

Agricultural property investment resilient against drought, economy

 By [Richard Gray](#)

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South Africa is experiencing one of its worst droughts in decades. With five out of nine provinces being declared disaster zones, concerns over food security and high food prices are adding pressure to an economy already under strain.



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Many farmers are facing massive losses and this is indeed a dire situation. How does this affect the agricultural property market though?

In recent years much has been said about the demand for agricultural property. In 2013 a local asset venture capital firm released figures showing that returns on investments for the ten years prior to that South African farmland regularly outperformed those of local equities, bonds and real estate.

Consistent growth

Despite often uncertain economic conditions, investment in agricultural property has consistently shown growth and has mostly been unaffected by external threats. We predict this trend will continue in the short-term. In the past agricultural property still sparked interest among investors even during tough economic conditions. In many cases if farmers are forced to sell, investors purchase the property and then continue to work with the farmer. Alternatively, investors employ new staff and farm production remains a going concern.

If the agricultural business and financial markets can continue to work on solutions to mitigate risk for farmers, there is no reason the drought will have a negative impact on farmland buying and prices. This can most notably be seen in the continued high demand for game farms.

We predict that if rains return to normal again next season and economic uncertainty stabilises, interest in agricultural property investment will once again show consistent growth over the medium- and long-term.

Buyers will take a long-term view of an agricultural investment and as long as they have the means to get through drought and other threats, there will be good returns on investment.

ABOUT RICHARD GRAY

Richard Gray is CEO of Harcourts Real Estate South Africa. He joined the group in September 2010. Gray brings extensive experience in IT, project management, corporate operations and financial services provision, having been CEO of mortgage originator Bond Choice, to the table. He believes that the key to the group's prospects are the strong brand, industry-leading value proposition, talented people, and the benefits of being part of a powerful international real estate group.

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