FNB PROPERTY MARKET ANALYTICS

EASTERN CAPE PROPERTY REVIEW

- Residential property strengthening steadily, but the region lags the rest of the country, possibly the result of a more severe recession

24 May 2010

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SUMMARY - THE LONG HARD ROAD BACK FOR EASTERN CAPE PROPERTY FOLLOWING A SEVERE RECESSION

The Eastern Cape, and especially its largest residential market, Mandela Bay, has arguably taken more of a knock than the bigger property regions such as Gauteng or the Western Cape. This is due to a number of factors, notably a significant portion of very cyclical holiday property, as well as a major dependence on manufacturing including the highly cyclical vehicle manufacturing, which took great pain as a result of the Global recession and impacted on the Eastern Cape (especially Mandela Bay) economy.

As such, we still see the FNB Eastern Cape House Price Index languishing in year-on-year deflation to the tune of -7.3%, while the national price index has already turned to positive growth.

Nevertheless, many of the region's other property indicators point to improving health, with demand steadily growing and supply of new stock, as well as supply from financially stressed sellers, seemingly being curbed. The process of containing supply until demand has caught up is crucial in returning an oversupplied region to market balance, and in so doing returning the market to positive price growth, something that we believe will happen in the 2nd half of the year.

However, it is important not to expect too much from the current recovery. The household sector still has considerable financial stress. We also believe that prospects for economic growth both globally and locally are mediocre at best, and the Eastern Cape's high dependence on manufacturing makes it sensitive to global economic events.

Therefore, unlike last decade's boom, we believe that the current property market recovery will be a short and moderate one, with residential demand growth beginning to taper off in the 2nd half of 2010.

Although Commercial property data for the Eastern Cape is limited, the most recent Rode data for PE and East London points to general weakness in this area of property, except for East London industrial property which appears to have held up reasonably well.

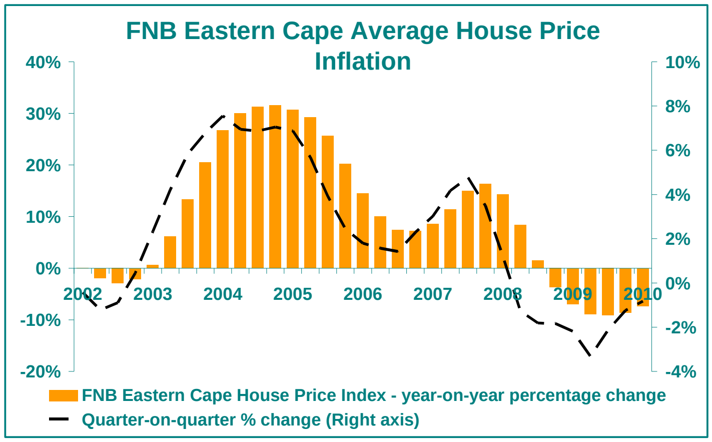
It would also appear that the Port Elizabeth industrial and commercial property performance late in 2009 was slightly weaker than East London's, which may tie in with the belief that Port Elizabeth had a worse recession than East London and the rest of the province.

Cap rates declined in the non-retail sectors during 2009 despite some renewed rise in long bond yields, suggesting improved optimism regarding income streams from property. The question remains as to whether the decline in commercial building activity is sufficient to start reducing oversupplies in space. Although the market appears least optimistic regarding retail space income streams going forward, it would appear that this sub-sector has made more strides in cutting back on new developments, judging by a look at Eastern Cape Building statistics emanating from StatsSA.

THE LONG ROAD BACK TO HEALTH HAS BEGUN FOR RESIDENTIAL PROPERTY, AFTER SOME TOUGH ECONOMIC TIMES IN THE EASTERN CAPE.

House Price data still points to widespread price deflation, although the rate of decline is beginning to diminish, ...

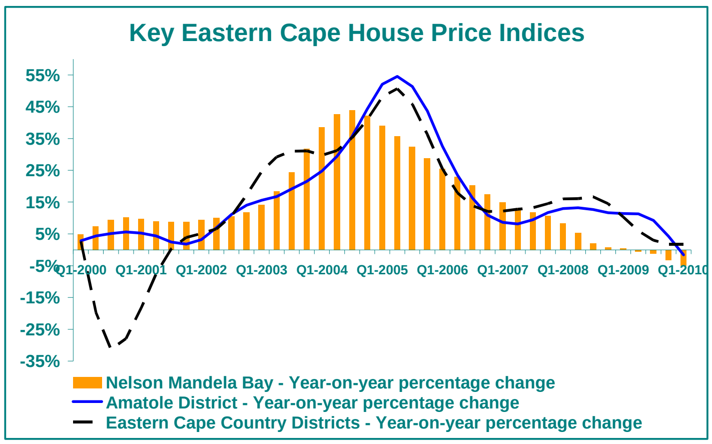
Our view is that the Eastern Cape has been one of the worst hit provinces during the recent recession and simultaneous property market downturn. Year-on-year, The FNB Eastern Cape House Price Index recorded a 1st quarter rate of average house price decline of -7.3%.



Nevertheless, the index is slowly turning the corner for the better, in lagged response to improving residential property demand, and the 1st quarter rate of decline was slightly less than the -8.6% of the previous quarter. On a quarter-on-quarter basis, the rate of decline had shrunk to -0.8% in the 1st quarter, which is now significantly better than the -3.3% low point reached in the 2nd quarter of 2009, and looks to be not far away from positive growth..

Compare this with the FNB National House Price Index, which rose year-on-year by 5.8% in the 1st quarter, and it suggests that the Eastern Cape has had a tougher time than many other parts of the country.

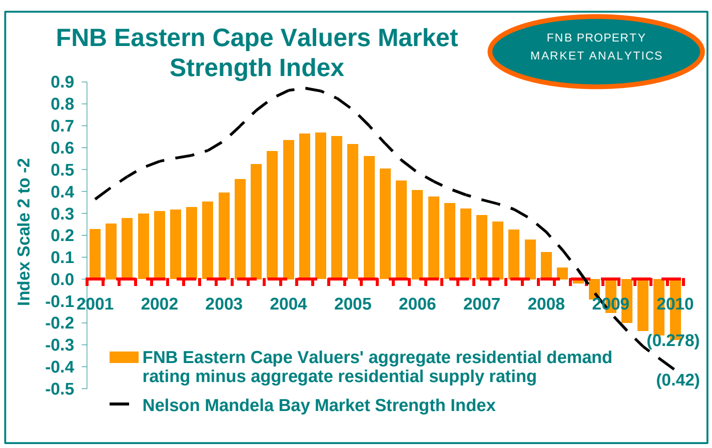
Within the Eastern Cape, it would appear that the province's major property region, the Nelson Mandela Bay Metro, has had an even tougher time than the rest of the Eastern Cape. Using Deeds data for transactions by individuals, in areas that we deem to be residential-dominated, we estimate the worst house price deflation to have taken place in the Nelson Mandela Bay Metro, to the tune of -5% year-on-year in the 1st quarter. By comparison, the Amatole District, which is dominated by East London, showed a lesser price deflation rate of -1.6%, while the Eastern Cape Country Districts (the rest of the Eastern Cape outside of the abovementioned regions) showed slight price inflation of +1.7% year-on-year.



