

## **FNB survey indicates a decline in residential property market**

South African economic indicators have recently pointed to some slowing in the economy, after a period of relative strength in the summer quarters. However, while a slowing economy may have some dampening impact, some care should be taken with interpretations, as the second quarter is generally a weaker seasonal period than the first quarter.

The second quarter 2012 FNB Estate Agent Survey did not give one the idea that the market currently has a strong sense of direction, but the sample of agents did come out with a slightly more negative view of the domestic residential property market than the preceding quarter. However, important to bear in mind is that seasonal factors can play a significant role, and the second quarter survey often comes out weaker than the first quarter, as the country heads into the winter period. The second quarter residential demand activity indicator declined mildly from the previous quarter's 6.05 to 5.87.

### **Houses stay longer on the market**

Other indicators emanating from the survey suggest that there was a deterioration in the balance between demand and supply in the residential market, something that is not only driven by demand slowing but by the availability of stock for sale as well. In the second quarter, the average time of homes on the market prior to being sold rose from the previous quarter's 15 weeks and 6 days to 17 weeks and 4 days.

Despite agents pointing to a longer period of properties on the market, which is often seen as a good indicator of pricing realism in the market by sellers, they simultaneously point towards a very slight improvement in other indicators of pricing realism. The percentage of properties sold at less than asking price was 87%, which was a slight improvement on the previous two quarters' 90% and 88% respectively.

### **First time buyers are declining**

The level of first time buying is also a good indicator of whether market conditions are improving and, given this group's high dependence on credit, possibly also an indication of whether credit is becoming easier to obtain. After a steadily improving trend in the first time buyer percentage from the 2008 low, it has begun to appear as if this percentage has been flattening out and perhaps starting to decline a little. From 25% in the first quarter, the second quarter first time buyer percentage declined to 20%.

The survey respondents continue to point to significant financial pressure amongst households. When asked to provide an indication of the reasons as to why people are selling their properties, in the second quarter they estimated that 20% of sellers were selling in order to downscale due to financial pressure. This is unchanged from the previous quarter, and remains a very high number. This arguably needs to be read in conjunction with the percentage of sellers selling in order to upgrade, which declined mildly from 17% of total sellers in the first quarter to 15% in the second quarter.

Although there were no strong moves in the results of the second quarter estate agent survey, the overall impression gained from the sample of agents surveyed is one of mild weakening in the market. Agents also still point towards a very significant level of financial pressure, which manifests itself in a still high percentage of sellers downscaling due to financial pressure, and this should be a concern given that interest rates are

huge relief at their current multi-decade lows.

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