

# Residential property shift sees sellers extend buying pool internationally

With no international travel permitted during the Covid-19 lockdown, properties in sought-after areas such as Camp's Bay and the Atlantic seaboard in Cape Town are now listed at a steal, says Grant Smee, MD of Only Realty.



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Coastal areas such as Cape Town, Port Elizabeth and KwaZulu-Natal are outperforming Gauteng in terms of sales with majority of home applications received for properties between R750,000 to R2m, according to home loan aggregator Ooba.

Entrepreneur and property investor Smee also notes an influx of Airbnb units that are now up for sale. "Cape Town is a unique property market. Properties in tourist hotspots generally sell for R2.5m-plus so attracting local buyers and tenants in this price category remains a challenge," he explains.

Smee says that there is a unique equilibrium at play in the residential property industry. "Properties over R2.5m operate in a buyer's market because of the higher price point, while properties under R1.2m operate in a seller's market."

"In comparison to our business hub, Gauteng, properties in the Cape Town CBD and Atlantic Seaboard average R20,000 more per m2 and would normally welcome foreigners and corporate travellers throughout the year."

## Appealing to international investors

In an interesting development, Smee notes a clear shift in the residential market. "To extend their buying pool, we have seen an increase in the number of homes being marketed to international investors."

Thanks to the weakened rand, coupled with low interest rates, foreign investors stand to earn big in one of the world's most loved cities. "While Cape Town is known to attract international buyers – particularly those from the UK and Europe - we expect to see a sharp increase in stats in the months to come."

Adding to its appeal, Smee says that a transaction of this nature can be easily concluded. "Investors would need to comply with local legislation. In some cases, major banks will offer mortgages to foreign buyers under stipulated conditions. Here, 50% of the purchase value can be financed."

Smee believes that international tourism will further aid investment on local shores. "While some people are comfortable buying a property based on a virtual tour, many aren't. When investing in expensive properties, there is still a clear need to visit the property and to better understand the area."

## Semigration on the cards

Another potential market for residential sales is that of locals looking to semigrate. Smee notes that since travel between provinces opened, Only Realty has seen an increase in the purchase of coastal homes. "Semigration (or semi-emigration) is the act of moving from one local province to another. With many now able to work from home, we are seeing an increase in people moving from bustling Jo'Burg to the likes of Umhlanga, Port Elizabeth and quieter parts of Cape Town."

Smee views semigration as not just a personal decision, but as a savvy investment opportunity too. “Smaller towns along the Western Cape coast, for instance, offer both the quality of life these semigrants seek and the promise of a profitable property investment as the area becomes increasingly popular.”

## **Life after lockdown**

“We initially anticipated that the higher end of the market would drop by 20-30% for several reasons. These include affordability, demand, and a lack of foreign buyers. When we look to properties in the mid-price range of R1.5m to R3m, we expected to see a decrease of around 15-20%. In the affordable housing market, we expected to see a 5-10% decline.”

Smee says that these projections have been altered by a sharp spike in property demand for June, July, and August. “The ongoing buyers’ market is presenting some great deals to buyers - particularly in coastal regions. We do, however, anticipate a decline in property market activity from early 2021 when the true effects of Covid-19 will be felt.”

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