Is now the time to buy?

By Jan le Roux

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The 1st Quarter 2013 FNB Estate Agent Survey (released just before Easter) indicates that many estate agents, in the lower, middle and upper end of the market, are seeing positive signs of market recovery.

According to the report, the property market is doing better overall: "Overall 1st Quarter Residential Demand Activity Indicator rose noticeably, from the previous quarter's 5.89, to 6.57. This is the highest level since the 1st quarter of 2007, which was just prior to the big slump in the residential property market". In essence this indicator points to an increased demand for property in most of the larger residential markets.

It is common knowledge that the lower-income segment of the market has done well over the past year or so, whilst the high end of the market has taken strain. That seems to be changing; although the report makes it clear that, for now, the lower end of the market retains its lead in terms of demand, it does make it clear that the middle and upper ends of the market are closing that lead.

We've certainly seen a lot of continuous activity in the lower segment of the market. We do also find, though, that certain areas are always high in demand due to work opportunities, as in the case of Gauteng.

Possible reasons include the low, stable interest rate and the period of positive economic growth since 2009. Estate agents are also indicating that fewer people are opting to downscale due to financial pressure, whereas they indicate that many lower-income owners are selling to upgrade (accounting for 20% of all sales from the 4th Quarter in 2012 until the 1st Quarter of 2013).

Importantly, the report reveals that more expensive properties are still on the market for longer periods than lower-income homes and that there still seems to be a better supply/demand ratio for these properties at present.

Easier to get a bond now

It is comparatively easier to get a bond now than it was two years ago, although buyers still need to have their ducks in a row in order to obtain a mortgage. However, it seems that banks will soon start tightening the reins again as rumours of an interest rate hike gain validity and a weak rand fuels consumer inflation. Obtaining a home loan might become harder in future both due to banks' stricter lending criteria and the increasing pressure on household disposable income.

I believe that purchasing a home to live in is always a good investment - everyone needs one after all and, in time, it will appreciate. There are, however, a few things to keep in mind when looking to purchase. Location is important: a property in a good area with access to amenities and schools will likely increase in value more, and be easier to sell later.

Keep unforeseen costs in mind and be able to meet them; most people prepare for buying a home by saving for a deposit and calculating their monthly bond repayments. All of which is right. However, many neglect to take the conveyancing fees, legal fees and, later, the monthly municipal costs in mind. Being unprepared for these costs can place a lot of pressure on a new homeowner.

Whilst the South African Reserve Bank decided to keep the repo rate at 5% recently, indicators are that the historically low rate will be raised, possibly by early 2015. Once the repo rate increases people will feel the pressure in terms of their disposable income - especially if consumer inflation rises. All of which implies that, provided a purchaser's finances are in order, and they can amalgamate additional costs into their budgets, now is as good as time as any to buy.

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