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*Rode's
Report
2013:3*

*Mixed signals coming
from the building industry
– p128*



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*Mediocre growth in office market rentals • Industrial rental
recovery relies on a healthy manufacturing and retail sector
• Drivers of house prices showing no vigour*

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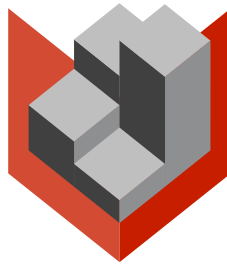
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Rode's Report

on the South African Property Market

2013:3

Vol. 24 no. 3



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New development opportunities arrive at Cape Town International Airport

South Africa's major airports have become the new development nodes and ACSA continues to accelerate this development and open up commercial property development opportunities.

Five of Cape Town International Airport's seven precincts have been allocated as development precincts. The first development precinct is a 2.9 hectare prime piece of land situated within close proximity to the terminal building, the cargo terminal, the car hire centre and the airport's ample parking facilities.

This precinct is the gateway to the airport, the very heart of all ACSA's aeronautical and commercial activities, a portion of which has been rezoned for hotel development.

"It's about a 12 000 m² site that's going to be offered on a proposal call in the next few months," says David Wood, Regional Property Manager, ACSA. "It's an opportunity to operate and manage a hotel in a very, very prime position at the principal terminal. Prime because of its visibility as you come into the airport as well as its proximity to the terminal building – it's under four minutes' walk from the central terminal building site."

It is anticipated that the main hotel operators within South Africa will move to bid for the site as the call for proposals goes out before the end of this year.

The second piece of rezoned land is situated on the eastern side of the airport, within the 24-hectare precinct 3 development node, large portions of which have already been developed for industrial/warehousing purposes.

"The rezoned land is 144 000 m² in extent. It is serviced and enabled and very central within the greater Cape Town metropole. We're looking to attract quality end users – ideally suited to logistics



Three areas have been rezoned for development at Cape Town International Airport, including a prime terminal-front location that has been allotted for the development of a hotel.

and distribution type operations, because it's so central, but any business really would benefit," says Wood.

The third piece of rezoned land, situated at the entrance to the airport, has been assigned for an 18 000 m² oval office park development. The area is centrally located, just 16 kilometres from Cape Town's CBD, with some 24 000 cars passing the site daily. The office park offers businesses excellent exposure and a superior location to serve the entire Western Cape efficiently and cost-effectively.

South Africa's airports are being transformed into multi-faceted, world-class, global gateways for travel, trade and commerce, becoming vital centres and catalysts for economic growth as well as access hubs for the rest of the world. Cape Town International, South Africa's second airport, processes over seven million travellers every year and plays an increasingly important role in the region's booming economy.

The popular duty-free mall has already increased passenger spending by 66 % and the planned R60 million retail mall will only serve to increase Cape Town International Airport's attraction to shoppers and visitors from around the world.

For further information or to be notified on the call for proposals, please send an email to: david.wood@airports.co.za

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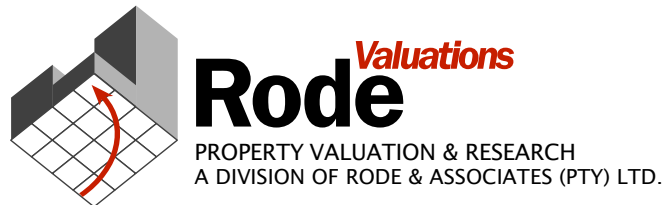
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RodePlan specialises in town and regional planning to foster pathways to enable sustainable development. This includes:

- **Land-use control:** rezoning, subdivision, departure, consent use, removal of title restrictions, zoning schemes
- **Spatial planning:** spatial development frameworks (SDFs) and plans (SDPs)
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RodePlan focuses on town and development planning processes and products at macro, meso and micro level. *RodePlan* considers an in-depth understanding of the *social, economic, political and environmental elements* that underpin present-day society as fundamental to an SDF in order for spatial planning to complement economic growth and development.

Rode also advises private clients on the development potential of specific properties and/or land disposal strategies. This is done in collaboration with our expertise as property economists. *RodePlan's* clients include property owners, developers, engineering companies and government institutions.



As one of South Africa's largest valuation firms, *Rode* annually values property portfolios which include shopping centres, agricultural property, residential, commercial and industrial property. *Rode* also undertakes municipal property valuations, as well as specialized valuations such as bare dominiums.

Rode's property valuation services are underpinned by the rigorous surveying of, inter alia, market rental levels and capitalization rates. *Rode's* valuation services also rely extensively on techniques such as regression models, as well as the opportunity cash flow (OCF) method. This ensures uniform and realistic market valuations, and is *Rode's* competitive edge.

■ *Farm valuations*

Rode's agricultural valuation department specialises in the valuation of farms and smallholdings, and understands the value-drivers within this sector.

■ *Bare dominiums*

Rode is widely regarded by lending institutions as the authority on the valuation of bare dominiums (*leased fee estates* in the USA). A bare dominium property is usually a property with a long lease, where the cash flow of the lease has "been" "stripped out" – e.g. by selling the present value of the cash flow of a lease to a third party.



Rode Consult provides forecasts, overviews and expert opinions for corporates, government departments and private clients on a wide range of property issues. Recent outputs include:

- Writing a macro overview of the South African housing market for the national Department of Housing
- Producing demand forecasts for specific office nodes and flats markets
- Producing forecasts of rental levels using econometric modelling
- Analysing property portfolios
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- Analysing the property market in Bloemfontein and other Free State towns
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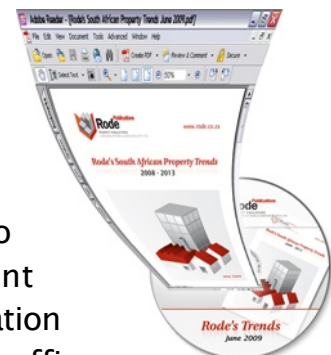
■ **Rode's Report on the South African Property Market**

The *Rode Report* analyses and reports on most sectors of the property market. It covers, among others, trends and levels of rentals and standard capitalization rates by property type, grade, node/township, the listed real estate market, and building construction costs and building activity. Quarterly updated; print or electronic version.



■ **Rode's South African Property Trends**

Trends is aimed at general managers with strategic decision-making power and property investment analysts who are involved in asset allocation and viability studies. It offers a statistically-based analysis and forecast by property type of all key indicators affecting the property market, and it covers all the major metropolitan areas to provide a complete framework for property investment planning. The forecasts include those for standard capitalization rates, prime industrial and office rentals, office take-up, office vacancies, building costs, the property cycle and expected total returns on a notional office-building portfolio. Biannual CD publication.



■ **Rode's Retail Report on South Africa**

Rode's Retail Report contains analyses and reports on retail property, including shop rentals, operating expenses and escalation rates. It covers about 100 shopping centres and 120 street-front micro locations (high-street shops) in six metropolitan areas. Retail sales data is presented by magisterial district and by merchandise category. It also contains data on new shopping centres, mooted developments and extensions to existing centres. Quarterly CD publication.



■ Rode's Time Series database

Rode updates and rents out approximately 5 000 property time series, which offer property researchers and analysts a unique opportunity to analyse sub-markets – from office, industrial and residential rentals to capitalization rates and house prices covering more than two decades. A *Pro* and a *Lite* database is available. The main difference between the *Pro* and the *Lite* database is that the former contains the disaggregated or nodal data. Electronic publication on CD, updated quarterly.



■ Rode's Growth Points

Target market: CEOs, general management, fund investment managers, analysts

- **Identifies** areas of growth and stagnation in order to direct investment strategy
- Nine South African cities are included: Johannesburg, Pretoria, Cape Town, Durban, Port Elizabeth, East London, Bloemfontein, Nelspruit, Polokwane
- Updated once a year
- Price on enquiry



■ Rode's Sales

Target market: anyone who has to estimate market values of commercial and industrial properties, as well as vacant land. The report analyses and reports on actual transactions. It estimates capitalization rates and calculates sales prices per square metre that are based on **actual** transactions in contrast to the opinion surveys underlying *Rode's Report*. Users of *Rode's Sales* are advised to make use of this information in conjunction with *Rode's Report*. Monthly electronic publication.



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AJ	Property Specials	0114753955
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Foreword

Dear Reader

Welcome to the third issue of *Rode's Report on the South African Property Market (RR)* for 2013, which reports on surveys conducted in the second quarter of 2013.



As usual, we report on movements of a number of critical property variables, ranging from capitalization rates, rentals, escalation rates, land values, and operating costs for the non-residential property market, to changes in house prices and flat rentals in the residential property market. Again, owing to a lack of data we were unable to update our chapter on non-industrial land values in this issue of *Rode's Report*.

Readers are again reminded of our website – www.rode.co.za – which contains interesting and relevant property-related articles, most of which are published in our monthly [e-newsletter](#), to which readers can subscribe through our website. It's free of charge.

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Happy reading!

Sincerely

A handwritten signature in black ink, appearing to read 'John S. Lottering'. The signature is fluid and cursive, with a long horizontal stroke at the end.

John S. Lottering
Editor

2 October 2013



When you're building your business, you can't rely on luck alone.

When Galencia Property wanted to develop properties on a big piece of land in South Africa, they needed extra support. Support that many banks just couldn't give them. You see, being a company based in China, Galencia needed help that superseded the regular banking services. But where help is needed, one bank is always there. FNB. It didn't take us long to give Galencia

the support they were looking for, like issuing a bank guarantee in two days, rather than seven. We even dealt with them in their preferred language, Mandarin. Now that's help. So, because we made it our business to help Galencia, we were lucky enough to get their business. All of it. Even their employees bank with us now. Which goes to show that if your business is going far, we can help you get there.



If your business is going far, we can help you get there.

Speak to our Acquisition Team, contact Zak Sivalingum on (011) 649 0502, 082 333 0468 or email zak.sivalingum@fnb.co.za | Contact us on 087 312 8912 or email newbus@fnb.co.za for more information.

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how can we help you?

Chapter 1: State of the property market

State of the property market in quarter 2 of 2013

The following are the significant findings or conclusions made in this issue of *Rode's Report*:

- Mediocre growth in office market rentals
- Industrial rental recovery relies on a healthy manufacturing and retail sector.
- Drivers of house prices showing no vigour

Quantitative overview of the property market

Table 1.1 provides a snapshot of how the property market has performed over the past four quarters by comparing the latest information (quarter 2013:2) with that collected a year earlier.

Table 1.1 The property market at a glance at quarter 2013:2* % growth on four quarters earlier (on smoothed data)		
	Nominal	Real**
A-grade CBD office rentals		
Johannesburg	6,8	-4,1
Pretoria	-6,9	-16,4
Durban	-10,5	-19,6
Cape Town	7,5	-3,5
A-grade decentralized office rentals		
National decentralized	4,7	-4,9
Sandton CBD	7,7	-3,3
Randburg Ferndale	6,2	-4,6
Brooklyn/Waterkloof (Pta)	7,0	-3,9
Hatfield	9,9	6,1
Berea (Durban)	-0,7	-1,7
La Lucia Ridge	6,0	-4,8
Claremont (CT)	5,8	-5,0
Tyger Valley	6,1	-4,7

* Unless otherwise specified
 ** Nominal values deflated by BER Building Cost Index; however, flat rentals are deflated using the Consumer Price

Table 1.1 (continued)
The property market at a glance at quarter 2013:2*
 % growth on four quarters earlier (on smoothed data)

	Nominal	Real**
Prime industrial rentals (500-m² units)		
National	3,1	-7,2
Central Witwatersrand	4,9	-5,8
East Rand	0,4	-9,8
Durban metro	9,1	-2,0
Cape Peninsula	-1,0	-11,0
Flat rentals (standard quality, all sizes)		
National	4,6	-1,3
Johannesburg metro	1,1	-4,6
Pretoria metro	1,1	-4,6
Durban metro	1,6	-4,2
Cape Town metro	4,6	-1,3
* Unless otherwise specified		
** Nominal values deflated by BER Building Cost Index; however, flat rentals are deflated using the Consumer Price Index.		

Office rentals

There is still no marked improvement in overall office vacancy rates, which should be expected given the persistent weak demand. Naturally, the outcome of this has been mediocre growth in market rentals.

In the second quarter of 2013, office rentals in Johannesburg and Cape Town decentralized were — on average — able to show growth of 6%. In Pretoria, decentralized rentals were up by 5%, while rentals in Durban decentralized showed average growth of 4%.

Industrial market

Rentals in the industrial agglomerations of Durban and Port Elizabeth were able to show the strongest growth (9%). On the

Central Witwatersrand and the East Rand, industrial rentals were up by 5% and 0,4% respectively, while in the Cape Peninsula (-1%) rentals contracted. Over the same period, building costs are expected to have shown growth of roughly 11%, implying that in all of the mentioned areas rentals actually contracted in *real* terms.

Strong and sustained growth in industrial rentals relies on a healthy manufacturing and retail sector. During the reporting quarter, the output produced by the manufacturing sector was able to recover. Evidence, however, that the manufacturing sector is as yet not out of the woods came in the form of the weighty drop in the Kagoiso Purchasing Managers Index (PMI) during September 2013. *Real* retail sales have in recent months shown low growth, which is likely to continue given the low levels of consumer confidence and deteriorating consumer credit health.

Flat rentals

Nationally, residential rentals continued to show low growth, which should be expected given the persistent financial pressure that households are under.

In the second quarter of 2013 nominal market rentals on flats and houses grew by 5% and 4% respectively. Market rentals on townhouses posted growth of 3%. Given consumer inflation (excl. housing) of about 6% implies that in *real* terms residential rentals are still contracting. Regionally, flat rentals in Cape Town (+5%) showed the strongest growth. Durban followed with rental growth of 2% while in Johannesburg and Pretoria rentals were marginally higher by 1%.

The house market

After heating up to a yearly growth rate of 12% in April 2012, the growth in national house prices (as measured by Absa) has since cooled to 8% in August 2013. But, considering that key drivers of house prices are showing no vigour, the cooling in house price growth comes as no surprise.

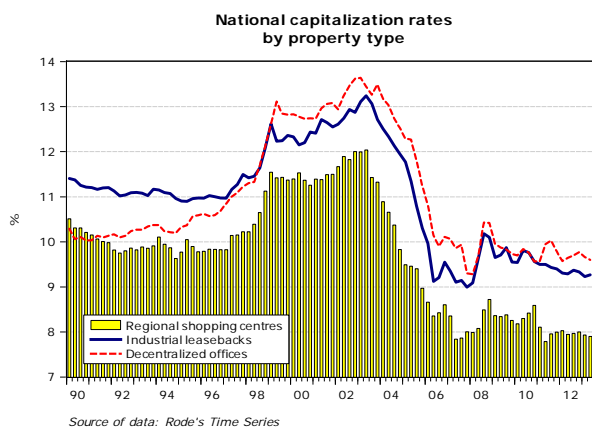
Notable factors that are likely to continue to keep a lid on the growth in house prices are the weak growth in employment, the cooling in the growth of disposable incomes, still-high household debt levels, tighter credit standards to households and contractions in the number of mortgage loans granted. ■

Chapter 2: Capitalization rates

How vacancies affect capitalization rates

Written by John S. Lottering

Capitalization rates of retail, office and industrial property continued to show very little movement in the second quarter of 2013.



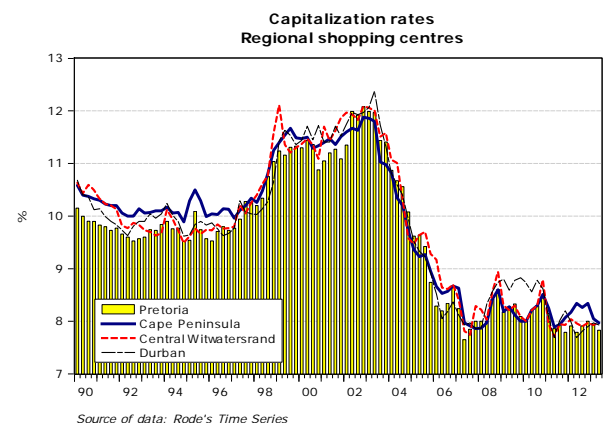
Capitalization rates are the property equivalent of the forward earnings yield of equity. When they rise — holding constant market rentals and operating costs — market values drop, and vice versa. Therefore, the current steadiness in capitalization rates will be welcomed by landlords. This is especially so when considering the adverse impact that low market-rental growth and still-high growth in outgoings are having on *net* cash flows.

Shopping centres

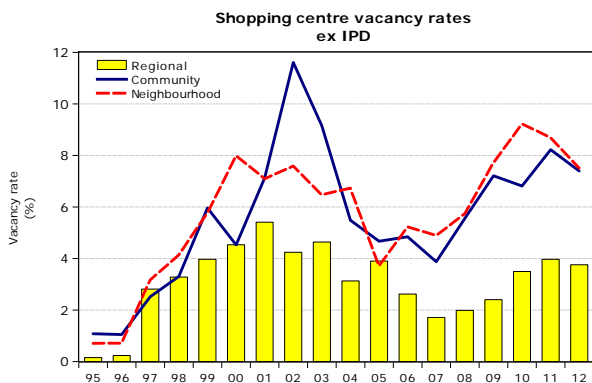
As for shopping-centre capitalization rates, those of regional centres countrywide stayed at roughly their previous-quarter levels. In the second quarter of 2013, in

vestors in regional shopping centres required a *net* income return of between 7,8% and 8,6% to induce them to buying

or selling regional centres. Our respondents were of the opinion that investors interested in buying or selling community and neighbourhood centres were happy to do so at average forward *net* income yields of about 9% and 10% respectively.

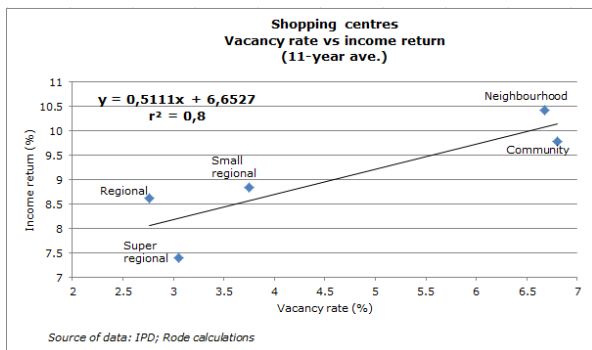


The higher capitalization rates on smaller centres are related to the higher perceived risk associated with their potential income (fewer tenants) and the expected lower growth in *net* income. Historically, vacancy rates on neighbourhood and community centres have been higher than those of regional centres (see corresponding graph). Of course, a property's vacancy rate has a direct impact on the perceived risk (variability) to its potential income.



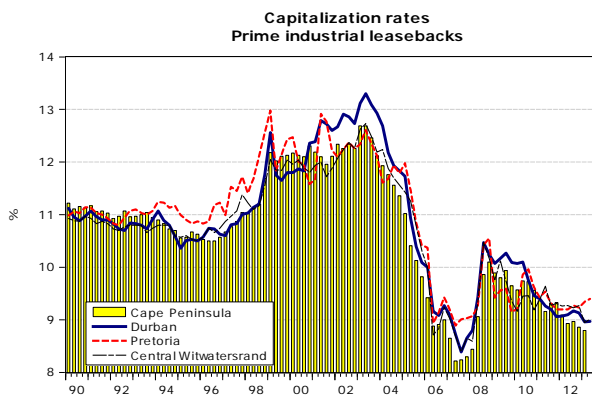
Source of data: IPD South Africa Annual Digest 2012

Also evident from the corresponding scatter plot is the positive correlation between shopping centre vacancy rates and income returns.¹ Note how smaller centres with their higher average vacancy rates have higher average income returns (or capitalization rates).



Source of data: IPD; Rode calculations

Prime industrial leasebacks



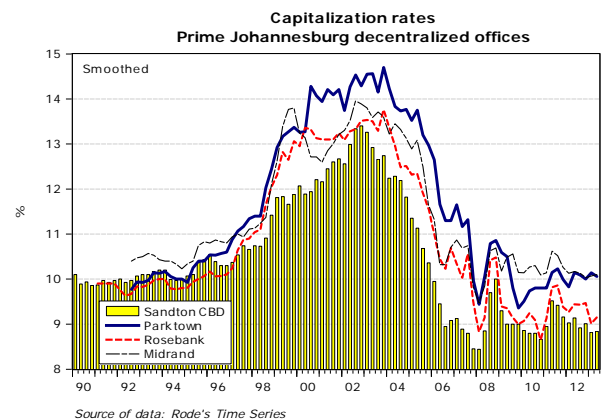
Source of data: Rode's Time Series

In the reporting quarter, capitalization rates on industrial leasebacks in the major industrial agglomerations showed no major changes from the previous quarter.

Our respondents were of the opinion that investors in prime industrial property (with a leaseback covenant) required a minimum *net* income yield of roughly 9%.

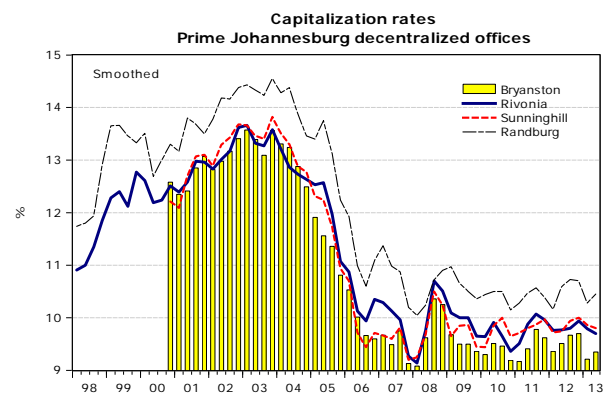
Prime offices

Johannesburg decentralized



Source of data: Rode's Time Series

The Sandton CBD again recorded the lowest (8,8%) grade-A multi-tenanted capitalization rate of all Johannesburg office nodes surveyed. In the other Johannesburg decentralized office nodes, capitalization rates on grade-A property ranged between 9,2% and 10,5%.

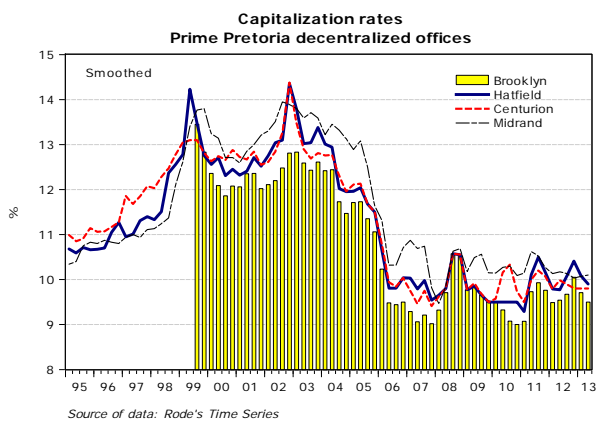


Source of data: Rode's Time Series

¹ Note that the income return data used in the scatter graph is sourced from the IPD. These income returns are historical (or trailing) as opposed to capitalization rates, which are forward income returns.

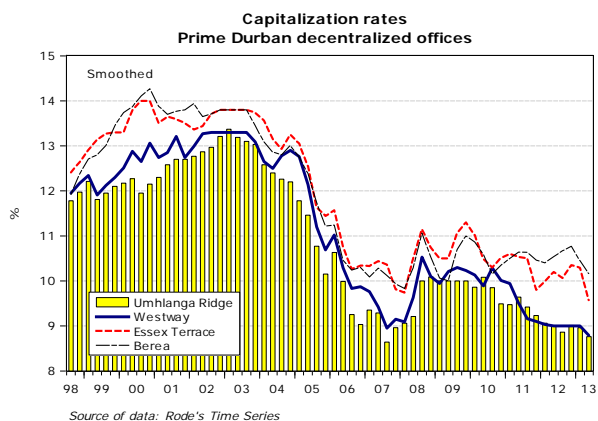
Pretoria decentralized

At the moment, the biggest risk to office capitalization rates in Pretoria decentralized is vacancy rates that are continuing to head north. Of course, the eventual result of this might be upward pressure on office capitalization rates. However, as at the second quarter of 2013, there was no major changes in Pretoria decentralized with capitalization rates still ranging between 9,5% and 10%.

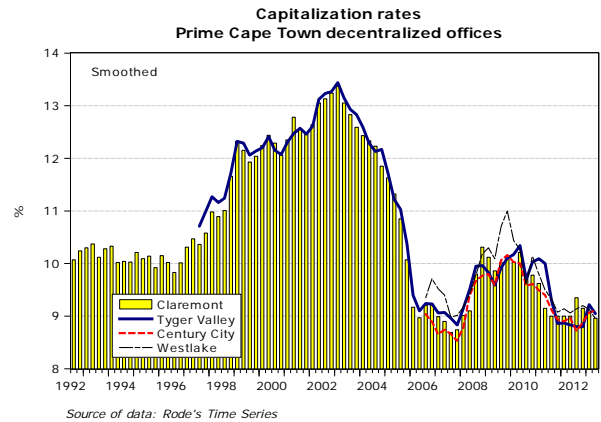


Durban decentralized

In the Durban decentralized office nodes of La Lucia / Umhlanga Ridge, Westway and Essex Terrace, capitalization rates on grade-A multi-tenanted property stood at about 9%. Berea's higher capitalization rate (10%) might be related to the fact that it has a much higher vacancy rate relative to the other Durban decentralized office nodes, which in turn is probably the result of its proximity to the decaying CBD.



Cape Town decentralized



In the reporting quarter, our respondents were of the opinion that investors require a minimum *net* income return of roughly 9% to induce them to trade grade-A multi-tenanted property in Cape Town decentralized.

Leaseback escalation rates

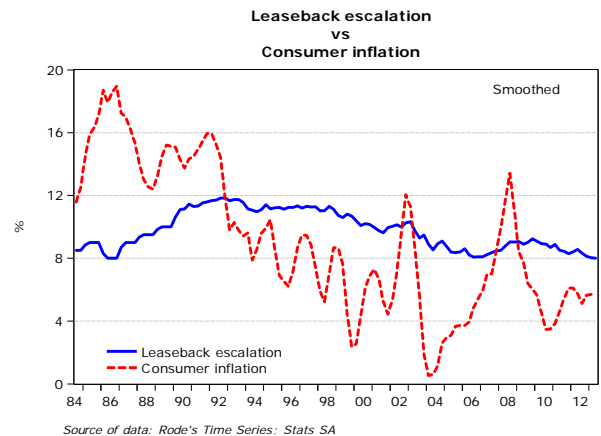


Table 2.1 shows that the average leaseback escalation rate was 8% in the second quarter of 2013. The escalation rate is an attempt by the market to forecast market rentals until the expiry of the lease.

This concludes our analysis of capitalization rates. The capitalization-rate tables follow. ■

Table 2.1
Prime industrial leaseback escalation rates
Quarter 2013:2

Mean	SD	N	Change: 2013:2 less 2013:1	Broker-contributor codes
8,0	0,7	12	-0,1	AW, BZ, EK, GY, IPM, MW, PC, QP, QU, QV, RD, TH

Please note that figures referred to in the text may differ from the raw data in the tables owing to smoothing on our part

Interpretation tip: It is dangerous to rely on one quarter's figure, as it may be an outlier owing to small sample sizes. Instead, consider the trend or contemplate using the average of at least two quarters for a more accurate assessment. For this reason, the graphs accompanying this article are smoothed.

A standard capitalization rate (colloquially referred to as a cap rate) is the expected net operating income for year 1, assuming the entire building is let at open-market rentals, divided by the purchase price. This calculation ignores VAT, transfer duty and income tax, and assumes a cash transaction. All references in Rode's Report to "cap rates" and "capitalization rates" mean "standard capitalization rates".

Capitalization rates for CBDs (excluding the Cape Town CBD) are of little use because when office properties are sold, they are invariably converted to flats.

The **high standard deviation** from the mean capitalization rate for office and industrial properties in some nodes, as reported in the accompanying capitalization rate tables, is indicative of the uncertainty prevailing in these nodes or areas. With few sales taking place, the evidence on ruling capitalization rates is thin and opinions vary more than in the more popular areas. This means that the income-producing property market has become even more inefficient in these nodes — which makes the valuation of these properties a rather hazardous exercise.

We are indebted to our expert capitalization rate panel, comprising major owners and leading brokers who know their market segments intimately. This survey would not be possible without their invaluable contributions. Codes of those panellists who supplied information for this quarter's survey appear in the tables on the following pages. An explanation of the contributor codes can be found on p. xvi.

Table 2.2
Survey of capitalization rates (%)
Office buildings
Means for quarter 2013:2

Best location	Grade A: Multi-tenant			Grade A: Leaseback			Grade B: Multi-tenant			Grade C: Multi-tenant		
	Mean	SD	n	Mean	SD	n	Mean	SD	n	Mean	SD	n
Johannesburg CBD	10,4	0,5	2	10,1	0,1	2	11,7	0,4	2	13,2	0,4	2
Braamfontein	10,2	0,5	2	9,9	0,2	2	11,4	0,4	2	12,8	0,3	2
Parktown	10,0	-	1	9,8	0,2	2	10,7	0,5	2	13,0	-	1
Rosebank	9,3	0,5	2	8,8	0,3	2	10,0	0,8	2	10,9	1,4	2
Sandton CBD	8,9	0,4	2	8,6	0,4	2	9,7	0,5	2	11,9	-	1
Rivonia	9,7	0,4	2	9,3	0,3	2	10,7	1,0	2	12,9	-	1
Bryanston	9,5	0,5	2	9,4	0,1	2	!!	0,8	2	12,4	-	1
Sunninghill	9,8	0,2	2	9,6	0,1	2	10,7	0,7	2	12,4	-	1
Randburg Ferndale	10,6	0,1	2	10,8	0,2	2	11,8	0,3	2	13,2	-	1
Midrand	10,1	0,3	3	9,7	0,2	3	10,9	0,7	3	12,8	-	1
Germiston CBD	11,5	-	1	11,3	0,2	2	12,7	0,1	2	13,6	0,1	2
Pretoria CBD	10,2	0,7	2	9,7	0,5	2	11,6	0,3	2	12,9	0,2	2
Hatfield	9,9	0,5	2	9,7	0,2	2	10,4	0,5	2	11,7	0,9	2
Brooklyn	9,5	0,5	2	9,2	0,2	2	10,3	0,6	2	11,1	1,1	2
Centurion	9,8	0,3	2	9,6	0,0	2	10,9	0,2	2	13,0	-	1
Menlyn/Lynnwood	9,6	0,3	2	9,2	0,0	2	10,3	0,6	2	11,2	1,2	2
Vaal Triangle	10,4	0,1	2	10,1	0,2	2	11,7	0,4	2	12,7	0,7	2
Nelspruit	10,1	0,1	4	9,9	0,0	2	11,5	0,2	4	12,8	0,2	4
Polokwane	10,2	0,2	2	9,9	0,2	2	11,4	0,6	2	12,6	0,5	2
Durban CBD	10,8	1,0	5	10,5	0,4	4	11,9	0,4	4	13,7	0,9	4
Berea	10,1	1,2	4	10,1	0,3	4	11,2	0,5	4	12,7	0,4	4
Essex Terrace	9,3	1,0	3	9,7	0,5	3	10,7	0,5	3	12,0	0,0	2
Westway	8,7	0,5	3	9,2	0,6	3	10,0	0,7	3	12,0	-	1
La Lucia / Umhlanga Ridge	8,7	0,9	5	8,6	0,4	5	10,1	0,4	5	11,8	0,6	4
Pietermaritzburg	10,8	0,8	3	10,1	0,0	2	11,3	0,1	2	13,1	0,0	2
Cape Town CBD	9,0	0,4	4	9,1	0,1	3	9,9	0,3	3	11,0	1,1	3
Bellville CBD	9,5	-	1	9,6	0,4	2	10,6	0,4	2	12,0	0,0	2
Bellville Tyger Valley	8,9	0,1	2	9,2	0,3	2	9,8	0,2	2	11,0	-	1
Century City	9,1	0,7	3	9,4	0,6	2	10,0	1,0	2	-	-	-
Westlake	8,9	0,1	2	8,8	-	1	9,0	-	1	-	-	-
Claremont	8,9	-	1	8,5	-	1	9,5	-	1	-	-	-
Port Elizabeth	9,7	0,5	3	9,6	0,4	3	10,9	0,8	3	13,1	0,0	2
East London	9,0	-	1	9,2	-	1	10,0	-	1	-	-	-
Bloemfontein CBD	9,8	0,4	5	9,9	0,6	5	11,1	0,1	5	12,6	0,4	4

n = Number of respondents

— = Not available – fewer than two respondents

SD = See Glossary of terms and abbreviations in Annexure 1.

Table 2.3
Change in capitalization rates (% points)
Office buildings
Means for quarter 2013:2 less quarter 2013:1

Best location	Grade A: multi	Grade A: leaseback	Grade B: multi	Grade C: multi	Broker & owner contributors
Johannesburg CBD	0,5	0,3	0,1	0,0	QU, TH
Braamfontein	0,3	0,1	-0,1	0,0	QU, TH
Parktown	-0,2	0,0	0,0	0,0	QU, TH
Rosebank	0,4	0,4	0,0	0,0	QU, TH
Sandton CBD	0,2	0,2	0,0	0,0	QU, TH
Rivonia	0,0	0,0	0,0	0,0	QU, TH
Bryanston	0,5	0,5	0,0	0,0	QU, TH
Sunninghill	0,0	0,0	0,0	0,0	QU, TH
Randburg Ferndale	0,0	0,0	0,0	0,0	QU, TH
Midrand	0,0	0,0	0,0	0,0	AW, QU, TH
Germiston CBD	0,0	0,0	0,0	0,0	QU, TH
Pretoria CBD	-0,2	-0,5	-0,2	0,0	QU, TH
Hatfield	0,0	0,0	0,0	0,1	QU, TH
Brooklyn	0,0	0,0	0,0	0,0	QU, TH
Centurion	0,0	0,0	0,0	0,0	QU, TH
Menlyn/Lynnwood	0,4	0,4	0,2	0,2	QU, TH
Vaal Triangle	0,0	0,0	0,0	0,1	QU, TH
Nelspruit	0,0	0,0	0,0	0,2	HH, QU, RL, TH
Polokwane	0,0	0,0	0,0	0,0	QU, TH
Durban CBD	-0,3	-0,1	0,2	0,4	MW, PPI, OP, QU, TH
Berea	-0,3	0,0	0,0	-0,1	PPI, QP, QU, TH
Essex Terrace	-0,8	0,0	0,0	-0,2	PPI, QP, QU
Westway	-0,3	0,4	0,5	-	MW, PPI, QU
La Lucia Ridge	-0,3	-0,1	-0,1	-0,6	MW, PPI, QP, QU, TH
Pietermaritzburg	0,6	0,0	0,0	0,0	PPI, QU, TH
Cape Town CBD	0,1	0,3	0,0	-0,2	GB, HP, QU, TH
Bellville CBD	-0,5	0,6	-1,4	-1,0	GB, QU
Bellville Tyger Valley	-0,5	0,2	-0,5	-1,0	GB, QU
Century City	0,0	-0,6	-1,0	-	GB, HP, QU
Westlake	-0,2	-0,8	-	-	HP, QU
Claremont	-0,2	-0,2	0,0	-	QU
Port Elizabeth	-0,4	0,0	-0,4	0,2	QU, QV, TH
East London	0,0	0,4	0,2	-	QU
Bloemfontein CBD	-0,1	0,2	-0,1	0,0	BW, CC, EK, TH, QU

NB: The number of broker/owner codes does not necessarily match the sample size as indicated by the n in the table on page 8. This is so because several of our owner contributors wish to remain anonymous, but we do not show multiple ZZ codes in the table.

Table 2.4
Survey of capitalization rates (%)
Industrial buildings
Means for quarter 2013:2

Best location	Prime leaseback (AAA Tenant)			Prime quality non-leaseback			Secondary quality building			Prime industrial park		
	Mean	SD	n	Mean	SD	n	Mean	SD	n	Mean	SD	n
Central Wits	9,1	0,3	2	9,8	0,3	2	10,7	0,7	2	10,6	0,1	2
West Rand	9,7	0,2	2	10,3	0,3	2	10,9	0,7	2	10,8	0,2	2
East Rand	9,4	0,0	2	9,9	0,2	2	11,1	0,8	3	10,6	0,2	2
Far East Rand	9,5	0,0	2	10,2	0,0	2	10,8	0,2	2	10,8	0,1	2
Pretoria	9,4	0,1	2	10,2	0,2	2	10,7	0,4	2	10,7	0,2	2
Vaal Triangle	9,6	0,1	2	10,6	0,0	2	11,2	0,2	2	10,6	0,0	2
Nelspruit	9,7	0,2	2	10,2	0,3	4	11,2	0,4	4	10,6	0,2	4
Polokwane	9,7	0,2	2	10,5	0,3	2	11,3	0,3	2	10,7	0,2	2
Durban	9,0	0,4	5	9,7	0,7	5	10,3	0,6	5	10,0	0,7	6
Pietermaritz- burg	9,5	0,2	2	10,1	0,6	2	10,7	0,5	2	10,6	0,1	2
Cape Peninsula	9,1	0,0	2	9,3	0,1	2	10,1	0,3	2	9,6	0,1	2
Port Elizabeth	9,5	0,2	3	10,2	0,3	3	11,0	0,7	3	10,0	0,2	3
East London	9,5	-	1	10,5	-	1	10,5	-	1	10,0	-	1
Bloemfontein	10,0	0,0	5	10,9	0,1	3	11,3	0,6	5	10,8	0,6	4

n = Number of respondents

— = Not available – fewer than two respondents

SD = See Glossary of terms and abbreviations in Annexure 1.

Table 2.5
Change in capitalization rates (% points)
Industrial buildings
Means for quarter 2013:2 less quarter 2013:1

Best location	Prime leaseback	Prime non- leaseback	Secondary quality building	Prime Indus- trial park	Broker & owner contributors
Central Wits	0,3	0,5	0,0	0,0	QU, TH
West Rand	0,0	0,0	0,0	0,0	QU, TH
East Rand	0,2	0,3	0,5	0,2	QU, RO, TH
Far East Rand	0,1	0,1	0,1	0,1	QU, TH
Pretoria	0,0	0,1	0,0	0,3	QU, TH
Vaal Triangle	0,0	0,0	0,0	0,1	QU, TH
Nelspruit	0,0	-0,2	0,2	-0,2	HH, QU, RL, TH
Polokwane	0,0	0,0	0,0	0,0	QU, TH
Durban	0,1	0,1	-0,3	-0,3	MW, PC, PPI, QP, QU, PC
Pietermaritzburg	0,0	0,0	0,0	0,0	QU, TH
Cape Peninsula	0,3	0,3	0,2	-0,2	QU, TH
Port Elizabeth	0,0	-0,1	-0,3	-0,4	QU, QV, TH
East London	0,0	0,0	0,5	-2,0	QU
Bloemfontein	-0,1	0,0	0,2	-0,1	BW, CC, EK, QU, TH

NB: The number of broker/owner codes does not necessarily match the sample size as indicated by the n in table 2.4. This is so because several of our owner contributors wish to remain anonymous, but we do not show multiple ZZ codes in the table.

Table 2.6
Survey of capitalization rates (%): shopping centres
Means for quarter 2013:2

Best location	Super regional			Regional			Community		
	Mean	SD	n	Mean	SD	n	Mean	SD	n
Witwatersrand	7,4	0,4	2	7,8	0,5	2	9,0	0,3	2
Pretoria	7,4	0,4	2	8,0	0,3	2	9,0	0,2	2
Vaal Triangle	7,6	0,3	2	8,2	0,2	2	9,2	0,2	2
Nelspruit	7,7	0,1	2	8,1	0,1	4	8,7	0,4	4
Polokwane	7,8	0,0	2	8,3	0,1	2	9,3	0,1	2
Durban	7,4	0,4	2	8,0	0,3	2	9,3	0,5	3
Pietermaritzburg	7,8	0,1	2	8,4	0,0	2	9,4	0,0	2
Cape Town	7,3	0,4	2	7,9	0,2	2	8,7	0,5	2
Port Elizabeth	8,1	0,4	3	8,5	0,2	3	9,5	0,1	3
East London	-	-	-	-	-	-	9,2	-	1
Bloemfontein	8,0	0,0	2	8,6	0,2	3	9,4	0,4	5
Platteland	-	-	-	-	-	-	9,2	-	1
Townships	-	-	-	-	-	-	9,8	0,6	2

n = Number of respondents
 — = Not available
 SD = See Glossary of terms and abbreviations in Annexure 1.

Table 2.6 (continued)
Survey of capitalization rates (%): shopping centres
Means for quarter 2013:2

Best location	Neighbourhood			Local convenience			Retail warehouse		
	Mean	SD	n	Mean	SD	n	Mean	SD	n
Witwatersrand	10,0	0,1	2	10,8	0,2	2	9,7	0,1	2
Pretoria	9,9	0,2	2	10,9	0,2	2	9,8	0,2	2
Vaal Triangle	10,1	0,1	2	11,0	0,2	2	10,0	0,2	2
Nelspruit	10,0	0,0	4	11,0	0,1	4	10,3	0,2	4
Polokwane	10,3	0,0	2	11,2	0,2	2	10,1	0,2	2
Durban	10,0	0,2	3	10,9	0,3	3	9,9	0,1	3
Pietermaritzburg	10,4	0,1	2	11,2	0,2	2	9,9	0,0	2
Cape Town	9,5	0,5	2	10,3	0,3	2	9,8	0,2	2
Port Elizabeth	10,1	0,3	3	10,8	0,6	3	10,0	0,0	3
East London	10,2	-	1	11,2	-	1	10,8	-	1
Bloemfontein	10,3	0,4	5	11,0	0,6	5	10,9	0,7	4
Platteland	10,2	-	1	11,0	-	1	10,5	-	1
Townships	10,2	-	1	11,0	-	1	10,5	-	1

n = Number of respondents
 — = Not available
 SD = See Glossary of terms and abbreviations in Annexure 1.

