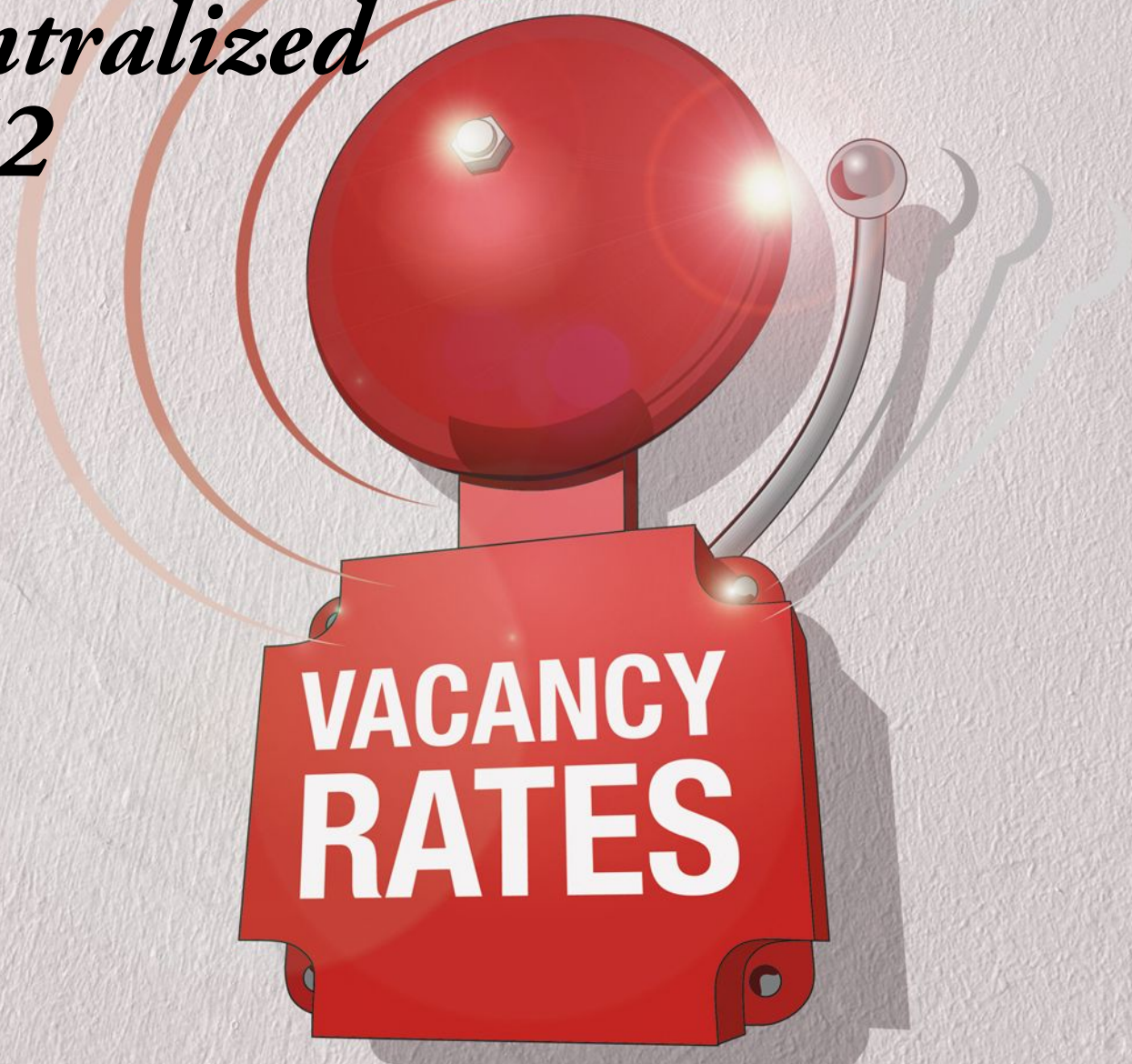


**Rode** *Publications*

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# *Rode's Report 2013:1*

## *Alarm bells ringing in Pretoria decentralized – p 42*



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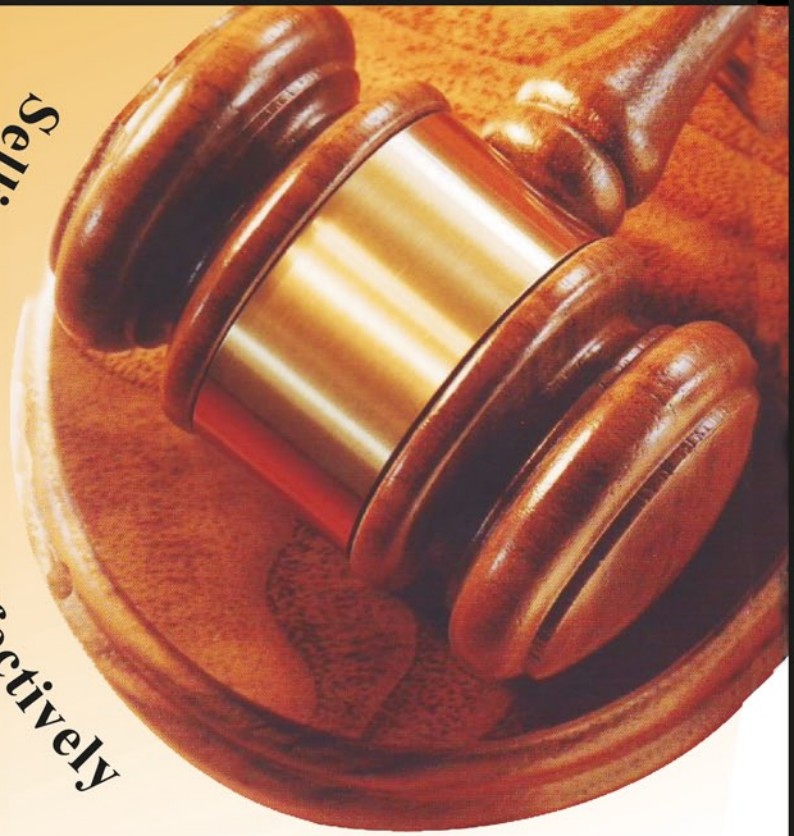
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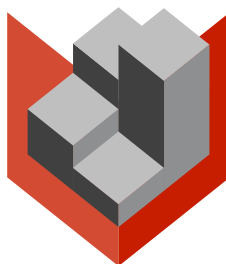
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## ***on the South African Property Market***

### ***2013:1***

Vol. 24 no. 1



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(editor-in-chief)

**John S. Lottering**  
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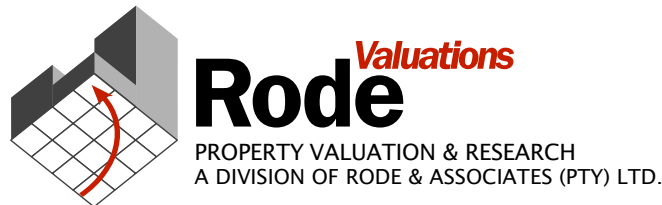
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As one of South Africa's largest valuation firms, *Rode* annually values property portfolios which include shopping centres, agricultural property, residential, commercial and industrial property. *Rode* also undertakes municipal property valuations, 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
- Producing long-term forecasts of property values in South Africa
- Analysing the property market in Bloemfontein and other Free State towns
- Acting as expert witness in arbitration and litigation
- Consulting for spatial and development planners and economists.





# Rode Publications

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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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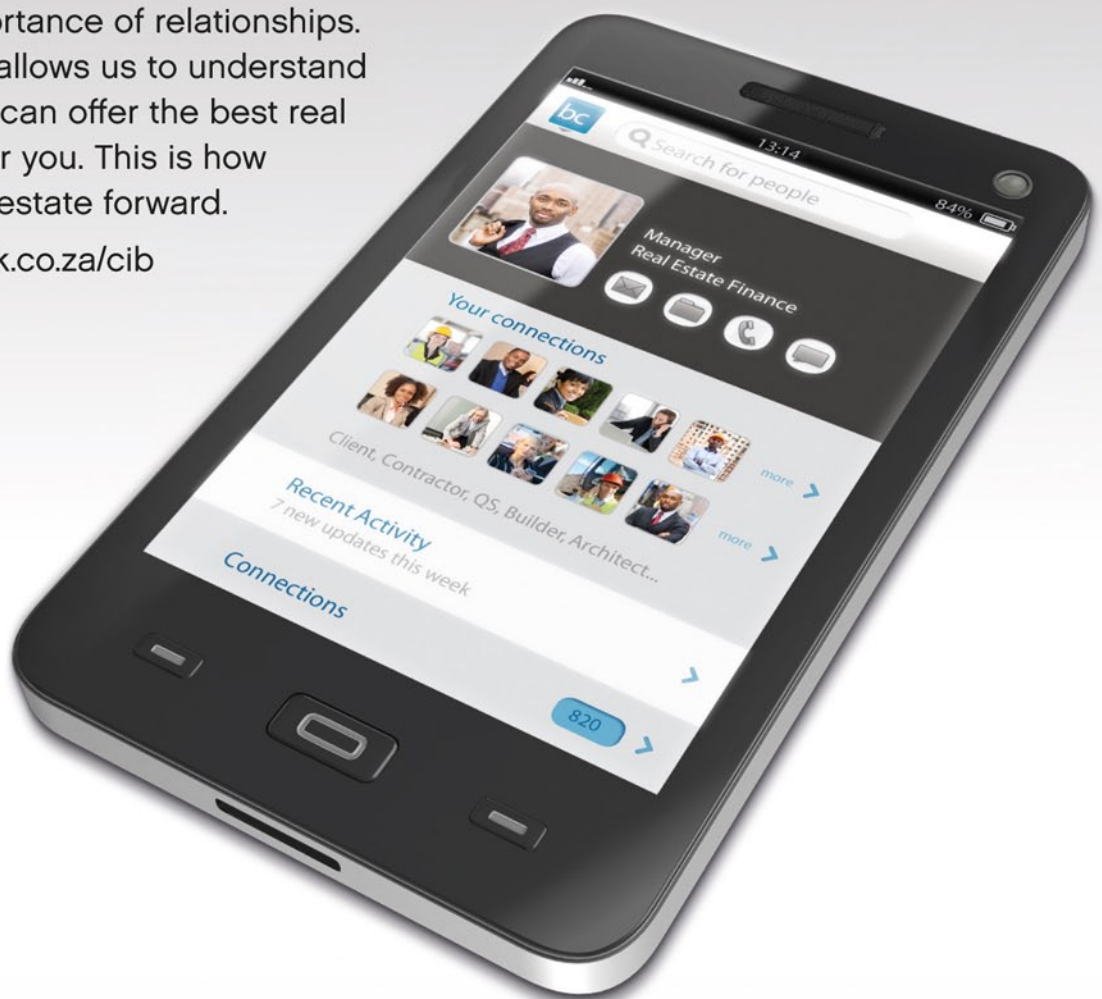
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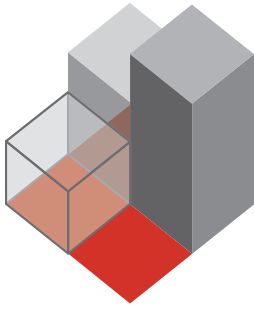
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## *Rode Breakfast: Bloemfontein*

**Wednesday, 28 August 2013**

**Ilanga Estate, Bloemfontein**

Single delegate from firm:	R550,00
More than one delegate from same firm (each):	R500,00

## *Rode Breakfast: Durban*

**Friday, 30 August 2013**

**The Oyster Box, Umhlanga Rocks**

Single delegate from firm:	R550,00
More than one delegate from same firm (each):	R500,00

*The conference and breakfast events are sponsored  
by Airports Company South Africa (ACSA) Properties*



# Acknowledgements

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1. Sapoia, for use of the basic data from their office vacancy surveys, which we analysed further.
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6. All the panellists who so kindly gave of their time and expertise in responding to our surveys. The complete list of panellists who contribute to the *RR*, together with their codes, appears on the following page. For each of the survey tables in the *RR* you will find, listed against every node or area, the codes for all the panellists who contributed information this quarter.
7. Ken Gardner, who has the task of making sure that all gross grammar mistakes are corrected.
8. The JSE Securities Exchange, Statistics South Africa and the Bond Exchange of South Africa for the use of their data.
9. Other property practitioners throughout South Africa, experts in their fields, too numerous to mention individually. Without the generous assistance of these professionals, much of our research would be impossible.



# Foreword

Dear Reader

Welcome to the first issue of *Rode's Report on the South African Property Market (RR)* for 2013, which reports on surveys conducted in the fourth quarter of 2012.



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](http://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.

If you want to communicate with a specific niche market, you can contact [Lynette Smit](#) on 082-323 5799 for [RR advertising rates](#).

Biancé Johnson and Lynette Smit are in charge of expanding our survey panel. Their job is to give you access to the opinions of as many property experts as possible. We appeal to all market participants, who feel they have what it takes to become an *RR* panellist, to please contact [Biancé](#) on 021-946 2480 or Lynette on 082-323 5799 – it's for the benefit of everyone in the industry. As a panellist you will also get invaluable exposure.

Happy reading!

Sincerely



**John S. Lottering**  
Editor

11 March 2013



# SOUTH AFRICA'S PREMIER RETAIL PORTFOLIO



SANDTON CITY



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## Chapter 1: State of the property market

# State of the property market in quarter 4 of 2012

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

- Listed property funds report impressive growth in distributions
- No vitality in the office rental market
- Growth in industrial rentals heating up, but we're not out of the woods yet

- House prices likely to do a dead cat bounce

### 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 2012:4) with that collected a year earlier.

<b>Table 1.1</b> <b>The property market at a glance at quarter 2012:4*</b> <b>% growth on four quarters earlier (on smoothed data)</b>		
	Nominal	Real**
<b>A-grade CBD office rentals</b>		
Johannesburg	-6,9	-14,3
Pretoria	+3,7	-4,7
Durban	-6,9	-14,5
Cape Town	-2,8	-10,7
<b>A-grade decentralized office rentals</b>		
Sandton CBD	-0,4	-8,4
Randburg Ferndale	+3,7	-4,8
Brooklyn/Waterkloof (Pta)	+2,8	-5,6
Hatfield	-0,6	-8,8
Berea (Durban)	-6,1	-13,8
La Lucia Ridge	-4,7	-12,5
Claremont (CT)	-1,4	-9,4
Tyger Valley	+6,3	-2,5
* Unless otherwise specified		
** Nominal values deflated by BER Building Cost Index; however, flat rentals are deflated using the Consumer Price Index.		



**Table 1.1 (continued)**  
**The property market at a glance at quarter 2012:4\***  
 % growth on four quarters earlier (on smoothed data)

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

## Capitalization rates

In the fourth quarter of 2012, capitalization rates on shopping centres, industrial and office properties remained at roughly their previous-quarter levels.

This is much to the relief of non-residential property owners who have in recent years been frustrated by the adverse impact that rising vacancy rates, poorly performing market rentals and explosive operating costs have had on property cash flows and, consequently, on market values.

## Office rentals

Office rentals are still lethargic as a result of generally weak demand-side conditions.

In the fourth quarter of 2012, market rentals in Cape Town and Pretoria decentralized mustered yearly growth of 3%. This was followed by Johannesburg decentralized, where rentals were up by a measly 1% and

Durban decentralized (-4%), where rentals actually contracted.

## Industrial market

On a national basis, the yearly growth in industrial rentals is slowly heating up, seemingly benefiting from the lagged impact of declining vacancy rates.

In fact, such has been the acceleration in the growth of market rentals that in the fourth quarter of 2012, prime industrial rentals recorded a nationally averaged growth rate of 7%. Disappointingly, this growth failed to be in excess of building-cost inflation, implying that we are, as yet, not out of the woods when it comes to industrial property. Regarding industrial rentals in the major industrial regions, in the reporting quarter the strongest yearly growth of 9% was achieved in the Cape Peninsula. This was followed by Durban (+6%), the East Rand (+5%), the Central Witwatersrand (+4%) and Port Elizabeth (+4%).

## Flat rentals

Nationally, in the fourth quarter of 2012 market rentals for flats and houses grew by 5% and 3%, respectively. Rentals on townhouses lagged behind – ending the quarter almost 1% lower than a year ago.

As for flat rentals in the major cities, in the reporting quarter Johannesburg recorded the strongest nominal growth of 4%. This was followed by Durban and Pretoria, where rentals were up by 2% and 1% respectively. In Cape Town, flat rentals remained roughly at the same level of a year ago. Over the same period, consumer prices (excluding owners' equivalent rent) showed growth of just below 6%, implying that flat rentals were unable to show real growth in any of these cities.

## The house market

In spite of headwinds, in recent months the yearly growth in house prices has been able to accelerate.

National nominal house prices were up by an impressive 10% in February 2013. The low and stable cost of borrowed money (interest rates) might be one possible explanation for the current strength in house prices. Another might be the lagged impact of the strong growth in disposable incomes experienced between June 2011 and March 2012.

Yet there remain headwinds in the way of growth in house prices. Consider here, for example, the frustratingly high household debt-to-disposable income levels, which adversely affect consumers' credit-risk profiles. Other factors to consider are the current slump in consumer confidence levels, upward pressure on property running costs and the unimpressive growth in economic activity. What's more, the housing finance game has seemingly also changed. Deal sweeteners like 100% loan-to-value mortgage loans and discounts to prevailing prime interest rates — once the norm during the housing boom years when volumes were high — have become like hens' teeth.

For these reasons, the growth in house prices might be doing a dead cat bounce. That is, lose some of its current zest and thereafter, decelerate.■



## Chapter 2: Capitalization rates

# Capitalization rates steady

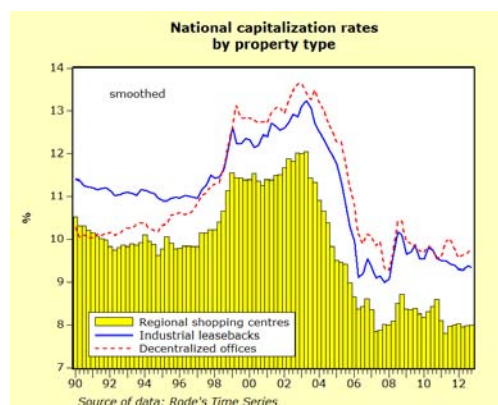
Written by John S. Lottering

Much to the relief of property owners, the market's rating of non-residential remains steady.

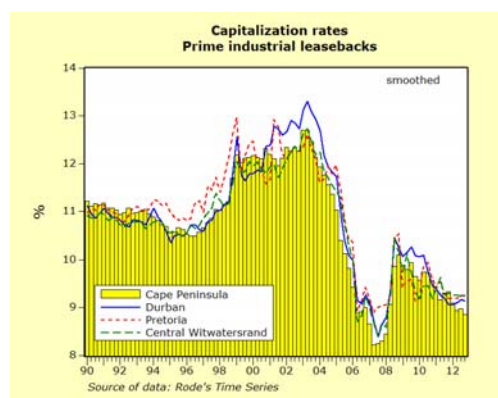
Non-residential property owners have in recent years been frustrated by the adverse impact that rising vacancy rates, poorly performing market rentals and explosive operating costs have had on property cash flows and, consequently, on market values. Fortunately for them, capitalization rates — another critical determinant of a property's market value — have been able to trend marginally south and sideways. One reason for this might be that despite the increase in vacancy rates due to the slowdown in economic activity, vacancy rates have not surpassed the highs experienced during the early parts of the 21<sup>st</sup> century. This might, in part, explain property investors' refusal to panic, even amid the uncertain economic times. Of course, a consistently excessive vacancy rate has an impact on the perceived risk to its potential income, which would push up the required income return (capitalization rate) at which investors will be willing to trade property.

Another reason for the steady capitalization rates might be the fact that in South Africa, landlords have seemingly not been under duress to sell, especially in the case of prime properties. This is largely because mortgage lenders have always had conservative loan-to-value policies for commercial properties, thereby creating a margin of safety in times of stress. In addition, prime properties are largely owned by big (listed) funds that are not over-gearred.

So it comes as no surprise that in the fourth quarter of 2012 capitalization rates on shopping centres, industrial and office properties remained at roughly their previous-quarter levels. In fact, as **Tables 2.2 to 2.4** show, they are currently at about the same level as their four-quarter averages.

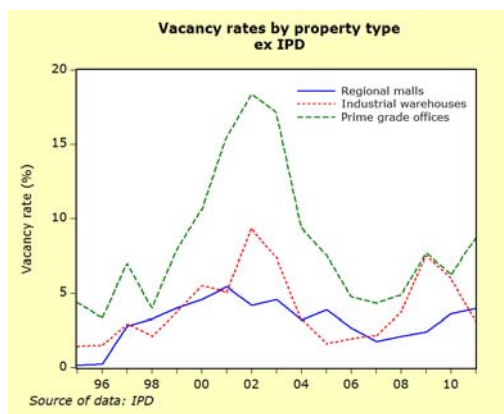


## Prime industrial leasebacks



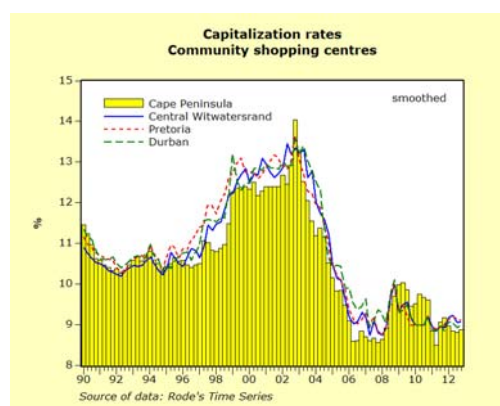
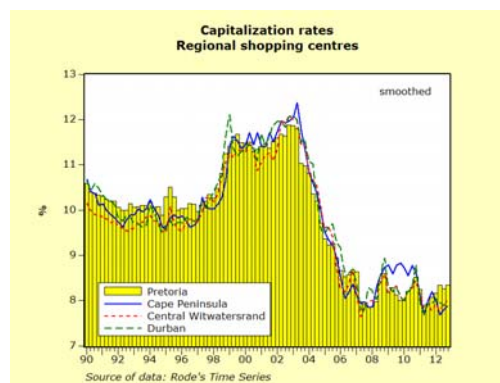
With the exception of the Cape Peninsula, where capitalization rates on industrial leasebacks strengthened (decreased)

slightly, capitalization rates in the other major industrial conurbations remained at their previous-quarter levels. In the reporting quarter, our respondents were still of the opinion that investors in prime industrial property (with a leaseback covenant) required a minimum *net* income yield of about 9,1% in the top cities and nodes.



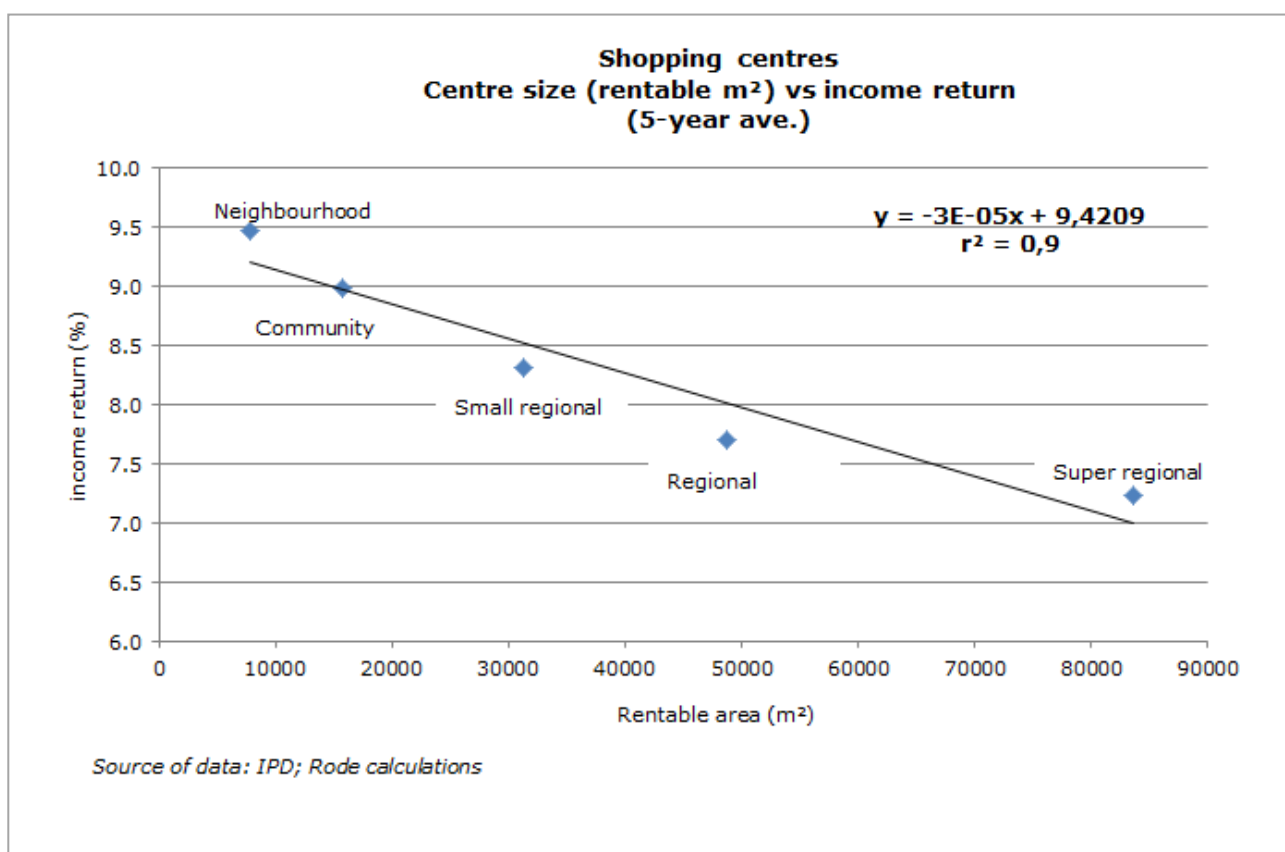
## Shopping centres

Capitalization rates of regional shopping centres in the major regions also stayed at their previous-quarter levels. In the fourth quarter of 2012, investors in regional centres required an income return of about 8% to induce them into buying or selling regional centres. Note that regional centres are the second largest type of centre, after super-regional centres. The latter's capitalization rates are of course even lower. Investors in community and neighbourhood centres — the third and fourth largest type — required on average higher income returns of 9% and 10% respectively.



Evidence that size does matter (when it comes to shopping-centre income yields!) is shown by the scatter graph which follows. It shows the inverse relationship between the average size (in rentable m<sup>2</sup>) of the various types of shopping centres and income returns.<sup>1</sup> Evident from the graph is how larger centres have lower income returns (or capitalization rates) than the smaller centres.

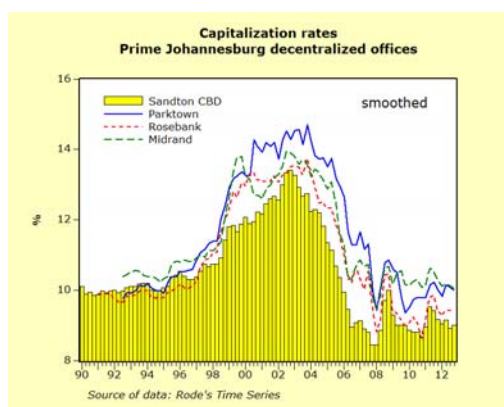
<sup>1</sup> Note that the income return data used in the scatter graph is sourced from the IPD. These income returns are historical (or trailing) as opposed to capitalization rates, which are forward income returns.



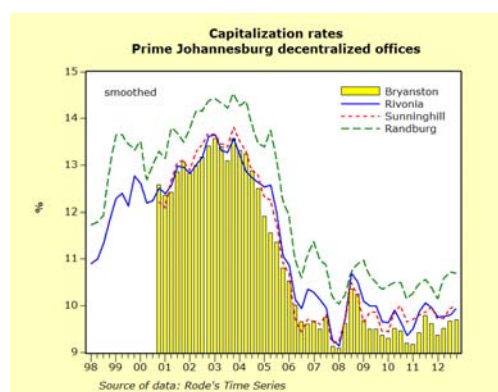
## Prime offices

### Johannesburg decentralized

market rating might, of course, be related to the fact that this node has been struggling with double-digit vacancy rates for the past two years.



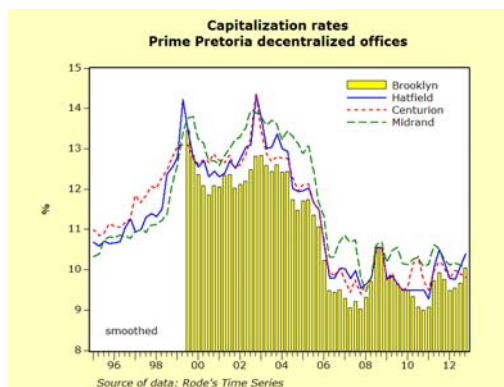
Capitalization rates in the major Johannesburg decentralized nodes showed no notable changes during the quarter under review. Still, capitalization rates on grade-A multi-tenanted properties in Johannesburg decentralized ranged from between as low as 9% in the Sandton CBD, to as high as 10,7% in Randburg. Randburg's poorer



### Pretoria decentralized

In the Pretoria decentralized office nodes of Brooklyn and Hatfield, capitalization rates increased (weakened) slightly, while in Centurion they remained at their previous-quarter levels. It must be mentioned that due to a combination of weak demand and overzealous development activity, vacancy

rates in Pretoria decentralized have been edging north for a number of quarters (see **Chapter 6**). The outcome of this might be upward pressure on office property capitalization rates as investors seek to be compensated for the increased risk of higher vacancy rates.



### Durban decentralized

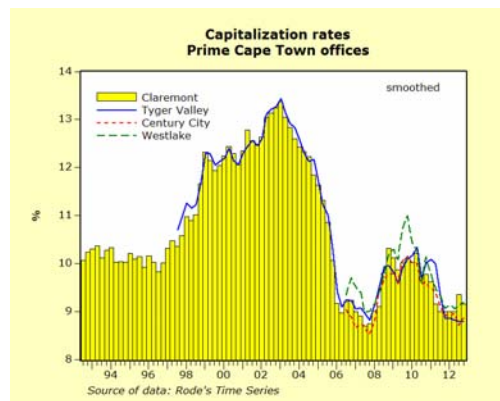
While capitalization rates in Durban's La Lucia / Umhlanga Ridge and Westway remained at their previous-quarter levels, marginal increases were observed in Essex Terrace and Berea. In these office areas, capitalization rates ranged between 9% (in La Lucia / Umhlanga Ridge and Westway) and 10,8% (in Berea). Here the market seems to also be penalising Berea for its high office vacancy rates (see **Chapter 6**).



### Cape Town decentralized

Capitalization rates in the Cape Town decentralized office nodes surveyed also stayed at previous-quarter levels. Our respondents are of the opinion that investors currently require a minimum *net* income

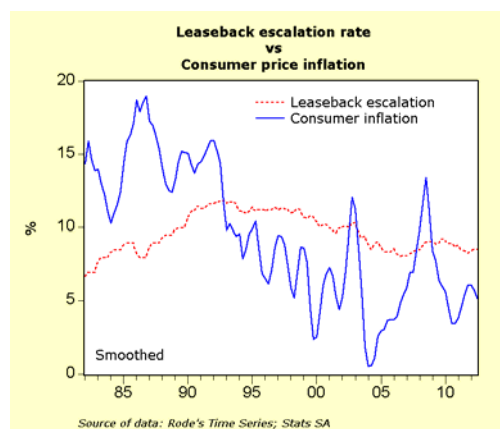
return of about 9% to induce them into buying or selling grade-A multi-tenanted property in Cape Town decentralized.



### Leaseback escalation rates

**Table 2.1** shows that the average leaseback escalation rate was 8,1% in the fourth quarter of 2012.

Readers will recall that the escalation rate is an attempt by the market to forecast market rentals until the expiry of the lease. Given the prevailing economic uncertainty that can potentially dampen the growth in market rentals, the chances are that landlords would do well if they were able to sign leases today at escalation rates of 8%.



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

**Table 2.1**  
**Prime industrial leaseback escalation rates**  
**Quarter 2012:4**

Mean	SD	N	Change 2012:4 less 2012:3	Broker-contributor codes
8,1%	0,9%	11	-0,1%	

*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**  
**Capitalization rate movement relative to mean of previous 4 quarters**

Prime decentralized offices				
	mean	2012:4	%-point change	
Sandton CBD	9,1	8,9	-0,2	same
Parktown	10,0	10,1	0,1	same
Rosebank	9,4	9,4	0,1	same
Midrand	10,2	10,1	-0,1	same
Bryanston	9,5	9,7	0,2	same
Rivonia	9,8	9,8	0,0	same
Sunninghill	9,8	9,9	0,1	same
Randburg	10,4	10,7	0,4	up
Brooklyn	9,6	9,7	0,1	same
Hatfield	9,9	10,1	0,2	same
Centurion	9,9	9,9	-0,1	same
La Lucia Ridge	9,1	8,9	-0,2	same
Westway	9,0	9,0	0,0	same
Essex Terrace	10,0	10,1	0,1	same
Berea	10,5	10,7	0,2	same
Claremont	8,9	8,8	-0,1	same
Century City	8,9	8,7	-0,2	same

**Table 2.3**  
**Capitalization rate movement relative to mean of previous 4 quarters**

Industrial leasebacks				
	mean	2012:4	%-point change	
Central Witwatersrand	9,3	9,2	0,0	same
Pretoria	9,2	9,3	0,1	same
Durban	9,1	9,2	0,1	same
Cape Peninsula	9,1	9,0	-0,1	same

**Table 2.4**  
**Capitalization rate movement relative to mean of previous 4 quarters**

Regional shopping centres				
	mean	2012:4	%-point change	
Pretoria	8,2	8,3	0,1	same
Cape Town	7,9	7,9	0,0	same
Central Witwatersrand	7,8	8,0	0,2	same
Durban	8,0	8,0	0,0	same
Community shopping centres				
	mean	2012:4	%-point change	
Pretoria	9,1	9,1	0,0	same
Cape Town	8,9	8,9	-0,1	same
Central Witwatersrand	9,1	9,1	0,0	same
Durban	9,0	9,0	0,0	same
Neighbourhood shopping centres				
	mean	2012:4	%-point change	
Pretoria	9,8	10,0	0,2	same
Cape Town	9,7	9,9	0,2	same
Central Witwatersrand	9,8	10,1	0,3	same
Durban	9,0	9,0	0,0	same

**Table 2.5**  
**Survey of capitalization rates (%)**  
**Office buildings**  
**Means for quarter 2012:4**

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	10,2	0,6	3	9,8	0,6	3	11,7	0,8	3	13,8	0,2	2
Braamfontein	10,4	0,6	4	9,7	0,5	3	11,3	0,9	3	13,1	0,1	2
Parktown	10,0	0,4	3	9,6	0,4	3	10,9	0,7	3	13,0	0,0	2
Rosebank	9,5	0,7	3	9,0	0,7	3	10,4	0,8	3	12,2	0,2	2
Sandton CBD	9,1	0,4	4	8,7	0,5	3	9,8	0,4	4	11,8	0,2	2
Rivonia	10,0	0,3	3	9,5	0,4	3	11,1	0,8	3	12,9	0,1	2
Bryanston	9,7	0,5	3	9,2	0,5	3	10,7	0,8	3	12,2	0,2	2
Sunninghill	10,0	0,4	3	9,5	0,4	3	10,8	0,6	3	12,4	0,1	2
Randburg Ferndale	10,7	-	1	10,3	0,7	3	11,5	1,1	3	13,3	0,2	2
Midrand	10,0	0,6	3	9,4	0,4	3	11,3	0,9	3	12,4	0,5	2
Germiston CBD	11,5	-	1	11,2	-	1	12,6	-	1	13,6	-	1
Pretoria CBD	10,9	-	1	10,2	0,2	2	11,7	0,2	2	13,0	0,0	2
Hatfield	10,5	0,0	2	9,8	-	1	10,9	-	1	12,5	-	1
Brooklyn	10,2	0,2	2	9,3	-	1	10,9	-	1	12,2	-	1
Centurion	9,8	0,3	2	9,3	0,3	2	10,6	0,5	2	13,0	-	1
Menlyn/Lynnwood	9,4	0,6	2	8,8	0,5	2	10,2	0,8	2	12,3	-	1
Vaal Triangle	10,5	-	1	9,9	-	1	12,1	-	1	13,3	-	1
Nelspruit	10,3	0,1	2	9,9	0,0	2	11,8	0,2	2	12,7	0,2	2
Polokwane	10,3	-	1	10,1	-	1	12,0	-	1	13,0	-	1
Durban CBD	11,2	0,5	4	10,4	0,6	4	11,7	0,5	4	13,6	0,3	3
Berea	10,8	0,2	3	10,2	0,2	2	11,4	0,4	3	12,8	0,2	3
Essex Terrace	10,5	0,0	2	10,0	0,0	2	11,0	0,0	2	12,2	0,2	2
Westway	9,0	-	1	8,8	-	1	-	-	-	-	-	-
La Lucia / Umhlanga Ridge	9,1	0,4	5	8,6	0,4	4	10,2	0,5	4	12,2	0,2	2
Pietermaritzburg	10,2	-	1	10,3	-	1	11,3	-	1	13,1	-	1
Cape Town CBD	9,0	0,4	3	8,8	0,8	2	9,7	0,4	2	12,0	-	1
Bellville CBD	-	-	-	-	-	-	-	-	-	-	-	-
Bellville Tyger Valley	8,8	-	1	8,2	-	1	9,5	-	1	-	-	-
Century City	9,0	0,5	2	-	-	-	-	-	-	-	-	-
Westlake	9,0	-	1	-	-	-	-	-	-	-	-	-
Claremont	9,0	-	1	8,5	-	1	9,5	-	1	-	-	-
Port Elizabeth	10,2	0,1	3	9,7	0,5	3	11,3	0,2	3	12,9	0,3	3
East London	9,0	-	1	-	-	-	11,0	-	1	14,0	-	1
Bloemfontein CBD	9,7	0,5	3	9,7	0,5	3	11,1	0,2	3	12,5	0,5	2

n = Number of respondents

— = Not available – fewer than two respondents

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

**Table 2.6**  
**Change in capitalization rates (% points)**  
**Office buildings**  
**Means for quarter 2012:4 less quarter 2012:3**

