

## SA's residential property market is healthy, says Golding

The South African residential property market is at last showing signs of a healthy recovery, having slowly but steadily recuperated from the recession of 2008. Increasing sales volumes, rising values and growing demand underline the recovery to more normal trading conditions, said Dr Andrew Golding, CE of the Pam Golding Property group.



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Dr Golding said that this promising situation signals just how dynamic the residential property sector is - constantly on the move with buyers and sellers entering into transactions for a wide variety of conventional reasons, such as relocation for work or lifestyle, first-time ownership, downscaling or upscaling, acquiring a sound investment, or simply putting down roots.

"Factors illustrating the market recovery include a resurgence of investors, partly due to high demand for rental accommodation; sustained growth in middle-income sales, particularly among the emerging black middle class; a desire for homes in locations that offer better security and access to work and schools; the re-emergence of the new developments market, mainly in major centres and growth nodes, coupled with demand for sectional title homes; the continued strong performance of the top end of the market; and the re-emergence of the ultra prime sales market to both local and international buyers."

### Perceived limited access to mortgage bonds

Dr Golding said that factors potentially hampering further market recovery are led by continued perceived limited access to mortgage bonds, fewer homes coming onto the market, affordability and a relative see-sawing of consumer sentiment.

"The recent half-percent increase in interest rates was a surprise in that it occurred earlier than expected, but appears to have been priced in by the market as an upward trend in interest rates during the course of this calendar year (2014) had been predicted by many commentators for some time.

"In the interim, the residential property market continues to improve. Values appear to be outpacing volumes, which is encouraging, as sales volumes at present are being curtailed by a shortage of stock, or by slowing demand. This is a strong signal to the market although, ironically, it is a frustration for buyers," he said.

Bank analysts, while their databases are confined to their portion of the mortgage market, also report nominal growth in values averaging between 5% and 8%. Lightstone, the country's leading property market analysts, reported 6.9% growth in sales transactions in December 2013 over the previous year and a 21% growth in total sales values.

"Against this backdrop, and for the financial year from March 2013 to February 2014, Pam Golding Properties (PGP) achieved sales turnover of R14.8 billion, which represents an increase of 21% over the previous financial year, while sales volumes (by units) reflected a 13% improvement. PGP's sales turnover of R1.72 billion for the month of February 2014 is its highest monthly sales turnover achieved since May 2007," said Dr Golding.

At the top end of the market, over the 12 months to February 2014, PGP concluded numerous sales in excess of R20 million from various areas around the country. In the Cape, successful sales on Cape Town's Atlantic seaboard ranged from R20 million up to R100.5 million and up to R26 million in Cape Town's southern suburbs. In the Cape Winelands region, several

commercial farms in the Elgin/Grabouw area sold for over R20 million. Lifestyle farms in Franschhoek changed hands for to R27 million and a home on the De Zalze Golf Estate near Stellenbosch fetched R21.555 million - the highest price yet achieved for a property on the estate. Numerous properties sold in Gauteng in excess of R20 million.

## **Attention-grabbing activity**

Activity in the various price bands, nationally, is attention grabbing. In the financial year ended February 2014, the price bands that have reflected the highest growth in sales turnover from a PGP perspective are as follows: in the price range from R10 to R20 million we have seen growth of 51.6%; from R20 million upwards we have seen an increase in sales turnover of 47%; from R4 million to R5 million growth of 39.6%, from R2 million to R3 million growth of 18.5% and in the price band from R5 million to R10 million growth of 17.5%. In the price band from R1million to R2 million we have seen an increase of 14.2% and from R3 million to R4 million, growth of 13.7%.

Said Dr Golding: "International buyers continue to demonstrate their confidence in the South African residential property market with purchasers over the financial year broadly spread from a variety of over 40 countries. Buyers from the UK still comprise the biggest single country of origin and Southern European countries are well represented. Recent trends have seen an increase in Chinese, Indian and Russian buyers, while buyers from African countries continue to rise to prominence and now comprise some 20% of foreign investment in residential property.

"South Africa's attraction for international property buyers is hardly surprising given that prime real estate here offers the 'best of the best' in terms of perceived value globally, and therefore represents a compelling proposition. For example, a prime, a luxury apartment in top-end London, in an area such as Knightsbridge, would routinely set you back the equivalent of over R500,000 to R750,000 per square metre, while a luxurious high-end apartment or home in Clifton would be in the region of R50,000 to R75,000 per square metre."

He said that although the past year has seen an increase in foreign interest in South African properties, the overall impact of foreign ownership on the number of property sales concluded in the market in total remains very small, at probably less than 1% by units, and tends to be focused either on key lifestyle nodes and also staff of international companies operating in South Africa.

## **Exceptional sales to offshore buyers**

The Pam Golding Property group's International and Projects Division continues to achieve exceptional sales to offshore buyers in the Indian Ocean Islands of Seychelles and Mauritius, with a combined total of approximately R825 million in sales for the past financial year concluded on Eden Island, Seychelles and in various prime located developments in Mauritius. The recently launched Golden Visa Programme in Portugal, which provides an opportunity for foreign buyers of property from an entry level of €500 000 - to acquire residency status is proving of major appeal for South Africans, as is a similar programme in Spain.

Concluded Dr Golding: "We are now well into what promises to be a very busy new financial year, underscored by an act first quarter, during which all our regions have performed well ahead of expectations. We have consolidated and increased market penetration and have highlighted several strategic areas in South Africa that have significant potential for growth. PGP's plans for strategic growth include further inroads into Africa and, in this regard, have pinpointed Nigeria - the continent's new economic leader - as well as Ghana and Angola as key areas.