

Housing market in SA still a good bet

SUNNY SIDE: Financial wind blowing some good for buyers

THE huge demand for housing in South Africa in the low to moderate income level, combined with declining rates and relative political and economic stability, continues to drive investment in the affordable end of the market. And the medium term outlook for property in SA remains positive, despite global economic turmoil and its impact on emerging markets.

This is the view of Soula Proxenos, managing director of International Housing Solutions (IHS). The company manages the R1,3-billion South Africa Workforce Housing Fund.

Proxenos, who is based in London but is responsible for IHS's global and SA operations, acknowledges that much of the sheen has come off emerging markets, but argues that these markets are not necessarily alike and are responding differently to the economic recession.

"If we look at the so-called BRIC countries – Brazil, Russia, India and China – it is readily apparent that Brazil is holding up reasonably well, Russia is in terrible shape and India is overheated and correcting sharply while being

impacted by high-profile scandals. As for China, we are all holding our breath – as it increasingly assumes the role of engine to the world's economy, its fate is ultimately ours too," she says.

"In South Africa there are a number of fundamentals in place which favour continued growth in the 'affordable housing' segment. In addition to the huge gap between demand and supply, SA is relatively politically stable and has a transparent and good environment for doing business.

"New housing starts in SA are down, which will increase the disparity between houses available and entrants in the market. Mortgage rates, not only in SA but across the world, are coming down as inflation takes a nose-dive, making debt and therefore home-ownership more affordable. And finally, prices are softening on land and construction costs as the economy and inflation turn down.

"The much discussed credit crunch has impacted banking around the world. More seriously, the contagion has moved from Wall Street to the high street – jobs are being lost

in their millions around the world and the retail sector is being beaten to a pulp. US housing starts are significantly down while UK housing starts are down to down to 1924 levels," she notes.

"The UK market has been hit more negatively and subjected to a much slower recovery than the US market."

Proxenos says that South Africa's finance system most closely resembles the UK debt market.

Proxenos says the immediate future of the residential real estate market in SA will depend on the banks continuing to lend for construction and end-user finance. She believes the current short-term downturn offers good opportunities over the longer term.

"In the medium term the banks will be back to business as usual. When that happens, investors and developers who have taken advantage of the opportunities in the current dislocated market will reap the benefits," she said.

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