Crunch gives shabby suburbs sparkle

families priced out of middle-class areas are creating a buzz in previously disregarded areas

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DEMAND for homes in previously scoffed-at suburbs has seen asking prices double in value as the cash-strapped middle-class scrabble for affordable property.

The trend has been fuelled by the credit crunch which has taken its toll on a broad sweep of society — from the country's poorest to middle-class families. Nine successive interest rate increases, anticipated lower salary increases, and soaring food, electricity and water prices, have led to the value of some homes in the disregarded suburbs almost doubling in value — due to demand — in just 18 months.

Asking prices for basic three-bedroom homes in Cape Town's Harfield have rocketed from R750 000 to R1.2-million, in Johannesburg's northern suburbs the average selling price for a home in Kew has increased from about R560 000 to R976 000 and prices in Phoenix in Durban have gone up from R480 000 to R1-million.

Real estate agents this week revealed that traditionally middle-class suburbs in Johannesburg, Durban and Cape Town — where homes are valued at between R1.5-million and R5-million — were now out of reach for thousands of young professionals seeking to buy property.

Now estate agents and sellers in unassuming suburbs are rolling out the red carpet.

The latest house price index compiled by Absa, the country's biggest mortgage lender, puts the price of the average middle-class home at R969 100.

According to First National Bank, the monthly repayment on a R900 000 home loan over 20 years has increased from R8 985 in June 2006 to R12 185 at the current prime rate of 15.5%.

The repayment on a R1.5-million loan has increased by R5 333 a month, while a R2-million home loan has shot up by an additional R7 110 a month.

"Many middle-income families cannot afford to pay these increases and are opting to sell and downscale," said Johannes Lombard, a Pretoria-based property valuer.

But those in the market to buy and struggling to raise the required deposits have been forced to shift their focus and re-evaluate their plans.

Someone who had their sights on La Lucia or an apartment in Umhlanga, near Durban, would now have to search in more affordable suburbs such as neighbouring Phoenix, Glenmore or Sherwood.

"Many buyers are focusing on price and location versus only location," said Herschel Jawitz, chief executive of Jawitz Properties. "Buyers have also shifted from looking for the best location to looking for value. The result is that sellers are competing with other sellers, not just in their suburbs but as far as 15km away.

"While some banks may be using the National Credit Act as an excuse not to lend, the simple fact is that most banks don't want to take any unnecessary risk and won't lend if they don't

SIGNS OF THE TIMES: Property is taking off in unloved areas

have to. About 20% of deals are lost due to bond declines."

Both Absa and Standard Bank, according to Seeff Properties, now require a 20% deposit on properties valued over R1-million, while Nedbank is asking for between 5% and 10%.

In addition, said Jawitz, a R700 000 home requires at least R60 000 in cash to cover costs.

Recently described as Durban's hottest property spot, the average property price in Phoenix early last year was R479 015. But now sellers are asking for prices closer to the R1-million mark.

One modest three-bedroom home in the suburb is on the market for R825 000 and the owners of another, similar residence hope to cash in to the tune of R987 000.

According to PropValues, an online property valuation and comparative market analysis tool for estate agents, price increases in Phoenix have been pushed up by the suburb's rise in importance as a dormitory suburb for commercial work opportunities in Umhlanga and La Lucia and the emergence of new buyers moving out of their family homes to purchase their own properties.

Pam Golding Properties Western Cape director Laurie Wener said average prices in Cape Town's Observatory had increased from R650 000 to R950 000 and in Woodstock from R500 000 to R880 000.

Describing new buyers in these suburbs as young professionals and entrepreneurs, Wener said many could not afford property elsewhere.

Suburbs in Durban attracting middle-income buyers included the Beachfront, Glenmore, Lower Glenwood, Sherwood, Phoenix and Effingham.

Pam Golding Properties' Durban manager, Carol Reynolds, said these suburbs were attracting young executives in IT services, nursing, teaching and middle and senior level government officials.

Even some of Johannesburg's once redlined suburbs are regaining their shine.

From 1992 until 2001, 11 suburbs in Johannesburg were redlined, meaning that potential buyers were not able to get home loans for those areas.

But now "for sale" boards are flying off the pavements in Berea, Yeoville, Regents Park, Kew, Kensington, Booysens, Rosettenville, Corlett Gardens, Bloubosrand and Windsor.

Sales figures provided by The Knowledge Factory, the firm which compiles the authoritative SA Property Transfer Guide, shows that prices in these previously redlined areas have increased from 2001 to date from:

- Regents Park, Rosettenville: R120 000 to R659 333;
- Windsor: R125 000 to R1.5-million;
- Kensington: R158 000 to R953 826;
- Kew: R140 000 to R976 000; and
- Orange Grove: R210 000 to R1.2-million.

Seeff Properties' Emarie Cambell said middle-income families tended to view and visit between 20 and 30 properties over a period of two to three months before making a final decision.

"During that time they will have seen everything available in the price bracket they seek and thoroughly research what is available," Reynolds said.

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TELL US: How has the credit crunch changed your suburb? Write to tellus@sundaytimes.co.za