

Where does South African property fit in?

Growth in developing countries has accelerated, driven by improved fundamentals.

This is the view that Hans Timmer, manager of the Global Trends Team for the World Bank in the Netherlands, presented at the fifth annual IPD/SAPOA property investment conference held from 14 to 16 November 2007 in Cape Town.

However, there is disagreement amongst South Africa's property players as to the extent that South Africa will be in line for capital inflows, taking into account its sizeable current account deficit, inflation risks and moderately slowing demand for stock.

According to property economist Francois Viruly of Viruly Consulting the latest figures he has seen suggest that South Africa makes up approximately 2% of the emerging market and 0,5% of it in terms of total investment stock around the world.

"Foreign investors are looking at emerging economies. So there's no reason why South Africa cannot pick up 2% to 3% of total foreign expenditure. That would be reasonable with China and India getting the greater proportion."

When it comes to how this expenditure will affect South Africa's property market, Viruly explains that the biggest issue in South Africa's property market is a shortage of stock. "I carry on believing that it's important to attract foreign investment. But the bigger issue is that

South Africa's property market is too small even for the existing players, meaning that they are looking elsewhere," he said.

According to BoE's Evan Robins "an arising tide lifts all boats".

"Even though South Africa may be low down on the list of money given to emerging markets, some of it must filter through," he said.

"Emerging market property is specifically strong so it should be beneficially affected as well as all other asset classes.

"To date, there has not been too much foreign interest, but that will change."

e-Prop's Marc Schneider pointed out that the one thing that wasn't clarified at the IPD/SAPOA conference was where South Africa fits into the global context from a property point of view.

"South Africa, an interesting composite of so many first and developed-world realities, has not been clearly demarcated in the developing economic spectrum of opportunity," he said.

"However, I do think South Africa will benefit as Africa becomes a more sought-after investment destination as it will be perceived as a conduit into Africa.

"What must also be kept in mind is that property is a down-the-line investment and response to economic realities and not a lead economic generator."