

Young buyers fuel sectional title market in Mother City

After having been excluded from the property market by rising prices in recent years, the record-year low interest rates and the current granting of 100% bonds to first-time buyers has swayed more young people to opt for owning rather than renting.



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This is according to Dave Burger, sectional title specialist for Lew Geffen Sotheby's International Realty in the Southern Suburbs, who says that, "Young buyers have added considerable strength to the residential property market, particularly in the R700,000 to R2m price band which offers investors considerable options in the sectional title sector."

"Last year we saw apartment prices in most suburbs in our area increase, albeit it marginally, whilst house prices dipped in many areas during the same period.

"For instance, in popular Rondebosch and Mowbray, the Lightstone data reveals that sectional title median prices rose from R1.65m and R1.1m in 2019 to R1.7m and R1.19m respectively and the median house prices slipped from R4.7m and R2.9m in 2019 to R4.3m and R2.86m respectively.

And the median apartment price in Wynberg breached the million rand mark when it increased from R970,000 to R1.025m

last year.

A number of suburbs also saw an increase in sectional title sales volumes in 2020, despite the lockdown period, including Rondebosch where 141 apartments changed hands compared to 128 in 2019 and Kenilworth which saw apartment sales rise from 109 to 122.

According to Burger, the most popular units are two-bedroom flats priced below R2m and one-bed apartments priced up to around R1.5m in blocks which offer 24-hour security and undercover or secure parking.

Uptick in the academic belt

He adds that the academic belt is once again attracting considerable buyer interest, not only because learning institutions are once again open, but also in anticipation of UCT's proposed plan for opening more faculties on campus this year.

"With all the remote learning put in place in 2020, there was a massive drop-off in year-on-year activity and many upcountry students returned to their home provinces once inter-provincial travel was allowed, so landlords were forced to offer reductions in rentals in many instances.

"However, during the past two or three months there has been a notable uptick in enquiries from out-of-towners looking for student accommodation for their children who have a pre-acceptance to study their chosen degrees this year.

"Given the relative expense of living in private dedicated student accommodation, owning an apartment for the duration of a four-year degree and then selling it thereafter makes a lot of financial sense."

In the rental arena, although market activity has remained stable, there has been a notable decline in rental prices, according to Lorraine-Marie Dellbridge, rental manager for the group in the area.

Tenants negotiating lower rentals

"An encouraging number of tenants have wanted to renew their leases in recent months but, as they are very aware of what is happening in the market, many have negotiated lower rentals and, in most instances, landlords have agreed to these requests.

"Owners are generally very cognisant of the fact that stock levels are at an all-time high and tenants are spoilt for choice, so flats need to be in good condition and realistically priced to attract and keep quality tenants."

Dellbridge adds that the most active price band is properties priced between R6,000 and R10,000, with Claremont, Plumstead and Fish Hoek being especially popular suburbs.

Burger notes that there is a similar pattern in most of Cape Town's popular nodes, where apartments make up a considerable percentage of the property landscape.

"Many areas across the peninsula, including the Blouberg region, the Tyger Valley precinct and Muizenberg and surrounds, saw sectional title prices rise by similar margins.

"The notable exceptions are the suburbs in the CBD and along the Atlantic Seaboard which all saw the highest growth in recent years and where the strongest price correction is now occurring."

Vetting of prospective mortgage clients

Burger notes that in order for this perfect storm for young buyers to continue, banks need to continue to facilitate lending to first-time investors, albeit with perhaps more rigorous vetting of prospective mortgage clients.

“Investors are certainly still out there with the more serious buyers waiting specifically for conditions like these when the market is under pressure and they can 'buy low'.

“It must, however, be mentioned that it is by no means a large pool of qualified buyers to which the market can supply an unprecedented amount of available options and this is playing even further into investors' hands at the moment.”

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