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South Africa tops the world's property markets

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COMMERCIAL



- South Africa delivered the world's strongest commercial property returns at 11.9% in 2025.
- Global property markets are recovering, supported by resilient income returns and stabilising capital values.
- Retail, hotels, industrial and data centres are emerging as key investment opportunities.

South Africa has emerged as the world's best-performing commercial property market, outperforming every major international economy at a time when global real estate is only beginning to recover.

That's the headline finding from the latest MSCI Global Property Trends Report, presented during SAPOA's Global Trends Webinar, where international research revealed South Africa delivered an impressive 11.9%

total commercial property return in 2025, well ahead of every other country measured.

For investors, developers and listed property companies, the findings provide further evidence that South African real estate is regaining momentum despite ongoing global uncertainty.

Global property markets are turning the corner

After several years dominated by inflation, rapidly rising interest rates and geopolitical uncertainty, commercial real estate is beginning to recover across much of the world.

According to MSCI, global total property returns improved to 4.8% during 2025, more than doubling the previous year's 2.0% return. The improvement has been driven largely by resilient rental income, stabilising capital values and renewed investor confidence.

Speaking during the webinar, Eileen Andrew noted that while uncertainty remains around global conflicts, inflation and interest rate movements, property markets are becoming increasingly resilient.

"The recovery we're seeing is increasingly broad-based, supported primarily by resilient income returns and early signs of stabilisation in capital values. While uncertainty remains, particularly around global conflicts, interest rates and investment sentiment, there are encouraging indicators that property markets are entering a more stable phase."

South Africa leads the world

Perhaps the webinar's most encouraging finding for local investors was South Africa's exceptional performance.

According to MSCI's latest global index, South Africa delivered an annual total commercial property return of 11.9%, outperforming every other country included in the international benchmark.

For a market that has faced prolonged economic headwinds, constrained growth and investor caution over recent years, the result highlights the resilience of South Africa's income-producing commercial property sector.

Main findings from the webinar

Among the key themes discussed were:

- South Africa ranked as the world's best-performing commercial property market in 2025.
- Global property returns increased to 4.8%, signalling a broad-based recovery.
- Income returns remain the primary driver of commercial property performance.
- Capital values are beginning to stabilise after several difficult years.
- Retail and hotels produced the strongest global sector returns.
- Industrial property continues to attract investors thanks to resilient occupier demand.

- The office market is showing early signs of recovery, although hybrid working continues to reshape demand.
- Alternative property sectors, including digital infrastructure, continue to gain momentum.
- Geopolitical risks and interest rate uncertainty remain the biggest challenges facing investors.
- Long-term investors continue to find attractive opportunities in quality assets offering sustainable cash flows.

Retail and industrial remain investor favourites

While retail has often been written off globally over the past decade, MSCI's research indicates that the sector has staged a remarkable recovery.

Retail and hotel assets generated the strongest returns internationally during 2025, while industrial property continued its multi-year period of outperformance. South Africa reflected many of these global trends.

Although overall transaction volumes moderated during the year, retail remained the country's largest investment sector, with industrial property and alternative real estate attracting increasing investor interest. This points to a broader diversification of capital across the commercial property landscape.

Office markets showing signs of life

One of the more encouraging messages for investors was the improving outlook for office property.

While hybrid working continues to reshape demand worldwide, the office sector is no longer experiencing the sharp declines seen immediately after the pandemic.

Instead, markets are beginning to stabilise as occupiers prioritise high-quality, well-located and sustainable office space that supports collaboration and employee wellbeing.

Geopolitics still shapes investment decisions

The webinar also highlighted the growing influence of global geopolitics on commercial property investment.

Conflicts in the Middle East, ongoing economic uncertainty and the future direction of global interest rates continue to affect investor sentiment and cross-border capital flows.

Despite these risks, improving property fundamentals are encouraging investors to return selectively to quality real estate assets capable of generating dependable long-term income.

Data centres emerge as a major growth opportunity

Looking ahead, MSCI expects investors to focus increasingly on sectors with durable long-term demand.

Among the strongest opportunities identified were data centres, fuelled by accelerating digital transformation, cloud computing and artificial intelligence.

Assets capable of producing reliable cash flows with strong pricing power are expected to remain particularly attractive as investors seek stability in an uncertain global environment.

Why it matters for South African investors

The webinar reinforced several important messages for local investors:

- South African commercial property continues to compare favourably on a global basis.
- Income-producing assets remain attractive despite economic uncertainty.
- Retail, industrial and alternative sectors continue to present compelling opportunities.
- Quality, well-managed assets with sustainable cash flows are likely to outperform over the longer term.
- Global trends increasingly influence local investment strategies, making international market intelligence more valuable than ever.

Summation

The latest SAPOA Global Trends Webinar, presented by MSCI, paints a far more optimistic picture for commercial real estate than many investors may have expected.

While geopolitical tensions, interest rates and economic uncertainty continue to create challenges, global property markets are clearly moving into a new phase of recovery. For South Africa, the news is particularly encouraging.

Leading the world with an 11.9% annual commercial property return, South Africa has demonstrated that well-positioned real estate remains a resilient, income-generating asset class capable of delivering attractive long-term performance.

For investors, the message is clear: focus on quality assets, sustainable income, strong fundamentals and emerging sectors such as industrial property and digital infrastructure. As markets stabilise, those who remain informed and disciplined will be best positioned to capitalise on the next cycle of commercial property growth.

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