

South African Property Market Past Its Worst

Although Lightstone's National Repeat Sales house price inflation is still slightly negative year on year, it appears that the House Price Index bottomed out at the beginning of 2009 and that house prices are actually now on a modest upward trend, according to the latest Lightstone house price index released on Wednesday.

The report showed that monthly house price inflation (which tracks the month-on-month house price trend) was up 0,24% from March to April.

"This continues the positive trend we have been monitoring since January and appears to confirm that recent house price growth has moved out of negative into modest positive territory," said Lightstone.

"Given the volatility of monthly house price inflation, we have been cautious to confirm this positive trend, but four consecutive months of positive monthly figures gives us the confidence to confirm that house price are on the rise again."

Projecting forward to July, annual house price inflation is now effectively at 0%, which suggests that we have avoided the major house price drops experienced in foreign markets, said Lightstone.

Nevertheless, it noted that while the "normal" market appeared to be recovering, there was still evidence of major house price pressure in distressed circumstances.

The average discounts in the case of forced sales have increased from 15-45% at the beginning of the year to 25-50% currently.

With mortgage lenders having mostly accounted for their bad debt exposure and interest rates falling, there are signals that the appetite for lending is increasing, which should stimulate both the "normal" and "distressed" markets.

Hopefully the distressed discounts are also near their maximum. In fact, at the lower end of the market, the discounts are actually now decreasing, Lightstone said.

On a segment level, the affordable and mid-value segments are both showing positive annual inflation this month, with the affordable market reaching highest inflation numbers across all segments at 17%.

Even in the luxury and high-value segments, which are still negative year on year, the trend is upward.