

3 key factors for the property industry to consider going into 2022

With the 2022 National Budget Speech coming up soon, property investors and real estate roleplayers will be paying particularly close attention. Although there is general cause for optimism, Pearl Scheltema, CEO of Fitzanne Estates, shares various factors to consider going into 2022.



Pearl Scheltema, CEO of Fitzanne Estates

“The real estate industry is a lot like a gearbox – the various ‘cogs’ in the system all have an influence on one another. As such, the behaviour of South African property buyers, renters, and sectional title owners will all have an impact on one another,” Scheltema explains.

1. More first-time buyers to enter property market

“Our prediction is that interest rates will rise throughout 2022, but only marginally so. I don't believe that banks will burden current property owners with a 1% increase. We experienced a 0.2% increase last year, so I believe that the increase will likely only reach the 0.5% mark - if that,” says Scheltema.

The result of this is likely to be that first-time buyers will remain in a very good position to invest in property, she says. Individuals who may only have been able to rent up until the interest rate reduction, might now very well find themselves in a position to buy.



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“However, as a real estate specialist, it is vital to communicate to buyers like these that there is risk involved. If someone is considering a purchase as a first-time buyer, I would advise them to budget very carefully. It's not only the repayments to the bank you have to consider, there are other factors that also play a role.”

This includes things like property tax, services, electricity rates (which is poised to go up by at least 15% this year), maintenance, as well as levies to a body corporate, in certain cases.

“In cases where buyers plan well, it is a wonderful opportunity to buy one or more properties. However, if things are not that well mapped out, it could potentially come back to haunt buyers who may not be able to keep up with all the financial responsibilities that come with property ownership in the long run,” Scheltema cautions.



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2. Rental market will stabilise (to a certain extent)

“As I mentioned, one aspect of the real estate industry has an impact on the other, and this is especially true when it comes to buying and renting,” Scheltema explains.

At the end of 2021, there were a variety of articles in different publications talking about an excess of rental apartments on the market, due to the fact that many prior lessees were now buying properties themselves.

“This meant that the remaining renters in the market were in a position to negotiate with landlords in terms of monthly rent, repairs to properties, etc. As such, rental rates dropped quite a bit last year. Now, at the start of the new year, landlords who have had to deal with a lot in preceding years due to defaulting renters, empty properties, etc., are trying to raise rental rates again to make sense of their finances.

“However, it is still nowhere near the mark where we were two years ago. As such, renters currently have access to wonderful, well-maintained spaces at around 30% less than what they would have paid two years ago,” she reiterates.

However, over the course of the last year, Scheltema's experience has been that most landlords had at least some opportunity to recover financially and look at making necessary repairs and upgrades to their rental spaces. Many were able to catch up on bank repayments and get their properties in better condition.

“As such, the demands of renters are not quite as prominent as last year this time, although reasonable landlords, of course, still take it into account.”



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3. Training, maintenance will be a big focus for title schemes

According to Scheltema, even though the new legislation contained in the Sectional Title Schemes Management Act 8 of 2011, already came into effect on 7 October 2016, it always takes five years or more for property owners to get used to new legislation.

“My prediction is that because many property owners still don't quite comprehend all the intricacies of the Act, there will be a lot of focus on training. Fortunately, there are various training options available, such as the module through NAMA, the National Association of Management Agents, which hosts regular training sessions for clients and managers alike.”

“There will also be a big focus on maintenance. Training will reinforce the notion of the 10-year maintenance plans that form a part of sectional title and full title schemes. Special levies are being put in place for owners to contribute but, in many schemes, these plans are not yet being executed. They have it, they get the right things in place, but the actual work associated with the execution of these plans is often slow to materialise,” Scheltema explains.

“Managing a maintenance programme can be quite complex – quotes have to be gathered, finances considered, contractors selected and overseen. As such, it helps to have a property management agency on retainer who can assist with these time-consuming processes.”