

PDE 4
CAPACITATION
WORKSHOP

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INTRODUCTION

STANDARD OF TRAINING OF ESTATE AGENTS REGULATIONS, 2008

Qualification:

FET Certificate: Real Estate

NQF Level 4

Professional Designation:

Professional Designation Exam (PDE)

PPRE (Professional Practitioner Real Estate)

THE EXAM

- The *4 hour open book examination* comprises both a knowledge component as well as a case study component.
- Chapters to study: Chapters 12 – 20 and Ch 5 Statistical Measurement
- The overall examination pass mark is 50% with subminimum of 40% for each separate component
- Time allocation:

Section A: Knowledge component - 1½ hours

Sections B & C: Case study components - 2 hours

- Candidates are permitted to take books or papers of any kind into the examination room. You may take a dictionary in and may answer questions in the official SA language of your choice
- No electronic devices of any nature, including cellular telephones, are permitted
- Candidates should take a hand-held calculator to the examination (it does not have to be a financial/business calculator)
- Candidates must bring the EAAB registration letter with them to the examination venue and must provide positive proof of identity - identity document, passport or valid driver's license

BREAKDOWN OF MODULES

MODULE 1: Compliance

MODULE 2: The Estate Agents' Code of Conduct and Ethics

MODULE 3: The Law and the Legislative Environment of Real Estate

MODULE 4: Estate Agency Marketing

MODULE 5: Statistical Measurement, Real Estate Economics and Finance

MODULE 1: REAL ESTATE COMPLIANCE

The essence of Estate Agency Compliance is described in the following Chapters of the Real Estate Study Guide:

Mod 1.1: Chapter 13 – Apply Business Principles to the Real Estate Function

Mod 1.2: Chapter 14 section 3 – Legal and Regulatory Environments

Mod 1.3 Chapter 16 section 4 – Law and Legislation regulating the Estate Agent and Estate Agencies

MODULE 2: CODE OF CONDUCT & ETHICS

This module covers Chapter 20 (The Real Estate Code of Conduct and Ethics) of the Real Estate Study Guide.

- The Estate Agents' Code of Conduct is summarised along with a number of case studies.
- The Code of Conduct for Estate Agents is an important component of the examination and candidates must ensure that they know, understand and be able to apply it in the real estate environment.

MODULE 3: THE LAW AND LEGISLATIVE ENVIRONMENT

The legal aspects of the real estate environment are discussed from the following chapters of the Real Estate Study Guide:

Mod 3.1: Chapter 14 section 4 – Stakeholders operating within the Real Estate Environment

Mod 3.2: Chapter 16 section 1 – The Principles of Contract Law and Real Estate Contracts

Mod 3.3: Chapter 16 section 2 – Contracts specific to Real Estate

Mod 3.4: Chapter 16 section 3 – Law and Legislation relating to Immovable Property Transactions

Mod 3.5: Chapter 17 – Money Laundering Legislation as applicable to Accountable Institutions

Mod 3.6: Chapter 19 section 4 – The Sectional Titles Act as community scheme legislation

MODULE 4: ESTATE AGENCY MARKETING

All the different aspects of marketing real estate are discussed in Chapter 19 (Market, Sell and Lease a Property) of the Real Estate Study Guide

- The more important aspects are explained, summarised and illustrated by means of case studies and model examination questions

MODULE 5: PROPERTY ECONOMICS, FINANCE AND STATISTICAL MEASUREMENT

The basics of property economics and finance are discussed in the following Chapters of the Real Estate Study Guide:

Chapter 5 s1 – Collecting, Organising and Representing Data

Chapter 12 – Advise Role Players on Real Estate Financing Options

Chapter 14 s1 – Demographics

Chapter 14 s2 – The Economic Environment affecting Real Estate

Each of these aspects is summarised with the aid of practical examples, basic calculations and model examination questions. All necessary formulae are provided as well as examples of financial calculations.

Tables are provided

MODULE 1: REAL ESTATE COMPLIANCE

Mod 1.1 ESTATE AGENCY BUSINESS

Chapter 13: Apply Business Principles to the Real Estate Function

Mod 1.2 LEGAL COMPLIANCE

Chapter 14 s 3: Legal and Regulatory Real Estate Environments

Chapter 16 s 4: Law and Legislation: Estate Agent and Agencies

MODULE 1.1: BUSINESS ASPECTS OF ESTATE AGENCY

Chapter 13: Apply Business Principles to the Real Estate Function

Examples of questions:

1. Define 'budget' and give its purpose
2. Name two sources of capital funding
3. What are the different kinds of budgets that you would encounter in an estate agency enterprise?
4. Name the risks that estate agency enterprises face
5. Explain economic risk and how it affects an estate agency enterprise

MODULE 1.2 – LEGAL COMPLIANCE

- **Chapter 14 s3: Regulatory and Legal Environments &**
- **Chapter 16 s4: Law and Legislation regulating the Estate Agent and Estate Agencies**

Regulatory Environment

- As part of the Estate Agency Affairs Board's statutory mandate and legislation, it is the requirement of all estate agents to be in possession of a valid Fidelity Fund Certificate (FFC).
- The FFC serves as the estate agents 'license' to practice. It is imperative that the Principal of the firm renews his/her FFC and ensures that the Auditor's Report has been submitted to the Estate Agency Affairs Board (EAAB) within a four-month period after their financial year-end.
- Failure of the Principal renewing his/her FFC as well as the non-submission of the Auditor's Report, will lead to the EAAB not issuing FFC's for the employees of the firm.

