SA needs an injection of confidence to stimulate the economy

By Dr Andrew Golding

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With inflation still within the target range, but with concerns following a round of fuel price increases and other potential inflationary impacts, as was anticipated, the Monetary Policy Committee kept the repo rate unchanged following this week's meeting.

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However, amid ongoing socio-political concerns and consumers' disposable income under pressure, what South Africa needs now is an injection of confidence that will stimulate the economy and drive investment.

The tentative economic - and housing market - recovery which we have seen at the start of 2018 has suffered a temporary setback as a result of the increased tax burden and series of petrol price hikes, coupled with rising property rates and municipal tariffs such as electricity and water.

Banks remain competitive

Consumer confidence has been dented as household finances have had to adjust to reduced disposable income. Nonetheless, interest rates are relatively low and banks remain competitive and continue to show an appetite for lending, so any setback is likely to prove temporary. And according to the Pam Golding Residential Property Index, national house price inflation of 4.54% in June is up from 4.04% in January, marginally higher than the first six months of the year's average house price inflation of 4.25%.

With a younger generation eager to enter the property market and an up-and-coming segment of the market which has newfound wealth and a desire to invest in real estate, we hope to see a gradually improving housing market. With household finances under pressure and a young population, we have already seen the lower end of the housing market experience an uptick, particularly as the average price for first-time buyers is estimated by ooba at R939,000.

Certainly, what we are seeing countrywide in relation to Pam Golding Properties' sales is that well-priced homes under approximately R2.5m are selling well to a cross-section of buyers, including investors. Nationally, however, the emphasis is on homes being pegged at realistic, market-related prices. Also in regard to our sales nationally, for the calendar year to date we have recorded a slight increase in unit sales, albeit reflecting more activity in the middle to lower price bands, with the luxury market still ticking over steadily.

Gauteng showing signs of recovery

In the Johannesburg and Pretoria metros we are seeing an upward trend in sales across all price bands and even experiencing stock shortages in high demand areas. It is likely that the appeal the area holds for first-time buyers, namely affordability and the development of mixed-use properties, is ideally suited to the lifestyle of young professionals.

Coastal metro housing markets

Our offices in both the Durban and burgeoning North Coast regions of KwaZulu-Natal and the Eastern Cape coastal regions are upbeat regarding market activity, as born out by Lightstone statistics which reveal that the coastal metro housing markets – defined as being within 500m of the coastline - are continuing to outperform non-coastal markets. As a region, KZN is also benefiting from home buyers relocating from upcountry and with its idyllic year-round climate, from a growing retirement market.

Slowing Cape Town metro market

While the Cape Town metro market is slowing, this was to be expected as activity here has run ahead of the prevailing economic conditions and it makes sense for the market to consolidate after several years of above average price growth. Certainly, the drought also impacted on the housing market and this is currently coupled with the fact that winter seasonal demand is traditionally slower in the Western Cape, but we believe these are temporary concerns.

In the Boland and Overberg regions of the Cape, we are seeing people looking a little further out from the Cape Town Metro towards areas such as the Northern Suburbs, with its value-for-money homes, good schools and appealing environment. Homes in secure estates remain in demand, with buyers looking to enjoy the benefits of convenient, hassle-free living. As the year progresses towards spring and the final quarter, this is also a period when people look to make decisions regarding relocating before the new school season.

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Market trends

We expect the effect of the fuel price increases to further impact on consumers' desire to reduce commutes and live as close to the workplace as possible, and with increasingly sophisticated digital technology and many employers offering flexible working hours, increasingly work from home.

As a trend, multi-generational living is expected to gain further impetus in order to spread the burden of ever-increasing rates, taxes and municipal costs of water and electricity, while alternative forms of energy and water conservation and recycling have already become key imperatives for new and existing home owners.

As in all market cycles there are always opportunities which arise and we are seeing increasing innovations in building homes, from water saving features and alternative forms of power such as solar to container homes and now even 3D printing of houses.

New, affordable stock

With affordability an issue for many and bearing in mind the younger generation of aspirant home buyers, there is definitely an opportunity for developers in popular hubs and major centres to bring to market new, affordable stock particularly in the price band below R1.5m, and we already note the beginnings of this trend as developers respond to the growing demand for sectional title properties.

The price correction in the Cape also presents buying opportunities to capitalise on the current status quo and traditionally quieter period as this location, with all its lifestyle benefits as a world-class destination, remains as compelling as ever and those who wait too long may miss the boat altogether."

ABOUT DR ANDREW GOLDING

Dr Andrew Golding, chief executive of the Pam Golding Property group, was originally in private practice as a General Practitioner on the Atlantic Seaboard from 1991 to 1996, after which he joined the family business as MD in 1996, followed by his present position.

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