

7 residential property trends to look out for in 2023

The residential property market during 2022 was shaped by several key trends including the decline of the first-time homebuyer, successive rate hikes' impact on property demand, and the ongoing resilience of the luxury property market.



Grant Smee, MD of Only Realty Property Group

“While 2020 and 2021 gave rise to the first-time homebuyer, who now had the opportunity to invest in property due to record-low interest rates, a quick succession of rate hikes in 2022 had a dampening effect on both first-time homebuyers and the middle-income earner at large,” says Grant Smee, MD of Only Realty Property Group.

The good news is that the demand for homebuying continued, despite economic uncertainty. “The banks continue to lend favourably and low house price inflation makes homes buying more affordable,” says Smee.

The luxury property market was responsible for a large portion of the sector’s growth in 2022. “According to Ooba Home Loans, majority of the bonds (58%) approved in Q3 2022 were for properties of R1.5m-plus. We speculate that luxury properties (R2.5m-plus) contributed greatly to this figure,” comments Smee.

Residential property trends in 2023

Smee believes that the year ahead will be categorised by the following residential property trends:

1. 2023: A buyer's vs seller's market?

“Whether 2023 will be a buyer's market or a seller's market remains an ongoing topic of debate,” comments Smee. “However, when analysing the data, it's clear that this sentiment varies across different pockets of South Africa.”

Despite falling house prices in the Western Cape, the region remains a seller's market. High demand for properties in parts of Gauteng will also see these areas transitioning into a seller's market.

“For 2023, we predict that majority of the country will remain a buyer's market - barring pockets of excellence.”



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2. Luxury properties continue to lead the way

The luxury property market remains resilient in times of interest rate hikes and this trend is set to gain momentum in 2023.

“With unrestricted business and leisure activity resuming in 2022, 2023 is expected to be a big year for luxury property investment by foreign buyers,” comments Smee.

“The demand is largely driven by the value of the rand and the global energy crisis. The Western Cape remains the most

sought-after region for international investors in the luxury property realm.”

3. Would-be homebuyers opt to rent

Homebuying as a traditional ‘rite of passage’ has changed over the years. Today, would-be buyers are opting for flexibility over the responsibilities associated with owning a home. “International data shows that 1 in 4 millennials say that they will forever be ‘renters’.”

First-time homebuyers are rates sensitive, therefore, the current climate doesn’t favour homebuying in this bracket. “However, as the rates increases start to subside and the next generation (Gen Z) enters the world of work, it’s believed that there will be a sharp revert to homeownership.”

4. Home rentals will be in high demand

Ongoing rate increases and challenges around affordability will have many South Africans turning to rentals. “This is good news for landlords who need to fill vacant homes – especially given that there isn’t such a large surplus of rentals on offer anymore. However, rising interest rates do make it challenging to realise a return,” says Smee.



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5. New development implosion

2022 saw high demand for homes in new developments, largely driven by lower costs, community living and luxurious amenities. “However, the risk of saturation in certain areas cannot be denied as many developers scramble to sell homes,” says Smee.

“New developments generally attract first-time homebuyers and investors. Having excess stock in certain areas could mean that developers and owners sell for less, devaluing the price of properties in the area.”

6. Pressure on consumers will force homebuyers to scale back

Talk of downscaling remains firmly on the cards – particularly among middle-income earners. “Many South Africans capitalised on low interest rates by upscaling and renovating their homes over the past few years. However, the sharp increase in the interest rate has many wondering whether to scale back and cut their losses,” says Smee.

“Rising costs place immense pressure on consumers and will have many relooking their financial position in 2023.” Smee does however caution homeowners to do the math prior to selling. “Having a knee-jerk reaction can cost you more in the long-term, so it’s important that you look at all the options available to you prior to making your final decision.”

7. Semigration in 2023

As daily life returns to normal following the Covid-19 pandemic, many South Africans are heading back to their traditional ‘9-to-5’ in the city. “In 2023, we expect most of the country to return to pre-pandemic lifestyles. However, many companies have decided to forgo the traditional 9-to-5 and have implemented ongoing hybrid or work-from-home policies.

Based on this, semigration will continue to be a trend, with much of the activity taking place in areas that are more affordable but still offer a great quality of life,” he concludes. Sought-after areas will include George, Paarl, Mossel Bay and the northern suburbs of the Western Cape.

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