



LOCAL ECONOMIC INDICATORS		INVESTMENT NEWS
31 Mar 2025	30 Jun 2025	<ul style="list-style-type: none"> <li>Inflation expectations for the current year have fallen below 4% - this for the first time in four years. This points to the possibility of some latitude for SARB to reduce interest rates in the upcoming announcement scheduled for the end of July.</li> <li>US Tech stocks have bounced back aggressively to be the best performing sector on the S&amp;P 500 in the second quarter. This on the back of the market's lows in April.</li> <li>The price of war: Ructions in the Middle East have led to acute volatility in the oil price. After the US bombed nuclear facilities in Iran, the price of Brent crude, oil's global benchmark, sharply escalated to a five-month high of \$81.40. This fell back to \$69.00 a barrel following news of a ceasefire.</li> </ul>
<b>All-Share Index</b>		
+ 88,637	+ 96,430	
<b>Market PE ratio</b>		
15.3	14.6	
<b>USD/ZAR</b>		
R18.31/\$	R17.72/\$	
<b>SA 10Y Government Bond yield</b>		
10.62%	9.92%	
(Data: Bloomberg; SimplyWallSt; Tradingeconomics.; Google Finance.)		

**SA PROPERTY NEEDS A GROWING ECONOMY**

It doesn't always hold true that a high correlation exists between economic growth (or GDP per capita) and inflation of property prices. However, one would be hard-pressed to argue that point over a sustained period of analysis. The bottom line is that property growth and property investment need a growing, dynamic economy—something South Africa currently lacks. The notable exception is Cape Town, and more broadly the Western Cape, which are outliers in this instance.

As reported by Times Live, "In the last few years, the South African economy has significantly underperformed. Growth has lagged both global and other emerging markets, with GDP growing slower than the population for five consecutive years." While this isn't news to most, it warrants a closer examination of the link between property price inflation and regional economic performance—particularly how Cape Town's stronger GDP growth is translating into rising property values that far outpace the national average.

