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the development conversation



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SESSION 1

UNDERSTANDING WHO HAS SKIN IN THE GAME



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- **Overview**
- **Commercial Property**
 - Office market
 - Retail / Hospitality market
 - Industrial market
- **Residential Property**
- **Key Challenges**

Western Cape Property Market Overview

- Western Cape is the leading property market in South Africa – characterised by **robust demand, rising values, and strong rental growth**
- Western Cape holds about **29% of the total property value** in South Africa (incl. residential & commercial)
- Recent data indicates the Western Cape's **residential properties are valued at about R1.44 trillion**, representing roughly 28% of the total national residential property value
- **Private-sector sentiment is generally positive**, with investors attracted by the province's political stability, tourism appeal, proactive development policies and economic diversification
- However, **investor sentiment is dampened by national policy uncertainty**

Western Cape Commercial Property Sector

Office market

- The rise of **hybrid work models** is changing office space requirements (smaller, high-quality, flexible spaces with premium amenities are preferred)
- Demand is driven by tech and finance firms relocating or expanding in CT
- Leading to the **reconfiguration of existing properties** and the re-imagining of underutilized spaces
- Suburban and decentralized locations are gaining popularity due to shorter commutes and lower costs, shifting demand away from traditional CBDs
- Decentralized **Grade-A vacancy is around 10–12% & improving** (JHB 15-18%)
- Stellenbosch & Garden Route have relatively modest office stock
- **Sustainability** is a growing factor: certified “green” buildings in Cape Town and Stellenbosch enjoy higher occupancy

Western Cape Commercial Property Sector

Retail/hospitality

- **Tourism is key** - V&A Waterfront and city malls have very low vacancies (6–8%)
- Despite e-commerce growth, **key retail corridors remain busy**
- Demand for **guest lodges, restaurants and boutique shops** remains high
- **Limited availability** of quality commercial space is pushing up rental prices (barrier to entry for SME's and new entrants)

Western Cape Commercial Property Sector

Industrial

- **WC is a logistics hub** – driven by e-commerce and port activities (CPT & Saldanha)
- Industrial demand is high with **extremely low vacancy** (~3–5%) in key precincts
- Industrial rents (per 500m²) in Cape Town experienced **~9% growth in 2024**
- Industrial construction is focused on **large logistics parks** to serve the Cape's e-tail economy...also includes facilities for associated **data centres & distribution centres**
- Despite strong fundamentals in the Western Cape, **overall business confidence** among commercial property practitioners remains **cautious**, reflecting concerns about the broader economic policies and the direction of the national economy

Western Cape Residential Property Sector

- Thriving residential market with **high demand** driven by population growth, student housing needs (especially in Stellenbosch), and semigration
- WC accounts for nearly **30%** of national residential property value (**Cape Town** accounts for about 21% of national housing value & 75% of WC GVA)
- WC market **consistently outperforms** most other regions - driven by political stability, strong governance and a diversified economy
 - House prices: **+35.5%** (2019–2024) – dwarfing Gauteng's +16.4%
- Future catalysts such as the new **Cape Winelands International Airport** and a planned new university campus (Stadio, due 2026) expected to stimulate further housing and commercial growth well beyond Stellenbosch's current boundaries

Western Cape Residential Property Sector

- ~**14%** of home loans applications during 2024 were **buy-to-let investors**
- Demand for student housing also driving **sectional title sales** in Stellenbosch (70% sectional title sales – new apartments – to serve student accommodation)
- **‘Semigration’** to coastal and scenic towns – especially the Garden Route & West Coast – have accelerated (post-Covid remote working, lifestyle, etc)
 - **Elands Bay** experienced price surges of 213% in past decade (Yzerfontein, St Helena Bay, Paternoster, Knysna, Plett show similar trends)
 - **Rising demand for lock-up-and-go apartments** (sectional title units with low maintenance, good security & rental income opportunities)

Western Cape Property Sector Challenges

- Demand is high, however, supply has lagged: **building-plan approvals and completions have dropped considerably** – pushing up rents and prices sharply
- Property redevelopment in inner Cape Town is sometimes delayed by **zoning or heritage constraints**
- **Stringent environmental regulations** (especially along coasts and wine districts) can slow approvals. Density proposals often face local resistance
- **Tenant risk** remains a concern – evictions are costly and time-consuming!
- Issues such as **land invasions** have drained close to R1bn from public housing projects since 2019 , constraining supply of low-cost homes
- **Crime and extortion** placing additional pressure on developers

Western Cape Property Sector Challenges

- **Infrastructure deficits** (e.g. road congestion, water & energy supply limits) coupled with perceived high municipal rates are constraining investor appetite
- **Load-shedding** remains an intermittent risk to both households and businesses
- **High interest rates** and tight mortgage criteria have dampened sales but increased rental demand
- **Slow GDP growth and high inflation** limit household affordability – coupled with a dismal exchange rate, potentially encourages higher proportion of foreign ownership
- **Unregulated, foreign-owned AirBnB's** can drastically reduce appeal in high-end neighbourhoods
- Reduced appeal in smaller **municipalities with political instability**
- **Regulatory uncertainty** - National debates on land reform is affecting investor sentiment (e.g. Expropriation Without Compensation)



Thank you!