



property
market report

APRIL 2024

SOMERSET WEST AND STELLENBOSCH, WESTERN CAPE

 **rainmaker**
MARKETING

in this report

WE ARE FORTUNATE TO HAVE DEVELOPED A SIGNIFICANT FOOTPRINT IN THE WESTERN CAPE. OUR QUARTERLY MARKET REPORTS ARE GEARED AT PROVIDING YOU WITH MEANINGFUL INSIGHTS INTO DIFFERENT AREAS WITHIN THE COUNTRY. FOR THIS REPORT WE HAVE ZONED INTO THE AREAS OF STELLENBOSCH AND SOMERSET WEST IN ORDER TO UNPACK THE FUNDAMENTALS OF THE BROADER AREA.

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STEFAN BOTHA DIRECTOR



It is a fact that the Western Cape enjoys the lion's share of semigration and has to cater to that shift in the market needs. The province has benefitted from local and international investment and has differentiated itself through service delivery, lower unemployment, business growth, approach to energy efficiencies and medical and educational offerings.



With so much movement into the Western Cape, our team explored various factors contributing to regional growth, building plan activity and conducted a statistical analysis. By considering factors like demographics, infrastructure, amenities, and economic indicators, we identified Somerset West and Stellenbosch as two high-potential growth areas.



BRENDA PADAYACHEE HEAD OF MARKET RESEARCH



“

Somerset West and Stellenbosch are notable growth nodes in greater Cape Town, and their pronounced development and expansion in recent years are evident of the desirable Winelands lifestyle these areas offer.

semigration within *South Africa*

Semigration is when individuals or families move from one part of the country to another. This can involve moving within a province or to another province.

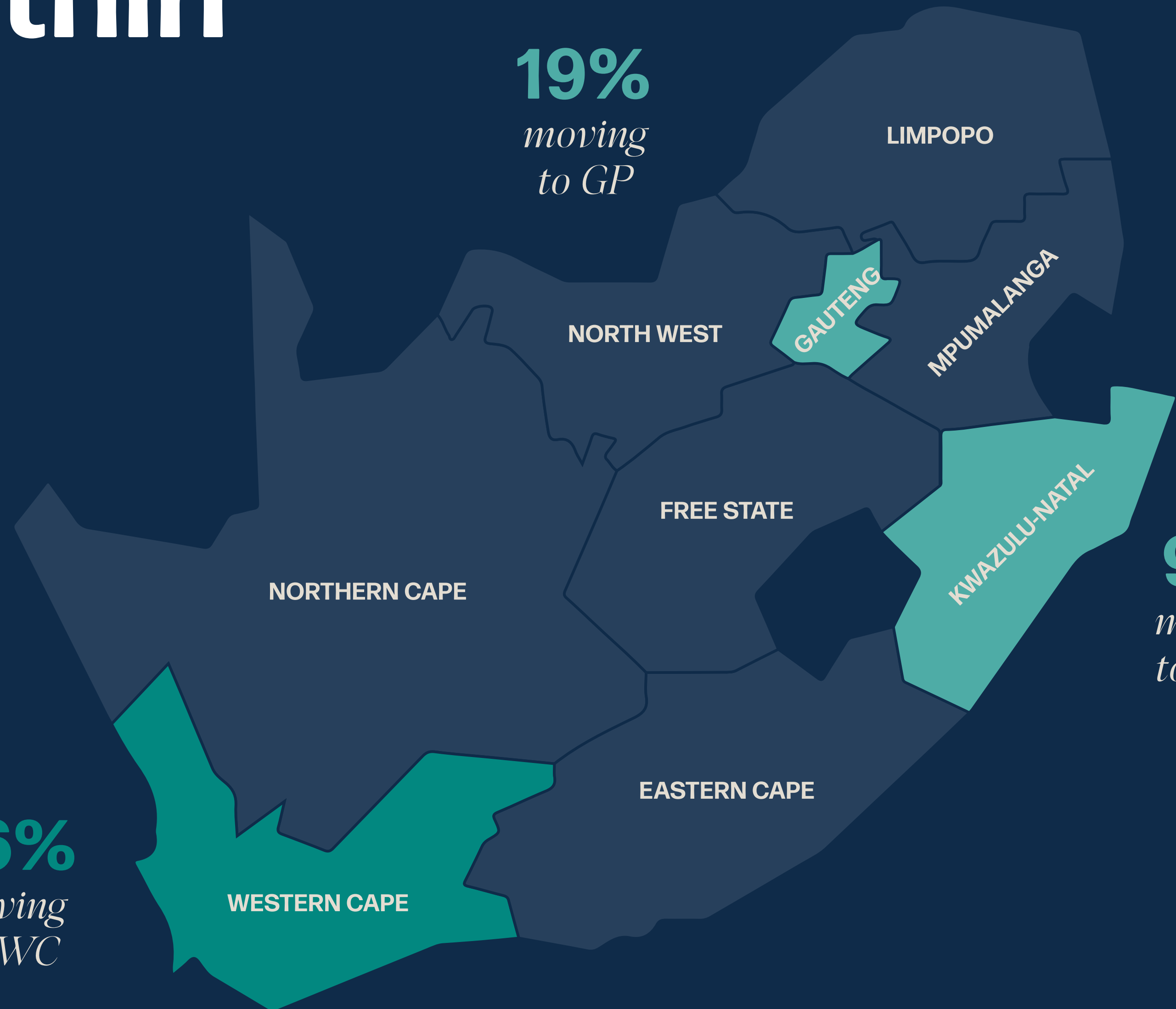
Quality of living, security, seamless travelling routes, infrastructure, municipalities and utilities, as well as the cost of living are all contributing factors to why individuals, families and businesses choose to move. As areas experience explosive shifts in population, the economies change and face challenges and opportunities.

