

Property market set to recover gradually

The commercial property market is geared to recovering slowly but sustainably from the effects recession, said Absa chief executive of retail and business banking Bobby Malabie.

The sector comprises retail, office and industrial property.

Speaking at the banks commercial property outlook briefing in Rosebank late last week, Malabie said market conditions had been difficult to read recently but there were signs of recovery in selected sectors of the commercial property industry.

Malabie said the industry should benefit from delayed and more gradual moves to higher interest rates than was previously envisaged.

"We have seen a stabilisation and gradual reduction in our under-performing book, indicating that the distress in the market is contained, and is not as severe as we experienced a year ago," Malabie said.

But Malabie cautioned that global and local uncertainties and the risk of a return to economic recession made it impossible to make clear forecasts for the sector.

"If the world economy does indeed fall back into recession, it could knock the wind out of the manufacturing industry, despite a weakened rand that would ordinarily benefit the export market.

"This contagion will then spread to the retail market, thereby deflating the performance of the commercial property sector," he said.

But Malabie was optimistic and added: "We expect to see the start of a slow but sustainable recovery in 2012 - very different from the gains we saw during the boom period of 2005 to 2007."

Source: Sowetan