REGULATORY ENVIRONMENT (14S3)

- Examples of questions:

1. Name 5 laws that affect the real estate function

2. Which two of the following statements regarding the Estate Agency Affairs Act are true:

A: The Act grants the EAAB the power to frame and publish the Code of Conduct for Estate Agents.*

B: The Act does not require estate agents to be issued with a valid Fidelity Fund Certificates since this is an EAAB requirement.

C: The Act provides for the establishment of the Estate Agents Fidelity Fund.*

D: The Act provides that consumers must register with the EAAB before selling their own immovable properties.

3. The EAAB has the right to withdraw an estate agent's FFC in the event that: (two statements are correct)

A: A principal estate agent has not had the agency's books and trust account audited every month.

B: An estate agent refuses to attend a disciplinary hearing after having been subpoenaed to do so.*

C: An estate agent is found guilty of conduct deserving of sanction after having breached the Code of Conduct for Estate Agents.*

4. In the event that an estate agent is found guilty of conduct deserving of sanction, the EAAB may: (two statements are correct)

- A: Withdraw the agent's FFC*
- B: Fine the person up to R25 000 per count*
- C: Sentence the offending estate agent to imprisonment for a period not exceeding 5 years.
- D: Impose both a fine and period of imprisonment

LEGAL COMPLIANCE (16S4): TRUST MONEY

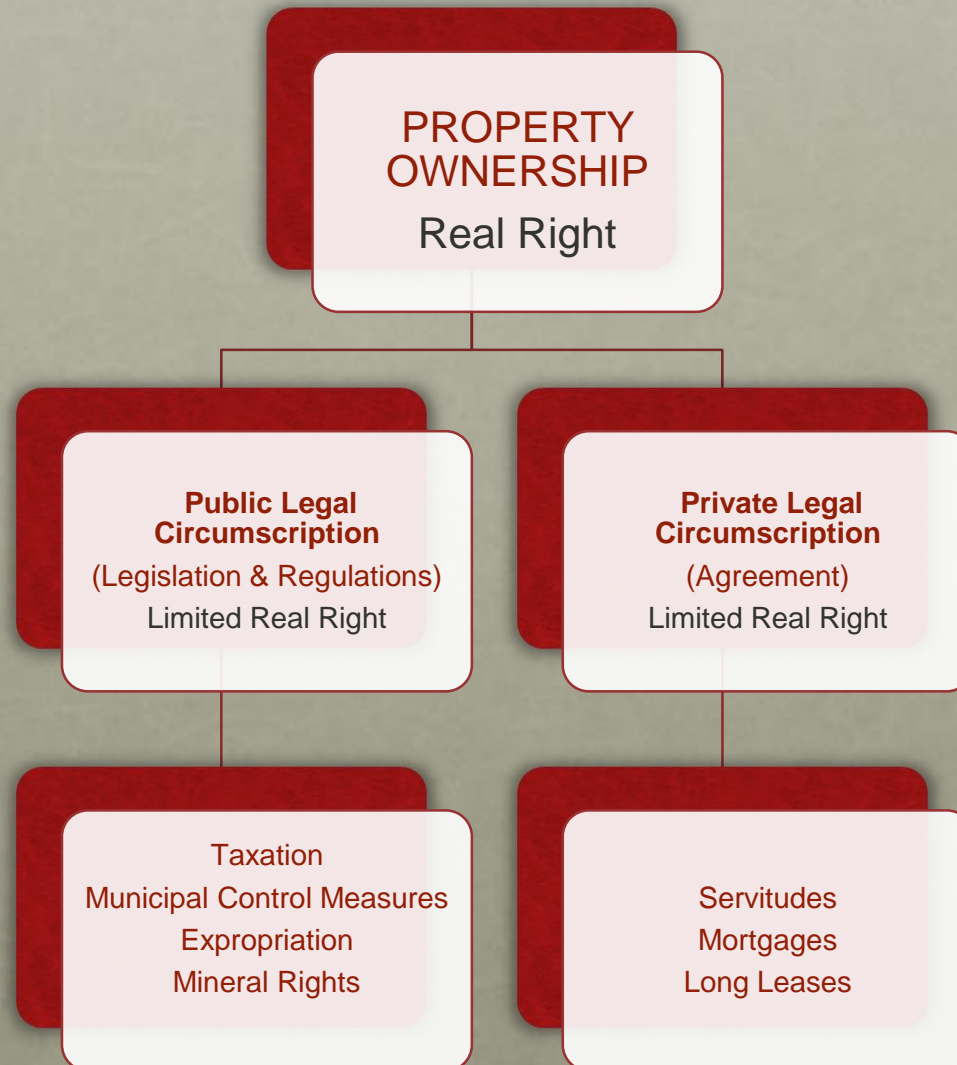
In terms of the Estate Agency Affairs Act 112/76

- To be paid into trust account immediately on receipt
- Interest in accordance with mandate or sale/lease agreement
- If silent, interest accrues to Fidelity Fund 50% and 50% to agency (Code of Conduct prescribes disclosure to concerned parties re interest)
- Only allowed to pay out when legally entitled to do so, or instructed to pay out by conveyancer
- If pay out before entitled, the trust account will show a shortfall which will have interest/audit implications

In terms of the Code of Conduct:

- Agent may not influence client to pay interest to agent
- Agent must disclose that unless parties agree, the interest accrues to EAAB
- Trust moneys must be invested at the best interest rate at the financial institution where the trust account is kept
- The full amount must be paid to entitled party

MODULE 1.3: IMMOVABLE PROPERTY TRANSACTIONS (16S3)



EXAMPLES OF QUESTIONS

1. What is the difference between Real and Personal Rights?
2. Give two examples of Public Legal Circumscription.
3. Name two types of servitudes and explain the difference between the two.
4. Which statement(s) is or are correct?

