

Predictions for the 2023 housing market

By  Adrian Goslett

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It has been yet another record-breaking year for the local real estate market, with high sales volumes being recorded for almost every month this year. Following this period of hyper-activity within the housing market, most experts predict that we will be heading into leaner times in the year to follow.



Adrian Goslett, regional director and CEO of Re/Max of Southern Africa

Housing market performance is intrinsically linked to the broader economic circumstances. While it is impossible to say with any certainty what lies ahead, all signifiers currently point to 2023 being a year of slowed growth.

In the November Monetary Policy Committee (MPC) statement, the South African Reserve Bank's (Sarb) forecast for global growth in 2023 was revised lower to 1.9% (from 2.0%). The International Monetary Fund's (IMF) October's forecast for global growth in 2023 was 2.7%. Largely owing to increased load shedding, the Sarb also forecasted that the South African economy would expand by just 1.1% in 2023 (from 1.4%). They also forecasted that core inflation would be higher than previously expected at 5.5% (from 5.4%) in 2023; and core goods price inflation was forecast higher at 5.7% for next year.

The Sarb also alluded to the possibility of further interest rate hikes by stating that: "Economic and financial conditions are expected to remain more volatile for the foreseeable future. In this uncertain environment, monetary policy decisions will continue to be data-dependent and sensitive to the balance of risks to the outlook."

Unless inflation begins to ease off following the latest 0.75% bump, we are likely to experience further interest rate hikes in 2023, probably not as severe as previous hikes but somewhere between 0.25% or maybe 0.5%. I also predict that banks will start to fight harder to offer better pricing to clients on interest rates.



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Affordability of increasing concern

Affordability is likely to become more of a concern for many homeowners in 2023, especially for those who bought when interest rates were at record lows. Rising inflation will make it challenging to keep up with the monthly expenses. On top of this, debt has become more expensive with every interest rate bump.

Prime was just 7.5% when we started the year. That means that interest rate has grown by 3% over the course of this year, which would have potentially added thousands of rands to homeowners' repayments (depending on the size of their home loan).

Buyer demand likely to drop

In my opinion, it is likely that buyer demand will drop as a result of the tougher economic conditions we are likely to experience in 2023. The number of property sales (units) is likely to drop by around 10%. Market activity might shift back towards the rental market, which could be beneficial for landlords. However, owing to the challenging economic climate, rental prices (and house prices, for that matter) are unlikely to show any substantial growth in the year ahead. House prices are likely to grow only by roughly 4% nationally.

There are opportunities to be found in any market. It is useful to remember that interest rates are still relatively manageable at this point in time and are nowhere near the prime lending rate of 25% that we experienced at the start of 1994.



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Free yourself up of bad debts

Although the higher interest rates do make it more expensive to purchase property, when a well-priced home hits the market, you want to be sure you can afford it. My advice is to try and put yourself in a position where you carry as few bad debts – credit cards, car loans, and the like – as possible. That way, you free yourself up to be able to seize any opportunity to generate future wealth that may come knocking at your door in the year ahead.

ABOUT ADRIAN GOSLETT

Adrian Goslett is CEO and regional director of RE/MAX Southern Africa. He joined RE/MAX Southern Africa in 2005 as a franchise development consultant, supporting various regions and offices. Throughout his career at RE/MAX he has held various positions. In 2010, after successfully leading 160 offices and over 1500 agents in six countries through the worst years real estate has ever seen in South Africa in 30 years, Goslett was appointed as CEO of RE/MAX Southern Africa.

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