

## Developers Offer Cheap Deals

Bargain buying opportunities are starting to appear on the market, particularly in new sectional title projects, as it becomes increasingly expensive for developers to keep unsold stock on their balance sheets.

For instance, in the northern suburbs of Johannesburg well-established sectional title developer Summercon is now advertising new studio, one and two bedroom apartments at average selling prices of R10 500/sq m.

A search on real estate portals such as Landsdowne Investment Properties and Property Bargain Finder shows a number of new Johannesburg developments with asking prices of less than R10 000/sq m.

That is significantly lower than the R15 000/sq m to R30 000/sq m that new sectional title stock was generally selling for in the northern suburbs of Johannesburg 12 to 18 months ago.

Summercon sales director Peter Blanckenberg confirms that pricing has become increasingly competitive, with the substantial slowdown in sales activity forcing developers to absorb building cost increases.

In fact, developers have not been able to pass building cost increases on to buyers for the past two years, says Blanckenberg. He notes this has created great pricing for investors and makes it a good time to increase one's exposure to the buy-to-let market.

Blanckenberg believes sentiment is likely to begin to return to the residential property market during first half 2009. 'Should this be accompanied by the first interest rate cut apartment prices will, in our opinion, increase dramatically to accommodate both the undersupply of apartments for sale in the market and increased building costs.'

He points out that the rental market is becoming undersupplied, with a large number of people forced to rent in the current high interest environment while very little new stock is coming on to the market.

Building data released last week by Statistics SA confirm that developers have pulled out of the residential property market in a big way since the beginning of the year, with the number of new townhouses and flats completed dropping by -15,1% from January to July (y-o-y).

Absa senior property analyst Jacques du Toit says confidence levels in the residential building sector has dropped to levels last seen in late 2001. `The residential building sector remains under pressure and is expected to continue to experience difficult trading conditions for the rest of the year and into 2009.'