

Property24 rejects positive property sentiment

While industry analysts are commenting on an upswing in the local property market, Property24 has warned against too positive an outlook, noting that the upswing need to be viewed within the context of other activity indicators.

Property24 recently merged with software specialist firm Korbitec, and the merged company's software is utilised by most real estate agents and property lawyers offices. Through its software, Property24 enjoys regular access to daily activity indicators within the industry, such as new property listings, sold and withdrawn properties, transfers and bond registrations and cancellations.

Figures emerging from Property24 show that stagnation has set into the local market. The company also warns that the soccer world cup, arriving shortly on the heels of the April holiday season, could further slow a potential South African property revival.

“The figures we see coming out of our software applications are revealing,” says Dawie Verryne, CEO of Korbitec. “We saw the industry start to pick up in September 2009 in terms of activities per business day, with a 12 month high reached in February 2010. But since then we've seen a fair degree of stagnation. Even in the April holiday season, where an activity dip is predictable, we saw activity fall further than expected. We also haven't seen any activity growth in last 3 months, and the world cup is expected to reduce local working hours significantly, a further negative factor in the short term. ”

According to Verryne, after the world cup South Africa could be in need of a macro economic trigger to re-ignite its property market.

“Germany saw increased activity and interest in its property market after the world cup, but unfortunately the state of the world economy today is quite different. Globally there remain real concerns over economic structures, especially in Europe, and global developments certainly impact on our economy. Another factor is that the local industry is battling a rising risk profile. Considering these factors, it is quite possible that stagnation will continue until a relatively major macro-level spark changes things.”

Mortgage fraud is a particular area of concern highlighted by Verryne. At a recent mortgage fraud seminar Pieter Vorster, General Manager for Absa Home Loan Operations estimated that over R300 million's worth of fraudulent home loan applications has been blocked in the last 18 months.

“There have recently been fraud activities in the Johannesburg and Tshwane metropolitan areas where property has been transferred from the municipality to entities through an unlawful process,” he says. “This needs to be watched carefully. We can't afford to see our risk profile go too high. The industry therefore needs to re-examine the integrity of its business processes.”

Currently, the property sector still relies to a significant degree on manual processes between estate agencies, attorneys, financial institutions and the Deeds Office – opening the door for fraud, mismanagement and human error.

“A more integrated way of working across the various sector players would benefit all parties in terms of managing our risk profile and ensuring structural and referential integrity. In the context of a stagnating sector, this is going to be an important factor influencing our risk profile over the long term.”

Over the medium term, Verryne says stagnation could dominate until the country experiences macro-level changes that influence sentiment and activity. Exactly what those changes might be is open question, however.

“Currently any kind of macro forecasting, locally or globally, is very tough – for obvious reasons,” adds Verryne. “The salient point for house owners and those working in the industry is to be aware that the numbers show that a steady upward curve in the short term is unlikely at this stage. Planning should be carried out with this in mind.”