Best location	Grade A: multi	Grade A: leaseback	Grade B: multi	Grade C: multi	Broker & owner contributors
Johannesburg CBD	-0,3	-0,3	0,4	-0,2	GH, RD, TH
Braamfontein	-0,5	-0,3	0,5	0,0	GH, RD, REW, TH
Parktown	0,4	0,1	0,3	0,0	GH, RD, TH
Rosebank	-0,6	-0,5	0,4	0,2	GH, RD, TH
Sandton CBD	-0,4	-0,3	0,4	0,2	GH, RD, REW, TH
Rivonia	0,1	0,1	0,6	0,0	GH, RD, TH
Bryanston	-0,7	-0,5	0,7	0,2	GH, RD, TH
Sunninghill	0,0	0,0	0,6	0,0	GH, RD, TH
Randburg Ferndale	0,0	0,2	0,6	-0,1	GH, RD, TH
Midrand	0,5	0,5	0,5	0,4	AW, RD, TH
Germiston CBD	0,0	-0,1	0,0	0,1	TH
Pretoria CBD	0,0	-0,1	0,0	0,1	TH
Hatfield	-0,1	0,0	0,0	0,1	REW, TH
Brooklyn	-0,2	0,0	0,0	0,0	REW, TH
Centurion	0,3	0,3	0,5	0,0	RD, TH
Menlyn/Lynnwood	-0,2	-0,2	0,7	0,0	RD, TH
Vaal Triangle	0,0	0,0	0,0	0,0	TH
Nelspruit	-0,1	0,0	0,2	0,2	RA, TH
Polokwane	0,0	0,0	0,0	0,1	TH
Durban CBD	-0,1	0,3	0,2	0,0	PC, QP, RD, TH
Berea	-0,4	-0,6	0,0	0,0	PC, QP, TH
Essex Terrace	0,0	0,0	0,0	0,0	PC, QP
Westway	0,0	0,0	-	-	PC
La Lucia Ridge	-0,2	-0,1	0,2	0,0	PC, QP, RD, REW, TH
Pietermaritzburg	0,0	-0,2	0,1	0,0	TH
Cape Town CBD	-0,1	-0,1	0,3	0,0	HP, RD, TH
Bellville CBD	-	-	-	-	N/A
Bellville Tyger Valley	-	-	-	-	RD
Century City	-0,5	-	-	-	HP, REW
Westlake	-0,5	-	-	-	HP
Claremont	-0,5	-0,5	-	-	RD
Port Elizabeth	-0,1	0,3	0,1	0,2	IPM, QV, TH
East London	-	-	-	-	BG, DQ, ER, GO, GW, IP
Bloemfontein CBD	0,0	0,0	0,0	0,0	CC, EK, TH
Windhoek	-	-	-	-	N/A

NB: The number of broker/owner codes does not necessarily match the sample size as indicated by the n in the table on page 11. 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 2.7**  
**Survey of capitalization rates (%)**  
**Industrial buildings**  
**Means for quarter 2012:4**

Best location	Prime leaseback (AAA Tenant)			Prime quality non-leaseback			Prime industrial park			Secondary quality building		
	Mean	SD	n	Mean	SD	n	Mean	SD	n	Mean	SD	n
Central Wits	9,3	0,7	5	9,7	0,6	5	9,8	0,6	5	10,8	0,7	5
West Rand	9,9	0,0	2	10,3	0,4	3	10,4	0,5	3	11,0	0,8	3
East Rand	9,4	0,6	4	10,0	0,3	4	10,1	0,6	4	10,8	0,5	4
Far East Rand	9,2	0,4	2	10,0	0,2	2	10,7	-	1	10,7	0,7	2
Pretoria	9,2	0,4	2	10,0	0,4	3	9,8	0,5	3	10,7	0,6	3
Vaal Triangle	9,2	0,5	2	10,2	0,5	2	10,2	0,5	2	10,8	0,8	2
Nelspruit	9,8	0,1	2	10,6	0,0	2	10,8	0,1	2	11,4	0,2	2
Polokwane	9,8	-	1	10,8	-	1	10,8	-	1	11,7	-	1
Durban	9,1	0,4	4	9,9	0,6	4	10,1	0,4	4	10,6	0,5	4
Pietermaritzburg	9,7	-	1	10,7	-	1	10,7	-	1	11,2	-	1
Cape Peninsula	8,8	0,3	2	9,2	0,2	2	9,7	0,3	3	10,0	0,5	2
Port Elizabeth	9,5	0,5	4	10,1	0,4	4	10,0	0,2	4	11,5	0,9	4
East London	-	-	-	11,0	-	1	11,0	-	1	13,0	-	1
Bloemfontein	10,0	0,0	3	10,9	0,1	2	10,3	0,3	2	11,5	0,4	3

n = Number of respondents

— = Not available – fewer than two respondents

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

**Table 2.8**  
**Change in capitalization rates (% points)**  
**Industrial buildings**  
**Means for quarter 2012:4 less quarter 2012:3**

Best location	Prime leaseback	Prime non- leaseback	Prime industrial park	Secondary quality building	Broker & owner contributors
Central Wits	-0,7	-0,5	0,5	0,6	AW, GH, RD, TH, ZC
West Rand	0,0	0,3	0,6	0,2	GH, RD, TH
East Rand	-0,3	-0,5	0,0	0,1	GH, RD, TH, ZC
Far East Rand	0,1	0,1	0,1	-0,1	RD, TH
Pretoria	0,3	0,2	0,3	0,3	RD, TH
Vaal Triangle	0,5	0,4	0,7	0,4	RZ, TH
Nelspruit	0,1	0,0	0,1	-0,1	TH
Polokwane	0,0	0,0	0,0	0,0	TH
Durban	-0,2	-0,2	0,2	0,2	PC, QP, RD, TH
Pietermaritzburg	0,0	0,0	0,0	0,0	TH
Cape Peninsula	-0,2	-0,3	-0,1	0,0	HP, RD, TH
Port Elizabeth	0,0	0,3	0,0	0,2	IPM, QV, RD, TH
East London	-	-	-	-	BG, DQ, ER, GO, GW, IP
Bloemfontein	0,0	0,0	-0,4	0,0	CC, EK, TH

NB: The number of broker/owner codes does not necessarily match the sample size as indicated by the n in the table on page 13. 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 2.9**  
**Survey of capitalization rates (%): shopping centres**  
**Means for quarter 2012:4**

Best location	Super regional			Regional			Community		
	Mean	SD	n	Mean	SD	n	Mean	SD	n
Witwatersrand	7,7	0,2	3	8,0	0,4	3	9,1	0,4	3
Pretoria	7,8	0,1	3	8,2	0,1	3	9,1	0,2	3
Vaal Triangle	7,8	-	1	8,3	-	1	9,3	-	1
Nelspruit	7,7	0,1	2	8,1	0,1	2	9,3	0,2	2
Polokwane	7,8	-	1	8,4	-	1	9,4	-	1
Durban	7,6	0,1	2	8,0	0,3	2	9,0	0,2	2
Pietermaritzburg	7,9	-	1	8,4	-	1	9,4	-	1
Cape Town	7,5	0,0	2	7,9	0,4	2	8,9	0,4	2
Port Elizabeth	8,3	0,2	2	8,5	0,0	3	9,7	0,2	3
East London	-	-	-	10,0	-	1	10,0	-	1
Bloemfontein	7,9	-	1	8,7	0,3	2	9,9	0,2	3
Platteland	-	-	-	-	-	-	8,8	-	1
Townships	-	-	-	-	-	-	9,6	0,9	2

n = Number of respondents

— = Not available

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

**Table 2.9 (continued)**  
**Survey of capitalization rates (%): shopping centres**  
**Means for quarter 2012:4**

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

n = Number of respondents

— = Not available

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

**Table 2.10**  
**Change in capitalization rates (% points): shopping centres**  
 Means for quarter 2012:4 less quarter 2012:3

Best location	Super regional	Regional	Community	Broker & owner contributors
Witwatersrand	-0,3	-0,1	-0,3	GH, RD, TH
Pretoria	-0,3	-0,1	-0,2	GH, RD, TH
Vaal Triangle	0,1	0,0	0,0	TH
Nelspruit	0,1	0,1	-0,2	TH
Polokwane	0,0	0,0	0,0	TH
Durban	-0,2	-0,1	-0,1	RD, TH
Pietermaritzburg	0,0	0,0	0,0	TH
Cape Town	-0,2	0,0	-0,1	RD, TH
Port Elizabeth	0,0	0,0	-0,1	IPM, QV, TH
East London	-	-	-	BG, DQ, ER, GO, GW, IP
Bloemfontein	0,0	0,1	0,0	CC, EK, TH
Platteland	-	-	-	RD
Townships	-	-	0,1	RD, TH

**Table 2.10 (continued)**  
**Change in capitalization rates (% points): shopping centres**  
 Means for quarter 2012:4 less quarter 2012:3

Best location	Neighbourhood	Local convenience	Retail warehouse	Broker & owner contributors
Witwatersrand	0,1	-0,1	-0,2	GH, RD, TH
Pretoria	-0,2	-0,2	-0,1	GH, RD, TH
Vaal Triangle	-0,1	-0,1	-0,1	TH
Nelspruit	0,0	0,0	-0,2	TH
Polokwane	-0,1	0,0	0,0	TH
Durban	0,0	0,0	0,0	RD, TH
Pietermaritzburg	0,0	0,0	0,1	TH
Cape Town	0,0	0,0	0,0	RD, TH
Port Elizabeth	-0,2	-0,1	-0,1	IPM, QV, TH
East London	-	-	-	BG, DQ, ER, GO, GW, IP
Bloemfontein	0,0	0,0	0,0	CC, EK, TH
Platteland	-	-	-	RD
Townships	-	-	-	RD, TH

**Table 2.11**  
**Survey of capitalization rates (%): street-front shops**  
**Means for quarter 2012:4**

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

n = Number of respondents

— = Not available

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

**Table 2.12**  
**Change in capitalization rates (% points): street-front shops**  
**Means for quarter 2012:4 less quarter 2012:3**

Best location	Metro CBD	Decentralised	Broker & owner contributors
Witwatersrand	-0,3	-0,5	GH, RD, TH
Pretoria	-0,3	-0,5	GH, RD, TH
Vaal Triangle	0,0	0,0	TH
Nelspruit	0,0	0,1	RZ, TH
Polokwane	0,0	-0,1	TH
Durban	-0,5	-0,4	PC, QP, RD, TH
Pietermaritzburg	-0,1	0,0	TH
Cape Town	-0,1	-0,2	RD, TH
Port Elizabeth	0,2	0,0	IPM, QV, TH
East London	-	-	BG, DQ, ER, GO, GW, IPM
Bloemfontein	0,0	0,0	EK, 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 that is 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 52 observations in mainly decentralized nodes.

The updated equation is:

$$\text{office capitalization rate \%} = 14,792 - (0,0473 * \text{gross rental})$$

where

gross rental = the gross market rental rate per rentable m<sup>2</sup> per month for grades A, B or C office buildings in quarter 2012:4.

The correlation coefficient  $r = -0,88$ . The standard error (SE) is 0,6 and  $n = 52$ .

Readers should note that it is not advisable to use this function for gross market-rental rates that fall much outside the range of R23/m<sup>2</sup>/month to R132/m<sup>2</sup>/month.

Example:

*If the gross office rental is R60 per rentable m<sup>2</sup> per month, then the capitalization rate is:*

$$\text{office capitalization rate \%} = 14,792 - (0,0473 * 60) = 12,0\%$$

### 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 1000-m<sup>2</sup> units. The source of the data is this issue of *Rode's Report*. The **industrial-regression equation**, which is based on 26 observations, includes all primary and secondary industrial cities.

The updated equation is:

$$\text{industrial capitalization rate \%} = 13,082 - (0,0896 * \text{gross rental})$$

where:

gross rental = the gross market rental per rentable m<sup>2</sup> per month as in quarter 2012:4 for stand-alone prime non-leaseback or prime industrial parks or stand-alone secondary industrial space of 1 000 m<sup>2</sup>, located in primary and secondary industrial cities.

The correlation coefficient  $r = -0,8$ . The standard error (SE) is 0,33 and  $n = 26$ .

It is not advisable to use this function for gross market rental rates that fall much outside the range of R21/m<sup>2</sup>/month to R38/m<sup>2</sup>/month. Also, remember to use the rental rate applicable to an area of 1 000 m<sup>2</sup>.

Example:

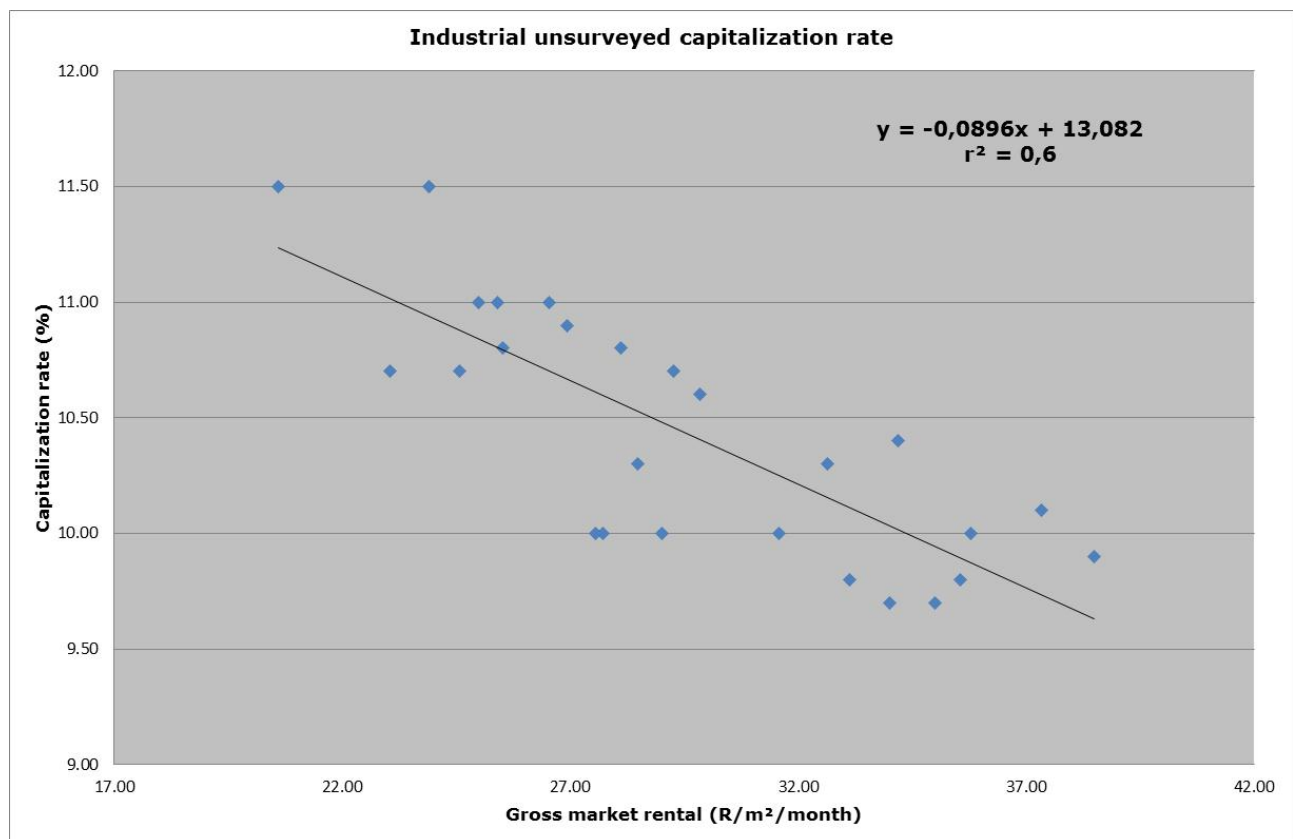
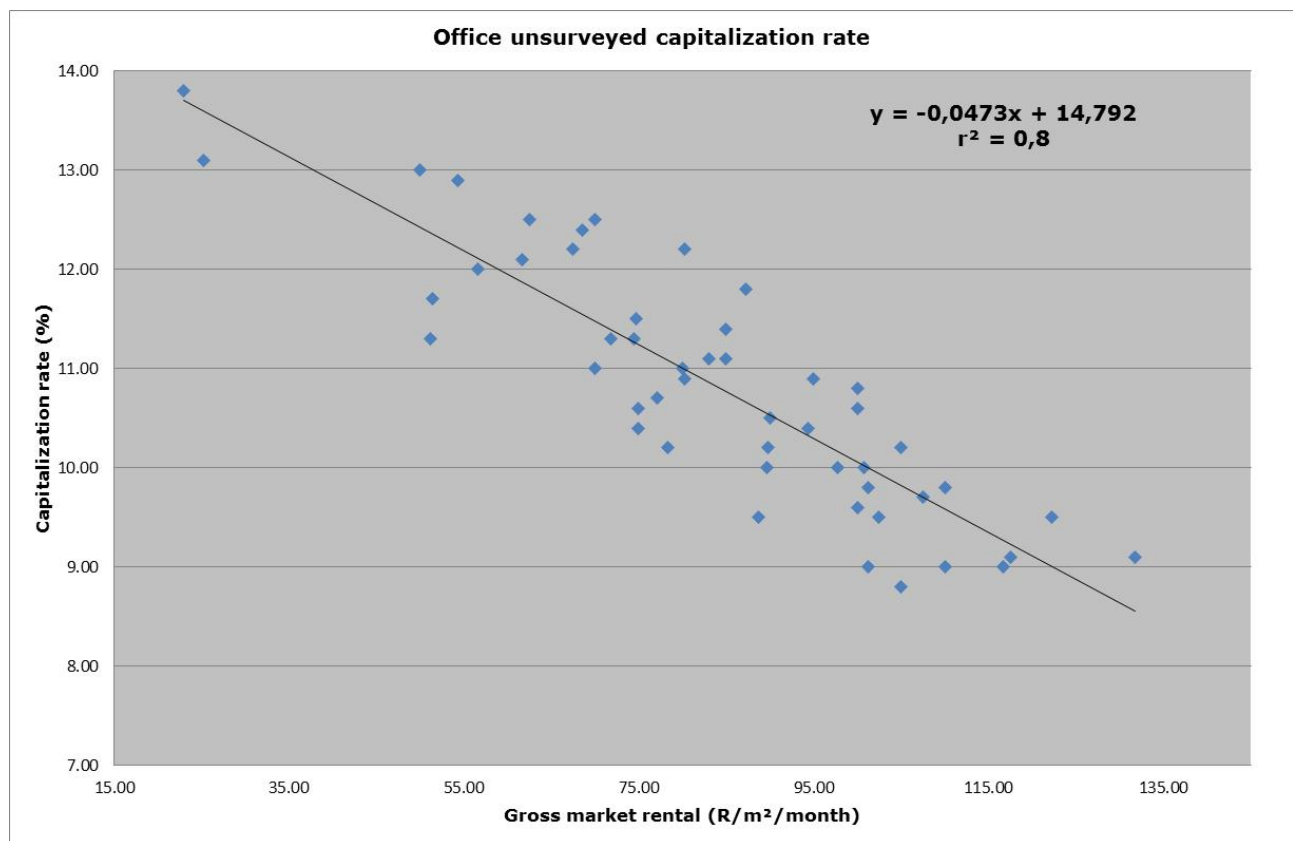
*If the gross industrial rental for a 1000m<sup>2</sup> building, located in a primary or secondary industrial city, is R20 per rentable m<sup>2</sup> per month, then the capitalization rate is:*

$$\text{industrial cap rate \%} = 13,082 - (0,0896 * 20) = 11,3\% \blacksquare$$

#### 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

# Funds report impressive growth in distributions

Written by John S. Lottering

Notwithstanding generally tough trading conditions, listed property funds were at the start of the year able to report decent growth in distributions.

February 2013 was once again a busy month for the listed property sector with many funds reporting either full-year or interim results for the period ended 31 December 2012. Evident from **Table 4.1** is how, despite a lacklustre economy and the

continued uninspiring performance of property fundamentals, some of these funds were still able to report fairly impressive growth in distributions. Interestingly, common to all the funds that recorded strong growth in distributions, was their focus on prime-quality property in their portfolios, robust growth in revenue due largely to contractual rental escalations and their ability to reduce their cost-to-income ratios.

**Table 4.1**

**Growth in distributions from listed funds**

Company	Results	Distribution growth
Resilient	Final	10,8%
SA Corporate	Final	4,6%
Hyprop	Final	6,8%
New Europe Prop	Final	15,0%
Capital Property	Final	6,3%
Emira	Interim	3,5%
Fortress-B	Interim	44,6%
Hospitality-A	Interim	5,0%
Hospitality-B	Interim	16,2%
Vunani*	Interim	24,4%
Synergy-A	Interim	5,0%
Synergy-B*	Interim	150,0%
Growthpoint	Interim	7,2%
*Not comparable periods		
Source of data: Financial results of various funds		

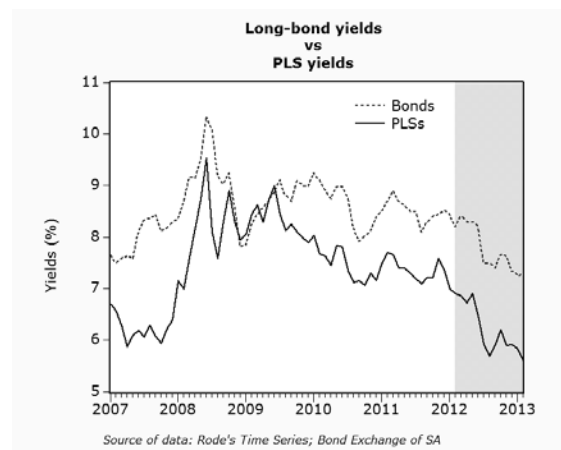
Another positive factor we tend to forget is the effect of the funds acquiring yield-enhancing properties.

Yet short-term earnings, and consequently distributions growth prospects continue to be hampered by the underperformance of market rentals relative to historical, contractual rental-escalation rates – the outcome of which will eventually be negative rental reversions on new leases. This assertion depends of course on a given portfolio of properties' vacancy trends and lease expiry profile. Another damper must also be administered costs that are set to remain at rates far in excess of the CPI.

More good news for listed property unit holders must also be the continued positive re-rating of listed property.

The shaded area in the accompanying graph shows how, for most of 2012, the *net* income yields on listed property funds followed the yields on long government bonds south. At the time of writing (February 2013), yields on government bonds (with maturity of 10 years and greater) were more than 100-basis points lower than they were a year ago. The positive re-rating of government bonds over this period was not only due to the favourable

yield differential offered to foreign investors but also due to increased demand by foreigners for SA bonds in anticipation of SA's October 2012 inclusion in Citigroup's World Government Bond Index.



Over the same period, yields on listed property firmed by roughly 140-basis points. The result was 20%-plus year-on-year growth in listed property prices for most of 2012 and for the first two months of 2013. The robust growth in listed property prices also resulted in listed property providing the best total returns among the traditional asset classes. For the year ended February 2013, the total return on SA listed property was 22%. This was followed by bonds (+14%), equities (+10%) and (+6%).

**Table 4.2**  
**Asset class performance**  
**Total returns (including income yield and capital return)**  
**February 2013**

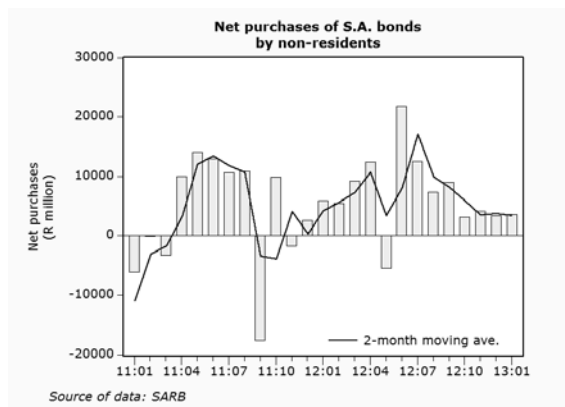
	month-to-date	12-month period
S.A. Listed Property	4,6%	21,7%
Equities	1,7%	9,6%
Cash	0,4%	5,7%
Bonds	0,2%	13,6%

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

Naturally, the biggest risk to listed property total returns — in the short term — is a weakening in capital markets. Fortunately,

despite the downgrade of SA's sovereign credit rating by three major rating agencies (Standard & Poor's, Moody's and Fitch) be-

tween September 2012 and January 2013, foreigners have remained *net* purchasers of SA bonds.



However, the extent to which they have been buying more SA bonds than selling them has since the second half of 2012 already started to decline (see corresponding graph).

**Table 4.3** shows the individual performance of property unit trusts (PUTs) and property loan stocks (PLSs) for different periods to the end of December 2012 (ex Catalyst Fund Managers).

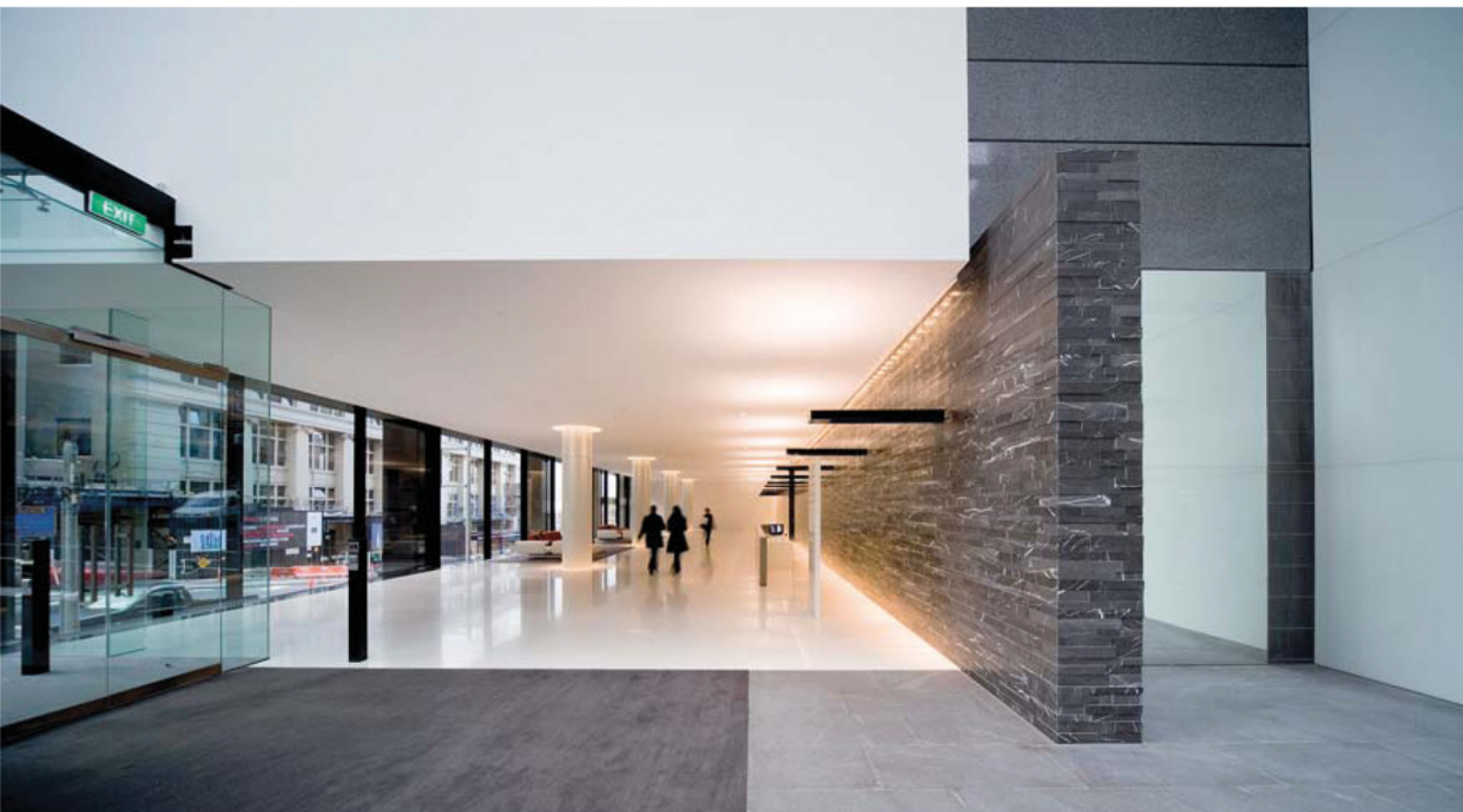
This concludes our chapter on listed property. ■

**Table 4.3**  
**Total return on property unit trusts and property loan stocks**  
**to December 2012**

Individual stock performance		
	1 year	3 years*
<b>REIT Index</b>	<b>28,9%</b>	<b>49,7%</b>
<b>PUT Index</b>	<b>27,1%</b>	<b>78,9%</b>
<b>PLS Index</b>	<b>39,1%</b>	<b>96,3%</b>
<b>SA Listed Property Index (SAPY)</b>	<b>35,9%</b>	<b>91,8%</b>
<b>Capped Property Index (PCAP)</b>	<b>35,3%</b>	<b>80,5%</b>
FORTRESS-B	38,9%	374,1%
RESILIENT	57,7%	143,4%
GROWTHPOINT	40,3%	117,0%
VUKILE	30,1%	109,1%
HYPROP	44,3%	94,0%
CAPITAL PROPERTY	30,2%	87,2%
FORTRESS-A	28,6%	86,6%
OCTODEC	32,3%	85,1%
ACUCAP	28,0%	83,2%
SA CORPORATE	14,8%	82,7%
PREMIUM	28,2%	80,4%
SYCOM	23,1%	77,7%
REDEFINE	36,8%	77,0%
FOUNTAINHEAD	32,1%	75,1%
EMIRA	33,7%	65,8%
HOSPITALITY-A	27,2%	62,3%
HOSPITALITY-B	-28,2%	-64,4%
NEW EUROPE PROP	68,8%	-
ASCENSION-A	12,2%	-
ASCENSION-B	20,6%	-
ANNUITY PROPERTIES	10,7%	-
INVESTEC PROPERTY FUND	72,8%	-
REBOSIS	28,8%	-
VUNANI	38,1%	-
DIPULA-A	53,9%	-
DIPULA-B	77,3%	-
REDEFINE INTL	3,4%	-
VIVIDEND	21,6%	-
SYNERGY A	27,7%	-
SYNERGY B	27,5%	-
ARROWHEAD A	26,1%	-
ARROWHEAD B	70,0%	-

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

Source: Catalyst Fund Managers



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## Chapter 5: Office rentals

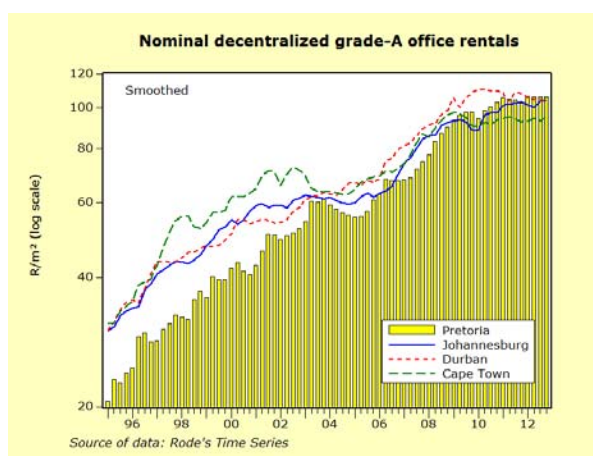
# No vitality in the office rental market

Written by John S. Lottering

There is still no verve on the office rental front – this as rental growth continues to be subdued by generally weak demand-side conditions.

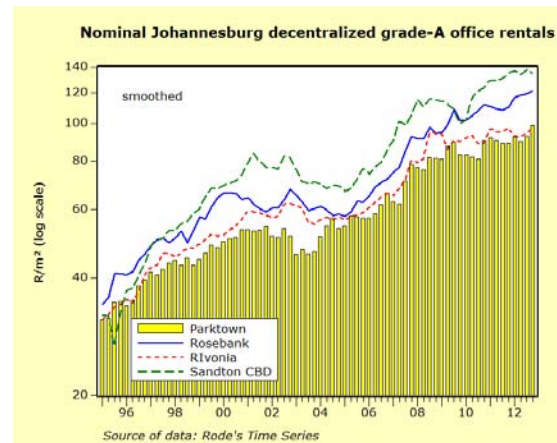
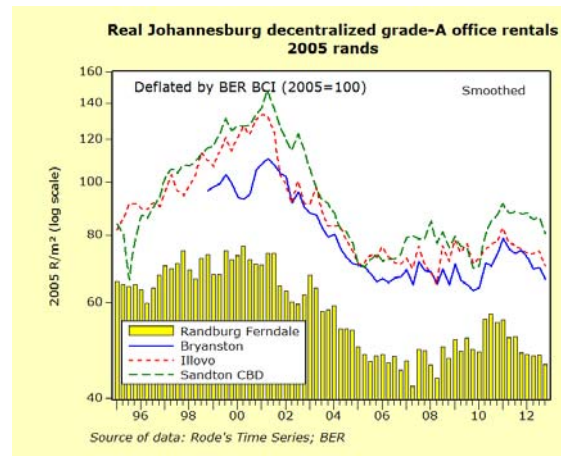
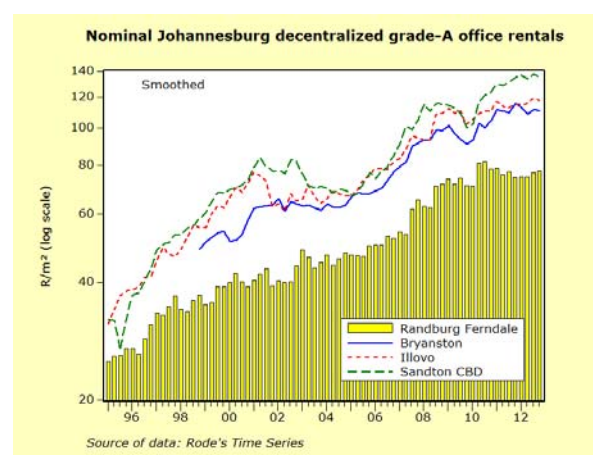
In the fourth quarter of 2012, market rentals in Cape Town and Pretoria decentralized mustered yearly growth of 3%. This was followed by Johannesburg decentralized where rentals were up by a measly 1% and Durban (-4%) decentralized where rentals contracted.

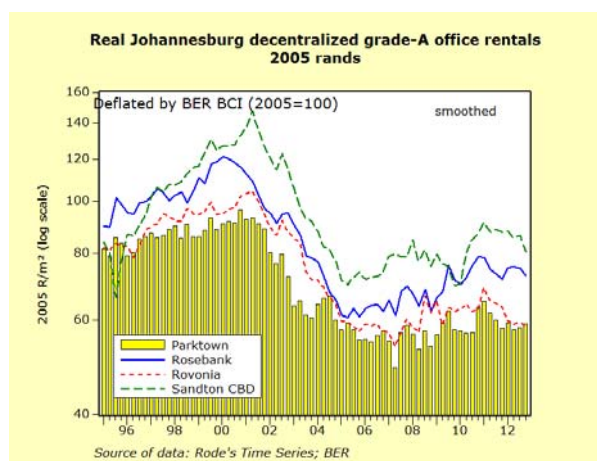
But, assuming the possibility of a steady and sustained recovery in economic activity, then one can be tentatively optimistic about near-term rental prospects in Johannesburg decentralized; the reason being that in some of the top urban office nodes such as Sandton, Rosebank, Illovo and Midrand, vacancy rates have for a number of quarters now been edging south (see [Chapter 6](#)).



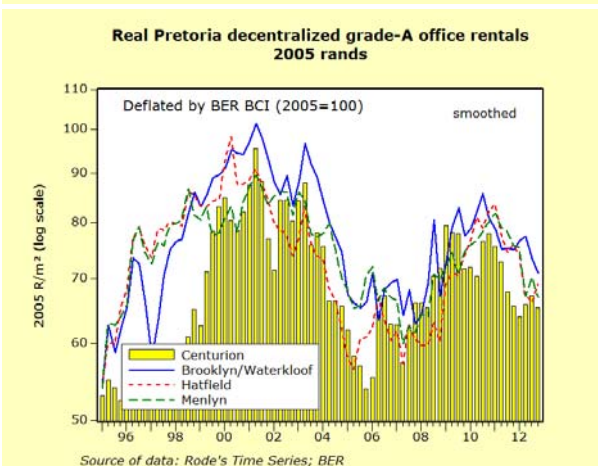
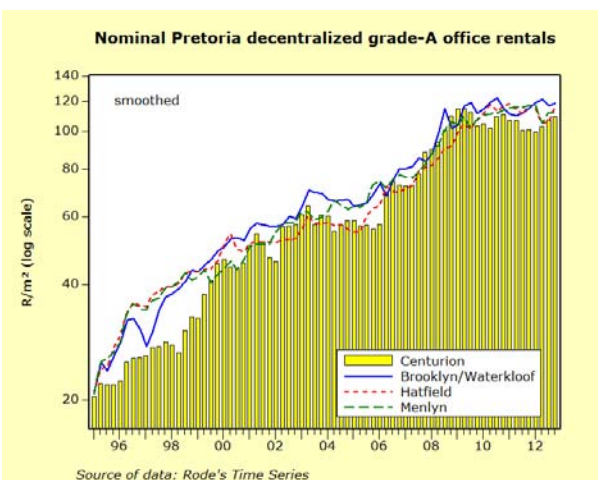
Yet, in the fourth quarter of 2012, only Parktown (+11%) and Rosebank (+10%) were able to show strong growth in nominal rentals. In Randburg Ferndale (+4%) and Illovo (+2%) rentals showed moderate growth, while in Rivonia and the Sandton CBD, rentals remained at roughly their

previous-year levels. Considering building-cost inflation of roughly 9% over the same period implies that it was only in Parktown and Rosebank that rentals were able to grow in *real* terms.

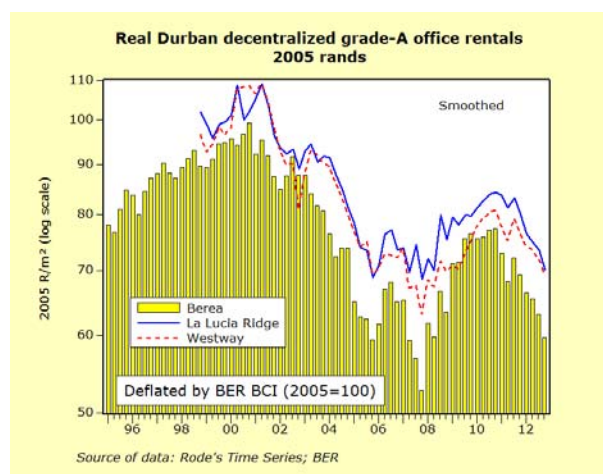
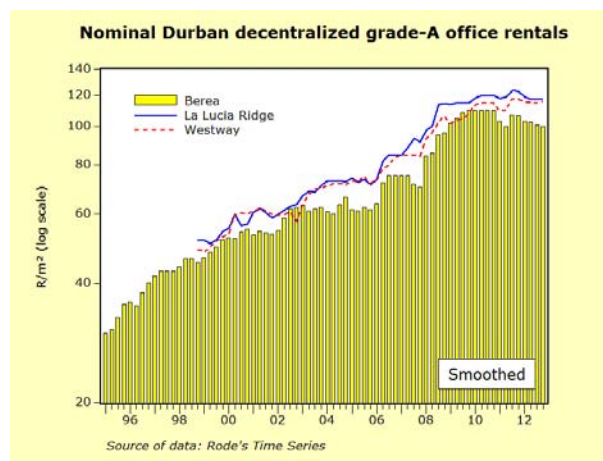




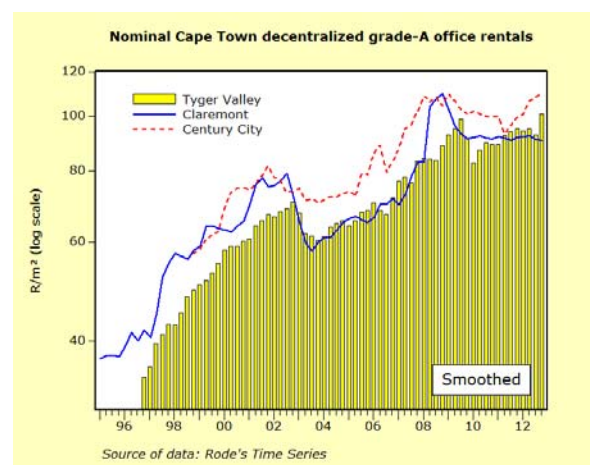
A combination of weak demand and over-zealous development (new supply) has resulted in increasing vacancies in some of the premier Pretoria decentralized office areas. The result of this, as it seems, has been poor growth in market rentals. In Centurion — one of the nodes suffering from the scourge of sharply increasing vacancy rates — rentals were only able to show growth of 5%. This was, however, still better than Brooklyn/Waterkloof where rentals were up by 3% and Hatfield (-1%) and Menlyn (-4%) where rentals contracted slightly.

