Mini budget's sobering economic outlook points to period of prudence for property market

By Samuel Seeff

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The key messages to take out of Finance Minister Malusi Gigaba's maiden mini budget presentation to parliament - being poor economic growth and rising sovereign debt levels - all point to a period of prudence for the property market.

Image source: www.southafricanimmigration.org

While we do not expect any impact in the short term, property stakeholders should pay special attention to the weaker economic growth outlook which has been downgraded for this year from 1.3% to 0.7% and is expected to only reach about 1.9% in 2020.

At the same time, inflation is expected to remain in the 5.4% range for 2017 and settle to around 5.2% in 2018.

While we are looking forward to a busier summer period for the property market, sellers in particular need to note that the market has shifted notably over the last year with overall trading volumes now down by about 15%-20% from the 2015 highs.

Property stocks rise

Property stock levels continue to rise while the number of buyers in the market continues to decline and many are taking a wait and watch approach. There is still plenty of activity to keep the market ticking over though, but you will need to keep your price expectations in check, he said.

There is no doubt that the market is in transition and many areas are beginning to report a shift to a buyers' market. Importantly though, not all areas are experiencing the same degree of shift and there are marked area, city and provincial differences. It is therefore best to work with an area specialist who has been through the various market cycles and can best advise you on your selling, buying or letting decisions.

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.

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