

Prices of Luxury Houses Buck Downward Trend

Luxury houses have been partly insulated from the residential property market slump.

Absa's latest housing review, released yesterday, showed that the affordable and luxury segments of the housing market experienced nominal growth in prices in the second quarter while middle segment houses were bearing the brunt of the price decline.

Jacques du Toit, a senior property analyst at Absa Home Loans, yesterday said prices in the luxury segment had performed better than the middle segment in recent quarters.

"This may be the result of the upper end of the market to some extent being less affected by trends in economic indicators such as inflation, interest rates, employment and income," he said.

The review revealed that the average nominal price of luxury housing, defined as houses valued at between R1.3 million and R11.5m, continued to rise in the second quarter.

Luxury house prices rose 4 percent year on year in the second quarter compared with 5.7 percent in the first quarter.

The average nominal price of houses in the affordable category, defined as houses between 40m² and 79m² and priced at R430 000 or less, increased by 1.6 percent to R287 500 in the second quarter.

Prices in this segment grew by 3.7 percent year on year in the first quarter.

All three categories of the middle segment housing market registered nominal declines in prices in the second quarter, with the average price dropping by 3.9 percent year on year to about R929 300 after a 1.9 percent drop in the first quarter.

The drop in middle segment house prices in the second quarter was the biggest since the 4.5 percent decline in the same period in 1986.

In the second quarter, the nominal year-on-year price decline of middle segment small houses (80m² to 140m²) was 4.1 percent. Medium-sized houses (141m² to 220m²) came in 2.7 percent lower and large houses (221m² to 400m²) dropped by 1.1 percent.

Nominal year-on-year house price growth was negative in six provinces - the Eastern Cape, Gauteng, KwaZulu-Natal, Mpumalanga, North West and the Western Cape. Prices grew in the Free State, Limpopo and Northern Cape.

Du Toit said nominal house price deflation was set to continue for the rest of this year but would start to slow down toward the end of the year.

He said the lagged effect of lower interest rates and a moderate recovery in the economy later this year would contribute to an expected gradual improvement early next year.