

Economic Growth to Steady Property Market

The outlook for the South African property market this year is essentially one of stability. Normal supply and demand will prevail, with the “usual suspects” such as business patterns, changes in family needs and aspirations dictating demand and supply.

In other words, the speculative/investment element that drove the market to dizzy heights three years ago will remain absent, although we have seen the first signs of revival in this respect. However, delve a little deeper into the economic fundamentals and there's every reason to expect the market to begin recovering in the latter half of 2009.

The numbers tell the story. Public sector spending in 2009 on roads, rail facilities and ports, amounting to about R180 billion, will prime the economic pumps.

World Cup spending is only 5% of this and the Gautrain 2%, so there's unlikely to be a post-2010 hangover, suggesting that the property market will continue a steady climb out of the doldrums over the coming years.

Better off

While other large economies are faced with recession, South Africa is still forecasting growth of 3.25% for 2008 and 2.75% for 2009. Subtract real population growth of 1.25% and South Africa is still marginally better off than its major trading partners.

In nearly all other measures, the country has performed well in recent years and, notwithstanding much political posturing, the lives of millions of South Africans have improved by virtue of 2.6 million new houses built, with water, sanitation and electricity delivery much improved, which bodes well for social stability.

There are still plenty of problems, primarily those of crime and corruption and the need for growth in human capital skills, but the bottom line is that if one looks through the fog of self-interest and misinformation, South Africa is still in pretty good shape - and that, of course, bodes well for property.

My prediction for 2009 is that of a steady property market with a modest increase in values and sales volumes, accompanied by the start of a period of declining interest rates and renewed attention on property as a wealth creator.