

# Finance access remains tough for consumers

By [Adrian Goslett](#)

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During 2015 the South African residential property market continued to see improvement with consumers still placing a high value on home ownership. This is despite the fact that consumers experienced increases in electricity tariffs and interest rate hikes.



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While there were many prospective buyers who struggled to meet deposit requirements during 2015, those with access to finance were ready to embark on their journey towards home ownership and get into market as soon as possible. That said, I believe that access to finance will continue to be tough for consumers in the new year.

## Rising interest rate cycle

The effects of the recent interest rate hike will impact the property market moving into 2016. The Reserve Bank has been warning consumers that we are currently in a rising interest rate cycle, and will be for some time. It is highly likely that we will see further rate hikes during 2016, which will continue to put financial pressure on consumers. Rate hikes will influence affordability ratios and make it more difficult for prospective buyers to gain access to finance.

While the residential property market has shown improvement, consumers who are looking to purchase property in 2016 will need to start preparing themselves now by focusing on building savings and reducing their debt-to-income ratios as much as possible.

## Stock shortages still a reality

Although most areas are performing well in terms of house price growth and sales volumes, markets in and around metropolitan areas are slightly more accelerated than their non-metropolitan counterparts. Another trend that we are seeing is that homes are generally spending far less time on the market than they did post-recession. Properties in good locations are selling within two weeks on average, whereas these same properties would have sat on the market for months before selling during 2010. This trend is expected to carry over into 2016 with stock shortages still a reality in some areas. Other factors that will have an influence on the residential market will include potential hikes in the fuel levy, along with personal

tax.

Those who are unable to meet the necessary affordability ratios in 2016 will be forced to stay within the rental market a while longer. The rental market has seen good growth during the past year, with demand also outstripping supply, particularly in areas around CBDs.

Access to finance will have a major impact on the demand for rental properties, especially those that are well-placed close to business hubs and a wide range of amenities. Buy-to-let investors should aim to grow their property portfolio to benefit as much as possible from the growing rental demand.

## Gated communities to remain popular

In 2016 we will continue to see excellent growth within the affordable housing sector, as well as continued demand for homes within gated communities that offer security. Security in South Africa is, and will continue to be a major factor that influences buying decisions, one of the many reasons why gated communities and estates will remain a popular choice among home buyers. Homes with lower maintenance requirements will also continue to be popular, mainly due to increased utility and municipal costs which are placing additional pressure on consumers' pockets.

While there is any number of factors that could influence the property market and its performance in the year ahead, the residential market continues to hold its own, despite challenging economic conditions. Over the long-term, property has proven to be a solidly performing asset and should be a core component of any investment portfolio. The crux is for buyers and sellers to understand the market conditions in which they are trading and tailor their buying and selling decisions and behaviour accordingly.

## ABOUT ADRIAN GOSLETT

Adrian Goslett is CEO and regional director of RE/MAX Southern Africa. He joined RE/MAX Southern Africa in 2005 as a franchise development consultant, supporting various regions and offices. Throughout his career at RE/MAX he has held various positions. In 2010, after successfully leading 160 offices and over 1500 agents in six countries through the worst years real estate has ever seen in South Africa in 30 years, Goslett was appointed as CEO of RE/MAX Southern Africa.

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