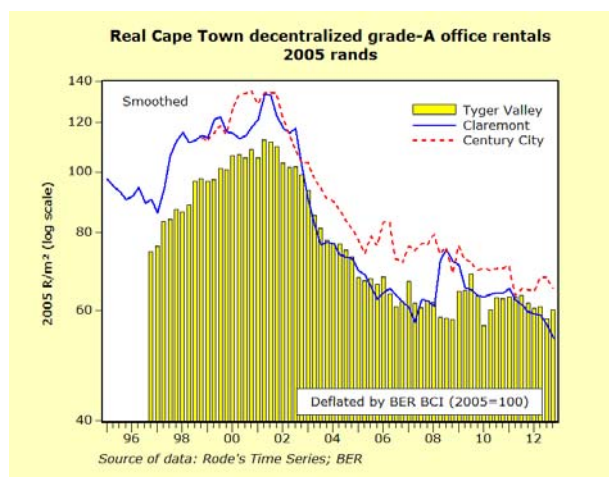


In the Durban decentralized office nodes of Westway (-1%), Berea (-6%) and La Lucia / Umhlanga (-5%), market rentals were in the fourth quarter of 2012 all lower than they were a year ago.

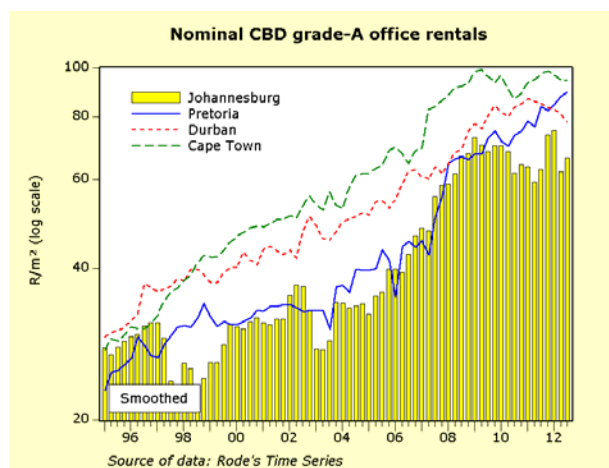


Thanks to a steady decline in vacancy rates, nominal rentals Century City (+10%) have been able to show fairly impressive growth. In Tyger Valley, rentals were up by 6%, while in Claremont (-1%) rentals contracted slightly.

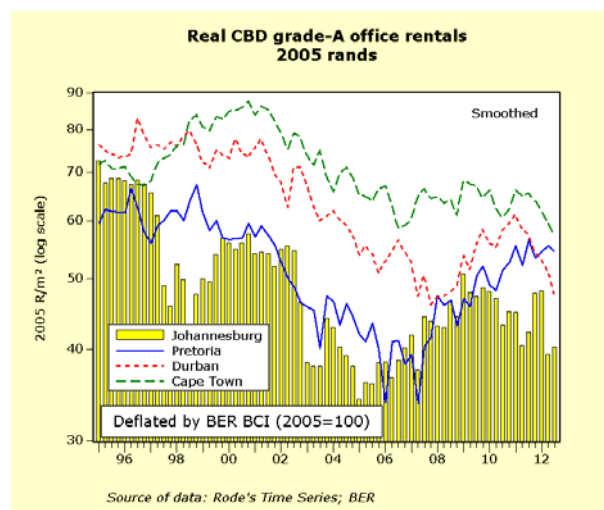




In the reporting quarter, the CBD of Pretoria (+4%) was the only one of the major CBDs to have shown growth in nominal rentals. Nominal rentals in the CBDs of Johannesburg (-7%), Durban (-7%) and Cape Town (-3%) all contracted.



Given the double-digit vacancy rates that CBDs are suffering from — see **Chapter 6** — not much should be expected from rentals in the central areas.



## Pioneer rentals

**Table 5.1** shows the difference between pioneer rentals and grade-A market rentals as in the fourth quarter of 2012. This the reader can use as a rough indication of prospects for market-rental growth. Often pioneer rental levels represent leases signed on newly erected on-demand buildings, and these reflect today's building costs, as developers naturally expect a fair return on their development costs.

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. 29. 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 m<sup>2</sup>, gross leases (excl VAT)**  
**During quarter 2012:4**

	Pioneer	Normal Grade A	Difference %
Johannesburg dec.	200,00	105,42	89%
Pretoria dec.	155,00	109,85	41%
Durban dec.	155,00	104,83	48%
Cape Town CBD	160,00	96,25	66%
Cape Town dec.	180,00	97,40	84%

**Table 5.2**  
**Market rental rates for office buildings**  
**Quarter 2012:4**

**Rands per rentable m<sup>2</sup> per month, gross leases (excl VAT)**

	<b>Grade A<sup>+</sup></b>	<b>Grade A mean</b>	<b>Grade B mean</b>	<b>Grade C mean</b>	<b>Broker contributor codes</b>
Johannesburg CBD	95,00	67,90	51,40	23,00	AV, BR, GH, PA
Braamfontein	94,30	75,00	51,20	25,30	AV, BR, GH, PA, REW
Sandton CBD	172,50	131,80	101,30	87,20	AR, AV, BR, GH, GT, PA, REW
Dunkeld West	130,20	117,00	94,40	84,50	AR, AW, BR, GH, PA
Wierda Valley	132,80	108,80	93,00	84,30	AR, BR, GH, GT, PA
Randburg Ferndale	88,70	77,10	74,70	65,80	AR, BR, GB, GH, PA
Rivonia	110,00	97,80	83,00	75,20	AR, AV, AW, BR, GB, GH, GT, PA
Rosebank	160,50	122,20	94,40	80,20	AR, AV, AW, BR, GH, GT, PA
Illovo	142,80	116,10	99,50	83,20	AR, AV, AW, BR, GH, MD, PA
Illovo Boulevard	133,40	117,10	101,80	85,80	AR, AV, AW, BR, GH, PA
Chiselhurst	117,20	108,00	95,70	86,00	AR, BR, GH, GT, PA
Parktown	104,30	100,80	80,20	71,30	AR, BR, GH, GT, PA
Richmond/Milpark	-	78,20	67,50	60,70	AR, BR, GH, PA
Bedfordview	110,00	101,70	90,00	87,50	AR, BR, GH
Bruma	-	99,20	85,00	77,50	AR, BR, GH, REW
Meadowbrook	-	-	-	-	-
Woodmead	117,60	106,90	88,20	87,80	AR, AW, BG, BR, GH, PA
Sunninghill	100,30	92,00	82,80	80,00	AR, BR, GH, PA
Bryanston/Epsom	136,00	110,20	92,40	87,40	AR, AV, BR, GB, GH, GT, PA
Fourways	130,60	100,70	89,80	76,00	AR, AW, BR, GH, PA
Houghton	113,20	101,60	90,50	85,70	AR, AV, BR, GH, PA
Melrose Arch	183,20	178,70	-	-	AR, AW, BR, GH, GT, PA
Hydepark	123,30	110,00	92,50	86,70	AR, AW, BR, GH, PA
Eastgate/Kramerville	-	80,00	65,70	48,70	AN, AR, PA
Ormonde	87,00	79,50	69,50	64,50	AR, PA
Midrand	102,20	89,70	74,50	68,50	AR, BR, PA
Hendrik Potgieter Corridor	90,50	89,70	80,70	73,00	AR, GH, PA
Pretoria CBD	115,00	83,33	75,00	63,33	BR, CI, EV
Lynnwood Glen	-	-	-	65,00	EV
Lynnwood	100,00	97,50	75,00	70,00	BR
Lynnwood Manor	90,00	90,00	80,00	-	BR
Lynnwood Ridge	160,00	130,00	113,00	85,00	BR, EV
Faerie Glen	123,00	110,50	105,00	-	BR, EV
Val de Grace	-	72,00	68,00	-	BR
Menlyn	140,00	110,00	100,00	-	BR, EV
Menlo Park (Brooks St.)	145,00	117,50	100,00	-	BR, EV
Brooklyn/Waterkloof	145,00	120,50	92,50	-	BR, EV
Nieuw Muckleneuk	135,00	122,50	105,00	-	BR, EV
Hatfield	134,00	120,00	95,00	-	BR, CI, EV
Centurion	135,00	110,00	100,00	-	BR, EV, MAS
Highveld Technopark	145,00	111,67	95,00	-	BR, EV
Sunnyside	110,00	95,00	-	65,00	BR, CI, EV
Arcadia	-	86,67	75,00	62,50	BR, CI, EV
Murrayfield	-	-	-	-	EV
Nelspruit	140,00	120,00	95,00	75,00	RZ
Polokwane	170,00	127,50	97,50	80,00	ES, MO

*For definitions, see Glossary of terms and abbreviations in Annexure 1 or visit [www.rode.co.za](http://www.rode.co.za).*



**Table 5.2 (continued)**  
**Market rental rates for office buildings**  
**Quarter 2012:4**

**Rands per rentable m<sup>2</sup> per month, gross leases (excl VAT)**

	<b>Grade A<sup>+</sup></b>	<b>Grade A mean</b>	<b>Grade B mean</b>	<b>Grade C mean</b>	<b>Broker contributor codes</b>
Bloemfontein CBD	125,00	107,50	85,00	62,50	CC, EK
Westdene	117,50	107,50	82,50	65,00	CC, EK
Durban CBD	90,00	77,50	52,50	40,00	MW, QP
Durban Berea	-	100,00	85,00	72,50	MW, QP
Essex Terrace	95,00	90,00	80,00	67,50	MW, QP
Westway	120,00	116,67	102,50	-	ACU, MW, QP
La Lucia Ridge	120,00	117,50	105,00	-	MW, QP, REW
Westville	117,50	100,00	85,00	70,00	ACU, MW, QP
Pinetown	85,00	75,00	60,00	45,00	QP
Hillcrest-Kloof (Upper Highway)	110,00	100,00	80,00	65,00	QP
Port Elizabeth CBD	-	-	-	51,25	IPM, QV
Greenacres : Parks	122,50	95,00	77,50	52,50	IPM, QV
Greenacres: Single	130,00	95,00	77,50	55,00	IPM, QV
Walmer Park 1, 2 & 3	-	-	68,75	-	IPM, QV
South End	-	76,25	67,50	55,00	IPM, QV
Humewood	120,00	87,50	67,50	-	IPM, QV
Cape Road	125,00	95,00	72,50	55,00	IPM, QV
East London	-	60,00	50,00	45,60	BG, DQ, ER, GO, GW, IP
East London dec.	103,84	75,00	55,00	37,50	BG, DQ, ER, GO, GW, IP
Cape Town CBD	112,50	96,25	66,00	56,67	AN, BP, GB, OF, PC
Sea Point	97,50	77,50	65,00	50,00	AN, GB, PB
V&A Portsworld Ridge	125,00	105,00	-	-	AN, GB, PB
Granger Bay	120,00	100,00	-	-	AN, GB, PB
Salt River	95,00	80,00	65,00	55,00	AN, GB, PC
Woodstock	105,00	88,33	67,50	58,33	AN, GB, OF, PC
Observatory	93,33	80,00	60,00	53,33	AN, GB, PB
Mowbray	107,50	-	75,00	50,00	DW, GB, PB
Kenilworth (Racecourse)	97,50	90,00	87,33	62,50	GB, PB, PC
Rondebosch/Newlands	115,00	92,50	82,50	60,00	AN, GB, PB
Wynberg	100,00	77,50	65,00	58,33	AN, DW, GB
Westlake	115,67	101,25	81,67	61,67	AN, DW, GB, PC
Tokai	103,33	83,33	76,67	60,00	AN, GB, HP
Claremont Lower**	-	-	-	-	
Claremont Upper	118,33	96,67	75,00	-	AN, GB, PB
Hout Bay	-	90,00	72,50	60,00	GB, PB
Noordhoek (Sun Valley)	95,00	87,50	65,00	55,00	GB, PB
Pinelands	102,50	90,00	76,67	57,50	DW, GB, HP
Athlone	90,00	75,00	60,00	52,50	GB, PB
Milnerton	90,00	85,00	61,67	57,50	DW, GB, PB
Panorama	100,00	80,00	60,00	50,00	GB, PB
Table View / Parklands	-	95,00	83,33	65,00	GB, OF, PB
Century City	138,33	110,00	87,50	76,67	AN, GB, HP, REW
Maitland	85,00	80,00	62,50	45,00	GB, PB
Goodwood (N1 City)	100,00	90,00	72,50	55,00	GB, PB
Tygerberg Hills	120,00	108,33	88,33	71,67	AN, GB, PB
Bellville CBD	-	100,00	78,33	61,67	GB, OF, PB
Tyger Valley area	123,33	105,00	88,75	75,00	AN, GB, OF
Durbanville	120,00	100,00	83,33	71,67	AN, GB, PB
Airport	110,00	102,50	87,50	75,00	GB, PB
Kuils River	-	90,00	65,00	50,00	GB, OF, PB

*For definitions, see Glossary of terms and abbreviations in Annexure 1 or visit [www.rode.co.za](http://www.rode.co.za).*

**Table 5.2 (continued)**  
**Market rental rates for office buildings**  
**Quarter 2012:4**

**Rands per rentable m<sup>2</sup> per month, gross leases (excl VAT)**

	<b>Grade A<sup>+</sup></b>	<b>Grade A mean</b>	<b>Grade B mean</b>	<b>Grade C mean</b>	<b>Broker contributor codes</b>
Somerset West Town	100,00	90,00	80,00	66,67	GB, OF, PB
Somerset West Mall	100,00	90,00	80,00	70,00	GB, PB
area					
Strand	100,00	100,00	80,00	70,00	GB, PB
Gordon's Bay	90,00	80,00	80,00	70,00	GB
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](http://www.rode.co.za).

**Table 5.3**  
**Standard deviation of market rental rates for office buildings**  
**Quarter 2012:4**

	Grade A <sup>+</sup>	Grade A	Grade B	Grade C
Johannesburg CBD	-	R5,80	R8,30	R5,00
Braamfontein	R3,30	R3,50	R8,20	R3,70
Sandton CBD	R5,60	R8,30	R6,40	R7,80
Dunkeld West	R5,10	R6,30	R5,20	R3,60
Wierda Valley	R3,90	R8,20	R7,00	R4,90
Randburg Ferndale	R4,50	R7,60	R5,10	R6,80
Rivonia	R10,40	R10,30	R7,90	R6,90
Rosebank	R10,20	R5,30	R5,00	R6,90
Illovo	R13,10	R9,90	R8,70	R4,70
Illovo Boulevard	R4,70	R9,50	R7,50	R4,40
Chiselhurst	R8,50	R9,30	R6,10	R2,90
Parktown	R4,90	R9,60	R9,20	R9,00
Richmond/Milpark	-	R4,70	R5,60	R3,30
Bedfordview	R0,00	R8,50	R8,20	R2,50
Bruma	-	R1,20	R4,10	R2,50
Meadowbrook	-	-	-	-
Woodmead	R7,30	R8,70	R7,90	R7,90
Sunninghill	R8,60	R8,90	R9,00	R4,10
Bryanston / Epsom Downs	R5,80	R8,90	R8,20	R7,60
Fourways	R2,70	R8,20	R5,30	R7,40
Houghton	R1,30	R6,60	R5,80	R3,30
Melrose Arch	R14,20	R4,50	-	-
Hydepark	R7,70	R11,70	R5,60	R2,40
Eastgate/Kramerville	-	R0,00	R10,20	R6,30
Ormonde	-	R0,50	R4,50	R4,50
Midrand	R6,50	R7,30	R3,90	R1,50
Hendrik Potgieter Corridor	R9,50	R8,60	R7,40	R5,00
Pretoria CBD	-	R2,36	R0,00	R2,36
Lynnwood Glen	-	-	-	-
Lynnwood	-	R12,50	-	-
Lynnwood Manor	-	-	-	-
Lynnwood Ridge	-	R5,00	R2,00	-
Faerie Glen	R7,00	R4,50	-	-
Val de Grace	-	-	-	-
Menlyn	R5,00	R10,00	-	-
Menlo Park (Brooks St.)	-	R17,50	R10,00	-
Brooklyn/Waterkloof	R5,00	R5,50	R2,50	-
Nieuw Muckleneuk	R5,00	R7,50	-	-
Hatfield	-	R0,00	R10,00	-
Centurion	-	R10,80	R 5,00	-
Highveld Technopark	-	R12,47	R0,00	-
Sunnyside	-	-	-	-
Arcadia	-	R2,36	R4,08	R2,50
Murrayfield	-	-	-	-
Nelspruit CBD	-	-	-	-
Polokwane	R10,00	R2,50	R2,50	R0,00
Bloemfontein CBD	-	R7,50	R0,00	R2,50
Westdene	R7,50	R7,50	R2,50	-
Durban CBD	-	R2,50	R2,50	R0,00
Durban Berea	-	R10,00	R5,00	R7,50

*For definitions, see Glossary of terms and abbreviations in Annexure 1 or visit [www.rode.co.za](http://www.rode.co.za).*

**Table 5.3 (continued)**  
**Standard deviation of market rental rates for office buildings**  
**Quarter 2012:4**

	Grade A <sup>+</sup>	Grade A	Grade B	Grade C
Essex Terrace	-	R5,00	R5,00	R7,50
Westway	R0,00	R6,24	R2,50	-
La Lucia Ridge	-	R7,50	R5,00	-
Westville	R2,50	-	R5,00	R5,00
Pinetown	-	-	-	-
Hillcrest-Kloof (Upper Highway)	-	-	-	-
Port Elizabeth CBD	-	-	-	R8,75
Greenacres : Parks	R2,50	R5,00	R2,50	R2,50
Greenacres: Single	R5,00	R5,00	R2,50	-
Walmer Park 1, 2 & 3	-	-	R3,75	-
South End	-	R1,25	R2,50	-
Humewood	R5,00	R2,50	R2,50	-
Cape Road	R0,00	R5,00	R2,50	-
East London	R0,00	R0,00	R0,00	R0,00
East London dec.	R0,00	R0,00	R0,00	R0,00
Cape Town CBD	R8,29	R9,60	R6,48	R8,50
Sea Point	R12,50	R2,50	R5,00	R5,00
V&A Portwood Ridge	R5,00	R5,00	-	-
Granger Bay	R0,00	-	-	-
Salt River	R5,00	-	-	-
Woodstock	R10,80	R6,24	R2,50	R6,24
Observatory	R9,43	R7,07	R0,00	R4,71
Mowbray	R7,50	-	R5,00	R10,00
Kenilworth (Racecourse)	R2,50	-	R5,25	R2,50
Westlake	R5,00	R2,50	R7,50	R0,00
Tokai	R0,00	R2,50	R4,08	R2,36
Claremont Lower	R11,44	R11,39	R8,50	R6,24
Claremont Upper	R9,43	R6,24	R9,43	R4,08
Hout Bay	-	-	-	-
Noordhoek (Sun Valley)	R2,36	R2,36	R0,00	-
Pinelands	-	R10,00	R7,50	R0,00
Athlone	-	R2,50	R5,00	R5,00
Milnerton	R7,50	R0,00	R4,71	R2,50
Panorama	-	R5,00	R0,00	R2,50
Rondebosch/Newlands	-	R5,00	R11,79	R2,50
Wynberg	-	-	-	-
Table View / Parklands	-	R5,00	R4,71	R5,00
Century City	R2,36	R0,00	R2,50	R2,36
Maitland	-	R10,00	R7,50	R5,00
Goodwood (N1 City)	-	R0,00	R2,50	R5,00
Tygerberg Hills	R0,00	R8,50	R2,36	R2,36
Bellville CBD	-	R0,00	R6,24	R2,36
Tyger Valley area	R9,43	R7,91	R8,93	R7,07
Durbanville	R8,16	R4,08	R6,24	R6,24
Airport	-	R7,50	R2,50	R5,00
Kuils River	-	-	R4,08	R10,00
Somerset West Town	-	-	R10,00	R4,71
Somerset West Mall area	-	-	R10,00	R0,00
Strand	-	R10,00	R10,00	R0,00
Gordon's Bay	-	-	R10,00	R0,00
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](http://www.rode.co.za).

**Table 5.4**  
**Typical rent-free period in months**  
**Average periods on offer in quarter 2012:4**

	Mean	SD		Mean	SD
Johannesburg CBD	1,5	0,5	Durban CBD	2,0	-
Braamfontein	2,0	0,7	Durban Berea	1,0	-
Sandton CBD	1,2	0,4	Essex Terrace	0,5	0,5
Dunkeld West	1,8	0,4	Westway	0,2	0,2
Wierda Valley	1,8	0,8	La Lucia Ridge	1,2	1,3
Randburg Ferndale	2,0	0,8	Westville	0,3	0,5
Rivonia	1,7	0,5	Pinetown	1,0	-
Rosebank	1,6	0,5	Hillcrest-Kloof-Upper Highway	1,0	-
Illovo	1,4	0,5	Port Elizabeth	3,0	-
Illovo Boulevard	1,4	0,5	Port Elizabeth dec.	1,0	-
Chiselhurst	1,3	0,5	East London	0,0	0,0
Parktown	1,7	0,5	East London dec.	-	-
Richmond/Milpark	1,7	0,5	Cape Town CBD	1,4	0,7
Bedfordview	1,7	0,5	Sea Point	1,3	0,5
Bruma	2,0	0,7	V&A Portsworld Ridge	1,7	0,9
Meadowbrook	1,5	0,5	Granger Bay	1,7	0,9
Woodmead	1,5	0,5	Salt River	0,9	0,5
Sunninghill	1,7	0,5	Woodstock	0,8	0,4
Bryanston/Epsom	1,2	0,8	Observatory	0,7	0,5
Fourways	1,2	0,4	Mowbray	0,7	0,5
Houghton	1,5	0,5	Kenilworth (Racecourse)	1,0	0,7
Melrose Arch	1,5	0,5	Westlake	0,7	0,5
Hydepark	1,5	0,5	Tokai	0,8	0,4
Eastgate/Kramerville	1,5	0,5	Claremont Lower	0,8	0,4
Ormonde	1,5	0,5	Claremont Upper	0,8	0,4
Midrand	1,5	0,5	Hout Bay	0,5	0,5
Hendrik Potgieter Corr.	1,7	0,5	Noordhoek (Sun Valley)	1,3	0,5
Pretoria CBD	2,0	1,0	Pinelands	0,5	0,5
Lynnwood Glen	3,0	-	Athlone	0,5	0,5
Lynnwood	3,0	-	Milnerton	0,7	0,5
Lynnwood Manor	3,0	-	Panorama	0,5	0,5
Lynnwood Ridge	3,0	-	Rondebosch/Newlands	0,5	0,5
Faerie Glen	3,0	-	Wynberg	1,5	0,5
Val de Grace	3,0	-	Table View / Parklands	0,7	0,5
Menlyn	3,0	-	Century City	1,7	0,7
Menlo Park (Brooks St)	3,0	-	Maitland	0,5	0,5
Brooklyn/Waterkloof	3,0	-	Goodwood (N1 City)	0,2	0,2
Nieuw Muckleneuk	3,0	-	Tygerberg Hills / Platteklouf	0,5	0,4
Hatfield	3,0	-	Bellville CBD	0,5	0,4
Centurion	3,0	-	Tyger Valley area	0,5	0,5
Highveld Technopark	3,0	-	Durbanville	0,7	0,5
Sunnyside	1,0	-	Airport	0,5	0,5
Arcadia	3,0	-	Kuils River	0,7	0,5
Murrayfield	3,0	-	Somerset West Town	0,7	0,5
Nelspruit CBD	-	-	Somerset West Mall area	0,5	0,5
Polokwane	2,0	1,0	Strand	0,5	0,5
Bloemfontein CBD	1,0	0,0	Gordon's Bay	0,5	0,5
Westdene	1,0	0,0	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 2012:4**

	Covered reserved parking				Under shade net	Open-air parking
	Gr A <sup>+</sup>	Gr A	Gr B	Gr C		
Johannesburg CBD	-	673	515	410	273	236
Braamfontein	-	638	505	402	286	256
Sandton CBD	792	681	554	459	382	297
Dunkeld West	637	557	456	426	365	270
Wierda Valley	645	548	511	394	340	240
Randburg Ferndale	444	383	264	233	254	191
Rivonia	517	464	389	414	313	256
Rosebank	709	582	467	421	370	301
Illovo	703	584	459	426	381	314
Illovo Boulevard	667	583	468	433	365	297
Chislehurst	560	524	457	401	315	248
Parktown	465	479	383	352	317	236
Richmond/Milpark	375	331	302	288	216	188
Bedfordview	525	479	423	309	266	228
Bruma	470	455	385	277	226	208
Meadowbrook	-	-	-	-	-	-
Woodmead	541	490	468	317	302	223
Sunninghill	535	489	388	330	282	220
Bryanston / Epsom Downs	603	517	446	405	361	254
Fourways	539	484	394	332	335	242
Houghton	562	508	398	329	326	245
Melrose Arch	784	775	575	800	300	250
Hyde Park	600	525	407	-	300	217
Eastgate/Kramerville	-	-	-	-	-	-
Ormonde	-	484	401	346	294	219
Midrand	480	422	362	322	288	228
Hendrik Potgieter Corridor	494	461	381	305	284	226
Pretoria CBD	-	425	375	325	316	110
Lynnwood Glen	500	460	515	200	450	200
Lynnwood	-	500	-	-	350	200
Lynnwood Manor	-	500	-	-	350	200
Lynnwood Ridge	575	475	475	-	350	295
Faerie Glen	525	480	480	-	403	255
Val de Grace	-	300	300	-	350	200
Menlyn	638	547	500	-	350	301
Menlo Park (Brooks St.)	525	475	390	-	350	250
Brooklyn/Waterkloof	625	538	438	-	363	276
Nieuw Muckleneuk	600	525	450	-	371	275
Hatfield	550	490	465	-	380	320
Centurion	450	490	480	-	342	250
Highveld Technopark	500	465	480	-	280	235
Sunnyside	-	-	-	-	-	-
Arcadia	-	375	450	-	350	200
Murrayfield	-	-	-	-	-	-
Nelspruit	420	370	275	220	180	120
Polokwane	395	373	290	250	245	180
Bloemfontein CBD	323	323	248	190	180	110
Westdene	355	355	278	210	200	110
Durban CBD	-	700	575	-	-	-
Durban Berea	-	525	500	450	-	-



**Table 5.5 (continued)**  
**Market parking rentals**  
**Monthly parking rands per bay per month (excl. VAT)**  
**As in quarter 2012:4**

	Covered reserved parking				Under shade net	Open-air parking
	Gr A <sup>+</sup>	Gr A	Gr B	Gr C		
Essex Terrace	-	475	475	450	350	325
Westway	650	588	550	-	-	375
La Lucia Ridge	625	600	550	-	-	375
Westville	-	500	475	-	-	350
Pinetown	-	-	-	-	-	-
Hillcrest-Kloof (Upper Highway)	280	280	250	250	200	-
Port Elizabeth CBD	-	-	-	-	-	-
Greenacres : Parks	438	413	400	350	300	250
Greenacres: Single	438	413	400	350	300	250
Walmer Park 1, 2 & 3	400	375	300	250	250	225
South End	200	325	300	250	150	150
Humewood	500	400	300	-	-	250
Cape Road	438	413	400	300	200	250
East London	-	450	220	235	-	280
East London dec.	-	-	-	-	-	-
Cape Town CBD	1.200	1.087	825	725	575	475
Sea Point	933	800	675	525	550	450
V&A Portsworld Ridge	1.125	1.000	900	825	625	525
Granger Bay	1.233	1.000	900	750	600	500
Salt River	717	550	450	350	275	200
Woodstock	783	600	450	533	275	200
Observatory	717	550	400	300	225	150
Mowbray	683	600	500	400	325	225
Kenilworth (Racecourse)	624	648	550	450	350	275
Rondebosch/Newlands	875	717	625	525	400	375
Wynberg	700	625	425	375	275	225
Westlake	725	675	600	600	475	425
Tokai	700	583	550	600	425	417
Claremont Lower**	875	700	600	500	400	400
Claremont Upper	925	775	700	600	483	375
Hout Bay	775	650	525	600	500	400
Noordhoek (Sun Valley)	675	600	500	375	275	200
Pinelands	783	600	450	350	275	271
Athlone	-	500	400	300	225	150
Milnerton	600	525	400	300	275	150
Panorama	800	700	600	500	400	300
Tableview/Parklands	800	625	550	500	417	250
Century City	875	775	-	-	525	400
Maitland	700	600	500	400	325	250
Goodwood (N1 City)	617	517	425	325	225	600
Tygerberg Hills	717	633	575	475	375	275
Bellville CBD	600	525	525	483	317	250
Tyger Valley area	700	638	575	450	375	300
Durbanville	675	575	500	400	350	275
Airport	800	700	600	500	400	300
Kuils River	575	475	375	275	175	133
Somerset West Town	750	650	550	400	300	275
Somerset West Mall area	750	650	550	450	350	250
Strand	750	650	550	450	350	400
Gordon's Bay	700	600	550	450	325	250
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 2012:4

	Mean		Mean
Johannesburg CBD	9,2	Durban CBD	8,8
Braamfontein	9,0	Durban Berea	8,8
Sandton CBD	9,2	Essex Terrace	8,8
Dunkeld West	9,6	Westway	8,5
Wierda Valley	9,2	La Lucia Ridge	8,5
Randburg Ferndale	8,9	Westville	8,5
Rivonia	9,0	Pinetown	8,5
Rosebank	9,1	Hillcrest-Kloof (Upper Highway)	8,5
Illovo	9,1	Port Elizabeth	7,8
Illovo Boulevard	9,1	Port Elizabeth dec.	8,0
Chislehurst	9,3	East London	9,0
Parktown	9,2	East London dec.	8,0
Richmond/Milpark	9,1	Cape Town CBD	8,5
Bedfordview	9,4	Sea Point	8,8
Bruma	9,1	V&A Portwood Ridge	8,7
Meadowbrook	10,0	Granger Bay	8,7
Woodmead	9,1	Salt River	8,7
Sunninghill	9,4	Woodstock	8,7
Bryanston / Epsom Downs	9,5	Observatory	8,7
Fourways	9,2	Mowbray	8,7
Houghton	9,3	Kenilworth (Racecourse)	8,8
Melrose Arch	9,3	Rondebosch/Newlands	8,7
Hyde Park	9,4	Wynberg	8,8
Eastgate/Kramerville	9,3	Westlake	8,8
Ormonde	9,5	Tokai	8,8
Midrand	9,0	Claremont Lower	8,0
Hendrik Potgieter	9,3	Claremont Upper	8,7
Pretoria CBD	8,5	Hout Bay	8,0
Lynnwood Glen	9,0	Noordhoek (Sun Valley)	7,5
Lynnwood	9,0	Pinelands	8,7
Lynnwood Manor	9,0	Athlone	8,0
Lynnwood Ridge	9,0	Milnerton	8,0
Faerie Glen	9,0	Panorama	7,5
Val de Grace	9,0	Table View / Parklands	8,3
Menlyn	9,0	Century City	8,6
Menlo Park (Brooks St.)	9,0	Maitland	8,0
Brooklyn/Waterkloof	9,0	Goodwood (N1 City)	7,5
Nieuw Muckleneuk	9,0	Tygerberg Hills/Platteklouf	8,7
Hatfield	9,0	Bellville CBD	7,7
Centurion	8,2	Tyger Valley area	8,5
Highveld Technopark	9,0	Durbanville	8,0
Sunnyside	-	Airport	8,5
Arcadia	9,0	Kuils River	8,0
Murrayfield	-	Somerset West Town	7,7
Nelspruit	8,0	Somerset West Mall area	8,0
Polokwane	8,2	Strand	8,0
Bloemfontein CBD	8,0	Gordon's Bay	8,0
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 m<sup>2</sup> per month: quarter 2012:4

	Mean	SD	n
Johannesburg CBD	R19,50	R0,50	2
Braamfontein	R18,80	R1,94	5
Sandton	R26,00	R3,42	6
Dunkeld West	R22,80	R1,94	5
Wierda Valley	R21,30	R3,34	5
Randburg Ferndale	R20,00	R0,00	4
Rivonia	R19,50	R0,87	4
Rosebank	R24,43	R3,02	7
Illovo	R24,50	R2,66	7
Illovo Boulevard	R25,71	R1,75	7
Chiselhurst	R24,00	R1,73	4
Parktown	R20,00	R0,00	4
Richmond/Milpark	R17,75	R1,79	4
Bedfordview	R21,00	R2,55	4
Bruma	R20,70	R2,36	5
Meadowbrook	-	-	-
Woodmead	R22,40	R2,50	5
Sunninghill	R21,50	R2,29	4
Bryanston/Epsom	R20,80	R3,06	5
Fourways	R22,40	R2,73	5
Houghton	R22,80	R2,48	5
Melrose Arch	R27,50	R5,41	6
Hydepark	R23,20	R2,40	5
Eastgate/Kramerville	R23,00	R2,00	2
Ormonde	R20,00	-	1
Midrand	R18,67	R1,89	3
Hendrik Potgieter Corridor	R21,33	R0,94	3
Pretoria CBD	R19,00	-	1
Lynnwood Glen	R12,00	-	1
Lynnwood	R15,00	-	1
Lynnwood Manor	R12,00	-	1
Lynnwood Ridge	R15,00	-	1
Faerie Glen	R15,00	-	1
Val de Grace	R15,00	-	1
Menlyn	R15,00	-	1
Menlo Park (Brooks St.)	R12,00	-	1
Brooklyn/Waterkloof	R18,50	-	1
Nieuw Muckleneuk	R18,50	-	1
Hatfield	R15,00	-	1
Centurion	R15,00	-	1
Highveld Technopark	R15,00	-	1
Sunnyside	-	-	-
Arcadia	R12,00	-	1
Murrayfield	-	-	-

*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 m<sup>2</sup> per month: quarter 2012:4

	Mean	SD	n
Nelspruit	R20,00	-	1
Polokwane	R21,50	R1,50	2
Bloemfontein CBD	R6,00	R1,00	2
Westdene	R7,00	R1,00	2
Durban CBD	R24,00	R0,00	2
Durban Berea	R28,00	R0,00	2
Essex Terrace	R29,00	R0,00	2
Westway	R32,50	R2,04	3
La Lucia Ridge	R29,67	R3,30	3
Westville	R30,83	R2,09	3
Pinetown	-	-	-
Hillcrest-Kloof (Upper Highway)	R30,00	-	1
Port Elizabeth CBD	R13,25	R1,25	2
Greenacres : Parks	R14,25	R3,25	2
Greenacres: Single	R14,25	R3,25	2
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	R22,33	R7,59	3
Sea Point	R30,00	-	1
V&A Portsworld Ridge	R30,00	-	1
Granger Bay	R30,00	-	1
Salt River	R35,00	-	1
Woodstock	R27,00	R8,00	2
Observatory	R35,00	-	1
Mowbray	R35,00	-	1
Kenilworth (Racecourse)	R21,00	R9,00	2
Rondebosch/Newlands	R30,00	-	1
Wynberg	R30,00	-	1
Westlake	R27,50	R2,50	2
Tokai	R27,50	R2,50	2
Claremont Lower**	R30,00	-	1
Claremont Upper	R30,00	-	1
Hout Bay	R30,00	-	1
Noordhoek (Sun Valley)	R30,00	-	1
Pinelands	R30,00	R0,00	2
Athlone	R30,00	-	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 m<sup>2</sup> per month: quarter 2012:4

	Mean	SD	n
Milnerton	R30,00	-	1
Panorama	R30,00	-	1
Table View / Parklands	R30,00	-	1
Century City	R28,33	R2,36	3
Maitland	R30,00	-	1
Goodwood (N1 City)	R30,00	-	1
Tygerberg Hills	R30,00	-	1
Bellville CBD	R22,00	R8,00	2
Tyger Valley area	R31,00	R1,00	2
Durbanville	R30,00	-	1
Airport	R30,00	-	1
Kuils River	R21,00	R9,00	2
Somerset West Town	R22,50	R7,50	2
Somerset West Mall area	R30,00	-	1
Strand	R30,00	-	1
Gordon's Bay	R30,00	-	1
George	-	-	-

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

**Table 5.8**  
**Escalation rates on operating costs (%)**

<b>Node</b>	<b>2012:4</b>	<b>Node</b>	<b>2012:4</b>
Johannesburg CBD	9,3	Durban Berea	-
Braamfontein	9,0	Essex Terrace	-
Sandton CBD	9,7	Westway	-
Dunkeld West	9,2	La Lucia	8,0
Wierda Valley	9,2	Westville	-
Randburg Ferndale	9,5	Pinetown	-
Rivonia	9,5	Hillcrest-Kloof (Upper Highway)	10,0
Rosebank	9,1	Empangeni	-
Illovo	10,0	Richards Bay	-
Illovo Boulevard	10,0	Port Elizabeth CBD	7,5
Chiselhurst	9,8	Port Elizabeth dec	8,0
Parktown	10,0	East London CBD	6,0
Richmond/Milpark	9,4	East London	-
Bedfordview	9,6	Cape Town CBD	8,5
Bruma	9,3	Sea Point	8,0
Meadowbrook	10,0	V&A Portswood Ridge	7,7
Woodmead	9,2	Granger Bay	7,7
Sunninghill	9,7	Salt River	7,0
Bryanston/Epsom	9,6	Woodstock	8,0
Fourways	9,4	Observatory	7,3
Houghton	9,8	Mowbray	7,2
Melrose Arch	9,8	Kenilworth (Racecourse)	7,8
Hydepark	9,4	Westlake	7,8
Eastgate/Kramerville	9,7	Tokai	7,8
Ormonde	9,5	Claremont Lower	8,8
Midrand	9,7	Claremont Upper	7,8
Hendrik Potgieter Corridor	9,3	Hout Bay	5,0
Pretoria CBD	10,0	Noordhoek (Sun Valley)	7,8
Lynnwood Glen	10,0	Pinelands	7,0
Lynnwood	10,0	Athlone	6,5
Lynnwood Manor	10,0	Milnerton	7,0
Lynnwood Ridge	10,0	Panorama	6,5
Faerie Glen	10,0	Rondebosch/Newlands	6,5
Val de Grace	10,0	Wynberg	6,5
Menlyn	10,0	Table View / Parklands	7,7
Menlo Park (Brooks St)	10,0	Century City	8,2
Brooklyn/Waterkloof	10,0	Maitland	6,5
Nieuw Muckleneuk	10,0	Goodwood (N1 City)	6,5
Hatfield	10,0	Tygerberg Hills	8,0
Centurion	8,8	Bellville CBD	8,3
Highveld Technopark	10,0	Tyger Valley area	8,2
Sunnyside	-	Durbanville	7,7
Arcadia	10,0	Airport	8,0
Murrayfield	-	Kuils River	7,0
Nelspruit	8,0	Somerset West Town	7,7
Polokwane	8,2	Somerset West Mall area	7,7
Bloemfontein	12,0	Strand	6,5
Westdene	12,0	Gordon's Bay	6,5
Durban CBD	-	George	-

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

\*\* Claremont Lower: east of Main Road



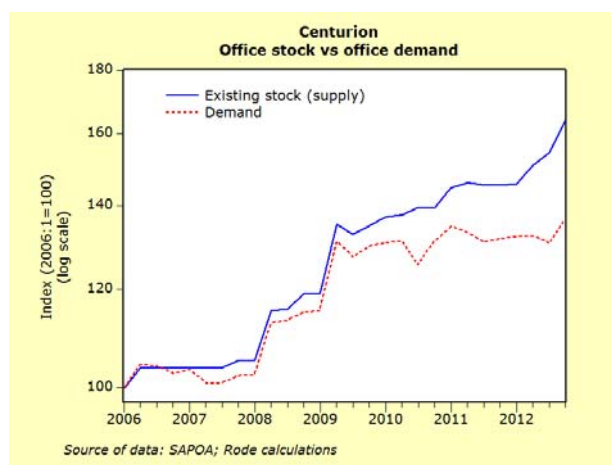
## Chapter 6: Office demand and vacancies

# Alarm bells ringing in Pretoria decentralized

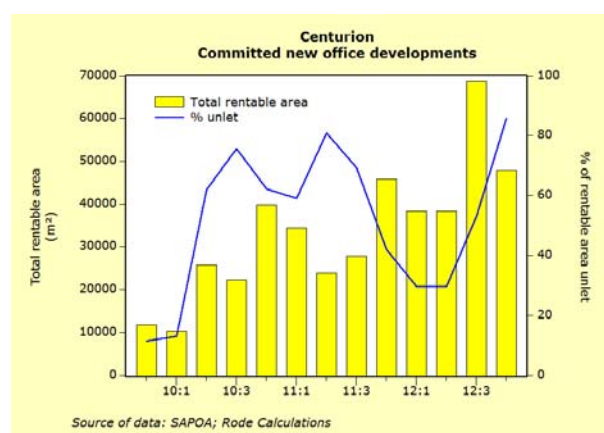
Written by John S. Lottering

The Pretoria decentralized office market seems to be suffering from a combination of weak demand and overzealous development. This statement especially applies to Centurion, one of its largest and most popular office areas.

