

Latest oobarometer reports 3,4% annual rise in house prices

The latest 'oobarometer' price index, first launched by ooba in July this year, showed that average house prices have risen 3,4% in the month of September 2008, year on year.

The oobarometer also found that the average purchase price in September jumped 2,4% from August 2008 bringing the price rise since July 2008 to 1,6%.

The oobarometer recorded price declines in both July and August. September is the first price rise. With residential property sales down around 50% year on year, it is too early to say if this marginal growth in average house prices suggests prices will start rising. It is anticipated that the index will show low or negative growth in future months. With the significantly reduced transaction volumes in the residential market, the transactions mix may also be influencing the price data and increasing volatility.

Saul Geffen, chief executive of ooba, said that the average purchase price in September this year was R794 977, compared to R768 557 in the same month last year, a rise of 3,4%.

According to the oobarometer, the average price paid by first time buyers was R551 934 last month compared to R540 736 in September 2007, a rise of 2% on the prior year, and an increase of 12,6% on August 2008. This could indicate greater confidence as first time buyer's returning to the market as rates are expected to remain flat and start decreasing early next year.

The average decline ratio, which is the average percentage of all home loans applications initially rejected by banks, remained high at 51% in September, up 10,4 % on the prior year.

Geffen says that, "the higher decline ratio reflects the impact of the National Credit Act on curbing the extension of credit. Under the new legislation, banks' credit decisions have shifted to determining affordability based on net disposable income. Given the high levels of indebtedness, consumers have been hit hard with higher interest rates and the decline ratio has shot up."

“However the NCA has been positive for SA as it has lessened the possible impact of the subprime crisis within SA.”

“The international credit crisis has not helped either, with banks’ access to capital constrained.”

Of applications declined by one lender, 32% were approved by another lender ooba submitted the application to. This percentage is up on the 30% recorded in August.

The average deposit on a property has remained relatively static at around 18,6% in the past month but is about 58% higher than a year ago.