A: A personal servitude accrues to a person in his capacity as owner of the specific property which the servitude intends to benefit.

B: A praedial servitude is a right in favour of a specific individual.

C: Purchasers will be bound to respect servitudes registered over properties, whether or not they actually knew of the servitudes at the time of the respective sales.*

MODULE 2: THE CODE OF CONDUCT & ETHICS

Mod 2.1 CODE OF CONDUCT AND SUMMARY

Chapter 20 s2: The Code of Conduct for Estate Agents

Mod 2.2 SHORT QUESTIONS RELATING TO THE CODE OF CONDUCT

Mod 2.3 CASE STUDIES RELATING TO THE CODE OF CONDUCT

THE CODE OF CONDUCT

- The Code of Conduct for Estate Agents regulates the ethical conduct of estate agents and is enforced by the EAAB. Committees of enquiry bring and investigate charges of conduct deserving of sanction against offending estate agents.
- The EAAB may impose the following measures in the event that an estate agent is found guilty of contravening the Code of Conduct:

Reprimand the guilty party

Impose a fine of up to R25 000 per transgression

Withdraw the estate agent's Fidelity Fund Certificate

MODULE 2.1 SUMMARY

- The code of conduct was established under Act 112/1976. It is based on sound business principles with emphasis on moral and ethical behaviour.
- The underlying themes are transparency, honesty and integrity.

THE 4 STATEMENTS BELOW CAN BE INCLUDED IN A DISCUSSION OF VIRTUALLY ANY TRANSGRESSION OF THE CODE OF CONDUCT.

- An agent may not do anything to harm the integrity of estate agents in general. (cl.2.1)
- An agent must protect the interest of his/her client at all times, with due regard to the interest of all other parties concerned. (cl. 2.2)
- The agent must do his/her duty in a professional manner taking the necessary care and with dignity. (cl.2.3)
- An agent must comply with the Act and its regulations, being the Code of Conduct for Estate Agents. (cl. 2.4)

MODULE 2.2: EXAMPLES OF SHORT QUESTIONS (CH20 S2)

1. Why was the Code of Conduct for Estate Agents drafted?
2. How is compliance with the provisions of the Code of Conduct enforced?
3. Who appoints committees of inquiry (disciplinary committees) of the Estate Agency Affairs Board?
4. Does the Code of Conduct prescribe that a sole mandate must be in writing, or can it be concluded verbally?
5. Can an open mandate be in writing or must it be concluded verbally? Will the fact that the open mandate contains a power of attorney in any way affect the position?

MODULE 2.3 CASE STUDIES

- There are six examples of case studies in this module. Each case study counts 20 marks.
- Answer the questions below each case study after reading through each case study carefully and consulting the Code of Conduct as well as the summary in Module 2.1.
- The summary will assist you in ascertaining which aspects of the estate agent's conduct are wanting and need to be investigated in the relevant case study. This in turn will guide you to the corresponding clauses in the summary to be quoted and discussed in your answer.

MODULE 3: THE LAW AND LEGISLATIVE ENVIRONMENT OF REAL ESTATE

Mod 3.1 REAL ESTATE STAKEHOLDERS Chapter 14 s4

**Mod 3.2 THE FINANCIAL ADVISORY & INTERMEDIARY SERVICE ACT
NO 37 OF 2002 Chapter 15**

**Mod 3.3 CONTRACT LAW AND REAL ESTATE TRANSACTIONS
Chapter 16 s1 & Chapter 16 s2 & Chapter 16 s3**

**Mod 3.4 MONEY LAUNDERING LEGISLATION AS APPLICABLE TO
ACCOUNTABLE INSTITUTIONS Chapter 17**

**Mod 3.5 SECTIONAL TITLE: COMMUNITY SCHEME LEGISLATION
Chapter 19 s4**

MODULE 3.1 REAL ESTATE STAKEHOLDERS (CH14 S4)

- Estate agents
- Real estate developers
- Real estate investors
- Government (local and national)
- Financial institutions
- Real estate valuers
- Property managers

EXAMPLES OF QUESTIONS (CH 14 S4)

1. What are the four main operational categories within the estate agency business?
2. What are the legal and ethical obligations that an estate agent has towards a client who is a seller or a lessor?
3. What are an estate agent's legal and ethical obligations towards third parties who are buyers and lessees?

MODULE 3.2: THE FINANCIAL ADVISORY & INTERMEDIARY SERVICE ACT NO 37/2002

FAIS was introduced to offer protection to consumers through the following:

- a professional and responsible Financial Services Providers (FSP) sector;
- professional conduct by financial advisors and providers;
- better informed clients; and
- recourse for clients in the event of complaint or dispute with a FSP

MODULE 3.3: CONTRACT LAW AND REAL ESTATE TRANSACTIONS (CH16 S1, 2 & 3)

A valid contract:

- Consensus on all the terms
- Parties must be competent to contract
- Contract must be lawful
- Objectively possible to perform
- In writing (all essential & material terms) and signed

PROPERTY REGISTRATION

- Property registration is regulated by the Deeds Registries Act, 47 of 1937. The purpose of this act is to ensure the security and indisputability of title to immovable property.
- Land can only be registered when a diagram of the property is attached to the title deed.
- Each portion of land must be capable of being identified
- Change in ownership of immovable property must be registered by a deed of transfer.
- Limited real rights are transferred by the registration of notarial deed of cession of those rights

Documents to be lodged at the deeds office:

- The transferor's original title deed
- A power of attorney to authorize the conveyancer to act on behalf of the seller
- A transfer duty receipt
- The rates clearance certificate
- Income Tax clearance certificate
- The mortgagee's consent to cancellation of the bond if property is mortgaged
- Any consent by way of law or title deed that may be necessary with respect to the property

EXAMPLES OF QUESTIONS

1. Which one, or more, of the following requirements are required for the conclusion of a valid agreement of sale of land?

