

The decline in the number of bonds is drastic, but their size continues to rise

By [Tony Clarke](#)

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The August 2012 residential market overview, compiled by the highly respected analysts Lightstone, reveals clearly that the four major banks in South Africa, as well as Investec and SA Homeloans, have by-and-large come to terms with and solved the unpaid mortgage loan crisis that hit them in 2008/2009.



However, this has resulted in a very significant cutback in the number of loans approved. Approved loans are now at an all-time low and this is the major factor preventing a full-scale recovery in the residential sector.

By early 2012 the number of bonds issued monthly had dropped from a high of over 50 000 to a low of +/- 9000. New bond registrations are now running at 71 percent of the total for freehold properties, 16 percent for sectional title units and 13 percent for estates. The last figure was the only one to show a rise on 2010, indicating that developers are now coming back to the market for the first time in four years.

Take heart from other data

While this massive drop off in the number of bonds issued may look discouraging for those of us in the property market, we can take heart from certain other data, that shows that the loan-to-value ratio is improving steadily in all except Investec (which came off a very high base) MISSING WORDS and all are???? now showing a willingness to lend bigger loans.

The average value of bonds approved has risen steadily from +/- R400 000 in 2004 to +/- R800 000 this year. Second bond values have also increased to +/- R350 000 on average this year. The government, and particularly those in its human settlements sector, will be encouraged by the number of bonds issued in the affordable category (R250 000 to R700 000) where the figure is up 16 percent; and in the township category (below R250 000) where the figure is up 13 percent. More than 45 percent of all bonds now issued are for homes valued at under R1 million, indicating that the wealth imbalances in South Africa are being slightly ironed out.

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