

## Residential market still a strong bet

Real estate agents are expecting the residential property market to deliver a solid performance next year. Although the heady days of late 2004 — when property price growth peaked at more than 35% year on year — will not be repeated, estate agents are upbeat about property prospects.

Seeff Properties chairman Samuel Seeff thinks the market will have another good year “across the residential market”.

But Seeff says the middle market, where units are priced between R1m and R3,5m, and which is dependent on buyers obtaining bonds to finance purchases, may have less growth than the top end because of the rising interest environment.

He says the top end of the residential market, where properties are priced above R5m, will continue experiencing the same pace of growth next year as it did this year.

The growth in this segment of the market was between 10% and 12% this year.

“The reason is that our economy is strong and I think a lot of elements of accelerated spending for the 2010 Soccer World Cup and beyond will start coming into the economy and people will be able to take advantage of the benefits.”

As a result, people will be making money and some of it will be invested in property, says Seeff.

He is expecting a good performance from the major metropolitan areas such as Cape Town, Johannesburg and Durban, as well as Port Elizabeth.

In Johannesburg, Randburg could be a good bet for property opportunities. “I think there is a good mix of entry-level opportunities and existing residential stock (in Randburg). I don’t think prices in areas like Randburg have grown beyond the reach of the general buying public.”

Cape Town’s City Bowl and city periphery areas should also offer opportunities as commuting problems increase in the Cape Town area.

Seeff says there has been consistently good growth in the City Bowl and city periphery areas.

“Of course, if you have a spare R10m–R12m then Clifton is always a good bet,” he quipped.

Lew Geffen, chairman of Sotheby’s International Realty in SA, says no one expects more than 8%–12% price growth from the residential sector next year.

“There are, however, areas that are underpriced in terms of the general market. For instance, I think Dainfern at the moment is underpriced.”

In Dainfern, buyers can pick up properties priced between “late R2m and R5m” that offer better value than anywhere else in Johannesburg.

Geffen says the reason for the underpricing in Dainfern is commuting problems. “There is a lot of congestion in general in the far north Sandton area.” He says this puts off buyers.

“When you have a show day in Dainfern it doesn’t attract many buyers. If they solve the congestion problems, I think that area will fly.”

Sotheby’s says Cape Town’s Tamboerskloof and the City Bowl area offer opportunities for buyers.

“It is a very charming cafe– society type of area like Parkhurst and Melville in Johannesburg.”

Properties in Tamboerskloof also have good views.

“Up until now everyone has chased the Atlantic seaboard and that’s now too expensive. This has resulted in areas like Muizenberg also coming into demand.”

Along the Atlantic seaboard prices range between R35000/m<sup>2</sup> and R40000/m<sup>2</sup>

The prices in Tamboerskloof and the City Bowl are half the price of the Atlantic seaboard.

Geffen says Clifton always retains its value but warns that it is “hard to get in” at Clifton.

“If one wants to make a property investment you should look at areas other than Clifton.”

He says Durban has “experienced tremendous growth as a whole” over the past three years and that areas such as Umhlanga Rocks and La Lucia have grown tremendously.

“I still think growth has not quite finished in KwaZulu–Natal like it has in other provinces. If we are looking at 8%–12% growth for the country, we are probably looking at 15%–20% for KwaZulu–Natal.”

Herschel Jawitz, CE of Jawitz Properties, says the performance of the residential market next year will be “very interest rate dependent”.

“I think if interest rates stay at current levels, the market will continue to be firm, especially in the lower to middle and middle–upper end of the market.”

Jawitz defines the lower market as containing units priced up to R500000, while the middle market is priced between R500000 and R1,5m.

He says the upper–middle end refers to properties priced up to R2,5m.

“Even if interest rates increase marginally, the market should remain firm in terms of both demand and price growth. I think the luxury end of the market will continue its current trend of marginal price growth,” he says.

The luxury market refers to properties priced from R3m upwards.

“I think unit sales will continue to be relatively flat next year in terms of number of unit sales, and the number of newly built units coming on to the market will continue to slow.

“Overall, the market will be healthy,” says Jawitz.