

VARIATIONS OF CONSUMER
PURCHASING BEHAVIOR AMIDST

PANDEMIC'S NEW WAVE



VARIATIONS OF CONSUMER PURCHASING BEHAVIOR AMIDST PANDEMIC'S NEW WAVE

BY **DINA EL BEHIRY**

It has been around a year since the Coronavirus havoc hit the world and caused radical variations in our everyday lifestyles. And the same applies to the real estate market's consumer behaviors.

We have to admit that consumers' purchasing power went through several fluctuations since the beginning of the pandemic last March. When looking back, according to our report in May 2020, surveying 80 respondents, we found out that COVID-19 has put all buying decisions on hold. This means that today's buyers prefer to spend their money on necessities, thereby postponing any other needs until things are clearer and settled down. This caused a hard downturn in real estate demand, especially at the beginning of these hitches.

Over time, both consumers and Egyptian real estate developers began to adapt to the new normal. Companies managed to study the crisis situation very well. They had the ability to follow their newly-based strategies to contain this tumult, while taking into consideration the government-imposed procedures. New payment plans and several promotional offers were rolled out to lure as many clients as possible. On the other hand, consumers began to adapt to this new lifestyle, and succeeded in running their affairs once again in a way that enabled them to purchase the units they need, in tandem with the developers' plans.

Furthermore, we need to mention that the technological boom played a vital role in market revival. We found out that local realty players have successfully adopted various technological tools, including artificial intelligence (AI), blockchain technology, digital marketing, virtual tours, and many more. Such tools have facilitated doing business during challenging times, and as result, avoiding losses, managing projects underway, and getting in touch with possible customers. Thanks to cutting-edge tech, consumers are now able to purchase whatever unit type they need, and this has helped the local property market to somehow bounce back on track.

According to an October article by Fortune publication, named "Behind Real Estate's Surprise 2020 and What Comes Next," despite the outbreak disruption, notably job losses and furloughs, and weaker economic circumstances, house hunters never stopped browsing online platforms to find, plan, and in many cases, purchase their first homes and fulfill their needs.

Adding to that, the article mentioned an upsurge in new home sales hitting 43% in August versus a year ago, according to Census Bureau Data. Moreover, it highlighted that the sales in many markets were driven by demand for suburban properties by millennial and first-home buyers. This was mainly due to the adoption of the remote working policy.

Despite all the fluctuations we mentioned above, the world has entered the new year with a spirit of optimism and hopes of putting an end to the

Coronavirus dilemma, especially after several international pharmaceutical companies announced reaching vaccines with high efficiency-rates. However, the pandemic surprised us with a new wave, creating a state of caution on how things will move on.

Real Imprints on Consumers Purchasing Power

That is why, Invest-Gate's R&A team takes the lead to delve into current market conditions and dynamics, by surveying around 138 respondents. We aim to identify the influence gauge of Coronavirus's new wave, and how consumers may react.

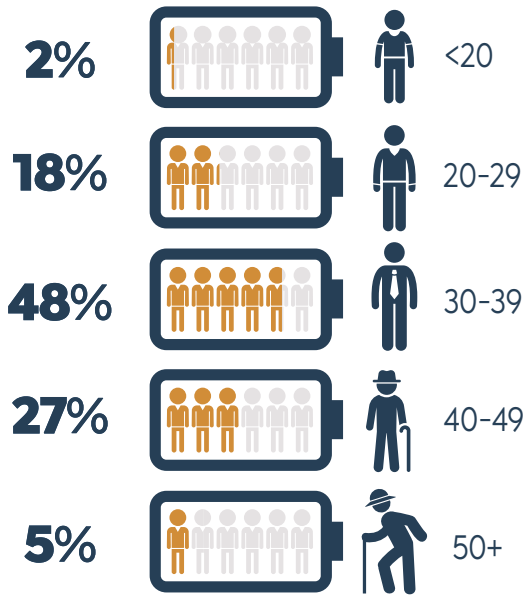
Consumers Demographics

According to our collected data, the majority of our respondents are males (around 64%), with females taking up the balance. Looking at their age, most of our respondents (about 48%) are within the age category of 30-39 years old, followed by those aged 40 to 49 years old at nearly 27%.

