Selling a house now needs a record 21 weeks

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THE First National Bank (FNB) residential property barometer for the second quarter shows that it now takes a record 21 weeks and a day to sell a house, compared to 17 weeks in the first quarter.

FNB property strategist John Loos said yesterday the main reason houses were taking longer to sell was unrealistic asking prices, which were sustained by sellers' perception that the property market was on its way to improving.

"Some people are holding on longer to their properties because of the recent interest rate cuts. But there is also an oversupply in the market, which is pressuring prices," Loos said.

He said there was a widespread lack of "realism" in the market, with the percentage of sellers having to drop their asking price remaining unchanged at a very high 86%.

"Rightly-priced houses are still selling, but a property that takes three months to sell can only mean the price is wrong and this is having an overbearing effect on how long it takes to sell," Loos said.

Some sellers took too long to drop their prices, which meant it took longer to sell the property.

The barometer showed that in the second quarter 36% of investment properties returned to the market were sold at below previous price, which was sharply up from the previous quarter's 13%.

"People are only realising now that they are not achieving the investment returns they had hoped for after buying properties during the boom time," he said.

The good news is that estate agents surveyed by the barometer reported an almost insignificant decline in demand activity from 4,8 in the previous quarter to 4,79 on a scale of 1 to 10. However, Loos warned that a 4,79 level on a scale of 1 to 10 remained "on the weak side".

Though estate agents surveyed believed interest rate cuts had done some good, they still thought stringent lending by commercial banks were a major constraint on demand.

"In addition, estate agents believe that financial stress selling may have worsened in the second quarter, helping to sustain an oversupply of property on the market," Loos said.

In the second quarter, an estimated 8% of sellers were selling in order to emigrate, which was significantly down from the 20% peak reached in the third quarter of last year.

Loos said this was expected , as emigration surges that typically followed major political changes, such as those that took place in Polokwane in 2007, usually subsided over time.

“In addition, job prospects in popular emigration destinations look less rosy at present,” he said.