

When will housing market activity return to normal?

By [Adrian Goslett](#)

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The South African property market has been experiencing a wave of hyperactivity ever since the three-month shutdown of the national Deeds Office when Covid first hit back in March 2020. Today, almost eighteen months later, Re/Max of Southern Africa continues to report record-breaking sales totals.



Adrian Goslett, regional director and CEO of Re/Max of Southern Africa

The registered sales and commissions for our network YTD are a very strong 17% ahead of an already aggressive budget forecast. Reported sales are also holding on with a 30-40% increase on pre-Covid numbers monthly. But, the market will inevitably soften over time and it's hard to predict when that will be – possibly when the interest rate cycle turns in the next few months.

Interest rates have played a pivotal role in the upsurge of activity within the housing market. At the current interest rate, repayments on a home loan can quite possibly amount to less than one might spend on rent for the same home. When interest rates eventually begin to climb, my prediction is that buyer activity will start to subside and demand will become more subdued.

Budget for future rate hikes

Beyond this, we hope that buyers will have left the room in their budgets to afford future interest rate hikes. Those who entered the market within the last year are likely to have become accustomed to having their bond repayments subject to the current interest rate. My concern is for those who have not allowed room in their budgets to afford an increase. Our partners at BetterBond report that only two out of ten customers apply for 90% LTV, while

six out of ten customers are requesting a 100% LTV. The hope is that buyers have not leveraged themselves too far because I do believe that tough times are ahead.

Recent reports show that unemployment has risen to 34.4% in the second quarter of 2021, which means that many households are going to have to tighten their belts in the months to come. While banks have been very accommodating to defaulting homeowners over this time, this will not last forever. Unfortunately, this is likely to mean that more properties will come onto the distressed property market and this will likely put downward pressure on asking prices.



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Property market always bounces back

While tough times are ahead, we remain confident that the South African property market will remain strong no matter what lies ahead. Property values will ebb and flow along with the state of the overall economy. But, even following a total market crash like the one back in 2008, the property market always finds a way to bounce back. Though we are not facing such a crash right now, my advice to those who hope to plan for future financial success is to avoid over-extending oneself and to have emergency savings in place to fall back on in case the worst does occur.

As a final piece of advice, those who are buying or selling property over this time should keep in touch with a local real estate expert who can keep them up to date on any new trends or opportunities as and when they arise. As experts on their given market, real estate agents are often the first to know when the market is about to change and can give their clients a heads up on how this will affect them going forward.

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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