



Chas Everitt



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**FROM THE PUBLISHER**

I think consumers should stop focusing on the immediate problems in the real estate sector and start focusing on the bigger picture, the perpetual economic cycle in which the prices of all commodities - including property - go up, go down and then go up again.

As I've said before, homeowners who bought their properties five years ago and held them have an asset today that is worth at least 100 percent more than they paid for it, so if they have to sell today they may not get what they would have got last year, but it is highly unlikely they will actually lose money.

On the other hand, they should be able to upgrade for less than it would have cost them last year. And if they continue to hold their property, they will derive more benefits when prices start to rise again.

Meanwhile, such owners may also have had the opportunity to utilise some of the increased equity in their properties to improve their lifestyle. They may have chosen to further their education, perhaps, and got a better job as a result. Or they may have used the money to buy another property and increase their asset base.

However, rising prices are dependent on demand, and that tapers off at a certain level due to lack of affordability. To enable new buyers to enter the market and keep the economic cycle going, prices have to come down or at least level off at some point. This is where we are now, and from a seller's point of view, SA is a great place to be, because it has one of the few real estate markets in the world where there are literally millions of potential buyers champing at the bit to become homeowners.

In addition, the higher interest rates at the moment are driving up the demand for rental properties and the returns to be made on those properties. This is of course bringing savvy investors back into the market and as that demand grows, it will also help absorb inventory and start creating the conditions for the cycle to turn again and prices to rise once more.

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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.

**In This Month's Newsletter:**

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Email any comments to the editor:  
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[Unsubscribe](#)**Spot-on property pricing**

With softer demand for property now and stock levels rising, buyers are in a prime position to drive hard bargains - but this does not mean that all property is over-priced.

Indeed, serious sellers are increasingly aware of the need to set market-related asking prices for their properties - with the help of their agents - and one of the best ways to do this is by compiling an ARA or absorption rate analysis.

The ARA measures how fast homes in each price category within an area are being sold (or "absorbed") and enables the home seller to calculate the benefits of price reduction in terms of speed of sale.

For example, homes priced at R1,75m may only be selling at the rate of one every six months, while those priced at R1,55m are selling at the rate of one every two months. If one then looks at how many of each type of property are already on the market, you can get a pretty accurate idea of how long it will take to sell a particular home - and what you might save in terms of holding costs and lost opportunities by pitching the property at the correct level.

The ARA is best used in conjunction with the traditional comparative market analysis (CMA) which takes into account prices of comparable properties currently in the market as well as of those that have been sold recently.

**Developments****CEI Overseas**Hi I'm  
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Comparing accommodation and size of other properties on sale gives sellers a good idea of competition in their local markets, while establishing the actual prices paid for similar homes enables agents to gauge the market value of the home to be listed.

To be really useful, though, a CMA needs to be compiled by an experienced agent who is knowledgeable about the specific area. It should incorporate the agent's recent observations and ideally more than one set of records because figures from a single source may be outdated or incomplete.

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### Use your equity to upgrade

Even in the current market, with interest rates - and bond repayments - set to rise again before the end of the year, there are still homeowners seeking to upgrade to bigger and more expensive properties to accommodate a growing family or a change in lifestyle.

And for homeowners who have built up healthy equity in their existing properties now might actually be a very good time to consider an upgrade anyway.

The maths is quite simple. Homeowners who bought their homes several years ago and have not borrowed against their rising value should have quite a bit of equity - that is they should owe a lot less on the property than it is worth.

For instance, if you bought a property with a bond of R600 000 in 2003 and the market value has grown to R1,2m, the equity you have built up is R600 000 plus the capital that you have paid back on the bond in the past five years or so.

So if you were to sell your property now you would have a substantial deposit available to buy a new property, which in turn would make you a good candidate for a home loan at a preferential interest rate at most banks.

The current market also favours upgrading because there is a wider range of properties to choose from. Current market conditions also allow a lot of room for price negotiations. The one caveat about upgrading now, though, is that you must be realistic about the market value of your existing property. Prospective buyers will most likely drive just as hard a bargain as you would on an upgrade property.

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### Home safe home

Home safety is high on the priority list of homeowners as evidenced by advanced security systems, burglar proofing and secure fences and gates.

But as parents know, home safety goes further than that - hazardous substances such as medicines, cleaning materials and pesticides should be kept locked safely away from curious little hands.

One aspect, however, that may be easily overlooked is workplace poisons or hazardous substances that may be brought into the home and which could pose serious health risks to family members, especially young children.

Cases of pesticide poisoning, some of them fatal, are regularly reported and people who work in the landscaping, garden services and agricultural sectors should take care that residues on clothing worn when these substances are used in the course of a working day are not transferred to their homes.

Meanwhile any herbicides and pesticides used in home gardens should be applied strictly according to the safety instructions on labels and be securely locked away after use. All equipment such as spray packs and mixing buckets should be cleaned thoroughly after use and family members should be warned not to touch or eat treated plants or play in treated areas until it is safe to do so.

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### Retrofitting for retirement

Retirement has come a long way since the days when senior citizens either moved to an old-age home or took up residence with their children.

Increasing numbers of retirees now move to security complexes or stay put in their family homes - most of which then need to be adapted to make their lives easier.

High on the list of the changes that need to be made are:

- Wider doorways that will accommodate a wheelchair or walker;
- Bigger windows to let in lots of natural light;
- Power points installed at waist level or higher;
- Lever-handles for doorways and taps;
- Showers with no thresholds; and
- Rails next to baths and toilets.

Of course not all homes lend themselves to retrofitting for older residents, for instance homes on split levels. Climbing stairs to get from one section of a house to another is likely to become a burden once joints are not as supple as they used to be.

Other poor candidates are houses where there is no easy access to the garden or where garages and storage areas are far from the homestead.

In such cases, seniors may want to consider buying more suitable property while they are still active enough to bring about desired changes. When buying new property, it may be a good idea to consider homes built with low-maintenance materials and already fitted with easily accessible appliances.

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