Note: Please bear in mind that the 3 sub-regions' indices were constructed using Deeds data, and thus a different sample of data to the overall FNB Eastern Cape Index. Therefore, they will not add up to quite the same rate of deflation/inflation.

....and FNB valuers data still points towards supply outstripping residential demand.

From the FNB Valuers database, we derive what is known as the FNB Eastern Cape Valuers' Market Strength Index. Each time that a valuer values a home, we require of him/her to provide a view on both residential demand and supply in the area, rating both either "good", "average" or "weak". We change these ratings to a numerical form, +1 for good supply and good demand, 0 for average and -1 for weak, and then subtract the aggregate supply rating from the



aggregate demand rating to get the Market Strength Index, which in essence is an indication of the overall valuers' opinion of residential demand relative to supply. The 1st quarter -0.278 negative reading suggests that on average the Eastern Cape Valuers still rate supply as greater than demand, although this obviously would not hold true for all areas in the province. What they also tell us is that the mismatch between demand and supply was worse in the Mandela Bay Metro (-0.42 1st quarter reading), supporting the house price indices' results which also point to a weaker situation in the Mandela Bay Metro.

With the national average Market Strength Index around -0.14 in the 1st quarter, the set of Market Strength Indices also suggest that the Eastern Cape as a whole felt the recession more severely than the country as a whole.

The economic numbers explain the province's residential weakness, as it would appear that the Eastern Cape was a little harder hit in the recession than was the country as a whole, and weak economy generally equals a weak property market.

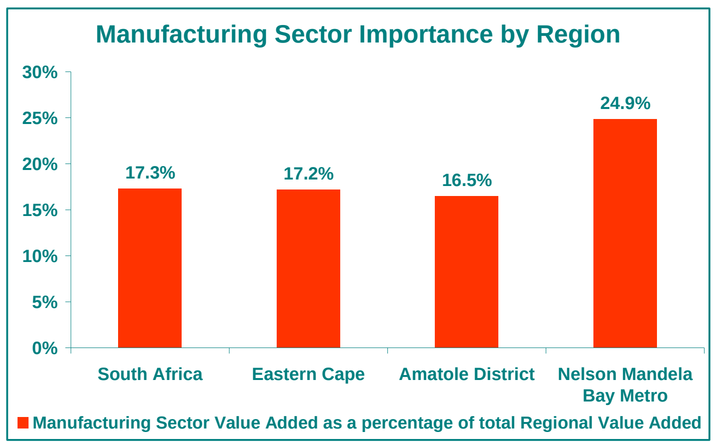
Why would the Eastern Cape have made heavier weather of the recession/downturn than many regions elsewhere?

1. The province has a more significant holiday property market, relative to its overall size, than does Gauteng and possibly even the Western Cape (which has a far larger metro property market). Holiday property buying can be expected to be substantially more cyclical than primary residential demand due to its non-essential nature. In tougher economic times such as recently, the holiday property market can be expected to be more of a drag on the overall market performance.

2. Being a smaller economic region, the Eastern Cape is not a major "head office" region. By this we mean that, unlike Joburg and to a lesser extent Cape Town, large corporate head offices are not in abundance in Mandela Bay and East London. In recession times, one often finds that corporates tend to centralize certain functions to head office as part of their cost reduction drives, also re-locating staff towards head office. This process can count in favour of the larger economic regions and against the smaller ones.

3. The Eastern Cape is in the grips of a drought, which may be slowing agriculture output growth and thus the economy.

4. Manufacturing is a major part of Nelson Mandela Bay's economy as well as East London's, and the high dependence on the highly-cyclical motor vehicle manufacturing probably means that the region's economy is destined to be somewhat more volatile than, for instance, the highly-diversified Gauteng. Manufacturing makes up an estimated 24.9% of Mandela Bay's economic output, well-above the national total of 17.3%.

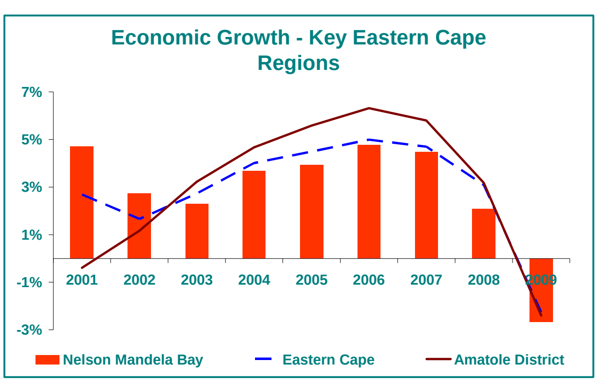


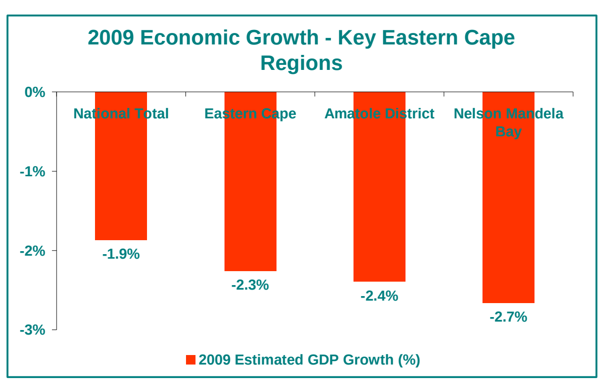
Data source: Globalinsight

And so, it is perhaps not surprising that Globalinsight's initial estimates for last year's regional economic growth put the Eastern Cape as a whole at -2.3% negative growth, worse than the national average of -1.9%, Amatole District still worse at -2.4%, and Mandela Bay the weakest at -2.7%.

The manufacturing sector took a major knock as a result of its strong link to the rest of the globe via export demand, and due to the major global recession that hit late in 2008. And the motor vehicle sector was one of the worst hit manufacturing sub-sectors.

