I Issue: April 2007 I Editor: Berry Everitt I

PROPERTY SIGNPOST NEWSLETTER

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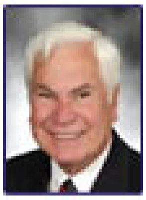
Chas Everitt


Berry Everitt


Barry Davies

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. chaseveritt.com

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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

Three cheers for Reserve Bank governor Tito Mboweni. The decision he took this month to leave interest rates where they are (repo rate at 9 percent) was a really brave one, in the light of still-rising inflation and the fact that credit growth is at near-record levels. We also believe it was the right one, because the effects of last year's rate increases are really starting to pinch now and another hike would have dented consumer confidence by compounding the strain caused by higher fuel and food prices.

As it is, Mr Mboweni's decision sends a message to the market that economic growth and job creation is still paramount in government thinking, and that can only be good for the property market.

Meanwhile, accolades should also go to the architects of the new Integrated Coastal Management legislation.

Much has been said about the fact that it restores the right of public access to the coast, which has been increasingly cut off by luxury housing and golf course developments.

However, equally important is that it contains nationally applicable measures to protect our beautiful – and limited - coastal resources from being degraded by inappropriate developments and pollution, and especially to protect estuaries, which are the "nurseries" for most of our commercial fishing stocks.

Indeed, while it may not be everything that the environmentalists wanted, it is to be applauded as a far-sighted and far-reaching policy and another reason to be proud of SA

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2. Choosing the right home site

The growing number of new entrants to the property market is putting the existing housing stock under strain – and prompting more people to consider building a new home instead of buying a pre-owned one.

This of course entails finding the right stand and, as in every property purchase, position is critical.

Then once the area or particular estate has been selected, buyers should also consider the following before buying:

- Avoid low-lying land where water will gather. Although there are construction techniques available to combat the risk of damp, the need for special materials will undoubtedly add to the cost of building in such areas.
- Avoid very steep slopes. The dream views they may provide seldom justify the additional excavation, piling and retention costs involved in building on such stands. Besides, an extensive outlook could quite possibly change in a few years' time when homes have been built and trees have grown on neighbouring properties.
- Consider the possible effects of future development in the surrounding area, and what neighbours will be allowed to build. A multi-storey apartment block next door, for example, might block a view, cut out the sun for much of the day, or remove much sought after privacy – all factors that would reduce the value of your home.
- Check the local building regulations and home owners' association building guidelines to establish whether you will be allowed to build the size and type of home you want. Many estates these days have strict architectural constraints.
- Check the availability of water, sanitation and electricity for new homes and developments in the area with the local authority.
- Ask an architect, development consultant or knowledgeable and reputable builder to

look at the stand you like and advise whether the home you want can be built there. There is no substitute for experienced help, particularly for a first-time owner-builder.

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3. Investment 'rules' still in play

Although the property market is currently on a plateau, many investors believe there will be another market surge starting in 2008 and are consequently hunting for good investments now that will put them ahead of the wave.

However, there are certain factors that they need to take into account, not the least of which is a clear understanding of the tax implications of the purchase of an investment property - for their current earnings as well as from a capital gains point of view.

Much will depend on whether it will be a cash purchase or whether a new mortgage will have to be covered. And the investor should know what he or she plans to do with any proceeds of the investment.

Before buying, the investor needs to also consider the overall prospects for the national economy and, equally important, the economy in the area in which the property is situated. Even when the country is in a recession, certain areas will boom because, for example, a new industry has moved in, or foreign tourists have discovered its attractions. Conversely, some areas will not do as well as others even when the national economy is growing strongly, as is currently the case.

Beginners should start small, buy with a sizeable deposit and ensure that sound tenants will continue to pay off the mortgage. Property investment can hardly fail if the investor is satisfied with the rental return. Then, if higher interest rates or unexpected personal circumstances force a quick sale, the selling price will not be a critical issue. And if there is a big capital gain, that's the entrepreneur's reward.

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4. The trouble with cash…

The new National Credit Act which comes into force later this year will impose stricter criteria on lending and will ultimately make credit harder to get – which will no doubt push more homebuyers into paying cash instead of applying for a home loan.

And those who can afford to do so – or at least put down a substantial cash deposit - are likely to have serious clout when it comes to negotiating price. After all, a cash offer is every property seller's dream.

What is more, investors buying a property to let with cash in hand won't have to worry whether the rent coming in will cover the bond repayment every month.

However, there are some potential pitfalls, the most important being the fact that no home loan means no bank valuator – and no confirmation that the property is worth what you're paying for it. So before you hand over a large cash sum, you should seriously consider getting your own valuation done by a qualified professional.

Secondly, you need to be pretty sure that the property will appreciate much more than your cash would grow if saved or invested elsewhere – and that you are going to realise this "profit" within a relatively short time.

And thirdly, cash buyers need to be prepared for possible delays in the transaction due to the requirements of the Financial Intelligence Centre Act (FICA). This legislation, intended to keep SA free of money laundering and other dubious financial transactions, provides for estate agents to report to the state Financial Intelligence Centre the receipt of any cash amount of more than R50 000 in any property transaction.

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5. Don’t switch in haste

Higher interest rates have prompted many homeowners to think about switching their home loan to a different bank where they can perhaps get a better rate, but before you go this route you need to know exactly where you stand with your current lender.

It may be a better option to see if you can’t negotiate a better rate without moving your loan – a possibility if the value of your home has increased or your credit rating has improved since you first obtained the loan.

On the other hand, if you have not had your current loan long, you should check to see if there would be any penalty for early repayment when moving to another bank.

If you do decide to switch, or refinance your home, the steep increase in most property values in recent years should mean that you can release additional capital to extend or modernise your home and further improve its resale value.

But you also need to be aware that a new mortgage may lock you into another 20-year loan. This may not be a good move if you are only a few years away from paying off your original loan.

It is also important to bear in mind that the cost of registering a new bond with a new lender may absorb the savings of a lower interest rate for several years, and crucial to determine whether you would still benefit from any future interest rate cuts with the new lender.

In short you need to be fully aware of all the potential problems as well as the benefits before making a switch. And the best way to obtain the information you need is to consult a knowledgeable loan consultant from a reputable mortgage originator.

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