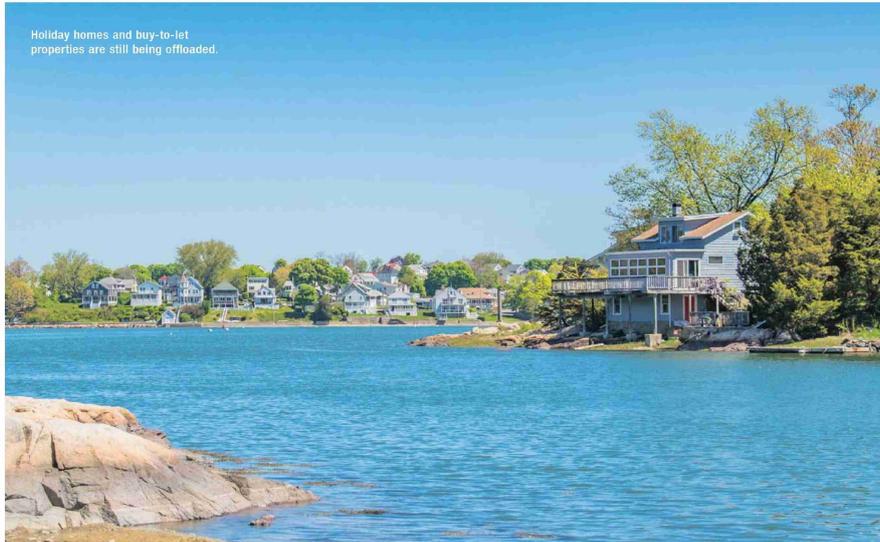


One is enough for homeowners

Despite low prices and interest rates, in the current financial climate people are not jumping to purchase second homes

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Holiday homes and buy-to-let properties are still being offloaded.



LOW INTEREST rates are not persuading homeowners to snap up second properties, no matter how tempting the prospect.

First-time buyers may be taking advantage of the market conditions but those who already own property are weathering the tough economic climate in their primary residences.

Even before the Covid pandemic many people with holiday homes had put them on the market and investors had started decreasing their portfolios as affordability became a key concern. This trend is continuing.

Not even the optimal buyers' market is seeing them go back on their actions.

Overall, second-home buying activity has remained relatively unchanged over the past few months, confirms FNB senior economist Siphamandla Mkiwanazi, noting there has been increased second-home buying activity only in the more affordable segments. This is mainly driven by middle and high-income earners who still have their jobs and are taking advantage of low borrowing costs and well-priced properties.

For property owners in the buy-to-let market generally, there has been a lot of uncertainty, and this has probably deterred potential investors from entering the market. Travel restrictions and the psychological impact of the pandemic have also impacted negatively on lucrative markets such as Airbnb.

"As a result, vacancy rates are on the rise, and we may see some landlords disposing of properties in their portfolio to alleviate financial pressure. That said, however, the very low interest rates assisted a great deal and a speedy vaccine roll-out domestically and globally could provide further support," Mkiwanazi says.

In rare cases where homeowners are using favourable buying conditions to get their hands on additional properties, says Hayden Giger,

growth head at FNB Private Bank Lending, properties are purchased for letting, holidays, or both. Coastal properties are always the favourite for people looking for holiday homes or Airbnb properties.

Echoing this, Debbie Bennett of Prime Estates in KwaZulu-Natal's Upper Highway area, says while there might be a few "vultures" or bargain hunters waiting for distressed sales by owners unable to keep their homes due to Covid-affected finances, second-home buying is generally "not buoyant". People who are buying second homes are planning to let them.

Vernon Vogt, principal of Jawitz Properties North Coast, also in KZN, says, however, low interest rates, 100% bonds, stagnant property prices and an oversupply of properties in the province are seeing Gauteng homeowners taking advantage of remote working opportunities and purchasing second houses in KZN and the Western Cape.

"Gauteng, as a province, has the most people who own two or more properties. A recent Lightstone study showed of the owners with two properties in different provinces – whose first property was in Gauteng – 31% purchased their second property in the Western Cape and 26% opted for KwaZulu-Natal."

He acknowledges though, while some are buying second properties in the province, many who have been affected by the economic downturn due to the pandemic are being forced to sell their second homes. Sometimes they even need to sell their primary homes.

East London has not seen an increase in the purchase of second homes, even with the invitingly low interest rates, says Cheryl Petzer, principal at Jawitz Properties East London. Although there has been the "odd investment buyer", most new purchases are by first-time buyers looking for their primary residence.

"The drop in interest rates has afforded the buyer an opportunity to purchase a home in

a slightly higher price bracket than pre-Covid times but this has been seen mainly when it applies to primary residences, not secondary."

In Cape Town's Noordhoek area, more people have been selling – or trying to sell – secondary homes than buying them, says Mary-Anne Coates, a property consultant at Jawitz Properties in the area. This was the case even before Covid.

"There was no demand from buyers for second homes throughout 2020... Second homes are very low on the list of reasons why buyers want to purchase in the area."

Homeowners also seem to be steering away from the rental benefits that come with second homes, Petzer says. There is a little more hesitancy, buyer sensitivity and caution about the market and what lies ahead, "despite good buying conditions and low interest rates".

"The financial impact of Covid-19 is still showing its hand and no one knows how much of an impact it is going to have on our economy. For an owner of a second home, who gets a rental income, that investment is only as safe as the payment that comes in. If an investor feels that the risk outweighs the gain, they are selling and recouping their money."

In Noordhoek, many second-home owners were trying to sell as far back as 2018 and 2019 as a result of the economic climate, the weakening rand and other issues such as water restrictions and load shedding, Coates says.

"Many homes went on to the market in anticipation of a potential market crash. At present, there is still a small number of second homes on the market but not as many as in previous years."

While the widespread offload of secondary properties across the country has slowed, Giger says the latest lockdown could push some individuals into a distressed situation which could lead to an increase in the number of properties for sale.