Get a Market Overview of 2009

So what is the verdict on 2009 from a residential property perspective? Was it as calamitous as 2008 and what's in store for 2010?

"2009, although possibly the worst year in the South African property sector since the 1939/1945 recession, was not the total disaster that many doom and gloom pessimists had predicted it would be in the first two months of the year," says Lanice Steward, MD of Anne Knight Porter Frank (APKF).

Drawing heavily on the recently updated FNB Global Economic and South African Property Reviews, Steward said that several sets of figures support her contention that the South African residential sector is now coming out of its recession and is set for a better year in 2010.

"First, we have to look at the IMF forecasts for the world economy in 2010. IMF anticipate a China-led revival giving a 5,1% growth in GDP overall, with even the USA at last in positive territory with a 1,5% growth, while the G4 growth will be at 2% plus.

"Second, in South Africa the year-on-year (y/y) decline in commodity values (on which we are heavily reliant) has now bottomed out and prices are on the up once again. A similar trend appears to be evident in many of our exports.

"Third, South Africa's Leading Business Cycle Indicators, boosted by the lower interest rates and the recovery of the global economy, have been rising since March this year.

"Fourth, taking these and other factors into account and the recent unexpected rise in GDP after nine months of decline, economists are now looking forward to a 2% GDP growth in 2010. This is by no means spectacular, but if I understand the experts right, it could usher in higher growth in 2011.

"In the housing sector, as we have all witnessed, the second and third quarters saw a continued slow-down in the mortgage rates issued and a return, in a few instances, to 100% bonds being occasionally made available. In the R300k to R3 million market, it is particularly interesting to see that easing credit criteria saw the loan-to-values ratio improve for the first time since mid-2008 and, although at 89% it still has room for upward movement, the predictions are that this will take place.

"Overall mortgage loans grew in value y/y by 4,5% and by some 12% in number, and these figures are continuing to rise. Certain bond originators, like Ooba, have, in fact, reported 50% plus improvements in bonds issued in the last three months of this year."

Further evidence that the residential recovery is now a reality, said Steward, is given by the FNB Activity Graph that shows a 45% increase this year in comparison with a 50% decline figure in early 2009. "Significantly, South African real estate agents have reported that the average time that a home is on the market has now dropped from a high of 21 to 16 weeks and the downscaling due to financial pressure has slowed (by 6%), while buying to upgrade has now risen by 5%."

These figures, she said, will continue to improve in the months ahead.

The FNB/Absa reports, added Steward, also indicate that since the second quarter some 25% more potential buyers see themselves being able to afford a home.

"It is particularly encouraging to note that the Affordability Index is now well above the low of the late 1990s and early 2000s."

Jacques du Toit, property economist at Absa says 2009 was still overall a worse year than 2008 from a residential point of view. "The market has suffered a lot during the course of the year, especially in the first half with nominal price growth in negative territory. However, the past three months saw same positive price growth, most probably driven by the lagged effect of lower interest rates and banks' selective relaxation of lending criteria."

He says that in 2008 price growth moved lower, but was still positive at 4%, while prices dropped in the first half of 2009, only to pick up over the past two to three months. "This year is likely to see prices declining by about 0,5% for the full year compared with 4% growth in 2008 (all in nominal terms)."

He says 2010 will see gradual improvement from current levels, with nominal price growth of at least 5% and demand also picking up further.

Dr Andrew Golding, CE of Pam Golding Property (PGP), also takes a less than sanguine view of 2009, but is full of optimism for the year ahead. "Characterised by at least a 50% fall-off in the volume of sales, an extreme scarcity of bank lending finance and, as a generalisation, a marginal fall-off in pricing, the past year has seen extremely tough trading conditions for the property industry," he says.

"We are looking forward to 2010 with great enthusiasm and optimism, having come through two tough trading years. The market seems to have reached its trough and if the last four months of this calendar year are anything to go by, then we should be in for a steadily improving market through 2010."

Steward says that in the Southern Suburbs of Cape Town the average selling price in 2009 was only 13% below that of 2007. "In Sandton, by contrast, it was well over 25% at one stage. Furthermore, our recovery is now taking place steadily, as we predicted it would, while in other areas of the country the market still appears to be fairly volatile."

She says the stability of Cape property is at least partly due to the higher values in that region. "The FNB figures show clearly that the higher priced properties on the whole fared better in the downturn than those of lower priced properties, partly because in many instances the owners were not in a hurry to sell."

Golding agrees wholeheartedly and says while trade in this particular segment has been thin, it has continued to surprise with its ability to push the top end of the residential property market in South Africa to new levels. "There have been well recorded record sales in SA's top suburbs. There is no doubt that this segment of the market has now become measurable in terms of global comparisons and therefore it is not inconceivable that these prices will continue to rise as discerning buyers find value in SA's very top properties."