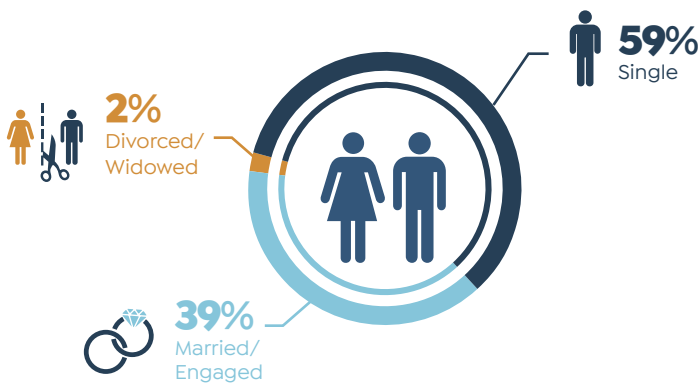
We need to also highlight that almost 59% of our respondents are single potential buyers, with 39% of them engaged or married. Focusing on their education level, roughly 91% of those surveyed are undergraduate degree holders.



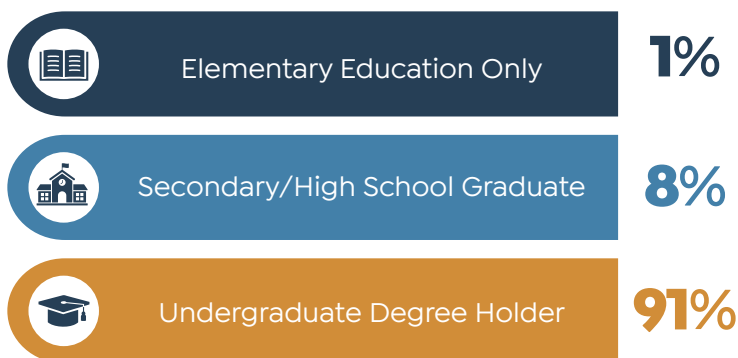
AGE GROUPS (YRS)



MARITAL STATUS



EDUCATION LEVEL



Consumers Reaction to Pandemic's First Wave

Before digging deep into the current situation, we had to first ask survey respondents about how they reacted to the pandemic's first wave and its influence gauge on their investment decisions, questioning whether they managed to lay hands on their desired properties or not.

The responses received reaffirms the first research Invest-Gate did back in May, where the majority of consumers were affected by the Coronavirus crisis in different ways. That is why around 79% of respondents have confirmed the postponement of their home-buying plans for now.

PLANS TO BUY HOME IN RESPONSE TO COVID-19



With an eye on the main causes of market slowdown and the challenges our respondents have faced to purchase properties, the majority (around 65%) stressed that the market's high prices were the main obstacle that hindered them from obtaining their desired units.

It is worth highlighting that during the first wave the market witnessed several instabilities, which mainly occurred in the wake of the government-dictated precautionary measures, the variation in prices of raw materials, construction bans, and the decrease in the number of on-site workers. Perhaps most importantly, most realty players had to pause a bit to get the needed time to understand this ongoing trauma and be able to deal properly with it.

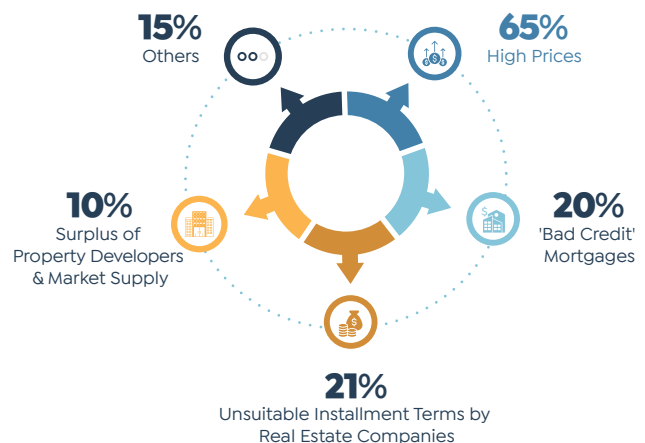
Egyptian developers spared no efforts in easing the burden on consumers by providing them with several payment plans, lower upfronts, and lower interest rates.

That is why, according to Fortune's article, the steady climb in home prices over the last few months have caused tempering the market by a supply decline and a prolonged economic recovery.

Speaking of other hindrances, 21% of surveyed consumers admitted that sometimes the terms of the unsuitable installment of some developers can hinder them from getting their desired units. Yet, we believe that was the main reason for some developers to revisit their plans to be compatible with market conditions and survive the competition.

