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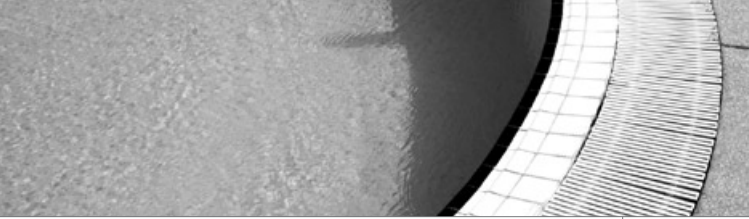
UNDERSTANDING
SECTIONAL TITLE

2011

OUR SERVICE

STBB | SMITH TABATA BUCHANAN BOYES is a firm of business-minded lawyers which was established in 1900. At present the firm consists of approximately 50 professionals practising from 7 offices throughout South Africa.

By understanding our clients' needs and objectives, we strive to deliver cost-effective legal solutions to their business and personal matters. A vital aspect of the professional service we provide, is a commitment to developing close working relationships with our clients. This commitment enables us to consistently succeed on their behalf.



WHAT IS A SECTIONAL TITLE UNIT?

A Sectional Title Unit consists of a part of a building or a separate building on a piece of land that has been converted into a sectional title scheme. The owner's ownership of the unit includes ownership of an undivided share in the common property. All the sections together with the common property comprise "the Scheme".

WHAT IS THE COMMON PROPERTY?

This comprises of the areas which are utilised by all owners, e.g. the grounds, driveways, roads, recreation facilities, corridors, entrance areas and exterior of the building.

WHAT ARE EXCLUSIVE USE AREAS?

Parts of the common property, e.g. a parking bay or garden area, may be delineated as an exclusive use area and the right to the exclusive use of such area may then be conferred on an owner of a section. Exclusive use rights can be acquired and held in terms of the rules applicable to the Scheme or by way of Notarial Cession.

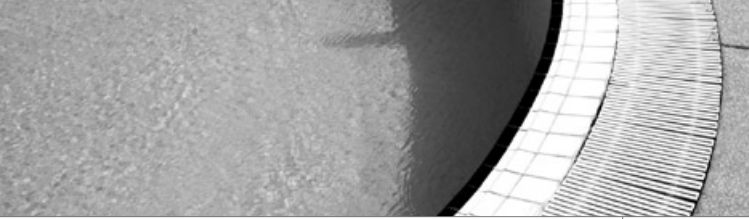


IS OWNERSHIP CONFERRED UNDER SECTIONAL TITLE?

Yes, once transfer is registered in the Deeds Office the title holder is owner of the unit. A Title Deed is issued upon registration of transfer of the Sectional Title Unit, as proof of ownership. A Notarial Deed of Cession is issued in respect of certain exclusive use areas.

WHAT IS THE DIFFERENCE BETWEEN A SHARE BLOCK SCHEME AND A SECTIONAL TITLE SCHEME?

A Share Block Scheme involves the selling of shares in a Share Block Company which owns a building, coupled with an agreement that entitles the share-owner to occupy a portion of the building. These shares cannot be mortgaged and the transfer of the right to occupy is effected by the registration of a share transfer with the Registrar of Companies (as opposed to registration in the Deeds Office.)



WHAT IS A REGISTERED REAL RIGHT OF EXTENSION?

A developer can, when building a sectional title scheme, reserve to himself the right to extend the scheme by the addition of units and/or buildings at a later stage. This is referred to as a right to extend. The plans of such a proposed extension must be drawn up and approved at the time that the Scheme is first opened and registered. If the right of extension is not exercised or reserved, the right to extend the Scheme vests in the Body Corporate. Any prospective purchaser must be made aware of the existence of a reserved right of extension in the agreement of sale, failing which he/she is entitled to resile from the contract.

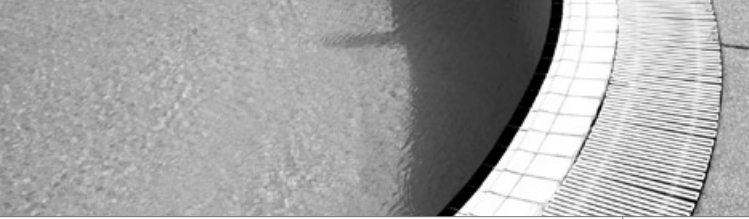
WHO OR WHAT CONTROLS THE SCHEME?

The Body Corporate is responsible for the control, administration and management of the Scheme.



WHO OR WHAT IS THE BODY CORPORATE?

All the owners of sections in the Scheme automatically constitute the Body Corporate. At an Annual General Meeting of all the owners, Trustees are elected to act on behalf of the body corporate and to carry out the day to day running of the Scheme. In many instances and especially with bigger schemes, the Trustees utilize the services of a Managing Agent to assist them. Ultimately however, the control lies with owners who make decisions on the administration of the scheme at a general meeting.



WHAT ARE LEVIES?

Levies comprises all the anticipated costs of the running of the Scheme and usually includes:

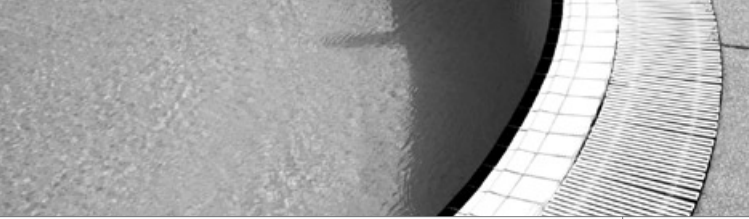
- rates and taxes payable to local authority by the Scheme if the units are not separately rated;
- water;
- electricity and repair costs relating to any electrical installation on the common property;
- insurance in respect of buildings in the Scheme;
- managing agent fees;
- annual audit fees; and
- security and maintenance costs.

