

Seven property trends to look out for in 2016

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Increased demand for eco-friendly buildings, retirement property and mixed used developments are some of the trends to look out for this year. But the frailty of the South African economy is a threat to the performance of the local property market.



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1. Increase in densification

As a result of urbanisation, densification of major cities will continue as developers build more on the limited amount of land available so there will be a move towards smaller properties. South Africans are becoming more accepting of this as the norm and are willing to sacrifice space for a more convenient location.

2. Sectional title popularity

Sectional title housing will continue to see the biggest growth. The number of plans passed for sectional title housing in the last 15 years has increased by around 40% which shows the popularity of this type of housing. Buyers will continue to be attracted to this type of ownership due to the lower buying cost, shared maintenance cost, security and facilities.

3. Demand for lifestyle estates

There will be high demand in secure lifestyle estates that embrace liveability, particularly amongst families and older buyer. Buyers will expect things like access to good recreational facilities, amenities and green spaces. Because of high demand these lifestyle estates will see good capital growth.

4. Catering for an ageing population

Due to an ageing population, developers in the US and Europe are increasingly catering to older buyers. South Africa is heading in a similar direction in terms of the population, with an increased demand for retirement villages and properties and more developments of this type will be built.

5. Green is the new gold

Load shedding and the significantly rising costs of electricity combined with water shortages has resulted in greater interest in eco-friendly property. While the commercial property sector was the first to embrace green alternatives, more residential developments like Menlyn Maine are being built with environmental sustainability in mind.

6. Economic factors may affect first time buyers

The threat of interest rate hikes, rising inflation and increased costs relating to property ownership (rates and taxes, electricity) affects first time buyers most and may cause some to delay purchasing property and continue to rent instead. This might create an upside for the buy to let market.

Those first time buyers that do decide to buy may find credit difficult to obtain. While credit is still available, banks are receiving more applications for 100% mortgages because first time buyers are unable to save for a deposit. Buyers with no deposit will find it more difficult to get mortgage approval. With more than half the market comprising first time buyers this would have a significant knock on effect on the market as a whole.

7. Some areas will fare better than others

While the economic headwinds facing the country could have a negative effect on the South African property market, some areas will continue to show above average price growth due to high demand and limited supply.

Mixed use areas that offer a 'live, work, play' lifestyle, like Sandton in Gauteng and Umhlanga in Durban, will continue to attract younger professionals. Wealthy locals and foreigners, who are somewhat cushioned from an economic downturn will continue to invest in upmarket, exclusive areas like the Atlantic Seaboard.

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