

Record-low interest rates drive five-year-high house price growth

According to the latest data from Lightstone, national house price inflation is at its highest in five years, proving a success story notwithstanding the ongoing Covid-19 pandemic and recent unrest in parts of KwaZulu-Natal and Gauteng.



Carl Coetzee, CEO of BetterBond

“The housing market remains the surprise success story of recent months and, contrary to fears that house prices would plummet, we are seeing a consistent increase in inflation,” says Carl Coetzee, CEO of BetterBond. “This is most certainly being driven by the record-low interest rates, which have held steady at a prime lending rate of 7% for more than a year.”

Coming off a high base from last year, when bond applications surged by 147% after lockdown restrictions eased, we are still seeing strong growth with a 35% increase in applications for July, year-on-year, says Coetzee. “This sustained demand for property is driving house prices across all price bands, but particularly at the lower end of the market.” According to Lightstone, house price inflation as at the end of June 2021 at the lower end of the market was at 6.5%, two percentage points above higher-value segments of upwards of R700,000.

Price growth across all nine provinces

This price growth is also being seen across all nine provinces, with the Western Cape catching up to Gauteng as house price increases in both regions hit 4.8%. “The average house purchase prices for bond applicants

from Johannesburg North West and South East have increased by 8% and 10% respectively, reflecting the trends highlighted by Lightstone,” says Coetzee. “While in the Western Cape, it appears that the period of price correction that saw house price inflation drop by 2% year-on-year in July last year has run its course.”

The Eastern Cape has retained its spot as the top performing province with house price inflation of 8.3%, according to Lightstone. Nationally, the average purchase price of homes for BetterBond’s applicants has increased by 13.4%, while first-home buyers are spending more on their homes, with the average purchase price up 15.3% for July, year-on-year.

“The perennial allure of the coast means that house prices in seaside areas continue to rise, with Lightstone reflecting an 8% increase at the end of June, year-on-year,” says Coetzee. “But there has also been a marked increase in bond applications for homes near the bush, with properties on estates within game reserves or conservancies holding considerable appeal.”



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Shifting buying patterns

Being able to work remotely has shifted buying patterns, and more homeowners are considering property near the beach or the bush as investment options. “A stronger focus on quality of life could also explain why freehold house price inflation

is comparatively higher, at 6%, than the 3.2% price growth reflected by Lightstone for the sectional title market,” he adds.

“We’ve seen a record increase in the demand for homes since interest rates fell and, we did predict that this activity may ignite home prices once the excess supply of homes is sold. We anticipate the demand side of our property market will remain strong while interest rates remain low. Our clients are already saving more on their mortgages than ever before and now they’re also earning more capital gains on their homes,” concludes Coetzee.

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