

Turning Point in Market is Close

The much-discussed low point in house sales and house prices could now be far closer than most people realise.

Analysing the Residential Property Price Ranger's (RPPR) latest figures for the Cape Peninsula, Bill Rawson, chairman of Rawson Properties, said that these show that, despite much negative comment from the public and media, prices have held up remarkably well.

"The average house price in the Cape Peninsula from March 2008 to June 2008 was R1,998,874. While this was well down on the R2,565,866 average for the same period in 2006, it was significantly up on the R1,689,617 average for 2007 and also up on the 2005 average of R1,892,220. These figures are not discouraging."

Why then does Rawson suspect that the low point (which could also be the turning point before better times begin) could be approaching?

"If we look at the RPPR unit sales, these show that the numbers sold could now have hit rock bottom - only 404 homes in the Cape Peninsula were sold in June 2008. This is less than half the 1106 units sold in June 1998, when interest rates were at 20% and many were saying that the market could hardly be worse."

Unit sales for the last month, added Rawson, were 60% down on the same period last year - another indicator that we could be nearing the bottom of the graph.

"We are now very definitely in a new economic territory," said Rawson.

"This, I believe, is because we are now more part of the global scene which previously did not affect South Africa so closely. In 36 years of property dealing I have never seen quite such massive fall-offs in unit sales. The consumers, many of whom are newly empowered and possibly over committed, are struggling as never before to pay their way because of rapidly rising food, fuel and other prices, all of which have hit record highs."

In the circumstances, said Rawson, the economy, already "more or less killed off", in his view very definitely does not need a further brake put upon it through another interest rate hike.

He repeated, however, that now is the time to buy because unit sales are highly unlikely to go much lower than their current level and, once they begin improving house prices will respond.

"Either way, if you need to sell or buy, stay in the market as it would be a real gamble and very unwise to sell and then wait for prices to fall further before buying again."