



Fynbos, developed by Balwin Properties, in Cape Town's Big Bay

## HOT TOPIC

# New post-election opportunities

*SA's property market may lack momentum following the recent elections, but it presents an opportunity for first-time buyers to get a foot in the door and the demand for rental homes is picking up*

WORDS: MIRIAM MANAK :: PHOTOS: SUPPLIED, NATASHA LASSEN AND SHUTTERSTOCK



Cape Town's Atlantic Seaboard is sought after for long-term rentals

South Africans remain positively cautious after the elections. Reports show people are holding off on buying homes and turning to rentals instead while waiting out the current climate. Yet the property market is also experiencing an upturn in first-time home sales now that banks are affording home loans more frequently.

The latest FNB Property Barometer shows values of low-income homes, classified as units with an average purchase price of R395,000, increased by 16.3% in May – almost four times the current consumer price index (CPI) of 4.5%.

Lower- to mid-income homes – those with an average purchase price of R638,200 – jumped

by 6.8%. Growth in other value bands has been slower, however.

“The middle segment, which corresponds to homes at an average purchase price of R935,000, registered growth of 4.2%,” FNB analyst Siphamandla Mkhwanazi states in the report. This is 0.3% less than the current CPI.

Upper-income property, with an average purchase price of R1.3m, and luxury value bands, with an average purchase price of R2.3m, registered year-on-year growth of 3% and 0.8% respectively.

### NEW CONFIDENCE

Rui Magalhaes, director of accounting firm First Wave Financial Services and shareholder of Mizolux, which owns the condominium complex

Bedfordview Frontier in Johannesburg, expects SA's property market to improve further thanks to the elections.

“Since May, the number of people visiting and enquiring at our sales office has increased significantly,” he says. “I think people were waiting to see how the political situation plays out and how effective president Cyril Ramaphosa's plans for economic turnaround are.”

Jessica Hofmeyr, sales, rentals, marketing and operations executive at Century Property Developments, reports a similar scenario post-election. “We have seen a lot more pen to paper and clients who had been on the fence have now committed,” she says.

Pam Golding Property Group CEO Andrew



Acorn Creek, a Multi Spectrum Property development in Somerset West

## OPTIONS FOR FIRST-TIMERS

First-time buyers have plenty of options to choose from under the current market conditions:

- Anyone on the hunt a well-priced unit in a sustainable security complex in Cape Town would do well to look at Fynbos, **Balwin Properties'** lifestyle estate in Big Bay. These modern apartments are fibre-ready and feature solar panels, prepaid electricity meters and built-in kitchen appliances. The development has plenty of lifestyle facilities, including a gym, an outdoor fitness area and a squash court. Prices start at R859,900 for a one-bedroom apartment with one bathroom.

- **Multi Spectrum Property's** Buh-Rein in Cape Town's Northern Suburbs remains an attractive location for buyers who are new to the property market. At Blue Lily Lane, one of the development's latest estates, a two-bedroom apartment with one bathroom, a fitted kitchen with granite tops, a Bosch gas hob and an electric oven and one undercover parking bay is priced from R1.15m. The best part? The purchase price includes all bond registration and transfer costs, saving buyers about R63,000.



Bedfordview Frontier in Johannesburg

## “We have seen a lot more pen to paper and clients who had been on the fence have now committed”

Jessica Hofmeyr, sales, rentals, marketing and operations executive, Century Property Developments

Golding is equally optimistic. Since 1994, the Pam Golding Residential Property Index has shown an acceleration in house price growth in the months after every general election. But this will not happen instantaneously, he cautions. “While it is expected that, in the wake of the favourable elections outcome, the residential property market will rebound, any significant recovery is only likely to materialise in the later stages of the year after the seasonally quiet winter months,” Golding says.

According to analysts, the elections are not the only consideration when talking about the future of the country's property sector. The possibility of a repo rate cut when the Reserve Bank's monetary policy

committee meets later this month is another factor.

### FIRST-TIMERS' MARKET

Looking at growth nodes within the property sector, the FNB June 2019 Property Barometer suggests the current market is favourable to first-time buyers. The data shows this group made up 22.7% of all property purchasers in Q1/2019 – a 17.6% increase compared with Q1/2018.

Craft Homes MD Reinier van Loggerenberg confirms this. “Although the first-time home buyers' market with purchase prices of about R1m has been extremely active for the past two years, I definitely think there has been a more positive sentiment move since the elections,” he says. “It is an investor market. The current climate

really is only beneficial for first-time buyers.”

Magalhaes says this trend is boosted by banks' willingness to afford home loans. “They have opened their wallets to make it easier for aspiring homeowners to get finance. Sure, the National Credit Advisor has strict rules and regulations on affordability, but we find that if your documentation is in order financial institutions are favouring most applications.”

