

Cape property market remains sturdy

The FNB Property Barometer recently confirmed that the Cape property market remains sturdy amidst a turbulent economic environment.



It notes that the Cape showed the fastest average house price growth in the country for the first quarter of this year. The province also continues to show the strongest net inward migration of repeat home buyers from other provinces streaming to the metro to invest in property.

The strong confidence is, according to Samuel Seeff, chairman of the Seeff property group, also reflected in the high prevalence of cash invested in property in key locations across the metro during the first quarter.

A study of sales recorded on Propstats for the top cash-rich locations - the Atlantic Seaboard and City Bowl, Constantiaberg and Southern Suburbs and now also the Hout Bay, False Bay and Blouberg areas - for the six-month period from October to the end of March 2016 shows that overall, as much as two thirds of all transactions have been cash.

The overall value of cash inflows also exceeds that of the same period during the previous year. It also topped the R1bn mark for the three successive months of the first quarter of this year. Comparatively, only one month during the same period last year, topped this value mark, says Seeff.

Overall, up to half of all sales for the period under review were to cash buyers. In top end areas as much as two thirds to almost eighty percent in the case of the Atlantic Seaboard, were cash transactions.

Majority are South African

The data also shows that the majority of cash buyers are South African, not just local Capetonians, but much of the cash is migrating into the metro's property market from other provinces, most notably Gauteng, but even from KwaZulu-Natal.

In all, some R5.777bn in cash was invested in these areas. Just over half, amounting to R3bn-plus, comes from the Atlantic Seaboard and City Bowl areas, representing 79% and 63% of the recorded sales transactions for the respective areas.

Cash sales for the Constantiaberg and Southern Suburbs' areas for the period reviewed amount to R1.782bn, representing almost a two thirds (58%) of all recorded sales.

In Hout Bay, False Bay and Blouberg, cash transactions represent 54%, 58% and 44% of the total value of sales for the respective areas.

Seeff says that although the prevailing economic and political landscape and low business confidence are extremely concerning and top of mind for buyers, the agency is still seeing high levels of confidence in real estate across the Cape metro.

While by no means immune to the economic challenges, the Cape continues to stand out in terms of market confidence for a variety of reasons, the coastal location and sound administration being chief among these.

Confidence levels extending

Against a rapidly deteriorating economic landscape, the safe haven status of areas such as the Atlantic Seaboard, City Bowl and Southern Suburbs is brought to the fore by the significant cash invested over the past six months. We are now also seeing the confidence levels extend to other areas with Hout Bay, False Bay and Blouberg for example now attracting significant cash buyers.

Clifton tops the list with the highest prevalence of cash given that almost all recent transactions were concluded for full cash at prices of up to R70m paid by a local Capetonian buyer for a property in Lower Kloof Road.

Bantry Bay and Fresnaye too have seen almost all recently recorded sales to cash buyers, paying as much as R34m in Kloof Road, Bantry Bay (Gauteng buyer) and just under R40m (Ave Protea) and R48m (Arcadia Road), both in Fresnaye and both sales to local Capetonian buyers.

In the City Bowl area, as much as 63% of all recorded transactions were to cash buyers.

A market with anything between 50% to 80% cash buyers in key locations is most certainly one that is showing resilience. Seeff also adds that the overall mood in the property market in the Cape metro remains positive.

Sellers should be aware that there is still plenty of demand not just in these cash-rich areas, but across the metro and province for that matter.

Buyers are voting with their wallets, he says. Smart buyers and investors have been tracking developments and price growth within the city over the last few years. Having observed key areas such as those under discussion not just holding up well in the post-2007/8 period, but continuing to grow in demand and value, they signal their confidence by continuing to invest hard cash into the areas.

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