

South Africa Residential Real Estate Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The South Africa Residential Real Estate Market is expected to grow at a CAGR of greater than 9% during the forecast period (2022-2027).

Despite the uncertainties surrounding COVID-19 and the subsequent lockdowns, the residential property market became one of South Africa's more robust sectors. While first-time buyers boosted the housing market in 2020, repeat purchasers drove the national housing market in 2021, as first-time buyers felt the brunt of the sluggish economy and the fading of the benefits of the rate cuts.

The country's demographics show that 15.6 million South Africans are aged 20 to 34. With the right economic opportunities, some of them will be entering the market as first-time buyers. Others who already own a home, are discovering property's potential to create wealth. Instead of upgrading to a larger next home, they are starting to build property portfolios. The good news for new investors is that interest rates are favorable and the current slow rental growth is likely to improve over time.

A number of factors have fuelled the housing market: low interest rates, the rise of working from home trends, and the appeal of more space in the event of further lockdowns are among them.

The slow recovery in the labour market, combined with rising interest rates suggests a less supportive medium-term environment for home-buying activity. However, if sustained, the ongoing shifts in housing needs, which have lent support to homeownership, could mitigate the impact.

South Africa Residential Real Estate Market Trends

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Increasing Demand for Sectional Title Living in South Africa

The purchase of freehold homes by South Africans has been steadily decreasing, with buyers opting for sectional title and estate homes instead. Increased security, affordability, and the communal lifestyle are attracting aspects when considering sectional title properties. A sectional title unit is a property in an undivided share of common property. These units are known as townhouses, flats or apartments, and duet houses.

A slight decrease in the purchase of freehold property was seen Y-o-Y. Estate purchases remained consistent, along with the growth of sectional title property of up to 5%.

Government-provided housing made up a major component of South Africa's affordable housing stock in 2020. About 31% (2,2042,041) houses in the country were government-subsidized, up from 29% in 2009. Across the provinces, the Northern Cape has the highest proportion of government-subsidized dwellings (47%) compared to Gauteng, which has the lowest (27%).

Rental Prices Growth in South African Provinces

There are high vacancies and low escalations across South Africa, fueled by lower than normal demand in 2021. Historically, the rental demand increased during tough economic times, which is not the case in the present scenario. The data show that few people are entering the rental market and the majority of those rent for less than ZAR 7,000 (USD 465.24) per month.

Most provinces saw low rental growth and a deterioration in the average tenant's financial situation from Q2 2020 to Q2 2021. Below-inflation income growth has made it increasingly difficult to keep up with debt and other costs.

The average rent in Western Cape surpassed the ZAR 9,185 (USD 598.21) mark during Q2 2021, making it the most expensive province to live in, with an average price differential of nearly ZAR 1,000 (USD 65.13) compared to the second-most expensive province.

In Gauteng, the average rent reached ZAR 8,292 (USD 540.05) for the first time in Q2 2021, 4.84% more than the 2020 rent and the third-highest growth rate in the country for the quarter. While this rate was lower than the previous year, it was the province's first increase in quarterly growth in two years, implying the beginning of a recovering rental market in the province.

South Africa Residential Real Estate Market Competitor Analysis

The South African residential real estate market is fragmented with various indigenous players. Most real estate companies register some of their biggest sales from properties in the Western Cape. Though property development is not showing signs of slowing down, developers are struggling to increase occupancy rates due to oversupply. Major players in the residential real estate sector are Pam Golding Properties, RE/MAX of Southern Africa, Seeff Property Services, and Harcourts Real Estate, as well as RDC Properties, WBHO, and Renprop.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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