

How residential has pushed global real estate value to new heights

Driven by the residential property sector, the value of all the world's real estate reached \$326.5tn in 2020, a 5% increase on 2019 levels and a record high, according to a report from Savills. Residential property, accounting for 79% of all global real estate value, saw its value increase by 8% during 2020 to some \$258.5tn.



Source: Gallo/Getty

According to Savills, real estate is more valuable than all global equities and debt securities combined and almost four times that of global GDP. The value of all gold ever mined pales by comparison at \$12.1tn, at just 4% the value of global property.

Savills' report notes that China is the world's most valuable residential market and now accounts for 30% of total global residential value. Total residential value in SA grew by 13% in 2020, driven by strong price growth coupled with the delivery of new supply.

The US follows, accounting for 11% of world residential value, while just ten countries – China, US, Japan, Germany, UK, France, South Korea, Canada, Italy and Australia – make up 75% of the global residential total. At a regional level, significant residential wealth is concentrated in Europe and North America, accounting for 43% of value combined, despite being home to just 17% of the global population.

Residential wealth in SA

In 2020 in South Africa, Dr Andrew Golding, chief executive of the Pam Golding Property group, which is Savills exclusive residential real estate partner in Africa, says the country's residential stock reached a total value of R6075bn (source: Lightstone).

Says Golding: “Housing stock in South Africa remains predominantly freehold, which comprises 81.2% of all homes, and sectional title homes 12.4%. However, while residential estate homes account for only 6.4% of all housing units, they account for 17.2% of the value of all homes in South Africa.

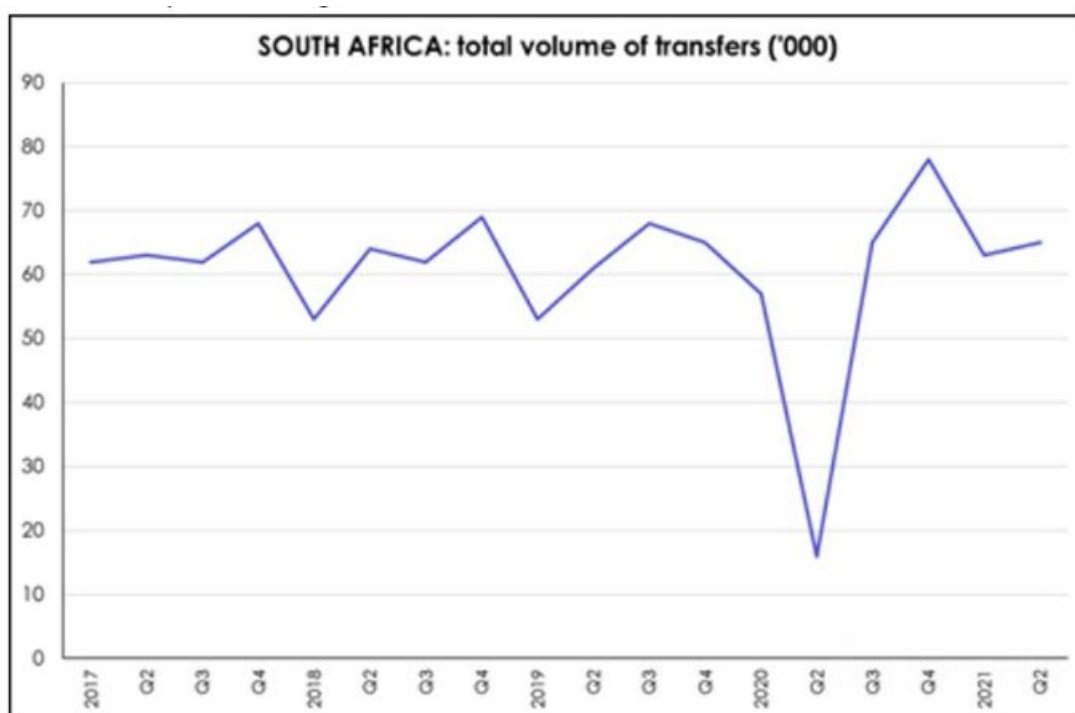
South African residential stock (2020)

