

## Luxury Housing Still in the Money

Upper end housing priced above R3,1m is the only sector of the South African residential property market that is still showing positive growth.

According to data released earlier this week by Absa, luxury house prices valued at between R3,1m and R11,5m rose 4,5% in first quarter 2009 year-on-year (y/y). That is in stark contrast to house price movements in the market priced below R3,1m, which saw a drop of 0,3% over the same time. First quarter 2009 was the first time in 23 years that Absa has recorded an annualised drop in middle-segment house prices.

Jacques du Toit, senior property analyst at Absa Home Loans, says the luxury segment end of the residential property market is holding up visibly better than the middle end where prices are now dropping over a wide front. "This may be because the upper end of the market is to some extent being less affected by trends in economic factors such as inflation, interest rates and employment."

Although growth in upper end house prices is no doubt also slowing (down from 7,6% in fourth quarter 2008), the slowdown has been far more gradual than that of cheaper homes. Growth in luxury house prices have decelerated from a peak of 23% in third quarter 2004 to 4,5% in first quarter 2009. Middle segment house price growth has dropped from a peak of 35% to -0,3% over the same period.

Anecdotal evidence from estate agents appears to support Absa's findings, with many still reporting steady demand for homes in upmarket suburbs. Laurie Wener, Pam Golding Properties' (PGP) MD for the Western Cape metro region, says Cape Town's swanky Atlantic Seaboard, for instance, continues to attract buyers despite tough market conditions.

Wener confirms that prices tend to be more stable in upper end than in cheaper suburbs. "Owners of high-end properties, particularly on the Atlantic Seaboard, tend to reside there far longer and therefore sell less frequently than one would expect in other areas. This trend naturally prevents a flood of stock onto the market, which might result in significant price fluctuations."