

Report indicates commercial property sector under pressure for 2013

The Broll Property Report 2013, which considers South Africa's commercial property market and the real estate sector in sub-Saharan Africa, says downward pressure on South African GDP will place the country's commercial property sector under pressure for the rest of this year.

Malcolm Horne, CEO of Broll Property Group, part of the global CBRE Affiliate Network, says, "The report shows the outlook for an upturn in world growth is now brighter than in 2012. However, many of South Africa's international trading partners are experiencing little or no economic growth, in a sluggish global economy, especially the Eurozone.

"The research shows that landlords are likely to face a difficult year, as they cope with rising costs on one hand and an income squeeze on the other. This is exacerbated by economic conditions and the trend among tenants towards more efficient space use."

Nevertheless, investors are recognising that the time to re-enter the property investment sector is starting to look positive, although securing finance from banks is likely to remain a constraint.

"With the many prevailing pressures and uncertainties in this economy, access to the latest market data helps make the right property decisions. The comprehensive analysis in the report includes helpful and clear information and is valuable tool for any property decision maker."

Slowdown in retail

For South African commercial property trends, the report focuses on the industrial, retail and office property sectors.

It reveals a continued slowdown for the retail property sector. "The pressures from a persistent downward trend in real disposable income growth, weak consumer confidence and job losses are all likely to continue for the rest of 2013."

With inflation set to remain at the upper levels of the 3-6% target range set by the Reserve Bank, the report notes that government is likely to curb growth in its wage bill. It is also expected to contain the growth in spending because of reduced growth in tax revenue.

"Forecasts suggest slightly slower growth in household consumption spending in 2013 and durable goods sales are likely to suffer."

Lacklustre industrial sector

The outlook for industrial property is closely influenced by the manufacturing and mining sectors. The prognosis is for another year of lacklustre performance in these important sectors of the economy. Manufacturing and mining production decreased last year on the back of reduced demand, both locally and internationally. The mining sector was also hard hit by labour unrest and political uncertainty around the nationalisation debate.

For offices, soft demand will continue define 2013, except in popular niche nodes like the Sandton CBD. "Downward pressure on rentals and increasing operating costs continue to challenge the sector."

He explains that the company's ability to cross-reference information from its large database, compiled from years of experience and exacting market research, enables it to provide unique, cost-effective solutions for its clients. It is also able to produce valuable research such as this report.

"We strive to provide knowledge-based research which adds value to our clients' assets and portfolios, empowering them to make well informed decisions and to improve their investment performance. "The 2013 report is a powerful tool to boost commercial property performance to new heights," concludes Horne.

For a copy of the report, go to www.broll.co.za.

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