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Property market forecast and the role elections play

South Africa's property market is starting to recover, with Harry Nicolaides, CEO of Century 21 SA, pointing to signs of growth in the real estate sector.

Source: Supplied. Century 21 South Africa chief executive officer, Harry Nicolaides.

“There has been an improvement in the rate of sales in the local property market in the first quarter of 2024 compared witl the last quarter of 2023,” he says.

“Interestingly, this positive phenomenon has been driven by optimistic market sentiment alone, as the country has not had any interest rate cuts so far this year.

“Therefore, we expect even higher sales activity the moment the interest rate cutting cycle begins which has been predicte to occur in the second half of 2024.”

And while Nicolaides thinks that some potential buyers and investors are waiting to commit until after the South African general elections on Wednesday, 29 May 2024, he believes that the market is more concerned with interest rate movemer

“Globally, the main factor affecting property prices and the demand for property is bank lending rates (mortgage interest rates or borrowing costs). A higher interest rate reduces affordability levels among buyers, so a higher interest rate environment lowers demand for property which in turn reduces property prices. Conversely lower interest rates increase demand for property which in turn, increases property prices,” Nicolaides explains.

“While it would be understandable for buyers to hold-off on their decision to purchase a property until after elections, as tl would allow them to make better and more informed decisions of where to invest their money or where they would choose live, studies in the UK and the US have shown the impact of these delays in decision making only affect market activity by few singular percentage points (2% to 3%) and are very short lived (two to three months).”

Global trends impacting sales

Nicolaides believes that the high interest rate environment globally has had a negative impact on property sales and house price growth over the last two years, with the US – arguably the world’s most important indicator – suffering reduced prope sales to levels not seen in the last two decades.

“Higher interest rates are directly linked to higher inflation rates and recently inflation rates globally have risen as a result o energy-procurement constraints caused by the Russia/Ukraine war.

“South Africa is not immune to this although our situation is somewhat exacerbated by our own ‘self-inflicted’ energy provision shortfalls and the lack of delivery of basic utilities to our population.

“So, although we follow the same financial - and thus property - trends as the rest of the world, our recovery may take long to realise.”

However, Nicolaides believes that there is good news ahead as global indicators suggest that interest-rate hikes have now peaked and reached stable levels and most economic analysts predict that interest rates will be incrementally cut to lower levels from the second half of the year onwards.

“This positive sentiment has already filtered through to the property sales market and an uptick in sales and house-price growth is already being experienced in the US, globally and in South Africa.

“I believe that the local market is resilient and that 2024 could well be a positive year,” Nicolaides concludes.