

House Prices Still Falling: Ooba

Written by Rudi Prinsloo
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House prices continued to fall in February, ooba (formerly MortgageSA) said on Monday.

The latest oobarometer showed that annual house prices fell a further 0.7 percent in February this year.

The average purchase price was R833,461 in February 2008 compared to R827,553 in February 2009, ooba said, forecasting that the current low level of activity in the property market and negative property price growth would continue until mid 2009.

"We expect to see house prices decline further before they begin a recovery in early 2010," said Saul Geffen, chief executive of ooba, in a statement.

"Already the 1.5 percent drop in interest rates has improved affordability and further interest rate cuts should speed up the property market recovery."

While the month-on-month average purchase price had risen 6.2 percent from January to February, this was not an indication of the recovery of the property market.

"We have seen a shift in weighting to more expensive properties which suggests that higher-income individuals are less sensitive to the economic woes and conservative bank lending practices," Geffen said.

Banks continued to restrict lending which had effects on both the average bank decline ratio as well as the ratio of applications declined by one lender but approved by another.

The average bank decline ratio jumped to 61.2 percent which was severely constraining any property market recovery, Geffen said.

"This means on average across the banks, 60 percent of all home loan applications where a willing buyer has tried to buy a home, are being rejected outright," he said.

And the ratio of applications declined by one lender but approved by another decreased to 20.3 percent of all applications, compared with last year's 38.6 percent.

"Banks have severely tightened lending since December, and these policies, if not relaxed soon are likely to have a further dampening effect on the property market," said Geffen.

"Banks are also demanding significantly higher deposits as a percentage of purchase price," he added.

The year-on-year average deposit as percentage of purchase price was up by 46.9 percent and on average, in February 2009, property buyers were required to put down a 24.1 percent deposit on the property they were purchasing compared to 16.4 percent recorded the year before.

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