

Lifestyle-focused buying surges in small towns, while distressed sales create bargain opportunities

 By [Grant Smee](#)

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2023 was a relatively stable year for the property industry, with no major interest-rate fluctuations. However, this stability translated to slow growth across virtually all key indicators, from house prices to the volume of home-loan applications.



Source: Supplied. Grant Smee, managing director of Only Realty Property Group.

With the promise of interest-rate slashes on the horizon for mid-2024, the property industry has the opportunity to regain the momentum last seen during the pandemic by lowering the barriers of entry for new and younger buyers.

Let's unpack some of the positive – and more challenging residential property trends predicted to define the year ahead:

Buyers will continue to prioritise lifestyle

Lightstone data reveals a significant increase in property purchases in smaller towns, particularly along the coast. Hotspots include traditionally touristy areas like Langebaan, Yzerfontein, Kenton-on-Sea, Cintsa and Ballito. This is as a result of ongoing semigration and remote work policies from many employers, as well as the continued search for an affordability/lifestyle balance.

In 2024, buyers will continue to prioritise lifestyle perks over convenience and proximity to economic hubs as was previously the case, with many of these small towns offering bargain prices for large, freestanding homes. This will also result in new retail centres and other businesses being built in these areas to service the new residents.

More distressed home sales

The knock-on impact of high interest rates and the rising cost of living has led to an unfortunate increase in the number of distressed house sales hitting the market – at almost double the rate seen in 2022 according to Lightstone.

If the hoped-for interest-rate cuts don't come to pass in mid-2024, this number will only increase with many unable to keep up with their monthly loan repayments. This is, however, good news for bargain-seeking buyers.

Distressed properties are priced competitively, with owners looking to offload their asset as quickly as possible – allowing them to be snapped up at a much lower rate. The rise of distressed sales may also translate to an increased preference for auction as a method of buying and selling property in 2024, as an efficient way to pick up valuable assets at a fraction of the price.

Foreign buyers to compete for stock in the Western Cape

While you'd think a year characterised by an ongoing energy crisis and poor service delivery would deter anyone who wasn't hamstrung by a South African passport from buying property in the country, the opposite seems to be the case.

Lightstone data shows that foreign buyers made up 3% of residential-property purchases in 2022, and following international travel ramping up in 2023, this percentage is expected to be even bigger this year and in 2024.

Unsurprisingly, the vast majority of these buyers are flocking to the Western Cape where they are exercising their spending power by investing in upper-value (priced above R1.5m) homes.



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This isn't great news for Capetonians in particular who are already battling with soaring prices and stock shortages and who will now have to compete with Euro-flashing foreigners who - by virtue of their stronger currency and our comparatively 'cheap' property - can outspend them at every turn.

Short-term rental investments will continue to rise

Airbnb is booming in South Africa – and local hosts are cashing in. There's been a 34% increase in domestic travellers in the last year, with many opting to travel to less popular tourist destinations.

The lowered barriers for local-tourism entrepreneurs is resulting in many homeowners revamping granny flats on their properties or purchasing lock-up-and-go units for the purposes of short-term rentals.

While this can be lucrative, short-term rentals also have their own demand fluctuation and administrative drawbacks and a tidal wave of these kinds of properties popping up in 2024 carries the very real possibility of flooding the market. They also make it more difficult for local tenants to find affordable long-term accommodation, as landlords can make more by charging per night.

Co-buying as a means to ease affordability

Affordability is the number one concern on many South African's minds right now following an economically challenging 2023. As a response, some are turning to 'co-buying' - a practice whereby two or more people jointly purchase a property and agree to share ownership.

This is a smart way for friends, business partners and family members to pool their financial resources and buy a property that would be unaffordable if purchased alone.

The statistics show a 1.1% year-on-year increase for multi-party home-loan applications and - given the increasing financial pressure today's young buyers find themselves under - I predict this percentage to grow significantly in 2024. It's a smart and sustainable way to get your foot on the ladder and begin your property-investment journey.

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