

# Residential property: 'Spec' investors giving way to owner-occupiers

By [Rowan Alexander](#)

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The current property market is displaying interesting new trends. One of the most welcome is that although the lower prices and even lower interest rates have created a real buyers' market, quick in-and-out buyers are no longer nearly as evident as they were 12 to 24 months ago. In fact, it is very often these speculators who are now having to offload and thereby adding to lower prices.



Typically, a spec buyer would move in on a new development showing all the signs of being successful, pay a fairly small initial deposit and buy with the expectation to sell the plot at a significant profit within 12 to 18 months or less of taking transfer. By this time, progress on the development is there for all to see and its popularity more obvious to the general public.

Spec buying of this kind has seldom been good for developments because it tended to delay progress. The spec buyer, possibly unable or reluctant to pay for building on a property, might have held back on this extra outlay as long as possible before authorising it. This could lead to the perception of the development being slow selling and not as good as it was expected to be. When finally building, spec buyers would often not take trouble caring for the plot surroundings.

## Low interest rates motivating owner-occupier buyers

Under the current economic conditions, under-resourced spec buyers are finding it far more difficult to operate and most are no longer active. Fortunately, their place is being taken in the majority of the Cape Town Northern Suburbs by owner-occupier buyers, who now, for the first time in many years, have low interest rates available to them and can realise long-held dreams of owning their own homes. Such buyers are exactly what new developments need. From the outset, they put their hearts and souls into the development and work hard to beautify not only the gardens and the ancillary areas of their own homes, but also those of their estates. In one case, a new buyer took it upon himself to improve an adjacent park and was so successful that he soon had enthusiastic fellow residents joining him in what is still an entirely voluntary and unpaid effort.

Owner occupiers almost always cause the value of their homes and the estates in which they are sited to rise rapidly. Although Alexander Swart is a strong proponent of buy-to-let investing, we are aware of projects (especially those with freestanding homes in landscaped estates) in which the proportion of tenants is too high. Tenants seldom have the same motivation to improve their environment. For the same reasons, one does not want to have too many spec investors. Fortunately, this type of investment is temporarily quiet.

The exceptionally low property market interest rates make it great for buyers right now. Those who fail to make the most of the present highly favourable buying conditions will in time find that they have missed out badly.

## ABOUT THE AUTHOR

Rowan Alexander, director of Cape Town Northern Suburbs estate agency Alexander Swart Property

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