

# SA residential property market still robust

Those hoping to become home owners soon and those who have only recently achieved this status sometimes react fearfully when they read the property media forecasts of low home price growth.



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“It can take several years of property ownership and/or carefully studying of the data given to us regularly by the analysts to acquire a balanced, mature view of the enduring values of property ownership,” says John Smyth, CEO of bond originators, Multi Net Mortgages. “Right now we are finding that some of those new to this asset class are becoming pessimistic about the ability of their homes to ride out downturns in the economy. They read, for example, that headline consumer price inflation is set to rise to close on 7% in the next few months, that interest rates may well reach 11% by the year-end and that annual house price growth, which ran at above 6% for much of 2015, could now drop as low as 4,5% (which of course means that in real terms most of this year we will see houses losing 2% of their value).

“These and similar data can give the uninitiated the impression that the housing market will flounder and that there might be other, more worthwhile avenues of investment. However, this is very far indeed from being the case.”

If one carries out longer term reviews, says Smyth, it becomes clear that since the mid 1950s there has never been any ten-year period in which housing growth was lower than that of the inflation rate for the same period – and there have been three to five year periods in which the appreciation was so spectacular that it appeared almost to have ‘gone mad’.

“As recently as 2004/2005 we were seeing year-on-year house price growth of over 30%,” says Smyth.

Does this mean that similar booms are possible in the near future? “Possibly not,” says Smyth, “but the market remains sound.”

According to Smyth, it is worth commenting that the 6 April FNB Property Barometer made it clear that South Africa’s estate agents report that:

- only limited drops ( $\pm 8\%$ ) have been seen recently between the asking and the achieved prices (and 12% of homes sold achieved the full asking price);
- the average time a house is on the market before selling (11 weeks and one day) is the lowest since 2007;
- the income levels in relation to house prices, according to estate agents, are in general terms on a par with or better than those we have seen for the last 12 years (34% of agents actually reported that income growth in their areas had kept pace with house price growth);
- when listing the difficulties they face regarding stock constraints, 17% list major shortages as a serious problem, while only 8% report ample supply.

Summing up, therefore, says Smyth, Multi Net Mortgages’ experience so far this year leads him to agree with the FNB analyst John Loos: despite an increase in economic stress and some evidence of growing pessimism about the political scenario, the housing market continues to be balanced and stable, with demand only slightly down on that of one or two years ago. Furthermore, 60% of the agents surveyed by FNB still anticipate rises in the value of the homes they handle in the coming year and 22% expect no change.

“This report and other recent figures,” says Smyth, “should give those interested in this market the confidence they need to proceed to implement whatever plans they have.”

Smyth added that he had been asked many times in the past 30 years when would be the best time to buy, and the answer has always remained the same... now.

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