

## PROPERTY SIGNPOST NEWSLETTER

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### Your Area Specialist:

*Chas Everitt International sales agents have all the latest market information regarding local property values at their fingertips – and are committed to the highest standards of personal service when it comes to selling your home. In addition, the Chas Everitt International property group offers you, the homeowner, the best possible exposure for your property in both national and international markets. So if you are thinking of selling your home, call your nearest Chas Everitt International office today for the name of your local area specialist - or visit [www.everitt.co.za](http://www.everitt.co.za)*

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Every month the **Property Signpost Newsletter** will be issued to all our subscribers, filled with real estate information to help you make an informed decision, whether you are buying or selling a property.

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## 1. Welcome By Publisher

Well, here we are half way through the year with the property market still in great shape and all systems go for a great second half. The economy is growing at more than 4 percent a year, inflation is still under control, interest rates are unlikely to be raised much if at all, and consumer and business confidence remains high.

SA has gained more than 20 000 successful new businesses in the past year, household debt is relatively low and the buying power of the rapidly expanding black middle-class is plain to see.

So, barring a major international economic shock, homeowners and estate agents have a lot to smile about – which makes the current downbeat mood in the Western Cape difficult to fathom.

Personally, I think it's because the market in that region is still taking its cue from the presence, or absence, of foreign buyers - who are understandably much less in evidence now than when the rand/dollar exchange rate was 12 to 1.

The reality is that even in their heyday, foreign buyers accounted for at most 10 percent of sales in certain, select areas – and that sellers and agents who are holding their breath for another foreign influx could be missing the really big boat: the rising demand from the increasing number of fully-empowered, very wealthy black executives, professionals, politicians and public servants within SA.

And we don't want that to happen to our clients, which is why properties listed with Chas Everitt International franchises and agents in the Western Cape are also extensively advertised elsewhere in SA – as well as internationally.

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## 2. How Homebuyers Can Help the Environment

South Africa's pressing housing needs and the property market boom are raising concerns about sustainable housing and the environmental impact of accelerated development.

And putting the brakes on urban sprawl is arguably of even more importance locally than elsewhere in the world, since degradation of large tracts of land may well impact on the tourism industry, one of our biggest potential job creators. Many foreign visitors are specifically attracted by South Africa's natural beauty and wildlife and, with their numbers having doubled to more than 6,7-million a year over the past 10 years, more than 700 000 new jobs have already been created in tourism.

However, what we will need to achieve this is a wholehearted commitment – on the part of homebuyers as well as town planners and developers – that goes far beyond making sure that new housing developments are environmentally sensitive.

We need to be prepared, for example, to take a new look at existing residential neighbourhoods that have fallen out of favour, or even so-called brownfields areas, and help recreate them as sustainable areas that making full use of existing infrastructure - which is also a much cheaper

option for developers than creating new infrastructure.

Sustainable areas can be defined as those where the needs of residents are met while the environment is protected, and should include a range of affordable homes that are close to amenities such as schools, shops and recreational facilities, and close to places of work. They should also be pleasant to live in, with infrastructure such as roads on a human scale, making them safe for pedestrians and cyclists.

Healthy and sustainable neighbourhoods would score high on the following checklist: Are amenities close enough so that car trips are unnecessary or limited? Could residents stay in the neighbourhood when they need to upgrade or downgrade to bigger or smaller properties? Do residents interact with each other and know their local shopkeepers? Is it a pleasant place to walk? Is it a safe community? Have natural areas been preserved? Is land used efficiently?

Other features would include healthy, mature trees that improve air quality, keep the area cooler in summer, intercept rainwater, make the streets look more attractive and boost the resale value of homes. There should also be stormwater ponds and green areas that allow rainwater to soak into the ground, reducing the demand for sewers and water treatment plants.

