

SA property market set for big rebound in 2024

The local property market will see a resurgence in 2024 predicts Renier Kriek, managing director at Sentinel Homes.



Source: [Pexels](#)

"There was a bit of a property boom after the country emerged from the Covid lockdown. Since then, people have been held back from buying and selling property by various factors, but that is about to change for the better," he says.

Factors impacting the local property market

In South Africa, property buying and selling has dropped steadily since 2021. In 2023, market volume was about 5% lower than 2019.

The factors driving this decline include negative consumer sentiment as a result of load shedding, the national logistical backlog, a stalling economy, high inflation, the rising cost of living, and a 475 basis point increase in the lending rate since the Covid lockdown ended.

However, people's life circumstances continue to change, suggesting pent-up demand building below the surface.

The number of first-time buyers – a solid indicator of market demand – has also decreased significantly, again implying that unsatisfied demand exists, which is building up in the background.

Outlook for 2024

Two main events signal that things are about to change. First, economists agree that, as inflation slows in South Africa and the world, Sarb will likely reduce the interest rate at its May or July Monetary Policy Committee meeting, which is in line with the move expected from the US Federal Reserve.

Second, the country will hold general elections this year, and probably be led for the first time by a coalition government at national level. While this might concern South Africans, leading to uncertainty and hesitance prior to the election, it also promises to bring new impetus to solving the nation's dilemmas.

Kriek believes both these events will turn out well and will provide a release for the evident demand for property that is building in the background. "Then, we'll see a dramatic increase in market activity," he says.

Several lesser trends are also worth watching:

• Smart money in the market

Right now, there's a lot of smart money in the market – people who are aware that it is a good time to buy and are hunting for value.

Interest rates on mortgage loans granted have decreased significantly, partly because banks are competing for a shrinking market, but also because current smart money buyers are generally richer, have better credit records or present a much lower credit risk.

They are also paying higher deposits on average despite banks being willing to lend up to 105 percent of the purchase price.

In the same vein, wealthy buyers from abroad are snapping up luxury properties in Cape Town and other coastal areas in the price bracket above R20m.

This trend is sure to continue into 2024 as that smart money looks to acquire more assets before the market turns on the two main positive signals expected for later in the year.



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• Semigration

Semigration remains a major trend in 2024 and smaller towns will continue to experience gentrification, no longer only in the popular Western Cape but across the country.

As more affluent buyers seek well-priced, quality stock in these locations, incumbents will see their property value rocket.

This may not be the only incentive for them to sell, though. Increases in rates and the cost of living may become unaffordable for them, pressuring them to move elsewhere. But where will they go?

With more than 80 percent of all building plan approvals being in coastal areas currently, the answer is plain to see. Market actors who are the creators of housing stock are readying themselves for the turning market and are doing so with an emphasis on coastal areas.

• Co-buying

There is a marked increase in co-buying, that is, people buying a property together with someone other than their spouse. This includes friends, unmarried couples, investors, and those with business intentions. About one in every four properties purchased is now co-bought.

This approach overcomes the gap between property prices and income and is a way for younger people to enter the market while spreading risk between them.

Banks have also changed their policies to accommodate co-buying, with some allowing up to 12 individuals to join in the application.

• Buy-to-let boom

The buy-to-let market is booming, especially in the Western Cape. One reason is that, due to insufficient stock and higher property prices at the coast, many semigrants are electing to rent while waiting for the positive market signals, in the form of interest rates and election outcome.

Some are also renting while waiting for new builds, given that stock is restricted in the coastal areas that are semigration destinations.

This growing demand provides a good incentive for buy-to-let landlords to invest in new homes and apartments, despite the high construction costs.

Almost 11% of all bond applications are currently investment purchases, which is higher than the norm.



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• Smaller properties

Another continuing trend in 2024 will be smaller plots and smaller properties.

High construction costs make it very difficult to create new stock that competes with existing stock in the market, though this shortfall is being rapidly eroded in coastal areas, but specifically Cape Town and surrounds.

So, both tenants and buyers will have to adapt to reduced living space unless they can afford to build their own at a premium.

• Relief for homeowners

The number of buyers may be low but owners are also holding onto their properties for dear life, in the face of crippling interest rates.

Unfortunately, foreclosure may force some to sell in the near future. Yet, the predicted drop in interest rates promises relief to those who managed to stay afloat until that signal rings in the market.

When will the change happen?

Kriek expects the dam of pent-up demand to break in the coming winter. This is not a prime time for property sales, however, especially in the Western Cape. During this season, people tend to buy fewer properties.

"With lower transaction volumes during the winter months, there is likely to be a slight buyer's market that will turn to a seller's market in spring," he says.

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