BANKING

ABSA'S POISONED CHALICE

ABSA'S MOST RECENT appointment to head its high-turnover communications department has quit after less than three months in the position. Former SABMiller public affairs manager Adrian Botha has had one of the shortest stays in office in a position that's seen five other high-profile executives leave since 2003. Botha is the fourth person in the position since Barclays plc bought a controlling stake in Absa 18 months ago.

Botha's predecessors include Douglas Ramaphosa, who left Absa to join Anglo American; marketer Angela Bruwer; and, until fairly recently, Nick Cairns, who had served African Bank before joining Absa. Cairns left soon after the Barclays takeover.

Marketing guru Brendan O'Donnell was briefly in the swivelling seat before his sudden shift to the Marketing Federation of SA. His successor, Kenneth Clarke, also had a short tenure and the department was left without a head for some months before Botha's appointment.

It all implies that there are serious issues – at least within the group's communications division.

"There's no problem," says a spokesman. "Absa is a rapidly evolving organisation. You do get casualties when you get the kind of growth we've had."

Perhaps what's most telling is that not one of the six communications heads has remained within the group. All have left the business. It's unclear what the circumstances of Botha's departure are, as he declined to comment – despite repeated promises by Absa that it would issue a statement concerning his resignation. Absa had failed to do so by the time of writing.

Absa was once proud of its status as "Best company to work for" in subsequent reviews in 2002/2003. However, numerous changes have occurred since the Barclays takeover and many of those have happened at senior level. The group's executive committee has seen five of its members leave office over the past year.

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HOUSING

Building costs set to surge

New houses could become unaffordable

THOSE CONSIDERING BUILDING a new house, best do it sooner rather than later. New housing supply is expected to drop off dramatically over the next 18 months – not on the back of higher interest rates and slower demand, as most would expect, but rather because South Africa's limited pool of building resources is likely to be allocated increasingly to infrastructure and commercial property development.

Scarcity of new housing stock will support further house price growth. **John Loos**

FNB property strategist John Loos expects SA's development boom to accelerate to a frantic pace as the 2010 Soccer World Cup deadline approaches. Says Loos: "The residential building sector will start competing increasingly with the commercial property and infrastructure sectors for scarce building skills and materials. That will not only limit the speed at which the residential sector can supply new housing stock but will also sharply raise the cost at which new houses will be built."

The expected drop in new housing stock is one of the main reasons why Loos has upgraded his house price growth forecast. Loos released a report last week indicating that he no longer expects house price growth to dip below 10% this year – despite the possibility of further interest rate increases.

Loos says the scarcity of new housing stock will no doubt support further house price growth. He now expects house price inflation to bottom at 11% this year and accelerate to around 18% in 2010.

Latest figures from building economists Industry Insight show that residential building costs have already surged in recent months. Its latest residential building cost index rose by a hefty 23% (year-on-year) in October, sharply up from 0,8% at end-2005. The index measures residential building contractor pricing.

However, a drop in new housing supply should come as good news for buy-to-let investors, as the lingering oversupply of rental stock will be mopped up at a faster pace, putting long-awaited upward pressure on rentals.

Residential letting agents Trafalgar last week reported the biggest rise in rentals in three years, with most cities recording growth of around 10% in 2006. Trafalgar Chairman Neville Schaefer confirms that less new rentable stock is coming on to the market, creating a more balanced supply/demand scenario.

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Better start building now. **New houses**