

# How property markets are faring as global lockdowns ease

Now that the majority of countries are loosening restrictions, following Covid-19-related lockdowns which negatively impacted the global economy, Dr Andrew Golding, chief executive of the Pam Golding Property group, and Lucian Cook, Savills head of residential research, examine how property markets have responded.



Image source: Gallo/Getty

The Pam Golding Property group is Savills' associate partner for the Sub-Saharan African region.

Citing the Savills Global Market Sentiment Survey, Golding says while some 58% of respondents to the survey stated that debt was less readily available and on worse terms than usual, South Africa bucked the global trends with a prime interest rate at 7.25% which represents a 47-year low.

“In South Africa in May (2020), home loans extended to first-time buyers surged to 56.2% of total mortgages extended via ooba, although these figures are most likely distorted by a pent-up demand resulting from a slump in activity during lockdown. Furthermore, pre-qualified buyers continue to enjoy a high approval rate of 88.5%, however, those not pre-qualified experienced a sharp drop (73.8%) during the same period,” he says.

Meanwhile in Europe, according to Savills' survey, lending rates have as much as doubled for some core German offices, while in the US, a survey by the Federal Reserve found that banks had tightened lending standards across all major commercial real estate loan categories.

Positively, according to Savills' survey, the UK's prime residential market has seen a remarkable recovery in activity levels since the surprise reopening of the housing market in England on 13 May, but remains price sensitive given an uncertain economic backdrop.

"Market activity has been buoyed by pent-up demand, in part at least, but we have been surprised at the extent to which lockdown has made people reassess their housing needs and, more pertinently, act upon it," says Lucian Cook, Savills head of residential research.



Dr Andrew Golding, CEO of the Pam Golding Property group

## Similarities between SA, UK markets

Certain similarities between the South African and UK residential property markets become evident, as Cook says buyers appear to be keeping their feet on the ground when it comes to what they will pay, meaning sellers must retain realistic price expectations if this momentum is to be sustained. A trend being experienced both locally and overseas is that the experience of working from home has made people aware of the limitations of their existing homes, with increased interior and exterior space becoming an important driver of demand for many buyers.

As activity resumes in the property markets globally, changes to the way people lived and worked during lockdown are already affecting buyer preferences. Respondents in 33% of markets are reporting increased interest from buyers looking to upsize their main residence. Urban centres such as Sydney, Rome and Monaco reported increased interest in upsizing, particularly as residents likely endured lockdown periods in smaller spaces.

Across the prime London market, 97% of Savills agents report increased demand for homes with a garden or outdoor space, 82% increased demand for a separate place to work from home, and 71% proximity to a local park. This desire for space has also caused existing owners in central London to look to outer London locations, particularly across the prime west and southwest markets.

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## SA property prospects as we look beyond Covid-19 lockdowns

John Loos 18 Jun 2020





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## SA housing market

Commenting on the South African housing market, Golding says while it is still early days after easing of the lockdown restrictions on 1 June, when real estate agents were permitted to open their doors, promisingly, there are some encouraging signs of market activity evident in various high-demand areas around the country. “And despite the overriding sense that it’s a price-sensitive, buyer’s market, during the course of last month (June) we’ve seen transactions concluded where realistically priced properties have achieved close to asking prices.

“On the Cape’s Atlantic Seaboard, we are seeing optimism from value-driven buyers, mostly locals, as well as some international buyers, who have now concluded transactions for properties viewed in January prior to returning abroad, acquired as a result of the competitive pricing due to the favourable exchange rate.

“Furthermore, a number of deals are under negotiation, with well-priced properties generating significant buyer response across all price ranges. The hiatus in the property market has resulted in the anticipated and hoped for pent-up demand and buyers are generally responding well to the opportunity that the market is presenting. Also in Cape Town, activity in the Southern Suburbs has picked up considerably, with leads via our website and the portals back up to pre-Covid levels.

## More spacious properties in demand

“In the Boland and Overberg regions, an interesting trend is that we are seeing homes in estates in higher demand, reaffirming the trend towards security and more spacious properties conducive to a family-oriented environment and work-from-home convenience with a host of amenities either on site or easily accessible. In these regions in general, while properties priced under R3m receive a great deal of enquiries, we are now seeing those in the higher bracket from R5.5m and above receiving more interest. Somerset West has had a good run with several sales concluded for overseas buyers in Switzerland, the UK and Netherlands. The Whale Coast is also experiencing an uptick from purchasers looking to relocate here from the city as they can now work remotely while enjoying a country-type lifestyle.”

Golding says positively, in Gauteng, Pam Golding Properties’ Hyde park office in the Johannesburg Metro has already concluded over 40 transactions in just two weeks alone in areas such as Bryanston, The Parks, Norwood, Blair Atholl and Melrose Arch.

“In the KwaZulu-Natal North Coast region, we are also noting pent-up demand with buyer activity across all sectors, which has resulted in our concluding almost a sale a day since 1 June as a number of reservations were placed on various developments in uMhlanga and Sibaya. The most active sector is below R5m - for end-user residential homes as well as well-located and well-priced off-plan developments. We have just launched a stylish new, well-priced development in the high-demand area of uMhlanga, which has generated a high volume of leads in the first few days after launch from potential buyers in Johannesburg and KwaZulu-Natal.



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## Interest from foreign buyers along Garden route

“On the scenic Garden Route, our George office reports sales recently concluded in Fancourt, Wilderness and the George

area, three of which were for properties above R10m, and we are also seeing increased interest from foreign buyers.

“From a Western Cape rental perspective, we have had a burst of activity since 1 June, flowing from a pent-up demand from those who need to relocate for various reasons, with many tenant viewings across all price ranges and throughout the Cape Metropole. As a result, numerous leases have been negotiated during this period, with the Atlantic Seaboard, City Bowl, Southern and Northern Suburbs particularly busy. We also negotiated a number of leases during lockdown which have now been finalised after viewing.

“Over and above this, we are seeing optimism from value-driven buyers, mostly locals, as well as some international buyers, who have now concluded transactions for properties viewed prior to lockdown, or as the lockdown regulations eased enabling viewing of properties.”

## **The year ahead**

Golding says that at this stage, it's just too early to accurately call the post-lockdown market with any degree of certainty but the hope is that, notwithstanding the macroeconomic picture, that both market activity and house price inflation will rebound at least modestly from the current 2020 levels.

“With inflation still at the lower end of the 3-6% target band, it is also hoped that the current low interest rates will help bolster the economy and provide prospective home buyers and investors with an incentive to make property buying decisions. These include first-time buyers, who comprise just over half the loans extended via mortgage originator, ooba, and who continue to capitalise on zero transfer duty payable on homes priced below R1m.

“A further motivation for investors and home buyers taking a medium to longer term view on capital growth is the current muted national house price inflation, which eased to 2.35% in May from 2.6% in Q1 of 2020.”

Concludes Golding, “However, realistically speaking, the sales market is expected to remain subdued during the second half of 2020, as the lockdown is gradually lifted and the economic recovery slowly regains momentum. Both activity and house price inflation levels during the second half of the year are expected to remain below the levels seen in the early part of this year.”

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