

Sectional title house prices rising faster than freehold – for first time in two decades

By  Andrew Golding

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In Q4 of 2023, and for the first time in 20 years, sectional title residential property prices rose at a faster pace than freehold prices.



Source: [Pexels](#)

Although growth in freehold house prices has long exceeded that of sectional title homes, a rebound in sectional title in the fourth quarter of last year (2023) saw this sector achieve stronger growth of +1.8% in prices compared to growth of +1.5% in freehold homes.

This is the first time that sectional-title house price inflation has exceeded that of freehold since 2004. The gap further widened during the fourth quarter, ending the year at price growth of +1.9% for sectional title and just 1.1% in freehold in December 2023.

While growth in freehold prices for the year 2023 averaged 3.2% compared with 1.7% growth in sectional title for the same period, it will be interesting to see if the trend favouring greater sectional-title price growth prevails in the coming year.

Illustrating the demand for sectional title is the fact that in 2013 just 44.6% of all residential property sales across the five

major metro housing markets were sectional-title homes. By 2023, a decade later, the market share of sectional-title property sales had risen to 53.1% - more than half of all homes sold.

At a metro level, the largest percentage of sectional homes sold last year was in Tshwane. Cape Town, meanwhile, registered a marked increase in the percentage of sectional-title sales last year, making Johannesburg the metro market with the lowest percentage of sectional-title sales among the five major metros.

This could, in part, be attributable to the marked increase in investment purchases and new developments in the Western Cape – the majority of which are sectional-title homes.

Several factors are most likely contributing to the increasing demand for sectional-title properties – affordability for example, as younger buyers look to enter the market for the first time – now more than ever as interest rates are expected to enter a downward cycle later this year.

Modern lifestyle amenities

Sectional-title complexes also tend to offer good security, with brand new developments offering not only the likes of a swimming pool and entertainment area, but a host of other on-site facilities such as a laundromat, meeting room, shared workspace, or even a concierge.

This is coupled with other sustainability factors catering for energy and water efficiency, all of which play a role in the increasing demand for sectional title in response to changed lifestyle requirements, namely lock-up-and-go, hassle-free flexibility.



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Furthermore, many of these developments are well positioned, in part because they are often redeveloped office buildings, and so offer the opportunity to live in a convenient location where one could not necessarily afford a freehold home. Some municipalities, like Cape Town, are encouraging densification, which is seeing some freehold homes being replaced by small sectional-title developments.

Cost is another important consideration and with the rising costs of building, amenities, maintenance and security, the ability to afford but also maintain and run a larger freehold home is less accessible or desirable to many home buyers.

Older homebuyers' preferences

Although South Africa has a predominantly young population, there is a growing number of older people, as elsewhere in the world, whose children have left home, who may prefer a more manageable sectional title in the higher price bands.

According to the *Pam Golding Residential Property Index*, while both two and three-bedroom freehold homes registered stronger growth in 2023 than sectional title, it is notable that the smaller units in both categories are currently registering an acceleration in house prices. Larger three-bedroom sectional-title units appear set to see growth in price increase while house-price inflation in larger freehold units continues to slow.

According to data from ooba Home Loans, there is a clear preference for sectional-title properties when buying an investment property, with sectional-title units accounting for 67.4% of all investment properties sold last year. The average purchase price for sectional title was R1.51m compared to R2.37m for freehold properties.

Lightstone data reveals that while the median price of sectional-title properties in most major metro markets averaged less than R1m last year, Cape Town is an outlier – with a median sales price of R1.7m – and continued to strengthen to R1.75m in early January 2024.

While Cape Town is traditionally a more expensive housing market, the gap between freehold prices in the Mother City and other major metro markets is not as marked, with the median sales for freehold homes in Cape Town and Tshwane moving in tandem in both 2022 and 2023.

ABOUT ANDREW GOLDING

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