These estimated economic growth rates are a far cry from the boom years, where the province reached an estimated economic growth peak of 6.3% in 2006.

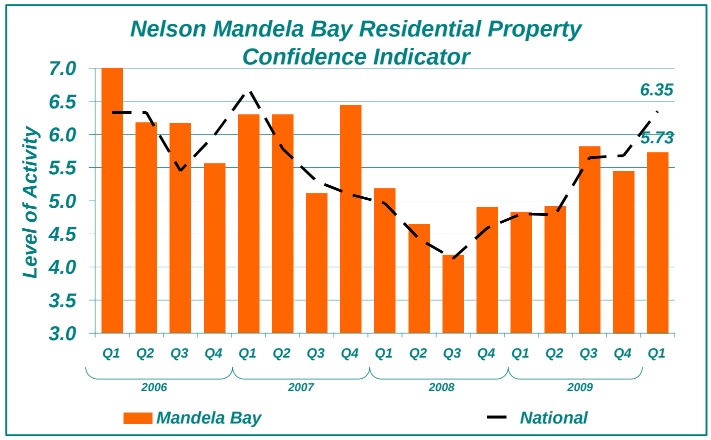




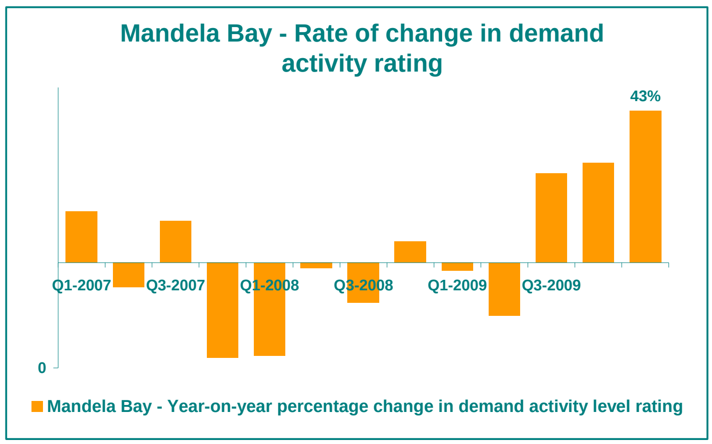
Data source: Globalinsight

However, despite price trends still being weak, the fundamentals behind property are gradually improving. On the demand side, the FNB Residential Property Barometer points to a far better situation of late,....

Despite the House Price Index still languishing in deflationary territory, with oversupplies of property still prevalent it would seem, the FNB Property Barometer survey for the Nelson Mandela Bay region (the survey is by-and-large confined to the major metros) has shown a steadily improving picture for the demand side of residential property.



With interest rates having been sharply reduced from late-2008 onward, both the world and domestic economies having emerged from recession, and manufacturing having shot back into positive growth territory, it comes as little surprise that the sample of agents surveyed in the Mandela Bay Metro (as part of the national survey) have indicated a rising residential demand trend since late in 2008.



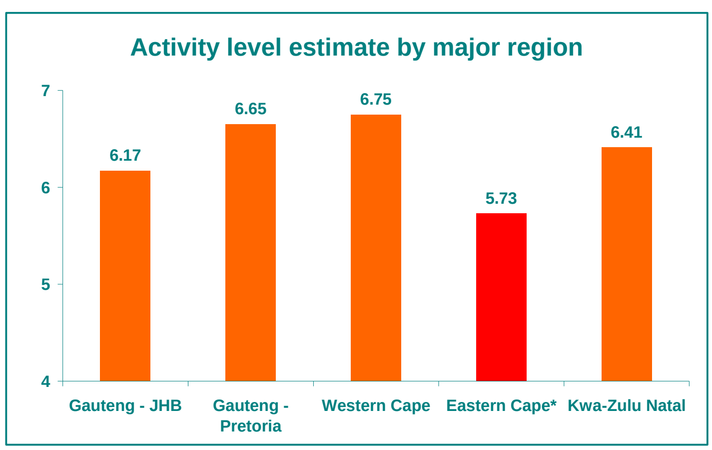
We ask survey respondents to give us an indication of their experience of residential demand strength in their regions/areas, on a scale of 1 to 10, and by the 1st quarter of 2010 the Mandela Bay rating had risen to 5.73 from a low of 4.2 as at the 3rd quarter of 2008.

In year-on-year terms, the growth in the activity level rating is impressive, recording 43% in the 1st quarter, the third consecutive quarter of year-on-year growth and, more importantly, at that stage it was still on an accelerating year-on-year growth path.

....although survey respondents from Mandela Bay are still a little less optimistic than their counterparts in other major metros.

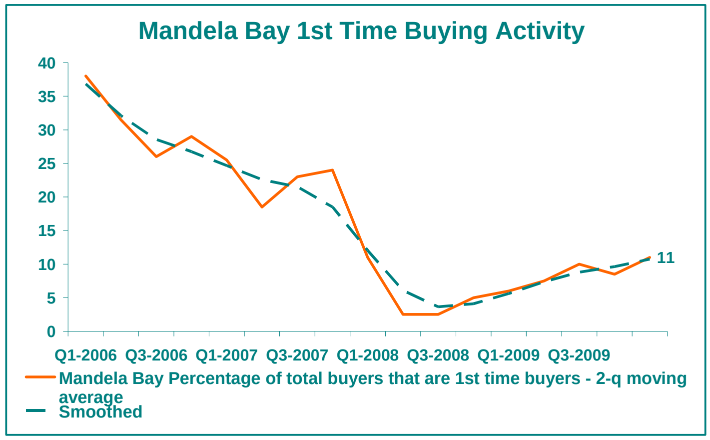
This is a significant improvement. However, the Mandela Bay group of survey respondents still appears to reflect what the house price numbers are reflecting in terms of the Mandela Bay region being behind the country as a whole on the recovery path.

The agents surveyed in the Western Cape appear the most upbeat with that region's activity rating at 6.75, followed by Pretoria (6.65), Durban (6.41) and Joburg (6.17).



1st time buyers have made a slightly more significant contribution to rising residential demand, possibly encouraged by lower interest rates and assisted by moderately more relaxed bank credit criteria,.....

1ST time buying activity can be expected to be more cyclical than the market as a whole, because 1st time buyers have more flexibility than the established family on the whole, being able to remain in their parents home when times are tough, or stay on in the rental market, and come out to buy in droves in the good times. Not surprisingly, therefore, we saw a sharp decline in 1st time buying as a percentage of total buying in Mandela Bay, from up near 40% in early-2006 down to a low of 2.5% by the middle of 2008. As interest rates have fallen, banks have eased up, and economic times have gradually improved, we have seen a renewed rise in the percentage of 1st time buyers to 11% by the 1st quarter of 2010.



