

South Africa Down in Global Home Price Ranking

South Africa now ranks 16th among 46 countries in terms of global house price performance, figures released this week by UK property group Knight Frank show.

In 2005/2006, when SA house prices were still racing ahead at 30% plus/annum, SA was rated by Knight Frank as the world's best-performing housing market. However, in first quarter 2009, SA for the first time joined the ranks of 31 other countries where house prices are now falling.

The Knight Frank Global House Price index, which uses Absa's data for SA, shows that SA house prices slipped into negative growth territory for the first time since 1986. But SA's dip of -0,3% in first quarter 2009 (y/y) is nowhere near the falls of between -16% and -36% recorded in places like the UK, US, Singapore, Dubai and Latvia over the same time.

According to Knight Frank 15 out of the 46 countries tracked in its housing index were still recording increases in first quarter 2009. Israel led the pack with prices up 10,9%, followed by the Czech Republic (9,9%), Jersey (6,9%), Switzerland (5,6%) and India (5,1%).

Nick Barnes, head of international research at Knight Frank, says the world's housing markets remain under intense pressure despite a slight improvement shown in some countries in first quarter 2009. He says the uptick seen in some markets in recent months may yet turn out to be a false dawn. The better performing markets also tend to be smaller and with fewer structural imbalances.

"The inescapable trend is that the worst and most widespread economic recession since the 1930s continues to batter housing markets across the globe. Rising unemployment, added to constrained credit conditions, mean that housing demand remains suppressed. Confidence is low in most markets, which is inevitably having a negative impact on house prices."

Barnes maintains that although there is sporadic evidence of buyers snapping up what they perceive as bargains, many are still waiting for clearer signs that housing markets are approaching the bottom of the cycle. "The shorter-term future direction of most underlying economies suggests that the world's residential markets are likely to continue to suffer for some while."