

US slump will not hit South Africa property market

The current slump in the United States' housing market is unlikely to have a major impact on South Africa's housing market, a leading bank said.

"Local house prices are unlikely to be affected materially by the lower segment housing crisis in the US," said Standard Bank senior economist Elna Moolman.

"Local house prices are driven primarily by local economic factors." The median house price in South Africa rose marginally in March to R580,000 from R570,000 in February, recording a 1.8 percent month-on-month growth, while year-on-year growth moderated modestly to 8.4% from 8.6% in February.

The five-month moving average rate, which is one of the measures used to represent trend growth, remained flat at 7.7% in March from 7.6% year-on-year in February.

Moolman said slower US economic growth resulting in falling exports from South Africa could have an indirect affect on the South African housing market.

"Linkages between different countries' property markets are typically weaker than the relationships between other types of assets such as shares," said Moolman.

"The simultaneous increase in house prices across the globe in recent years was largely attributable to lower interest rates and strong economic and income growth in these countries, rather than a pure herd-like increase in investors' appetite for property investments."