The Western Cape (WC) is the most popular province in South Africa for semigration, achieving the majority share of the semigration trend. There has been a consistent increase over the years from 31% in 2020 to 46% by 2023.

46%
moving to WC

19%
moving to GP

9%
moving to KZN





Infrastructure in *the Western Cape*

The desirable infrastructure and amenities that are drawing people to the Western Cape include:

EFFICIENT SERVICE DELIVERY (MUNICIPAL & UTILITIES)

According to the Municipal Economic Review & Outlook 2023 (MERO), the portion of the Western Cape population that have access to facilities are as follows;

99,4%
Water

97,9%
Waste removal

96,6%
Electricity

95,2%
Improved sanitation

41 of 257 of South Africa's municipalities received clean audits according to The Auditor-General and 22 of those 41 are within Western Cape.

LOWER LOAD SHEDDING STAGES

- Cape Town city aims to protect customers by up to 4 stages of Eskom's load shedding over the next 3 years (2024-2026) by implementing various initiatives, including buying power on the open market, paying businesses and residents to sell power back to the city and utilising solar farms and gas projects.
- Steenbras Pumped Storage Plant (Hydro-Electric Pumped Power Station) was the first in Africa, in 2019, to be refurbished to provide auxiliary support.



LOWER UNEMPLOYMENT RATES

The Western Cape's unemployment rate is **13%** below the national average of **32%** (Q3, 2023).

EXCELLENT EDUCATIONAL INSTITUTIONS

Home to an array of both private and public schools, as well as tertiary institutions.

ECONOMIC OPPORTUNITIES

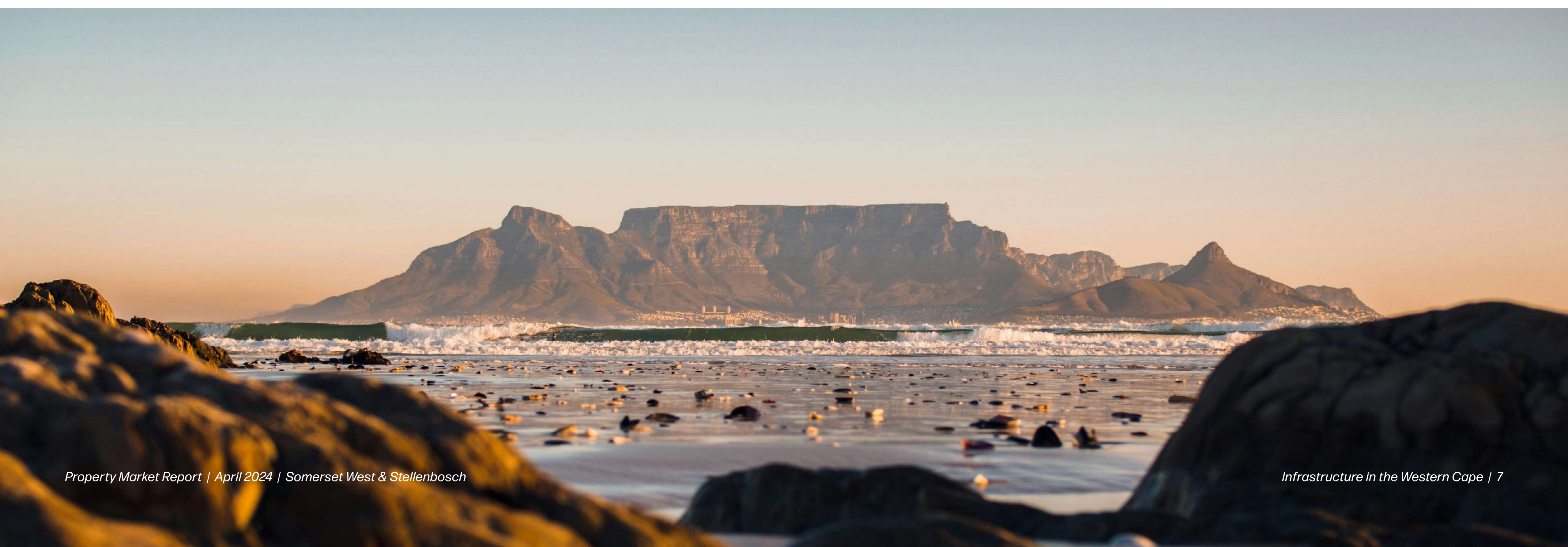
The positive effect on the commercial sector shows that Cape Town's office market outpaces Johannesburg's.

WORLD-CLASS MEDICAL FACILITIES

Groote Schuur Hospital is the iconic location of where the first heart transplant took place.

BETTER-MAINTAINED INFRASTRUCTURE

Cape Town has a **R120 Bn** infrastructure investment over the next 10 years.






