Ignore 'recession' talk and buy more real estate

By Berry Everitt

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SA may be in a "technical" recession, but a closer analysis of the figures released by StatsSA shows that the economy is actually heading in the right direction - and that the construction and real estate sectors are among those performing best.

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Property buyers and investors should be ignoring the current negative sentiment about SA's economic future and purchasing more property as soon as they can.

The real estate market is currently described as a 'buyers' market' because sales are slower overall and prices are static or only growing very slowly in most areas, and buying is exactly what investors should be doing now, not sitting on the fence waiting to see what everyone else is going to do.

Following the crowd is a bad idea

In property, as in any other economic sector, following the crowd is a bad idea, because by the time general sentiment turns positive, prices will usually already be moving upwards quite rapidly and much of the opportunity to maximise gains will be lost.

And that turnaround is only a few months away. The figures releases by StatsSA this week show that GDP declined by 0.7% in the second quarter of this year, compared to a decline of 2.6% in the first quarter. This means that the economy was actually already doing better in the second quarter, despite the effects of the VAT and fuel price increases that took place in those months.

In addition, the year-on-year figures show a GDP increase of 0.4% in the second quarter compared with the same period of 2017, which is minimal growth but at least positive. Now we are already two-thirds of the way into the next quarter and if those patterns continue, we could technically be in positive territory by the end of September.

Incoming foreign investment

Recovery will be bolstered as the recent foreign investment commitments obtained by President Ramaphosa begin to flow and the economic stimulus measures soon to be announced take effect. We are also looking forward to the investment summit to be held in October and to hearing what the finance minister has to say about policy going forward in his mid-term budget speech.

Meanwhile, it is interesting to note that the financial, real estate and business services sector, which accounts for 20% of SA’s GDP, grew by 1.9% in the second quarter, and that construction, which accounts for another 4% of GDP, was up by 23%.

Performance of GDP sectors Q2 2018

SECTOR	% Contribution to GDP	% Change Q1 to Q2 down	% Change Q1 to Q2 up
Agriculture	4	-29,2	
Construction	4		2,3
Electricity	4		2,1
Personal services	6		0,8
Mining	7		4,9
Transport	9	-4,9	
Manufacturing	13	-0,3	
Trade	15	-2,9	
Government	18	-0,5	
Finance, real estate and business services	20		1,9
TOTALS	100% of GDP	Sectors make up 59% of GDP	Sectors make up 41% of GDP

Figures from StatsSA

This puts into perspective the much-reported fact that agriculture, which accounts for 4% of GDP, declined by 29.2%.

In addition, property investors need to keep in mind that SA still has a significant structural shortage of square meterage to accommodate our growing population, and that there is high and rising demand for decent rental housing close to city centres and other employment hubs because of the rising cost and inconvenience of travelling to work.

ABOUT BERRY EVERITT

Berry Everitt is the CEO of the Chas Everitt International property group, which is one of the top five estate agency companies in South Africa and widely recognised for its innovative marketing methods, its technological leadership - and its absolute dedication to achieving exceptional customer service. Everitt is the youngest son of the group's founders, Charles and Tilla Everitt, and has been involved in the business since it was established in 1988.

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