

Size does matter in the residential property market

 By [Richard Gray](#)

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Smaller-sized properties are out-performing their larger counterparts in the South African property market. This denotes both the tough times the country is going through, as well as some interesting opportunities for the industry.



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First National Bank's latest Property Barometer examines the link between house size and the growth in house prices. The trend is clear: smaller properties are rising in value significantly more rapidly than larger ones.

Small-sized properties – those of between 20-80m² in size – had shown price inflation of 8.1%, year-on-year, for the third quarter of 2016. Medium-sized properties – those between 80-230m² – saw price inflation of 5.8% over the same period. For large-sized properties – 230-800m² – price inflation ran at 3%.

Small-sized homes were priced on average at R616,180, medium-sized homes at R 1.1m and large-sized homes at just under R2m.

Aggregate growth in prices

Looking back over the past five years, the aggregate growth in prices for small-sized homes has consistently exceeded those for larger properties. For example, in 2015, the prices of small-sized homes rose by 7.5%, those of medium-sized homes by 6.1% and those of large-sized homes by 3.8%.

These trends reflect the tough economic environment in South Africa today. These include rising costs of living – especially the price of food – modest rises in interest rates and projected tax increases. FNB adds that higher transfer duties on more expensive property transactions are also playing a role. Together, this is putting larger, more expensive properties beyond the reach of prospective buyers, or at least making them cautious about committing to bonds they may have difficulty servicing.

Trends likely to continue

With economic conditions projected to remain difficult for the foreseeable future, FNB is quite correct in its view that these

trends are likely to continue.

This is a challenge and an opportunity for the property industry. South Africans have historically been attracted to the ideal of large properties. Focusing on smaller, lower-priced properties – with a lack of size compensated for by convenience or location, or innovative design – may prove a rewarding avenue for industry players to pursue.

ABOUT RICHARD GRAY

Richard Gray is CEO of Harcourts Real Estate South Africa. He joined the group in September 2010. Gray brings extensive experience in IT, project management, corporate operations and financial services provision, having been CEO of mortgage originator Bond Choice, to the table. He believes that the key to the group's prospects are the strong brand, industry-leading value proposition, talented people, and the benefits of being part of a powerful international real estate group.

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