

Housing market tells two tales

2009/08/06

The housing market is currently telling two tales.

The picture looks rosier for those homeowners that are not under financial pressure to sell, than for those in the market that are reliant on volumes.

Transfer volumes have fallen by about 60% since the period between 2004 and 2007, mainly due to a shortage of credit.

The downturn was also most severe in the more expensive segments, says Anthony Miller, managing director of Lightstone.

Miller recently spoke at the annual Rode Property Conference in Johannesburg.

He says the property transfers with mortgage financing dipped to about 50% by the middle of this year. Between 12,000 and 15,000 properties are currently being transferred each month, which will amount to 160,000 for the full year.

The affordable and township markets comprise about 38% of these transfers.

This contrasts sharply with the peak period in 2003 and 2004 when there were 35,000 transfers each month, he says.

In order for the housing market to be stimulated, there needs to be an increase in the amount of properties being financed with loans.

Furthermore, notices for legal sales are nearing a peak stage since 2000 and could be on 30,000 at the end of the year.

He says less than 10,000 of this figure will be sold via legal channels because this type of selling method is usually regarded as a last resort. "In general the other homeowners will either restructure their lending terms or sell their homes via private auctions."

A serious problem for mortgage finance institutions is that the prices of property that are under pressure to be sold, are between 30% and 50% under the market value.

Market prices have defied the general opinion and are holding up well in all segments, according to Lightstone's House Price Index.

The index compares the price of an existing house with the price paid when it was previously sold.

Traditional house price indices usually measure the average or median house price.

House prices have increased by 250% since 2000 and they are now 3% lower than the peak in February 2008 across all segments.

Miller says the decrease in house prices has reached the lower turning point and on a monthly basis they are busy growing positively.

He is optimistic that the market is reaching the end of the tunnel.

Because banks play a key role in stimulating transfer volumes, the road ahead will largely depend on their reaction to house price stability and the improvement of credit circumstances. - Elma Kloppers, Sake24