

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

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

Property prices may not be growing as fast this year as in the past two years, but we still don't see any reason for the "doom and gloom" that seems to come so easily to so many real estate commentators.

The latest Absa House Price Index shows that despite the fact that the rate of house price growth has now slowed to 1999 levels, owners can still look forward to nominal growth of more than 20 percent this year – and after-inflation growth of around 15 percent, which is hardly to be sneezed at.

What is more, we can see clearly that a slower rate of growth is giving more middle and lower income people a chance to qualify for finance and get into the property market. And this sector of the market is also growing, due to the upward income migration of households in SA.

This migration has been particularly pronounced, Standard Bank notes in its latest Property Gauge, among black households, with black middle-income and high-income families now accounting for about 15 percent of all consumer activity – and having a higher propensity to



consume than the national average because they are catching up an “asset backlog”.

For our part, we don't doubt there is still rising demand. We have seen a huge upsurge in buying activity in the past month, and feel confident that this “spring tide” will turn into a summer flood as an increasing number of South Africans are enabled for the first time to become full participants in – and beneficiaries of – the property market.

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2. What's Better Than a Fixed Rate?

With rampant hikes in oil prices and inflation edging up, homeowners wary of increased interest rates are asking themselves whether now would be a good time to fix their bond rates.

Home loan interest rates have fallen steadily since the end of 2002 to the current 10,5 percent “base” rate and many economists predict they will start rising again next year. But they also say, increases will be minimal and are expected to peak at around 12,7 percent towards the end of 2007 before starting another downward curve.

And if their predictions are on target, it begs the question whether or not it is worth fixing bond rates now, keeping in mind that banks usually peg a fixed rate at one or two percentage points above the prevailing rate for two years. At a pegged rate of, say 12,5 percent, homeowners fixing rates now stand to lose a substantial sum over the next 24 months unless the “base” rate suddenly rises more than two percentage points.

A more profitable option would be to use the additional cash required to pay the premium on a fixed rate loan to reduce capital on the existing outstanding loan. For instance, the monthly instalment on a R400 000 bond at a fixed rate of 11,5 percent would be R4264 compared to just R3996 at the current base rate of 10,5 percent – a difference of R268 that could be paid into the existing home loan account every month to reduce the capital portion, give the borrower leeway to weather the small rate increases expected in the next two years, and deliver long-term savings in interest.

New buyers may want to take additional precautions against rate increases – and the simplest way is to lower potential exposure by paying bigger deposits to lower the loan amount, or to buy and less expensive property.

Buyers who can afford, for instance, the R3996 monthly instalment on a R400 000 loan at the current “base” rate of 10,5 percent, can cushion themselves against rate increases of up to three percentage points by paying a bigger deposit and only borrowing R330 000. Alternatively, they could buy a cheaper property and use the spare cash to increase monthly repayments, thus reducing the outstanding capital and saving a bundle in interest.

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3. For People Who Are Serious About Buying...

Serious buyers should not waste their time viewing overpriced properties in the hope that they will be able to convince the sellers to lower their prices.

Buyers who believe they can do so by “driving a hard bargain” often accomplish little more than driving the seller to decline all their offers as a matter of principle – and would often have been better off spending their time and energy looking at suitable properties with a market-related price tag.

Indeed, buyers keen to make an offer should steer clear of properties with an asking price more than five percent above the going rate for the area – which they can easily establish by asking reputable local agents for a comparative market analysis (CMA).

Of course, this does not mean that buyers should not be prepared to negotiate at all on the asking price. If, for instance, they establish that the seller is in a hurry to relocate, they could press for a somewhat lower price in return for an expeditious offer. Similarly, if the property will need some renovation or repairs, it is quite reasonable to make a lower offer to compensate for the expenses that will be incurred.

And on the other hand, buyers who stumble on a real bargain – which they will instantly recognise if they have been house-hunting in the area for a while – should not waste time haggling. A genuine bargain will not stay in the market for long and might be snapped up under the nose of buyers dithering about the asking price.

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4. Buyers Have Rights Too

Just as property sellers have the right to expect that estate agents will protect their interests, buyers have the right to ascertain that their property investment will be protected.

And the only way buyers can determine this is if they have access to important information, such as why the property is being sold.

An agent's task will be easy if the property is on the market because the owner is relocating or needs a smaller house after retirement, but conflicts of interest may arise if the reason is, for instance, that planned developments in the area are likely to create noise, pollution or traffic problems.

Agents facing such a dilemma should remember that buyers do have to prove their bona fides by satisfying the seller that they are able to afford the property or obtain the necessary bond from a financial institution.

By the same token, sellers – advised by their agents – should make a clean breast of it and honestly reveal their reasons for selling to prospective buyers.

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5. Dealing With Seller's Remorse

Although not as prevalent as buyer's remorse, some sellers are overcome by feelings of doubt as soon as the contracts are signed - and start contemplating cancelling the whole deal.

But they should take courage from the fact that a measure of doubt is quite normal. After all, selling the home where a family has shared years of joys and sorrows is no easy task.

Add to that the stress of packing up all your belongings, selling off items that will not fit in the new home and having to find your way in a strange community and environment, and you have a sure recipe for lying awake at night. And it doesn't help that money seems to flow like water.

Rather than impulsively cancelling the deal, though – and possibly incurring severe legal penalties – sellers suffering from remorse should take a hard look at their original reasons for selling and try to temper their outlook.

Even if it sounds trite, it does help to view the experience as an “adventure” rather than a “disaster”. There are also several steps sellers can take to lighten the stress associated with moving house, the first of which is to reserve some time for family and fun. Setting time aside for relaxation in a busy schedule is not frivolous – it is an investment in your sanity.

Keeping a tab on finances and making sure you have an emergency fund also help to calm frayed nerves. Unusual expenses are inevitable, but it helps to remember that most of them are once-off.

And, finally, it may be a good idea to find out as much as possible about the area you are planning to move to. Make a list of the attractions, landmarks and cultural activities that may interest you or family members. Once you can start looking forward to exploring your new “territory”, the whole exercise may lose some of its dread.

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