

## Residential home prices are slowing down

The latest statistics from ooba bond originator show a marginal year-on-year house price growth of 0.7% to R836 055 in August 2012 and a month-on-month decline of 1.3% from R846 863 in July 2012.



"The slowing in house price growth over the past five months seems to be a trend influenced by current economic fundamentals," says Saul Geffen, CEO of ooba. "However, ooba's market experience is somewhat conflicting as both application intake and approved loans are significantly up on the prior year."

Despite the slowing growth in average house prices, ooba is still reporting a 28% year-on-year increase in the value of home loan applications and a 44% year-on-year increase in the value of its home loan approvals in August 2012 indicating that the property market is still very active.

"One cannot dismiss the effect of the changing mix of home loan applicants on average home prices," Geffen says. "For example, the percentage of first-time home buyers is at record levels of around 53%, and this changed applicant mix is continuing to favour the purchase of smaller more affordable properties, which may be influencing the overall house price trend downwards. This is demonstrated in the higher median house price growth recorded, which has averaged close to 6% over the past three months."

### Credit conditions are favourable

The average purchase price for first-time buyers increased 6.6% year on year from R619 139 in August 2011 to R659 885 in August this year, and 0.4% month-on-month, up from R657 069 in July. Credit conditions remain favourable for buyers. The average home loan deposit is down 47.2% from last year to R95 396, which is 11.4% of the purchase price. "This is the lowest average deposit recorded since June 2008," says Geffen. However, he cautions buyers that deposit requirements are likely to increase. "The banks' appetite for 100% home loans is diminishing."

A further indicator of favourable credit conditions is ooba's effective approval rate, which has grown to 65.4% of applications, up from 64.4% last year. Although the initial decline ratio increased 0.5% to 46.6%, the percentage of applications that are declined by one bank but approved by another improved by 3.1% to 25.8% in August this year.

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