

## **KwaZulu–Natal could be the place to invest in property**

KwaZulu–Natal is expected to have the best capital growth in its housing market.

Gauteng and the Western Cape may be the country's prominent property markets but don't underestimate the capital growth in KwaZulu–Natal (KZN).

This is the view of John Loos, property strategist at FNB.

He expects that, of the three major provinces, KZN would have the best capital growth in its formal housing market, over the long term.

"The poor rates of building completion support this view," he added.

KZN appears to have the biggest supply constraint of bringing new units to the market; this may have to do with land availability, which will ultimately affect price growth, reckoned Loos.

In the middle segment of the housing market, nominal house prices grew 19,8% in KZN last year. On a national level, price growth overall was 15,2% in 2006, said Jacques du Toit, Absa's senior economist

According to StatsSA, nearly 70 000 residential units were completed in 2006.

Loos explained that this is about 1% lower than the previous year, and represents the second successive year of very mild decline from a peak of 70 682 units completed in 2004, which was the height of the residential property boom.

Gauteng was by far the main driver of national building activity last year – it accounted for 48,4% of the total number of units completed. This was followed by the Western Cape's 24,6% share.

"The number of units completed in Gauteng grew by 23,4% and the Western Cape had a weaker year with 12,2% less completions", he added.

KZN continued to fare poorly, accounting for only 8,5% of national completions and experiencing a 27% drop, said Loos.

He explained that on a per capita basis, KZN is significantly poorer than the other two and its formal housing market is far smaller as a result.

“However,” he added, “the province has experienced long-term economic growth similar to the Western Cape”.

Loos maintained that the combination of demand growth and the coastline regaining significant tourism popularity, coupled with supply constraints was a “potential recipe for superior growth in KZN”.

Absa reported that the highest nominal price growth for 2006 was recorded in Mpumalanga (25,6%), while the Western Cape reported the lowest (13,5%). House prices in Gauteng rose by 15,2%.

Du Toit added that of the major metropolises, the Durban and Pinetown areas recorded the second highest nominal price growth of 17,8%. Bloemfontein was top of the list with 19,5% growth.