

Knight Frank predicts green shoots of recovery for Cape following water crisis

According to Knight Frank CEO (Residential) Richard Hardie, whilst the Cape's water crisis has certainly impacted the region's economy and negatively affected property market sentiments, fourth quarter predictions for 2018 into the first quarter of 2019 are set to see the first green shoots of recovery.



Image supplied by Knight Frank

While there may be a delay in recovery, dependent on the total precipitation figures for winter, the industry has made the necessary adjustments in handling the consequences of the crisis, he says: "The effect of the region's drought conditions must not be disregarded. The water crisis has had a much bigger impact on the market than the man-on-the-street realises, especially with regards to the 'semigration' we've seen in the past from the Johannesburg investment market and the outcomes resulting from international press coverage.

"Despite this delayed effect, which will be seen over the next six months, I believe we may see some green shoots in recovery towards the end of the fourth quarter, especially if it continues to rain through winter. Cape Town's property market has over the last five years consistently outperformed the rest of the country and with dam levels rising significantly, the pressure has eased the region off of its 'crisis' mindset."



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Buoyant measures

With current dam levels showing a combined figure of 53.3% in comparison to the end of winter dam levels at 38% at this time last year, deputy executive mayor of the City of Cape Town Ian Neilson has confirmed healthy rainfalls are seeing dam levels rising "consistently and significantly".

With two desalination plants already in operation at Strandfontein and the V&A Waterfront – contributing 7-million litres per day and 2-million litres per day respectively - the costs of desalination remain high however, and property owners are still required to adhere to current level 6b water restrictions which came into effect on 1 February 2018, requiring a total of 50 litres of water usage per person per day. The city is yet to meet its target of total usage of 450-million litres of water per day; currently, the city's consumption sits at 510-million litres of water per day.

Prospective owners will also have to remain alert to the proposed tariff increase from 1 July which will add a fixed charge onto water consumption tariffs (according to the size of the household's water connection) which goes towards the maintenance of the water distribution system. However, should restrictions be further relaxed, there remains a chance that tariffs could be reduced in the coming months.



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Greener living

With significant adjustments being made by both the city and the consumer at grassroots, a positive outcome to the drought has been the development of 'greener' homes as South Africans expand their knowledge base as to the value and sustainability of water as a resource, one that should bring the nation into a parallel mindset with that of foreign buyers who see recycling as simply part of today's modern lifestyle.

Commenting across the property development industry, FNB property strategist John Loos has revealed that responsible property developers are implementing waterwise features such as grey water recycling, rainwater harvesting, and means to desalinate ground water in homes when obliged to pump, together with less emphasis on the building of swimming pools within new developments.

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