10-YEAR PLAN: R120 BN INFRASTRUCTURE INVESTMENT

Cape Town is expected to become South Africa's most populous city - projected **5 MILLION PEOPLE**


Creation of  **±135 000 JOBS** over 3 years 


R21 BILLION designated to new "Urban Mobility" projects planned along major corridors

ADDING 650MW in independent power to the grid by 2026/27 to protect against load shedding (aiming for 1GW in the future)

R5.8 BILLION to alleviate congestion on roads with relief projects 

R43 BILLION  in infrastructure

42% of the budget will go to upgrades to 7 wastewater works, improving water and sanitation 

New Water Programme aims to add **300 MILLION LITRES** of water per day by 2030 

R55.5 BILLION will go to climate change resilience

Land released for affordable housing to create +1 500 social housing units within a total of  **3 300 UNITS**

regional *economic outlook*

Statistics South Africa confirms that the Western Cape has moved in provincial rankings, advancing from the 5th largest in 1996 to the 3rd largest province by 2022. The Western Cape economy is expected to expand by 1.9% in 2024. Currently, the stat is being misinterpreted. The economic sector and economic growth is two different things. The region's tourism sector has shown remarkable growth with a **322% surge** in international tourists in 2022, maintaining a positive trajectory into 2024.

Record-breaking numbers were seen in December 2023, with over 317 000 two-way international passengers - which is the highest monthly total ever recorded. This influx of foreign passengers contributed an estimated R1.9 Bn in direct tourism spending to the Western Cape economy, with total two-way international passenger numbers for 2023 exceeding 2.8 Million.



building plans *activity*

Statistics South Africa shares insights into the building activities in the Western Cape, revealing that the building plans passed far exceed the country's average, and that the buildings completed are the highest in South Africa. **For every five buildings completed in South Africa between 2022 and 2023, two of these are within the Western Cape.**



WC building plans passed: R35 Bn

- This amount surpasses SA (including within Gauteng)
- Exceeding plans passed in the Eastern Cape, Northern Cape, Free State, North West, Mpumalanga and Limpopo combined, equating to R23.6 Bn altogether

WC buildings completed: R25 Bn

- Highest in SA at 40%
- Surpassing Gauteng which achieved R21.5 Bn

WC building plans passed: R30 Bn

- Exceeding plans passed in the Eastern Cape, Northern Cape, Free State, North West, Mpumalanga and Limpopo combined, equating to R25 Bn altogether

WC buildings completed: R25 Bn

- Highest in SA at 40%
- Surpassing Gauteng which achieved R20 Bn

Western Cape *property market*

According to BetterBond Property Brief (March 2023), the top 'value for money' areas are within the Western Cape, KwaZulu-Natal, Free State and North-western parts of Johannesburg. In the 4th quarter of 2023, the lower-priced segments within the Western Cape demonstrated a stronger performance, with the trend of buying-down causing supply shortages. Conversely, high-value markets, especially along the Western Cape's coastline, experienced a normalisation trend. The high-value segments benefited from semigration support but saw a return to typical market conditions.

10% increase in property prices
from Aug 2022 – Aug 2023

PROPORTION OF SALES FROM R100 000 – R20 M (2019 - 2023):

Western Cape's sales share increased from 23% to 27% across South Africa

Relative increase in sales activity across 170 towns in South Africa

77 (45%)

