

Tourism, Airbnb growth boost property demand in Cape CBD

While many areas are beginning to report a notable slow-down, Cape Town's CBD and City Bowl areas remain buoyant. The Airbnb growth trend is one of the factors driving demand for flats in the area and, according to Warren Emmet, Alan Screen and JP Ricketts, Seeff's CBD and City Bowl team, activity is at a notable high.



The Icon, a mixed-use complex situated in the banking district in the Cape Town CBD.

Aside from residential buyers, demand from foreigners comprises about 16% of actual sales in the CBD and 11% of the City Bowl for the year ended July. Rising demand is coming from investors looking to capitalise on the rise in the prominence of Airbnb. With the summer tourist season now here, well-priced apartments literally still fly off the shelf within a month, say the agents, as buyers look to acquire an asset in this high growth area and turn it into an Airbnb money-spinner.

Time on the market

In the City Bowl, for example, the latest Propstats data shows that apartments are spending just 30 days on average on the market, but many are in fact selling within a day to a week. That is remarkably faster than the market average of 14 weeks (around three months) recently reported by John Loos in the FNB Property Barometer for the third quarter of this year, they say.

When it comes to City Bowl apartments, the average difference between the asking and selling price is still a negligible 3.6%, testimony to the still positive market if, add the agents, you consider the wider economic landscape and interest rate and cost hikes this year.

Sellers can now expect to sell at around R31,461/m² on average. The average selling price for a City Bowl apartment is now a rather significant R2.83m. That is over R1m, or some 60% higher than the 2014 average of R1.76m.

In the central city, sellers are now achieving on average around R28,631/m², but the price can range notably higher depending on the complex and location, ranging to as much as R40,000-R50,000/m² at the top end.

Average selling price

The average selling price now stands at around R2.23m, up from R1.634m in 2014. That is well over R500,000, or some 36% higher according to Emmett, Screen and Ricketts. Sellers are also getting on average within 5% of their asking price. A significant number of sales though are still for the full or just about full asking price.

Bernice Musikanth, also a City Bowl sectional title specialist, says that even new developments, are selling like hotcakes despite being priced slightly higher on a square metre basis. The agent for example, recently sold out the new The Rugley in Vredehoek, but notes that other development have also sold at an incredible pace.

More evidence of the buoyant demand is reflected by the fact that Musikanth alone achieved eleven top sectional title sales in the City Bowl in just eight weeks. This includes two sales in Tamboerskloof of units listed at R4.65m and R2.15m respectively, five in Vredehoek priced from R1.1m to R1.99m, one in Zonnebloem at R2.5m, one in Oranjezicht at R2.1m and two in Gardens at R1.55m and R2.33m, respectively.

Growing tourism industry

Sales director Billy Rautenbach says that Cape Town is now the country's premier tourism destination, attracting both local and international visitors and, this is a growing industry. Based on the latest information from Cape Town Tourism, there is no reason to believe that the approaching summer tourist season will not be another busy one.

Airbnb has in the space of just two short years grown enormously and now controls the largest volume of short-term rental stock in the country.

The advantage for property owners is of course that holiday makers from across the globe have access to their property stock, says Rautenbach.

According to TripAdvisor, a complex such as The Icon, a mixed-use block situated in the banking district in the Cape Town CBD with amenities such as 24-hour security, a swimming pool and gymnasium and a Vida e Café, Food Lover's Market, laundromat located on the ground floor can achieve a rental of R948 to R2026 per day based on average rates per luxury room. A one-bedroomed flat here is priced around R2.59m.

Popular on Airbnb

Nicola D'Elia, Airbnb managing director for Africa and Middle East, recently reported that South Africa was the most popular destination for Airbnb guests and within that, Cape Town was by far the biggest choice. Cape Town has grown by 190% to 7,500 rooms and he said that inbound guests to the country, with Cape Town being a top choice, had grown by a phenomenal 250% to some 134,000 guests staying an average of 4.9 nights.

D'Elia further noted that the depreciation of the rand over the last two-plus years makes South Africa an attractive proposition for foreign visitors who make up 72% of the local Airbnb visitors.

Further tourism growth to Cape Town is on the cards. Tim Harris, CEO of Wesgro, recently also announced that additional flights into Cape Town amounts to 400,000 additional seats coming from five new air routes and four expansions. This includes additional flights from the UK, Germany, Nairobi, Livingstone (Zambia), Maun (Botswana) and more from Emirates and KLM.

This, says Rautenbach, means significantly more visitors to the city and they all need a place to stay. While some will no doubt choose hotels and guest houses, there is a growing trend to choosing the home-away-from-home option that comes with a conveniently situated apartment. And, the CBD and City Bowl is just about as convenient a location as you could want for.

Sectional title units in demand

Musikanth says that she still needs a wide range of sectional title stock, apartments and other compact housing. Just about any well-priced unit is in demand and enquiries are set to pick up notably as we head into summer.

The same goes for the CBD according to Emmet, Screen and Ricketts. Any well positioned apartment is in demand and not just in the city centre, but also in De Waterkant where complexes such as Harbour Edge, Soho on Strand and Quayside are popular choices. The foreshore too, Canal Quays has become a popular choice given the excellent waterside location and close proximity to the Waterfront.

It is indeed still a good time to be a seller in Cape Town's central city and surrounds, conclude the agents.

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