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08 December '06

Dirk, what implications will a US housing bubble burst have on SA...

Is the US housing market bubble about to burst? Property commentators predict that this will happen, but what will the implications be for the South African property market? Read this very interesting article to find all the answers.

[US housing bubble burst predicted within 18 months: implications for South Africa](#) – Rode, 06 December 2006

Citing high levels of speculation in the US housing market as one of the main reasons for inflation-adjusted house prices in the US leaping well beyond their historic levels, US property economist Gary Shilling predicts that the "gigantic" housing bubble in the US is likely to burst within the next year and a half with dire consequences not only for the US economy, but for the rest of the world.

What has caused this overvaluation?

According to Shilling, for the first time since the 1920s, the US bubble is nationwide, and has mainly been driven by four national forces:

- The decline in mortgage rates;
- The loose lending practices aimed at those who have been priced out of the market under conventional mortgage terms, such as interest-only Adjustable Rate Mortgages (ARMs) and option ARMs that allow borrowers to make even lower monthly payments resulting in a rising mortgage principle, or "negative amortization";
- The unrealistically high property appraisals to justify oversized loans and the lack of full documentation that allows borrowers to overstate their ability to make mortgage payments;
- The accommodation of financially-weak borrowers with high loan-to-value ratios and piggyback loans, with lenders in effect financing more than 100% of the houses' prices.

Another factor that drove house-price growth was, of course, strong economic growth, which itself was reinforced by the wealth effects resulting from increased house prices. [Read more...](#)

Featured Property

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Upcoming Seminars

[George Robertson's Trust Education Seminar - 4 Hour Seminar](#)

- [Cape Town](#): 10 February 2007 / 09:00 - 13:00 (Saturday)
- [Centurion](#): 03 March 2007 / 09:00 - 13:00 (Saturday)
- [Durban](#): 24 March 2006 / 09:00 - 13:00 (Saturday)

[Schalk Meintjes' Property Investing with Nothing Down - 4 Hour Seminar](#)

- [Cape Town](#): 09 December 2006 / 09:00 - 13:00 (Saturday)
- [Pretoria](#): 17 February 2007 / 09:00 - 13:00 (Saturday)
- [Durban](#): 17 March 2007 / 09:00 - 13:00 (Saturday)

Weekly E-News

MARKET TRENDS:

[Think big when it comes to property](#) – Property24, 06 December 2006

John Loos, property economist for First National Bank, bemoans the fact that South Africa is in an era of under-forecasting when it comes to property as he is of the opinion that the "booms could be far greater than we can imagine".

[Soaring credit growth puts squeeze on rates](#) – Business Day, 01 December 2006

Credit growth soared to yet another record last month, at 27, 5% year on year, fuelling speculation that the Reserve Bank may hike interest rates beyond next week's expected rate hike.

[SA's property market's soft landing nothing to fear](#) – Seeff – Moneyweb, 30 November 2006

SA's property market is currently experiencing a soft landing, which will put it in a strong position to spring forward from here, reckoned top realtors.

GENERAL PROPERTY NEWS:

[Cape Town geared up for holiday buyers and renters](#) – Rodneyhayter.com, 05 December 2006

As the festive season approaches, many home-owners in popular beachfront areas of Cape Town may be contemplating whether a small fortune can be made by renting out their homes for the peak holiday season while others upcountry residents may be weighing up the benefits of stopping paying steep annual rentals and instead invest in a second home in the Mother City.

[Best properties attract best offers" says Kim Woods](#) – Rodneyhayter.com, 05 December 2006

Sellers hoping for top prices can reinforce their expectations by ensuring their homes are listed in the best possible condition.

[Buyers must beware of transfer loopholes](#) – Rodneyhayter.com, 04 December 2006

South African law aims to protect the creditors of traders or sellers in the

Editor's Note

Housing reports released in recent weeks - both in South Africa and internationally - seem to contradict the general notion that residential property markets have run out of steam.

The latest global house price index released by British-based property group Knight Frank shows that average global house prices stood 4% to 8% higher at end-September (year-on-year).

The ABSA House Price Index was released on Wednesday and this report showed that in November nominal price growth of 12,7% year-on-year was recorded (13,3% in October). The average nominal growth in house prices was 14,6% year-on-year in the period January to November this year.

According to the Standard Bank residential property gauge, house prices in October and November were 8% more expensive than a year before and in September, price growth of 2,9% year-on-year was recorded.