Adding to that, 20% of our respondents believe that bad credit mortgages are an obstacle too. In some cases, several consumers cannot fulfill the required conditions to get approvals on their mortgage loan requests.

REASONS NOT TO BUY HOMES IN RESPONSE TO COVID-19



Consumers Reaction to Current Situation

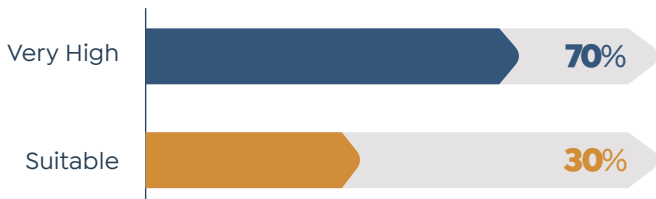
When we look at current market conditions, we will find that, thanks to the government's support to both developers and consumers, all parties managed to achieve several successes. Egypt-based developers have set well-crafted strategies to deal with the continued germ episode.

By strategies, we mean the way they run their business to stick to their plans and avoid losses, while also facilitating the property-buying process for clients. However, 70% of our respondents believe that property prices will remain high with no near shrink in the near future, and this is because of the current market conditions and the problems that still exist.

On the other hand, Fortune's article sees that since real estate companies are preparing for what comes next and the shape of homebuying in this new environment, this means that they will adopt the required strategies to optimize their sales, and boost profitability.

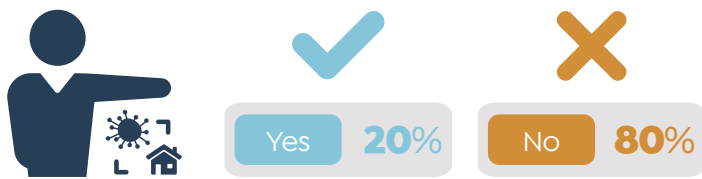
Yet, we believe that real estate companies will continue to take into consideration the weakened buying power of today's buyers and will also continue to provide them with flexible payment plans to help the demand upsurge and the market bounce back.

REAL ESTATE MARKET PRICES



When checking respondents' ability to make up their minds and purchase new units, we found out that around 20% of those surveyed are ready to make such a move. However, the majority are not. They are still in the wait-and-see mode as they do not know the extension of market fluctuations yet - just like in wave one.

PLANS TO BUY NEW HOMES DURING COVID-19



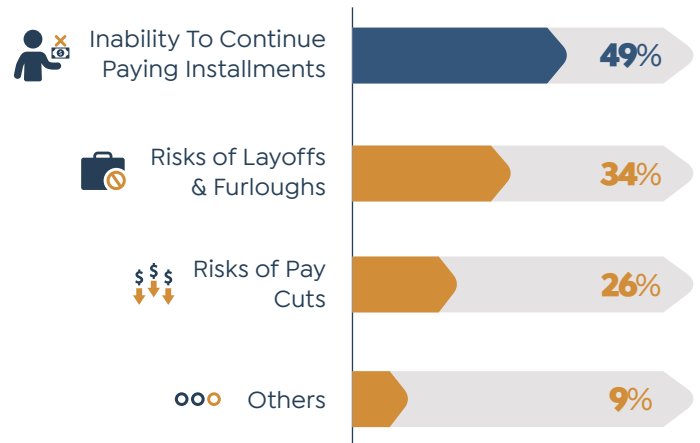
Focusing on the category that postponed their plans of becoming homeowners, we figured out that the majority (or almost 50%) are in awe of their inability to continue paying their monthly installments due to the dire living conditions.

Additionally, 34% of respondents are taking into consideration that several companies, because of the pandemic, had to let go many workers. So, the fear of layoffs and furloughs is a major obstacle against the consumers' plans.

Furthermore, 26% of responded consumers are going to postpone their home-buying plans because of salary cuts due to the havoc.

Based on what we mentioned above, the financial dilemma is the main reason behind the postponement decision of many consumers as they do not feel stable, and they cannot predict what comes next.

REASONS TO POSTPONE HOME PURCHASES AMIDST PANDEMIC



Consumers Preferences

When we discussed with the 20% of respondents who have a desire to become homeowners, we found out that 94% prefer to own an apartment. Meanwhile, another 6% aspire to have a villa.

UNIT TYPES



Considering the preferred range of prices, 53% of those surveyed tend to select a unit with a price range less than EGP 2 mn, while 43% of them will search for a unit with a price tag that ranges between EGP 2 mn-EGP 4 mn.

