

## **South African Property Market Performances Robust**

South Africa's property market has consistently outperformed every other property market in the world for the past 13 years as house prices have increased by 456% over that period claims Peter Gilmour, chairman of RE/MAX.

Peter Gilmour says that the latest house price index published by The Economist in Britain shows that South Africa is the top-performing residential property market in the world followed by Australia where house prices have risen by 211% and Ireland where prices are up by 187% over the same period.

The SAPOA/IPD Property Index shows that commercial properties have delivered a total return of 8,7% in 2009, the highest nominal return of the 11 countries surveyed.

"The South African property market did not escape the ravages of the global recession but there is no doubt that it has emerged from the global crisis in much better shape than most other markets," says Gilmour.

He says that positive economic growth is expected in South Africa over the next 12 months with the reserve bank predicting that growth will be at least 3% and the economy grew by 4,6% in the first quarter and 3,2% in the second quarter.

Gilmour's positive sentiments come on the back of a further interest rate cut that has seen the prime lending rate fall to just 9,5% and the repo rate drop to 6%. John Loos, home loans strategist at FNB says that for the highly credit-driven property sector, an interest rate cut is almost always well received although some people believe that it should have been cut earlier this year.

He says the South African Reserve Bank has maintained its inflation target of between 3% and 6% and the most recent inflation data shows that it is staying within these boundaries at 3,7% even though the local economy remains relatively weak.

He warns that household indebtedness is still far too high at 78,4% although the ratio is down from about 83% at the beginning of 2008. Household credit growth has been accelerating in recent months.

His views are reflected in the private sector credit demand figures released by the South African Reserve Bank that showed credit demand was up 2,99% year-on-year in August. Standard Bank granted new mortgage loans worth R11,3-billion in August, a significant increase from the R5,1-billion in the previous month.

According to economist Shireen Darmalingam, consumers are aware that the stresses in the labour market might lead to more robust spending on credit. Of the 18,32-million credit-active consumers, 53,1% or 9,73-million people were classified by the National Credit Regulator as being in good standing at the end of the second quarter.

In the first quarter of this year there were 212,000 consumers with impaired credit

records and on an annual basis the number is even more sobering, having increased by 739,000.

Darmalingam says that the bleak outlook for employment in 2010 could create further pressure on households to make greater use of credit and this would increase the level of household indebtedness throughout the country.