

Municipalities Under Buyers' Scrutiny

Homebuyers are familiar with many of the factors to be taken into account when choosing a property, but a new one to emerge in SA is the financial health of the local authority.

In this respect, says Gerhard Kotzé, CEO of the ERA South Africa property group, a recent survey by well-known credit rating bureau Global Credit Ratings provides some fascinating pointers to which metros in the country are likely to do better than others in terms of service delivery and good management.

"The survey, the first comprehensive analysis of its kind of the country's 284 municipalities, resulted in the eThekweni (Durban) and Ekurhuleni (EastRand) metros being given the highest credit ratings.

"And while rankings such as these do have their detractors, the exercise does nonetheless provide useful guidelines for property investors and, for that matter, business investors, who are often the catalysts of a strong property market," he says.

Both the Ekurhuleni and eThekweni metros secured A1+ short-term ratings; higher than South Africa's BBB+ rating as a country.

"The implications of that for residents of these areas is that they live in financially sound municipalities where they can expect to benefit from better services and lower rates for electricity, water and local taxes," notes Kotzé.

"The survey indicates that these metros and another dozen or so that also achieved high scores, have the finances to maintain and repair basic infrastructure and to invest in new capital projects, which in turn translate into better service delivery and growth of the micro economy.

"Importantly for the property market at large, the survey also shows that the bigger metros are getting their financial affairs in order after a very dubious start following the 1994 elections."

Ekurhuleni and eThekweni, says Kotzé, stand out as having made significant progress on these fronts and there are many other metros that have also done a good job.

"But of course there are also those that really need to clean up their act if they hope to bring themselves in line with the leadership of the better performing metros – and to attract new ratepayers."