

## **Property Prices to Increase by 60% in Next 5 years**

"However, the strong growth of the economy and low interest rates also made it easier for prospective buyers to own their own property, which put the buy-to-let-market under pressure against the background of a surge in supply of rental properties coming onto the market. This caused rental yields to dip to as low as 0,5% in recent times," says Gavin Opperman, Managing Executive of Absa Home Loans.

Opperman says the rental market is, however, starting to pick up in view of rising interest rates, uncertainty of where rates might peak, and the National Credit Act (NCA). These developments impact on buyers' ability to qualify for a mortgage loan to buy property, while prices are still increasing, although at a much slower pace.

"The rental market is expected to pick up further taking into account the current conditions, as well as the possible negative impact the electricity crisis may have on economic growth, employment, household income and consumption. These developments may force many households to rent."

"From an investor's point of view, these developments may benefit the buy-to-let market, especially those investors sitting on cash or those who do not have to have a high gearing on their investments. They may also have the benefit of acquiring their investment properties at a reasonable price if highly-g geared investors battle to afford the much higher mortgage repayments, while rentals are only increasing gradually," says Opperman.

Opperman says the property market is expected to bottom in 2008, with price growth projected to be in single digits. This year will most probably be the year to buy property, also as an investment. In five years' time property is expected to be about 60% more expensive than today, taking into account annual growth of 10% over this period.

Absa has recognised the unique needs of the buy-to-let investor and has recently launched an offering aimed at addressing these. With the Absa Buy- to-Let product, both novice and experienced investors are placed in the enviable position to create wealth through property ownership.

The product, which is available to investors who purchase property up to the value of R1.5 million, acknowledges the existence of future rental income and uses this in affordability calculations. Discounts are also offered on a number of items including Conveyancing Fees and Property Management Company Fees.