- A: The prescribed stamp duty must be paid.
- B: All material terms agreed upon must be recorded in writing.
- C: The contract must be signed by at least one witness.
- D: The seller must be the owner of the property sold.
- E: The prescribed transfer duty must be paid.

2. In terms of the common law when must a buyer of immovable property pay the purchase price?

- A: In full on transfer.
- B: In full before transfer.
- C: In full immediately after transfer.
- D: In full upon demand.
- E: 10% on signature and the balance in full upon transfer.

3. A contract of sale of land is not valid unless the written document:

A: has been signed by at least one witness.

B: Correctly reflects the identity of the seller and the purchaser.

C: Contains a clause relating to the payment of the estate agent's commission.

4. A man purchases a property which is registered in his name. A few months later he gets married in community of property. At what stage does his wife become joint owner of the immovable property?

A: Immediately on the conclusion of the marriage.

B: Only if the property is subsequently registered into both of their names.

C: Only if an appropriate endorsement is subsequently made on the title deed of the property.

D: Only if a court order is obtained to this effect.

E: Only if, prior to the marriage, the spouses had agreed in writing to share the ownership.

5. What are the legal requirements for a valid contract of sale?

6. Name the essential terms required for a legally binding and enforceable contract of sale of immovable property.

7. What formalities pertaining to agreements dealing with the sale of immovable property are provided for in The Alienation of Land Act?

8. Define an 'option to purchase' a property and state the legal requirements to ensure that an option is enforceable.

9. Define a 'pre-emptive right' and state the legal requirements to ensure that the right is enforceable.

10. Which statement(s) concerning title deeds are correct? By examining a title deed of a property, an estate agent will obtain information concerning.....

- A. The name of the existing owner of the property
- B. The correct description of the property
- C. The current market value of the property

11. When High Court judgements are made, the principals that they underpin become part of which law?

12. The following 3 laws affect the real estate function:

A: The Sectional Title Act.

B: The Financial Intelligence Centre Act.

C: The Matrimonial Properties Act.

D: The Gambling Act.

13. In terms of the Housing Development for Retired Persons Act a 'retired person' is defined as being:

14. Select the two correct statements:

- A: When a person owns immovable property he can do with it as he pleases without restrictions.
- B: Only the owner of immovable property, or his parents, can allow a mortgage bond to be registered over the property.
- C: Servitudes are transferred by means of a notarial deed of cession.
- D: All title deeds of properties are open for inspection at the Deeds Office.

15. The town planning scheme can contain the following prescriptions with reference to the usage of a particular plot of ground:

- A: Zoning, coverage, parking, density
- B: Coverage, zoning, gardening, parking
- C: Parking, coverage, FSR, road width
- D: Density, zoning, number of occupants, parking

MODULE 3.4: MONEY LAUNDERING LEGISLATION

- Money laundering relates to any financial transaction, which generates an asset or a value as the result of an illegal act, which may involve actions such as tax evasion or false accounting.
- The Financial Intelligence Centre Act (FICA) came into operation on 3 December 2001 in order to combat money-laundering activities.
- FICA compels financial institutions and certain other accountable institutions like estate agencies, to take prescribed steps to identify and eliminate money-laundering practices in South Africa.

EXAMPLES OF QUESTIONS

- What is the primary objective of money laundering?
- What legislation was established to provide for measures to prevent and combat terrorism and related activities and the financing thereof?
- A student who has never worked wants to buy a house of R750 000 for cash. What would you do in term of FICA requirements?
- Which identifiers are necessary when establishing a legal entity's identity according to the Anti-Money Laundering and Terrorist Financing Control Regulations?
- Which steps must an estate agent take in order to identify and verify the seller of property?

MODULE 3.5: SECTIONAL TITLE (CH 19 S4)

1. Explain the purpose of the Sectional Titles Act in your own words.
2. Describe the elements that make up a unit in a sectional title scheme.
3. Explain the difference between the ownership of a sectional title unit and that of a separate title property.
4. State how an owner's participation quota is calculated and what it determines.
5. Name the aspects that an estate agent should take cognizance of when dealing with a sectional title property that is to be sold or let.

SOME LAWS RELEVANT TO ESTATE AGENTS:

1. National Credit Act (NCA)

This act regulates the credit industry in South Africa and protects consumers from poor credit practices like someone attempting to buy a house and he/she has no means of repaying the mortgage loan

2. Sectional Titles Act, 95 of 1986 (STA)

The STA together with the Schedules, Rules and Annexures framed in terms thereof. The property that is being sold consists out of a particular unit as described in the sectional plan. The unit comprises a particular section as well as an undivided share in the “common property”. The owners also become a member of the body corporate when transfer of ownership has been registered.

