

Commercial property at the mercy of shambolic politicking - trends for 2018 and beyond

 By [Simon Black](#)

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2017 was a tough trading year for the commercial property sector. With the uncertain economic climate and chaotic run up to the ANC's elective conference in December last year, politics unfortunately dominated South African headlines for most of 2017 - and the property sector has most definitely been affected.



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As property practitioners, we're required to present the market to our clients and ensure equitable terms between property users and landlords and developers. In this current less-than-ideal political climate, we're finding that real estate decisions are taking increasingly longer to finalise. As a result, lengthy due diligence processes are taking place to assess business, political, economic and social factors associated with operating in South Africa.

Lack of strong, ethical leadership

These dampened commercial real estate prospects and our economy as a whole are likely to continue to negatively impact our industry in 2018. Specifically the low economic growth environment we're experiencing looks likely to continue, with private sector confidence at all time lows due to perceived economic uncertainty and a lack of strong, ethical leadership. Jacob Zuma's ongoing scandals, the plundering of various state-owned institutions and the blind loyalties of cadres within the ANC are causing structural hurdles that stand in the way of our economy achieving a much-needed higher growth path.

As a result, property developers and landlords are working very hard both to get their developments off the ground, and to retain tenants effectively.

In this environment, it's quite easy to feel overwhelmed and hopeless. However, there will hopefully be some much needed change following December's ANC elective conference. To build a strong, inclusive economy, policymakers must harness effective growth plans, resources and the skillsets that play to SA's strengths. A major factor to move things in a positive direction would be to appoint ethical leaders who inspire honesty and courage to do what's best for our beautiful country.

Stifled office market

In terms of specific property sectors, the office market is likely to be stifled in 2018, where vacancy rates will most likely continue to rise. As new developments in prime nodes are being taken up, pressure is falling onto B-Grade offices investors. Driving around the Sandton, Rosebank, Waterfall or Menlyn CBDs admiring new P-Grade office developments on every street corner would suggest our economy is in great shape, however a couple more years of weak GDP growth could have serious consequences for this sector.

The industrial property market remains constrained. While there are a number of exciting industrial land parcels ready for development, demand remains low with developers focusing on tenant or owner-occupier driven enquiries. We do anticipate that this sector will improve in 2018 off the back of a successful ANC conference.

Whoever takes over from Jacob Zuma in 2019 will need to have a well thought out strategic plan with a capable implementation team at their disposal. Reducing debt and unemployment are two key factors to get South Africa back on track. Unless there is a significant change in the political status quo, coupled with effective measures to improve economic stability and growth, we foresee property as having very limited growth and investment potential in 2018.

ABOUT SIMON BLACK

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