What to expect from the post-election property market

By Tony Clarke

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As the excitement of the 2019 general elections begins to die down, the question on most citizens' lips is, "What happens now?" For the property market, at least, predictions are cautiously optimistic.

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The property market is not out of the woods quite yet, but we are expecting a slow and steady improvement in activity and growth over the next year. How quickly this happens depends on how well President Ramaphosa's government upholds their election promises, and how successfully they can earn back the confidence of citizens and investors.

While a notable decline at the polls suggests growing disillusionment with the corruption, infighting and poor service delivery that has plagued the ANC's leadership to date, renewed commitment to routing out corruption, stabilising SoEs and rekindling the economy could go a long way towards repairing the damage done.

However, property owners and investors should not expect an overnight market turnaround, regardless of whether or not the government hits the ground running.

Trust and confidence take time to recover, and I think a lot of people are going to be wary of diving into major investments in our country. Clarity on economic policy will certainly help stimulate property market activity, but the road to complete market recovery is going to be a long one.

It's not just investor confidence that needs strengthening, either. Affordability remains a very real issue for the property market as well.

Finances remain tight

Rising inflation, fuel prices, municipal rates and tariffs and taxes are taking a big bite out of disposable income across the board. That's making finances very tight for consumers and means taking on new debt has to be handled conservatively. Assuming the government delivers on its job-creation and economic stimulation promises, this situation will improve with time. However, we're not going to see an instant flood of qualified buyers hitting the market, just because the election is done.

This doesn't offer much immediate relief to sellers, but price growth will return to stronger levels as stability in the country improves. Recent comments by Jacques du Toit, Property Analyst at Absa Home Loans, suggest this improvement will begin with modest economic growth, projected at 1.3% as opposed to 0.8% in 2018.

Du Toit also expects inflation to remain around 4.5% – the mid-point of the SA Reserve Bank's target range of 3% to 6%. That means interest rates are unlikely to be changing any time soon, making now the ideal time for able buyers to take advantage of market opportunities.

The next six to twelve months could be a very favourable time for buyers to get a foot in the market. Price stabilisation means there are plenty of well-priced properties available, and lenders are coming to the table with some very competitive mortgage rates. I definitely wouldn't recommend overextending yourself in these liminal moments, but using this time to buy low and pay off as much debt as possible could put you in a much stronger position for the future.

As for what that future holds beyond the immediate post-election period, all signs still point towards market recovery.

The property market is cyclical – there are always ups and downs. Our political situation may have exacerbated our most recent downswing, but – short of serious upheaval – it's not going to halt the natural cycle that's been happening since this industry began.

ABOUT TONY CLARKE

Tony Clarke is the MD of the Rawson Property Group.

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