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Are Sa Property Sellers and Buyers Out Of Sync?

The real culprits behind soaring house prices and weakening home buyer sentiment may well be a number of real estate agencies and industry representatives whose support of unrealistic pricing and assertive promotion of house price inflation is damaging seller confidence.

This is according to Matthew Alberts, Sales Manager of Alexo Property Brokers, a Cape Town-based real estate agency, who says on a weekly basis, and particularly more recently, the average South African home buyer is bombarded by conflicting sentiment on the state of the property market.


“In a market where buyers are highly informed and increasingly hands-on in the purchasing process, it is also vital that sellers are equally engaged, advised and enlightened,” says Alberts.

“On the one hand economists warn us that we’re likely to experience our most difficult year since 2008, with elevated inflation and currency weakness coupled with a strong likelihood of further interest rate hikes. Low GDP growth outlook, weakened consumer confidence, rising rates and elevated costs are set to weigh heavily on the spending and investment intentions of households and corporates,” says Alberts.

“On the other hand, however, a number of property industry players continue to ‘talk up the market’, encouraging sellers to list their homes at higher values and persuading buyers to accept these inflated house prices as accurate reflections of the current state of a resilient property market.”

He says driving this belief in rapid and consistent house price appreciation in our current economic climate is irresponsible and has many negative consequences.

“Most notably, it creates disparity between seller’s expectations and buyers’ willingness to pay what sellers are asking for their properties,” says Alberts.

“Many prospective buyers simply stall any home purchasing decision when properties appear overvalued. This creates an environment where people believe it is a good time to sell, but not to buy - and therefore homes sit on the market for longer - resulting in a ‘blockage or ‘stalemate’ situation in the marketplace, where sellers are frustrated that they can’t sell and buyers are frustrated that they cannot afford to get into the market or scale up.”

What happens when buyers are ‘sitting’ is that they often begin to look at alternatives to purchasing. Alberts says this means that they look to rent rather than own, which in turn drives rental prices higher. Which is great for landlords, but not for sellers.

“Not all sellers are aware how much time matters in selling a property,” says Alberts.

“There is an ideal timeframe in which to sell a property, and it falls within the first few weeks that the house is on the market. Take too long and you run the risk of creating negative perceptions about the property.”

“Sellers need to be prepared for a tightening of the market as it enters a cooldown phase. Both buyers and sellers can still realise real value in property, but should exercise caution in terms of reading into some of the overly confident public statements,” says Alberts.

He says the number one question that every buyer asks the estate agent when becoming serious about a property is "how long has this home been on the market?". Buyers will feel that they can negotiate harder with someone whose home has been on the market for months than someone who has just recently listed.

“For this reason it is imperative that sellers are honest about their situation and agree to a marketing strategy linked to a timeframe to which both seller and agency agree,” says Alberts.

"There is nothing wrong with setting a high aspiration - as long as the seller's non-urgent needs allow for a longer sales lead time, and the marketing is controlled in such a way so as not to overexpose the property."

By doing this, he says the agency can accurately represent your sentiment and urgency to buyers in an appropriate way.

"Buyers want fair market value, and positioning your home at an unrealistic premium will drive off any buyers that fall into this category. Our advice to sellers is to listen carefully to what the market will bear and look at the comparable real estate sales data through the eyes of an informed buyer not an emotional seller," says Alberts.

"We believe that an appointed agency needs to fully analyse market activities and trends - whether moving upwards, plateauing, or following a downward trend - in order to best advise sellers of the correct price range that will guarantee them the best return on their investment, whilst also offering buyers market-related value. Only by providing honest, factual advice to sellers can we as property professionals ensure healthy movement within our communities."

Alberts says the fact is that, whilst over the past three years consumer confidence has shown excellent growth, it appears that the property market at large has now reached a tipping point, with the equilibrium between buyers and sellers now looking out of sync.

"As such, we've noticed a sharp rise in the number of prospective buyers who say rising prices are a barrier to buying, and instead are opting to stay put or rent until things 'cool off'."

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In terms of lending, first-time buyers are also being affected by the increase in property prices, as banks are more reluctant to take on unnecessary risk, especially when faced with the possibility of further interest rate hikes and subdued property growth in 2016.

While the negative impacts of the economic slowdown have had the effect of decreasing the overall volume of property sales, Alberts says another factor to consider is the increase in transfer duty which, in conjunction with the creeping effect of capital gains tax, has especially affected the upper end of the market.

He says weaker performance of residential property globally is also influencing its popularity as an asset class. Despite significantly cheaper property prices for foreign-currency buyers, there has been no major rise in home buying by foreigners, according to FNB´s Q4 2015 Estate Agent Survey, with foreign buying off its' 'highs' reached around 2014.

"Sellers need to be prepared for a tightening of the market as it enters a cool-down phase. Both buyers and sellers can still realise real value in property, but should exercise caution in terms of reading into some of the overly confident public statements," says Alberts.

"They should also be careful about basing their aspirations solely on property advertisements of similar properties in trying to gauge a price for their own property, as these can prove misleading."

He says the answer lies in selecting a trusted estate agent that understands current market influencers and specific area trends well enough to advise sellers of a market-related price range for their home, which takes into account their individual needs.

This requires a proper analysis of what is happening in the local market and in which price bracket your property is likely to receive written interest.

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