

Real estate and the economy: Why SA needs property market activity

By [Schalk van der Merwe](#)

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Property is regularly acknowledged as an important part of the economy, but few realise the extent to which real estate activity contributes to the South African GDP. Recent estimates place this figure as high as R191bn, with a R46bn direct contribution to national revenue.



Image source: Gallo/Getty

In light of the havoc that Covid-19 has wreaked on the South African economy, a contribution of this scale is nothing to be sneezed at. However, there are still a few hurdles to be faced for real estate to reach its full potential as a force for good on the country's path to economic recovery.

Flood of new buyers

After a very difficult start to the year, we've been incredibly pleased and grateful for the flood of new buyers hitting the market post lockdown. Sales have hit record numbers in response to the South African Reserve Bank's interest rate cuts, and this surge of activity looks set to continue well into the new year.

While this increased spending – and lending – will inject much-needed liquidity into the economy, it's far from enough to turn the economic tide on its own. Thankfully, business and consumer confidence have both shown a significant uptick in recent weeks, suggesting other economic activity may be hitting its stride again, soon. In fact, GDP forecasts for 2021 have already been upgraded to 3.5% by the Centre for Risk Analysis (CRA) and 3.3% by the National Treasury.



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Business and consumer confidence

The recovery of business and consumer confidence is important for the property sector, as it directly affects things like job security and income growth, which contribute to affordability. Low interest rates and inexpensive property prices can only go so far towards motivating buyers. They also need the long-term financial security and disposable income available to be able to save for deposits and fees and qualify for finance.

The current surge in property purchases by buyers under 50 suggests confidence levels in the country's long-term economic outlook are already high amongst certain age groups. However, this market activity and its contribution to the GDP will also boost confidence levels amongst other demographics, driving more property investment and more GDP growth in a symbiotic upward cycle.

Resurgence in foreign investment

We also expect to see a resurgence in foreign investment, adding its strength to this cycle as our weak exchange rate has made properties 20% to 30% cheaper for foreign buyers than the same time last year. It's also unlikely that those prices are going to start their own recovery quite yet, which means high buyer activity should continue for some time to come.

While this is good news for investors in the short term, property price growth is essential for the long-term viability of the market. The main stumbling block at present is the oversupply of properties on the market.

This oversupply won't last forever. Particularly with the levels of buyer activity we're seeing at present, but it's high enough that it will take some time to return to normal levels. That said, there are already certain properties in certain areas that are experiencing positive price growth as demand in their specific niche markets starts to overtake supply.



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Positioning for a favourable sale

Understanding these micro-trends is vital for sellers hoping to make the most of what can be a challenging market.

You can't get swept up in the major trends and forget to look at what's happening right on your doorstep. It's only by understanding all the elements at play that you can successfully position and market a property for a favourable sale.

The more favourable sales – for both buyers and sellers – the greater the impact property will have on South Africa's economic recovery.

It's actually a very exciting time to be a real estate agent. With our support, more people will be able to benefit from buying and selling property, and together we can increase the property sector's already significant influence on the economy. It's a wonderful opportunity to help our country by doing what we do best, and we're looking forward to giving it our all in the coming year.

ABOUT THE AUTHOR

Schalk van der Merwe, franchisee for the Rawson Properties Helderberg Group

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