

# There's good news as well as bad for the property industry

 By [Paul Stevens](#)

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Looking ahead, here is our forecast for South Africa's property landscape in the year to come.

## Customer service

Buyers, sellers, landlords and tenants will be looking for more value in the services that are offered to them. This will lead to an even more competitive business environment. Practitioners in the real estate sector need to ensure that we shift our focus from a transactional business to a relationship-based business.

Service levels in our industry are generally very low, especially considering that we are dealing with major investments that often involve major emotions too. For the person selling, buying or renting a home, it's a very personal thing and an opportunity to touch hearts and influence people. We have to become customer-obsessed.

## Consolidation

We anticipate real estate transactions becoming more integrated with other fields, such as conveyancing. We also predict they'll be more automated and streamlined thanks to broader adoption of CRM systems. There are so many elements to a property transaction and that presents an opportunity to expand one's service offering and one's revenue streams. Property practitioners who are prepared to think outside the proverbial box and go the extra mile will thrive.



Paul Stevens, CEO of Just Property

## The rental market

The rental market has not been at levels like this since the 2008 financial crisis. Vacancies and tenants in arrears are at all-time highs and with *Ters* relief having recently come to an end, I think we are going to find rentals collections will be under pressure for at least the first quarter of 2021.

Unfortunately, we predict that vacancies will remain high for most of 2021 as the economic difficulty continues. The difficulty in finding good quality tenants, something the industry has battled with for the past few years, will intensify. While there is an abundance of tenant enquiries for property, tenants who actually qualify are becoming hard to find. A factor here could be that current good tenants are realising that in many cases, the amount they are paying for their rental is very often the same as what monthly repayments on a bond would now be if they bought a home at the current low interest rates.

The holiday/short-term rental market has also been under severe pressure this year and as the South African economy will continue to be under pressure during 2021, this sector will continue to be strained as people have fewer surplus funds for holiday use.

## Technology

Technology is becoming a defining factor of our business environment and the lockdown certainly pushed the benefits of

technology to the forefront. It is going to make it harder for independent agencies to compete with your bigger franchise brands.

We see systemisation of business processes being a key facet in the ongoing success of a real estate business and survival will be predicated on creating efficiency, not only to make the agents' role easier but, more importantly, to make the customer experience with your brand a better one. Within our brand, we are already seeing stronger franchisees absorbing smaller franchises around them and using the economies of scale to implement efficiencies in terms of staffing, offices and systems to create a business that is financially robust.

## Commercial property trends

The commercial property sector has been under pressure for some time and, unfortunately, Covid-19 has resulted in further pressure, particularly in the retail and office environments. Retail has been under threat for many years as more and more people become more at ease with purchasing goods online. Owners of retail spaces are going to have to look at what they can change within these spaces in order to secure their yields. On the other hand, industrial space is fairing well, as goods will always need a space to be stored.

Office space is another sector that is facing difficulty. The lockdown period entrenched a trend that was already starting to strengthen, with many businesses now being more comfortable with staff working from home. The large office spaces of the past are going to be replaced by smaller offices, with many tenants opting to use either coworking spaces or a hybrid version of this.



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## Property investment

With interest rates so low, it is certainly a good time to be buying an investment property, however, investors should take into account that rental inflation is also at an all-time low, sitting at around 1.5% nationally according to PayProp.

Investors should do their research - there are good investment deals out there, but investors need to look for areas where there is an abundance of good quality tenants but without high vacancy rates.

I believe that the strong demand from property purchasers is an indication of where we will be in the first half of 2021. The high demand will continue into this period, and demand will start to exceed supply. Quality stock will be harder to find and that will move us from a buyer's market into a seller's market during the second half of next year. This scenario will begin to drive property prices up, which is good for investors and all property owners alike as we have had several years of very low growth in property values.

## Work-from-home

Covid-19 has proven that staff are fully capable of remote work, and that this cuts overheads for their employers, so we see the work-from-home trend continuing. Subsequently, properties to rent and to buy that have features like additional workspace and fast, reliable Wi-Fi will be in demand and fetch higher prices. We are seeing many people moving to or purchasing homes that offer more space to be able to work from home, like homes with studies or outside flatlets that can be converted to offices.

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## Outlier trends

With remote working opportunities, areas that were previously viewed as holiday or weekend destinations, are now being considered as locations for permanent residences. Those who had second homes have realised that they can permanently relocate to these homes along with their families, enjoy a better lifestyle and eliminate the cost of running two homes.

For example, New York's city centre is not the vibrant hub it once was as so many people have chosen to settle in more cost-effective outlying suburbs. In South Africa, we are going to find city residents moving to towns on the periphery, like Ballito in KZN and Hermanus and Langebaan in the Cape.

## Residential

For some time now we have been in a buyer's market with property prices averaging very low growth rates, taking into account our inflation rate of 3%. Since we came out of lockdown, there has been huge demand from buyers, in particular in the sub R1.5m price bracket. These properties come onto the market and sell within days of being listed. This is starting to create stock shortages, which I believe will continue into all price brackets in 2021.

In conclusion, I see the same trend as mentioned in regard to commercial property: when supply of stock drops and demand due to low interest rates continues, I believe that we are going to see a swing into a seller's market in the second half of 2021 and with this property prices once again should start to climb.

## ABOUT PAUL STEVENS

Since 2013, Paul Stevens has been the CEO of Just Property Group Holding (Pty) Ltd which controls an international group of property franchises specialising in residential sales, rentals and management. He joined as a franchisee in 2003 and now, as CEO, drives the strategic direction of the Just Property brand with his charismatic optimism. He is also actively involved in the evolution of the South African property landscape, working closely with high-level industry stakeholders.

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