

## **Keep calm and don't overprice**

The exuberance that was evident in the property market a year ago is coming to an end, and home sellers in most parts of SA now need to moderate their price expectations accordingly.

That's the advice of Lew Geffen, chairman of Sotheby's International Realty in SA, who says that although summer is here and the prime home-buying season is picking up momentum, the heat has gone out of the market in the past few months and the rate of price growth is slowing down.

"Since 2012, when the market really began to turn after the 2008/ 09 recession, we have seen the average home sale price in our group rise by around 26%, and at this level we are seeing indications of buyer resistance in most of the country except Cape Town, where demand is still very high."

Geffen says he is aware that his point of view may be at odds with what some other high-profile commentators may be saying about the state of the real estate market, "but the fact is that there has been a weakening of consumer sentiment this year in the face of violent strikes, major political shifts, rising inflation and, of course, a couple of interest rate increases.

"And at the same time the banks are still extremely conservative when valuing properties for home loan purposes."

As a consequence, he says, sales volumes countrywide have fallen off by about 6% in recent months, and there has not been as much price movement as one might have expected given the stock shortages that currently exist in many sought-after areas.

"In short, we are back in a normal market that is in the process of balancing itself, and this will soon be the case in Cape Town, too. Sellers need to calm down and price their properties fairly in order to achieve a sale, bearing in mind that further interest rate rises are anticipated."

Geffen says, however, that prospective buyers should not be sitting on the fence at this stage and waiting for prices to go down. "I want to be clear: Home prices are now back where they were before the 'bust' of 2008, and are set to keep rising, although possibly more slowly for the next couple of years.

"And this, plus the fact that interest rates are on an upward path, is going to make it ever more difficult to qualify for a home loan to acquire the property you want, whether you're just getting into the market, upgrading, downsizing or investing. Now is the time to make a move."

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