

Property market recovery: Shifts in renting to buying

By  Adrian Goslett

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As many challenges as Covid-19 has brought about, an equal amount of opportunities also exists. One such opportunity can be found in the real estate market. With interest rates at an all-time low, there has been a shift from renting to buying as indicated by the notable increase in the first-time buyers' market. This seems to be impacting the shape of recovery within the property market.



Adrian Goslett, regional director and CEO of RE/MAX of Southern Africa

For the month of July, 70% of BetterBond's home loan applications were first-time buyers. The average purchase price was R1,133,454. The experiences of the RE/MAX SA network also reflects that the first-time buyers' market is growing. This is most likely as a result of the interest rate cuts that have made purchasing property more affordable than renting property in many circumstances.

Yet, at the same time, there are also many families who have had to combine their households or downscale as a result of the loss of income owing to the lockdown. While our first months out of Lockdown Alert Level 5 and 4 have reflected some of our best sales figures in the history of our company, we also predict that this level of activity is partly owing to pent up demand stemming from several months without access to real estate services and, therefore, will not last forever. The future performance of the rental and housing markets all depend on how quickly our economy is able to recover from the impact of the national lockdown.

Rental market to remain slow

Over the next few months, we predict that as long as interest rates remain low, the first-time buyers' market will continue to be strong. We also predict that activity within the rental market will continue to be slow and landlords should be reasonable with the rent they charge in order to hold onto or attract reliable tenants.

Until the economy recovers and demand for rental homes pick up again, those who are purchasing a second home as a source of rental income will need to be financially prepared for the fact that rental yields might be lower than they were in previous years.



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However, these are such unique times, which makes it difficult to predict what lies ahead. I am interested to see what trends emerge under these challenging circumstances. Based on their numbers for June and July, our partners at BetterBond remain optimistic and predict that, at worst, the rest of the year will reflect similar volumes of activity as the previous year.

This optimism is based on the fact that RE/MAX SA recorded record-breaking reported sales totals of R2.4bn and R3.3bn in July and August respectively. We hope that this V-shaped property market recovery will continue, but we are also closely monitoring the economy to determine whether it will turn into more of a W-shaped, double-dip market recovery. No matter

the circumstances, though, people will always need a roof over their heads. In my opinion, property will, therefore, always be a good long-term investment option.

ABOUT ADRIAN GOSLETT

Adrian Goslett is CEO and regional director of RE/MAX Southern Africa. He joined RE/MAX Southern Africa in 2005 as a franchise development consultant, supporting various regions and offices. Throughout his career at RE/MAX he has held various positions. In 2010, after successfully leading 160 offices and over 1500 agents in six countries through the worst years real estate has ever seen in South Africa in 30 years, Goslett was appointed as CEO of RE/MAX Southern Africa.

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