

Cape Town's commercial property sector booms as market bullish

Despite numerous challenges and disruptions, Cape Town's commercial real estate market has burgeoned during the past 18 months, growing steadily, with demand now outstripping supply in the most sought-after areas, especially those nearest the city.



Source: Supplied.

“It’s currently an outright seller’s market in Cape Town,” says Brent Townes, commercial property chief operating officer for Lew Geffen Sotheby’s International Realty in Cape Town adding that while it presents lucrative opportunities for those looking to sell, it also challenges prospective buyers to navigate a competitive landscape.

“The market’s upward trajectory has been driven by several factors, including the city’s status as a global business and tourist destination, business semigration and increased investment in infrastructure which have underpinned a notable upward trend in sales volumes.”

According to year-on-year data from the Deeds Office for 54 suburbs in Cape Town, for the 12 months ending:

- December 2022, 777 units had been sold at an average sale price of R7,762m and a combined sales value of R6,031bn.
- March 2023, 959 units had been sold at an average sale price of R6,932m and a total sales value of R R6,648bn.
- June 2023, 1,155 units had been sold at an average sale price of R6,434m and a total sales value of R7,432bn.

“Sales volumes therefore increased by a solid 20% and 23%, and sales units increased by 11.8% and 10.2%,” says Townes.

“The average sales price declined by 7,1% and 10,6% as owner occupiers continue to hunt value and stock remains limited in the disposal market; and also the major properties have been taken up by the REITs and investors with big cheque books.”

Townes notes that warehouses and logistics buildings of over 5000m² are already in very short supply, while anything over 10,000m² in good locations are virtually impossible to buy or rent.

“These shortages are difficult to address because zoned and serviced land in close proximity to the metro has become increasingly scarce with very few exceptions, namely the N7 corridor and a few smaller stands of around 40,000m² in Elsie’s River with most major parks having utilised their bulk allocations.



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Industrial land availability

“The only real exception is further afield up the West Coast in the Vredenburg-Saldanha area where industrial land is still freely available but the distance from Cape Town International Airport and the harbour are a deterrent for many businesses.

“And, although the proposed new Fisantekraal Airport and precinct could alleviate this pressure, it won’t be for some time yet as the land will take two to three years to rezone, apply for and secure rights and only then will construction commence.”

Despite the current eco-political climate in South Africa, Townes doesn’t expect the burgeoning commercial market in Cape Town to slow down any time soon – if anything, he expects the opposite.

“Cape Town not only has a high service-delivery rating, it also experiences less load shedding than the rest of the country and, with the local government on track with their scheme for commercial property owners to supply own solar generated power back to the local grid, the future is certainly looking brighter here in the Cape.”

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