

## **Investors Now Hunting for Bargains**

Prospects for the property market in the next six to 12 months are uncertain – yet investors are starting to hunt for bargains.

Tjaart van der Walt, CEO of the RealNet estate agency group, says the group's agents and franchises countrywide are reporting that investors are very keen to enter the property market before the new year.

"And, as the old saying goes, the smart money buys when the market is at or near its turning point." He adds that most investors are paying cash.

He expects further growth in prices in the low-cost and affordable housing sectors in 2009. "There is an insatiable demand in this sector, which is likely to push prices upwards for the next six months at least. Prices in townships, in particular, seem set to show healthy growth.

"The current discounting in value in the middle segment of the market, where property is changing hands in the range between R700k and R2m, is likely to continue. I expect nominal growth to stay the same or fall slightly for the next few months. At the moment some properties in this price range are selling at anything between 20% and 30% below asking price – and that fact has not escaped seasoned investors."

Van der Walt adds that several factors will influence the property market in 2009. "On the plus side multibillion rand infrastructural development will stimulate the economy and it is hoped that benefits will trickle down to the housing market. Our banking system is robust and well-placed to withstand some of the pressures that are ravaging international credit markets.

"On the other hand, deteriorating economic conditions and a weaker rand may affect existing homeowners and potential buyers if large corporations lay off workers to protect shareholder value. Inflation and higher living costs are already exerting pressure.

"Stricter credit regulations and the fact that buyers have to put down a deposit will continue to depress sales. In this regard, it is interesting to note that property developers in the more affordable sector of the market are persisting in obtaining development rights and township establishment. Construction of higher income units, however, have slowed to a trickle because of depressed demand."

Van der Walt adds that debt levels among consumers will also affect the market. "The black middle class as a whole is arguably better placed to obtain credit to buy property since they show a healthier debt to income ratio than many other consumer classes."