Introduction

Despite the expected slowdown in South Africa's economic growth for 2003 — owing to the stronger rand as well as the after-effects of 2002's hike in interest rates — the macroeconomic scene for the forecast period (2003 - 2008) seems quite rosy.

For one, our panel of economists predicts real GDP growth to average 3% over the forecast period. Furthermore, expected lower inflation will give the South African Reserve Bank leeway to lower interest rates. Although all these factors should be beneficial for growth in the property market, cyclical factors could put a spanner in the works, as is presently the case in the office market where an oversupply of space is expected to suppress the market rental performance. As for the CBDs, only Cape Town offices seem to have a realistic chance of pulling itself free from the grasps of decay.

As far as the industrial market is concerned, the demand for industrial space still remains plugged down by structural changes. These include innovative technological advances, which enables more to be produced with less, as well as sophisticated inventory management. Added to this is the shift to the services sector of the economy. Still, industrial rentals are expected to gradually start benefiting from increased manufacturing production as the economy gains momentum.

It seems as if the residential market should benefit from the upbeat macroeconomic forecasts, with especially the house market set to blossom from the effects of lower interest rates and encouraging economic growth.

Readers should be aware that this publication is a medium-term forecast and the outcomes depend heavily on economic fundamentals and historic relationships. Thus forecasts for the property market, given the dynamic nature of South Africa's economic environment, are always subject to exogenous shocks. ■