

Why you shouldn't price for foreign buyers

Foreign buyers do not make up as large a proportion of buyers on the Atlantic Seaboard as many suspect. This is according to data from PropStats.



However, many sellers continue to price their properties as though foreign buyers are queuing up to buy homes in Camps Bay, Sea Point, Green Point, Bantry Bay and Clifton. “This reflects a general trend in many popular suburbs of Cape Town, where sellers are asking for higher prices than the market will actually bear,” says Glenda Luitingh, sales manager of Jawitz Properties Atlantic Seaboard.

Of the 435 properties that changed hands from January to end July of this year, 73 were bought by foreigners, or just under 17%. This figure is on par with the figure for the first seven months of 2015 when 72 of the 405 properties sold in the area were sold to foreigners, or just under 18%.

“There is a perception that the weakness of the rand has resulted in a crush of international citizens snapping up prime local properties. But we need to remember that foreigners are very sensitive to political and economic uncertainty, which South Africa has experienced a great deal of especially since the middle of December last year,” she says.

Semigration to the Western Cape

‘Foreigners’ of another kind are the ones swooping into the Cape Town market. “These ‘foreigners’ are from other provinces, particularly Gauteng and KwaZulu-Natal.”

This is known as 'semigrating' and it has been going on for years. "However," says Luitingh, "where once it was primarily retirees coming to the Mother City and its environs, gradually more and more younger families have been packing their bags and heading south."

Excessive crime in cities like Johannesburg is one reason for this trend, but so is the perception that the Western Cape is better managed than the other eight provinces. In addition, technology has made it much easier for people to work remotely, while cheap flights have resulted in a host of weekly commuters. "Just a two hour flight and a quick trip on the Gautrain and you can be in your office in Sandton," she adds.

Another interesting statistic from PropStats for this year to date, is the split between properties bought with cash and those bought using a bond facility. "Cash continues to dominate transactions, which is interesting given the cost of buying even a small one-bedroom apartment on the Atlantic Seaboard," Luitingh says.

"There is also an increasing number of buyers coming from other countries on the African continent. But to date, the majority of buyers originate from Europe," she concludes.

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