

Makana Property Report for the periods January and February 2021

Welcome to the first Property Report of 2021! We hope that you will find it informative and insightful, but most importantly helpful in your quest for the perfect property investment.

Please note that this report covers all the towns in the Makana municipality, Makhanda/Grahamstown, Rini, Salem, Alicedale and Riebeek East. We will also distinguish between the Full Title registrations and the Sectional Title as they are completely different properties and investment markets.

1. The Rini market

In these 2 months there were 5 full title registrations with the lowest price being R25,000 and the highest R210,000. The 5 were both vacant land and improved properties i.e. with houses on them.

2. Riebeek East

There were 2 registrations in this period, one at R610,000 and the other at R430,000. Both were for improved properties.

3. Agriculture and Industrial

Here there were 2 registrations, one farm, R3,000,000 and 1 industrial area property of R250,000.

4. Grahamstown/Makhanda

Here there were 22 freehold transactions registered for value and the breakdown into suburbs is shown below. The total value of freehold registrations for the two months was R27,285,000.

GRAHAMSTOWN/MAKHANDA FREEHOLD SALES BY SUBURB

Suburb	Registrations	High	Low	Total ZAR	Average
Central	3	795,000	580,000	2,125,000	708,000
Fort England	2	580,000	300,000	880,000	440,000
Kingswood	7	2,800,000	975,000	3,775,000	1.497000
Mary Waters	1	550,000	550,000	550,000	550,000
Oatlands	3	2,200,000	2,000,000	6,400,000	2,133,000
Oatlands North	1	1,600,000	1,600,000	1,600,000	1,600,000
Somerset Heights	1	1,450,000	1,450,000	1,450,000	1,450,000
Vacant Land	0	350,000	350,00	350,000	350,00
Westhill	3	1,400,000	900,000	2,300,000	1,150,000
	22			27,285,000	

4. Sectional Title

The only sectional title complexes in Makana are in Grahamstown/Makhanda and in the reporting period there were only 3 registrations totalling R2,125,000. This number is quite low, but that is probably due to the Christmas shutdown.

5. Selling Prices

Looking at the Property 24 sales report for freehold properties for this period, it is interesting to note that for these 2 months the average selling price, not asking price, has broken through the R1 million mark, albeit for a relatively short period.

The average for the period is R1,160 000. Compared to the previous 10 years this is remarkable because in those ten years the average selling price hit and exceeded the R900,000 mark in 2 years only, 2013 and 2015. All the other years were in the top half of the R800,000's.

For the sectional title market, Property 24 has the average selling price of a unit as R750,000, but this is using 3 sales in an annual market of about 55 units so it can't really be considered representative.

The latest FNB Property Report reports that the difference between the selling price and the asking price of all types of property has reduced. Previously the national average was 13% below the asking price, but this has reduced to 10% in the last quarter of 2020.

6. Properties "For Sale"

A search of the "Private Property" website gives us the schedule of properties for sale in Grahamstown/Makhanda by suburb and by property type below. It makes interesting reading!

PROPERTIES FOR SALE AS AT MARCH 2021

Suburb	Houses	Flats	Town House	Land	Small Holiday & Farms	Total
Central	24	55	1	20	28	128
Sunnyside	30	11	1	1	0	43
Oatlands	20	7	0	0	0	27
Westhill	35	26	1	1	0	63
Kingswood	10	7	7	0	0	24
Fort England	7	0	0	0	0	7
Somerset Heights	12	0	0	1	0	13
Cradock Heights	1	0	0	1	0	2
Oatlands North	9	0	17	3	0	26
	148	106	27	27	28	333

The big number amongst this lot is obviously the Flats and Apartments of 106 units. This translates into nearly 2 years of sales using the Property 24 statistics of about 55 sales per annum.

- Why are there so many on the market? There could be several reasons:
- Financial hardship caused by COVID-19 might be forcing investors to sell to access their capital.
- COVID-19 and its impact on the university's teaching calendar and the knock-on effect that has had on the rental market has resulted in some landlords not having 12 months of rent or no rent at all and this may have eroded confidence in the rental market.
- A general lack of confidence in the Makana Municipality's ability to manage the infrastructure and its finances could be causing investors to look for better ROIs elsewhere.
- The general lack of appreciation in the values of properties over the past few years, which is both national and regional, may be driving investors to re-arrange their portfolios and move their funds into different asset types.

Houses for sale is also a big-ish number, bearing in mind that the average number of sales registrations over the past 9 years is 308 units. This means there is nearly 6 months of stock available right now. This is good for buyers because they have many properties to choose from, but it also puts pressure on sellers to negotiate their prices because of the competition.

8. Conclusion

With the return of a number of students and scholars our city seems to be getting its mojo back. There is a busyness about the city that is reminiscent of the pre COVID-19 days and this is bringing a renewal of confidence in Grahamstown/Makhanda. Sure, we've had lots of drama around the recent water issues, but people are learning to "make a plan" around essential services and are reducing, as much as possible, their dependence on Makana Municipality. However, spare a thought for those without the resources to provide for themselves because they are really struggling.

The rental market seems to be very active again and this will bring much-needed relief to landlords who have suffered through this past year. These tenants will also provide stimulus to the local economy.

Its not all doom and gloom. Interest rates are still at their lowest in 55 years and the banks are hungry for business. The property market has struggled for some time, but is it about to blossom and become extremely active? We will have to wait and see.

Until next time.

Regards,



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