Table 2.7
Change in capitalization rates (% points): shopping centres
Means for quarter 2013:2 less quarter 2013:1

Best location	Super regional	Regional	Community	Broker & owner contributors
Witwatersrand	0,3	-0,1	0,3	QU, TH
Pretoria	0,2	0,1	0,2	QU, TH
Vaal Triangle	-0,1	0,0	0,0	QU, TH
Nelspruit	0,0	0,0	-0,4	HH, QU, RL, TH
Polokwane	0,0	0,0	0,0	QU, TH
Durban	0,3	0,2	0,2	PPI, QP, QU, TH
Pietermaritzburg	0,0	0,0	0,0	QU, TH
Cape Town	-0,1	0,0	0,1	QU, TH
Port Elizabeth	-0,1	0,0	-0,1	QU, QV, TH
East London	-	-	-	
Bloemfontein	0,0	-0,2	-0,3	BW, CC, EK, QU, TH
Platteland	-	-	0,0	QU
Townships	-	-	0,2	QU, TH

Table 2.7 (continued)
Change in capitalization rates (% points): shopping centres
Means for quarter 2013:2 less quarter 2013:1

Best location	Neighbourhood	Local convenience	Retail warehouse	Broker & owner contributors
Witwatersrand	0,1	0,0	-0,1	QU, TH
Pretoria	0,1	0,1	-0,1	QU, TH
Vaal Triangle	0,0	0,0	-0,1	QU, TH
Nelspruit	0,0	0,0	0,1	HH, QU, RL, TH
Polokwane	0,0	0,0	-0,1	QU, TH
Durban	0,0	-1,0	0,2	PPI, QP, QU, TH
Pietermaritzburg	0,0	0,0	-0,1	QU, TH
Cape Town	0,1	0,4	0,2	QU, TH
Port Elizabeth	-0,3	-0,4	-0,2	QU, QV, TH
East London	-	-	-	
Bloemfontein	-0,1	-0,3	0,0	BW, CC, EK, QU, TH
Platteland	0,0	0,0	0,0	QU
Townships	-0,4	0,0	0,0	QU, TH

Table 2.8
Survey of capitalization rates (%): street-front shops
Means for quarter 2013:2

Best location	Metro CBD			Decentralised		
	Mean	SD	n	Mean	SD	n
Witwatersrand	10,8	0,3	2	10,8	0,1	2
Pretoria	10,8	0,3	2	10,8	0,1	2
Vaal Triangle	11,2	0,2	2	10,9	0,2	2
Nelspruit	11,1	0,1	2	10,9	0,1	2
Polokwane	11,1	0,2	2	10,8	0,2	2
Durban	10,9	0,2	3	11,2	0,5	4
Pietermaritzburg	11,1	0,2	2	10,9	0,2	2
Cape Town	9,4	0,7	3	9,8	0,2	3
Port Elizabeth	10,8	0,6	3	11,0	0,4	3
East London	11,2	-	1	11,8	-	1
Bloemfontein	10,9	0,5	4	10,6	0,4	4

n = Number of respondents
 — = Not available
 SD = See Glossary of terms and abbreviations in Annexure 1.

Table 2.9
Change in capitalization rates (% points): street-front shops
Means for quarter 2013:2 less quarter 2013:1

Best location	Metro CBD	Decentralised	Broker & owner contributors
Witwatersrand	0,6	0,4	QU, TH
Pretoria	0,6	0,4	QU, TH
Vaal Triangle	0,0	0,0	QU, TH
Nelspruit	0,0	0,0	QU, TH
Polokwane	0,0	0,0	QU, TH
Durban	0,3	0,3	PPI, QP, QU, TH
Pietermaritzburg	0,0	0,0	QU, TH
Cape Town	-0,1	0,1	GB, QU, TH
Port Elizabeth	-0,3	-0,1	QU, QV, TH
East London	0,0	0,0	QU
Bloemfontein	0,1	0,0	BW, EK, QU, TH

Chapter 3: Capitalization-rate equations

How to estimate capitalization rates – anywhere

Updated by John S. Lottering

This chapter provides the reader with a handy, *updated* tool to estimate the market capitalization rates of various property types anywhere in South Africa, provided the user is confident about the subject property's gross market-rental rate.

As the reader will see below, market-rental rates are amazingly successful in explaining the level of capitalization rates. On reflection, though, this should not be all that surprising, considering that all the good and bad news pertaining to a property is encapsulated in the ruling market-rental rate. Here we think of rental-level drivers such as:

- Location
- Risk (examples of varying risk profiles are a leaseback compared with a multi-tenanted property; the robustness of the covenant)
- Grade/age

An important risk factor typically not reflected in a rental, is the design of the building, as it affects its ability to be re-let. Here one thinks of purpose-built buildings.

Thus, the moderately strong relationship between market-rental rates and capitalization rates allows the researcher to build a regression model with which to estimate the levels of capitalization rates.

Office-building equation

In our regression analysis of office buildings, we use the market capitalization rates (dependent variables) and gross market-rental rates (predictors) of grades A, B and C buildings in the areas surveyed by *Rode's Report* (RR).

The source of the national equation given below is this issue of *RR*. The regression is based on 62 observations in mainly decentralized nodes.

The updated equation is:

$$\text{office capitalization rate \%} = 14,675 - (0,0495 * \text{gross rental})$$

where

gross rental = the gross market rental rate per rentable m² per month for grades A, B or C office buildings in quarter 2013:2.

The correlation coefficient $r = -0,76$. The standard error (SE) is 0,86 and $n = 62$.

Readers should note that it is not advisable to use this function for gross market-rental rates that fall much outside the range of R34/m²/month to R145/m²/month.

Example:

If the gross office rental is R60 per rentable m² per month, then the capitalization rate is:

$$\text{office capitalization rate \%} = 14,675 - (0,0495 * 60) = 11,9\%$$

Industrial-property equation

This national equation expresses the relationship between the capitalization rates and gross market rental rates of prime stand-alone non-leasebacks, secondary stand-alone industrial buildings, and industrial parks.

The gross market rental rates are those applicable to 1 000-m² units. The source of the data is this issue of *Rode's Report*. The **industrial-regression equation**, which is based on 22 observations, includes all primary and secondary industrial cities.

The updated equation is:

$$\text{industrial capitalization rate \%} = 12,027 - (0,0504 * \text{gross rental})$$

where:

gross rental = the gross market rental per rentable m² per month as in quarter 2013:2 for stand-alone prime non-leaseback or prime industrial parks or stand-alone secondary industrial space of 1 000 m², located in primary and secondary industrial cities.

The correlation coefficient $r = -0,7$. The standard error (SE) is 0,3 and $n = 22$.

It is not advisable to use this function for gross market rental rates that fall much outside the range of R21/m²/month to R42/m²/month. Also, remember to use the rental rate applicable to an area of 1 000 m².

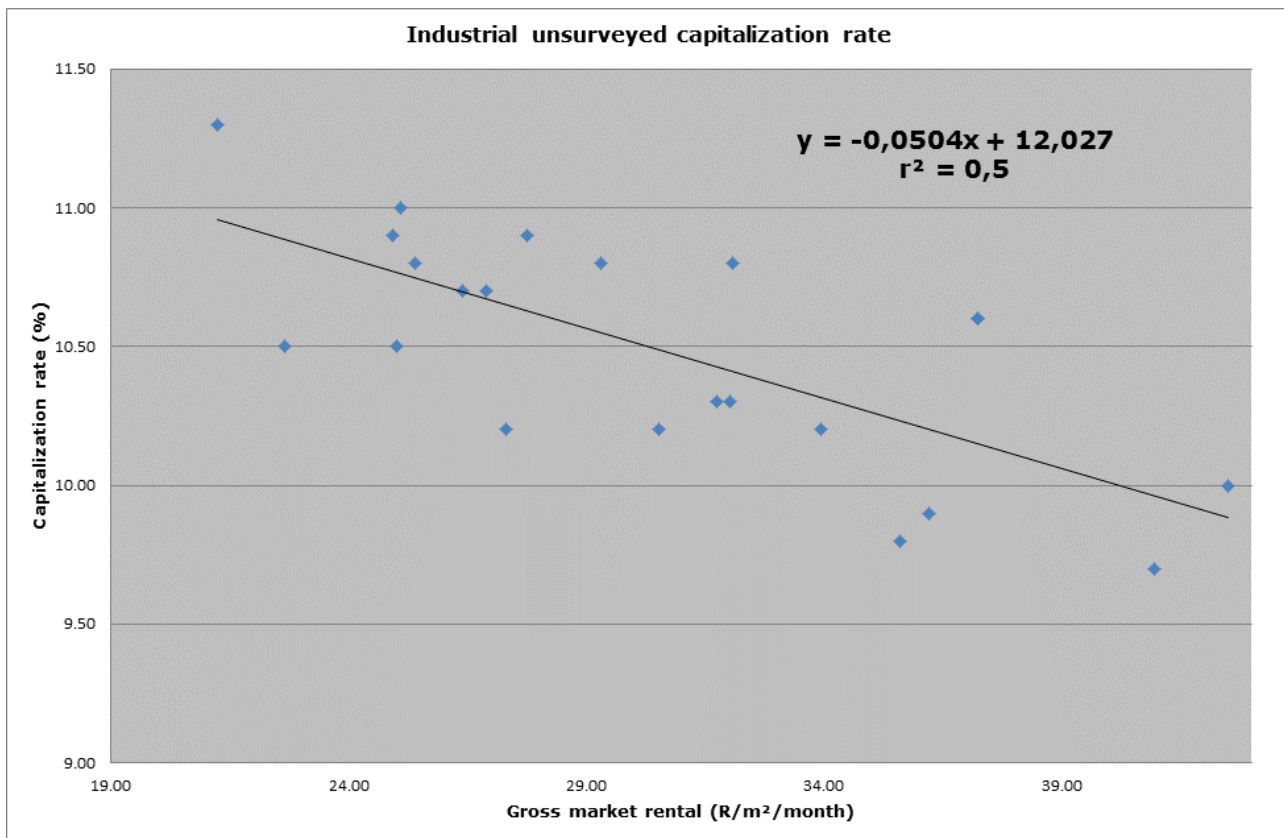
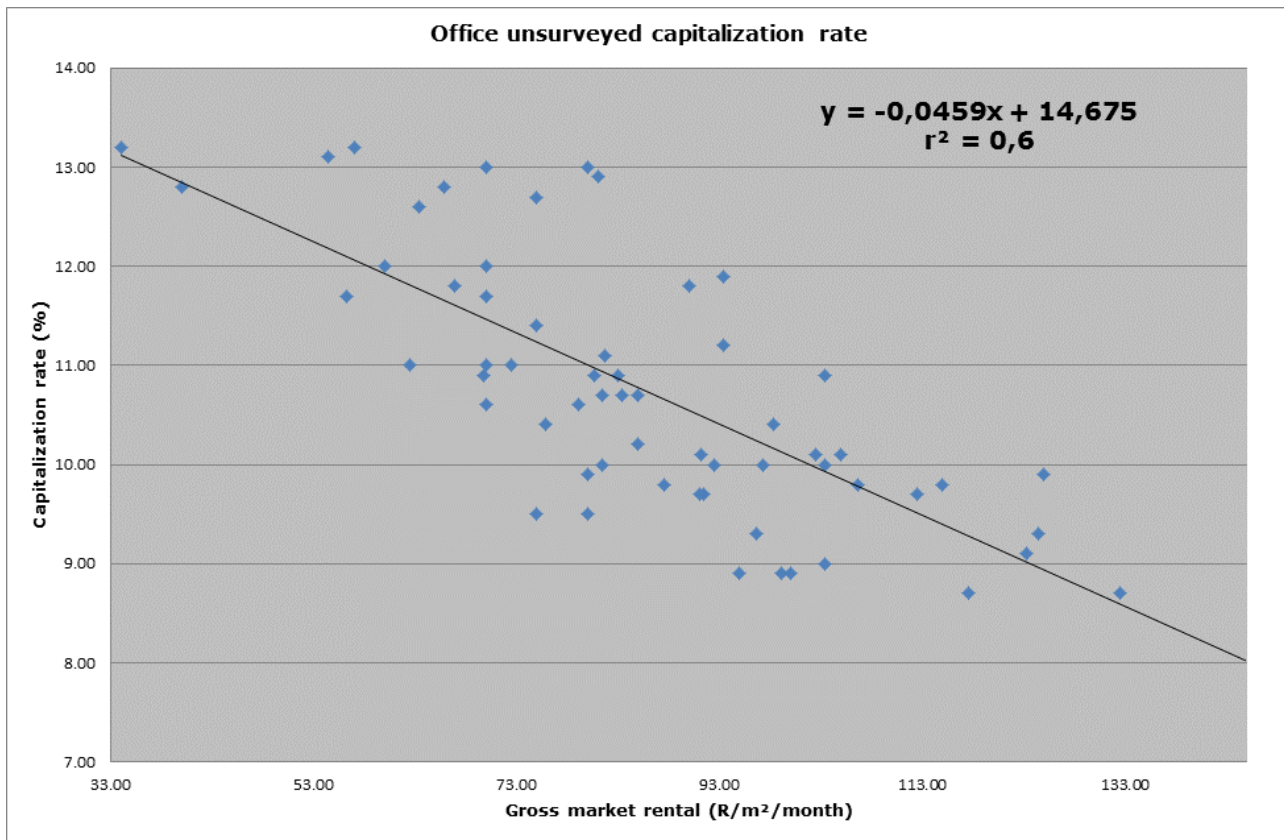
Example:

If the gross industrial rental for a 1000-m² building, located in a primary or secondary industrial city, is R20 per rentable m² per month, then the capitalization rate is:

$$\text{industrial cap rate \%} = 12,027 - (0,0504 * 20) = 11,0\% \blacksquare$$

Warning:

To guard against volatility in the latest survey data, the reader is advised to *also* consult the regression equation and its applicable rental rate in the previous issue of *RR*, and to consider using a two-quarter average capitalization rate (unsurveyed) if necessary.



Chapter 4: Listed property

Listed property taking a back seat

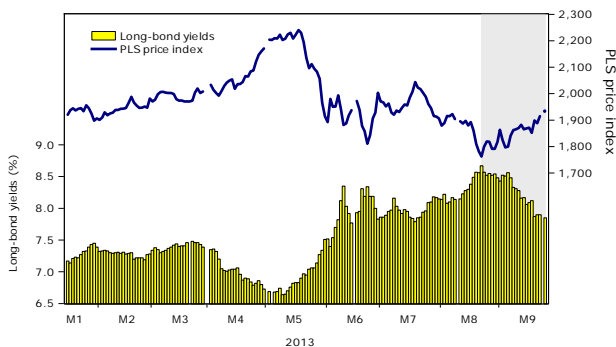
Written by John S. Lottering

In recent months, uncertainty and volatility in capital markets have made for a very bumpy ride of the listed-property sector.

Local bonds and listed property stocks have been volatile since May 2013 when the US Federal Reserve said that it might taper off its monthly bond purchases – a process known as quantitative easing. The outcome of this announcement was a global sell-off in bonds and a concomitant weakening (rising) of S.A. long-bond yields. This, in turn, also meant a de-rating of S.A. listed property and a fall in prices. Since mid-August, however, listed property prices were again able to recover somewhat, which – unsurprisingly – was on the back of firming (declining) bond yields (see shaded area of graph).

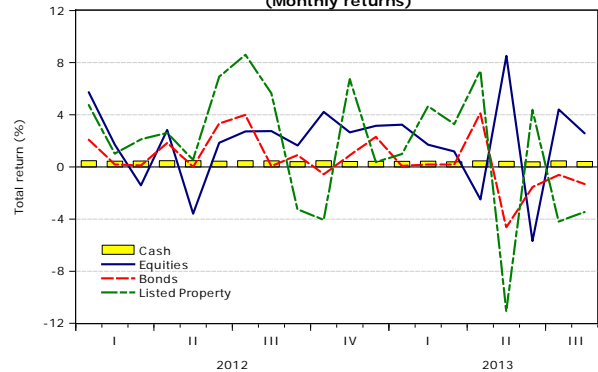
Listed property's sensitivity to long-bond yields is as a result of investors viewing them in a similar light. Similar to bonds, a listed property portfolio is, in one sense, nothing but a bundle of contracts, which by their nature lend a strong degree of predictability to future earnings. However, what must be noted is that the cash flow of listed property will generally grow – albeit moderately – in contrast to bonds.

Property Loan Stock price index vs Long-bond yields (daily)



Source of data: JSE; Bondex

Total returns Traditional asset classes (Monthly returns)



Source of data: Catalyst Fund Managers

Nonetheless, the price volatility since May 2013 has meant listed property taking the back seat to the other traditional asset classes. This is so when comparing monthly total returns. Listed property was also the worst performing asset class for the twelve-month period ended August 2013.

Table 4.1
Asset class performance
Total returns (including income yield and capital return)
August 2013

	month-to-date	12-month period
Equities	2,58%	22,82%
Cash	0,42%	5,18%
Bonds	-1,32%	0,14%
S.A. Listed Property	-3,47%	-0,03%

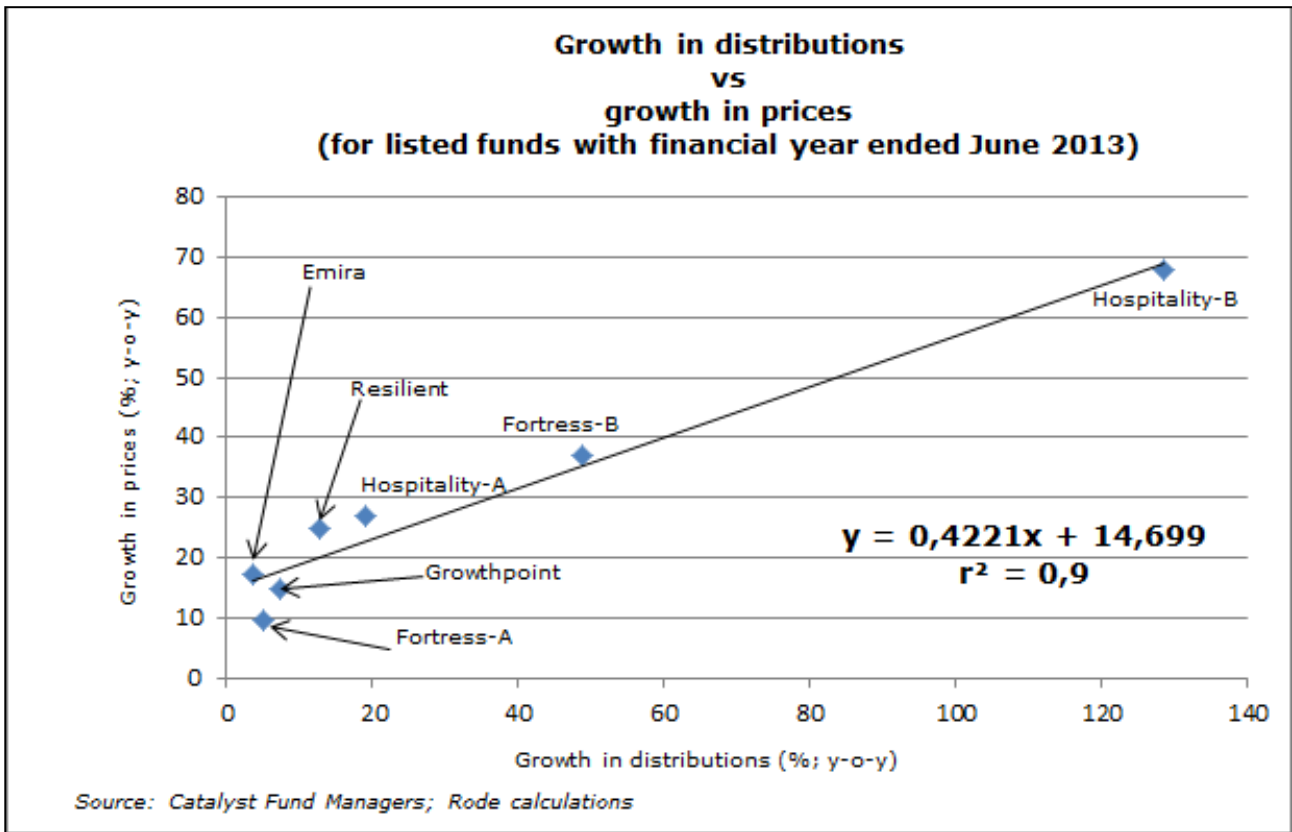
Source: Catalyst Fund Managers
Total returns include income yield and capital return

Table 4.2
Growth in distributions for half-and full-year ended June 2013

Company	Distribution growth (%)	Period
Hospitality-B	128,6	Full year
Fortress-B	48,9	Full year
Hospitality-A	19,1	Full year
Resilient	12,8	Full year
Hyprop	7,6	Half year
SA Corporate	7,3	Half year
Growthpoint	7,2	Full year
Capital Property	6,9	Half year
Fortress-A	5,0	Full year
Emira	3,5	Full year

Regarding income streams, for the half-and full-year periods ended June 2013, a number of listed property funds were still able to report fairly impressive growth in distributions (see **Table 4.2**). A common theme among these funds was the implementation of proactive management strategies to help mitigate the adverse impact that generally poorly performing property

fundamentals are having on distributable earnings. Interestingly, the funds that reported the stronger growth in distributions also showed the stronger growth in prices (see scatter plot). Note how good the fit is ($r^2 = 0,9$). This means that growth in earnings explained 90% of the growth in prices during the year ended June 2013.



For now, the outlook for non-residential property fundamentals remains hesitant. The seeming unabated slump in consumer confidence levels and weak consumer credit health may lead to continued weak growth in retail sales volumes. This would not bode well for retailer trading densities and rental growth. Regarding office property, demand for office space continues to flatline, leading to vacancy rates that are unable to drop, and resulting in mediocre growth in rentals. On the industrial front, the recent recovery in output produced by the manufacturing sector is good news for the industrial rentals. However, the significant drop in the Kagiso Purchasing Manag-

ers Index (PMI)¹ in September 2013 is a sign that the manufacturing industry is not out of the woods as yet. Of course, our suggestion of continued weak growth in retail sales volumes also implies the possibility of lacklustre demand for (rented) industrial warehouse space.

Table 4.3 shows the individual performance of listed property funds for different periods to the end of August 2013 (ex SA Reit Association).

This concludes our chapter on listed property. ■

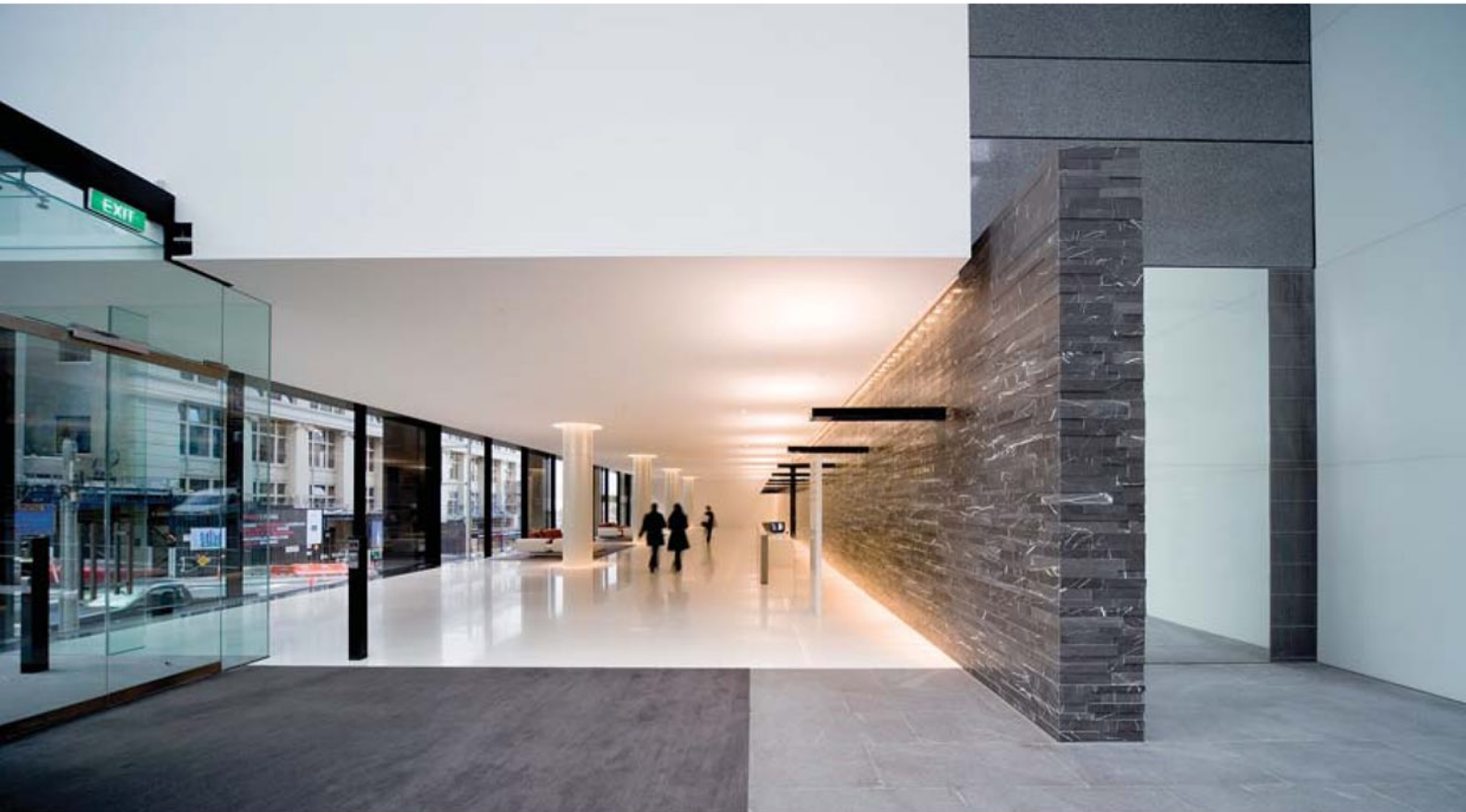
¹ The Kagiso PMI is a leading indicator of business conditions in the manufacturing sector.

Table 4.3
Total return on listed property funds
to August 2013
Individual stock performance

	3-month performance to August 2013	12-month performance to August 2013
Acucap	-5,6%	-7,4%
Annuity	-5,4%	0,5%
Arrowhead A	-10,7%	7,7%
Arrowhead B	-10,2%	19,7%
Ascension A	1,1%	31,5%
Ascension B	-9,1%	26,5%
Delprop	-2,4%	-
Dipula A	-1,5%	8,1%
Dipula B	-22,7%	24,1%
Fortress A	4,2%	6,2%
Fortress B	7,4%	38,5%
Growthpoint	-6,5%	-8,6%
Hospitality A	2,5%	16,4%
Hospitality B	-15,5%	66,0%
Hyprop	4,3%	2,1%
Investec Prop	-0,4%	-12,0%
Octodec	-1,7%	10,6%
Premium	-4,9%	4,5%
Rebosis	3,4%	8,7%
Redefine	-6,9%	1,7%
Redefine International	13,8%	52,9%
Resilient	0,1%	5,0%
Synergy A	-11,5%	8,0%
Synergy B	-16,0%	6,7%
Vividend	-1,6%	-3,9%
Vukile	-6,2%	-16,0%
Vunani Prop	-10,9%	5,7%

* Cumulative growth over period. Total return includes income yield and capital return.

Source: SA Reit Association (via Grindrod Asset Management)



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Chapter 5: Office rentals

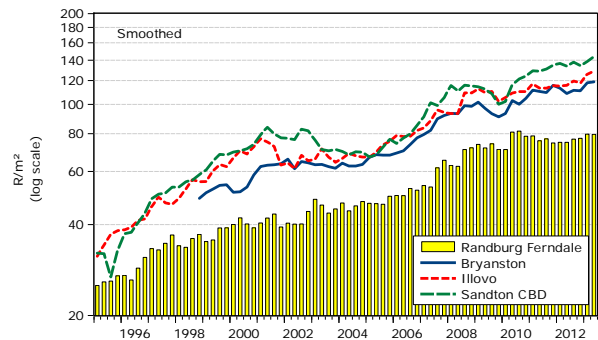
Office rentals showing mediocre growth

Written by John S. Lottering

There is still no marked improvement in overall office vacancy rates, which should be expected given the persistent weak demand. Naturally, the outcome of this has been mediocre growth in market rentals.

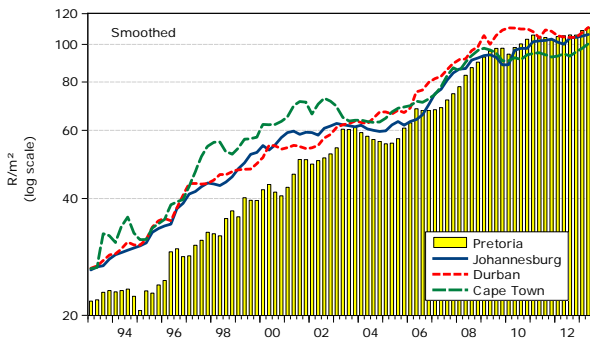
In the second quarter of 2013, office rentals in Johannesburg and Cape Town decentralized were — on average — able to show growth of 6%. In Pretoria, decentralized rentals were up by 5%, while rentals in Durban decentralized showed average growth of 4%.

Nominal Johannesburg decentralized grade-A office rentals



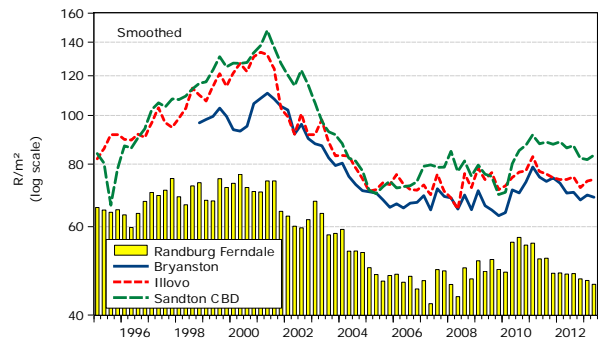
Source of data: Rode's Time Series

Nominal decentralized grade-A office rentals



Source of data: Rode's Time Series

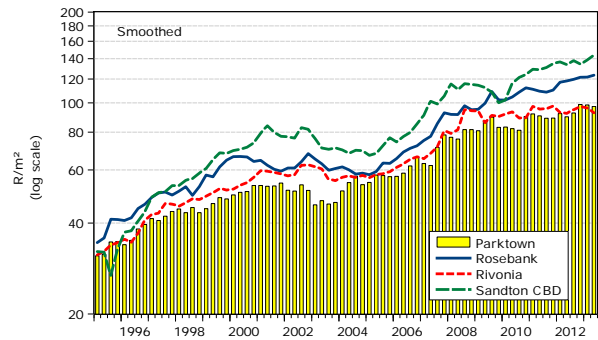
Real Johannesburg decentralized grade-A office rentals



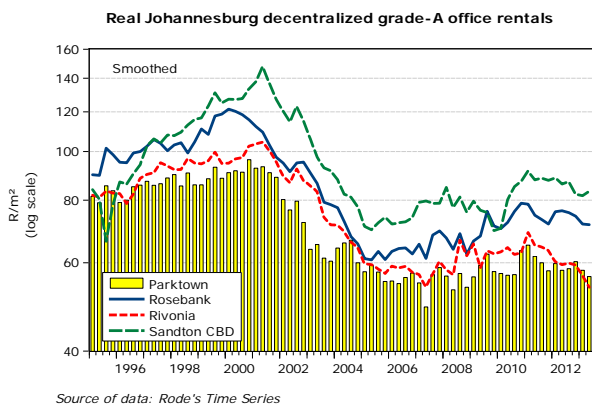
Source of data: Rode's Time Series

Zooming in on Johannesburg brings to light that rentals in Illovo (+11%) were able to show the best growth. The fact that this top office node is practically fully let (see Chapter 6) might explain the strong growth in rentals. Illovo was followed by Bryanston (+9%), Parktown (+8%), Sandton CBD (+8%), Randburg Ferndale (+6%), Rosebank (+4%) and Rivonia (+0,5%). Over the same period, building-cost is expected to have grown by 11%, implying that it was only in Illovo that nominal rentals were able to keep up with replacement costs.

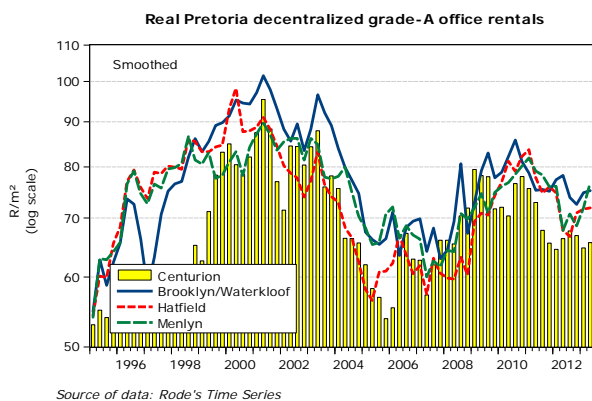
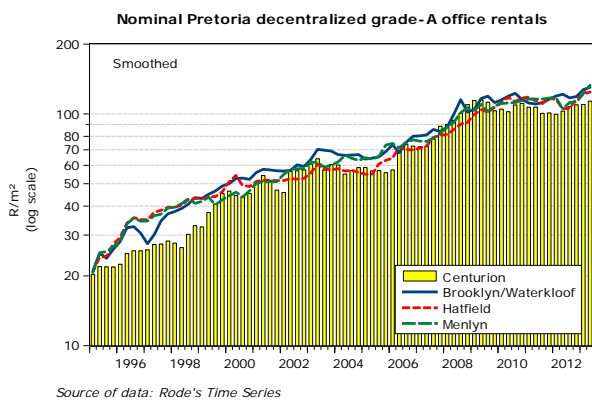
Nominal Johannesburg decentralized grade-A office rentals



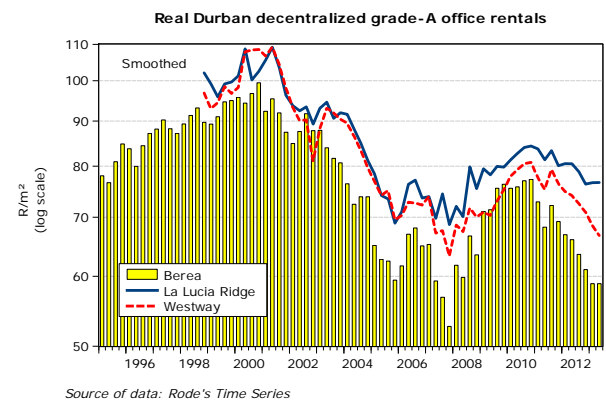
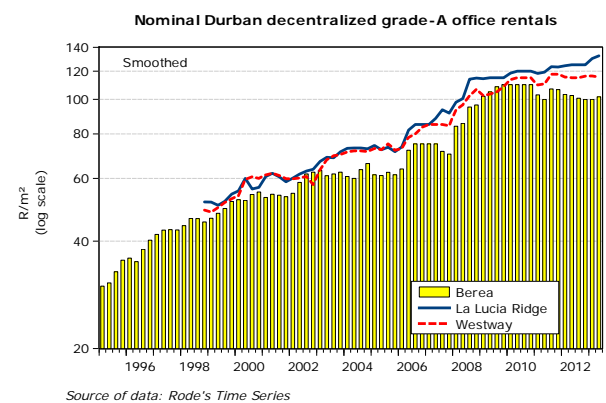
Source of data: Rode's Time Series



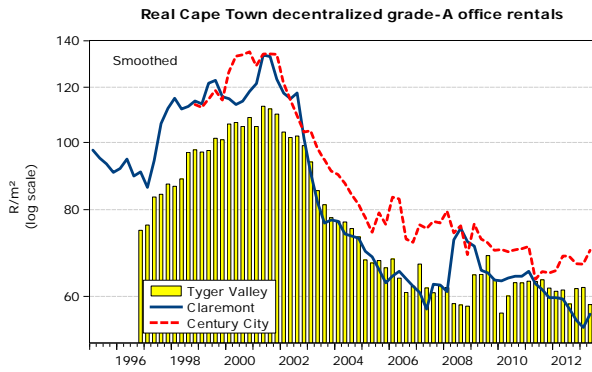
The fashionable Pretoria decentralized office node of Menlyn was the only node able to record growth (+13%) in excess of building-cost inflation. Centurion and Hatfield followed with still decent growth of 10%, while Brooklyn/Hatfield managed growth of 7%. Pretoria decentralized remains plagued by high vacancy rates, which does imply a possible cooling in rental growth should vacant space not be taken up swiftly.



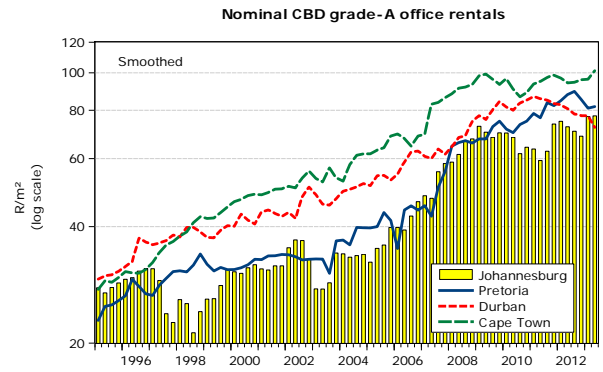
In the Durban decentralized office node of Berea (-1%) nominal rentals were slightly lower than a year ago. This is understandable given that this node has since 2010 been struggling with double-digit vacancy rates (see Chapter 6). In Westway, rentals stayed at roughly their previous-year levels, while in the premier Durban office node of La Lucia / Umhlanga, rentals were up by 6%.



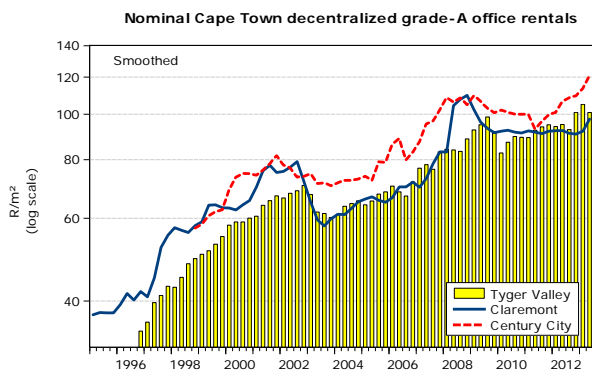
The Cape Town decentralized office node of Century City is blossoming. In the reporting quarter, rentals in this top office area were up by a notable 13%. Again the strong rental growth here can only be explained by its very low vacancy rate of 4% (see Chapter 6). In Tyger Valley and Claremont, nominal rentals were up by about 6%.



Source of data: Rode's Time Series



Source of data: Rode's Time Series



Source of data: Rode's Time Series

Pioneer rentals

Table 5.1 shows the difference between pioneer rentals and grade-A market rentals as in the second quarter of 2013. This the reader can use as a rough indication of prospects for market-rental growth. Often pioneer rental levels represent leases signed on new erected-on-demand buildings, and these then reflect today's building costs rather than market rentals, as developers naturally expect a fair return on their development costs.

Rentals in the CBDs of Johannesburg and Cape Town showed growth of roughly 7%. In contrast, rentals in the CBDs of Pretoria (-7%) and Durban (-10%) were lower than they were a year ago.

This concludes our section on office rentals. The office-rental tables follow. ■

Recap: nominal versus real rentals

The term "nominal" refers to money rentals, whereas the term "real" refers to nominal less inflation.

Rode mostly deflates *nominal* rentals with the Bureau for Economic Research's Building Cost Index (BER BCI) to arrive at *real* rentals. The rationale for using building costs as deflator is the substitution principle and because building costs can serve as a proxy for the replacement costs. To illustrate, why would you buy a property at R110 when you could have it built (replaced) for R100? When rentals are low relative to replacement costs, the upside potential for rentals is great and vice versa. Thus, high *real* rentals (relative to previous periods) may be an indication of a market that is vulnerable to a downswing, and low *real* rentals indicate great **upside potential**.

Grateful thanks to our expert panellists for the information they supply. Codes of the brokers and landlords who contributed to this quarter's survey appear in the table on p. 27. An explanation of the codes can be found on p. xvi.

