

## **Makana Property Report covering the registrations in August 2021**

Eight months into the calendar year! Who would believe the year would go by so quickly? Walking into a supermarket you almost expect to see Christmas decorations being hung and hearing the strains of Boney-M mulching your favourite Christmas carol. Not quite yet, thank goodness, although many of us would wish this year behind us if there was some promise of a return to normality!

August does offer us some hope!

Please note that this report covers all the towns in the Makana municipality, Makhanda/Grahamstown, Rini, Alicedale, Salem, Sidbury 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**

Last month there wasn't a single transfer so it is very pleasing to see that this month there have been 8 transfers with the highest price being R580,000 and the lowest was R50,000. The average selling price was R187,000.

The really disappointing thing is that it appears that for the 2nd month in a row Makana hasn't released or sold any erven. They usually sell erven at R7,500 per erf, but not one appears.

### **2. Riebeek East**

No transactions again and there are properties to be had, but just no demand.

### **3. Agricultural and Industrial**

There were no transactions this month.

#### 4. Grahamstown/Makhanda

And the improvement continues! In July there were 12 registered sales and in August there were 16, which is really good. But, just as importantly, the value of August's sales was R17,810 000 compared to R12,563 000. This has caused the average sale value to go up quite a bit, taking the average from R1,046,917 to R1,113,125. That's the direction we want the average to head.

Last month was encouraging because we had 3 sales of over R2,0m, but this month we only had 1 sale over R2,0m, at R2,8m, and the next best was R1,8m. However, the volume of sales was good and if we were to have 12 months at this level we would be back to the heady days of 2010. Realistically, that's not going to happen, but we can be encouraged by these figures. One wonders to what extent the relaxation of the lockdown levels has brought a little confidence into the lives of property owners and investors.

#### THESE ARE THE STATISTICS FOR THE MONTH OF AUGUST 2021

Suburb	Registrations	High	Low	Total ZAR	Average
Central	0	0	0	0	0
Sunnyside	3	900,000	750,000	250,000	833,000
Kingswood	5	1,290,000	760,000	5005,000	1,001,000
Hill 60	1	1,600,000	1,600,000	1,600,000	1,600,000
Oatlands	2	2,800,000	1,350,000	4,150,000	2,075,000
Oatlands North	0	0	0	0	0
Somerset Heights	0	0	0	0	0
Fort England	1	800,000	800,000	800,000	800,000
Westhill	2	1,800,000	1,625,000	3,425,000	1,713,000
Mary Waters	2	230,000	100,000	330,000	165,000
Industrial	0	0	0	0	0
	<b>16</b>			<b>17,810,000</b>	<b>1,113,125</b>

## 5. Sectional Title

As of right this moment there are 163 sectional title properties for sale in Makana. Deduct 20% for properties duplicated and you still have about 130 unique properties for sale. Then we are only able to sell 4 sectional title properties in the month of August? That's right, only 4. Sure, one was sold for R2,6m which made the sales for the month an impressive R4,88m, but 4 is about 3% of the properties on the market. At that rate it will take 33 months to sell what is currently for sale!

Is the negativity about investment properties a result of the way investors look at their return on investment? Do we make a mistake when we calculate the ROI on a property we work off the purchase price and don't only consider the nett income as a factor of what the investor personally puts into the property? Surely we shouldn't be looking for a ROI on the bank's funds, only our own?

A change of view radically changes the performance of a property. So does our low interest rates and the current lenient lending conditions – some are getting bonds below prime!

This is something that warrants investigation if you are building your investment portfolio. Let's talk about it face to face. Please call me.

## 6. The Market



Market conditions are confusing at the moment. On the one hand you have incredibly favourable borrowing conditions. The latest (August 2020 to August 2021) report from Ooba, the mortgage origination company, tells us that for the Eastern Cape.

- The average interest rate is 0.07% below prime
- 78.06% of all bond applications are successful
- 48.57% of buyers are first time buyers
- And that 100% bonds are still being granted

On the other hand, FNB's latest Property Barometer tells us that the year-on-year house price index only grew at 3.7%, basically tracking inflation, so there was no real price growth in the period. FNB also points out that their market strength index is low at 49.4, a reflection of the demand for properties.

The reasons for selling properties may give us a bit of insight. FNB has the 2nd quarter's sales (nationally) split as follows:

Downscaling due to financial pressure	21%
Upgrading	15%
Downscaling with life-stage	23%
Security concerns	6%
Emigrating	7%
Relocating	9%
Change in family structure	12%
Moving to be closer to work or amenities	6%

With 44% of the sales coming from people downscaling, one can understand that this might suppress prices and be the source of too much stock.

