



August 2020

# Investor Proposal

Sourced for a Buy-to-let Investor

**Maxpectrum Properties CC**

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## Buy-to-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 property in Ormonde Johannesburg. The agreed purchase price is R420 000 (Four hundred and twenty thousand rand) with a R23 000 deposit. The seller is facing increased pressure from their bank and needs to move quickly. The bank has asked for proof of sale as well as proof of funds from the buyer in order to delay the foreclosure process, so a potential investor would need to be able to move quickly and showcase proof of funds.

Investment return of 16% is expected on the property.

Should you be interested, please read further.

### Property Details

Description	Detail
Suburb	Ormonde Johannesburg
Unit size	53sqm
Reason for selling	Financial Distress
Zoning	Sectional title
Tenanted	Yes – 3 month lease with the option to extend
Condition	Rentable

The unit is in a complex with the ability to improve the unit and increase the rental yield. Given that the unit is already tenanted the refurbishment costs are assumed to be nil as nothing needs to be done in order to achieve the returns indicated in this document.

### Comparative Sales (similar properties within the last 12 months)

Property	Size (sqm)	Sales Price (R)	Date transferred
In complex	68	770 000	Feb 2020
In complex	53	690 000	Aug 2020
In Complex	48	570 000	July 2019
Ormonde Gardens	43	645 000	Jun 2020
The Birches	47	670 000	Nov 2020
Ormonde View	53	560 000	March 2020
Maple Grove	60	830 000	Oct 2019
Ormonde View	53	690 000	Sept 2019

Given the above transfers, the expected market value is R681 000 (calculated on a rate per sqm of the above properties). Similar properties are on the market now for on average R704 000.

This equates to an immediate saving/equity of R284 000.

### Proposed Strategy

Sourcing to an investor looking for a Buy-to-let property with an existing tenant.

Private sale – not listed.

Current tenant is on a 3 month lease with the intention to extend. Rental is R6500pm excluding electricity.

Purchase price has been negotiated well below market price.

## Property Financials

### Acquisition and Repairs

	Amount	
<b>Purchase Price</b>	R	420 000
<b>Deposit</b>	R	23 000
<b>Transfer costs*</b>	R	14 000
<b>Bond costs**</b>	R	-
<b>Estimated refurbishment</b>	R	-
<b>Sourcing fee</b>	R	40 000
<b>Capital Investment required</b>	<b>R</b>	<b>96 000</b>

\*As determined using the Ooba calculators

\*\*Given that the property would need to purchased cash to meet the bank requirements, no bond cost are assumed

The unit is currently tenanted so no immediate repairs are required, however one should budget for a repaint soon.

### Cashflow Estimates

	Amount	
<b>Gross rental income</b>	R	6 500
<b>Maintenance &amp; incidentals (5%)</b>	R	325
<b>Vacancy Assumption (5%)</b>	R	325
<b>Management fee</b>	R	-
<b>Monthly finance costs</b>	R	3 078
<b>Levies</b>	R	1 406
<b>Rates &amp; taxes</b>	R	344
<b>Net Income</b>	<b>R</b>	<b>1 022</b>
<b>Gross rental yield</b>		18.6%
<b>Cash on Cash return</b>		16%

\*Assumptions: Finance calculation is based on 100% bond at 7% for 240 months however given that this property is in the early stages of bank foreclosure a cash purchase would be required (but can be paid for by an existing bond)

Upgrading the property will allow for increased rental improvement.

Photos