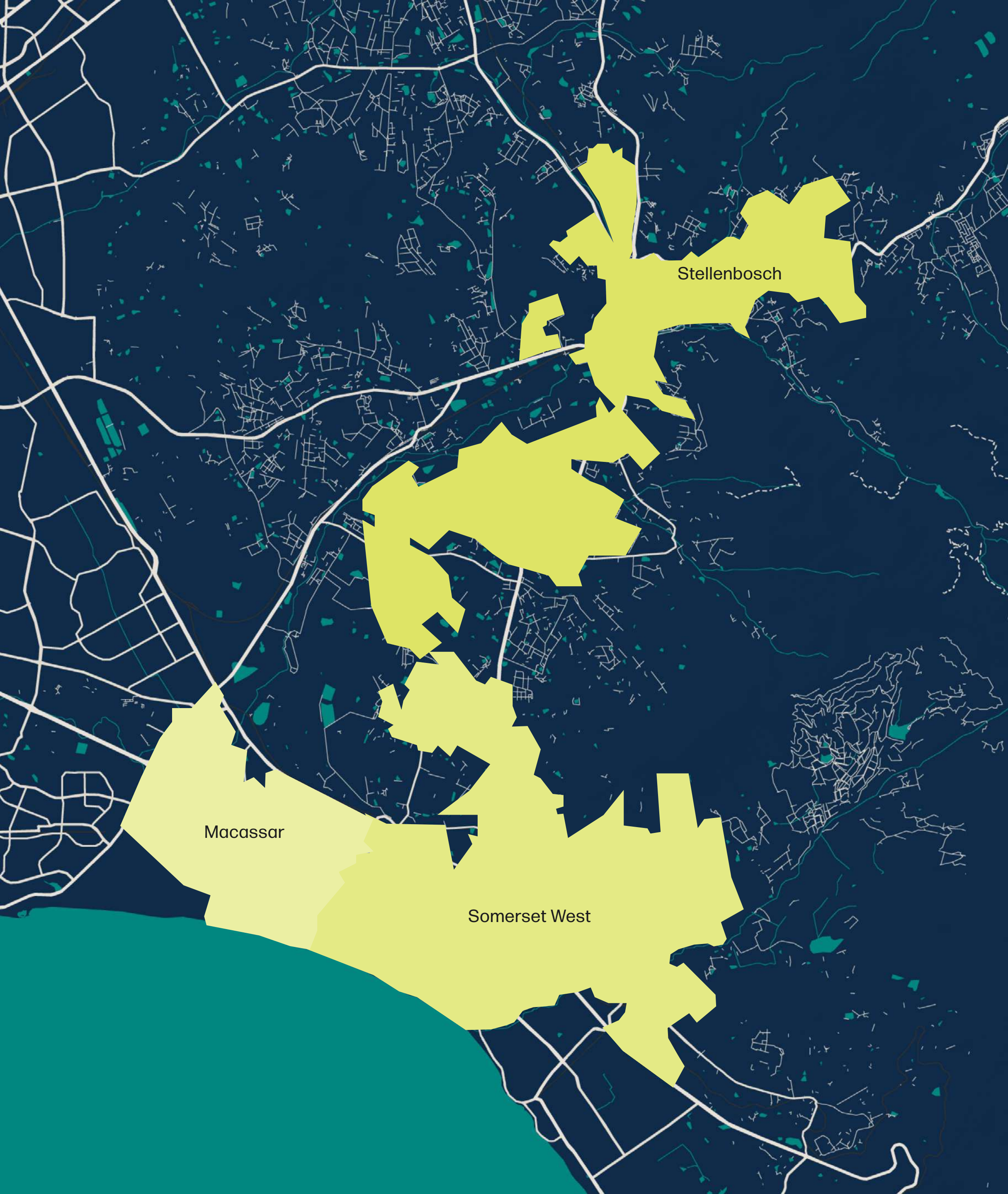
Western Cape

22 (13%)

KwaZulu-Natal

3 (2%)

Gauteng



Somerset West* *and Stellenbosch*

Stellenbosch is located ± 50 km from Cape Town and bordered by major routes such as the N1 and N2. This area is the second oldest town in South Africa and celebrates being the cradle of the first wine route in South Africa. Home to diverse architectural heritage and cultures, the University of Stellenbosch further enriches the town. Somerset West is nestled between the Helderberg Mountains, Cape Winelands and False Bay. The area is conveniently located 30 minutes from Cape Town and the international airport. A region known for its golfing, hiking, fine dining, large German population and its educational excellence.

Significant infrastructure development is positioning these areas for greater growth. For example, construction is set to commence in 2025, pending EIA approval, on the Cape Winelands Airport expansion. Estimated at R7.7 Bn, this project aims for a 2027 operational start. The Cape Winelands Airport is anticipated to double the annual passenger capacity to 20 Million by 2050, including 2 Million international and 3 Million domestic travellers. Approximately 58 000 jobs will be created and therefore these areas will enjoy a significant boost to regional tourism and business.

**Note: Somerset West includes the area of Macassar*

adult *population growth*

With 233* adults moving into these combined areas, this equates to approximately 93** families per month.

Breakdown:

- Stellenbosch: 103* adults per month, which equates to 41** families
- Somerset West: 29* adults per month, which equates to 12** families
- Macassar: 100* adults per month, which equates to 40** families

Recent Market Research studies conducted by Rainmaker Marketing indicates that of those moving into Stellenbosch, 60% are from within Western Cape itself. Somerset West sees a larger portion of those moving into the area with 75% of those moving to the area being within the Western Cape. Both areas also have a significant portion coming from Gauteng, followed by KwaZulu-Natal and the rest of South Africa.

*Total increase is divided by 144 months **Based on a ratio of 2.5

While Macassar forms part of greater Somerset West, it is still identified as a town of its own, and that is why we have included it separately in this report.



