

Politics holds property hostage



By [Chris Renecke](#)

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The year past has been a volatile one economically, politically and socially for South Africa, and the chain of events has influenced financial markets, business confidence and of course, as a result, the property market as a whole. Even so, a few identifiable patterns have emerged in each different property sector of the Gauteng market that we anticipate will continue into 2017.



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While current ruling party politics makes for an unpredictable future, we believe there will still be some sound investment opportunities in property in the short to medium term.

Commercial property

The office sector:

The outlook for the office space sector of the commercial market is pretty bleak, and as long as there is little to no growth in the economy, we don't expect any major changes.

This means that based on the current economic conditions, the office vacancy rate will most likely continue to rise. In recent months there has been very little uptake in vacancies, and most of the movement in this sector of the market has been in redevelopment.

Rentals remain under pressure and yields remain low, a trend we expect to continue into 2017.

The industrial sector:

The industrial property market has actually been relatively positive in its trading trends over the past 12 months.

We do, however, anticipate a levelling off in this sector due to the continued economic slump. That said, vacancies are currently fairly low, and we expect them to remain so in the year ahead.

The retail sector:

There has been a large amount of retail development in recent years, but we are now seeing an easing off as new development slows down considerably.

This is due to the fact that the retail sector is coming under increasing pressure due to a decline in consumer spending, and as a result we are starting to see more and more vacancies.

Residential property

New development sales:

The lower end of the market is slowing down as more and more households feel the financial pressure of a slow economy.

The middle of the market – property priced between R1m and R3m - is still fairly active. We believe this portion of the market will continue on a similar growth trend as it has in recent years.

As more and more people opt to live closer to their place of work, we also anticipate continued demand and therefore capital growth of sectional title properties well located in proximity of the Sandton, Bryanston and Rosebank business districts.

Residential rentals:

As can be expected from the decline in new development sales in the lower end of the market, there has been an increase in rental demand in this sector. We are also seeing an increasing demand for rental properties from the middle market as well.

Rentals at the higher end of the market are being driven by foreign, skilled, white collar tenants in the IT, telecoms and engineering spheres predominantly.

Property management:

With the sustained increase in the cost of basic services, body corporates will continue to find their budgets strained, which in turn means placing more financial pressure on the consumer as levy increases will be unavoidable.

In attempting to stick to their budgets, dampen levy increases for owners and manage the increased cost of services, bodies corporate will be walking a fine line to balance expenditure on repairs and maintenance, gardening and security

services, all of which contribute to the appeal and capital growth potential of properties within sectional title complexes.

Unless there is a radical change in the status quo politically, and aggressive measures adopted to improve economic stability and growth, property will, overall, have very limited growth and investment potential in the year ahead, with some sectors potentially even seeing more dramatic decline.

ABOUT CHRIS RENECELE

Chris Renecele, MD of Renprop, completed his B.Comm Hon (Wits and Unisa) in 1990 and undertook his articles at Ernst & Young. In 1992 he joined Renprop as the financial director, and in 1993 was appointed managing director. Over the past 23 years, under his leadership, the company has transformed from being a traditional real estate agency to one of the largest providers of residential property in South Africa.

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