

Time for millennials to get back into the property market

According to statistics from property market analyst Lightstone, South African millennials will experience increased difficulty in becoming home owners as they will probably have to pay 3.04 times more on their first home purchase than the generation before them. Lightstone attribute this huge discrepancy mainly to the effects of property price inflation over the last two decades.



Image source: Gallo/Getty

This has in real terms steadily reduced consumers' spending power, says Rowan Alexander, director of Alexander Swart Property, adding that the situation has not been helped by the fact that millennials, who have not lived in difficult economic times before, have a tendency to succumb to the "instant gratification\ I want it now" mindset.

The nett result of these two factors is that far too many millennials have been willing to live on maximum credit and to rent property rather than to buy. The concept of saving for a better future or of tying oneself down to regular monthly payments, says Alexander, has often been foreign to them. They are confident that their generally better education and qualifications than most of their predecessors will seldom result in difficulty finding employment.

No better investment than property

In recent months, the economy has shown signs of taking time to recover slowly from the severe mismanagement of the Zuma era. Millennials, says Alexander, have begun to appreciate that even on a short-term basis, there was much wisdom in their parents' belief that there can be no better investment than property. Investment in property has a proven record of keeping pace with or exceeding the inflation rate. They are now coming back to property.

"We have been agreeably surprised by the renewed confidence in residential property, ushered in by the new year: the number of enquiries, attendances at show houses and outright sales, have all been far higher than anticipated. We are already seeing a new interest from millennials," says Alexander.

Of the 262,629 property transactions in South Africa during 2018, millennials were responsible for 103,853 (almost 30% of the total) - this added up to R86bn, a very substantial outlay. Alexander says that it may well be that the mindset of the typical millennial will in the coming year undergo a further change — and the good news is that today's developers have adapted to the cash restraints of the younger generations.

"In the areas we serve, but also elsewhere, they are delivering smaller, more efficient and more 'chic' homes than previously. These are often in the R900,000 to R1,800,000 price range and in almost every case represents excellent value for money. The best advice I can give any young millennial today, is to get into the property market as soon as you can. It is absolutely no good complaining that prices are outrunning incomes — this has been a trend for a long time and some form of sacrifice has almost always been necessary for younger people to get onto the property ladder. With the banks now proving to be accommodating, little difficulty will be experienced in getting a bond; provided your credit record is not tarnished by unpaid debts or unpaid rents."

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