

## **Maintenance and Development of Property – Issues for the Investor in Leipzig**

So you have made your investment in Leipzig, got the property under management, and now look to plan ways to ensure your property reaches its potential in terms of rental income and minimising empty periods and the like. Part of this work is clearly focused on the rental levels, if they are lying below the market rent then reviews should be discussed and implemented. ImmoSence will guide you on this, and provide quarterly reviews of the tenant state and work that can be done to ensure your investment works for you as best it can. The other side of the coin is the property maintenance and development.

Maintenance tasks not only ensure that any issues such as leaking roofs etc do not worsen [and become more costly] but also can lift the appeal of the property and demonstrate to the tenant base that you are active and interested in providing a good quality property. Development tasks take this further, and make better use of your property, allowing for new rental space to be created or to be used in a better way.

### **Ways Maintenance is Planned**

Typically, property is owned under 2 structures in Germany – either as a complete apartment house or commercial block or as a single unit within a larger block or development. You may have one or both of these structures yourself. Let's take the former case first, and look at how maintenance is planned.

When owning the whole block, it is the responsibility of the owner to maintain the common or communal parts to the property, namely roof, staircase, common heating system if installed. Additionally, the fabric of each unit, unless specified in a commercial contract, is also the responsibility of the owner. Typically, as you know, units are leased on an unfurnished basis with no kitchen, lighting etc. So the extent of the maintenance within an apartment extends to windows, plumbing and heating, electrical installation and perhaps flooring. It is most common for the tenants to be responsible for the maintenance of the decoration of the property, returning an apartment or commercial space back to its original condition at the end of the lease. As part of our service at ImmoSence, we arrange these tasks and highlight any issues that you need to be aware of. Crucial if you do not visit the property that often. Our process is to agree a schedule of immediate and medium term tasks at the beginning of the investment, following the advice from your sales agent that you may have received. On from this, we make quarterly inspections to the property to look at each aspect of the unit and advise of any pro-active works that can be taken. Of course, we will react further to any maintenance issues which arise either from other frequent inspections we will make to your property or from feedback from caretaker / tenants.

When owning a single unit or apartment within a block, the maintenance tasks needed to the building are identical, it is just how they are managed and executed that a difference occurs. Due to the multiple-ownership arrangement, owners [either investors or owner-occupiers] need to be brought together under a so-called “condominium arrangement”, whereby the maintenance of the common parts of the building are planned and usually budgeted for in an annual plan. To ensure that monies are in place to carry out non-routine tasks, it is typical for a maintenance or “sinking fund” to be set up, where all owners contribute a monthly sum depending on the size of their property and works paid in this way. If ImmoSence do not run this co-owner arrangement, we will still act on your behalf as an investor and ensure your property is looked after much in the same way as above, in

addition to representing you at co-owners meetings and putting your views into the forum. We have a networks of trusted tradesmen that will react to issues at your building, taking care that things are done right, on time and to a competitive price.

Development is more pro-active and planned as a result of the quarterly inspection or input from the landlord on ideas they have to improve their investment. Property development will be covered in more detail in a future article coming soon.

### **Typical tasks**

So, we have mentioned the typical routine maintenance tasks, servicing of the heating and lift systems. In addition, routine small maintenance tasks such as fixing door handles and changing light bulbs are carried out automatically by the house caretaker.

Non-routine tasks, as units in Leipzig are usually let on an unfurnished basis, would usually include:

- Maintenance to roof or guttering, or renewal of roof or guttering systems when they come to the end of their useful life.
- Renewal of parts to heating systems, or replacement of boilers at the end of their life.
- Updating or refurbishment of windows.
- Updating of flooring, typically between tenancies.
- Updating of bathrooms, usually between tenancies.
- Painting and refurbishment of staircase area.
- Upkeep and development of garden areas.

### **Typical Costs**

It is almost impossible to put an exact price to each maintenance task you will face. In general, you would wish to take up 2-3 quotations for works to ensure you achieve value for money of course. ImmoSence will provide this in all but the most extreme circumstances when urgent works are needed. To provide some guidance, a typical apartment house in average condition will require around 1% of the property value each year to ensure it is kept to the right standard to ensure tenants are given a good property and new tenants can be found easily. That's a real "rule of thumb" as they say, just a general guide. Your property maybe in a recent refurbished condition in which case only routine works will be needed, boiler servicing and the like, which are paid from the transferable costs [warm rent] by the tenant.

Breaking some typical costs for the tasks listed above, as a guide:

- Maintenance to roof – patching can be done on a piecemeal basis. Renewal of a roof to a standard size apartment house will cost around 30.000 Eur, and a roof has a natural life of around 40 years.
- Renewal of boiler, let's say to an apartment house of 10 units, will require around 8.000 – 12.000 Eur, depending on model chosen and particular installation. Life of a boiler will depend to the quality of manufacturer, however as with most building in Germany it is rare to find a lower-grade unit. Boilers will have a minimum life of

around 20 years, extending to 30 years. With most property renovated around the mid 90s, you would expect boilers to have a life to around 2020. But again, it depends on the date of refurbishment, annual maintenance and type of boiler installed.

- Updating or refurbishment of windows – a new window double glazed unit will cost around 600-1200 Eur to be fitted, depending on size. Around 300 Eur is to be expected for units to be refurbished if only the wooden frame is to be repaired and redecorated.
- Updating of flooring – the installation of the most basic laminate flooring costs around 20 Eur per sqm including material and labour. Costs rise of course the higher the quality of flooring that is chosen, good quality flooring for material only cost around 40-50 Eur per sqm and goes up from here. This is worth considering in the better parts of the city, especially where your final disposal of the property maybe as single apartments to owner-occupiers or smaller investors.
- Updating of bathrooms – around 3.500 – 8.000 eur, depending on the size, quality of suite and number of tiles required etc. It is often worth consideration where a unit only has a shower to install a bath where space allows. This improves the attractiveness of the apartment, especially for units of say 50 sqm or larger.
- Painting and refurbishment of staircase area. - very variable, depending on the style of apartment house and if any decorative features are to be maintained. Typically, a full redecoration of a stairway to a 5-level apartment house will cost around 5.000 Eur, up to double that if wooden staircases and steps are to be repaired or re-lacquered.

## Top Tips

When you get your next quarterly property report, do read over it for tasks which you can plan for, especially where rental reviews are also planned. These works go well hand-in-hand, and success with reviews is more likely when works are being conducted.

If cash flow control is important to you, then as an apartment house owner perhaps consider the formation of your own “sinking” or maintenance fund for the property. This way unexpected or unplanned issues will not have such an impact to your cash flow control.

If you have been advised that there is a maintenance backlog at your property, or you have ideas for developments, why not visit other properties under ImmoSence management when you are next in town to get ideas how to best plan and execute any works.