The accompanying graph illustrates the problem facing Centurion. It shows how, since 2009, the total stock of office space in Centurion has accelerated and headed north while demand for space (grades A and B combined) has basically moved sideways. Demand was calculated by subtracting the area available for leasing (vacant space) from the total rentable area (stock). The widening gap between the stock and demand (as seen in graph) therefore represents the rise in vacant office space. This, in turn, would explain why prime office vacancy rates in Centurion have jumped from 5% in 2009 to 18% in the fourth quarter of 2012.

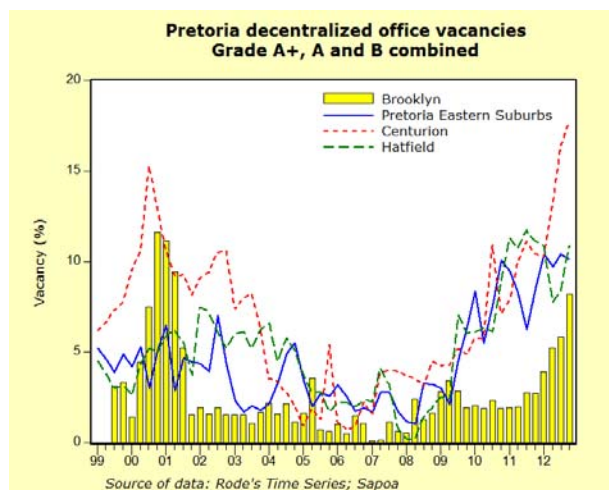


The second graph shows the total rentable area of committed new office developments as well as the percentage of this space that was unlet. Even though the period between 2010 and 2012 was marked by weak economic activity (a harbinger of lacklustre demand and take-up of office space) new office developments still trended north during this period. Worrisome for the Centurion office market must be the seemingly speculative nature of these developments. As at the fourth quarter of 2012, about 48,000 m<sup>2</sup> of committed space — of which 86% was at the time unlet — was still in the pipeline. This is not good news for an office node currently sitting with a combined grades A & B office vacancy rate of 18%, which in itself does not bode well for market rentals in Centurion.

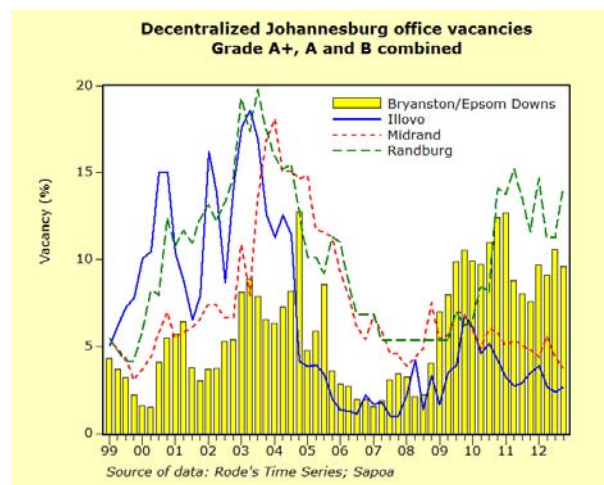
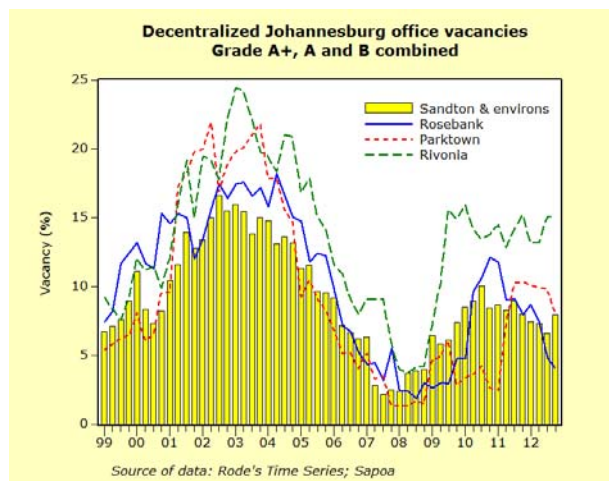


Elsewhere in Pretoria decentralized, vacancy rates are ranging from as low as 4% in Lynwood to as high as 13% in Menlyn.

Evident from the graph which follows is the overall northward trend in vacancy rates in Pretoria decentralized.

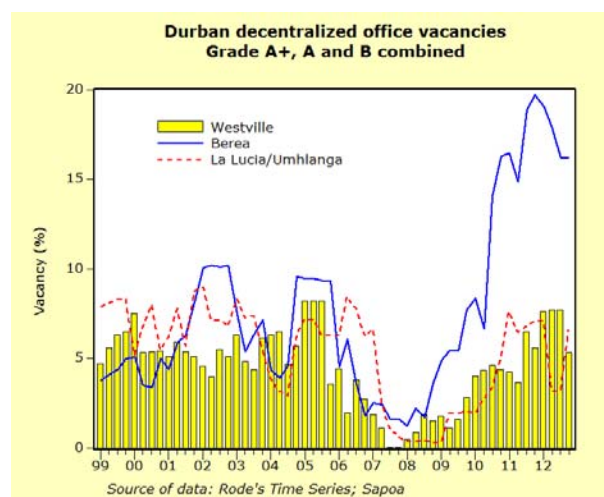


In Johannesburg decentralized the office nodes of Sandton, Rosebank, Illovo and Midrand are standing out – for the right reason, from a property owner's point of view. Here the general direction of vacancy rates has been south for a number of quarters. What's more, in Rosebank (4%), Illovo (3%) and Midrand (4%) vacancy rates were in the fourth quarter of 2012 below 5%. This is, from a practical point of few, equivalent to fully let office markets in these areas. Of course, what Sandton, Rosebank and Midrand have in common is Gautrain stations, which might in part explain the improved demand and vacancy rates in these office nodes. Possibly benefiting Illovo is the fact that it is cosily nestled between Rosebank and Sandton, with Oxford Road serving as a public transport link.



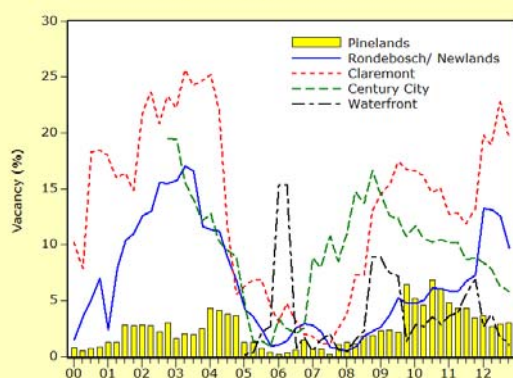
During the fourth quarter of 2012, 35.729 m<sup>2</sup> of new office space became part of the existing stock of office property in La Lucia / Umhlanga. This new space was, however, not taken up as swiftly as might have been hoped. The result of this was an increase in the La Lucia / Umhlanga prime office vacancy rate to 7% from 3% in the previous quarter.

Despite a drop in vacancy rates in recent quarters, the office node of Berea – with its vacancy rate of 12% – remains the least rented office area in Durban decentralized.



As for Cape Town, vacancy rates in its urban office areas were slightly down when comparing the fourth quarter of 2012 to the previous quarter. Nonetheless, vacancy rates here still ranged from as low as 1% in the V&A Waterfront to as high as 20% in Claremont.

**Cape Town decentralized office vacancies  
Grade A+, A and B combined**

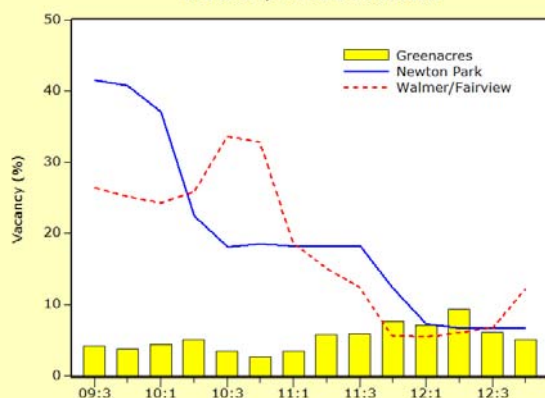


Source of data: Rode's Time Series; Sapoa

A significant player in the Tyger Valley office market, Capitol Commercial Properties, surveys the Tyger Valley area (north of the N1). According to their figures (see [www.property.co.za](http://www.property.co.za)), the vacancy rates for grades A and B properties as in October 2012 were 6% and 16% respectively. This substantiates Sapoa's figures of 6% for grade A and 14% for grade B for Bellville<sup>1</sup> as a whole.

During the reporting quarter, the vacancy rate in the Port Elizabeth decentralized office node of Walmer/Fairview jumped to 12% from 7% in the previous quarter. This was mainly because of a sharp increase in its grade-B vacancy rate from 20% to 36%.

**Port Elizabeth decentralized office vacancies  
Grade A+, A and B combined**



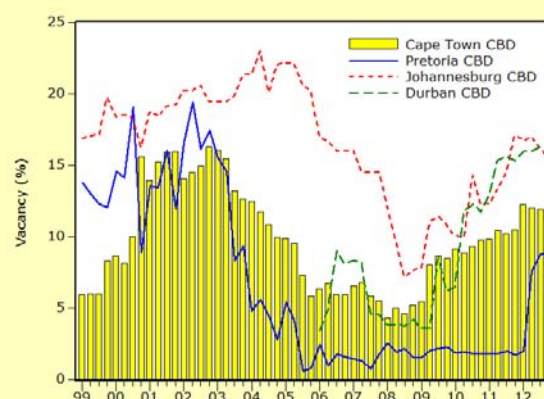
Source of data: Rode's Time Series; Sapoa

Newton Park's vacancy rate remained steady at 7% while vacancy rates in

Greenacres dropped marginally and stood at 5%.

Turning to the CBDs, vacancies in the Johannesburg (16%) and Durban (16%) CBDs continued to be trapped in the double-digit region, mainly as a result of structural factors.

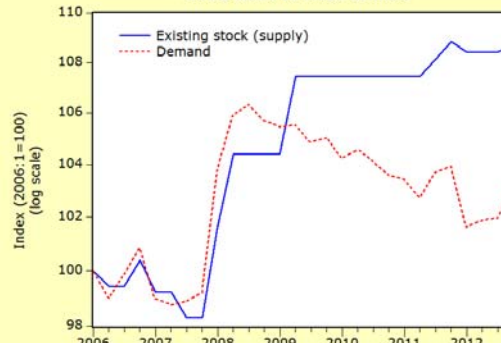
**CBD office vacancies  
Grade A+, A and B combined**



Source of data: Sapoa

In the case of the Cape Town CBD (11%) it can be argued that its double-digit vacancy rate is largely cyclical in nature. That is, it is most likely due to poor demand for office space on the back of a weak economy. While the existing stock of office space in the CBD has remained relatively steady since 2009, the gap between it and office demand has widened as a result of the latter heading south.

**Cape Town CBD  
Office stock vs office demand**



Source of data: SAPOA; Rode calculations

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

<sup>1</sup> SAPOA defines the office node of Bellville as Jip de Jager / Mike Pienaar to the West, Voortrekker Road to the South, Old Oak to the East and Van Riebeeck Road to the North.

**Table 6.1**  
**Committed new office developments**  
**As in 2012:4**

	Total rent- able area m <sup>2</sup>	Area still available for leas- ing m <sup>2</sup>	% unlet	As % of existing stock
<b>Johannesburg &amp; Environs</b>				
Bryanston / Epsom Downs	22.240	15.478	70%	4%
Cresta/Blackheath to Randpark	27.200	0	0%	16%
Greenstone/Edenvale/Modderfontein	8.098	8.098	100%	11%
Parktown	7.400	3.500	47%	2%
Hyde Park / Dunkeld	5.000	2.500	50%	6%
Randburg	31.000	0	0%	7%
Rivonia	11.579	4.579	40%	4%
Rosebank	86.744	14.434	17%	30%
Sandton & Environs	83.107	74.107	89%	6%
Sunninghill	23.191	23.191	100%	7%
Woodmead	50.800	1.100	2%	14%
<b>Cape Town &amp; Environs</b>				
CBD Cape Town	71.000	38.500	54%	8%
Bellville	25.000	9.000	36%	5%
Century City	14.077	14.077	100%	6%
V&A Waterfront	14.000	0	0%	18%
<b>Durban &amp; Environs</b>				
Hillcrest/Gillits	1.559	1.559	100%	5%
Westville	10.500	2.700	26%	6%
<b>Pretoria &amp; Environs</b>				
Hatfield/Hillcrest	1.546	1.546	100%	1%
Brooklyn / Nieuw Muckleneuk /Groenkloof	7.725	7.725	100%	3%
Centurion	47.900	41.200	86%	12%
Menlyn / Faerie Glen / Ashlea Gar- dens	76.124	29.074	38%	26%
Pretoria Eastern Surburbs / Route 21	49.625	18.340	37%	13%
<b>Port Elizabeth &amp; Environs</b>				
Greenacres	2.000	2.000	100%	3%
Walmer/Fairview	16.265	16.265	100%	95%
<b>Total</b>	<b>693.680</b>	<b>326.473</b>	<b>47%</b>	<b>9%</b>

Source: SAPOA

**Table 6.2**  
**Sapoa office vacancy factors (%)**

Grades A<sup>+</sup>, A & B

Source: Sapoa

	Decem- ber 2011	March 2012	June 2012	Septem- ber 2012	December 2012
<b>Johannesburg</b>					
Bedfordview					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	7,7	8,7	9,8	10,1	9,8
Grade B	28,8	23,9	16,9	13,8	18,5
<b>Total</b>	<b>15,3</b>	<b>14,2</b>	<b>12,2</b>	<b>11,4</b>	<b>12,8</b>
Braamfontein					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	18,6	20,8	19,3	19,9	19,9
Grade B	14,5	12,4	15,3	15,2	16,3
<b>Total</b>	<b>16,7</b>	<b>16,8</b>	<b>17,4</b>	<b>17,7</b>	<b>18,3</b>
Bryanston / Epsom Downs					
Grade A <sup>+</sup>	0,0	0,0	0,0	0,0	0,0
Grade A	8,4	8,6	8,9	10,2	9,5
Grade B	27,2	35,2	18,6	24,0	17,5
<b>Total</b>	<b>9,1</b>	<b>9,7</b>	<b>9,1</b>	<b>10,6</b>	<b>9,6</b>
Bruma					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	4,6	4,6	4,6	6,5	6,1
Grade B	14,0	14,0	15,9	15,6	15,6
<b>Total</b>	<b>10,4</b>	<b>10,4</b>	<b>11,6</b>	<b>12,1</b>	<b>11,9</b>
CBD Johannesburg					
Grade A <sup>+</sup>	0,0	0,0	0,0	0,0	0,0
Grade A	12,3	10,2	10,2	10,6	11,2
Grade B	24,2	25,5	26,0	23,9	20,9
<b>Total</b>	<b>17,1</b>	<b>16,7</b>	<b>17,0</b>	<b>16,2</b>	<b>15,6</b>
Constantia Kloof Basin					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	7,7	6,8	7,3	5,9	6,9
Grade B	10,0	12,7	3,1	14,1	13,1
<b>Total</b>	<b>7,8</b>	<b>7,2</b>	<b>7,7</b>	<b>6,5</b>	<b>7,3</b>
Fourways					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	8,9	11,2	11,1	10,4	11,0
Grade B	0,0	0,0	0,5	0,0	0,0
<b>Total</b>	<b>8,6</b>	<b>10,7</b>	<b>10,6</b>	<b>10,0</b>	<b>10,6</b>
Houghton/Killarney					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	1,1	4,0	4,5	6,3	7,9
Grade B	6,4	5,8	4,6	5,8	3,4
<b>Total</b>	<b>2,5</b>	<b>4,5</b>	<b>4,5</b>	<b>6,2</b>	<b>6,7</b>

Source of data: Sapoa

**Table 6.2 (continued)**  
**Sapoa office vacancy factors (%)**  
 Grades A<sup>+</sup>, A & B

	<b>December 2011</b>	<b>March 2012</b>	<b>June 2012</b>	<b>Septem- ber 2012</b>	<b>December 2012</b>
Hyde Park / Dunkeld					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	7,5	9,8	4,4	5,8	10,6
Grade B	8,4	7,3	8,3	6,7	8,0
<b>Total</b>	<b>8,2</b>	<b>8,0</b>	<b>7,2</b>	<b>6,4</b>	<b>8,8</b>
Illovo					
Grade A <sup>+</sup>	5,9	5,9	0,0	0,0	0,0
Grade A	2,0	1,8	1,0	1,8	1,7
Grade B	10,8	14,3	11,9	6,3	8,3
<b>Total</b>	<b>3,5</b>	<b>3,9</b>	<b>2,7</b>	<b>2,4</b>	<b>2,7</b>
Melrose/Waverley					
Grade A <sup>+</sup>	1,1	0,6	0,6	0,5	0,5
Grade A	11,0	3,1	3,1	6,2	6,2
Grade B	8,3	8,3	8,3	4,2	4,2
<b>Total</b>	<b>4,0</b>	<b>2,0</b>	<b>2,0</b>	<b>2,2</b>	<b>2,2</b>
Midrand					
Grade A <sup>+</sup>	0,0	0,0	0,0	0,0	0,0
Grade A	2,3	5,0	4,6	3,5	1,9
Grade B	10,4	7,2	10,5	8,5	8,3
<b>Total</b>	<b>4,8</b>	<b>4,4</b>	<b>5,6</b>	<b>4,4</b>	<b>3,8</b>
Milpark					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	0,0	0,0	0,0	0,0	0,0
Grade B	7,9	6,3	5,9	4,5	4,6
<b>Total</b>	<b>6,8</b>	<b>5,4</b>	<b>5,1</b>	<b>3,9</b>	<b>3,9</b>
Morningside					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	6,0	4,3	3,8	12,4	7,6
Grade B	-	-	-	-	-
<b>Total</b>	<b>6,0</b>	<b>4,3</b>	<b>3,8</b>	<b>12,4</b>	<b>7,6</b>
Parktown					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	3,2	3,0	3,5	1,0	3,5
Grade B	13,6	13,9	13,3	14,4	10,5
<b>Total</b>	<b>10,3</b>	<b>10,1</b>	<b>9,9</b>	<b>9,8</b>	<b>8,1</b>
Randburg					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	8,0	8,0	8,0	8,0	6,3
Grade B	12,1	15,6	11,8	11,8	15,1
<b>Total</b>	<b>11,6</b>	<b>14,7</b>	<b>11,3</b>	<b>11,3</b>	<b>14,1</b>

Source of data: Sapoa

**Table 6.2 (continued)**  
**Sapoa office vacancy factors (%)**  
 Grades A<sup>+</sup>, A & B

	Decem- ber 2011	March 2012	June 2012	Septem- ber 2012	Decem- ber 2012
Rivonia					
Grade A <sup>+</sup>					
Grade A	81,0	47,6	9,6	9,9	9,9
Grade B	12,6	11,9	14,8	17,4	17,4
<b>Total</b>	<b>15,2</b>	<b>13,2</b>	<b>13,2</b>	<b>15,1</b>	<b>15,1</b>
Rosebank					
Grade A <sup>+</sup>	28,2	28,2	-	-	-
Grade A	12,9	13,7	11,4	7,4	5,1
Grade B	4,4	3,1	3,9	2,6	3,1
<b>Total</b>	<b>8,8</b>	<b>8,7</b>	<b>7,4</b>	<b>4,8</b>	<b>4,1</b>
Sandton & environs					
Grade A <sup>+</sup>	3,9	3,0	2,5	4,0	0,9
Grade A	5,9	6,3	6,3	6,1	8,9
Grade B	12,3	10,6	10,6	8,5	9,8
<b>Total</b>	<b>7,8</b>	<b>7,2</b>	<b>7,1</b>	<b>6,6</b>	<b>7,9</b>
Sunninghill					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	8,8	6,8	4,6	3,9	7,5
Grade B	-	-	-	-	-
<b>Total</b>	<b>8,8</b>	<b>6,8</b>	<b>4,6</b>	<b>3,9</b>	<b>7,5</b>
Woodmead					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	8,1	7,5	7,5	7,4	5,8
Grade B	26,5	36,3	36,3	27,5	27,5
<b>Total</b>	<b>9,0</b>	<b>8,9</b>	<b>8,9</b>	<b>8,4</b>	<b>6,9</b>
<b>Cape Town</b>					
Bellville (incl. Tyger V)					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	7,8	6,6	6,9	6,9	5,7
Grade B	13,3	13,5	12,7	12,9	13,5
<b>Total</b>	<b>9,4</b>	<b>8,6</b>	<b>8,5</b>	<b>8,6</b>	<b>8,0</b>
CBD Cape Town					
Grade A <sup>+</sup>	0,0	0,0	0,0	0,0	0,0
Grade A	12,4	14,6	13,7	13,4	13,5
Grade B	8,0	8,9	9,8	10,1	7,9
<b>Total</b>	<b>10,5</b>	<b>12,2</b>	<b>12,0</b>	<b>11,9</b>	<b>11,1</b>
Century City					
Grade A <sup>+</sup>	0,0	0,0	0,0	0,0	0,0
Grade A	9,6	8,3	7,7	5,9	5,4
Grade B	4,4	10,5	10,5	10,2	10,5
<b>Total</b>	<b>8,8</b>	<b>8,4</b>	<b>7,8</b>	<b>6,3</b>	<b>5,8</b>

Source of data: Sapoa



**Table 6.2 (continued)**  
**Sapoa office vacancy factors (%)**  
 Grades A<sup>+</sup>, A & B

	Decem- ber 2011	March 2012	June 2012	Septem- ber 2012	Decem- ber 2012
Claremont					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	13,1	15,3	10,0	17,7	15,4
Grade B	16,2	40,6	30,0	29,1	24,8
<b>Total</b>	<b>13,7</b>	<b>19,8</b>	<b>19,0</b>	<b>22,8</b>	<b>19,6</b>
Pinelands					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	3,6	3,7	2,8	3,0	3,1
Grade B	1,6	2,6	2,3	1,5	2,4
<b>Total</b>	<b>3,4</b>	<b>3,6</b>	<b>2,7</b>	<b>2,9</b>	<b>3,0</b>
Rondebosch/Newlands					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	8,4	17,6	17,2	15,9	13,0
Grade B	4,8	2,8	2,9	4,4	1,4
<b>Total</b>	<b>7,3</b>	<b>13,3</b>	<b>13,1</b>	<b>12,6</b>	<b>9,7</b>
V&A Waterfront					
Grade A <sup>+</sup>	0,0	0,0	0,0	0,0	0,0
Grade A	12,7	5,2	5,0	2,4	1,1
Grade B	8,2	2,2	17,6	7,4	5,8
<b>Total</b>	<b>6,9</b>	<b>2,7</b>	<b>3,8</b>	<b>1,7</b>	<b>1,0</b>
<b>Durban</b>					
Berea					
Grade A <sup>+</sup>					
Grade A	17,3	20,6	17,1	12,3	9,8
Grade B	21,8	17,8	18,6	19,7	14,4
<b>Total</b>	<b>19,7</b>	<b>19,1</b>	<b>17,9</b>	<b>16,2</b>	<b>12,2</b>
CBD Durban					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	19,7	21,3	21,3	20,6	20,6
Grade B	11,8	11,9	11,9	12,9	12,8
<b>Total</b>	<b>15,3</b>	<b>16,0</b>	<b>16,0</b>	<b>16,3</b>	<b>16,2</b>
Umhlanga / La Lucia					
Grade A <sup>+</sup>	2,1	2,1	2,1	2,1	2,1
Grade A	7,7	7,7	3,3	3,3	7,2
Grade B	3,0	3,0	3,0	3,0	2,0
<b>Total</b>	<b>7,1</b>	<b>7,1</b>	<b>3,2</b>	<b>3,2</b>	<b>6,6</b>
Westville					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	3,2	8,5	9,8	8,4	4,2
Grade B	7,4	6,8	5,8	7,1	6,3
<b>Total</b>	<b>5,6</b>	<b>7,6</b>	<b>7,7</b>	<b>7,7</b>	<b>5,3</b>

Source of data: Sapoa

**Table 6.2 (continued)**  
**Sapoa office vacancy factors (%)**  
**Grades A<sup>+</sup>, A & B**

	December 2011	March 2012	June 2012	Septem- ber 2012	December 2012
<b>Pretoria</b>					
Arcadia					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	1,4	1,4	7,8	6,4	7,9
Grade B	4,8	6,1	6,1	3,1	3,7
<b>Total</b>	<b>2,2</b>	<b>2,5</b>	<b>7,4</b>	<b>5,6</b>	<b>6,6</b>
Brooklyn					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	1,8	3,3	5,0	6,0	8,7
Grade B	5,8	6,0	5,6	5,3	6,2
<b>Total</b>	<b>2,7</b>	<b>3,9</b>	<b>5,2</b>	<b>5,8</b>	<b>8,2</b>
CBD Pretoria					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	0,1	0,9	1,3	1,8	1,8
Grade B	2,6	2,6	10,8	11,1	11,2
<b>Total</b>	<b>1,7</b>	<b>2,0</b>	<b>7,6</b>	<b>8,8</b>	<b>8,9</b>
Centurion					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	8,1	8,1	8,6	16,3	13,6
Grade B	12,2	12,0	16,8	16,3	21,9
<b>Total</b>	<b>10,4</b>	<b>10,3</b>	<b>13,2</b>	<b>16,3</b>	<b>17,8</b>
Hatfield/Hillcrest					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	8,2	8,5	2,8	2,4	6,4
Grade B	13,1	12,4	11,3	12,3	14,0
<b>Total</b>	<b>11,1</b>	<b>10,8</b>	<b>7,8</b>	<b>8,3</b>	<b>10,9</b>
Highveld Technopark					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	8,5	6,5	8,1	8,0	4,9
Grade B	10,5	7,7	11,7	11,1	11,4
<b>Total</b>	<b>9,1</b>	<b>6,8</b>	<b>9,0</b>	<b>8,9</b>	<b>6,7</b>
Menlyn					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	5,2	13,7	13,4	16,4	13,3
Grade B	11,1	11,1	10,0	12,2	12,5
<b>Total</b>	<b>6,5</b>	<b>13,2</b>	<b>12,4</b>	<b>15,3</b>	<b>13,1</b>

Source of data: Sapoa

**Table 6.2 (continued)**  
**Sapoa office vacancy factors (%)**

Grades A+, A & B

	December 2011	March 2012	June 2012	Septem- ber 2012	Decem- ber 2012
Pretoria Eastern Suburbs					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	10,2	14,1	10,4	11,7	8,4
Grade B	5,0	5,3	2,6	8,5	12,6
<b>Total</b>	<b>8,5</b>	<b>10,4</b>	<b>9,7</b>	<b>10,4</b>	<b>10,1</b>
Lynnwood					
Grade A <sup>+</sup>	1,3	0,0	0,0	0,0	0,0
Grade A	3,7	3,5	4,1	5,9	2,5
Grade B	7,5	6,5	6,9	6,6	6,9
<b>Total</b>	<b>5,2</b>	<b>4,5</b>	<b>4,8</b>	<b>5,4</b>	<b>4,4</b>
<b>Port Elizabeth</b>					
Greenacres					
Grade A <sup>+</sup>	0,0	14,1	14,1	6,1	0,0
Grade A	0,0	6,6	8,4	0,0	0,0
Grade B	9,2	6,3	8,6	7,0	6,2
<b>Total</b>	<b>7,7</b>	<b>7,1</b>	<b>9,3</b>	<b>6,1</b>	<b>5,1</b>
Newton Park					
Grade A <sup>+</sup>	10,6	6,6	6,6	6,6	6,6
Grade A	13,3	13,3	0,0	0,0	0,0
Grade B	18,9	11,3	11,3	11,3	11,3
<b>Total</b>	<b>12,3</b>	<b>7,3</b>	<b>6,7</b>	<b>6,7</b>	<b>6,7</b>
Central / Park Drive					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	-	-	-	-	-
Grade B	1,2	10,7	20,8	19,9	22,4
<b>Total</b>	<b>1,2</b>	<b>10,7</b>	<b>20,8</b>	<b>19,9</b>	<b>22,4</b>
Walmer/Fairview					
Grade A <sup>+</sup>	-	-	-	-	-
Grade A	0,8	0,7	0,7	0,7	0,7
Grade B	15,5	15,5	17,7	19,8	36,3
<b>Total</b>	<b>5,6</b>	<b>5,4</b>	<b>6,1</b>	<b>6,8</b>	<b>12,1</b>
Johannesburg central					
Grade A <sup>+</sup>	0,0	0,0	0,0	0,0	0,0
Grade A	13,5	12,3	12,0	12,4	13,1
Grade B	22,1	22,7	23,8	22,0	20,0
<b>Total</b>	<b>17,0</b>	<b>16,7</b>	<b>17,1</b>	<b>16,5</b>	<b>16,2</b>

Source of data: Sapoa

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

	<b>Decem- ber 2011</b>	<b>March 2012</b>	<b>June 2012</b>	<b>Septem- ber 2012</b>	<b>Decem- ber 2012</b>
Johannesburg decentralized					
Grade A <sup>+</sup>	2,4	1,9	1,2	1,8	0,5
Grade A	6,7	6,7	6,4	6,3	6,9
Grade B	12,0	11,6	11,1	10,3	10,9
<b>Total</b>	<b>8,2</b>	<b>8,0</b>	<b>7,6</b>	<b>7,3</b>	<b>7,7</b>
Pretoria decentralized					
Grade A <sup>+</sup>	29,4	82,6	81,7	113,2	91,3
Grade A	6,3	6,3	7,0	8,1	7,4
Grade B	10,1	9,4	11,7	11,2	13,3
<b>Total</b>	<b>7,6</b>	<b>8,1</b>	<b>9,0</b>	<b>10,1</b>	<b>10,2</b>
Durban decentralized					
Grade A <sup>+</sup>	2,1	2,1	2,1	2,1	2,1
Grade A	7,5	9,1	6,3	5,5	6,7
Grade B	9,6	8,4	8,0	8,9	7,2
<b>Total</b>	<b>8,1</b>	<b>8,8</b>	<b>6,8</b>	<b>6,6</b>	<b>6,8</b>
Cape Town decentralized					
Grade A <sup>+</sup>	0,0	0,0	0,0	0,0	0,0
Grade A	8,0	7,9	7,0	7,0	6,0
Grade B	10,4	12,8	13,8	13,5	12,9
<b>Total</b>	<b>8,2</b>	<b>8,6</b>	<b>8,3</b>	<b>8,2</b>	<b>7,3</b>
<b>National summaries</b>					
National decentralised					
Grade A <sup>+</sup>	3,6	5,9	5,3	7,4	5,1
Grade A	6,9	6,9	6,6	6,8	6,9
Grade B	11,3	10,9	11,3	10,7	11,5
<b>Total</b>	<b>8,2</b>	<b>8,2</b>	<b>8,0</b>	<b>8,1</b>	<b>8,3</b>
National CBDs					
Grade A <sup>+</sup>	0,0	0,0	0,0	0,0	0,0
Grade A	12,9	13,0	12,6	13,0	13,7
Grade B	14,9	15,5	17,5	16,7	15,5
<b>Total</b>	<b>14,5</b>	<b>15,1</b>	<b>15,8</b>	<b>15,6</b>	<b>15,1</b>

Source of data: Sapoa

**Table 6.3**  
**Sapoa office stock (m<sup>2</sup>)**

Grades A<sup>+</sup>, A & B

Source: Sapoa

	December 2011	March 2012	June 2012	September 2012	December 2012
<b>Johannesburg</b>					
Bedfordview					
Grade A <sup>+</sup>					
Grade A	123.952	124.327	130.327	130.327	133.427
Grade B	69.758	69.758	69.758	69.758	69.974
<b>Total</b>	<b>193.710</b>	<b>194.085</b>	<b>200.085</b>	<b>200.085</b>	<b>203.401</b>
Braamfontein					
Grade A <sup>+</sup>					
Grade A	193.405	193.405	193.405	193.405	226.121
Grade B	170.988	170.988	170.988	170.988	170.988
<b>Total</b>	<b>364.393</b>	<b>364.393</b>	<b>364.393</b>	<b>364.393</b>	<b>397.109</b>
Bryanston / Epsom Downs					
Grade A <sup>+</sup>	23.138	23.138	23.138	23.138	23.138
Grade A	469.557	469.313	469.313	469.313	474.593
Grade B	30.578	30.578	30.578	30.578	30.578
<b>Total</b>	<b>523.273</b>	<b>523.029</b>	<b>523.029</b>	<b>523.029</b>	<b>528.309</b>
Bruma					
Grade A <sup>+</sup>					
Grade A	33.664	33.664	33.664	33.664	33.664
Grade B	54.458	54.458	54.458	54.458	54.458
<b>Total</b>	<b>88.122</b>	<b>88.122</b>	<b>88.122</b>	<b>88.122</b>	<b>88.122</b>
CBD Johannesburg					
Grade A <sup>+</sup>	24.000	24.000	24.000	24.000	24.000
Grade A	792.276	792.276	792.276	792.276	780.976
Grade B	602.691	621.732	647.362	639.287	713.610
<b>Total</b>	<b>1.418.967</b>	<b>1.438.008</b>	<b>1.463.638</b>	<b>1.455.563</b>	<b>1.518.586</b>
Constantia Kloof Basin					
Grade A <sup>+</sup>					
Grade A	292.272	283.764	284.464	289.178	289.178
Grade B	12.345	20.853	20.853	22.193	22.193
<b>Total</b>	<b>304.617</b>	<b>304.617</b>	<b>305.317</b>	<b>311.371</b>	<b>311.371</b>
Fourways					
Grade A <sup>+</sup>					
Grade A	142.221	142.821	142.821	146.289	146.289
Grade B	6.500	6.500	6.500	6.500	6.500
<b>Total</b>	<b>148.721</b>	<b>149.321</b>	<b>149.321</b>	<b>152.789</b>	<b>152.789</b>
Houghton/Killarney					
Grade A <sup>+</sup>					
Grade A	79.551	83.398	75.108	83.398	83.398
Grade B	29.200	29.200	36.890	29.200	29.200
<b>Total</b>	<b>108.751</b>	<b>112.598</b>	<b>111.998</b>	<b>112.598</b>	<b>112.598</b>

Source of data: Sapoa

**Table 6.3 (continued)**  
**Sapoa office stock (m<sup>2</sup>)**  
 Grades A<sup>+</sup>, A & B

	<b>December 2011</b>	<b>March 2012</b>	<b>June 2012</b>	<b>September 2012</b>	<b>December 2012</b>
Hyde Park / Dunkeld					
Grade A <sup>+</sup>					
Grade A	24.937	24.937	24.937	24.937	24.937
Grade B	65.589	65.589	65.589	65.589	65.589
<b>Total</b>	<b>90.526</b>	<b>90.526</b>	<b>90.526</b>	<b>90.526</b>	<b>90.526</b>
Illovo					
Grade A <sup>+</sup>	4.000	4.000	4.000	7.500	7.500
Grade A	136.633	136.633	136.633	138.833	136.655
Grade B	26.064	27.114	27.114	26.064	27.164
<b>Total</b>	<b>166.697</b>	<b>167.747</b>	<b>167.747</b>	<b>172.397</b>	<b>171.319</b>
Melrose/Waverley					
Grade A <sup>+</sup>	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	15.663	15.663	19.697	19.697
<b>Total</b>	<b>136.541</b>	<b>136.541</b>	<b>136.541</b>	<b>140.575</b>	<b>140.575</b>
Midrand					
Grade A <sup>+</sup>	167.404	167.404	167.404	167.404	167.404
Grade A	188.774	188.774	188.774	188.774	188.774
Grade B	224.483	224.483	224.483	224.483	224.483
<b>Total</b>	<b>580.661</b>	<b>580.661</b>	<b>580.661</b>	<b>580.661</b>	<b>580.661</b>
Milpark					
Grade A <sup>+</sup>					
Grade A	27.900	27.900	27.900	27.900	27.900
Grade B	176.926	176.926	176.926	176.926	175.526
<b>Total</b>	<b>204.826</b>	<b>204.826</b>	<b>204.826</b>	<b>204.826</b>	<b>203.426</b>
Morningside					
Grade A <sup>+</sup>					
Grade A	77.528	77.528	77.528	67.659	80.256
Grade B					
<b>Total</b>	<b>77.528</b>	<b>77.528</b>	<b>77.528</b>	<b>67.659</b>	<b>80.256</b>
Parktown					
Grade A <sup>+</sup>					
Grade A	105.691	114.776	115.176	114.776	114.776
Grade B	225.979	216.782	216.782	217.880	217.880
<b>Total</b>	<b>331.670</b>	<b>331.558</b>	<b>331.958</b>	<b>332.656</b>	<b>332.656</b>
Randburg					
Grade A <sup>+</sup>					
Grade A	45.167	45.167	45.167	45.167	45.167
Grade B	349.856	348.714	348.747	348.747	351.560
<b>Total</b>	<b>395.023</b>	<b>393.881</b>	<b>393.914</b>	<b>393.914</b>	<b>396.727</b>