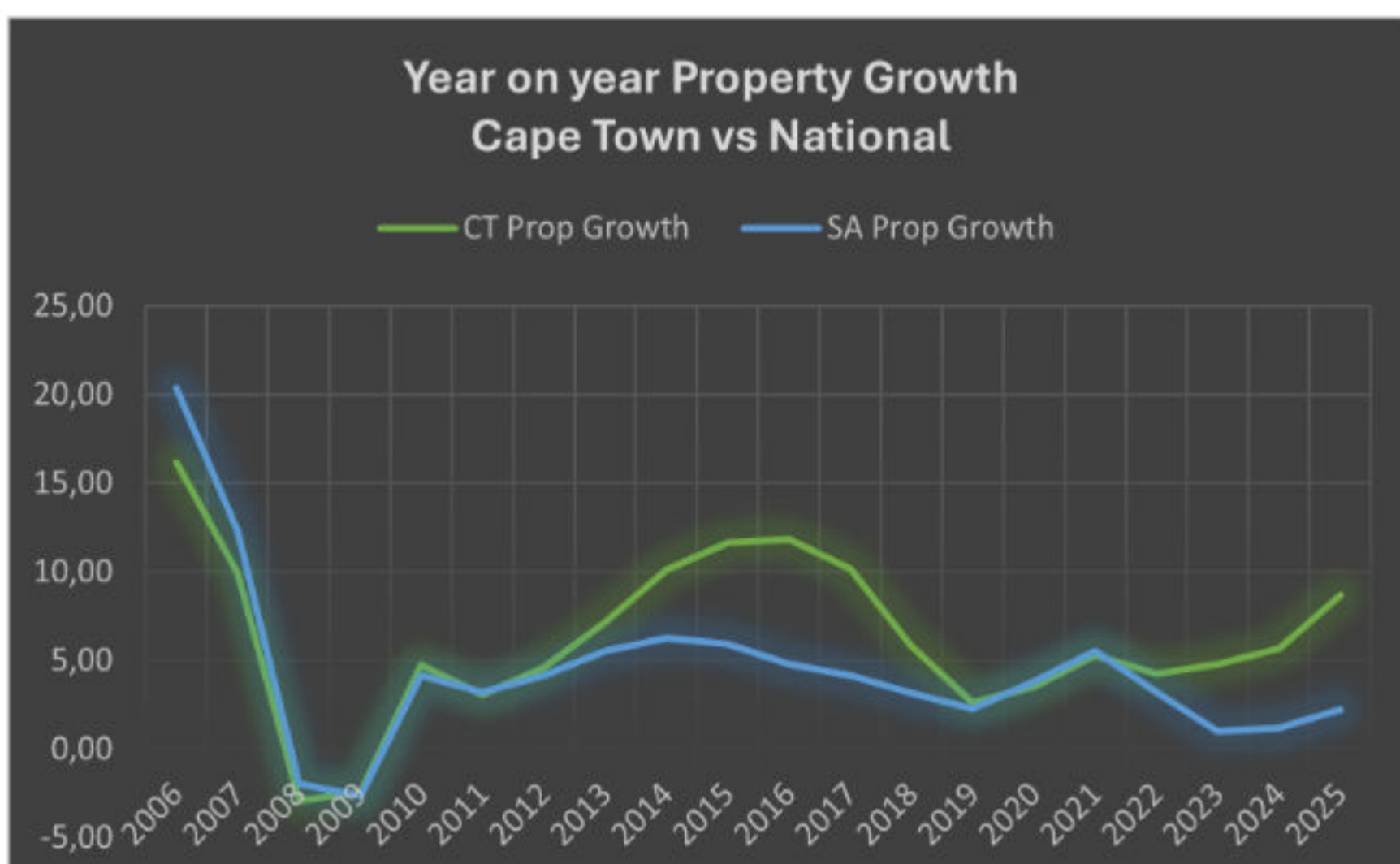
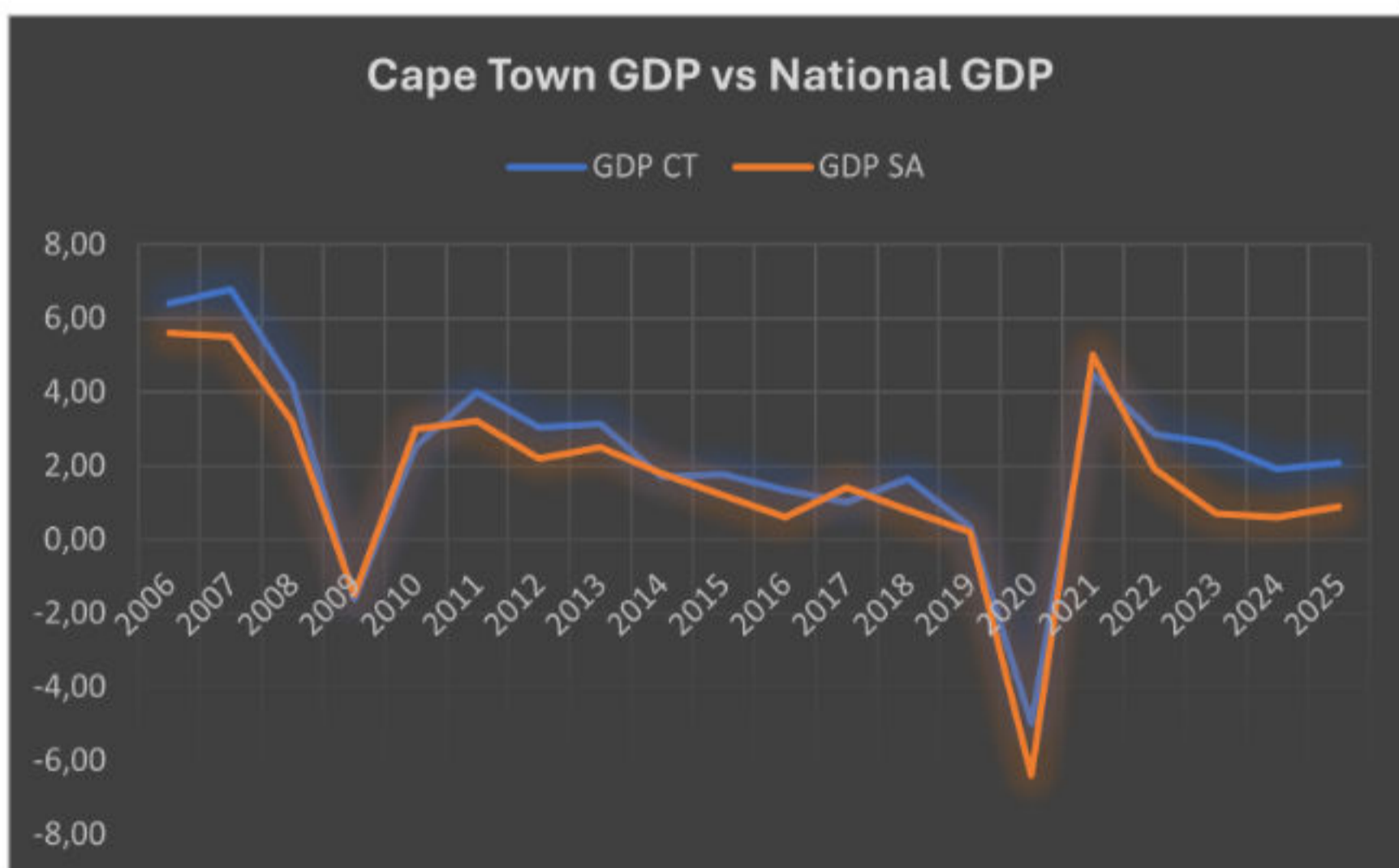
There are key factors that influence property values in a growing economy. First, it promotes infrastructure and development. It goes without saying that an expanding property sector relies heavily on infrastructure maintenance and investment, which are foundational to a sustainable real estate market. In tandem with this, developers are far more likely to embark on projects in environments with elevated demand. Economic growth encourages purchasing power and consumer confidence, as it is invariably linked to rising incomes and higher employment. This financial security makes it more likely for consumers to invest in homes or rent property.