Table 5.1
Pioneer office rentals
Highest gross nominal market rental rate achieved
Rands per rentable m², gross leases (excl VAT)
During quarter 2013:2

	Pioneer	Normal Grade A	Difference %
Johannesburg dec.	207,50	107,74	93%
Pretoria dec.	155,00	110,00	41%
Durban dec.	180,00	106,67	69%
Cape Town CBD	210,00	103,33	103%
Cape Town dec.	140,00	94,53	48%

Table 5.2
Market rental rates for office buildings
Quarter 2013:2
Rands per rentable m² per month, gross leases (excl VAT)

	Grade A+	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Johannesburg CBD	108,00	75,83	56,25	34,00	BM, BR, QU
Braamfontein	95,00	85,00	75,00	40,00	BM, BR, QU, REW
Sandton CBD	177,50	145,12	112,50	93,33	AW, BM, BR, QU, REW
Dunkeld West	136,25	120,00	99,38	83,50	AW, BM, BR, QU
Wierda Valley	133,50	109,88	99,33	92,00	BM, BR, QU
Randburg Ferndale	89,00	79,10	66,83	57,00	BM, BR, NH, QU, REW
Rivonia	103,75	91,50	81,50	81,00	BM, BR, QU
Rosebank	162,50	124,38	103,75	83,00	AW, BM, BR, QU
Illovo	144,33	128,33	91,67	84,00	AW, BM, BR, QU
Illovo Boulevard	141,88	131,67	97,50	87,50	AW, BM, BR, QU
Chiselhurst	123,75	105,00	104,00	85,00	BM, BR, QU
Parktown	115,00	97,33	83,33	80,00	BM, BR, QU
Richmond/Milpark	-	84,50	73,75	65,50	BR, QU
Bedfordview	110,00	102,50	87,50	85,00	BR, MEA, QU
Bruma	124,00	100,62	82,33	75,00	BR, MEA, QU, REW
Meadowbrook	-	-	-	-	
Woodmead	130,62	110,00	91,25	85,00	AW, BM, BR, QU
Sunninghill	103,75	90,67	79,00	71,50	BM, BR, QU
Bryanston/Epsom	141,67	117,67	95,00	85,00	BM, BR, QU
Fourways	131,88	111,67	91,60	77,83	AW, BM, BR, QU
Houghton	113,75	99,25	87,84	86,75	BM, BR, QU
Melrose Arch	190,50	137,50	115,00	-	AW, BM, BR, QU
Hydepark	129,38	112,50	94,17	79,16	AW, BM, QU
Eastgate/Kramerville	103,00	80,00	56,00	53,00	BM, QU
Ormonde	-	-	74,75	69,00	AM, BR, QU
Midrand	123,75	91,17	80,69	65,88	AM, BM, BR, QU
Hendrik Potgieter Corridor	-	-	79,00	71,33	QU
Pretoria CBD	115,00	82,50	72,50	62,50	BR, EV
Lynnwood Glen	120,00	101,50	92,50	73,00	BR, EV
Lynnwood	117,00	87,00	82,50	80,00	BR, EV
Lynnwood Manor	130,00	100,00	80,00	-	BR, EV
Lynnwood Ridge	165,00	130,00	114,50	90,00	BR, EV
Faerie Glen	116,00	110,00	90,00	-	BR, EV
Val de Grace	-	72,00	70,00	-	BR, EV
Menlyn	156,50	135,00	105,00	-	BR, EV
Menlo Park (Brooks St.)	161,00	100,00	100,00	-	BR, EV
Brooklyn/Waterkloof	155,50	130,00	97,50	-	BR, EV
Nieuw Muckleneuk	189,00	136,50	115,00	-	BR, EV
Hatfield	147,00	125,00	98,33	70,00	BR, EI, EV
Centurion	142,00	115,00	103,33	-	BR, EI, EV
Highveld Technopark	145,00	119,50	97,50	-	BR, EV
Sunnyside	145,00	95,00	80,00	70,00	BR
Arcadia	-	95,00	85,00	70,00	BR, EV
Murrayfield	-	-	72,00	-	BR
Nelspruit	140,00	120,00	95,00	75,00	RR
Polokwane	174,00	140,00	110,00	92,50	ES, MO

For definitions, see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

Table 5.2 (continued)
Market rental rates for office buildings

Quarter 2013:2

Rands per rentable m² per month, gross leases (excl VAT)

	Grade A+	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Bloemfontein CBD	117,50	106,67	81,67	63,33	BW, CC, EK
Westdene	124,00	111,67	85,00	65,00	BW, CC, EK
Durban CBD	-	70,00	52,50	43,33	MW, PPI, QP
Durban Berea	-	102,50	93,33	75,00	MW, PPI, QP
Essex Terrace	115,00	96,67	85,00	70,00	MW, PPI, QP
Westway	131,67	117,50	103,33	-	ACU, MW, PPI, QP
La Lucia Ridge	162,50	132,50	105,00	90,00	MW, PPI, QP
Westville	123,33	105,00	91,25	76,67	ACU, MW, PPI, QP
Pinetown	92,50	82,50	72,50	50,00	PPI, QU
Hillcrest-Kloof (Upper Highway)	120,00	110,00	90,00	72,50	PPI, QP
Port Elizabeth CBD	-	-	-	52,50	IPM, QV
Greenacres : Parks	122,50	95,00	72,50	52,50	IPM, QV
Greenacres: Single	130,00	95,00	72,50	55,00	IPM, QV
Walmer Park 1, 2 & 3	-	-	68,75	-	IPM, QV
South End	-	78,75	67,50	55,00	IPM, QV
Humewood	123,75	90,00	67,50	-	IPM, QV
Cape Road	126,25	96,25	70,00	55,00	IPM, QV
East London	-	-	-	-	
East London dec.	-	-	-	-	
Cape Town CBD	133,33	103,33	80,00	62,50	AN, GB, HP
Sea Point	117,50	87,50	72,50	57,50	AN, GB
V&A Portsworld Ridge	147,50	125,00	-	-	AN, GB
Granger Bay	142,50	140,00	-	-	AN, GB
Salt River	-	-	50,00	-	AN
Woodstock	105,00	87,50	65,00	45,00	AN, GB
Observatory	105,00	82,50	65,00	47,50	AN, GB
Mowbray	-	77,50	-	-	GB
Kenilworth (Racecourse)	110,00	85,00	-	-	GB, PL
Rondebosch/Newlands	118,33	96,67	67,50	60,00	AN, GB, PL
Wynberg	100,00	80,00	70,00	55,00	AN, GB
Westlake	116,00	95,00	70,00	55,00	AN, GB, HP, PL
Tokai	115,00	85,00	70,00	55,00	AN, HP
Claremont Lower**	-	-	-	-	
Claremont Upper	120,00	100,00	75,00	-	AN, GB
Hout Bay	-	95,00	70,00	55,00	GB
Noordhoek (Sun Valley)	-	-	-	-	
Pinelands	-	80,00	65,00	-	DV
Athlone	-	-	-	-	
Milnerton	-	80,00	75,00	65,00	GB
Panorama	-	-	-	-	
Table View / Parklands	-	-	-	-	
Century City	145,00	123,33	92,50	77,50	AN, GB, HP, PL
Maitland	100,00	85,00	65,00	50,00	GB
Goodwood (N1 City)	100,00	90,00	75,00	60,00	GB
Tygerberg Hills	124,33	105,00	90,00	70,00	AN, GB, NE
Bellville CBD	90,00	80,00	70,00	60,00	DN, GB
Tyger Valley area	116,25	99,17	87,50	72,50	AN, DN, GB, NE
Durbanville	115,00	100,00	82,50	70,00	AN, DN, GB

For definitions, see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

Table 5.2 (continued)
Market rental rates for office buildings
Quarter 2013:2
Rands per rentable m² per month, gross leases (excl VAT)

	Grade A⁺	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Airport	110,00	95,00	60,00	40,00	GB
Kuils River	-	-	-	-	
Somerset West Town	-	-	-	-	
Somerset West Mall area	-	-	-	-	
Strand	-	-	-	-	
Gordon's Bay	-	-	-	-	
George					

* Defined as bounded by Pietermaritz, Berg, Loop, Burger, between Chapel and Commercial.
 ** Claremont Lower: east of Main Road
 For definitions, see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

Table 5.3
Standard deviation of market rental rates for office buildings
Quarter 2013:2

	Grade A ⁺	Grade A	Grade B	Grade C
Johannesburg CBD	-	R7,17	R8,75	R14,00
Braamfontein	-	R7,91	R4,08	R15,00
Sandton CBD	R2,50	R9,88	R5,59	R6,24
Dunkeld West	R5,45	R7,07	R6,70	R3,50
Wierda Valley	R1,50	R0,12	R7,64	R8,00
Randburg Ferndale	R6,00	R8,38	R1,31	R7,00
Rivonia	R6,25	R6,50	R6,50	R4,00
Rosebank	R2,50	R3,70	R6,50	R3,00
Illovo	R9,88	R4,71	R6,24	R4,00
Illovo Boulevard	R11,09	R4,71	R7,50	R7,50
Chiselhurst	R1,25	R5,00	R6,00	-
Parktown	-	R8,99	R2,36	-
Richmond/Milpark	-	R5,50	R3,75	-
Bedfordview	R0,00	R7,50	R7,50	R5,00
Bruma	R16,00	R7,58	R3,30	R0,00
Meadowbrook	-	-	-	-
Woodmead	R8,73	R6,12	R2,17	R0,00
Sunninghill	R6,25	R4,92	R5,66	R6,50
Bryanston / Epsom Downs	R6,24	R6,13	R4,08	R0,00
Fourways	R4,80	R8,50	R2,26	R3,06
Houghton	R1,25	R6,75	R2,84	-
Melrose Arch	R9,25	R12,50	R25,00	-
Hydepark	R4,46	R10,31	R6,92	R0,83
Eastgate/Kramerville	-	-	-	-
Ormonde	-	-	R5,25	-
Midrand	R6,25	R6,41	R8,69	R5,88
Hendrik Potgieter Corridor	-	-	-	-
Pretoria CBD	-	R7,50	R2,50	R2,50
Lynnwood Glen	-	R6,50	R7,50	-
Lynnwood	-	-	R7,50	-
Lynnwood Manor	-	-	-	-
Lynnwood Ridge	-	-	R0,50	-
Faerie Glen	-	R5,00	-	-
Val de Grace	-	-	R5,00	-
Menlyn	R8,50	R0,00	R5,00	-
Menlo Park (Brooks St.)	-	-	R10,00	-
Brooklyn/Waterkloof	R5,50	-	R2,50	-
Nieuw Muckleneuk	-	R6,50	R5,00	-
Hatfield	-	R0,00	R4,71	-
Centurion	R7,00	R8,16	R6,24	-
Highveld Technopark	-	R5,50	R12,50	-
Sunnyside	-	-	-	-
Arcadia	-	R5,00	R0,00	-
Murrayfield	-	-	-	-
Nelspruit CBD	-	-	-	-
Polokwane	R1,00	R0,00	R0,00	R2,50
Bloemfontein CBD	R7,50	R8,50	R4,71	R2,36
Westdene	R1,41	R2,36	R0,00	R0,00
Durban CBD	-	-	R2,50	R4,71
Durban Berea	-	R12,50	R9,43	R10,00

For definitions, see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

Table 5.3 (continued)
Standard deviation of market rental rates for office buildings
Quarter 2013:2

	Grade A ⁺	Grade A	Grade B	Grade C
Essex Terrace	R20,00	R10,27	R8,16	R10,00
Westway	R2,36	R5,59	R2,36	-
La Lucia Ridge	R2,50	R2,50	R5,00	-
Westville	R4,71	R6,12	R7,40	R8,50
Pinetown	R7,50	R7,50	R12,50	R5,00
Hillcrest-Kloof (Upper Highway)	R10,00	R10,00	R10,00	R7,50
Port Elizabeth CBD	-	-	-	R10,00
Greenacres : Parks	R2,50	R5,00	R7,50	R2,50
Greenacres: Single	R5,00	R5,00	R7,50	-
Walmer Park 1, 2 & 3	-	-	R3,75	-
South End	-	R1,25	R2,50	R0,00
Humewood	R1,25	R0,00	R2,50	-
Cape Road	R1,25	R3,75	R0,00	-
East London	-	-	-	-
East London dec.	-	-	-	-
Cape Town CBD	R18,86	R12,47	R5,00	R2,50
Sea Point	R7,50	R7,50	R2,50	R2,50
V&A Portswood Ridge	R17,50	R15,00	-	-
Granger Bay	R22,50	-	-	-
Salt River	-	-	-	-
Woodstock	R15,00	R7,50	R0,00	R5,00
Observatory	R5,00	R7,50	R5,00	R2,50
Mowbray	-	-	-	-
Kenilworth (Racecourse)	R0,00	-	-	-
Rondebosch/Newlands	R2,36	R2,36	R7,50	-
Wynberg	-	-	R5,00	-
Westlake	R5,66	R4,08	-	-
Tokai	R5,00	R0,00	-	-
Claremont Lower	-	-	-	-
Claremont Upper	R0,00	R5,00	-	-
Hout Bay	-	-	-	-
Noordhoek (Sun Valley)	-	-	-	-
Pinelands	-	-	-	-
Athlone	-	-	-	-
Milnerton	-	-	-	-
Panorama	-	-	-	-
Table View / Parklands	-	-	-	-
Century City	R3,54	R9,43	R7,50	R2,50
Maitland	-	-	-	-
Goodwood (N1 City)	-	-	-	-
Tygerberg Hills	R3,30	R5,00	R5,00	R5,00
Bellville CBD	-	-	-	-
Tyger Valley area	R16,35	R15,59	R12,50	R7,50
Durbanville	R5,00	R5,00	R7,50	R5,00
Airport	-	-	-	-
Kuils River	-	-	-	-
Somerset West Town	-	-	-	-
Somerset West Mall area	-	-	-	-
Strand	-	-	-	-
Gordon's Bay	-	-	-	-
George	-	-	-	-

* Defined as bounded by Pietermaritz, Berg, Loop, Burger, between Chapel and Commercial.

** Claremont Lower: east of Main Road

For definitions, see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

Table 5.4
Typical rent-free period in months
Average periods on offer in quarter 2013:2

	Mean	SD		Mean	SD
Johannesburg CBD	2,3	0,9	Durban CBD	2,3	0,5
Braamfontein	2,5	0,5	Durban Berea	0,7	0,5
Sandton CBD	1,5	1,2	Essex Terrace	1,2	1,3
Dunkeld West	2,0	-	Westway	0,9	1,2
Wierda Valley	-	-	La Lucia Ridge	1,2	1,3
Randburg Ferndale	2,0	1,0	Westville	0,9	1,2
Rivonia	-	-	Pinetown	1,0	0,0
Rosebank	2,0	-	Hillcrest-Kloof-Upper Highway	0,8	0,2
Illovo	2,0	-	Port Elizabeth	3,0	-
Illovo Boulevard	2,0	-	Port Elizabeth dec.	1,0	-
Chiselhurst	-	-	East London	-	-
Parktown	-	-	East London dec.	-	-
Richmond/Milpark	-	-	Cape Town CBD	0,5	0,5
Bedfordview	1,0	-	Sea Point	-	-
Bruma	2,2	0,8	V&A Portwood Ridge	-	-
Meadowbrook	-	-	Granger Bay	1,0	-
Woodmead	1,0	-	Salt River	-	-
Sunninghill	-	-	Woodstock	1,0	-
Bryanston/Epsom	1,0	-	Observatory	1,0	-
Fourways	1,5	0,5	Mowbray	1,0	-
Houghton	2,0	-	Kenilworth (Racecourse)	1,5	0,5
Melrose Arch	1,0	1,0	Westlake	0,7	0,5
Hydepark	1,0	1,0	Tokai	0,5	0,5
Eastgate/Kramerville	1,5	0,5	Claremont Lower	-	-
Ormonde	2,0	-	Claremont Upper	1,0	-
Midrand	1,5	0,5	Hout Bay	1,0	-
Hendrik Potgieter Corr.	2,0	-	Noordhoek (Sun Valley)	-	-
Pretoria CBD	3,0	-	Pinelands	-	-
Lynnwood Glen	3,0	-	Athlone	-	-
Lynnwood	3,0	-	Milnerton	-	-
Lynnwood Manor	3,0	-	Panorama	-	-
Lynnwood Ridge	3,0	-	Rondebosch/Newlands	-	-
Faerie Glen	3,0	-	Wynberg	1,0	-
Val de Grace	3,0	-	Table View / Parklands	-	-
Menlyn	3,0	-	Century City	1,0	0,8
Menlo Park (Brooks St)	3,0	-	Maitland	1,0	-
Brooklyn/Waterkloof	3,0	-	Goodwood (N1 City)	1,0	-
Nieuw Muckleneuk	3,0	-	Tygerberg Hills / Platteklouf	2,0	1,0
Hatfield	2,5	0,5	Bellville CBD	1,0	-
Centurion	2,5	0,5	Tyger Valley area	1,7	0,9
Highveld Technopark	3,0	-	Durbanville	1,0	-
Sunnyside	3,0	-	Airport	1,0	-
Arcadia	3,0	-	Kuils River	-	-
Murrayfield	3,0	-	Somerset West Town	-	-
Nelspruit CBD	1,0	-	Somerset West Mall area	-	-
Polokwane	2,0	1,0	Strand	-	-
Bloemfontein CBD	4,7	5,2	Gordon's Bay	-	-
Westdene	5,5	6,4	George	-	-

* Defined as bounded by Pietermaritz, Berg, Loop, Burger, between Chapel and Commercial.

** Claremont Lower: east of Main Road

SD: See Glossary of terms and abbreviations in Annexure 1.

Table 5.5
Market parking rentals
Monthly parking
rands per bay per month (excl. VAT)
As in quarter 2013:2

	Covered reserved parking				Under shade net	Open-air parking
	Gr A+	Gr A	Gr B	Gr C		
Johannesburg CBD	750	683	600	475	300	250
Braamfontein	600	575	500	425	380	300
Sandton CBD	875	700	581	375	400	333
Dunkeld West	600	513	438	375	350	275
Wierda Valley	680	575	510	450	388	313
Randburg Ferndale	500	400	375	300	277	225
Rivonia	550	513	463	425	353	270
Rosebank	642	550	467	388	375	300
Illovo	625	567	467	388	408	357
Illovo Boulevard	625	583	460	415	417	350
Chisellhurst	700	560	490	438	360	297
Parktown	500	500	435	320	360	333
Richmond/Milpark	376	346	377	315	274	208
Bedfordview	538	515	458	395	314	268
Bruma	485	485	376	378	275	287
Meadowbrook	-	-	-	-	-	-
Woodmead	542	483	450	383	327	258
Sunninghill	527	482	427	396	340	278
Bryanston / Epsom Downs	575	494	454	409	344	253
Fourways	517	474	445	381	344	267
Houghton	500	494	431	301	397	300
Melrose Arch	817	713	450	350	350	300
Hyde Park	625	517	438	425	392	317
Eastgate/Kramerville	600	475	425	375	317	250
Ormonde	-	484	401	346	300	220
Midrand	510	467	433	376	347	250
Hendrik Potgieter Corridor	520	500	410	320	-	-
Pretoria CBD	-	450	-	400	332	200
Lynnwood Glen	500	460	515	170	450	200
Lynnwood	-	500	600	250	299	190
Lynnwood Manor	-	480	400	-	350	200
Lynnwood Ridge	700	550	475	-	425	385
Faerie Glen	500	480	517	-	400	290
Val de Grace	-	300	310	-	280	200
Menlyn	725	600	525	-	400	364
Menlo Park (Brooks St.)	600	500	415	-	400	258
Brooklyn/Waterkloof	625	550	488	-	419	326
Nieuw Muckleneuk	650	525	450	-	393	300
Hatfield	550	515	443	-	365	305
Centurion	550	465	427	-	361	224
Highveld Technopark	500	480	480	-	350	200
Sunnyside	700	-	400	350	-	200
Arcadia	-	525	450	350	350	200
Murrayfield	-	-	-	-	-	-
Nelspruit	420	370	275	220	180	120
Polokwane	422	375	305	270	270	180
Bloemfontein CBD	323	323	235	160	180	110
Westdene	355	353	285	190	150	85

Table 5.5 (continued)
Market parking rentals
Monthly parking rands per bay per month (excl. VAT)
As in quarter 2013:2

	Covered reserved parking				Under shade net	Open-air parking
	Gr A ⁺	Gr A	Gr B	Gr C		
Durban CBD	900	790	663	500	500	400
Durban Berea	400	425	400	300	250	200
Essex Terrace	550	475	425	400	325	300
Westway	650	575	475	400	375	375
La Lucia Ridge	700	625	550	550	400	350
Westville	450	425	375	200	200	238
Pinetown	400	300	150	150	100	100
Hillcrest-Kloof (Upper Highway)	375	350	315	275	200	150
Port Elizabeth CBD	-	-	-	-	-	-
Greenacres : Parks	450	413	363	350	275	225
Greenacres: Single	450	413	363	350	275	225
Walmer Park 1, 2 & 3	400	375	275	250	225	200
South End	200	325	1410	250	150	125
Humewood	400	350	325	-	-	250
Cape Road	450	400	363	300	225	225
East London	-	-	-	-	-	-
East London dec.	-	-	-	-	-	-
Cape Town CBD	1.150	1.000	-	-	750	650
Sea Point	900	750	-	-	700	550
V&A Portsworld Ridge	1.200	-	-	-	-	-
Granger Bay	1.400	1.200	-	-	-	800
Salt River	675	550	500	450	450	400
Woodstock	700	600	550	450	450	400
Observatory	700	600	550	450	450	400
Mowbray	750	775	-	-	-	575
Kenilworth (Racecourse)	450	500	-	-	400	-
Rondebosch/Newlands	1.050	850	-	-	-	450
Wynberg	750	-	350	-	-	250
Westlake	750	625	-	-	-	433
Tokai	675	500	400	-	-	450
Claremont Lower**	950	-	-	-	-	500
Claremont Upper	1.100	850	600	-	-	-
Hout Bay	-	-	-	-	-	-
Noordhoek (Sun Valley)	-	-	-	-	-	-
Pinelands	625	450	400	350	450	475
Athlone	-	-	-	-	-	-
Milnerton	-	-	-	-	-	-
Panorama	-	-	-	-	-	-
Table View / Parklands	-	-	-	-	-	-
Century City	850	800	700	700	550	433
Maitland	-	-	-	-	-	-
Goodwood (N1 City)	650	525	400	300	250	200
Tygerberg Hills	700	650	600	450	300	225
Bellville CBD	583	500	450	350	185	200
Tyger Valley area	638	600	600	500	283	275
Durbanville	700	600	500	350	300	250
Airport	-	-	-	-	-	-
Kuils River	-	-	-	-	-	-

Table 5.5 (continued)
Market parking rentals
 Monthly parking rands per bay per month (excl. VAT)
 As in quarter 2013:2

	Covered reserved parking				Under shade net	Open-air parking
	Gr A ⁺	Gr A	Gr B	Gr C		
Somerset West Town	-	-	-	-	-	-
Somerset West Mall area	-	-	-	-	-	-
Strand	-	-	-	-	-	-
Gordon's Bay	-	-	-	-	-	-
George	-	-	-	-	-	-

* Defined as bounded by Pietermaritz, Berg, Loop, Burger, between Chapel and Commercial.
 ** Claremont Lower: east of Main Road

Table 5.6
Office rental escalation rates on new leases (%)
Average escalation rate on net rentals for quarter 2013:2

	Mean		Mean
Johannesburg CBD	8,5	Durban CBD	8,8
Braamfontein	8,5	Durban Berea	8,8
Sandton CBD	8,9	Essex Terrace	8,8
Dunkeld West	9,1	Westway	8,6
Wierda Valley	9,2	La Lucia Ridge	8,8
Randburg Ferndale	8,8	Westville	8,6
Rivonia	9,0	Pinetown	8,8
Rosebank	9,1	Hillcrest-Kloof (Upper Highway)	8,8
Illovo	9,1	Port Elizabeth	7,8
Illovo Boulevard	9,1	Port Elizabeth dec.	8,0
Chiselhurst	9,1	East London	-
Parktown	9,1	East London dec.	-
Richmond/Milpark	9,2	Cape Town CBD	8,2
Bedfordview	9,4	Sea Point	8,0
Bruma	8,9	V&A Portwood Ridge	8,0
Meadowbrook	9,0	Granger Bay	8,0
Woodmead	8,7	Salt River	-
Sunninghill	9,0	Woodstock	8,0
Bryanston / Epsom Downs	9,0	Observatory	8,0
Fourways	8,7	Mowbray	9,0
Houghton	9,1	Kenilworth (Racecourse)	9,0
Melrose Arch	9,3	Rondebosch/Newlands	8,5
Hyde Park	9,1	Wynberg	8,5
Eastgate/Kramerville	9,0	Westlake	9,0
Ormonde	9,7	Tokai	9,0
Midrand	8,6	Claremont Lower	-
Hendrik Potgieter	9,3	Claremont Upper	9,0
Pretoria CBD	9,0	Hout Bay	8,0
Lynnwood Glen	9,0	Noordhoek (Sun Valley)	-
Lynnwood	9,0	Pinelands	8,0
Lynnwood Manor	9,0	Athlone	-
Lynnwood Ridge	9,0	Milnerton	8,0
Faerie Glen	9,0	Panorama	-
Val de Grace	9,0	Table View / Parklands	-
Menlyn	9,0	Century City	8,5
Menlo Park (Brooks St.)	9,0	Maitland	8,0
Brooklyn/Waterkloof	9,0	Goodwood (N1 City)	9,0
Nieuw Muckleneuk	9,0	Tygerberg Hills/Plattekloof	8,0
Hatfield	9,0	Bellville CBD	8,5
Centurion	9,0	Tyger Valley area	8,0
Highveld Technopark	9,0	Durbanville	8,0
Sunnyside	9,0	Airport	-
Arcadia	9,0	Kuils River	-
Murrayfield	9,0	Somerset West Town	-
Nelspruit	8,0	Somerset West Mall area	-
Polokwane	8,5	Strand	-
Bloemfontein CBD	8,0	Gordon's Bay	-
Westdene	9,0	George	-

* Defined as bounded by Pietermaritz, Berg, Loop, Burger, between Chapel and Commercial.

** Claremont Lower: east of Main Road

Table 5.7
Typical gross outgoings for prime office buildings
 As reported by brokers
 R/rentable m² per month: quarter 2013:2

	Mean	SD	n
Johannesburg CBD	R17,50	R2,50	2
Braamfontein	R17,50	R2,50	2
Sandton	R22,50	R9,40	3
Dunkeld West	R21,70	R2,40	3
Wierda Valley	R25,00	R0,00	2
Randburg Ferndale	R17,50	R2,50	2
Rivonia	R19,00	R1,00	2
Rosebank	R25,80	R5,10	3
Illovo	R24,20	R1,20	3
Illovo Boulevard	R25,00	R0,00	3
Chiselhurst	R25,00	R0,00	2
Parktown	R23,80	R1,30	2
Richmond/Milpark	R20,00	-	1
Bedfordview	R21,50	R1,50	2
Bruma	R20,00	R0,00	2
Meadowbrook	-	-	-
Woodmead	R23,80	R1,30	2
Sunninghill	R22,50	R2,50	2
Bryanston/Epsom	R22,50	R2,50	2
Fourways	R21,70	R2,40	3
Houghton	R20,00	R0,00	2
Melrose Arch	R28,30	R4,70	3
Hydepark	R21,70	R2,40	3
Eastgate/Kramerville	R25,00	-	1
Ormonde	R20,00	-	1
Midrand	R20,80	R0,80	2
Hendrik Potgieter Corridor	R25,00	-	1
Pretoria CBD	R13,00	-	1
Lynnwood Glen	R12,00	-	1
Lynnwood	R22,00	-	1
Lynnwood Manor	R12,00	-	1
Lynnwood Ridge	R15,00	-	1
Faerie Glen	R15,00	-	1
Val de Grace	R15,00	-	1
Menlyn	R25,00	-	1
Menlo Park (Brooks St.)	R12,00	-	1
Brooklyn/Waterkloof	R23,00	-	1
Nieuw Muckleneuk	R23,00	-	1
Hatfield	R15,80	R2,30	2
Centurion	R14,00	R1,00	2
Highveld Technopark	R15,00	-	1
Sunnyside	R15,00	-	1
Arcadia	R12,00	-	1
Murrayfield	R12,00	-	1

SD and n: See Glossary of terms and abbreviations in Annexure 1.

Table 5.7 (continued)
Typical gross outgoings for prime office buildings
 As reported by brokers
 R/rentable m² per month: quarter 2013:2

	Mean	SD	n
Nelspruit	R18,00	R0,00	2
Polokwane	R22,00	-	1
Bloemfontein CBD	R5,00	R0,00	2
Westdene	R5,50	R0,50	2
Durban CBD	R24,00	-	1
Durban Berea	R28,00	-	1
Essex Terrace	R29,00	-	1
Westway	R33,75	R1,25	2
La Lucia Ridge	R32,00	-	1
Westville	R31,75	R0,25	2
Pinetown	-	-	-
Hillcrest-Kloof (Upper Highway)	R30,00	-	1
Port Elizabeth CBD	R12,00	-	1
Greenacres : Parks	R11,00	-	1
Greenacres: Single	R11,00	-	1
Walmer Park 1, 2 & 3	R11,00	-	1
South End	R11,00	-	1
Humewood	R11,00	-	1
Cape Road	R11,00	-	1
East London CBD			
East London decentralized			
Cape Town CBD	R30,00	-	1
Sea Point	-	-	-
V&A Portsworld Ridge	-	-	-
Granger Bay	-	-	-
Salt River	-	-	-
Woodstock	-	-	-
Observatory	-	-	-
Mowbray	-	-	-
Kenilworth (Racecourse)	-	-	-
Rondebosch/Newlands	-	-	-
Wynberg	-	-	-
Westlake	R30,00	-	1
Tokai	R30,00	-	1
Claremont Lower**	-	-	-
Claremont Upper	-	-	-
Hout Bay	-	-	-
Noordhoek (Sun Valley)	-	-	-
Pinelands	R30,00	-	1
Athlone	-	-	-

SD and n: See Glossary of terms and abbreviations in Annexure 1.

Table 5.7 (continued)
Typical gross outgoings for prime office buildings
 As reported by brokers
 R/rentable m² per month: quarter 2013:2

	Mean	SD	n
Milnerton	-	-	-
Panorama	-	-	-
Table View / Parklands	-	-	-
Century City	R30,00	-	1
Maitland	-	-	-
Goodwood (N1 City)	-	-	-
Tygerberg Hills	R20,00	-	1
Bellville CBD	R10,00	-	1
Tyger Valley area	R16,00	R1,00	2
Durbanville	-	-	-
Airport	-	-	-
Kuils River	-	-	-
Somerset West Town	-	-	-
Somerset West Mall area	-	-	-
Strand	-	-	-
Gordon's Bay	-	-	-
George			

SD and n: See Glossary of terms and abbreviations in Annexure 1.

Table 5.8
Escalation rates on operating costs (%)

Node	2013:2	Node	2013:2
Johannesburg CBD	10,0	Durban Berea	9,0
Braamfontein	10,0	Essex Terrace	9,0
Sandton CBD	10,0	Westway	9,0
Dunkeld West	10,0	La Lucia	9,0
Wierda Valley	10,0	Westville	9,0
Randburg Ferndale	10,0	Pinetown	9,0
Rivonia	10,0	Hillcrest-Kloof (Upper Highway)	9,5
Rosebank	10,0	Empangeni	-
Illovo	10,0	Richards Bay	-
Illovo Boulevard	10,0	Port Elizabeth CBD	7,5
Chiselhurst	10,0	Port Elizabeth dec	8,0
Parktown	9,0	East London CBD	-
Richmond/Milpark	9,0	East London	-
Bedfordview	10,0	Cape Town CBD	9,0
Bruma	10,0	Sea Point	9,0
Meadowbrook	10,0	V&A Portswood Ridge	9,0
Woodmead	10,0	Granger Bay	-
Sunninghill	10,0	Salt River	9,0
Bryanston/Epsom	10,0	Woodstock	9,0
Fourways	10,0	Observatory	-
Houghton	10,0	Mowbray	-
Melrose Arch	10,0	Kenilworth (Racecourse)	-
Hydepark	10,0	Westlake	10,0
Eastgate/Kramerville	10,0	Tokai	10,0
Ormonde	10,0	Claremont Lower	-
Midrand	10,0	Claremont Upper	-
Hendrik Potgieter Corridor	10,0	Hout Bay	9,0
Pretoria CBD	10,0	Noordhoek (Sun Valley)	-
Lynnwood Glen	10,0	Pinelands	9,0
Lynnwood	10,0	Athlone	-
Lynnwood Manor	10,0	Milnerton	8,5
Lynnwood Ridge	10,0	Panorama	-
Faerie Glen	10,0	Rondebosch/Newlands	7,5
Val de Grace	10,0	Wynberg	-
Menlyn	10,0	Table View / Parklands	-
Menlo Park (Brooks St)	10,0	Century City	9,5
Brooklyn/Waterkloof	10,0	Maitland	9,0
Nieuw Muckleneuk	10,0	Goodwood (N1 City)	9,0
Hatfield	9,0	Tygerberg Hills	8,0
Centurion	9,0	Bellville CBD	8,5
Highveld Technopark	10,0	Tyger Valley area	8,0
Sunnyside	10,0	Durbanville	8,0
Arcadia	10,0	Airport	-
Murrayfield	10,0	Kuils River	-
Nelspruit	12,0	Somerset West Town	-
Polokwane	8,8	Somerset West Mall area	-
Bloemfontein	12,0	Strand	-
Westdene	12,0	Gordon's Bay	-
Durban CBD	9,0	George	

* Defined as bounded by Pietermaritz, Berg, Loop, Burger, between Chapel and Commercial,

** Claremont Lower: east of Main Road

Chapter 6: Office demand and vacancies

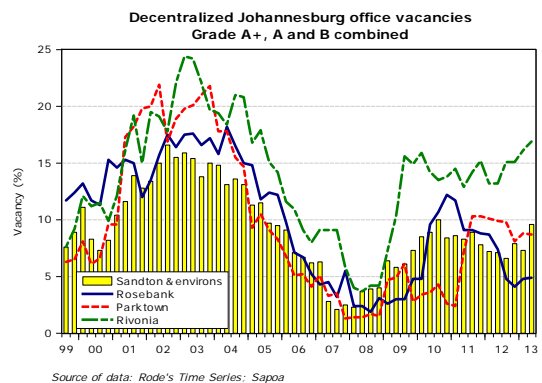
Newtown – new focus area for office development

Written by Marlene S. Tighy and John S. Lottering

Situated in Johannesburg's inner-city, Newtown has been identified by the City of Johannesburg as a key focus area for new mixed-use developments with the potential to attract major investment, particularly in the creative industries, culture and tourism.¹ It forms part of the regeneration and reinvention of the city.

Newtown is located on the western side of the Johannesburg city centre. It is bounded by the marshalling yards and railway lines to the north, the M2 motor-way in the south, West Street in the east and Quinn Street in the west. Easy access from Braamfontein is provided via the Nelson Mandela Bridge.

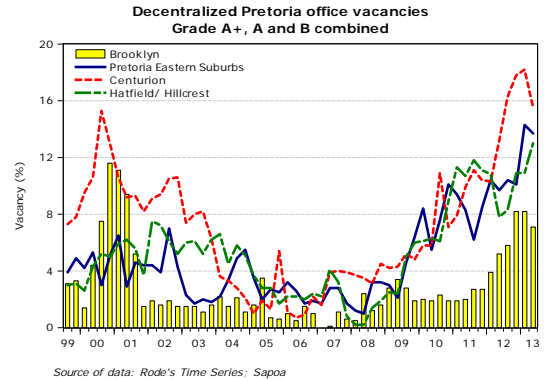
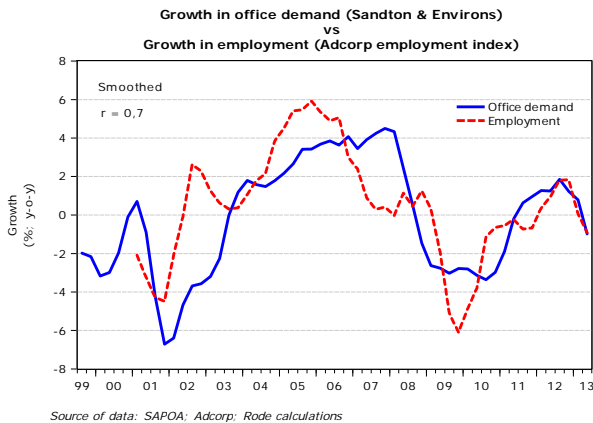
According to Sapoa, as at the second quarter of 2013, a total of 40.000 m² of new office space is to be developed in Newtown (see **Table 6.1**). Daunting here is that the committed new space — which during the reporting quarter was still 100% unlet — equals 34% of the current office stock. What's more, currently Newtown also has a higher (20%) combined grade-A and -B vacancy rate than its closest neighbours, namely the Johannesburg CBD (11%) and Braamfontein (17%). Therefore, should the new office stock in Newtown not be taken up promptly, the outcome might be a spike in vacancy rates.



In the rest of the chapter we report on the most recent trends in office vacancy rates.

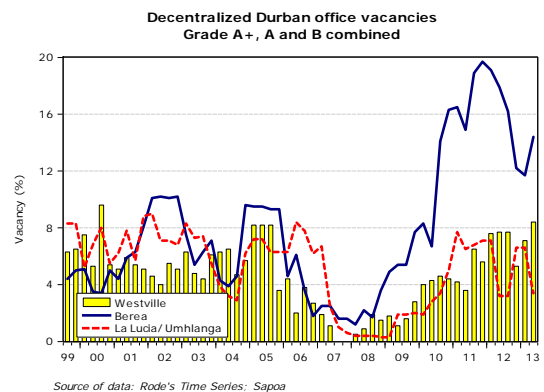
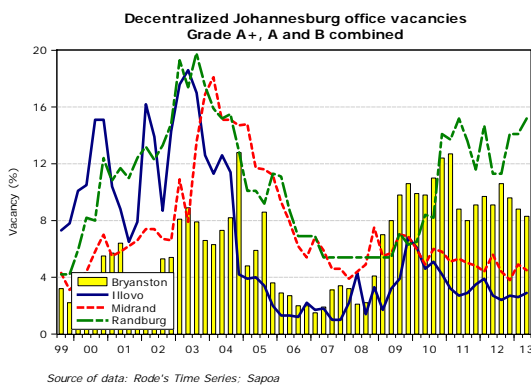
Starting with Johannesburg decentralized reveals an uptick in vacancy rates in the premier office area of Sandton & Environs. In the second quarter of 2013, vacancy rates in this top office node jumped to 10% from 7% in the previous quarter. Sandton remains an attractive destination for developers with close to 150.000m² (75% unlet) expected to come on line in the near future. Developers and landlords should, however, take note of the recent deceleration in the growth in demand for office space in Sandton, which as the corresponding graph shows, might be related to the deceleration in the growth of employment.

¹ Source of information: <http://www.joburg.org.za/>;
<http://www.sa-venues.com/attractionsga/newtown.php>



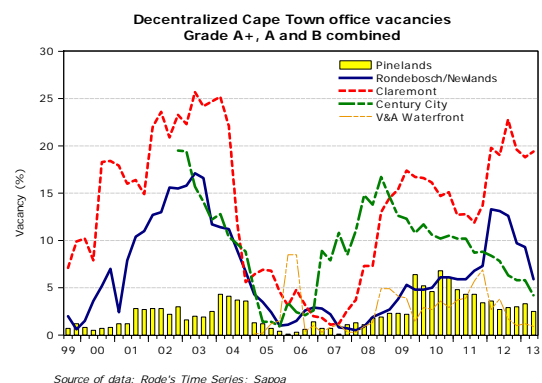
In Rosebank (5%) and Parktown (9%), vacancy rates remained at roughly their previous-quarter levels, while in both Rivonia and Randburg they increased marginally (by one percentage point) to 17% and 15%. Illovo and Melrose/Waverley — with their vacancy rates of 3% — were in the reporting quarter the most fully let office nodes in Johannesburg decentralized.

As for Durban decentralized, in the office nodes of Westville and Berea, vacancy rates increased from 7% to 8% and 12% to 14%, respectively. However, in La Lucia / Umhlanga, vacancies decreased from 7% in the previous quarter to 3% in the reporting quarter.



The Pretoria decentralized office node of Hatfield saw a noteworthy uptick in vacancy rates from 11% to 13,0%, while in the Pretoria Eastern Suburbs, vacancy rates remained at 14%. Brooklyn and Lynwood remain the most rented office nodes in Pretoria decentralized, with their vacancy rates of 7%. Good news for landlords in Centurion must be the drop in the node's vacancy rate from 18% to 16%. The bad news is that another 90.000 m² of seemingly speculative space is in the pipeline, which might keep upward pressure on vacancy rates.

Continuing with its impressive performance since 2008, the vacancy rate in Century City decreased further from 6% to 4%.

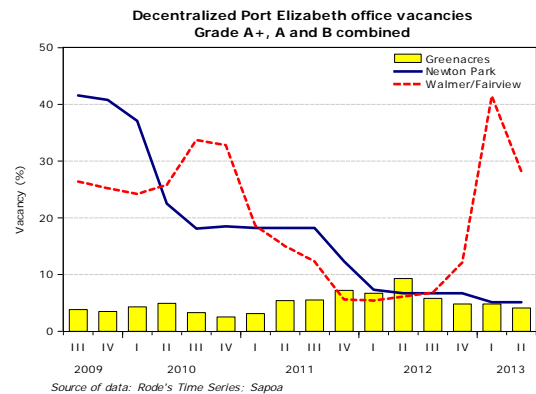


The vacancy rates in most of the other Cape Town decentralized office nodes also saw marginal improvements, with Pine-lands now standing at only 3%, Rondebosch/Newlands at 6%, and the V&A Waterfront at a low 1%. Claremont at 19% remains the office node with the highest vacancy rate in Cape Town. The recurring high vacancies in Claremont could possibly be attributed to poor access and congestion during peak times.

Capitol Commercial Properties reports on vacancy rates surveys in the Tyger Valley area (north of the N1). According to their figures (see www.property.co.za), the vacancy rates for grades A+, A and B properties as in September 2013 were 8%, 9% and 11% respectively.

In the second quarter of 2013, the vacancy rates in the Port Elizabeth decentralized office node of Walmer/Fairview managed to decrease from 42% to 28%. The decrease was mainly due to the strong take-up of

vacant grade-A space. Another 8.000 m² of new space — making up 31% of the current stock — is, however, expected to come on line soon. Nonetheless, the Greenacre node's office vacancy rate decreased from 5% to 4%, while vacancy rates in Newton Park remained steady at 5%.