Until next week.

event of a sequestration or liquidation by requiring that the transfer of any business be advertised in the Gazette and relevant newspapers.

[Holiday home buyers dwindling](#) – Property24, 01 December 2006

It seems that rising interest rates, coupled with an overall slowdown in the luxury end of South Africa's housing market, are dampening investors' appetite for leisure properties.

RESIDENTIAL PROPERTY NEWS:

[House prices: Still upside left](#) – Finance24, 06 December 2006

Housing reports released in recent weeks - both in South Africa and internationally - seem to contradict the general notion that residential property markets have run out of steam. In fact, a number of countries - including SA - are still seeing house prices rise at double-digit growth rates.

[Lowest price growth in nearly seven years](#) – Moneyweb, 06 December 2006

Nominal house price growth peaked at 34, 5% y/y in October 2004 and two years later, it grew at the slowest rate since 2000, according to the Absa House Price Index (HPI).

[Foreign interest in SA residential property drops](#) – Business Day, 06 December 2006

Anecdotal evidence suggests that the percentage of foreigners buying residential property in SA has dropped significantly over the past year.

[Property prices hardly moving](#) – Moneyweb, 01 December 2006

Growth in property prices may have slightly ticked up in October and November but residential property prices are virtually stagnating, warned Standard Bank.

[A house-hunting checklist](#) – Moneyweb, 01 December 2006

Buying a house is an emotional decision and one of the biggest investments you can make. Many buyers have been so busy dreaming of themselves in a new home that they neglect to take a good look around the house before putting in an offer.

COMMERCIAL PROPERTY NEWS:

[Property investors cautioned for 2007](#) – eProp, 05 December 2006

Property investors must be cautious and review their strategies, making plans to adjust accordingly in 2007. This is the advice from investment property experts, Bales Delaporte who say that the residential and commercial property markets have changed recently.

OFFICE NEWS:

[Office rentals up, prices too](#) – Property24, 01 December 2006

Companies wanting to rent office space in prime nodes such as Sandton, Menlyn (Pretoria) or the Waterfront (Cape Town) should forget about finding

Opinion Poll

Property commentators are predicting that the US housing market bubble will burst. What affect will this have on SA property investors?

Top of Form

Bottom of Form

Positive

Negative

If the "Submit" button is not visible, click here to [vote](#) on our website.

Last week's poll results

Do you as an investor feel optimistic regarding the outlook for the SA Residential property market?

Companies wanting to rent office space in prime nodes such as Sandton, Menlyn (Pretoria) or the Waterfront (Cape Town) should forget about finding a prestige address for less than R100/sq m.

[Pay-per-use office space hits Cape Town](#) – eProp, 01 December 2006

You no longer have to be a large company to have offices on Cape Town's stylish Foreshore. Virtual workspace company Habitaz Global Workspaces is launching the Mother City's first pay-per-use office space, complete with instant access to professional office facilities, virtual office services such as call answering and other office support services.

RETAIL PROPERTY NEWS:

[Retail set for sparkling 2007](#) – Business Day, 06 December 2006

In spite of tighter economic conditions spurred on by a rising interest rate environment, the South African retail property market is still expected to deliver a good performance next year.

LISTED PROPERTY NEWS:

[18 holes, then Champers on the yacht - for free](#) – Moneyweb, 07 December 2006

Pinnacle Point Holdings (PPH) is offering an equity investment in its flagship estate, Pinnacle Point, on the Cape south coast, that gives you unlimited use of facilities, food and drink, with absolute exclusivity, and you can sell it back to them for your original cost or the market price after a minimum of two years.

['Powerful trends' set to rule market](#) – Business Day, 06 December 2006

International globalisation and securitisation of property were "powerful trends" this year and are likely to continue next year, says JHI Real Estate chairman Les Weil.

ESTATE AGENT NEWS:

[Watchdog for estate agents in good state](#) – Business Day, 06 December 2006

The Estate Agency Affairs Board was functioning fully according to its statutory mandate, Trade and Industry Minister Mandisi Mphahla said yesterday.

SPECIFIC AREAS:

[Sandton is 'still suburban'](#) – Property24, 07 December 2006

In the face of the upmarket high-rise developments that are mushrooming in and around the Sandton CBD, there are still suburbs that offer great family homes and are close enough to the financial hub of Africa for executives to enjoy the best of both worlds.

