

Property market will not 'fall off a cliff' in 2018



By [Berry Everitt](#)

9 Jan 2018

Negativity seems to be in fashion in SA's real estate industry, especially since the Medium-Term Budget Policy Statement (MTBPS) presented by Finance Minister Malusi Gigaba in October spelled out the extent of the country's budget deficit and other economic woes.



Image source: www.pexels.com

However, while I'm not blind to the challenges that face us, my view is that the property market will not 'fall off a cliff' in 2018. Indeed, the remarkable thing about real estate is its ability to re-balance and create opportunities for both consumers and property practitioners in virtually any economic or political circumstances.

For example, when economic growth slows as it has done in SA, or interest rates rise and it becomes difficult for new homebuyers to obtain credit, there is usually a spike in demand for rental homes, which opens up opportunities for buy-to-let investors and property developers, as well as estate agencies with a track record of good property management and rent collection. SA is also experiencing rapid youth urbanisation, which is further fuel for this trend.

Cash 'king' again

It is also my belief that cash will be 'king' again in this year's property market, and that there are many astute South Africans - and foreigners - with substantial cash resources who will be taking the opportunity to buy luxury real estate at a discount, in anticipation of a market upturn after 2019, if not before.

These transactions will not be reflected in an increase in mortgage lending, but will take place nevertheless - and to an even greater extent if the rand loses more value against the major international currencies and makes SA property prices look even more attractive to foreign investors.

According to the latest *Global Wealth Report* from Credit Suisse, some 2.3-million new dollar millionaires have been created over the past 12 months, taking the world total to 36-million. And because of the weather, scenery and lifestyle on offer, SA (and especially Cape Town) is one of the top 20 destinations in the world for such individuals to buy a second home. As a member of Leading Real Estate Companies of the World, we have certainly seen international interest continuing to rise in recent times, almost irrespective of the day-to-day political and economic news that consumes so much of our attention locally.

Time to clean up

As to that news, and the daily evidence of how corruption and incompetence has robbed the fiscus of billions of rands that should have been used to better the life of ordinary South Africans, my opinion is that we pretty much know the worst now and are in the process of cleaning up the mess. Yes, we will have to deal with the unpleasant consequences for the next few years, but we should be able to do so in the knowledge that things will steadily improve if we do.

Meanwhile, I expect that the real estate industry itself will contract over the next 12 to 24 months as marginal agencies close and top performing independents are absorbed into bigger groups with more training, technology and marketing resources. This will create opportunities for those groups to gain in terms of both human capital and market share, as they did after the 2008/09 market crash.

On the other hand, I foresee that the flat-fee and discount agencies that have come into the market as 'disruptors' will struggle to gain traction in a difficult market period that will require the highest levels of personal service and expertise, as well as the ability to achieve maximum exposure to potential buyers in order to conclude sales. Low commissions are of little use to homeowners whose properties fail to sell.

ABOUT BERRY EVERITT

Berry Everitt is the CEO of the Chas Everitt International property group, which is one of the top five estate agency companies in South Africa and widely recognised for its innovative marketing methods, its technological leadership - and its absolute dedication to achieving exceptional customer service. Everitt is the youngest son of the group's founders, Charles and Tilla Everitt, and has been involved in the business since it was established in 1988.

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