Reviewing, forecasting property trends: Part 2

By Dr Andrew Golding

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In part 1, I discussed the international property market, the revival of the SA housing market, and the renewed interest of developers to the field. Today, I'll delve into market trends by region.

Johannesburg

In the Johannesburg area, new developments in well-established areas are attracting like-minded people based on lifestyle and convenience regarding access to major routes, amenities, shopping and leisure facilities and good schools and creating good market activity.

Property in gated estates continues to perform well, as evidenced in the Fourways and Dainfern areas, with supply demand factors making this property class largely recession-proof to date. Security and lifestyle are at the forefront of buyers' minds and gated estates rate highly on both counts. In addition, these properties provide sound returns in the rental market, as they are extremely popular with foreigners working on contract for multinational companies. Investing off-plan in one of the newer, gated estates in the Fourways area provides a current buying opportunity for sound potential over the medium term (5-10 years).

Further investment opportunities are found in development nodes such as Rosebank, where good future growth is predicted due to the Gautrain and revitalisation of the area. Transitory suburbs such as The Parks are also in demand, having always reflected growth, while the older, more established suburbs of Bryanston, Westcliff and Hyde Park have always been sought after as providing a highly desirable address. In Midrand, commercial growth in the area bodes well for the residential property sector, while the Gautrain is already resulting in increased enquiries regarding homes in the area. The East Rand continues to reflect a high demand for homes, with value for money a key factor driving demand and well-priced housing available in areas such as Benoni, Boksburg and Kempton Park - despite having to compete with older suburbs with good infrastructure.

Promisingly in Gauteng, buyer activity below R500 000 has been consistent. For some time the mid-range market experienced some sluggishness in respect of securing and servicing bonds, despite the fact that interest rates are at a 30-year low. Being a market, which is most dependent on mortgages, the middle sector has felt the pressure of stringent bank lending criteria. Conversely, the upper end of the market has proven more resilient in terms of having far higher liquidity and easier access to finance.

Pretoria

In Pretoria, the group has seen an improvement in stock levels of 'sellable' properties. Due to the high demand for rental properties we are seeing a return in interest from buy-to-let investors. We manage substantial portfolios of individual investors and it is interesting to see that this year hardly any properties were sold out of their portfolios - in contrast to 2010 when we saw investors reducing their portfolios. Properties in the sought after areas of Waterkloof, Waterkloof Ridge and Brooklyn continue to be a sound investment, with the demand for rental properties from embassies and foreign missions driving this market, achieving rentals of up to R60 000 per month. (In Canopus Street alone, in Waterkloof Ridge, there are 17 embassies.) Continued commercial development in and around this region bodes well for continued growth and the prospect of a sustainable and vibrant residential market. Sales at security and golf estates have increased compared with 2010, with normal market conditions returning and improved prices being achieved.

Last year, due to the considerable pressure on house prices, a number of sellers on these estates opted to rent out their properties and we saw a number of distressed sales occurring, setting a low market average and with low offers from buyers. With better prices now being achieved, 2010 lessors are putting their homes back on the market and interestingly we are seeing that quite a few of the tenants in these homes are making offers on the properties. The lessees were forced to rent in 2010 due to difficulty in obtaining finance to buy because of high credit exposure - having had a year to pay off some of the debt they are seen by the banks as less of a risk and buying is becoming a reality again.

Cape Town Metro

Here there has been an increase in sectional title sales in stable, relatively recession proof areas. Currently there's a selection of 'good buys' as a result of highly geared speculators disinvesting, especially in speculator-driven new developments; those scaling down in the light of escalating costs such as rates, electricity, fuel, food etc or downsizing for a lifestyle change; and low-key cash buyers investing for long term gains. Erratic trends are typical at present but generally the movement in the residential market has moved from the top end of the market to the middle market, ie from R2 million-R8 million, in areas where buyers either have a high level of personal equity or qualify easily for access to credit.

In mortgage dependent markets, loan failures remain evident. The group concludes a high percentage of cash sales in this region, with offers - especially from buyers with cash - coming in very low in some cases and taking a longer time to close. On a positive note there is less job insecurity in the middle markets and we are seeing some international buyers in the market. An area performing exceptionally well is Cape Town's Northern suburbs, where homes are selling within six to eight weeks of listing, with a particular shortage of stock in the price bracket from R1.8 million to R2.4 million.

The rental market is performing well, boosted by a strong demand among those reluctant to make a long-term commitment to purchase, job uncertainty, cash requirements and scarcity of finance.

Boland and Overberg regions

This year, the most significant growth sector is buyers in the 20-29 year age group, where we have seen an increase in demand of over 60% - indicative of the re-entry of first-time buyers in the marketplace, capitalising on the prevailing low interest rates and sound value for money available. Furthermore, if ever there was a good time to buy a holiday home along the coast of the Overberg it is right now.

The Boland and Overberg areas remain popular among buyers across a broad spectrum, from first-time entrants to the market to families seeking a wholesome lifestyle with access to good schools, as well as lifestyle buyers acquiring small farming units. Areas performing exceptionally well - even through the traditionally quieter winter period - include Hermanus.

Somerset West and Franschhoek

Sentiment regarding residential and farm sales is improving in the verdant Franschhoek valley. Since the start of 2011, the group has sold agricultural properties in the region in excess of R220 million, ranging from dairy, olive and wine to fruit, mixed farming and lifestyle smallholdings. With regard to farms generally, we have seen more interest this year from international buyers from countries such as China, UK, USA and Sweden, however enquiries for farms are still mainly from

South African buyers seeking smaller lifestyle farms.

While it is no secret that the wine industry is going through challenging times, impacted by increased production costs, a weak Rand and worldwide economic conditions, the perception that all wine farms are on the market because they are under pressure to sell is not true. A number of Stellenbosch farms, for example, are on the market by owners only if they achieve a certain price.

Garden Route

As far as the Garden Route is concerned, the leisure market is slowly showing signs of revitalising after a period of low demand and there are currently good buys available, which will provide capital growth in the longer term, particularly at St Francis Links and Plettenberg Bay. High end homes in Knysna continue to enjoy high appeal while other towns and hamlets such as George, Sedgefield, Mossel Bay, Witsand and Riversdale with its scenic farms, are attracting buyers aspiring to a better quality lifestyle, or looking to retire to the coast.

Central or Inland regions, KwaZulu-Natal and Eastern Cape

In the other regions of the country, namely the central or inland regions, and in KwaZulu-Natal and the Eastern Cape, we have seen an improvement at the top end of the market, as well as an increase in high end sales in Mpumalanga and a continued demand for homes in Grahamstown. We have noted that sales in all these regions, including the Garden Route, have moved up in price bands from a very low level, including the R2 million to R5 million price range.

An area, which surely currently offers outstanding value for money, is the KwaZulu-Natal South coast, while the key growth corridor north of Durban continues to benefit from increased business activity and lifestyle demand from homebuyers. Other hotspots as possible investment considerations include the greater Durban area, Nelspruit and East London, which are showing a high level of demand, particularly where there is a strong industrial focus which results in a migration of skills and opportunity to boost demand for housing. Finally, we are also seeing a re-emergence of interest in lifestyle properties, many of which are farms, in areas such as Clarens, Dullstroom, Bethlehem and Riversdale.

- Reviewing, forecasting property trends: Part 3

ABOUT THE AUTHOR

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