

# Expect slowing property price growth in 2017, with a few exceptions

 By [Bruce Swain](#)

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The residential property market has had its ups and downs during 2016 as the economy stagnates, the Reserve Bank started hiking interest rates again and consumers struggle with household debt-to-income. What's in store for 2017; slowing property price growth - with a few notable exceptions - an increase in demand for smaller properties, specifically sectional title, and a tightening of the belt when it comes to household savings.



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## Slowing property price growth, with a few exceptions

While certain areas – mainly in large urban centres like Cape Town and Johannesburg – have done well during 2016, the overall consensus is that property price growth in general has gradually, but steadily, slowed down over the past seven months. According to the November FNB House Price Index, this general slowing is due to lagging impact of a multi-year weakening in economic growth and possibly the impact of the interest rate hiking cycle, with the report indicating that consumers are concerned about future economic performance.

Regardless of what the economy is doing people still need a place to live, so demand in the major metropolises will continue, mostly, unabated – particularly in the R400,000 to R1.2m price range. The higher end of the market has struggled more, except in certain hotspots.

## A look at property hotspots around the country

The Western Cape has seen incredible property price growth – specifically on Cape Town's Atlantic Seaboard (which we believe is being driven by local migration from other provinces and by foreign buyers to some degree) though we're seeing strong growth in Stellenbosch and Somerset West as well (with the increasing number of gated estates and retirement villages driving the growth here). Looking at other parts of the country, we find good growth in Midrand and Vanderbijlpark (as more and more businesses move to these areas) in Gauteng and Durban North, Umhlanga Rocks and Ballito Bay in KwaZulu-Natal.

## Sectional title properties increasingly in demand

Due mainly to the increased security offered in sectional title developments, these properties are increasingly in demand – from the lowest price bracket right through to high-end estates. Another selling point is the decreased maintenance required. The new Sectional Title Schemes Management Act (STSMA) and Community Services Ombuds Service Act (CSOSA) will drive much needed reform in terms of the financial and physical management of sectional title schemes which will make these properties even more attractive going forward.

## Further interest rate hikes?

In terms of our economy, South Africa is certainly in a difficult position and much needs to be changed if we're to avoid a ratings downgrade next year. However, if the rand stabilises at current levels or better and there is no major political faux pas, we don't expect further interest rate increases in 2017. This will assist home owners but we still advise paying off all debt (cars, outstanding credit card debt) and saving by paying into a home loan as this safeguards against a weak economy with an uncertain future.

## Property advice going into 2017

Our recommendation to buyers is to do your homework – know the area you're looking at, the range of property prices and get mortgage pre-approval. Always work with reputable, qualified estate agents who can demonstrate their knowledge of the area and give expert advice and assistance.

Sellers, if at all possible, pay off your home loan, or at least pay more money into it every month as a buffer against future rates increases, interest rate hikes and any unforeseen circumstances.

2017, much like 2016, will have its ups and downs, but everyone needs a place to live so the property market will continue to grow in some areas while it slows in others. It's up to sellers and buyers to do their homework, get advice from property experts and make the smartest choice for their specific situation.

## ABOUT BRUCE SWAIN

Bruce Swain is the CEO of Leapfrog Property Group.

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