# Eastern Cape Property Market Improves

The Eastern Cape residential property market appears to have battled its way back from a severe slump that coincided with the severe economic recession, according to the latest FNB property barometer.

The year-on-year rate of increase in the average house price was 8.6% in the first quarter of 2011, which was a further increase on the 7.1% of the previous quarter, and this represented the fourth consecutive quarter of positive year-on-year growth in the index.

"Our FNB valuers' panel still, however, suggests that there is some work to be done in restoring the market balance to a healthy level - rating demand is still weak relative to the way it rates supply.

"In effect, the results of our FNB estate agent survey for the Nelson Mandela Bay Metro support this view. The agents surveyed still suggest a somewhat unrealistically priced market in the province's largest city region, with 87% of sellers still having to drop their asking price in order to sell, as at the first quarter of 2011 - using a two-quarter moving average - while the average time of a home on the market was 12.1 weeks, where an average of nearer to two months would arguably suggest a healthy market," said FNB property strategist John Loos.

The province was more dependent on the highly-cyclical manufacturing sector than the more services-driven economies of the Western Cape and Gauteng. Loos said this was reflected in the severity of the slump in the province's house prices around 2008-09, because the manufacturing recession in SA was far more severe than was the case in other major economic sectors.

Loos said the estate agent panel indicated that there had been significantly more first-time buyers, less financial stress-related selling, and higher rates of upgrade-related selling than around 2008, all suggesting that interest-rate cutting since late-2008 had brought significantly greater comfort to the region's residential market.

Agents also pointed to a recent rise in the percentage of Mandela Bay sellers that sell in order to re-locate to elsewhere in SA to about 12%, significantly higher than the national re-location selling average of 8%.

"Finally, in 2011 we expect a flattening out in the residential buying market, given the expectation of no further interest rate cutting and possible interest rate hiking late in the year.

"However, simultaneously, we expect the region's rental market to continue its apparent strengthening trend through 2011, buoyed by a lack of buy-to-let buying constraining supply growth in properties available to rent, as well as the prospect of interest rate hikes making the rental option attractive for a certain group of would be future buyers," he said.