

Sectional title is hot property for first-time buyers in Cape Town

It's no secret that property prices have soared in Cape Town in recent years but there are still excellent investments to be made, especially in the sectional title sector, with 40% of purchases being first-time buyers looking to get a foot on the ladder of a buoyant property market.



Source: Supplied.

“The Southern Suburbs region is one of the most sought after as it offers many compelling drawcards, including proximity to good schools and the university, a vibrant commercial component and excellent lifestyle and this has seen house prices increase exponentially,” says Brent Townes, sectional-title team leader for Lew Geffen Sotheby’s International Realty in the Southern Suburbs.

“However, for those looking for more accessible pricing or lock-up-and-go convenience, there’s a multitude of sectional-title options, especially in Observatory, Salt River, Claremont (Upper and Lower), Wynberg and Wynberg Upper, Rondebosch and Plumstead, with prices averaging R2,250,000, although sectional-title prices in this area range between R800,000 and R1.3m.

“Thanks to rampant development in recent years which has seen the number of sectional-title properties soar coupled with rising freehold prices and lifestyle choices, more than 50% of the properties sold are now sectional title with options to suit all budgets and lifestyle needs.”

He adds that there is also strong demand from investment buyers, who either buy for their children attending university, for third-party tenants (rental sector), and also for the purposes of having a diversified investment outside of their current metro where they reside.

“Vacancy rates have for the past three years been below 1% in our managed residential property portfolio so there is no shortage of quality tenants, thus supporting the return on investment (ROI).”

According to Townes, many buyers have specific wish lists when it comes to sectional-title property, with the most common being: Secure parking, above ground floor, two-bedroom units and amenities like private pools which all signal that buyers value comfort, security and lifestyle perks. A strong trend is pet-friendly

schemes – usually a cat and a small dog – subject to Body Corporate approval.

Hidden home costs

While many buyers enter the market with optimism, understanding the full cost of homeownership and purchasing a sectional-title home is essential. “While the purchase price is certainly the largest expense, additional costs can quickly add up and they aren’t always factored in when buyers set their budgets,” says Townes.

Using the average apartment price of R2,250,000, Townes lists the following as costs, some of which are often overlooked, and which can cause significant financial strain if not budgeted for:

Bond costs: R52,603

Transfer costs: R97,634

Moving costs: Variable (R10,000+ estimated)

Deposit for utilities: Variable (R2,000+)

Fibre/Wi-Fi installation: R1,500 – R5,000 (plus monthly costs)

Homeowners insurance: R500 – R2,500 per month

School registration and uniforms: R5,000+

“This means that beyond the purchase price, buyers should budget for at least R200,000 – R250,000 in additional upfront costs.” And another cost that is often not given enough consideration is the monthly levy that all sectional-title owners pay to the Body Corporate which covers the management of the complex and includes factors like maintenance and security.

Levies can vary significantly, depending on what facilities are offered and will usually be much higher if there are amenities such as pools and gyms or if security includes manned entrances.

“Townes says that with interest rates expected to decline by 0.25% at the next Monetary Policy Committee (MPC) meeting, bond repayments may become slightly more affordable, however, buyers should still ensure their financial readiness before committing.

He offers the following key takeaways for buyers:

- Do your homework and ensure that your budget includes all the property-purchase extras such as bond registration, transfer costs, moving expenses, and set-up fees.
- Understand your affordability – even a minor interest-rate reduction won’t significantly impact affordability in the short term.
- Leverage City infrastructure investments – improved infrastructure in certain areas may boost property values over time.
- Plan for long-term expenses – monthly levies, insurance, and maintenance costs will continue beyond the initial purchase – check their annual escalation rates in the past and project into the future.

“Buying a sectional-title property in Cape Town is an attractive and potentially lucrative investment, but careful financial planning is essential. By fully understanding all associated costs and what each area offers, buyers can confidently take the next step toward homeownership in this vibrant city,” concludes Townes.

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