Source of data: Sapoa

**Table 6.3 (continued)**  
**Sapoa office stock (m<sup>2</sup>)**

Grades A<sup>+</sup>, A & B

	December 2011	March 2012	June 2012	September 2012	December 2012
Rivonia					
Grade A <sup>+</sup>					
Grade A	10.500	10.500	83.391	83.391	83.391
Grade B	265.800	264.742	191.851	191.851	191.851
<b>Total</b>	<b>276.300</b>	<b>275.242</b>	<b>275.242</b>	<b>275.242</b>	<b>275.242</b>
Rosebank					
Grade A <sup>+</sup>	8.400	8.400			
Grade A	117.097	126.297	126.297	126.297	126.297
Grade B	144.949	144.949	144.949	144.949	144.949
<b>Total</b>	<b>270.446</b>	<b>279.646</b>	<b>271.246</b>	<b>271.246</b>	<b>271.246</b>
Sandton & environs					
Grade A <sup>+</sup>	233.532	233.532	229.332	229.332	229.332
Grade A	737.588	737.588	737.588	737.588	715.588
Grade B	503.486	493.500	486.980	493.500	510.487
<b>Total</b>	<b>1.474.606</b>	<b>1.464.620</b>	<b>1.453.900</b>	<b>1.460.420</b>	<b>1.455.407</b>
Sunninghill					
Grade A <sup>+</sup>					
Grade A	348.647	348.647	348.647	348.647	348.648
Grade B					
<b>Total</b>	<b>348.647</b>	<b>348.647</b>	<b>348.647</b>	<b>348.647</b>	<b>348.648</b>
Woodmead					
Grade A <sup>+</sup>					
Grade A	337.599	335.799	335.799	339.999	345.499
Grade B	17.800	17.800	17.800	17.800	17.800
<b>Total</b>	<b>355.399</b>	<b>353.599</b>	<b>353.599</b>	<b>357.799</b>	<b>363.299</b>
<b>Cape Town</b>					
Bellville (incl. Tyger V)					
Grade A <sup>+</sup>					
Grade A	348.772	348.772	352.772	352.772	352.772
Grade B	139.948	139.948	139.948	139.948	151.948
<b>Total</b>	<b>488.720</b>	<b>488.720</b>	<b>492.720</b>	<b>492.720</b>	<b>504.720</b>
CBD Cape Town					
Grade A <sup>+</sup>	12.500	12.500	12.500	12.500	12.500
Grade A	478.785	470.341	470.341	470.341	470.341
Grade B	293.635	299.139	299.139	299.139	300.834
<b>Total</b>	<b>784.920</b>	<b>781.980</b>	<b>781.980</b>	<b>781.980</b>	<b>783.675</b>
Century City					
Grade A <sup>+</sup>	7.000	7.000	7.000	7.000	7.000
Grade A	210.277	211.037	211.037	213.235	213.227
Grade B	26.130	28.980	28.980	28.980	28.981
<b>Total</b>	<b>243.407</b>	<b>247.017</b>	<b>247.017</b>	<b>249.215</b>	<b>249.208</b>

Source of data: Sapoa



**Table 6.3 (continued)**  
**Sapoa office stock (m<sup>2</sup>)**  
 Grades A<sup>+</sup>, A & B

	December 2011	March 2012	June 2012	September 2012	December 2012
Claremont					
Grade A <sup>+</sup>					
Grade A	85.036	85.036	57.036	58.036	58.036
Grade B	18.586	18.586	46.586	46.586	46.586
<b>Total</b>	<b>103.622</b>	<b>103.622</b>	<b>103.622</b>	<b>104.622</b>	<b>104.622</b>
Pinelands					
Grade A <sup>+</sup>					
Grade A	208.468	208.468	208.468	208.468	208.468
Grade B	19.957	19.957	19.957	19.957	19.957
<b>Total</b>	<b>228.425</b>	<b>228.425</b>	<b>228.425</b>	<b>228.425</b>	<b>228.425</b>
Rondebosch/Newlands					
Grade A <sup>+</sup>					
Grade A	70.254	70.254	70.254	70.254	70.254
Grade B	28.077	28.077	28.077	28.077	28.077
<b>Total</b>	<b>98.331</b>	<b>98.331</b>	<b>98.331</b>	<b>98.331</b>	<b>98.331</b>
V&A Waterfront					
Grade A <sup>+</sup>	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
<b>Total</b>	<b>79.869</b>	<b>79.869</b>	<b>79.869</b>	<b>79.869</b>	<b>79.869</b>
<b>Durban</b>					
Berea					
Grade A <sup>+</sup>					
Grade A	29.299	29.299	29.299	29.899	29.899
Grade B	33.397	33.397	33.607	33.397	33.397
<b>Total</b>	<b>62.696</b>	<b>62.696</b>	<b>62.906</b>	<b>63.296</b>	<b>63.296</b>
CBD Durban					
Grade A <sup>+</sup>					
Grade A	151.063	151.063	151.063	151.063	151.063
Grade B	192.256	192.256	192.256	192.256	192.256
<b>Total</b>	<b>343.319</b>	<b>343.319</b>	<b>343.319</b>	<b>343.319</b>	<b>343.319</b>
Umhlanga / La Lucia					
Grade A <sup>+</sup>	4.706	4.706	4.706	4.706	4.706
Grade A	203.981	203.981	203.981	203.981	239.710
Grade B	28.652	28.652	28.652	28.652	28.652
<b>Total</b>	<b>237.339</b>	<b>237.339</b>	<b>237.339</b>	<b>237.339</b>	<b>273.068</b>
Westville					
Grade A <sup>+</sup>					
Grade A	81.104	86.898	90.898	85.298	85.298
Grade B	101.726	100.635	100.628	101.489	101.657
<b>Total</b>	<b>182.830</b>	<b>187.533</b>	<b>191.526</b>	<b>186.787</b>	<b>186.955</b>

Source of data: Sapoa

**Table 6.3 (continued)**  
**Sapoa office stock (m<sup>2</sup>)**  
 Grades A<sup>+</sup>, A & B

	December 2011	March 2012	June 2012	September 2012	December 2012
<b>Pretoria</b>					
Arcadia					
Grade A <sup>+</sup>					
Grade A	169.103	169.103	169.103	174.629	173.639
Grade B	54.718	54.718	54.718	54.718	74.870
<b>Total</b>	<b>223.821</b>	<b>223.821</b>	<b>223.821</b>	<b>229.347</b>	<b>248.509</b>
Brooklyn					
Grade A <sup>+</sup>					
Grade A	170.356	175.599	171.632	171.632	171.632
Grade B	52.776	52.776	52.776	52.776	53.021
<b>Total</b>	<b>223.132</b>	<b>228.375</b>	<b>224.408</b>	<b>224.408</b>	<b>224.653</b>
CBD Pretoria					
Grade A <sup>+</sup>					
Grade A	134.557	134.557	134.557	97.467	97.467
Grade B	238.700	238.700	260.700	297.790	297.790
<b>Total</b>	<b>373.257</b>	<b>373.257</b>	<b>395.257</b>	<b>395.257</b>	<b>395.257</b>
Centurion					
Grade A <sup>+</sup>					
Grade A	157.282	157.282	165.942	176.904	201.950
Grade B	207.459	208.224	212.492	210.250	209.420
<b>Total</b>	<b>364.741</b>	<b>365.506</b>	<b>378.434</b>	<b>387.154</b>	<b>411.370</b>
Hatfield/Hillcrest					
Grade A <sup>+</sup>					
Grade A	104.976	105.436	106.036	106.036	106.036
Grade B	153.945	153.945	153.945	153.945	153.984
<b>Total</b>	<b>258.921</b>	<b>259.381</b>	<b>259.981</b>	<b>259.981</b>	<b>260.020</b>
Highveld Technopark					
Grade A <sup>+</sup>					
Grade A	333.448	334.746	341.746	324.946	324.946
Grade B	123.071	123.071	120.644	120.644	120.644
<b>Total</b>	<b>456.519</b>	<b>457.817</b>	<b>462.390</b>	<b>445.590</b>	<b>445.590</b>
Menlyn					
Grade A <sup>+</sup>					
Grade A	164.321	179.321	181.836	208.258	208.258
Grade B	45.321	45.321	75.824	78.386	78.387
<b>Total</b>	<b>209.642</b>	<b>224.642</b>	<b>257.660</b>	<b>286.644</b>	<b>286.645</b>
<i>Source of data: Sapoa</i>					

**Table 6.3 (continued)**  
**Sapoa office stock (m<sup>2</sup>)**

Grades A+, A & B

	December 2011	March 2012	June 2012	September 2012	December 2012
Pretoria Eastern Suburbs					
Grade A <sup>+</sup>					
Grade A	285.846	199.476	200.958	201.210	202.922
Grade B	137.699	139.199	19.631	139.799	139.799
<b>Total</b>	<b>423.545</b>	<b>338.675</b>	<b>220.589</b>	<b>341.009</b>	<b>342.721</b>
Lynnwood					
Grade A <sup>+</sup>	30.400	30.400	30.400	30.400	30.400
Grade A	77.107	75.817	103.259	71.455	74.090
Grade B	104.735	104.515	107.592	113.092	113.692
<b>Total</b>	<b>212.242</b>	<b>210.732</b>	<b>241.251</b>	<b>214.947</b>	<b>218.182</b>
<b>Port Elizabeth</b>					
Greenacres					
Grade A <sup>+</sup>	1.800	3.545	3.545	3.545	3.545
Grade A	10.173	10.893	14.438	10.893	10.953
Grade B	51.856	51.856	51.856	51.856	51.856
<b>Total</b>	<b>62.029</b>	<b>62.749</b>	<b>66.294</b>	<b>62.749</b>	<b>62.809</b>
Newton Park					
Grade A <sup>+</sup>	10.384	16.621	16.621	16.621	16.621
Grade A	967	967	967	967	967
Grade B	2.490	1.500	1.500	1.500	1.500
<b>Total</b>	<b>13.841</b>	<b>19.088</b>	<b>19.088</b>	<b>19.088</b>	<b>19.088</b>
Central / Park Drive					
Grade A <sup>+</sup>					
Grade A					
Grade B	5.567	5.568	8.163	8.541	8.541
<b>Total</b>	<b>5.567</b>	<b>5.568</b>	<b>8.163</b>	<b>8.541</b>	<b>8.541</b>
Walmer/Fairview					
Grade A <sup>+</sup>					
Grade A	11.107	11.707	11.707	11.707	11.707
Grade B	5.471	5.471	5.471	5.471	5.471
<b>Total</b>	<b>16.578</b>	<b>17.178</b>	<b>17.178</b>	<b>17.178</b>	<b>17.178</b>
Johannesburg cen- tral					
Grade A <sup>+</sup>	24.000	24.000	24.000	24.000	24.000
Grade A	985.681	985.681	985.681	985.681	1.007.097
Grade B	773.679	792.720	818.350	810.275	884.598
<b>Total</b>	<b>1.783.360</b>	<b>1.802.401</b>	<b>1.828.031</b>	<b>1.819.956</b>	<b>1.915.695</b>

Source of data: Sapoa

**Table 6.3 (continued)**  
**Sapoa office stock (m<sup>2</sup>)**  
 Grades A+, A & B

	<b>December 2011</b>	<b>March 2012</b>	<b>June 2012</b>	<b>September 2012</b>	<b>December 2012</b>
Johannesburg decentralized					
Grade A <sup>+</sup>	528.474	528.474	515.874	519.374	519.374
Grade A	3.493.661	3.506.216	3.577.917	3.590.520	3.625.536
Grade B	2.213.496	2.201.671	2.129.983	2.134.235	2.155.351
<b>Total</b>	<b>6.235.631</b>	<b>6.236.361</b>	<b>6.223.774</b>	<b>6.244.129</b>	<b>6.300.261</b>
Pretoria decentralized					
Grade A <sup>+</sup>	30.400	30.400	30.400	30.400	30.400
Grade A	1.462.439	1.396.780	1.440.512	1.435.070	1.463.473
Grade B	879.724	881.769	797.622	923.610	943.817
<b>Total</b>	<b>2.372.563</b>	<b>2.308.949</b>	<b>2.268.534</b>	<b>2.389.080</b>	<b>2.437.690</b>
Durban decentralized					
Grade A <sup>+</sup>	4.706	4.706	4.706	4.706	4.706
Grade A	314.384	320.178	324.178	319.178	354.907
Grade B	163.775	162.684	162.887	163.538	163.706
<b>Total</b>	<b>482.865</b>	<b>487.568</b>	<b>491.771</b>	<b>487.422</b>	<b>523.319</b>
Cape Town decentralized					
Grade A <sup>+</sup>	41.500	41.500	41.500	41.500	41.500
Grade A	961.878	962.638	938.638	941.836	941.828
Grade B	238.996	241.846	269.846	269.846	281.847
<b>Total</b>	<b>1.242.374</b>	<b>1.245.984</b>	<b>1.249.984</b>	<b>1.253.182</b>	<b>1.265.175</b>
<i>Source of data: Sapoa</i>					

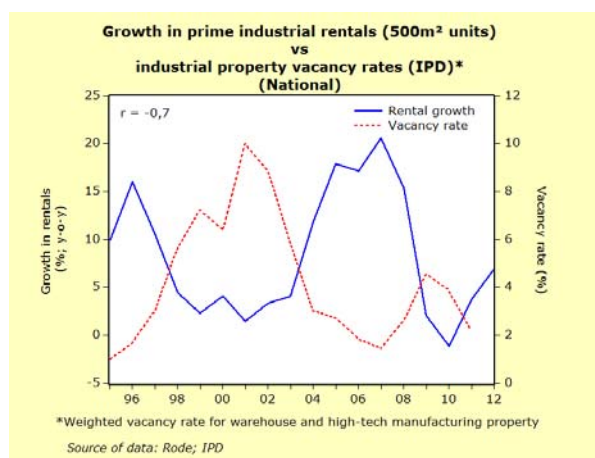
## Chapter 7: Industrial rentals and vacancies

# Growth in industrial rentals heating up, but we're not out of the woods yet

Written by John S. Lottering

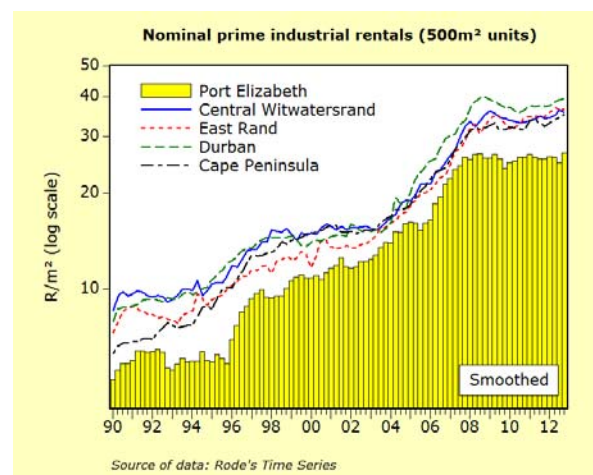
On a national basis, the yearly growth in industrial rentals is slowly heating up, seemingly benefiting from the lagged impact of declining industrial property vacancy rates.

The graphs that follow show how vacancy rates on warehouse and high-tech property dropped during 2010 and 2011, and how since 2011 the growth in prime industrial rentals has heated up. In fact, such has been the acceleration in the growth of market rentals that in the fourth quarter of 2012, prime industrial rentals recorded a nationally averaged growth rate of 7%. Disappointingly, this growth failed to be in excess of building-cost inflation, implying that we are, as yet, not out of the woods when it comes to industrial property.



Note the strong inverse relationship between vacancies and rental growth – exactly as one would expect.

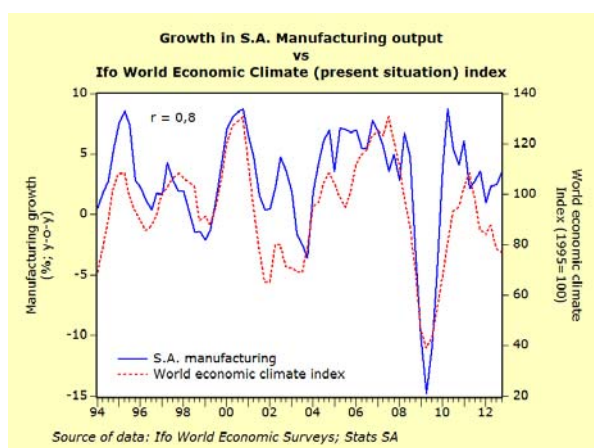
Regarding industrial rentals in the major industrial regions, in the fourth quarter of 2012 the strongest yearly growth of 9% was achieved in the Cape Peninsula. This was followed by Durban (+6%), the East Rand (+5%), the Central Witwatersrand (+4%) and Port Elizabeth (+4%). Over the same period, building costs are expected to have grown by 9%. This implies that in all of these regions (barring the Cape Peninsula) *real* rentals actually declined.



For now, good news for the industrial property market comes from the manufacturing sector. Possibly thanks to a weak exchange rate, the yearly growth in output produced by the manufacturing sector has in recent quarters been gaining momentum. In the fourth quarter of 2012, the yearly growth in output produced by the manufacturing sector accelerated to just under 4%. Having said this, tough business conditions for manufacturers seem to prevail. At the time

of writing this report, the Kagiso Purchasing Managers Index (PMI)<sup>1</sup> was unable to punch through the break-even index level of 50.

What's more, without bearing in mind the export competitiveness that a weak currency brings in the short term, the current feeble global economic conditions presage continued tough times for the South African manufacturing sector. The Ifo World Economic Survey (WES) investigates world-wide economic trends by polling transnational as well as national organisations in different countries.



Note — from the corresponding graph — the correlation between SA's growth in manufacturing output and the trend in the Ifo's World Economic Climate index. Furthermore, note how the metric of the pre

sent world economic situation has been trending south since 2011. From this graph it seems the current uptick in SA manufacturing output is not sustainable.

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, 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,
- market rentals for office space ancillary to industrial space,
- indicative operating costs, and
- the predominant escalation rates.

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

<sup>1</sup> The Kagiso PMI an indicator of the overall health of the manufacturing sector. Where 50 is a neutral number, and a reading of below 50 implies contraction, while a reading above 50 implies expansion.

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.71. Furthermore, the vacancies are for all the unit sizes (250 m<sup>2</sup>, 500 m<sup>2</sup>, 1.000 m<sup>2</sup>, 2.500 m<sup>2</sup> and 5.000 m<sup>2</sup>) 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 2012:4**  
**Highest gross rental rates achieved (1.000-m<sup>2</sup> units)**  
**Rands per rentable square m<sup>2</sup> (excl VAT)**

	Pioneer	Normal prime	Difference (%)
Central Witwatersrand	57,00	34,00	68%
West Rand	47,00	32,65	44%
East Rand	58,00	35,78	62%
Durban	60,00	38,50	56%
Nelspruit	72,00	43,25	66%
Cape Peninsula	65,00	33,44	94%
Port Elizabeth	45,00	26,02	73%
Bloemfontein	40,00	26,94	48%



**Table 7.2**  
**Mean prime industrial market rentals as in quarter 2012:4**  
**(R/m<sup>2</sup> p.m.; gross lease; excl VAT)**

	Area size leased in m <sup>2</sup>					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
<b>Central Witwatersrand</b>									
Cambridge Park	50,00	50,00	47,50	47,50	45,00	1,0	4,110	-0,034	-0,94
Wynberg Proper	31,90	31,00	30,00	28,50	26,20	2,5	3,823	-0,063	-0,98
Strijdom Park	44,50	42,80	42,50	40,00	38,00	2,7	4,080	-0,051	-0,98
Kya Sand	37,25	38,50	38,25	35,75	35,00	4,0	3,798	-0,027	-0,78
Clayville/Olifantsfontein	25,00	25,00	28,00	26,00	26,00	1,7	3,158	0,014	0,37
Chloorkop	34,50	32,00	37,00	37,00	36,33	1,7	3,336	0,033	0,63
Amalgam	36,67	35,75	33,00	31,25	30,75	1,0	3,956	-0,064	-0,98
Crown Mines	37,50	34,50	33,00	32,50	30,75	1,7	3,929	-0,059	-0,96
Industria	31,00	30,33	26,67	24,00	23,33	1,7	4,032	-0,106	-0,98
Booyens/Booyens Reserve/Ophirton	27,00	27,00	25,75	24,25	23,75	2,0	3,577	-0,048	-0,97
Village Main/Village Deep/New Centre	26,00	26,00	24,33	24,00	23,75	3,0	3,450	-0,034	-0,93
Benrose	28,12	28,12	28,20	27,30	26,40	4,4	3,464	-0,021	-0,88
Steeledale/Electron/Tulisa Park	32,80	31,80	30,60	29,40	29,25	2,0	3,708	-0,040	-0,98
Aeroton	34,00	34,00	33,00	32,50	32,00	2,0	3,652	-0,022	-0,97
Devland/Nancefield	23,50	23,50	22,50	21,50	21,50	0,0	3,360	-0,035	-0,96
Cleveland/Heriotdale	31,90	31,60	28,60	28,50	28,25	2,0	3,707	-0,045	-0,90
Newlands/Martindale	28,00	28,00	25,00	20,00	20,00	2,0	4,117	-0,135	-0,95
Kew/Wynberg East	27,25	27,08	24,90	23,30	23,50	2,8	3,638	-0,059	-0,95
Bramley View/Lombardy West	22,50	22,50	19,00	19,00	19,00	1,5	3,473	-0,066	-0,86
Marlboro	15,00	15,00	15,00	12,50	12,50	2,5	3,152	-0,074	-0,89
Halfway House: hi-tech strip	45,60	45,60	41,25	40,00	40,00	2,5	4,108	-0,052	-0,92
Halfway House: Richards Drive	44,40	45,00	42,00	40,00	40,00	4,2	4,046	-0,043	-0,93
Commercia	35,00	35,00	30,00	30,00	30,00	3,0	3,883	-0,060	-0,86
Kramerville/Eastgate Ext12 & Ext13	56,00	52,50	56,75	52,00	50,00	1,8	4,200	-0,032	-0,72
Centurion	50,00	50,00	50,00	45,00	40,00	2,0	4,361	-0,074	-0,89

**Table 7.2 (continued)**  
**Mean prime industrial market rentals as in quarter 2012:4**  
**(R/m<sup>2</sup> p.m.; gross lease; excl VAT)**

	Area size leased in m <sup>2</sup>					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Linbro Park	60,33	61,00	56,67	55,00	54,00	3,5	4,349	-0,043	-0,95
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	51,00	51,00	50,00	49,33	45,33	3,0	4,145	-0,035	-0,87
City Deep	38,33	38,33	37,67	36,33	36,00	1,0	3,786	-0,024	-0,97
North Riding	50,67	50,00	48,67	41,67	47,33	4,3	4,166	-0,043	-0,67
Samrand Centurion	45,00	45,00	45,00	45,00	40,00	2,0	3,999	-0,031	-0,71
Barbeque Downs	55,00	55,00	50,00	48,00	48,00	1,0	4,310	-0,054	-0,93
Selby Ext 12/13/15/19/20/24/City West	35,00	35,00	35,00	32,00	30,00	1,0	3,879	-0,053	-0,91
Selby Ext 5/10/14/18	30,00	30,00	30,00	29,00	28,50	1,0	3,512	-0,018	-0,91
Selby Ext 11	30,00	30,00	30,00	27,50	27,50	1,0	3,613	-0,035	-0,89
Selby Ext 3/4/6	25,00	25,00	24,00	23,50	22,50	1,0	3,428	-0,036	-0,97
Denver (Old)	22,50	22,50	21,25	19,00	18,33	2,7	3,566	-0,077	-0,97
Denver (New)	33,75	32,50	31,75	30,67	30,00	2,3	3,726	-0,039	-1,00
Kyalami Business Park	53,33	51,67	50,00	50,00	49,00	1,3	4,111	-0,026	-0,94
Reuven	35,00	35,00	35,00	30,00	25,00	1,0	4,229	-0,110	-0,89
Selby (Old)/Selby Ext2/Park Central	25,00	25,00	24,00	23,50	22,50	2,0	3,428	-0,036	-0,97
Robertsham	26,50	26,50	25,00	24,00	23,50	1,0	3,535	-0,045	-0,97
Fordsburg/Mayfair	25,00	25,00	23,00	22,00	20,00	2,0	3,660	-0,076	-0,97
<b>Central Witwatersrand</b>	<b>35,89</b>	<b>35,31</b>	<b>34,00</b>	<b>32,48</b>	<b>31,36</b>	<b>2,3</b>			
<b>West Rand</b>									
Lea Glen	35,00	35,00	31,00	30,00	30,00	1,5	3,893	-0,061	-0,92
Honeydew X19, 20, 21 & 22	45,00	46,50	45,00	44,00	42,50	2,0	3,956	-0,023	-0,82
Stormill	35,00	35,00	35,00	30,00	30,00	1,5	3,931	-0,062	-0,89
Chamdor	28,00	25,00	25,00	20,00	17,00	1,0	4,253	-0,162	-0,97
Factoria	28,00	28,00	25,00	20,00	17,00	1,0	4,383	-0,177	-0,97
Randfontein: Delporton/ Aureus	18,00	18,00	18,00	18,00	18,00	3,0	2,890	0,000	-
Boltonia	28,00	28,00	25,00	20,00	17,00	0,0	4,383	-0,177	-0,97
Roodepoort:	32,00	32,00	30,00	25,00	25,00	1,0	4,047	-0,099	-0,94

**Table 7.2 (continued)**  
**Mean prime industrial market rentals as in quarter 2012:4**  
**(R/m<sup>2</sup> p.m.; gross lease; excl VAT)**

	Area size leased in m <sup>2</sup>					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Industria North	31,00	31,00	27,50	25,00	25,00	2,5	3,921	-0,085	-0,95
Robertville	35,00	35,00	31,00	27,50	27,50	1,0	4,105	-0,096	-0,96
Laserpark	49,00	46,50	46,50	42,50	42,50	1,0	4,162	-0,050	-0,96
<b>West Rand</b>	<b>34,94</b>	<b>34,68</b>	<b>32,65</b>	<b>29,47</b>	<b>28,76</b>	<b>1,5</b>			
<b>East Rand</b>									
Elandsfontein	35,00	35,00	34,50	33,75	33,50	1,5	3,652	-0,016	-0,97
Tunney/Greenhills	46,00	46,00	44,33	43,33	42,67	1,5	3,988	-0,028	-0,97
Henville	40,67	40,67	40,00	39,33	39,33	1,5	3,782	-0,013	-0,96
Meadowbrook/Wilbart	37,67	37,00	37,00	37,00	35,00	1,0	3,737	-0,019	-0,82
Sunnyrock	43,00	43,00	42,50	40,50	37,60	1,7	4,025	-0,044	-0,91
Rustivia/Activia Park	35,33	36,00	36,00	33,33	33,33	1,5	3,734	-0,026	-0,80
Eastleigh	33,50	33,50	32,25	30,67	30,00	1,2	3,751	-0,041	-0,98
Sebenza Ext 14	33,50	33,50	32,25	31,75	30,00	1,5	3,723	-0,036	-0,95
Spartan Ext 16 (Sebenza Link) + Ext 1,3,7	34,75	34,75	34,00	33,50	32,25	2,0	3,693	-0,024	-0,95
Isando	35,00	35,00	35,00	35,00	35,00	2,0	3,555	0,000	-
Isando 3	36,50	36,50	36,00	35,25	34,25	1,8	3,725	-0,021	-0,95
Jet Park	39,80	40,00	39,50	39,60	38,80	2,3	3,733	-0,008	-0,83
Alrode & Xs	32,33	30,00	28,50	29,50	25,67	2,0	3,802	-0,062	-0,88
Alrode South	32,50	30,00	29,00	27,00	26,00	2,3	3,868	-0,072	-0,99
Alberton	35,00	35,00	33,00	30,00	26,50	2,0	4,116	-0,094	-0,95
Aeroporto/ Spartan Ext 2	42,50	42,50	42,50	40,50	40,00	2,0	3,887	-0,023	-0,91
Delville	27,00	26,00	24,00	23,00	21,00	1,0	3,756	-0,082	-0,99
Roodekop	29,00	28,75	27,33	26,33	26,00	1,0	3,595	-0,040	-0,98
Wadeville: Industrial zoning	34,00	33,00	29,88	26,00	27,12	2,3	4,037	-0,092	-0,94
Route 24/ Meadowdale	44,50	41,00	41,00	40,00	40,00	1,8	3,936	-0,031	-0,85
Germiston S/ Industries E	24,50	24,50	24,00	22,00	20,50	1,0	3,570	-0,062	-0,94
Driehoek/ Industries W	34,00	32,33	32,50	34,00	33,50	2,0	3,479	0,004	0,18

**Table 7.2 (continued)**  
**Mean prime industrial market rentals as in quarter 2012:4**  
**(R/m<sup>2</sup> p.m.; gross lease; excl VAT)**

	Area size leased in m <sup>2</sup>					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Knights	32,50	32,50	25,00	23,00	21,00	1,0	4,391	-0,160	-0,96
Spartan Proper	34,00	34,00	32,67	30,67	30,00	1,0	3,801	-0,047	-0,97
Founders View	45,00	45,00	40,00	41,00	41,50	1,0	3,977	-0,033	-0,72
Longmeadow	59,50	55,00	54,50	53,25	55,25	1,7	4,179	-0,023	-0,67
Pomona/ Kempton park	41,00	41,00	40,00	41,00	41,00	0,5	3,706	0,000	0,04
<b>East Rand</b>	<b>37,56</b>	<b>36,82</b>	<b>35,78</b>	<b>35,17</b>	<b>34,06</b>	<b>1,6</b>			
<b>Far East Rand</b>									
Boksburg North & East	33,33	32,50	31,25	30,50	29,33	3,3	3,738	-0,042	-0,99
Benoni South	30,00	30,00	28,33	28,33	24,00	1,5	3,794	-0,066	-0,87
New Era/ Vulcania	20,00	20,00	25,00	25,00	20,00	1,0	2,886	0,028	0,28
Nuffield	20,00	20,00	25,00	25,00	20,00	1,0	2,886	0,028	0,28
Fulcrum	25,00	25,00	20,00	20,00	20,00	1,0	3,694	-0,087	-0,86
Apex	33,00	31,50	27,50	26,50	25,00	3,5	4,017	-0,095	-0,97
La Boré Brakpan	25,00	23,00	20,00	18,00	15,00	1,0	4,153	-0,166	-0,99
Morehill Ext 8 Benoni	35,00	33,00	33,00	32,00	30,00	1,0	3,794	-0,044	-0,95
<b>Far East Rand</b>	<b>29,00</b>	<b>28,86</b>	<b>27,71</b>	<b>27,14</b>	<b>24,25</b>	<b>2,1</b>			
<b>Pretoria</b>									
Mitchell St	32,50	27,50	26,00	22,50	20,00	4,0	4,310	-0,154	-0,99
Pretoria Industrial Township	30,00	30,00	25,00	20,00	18,00	1,0	4,505	-0,189	-0,98
Koedoespoort	35,00	35,00	34,00	31,00	29,00	1,0	3,951	-0,066	-0,95
Waltloo/ Despatch	36,00	34,33	36,50	33,50	30,00	2,5	3,889	-0,052	-0,80
Silverton/ Silvertondale	39,00	37,67	37,00	33,50	31,50	2,5	4,079	-0,072	-0,98
Samcor Park	36,50	36,50	36,50	32,50	31,50	1,5	3,931	-0,055	-0,91
Sunderland Ridge	35,00	35,00	35,00	35,00	35,00	2,0	3,555	0,000	-
Hermanstad	27,50	25,00	22,50	17,50	20,00	2,0	4,026	-0,132	-0,89
Kirkney	20,00	20,00	18,00	15,00	15,00	2,0	3,664	-0,115	-0,95
Hennospark X15 & X7	50,00	45,00	40,00	40,00	40,00	3,0	4,266	-0,073	-0,87
Gateway	55,00	50,00	45,00	42,00	40,00	1,0	4,573	-0,106	-0,99

**Table 7.2 (continued)**  
**Mean prime industrial market rentals as in quarter 2012:4**  
**(R/m<sup>2</sup> p.m.; gross lease; excl VAT)**

	Area size leased in m <sup>2</sup>					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Lytleton Manor X4/X6	35,00	35,00	30,00	30,00	30,00	1,0	3,883	-0,060	-0,86
Pretoria North	27,50	25,00	20,00	20,00	20,00	1,0	3,883	-0,111	-0,88
Silvertondale X1	36,50	36,50	36,50	33,50	31,50	2,0	3,907	-0,051	-0,91
Brits	-	-	-	-	-	-	-	-	-
Klerksoord	25,00	25,00	25,00	20,00	20,00	2,0	3,762	-0,090	-0,89
Rossllyn	27,50	25,00	25,00	20,00	20,00	2,0	3,951	-0,115	-0,95
<b>Pretoria</b>	<b>33,92</b>	<b>32,48</b>	<b>31,58</b>	<b>28,83</b>	<b>27,50</b>	<b>1,9</b>			
<b>Polokwane</b>									
Lebowakgomo	-	-	-	-	-	-	-	-	-
Superbia	47,50	35,00	31,00	23,50	-	2,0	-	-	-
Industria	40,50	37,50	31,00	24,00	-	2,0	-	-	-
Ladine	42,50	36,00	31,00	25,00	-	2,0	-	-	-
Futura	39,00	35,00	30,00	21,00	-	2,0	-	-	-
Laboria	42,50	35,00	30,00	24,00	-	2,0	-	-	-
Magna Via	41,00	40,00	36,00	30,00	-	2,0	-	-	-
Seshego	-	-	-	-	-	-	-	-	-
<b>Polokwane</b>	<b>42,17</b>	<b>36,42</b>	<b>31,50</b>	<b>24,58</b>	<b>-</b>	<b>2,0</b>			
<b>Nelspruit</b>									
Nelspruit East	45,00	40,00	38,00	38,00	30,00	2,0	4,418	-0,112	-0,91
Nelspruit West	45,00	45,00	42,00	40,00	35,00	2,0	4,291	-0,082	-0,94
Rocky's Drift	39,00	38,00	38,00	34,00	30,00	2,0	4,165	-0,085	-0,93
Riverside Park	62,00	55,00	55,00	50,00	40,00	3,0	4,842	-0,128	-0,94
<b>Nelspruit</b>	<b>47,75</b>	<b>44,50</b>	<b>43,25</b>	<b>40,50</b>	<b>33,75</b>	<b>2,3</b>			
<b>Durban</b>									
Springfield Park	41,33	40,67	40,00	38,00	38,00	3,4	3,898	-0,031	-0,97
Mayville	31,00	32,50	32,50	32,50	27,50	3,5	3,661	-0,032	-0,53
Phoenix	36,50	36,50	35,00	34,00	33,00	3,0	3,806	-0,036	-0,98

**Table 7.2 (continued)**  
**Mean prime industrial market rentals as in quarter 2012:4**  
**(R/m<sup>2</sup> p.m.; gross lease; excl VAT)**

	Area size leased in m <sup>2</sup>					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
North Coast Rd / Briardene	44,00	42,33	41,33	40,00	40,00	3,0	3,953	-0,032	-0,97
Briardene Industrial Park	46,00	44,00	44,00	42,33	40,67	3,0	4,032	-0,038	-0,97
Umgeni Rd/ Stamford Hill	38,00	36,50	36,50	35,00	33,50	3,0	3,851	-0,039	-0,97
Umbilo/ Sydney Rd/ Gale St	36,50	35,00	33,50	36,00	36,00	3,5	3,556	0,001	0,05
Jacobs	38,00	37,00	36,00	36,00	36,00	3,3	3,722	-0,017	-0,87
Mobeni	39,00	38,00	37,23	36,00	36,00	3,3	3,814	-0,028	-0,98
Prospecton	39,00	39,00	39,00	36,50	36,50	3,0	3,825	-0,027	-0,89
Ithala Industrial Estate	40,00	38,00	37,00	37,00	37,00	3,0	3,796	-0,023	-0,83
Pinetown Central	38,67	38,33	38,33	38,33	37,33	3,3	3,707	-0,009	-0,83
New Germany	38,00	36,67	35,67	36,00	35,33	3,7	3,740	-0,021	-0,88
Isipingo	35,00	35,00	35,00	35,00	35,00	2,0	3,555	0,000	-
Rosburgh/ South Coast Rd	38,00	35,00	35,00	33,50	36,00	2,0	3,707	-0,020	-0,51
Edwin Swales Drive	38,00	35,00	35,00	36,00	36,00	2,0	3,650	-0,010	-0,34
Glen Anil	41,00	41,00	39,00	39,00	35,50	4,0	3,974	-0,044	-0,90
Brickfield Rd	35,00	35,00	-	-	-	2,0	-	-	-
Verulam	-	-	-	-	-	-	-	-	-
Canelands	-	-	-	-	-	-	-	-	-
Tongaat	-	-	-	32,00	32,00	2,0	-	-	-
New Westmead/ Mahogany	44,00	43,00	40,67	40,00	40,00	2,3	3,966	-0,034	-0,93
Westmead	41,33	41,33	40,00	38,67	38,33	3,3	3,888	-0,029	-0,97
Mariann Park/ Southmead	32,00	32,00	32,50	32,50	30,00	3,0	3,564	-0,015	-0,54
Maxmead	40,00	40,00	38,67	38,00	38,00	2,1	3,803	-0,020	-0,94
Ringroad Industrial Park	40,00	40,00	40,00	-	-	2,0	-	-	-
Avoca/ Red Hill/ Northgate	42,00	41,00	40,00	40,00	40,00	4,0	3,814	-0,016	-0,87
Falcon Park	38,00	38,00	36,00	36,00	36,00	4,0	3,753	-0,021	-0,86
River Horse Valley Business	55,00	55,00	54,00	54,00	50,67	4,3	4,151	-0,024	-0,85
Mount Edgecombe	46,00	46,00	46,00	45,00	42,50	3,5	3,976	-0,024	-0,84

**Table 7.2 (continued)**  
**Mean prime industrial market rentals as in quarter 2012:4**  
**(R/m<sup>2</sup> p.m.; gross lease; excl VAT)**

	Area size leased in m <sup>2</sup>					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Umbogintwini/ Southgate	40,00	40,00	38,00	38,00	38,00	3,0	3,798	-0,020	-0,86
Southgate Industrial Park	50,00	46,00	46,00	42,50	41,00	3,5	4,245	-0,063	-0,97
Umgini Park	55,00	50,00	47,50	45,00	45,00	3,0	4,342	-0,066	-0,95
Hammersdale	23,50	22,00	21,33	20,00	20,00	4,3	3,444	-0,055	-0,97
Cato Ridge	-	-	-	-	-	2,7	-	-	-
<b>Durban</b>	<b>40,08</b>	<b>39,60</b>	<b>38,50</b>	<b>37,54</b>	<b>36,88</b>	<b>3,1</b>			
<b>Ladysmith</b>									
Ezakheni/ Pieters	-	-	-	-	-	-	-	-	-
Danskraal	-	10,50	9,50	8,00	7,00	2,0	-	-	-
Nambiti	-	10,50	9,50	8,00	7,00	4,0	-	-	-
Colenso	-	-	-	-	-	-	-	-	-
<b>Ladysmith</b>	<b>-</b>	<b>10,50</b>	<b>9,50</b>	<b>8,00</b>	<b>7,00</b>	<b>3,0</b>			
<b>Cape Peninsula</b>									
Viking Place	39,00	35,00	32,50	25,00	22,00	1,7	4,776	-0,196	-0,99
Glosderry	41,00	45,00	45,00	38,00	35,00	2,5	4,168	-0,066	-0,73
Paarden Eiland/ Metro	41,50	39,33	36,50	35,00	35,00	1,7	4,040	-0,060	-0,95
Montague Gardens	40,00	37,00	35,00	32,50	32,50	3,3	4,064	-0,072	-0,97
Marconi Beam	42,50	40,00	38,00	37,50	36,00	1,5	4,017	-0,052	-0,97
Killarney Gardens	32,50	31,00	29,00	28,00	25,50	4,0	3,908	-0,077	-0,99
Racing Park	30,00	30,00	28,50	28,00	23,00	5,5	3,875	-0,079	-0,86
Atlantis	22,00	22,00	35,00	30,00	-	-	-	-	-
Woodstock/ Salt River/ Observatory	42,50	35,00	30,00	30,00	25,00	3,0	4,567	-0,157	-0,95
Athlone 1 & 2	30,00	30,00	30,00	30,00	-	5,0	-	-	-
Lansdowne Nerissa	30,00	30,00	30,00	30,00	-	5,0	-	-	-
Sand Industria	32,00	30,00	30,00	-	-	-	-	-	-
Ottery Hillstar	35,00	35,00	35,00	35,00	-	3,0	-	-	-
Ottery Sunset	35,00	35,00	35,00	35,00	-	3,0	-	-	-
Diep River	45,00	45,00	40,00	40,00	-	3,0	-	-	-