This chapter is concluded by the office-vacancy-factor and office stock tables. ■

Table 6.1
Committed new office developments
As in 2013:2

	Total rent- able area m ²	Area still available for leas- ing m ²	% unlet	As % of existing stock
Johannesburg & Environs				
Bryanston / Epsom Downs	18.226	12.226	67%	3%
Constantia Kloof	23.617	768	3%	8%
Cresta/Blackheath to Randpark	27.200	27.200	100%	17%
Fourways	10.800	5.544	51%	7%
Greenstone/Edenvale/Modderfontein	10.098	10.098	100%	14%
Houghton/Killarney	2.500	2.500	100%	2%
Hyde Park / Dunkeld	5.200	5.200	100%	5%
Melrose/Waverley	26.000	0	0%	18%
Midrand	7.384	1.766	24%	1%
Newtown	40.000	40.000	100%	34%
Randburg	32.000	0	0%	7%
Rivonia	11.579	4.579	40%	4%
Rosebank	83.294	8.294	10%	29%
Sandton & Environs	148.407	111.407	75%	10%
Sunninghill	23.191	23.191	100%	7%
Woodmead	15.000	0	0%	4%
Cape Town & Environs				
CBD Cape Town	73.000	39.000	53%	8%
Bellville	8.000	2.500	31%	1%
Century City	22.077	11.626	53%	9%
Claremont	12.500	0	0%	11%
V&A Waterfront	12.000	0	0%	15%
Durban & Environs				
Hillcrest/Gillits	3.300	3.300	100%	11%
Westville	4.000	0	0%	2%
Pretoria & Environs				
Brooklyn / Nieuw Muckleneuk / Groenkloof / Waterkloof	5.750	5.750	100%	2%
Centurion	93.960	61.770	66%	23%
Hatfield/Hillcrest	14.500	0	0%	6%
Lynnwood / Menlo Park / Persequor Park / Hazelwood	600	600	100%	0%
Pretoria Eastern Suburbs/Route 21	45.795	30.934	68%	12%
Port Elizabeth & Environs				
Greenacres	2.000	2.000	100%	3%
Walmer/Fairview	7.965	7.965	100%	31%
Total	789.943	418.218	53%	9%

Source: SAPOA

Table 6.2
Sapoa office vacancy factors (%)

Grades A⁺, A & B

Source: Sapoa

	June 2012	September 2012	December 2012	March 2013	June 2013
Johannesburg					
Bedfordview					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	9,8	10,1	9,8	14,4	14,1
Grade B	16,9	13,8	18,5	17,4	17,9
Total	12,2	11,4	12,8	15,4	15,4
Braamfontein					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	19,3	19,9	19,9	16,5	18,4
Grade B	15,3	15,2	16,3	17,8	14,7
Total	17,4	17,7	18,3	17,1	16,9
Bryanston / Epsom Downs					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	8,9	10,2	9,5	8,8	8,4
Grade B	18,6	24,0	17,5	15,2	12,8
Total	9,1	10,6	9,6	8,8	8,3
Bruma					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	4,6	6,5	6,1	7,5	4,7
Grade B	15,9	15,6	15,6	19,1	21,0
Total	11,6	12,1	11,9	14,7	14,7
CBD Johannesburg					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	10,2	10,6	11,2	0,0	1,0
Grade B	26,0	23,9	20,9	25,4	19,5
Total	17,0	16,2	15,6	14,7	11,1
Constantia Kloof Basin					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	7,3	5,9	6,9	3,7	4,3
Grade B	13,1	14,1	13,1	7,3	8,6
Total	7,7	6,5	7,3	3,9	4,6
Fourways					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	11,1	10,4	11,0	14,5	15,1
Grade B	0,5	0,0	0,0	0,0	0,0
Total	10,6	10,0	10,6	13,9	14,4
Houghton/Killarney					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	4,5	6,3	7,9	3,9	3,5
Grade B	4,6	5,8	3,4	0,9	0,8
Total	4,5	6,2	6,7	3,2	2,8

Source of data: Sapoa

Table 6.2 (continued)
Sapoa office vacancy factors (%)
 Grades A⁺, A & B

	June 2012	September 2012	December 2012	March 2013	June 2013
Hyde Park / Dunkeld					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	4,4	5,8	10,6	24,4	41,3
Grade B	8,3	6,7	8,0	9,4	9,0
Total	7,2	6,4	8,8	13,5	19,0
Illovo					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	1,0	1,8	1,7	1,6	2,7
Grade B	11,9	6,3	8,3	7,9	5,2
Total	2,7	2,4	2,7	2,6	2,9
Melrose/Waverley					
Grade A ⁺	0,6	0,5	0,5	2,1	1,1
Grade A	3,1	6,2	6,2	2,1	2,1
Grade B	8,3	4,2	4,2	12,7	14,2
Total	2,0	2,2	2,2	3,6	3,1
Midrand					
Grade A ⁺	0,0	0,0	0,0	1,3	1,4
Grade A	4,6	3,5	1,9	4,3	7,3
Grade B	10,5	8,5	8,3	8,1	4,3
Total	5,6	4,4	3,8	4,9	4,5
Milpark					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	0,0	0,0	0,0	0,0	0,0
Grade B	5,9	4,5	4,6	7,4	7,6
Total	5,1	3,9	3,9	6,4	6,5
Morningside					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	3,8	12,4	7,6	10,1	7,7
Grade B	N/A	N/A	N/A	N/A	N/A
Total	3,8	12,4	7,6	10,1	7,7
Parktown					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	3,5	1,0	3,5	6,2	3,4
Grade B	13,3	14,4	10,5	10,2	11,6
Total	9,9	9,8	8,1	8,8	8,7
Randburg					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	8,0	8,0	6,3	6,3	19,5
Grade B	11,8	11,8	15,1	15,1	14,6
Total	11,3	11,3	14,1	14,1	15,2

Source of data: Sapoa

Table 6.2 (continued)
Sapoa office vacancy factors (%)
 Grades A⁺, A & B

	June 2012	September 2012	December 2012	March 2013	June 2013
Rivonia					
Grade A ⁺					
Grade A	9,6	9,9	9,9	12,4	18,2
Grade B	14,8	17,4	17,4	17,7	16,3
Total	13,2	15,1	15,1	16,1	16,9
Rosebank					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	11,4	7,4	5,1	4,4	6,6
Grade B	3,9	2,6	3,1	5,1	3,3
Total	7,4	4,8	4,1	4,8	4,9
Sandton & environs					
Grade A ⁺	2,5	4,0	0,9	0,9	4,5
Grade A	6,3	6,1	8,9	7,5	11,3
Grade B	10,6	8,5	9,8	9,7	9,0
Total	7,1	6,6	7,9	7,3	9,6
Sunninghill					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	4,6	3,9	7,5	10,0	10,1
Grade B	N/A	N/A	N/A	N/A	N/A
Total	4,6	3,9	7,5	10,0	10,1
Woodmead					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	7,5	7,4	5,8	5,8	8,3
Grade B	36,3	27,5	27,5	33,7	33,7
Total	8,9	8,4	6,9	7,1	9,5
Cape Town					
Bellville (incl. Tyger V)					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	6,9	6,9	5,7	5,5	5,6
Grade B	12,7	12,9	13,5	10,6	10,5
Total	8,5	8,6	8,0	7,0	7,0
CBD Cape Town					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	13,7	13,4	13,5	9,5	12,3
Grade B	9,8	10,1	7,9	11,1	11,7
Total	12,0	11,9	11,1	10,3	11,8
Century City					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	7,7	5,9	5,4	5,6	3,9
Grade B	10,5	10,2	10,5	8,7	7,4
Total	7,8	6,3	5,8	5,8	4,2

Source of data: Sapoa

Table 6.2 (continued)
Sapoa office vacancy factors (%)
 Grades A⁺, A & B

	June 2012	September 2012	December 2012	March 2013	June 2013
Claremont					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	10,0	17,7	15,4	14,2	14,7
Grade B	30,0	29,1	24,8	24,7	25,2
Total	19,0	22,8	19,6	18,8	19,4
Pinelands					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	2,8	3,0	3,1	3,3	2,5
Grade B	2,3	1,5	2,4	3,0	3,0
Total	2,7	2,9	3,0	3,3	2,5
Rondebosch/Newlands					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	17,2	15,9	13,0	11,8	6,9
Grade B	2,9	4,4	1,4	3,2	3,5
Total	13,1	12,6	9,7	9,3	5,9
V&A Waterfront					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	5,0	2,4	1,1	1,6	1,6
Grade B	17,6	7,4	5,8	5,8	1,8
Total	3,8	1,7	1,0	1,2	0,9
Durban					
Berea					
Grade A ⁺					
Grade A	17,1	12,3	9,8	9,9	15,6
Grade B	18,6	19,7	14,4	13,1	13,1
Total	17,9	16,2	12,2	11,7	14,4
CBD Durban					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	21,3	20,6	20,6	20,6	20,6
Grade B	11,9	12,9	12,8	12,5	12,5
Total	16,0	16,3	16,2	16,1	16,1
Umhlanga / La Lucia					
Grade A ⁺	2,1	2,1	2,1	2,1	2,1
Grade A	3,3	3,3	7,2	7,2	3,5
Grade B	3,0	3,0	2,0	2,0	2,8
Total	3,2	3,2	6,6	6,6	3,4
Westville					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	9,8	8,4	4,2	4,9	6,5
Grade B	5,8	7,1	6,3	8,8	9,9
Total	7,7	7,7	5,3	7,1	8,4

Source of data: Sapoa

Table 6.2 (continued)
Sapoa office vacancy factors (%)
Grades A⁺, A & B

	June 2012	September 2012	December 2012	March 2013	June 2013
Pretoria					
Arcadia					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	7,8	6,4	7,9	7,9	10,9
Grade B	6,1	3,1	3,7	3,7	0,0
Total	7,4	5,6	6,6	6,6	7,6
Brooklyn					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	5,0	6,0	8,7	8,7	7,4
Grade B	5,6	5,3	6,2	6,2	5,9
Total	5,2	5,8	8,2	8,2	7,1
CBD Pretoria					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	1,3	1,8	1,8	1,8	1,8
Grade B	10,8	11,1	11,2	10,4	9,4
Total	7,6	8,8	8,9	8,3	7,6
Centurion					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	8,6	16,3	13,6	13,6	7,5
Grade B	16,8	16,3	21,9	22,6	23,3
Total	13,2	16,3	17,8	18,2	15,6
Hatfield/Hillcrest					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	2,8	2,4	6,4	6,4	13,2
Grade B	11,3	12,3	14,0	14,0	12,8
Total	7,8	8,3	10,9	10,9	13,0
Highveld Technopark					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	8,1	8,0	4,9	4,9	13,1
Grade B	11,7	11,1	11,4	11,4	8,0
Total	9,0	8,9	6,7	6,7	11,7
Menlyn					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	13,4	16,4	13,3	9,2	9,5
Grade B	10,0	12,2	12,5	7,9	9,1
Total	12,4	15,3	13,1	8,9	9,4

Source of data: Sapoa

Table 6.2 (continued)
Sapoa office vacancy factors (%)
 Grades A+, A & B

	June 2012	September 2012	December 2012	March 2013	June 2013
Pretoria Eastern Suburbs					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	10,4	11,7	8,4	15,8	14,9
Grade B	2,6	8,5	12,6	11,9	11,8
Total	9,7	10,4	10,1	14,3	13,7
Lynnwood					
Grade A+	0,0	0,0	0,0	0,0	0,0
Grade A	4,1	5,9	2,5	4,1	5,7
Grade B	6,9	6,6	6,9	10,9	9,5
Total	4,8	5,4	4,4	7,1	6,9
Port Elizabeth					
Greenacres					
Grade A+	14,1	6,1	0,0	0,0	0,0
Grade A	11,1	0,0	0,0	0,0	0,0
Grade B	8,6	7,0	6,2	6,2	5,1
Total	9,3	5,8	4,8	4,8	4,1
Newton Park					
Grade A+	6,6	6,6	6,6	4,8	4,8
Grade A	0,0	0,0	0,0	0,0	0,0
Grade B	11,3	11,3	11,3	11,3	11,3
Total	6,7	6,7	6,7	5,1	5,1
Central / Park Drive					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	N/A	N/A	N/A	N/A	N/A
Grade B	20,8	19,9	22,4	21,8	22,4
Total	20,8	19,9	22,4	21,8	22,4
Walmer/Fairview					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,7	0,7	0,7	41,9	25,5
Grade B	17,7	19,8	36,3	39,8	38,1
Total	6,1	6,8	12,1	41,5	28,2
Johannesburg central					
Grade A+	0,0	0,0	0,0	0,0	0,0
Grade A	12,0	12,4	13,1	4,6	6,0
Grade B	23,8	22,0	20,0	24,1	18,6
Total	17,1	16,5	16,2	15,2	12,4

Source of data: Sapoa

Table 6.2 (continued)
Sapoa office vacancy factors (%)
 Grades A+, A & B

	June 2012	September 2012	December 2012	March 2013	June 2013
Johannesburg decentralized					
Grade A+	1,2	1,8	0,5	1,2	2,8
Grade A	6,3	6,3	6,9	7,0	8,7
Grade B	10,3	9,5	10,1	10,4	9,9
Total	7,3	7,1	7,5	7,8	8,6
Pretoria decentralized					
Grade A+	0,0	0,0	0,0	0,0	0,0
Grade A	8,1	9,8	8,6	9,2	10,8
Grade B	11,2	10,8	13,0	13,1	12,3
Total	9,0	10,1	10,2	10,6	11,2
Durban decentralized					
Grade A+	2,1	2,1	2,1	2,1	2,1
Grade A	6,3	5,5	6,7	6,9	5,5
Grade B	8,0	8,9	7,2	8,6	9,4
Total	6,8	6,6	6,8	7,4	6,7
Cape Town decentralized					
Grade A+	0,0	0,0	0,0	0,0	0,0
Grade A	7,0	7,0	6,0	5,9	5,0
Grade B	13,8	13,5	12,9	11,3	11,2
Total	8,3	8,2	7,3	6,9	6,2
National summaries					
National decentralised					
Grade A+	1,3	1,8	0,6	1,1	2,5
Grade A	6,8	7,1	7,1	7,4	8,5
Grade B	10,6	10,1	10,9	11,1	10,6
Total	7,8	7,9	8,0	8,4	8,8
National CBDs					
Grade A+	0,0	0,0	0,0	0,0	0,0
Grade A	12,6	13,0	13,7	7,5	9,3
Grade B	17,5	16,7	15,5	17,8	14,6
Total	15,8	15,6	15,1	14,1	13,3

Source of data: Sapoa

Table 6.3
Sapoa office stock (m²)

Grades A⁺, A & B

Source: Sapoa

	June 2012	September 2012	December 2012	March 2013	June 2013
Johannesburg					
Bedfordview					
Grade A ⁺					
Grade A	130.327	130.327	133.427	136.087	135.537
Grade B	69.758	69.758	69.974	69.794	69.794
Total	200.085	200.085	203.401	205.881	205.331
Braamfontein					
Grade A ⁺					
Grade A	193.405	193.405	226.121	226.121	226.121
Grade B	170.988	170.988	170.988	170.988	163.438
Total	364.393	364.393	397.109	397.109	389.559
Bryanston / Epsom Downs					
Grade A ⁺	23.138	23.138	23.138	23.138	23.138
Grade A	469.313	469.313	474.593	476.306	478.806
Grade B	30.578	30.578	30.578	30.579	30.578
Total	523.029	523.029	528.309	530.023	532.522
Bruma					
Grade A ⁺					
Grade A	33.664	33.664	33.664	33.664	33.664
Grade B	54.458	54.458	54.458	54.458	54.458
Total	88.122	88.122	88.122	88.122	88.122
CBD Johannesburg					
Grade A ⁺	24.000	24.000	24.000	24.000	24.000
Grade A	792.276	792.276	780.976	593.866	550.166
Grade B	647.362	639.287	713.610	852.296	691.349
Total	1.463.638	1.455.563	1.518.586	1.470.162	1.265.515
Constantia Kloof Basin					
Grade A ⁺					
Grade A	284.464	289.178	289.178	289.178	289.178
Grade B	20.853	22.193	22.193	22.193	21.743
Total	305.317	311.371	311.371	311.371	310.921
Fourways					
Grade A ⁺					
Grade A	142.821	146.289	146.289	143.083	144.526
Grade B	6.500	6.500	6.500	6.501	6.500
Total	149.321	152.789	152.789	149.584	151.026
Houghton/Killarney					
Grade A ⁺					
Grade A	75.108	83.398	83.398	100.398	83.398
Grade B	36.890	29.200	29.200	29.201	31.700
Total	111.998	112.598	112.598	129.599	115.098

Source of data: Sapoa

Table 6.3 (continued)
Sapoa office stock (m²)
 Grades A⁺, A & B

	June 2012	September 2012	December 2012	March 2013	June 2013
Hyde Park / Dunkeld					
Grade A ⁺					
Grade A	24.937	24.937	24.937	24.937	29.937
Grade B	65.589	65.589	65.589	65.589	66.178
Total	90.526	90.526	90.526	90.526	96.115
Illovo					
Grade A ⁺	4.000	7.500	7.500	7.500	10.300
Grade A	136.633	138.833	136.655	136.655	164.655
Grade B	27.114	26.064	27.164	27.164	27.164
Total	167.747	172.397	171.319	171.319	202.119
Melrose/Waverley					
Grade A ⁺	92.000	92.000	92.000	92.000	92.000
Grade A	28.878	28.878	28.878	28.878	28.878
Grade B	15.663	19.697	19.697	19.697	19.697
Total	136.541	140.575	140.575	140.575	140.575
Midrand					
Grade A ⁺	167.404	167.404	167.404	167.404	167.404
Grade A	188.774	188.774	188.774	193.733	193.733
Grade B	224.483	224.483	224.483	224.484	224.483
Total	580.661	580.661	580.661	585.621	585.620
Milpark					
Grade A ⁺					
Grade A	27.900	27.900	27.900	27.900	27.900
Grade B	176.926	176.926	175.526	175.526	175.526
Total	204.826	204.826	203.426	203.426	203.426
Morningside					
Grade A ⁺					
Grade A	77.528	67.659	80.256	80.257	80.256
Grade B					
Total	77.528	67.659	80.256	80.257	80.256
Parktown					
Grade A ⁺					
Grade A	115.176	114.776	114.776	122.176	122.176
Grade B	216.782	217.880	217.880	217.881	217.880
Total	331.958	332.656	332.656	340.057	340.056
Randburg					
Grade A ⁺					
Grade A	45.167	45.167	45.167	45.167	52.167
Grade B	348.747	348.747	351.560	351.560	351.560
Total	393.914	393.914	396.727	396.727	403.727

Source of data: Sapoa

Table 6.3 (continued)
Sapoa office stock (m²)

Grades A⁺, A & B

	June 2012	September 2012	December 2012	March 2013	June 2013
Rivonia					
Grade A ⁺					
Grade A	83.391	83.391	83.391	83.391	83.391
Grade B	191.851	191.851	191.851	191.851	191.851
Total	275.242	275.242	275.242	275.242	275.242
Rosebank					
Grade A ⁺					
Grade A	126.297	126.297	126.297	132.673	132.673
Grade B	144.949	144.949	144.949	144.949	144.949
Total	271.246	271.246	271.246	277.622	277.622
Sandton & environs					
Grade A ⁺	229.332	229.332	229.332	229.332	286.332
Grade A	737.588	737.588	715.588	715.588	930.213
Grade B	486.980	493.500	510.487	543.487	291.463
Total	1.453.900	1.460.420	1.455.407	1.488.407	1.508.008
Sunninghill					
Grade A ⁺					
Grade A	348.647	348.647	348.648	348.825	348.825
Grade B					
Total	348.647	348.647	348.648	348.825	348.825
Woodmead					
Grade A ⁺					
Grade A	335.799	339.999	345.499	356.299	356.299
Grade B	17.800	17.800	17.800	17.801	17.800
Total	353.599	357.799	363.299	374.100	374.099
Cape Town					
Bellville (incl. Tyger V)					
Grade A ⁺					
Grade A	352.772	352.772	352.772	352.772	377.772
Grade B	139.948	139.948	151.948	148.148	148.148
Total	492.720	492.720	504.720	500.920	525.920
CBD Cape Town					
Grade A ⁺	12.500	12.500	12.500	12.500	12.500
Grade A	470.341	470.341	470.341	308.668	318.668
Grade B	299.139	299.139	300.834	472.507	477.507
Total	781.980	781.980	783.675	793.675	808.675
Century City					
Grade A ⁺	7.000	7.000	7.000	7.000	7.000
Grade A	211.037	213.235	213.227	213.227	213.227
Grade B	28.980	28.980	28.981	28.969	28.969
Total	247.017	249.215	249.208	249.196	249.196

Source of data: Sapoa

Table 6.3 (continued)
Sapoa office stock (m²)
 Grades A⁺, A & B

	June 2012	September 2012	December 2012	March 2013	June 2013
Claremont					
Grade A ⁺					
Grade A	57.036	58.036	58.036	58.036	58.036
Grade B	46.586	46.586	46.586	46.586	46.586
Total	103.622	104.622	104.622	104.622	104.622
Pinelands					
Grade A ⁺					
Grade A	208.468	208.468	208.468	208.468	208.468
Grade B	19.957	19.957	19.957	19.957	19.957
Total	228.425	228.425	228.425	228.425	228.425
Rondebosch/Newlands					
Grade A ⁺					
Grade A	70.254	70.254	70.254	70.254	70.254
Grade B	28.077	28.077	28.077	28.077	28.077
Total	98.331	98.331	98.331	98.331	98.331
V&A Waterfront					
Grade A ⁺	34.500	34.500	34.500	34.500	34.500
Grade A	39.071	39.071	39.071	39.071	39.071
Grade B	6.298	6.298	6.298	6.298	6.298
Total	79.869	79.869	79.869	79.869	79.869
Durban					
Berea					
Grade A ⁺					
Grade A	29.299	29.899	29.899	30.979	38.979
Grade B	33.607	33.397	33.397	38.045	38.045
Total	62.906	63.296	63.296	69.024	77.024
CBD Durban					
Grade A ⁺					
Grade A	151.063	151.063	151.063	151.063	151.063
Grade B	192.256	192.256	192.256	192.256	192.256
Total	343.319	343.319	343.319	343.319	343.319
Umhlanga / La Lucia					
Grade A ⁺	4.706	4.706	4.706	4.706	4.706
Grade A	203.981	203.981	239.710	239.710	239.710
Grade B	28.652	28.652	28.652	28.652	28.652
Total	237.339	237.339	273.068	273.068	273.068
Westville					
Grade A ⁺					
Grade A	90.898	85.298	85.298	84.852	84.894
Grade B	100.628	101.489	101.657	104.084	104.084
Total	191.526	186.787	186.955	188.936	188.978

Source of data: Sapoa

Table 6.3 (continued)
Sapoa office stock (m²)
 Grades A⁺, A & B

	June 2012	September 2012	December 2012	March 2013	June 2013
Pretoria					
Arcadia					
Grade A ⁺					
Grade A	169.103	174.629	173.639	173.639	173.639
Grade B	54.718	54.718	74.870	74.870	74.870
Total	223.821	229.347	248.509	248.509	248.509
Brooklyn					
Grade A ⁺					
Grade A	171.632	171.632	171.632	171.632	180.357
Grade B	52.776	52.776	53.021	53.021	53.021
Total	224.408	224.408	224.653	224.653	233.378
CBD Pretoria					
Grade A ⁺					
Grade A	134.557	97.467	97.467	97.467	97.467
Grade B	260.700	297.790	297.790	297.790	297.790
Total	395.257	395.257	395.257	395.257	395.257
Centurion					
Grade A ⁺					
Grade A	165.942	176.904	201.950	201.950	202.649
Grade B	212.492	210.250	209.420	209.420	210.072
Total	378.434	387.154	411.370	411.370	412.721
Hatfield/Hillcrest					
Grade A ⁺					
Grade A	106.036	106.036	106.036	106.036	107.582
Grade B	153.945	153.945	153.984	153.984	153.984
Total	259.981	259.981	260.020	260.020	261.566
Highveld Technopark					
Grade A ⁺					
Grade A	341.746	324.946	324.946	324.946	323.568
Grade B	120.644	120.644	120.644	120.644	119.230
Total	462.390	445.590	445.590	445.590	442.798
Menlyn					
Grade A ⁺					
Grade A	181.836	208.258	208.258	246.126	246.126
Grade B	75.824	78.386	78.387	78.386	78.386
Total	257.660	286.644	286.645	324.512	324.512

Source of data: Sapoa

Table 6.3 (continued)
Sapoa office stock (m²)
Grades A+, A & B

	June 2012	September 2012	December 2012	March 2013	June 2013
Pretoria Eastern Suburbs					
Grade A+					
Grade A	200.958	201.210	202.922	215.707	216.000
Grade B	19.631	139.799	139.799	139.800	138.199
Total	220.589	341.009	342.721	355.507	354.199
Lynnwood					
Grade A+	30.400	30.400	30.400	30.400	30.400
Grade A	103.259	71.455	74.090	72.590	72.758
Grade B	107.592	113.092	113.692	112.992	112.992
Total	241.251	214.947	218.182	215.982	216.150
Port Elizabeth					
Greenacres					
Grade A+	3.545	3.545	3.545	3.545	3.545
Grade A	10.953	10.953	10.953	10.953	9.753
Grade B	51.856	51.856	51.856	51.856	53.056
Total	66.354	66.354	66.354	66.354	66.354
Newton Park					
Grade A+	16.621	16.621	16.621	16.621	16.621
Grade A	967	967	967	967	967
Grade B	1.500	1.500	1.500	1.500	1.500
Total	19.088	19.088	19.088	19.088	19.088
Central / Park Drive					
Grade A+					
Grade A					
Grade B	8.163	8.541	8.541	8.542	8.541
Total	8.163	8.541	8.541	8.542	8.541
Walmer/Fairview					
Grade A+					
Grade A	11.707	11.707	11.707	20.007	20.007
Grade B	5.471	5.471	5.471	5.472	5.471
Total	17.178	17.178	17.178	25.479	25.478
Johannesburg central					
Grade A+	24.000	24.000	24.000	24.000	24.000
Grade A	985.681	985.681	1.007.097	819.987	776.287
Grade B	818.350	810.275	884.598	1.023.284	854.787
Total	1.828.031	1.819.956	1.915.695	1.867.271	1.655.074

Source of data: Sapoa

Table 6.3 (continued)
Sapoa office stock (m²)
Grades A+, A & B

	June 2012	September 2012	December 2012	March 2013	June 2013
Johannesburg de-centralized					
Grade A+	515.874	519.374	519.374	519.374	579.174
Grade A	3.605.817	3.618.420	3.653.436	3.701.316	3.942.333
Grade B	2.306.909	2.311.161	2.330.877	2.363.703	2.106.762
Total	6.428.600	6.448.955	6.503.687	6.584.393	6.628.269
Pretoria decentralized					
Grade A+	30.400	30.400	30.400	30.400	30.400
Grade A	1.440.512	1.435.070	1.463.473	1.512.626	1.522.679
Grade B	797.622	923.610	943.817	943.117	940.754
Total	2.268.534	2.389.080	2.437.690	2.486.143	2.493.833
Durban decentralized					
Grade A+	4.706	4.706	4.706	4.706	4.706
Grade A	324.178	319.178	354.907	355.541	363.583
Grade B	162.887	163.538	163.706	170.781	170.781
Total	491.771	487.422	523.319	531.028	539.070
Cape Town decentralized					
Grade A+	41.500	41.500	41.500	41.500	41.500
Grade A	938.638	941.836	941.828	941.828	966.828
Grade B	269.846	269.846	281.847	278.035	278.035
Total	1.249.984	1.253.182	1.265.175	1.261.363	1.286.363

Source of data: Sapoa

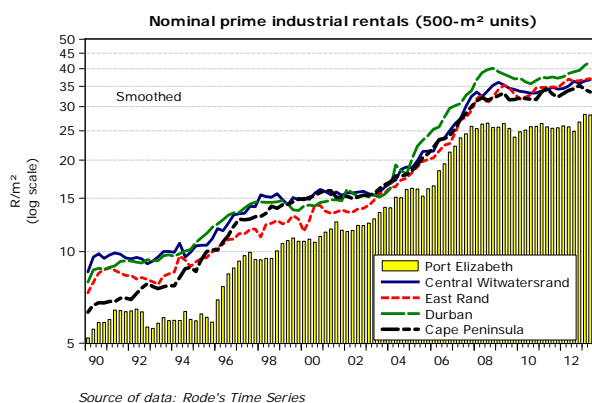
Chapter 7: Industrial rentals and vacancies

Recovery in manufacturing sector bodes well for rentals

Written by John S. Lottering

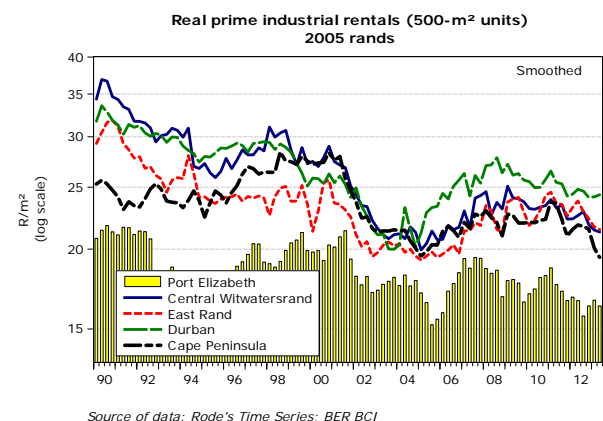
Welcome news for the industrial property market must be the recent recovery in the manufacturing sector.

After contracting slightly in the first quarter of 2013, output produced by the manufacturing sector recovered in the second quarter and showed yearly growth of nearly 3%. The expansion in manufacturing activity is supported by the Kagiso Purchasing Managers' Index (PMI), which in August 2013, had been above its key 50-point mark for five consecutive months. The Kagiso PMI is a leading indicator of activity in the manufacturing sector, where a reading below 50 suggests a contraction in activity while one above 50 points to expansion.



Nonetheless, in the second quarter of 2013, rentals in the industrial agglomerations of Durban and Port Elizabeth were able to show the strongest growth (9%). On the Central Witwatersrand and the East Rand, industrial rentals were up by 5% and 0,4% respectively, while in the Cape Peninsula (-1%) rentals contracted. Over the

same period, building-costs are expected to have shown growth of roughly 11%, implying that in all of the mentioned areas rentals actually contracted in *real* terms.



The recovery in the manufacturing sector, naturally, augurs well for the demand for industrial space and rentals. However, a continued recovery in the manufacturing sector, in turn, relies on both a healthy domestic household sector and a healthy Eurozone. Good news, therefore, for the domestic manufacturing sector must be the seeming recuperation in Eurozone economic activity. The not so good news must be the continued slump in the confidence levels of SA households. During the third quarter of 2013, confidence levels amongst SA households slumped to their lowest level in 10 years. This does not bode well for household spending, which (as the corresponding graph shows) is a key driver of manufacturing activity. In fact, changes in growth of household spending volumes explain as much as 60% of the change in the growth of manufacturing output.



The Kagiso PMI again dropped below the key 50-point mark during September 2013, which is more evidence that the manufacturing sector is as yet not out of the.

In **Table 7.1** we examine pioneer industrial rentals, which provide a quick-and-dirty prognosis for the short-term direction of

industrial rentals. Often, pioneer rental levels represent leases signed on newly erected pre-let buildings, and these of course reflect today's building costs (in contrast to market rentals), as developers naturally expect a fair return on their development costs.

The remainder of this chapter includes:

- the summary rental-change table,
- mean prime industrial rentals by township,
- the standard deviations from these mean rentals,
- indicative operating costs, and
- the predominant escalation rates.

This concludes our section on industrial rentals and vacancies. Note that the industrial tables follow ■

The reference to *real* means that nominal prices have been deflated (i.e. adjusted for inflation). In this chapter, industrial rentals are deflated by the Bureau for Economic Research's Building Cost Index (BER BCI). By using building costs as a deflator, the reader can interpret the graphs from a developer's point of view, i.e. they can serve as a proxy for the viability of new developments over time, holding constant capitalization rates and operating expenses.

The industrial rental tables contain regression parameters in order to allow readers to interpolate rental rates for area sizes other than those given in the tables. These parameters are necessary because the relationship between rental rates and floor area is not linear. For more details on how to use these equations, refer to Annexure 3 on annexure-page XII.

Readers are reminded that the vacancy figures in the graph above are not actual vacancy percentages, but rather graduations on a 0-9 vacancy scale. For more information, see the notes to the industrial tables on p.83. Furthermore, the vacancies are for all the unit sizes (250 m², 500 m², 1.000 m², 2.500 m² and 5.000 m²) combined, as surveyed by Rode. In reality, vacancies could differ across the different-sized units.

Table 7.1
Pioneer rental rates
for new, state-of-the-art industrial developments
during quarter 2013:2
Highest gross rental rates achieved (1.000-m² units)
Rands per rentable square m² (excl VAT)

	Pioneer	Normal prime	Difference (%)
Central Witwatersrand	60,00	35,61	68%
West Rand	53,00	32,02	66%
East Rand	52,00	36,23	44%
Durban	64,00	46,97	36%
Nelspruit	75,00	43,75	71%
Cape Peninsula	55,00	31,16	77%
Bloemfontein	45,00	27,75	62%

Table 7.2
Mean prime industrial market rentals as in quarter 2013:2
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²						Vacancy	a	b	r
	250	500	1.000	2.500	5.000					
	Central Witwatersrand									
Cambridge Park	48,33	46,67	48,60	46,10	42,67	1,5	4,020	-0,025	-0,61	
Wynberg Proper	34,40	34,50	31,75	30,50	27,60	2,1	3,940	-0,068	-0,91	
Strijdom Park	43,00	44,00	43,00	39,33	37,00	2,3	4,038	-0,045	-0,76	
Kya Sand	38,50	38,00	37,00	35,00	33,33	3,8	3,897	-0,042	-0,88	
Clayville/Olifantsfontein	34,00	37,50	33,00	33,00	31,33	3,0	3,794	-0,038	-0,73	
Chloorkop	40,00	41,00	37,50	35,00	34,00	2,7	4,042	-0,059	-0,90	
Amalgam	36,20	36,50	35,50	34,50	32,20	2,2	3,791	-0,033	-0,82	
Crown Mines	38,75	43,75	40,00	38,75	36,00	2,5	3,895	-0,031	-0,55	
Industria	31,00	29,00	25,50	24,00	26,33	2,7	3,804	-0,071	-0,86	
Booyens/Booyens Reserve/Ophirton	28,80	26,75	26,00	25,50	27,10	2,1	3,464	-0,024	-0,66	
Village Main/Village Deep/New Centre	27,40	26,25	25,75	24,75	24,60	2,2	3,485	-0,033	-0,93	
Benrose	30,80	29,00	28,25	27,50	28,20	3,2	3,573	-0,030	-0,87	
Steeledale/Electron/Tulisa Park	32,60	32,00	30,00	29,50	30,00	2,5	3,668	-0,033	-0,94	
Aeroton	38,25	38,33	35,33	32,67	32,25	1,7	3,999	-0,061	-0,92	
Devland/Nancefield	25,33	25,00	23,33	23,00	21,67	2,0	3,517	-0,049	-0,97	
Cleveland/Heriotdale	33,40	31,75	30,25	29,25	30,00	2,0	3,708	-0,039	-0,92	
Newlands/Martindale	27,67	26,50	23,00	22,00	23,00	2,3	3,730	-0,075	-0,94	
Kew/Wynberg East	28,60	28,20	25,60	24,50	22,33	8,0	3,804	-0,077	-0,95	
Bramley View/Lombardy West	26,00	25,67	25,67	22,33	22,33	3,7	3,531	-0,047	-0,75	
Marlboro	22,67	22,67	22,00	20,00	20,00	4,3	3,370	-0,042	-0,83	
Halfway House: hi-tech strip	46,67	46,33	45,83	42,58	42,10	3,0	4,029	-0,032	-0,81	
Halfway House: Richards Drive	43,33	43,00	42,00	39,67	37,20	2,8	4,025	-0,043	-0,85	
Commercia	40,50	37,50	35,00	33,50	33,50	1,8	4,032	-0,063	-0,97	
Kramerville/Eastgate Ext12 & Ext13	56,25	54,00	53,60	51,20	50,25	1,6	4,202	-0,032	-0,90	
Centurion	48,33	48,33	47,67	45,67	45,67	1,7	3,991	-0,019	-0,83	

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:2
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Linbro Park	60,00	58,75	57,40	53,75	49,40	1,9	4,407	-0,054	-0,85
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	47,75	47,75	47,00	43,75	42,50	2,1	4,075	-0,035	-0,81
City Deep	40,38	40,50	38,67	37,50	36,83	1,3	3,887	-0,032	-0,94
North Riding	45,00	47,50	44,00	42,50	42,50	2,5	3,995	-0,029	-0,77
Samrand Centurion	48,33	50,00	46,00	43,50	42,50	1,5	4,175	-0,048	-0,88
Barbeque Downs	52,50	52,50	49,00	49,00	48,00	1,0	4,153	-0,033	-0,98
Selby Ext 12/13/15/19/20/24/City West	35,75	35,75	35,50	32,25	31,00	1,5	3,824	-0,041	-0,77
Selby Ext 5/10/14/18	30,25	30,25	29,00	28,00	27,50	1,0	3,599	-0,032	-0,93
Selby Ext 11	32,50	32,50	32,50	30,25	29,50	1,0	3,648	-0,028	-0,74
Selby Ext 3/4/6	31,25	30,25	29,50	28,75	27,75	1,2	3,632	-0,035	-0,95
Denver (Old)	25,20	25,20	23,80	23,00	22,60	2,6	3,450	-0,038	-0,95
Denver (New)	34,75	34,62	33,38	33,00	32,12	1,0	3,697	-0,026	-0,96
Kyalami Business Park	52,60	52,00	50,00	47,60	46,50	1,2	4,191	-0,040	-0,93
Reuven	30,20	28,80	28,60	27,40	25,80	2,0	3,636	-0,042	-0,88
Selby (Old)/Selby Ext2/Park Central	27,50	27,00	25,75	24,75	23,25	1,0	3,604	-0,050	-0,93
Robertsham	30,00	29,60	28,60	27,00	26,40	1,9	3,635	-0,041	-0,91
Fordsburg/Mayfair	28,00	26,00	25,50	24,50	20,00	2,0	3,802	-0,083	-0,83
Central Witwatersrand	36,80	36,74	35,61	33,82	32,27	2,4			
West Rand									
Lea Glen	32,50	32,50	30,00	29,00	26,50	3,0	3,855	-0,063	-0,92
Honeydew X19, 20, 21 & 22	47,50	45,00	43,50	41,00	40,00	1,5	4,143	-0,052	-0,94
Stormill	37,00	35,33	35,00	34,00	33,67	3,7	3,750	-0,027	-0,92
Chamdor	25,50	25,50	23,50	21,00	21,00	1,8	3,643	-0,069	-0,89
Factoria	25,00	25,00	23,50	21,00	20,00	3,0	3,640	-0,071	-0,88
Randfontein: Delpornton/ Aureus	25,00	24,50	21,00	20,00	20,00	3,0	3,700	-0,085	-0,97
Boltonia	25,00	25,00	25,00	22,00	22,00	-	3,456	-0,040	-0,72

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:2
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Roodepoort: Technikon/Manufacta	27,50	27,00	26,00	22,50	22,50	3,0	3,693	-0,066	-0,84
Industria North	32,50	32,50	29,25	27,50	23,25	2,0	4,070	-0,099	-0,89
Robertville	35,50	34,00	34,00	32,00	31,00	2,5	3,771	-0,037	-0,86
Laserpark	46,25	45,75	44,38	42,75	40,50	1,5	4,060	-0,039	-0,90
West Rand	34,29	33,58	32,04	30,12	28,90	2,5			
East Rand									
Elandsfontein	36,83	36,50	35,67	35,17	35,00	2,2	3,704	-0,017	-0,97
Tunney/Greenhills	45,55	45,02	44,23	42,50	42,02	1,8	3,963	-0,025	-0,90
Henville	41,25	41,25	40,75	39,50	39,50	1,8	3,807	-0,015	-0,85
Meadowbrook/Wilbart	38,40	37,70	37,70	33,80	32,25	2,0	3,933	-0,049	-0,79
Sunnyrock	41,80	41,80	41,00	39,20	38,00	1,6	3,904	-0,029	-0,85
Rustivia/Activia Park	35,80	35,80	35,00	33,90	34,25	1,7	3,678	-0,017	-0,87
Eastleigh	35,67	35,33	33,83	32,50	32,40	2,2	3,767	-0,034	-0,94
Sebenza Ext 14	34,80	34,80	33,40	32,40	31,70	2,5	3,733	-0,031	-0,94
Spartan Ext 16 (Sebenza Link) + Ext 1,3,7	36,00	34,62	33,00	32,50	31,75	2,4	3,800	-0,040	-0,99
Isando	36,00	35,50	35,67	34,67	34,33	2,5	3,653	-0,013	-0,80
Isando 3	37,00	37,00	37,20	35,40	34,60	2,6	3,720	-0,018	-0,70
Jet Park	39,67	39,00	37,33	36,83	35,33	2,5	3,884	-0,036	-0,97
Alrode & Xs	33,60	32,20	30,60	29,00	28,20	2,1	3,820	-0,055	-0,96
Alrode South	33,33	31,67	28,33	27,67	25,67	2,7	3,972	-0,083	-0,99
Alberton	35,00	35,00	32,67	31,67	30,67	2,0	3,820	-0,045	-0,96
Aeroporto/ Spartan Ext 2	42,67	42,67	42,00	39,33	39,60	1,8	3,904	-0,026	-0,80
Delville	27,50	24,75	24,00	21,75	21,00	1,0	3,732	-0,079	-0,92
Roodekop	31,00	29,75	29,50	28,75	28,75	1,8	3,547	-0,022	-0,91
Wadeville: Industrial zoning	30,40	29,40	29,40	28,60	28,40	2,1	3,511	-0,019	-0,88
Route 24/ Meadowdale	40,60	40,20	39,80	39,00	38,20	2,0	3,804	-0,018	-0,90

