



August 2020

Investor Proposal

Multi-Let property

Maxpectrum Properties CC

Mark Berrington

083 692 6576

maxpectrum@gmail.com

Multi-let Investment Opportunity in Ormonde, Jhb

Maxpectrum Properties CC is a property investment business, focused on distressed property investment which ranges from capital flipping to buy-to-let investments. Maxpectrum Properties CC uses the MarkBuysHouses.co.za brand to market for property leads.

The deal highlighted in this document is an investment proposal for a multi-let property in Eldorado Park Johannesburg. The verbally agreed purchase price is R1 375 000 (One million three hundred and seventy five thousand rand) with a R50 000 deposit.

Investment return of 62% is expected on the property.

Should you be interested, please read further.

Property Details

Description	Detail
Suburb	Eldorado Park Johannesburg
ERF size	370sqm
Property configuration	3 x bachelor units, 2 x 2 bed, 1 bath units and a 3 bed, 1 bath house
Reason for selling	Financial Distress & need to move smaller
Zoning	Residential 1
Tenanted	Yes – all units except for the 3 bedroom unit are tenanted (current owners staying in 3 bed unit)
Condition	Rentable with some maintenance needs

The unit is fairly well maintained with some basic maintenance required.

Comparative Sales (similar properties within the last 12 months)

Given that this multi-united property is in a residential area the sales history in the area are not comparable now relevant.

Proposed Strategy

Multi-let property with 6 units on the property which can be rented. 5 of the units are already rented.

There is opportunity to expand the revenue as there are two storerooms at the back of the property. If one was converted into a bathroom then the other storeroom could be rented out. Similarly, there is an opportunity to split the existing 3 bedroom unit into two separate units (1 x 1 bedroom and 1 x 2 bedroom units).

Private sale – not listed.

Property Financials

Acquisition and Repairs

	Amount
Purchase Price	R 1 375 000
Deposit	R 50 000
Transfer costs*	R 32 000

Transfer duty*	R	31 000
Bond costs*	R	34 000
Estimated refurbishment	R	82 030
Sourcing fee		
Capital Investment required	R	229 030

*As determined using the Ooba calculators

The unit is currently tenanted so no immediate repairs are required, however one should budget for a several items as described in the property inspection report.

Cashflow Estimates

With 5 of the units currently tenanted, the rental income is currently R24 000 per month. Renting out the 3 bedroom unit is expected to offer a further R7 000 rent per month. This would result in a total of R31 000 per month. There is an option to further increase this by converting a storeroom into a bathroom and then renting out a separate store-room, and splitting the 3 bedroom unit into 2 separate units. For the sake of this calculation the 6 existing units will be used for the calculation.

	Amount	
Gross rental income	R	31 000
Maintenance & incidentals (5%)	R	1 240
Management fee	R	3565
Monthly bond costs	R	10 660
Levies		-
Rates & taxes	R	1 200
Insurance	R	900
Net Income	R	11 885
Gross rental yield		27.1%
Cash on Cash return (RoI)		62.3%

*Assumptions: Bond calculation is based on 100% bond at 7% for 240 months.

Upgrading the property will allow for increased rental improvement.

Potential risks

As with every transaction there are several risks. The following risks have been identified with this deal and the following steps have been taken to mitigate those risks.

Risk	Mitigation
Rental amounts discussed aren't really being collected	OTP has been updated to include a clause which requires the seller to furnish the rental statements prior to the registration
Property building plans aren't up to date	Suspensive condition included into the OTP which requires the approved building plans to be up to date and shared. A further stipulation included to ensure a municipal occupation certificate is also required

Unseen maintenance required on the property	Professional inspections business has viewed the property and has shared their report. Further inspections can be done on the property and is supported by a suspensive condition in the OTP stipulating the same.
Several electrical compliance issues were identified during the inspection	Before transfer an electrical compliance certificate needs to be issued by a professional electrician meaning that the Seller will be liable to fix most of the items identified. To ensure this is done a further clause was include into the OTP allowing for an independent electrician to review the CoC and ensure that all items are resolved prior to transfer.

Due Diligence

Property inspection carried out by Gauteng Property Inspectors which identified a number of minor issues related to the property. These include the need to repaint doors, door frames, window frames, replace some roof brandering, service the gutters and replace light fittings. This inspection report can be made available on request, but a repairs budget of R82 030 is included into the calculations above in order to cater for the work required on the units. With the units already rented out income would continue while this work was done on the unit.