

It is the end of a very interesting year; perhaps it could even be said to have been a confusing one. Where is the property market heading, or interest rates? What about fuel, gold or the currency? It seems that the only guarantee is uncertainty. The good news is that if all these things concern you at all – you have capital, which is better than not having capital at all. When it comes to interest rates, I always sit on the fence. I don't know enough to know. These things are all volatility for me.

I went to a talk by Ian Fife in Nov '05 and he said interest rates would go up two percent this year. He then said that in the medium term – three years or so – they will be at 7,5 percent. He got the first part right, if the next part is; I would hate to be caught napping.

Our economy is boiling over like never before, just drive around in Joburg traffic and see the numbers grow daily. In the mean time the perception of the property market and the sentiment from the interest rate hikes has really excited me. So much so that we are launching another four operations in Gauteng within the next six months. The market in my opinion is so beautifully fickle. If the dice does not roll on six daily it seems that everyone starts leaving the game. It has played so beautifully in our favour. Most of our last ten deals have been deals we saw three months ago but now the sellers have been willing to accept our prices.

I actually can't believe how great it is to be dealing in a 'negative' market again. This is the best environment to buy in and our clients who bought in a similar environment six or seven years ago have been rewarded on a massive scale. Ninety nine percent of so called investors are speculators and as they are all no where to be seen now, it is much easier for us to negotiate again.

From an area point of view, there will always be pockets in regions that have solid fundamentals but are undervalued. In Pretoria, Pretoria West shows these characteristics and in Port Elizabeth, PE Central, Forest Hill and North End are some spots that have good value. It is nice to hear that some of our areas our clients invested in heavily have shown some good growth. A recent newspaper report stated that Bez Valley and Rosettenville had done 85 percent capital growth for the last year. In my opinion it is probably there plus all their surrounding suburbs too. These returns together with gearing equate to returns in the hundreds of percent.

Rental losses as we all know are part of the game. The insurance pool has gone a long way to reducing the risk attached to property investing. From Nov '06 Sirius no longer charged a 1 percent admin fee, and our loss is purely the actual loss distributed amongst us. Our average over the last five years has been approximately 8 percent. About one third have been legal fees, one-third water and lights and one-third rental. As many of you would have seen in the press there is a new rental insurance product on the market. For a one percent admin fee you have rental insurance. It does however come with a R 35 per month fee per lease, does not cover water and lights and only includes rental cover for the first three months. Our Cape Town operator discovered another group called Legal Sense, part of Clientele Life, who for R 1000 per month per franchise will cover all our legal work. We are also looking at a few options to increase debt recovery efficiencies. We have also been able to potentially claw back legal fees from conveyancing to cover legal fees from litigation. These initiatives

together make us confident that we should be able to drop our losses to around two percent within a year.

With increased operational efficiencies and the negative market sentiment currently, I feel that 2007 is set up to be an absolutely great year for us.

Happy house hunting.