

PERSONALISED LEGAL ASSISTANCE

Professional legal and property consulting

SONNENBERG & ASSOCIATES PROPERTY AND LEGAL ADVICE NEWSLETTER #118

1. Legal Quotes

"We need a law that will permit a voter to sue a candidate for breach of promise." [Mark Twain]

"Animals have these advantages over man: They have no theologians to instruct them, their funerals cost them nothing, and no one starts lawsuits over their wills." [Voltaire]

"The legal system is often a mystery, and we, its priests, preside over rituals baffling to everyday citizens." [Henry Miller]

2. Overheard

Son to father: "Dad, did you know in some other countries you don't know who your wife is until you get married?"

Father's answer: " It's like that everywhere, my boy."

3. Inspiring quotes

"Life is 10% what happens to us and 90% how we react to it." [Dennis P Kimbro]

"The real opportunity for success lies within the person and not in the job." [Zig Ziglar]

"Luck is a dividend of sweat. The more you sweat, the luckier you get." [Ray Kroc]

4. The residential property market – where are we now?

Do you remember those halcyon days **between April 2002 and August 2007** (before the introduction of the National Credit Act and the subsequent global recession in 2008 and 2009), in which period **the average house price in South Africa more than doubled?** The annual real property price increase over this time was 15.4%.

We hear all sorts of property commentators saying that we are in an 8 year bear market (which is true), but one needs to consider that despite this, **viewed over the full period between 2002 and October 2016, the annual increase in house prices still amounted to 4.8%**, which isn't that bad when considering the real money market rate.

The average growth rate for the country is thrown out by the continued **year by year double digit growth in property prices in the Western Cape**, compared to negative growth rates in the rest of the country. **It has been said that the property prices in the Western Cape are on average 25% higher than elsewhere in the country.**

There appears much to be grateful for if you live in the fairest of Capes and are already a property owner. If not, try to get into the market as soon as possible and ignore the drone of negativity about flat-lining property prices and poor market conditions.

Turning to rental properties, the buy-to-let market (compared to pre-2008) has suffered as a result of the higher cost of capital and availability (or lack) of mortgage finance (the prevailing sentiment is that if your cost of capital is about 11% and your property value is only growing at 3% -4% annually, the investment doesn't make financial sense). Rental yields have also suffered as a result of the upkeep costs of rental property outpacing the rental growth.

That notwithstanding, the latest figures from credit bureau Tenant Profile Network (TPN) and FNB show a rise in buy-to-let rental yields since two years ago - national gross rental yields (before the rental properties' operating costs such as electricity, water, maintenance, rates and taxes are accounted for) marginally rose to 8.6% in the second quarter of 2016 from 8.5% in the first quarter.

Strangely enough, the TPN and FNB figures suggest that landlords (on average) are getting better rental yields in Johannesburg (9.51%) than in Cape Town (7.71%).

TPN and FNB tell us that 66% of tenants nationally and across all rental value brackets are paying rent on time and in full; 6% are in the seven-day grace period; 10% are paying their rent partially, and nearly 6% of tenants are not paying rent at all.

The bottom line is that despite all the bad press, the South African residential property market remains a sound investment.

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