

Residential property sector to stay optimistic



By [Nicci Botha](#)

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Property experts agree that there won't be much change in the residential market dynamics in 2016 with trading conditions remaining relatively strong, despite the current economic and political environment.

1. Supply and demand

In addition, the trend of demand outweighing supply in the housing market looks set to continue, particularly in the metro areas due to the ongoing influx of people to the economic hubs.

2. Property financing

While off the back of fairly flat level property market sales volumes in 2015, and with home loan lenders still competing strongly for business, there is no prediction of significant changes in the home loan lending sector in 2016.

"But the poor economic growth position, which will place pressure on job security, coupled with increasing inflation and the decline in the rand, the consumer will no doubt come under increased affordability pressure," says Rhys Dyer, CEO of bond originator, ooba.

"We would also expect to see buyers purchasing within their affordability constraints, at lower levels, and banks incentivising buyers to put down larger deposits," he explains.

3. Property prices

According to Dyer, property prices are currently growing at between 6% and 7%, and this is expected to continue with only a slight deterioration. But, given the likely inflation increases, there will be a worsening in real house price growth over 2016.

However, Simon Bray, CEO of Private Property, says: "There are pockets of real estate that are considered highly desirable, for example, the Atlantic Seaboard in Cape Town or Sandton in Gauteng. These areas will continue to show above average price growth due to very high demand and limited supply."

"This will be the story of the market in 2016, some areas will perform strongly while others slow down. Location will be more important than ever," Bray explains.

4. First-time buyers

[Ooba's figures](#) also show that the average age of the first-time bond applicant is 37, which indicates that people are entering the property market later than in the past.

This can largely be attributed to the aforementioned economic factors, with many potential first-time buyers opting to delay buying a home in favour of renting.

5. Rental market

With financial constraints putting a damper on the first-timers stepping onto the property ladder - as well as the millennials' attraction to the work, live, play landscape of the inner cities - the rental market has picked up the slack on property sales during 2015 and should remain strong throughout 2016.



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6. Investment buyers

A bullish rental market is, of course, a positive spin off to the buy-to-let investor.

Chris Renecke, MD of Renprop, cites the example of the northern suburbs of Johannesburg, where there has been more development of residential apartment blocks, purely for rental accommodation.

"There's a noticeable move from institutional investors into this space. We have also seen a number of large private investors buy into schemes that have been developed purely for rental purposes," he says.

7. Densification

The trend towards densification has been around for a while and is likely to continue, largely underpinned by growing traffic congestion, long commutes and the lack of land for development nearer the city.

8. Sectional title

Closely linked to densification is the continued demand for lock-up-and-go options offered by sectional title properties.



Image source: www.mspd.co.za

"Hugely popular in 2015, sectional title will continue to grow in 2016 as more buyers opt for this type of ownership. The number of plans passed for sectional title housing in the last 15 years has increased by around 40%," says Bray.

This is backed up by ooba's figures. Sectional title properties in the R750k to R1.5m band show increased demand. The relative affordability, convenience and security of these properties, together with a need to contain household costs, means the trend towards sectional title properties, specifically close to CBDs, remains dominant.

In conclusion, the outlook for the residential property sector stays optimistic for 2016, even in the face of climbing inflation and its commensurate increases in the cost of living. While supply and demand and access to finance are likely to remain tight, the rental and the sectional title markets look buoyant.

ABOUT NICCI BOTHA

Nicci Botha has been wordsmithing for more than 20 years, covering just about every subject under the sun and then some. She's strung together words on sustainable development, maritime matters, mining, marketing, medical, lifestyle... and that elixir of life - chocolate. Nicci has worked for local and international media houses including Primedia, Caxton, Lloyd's and Reuters. Her new passion is digital media.

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