

## East London Has Fastest House Price Growth

East London hasn't really featured on the radar screens of residential property investors in recent years, as the Eastern Cape city struggled to compete with the level of returns offered by its Gauteng and Western Cape counterparts.

But that scenario is changing fast. In fact, Absa's latest housing overview shows that East London recorded the fastest growth in house prices (medium-sized) of all South African cities in second quarter 2007. East London house prices were up 23,3% (year-on-year) and it was the only South African city that recorded growth of more than 20% in second quarter 2007.

The latest rental index of property letting group Trafalgar shows a similar trend. East London flat rentals are powering ahead of the national average, with rentals up 13% in the year to end-June 2007 – compared to growth of around 8% for South Africa overall. East London just pipped Johannesburg to the post in the rental growth stakes.

Trafalgar's figures show that Johannesburg (12%) is the second best performing South African city in terms of rental growth.

Trafalgar's 2007 Inner City Report released last week confirms that East London's property market has entered a strong growth phase. The report says the city is luring renewed interest from investors and developers, particularly to the beachfront and surrounding areas.

The Trafalgar report maintains that East London's beachfront, which is characterised by a mix of modern hotel/office buildings and older, neglected buildings, now offers prime rejuvenation and redevelopment opportunities.

Grant Wheatley, strategic development director of East London-based developer Novate Property Investments, says there's no doubt that investors are starting to discover East London's value proposition. The city is experiencing an unprecedented construction boom with millions flowing to new retail, commercial and residential projects.

That includes, amongst others, the construction of East London's first regional shopping mall, Hemingway's. Construction on 210 one and two-bedroom apartments at Novate's Triple Point project, East London's first mixed-use development, is due to commence later this month.

Wheatley says that although East London property prices are rising fast, there's still value to be had. For instance, investors can still pick up newly built sectional title apartments for between R9k and R10k/sq m.

Wheatley maintains that in Johannesburg's northern suburbs, investors will pay at least R15k to R20k/sq m for similar type developments while Cape Town sectional-title prices are touching R45k/sq m.

Demand for rental accommodation in East London currently far outstrips supply. Wheatley says demand is driven largely by a wave of young professionals from surrounding townships such as Mdantsane who are increasingly opting to live closer to their place of employment.