

Property and Economy Not Strong Yet

The fact that the economy took a marked upward swing in the second quarter of this year (growing quarter on quarter by 4,9% after the first quarter's growth of only 2,1%) should not be taken as an indication that we are now into a strong economic period.

"All of us in the residential sector have been watching the economic indicators closely because it is an historic fact that an upturn in the economy ushers in a rise in property prices and, while we all desperately want that, it is still, in my view, not yet here," says Tony Clarke, managing director of Rawson Properties.

Clarke said the improved second quarter growth figures had to be seen in comparison with those of the first quarter, in which mining and manufacturing had been hard hit by power shortages and the exceptionally high fuel prices.

In the second quarter, he said, power supplies had been more constant and fuel prices had at last shown signs of easing, while prices in the agricultural sector had been boosted by the sudden upturn in global prices worldwide. Although this is unlikely to be a permanent phenomenon, he said, low food prices are now a thing of the past.

"While the second quarter upturn was welcome, weaker growth is now expected throughout the second half of this year. Industries serving the consumer market, the financial sector and, of course, real estate development will continue to operate at well below their 2007 peaks. Even those who had done quite well on the back of the weaker rand will in the coming half year feel the effects of significantly reduced commodity demands."

So - when does Clarke see the residential sector improving?

"I remain very positive. We have recently publicly said that with interest rates likely to be stable from now on, the residential sector is set to bottom out. My own belief is that prices will cease to fall within the next two or three months and that by January real growth will creep back into the market.

"Right now, we have seen a dramatic increase in market activity, up to 35% month on month. It is an exceptionally good time to buy for anyone looking to build up a useful buy-to-rent property portfolio in the residential sector."