	Estate	Freehold	Sectional title	TOTAL
Units	433 619	5 521 791	841 855	6 797 265
% total	6.4	81.2	12.4	100
Value (Rm)	1 045 709	4 090 302	938 992	6 074 992
% total	17.2	67.3	15.5	100

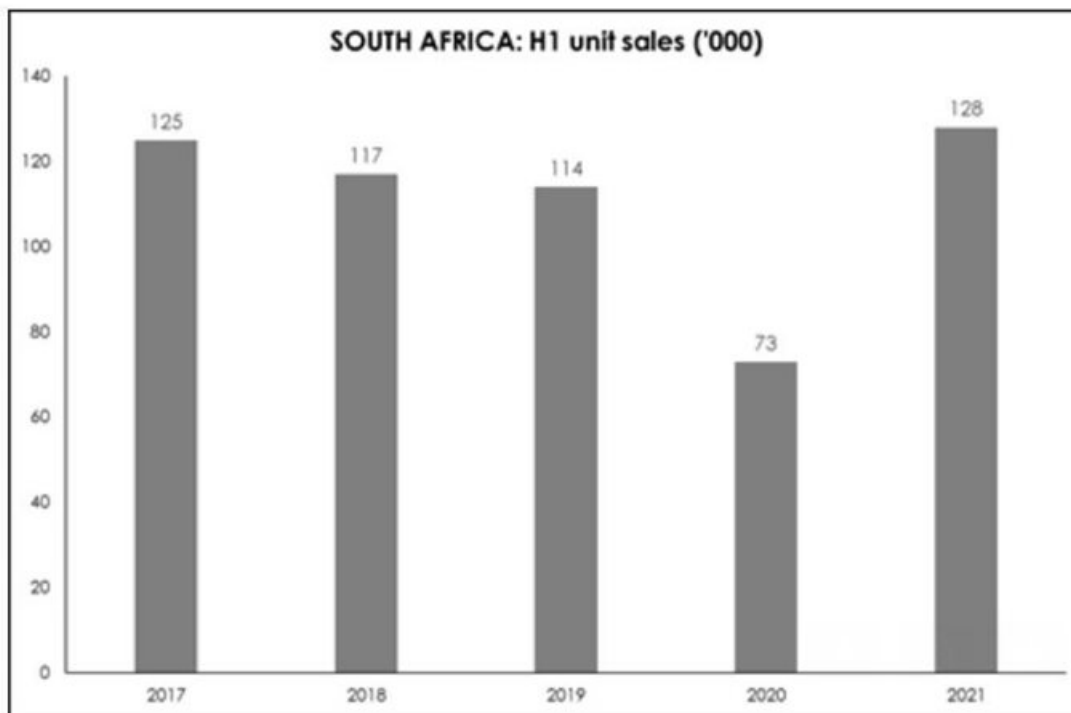
SOURCE: Lightstone

“Over the past five years (2017–2021 year to date), the largest number of homes sold was recorded during the final quarter of 2020, when approximately 78,000 units were sold.