**Table 7.2 (continued)**  
**Mean prime industrial market rentals as in quarter 2012:4**  
**(R/m<sup>2</sup> p.m.; gross lease; excl VAT)**

	Area size leased in m <sup>2</sup>					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Broadlands	29,00	25,00	25,00	-	-	-	-	-	-
<b>Cape Peninsula</b>	<b>37,33</b>	<b>35,53</b>	<b>33,44</b>	<b>31,96</b>	<b>30,18</b>	<b>2,7</b>			
<b>George</b>									
George Central	22,00	20,00	18,00	17,00	-	3,0	-	-	-
Tamsui Industria	21,00	19,00	17,00	16,00	-	5,0	-	-	-
Pacaltsdorp Industria	21,00	19,00	17,00	16,00	-	2,0	-	-	-
<b>George</b>	<b>21,33</b>	<b>19,33</b>	<b>17,33</b>	<b>16,33</b>	<b>-</b>	<b>3,3</b>			
<b>Port Elizabeth</b>									
Deal Party	27,50	27,50	25,00	24,25	22,50	2,5	3,714	-0,069	-0,97
North End	27,50	28,75	25,00	23,00	22,50	4,0	3,807	-0,083	-0,93
Korsten/ Neave/ Sidwell/ Sydenham	23,75	23,75	22,50	21,75	21,75	3,0	3,365	-0,035	-0,95
South End Walmer	21,75	21,60	21,00	21,00	21,00	2,0	3,146	-0,013	-0,88
Uitenhage: Volkswagen area/Nelson	35,00	35,00	35,00	30,00	20,00	1,0	4,594	-0,169	-0,84
Mandela Bay Logistics Park									
Uitenhage: Hella/Kruisrivier	16,18	16,25	16,25	15,00	15,00	4,5	2,974	-0,031	-0,88
Struandale	26,25	26,25	25,00	24,25	24,25	3,0	3,446	-0,031	-0,95
Markman Township	17,50	17,50	17,50	16,25	16,25	5,0	3,043	-0,030	-0,89
Perseverance	26,25	26,25	25,00	22,35	22,35	3,0	3,644	-0,064	-0,95
Walmer	35,00	33,75	31,25	27,50	27,50	0,5	4,066	-0,091	-0,97
Greenbushes	31,25	31,25	27,50	27,50	27,50	2,5	3,714	-0,050	-0,86
Fairview	43,75	43,75	41,25	32,50	32,50	1,5	4,484	-0,120	-0,93
<b>Port Elizabeth</b>	<b>27,64</b>	<b>27,63</b>	<b>26,02</b>	<b>23,21</b>	<b>22,20</b>	<b>2,7</b>			
<b>East London</b>									
Arcadia	38,00	30,00	30,00	20,00	-	1,0	-	-	-
Gately/Woodbrook	30,00	28,00	25,00	25,00	25,00	1,0	3,710	-0,062	-0,88
Wilsonia	28,00	25,00	20,00	20,00	16,00	2,0	4,283	-0,174	-0,96
Braelyn	30,00	28,00	25,00	20,00	14,00	1,0	4,837	-0,246	-0,96

**Table 7.2 (continued)**  
**Mean prime industrial market rentals as in quarter 2012:4**  
**(R/m<sup>2</sup> p.m.; gross lease; excl VAT)**

	Area size leased in m <sup>2</sup>					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Northend	38,80	30,00	25,00	-	-	1,0	-	-	-
Chiselhurst	30,00	30,00	25,00	23,00	-	1,0	-	-	-
<b>East London</b>	<b>32,47</b>	<b>28,50</b>	<b>25,00</b>	<b>21,60</b>	<b>18,33</b>	<b>1,2</b>			
<b>Bloemfontein</b>									
Hilton	45,00	40,00	30,00	25,00	20,00	2,0	5,344	-0,275	-0,99
East End	36,50	35,00	30,00	22,00	18,00	2,0	5,050	-0,249	-0,98
Harvey Road	38,00	33,00	27,00	22,00	18,00	2,0	5,030	-0,250	-1,00
Old Industrial	30,00	29,00	22,00	18,00	15,00	2,0	4,809	-0,245	-0,99
Hamilton: Mill St	25,00	22,00	18,00	14,00	12,00	2,0	4,636	-0,253	-1,00
Hamilton: G Lubbe St	22,00	20,00	15,00	12,00	10,00	2,0	4,639	-0,275	-0,99
Estoir	41,50	38,50	35,25	32,00	28,00	1,0	4,441	-0,128	-0,99
<b>Bloemfontein</b>	<b>34,60</b>	<b>32,00</b>	<b>26,94</b>	<b>20,71</b>	<b>17,29</b>	<b>1,8</b>			

**Table 7.3**  
**Standard deviation from mean prime industrial market rentals**  
**as in 2012:4**

	Area size leased in m <sup>2</sup>					Contributor codes
	250	500	1.000	2.500	5.000	
<b>Central Witwatersrand</b>						
Cambridge Park	-	-	2,50	2,50	-	AP, BR
Wynberg Proper	2,76	2,37	2,76	2,28	2,14	AP, AW, AV, GH, PAR, ZC
Strijdom Park	2,69	2,32	1,80	0,00	2,16	AP, AV, AW, GB, GH
Kya Sand	5,72	4,39	4,32	3,77	3,54	AP, AV, BR, GB, GH
Clayville/Olifantsfontein	-	-	2,00	4,00	4,00	AP, AV, GB
Chloorkop	0,50	2,00	3,56	3,56	2,62	AP, AV, GB, SBI
Amalgam	2,36	3,77	2,12	2,59	2,59	AP, AV, BR, GB
Crown Mines	2,50	3,64	2,12	2,87	2,59	AP, AV, BR, GB
Industria	2,94	3,30	2,36	1,41	2,36	AP, AV, GB
Booyens/Booyens Reserve/Ophirton	2,12	2,12	2,59	1,30	2,17	AP, AV, BR, GB
Village Main/Village Deep/New Centre	1,41	1,41	0,94	1,41	2,17	AP, AV, BR, GB
Benrose	2,07	2,07	2,23	1,83	2,06	AP, AV, BR, GB, RO
Steeledale/Electron/Tulisa Park	2,71	2,64	2,33	2,33	2,59	AP, AV, BR, GB, RO
Aeroton	1,41	1,41	2,12	2,50	3,08	AP, AV, BR, GB
Devland/Nancefield	1,50	1,50	2,50	3,50	3,50	AP, BR
Cleveland/Heriotdale	2,94	2,94	2,33	1,66	2,05	AP, AV, BR, GB, RO
Newlands/Martindale	-	-	-	-	-	AP
Kew/Wynberg East	1,77	1,74	1,74	2,64	4,36	AP, AV, AW, GB, TC, ZC
Bramley View/Lombardy West	3,54	3,54	1,00	1,00	1,00	AP, GB, ZC
Marlboro	0,00	0,00	0,00	2,50	2,50	AP, GB
Halfway House: hi-tech strip	1,20	1,20	2,17	0,00	0,00	AP, AV, AW, BR, GB
Halfway House: Richards Drive	1,20	0,00	2,45	0,00	0,00	AP, AV, AW, BR, GB
Commercial	-	-	-	-	-	AP

**Table 7.3 (continued)**  
**Standard deviation from mean prime industrial market rentals**  
**as in 2012:4**

	Area size leased in m <sup>2</sup>					Contributor codes
	250	500	1.000	2.500	5.000	
Kramerville/Eastgate Ext12 & Ext13	3,74	5,59	6,06	3,08	3,54	AP, AW, GB, GH, SBI, TC
Centurion	-	-	-	-	-	AP
Linbro Park	3,68	2,94	2,36	0,00	1,41	AP, AW, TC
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	1,00	1,00	0,00	0,94	3,77	AP, AW, TC
City Deep	2,36	2,36	2,05	1,25	1,41	AP, BR, RO
North Riding	0,94	0,00	0,94	2,36	2,49	AP, BR, GB, GH
Samrand Centurion	0,00	0,00	-	-	-	AP, BR
Barbeque Downs	-	-	-	-	-	AP
Selby Ext 12/13/15/19/20/24/City West	-	-	-	-	-	AP
Selby Ext 5/10/14/18	5,00	5,00	5,00	4,00	3,50	AP, BR
Selby Ext 11	5,00	5,00	5,00	2,50	2,50	AP, BR
Selby Ext 3/4/6	0,00	0,00	1,00	1,50	2,50	AP, BR
Denver (Old)	2,50	2,50	2,59	1,41	2,36	AP, BR, GB, RO
Denver (New)	2,17	2,50	2,05	0,94	1,63	AP, BR, GB, RO
Kyalami Business Park	2,36	2,36	0,00	0,00	1,00	AP, AV, AW
Reuven	-	-	-	-	-	AP
Selby (Old)/Selby Ext2/Park Central	0,00	0,00	1,00	1,50	2,50	AP, BR
Robertsham	1,50	1,50	0,00	1,00	1,50	AP, BR
Fordsburg/Mayfair	-	-	-	-	-	AP
<b>West Rand</b>						
Lea Glen	0,00	0,00	1,00	0,00	0,00	AP, AV, GB
Honeydew X19, 20, 21 & 22	0,00	1,50	5,00	4,00	2,50	AP, GB
Stormill	0,00	0,00	0,00	0,00	0,00	AP, AV

**Table 7.3 (continued)**  
**Standard deviation from mean prime industrial market rentals**  
**as in 2012:4**

	Area size leased in m <sup>2</sup>					Contributor codes
	250	500	1.000	2.500	5.000	
Chamdor	-	-	-	-	-	AP
Factoria	-	-	-	-	-	AP
Randfontein: Delporton/Aureus	-	-	-	-	-	AP
Boltonia	-	-	-	-	-	AP
Roodepoort: Technikon/Manufacta	-	-	-	-	-	AP
Industria North	1,00	1,00	2,50	0,00	0,00	AP, AV
Robertville	0,00	0,00	1,00	2,50	2,50	AP, AV, GB
Laserpark	1,00	1,50	1,50	2,50	2,50	AP, AV, BR, GB
<b>East Rand</b>						
Elandsfontein	1,22	1,22	1,12	2,28	2,06	AP, BR, RO, ZC
Tunney/Greenhills	1,41	1,41	3,30	2,36	2,05	AP, BR, RO, ZC
Henville	0,94	0,94	1,63	0,94	0,94	AP, BR, RO
Meadowbrook/Wilbart	2,05	1,41	1,41	1,41	0,00	AP, RO, ZC
Sunnyrock	2,12	2,12	2,87	1,66	1,85	AP, BR, RO, TC, ZC
Rustivia/Activia Park	0,47	1,41	1,41	2,36	2,36	AP, RO, ZC
Eastleigh	1,50	1,50	1,79	0,94	0,00	AP, BR, RO, ZC
Sebenza Ext 14	1,50	1,50	1,79	2,05	0,00	AP, BR, RO, ZC
Spartan Ext 16 (Sebenza Link) + Ext1,3,7	0,43	0,43	1,22	1,50	1,79	AP, BR, RO, ZC
Isando	0,00	0,00	0,00	0,00	0,00	AP, BR, RO, ZC
Isando 3	1,50	1,50	1,22	0,43	1,30	AP, BR, RO
Jet Park	1,60	0,00	0,87	0,80	0,98	AP, BR, RO, TC, ZC
Alrode & Xs	2,05	0,00	1,50	0,50	1,70	AP, AV, GB, RO
Alrode South	2,50	0,00	4,00	2,00	1,41	AP, AV, GB
Alberton	-	-	-	-	1,50	AP, GB

**Table 7.3 (continued)**  
**Standard deviation from mean prime industrial market rentals**  
**as in 2012:4**

	Area size leased in m <sup>2</sup>					Contributor codes
	250	500	1.000	2.500	5.000	
Aeroporto/Spartan Ext 2	2,50	2,50	2,50	0,87	1,41	AP, BR, RO, ZC
Delville	3,00	2,00	1,00	2,00	2,00	AP, RO
Roodekop	1,41	2,17	2,49	3,30	3,27	AP, BR, GB, RO
Wadeville: Industrial zoning	1,41	2,12	1,95	1,41	1,24	AP, AV, BR, GB, RO
Route 24/Meadowdale	0,50	1,00	1,00	0,00	0,00	AP, BR, RO
Germiston S/Industries E	0,50	0,50	1,00	1,00	1,50	AP, BR, RO
Driehoek/Industries W	1,41	2,05	2,50	1,00	1,50	AP, BR, GB, RO
Knights	2,50	2,50	3,00	2,00	2,00	AP, BR, RO
Spartan Proper	1,41	1,41	0,47	0,94	0,00	AP, BR, RO, ZC
Founders View	0,00	0,00	0,00	1,41	1,50	AP, BR, RO
Longmeadow	4,56	3,54	2,87	2,05	1,79	AP, BR, RO, TC
Pomona/Kempton Park	1,00	1,00	0,00	1,00	1,00	
<b>Far East Rand</b>						
Boksburg North & South	1,25	1,80	1,30	0,87	0,94	AP, BR, GB, RO
Benoni	0,00	0,00	2,36	2,36	4,00	AP, BR, RO
New Era/Vulcania	-	-	-	-	-	AP
Nuffield	-	-	-	-	-	AP
Fulcrum	-	-	-	-	-	AP
Apex	-	1,50	2,50	1,50	0,00	AP, GB
Labore Brakpan	-	-	-	-	-	AP
Morehill Ext 8 Benoni	-	-	-	-	-	AP
<b>Pretoria</b>						
Mitchell St	2,50	2,50	4,00	2,50	5,00	AP, CI

**Table 7.3 (continued)**  
**Standard deviation from mean prime industrial market rentals**  
**as in 2012:4**

	Area size leased in m <sup>2</sup>					Contributor codes
	250	500	1.000	2.500	5.000	
Pretoria Industrial Township	-	-	-	-	-	AP
Koedoespoort	0,00	0,00	1,00	1,00	1,00	AP, PO
Waltloo/Despatch	1,41	3,30	1,50	1,50	0,00	AP, CI, PO
Silverton/Silvertondale	1,00	2,05	1,41	1,50	3,50	AP, CI, PO
Samcor Park	1,50	1,50	1,50	2,50	3,50	AP, PO
Sunderland Ridge	-	-	-	-	-	AP
Hermanstad	2,50	0,00	2,50	2,50	-	AP, CI
Kirkney	-	-	-	-	-	AP
Hennospark X15 & X7	-	-	-	-	-	AP
Gateway	-	-	-	2,00	-	AP, MAS
Lyttleton Manor X4/x6	-	-	-	-	-	AP
Pretoria North	2,50	0,00	-	-	-	AP, CI
Silvertondale X1	1,50	1,50	1,50	1,50	3,50	AP, PO
Brits	-	-	-	-	-	-
Klerksoord	-	-	-	-	-	AP
Rosslyn	2,50	0,00	-	-	-	AP, CI
<b>Polokwane</b>						
Lebowakgomo	-	-	-	-	-	ES, MO
Superbia	2,50	0,00	1,00	1,50	-	ES, MO
Industria	2,50	0,50	1,00	1,00	-	ES, MO
Samcor Park	-	-	-	-	-	ES, MO



**Table 7.3 (continued)**  
**Standard deviation from mean prime industrial market rentals**  
**as in 2012:4**

	Area size leased in m <sup>2</sup>					Contributor codes
	250	500	1.000	2.500	5.000	
Ladine	2,50	1,00	1,00	0,00	-	ES, MO
Futura	1,00	0,00	0,00	1,00	-	ES, MO
Laboria	2,50	0,00	0,00	1,00	-	ES, MO
Magna Via	1,00	5,00	6,00	10,00	-	ES, MO
Seshego	-	-	-	-	-	ES, MO
<b>Nelspruit</b>						
Nelspruit East	-	-	-	-	-	HH, RZ
Nelspruit West	-	-	-	-	-	HH, RZ
Rocky's Drift	-	-	-	-	-	HH, RZ
Riverside Park	-	-	-	-	-	HH, RZ
<b>Durban</b>						
Springfield Park	0,94	0,94	0,00	0,00	0,00	ML, PC, QP
Mayville	1,00	2,50	2,50	2,50	2,50	ML, PC
Phoenix	1,50	1,50	0,00	1,00	0,00	ML, PC
North Coast Rd/Briardene	1,41	0,47	0,94	0,00	0,00	ML, PC, QP
Briardene Industrial Park	1,41	1,41	1,41	2,05	0,94	ML, PC, QP
Umgeni Rd/Stamford Hill	0,00	1,50	1,50	3,00	1,50	ML, PC
Umbilo/Sydney Rd/Gale St	1,50	0,00	1,50	4,00	4,00	ML, PC
Jacobs	0,00	1,41	1,41	1,41	1,41	ML, PC, QP
Mobeni	0,82	1,63	1,96	1,41	1,41	ML, PC, QP
Prospecton	1,00	1,00	1,00	1,50	1,50	ML, PC
Ithala Industrial Estate	-	-	-	-	-	PC, QP
Pinetown Central	1,89	2,36	2,87	2,87	2,49	ML, PC, QP
New Germany	0,00	1,89	1,70	1,41	2,05	ML, PC, QP

**Table 7.3 (continued)**  
**Standard deviation from mean prime industrial market rentals**  
**as in 2012:4**

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Isipingo	0,00	0,00	0,00	0,00	0,00	ML, PC
Rosburgh/South Coast Rd	0,00	0,00	0,00	1,50	4,00	ML, PC
Edwin Swales Drive	0,00	0,00	0,00	4,00	4,00	ML, PC
Glen Anil	1,00	1,00	1,00	1,00	0,50	ML, PC
Brickfield Rd	-	-	-	-	-	PC
Verulam	-	-	-	-	-	
Canelands	-	-	-	-	-	
Tonga	-	-	-	-	-	PC
New Westmead/Mahogany	1,41	1,41	0,94	1,63	1,63	ML, PC, QP
Westmead	0,94	0,94	1,63	0,94	1,25	ML, PC, QP
Mariann Park/Southmead	0,00	-	2,50	2,50	-	ML, PC
Maxmead	1,63	1,63	0,94	1,63	1,63	ML, PC, QP
Ringroad Industrial Park	-	-	-	-	-	PC
Avoca/Red Hill/Northgate	-	1,00	0,00	0,00	0,00	ML, PC
Falcon Park	-	-	-	-	-	PC
River Horse Valley Business Estate	0,00	0,00	1,41	1,41	0,94	ML, PC, QP
Mount Edgecombe	4,00	4,00	4,00	3,00	2,50	ML, PC
Umbogintwini/Southgate	-	-	-	-	-	PC
Southgate Industrial Park	-	4,00	4,00	2,50	1,00	ML, PC
Umgeni Park	-	5,00	2,50	-	-	ML, PC
Hammersdale	1,50	0,00	0,94	0,00	0,00	ML, PC, QP
Cato Ridge	-	-	-	-	-	
<b>Ladysmith</b>						
Ezakeni/ Pieters	-	-	-	-	-	DD
Danskraal	-	-	-	-	-	DD

**Table 7.3 (continued)**  
**Standard deviation from mean prime industrial market rentals**  
**as in 2012:4**

	Area size leased in m <sup>2</sup>					Contributor codes
	250	500	1.000	2.500	5.000	
Nambiti	-	-	-	-	-	DD
Colenso	-	-	-	-	-	DD
<b>Cape Peninsula</b>						
Viking Place	0,82	0,00	2,50	-	-	AN, DW, GB, JLC
Glosderry	4,00	-	-	-	-	DW, GB
Paarden Eiland/Metro	3,50	2,49	1,50	0,00	0,00	AN, DW, GB
Montague Gardens	3,56	2,94	2,45	2,50	2,50	AN, DW, GB
Marconi Beam	2,50	0,00	0,00	0,50	-	AN, GB
Killarney Gardens	2,50	2,00	1,00	2,00	0,50	AN, GB
Racing Park	0,00	0,00	0,50	0,00	3,00	AN, GB
Atlantis	-	-	-	-	-	GB
Woodstock/Salt River/Observatory	2,50	-	-	-	-	GB, JLC
Athlone 1 & 2	-	-	-	-	-	GB
Landsdowne Nerissa	-	-	-	-	-	GB
Sand Industria	-	-	-	-	-	GB
Ottery Hillstar	-	-	-	-	-	GB
Ottery Sunset	-	-	-	-	-	GB
Diep River	-	-	-	-	-	GB
Elfindale	-	-	-	-	-	GB
Monwood/Philippi East	5,00	0,00	3,50	3,50	-	GB, OG
Retreat/Steenberg	-	-	-	-	-	GB
Capricon Park	-	-	-	-	-	GB

**Table 7.3 (continued)**  
**Standard deviation from mean prime industrial market rentals**  
**as in 2012:4**

	Area size leased in m <sup>2</sup>					Contributor codes
	250	500	1.000	2.500	5.000	
Nambiti	-	-	-	-	-	DD
Colenso	-	-	-	-	-	DD
<b>Cape Peninsula</b>						
Viking Place	0,82	0,00	2,50	-	-	AN, DW, GB, JLC
Glosderry	4,00	-	-	-	-	DW, GB
Paarden Eiland/Metro	3,50	2,49	1,50	0,00	0,00	AN, DW, GB
Montague Gardens	3,56	2,94	2,45	2,50	2,50	AN, DW, GB
Marconi Beam	2,50	0,00	0,00	0,50	-	AN, GB
Killarney Gardens	2,50	2,00	1,00	2,00	0,50	AN, GB
Racing Park	0,00	0,00	0,50	0,00	3,00	AN, GB
Atlantis	-	-	-	-	-	GB
Woodstock/Salt River/Observatory	2,50	-	-	-	-	GB, JLC
Athlone 1 & 2	-	-	-	-	-	GB
Landsdowne Nerissa	-	-	-	-	-	GB
Sand Industria	-	-	-	-	-	GB
Ottery Hillstar	-	-	-	-	-	GB
Ottery Sunset	-	-	-	-	-	GB
Diep River	-	-	-	-	-	GB
Elfindale	-	-	-	-	-	GB
Monwood/Philippi East	5,00	0,00	3,50	3,50	-	GB, OG
Retreat/Steenberg	-	-	-	-	-	GB
Capricorn Park	-	-	-	-	-	GB



**Table 7.3 (continued)**  
**Standard deviation from mean prime industrial market rentals**  
**as in 2012:4**

	Area size leased in m <sup>2</sup>					Contributor codes
	250	500	1.000	2.500	5.000	
Braelyn	0,00	0,00	0,00	0,00	0,00	BG, DQ, ER, GO, GW, IP
Northend	0,00	0,00	0,00	0,00	0,00	BG, DQ, ER, GO, GW, IP
Chiselhurst	0,00	0,00	0,00	0,00	0,00	BG, DQ, ER, GO, GW, IP
<b>Bloemfontein</b>						
Hilton	-	-	-	-	-	EK
East End	1,50	0,00	0,00	-	-	CC, EK
Harvey Road	-	-	-	-	-	EK
Old Industrial	0,00	1,00	-	-	-	CC, EK
Hamilton: Mill St	-	-	-	-	-	EK
Hamilton: G Lubbe St	-	-	-	-	-	EK
Estoir	6,50	3,50	2,75	-	-	EK, CC

### 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 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 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 2012:4**

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

**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 2012:4 in rands per m<sup>2</sup> per month**

	Stand-alone			Park		
	R/m <sup>2</sup>	SD	N	R/m <sup>2</sup>	SD	N
Central Witwatersrand	7,94	2,55	4	9,40	1,62	5
West Rand	4,38	0,62	2	7,25	1,75	2
East Rand	5,21	1,19	6	6,92	2,01	6
Far East Rand	4,25	0,25	2	5,83	0,24	3
Pretoria	3,38	0,38	2	5,50	2,50	2
Polokwane	5,75	0,25	2	8,00	0,00	2
Nelspruit	8,50	-	1	12,00	-	1
Durban	9,50	0,71	3	12,00	0,00	2
Cape Peninsula	6,29	2,25	7	8,14	2,40	7
George	2,50	-	1	-	-	-
Port Elizabeth	4,00	-	1	-	-	-
Bloemfontein	3,50	3,50	2	3,25	3,25	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.

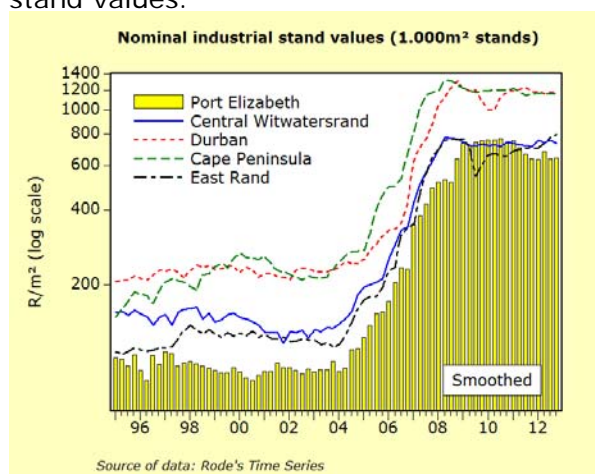
## Chapter 8: Industrial stand values

# Stands on the East Rand showing the best growth

Written by John S. Lottering

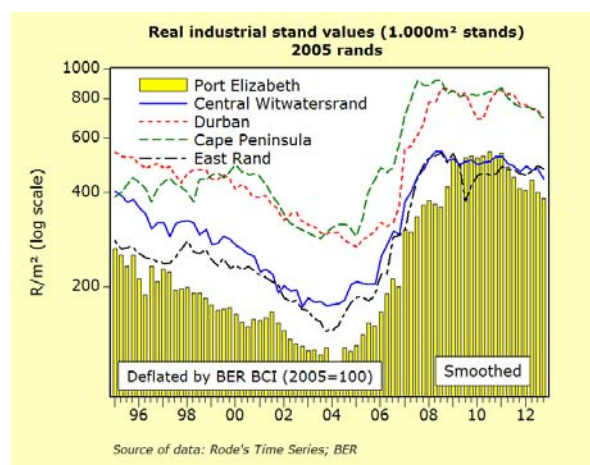
In the fourth quarter of 2012, industrial stands on the East Rand (+13%) were able to show the best yearly growth. This was followed by the Central Witwatersrand (+4%) and Port Elizabeth (+1%) where stands showed marginal growth. In the Cape Peninsula, stand values remained at roughly their previous-year levels, while in Durban (-1%) a slight contraction in values was observed.

The general inability of nominal industrial rentals to outperform the growth in building costs (see **Chapter 7**) means that the development of new industrial space re-mains an economically unviable option. This, by implication, means weak demand for industrial land and would explain the poor growth in stand values.



In the fourth quarter of 2012, building costs are expected to have grown by 9%.

This implies that it was only on the East Rand where stands were able to grow in *real* terms.



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 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
<b>Central Witwatersrand</b>								
Cambridge Park	1.500	1.500	1.500	1.500	0,0	-	-	-
Wynberg Proper	700	700	650	650	0,0	6,827	-0,006	-0,86
Strijdom Park	925	900	900	875	1,0	6,970	-0,005	-0,91
Kya Sand	550	550	550	525	3,0	6,439	-0,003	-0,91
Clayville/Olifantsfontein	425	425	375	312	8,0	7,023	-0,013	-0,99
Chloorkop	687	687	662	662	3,0	6,671	-0,003	-0,86
Amalgam	1.500	1.500	1.200	1.200	3,0	8,144	-0,037	-0,86
Crown Mines	1.800	1.800	1.500	1.500	6,0	8,174	-0,037	-0,86
Industria	1.000	1.000	950	950	2,0	7,099	-0,006	-0,86
Booyens/Booyens Reserve/Ophirton	500	475	450	450	1,0	6,532	-0,005	-0,82
Village Main/Village Deep/New Centre	500	475	450	450	1,0	6,532	-0,005	-0,82
Benrose	650	650	616	600	0,5	6,749	-0,006	-0,96
Steeledale/Electron/Tulisa Park	637	637	637	625	1,0	6,512	-0,001	-0,91
Aeroton	1.200	1.200	1.000	1.000	3,0	7,769	-0,024	-0,86
Devland/Nancefield	1.000	900	800	800	1,0	7,586	-0,019	-0,82
Cleveland/Heriotdale	616	608	608	575	1,2	6,611	-0,004	-0,95
Newlands/Martindale	350	350	350	-	-	-	-	-
Kew/Wynberg East	600	600	500	450	0,0	7,368	-0,018	-0,96
Bramley View/Lombardy West	500	500	450	400	0,0	6,933	-0,012	-0,99
Marlboro	200	200	200	200	1,0	-	-	-
Halfway House: hi-tech strip	650	650	600	550	0,0	7,016	-0,012	-0,99
Halfway House: Richards Drive	650	650	600	550	0,0	7,016	-0,012	-0,99
Commercia	500	475	425	425	1,0	6,745	-0,008	-0,85
Kramerville/Eastgate Ext12 & Ext13	1.250	1.250	1.250	1.250	1,5	-	-	-

**Table 8.1 (continued)**  
**Mean market values for serviced and level industrial stands in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Centurion	800	800	800	800	2,0	-	-	-
Linbro Park	1.133	1.100	1.133	1.133	1,0	6,990	0,002	0,41
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	2.000	2.000	2.000	2.000	1,0	-	-	-
City Deep	800	800	791	791	0,0	6,724	-0,001	-0,86
North Riding	1.000	1.000	1.050	950	2,5	7,003	-0,005	-0,51
Samrand Centurion	700	700	625	625	2,0	6,973	-0,009	-0,86
Barbeque Downs	700	700	650	600	1,0	7,049	-0,012	-0,99
Selby Ext 12/13/15/19/20/24/City West	500	475	450	450	1,0	6,532	-0,005	-0,82
Selby Ext 5/10/14/18	525	500	500	475	1,0	6,516	-0,005	-0,91
Selby Ext 11	600	575	550	500	1,0	6,923	-0,010	-0,99
Selby Ext 3/4/6	475	475	450	450	1,0	6,365	-0,003	-0,86
Denver (Old)	410	410	383	375	1,2	6,328	-0,004	-0,94
Denver (New)	715	715	700	675	1,2	6,752	-0,005	-0,99
Kyalami Business Park	850	850	800	750	0,0	7,150	-0,012	-0,99
Reuven	550	500	500	450	1,0	6,818	-0,009	-0,91
Selby (Old)/Selby Ext2/Park Central	500	500	475	450	1,0	6,555	-0,006	-0,99
Robertsham	500	500	450	400	0,0	6,933	-0,012	-0,99
Fordsburg/Mayfair	450	450	400	400	1,0	6,548	-0,006	-0,86
<b>Central Witwatersrand</b>	<b>725</b>	<b>725</b>	<b>688</b>	<b>677</b>	<b>1,3</b>			
<b>West Rand</b>								
Lea Glen	700	700	700	650	0,0	6,756	-0,006	-0,91
Honeydew X19, 20, 21 & 22	900	900	900	900	1,0	-	-	-
Stormill	800	800	800	775	3,0	6,773	-0,003	-0,91
Chamdor	400	400	400	350	1,0	6,362	-0,006	-0,91
Factoria	500	450	400	400	0,0	6,893	-0,010	-0,82
Randfontein: Delporton/Aureus	350	350	250	200	2,0	7,729	-0,018	-0,96

**Table 8.1 (continued)**  
**Mean market values for serviced and level industrial stands in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Boltonia	500	450	400	350	0,0	7,263	-0,015	-0,96
Rodepoort: Technikon/Manufacta	600	600	600	500	1,0	6,902	-0,011	-0,91
Industria North	600	550	500	450	0,0	7,242	-0,015	-0,96
Robertville	700	725	700	700	0,5	6,602	-0,001	-0,41
Laserpark	800	800	800	750	1,0	6,863	-0,006	-0,91
<b>West Rand</b>	<b>637</b>	<b>646</b>	<b>625</b>	<b>589</b>	<b>0,9</b>			
<b>East Rand</b>								
Elandsfontein	800	800	800	700	0,0	7,055	-0,011	-0,91
Tunney/Greenhills	1.133	1.066	1.100	875	0,8	7,690	-0,026	-0,91
Henville	1.100	1.100	1.100	900	1,0	7,559	-0,022	-0,91
Meadowbrook/Wilbart	800	800	800	800	0,8	-	-	-
Sunnyrock	1.100	1.100	1.100	900	1,0	7,559	-0,022	-0,91
Rustivia/Activia Park	800	800	800	700	0,0	7,055	-0,011	-0,91
Eastleigh	700	700	700	600	0,0	6,978	-0,011	-0,91
Sebenza Ext 14	700	700	700	650	1,0	6,756	-0,006	-0,91
Spartan Ext 16 (Sebenza Link) + Ext1,3,7	825	825	725	725	0,2	7,197	-0,012	-0,86
Isando	900	900	900	850	0,0	6,961	-0,006	-0,91
Isando 3	900	900	800	800	0,0	7,241	-0,012	-0,86
Jet Park	1.037	987	980	978	1,0	7,088	-0,005	-0,67
Alrode & Xs	500	400	516	466	1,0	-	-	-
Alrode South	450	450	400	400	3,0	6,548	-0,006	-0,86
Alberton	575	450	450	550	1,0	6,355	0,002	0,14
Aeroporto/Spartan Ext 2	1.000	1.000	900	850	0,0	7,459	-0,018	-0,96
Delville	462	457	425	412	0,8	6,518	-0,006	-0,95
Roodekop	500	500	450	425	1,0	6,765	-0,009	-0,96
Wadeville: Industrial zoning	600	625	525	550	2,3	6,825	-0,008	-0,68

**Table 8.1 (continued)**  
**Mean market values for serviced and level industrial stands in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Route 24/Meadowdale	1.000	1.000	1.000	1.000	1,0	-	-	-
Germiston S/Industries E	387	387	362	350	1,0	6,305	-0,004	-0,96
Driehoek/Industries W	600	600	585	585	1,0	6,491	-0,002	-0,86
Knights	470	470	440	425	1,0	6,494	-0,005	-0,96
Spartan Proper	900	900	800	800	0,0	7,241	-0,012	-0,86
Founders View	1.200	1.200	1.000	1.000	0,0	7,769	-0,024	-0,86
Longmeadow	1.400	1.400	1.350	1.350	1,0	7,380	-0,006	-0,86
Pomona/Kempton Park	850	850	850	800	3,0	6,913	-0,006	-0,91
<b>East Rand</b>	<b>807</b>	<b>791</b>	<b>744</b>	<b>702</b>	<b>0,9</b>			
<b>Far East Rand</b>								
Boksburg North & South	840	740	700	700	3,5	7,228	-0,012	-0,74
Benoni	1.000	750	650	600	0,0	8,316	-0,036	-0,81
New Era/Vulcania	300	350	350	300	1,0	5,781	-0,002	-0,29
Nuffield	300	300	300	300	1,0	5,704	0,000	-
Fulcrum	300	300	300	300	1,0	5,704	0,000	-
Apex	675	650	625	590	3,5	6,906	-0,009	-0,98
Labore Brakpan	550	500	450	400	1,0	7,245	-0,015	-0,96
Morehill Ext 8 Benoni	1.000	1.000	800	750	0,0	7,918	-0,030	-0,93
<b>Far East Rand</b>	<b>648</b>	<b>598</b>	<b>550</b>	<b>523</b>	<b>1,8</b>			
<b>Pretoria</b>								
Mitchell St	800	800	700	700	0,0	7,182	-0,012	-0,86
Pretoria Industrial Township	700	600	500	500	1,0	7,580	-0,019	-0,82
Koedoespoort	600	600	600	550	1,5	6,638	-0,006	-0,91
Waltloo/Despatch Silverton/	500	575	550	575	1,0	5,939	0,005	0,58
Silvertondale Samcor Park	680	680	600	600	1,8	6,988	-0,010	-0,86
	700	700	700	600	0,5	6,978	-0,011	-0,91

**Table 8.1 (continued)**  
**Mean market values for serviced and level industrial stands in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Sunderland Ridge	500	500	500	500	8,0	-	-	-
Hermanstad	400	400	400	400	1,0	-	-	-
Kirkney	350	350	350	350	1,0	-	-	-
Hennopspark X15 & X7	1.000	1.000	1.000	1.000	2,0	-	-	-
Gateway	1.000	1.000	1.000	1.000	2,0	-	-	-
Lyttleton Manor X4/x6	850	850	850	850	1,0	-	-	-
Pretoria North	400	400	400	400	2,0	-	-	-
Silvertondale X1	625	625	600	550	2,5	6,831	-0,009	-0,99
Brits	-	-	-	-	-	-	-	-
Klerksoord	400	400	400	400	3,0	-	-	-
Rosslyn	400	400	400	400	5,0	-	-	-
<b>Pretoria</b>	<b>618</b>	<b>615</b>	<b>594</b>	<b>583</b>	<b>1,9</b>			
<b>Polokwane</b>								
Lebowakgomo	-	-	-	-	-	-	-	-
Supebia	-	-	-	-	-	-	-	-
Industria	-	-	-	-	-	-	-	-
Ladine	-	475	-	-	-	-	-	-
Futura	-	-	-	-	-	-	-	-
Laboria	-	-	-	-	-	-	-	-
Magna Via	-	550	480	-	-	-	-	-
Seshego	-	-	-	-	-	-	-	-
<b>Polokwane</b>	<b>-</b>	<b>512</b>	<b>480</b>	<b>-</b>	<b>-</b>			
<b>Nelspruit</b>								
Nelspruit East	-	-	-	-	-	-	-	-
Nelspruit West	-	-	-	-	-	-	-	-
Rocky's Drift	600	600	550	500	1,0	6,985	-0,012	-0,99

**Table 8.1 (continued)**  
**Mean market values for serviced and level industrial stands in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Riverside Park	1.200	1.200	950	950	3,0	7,960	-0,031	-0,86
<b>Nelspruit</b>	<b>900</b>	<b>900</b>	<b>750</b>	<b>725</b>	<b>2,0</b>			
<b>Durban</b>								
Springfield Park	1.550	1.600	1.550	1.550	0,0	7,392	-0,003	-0,41
Mayville	-	-	-	-	-	-	-	-
Phoenix	-	-	900	900	3,0	-	-	-
North Coast Rd/Briardene	1.250	1.250	-	-	1,0	-	-	-
Briardene Industrial Park	-	-	-	1.200	1,0	-	-	-
Umgeni Rd/Stamford Hill	-	-	-	-	0,0	-	-	-
Umbilo/Sydney Rd/Gale St	-	-	-	-	1,0	-	-	-
Jacobs	-	-	-	-	1,0	-	-	-
Mobeni	-	-	-	1.800	1,0	-	-	-
Prospecton	-	-	-	2.000	2,0	-	-	-
Ithala Industrial Estate	-	-	-	-	-	-	-	-
Pinetown Central	1.333	1.333	1.266	1.000	1,0	8,042	-0,038	-0,97
New Germany	1.133	1.133	1.066	1.000	2,0	7,438	-0,016	-0,99
Isipingo	-	800	800	-	1,0	-	-	-
Rosburgh/South Coast	-	-	-	-	-	-	-	-
Rd Edwin Swales Drive	-	-	-	-	-	-	-	-
Glen Anil	-	-	-	-	-	-	-	-
Brickfield Rd	-	-	800	-	1,0	-	-	-
Verulam	-	-	-	-	-	-	-	-
Canelands	-	-	-	600	1,0	-	-	-
Tongaat	-	-	-	-	-	-	-	-
New Westmead/Mahogany	1.300	1.300	1.175	1.150	1,5	7,606	-0,018	-0,91
Westmead	1.300	1.366	1.300	1.250	1,5	7,351	-0,009	-0,76