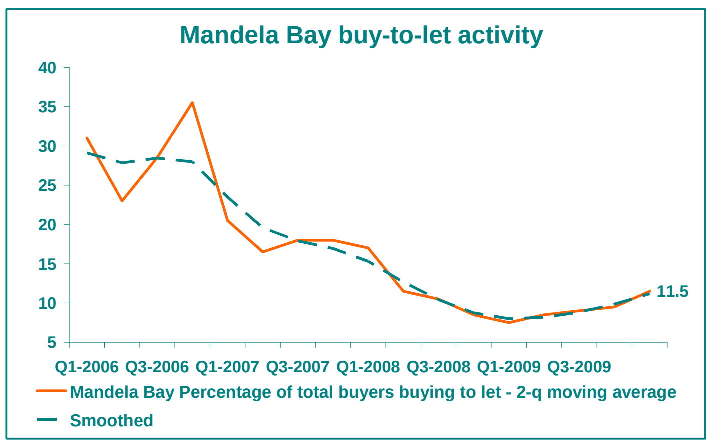
While this improvement is significant off a low base, we are unlikely to see anything near to the 2006 level in the near future, given a rather mediocre economy and limited new job creation at best. Nevertheless, some further increase in this percentage during 2010 is anticipated, with job creation expected to improve from where it currently is.

While buy-to-let activity has also increased in significance, although we question the sustainability of this.

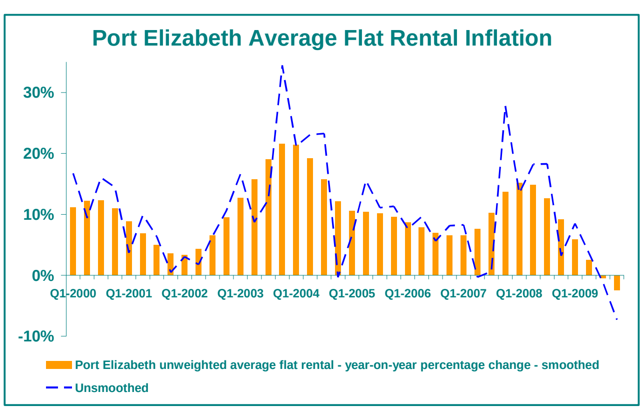
Buy-to-let activity in Mandela Bay is also reported to have risen moderately as a percentage of total buying.

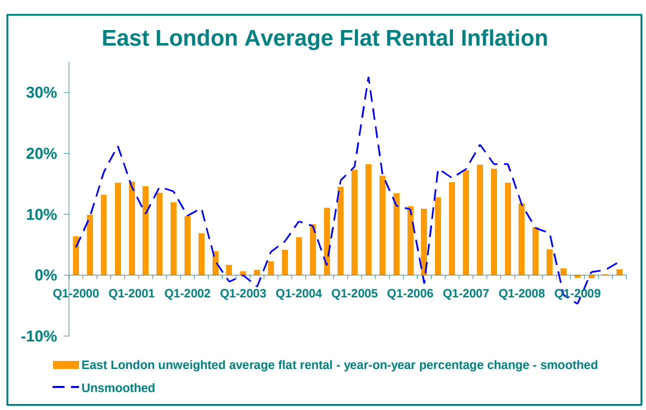
Here, however, we have less optimism in the near term future. At 11.5%, this buying is above the national average of 9%, but the strength of both the Port Elizabeth and East London rental markets (and thus yields on property) is questionable.

Using Rode rental data, our calculation of an unweighted and smoothed average flat rental for Port Elizabeth showed a year-on-year decline in average flat rentals to the tune of -2.5%, while the East London figure was little different at a mere 1% positive growth.



While these rental inflation/deflation rates are better than the rate of house price deflation, they probably don't do a lot to make yields more attractive. And with the household sector still under significant stress, rentals that don't cover the new bond repayment are more unattractive than was the case in the boom years where household incomes were growing more strongly, and a larger group of people could contribute extra to the bond repayment over and above the rental income. We are thus doubtful as to whether the buy-to-let percentage improving trend can be sustained.



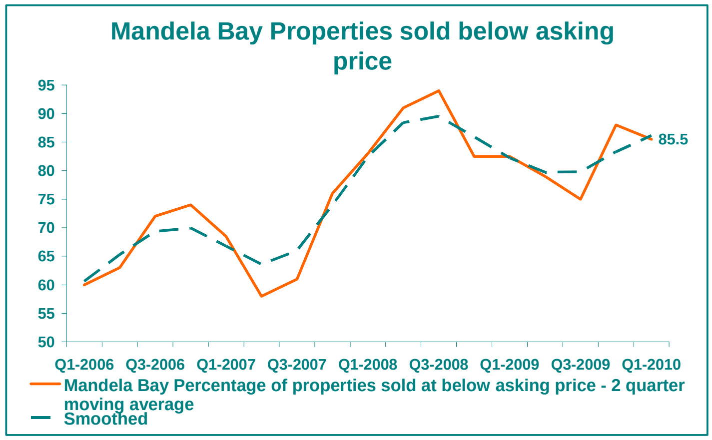


Data source: Rode

Pricing still appears somewhat unrealistic, but there has been some improvement in this regard too, as reflected in a lower average time on the market..

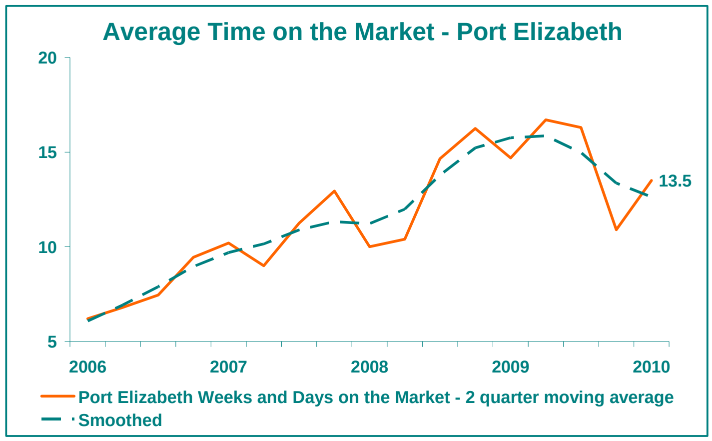
There are 2 indicators of pricing realism (or lack thereof) included in the FNB Property Barometer survey.

