

Remarkable recovery for SA's housing market

Prices roar back stronger than ever despite Covid-19 and lockdown

JOAN MULLER

SA's housing market got off to a shaky start this year, with buying activity reportedly at three-year lows. So when Covid-19 hit the country's shores in March, most commentators expected residential property sales and prices to fall off a cliff.

That didn't happen. The housing market has staged a remarkable recovery since June, when lockdown restrictions were eased. In recent months, to the astonishment of many, estate agents and mortgage originators have been reporting record sales numbers.

As Seeff Property Group chair Samuel Seeff puts it: "It seems South Africans are buying property as if it's a Black Friday sale."

Seeff never expected the initial rally after the hard lockdown to continue this long.

"We thought pent-up demand would only last for the June-July period, followed by another market dip," he says. "But in October our turnover reached the highest level in almost six years."

Re/Max Southern Africa CEO Adrian Goslett expresses a similar sentiment, saying the length and strength of the rebound has surprised everyone.

Despite the market coming to a virtual standstill during the hard lockdown in April and May — during which the group's sales slumped by 62% — Re/Max's turnover for the first 10 months of 2020 is now up 3% year-on-year.

The scale of the surge may be surprising, but there's a reason why this is happening. For a start, home buying activity has been supported by the Reserve Bank's three percentage-point interest rate cuts since early January, which brought banks' prime lending rate to a near 50-year low of 7%.

In practice, this has made home ownership 30% more affordable than it was at the start of the year — leading to a stampede of first-time home buyers.

Lower interest rates have also made it easier for existing homeowners to sell and upgrade to larger, more expensive homes — or cash out a portion of the equity in their homes to settle debt and downsize.

There are other reasons for the surge. Activity has also been fuelled by more realistic pricing, says Andrew Golding, CEO of Pam Golding Property Group (PGP).

"The lockdown has inadvertently also created a wave of new reasons for relocation and property acquisitions," he says.

Golding cites "upsizing", as well as "lifestyle purchases" in coastal and platteland villages, as examples — trends that have been driven primarily by the pandemic-related work-from-home phenomenon.

Andrea Tucker, director of online bond aggregator MortgageMe, believes the remote working trend has already brought about a marked resurgence in "semigration" — moving from one part of the country to another.

"While semigration is nothing new, many of the barriers preventing people from taking the leap before have virtually diminished overnight," she says.

Small businesses and large corporates alike have had to rethink their operating models, says Tucker. And the rapid pace at which online meetings via Zoom and Microsoft Teams have been adopted means staff can be afforded increased flexibility without productivity levels being impeded.

Finally, says Tucker, "the dream of earning a Joburg corporate salary while admiring a view of the Knysna Heads" is within reach.



MULTIMILLION-RAND VIEW: What is believed to be the most expensive residential property listing currently in SA, on Nettleton Road, Clifton, Cape Town, could fetch R200m. The house has expansive ocean and mountain views and was designed by Peerutín Architects. It straddles one of the widest and largest plots (1,481m²) in the area. Pictures: SUPPLIED

Latest figures from analytics and research group Lightstone, based on transactions registered in the deeds office, confirm that estate agents aren't simply talking up their books. Total residential sales reached a record turnover of R68.15bn in the third quarter.



HOUSE PRICES HOLDING STEADY

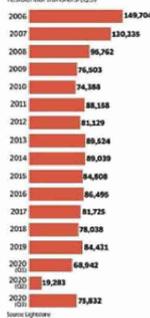
Avg annual growth



Source: FNB

HOUSING SALES REBOUND

Number of quarterly residential transactions (Q3)



Source: Lightstone

That's up just more than 7% year on year — and it's a huge increase on the second quarter's R14.9bn.

Though the number of sales rebounded nearly fourfold in the third quarter from their second-quarter lows, they were still slightly down year on year: 75,832 in 2020 versus 84,421 in 2019.

However, most of the action is taking place in the R1m-R3m price bracket. The upper end of the housing market — especially the R10m-plus sector — is still in the doldrums, as buyers adopt a wait-and-see approach.

Evidence of this is that the highest sales price achieved so far this year is believed to be "only" R50m — for a contemporary, six-bedroom Bantry Bay trophy home on prestigious De Wet Road, which Dogon Group Properties recently sold to an unnamed Gauteng businessperson. That was after the property was on the market for a year at a listing price of R65m.

This year's record sale is way below the R85m high that Dogon achieved last year, when it sold a "modernist villa" in Higgovalle, in Cape Town's city bowl, to a foreigner. And it's nowhere near the R95m that Clare Wiese, daughter of retail tycoon Christo Wiese, paid in 2016 for a mansion on Clifton's illustrious Nettleton Road. That same year, a German couple forked out R290m for a seven-bedroom residence in Bantry Bay.

Jo Lombard, luxury market specialist for Seeff Atlantic seaboard, confirms that upper-end sales have been slow this year. In Clifton, for instance, only three homes changed hands this year, against 21 last year.

Lombard expects international buyers to return to the market once Covid vaccines are freely available and global travel restrictions have been lifted. She says the sharp depreciation of the rand, coupled with an average decline of about 20% in prices, has encouraged "bargain hunting" among foreigners.

She has received several inquiries from foreign investors for what is believed to be the most expensive residential property listing currently in SA (again on Nettleton Road), which she expects could fetch R200m.

The house has expansive ocean and mountain views and was designed by Peerutín Architects. It straddles one of the widest and largest plots (1,481 m²) in the area.

It remains to be seen if Lombard can find a buyer for the mansion at that price.

Meanwhile, better-than-expected sales activity at the lower to middle end of the housing market has prompted FNB economist Siphamandla Mkhwanazi to revise his house-price growth forecast upwards for 2020 to 2.3%, from -5% earlier this year. "The impact has not been as horrid as initially expected," he says.

And Lightstone, which had a more bearish forecast and expected house prices to potentially drop by up to 14.5% by year-end (a worst-case scenario), now expects more palatable 0%-2% growth.

Of course, no-one is sure where sales volumes and prices will go next year. Mkhwanazi is erring on the side of caution and expects prices to drop by about 2.5% for 2021 as a whole.

His forecast is primarily based on the possibility of further job losses, especially in white-collar occupations. "That will put pressure on demand and prices while a renewed wave of emigration will also push supply up and prices down," he says.

One thing seems certain: pandemic-driven shifts in how people live, work and play will continue to affect home buying and capital growth patterns over the next 12 months. —

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