

New Report Shows Power of Cash

Cash sales - defined as transactions where no bond is registered at the time of transfer - have been on the rise since 2007 and now account for fully one third of all home sales in SA.

That's according to a report on changing buyer trends recently released by the South African Property Transfer Guide (SAPTG) and based on Deeds Office statistics and data.

The report shows that, having declined as a percentage of total sales between 2003 and 2007, cash sales then began to rise again and reached 33% of all sales by the 2008/ 2009 reporting period. On breakdown, cash sales now account for 35% of full-title sales and 30% of sectional title sales.

What is more, they account for 35% of the rand value of all sales, says Dieter Deppisch, national manager of property data research for the Knowledge Factory.

He highlights the the introduction of the National Credit Act (NCA) in June 2007 as a catalyst for the increase in the ratio of cash sales to bonded sales. "As expected, the NCA and subsequent tighter lending criteria have driven cash sales upward as a percentage of all sales.

"In addition, with repossessions on the rise the fortunate few with sufficient liquidity are picking up bargains at auctions and boosting the cash sale percentage. Property is also an increasingly attractive asset class for investors disappointed by recent poor returns in the equity market and other investment classes. Property, while no get-rich-quick-scheme, is being favoured as a 'safe haven' that will yield healthy returns in the long term."

Deppisch says the trend is also being magnified by the growing numbers of estate agents that are responding to the market downturn, tight lending criteria and high bond decline-ratio, by actively targeting cash buyers. Though foreign cash buyers do feature, the vast majority of deals in this sector are to local buyers.