

SA commercial property 'only slightly scathed'

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Property Editor

IT APPEARS that the South African commercial property market may emerge from the global downturn slightly battered but relatively unscathed compared with other markets.

According to the South African Property Owners Association Property Market Trends report, while local commercial property was not immune to the forces applied from global financial markets and recession, yields softened over the year by only 25 basis points. But this negative effect on capital growth was offset by continuing income growth.

The net result was a marginally positive 0,3% capital growth, underpinned by a steady, strong income return of 8,4%. Although South African property returns declined for the second year in a row, marginally positive capital growth was achieved in a market with weakened fundamentals.

Grindrod Bank chief investment officer Ian Anderson said yesterday that recent comments from the senior

management of some of the world's largest listed property companies suggested the worst of the crisis was behind the sector.

The outlook for the South African listed property sector is fairly positive as total returns are expected to be in the region of 10%-20% for this year with 8,5% of that being income returns.

Mr Anderson said the good news for the sector was that rental levels had stabilised, property values had started rising again, albeit slowly, and accessing capital for growth was proving easier and less costly.

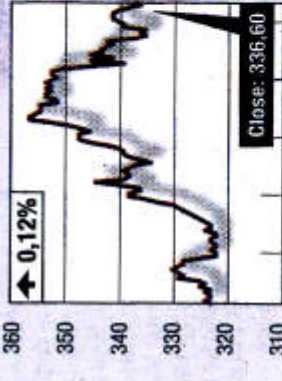
"Importantly, last year also weeded out the weaker operators and the global listed property sector is now characterised by experienced management teams, superior quality property portfolios and strong balance sheets."

Rental levels were also expected to rise next year and accelerate thereafter as the global economic recovery gathers momentum. Limited supply of new space was expected to play its part in driving rentals higher.

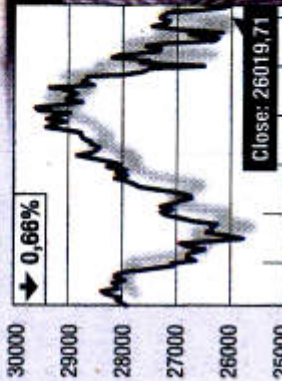
Rodney Luntz, MD of Lew Geffen

LISTED PROPERTY WILL CONTINUE TO DELIVER

JSE South African listed property index, daily close



JSE all share index, daily close



Graphic: FLESH-SAY Source: I-HET BROUKE



IAN ANDERSON

Sotheby's International Realty Commercial Investment Property, said the South African property market was in far better shape than its international counterparts.

"SA produced the highest nominal returns of all countries measured by the Investment Property Databank," Mr Luntz said.

"So all in all we are not in bad shape. Going forward do not expect great excitement — growth is going to be very

slow but at least there should be growth," he said.

Investec Property head of research Kundayi Munzara said on the growth side, he expected property loan stocks and unit trusts to deliver 6%-8% distribution growth and 7%-9% on a 24-month view.

Mr Munzara said the listed property sector was "under-geared" at about 25%, so it was a relatively low-risk sector from a forecasting point of view.

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