

Here's what to expect in the residential market in 2023

While the outlook for the property market in 2023 cannot be described as rosy, with the fallout from the pandemic and growing economic and political turmoil far from over, it's certainly not all doom and gloom, says Yael Geffen, CEO of Lew Geffen Sotheby's International Realty.



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“After three years of unparalleled economic and social upheaval, most of us are looking forward to a semblance of normality this year and, whilst we are by no means out of the woods, indicators are showing us that 2023 has the potential to deliver a somewhat smoother 12 months.

“Additionally, let’s not forget that innovation is very often borne of necessity, and this usually precipitates interesting and often positive shifts and even growth,” she says.

Geffen’s outlook for 2023 is one of cautious optimism along with a caution for consumers to tighten belts against unnecessary spending. Her forecast for the next 12 months includes the following main trends:

Virtual property shopping will remain

For a number of years, buyers have been starting their searches online but the pandemic forced a number of quick shifts in how (and where) property searching and viewing takes place.

And although most of these changes were necessary for public health and safety, they also highlighted smart conveniences that both buyers and sellers are now reluctant to forego. Expect to continue seeing very comprehensive listings, complete with drone footage and 3D tours as well as the continuance of virtual property tours.

More AI technology in the industry

This tech can be used in every aspect, from buying and selling to home financing. Algorithms can now go through millions

of documents in seconds, accessing property values, debt levels, home renovations, and even some of a homeowner's personal information. AI can even help you find the homes that are most likely to sell in the next 12 months.

Some of the biggest names in the business, such as Compass and Zillow are already utilising AI to help find buyers the perfect mortgage and the perfect home.



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Bond originators will play a bigger role in mortgage applications

While banks remain aggressive in lending, the rising interest rate will negatively impact consumers – and especially first-time home buyers – so it's likely that the services of bond originators will be used by more people in order to source the best financing option for their property purchase.

Having access to multiple lenders, an originator is able to provide the homebuyer with the best deal, which would include negotiating an attractive interest rate, thereby potentially saving the homebuyer thousands of rands of interest over the term of the bond.

Millennials will dominate the buyers' market

While it's true that first-time buyers are once again being priced out of the housing market due to factors such as rising interest rates, millennials are now the largest consumer group and, as many aren't quite so young anymore, they're likely to account for the majority of buyers going forward.

Demand for property in different countries

Globally, we are seeing increased demand for property in different countries, especially in locations like Malta, Cyprus and Mauritius which are viewed as more favourable by investors due to the quality of life they provide, affordable property investment opportunities and, of course, favourable tax regimes.

For South Africans looking to establish their Plan B, the added incentive is that these countries also offer permanent residency.

Luxury market will retain its buoyancy

Property always has been and always will be considered one of the best long-term investments and more and more people these days are focused on growing their wealth through property as a buffer against currency depreciation and market volatility.

Real estate has shown remarkable resilience over the years, defying the odds and major disruptions to become the world's biggest store of wealth. By the end of 2020, the global value of real estate had reached a record high of \$326.5tn, making it more valuable than all global equities and debt securities combined - and almost four times greater than global GDP.

More interest rate hikes

Following a record low of 3.75% in May of 2020, the interest rate has been steadily rising, with the South African Reserve Bank raising its benchmark repo rate by another 75 bps to 7% at its November 2022 meeting - the seventh consecutive rate hike since policy normalisation started in November 2021.

As the governor of reserve bank, Lesetja Kganyago, recently said, the widely-held belief is that not curbing inflation will be more harmful than hiking the interest rate in the long term, so we can certainly expect more increases this year, says Geffen.

And, with the goal being for inflation to be stabilised by Q4 in 2024 at 4.5%, we're probably in for the long haul which is a bit concerning for the market as higher interest rates mostly impact the sector that has been underpinning the market – property in the R1m to R2.4m price band.



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Renovations reigned in

Cosmetic upgrades will still be a cost-effective way to add value to your home, but many homeowners looking to do major renovations requiring raw materials are likely to be deterred by supply chain problems, higher prices of goods and materials, and delays in simply getting anything done.

Solar and off-grid market will boom

As unpopular as the 'trend' may be, South Africa's growing energy crisis and ubiquitous load shedding aren't going to disappear anytime soon and consumers and businesses are being forced to become savvier and more self-reliant and, as a result, are investing in all manner of alternative sources and resources, including solar, rainwater tanks, boreholes and gas.

At the onset of the pandemic, we quickly realised how adaptable we actually are when we were forced to adjust our lifestyles and business models overnight in order to survive the extended lockdown - and we are now doing so again in response to the energy crisis.

Also, with a global energy crisis looming, we are no longer lone rangers at the tip of Africa battling alone to overcome the challenges of power outages. And, although this doesn't change our situation, collective collaboration in a crisis does offer the promise of new innovations and solutions.

Semigration will prevail and coastal areas will continue to boom

The wave of semigration we've been seeing towards the coast has significantly boosted the market in these areas, with some towns not only experiencing stock shortages but also record sales.

And, with the now-established work-from-home and safer living trends still being major driving forces in property-buying

decisions, it's unlikely that the steady migration towards lifestyle destinations will abate any time soon.

However, it must be also noted that although the spotlight has been on the move toward the coast, there is also inland migration, especially to Johannesburg. This is predominantly driven by aspirant young professionals who are following the money and opportunity trail.

Holiday homes still a hot trend

Admittedly, this sector is usually the most vulnerable in an economic downturn, but the fact remains that a holiday home offers much more than a relaxed annual vacation. If you do your homework and buy wisely, it can also be an excellent investment, both in the short and the long-term.

In popular destinations like Plett, our agents are reporting that more people are currently buying holiday homes than are selling. They have also noted a new trend – second homes being purchased to initially use for holidays, but with plans to move into them permanently at some point in future.

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