

Property Trends for 2010

Data shows house prices will rise, albeit modestly.

With the World Cup looming and plenty of post-budget positive sentiment flowing, Dieter Deppisch, head of Property Data Research at the South African Property Transfer Guide (SAPTG), assesses three trends that will significantly impact the property market this year and their implications for buyers and sellers.

1. House prices will rise, albeit modestly

The demand for property, while remaining weak, still exists. Some real estate agencies reported an increase in sales in the past eight weeks, for example, although this increase is off a very low base.

Analysis of the SAPTG data points to a market that is bottoming out, but one that faces a long, slow recovery. Our data is in line with industry projections of 6-8% nominal growth this year, which, along with the predicted CPI levels and stable interest rates, will augment buyer sentiment and should account for more signatures on sale contracts.

While we remain confident that dissipating recessionary factors, together with a slight increase in risk appetite on the part of lenders, will see upward trends in the property market become apparent this year, these will remain modest. Not all areas have recovered and many significant risks remain, including the Eskom crisis, affordability issues, access to credit and high property stock levels.

2. Property investors will make greater use of technology

Another emerging trend is that savvy property professionals and investors will make greater use of technology to ferret out opportunities in 2010. Predictive pricing models continue to improve in accuracy and enable knowledgeable investors to appraise residential dwellings for market-related prices before calling in the experts - and using these tools is likely to become mainstream this year with the launch of convenient, mobile phone-based real estate valuations services to the public for the first time.

3. World Cup effect on property likely to be local

It's unlikely that the 2010 World Cup will stimulate a buying frenzy among foreign property buyers. Visitors to South Africa will, undoubtedly, be enamoured by the country's landscapes, climate and people, but we must remember that these visitors are just emerging, fearful and cautious, from punishing recessions in their home countries.

On the other hand, the World Cup Local Organising Committee (LOC) is hard at work cultivating national pride, which may actually bolster local opinion in favour of home buying rather than renting and lead to additional sales.

Support sentiment with data

For property investors, there are plenty of great opportunities. Some will cash in on the opportunity to provide accommodation to sports fans. Others will wait in the wings and pounce on the bargains that arise as sellers continue to choke on a debt-to-income ratio which, while declining slowly, remains still near the historic high of 79%.

It is still a 'buyer's market' and will remain so in the medium-term. Financially-able buyers are spoilt for choice and blessed with a glut of well-priced properties, which can encourage them to submit offers that make sellers laugh hysterically or gag. So, if you are thinking of selling your property, hanging on for a little longer is likely to benefit you in the long-term.

Whether you are thinking of buying or selling this year, make sure you arm yourself with accurate data and take advantage of the tools that are becoming available, rather than basing decisions on unreliable outlooks, such as World Cup euphoria, or sentiment alone.