3. The Share Block Control Act, Act 59 of 1980

This act controls the sale of shares in a company, which will entitle the share owner to use and occupy a particular portion of a building that is owned by the company. While the share block company owns the property, the occupation and other rights granted to share owners are set out in a document called a Use Agreement. The rights and obligations of the shareowners are also set out in the founding statutes of the share block company.

4. The Housing Development Schemes for Retired Persons Act, 65 / 1988

This Act created rights pertaining to, amongst others, the occupation of special retirement villages and, for the first time, granted protection to the property rights enjoyed by 'retired persons'.

5. The Consumer Protection Act, 68 of 2008

The Act regulates the relationship between *suppliers* and *consumers*. A “supplier” is defined as any person who supplies goods or services in the ordinary course of business. “Business” means the *continuous* marketing of goods (including property) or services to consumers. Suppliers in the property industry would thus include: Property developers, Investors letting property on a continuous basis, Estate Agents and Conveyancers

MODULE 4: REAL ESTATE MARKETING

Module 4.1 – Marketing Property Ch19 s 1

Module 4.2 – Selling Property Ch 19 s 2

Module 4.3 – Letting Property Ch 19 s 3

Module 4.4 – After-sales Service Ch 19 s5

MODULE 4.1: A MARKETING PLAN

Having obtained a property the estate agent must create a marketing plan which is specifically designed to suit the unique needs of the seller, the property itself and be the within the marketing budget of the agency.

1. Profile potential buyers
2. Select the most suitable advertising mediums
3. Establish a show house time table
4. Prepare brochures for drops in the neighbourhood
5. For sale boards
6. Show house days
7. Knowledge of the specific area and market
8. Must be cost effective - budget

MARKETING REPORT

- the address of property
- reporting period
- listed price
- number of days property is on market
- whether firm offers have been made
- responses received from advertising
- comments regarding selling price
- summary of recent sales in area
- recommendations to achieve a sale

PROPERTY ADVERTISEMENTS

- **Must contain a theme i.e. price, design or location**
- **Concise message which relates to theme**
- **Attractive layout and good photograph**
- **Contain facts**
- **Company logo to create brand awareness for the agency**
- **Create a need for prospective buyer to see the property in person**
- **Attract attention**
- **Arouse interest**
- **Create desire**
- **Inspire confidence**
- **Induce action (to buy or see property)**

EXAMPLES OF QUESTIONS

1. List the seven elements of the marketing mix with reference to real estate marketing and give an example of each.
2. Describe what you understand under the different product and service elements in real estate in your own words.
3. Name three methods that can be used when sourcing properties to sell.
4. What should a new estate agent's plan of action entail, before he/she starts canvassing for properties?

MARKETING CASE STUDY

- Marketing of Residential/Commercial Properties/Mixed use
- Action/Operational Plan for marketing project
- Marketing Plan for marketing project (what, where, how and when)
- Marketing Plan to include time-lines, budgets, fees, resources, variables, target market, secondary sales (re-sales)
- Make deductions re the future of the particular market as described in the case study (i.e. hold and let or sell to get ROI) (understand current bank lending rates etc)

MODULE 4.2: SELLING PROPERTY

1. List the elements that make up the selling cycle.
2. Which areas need to be qualified when interviewing a potential buyer for the first time?
3. Explain the critical success factors in organizing sales teams.
4. Compare the principles relating to value-based and cost-based pricing methods and state in which circumstances each of these methods can be utilized successfully when estimating the market value of property.

MODULE 4.3: LETTING PROPERTY

1. Name the three essential terms that ensure the validity of a lease agreement of immovable property
2. Must an option to renew a lease include the rental amount at which the lease is to be renewed?
3. Which of the following statements concerning the conclusion of a lease agreement of immovable property is/are correct?

At common law a lease of immovable property is invalid, unless:

- i) the lease is in writing and signed by both the lessor and lessee
- ii) the amount of the rental is agreed upon
- iii) the lessor is the owner of the leased premises

- A: ii only
B: i, ii and iii
C: ii and iii
D: iii only
E: i and iii

MODULE 4.4: AFTER-SALES SERVICE

The furnishing of periodic progress feedback, in the form of a marketing report to sellers, is a very important aspect of the marketing process, because:

- it keeps the seller informed of progress made in marketing of the property;
- creates the possibility for price reviews;
- the seller does not feel neglected if property does not sell quickly; and
- it re-assures the client.

EXAMPLES OF QUESTIONS

1. List the variations to an agreement of sale of immovable property that must be in writing and signed by the parties to the agreement.
2. Name the documents and discuss the information that must be delivered to the conveyancer attending to the transfer of the property.
3. An offer to purchase contains a clause that makes the offer “subject to” a mortgage loan being approved by a financial institution by a specific date. What type of condition is this and explain the meaning and consequences of this condition.

4. Explain a right of pre-emption in relation to immovable property with specific reference to the difference between a right of pre-emption and an option.

5. Explain the meaning and consequences of a 'risk' clause in a deed of sale for both the purchaser and the seller of property.

