

A tale of two cities, but property market outlook remains stable for 2016

 By [Samuel Seeff](#)

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Despite a now widely accepted slow-down in sales, the outlook for the residential property market for the second half of 2016 remains stable.



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While there is still plenty of activity to keep estate agents and sellers busy, we have seen that much of the energy of the last two to three years has subsided for most of the country. The exception, is the Western Cape and we are really now looking at somewhat of a 'tale of two cities' – the Cape versus the rest of the country.

The Cape is still benefiting from an influx of demand from other provinces and excellent business and market confidence is keeping the property sector very active. There is still a significant amount of development underway and new residential developments are still selling like hot cakes. So too is property with prices reaching as much as R290m on the Atlantic Seaboard this year.

Market remains well-balanced

That said, although slower across most areas (save for the Cape), the market remains well-balanced. The flat interest rate should encourage many to get into the market while they still can. We have now seen three successive meetings of the Reserve Bank's Monetary Policy Committee where they have kept the interest rate flat. At a time of weak economic growth and rising living costs, this has brought a much needed breather for home owners and buyers to still benefit from a rate saving a little longer.

The interest rate should remain flat until next year and while Mortgage originator Ooba has reported a slow-down in bond applications, the banks are still keen to lend to qualifying buyers.

That means that it is indeed a good time to buy, but buyers need to budget carefully as we are operating under volatile conditions, both economically and politically.

While FNB recently reported phenomenal price growth of 12.1% for the Cape, Gauteng and KZN just managed 4.1% respectively and the Eastern Cape 5.3%. That means that the rate of growth outside of the Cape is fairly subdued, further supporting the good buying conditions.

That said, we do not foresee anything in the short-term that will bring prices down further, thus supporting the good buying conditions.

Caution to sellers

The flip side of this is a caution to sellers not to hold out for higher prices as we are unlikely to return to the positive sellers' market that prevailed during the 2012–2015 period any time soon.

We have also seen more stock come onto the market while buyers are now more cautious about paying high prices. That means that if you are serious about selling, you would now need to be more conservative with your price expectations if you hope to conclude a successful sale.

This year has highlighted the importance of good governance and economic and political stability. Despite the recently reported slight improvement in economic growth and more stable inflation, the outlook for the economy remains weak. There is also still the significant risk of a credit downgrade in December.

The property market is directly influenced by the economy. We therefore do not foresee any fireworks for the rest of the year. Nonetheless, we are looking to see the year out with still fairly good trading.

Remember, there is always a degree of activity in the market, regardless of the economy. There are always people who need to buy or sell for whatever reason and it remains very much business as usual for the time being.

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.

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