Book of the Week

The Handbook of Commercial Real Estate Investing

John McMahan

Buy this book from:

Our Goal

Our goal is to serve all South African property investors; locally and abroad, residential and commercial, direct and indirect, listed and unlisted, large and small, off-plan and existing, single owners, partnerships and syndications. There are obviously many ways to own property but to make the right choice requires intelligent property investing comparisons. Being well-informed is the first step, so our goal is to deliver all the best property information.

[Sunrise Park signs on new tenants](#) – Property24, 07 December 2006

The mixed-use Sunrise Park development by at its high profile position at Sunrise Circle, Ndabeni, is now 94% let – at least six months earlier than was anticipated at the time the project was launched. Developers Inframax Investments bought and set about converting this complex late in 2004.

[40 plots remain at Noordhoek Estate](#) – Property24, 06 December 2006

Foreign interest has soared at Noordhoek's Lake Michelle where only 40 of 224 sites are still available at this eco estate, widely regarded as among the country's most ecologically responsible developments and fast becoming one of the most sought after addresses on the Southern Peninsula.

[Good growth in Swartland towns](#) – Property24, 06 December 2006

There is a definite trend towards towns further away from Cape Town that has resulted in places like Moorreesburg, Porterville, Darling and Clanwilliam becoming more sought after: "Prices in these areas have risen above average during the last year," says Simon Mouton, Seeff's Swartland Licensee.

[Drakensberg on track for mini boom](#) – Property24, 05 December 2006

The imminent launch of the fifth and penultimate phase of the luxury Cathkin Estate in the Central Drakensberg is expected to spice up buying activity in the area, not only over the festive season but well into the New Year.

[Office landlords eyeing Newtown](#) – Property24, 05 December 2006

The vibey Newtown cultural and residential precinct in downtown Johannesburg is now, it appears, also beginning to attract the attention of would-be office landlords.

[George developments finding a ready market](#) – Rodneyhayter.com, 04 December 2006

The property market in George on the Garden Route has picked up steam again after several months of quiet trading, and homes in new developments are selling well.

[PE: More cautious buyer approach](#) – Property24, 04 December 2006

While sales activity in Newton Park in Port Elizabeth reflects unflagging buyer interest in the suburb, the wheel has turned for buyers who can no longer command extreme prices for their properties just because they have commercial rights.

[Auctions gain popularity in KZN](#) – Property24, 04 December 2006

Auctioning, one of the fastest growing methods of selling property in Cape Town, is increasingly being embraced by KwaZulu-Natal real estate agents who laud the concept as "transparent" and "fair".

[Brightwater Commons talks to new tenants](#) – Business Day, 04 December 2006

With the redevelopment of the Brightwater Commons, formerly the Randburg Waterfront, now complete, the landlords are hoping to turn around the fortunes of the shopping centre.

Did you know?

The tallest hotel in the world is the Burj al-Arab in Dubai, United Arab Emirates at 321 meters (1,053 feet). However, this title may be taken by the less illustrious Ryugyong Hotel in Pyongyang at 330 meters (1,083 feet), pending its (perhaps unlikely) completion; it has been under construction since 1987 and was abandoned in 1992.

Source: Wikipedia.org

This Week in History

05 December 1996

Chairman of the Federal Reserve Board Alan Greenspan coins the famous phrase "irrational exuberance" in a speech in Washington to the American Enterprise Institute. He was accepting the Francis Boyer Award. "How do we know when irrational exuberance has unduly escalated asset values...? And how do we factor that assessment in monetary policy?" The phrase seems to have come to him in the bathtub while contemplating his speech. He did not use it lightly. Greenspan correctly anticipated that the phrase could have market consequences because it would indicate that he felt the stock market was overvalued and possibly due for a fall. The fallout started immediately. The markets in Japan, which were still open, began to drop sharply. The Dow Jones Industrial Average fell 145 points in the first half hour of trading the next day. The markets in London, Hong Kong, and Frankfurt lost

INTERNATIONAL PROPERTY NEWS:

[Global slowdown 'not a bad thing'](#) – Property24, 05 December 2006

Residential property market analysts are closely watching the US market, which continues to throw up signals of a slide - which, contrary to all expectations, doesn't appear to happen - and that in spite of rising interest rates.

[SA investors "discover" Slovenia](#) – Property24, 05 December 2006

A growing number of buyers from the UK and South Africa have discovered that Slovenia offers a healthy dose of the outdoor life at much less than the likes of Austria and Italy. British and South African buyers are now the biggest investors in Slovenian property, though the numbers are still small.

