how can we help you?

PROPERTY BAROMETER – AREA VALUE BANDS

There is little to choose between the house price growth performances of different price segments, but the lower end has been performing marginally better of late.

12 November 2013

AFFORDABLE AREA PRICE GROWTH IS BEST BY A SMALL MARGIN

Recently, our FNB Estate Agent Survey has pointed to the lower income/price areas of the residential property market having the strongest fundamentals underpinning them. These fundamentals include stronger activity ratings, and more noticeable declines in the average time that a property remains on the market prior to getting sold.

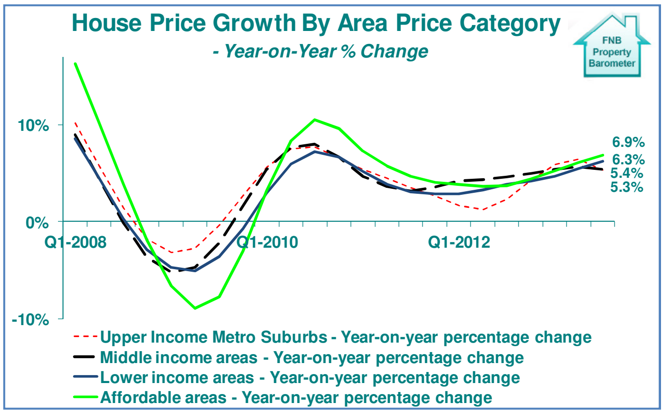
Using Deeds data relating to transactions by individuals, we group areas into 4 "Area Value Bands" according to the longer term average prices of these areas.

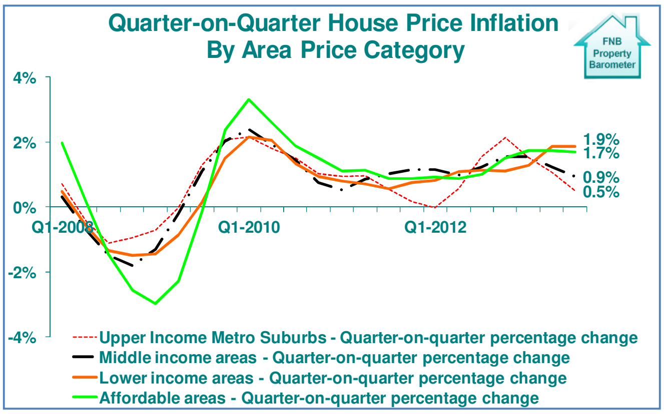
The 4 area value bands are the "Upper Income Area" value band, with a 3rd quarter average price of R2.038 million, the "Middle Income Area" value band, with average value of R1.221 million, the "Lower Income Area" value band, with average value of R790,706, and the "Affordable Area" value band, with average value of R417,299.

On a year-on-year growth basis, all 4 value bands have recently moved in a very narrow range. As at the 3rd quarter, the Affordable Area Value Band showed the highest price growth of 6.9%, followed by Lower Income Areas with 6.3%, Middle Income Areas with 5.4%, and the lowest growth of 5.3% being recorded by Upper Income Areas

On a quarter-on-quarter basis, segments' price growth comparisons would appear to show that the 2 higher priced area value bands have been losing some growth momentum in recent quarters, leading to a mild widening in the price growth gap between the 2 lower segments and the higher end, in favour of the lower value segment.

This tends to support the recent findings of our Estate Agent Survey by segment. While all 4 area value bands appear very well-balanced but without any fireworks, early signs of slowing growth in the upper segments could possibly be a sign of household sector financial limitations mounting after a period of slightly stronger general house price growth since early-2012.





JOHN LOOS:
HOUSEHOLD AND PROPERTY SECTOR STRATEGIST
011-649 0125
John.loos@fnb.co.za