

# Property outlook positive into 2023 despite rate hikes

 By Samuel Seeff

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While the interest rate hikes mean that home loans will cost more and the buying market will be a little thinner, there is still plenty of positivity for the market into next year.



Samuel Seeff, chairman of the Seeff Property Group

The SA market has remained healthy and generally outperformed world markets over the last few months. While the country follows world patterns, we have not experienced the dramatic highs and lows and consequent shocks that we are seeing in other markets.

Despite our property boom, price appreciation remained well below the global highs of 30-40% which means that we are not likely to see the dramatic price adjustments that those markets are now experiencing.

Our interest rate, while slightly above the pre-pandemic level, is still below the 20-year average. Comparatively, US rates have tripled, resulting in house payments doubling and tripling in some instances. The US is expecting the worst property year since the Great Depression.

Following the market and first-time-buyer boom during 2021 and the early part of 2022, we have seen a market correction resulting from the normalisation of the interest rate. That said, we may still end the year slightly above the pre-pandemic level.



## SA residential property facing headwinds but showing pockets of progress

1 Dec 2022



## Western Cape boosted by semigration

We expect to head into 2023 on a fairly solid footing with a stable market, but with several sub-plots due to area and price band differences. The strongest market is likely to be the Western Cape, boosted by semigration and a return of international buyers. We may even see more Europeans looking to invest here given the challenges in their own economies.

We have already seen a notable uptick in sales above the R10m to R15m mark for the first time since 2017 in the Cape. Prices are likely to hold firmly and may even push up. If there is a level of semigration to the KZN North Coast and certain Eastern Cape areas, we may also see it play out positively in terms of prices.

Other inland areas do not benefit from the added demand from semigration and international buyers and are likely to see lower turnover and pressure on asking prices. Those looking to semigrate from up north may potentially need to sell at a discount.

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## Rising middle-class bringing new buyers into market

The lower price bands and first-time buyers have been most affected by the rate hikes. The market above R3m is less sensitive to rate hikes, but more to economic conditions and business confidence. We are also seeing lots of new buyers coming into the market driven by the growing middle-class, especially from previously disadvantaged demographic groups.

The rental market has largely recovered from the pandemic, with drastically improved payment trends and positive growth in rental rates. Semigration and a return of tourism have also boosted rental demand, with some areas now reporting stock shortages, providing buy-to-let investment opportunities.



### Banking sector underpinning residential property market activity

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## Bank lending landscape remains positive

Generally, it remains a good market for buyers, although they will need to factor in higher repayments and potentially higher deposit requirements on home loans. The bank lending landscape remains a positive for the market and there are still ample reasons to invest in your own home.

With fewer buyers in the market and the likelihood that they will look for more negotiability, realistic pricing will be a prerequisite to conclude a sale. As there are no foreseeable prospects of higher prices going into next year, serious sellers should not waste the opportunity of a serious offer.

## ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.

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