

## Commercial real estate shows improvement

The latest Investment Property Databank's (IPD) Valuation Report, which examines commercial real estate values in the current market, and explores some of the trends, results and challenges, shows an improvement in South Africa's commercial property values but cautions that a full market recovery has yet to take off. The report covers some 1800 valuations of assets owned by listed and unlisted funds.

"Renewed optimism in the second half of 2010 and better market conditions saw a moderate but notable increase in commercial property values by December 2010," says Stan Garrun, MD of IPD SA.

Sales analysis show that around 70% of sales in 2010 were concluded at a price above the market adjusted valuation. This figure was higher for retail and office properties but significantly lower for industrial properties.

Head of research for IPD, Jess Cleland, notes that around one quarter of properties still experienced a write down in capital value in 2010, implying that there is still uncertainty in the market and a full market recovery has not yet begun.

"This, however, is a significant improvement over the 40% of properties with value write downs in 2009," says Cleland.

According to Garrun, the importance of valuations to the property industry cannot be underestimated, "In an industry where liquidity is low and transactional evidence is relatively infrequent, a vast amount of measurement, analysis, reporting and decision making is drawn from the assessments of valuers.

"Especially around the turning points in a cycle, which we are currently experiencing, we need to understand the fundamental drivers of the market in order to effectively reflect market conditions.

"We have a mature and competent valuation industry with internationally comparable standards. Investors rely on valuations, which employ robust methodologies based on market understanding and reliable data. For this reason, the valuers' profession requires more information and transparency in the property market."

These valuation issues will be discussed at a breakfast event held jointly by IPD and SAPOA on 22 July 2011. For more info, email [sa@ipd.com](mailto:sa@ipd.com).

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