

Prime global residential property market outlook shows strength, ongoing stability

According to Savills World Cities Prime Residential Index, despite the uncertainties surrounding the pandemic, the market for prime global residential property is expected to remain active as the long-term appeal of the sector holds strong. This as sentiment improves amidst the rollout of the Covid-19 vaccine across the globe, and as the Biden administration plans a massive stimulus package to revive growth in the US.

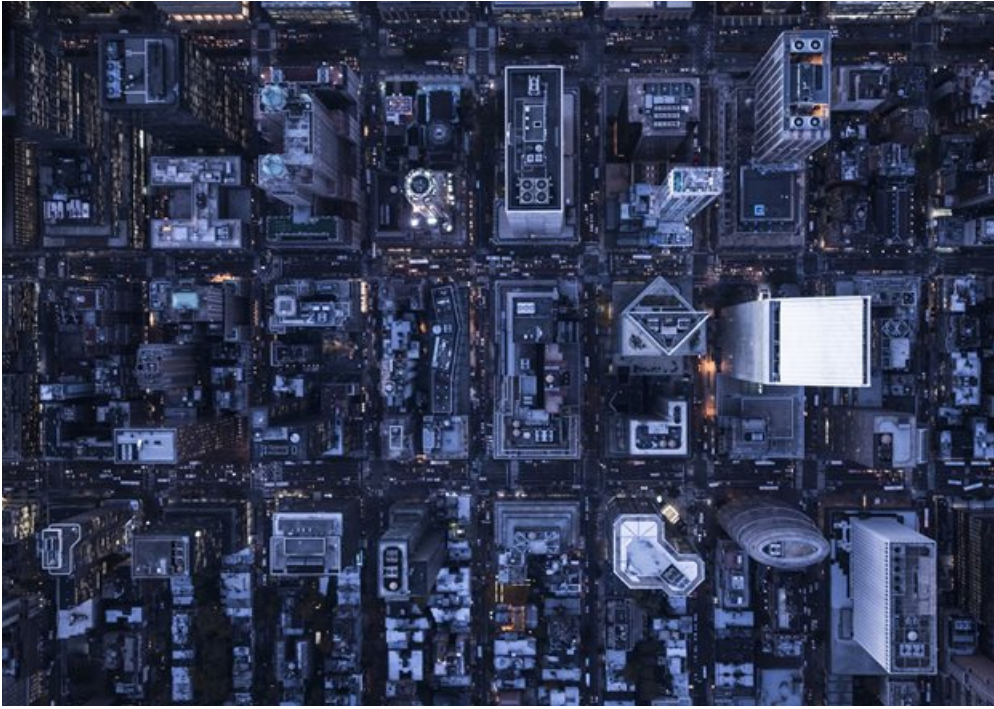


Image source: Gallo/Getty

Says Dr Andrew Golding, chief executive of the Pam Golding Property group, which is the Savills associate partner for the Sub-Saharan African region: “The prime residential forecasts for the 30 cities – which includes Cape Town – highlights the strength and ongoing stability of prime residential property, with average capital value growth for the cities in the index forecast at 1.6% for 2021. Cape Town, which is rated as one of the steady cities, is forecast as having the potential to experience positive capital growth of up to 1.9%.

“While not immune to the disruption caused by the pandemic, the resilience of prime residential markets was evident during the second half of 2020, when the Savills Index recorded an average increase of 0.8% for these cities at a time when global GDP was recovering from the impact of the pandemic and subsequent lockdowns.”

Factors driving positive performance set to continue

The report says that many of the factors which helped drive the prime residential market in the second half of 2020 are expected to continue this year (2021), including low stock levels in some locations and the desire among individuals for more space.

The report goes on to say that historically, global low interest rates, which are expected to remain low for some time, coupled with the sector's strong fundamentals, make the sector attractive for wealth preservation.

Notwithstanding the challenges of 2020, the rising importance of environmental, social and governance credentials for investors has continued to grow. Savills says across the globe, governments are making 'climate emergency' declarations and commitments to meeting net zero carbon in certain time frames. The global effort to tackle climate change has regained renewed impetus as President Biden puts the issue at the core of his presidency. To honour these commitments globally, new investment into green technology, energy and much more has been announced, but also an increasing amount of regulation.

Real estate is under the spotlight as the built environment accounts for 40% of carbon emissions across the world, which will present challenges, but is also an opportunity for real estate investors to make a significant difference.



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SA market showing surprising resilience

Similarly, in South Africa, the housing market has shown surprising resilience in the face of unprecedented uncertainty and economic fallout from the pandemic and lockdowns.

"According to Pam Golding Properties Residential Property Index, South African house price inflation continues to recover, rising from a low of 2.4% in April 2019 to 3.1% in December 2020 and encouragingly, the rebound gathered momentum during the second half of 2020," says Golding.



Dr Andrew Golding, chief executive of the Pam Golding Property group

“The rebound in SA house prices, coupled with still muted consumer inflation, saw real house price inflation back in positive territory in December last year (2020). At present, KwaZulu-Natal leads the recovery at 5.0% in December 2020 followed by Gauteng at 4.0% and the Western Cape at 3.7%.

“While KZN was the top performing major regional housing market during the past five months, the Western Cape remains the top performing major region across all price bands during the year 2020 as a whole. In the major metros, Nelson Mandela Bay remains the top performing metro housing market by a significant margin, at 6%, followed by Cape Town at 2.8%, eThekweni at 2.7% - which is also the national average, Gauteng East at 1.9%, Tshwane 1.8% and Johannesburg 0.7%.”

Freehold outperforming sectional title

Adds Golding: “Notably, freehold property prices have outperformed relative to sectional title prices throughout the past year, averaging at 2.9% versus 2.1% for sectional title, while coastal price inflation also appears to be regaining momentum, resulting in a widening price premium of 0.29% over non-coastal house prices. The demand for both holiday homes and investment properties has risen in recent months, increasing to 0.6% and 6.4% of mortgages extended by ooba in December 2020.”

In October 2020, holiday homes accounted for just 0.12% of all mortgages extended before rebounding to 0.6% in December, while investment properties fell to a low of 4.7% of mortgages in July 2020, before rising to 6.4% in December 2020.

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