

Trends to note as residential property tops global investment

While real estate has shown remarkable resilience over the years, significant shifts now transforming the property landscape require investors to keep abreast of emergent trends to continue reaping rewards and growing wealth.



Yael Geffen, CEO of Lew Geffen Sotheby's International Realty

“By the end of 2020, the global value of real estate had reached a record high of \$326.5tn, making it more valuable than all global equities and debt securities combined - and almost four times greater than global GDP,” says Yael Geffen, CEO of Lew Geffen Sotheby's International Realty.

“And this unexpected growth during a very challenging year can largely be attributed to a home-buying boom which saw the value of global real estate assets increase by 5% with residential property now accounting for 79% of the total worldwide real estate value.

“In South Africa, the scenario is much the same with data from the *2021 SA Housing Market Report* revealing that 89% (6.7 million) of the 7.5 million properties on the Deeds Office registry are residential and, accounting for the majority of property assets in the country, are an important component of household wealth.”



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Significant market shifts

Geffen says that savvy investors have long understood that real estate is an excellent long-term investment and that its cyclic nature therefore means what goes down, will come up again.

“Investors who have always fared best were those who kept abreast of the global and local economic climate, taking note of major events which could impact the market.

“However, never before have there been so many significant market shifts and emergent trends in such a short time altering the real estate landscape as we have during the past decade, many of which were accelerated or precipitated by the pandemic.

“So, over and above the economic factors, investors and property professionals now also need to understand the recent shifts and keep a close eye on emergent trends in order to reap maximum returns and best service and advise clients.”



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Geffen believes that the following are trends that current investors should be taking into consideration:

Shifts to second-tier cities

Although this trend emerged before the onset of the pandemic, it has accelerated notably during the past two years and, in South Africa, it's very clearly evidenced by the spike in property inflation and economic growth that we've been seeing in Nelson Mandela Bay and the Garden Route.

Real estate investors and companies began to focus on second-tier cities when property prices in first-tier metros became prohibitively high but, in South Africa, the trend has been further fuelled by semigration with a growing number of people looking to escape crime and congestion in search of a better quality of life.

And, as investment in smaller cities and towns has increased, the relocation of larger companies has followed with the result of this capital movement being economic growth and, inevitably, greater value for real estate properties.

People are moving from cities to suburbs

Prior to the pandemic, urbanisation was a key watchword, but Covid-19 put the brakes on this very established trend overnight, precipitating migration from inner cities to the suburbs and even further afield to semi-rural areas.

And, although the appeal of the suburbs is unlikely to reverse overnight as millennials are now settling down to have families, investors with an eye on the long game should bear in mind that high demand will always drive prices upward.

This is already becoming evident in sought-after suburbs where high demand is driving up prices and, bearing in mind the cause-and-effect principle, city homes that were once exorbitantly priced will become more accessible and therefore more attractive to buyers and tenants once again.

The growing prominence of middle neighbourhoods

Not everyone looking to move out of the city wants to relocate as far away as traditional suburbia for any number of reasons, including proximity to work or friends and the convenience of city living and we are seeing growing demand in suburbs on the outskirts that retain some of the big city feel.

Primarily built before the 1940s, the property landscape is usually a mix of small-lot, single-family homes and house-scale buildings with multiple units with their key features being convenient proximity to the city, multifamily housing options, good public transportation, high walkability scores, shopping, and restaurants.

Growing demand for single-family housing is creating shortages

The steady migration from cities to suburbs has resulted in increased demand for single-family homes, especially in middle neighbourhoods where they were already in short supply.

Stock availability issues are further compounded by another coinciding trend: millennials entering the home ownership phase of their lives and looking to purchase their first house or start a family.



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The rising tide of the silver economy

Whilst we may not yet have discovered the long-coveted elixir of eternal youth, the truth is that humans are now getting older than ever before; we are living longer and retiring later and, as a result, the 60-plus age group is far more active and independent than their predecessors.

According to 2021 estimates, almost 10% of South Africans are now over the age of 60, and, with this figure expected to double over the next 30 years, residential development in the retirement sector is under significant pressure to meet this growing demand.

And with estimates putting the current global value of the silver economy at a considerable \$15tn, organisations and investors that are positioned to meet this group's core senior-centric needs will reap very attractive returns in the coming decades.

With change comes opportunity

"In a rapidly changing and increasingly uncertain world, Greek philosopher, Heraclitus's edict that 'change is the only constant in life' has never been more apt," says Geffen.

"The past two decades, especially, have been a veritable whirlwind of unprecedented and enduring change that has forever altered the way in which we live and the next decade is poised to be even more dramatic.

"However, with change comes opportunity and those who take a deep breath and buckle in for the ride will reap significant rewards."

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