

# Predictions for the 2020 real estate market

By  Adrian Goslett

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The property market was off to a slow start in the beginning of the year building up to the elections. Thereafter, activity slowly picked up within the property market. The RE/MAX National Housing Report reflected that the number of transfers (both bonded and unbonded) recorded at the Deeds Office between April and June increased by 6% YoY, and by 17% YoY for Q3.



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It is not uncommon for market activity to pick up following an election period. Given that the elections were held in May, the increase in transactions over the July-September period might be the result of restored confidence in the newly elected government.

What's more, when looking at RE/MAX in isolation, the group has placed a considerable amount of effort on securing seller mandates in 2019, which has led to a greater pool of well-priced stock. What naturally flows from this is a higher propensity of leads and in turn, sales. We are fortunate that while the market has not grown significantly this year, we have managed to grow our sales at a rate that outpaces inflation.

## Several concerns remain

However, there were (and still are) several concerns for the property market, most notably the threat of ongoing power cuts, poor foreign investor outlook and slow economic growth. The ongoing fiscal concerns around Eskom and SAA has put the country's economy on somewhat shaky grounds. Moody's downgrade of our investment status from 'stable' to 'negative' was a further knock to investor confidence within the local market. Despite these threats, the property market continues to reflect nominal house price growth that is more or less in line with inflation, with the Standard Bank House Price Index ticking up to 4.0% y/y in October.

I remain confident in the local property market and believe that we are near the bottom of a downward cycle that is poised to start a long-term corrective journey as we head into 2020.

These predictions are based in part on a few highlights that occurred during the year. The interest rate cut in July was a big highlight, as it holds the potential to increase market activity and drive up prices. The Rugby World Cup win was another highlight for the nation as a whole. A victory such as this can work towards restoring confidence in the local market and attract the attention of foreign investors. I am hopeful to see what this win will do for the local market going forward. The fact that the NPA has started to act against corrupt individuals will also give confidence that stability and ethical practices are being actively pursued which in turn provides investor confidence.

## **Move towards smaller properties**

In terms of trends that have emerged, there has been a continued move towards smaller properties in secure/safe environments. Larger homes are also taking considerably longer to sell than in the past. These trends will continue into 2020.

Lastly, I predict that, provided no further threats to our economic growth occur during the year ahead, the local property market will remain more or less stable in 2020, reflecting marginally higher rates of house price growth and higher numbers of transactions. I believe the luxury market will continue to feel the pinch within this tight economy and the majority of transactions will continue to fall within the affordable price ranges.

## **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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