BIZCOMMUNITY

South Africans buying property like it's Black Friday

By Samuel Seeff

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We never thought we would be seeing a sustained market rally this long after the April-May Covid-19 lockdown, but it seems that South Africans are buying property as if it is a Black Friday sale.

Samuel Seeff, chairman of the Seeff Property Group

Where we had initially feared that the pent-up demand would only last for the June-July period followed by another market dip, we have now seen the momentum continue for the fourth successive month. Many areas are achieving the highest sales turnover in years, while Seeff has just had the best October sales in almost six years.

Is the momentum sustainable?

It is and will carry well into 2021. Key to this is the unbelievably favourable interest rate, the best in about 50 years. Property is significantly more affordable with lower qualifying thresholds on the one hand, and for upwardly mobile buyers, the ability to take bigger home loans and buy a bigger home or move to a better neighbourhood.

The market remains driven by the low to mid-price segments to about R1.5m and up to R3m in some areas who are largely buyers who need home loans. These are predominantly buyers with fixed incomes who are not particularly affected by the Covid pay cuts which we have seen in industries such as tourism and more informal sectors.

Buyers continue flocking to the market to take full advantage of the low interest rate and favourable bank lending climate. Approval rates are still at over 80% and some two thirds of buyers are still securing full or close to full bonds.

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Buying more affordable than renting

In many areas, property is more affordable than renting. A R1.5m property would, for example, only cost you around R12,000 per month on a bond compared to a rent of about R14,000. Aside from the massive influx of first-time buyers, we are seeing buyers across the board taking advantage of the market.

Above R3m though, buying remains more selective and sellers will need to continue ensuring that their property offers the best value as buyers are negotiating strongly.

Inflation continues dipping, being down to 3% for September and now at the bottom of the Reserve Bank’s target range. This makes a strong case for a possible further interest rate cut of 25bps this month to stimulate the economy given that most sectors, unlike the residential property market, remain muted.

Inflation is at the lowest level since 2004/5 and less than half of what it was following the 2008 Global Financial Crisis when it spiked to over 10.99% (statista.com) before going down to 7.12% in 2009.

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Well-balanced market

At the very least, the low interest rate should remain until late into 2021 and we therefore expect the momentum in the market to be sustained into late 2021. We have a well-balanced market. Usually, we would expect that this level of activity would result in stock shortages, but the market is still adequately stocked. That means that prices are not running away and buyers are still able to take advantage of the favourable interest rate and bank lending conditions.

It is looking more like a V-shaped recovery for the residential real estate market right now, despite the high-end luxury sector still trading flat as wealthy buyers continue their wait-and-see how things unfold approach.

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.

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