

## **REALNET DAVEL PREDICTIONS FOR 2013**

Jan Davel, MD of the RealNet estate agency group, says household finances are likely to remain under severe pressure in 2013, which will limit the ability of prospective buyers to qualify for bonds and become homeowners.

On the one hand, he says, the increased consumer appetite for credit in 2012 has been matched by aggressive lending in the personal loan environment, and many households will be carrying an increased debt load into 2013.

“Then on the other hand, real disposable incomes are likely to shrink due to such factors as Eskom tariff hikes, rising food and fuel prices, higher municipal rates and the introduction of e-tolling.

“So debt ratios that have been declining will, in many cases, go back up again and choke off demand. Many households will simply not be able to qualify for a home loan, despite the fact that interest rates are expected to stay low in 2013.

“And those same low interest rates will make it difficult even for those without much debt to grow their savings and pay the substantial deposits that banks so often require now in order to grant a loan.”

Meanwhile, says Davel, there still is an abundance of distressed properties being sold by the banks at much-reduced prices – about 80% of current market value, on average – and this will have an additional negative effect on house price growth.

“Consequently, we expect relatively low nominal house price growth during 2013, and negative real house price growth, similar to that in 2012.”

As for the real estate industry, he says, this will be going through a “detox” procedure in 2013, as current real estate practitioners have until the end of 2013 to bring their minimum qualifications up to date, while Continuous Professional Development has also been brought into play.

“These barriers to entry, together with legislation like the Consumer Protection Act, rising consumerism, ever improving technology and a much more efficient Estate Agency Affairs Board will all have an extremely positive influence on the industry, since agents who don’t pay attention to the new training requirements, skills intensities, rules, procedures and market conditions will be unable to keep up with those who have geared up for a more professional arena.

“In other words the industry will be say good-bye to many of the ‘not-so-good’ operators.”

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