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:2
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
	Germiston S/ Industries E	28,00	27,00	26,80	24,80				
Driehoek/ Industries W	36,00	34,80	34,00	32,00	31,00	1,2	3,831	-0,044	-0,91
Knights	30,00	28,75	27,00	26,50	23,75	1,7	3,777	-0,066	-0,94
Spartan Proper	33,75	32,50	30,00	29,00	27,75	2,0	3,873	-0,063	-0,98
Founders View	42,83	42,67	40,50	39,60	39,40	1,8	3,935	-0,031	-0,97
Longmeadow	54,83	54,83	54,17	51,83	52,00	1,7	4,111	-0,018	-0,81
Pomona/ Kempton park	43,40	43,00	43,00	41,80	41,80	2,5	3,833	-0,011	-0,81
East Rand	37,80	37,21	36,23	34,81	33,99	2,0			
Far East Rand									
Boksburg North & East	34,00	33,00	31,25	29,00	28,67	2,7	7,243	-0,097	-0,95
Benoni South	32,00	32,00	30,50	29,25	28,33	2,3	6,833	-0,084	-0,76
New Era/ Vulcania	20,00	23,00	28,00	25,00	25,00	1,0	6,432	-0,081	-0,92
Nuffield	30,00	30,00	25,00	25,00	25,00	1,0	-	-	-
Fulcrum	25,00	25,00	25,00	25,00	25,00	1,0	-	-	-
Apex	34,67	34,00	34,00	31,67	31,67	4,0	6,665	-0,050	-0,92
La Boré Brakpan	25,00	25,00	22,00	20,00	20,00	3,0	6,916	-0,128	-0,94
Morehill Ext 8 Benoni	35,50	35,50	35,00	30,00	30,00	2,0	7,523	-0,138	-0,97
Far East Rand	31,71	31,53	30,53	28,31	27,93	2,2			
Pretoria									
Mitchell St	40,00	35,00	28,50	30,00	28,00	4,0	4,322	-0,119	-0,98
Pretoria Industrial Township	30,00	30,00	22,50	25,00	22,00	3,5	4,063	-0,114	-0,95
Koedoespoort	36,50	33,00	30,00	25,00	25,00	3,0	4,274	-0,124	-0,92
Waltloo/ Despatch	30,00	30,00	27,50	26,00	22,00	4,0	3,935	-0,089	-0,87
Silverton/ Silvertondale	49,00	38,00	41,50	37,50	35,00	3,5	4,238	-0,077	-0,74
Samcor Park	35,00	35,00	35,00	31,50	35,00	3,0	3,612	-0,011	-0,29
Sunderland Ridge	45,00	45,00	40,00	45,00	35,00	3,0	4,202	-0,065	-0,74
Hermanstad	35,00	30,00	37,50	25,00	25,00	2,0	3,943	-0,075	-0,50

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:2
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Kirkney	30,00	30,00	25,00	25,00	20,00	2,0	4,132	-0,123	-0,92
Hennospark X15 & X7	50,00	50,00	50,00	45,00	40,00	2,0	4,264	-0,058	-0,74
Gateway	50,00	50,00	55,00	50,00	45,00	0,5	4,001	-0,013	-0,22
Lytleton Manor X4/X6	40,00	40,00	35,00	30,00	30,00	2,0	4,294	-0,104	-0,91
Pretoria North	25,00	30,00	20,00	20,00	20,00	3,5	3,990	-0,121	-0,83
Silvertondale X1	38,00	38,00	43,00	35,00	35,00	2,5	3,724	-0,013	-0,20
Brits	30,00	25,00	25,00	20,00	20,00	3,0	4,014	-0,118	-0,86
Klerksoord	25,00	20,00	22,50	18,00	18,00	2,5	3,595	-0,080	-0,70
Rossllyn	25,00	25,00	25,00	21,00	19,00	2,5	3,675	-0,076	-0,75
Pretoria	36,79	33,89	33,93	30,45	27,39	2,7			
Polokwane									
Lebowakgomo	-	-	-	-	-	-	-	-	-
Superbia	48,00	35,00	30,50	23,50	-	2,5	-	-	-
Industria	42,00	36,50	38,50	26,00	-	2,0	-	-	-
Ladine	45,00	36,00	31,50	25,00	-	2,0	-	-	-
Futura	37,50	35,00	30,00	21,00	-	2,0	-	-	-
Laboria	43,00	35,00	30,00	24,00	-	2,0	-	-	-
Magna Via	41,50	41,00	37,00	31,50	-	2,0	-	-	-
Seshego	-	-	-	-	-	-	-	-	-
Polokwane	42,83	36,42	32,92	25,17	-	2,1			
Nelspruit									
Nelspruit East	45,00	40,00	38,00	38,00	30,00	2,0	4,265	-0,071	-0,90
Nelspruit West	45,00	45,00	42,00	35,00	35,00	2,0	4,569	-0,105	-0,89
Rocky's Drift	40,00	40,00	40,00	37,00	30,00	5,0	3,905	-0,029	-0,76
Riverside Park	62,00	58,00	55,00	55,00	40,00	3,0	4,476	-0,053	-0,94
Nelspruit	48,00	45,75	43,75	41,25	33,75	3,0			
Durban									
Springfield Park	44,25	42,75	42,25	40,75	39,50	2,2	3,964	-0,032	-0,91

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:2
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Mayville	37,33	38,33	37,00	36,00	32,33	2,7	3,869	-0,039	-0,74
Phoenix	41,67	40,00	39,33	37,00	37,00	2,3	3,928	-0,037	-0,90
North Coast Rd / Briardene	48,25	46,50	44,00	42,50	41,25	3,0	4,153	-0,050	-0,98
Briardene Industrial Park	51,50	49,50	47,50	46,25	44,50	2,2	4,184	-0,044	-0,97
Umgeni Rd/ Stamford Hill	42,67	42,67	40,33	39,33	36,67	2,7	4,028	-0,046	-0,92
Umbilo/ Sydney Rd/ Gale St	39,33	36,67	35,67	36,67	35,67	3,7	3,800	-0,027	-0,85
Jacobs	41,50	40,00	39,50	39,50	37,75	3,0	3,856	-0,025	-0,91
Mobeni	42,25	40,75	40,25	39,50	37,75	2,8	3,907	-0,030	-0,91
Prospecton	43,67	42,67	42,67	42,67	39,33	3,3	3,910	-0,023	-0,73
Ithala Industrial Estate	39,00	38,00	37,50	36,50	36,50	2,0	3,774	-0,021	-0,93
Pinetown Central	43,75	42,50	40,75	40,50	40,50	3,8	3,922	-0,027	-0,98
New Germany	41,00	40,50	39,75	38,75	38,00	3,0	3,845	-0,023	-0,93
Isipingo	36,67	36,00	35,33	33,33	31,67	2,7	3,843	-0,042	-0,87
Rossburgh/ South Coast Rd	41,33	38,33	36,67	34,00	34,00	4,0	4,050	-0,062	-0,94
Edwin Swales Drive	42,00	40,00	38,33	38,33	36,37	1,7	3,951	-0,040	-0,98
Glen Anil	44,00	44,00	41,67	41,00	40,33	2,7	3,966	-0,031	-0,97
Brickfield Rd	40,00	37,50	38,00	38,00	35,00	2,5	3,836	-0,029	-0,76
Verulam	45,00	45,00	40,00	40,00	38,00	6,0	4,156	-0,060	-0,98
Canelands	45,00	40,00	40,00	40,00	38,00	6,0	4,003	-0,042	-0,84
Tongaat	40,00	40,00	35,00	33,50	33,50	4,0	4,090	-0,069	-0,96
New Westmead/ Mahogany	47,50	45,50	45,25	43,75	43,75	2,8	3,983	-0,024	-0,89
Westmead	46,25	44,25	42,50	40,75	39,50	2,8	4,098	-0,048	-0,96
Mariann Park/ Southmead	36,67	35,00	34,33	33,33	33,33	4,3	3,754	-0,030	-0,93
Maxmead	43,50	42,25	40,50	39,50	39,00	2,8	3,969	-0,036	-0,98
Ringroad Industrial Park	40,00	40,00	40,00	-	-	2,0	-	-	-
Avoca/ Red Hill/ Northgate	48,50	44,00	42,33	42,33	41,67	3,0	4,101	-0,045	-0,92
Falcon Park	41,50	41,50	40,50	38,00	38,00	4,0	3,902	-0,030	-0,84

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:2
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²				Vacancy	a	b	r
	250	500	1.000	2.500				
River Horse Valley Business	58,75	57,50	55,50	55,50	52,50	4,255	-0,032	-0,95
Mount Edgecombe	47,50	47,50	47,50	48,50	47,50	-	-	-
Umbogintwini/ Southgate	45,00	42,50	45,00	45,00	45,00	-	-	-
Southgate Industrial Park	52,50	50,00	47,50	45,00	43,50	4,282	-0,058	-0,96
Hibiscus Industrial Park	45,00	45,00	40,00	38,00	38,00	4,182	-0,067	-0,93
Umgeni Park	60,00	50,00	51,67	50,00	47,50	4,344	-0,056	-0,78
Hammersdale	23,50	22,00	22,00	20,67	20,67	3,345	-0,037	-0,87
Cato Ridge	40,00	37,50	35,00	31,67	27,50	4,297	-0,107	-0,91
Durban	43,84	42,24	40,97	39,81	38,42			
Ladysmith								
Ezakheni/ Pieters	-	10,50	9,50	8,00	7,00	-	-	-
Danskraal	-	10,50	9,50	8,00	7,00	-	-	-
Nambiti	-	-	-	-	-	-	-	-
Colenso	-	-	-	-	-	-	-	-
Ladysmith	-	10,50	9,50	8,00	7,00			
Cape Peninsula								
Viking Place	39,67	35,75	32,00	25,00	22,00	4,687	-0,178	-0,91
Glosderry	45,00	41,50	45,00	38,00	35,00	4,124	-0,058	-0,67
Paarden Eiland/ Metro	41,00	37,67	37,00	35,00	35,00	3,952	-0,047	-0,91
Montague Gardens	40,00	36,75	35,50	31,67	31,67	4,076	-0,073	-0,91
Marconi Beam	41,67	38,33	37,00	35,00	32,00	4,127	-0,073	-0,93
Killarney Gardens	32,50	30,50	29,00	28,00	25,50	3,860	-0,069	-0,94
Racing Park	30,00	29,33	27,00	27,00	23,00	3,836	-0,074	-0,90
Atlantis	22,00	22,00	35,00	30,00	-	-	-	-
Woodstock/ Salt River/ Observatory	40,00	35,50	30,00	30,00	25,00	4,463	-0,140	-0,98
Athlone 1 & 2	30,00	30,00	30,00	30,00	-	-	-	-
Lansdowne Nerissa	30,00	30,00	30,00	30,00	-	-	-	-

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:2
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Sand Industria	32,00	30,00	30,00	-	-	-	-	-	-
Ottery Hillstar	35,00	35,00	35,00	35,00	-	3,0	-	-	-
Ottery Sunset	36,50	35,00	35,00	35,00	-	3,0	-	-	-
Diep River	45,00	45,00	40,00	40,00	-	3,0	-	-	-
Elfindale	45,00	45,00	40,00	40,00	-	3,0	-	-	-
Monwood/ Phillippi East	25,00	25,00	25,00	25,00	-	6,0	-	-	-
Retreat/ Steenberg	45,00	45,00	40,00	40,00	-	3,0	-	-	-
Capricorn Park	45,00	41,50	45,00	42,00	-	5,0	-	-	-
Maitland	35,75	30,33	26,67	24,33	25,00	3,2	4,198	-0,120	-0,95
Ndabeni	40,00	38,33	30,00	29,00	26,50	2,5	4,504	-0,143	-0,99
Airport	42,33	40,00	37,33	35,67	35,50	2,7	4,063	-0,059	-0,97
Epping 1 & 2	35,33	31,67	30,00	25,00	24,00	3,5	4,206	-0,117	-0,91
WP Park	39,33	36,50	30,00	27,50	30,00	3,5	4,269	-0,110	-0,92
Elsies River (excl, Central Park)	29,00	28,00	26,00	20,00	20,00	3,0	4,070	-0,123	-0,85
Parow Beaconvale	35,67	34,25	30,33	29,00	29,00	3,0	3,993	-0,075	-0,98
Tygerberg Business Park	37,33	38,00	32,00	30,67	30,00	2,2	4,119	-0,085	-0,96
Parow Industria	32,00	30,75	29,33	27,67	26,33	3,5	3,796	-0,059	-0,94
Parow East	33,50	30,00	28,50	27,50	26,00	2,0	3,895	-0,074	-0,96
Bellville Oakdale	35,00	30,00	30,00	30,00	-	1,0	-	-	-
Bellville Stikland/ Kaymor	37,25	36,00	34,33	31,00	30,33	2,2	3,987	-0,065	-0,91
Bellville Triangle	31,67	29,33	28,00	25,67	25,00	2,0	3,846	-0,072	-0,94
Bellville South/ Sacks Circle	35,00	28,00	27,75	24,33	23,33	2,3	4,120	-0,113	-0,89
Kraaifontein	32,00	30,00	29,50	28,50	27,50	1,5	3,688	-0,042	-0,93
Brackenfell Industria	33,00	32,33	29,67	29,33	29,50	2,3	3,738	-0,044	-0,97
Everite Brackenfell	34,33	36,75	30,00	29,00	30,00	2,3	3,965	-0,070	-0,86
Kuils River	32,33	28,67	28,67	27,33	28,50	2,0	3,640	-0,038	-0,75
Blackheath	30,50	29,50	29,00	27,50	27,00	2,5	3,618	-0,036	-0,91
Saxenburg Industrial Park	30,00	28,67	28,00	26,67	27,50	2,3	3,557	-0,031	-0,86

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:2
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Okavango Park	34,00	30,67	28,67	27,33	27,00	2,0	3,905	-0,073	-0,96
Firgrove	-	-	-	-	-	-	-	-	-
The Interchange (Somerset)	30,00	30,00	30,00	-	-	-	-	-	-
Strand Halt	-	-	-	-	-	-	-	-	-
Broadlands	29,00	25,00	25,00	-	-	-	-	-	-
Cape Peninsula	35,43	33,58	31,16	29,45	27,86	2,8			
George									
George Central	-	-	-	-	-	-	-	-	-
Tamsui Industria	-	-	-	-	-	-	-	-	-
Pacaltsdorp Industria	-	-	-	-	-	-	-	-	-
George									
Port Elizabeth									
Deal Party	28,75	28,75	27,50	26,25	26,25	2,5	3,567	-0,036	-0,96
North End	26,25	27,50	25,25	24,25	24,25	4,0	3,502	-0,038	-0,84
Korsten/ Neave/ Sidwell/ Sydenham	26,25	26,25	26,25	25,50	25,50	3,0	3,338	-0,012	-0,89
South End Walmer	23,00	23,00	23,00	21,75	21,75	2,0	3,272	-0,023	-0,89
Uitenhage: Volkswagen area/Nelson	33,75	33,25	33,25	30,75	21,50	3,0	4,310	-0,129	-0,81
Mandela Bay Logistics Park									
Uitenhage: Hella/Kruisrivier	16,25	16,25	13,75	13,75	13,75	4,0	3,144	-0,065	-0,86
Struandale	26,25	26,25	26,25	24,25	24,25	3,0	3,461	-0,032	-0,89
Markman Township	21,25	21,25	21,25	20,00	20,00	5,0	3,204	-0,025	-0,89
Perseverance	26,25	26,25	26,25	23,60	22,50	3,5	3,605	-0,056	-0,91
Walmer	38,75	35,00	33,75	32,50	30,00	1,0	4,057	-0,076	-0,97
Greenbushes	32,50	32,50	30,00	28,75	28,75	2,5	3,755	-0,048	-0,94
Fairview	42,50	42,50	41,25	32,50	32,50	1,0	4,394	-0,108	-0,92
Port Elizabeth	28,48	28,23	27,31	24,67	23,71	2,9			

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:2
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Bloemfontein									
Hilton	50,00	42,50	36,00	30,00	20,00	2,0	5,361	-0,255	-0,91
East End	43,33	37,33	33,33	28,50	18,00	2,0	5,101	-0,233	-0,87
Harvey Road	38,67	34,33	27,50	22,50	18,00	2,0	4,983	-0,234	-0,95
Old Industrial	31,67	29,33	22,50	19,00	15,00	2,0	4,800	-0,234	-0,95
Hamilton: Mill St	24,50	21,00	18,00	16,00	12,00	2,0	4,335	-0,203	-0,94
Hamilton: G Lubbe St	23,00	20,00	16,50	15,00	10,00	2,0	4,462	-0,233	-0,92
Estoir	42,67	39,00	34,33	28,50	28,00	1,5	4,526	-0,139	-0,94
Bloemfontein	36,89	32,61	27,75	22,33	17,29	1,9			

Table 7.3
Standard deviation from mean prime industrial market rentals
as in 2013:2

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Central Witwatersrand						
Cambridge Park	6,24	4,71	4,88	5,46	3,30	AP, BR, GT, MR, QU
Wynberg Proper	3,38	3,64	2,05	2,87	1,62	AP, AW, GT, MR, QU
Strijdom Park	4,85	1,41	1,41	0,94	3,00	AP, BR, GT, QU
Kya Sand	1,66	1,63	2,16	0,00	2,87	AP, BR, GT, QU
Clayville/Olifantsfontein	4,00	7,50	3,00	3,00	3,40	AP, MR, QU
Chloorkop	3,56	4,00	2,50	0,00	1,41	AP, GT, QU
Amalgam	3,49	2,69	2,87	2,87	3,31	AP, BR, GT, QU, RO
Crown Mines	6,50	5,45	3,54	2,17	4,34	AP, BR, GT, QU, RO
Industria	2,94	1,00	0,50	2,00	4,19	AP, GT, QU
Booyens/Booyens Reserve/Ophirton	3,71	1,79	2,12	2,29	4,15	AP, BR, GT, QU, RO
Village Main/Village Deep/New Centre	2,15	1,09	1,48	1,09	2,42	AP, BR, GT, QU, RO
Benrose	3,31	1,00	1,09	0,87	2,23	AP, BR, GT, QU, RO
Steeledale/Electron/Tulisa Park	4,36	4,69	2,92	3,20	3,41	AP, BR, GT, QU, RO
Aeroton	5,40	6,24	5,25	3,30	3,34	AP, GT, QU, RO
Devland/Nancefield	0,47	0,00	2,36	2,16	2,87	AP, BR, QU
Cleveland/Heriotdale	4,80	3,90	2,86	3,42	4,15	AP, BR, GT, QU, RO
Newlands/Martindale	2,05	1,50	3,00	4,00	5,72	AP, GT, QU
Kew/Wynberg East	3,72	3,66	3,01	3,64	2,05	AP, AW, GT, MR, QU
Bramley View/Lombardy West	1,41	1,70	1,70	2,05	2,05	AP, GT, QU
Marlboro	3,77	3,77	4,32	4,08	4,08	AP, BR, GT, MR
Halfway House: hi-tech strip	3,73	3,50	3,44	3,42	3,56	AP, AW, BR, GT, MR, QU
Halfway House: Richards Drive	3,73	3,16	2,24	0,75	4,66	AP, AW, BR, GT, MR, QU
Commercialia	4,50	2,50	0,00	1,50	1,50	AP, QU

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:2

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Kramerville/Eastgate Ext12 & Ext13	4,15	5,83	5,28	3,19	2,86	AP, AW, GT, MR, QU
Centurion	4,71	4,71	2,05	1,70	1,70	AP, GT, QU
Linbro Park	3,54	5,45	4,36	2,17	4,76	AP, AW, GT, MR, QU
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext18/Malboro North (New)	6,18	6,18	6,28	5,45	4,33	AP, GT, MR, QU
City Deep	2,77	3,19	2,49	1,78	2,25	AP, GT, QU, QU
North Riding	4,08	2,50	4,00	2,50	2,50	AP, GT, QU
Samrand Centurion	4,71	5,00	4,00	1,50	2,50	AP, GT, QU
Barbeque Downs	2,50	2,50	1,00	1,00	-	AP, QU
Selby Ext 12/13/15/19/20/24/City West	3,77	3,77	3,64	4,49	5,74	AP, GT, QU, RO
Selby Ext 5/10/14/18	4,82	4,82	4,53	5,24	4,82	AP, BR, QU, RO
Selby Ext 11	5,59	5,59	5,59	4,44	4,15	AP, BR, QU, RO
Selby Ext 3/4/6	5,45	4,82	4,15	4,76	4,55	AP, BR, QU, RO
Denver (Old)	5,49	5,49	6,21	5,62	6,09	AP, BR, GT, QU, RO
Denver (New)	3,42	3,49	2,77	3,08	2,92	AP, BR, QU, RO
Kyalami Business Park	4,59	4,00	4,47	3,01	2,69	AP, AW, GT, MR, QU
Reuven	4,07	3,54	3,72	3,01	3,31	AP, BR, GT, QU, RO
Selby (Old)/Selby Ext2/Park Central	2,50	2,12	1,30	2,17	2,05	AP, BR, QU, RO
Robertsham	3,41	3,50	3,72	3,29	3,77	AP, BR, GT, QU, RO
Fordsburg/Mayfair	2,00	-	0,50	0,50	-	AP, QU
West Rand						
Lea Glen	2,50	2,50	2,00	1,00	1,50	AP, QU
Honeydew X19, 20, 21 & 22	2,50	3,00	1,50	1,00	0,00	AP, QU
Stormill	2,16	0,47	0,00	1,41	1,25	AP, GT, QU

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:2

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Chamdor	0,50	0,50	1,50	1,00	1,00	AP, QU
Factoria	0,00	0,00	1,50	1,00	2,00	AP, QU
Randfontein: Delporton/Aureus	0,00	0,50	1,00	0,00	0,00	AP, QU
Boltonia	-	-	-	-	-	AP
Roodepoot: Technikon/Manufacta	2,50	3,00	2,00	2,50	2,50	AP, QU
Industria North	2,50	2,50	0,75	2,50	1,75	AP, QU
Robertville	0,50	1,00	1,00	0,00	1,00	AP, QU
Laserpark	2,17	1,30	1,08	1,30	0,87	AP, BR, GT, QU
East Rand						
Elandsfontein	3,67	3,91	4,31	3,24	3,27	AP, BR, GT, MH, QU, RO
Tunney/Greenhills	1,10	1,69	2,18	2,06	2,73	AP, BR, GT, MH, QU, RO
Henville	2,59	2,59	2,95	3,64	3,64	AP, BR, GT, RO
Meadowbrook/Wilbart	1,50	2,75	1,78	5,08	5,12	AP, GT, MH, QU, RO
Sunnyrock	1,83	1,83	2,37	0,98	1,41	AP, BR, MH, QU, RO
Rustivia/Activia Park	2,14	2,14	2,76	2,42	2,59	AP, GT, MH, QU, RO
Eastleigh	2,62	2,43	3,24	2,29	2,73	AP, BR, GT, MH, QU, RO
Sebenza Ext 14	1,94	1,94	2,80	2,24	2,75	AP, BR, GT, QU, RO
Spartan Ext 16 (Sebenza Link) + Ext1,3,7	2,35	0,41	1,58	1,50	2,05	AP, BR, QU, RO
Isando	1,83	2,06	2,62	2,43	3,09	AP, BR, GT, MH, QU, RO
Isando 3	1,67	1,67	1,47	2,94	3,20	AP, BR, GT, QU, RO
Jet Park	1,37	1,00	1,80	1,77	2,92	AP, BR, GT, MH, QU, RO
Alrode & Xs	3,14	3,71	3,88	3,90	4,75	AP, BR, GT, QU, RO
Alrode South	2,36	4,71	4,71	3,77	5,44	AP, BR, GT

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:2

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Alberton	4,08	4,08	5,25	3,86	4,92	AP, BR, GT
Aeroport/Spartan Ext 2	2,13	2,13	2,24	1,89	1,96	AP, BR, GT, MH, QU, RO
Delville	2,50	0,25	1,00	0,25	1,00	AP, RO
Roodekop	4,53	3,90	4,15	3,77	3,77	AP, GT, QU, RO
Wadeville: Industrial zoning	4,08	3,38	3,38	2,73	2,87	AP, BR, GT, QU, RO
Route 24/Meadowdale	2,33	2,56	2,71	3,10	3,71	AP, GT, MH, QU, RO
Germiston S/Industries E	2,45	2,45	2,64	3,54	3,92	AP, BR, GT, QU, RO
Driehoek/Industries W	4,65	2,93	3,74	2,97	3,41	AP, BR, GT, QU, RO
Knights	5,00	4,15	4,64	5,02	5,40	AP, BR, QU, RO
Spartan Proper	1,30	1,80	2,76	2,37	3,34	AP, BR, QU, RO
Founders View	2,61	2,62	2,14	2,58	2,58	AP, BR, GT, MH, QU, RO
Longmeadow	0,37	0,37	1,21	1,95	1,90	AP, BR, GT, MH, QU, RO
Pomona/Kempton Park	2,80	3,10	3,10	1,83	1,83	AP, BR, GT, QU, RO
Far East Rand						
Boksburg North & South	2,35	2,12	3,77	4,12	4,71	AP, GT, QU
Benoni	3,08	3,08	3,64	3,70	3,86	AP, GT, QU, RO
New Era/Vulcania	-	-	-	-	-	AP
Nuffield	-	-	-	-	-	AP
Fulcrum	-	-	-	-	-	AP
Apex	0,47	0,82	1,41	2,36	2,36	AP, GT, QU
Labore Brakpan	-	-	-	-	-	AP
Morehill Ext 8 Benoni	0,50	0,50	0,00	-	-	AP, QU
Pretoria						
Mitchell St	-	-	6,50	-	-	AP, AP

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:2

	Area size leased in m ²						Contributor codes
	250	500	1.000	2.500	5.000		
Pretoria Industrial Township	-	-	2,50	-	-	-	AI, AP
Koedoespoort	1,50	-	-	-	-	-	AI, AP
Waltloo/Despatch	-	-	2,50	1,00	-	-	AI, AP
Silverton/Silvertondale	11,00	-	3,50	2,50	-	-	AI, AP
Samcor Park	-	-	-	3,50	-	-	AI, AP
Sunderland Ridge	-	-	-	5,00	-	-	AI, AP
Hermanstad	-	-	7,50	-	-	-	AI, AP
Kirkney	-	0,00	-	-	-	-	AI, AP
Hennospark X15 & X7	-	-	0,00	-	-	-	AI, AP
Gateway	-	-	5,00	-	-	-	AI, AP
Lyttleton Manor X4/x6	-	-	-	-	-	-	AI, AP
Pretoria North	-	5,00	-	-	-	-	AI, AP
Silvertondale X1	-	-	5,00	-	-	-	AI, AP
Brits	-	-	-	-	-	-	AI, AP
Klerksoord	-	-	2,50	-	-	-	AI, AP
Rosslyn	-	-	5,00	1,00	1,00	1,00	AI, AP, ER
Polokwane							
Lebowakgomo	-	-	-	-	-	-	ES
Superbia	2,00	0,00	1,50	1,50	-	-	ES, MO
Industria	1,00	0,50	1,50	1,00	-	-	ES
Ladine	0,00	1,00	0,50	0,00	-	-	ES, MO
Futura	0,50	0,00	0,00	1,00	-	-	ES, MO

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:2

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Laboria	2,00	0,00	0,00	1,00	-	ES, MO
Magna Via	0,50	4,00	5,00	3,50	-	
Seshego	-	-	-	-	-	
Nelspruit						
Nelspruit East	0,00	0,00	0,00	0,00	0,00	HH, RL
Nelspruit West	0,00	0,00	0,00	0,00	0,00	HH, RL
Rocky's Drift	0,00	0,00	0,00	0,00	0,00	HH, RL
Riverside Park	0,00	0,00	0,00	0,00	0,00	HH, RL
Durban						
Springfield Park	2,49	1,30	1,79	2,59	0,87	ML, PC, PPI, QP
Mayville	3,77	2,36	1,41	1,41	2,05	ML, PC, PPI
Phoenix	6,24	4,08	4,19	2,94	2,94	ML, PC, PPI
North Coast Rd/Briardene	4,09	2,69	2,12	2,50	2,17	ML, PC, PPI, QP
Briardene Industrial Park	4,97	3,64	4,33	4,09	2,87	ML, PC, PPI, QP
Umgeni Rd/Stamford Hill	5,25	5,25	3,30	4,19	2,36	ML, PC, PPI
Umbilo/Sydney Rd/Gale St	4,19	2,36	3,30	3,40	3,30	ML, PC, PPI
Jacobs	4,09	3,81	3,64	3,64	1,79	ML, PC, PPI, QP
Mobeni	3,49	3,27	3,19	3,64	1,79	ML, PC, PPI, QP
Prospecton	4,19	3,30	3,30	3,30	4,19	ML, PC, PPI
Ithala Industrial Estate	1,00	0,00	0,50	0,50	0,50	PC, PPI
Pinetown Central	4,38	2,87	2,59	0,87	0,87	ML, PC, PPI, QP
New Germany	3,54	2,69	3,11	0,83	1,87	PC
Isipingo	2,36	1,41	0,47	2,36	4,71	ML, PC, PPI
Rosburgh/South Coast Rd	4,71	4,71	2,36	1,41	4,32	ML, PC, PPI

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:2

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
	Edwin Swales Drive	5,66	7,07	4,71	2,36	
Glen Anil	4,32	4,32	3,86	2,94	3,68	ML, PC, PPI
Brickfield Rd	5,00	2,50	-	-	-	PPI
Verulam	-	-	-	-	-	PPI
Canelands	-	-	-	-	-	PPI
Tongaat	-	-	-	1,50	1,50	PC, PPI
New Westmead/Mahogany	4,82	2,87	3,27	3,03	3,03	ML, PC, PPI, OP
Westmead	5,45	3,77	2,50	2,95	1,66	ML, PC, PPI, OP
Mariann Park/Southmead	5,91	3,56	3,30	2,36	2,36	ML, PC, PPI
Maxmead	2,69	1,79	0,87	0,87	1,00	ML, PC, PPI, OP
Ringroad Industrial Park	-	-	-	-	-	PC
Avoca/Red Hill/Northgate	6,50	4,32	3,30	3,30	2,36	ML, PC, PPI
Falcon Park	3,50	3,50	4,50	2,00	2,00	PC, PPI
River Horse Valley Business Estate	6,50	4,33	2,87	2,87	3,28	ML, PC, PPI, OP
Mount Edgecombe	2,50	2,50	2,50	5,12	5,40	ML, PC, PPI
Umbogintwini/Southgate	5,00	2,50	-	-	-	PC, PPI
Southgate Industrial Park	2,50	0,00	2,50	0,00	1,50	ML, PPI
Umgeni Park	5,00	5,00	6,24	5,00	2,50	ML, PC, PPI, OP
Hammersdale	1,50	0,00	0,00	0,94	0,94	ML, PPI, OP
Cato Ridge	0,00	2,50	0,00	4,71	5,59	ML, PC, PPI, OP
Ladysmith						
Ezakheni/ Pieters	-	-	-	-	-	DE
Danskraal	-	-	-	-	-	DE
Nambiti	-	-	-	-	-	DE

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:2

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Colenso	-	-	-	-	-	DE
Cape Peninsula						
Viking Place	0,47	2,59	4,32	-	-	AN, DN, DV, GB
Glosderry	-	3,50	-	-	-	DV, GB
Paarden Eiland/Metro	4,00	2,05	1,41	0,00	0,00	AN, DV, GB
Montague Gardens	4,08	3,42	2,29	2,36	2,36	AN, DN, GB
Marconi Beam	2,36	2,36	1,41	3,56	4,00	AN, DN, GB
Killarney Gardens	2,50	2,50	1,00	2,00	0,50	AN, GB
Racing Park	0,00	0,94	1,41	1,41	3,00	AN, DN, GB
Atlantis	-	-	-	-	-	DN, GB
Woodstock/Salt River/Observatory	-	0,50	-	-	-	DN, GB
Athlone 1 & 2	-	-	-	-	-	GB
Landsdowne Nerissa	-	-	-	-	-	GB
Sand Industria	-	-	-	-	-	GB
Ottery Hillstar	-	-	-	-	-	GB
Ottery Sunset	1,50	-	-	-	-	DV, GB
Diep River	-	-	-	-	-	GB
Elfindale	-	-	-	-	-	GB
Monwood/Philippi East	-	-	-	-	-	GB
Retreat/Steenberg	-	-	-	-	-	GB
Capricorn Park	0,00	3,50	-	-	-	GB, PL

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:2

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Maitland	3,77	3,68	3,40	4,92	0,00	AN, DN, DV, GB
Ndabeni	5,00	4,71	0,00	1,00	1,50	AN, DV, GB
Airport	3,77	4,08	3,30	4,92	5,50	AN, DN, GB
Epping 1 & 2	2,05	2,87	3,08	0,00	1,41	AN, DN, GB, PL
WP Park	0,94	1,50	2,00	2,50	-	AN, DN, GB
Elsies River (excl. Central Park)	4,55	4,97	4,32	-	-	AN, DN, GB
Parow Beaconvale	3,30	3,77	5,56	6,38	6,38	AN, DN, GB
Tygerberg Business Park	3,30	6,28	4,32	5,73	4,90	AN, DN, GB
Parow Industria	5,89	6,30	5,56	6,02	6,13	AN, DN, GB
Parow East	1,50	0,00	1,50	0,50	-	DV, GB
Bellville Oakdale	-	-	-	-	-	DN
Bellville Stikland/Kaymor	2,28	2,74	3,30	4,24	3,30	AN, DN, GB, NE
Bellville Triangle	2,36	1,89	1,63	1,70	2,45	AN, DN, GB
Bellville South/Sacks Circle	4,08	3,27	5,49	3,30	2,36	AN, DN, GB, PL
Kraaifontein	2,00	3,00	2,50	3,50	2,50	AN, GB
Brackenfell Industria	2,16	3,09	2,36	2,62	2,50	AN, DN, GB
Everite Brackenfell	0,94	4,92	3,27	2,94	2,00	AN, DN, GB
Kuils River	2,05	4,11	4,11	4,03	3,50	AN, DN, GB
Blackheath	3,50	4,50	4,00	5,50	5,00	AN, GB
Saxonburg Industrial Park	0,00	0,94	1,63	1,25	0,50	AN, DN, GB
Okavango	1,41	0,94	1,89	0,94	0,00	AN, DN, GB

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:2

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Firgrove	-	-	-	-	-	
The Interchange (Somerset West)	-	-	-	-	-	GB
Strand Halt	-	-	-	-	-	
Broadlands	-	-	-	-	-	GB
George						
George Central	-	-	-	-	-	
Tamsui Industria	-	-	-	-	-	
Pacaltsdorp Industria	-	-	-	-	-	
Port Elizabeth						
Deal Party	1,25	1,25	0,00	1,25	1,25	IPM, QV
North End	1,25	2,50	0,25	0,75	0,75	IPM, QV
Korsten/Neave/Sidwell/Sydenham	1,25	1,25	1,25	0,50	0,50	IPM, QV
South End Walmer	2,00	2,00	2,00	0,75	0,75	IPM, QV
Uitenhage: Volkswagen area/NMBLP	11,25	11,75	11,75	9,25	0,00	IPM, QV
Uitenhage: Hella/Kruisrivier	1,25	1,25	1,25	1,25	1,25	IPM, QV
Struandale	1,25	1,25	1,25	1,75	1,75	IPM, QV
Markman Township	1,25	1,25	1,25	0,00	0,00	IPM, QV
Perseverance	1,25	1,25	1,25	1,40	0,00	IPM, QV
Walmer	1,25	0,00	1,25	0,00	0,00	IPM, QV
Greenbushes	2,50	2,50	0,00	1,25	1,25	IPM, QV
Fairview	7,50	7,50	8,75	0,00	0,00	IPM, QV

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:2

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Bloemfontein						
Hilton	5,00	2,50	6,00	5,00	-	BW, EK
East End	6,18	3,30	4,71	6,50	-	BW, CC, EK
Harvey Road	3,30	0,94	0,50	0,50	-	BW, CC, EK
Old Industrial	2,36	0,94	0,50	1,00	-	BW, CC, EK
Hamilton: Mill St	0,50	1,00	0,00	1,63	-	BW, EK
Hamilton: G Lubbe St	1,00	0,00	1,50	3,00	-	BW, EK
Estoir	3,77	2,94	3,30	3,50	-	BW, CC, EK

Notes to the industrial rental tables

1. The rentals are the achievable or market rates for the quarter shown in the table heading, and apply to industrial and warehouse space for the area sizes indicated. The rentals are the averages of the rates as per our panels of experts in the various cities.
2. The rental rates assume gross leases, market escalation rates and leases of 3 to 5 years.
3. In terms of a gross lease, the tenant in a stand-alone building typically pays only for his refuse removal, water and electricity, as well as internal maintenance and increases in rates and taxes. He provides and pays for his own security. All other expenses are for the account of the landlord. In a park the tenant pays, in addition to his gross rental, his *pro rata* share of security costs, security lighting and landscaping.
4. The rental rates also apply to the office portion, where this is less than 10% of the total building area. For larger office portions, the office rental is, as a rule of thumb, about 150% of the industrial rental rate.
5. Prime space is space that is easily lettable because it satisfies each of the following prerequisites:
 - a. • generally in a good condition;
 - b. • satisfactory macro access (i.e. access to freeway);
 - c. • satisfactory micro access (i.e. from street to building);
 - d. • proper loading facilities;
 - e. • eaves >4,0m (excluding micro/mini units);
 - f. • on ground level;
 - g. • adequate three-phase electrical power;
 - h. • clear spans.

The eight conditions above are prerequisites for space to be considered prime. However, a building may possess additional enhancements that could improve lettability through increasing the size of the potential tenant pool. Such enhancements could include sufficient office accommodation, adequate parking, sprinkler systems, masonry up to sill height, adequate floor loadings, roof insulation, sufficient yardspace and a good location (as opposed to access).

6. Secondary space is space which is not classifiable as prime because it does not satisfy all eight prerequisites for prime space listed above. Such space is typically old buildings or structures which have been haphazardly renovated. They would have poor access, too little yardspace or office accommodation, inadequate goods lifts, no three-phase power and obsolete electrics and ablution facilities. Such space is often (but not exclusively) found in highly urbanised areas.

7. Vacancy scale for industrial townships. The vacancy levels are based on a scale of 0 to 9 as shown below:

0	1 2 3	4 5 6	7 8 9
Nil	Low	Medium	High

The scale should be interpreted as follows:

0 = no vacancy

1 = 'low–' vacancy;

2 = 'low' vacancy

3 = 'low+' vacancy

4 = 'medium–' vacancy;

5 = 'medium' vacancy

6 = 'medium+' vacancy

7 = 'high–' vacancy;

8 = 'high' vacancy

9 = 'high+' vacancy

where: low = <10% vacancy;

medium = 10% - 20% vacancy;

high = >20% vacancy.

8. For notes on how to use a regression equation in order to interpolate a rental rate, see Annexure 3.

Table 7.4
Predominant market escalation rates (%)
for industrial leases
Average as in quarter 2013:2

	5-year leases		
	Mean	SD	N
Central Witwatersrand	8,8	0,8	8
West Rand	8,7	0,9	3
East Rand	8,9	0,7	7
Far East Rand	8,0	0,7	4
Pretoria	9,0	1,0	2
Polokwane	8,2	0,2	2
Nelspruit	8,0	0,0	2
Durban	9,0	0,3	4
Cape Peninsula	8,5	0,5	6
Bloemfontein	8,3	0,5	3

Notes:

1. These are the averages of the predominant — i.e. most often achieved — market escalation rates as reported by our panel of experts.

Table 7.5
Indicative operating expenses
for industrial buildings
As in quarter 2013:2 in rands per m² per month

	Stand-alone			Park		
	R/m ²	SD	N	R/m ²	SD	N
Central Witwatersrand	6,75	2,45	6	9,67	1,70	6
West Rand	4,67	1,31	3	8,33	1,70	3
East Rand	5,25	1,46	6	8,00	1,71	6
Far East Rand	4,62	1,39	4	6,33	1,25	3
Pretoria	3,25	0,25	2	11,00	-	1
Polokwane	6,75	0,25	2	8,00	-	1
Nelspruit	8,00	0,00	2	15,00	0,00	2
Durban	9,50	0,71	3	12,00	0,00	2
Cape Peninsula	-	-	-	9,42	4,43	6
Bloemfontein	6,50	0,00	2	6,50	0,00	2

Notes: The operating expenses are estimates for the past 12 months and are as per our expert panellists in the various cities. The following items are included:

stand-alone buildings: rates and taxes and insurance (incl. Sasria) and

park buildings: as above, plus security, security lighting, landscaping and management.

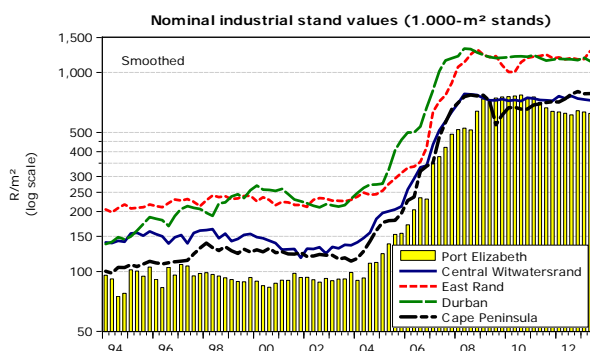
Chapter 8: Industrial stand values

Expect no magic from industrial stand values

Written by John S. Lottering

Until there is a sustained improvement in industrial rentals, no magic should be expected from industrial stand values.

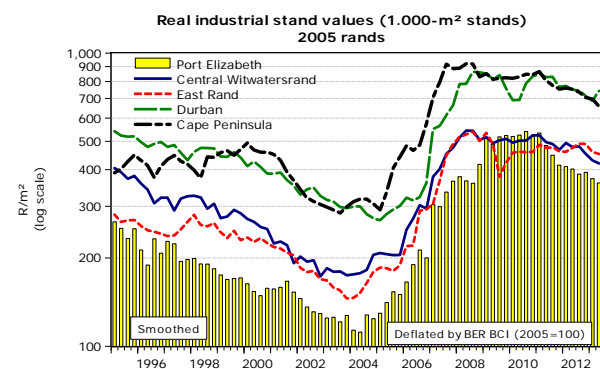
A sustained recovery in industrial rentals, in turn, relies on a healthy manufacturing and retail sector. During the second quarter of 2013, the output produced by the manufacturing sector was able to recover. Evidence, however, that the manufacturing sector is as yet not out of the woods came in the form of the weighty drop in the Kagiiso Purchasing Managers Index (PMI) in September 2013. *Real* retail sales have in recent months shown low growth, which is likely to continue given the low levels of consumer confidence and deteriorating consumer credit health. For these reasons, a sudden turnaround in industrial rentals and stand values should not be expected.



