

Golf Estates In South Africa Taking Off

During the past 10 years golf estate living has taken off in South Africa, and while there is certainly room for growth and further development, the parameters have changed dramatically and there is a great deal more for a potential developer to consider before taking a bold step into the golf estate development environment, says Dr Andrew Golding, CE of the Pam Golding Property group.

"Over the past two to three years, there has been a fundamental shift in the state of the market, which we believe is due to the nature and location of the product available, the status of the potential buyers, and the way in which these two interact.

"The fact that golf estates have become the perceived 'rich man's haven' is as much due to basic economic principals as anything else. To build a golf course of any quality costs in the region of R40m plus and once you've added the cost of the land, club house facilities, spa and other amenities, you have a business scenario not for the faint-hearted, with the only means of reclaiming the investment being through the sale of residential stands.

"When the concept of golf estate living first took off, there was a substantial block of leisure market purchasers, looking for a weekend or holiday property, certainly enough to fuel the market and support broad-based speculative purchases. The process has also always been helped by attractive pricing for early adopters and the requirement for a relatively low deposit on vacant land purchases," says Dr Golding.

He says after 10 years of buoyant sales and 40 established residential golf estates offering more than 2000 properties, the appetite for speculation has diminished significantly, with developers having to ensure that their offering is sufficiently attractive for a buyer to make a considered and long-term investment choice.

In order for speculators to have a place in the market, there has to be a secondary wave of buyers coming in to the market. With dramatic increases in the cost of land for development during the property boom, as well as the concurrent increases in costs associated with building, the size of the second home market for golf estate developers has shown a natural decline, particularly in the realm of leisure or second homes.

"The most notable and understandable exception to this trend is those estates located within comfortable commuting distance of a major business centre, which may have begun on a drawing board as leisure properties but which have become viable primary residential options. As urban boundaries continue to spread, so the viability of residential estates within reach of those boundaries improves. What is also likely to contribute to the future success of golf estate living is the virtual office scenario employed by so many entrepreneurs and small to medium business owners, whereby this sector can be based anywhere and enjoy a lifestyle perhaps originally intended only for the leisure consumer.

"This trend leads to an interesting debate around the importance of golf as a primary marketing tool for a residential estate. While one may assume that the primary target market for golf-related property would be active golfers, however, with little more than 125 000 registered golfers in South Africa – across all ages, income groups and geographical locations – the local target market is small. As a result it's interesting how developers have fine-tuned their product offering and marketing campaigns to be broadly inclusive. Given that a large proportion of property purchasers on golf estates are not golfers, and that the golfers who were interested in buying golf-related property have already done so – the onus has been placed on developers to add to the overall offering, playing down the significance of the golf course and its high profile designer, and highlighting the range of activities and amenities available."

Wellness, equestrianism, fishing, walking and other sporting pursuits are all themes used to differentiate the product offering from one estate to another, providing a broad choice regarding a golf estate purchase, whether for residential, leisure or investment purposes.

Dr Golding says as business continues to decentralise and offer opportunities for remote management, schooling could well prove to be the next defining attribute for future estate developments, as families look to take advantage of a less urban, traffic free lifestyle, without sacrificing the benefits of big city education.

"Ongoing research over the past decade has proved to us conclusively that there are two principle reasons for investment in real estate around a golf course – security and community. Ironically it can be argued that these very elements are what appear to make gated communities aloof and out of touch with the greater South Africa, but there is no doubting their effectiveness as the core benefits for occupants. It is extremely rare to find a purchase made on the benefits offered by the golfing facilities, although this would be a differentiating factor when making a final purchase decision between two or more estate offerings. It is also not difficult to perceive the benefits of an environment in which children are able to play and ride their bicycles with relative freedom, where the need for high walls around individual homes is negated and in which there is a sense of open space and freedom – and simultaneously, security.

"Clearly one of the key factors integral to the success of a golf estate development is location. If the development is for primary residential purposes, its commuting distance from a major business centre, proximity to schools and shopping facilities are obviously important factors, while a more leisure focused estate would need access to a variety of leisure amenities, not necessarily on but located close to the estate itself. Estates that are arguably positioned for the best possible success are those that offer a solution both to the primary residential and leisure market. The Garden Route is one such location, with George airport providing a regular and reliable link to most major South African centres, a variety of water sports, golf courses and other recreational facilities, yet with good standards of educational facility and business infrastructure. For this reason we still predict significant growth potential for estates in this particular region. As mentioned, it's important not to rely too heavily on the golf course, but rather focus on a more holistic offering eg equestrianism, angling and other sporting activities along with access to natural recreational amenities such as beaches, hiking trails and mountain biking – with the emphasis on outdoor pursuits," says Dr Golding.

He adds that the influx of non-golfers into residential golf estates also presents an opportunity for developers to create outside membership models to boost revenues and in some cases, make golf more accessible to the public at large. Other strategic considerations facing the developer include the phasing of sales to achieve maximum return and whether to offer vacant stands or finished residential product.

From a tourism perspective, South Africa has the quality of venue, infrastructure and experience to make golf tourism a far greater contributor to its economy as a desirable golf tourism destination.