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PROPERTY DEVELOPMENT

Confidence lifts developers' prospects

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The fortunes of South African listed developers should improve in 2018 after a difficult 2017 when share prices fell.

The share prices of sectional-title housing developer Balwin Properties and Accelerate Property Fund which is redeveloping the Fourways Shopping Centre were battered in 2017.

Balwin's share price ended the year 26.24% in the red. Accelerate's price fell 19.01%.

However, many commentators have said consumer confi-

dence and economic growth should gain momentum in 2018, which would help listed developer funds. The victory of Cyril Ramaphosa at the ANC's elective conference in December has also improved confidence among institutional investors.

"Balwin's sales have begun 2018 extremely strongly. I know our shareholders were nervous during the build-up to the ANC election. I believe they liked the result and our share price has begun to rebound," said Balwin CEO Steve Brookes. Its price has risen 7% year to date. Anchor Stockbrokers head of research

Craig Smith is optimistic. "Developers' prospects should improve as business confidence and consumer confidence seem to be picking up. Inflation is range bound, therefore interest rates should remain stable," he said.

Chris Segar of Ivy Asset Management said the winners in the long run were likely to be those who developed certain specialised types of real estate.

"Conventional developments in retail and office will not be exciting at all. On the other hand, tenant-driven large industrial or logistics developments will con-

tinue to do well, because SA is mostly an importer," said Segar.

Developers also needed to be mindful of new trends such as the growth of online shopping, demand for new, tertiary education properties and data storage rooms, he said.

One developer that may be primed to maintain improving returns this year is Attacq. Its total return, which was made up purely of capital growth, was 17.82% in 2017. The company intends to convert to an income-paying real estate investment trust in the middle of 2018.

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