

For property investors it remains a buyers' market

Lightstone Property recently released their Residential Property Indices for March 2020. This is based on analysis of data from official sources such as the Deeds Office registry and Surveyor General regarding residential property transfers to mine data pertaining to properties that have "repeatedly transacted in a certain time period and are less influenced by the mix of transacting properties".



Paul Stevens

According to their analysis, the current national house price inflation rate is 1.85%. For some context, Lightstone notes that national house price inflation "peaked at 6.35% a year in 2014 during the market's recovery following the 2007-2008 crash and has been slowly decreasing thereafter closing at a five-year low of 1.7% in 2019".

Paul Stevens, CEO of Just Property, notes that buyers who bought a property after 2014 (when house price inflation peaked) are unlikely to have equity beyond the outstanding balance on their home loan. "The fair market value of your home may not have changed much since you bought it," he explains.

Low market activity

The Lightstone report reflects the low market activity and echoes Stevens, noting that "buyers find it expensive to buy property and current homeowners refuse to sell for less than they bought in the presently sluggish economy."

“In January 2020 the Monetary Policy Committee (MPC) announced a reduction in the benchmark interest rate by 25 basis points to 6.25%, and that is positive news for the consumers’ budget,” the report continues. “However, it is not enough to offset the rise in fuel costs, electricity and other basic utility rates, and further stimulate market activity. We therefore expect the market to remain in consolidation with a good chance of lesser growth and activity in 2020.”

But all is not doom and gloom. Looking at the detail contained in the report Stevens has identified some good news. “The latest provincial growth there is 4.7% (the highest in the country, followed by the Western Cape at 3.6% and the Northern Cape at 3.6%).”

In fact, Stevens points out, coastal property inflation is outperforming non-coastal properties, a trend that has been developing since mid-2013.

“The low-value band (properties valued at less than R250k) is showing the best property inflation at about 10%, while the luxury-band (valued at more than R1.5m) is performing the worst, showing negative growth,” says Stevens.

What does this mean for homeowners? “If you don't have to sell, it may be better to hold onto your property,” he says. “However, if you are in a position to buy, then it's a great time to invest.”

Finding value for money

“It's a buyer's market and you are likely to find value for money now. Consider buying a coastal property to let, especially in areas where you can tap into the buoyant student and holiday or short-stay markets,” he advises. “At times like these, with banks approving more first-time home loans, and 100% mortgage bond the market presents a great opportunity for those ready to take the plunge and invest.” Just Property currently has in excess of 10 000 properties to buy or to rent across South Africa and, with more than 18 years as the leading rental agency in South Africa, the brand is well-placed to serve clients who want to buy and/or let property.

Stevens adds the rider that if you're buying in an area you are unfamiliar with, a professional agent who knows their area well is essential for even the most experienced and astute investor. “And if you're entering the market for the first time, an experienced agent will make the process so much less stressful.

“It is daunting, but knowledge always brings confidence. I advise first-time buyers to educate themselves. A good property company should have more than just properties for sale on their website. Do your research. For example, on the Just Property website you will find ‘Your Property Journey’. This has been developed to demystify the process and show the exact process you go through when buying a home. Take the guesswork out of how to prepare yourself financially, what the hidden costs are and what size home loan you will qualify for. You'll also find a bond repayment calculator and a form that allows you to apply for a credit check on the website.

“We're in the business of helping our clients build wealth through property, and with the market offering opportunities to expand a property portfolio or to buy a first home, it's the perfect time to make your property dreams reality,” Stevens concludes.

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