

External factors and the real estate



**ASSIGN
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Assignment 1. 3 External Factors and the Real Estate Industry By Karen

Chapman 11 November 2012 Assignment 1. 3 Index: 1. The

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estate industry is hugely affected by external factors, which have the effect of either having a positive or negative impact on us as real estate agents.

When the economy is good houses sell and buyers are able to qualify for

bonds. When the economy is in a downturn then houses stay on the market

for a lot longer. Buyers are more reluctant to take the plunge and buy

property.

Repossessions increase and banks often become more reluctant to grant

bonds. 1. The demographic environment 1. 1 Prior to the repealing of the

Group Areas Act the residential housing market was segmented by race.

Each race group was legally only allowed to stay in certain areas and

neighbourhoods. After the repealing of the Group Areas Act and the

democratisation of South Africa after our first free and fair elections for all

racess in 1994, different race groups and ethnicities started living together in

the same neighbourhoods for the first time.

With South Africa being welcomed back into the international community we also now have more clients from around the world. This has also resulted in a major paradigm shift for estate agents - from serving one race group previously we are now dealing with clients from every race and ethnicity from both South Africa and around the world. To be successful and effective, estate agents have had to learn to be sensitive to, and understand, different cultures and their customs.

Buyers and sellers have also had to learn to be more tolerant towards the different cultures and norms of their neighbours. 1. 2The demographics of my " farm area" are representative of the national urban demographics and trends. 2. The economic environment 2. 1 The world economic crisis has also negatively impacted on the South African economy and this had had a direct negative impact on our housing market. Due to cut backs and layoffs many homeowners are finding it difficult to meet their bond commitments and as a result many homes are being repossessed by the banks.

Buyers are also experiencing difficulties in obtaining bonds from banks one of the main reasons being that South African banks appear to fear further repercussions from the global credit crisis and continued job losses (up to 400 000 before the year end) House prices have continued to fall. Absa's senior property analyst Jacques du Toit said house prices dropped further in nominal terms in June, by 4, 4% year-on- Assignment 1. 3 year, while in real terms, prices were down by 11, 1% year-on-year in May. But the residential market is expected to improve early in 2013

Mortgage stress has increased from 55 000 in the second quarter of 2011 to 155, 000 in the second quarter of 2012. Severe mortgage stress, where

bondholders are over 4 months in arrears, has almost doubled in a year and increased sharply in June to over 72 000 home owners from 55 000 in the first quarter. Despite the lower interest rates there are more sales in execution than ever before. Currently there are approximately 4 500 houses per month which are being sold forcibly through legal channels which includes sales in execution, insolvency sales and bank's voluntary distressed sales channels. . 2 With the global economic meltdown, retrenchments and unemployment have become more and more of a reality in South Africa. With the increased unemployment levels, bondholders have become more hard-pressed to make payments and this has led to an increase in defaults and consequently repossessions. Other homeowners have tried to sell their properties as they have become more financially strapped. This has resulted in an over supply of properties on the market (a buyers market) and as a result some buyers are able to negotiate more favourable/lower prices on houses.

Many buyers are also reluctant to buy because of economic uncertainty. (job loss/retrenchment). Banks stringent lending criteria have also prevented potential buyers from obtaining loans. The net result being that the property market has been severely negatively impacted. 3. The political environment: The change in the political environment in South Africa has also resulted in a change in the real estate industry. Agents had to previously deal with clients from one race group e. g. but with the repealing of the Groups Areas Act we now deal with clients we previously never dealt with i. e. different race groups, ethnicities and nationalities In 20 years, South Africa has achieved many successes, including greater political stability and greater economic freedom.

Research Worldwide. com has just published results of its annual survey, which showed that property investments in South Africa showed an actual total return of 15, 1% last year. South African commercial real estate outperformed sixteen other major countries. The real estate boom in South Africa and low interest rates continues to encourage homeowners to feel confident and spend buying those houses for sale, farms for sale and commercial property for sale

Assignment 1. 3 4. The technological environment: Technology has become an integral part of Real Estate over the past few years. Property software programs have played - and will play an increasingly important role in the future of Real Estate. To remain competitive real estate agencies need to use the latest technology to benefit their business. The real challenge is to find a software application (programme) that supports all facets of the industry, cutting out the need to duplicate day-to-day work.

The world wide web enables estate agents to operate globally as properties can be viewed from anywhere in the world. An agent can create a virtual office in his car with a laptop, 3G connection and a cell phone. 5. The competitive environment: The real estate industry has often been perceived as an unprofessional industry because there have been no entry standards for those wishing to join the industry. However, this is changing as all real estate agents are now required to obtain the FETC: Real Estate Level 4 qualification to enable them to practice as agents.

This has benefits for both the industry and clients - the industry will have knowledgeable and qualified/professional agents which will enable both buyers and sellers effectively. Qualified agents will be in high demand in the

industry. 6. The legal environment 6. 1 Regulations pertaining to property: There are a number of acts that govern property ownership in South Africa: Sectional Titles Act 95 of 1986 Makes it possible for different persons to each own a portion of a building Companies Act 61 of 1973 Share block shares must be transferred in terms of the Companies Act

Share Blocks Control Act 59 of 1980 Controls the operation of Share Block schemes Housing Development Schemes for Retired Persons Act 65 of 1988 Regulates the development and alienation (sale or lease) of accommodation in schemes which are " Housing Development Schemes" as defined by the Act The Estate Agencies Affairs Act 112 of 1976 Safeguards the interests of members of the public in their dealings with Estate Agents The Estate Agencies Affairs Board is a regulatory body established by the above Act. Alienation of Land Act 68 of 1981