MODULE 5: STATISTICAL MEASUREMENT, FINANCE, DEMOGRAPHICS & PROPERTY ECONOMICS,

MODULE 5.1 STATISTICAL MEASUREMENT

Chapter 5 section 1: Collecting, Organising and Representing Data

MODULE 5.2 REAL ESTATE FINANCING OPTIONS

Chapter 12: Advise Role Players on Real Estate Financing Options

MODULE 5.3 DEMOGRAPHICS

Chapter 14 section 1: Demographics

MODULE 5.4 THE ECONOMIC ENVIRONMENT

Chapter 14 section 2: The Overall Economic Environment Affecting Real Estate

MODULE 5.1 STATISTICAL & AREA MEASUREMENT

Collecting and measuring data with the aid of statistics

- In accordance with a survey conducted of all house sales in a specific area over a three month period, the following data was collected:
- Sale 1: R850 000
- Sale 2: R780 000
- Sale 3: R440 000
- Sale 4: R660 000
- Sale 5: R900 000
- Sale 6: R850 000
- Sale 7: R800 000

INTERPRETING THE DATA

- **Median:** arrange data from smallest to largest and select the middle element

440 000; 660 000; 780 000; **800 000**; 850 000; 850 000; 900 000

- **Mean:** calculate the average price: Values Total \div number of sales = **754 000**
- **Mode:** value that occurs most frequently: **850 000**
- **Range:** subtract smallest from greatest : R900 000 – R440 000 = **460 000**
- **Deviation:** difference between the value and mean:

314 000; 94 000; -26 000; -46 000; -96 000; -96 000; -146 000

- **Mean Deviation:** sum of all deviations divided by number of data

(Ignore the negatives and calculate the average): **116 857**

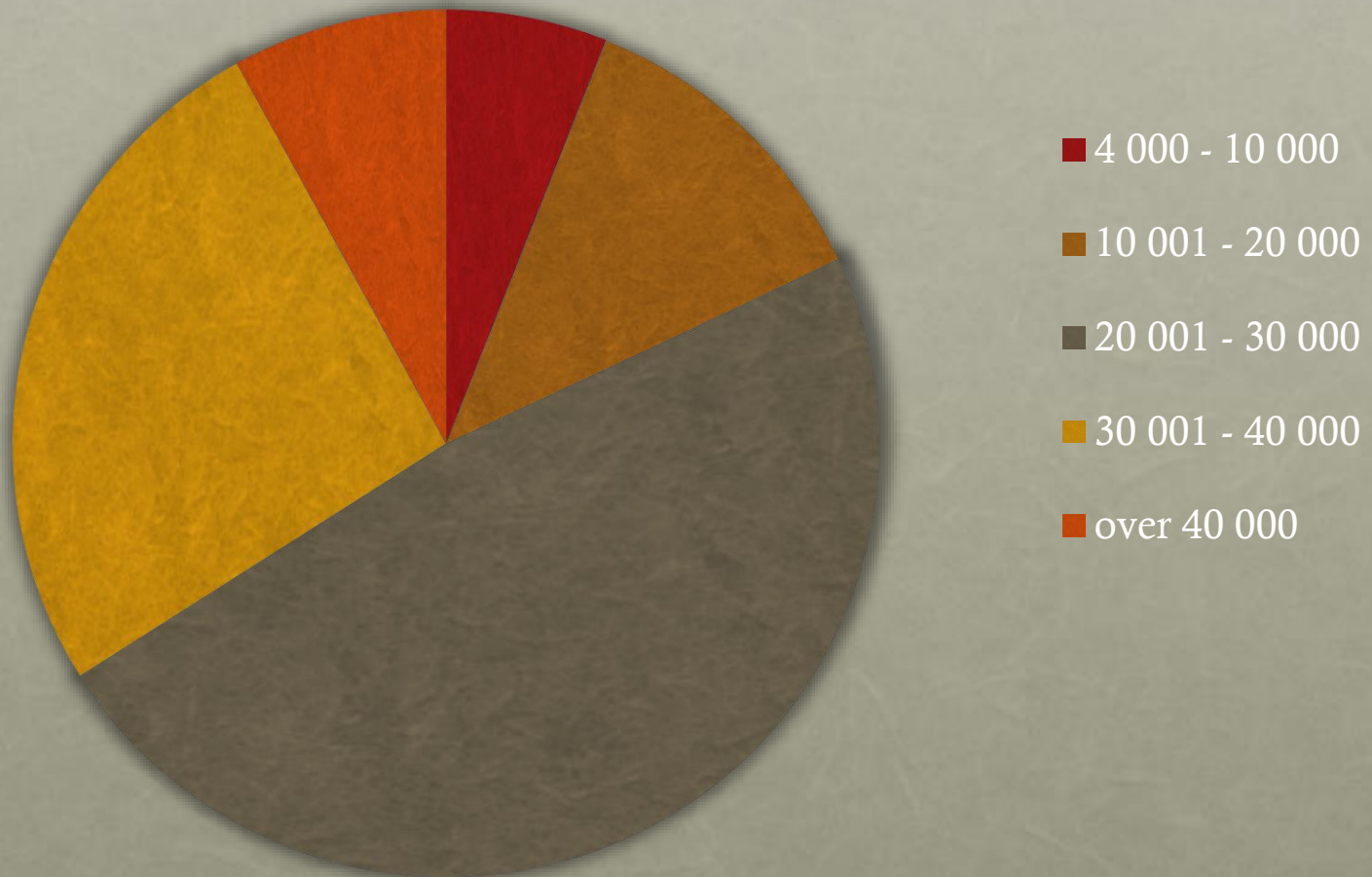
PIE CHARTS AND BAR GRAPHS

Income profile of purchasers:

