

Positive growth in Western Cape housing market to continue

 By [Adrian Goslett](#)

9 Jan 2017

While house price growth has slowed throughout the country, the Western Cape's property prices continue to move along an upward trajectory. The housing market in the Western Cape has enjoyed the lion's share of the positive property price growth, while the rest of the country lags behind. A trend we expect will continue in 2017.



© Anthony Brown – [123RF.com](#)

Pockets of excellence

The market is likely to experience only marginal property price growth during next year. Property price growth will again slow in most areas, however, there will be pockets of brilliance, such as Somerset West which is still providing a great return on investment. Other pockets of excellence such as Lakeside provide a lower entry-level, but will soon shoot up in value due to a growing demand in Cape Town's Southern Suburbs.

Investors may not be as excited about the prospects of capital growth in the short term, but then again property was always designed to be a long-term investment. It is important to bear in mind that house price growth is relative, as the average consumer will continue to buy and sell regardless of the economic climate due to life stage requirements.

Investors will need to be discerning

Going forward, investors who are looking for good returns on their investments will have to be more discerning of the areas they invest in and the untapped potential of so-called 'up and coming' areas. Cash will very much become king in the medium term and buyers who have access to the necessary resources will likely benefit at the closing table.

Downgrade will hurt the consumer and property market as a whole

Moving into 2017, all eyes will be on the rating agencies and whether the country's credit status is downgraded to junk status. Earlier in 2016, Moody's Investors Service rating agency affirmed the country's status at two notches above sub-investment or junk status but gave the country a negative outlook. If the country is downgraded to junk status during the course of 2017, access to finance will become more expensive and interest rates will soar.

A downgrade will have a negative impact on consumers and the property market as a whole. Essentially, the country's rating impacts the cost of credit. A junk status will mean that it will cost more for the government to borrow money, which in turn will have a knock-on effect on the consumer.

Financial institutions will need to hold more money in reserve, which will make it more difficult to obtain credit, and the credit that is granted will come at a higher cost. Saving will become tougher but will also become more critical in respect of deposit requirements and the ability to negotiate better rates based on less exposure for the bank.

A slow market

During this year RE/MAX of Southern Africa has experienced abnormal property sales volume growth in comparison to an industry-wide dip of around 15%. For most, property sales have declined as buyers adopt a wait-and-see approach to the current market. Challenging economic conditions have had their impact on the property market. More focus will need to be placed on job creation during next year if we have any hope of igniting the economy and increasing the number of qualified buyers in the market.

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.

- ▀ Predictions for the 2023 housing market - 7 Dec 2022
- ▀ When will housing market activity return to normal? - 16 Sep 2021
- ▀ Interest rate holds steady in face of economic instability - 23 Jul 2021
- ▀ What to do when a tenant asks for pets - 28 Jun 2021
- ▀ Should bond equity be used for debt? - 3 Jun 2021

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>