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As safe as houses? Yeah, right ...

HOUSE PRICES: TRUTH FROM FAIRY TALE

➳ If you've bought a sizeable house in the last five to seven years, chances are you've lost money.

Magnus Heystek

Property is not the largest investment the ordinary person will ever make – as the industry likes to claim. That, in my view, is in fact your pension.

But it remains an important decision, so know that when you read most articles about home prices in South Africa, you are most probably reading marketing fluff.

Developers, estate agents, home-owners, banks, mortgage originators are forever optimistic.

Cassandras like myself and property economist Erwin Rode get shouted down when we suggest property is not as good an investment as most people suggest – with the exception of the Western Cape, Sandton and maybe a small part of the KwaZulu-Natal north coast.

For the rest, the residential property market remains in the grips of a seven-year bear market with prices in real terms down 20% or so from the peak at the end of 2007.

Property prices in SA have not recovered after the Great Financial Crash in 2008, as in cities like London, New York, Sydney and Toronto. This suggests something fundamental has changed.

I rely on three sources: surveys by Absa, FNB and lately Pam Golding. Each measures something different, so a strict comparison is not always possible. The Rode survey includes Bank for International Settlements (BIS) data on property trends on a global scale.

Dr Andrew Golding, MD of the Pam Golding (PG) Property Group, says in its latest newsletter: "As has been seen over the decades, in buoyant times and even through recessions, investment in property has proven a sound decision for home buyers and investors."

I see that as misinformation.

The report states clearly property prices, according to the Pam Golding Properties National Index, have not increased in real terms in over ten years. Your property on average is worth less than it was ten years ago. If you bought at the peak, at the end of 2007, decline is between 20% and 35%.

You find the same information and conclusions in the Absa and FNB surveys.

The bottom end of the market, with prices under R1 million is buoyant, rising between 7% and 9% annually, but homes worth R1 million and R2 million are rising about 3.54% – and even less above R2 million.

Anything above R3 million and the alarm bells go off, down 2.7% from a year earlier following a decline of 0.4% in May. Many reasons come to mind: a lack of consumer and business confidence, middle-class wealth erosion and threats of government "custodianship" of property.

I have another reason. Wealthy individuals would rather invest money offshore to protect against a declining currency.

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