and you can ask for proof of the balance at any time.

Your deposit cannot be used for routine maintenance, only for repairs required because of your unreasonable use of the property.

If not included in your rent, you'll have to pay water and electricity, while the landlord will pay rates, levy, and services such as refuse removal.

## The tenant's responsibilities

Your principal responsibilities are to pay the rent on time, and look after the property. Rentals are traditionally due on the first of the month. A landlord can begin eviction proceedings as soon as this due date is passed.

Tenants who pay on time, and maintain a good relationship with their landlord, are more likely to get quick attention when something needs fixing, and have their leases extended in the future.

Upkeep inside the house is usually the tenant's responsibility. You need permission in writing.

The landlord is typically responsible for the exterior and the structure itself, as well as sanitary ware and geysers.

And finally, on the subject of disputes, you can't be thrown out or locked out of the property without an eviction order from the courts. It is also illegal for a landlord to cut off your water and lights to try to force you out. Landlords can however, get a court order to attach your belongings to settle your unpaid debts. □