Economic pressures expected to filter through to property market

The latter half of 2015 was on shaky ground - the shock firing of Finance Minister Nhlanhla Nene seriously rattled international confidence in the South African economy, the SARB started raising the interest rates (albeit very slowly) and the drought started putting pressure on food prices.

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"At the threshold of 2016 we're still dealing with the effects of these events and financial experts are advising the public to tighten their belts in preparation for a trying year ahead," says Bruce Swain, MD of Leapfrog Property Group.

As these issues affect the national economy, food and fuel prices and the CPI inflation it naturally also filters through to the residential property market. Added to this experts expect the prime lending rate (currently at 9.75%) to increase at the first meeting of the SARB's Monetary Policy Committee meeting.

"Any increase will have a negative impact, particularly on those home owners with 80%+ bonds. Then there is also the expectation of a jump in food prices on the back of the drought and of course increases in the cost of electricity and water - all of which raises costs for home owners," says Swain.

Rental market

The increased economic pressures might lead one to believe that the rental market will experience more demand in 2016, but there seems to have been a softening in the rental market over the past 12 months, especially in the R5,000 to R10,000 range.

"This is due to a large number of new developments in the R400,000 to R950,000 price ranges coming onto the market, which people would rather purchase than rent," explains Swain. He does, however, go on to state that rental accommodation in close proximity to established urban infrastructure, transport, schools and universities will remain in high demand.

According to the latest data the Western Cape residential property market has experienced consistent growth over the past year, even though the national property market performance has slowed down somewhat. Swain believes that this is as a result of the migration from other provinces due to perceived better provincial infrastructure and municipal services.

Another area he believes will be doing well in 2016 is Midrand - it is becoming increasingly appealing to both business (seeking reasonably priced, central office space) and residential buyers who are looking for affordable housing that's still within range of Johannesburg and Pretoria.

Naturally the Gautrain has also done much to open the area up, not only to business, but to residential property buyers as well, as it's now far simpler to live in Midrand and commute via the train to either Johannesburg or Pretoria (without sitting in traffic or incurring SANRAL toll fees).

Sectional title developments

A number of sectional title developments have sprung up in Midrand suburbs including Country View, Carlswald, Crowthorne, Glen Austin, Halfway House, Halfway Gardens, Vorna Valley, Noordwyk and Randjesfontein, with average sales prices ranging between R550,000 and R850,000.

Properties with asking prices of less than R550,000 are being snapped up as soon as they become available, with demand far exceeding supply. This is in part because the Midrand property market is also being fed by the nearby Thembisa township, with first time buyers who see Midrand as an attractive lifestyle option, and those wanting to be closer to work making the move to Midrand.

Due to the growing demand and sheer size of the lower to middle income range (up to R2.5m) , he expects this segment of the market to continue showing growth, especially in large urban centres like Johannesburg and Cape Town.

"Unfortunately, the high crime statistics ensures the continued demand for secure living, which gated communities and many sectional title developments offer. I also see a move back to bigger, older homes which will offer families the cost benefits of multi-generational living," explains Swain.