

Consumer indebtedness leading to seller's market

By [Claude McKirby](#)

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Fewer family homes are coming onto the property market in the southern suburbs part of Cape Town, creating a seller's market in mid-range neighbourhoods.

Consumer indebtedness is playing a big role in this residential bottleneck. Young families who are experiencing high levels of unsecured debt means that they are not able to reach their next economic bracket as far as real estate is concerned. This is causing fewer family homes in the R1.5million to R3million bracket to come onto the market in areas like Tokai, Plumstead and Claremont.

Another factor attributing to this shortage is the credit crunch of 2008, which meant that developers stopped building family homes in these areas. Developers are now increasingly venturing back into the market, but are opting to build apartment blocks, which offer a greater return on investment.

Between August 2011 and February 2013, the number of weekly showhouses in Tokai had dropped by 17%, Claremont had experienced a decrease of 31% and Plumstead's available stock for sale had dropped by as high as 56%.

A quick sale and full asking price

One thing we are noticing in these areas is that if you do put your house on sale it will be sold quickly and achieve full asking price, something we have not seen for a long time.

The Reserve Bank's September 2012 Quarterly Bulletin showed that in South Africa the ratio of household debt to income was at 76.3% in the Q2 of 2012, which lends credence to my statement.

Not only are young families affected by these debt levels, but buyers who are higher up the property ladder are looking at downsizing.

When managing their debt, the first thing that is considered is the monthly bond repayments, as this is the highest figure on their expense sheets. This isn't necessarily the wisest approach, says Linda Rall, from bond originator ooba. "Property is an investment, so every monthly home loan you make could be contributing to your wealth if you've chosen your property wisely."

Rall suggests that the first debts to pay off are those that incur the highest interest and those that depreciate. "Let go of assets like second-hand cars which depreciate over time, rather than gain value and consider paying off credit card debt

first as they can accumulate up to 25% interest."

I believe that the seller's market trend will continue and spread out to other suburbs that have traditional family home stock. Developers can get relatively easy approval to build apartment blocks as councils are increasingly favouring high-density living. However, families are still wanting detached houses with gardens to raise their families in, so the competition to purchase houses such as these will intensify.

ABOUT CLAUDE MCKIRBY

Claude McKirby is owner of Lew Geffen Sotheby's International Realty.
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