

Cape Town dethroned as Lightstone reveals significant shifts in property market

Lightstone's June 2020 house price index has revealed significant shifts in the market place. With a current growth rate of 4.8% per annum, Mpumalanga now has the highest house price inflation with the Western Cape slipping into second place at 4.6%, followed closely by the Northern Cape which has jumped from 2.8% to 4.2% since June last year.



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“Over and above the impact of increasing political uncertainty, subdued economy and the onset of a pandemic, the Western Cape’s decline is also very much a result of over-inflated growth in recent years,” says Claude McKirby, Cape Town Southern Suburbs co-principal for Lew Geffen Sotheby’s International Realty.

Cape Town now more affordable

“What this translates to is certainly not all bad news as Cape Town property is now more affordable than it’s been in many years, but it still offers a very decent return at almost double the 2.42% national average.

“And certain suburbs and sectors are offering an even higher return, especially in the low to mid-value markets like Kenilworth where the median price of apartments has increased by 18.5% from R1.35m last year to the current median of R1.6m to date.

“The sectional title sector in Mowbray is also performing well, increasing by 36.36% from R1.1m last year to R1.5m this year and in Newlands where the average median grew by 20.9% from R2.35m to R2.842m during the same period.”

Low to mid market suburbs

McKirby adds that in established mid-market family-oriented suburbs like Bergvliet and Kirstenhof, house price inflation is above the provincial average, albeit a much more realistic rate than in recent years.

“Bergvliet has seen its median house price grow by 5.56% this year, from R3.505m to R3.7m and in Kirstenhof during the same period, by 6.38% from R2.35m to R2.5m.

According to the report, the lower market segments are faring best on a national level too, with an annual growth rate of more than 5% whilst the luxury segment’s inflation rate is below 2% and, with a growth rate in the 4% zone, coastal provinces are also performing better than inland provinces which achieved between 1% and 2%.

In the Winelands, the lower to mid-end of the market has also been fairly resilient, especially houses priced under R3m and apartments for under R1m, which are still selling well.

But in several areas, the house market has also performed especially well, despite the economic and pandemic woes.

“In Simonswyk to the east of the town centre, the median house price has continued to rise steadily,” says Chris Cilliers, CEO and co-principal of the groups Winelands office, “from R2.525m in 2018, to R2.65m in 2019 and again by 38.67% to R3.675m this year despite economic and pandemic woes.

“As the most affordable suburb within walking distance of very popular schools, it has been attracting considerable interest in recent years.

“Paradyskloof has also remained consistent, increasing from R3.775 to R3.95m last year and again by 6.32% to R4.2m this year whilst in Onder Papegaaiberg, after dipping from R2.8m in 2018 to R2.66m in 2019, the average median price jumped by 12.78% to R3m this year.”

Interest in luxury homes

Cilliers adds that there has also been encouraging buyer interest in luxury homes in recent months, with some properties even selling at full asking price, although generally prices have been adjusted to meet market conditions and many investors have benefitted from significant price reductions.

“There are a number of serious sellers at the top end of the market at the moment, especially those who have been wanting to sell their homes from the beginning of the year and already had confirmed emigration or semigration dates.”

Market under unprecedented pressure

McKirby concludes: “The market is under unprecedented pressure as the modern world has never had to contend with a global pandemic of this scale which has unleashed a flood of new uncertainties.

“But with interest rates hitting historic lows and buyers spoilt for choice with plenty of deals to be had, right now property is definitely one of the most stable investments one can make, especially when compared to a very volatile global stock market.

“The real estate market always works in cycles with upswings followed by downturns, regardless of the prevailing economy

or political sentiment.

“And those who take the plunge during a downturn not only obtain a property they may not normally be able to afford, it’s also a rewarding investment when the market turns again.”

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