When we look at the payment method they need, 65% of responding consumers affirmed that paying through installments is the best method they can afford amidst current circumstances.

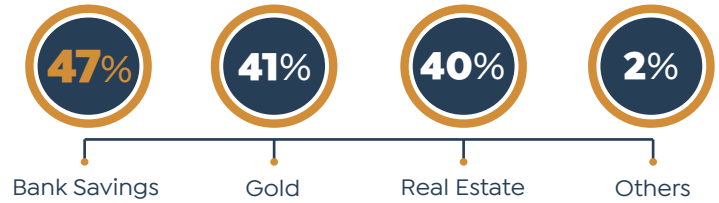
Speaking of suitable payment plans, the majority - around 43% - prefer to have a time of around six to eight years to pay for their selected units. Meanwhile, 33% of respondents believe that having more than eight years is more suitable.



UNIT PRICES



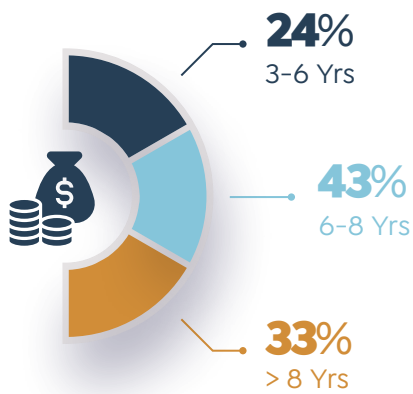
BEST INVESTMENT AVENUES



PAYMENT METHODS



PAYMENT PLAN

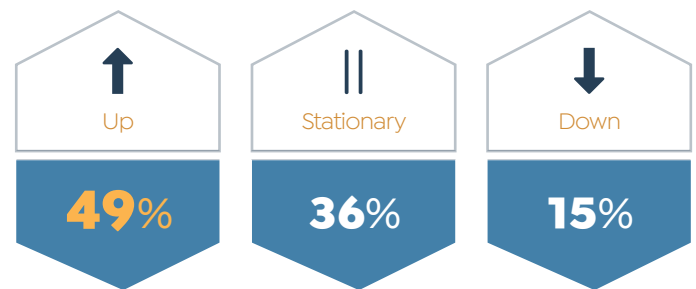


Since unit prices are the X-factor for several consumers, we asked our respondents about how they see the market prices in the future. Accordingly, 49% of respondents see market prices will steadily climb up in the aftermath of the unstable market conditions amidst the pandemic.

Meanwhile, 36% of surveyed consumers predict that the market will sustain its current price level as so far. The market has proved its resilience against the pandemic, and it can resist more.



OUTLOOK FOR UNIT PRICES POST-COVID-19



In a nutshell, both real estate developers and customers are set foot into the new year with a promising outlook, bidding that everything will bounce back to near normal in the short run.

Fortune's article quoted Daryl Fairweather, a chief economist at Redfin, stating that COVID-19 has nothing to do with other recessions the world passed through as the property market has done incredibly well during the pandemic. Fairweather noted that the pandemic has changed our everyday life as people now are more comfortable at their homes.

Moreover, the article also quoted Managing Director at Stephens Inc. John Campbell, who remarked that lower interest rates, better purchasing power, the millennial population coming in, and the appetite of first-time homebuyers will have a strong influence on buyer demand.

That is why it is safe to say that demand for real estate will never come to an end. Through the facilities provided by developers, consumers will be eager again to fulfill their property needs and win against the economic downturns they pass through and hinder them.

For the time being, it looks like businesses are rebooting with well-crafted strategies to stand on their feet even stronger than post-pandemic times. Indeed, the local real estate market is resilient and is already retaining its momentum by maintaining solid levels of demand and supply, in line with the efforts to position Egypt on the global investment map.

What the Future Holds?

We all know that the future will not sustain easily or quickly, it will take time to adapt to the new normal lifestyle. Thus, according to Fortune's article, it was highly important to move down the funnel to understand how to drive the business in a sustainable way to help it revive.

Accordingly, we discussed with our respondents their future investment plans amidst these harsh circumstances, we found out that 47% of our respondents prefer to save their money in banks, benefiting from the government's current level of interest rates, and see what will happen in the future.

On the other end of the spectrum, 41% believe that investing in gold will be a winning card nowadays thanks to the steady increase in gold prices.

However, 40% of our surveyed respondents prefer to invest in real estate and see that despite market fluctuations, the property market is the best investment avenue for them.