[Queensland rental market "in crisis"](#) – Rodneyhayter.com, 04 December 2006

Queensland, a popular destination for South Africans relocating to Australia, is struggling to cope with high rental demand. So much so that the latest rental vacancy figures from the Real Estate Institute of Queensland (REIQ) confirm that the Sunshine State's rental market is in crisis.

Featured Property

Superior returns in Commercial

Retail sector needs attention – 9.1% return – Gear it yourself!!

Promoters of property investments learn quickly, but few have gone the distance like the opportunity for this week shows. The directors of this company back their opportunity with a quote supported by not one but two independent registered valuers. Furthermore you can see every cost and expense in clear understandable language. On top of all this they show an analysis on this property based on Sapo figures with the value-based costs of Erwin Rode to demonstrate that you buy in at market value. This is special and we can rest assured that a new standard has been set.

The income starts at 9.1% from year one. At a very realistic projection of capital growth of only 5.64%, the investor should return 15.82% per annum over the next 5 years. This is achieved if sold at a 10% yield. Fantastic to see the end value based on cap rate. Besides this the list of leaseholders are impressive.

Please [show your interest](#) ASAP.

Many Thanks

Oscar de Waal

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Upcoming Events

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Source: This day in Business History, Raymond L Francis

Previous Newsletters

If you missed a previous issue of this newsletter you can still read it, click here to view our [newsletter archive](#) or here to view [last week's newsletter](#).

The Estate Agents Affairs Board's Exams

New dates for 2007 to be announced: You must enrol at least 4 weeks before the exam date. For information about enrolling for the Board Examination, [click here](#). For any other information please visit their website:

<http://www.eaab.org.za/>

The British Council of Shopping Centres

Edinburgh, UK: 26 – 28 February 2007

<http://www.bcsc.org.uk/scm/>

To [advertise your upcoming property-related event](#), please e-mail Marissa the details.

Investment of the Month

"Welkom" to Platteland Value - Affordable and Packaged for the Investor!

A rare opportunity to benefit from good value and purchase a well packaged property opportunity.

As property investors we find it harder by the day to find those lucrative deals which had been plentiful in the past. 'Nothing down' and 'buy with the bank's money' has become more difficult of late.

The platteland has been punted as the 'next level', but is risky due to uncertain growth, rentals and management. We know that there are areas where development is rife, but to find these jewels requires a lot of effort.

Here is one such example. Affordable housing, bond availability, waiting list for rentals, management agents and promoters all set and ready. The area has shown amazing growth and this supported development is the first of many still to come. Benefit from this opportunity and grow your asset base.

Click here [if you are interested](#).

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Key Property Indicators

	Current	Last Week	Last Month	Last Year
Prime interest rate	12.00%	12.00%	11.50%	10.50%
ABSA House Price Index (New) (nominal year-on-year growth)	12.7% (Nov '06)	13.3% (Oct '06)	13.8% (Sep '06)	17.7% (Nov '05)
IPD SA Property Index	30.1% (2005)	30.1% (2005)	23.4% (2004)	15.3% (2003)
FNB Residential Property Barometer	6.0 (3Q2006)	6.3 (2Q2006)	6.3 (1Q2006)	5.8 (4Q2005)
Property Loan Stock Index	1044 -	1043 ↑ 0.1%	1013 ↑ 3.1%	797 ↑ 31.0%
Real Estate Index	812 -	812 ↑ 0.0%	823 ↓ 1.3%	564 ↑ 44.0%
Property Index	290 -	290 ↑ 0.0%	283 ↑ 2.5%	232 ↑ 25.0%
Property Unit Trust Index	352 -	357 ↓ 1.4%	350 ↑ 0.6%	311 ↑ 13.2%
Capped Property Index	280 -	281 ↓ 0.4%	277 ↑ 1.1%	214 ↑ 30.8%
ABSA's Interest Rates & Property (New)				
ABSA's Residential Property Perspective - Fourth Quarter				
Standard Bank Property Report (New)				
Absa Residential Building Statistics				
Catalyst Securities – Listed Property				
Mortgage Advances				

Quote of the Week

"Great investment opportunities come around when excellent companies are surrounded by unusual circumstances that cause the stock to be misappraised."

Warren Buffett

Executive Editor
Rian Maartens

Investment Opportunities
Oscar de Waal

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Weekly e-News



