

**UNIVERSITY OF KWA-ZULU NATAL**

**FACTORS AFFECTING PROPERTY ACQUISITION IN THE CURRENT  
ECONOMIC MELTDOWN**

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degree  
of  
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## DECLARATION

I Avisha Ramlall declare that:

- (i) The research reported in this dissertation/thesis, except where otherwise indicated, is my original research.
- (ii) This dissertation/thesis has not been submitted for any degree or examination at any other university.
- (iii) This dissertation/thesis does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
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Signature

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## **Abstract**

The price of property in South Africa has come under debate during the last few years. After a four-year boom during which prices soared, the property market is in crisis, with consumers facing a desperate struggle to obtain finance to either purchase or build homes. Towards the latter part of 2007 and early 2008 the tides began to change and so did the reversal of positions to now being a buyers market. Many who have over extended themselves in terms of mortgages are now sitting with unpaid mortgage bonds and stand the chance of their homes being repossessed as they are unable to meet the instalments. The next best alternative is to resort to renting until the crisis subsides and the economy settles itself.

Purchasing property is a crucial decision in ones lifetime and it can be an expensive one. It binds one to a long term commitment and the problem remains one of not obtaining the adequate knowledge of factors that influence the buyers or lessees as they undergo the often extensive process of searching for and deciding on whether to buy a home or rent especially in uncertain times.

This research sets out as a main aim to investigate the important factors that one needs to take cognisance of when deciding on whether to buy or rent a property in the current economic situation. It outlines four key research objectives around the following variables in consumer literature as well as the current economic situation: i.e. risk, family life stage, financial situation, tax implications and investing options.

The study adopted an exploratory and qualitative research design employing a survey (questionnaire) as its main data collection instrument administered by a face to face interview with six respondents. The sample comprised of six estate and letting agencies in the Durban and surrounding area that were willing to participate in the research. It is thereby followed by a practical case study highlighting the financial implications attached to the decision to rent or buy respectively.

The study finds that the stage one is in in the family life cycle has an influence and is significant when deciding whether to buy or to rent, recommending that

investors and estate agents should seek to understand this in order that they tailor their marketing, developments and sales efforts effectively. On the level of financing and risk, the study finds that individuals that are financially distressed would rather rent in times like these as the need to have a deposit and the tighter lending criteria is not advantageous. The study finds that most people wish to sit out the storm before engaging in a twenty to thirty year commitment. Investors are found to be investing in property as buy-to-let options and most of them are buying cash. The property option as an investment is very much alive and lucrative to those who are able to obtain financing or have surplus cash on hand. On the level of the tax implications the study finds that it is a significant factor as many do not have funds for transfer duty and legal transferring costs. The study finds that a decision to buy would preferably be from a developer directly to alleviate transfer duty costs.

## **Acronyms and Definitions**

SARS: South African Revenue Service

KZN: KwaZulu-Natal

VAT: Value Added Tax

CGT: Capital Gains Tax

NCA: National Credit Act

ITA: Income Tax Act

JSE: Johannesburg Stock Exchange

FNB: First National Bank

CEO: Chief Executive Officer

WHT: Withholding Tax

FICA: Financial Intelligence Centre Act

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## **Appendix 1: Interview Schedule**

Interviewer: Avisha Ramlall

Date: \_\_\_\_\_

Name of Agency:

\_\_\_\_\_

Location:

\_\_\_\_\_

How long have you been in the property business?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

How would you describe the property market over the last six to seven months?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

How has sales of houses been over this time?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

What are the determinant factors that purchasers are using when deciding on whether to purchase or rent during this time?

\_\_\_\_\_

\_\_\_\_\_

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What price range of houses is being sought after?

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What type of buyer remains buoyant in these times?

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Are purchasers weary about the tax implications involved in their acquisition?

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What are the main issues that you are facing in terms of concluding sales?



Are the current rate cuts affecting the property market positively?

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Is it viable to buy to let in these times?

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What other factors are having an impact on the slowdown in the property market?

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Are there any other comments/suggestions?

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