Property in 2021

WITH OUR LIVES ON A CONSTANT ROLLER-COASTER RIDE, WHERE IS THE HOUSING MARKET HEADED IN 2021? **GARETH BAILEY** TAKES A CLOSER LOOK

After the worst economic downturn in decades, further dampened by the recent tightening of lockdown restrictions in response to the second wave of the pandemic and the recommencement of load shedding, economic growth – while admittedly coming off a low base – is still widely expected to show some positive growth of around 3% this year.

According to Dr Andrew Golding, chief executive of the Pam Golding Property group, coupled with this, a number of factors are expected to continue to underpin current activity in the housing market. These include interest rates which are likely to remain at a near-record low this year; an ongoing large number of potential first-time buyers (many of whom were previously tenants but are now able to afford to purchase a property at current low interest rates) eager to gain a foothold on the property ladder; and financial institutions with a continued appetite to extend mortgages to home buyers.

That said, the more stringent lockdown restrictions potentially threaten the strength of the anticipated economic recovery, which is likely to result in an increase in our already high levels of unemployment, while rising oil prices are expected to see a significant increase in the fuel price in February and possibly thereafter – thereby creating some inflationary impacts.

Realistically, the robust pace of residential property activity seen during the latter part of 2020 as lockdown restrictions were eased, while currently ongoing, is unlikely to be sustained throughout 2021. In part this reflects the fact that some of that activity was due to pent-up demand created during the initial lockdown, while other buyers were responding to the aggressive interest rate cuts.

With growth prospects expected to weaken as a result of the renewed lockdown in South Africa and across the globe, and with inflationary pressures remaining relatively subdued at 3,9% in 2021 from 3,3% in 2020, there is room for the repo rate to be cut by a further 0,25% over the next few months. However, the Monetary Policy Committee may err on the side of caution and opt to leave interest rates at current levels for longer due to the more uncertain growth outlook.

Nonetheless, the changes in lifestyle choices triggered by the repeated lockdowns, combined with the stable, low interest rates, suggest there will still be areas of robust activity, such as the R700 000 to R1,5-million price band which Lightstone has identified as the price bracket favoured by first-time buyers during 2020.

However, from a Pam Golding Properties

perspective, we continue to experience consistently busy activity in the price bands not only below, but also from R1,5-million upwards, including the luxury market in excess of R10-million.

Forecasting the likely level of activity in the local residential property market this year is unusually difficult. Areas which offer affordably priced homes – and an appealing lifestyle – are likely to prove most resilient in 2021. The aggressive 350 basis points cut in interest rates during the course of last year fundamentally altered the housing market in that it made homeownership accessible to many first-time buyers for the first time and also made ownership a viable option for many aspirant buyers who previously thought they could only afford to rent.

This would suggest that sectional title homes in traditionally expensive areas in major metros, and freehold homes in secondary cities, holiday, retirement and "Zoom" towns will prove to be more resilient and the ones that remain relatively affordable during tough economic times.

Furthermore, since property is an immoveable asset, these structural shifts in lifestyle are likely to result in excess stock supply in some areas and a shortage – and development potential – in others. *

ABOVE: Gareth Bailey, Pam Golding Properties.

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