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Joburg homes market poised to rise

By Ronald Ennik

21 Apr 2017

The Johannesburg residential property market is set for an upturn after a long period of uncertainty and flat-lining prices. And first-time buyers stand to gain the most, simply because they don't need to sell a home in order to buy one



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Fundamentally, Johannesburg home prices at present are the most undervalued they have been in the past 20 years. There are opportunities galore to buy at a discount.

Unlike Cape Town, the Johannesburg residential property market is nowhere near topping out from a boom period – as it did in 2007.

Buyers who find the home that suits their needs and lifestyle should climb aboard now, while interest rates are still relatively low. However, they must be aware that the rates will inevitably rise in the future.

This is in spite of the ongoing concern about the shifts and changes that continue to roll out across the political and economic landscape of South Africa under the present national leadership.

Mantle of uncertainty lifted

The catalyst for this situation was clearly the presidential dismissal of Finance Minister Pravin Gordhan and his deputy Mcebisi Jonas – inevitably followed by the country’s resultant slide into international rating agency junk status.

These unfortunate developments, together with the Cabinet reshuffle that followed, have lifted the mantle of uncertainty that that has been overhanging the property market for some time. Buyers and sellers can at last see the lie of the land, albeit it a pretty daunting picture right now.

They know that, at this moment in South African residential property market history, ‘right now’ is pretty good timing.

While conceding there is clearly an element of risk at present, Cape Town is in a far more vulnerable situation than Johannesburg. They have been in an opposite cycle and are now ripe to come off their boom. By contrast, there is no fat in the undervalued Johannesburg market – and there is, therefore, less risk and more potential.

The fact that banks are granting bonds confirms they are seeing value in the residential property transactions that are happening right now. In fact, there has even been a slight easing of loan-to-value ratios recently.

Investment opportunities

The value gap between new and existing properties in Johannesburg is now 30%. This clearly presents extraordinary investment opportunities as more and more owners opt (or are forced) to sell in the current economic and political climate.

Against this background, first-time buyers should be courageous and take the plunge – because nothing ventured is nothing gained.

Conversely, homeowners holding on to their properties should not be concerned. Given the country’s projected GDP growth – albeit modest – your property is more likely to rise in value over the next year or two, rather than decline.

Furthermore, the homes market no longer needs to come to terms with the consequences of a rating agency downgrade of the economy to junk status. It has already happened!

ABOUT RONALD ENNIK

Ronald Ennik is the founder and CEO of Ennik Estates.

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