

Main threat to SA businesses in 2020 is uncertainty

 By [Karen Petersen](#)

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While South Africa's power crisis is reportedly costing the country up to R80bn a month, it is not loadshedding itself that is currently the biggest threat to the economy. The main threat or disruption to the business and supply chain of the country is actually uncertainty. Uncertainty about the power blackouts, uncertainty around industrial action, as well as uncertainty around key pieces of legislation. An uncertainty only fuels more uncertainty. No market likes uncertainty and the property market is no exception.



Karen Petersen, director: SADC Group: Urban

In his budget speech, finance minister Tito Mboweni did not make any provision whatsoever for expropriation, which undoubtedly will prove to be an extremely costly exercise. He is fully aware of the danger that lies in the tampering of property rights and the negative impact it would have on the country's economy. Expropriation without compensation could very well also negatively impact on property as an asset class, specifically for investors who buy for speculation.

So, whilst expropriation is a factor here, like drought, the poor economy and other financial challenges, in all fairness, it is not the key driver and the effects are yet to be seen in KwaZulu-Natal.

Positive economic turnaround expected

In the run-up to the national elections last year, uncertainty increased in the property market as the political and economic environment remained tumultuous. However, the country will most likely experience a positive economic turnaround post-election, and certainty on economic policy and property ownership are likely to stimulate positive property market activity.

There are early indications in the data that the property industry could still experience a robust recovery in 2020, and that there is still potential and value in investing in property in South Africa.

2018, which was a buyer's market, saw many properties just sitting on the market and fetching lower prices, fuelled by political and economic uncertainty, increasing petrol prices and rising household costs. Gauteng was hit hardest, with a 40% drop in the affordable housing market in two months.

Early in 2019, there was a pick-up in sales - this is especially the case when it comes to residential estates, which are currently experiencing a boom in the local market. Moving beyond the cost, design, and purchase of property inside residential estates, the combination of quality living, well-designed homes, and fringe benefits combine to offer a compelling value-proposition to investors, especially in the non-luxury residential segment.

2019 continued to be a buyer's market with banks competing strongly with each other to make loans more accessible and affordable. Their robust lending appetite is evidenced by ooba's Average Deposit as a Percentage of Purchase Price indicator which is down by over 20% year-on-year from 15.5% of the purchase price last year to 12% of the purchase price now. This trend is expected to continue in 2020.

Financial institutions are still willing to extend mortgages (even in the face of threats of expropriation without compensation) and property developers are continuing to invest heavily in vibrant growth nodes, such as Sibaya and Ridgeside north of Durban in eThekweni, as well as Waterfall near Midrand.

Currently, there remains a strong demand for well-priced homes which are selling to a cross-section of buyers, including investors. Helping to drive this demand is the country's large population of younger-generation home buyers, eager to gain a foothold on the property ownership ladder. This demand is also expected to continue.

Historically and globally, property has over time proven to be a sound medium-to-long term investment and means of wealth creation. Critical to this, however, is making the right choice of property in the right location, and ensuring that you have a purpose for the building and that it does not remain vacant.

The consensus is clear – expropriation without compensation threatens not only the economy and fundamental rights due to all citizens, but also the legitimacy of the constitutional order itself. If done responsibly, it should not impede the economy, food security nor peoples' rights. So next to resolving this policy uncertainty around expropriation, growing the economy will be one of the most fundamental considerations for the property market.

In my view, the levels of high paranoia are not justified, mainly because the new (expropriation) bill provides far more rights and far more considerations than its predecessors ever did. The mechanisms that are in place (including the Constitutional Court) and which have always protected landowners, are going to continue to function. If South Africa is your home, then investing in bricks and mortar is the perfect hedge through a difficult and inflationary period.

ABOUT KAREN PETERSEN

Karen Petersen is a director: SADC Group: Urban. She was previously development director at Tongaat Hulett Developments (THD), the land conversion and property arm of the listed agri-business and sugar conglomerate, Tongaat Hulett.

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