Buyer's market emerging for property heading into 2018

By Samuel Seeff

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The property market has shifted notably over the last 18 months as the fall-out from the weak political and economic climate, poor growth and credit downgrades continue. The inevitable result is that this rather good performing economic sector is now also taking strain.

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While it was a seller's market until early 2016, we saw a progressive shift throughout 2017 manifesting in lower demand, rising stock levels combined with a decline in buyer confidence, flat price growth and deals taking longer to conclude.

At the same time there is still a lag on the sellers' side of the equation with price expectations out of step with the market. The result is an overall weaker market with low levels of liquidity that now favours buyers in most areas.

Market down despite better fundamentals

Overall, the market is now down by about 15-20% from the 2015-highs. This despite operating in 2017 with slightly better fundamentals compared to 2016, being a lower repo rate (6.75% vs 7% in 2016) and slower inflation (5.3% vs 6.5% in 2016).

Even the stand-out Cape is beginning to slow down, although it continues to benefit from a broad base of demand in addition to the normal course of business in local demand. This includes a constant flow of semigrating buyers from other areas, along with investment and holiday demand.

Foreign buyers are also still investing, although at levels below what we would expect. The reported slow-down in semigration, while a fall-out from the poor economy, is also in large part due to the slow rate of sales in other provinces, especially Gauteng. The high prices in the Cape has also put a dampener on this market.

Notable slow-down in upper end market

The mid-market below R2m remains the most active, but very susceptible to financial strain. The upper end, despite being able to better absorb economic fluctuations, has seen a notable slow-down in the Gauteng market above R5m and in the Cape above R8m and above R18m on the Atlantic Seaboard. The holiday and investment market has also slowed as an inevitable fall-out from the weak confidence levels.

The finance minister painted a subdued outlook in his mini budget and we are in for a tough economy and property market in 2018. While by no means gloom and doom, it is a period of prudence ahead for property.

Although we are looking forward to a busier summer for the market, especially the first part of the year when there is always higher activity, the biggest challenge for the economy and market remains the unstable political climate and poor economic decision-making.

SA property remains a good investment

That notwithstanding, history has shown SA property to be a good investment with growth rates that generally outpace inflation during a positive economic phase, as we have seen over the last few years. Property remains a good investment, especially if it is your primary home and there is nothing more important than owning the roof over your head. It provides stability and a base upon which to build a life and wealth.

Regardless of the state of the economy, there will always be people who need to buy or sell for a variety of reasons and there is opportunity in every market. Every economy and property market goes through cycles and it is always best to take a long-term view.

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.