

# Adapting to higher interest rates: How did the Q3 2023 housing market adapt?

In the third quarter of 2023, the local housing market faced a blend of outcomes. Despite a year-on-year decline in overall performance, there is slight improvement compared to the previous quarter's results.



Source: [Pexels](#)

According to Lightstone Property data, as at 4 October 2023, the number of transfers (both bonded and unbonded) recorded at the Deeds Office for the period July to September 2023 amounted to 48,838.

When reviewed against the figures from previous Re/Max national housing reports, this amount is down by 20% YoY. By comparison, the total number of transactions by the Re/Max Southern Africa network is down by 12.9% YoY.

“The year-on-year decline should be viewed in light of the fact that market activity was at an all-time high in 2022. Interest rates have risen substantially since then, which will inevitably slow down sales,” comments Adrian Goslett, regional director and chief executive officer of Re/Max Southern Africa.

However, when the stats from Q3 are compared to the previous quarter, the total number of transactions reported by Lightstone is up by 8%.

“Another promising sign is that the total listing leads received via remax.co.za increased by 14% compared to last quarter.

With interest rates holding steady at the previous announcement, we might be seeing the first signs of a market that is finally adjusting to the higher interest rates,” Goslett notes.

## Slowed growth for average house prices

Lightstone Property reported in the August residential property indices that the national property inflation rate is at 3.93%, having decreased slightly since the previous month. In addition to this, according to the Lightstone Property data retrieved on 4 October 2023, the nationwide average price of sectional titles is R1,145,558.

When reviewed against the figures from previous Re/Max national housing reports, this amount is 9% higher YoY. The nationwide average price of freehold homes is R1,484,405 which, when reviewed against the figures from previous Re/Max national housing reports, is 3% up YoY.

The difference in house-price performance is also reflected in the number of transactions that occurred for each housing type. Of the 48,838 transfers, a total of 23,382 freehold properties and 13,461 sectional-title units were sold countrywide (these figures exclude estates, farms, and land-only transfers).



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Reviewed against previous Re/Max national housing reports, the number of freehold properties registered dropped by 21% YoY and sectional titles dropped by 19% YoY.

“Affordability becomes an issue when interest rates are high. Because sectional-title units tend to be more affordable than freehold properties, it can be expected that these types of homes would perform better within the current economic circumstances,” Goslett comments.

## A dip in home finance

According to BetterBond, the number of home-loan applications decreased by 21.31% YoY. “Based on reports from our agents, we have noticed that an increasing number of buyers are making cash purchases rather than relying on home finance. When interest rates begin to stabilise, it is likely that we will see a shift back towards more home-finance deals,” Goslett comments.

BetterBond also reports that the average approved bond size dropped by 1.42% compared to the same period last year. First-time buyers were hit slightly harder, with their average approved bond size shrinking by 2.89%.

## Provincial property market performance

The Western Cape was once again the most searched province on remax.co.za during Q3 2023, claiming the top five search positions:

- Claremont, Western Cape
- Gardens, Western Cape
- Parklands, Western Cape
- Sea Point, Western Cape
- Rondebosch, Western Cape

According to the performance of the Re/Max of Southern Africa network during Q3 2023, the Western Cape's sales totals

trumped that of Gauteng's sales totals. However, the Western Cape was not the only province to perform well. Limpopo, the Northern Cape and Free State all showed an increase in the total registration values when compared to the same period last year.

## **Final thoughts**

“Despite the high interest rates, the demand for housing remains strong. Regardless of how the overall market is performing, I have no doubt that a well-priced home listed by a reliable real-estate professional will have no trouble selling.

“That being said, we remain hopeful that interest rates will stabilise soon and that the external factors will become more favourable to stimulating growth within the local housing market and the broader economy in general,” Goslett concludes.

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