

## '07 Residential Property Predictions

2006 was a watershed year in the South African residential property sector, with trends that were already discernible becoming even more evident.

So says Bill Rawson, Chairman of Rawson Properties. Asked to define these trends, Rawson mentioned:

An increasing swing towards smaller, more compact units: "In 2006," he said, "we saw developers responding as never before to demand from the lower middle and lower market, in the process reversing the trend towards continually higher development prices. What is more, this movement is gaining momentum: we will see more of these multi-unit affordable projects in 2007."

Today's emerging young and upwardly mobile buyers, said Rawson, generally earn between R4,000 and R10,000 per month and are content to settle for apartments with as little as 20 sq m to 30 sq m of floor space. In these the use of carefully selected furniture, fold-up wall beds, flat screen TVs, tiny galley kitchens and showers rather than baths allow for adequate living space.

Multi-unit developments are, however, Rawson added, these days regularly equipped with communal facilities which are a big step up on the traditional half-planted garden or central courtyard and fishpond.

"Today's developments can have trendy paved piazzas and communal areas with coffee shops and bakeries, as well as braai areas, swimming pools, sun decks, gyms, creches and laundrettes, all of which promote pleasant social interaction. The commendable habit of working out regularly at an in-house gym or spin class is now an integral part of many people's lives."

Another trend he mentioned is an upgrading of security provisions: "The security arrangements of ten years ago are giving way to far more effective methods – bike and car patrols, electrified fencing, CCTV and neighbourhood watches: those living in multi-unit buildings are usually the best protected of all."

Also, 2007 will see a swing towards greater self-sufficiency in the home: "Electricity, refuse removal and water prices," said Rawson, "have gone through the roof. People are reacting by installing solar heating, solar resistant glazing and by recycling their waste themselves. They are also sinking more boreholes and using more recycled and 'grey' water. All these are moves in the right direction."

Rawson added that although the tempo of investment in residential property has slowed, it is still attracting a steady stream of investors and well-priced projects are still selling out within a few weeks of launch.

"Certain commentators," said Rawson, "have suggested that confidence in residential property as an investment is tailing off – as it did in the 70s and 80s when interest rates rose and the Rent Control Act made property less fashionable. Our experience is that the typical investor in a development remains undeterred and will not be overly concerned by the 2% rise in the interest rates expected in 2007. The total investment in Cape residential property is likely to rise by a further 10% to 12% in 2007."

"Although there has been a shift in the areas of real growth," he said, "residential development continues at a satisfactory pace. The demand is still there but is now strongest in the lower brackets and value rises here will, I believe, surprise many people in the coming year. The major banks' new commitment to funding the lower-priced sector could revolutionise this entire market."