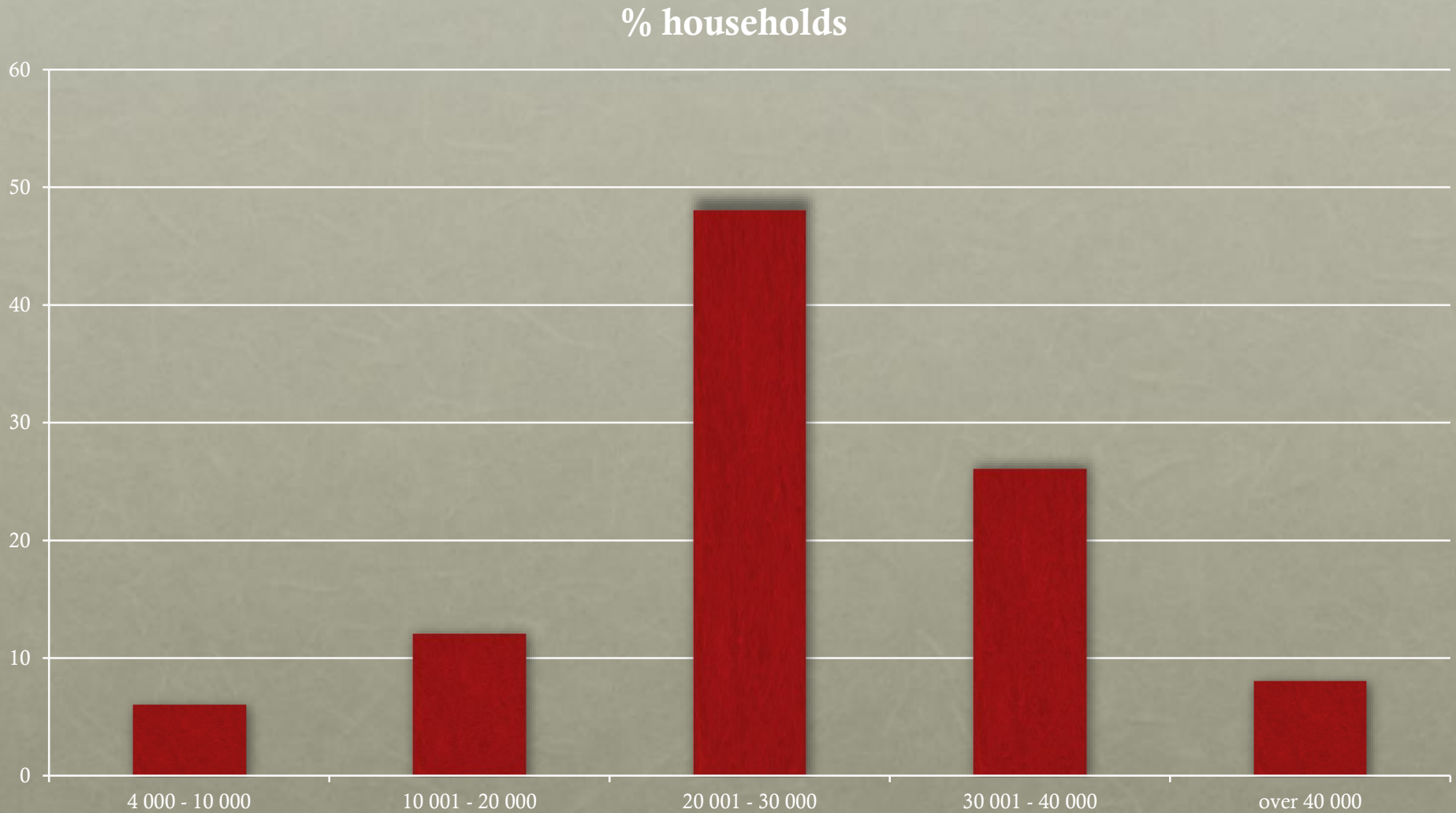
Average monthly income	No of households	% of households
R4 000 – R10 000	7	5.6% rounded off to 6%
R10 001 – R20 000	15	12%
R20 001 – R30 000	60	48%
R30 001 – R40 000	33	26.4% rounded off to 26%
Over R40 000	10	8%
TOTALS	125	100%

DATA REPRESENTED IN A PIE CHART

%of households



DATA REPRESENTED IN A BAR GRAPH



AREA CALCULATIONS

When calculating areas, make use of the following formulae:

- Square and rectangular shapes: Length x Breadth (LxB)

E.g: If an erf's dimensions are 20m x 15 m, the area is $20 \times 15 = 300$ sqm

- If there is a pylon on the erf with a diameter of 3 metres, and you need to calculate its area, use the following formula:
- Area of a circle : $A = \pi r^2$ (where A = area, $\pi = 3,14$ and r = radius)

Area = $3,14 \times 2,25 = 7,07$ sqm

A survey of residential property sales in your area over the last three months in produces the following results

Sold @ R500 000, R660 000, R480 000, R590 000,
R750 000, R590 000 and R490 000

1. What would the present estimated selling price of a house in the area be, based on average/mean price?
2. What would the median and the mode of the house prices be?
3. Calculate the range of selling prices.
4. Calculate the mean deviation of selling prices in the area (rounded off)

MODULE 5.2 - REAL ESTATE FINANCING OPTIONS (CH 12)

Amendments on p 12.12 CGT

Once-off tax rebate in a single tax year:

- Natural person: R40 000
- Deceased Estate: R300 000

Primary residence:

- CGT is payable on profits exceeding R2m and on the land greater than 2ha in extent

CGT: % of capital gain that is taxable:

- Individuals & special trusts: 40%
- Companies, CC's, Trusts: 80%

Amendments to Transfer Duties payable:

- Individuals and legal entities:
- 3% of the value above R900 000
- R10 500 + 6% above R1 250 000
- R40 500 + 8% above R1 750 000
- R80 500 + 11% above R2 250 000
- R933 000 + 13% above R10 000 000