Source of data: Rode's Time Series

In the second quarter of 2013, industrial stand values in Port Elizabeth remained at roughly their previous-year levels. On the Central Witwatersrand and in the Cape Peninsula, stand values contracted by about 2%. The East Rand (+6%) and Dur-

ban (+10%) were the only major industrial aggregations where stand values were able to show growth. As building costs are expected to have shown growth of 11%, this implies that none of the previously mentioned industrial areas was able to show *real* growth in stand values.



Source of data: Rode's Time Series

The remainder of this chapter includes market values for level, serviced stands in named industrial townships. The industrial-land-value tables contain regression parameters in order to allow readers to interpolate land values for area sizes other than those given in the tables. This is necessary because the relationship between price and square metreage is not linear. For more details on how to use these equations, refer to Annexure 3 (annexure-page XII).

This concludes our chapter on industrial stand values. ■

PS: If you do not understand a term used in this article, please consult the Glossary (**Annexure 1**)

Table 8.1
Mean market values for serviced and level industrial stands in quarter 2013:2
(R/m² exci VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Central Witwatersrand								
Cambridge Park	1.375	1.300	1.225	1.100	0,0	7,873	-0,093	-0,98
Wynberg Proper	750	750	750	740	0,8	6,657	-0,005	-0,76
Strijdom Park	1.000	975	950	875	1,6	7,290	-0,054	-0,94
Kya Sand	675	675	663	608	2,6	6,821	-0,042	-0,85
Clayville/Olifantsfontein	467	450	438	459	5,0	6,202	-0,011	-0,39
Chloorkop	585	585	575	533	3,0	6,644	-0,037	-0,85
Amalgam	775	775	738	738	1,4	6,838	-0,026	-0,92
Crown Mines	925	925	900	900	1,9	6,932	-0,014	-0,92
Industria	583	533	505	475	2,6	6,938	-0,084	-0,99
Booyens/Booyens Reserve/Ophirton	617	600	600	600	2,1	6,487	-0,010	-0,76
Village Main/Village Deep/New Centre	500	492	483	483	1,5	6,316	-0,015	-0,95
Benrose	606	606	606	606	0,5	-	-	-
Steeledale/Electron/Tulisa Park	638	638	633	625	1,5	6,520	-0,009	-0,93
Aeroton	1.000	975	850	700	2,0	8,014	-0,154	-0,95
Devland/Nancefield	450	450	450	350	3,0	6,806	-0,094	-0,76
Cleveland/Heriotdale	640	640	631	613	1,0	6,596	-0,019	-0,90
Newlands/Martindale	500	500	450	400	2,0	6,933	-0,099	-0,95
Kew/Wynberg East	750	750	725	663	2,0	6,996	-0,052	-0,89
Bramley View/Lombardy West	-	-	-	-	-	-	-	-
Marlboro	313	300	250	275	2,5	6,252	-0,075	-0,77
Halfway House: hi-tech strip	813	775	783	788	3,0	6,753	-0,010	-0,50
Halfway House: Richards Drive	800	775	775	775	-	6,757	-0,012	-0,76
Commercia	533	533	517	500	1,0	6,488	-0,029	-0,95
Kramerville/Eastgate Ext12 & Ext13	1.350	1.350	1.350	1.250	1,5	7,421	-0,029	-0,76
Centurion	1.000	1.000	1.100	1.017	1,0	-	-	-

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Linbro Park	1.250	1.233	1.100	988	1,2	7,886	-0,105	-0,97
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	1.000	1.000	1.000	900	1,5	7,200	-0,040	-0,76
City Deep	788	788	788	794	1,2	-	-	-
North Riding	800	800	800	775	1,0	6,773	-0,012	-0,76
Samrand Centurion	813	788	756	760	1,0	6,908	-0,031	-0,94
Barbeque Downs	950	900	875	825	1,0	7,247	-0,057	-0,98
Selby Ext 12/13/15/19/20/24/City West	883	717	700	713	1,0	7,297	-0,084	-0,77
Selby Ext 5/10/14/18	650	650	567	550	1,0	7,071	-0,083	-0,95
Selby Ext 11	700	700	750	750	1,0	-	-	-
Selby Ext 3/4/6	717	717	667	667	1,0	6,844	-0,038	-0,92
Denver (Old)	420	420	400	394	1,2	6,266	-0,031	-0,96
Denver (New)	670	670	658	640	1,2	6,652	-0,020	-0,93
Kyalami Business Park	975	975	950	950	-	6,979	-0,014	-0,92
Reuven	625	600	588	-	1,0	-	-	-
Selby (Old)/Selby Ext2/Park Central	600	600	567	567	0,8	6,610	-0,030	-0,92
Robertsham	875	858	842	800	0,0	7,032	-0,037	-0,96
Fordsburg/Mayfair	700	700	600	500	2,0	7,630	-0,149	-0,94
Central Witwatersrand	734	723	702	684	1,6			
West Rand								
Lea Glen	672	678	673	666	1,9	6,968	-0,059	-0,93
Honeydew X19, 20, 21 & 22	700	700	629	625	2,0	-	-	-
Stormill	1.025	1.050	1.100	1.100	1,0	6,683	-0,013	-0,76
Chamdor	725	725	725	700	4,5	-	-	-

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Factoria	500	500	500	500	1,0	6,278	-0,032	-0,92
Randfontein: Delporpton/Aureus	400	400	300	300	3,0	7,063	-0,151	-0,92
Boltonia	450	450	450	450	-	-	-	-
Roodepoort: Technikon/Manufacta	500	500	500	500	-	-	-	-
Industria North	625	625	625	550	1,0	6,792	-0,048	-0,76
Robertville	675	675	675	675	1,0	-	-	-
Laserpark	950	975	1.025	933	1,0	6,871	0,001	0,02
West Rand	672	678	673	666	1,9			
East Rand								
Elandsfontein	863	863	850	842	-	6,841	-0,011	-0,96
Tunney/Greenhills	1.133	1.025	950	883	1,0	7,746	-0,105	-0,99
Henville	1.050	1.050	1.000	900	0,0	7,430	-0,065	-0,91
Meadowbrook/Wilbart	840	800	800	800	0,5	6,844	-0,018	-0,76
Sunnyrock	1.050	1.050	1.050	950	-	7,234	-0,038	-0,76
Rustivia/Activia Park	800	800	800	800	-	-	-	-
Eastleigh	800	775	775	775	2,2	6,757	-0,012	-0,76
Sebenza Ext 14	775	775	775	725	0,8	6,838	-0,025	-0,76
Spartan Ext 16 (Sebenza Link) + Ext1,3,7	850	850	700	600	1,2	7,895	-0,160	-0,96
Isando	900	900	900	850	2,0	6,961	-0,021	-0,76
Isando 3	800	850	850	700	1,0	7,085	-0,050	-0,55
Jet Park	1.200	925	925	925	1,4	7,681	-0,098	-0,76
Alrode & Xs	583	575	563	550	1,3	6,546	-0,025	-1,00
Alrode South	450	425	375	350	4,0	6,896	-0,113	-1,00
Alberton	588	588	538	475	1,0	7,050	-0,093	-0,93
Aeroport/Spartan Ext 2	913	913	900	900	1,0	6,868	-0,007	-0,92

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Delville	450	447	442	425	0,9	6,275	-0,023	-0,92
Roodekop	425	425	425	425	1,3	-	-	-
Wadeville: Industrial zoning	617	608	588	544	1,3	6,796	-0,052	-0,94
Route 24/Meadowdale	1.035	1.035	1.000	900	1,0	7,362	-0,058	-0,88
Germiston S/ Industries E	422	413	388	350	1,5	6,608	-0,079	-0,96
Driehoek/Industries W	692	692	650	623	1,1	6,887	-0,048	-0,96
Knights	370	370	365	350	1,0	6,080	-0,023	-0,88
Spartan Proper	775	775	738	700	2,0	6,982	-0,046	-0,95
Founders View	1.000	1.000	900	750	2,0	7,805	-0,124	-0,92
Longmeadow	1.350	1.350	1.050	1.033	1,8	8,188	-0,138	-0,93
Pomona/Kempton Park	825	825	775	774	2,1	6,951	-0,033	-0,92
East Rand	783	769	721	686	1,4			
Far East Rand								
Boksburg North & South	700	700	600	575	3,0	7,243	-0,097	-0,95
Benoni	500	500	500	400	3,0	6,833	-0,084	-0,76
New Era/Vulcania	350	350	300	300	3,0	6,432	-0,081	-0,92
Nuffield	300	300	300	300	3,0	-	-	-
Fulcrum	250	250	250	250	4,0	-	-	-
Apex	550	550	500	500	4,0	6,665	-0,050	-0,92
Labore Brakpan	400	400	350	300	4,0	6,916	-0,128	-0,94
Morehill Ext 8 Benoni	700	650	600	500	2,0	7,523	-0,138	-0,97
Far East Rand	469	463	425	420	3,2			
Pretoria								
Mitchell St	700	700	650	600	1,0	7,049	-0,069	-0,95
Pretoria Industrial Township	450	450	450	450	1,0	-	-	-

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Koedoespoort	700	600	500	500	1,0	7,580	-0,153	-0,96
Waitloo/Despatch	500	500	450	435	3,0	6,701	-0,068	-0,96
Silverton/Silvertondale	700	725	650	650	3,0	6,878	-0,044	-0,81
Samcor Park	850	725	800	800	1,0	6,740	-0,008	-0,12
Sunderland Ridge	600	600	600	600	5,0	-	-	-
Hermanstad	400	400	400	400	1,0	-	-	-
Kirkney	300	300	300	-	1,0	-	-	-
Hennospark X15 & X7	1.200	1.200	1.200	1.200	1,0	-	-	-
Gateway	1.200	975	1.200	1.200	1,0	6,789	0,031	0,30
Lyttleton Manor X4/x6	850	850	850	850	1,0	-	-	-
Pretoria North	350	525	350	350	1,0	6,447	-0,060	-0,30
Silvertondale X1	700	675	650	650	3,0	6,774	-0,033	-0,95
Brits	500	500	400	350	3,0	7,416	-0,167	-0,96
Klerksoord	350	225	350	350	4,0	5,216	0,066	0,30
Rosslyn	400	400	400	400	4,0	-	-	-
Pretoria	632	617	600	576	2,1			
Polokwane								
Lebowakgomo	-	-	-	-	-	-	-	-
Supebia	-	560	-	-	-	-	-	-
Industria	-	-	375	-	-	-	-	-
Ladine	-	500	-	-	-	-	-	-
Futura	-	350	320	-	-	-	-	-
Laboria	-	-	-	-	-	-	-	-
Magna Via	-	575	490	-	-	-	-	-

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Seshego	-	-	-	-	-	-	-	-
Polokwane	-	485	410	-	-	-	-	-
Nelspruit								
Nelspruit East	-	-	-	-	-	-	-	-
Nelspruit West	-	900	-	-	-	-	-	-
Rocky's Drift	-	600	550	500	2,0	-	-	-
Riverside Park	-	1.200	950	950	10,0	-	-	-
Nelspruit	-	900	750	725	6,0	-	-	-
Durban								
Springfield Park	1.700	1.700	1.767	1.600	0,5	7,570	-0,017	-0,42
Mayville	-	2.000	1.800	1.200	3,0	-	-	-
Phoenix	1.800	1.300	950	750	3,5	10,058	-0,375	-1,00
North Coast Rd/Briardene	2.000	2.000	1.850	1.850	1,0	7,891	-0,041	-0,92
Briardene Industrial Park	-	2.000	1.850	1.850	1,0	-	-	-
Umgeni Rd/Stamford Hill	-	-	-	-	1,0	-	-	-
Umbilo/Sydney Rd/Gale St	2.000	1.900	1.500	1.000	2,0	9,721	-0,295	-0,95
Jacobs	2.200	2.000	1.500	1.300	2,0	9,381	-0,240	-0,99
Mobeni	2.200	2.000	1.750	1.650	1,5	8,573	-0,128	-1,00
Prospecton	-	2.000	1.750	1.650	2,0	-	-	-
Ithala Industrial Estate	1.800	1.700	1.500	1.300	3,0	8,488	-0,141	-0,99
Pinetown Central	1.375	1.325	1.225	883	3,0	8,509	-0,178	-0,89
New Germany	1.225	1.175	1.075	917	2,3	7,978	-0,122	-0,96
Isipingo	1.000	1.000	650	200	6,0	11,779	-0,668	-0,89
Rosburgh/South Coast Rd	1.800	1.600	1.400	1.000	3,0	9,193	-0,240	-0,96
Edwin Swales Drive	1.400	1.400	1.000	1.000	1,0	8,497	-0,176	-0,92

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Colenso	-	-	-	-	-	-	-	-
Ladysmith	-	-	-	-	-	-	-	-
Cape Peninsula								
Viking Place	1.000	900	800	800	1,0	7,586	-0,101	-0,95
Glosderry	1.500	1.500	1.500	1.500	0,0	-	-	-
Paarden Eiland/Metro	2.000	1.750	1.750	1.500	0,0	8,331	-0,108	-0,93
Marconi Beam	1.800	1.800	1.500	1.500	1,0	8,174	-0,096	-0,92
Killarney Gardens	1.333	1.233	1.250	1.100	1,3	7,677	-0,070	-0,89
Racing Park	900	867	800	725	-	7,459	-0,093	-0,98
Atlantis	-	-	-	-	-	-	-	-
Woodstock/Salt River/Observatory	2.000	1.800	1.800	1.800	1,0	7,840	-0,040	-0,76
Athlone 1 & 2	-	-	-	-	-	-	-	-
Landsdowne Nerissa	-	-	-	-	-	-	-	-
Sand Industria	-	-	-	-	-	-	-	-
Ottery Hillstar	1.000	1.000	1.000	-	1,0	-	-	-
Ottery Sunset	1.000	1.000	1.000	-	1,0	-	-	-
Diep River	1.000	1.000	1.000	-	1,0	-	-	-
Elfindale	1.000	1.000	1.000	-	1,0	-	-	-
Monwood/Philippi	450	450	450	300	9,0	7,233	-0,152	-0,76
Retreat/Steenberg	1.000	1.000	950	950	-	7,099	-0,027	-0,92
Capricorn Park	700	700	700	-	7,0	-	-	-
Maitland	1.200	1.100	1.000	800	1,0	8,261	-0,166	-0,96
Ndabeni	2.000	1.500	1.400	1.100	1,0	9,180	-0,234	-0,96
Airport	1.517	1.333	1.250	1.200	3,0	7,970	-0,097	-0,96
Epping 1 & 2	1.000	900	1.000	850	1,0	7,205	-0,045	-0,57

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Vacancy Grade	a	b	r
	1.000	2.000	5.000	10.000				
Pacaltsdorp Industria	-	-	-	-	-	-	-	-
George	-	-	-	-	-	-	-	-
Port Elizabeth								
Deal Party	800	675	500	500	2,0	8,188	-0,221	-0,96
North End	1.000	775	625	550	2,0	8,642	-0,256	-0,99
Korsten/Neave/Sidwell/Sydenham	1.000	750	600	600	2,0	8,392	-0,225	-0,94
South End Walmer	1.250	1.000	750	750	1,0	8,709	-0,234	-0,96
Uitenhage: Volkswagen area/NMBLP	400	350	275	275	5,0	7,193	-0,176	-0,96
Uitenhage: Hella/Kruisrivier	200	150	123	88	9,0	7,639	-0,340	-0,99
Struandale	475	450	425	425	5,0	6,499	-0,050	-0,95
Markman Township	163	138	125	113	9,0	6,117	-0,152	-0,99
Perseverance	375	375	350	350	5,0	6,184	-0,036	-0,92
Walmer	1.125	1.000	800	675	1,0	8,595	-0,225	-1,00
Greenbushes	250	250	175	163	9,0	7,055	-0,215	-0,95
Fairview	650	650	575	550	1,0	7,057	-0,081	-0,96
Port Elizabeth	624	540	430	405	4,3			
Bloemfontein								
Hilton	310	295	265	180	1,0	7,321	-0,220	-0,90
East End	477	453	288	210	3,5	8,847	-0,375	-0,97
Harvey Road	-	-	-	-	-	-	-	-
Old Industrial	260	235	200	160	1,0	7,009	-0,206	-0,98
Hamilton: Mill St	210	193	193	115	2,0	6,975	-0,226	-0,83
Hamilton: G Lubbe St	200	180	177	60	2,5	8,600	-0,454	-0,81
Estoir	455	435	410	335	2,0	7,003	-0,124	-0,92
Bloemfontein	342	302	245	187	2,2			

Table 8.2
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Central Witwatersrand					
Cambridge Park	375,00	300,00	375,00	300,00	AP, QU
Wynberg Proper	50,00	50,00	50,00	40,00	AP, QU
Strijdom Park	0,00	25,00	50,00	25,00	AP, QU
Kya Sand	25,00	25,00	12,50	11,79	AP, GT, QU
Clayville/Olifantfontein	23,57	35,36	54,49	43,07	AP, BR, MR, QU
Chloorkop	35,00	35,00	25,00	47,14	AP, GT, QU
Amalgam	25,00	25,00	12,50	12,50	AP, GT, QU
Crown Mines	75,00	75,00	100,00	100,00	AP, BR, QU, RO
Industria	117,50	67,50	45,00	25,00	AP, QU
Booyens/Booyens Reserve/Ophirton	84,98	81,65	81,65	100,00	AP, BR, QU, RO
Village Main/Village Deep/New Centre	0,00	11,79	23,57	23,57	AP, BR, QU, RO
Benrose	71,53	71,53	71,53	71,53	AP, BR, QU, RO
Steeledale/Electron/Tulisa Park	41,46	41,46	46,57	54,08	AP, BR, QU, RO
Aeroton	0,00	25,00	50,00	50,00	AP, QU, RO
Devland/Nancefield	50,00	50,00	50,00	50,00	AP, QU, RO
Cleveland/Heriotdale	68,19	68,19	71,45	54,49	AP, BR, QU, RO
Newlands/Martindale	-	-	-	-	AP
Kew/Wynberg East	0,00	0,00	25,00	62,50	AP, QU
Bramley View/Lombardy West	-	-	-	-	AP
Marlboro	87,50	100,00	50,00	25,00	AP, QU
Halfway House: hi-tech strip	37,50	25,00	23,57	21,65	AP, MR, QU

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Halfway House: Richards Drive	50,00	25,00	25,00	25,00	AP, QU
Commercia	102,74	102,74	84,98	81,65	AP, BR, QU
Kramerville/Eastgate Ext12 & Ext13	150,00	150,00	150,00	250,00	AP, QU
Centurion	0,00	0,00	100,00	143,37	AP, GT, QU
Linbro Park	250,00	205,48	141,42	159,59	AP, QU, TC
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	0,00	0,00	0,00	100,00	AP, QU
City Deep	41,46	41,46	41,46	36,98	AP, BR, QU, RO
North Riding	0,00	0,00	0,00	25,00	AP, QU
Samrand Centurion	37,50	12,50	36,98	48,99	AP, BR, QU, RO
Barbeque Downs	0,00	50,00	75,00	75,00	AP, QU
Selby Ext 12/13/15/19/20/24/City West	84,98	84,98	81,65	89,27	AP, BR, QU, RO
Selby Ext 5/10/14/18	86,60	86,60	47,14	40,82	AP, BR, QU, RO
Selby Ext 11	81,65	81,65	50,00	50,00	AP, QU, RO
Selby Ext 3/4/6	84,98	84,98	124,72	124,72	AP, QU, RO
Denver (Old)	77,14	77,14	61,24	67,02	AP, BR, QU, RO
Denver (New)	108,17	108,17	106,86	89,72	AP, BR, QU, RO
Kyalami Business Park	25,00	25,00	-	-	AP, QU
Reuven	25,00	0,00	87,50	-	AP, QU, RO
Selby (Old)/Selby Ext2/Park Central	40,82	40,82	62,36	62,36	AP, BR, QU, RO
Robertsham	35,36	31,18	42,49	70,71	AP, QU, RO
Fordsburg/Mayfair	-	-	-	-	AP

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
West Rand					
Lea Glen	100,00	100,00	71,50	75,00	AP, QU
Honeydew X19, 20, 21 & 22	25,00	0,00	50,00	150,00	AP, QU
Stormill	25,00	25,00	25,00	0,00	AP, QU
Chamdor	-	-	-	-	AP
Factoria	75,00	75,00	100,00	100,00	AP, QU
Randfontein: Delporpton/Aureus	-	-	-	-	AP
Boltonia	-	-	-	-	AP
Roodepoort: Technikon/Manufacta	-	-	-	-	AP
Industria North	75,00	75,00	75,00	50,00	AP, QU
Robertville	25,00	25,00	25,00	25,00	AP, QU
Laserpark	50,00	75,00	125,00	246,08	AP, GT, QU
East Rand					
Elandsfontein	12,50	12,50	0,00	51,37	AP, GT, QU
Tunney/Greenhills	47,14	54,01	40,82	23,57	AP, QU, RT
Henville	50,00	50,00	0,00	-	AP, QU
Meadowbrook/Wilbart	40,00	0,00	0,00	0,00	AP, QU, RO
Sunnyrock	50,00	50,00	50,00	50,00	AP, QU
Rustivia/Activia Park	0,00	0,00	0,00	0,00	AP, QU
Eastleigh	-	25,00	25,00	25,00	AP, QU
Sebenza Ext 14	25,00	25,00	25,00	25,00	AP, QU
Spartan Ext 16 (Sebenza Link) + Ext1,3,7	0,00	0,00	50,00	0,00	AP, QU, RO

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Isando	0,00	0,00	0,00	50,00	AP, OU
Isando 3	0,00	50,00	50,00	-	AP, OU
Jet Park	0,00	75,00	75,00	25,00	AP, OU, RO
Alrode & Xs	84,98	25,00	64,95	50,00	AP, BR, GT, OU, RO
Alrode South	0,00	25,00	25,00	50,00	AP, GT, QU
Alberton	112,50	112,50	62,50	25,00	AP, QU
Aeroport/Spartan Ext 2	87,50	87,50	100,00	100,00	AP, QU
Delville	35,36	37,93	42,49	54,01	AP, OU, RO
Roodekop	0,00	0,00	20,41	20,41	AP, OU, RO
Wadeville: Industrial zoning	62,36	65,62	44,39	47,93	AP, OU, RO
Route 24/Meadowdale	65,00	65,00	100,00	0,00	AP, QU
Germiston S/Industries E	33,25	30,62	10,27	0,00	AP, OU, RO
Driehoek/Industries W	82,50	82,50	54,01	37,71	AP, OO, RO
Knights	20,00	20,00	15,00	0,00	AP, OU, RO
Spartan Proper	25,00	25,00	12,50	0,00	AP, QU
Founders View	200,00	200,00	100,00	50,00	AP, OU, RO
Longmeadow	150,00	150,00	50,00	47,14	AP, GT, RO
Pomona/Kempton Park	25,00	25,00	75,00	53,39	AP, GT, RO
Far East Rand					
Boksburg North & South	-	-	-	25,00	AP, GT
Benoni	-	-	-	-	AP
New Era/Vulcania	-	-	-	-	AP

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Nuffield	-	-	-	-	AP
Fulcrum	-	-	-	-	AP
Apex	-	-	-	0,00	AP, GT
Labore Brakpan	-	-	-	-	AP
Morehill Ext 8 Benoni	-	-	-	-	AP
Pretoria					
Mitchell St	-	-	-	-	AP
Pretoria Industrial Township	-	-	-	-	AP
Koedoespoort	-	-	-	-	AP
Waltloo/Despatch	-	-	-	-	AP
Silverton/Silvertondale	-	25,00	-	-	AP
Samcor Park	-	125,00	-	-	AI, AP
Sunderland Ridge	-	-	-	-	AP
Hermanstad	-	-	-	-	AP
Kirkney	-	-	-	-	AP
Hennospark X15 & X7	-	-	-	-	AP
Gateway	-	225,00	-	-	AI, AP
Lyttleton Manor X4/x6	-	-	-	-	AP
Pretoria North	-	175,00	-	-	AI, AP
Silvertondale X1	-	25,00	-	-	AI, AP
Brits	-	-	-	-	AP
Klerksoord	-	125,00	-	-	AI, AP

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Roslyn	-	-	-	-	AP
Polokwane					
Lebowakgomo	-	-	-	-	ES
Superbia	-	-	25,00	-	ES, MO
Industria	-	-	-	-	ES
Ladine	-	0,00	-	-	ES, MO
Futura	-	-	-	-	ES, MO
Laboria	-	-	-	-	ES, MO
Magna Via	-	25,00	10,00	-	ES, MO
Seshego	-	-	-	-	
Nelspruit					
Nelspruit East	-	-	-	-	
Nelspruit West	-	0,00	-	-	HH, RL
Rocky's Drift	-	0,00	0,00	0,00	HH, RL
Riverside Park	-	0,00	0,00	0,00	HH, RL
Durban					
Springfield Park	81,65	81,65	169,97	81,65	ML, PC, PPI, OP
Mayville	-	-	-	-	PPI
Phoenix	-	-	50,00	250,00	PC, PPI
North Coast Rd/Briardene	300,00	300,00	150,00	150,00	PC, PPI
Briardene Industrial Park	-	-	150,00	150,00	PC, PPI
Umgeni Rd/Stamford Hill	-	-	-	-	PPI
Umbilo/Sydney Rd/Gale St	-	-	-	-	PPI

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Jacobs	-	-	-	-	PC, PPI
Mobeni	-	-	250,00	350,00	PC, PPI
Prospecton	-	-	250,00	350,00	PC, PPI
Ithala Industrial Estate	-	-	-	-	PPI
Pinetown Central	216,51	204,63	192,03	356,68	ML, PC, PPI, QP
Isipingo	178,54	108,97	82,92	117,85	PPI
Rosburgh/ South Coast Rd	-	-	-	-	PPI
Edwin Swales Drive	-	-	-	-	PPI
Glen Anil	-	-	-	-	PPI
Brickfield Rd	-	-	-	-	PPI
Verulam	-	-	-	-	PPI
Canelands	-	-	-	-	PPI
Tongaat	-	-	-	-	PPI
New Westmead/Mahogany	-	-	-	-	ML, PC, PPI
Westmead	200,00	188,56	164,99	47,14	ML, PC, PPI, QP
Mariann Park/Southmead	200,00	188,56	188,56	169,97	ML, PC, PPI, QP
Maxmead	94,28	94,28	82,92	82,92	ML, PC, PPI, QP
Ringroad Industrial Park	250,00	287,23	212,13	250,00	
Avoca/Red Hill/Northgate	-	-	-	-	PC, PPI
Falcon Park	-	400,00	-	-	PC, PPI
River Horse Valley Business Estate	-	150,00	100,00	-	ML, PC, PPI
Mount Edgecombe	200,00	294,39	205,48	94,28	PC, PPI
Umbogintwini/Southgate	-	100,00	50,00	140,00	PPI

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Southgate Industrial Park	-	125,00	200,00	175,00	PC, PPI
Umgeni Park	-	-	-	-	PPI
Hammersdale	425,00	332,50	194,86	108,25	ML, PC, PPI, QP
Cato Ridge	329,98	235,70	96,01	61,24	ML, PC, PPI, QP
Cape Peninsula					
Viking Place	-	-	-	-	GB
Glosderry	-	-	-	-	GB
Paarden Eiland/Metro	500,00	250,00	250,00	-	DV, GB
Montague Gardens	205,48	94,28	0,00	0,00	AN, DN, GB
Marconi Beam	-	-	-	-	GB
Killarney Gardens	169,97	205,48	250,00	100,00	AN, DN, GB
Racing Park	216,02	188,56	200,00	125,00	AN, DN, GB
Atlantis	-	-	-	-	
Woodstock/Salt River/Observatory	-	-	-	-	GB
Athlone 1 & 2	-	-	-	-	
Landsdowne Nerissa	-	-	-	-	
Sand Industria	-	-	-	-	
Ottery Hillstar	-	-	-	-	GB
Ottery Sunset	-	-	-	-	GB
Diep River	-	-	-	-	GB
Elfindale	-	-	-	-	GB
Monwood/Philippi	-	-	-	-	GB

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Retreat/ Steenberg	-	-	-	-	GB
Capricorn Park	-	-	-	-	GB
Maitland	0,00	100,00	200,00	-	AN, GB
Ndabeni	-	-	-	-	GB
Airport	347,21	124,72	40,82	0,00	AN, DN, GB
Epping 1 & 2	-	-	200,00	150,00	AN, GB
WP Park	150,00	150,00	-	-	AN, GB
Elsies River (excl. Central Park)	100,00	75,00	100,00	75,00	AN, GB
Parow Beaconvale	0,00	94,28	0,00	50,00	AN, DN, GB
Tygerberg Business Park	124,72	0,00	94,28	0,00	AN, DN, GB
Parow Industria	94,28	94,28	47,14	50,00	AN, DN, GB
Parow East	-	-	-	-	GB
Bellville Oakdale	-	-	-	-	
Bellville Stikland/Kaymor	124,72	141,42	0,00	100,00	AN, DN, GB
Bellville Triangle	75,00	75,00	-	-	DN, GB
Bellville South/Sacks Circle	-	-	-	-	GB
Kraaifontein	141,42	131,23	65,62	25,00	AN, DN, GB
Brackenfell Industria	188,56	94,28	47,14	25,00	AN, DN, GB
Everite Brackenfell	94,28	47,14	94,28	0,00	AN, DN, GB
Kuils River	25,00	25,00	25,00	25,00	AN, GB
Blackheath	102,74	108,01	0,00	25,00	AN, DN, GB
Saxonburg Industrial Park	94,28	94,28	25,00	50,00	AN, DN, GB

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Okavango	100,00	100,00	150,00	50,00	AN, GB
Firgrove	-	-	-	-	
The Interchange (Somerset West)	-	-	-	-	
Strand Halt	-	-	-	-	
Broadlands	-	-	-	-	
George					
George Central	-	-	-	-	
Tamsui Industria	-	-	-	-	
Pacaltsdorp Industria	-	-	-	-	
Port Elizabeth					
Deal Party	200,00	75,00	0,00	0,00	IPM, QV
North End	0,00	25,00	125,00	50,00	IPM, QV
Korsten/Neave/Sidwell/Sydenham	0,00	0,00	100,00	100,00	IPM, QV
South End Walmer	0,00	0,00	0,00	0,00	IPM, QV
Uitenhage: Volkswagen area/NMBLP	0,00	50,00	75,00	75,00	IPM, QV
Uitenhage: Hella/Kruisrivier	50,00	0,00	2,50	37,50	IPM, QV
Struandale	25,00	50,00	75,00	75,00	IPM, QV
Markman Township	37,50	12,50	0,00	12,50	IPM, QV
Perseverance	25,00	25,00	0,00	0,00	IPM, QV
Walmer	125,00	0,00	50,00	75,00	IPM, QV
Greenbushes	0,00	0,00	25,00	37,50	IPM, QV
Fairview	50,00	50,00	75,00	50,00	IPM, QV

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:2
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Bloemfontein					
Hilton	10,00	5,00	15,00	20,00	BW, EK
East End	122,84	139,12	12,50	10,00	BW, CC, EK
Harvey Road	-	-	-	-	
Old Industrial	0,00	15,00	0,00	10,00	BW, CC
Hamilton: Mill St	10,00	9,43	9,43	15,00	BW, CC, EK
Hamilton: G Lubbe St	-	0,00	20,55	-	BW, CC, EK
Estoir	5,00	15,00	10,00	15,00	BW, EK

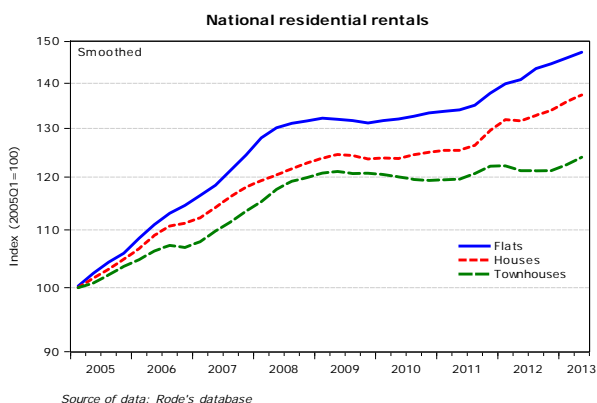
Chapter 9: Flats market

Residential rentals showing low growth

Written by John S. Lottering

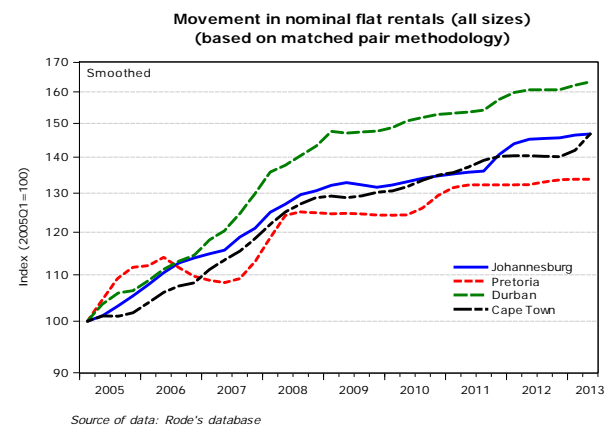
Nationally, residential rentals continued to show low growth, which should be expected given the persistent financial pressure that households are under.

In the second quarter of 2013 nominal market rentals on flats and houses grew by 5% and 4% respectively. Market rentals on townhouses posted growth of 3%. Given consumer inflation (excl. housing) of about 6%, this implies that in *real* terms residential rentals are still contracting.



We now consider flat rentals for the major cities individually. During the reporting quarter, flat rentals in Cape Town (+5%) showed the strongest growth. Durban followed with rental growth of 2% while in Johannesburg and Pretoria rentals were marginally higher by 1%. Considering the heavy weight of residential rentals in the calculation of headline CPI (the sum of actual rentals and owners' equivalent rent), residential rental growth is quite important. However, the moderate to poor growth at

present has an almost negligible effect on the overall metric of consumer prices.



[Note on the preceding two graphs: the lines representing the rentals have been indexed to 2005=100; thus the reader should consider the relative growth since 2005 and bear in mind that the lines do not represent absolute levels.]

Income yields of flats

Table 9.1 summarizes the *gross*-income yields of flats. Net-income yields are the residential-property equivalent of non-residential property's capitalization rates. As a rule of thumb, to convert gross income yields to net, deduct 1,5 percentage points from gross. This deduction takes into account operating expenses such as insurance and maintenance, as well as assessment rates.

This section is concluded by the flat-rental tables that follow. ■

The flat-rental data tends to be erratic. Therefore, all rentals in the accompanying graphs have been smoothed, and readers are advised to focus on the overall trends.

The previous graphs give only a very broad picture of trends in the flats market, since the rentals reflected are averages of many different suburbs within the particular metropolitan areas. Keep in mind that all analyses were done on standard-quality flat units. Readers requiring more details are directed to the many tables, starting on p. 111, of specific rental levels in the various suburbs for the various grades of flats.

Table 9.1
Gross-income yields (%): Flats
Quarter 2013:2

	Bachelor	1-Bedroom	2-Bedroom	3-Bedroom
Eastern Cape				
Port Elizabeth				
- Summerstrand / Humewood / South End	9,6%	5,4%	5,7%	7,0%
- Walmer	6,7%	5,3%	10,0%	12,0%
- Central / North End	14,2%	14,1%	12,8%	11,6%
- Newton Park	11,0%	12,0%	9,9%	9,8%
- Kabega	-	13,8%	11,6%	9,5%
- Algoa Park	-	15,4%	11,0%	10,2%
Uitenhage				
- Uitenhage	9,4%	10,0%	9,1%	8,8%
Free State				
Bloemfontein				
- Bloemfontein CBD	16,6%	13,1%	9,9%	-
- Westdene	-	10,3%	12,9%	-
- Willows	14,3%	15,3%	12,7%	12,9%
- Navalsig	-	11,3%	9,3%	-
- Arboretum	-	10,3%	10,2%	-
Gauteng				
- East Rand				
Kempton Park				
- Croydon	-	-	8,7%	9,4%
Boksburg				
- Ravenswood	-	-	8,5%	8,8%

Table 9.1 (continued)
Gross-income yields (%): Flats
Quarter 2013:2

	Bachelor	1-Bedroom	2-Bedroom	3-Bedroom
<i>Alberton</i>				
- <i>Verwoerd Park</i>	-	-	10,0%	10,6%
<i>Benoni</i>				
- <i>Lakefield</i>	-	-	9,7%	10,3%
- <i>Westdene</i>	-	-	9,2%	10,6%
- <i>Farrarmere</i>	-	-	10,2%	9,9%
- <i>Morehill</i>	-	-	9,6%	10,6%
- <i>Rynfield</i>	-	-	9,8%	10,7%
- <i>Northmead</i>	-	-	9,6%	10,3%
- <i>Crystal Park</i>	-	-	9,2%	10,7%
- <i>Western Extension</i>	-	-	8,4%	10,1%
- Centurion				
- <i>Pierre van Ryneveld</i>	-	-	7,9%	7,5%
- <i>Kloofsig / Lyttelton Manor / Doringkloof</i>	9,3%	9,6%	7,8%	9,8%
- <i>Highveld and Extensions</i>	-	-	9,0%	7,8%
- <i>Clubviews/Eldoraigne</i>	-	-	10,6%	-
- <i>Rooihuiskraal / The Reeds</i>	-	-	8,9%	8,8%
- <i>Valhalla</i>	-	-	7,8%	8,9%
Western Cape				
- <i>Tyger Valley / Durbanville</i>	9,8%	8,0%	9,2%	7,9%

Table 9.2 (continued)
Flat rentals: standard units
Average rands per month as at quarter 2013:2

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Bedfordview	-	-	-	-	-	-	-	-	TR
Old South (incl. Rosettenville/ Turffontein/Kenilworth)	-	-	-	-	-	-	-	-	
New South (incl. Southdale/Mondeor/ Glenvista/Linmeyer)	R1.400	-	R1.750	-	R2.200	-	R2.900	-	DV
Germiston average	R1.699		R2.115		R2.850		R2.811		
Primrose	R1.830	-	R2.170	-	R2.670	-	R2.500	-	PH
Germiston C & S	R1.585	R445	R1.855	R488	R2.620	R1.245	R2.400	-	BA, PH
Germiston South - suburbs	R1.690	R297	R2.200	R0	R3.275	R318	R3.700	-	BA, PH
Elsburg	-	-	R2.260	-	R2.880	-	-	-	PH
Pretoria average	R2.524		R2.867		R3.551		R4.107		
Akasia	R2.700	R141	R2.900	R141	R3.550	R71	R3.850	R71	HK, TR
Pretoria North/Dorandia/Florauna	R2.267	R252	R2.500	R200	R3.167	R208	R3.900	R141	CI, HK, TR
Annlin/Wonderboom/Sinoville/Montana	R2.567	R284	R3.000	R200	R3.500	R141	R4.450	R212	CI, HK, TR
Die Moot/Queenswood	R2.700	R173	R2.933	R115	R3.383	R161	R3.750	R354	CI, HK, TR
Silverton/Meyerspark/La Montagne	R2.000	R0	R2.350	R71	R2.750	R354	R3.300	R283	HK, TR
Eastern suburbs (Menlo Park/Ashlea Gardens/all Lynnwoods/Die Wilgers/ Faerie Glen/Garsfontein/Pretoriuspark/ Constantia/Waterkloof Glen/ Erasmusklouf)	R2.450	R71	R2.867	R115	R3.700	R100	R4.050	R71	CI, HK, TR
Groenkloof/Brooklyn/most Waterkloofs/ Monumentpark/Erasmusrand	R2.950	R212	R3.200	R141	R4.200	R0	R5.150	R354	HK, TR

Table 9.2 (continued)
Flat rentals: standard units
 Average rands per month as at quarter 2013:2

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
South-eastern suburbs (Elarduspark/ Wingate Park/Moreletapark/Pierre van Ryneveld/Waterkloof)	R3.150	R495	R3.550	R212	R4.200	R141	R4.650	R212	HK, TR
Sunnyside	R2.433	R252	R2.833	R586	R3.700	R436	R4.100	R265	CI, HK, TR
Arcadia	R2.500	R173	R2.933	R321	R3.700	R557	R4.067	R493	CI, HK, TR
Pretoria West	R2.400	R200	R2.800	R200	R3.633	R513	R4.067	R306	CI, HK, TR
Kwaggasrand/West Park	R2.400	R200	R2.800	R200	R3.633	R513	R4.067	R306	CI, HK, TR
Elandspoor/Danville	R2.400	R100	R2.683	R76	R3.133	R208	R4.000	R173	CI, HK, TR
Atteridgeville/Laudium	R1.950	R212	R2.250	R71	R2.867	R351	R3.433	R379	HK, TR
Centurion Average	R3.396		R3.696		R4.730		R5.768		
Pierre van Ryneveld	-	-	-	-	-	-	R4.900	-	ASA
Irene	-	-	-	-	-	-	-	-	
Kloofsig/ Lyttleton Manor/ Doringkloof/ Zwartkop	R3.525	R247	R3.775	R318	R4.525	R35	R6.075	R601	ASA, CB
Highveld and Extensions	R3.350	-	R3.750	-	R4.575	R106	R5.775	R35	ASA, CB
Clubviews/ Eldoraigne/ Wierda Park/ Cranebrook/ Bronberrick/ Rooihuiskraal North	R3.450	-	R3.800	-	R5.150	R495	R6.100	-	ASA, CB
Rooihuiskraal/ The Reeds	R3.350	-	R3.750	-	R5.025	R530	R6.325	R672	ASA, CB
Heuweloord	R3.350	-	R3.550	-	R4.550	-	R5.650	-	CB
Valhalla	R3.350	-	R3.550	-	R4.550	-	R5.550	-	CB
Durban average	R2.830		R3.337		R4.148		R5.124		
Upper highway: Kloof/Hillcrest	R3.000	-	R3.500	-	R4.000	-	R5.000	-	WK
Pinetown area/Queensburgh	R2.600	R141	R3.300	R283	R4.025	R318	R4.850	-	TR, WK

