

Western Cape property market offers window of opportunity



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Rather than being a cause for alarm, the current period of price correction which has seen a softening of houses prices in the Western Cape, should be seen as a “window of opportunity”.

“Over and above this, we are also seeing an increase in top-end sales over R20 million, which demonstrates increased confidence in the local residential property market,” says Basil Moraitis, Pam Golding Properties area manager for the Atlantic Seaboard

Particularly on the Atlantic Seaboard, which for almost five years had enjoyed double-digit growth, the recent deflation of house prices is not only expected, but also welcomed as it opens up this desirable market to more buyers, says Basil Moraitis, Pam Golding Properties area manager for the Atlantic Seaboard and City Bowl. “Sustained house price growth set the Atlantic Seaboard apart from the rest of the country in terms of performance. But now, we are seeing this market recoupling with the rest of the country, in line with affordability, which creates ample opportunity for the savvy investor.”

The Western Cape has, despite the price correction experienced in many sub-regions, remained South Africa’s top performing market,” says Moraitis. During the year to date, Western Cape house prices have increased by an annual 6.75%, compared with the national house price inflation of 3.76%, according to Lightstone property data. While at a national level, growth in house prices has been slower than the prevailing inflation rate (i.e. real prices have been falling), house prices in the Western Cape have continued to exceed the inflation rate since late-2013 – registering continued positive growth in real prices. The Mother City has also been the top performing major metro housing market for the past five years.

“Over and above this, we are also seeing an increase in top-end sales over R20 million, which demonstrates increased confidence in the local residential property market,” says Moraitis. Atlantic Seaboard sales over the past month, valued at R64 million, have included the R9 million sale of an apartment in Green Point and a six-bedroom home in Camps Bay, for R20 million. What has become apparent during this period of price softening, is that properties priced correctly, will sell. “Recent activity tends to show that buyers are taking advantage of the price correction and using the opportunity to secure sought-after positions on the Atlantic Seaboard.”

In the City Bowl, there are signs of considerable buyer interest, says Riaan Ackermann, Pam Golding Properties agent for the area. “There are buyers and they know what they are looking for. They now have the pick of the best stock.” The same trend is being seen in the Southern Suburbs, also traditionally a top performer in terms of price inflation. “We still have plenty of stock on the market, which if priced correctly, will sell. There is still activity, and sales to be made, across the Southern Suburbs, both in residential and sectional title,” says Lindsay Beck, Pam Golding Properties branch manager for the Southern Suburbs. At the top end of this market, Pam Golding Properties agents have recorded four sales to the value of almost R100 million in Bishopscourt over a two-month period, and five sales in Constantia Upper to the same total value concluded in May.

Bond originator ooba is also of the view that there are strong signs that the market is poised for an upturn. “The volume of pre-approval applications coming through indicates that that buyer activity is picking up,” says Yvonne Viljoen, mortgage specialist at ooba. Of particular interest are homes in the R5 million to R10 million price band. Noteworthy is the considerable buyer interest coming from South Africans living abroad, who are looking to return to their homeland now that the elections are behind us. “Many of these buyers look at property while visiting South Africa on holiday,” says Viljoen. Historically, we have seen that houses prices do tend to rebound after an election. The Pam Golding Residential property Index, since 1994, reflects a consistent acceleration in house price growth in the months after a general election. It’s therefore likely that this will occur again in the next few months, says Viljoen. She adds that the fact that banks are willing to endorse bonds for up to 20 years, attests to their long-term confidence in the market.

While the city as a whole may be experiencing its slowest house price growth since 2009, Cape Town’s property market is not a homogenous entity, and the price normalisation is also allowing new sub-regional markets to shine. According to FNB, the more affordable suburbs are performing well above the city’s average and price growth remains in the double digits. Also still showing positive house price growth are areas such as Bellville, Blouberg and Milnerton on the Western Seaboard and Durbanville in the Northern Suburbs, as well as the South Peninsula. Another positive is that first-time buyers are returning to Cape Town, as price correction has made segments of the market more accessible. In the first three months of the year, the percentage of new buyers in the province increased from 7.5% to 16%, according to FNB Property Barometer (May 2019).

Moraitis adds that Cape Town’s property market is seasonal, and that sales activity traditionally shows improvement as the months get warmer. This too bodes well for the latter part of 2019, as the change in season combined with the relative socio-economic stability that prevails post-election, should result in a change in sentiment that will filter through to the property market as well.

Furthermore, the drought is now seemingly behind us, and we anticipate an increase in momentum among those semigrating to the Cape from other regions. “We remain confident that the exceptional lifestyle offering and captivating locational views will always remain compelling and justify a premium,” says Moraitis. Franschhoek, Paarl, Stellenbosch and Somerset West remain popular residential markets for many semigrational buyers, drawn to the idyllic lifestyle and quality of life associated with these areas.

