

# Stable Gauteng

**RESIDENTIAL PROPERTY PRICES** generally reflect the local economy: where there's work there's a will, as it were. Thus areas depressed economically do not enjoy the dynamics of a healthy housing market as much as those more developed areas.

An example is that of Gauteng, the country's economic powerhouse. Out of all provincial housing markets, Gauteng has been the most stable during the housing slump. It also tends to lead any recovery – and this is currently illustrated by a number of "big ticket" items sold by Pam Golding Properties' agents. To some extent, corporate buying underpins the Gauteng market, particularly in Johannesburg. Tswane being a seat of government, and of diplomatic activity, is another steady influence.

It's important to understand that the residential property market slump is but a symptom of the country's overall economic malaise; people haven't simply given up buying and selling houses on a whim. Growth in household disposable income slowed to 4,1% q/q in the second half of the year from 5,4% in the first half. The slowdown was mirrored by real household consumption expenditure growth slipping to 3,8% in the second quarter from a healthy 5,2% in the previous quarter.

Further bad news includes continuing job losses – a mere 7 000 jobs being added in the second quarter. The agricultural sector, having lost 349 000 jobs in 2009 has added only 133 000 jobs since last year.

Business confidence is down, according to the Bureau for Economic Research, which reports that reduced demand and negative profitability are perceived to be the culprits.

However, what makes Gauteng a more stable residential property market than the other major provinces, experiencing fewer peaks and troughs? FNB property analysts John Loos and Ewald Kellerman believe the answer lies in Gauteng's economy being better developed and, importantly, better diversified – not being exposed to the highly cyclical manufacturing sectors such as KZN and the motor industry-reliant Eastern Cape. It is also – almost perversely, not a holiday market

and primary residential demand is less cyclical than holiday demand.

"On top of this," says John Loos, "Gauteng is the country's main 'head office' region and during tough economic times such as those of recent years one often finds corporate centralising more functions to head office and cutting back on their operations in smaller economic regions. This may have cushioned the unemployment blow in Gauteng. By comparison the three major coastal provinces appear to be significantly more cyclical..."

The coastal provinces staged a mini-recovery in 2009/10, led by the Western Cape but this, in terms of house price growth has settled down to what John Loos describes as "a pedestrian 3% year-on-year." On the other hand, the Eastern Cape and KZN are still enjoying continuing growth rates – of 5% and 6,8% respectively. These are, however, off considerably lower bases.

PGP's office in KZN reports renewed activity in a number of key areas, particularly north of Durban including Durban North, La Lucia, Umhlanga, Mount Edgecombe and Ballito – all helped by the opening of the King Shaka Airport. Pinetown has become popular with young buyers.

Demand is increasing in the ever-popular Natal Midlands, says area principal Barbara Becker. This area is particularly popular among retirees, she adds.

Down in the Western Cape, PGP has experienced significant growth in the scenic Boland and Overberg areas, with the age group 20-29 prominent, says the group's area MD Annien Borg. From March to August this year, group sales value in the areas rose 34% on the same period in 2010. The prime tourist season for Boland and Overberg, says Borg, is October/November when there is a huge influx to the area's coastal towns such as Hermanus, Kleinmond, Pringle Bay, Betty's Bay and Onrus.

As a group, Gauteng and the five minor, predominantly inland, provinces have been more stable – not having experienced the same price decline levels during the recession, but also not enjoying the same degree of the mini-recovery as did the coastal provinces. Less holiday-driven than the coast and heavily exposed to the non-cyclical agricultural sector as well as mining, it isn't too surprising, comments Loos, that the inland provinces are less volatile. The market strength indices of each of the five provinces which make up FNB's Minor Provinces' Index indicate that the more holiday-driven markets, Limpopo and Mpumalanga have the weakest demand relative to supply.

The Free State and the Northern Cape regions appear to have better weathered the storm. ■■■