**Table 8.1 (continued)**  
**Mean market values for serviced and level industrial stands in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Mariann Park/Southmead	966	966	783	783	4,0	7,657	-0,022	-0,86
Maxmead	1.250	1.333	1.333	1.333	2,0	6,984	0,006	0,58
Ringroad Industrial Park	-	-	-	-	0,0	-	-	-
Avoca/Red Hill/Northgate	-	1.000	-	-	-	-	-	-
Falcon Park	-	1.000	1.000	-	1,0	-	-	-
River Horse Valley Business Estate	2.200	1.900	1.900	1.900	1,0	8,029	-0,021	-0,58
Mount Edgecombe	-	1.200	1.100	1.100	2,0	7,507	-0,011	-0,79
Umbogintwini/Southgate	-	-	-	-	1,0	-	-	-
Southgate Industrial Park	-	1.000	1.200	1.000	1,0	6,881	-0,004	-0,14
Umgeni Park	-	-	-	-	-	-	-	-
Hammersdale	300	283	250	240	5,0	6,413	-0,006	-0,92
Cato Ridge	483	483	483	433	7,0	6,483	-0,006	-0,91
<b>Durban</b>	<b>1.152</b>	<b>1.108</b>	<b>1.037</b>	<b>1.055</b>	<b>1,7</b>			
<b>Ladysmith</b>	-	-	-	-	-	-	-	-
Ezakeni/Pieters	-	-	-	-	-	-	-	-
Danskraal	-	-	-	-	-	-	-	-
Nambiti	-	-	-	-	-	-	-	-
Colenso	-	-	-	-	-	-	-	-
<b>Ladysmith</b>	-	-	-	-	-	-	-	-
<b>Cape Peninsula</b>								
Viking Place	1.000	900	800	800	1,0	7,586	-0,019	-0,82
Glosderry	1.500	1.500	1.500	1.500	0,0	7,313	0,000	-
Paarden Eiland/Metro	1.500	1.500	1.500	1.500	0,0	7,313	0,000	-
Montague Gardens	1.600	1.600	1.500	1.500	0,5	7,618	-0,012	-0,86
Marconi Beam	1.800	1.800	1.500	1.500	0,5	8,174	-0,037	-0,86
Killarney Gardens	1.300	1.250	1.250	1.100	1,5	7,614	-0,020	-0,95

**Table 8.1 (continued)**  
**Mean market values for serviced and level industrial stands in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Racing Park	800	800	800	725	3,5	6,957	-0,008	-0,91
Atlantis	-	-	-	-	-	-	-	-
Woodstock/Salt River/Observatory	2.000	1.800	1.800	1.800	1,0	7,840	-0,014	-0,58
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	437	437	437	361	9,0	6,610	-0,009	-0,91
Philippi West (west of Vanguard Dr)	-	-	-	-	-	-	-	-
Gugulethu Industrial (Brown Farms)	-	-	-	-	-	-	-	-
Retreat/Steenberg	1.000	1.000	950	950	-	7,099	-0,006	-0,86
Capricon Park	700	700	700	-	7,0	-	-	-
Maitland	1.266	1.166	1.100	1.000	1,0	7,814	-0,027	-0,96
Ndabeni	1.750	1.450	1.400	1.200	0,7	8,452	-0,050	-0,89
Airport	1.312	1.275	1.225	1.166	3,3	7,530	-0,015	-0,98
Epping 1 & 2	1.150	1.075	1.050	966	2,3	7,518	-0,018	-0,95
WP Park	1.425	1.400	1.200	1.100	2,0	8,117	-0,038	-0,96
Elsies River (excl. Central Park)	800	775	700	800	1,7	-	-	-
Parow Beaconvale	1.250	1.116	1.000	950	2,0	7,940	-0,029	-0,89
Tygerberg Business Park	1.350	1.233	1.066	1.066	2,3	7,954	-0,029	-0,84
Parow Industria	1.133	1.100	966	966	2,0	7,582	-0,019	-0,86
Parow East	1.300	1.300	1.050	1.000	1,5	8,101	-0,036	-0,91
Bellville Oakdale	1.200	1.100	1.050	950	1,0	7,738	-0,024	-0,95

**Table 8.1 (continued)**  
**Mean market values for serviced and level industrial stands in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Bellville Stikland/Kaymor	1.200	1.200	1.200	1.100	2,0	7,331	-0,011	-0,91
Bellville Triangle	1.050	1.033	1.033	966	0,5	7,178	-0,009	-0,95
Bellville South/Sacks Circle	1.000	1.000	950	850	0,5	7,407	-0,017	-0,99
Kraaifontein	916	900	791	783	1,7	7,369	-0,015	-0,89
Brackenfell Industria	1.000	1.000	916	866	1,7	7,387	-0,016	-0,97
Everite Brackenfell	1.166	1.133	1.066	966	2,0	7,626	-0,022	-1,00
Kuils River	875	825	725	675	1,7	7,587	-0,021	-0,95
Blackheath	875	725	525	475	3,3	8,681	-0,041	-0,89
Saxonburg Industrial Park	1.100	1.100	983	883	3,3	7,718	-0,026	-0,99
Okavango	1.100	1.083	1.033	966	1,3	7,399	-0,015	-0,99
Firgrove	1.200	1.100	1.000	900	6,0	7,935	-0,031	-0,96
The Interchange (Somerset West)	-	-	-	-	-	-	-	-
Strand Halt	-	-	-	-	-	-	-	-
Broadlands	-	-	-	-	-	-	-	-
<b>Cape Peninsula</b>	<b>1.151</b>	<b>1.105</b>	<b>1.031</b>	<b>975</b>	<b>2,0</b>			
<b>George</b>								
George Central	450	400	380	350	6,0	6,796	-0,009	-0,90
Tamsui Industria	400	350	350	350	3,0	6,295	-0,004	-0,58
Pacaltsdorp Industria	400	350	350	350	3,0	6,295	-0,004	-0,58
<b>George</b>	<b>416</b>	<b>366</b>	<b>360</b>	<b>350</b>	<b>4,0</b>			
<b>Port Elizabeth</b>								
Deal Party	800	675	500	500	2,0	8,188	-0,030	-0,84
North End	1.000	775	625	550	2,0	8,642	-0,043	-0,87
Korsten/Neave/Sidwell/Sydenham	1.000	750	600	600	2,0	8,392	-0,036	-0,78
South End Walmer	1.250	1.000	750	750	1,0	8,709	-0,048	-0,82
Uitenhage: Volkswagen area/NMBLP	400	325	275	275	5,0	7,085	-0,011	-0,79

**Table 8.1 (continued)**  
**Mean market values for serviced and level industrial stands in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Vacancy Grade	a	b	r
	1.000	2.000	5.000	10.000				
Uitenhage: Hella/Kruisrivier	200	175	135	100	9,0	7,400	-0,011	-0,97
Struandale	475	450	425	425	5,0	6,499	-0,005	-0,82
Markman Township	162	137	137	125	9,0	5,734	-0,003	-0,82
Perseverance	375	350	325	325	5,0	6,360	-0,005	-0,82
Walmer	1.125	1.000	800	750	1,0	8,303	-0,039	-0,90
Greenbushes	250	250	150	137	9,0	7,665	-0,014	-0,90
Fairview	975	850	750	675	1,0	7,952	-0,030	-0,92
<b>Port Elizabeth</b>	<b>800</b>	<b>675</b>	<b>500</b>	<b>500</b>	<b>2,0</b>			
<b>Bloemfontein</b>								
Hilton	320	300	280	160	1,0	7,723	-0,017	-0,98
East End	380	350	300	220	2,0	7,561	-0,017	-1,00
Harvey Road	-	-	-	-	-	-	-	-
Old Industrial	260	220	200	170	1,0	6,746	-0,009	-0,93
Hamilton: Mill St	220	200	200	100	1,0	7,531	-0,013	-0,94
Hamilton: G Lubbe St	200	180	150	60	2,0	8,756	-0,015	-0,99
Estoir	460	450	420	320	2,0	7,192	-0,016	-0,99
<b>Bloemfontein</b>	<b>307</b>	<b>283</b>	<b>258</b>	<b>172</b>	<b>1,5</b>			

**Table 8.2**  
**Standard deviation from mean market values for serviced and level industrial stands**  
**in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Contributors
	1.000	2.000	5.000	10.000	
<b>Central Witwatersrand</b>					
Cambridge Park	-	-	-	-	AP
Wynberg Proper	-	-	-	-	AP
Strijdom Park	75,00	100,00	100,00	125,00	AP, AV
Kya Sand	100,00	100,00	100,00	125,00	AP, AV
Clayville/Olifantsfontein	75,00	75,00	25,00	37,50	AP, BR
Chloorkop	187,50	187,50	212,50	212,50	AP, ZC
Amalgam	-	-	-	-	AP
Crown Mines	-	-	-	-	AP
Industria	-	-	-	-	AP
Booyens/Booyens Reserve/Ophirton	0,00	25,00	50,00	50,00	AP, BR
Village Main/Village Deep/New Centre	0,00	25,00	50,00	50,00	AP, BR
Benrose	70,71	70,71	62,36	50,00	AP, GB, RO
Steeledale/Electron/Tulisa Park	12,50	12,50	12,50	25,00	AP, BR, RO
Aeroton	-	-	-	-	AP
Devland/Nancefield	-	-	-	-	AP
Cleveland/Heriotdale	42,49	31,18	31,18	25,00	AP, BR, GB, RO
Newlands/Martindale	-	-	-	-	AP
Kew/Wynberg East	-	-	-	-	AP
Bramley View/Lombardy West	-	-	-	-	AP
Marlboro	-	-	-	-	AP
Halfway House: hi-tech strip	-	-	-	-	AP

**Table 8.2 (continued)**  
**Standard deviation from mean market values for serviced and level industrial stands**  
**in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Contributors
	1.000	2.000	5.000	10.000	
Halfway House: Richards Drive	-	-	-	-	AP
Commercia	0,00	25,00	25,00	25,00	AP, BR
Kramerville/Eastgate Ext12 & Ext13	250,00	250,00	250,00	250,00	AP, GB, TC
Centurion	-	-	-	-	AP
Linbro Park	94,28	100,00	94,28	94,28	AP, AW, BR, TC
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	-	-	-	-	AP
City Deep	40,82	40,82	42,49	42,49	AP, BR, RO
North Riding	-	0,00	50,00	50,00	AP, GB
Samrand Centurion	100,00	100,00	75,00	75,00	AP, BR
Barbeque Downs	-	-	-	-	AP
Selby Ext 12/13/15/19/20/24/City West	0,00	25,00	50,00	50,00	AP, BR
Selby Ext 5/10/14/18	25,00	0,00	0,00	25,00	AP, BR
Selby Ext 11	100,00	75,00	50,00	0,00	AP, BR
Selby Ext 3/4/6	25,00	25,00	50,00	50,00	AP, BR
Denver (Old)	29,44	29,44	23,57	35,36	AP, BR, RO
Denver (New)	35,00	35,00	50,00	25,00	AP, BR, RO
Kyalami Business Park	-	-	-	-	AP
Reuven	-	-	-	-	AP
Selby (Old)/Selby Ext2/Park Central	0,00	0,00	25,00	50,00	AP, BR
Robertsham	-	-	-	-	AP
Fordsburg/Mayfair	-	-	-	-	AP

**Table 8.2(continued)**  
**Standard deviation from mean market values for serviced and level industrial stands**  
**in quarter 2012:4**  
**(R/m² excl VAT)**

	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
<b>West Rand</b>					
Lea Glen	-	-	-	-	AP
Honeydew X19, 20, 21 & 22	-	-	-	-	AP
Stormill	-	50,00	50,00	75,00	AP, AV
Chamdor	-	-	-	-	AP
Factoria	-	-	-	-	AP
Randfontein: Delporton/Aureus	-	-	-	-	AP
Boltonia	-	-	-	-	AP
Rodepoort: Technikon/Manufacta	-	-	-	-	AP
Industria North	-	-	-	-	AP
Robertville	-	75,00	100,00	100,00	AP, AV
Laserpark	100,00	100,00	100,00	50,00	AP, AV
<b>East Rand</b>					
Elandsfontein	-	-	-	-	AP
Tunney/Greenhills	47,14	47,14	0,00	25,00	AP, RO, ZC
Henville	-	-	-	-	AP
Meadowbrook/Wilbart	-	-	-	100,00	AP, RO
Sunnyrock	-	-	-	-	AP
Rustivia/Activia Park	-	-	-	-	AP
Eastleigh	-	-	-	-	AP
Sebenza Ext 14	-	-	-	-	AP
Spartan Ext 16 (Sebenza Link) + Ext1,3,7	25,00	25,00	25,00	25,00	AP, RO

**Table 8.2 (continued)**  
**Standard deviation from mean market values for serviced and level industrial stands**  
**in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Contributors
	1.000	2.000	5.000	10.000	
Isando	-	-	-	-	AP
Isando 3	-	-	-	-	AP
Jet Park	330,48	316,97	322,20	323,81	AP, RO, TC, ZC
Alrode & Xs	0,00	100,00	23,57	47,14	AP, BR, RO
Alrode South	-	-	-	-	AP
Alberton	125,00	-	-	100,00	AP, GB
Aeroporto/Spartan Ext 2	-	-	-	-	AP
Delville	37,50	42,50	25,00	37,50	AP, RO
Roodekop	-	-	0,00	25,00	AP, GB, RO
Wadeville: Industrial zoning	-	25,00	25,00	70,71	AP, AV, GB, RO
Route 24/Meadowdale	-	-	-	-	AP
Germiston S/Industries E	12,50	12,50	12,50	0,00	AP, RO
Driehoek/Industries W	0,00	0,00	15,00	15,00	AP, RO
Knights	80,00	80,00	60,00	75,00	AP, RO
Spartan Proper	-	-	-	-	AP
Founders View	-	-	-	-	AP
Longmeadow	200,00	200,00	150,00	150,00	AP, TC
Pomona/Kempton Park	-	-	-	-	AP
<b>Far East Rand</b>					
Boksburg North & South	160,00	60,00	50,00	50,00	AP, GB
Benoni	-	-	-	-	AP
New Era/Vulcania	-	-	-	-	AP



**Table 8.2 (continued)**  
**Standard deviation from mean market values for serviced and level industrial stands**  
**in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Contributors
	1.000	2.000	5.000	10.000	
Nuffield	-	-	-	-	AP
Fulcrum	-	-	-	-	AP
Apex	75,00	50,00	25,00	10,00	AP, GB
Labore Brakpan	-	-	-	-	AP
Morehill Ext 8 Benoni	-	-	-	-	AP
<b>Pretoria</b>					
Mitchell St	-	-	-	-	AP
Pretoria Industrial Township	-	-	-	-	AP
Koedoespoort	0,00	0,00	0,00	50,00	AP, PO
Waltloo/Despatch	-	75,00	50,00	75,00	AP, PO
Silverton/Silvertondale	-	-	-	-	AP
Samcor Park	-	-	-	-	AP
Sunderland Ridge	-	-	-	-	AP
Hermanstad	-	-	-	-	AP
Kirkney	-	-	-	-	AP
Hennospark X15 & X7	-	-	-	-	AP
Gateway	-	-	-	-	AP
Lyttleton Manor X4/x6	-	-	-	-	AP
Pretoria North	-	-	-	-	AP
Silvertondale X1	25,00	25,00	-	-	AP, PO
Brits	-	-	-	-	AP
Klerksoord	-	-	-	-	AP

**Table 8.2 (continued)**  
**Standard deviation from mean market values for serviced and level industrial stands**  
**in quarter 2012:4**  
**(R/m² excl VAT)**

	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
Rosslyn	-	-	-	-	AP
<b>Polokwane</b>					
Lebowakgomo	-	-	-	-	
Superbia	-	-	-	-	
Industria	-	-	-	-	
Ladine	-	25,00	-	-	ES, MO
Futura	-	-	-	-	
Laboria	-	-	-	-	
Magna Via	-	0,00	0,00	-	ES, MO
Seshego	-	-	-	-	
<b>Nelspruit</b>					
Nelspruit East	-	-	-	-	HH, RZ
Nelspruit West	-	-	-	-	HH, RZ
Rocky's Drift	-	-	-	-	HH, RZ
Riverside Park	-	-	-	-	HH, RZ
<b>Durban</b>					
Springfield Park	50,00	0,00	50,00	50,00	ML, QP
Mayville	-	-	-	-	PC
Phoenix	-	-	-	-	PC
North Coast Rd/Briardene	-	-	-	-	PC
Briardene Industrial Park	-	-	-	-	
Umgeni Rd/Stamford Hill	-	-	-	-	
Umbilo/Sydney Rd/Gale St	-	-	-	-	

**Table 8.2 (continued)**  
**Standard deviation from mean market values for serviced and level industrial stands**  
**in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Contributors
	1.000	2.000	5.000	10.000	
Jacobs	-	-	-	-	-
Mobeni	-	-	-	-	PC
Prospecton	-	-	-	-	PC
Ithala Industrial Estate	-	-	-	-	-
Pinetown Central	235,70	235,70	205,48	-	ML, PC, QP
Isipingo	-	-	-	-	PC
Rosburgh/ South Coast Rd	-	-	-	-	-
Edwin Swales Drive	-	-	-	-	-
Glen Anil	-	-	-	-	-
Brickfield Rd	-	-	-	-	PC
Verulam	-	-	-	-	-
Canelands	-	-	-	-	PC
Tonga	-	-	-	-	-
New Westmead/Mahogany	200,00	200,00	75,00	50,00	ML, PC
Westmead	200,00	188,56	200,00	150,00	ML, PC, QP
Mariann Park/Southmead	124,72	124,72	23,57	23,57	ML, PC, QP
Maxmead	250,00	235,70	235,70	235,70	ML, PC, QP
Ringroad Industrial Park	-	-	-	-	-
Avoca/Red Hill/Northgate	-	-	-	-	PC
Falcon Park	-	-	-	-	PC
River Horse Valley Business Estate	200,00	100,00	100,00	100,00	PC, QP
Mount Edgecombe	-	-	-	-	PC
Umbogintwini/Southgate	-	-	-	-	-

**Table 8.2 (continued)**  
**Standard deviation from mean market values for serviced and level industrial stands**  
**in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Contributors
	1.000	2.000	5.000	10.000	
Southgate Industrial Park	-	-	-	-	PC
Umgeni Park	-	-	-	-	
Hammersdale	50,00	47,14	0,00	14,14	ML, PC, QP
Cato Ridge	23,57	23,57	23,57	62,36	ML, PC, QP
<b>Cape Peninsula</b>					
Viking Place	-	-	-	-	GB
Glosderry	-	-	-	-	GB
Paarden Eiland/Metro	-	-	-	-	GB
Montague Gardens	100,00	100,00	0,00	0,00	AN, GB
Marconi Beam	-	-	-	-	GB
Killarney Gardens	200,00	250,00	250,00	100,00	AN, GB
Racing Park	200,00	200,00	200,00	125,00	AN, GB
Atlantis	-	-	-	-	
Woodstock/Salt River/Observatory	-	-	-	-	AN, GB,
Athlone 1 & 2	-	-	-	-	
Landsdowne Nerissa	-	-	-	-	
Sand Industria	-	-	-	-	
Ottery Hillstar	-	-	-	-	GB
Ottery Sunset	-	-	-	-	GB
Diep River	-	-	-	-	GB
Elfindale	-	-	-	-	GB
Monwood/Philippi	12,50	12,50	12,50	61,50	GB, OG
Philippi West (west of Vanguard Dr)	-	-	-	-	

**Table 8.2 (continued)**  
**Standard deviation from mean market values for serviced and level industrial stands**  
**in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Contributors
	1.000	2.000	5.000	10.000	
Gugulethu Industrial(Brown Farms)	-	-	-	-	-
Retreat/ Steenberg	-	-	-	-	GB
Capricorn Park	-	-	-	-	GB
Maitland	94,28	124,72	216,02	200,00	AN, GB, JLC
Ndabeni	250,00	50,00	0,00	100,00	AN, JLC
Airport	73,95	55,90	43,30	47,14	AN, GB, JLC
Epping 1 & 2	150,00	175,00	177,95	205,48	AN, GB, JLC
WP Park	75,00	100,00	0,00	0,00	AN, GB, JLC
Elsies River (excl. Central Park)	100,00	75,00	100,00	50,00	AN, GB, JLC
Parow Beaconvale	40,82	84,98	0,00	40,82	AN, GB, JLC
Tygerberg Business Park	122,47	47,14	94,28	94,28	AN, GB, JLC
Parow Industria	94,28	81,65	47,14	47,14	AN, GB, JLC
Parow East	200,00	200,00	50,00	0,00	GB, JLC
Bellville Oakdale	-	-	-	-	JLC
Bellville Stikland/Kaymor	0,00	0,00	0,00	81,65	AN, GB, JLC
Bellville Triangle	70,71	47,14	47,14	84,98	AN, GB, JLC
Bellville South/Sacks Circle	0,00	0,00	40,82	40,82	AN, GB, JLC
Kraaifontein	23,57	40,82	77,28	84,98	AN, GB, JLC
Brackenfell Industria	0,00	0,00	23,57	23,57	AN, GB, JLC
Everite Brackenfell	47,14	47,14	94,28	47,14	AN, GB, JLC
Kuils River	25,00	25,00	25,00	25,00	AN, GB, JLC
Blackheath	25,00	25,00	25,00	25,00	AN, GB, JLC
Saxonburg Industrial Park	81,65	81,65	23,57	62,36	AN, GB, JLC

**Table 8.2 (continued)**  
**Standard deviation from mean market values for serviced and level industrial stands**  
**in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

	Area size in m <sup>2</sup>				Contributors
	1.000	2.000	5.000	10.000	
Okavango	81,65	84,98	124,72	47,14	AN, GB, JLC
Firgrove	-	-	-	-	JLC
The Interchange (Somerset West)	-	-	-	-	
Strand Halt	-	-	-	-	
Broadlands	-	-	-	-	
<b>George</b>					
George Central	-	-	-	-	MUL
Tamsui Industria	-	-	-	-	MUL
Pacaltsdorp Industria	-	-	-	-	MUL
<b>Port Elizabeth</b>					
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	100,00	100,00	IPM, QV
South End Walmer	-	-	-	-	QV
Uitenhage: Volkswagen area/NMBLP	-	25,00	75,00	75,00	IPM, QV
Uitenhage: Hella/Kruisrivier	50,00	25,00	15,00	50,00	IPM, QV
Struandale	25,00	50,00	75,00	75,00	IPM, QV
Markman Township	37,50	12,50	12,50	25,00	IPM, QV
Perseverance	25,00	0,00	25,00	25,00	IPM, QV
Walmer	125,00	0,00	50,00	0,00	IPM, QV
Greenbushes	-	-	0,00	12,50	IPM, QV
Fairview	275,00	150,00	100,00	75,00	IPM, QV

**Table 8.2 (continued)**  
**Standard deviation from mean market values for serviced and level industrial stands**  
**in quarter 2012:4**  
**(R/m<sup>2</sup> excl VAT)**

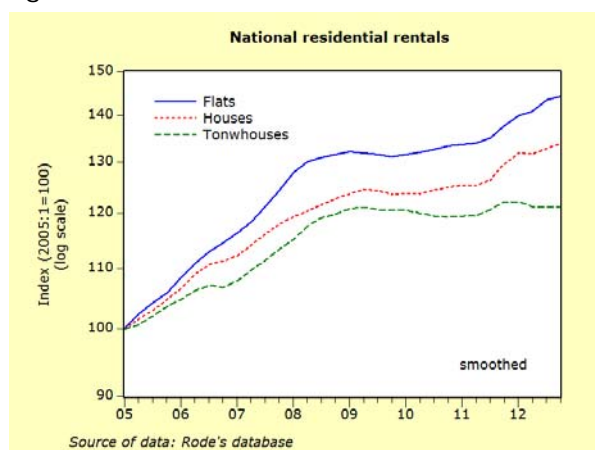
	Area size in m <sup>2</sup>				Contributors
	1.000	2.000	5.000	10.000	
<b>Bloemfontein</b>					
Hilton	-	-	-	-	EK
East End	-	-	-	-	EK
Harvey Road	-	-	-	-	EK
Old Industrial	-	-	-	-	EK
Hamilton: Mill St	-	-	-	-	EK
Hamilton: G Lubbe St	-	-	-	-	EK
Estoir	-	-	-	-	EK

## Chapter 9: Flats market

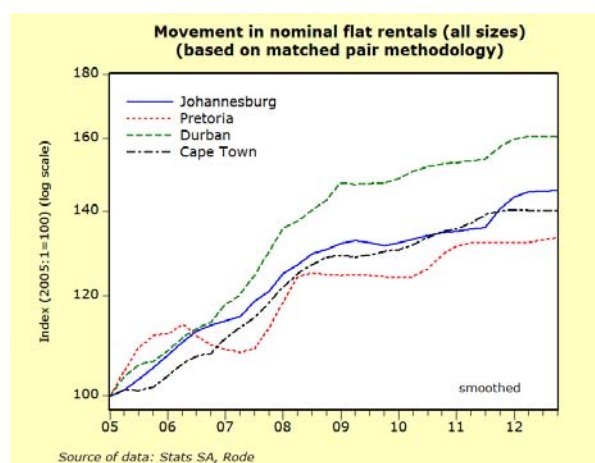
# Mediocre growth in residential rentals continues

Written by John S. Lottering

Nationally, in the fourth quarter of 2012, market rentals for flats and houses grew by 5% and 3%, respectively. Rentals on townhouses lagged behind, with rentals on townhouses almost 1% lower than a year ago.



As for flat rentals in the major cities, in the reporting quarter Johannesburg recorded the strongest nominal growth of 4%.



This was followed by Durban and Pretoria, where rentals were up by 2% and 1% respectively. In Cape Town, flat rentals remained roughly at the same level of a year ago. Over the same period, consumer prices (excluding owners' equivalent rent) showed growth of just below 6%, implying that flat rentals were unable to show *real* growth in any of these cities. [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

**Tables 9.1** summarizes the gross-income yields on flats. These yields can be used as a rough guide as to the state of the suburbs within the various cities, towns or areas: the higher the yield, the worse the expected growth in income streams and/or the higher the perceived risk of the location. As a rule of thumb, in order to convert gross yields to net, the reader might deduct 1,5% points

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. 98, of specific rental levels in the various suburbs for the various grades of flats.

**Table 9.1**  
**Gross-income yields (%): Flats**  
**Quarter 2012:4**

	Bachelor	1-Bedroom	2-Bedroom	3-Bedroom
<b>Eastern Cape</b>				
Port Elizabeth				
- Summerstrand / Humewood / South End	9,6%	5,4%	5,7%	6,5%
- Walmer	6,7%	5,5%	10,0%	11,8%
- Central / North End	14,2%	14,6%	12,4%	11,3%
- Newton Park	11,0%	12,5%	9,6%	9,8%
- Kabega	-	13,8%	11,6%	9,3%
- Algoa Park	-	15,4%	11,0%	10,2%
Queenstown				
- Queenstown Central (CBD)	6,0%	6,6%	8,0%	7,6%
- West-bourne/Weshof	6,2%	6,3%	7,3%	7,1%
- Sandringham / Granger Heugh Park	7,2%	6,3%	7,3%	7,5%
- Northern Areas, incl. "Top Town"	6,9%	7,1%	7,8%	8,0%
Uitenhage				
- Uitenhage	9,4%	10,0%	9,1%	8,8%
<b>Free State</b>				
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%	-

**Table 9.1 (continued)**  
**Gross-income yields (%): Flats**  
**Quarter 2012:4**

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



**Table 9.2 (continued)**  
**Flat rentals: standard units**  
 Average rand per month as at quarter 2012:4

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Bedfordview	-	-	-	-	R5.600	-	-	-	TR
Old South (incl. Rosettenville/ Turffontein/Kenilworth)	-	-	-	-	-	-	-	-	
New South (incl. Southdale/Mondeor/ Glenvista/Linmeyer)	R1.400	-	R1.750	-	R2.200	-	R2.900	-	DV
<b>Germiston average</b>	<b>R1.699</b>		<b>R2.115</b>		<b>R2.850</b>		<b>R2.811</b>		
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
<b>Pretoria average</b>	<b>R2.454</b>		<b>R2.807</b>		<b>R3.504</b>		<b>R4.066</b>		
Akasia	R2.500	R424	R2.750	R354	R3.450	R212	R3.800	R141	HK, TR
Pretoria North/Dorandia/Florauna	R2.200	R361	R2.433	R306	R3.167	R208	R3.900	R141	CI, HK, TR
Annlin/Wonderboom/Sinoville/Montana	R2.467	R351	R2.967	R208	R3.500	R141	R4.300	R424	CI, HK, TR
Die Moot/Queenswood	R2.600	R173	R2.900	R100	R3.417	R202	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)	R2.400	R0	R2.867	R115	R3.700	R100	R4.050	R71	CI, HK, TR
Groenkloof/Brooklyn/most Waterkloofs/ Monumentpark/Erasmusrand	R2.850	R354	R3.150	R212	R4.200	R0	R5.050	R495	HK, TR
South-eastern suburbs (Elarduspark/ Wingate Park/Moreletapark/Pierre van Ryneveld/Waterkloof)	R3.250	R778	R3.700	R707	R4.650	R212	R5.200	R283	HK, TR



**Table 9.2 (continued)**  
**Flat rentals: standard units**  
 Average rand per month as at quarter 2012:4

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
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/Amanzimtoti/Warner Beach area	R3.000	-	R3.500	-	R3.750	-	R4.500	-	TR, WK
<b>Cape Town average</b>	<b>R2.695</b>		<b>R3.283</b>		<b>R4.174</b>		<b>R5.198</b>		
Camps Bay/Clifton/Bantry Bay	R4.550	R71	R5.600	R141	R6.650	R212	R8.500	-	SQ, TR
Sea Point	-	-	-	-	-	-	-	-	TR
Green Point/Three Anchor Bay	R3.650	R132	R4.550	R529	R6.383	R1.402	R6.500	-	PF, SQ, TR
City Bowl (excluding Higgovale)	R3.967	R29	R4.675	R348	R6.113	R853	R8.650	R786	JL, SQ, TR
City Centre	R3.550	R354	R4.883	R952	R5.765	R332	R7.350	R212	SQ, TR
Waterfront	-	-	-	-	-	-	-	-	-
Rondebosch/Rosebank/Claremont	R3.153	R67	R4.083	R126	R5.383	R202	R7.000	R500	PF, SQ, TR
Kenilworth/Wynberg/Plumstead	R2.883	R76	R3.350	R132	R4.300	R304	R5.500	-	PF, SQ, TR
Muizenberg/ Kalk Bay/ Fish Hoek	R2.850	R409	R3.450	R568	R3.850	R71	R5.200	-	SQ, TR
Hout Bay	R2.900	-	R3.725	R318	R4.775	R247	R5.800	-	EM
Milnerton/Sanddrift	R3.000	R100	R3.575	R150	R4.425	R150	R5.500	R0	LA, PF, RS, TR
Tableview/ Parklands	R2.867	R208	R3.233	R58	R4.538	R645	R4.800	R361	LA, PF, SQ, TR
Blouberg/Melkbos	R2.950	R71	R3.425	R35	R4.325	R35	R5.383	R104	LA, TR
Athlone	R2.000	-	R2.200	-	R2.800	-	R3.200	-	TR
Mitchell's Plain	R1.500	-	R1.800	-	R2.200	-	R2.800	-	TR
Pinelands	R3.000	R0	R3.500	R0	R4.400	R141	R5.400	R141	LA, TR
Brooklyn/Rugby/Maitland	R2.417	R76	R2.917	R144	R3.367	R189	R4.350	R212	LA, SQ, TR
Monte Vista/ Goodwood/ Parow/ Bellville Central	R2.600	R200	R3.060	R195	R3.800	R212	R4.433	R404	LA, SQ, TR

**Table 9.2 (continued)**  
**Flat rentals: standard units**  
 Average rand per month as at quarter 2012:4

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Tyger Valley area/ Durbanville	R2.525	R369	R3.000	R356	R4.000	R245	R4.825	R287	LA, PF, SF, TR
Brackenfell/ Kuils River	R2.225	R403	R2.760	R344	R3.590	R313	R4.400	R529	LA, PF, SF, TR
Somerset West	R1.867	R115	R2.267	R252	R3.067	R115	R4.067	R115	GE, LA, TR
Strand	R1.913	R131	R2.478	R221	R3.225	R310	R3.900	R964	GE, LA, SQ, TR
Gordon's Bay	R1.867	R115	R2.400	R100	R3.067	R115	R4.400	R529	GE, LA, TR
<b>Port Elizabeth average</b>	<b>R2.342</b>		<b>R2.624</b>		<b>R3.478</b>		<b>R4.280</b>		
Summerstrand/Humewood/South End	R3.100	R265	R3.600	R424	R4.933	R513	R6.233	R929	JP, ZB
Walmer	R2.900	R458	R2.600	R424	R4.150	R636	R6.400	-	JP, ZB
Central/North End	R2.250	-	R2.550	R354	R2.930	R99	R3.200	-	ZB
Newton Park	R2.550	R354	R2.850	R354	R3.800	-	R4.500	-	JP, ZB
Westerling	R2.150	R71	R2.500	R141	R3.350	R636	R4.000	-	JP, ZB
Kabega	R2.050	R354	R2.400	R707	R3.100	R566	R3.950	R778	JP, ZB
Algoa Park	R1.700	R424	R2.100	R424	R2.600	R424	R2.900	-	JP, ZB
<b>East London average</b>	<b>R2.347</b>		<b>R2.544</b>		<b>R3.014</b>		<b>R3.447</b>		
Southernwood/Quigney Beach/CBD	R2.500	-	R2.750	-	R3.250	-	R3.750	-	TR
Berea	R2.750	-	R2.950	-	R3.550	-	R3.800	-	TR
Amalinda	R2.350	-	R2.400	-	R2.700	-	R3.050	-	TR
Gonubie Park	R2.000	-	R2.150	-	R2.650	-	R3.250	-	TR
<b>Bloemfontein average</b>	<b>R1.779</b>		<b>R2.319</b>		<b>R3.081</b>		<b>R3.744</b>		
Bloemfontein	R1.675	R247	R2.300	R424	R2.900	R141	R3.500	-	ED, MI
Westdene	R1.775	R35	R2.400	R141	R2.950	R212	R4.000	R0	ED, EK, MI
Willows	R1.850	R87	R2.300	R265	R3.533	R751	R3.625	R177	ED, EK, MI
Navalsig	R1.800	-	R2.200	R265	R2.917	R401	R3.450	R636	ED, EK, MI
Arboretum	R1.800	-	R2.400	R566	R3.150	R495	R4.200	R990	ED, MI

**Table 9.3**  
**Flat rentals: upmarket units**

Average rents per month as at quarter 2012:4

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
<b>Johannesburg average</b>	<b>R3.001</b>		<b>R4.298</b>		<b>R5.326</b>		<b>R6.045</b>		
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/Killarney/Ilovo	R4.200	-	R5.500	-	-	-	-	-	TR
Greenside/Victory									
Park/Emmentaria/Linden/Parkview/Parkhurst	R4.500	-	R5.500	-	R6.500	-	R8.000	-	JL
Randburg: Ferndale/Fontainebleau	R3.000	R707	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**

	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
Annlín/Wonderboom/Sinoville/Montana	-	-	-	-	-	-	-	-	
Die Moot/Queenswood	-	-	-	-	-	-	-	-	
Silverton/Meyerspark/La Montagne	-	-	-	-	-	-	-	-	
Eastern suburbs (Menlo Park/Ashlea									
Gardens/all Lynnwoods/Die Wilgers/									
Faerie Glen/Garsfontein/Pretoriuspark/									
Constantia/Waterkloof Glen/									
Erasmus(kloof)	-	-	-	-	-	-	-	-	
Groenkloof/Brooklyn/most Waterkloofs/									
Monumentpark/Erasmusrand	-	-	-	-	-	-	-	-	
South-eastern suburbs (Elarduspark/									
Wingate Park/Moreletapark/Pierre van									
Ryneveld/Waterkloof)	-	-	-	-	-	-	-	-	
Sunnyside	-	-	-	-	-	-	-	-	
Arcadia	-	-	-	-	-	-	-	-	
Pretoria West	-	-	-	-	-	-	-	-	

**Table 9.3 (continued)**  
**Flat rentals: upmarket units**  
**Average rands per month as at quarter 2012:4**

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Kwaggastrand/West Park	-	-	-	-	-	-	-	-	-
Elandspoort/Danville	-	-	-	-	-	-	-	-	-
Atteridgeville/Laudium	-	-	-	-	-	-	-	-	-
<b>Centurion Average</b>	<b>R3.588</b>		<b>R4.133</b>		<b>R4.986</b>		<b>R6.264</b>		
Pierre van Ryneveld	-	-	-	-	R4.300	-	R5.200	-	ASA
Irene	-	-	-	-	-	-	-	-	-
Kloofsig/ Lyttleton Manor/ Doringkloof/ Zwartkop	R3.625	R106	R4.000	-	R5.500	R707	R8.050	R2.758	ASA, CB
Highveld and Extensions	R3.600	-	R4.200	-	R4.950	R212	R6.050	R71	ASA, CB
Clubviews/ Eldoraigne/ Wierda Park/ Cranebrook/ Bronberrick/ Rooihuiskraal North	R3.700	-	R4.400	-	R4.850	R495	R6.000	R707	ASA, CB
Rooikruiskraal/ The Reeds	R3.600	-	R4.200	-	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
<b>Durban average</b>	<b>R3.238</b>		<b>R4.152</b>		<b>R5.200</b>		<b>R7.049</b>		
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 2012:4

	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
<b>Cape Town average</b>	<b>R3.334</b>		<b>R4.134</b>		<b>R5.327</b>		<b>R6.891</b>		
Camps Bay/Clifton/Bantry Bay	R5.750	R71	R6.400	R141	R9.000	R0	R14.750	R354	SQ, TR
Sea Point	-	-	-	-	-	-	-	-	
Green Point/Three Anchor Bay	R4.950	R636	R5.950	R71	R7.300	R283	R8.750	R354	PF, SQ, TR
City Bowl (excluding Higgovale)	R4.833	R289	R6.150	R304	R8.667	R416	R11.750	R354	JL, SQ, TR
City Centre	R4.500	R0	R5.700	R424	R8.075	R247	R9.000	-	SQ, TR
Waterfront	-	-	-	-	-	-	-	-	TR
Rondebosch/Rosebank/Claremont	R3.867	R709	R4.933	R737	R6.833	R1155	R10.500	R707	PF, SQ, TR
Kenilworth/Wynberg/Plumstead	R3.900	R566	R4.450	R354	R5.450	R71	R6.750	R354	SQ, TR
Muizenberg/ Kalk Bay/ Fish Hoek	R3.400	R141	R3.925	R35	R5.050	R71	R6.000	-	SQ, TR
Hout Bay	-	-	-	-	-	-	-	-	
Milnerton/Sanddrift	R3.500	R497	R4.050	R574	R4.975	R785	R6.500	R866	LA, PF, RS, TR
Tableview/Parklands	R3.375	R310	R4.067	R379	R4.863	R626	R5.967	R58	LA, PF, SQ, TR
Blouberg/Melkbos	R3.667	R351	R4.400	R141	R5.850	R212	R7.350	R212	LA, PF, TR
Athlone	R2.200	-	R3.000	-	R3.500	-	R4.500	-	TR
Mitchell's Plain	R2.000	-	R2.800	-	R3.500	-	R4.500	-	TR
Pinelands	R3.650	R212	R4.500	R0	R6.000	R0	R7.750	R354	LA, TR
Brooklyn/Rugby/Maitland	R2.967	R58	R3.417	R144	R4.317	R318	R5.400	R173	LA, SQ, TR
Monte Vista/Goodwood/Parow/Bellville									
Central	R3.075	R150	R3.500	R258	R4.600	R566	R5.425	R850	LA, SQ, TR
Tyger Valley area/Durbanville	R3.133	R115	R3.975	R386	R4.770	R239	R6.733	R1328	LA, PF, SF, TR
Brackenfell/Kuils River	R2.550	R370	R3.020	R295	R3.900	R224	R4.667	R289	LA, PF, SF, TR

Table 9.3 (continued)

## Flat rentals: upmarket units

Average rands per month as at quarter 2012:4

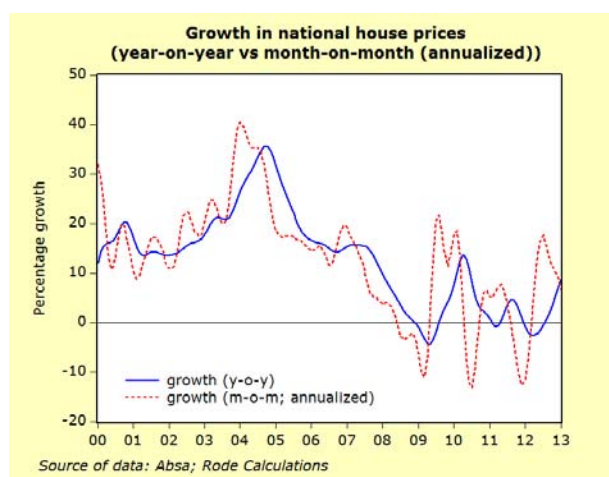
	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Somerset West Strand Gordon's Bay	R2.533	R58	R3.567	R115	R4.533	R58	R6.167	R1.155	GE, LA, TR
	R2.667	R289	R3.500	R0	R4.667	R289	R6.000	R866	GE, LA, TR
	R2.700	R265	R3.567	R115	R4.567	R115	R5.733	R252	GE, LA, TR
	<b>R2.610</b>		<b>R3.066</b>		<b>R3.563</b>		<b>R4.320</b>		
Summerstrand/Humewood/South End Walmer Central/North End Newton Park Westering Kabega Algoa Park	R3.250	R354	R4.000	R283	R4.700	R283	R7.600	R1.493	JP, ZB
	R2.975	R177	R3.800	R0	R4.650	R212	R6.250	R1.061	JP, ZB
	R2.500	-	R2.750	-	R3.250	-	R3.500	-	ZB
	R2.675	R318	R3.075	R318	R3.450	R354	R3.800	-	JP, ZB
	R2.650	R212	R3.025	R247	R3.500	R0	R3.850	-	JP, ZB
	R2.600	R141	R2.975	R177	R3.400	R141	R3.850	-	JP, ZB
	R1.850	-	R2.200	-	R2.500	-	R3.000	-	ZB
<b>East London average</b>	<b>R2.658</b>		<b>R2.906</b>		<b>R3.356</b>		<b>R3.813</b>		
Southernwood/Quigney Beach/CBD Berea Amalinda Gonubie Park	R2.800	-	R3.250	-	R3.600	-	R4.050	-	TR
	R3.100	-	R3.250	-	R3.500	-	R4.200	-	TR
	R2.500	-	R2.700	-	R3.050	-	R3.500	-	TR
	R2.300	-	R2.500	-	R3.300	-	R3.550	-	TR
<b>Bloemfontein average</b>	<b>-</b>		<b>-</b>		<b>-</b>		<b>-</b>		
Bloemfontein Westdene Willows Navalsig Arboretum	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	

## Chapter 10: House market

# House prices likely to do a dead cat bounce

Written by John S. Lottering

In spite of headwinds, in recent months the yearly growth in house prices has been able to accelerate.



