

## 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)*

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

We were delighted to have the assurance of the Estate Agency Affairs Board this week that the Fidelity Fund established for the protection of real estate consumers is not only financially sound at this time, but in an “extremely favourable” position.

The Fund is used to pay the claims of consumers who can show that they have lost money in the course of doing business with a registered agent – but more importantly, it is a strong symbol of the real estate industry’s general commitment to a strict code of ethical conduct.

The news that the number of people registering as estate agents has doubled in the past year to around 64 000 was, however, not so welcome. Many of the newcomers to the industry, we believe, are untrained, inexperienced and under-resourced, and their presence could dilute efforts to maintain ethical and service standards.

Certainly, the sudden influx underlines once again the need for consumers to choose wisely when appointing agents to market or manage their properties – their best choice, of course, being an agent from a long-established and high-profile company such as Chas Everitt International, not



least because we ensure that our agents are properly trained before we let them loose in the marketplace.

All our agents also have access to the very best marketing and technology resources to enable them to deliver the excellent service we insist on. And then there's our much-praised Customers for Life system... in short, there's no need to look any further than your nearest Chas Everitt office if you want efficiency and effectiveness as well as absolute integrity.

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## **2. Exhibitions Bring Home the Buyers**

Despite what some of our competitors would have you believe, overseas exhibitions are not just a mandate-getting ploy. They definitely bring in buyers – if you do them right.

And it seems we have achieved that with our recent participation in the Earl's Court and Utrecht expos, as we already have 71(seventy one) confirmed buyer visits to SA as a result.

At Earl's Court, we found that Garden Route and Western Cape properties – especially wine farms and golf estates - were still getting a lot of attention, but that visitors were also starting to look at KZN, Eastern Cape and inland. It was also interesting to note the shift away from pure holiday-home buying to residential/retirement and investment buying.

The most popular price range for investors was R600 000 to R1-million, with buyers looking for retirement properties from R4-million to R7-million, while at Utrecht, host to Holland's Second Homes show, buyers were hunting in the R1-million to R3-million bracket.

Most in this case were seeking coastal holiday homes that they could let out for the rest of the year, but again, a significant number of visitors to the exhibition were thinking of actually immigrating to SA and looking for inland properties close to work and business opportunities.

We also took note of the fact that prospective buyers don't seem to like face brick properties as much as plastered ones. They prefer clean lines, neutral colours, big living spaces and easy to maintain gardens. Views and easy access to shops and activities are much in demand.

All of which, we believe, are useful insights for our franchisees and their clients, as well as the developers we work with – which we would also not have gained had we decided to stay home.

Indeed, it's still the case that "you've gotta be in it to win it", and that trying to rationalise no-participation at this stage is unlikely to cut much ice with clients.

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## **3. Quick, Find a Farm in Town**

Among the best property investment buys at the moment must be a large stand capable of sub-division in an established suburb - with or without a house on it.

The demand for such properties is bound to rise as the wealthy baby-boom generation ages and turns to cluster living for security and convenience, and it is likely to be further boosted by city densification policies and steep increases in property rates and municipal service charges as well as fuel price hikes.

There is already a very strong swing towards the better use of land and existing resources for environmental reasons, and SA cities are starting to come in line with other major centres around the world, where it is unheard of for anyone except multi-millionaires to live on an acre or even half an acre of land.

Meanwhile, developers are finding that baby-boomers who have decided to downsize for whatever reason are generally not willing to compromise on their quality of life, or on value growth, in the search for more compact, more manageable properties. They still want upmarket properties, and

many still want to live in the affluent central suburbs with which they are most familiar.

For investors, this means that there will be good returns to be made on purchases of large properties in such areas that can be subdivided for the development of exclusive cluster villages of three or four homes.

Indeed, it seems that substantial land ownership in sought-after areas will shortly become a real store of value for those wishing to protect their investments from fluctuations in the rand exchange rate, rising oil prices and inflation, and stock market swings.

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#### **4. The Making of a Grand Entrance**

If your home passes the curb appeal test, the next thing potential buyers will focus on is the entrance, so you need to make it look good. Buyers like to think they're purchasing luxurious homes and decorators' tips for creating a really "rich" looking entryway include tiling the floor and installing a chandelier – but they caution that the rest of your home must measure up to whichever finishes you choose.

Other suggestions for sprucing up a hallway include adding large potted plants, such as a Ficus tree or a palm if space allows, using a large chest or display table to anchor the area, hanging a mirror where it will reflect light if the area is dark, and painting the walls a pale shade of yellow.

And of course the area will need to be well lit (even if you don't have a chandelier), spotlessly clean and clear of the clutter that may otherwise accumulate during your everyday routines, such as kids' backpacks, toys, keys and post.

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#### **5. Should You Sell or Rent When You Go Out of Town?**

If you're a homeowner who's just been offered an overseas posting or a lucrative contract in another city, you may find your enthusiasm dampened by having to decide whether to sell your home or rent it out until you come back to town.

Should you sell and be "free", or become a landlord and ensure that you have a home to come back to in a year or two that will hopefully also have appreciated in value?

Well, tempting as the latter course may be, especially while property prices are still rising faster than inflation, it is actually probably better to sell if you still have a 100% bond on the property. The costs of operating a rental property can shave the return marginally thin. And if there is a sudden downturn in the market, or an absconding tenant, the financial consequences can be very serious for the owner who is paying rent or another home loan instalment elsewhere.

Costs you need to take into account as a prospective landlord are municipal rates, advertising costs, regular maintenance costs (which may well be higher than if you were living in the home yourself), comprehensive insurance, property management (usually 10 percent of the monthly rent) and the "turn" costs (cleaning, repairs and painting when the tenant changes). You should also build in a vacancy rate contingency (say five percent) for safety.

All of this can absorb up to 40 percent of the total rental and if you then also subtract the monthly home loan repayment from the remainder, there's not likely to be much profit in the arrangement.

But, the equation changes completely if the house is substantially paid-off and you're more interested in capital growth. Then the critical factor becomes the choice of managing agent – someone who knows the area well and can advise knowledgeably on a realistic rental level, who has a good track record as regards the selection of creditworthy and reliable tenants, and who will see to it that the property is properly maintained in order to protect its value.

