

Seeking Out The Bargains

With the new National Credit Act and rising interest rates having brought more balance to the Western Cape property market, some 'bargains' can be tracked down in the region.

This is according to Chas Everitt International agency principals, who said this week there had been a return to realistic pricing and that good buying opportunities were arising, particularly in cases where higher interest rates had put property owners under pressure.

Dean Meijer of the Chas Everitt International office in Onrus says: "The current market is... favourable for buy-to-let investors who can service their bonds as more people are opting to rent."

Rates to decline

He also predicts a positive turnaround in the market from the middle of next year, "when interest rates will in all likelihood start declining".

Fanie Lategan, who owns the Western Seaboard office, anticipates few high gains in the short term, but advises investors to look at long-term trends that will affect their chosen areas and the market in general.

"Our strong economic growth rate is still driving the market and although this is likely to move sideways in the short term, we expect an upswing in the second half of next year in anticipation of 2010.

"And rentals can be expected to increase steeply in the medium term since more people who cannot obtain bonds are renting instead of buying."

Interest-rate hikes

Louis Harding, principal of the Chas Everitt offices in Strand and Somerset West says he expects property bargains to start appearing that area. He also believes that the second-hand residential market will become more attractive as the gap in prices between existing and new units starts to rise again.

However, the luxury and holiday home markets have seemingly not been much affected by the NCA or the interest rate increases.

Pat McLoughlin, principal of the Chas Everitt International offices in Hermanus and Gansbaai, says: “Many buyers in Hermanus are cash buyers and are thus not affected by the new legislation or rising interest rates.”

'No bargains'

And Andre de Villiers, principal of the Southern Suburbs and False Bay offices, says there has been no significant change in the market yet in the southern suburbs and that the effects on False Bay have been modest so far.

“Prices have levelled in the southern suburbs and South Peninsula but the change to this market is certainly not one where one will find ‘bargains’. In fact I don’t expect it to become a true buyer's market unless we see a further increase in interest rates of at least 1.5 percent — which seems unlikely.”

He says, however, that there has been an increase in buyers purchasing property through legal entities such as companies, trusts and closed corporations, which are not subject to NCA restrictions — “although this could be unwise for primary residences as the capital gains implications would be very onerous”.

It may, however, be an option for property investors building up a portfolio and who are having difficulty in obtaining additional mortgage finance.