

What the recession means for the property market

 By [Adrian Goslett](#)

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Following the recent announcement of a 0.7% drop in GDP in the second quarter of 2018, South Africa has fallen into another technical recession. By definition, a recession occurs when a country shows two consecutive quarters of economic decline. After the 2.2% drop of the first quarter of 2018, many economists predicted that minimal growth would reflect in the second quarter. Sadly, their predictions fell shy of the truth.



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The announcement of a recession does not bode well for any sector of the economy. During a recession, unemployment increases and spending power declines. In the world of real estate, this translates into a buyers' market where the supply of properties outweighs the demand from buyers. Unable to afford the costs of a mortgage, more properties enter the market, with some falling claim to bank repossession and distressed property sales.

There are also fewer buyers on the market during this time as many simply will not be able to afford the costs of purchasing property. While this does not spell good news for sellers, buyers who have planned for the possible recession will be able to purchase property at much lower prices.

Struggle to acquire foreign investment

Those who are currently hoping to sell upmarket properties or commercial real estate to foreign investors will also struggle following this announcement. In order to lower the risks of loss, global investors generally look towards growing economies first when considering investment options. Sellers of these sorts of properties who are located in idyllic locations might have better luck marketing the home as a short-term rental for foreigners who are hoping to take advantage of a cheap international holiday.

But, interestingly, despite our current economic outlook, RE/MAX of Southern Africa has reported a 12% growth in registered sales for the month of August in comparison to August of last year. In fact, in order to survive in this trying market, many estate agents have jumped ship from smaller firms to join bigger brands like RE/MAX. So far, we've seen over a hundred agents join our network since last year.

My advice to sellers over the next few months is to be more rigorous in their search for a real estate agent than ever before, particularly in trying markets like the one we are currently facing.

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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