Table 9.2 (continued)
Flat rentals: standard units
 Average rands per month as at quarter 2013:2

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Westville area	R2.500	-	R3.200	-	R4.200	-	R5.850	-	WK
Central City (incl. Lower Berea)	R2.775	R35	R3.100	R141	R4.200	R566	R5.500	-	TR, WK
Berea / Morningside / Glenwood	R2.925	R106	R3.500	R0	R4.625	R177	R5.500	-	TR, WK
South and North Beach	R2.950	R71	R3.450	R71	R4.625	R177	R5.750	-	TR, WK
Durban North/La Lucia/Umhlanga	-	-	-	-	-	-	-	-	-
North (Dolphin) Coast/Ballito	-	-	-	-	-	-	-	-	-
Montclair/Yellowwood Park	R2.750	-	R3.175	R318	R3.750	R354	R4.500	-	WK, TR
Bluff area/Durban South	R2.500	-	R3.500	R0	R3.850	R71	R4.278	R315	TR, WK
Durban South/Amazimtoti/Warner Beach area	R3.000	-	R3.500	-	R3.750	-	R4.500	-	TR, WK
Cape Town average	R2.883		R3.495		R4.393		R5.604		
Camps Bay/Clifton/Bantry Bay	R4.750	R354	R6.050	R212	R7.250	R354	R8.900	R141	SQ, TR
Sea Point	R3.400	-	R4.300	-	R5.600	-	R6.600	-	TR
Green Point/Three Anchor Bay	R3.883	R257	R5.000	R900	R6.267	R874	R8.250	R354	PF, SQ, TR
City Bowl (excluding Higgovale)	R4.183	R29	R4.875	R320	R6.463	R1.009	R9.167	R289	JL, SQ, TR
City Centre	R3.833	R473	R5.183	R539	R6.425	R106	R8.250	R354	SQ, TR
Waterfront	-	-	-	-	-	-	-	-	-
Rondebosch/Rosebank/Clairemont	R3.667	R321	R4.317	R362	R5.933	R503	R7.817	R275	PF, SQ, TR
Kenilworth/Wynberg/Plumstead	R3.233	R351	R3.917	R225	R4.667	R493	R6.650	R495	PF, SQ, TR
Muizenberg/ Kalk Bay/ Fish Hoek	R3.083	R189	R3.700	R361	R4.150	R212	R4.900	R141	SQ, TR
Hout Bay	R3.300	-	R4.175	R318	R5.325	R530	R6.600	-	EM
Milnerton/Sanddrift	R3.000	R0	R3.463	R189	R4.325	R568	R5.500	R0	LA, PF, RS, TR
Tableview/ Parklands	R3.000	R265	R3.433	R321	R4.275	R754	R4.909	R500	LA, PF, SQ, TR
Blouberg/Melkbos	R3.050	R212	R3.600	R283	R4.400	R141	R5.433	R115	LA, TR

Table 9.2 (continued)
Flat rentals: standard units
Average rands per month as at quarter 2013:2

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Athlone	R1.800	-	R2.100	-	R2.800	-	R3.800	-	TR
Mitchell's Plain	R2.000	-	R2.300	-	R2.950	-	R3.500	-	TR
Pinelands	R3.100	R141	R3.750	R354	R4.500	R0	R5.550	R71	LA, TR
Brooklyn/Rugby/Maitland	R2.433	R58	R3.033	R153	R3.533	R252	R4.233	R252	LA, SQ, TR
Monte Vista/ Goodwood/ Parow/ Bellville									
Central	R2.900	R200	R3.300	R245	R4.100	R183	R5.300	R283	LA, SQ, TR
Tyger Valley area/ Durbanville	R2.613	R317	R3.150	R129	R4.100	R141	R4.775	R206	LA, PF, SF, TR
Brackenfell/ Kuils River	R2.275	R377	R2.680	R319	R3.500	R300	R4.233	R252	LA, PF, SF, TR
Somerset West	R1.867	R115	R2.317	R176	R3.083	R144	R4.083	R144	GE, LA, TR
Strand	R2.150	R387	R2.788	R317	R3.325	R310	R4.463	R778	GE, LA, SQ, TR
Gordon's Bay	R1.933	R115	R2.483	R104	R3.133	R115	R4.483	R448	GE, LA, TR
Port Elizabeth average	R2.371		R2.695		R3.434		R4.267		
Summerstrand/Humewood/South End	R3.075	R222	R3.667	R321	R4.825	R472	R6.150	R985	JP, TR, ZB
Walmer	R2.925	R377	R2.867	R651	R4.100	R458	R6.500	-	JP, TR, ZB
Central/North End	R2.217	R29	R2.567	R321	R3.133	R153	R3.650	R495	TR, ZB
Newton Park	R2.800	R354	R3.033	R503	R3.433	R513	R4.500	-	JP, TR, ZB
Westering	R2.100	R141	R2.500	R141	R3.350	R636	R4.000	-	JP, ZB
Kabega	R2.050	R354	R2.400	R707	R3.100	R566	R3.500	R0	JP, TR, ZB
Algoa Park	R1.750	R354	R2.100	R424	R2.550	R495	R2.800	-	JP, ZB
East London average	R2.436		R2.636		R3.141		R3.610		
Southernwood/Quigney Beach/CBD	R2.650	-	R2.800	-	R3.350	-	R3.900	-	TR
Berea	R2.800	-	R3.000	-	R3.650	-	R4.000	-	TR
Amalinda	R2.400	-	R2.500	-	R2.950	-	R3.250	-	TR
Gonubie Park	R2.150	-	R2.300	-	R2.700	-	R3.350	-	TR

Table 9.2 (continued)
Flat rentals: standard units
Average rands per month as at quarter 2013:2

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Bloemfontein average	R1.914		R2.424		R3.248		R3.704		
Bloemfontein	R1.783	R257	R2.367	R321	R3.000	R200	R3.500	-	ED, EK, MI
Westdene	R2.000	R283	R2.450	R212	R3.117	R375	R3.950	R71	ED, EK, MI
Willows	R2.033	R252	R2.400	R346	R3.500	R700	R3.650	R212	ED, EK, MI
Navalsig	R2.150	R495	R2.300	R265	R3.217	R701	R3.350	R495	ED, EK, MI
Arboretum	R1.650	R212	R2.617	R562	R3.433	R603	R4.125	R884	ED, EK, MI

Table 9.3
Flat rentals: upmarket units
 Average rands per month as at quarter 2013:2

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Johannesburg average	R3.013		R4.298		R5.326		R6.045		
North-Eastern Suburbs (incl. Kew/Cyrlidene/Fairmount/Waverley/Lyndhurst/Bramley/Savoy)	-	-	-	-	-	-	-	-	
Maraisburg/Crosby/Brixton	-	-	-	-	-	-	-	-	
Meldene (Melville, Westdene, Auckland Park)	R3.500		R4.500		R6.000		R7.500		JL
Rosebank/Kiillarney/Iilovo	R4.200		R5.500		-		-		TR
Greenside/Victory									
Park/Emmentaria/Linden/Parkview/Parkhurst	R4.500		R5.500		R6.500		R8.000		JL
Randburg: Ferndale/Fontainebleau	R3.100	R566	R4.000	R0	R5.067	R404	R6.200	R424	BS, JL, TR
Randburg & Suburbs	R3.050	R778	R3.750	R354	R4.650	R71	R5.950	R71	BS, JL
Windsor: East/West	R2.300	R424	R3.300	R424	R4.250	R354	R4.900	R141	BS, JL
Craighall/Craighall Park	-	-	-	-	-	-	-	-	
Sandton: North & Far North (incl. Bryanston/Fourways/Lonehill/Douglasdale)	R3.000		R5.000	R0	R6.500	R0	R8.000		BS, TR
Sandton: South to Central (incl. Sandown/Rivonia/Morningside/Sunninghill/Kyalami)	-	-	R5.500		R7.500		-		TR
Bedfordview	-	-	-	-	-	-	-	-	
Old South (incl. Rosettenville/Turffontein/Kenilworth)	-	-	-	-	-	-	-	-	
New South (incl. Southdale/Mondeor/Glenvista/Linmeyer)	R1.575		R2.700	R1.131	R3.400	R1.556	R3.400		DV, TR

Table 9.3 (continued)
Flat rentals: upmarket units
Average rands per month as at quarter 2013:2

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Germiston average	R1.850		R2.392		R2.796		R3.250		
Primrose	-		R2.700	-	R3.190	-	R3.250	-	PH
Germiston C & S	R1.850		R2.120	-	R2.450	-	-	-	PH
Germiston South - suburbs	-		-	-	-	-	-	-	PH
Elsburg	-		-	-	-	-	-	-	
Pretoria average	R2.500		R2.700		R3.400		R3.800		
Akasia	-		-	-	-	-	-	-	
Pretoria North/Dorandia/Florauna	R2.500		R2.700	-	R3.400	-	R3.800	-	TR
Annlin/Wonderboom/Sinoville/Montana	-		-	-	-	-	-	-	
Die Moot/Queenswood	-		-	-	-	-	-	-	
Silverton/Meyerspark/La Montagne	-		-	-	-	-	-	-	
Eastern suburbs (Menlo Park/Ashlea									
Gardens/all Lynnswoods/Die Wilgers/									
Faerie Glen/Garsfontein/Pretoriuspark/									
Constantia/Waterkloof Glen/									
Erasmuskloof)	-		-	-	-	-	-	-	
Groenkloof/Brooklyn/most Waterkloofs/									
Monumentpark/Erasmusrand	-		-	-	-	-	-	-	
South-eastern suburbs (Elarduspark/									
Wingate Park/Moreletapark/Pierre van									
Ryneveld/Waterkloof)	-		-	-	-	-	-	-	
Sunnyside	-		-	-	-	-	-	-	
Arcadia	-		-	-	-	-	-	-	
Pretoria Central	-		-	-	-	-	-	-	
Pretoria West	-		-	-	-	-	-	-	

Table 9.3 (continued)
Flat rentals: upmarket units
 Average rands per month as at quarter 2013:2

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Kwaggastrand/West Park	-	-	-	-	-	-	-	-	-
Elandspoort/Danville	-	-	-	-	-	-	-	-	-
Atteridgeville/Laudium	-	-	-	-	-	-	-	-	-
Centurion Average	R3.588		R4.133		R4.986		R6.264		
Pierre van Ryneveld	-	-	-	-	R4.300	-	R5.200	-	ASA
Irene	-	-	-	-	-	-	-	-	-
Kloofsig/ Lyttleton Manor/ Doringkloof/ Zwartkop	R3.625	R106	R4.000	R707	R5.500	R707	R8.050	R2.758	ASA, CB
Highveld and Extensions	R3.600	-	R4.200	R212	R4.950	R212	R6.050	R71	ASA, CB
Clubviews/ Eldoraigne/ Wierda Park/ Cranebrook/ Bronberrick/ Rooihuiskraal North	R3.700	-	R4.400	R495	R4.850	R495	R6.000	R707	ASA, CB
Rooikruiskraal/ The Reeds	R3.600	-	R4.200	R283	R5.300	R283	R6.550	R636	ASA, CB
Heuweloord	R3.500	-	R4.000	-	R5.000	-	R6.000	-	CB
Valhalla	R3.500	-	R4.000	-	R5.000	-	R6.000	-	CB
Durban average	R3.238		R4.152		R5.200		R7.049		
Upper highway: Kloof/Hillcrest	R3.500	-	R4.000	-	R5.000	-	R6.000	-	WK
Pinetown area/Queensburgh	R2.900	R141	R3.575	R389	R4.475	R389	R5.500	-	TR, WK
Westville area	R3.500	-	R4.500	-	R5.000	-	R7.000	-	WK
Central City (incl. Lower Berea)	R2.900	R141	R3.525	R318	R4.775	R1.379	R5.500	R2.121	TR, WK
Berea / Morningside / Glenwood	R3.150	R71	R4.250	-	R5.800	-	R8.000	-	TR, WK
South and North Beach	R3.100	R141	R4.250	R354	R5.475	R742	R8.000	-	TR, WK
Durban North/La Lucia/Umhlanga	R4.000	-	R5.750	-	R7.000	-	R15.000	-	WK
North (Dolphin) Coast/Ballito	-	-	-	-	-	-	-	-	-
Montclair/Yellowwood Park	R3.000	-	R3.750	-	R4.500	-	R5.000	-	WK

Table 9.3 (continued)
Flat rentals: upmarket units
 Average rand per month as at quarter 2013:2

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Bluff area/Durban South	R3.000	-	R3.800	-	R4.500	-	R5.000	-	WK
Durban South/Amanzimtoti/Warner Beach area	R3.250	-	R3.800	-	R4.500	-	R5.500	-	WK
Cape Town average	R3.393		R4.286		R5.671		R7.413		
Camps Bay/Clifton/Bantry Bay	R6.400	R849	R8.000	R2.121	R11.500	R3.536	R17.000	R2.828	SQ, TR
Sea Point	-	-	-	-	-	-	-	-	
Green Point/Three Anchor Bay	R5.000	R866	R5.500	R866	R7.500	R2.291	R11.750	R4.596	PF, SQ, TR
City Bowl (excluding Higgovale)	R5.200	R265	R6.033	R451	R8.933	R1.007	R12.500	R3.536	JL, SQ, TR
City Centre	R4.950	R636	R6.000	R0	R8.125	R177	R9.750	R1.061	SQ, TR
Waterfront	R5.000	-	R6.500	-	R9.000	-	R15.000	-	TR
Rondebosch/Rosebank/Claremont	R4.500	R608	R5.117	R664	R7.250	R1.256	R10.000	R0	PF, SQ, TR
Kenilworth/Wynberg/Plumstead	R4.400	R141	R4.800	R283	R6.000	R707	R8.000	R1.414	SQ, TR
Muizenberg/ Kalk Bay/ Fish Hoek	R4.375	R530	R5.000	R707	R7.600	R141	R9.500	R707	SQ, TR
Hout Bay	-	-	-	-	-	-	-	-	
Milnerton/Sanddrift	R3.525	R320	R4.050	R574	R5.225	R939	R6.750	R1.061	LA, PF, RS, TR
Tableview/Parklands	R3.388	R295	R4.000	R200	R5.000	R816	R6.667	R764	LA, PF, SQ, TR
Blouberg/Melkbos	R3.600	R265	R4.400	R141	R6.100	R566	R7.600	R566	LA, PF, TR
Athlone	R2.200	-	R3.050	-	R4.050	-	R5.050	-	TR
Mitchell's Plain	R2.650	-	R3.950	-	R4.650	-	R5.650	-	TR
Pinelands	R3.900	R141	R4.750	R354	R6.250	R354	R7.750	R354	LA, TR
Brooklyn/Rugby/Maitland	R2.983	R29	R3.433	R115	R4.367	R231	R5.400	R173	LA, SQ, TR
MonteVista/Goodwood/Parow/Bellville									
Central	R3.100	R115	R3.563	R399	R4.638	R759	R5.400	R849	LA, SQ, TR
Tyger Valley area/Durbanville	R3.067	R115	R3.850	R191	R4.963	R403	R7.500	R0	LA, PF, SF, TR
Brackenfell/Kuils River	R2.550	R370	R3.020	R295	R4.000	R354	R4.667	R289	LA, PF, SF, TR

Table 9.3 (continued)
Flat rentals: upmarket units
Average rands per month as at quarter 2013:2

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Somerset West		R289	R3.667	R289	R4.833	R577	R6.500	R1.000	GE, LA, TR
Strand	R2.667	R289	R3.500	R0	R4.667	R289	R6.000	R866	GE, LA, TR
Gordon's Bay	R2.733	R252	R3.500	R0	R4.500	R0	R5.783	R257	GE, LA, TR
Port Elizabeth average	R2.610		R3.066		R3.563		R4.320		
Summerstrand/Humewood/South End	R3.250	R354	R4.000	R283	R4.700	R283	R7.600	R1.493	JP, ZB
Walmer	R2.975	R177	R3.800	R0	R4.650	R212	R6.250	R1.061	JP, ZB
Central/North End	R2.500	-	R2.750	-	R3.250	-	R3.500	-	ZB
Newton Park	R2.675	R318	R3.075	R318	R3.450	R354	R3.800	-	JP, ZB
Westering	R2.650	R212	R3.025	R247	R3.500	R0	R3.850	-	JP, ZB
Kabega	R2.600	R141	R2.975	R177	R3.400	R141	R3.850	-	JP, ZB
Algoa Park	R1.850	-	R2.200	-	R2.500	-	R3.000	-	ZB
East London average	R2.821		R3.060		R3.493		R3.945		
Southernwood/Quigney Beach/CBD	R3.000	-	R3.400	-	R3.700	-	R4.200	-	TR
Berea	R3.250	-	R3.300	-	R3.650	-	R4.450	-	TR
Amalinda	R2.650	-	R2.950	-	R3.150	-	R3.600	-	TR
Gonubie Park	R2.450	-	R2.650	-	R3.500	-	R3.600	-	TR

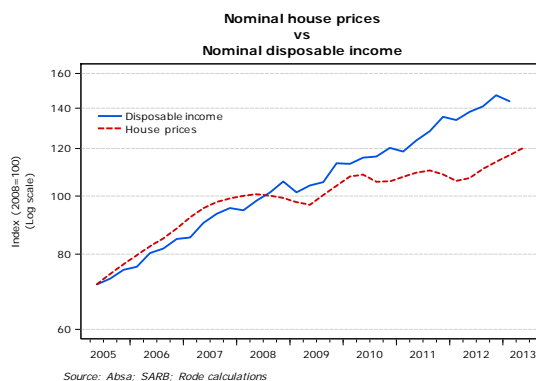
Chapter 10: House market

Drivers of house prices showing no vigour

Written by John S. Lottering

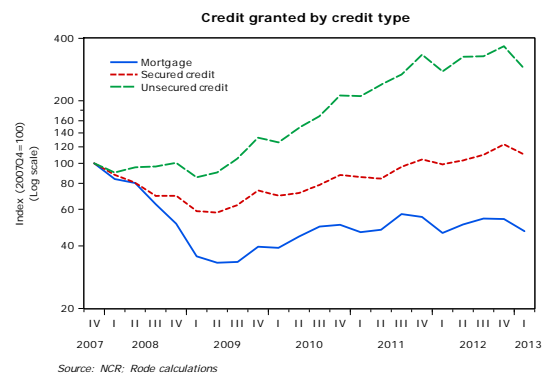
After starting off 2013 with a bang, the yearly growth in nominal house prices has in recent months tapered off. But, considering that key drivers of house prices are showing no vigour, the cooling in house price growth comes as no surprise.

In the second quarter of 2013, the official unemployment rate worsened to 26% while the growth in the disposable income of households cooled to 7%. This is compared to a year ago, when disposable incomes were growing at an unsustainable and mind-boggling rate of almost 13%.



Following the recession in 2008/2009, household disposable incomes have been able to outpace house prices, which theoretically should have made houses more affordable (see corresponding chart). But, debt-to-income levels have remained strikingly high, making low-margin lending to households less attractive to financial institutions. In fact, as the corresponding graph shows, the rand value of mortgages granted is currently almost 50% less than the value granted at the end of 2007. In

contrast, the value of unsecured loans granted has almost tripled. One explanation for this is better margins to lenders on unsecured loans relative to other types of credit.¹ A further explanation is an attempt by the lending institutions to better balance the terms of their assets (e.g. mortgage bonds, which are long) with their liabilities (e.g. deposits by the public, which are short).

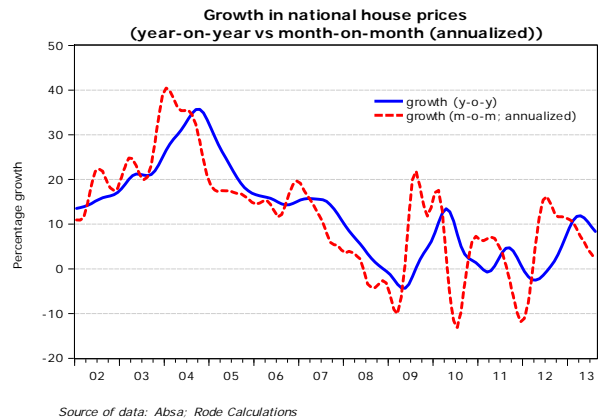


Nonetheless, according to the NCR² in the first quarter of 2013 the nominal rand value of mortgages granted showed growth of only 2%, while the number of new mortgages granted *contracted* by 6%. Thus, the more conservative lending practices of banks are a major reason for the slowdown in house prices. More evidence of conservative lending comes from the Bureau for Economic Research (BER).

¹ See Stuart Theobald's article, *The risk of unsecured lending in South Africa* available <http://www.leriba.com/insights/reports/unsecured-lending-in-south-africa/>

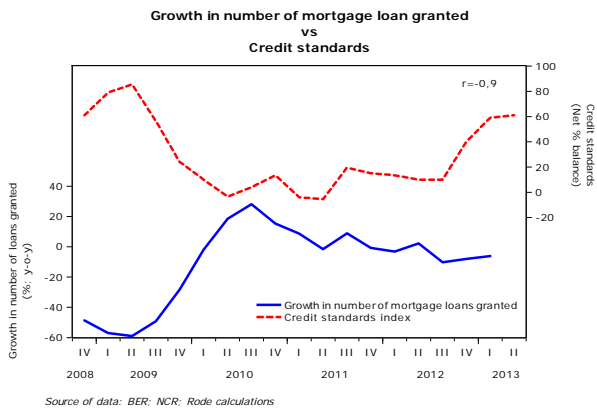
² National Credit Regulator

The BER together with Ernst & Young, surveys credit standards³ by asking the divisional heads at all the major retail banks to rate if credit standards for approving loans are 'up', 'down' or 'the same' when compared to a year earlier. To arrive at a *net % balance*, the percentage of respondents reporting 'down' is subtracted from the percentage reporting 'up'. Since mid-2010, the credit standards metric has been in a general upward trend, implying that an increasing number of respondents have reported that credit standards for granting loans are tighter. This, in turn might explain the current contraction in the number of mortgage loans granted (see corresponding graph).



Residential income yields

Tables 10.1 and 10.2 summarize the gross-income yields on houses and townhouses. As a rule of thumb, to convert gross income yields to net, the reader should deduct 1½ percentage points from gross. This deduction takes into account operating expenses such as insurance and maintenance, as well as assessment rates. Net-income yields are the residential-property equivalent of non-residential property's capitalization rates.



As for the latest trends in house prices, after heating up to a yearly growth rate of 12% in April 2012, the growth in national house prices has since cooled to 8% in August 2013. Interesting is how sharp the deceleration in the monthly growth has been. This, in itself, implies a possible further cooling in yearly growth rates.

Net yields, as determined by the market via the market value and the net market rental the property commands, can be used as a rough guide to the state of the respective segments' prospects. Thus, in a relatively efficient marketplace, the higher the yield, the worse the expected growth in income streams and/or the higher the perceived risk of the location. This is so because in these locations investors require a higher initial yield to compensate them for a poorer expected income growth or a higher potential variability of that cash flow.

This chapter is concluded by the gross-income yields tables.■

³ According to the compilers, credit standards refer to the terms of the loans and credit lines, such as maximum size, spread on loan rates over the bank's cost of funds, premiums charged on riskier loans and collateral requirements.

Table 10.1
Gross-income yields (%) of houses by price class
Quarter 2013:2

	Low	Middle	High
Eastern Cape			
Port Elizabeth			
- <i>Summerstrand/Humewood</i>	6,3%	6,2%	6,4%
- <i>Walmer (to 8th avenue)</i>	4,9%	6,6%	6,6%
- <i>Upper Walmer</i>	5,6%	5,6%	6,0%
- <i>Central / North End / Sydenham</i>	11,5%	10,0%	7,2%
- <i>Fernglen/Framesby</i>	7,4%	5,7%	6,8%
- <i>Westering</i>	8,2%	7,2%	6,7%
- <i>Algoa Park</i>	11,5%	10,2%	6,6%
- <i>Kabega</i>	10,0%	11,0%	7,7%
- <i>Malabar II</i>	12,0%	8,4%	8,0%
Uitenhage			
- <i>Uitenhage</i>	7,7%	6,8%	6,0%
Free State			
Bloemfontein			
- <i>Houses north of Mandela Blvd</i>	6,3%	5,7%	5,5%
- <i>Houses south of Mandela Blvd</i>	7,4%	6,8%	8,1%
- <i>Langenhoven Park</i>	7,8%	7,3%	6,2%
- <i>Ehrlich Park</i>	10,7%	-	-

Table 10.1 (continued)
Gross-income yields (%) of houses by price class
Quarter 2013:2

	Low	Middle	High
Gauteng			
Pretoria			
- Akasia	5,3%	4,4%	5,0%
- Pretoria North / Dorandia / Florauna	6,9%	8,0%	9,3%
- Annlin/Wonderboom/Sinoville/Montana	8,1%	6,5%	10,0%
- Die Moot / Queenswood	10,5%	9,5%	12,8%
- Eastlynne/Eersterust	9,0%	10,4%	7,5%
- Silverton / Meyerspark / La Montagne	7,0%	7,1%	6,3%
- Eastern Suburbs	6,0%	7,7%	10,0%
- Groenkloof / Brooklyn / most Waterkloofs	7,5%	10,3%	12,8%
- South Eastern Suburbs	6,7%	10,6%	14,2%
- Sunnyside	7,9%	10,7%	5,5%
- Arcadia	9,0%	9,6%	7,3%
- Pretoria Central	16,0%	12,3%	7,7%
- Pretoria West	11,7%	11,4%	10,7%
- Kwaggarand / West Park	7,7%	6,0%	7,1%
- Elandspoort/Danville	8,0%	7,6%	9,3%
Centurion			
- Kloofsig / Lyttelton Manor / Doringkloof	14,7%	12,4%	5,1%
- Clubviews/Eldoraigue	8,8%	8,5%	8,9%
- Rooihuiskraal / The Reeds	8,2%	7,8%	7,9%
- Heuweloord	8,3%	8,8%	9,7%

Table 10.2
Gross-income yields (%) of townhouses by price class
Quarter 2013:2

	Low	Middle
Eastern Cape		
Port Elizabeth		
- <i>Summerstrand / Humewood / South End</i>	6,2%	7,8%
- <i>Walmer/Charlo/Fairview/Lorraine</i>	7,2%	7,8%
- <i>Newton Park / Fernglen / Sunridge Park</i>	6,3%	7,8%
- <i>Westering / Hunter's Retreat</i>	6,5%	6,6%
- <i>Algoa Park</i>	4,3%	-
- <i>Kabega</i>	8,3%	8,5%
- <i>Malabar II</i>	11,6%	13,1%
Uitenhage		
- <i>Uitenhage</i>	9,1%	8,5%
Free State		
Bloemfontein		
- <i>Houses north of Mandela Blvd</i>	6,8%	4,6%
- <i>Houses south of Mandela Blvd</i>	7,0%	5,4%
- <i>Langenhoven Park</i>	6,9%	6,4%
Gauteng		
Benoni		
- <i>Lakefield</i>	9,6%	6,0%
- <i>Westdene</i>	9,0%	5,3%
- <i>Farrarmere</i>	9,2%	4,8%
- <i>Morehill</i>	9,6%	6,3%
- <i>Rynfield</i>	9,3%	6,0%
- <i>Northmead</i>	9,9%	11,1%
- <i>Crystal Park</i>	9,5%	9,4%

Table 10.2 (continued)
Gross-income yields (%) of townhouses by price class
Quarter 2013:2

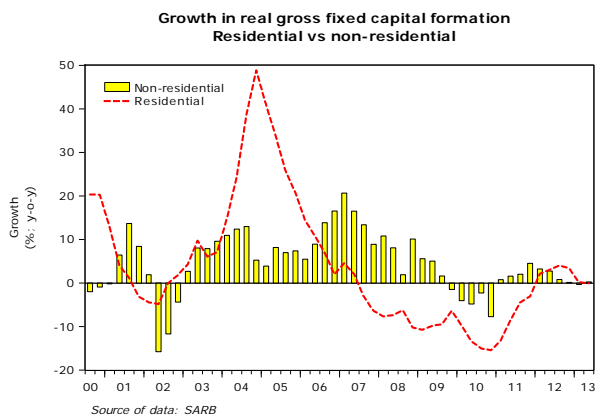
	Low	Middle
Centurion		
- <i>Pierre van Ryneveld</i>	8,1%	8,8%
- <i>Irene</i>	8,5%	12,8%
- <i>Kloofsig / Lyttelton Manor / Doringkloof</i>	8,3%	11,3%
- <i>Highveld and Extensions</i>	7,9%	8,8%
- <i>Clubviews / Eldoraigue / Wierda Park</i>	7,4%	8,9%
- <i>Rooihuiskraal / The Reeds</i>	7,2%	9,6%
- <i>Heuweloord</i>	8,3%	7,7%
- <i>Valhalla</i>	9,0%	8,3%

Chapter 11: Building activity and building costs

Mixed signals coming from the building industry

Written by John S. Lottering

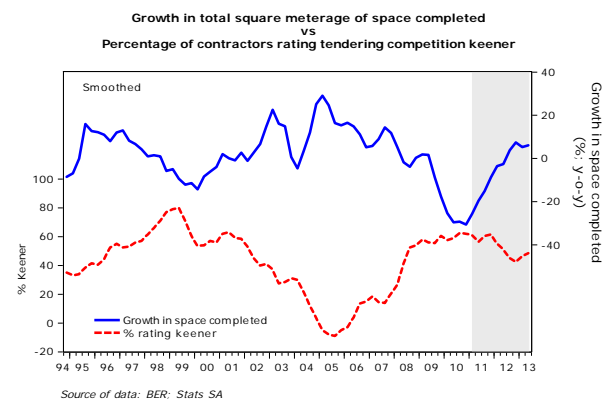
There are mixed signals coming from the building industry, implying that it might still be too early to suggest that the industry is out of the woods.



In the second quarter of 2013, the real value of both residential and non-residential buildings put in place showed no growth when compared to the same period a year earlier. When considering the square meterage of space being completed there has, however, been some growth, albeit from a very low base. In the reporting quarter, the total square meterage of space completed was up by roughly 6%. However, as **Tables 11.1** and **11.2** show, this growth has not been across all property types. For the 12-month period ended June 2013, the amount of office space completed almost doubled when compared to the same period a year earlier. In contrast, the amount of shop space completed contracted.¹ On the residential side, new flats & townhouses showed growth of 17%, while

¹ This is in contradiction to the statistics collated by Rode for *Rode's Retail Report*, which show strong growth in shopping centre completions this year.

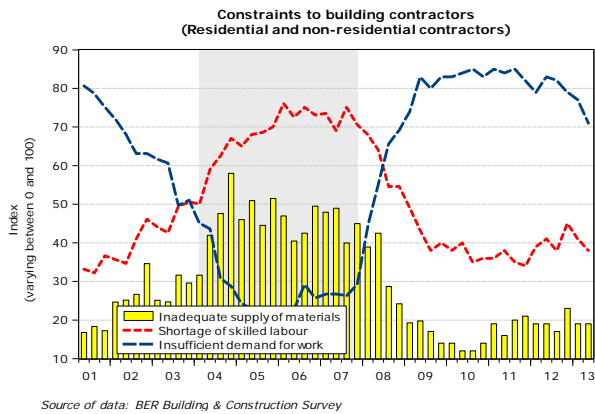
houses smaller than 80 m² and houses larger than 80 m² showed modest growth of 1% and 2% respectively. Nonetheless, the improvement in the overall amount of space being completed has seemingly led to an easing up of tendering competition among building contractors. The shaded area of the corresponding graph shows how the percentage of respondents rating tendering competition² to be keener has dropped slightly as building activity started to dig itself out of its grave.



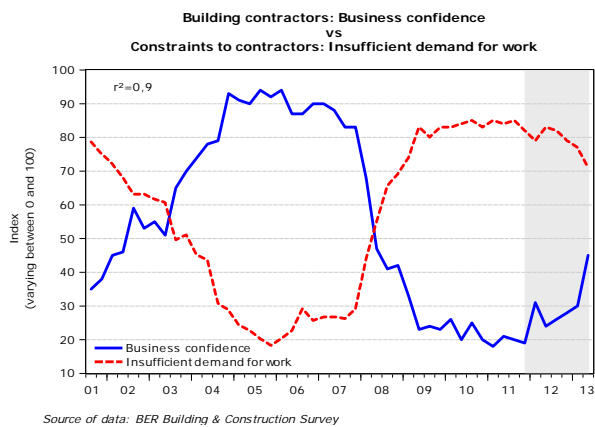
But, insufficient demand for building work remains the biggest constraint to most contractors. In one of their quarterly surveys, the Bureau for Economic Research (BER) asks a panel of residential and non-residential contractors to rate the current seriousness of three constraints, namely insufficient demand for building work, shortages of skilled labour and inadequate supply of building materials. As the graph shows, since 2009 insufficient demand for

² The Bureau for Economic Research (BER) asks a panel of residential and non-residential contractors to rate tendering competition in "up", "down" or the "same" when compared to a year ago.

work has caused contractors the most headaches. During the building-boom years (shaded area in the graph) demand for work was, naturally, not an issue. Back then it was a shortage of skilled labour.

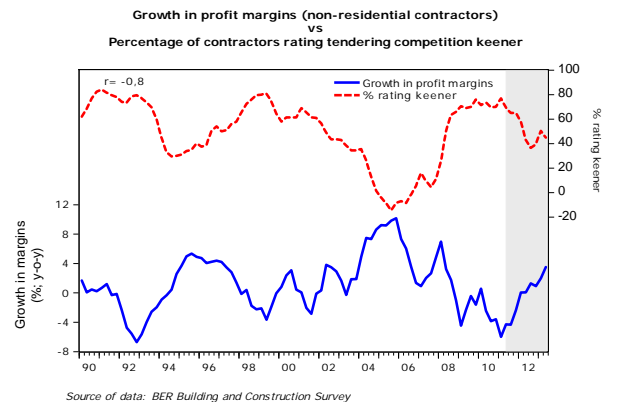


Although having improved slightly, to most contractors prevailing business conditions remain unsatisfactory. During the reporting quarter, 55% of the contractors surveyed by the BER still rated current business conditions as unsatisfactory. Naturally, confidence levels among contractors will only improve on the back of strong demand for work. The graph which follows depicts the near-perfect inverse relationship between insufficient demand for work and the sentiment levels of contractors. Note the sharp drop in sentiment levels as the lack of the demand for work started to become an issue.

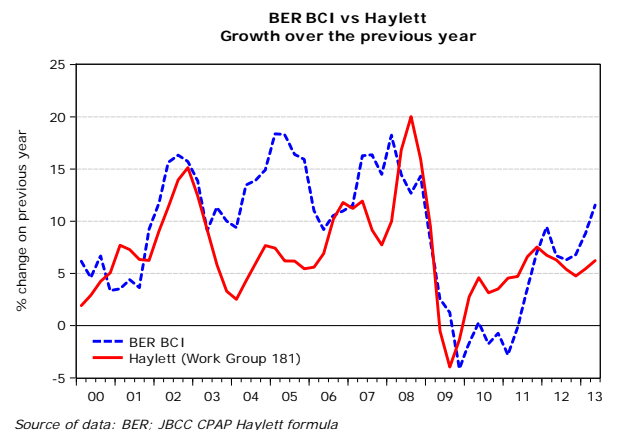


As far as building-cost inflation is concerned, the cooling in tendering compete

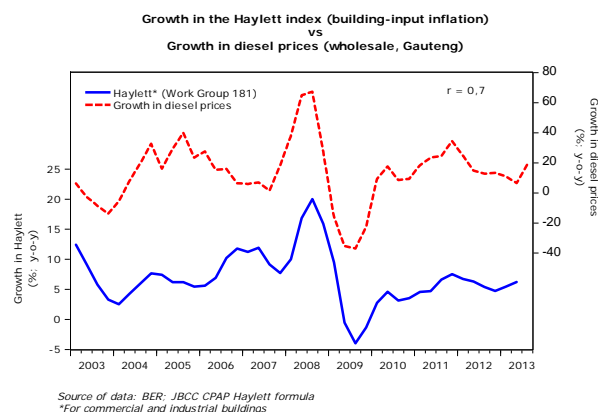
tion has allowed contractors (especially non-residential contractors) more room to stretch their profit margins. In the corresponding graph, the inverse relationship between tendering competition and contractor profit margins is shown. Note the acceleration in the growth of non-residential contractors' profit margins and tendering competition starting to ease up (see shaded area of graph).



The acceleration in the growth of profit margins might explain the current robust growth in non-residential building-cost inflation. Tentative data analysed for the second quarter of 2013 shows an annual increase of 11% in the BER Building-Cost Index. This Index includes the profit margins of building contractors. The Haylett Index — which only measures building-input prices — continued to show yearly growth (+6%) roughly in line with consumer inflation.



But, building-input prices might come progressively under more pressure as the effects of a weaker rand and higher fuel prices start to filter through to the imported prices of plant and machinery and the transport costs of building materials. Easing tendering competition among contractors might naturally make it easier for them to pass these increased costs on to their clients; the outcome of which could be more upward pressure on tender prices.

**Table 11.1****New non-residential buildings (private sector) (m²)****% change on a year earlier**

	Offices	Shopping space	Industrial buildings	Total
12 months ended June 2013 (% change on a year earlier)				
Completed	98,3%	-30,5%	-1,8%	9,3%
Plans passed	43,2%	35,4%	-7,1%	12,5%

Source of data: Stats SA

Table 11.2**New residential buildings (private sector) (m²)****% change on a year earlier**

	Houses		Flats & townhouses	Total
	Smaller than 80m ²	Larger than 80m ²		
12 months ended June 2013 (% change on a year earlier)				
Completed	0,9%	1,9%	16,6%	4,8%
Plans passed	-12,6%	9,6%	33,2%	10,9%

Source of data: Stats SA

The BER Building Cost Index (BCI) measures pre-contract non-residential prices and as such it includes the profit margin of contractors. This Index is one of the best indicators of the health of the building industry. If it accelerates faster than input costs, then contractors are stretching their profit margins, and vice versa.

The Haylett Index is a measure of all input costs in the building industry, especially material and labour costs.

Annexures

Glossary of property and related terms and abbreviations

Arithmetic mean: The most often used measure of central tendency, it is the simple average of a number of observations. Mathematically, it is equal to the sum of all values divided by the number of observations. For example, the arithmetic mean of 6 and 7 is $(6+7)/2$. The arithmetic mean of 6, 7 and 8 is $(6+7+8)/3$; and so forth. Outlier observations may unduly affect the mean. In the Rode publications all references to the mean refer to the arithmetic mean, unless otherwise specified. See also **geometric mean** and **median**.

Besa: Bond Exchange of South Africa.

BER BCI: Bureau for Economic Research Building Cost Index. Measures pre-contract non-residential building-construction prices and as such it includes the profit margin of contractors. This index is one of the best indicators of the health of the building-construction industry. If it accelerates faster than input costs (**Haylett Index**), then contractors are stretching their profit margins as a result of sufficient work, and vice versa.

Building construction: the construction of buildings like houses, office blocks, factories, shopping centres, schools, hospitals. See also **civil construction**.

Bulk: The market value of office and shopping-centre land is generally expressed as the value per **bulk** square metre. Bulk square metres refer to the gross building area (GBA) of a building.

According to *The Sapo Method for Measuring Floor Areas in Commercial and Industrial Buildings*, GBA covers: "The entire building area, but it excludes patios, plant boxes, sunscreening, escape stairs, machine rooms, parking (basements or above ground), lift motor rooms, service rooms, caretakers' flats, etc. GBA is mainly used by planning consultants in order to plan and execute a building in accordance with the permissible Floor Area Ratio (F.A.R) as derived from the zoning of the property. GBA is fixed for the life of the building but it should be noted that different local authorities may interpret the National Building Regulations, which regulate the F.A.R definition, in a slightly different manner."

Standard capitalization rate: It is the expected net operating income for **year 1**, assuming the entire building is let at open-market rentals, divided by the purchase/transaction price, normally expressed as a percentage. This calculation ignores VAT, transfer duty and income tax, and assumes a cash transaction (in contrast to a paper-based sale).

CBD: Central business district or downtown. This is an area of concentrated high economic activity. The user may want to differentiate between the metropolitan CBD (e.g. the Johannesburg CBD) and a decentralized CBD (like the Sandton CBD).

Civils: colloquial for **civil construction**.

Civil construction: the construction of

physical infrastructure like roads, bridges, dams, the laying of storm water pipes, electricity and water reticulation. See also **building construction**.

Cyclical trend: A short-term growth path of an economic variable. Normally refers to the business cycle, as distinct from a **secular trend**.

Dec: Decentralized. A Rode abbreviation. Town and regional planners differentiate between local decentralization (from the metropolitan CBD to the suburbs) and regional decentralization (to outlying areas of the country).

Deflation: Deflation occurs when prices are declining over time. This is the opposite of inflation and could be catastrophic. When the inflation rate (by some measure) is negative for a period, the economy is in a deflationary period. See also **disinflation**.

Deseasonalized: Seasonal fluctuations have been removed. In the case of retail sales, this is essential in order to be able to compare sales pertaining to different months of the year, as opposed to comparing sales of one quarter or month with the same quarter or month a year earlier.

Discount rate: The rate used to express an expected future cash stream in present-value terms. In most instances, the discount rate is equal to the **hurdle rate**. Mathematically, the hurdle rate of a property is the sum of its market **capitalization rate** and the expected constant growth rate of its cash flow in perpetuity.

Disinflation: Disinflation occurs when the inflation rate is declining over time. See also **deflation**.