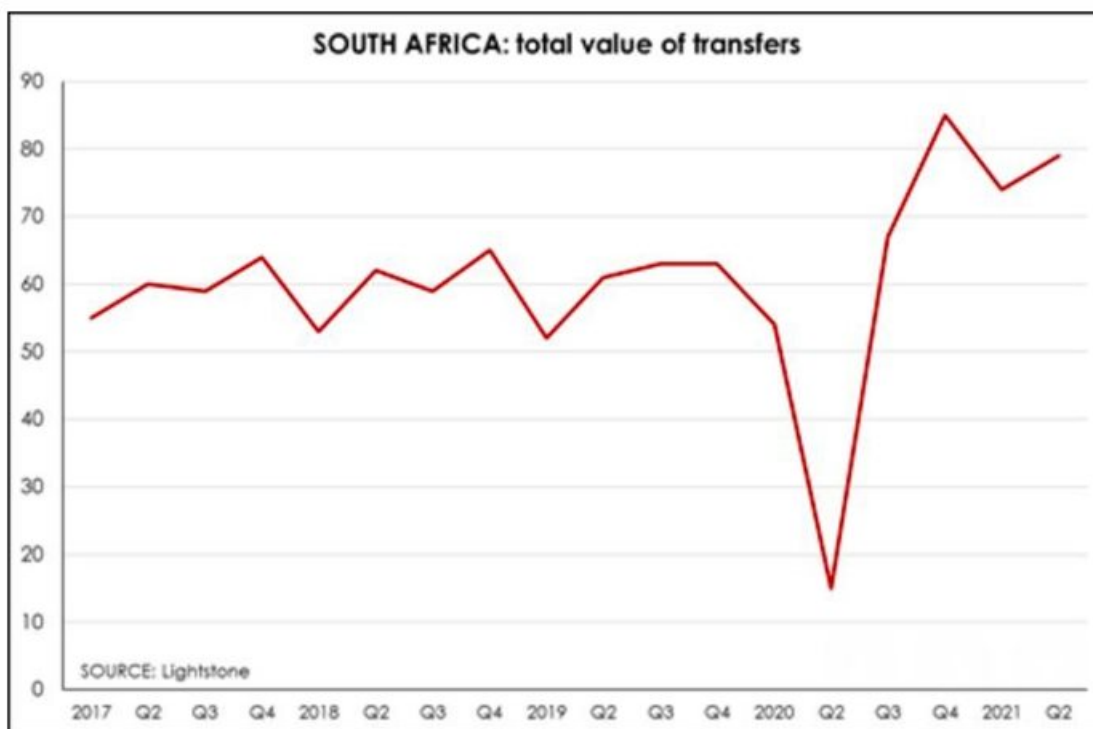
“While the pace of sales slowed during the early months of 2021, the total number of sales recorded during the first half of the year - approximately 128,000 units - is the highest sales number recorded during the first six months of the year over the past five years. This shows surprising resilience in the national housing market, despite the tough economic environment.”