One of the main functions of the Trustees is to determine a monthly levy for each Unit.

HOW IS THE AMOUNT OF THE LEVY DETERMINED?

The Trustees calculate the total annual budget required for the proper running and maintenance of the Scheme. The budget will be made up from various expenses, such as the items mentioned in the previous paragraph. The annual total is divided into monthly instalments which in turn are collectively paid by the individual owners. The levy payable by any one owner is calculated with reference to the floor area of a given section, in relation to the total floor area of all the sections in the scheme. This is referred to as a section's participation quota.

- Thus total annual budget divided by 12 = required monthly budget for the Scheme.
- Floor area of owner's section divided by the total floor area for all sections x 100 = percentage of monthly budget payable by the owner.



WHAT ARE SPECIAL LEVIES?

If insufficient funds are available for maintenance and/or improvements or unforeseen, necessary expenses becomes payable, a special levy may be raised by the Body Corporate at a general meeting. Owners of sections will then be liable to make a further contribution towards levies. This special levy may or may not be payable in instalments. The questions of liability for and disclosure of an existing or possible special levy should be dealt with in the deed of sale since the owner at the time the levy was raised, is the one who is liable for payment thereof.

WHAT ARE MANAGEMENT RULES?

The Sectional Titles Act contains provisions regarding the management of the Scheme, e.g. how Trustees are elected, what the obligations of the Trustees are, what the voting procedure is at general meetings, and so forth. These provisions are referred to as Management Rules. It is also possible for the Body Corporate, by unanimous resolution, to amend, substitute, add to or repeal the Management Rules from time to time. Copies of the Management Rules that apply to any scheme can be obtained from the local Deeds Registry.

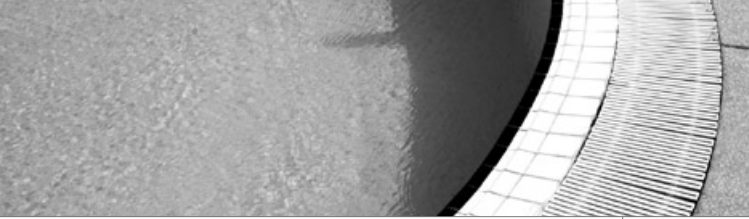
WHAT ARE CONDUCT RULES?

Each Scheme has a set of Conduct Rules to regulate the conduct of owners in the Scheme such as rules regarding the keeping of pets, refuse removal, etc. It is possible for the Body Corporate, by special resolution (75% majority), to amend, substitute, add to or repeal the conduct or rules from time to time.

WHAT ARE THE DUTIES OF AN OWNER OF A SECTIONAL TITLE UNIT?

An owner must:

- Permit any person authorised in writing by the Body Corporate, at all reasonable hours and on notice (except in the case of emergency, when no notice is required), to enter his/her section or exclusive use area for the purposes of inspecting it and maintaining, repairing or renewing pipes, wires, cables and ducts existing in the section and which are capable of being used in connection with the enjoyment of any other section or common property or for the purposes of ensuring that the provisions of the Act and the rules are observed;



- Carry out all work that may be ordered by any competent public or local authority in respect of his/her section and pay all charges, expenses and assessments that may be payable in respect of his/her section;
- Maintain his/her section in a state of good repair and, in respect of an exclusive use area, keep it in a clean and neat condition;
- Use and enjoy the common property in such a manner so as not unreasonably to interfere with the use and enjoyment thereof by other owners or other persons lawfully on the premises;
- Not use his/her section or exclusive area (or permit it to be used) in a manner or for purposes that will cause a nuisance to any occupier of a section;
- Notify the Body Corporate immediately of any change of ownership in his/her section and any mortgaging or other dealing in connection with his/her section;
- Ensure that the section is used for what it was intended, e.g. residential or business;
- Acquaint himself/herself with the content of the Management and Conduct Rules and abide thereby.

CAN A UNIT BE EXTENDED, CONSOLIDATED AND/OR SUBDIVIDED?

Yes, but only after:

- The approval of the Body Corporate;
- The approval of the Local Authority;
- A sectional plan of subdivision / extension / consolidation has been drawn by a land surveyor and approved by the Surveyor General;
- An application to the Deeds Office to register the extension / subdivision / consolidation has been made; and
- Consent of bondholder.

HOW IS A SECTIONAL TITLE UNIT TRANSFERRED?

Please consult our pamphlet on conveyancing and transfers as it applies similarly to sectional title transfers.



CONTACT US

■ CAPE TOWN OFFICE

8th Floor, 5 St Georges Mall, Cape Town
Tel: 021 406 9100 | Fax: 021 419 7909

■ CLAREMONT OFFICE

2nd Floor, Buchanan's Chambers, Cnr Warwick Street
& Pearce Road, Claremont
Tel: 021 673 4700 | Fax: 021 673 4701

■ FISH HOEK OFFICE

26 1st Avenue, Fish Hoek
Tel: 021 784 1580 | Fax: 021 782 6224

■ SOMERSET MALL OFFICE

Dynarc Triangle, 13 Urtel Crescent,
Somerset Mall, Somerset West
Tel: 021 850 6400 | Fax: 021 852 1770

■ TABLEVIEW OFFICE

24 Blaauwberg Road, Tableview
Tel: 021 521 4000 | Fax: 021 521 4001

■ TYGERVALLEY OFFICE

5 High Street, Rosenpark, Tygervalley
Tel: 021 943 3800 | Fax: 021 914 1080

■ JOHANNESBURG OFFICE

6 Sherborne Road, Parktown, Johannesburg
Tel: 011 853 8300 | Fax: 011 853 8322/21



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info@stbb.co.za | www.stbb.co.za

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