average monthly household income

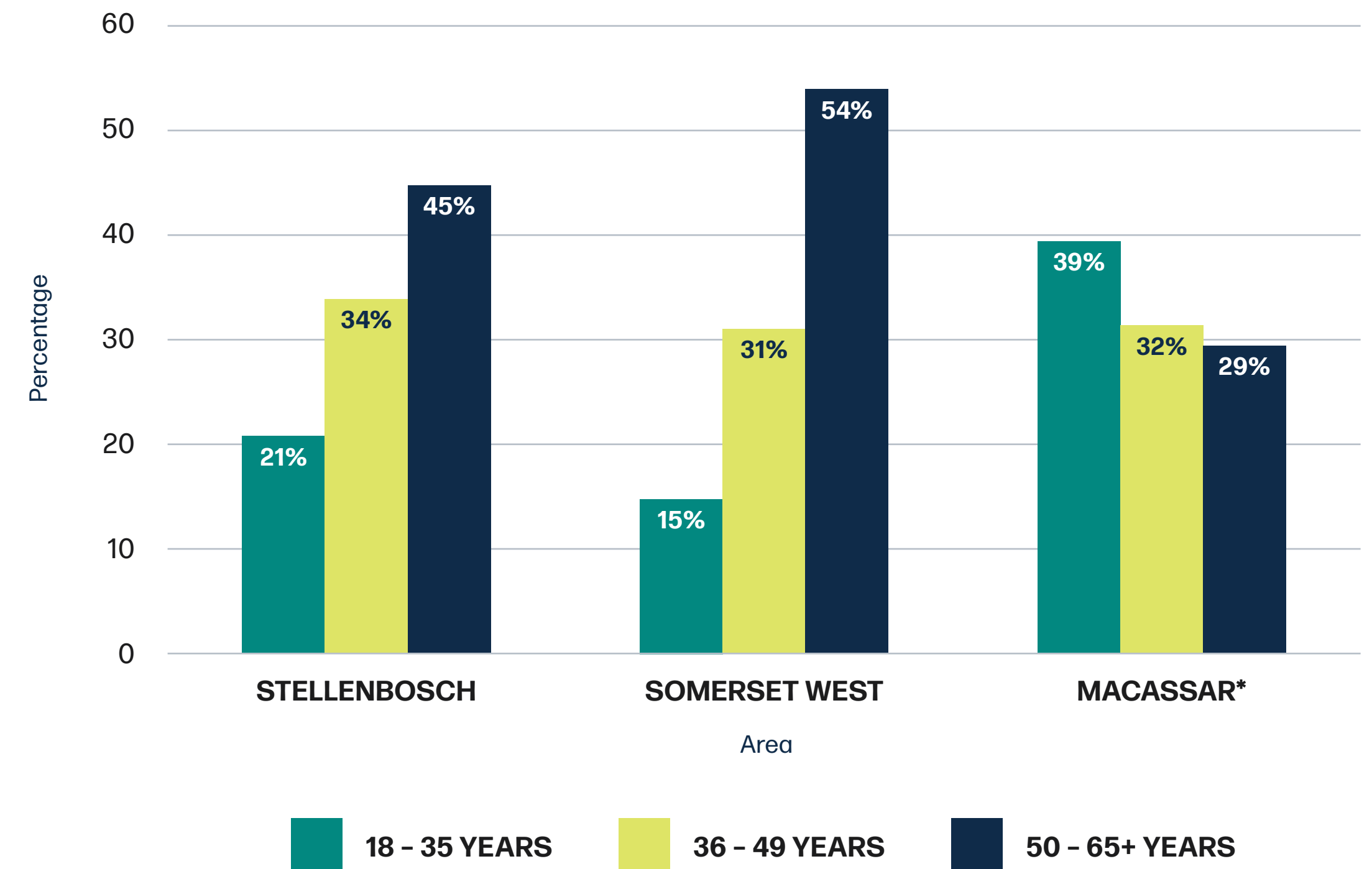
Since Nov 2021 to Dec 2023, there has been an average increase in household incomes of 31% in Stellenbosch, 8% in Somerset West and 45% in Macassar, indicating a consistent enhancement in living standards.



recent *buyer activity*

Somerset West and Stellenbosch have a higher 50 - 65+ year old buyer market, due to quality medical, estate living, and mature living suitability. Whereas Macassar has experienced a higher buyer profile from those below 35 years and 36 - 49 years, due to quality education, estate living, and family amenities.

JANUARY TO DECEMBER 2023



market *stock*



STELLENBOSCH

Overall stock increased by 18% from 15 755 (2021) to 18 578 (2023).

- 68% are Freehold Homes (FH) and 32% are Sectional Title (ST) stock.
 - 20% of these homes are within estates.
- Since 2021, ST stock in the area and ST within estates increased by 27% and 26%, respectively.
 - ST's are largely driven by sales in developments like Banghoek, Edge and Nuutgevonden Estate. Newer developments have sold, but have not transferred yet, and therefore are not reflected in these figures.
- Since 2021, FH stock has increased by 17%.

SOMERSET WEST

Overall stock has increased by 6% from 20 320 (2021) to 21 457 (2023).

- 73% are FH and 27% are ST stock.
 - 35% of these homes are within estates.
- Since 2021, ST stock has increased by 11%.
 - Largely driven by transactions in Helderberg Village, Paardevlei Retirement Estate, Somerset Gardens, Somerset Links, Somerset Place and The Jade.
- Since 2021, FH stock in estates has increased by 10%.
- Since 2020, Macassar's ST stock and ST opportunities within estates increased by 82% and 1,266%, respectively.
 - Macassar's increase is driven by sales in The Huntsman, Sitari Country Estate, Acorn Creek and Acrewood.

estate sales

TOTAL SALES IN ESTATES VS OUT OF ESTATES

STELLENBOSCH

Sectional Title (ST)

Over Jan - Dec 2023, the average ST unit price in an estate exceeded those out of an estate

by 12%

Predominant prices for ST sales are between **R800 000 - R1.5M** (42% of sales) and **R1.5M - R3M** (47% of sales).

Freehold Homes (FH)

Average price of a FH in an estate exceeded a home out of an estate

by 35%

Predominant price for FH sales within an estate are between **R3M - R5M** (56% of sales).

SOMERSET WEST

Sectional Title (ST)

Over Jan - Dec 2023, the average ST unit price in an estate exceeded those out of an estate

by 151%

Predominant price for ST sales are between **R800 000 - R1.5M** (41% of sales) and **R1.5M - R3M** (42% of sales).

Freehold Homes (FH)

Average price of a FH in an estate exceeded a home out of an estate

by 7%

Predominant price for FH sales within estates are between **R3M - R5M** (54% of sales).

