

New recovery textbook needed for post-Covid real estate landscape

Clawing back from the devastating global cascade of the sub-prime collapse of 2008/09, the real estate market had a tried and tested economic textbook roadmap and traditional real estate models to successfully guide the process. However, as the modern business world has never had to contend with a global pandemic, the real estate industry, still adapting to digital and millennial disruptions, is going to have to write a new recovery textbook, says Yael Geffen, CEO of Lew Geffen Sotheby's International Realty.



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“Additionally, the previous crash was a bona-fide collapse, largely due to bubble pricing and over-lending whilst the current collapse is due to completely unrelated and unforeseen circumstances, so it’s a very different kettle of fish,” says Geffen.

“The situation we’re about to see play out will not be the same as before and in many aspects, South Africa is likely to mirror the global forecasts for the market’s recovery trajectory and pattern.”



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Tim Akinnusi 11 Jun 2020



Second-home and vacation markets

Hardest hit will be the second-home and vacation markets which will have felt the impact almost immediately, but their recovery will not be the same.

“Once air travel returns, sales of second homes for holiday purposes in well-established and relatively accessible markets will pick up before they do in farther-flung, less developed locations, but properties like resorts where groups of people gather under one roof will be slower to make a comeback,” says Geffen.

“And in South African terms, we expect the second-home market in places like Plett and Hermanus to show the first signs of recovery whilst the commercial holiday properties that will be most sought-after are likely to be in more isolated locations like bush lodges and exclusive oceanside resorts.”



Covid-19: Business unusual for property developers during Level 3 lockdown

10 Jun 2020



Second tier cities increasingly popular

Experts also predict that second tier cities and other liveable low-density areas will become increasingly popular as they offer urban convenience, but with a more appealing lifestyle that makes physical distancing easier and more pleasant. Geffen says that this trend has already emerged in South Africa, with the Garden Route being one of the most attractive options.

“Towns like George and Plett and Port Elizabeth, with its busy harbour, are especially popular as they offer excellent value for money in a scenic coastal location that boasts a fantastic lifestyle.

“In Gauteng, burgeoning areas like Midrand will become even more popular and the Winelands and False Bay in the Cape are likely candidates.”

'Survivalist' market

Another trend predicted as a result of the pandemic is the growth of the “survivalist” market which, in recent years, has become an increasingly popular pipe dream, especially in South Africa where electricity and water costs have skyrocketed and living off the grid has become increasingly appealing.

“Covid has highlighted the other advantages of the lifestyle, like food security and very effective self-isolation, so it could become a strong emergent trend.

“In South Africa, we have an abundance of undeveloped land and many charming small towns and villages, so living off the beaten track in a beautiful location is a very accessible dream.”

Commercial and industrial real estate will also be significantly impacted by the pandemic, with certain sectors faring worse than others.



The post-Covid-19 office of the future

Estelle Meiring 9 Jun 2020



Impact on office space

“Office space was once considered essential,” says Geffen, “but the traditional concept has been changing in recent years, both abroad and here, as companies began to introduce flexi-time and small businesses opted for co-working office space to save on overheads.

“However, after the pandemic, it’s anticipated that many people will continue to work from home which is likely to disrupt this sector even further. And, with social distancing expected to continue, co-working spaces are unlikely to keep gaining in popularity.”



Malls will need a better understanding of shoppers, shopping behaviour going into the future

Julie-Anne Bell 5 Jun 2020



Retail and industrial property

The rampant growth of e-commerce has already dealt a blow to large shopping malls the world over, and they are likely to come under further strain as major retailers are on the verge of bankruptcy and many small tenants will not be able to survive.

“We are seeing much the same here in South Africa with companies like Edgars struggling to stay afloat and in order to fill the vacancies, shopping mall owners will have to be creative in their selection of new tenants to diversify beyond traditional retailers.”

“In contrast, smaller grocery-anchored neighbourhood shopping centres are doing very well, with many reporting higher turnovers during lockdown as most people have been shopping close to home.”

In recent years, the industrial sector has strengthened, largely because of e-commerce and small- to medium-sized properties are expected to become increasingly sought-after with regional distribution hubs becoming localised in order to meet growing demand.

Some positive aspects

Chairman of the group, Lew Geffen, says that although the property market in South Africa has never been at a lower ebb, there also have been a few positive aspects to the pandemic.

“It’s given us a chance to pause; to think without pressure and probably realise some home truths, the most obvious being that the entire world is in chaos and right now the grass is certainly not much greener on the other side.

“I think that we will see fewer people in the income stream that drives the economy still being keen to leave a country that offers a lifestyle that is still better than in most countries. They will be even further dissuaded by weakness of the rand.”

He reminds us that the property market has been on hold for some time already – at least three years - and there is pent up demand to return to normal.

No better time to buy

“There is no better time to buy than right now and, although we won’t bounce from gloom to boom overnight, there will definitely be a spike in activity and I expect the market to gain strength in volume of sales initially.

“Prices will only start to rise significantly if a fundamental restructuring of the economy takes place and, even if it does, it will not be an overnight affair.

“But real estate remains the most stable asset class for long-term investment, regardless of the economic climate and if you make wise, informed choices now, you are sure to reap rewards in the long term.”

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