

Lockdown brought property market to standstill in Q2 2020 - RE/MAX report

Results from the RE/MAX National Housing Report Q2 2020 show that the national Covid-19 lockdown brought the local housing market to a virtual standstill during the second quarter of this year as the Deeds Office closed during Alert Level 5 and most of Alert Level 4. This was worsened by real estate services being unable to operate until Alert Level 3, resulting in historically low levels of activity.



Image source: Gallo/Getty

According to Lightstone Property data, a total of 5,792 bond registrations were recorded at the Deeds Office over the period of April to June 2020. This translates into an 87% decrease in the number of bonds registered YoY and an 85% decrease QoQ. Beyond this, the number of transfers (both bonded and unbonded) recorded at the Deeds Office between April and June amounted to 5,941, which is a 91% decrease from last year and an 88% decrease from Q1 2020.

“These numbers are not surprising considering that no transactions were processed at the Deeds Office during most of April and May. However, the results for June provide a glimmer of hope that activity will slowly return to normal now that lockdown restrictions have eased,” explains Adrian Goslett, regional director and CEO of RE/MAX of Southern Africa.

Sectional titles hit harder than freehold properties

Following the trend from last quarter, sectional titles continue to be worst affected by the lockdown. Reflecting a significant decline, the national median price of sectional titles dropped by 8% to R953,084 from the R1,032,045 reported in Q2 2019 and dropped by 1% since last quarter.

Freehold homes reflected a current national median price of R1,109,852, which is a 3% decrease on the median asking price for Q2 2019 (R1,148,167). When compared to last quarter, the median asking price decreased by 6%. The average active RE/MAX listing price amounted to R2,828,450.55 for Q2 2020, which is a 1% increase YoY and a 5% decrease QoQ.

“The average bond amount granted during this period similarly decreased by 10% since last quarter to R990,000 and by 10% since Q2 2019. This could be the result of the drop in demand and the slight downward pressure on property prices,” says Goslett.



Of the 5,941 transfers, a total of 3,869 freehold properties and 1,105 sectional title units were sold countrywide (these figures exclude estates, farms, and land only transfers). The number of freehold properties sold decreased by 88% YoY and 84% QoQ while sectional titles saw a 94% decrease YoY and 92% QoQ.



Luxury market shrinks

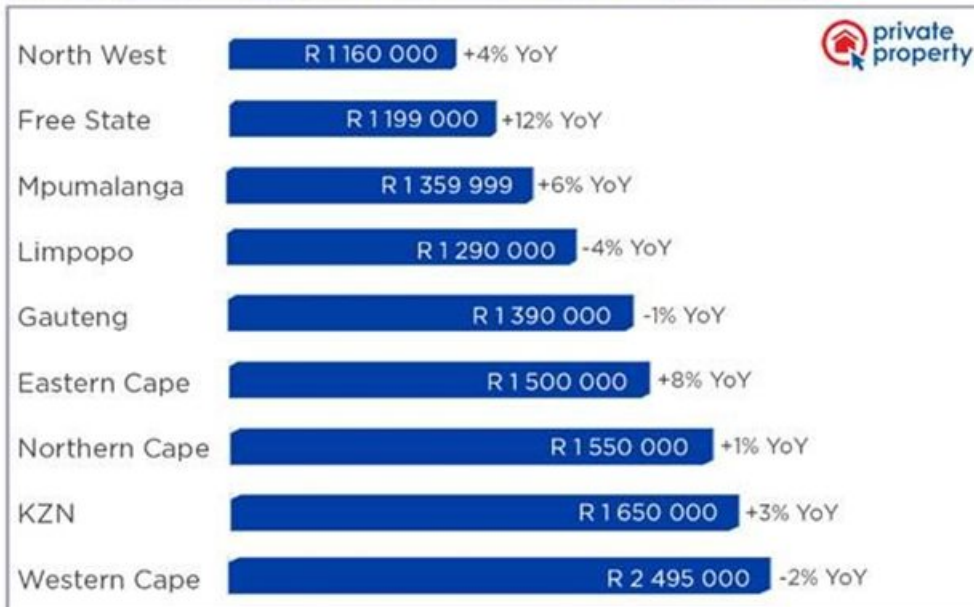
Properties below R400,000 continue to account for the largest portion of sales at 32.4% of the total transfers. Properties between R400,000-R800,000 make up 25.4% of the total transfers, which is slightly less than the 26.9% for which properties between R800,000 and R1.5m account. Properties between R1.5m to R3m accounted for 12.2% and, making up the smallest portion of total transfers, properties priced above R3m accounted for just 3% of the total transfers. This segment of the market dropped by 2% of its usual 5% market share.

Reviewing the provincial property markets

According to stats provided by Private Property, property prices in the Free State were the least affected by the lockdown. The median asking price grew by 12% YoY to R1,199,000 in Q2 2020 from R1,070,000 in Q2 2019. Hit the hardest by the lockdown was the Limpopo housing market, reflecting a 4% decrease on Q2 2019's median asking price and currently reflecting a median asking price of R1,290,000.

Gauteng continued to dominate the top five searched suburbs nationally on remax.co.za during Q1 2020, claiming three of the five spots and reflecting a 1% decrease in median asking price YoY. Fourways in Gauteng stole the first spot that had belonged to Morningside for three consecutive quarters before this. Next, Parklands in the Western Cape snuck in at second place and again with Parklands North at the fifth spot. Faerie Glen and Garsfontein in Gauteng placed third and fourth, respectively.

Median asking price per province - Q2 2020



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Final thoughts

“The results of the second quarter were predictable. We knew we would see very low levels of activity and house price appreciation. It is now a matter of waiting to see how quickly the housing market recovers at Alert level 2. I predict slow corrective growth for the next quarter, provided there are no further surprises as this pandemic unfolds. I cannot stress how large of an opportunity the current housing market presents to investors at this time. With interest rates at a historic low and with downward pressure on house prices, investors stand to make great returns on investment by purchasing property now,” Goslett concludes.

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