

Sectional title property performance indicates buyer priorities

By  Bill Rawson

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Since 2012, sectional title complexes have been leading the South African property market, not only in terms of price growth, but sales volumes as well. Remaining relatively strong, even in the face of 2017's political and economic turmoil, experts say this market segment could offer valuable insight into South Africans' property purchase priorities.



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People often attribute the popularity of sectional title complexes to the simple densification of urban and suburban spaces, and the subsequent availability of this type of accommodation. While this is definitely a part of it, I think the biggest driving forces are actually a little more complex, and are more closely related to the evolution of modern buyers' priorities.

One of the most obvious of these priorities, thanks to the South African economy, is affordability.

Sectional title properties are, on average, less expensive than full title homes, but more importantly, they are also quite a bit less expensive to maintain.

Maintenance and updates

Maintenance, while vital for the protection of a property's value, is becoming more and more difficult for homeowners as inflation eats into disposable income. Sectional title developments have the benefit of being able to leverage economies of scale to reduce these costs significantly, and can also reduce the incidence of expensive emergency repairs through frequent preventative maintenance and updates.

It is worth noting, however, that this maintenance still comes at a price, and under the new Sectional Titles Schemes Management Act, that price may be increasing.

Under the new STSMA, complexes have to hold a reserve fund of around 25% of their annual levies for future maintenance and repairs. That is going to take some adjustment to their financial structures to achieve, and, together with the new fee financing the Ombud's Offices, will likely increase ownership costs to a small degree.

For most homeowners, the time saved on maintenance and management headaches is well worth the levies paid for the privilege. In fact, the convenience of sectional title property ownership is another, strong driving force behind its popularity.

Where work and play coexist

People lead busy lives these days, and between work, play and family, few of us have the time or energy to manage big homes and gardens. This makes lock-up-and go properties very attractive, particularly when they come with communal gardens and public areas that can be enjoyed with virtually no time-investment or personal effort required.

While this convenience does come at the cost of the space and privacy of freehold properties, these factors are taking a backseat in modern lifestyles.

More and more, people are wanting to be where the action is. They want to be part of the buzz, in a hub, where work and play coexist, and that kind of environment lends itself to high-density living.

One thing modern buyers are unwilling to compromise on, however, is security, and this is another area in which sectional title living excels.

Comprehensive access control and 24-hour security is typically unfeasible for standalone properties, but becomes a lot more viable for sectional title developments with shared entrances and exits. Having residents coming and going at various times of day also means more eyes and ears picking up on anything out of the ordinary, and adds to the safety of the complex as a whole.

Better rental returns

While these factors all make for an attractive purchase, they also make sectional title properties very popular rental choices.

Apartments and townhouses almost always provide better rental returns than freehold properties, both for long-term leases, and short-term lets using platforms like AirBnb. They've also shown stronger price inflation than any other property market segment, making them an excellent investment on all fronts.

This may, in fact, be the most important factor in sectional title's current popularity.

There's no doubt that the general public is feeling increasingly pessimistic about our country's future and that of the property market. In this kind of climate, it's not surprising that buyers are leaning towards safer investments. That means keeping costs down, minimising risk and maximising potential returns – something the sectional title sector does exceptionally well..

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