

Property owners will feel the increases

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THE recent interest hike and looming property rates increases have caused worry lines for many residents concerned with making payments on their properties in the city.

The interest hike of 50 basis points on April 10 and also increased property rates planned for July in the Nelson Mandela Bay municipal area are making more than one resident feel anxious about their bank balance.

According to Liesel Greyvenstein of Greyvensteins Nortier there is speculation that the new valuations on the property will be reviewed on a percentage, which is still to be advised. "We were informed that as a result of the low rand value the increase will be nominal and adjusted in future according to the country's economic strength. The public might not feel the increase at present as the adjustment will not be justified due to the low rand value," Greyvenstein said.

The suggested increase by the Metro is 8,5% although this figure must still be approved by Council in May, according to the Spokesperson for the Metro, Lourens Schoeman.

The new property tax will be effective from July 1 and rebates on the different categories of properties, e.g. retirement homes, and categories of persons, e.g. retired persons, will also be determined in the final decision made by Council.

"There are two things in life that are certainties – death and taxes," said Jaco Rademeyer from Jaco Rademeyer Estates. "Hikes in interest rates and taxes affect everyone in terms of expendable income and this will be felt in the property market as much as in most other spheres. Homeowners who can no longer afford to pay their bonds will have to put their houses on the market, which will further strengthen the current buyers' market.

People who are looking to becoming homeowners may find it difficult to get into the market and may look at renting instead

in order to maintain their current lifestyles. This will have a positive effect on the rental market."

Rademeyer said property, however, remains one of the best investments that a person can make and residents should try to adapt their lifestyle to compensate for hikes in interest rates and property taxes.

"The industrial and commercial market has become more cautious as people are forced to do their homework more thoroughly, but there is still interest from buyers and tenants," says Warren Jack from Warren Jack Property Group. "Tenants/lessees are usually contractually bound to pay any increases in rates and will have to take into account that there may be an unusual increase in rates and budget for it."

He suggested that residents do their homework thoroughly, stay positive "and remember that any type of property investment is a long-term investment".

Banks have also started advising customers struggling with debt repayments to approach the bank for help before it is too late.

FNB Home Loans CEO Jan Kleynhans said customers who cannot honour their home-loan repayments should contact the bank and discuss repayment terms.

"The last thing FNB Home Loans wants is to repossess homes of struggling customers. The process of repossessing a home has proven to be costly and burdensome. We would rather sit down with customers and work out favourable ways in which they can repay their debt."

He said one of the options that FNB Home Loans uses to restructure debt is to allow customers to pay only the interest portion of the home loan repayment.

This applies to customers who are not in arrears. This type of arrangement may go on until the customers' financial circumstances improve.

● The cumulative interest rate hikes have pushed monthly repayments on a R500 000 mortgage over 20 years to R6 583.95, from R4 991.90 when prime was on 10.5% in June 2006.