Stopping urban sprawl entirely is obviously not possible but if buyers, builders and developers work together to promote sustainability, the pressure put on the environment by increased housing can be reduced. And that will mean reduced greenhouse gas emissions, smaller demands on water resources, more efficient land use, and less waste that ends up in landfill sites.

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### **3. Choosing Homes for Growing Families**

Young families needing bigger homes and tenants buying for the first time should carefully weigh their requirements before starting to hunt for a new home.

Price and location both play an important part and while it is relatively easy to determine your budget – keeping possible interest rate increases in mind – location and the type of home you want deserve careful consideration, especially if you don't want to move again too soon.

Aspects to consider as far as the area is concerned are whether you and your family will feel comfortable living there, the presence of good schools and other amenities that fit your lifestyle such as parks, libraries and gyms, and the prevalence of crime.

Once you have targeted a suitable area, it will be time to consider your housing needs. It is much easier to compile a priority list before you start house hunting. For instance, you will have to decide whether you intend children to share bedrooms or not. And if you have young children, a safe play area and storage space for toys will be essential.

When you start viewing homes, see if you will be able to adapt spaces to keep pace with changing needs as your children grow. They will need space to do their homework once they start school and will probably need additional space for computers as they grow older. Family rooms where children can entertain their friends once they hit their teenage years may also be a boon.

Bathrooms can be a bone of contention if family members queue up in the mornings trying to get

ready for school or work, so more than one bathroom is usually a good option, even if you don't really need a second one right now.

And finally, consider the size of the garden. It's great to have space for outdoor entertaining and ball games, but you will need to factor the time and expense required to maintain it into your calculations.

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#### **4. Take a New Look at Upgrading**

Homeowners who planned to upgrade but were caught off-guard by spiralling property prices, may now have another opportunity to do so, because the prices of middle range properties are rising faster than those of houses in the luxury category.

Absa figures show that prices in the middle segment of the market – homes of 80 to 400sqm and priced up to R2,2-million – are still rising at the rate of about 24 percent a year, while prices of homes that cost more than R2,2-million are rising at an average rate of only about 11 percent a year.

At the same time, investors who are buying-to-let should now be focusing on the middle to lower end of the market - properties costing less than R600 000 - where good growth is still likely and rentals will cover bond costs.

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#### **5. CGT Poser for Non-residents**

South African residents are coming to grips with Capital Gains Tax (CGT) legislation that allows them a R1-million exemption when they sell their primary residence, but the situation for non-residents is murky.

Many will not, it appears, qualify for the R1-million exemption when they sell a property in SA – even if it has been their “primary residence” in this country.

The question has arisen because, in terms of a recent amendment to the Income Tax Act, buyers or conveyancers will in future have to withhold a portion of the sale price from a non-resident seller as a CGT pre-payment, and they will obviously need to know what exemptions, if any, apply in order to make the correct deductions.

Andrew Duncan, a tax lawyer at specialist financial compliance firm Duncan-Barrow & Associates, notes that draft CGT guidelines compiled by the SA Revenue Service (SARS) state that local homes bought by non-residents with the purpose of living in them while visiting the country will

qualify as primary residences only as long as the owners have no primary residences offshore.

Non-residents with residences in their own countries could, however, also qualify for the R1-million CGT exemption on the sale of their SA property if their foreign property is let to tenants for the duration of their stay in South Africa.

“These distinctions are of course illogical. It is completely irrelevant whether or not non-residents own homes in their own countries, or elsewhere. Our Act does not apply outside South Africa to non-residents and, in my view, the test should rather be whether or not non-residents own more than one SA residence.”

It will be interesting, he says, to see how the process is dealt with in practice. “I have no doubt that from an equitable point of view a non-resident is as much entitled to the exemption as a resident, both being subject to CGT.

“But as it stands, if you are a non-resident and want to claim the R1-million exemption on the sale of a local property, you had better not be living in a primary residence off-shore.”

*\* For more information on this topic, Andrew Duncan can be contacted on (021) 701-2064 .*

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