

Durban Shows Healthy Capital Gains

The average selling price in the greater Durban area has increased across the board and is showing "extremely healthy capital gains".

Latest sales results show that the number of units sold in many zones were down in the second quarter of 2007 compared to the same time period last year. This drop in units sold is attributed to a series of market-impacting events that started with an upturn in the interest rate in mid-2006. Rising house prices, additional rate increases, the public sector strike of June this year, the implementation of the new credit legislation and fears of an additional rate increase have all visibly affected buyer confidence and affordability, he says.

According to Ross Sibbald of leading Durban property data supplier PropValues, the report which is compiled from data received from PropValues' members shows that only the Berea, Durban CBD/Beachfront, Monclair/Yellowwood Park, Phoenix/Verulam and the Upper Highway residential zones recorded increases in sales volumes for the second quarter of 2007.

PropValues' other zones, which include Ballito, the Bluff, Durban North, Pinetown, Queensburgh, Umhlanga and Westville, although all showing healthy increases in their average selling prices, all experienced reductions of between 7% and 50% in the number of units sold compared with the same period in 2006.

Sibbald says it is obvious that the market has entered a period of respite after its manic performance of the last few years. Rather than seeing the current lag as cause for concern, he anticipates that an upturn in activity is just around the corner.

"I believe that Durban's residential property market is headed for additional growth in the lead-up to the 2010 FIFA World Cup and beyond. On top of this, expatriates returning to South Africa are seeing the value for money to be had in the province's properties and investing accordingly, which is also stimulating growth."

Even though Ballito as a zone had been hardest hit in terms of the number of units sold, its average selling price increased by 30% and was now averaging just over R2m. Sibbald believes its slow sales volumes are largely the result of the damage caused to area by the March tidal waves, which affected not only property but also buyer confidence.

"That said, a property on the Zimbali Estate recently sold for R29,5m and a flat in Chaka's Rock changed hands for R10m," he notes.

The storm damage to Ballito definitely affected the local market, which was already showing rising wariness of further rate increases, says Clive Greene of Pam Golding Properties Ballito. "Interest rate increases always cause buyers to be more prudent and make them think more carefully prior to purchasing."

Describing himself as "cautiously optimistic" however, he foresees the local market regaining its pre-March equilibrium as people realise that property in Ballito and on the Dolphin Coast is still very competitive when compared with other areas. "More than anything else, what is needed to get sales activity and volumes up again is for both buyers and sellers to have realistic price expectations," he stresses.

Sibbald says anecdotal feedback from PropValues' member agencies, many of whom have reported excellent second quarter results, is that the new credit extension legislation is a concern among buyers and has played a role in slowing market activity. They believe, though, that the market will right itself within the next couple of months.

According to Sipke Beyl, managing director of newly re-branded Habitat Real Estate, which has offices in Umhlanga and Berea, July was a record month for his Umhlanga branch. Reporting three sales in excess of R4 million last month, Beyl says all bonds have already been granted. He adds that there is still huge demand in the good areas for lower priced properties, all of which make him extremely upbeat about the future.

"Whilst the NCA has slowed things down a bit and it looks like it will take people a few months to get used to it, it's not going to be too long before it's business as usual in Umhlanga," he says.

In the Upper Highway residential zone, where the ASP has increased by 26% and the average property is now selling for R1,482m. June Andrews of Fay Fenn Real Estate says that the market is about to change.

"The market is slower than usual right now, but I consider this to be the lull before the storm. We have taken on four additional agents in anticipation of a mini property boom and I expect that the market will strengthen steadily from now to 2010," she says.