



HOUSING OUTLOOK

On a slippery slope

The residential property market won't be able to insulate itself from SA's economic woes for much longer, industry players believe.

Following four consecutive years of relatively steady growth in housing activity, SA house prices are expected to drop in real terms in 2016.

It will be the first time in five years that house price increases lag behind inflation. SA's housing market has notched up average price rises of between 6% and 10%/year from 2012 to 2015 — depending on whether one uses FNB's or Absa's house price index as a benchmark.

Property data analytics group Lightstone warns that South Africans are bound to lose money in 2016 on what for many remains their biggest asset.

"In the absence of a significant positive economic turnaround we will see national house price inflation dropping below CPI, resulting in the loss of real wealth for the majority of home owners this year," says Lightstone head of residential research Paul-Roux de Kock.

The group expects nominal house price growth to slow to 3.5% in 2016, resulting in real deflation of home values amid expectations that the SA Reserve Bank will battle to keep CPI under the 6% upper limit. "Any further economic storms could result in house price growth of as low as 2.5%."

De Kock cites three key reasons for Lightstone's lower growth outlook:

□ A looming recession that will



mean fewer people being employed and able to buy homes or upgrade; □ Less speculative investment buying to help drive up house price inflation; and □ A currency-induced rise in inflation coupled to higher interest rates that will take even more potential buyers out of the market.

Absa property analyst Jacques du Toit and FNB property strate-

gist John Loos are both forecasting house price appreciation of 4%-5% for 2016 as a whole, down from around 6% in 2015.

While Absa and FNB are slightly more bullish than Lightstone, it still represents a drop in real terms.

Says Loos: "With a significant risk of recession and slow growth appearing to be the best scenario, there appears little to support house price growth as we enter 2016."

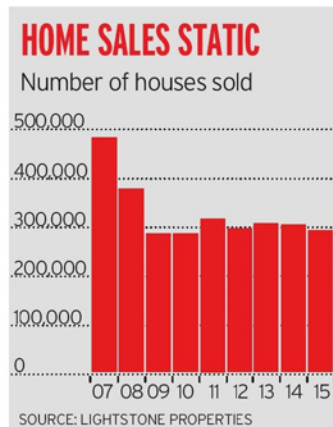
Latest data from Lightstone shows that the total number of houses sold — regarded as a more immediate reflection of investor sentiment than price movements — dropped by 4% last year to 292,895.

That's the lowest level since 2010, when the market hit rock bottom and only 286,855 houses changed hands.

Current sales volumes are nearly 40% down on the heyday levels of 2006/2007 (see graph).

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QUOTE OF THE WEEK

If [MTN] withdraw [their court case] it creates a better environment, an environment where there is no stress or pressure on either side. As far as we are concerned, there can be no out-of-the-court settlement except if it's taken out of court.

Nigerian telecoms minister Adebayo Shittu on MTN's legal action over a US\$3.9bn fine

A DAY ON THE INTERNET IN NUMBERS

34bn messages are sent worldwide every day on mobile messaging service WhatsApp, which has 990m users.

207bn e-mails are sent daily.

8.8bn videos are watched every day using video-sharing site YouTube.

4.2bn Google searches are made each day. Google is the world's most popular search engine, followed by Chinese company Baidu.

2.3bn GB of Web traffic flows each day.

1bn people use their Facebook accounts every day. About 1.5bn use the site at least once a month.

6% of the time people are online is spent on Facebook each day.

803m tweets are sent daily.

152m calls are made daily on Internet calling service Skype.

186m photographs are uploaded on photo-sharing site Instagram each day.

36m purchases are made using Internet commerce company Amazon.

8 in 10 people in the developing world own a mobile phone. The figure for sub-Saharan Africa is slightly lower, but it rises to 98% for high-income countries.

2bn people, mostly in developing countries, do not own a mobile phone.

Priscilla Malinga

Source: World Development Report 2016; FM research