MACASSAR

Sectional Title (ST)

Over Jan - Dec 2023, the average ST unit price in an estate exceeded those out of an estate

by 29%

Predominant price for ST in estates are between **R1.5M - R3M** (75% of sales).

Freehold Homes (FH)

Average price of a FH in an estate exceeded a home out of an estate

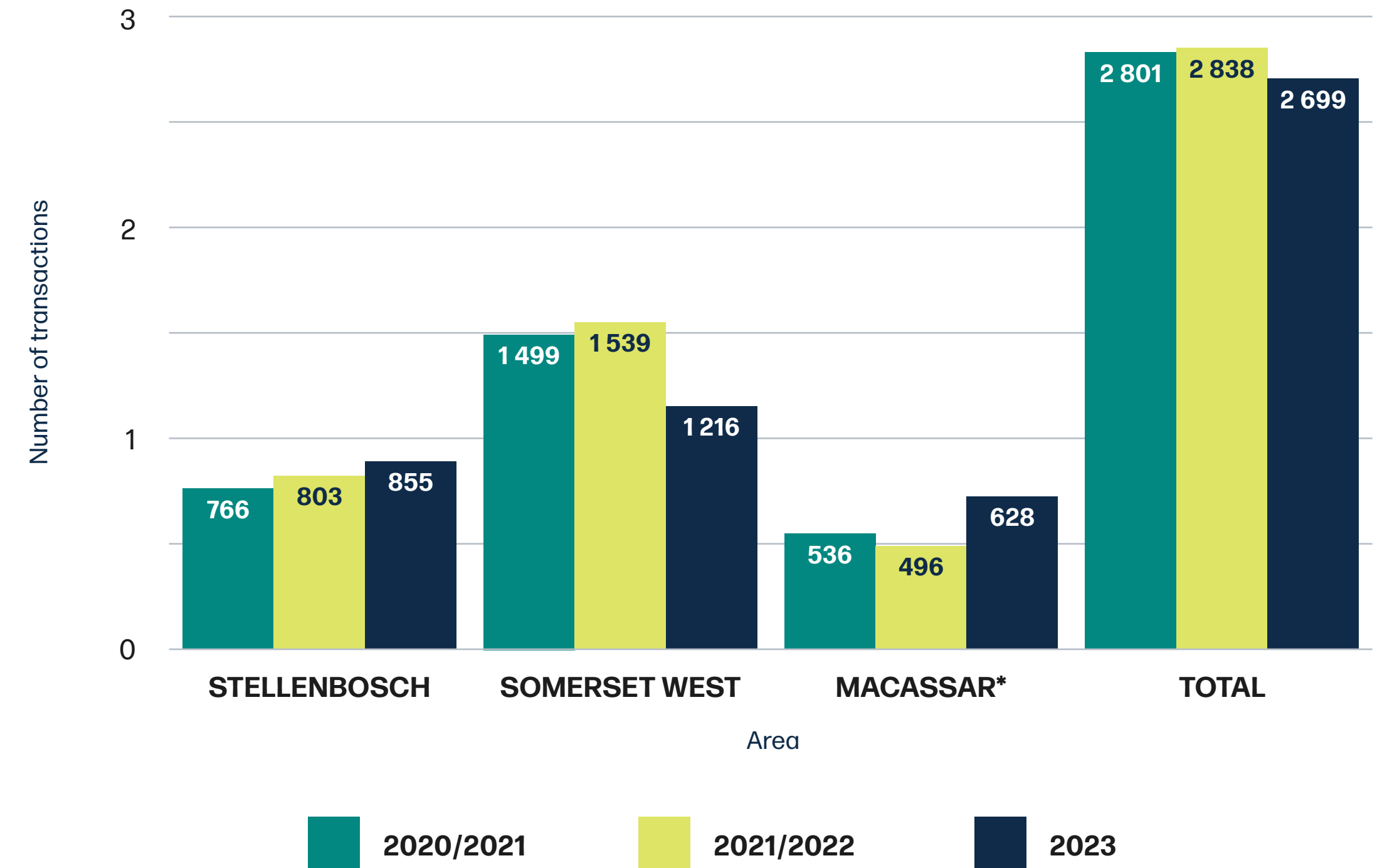
by 427%

Predominant price for FH sales within an estate are between **R3M - R5M** (83% of sales).

year-on-year *sales performance*

Somerset West has achieved a higher total volume of all property transactions compared to Stellenbosch and Macassar, with 2023 showing a 361 (Stellenbosch) and 588 (Macassar) higher volume.

**TOTAL VOLUME OF ALL PROPERTY TRANSACTIONS
(INCL. SECTIONAL TITLE, FREEHOLD HOMES & VACANT LAND)**



property *transactions*

Stellenbosch has consistently increased in total volume and value of sales, whereas Somerset West had its best year in 2021/2022 for both. Macassar had its best performing year in 2023 for both volume and value.