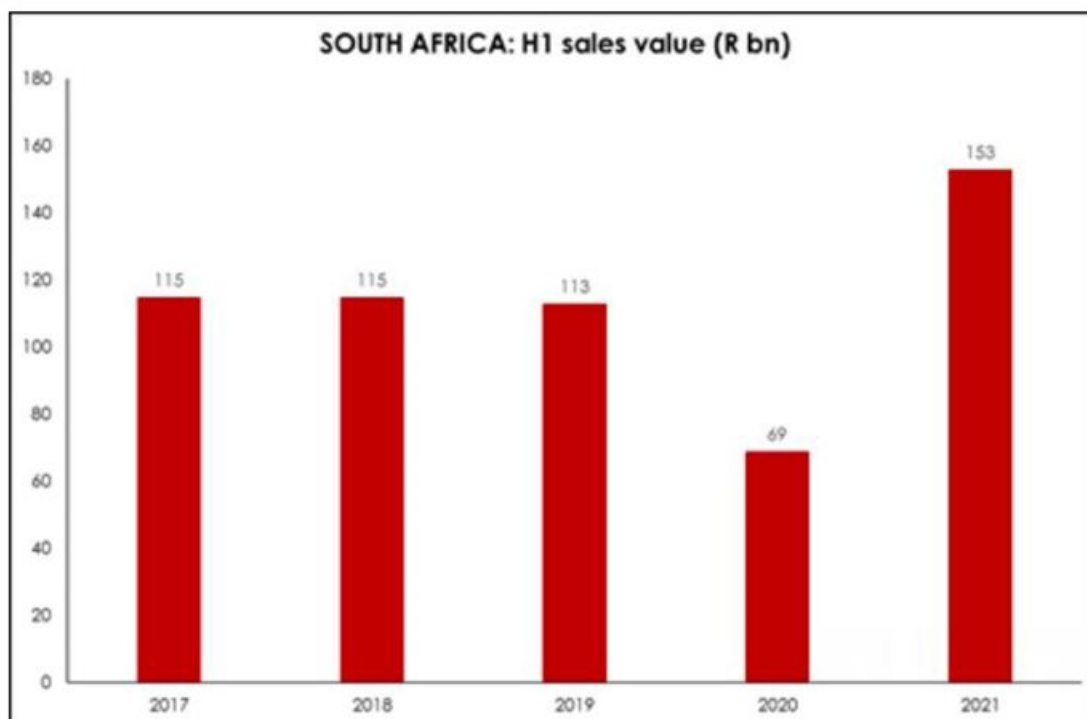
SOURCE: Lightstone



SOURCE: Lightstone



Adds Golding: “The total value of home sales across the market in South Africa showed a far stronger surge after the hard lockdown was eased last year, soaring to R85bn in the final quarter of 2020, peaking at the same time as unit sales. While the total value of sales has softened somewhat during 2021 to date, it remains elevated compared to the levels of the previous five years – unlike the number of units, which are now back to a similar level as recorded during the previous five years. This suggests that the average value of the homes sold during the first half of 2021 was higher than during the course of last year – a view echoed by FNB research.”



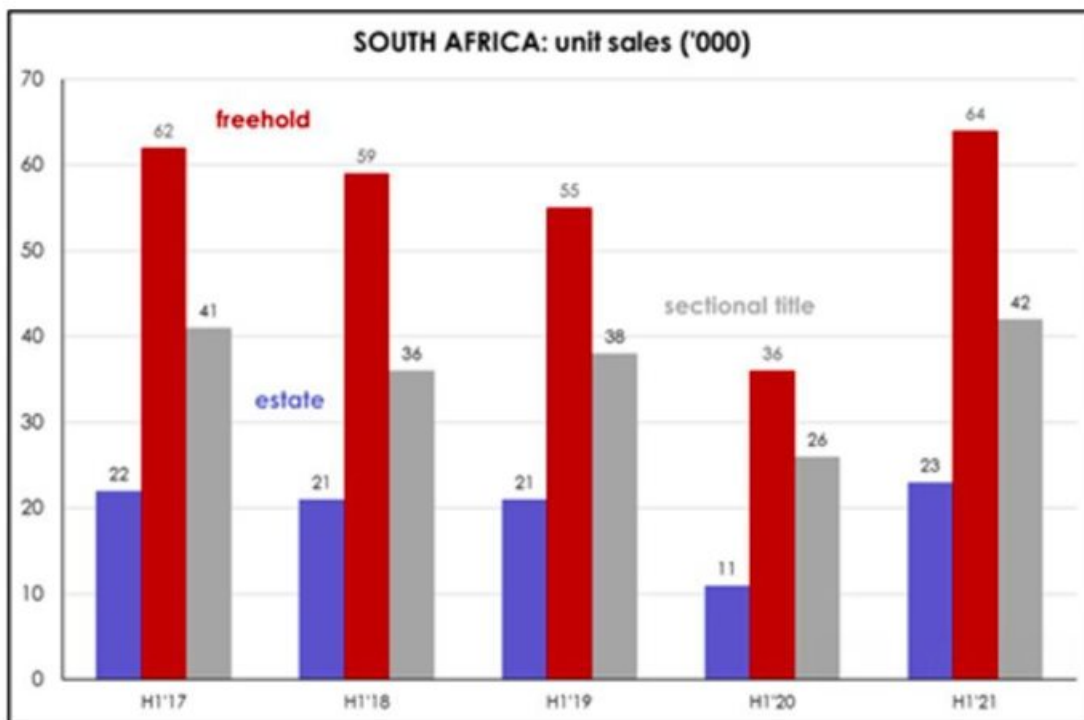
SOURCE: Lightstone

SOUTH AFRICA	H1 2019	H1 2021	% change
Units ('000)	114	128	+12.3
Value (R bn)	113	153	+35.4