Escalation rate: The rate by which a rental is hiked once a year in terms of a lease. The ruling market escalation rate

can be seen as an attempt by the market to forecast the growth in market rentals over the duration of the lease, but this attempt is obviously rarely successful. Thus it is important to differentiate between an escalated rental and a **market rental**.

Forward (income) yield: A bourse term, hence it is typically applied to listed properties. In the non-listed property market, its approximate equivalent is the **capitalization rate**. It represents the expected net income of **year 1** (the following 12 months) divided by the current price/value. It stands to reason that existing leases would largely determine the net income of **year 1**. See also **historic (income) yield**.

Fundamental value (FmV): It is a subjective value based on the investor's own, subjective forecast of rentals and maybe the investor's unique or different in-house discount rate/capitalization rate. A FmV higher than the objective market value (MV) is a buy signal to an investor.

The calculation of the FmV is especially indicated where the economy, or property market, changes gear, e.g. a secular change in inflation rate or the real-rental cycle bottoming out. These are instances where any market is notoriously poor at forecasting trends.

An alternative term is intrinsic value.

Geometric mean: A measure of central tendency calculated by multiplying the series of numbers and taking the n^{th} root of the product, where n is the number of items in the series. The geometric mean is defined only for sets of positive numbers. For example, the geometric mean of 6 and 7 is the square root of (6×7) . The geometric mean of 6, 7 and 8 is the cube root of $(6 \times 7 \times 8)$; and so forth. See also **arithmetic mean** and **median**.

Geometric mean return: It is also called the time-weighted rate of return or the average compounded rate of return. It is

calculated by taking the **geometric mean** of a portfolio's subperiod returns. Where there is a great variance in subperiod returns, this is a better return measure than the arithmetic mean return. Unlike the internal rate of return, it is not influenced by the timing and weights of money-flows.

Haylett index: A measure of the movement of all input costs in the building industry, especially material and labour costs. Designed to recompense the building contractor for in-contract rises in input costs. Official designation: JBCC CPAP Haylett Formula (Work Group 180). Does not include profit margins for contractors.

Historic or trailing (income) yield: A bourse term, hence it is typically applied to listed properties. It represents the net income of **year 0** divided by the current price/value. See also **forward (income) yield**. In a market of rising net incomes the historic yield would be expected to be lower than the forward yield.

Hurdle rate: The minimum total return (income yield plus expected capital appreciation) required by potential investors to induce them to invest in a property. Also known as the **required rate**. As such this is normally the correct rate to use when doing discounted cash flow (DCF) analyses. This is a similar concept to a company's cost of capital, and it is not to be confused with the cost of money (say, overdraft interest rate). One way of measuring the **total return** on an investment, ex post or ex ante, is the **internal rate of return** (IRR) method. See also **discount rate**.

Index: Describes the method of standardizing the base for comparative data in a **time series**, usually equating the initial measure to 100 and then expressing all other data in exact relation to that base, e.g. the index for office rentals in any year by comparison with a base-year value of 100 might stand at 90 or 110, indicating a fall or rise of 10% respectively.

Industrial-building grades:

- **Prime:** An industrial property in which space is easily lettable because it satisfies each of the following prerequisites:
 - a. Generally in a good condition;
 - b. Satisfactory macro access (i.e. access to freeway);
 - c. Satisfactory micro access (i.e. from street to building);
 - d. Proper loading facilities;
 - e. Eaves >4 m (excluding micro/ mini units);
 - f. Wide clear span of trusses (few internal pillars);
 - g. On ground level;
 - h. Adequate three-phase electrical power.

The eight conditions above are *prerequisites* for space to be considered prime. However, a building may possess additional enhancements that could improve lettable through increasing the size of the potential tenant pool.

Such enhancements could include sufficient office accommodation, adequate parking, sprinkler systems, masonry up to sill height, adequate floor loadings, roof insulation, sufficient yard space and a good location (as opposed to access).

Comparative grading of industrial and office space	
Industrial	Offices
Prime +	A
Prime	B
Prime -	C
Secondary	D

- **Secondary:** This is industrial space which is not classifiable as **prime**

because it does not satisfy all eight prerequisites for **prime** space listed above. Such space is typically old buildings or structures, which have been haphazardly renovated. It would have poor access, too little yard space or office accommodation, inadequate goods lifts, no three-phase power and obsolete electrics and ablution facilities. Such space is often (but not exclusively) found in highly urbanised areas.

Industrial park: An industrial park is a multi-tenanted complex of industrial buildings, typically surrounded by a security fence with access control and possibly some greenery.

Initial yield: The first year's expected net operating income (based on existing leases and other income reasonably expected) divided by the purchase price. Therefore the initial yield and the **capitalization rate** are only the same in those rare cases where a building is let at open-market rentals.

Internal rate of return (IRR): A performance measurement that takes cognisance of the time-value of money. Technically, it is that rate which equates the inflows with the outflows of a cash flow. Also known as the money-weighted rate of return because the timing and weights of the money-flows influence the return. See also **geometric mean return**.

JSE: JSE Securities Exchange South Africa.

Leaseback: A fully repairing and insuring lease (tenant pays all **operating costs**) for 10 years or longer (with typically 5-yearly rent reviews or fixed annual escalations) with a tenant with a strong covenant.

Lessee: A person or other entity to whom space is rented under a lease. A tenant. See also **lessor**.

Lessor: One who rents space to another

under a lease. A landlord. See also **lessee**.

Market rental: The most probable rental that a voluntary, informed and prudent **lessee** will pay a voluntary, informed and prudent **lessor** in a normal open-market (arms-length) transaction, when neither party is under any compulsion to rent or let, other than their normal desire to transact.

Market value: Market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion. Source: International Valuation Standards Committee, 2003

The MV is an objective value in that the crucial value determinants are largely derived from the marketplace. See also **price** and **fundamental value**.

Mean: See **arithmetic mean**; **median**; **geometric mean**.

Median: Midpoint of a series of observations when arranged in order of magnitude. Thus it is a measure of central tendency that divides the data set into halves. Less affected by outlier observations than the **arithmetic mean**. For example, the median of 5, 6, 7, 8, 9 is 7. And for 5, 9, 15, 16, 17, 21, 23 the median is 16. See also **geometric** and **arithmetic mean**.

Metro: Metropolitan.

MFA: Medium-Term Forecasting Associates, construction economists located in Stellenbosch.

n: Number of respondents.

N/A: Not available — fewer than two respondents.

NNN lease: Also known as a triple-net

lease. A fully repairing and insuring lease (tenant pays all operating costs). The commonest example is a Leaseback.

Office building grades defined by quality of finishes and facilities:

- Grade A: Generally not older than 10 years, unless renovated; prime location; high-quality finishes; adequate on-site parking; air-conditioning. Commands a gross market rental as indicated in the accompanying table.
- Grade B: Generally 10 to 20 years old, unless renovated; accommodation to modern standards; prime location; air-conditioning; on-site parking. Commands a gross market rental as indicated in the accompanying table.
- Grade C: Generally 20 to 30 years old, unless renovated; in fairly good condition, although finishes are not up to modern standards; good location; may have on-site parking; unlikely to be centrally air-conditioned; commands a gross market rental as indicated in the accompanying table.
- Grade D: A building reaching the end of its functional life; old and in poor condition; near the bottom of the rental rate range; typically no air-conditioning and no on-site parking; may have good location.

These grades might be further sub-divided into sub-grades, viz. A⁺, A⁻, B⁺, B⁻, C⁺ or C⁻.

Office demand: Office stock less office space vacant (space on the market for renting irrespective of whether there is still a valid lease over the space). In other words, demand is office space occupied.

Office stock: Total rentable office space.

Office take-up: Change in office demand. Where take-up is positive, it can also be called the growth in demand.

Office vacancies: This is the floor area available for leasing at any given time,

irrespective of whether there is still a valid lease over the space. Often expressed as a percentage of the stock in rentable m².

Operating costs: See **outgoings**.

Opportunity cash flow (OCF): A valuation term introduced by Rode. The OCF quantifies the amount gained or foregone by the landlord in that the property is either over rented or under rented. More precisely, for each lease and the space that such a tenant occupies, it is, until expiry of such a lease, the present value (PV) of the contractual rental less the open-market rental (as at the valuation date) escalating at the open-market escalation rate (as at the valuation date).

Outgoings (operating costs): In the case of office buildings, the following items are included under total *gross* outgoings, irrespective of who pays for these:

- Cleaning.
- Repairs & maintenance.
- Common-area electricity & water (not tenant's own).
- Security.
- Management (excluding head office overheads).
- All leasing expenses: broker's commission and in-house payroll, advertising, tenant installations & relocations (unless recovered), buy-outs, etc.
- Municipal tax.
- Insurance (fire & SASRIA). In the case of self-insurance, the market average should be included.
- Refuse & sewerage less recoverable amount.
- External & common area repairs & maintenance.
- Audit fees.

The following items are excluded:

- VAT.
- Head office overheads.
- Tenant's own electricity and water.
- Tenant installations/relocations recovered.

- Internal maintenance.
- Recoverable refuse & sewerage.

Price: The amount actually paid for an asset. Not the same as **market value**, because special circumstances may have applied when the transaction was concluded.

PLS: Property loan stock, also known as variable loan stock (VLS) (type of listed property fund).

PUT: Property unit trust (type of listed property fund).

Reit: A reit is an entity that invests primarily in real estate and qualifies for special tax status in that there is single taxation at the end-investor (not the fund) level. Source: Lehman, Robert W. & Howard, Roth S. Global Real Estate Investment Trust Report 2010: Against all odds. Ernst & Young.

Rental:

- **Basic rental (base rental** in the USA): A set amount used as a minimum rent in a lease which also employs a percentage of turnover or other allocation for additional rent.
- **Gross rental:** The *total* rental payable by the tenant, *excluding VAT*, the tenant's own electricity and water charges, but *including* other operating costs recovered by the landlord (if any), as well as promotion expenses payable by the tenant in the case of shopping centres. See also **rental, net**.
- **Net rental:** The amount payable by the tenant, excluding **VAT** and excluding operating costs recovered by the landlord (if any). See also **rental, gross**.
- **Nominal rental:** This has a dual meaning:
 - o Firstly, it refers to rentals where the analyst or valuer assumes no incentives like a **rent-free period**, free relocation, cash upfront, or

balance-of-installation allowance. It also excludes amortisation of tenant-installation costs.

o Secondly, it can also mean actual rental values (i.e. not deflated). See also **rental, real**.

- **Pioneer rental:** The highest rental actually achieved – and could be a once-off outlier deal; hence “pioneer” is not “market”. The difference between pioneer and the highest market rentals may be used as a blunt tool to gauge the prospects for market rental growth in the short term. If the differential is positive, it is an indication of growth prospects in the node. If the differential is negative, it is an indication that landlords are finding it difficult to find new tenants at the going market rental rate.
- **Real rental:** Deflated rental, typically observations (values) over time (a **time series**) from which the relevant inflation has been removed. See also **rental, nominal**.

Rent-free period: No rent is payable by the tenant for an initial portion of the term of a lease. It is offered by a landlord as a rental concession to attract tenants.

Required rate: see **hurdle rate**.

Retail price: In the context of property syndication, this means the price at which a property-holding company's shares are sold to the public or the price at which these shares trade. See also **wholesale value**.

RR: *Rode's Report on the South African Property Market*, a quarterly journal for the professional property practitioner.

Sapoa: South African Property Owners Association.

SARB: South African Reserve Bank (viz. the central bank)

Secular trend: A long-term growth path of an economic variable, around which there might be short-term (business cycle) or other fluctuations. See also **cyclical trend**.

Shopping centre configurations:

- **Mall:** Typically enclosed with common walkway between two facing strips of stores. This is the design mode for super regional, regional and most community shopping centres.
- **Strip centre:** Is an attached row of stores or service outlets managed as a coherent retail entity, with on-site parking, usually located in front of the stores. Store-fronts may be connected by open canopies, but there are no enclosed walkways linking the stores. Store configuration is either a straight line, "L" or "U" shaped. This is the design mode for most neighbourhood, convenience and value (power) centres.

Shopping centre types:

- **Super regional:** More than 100.000 rentable m² of shop space; substantial comparison-shopping; principal tenants are three or more major department stores; more than 250 shops. Examples are: Eastgate and Sandton City (Johannesburg); Menlyn Park (Pretoria); Gateway (Durban metro); Canal Walk (Cape metro).
- **Regional:** 30.000 to 100.000 rentable m² of shop space; principal tenant(s) are one or more major department stores; approximately 40 to 250 shops. Examples are: Westgate, Fourways Mall, Cresta (Johannesburg); Brooklyn Mall (Pretoria); The Pavilion (Durban metro); Sanlam Centre in Parow, Tyger Valley, Kenilworth (Cape metro); Greenacres (Port Elizabeth); Mimosa Mall (Bloemfontein); Vincent Park Shopping Centre (East London).
- **Community:** 10.000 to 30.000 rentable

m² of shop space; principal tenant is typically a variety store (e.g. Clicks) or a discount department store (e.g. Dion or

Game); approximately 30 to 60 shops. Examples are: Sunnypark (Pretoria); Musgrave Centre (Durban); Middestad Mall in Bellville, Meadowridge, Goodwood Mall, Constantia Village (Cape metro); Constantia Centre (Port Elizabeth); Brandwag Centre (Bloemfontein); Beacon Bay Retail Park (East London).

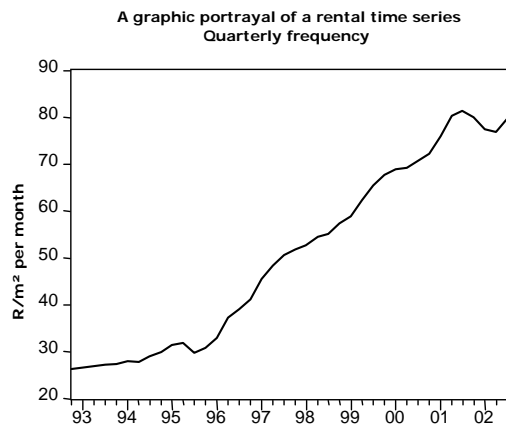
- **Neighbourhood:** 3.000 to 10.000 rentable m² of shop space; principal tenant is a supermarket; 15 to 40 shops.
- **Convenience:** 300 to 1.200 rentable m² of shop space; principal tenant is a café or grocer like Kwik Spar; 5 to 15 shops.
- **Retail warehouse:** Stand-alone; single tenant; >10.000m²; air-conditioned, no ceiling, warehouse-like finishes, e.g. Makro, Hypermarket, Game, Dion.
- **Value centre:** Multi-tenanted strip centre; >10.000m²; warehouse type finishes in order to deliver lower prices to consumers.

Smoothing: Removal of shorter-term fluctuations in a **time series**, by e.g. moving averages, exponential smoothing, or curve fitting.

Standard deviation (SD): A measure of dispersion in a set of data. For instance, assume a normal distribution of observations and a **mean** of R10 and an SD of R1,50. This means there is a 68% chance the values will lie between $R10 - R1,50 = R8,50$ and $R10 + R1,50 = R11,50$.

Stats SA: Statistics South Africa, South African government's statistics department. Previously known as Central Statistical Services (CSS) and even earlier as the Department of Statistics.

Time series



A set of observations for the same variable at different times (see graph). The intervals or frequencies may be of any length, e.g. years or quarters for national-income or property data, monthly for prices, and weekly, daily, or even minute-by-minute for stock exchange prices.

Total return: Normally measured over a year, in which case it is the income yield for the applicable year (net income in **year 1** divided by the purchase price or value in **year 0**) plus the change in capital value over that year. Also known as the combined return because it combines the income yield and capital return in one measure.

Triple-net lease: see **NNN lease**.

VAT: value-added tax.

Wholesale value: In the context of property syndication, this means the estimated price that a share or shares of a syndicated property-holding company would fetch (excluding winding-up costs) should the holding company be dissolved and the underlying property sold as a normal, non-syndicated property. See also **retail price**.

Year-growth: Percentage by which figures have changed compared to the same month, quarter or year of the previous year.

Year 0: Refers to the year ended at the present time.

Year 1: Refers to the period from **year 0** to the end of the first year thereafter.

References:

1. International Council of Shopping Centres
2. Sapo
3. Bureau of Market Research, University of South Africa
4. International Valuation Standards Committee, 2003

Technical background to the Rode surveys

Rode has been surveying the crucial variables of the property market in South Africa since the beginning of 1988 using the expert-panel method. Broadly speaking, the researcher has two potential approaches available to him. These are:

- Track actual transactions, like the rental levels of lettings or the capitalization rates at which sales are concluded. Valuers (appraisers) call these 'comparables'.
- The expert-panel method of surveying, in which the surveyor regularly asks *the same* individual members of the panel for their expert *opinions*, which in turn will of course be based on actual deals of which the panellists are aware.

The cons of tracking actual transactions are:

- A paucity of transactions in most nodes, making statistical inferences impossible.
- Hence the danger of relying on outlier data (mainly the result of small samples)
- Dated transactions
- The cost
- The unwillingness of the parties to report the details of individual deals.

In contrast, through the expert-panel method of research, most of the above cons of the actual-transactions approach are addressed through opinion surveys. This results in cheaper, more accurate and timely information. Sample size is still (and will always be) a problem in some of the less active nodes, but to a lesser extent.

Below we give the reader some insight in our survey approach to determine the levels of the various property variables:

Capitalization rate: The Rode capitalization rate panel consists of two categories of panellist — major owners, and leading investment brokers who know their market segments intimately. This means that the latter's knowledge is based on actual sales. The question put to these carefully chosen panellists is:

Owners: "In your opinion, what is presently the capitalization rate at which your organization is equally happy to buy or sell the properties in the cities below? (Assume a typical location and a cash sale, rather than paper.). For leasebacks, assume the escalation rate reported by you in this questionnaire."

Brokers: "In your opinion, what is presently the most prevalent capitalization rate at which the following properties are sold/bought in the cities indicated below (assume a cash sale rather than paper)? For leasebacks, assume the escalation rate reported by you in this questionnaire."

Escalation rate (for industrial leasebacks). The question put to the panellists is:

Owners: "In your opinion, what is the current prevalent (i.e. most often achieved) market escalation rate for prime industrial leasebacks (assume the market capitalization rate you provided in this questionnaire)?"

Brokers: "In your opinion, what is the current *prevalent* (i.e. most often achieved)

market escalation rate for prime industrial leasebacks (assume the market capitalization rate you provided in this questionnaire)?"

Hurdle rate: The question put to landlord panellists is:

"In your opinion, what is presently the *minimum* expected internal rate of return or hurdle rate (%) at which your organization will acquire the following property types in the cities indicated on the right. (Assume a time horizon of 5 years)?"

The question is asked in respect of three property types: office buildings, industrial leasebacks and regional shopping centres.

Respondents are asked to supply two hurdle rates, one rate for "buy" and one rate for "develop on spec".

Office rentals: The Rode office rental survey asks respondents to supply average market rentals by grade (grades A+, A, B & C) for a specific office node.

The question put to the panellists is:

"In your opinion, what is presently the nominal gross *achievable/market* rental (not asking rent, not escalated contractual rents, not exceptional deals) per rentable m² excluding VAT?" The questionnaire also asks for the typical rent-free period in months, the gross current-year operating costs per rentable m² and the predominant escalation rate on net & gross rentals, and operating costs.

'Nominal' rental means the panellist has to assume no incentives like a rent-free period.

We ask the panellists to assume office lettings of 250m² in the case of grades A+, A & B and 150m² in the case of grade C

(150m² in smaller towns for all office grades); occupation within 3 months, a lease period of 4 years and an average position within the building.

Land values: The question put to developers or brokers is:

Office bulk: In your opinion, what is the market value (R/bulk m²)* of a vacant stand with an average location in the following nodes?

- a. The bulk that is legally permissible and economically viable.

Shopping centre bulk: In your opinion, what is the market value (R/bulk m²)^a of vacant stands appropriately zoned^b and with the necessary bulk for the following shopping centres?

- a. The bulk that is legally permissible and economically viable.
- b. Assume that these stands are ready for construction and that the major external infrastructure investments that municipalities normally force the developer to pay for are already in place. That is, external roads, off-ramps, bridges, new electrical substations, and the like, are in place.

Filling-station land: In your opinion, what is the market value of an average-sized, filling station site^a, with a pump-potential of 350.000 litres per month?

- a. Site is defined as the unimproved land, with services to its borders, and appropriately zoned.

Industrial rentals: The question put to panellists is:

"In your opinion, what are the current gross *achievable/market* rentals per m² for prime industrial buildings for the townships and

lease sizes indicated below?"

Respondents are asked to assume that the office portion (if any) is less than 10% of the total area. The assumed floor area sizes are: 250m², 500m², 1.000m², 2.500m² and 5.000m². Respondents are also asked to fill in their vacancy estimate for prime industrial space, using a scale of 0 to 9. See the table below for detail on the vacancy scale.

Vacancy scale for industrial townships									
	<10%			10 – 20%			>20%		
0	1	2	3	4	5	6	7	8	9
Nil	Low			Medium			High		

Thus, the reported vacancies do not represent percentages.

Industrial land values: The question put to panellists is:

"In your opinion, what are the current

market values per m² for vacant, serviced levelled land in the townships and for the stand sizes indicated below? Where land is only leased, provide the rent per m² per month. Exclude transfer costs and VAT. Provided you are well informed, please give us your opinion even though you might not have concluded a sale for the exact sizes shown in the spreadsheet attachment."

The information is required for stand sizes of 1.000m², 2.000m², 5.000m² and 10.000m².

Flat rentals: The question put to panellists is:

"In your opinion, what are the current market rentals (not asking rent) for new lettings for uncontrolled standard and upmarket flats in the following categories and areas? The rental data required is for unfurnished flats, excluding water and electricity. Parking is typically included."

Respondents are asked to provide rentals for bachelor, 1-, 2- and 3-bedroom units. Note that the flat rentals are not quoted per m².



How to interpolate industrial rental rates and land values

The industrial rental and land value tables in the body of the *RR* contain regression equations in natural log (ln) form in order to allow the reader to interpolate rental rates or industrial land values for area sizes other than those given in the tables. (All references below are to the industrial rental tables. However, they also apply *mutatis mutandis* to the industrial land value table.)

The regression equations are in natural log (ln) form because the relationship between the rental rates and area sizes leased, is curvilinear. This means that the rental rate for area sizes other than those quoted cannot be calculated by straight linear interpolation. In order to calculate the rental rate for an area size other than those quoted, use the following equation from the tables:

$\ln Y = a + b(\ln X)$ where:

$\ln Y$ = the natural log of the rental rate, i.e. the value which we want to calculate. $\ln X$ = the natural log of the applicable floor area in m² for which we want to calculate the market rental rate.

Note that a and b are given in the table. The coefficient of determination r^2 is an indication of the goodness of fit of the curve, i.e. how much confidence we can put

in the interpolation we want to perform. An r^2 close to 1 is a good fit.

An example:

Interpolate a rental rate for an area size other than those quoted in the table — e.g. for an area of 750 m². Use your financial calculator and proceed as follows:

Assume the following equation:

$$\ln Y = 3,8855 - (0,2263(\ln X))$$

where $X = 750 \text{ m}^2$.

Step 1:

Calculate the natural log of X, viz. the floor area for which you want to interpolate the market rental rate. The natural log of a floor area of 750 m² is 6,6201 (use the ln key of your financial calculator).

Thus:

$$\begin{aligned} \ln Y &= 3,8855 - (0,2263(6,6201)) \\ &= 3,8855 - 1,4981 \\ &= 2,3874 \end{aligned}$$

Step 2:

In order to calculate Y, get the exponential of $\ln Y$ (viz. of 2,3874) by using the e^x key on your financial calculator. The answer is R10,89 per m². ■

Approximate building cost rates as at July 2013

Source: *Property and construction handbook*, Davis Langdon, an AECOM company.

The following, unless otherwise stated, is a list of approximate building cost rates per m² of construction area for various building types in the Gauteng region. The rates represent the average expected building cost rates for 2013. It is stressed that these rates are purely of an indicative nature and should be used with circumspection, as they are dependent upon a number of assumptions.

The area of the building expressed in m² is equivalent to the 'Construction Area' where appropriate, as defined in the 'Method for Measuring Floor Areas in Buildings, First Edition' (effective from 1st August 2005), published by the South African Property Owners Association (SAPOA).

It is recommended that a quantity surveyor be consulted to calculate a more accurate replacement value of a building, which can be updated thereafter using the BER Building Cost Index.

The rates below **include** P & G but **exclude** in-contract escalations, professional fees and VAT. For the calculation of replacement costs, for insurance purposes, the following should also be **included**:

- An allowance for demolition costs;
- Professional fees;
- In-contract building cost escalation (Haylett);
- Loss of interest;
- An escalation of the contract price to the end of the insurance period; and
- Loss of income.

Building type

Rates include the cost of appropriate building services, e.g. air-conditioning, electrical, etc. but exclude costs of site infrastructure development, parking, any future escalation, professional fees and VAT.

Offices

1.	Low-rise office park development with standard specification	/m ²	R5.800 – R7.100
2.	Low-rise prestigious office park development	/m ²	R7.500 – R11.200
3.	High-rise tower block with standard specification	/m ²	R8.300 – R11.200
4.	High-rise prestigious tower block	/m ²	R11.200 – R14.000

Note: Office rates exclude parking and include appropriate tenant allowances incorporating carpets, wallpaper, louvre drapes, partitions, lighting, air-conditioning and electrical reticulation.

Parking

1.	Parking on grade including integral landscaping and ground preparation	/m ²	R400 – R500
2.	Structured parking	/m ²	R3.100 – R4.000
3.	Parking in semi-basement	/m ²	R3.100 – R4.200
4.	Parking in basement	/m ²	R3.400 – R5.100

Retail

1.	Local Convenience centre (not exceeding 5.000m ²)	/m ²	R5.800– R7.600
2.	Neighbourhood centres (5.000 – 12.000m ²)		
3.	Community centres (12.000 – 25.000m ²)	/m ²	R6.300– R8.100
3.		/m ²	R6.900 – R8.800
4.	Minor regional centres (25.000 – 50.000m ²)	/m ²	R7.600 – R9.400
5.	Regional centres(50.000 – 100.000m ²)	/m ²	R8.100 – R9.900
6.	Super regional centres (exceeding 100.000m ²)	/m ²	R8.500 – R11.000

Note: The above rates include the cost of tenant requirements and specifications of national chain stores. Retail costs vary considerably depending on the tenant mix and sizing of the various stores.

Industrial

1.	Industrial warehouse including, office and change facilities within structure area (architect/engineer-designed):		
1.1	Steel frame, steel cladding and roof sheeting	/m ²	R2.800 – R4.200
1.2	Steel frame, brickwork to ceiling, steel cladding above and roof sheeting	/m ²	R3.400 – R4.700
1.3	Administration offices, ablution and change room block	/m ²	R5.400 – R6.800
1.4	Cold storage facilities	/m ²	R10.000 – R14.300

Residential

1.	Site services to low cost housing stand (250 – 350m ²)	/no	R24.900 – R38.100
2.	RDP housing	/m ²	R1.400 – R1.600
3.	Low-cost housing	/m ²	R2.200 – R3.600

4.	Simple low-rise apartment block	/m ²	R5.300 – R7.400
5.	Duplex townhouse — Economic	/m ²	R5.300 – R7.500
6.	Prestige apartment block	/m ²	R10.100 – R15.700
7.	Private dwelling houses:		
	• Economic	/m ²	R3.800
	• Standard	/m ²	R5.200
	• Middle Class	/m ²	R6.100
	• Luxury	/m ²	R8.800
	• Exclusive	/m ²	R13.000
	• Exceptional ('Super luxury')	/m ²	R20.100 – R40.300
8.	Outbuildings	/m ²	R2.200 – R3.800
9.	Carport (shaded):		
	• Single	/no	R3.300
	• Double	/no	R6.300
10.	Carport (covered):		
	• Single	/no	R5.100
	• Double	/no	R9.300
11.	Swimming pool		
	• Not exceeding 50kl	/no	R67.800
	• Exceeding 50kl and not exceeding 100kl	/no	R67.800 – R112.000
12.	Tennis court		
	• Standard	/no	R242.000
	• Floodlit	/no	R315.000

Hotels

1.	Budget	/key	R557.000 – R869.000
2.	Mid-scale	/key	R1.166.000 – R1.537.000
3.	Luxury	/key	R1.977.000 – R2.719.000

Note: Hotel rates exclude allowances for furniture, fittings and equipment (FF&E).

Studios

1.	Studios: dancing, art exhibitions, etc.	/m ²	R10.000 – R14.300
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Conference Centres

1.	Conference centre to international standards	/m ²	R18.000 – R23.300
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Retirement Centres

1.	Dwelling house		
	• middle class	/m ²	R5.900
	• luxury	/m ²	R8.300
2.	Apartment block		
	• middle class	/m ²	R6.100
	• luxury	/m ²	R9.500
3.	Community centre		
	• middle class	/m ²	R8.000
	• luxury	/m ²	R11.800
4.	Frail care	/m ²	R9.500

Schools

1. Primary school	/m ²	R5.100 – R6.400
2. Secondary school	/m ²	R5.400 – R7.100

Stadiums

1. Stadiums to PSL standards	/seat	R24.400 – R38.200
2. Stadiums to FIFA standards	/seat	R56.200 – R75.300
3. Stadium pitch to FIFA standards		R15.900.000 – R19.080.000

Prisons

1. 1 000 Inmate prison	/inmate	R424.000 – R451.000
2. Mid-scale	/inmate	R451.000 – R504.000
3. Luxury	/inmate	R673.000 – R901.000

Building services

The following rates are for building services (mechanical and electrical) applicable to typical building types in the categories indicated. Rates are dependent on various factors related to the design of the building and the requirements of the system.

In particular, the design, and therefore the cost of air conditioning, can vary appreciably depending on the orientation, shading, extent and type of glazing, external wall and roof construction, etc.

Electrical installation

1. Office buildings — standard installation	/m ²	R375 – R625
2. Office buildings — sophisticated installation	/m ²	R500 – R850
3. Office buildings – UPS, substations, standby generators	/m ²	R275 – R375
4. Residential	/m ²	R400 – R625
5. Shopping centres	/m ²	R600 – R750
6. Hotels	/m ²	R750 – R950
7. Hospitals	/m ²	R900 – R1.175

Building services**Electronic installation**

1. Offices - standard installation	/m ²	R400 – R500
2. Offices – sophisticated installation	/m ²	R500 – R650
3. Residential	/m ²	R220 – R300
4. Shopping centres	/m ²	R475 – R650
5. Hotels	/m ²	R425 – R550
6. Hospitals	/m ²	R425 – R575

Fire protection installation (offices)

1. Sprinkler system, including hydrants and hose reels (excluding void sprinkler)	/m ²	R160 – R260
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Air-conditioning installation

1. Ventilation to parking/services areas	/m ²	R200 – R350
2. Office buildings: console units	/m ²	R500 – R750

3.	Office buildings: console/split units	/m ²	R500 – R800
4.	Office buildings: package units	/m ²	R800 – R1.050
5.	Office buildings: central plant	/m ²	R1.000 – R1.500
6.	Office buildings: Variable Refrigerant Flow (VRF)	/m ²	R850 – R1.500
7.	Residential: split units	/m ²	R800 – R1.300
8.	Shopping centres: split units	/m ²	R750 – R850
9.	Shopping centres: package units	/m ²	R800 – R950
10.	Shopping centres: evaporative cooling	/m ²	R400 – R800
11.	Hotels: public areas	/m ²	R1.200 – R2.000
12.	Hospitals: split units to wards	/m ²	R1.500 – R1.700
13.	Hotels: console units	/key	R14.000 – R18.500
14.	Hotels: split units	/key	R20.000 – R30.000
15.	Hotels: central plants	/key	R40.000 – R60.000
16.	Hospitals: operating theatres	/theatre	R250.000 - R750.000

Notes

1. Regional variations: Construction costs normally vary between the different provinces of South Africa. Costs in the Western Cape and KwaZulu-Natal, specifically upper class residential, for example, are generally significantly higher than Gauteng due to the demand for this accommodation. Rates have therefore been based on data received from the Gauteng province, where possible. However, specific costs for any region can be given upon request from any Davis Langdon office in that region.
2. Value added tax (VAT): As the majority of developers are registered vendors in the property industry, any VAT paid by them on commercial property development is fully recoverable. Therefore to reflect the net development cost, VAT has not been allowed for in the above rates. Should the gross cost (i.e. after VAT inclusion) be required, then VAT at the ruling rate (currently 14%) should be added to all the above rates.

Cognisance should be taken however, of the effect of VAT on cash flow over a time period. This will vary according to the payment period of the individual vendor but in all cases will add to the capital cost of the project to the extent of interest on the VAT outstanding for the VAT cycle of the particular vendor.
3. For guidance with regard to the cost of buildings rated under the Green Star South Africa rating tool system, see the latest edition of the Davis Langdon publication entitled "Quick Guide to Green Design Attributes."

Monthly forecast of in-contract building costs (Haylett formula)

Work group 180 Lump Sum Domestic Buildings (February 1991 = 100)

Forecast from: May 2013 Forecast date: June 2013

Month	2011		2012		2013		2014		2015		2016		2017	
	Index	% ch	Index	% ch	Index	% ch	Index	% ch	Index	% ch	Index	% ch	Index	% ch
Jan	397,7	3,6	422,9	6,3	447,3	5,8	491,3	9,8	533,6	8,6	568,9	6,6	594,6	4,5
Feb	401,3	4,1	427,3	6,5	450,0	5,3	495,9	10,2	538,2	8,5	572,0	6,3	597,2	4,4
Mar	406,5	5,0	429,5	5,7	456,5	6,3	501,2	9,8	542,9	8,3	575,8	6,1	600,7	4,3
Apr	407,4	5,0	431,1	5,8	459,5	6,6	503,0	9,5	543,6	8,1	573,9	5,6	598,3	4,2
May	407,5	4,2	432,7	6,2	458,0	5,8	505,1	10,3	545,3	8,0	574,4	5,3	599,1	4,3
Jun	409,5	4,4	434,2	6,0	464,8	7,1	511,6	10,1	550,0	7,5	580,4	5,5	606,1	4,4
Jul	413,4	5,6	436,9	5,7	468,0	7,1	513,8	9,8	551,3	7,3	580,7	5,3	607,5	4,6
Aug	414,2	5,9	436,9	5,5	474,3	8,6	519,7	9,6	554,4	6,7	582,2	5,0	608,9	4,6
Sep	415,9	6,2	438,2	5,4	478,4	9,2	522,7	9,3	557,8	6,7	584,3	4,8	611,5	4,6
Oct	417,3	6,3	439,5	5,3	481,5	9,6	524,7	9,0	560,7	6,9	586,8	4,7	614,8	4,8
Nov	419,2	6,5	441,4	5,3	484,8	9,8	528,1	8,9	563,2	6,6	589,2	4,6	617,4	4,8
Dec	420,7	6,6	442,9	5,3	486,3	9,8	529,7	8,9	564,3	6,5	590,3	4,6	618,6	4,8
AVG.	410,9	5,3	434,5	5,7	467,4	7,6	512,2	9,6	550,4	7,5	579,9	5,4	606,2	4,5

Note: New weighting structures were introduced in 2003. Consequently, all indices were revised back to January 2002

Source:

This table is an extract of the Building Cost Report of Medium-Term Forecasting Associates, P O Box 7119, Stellenbosch, 7600, Tel. 0218838152, and is published with their permission.

Absa home building-cost index

2000 = 100

Quarter	Index	% change on previous year	Quarter	Index	% change on previous year
1998:1	79,7	14,8%	2005:4	204,2	13,3%
1998:2	82,3	15,8%	2006:1	208,4	12,2%
1998:3	83,5	12,8%	2006:2	211,6	10,1%
1998:4	84,0	9,1%	2006:3	219,7	10,9%
1999:1	84,2	5,7%	2006:4	227,1	11,2%
1999:2	86,6	5,2%	2007:1	230,8	10,8%
1999:3	89,4	7,1%	2007:2	236,7	11,9%
1999:4	92,2	9,7%	2007:3	240,1	9,2%
2000:1	96,1	14,1%	2007:4	244,9	7,9%
2000:2	99,4	14,8%	2008:1	253,5	9,8%
2000:3	101,5	13,5%	2008:2	256,2	8,2%
2000:4	103,0	11,7%	2008:3	258,8	7,8%
2001:1	105,3	9,5%	2008:4	261,8	6,9%
2001:2	107,5	8,1%	2009:1	264,2	4,2%
2001:3	111,4	9,7%	2009:2	273,1	6,6%
2001:4	116,0	12,6%	2009:3	277,5	7,2%
2002:1	118,9	13,0%	2009:4	277,7	6,1%
2002:2	122,1	13,6%	2010:1	286,8	8,5%
2002:3	126,7	13,8%	2010:2	294,4	7,8%
2002:4	131,8	13,7%	2010:3	296,2	6,7%
2003:1	137,3	15,5%	2010:4	302,0	8,8%
2003:2	143,1	17,2%	2011:1	303,0	5,6%
2003:3	149,0	17,6%	2011:2	302,7	2,8%
2003:4	156,4	18,7%	2011:3	312,5	5,5%
2004:1	163,8	19,3%	2011:4	318,7	5,5%
2004:2	170,2	18,9%	2012:1	319,1	5,3%
2004:3	175,3	17,6%	2012:2	320,3	5,8%
2004:4	180,2	15,2%	2012:3	322,6	3,2%
2005:1	185,8	13,4%	2012:4	327,5	2,8%
2005:2	192,1	12,9%	2013:1	335,4	5,1%
2005:3	198,2	13,0%	2013:2	342,6	7,0%

Source: ABSA. Calculated from Absa home mortgage data, viz. value of houses to be built divided by number of m².

BER Building Cost Index (non-residential tender prices)

2005=100

	First quarter	Second quarter	Third quarter	Fourth quarter	Average
2007	113,9	132,8	122,9	138,4	127,0
% ch	10,6	21,6	11,2	17,6	15,3
2008	135,4	147,0	141,2	157,5	145,3
% ch	18,9	10,6	14,9	13,8	14,4
2009	138,7	151,0	140,9	145,6	144,0
% ch	2,4	2,7	-0,2	-7,6	-0,9
2010	145,7	144,8	142,0	142,4	143,7
%ch	5,1	-4,1	0,8	-2,2	-0,2
2011	140,8	149,2	147,8	156,7	148,6
%ch	-3,4	3,0	4,1	10,0	3,4
2012	153,3	156,1	159,6	165,6	158,7
%ch	8,9	4,6	8,0	5,7	6,8
2013	171,8	173,3			
%ch	12,2	11,0			

Source:

This table is an extract of the *Building Cost Report* of Medium-Term Forecasting Associates, P O Box 7119, Stellenbosch, 7600, Tel, 0218838152, and is published with their permission,

The last few months are always subject to change,

Prime overdraft rate at month-end (%)

(proxy for trends in mortgage rates*)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
1990	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0
1991	21,0	21,0	21,0	20,0	20,0	20,0	20,0	20,0	20,0	20,3	20,3	20,3	20,3
1992	20,3	20,3	20,3	19,3	19,3	19,3	18,3	18,3	18,3	18,3	17,3	17,3	18,8
1993	17,3	16,3	16,3	16,3	16,3	16,3	16,3	16,3	16,3	16,3	15,3	15,3	16,2
1994	15,3	15,3	15,3	15,3	15,3	15,3	15,3	15,3	16,3	16,3	16,3	16,3	15,6
1995	16,3	17,5	17,5	17,5	17,5	17,5	18,5	18,5	18,5	18,5	18,5	18,5	17,9
1996	18,5	18,5	18,5	19,5	20,5	20,5	19,5	19,5	19,5	19,3	20,3	20,3	19,5
1997	20,3	20,3	20,3	20,3	20,3	20,3	20,3	20,3	20,3	19,3	19,3	19,3	20,0
1998	19,3	19,3	18,3	18,3	18,3	22,3	24,0	25,5	25,5	24,5	23,5	23,0	21,8
1999	22,0	21,0	20,0	19,0	19,0	18,0	17,5	16,5	16,5	15,5	15,5	15,5	18,0
2000	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5
2001	14,5	14,5	14,5	14,5	14,5	13,8	13,5	13,5	13,5	13,0	13,0	13,0	13,8
2002	14,0	14,0	15,0	15,0	15,0	16,0	16,0	16,0	17,0	17,0	17,0	17,0	15,8
2003	17,0	17,0	17,0	17,0	17,0	15,5	15,5	14,5	13,5	12,0	12,0	11,5	15,0
2004	11,5	11,5	11,5	11,5	11,5	11,5	11,5	11,0	11,0	11,0	11,0	11,0	11,3
2005	11,0	11,0	11,0	10,5	10,5	10,5	10,5	10,5	10,5	10,5	10,5	10,5	10,6
2006	10,5	10,5	10,5	10,5	10,5	11,0	11,0	11,5	11,5	12,0	12,0	12,5	11,2
2007	12,5	12,5	12,5	12,5	12,5	13,0	13,0	13,5	14,0	14,0	14,0	14,5	13,2
2008	14,5	14,5	14,5	15,0	15,0	15,5	15,5	15,5	15,5	15,5	15,5	15,0	15,1
2009	15,0	14,0	13,0	13,0	11,0	11,0	11,0	10,5	10,5	10,5	10,5	10,5	10,8
2010	10,5	10,5	10,0	10,0	10,0	10,0	10,0	10,0	9,5	9,5	9,0	9,0	9,8
2011	9,0	9,0	9,0	9,0	9,0	9,0	9,0	9,0	9,0	9,0	9,0	9,0	9,0
2012	9,0	9,0	9,0	9,0	9,0	9,0	8,5	8,5	8,5	8,5	8,5	8,5	8,7
2013	8,5	8,5	8,5	8,5	8,5	8,5	8,5	8,5	8,5	8,5	8,5	8,5	8,7

Source: SARB

* Average mortgage rates for new bonds are, on average, below the prime overdraft rate. Individual mortgage rates will depend on the creditworthiness of the mortgagor.

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