

6 factors hanging in the balance for property in 2021

By [Schalk van der Merwe](#)

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Having started the year in technical recession, only to be hit by a pandemic, few would have predicted that 2020 would turn into a successful year for property. Thanks to an unexpected wave of buyers triggered by low interest rates, motivated lenders, and excellent value on the market, however, South African property has emerged from 2020's challenges with its head held high.



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Now, as we enter 2021, the question is whether the market will successfully retain its buoyancy. The following factors could tip conditions either way:

Interest rates

Outlook is: Good!

With interest rates taking the lion's share of credit for property's success in 2020, it stands to reason that they will continue to play an important role in 2021. Thankfully, it's looking very likely that low interest rates are here to stay for at least the first three quarters of the year, which means property finance is going to remain very affordable for buyers.

The economy

Outlook is: Moderate

Interest rates are only one contributing factor to buyer activity. Income is another, and it relies heavily on economic growth.

Realistically, our economy is in a very compromised position at the moment. As a result, unemployment is at an all-time high, and income growth is low. If we can't turn that around sufficiently, property market activity will be constrained and momentum less sustainable. Current forecasts peg economic growth for 2021 at between 2.5-3.5% – an encouraging sign. If we hit those targets, we can expect market activity to continue unabated into 2021.



SA home market continues positive performance in 2021

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Politics

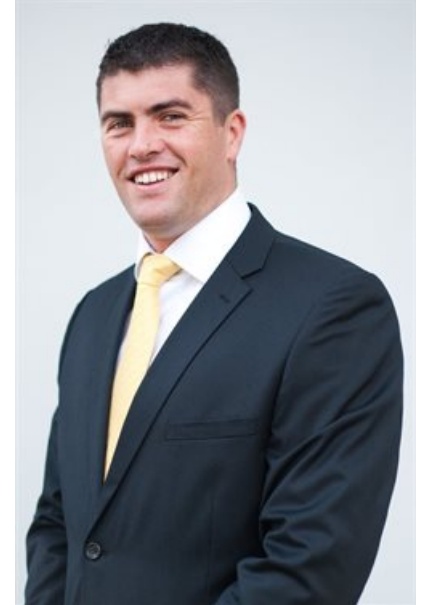
Outlook is: Risky

As a long-term investment, buying property requires a reasonable level of confidence in South Africa's future. This confidence is heavily influenced by political events and upheaval, particularly for more conservative investors and those in older age groups.

Over-fifties used to make up a healthy percentage of property purchases in previous years, but political instability has caused this to decrease to a notable degree. Now, with Covid-19 demonstrating the resilience of real estate – and riskiness of other investment types – we have an opportunity to turn this demographic's attention back to property.

A return of cash-flush, over-fifties would be a powerful boost to the property market, but would require strong political leadership and some indication of achievable plans for South Africa's future. Should President Ramaphosa and the ANC manage to return South Africa to a positive-looking trajectory, however, more than just older age groups may be enticed to invest in local property.

Increased political stability would also improve property's appeal for foreign buyers. This could provide an important boost to the luxury market, which remains relatively affordable to those with stronger currencies.



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Tenant reliability

Outlook is: Risky

While property sales bloomed in 2020, the rental space faced many challenges. Covid-19 drove up the number of defaulting tenants significantly in both commercial and residential sectors. This could be an ongoing problem in 2021 if landlords don't pull out all the stops to secure and retain good tenants.

The number of tenants in good standing dropped from 81.52% at the beginning of the year to a dismal 73.5% by the second quarter. This has been particularly severe in the retail and commercial space, where tenants were put under extraordinary pressure by lockdown. We are hoping this situation will improve as economic activity resumes and the festive season boosts consumer spending.

In the meantime, stringent tenant screening will be absolutely essential, and both commercial and residential landlords should prepare for minimal rental increases.

A good tenant is worth far more than a few percent higher rental. Growth will return in time. For now, the emphasis has to be on preventing vacancy.



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Shifting trends

Outlook is: Good!

While Covid-19 has had little direct effect on property purchases, it has influenced buyer and tenant trends to a notable degree. Not only has its economic fallout (unemployment and job insecurity) brought affordability to the fore, it has also shifted demand for specific features in both commercial and residential property.

The key to avoiding negative consequences from this is going to be adapting to the new trends. In the commercial space, this means working with municipalities to rezone underused properties for mixed use. In the residential space, we may see the opposite happening, with more people applying to operate small businesses from home.

Either way, it's our job as property professionals to help owners and landlords navigate the shifting landscape and keep their investments performant, despite fluctuating conditions. I believe this is entirely achievable as long as expectations are kept realistic.



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Real estate agency performance

Outlook is: Variable

In a challenging market where many factors hang in the balance, much will rely on the performance of real estate agencies and their ability to assist buyers, sellers, tenants and landlords. This will require many to rethink their traditional processes in favour of a more tech-enabled and customer-centric business model.

We need to make sure our real estate agents are able to hone their skills and perform optimally in their role as strategic property advisors, rather than just administrators. That means investing in training as well as technology to support and enhance efficiency and reduce the administrative burden.

Those of us who get this right in 2021 stand to make a tangible difference to our clients' property investments, and position ourselves as long-term, trusted property partners. We are optimistic that the current momentum will continue, and we will be able to assist our clients in making the most of those opportunities.

Those who can't or won't adapt, on the other hand, will face increasing competition from cheaper, automated online solutions. It's up to us to prove our value; those who can't will become obsolete.

ABOUT THE AUTHOR

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