

South Africa Residential Real Estate - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2020 - 2029

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Report description:

The South Africa Residential Real Estate Market size is estimated at USD 19.89 billion in 2024, and is expected to reach USD 32.71 billion by 2029, growing at a CAGR of 10.46% during the forecast period (2024-2029).

Despite the uncertainties surrounding COVID-19 and the subsequent lockdowns, the residential property market has become one of South Africa's more robust sectors.

Key Highlights

- The country's demographics show that 15.6 million South Africans are aged 20 to 34. With the right economic opportunities, many first-time buyers are entering the market. Others who already have a home are discovering property's potential to create wealth. The good news for new investors is that interest rates are favourable, and the current slow rental growth will likely improve over time. Several factors have fuelled the housing market, like low-interest rates, the rise of working-from-home trends, and the appeal of more space in the event of 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. Residential real estate in South Africa can cost up to 1.6 million South African rands on average, depending on location. One of South Africa's three capital cities and the second-largest metropolis in the nation after Johannesburg, Cape Town is located in the West Cape province.
- Even though housing prices in Johannesburg were reduced, they were still above the one million South African rand threshold. Even though costs vary greatly based on location and property type, the majority of residential property deals cost over 1.2 million South African rands. This was a little bit more than what was typical for mortgage loans to first-time buyers. In terms of the rental market, Mpumalanga saw the greatest growth in rents, but the Western Cape saw the highest rents.

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South Africa Real Estate Market Trends

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 attractive aspects when considering sectional title properties. A sectional title unit is a property in an undivided share of common property. These units are called townhouses, flats or apartments, and duet houses. Estate purchases remained consistent, with the growth of sectional title property of up to 5%.

An intriguing case study for the sectional title market is the emergence of Midrand, one of the fastest-growing growth centres in the nation. While Midrand's population has risen since 2000, the area has experienced a significant 550% increase in the number of sectional title homes, according to residential property analysis firm Lightstone. It illustrates how widespread this type of property ownership has become. Additionally, many people want to enter the real estate market while still having access to homes. Sectional title homes are a good entry point into the residential real estate market for first-time homebuyers because of their affordability.

Rental Prices Growth in South African Provinces

The South African housing market has been expanding ever since the market collapse in 2008 and 2009. The increase in home prices has stayed constant throughout the coronavirus pandemic while being lower than levels seen before the market meltdown. Rental growth has lagged behind the home price increase by less than 1% as of the fourth quarter of 2021.

Lower-than-normal demand in 2021 has fueled the high vacancies and low escalations across South Africa. 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 most of those rents are 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 in Q2 2021, making it the most expensive province to live in. This rent has an average price differential of nearly ZAR 1,000 (USD 65.13) compared to the second-most costly region. In Gauteng, the average rent reached ZAR 8,292 (USD 540.05) for the first time in 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 area.

South Africa Real Estate Industry Overview

The South African residential real estate market is fragmented, with various indigenous players. Most real estate companies have registered some of their most significant sales from properties in the Western Cape. 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. Though property development is not showing signs of slowing down, developers are struggling to increase occupancy rates due to oversupply.

Additional Benefits:

- The market estimate (ME) sheet in Excel format

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