Grahamstown/Makhanda is, we hope, showing signs of life that others might not be. Does this mean that the correction in asking prices in our city is over? Are we seeing a swing away from a buyer's market to a seller's market?

And the prospects for the foreseeable future? Let me quote from FNB.

*"We have lifted our house price growth across all segments to reflect better-than-expected actual house price performance outcomes and a slightly brighter GDP growth outlook. This adjustment incorporates stronger than previously assumed demand for mortgages across all segments. Pressure in the higher end is also lessened by a reduction in supply due to owners withdrawing properties for sale from the market as well as a slower rate of emigration. Price growth in the lower end continues to enjoy support from the persistent supply deficit."*

## 7 . Properties "For Sale"

A search of the "Private Property" website on 30 August 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 SEPTEMBER 2021

Suburbs	Houses	Flats	Town Houses	Land	Small Holdings & Farms	Total
Central	16	76	3	4	0	99
Sunnyside	22	13	2	1	0	38
Oatlands	26	11	1	0	0	38
Westhill	30	35	1	0	0	66
Kingswood	14	2	8	2	0	26
Fort England	7	0	1	0	0	8
Somerset Heights	8	0	1	0	0	9
Cradock Heights	3	0	0	1	0	4
Oatlands North	13	0	8	0	0	21
Hill 60	7	0	0	0	0	7
Rini	5	0	0	0	0	5
Fingo	0	0	0	0	0	0
Rural & Industrial	1	0	0	11	35	47
	<b>152</b>	<b>137</b>	<b>25</b>	<b>19</b>	<b>35</b>	<b>368</b>

## 8. Conclusion

"Hope springs eternal in the human breast." And that's where I am. Unit sales are up; sales value is up; interest rates remain down and there is plenty of activity. I think more and more people are coming into the market as first-time buyers. I think the banks are helping property prices remain fairly firm by avoiding a flood of properties coming onto the market as a result of job losses by re-financing bonds.

Has the pendulum swung to the end of its arc and is it starting to swing back? FNB tells us that in the 2nd quarter of 2021 the time on the market was 8 weeks compared to the long-term average of 13 weeks. They also tell us that the difference between the asking price and the actual price achieved is now at 8% for the quarter compared to the long-term average of 10%. These stats indicate that sellers' asking prices are closer to what buyers are prepared to pay and, therefore, properties are on the market for shorter periods. Does this mean the correction is over or will asking and actual prices creep still closer to each other?

Spring is in the air, and it would be easy to wax lyrical about the comparison between the property market and Spring. But I won't. Instead, I will console myself with the mental image of a green shoot breaking through the earth's surface. Hold thumbs that the property market will do the same.

I have selected some properties on offer with links for you to view on page 7.

Regards



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Properties you might like:



**25 Henry Street**

[https://www.grahamstownproperties.co.za/gtn\\_properties/25-henry-street-oatlands/](https://www.grahamstownproperties.co.za/gtn_properties/25-henry-street-oatlands/)



**5 Lawrence Street**

[https://www.grahamstownproperties.co.za/gtn\\_properties/a-modern-home-in-an-olde-worlde-setting/](https://www.grahamstownproperties.co.za/gtn_properties/a-modern-home-in-an-olde-worlde-setting/)



**8 Robinson Street**

[https://www.grahamstownproperties.co.za/gtn\\_properties/family-home-or-buy-to-let-it-works-both-ways/](https://www.grahamstownproperties.co.za/gtn_properties/family-home-or-buy-to-let-it-works-both-ways/)



**11 Gray Rose**

[https://www.grahamstownproperties.co.za/gtn\\_properties/comfort-convenience-and-camaraderie/](https://www.grahamstownproperties.co.za/gtn_properties/comfort-convenience-and-camaraderie/)

And there are more on page 8...



## 2 Arlington

[https://www.grahamstownproperties.co.za/gtn\\_properties/a-captivating-2-storey-victorian-gem/](https://www.grahamstownproperties.co.za/gtn_properties/a-captivating-2-storey-victorian-gem/)



## 1 Gray Rose

[https://www.grahamstownproperties.co.za/gtn\\_properties/an-apartment-for-all-seasons/](https://www.grahamstownproperties.co.za/gtn_properties/an-apartment-for-all-seasons/)