A growing economic environment plays an important role in maintaining market balance, which helps mitigate risk. A subdued economy is typically burdened with high interest rates, unemployment, and rising inflation, which tend to lead to an oversupply of property and stagnant or diminishing prices. Unsurprisingly, economic growth pushes the demand for property, as the creation of jobs and business opportunities increases the need for residential real estate. During such growth periods, access to property finance is often improved, as potentially lower interest rates create better lending conditions. This accessibility to property loans fuels demand and, in turn, incentivizes supply in the sector.

Cape Town stands as a prime example of this dynamic at work. The city continues to outperform the rest of the country in key economic metrics. It comes as no surprise, therefore, that when scrutinizing Cape Town's GDP alongside that of the country as a whole, the city's property values have accelerated ahead of the national average. The Western Cape, for example, boasts the lowest unemployment rate and the highest average household income in the country—over 30% higher than Gauteng. Cape Town has long been considered the best-governed metro in South Africa, so it's little wonder that the city is attracting skilled professionals, with almost 70% of those relocating to the region holding tertiary qualifications. This naturally increases investor confidence and stimulates demand for property.

The accompanying charts clearly highlight the widening gap between Cape Town's GDP and the national average—and the corresponding divergence in property price growth. There's little doubt, therefore, that property growth in the rest of the country sorely requires the broader economy to be driven out of the doldrums, or it may continue to trail far behind as the Cape surges ahead.

**GRAPH OF THE QUARTER**



Source: FNB, Global Property Guide, Daily Investor, StatsSA

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