With regard to the 1st one, as at the 1st quarter, still the overwhelming majority (85.5%) of total sellers were required to drop their asking price in order to make the sale on their properties, and although there was a decline from quarter to quarter, the smoothed trendline has not turned convincingly downward yet. By contrast, the national average is now 76% and the national trendline points downward.



In addition, of those dropping their asking price, it was estimated that the average drop was 14%, above the national average estimate of 11%.

However, the 2nd indicator of pricing realism, i.e. the average time that a property is on the market, has indeed indicated that there is some improvement in pricing realism.



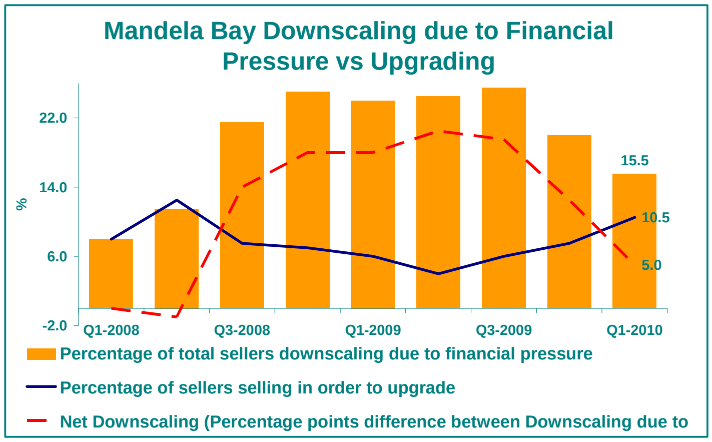
Although there was a quarter-to-quarter rise to 13 weeks and 5 days, the trendline remains downward pointing and this average is significantly below the peak of 16 weeks and 7 days reached in the 2nd quarter of 2009.

The table below provides comparisons between major regions on some of the key numbers emanating from the FNB Property Barometer survey, i.e. demand activity, percentage of sellers dropping their price, the extent of the drop, and average time on the market.

	Demand Activity Rating (Scale 1 to 10)	**Percentage of sellers having to drop their asking price**	**Average Percentage Price Drop**	**Average time on the market**
Total	**6.35**	**76%**	**11%**	**12.4**
Income Market:				
Very Upper / High Net Worth (R3.85m)	**5.57**	**73%**	**12%**	**15.6**
Upper (R1.9m)	6.77	77%	12%	12.1
Middle (R1.02m)	6.35	78%	11%	11.3
Lower (R617k)	**6.5**	**72%**	**9%**	**11.4**
Geographical Region:				
Gauteng – Pretoria	6.65	79%	10%	13.3
Gauteng – Johannesburg	6.17	72%	12%	13.4
Kwa-Zulu Natal	6.41	89%	11%	8.6
Western Cape	**6.75**	**69%**	**9%**	**10.1**
Eastern Cape*	**5.73**	**85.5%**	**14%**	**13.5**

Examining the reasons for selling, as estimated by survey respondents, less financial stress-related selling should contribute to less of an oversupply of property as time goes by,...

With regard to the survey question relating to reasons for selling property, survey respondents point to a decline in financial stress-related selling, otherwise called "selling in order to downscale due to financial pressure". From a peak of 25.5% in the 3rd quarter of last year, the percentage of total sellers falling into this category of reasons for selling has declined to 15.5% by the 1st quarter of 2010. Another financial well-being-related indicator, namely "selling in order to upgrade" has shown improvement from a low of 4% of total sellers as at the 2nd quarter of 2009 to 10.5% of total sellers.

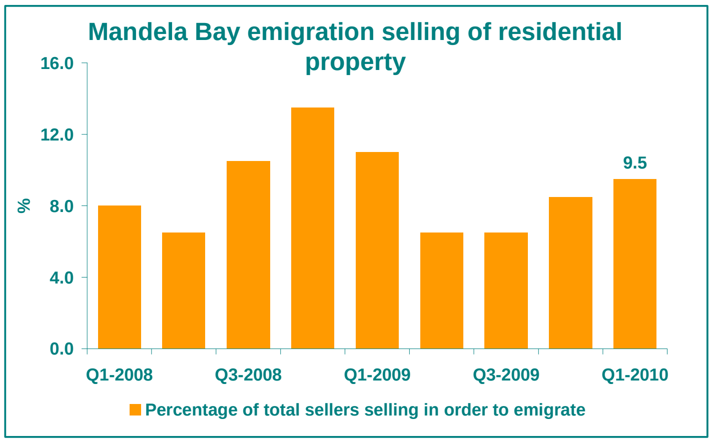


This brings "net downscaling" (the net of the two categories) to 5 percentage points, far down from a peak of 20.5 percentage points.

In short, the FNB Mandela Bay Property Barometer survey points to a significant improvement in financial stress amongst households, which in turn reduces the contribution of stress-related selling to oversupplies on the market.

.....but a rise in the significance of emigration and "semi-gration" selling recently is of some concern.

Of some concern is that we have seen an uptick in the percentage of sellers estimated to be selling in order to emigrate to 9.5% for Mandela Bay, from 6.5% just 2 quarters ago. This is a little different to the national average of 7%, which hasn't shown any noticeable rise of late, and one wonders if it doesn't perhaps have to do with the tougher economic times that the region suffered recently compared to the larger metros, along with the drought. Such tough times can persuade a certain group to make their move to "greener pastures" (not always greener). Selling in order to re-locate to elsewhere in SA also rose to an estimated 11.5%, also well-above the national average. Back to our theory that recession causes more centralisation of functions to the major centres' head offices, could it be that jobs are taking a more significant number of Mandela Bay skilled residents to larger metros? The emigration and re-location categories may well have been driven higher by the same economic factors recently, in which case a recovering economy should cause the trend to reverse in the near term.

