

Residential transactions: a turnaround in sight?

The property industry weathered a very difficult year in 2016. Declining sales have mauled the industry, hitting agents and homeowners alike. But there may be some good news on the horizon.

FNB's latest Property Barometer – one of South Africa's most reliable measures of South Africa's property market – points out that property transfers experienced some scary declines. In 2016, there was a 9.3% decline in the volume of property transfers made through bonds. The value of such transfers fell by some 5.3% over this period.

These figures represent transfers undertaken by individuals ('natural persons'), and are mostly accounted for by residential properties.

In other words, noticeably fewer South African households invested in property during 2016 than in the previous year, and a lot less money was flowing through the industry. This mirrors the restrained performance of the economy as a whole.

Indeed, in our experience, it seems that a large slice of the sales that took place were probably accounted for by the top end of the market. The more affluent are far less exposed to financial pressures than their less affluent counterparts. This is supported by research that shows that many households are having to halt payments of saving instruments or liquidate them entirely to meet their obligations.

The Barometer, however, has some positive news. A global economic upturn, matched by a domestic one (especially after the drought) could see better times coming. In 2017, the volume of transactions is projected to grow by 0.7%, and the value by 2.25%. This would accelerate somewhat in 2018, with volumes growing by 3% and values by 5.6%.

These are positive if unspectacular numbers. They illustrate the resilience of the property market; but they also highlight that buyers are likely to remain cautious, and demand exactly the right property at the right price.

Statement by
Richard Gray
Harcourts Africa Chief Executive Officer
Cell: 083 637 8435