

# Are Cape Town homes overpriced?

The value of some Cape Town residential property has nearly doubled in the last seven years with, in many cases, a 10.5% per annum average increase in value. Some people, says Rowan Alexander, director of Alexander Swart Property, are now saying that Cape Town homes are overpriced.



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However, he says, those coming from the UK or Europe to buy a suburban house here are staggered at how inexpensive our properties still are: on the current exchange rates, they are often able to get homes in Cape Town at 15-20% of what they would pay back home.

“Looking at this matter in a worldwide context,” says Alexander, “one has to realise that Europe and the UK have had a highly active property market for well over 500 years whereas our property market is less than 100 years old. It is so young that we have only recently begun experiencing what the First World has witnessed for centuries, i.e. greatly increased values caused by rapid influxes of people to the urban areas.

“I know that South Africa’s big cities have seen this trend for some time but we are still in fact in the early stages of the densification that has led to the central precincts of the big cities – New York, London, Paris, Berlin, etc. – reaching astronomical price levels, with concomitant spinoffs for the suburbs surrounding them.”

## Densification of peripheral, suburban areas

Alexander believes that much South African property is undervalued because, he says, if you accept that our major cities will inevitably follow the same trends as those elsewhere, they will continue to densify and although this may cause slum areas in certain precincts, in others CBD property values will rise exponentially – and this, in turn, will lead to further densification of the peripheral and suburban areas.

In Cape Town, says Alexander, the city council already encourages the densification of those suburbs lying within relatively easy commuting distance of the CBD – and certain developers, such as Rawsons, have been able to cash in on this and build multi-unit apartment blocks where previously there were only houses on separate plots.

“In the long run, the price trend will continue to rise upwards,” says Alexander, “because of increased demand for urban and peri-urban space and ongoing densification. We cannot simply spread out interminably: we will continue to consolidate and this consolidation will make all those areas affected and those near to them more and more valuable.”

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