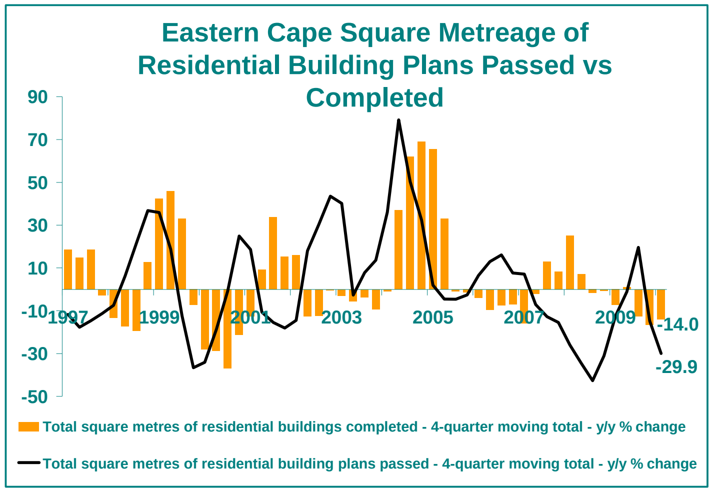


MANDELA BAY - REASONS FOR SELLING (AS % OF TOTAL SALES) - 2-QUARTER MOVING AVERAGE	Q1-2008	Q2-2008	Q3-2008	Q4-2008	Q1-2009	Q2-2009	Q3-2009	Q4-2009	Q1-2010
Downscaling due to financial pressure	**8.0**	**11.5**	**21.5**	**25.0**	**24.0**	**24.5**	**25.5**	**20.0**	**15.5**
Upgrading	**15.0**	**12.5**	**7.5**	**7.0**	**6.0**	**4.0**	**6.0**	**7.5**	**10.5**
Downscaling with life stage	9.0	10.0	16.0	13.0	11.0	19.5	18.5	12.5	15.5
Moving for safety and security reasons	20.0	20.0	15.0	12.0	13.0	12.5	12.0	15.0	12.0
Emigrating	**5.0**	**6.5**	**10.5**	**13.5**	**11.0**	**6.5**	**6.5**	**8.5**	**9.5**
Relocating within SA	10.0	8.0	6.0	6.5	6.5	5.5	4.5	6.0	11.5
Change in family structure	16.0	16.0	12.0	12.5	15.5	14.5	16.0	18.5	16.5
Moving to be closer to work or amenities	18.0	15.5	11.0	10.5	13.0	14.0	12.0	12.0	9.5

A slump in building activity, while bad news for developers and contractors, is what the doctor ordered in terms of bringing the market slowly back into balance.

Also crucial from a market balance point of view is slower supply of new stock to the market. This seems to be well on its way, with the square metreage of residential buildings completed in the Eastern Cape for the 4 quarters to the 1st quarter of 2010 having declined -14% on the previous 4 quarters. Square metreage of residential plans passed, often a good sign of trends to come, showed a more extreme decline of -29.9% for the corresponding 4 quarters, suggesting that building sector weakness has some way to run.

This is always bad news for developers and contractors, but good news from the point of view of reducing oversupplies.



OUTLOOK AND CONCLUDING REMARKS ON THE EASTERN CAPE RESIDENTIAL PROPERTY MARKET

The Eastern Cape, and especially its largest residential market, Mandela Bay, has arguably taken more of a knock than the bigger property regions such as Gauteng or the Western Cape. This is due to a number of factors, notably a high portion of very cyclical holiday property, as well as a major dependence on manufacturing, including the highly cyclical vehicle manufacturing, which took great pain as a result of the Global recession and impacted heavily on the Eastern Cape (especially Mandela Bay) economy.

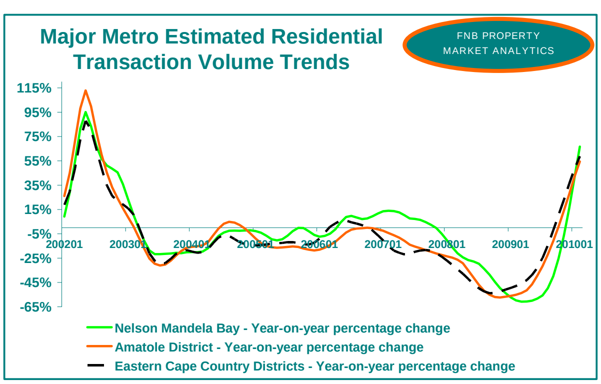
Nevertheless, many of the region's property indicators point to improving health, with demand steadily growing and supply of new stock, as well as supply from financially stressed sellers, seemingly being curbed. The process of containing supply until demand has caught up is crucial in returning an oversupplied region to market balance, and in so doing returning the market to positive price growth, something that we believe will happen in the 2nd half of the year.

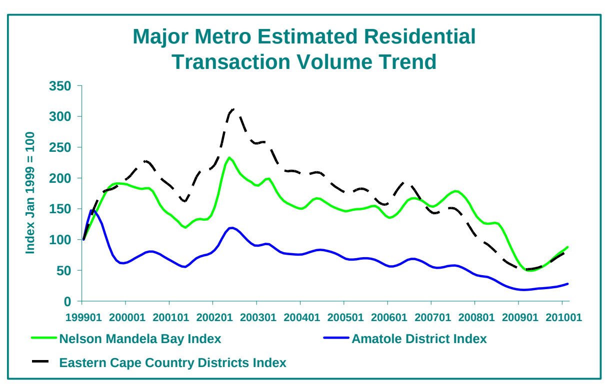
It is important not to expect too much from the current recovery. Unlike last decade's boom, we believe that the current property market recovery will be a short and moderate one, with residential demand growth beginning to taper off in the 2nd half of 2010 (take note, we still expect positive growth in transaction volumes but at a lower pace in the 2nd half of the year, as opposed to a volume decline.

To give some perspective as to the extent of the recovery to date, the growth rate in estimated residential volumes appears impressive, with +66.7% year-on-year estimated volume growth for February in Mandela Bay, +54.5% in the Amatole District and +58.8% for Eastern Cape Country Districts (A sample of Deeds data is used for areas deemed to be residential, and indices are smoothed).

However, the transaction volumes remain small compared to the boom time peaks a number of years ago, as one can see from the below right hand graph. The volume index for Mandela Bay as at February showed a value which was a mere 37.7% of the boom peak reached in May 2002, the Amatole District Index was at a level 23.7% of its boom high of June 2002, and the Eastern Cape Country Districts index was 26.3% of its June 2002 high point.

So it is a smaller market today, and although the growth off a low base has been strong, the volumes demanded have been insufficient to date to mop up oversupplies and return the market to positive price growth across the province.



