



Chas Everitt



Berry Everitt



Barry Davies

FROM THE PUBLISHER

As warmer weather lifts our spirits after winter, so do winning performances from our sporting teams - like the current Rugby World Cup showings by the Springboks - and good news on the economic front, including the recent good growth and job creation figures.

And the nation, in good cheer and feeling confident in the future always bodes well for the real estate industry. Which is probably why buyer numbers have begun rising again now after a mid-year drop. There are also many people, it seems, who believe the market has just about bottomed out now and that they had better "take the gap" before prices start rising again next year.

This is being reflected in good show house attendances, which are being underpinned by the fact that most sellers appear to have come to terms with current market realities and scaled back their asking prices.

All in all, this is a healthy market phase and one in which determined and careful buyers should find much to their liking.

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.

In This Week's Newsletter:

- **Look at the budget before you leap**
- **Keep it simple for a quick sale**
- **Driveways - the new front door**
- **Viewing vacant land as an investment**

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berry@propertysignpost.co.za

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Look at the budget before you leap

Investment property can yield healthy returns - but investors should budget properly for the ongoing costs of ownership in order to calculate the real returns they can expect.

A common mistake among new investors is to overestimate the income, or profit, they will make by only calculating rental streams while they neglect to factor in maintenance costs and other regular payments such as municipal rates and insurance payments.

So, before you leap to sign an offer to purchase, do the sums. It is a good starting point to subtract the deposit you can afford from the selling price to determine the size of the bond and thus monthly repayments.

The next step is to conservatively calculate the monthly rental you could reasonably expect in order to determine whether it would cover the monthly bond repayments and if not, what amount you will have to contribute monthly.

Then you need to determine whether you can afford to subsidise the bond, and factor in other ongoing costs of ownership. These include fixed costs such as insurance payments and municipal rates, and maintenance costs, which can vary considerably, depending on the state of the property.

Prospective investors should thus carefully inspect the targeted property to determine what might need repairing or replacing in the immediate future and then, even if it is a new property that currently needs no repair work, plan to put aside some funds for unexpected or emergency expenditure.

Next you should budget for management fees if you are not going to deal with tenants directly and collect the rent yourself, as well as maintenance staff wages, taxes, legal and bookkeeping costs and advertising costs to attract tenants.

Only once you have totalled all these expenses and subtracted them from the projected rental income will you arrive at the net operating income of your targeted property.

And if you then subtract monthly bond repayments and any levies, you will be able to calculate



the actual annual return on the deposit you paid to buy the property (which is your investment).

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Keep it simple for a quick sale

Fancy buying that unique house with the perspex dome for a roof so that you can watch the stars at night? Beware - you may get stuck with your private observatory for much longer than you want, because no-one else can get a bond to buy it.

Banks look at properties as security for home loans and are not really interested in the aesthetics you may find pleasing - they are primarily concerned about resale potential. And a home that is so peculiar that it stands out like a sore thumb among its neighbours will need a buyer with equally peculiar taste. Which of course means that it will be difficult to resell.

Even a home that is not quite so outrageous but that does not blend well into the neighbourhood, such as a mansion amid ordinary middle-class homes, may look like such a hard resell that lending institutions refuse to finance it.

And even if you can afford cash to buy the property, the same principle will apply when the day comes to sell and your buyer is looking for finance, so you'll be stuck.

The same goes for home improvements. Most homeowners realise that they are unlikely to recoup their costs for quite some time if improvements push the value of their home far above the average property price in their neighbourhood.

But if they fundamentally alter the home so that it becomes strikingly different from its neighbours, they may be courting future disaster.

In fact, even unusual paintwork may lower the value of your home - a potential buyer may be blind to the artistic value of a carefully crafted trompe-l'oeil but very much aware of how much it is going to cost him to repaint that wall a nice, plain cream.

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Driveways - the new front door

Kerb appeal is the traditional watchword for homeowners who want to sell their properties - and that means that your front entrance should be welcoming and appealing.

But these days increasing numbers of homes are hidden behind six-foot walls and visitors' first glimpse of your home is the entrance gates and driveway instead of the front door.

And for many sellers that could be a problem. While developers nowadays pay more attention to driveways, especially in high-density complexes where they form part of the hard landscaping, older properties often have ill-defined examples. Sometimes they are little more than two dusty tracks with an unruly 'middelmannetje' or a dull expanse of concrete with weeds growing in the cracks.

So here are a few ideas to upgrade your driveway if you want to increase the value of your property or make it more appealing to buyers:

- A layer of gravel is probably the cheapest option and can look neat if edged by bricks or concrete to contain the stones. It needs a fair degree of maintenance.
- Tar and concrete may be visually unappealing, but both are durable and can be enhanced by creating an 'avenue' by positioning large shrubs or small trees along the verges. Strategically placed pots with bright annuals are a quick fix to make a dreary stretch of concrete or tar look more inviting.
- Crazy paving is not beyond the scope of the average handyman and is a cost-effective option if you can lay your hands on a sufficient supply of broken bricks.
- More expensive options include neatly laid bricks, pavers and decorative surfaces laid by contractors specialising in hard landscaping.

But whatever you choose, remember that it pays to match the style of the driveway to the style of your house and that all surfaces require a measure of maintenance, even if it is just an occasional sweep.

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Viewing vacant land as an investment

With the world's financial markets in turmoil, more and more investors are taking a second look at property, traditionally viewed as a safe haven in times of uncertainty.

And there is more to investing in property than just buying rental units with the attendant worry about finding suitable tenants, collecting rents and maintaining your asset. One option is to buy vacant land and wait for value growth.

Buying land is not that different from buying built property and if you plan to apply for a bond the bank will still want to make sure that there is enough underlying value. Choosing a stand or tract of land also requires some research. Aspects that should be taken into account include location - as with other property - future development plans in the area and zoning.

Coastal, mountain and river-frontage property can be a keen investment as such areas are targets for lifestyle developers and buyers looking for a piece of land to build a holiday getaway.

Land on the outskirts of fast-developing towns and cities may be another good bet. Keep in mind that such land is often zoned for agricultural or light industrial use.

Even land out in the sticks may turn out to be a profitable investment if you are prepared to hang on for the longer term - land is becoming a scarcer commodity and the scarcer it gets, the more values grow.

Other issues that should be borne in mind are mineral rights and rates and taxes. The latter is payable on most vacant land, although it is likely to be much lower than on developed land. And property on which a mining company, for instance, holds the mineral rights may be more trouble than it's worth if the company decides to take up its rights and start mining.

Also keep in mind that even vacant land needs maintenance such as keeping grass short, especially if the property is in a residential area.

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