He says Bedfordview Frontier has had a lot of interest from first-timers lately. “Most popular are the two-bedroom units with two bathrooms. Our three-bedroom units, which measure 127m<sup>2</sup>, are popular with mature buyers and those scaling down.”

Golding attests that, despite pressures such as

high inflation and fuel price hikes, first-timers are set to do well this year and boost the demand for smaller sectional title properties. “First-time buyers are a strong potential source of demand for the market. In areas where market price corrections have improved the perceived affordability of a property, time on the market is declining and buyers are showing a willingness to purchase.”

When it comes to location, many entry-level purchasers prefer units in busy nodes. In Gauteng, these include Fourways, Waterfall and Pretoria East. Proximity to work is the biggest factor. “Transport has a big impact on people's finances. The closer they can live to work, the more popular the unit,” says Van Loggerenberg.

Price also dictates the type of property a first-timer buys, and where. “Apartments come in at a better price point. Two-bedroom units with two bathrooms are very popular,” Van Loggerenberg says. “Waterfall Ridge offers great investments. We've sold more than 200 units over the past eight months in that development. Stonefields, which suit families more, is doing well too.”

### RENTING, NOT BUYING

Despite cautious optimism, many South Africans still prefer renting over buying. The PayProp Rental Index for Q1/2019 revealed a quarterly year-on-year rental growth rate of 3.7%. Economic volatility and pressure on incomes are two drivers of this phenomenon.

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Andrew Golding, CEO, Pam Golding Property Group



Waterfall Ridge, a development by Craft Homes, in Midrand

## RENTAL OPPORTUNITIES

As the demand for rentals grows, so does the offering:

- On any given day, **Angor Property Specialists** in Gauteng has more than 150 rental units available on its books, from villas with lavish gardens to convenient lock-up-and-go apartments. Townhouses in secure lifestyle estates such as The Polofields Waterfall between Kyalami and Sandton are popular

too. At The Polofields, a rental of R14,500 a month gets you an ultramodern two-bedroom unit with two full bathrooms, a large open-plan kitchen and a living area that leads onto a covered balcony. The complex comprises a lifestyle, fitness and entertainment centre, indoor and outdoor gyms, a pool, games rooms, a cinema, a restaurant, kids' play areas and a convenience store.

- Besides selling homes, property developers like **Renico Construction** also let properties. Its recently completed Kingswood residential complex just off Beyers Naudé Drive in Randpark Ridge offers various options suiting any rental budget. The two-bedroom apartments here, each with two bathrooms and a massive kitchen with space for four appliances, start from R7,200 a month.

“Reluctant buyers holding off purchasing a property ultimately need to live somewhere and we'll likely see an increasing demand for rentals, which will push up prices and lead to a further rental market recovery in 2019,” says PayProp head of data and analytics Johette Smuts.

Hofmeyr, too, has noticed this trend. “Many of our clients have decided rather to remain liquid in the current economic climate,” she says.

Renting can also make sense for people seeking the perks of a luxury lifestyle. Hofmeyr says their villa

units in Waterfall Country Estate, selling for R8m, are a case in point. “This would equate bond repayments of R80,000 a month, plus levies, rates and taxes. If you rented it, you'd pay R38,000 a month on average. This includes levies, rates, taxes and all maintenance costs. It really is a no-brainer. One can have a luxury lifestyle at half the price when renting.”

The residential rental market is as robust in Cape Town as in Johannesburg, if not more. The PayProp index shows the Western Cape achieved the highest average rental last year. At R9,124 it is

18% higher than the national average and R1,000 (12%) more than that of Gauteng.

Dexter Leite, Pam Golding Properties rentals manager for the Cape Town metro, confirms the healthy rental market in the Mother City. “The Atlantic Seaboard and City Bowl have had to deal with an influx of investors entering the Airbnb market in recent years,” he says.

“Many of them found their way onto the long-term rental market as these ‘short-term’ investment properties have not had the desired short-term uptake.”

## BUY TO LET

With such a demand for rentals, it may be a good idea to buy to let, especially if you strike a good deal. Studying the market well beforehand is a must, says Golding. A general view of the entire market is often not necessarily advisable or accurate because various provinces, regions, cities and sectors perform differently. “For example, there is a shortage of accommodation for students and retirement developments in different parts of the country,” he says. “As a result, activity is likely to be brisk in these market sectors despite the subdued conditions in the broader national housing market.”

Hofmeyr agrees. “You need to look at the demand requirements. The apartment market at the moment is flooded in many parts of the country. I would not suggest purchase an apartment but a cluster or a vacant stand within an estate,” she says. “Estate facilities are becoming more and more important, as are security requirements.”



Industry players report an upturn in the rental market in Cape Town's City Bowl