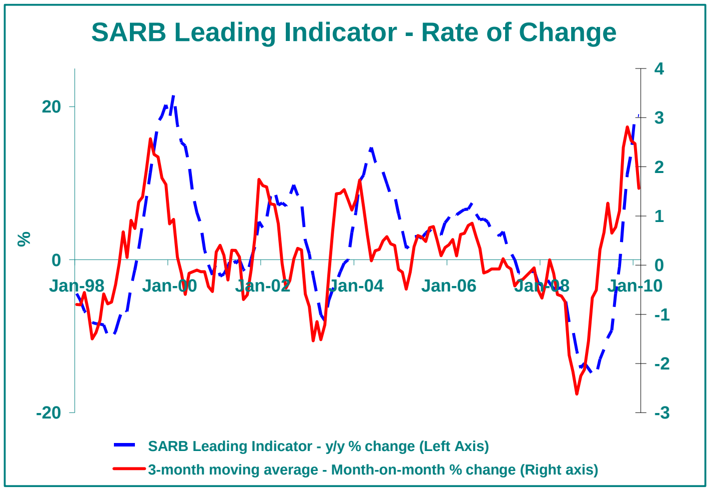


Raw Data source: Deeds Office

And already, at this stage, there are early signs that a peak in economic growth may not be far off, with the SARB Leading Indicator showing some slowing in month-on-month growth, as we have also seen with the United States and G-7 Leading Indicators.

Given this, it is not surprising that the PE Regional Chamber of Commerce and Industry reports a slowing in growth of its own Business Confidence Indicator in recent months.

What could bring about slower economic growth late in the year? Firstly, an expected levelling out of global economic growth after a re-emergence from recession, and secondly, a lack of further interest rate cutting stimulus.

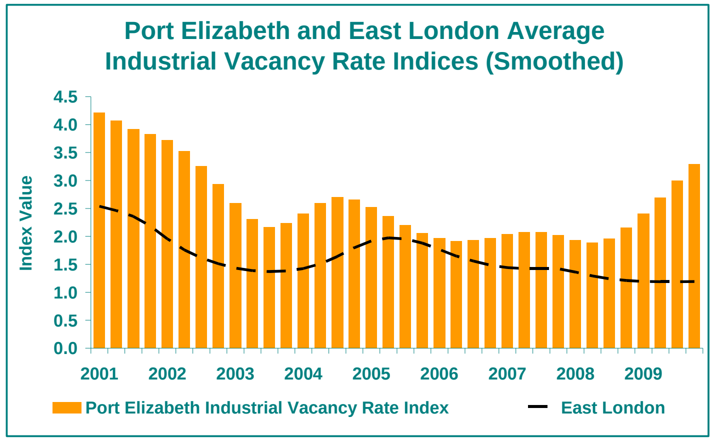


On top of this, the household sector has a far higher debt-to-disposable income ratio these days, compared to back early in last decade when the boom was gathering steam, which has made it impossible for it to respond as strongly to interest rate cutting, with new borrowing, as was the case from 1999/2000 onward as interest rates fell from crazy highs. Although household finances have improved to date, financial stress is still widespread, and it could take a few years to get back to a state where we can say that the household sector's financial "fundamentals" are healthy.

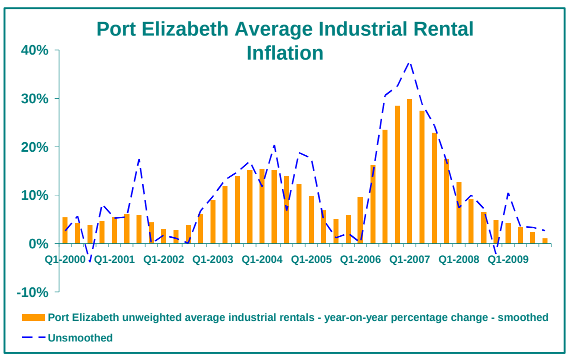
In a nutshell, therefore, we expect the growth in residential demand to continue, although the rate of growth could well taper off somewhat in the second half of the year, as economic growth reaches a plateau, and a lack of further interest rate cutting ultimately lessens the stimulus from that source. Year-on-year price inflation is expected to resume in the Eastern Cape in the 2nd half of the year, but we would anticipate single-digit price inflation over the next few years.

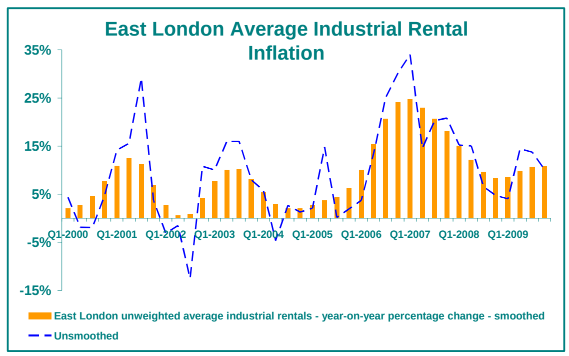
THE COMMERCIAL PROPERTY ENVIRONMENT – THE NUMBERS STILL APPEAR SUBDUED

On the Industrial and Commercial front, it would also appear that Mandela Bay has fared poorest in recent times, although data is limited to Port Elizabeth and East London only, and is very limited in scope. It is possible that Mandela Bay and surroundings had the lion's share of building activity in the province, and that a greater oversupply of both residential and commercial property was thus created. This, along with Mandela Bay possibly being harder hit in the recession, negatively affecting demand for commercial and industrial space, is possibly the reason for a significant rise in vacancies in Port Elizabeth, but not so to date in East London.



At least this is what the Rode Industrial Vacancy Indices show for the 2 regions (Note that we have applied a smoothing function to these vacancy indices). From a vacancy point of view, therefore, the East London industrial property market would appear in better shape than Port Elizabeth. This seems to come through in Rode's industrial rental data too. We have taken the various Rode industrial rental time series for each region, and calculated an unweighted average (and applied the same smoothing function to the final series).



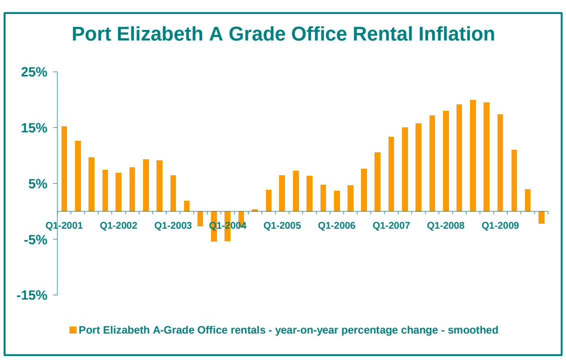


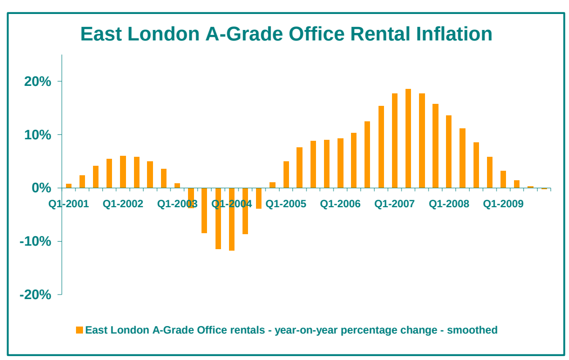
Raw Data source: Rode

The final smoothed index appears to point towards the same conclusion, i.e. that East London has held up better, with its industrial rental inflation measuring a relatively healthy +10.7% year-on-year in the final quarter of 2009, whereas Port Elizabeth had slumped to a mere +1.1% inflation at the same time.