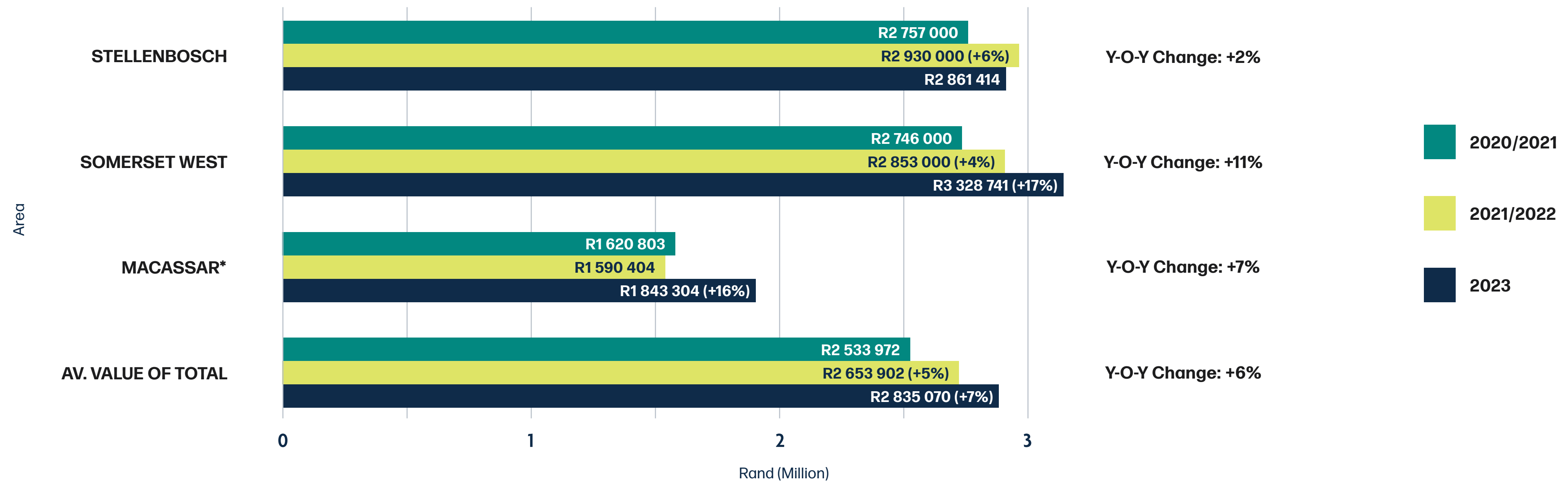
**TOTAL VALUE OF ALL PROPERTY TRANSACTIONS
(INCL. SECTIONAL TITLE, FREEHOLD HOMES & VACANT LAND)**



average *value per sale*

Somerset West has achieved a consistent increase in its average value per sale, which increased by 17% in 2023, whilst the average value per sale also increased by 16% within Macassar in 2023. Although the total volume of transactions across the greater area has experienced a decline, total rand value and average rand value per sale has increased.

**AVERAGE RAND VALUE PER SALE FOR ALL PROPERTY TRANSACTIONS
(INCL. SECTIONAL TITLE, FREEHOLD HOMES & VACANT LAND)**

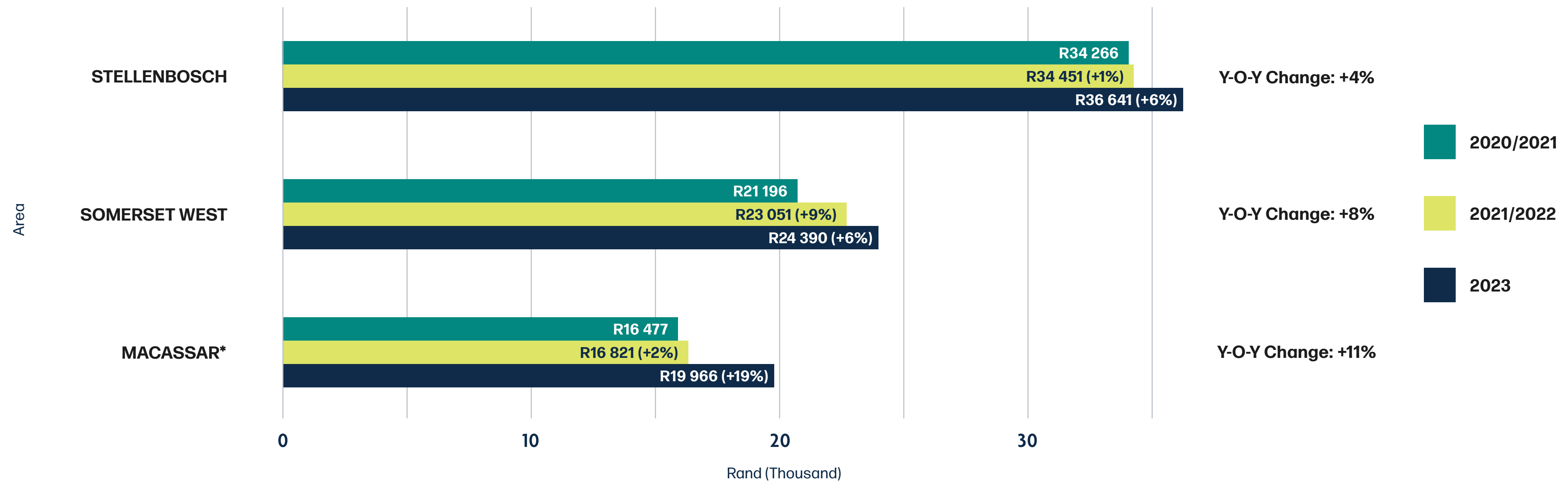


sectional title

price per square meter

All towns have achieved a consistent increase in Sectional Title price p/m² over the 3-year period, with Macassar increasing by 19% in 2023. Stellenbosch achieved a price p/m² premium of between 50% - 62% (average 54%) over Somerset West over the same period.

