

# 6 home loan trends for 2023

By [Rhys Dyer](#)

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Despite the challenges of external factors such as ongoing interest rate hikes and rising costs of living, the ongoing demand for home loans remained relatively stable in 2022, slightly down on 2021 volumes but up on 2020 and 2019 volumes.

This sustained demand is attributable to the following key factors:

- The increasing interest rates over the year, culminating in a prime rate at year end of 10.5% remains well below the long-term average rate over the past 25 years.
- Banks continuing to compete for home loan business by approving loans on attractive terms – both in terms of interest rate and in the granting of 100% loans.

Looking ahead, with most of the interest rate hikes now behind us, the following six property trends will lead the way in 2023:

## 1. Buyers want more ‘bang for their buck’

Ooba’s latest statistics indicate that while the Western Cape remains a strong contender in the property realm, and, while prices have been slowing the most rapidly, average purchase price remains the highest among the major regions.



Rhys Dyer, CEO of Ooba Group

The appeal of the Western Cape clearly does not lie in the relative affordability of homes but rather in the lifestyle offering, the relative security and the competency of municipal management. In contrast, the likes of Gauteng South & East Rand have seen an increase in property prices, despite registering the lowest average purchase prices in South Africa (at R1.18m).

Interestingly, Gauteng South & East Rand is the only major region in which applications from first-time buyers remains consistently above 50%. We anticipate that the demand for areas such as these will grow in 2023 as buyers plan carefully and realise their dream of homeownership by purchasing in areas where they can manage affordability.

## 2. Shifts in the profile of a first-time homebuyer

While the past few years saw a sharp uptick in first-time homebuyers due to the lower interest rates, 2022 showcased just how ‘rates sensitive’ this demographic truly is with the number of first-time buyers steadily declining and those that are buying, buying properties that fit their affordability constraints.

In 2023, we anticipate a continued steady decline in first-time homebuyers as many opt to rent rather than buy. However, data indicates that Gen Z – the next generation of South Africa’s workforce – believes in the power of home ownership so we expect to see increased uptake in the next few years.



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### 3. The fall of 100% home loans

While approval rates for 100% home loans will remain high in 2023, the number of applications for 100% home loans will decline. In the current climate, homebuyers are prioritising deposits as a way to reduce their monthly repayments and achieve a better interest rate on their home loan. Our last Oobarometer saw a growth rate of 18.2% in the average size of deposits and our expectation is that this will continue.

Ooba anticipates that homebuyers will continue to take charge of their financial wellbeing by prioritising savings and affordability before applying for a home loan.

### 4. Buy-to-let investment boom

Buy-to-let investments (properties purchased as an investment) will continue to gain ground in 2023. Demand for the financing of buy-to-let properties has grown by around 30% year-on-year and this trend is particularly notable in the Western Cape where the rate of applications for investment properties reached a high of 24.2% in October 2022.

Investors are looking to 'cash in' on high demand in the rental market due to higher interest rates, and this trend is set to continue well into 2023.

### 5. What's trending with off-plan properties

New residential developments (also known as off-plan properties) have experienced a notable surge in popularity among South African homebuyers, and this trend is set to accelerate for the foreseeable future.

Ooba's data indicates a 117% increase in approved home loans for new developments year-on-year. This is largely driven by affordability. The homebuyer pays zero transfer fees and bond repayments are delayed until construction is complete.

In addition, property developers are driving this trend. "Developers are paying close attention to the needs of the homebuyer and are catering to these through new and exciting developments. Buyers are spoiled for choice and are opting for lock-up-and-go, secure living through off-plan properties.



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### 6. Is semigration still a thing?

While many have gone back to their 9-to-5 office job, some are still opting to commute and some corporates have chosen to continue with the hybrid, flexible working model.

When looking to the demand, homebuyers are looking for more space and more affordable pricing. Picturesque areas less than two hours away from major metros such as Betty's Bay and Greyton are becoming strong contenders in the semigration movement.

We expect various small towns to continue to feature prominently in our home loan data in 2023.

#### ABOUT THE AUTHOR

Rhys Dyer, CEO of Ooba Group

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