Southern Cape agricultural land some of the most sought-after in SA

Agricultural land in the Southern Cape is some of the most sought-after in South Africa with seven years good rainfall and good harvests, according to Charles De Kock, owner of several Chas Everitt International franchises in the region. “Prices for arable land here have more than doubled in the last three years and currently, land suitable for grain farming fetches at least R80,000/ha.”



Image Supplied: 30ha farm located in the fertile Hermitage Valley near Swellendam

Along with prices, farm sizes have also increased significantly, he notes. “A decade ago, 500ha was considered an economical farming unit. But mechanised farming, which greatly enhances productivity, also comes with substantial equipment expenses, so farms of 5,000ha are now more cost-effective. As a result, big farmers are increasingly buying up their neighbouring farms. The previous owners then lease the land back from these farmers, who in turn, have the benefit of both a rental income and the capital appreciation on the land.”

De Kock says that there is a wide range of farms available in the Southern Cape. “The pasture-style farms around Swellendam, which have good access to water sources, are, arguably, the most prized. Here you’re looking at between R280,000/ha and R390,000/ha for irrigated land – although we recently sold a fruit farm in the region for R650,000/ha.”

Smaller “lifestyle” farms are also popular, but command higher prices per hectare, he notes. “Smallholdings of around 5ha or less will sell for R300,000/ha to R350,000/ha. These are completely different buyers - people who simply want to plant food crops for their own consumption and sometimes keep a few chickens and a sheep or two. Although highly desirable, they also have a far higher turnover than the large working farms.”

The buyers of Southern Cape farms are predominantly locals, but the 'semigration' from upcountry to the Cape has also included a fair number of farmers, De Kock says. “This is particularly true of buyers from the Northern Province, many of whom have sold farms there as part of the government’s land reform policy. Legally, if they reinvest the proceeds of these sales back into farmland, they are not liable for either capital-gains tax or transfer duties.”

Water and water rights the most important consideration

He points out that buying a farm is very different to a residential property purchase. “Price is calculated on a number of factors, from soil quality to plantings to infrastructure. Prospective buyers also need to be sure there are no land claims on

the farms they wish to buy. However, the most important consideration is, undoubtedly, water, and water rights can be a complicated business.”

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