

Mixed outlook for SADC property markets as impact of Covid-19 becomes clearer

Driven by the low interest rate and favourable mortgage lending climate, South Africa's housing market is currently experiencing a post-lockdown bounce-back - especially in the low to middle-income suburbs, according to Samuel Seeff, chairman of the Seeff Property Group. For neighbouring SADC countries, however, it's been a mixed bag, he says, as these real estate markets are diverse, often with high interest rates and large rental components affected by factors such as a decline in income, business closures and expat departures.



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Botswana – foreign buyer transfer duty upped to 30% further hampers recovery

While Botswana experienced two lockdown periods (six weeks in March to May and a further two weeks in June), Julie Denyer, a director for Seeff Botswana, says the Transfer Duty Act Amendment of 2019, effective from 1 March has exasperated the situation.

It introduced 30% transfer duty (the highest in the world) on sales to foreign buyers (compared to 5% for citizens), effectively halting sales to foreign buyers. The banks are also concerned about the ongoing effects and potential house prices dropping drastically, she says.

While there has been some recovery in the local market, mostly the P1.25m to P2.5m price range, and while the interest rate has dropped to 6.5%, the banks are working on +2% and buyers are facing tough criteria.

Although rental rates remain under pressure, affordable rental stock in the P6,000 and P12,000 range is in high demand and short supply. High-end rental demand remains muted until the borders reopen and expat demand returns.

The blacklisting of Botswana by the EU and new regulations of the Financial Intelligence Act has also made tenant vetting more onerous.



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Zambia – businesses closing in malls resulting in high vacancies, many empty buildings

Lusungu Kayela, Seeff's principal in Zambia, says the market is feeling the effects of the pandemic in numerous ways. Malls are closing, vacancy rates are rising and there are many unoccupied buildings.

Residential rentals have seen similar trends to South Africa with tenant payments strained and landlords needing to accommodate where they can. Many middle to high-end properties remain vacant due to expatriates having returned to their home countries.

In the sales market, opportunistic buyers are looking for under-market prices on the one hand while prices are often not yet adjusted to market realities on the other hand. At least we are now able to do physical viewings while observing strict Covid safety rules which, he says, will assist in boosting transactions.

Zimbabwe – high interest rate, low liquidity and cash-dependent

Patience Patongamwoyo, licensee for Seeff Zimbabwe, says the economic challenges which existed prior to the pandemic, such as high unemployment, a high interest rate (35%) and low liquidity, persist. Hence, the market remains dominated by cash, generally driven by diaspora Zimbabweans investing mainly in entry-level properties along with a few buyers from the mortgages market and the business class.

High and medium-density properties (land size up to 400m²) are most in demand up to \$80,000. Sellers generally want US dollars (not the local currency), and many take their funds offshore due to policy inconsistencies and concern about leaving money in the banks.

The informal markets, which form the bulk of tenants, were adversely affected by the pandemic with rental payments affected by both reduced capacity and legislation giving tenants the option to defer payment. Commercial space has also been heavily affected with many companies failing to recover and vacancy rates now up to 50%.



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eSwatini – now in a super buyer's market, especially at the high end of the price spectrum

Literally every sales transaction was halted or cancelled when the pandemic struck, and while we have salvaged some, many sizeable transactions are lost, comments Anthony McGuire, licensee for Seeff eSwatini.

eSwatini is now a super buyer's market for various reasons and sellers need to be cognisant of price as even the "traditional" buyers in the R2m to R3m range remain cautious. There is good activity at the lower (under R1.6m) and upper end and in the commercial and industrial space, he says further. Business has remained resilient with many industry leaders whose cash flows were relatively unaffected by the pandemic taking advantage of the opportunities in the market.

The rental market seems to be recovering with a slowdown of the high default rates, but with foreign nationals having left the country or had contracts put on hold, premium rentals have declined. For landlords, it is now important to hold onto good tenants and, where necessary, halt escalations or consider rental reductions, especially since rates have remained relatively high contrary to expectation.

Mauritius – rise in South Africans looking to move or invest

Severine Dalais-Pietersen, marketing executive of Seeff Mauritius, says property hit a halt during the lockdown but there has been improvement since the lifting on 1 June.

Requests from South Africans willing to move or invest in Mauritius are increasing, but they are waiting until they can fly or visit before committing. Other investors are waiting for prices to come down, potentially should listings increase, she says.

With the interest rate at 3.35% and expected to go down further, it is a good time to buy and local Mauritians are investing in a lot of plots of land in the MUR4m to MUR10m range.

Rentals have been a "boom" with many properties coming back onto the market, but demand has slowed as 95% of tenants are expats. With borders not fully opened, the inflow of new potential tenants remains slow.



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Namibia – interest rate better than in prior years

Maria Esterhuysen, MD for Seeff Namibia, says they have seen some buyer caution, but with the interest rate better than in prior years, it is a great incentive to buy and there is plenty of stock and sellers willing to negotiate.

In the Walvis Bay area, we are seeing a high demand in the N\$800,000 to N\$10.8m price range, she says. Here too, tenants are exiting the rental market and buying their own homes, not just young people but we are also seeing families looking to expand but still keeping under the N\$1.8m price mark to keep instalments similar to monthly rentals, says Esterhuysen. There are also some who are investing in two apartments; one to live in and one to rent out.

The rental market experienced a similar impact to SADC neighbours with tenants not able to pay full rent and landlords either accommodating or needing to write off losses, but the market remains active. Landlords are keen to hold onto paying tenants due to risk of finding another tenant.

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