

INVESTING IN RESIDENTIAL PROPERTY

Apart from buying a home, investment into bricks-and-mortar residential property offers SA's locals a means of growing their wealth portfolios. Or does it?

The residential property market remains a mostly resilient one despite the country's economic and political challenges. But unsurprisingly, consumer sentiment is subdued and that is impacting the performance of the residential market.

According to Absa, properties are staying on the market longer. The current average is 15 weeks against 11 weeks in 2016. Asking prices are dropping, with Absa citing 92% of houses selling below asking price compared to 88% in 2016. Home loan applications are down 1%.

Yet 74% of those surveyed in the bank's Homeowner Sentiment Index are still positive about the South African residential property market.

"The majority of consumers, three-quarters of them, still believe it is better to buy than rent," says **Carel Grönüm, Absa home loans managing executive.**

Significantly, 78% expressed positive sentiment about property as an investment.

"As a vehicle for creating wealth, investing in residential property is still a good option," Grönüm tells *finweek*.

And the recent interest rate cut of 0.25 percentage points is encouraging news for those hoping to step onto the property ladder.

Wealth creation

For the ordinary person in the street, growing wealth is intrinsically linked to growing equity in the largest investment they are likely to make – their home.

A well-chosen property is almost certainly likely to appreciate in value over time. Underpinning house price growth is location, supply and demand. Add to this the economic and political headwinds that influence the amount of equity homeowners can realise from their homes.

Yet subdued national house price growth of 3%, further impacted by inflation of 5.3%, paints a somewhat sombre picture. Or does it?

Turns out there's reason for some optimism. Statistics reveal that capital growth is still very much achievable... in some areas.

The Western Cape continues to make headline news, outperforming the rest of the country with 8.6% house price growth, reports Standard Bank. Cape Town still tops the list of metros with the highest year-on-year house price growth, registering 13.8% for the second quarter of 2017, says FNB.

Andrew van der Hoven, head of home loans at Standard Bank, tells *finweek*: "Affluent buyers are still driving growth in coastal areas with cash transactions now accounting for around 54% of deals in the Western Cape."

The country's two most expensive markets, the Atlantic Seaboard and City Bowl, remain the strongest performing regions in the second quarter of 2017, the former registering 29.9% year-on-year growth and the latter 21.1%, reports FNB.

According to a Seeff study, Cape Town is now home to nine of the 10 richest suburbs in SA. Clifton tops the list with an average selling price of R23m. Sandhurst in Gauteng is the only suburb outside of Cape Town to make the list, coming in fourth with an average selling price of R16.5m.

Millennials too are making their mark along the Atlantic Seaboard and City Bowl. Three Anchor Bay, with its average price now R3.2m (up from R1.5m in 2012), tops the list of popular millennial suburbs on the



Carel Grönüm
Managing executive at Absa Home Loans

Atlantic Seaboard with 31%, says Seeff.

While KwaZulu-Natal's house prices have not really been able to beat inflation, the story is somewhat different along the North Coast where, according to Lightstone, the median price of properties in the last five years has increased by 48% in Umhlanga and 32% in Ballito.

"Semigration" of predominantly Gauteng buyers has been a big driver of demand for property in the Western Cape and the trend has also taken root along KZN's North Coast. According to

Pam Golding Properties (PGP), some 60% to 70% of buyers in the upmarket Zimbali area come from Gauteng.

Residential property around economic hubs, those close to Gautrain stations and in areas benefitting from infrastructure and investor development continue to profit from demand and concomitant house price growth. So too homes in estates, the increasing demand for these homes

evidenced by ongoing development of estates around the country. Take Investec Property's development The Neighbourhood in Linksfield, Gauteng, where all 184 stands in Phase 1 are either sold or reserved.

But house price growth, while important for wealth creation, impacts affordability.



Rosebank's popularity is rubbing off on surrounding neighbourhoods like Westcliff where this gracious freehold home has a ticket price of R19m.