



DEMAND FOR SPACE

A SHIFT TOWARDS FREEHOLD HOMES AND TWO- AND THREE-BEDROOM SECTIONAL TITLE UNITS

One of the characteristics of post-lockdown resilience in the housing market is the strong demand from young and first-time buyers – with the latter, according to Ooba, comprising 52.4% of residential property purchases for the year to September 2020.

While this would traditionally signal strong demand for sectional title homes – the preferred property type among first-time buyers for the security, low maintenance, lock-up-and-go lifestyle and relative affordability – an interesting trend appears to be emerging, says Dr Andrew Golding, Chief Executive at the Pam Golding Property group.

“What is becoming evident in this ‘post-hard lockdown’ environment is that freehold house price inflation has stabilised and is beginning to strengthen marginally, while price growth for sectional title homes continues to slow,” he says. “For the year to date (January to October 2020), freehold house price inflation has averaged 2.6%, while sectional title inflation has averaged just 1.8%.

“This suggests that demand, in the post-lockdown environment, is stronger for freehold homes than for sectional title homes, in a reversal of a long-term shift towards sectional title homes. It seems likely, however, that this demand is probably being felt less in the traditional, relatively more expensive suburbs and more in relatively



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SOURCE: *Lightstone*

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affordable areas on the periphery of metro areas, or in previous holiday and retirement towns.

“And for those opting to purchase a sectional title home, there is an apparent shift towards wanting more space in the apartment for work-from-home scenarios. In some instances, we are seeing that developers are converting one-bedroom apartments to two-bedroom units – most likely to allow occupants to set aside a space for those now able to work from home, or to provide extra space for an additional family member.”

For example, in Burmeister on Park in Milnerton, Cape Town, such is the demand for two-bedroom units that the developers have reconfigured one-bedroom units to two bedrooms in order to cater for those buyers. Selling for R2.85-million, the larger, 80m² two-bedroom option is aimed at owner-occupiers as well as investors who want the convenience of the location along with the lifestyle, says Emarie Campbell, Pam Golding Properties area principal on the Western Seaboard.

“This trend towards two bedrooms makes good sense – a spacious two-bedroom, two-bathroom apartment will always be in demand, while there are sufficient vacant one-bedroom units to buy, and an over-supply of one-bedroom apartments to rent in this area,” she says. “This is largely due to the fact that tenants have either moved into a share situation or back in with their families as the fallout from Covid-19 and the lockdown manifests itself, while the traditional Airbnb market has come to a halt. Interestingly, there is also a trend for micro-units of about 30m² and priced under R1-million, catering for first-time buyers in the areas close to the city centre or commercial hubs.”

“In Stellenbosch, two-bedroom units have always been the most popular, although one-bedroom and studio units also perform well here, no doubt largely due to the accessible price point,” says Katya Varga, assistant area and projects manager for Pam Golding



Properties in Stellenbosch and Somerset West. “A trend of students favouring living on their own is emerging too, as parents of students show a preference for the isolation opportunity that studio and one-bedroom units offer in the post-Covid environment.

“In the Mzuri residential development in Somerset West, the developers reworked their 132 one- and two-bedroom apartment offering to 84 two-bedroom row-houses that are pet-friendly and have small enclosed gardens. These are priced from R1.595-million (including VAT), targeting Millennials and first-time home buyers.”

“The Pam Golding Residential Property Index provides a breakdown for two- and three-bedroom apartments, but here too demand for larger apartments is apparent, with price outperformance of three-bedroom apartments over two-bedroom units,” says Sandra Gordon, a senior research analyst at Pam Golding Properties. “Growth in prices in this category shows that demand is outstripping supply, and it appears likely that there are fewer three-bedroom apartments on the market than two- or one-bedroom apartments.

“For the year to date (January to October 2020), the average house price inflation for three-bedroom apartments has averaged 2.04%, while for two-bedrooms it has averaged 1.6%. However, the growing divergence in house price inflation between two- and three-bedroom apartments is more apparent when looking at the latest data, which reveals that three-bedroom house price inflation rose to 2.8% in October, compared to just 1.9% for two bedrooms.

“The growing demand for freehold homes among young buyers could also explain why two-bedroom freehold homes are enjoying stronger growth in prices than three-bedroom homes, which would presumably be preferred by families. For the year to date (January to October 2020), house price inflation for three-bedroom freehold homes has averaged 2.9%, compared to 3.9% for two-bedroom homes. In October, house price inflation had risen to 4.4% for two-bedroom versus 3.2% for three-bedroom freehold homes.”

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