

# Welcome recovery in the traditional value of freehold residential property

By [Tony Clarke](#)

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A very welcome recovery in the "traditional" value of freehold residential property (especially in comparison to sectional title property) is now underway. This trend has been identified nationally by John Loos and Theo Swanepoel, property economists with FNB and compilers of the FNB Property Barometer - the figures of which are always so informative.

They say, in their third-quarter residential property review, that a big upsurge in first-time and buy-to-let buyers in the boom years prior to 2008, led to sectional title units being priced far higher than freehold homes on a room or square metre basis. However, since 2010, the price of sectional title units has not increased at the same rate as those of freehold properties. The FNB review indicates that sectional title units, with only 4% nominal/cash growth, are currently still experiencing negative growth, while the freehold sector, with 6,7% year-on-year growth, is, in fact, now seeing some growth in real terms.

What does this mean for buyers and house sellers and how should it affect their decision making?

The analysts say that they expect the gap between the two segments to be further reduced in favour of freehold properties.

## Affordability won't last much longer

Quoting examples to emphasize the very significant changes now taking place, FNB says that in the second quarter of 2009 the average three-bedroom sectional title home sold for R128 222 more than the average three-bedroom full title home. In percentage terms it was 16.5% higher. By the third quarter of 2012, the gap was an insignificant R6096, which equates to 0.6%. Similarly, if one looks at the gap between the average full and sectional title homes, it had grown by the third quarter of 2012 from 9.4% in 2006 to 32.4% in 2012.

This data supports what many of our franchisees have said in the area reviews that we publish from time to time. They have repeatedly warned that the affordability (the bargain prices of recent years) will not last that much longer for freehold units. I have said the same, recently pointing out that the significant drops in bank repossessed properties will make all homes, but particularly freehold properties, more scarce and, therefore, more expensive.

The message that we have all been putting out, that the current time is a good period to buy, has now been reinforced - even though the recovery in both freehold and sectional title properties is unlikely to be spectacular for two to three years - the fact that freehold is now appreciating at 6.7% is noteworthy, especially as this growth rate could show a slow but steady increase from now on.

## ABOUT THE AUTHOR

Tony Clarke is the MD of the Rawson Property Group.

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