

Coastal premium returns to SA property market

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A coastal premium re-emerged in October 2013 and continues into 2015. This is the 1st time coastal properties have outperformed price growth in non-coastal areas since the 2004 property boom.

"Despite a glut of leisure properties on the market and the still conservative attitude of financial institutions towards mortgages for secondary properties, local coastal properties appear to be attracting the attention of cash-flush buyers once more. Renewed interest in second homes among the world's high net worth individuals, who consider real estate a "safe storage of wealth", is further supporting the return of the coastal premium in South Africa's traditional leisure property suburbs."

Coastal property premium was last seen in S.A during the 2004 property boom

Some of South Africa's most luxurious properties are found in the country's coastal areas, as buyers are often willing to pay a significant premium for properties within walking distance of the beach. A 2013 [Lightstone study](#) of the average of property values within the coastal region (properties located within 500 metres of the beach) revealed that the coastal property premium varies significantly between different provinces and even between different holiday towns within a particular province.

The study concluded that coastal property prices are significantly influenced by the combination of the specific town and the distance of a property from the beach. The price impact gradually diminishes as the distance from the beach increases, until a distance of about 600 to 800 metres is reached. It is generally at this point that buyers can expect that properties will no longer command a coastal premium.

The last time that house price inflation in coastal properties outperformed price growth in non-coastal areas was during the 2004 residential property boom. The current premium, which emerged in October 2013 and continued into early-2015 (latest available data), remains relatively small. The premium averaged just 1.2% last year, compared to a 14% premium recorded in 2004.

In line with the recovery in Lightstone's Coastal Index, FNB's Holiday Towns House Price Index similarly registered a modest rebound in 2014 and early-2015. However, an ongoing glut of leisure properties in the market, particularly in coastal areas, is currently capping the strength of any rebound in prices. Furthermore, the still conservative attitude of financial institutions towards mortgages for secondary properties is also limiting the recovery in prices in this market.

Despite these pressures, the market is starting to attract the attention of cash-flush buyers once more – particularly in the traditional leisure property suburbs like the Western Cape's Atlantic Seaboard and Garden Route and KwaZulu Natal's north coast. The local leisure market is also benefiting from renewed interest in second-homes among the world's high net worth individuals, who consider real estate a "safe storage of wealth". A recent report on trends in the luxury property market confirmed that second-home resort markets led the healthy growth rate in the global luxury real estate sector last year.

