

# SA global house price growth ranks third in the world

A survey published in the 18 May issue of The Economist has ranked South Africa at number three in the world (after Hong Kong and Brazil) for global house price growth. This reinforces affirmations by those involved in the SA residential property sector that confidence in this asset class is well-founded.



Hong Kong's year-on-year growth since the fourth quarter of 2007 is listed as 24,5%, Brazil's at 12,8% and South Africa's at 11,1%.

Commenting on this, Tony Clarke, managing director of the Rawson Property Group, said that even though most economists now accept that South Africa's house price growth of 11,1% will drop below 10% in the year ahead, it is a satisfactory figure, being about five percent ahead of the current inflation rate - which, said Clarke, will now break the six percent upper bracket barrier in the next few months.

## Further key findings

South Africa, added Clarke is also shown by the analysis to be performing well in relation to such basics as the rent-to-value ratio and the rent-to-income ratio. The survey indicates that in relation to rents, South Africa's residential property is undervalued by two percent, i.e. there is probably still room for further growth. In relation to incomes, however, they are now over-valued by 10%. This latter figure, however, he said, looks fairly healthy when compared to those of Australia (24%), Canada (32%) and France (34%), all of which are likely to see big downward adjustments in the coming year.

The Economist report, said Clarke, also shows that of the 18 countries reviewed in the table, prices in 12 countries have risen. Those countries that have seen falling prices, he said, have been France, Japan, Ireland, Italy, the Netherlands and Spain (Spain's year-on-year price drop was a staggering 7,7%).

Clarke commented that it is possibly significant that all of these once buoyant economies were brought down, at least in part, by excessive lending on unsustainable rising house prices, which in turn led to unrealistic valuations.

To the surprise of some, said Clarke, Britain's housing prices have at last moved into positive territory, with a 0,9% year-on-year increase. This, he said, is clearly due to the factors identified by The Economist, notably that cheaper funding for mortgage bond lenders was made possible by the Bank of England, the Treasury, and the introduction of shared equity schemes for buyers unable to meet bond deposit requirements. In addition, said Clarke, considerable optimism has been created by the fact that the government will be introducing partial guarantees on £130 billion of low deposit (i.e. riskier) mortgage loans in 2014.

"While not in any way wishing to encourage irresponsibility in these matters," said Clarke, "it is quite clear that the focus by the state on housing finance has benefited the British economy as a whole and perhaps South Africa has something that it can learn from this."

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