

## **ooba expects zero property price growth**

Second quarter 2016 statistics released by ooba show nominal house price growth of 2 percent year-on-year compared to the second quarter of 2015. The Average First-time Buyers' Purchase Price fared slightly better, increasing by 2.8 percent year-on-year.

Rhys Dyer, CEO of ooba, says: "The sharpness of the decline in property growth in Q2 of 2016 is emphasised if one looks back to ooba's statistics for the first quarter of 2016 when the year-on-year growth of the Average Purchase Price was up by 6.2 percent from the first quarter of 2015.

"Slowing economic growth, increasing unemployment, escalating inflationary pressure and higher interest rates continue to erode consumer affordability. Consumer confidence is at its lowest level in years. With property price growth below Consumer Price inflation, we expect zero to negative property price growth in real terms for a while to come," adds Dyer.

Other statistics released by ooba show significant growth in the number of black home buyers entering the local residential property market over the past 12 months.

Says Dyer: "This reflects the changing economic demographics in South Africa. Black home buyers represented 62 percent of applications received by ooba in the second quarter of 2016, a 4% increase on the same period in 2015. Similarly, 73% of all applications received from first-time home buyers were from black home buyers compared to 70% in 2015."

ooba statistics continue to show a trend to higher Approved Bond Sizes, up 7.1 percent year-on-year from the second quarter of 2015, coupled with a marked decline in the Average Deposit as a Percentage of the Purchase Price, down 28.5% year-on-year.

Dyer says: "Although these trends appear to indicate healthy competition amongst banks, in reality it is probably indicative of the mix of business accepted by banks rather than banks relaxing their deposit requirements. Banks continue to be circumspect in their selection of successful bond applicants."

Consumer affordability pressure is confirmed by lower bond approval rates, down by 4.5 percent year-on-year from the second quarter of 2015. Dyer says lower approval rates indicate increased housing and mortgage finance affordability pressure on home buyers along with the escalating costs of lending. The year-on-year increase of 16 basis points in the average interest rate in Q2 of 2016 illustrates the increased cost of credit.

"Obtaining a home loan in the current economic environment is challenging. Our bond origination services take the pressure off prospective home buyers by dealing with banks on their behalf. At an approval rate of 72 percent, ooba continues to have one of the highest approval rates in the market. Our clients can therefore focus on finding their dream home, while we use our expertise to source the most favourable home loan," concludes Dyer.

ooba Press Release