

Is Day Zero the beginning of the end for Cape Town property?

 By [Tony Clarke](#)

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Capetonians are bracing for the onset of Day Zero - the day the City turns off the taps and residents will have to collect their 25-litre water ration at one of 200 public distribution points. Should this day arrive, the social and economic impact is predicted to be catastrophic. Could it also be the final straw that breaks the back of Cape Town's particularly buoyant property market?



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So far, we've seen little evidence of the water crisis affecting Cape Town property. Buyers are certainly more water-aware, and looking for homes that offer greater water security, but they haven't been deterred from investing in our city as yet. While the market remains strong for now, it would be naïve to assume things will continue as normal come Day Zero. The situation, however, will not be as dire as many predict.

Semigration to slow

Different areas of the property market will be affected in different ways, largely due to the different effects the crisis will have on the province's various demographics. If we take the middle- to upper-end of the market, for example, I do think sales will start to slow. Semigration – a huge driving factor in this segment over the last few years – is unlikely to continue at the same rate until we resolve our water situation. That means we're not going to have as many affluent Joburgers and Durbanites driving demand for luxury property, and prices could take a slight knock in the short term.

While existing owners are unlikely to be thrilled at that possibility, it could actually have a valuable normalising effect on this end of the market. We've seen double-figure capitalisation in Western Cape property over the last two years, and that kind of growth isn't typically sustainable. Left unchecked, there's a risk that property values would lose touch with their underlying economic fundamentals, and we'd end up in a bubble situation – something we definitely want to avoid.

Higher prices for first-time buyers

Entry-level properties may not see the same normalisation effect as their more expensive counterparts, however. In fact, first-time buyers in the Western Cape may face even higher prices thanks to the water crisis. There are two main factors

that could affect the entry-level property market. The first is the likely influx of people that we're going to see coming to Cape Town to look for work as our outlying rural and agricultural areas take strain. That movement would increase the need for affordable rentals, and could trigger increased demand for entry-level homes from buy-to-let investors.

The second factor is the effect the lack of water will have on construction. Far fewer developments are going to be approved by the municipality, which cuts down on the amount of new stock hitting the market. That could increase demand for existing entry-level units and push up prices. Of course, prices mean very little if no-one is buying property. Do Capetonians really have enough confidence in their city to continue making long-term investments?

South Africans are nothing if not resilient, and I think most Capetonians are very positive about sticking it out and making it through this crisis.

Affordability could be an issue in the short term, and we could see more activity from investors than homeowners in some parts of the market. In general, however, I think the positive political changes that we've seen on the national stage will do a lot to bolster consumer confidence, and if we can get through Day Zero, Cape Town's property market will be just fine.

ABOUT TONY CLARKE

Tony Clarke is the MD of the Rawson Property Group.

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