Both cities' industrial sectors have slowed, however, with rental inflation peaking between 20%-30% around late-2006/early-2007.

In the area of office property, there is very little to choose from between Port Elizabeth and East London. The smoothed Rode A-grade office rental series' show East London at year-on-year rental deflation of -0.3% in the final quarter of 2009, with Port Elizabeth marginally weaker at -2.2%.

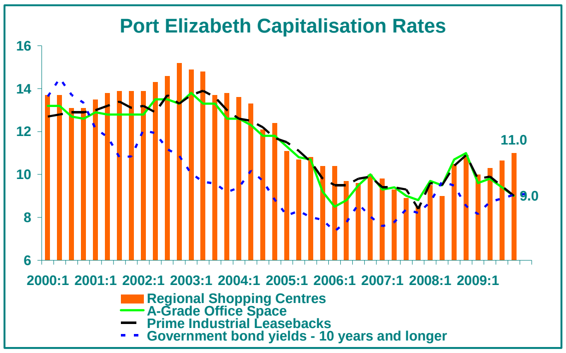


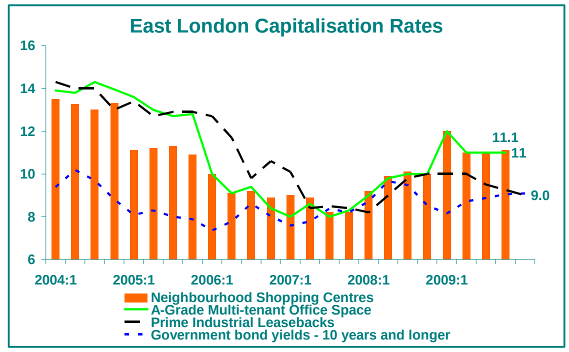


Raw Data source: Rode

On the retail side, it is probably safe to say that one or two too many shopping centres were created during the consumer boom years, and that it will take a while for retail sales to grow into the supply of stock. As such, a look at a variety of cap rates suggests that the market has the least confidence in retail property income streams for the time being. In 2008, there was a broad rise in cap rates, arguably in response to an increase in funding costs, broadly tracking the rise in SA long bond yields. In 2009, we have seen a noticeable decline in Port Elizabeth A-Grade office cap rates as well as Prime Industrial Leaseback cap rates, whereas regional shopping centre cap rates are reported to have continued rising through 2009.

In East London, the Rode data points to office and retail cap rates both remaining high after the 2008 rise, while only prime industrial leaseback cap rates have turned back into single-digits. Combining East London and PE, it would appear that the market is most upbeat in the area of industrial property, while least optimistic in the area of retail property.





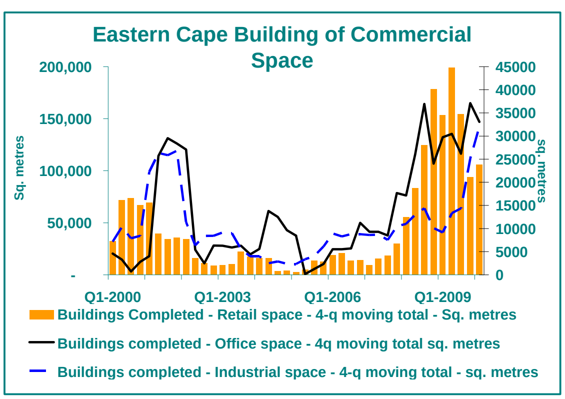
Raw Data source: Rode

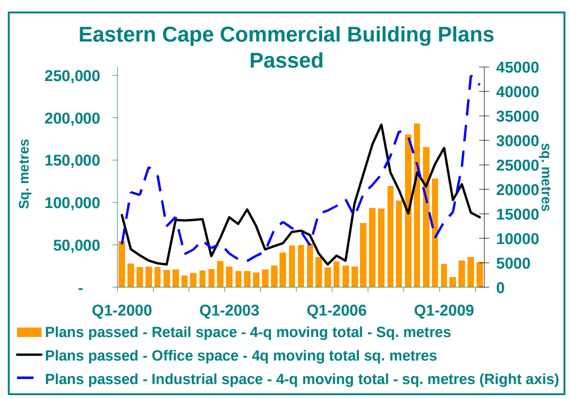
East London industrial rental inflation aside, indicators of generally very weak rentals may make the return of some cap rates to single digits seem a little questionable, especially given some renewed rise in long bond yields through 2009, and given that the creation of new supply of space still appears excessive in certain sectors.

In the area of retail space development, the required cut-back process appears to be well under way. Square metres completed over the past 4 quarters are -31% down on the previous 4 quarters, while retail plans passed are a small fraction of peak levels in 2008. In the area of office space, completions appear to have been peaking recently, but are still high, with the past 4 quarters' worth of square metres completed +11.2% up on the previous 4 quarters. However, square metres of office plans passed are -50% down on the previous 4 quarters, indicating a looming reduction in completions.

Industrial space, however, defies gravity, and one suspects that much may be Coega-related. Square metres of industrial space completed for the past 4 quarters were 249% up on the previous 4 quarters, while plans passed were 210% higher, suggesting more of the same for a while.

Industrial building activity in the Eastern Cape therefore remains robust.





CONCLUDING REMARKS ON EASTERN CAPE COMMERCIAL PROPERTY

While commercial property data for the Eastern Cape is very limited, the Rode data for PE and East London points to general weakness, although East London industrial property appears to have held up reasonably well.

It would also appear that the Port Elizabeth industrial and commercial property performance late in 2009 was slightly weaker than East London's, which may tie in with the belief that Port Elizabeth had a worse recession than East London and the rest of the province.

Cap rates declined in the non-retail sectors during 2009 despite some renewed rise in long bond yields, suggesting improved optimism regarding income streams from property. The question remains as to whether the decline in building activity is sufficient to start reducing oversupplies in space. Although the market appears least optimistic regarding retail space income streams going forward, it would appear that this sub-sector has made more strides in cutting back on new developments, judging by a look at Eastern Cape Building statistics emanating from StatsSA.