

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.chaseveritt.com

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

Nationally, home sales volumes are falling and property prices are rising much more slowly than in previous years – but I am happy to say that is not the scenario in the Chas Everitt International group.

On the contrary, turnovers for the past three months in most of our branches are substantially up on the same period of last year, and the total value of sales for the group has increased by 95 percent – without taking into account the revenue being generated by the new branches opened this year.

How is this possible? Well, the average house price is higher than at this time last year, but the real reason is that most of our established franchises are going against the national trend and showing a continual increase in the number of sales being achieved.

Developments

In short, they are gaining significant market share wherever they operate – and the reason for that is that more and more home sellers are discovering and coming to appreciate the real value of our outstanding service offering.

This is a function of the fact that sellers generally are finding out that while the careful choice of agent is not that critical during a boom, it is absolutely vital in a slower market, and rapidly becoming much more discerning. Which puts us right where we want to be, because unlike many others, we have the skills, the technology, and most of all the desire to achieve sales all the time, not just in the good times.

As they say, when the going gets tough...

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2. US market will not snap, crackle or pop, Harvard study shows

Homeowners and investors alarmed at speculation about what would happen to the SA housing market in the event of a major shake-up in the US market can relax.

According to a report just published by the Harvard Joint Centre for Housing Studies - the leading source of information and research on housing in the US – “sharp drops in house prices are unlikely anytime soon”.

The State of the Nation’s Housing report, published annually, acknowledges that with interest rates rising and speculative demand cooling, house price growth will likely moderate in many areas, but says that the market overall will achieve a soft landing as long as the economy continues to create jobs and builders cut back projects to meet slower demand.

It points out that major house price declines seldom occur in the absence of severe overbuilding, major job loss, or a combination of heavy overbuilding and modest job loss, and notes: “Fortunately, these preconditions are nowhere in evidence across the nation’s metropolitan areas.”

In fact, the Joint Centre says, strong household growth combined with record incomes and wealth is expected to lift housing investments to new highs over the next decade.

It does caution, however, that five years of unprecedented house price appreciation and decades of land use restrictions that make building affordable housing difficult are adding to widespread housing affordability problems.

“The paradox of today’s housing market is that while more people are building home equity than ever before, slow growth in wages for households in the bottom three-quarters of the income distribution is not keeping pace with escalating housing costs. It is currently impossible to build new housing at prices that low-income households can afford without subsidies,” the report says.

In this regard, says Joint Centre director Nicolas Retsinas, the major difficulties are slow growth in domestic discretionary spending at the federal level and the reluctance of state and local governments to relieve intense barriers to the production of more affordable housing. “And unless they can be solved, spending on housing will increasingly crowd out spending on pensions and savings among those with low and even moderate incomes.”

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3. Buyers: Time to jump right in

First-time buyers should not let the recent 0,5 percent interest rate increase put a spoke in their plans to become homeowners. In fact, they should take it as a signal to accelerate those plans and get into the market as soon as possible.

Here's why: Let's say you're interested in buying a home that costs R500 000, and can negotiate a one percentage point discount on the current mortgage base rate of 11 percent. If you buy now, your minimum monthly repayment on a R450 000 loan (after a 10 percent deposit) would be just over R4500 a month.

But if you wait, hoping that interest rates might drop back again, still-rising property prices and building costs could easily elevate the cost of the home you want to R540 000, R550 000 or even R560 000 by this time next year. That means you'd need more cash for the deposit, and a larger loan.

Even if property prices were to rise only five percent, you'd need to borrow R472 500 instead of R450 000. This would push the minimum monthly repayment up to around R4725 – and the income qualification level from R15 000 a month to R15 750.

And this does not take into account the rent you'll be paying for another year instead of starting to pay off your home loan, or the probability in the light of the weaker rand that interest rates will actually go up again this year, which will also make it more difficult to qualify for a home loan.

Because of the recent interest rate increases, potential buyers may be thinking that they ought to pay off or at least significantly reduce all their other debts before taking on a home loan. But while that sounds like a responsible idea, it may not make long-term financial sense, especially if your current debt load is not excessive for your income.

Indeed, if homeownership is in your future, you should not let the current interest rate dampen your enthusiasm, as every delay in your decision to buy is likely to prove costly.

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4. Borrowers: Get an early start on a good credit record

An immaculate credit record is almost as good as cash in the bank. At least, that's the way most lenders seem to see things, because the first thing they will do on receiving an application for a home loan is research the would-be borrower's credit history.

This means that for most homebuyers, the process actually begins years before any decision to purchase a property, and it is why good management of monthly accounts and hire purchase debt are important even for young people who have no immediate plans to buy a home.

In fact, it is never too early to start building a healthy credit record and a good first step is to open a savings or cheque account in your own name, keep it balanced and ensure that you do not overrun credit limits.

A good recommendation for any home loan applicant is also to have a history of regular repayments, on time, of store card and credit card debt, as well as of credit advanced for a major purchase like a car.

Meanwhile, the new Consumer Credit Act provides for lenders to ensure, before they grant any new credit, that borrowers will not be committing too much of their income to debt repayment. So they have to compile a complete debt profile including all other repayments the consumer has to make – such as car, furniture and credit card instalments – before they can approve a home loan.

However, this is not the only good reason to keep the total of your monthly debt repayment obligations to 50 percent or less of your income. Doing so will also give you plenty of leeway to cope with any future interest rate increases.

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5. Sellers: Stay away from the Big Four

Whatever the reason for selling your home – a sudden life change requiring a fast move or a more leisurely plan to retire and downsize - you will want to make the most favourable deal and the most money possible from the transaction.

And to do that you will need to steer well clear of the Big Four – the mistakes most commonly made by home sellers.

The first of these is choosing an agent based on the price at which he or she is prepared to list your home. Good agents will prepare a comparative market analysis, examine your home and size up the competition in the area, and their sale price estimates will most likely fall within a narrow range. Only the inexperienced or unscrupulous will offer to sell it for a much higher price.

The other serious errors are:

* Choosing an agent who only advertises in the local market. To have the best chance of being sold quickly and at a good price, your property must compete successfully for the attention of buyers increasingly exposed to international as well as national advertising in a wide variety of media.

* Failing to prepare the home for sale. This can include everything from spring cleaning and clearing out clutter to repainting and making repairs, and it's hard work. But to sell, your home must compare favourably not only with others of a similar age and price, but also with mint-condition new homes.

* Refusing to negotiate. You will seriously lessen your chances of a successful sale unless you are prepared to weigh the market feedback from your carefully chosen agent, and to at least consider the transaction from the buyer's point of view.

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