

DEMAND SLOWS

Residential property boom may lose steam in 2021

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The residential property sector's 2020 surge in sales and house price growth is set to lose energy in 2021 as economic woes bite, even though properties in the R700,000-R1.5m price band are likely to remain popular.

Last year, houses priced at R700,000 to R3m were the hottest properties, but SA's largest estate agencies report that pent-up demand from the first eight months of 2020, when SA's lockdown was at its most stringent, is now dissipating.

The supply of buyers who responded to aggressive interest

rate cuts last year is also becoming thinner.

Andrew Golding, CEO of Pam Golding Properties (PGP), said in his forecast report for the year that residential property would probably track economic growth. "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," Golding said. Growth prospects were expected to weaken with the renewed lockdown in SA and across the world, with inflationary pressures remaining subdued at 3.9% in 2021 from 3.3% in 2020.

He said the Covid-19 pandemic brought on lifestyle changes with people selling more opulent houses in favour of more functional houses and first-time buyers also tending to favour more humble homes.

PGP collated industry sales information from property research company Lightstone.

"Structural 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 R1.5m price band which Lightstone has identified as the price bracket favoured by first-time buyers during 2020," he said.

PGP was busy in price bands below and from R1.5m upward, including the luxury market in excess of R10m.

Herschel Jawitz, CEO of Jawitz Properties, said he was optimistic about residential property in 2021. "The residential market in 2021 will see both

property prices and sales volumes continuing to make small gains in 2021 compared with

2020," he said. With average inflation of 3.3% in 2020, there was a good chance of real residential market first time in at least four years, he said.

The latest FNB Property index put year on year average residential price growth for December at 3.8% versus 3.5% in November 2020. "These numbers hardly make for exciting reading but the residential market continues to perform at better than expected levels since the economy was unlocked in June 2020," Jawitz said.

The top end of the market remained slower in volumes of sales and price growth, but even this market offered the best buy-

ing value across all price segments. Buyers willing to commit at the top end were "buying at excellent value with some sellers barely getting their original purchase price back if they purchased in the last five years," according to Jawitz.

"We are seeing more immigration, semiigration and down-sizing at the top end and that can sometimes be to the buyer's advantage. Other factors that may influence the recovery in the top end of the market may be the surging stock market and a global economic recovery as more countries received the vaccine."

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