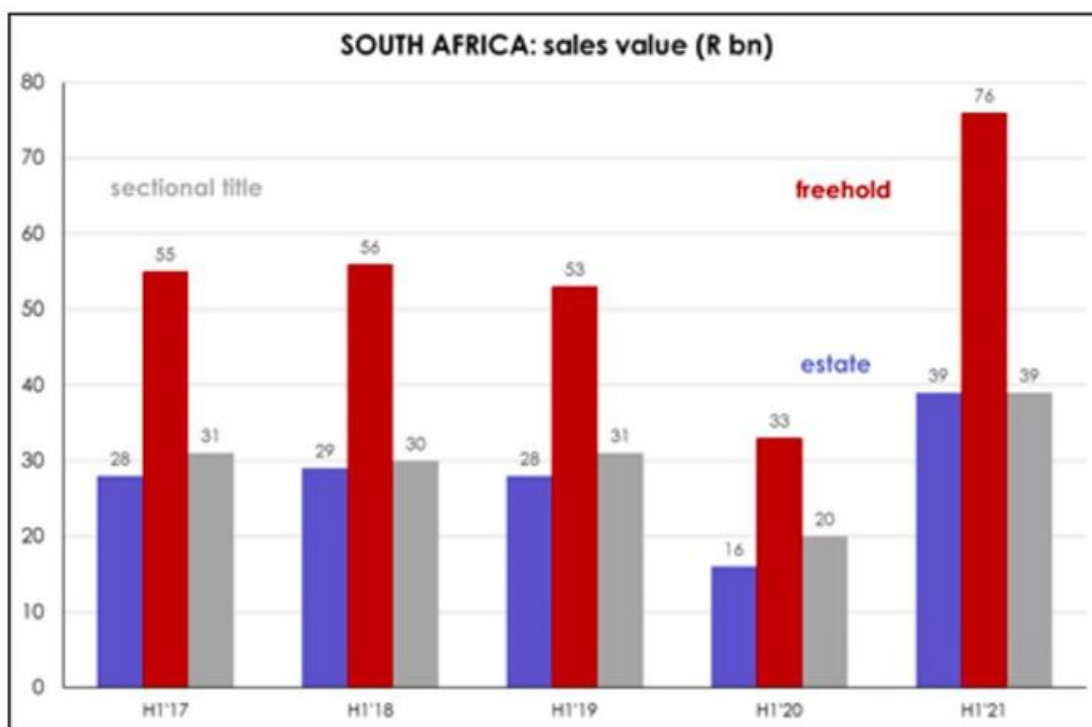
During the first half of 2020, estate unit sales declined by 47.6% compared to the first half of 2019. However, these then more than doubled (by +109.1%) during the first half of 2021, rising to the highest number of estate sales recorded during the past five years.

Notably, says Golding, during the first half of 2021, all three property types registered the highest level of sales over the past five years, with a particularly large increase in the value of freehold homes sold compared to previous years. (See chart below).

FREEHOLD	H1 2019	H1 2021	% change
Units ('000)	55	64	+16.4
Value (R bn)	43	76	+43.4
SECTIONAL TITLE			
Units ('000)	38	42	+10.5
Value (R bn)	31	39	+25.8
ESTATE			
Units ('000)	21	23	+9.5
Value (R bn)	28	39	+39.3



SOURCE: Lightstone



Adds Sandra Gordon, Pam Golding Properties senior research analyst: “According to FNB, the strong growth in mortgage extension, despite the weak economy, reflects a shift in demand from first-time buyers to more affluent buyers purchasing more expensive properties.

“The first wave of demand from first-time buyers followed the initial relaxation of lockdown restrictions which saw young adults take advantage of the lower interest rates to purchase homes in the lower price-bands – notably in the R750,000-R1.5m price range.

“The second surge, which FNB estimates began in the first quarter of 2021, has largely been driven by older, more affluent repeat buyers. FNB notes that the 14.5% rise in the size of the average mortgage loan processed by the bank in the 18 months to July suggests wealthier South Africans are trading up to more expensive homes. This shift to older, repeat

buyers is also reflected in the decline in applications for 100% loans.”

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