After heating up since the second half of 2012, national nominal house prices were in February 2013 up by an impressive 10%. The low and stable cost of borrowed money (interest rates) might be one possible explanation for the current strength in house prices. Another might be the lagged impact of the strong growth in disposable incomes experienced between June 2011 and March 2012.

Yet there remain headwinds confronting the growth in house prices. Consider here:

- Frustratingly high household debt-to-disposable income levels, which adversely affect consumers' credit-risk profiles
- Low consumer confidence levels, which might affect the willingness of households to make substantial

financial commitments like buying a house.

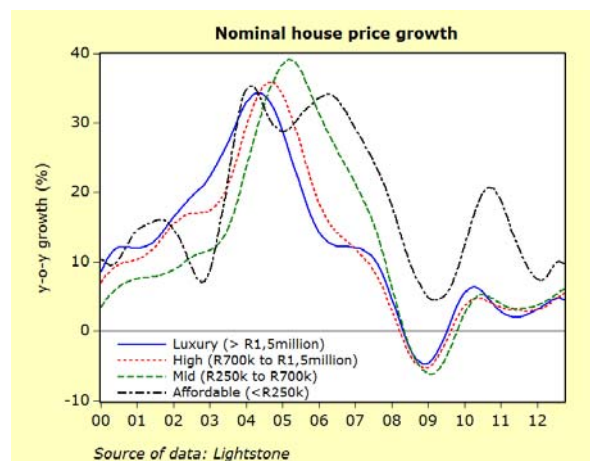
- Upward pressure on property running costs such as property taxes and electricity, which might undermine the demand for housing.
- Unimpressive growth in economic activity and its ability to dampen prospects for growth in employment and disposable income. In fact, the growth in disposable incomes has in recent quarters already started to decelerate. In the third quarter of 2012 growth of only around 6% was achieved.
- The housing finance game has changed. Deal sweeteners like 100% loan-to-value mortgage loans and discounts to prevailing prime interest rates — once the norm during the housing boom years when volumes were high — have become like hens' teeth.

For these reasons, the growth in house prices might do a dead cat bounce — that is, lose some of its current zest and thereafter, decelerate. What's more, the monthly growth in house prices has already been losing steam for a number of months now (see graph). This might also suggest a cooling in yearly house-price growth.

At the provincial level, in the fourth quarter of 2012 house prices in Limpopo recorded the strongest growth of 18%. In the Eastern Cape and the Free State, house prices were up by 13% while in KwaZulu/Natal and Mpumalanga, growth of

10% was achieved. Modest growth was recorded in Gauteng (+3%) and the Western Cape (+4%), while in the Northern Cape (-2%) and the North West (-10%) house prices contracted. However, more interesting is the comparison of the growth in average annual household incomes between 2001 and 2011<sup>1</sup> and the compound growth in nominal house prices over this period. As theory would suggest, the provinces with the highest (lowest) growth in incomes also generally showed the highest (lowest) growth in house prices (see corresponding scatter graph).

As for the different value bands (as differentiated by Lightstone), house prices in the luxury (>R1,5 million), high-value (R700k to R1,5 million) and mid-value (R250k to R700k) were in October 2012 growing by between 4% and 6%. Over the same period, houses in the affordable (<R250k) category showed the best growth of 10%. A possible boon to the affordable category is, of course, Government's Finance-linked Individual Subsidy Programme (FLISP). Depending on the monthly income level — which should range between R3 501 and R15 000 — a qualifying beneficiary could get a subsidy of between R10 000 and R87 000. This is to be used towards the financing of a property of which the purchase price does not exceed R300 000.

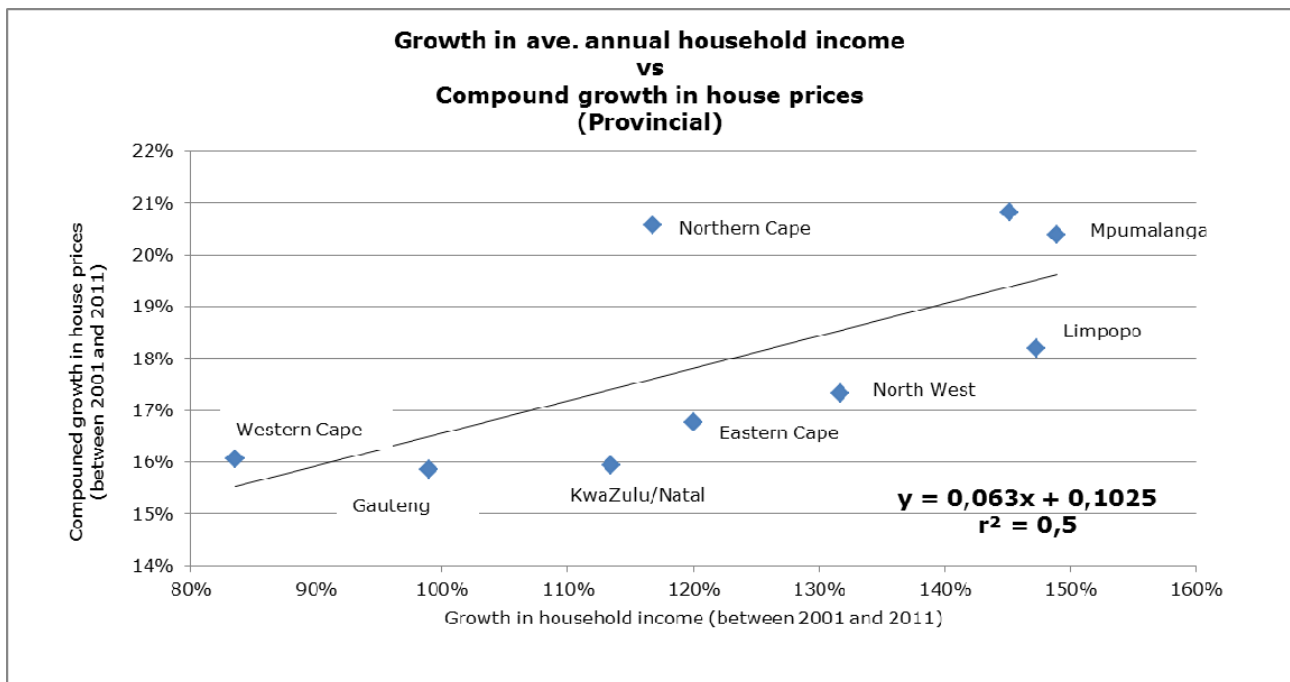


## Residential income yields

**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, 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.

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

<sup>1</sup> Sourced from Census 2011, released in October 2012.



**Table 10.1**  
**Gross-income yields (%) of houses by price class**  
**Quarter 2012:4**

	Low	Middle	High
<b>Eastern Cape</b>			
Port Elizabeth			
- Summerstrand/Humewood	6,4%	6,4%	6,6%
- Walmer (to 8th avenue)	4,8%	6,6%	6,6%
- Upper Walmer	5,6%	5,6%	6,0%
- Central / North End / Sydenham	11,5%	10,3%	7,2%
- Fernglen/Framesby	7,1%	5,7%	6,6%
- Westering	8,2%	7,4%	6,3%
- Algoa Park	10,1%	10,5%	6,5%
- Kabega	10,0%	10,8%	7,8%
- Malabar II	6,9%	8,4%	8,3%
Queenstown			
- North & North Eastern Areas	7,8%	8,5%	6,7%
- Westbourne/Weshof	8,3%	8,3%	7,8%
- Sandringham / Granger Heugh Park	6,4%	6,8%	7,2%
- Queenstown Central (CBD)	7,6%	7,2%	7,4%
- Madeira Park	9,6%	9,8%	9,0%
- Victoria Park	8,5%	8,4%	8,5%
- Newrest	7,2%	7,7%	7,9%
- Aloevale	6,0%	6,5%	6,0%
- Ezibeleni	7,2%	4,8%	5,6%
- South and South West Extensions	4,0%	4,8%	5,6%
- Mlungisi Extension	3,2%	5,4%	5,3%
Uitenhage			
- Uitenhage	7,7%	6,8%	6,0%
<b>Free State</b>			
Bloemfontein			
- Houses north of Mandela Blvd	6,3%	5,7%	5,5%
- Houses south of Mandela Blvd	7,4%	6,8%	8,1%
- Langenhoven Park	7,8%	7,3%	6,2%
- Ehrlich Park	10,7%	n/a	n/a



**Table 10.1 (continued)**  
**Gross-income yields (%) of houses by price class**  
**Quarter 2012:4**

	Low	Middle	High
<b>Gauteng</b>			
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%
- Kwaggarend / West Park	7,7%	6,0%	7,1%
- Elandspoort/Danville	8,0%	7,6%	9,3%
Centurion			
- Kloofsig / Lyttleton Manor / Doringkloof	14,7%	12,4%	5,1%
- Clubviews/Eldoraigne	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 2012:4**

	Low	Middle
<b>Eastern Cape</b>		
Port Elizabeth		
- Summerstrand / Humewood / South End	6,9%	7,5%
- Walmer/Charlo/Fairview/Lorraine	7,2%	6,5%
- Newton Park / Fernglen / Sunridge Park	6,0%	7,2%
- Westering / Hunter's Retreat	7,0%	7,4%
- Algoa Park	5,2%	n/a
- Kabega	8,8%	7,7%
- Malabar II	12,4%	12,7%
Queenstown		
- North & North Eastern Suburbs	6,4%	5,3%
- Westbourne/Weshof	6,7%	7,0%
- Sandringham / Granger Heugh Park	7,4%	7,7%
- Queenstown Central (CBD)	6,0%	7,3%
- Madeira Park	9,6%	10,5%
Uitenhage		
- Uitenhage	9,1%	8,5%
<b>Free State</b>		
Bloemfontein		
- Houses north of Mandela Blvd	6,8%	4,6%
- Houses south of Mandela Blvd	7,0%	5,4%
- Langenhoven Park	6,9%	6,4%
<b>Gauteng</b>		
Benoni		
- Lakefield	9,6%	6,0%
- Westdene	9,0%	5,3%
- Farrarmere	9,2%	4,8%
- Morehill	9,6%	6,3%
- Rynfield	9,3%	6,0%
- Northmead	9,9%	11,1%
- Crystal Park	9,5%	9,4%

**Table 10.2 (continued)**  
**Gross-income yields (%) of townhouses by price class**  
**Quarter 2012:4**

	Low	Middle
Centurion		
- <i>Pierre van Ryneveld</i>	8,1%	8,8%
- <i>Irene</i>	8,5%	12,8%
- <i>Kloofsig / Lyttleton Manor / Doringkloof</i>	8,3%	11,3%
- <i>Highveld and Extensions</i>	7,9%	8,8%
- <i>Clubviews / Eldoraigne / 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%

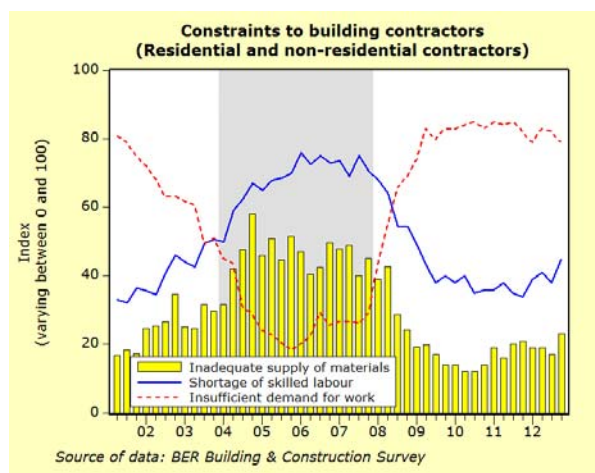
## Chapter 11: Building activity and building costs

# Insufficient demand for work biggest constraint

Written by John S. Lottering

Insufficient demand for building work remains the biggest constraint to a rebound in building activity, which is stating the obvious when considering the current jaded state of the economy.

During the building-boom years (shaded area in the graph) demand for work was, naturally, not an issue. Back then a shortage of skilled labour was the biggest constraint.



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 to building activity, namely insufficient demand for building work, shortages of skilled labour and inadequate supply of building materials.<sup>1</sup> As the graph shows, insufficient demand for work has since the start of the slowdown in economic activity (since 2009) been the most pertinent constraint to building activity.

The graphs and **Tables 11.1** and **11.2** reveal some interesting facts about recent trends in building activity. During 2012, houses  $\geq 80$  m<sup>2</sup> (62%) accounted for most of the residential space completed. This was followed by flats & townhouses (24%) and houses  $< 80$  m<sup>2</sup> (14%). The fact that the amount of residential space completed during 2012 was only about half of the peak-year levels (2005/2006), is evidence of the tough times residential contractors have been experiencing over the past few years.

Although non-residential building activity peaked later in 2008, contractors in this sector have also not had an easy run. When compared to peak-year levels, the amount of non-residential space completed was down by between 33% and 52%. Interestingly, the amount of industrial & warehouse space completed has for more than two decades been the largest contributor to the total annual amount of non-residential space (in m<sup>2</sup>) completed (see accompanying graph). But then one must bear in mind that the building cost per square metre of industrial space is much lower than that of office space.

<sup>1</sup> The BER calculates the index as follows: The answers of respondents rating a particular constraint as "serious" are weighted by 0,67%; those rating it as "slightly" by 0,33% and those rating it as "not a constraint at all" are discarded. The results are then multiplied by 100/67 (= 1,49) to convert them to an index that can vary between 0 and 100.

**Table 11.1**  
**Residential building activity during 2012**

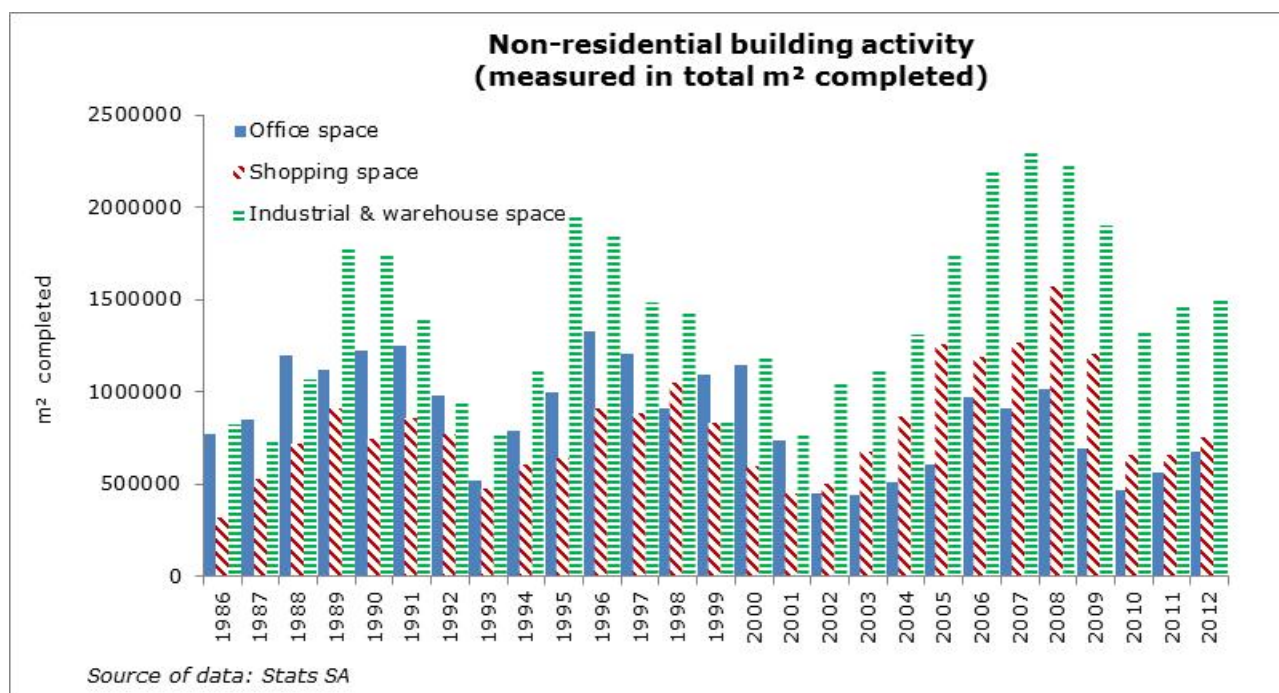
	Houses <80 m <sup>2</sup>	Houses ≥80 m <sup>2</sup>	Flats & townhouses
% of total residential space completed	13,9%	62,1%	24,0%
Growth over past year	-20,5%	3,2%	6,8%
Space completed in 2012 relative to recent peak levels	-47,7%	-52,2%	-66,5%

Source of data: Stats SA; Rode calculations

**Table 11.2**  
**Non-residential building activity during 2012**

	Office space	Shopping space	Industrial & warehouse space
% of total non-residential space completed	23,1%	25,6%	51,3%
Growth over past year	19,7%	14,9%	3,4%
Space completed during 2012 relative to recent peak levels	-33,6%	-52,3%	-34,4%

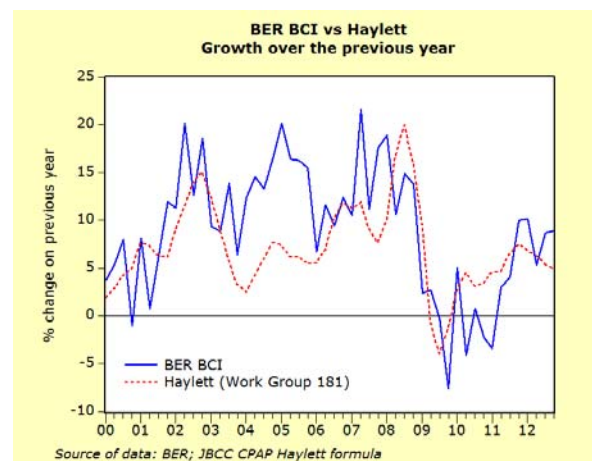
Source of data: Stats SA; Rode calculations



Although overall economic activity did recover (slightly) in the fourth quarter of 2012, for now a sudden and sustained improvement in property fundamentals is unlikely. The implications hereof are continued lacklustre demand for building work and building activity. This in turn not only means continued keen tendering competition amongst contractors but also little demand-pull pressure on building-input costs.

The corresponding graph shows how the yearly growth in building-input-costs for commercial and industrial buildings<sup>2</sup> has decelerated since the end of 2011. In the fourth quarter of 2012, input costs for commercial and industrial buildings showed growth of just below 5%. Over the same

period, pre-contract non-residential tender prices are expected to have recorded growth of about 9%. □



**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.

<sup>2</sup> As measured by the HaylettIndex, Work Group 181 (refer to Annexure 1 for a definition)

## ***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  $n^{\text{th}}$  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  $(6 \times 7)$ . 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 space 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).

- **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.

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

**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<sup>+</sup>, A<sup>-</sup>, B<sup>+</sup>, B<sup>-</sup>, C<sup>+</sup> or C<sup>-</sup>.

**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 m<sup>2</sup>.

**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 m<sup>2</sup> 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 m<sup>2</sup> 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 m<sup>2</sup> 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 m<sup>2</sup> of shop space; principal tenant is a supermarket; 15 to 40 shops.
- **Convenience:** 300 to 1.200 rentable m<sup>2</sup> of shop space; principal tenant is a café or grocer like Kwik Spar; 5 to 15 shops.
- **Retail warehouse:** Stand-alone; single tenant; >10.000m<sup>2</sup>; air-conditioned, no ceiling, warehouse-like finishes, e.g. Makro, Hypermarket, Game, Dion.
- **Value centre:** Multi-tenanted strip centre; >10.000m<sup>2</sup>; warehouse type finishes in order to deliver lower prices to consumers.

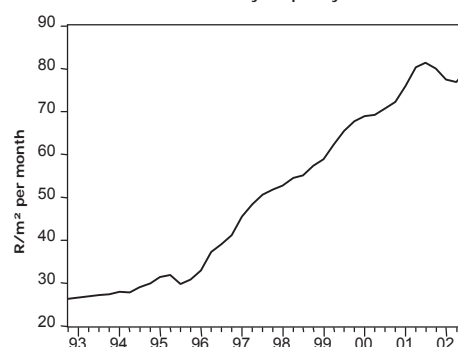
**Smoothing:** Removal of shorter-term fluctuations in a **time series**, by e.g. moving averages, exponential smoothing, or curve fitting.

**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 graphic portrayal of a rental time series  
Quarterly frequency



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. Sapoa
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:

- o Track actual transactions, like the rental levels of lettings or the capitalization rates at which sales are concluded. Valuers (appraisers) call these 'comparables'.
- o 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:

- o A paucity of transactions in most nodes, making statistical inferences impossible.
- o Hence the danger of relying on outlier data (mainly the result of small samples)
- o Dated transactions
- o The cost
- o 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 m<sup>2</sup> excluding VAT?" The questionnaire also asks for the typical rent-free period in months, the gross current-year operating costs per rentable m<sup>2</sup> 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 250m<sup>2</sup> in the case of grades A+, A & B and 150m<sup>2</sup> in the case of grade C

(150m<sup>2</sup> 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 m<sup>2</sup>)\* 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 m<sup>2</sup>)<sup>a</sup> of vacant stands appropriately zoned<sup>b</sup> 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<sup>a</sup>, 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 m<sup>2</sup> 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: 250m<sup>2</sup>, 500m<sup>2</sup>, 1.000m<sup>2</sup>, 2.500m<sup>2</sup> and 5.000m<sup>2</sup>. 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 m<sup>2</sup> for vacant, serviced levelled land in the townships and for the

stand sizes indicated below? Where land is only leased, provide the rent per m<sup>2</sup> 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 1.000m<sup>2</sup>, 2.000m<sup>2</sup>, 5.000m<sup>2</sup> and 10.000m<sup>2</sup>.

**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 m<sup>2</sup>.

■

## 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 m<sup>2</sup> 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 m<sup>2</sup>. 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 m<sup>2</sup> 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 m<sup>2</sup>. ■

## *Approximate building cost rates as at July 2012*

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

The following, unless otherwise stated, is a list of approximate building cost rates per m<sup>2</sup> of construction area for various building types in the Gauteng region. The rates represent the average expected building cost rates for 2012. 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 m<sup>2</sup> is equivalent to the 'Construction Area' where appropriate, as defined in the 'Method for Measuring Floor Areas in Buildings, First Edition' (effective from 1<sup>st</sup> 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 <sup>2</sup>	R5.500 – R6.700
2.	Low-rise prestigious office park development	/m <sup>2</sup>	R7.100 – R10.600
3.	High-rise tower block with standard specification	/m <sup>2</sup>	R7.800 – R10.600
4.	High-rise prestigious tower block	/m <sup>2</sup>	R10.600 – R13.250

**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 <sup>2</sup>	R375 – R480
2.	Structured parking	/m <sup>2</sup>	R2.950 – R3.800
3.	Parking in semi-basement	/m <sup>2</sup>	R2.950 – R4.000
4.	Parking in basement	/m <sup>2</sup>	R3.000 – R4.500

### Retail

1.	Local Convenience centre (not exceeding 5.000m <sup>2</sup> )	/m <sup>2</sup>	R5.300– R6.900
2.	Neighbourhood centres (5.000 – 12.000m <sup>2</sup> )	/m <sup>2</sup>	R5.300– R7.400
3.	Community centres (12.000 – 25.000m <sup>2</sup> )	/m <sup>2</sup>	R5.800 – R8.000
4.	Minor regional centres (25.000 – 50.000m <sup>2</sup> )	/m <sup>2</sup>	R6.400 – R8.500
5.	Regional centres(50.000 – 100.000m <sup>2</sup> )	/m <sup>2</sup>	R7.400 – R9.000
6.	Super regional centres (exceeding 100.000m <sup>2</sup> )	/m <sup>2</sup>	R7.400 – R10.000

**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 <sup>2</sup>	R2.650 – R4.000
1.2	Steel frame, brickwork to ceiling, steel cladding above and roof sheeting	/m <sup>2</sup>	R3.200 – R4.450
1.3	Administration offices, ablution and change room block	/m <sup>2</sup>	R5.100 – R6.400
1.4	Cold storage facilities	/m <sup>2</sup>	R9.400 – R13.500

### Residential

1.	Site services to low cost housing stand (250 – 350m <sup>2</sup> )	/no	R23.500 – R36.000
2.	RDP housing	/m <sup>2</sup>	R1.300 – R1.500
3.	Low-cost housing	/m <sup>2</sup>	R2.100 – R3.400
4.	Simple low-rise apartment block	/m <sup>2</sup>	R5.000 – R7.000

5.	Duplex townhouse — Economic	/m <sup>2</sup>	R5.000 – R7.100
6.	Prestige apartment block	/m <sup>2</sup>	R9.500 – R14.800
7.	Private dwelling houses:		
	• Economic	/m <sup>2</sup>	R3.600
	• Standard	/m <sup>2</sup>	R4.900
	• Middle Class	/m <sup>2</sup>	R5.800
	• Luxury	/m <sup>2</sup>	R8.300
	• Exclusive	/m <sup>2</sup>	R12.300
	• Exceptional ('Super luxury')	/m <sup>2</sup>	R19.000 – R38.000
8.	Outbuildings	/m <sup>2</sup>	R2.100 – R3.400
9.	Carport (shaded):		
	• Single	/no	R3.100
	• Double	/no	R5.900
10.	Carport (covered):		
	• Single	/no	R4.800
	• Double	/no	R8.800
11.	Swimming pool		
	• Not exceeding 50kl	/no	R64.000
	• Exceeding 50kl and not exceeding 100kl	/no	R64.000 – R106.000
12.	Tennis court		
	• Standard	/no	R228.000
	• Floodlit	/no	R297.000

**Hotels**

1.	Budget	/key	R525.000 – R820.000
2.	Mid-scale	/key	R1.100.000 – R1.450.000
3.	Luxury	/key	R1.865.000 – R2.565.000

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

**Studios**

1.	Studios: dancing, art exhibitions, etc.	/m <sup>2</sup>	R9.400 – R13.500
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**Conference Centres**

1.	Conference centre to international standards	/m <sup>2</sup>	R17.000 – R22.000
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**Retirement Centres**

1.	Dwelling house		
	• middle class	/m <sup>2</sup>	R5.600
	• luxury	/m <sup>2</sup>	R7.850
2.	Apartment block		
	• middle class	/m <sup>2</sup>	R5.800
	• luxury	/m <sup>2</sup>	R9.000
3.	Community centre		
	• middle class	/m <sup>2</sup>	R7.500
	• luxury	/m <sup>2</sup>	R11.100

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4.	Frail care	/m <sup>2</sup>	R9.000
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**Schools**

1.	Primary school	/m <sup>2</sup>	R4.800 – R6.000
2.	Secondary school	/m <sup>2</sup>	R5.100 – R6.700

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**Stadiums**

1.	Stadiums to PSL standards	/seat	R23.000 – R36.000
2.	Stadiums to FIFA standards	/seat	R53.000 – R71.000
3.	Stadium pitch to FIFA standards		R15.000.000 – R18.000.000

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**Prisons**

1.	1 000 Inmate prison	/inmate	R400.000 – R425.000
2.	Mid-scale	/inmate	R425.000 – R475.000
3.	Luxury	/inmate	R635.000 – R850.000

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**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.

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**Electrical installation**

1.	Office buildings — standard installation	/m <sup>2</sup>	R345 – R595
2.	Office buildings — sophisticated installation	/m <sup>2</sup>	R490 – R780
3.	Office buildings – UPS, substations, standby generators	/m <sup>2</sup>	R250 – R340
4.	Residential	/m <sup>2</sup>	R370 – R570
5.	Shopping centres	/m <sup>2</sup>	R560 – R700
6.	Hotels	/m <sup>2</sup>	R720 – R890
7.	Hospitals	/m <sup>2</sup>	R850 – R1.100

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**Building services****Electronic installation**

1.	Offices - standard installation	/m <sup>2</sup>	R370 – R470
2.	Offices – sophisticated installation	/m <sup>2</sup>	R480 – R600
3.	Residential	/m <sup>2</sup>	R200 – R260
4.	Shopping centres	/m <sup>2</sup>	R450– R600
5.	Hotels	/m <sup>2</sup>	R400 – R500
6.	Hospitals	/m <sup>2</sup>	R400 – R520

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**Fire protection installation (offices)**

1. Sprinkler system, including hydrants and hose reels (excluding void sprinkler)	/m <sup>2</sup>	R150 – R240
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**Air-conditioning installation**

1. Ventilation to parking/services areas	/m <sup>2</sup>	R160 – R310
2. Office buildings: console units	/m <sup>2</sup>	R480 – R700
3. Office buildings: console/split units	/m <sup>2</sup>	R550 – R700
4. Office buildings: package units	/m <sup>2</sup>	R770 – R950
5. Office buildings: central plant	/m <sup>2</sup>	R1.000 – R1.450
6. Office buildings: Variable Refrigerant Flow (VRF)	/m <sup>2</sup>	R1.000 – R1.600
7. Residential: split units	/m <sup>2</sup>	R720 – R1.250
8. Shopping centres: split units	/m <sup>2</sup>	R660 – R780
9. Shopping centres: package units	/m <sup>2</sup>	R715 – R1.250
10. Shopping centres: evaporative cooling	/m <sup>2</sup>	R330 – R800
11. Hotels: public areas	/m <sup>2</sup>	R1.000 – R1.700
12. Hospitals: split units to wards	/m <sup>2</sup>	R1.430 – R1.650
13. Hotels: console units	/key	R13.250 – R18.500
14. Hotels: split units	/key	R27.500 – R37.500
15. Hotels: central plants	/key	R42.500 – R70.000
16. Hospitals: operating theatres	/theatre	R220.000 - R800.000

**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 (February 1991 = 100)

Forecast from: February 2012 Forecast date: March 2012

Month	2010		2011		2012		2013		2014		2015		2016	
	Index	% ch	Index	% ch	Index	% ch	Index	% ch	Index	% ch	Index	% ch	Index	% ch
Jan	383,8	4,0	397,7	3,6	422,9	6,3	452,8	7,1	500,9	10,6	539,3	7,7	567,7	5,3
Feb	385,6	3,8	401,3	4,1	427,3	6,5	456,2	6,8	504,3	10,5	541,3	7,3	570,1	5,3
Mar	387,1	3,5	406,5	5,0	433,4	6,6	462,7	6,7	511,7	10,6	547,4	7,0	571,9	4,5
Apr	387,9	3,7	407,4	5,0	434,5	6,7	467,0	7,5	515,1	10,3	550,4	6,9	573,5	4,2
May	391,2	5,1	407,5	4,2	436,2	7,0	473,2	8,5	519,2	9,7	552,2	6,4	574,0	3,9
Jun	392,2	5,3	409,5	4,4	438,1	7,0	481,1	9,8	522,7	8,6	553,6	5,9	575,3	3,9
Jul	391,6	4,0	413,4	5,6	441,0	6,7	486,0	10,2	524,1	7,8	553,7	5,6	576,5	4,1
Aug	391,0	3,4	414,2	5,9	442,1	6,7	490,1	20,9	528,7	7,9	554,4	4,9	576,7	4,0
Sep	391,6	3,3	415,9	6,2	444,3	6,8	494,2	11,2	531,4	7,5	553,5	4,2	578,3	4,5
Oct	392,5	3,6	417,3	6,3	445,6	6,8	495,5	11,2	532,9	7,5	553,5	3,9	579,6	4,7
Nov	393,5	3,9	419,2	6,5	447,2	6,7	497,7	11,3	534,9	7,5	558,9	4,5	578,3	3,5
Dec	394,7	3,6	420,7	6,6	448,2	6,5	498,7	11,3	536,0	7,5	559,9	4,5	578,3	3,3
<b>Avg.</b>	<b>390,2</b>	<b>3,9</b>	<b>410,9</b>	<b>5,3</b>	<b>438,4</b>	<b>6,7</b>	<b>479,6</b>	<b>9,4</b>	<b>521,8</b>	<b>8,8</b>	<b>551,5</b>	<b>5,7</b>	<b>575,0</b>	<b>4,3</b>

**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
1996:3	68,9	3,0%	2004:3	175,3	17,6%
1996:4	69,4	1,3%	2004:4	180,3	15,4%
1997:1	71,0	4,1%	2005:1	185,9	13,6%
1997:2	74,0	8,4%	2005:2	192,1	12,9%
1997:3	77,1	11,9%	2005:3	198,2	13,0%
1997:4	79,7	14,8%	2005:4	204,3	13,3%
1998:1	82,3	15,8%	2006:1	208,3	12,1%
1998:2	83,5	12,8%	2006:2	211,5	10,1%
1998:3	84,0	9,1%	2006:3	219,6	10,8%
1998:4	84,2	5,7%	2006:4	227,0	11,1%
1999:1	86,6	5,2%	2007:1	230,8	10,8%
1999:2	89,4	7,1%	2007:2	236,7	11,9%
1999:3	92,2	9,7%	2007:3	240,0	9,3%
1999:4	96,1	14,1%	2007:4	245,2	8,0%
2000:1	99,4	14,8%	2008:1	254,0	10,1%
2000:2	101,5	13,5%	2008:2	256,0	8,2%
2000:3	103,0	11,7%	2008:3	258,7	7,8%
2000:4	105,3	9,6%	2008:4	261,9	6,7%
2001:1	107,4	8,1%	2009:1	264,0	3,9%
2001:3	111,4	9,7%	2009:2	272,5	6,5%
2001:4	115,9	12,5%	2009:3	277,4	7,2%
2002:1	118,9	12,9%	2009:4	278,4	6,3%
2002:2	122,1	13,7%	2010:1	285,9	8,3%
2002:3	126,7	13,8%	2010:2	292,3	7,3%
2002:4	131,8	13,8%	2010:3	296,2	6,8%
2003:1	137,4	15,5%	2010:4	304,4	9,3%
2003:2	143,1	17,3%	2011:1	305,4	6,8%
2003:3	149,0	17,6%	2011:2	302,7	3,6%
2003:4	156,2	18,5%	2011:3	310,2	4,7%
2004:1	163,6	19,1%	2011:4	322,3	6,1%
2004:2	170,2	18,9%	2012:1	318,1	4,2%

Source: ABSA. Calculated from Absa home mortgage data, viz. value of houses to be built divided by number of m<sup>2</sup>.

# ***BER Building Cost Index (non-residential tender prices)***

2005=100

	First quarter	Second quarter	Third quarter	Fourth quarter	Average
<b>2006</b>	103,0	109,2	110,6	117,7	<b>110,1</b>
<b>% ch</b>	6,8	11,7	9,5	12,4	<b>10,1</b>
<b>2007</b>	113,9	132,8	122,9	138,4	<b>127,0</b>
<b>% ch</b>	10,6	21,6	11,2	17,6	<b>15,3</b>
<b>2008</b>	135,4	147,0	141,2	157,5	<b>145,3</b>
<b>% ch</b>	18,9	10,6	14,9	13,8	<b>14,4</b>
<b>2009</b>	138,7	151,0	140,9	145,6	<b>144,0</b>
<b>% ch</b>	2,4	2,7	-0,2	-7,6	<b>-0,9</b>
<b>2010</b>	145,7	144,8	142,0	142,4	<b>143,7</b>
<b>%ch</b>	5,1	-4,1	0,8	-2,2	<b>-0,2</b>
<b>2011</b>	140,8	149,1	147,6	157,1	<b>148,7</b>
<b>%ch</b>	-3,4	3,0	3,9	10,3	<b>3,4</b>
<b>2012</b>	159,8				
<b>%ch</b>	13,5				

**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
1989	18,0	19,0	19,0	19,0	20,0	20,0	20,0	20,0	20,0	21,0	21,0	21,0	19,8
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	13,0	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	9,0	9,0	9,0	9,0	9,0	9,0	9,0

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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