

How house price appreciation provides insights into greater market trends

Often referred to as house price appreciation rather than inflation, the rising cost of real estate affects both buyers and sellers as well as landlords and tenants.



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As at end November 2021, the annual house price inflation rate in South Africa is 4.57% and monthly is 0.29%. The latest report from Lightstone Property states the following: “National year-on-year house price inflation is at 4.6%, marking a third consecutive month under the 5% growth mark. Prices in the low value segment continue to outgrow those in the higher value segments. The inflation rate for this segment is currently at 9.6%, almost double that of the mid value segment (5.1%).”

Regional director and CEO of Re/Max of Southern Africa Adrian Goslett explains that it is important to remember that these are national averages that speak to greater market trends rather than hyper-localised information.

The same Lightstone report states the inflation rates for each province range from 4.7% in Gauteng to 7.7% in the Eastern Cape. The Western Cape is at 7.1% and KZN is at 5.5%. “Understandably, variations within each suburb can also be expected to make up the provincial average. Buyers, sellers, landlords and tenants should keep this in mind when deciding how this information is relevant to them. For more specific information about the trends in any particular suburb, it would be better to consult a local real estate professional who works in the area,” Goslett highlights.



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A broad-stroke picture

In general, however, Goslett explains that these national and provincial averages provide a broad-stroke picture of what sorts of returns an investor can expect to make on a real estate investment. “For buyers, these averages can provide an indication of how much more a property will cost if they buy in a year’s time from now. For landlords and tenants, these averages can provide an indication of what a fair annual rental escalation could be.”

Goslett adds that a key consideration to judge house price appreciation figures against is the national consumer inflation average, which is currently 5.5% as at end November. “To ensure a good return on investment, those looking to purchase should find areas where house price appreciation has a good history of beating consumer inflation. Similarly, sellers might want to delay putting their home on the market if house price appreciation has been below consumer inflation for some time. Markets tend to swing back, so sellers have a good chance of enjoying better returns if they wait for the market to become more favourable,” he elaborates.

There are various ways in which house price appreciation figures could be useful to an individual. However, for a more accurate view of what is happening in your own market, Goslett recommends speaking to a real estate professional who knows the growth trends within your specific area.

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