

2022 residential property forecast - reasons for optimism

 By [Paul Stevens](#)

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Paul Stevens, CEO of Just Property, looks ahead to 2022 and finds real reasons for optimism. Here, he shares his thoughts.

Rising interest rates: not as scary as it sounds



Paul Stevens, CEO of Just Property

We are expecting to see marginal interest rate increases during the course of 2022, and economists are predicting that we will not see pre-Covid interest rates for several years. This leaves a favourable environment for buyers and property investors alike.

Context is important when considering the impact of increases in interest rates on people's appetite for buying. It's not as scary as some may think or make it out to be: the increase of the repo rate by 25 basis points brings the base home loan interest rate to 7.25%. In practical terms, that means an extra monthly cost of R151 on a R1m bond and an extra R452 per month on a R3m bond. Due to this increase, we are expecting the sales market we have been trading in to start to slow down.

People need a place to stay, and as long as bond repayments are similar to rental costs, the property sales market will remain buoyant. There is also an emerging middle class, particularly in cities like Johannesburg and Pretoria, combined with a desire to leave a legacy that serves the property sales market well.

As long as clients are showing that affordability is there, the banks will be willing to lend, even with further possible rate increases in the coming year. That said, there does appear to be a slow down of bank approvals.



2021 a bumper year for property, stock shortages loom for sought-after areas

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New investors entering the market

The pipeline looks promising. Our demographics show that 15.6 million South Africans are aged 20 to 34. With the right economic opportunities, some of them will be entering the market as first-time buyers. Others who already own a home are discovering property's potential to create wealth. Instead of upgrading to a larger next home, they are starting to build property portfolios.

The good news for new investors is that interest rates are favourable and the current slow rental growth is likely to improve over time.

Driving wealth and creating family legacies through property is what makes me passionate about this industry, and I'm so

pleased to see that agents across the Just Property network have taken that message on board. Not only are our staff and agents helping their clients achieve their dreams, but many of them are leveraging their property knowledge to secure opportunities to invest personally.

Take Christopher Xotongo, who joined our sales team as a new graduate in 2017. Today, with mentorship and guidance from franchisees committed to his personal success, he is well on his way, owning multiple investment properties and is looking to grow his portfolio and real estate business exponentially in 2022.

It is important that new investors seek professional guidance to ensure they invest in the right area, particularly taking into account current vacancies. And don't consider buying property unless you are financially stable enough to hold onto it for at least three years. There are costs beyond the sale price; these include the deposit, transfer duty to SARS, conveyancer fees, Deeds Office transfer levy and other, smaller sundries. You may need to furnish the property too.



2022 residential property trends, demand undeterred by repo rate hike

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Investment opportunities for 2022

It takes time to recover financially and, nationally, nominal house prices increased by 3% year on year in September 2021, slowing gradually from the pandemic peak of 5.1% in April 2021, according to FNB data. We expect this same sluggishness in 2022.

Looking ahead, there is real growth potential for landlords who invest in systems and properties linked to sustainability (for example, ensuring the availability of water and the production of energy).

In terms of areas, I recommend focusing on coastal cities and towns. These are the areas that have seen better performance from a property value perspective, and demand remains strong due to many people semigrating to the coast.

For good opportunities to invest, look to:

- The smaller towns near Cape Town like Hermanus, Onrus and Kleinmond to the east, or Langebaan and St Helena up the west coast.
- The Garden Route areas of George, Mossel Bay, Knysna, Plett have also seen great growth, with many people relocating to these towns.
- In the Eastern Cape, Port Elizabeth, Jeffrey's Bay and St Francis Bay are enjoying unprecedented growth in numbers of people relocating and looking for that coastal quality of life.

Property franchising is another investment opportunity for hard-working, dynamic and service-oriented entrepreneurs. Owning a real estate business presents an incredible opportunity to create wealth through property. Choose a brand that offers the advantages of collaboration, support, a broad range of technological tools, and a recognised brand that lends instant credibility and negotiating power. You should also benefit from structured training programmes and a value system that will grow your reputation and your clients' trust. Just Property is on a phenomenal growth trajectory, having secured 21.66% YOY (2020/21)!



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A correction is due, but it's expected to be mild

We have not seen the same surge in property prices that the US has seen over this past year. The average price increase in the States has been double digits in most states, and according to a recent NAR report, third quarter 2021 compared to the same period the year before, has seen an average increase of 16% in house prices.

By comparison, this past year in South Africa has seen an average increase of 4.7% (according to Lightstone). Where SA property prices escalated disproportionately as a result of Covid lockdown restrictions and the lifestyle changes we saw in 2021, we do expect corrections. While the more affordable properties will still see good growth this coming year, we are expecting to see very slow to no growth in the upper segment of the market.

Ongoing demand for affordable housing

A shortage of affordable housing from both a rental and sales perspective is a reality in South Africa. The average selling price of properties registered in the Deeds Office in 2021 so far is R990,000. And Michelle Dickens of TPN reports that 50% of renters are in the R7,000 - R12,000 per month bracket. Taking this into account, there is going to be an ongoing demand for affordable housing to be built.

In 2022, affordable properties will still see good growth despite job insecurity, poor credit profiles and the increasing cost of living.

Fewer tenants are in arrears

The good news for landlords is that there is now a smaller percentage of tenants in arrears than in the first quarter of 2020. If the government is able to maintain current trading environments (and we avoid higher lockdown levels), I am optimistic that this trend will continue.

According to the PayProp Q3 report, rent has only increased by between 0.1 and 0.2%, while inflation sits at around 5%. The Western Cape and Mpumalanga have outperformed other provinces with a 3.5% and 2.5% increase respectively.

The biggest concern for the coming year is the weakening economy. We have just seen a massive increase in the fuel price, which is going to lead to further inflationary pressures. Consumers are battling to make ends meet.

The rental market is going to remain under pressure for much of 2022. Large numbers of tenant applicants are not qualifying due to their weak credit scores, and I think that this is going to get worse. We expect good tenants to remain where they are, as many of them did in 2021.

ABOUT PAUL STEVENS

Since 2013, Paul Stevens has been the CEO of Just Property Group Holding (Pty) Ltd which controls an international group of property franchises specialising in residential sales, rentals and management. He joined as a franchisee in 2003 and now, as CEO, drives the strategic direction of the Just Property brand with his charismatic optimism. He is also actively involved in the evolution of the South African property landscape, working closely with high-level industry stakeholders.

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