

Why understanding micro trends in property market value bands is useful

Each value band within the residential property market has its own set of trends that might not reflect the national average. Understanding how property values might change, depending on a given price point, can be useful when buying or selling.



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According to [Lightstone Property's latest newsletter](#), the national average annual house price inflation is 4.51%. However, annual inflation in the low-value segment (< R250k) remains higher than that in other segments at 6.8% as compared to 4.8% for properties classified in mid-value markets (R250k to R700k).

Rules of demand and supply

Adrian Goslett, regional director and CEO of Re/Max of Southern Africa, explains that this variation between value bands is dependant on the rules of demand and supply.

“Property prices will increase the higher the demand and the lower the supply is within that price segment. This is why homes priced at the lower value bands tend to increase at higher rates than homes priced within the higher value bands,” he explains.

Referring to the *Re/Max National Housing Report for Q1 2022*, Goslett adds that homes priced between R800,000 and R1.5m continue to account for the largest portion of all transfers occurring in Q1 2022 at 26.2%. However, homes priced above R3m accounted for only 7.2% of the total transfers this quarter.

“This provides an indication of how large the market is within a given price segment, which can provide an idea of how long it might take to sell within that market. The smaller the market, the higher the chance that the property might take longer to sell as there are not as many transactions occurring at that price point. This is why luxury homes tend to stay on market for longer than homes within the affordable price points,” he elaborates.



Q1 2022 Re/Max report shows subsiding activity in SA housing market

22 Apr 2022



Other factors at play

However, there are many other factors at play that can affect the rate of house price inflation and overall saleability of the property.

“Beyond a home’s price point, the property type and location can also affect how quickly a home appreciates in value over time. Property values can change faster or slower depending on whether the home is a sectional title or freehold property, whether the home is coastal or inland, and whether the home is in a province with a higher annual house price inflation rate such as the Western Cape, or in a province with a lower annual house price inflation rate such as Gauteng.

As a final word of advice, Goslett recommends that those who are curious to find out how the market is performing in their area should speak to a local real estate professional for some insights.

“There are multiple factors at play when arriving at a final price at which to list a home. Real estate professionals are trained to know how to take the above factors into consideration when calculating the resale value of a property and can provide the most accurate calculation of a home’s value. Sellers who rely on a reputable agent’s insights should have no problem selling a home fast and at full market value,” Goslett concludes.

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