

# Tough times for real estate – but does the future look brighter?

 By [Richard Gray](#)

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Recent data on South Africa's residential mortgage market paints a bleak picture of the housing market. But beneath the concern, there are indications that a turnaround may be in sight.



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FNB's latest Mortgage Barometer indicates that the number of residential transactions fell by 4.8% year-on-year in the twelve months to the end of October 2016. Properties purchased through bonds – the standard vehicle for most buyers especially those in the middle sections of the market – were particularly hard hit, declining by 8.4%.

(To make these calculations, FNB's team uses data on transactions valued at under R10m and registered by "natural persons", the vast majority of these being residential purchases.)

## Decline in residential market

Growth in the value of transfers has also been modest, coming in at 2.1% over this period. This is well below South Africa's inflation rate for 2016, 6.8%. In real terms, the residential market has declined.

Again, the bonded market was hardest hit, registering a nominal decline of 5.5%, with the real decline being even more severe.

Non-bonded transfers were less affected. These are primarily cash transactions, and would tend to represent transactions by people using savings or windfalls, or those wealthy enough to have large sums of cash on hand.

## Overall tough economic conditions

The slowdown in the market reflects the overall tough economic conditions – they also match the experience of our agents. With the economy producing no more than nominal growth, stubborn unemployment and food prices spiked by the drought, as well as modestly elevated interest rates, home sales are fetching less than they otherwise would. Potential first-time buyers are reluctant to risk a commitment.

Fortunately, there are indications that relief is coming. Economic projections for the coming year suggest better growth and lower inflation (not least because the drought appears to be breaking). In time, this promises more money and greater confidence in the property sector.

## 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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