PERFORMANCE OF SECTIONAL TITLE PRICE P/M² ACROSS THE GREATER AREA





investment in *the Western Cape*

FACTORS THAT WE BELIEVE WILL SUSTAIN INVESTMENT WITHIN THE WESTERN CAPE

- *Good municipal governances.*
- *The development of the Wineland Airport and the ongoing creation of employment through property development.*
- *Responsible spending on infrastructure, public transport, energy and services like water and sewerage.*
- *Attractive opportunities for international investment in the form of growing locations in the Western Cape, securing office space and employing locals, which in turn will also stimulate residential developments.*

key highlights *from the report*



BUILDING ACTIVITY:

For every **five**  buildings completed in South Africa between 2022 and 2023, two of these are within the **Western Cape.**

SEMIGRATION:

Western Cape is the most **popular province** for semigration and has seen a consistent increase over the years from 31% in 2020 to **46% % % by 2023.**

BUYERS:

Somerset West and Stellenbosch have a higher buyer market ranging from **50 – 65+ year old** due to quality medical, estate living, and mature living suitability. 

SALES:


In Stellenbosch, **89% of ST sales** were below R3m and in Somerset West, **83% of ST sales** were below R3m.

SECTIONAL TITLE:

Although the volume in sales within Somerset West was on average 77% higher, Stellenbosch averaged a **54% higher** price per square meter. 



our predictions *for the year ahead*

1 **Market Sentiment:**

We believe that we have reached the peak of our interest rate cycle and that we hope to see interest rates decreasing in the 3rd quarter of 2024. We expect this to improve sentiment and to stimulate the market which will result in higher sales volume in both Stellenbosch and Somerset West for 2024.

2 **Infrastructural Impact:**

The planned Cape Winelands Airport expansion and broader infrastructure investments in the Western Cape promise to bolster the region's economy, connectivity, and desirability.

One of the key driving factors for those relocating to the Cape is the allure of better-maintained infrastructure. With an estimated investment of R120 billion by the City of Cape Town, this infrastructure overhaul is poised to not only draw an influx of people into the area, but to also create massive employment opportunities, with an estimated 135,000 jobs expected over three years alone.

Additionally, the Cape Winelands Airport expansion, estimated at R7.7 billion, is set to play a pivotal role in the region's ongoing development.

3 Property Development Trends:

National and international trends which will influence these areas are:

Sustained demand for Sectional Title properties: Particularly those within estates, with buyers prioritising price and security over size.

Mixed-use Developments: Walkable neighbourhoods where residents can live, work, and play. Combining residential, commercial, retail, and leisure within a single development. This may include residential areas with ground-floor retail, office complexes, medical suites, restaurant and entertainment options, or urban villages combining housing with parks and community facilities.

Technology Integration: Smart home systems, high-speed internet connectivity, and advanced security features are now becoming standard offerings in modern properties. These include smart lighting and temperature control systems, keyless entry systems, and integrated home automation platforms. We are seeing this evolving further into how rentals are collected, units are snagged and communities are managed.

Wellness Amenities: As the importance of health and well-being grows, expect to see more properties offering wellness-focused amenities such as bespoke fitness centres, yoga studios, spas, and outdoor recreation areas. We will also see the introduction of Artificial Intelligence to provide proactive care measures within estates.

4 Sustainability:

Back-up power and solar ready units will be viewed as the norm. More developers will enforce sustainable designs, energy-efficient systems and water-saving measures. Developers will also promote more environmentally friendly practices throughout their resident communities that also allow residents to reduce their monthly consumption costs.

We will also see more green bonds offered by banks where buyers get preferential interest rates based on investing into environmentally friendly developments.





STELLENBOSCH

Given its robust educational and tourism sectors, Stellenbosch appears to enjoy a more resilient local economy than many other regions. This resilience paints a cautiously optimistic picture for its real estate market, provided that the university continues to draw students and the area maintains its allure as a tourist hotspot.

Stellenbosch ST Transfers for 2023 reflects the following:

70% of sales transfers were at Student Residences.

Its singular charm could spur accelerated growth in specific real estate segments, such as student housing and high-end properties, contingent upon sustained demand and investment in these sectors. Moreover, advancements in infrastructure and public amenities have the potential to augment the area's appeal to a wider spectrum of prospective buyers.

The town's popularity as a lifestyle and retirement destination can also contribute to rising prices, especially in residential sectors catering to more affluent buyers.



SOMERSET WEST

There is a continuous expansion of urban perimeters with developments situated on the fringes of Somerset West, having garnered significant attention for their diverse lifestyle amenities. Although amenities and educational institutions within lifestyle estates isn't as prevalent in the Western Cape as it is in other regions, the notable shift in this trend is due to the continued evolving consumer preferences.

Somerset West has long been characterised by a stable, mature resident demographic, however, a noticeable influx of younger buyers continues to change the demographics drawn to Somerset West's scenic Winelands setting. It not only underscores Somerset West's enduring appeal as a secure long-term investment, but the importance for sellers to tailor their product to resonate with a younger audience.



thank you

The statistics used were sourced from Lightstone data, with the interpretation and analysis carried out by the market research division of Rainmaker Marketing.

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