HANDY FORMULAE:

1. Mortgage bond qualification:

- Gross income x 30% = max bond repayment
- Net surplus income to equate to maximum bond repayment
- Net surplus income = net income – monthly debt payments – expenses

2. To calculate a mortgage payment: Selling Price ÷ 1000 x factor (interest rate and term) NB: Look up the factor on Bond Repayment Factor Sheet

3. To calculate a mortgage bond: Monthly Payment x 1000 ÷ factor (interest rate and term) NB: Look up the factor on Bond Repayment Factor Sheet

4. Price net of VAT: $\text{Price} \div 1.14$

5. Price plus VAT: $\text{Price} + 14\%$

6. Nett price after commission: If commission is 5%:

$\text{Selling Price} / 1.05 = \text{net price after commission}$

If commission is 5% + VAT = 5.7%:

$\text{Selling Price} / 1.057 = \text{net price after commission}$

7. Commission plus VAT: $\text{Commission} + 14\%$

8. Transfer Duty:

0% on first R900 000

3% on value from R900 000 – R1.25m = R10 500

6% on value from R1.25m – R1.75m = R40 500

8% on value from R1.75m – R2.25m = R80 500

11% on value from R2.25m – R10m = R 933 000

13% above R10m

9. CGT Rebates:

R40 000 per annum for a natural person

R300 000 per deceased estate

CGT inclusions:

Individuals and Special Trusts = 40%

Companies, CC's and Trusts = 80%

CGT Exclusions:

Primary residence up to R2mil and 2ha in extent

10. Withholding tax:

Only applies to **Non SA Residents** on properties selling for more than R2mil.

- Individuals = must withhold 5% of value
- Companies and CC's = 7.5%
- Trusts = 10%

11. Calculating areas:

Square and rectangular shapes: Length x Breadth (LxB)

Area of a circle : $A = \pi r^2$ (where A = area, $\pi = 3,14$ and r = radius)

EXAMPLES OF QUESTIONS

1. What Act changed the criteria for buyer qualification as from 1 June 2007?
2. What formula would you use to calculate the purchase price of a property exclusive of VAT?
3. Calculate the estate agent's commission on a selling price of R1 495 000 at 6,5% plus VAT where the Seller is a VAT Vendor.
4. What is the VAT inclusive percentage commission if the agreed estate agent's commission rate is 6%?

5. Identify the four correct statements.

On the disposal of South African property CGT is imposed on:

A: All taxpayers in South Africa;

B: Only non-residents

C: Companies and close corporations;

D: Trusts;

E: A person's second property;

F: A person's primary property with capital gain of R2 000 000

6. What is the Valuation Date in respect of CGT?

7. There are three basic methods of valuation when calculating CGT, namely, Market Value of Asset as at 1 October 2001; 20% of the proceeds reduced by post-valuation date expenditure; and the _____ method. What is the third method?

7. Withholding tax is an advance payment of _____

8. Withholding tax legislation is applicable depending on the sale price. Which of the following sale prices would attract this particular tax?

A: Under R2 000 000

B: R2 000 000

C: Over R2 000 000.

8. What are the different percentages that would have to be withheld in terms of Withholding Tax if the non-resident seller was a :

A: Natural person

B: Company or close corporation

C: Trust

9. What is the formula to determine 'net surplus income'?

10. What receipts and or certificates must the conveyancer obtain before transfer documents can be lodged in the Deeds Office?

MODULE 5.3 – DEMOGRAPHICS

(CH 14 S1)

1. Define 'cultural diversity' in your own words.
2. Name the eight identifiable characteristics on which the study of demographics is based.
3. 'Downscaling due to financial pressure' is cited as the highest reason for property sales in a survey quoted in your notes. What are the reasons underlying this trend?

MODULE 5.4 THE ECONOMIC ENVIRONMENT (CH14 S2)

- The demand for immovable property is dependent on differing factors. Name at least three of the more important factors.
- Discuss the factors that influence supply and demand for property.
- Define the term 'inflation' and discuss the two factors that cause inflation.
- The inputs to the production process, namely the 'factors of production' are classified into three categories. Name and describe each of these categories briefly.

EXAMPLES OF CALCULATIONS

1. Calculating a mortgage bond repayment. Give the formula and apply it to a loan of R400 000 over 20 years at 10% interest.

- Mortgage Bond \div 1000 x factor per R1000 (at the interest rate over 20 years) equates to

R400 000 loan over 20 years at 10% per annum

$$R400\ 000 \div 1000 \times 9.65 \text{ (10\% over 20 yrs)} = R3\ 860.00$$

Therefore bond repayment is R3 860 per month

2. Calculate the maximum mortgage bond that a prospective buyer will qualify for if the buyer's gross income is R30 000 per month, and a bond is granted over 20 years at 9.5% interest.

Maximum bond = gross income x 30% and then x 1000 ÷ factor

$30\ 000 \times 30\% = 9\ 000 \times 1000 \div 9.32$ (9% over 20 years)
= R965 665.00

Mrs Moloto has recently acquired a sectional title unit for a price of R 699 000. What amount of transfer duty is payable and what other registration and costs should she make provision for?

- No transfer duty is payable as TD is only payable from R900 000.
- She must make provision for the payment of bank admin and an initiation fee in the event that she is mortgaging the property.
- The payment of monthly levies and an insurance certificate for sectional title transfers.
- Attorneys fees for the transferring attorney and bond registration attorney.

THE END

Good luck!