

Growth prospects for housing market on the up

The Monetary Policy Committee has opted to keep the repo rate stable. Ahead of yesterday's announcement, analysts and market commentators pointed to a more hawkish stance amid a weaker rand, somewhat less stable global environment, and an eye on the inflation outlook. All this coupled with the increase in VAT and sizeable hike in the price of fuel, says Dr Andrew Golding, chief executive of the Pam Golding Property group.



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“Positively, however, growth prospects for the housing market are definitely improving, so there is some upside on the horizon, but what we need now from the Reserve Bank is a steady hand in regard to the repo rate.

“Currently, and in regard to Pam Golding Properties’ sales, the residential property market is stable, with the strongest demand in the lower to middle market segments to around R5m, with credit lending a positive contributor to market activity.

“While activity in the very top end of the market is moderate, buyers in the R5m to R10m price band continue to transact in sought-after locations.

Realistic pricing

“The common denominator in today’s market is undoubtedly realistic pricing, as buyers generally are price-aware, seeking sound value for money. As a result, over-priced stock will sit on the market.

“While indications are that consumer and business confidence has improved, aspirant home buyers and home owners relocating are proving increasingly resilient and proficient at adapting to changing trading conditions and market trends for a variety of reasons, including lifestyle, economic and sustainability or environmental factors.

Increasing demand for sectional title properties

“For example, we continue to see an increasing demand for sectional title properties for both lifestyle and economic reasons within the major growth nodes. These tend to be more compact, manageable properties with less dependence on the use of resources such as water and electricity, thereby reducing the cost of utilities and maintenance.

“And in line with this growing demand, we also note that house price growth in the sectional title housing segment is still outstripping growth in freehold prices. During the first four months of 2018, freehold price inflation has averaged 3.6% while sectional title was 4.0%, and sectional title growth is accelerating, while freehold price growth is slowing.”

Comments Sandra Gordon, Pam Golding Properties senior research analyst: “Also, according to Lightstone, currently South Africa has 6.6-million homes worth a total value of R5.1tn, 11.8% of which comprises sectional title units, which account for 14.9% of the total value of homes.

“Our country is fortunate in that we have a young, growing population which has yet to enter the housing market. With affordability considerations making sectional title properties the preferred entry point for first-time buyers, demand for sectional title properties is likely to remain brisk for the foreseeable future.

“Developers have been responding to this growing demand for sectional title properties in what appears to be a longer-term trend, which may see this sector ultimately become the larger of the two residential market segments some years from now.

Improved outlook for economic growth

“At present, with improved political and economic sentiment, and with the recent interest rate cut and improved outlook for economic growth, we are also seeing more affordable areas in South Africa’s economic heartland of Gauteng, as well as other accessibly priced properties in the various regions, becoming more and more appealing.

“As FNB often refers to first-time home buyers as being the most sensitive to the economic environment, they are likely to be the first to respond to improving market conditions, so we would expect to see an increase in demand from this sector of the market, further reinforced by the appetite among banks to extend mortgages.”

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