

2022 residential property trends, demand undeterred by repo rate hike

According to Grant Smee, managing director of Only Realty, the momentum gained in residential property demand over the past two years will continue well into 2022. "Despite the highest unemployment rates experienced in our country's history (currently sitting at 44.4%), there is still high demand for residential property - particularly amongst first-time homebuyers."



Grant Smee, managing director of Only Realty

Smee speculates that the repo rate hike (up by 25 basis points to 3.75%) will not slow current demand amongst certain homebuying categories. "Buyers in the LSM 8–10 bracket and those with a steady income are less likely to be swayed by this increase."

What the statistics say

The latest Oobarometer statistics released by the Ooba Group echo this sentiment. "According to recent data, homes in the R1.3m price bracket – currently the most sought-after price tag in the country – will see a monthly repayment increase of under R200."

Smee adds that the excess demand for properties at certain price points (R2m-plus) will see a prolonged buyers' market – expected to last well into 2022. "On the other hand, sellers in sought-after areas now have the upper hand."

The sellers' market seeing the most activity is most prominent amongst properties ranging from R700,000 – R2m in areas with convenient access to schools, public transport, fibre and retail centres.



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Smee does, however, caution that the 'honeymoon' period of affordable home buying will eventually draw to a close. "The residential property sector is not immune to major cyclical changes, so I'd advise any investors to 'cash in' and bargain hunt in 2022 before the 'cooling period' begins."

What's trending in 2022?

Smee shares the following predicted trends for 2022:

- **Semigration continues:** "The demand for coastal homes – particularly in the Eastern and Western Cape – is set to continue. Uncertainty around work-from-home policies and how long these would last has now subsided, with many companies implementing a long-term hybrid or work-from-home working model. This is also evident in the number of commercial properties up for sale as companies work towards reducing their office footprint," says Smee. "This move gives homebuyers the freedom to buy where they want and to upgrade their homes to accommodate more office space."
- **In-land properties in demand:** "Recent homebuying activity in provinces such as Limpopo, Mpumalanga, the Free State and Northern Cape indicate a surge in demand. Properties in these provinces offer value for money and bring a sense of solace to ex-city slickers."
- **Buy-to-let:** The latest Oobarometer Q3 statistics indicate a rise in buy-to-let homebuyers. "Over this period, buy-to-let investments increased by more than three times from 2% to 7% (from the same period in 2020)." Smee adds that this is a testament to an ongoing change in buying behaviour. "Homes are still viewed as a stable asset class by many investors. Rather than covering their own monthly home repayments, homebuyers are finding suitable tenants or are renting out a room to reduce costs."
- **Security – above all else:** "As crime continues to rise, we are seeing high demand for gated estates and homes in boomed-off areas." Off-plan developments also continue to drive demand as more of these pop up around the country. "Developers know where to build and exactly who their audience is," adds Smee.
- **Saving and credit records:** With many first-time buyers still looking to enter the property market, some will be focusing on a healthy bank balance and a healthy credit score (of 600-plus) in 2022. "An increase in inflation and the repo rate will see first-time buyers in particular, focusing on improving their finances to secure the best possible interest rate on a home loan. Those with a poor credit rating are advised to work with a home loan originator to improve their chances of being approved. It's also advised to be preapproved for a home loan before you start shopping around."
- **Notable areas on the rise:** In 2022, coastal areas such as George, Knysna, Mossel Bay, Ballito, the Atlantic Seaboard and West Coast are expected to "score big".
- **Eco-living upgrades:** "South Africa still lacks in areas such as eco-living and infrastructure to support smart homes however, more savvy South Africans are making inroads towards sustainable, eco-friendly living (and smart homes) adds Smee. "Measures such as solar power, building with sustainable materials to reduce their carbon footprint, building homes with more natural light and growing vegetable gardens are just some of the trends that will continue (and grow in popularity) in 2022. Features such as these justify a higher price tag due to high demand by homebuyers."
- **Upgrades for first-time buyers:** Homebuyers who purchased their first property may now be looking to upgrade. "If the interest rate remains low and these homeowners are moving into the next phase of their life. They might be looking for more space to accommodate a family or to accommodate a bigger home office. Based on this, we anticipate high levels of activity amongst second homebuyers."
- **Home auctions increase:** "Auctions are popping up in every suburb. While this is a traditional method of sale in the likes of Australia, it has long since been viewed in a negative light in South Africa. However, today, sellers are embracing this as a quick, transparent way to sell a property and the upturn is set to continue long past 2022. In my view, this is only the beginning," he concludes.