

What are the main issues that affect property prices in SA?

 By [Paul Stevens](#)

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The answer is more complex than it would seem at face value. There are various factors at play, the most important being market conditions which affect so many elements including the cost of loans.



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The repurchase rate, or repo rate, is the interest rate that the South African Reserve Bank applies to the money it lends to banks. The Reserve Bank uses the repo rate to target inflation – as inflation rises, so does the interest rate. This affects the prime lending rate that the banks set, which is applied to bonds.

As inflation and interest rates increase, the funds available to consumers for bonds decrease and it becomes difficult to qualify for home loans. This in turn affects demand and where demand decreases, house prices will follow, which results in what we call a 'buyers' market'.

Buyer profiles

While the interest rates may be an obvious contributing factor, the profile of the buyers in an area are less obvious but just as significant in determining demand, and therefore the value of your property.

In some provinces, the highest growth in home buyers is centred on the young – these purchasers would be looking for properties that are markedly different from those prized by middle-aged and older buyers. While the home that a young buyer is seeking might be similar in size to the footprint a retiree wants, the areas they prefer would be very different.

Look at the November Overview of the Current Property Landscape by Lightstone property data analysts. The age of the largest groups of buyers in Gauteng are from 18-25 and 25-35, while the Western Cape shows its biggest growth for property buyers in the ranges of 55-65, and those older than 65.

While the demand from first-time buyers for smaller homes in Johannesburg might be driven by “live-work-play” considerations, proximity to transport nodes and access to business hubs, these would be of lesser importance to the retired small-home purchaser in Cape Town. And while a 30-year-old with a family is looking to be close to the best schools, a 55-year-old is starting to prioritise other factors as their children finish school.

Remember the old property adage: location, location, location! But also factor in which segment forms the largest group of buyers in your area – that is where the greatest demand for certain locations will come from, and from that you can ascertain what it is about your area that is attracting them. If your home ticks the requirements of more than one group of purchasers, you’re going to be able to ask a higher price than the same home in a less desirable area.

Condition of the property

Other factors that affect house prices include the condition of the property. If you spend any money before you sell your house, focus on the kitchen and bathrooms. Even if they plan to do some renovations, most of our clients are looking for a property they can move into – fixer-uppers attract a lower price because of the capital outlay still required to make the home livable. Similarly, flow has become so much more important – if your home doesn’t have good flow, buyers will be factoring in the cost of improving it.

Then there are issues to consider like seasonal demand. This can be more complicated than one would expect. While sellers may think that winter would be a time when buyers are in hibernation, many actively look during the cold and gloomy months so they can see prospective homes under the “worst” conditions.

There’s a lot to consider when it comes to valuing your home. It’s hard for sellers to divorce themselves from the emotion of it, after all it is where you’ve lived your life and made your most defining memories. This is why the relationship and trust you have in your agent is so important. They should belong to a real estate group that focuses on keeping their agents fully informed about prevailing market conditions. Above all else, make sure the agent you choose is entrenched in and committed to your area. They need to be passionate about its attractions and totally conversant with who is looking and what they’re looking for.

Choose a real estate professional with the same values that you prize: honesty, integrity, optimism, excellence and innovation. You will be able to trust them to value and market your home, and eventually achieve the best price for you under the current conditions.

ABOUT PAUL STEVENS

Since 2013, Paul Stevens has been the CEO of Just Property Group Holding (Pty) Ltd which controls an international group of property franchises specialising in residential sales, rentals and management. He joined as a franchisee in 2003 and now, as CEO, drives the strategic direction of the Just Property brand with his charismatic optimism. He is also actively involved in the evolution of the South African property landscape, working closely with high-level industry stakeholders.

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